POP Bank Group

FINANCIAL STATEMENTS RELEASE

1 JANUARY – 31 DECEMBER 2019

POP Bank

CONTENTS

CEO'S REVIEW

A record result and a new strategy

The POP Bank Group's result was the best in the history of the amalgamation. The results of the extensive renewal programme that we launched in 2017 began to be reflected positively in the Group's key figures and performance. We were able to increase our customer business revenue while also reaching the number one spot in customer satisfaction.

The POP Bank Group's operating income was EUR 131.3 million. Profit before taxes increased by as much as EUR 14.6 million and was EUR 26.2 million. The amalgamation's capital structure and capital adequacy remained strong. Its own funds amounted to EUR 504.6 million, and its CET 1 capital ratio was 19,8 %. Its loan portfolio increased by 4.7 % and exceeded EUR 3.5 billion in early 2019. The balance sheet total stood at EUR 4.5 billion at the end of the financial year.

Banking and insurance operations developed in line with our targets. Despite the low interest rate level, net interest income increased by 6.0 % on the previous year to EUR 69.3 million. The increase in net interest income was due to higher lending volumes, new digital products and more efficient funding. Net commission income remained at the previous year's level, at EUR 30.0 million. In terms of investing activities, our Group had an excellent year. Net investment income totalled EUR 15.6 million, including EUR 11.4 million in valuations.

Operating expenses grew moderately during the financial year, increasing by just 1.8 %. This was affected by extensive ongoing development projects that will generate costs over the coming years.

We served customers at 76 branches and service points and via the POP Bank Group's online services and mobile channel. The number of banking customers stood at 252,000 at the end of the year. The digital POP Pikalaina consumer credit in particular attracted customers, even from outside the Pop Banks' network of branch offices. The strong demand was reflected in sales that exceeded expectations.

The POP Bank Group's digital insurance company, Finnish P&C Insurance, recorded a EUR 1.5 million result and achieved a record number of customers: 143,000. The company leads the way in digital online advertising, and in analysing customer behaviour and using the data for

"We are defending our role in the local business and industry and strengthening the labour and housing markets.

product development and pricing. We have made use of this expertise in the renewal of our banking operations.

In spring 2019, we launched the largest investment project in our history, the purpose of which is to modernise our core banking system. The project is expected to take three years to complete. Its goal is to build a seamless multichannel bank for the POP Bank Group, reduce IT system maintenance costs and meet future regulatory and information security requirements.

Towards the end of the year, we finalised the POP Bank Group's strategy for 2020–2022, which was duly approved by the Supervisory Board in early January 2020. In cooperation with the Board of Directors, the management and employees, we carefully created a common situational awareness in which we evaluated the operating environment, technology and competitors in relation to our customers' expectations. At the same time, we are adopting a new way of working in which we review and implement strategy continuously.

Our strategy process is based on ensuring the continuity of local operations, improving business profitability and maintaining the pace of renewal. Due to the new strategy, the central institution's control will increase: we will combine control practices and clarify guidelines within the amalgamation. The purpose is to ensure proactively that the banks' quality and business development is in line with the Group's target.

The POP Bank Group's vision is to be the bank that best combines personal and digital service, the highest level of customer satisfaction and rapid decision-making. Our goal is to outpace market growth, and we are also seeking to systematically remove obstacles to growth. The POP Bank Group continues to focus strongly on promoting excellent customer experience by keeping its expertise, product offering, pricing and operating activities competitive and attractive to customers.

Banks within the Group began to plan mergers. These will enable the formation of stronger banks in various operating areas that are better positioned to increase lending, manage the balance sheet more efficiently and renew the banks' daily operations.

Currently, the banking business is being affected by several simultaneous trends that are driving change: low interest rates, weak and unpredictable economic growth in Finland, the growing pace of internal migration and urbanisation, and rapid changes in consumer behaviour in relation to digital services. We are working to actively defend our local role in business and industry and in strengthening the labour and housing markets. We intend to completely digitalize housing loans and sales, and we want to be in the vanguard of development in this field.

POP Bank has the highest customer satisfaction in Nordic countries (EPSI Rating 2019) In Finland, POP Bank has been ranked eight times as Finland's best bank in terms of customer satisfaction. This achievement is based on our consistent work with customers over the long term and on our customer service professionals' availability, expert advice and rapid decision-making.

I would like to take this opportunity to warmly thank our employees for their commitment and high pace of renewal. I would also like to thank our customers and partners for the trust they have shown in the POP Bank Group.

Pekka Lemettinen
CEO
POP Bank Alliance

POP Bank Group's Board of Directors' report 1 January - 31 December 2019

POP BANK GROUP'S YEAR 2019 IN BRIEF

- Net interest income 69.3 (65.4) million (+6.0 %)
- Operating income EUR 131.4 (111.6) million (+17.7 %)
- Profit before tax EUR 26,2 (11.6) million (+126.0 %)
- Loan portfolio EUR 3,635.5 (3,473.3) million (+4.7 %)
- Balance sheet EUR 4,535.5 (4,409.5) million (+2.9 %)
- CET 1 Capital ratio of the amalgamation 19.8 (20.5) per cent
- POP Bank has the highest customer satisfaction in Nordic countries (EPSI Rating 2019)
- Insurance operations' loss ratio 74.3 (70.7) %
- The increase in number of insurance customers 14.8 (19.8) %

KEY EVENTS

- The specification phase for the POP Bank Group's new core banking system has begun
- The development of digital services continues
- The POP Banks' product offering has been expanded
- Insurance operations achieved profitability
- New strategy for the POP Bank Group is ready

POP Bank group and amalgamation of POP Banks

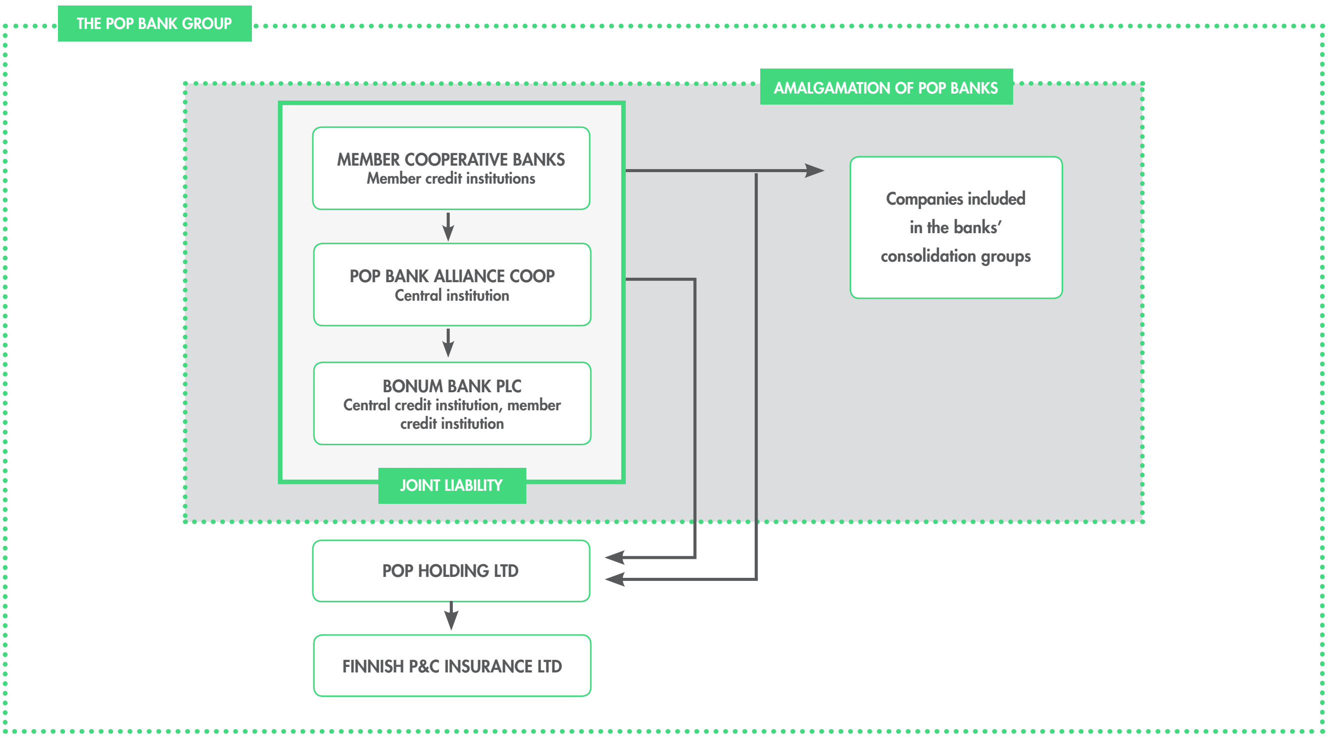
The POP Bank Group is a Finnish financial group that offers retail banking services to private customers, small companies, agricultural and forestry companies, as well as non-life insurance services to private customers. In addition to healthy and profitable business, the objectives of the POP Bank Group emphasise the development of the customer experience.

The POP Bank Group refers to the new legal entity created on 2015, comprised of POP Banks and POP Bank Alliance Coop, and the entities under their control. The most significant companies with customer operations in the POP Bank Group 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.

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

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



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

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

Operating environment

Economic growth slowed in 2019. The trade war between the United States and China increased tensions and slowed the volume of world trade, with exports from the EU to the US also decreasing. This, combined with the expectation of Brexit, depressed the growth of the EU economy.

