POP Bank Group

HALF-YEAR FINANCIAL REPORT

1 January – 30 June 2018

POP Pankki

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CEO'S REVIEW

During the first half of the year, we continued the change programme laid out in the Group's strategy, and we took further steps to systematically improve our competitiveness and profitability.

The POP Bank Group's earnings for the first half of the year remained good despite a year-on-year decrease of 5.3 per cent. Profit before taxes for the first half of the year was EUR 10.8 million. The weaker result stems from expenditures arising from inputs into the future and a substantial decrease in investment income.

On a positive note, net interest income grew during the first half of the year thanks to more effective funding of the at the amalgamation level. Net interest income in the first half of the year was EUR 32 million (+4 %), which can be considered a good achievement against the extremely low market interest rates.

The changes in accounting legislation that took effect at the start of the year impacted the classification of investments and how changes in fair value are recognised. This was one factor reducing investment income, which fell by 55 per cent, while other operating expenses increased by 8.3 per cent.

The core business segments of the POP Bank Group are banking and insurance. The Group was able to grow its customer volume in a controlled manner while maintaining very strong capital adequacy. We served about 250,000 banking customers and 113,000 insurance customers online, via mobile and at 84 branches and service points.

The balance sheet total was EUR 4,327.9 million. The loan portfolio expanded by 2.2 per cent and deposits by 1.3 per cent in the review period. The common equity Tier 1 capital ratio (CET1) remained strong at 20.8 per cent.

After a challenging 2017, when price competition in vehicle insurance policies pushed down average motor insurance prices, the POP Bank Group's digital non-life insurance company was back on a growth track. The company attracted an average of 3,800 new customers every month, while simultaneously increasing business volumes and improving the loss ratio. During the first half of the year, the company's customer volume exceeded 110,000.

The insurance company is aiming for a profitable result in 2018, its sixth year of operations.

During the first half of the year, we continued the change programme laid out in the Group's strategy, and we took further steps to systematically improve our competitiveness and profitability. The projects that began before the review period – related to digitalisation, automation and analytics – continued to make excellent progress. The key project in this process involves preparing for the renewal of the core banking system.

The purpose of the renewal is to replace the existing banking systems with cutting-edge and cost-effective solutions that will form the basis for a digital bank. In the strategy of the POP Bank Group, digital banking means quicker loan decisions and the ability for customers to reach their trusted local banking staff regardless of the service channel.

There are two other significant changes that have major effects on banking. The General Data Protection Regulation, which came into force in the first half of the year, is one of the changes in the operating environment for banks. It requires them to extensively review their current practices and to draw up more detailed contractual terms for their customers. The second change with a significant impact on banks' strategy and impacts is the introduction of the revised Payment Services Directive (PSD2), which forces banks to gradually open their system interfaces to non-banking actors in such areas as account and payment services. The POP Bank Group aims to use the opportunities created by the legislative changes by launching new services and by producing best-in-class customer experience in a broad range of different service channels.

The POP Bank Group is systematically reforming its operations with the aim of building a better bank group. We will continue to invest in having a strong local presence, as well as providing top-class digital services and a competitive range of products.

I would like to take this opportunity to thank our customers, staff, administration and partners for a successful first half of 2018.

Pekka Lemettinen
CEO
POP Bank Alliance Coop

POP Bank Group and amalgamation of POP Banks

The POP Bank Group is a Finnish financial group that offers retail banking services to private customers, small companies, agricultural and forestry companies, as well as non-life insurance services to private customers. In addition to healthy and profitable business, the objectives of the POP Bank Group emphasise the development of the customer experience. The POP Bank Group refers to the new legal entity created on 31 December 2015, comprised of POP Banks and POP Bank Alliance Coop, and the entities under their control. The POP Bank Group prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS). The most significant companies in the POP Bank Group engaged in customer business are:

- 26 member cooperative banks of POP Bank Alliance 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 Alliance Coop
- Finnish P&C Insurance Ltd, which uses the auxiliary business name POP Insurance.

POP Banks and Bonum Bank Plc are member credit institutions of POP Bank Alliance Coop, which is the central institution of the amalgamation of POP Banks. In addition to the organisations that belong to the amalgamation of POP Banks, the POP Bank Group comprises POP Holding Ltd and its wholly owned company Finnish P&C Insurance Ltd. Neither of these are included in the scope of joint liability.

No changes took place in the structure of the POP Bank Group during the review period.

Operating Environment

The world economy has grown steadily during 2018 so far. Economic growth is picking up in the United States, and China has also presented impressive growth figures again. The Eurozone economy is also expanding, albeit at a more modest rate. The tariffs introduced by the United States are negatively impacting international trade and industry, and threatening to stymie economic growth.

The EU is grappling with unresolved issues swirling around Brexit and the need for a common European refugee policy, which are both increasing political tensions. From the economic perspective, the ECB's monetary policy is keeping interest rates low to stimulate the economy, which makes managing loans easier, but has also led to disproportionately rapid increases in the values of investment targets.

For Finland, the growth in the global economy and Eurozone is welcome, as exports play a central role in our economy. The rapidly filling order books and companies continuously expanding their production capacity show that the Finnish economy is picking up. Exports have been boosted by better price competitiveness as a result of the longer working hours and limited pay rises set out in the Competitiveness Pact; however, wages have increased again during 2018. The higher employment rate and pay rises are boosting wage earners' purchasing power, while low interest rates and consumer willingness to borrow to finance purchases are also providing more opportunities for consumption. The situation in Finnish agriculture remains problematic, with the only exception being poultry farming, where both demand and prices are trending upward.

Even though unemployment has fallen, the number of people without work remains high, and labour shortages are also a problem in many areas. Insufficient matching in the labour market is starting to be a drag on the robust economic growth. The high level of indebtedness and low savings rates among consumers will mean less growth in consumption in the coming years.

Housing prices have reached near-critical levels in the Helsinki region, augmented by strong demand maintained by property investors and a steady influx of people. Low interest rates, longer loan periods and the growth in housing company loans have encouraged consumers to purchase more expensive homes. The lower loan-to-value ratio introduced in July is intended to cool the overheated housing market. Outside growth centres, rises in housing prices have been more moderate.

The General Data Protection Regulation and PSD2, both of which came into force in the first half of the year, will also substantially change the operating environment for banks.

Key events during the first half of the year

New cooperation agreements in investment and insurance products

At the end of 2017, the POP Bank Group and the Savings Bank Group agreed on extensive product cooperation aimed at introducing products from Sb Life Insurance Ltd and Sp-Fund Management Company Ltd (part of the Savings Bank Group) to the range of products offered by POP Banks. Non-life insurance products from Finnish P&C Insurance Ltd are also being made available to the customers of Savings Banks in branch offices and via digital channels. The first of these products went on sale in POP Banks in June.

In addition, the POP Bank Group and UB Asset Management Ltd also signed a cooperation agreement in November 2017 concerning the distribution of selected funds in POP Banks. The funds covered by the agreement focus on real asset investments, in which UB is a pioneer in the Nordic region. The funds are an entirely new investment grade, complementing the range of funds offered by POP Banks, and they went on sale in POP Banks in February.

Bold moves in digitalisation are continuing

The POP Bank Group is making bold moves in digital services and the digital customer experience, such as enhancing its customer experience tools by expanding the use of electronic signatures. In June, POP Banks piloted the first online meetings with customers. The development of digital services is continuing on the basis of successful product launches.

Continuous growth in insurance customer volumes

Finnish P&C Insurance Ltd, which is part of the POP Bank Group, continued to grow strongly, and its customer volume passed 110,000 in the first half of the year. The company won an average of 3,800 new customers every month. The price competition in vehicle insurance policies launched last year led to drops in the average prices of the company's motor insurance offerings. Despite the lower prices, in the first half of the year, the company managed to simultaneously increase its business volumes and improve the loss ratio. The company also enhanced its competitiveness by updating its range of home insurance products and improving its online offerings.

POP Bank is preparing to renew its core banking system

Samlink Ltd supplies the core basic banking systems for the banking segment of the POP Bank Group. The POP Bank Group is conducting negotiations with the other owners of Samlink about updating the core banking systems. This may involve corporate arrangements involving Samlink. The negotiations are expected to be completed before the end of 2018.

Credit ratings

In May, S&P Global Ratings confirmed BBB as the rating for Bonum Bank Plc's long-term investment grade and A-2 for its short-term investment grade. Bonum Bank serves as the central credit institution of the amalgamation of POP Banks. The outlook remains stable. The stable outlook rating from S&P reflects the POP Bank Group's strong capital adequacy and expectations of enhanced efficiency resulting from the amalgamation.

POP Bank Group's earnings and balance sheet

The amalgamation of POP Banks started its operations on 31 December 2015. The financial year in progress is the amalgamation's third year of operation.

