POP BANK GROUP

HALF-YEAR FINANCIAL REPORT

1 JANUARY – 30 JUNE 2022

POP Bank

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POP Bank Group's Half-Year Financial Report for 1 January – 30 June 2022 is a translation of the original Finnish version "POP Pankki -ryhmän puolivuosikatsaus 1.1.–30.6.2022". In case of discrepancies, the Finnish version shall prevail.

CEO'S REVIEW

This year began with optimism. The economy was recovering rapidly despite new waves of COVID-19. Although there was a shadow of doubt concerning the sufficiency of the labour force and incipient inflation, they were believed to be temporary restraints.

The outlook changed drastically when Russia invaded Ukraine in late February. The operation planned as a lightning strike has since developed into a grinding battle of attrition. Simultaneously, European countries have been forced to re-examine their policies, at both the national and EU levels. Unprecedented economic sanctions have been imposed on Russia, highlighting the crucial role the financial sector can play in society. In particular, restrictions on payment transactions were rapidly implemented.

At the state level, Finland has had to also rethink its position as a neighbour of Russia. There has been a need to re-examine contingency plans, especially concerning cybersecurity, but also more broadly. Finland's decision to apply for NATO membership together with Sweden reflects the government's strong desire to support and stabilise the operating environment of the country and its business sector. The global evolution of the COVID-19 epidemic, the EU's sanctions policy and the related Russian counter-sanctions, as well as the European Central Bank's monetary policy decisions, are all having a strong impact on how, and at what pace, economic recovery will take place – despite the general instability.

Rapidly changing inflation outlooks and the related major changes in monetary policy, such as the Federal Reserve's rapid interest rate hikes, have had a significant impact on investment markets, and thus the values of investment assets have decreased substantially. This has also been reflected in the POP Bank Group's earnings performance.

Demand for the POP Bank Group's services has remained high, and the positive development of core business income has continued in the difficult operating environment. The POP Bank Group has been systematically developing its core business over the long term, and thus its efficiency has improved rapidly in recent years. Net interest and commission income – the key income items in banking operations – increased by 10 per cent year-on-year. However, net insurance income decreased from the previous year, mainly because of an increase in claims incurred.

The POP Bank Group's first half-year profit decreased due to the market uncertainties and was EUR 3.7 million. Although the rapid rise in interest rates that occurred particularly in late spring 2022 has increased the Group's interest income, a simultaneous decrease, especially in the fair values of fixed income investments, took place during the review period. Net investment income was EUR -6.0 million, as opposed to EUR 8.9 million in the comparison period. Expenses also increased as a result of investments both in our personnel and in our core system reform launched in January. The performance comparison has also been affected by a non-recurring income item of EUR 25.7 million related to termination of an IT system delivery contract, and which positively boosted the profit of the POP Bank Group for the previous first half-year in 2021.

The POP Bank Group's loan portfolio increased by 3.0 per cent to EUR 4.4 billion during the first half of 2022, while deposits increased by 2.6 per cent to EUR 4.3 billion. Demand for mortgage loans has remained high despite the uncertain global situation, although the number of housing sales has started to decline and the average number of days they are on the market has started to increase. However, there are significant regional differences, and the demand for large family homes remains high. The volume of corporate loans grew the most in relative terms, by 7.3 per cent.

The POP Bank Group has nevertheless continued to systematically develop its operating model. POP Mortgage Bank Plc, whose task is to diversify and optimise the Group's acquisition of funding, commenced its work in May. The Group's structure was also developed through mergers, when two cooperative member banks merged with the Group's largest cooperative member bank.

In the spring, the POP Bank Group established its new strategy for 2022–2024. Our mission continues to be to support our customers' financial success and local well-being. Our vision is to be a bank that combines personal and digital services, that achieves the highest level of customer satisfaction and efficient decision-making, and that outperforms the market in profitable growth. Our renewed strategy focuses particularly on capital adequacy and profitability. Thus, during the strategy period, the POP Bank Group aims to maintain a higher level of capital adequacy than is average for the sector. At the end of June, the capital adequacy of the amalgamation of POP Banks was at a commendable level of 19.6 per cent.

Many of the banks in our Group have operated successfully for more than 100 years. This has required an ability to forecast the future, to adjust our operations when necessary, and to identify a network that will help us to progress and develop. The POP Bank Group has normally had a higher level of capital adequacy than the sector in general, and the inclusion of growth in our vision further clarifies our ambition to be a high-priority alternative for an even wider group of Finnish banking and insurance customers. Our core banking system reform which started in January is a good example of our shared vision of providing customer-oriented services, and lays the foundation for uncomplicated transactions based on our values in channels that best suit the customer at any given time.