The European Central Bank continued to support the markets through its bond purchase programme and by cutting its interest rate for deposits to -0.5 %. Expectations of interest rate hikes were thereby postponed much further into the future. As a result, both short-term and long-term interest rates were at a record-low level in the summer. The low interest rates and good availability of finance supported the stock and real estate markets.

The export outlook for Finland was weakened by slow economic growth in Germany and Sweden, its main export markets – which was also reflected in weaker outlooks among Finnish companies and low investment. Construction activity has also begun to decrease after having peaked at record-high levels. Tensions increased in the labour market, and some industrial action took place towards the end of the year. The employment rate improved and unemployment decreased, but this trend slowed during the second half of the year.

The overall situation in agriculture remained challenging, but the increased focus on environmental aspects supported an increase in investments in the forest industry and the bioeconomy.

Moderate inflation and low interest rate levels have increased consumers' purchasing power. Strong construction activity in growth centres and an increase in the availability of rental housing have kept the increase in housing costs in check. Although housing price increases have stabilised at the national level, regional price increases have varied greatly.

The high level of household indebtedness became a key concern during the year. The Ministry of Finance established a working group to look into the issue. In October 2019, the working group proposed that the maximum amount of household loans be linked to annual income, in addition to suggesting limitations to housing company loans.

Key events in the POP Bank group

The specification phase for the POP Bank Group's new core banking system has begun

The POP Bank Group is focusing strongly on renewing its core banking system in cooperation with the Savings Bank Group and Oma Savings Bank Plc. The system reform project of the three banking groups was launched in spring 2019 and is expected to continue until 2022. The project aims to upgrade the banks' current banking systems, which will enable digital services to be developed more efficiently in the future.

The system will be delivered by Cognizant, a US company with extensive experience in the implementation of banking systems in various countries. As part of the core banking system overhaul, the POP Bank Group sold its shares in the IT service provider Samlink to Cognizant. The sale will not impact the POP Bank Group's result for 2019, since the shares were classified as assets recognised at fair value through other comprehensive income.

The development of digital services continues

The POP Bank Group continued to develop its digital services. New features were added to Pop Mobiili, such as online payslips, e-invoice management and fund subscriptions. Mobile services lower the threshold for saving in mutual funds. Other online service concepts were also expanded. Customers can now sign some of their credit documents electronically. The new Verkkohetki concept enables customers to consult their designated expert remotely. The fully digital POP Pikalaina consumer credit was introduced in late 2018, and its first-year sales significantly exceeded expectations.

In the autumn, the POP Bank Group released a third-party developer portal that complies with the Payment Services Directive (PSD2) and enables service providers to test their own applications using the PSD2 test interface provided by the bank.

The POP Banks' product offering has been expanded

In March, the POP Banks added 11 new POP Funds to their range of funds. The new funds are suitable for both experienced investors and beginners interested in monthly investment plans. The POP Banks are able to offer a comprehensive range of mutual funds in both traditional and emerging markets. As part of product portfolio development, the management of the POP Funds was transferred from Aktia Fund Management Company to Sp-Fund Management Company in November 2019.

To facilitate lending to homebuyers, the POP Takaus guarantee was turned into a directly enforceable guarantee. This was based on restrictions set by the authorities concerning the maximum loan-to-value ratio.

Insurance operations achieved profitability

Finnish P&C Insurance Ltd, which is part of the POP Bank Group, continued to rapidly increase its customer count. At the close of the period under review, company already had 143 thousand customers . The insurance company, set up in late 2012, reported a positive annual result for the first time. Price competition in car insurance policies slackened off, resulting in stronger demand and higher customer retention for the company. The company's operating expense ratio improved significantly because of the strong growth in business volumes and the reorganisation of sales channels.

New strategy for the POP Bank Group is ready

Towards the end of the year, POP Bank Group's strategy for 2020–2022 was finalised, and duly approved by the Supervisory Board in early January 2020. The new strategy strenghtens the role of the central institution. This will unify the supervisory procedures and clarify amalgamation's internal control. At the same time, the Group has decided to adopt a new way of working in which the strategy is reviewed, amended and adapted continuously. This will help the Group to proactively and effectively respond to changes in the operating environment and regulatory requirements.

Credit ratings

S&P Global Ratings (S&P) affirmed Bonum Bank's rating of BBB for long-term investment grade and A-2 for short-term investment grade in May. 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 through the amalgamation.

POP Bank group's earnings and balance sheet

POP BANK GROUP KEY FIGURES AND RATIOS

Key income figures (EUR 1,000)	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	1 Jan-31 Dec 2017
Net interes income	69,318	65,391	62,817
Net commissions and fees	30,013	29,790	28,115
Insurance income	10,913	10,433	8,453
Net investment income	15,588	1,111	14,559
Personnel expenses	-42,843	-41,769	-39,720
Other operating expenses	-47,927	-48,257	-47,003
Impairment losses on financial assets	-6,528	-3,195	-4,991
Profit before tax	26,150	11,569	19,488

Key balance sheet figures (EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2017
Loan portfolio	3,635,488	3,473,310	3,325,363
Deposit portfolio	3,746,305	3,666,543	3,554,357
Insurance contract liabilities	38,606	32,488	29,250
Equity capital	508,435	483,788	485,649
Balance sheet total	4,535,557	4,409,518	4,275,838

Key ratios	31 Dec 2019	31 Dec 2018	31 Dec 2017
Cost to income ratio	75.1 %	86.8 %	79.4 %
Return on assets, ROA %	0.5 %	0.2 %	0.4 %
Return on equity, ROE %	4.3 %	1.8 %	3.3 %
Equity ratio, %	11.2 %	11.0 %	11.4 %
Common equity Tier 1 capital ratio, (CET1) %	19.8 %	20.5 %	20.9 %
Capital adequacy ratio, (TC) %	19.9 %	20.8 %	21.2 %

POP Bank Group's earnings development (comparison period 1 January - 31 December 2018)

The POP Bank Group's profit before taxes improved by EUR 14.6 million compared with the previous financial year. Profit before taxes was EUR 26.2 (11.6) million, and profit for the period was EUR 21.4 (8.9) million. All income items increased, while expenses grew moderately.

Net interest income strengthened by 6.0 per cent during the financial period, from EUR 65.4 to 69.3 million. Interest income for the financial year amounted to EUR 77.3 (75.7) million, and interest expenses were EUR 8.0 (10.3) million. Net commission income remained at the previous year's level, totalling EUR 30.0 (29.8) million. Net insurance income improved by 4.6 per cent and was EUR 10.9 (10.4) million.

Net investment income improved significantly from the previous year and was EUR 15.6 (1.1) million. Other operating income totalled EUR 5.5 (4.9) million. Operating income increased by 17.7 per cent to EUR 131.4 (111.6) million.

Operating expenses increased moderately, by 1.8 per cent. Expenses totalled EUR 98.6 (96.9) million, including EUR 42.8 (41.8) million in personnel expenses. Other operating expenses were slightly lower than in the previous year, totalling EUR 47.9 (48.3) million. Depreciation and impairment on tangible and intangible assets amounted to EUR 7.9 (6.8) million.

EUR 6.5 (3.2) million of the impairment of financial assets was recognised as expenses. The impairment losses include the deductions of the expected credit losses of EUR 3.5 (-1.6) million and the incurred credit losses of EUR 3.0 (4.7) million

POP Bank Group's balance sheet (comparison information 31 December 2018)

During the financial period, POP Bank Group's balance sheet grew by 2.9 per cent, standing at EUR 4,535.5 (4,409.5) million at the end of the period. The POP Bank Group's loan portfolio grew by 4.7 per cent to EUR 3,635 (3,473.3) million. The deposit portfolio grew by 2.2 per cent to be EUR 3,746 (3,666.5) million at the end of the financial period.

The amount of debt instruments issued by the Group's central credit institution Bonum Bank Plc totalled EUR 114.8 (142.4) million at the end of the financial year. The Group's investments in securities and properties stood at EUR 573.1 (707.9) million at the end of the financial period.

The POP Bank Group's equity totalled EUR 508.4 (483.8) million at the end of the financial year. The POP Banks' cooperative capital totalled EUR 66.7 (64.7) million at the close of the financial year. The POP Banks paid EUR 1.2 (1.2) million in interest on cooperative capital for 2018. In addition the cooperative contributions, the POP Banks have issued POP Shares. A POP Share is an investment in the cooperative's equity pursuant to the Cooperatives Act. In total, the POP Banks have issued a total of EUR 57.3 (55.3) million in POP Shares. In the POP Banks' national financial statements, the equity also includes EUR 18.0 (21.4) million in supplementary cooperative contributions. In accordance with the IFRS, these are recognised as debt capital, and the interest paid on them is recognised as an accrued interest expense.

Operating segments

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

BANKING

The POP Bank Group's Banking segment consists of the POP Banks engaged in retail banking and Bonum Bank Plc, which is the amalgamation's central credit institution. At the end of 2019, POP Banks had 252.000 (251,000) customers. Of these, 85.4 (85.0) per cent are private customers, 8.4 (8.3) per cent are corporate customers, and 2.9 (3.4) per cent are in the agriculture and forestry sectors At the end of the year, 89.300 (88,500) customers were also members of POP Banks.