POP Bank Group's key figures

(EUR 1,000)	1 Jan-30 Jun 2018	1 Jan-30 Jun 2017	1 Jan-31 Dec 2017
Net sales	67,239	71,748	137,529
Net interes income	31,969	30,575	62,469
% of net sales	47.5 %	42.6 %	45.4 %
Profit before tax	10,804	11,412	19,488
% of net sales	16.1 %	15.9 %	14.2 %
Total operating income	59,396	61,815	118,885
Total operating expenses	49,520	47,539	94,406
Cost to income ratio	83.4 %	76.9 %	79.4 %
Balance sheet total	4,327,918	4,310,582	4,275,838
Equity capital	484,748	477,063	485,649
Return on assets, ROA %	0.4 %	0.4 %	0.4 %
Return on equity, ROE %	3.4 %	4.0 %	3.3 %
Equity ratio, %	11.2 %	11.1 %	11.4 %
Common equity Tier 1 capital ratio, (CET1) %	20.8 %	21.3 %	20.9 %
Capital adequacy ratio, (TC) %	21.1 %	21.7 %	21.2 %
Impairment losses on loans and other receivables	928	-2,743	-4,991

POP Bank Group's earnings development (comparison period 1 January – 30 June 2017)

The POP Bank Group's profit before taxes amounted to EUR 10.8 (11.4) million, which was 5.3 per cent less than in the same period last year. The profit for the review period was EUR 8.2 (9.3) million (-11.7%). Net interest income totalled EUR 32.0 (30.7) million, which was 4.0 per cent more than in the same period last year. The low level of interest rates continued to impact POP Bank Group's interest income, which totalled EUR 37.5 (38.8) million in the review period (-3.4%). More efficient funding helped the amalgamation to reduce its interest expenses, which amounted to EUR 5.5 (8.0) million (-31.9%). Net commission income and expenses increased by 5,4 per cent, to EUR 15.1 (14.3) million. Net investment income decreased by 55.0 per cent, from EUR 8.6 million to EUR 3.9 million. There was a substantial reduction in the gains from the sales of investments in shares and funds. This was partially due to IFRS 9 rules on classification and valuation of financial assets, which were introduced on 1 January 2018.

The improved loss ratio helped to increase insurance income by 5.3 per cent, to EUR 4.5 (4.3) million, and the loss ratio stood at 73.3 (74.9). Other operating income totalled EUR 4.0 (3.8) million (+4.9%). Because of lower investment income, total operating income fell by 3.7 per cent, to EUR 59.4 (61.7) million.

Total operating expenses stood at EUR 49.5 (47.5) million (+4.2%). Personnel expenses amounted to EUR 20.1 (19.5) million (+2.9%). Other operating expenses rose by 8.3 per cent, to EUR 26.1 (24.1) million. Expenses were increased by IT development inputs and costs arising from the implementation of legislation applying to the sector.

A total net gain of EUR 0.9 million was recognised in impairment losses during the review period while in the comparison period, a loss of EUR 2.7 million was recognised in impairment losses. The accounting principles concerning provisions on impairment losses changed on 1 January 2018, when the IFRS 9 on financial instruments became applicable. The effect of the transition was recognised as an equity adjustment, and the historical information was not adjusted. Expected credit losses are recognised on loan receivables, off-balance-sheet receivables and debt securities recognised through other comprehensive income. The expected credit losses decreased by EUR 2.4 million during the review period, with final credit losses amounting to EUR 1.4 (0.6) million.

POP Bank Group's balance sheet (comparison information 31 December 2017)

The POP Bank Group's balance sheet totalled EUR 4,327.9 (4,275.8) million. The Group's loan portfolio increased by 2.2 per cent in the review period, to EUR 3,397.4 (3,325.4) million. Deposits rose by 1.3 per cent, to EUR 3,601.1 (3,554.4) million.

The POP Bank Group's equity totalled EUR 484.7 (485.6) million at the end of the review period. The introduction of IFRS 9 on 1 January 2018 reduced the Group's equity by EUR 7.1 million. POP Banks paid EUR 1.2 (0.7) million in interest on cooperative capital for 2017. In addition to cooperative contributions, POP Banks have also issued POP Shares. A POP Share is an investment in the cooperative's equity pursuant to the Co-Operatives Act. In total, POP Banks have issued EUR 53.7 (53.6) million in POP Shares. In POP Banks' national financial statements, the supplementary cooperative contributions (totalling EUR 26.0 (26.2) million and included in equity) are recognised as debt capital in accordance with IFRS, and the interest paid on them is recognised as an accrued interest expense. POP Banks' cooperative capital totalled EUR 62.9 (62.8) million.

Operating Segments

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

BANKING

The POP Bank Group's banking segment comprises the POP Banks, which engage in retail banking, and the amalgamation's central credit institution, Bonum Bank Plc. At the end of the review period, POP Banks had a total of 249,600 customers (250,000 at the start of the period). POP Banks had 87,900 members (87,200 at the start of the review period). At the end of the review period, POP Banks had 84 branches and service points.

Banking earnings (comparison period 1 January – 30 June 2017)

Banking profit before taxes totalled EUR 9.9 (11.5) million, which was 13.3 per cent less than in the comparison period. The cost-to-income ratio of banking operations was 82.8 (73.9).

Net interest income from banking operations rose from the comparison period, amounting to EUR 31.8 (30.7) million. The main reason for the increase was the reduction in interest expenses as a result of more efficient funding of the amalgamation. Net commission income and expenses grew by 6.2 per cent on a year-on-year basis, to EUR 15.4 (14.5) million.

There was a substantial decrease in net investment income, which totalled EUR 4.0 (8.7) million (-54.1%). Other operating income totalled EUR 3.4 (2.9) million (+18.4%), and total operating income amounted to EUR 54.7 (56.8) million (-3.8%).

Operating expenses totalled EUR 45.6 (42.6) million. There were no major changes in the banking segment's personnel expenses from the comparison period, and they totalled EUR 14.7 (14.7) million. Other operating expenses grew by 12.6 per cent, to EUR 28.7 (25.5) million. This was due to costs arising from regulatory changes and IT development inputs.

A net gain of EUR 0.9 million was recognised in impairment losses during the review period, while in the comparison period, a loss of EUR 2.7 million was recognised on impairment losses. The expected credit losses calculated on loans, guarantees and off-balance-sheet receivables fell by EUR 2.4 million in the review period. There were no major changes in the expected credit losses calculated on debt securities.Final credit losses for the period totalled EUR 1.4 (0.6) million.

Banking segment's assets and liabilities (comparison information 31 December 2017)

The banking segment's assets amounted to EUR 4,358.1 (4,309.7) million at the end of June, a rise of 1.1 per cent from the start of the year. Deposits totalled EUR 3,606.6 (3,560.2) million, representing growth of

1.3 per cent. The banking segment's loan portfolio increased by 2.2 per cent in the review period, to EUR 3,399.9 (3,327.9) million. Loans granted to private customers accounted for 66.7 per cent (66.7) of the loan portfolio, loans granted to companies for 16.9 per cent (16.4), and loans granted to agricultural entrepreneurs for 16.4 per cent (16.9). Loans granted to private customers were the main reason for the growth in the loan portfolio.

INSURANCE

The insurance segment of the POP Bank Group comprises Finnish P&C Insurance Ltd, which was back on a growth track after a challenging last few months of 2017. Price competition in vehicle insurance policies launched last year led to drops in the average prices of the company's motor insurance offerings.

Despite lower prices, Finnish P&C Insurance managed to increase its business volumes and improve the loss ratio in the first half of the year. The company secured an average of 3,800 new customers each month. During the first half of the year, the number of Finnish P&C Insurance customers rose from 105,000 to 113,000.

In the first half of the year, the company focused on cooperation with the Savings Bank Group, updated its home insurance products, enhanced its online sales capabilities and expanded its damage service.

Insurance earnings (comparison period 1 January – 30 June 2017)

Earnings in the insurance segment were burdened by a drop in the average prices of insurance policies. However, the result for the period remained unchanged at EUR -0.7 (-0.7) million. The insurance segment's loss ratio improved by 1.6 percentage points, and its operating expense ratio weakened by 1.7 percentage points. The loss ratio was 73.3 (74.9) and the operating expense ratio 33.3 (32.6).

Net insurance income improved slightly on a year-on-year basis, standing at EUR 4.5 (4.3) million. Gross premiums decreased by 0.8 per cent from the comparison period, to EUR 20.7 (20.8) million. Claims incurred totalled EUR 12.4 (12.7) million, a decline of 2.7 per cent from the comparison period. The company is aiming for a positive result in 2018.

The POP Bank Group has applied the IFRS 9 standard to the classification and valuation of the investment assets of the insurance company since 1 January 2018.

