

POP Newco Plc

**BOARD OF
DIRECTORS AND
FINANCIAL
STATEMENT REPORT**

for 2 September – 31 December 2021

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This document is a translation of the original Finnish version "POP Newco Oyj:n toimintakertomus ja tilinpäätös 2.9.-31.12.2021". In case of discrepancies, the Finnish version shall prevail.

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD 2 SEPTEMBER - 31 DECEMBER 2021

POP Newco Plc (hereinafter 'POP Newco') is a subsidiary wholly owned by POP Bank Centre coop.

During the financial year 2021, the company has prepared for starting mortgage banking business. The company has acquired an IT system required for mortgage banking. The company has not had any other business operations. The company operates as part of the POP Bank Group and is part of the Amalgamation of POP Banks. The company had no research and development activities during the financial year.

MANAGEMENT AND PERSONNEL

The founding meeting of POP Newco was held 2 September 2021, and a share capital of EUR 2,000,000 was recorded.

The share issue decision made on 2 December 2021 increased equity by EUR 17,000,000. At the end of the financial year, POP Newco's registered number of shares was 500. The company's registered share capital was EUR 10,000,000 and the amount of invested unrestricted equity fund was EUR 9,000,000.

POP Newco's Board of Directors during the financial year included

- Juha Niemelä, Chairman of the Board
- Matti Vainionpää, Member of the Board
- Marja Pajulahti, Member of the Board

During the financial year, the Board has convened five (5) times.

The company's auditor is KPMG Oy Ab, an audit firm, with Tiia Kataja, authorised public accountant, as the principal auditor.

POP Newco does not have personnel. The Deputy CEO of Bonum Bank Plc Timo Hulkko has acted as the CEO of POP Newco since 16 December 2021. Administrative and managerial services have been purchased from POP Bank Centre Coop and POP

Newco's sister company Bonum Bank Plc. Financial administration has been outsourced to Figure Taloushallinto Ltd.

POP BANK GROUP AND AMALGAMATION OF POP BANKS

POP Newco is part of POP Bank Group through its parent company POP Bank Centre coop. However, POP Newco is not in scope of joint liability prior to obtaining a mortgage banking license.

POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises, in addition to providing private customers with non-life insurance services. The POP Banks' mission is to promote its customers' financial well-being and prosperity, as well as local success.

STRUCTURE OF THE POP BANK GROUP

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

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

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

POP Bank Centre coop, the central institution, is responsible for the group steering and supervision in accordance with the Act on the Amalgamation of Deposit Banks (24 June 2010/599) (hereinafter referred to as the "Amalgamation Act"). In accordance with the Amalgamation Act, the central institution shall prepare financial statements

as a combination of the financial statements or the consolidated financial statements of the central institution and its member credit institutions in accordance with the International Financial Reporting Standards (IFRS)

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

MAJOR RISKS AND UNCERTAINTIES

POP Newco's most significant operational risks are related to the functionality of information systems. The most significant strategic uncertainties are related to the time the mortgage banking license is granted and thereby the launch of issuance operations.

EVENTS AFTER THE REPORTING PERIOD

Board of Directors of POP Newco is not aware of events after the closing date that would have a material impact on the information presented in the financial statements.

OUTLOOK FOR 2022

POP Newco aims to start mortgage banking during 2022. The financial result for 2022 is expected to be negative due to start-up costs.

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

POP Newco's Board of Directors proposes to the Annual General Meeting that the loss for the period EUR -827,917,45 is recognised in retained earnings and that no dividends are paid.

FINANCIAL STATEMENTS 2.9.-31.12.2021

INCOME STATEMENT

(EUR 1,000)	Note	2 Sep - 31 Dec 2021
Turnover		-
Personnel expenses	2	-7
Other operating expenses	3	-821
Operating income		-828
Interest and other financial expenses		-
Profit before taxes		-828
Income tax expense	4	-
Profit for the financial period		-828

The company has no items to be presented in the statement of other comprehensive income.