I would like to thank our customers, employees and the members of our cooperatives for their close cooperation for our shared success.

Jaakko Pulli
CEO
POP Bank Centre coop

Operating income
67.6
EUR million

Profit before tax
3.7
EUR million

Net interest income
40.7
EUR million

Loan portfolio
4.4
EUR billion

CET 1 capital ratio
19.6%

Customers in total
434,000

POP BANK GROUP AND THE AMALGAMATION OF POP BANKS

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

STRUCTURE OF THE POP BANK GROUP

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

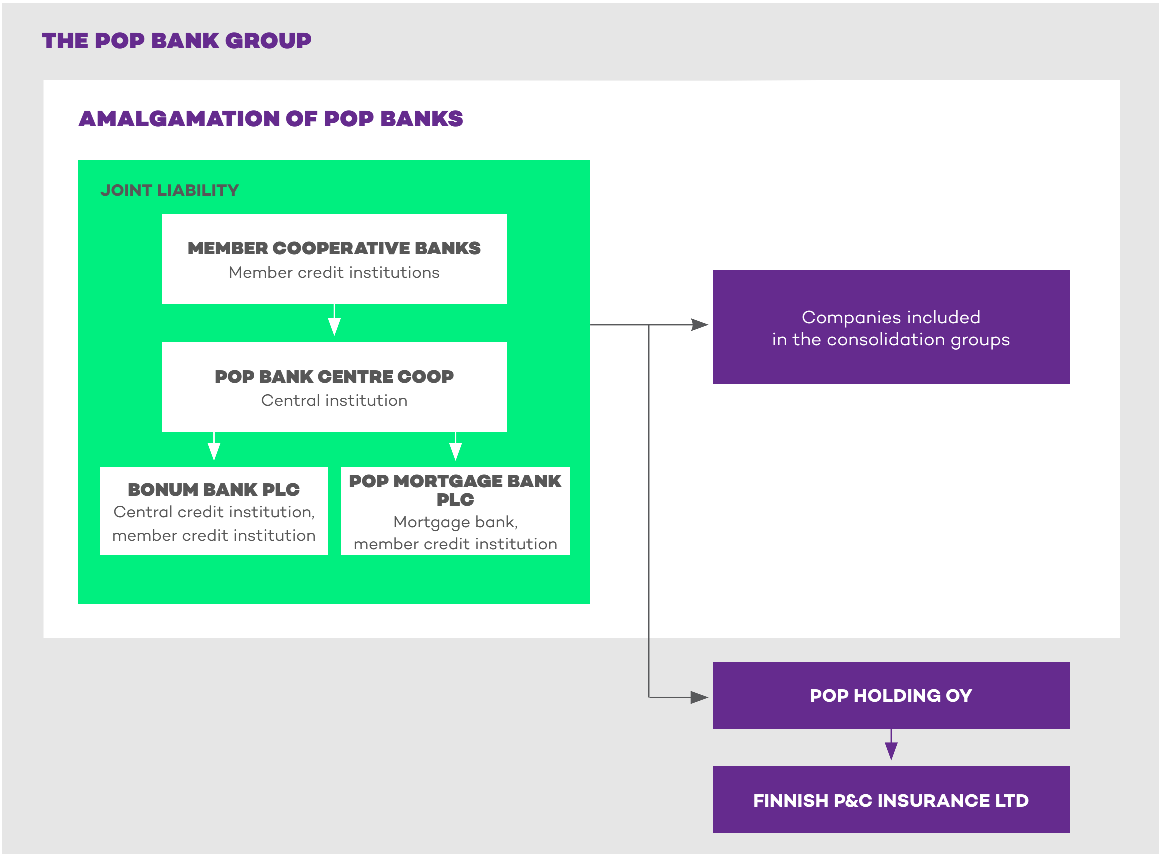
- 19 member cooperative banks of POP Bank Centre coop that use the marketing name POP Bank
- Bonum Bank Plc, which is the central credit institution of POP Banks and a subsidiary of POP Bank Centre coop
- Finnish P&C Insurance Ltd, which uses the auxiliary business name POP Insurance.

In addition, POP Mortgage Bank Plc, which is a mortgage bank, and a subsidiary of POP Bank Centre coop is part of POP Bank Group.

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.

POP BANK GROUP STRUCTURE



CHANGES IN POP BANK GROUP'S STRUCTURE

One merger was completed within the POP Bank Group during the review period. At the end of May 2022, Liedon Osuuspankki and Piikkiön Osuuspankki merged with Suupohjan Osuuspankki, and the name of the bank was changed to Suomen Osuuspankki. After the merger, the POP Bank Group consists of 19 cooperative banks. The merger was an intra-Group arrangement and had no impact on the POP Bank Group's consolidated financial information.

