POP BANK GROUP

HALF-YEAR FINANCIAL REPORT

1 JANUARY – 30 JUNE 2021

POP Bank

CONTENTS

POP Bank Group's Half-Year Financial Report for 1 January – 30 June 2021 is a translation of the original Finnish version "POP Pankki -ryhmän puolivuosikatsaus 1.1.–30.6.2021". In case of discrepancies, the Finnish version shall prevail.

CEO'S REVIEW

The POP Bank Group's profit before taxes for the first half of the year was a record EUR 49.0 million. The volume and number of customers in banking and insurance operations developed favourably, the increase was supported by market recovery and improved consumer confidence. In line with the Group's strategy, we focused on growing our operations in the corporate customer segment and on personal service in digital channels. Customer satisfaction is high in both our banking and our insurance operations. In the EPSI Rating customer satisfaction survey, POP Bank has been ranked as Finland's best bank ten times.

All of the Group's operating income items increased during the first half of the year. Compared to the previous reporting period, the POP Bank Group's profit excluding non-recurring items was EUR 23.3 million, representing an increase of EUR 21.8 million. Of the Group's key sources of revenue, net interest income increased to EUR 37.6 million. Net commission income was EUR 18.3 million – a significant increase of 15.8 per cent. Net investment income was EUR 8.9 million, which represents an increase of EUR 14.6 million compared to the previous reporting period. The increase was due to stabilisation after the major market changes caused by the coronavirus pandemic.

One-off compensation for the termination of the core banking system reform project implement-

ed with Oy Samlink Ab had a significant positive impact on the result. Termination of the contract had an impact of EUR 25.7 million on the Group's profit before taxes. Termination of the project does not affect our customers' current banking services. Our aim is to prepare an investment decision on a new core banking system during the second half of the year.

Operating expenses excluding non-recurring items grew by 8.9 per cent. The increase was mainly related to the improvement of operating models that support digital services, as well as online security and anti-fraud capabilities.

The Group's insurance segment continued its excellent performance. Its profit before taxes was EUR 3.8 million, compared with EUR -0.5 million in the corresponding period of the previous year. The improvement resulted from a good loss ratio, at 66.8 per cent, and stable investment income.

The Group's liquidity position remained strong during the first half of the year, and its capital adequacy CET1 was excellent, 19.8 per cent. To support business growth, we have started preparations for commencing mortgage banking operations. Our goal is to submit an operating licence application in the autumn.

We continued to systematically develop the Group structure. In March, all the POP Banks in the Group signed an amalgamation-level agreement on single-operator status. The agreement strengthens the steering power of POP Bank Centre coop, clarifies the banks' position in terms of competition law, and harmonises product and service development.

Quick decision-making is at the core of the POP Bank Group's service promise. We have invested strongly in a multi-channel service model, and our customers can now receive an automatic housing loan proposal through our website. We are aiming to offer fully digital housing loans by the end of 2021. POP Verkkohetki online meetings are rapidly becoming one of the most popular forms of service in almost all age groups. Our mobile app, POP Mobiili, is the primary service channel for an increasing number of customers, and the service is used for a diverse range of purposes. For example, the number of fund subscriptions and monthly savings agreements made in the mobile app increased by 64 per cent during the first half of the year, reflecting the prevailing savings trend.

The coronavirus pandemic has shown how quickly consumer behaviour can change, which has required exceptional resilience from companies, as well as the adoption of new operating methods. At the core of change is, above all, an understanding of customers' real needs, such as the high accessibility of customer service personnel. Therefore, I am extremely pleased with POP Bank's success in consumer surveys, particularly in these categories. I am confident that we are moving steadily towards brighter times.

I would like to take this opportunity to thank our customers and partners, who all share our vision of the future.

Pekka Lemettinen
CEO
POP Bank Centre coop

Operating income
109.2
EUR million

Profit before tax
49.0
EUR million

Net interest income
37.6
EUR million

Loan portfolio
4.1
EUR billion

CET 1 capital ratio
19.8 %

Total customers
419,800

POP BANK GROUP AND THE AMALGAMATION OF POP BANKS

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

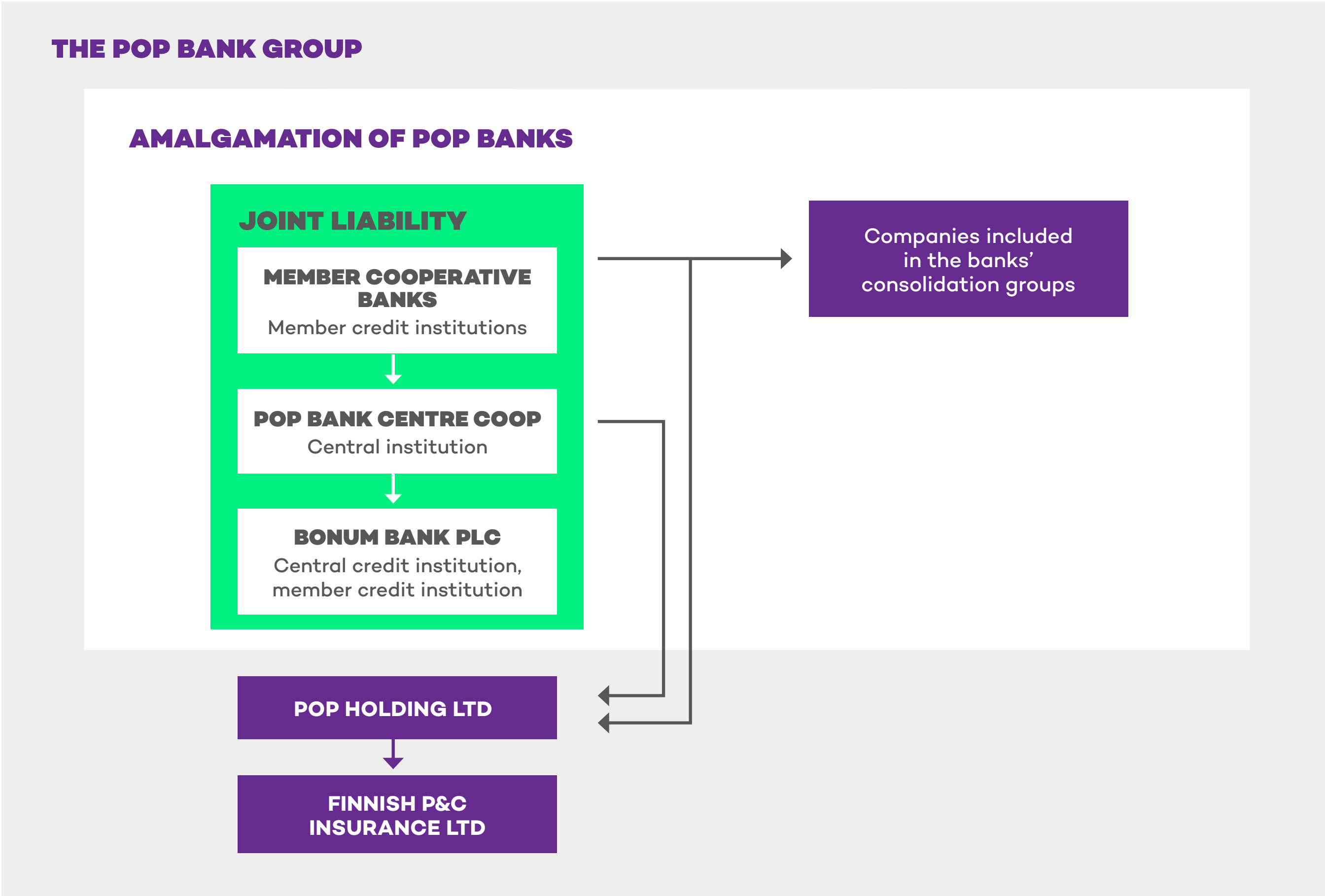
STRUCTURE OF THE POP BANK GROUP

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

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

The POP Banks are cooperative banks owned by their member customers POP Bank Centre coop, the central institution, is responsible for the group steering and supervision in accordance with the Act on the Amalgamation of Deposit Banks (24 June 2010/599) (hereinafter referred to as the "Amalgamation Act"). In accordance with the Amalgamation Act, the central institution shall prepare financial statements as a combination of the financial statements or the consolidated financial statements of the central institution and its member credit institutions in accordance with the International Financial Reporting Standards (IFRS). In addition to the organizations that belong to the amalgamation of POP Banks, the POP Bank Group comprises POP Holding Ltd and its wholly owned company Finnish P&C Insurance Ltd. Neither of these are included in the scope of joint liability.

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



CHANGES IN POP BANK GROUP'S STRUCTURE

One merger was completed within the POP Bank Group during the review period. At the end of February 2021, Reisjärven Osuuspankki merged with Siilinjärven Osuuspankki, and the name of the bank was changed to Järvi-Suomen Osuuspankki. After the merger, the POP Bank Group consists of 21 cooperative banks. The merger was an intra-Group arrangement and had no impact on the POP Bank Group's consolidated financial information.

OPERATING ENVIRONMENT

The Finnish economy started to recover in early 2021 after a challenging 2020, a year characterised by the coronavirus pandemic. The decrease in total economic output in Finland was among the smallest in the eurozone in 2020, and production has rapidly returned to the pre-crisis level in many sectors. Driven by the export industry, this trend also improved the situation of companies in the domestic market. Increased economic activity has been seen in brisk corporate loan demand. In some sectors, the recovery rate has been slowed by a global shortage of components and raw materials. For example with renovation and construction picking up, prices of the various materials have increased, and its availability has decreased. The tourism, catering and event sectors in particular continued to suffer from various restrictions during the first half of the year, but even these sectors are expected to fare better in the second half.

Consumer confidence has improved, and the recovery of consumption has also been driven by the additional savings accumulated last year. Furthermore, because interest rates continue to be at a very low level, the sales of various durable goods, as well as apartments and holiday homes, were at a good level during the first half of the year. However, business owners and employees in sectors heavily affected by the pandemic are at a disadvantage in these circumstances. While unemployment decreased during the first half of the year, the number of long-term unemployed increased.

The rapid recovery of the economy and the release of growing consumption, combined with the shortage of components, have been factors behind the rise in inflation that started in the first half of the year. The European Central Bank's highly expansionary policy, including securities purchases, funding for banks under special conditions and low interest rates, have had a similar impact. Housing prices in growth centres, as well as share prices, have continued to rise. Outside the growth centres in Finland, housing price rises have been moderate in recent years, but the number of deals has increased somewhat.

Earlier of the year, inflation in the euro area was faster than before and also in Finland, the price increases accelerated. In Finland, compared to the previous year, especially the prices of the fuel and town house properties as well as costs of the basic renovations speeded up the inflation. In the beginning of the July, in the pursuit of price stability, ECB decided to aim to the symmetric inflation target of two per cent over the medium period, whereas earlier the aim was below two per cent.