Providing excellent customer service and constantly improving the customer experience plays a central role at the POP Banks. Throughout the 2000s, POP Banks have ranked at the top in independent customer satisfaction and customer service surveys. According to surveys conducted in 2019, POP Banks still have the highest customer satisfaction rates among Nordic banks (according to EPSI Rating customer satisfaction surveys in the Nordic countries in autumn 2019). At the end of the year, POP Banks had 76 branch offices and service points. In addition, customers have access to mobile and online banking services and online appointments.

Banking earnings (comparison period 1 January - 31 December 2018)

Banking earnings before taxes grew EUR11.5 million, to EUR 23.8 (12.3) million. The cost-to-income ratio was 73.1 per cent (84.0). The increase in investment income had a significant impact on the improved result.

Operating income amounted to EUR 117.4 (101.5) million, an increase of 15.7 per cent. Net interest income strengthened, totalling EUR 68.9 (65.1) million. The amount of net income and expenses were EUR 30.5 (30.4) million remaining on level with the previous year. Net investment income grew by EUR 11.1 million, to EUR 13.2 (2.1) million. Other operating income totalled EUR 4.8 (3.9) million.

Operating expenses amounted to EUR 87.1 (86.0) million, an increase of 1.4 per cent. Personnel expenses were EUR 31.3 (30.6) million, and other operating expenses were EUR 51.1 (50.9) million. Depreciation and impairment on tangible and intangible assets amounted to EUR 4.8 (4.5) million.

EUR 6.5 (3.2) million of the impairment of financial assets was recognised as expenses. The impairment losses include the deductions of the expected credit losses of EUR 3.5 (-1.6) million and the incurred credit losses of EUR 3.0 (4.7) million

The final credit losses recognised for the financial year and the increase in expected credit losses represented 0.18 (0.09) per cent of the loan portfolio. Receivables more than 90 days overdue from the loan and guarantee portfolio accounted for 0.80 (0.89) per cent of the loan portfolio.

Banking segment's assets and liabilities (comparison information 31 December 2018)

The assets of the banking segment totalled EUR 4,558.9 (4,444.2) million at the end of the financial period. The loan portfolio increased by 4.7 per cent, to EUR 3,637.6 (3,475.8) million. Loan portfolio grew in both private customer and corporate client segments. At the end of the financial year, loans granted to private customers accounted for 67.1 (67.0) per cent of the loan portfolio, loans granted to companies for 17.5 (17.0) per cent, and loans granted to agricultural entrepreneurs for 15.4 (16.0) per cent. Deposits increased by 2.2 per cent, totalling EUR 3,751.7 (3,672.3) million at the end of the financial period.

INSURANCE

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

Insurance operations continued to grow strongly. In 2019, Finnish P&C Insurance Ltd. gained an average of 3,800 (3,900) new customers per month, and at the end of the financial period, the company had 143,000 (124,600) customers. According to the results of an NPS survey, which measured customers' willingness to recommend, the company is a leader in its field. The company, which operates via electronic channels, has customers throughout Finland.

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

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

Insurance earnings (comparison period 1 January - 31 December 2018)

Insurance operations regained profitability, recording a positive result of EUR 1.5 (-0.6) million. Price competition in car insurance policies slackened off, resulting in stronger demand and higher customer retention for the company.

Net insurance income was EUR 10.9 (10.4) million, representing an increase of 4.6 per cent. The loss ratio increased by 3.6 percentage points from 70.7 to 74.3 per cent. The operating expense ratio was 26.4 (31.4) per cent, and the consolidated cost ratio was 100.7 (102.1) per cent.

In 2019, Finnish P&C Insurance sold 130,500 (129,000) new insurance agreements, Premiums written totalled EUR 45.8 (38.9) million, of which 82.0 (82.0) per cent accrued from the motor vehicle liability and land vehicles insurance categories. Accident and health, fire and other property, as well as other direct insurance policies generate a total of 18.0 (18.0) per cent of the premiums written. Insurance premium revenue increased by 19.1 per cent to EUR 42.5 (35.6) million.

Claims incurred totalled EUR 31.6 (25.2) million, up 25.1 per cent from the previous year. These consisted of EUR 27.8 (24.4) million in claims paid, EUR 7.7 (2.5) million in changes in provisions for unpaid claims, less EUR -3.9 (-1.7) million in increases in provisions for unpaid claims ceded to reinsurers. During the financial period, three losses exceeded the retention limits of reinsurance. Reinsurance provisions for a total of eight losses were made to technical provisions at the end of the year.

Personnel expenses decreased 2.5 per cent to EUR 6.9 (7.1) million. Other operating expenses also decreased and were EUR 2.2 (2.4) million. Depreciation, amortisation and impairment amounted to EUR 1.5 (1.4) million. Operating expenses totalled at EUR 11.0 (10.9) million.

Insurance segment's assets and liabilities (comparison information 31 December 2018)

The assets of the insurance segment totalled EUR 70.9 (61.6) million at the end of the financial period. The liabilities of the insurance segment totalled EUR 45.9 (36.4) million. Insurance liabilities grew by 18.8 per cent to EUR 38.6 (32.5) million. The liabilities of the insurance segment totalled EUR 43.9 (36.3) million.

OTHER FUNCTIONS

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

POP Bank group's risk and capital adequacy management and risk position

Principles and organization of risk management

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

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

The central institution supervises that the member credit institutions comply with laws, decrees, instructions and regulations issued by the authorities, their own rules and the internal binding instructions of the amalgamation in its activities. Independent risk control and compliance functions within the central institution tasked with controlling the amalgamation's risk level and the supervision and compliance with the regulations and internal auditing.

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

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

BANKING RISKS

Credit risk

Banking credit risk exposure remained stable and its risk level moderate. Key indicators of receivables past due also remained on a moderate level. The proportion of loans granted to private customers in the loan portfolio increased slightly. The amount of Expected Credit Loss (ECL) increased during the financial year.

During the financial year POP Bank Group's loan portfolio grew by 4.7 per cent to EUR 3,635.5 (3,473.3) million. Majority of the lending is associated with low risk lending to private customers. Loans granted to private customers accounted for 67.1 (67.0) per cent of the loan portfolio, loans granted to companies for 17.5 (17.0) per cent, and loans granted to agricultural entrepreneurs for 15.4 (16.0) per cent. Loans secured by residential real estate collateral accounted for 65.0 (65.6) per cent of the loan portfolio. At the end of the financial year, the amalgamation of POP

Banks' receivables more than 90 days past due accounted for 0.80 (0.89) per cent of the loan portfolio. The amalgamation's receivables 30–90 days past due accounted for 0.42 (0.83) per cent of the loan portfolio at the end of the financial year.

Expected credit losses (ECL) increased 10.5 per cent to EUR 33.8 (30.6) million during the financial year.

The industry and customer risks of POP Banks' Amalgamation are well diversified. At the end of the financial year 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.

The monitoring of credit risk is based on the continuous monitoring of non-performing receivables and past-due payments, forbearance and the quality of the loan portfolio. Monitoring expected credit losses (ECL) is an essential part of the credit risk management process. Problems that can be foreseen are addressed as early as possible.

Liquidity risks

The POP Bank Group's liquidity position remained strong during the financial period. The amalgamation's liquidity coverage ratio (LCR) was 114.7 (151) per cent on 31 December 2019. The minimum LCR requirement set in the Regulation has been 100 per cent from 1 January 2018. On 31 December 2019, the amalgamation's LCR-eligible assets before haircuts totalled EUR 305.4 (364.1) million, of which 54.8 (22.3) per cent were cash and balance at the central bank and 40.2 (77.7) per cent were highly liquid tier 1 securities. The central credit institution Bonum Bank Plc manages the liquidity coverage requirement (LCR) of the amalgamation.

POP Bank Alliance Coop, the central institution of POP Banks' Amalgamation, applies a permission by the Finnish Financial Supervisory Authority to decide that the requirements laid down in the sixth part of the European Union's Capital Requirements Regulation (EU 575/2013) and EU's statutory orders set in the Regulation are not applied to its member credit institutions.

The POP Bank Group's funding position remained strong during the financial year. The proportion of deposits from the funding portfolio remained high and the availability of financing stayed good. The Net Stable Funding Ratio (NSFR) was 121.28 (119.46) at the end of the period, with the future requirement being 100 per cent in accordance with Regulation (EU) 2019/876, which was confirmed in summer 2019. End of reporting period Bonum Bank Plc has EUR 95 million (100) outstanding unsecured senior notes from EUR 750 million bond programme.

Market risk

Market risks from banking arise from the banking book of member credit institutions, consisting of lending and deposits, wholesale market funding and investment and liquidity portfolios. Market risk exposure remained at a moderate level during the financial period. The most significant market risk the POP Bank Group is exposed to is the interest rate risk in the banking book, which is monitored and limited via both the net present value and income risk models. The impact of +/- one percentage point change in interest rates for the following 12 months' net interest income stood at EUR -7.0 (-7.4) / +11.8 (+12.0) million on 31 December 2019. The market risk is also caused by the investment activities of member credit institutions, the primary purposes of which are to invest the liquidity surplus and maintain liquidity reserves. The member credit institutions do not have any trading activities.

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

Operational risks

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

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

Processes and functions of EU's General Data Protection Regulation have been adapted and their effectiveness are monitored regularly.

INSURANCE RISKS

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

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

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

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

CRISIS RESOLUTION PLAN

The Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally as of 1.1.2015 (Act on the Resolution of Credit Institutions and Investment Firms 1194/2014). In order to implement the Act in Finland, a Financial Stability Authority was established (Act on the Financial Stability Authority 1194/2014). The Financial Stability Authority acts as a National Resolution Authority in Finland, as part of the European Union Single Resolution Mechanism (SRM).