Insurance segment's assets and liabilities (comparison information 31 December 2017)

The assets of the insurance segment grew by 4.4 per cent, to EUR 64.8 (62.1) million, and insurance liabilities by 12.1 per cent, to EUR 32.8 (29.3) million. Liabilities in non-life insurance operations totalled EUR 39.7 (36.2) million.

POP Bank Group's Risk and Capital Adequacy Management and Risk Position

The objectives, principles and organisation of POP Banks' risk management and capital adequacy management are described in Note 4 to the POP Bank Group's financial statements for 2017. No material changes were made in the review period to the objectives, principles or organisation described in the financial statements.

BANKING RISKS

Credit risk

Banking credit risk exposure remained stable and its risk level moderate during the financial period. Key indicators of receivables past due remained at the previous year's level. The proportion of loans granted to private customers in the loan portfolio remained at the last year's level whereas loans granted to companies increased slightly. Expected credit losses (ECL) decreased during the financial period.

The loan portfolio increased by 2.2 per cent during the financial period to EUR 3,397.4 million (EUR 3,325.4 million on 31 December 2017). Majority of the lending is associated with low risk lending to private customers.

At the end of the financial period, the amalgamation of POP Banks' receivables more than 90 days past due accounted for 1.16 (0.89) per cent of the loan portfolio. The amalgamation's receivables 30–90 days past due accounted for 0.93 (0.60) per cent of the loan portfolio at the end of the financial period.

Expected credit losses decreased 6.1 per cent to EUR 28.9 million (EUR 30.8 million) during the financial period. Impairment losses on loans and receivables totaled EUR 23.3 million at the end of the previous financial year. Impairment losses have been measured according to IFRS 9 from 1 January 2018. Historical information on impairment losses have not been adjusted.

The industry and customer risks of POP Banks' Amalgamation are well diversified. The amalgamation had one customer group whose total exposures exceeded 10 per cent of the amalgamation's own funds and which therefore is classified as large exposure in accordance with Article 392 of the EU Capital Requirements Regulation. The customer group is part of the POP Bank Group.

Credit risk monitoring is based on the continuous tracking of the past due receivables and late payments, as well as monitoring the quality of the credit portfolio. Predicted difficulties in loan payments are addressed and managed as early as possible.

Liquidity risk

The POP Bank Group's liquidity position remained strong during the financial period.. The Liquidity Coverage Ratio (LCR) of the amalgamation of POP Banks was 121 (149) per cent on 30 June 2018. On 30 June 2018, the amalgamation's LCR-eligible assets before haircuts totalled EUR 305.9 (327.9) million, of which 13.6 (15.5) per cent were cash and balance at the central bank and 86.4 (84.5) per cent were highly liquid tier 1 securities.

The POP Bank Group's funding position also remained strong during the financial period. The proportion of deposits from the loan portfolio remained high and the availability of liquidity stayed good. Bonum Bank Plc, the central credit institution of the amalgamation, has its certificate of deposit and bond loan programmes established in 2016, part of which EUR 100 million unsecured senior loan and EUR 10 million of certificates of deposits have been issued. Entering the wholesale funding market has diversified the amalgamation's funding activities, enhanced the transmission of intra-group funding and supported the growth of the Group.

Market risk

The market risk exposure of the POP Bank Group remained moderate during the financial period. The key market risk of the banking segment is the interest rate risk of the banking book, which is monitored and limited using both the present value and income risk models. Interest rate risk arises from the banking books of member credit institutions, consisting of lending and deposits, wholesale market funding and investment and liquidity portfolios. The interest rate risk exposure of the POP Banks' Amalgamation is moderate in relation to the limits set to it.

The market risk arising from investment activities is controlled through the allocation of asset categories and by using risk limits set for each asset category, risk type and counterparty. Investment risks of the amalgamation are moderate in relation to the limits set to them. No currency risks are taken in lending. A member credit institution may use direct foreign currency-denominated investments, investments in structured products or derivative contracts only with the consent of the risk control function of the amalgamation. The use of derivatives is limited to the hedging of the interest rate risk in banking books.

Operational risks

Any materialisation of operational risks is minimized by continuous development of personnel and comprehensive operating instructions, as well as internal control measures, such as by segregating preparation, decision-making, implementation and control from each other as far as possible.

The operational risks associated with the key products, services, functions, processes and systems are identified in the assessment process concerning a new product or service carried out by the business function and reviewed by the risk control function. Moreover, the member credit institutions carry out an annual self-assessment of operational risks. Part of the losses caused by operational risks are hedged through insurance. Risks caused by malfunctions of information systems are prepared for by continuity planning.

A project has been set up by the central organization to prepare for the implementation of General Data Protection Regulation, and the results of the project have been audited by an external expert.

INSURANCE RISKS

During the period under review, the most significant insurance risks were associated with business profitability development with particular focus with the development of pricing and customer selections, and the sufficient increase in business volumes, taking the profitability aspect into account.

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

Information security risks are significant for an online company and, therefore, the company is strongly investing in their management. The management of investments has been defensive, and no significant risks have emerged in relation to it.

BANK RESOLUTION PLAN

The bank resolution planning of the POP Bank Group was initiated during 2017. The resolution authority of the POP Bank Group is the Financial Stability Authority. As the outcome of the process, the Financial Stability Authority will determine the minimum requirement for own funds and eligible liabilities for the Amalgamation of POP Banks, as required in the Act on resolution of financial institutions and investment firms (1194/2014) chapter 8 section 7.

CAPITAL ADEQUACY MANAGEMENT

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

The member credit institutions conduct an extensive identification and evaluation of risks related to their operations and set their risk-bearing capacity to match the total amount of the risks. In order to secure its capital adequacy, the bank sets risk-based capital objectives and prepares a capital plan to achieve these objectives. The member institutions of the amalgamation use common measurement methodologies defined by the risk control function of the central institution for their capital plan. The amalgamation's member credit institutions have been exempted from the own funds requirements for intragroup items and large exposures limits for exposures between the central credit institution and the member credit institutions. The exemption is based on permission granted by the Financial Supervisory Authority.

The own funds of the amalgamation of POP Banks consist of cooperative contributions, supplementary cooperative contributions, POP Shares, retained earnings and other non-restricted reserves. The EU's Capital Requirements Regulation No. 575/2013 does not acknowledge the supplementary cooperative contributions previously used by the member credit institution as an equity instrument, ergo supplementary cooperative contributions are no longer items recognized in own funds of the member credit institutions according to the new regulations. The Capital Requirements Regulation has been applied as of 1 January 2014, but the application of the transitional rules concerning supplementary cooperative contributions will be gradually phased in. Some of the member credit institutions of the amalgamation have since 2015 issued new equity instruments, POP Shares, which are included in own funds. A total of EUR 53.7 (53.6) million of POP Shares had been issued at the end of the review period. In addition to new issuances, some former supplementary cooperative contributions have been converted to POP Shares.

At the end of the review period, the capital adequacy of the amalgamation of POP Banks was on a solid level. The amalgamation's capital adequacy ratio was 21.1 (21.2) per cent and CET1 Capital ratio 20.8 (20.9) per cent. The amalgamation does not include the profit for the financial year in own funds.

The statutory minimum level of the capital adequacy ratio is 8 per cent and of Tier 1 capital it is 4.5 per cent. In addition to the 8 per cent capital adequacy requirement, a fixed 2.5 per cent capital conservation buffer requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can upon need set at 0–2.5 per cent. The combined own funds requirement of POP Banks is therefore 10.5 per cent. For the time being, the Financial Supervisory Authority has not set a variable additional capital requirement for Finnish exposures, which almost exclusively comprise the credit and counterparty risk of the amalgamation's member credit institutions. During the review period the Financial Supervisory Authority decided to set an additional (systemic risk buffer) capital requirement of 1.0 per cent of consolidated total risk of the amalgamation of POP Banks. The decision will take effect on 1 July 2019.

The amalgamation of POP Banks has decided to not apply the IFRS9-related transitional arrangements laid down in article 473 a of the Capital Requirements Regulation. As a result, reported own funds, capital and leverage ratio all reflect the full, phased-in impact of IFRS9.

Summary of capital adequacy

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Own funds		
Common Equity Tier 1 capital before deductions	516,276	509,965
Deductions from Common Equity Tier 1 capital	-9,811	-10,271
Total Common Equity Tier 1 capital (CET1)	**506,465**	**499,694**
Additional Tier 1 capital before deductions	4,556	4,980
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**4,556**	**4,980**
Tier 1 capital (T1 = CET1 + AT1)	**511,021**	**504,674**
Tier 2 capital before deductions	2,734	2,490
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**2,734**	**2,490**
Total capital (TC = T1 + T2)	**513,755**	**507,164**
Total risk weighted assets	**2,434,746**	**2,395,591**
of which credit risk	2,202,498	2,165,067
of which credit valuation adjustment risk (CVA)	53	270
of which market risk (exchange rate risk)	27,512	25,571
of which operational risk	204,682	204,682
CET1 Capital ratio (CET1-%)	20.8 %	20.9 %
T1 Capital ratio (T1-%)	21.0 %	21.1 %
Total capital ratio (TC-%)	21.1 %	21.2 %
Capital requirement		
Total capital	513,755	507,164
Capital requirement *	256,027	251,822
Capital buffer	257,728	255,342
Leverage ratio		
Tier 1 capital (T1)	511,021	504,674
Leverage ratio exposure	4,380,744	4,327,162
Leverage ratio, %	11.7 %	11.7 %

* 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.