In the public sector, indebtedness increased significantly last year and this year, and is at a markedly higher level than before. However, the short-term negative impacts of the pandemic have been successfully mitigated by targeting state aid at companies and municipalities. Nevertheless, Finland's structural problems remain unresolved, and, although the direct cost impacts of indebtedness are small in a low-interest environment, as interest rates rise the already high rate of taxation does not allow any leeway without negatively affecting economic growth.

KEY EVENTS DURING THE FIRST HALF OF THE YEAR

THE IMPACT OF THE CORONAVIRUS PANDEMIC ON BUSINESS OPERATIONS

Demand for housing loans and corporate loans was very high during the first half of the year, despite the coronavirus pandemic. The capital markets have also recovered to pre-pandemic levels, which has supported demand for savings products. The coronavirus pandemic has accelerated the transition from traditional face-to-face services to digital service channels, in which the number of visitors has grown significantly during 2020 and 2021. The coronavirus pandemic has not affected the availability of the services provided by the non-life insurance company, which operates online.

There have been no major changes in the quality of the loan portfolio during the pandemic. The Group's capital adequacy position continues to be strong, and its risk position continues to be moderate.

STRUCTURAL CHANGES IN THE POP BANK GROUP AND CLOSER COOPERATION

A structural shift towards larger member credit institutions, which has long been in progress within the Group, continued with a bank merger in the review period. In addition, the POP Banks signed an agreement on single-operator status in March. This provides POP Bank Centre coop with steering power over the banks' business decisions, such as pricing, product selection and areas of operation. The decision clarifies the competitive position between the banks in the Group and enables more efficient business development as a Group.

NEW PARTNERS

In June, POP Bank introduced Laskuraha, a new service for its corporate customers, in cooperation with Puro Finance Oy. The service enables funding backed by invoice receivables. This new funding service helps companies to respond to demand in a market that is recovering from the coronavirus pandemic, while also supporting the Group's strategic targets of increasing operations in the corporate customer segment.

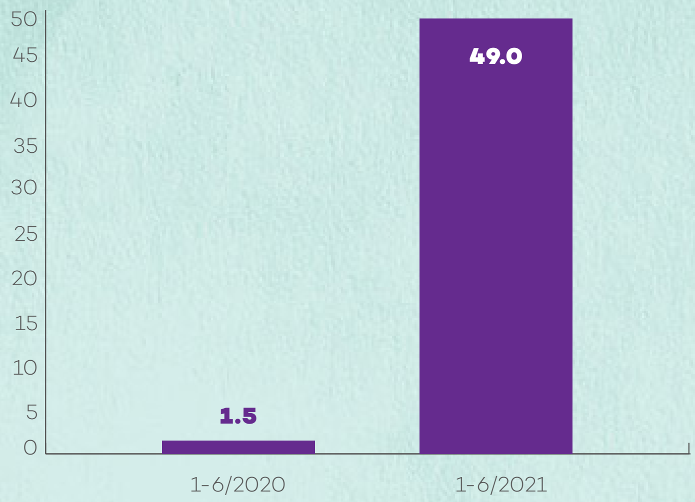
TERMINATION OF THE CORE BANKING SYSTEM REFORM PROJECT

In June, the POP Bank Group and Oy Samlink Ab decided to terminate the agreement they had signed in 2019 on the reform of the core banking system. Oy Samlink Ab paid compensation to the POP Bank Group for terminating the agreement. The POP Bank Group continues to be a customer of Samlink. While termination of the agreement does not affect the banking services currently supplied to the POP Bank Group's customers, it had an impact of EUR 25.7 million on the result for the review period.

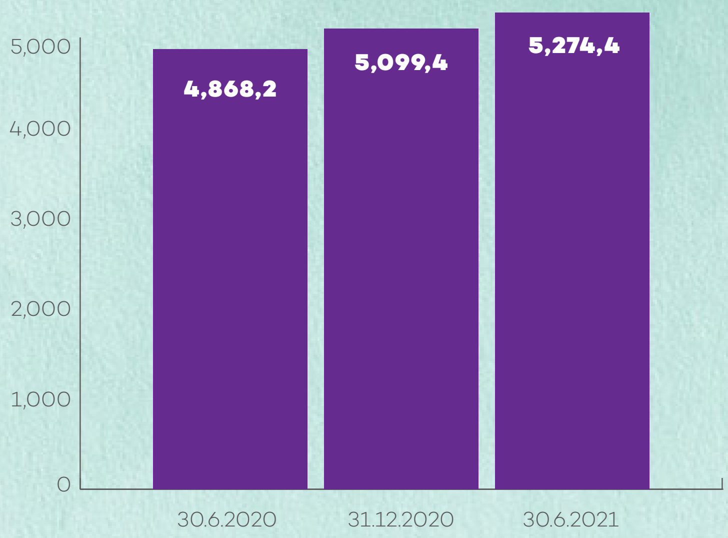
CREDIT RATINGS

In January 2021, S&P Global Ratings has affirmed Bonum Bank Plc's long-term investment grade to 'BBB' and short-term investment grade to 'A-2'. At the same time, the agency revised the bank's outlook from negative to stable.

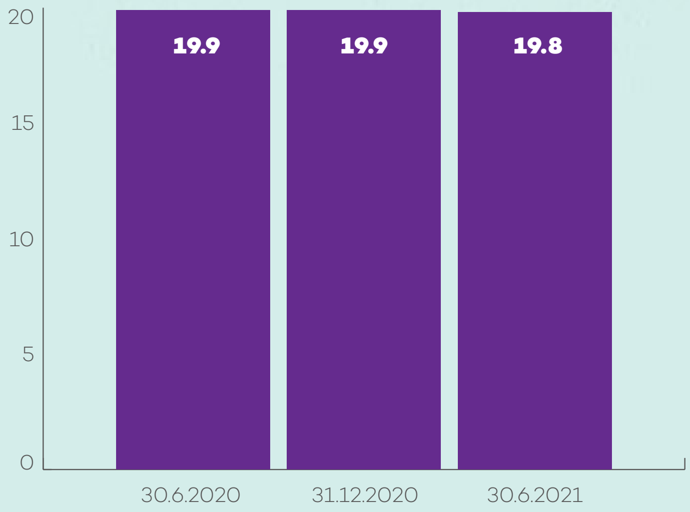
PROFIT BEFORE TAX (EUR MILLION)



BALANCE SHEET (EUR MILLION)



CET1 CAPITAL RATIO (%)



LOAN PORTFOLIO (EUR MILLION)

POP BANK GROUP'S EARNINGS AND BALANCE SHEET

POP BANK GROUP KEY FIGURES AND RATIOS

Key income figures (EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan-31 Dec 2020
Net interest income	37,647	36,937	74,099
Net commissions and fees	18,298	15,801	31,049
Insurance income	7,384	5,149	11,611
Net investment income	8,911	-5,670	1,298
Personnel expenses	-24,568	-21,200	-43,531
Other operating expenses	-27,503	-26,454	-50,738
Impairment losses on financial assets	2,282	-3,695	-7,468
Profit before tax	49,035	1,544	13,393

Key balance sheet figures (EUR 1,000)	30 Jun 2021	30 Jun 2020	31 Dec 2020
Loan portfolio	4,068,107	3,756,935	3,868,147
Deposit portfolio	4,179,482	3,887,484	4,086,045
Insurance contract liabilities	50,381	44,130	43,915
Equity capital	556,741	502,251	518,114
Balance sheet total	5,274,361	4,868,157	5,099,270

Key ratios	30 Jun 2021	30 Jun 2020	31 Dec 2020
Cost to income ratio	57.2 %	90.8 %	83.2 %
Return on assets, ROA %	1.6 %	0.0 %	0.2 %
Return on equity, ROE %	15.1 %	0.4 %	2.2 %
Equity ratio, %	10.6 %	10.3 %	10.2 %
Common equity Tier 1 capital ratio, (CET1) %	19.8 %	19.9 %	19.9 %
Capital adequacy ratio, (TC) %	19.8 %	20.1 %	19.9 %

The calculation formulas for key indicators are presented on pages 29-30 of the Board of directors' report and the consolidated IFRS financial statements of the POP Bank Group on 31 December 2020.

POP BANK GROUP'S EARNINGS PERFORMANCE

The POP Bank Group's profit before taxes was EUR 49.0 million, compared with EUR 1.5 million in the corresponding period of the previous year. The profit for the review period was EUR 40.6 (1.1) million.

Operating income increased by EUR 52.0 million to EUR 109.2 (57.2) million. Net interest income rose by 1.9 per cent to EUR 37.6 (36.9) million. Interest income totalled EUR 40.7 (39.5) million in the review period, and interest expenses amounted to EUR 3.1 (2.5) million. Net commission income and expenses increased by 15.8 per cent year-on-year, amounting to EUR 18.3 (15.8) million.

Net investment income was EUR 8.9 million (EUR -5.7 million in the comparison period). The net amount of valuation gains and losses recognised during the first half of the year was EUR 5.5 (-6.9) million. As a result of the improved loss ratio, net insurance income increased year-on-year, amounting to EUR 7.4 (5.1) million. Other operating income totalled EUR 37.0 (4.9) million. The significant increase consisted of 31.7 million euro of non-recurring items.

Total operating expenses increased by 20.4 per cent to EUR 62.5 (51.9) million. Expenses increased significantly as a result of the recognition of EUR 6.0 million in non-recurring cost items related to the termination of the core banking system project. Personnel expenses were EUR 24.6 (21.2) million, and other operating expenses were EUR 27.5 (26.5) million. Depreciation and impairment on tangible and intangible assets was EUR 10.4 (4.2) million.

An impairment loss of EUR 2.3 million on financial assets was recognised in the review period, while EUR 3.7 million in impairment losses was recognised as a cost in the comparison period. The impairment losses consisted of changes in the recognised expected credit losses on receivables and debt securities, and the actual credit losses. In the review period, EUR 5.0 million was recognised in expected credit losses (ECL), while the provision increased by EUR 1.3 million in the comparison period. The amount of the ECL provision in the financial statements was reduced by the reversal of provisions based on the management's estimate concerning debt securities, and by the new definition of "default", which was introduced in the calculation of capital adequacy and the ECL provision at the beginning of the year. Final credit losses for the first half of the year totalled EUR 2.7 (2.4) million.

POP BANK GROUP'S BALANCE SHEET

The POP Bank Group's balance sheet total was EUR 5,274.4 million at the end of the review period (5,099.3 million at the beginning of the review period). During the review period, the Group's loan portfolio increased by 5.2 per cent to EUR 4,068.1 (3,868.1) million, and deposits rose by 2.3 per cent to EUR 4,179.5 (4,086.0) million.