In March POP Bank Group divested one of the real estate companies previously consolidated to the Group.

POP Mortgage Bank Plc has been accepted as a member credit institution of the amalgamation of POP Banks in May.

OPERATING ENVIRONMENT

Economic recovery continued throughout the beginning of the year, as the coronavirus epidemic eased. The increase in the employment-to-population ratio was a particularly positive development for the Finnish economy – with this ratio surpassing the pre-coronavirus crisis level by early 2022. Total production also continued to develop positively at the beginning of the year.

However, the economic outlook took a downturn when Russia launched a large scale attack on Ukraine in February. The attack was exceptionally widely condemned around the world, and the EU was particularly unified in its stand against Russia's military operations, quickly imposing a range of financial sanctions. Much of the rest of the world also participated in various anti-Russia measures affecting money transfers and the assets of those oligarchs who were sanctioned.

The EU sanctions imposed on Russia are also having a significant impact on the Finnish economy – the worst blows being suffered by individual companies, whose Russian business operations have become practically worthless in a short period of time. In May, Russia shut down the supply of natural gas, which has been one of the most critical imports from Russia to Finland. It is possible to replace natural gas with other sources of energy, but the costs will increase. The closing of the Russian market to foreign operators has also caused losses for many Finnish export companies, which now have to compensate by seeking business opportunities in other market areas. Challenges continued in agriculture, as the prices of production inputs rose steeply and food exports to Russia stopped.

Inflation continued to increase in Finland – as in other countries – during the first half of the year. The main reason has been a strong increase in the price of energy globally, which is being reflected widely – and with a short time delay – in all sectors of the economy. In the eurozone, the short-term and long-term interest rates, which had remained moderate for a long time, began to increase rapidly during the spring. In July the European Central Bank (ECB) decided to raise the key interest rates and ramp down its securities purchase programme. The ECB is expected to continue to increase interests during rest of the year.

Although the positive trend in the operating environment has continued in terms of the employment rate, for example, the economic outlook has deteriorated. With the inflation rate increasing more rapidly than salaries, consumers' purchasing power is decreasing.

Housing prices have continued to increase in the growth centres of Finland for a long time, but this trend slowed during the first half of the year. Housing investors are faced with new concerns as housing companies' interest and maintenance costs are rising and it is increasingly difficult to find good tenants in a situation where the supply of rental housing is greater than its demand. Share prices also decreased globally during the spring – which is explained by higher interest rates and weaker corporate outlooks.

KEY EVENTS DURING THE FIRST HALF OF THE YEAR

STRATEGY

In the spring, the Board of Directors of POP Bank Centre coop confirmed the POP Bank Group's strategy for 2022–2024. The Group's vision is to be a bank that combines personal and digital services, that achieves the highest level of customer satisfaction and efficient decision-making, and that maintains capital adequacy and outperforms the market in profitable growth. The Group's target in capital adequacy is more than 17.5 per cent. Its long-term targets, set after the core system reform, are 0.7 per cent for return on assets and no more than 60 per cent for the cost-to-income ratio.

SYSTEM REFORM PROJECT

In January 2022, the POP Bank Group selected Crosskey, a Finnish IT company, as its partner for its core system reform project. The project started in January and has progressed as planned. The POP Bank Group expects to introduce the new core banking system during 2025. The POP Bank Group decided to terminate the previous agreement on core banking system reform in June 2021. The significant compensation received for termination of the agreement was recognised as revenue for the comparison period.

BEGINNING OF MORTGAGE BANK OPERATIONS

In May, POP Mortgage Bank Plc, which is part of the POP Bank Group, was authorised by the European Central Bank to engage in mortgage bank operations. POP Mortgage Bank will be responsible for acquiring external funding for the Group in cooperation with Bonum Bank Plc. POP Mortgage Bank is also responsible for issuing secured bonds and forwarding the acquired funding to the POP Banks. During the first half of the year, POP Mortgage Bank made preparations for its first issue and established a EUR 1 billion covered bond programme.

IMPACTS OF THE CORONAVIRUS PANDEMIC AND THE GEOPOLITICAL SITUATION ON BUSINESS OPERATIONS

The lifting of the restrictions related to the coronavirus pandemic has increased people's mobility and supported the recovery of the service sector in Finland. However, the lockdowns in China have had a major impact on global demand and supply, and this has also been reflected in the Finnish economy to some extent.