BALANCE SHEET

(EUR 1,000)	Note	31 Dec 2021
ASSETS		
Non-current assets		
Intangible assets	6	539
Total of non-current assets		539
Current assets		
Liquid assets	7	17 748
Total of current assets		17 748
Total assets		18 287
EQUITY CAPITAL AND LIABILITIES		
Equity		
Share capital	8	10 000
Reserve for invested non-restricted equity	8	9 000
Retained earnings	8	-828
Total equity		18 172
Current liabilities		
Other liabilities	9	9
Accrued expenses	9	106
Total current liabilities		115
Total equity and liabilities		18 287

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Share capital	Reserve for invested non- restricted equity	Retained earnings	Total equity
Balance at 2 Sep 2021	2 000	-	-	2 000
Profit for the financial year	-	-	-828	-828
Total income for the financial year	-	-	-828	-828
Transactions with shareholders				
Issue of shares	8 000	9 000	-	17 000
Transactions with shareholders total	8 000	9 000	-	17 000
Balance at 31 Dec 2021	10 000	9 000	-828	18 172

STATEMENT OF CASH FLOWS**(EUR 1,000)****2 Sep - 31 Dec 2021**

Cash flow from operating activities	
Profit for the financial year	-828
Increase (-) or decrease (+) in operating assets	
Other liabilities	115
Total cash flow from operations	-713
Cash flow from investing activities	
Purchase of PPE and intangible assets	-539
Net cash used in investing activities	-539
Cash flow from financing activities	
Issue of shares	17 000
Net cash used in financing activities	17 000
Change in cash and cash equivalents	
Cash and cash equivalents at period-start	2 000
Cash and cash equivalents at the end of the period	17 748
Net change in cash and cash equivalents	15 748
Cash and cash equivalents	
Receivables from credit institutions payable on demand	17 748
Total	17 748

NOTES

NOTE 1 ACCOUNTING POLICIES

BASIS OF PREPARATION

POP Newco is a subsidiary wholly owned by POP Bank Centre coop. These financial statements are the company's financial statements for the first year of operation, because of which the figures for the comparison period cannot be reported. The founding meeting of the company was held on 2 September 2021. POP Newco's accounting and operational currency is euro.

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

FINANCIAL ASSETS

Financial assets consist of bank receivables.

INTANGIBLE ASSETS

Intangible assets are comprised information systems and licenses. An intangible asset is recognized in the balance sheet at acquisition cost if it is probable that the expected economic benefits associated, 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.

Intangible assets have a limited useful life. The acquisition cost of intangible assets is amortised in the income statement on the basis of the estimated useful lives of assets. The estimated useful life is 3–7 years for information systems and licenses.

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.

EMPLOYEE BENEFITS

Employee benefits are short-term employee benefits, such as remunerations for positions of responsibility, which are expected to be paid in connection with the work performance they are related to or within the following 12 months

POP Newco does not have employees. The company purchases the administrative and management services needed from its parent company POP Bank Centre coop and its sister company Bonum Bank Plc.

INCOME TAX

The income statement includes taxes on income for the financial year and changes in deferred taxes.

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.

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 reported amounts in the financial statements, as well as the information included in the notes. The management's main estimates concern the future and key uncertainties related to the amounts at the balance sheet date. Such key estimates are related to fair value measurement, 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.

At the end of each reporting period, management is required to assess whether there is any indication that an asset other than a financial asset may be impaired. Impairment of intangible assets should be assessed whenever there is any indication that an asset may be impaired. The impairment test for intangible assets determines the amount of the asset's future recoverable amount based on either the asset's value in use or its fair value. Impairment testing requires management to exercise judgment and estimate the amount of cash or interest that will be used in discounting the asset in the future. The valuation of intangible assets in progress also requires management judgment.

NOTE 2 PERSONNEL EXPENSES

(EUR 1,000)	2 Sep - 31 Dec 2021
Wages and salaries	-7
Total personnel expenses	-7

POP Newco does not have employees. Wages and salaries include remuneration paid to the members of the Board of Directors.

POP Newco purchases project, financial and management services from its parent company POP Bank Centre coop and sister company, Bonum Bank Plc. The cost of purchased services is recognized in Other operating expenses.