The POP Bank Group's equity totalled EUR 556.7 (518.1) million at the end of the review period. The cooperative capital, which consists of the POP Banks' cooperative contributions and POP Shares, amounted to EUR 65.1 (66.0) million at the end of the review period. The POP Banks have decided to pay EUR 1.3 (1.3) million in interest on cooperative capital for 2020. The POP Banks' distribution of profits meets the recommendation issued by the Financial Supervisory Authority on 18 December 2020. POP Shares are investments in the cooperative bank's equity in accordance with the Co-operatives Act. In total, the POP Banks have issued EUR 55.1 (56.1) million in POP Shares.

OPERATING SEGMENTS

The POP Bank Group monitors its business operations in two segments: banking and insurance.

BANKING

The POP Bank Group's banking segment includes the POP Banks engaged in retail banking and Bonum Bank Plc, the central credit institution of the amalgamation. At the end of the review period, the POP Bank Group had 254,500 bank customers (253,700 at the beginning of the review period), of whom 85.3 (85.5) per cent were private customers, 8.8 (8.6) per cent were corporate customers and 2.8 (2.8) per cent were customers in agriculture and forestry. The POP Banks had 75 branches and service points at the end of the review period. In addition, customers have access to mobile and online banking services and online appointments. In the EPSI Rating customer satisfaction survey, POP Bank has been ranked as Finland's best bank ten times. According to the NPS survey, which measures customers' willingness to recommend various services, POP Bank's index is 75, while the average in the Finnish banking sector is around 30.

After the exceptional times caused by the coronavirus pandemic, the POP Bank Group continued its sales development programme at full capacity. The programme started in 2019. As a result of the programme, the Group's commission income and loan portfolio are growing significantly. Its total loan portfolio grew by 5.2 per cent during the first half of the year, and corporate loans increased by 11.6 per cent. In June, a new funding solution, POP Laskuraha, was added to the selection of services for corporate customers. The service was implemented in cooperation with Puro Finance Oy, a new partner.

The extensive digitisation of banking services and customer service is one of the key focus areas of the POP Bank Group's new strategic renewal programme. The number of users of the Group's mobile application, POP Mobiili, has increased steadily. At the end of the review period, the number of mobile bank users was more than two-thirds of the total number of online and mobile bank users. Nearly half of all mobile bank users use the application daily, and it has become the main service for taking care of daily banking within a short period of time. For the second consecutive year, POP Mobiili was ranked among the best products in app stores based on star ratings by customers.

In June, the entire Group introduced a new digital service, Asuntolainalupaus, for digital housing loan offers. The service provides customers with quick responses to their funding needs and enables the bank to process large amounts of housing loan applications efficiently. The digitisation of housing sales is also continuing at a brisk rate. The number of transactions completed through DIAS, a digital housing sales platform, is increasing promisingly.

BANKING EARNINGS

Earnings from banking operations increased significantly year-on-year. The profit before taxes was EUR 44.8 (1.3) million. The termination of the core banking system project had an impact of EUR 25.7 million on the result. The cost-to-income ratio of banking operations was 54.1 (90.3) per cent.

All income items in banking operations increased during the review period. Operating income increased by EUR 47.8 million, amounting to EUR 101.1 (53.3) million. Net interest income rose from the comparison period, amounting to EUR 37.3 (36.7) million. Net commission income increased by 15.5 per cent to EUR 18.5 (16.0) million. The increase mainly results from changes in the prices of banking services and higher lending volumes. Net investment income in banking operations was EUR 7.9 (-4.3) million. Other operating income totalled EUR 37.3 (4.9) million. The significant increase in income includes EUR 31.7 million in non-recurring items.

Operating expenses from banking operations grew by 21.1 per cent to EUR 58.5 (48.3) million. Expenses increased as a result of EUR 6.0 million in non-recurring cost items. Personnel expenses in banking operations amounted to EUR 16.8 (15.1) million, while other operating expenses were EUR 33.3 (30.9) million. Depreciation and impairment on tangible and intangible assets were EUR 8.4 (2.4) million. Expenses increased as a result of investments in service models that enable quick decision-making, as well as online security and the strengthening of processes to prevent money laundering and fraud.

An impairment loss of EUR 2.3 million on financial assets was recognised in the review period, while EUR 3.7 million in impairment losses was recognised as a cost in the comparison period. The decrease in impairment was attributable to the general stabilisation of economic growth outlooks and changes in the definition of "default" which was implemented on 1 January 2021, as the criteria previously applied by the POP Bank Group when recognising receivables in ECL Stage 3 were stricter. The amount of expected credit losses related to loan receivables and off-balance sheet credit commitments decreased by EUR 4.0 (0.6) million in the review period, ending at EUR 29.1 (33.1) million.

Expected credit losses related to debt securities decreased by EUR 1.0 million to EUR 2.2 (3.2) million during the review period. During the review period, EUR 0.5 million in management judgement on investments was derecognized, after which provisions based on management judgement concerning debt securities totalled EUR 1.0 (1.4) million.

Final credit losses for the first half of the year totalled EUR 2.7 (2.4) million.

THE BANKING SEGMENT'S ASSETS AND LIABILITIES

The banking segment's assets increased by 3.2 per cent during the first half of the year, amounting to EUR 5,279.9 million at the end of the review period (5,114.4 at the beginning of the review period). The banking segment's loan portfolio increased by 5.2 per cent during the review period, amounting to EUR 4,070.1 (3,870.2) million. Loans granted to private customers represented 65.5 (67.1) per cent of the loan portfolio. The proportion of companies increased from 17.5 to 19.7 per cent, while the proportion of agricultural business owners decreased from 16 to 14.8 per cent. Deposits increased by 2.3 per cent and stood at EUR 4,183.2 (4,089.3) million at the end of the review period.

INSURANCE

The insurance segment of the POP Bank Group comprises Finnish P&C Insurance Ltd, which provides non-life insurance for private customers. The insurance company offers the most common types of non-life insurance policies, which are sold to private customers mainly through digital channels.

During the review period, the number of Finnish P&C Insurance customers rose from 156,500 at the beginning of the review period to 163,500 at its end. The company gained 3,500 new insurance customers per month on average during the first half of the year. According to the results of an NPS survey, which measured customers' willingness to recommend, the company is a leader in its field. Operating in electronic channels, the company serves customers widely throughout Finland.

Most of its non-life insurance policies are issued through its own sales channels. The most important distribution partners are the POP Bank Group and the Savings Bank Group, as well as car dealerships and vehicle testing stations serving as agents. Finnish P&C Insurance Ltd is responsible for marketing its own products. The company focuses on online marketing in particular and directs customers to its online store. Its bank partners also mainly direct their customers to the company's online store. Car dealerships and vehicle testing stations provide car insurance policies in their capacity as agents.

Insurance operations are a key part of the POP Bank Group's digital business operations.

INSURANCE EARNINGS

During the first half of the year, the operating expense ratio in insurance operations continued to improve year-on-year. This was due to scalability benefits in particular. The company further developed its claims handling systems, service accessibility and new pricing models, for example, and introduced the first phase of its new claims system.

The profit before taxes for the review period was EUR 3.8 (-0.5) million. The strong profitability of business operations and the result of investment activities had a particularly positive impact on the result. The insurance segment's loss ratio improved by 8.2 percentage points to 66.8 (75.0) per cent, and its operating expenses ratio improved by 3.8 percentage points to 20.7 (24.5) per cent.[1]

Net insurance income amounted to EUR 7.4 (5.1) million, an improvement of 43.4 per cent on the previous year. Premiums written (gross) increased by 1.9 per cent on the comparison period, to EUR 25.4 (24.9) million, and the claims incurred totalled EUR 14.9 (15.4) million, representing a decrease of 3.7 per cent year-on-year. Net investment income from insurance operations increased significantly, amounting to EUR 1.2 (-1.0) million. Operating expenses totalled EUR 5.2 (4.8) million.

THE INSURANCE SEGMENT'S ASSETS AND LIABILITIES

The assets of the insurance segment increased by 13.9 per cent to EUR 91.8 million (80.7 million at the beginning of the review period). Insurance liabilities stood at EUR 44.1 (43.9) million at the end of the period. The liabilities of non-life insurance operations totalled EUR 56.4 (49.2) million.

[1] The operating expense ratio and the consolidated cost ratio have been calculated based on Finnish P&C Insurance Ltd's national financial information.

POP BANK GROUP'S RISK AND CAPITAL ADEQUACY MANAGEMENT AND RISK POSITION

The objectives, principles and organisation of POP Banks' risk management and capital adequacy management are described in Note 4 to the POP Bank Group's financial statements for 2020. No material changes were made in the review period to the objectives, principles or organisation described in the financial statements.

BANKING RISKS

CREDIT RISK

The credit risk position remained stable in banking operations, and the risk level remained moderate, although the uncertainty related to the coronavirus pandemic and the limited availability of reliable information pose exceptional challenges for monitoring the credit risk position. The number of customers that applied for instalment-free periods decreased to a normal level during the financial period, and the key indicators related to overdue receivables remained at a moderate level. The proportion of the credit portfolio taken up by credits granted to private customers remained at the same level as at the end of the year, while the proportion of credits granted to corporate customers increased. The industry and customer risks of the amalgamation of POP Banks are diversified.

The credit portfolio increased by 5.2 per cent from the end of the year, amounting to EUR 4,068.1 (3,868.1) million. Lending mainly focuses on low-risk credits to private customers. Expected credit losses (ECL) on loans and receivables and off-balance sheet credit commitments decreased by 12.0 per cent to EUR 29.1 (33.1) million. The amount of receivables in ECL-stage 1, of which the credit risk has not increased significantly since the initial recognition, was 91.8 (90.3) per cent of the loan portfolio. The amount of receivables in ECL-stage 2, with a significant increase in credit risk, was 6.1 (6.8) per cent of the loan portfolio. The amount of defaulted receivables in ECL-stage 3 was 2.1 (3.0) per cent of the loan portfolio.

Credit risk monitoring is based on the continuous monitoring of non-performing receivables, late payments and forbearance, and on monitoring the quality of the credit portfolio. The validation of the calculation principles for expected credit losses (ECL) and the monitoring and analysis of changes are essential parts of credit risk management.

LIQUIDITY RISK

The POP Bank Group's liquidity position remained strong during the review period. The short-term liquidity position is monitored by means of the Liquidity Coverage Ratio (LCR) requirement, for which the indicator must be at least 100 per cent. The amalgamation's LCR ratio was 176.0 (191.4) per cent on 30 June 2021. At the end of June, the amalgamation of POP Banks had EUR 565.5 (621,9) million in LCR-eligible liquid assets before haircuts, of which 68.2 (63.0) per cent consisted of cash and receivables from the central bank, 26.3 (32.4) per cent consisted of liquid Level 1 securities. In addition, outside the amalgamation's LCR portfolio unencumbered securities eligible for central bank funding totalled to EUR 28.6 (71.1) million.