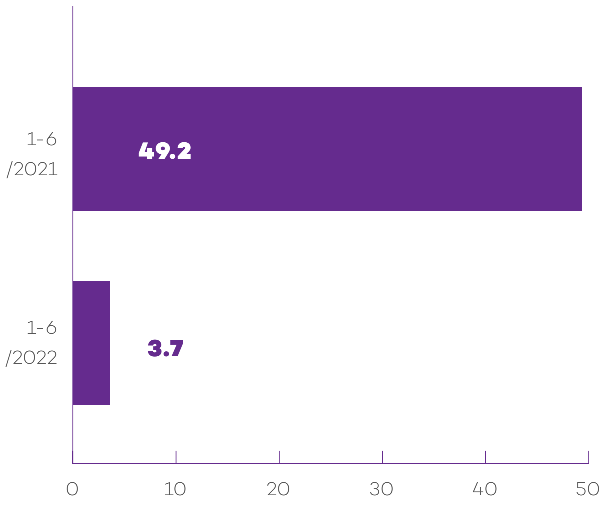
The Russian invasion of Ukraine in February 2022 and the ensuing armed conflict have had a significant impact on the global economy. Although the POP Bank Group has no customer companies that have normally operated in Russia or Ukraine, the crisis is indirectly affecting the operations of the POP Banks' customers. With respect to its payment transactions, the POP Bank Group complies with the sanctions set by the EU. In addition, the POP Bank Group has raised its level of preparedness to meet heightened cybersecurity threats. However, no significant interruptions to operations were reported during the spring.

So far, the changes in the operating environment have not significantly affected the POP Bank Group's customer business operations. Although the steep increase in interest rates will inevitably lead to higher net interest income for the Group, it has, in the short term, caused impairment losses arising from the Group's fixed income investments. The rise in the costs of production inputs in agriculture, in particular, is threatening profitability in agriculture and forestry, which may later be reflected in the amount of credit losses. Until now, no significant increase in repayment delays has been observed.

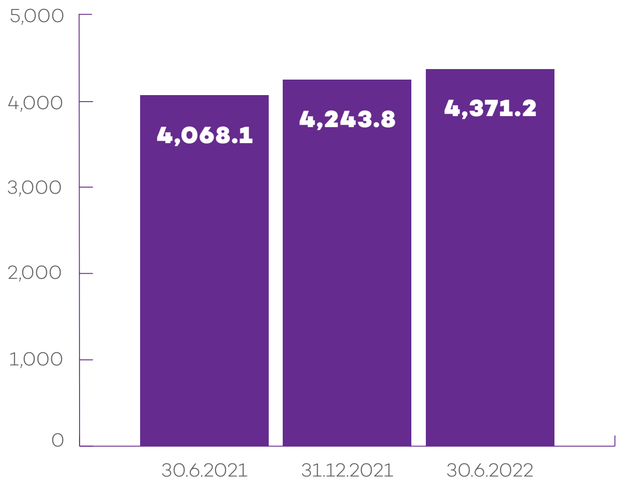
CREDIT RATINGS

In February 2022, S&P Global Ratings affirmed Bonum Bank Plc's long-term investment grade to 'BBB' and short-term investment grade to 'A-2'. The outlook remained stable.