Outlook for the second half of the year

The POP Bank Group has been forced to adjust to an operating environment of low interest rates and stricter regulation of the banking sector. The low market interest rate levels are making it more difficult to increase net interest income and are also decreasing the return on the Group's fixed-rate investments. The most significant risks in the financial sector are related to rapid changes in customers' behaviour and to the traditional companies' ability to respond to digitalisation quickly enough.

The POP Bank Group's result for the 2018 financial year is expected to be at the previous year's level. With regard to forecasting, the most significant uncertainty factors are related to changes in interest rate levels, the development of impairment provisions, the growth rate of the Group's business operations, and a higher than expected number of major incidents for the insurance company.

Events after the review period

The POP Bank Group has not had any significant business events after the review period that would have material effects on the financial information disclosed for the review period.

Formulas for key figures

Net sales

Interest income, commissions and fees, net investment income, insurance income, other operating income

Total operating income

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

Total operating expenses

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

Cost-income ratio, % =
$$\frac{\text{Total operating expenses}}{\text{Total operating income}} * 100$$

Return on equity (ROE), % =
$$\frac{\text{Profit for the financial year}}{\text{Equity capital and non-controlling interest (average of the beginning and end of period)}} * 100$$

Return on assets (ROA), % =
$$\frac{\text{Profit for the financial year}}{\text{Balance sheet total (average of the beginning and the end of the period)}} * 100$$

Equity ratio, % =
$$\frac{\text{Equity capital and non-controlling interest}}{\text{Balance sheet total}} * 100$$

Common Equity Tier 1 capital ratio (CET1), % =
$$\frac{\text{Common Equity Tier 1 capital (CET1)}}{\text{Risk weighted assets}} * 100$$

Tier 1 capital ratio (T1), % =
$$\frac{\text{Tier 1 capital (T1)}}{\text{Risk weighted assets}} * 100$$

Capital adequacy ratio (TC), % =
$$\frac{\text{Total capital (TC)}}{\text{Risk weighted assets}} * 100$$

Leverage ratio, % =

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

Liquidity coverage ratio (LCR), % =

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

NON-LIFE INSURANCE KEY FIGURES

Operating expenses

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

Loss ratio, % =

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

Operating expense ratio, % =

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

Half-year report for 1 January – 30 June 2018

POP Bank Group's income statement

(EUR 1,000)	Note	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	Change, %
Interest income		37,452	38,774	-3.4 %
Interest expenses		-5,483	-8,047	-31.9 %
Net interest income	**4**	**31,969**	**30,727**	**4.0 %**
Net commissions and fees	5	15,111	14,336	5.4 %
Net investment income	6	3,863	8,587	-55.0 %
Insurance income	7	4,497	4,272	5.3 %
Other operating income		3,956	3,772	4.9 %
Total operating income		**59,396**	**61,695**	**-3.7 %**
Personnel expenses		-20,114	-19,542	2.9 %
Other operating expenses		-26,088	-24,099	8.3 %
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-3,318	-3,898	-14.9 %
Total operating expenses		**-49,520**	**-47,539**	**4.2 %**
Impairment losses on financial assets	9	928	-2,743	…
Profit before tax		**10,804**	**11,412**	**-5.3 %**
Income tax expense		-2,588	-2,111	22.6 %
Profit for the financial period		**8,216**	**9,302**	**-11.7 %**
Attributable to				
Equity owners of the POP Bank Group		8,210	9,290	-11.6 %
Non-controlling interests		6	11	-48.7 %
Total		**8,216**	**9,302**	**-11.7 %**

POP Bank Group's statement of other comprehensive income

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017	Change, %
Profit for the financial period	8,216	9,302	-11.7 %
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value reserve			
Equity instruments	94	-	...
Items that may be reclassified to profit or loss			
Changes in fair value reserve			
Debt instruments	-1,037	-	...
Available-for-sale financial assets	-	-422	...
Other comprehensive income for the financial period	**7,272**	**8,879**	**-18.1 %**
Other comprehensive income for the financial period attributable to			
Other comprehensive income for the financial period attributable to owners of the POP Bank Group	7,266	8,868	-18.1 %
Other comprehensive income for the financial period attributable to non-controlling interests	6	11	-48.7 %
Total other comprehensive income for the financial period	**7,272**	**8,879**	**-18.1 %**

POP Bank Group's balance sheet

(EUR 1,000)	Note	30 Jun 2018	31 Dec 2017	Change, %
Assets				
Liquid assets	8,10	87,489	82,843	5.6 %
Loans and receivables from credit institutions	8,10	51,053	39,258	30.0 %
Loans and receivables from customers	8,10	3,397,430	3,325,363	2.2 %
Derivative contracts	8,10	230	647	-64.4 %
Investment assets	8,10	711,726	749,252	-5.0 %
Intangible assets		10,599	11,003	-3.7 %
Property, plant and equipment		31,865	33,028	-3.5 %
Other assets		34,148	31,429	8.7 %
Tax assets		3,376	3,015	12.0 %
Total assets		**4,327,918**	**4,275,838**	**1.2 %**
Liabilities				
Liabilities to credit institutions	8,10	2,649	6,964	-62.0 %
Liabilities to customers	8,10	3,601,051	3,554,357	1.3 %
Non-life insurance liabilities	11	32,819	29,273	12.1 %
Debt securities issued to the public	12	109,814	109,713	0.1 %
Supplementary cooperative capital		25,996	26,219	-0.9 %
Other liabilities		47,764	38,101	25.4 %
Tax liabilities		23,078	25,562	-9.7 %
Total liabilities		**3,843,170**	**3,790,189**	**1.4 %**
Equity capital				
Cooperative capital				
Cooperative contributions		9,156	9,217	-0.7 %
POP Shares		53,718	53,574	0.3 %
Total cooperative capital		**62,874**	**62,791**	**0.1 %**
Reserves		155,038	157,779	-1.7 %
Retained earnings		266,382	264,631	0.7 %
Total equity attributable to the owners of the POP Bank Group		**484,294**	**485,201**	**-0.2 %**
Non-controlling interests		454	448	1.3 %
Total equity capital		**484,748**	**485,649**	**-0.2 %**
Total liabilities and equity capital		**4,327,918**	**4,275,838**	**1.2 %**

Investment assets also include financial assets measured at fair value through profit or loss.

Statement of changes in POP Bank Group's equity capital

(EUR 1,000)	Coopera-tive capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 31 Dec 2017	62,791	8,849	148,930	264,631	485,201	448	485,649
Restatement due to implementation of IFRS 9	-	-5,532	-	-1,546	-7,078	-	-7,078
Balance at 1 Jan 2018	**62,791**	**3,317**	**148,930**	**263,085**	**478,124**	**448**	**478,572**
Comprehensive income for the financial period							
Profit for the financial period	-	-	-	8,210	8,210	6	8,216
Other comprehensive income	-	-943	-	-	-943	-	-943
Total comprehensive income for the financial period	**-**	**-943**	**-**	**8,210**	**7,266**	**6**	**7,272**
Transactions with shareholders							
Increase in cooperative capital	84	-	-	-	84	-	84
Profit distribution	-	-	-98	-1,121	-1,218	-	-1,218
Transfer of reserves	-	-	3,831	-3,831	-	-	-
Transactions with shareholders total	**84**	**-**	**3,733**	**-4,952**	**-1,134**	**-**	**-1,134**
Other changes	-	-	-	38	38	-	38
Balance at 30 Jun 2018	**62,874**	**2,374**	**152,664**	**266,382**	**484,294**	**454**	**484,748**

(EUR 1,000)	Coopera-tive capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 Jan 2017	**52,559**	**10,717**	**144,369**	**254,913**	**462,558**	**463**	**463,021**
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	9,290	9,290	11	9,302
Other comprehensive income	-	-422	-	-	-422	-	-422
Total comprehensive income for the financial period	**-**	**-422**	**-**	**9,290**	**8,868**	**11**	**8,879**
Transactions with shareholders							
Increase in cooperative capital	5,933	-	-52	-	5,881	-	5,881
Profit distribution	-	-	-	-718	-718	-	-718
Transfer of reserves	-	-	4,614	-4,614	-	-	-
Transactions with shareholders total	**5,933**	**-**	**4,562**	**-5,332**	**5,163**	**-**	**5,163**
Balance at 31 Dec 2017	**58,492**	**10,295**	**148,930**	**258,872**	**476,589**	**474**	**477,063**