The POP Bank Group's funding position remained strong throughout the review period. The proportion of deposits of the credit portfolio remained high, with the total amount of deposits increasing by 2.3 per cent during the reporting period. With respect to the bond programme of the central credit institution, Bonum Bank Plc, EUR 205.0 (225.0) million was outstanding, with respectively to the certificate of deposit programme of EUR 22.0 (41.5) million. In addition, Bonum Bank Plc has a loan programme of EUR 35 million with the Nordic Investment Bank (NIB). During the review period, Bonum Bank Plc participated in the European Central Bank's TLTRO III financing operation for EUR 78.4 million. At the end of the reporting period, Bonum Bank had TLTRO III financing totalling EUR 128.4 (50.0) million.

The requirement for net stable funding, NSFR, became binding in 2021 (28 June 2021) as part of CRR II Regulation 2019/876. The minimum level of the requirement is 100 per cent. The NSFR measures the maturity mismatch of assets and liabilities on the balance sheet and ensures that the ongoing funding is sufficient to meet funding needs over a one-year period, thus preventing over-reliance on short-term wholesale funding. The amalgamation's NSFR ratio on June 30, 2021 was 133.0 per cent.

Based on permission from the Financial Supervisory Authority, the member credit institutions are exempted, by a decision of the central institution, from the liquidity requirements set out in Part Six of the Regulation (EU) 575/2013 and 2019/876 of the European Parliament and of the Council. According to the permit, the regulatory requirements for LCR and NSFR must be met only at the amalgamation level. The Bonum Bank as a credit institution of the amalgamation is responsible for meeting the regulatory requirements.

MARKET RISK

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

The market risk related to investing activities is limited through asset class allocation and counterparty-specific risk limits. The business operations of the member credit institutions do not include trading on their own behalf or for customers. Their investing activities are primarily undertaken in order to invest financial surplus and manage liquidity. A member credit institution needs permission from the amalgamation's risk control function in order to make direct currency-denominated investments, or structured product investments, or derivative contracts to hedge against interest rate risks related to the financial account.

OPERATIONAL RISKS

The materialisation of operational risks is minimized by identifying and assessing the risks, by evaluating the effectiveness and adequacy of control and management mechanisms, by continuously training the personnel and providing comprehensive operating instructions, as well as by internal control measures.

The operational risks associated with the key products, services, functions, processes and systems are identified in the process of assessing a new product or service. The process involves the preparation of impact assessments, in which the different functions of the amalgamation take part. The member credit institutions belonging to the amalgamation assess the likelihood and impact of the materialisation of operational risks through self-assessments prepared on the basis of the key business processes. Certain operational risks are hedged against through insurance. Risks caused by malfunctions in information systems are prepared for through continuity planning. As customer encounters move to mobile and online, security risks also increase. The number of online scams has been growing significantly during the first half of the year. The POP Bank Group has recognized that the activities of online scammers have become more professional and have grown very rapidly. The management of POP Bank centre coop has updated the situation related to the threat and strengthened both technical capabilities and proactive measures related to fraud detection and customer communication.

INSURANCE RISKS

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

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

Information security risks are significant for an online company, and therefore, the company is strongly investing in their management. The key risks related to investing activities concern changes in the value of equity and interest rate instruments – which changes affect the company's capital adequacy and the result of its investing activities. These risks are controlled by means such as investment limits and the quality requirements for investment assets, taking into account the maturity of the insurance contract liabilities.

CRISIS RESOLUTION PLAN

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 came into effect in Finland in 2015. The Financial Stability Authority was established to implement the Act on the Resolution of Credit Institutions and Investment Firms (Act on the Financial Stability Authority, 1195/2014). The Financial Stability Authority serves as the national crisis resolution authority in Finland as part of the EU's common crisis resolution mechanism.

Serving as the crisis resolution authority for the POP Bank Group, the Financial Stability Authority specified the minimum amount of equity and subordinated debt (MREL requirement) in accordance with chapter 8, section 7 of the Act on the Resolution of Credit Institutions and Investment Firms (1194/2014), to take effect as of 31 December 2019. In accordance with this decision, the MREL requirement is 19.8 per cent of the total risk exposure.

On 28 April 2021, the Financial Stability Authority updated the MREL requirement of the amalgamation of POP Banks. The new requirement is 19.39 per cent of the total amount of risk or 5.91 per cent of the total amount of exposures used in the calculation of the minimum capital adequacy ratio. The new requirement will take effect on January 1, 2022. The POP Bank Group's current requirement and the requirement, which will take effect on 1 January 2022, will be covered by own funds and unsecured senior bonds.

CAPITAL ADEQUACY MANAGEMENT

The capital adequacy of the amalgamation of POP Banks was at a good level. The amalgamation's capital adequacy ratio was 19.8 per cent (19.9 on 31 December 2020), and its CET1 capital ratio was 19.8 (19.9) per cent. The amalgamation does not include the profit for the financial period in own funds.

The purpose of capital adequacy management at the amalgamation of POP Banks is to ensure a sufficient level and quality of capital and its efficient use. A sufficient level of capital covers the material risks arising from the implementation of the amalgamation's business strategy and plan, as well as securing the uninterrupted operation of the amalgamation in the case of unexpected losses. The goal is pursued through a documented and systematic capital adequacy management process – a process that forms an integral part of the strategy process, business planning and management of the amalgamation, and its member credit institutions.

The member credit institutions comprehensively identify and assess the risks related to their operations and adjust their risk-bearing capacity to the total amount of risks. To ensure its capital adequacy, the bank sets risk-based capital targets and prepares a capital plan to meet the targets. To prepare a capital plan, the member credit institutions of the amalgamation use consistent calculation methods determined by the risk control function of the central institution. Based on permission from the Financial Supervisory Authority, the member credit institutions are exempted, by a decision of the central institution, from the own funds requirement for intra-Group items, and from the restrictions imposed on major counterparties concerning items between the central credit institution and the member credit institutions. Based on permission from the Financial Supervisory Authority, the intra-Group items have been excluded from the total exposure measure for calculating the leverage ratio as of 31 December 2020.

Totalling EUR 527.8 (513.0) million, the own funds of the amalgamation of POP Banks consist of cooperative contributions, POP Shares, retained earnings and other non-restricted reserves. The amalgamation's capital adequacy requirement consists of the following items:

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

From Capital Requirements Regulation Minimum requirement 4.5 per cent must be Common Equity Tier 1 (CET1) capital and all additional capital requirements must be covered with CET1 Capital. The Financial Supervisory Authority released the systemic risk buffer capital requirement of 1 per cent 6th April 2020.

CRR II Regulation 2019/876, which reformed the solvency regulation 575/2013 of the European

Parliament and of the Council, has been applied since 28 June 2021. According to the regulation the capital requirement for SME exposures reduced and CIU investments have been taken into account by risk-weighting all the fund's underlying assets as if they are direct exposures to the amalgamation or alternatively higher risk weight was used.

Amalgamation has implemented definition of default in accordance with Article 178 of the EU Capital Requirements Regulation 575/2013. Changes in definition of default increased number of defaulted receivables in capital adequacy and thus led to the increase in reported credit risk together with the increase in amalgamation's credit portfolio.

The leverage ratio, LR, became binding in June as part of the amendment to the EU Solvency Regulation (CRR II). The minimum level of the requirement is 3 per cent. The amalgamation's LR ratio on June 30, 2021 was 9.9 per percent.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Own funds		
Common Equity Tier 1 capital before deductions	543,739	536,352
Deductions from Common Equity Tier 1 capital	-15,903	-23,306
Total Common Equity Tier 1 capital (CET1)	**527,837**	**513,046**
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**527,837**	**513,046**
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**-**
Total capital (TC = T1 + T2)	**527,837**	**513,046**
Total risk weighted assets	**2,662,016**	**2,578,449**
of which credit risk	2,434,570	2,349,874
of which credit valutaion adjustment risk (CVA)	-	-
of which market risk (foreign exchange risk)	19,729	20,858
of which operational risk	207,717	207,717

(EUR 1,000)	30 Jun 2021	31 Dec 2020
CET1 Capital ratio (CET1-%)	**19.8 %**	**19.9 %**
T1 Capital ratio (T1-%)	**19.8 %**	**19.9 %**
Total capital ratio (TC-%)	**19.8 %**	**19.9 %**
Capital Requirement		
Total capital	527,837	513,046
Capital requirement *	312,938	302,968
Capital buffer	214,899	210,031
Leverage ratio		
Tier 1 capital (T1)	527,837	513,046
Leverage ratio exposure	5,357,666	5,146,910
Leverage ratio, %	9.9 %	10.0 %

* The capital requirement is comprised of the minimum requirement of 8.0 %, the additional Pillar 2 requirement of 1.25 %, the capital conservation buffer of 2.5 % and country-specific countercyclical capital requirements for foreign exposures. FIN-FSA released the systemic risk buffer capital requirement (1%) 6th April 2020.

RESPONSIBILITY

Social responsibility in the POP Bank Group is based on cooperative values, local operations and long-term business activity. Responsibility means compliance with the principles of sustainable development in all of the Group's operations, and concerns every employee's day-to-day work and decisions. The POP Bank Group's responsibility work is guided by its responsibility programme, which was updated at the end of 2020. Its key themes are: 1) promoting sustainable financing and investing and thereby mitigating climate change; 2) supporting local success, vitality and well-being; 3) transparent business operations; 4) ensuring the equality of employees and promoting diversity and well-being at work; and 5) preventing a shadow economy, corruption and money laundering.

During the review period, the POP Bank Group contributed to sustainability webinars organised by Finance Finland on digital guidance and accessibility. The Group's experts participated as speakers in the webinars. The POP Bank is participating in the national Responsible Employer campaign in Finland for the second consecutive year. The Group's banks have also continued their multifaceted cooperation with educational institutions, as well as extensively supporting local providers of sports and cultural services. In addition, the Group has product and service development projects in progress to expand its funding and lending solutions for both consumers and corporate customers, taking into account the European Commission's Green Deal strategy.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Finland's GDP is expected to increase by around 3 per cent in 2021, and the Euribor rates are expected to remain negative for a long time as a result of the European Central Bank's support measures. Demand is increasing as a result of stimulus measures and the release of savings accumulated during the coronavirus crisis. Small investments, in particular, are expected to increase, with companies seeking to meet growing demand. The high level of activity in the housing market supports construction. Economic growth is hindered to some extent by a component shortage in industry and problems related to the availability of labour in service sectors. New virus variants and stricter restrictions may affect the rate of economic recovery and inflation development.

The POP Bank Group's result is expected to improve significantly on 2020 (previous estimate at the same level as the 2020 result). The most significant uncertainties related to earnings arise from the valuation of financial assets and from impairment.

All forecasts and estimates presented in this half-year financial report are based on management's current view of economic developments, and actual results may differ materially due to a number of factors, including the development of the corona pandemic.

EVENTS AFTER THE REVIEW PERIOD

S&P Global Ratings confirmed in August Bonum Bank Plc's current credit review.

No such significant business transactions have taken place at the POP Bank Group after the review period that would have a material impact on the financial information presented for the review period.