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

In accordance with this decision, the MREL requirement is 19.8 % of the total risk exposure. The POP Bank Group has met the requirement through its own funds. The requirement concerns only the amalgamation level, but the Financial Stability Authority will assess the need for setting a requirement at the member credit institution level separately in 2020.

CAPITAL ADEQUACY MANAGEMENT

At the end of the financial year, the capital adequacy of the amalgamation of POP Banks remained at a solid level. The amalgamation's capital adequacy ratio was 19.9 (20.8) per cent and CET1 capital ratio 19.8 (20.5) per cent. The amalgamation does not include the profit for the financial year in own funds. The amalgamation's own funds of EUR 504.6 (507.1) million are comprised of cooperative contributions, supplementary cooperative contributions, POP Shares, retained earnings and other non-restricted reserves. Issuance of POP Shares is the member credit institutions' primary means for raising capital. The amount of POP Shares outstanding at the end of the financial year was EUR 57.3 (55.3) million.

The amalgamation's Additional Tier 1 Capital and Tier 2 Capital are comprised of supplementary cooperative contributions, which are not acknowledged as an equity instrument according to the Capital Requirements Regulation (CRR) and are thus gradually phased out.

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

- Capital Requirements Regulation minimum of 8 %
- Additional Pillar 2 capital requirement of 1.25 %
- Capital conservation buffer of 2.5 %
- Systemic risk buffer requirement of 1 %
- Country-specific capital requirements for foreign exposures

The systemic risk buffer of capital requirement became applicable on 1 July 2019 and the additional Pillar 2 capital requirement became applicable on 30 September 2019. All additional capital requirements must be covered by CET1 capital.

Member credit institutions of the amalgamation have been exempted from the own funds requirements for intragroup items and large exposures limits for exposures between the central credit institution and the member credit institutions based on a permission granted by the Financial Supervisory Authority.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Own funds		
Common Equity Tier 1 capital before deductions	520,317	512,130
Deductions from Common Equity Tier 1 capital	-19,363	-11,358
Total Common Equity Tier 1 capital (CET1)	**500,954**	**500,772**
Additional Tier 1 capital before deductions	2,163	3,952
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**2,163**	**3,952**
Tier 1 capital (T1 = CET1 + AT1)	**503,117**	**504,724**
Tier 2 capital before deductions	1,514	2,371
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**1,514**	**2,371**
Total capital (TC = T1 + T2)	**504,632**	**507,096**
Total risk weighted assets	**2,531,685**	**2,443,632**
of which credit risk	2,300,929	2,213,845
of which credit valutaion adjustment risk (CVA)	-	1
of which market risk (foreign exchange risk)	24,633	24,470
of which operational risk	206,123	205,315
CET1 Capital ratio (CET1-%)	**19.8 %**	**20.5 %**
T1 Capital ratio (T1-%)	**19.9 %**	**20.7 %**
Total capital ratio (TC-%)	**19.9 %**	**20.8 %**
Capital Requirement		
Total capital	504,632	507,096
Capital requirement *	323,558	256,960
Capital buffer	181,074	250,136
Leverage ratio		
Tier 1 capital (T1)	503,117	504,724
Leverage ratio exposure	4,588,442	4,471,092
Leverage ratio, %	11.0 %	11.3 %

* The capital requirement is comprised of the minimum requirement of 8.0 %, the additional Pillar 2 requirement of 1.25 %, the capital conservation buffer of 2.5 %, the systemic risk buffer requirement of 1.0 % and country-specific countercyclical capital requirements for foreign exposures.

Depositor and investor protection

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

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

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

Board of directors of POP Bank Alliance Coop

The 26 member cooperative banks (POP Banks) and Bonum Bank Plc are members of POP Bank Alliance Coop. The member cooperative banks exercise their statutory voting rights in the meeting of POP Bank Alliance Coop cooperative, which elects the Supervisory Board. In accordance with the rules, Bonum Bank Plc has no voting rights in the cooperative meetings as a subsidiary of the Alliance.

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

In 2019, the Supervisory Board consisted the total of twenty-six (26) members so that one (1) member represented each member credit institution, with the exception of Bonum Bank. Only the Chairman of the Board of Directors or the Supervisory Board of a member credit institution can be elected as the Chairman or Vice Chairman of the Supervisory Board. The Chairman of the Supervisory Board was Hannu Saarimäki (Chairman of the Board of Keuruun Osuuspankki) and the Vice Chairman was Harri Takala (Chairman of the Board of Pohjanmaan Osuuspankki).

The Board of Directors of POP Bank Alliance Coop consists of a minimum of five (5) and a maximum of seven (7) members elected by the Supervisory Board so that at least one (1) member is elected from each cooperative region pursuant to the rules. The majority of the Board members must be employed by a member credit institution. The term of office of the Board members is three (3) years from the conclusion of the meeting that decided on the election of the Supervisory Board until the conclusion of the next Supervisory Board meeting that decides on the election. Of these members, annually the number closest to one-third resign based on the term of office.

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

The following persons acted as members of the Board of Directors of POP Bank Alliance Coop:

Juha Niemelä
Managing Director, Liedon Osuuspankki
Ordinary member
Chairman

Soile Pusa
Managing Director, Siilinjärven Osuuspankki
Ordinary member
Vice Chairman

Petri Jaakkola
Managing Director, Lapuan Osuuspankki
Ordinary member

Ari Heikkilä
Managing Director, Konneveden Osuuspankki
Ordinary member

Marja Pajulahti
Managing Director, Invalidisäätiö
Ordinary member

Hannu Tuominiemi
Managing Director, Suupohjan Osuuspankki
Ordinary member

The CEO of POP Bank Alliance Coop is **Pekka Lemettinen**. CEO's deputy is **Jaakko Pulli**.

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

Personnel and remuneration

Personnel

At the end of 2019, the POP Bank Group had 735 (726) employees, of whom 538 (538) in banking, 114 (128) in non-life insurance and 83 (60) in other functions.

Remuneration

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

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

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

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

Social responsibility

Social responsibility in the POP Bank Group is based on cooperative values, local operations and long-term business operations. Responsibility is an integral part of the Group's strategy, customer promise and vision. Responsibility means compliance with the principles of sustainable development in all of the Group's operations, and it concerns every employee's day-to-day work and decisions.

The POP Bank Group is a fully Finnish banking group, and its values comprise responsibility, customer orientation, profitability and bold renewal. The POP Bank Group paid EUR 4.3 (3.1) million in taxes on its earnings in 2019. The domiciles of the main companies of the POP Bank Group cover 28 different locations, and taxes are allocated extensively to the areas where its customers are. The POP Bank Group employs more than 700 professionals directly or indirectly across Finland.

The POP Banks play an active role in local business and industry, and in strengthening the labour and housing markets. This is reflected in the Group's approach to lending, investing operations and the environment. At the local level, the POP Banks support sports and association activities and cultural events. In addition, the Group cooperates closely with educational institutions, scientific communities and the authorities.

The POP Bank Group aims to maintain capital adequacy and efficient operating methods. Its business development and opportunities rely on the trust of customers, employees and society. To maintain this, the Group's operations are strongly guided by transparency, an active approach and high ethical principles.

In the POP Bank Group, customer satisfaction is a key indicator of success. Responsibility is put into practice in the central institutions' and banks' daily operations. Continuous development at the POP Bank Group is guided by the principle of providing smoothly running and accessible banking services. The extensive network of branch offices has been accompanied by digital service channels that enable customers in different life situations to discuss their financial management with POP Banks' experts.

Responsibility programme

The POP Bank Group's responsibility programme guides the implementation of its social responsibility measures. The Group's responsibility programme is based on ESG (Environmental, Social and Governance) factors.

Megatrends are studied and materiality analyses are implemented to identify the POP Bank Group's key focus areas in relation to stakeholder expectations and our Group's key opportunities for influence. The information gained through materiality analyses guides the Group's strategy process, which is updated continuously.

The POP Bank Group's responsibility programme has three key themes: promoting local vitality, supporting our customers' prosperity, and creating added value for society and the environment.

For stakeholders, the key elements of the programme are:

1. Transparent governance
2. Prevention of money laundering and corruption
3. Confidentiality and security of customer data
4. Capital adequacy and the payment of taxes
5. Responsible financing and lending
6. Responsible investing activities
7. Accessibility and service channels
8. Customer loyalty and satisfaction
9. Good leadership, highly competent employees and equality

In the POP Bank Group, matters related to responsibility are discussed by the Executive Board and the Board of Directors. The Executive Board prepares proposals for the Board of Directors concerning responsibility matters. The operational management of social responsibility has been integrated into normal day-to-day business operations. The implementation of social responsibility is monitored using qualitative and quantitative indicators. The policies are reviewed annually, and policies and principles are updated to support operations as necessary.

Responsible lending

Responsible lending is based on customer knowledge and careful examination of the customer's situation. Lending is reviewed comprehensively, with the goal of establishing long-term customer relationships. For private customers, the most significant issues related to lending are determining the appropriate amount of credit and the customer's debt servicing capacity.

In the POP Bank Group, lending to private customers is based on the customer's level of financial security and on good business principles and ethical guidelines on lending. Recommendations issued by the Financial Supervisory Authority, as well as the rules concerning good lending practices, are taken into account in lending. For corporate clients, it is important to identify the financial risks and environmental impacts related to their operations or to a project to be funded.