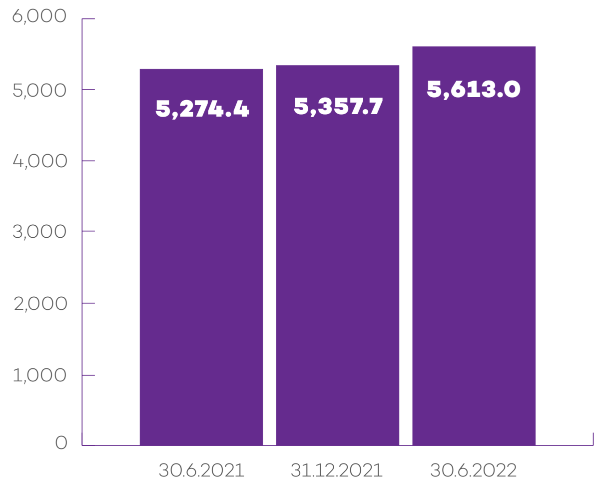
PROFIT BEFORE TAX, EUR MILLION



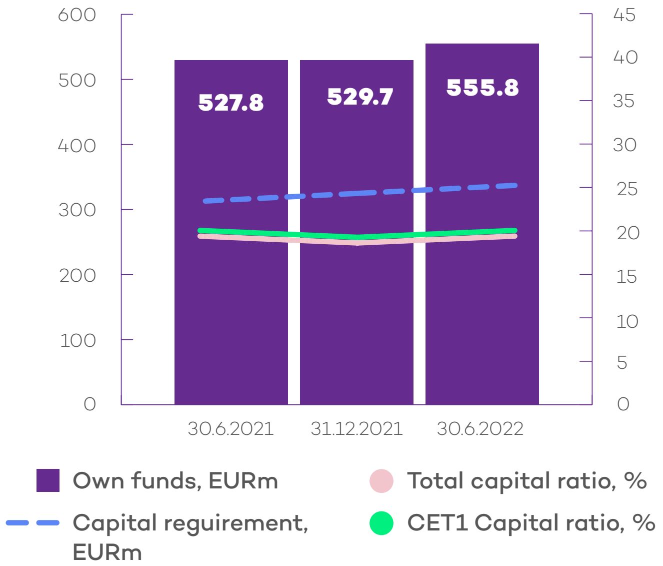
LOAN PORTFOLIO, EUR MILLION



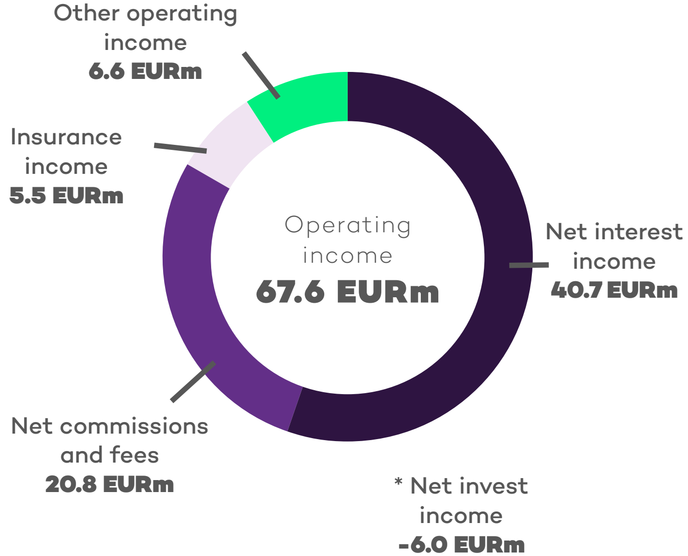
TOTAL ASSETS, EUR MILLION



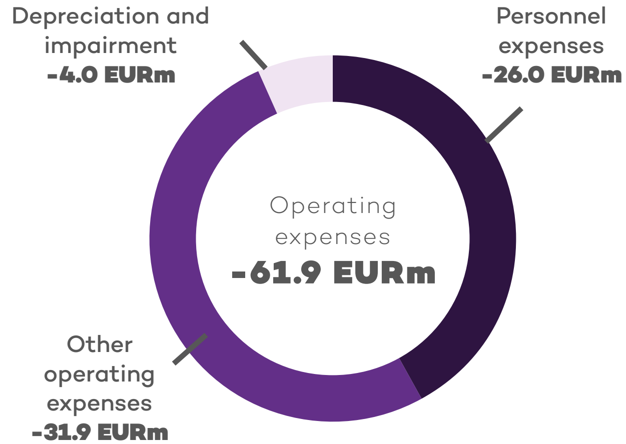
CAPITAL ADEQUACY



OPERATING INCOME 1-6/2022, EURM



OPERATING EXPENSES 1-6/2022, EURM



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 2022	1 Jan - 30 Jun 2021	1 Jan-31 Dec 2021
Net interes income	40,681	37,647	78,338
Net commissions and fees	20,829	18,298	36,326
Insurance income	5,483	7,384	13,192
Net investment income	-5,980	8,911	10,028
Personnel expenses	-26,011	-24,568	-50,655
Other operating expenses	-31,852	-27,908	-55,464
Impairment losses on financial assets	-2,135	2,282	-10,390
Profit before tax	3,653	49,231	44,670

Key balance sheet figures (EUR 1,000)	30 Jun 2022	30 Jun 2021	31 Dec 2021
Loan portfolio	4,371,217	4,068,107	4,243,829
Deposit portfolio	4,330,886	4,179,482	4,222,364
Insurance contract liabilities	56,263	50,381	52,692
Equity capital	543,544	556,741	552,809
Balance sheet total	5,612,995	5,274,361	5,357,697

Key ratios	30 Jun 2022	30 Jun 2021	31 Dec 2021
Cost to income ratio	91.5 %	57.0 %	68.8 %
Return on assets, ROA %	0.1 %	1.6 %	0.7 %
Return on equity, ROE %	1.0 %	15.2 %	6.9 %
Equity ratio, %	9.7 %	10.6 %	10.3 %
Common equity Tier 1 capital ratio, (CET1) %	19.6 %	19.8 %	19.2 %
Capital adequacy ratio, (TC) %	19.6 %	19.8 %	19.2 %

The calculation formulas for key indicators are presented on pages 45-46 of the POP Bank Group annual report 2021. In calculation of ROA and ROE the profit for the review period has been changed to match full year level.