POP Bank Group's cash flow statement

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Cash flow from operations		
Profit for the financial year	8,216	9,302
Adjustments to profit for the financial year	8,785	13,407
Increase (-) or decrease (+) in operating assets	**-50,604**	**-104,702**
Receivables from credit institutions	-5,601	5,896
Receivables from customers	-79,464	-70,871
Investment assets	37,059	-22,122
Other assets	-2,598	-17,606
Increase (+) or decrease (-) in operating liabilities	**48,221**	**66,212**
Liabilities to credit institutions	-4,315	-4,203
Liabilities to customers	47,112	65,858
Debt securities issued to the public	101	9,389
Other liablilities	8,748	-1,692
Income tax paid	-3,424	-3,141
Total cash flow from operations	**14,617**	**-15,781**
Cash flow from investing activities		
Changes in other investments	-65	-
Purchase of PPE and intangible assets	-3,008	-3,076
Proceeds from sale of PPE and intangible assets	436	549
Net cash used in investing activities	**-2,637**	**-2,526**
Cash flow from financing activities		
Change in cooperative capital, net	84	5,880
Interests paid on cooperative capital and other profit distribution	-1,218	-718
Net cash used in financing activities	**-1,134**	**5,163**
Change in cash and cash equivalents		
Cash and cash equivalents at period-start	106,347	146,338
Cash and cash equivalents at the end of the period	117,194	133,193
Net change in cash and cash equivalents	**10,846**	**-13,145**

(1,000 euroa)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Interest received	**38,330**	**39,511**
Interest paid	**4,098**	**6,157**
Dividends received	**3,231**	**2,223**

Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	-928	2,743
Depreciations	3,925	4,603
Technical provision	3,546	4,154
Other	2,242	1,906
Adjustments to profit for the financial year	**8,785**	**13,407**

Cash and cash equivalents		
Liquid assets	87,489	87,060
Receivables from credit institutions payable on demand	29,704	46,133
Total	**117,194**	**133,193**

NOTES

NOTE 1 POP Bank Group and the scope of IFRS Financial Statements

POP Bank Group (hereinafter also referred to as the "Group") is a financial group comprising POP Banks and POP Bank Alliance Coop and their subsidiaries and jointly controlled entities that operates in Finland. POP Banks are independent, regionally and locally operating cooperative banks. POP Bank Alliance Coop functions as the central institution of the Group. The services of the POP Bank Group cover payment, card, saving, investing and financing services for private customers, small companies and agricultural and forestry companies. In addition to retail banking services, the Group offers non-life insurance services to private customers.

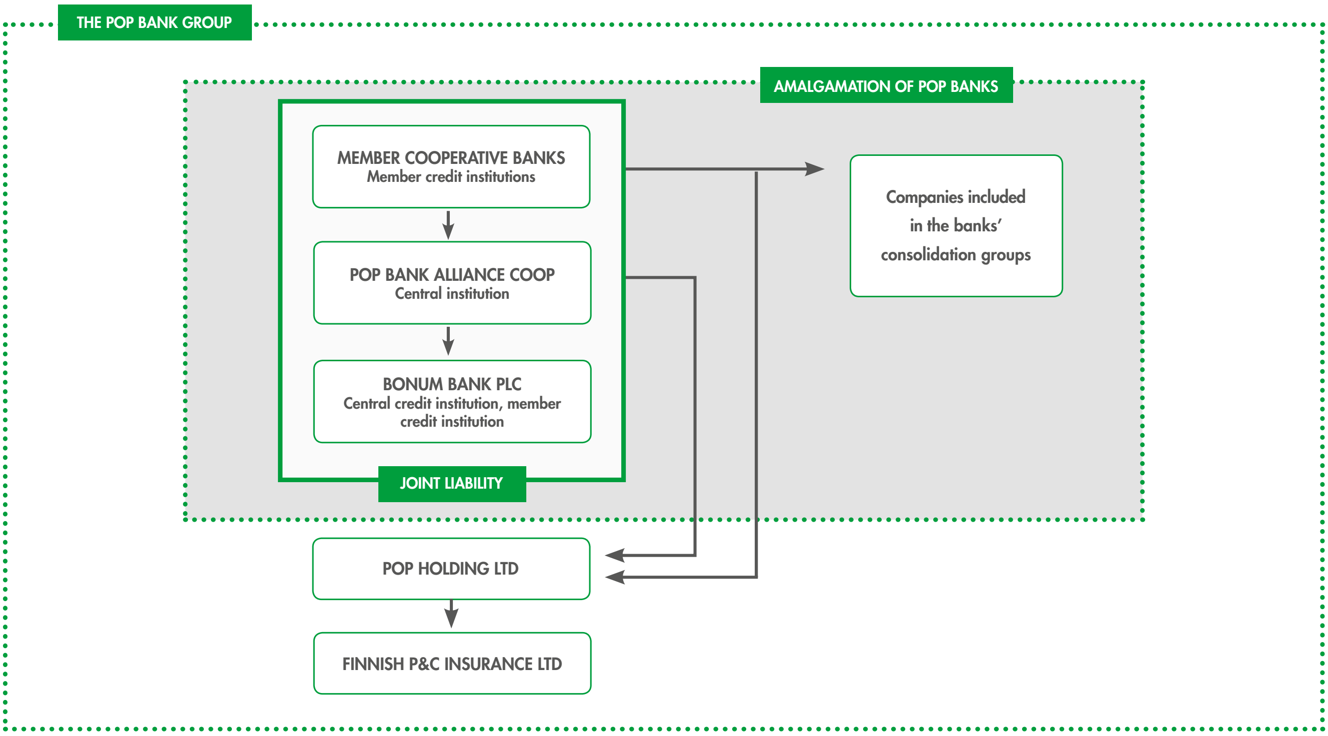
The member credit institutions of POP Bank Alliance Coop are the 26 cooperative banks and the central credit institution of the member cooperative banks, Bonum Bank Plc. The amalgamation of POP Banks is an economic entity referred to in the Act on the Amalgamation of Deposit Banks (hereinafter referred to as the "Amalgamation Act") the members of which and the central institution are jointly liable for each other's debts and commitments. The amalgamation of POP Banks is formed by the central institution POP Bank Alliance Coop, its member credit institutions, the companies included in their consolidation groups and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50 per cent of the votes. The companies included in the consolidation groups of the member credit institutions are primarily real estate companies.

POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. The most significant entities that do not belong to the POP Bank Group are POP Holding Ltd and its wholly-owned subsidiary Finnish P&C Insurance Ltd, which are not in the scope of joint liability.

POP Bank Group does not form a group of companies referred to in the Accounting Act (1336/1997) or a consolidation group referred to in the Act on Credit Institutions (610/2014). POP Bank Alliance Coop or its member cooperative banks do not exercise control pursuant to IFRS accounting standards on each other, and therefore no parent company can be determined for the Group. In accordance with the Amalgamation Act, the Board of Directors has specified the Group's accounting policies suitable for this structure to the extent that the IFRS accounting standards do not acknowledge the Group's structure. The accounting policies that include a description of the technical parent company consisting of the member cooperative banks are presented in Note 2 of the IFRS financial statements 2017.

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

The POP Bank Group, amalgamation of POP Banks and joint liability



No changes took place in the structure of the POP Bank Group during the review period.

NOTE 2 POP Bank Group's accounting policies

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

The half-year financial report for 1 January – 30 June 2018 has been prepared in accordance with IAS 34 Interim Financial reporting and the accounting policies presented in the POP Bank Group's consolidated IFRS financial statements 31 December 2017.

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

Copies of the financial statements and half-year financial report of the POP Bank Group are available from the office of the central institution, address Hevosenkenkä 3, FI-02600 Espoo, Finland, and online at www.poppankki.fi. The POP Bank Group only publishes one interim financial report.

CHANGES IN PRESENTATION

Insurance premium revenue and total claims from non-life insurance as well as net investment income have been presented earlier in Net income from non-life insurance in the income statement. In future, insurance premium revenue and total claims are presented in Insurance income in the income statement and costs of the investment function are presented in other operating expenses. Commissions presented earlier in other operating income and other operating expenses are presented in Net commissions and fees, which corresponds to the nature of the costs. Investment assets presented earlier in Non-life insurance assets are presented in Investment assets correspondingly to the investments of the other members of the Group. Receivables from direct insurance operations and other receivables are presented in Other assets. Insurance contract liabilities presented earlier in Non-life insurance liabilities are presented separately and other items in Other liabilities.