In the event of payment difficulties, the POP Banks seek to respond as early as possible and remedy the situation sustainably.

Responsible investing activities

The POP Bank Group's responsible investing activities are based on the view that a company operating responsibly is more profitable and competitive over the long term than a peer that neglects responsibility factors. The principles of responsible investment apply to the products offered to customers, as well as to the banks' own investing activities. On average, the POP Funds rank in or above the middle of the Morningstar Sustainability Rating (revised 21 January 2020, 12-month monitoring period).

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

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

Environmental responsibility

Environmental responsibility is significant in the Group's own solutions and its lending to customers. The POP Bank Group seeks to reduce its environmental load and climate impact by improving resource and energy efficiency.

The POP Bank Group seeks to favour environmentally friendly purchases. It advises its employees to use public transport and replace business travel with video-conferencing.

The Group encourages its customers to use digital services, e-invoices, electronic documents and digital signatures through its online bank and mobile services. These have enabled the Group to significantly reduce its environmental load in recent years.

Responsibility for customer data

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

The POP Bank Group is systematically expanding its responsibility programme and reporting simultaneously with the implementation of its new Group strategy.

Events after the closing date

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

Outlook for 2020

The POP Bank Group's financial performance is strongly linked to capital market development, economic growth in Finland and regional development. Low interest rates continue to raise concerns about the eurozone, in addition to creating a challenging environment where the identification of uncertainties is easier than assessing their probability and timing.

Currently, there are several simultaneous macroeconomic and political factors that may have a negative impact on the banking sector. Political risks in particular are running high at the moment. In our view, this challenge will continue for some years. Market, credit, insurance and operational risks have the most significant impact on the POP Bank Group's profitability and fluctuations.

POP Bank Group continues to invests on simplifying and digitalising the service processes in 2020. The renewal of the core banking system is at the heart of this development work.

Considering the risks mentioned above and the overall situation, we expect the POP Bank Group's result in 2020 to be weaker than in 2019.

Further information:

Pekka Lemettinen, CEO, tel. +358 40 5035411 and Jaakko Pulli, CCO, tel. +358 50 4200925.

Formulas for key figures

Total operating income

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

Total operating expenses

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

Cost-income ratio, %

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

Return on equity (ROE), %

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

Return on assets (ROA), %

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

Equity ratio, %

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

Common Equity Tier 1 capital ratio (CET1), %

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

Tier 1 capital ratio (T1), %

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

Capital adequacy ratio (TC), %

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

Leverage ratio, %

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

Liquidity coverage ratio (LCR), %

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

NON-LIFE INSURANCE KEY FIGURES

Operating expenses

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

Loss ratio, %

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

Operating expense ratio, %

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

POP BANK GROUP FINANCIAL STATEMENTS 31 DECEMBER 2019

POP Bank Group's income statement

(EUR 1,000)	Note	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	Change, %
Interest income		77,281	75,695	2.1 %
Interest expenses		-7,963	-10,304	-22.7 %
Net interest income	4	**69,318**	**65,391**	**6.0 %**
Net commissions and fees	5	30,013	29,790	0.7 %
Net investment income	6	15,588	1,111	1302.9 %
Insurance income	7	10,913	10,433	4.6 %
Other operating income		5,529	4,918	12.4 %
Total operating income		**131,362**	**111,643**	**17.7 %**
Personnel expenses		-42,843	-41,769	2.6 %
Other operating expenses		-47,927	-48,257	-0.7 %
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-7,861	-6,845	14.8 %
Total operating expenses		**-98,631**	**-96,871**	**1.8 %**
Impairment losses on financial assets	10	-6,528	-3,195	104.3 %
Share of the income of associates		-53	-9	507.1 %
Profit before tax		**26,150**	**11,569**	**126.0 %**
Income tax expense		-4,775	-2,640	80.8 %
Profit for the financial period		**21,376**	**8,928**	**139.4 %**
Attributable to				
Equity owners of the POP Bank Group		21,381	8,949	138.9 %
Non-controlling interests		-5	-20	-75.8 %
Total		**21,376**	**8,928**	**139.4 %**

POP Bank Group's statement of other comprehensive income

(EUR 1,000)	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018	Change, %
Profit for the financial period	**21,376**	**8,928**	**139.4 %**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	-894	-280	219.5 %
Changes in fair value reserve			
Equity instruments	250	-891	...
Items that may be reclassified to profit or loss			
Changes in fair value reserve			
Liability instruments	2,975	-2,985	...
Other comprehensive income for the financial period	**23,707**	**4,772**	**396.7 %**

Other comprehensive income for the financial period attributable to			
Owners of the POP Bank Group	23,711	4,793	394.7 %
Non-controlling interests	-5	-20	-75.8 %
Total other comprehensive income for the financial period	23,707	**4,772**	**396.7 %**

POP Bank Group's balance sheet

(EUR 1,000)	Note	31 Dec 2019	31 Dec 2018	Change, %
Assets				
Liquid assets		167,428	81,117	106.4 %
Loans and receivables from credit institutions	8, 11	74,293	74,625	-0.4 %
Loans and receivables from customers	8, 11	3,635,488	3,473,310	4.7 %
Derivative contracts		-	4	...
Investment assets	12	573,058	707,897	-19.0 %
Investments in associates and joint ventures		116	166	-30.1 %
Intangible assets		18,138	11,217	61.7 %
Property, plant and equipment		33,462	30,025	11.4 %
Other assets		30,612	26,680	14.7 %
Tax assets		2,961	4,478	-33.9 %
Total assets		**4,535,557**	**4,409,518**	**2.9 %**
Liabilities				
Liabilities to credit institutions	8, 13	37,542	3,030	1139.2 %
Liabilities to customers	8, 13	3,746,305	3,666,543	2.2 %
Non-life insurance liabilities	14	38,606	32,488	18.8 %
Debt securities issued to the public	15	114,829	142,399	-19.4 %
Supplementary cooperative capital		18,003	21,416	-15.9 %
Other liabilities		48,479	38,157	27.1 %
Tax liabilities		23,357	21,698	7.6 %
Total liabilities		**4,027,122**	**3,925,730**	**2.6 %**
Equity capital				
Cooperative capital				
Cooperative contributions		9,422	9,344	0.8 %
POP Shares		57,323	55,326	3.6 %
Total cooperative capital		**66,745**	**64,670**	**3.2 %**
Reserves		160,695	152,105	5.6 %
Retained earnings		280,566	266,586	5.2 %
Total equity attributable to the owners of the POP Bank Group		**508,006**	**483,361**	**5.1 %**
Non-controlling interests		429	428	0.4 %
Total equity capital		**508,435**	**483,788**	**5.1 %**
Total liabilities and equity capital		**4,535,557**	**4,409,518**	**2.9 %**

Statement of changes in the POP Bank Group's equity capital

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

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

(EUR 1,000)	Cooperative 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**
IFRS 9 transition	-	-5,532	-	-1,991	-7,523	-	-7,523
Balance at 1st of Jan 2018	**62,791**	**3,318**	**148,930**	**262,640**	**477,679**	**448**	**478,127**
Comprehensive income for the financial year							
Profit for the financial year	-	-	-	8,949	8,949	-20	8,928
Other comprehensive income	-	-3,876	-	-280	-4,156	-	-4,156
Total comprehensive income for the financial year	**-**	**-3,876**	**-**	**8,669**	**4,793**	**-20**	**4,772**
Transactions with shareholders							
Increase in cooperative capital	1,880	-	-	-	1,880	-	1,880
Profit distribution	-	-	-98	-1,120	-1,218	-	-1,218
Transfer of reserves	-	-	3,831	-3,831	-	-	-
Transactions with shareholders total	**1,880**	**-**	**3,733**	**-4,951**	**662**	**-**	**662**
Other changes	**-**	**-**	**-**	**228**	**228**	**-**	**228**
Balance at 31 Dec 2018	**64,670**	**-558**	**152,663**	**266,586**	**483,361**	**428**	**483,788**

POP Bank Group's Cash Flow Statement

(EUR 1,000)	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Cash flow from operations		
Profit for the financial year	21,376	8,929
Adjustments to profit for the financial year	27,751	17,966
Increase (-) or decrease (+) in operating assets	**-34,302**	**-122,095**
Receivables from credit institutions	3,237	-3,241
Receivables from customers	-168,264	-160,252
Investment assets	125,668	1,722
Other assets	5,057	39,676
Increase (+) or decrease (-) in operating liabilities	**112,500**	**96,797**
Liabilities to credit institutions	34,513	-3,934
Liabilities to customers	79,793	112,866
Other liablilities	389	-6,850
Income tax paid	-2,195	-5,285
Total cash flow from operations	**127,324**	**1,597**
Cash flow from investing activities		
Changes in other investments	2,068	-240
Purchase of PPE and intangible assets	-12,710	-5,875
Proceeds from sales of PPE and intangible assets	1,265	1,262
Net cash used in investing activities	**-9,377**	**-4,853**
Cash flow from financing activities		
Change in cooperative capital, net	2,075	1,880
Interests paid on cooperative capital and other profit distribution	-1,163	-1,218
Debt securities issued, increase	139,750	72,463
Debt securities issued, decrease	-167,449	-39,463
Lease liabilities paid	-1,945	-
Net cash used in financing activities	**-28,732**	**33,661**
Change in cash and cash equivalents		
Cash and cash equivalents at period-start	104,854	74,449
Cash and cash equivalents at the end of the period	194,069	104,854
Net change in cash and cash equivalents	**89,215**	**30,405**

(EUR 1,000)	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
Interest received	**77,065**	**80,256**
Interest paid	**7,804**	**13,148**
Dividends received	**4,534**	**3,625**
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	6,528	3,195
Depreciations	10,019	8,083
Technical provision	6,119	3,635
Other	5,088	3,052
Adjustments to profit for the financial year	**27,752**	**17,966**
Cash and cash equivalents		
Liquid assets	12,078	81,117
Receivables from credit institutions payable on demand	181,991	23,737
Total	**194,069**	**104,854**

On 31 December 2018, debt securities issued were transferred from Cash flow from operating activities to Cash flow from financing activities in the comparison information.