POP BANK GROUP'S EARNINGS PERFORMANCE

The POP Bank Group's profit before taxes was EUR 3.7 million, compared with EUR 49.2 million in the corresponding period of the previous year. The profit for the review period was EUR 2.6 (40.6) million. Weakened profit was due to non-recurring items recognised on comparison period and negative valuations of investment securities during the review period. Termination of the core banking system reform project, which was started in 2019, and the underlying agreement had a positive effect of EUR 25.7 million on profit before taxes for comparison period.

Total operating income of the Group decreased by EUR 41.6 million to EUR 67.6 (109.2) million. Net interest income rose by 8.1 per cent to EUR 40.7 (37.6) million. Interest income totalled EUR 43.3 (40.7) million in the review period, and interest expenses amounted to EUR 2.6 (3.1) million. Net commission income and expenses increased by 13.8 per cent year-on-year, amounting to EUR 20.8 (18.3) million.

Net investment income was EUR 6.0 million negative, while the net income was EUR 8.9 million positive in the previous year. The net amount of valuation gains and losses recognised during the first half of the year was EUR -8.9 (5.5) million. As a result of the weakened loss ratio, net insurance income decreased year-on-year, amounting to EUR 5.5 (7.4) million. Other operating income totalled EUR 6.6 (37.0) million, with an income of EUR 0.7 million recognised from divesting one subsidiary.

Total operating expenses decreased slightly to EUR 61.9 (62.5) million. Expenses decreased as a result of the recognition of EUR 6.0 million in non-recurring cost during the comparison period. Personnel expenses were EUR 26.0 (24.6) million, and other operating expenses were EUR 31.9 (27.9) million. Depreciation and impairment was EUR 4.0 (9.8) million.

An impairment loss of EUR 2.1 million was recognised on financial assets in the review period, while EUR 2.3 million was recognised as income in impairment losses for the comparison period. The impairment losses consist of changes in expected credit losses (ECL) on receivables and debt securities, and the final credit losses recognised. In the review period, an increase of EUR 2.0 million was recognised in expected credit losses (ECL), while the provision decreased by EUR 5.0 million in the comparison period due to changes in regulation. Final credit losses totalled EUR 0.1 (2.7) million.

POP BANK GROUP'S BALANCE SHEET

POP Bank Group's balance sheet totalled EUR 5,613.0 million at the end of the review period (EUR 5,357.7 million at the beginning of the review period). Group's loan portfolio increased under the review period by 3.0 per cent to EUR 4,371.2 (4,243.8) million, and deposits increased by 2.6 per cent to EUR 4,330.9 (4,222.4) million.

POP Bank Group's equity totalled EUR 543.5 (552.4) 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 67.8 (67.1) million at the end of the review period. POP Banks have decided to pay EUR 1.1 (1.3) million in interest on cooperative capital for 2021. In total, the POP Banks have issued EUR 57.3 (55.1) million in POP Shares. POP Shares are investments in the co-operative bank's equity in accordance with the Co-operatives Act.

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, Bonum Bank Plc, which is the central credit institution of the amalgamation and POP Mortgage Bank Plc, which is a mortgage bank. At the end of the review period, the POP Bank Group had 255,300 bank customers (256,300 at the beginning of the review period), of whom 85.1 (85.3) per cent were private customers, 9.1 (8.9) per cent were corporate customers and 2.7 (2.7) per cent were customers in agriculture and forestry. The POP Banks had 74 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.

Housing prices have continued to increase in the growth centres of Finland for a long time, but this trend slowed during the first half of the year. In addition, the supply of rental apartments also exceeded demand in many places. The downturn in the housing market was reflected in the growth of the POP Banks' housing loan portfolio, which slowed to 1.5 (4.5) per cent in the review period. The POP Bank Group's strategic focus on corporate customer relationships was reflected in the development of corporate funding. The corporate loan portfolio grew by 7.3 (11.5) per cent during the first half of the year.

The POP Banks actively organise POP Economic Briefings (expert meetings on the economic situation) and measure the results. The NPS (Net Promoter Score) for these meetings in the review period was 75 – an excellent result, as even scores of 30 to 60 indicate a high level of customer satisfaction. Despite the challenging investment market, the POP Banks' customers continued to implement their long-term savings plans, and net subscriptions to POP funds totalled EUR 14.6 million during the first six months of the year. POP Tarmo, a fund option for long-term saving, was added to the selection of the POP Banks' funds.

The POP Bank Group has continued to expand its banking and service channels, and has provided its customers with Google Pay for mobile payments since February 2022. The Group also added a new chat channel for customer service to its mobile banking application, and introduced an electronic signature service to support its service provision in April.