HALF-YEAR REPORT FOR 1 JANUARY – 30 JUNE 2021

POP BANK GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Interest income		40,738	39,478
Interest expenses		-3,091	-2,541
Net interest income	**4**	**37,647**	**36,937**
Net commissions and fees	5	18,298	15,801
Net investment income	6	8,911	-5,670
Insurance income	7	7,384	5,149
Other operating income		36,969	4,943
Total operating income		**109,209**	**57,160**
Personnel expenses		-24,568	-21,200
Other operating expenses		-27,503	-26,454
Depreciation and amortisation		-10,389	-4,242
Total operating expenses		**-62,460**	**-51,896**
Impairment losses on financial assets	10	2,282	-3,695
Associate´s share of profits		3	-25
Profit before tax		**49,035**	**1,544**
Income tax expense		-8,396	-424
Profit for the period		**40,639**	**1,120**
Attributable to			
Equity owners of the POP Bank Group		40,636	1,120
Non-controlling interests		2	0
Total		**40,639**	**1,120**

POP BANK GROUP'S STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Profit for the period	**40,639**	**1,120**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net changes in fair value		
Equity instruments at FVOCI	218	22
Items that may be reclassified to profit or loss		
Movement in fair value reserve		
Liability instruments at FVOCI	47	-4,250
Other comprehensive income for the period	**40,903**	**-3,109**
Attributable to		
Owners of the POP Bank Group	40,901	-3,108
Non-controlling interests	2	0
Total other comprehensive income for the period	**40,903**	**-3,109**

POP BANK GROUP'S BALANCE SHEET

(EUR 1,000)	Note	30 Jun 2021	31 Dec 2020
Assets			
Liquid assets		385,912	391,544
Loans and advances from credit institutions	8 11	71,030	64,166
Loans and advances from customers	8 11	4,068,107	3,868,147
Investment assets	12	661,232	688,871
Investments in associates		198	195
Intangible assets		13,674	20,549
Property, plant and equipment		32,011	32,138
Other assets		36,465	28,553
Tax assets		5,732	5,108
Total assets		**5,274,361**	**5,099,270**

(EUR 1,000)	Note	30 Jun 2021	31 Dec 2020
Liabilities			
Liabilities to credit institutions	8 13	171,905	97,219
Liabilities to customers	8 13	4,179,482	4,086,045
Non-life insurance liabilities	14	50,381	43,915
Debt securities issued to the public	15	226,932	266,346
Supplementary cooperative capital		11,287	11,287
Other liabilities		46,608	51,991
Tax liabilities		31,026	24,353
Total liabilities		**4,717,620**	**4,581,156**
Equity capital			
Cooperative capital			
Cooperative contributions		10,000	9,909
POP Shares		55,098	56,121
Total cooperative capital		**65,098**	**66,030**
Reserves		165,008	166,497
Retained earnings		326,188	285,142
Total equity attributable to the owners of the POP Bank Group		**556,294**	**517,670**
Non-controlling interests		447	444
Total equity capital		**556,741**	**518,114**
Total liabilities and equity capital		**5,274,361**	**5,099,270**

STATEMENT OF CHANGES IN THE POP BANK GROUP'S EQUITY

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2021	**66,030**	**4,905**	**161,592**	**285,142**	**517,670**	**444**	**518,114**
Comprehensive income for the period							
Profit for the financial period	-	-	-	40,636	**40,636**	2	**40,639**
Other comprehensive income	-	265	-	-	**265**	-	**265**
Total comprehensive income	**-**	**265**	**-**	**40,636**	**40,901**	**2**	**40,903**
Transactions with shareholders							
Change in cooperative capital	-1,162	-	-	-	**-1,162**	-	**-1,162**
Profit distribution	-	-	-	-1,051	**-1,051**	-	**-1,051**
Transfer of reserves	230	-	-1,754	1,523	**-**	**-**	**-**
Transactions with shareholders total	**-932**	**-**	**-1,754**	**472**	**-2,213**	**-**	**-2,213**
Other changes	-	-	-	-63	**-63**	-	**-63**
Balance at 30 Jun 2021	**65,098**	**5,169**	**159,839**	**326,188**	**556,294**	**447**	**556,741**

(EUR 1,000)	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2020	**66,745**	**3,761**	**156,934**	**280,566**	**508,006**	**429**	**508,435**
Comprehensive income for the period							
Profit for the financial period	-	-	-	1,120	**1,120**	0	**1,120**
Other comprehensive income	-	-4,228	-	-	**-4,228**	-	**-4,228**
Total comprehensive income	**-**	**-4,228**	**-**	**1,120**	**-3,108**	**0**	**-3,109**
Transactions with shareholders							
Change in cooperative capital	-1,794	-	-	-	**-1,794**	-	**-1,794**
Profit distribution	-	-	-	-1,280	**-1,280**	-	**-1,280**
Transfer of reserves	192	-	3,586	-3,778	**-**	**-**	**-**
Transactions with shareholders total	**-1,602**	**-**	**3,586**	**-5,059**	**-3,074**	**-**	**-3,074**
Other changes	-	-	-1	-	**-1**	-	**-1**
Balance at 30 Jun 2020	**65,143**	**-467**	**160,519**	**276,627**	**501,822**	**429**	**502,251**

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

POP BANK GROUP'S CASH FLOW STATEMENT

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Cash flow from operations		
Profit for the year	40,639	1,120
Adjustments to profit for the year	18,865	14,353
Increase (-) or decrease (+) in operating assets	**-172,794**	**-275,824**
Receivables from credit institutions	1,883	2,308
Receivables from customers	-198,529	-124,382
Investment assets	31,838	-140,461
Other assets	-7,986	-13,289
Increase (+) or decrease (-) in operating liabilities	**160,632**	**195,087**
Liabilities to credit institutions	74,686	60,049
Liabilities to customers	93,437	141,179
Other liablilities	-5,032	-3,683
Income tax paid	-2,460	-2,458
Total cash flow from operations	**47,341**	**-65,265**
Cash flow from investing activities		
Changes in other investments	-	-70
Purchase of PPE and intangible assets	-2,407	-4,444
Proceeds from sale of PPE and intangible assets	900	620
Total cash flow from investing activities	**-1,507**	**-3,894**
Cash flow from financing activities		
Change in cooperative capital, net	-1,162	-1,794
Interests paid on cooperative capital and other profit distribution	-1,051	-705
Debt securities issued to the public, increase	-	176,909
Debt securities issued to the public, decrease	-39,448	-39,990
Lease liabilities, decrease	-1,058	-942
Net cash used in financing activities	**-42,719**	**133,478**

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	415,120	194,069
Cash and cash equivalents at the end of the period	418,234	258,388
Total cash flow from cash and cash equivalents	**3,115**	**64,319**
Interest received	**39,213**	**39,189**
Interest paid	**2,402**	**1,263**
Dividends received	**3,460**	**4,104**
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	-2,282	3,695
Depreciations	10,936	4,812
Technical provision	3,187	5,524
Other	7,024	321
Adjustments to profit for the financial year	**18,865**	**14,353**
Cash and cash equivalents		
Liquid assets	385,912	241,219
Receivables from credit institutions payable on demand	32,322	17,169
Total	**418,234**	**258,388**

NOTES

NOTE 1 THE POP BANK GROUP AND THE SCOPE OF IFRS FINANCIAL STATEMENTS

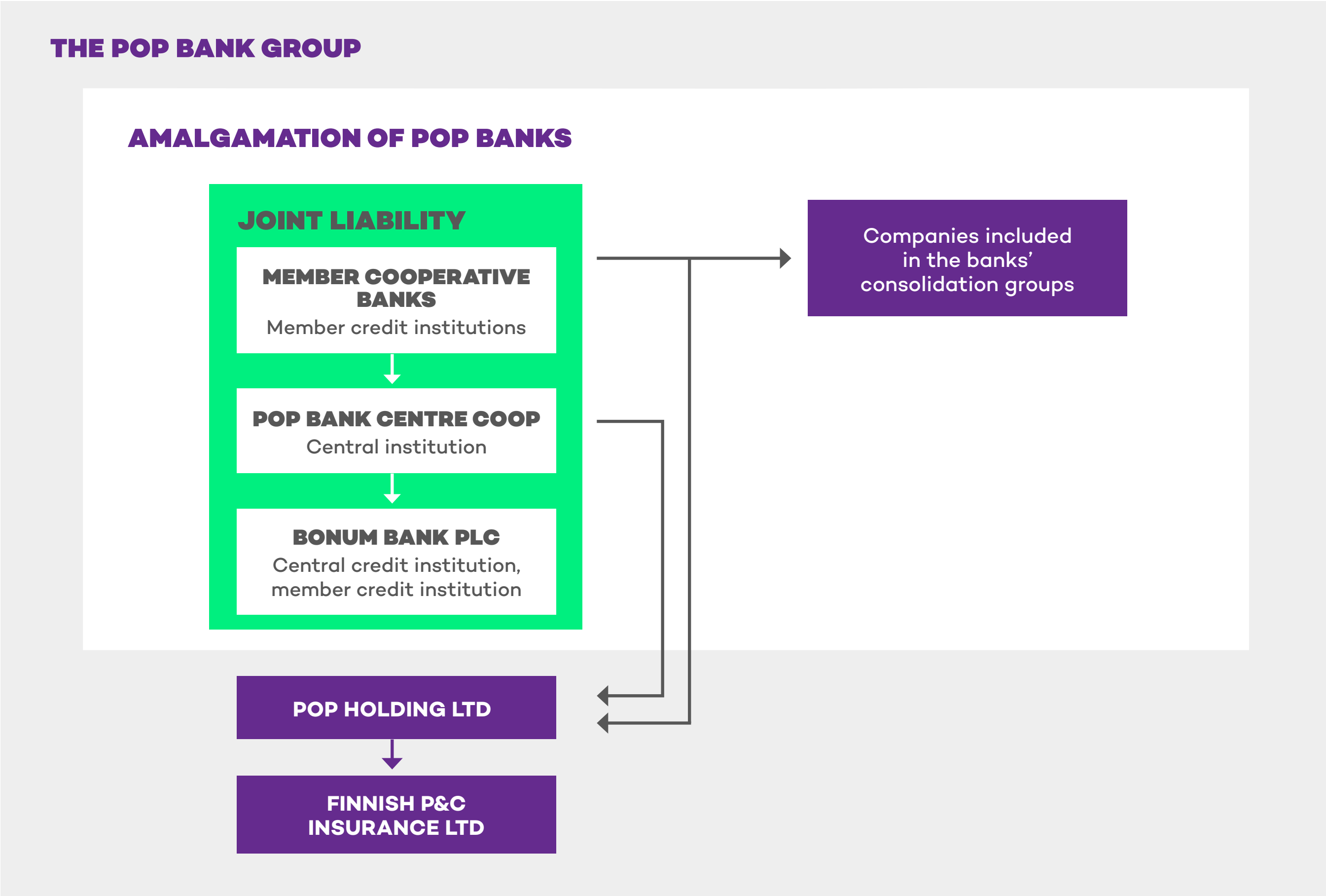
POP Bank Group (hereinafter also referred to as the "Group") is a financial Group comprising POP Banks and POP Bank Centre Coop and their subsidiaries and jointly controlled entities that operates in Finland. POP Banks are independent, regionally and locally operating cooperative banks. POP Bank Centre Coop functions as the central institution of the Group. POP Bank Group offers retail banking services to retail customers, small and medium-sized enterprises, agricultural, forestry and bioeconomy companies, as well as non-life insurance services to retail customers.