The minimum reserve deposit in the Bank of Finland on 31st December 2018 was transferred from Cash and cash equivalents to Receivables from credit institutions. The transfer has an impact on Cash and cash equivalent in cash flow statement.

NOTES

NOTES CONCERNING THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

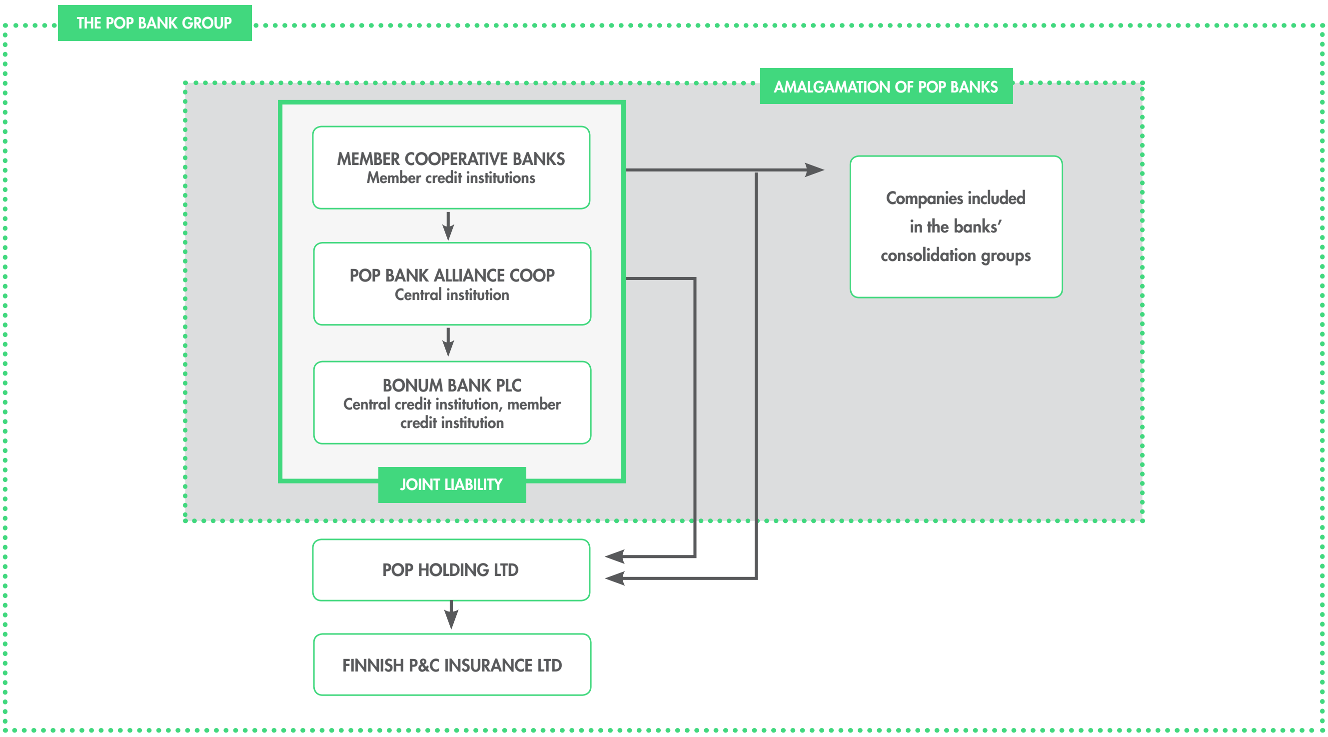
The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. In addition to the organisations that belong to the amalgamation of POP Banks, the POP Bank Group comprises POP Holding Ltd and its wholly owned company Finnish P&C Insurance Ltd. Neither of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

The amalgamation of POP Banks began operations on 31 December 2015. In accordance with the Amalgamation Act, the central institution shall prepare financial statements as a combination of the financial statements or the consolidated financial statements of the central institution and its member credit institutions in accordance with the International Financial Reporting Standards (IFRS).

The POP Bank Group does not form a group of companies referred to in the Accounting Act (1336/1997) or a consolidation group referred to in the Act on Credit Institutions (610/2014). POP Bank 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, 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. The member cooperative banks and other Group companies consolidated in the IFRS financial statements included in the technical parent company are listed in Note 39.

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

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



POP Bank Alliance Coop acts as the central institution responsible for group steering and supervision of the POP Bank Group in accordance with the Amalgamation Act. POP Bank Alliance Coop's registered office is Helsinki and its address is Hevosenkenkä 3, FI-02600 Espoo, Finland. POP Bank Alliance Coop has prepared the POP Bank Group's consolidated IFRS financial statements in accordance with the Act on the Amalgamation of Deposit Banks. The Board of Directors of POP Bank Alliance Coop has adopted the report and consolidated financial statements on 13 February 2020. The financial statements will be distributed to the general meeting of POP Bank Alliance Coop cooperative on 2 April 2020. Copies of the financial statements and the financial statements release of the POP Bank Group are available at the office of the central institution, address Hevosenkenkä 3, FI-02600 Espoo, Finland, and online at www.poppankki.fi.

NOTE 2 POP Bank Group's accounting policies

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

The financial statements bulletin for 1 January – 31 December 2019 has been prepared in accordance with IAS 34 Interim Financial reporting and the accounting policies.

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

CHANGES IN PRESENTATION

In the future, the POP Bank Group will disclose debt securities issued to the public on the cash flow statement under 'Cash flow from financing activities'.

In reporting by segment, items unallocated to any business segment and the elimination of intra-group transactions will, in the future, be presented in connection with the segment-specific tables.

ADOPTION OF NEW STANDARDS

IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019)

As of 1 January 2019, POP Bank Group has adopted IFRS 16 Leases, which supersedes the earlier IAS 17 Leases and its interpretations. Under IFRS 16, a lessee is required to recognise on its balance sheet a right-of-use asset and a lease liability arising from a lease. POP Bank Group's lease liabilities are presented under other liabilities and the related interest expenses under net interest income. The incremental borrowing rate of interest is used in the calculation of lease liabilities. The right-of-use asset is presented under property, plant and equipment and depreciation on it is presented under depreciation and impairment losses on tangible and intangible assets. POP Bank Group has applied the exemptions included in the standard, according to which leases with a term of 12 months or less, or leases where the underlying asset is of low value, need not be recognised on the balance sheet. The expenses arising from these leases are recognised under other operating income. The adoption of the standard did not result in changes in the accounting treatment of leases issued by the POP Bank Group.

POP Bank Group has obtained mostly commercial premises, office equipment and company cars for employees through contracts classified as leases. The economic lifetime of a leased asset is taken into consideration when determining the lease period. The management's estimates are significant, particularly when determining the lease period for contracts valid until further notice and the incremental borrowing rate of interest. Contracts valid until further notice are assigned a lease period based on the management's estimate in cases when it is reasonably certain that they are entered into for a period that exceeds their notice period. The interest rate used for additional credit in the discounting is the interest rate determined by the central credit institution of the amalgamation of POP Banks for credits granted within the group.

The adoption of the standard does not have a material impact on POP Bank Group's result or financial position. In the transition to the new standard, POP Bank Group applied the modified retrospective approach, according to which comparative information is not restated and any cumulative effects are recognised as an adjustment to retained earnings. The adoption of the standard increased the assets and other liabilities on POP Bank Group's balance sheet by EUR 5,818 thousand, as a result of which the balance sheet total grew by a corresponding amount. The adoption does not have a material effect on equity.

The effects of the adoption of IFRS 16 are presented in the table below.

Transition to IFRS 16 1 January 2019

The POP Bank Group has leased out e.g. residential and business premises it owns. On transition to IFRS 16, POP Bank Group recognised an additional 5.8 million in right-of-use assets and lease liabilities.

Transition to IFRS 16	(EUR 1,000)
Operating Leases 31 Dec 2018 (Note 38)	2,704
Retrospective addition	1,837
Total operating Leases at 31 Dec 2018	4,541
Operating lease discounted using the incremental borrowing rate at 1 Jan 2019	4,043
Extension options reasonably certain to be exercised	1,775
Lease liabilities recognised at 1 January 2019	**5,818**
Lease liabilities were discounted with the incremental borrowing rate of 0.35 % on 31 December 2018	
Right-of-use assets 1 January 2019	
Office Buildings	5,134
Vehicles	249
Machinery and other equipment	439
Total right-of-use assets	**5,822**
Equity capital	
Retained earnings	**4**

Other standards adopted during the financial year have had no impact on POP Bank Group's financial statements.

NOTE 3 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 presented in unallocated items and eliminations. Unallocated items include income statement and balance sheet items related to other operations. The most significant institutions included in other operations are POP Holding Ltd and POP Bank Alliance Coop.