Net trading income in the income statement is presented in Net investment income. Correspondingly, Financial assets at fair value through profit or loss are presented in Investment assets on the balance sheet.

Adoption of new standards

Adoption of IFRS 9 Financial Instruments on 1 January 2018

POP Bank Group has adopted IFRS 9 Financial Instruments on 1 January 2018. The accounting policies of the Group have been presented in note 2 of the Financial Statements 2017. The Group has not applied IFRS 9 retrospectively. Therefore, the information concerning earlier reporting periods has not been adjusted and it is presented mainly in the same format as it has been presented according to IAS 39 Financial Instruments: Recognition and Measurement.

Main changes due to IFRS 9 concerned the classification and measurement of investments and impairment of financial assets. Expected credit losses at the date of implementation 1 January 2018 were EUR 33 588 thousand. At the end of the reporting period 30 June 2018 expected credit losses amounted to EUR 31 230 thousand.

CLASSIFICATION AND MEASUREMENT

POP Bank Group's loans and receivables will continue to be measured at amortised cost. At the date of implementation the Group did not have financial instruments held to maturity, and it didn't reclassify financial assets classified as available-for-sale under IAS 39 to be measured at amortised cost under IFRS 9.

Debt securities of POP Bank Group are mainly reclassified from IAS 39 available-for-sale financial assets to financial assets on fair value through other comprehencive income. All equity intsruments are recognized on fair value with the changes recognized mainly through profit and loss. Furthermore, changes in the value of such debt securities where cash flows do not solely consist of payments of principle and interest are also recognized through profit and loss. POP Bank Group 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, to investments in shares regarded stratetig. In case such an investment is subsequently sold, the result for sale is recognised in equity.

IMPAIRMENT

IFRS 9 requires impairment to be recognized on the basis of expected credit losses on all debt instruments which are recognized at amortized cost or fair value through other comprehensive income and on off-balance sheet exposures.

The calculation of expected credit losses in POP Bank Group is based on four main segments:

- Private customers (excl. agricultural customers)

- Corporate customers (excl. agricultural customers)

- Agricultural customers

- Investment portfolio

In all of these segments, the calculation of expected credit losses will be based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD) on contract level. 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.

The credit risk is considered as significantly increased when any of the following criteria is fulfilled on a contract:

- The contract is more than 30 days past due

- The contract terms have been renegotiated within 12 months due to financial difficulties of the obligor

- The probability of default of the obligor has increased significantly in comparison to origination

- The obligor has been defined as a potential problem customer for other criteria than is listed above

The obligor and all contracts of the obligor are treated as in default if any of the following criteria is fulfilled:

- The obligor has exposures more than 90 days past due, and the amount overdue exceeds 100 euros

- The bank has initiated recollection on the obligor's contracts

- A corporate client is in bankruptcy proceedings or in reorganization process

IFRS 9 requires reasonably available financial information to be used when estimating the amount of expected credit losses. For the calculation of expected credit losses, a model based on three macroeconomic scenarios and the related probabilities has been developed in POP Bank Group. The model is used to adjust the parameters used in the calculation when determining expected credit losses.

The classification and carrying amount of financial assets according to IAS 39 and IFRS 9 are presented in the table next page. Implementation of IFRS 9 did not have an effect on classification and valuation of financial liabilities.

Reclassification and carrying amounts of financial assets and liabilities 1 January 2018

(EUR 1,000)	Classification IAS 39	Classification IFRS 9	Balance IAS 39	Reclassification	Revaluation	Balance IFRS 9
Liquid assets	Loans and receivables	Amortised cost	82,843	-	-	82,843
Loans and receivables from credit institutions	Loans and receivables	Amortised cost	39,258	-	-4	39,254
Loans and receivables from customers	Loans and receivables	Amortised cost	3,325,363	-	-7,856	3,317,508
Derivatives	Fair value through profit or loss	Fair value through profit or loss	647	-	-	647
Investment assets	Fair value through profit or loss	Fair value through profit or loss	1,262	237,075	-	238,337
Investment assets	Available-for-sale	Fair value through other comprehensive income	713,088	-237,075	0	476,013
Total financial assets			**4,162,461**	**-**	**-7,859**	**4,154,602**

*The amount of revaluation is the change in expected credit loss allowance of assets valued at amortised cost.

Implementation of IFRS 9 did not have an effect on classification and valuation of financial liabilities.

The effect of the implementation on POP Bank Group's equity is presented in the table below.

The effect of reclassification of financial assets on equity 1 January 2018

(EUR 1,000)	31 Dec 2017	Reclassification	Revaluation	1 Jan 2018
Share capital	62,791	-	-	62,791
Reserves				
Fair value reserve	8,849	-6,631	1,099	3,317
Other	148,930	-	-	148,930
Retained earnings	264,631	6,631	-8,177	263,085
Equity owners of the POP Bank Group	485,201	-	-7,078	478,124
Non-controlling interests	448	-	-	448
Total equity capital	**485,649**	**-**	**-7,078**	**478,572**

Adoption of IFRS 15 Revenue from Contracts with Customers on 1 January 2018

Implementation of the standard IFRS 15 Revenue from Contracts with Customers did not have any impact on the recognition of revenues in POP Bank Group. POP Bank Group used a retrospective approach in application.

NOTE 3 The POP Bank Group's Operating segments

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

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

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

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

POP BANK GROUP'S OPERATING SEGMENTS 2018

Income statement 1 January – 30 June 2018

(EUR 1,000)	Banking	Insurance	Segments total
Net interest income	31,824	151	31,975
Net commissions and fees	15,398	-239	15,158
Net investment income	3,996	168	4,164
Insurance income	-	4,497	4,497
Other operating income	3,441	181	3,621
Total operating income*	**54,659**	**4,757**	**59,416**
Personnel expenses	-14,715	-3,423	-18,138
Other operating expenses	-28,725	-1,347	-30,071
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-2,189	-699	-2,889
Total operating expenses	**-45,629**	**-5,469**	**-51,098**
Impairment losses on loans and receivables	906	23	928
Profit before tax	**9,935**	**-689**	**9,246**
Income tax expense	-2,269	-15	-2,284
Profit for the period	**7,666**	**-704**	**6,962**
* of which external	54,634	4,757	59,391
of which internal	24	-	24

Balance Sheet June 30 2018

(EUR 1,000)	Banking	Insurance	Segments total
Assets			
Liquid assets	87,489	-	87,489
Loans and receivables from credit institutions	45,899	8,578	54,477
Loans and receivables from customers	3,399,918	-	3,399,918
Derivative contracts	230	-	230
Investment assets	771,441	35,145	806,586
Intangible assets	3,508	6,298	9,806
Property, plant and equipment	30,069	36	30,105
Other assets	17,218	14,728	31,946
Tax assets	2,320	8	2,328
Total assets	**4,358,093**	**64,792**	**4,422,885**
Liabilities			
Liabilities to credit institutions	2,567	-	2,567
Liabilities to customers	3,606,562	-	3,606,562
Non-life insurance liabilities	-	32,819	32,819
Debt securities issued to the public	109,814	-	109,814
Supplementary cooperative capital	25,996	-	25,996
Other liabilities	38,454	6,695	45,149
Tax liabilities	22,642	187	22,829
Total liabilities	**3,806,034**	**39,701**	**3,845,735**

THE POP BANK GROUP'S OPERATING SEGMENTS 2017

Income statement 1 January – 30 June 2017

(EUR 1,000)	Banking	Insurance	Segments total
Net interest income	30,706	152	30,857
Net commissions and fees	14,504	-245	14,259
Net investment income	8,707	244	8,952
Insurance income	-	4,272	4,272
Other operating income	2,906	207	3,113
Total operating income*	**56,823**	**4,631**	**61,454**
Personnel expenses	-14,688	-3,070	-17,758
Other operating expenses	-25,507	-1,593	-27,100
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-2,431	-678	-3,109
Total operating expenses	**-42,626**	**-5,341**	**-47,967**
Impairment losses on loans and receivables	-2,743	-	-2,743
Profit before tax	**11,454**	**-710**	**10,744**
Income tax expense	-1,958	6	-1,952
Profit for the period	**9,496**	**-704**	**8,791**
* of which external	56,822	4,829	61,651
of which internal	600	0	1

Balance Sheet 31 December 2017

(EUR 1,000)	Banking	Insurance	Segments total
Assets			
Liquid assets	82,843	-	82,843
Financial assets at fair value through profit or loss	1,262	-	1,262
Loans and receivables from credit institutions	35,164	8,945	44,109
Loans and receivables from customers	3,327,879	-	3,327,879
Derivative contracts	647	-	647
Investment assets	807,829	34,763	842,592
Intangible assets	3,538	6,763	10,301
Property, plant and equipment	30,994	31	31,025
Other assets	17,688	11,548	29,235
Tax assets	1,905	8	1,913
Total assets	**4,309,749**	**62,058**	**4,371,806**
Liabilities			
Liabilities to credit institutions	6,882	-	6,882
Liabilities to customers	3,560,233	-	3,560,233
Non-life insurance liabilities	-	29,273	29,273
Debt securities issued to the public	109,713	-	109,713
Supplementary cooperative capital	26,219	-	26,219
Other liabilities	27,905	6,715	34,619
Tax liabilities	25,369	193	25,562
Total liabilities	**3,756,321**	**36,180**	**3,792,501**