The member credit institutions of POP Bank Centre Coop are the 21 cooperative banks and the central credit institution of the member cooperative banks, Bonum Bank Plc. The amalgamation of POP Banks is an economic entity referred to in the Act on the Amalgamation of Deposit Banks (hereinafter referred to as the "Amalgamation Act") the members of which and the central institution are jointly liable for each other's debts and commitments. The amalgamation of POP Banks is formed by the central institution POP Bank Centre Coop, its member credit institutions, the companies included in their consolidation Groups and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50 per cent of the votes. The companies included in the consolidation Groups of NOTE 1 POP Bank Group and the scope of IFRS Financial Statements the member credit institutions are primarily real estate companies.

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

POP Bank Group does not form a Group of companies referred to in the Accounting Act (1336/1997) or a consolidation Group referred to in the Act on Credit Institutions (610/2014). POP Bank Centre Coop or its member cooperative banks do not exercise control pursuant to IFRS accounting standards on each other, and therefore no parent company can be determined for the Group. In accordance with the Amalgamation Act, the Board of Directors has specified the Group's accounting policies suitable for this structure to the extent that the IFRS accounting standards do not acknowledge the Group's structure. The accounting policies that include a description of the technical parent company consisting of the member cooperative banks are presented in Note 2 of the IFRS financial statements 2020.

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



During the financial period, one internal merger in the POP Bank Group took place. At the end of February, Reisjärven Osuuspankki merged with Siilinjärven Osuuspankki and the bank's name was changed to Järvi-Suomen Osuuspankki. Following the merger, the POP Bank Group includes 21 member banks. The mergers are intra-group arrangements, and they do not have an impact on the POP Bank Group's consolidated financial information.

NOTE 2 POP BANK GROUP'S ACCOUNTING POLICIES

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

The half-year financial report for 1 January – 30 June 2021 has been prepared in accordance with IAS 34 Interim Financial reporting and the accounting policies presented in the POP Bank Group's consolidated IFRS financial statements 31 December 2020.

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

Copies of the financial statements and half-year financial report of the POP Bank Group are available at the office of the central institution, address Hevosenkenkä 3, FI02600 Espoo, Finland, and online at **www.poppankki.fi**. The POP Bank Group only publishes one interim financial report.

Changes in the accounting policies
The new amendments to the IFRS-standards that were adopted at the beginning of the financial year have not had an impact on the POP Bank Group's financial information.

Definition of default
At the beginning of 2021, the POP Bank Group adopted a new definition of default in calculation of expected credit losses, in accordance with Article 178 of the EU Capital Requirements Regulation 575/2013. Liabilities are classified in stage 3 of expected credit losses calculation, when they meet the default criteria.

The effect of the new definition of default is included in Note 10 Impairment losses on financial assets.

Accounting policies requiring management judgement and uncertainties related to estimates
The application of IFRS requires the management to make estimates and assumptions concerning the future that affect the amount of items presented in financial statements, as well as the information provided in the notes. The management's key estimates concern the future and key uncertainties related to the values on the balance sheet date. Such key estimates are related to fair value measurement in particular, as well as the impairment of financial assets and intangible assets. More detailed information on the fair values and valuation techniques of financial assets is provided in Note 9.

Due to the corona pandemic, the fair values and impairments of financial assets are subject to greater uncertainty.

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

The instalment-free periods granted in the spring 2020 in the beginning of the corona pandemic ended to a significant extent during the last financial year, and no corresponding amounts of new repayment reschedules have been applied for.

Based on management's judgement, additional impairment losses have been recognized due to the increase in credit risk associated with certain issuers of debt securities. Management has assessed the financial situation of these issuers on a case-by-case basis and increased impairment loss provisions since these issuers have faced financial difficulties as a result of corona pandemic.

New IFRS standards and interpretations

New IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023).
The new standard for insurance contracts and will help investors and other parties to better understand insurers' risk exposure and their profitabil-

ity and financial position. The new standard will replace the current IFRS 4 Insurance Contracts. Due to a decision made by the IASB, the implementation of the standard has been postponed by one year. The POP Bank Group is in the process of assessing the impacts of the standard, as well as running a project to prepare for its implementation. The POP Bank Group will implement the standard starting from the annual period beginning on 1 January 2023, when its implementation becomes mandatory. The standard is yet to be endorsed by the EU.

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 Centre coop. The central institution is responsible for the allocation of resources and assessing the profitability of operations.

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

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

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

POP BANK GROUP'S OPERATING SEGMENTS 2021

INCOME STATEMENT 1 JANUARY – 30 JUN 2021

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Net interest income	37,339	314	**37,652**	-6	**37,647**
Net commissions and fees	18,543	-202	**18,341**	-42	**18,298**
Net investment income	7,937	1,211	**9,148**	-237	**8,911**
Insurance income	-	7,384	**7,384**	-	**7,384**
Other operating income	37,268	246	**37,514**	-545	**36,969**
Total operating income*	**101,086**	**8,953**	**110,039**	**-830**	**109,209**
Personnel expenses	-16,844	-3,906	**-20,750**	-3,817	**-24,568**
Other operating expenses	-33,323	-216	**-33,539**	6,036	**-27,503**
Depreciation and amortisation	-8,361	-1,041	**-9,402**	-988	**-10,389**
Total operating expenses	**-58,528**	**-5,163**	**-63,691**	**1,231**	**-62,460**
Impairment losses on financial assets	2,286	-3	**2,282**	-	**2,282**
Associate´s share of profits	-	-	**-**	3	**3**
Profit before tax	**44,844**	**3,787**	**48,631**	**404**	**49,035**
Income tax expense	-8,312	0	**-8,312**	-84	**-8,396**
Profit for the period	**36,531**	**3,787**	**40,318**	**321**	**40,639**
*External share of total operating income	101,086	8,953	**110,039**		
*Internal share of total operating income	554	-	**554**		

BALANCE SHEET 30 JUN 2021

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	385,912	-	**385,912**	-	**385,912**
Loans and advances from credit institutions	64,491	9,860	**74,351**	-3,321	**71,030**
Loans and advances from customers	4,070,099	-	**4,070,099**	-1,992	**4,068,107**
Investment assets	695,842	62,173	**758,015**	-96,783	**661,232**
Investments in associates	-	-	**-**	198	**198**
Intangible assets	7,152	4,362	**11,514**	2,161	**13,674**
Property, plant and equipment	31,083	590	**31,673**	338	**32,011**
Other assets	21,625	14,361	**35,986**	479	**36,465**
Tax assets	3,700	497	**4,197**	1,535	**5,732**
Total assets	**5,279,903**	**91,844**	**5,371,747**	**-97,386**	**5,274,361**
Liabilities					
Liabilities to credit institutions	171,663	-	**171,663**	242	**171,905**
Liabilities to customers	4,183,239	-	**4,183,239**	-3,757	**4,179,482**
Non-life insurance liabilities	-	50,381	**50,381**	-	**50,381**
Debt securities issued to the public	226,932	-	**226,932**	-	**226,932**
Supplementary cooperative capital	11,287	-	**11,287**	-	**11,287**
Other liabilities	40,610	5,324	**45,934**	674	**46,608**
Tax liabilities	30,160	694	**30,854**	171	**31,026**
Total liabilities	**4,663,891**	**56,400**	**4,720,290**	**-2,670**	**4,717,620**

POP BANK GROUP'S OPERATING SEGMENTS 2020

INCOME STATEMENT 1 JANUARY – 30 JUN 2020

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Net interest income	36,682	261	**36,943**	-6	**36,937**
Net commissions and fees	16,049	-208	**15,841**	-40	**15,801**
Net investment income	-4,336	-1,041	**-5,377**	-293	**-5,670**
Insurance income	-	5,149	**5,149**	-	**5,149**
Other operating income	4,867	237	**5,103**	-161	**4,943**
Total operating income*	**53,262**	**4,398**	**57,660**	**-499**	**57,160**
Personnel expenses	-15,065	-3,367	**-18,432**	-2,767	**-21,200**
Other operating expenses	-30,892	-461	**-31,353**	4,899	**-26,454**
Depreciation and amortisation	-2,358	-1,053	**-3,411**	-831	**-4,242**
Total operating expenses	**-48,316**	**-4,881**	**-53,196**	**1,300**	**-51,896**
Impairment losses on financial assets	-3,663	-32	**-3,695**	-	**-3,695**
Associate´s share of profits	-	-	**-**	-25	**-25**
Profit before tax	**1,283**	**-515**	**768**	**776**	**1,544**
Income tax expense	-267	1	**-266**	-158	**-424**
Profit for the period	**1,016**	**-514**	**502**	**618**	**1,120**

*External share of total operating income	53,262	4,398	**57,660**
*Internal share of total operating income	197	-	**197**

BALANCE SHEET 31 DEC 2020

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	391,544	-	**391,544**	-	**391,544**
Loans and advances from credit institutions	60,547	5,617	**66,164**	-1,998	**64,166**
Loans and advances from customers	3,870,155	-	**3,870,155**	-2,008	**3,868,147**
Investment assets	727,687	57,700	**785,387**	-96,516	**688,871**
Investments in associates	-	-	**-**	195	**195**
Intangible assets	13,441	4,763	**18,205**	2,344	**20,549**
Property, plant and equipment	30,621	794	**31,415**	723	**32,138**
Other assets	16,920	11,589	**28,509**	44	**28,553**
Tax assets	3,477	193	**3,670**	1,438	**5,108**
Total assets	**5,114,392**	**80,656**	**5,195,048**	**-95,778**	**5,099,270**
Liabilities					
Liabilities to credit institutions	96,944	-	**96,944**	275	**97,219**
Liabilities to customers	4,089,302	-	**4,089,302**	-3,257	**4,086,045**
Non-life insurance liabilities	-	43,915	**43,915**	-	**43,915**
Debt securities issued to the public	266,346	-	**266,346**	-	**266,346**
Supplementary cooperative capital	11,287	-	**11,287**	-	**11,287**
Other liabilities	44,856	4,956	**49,812**	2,179	**51,991**
Tax liabilities	23,950	338	**24,287**	66	**24,353**
Total liabilities	**4,532,684**	**49,209**	**4,581,893**	**-737**	**4,581,156**

NOTE 4 NET INTEREST INCOME

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Interest Income		
Loans and receivables to credit institutions	0	5
Loans and receivables to customers	37,698	37,130
Debt securities		
At amortised cost	406	71
At fair value through profit or loss	116	159
At fair value through other comprehensive income	1,522	1,744
Other interest income	995	370
Total interest income	**40,738**	**39,478**
Of which negative interest expense	659	5
Interest expense		
Liabilities to credit institutions	-361	-46
Liabilities to customers	-1,786	-2,016
Debt securities issued to the public	-644	-398
Other interest expenses	-301	-82
Total interest expenses	**-3,091**	**-2,541**
Of which negative interest income	-589	-111
Net interest income	**37,647**	**36,937**
Interest income from financial assets impaired due to credit risk (stage 3)	1,015	1,727

NOTE 5 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Fee and commission income		
Lending	4,323	3,643
Deposits	93	100
Payment transfers	10,102	8,850
Legal services	1,092	1,069
Intermediated services	2,030	1,923
Issuing guarantees	258	234
Funds	1,610	1,486
Other	699	523
Total fee and commission income	**20,207**	**17,828**
Fee and commission expenses		
Payment transfers	-1,643	-1,738
Other	-266	-289
Total fee and commission expenses	-1,909	-2,027
Net commissions and fees	**18,298**	**15,801**

Commissions and fees are mainly accrued from the banking segment.