POP BANK GROUP'S OPERATING SEGMENTS 2019

Income statement 1 Jan – 31 Dec 2019

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

Balance Sheet 31 Dec 2019

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

POP BANK GROUP'S OPERATING SEGMENTS 2018

Income statement 1 Jan – 31 Dec 2018

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Net interest income	65,101	306	65,407	-16	65,391
Net commissions and fees	30,380	-505	29,875	-85	29,790
Net investment income	2,066	-380	1,686	-575	1,111
Net income from non-life insurance	-	10,433	10,433	-	10,433
Other operating income	3,927	372	4,299	619	4,918
Total operating income	**101,473**	**10,227**	**111,700**	**-57**	**111,643**
Personnel expenses	-30,588	-7,107	-37,695	-4,074	-41,769
Other operating expenses	-50,852	-2,375	-53,227	4,971	-48,257
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-4,534	-1,413	-5,947	-898	-6,845
Total operating expenses	**-85,974**	**-10,895**	**-96,869**	**-2**	**-96,871**
Impairment losses on loans and receivables	-3,217	21	-3,195	-	-3,195
Share of the income of associates	-	-	-	-9	-9
Profit before tax	**12,283**	**-647**	**11,635**	**-67**	**11,569**
Income tax expense	-2,587	-49	-2,637	-4	-2,640
Profit for the financial period	**9,695**	**-696**	**8,999**	**-71**	**8,928**
External share of total operating income	101,473	10,227	**111,700**		
Internal share of total operating income	253	-	**253**		

Balance Sheet 31 Dec 2018

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	81,117	-	81,117	-	81,117
Loans and receivables from credit institutions	68,826	10,174	79,000	-4,375	74,625
Loans and receivables from customers	3,475,795	-	3,475,795	-2,485	3,473,310
Derivative contracts	4	-	4	-	4
Investment assets	766,678	36,418	803,096	-95,199	707,897
Investments in associates and joint ventures	-	-	-	166	166
Intangible assets	4,101	5,980	10,081	1,136	11,217
Property, plant and equipment	28,654	31	28,685	1,340	30,025
Other assets	15,665	8,965	24,629	2,050	26,680
Tax assets	3,340	15	3,355	1,124	4,478
Total assets	**4,444,179**	**61,582**	**4,505,762**	**-96,244**	**4,409,518**
Liabilities					
Liabilities to credit institutions	2,959	-	2,959	70	3,030
Liabilities to customers	3,672,303	-	3,672,303	-5,760	3,666,543
Non-life insurance liabilities	-	32,488	32,488	-	32,488
Debt securities issued to the public	142,399	-	142,399	-	142,399
Supplementary cooperative capital	21,416	-	21,416	-	21,416
Other liabilities	31,131	3,600	34,731	3,426	38,157
Tax liabilities	21,506	192	21,698	-	21,698
Total liabilities	**3,891,713**	**36,279**	**3,927,993**	**-2,263**	**3,925,730**

NOTE 4 Net Interest Income

(EUR 1,000)	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Interest Income		
Loans and advances to credit institutions	15	28
Loans and advances to customers	71,935	70,037
Debt securities		
Measured at fair value through profit or loss	401	378
Measured at fair value through other comprehensive income	3,794	3,635
Hedging derivatives	4	678
Other interest income	1,133	938
Total interest income	**77,281**	**75,695**
Of which positive interest expense	1	2
Interest expenses		
Liabilities to credit institutions	-335	-191
Liabilities to customers	-6,745	-9,143
Debt securities issued to the public	-852	-958
Other interest expenses	-31	-12
Total interest expenses	**-7,963**	**-10,304**
Of which negative interest income	-783	-892
Net interest income	**69,318**	**65,391**
Interest income from financial assets impaired due to credit risk (stage 3)	4,013	4,028

NOTE 5 Net Commissions and Fees

(EUR 1,000)	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Commissions and fees		
Lending	7,573	8,038
Deposits	201	253
Payment transfers	17,752	17,049
Legal services	2,249	2,168
Intermediated services	3,021	3,127
Issuing guarantees	534	538
Funds	2,641	2,358
Other commission income	1,040	1,002
Total commissions and fees	**35,011**	**34,532**
Commissions expenses		
Payment transfers	-4,197	-3,751
Other commission expenses	-801	-990
Total commission expenses	**-4,998**	**-4,742**
Net commissions and fees	**30,013**	**29,790**

Commisisons and fees are mainly accrued from the banking segment.

NOTE 6 Net Investment Income

(EUR 1,000)	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	10	-12
Impairment gains and losses	515	-588
Shares and participations		
Dividend income	4,123	3,282
Capital gains and losses	161	-227
Impairment gains and losses	10,867	-2,831
Total	**15,676**	**-378**
Financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-49	20
Transferred from fair value reserve	686	972
Shares and participations		
Dividend income*	411	343
Total	**1,048**	**1,336**
Net income from hedge accounting	**-**	**15**
Net income from foreign exchange trading	**359**	**315**
Net income from investment property		
Rental income	3,137	3,089
Capital gains and losses	-82	372
Other income from investment property	139	189
Maintenance charges and expenses	-2,522	-2,577
Depreciations and amortisation of investment property	-2,158	-1,239
Other expenses from investment property	-9	-12
Total	**-1,495**	**-177**
Net income investments total	**15,588**	**1,111**

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

*) Dividend income from shares measured at fair value through other comprehensive income held at the end of the financial period EUR 20 (11) thousand. Dividend income from shares disposed during the financial period EUR 391 (332) thousand.

NOTE 7 Net insurance income

(EUR 1,000)	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Insurance premium revenue		
Premiums written	45,787	38,884
Change in the provision for unearned premiums	-2,357	-2,424
Gross insurance premium revenue	43,430	36,460
Ceded to reinsurers	-960	-810
Total insurance premium revenue	**42,470**	**35,650**
Claims incurred		
Claims paid	-27,795	-24,426
Change in provision for unpaid claims	-7,704	-2,457
Total claims incurred, gross	-35,500	-26,883
Ceded to reinsurers	3,943	1,666
Total claims incurred	**-31,557**	**-25,217**
Net insurance Income	**10,913**	**10,433**

NOTE 8 Classification of Financial Assets and Financial Liabilities

Financial assets 31 December 2019

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

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

The shares of Samlink Ltd measured at fair value through other comprehensive income have been disposed during the financial period.

Financial assets 31 December 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	Expected credit loss	Total carrying amount
Liquid assets	81,117	-	-	-	-	81,117
Loans and receivables from credit institutions	74,630	-	-	-	-5	74,625
Loans and receivables from customers	3,504,014	-	-	-	-30,704	3,473,310
Derivative contracts	-	-	4	-	-	4
Debt securities	-	11,294	-	442,502	-	453,796
Shares and participations	-	215,922	-	3,751	-	219,673
Financial assets total	**3,659,761**	**227,215**	**4**	**446,253**	**-30,709**	**4,302,523**
Other assets						106,995
Total assets at 31 Dec 2018						**4,409,518**

*) Expected credit loss of EUR 1,303 thousand from debt securities have been recorded in the fair value reserve.

The most significant equity instruments measured at fair value through other comprehensive income are investment in shares of Samlink Ltd.

Financial liabilities 31 December 2019

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

Financial liabilities 31 December 2018

(EUR 1,000)	Other financial liabilities	Total carrying amount
Liabilities to credit institutions	3,030	**3,030**
Liabilities to customers	3,666,543	**3,666,543**
Debt securities issued to the public	142,399	**142,399**
Supplementary cooperative capital	21,416	**21,416**
Financial liabilities total	**3,833,387**	**3,833,387**
Other than financial liabilities		**92,342**
Total liabilities at 31 Dec 2018	**3,925,730**	**3,925,730**

NOTE 9 Fair Values by Valuation Technique

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

Items recurrently measured at fair value 31 December 2019

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

Items recurrently measured at fair value 31 December 2018

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Ar fair value through profit or loss				
Shares and participations	208,786	-	7,136	215,922
Debt securities	5,494	-	5,800	11,294
Derivative contracts	-	4	-	4
At fair value through other comprehensive income				
Shares and participations	-	-	3,751	3,751
Debt securities	244,669	196,027	1,806	442,502
Total	**458,949**	**196,031**	**18,493**	**673,472**

Fair value determination of financial assets and financial liabilities

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

Fair value hierarchies

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

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

Level 3 includes financial instruments and other assets 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 577 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 1 Jan 2019	**12,936**	**5,557**	**18,493**
+ Purchases	2,149	586	2,735
- Sales	-524	-2,278	-2,802
- Matured during the financial year	-389	-	-389
+/- Realised changes in value recognised in income statment	-125	-	-125
+/- Unrealised changes in value recognised in the income statement	470	-	470
+/- Changes in value recogmised in other comprehensive income	37	1,085	1,122
+/- Sales revenue trasferred to retained earnings	-	-1,094	-1,094
+ Transfers from levels 1 and 2	577	-	577
- Transfers to levels 1 and 2	-	-1,408	-1,408
Carrying amount 31 Dec 2019	**15,132**	**2,448**	**17,580**

(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	5,533	782	6,315
- Sales	-2,435	-417	-2,852
- Matured during the financial year	-448	-1,748	-2,196
+/- Realised changes in value recognised in income statment	35	-4	31
+/- Unrealised changes in value recognised in the income statement	278	-	278
+/- Changes in value recogmised in other comprehensive income	-	-848	-848
- Transfers to levels 1 and 2	-	-370	-370
Carrying amount 31 Dec 2018	**12,936**	**5,557**	**18,493**

Sensitivity analysis of financial assets at level 3

31 December 2019

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

31 December 2018

(EUR 1,000)	Carrying amount	Possible effect on equity capital Positive	Negative
Financial assets at fair value through profit or loss	12,936	1,128	-1,128
Financial assets at fair value through other comprehensive income	5,557	663	-663
Total	**18,493**	**1,792**	**-1,792**

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

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

NOTE 10 Impairment Losses on Financial Assets

Impairment losses recorded during the reporting period

(EUR 1,000)	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Change of ECL due to write-offs	1,687	1,646
Change of ECL, receivables from customers and off-balance sheet items	-4,930	-211
Change of ECL, debt securities	-260	117
Final credit losses	-3,025	-4,747
Impairment losses on loans and receivables	**-6,528**	**-3,195**

During the financial year, EUR 3,205 thousand was recognised as final credit loss. Recollection measures are attributed to EUR 756 thousand.