RECONCILIATIONS

Income

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Segments' total income	59,416	61,454
Eliminations of internal items between segments	24	77
Unallocated income, other functions	5,910	5,250
Eliminations of internal items between segments and other functions	-5,954	-5,087
Group's total income	**59,396**	**61,695**

Result

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Segments' total result	6,962	8,791
Unallocated items	1,254	510
Group's total result	**8,216**	**9,302**

Assets

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Total assets of the segments	4,422,885	4,371,806
Eliminations of internal items between segments	-3,570	-4,973
Unallocated assets, other functions	74,508	73,560
Eliminations of internal items between segments and other functions	-165,905	-164,555
Group's total assets	**4,327,918**	**4,275,838**

Liabilities

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Segments' total liabilities	3,845,735	3,792,501
Eliminations of internal items between segments	-3,570	-4,973
Unallocated liabilities, other functions	7,203	7,333
Eliminations of internal items between segments and other functions	-6,198	-4,672
Group's total liabilities	**3,843,170**	**3,790,189**

NOTE 4 Net Interest Income

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Interest Income		
Loans and advances to credit institutions	17	23
Loans and advances to customers	34,558	34,709
Debt securities		
At fair value through profit or loss	199	41
At fair value through other comprehensive income	1,814	-
Available-for-sale	-	2,502
Hedging derivatives	448	1,161
Other interest income	417	338
Total interest income	**37,452**	**38,774**
Of which negative interest expense	1	0
Interest expense		
Liabilities to credit institutions	-84	-162
Liabilities to customers	-4,918	-7,374
Debt securities issued to the public	-474	-491
Other interest expenses	-7	-20
Total interest expenses	**-5,483**	**-8,047**
Of which negative interest income	-436	-501
Net interest income	**31,969**	**30,575**

NOTE 5 Net Commissions and Fees

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Commissions and fees		
Lending	4,003	4,070
Deposits	128	243
Payment transfers	8,392	7,520
Legal services	980	1,080
Intermediated services	1,901	1,555
Issuing guarantees	270	303
Funds	1,206	1,114
Other commission income	590	507
Total commissions and fees	**17,471**	**16,391**
Commissions expenses		
Payment transfers	-1,869	-1,634
Other commission expenses	-491	-421
Total commission expenses	**-2,360**	**-2,055**
Net commissions and fees	**15,111**	**14,336**

NOTE 6 Net Investment Income

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Financial assets at fair value through profit and loss		
Debt securities		
Capital gains and losses	-	-5
Impairment losses	-91	77
Shares and participations		
Dividend income	3,103	-
Capital gains and losses	-31	-
Impairment losses	-222	-
Total net income from financial assets at fair value through profit or loss	**2,759**	**72**
Financial assets at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	11	-
Transferred from fair value reserve	640	-
Muiden laajan tuloksen erien kautta arvostettavat osakkeet ja osuudet		
Dividend income	128	-
Total net income from financial assets at fair value through other comprehensive income	**779**	**-**
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	-	-19
Transferred from fair value reserve	-	946
Debt securities	**-**	**927**
Shares and participations		
Dividend income	-	2,263
Capital gains and losses	-	637
Impairment losses	-	-39
Transferred from fair value reserve	-	4,594
Total shares and participations	**-**	**7,454**
Total net income from available-for-sale financial assets	**-**	**8,381**
Net income from hedge accounting	8	5
Net income from foreign exchange trading	142	99
Net income from investment property		
Rental income	1,525	1,679
Capital gains and losses	298	211
Other income from investment property	61	79
Maintenance charges and expenses	-1,096	-1,230
Depreciations and amortisation of investment property	-606	-705
Other expenses from investment property	-7	-4
Total net income from investment property	**175**	**29**
Total net investment income	**3,863**	**8,587**

Net investment income includes net income from financial instruments except interest income from bonds recognised in net interest income. Previously net income from financial assets measured at fair value through profit or loss was reported as a separate item and net investment income from non-life insurance was reported in the item net income from non-life insurance.

NOTE 7 Insurance Income

(EUR 1,000)	1 Jan - 30 Jun 2018	1 Jan - 30 Jun 2017
Insurance premium revenue		
Premiums written	20,649	20,815
Change in the provision for unearned premiums	-3,407	-3,337
Gross insurance premium revenue	**17,243**	**17,479**
Ceded to reinsurers	-364	-482
Total insurance premium revenue	**16,879**	**16,997**
Claims incurred		
Claims paid	-11,727	-11,417
Change in provision for unpaid claims	-2,251	-1,729
Total claims incurred, gross	**-13,978**	**-13,147**
Ceded to reinsurers	1,596	423
Total claims incurred	**-12,382**	**-12,724**
Insurance Income	**4,497**	**4,272**

NOTE 8 Classification of Financial Assets and Liabilities

Financial assets 30 June 2018

(EUR 1,000)	Measured at amortised cost	Measured at fair value through profit or loss	Hedging derivatives	Measured at fair value through other comprehensive income	Total carrying amount
Liquid assets	87,489	-	-	-	87,489
Loans and receivables from credit institutions	51,053	-	-	-	51,053
Loans and receivables from customers	3,397,430	-	-	-	3,397,430
Derivative contracts	-	-	230	-	230
Debt securities	-	12,597	-	440,325	452,922
Shares and participations	-	218,600	-	4,734	223,334
Financial assets total	**3,535,972**	**231,198**	**230**	**445,058**	**4,212,458**
Other than financial assets					115,459
Total assets at 30 Jun 2018					**4,327,918**

Financial assets 31 December 2017

(EUR 1,000)	Loans and receivables	Measured at fair value through profit or loss	Hedging derivatives	Available-for-sale	Total carrying amount
Liquid assets	82,843	-	-	-	82,843
Loans and receivables from credit institutions	39,258	-	-	-	39,258
Loans and receivables from customers	3,325,363	-	-	-	3,325,363
Derivative contracts	-	-	647	-	647
Debt securities	-	1,262	-	480,675	481,937
Shares and participations	-	-	-	232,413	232,413
Financial assets total	**3,447,464**	**1,262**	**647**	**713,088**	**4,162,461**
Other than financial assets					113,376
Total assets at 31 Dec 2017					**4,275,838**

Financial liabilities 30 June 2018

(EUR 1,000)	Other financial liabilities	Total carrying amount
Liabilities to credit institutions	2,649	2,649
Liabilities to customers	3,601,051	3,601,051
Debt securities issued to the public	109,814	109,814
Supplementary cooperative capital	25,996	25,996
Financial liabilities total	**3,739,509**	**3,739,509**
Other than financial liabilities		103,661
Total liabilities at 30 June 2018		**3,843,170**

Financial liabilities 31 December 2017

(EUR 1,000)	Other financial liabilities	Total carrying amount
Liabilities to credit institutions	6,964	6,964
Liabilities to customers	3,554,357	3,554,357
Debt securities issued to the public	109,713	109,713
Supplementary cooperative capital	26,219	26,219
Financial liabilities total	**3,697,252**	**3,697,252**
Other than financial liabilities		92,936
Total liabilities at 31 Dec 2017		**3,790,189**

NOTE 9 Impairment Losses on Financial Assets

Gross exposures broken down by stages 30 June 2018

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	2,982,136	349,612	136,787	3,468,534
Off-balance sheet items	228,173	16,164	1,888	246,225
Debt securities	401,384	38,941	-	440,325
Total	**3,611,693**	**404,717**	**138,674**	**4,155,084**

Gross exposures broken down by stages 1 January 2018

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	2,818,216	401,559	163,851	3,383,626
Off-balance sheet items	208,006	16,066	3,395	227,468
Debt securities	444,068	37,870	-	481,937
Total	**3,470,290**	**455,495**	**167,247**	**4,093,032**

Changes in expected credit loss (ECL)