NOTE 6 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
At fair value through profit or loss		
Debt securities		
Capital gains and losses	-68	65
Fair value gains and losses	152	-765
Shares and participations		
Dividend income	3,098	4,100
Capital gains and losses	112	-1,943
Fair value gains and losses	5,392	-6,127
Total	**8,686**	**-4,671**
At fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-51	-4
Transferred from fair value reserve to the income statement	-112	-977
Shares and participations		
Dividend income	4	5
Total	**-159**	**-976**
Net income from foreign exchange trading	**168**	**219**
Net income from investment property		
Rental income	1,389	1,401
Capital gains and losses	281	61
Other income from investment property	132	21
Maintenance charges and expenses	-1,034	-1,149
Depreciations and amortisation of investment property	-547	-570
Other expenses from investment property	-5	-6
Total net income from investment property	**216**	**-241**
Net investment income total	**8,911**	**-5,670**

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

NOTE 7 INSURANCE INCOME

(EUR 1,000)	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Insurance premium revenue		
Premiums written	25,363	24,879
Change in the provision for unearned premiums	-2,139	-3,640
Gross insurance premium revenue	**23,224**	**21,239**
Ceded to reinsurers	-980	-667
Total insurance premium revenue	**22,244**	**20,572**
Claims incurred		
Claims paid	-13,071	-13,723
Change in provision for unpaid claims	-3,091	-1,414
Total claims incurred, gross	**-16,163**	**-15,137**
Ceded to reinsurers	1,302	-286
Total claims incurred	**-14,860**	**-15,423**
Net insurance income	**7,384**	**5,149**

NOTE 8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS 30 JUN 2021

(EUR 1,000)	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Expected credit loss	Total carrying amount
Liquid assets	385,912	-	-	-	**385,912**
Loans and advances from credit institutions	71,031	-	-	-1	**71,030**
Loans and advances from customers	4,096,304	-	-	-28,197	**4,068,107**
Debt securities*	105,000	10,163	340,334	-38	**455,460**
Shares and participations	-	172,806	3,642	-	**176,448**
Financial assets total	**4,658,246**	**182,969**	**343,976**	**-28,235**	**5,156,956**
Other assets					**117,405**
Total assets					**5,274,361**

*Expected credit loss of EUR 2,166 thousand from debt securities, measured at fair value through other comprehensive income, have been recorded in the fair value reserve.

FINANCIAL ASSETS 31 DECEMBER 2020

(EUR 1,000)	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Expected credit loss	Total carrying amount
Liquid assets	391,544	-	-	-	**391,544**
Loans and advances from credit institutions	64,167	-	-	-1	**64,166**
Loans and advances from customers	3,900,449	-	-	-32,302	**3,868,147**
Debt securities*	105,000	9,929	368,186	-41	**483,074**
Shares and participations	-	171,735	3,370	-	**175,104**
Financial assets total	**4,461,159**	**181,663**	**371,556**	**-32,344**	**4,982,035**
Other assets					**117,235**
Total assets					**5,099,270**

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

FINANCIAL LIABILITIES 30 JUN 2021

(EUR 1,000)	At amortised cost	Total carrying amount
Liabilities to credit institutions	171,905	**171,905**
Liabilities to customers	4,179,482	**4,179,482**
Debt securities issued to the public	226,932	**226,932**
Supplementary cooperative capital	11,287	**11,287**
Financial liabilities total	**4,589,605**	**4,589,605**
Other than financial liabilities		**128,015**
Total liabilities		**4,717,620**

FINANCIAL LIABILITIES 31 DECEMBER 2020

(EUR 1,000)	At amortised cost	Total carrying amount
Liabilities to credit institutions	97,219	**97,219**
Liabilities to customers	4,086,045	**4,086,045**
Debt securities issued to the public	266,346	**266,346**
Supplementary cooperative capital	11,287	**11,287**
Financial liabilities total	**4,460,896**	**4,460,896**
Other than financial liabilities		**120,260**
Total liabilities		**4,581,156**

NOTE 9 FAIR VALUE MEASUREMENTS BY VALUATION TECHNIQUE

FINANCIAL ASSETS

	30 Jun 2021		31 Dec 2020	
(EUR 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
Liquid assets	385,912	385,912	391,544	391,544
Loans and receivables from credit institutions	71,030	71,219	64,166	64,358
Loans and receivables from customers	4,068,107	4,160,791	3,868,147	3,986,180
Debt securities	455,460	459,238	483,074	484,610
Shares and participations	176,448	176,448	175,104	175,104
Total	**5,156,956**	**5,253,607**	**4,982,035**	**5,101,796**

FINANCIAL LIABILITIES

	30 Jun 2021		31 Dec 2020	
(EUR 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to credit institutions	171,905	171,570	97,219	98,127
Liabilities to customers	4,179,482	4,175,840	4,086,045	4,074,582
Debt securities issued to the public	226,932	230,829	266,346	270,944
Supplementary cooperative capital	11,287	11,287	11,287	11,287
Total	**4,589,605**	**4,589,526**	**4,460,896**	**4,454,940**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 30 JUN 2021

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Shares and participations	163,003	-	9,803	**172,806**
Debt securities	3,050	-	7,114	**10,163**
At fair value through other comprehensive income				
Shares and participations	-	-	3,642	**3,642**
Debt securities	250,571	89,199	564	**340,334**
Total	**416,624**	**89,199**	**21,122**	**526,945**

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 31 DECEMBER 2020

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Shares and participations	162,735	-	9,000	**171,735**
Debt securities	2,665	-	7,263	**9,929**
At fair value through other comprehensive income				
Shares and participations	-	-	3,370	**3,370**
Debt securities	260,540	107,647	-	**368,186**
Total	**425,940**	**107,647**	**19,633**	**553,220**

FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets are recorded in the balance sheet either at fair value or at amortized cost. The classification and measurement of financial instruments is described in more detail in IFRS financial statemets of the POP Bank Group's on 31 December 2020 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 and liabilities that are not measured using market quotations or values determined on the basis of observable market prices using measurement techniques or models. The assumptions applied in the measurement teghniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds and investment properties.

TRANSFERS BETWEEN FAIR VALUE HIERARCHIES

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

During the reporting period, securities of EUR 672 (186) thousand have been transferred from hierarchy level 1 to hierarchy level 3 due to small trading volumes in the markets. Securities from hierarchy level 3 have returned EUR 160 (0) thousand to hierarchy level 1 due to the normalization of trading volumes.

CHANGES IN FINANCIAL ASSETS RECURRENTLY MEASURED AT FAIR VALUE CLASSIFIED INTO LEVEL 3

(EUR 1,000)	At fair value through profit or loss	At fair value through other comprehensive income	Total
Carrying amount 1 Jan 2021	**16,264**	**3,370**	**19,633**
+ Purchases	1,113	-	**1,113**
- Sales	-53	-83	**-136**
- Matured during the financial year	-376	-	**-376**
+/- Realised changes in value recognised in income statment	-24	7	**-17**
+/- Unrealised changes in value recognised in the income statement	152	-	**152**
+/- Changes in value recognised in other comprehensive income	-	240	**240**
+ Transfers to levels 3	-	672	**672**
- Transfers to levels 1 and 2	-160	-	**-160**
Carrying amount 30 Jun 2021	**16,916**	**4,206**	**21,122**

(EUR 1,000)	At fair value through profit or loss	At fair value through other comprehensive income	Total
Carrying amount 1 Jan 2020	**15,132**	**2,448**	**17,580**
+ Purchases	1,900	120	**2,020**
- Sales	-514	-366	**-880**
- Matured during the financial year	-91	-300	**-391**
+/- Realised changes in value recognised in income statment	-123	-27	**-150**
+/- Unrealised changes in value recognised in the income statement	-378	-	**-378**
+/- Changes in value recognised in other comprehensive income	-	1,309	**1,309**
+ Transfers to levels 3	1,128	186	**1,314**
- Transfers to levels 1 and 2	-791	-	**-791**
Carrying amount 31 Dec 2020	**16,264**	**3,370**	**19,633**

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AT LEVEL 3

30 JUN 2021

		Possible effect on equity capital	
(EUR 1,000)	**Carrying amount**	**Positive**	**Negative**
At fair value through profit or loss	16,916	1,542	-1,542
At fair value through other comprehensive income	4,206	552	-552
Total	**21,122**	**2,093**	**-2,093**

31 DECEMBER 2020

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

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

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 - 30 Jun 2021	1 Jan - 30 Jun 2020
Change of ECL due to write-offs	1,428	1,344
Change of ECL, receivables from customers and off-balance sheet items	2,557	-1,912
Change of ECL, debt securities	977	-762
Final credit losses	-2,680	-2,366
Impairment losses on financial assets total	**2,282**	**-3,695**

During the financial year, EUR 2,680 (2,366) thousand was recognized as final credit loss. The growth of final credit losses is partly explained due to a credit loss of EUR 1,831 (812) thousand recorded on unsecured consumer loans.

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

The principles for calculating expected credit losses are presented in IFRS financial statements of the POP Bank Group's on 31 December 2020 in section 3.4 Impairment of financial assets of Note 2 of POP Bank Groups IFRS Financial statements.

At the beginning of 2021, the POP Bank Group implemented a definition of default in accordance with Article 178 of EU Capital Requirements Regulation 575/2013. The implementation of the new definition of default reduced the number of receivables to be classified in stage 3, as the criteria previously applied by the POP Bank Group for recording receivables in ECL stage 3 were stricter.