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

The bases of calculating expected credit losses and determining the probability of default are presented in section 4.5 Impairment of financial assets of Note 2 POP Bank Group's accounting policies.

Receivables from customers

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	**3,763**	**4,125**	**22,822**	**30,709**
Transfers to stage 1	180	-1,352	-2,635	-3,807
Transfers to stage 2	-134	1,199	-2,075	-1,010
Transfers to stage 3	-102	-610	7,122	6,409
Increases due to origination	2,413	718	1,232	4,363
Decreases due to derecognition	-610	-570	-3,315	-4,496
Changes due to change in credit risk (net)	-842	-184	1,969	943
Changes in calculation parametres	95	25	2,260	2,379
Decreases due to write-offs	-	-	-1,687	-1,687
Total	**998**	**-781**	**2,871**	**3,095**
ECL 31 Dec 2019	**4,761**	**3,344**	**25,693**	**33,804**

Debt securities

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

Off-balance sheet commitments

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	**279**	**75**	**226**	**580**
Transfers to stage 1	5	-30	-48	**-73**
Transfers to stage 2	-5	10	-11	**-5**
Transfers to stage 3	-3	-1	33	**29**
Increases due to origination	228	49	14	**291**
Decreases due to derecognition	-34	-15	-64	**-113**
Changes due to change in credit risk (net)	-96	-13	89	**-20**
Total	**96**	**-**	**13**	**109**
ECL 31 Dec 2019	**375**	**75**	**238**	**688**
ECL 1 Jan 2019	**4,175**	**5,369**	**23,048**	**32,593**
ECL 31 Dec 2019	**5,253**	**4,544**	**26,291**	**36,095**

Balance sheet item 31 Dec 2019

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers	**3,292,536**	**248,905**	**127,846**	**3,669,286**
Debt securities at fair value through other comprehensive income	**257,440**	**41,501**	**40**	**298,982**
Off-balance sheet commitments	**249,394**	**12,398**	**1,373**	**263,164**

Receivables from customers and off-balance sheet commitments

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2018	**3,461**	**5,745**	**23,517**	32,723
Transfers to stage 1	299	-2,557	-3,933	-6,192
Transfers to stage 2	-125	1,306	-2,971	-1,790
Transfers to stage 3	-114	-452	5,719	5,153
Increases due to origination	1,700	1,102	1,355	4,157
Decreases due to derecognition	-544	-708	-4,473	-5,725
Changes due to change in credit risk (net)	-636	-236	5,480	4,608
Decreases due to write-offs	-	-	-1,646	-1,646
Total	580	-1,545	-469	-1,434
ECL 31 Dec 2018	**4,042**	**4,200**	**23,048**	**31,289**

Debt securities

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2018	**130**	**1,291**	**-**	**1,421**
Transfers to stage 1	5	-51	-	-46
Transfers to stage 2	-6	106	-	100
Increases due to origination	86	360	-	446
Decreases due to derecognition	-66	-152	-	-218
Changes due to change in credit risk (net)	-14	-385	-	-398
Total	4	-122	-	-118
ECL 31 Dec 2018	**134**	**1,170**	**-**	**1,303**

ECL 1 Jan 2018	**3,591**	**7,036**	**23,517**	**34,145**
ECL 31 Dec 2018	**4,175**	**5,369**	**23,048**	**32,593**

Balance sheet item 31 Dec 2018

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers	3,067,653	305,972	130,389	**3,504,014**
Debt securities at fair value through other comprehensive income	390,858	51,644	-	**442,502**
Off-balance sheet commitments	224,763	12,157	2,022	**238,941**

NOTE 11 Loans and Receivables

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Loans and receivables from credit institutions		
Deposits		
Repayable on demand	26,641	23,737
Other	47,652	50,888
Total loans and advances to credit institutions	**74,293**	**74,625**
Loans and advances to customers		
Loans	3,528,259	3,390,444
Loans granted from government funds	3,292	4,812
Guarantees	379	466
Used overdrafts	43,112	42,195
Credit card receivables	60,447	35,393
Total loans and advances to customers	**3,635,488**	**3,473,310**
Total loans and receivables	**3,709,781**	**3,547,935**

NOTE 12 Investment Assets

(EUR 1,000)	31 Dec 2019	31 Dec 2018
At fair value through profit or loss		
Debt securities	11,664	11,294
Shares and participations	227,841	215,922
At fair value through other comprehensive income		
Debt securities	298,982	442,502
Shares and participations	2,010	3,751
Investment properties	32,562	34,428
Investment assets total	**573,058**	**707,897**

Investments on 31 December 2019

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

Investments on 31 December 2018

	At fair value through profit or loss		At fair value through other comprehensive income		
(EUR 1,000)	Debt securities	Shares and participations	Debt securities	Shares and participations	Total
Quoted					
Public sector entities	-	-	257,453	-	257,453
Other	11,294	208,786	185,050	-	405,129
Other					
Other	-	7,136	-	3,751	10,887
Investments total	**11,294**	**215,922**	**442,502**	**3,751**	**673,469**

NOTE 13 Liabilities to Credit Institutions and Customers

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Liabilities to credit institutions		
Repayable on demand	2,287	1,553
Not repayable on demand	35,255	1,477
Total liabilities to credit institutions	**37,542**	**3,030**
Liabilities to customers		
Deposits		
Repayable on demand	3,232,560	3,053,293
Not repayable on demand	510,538	608,594
Other financial liabilities		
Not repayable on demand	3,207	4,655
Total liabilities to customers	**3,746,305**	**3,666,543**
Total liabilities to credit institutions and customers	**3,783,848**	**3,669,572**

NOTE 14 Non-life Insurance Liabilities

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Provision for unearned premiums	18,061	15,704
Ceded to reinsurers	-	-
Provisions for unpaid claims	28,759	21,055
Ceded to reinsurers	-8,214	-4,272
Total insurance contract liabilities	**38,606**	**32,488**

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

NOTE 15 Debt Securities Issued to the Public

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Debt securities issued to the public	94,839	99,913
Other		
Certificates of deposits	19,990	42,485
Total debt securities issued to the public	**114,829**	**142,399**

In the 2019 financial period, Bonum Bank Plc issued a two-year floating-rate unsecured bond of EUR 20 million and a three-year floating-rate unsecured bond of EUR 75 million. Both bonds are listed on the Nasdaq Helsinki. In addition, certificates of deposit with a total nominal value of EUR 20 million were outstanding on the balance sheet date.

Amounts recognised in statement of cash flows

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Balance at 1 Jan 2019	**142,399**	**109,713**
Debt securities issued, increase	114,764	-
Certificates of deposits, increase	24,986	72,463
Total increase	**139,750**	**72,463**
Debt securities issued, decrease	-119,980	-
Certificates of deposits, decrease	-47,469	-39,463
Total decrease	**-167,449**	**-39,463**
Total changes in cash flow	**-27,699**	**33,000**
Valuation, accrued interest	130	-315
Balance at 31 Dec 2019	**114,829**	**142,399**

NOTE 16 Collateral Given

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Given on behalf of own liabilities and commitments		
Pledges	2,546	2,546
Mortgages	3,841	400
Collateral given to the Bank of Finland	20,740	16,805
Total collateral given	**27,127**	**19,751**

NOTE 17 Off-balance-sheet Commitments

(EUR 1,000)	31 Dec 2019	31 Dec 2018
Guarantees	17,029	20,332
Loan commitments	246,135	218,609
Total off-balance sheet commitments	**263,164**	**238,941**
Other commitments		
Commitment to invest in venture capital funds	3,500	1,000
Total other commitments	**3,500**	**1,000**

NOTE 18 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.

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

Related-party transactions

	Key persons in management		Other	
(EUR 1,000)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Assets				
Loans	2,457	3,693	1,546	3,597
Expected credit loss	6	-	5	-
Liabilities				
Deposits	1,297	1,765	654	1,577
Off-balance-sheet commitments				
Loan commitments	81	99	29	-
Guarantees	142	4,696	50	4,767
Investments to other than cooperative contributions	215	230	88	98

(EUR 1,000)	Key persons in management 1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018	Other 1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Income and expenses				
Interest income	33	40	54	64
Interest expenses	5	8	3	3
Insurance premium revenue	14	12	6	4

Compensation to key persons in management

(EUR 1,000)	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
Short-term employee benefits	2,291	2,260
Post-employment benefits	103	47
Total compensation to key persons in management	**2,394**	**2,307**

POP Bank