BANKING EARNINGS

Earnings from banking operations significantly decreased year-on-year due to the non-recurring compensation recognised under the comparison period and investment valuation losses recognised under the review period. The profit before taxes was EUR 3.8 (45.0) million. The termination of the core banking system project in 2021 had a positive impact of EUR 25.7 million on the result for the comparison period. The cost-to-income ratio of banking operations was 90.4 (54.1) per cent.

The essential income items in banking operations, net interest income and net commission income, increased during the review period. Net interest income of banking operations strengthened by 8.0 per cent from the comparison period, amounting to EUR 40.3 (37.3) million. Net commission income increased by 13.4 per cent to EUR 21.0 (18.5) million. The increase in net interest income resulted from the rise in interest rate level and lower cost of deposit funding compared to the comparison period. The positive development in net commission income was mainly due to changes in the pricing of banking services.

Net investment income in banking operations was EUR -3.9 (7.9) million. Valuation losses were due to challenging market conditions and the effect of rising interests on the value of fixed income investments. Other operating income totalled EUR 6.5 (37.3) million. Total operating income decreased from comparison period by EUR 37.2 million to EUR 63.9 (101.1) million. The income for comparison period includes EUR 31.7 million of non-recurring items.

Operating expenses from banking operations decreased slightly to EUR 58.0 (58.5) million. The expenses for comparison period were increased by EUR 6.0 million as a result of non-recurring cost items, which taken into account the increase in expenses was 10.7 per cent. Personnel expenses in banking operations amounted to EUR 18.2 (16.8) million, while other operating expenses were EUR 37.8 (33.3) million. Depreciation and impairment was EUR 2.0 (7.8) million.

Under the review period, an impairment loss of EUR 2.1 million was recognised on financial assets, while under the comparison period, EUR 2.3 million was recognised as income in impairment losses due to changes in regulation. The amount of expected credit losses related to loan receivables and off-balance sheet credit commitments increased by EUR 2.2 (-4.0) million in the review period, ending at EUR 39.4 (37.2) million. Expected credit losses related to debt securities decreased by EUR 0.2 (1.0) million, totalling EUR 1.2 (1.4) million during the review period. Final credit losses for the first half of the year totalled EUR 0.1 (2.7) million.

THE BANKING SEGMENT'S ASSETS AND LIABILITIES

The banking segment's assets increased by 4.8 per cent during the first half of the year, amounting to EUR 5,635.5 million at the end of the review period (EUR 5,375.1 million at the beginning of the review period). The banking segment's loan portfolio increased by 3.0 per cent under the review period, amounting to EUR 4,372.9 (4,245.7) million. Loans granted to private customers represented 64.8 (65.4) per cent of the loan portfolio. The proportion of companies increased from 20.4 to 21.4 per cent, while the proportion of agricultural business owners decreased from 14.2 to 13.8 per cent. Deposits increased by 2.6 per cent and stood at EUR 4,337.2 (4,227.8) 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. Insurance operations are a key part of the POP Bank Group's digital business operations.

During the review period, the number of Finnish P&C Insurance customers rose from 171,600 at the beginning of the review period to 178,700 at its end. 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. During the first half year, the company further developed its online service and pricing capabilities, among others.

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.

For insurance operations, the beginning of the year was a challenging period in many ways. Following the lifting of restrictions related to the COVID-19 pandemic, driving and other forms of travel began to normalise, resulting in an increase in number of claims. The war in Ukraine caused volatility in the investment markets, while inflation, together with spare parts shortages led to increases in average compensations. Difficulties in the delivery of vehicles also led toa decrease in sales of motor insurance policies.

INSURANCE EARNINGS

The profit before taxes for the review period was EUR -1.5 (3.8) million. Profit was weakened particularly by decreasing fair value of investments, but also by challenging development of claims and changes in calculation principals, which resulted to net increase of EUR 0.7 million in insurance contract liabilities. Insurance operations' loss ratio weakened by 9.2 percentage points to 76.0 (66.8) per cent. Operating expenses ratio decreased by 2.2 percentage points to 22.9 (20.7) per cent.[1]

Net insurance income amounted to EUR 5.5 (7.4) million with a decrease of 25.7 per cent on the previous year. Premiums written (gross) increased by 3.9 per cent on the comparison period, to EUR 26.4 (25.4) million, and the claims incurred totalled EUR 17.4 (14.9), representing an increase of 16.8 per cent year-on-year. Net investment income from insurance operations turned negative, amounting to EUR -1.7 (1.2) million. Operating expenses increased by 9.8 per cent and totalled EUR 5.7 (5.2) million.

THE INSURANCE SEGMENT'S ASSETS AND LIABILITIES

The assets of the insurance segment decreased slightly to EUR 94.8 million (EUR 97.2 million at the beginning of the review period). Insurance liabilities stood at EUR 56.3 (52.7) million at the end of the period. The liabilities of non-life insurance operations totalled EUR 62.4 (60.8) million.