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Loans and receivables from customers and off-balance sheet commitments				
ECL 1 Jan 2018	**3,461**	**5,745**	**22,960**	**32,167**
Transfers to stage 1	287	-2,069	-3,538	-5,320
Transfers to stage 2	-127	1,349	-3,819	-2,597
Transfers to stage 3	-93	-371	5,017	4,553
Increases due to origination	1,020	773	1,534	3,327
Decreases due to derecognition	-275	-368	-1 643	-2,287
Changes due to change in credit risk (net)	-500	-242	383	-358
Changes in calculation parametres	0	-1	871	871
Decreases due to write-offs	-	-	-565	-565
Total	311	-929	-1,759	-2,377
ECL 30 Jun 2018	**3,773**	**4,816**	**21,201**	**29,790**
Debt securities				
ECL 1 Jan 2018	**130**	**1,291**	**-**	**1,421**
Transfers to stage 1	1	-32	-	-31
Transfers to stage 2	-4	61	-	57
Increases due to origination	57	283	-	340
Decreases due to derecognition	-54	-183	-	-236
Changes due to change in credit risk (net)	-6	-104	-	-111
Total	-5	24	-	19
ECL 30 Jun 2018	**125**	**1,316**	**-**	**1,440**

Impairment losses recorded during the reporting period

(EUR 1,000)	1 Jan-30 Jun 2018	1 Jan-30 Jun 2017
Change of ECL due to write-offs	565	-
Change of ECL, receivables from customers and off-balance sheet items	1,814	-
Change of ECL, debt securities	-21	-
Increases in impairment losses	-	-3,088
Reversals of impairment losses	-	427
Change in collectively assessed impairment losses	-	-44
Reversals of impairment losses from final credit losses	-	571
Final credit losses	-1,430	-610
Impairment losses on loans and receivables	**928**	**-2,743**

NOTE 10 Fair values of Financial Assets and Liabilities

Financial assets

	30 Jun 2018		31 Dec 2017	
(EUR 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
Liquid assets	87,489	87,489	82,843	82,843
Loans and receivables	3,448,483	3,452,566	3,364,621	3,394,151
Derivative contracts	230	230	647	647
At fair value through profit or loss	231,198	231,198	1,262	1,262
At fair value through other comprehensive income	445,058	445,058	-	-
Available-for-sale	-	-	713,088	713,088
Total	**4,212,458**	**4,216,542**	**4,162,461**	**4,191,991**

Financial liabilities

	30 Jun 2018		31 Dec 2017	
(EUR 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
Deposits	3,601,051	3,562,689	3,554,357	3,540,582
Debt securities issued to the public	109,814	110,877	109,713	111,382
Other financial liabilities	28,644	28,644	33,182	33,182
Total	**3,739,509**	**3,702,210**	**3,697,252**	**3,685,147**

Hierarchy levels of items recognised at fair value

Items recognised at fair value 30 Jun 2018

(EUR 1,000)	Level 1	Level 2	Level 3	Fair value total
At fair value through profit or loss				
Shares and participations	211,661	-	6,939	218,600
Debt securities	6,063	-	6,534	12,597
Derivative contracts	-	230	-	230
At fair value through other comprehensive income				
Shares and participations	-	-	4,734	4,734
Debt securities	214,004	224,208	2,113	440,325
Total	**431,728**	**224,438**	**20,320**	**676,486**

Items recognised at fair value 31 Dec 2017

(EUR 1,000)	Level 1	Level 2	Level 3	Fair value total
At fair value through profit or loss				
Debt securities	-	-	1,262	1,262
Derivative contracts	-	647	-	647
Available-for-sale				
Shares and participations	221,931	-	10,383	232,314
Debt securities	222,323	251,961	6,490	480,774
Total	**444,253**	**252,609**	**18,135**	**714,997**

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. POP Bank Group has applied IFRS 9 Financial Instruments standard from 1 January 2018. The classification and measurement of financial instruments is described in more detail in Note 2 POP Bank Group's accounting policies.

Fair value hierarchies

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

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

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

Transfers between fair value hierarchies

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

During the reporting period, securities of EUR 370 thousand have been transferred from hierarchy level 3 to hierarchy level 1.

Changes in financial assets recurrently measured at fair value classified into level 3

(EUR 1,000)	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Total
Carrying amount 31 Dec 2017	1,262	16,873	18,135
Restatement due to implementation of IFRS 9	8,711	-8,711	-
Carrying amount 1 Jan 2018	**9,973**	**8,162**	**18,135**
+ Purchases	3,351	664	4,015
- Sales	-336	-	-336
- Matured during the financial year	-57	-1,750	-1,807
+/- Realised changes in value recognised in income statment	22	-4	19
+/- Unrealised changes in value recognised in the income statement	520	-	520
+/- Changes in value recogmised in other comprehensive income	-	145	-
-Transfers to levels 1 and 2	-	-370	-370
Carrying amount at the end of period	**13,473**	**6,847**	**20,320**

Sensitivity analysis of financial instruments at level 3

30 Jun 2018

(EUR 1,000)	Carrying amount	Possible effect on equity capital Positive	Negative
Financial assets at fair value through profit or loss	13,473	1,106	-1,106
Financial assets at fair value through other comprehensive income	6,846	731	-731
Total	**13,473**	**1,106**	**-1,106**

31 Dec 2017

(EUR 1,000)	Carrying amount	Possible effect on equity capital Positive	Negative
Available-for-sale financial assets	18,585	1,624	-1,624
Yhteensä	**18,585**	**1,624**	**-1,624**

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

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

NOTE 11 Insurance contract liabilities

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Provision for unearned premiums	16,687	13,281
Ceded to reinsurers	-515	-
Provisions for unpaid claims	20,848	18,597
Ceded to reinsurers	-4,201	-2,605
Total insurance contract liabilities	**32,819**	**29,273**

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

NOTE 12 Debt Securities Issued to Public

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Debt securities issued to the public	99,814	99,717
Certificate of deposits	10,000	9,996
Total debt securities issued to the public	**109,814**	**109,713**

Bonum Bank Plc, the central credit institution of POP Banks, issued a three-year unsecured bond of EUR 100 million with floating interest rate in the financial year 2016. The bond is listed on the Helsinki stock exchange. Bonum Bank Plc has also issued two certificates of deposits of total nominal value of EUR 10 million.

NOTE 13 Collateral Given

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Given on behalf of own liabilities and commitments		
Pledges	2,665	2,665
Mortgages	400	400
Collateral given to the Bank of Finland	16,871	16,389
Total collateral given	**19,936**	**19,454**

NOTE 14 Off-balance-sheet Commitments

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Guarantees	20,701	21,251
Loan commitments	225,525	206,217
Total off-balance sheet commitments	**246,225**	**227,468**

NOTE 15 Related Party Disclosures

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

There has been no substantial changes in related-party transactions after 31 December 2017.

NOTE 16 Capital adequacy

The amalgamation of POP Banks is formed by the central institution (POP Bank Alliance Coop), the member credit institutions of the central institution, the companies included in the consolidation groups of the member credit institutions and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes. More detailed information about the entities included in the consolidation group is presented in Note 1.

Pillar III disclosure requirements are also presented in the Note 4 on risk and capital adequacy management and Note 3 on governance and management systems in the POP Bank Group's consolidated IFRS financial statements 31 Dec 2017. The disclosure requirements concerning remuneration are presented in Note 3 on governance and management systems and Note 13 on employee expenses.

The capital requirement to credit risk of the amalgamation of POP Banks is calculated using the standardised approach and capital requirement to operational risk using the basic indicator approach. The capital requirement for market risk is calculated for the foreign exchange exposure using the basic indicator approach.

Summary of capital adequacy

(EUR 1,000)	30 Jun 2018	31 Dec 2017
Own funds		
Common Equity Tier 1 capital before deductions	516,276	509,965
Deductions from Common Equity Tier 1 capital	-9,811	-10,271
Total Common Equity Tier 1 capital (CET1)	**506,465**	**499,694**
Additional Tier 1 capital before deductions	4,556	4,980
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**4,556**	**4,980**
Tier 1 capital (T1 = CET1 + AT1)	**511,021**	**504,674**
Tier 2 capital before deductions	2,734	2,490
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**2,734**	**2,490**
Total capital (TC = T1 + T2)	**513,755**	**507,164**
Total risk weighted assets	**2,434,746**	**2,395,591**
of which credit risk	2,202,498	2,165,067
of which credit valuation adjustment risk (CVA)	53	270
of which market risk (exchange rate risk)	27,512	25,571
of which operational risk	204,682	204,682
CET1 Capital ratio (CET1-%)	20.8 %	20.9 %
T1 Capital ratio (T1-%)	21.0 %	21.1 %
Total capital ratio (TC-%)	21.1 %	21.2 %
Capital requirement		
Total capital	513,755	507,164
Capital requirement *	256,027	251,822
Capital buffer	257,728	255,342
Leverage ratio		
Tier 1 capital (T1)	511,021	504,674
Leverage ratio exposure	4,380,744	4,327,162
Leverage ratio, %	11.7 %	11.7 %

* 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.

FURTHER INFORMATION

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The figures disclosed in the half-year financial report are unaudited.

Espoo 22 August 2018
Board of Directors of POP Bank Alliance Coop
POP

POP Pankki