NOTE 3 OTHER OPERATING EXPENSES

(EUR 1,000)	2 Sep - 31 Dec 2021
Administrative expenses	-641
ICT expenses	-180
Other expenses	0
Total other operating expenses	-821

NOTE 4 INCOME TAX

(EUR 1,000)	2 Sep - 31 Dec 2021
Current tax	-
Total income tax expense	-

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

(EUR 1,000)	2 Sep - 31 Dec 2021
Profit before tax	-828
Income tax rate	20 %
Tax calculated at the tax rate	-
Tax expense in the income statement	-

POP Newco has not recognized any deferred tax assets for the losses for the financial year.

NOTE 5 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

FINANCIAL ASSETS 31 DECEMBER 2021

(EUR 1,000)	At amortised cost	Total carrying amount
Liquid assets	17 748	17 748
Financial assets total		17 748
Other assets		539
Total assets at 31 Dec 2021		18 287

FINANCIAL LIABILITIES 31 DECEMBER 2021

(EUR 1,000)	At amortised cost	Total carrying amount
Other than financial liabilities	-	-115
Total liabilities at 31 Dec 2021		-115

NOTE 6 INTANGIBLE ASSETS

(EUR 1,000)	31 Dec 2021
Incomplete intangible assets	539
Total of intangible assets	539

Unfinished intangible assets are not impaired during the financial year.

CHANGES IN INTANGIBLE ASSETS 2021

(EUR 1,000)	Incomplete intangible assets
Acquisition cost 1 January	0
+ Increases	539
Acquisition cost 31 December	539
Carrying amount 1 January	0
Carrying amount 31 December	539

NOTE 7 CASH AND CASH EQUIVALENTS

(EUR 1,000)

31 Dec 2021

Receivables from credit institutions payable on demand	17 748
Total of cash and cash equivalents	17 748

POP Newco's bank receivables consist of bank deposits made with Bonum Bank Plc belonging to the same group.

NOTE 8 EQUITY CAPITAL

(EUR 1,000)

31 Dec 2021

Share capital	10 000
Reserve for invested non-restricted equity	9 000
Retained earnings	0
Total equity	19 000

SHARE CAPITAL

POP Newco has one class of shares, and each share has one vote and equal rights to dividend. Shares have no nominal value. All issued shares have been fully paid. The total number of shares issued is 500.

There are no restrictions on the use of equity items.

The share subscription price received in connection with the share issues is entered in share capital to the extent that it has not been recorded in the invested unrestricted equity reserve according to the share issue decision.

INVESTED UNRESTRICTED EQUITY RESERVE

The invested unrestricted equity reserve includes the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution.

RETAINED EARNINGS

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

NOTE 9 CURRENT LIABILITIES

(EUR 1,000)

31 Dec 2021

Other liabilities	-9
Accrued expenses	-106
Total of current liabilities	-115

NOTE 10 RELATED PARTY DISCLOSURES

The related parties of POP Newco comprise the members of the company's Board of Directors and Executive Group and members of their immediate families. In addition, related parties include POP Newco's parent entity POP Bank Centre coop, as well as its CEO and Deputy CEO. 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 POP Newco's Board of Directors, CEO and Executive Group. In addition, key persons include POP Bank Centre coop CEO and Deputy CEO. Also, entities in the same Group with POP Newco belong to the related parties.

POP Newco did not have personnel during the financial year. The management services required by the company have been purchased from companies in the same Group. Such management services have been the input of the CEO and members of the executive group.

The transactions with key management personnel and other related parties are presented below.

RELATED-PARTY TRANSACTIONS

(EUR 1,000)	31 Dec 2021
Profit	
Services purchased	171
Assets	
Liquid assets	17 748

Services purchased include the invoicing of administrative and ICT-services purchased by the company from related companies

POP Newco's liquid assets consist of bank deposits made with a company belonging to the same Group.

NOTE 11 EVENTS AFTER THE CLOSING DATE

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

SIGNATURES

Espoo, February 15th, 2022
Board of Directors of POP Newco Plc

Juha Niemelä
Chairman of the Board

Matti Vainionpää
Member of the Board

Marja Pajulahti
Member of the Board

Timo Hulkko
CEO

Auditor's note

A report on the audit performed has been issued today.

Helsinki, February 15th, 2022

KPMG Oy Ab

Tiia Kataja
APA