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**5,359**	**3,539**	**23,405**	**32,303**
Transfers to stage 1	192	-1,112	-2,378	**-3,298**
Transfers to stage 2	-229	1,299	-2,711	**-1,641**
Transfers to stage 3	-99	-90	2,923	**2,734**
Increases due to origination	1,487	593	1,011	**3,090**
Decreases due to derecognition	-672	-357	-3,269	**-4,299**
Changes due to change in credit risk (net)	-969	-198	1,903	**736**
Decreases due to write-offs	-	-	-1,428	**-1,428**
Total	**-291**	**135**	**-3,949**	**-4,106**
ECL 30 Jun 2021	**5,068**	**3,674**	**19,455**	**28,198**

The largest change in expected credit losses on receivables from customers is from decreases due to derecognition total EUR 4,299 (9,578) thousand. Transfers to stage 3 totaled EUR 2,734 (4,681) thousand.

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**169**	**939**	**2,073**	**3,181**
Transfers to stage 1	7	-251	-36	**-280**
Transfers to stage 2	0	1,151	-1,596	**-445**
Increases due to origination	23	82	-	**105**
Decreases due to derecognition	-20	-75	-48	**-143**
Changes due to change in credit risk (net)	147	124	-	**271**
Impact of the management's estimate	-165	-321	-	**-485**
Total	**-8**	**712**	**-1,680**	**-977**
ECL 30 Jun 2021	**160**	**1,651**	**393**	**2,204**

The additional provision for debt securities based on management's judgement was derecognized EUR 485 thousand, as the financial conditions of certain issuers recovered, ending at EUR 963 (1,449) thousand.

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**331**	**138**	**319**	**788**
Transfers to stage 1	7	-92	-40	-125
Transfers to stage 2	-5	8	-5	-2
Transfers to stage 3	0	-1	27	26
Increases due to origination	349	132	17	499
Decreases due to derecognition	-21	-10	-61	-91
Changes due to change in credit risk (net)	-138	-10	-39	-187
Total	**192**	**28**	**-100**	**120**
ECL 30 Jun 2021	**523**	**167**	**219**	**908**

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**5,859**	**4,617**	**25,797**	**36,272**
ECL 30 Jun 2021	**5,751**	**5,491**	**20,067**	**31,310**

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**4,761**	**3,351**	**25,693**	**33,804**
Transfers to stage 1	167	-1,157	-2,883	**-3,874**
Transfers to stage 2	-352	1,109	-1,309	**-551**
Transfers to stage 3	-203	-222	5,106	**4,681**
Increases due to origination	2,526	1,250	3,461	**7,237**
Decreases due to derecognition	-1,088	-640	-7,849	**-9,578**
Changes due to change in credit risk (net)	-450	-152	4,727	**4,124**
Decreases due to write-offs	-	-	-3,540	**-3,540**
Total	**599**	**188**	**-2,288**	**-1,501**
ECL 31 Dec 2020	**5,359**	**3,539**	**23,405**	**32,303**

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**117**	**1,125**	**360**	**1,603**
Transfers to stage 1	1	-4	-	**-3**
Transfers to stage 2	-7	63	-	**57**
Transfers to stage 3	-3	-272	340	**65**
Increases due to origination	73	26	40	**140**
Decreases due to derecognition	-19	-175	-	**-193**
Changes due to change in credit risk (net)	6	26	33	**65**
Changes due to management estimates	-	149	1,299	**1,449**
Total	**51**	**-186**	**1,713**	**1,578**
ECL 31 Dec 2020	**169**	**939**	**2,073**	**3,181**

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**375**	**75**	**238**	**688**
Transfers to stage 1	4	-44	-26	**-67**
Transfers to stage 2	-14	48	-5	**28**
Transfers to stage 3	-1	0	22	**20**
Increases due to origination	166	75	53	**294**
Decreases due to derecognition	-44	-8	-35	**-87**
Changes due to change in credit risk (net)	-155	-7	73	**-89**
Total	**-44**	**63**	**81**	**100**
ECL 31 Dec 2020	**331**	**138**	**319**	**788**

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	**5,253**	**4,551**	**26,291**	**36,095**
ECL 31 Dec 2020	**5,859**	**4,617**	**25,797**	**36,272**

BALANCE SHEET ITEM BY STAGE 30 JUN 2021

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,521,146	128,436	32,419	**2,682,001**
Corporate	721,338	57,857	28,675	**807,870**
Agriculture	515,908	65,404	25,121	**606,433**
Receivables from customers total	**3,758,391**	**251,697**	**86,215**	**4,096,304**
ECL 30 Jun 2021	5,068	3,674	19,455	28,198
Coverage ratio %	0.13 %	1.46 %	22.57 %	0.69 %
Off-balance sheet commitments				
Private	232,342	5,028	387	**237,757**
Corporate	88,221	6,805	484	**95,510**
Agriculture	24,769	2,565	172	**27,506**
Off-balance sheet commitments total	**345,332**	**14,398**	**1,043**	**360,773**
ECL 30 Jun 2021	523	167	219	908
Coverage ratio %	0.15 %	1.16 %	21.00 %	0.25 %
Debt securities				
Banking segment	373,808	26,695	-	**400,503**
Insurance segment	31,246	13,585	-	**44,831**
Debt securities total	**405,055**	**40,280**	**-**	**445,334**
ECL 30 Jun 2021	160	1,651	393	2,204
Coverage ratio %	0.04 %	4.10 %	-	0.49 %
Credit risk by stages total	**4,508,777**	**306,375**	**87,258**	**4,902,411**

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

BALANCE SHEET ITEM BY STAGE 31 DEC 2020

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,397,346	139,168	50,819	**2,587,333**
Corporate	640,183	45,952	36,604	**722,739**
Agriculture	482,686	78,029	29,661	**590,377**
Receivables from customers total	**3,520,216**	**263,149**	**117,084**	**3,900,449**
ECL 31 Dec 2020	5,359	3,539	23,405	32,303
Coverage ratio %	0.15 %	1.34 %	19.99 %	0.83 %
Off-balance sheet commitments				
Private	220,577	8,681	813	**230,070**
Corporate	40,614	5,196	116	**45,926**
Agriculture	17,118	3,497	372	**20,987**
Off-balance sheet commitments total	**278,308**	**17,374**	**1,301**	**296,984**
ECL 31 Dec 2020	331	138	319	788
Coverage ratio %	0.12 %	0.80 %	24.51 %	0.27 %
Debt securities				
Banking segment	395,545	31,234	4,487	**431,266**
Insurance segment	28,774	13,146	-	**41,920**
Debt securities total	**424,319**	**44,381**	**4,487**	**473,186**
ECL 31 Dec 2020	169	939	2,073	3,181
Coverage ratio %	0.04 %	2.12 %	46.20 %	0.67 %
Credit risk by stages total	**4,222,843**	**324,904**	**122,873**	**4,670,619**

NOTE 11 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Liabilities to credit institutions		
To central banks	128,400	50,000
To other credit institutions		
Repayable on demand	1,487	1,995
Not repayable on demand	42,018	45,224
Total liabilities to credit institutions	**171,905**	**97,219**
Liabilities to customers		
Deposits		
Repayable on demand	3,709,023	3,583,780
Not repayable on demand	468,317	499,814
Other financial liabilities		
Not repayable on demand	2,142	2,451
Total liabilities to customers	**4,179,482**	**4,086,045**
Total liabilities to credit institutions and customers	**4,351,387**	**4,183,263**

Liabilities to central banks includes secured TLTRO III funding, which matures on 30 June 2023, but for which early repayment is possible from 29 September 2021.The interest rate on the financing period from 24 June 2020 to 23 June 2022 may be the ECB's deposit rate (-0.5%) less an additional interest rate of 0.5%. The determination of the interest rate is affected by the growth of the POP Bank Group's net lending, and the interest rate for the period 24 June 2020 - 23 June 2021 was determined on the basis of the net lending review period ending on 31 March 2021. The POP Bank Group estimates it has met the growth criteria. For the current interest period, the management of the POP Bank Group monitors the fulfillment of the growth criteria and, if necessary, changes the management's estimate in a way that in addition to the ECB's -0.5% deposit rate, an additional interest rate is recognized in the income statement. The final interest rate on the loan will be reviewed when the loan matures. The loan has been treated in accordance with IFRS 9 Financial Instruments -standard, as the POP Bank Group has assessed that the loan meets the conditions of a market-based loan.

NOTE 12 INSURANCE CONTRACT LIABILITIES

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Provision for unearned premiums	21,953	19,813
Ceded to reinsurers	-980	-
Provisions for unpaid claims	39,461	36,370
Ceded to reinsurers	-10,053	-12,268
Total insurance contract liabilities	**50,381**	**43,915**

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

NOTE 13 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Debt securities issued to the public	204,941	224,910
Certificate of deposits	21,991	41,436
Total debt securities issued to the public	**226,932**	**266,346**

At the end of the financial period, the nominal values of certificates of deposits totaled EUR 22,000 (41,000) thousand. Amount of the certificates is 7, nominals range from 2 million to 5 million euros with average maturity of 2 months.

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Balance at 1 Jan	**266,346**	**114,829**
Debt securities issued, increase	-	129,995
Certificates of deposits, increase	-	116,826
Total increase	**-**	**246,821**
Debt securities issued, decrease	-20,000	-
Certificates of deposits, decrease	-19,448	-95,426
Total decrease	**-39,448**	**-95,426**
Total changes in cash flow	**-39,448**	**151,395**
Valuation, accrued interest	33	122
Balance at the end of period	**226,932**	**266,346**

DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)					Nominal (EUR 1,000)	
Name	**Nominal**	**Issue date**	**Due date**	**Interest**	**30 Jun 2021**	**31 Dec 2020**
BONUM FRN 290121	20,000	29.1.2019	29.1.2021	EB 3kk + 0,75 %	-	19,999
BONUM FRN 180422	100,000	18.4.2019	18.4.2022	EB 3kk + 0,88 %	99,956	99,929
BONUM FRN 120723	50,000	3.6.2020	12.7.2023	EB 12kk + 1,044 %	49,997	49,996
BONUM FRN 170124	55,000	3.6.2020	17.1.2024	EB 12kk + 1,2 %	54,988	54,986
Total					**204,941**	**224,910**

NOTE 14 COLLATERAL GIVEN

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Given on behalf of own liabilities and commitments		
Pledges and mortagages	2,946	2,546
Collateral to the Bank of Finland	149,635	115,673
Total collateral given	**152,580**	**118,218**

NOTE 15 OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	30 Jun 2021	31 Dec 2020
Guarantees	17,364	17,064
Loan commitments	343,408	279,920
Total off-balance sheet commitments	**360,773**	**296,984**
Other commitments		
Commitment to invest in venture capital funds	5,099	2,779
Total other commitments	**5,099**	**2,779**

The expected credit losses of off-balance sheet commitments are presented in Note 10.

NOTE 16 RELATED PARTIES

The related parties of POP Bank Group comprise the companies and associates consolidated in the financial statements, and members of the Board of Directors and Executive Group and members of their immediate families.

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

There has been no material changes in relatedparty transactions after 31 Dec 2020.

Espoo 16 August 2021
Board of Directors of POP Bank Centre coop

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

FURTHER INFORMATION

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