[1] The operating expense ratio and the consolidated cost ratio have been calculated on the basis of Finnish P&C Insurance Ltd.'s financial statement information (FAS).

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 2021. 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. The uncertainty related to the development of the economy and the rapidly rising inflation have so far not had a significant effect to customers' ability to pay. However, development of especially agricultural customers' situation is monitored closely due to the pressure of rising costs related to the industry. The weakened economical outlook was noted in the calculation of expected credit losses (ECL) by updating short term macroeconomic forecast. The change in calculation parameters increased the reserves for assets classified in ECL-stages 1 and 2, but it didn't have a significant effect on the total amount of the ECL reserve. The number of customers that applied for instalment-free periods has remained at a normal level during the financial period, and the key indicators related to overdue receivables also 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 continued to increase. The industry and customer risks of the amalgamation of POP Banks are diversified.

The credit portfolio increased by 3.0 per cent from the end of the year, amounting to EUR 4,372.9 (4,245.7) 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 increased by 5.9 per cent to EUR 39.4 (37.2) million. The reserve includes an additional EUR 3,0 (3.0) million management reserve for possible increase of doubtful receivables, especially in agriculture and forestry industry. The amount of receivables in ECL-stage 1, of which the credit risk has not increased significantly since the initial recognition, was 91.9 (92.0) per cent of the loan portfolio. The amount of receivables in ECL-stage 2, with a significant increase in credit risk, was 5,7 (5.7) per cent of the loan portfolio. The amount of defaulted receivables in ECL-stage 3 was 2.4 (2.3) per cent of the loan portfolio. Coverage ratio at ECL-stage 3 receivables was 27.6 (28.1) per cent. Group's lending is mainly secured, which mitigates the impairment risk of receivables.

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 163.5 (141.3) per cent on 30 June 2022. At the end of June, the amalgamation of POP Banks had EUR 581.3 (457.9) million in LCR-eligible liquid assets before haircuts, of which 66.9 (61.0) per cent consisted of cash and receivables from the central bank, 28.0 per cent (32.2) consisted of liquid Level 1 securities. In addition, outside the amalgamation's LCR portfolio unencumbered securities eligible for central bank funding totalled to EUR 66.3 (28.0) million.

The POP Bank Group's funding position remained stable throughout the review period. The proportion of deposits of the credit portfolio remained high, with the total amount of deposits increasing by 2.6 per cent during the reporting period. With respect to the bond programme of the central credit institution, Bonum Bank Plc, EUR 255.0 (255.0) million was outstanding, with respectively to the certificate of deposit programme of EUR 180.5 (30.0) million. In addition, Bonum Bank Plc has a loan programme of EUR 25.5 million with the Nordic Investment Bank (NIB). At the end of the reporting period, Bonum Bank had TLTRO III financing totalling EUR 128.4 (128.4) million.

The requirement for net stable funding, NSFR, became binding in 2021 (28 June 2021) as part of CRRII 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 30 June 2022 was 131.3 (130.0) 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 increase in interest rates has clear impact to amalgamation's net interest income risk and amalgamation has started evaluation of needed transaction to hedge part of the exposure. Due amalgamation balance sheet structure, rising interest rates has positive impact to net interest rate income.

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 minimised 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. POP Bank Group has 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 a crisis resolution plan for the amalgamation of POP Banks on 26 March 2019, as well as 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 leverage ratio exposure. The new requirement came into effect on January 1, 2022. The POP Bank Group's requirement will be covered by own funds and unsecured senior bonds.

On 6 April 2022, the MREL requirement of the amalgamation of POP Banks was updated. The new requirement is 19.71 per cent of the total amount of risk or 7.83 per cent of the total amount of exposures used in the calculation of the leverage ratio exposure. The new requirement will come into effect on January 1, 2024.

CAPITAL ADEQUACY MANAGEMENT

The capital adequacy of the amalgamation of POP Banks was at a good level. The amalgamation's capital adequacy ratio was 19.6 per cent (19.2 on 31 December 2021), and its CET1 capital ratio was 19.6 per cent (19.2). 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 555.8 (529.7) 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

FIN-FSA maintained additional Pillar 2 capital requirement on its SREP evaluation made in February 2022. 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 amalgamation's Leverage Ratio, LR, on June 30, 2022 was 9.7 (9.7) per cent being clearly above minimum requirement of 3.0 per cent.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Own funds		
Common Equity Tier 1 capital before deductions	564,639	541,450
Deductions from Common Equity Tier 1 capital	-8,815	-11,717
Total Common Equity Tier 1 capital (CET1)	**555,823**	**529,733**
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**555,823**	**529,733**
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**-**
Total capital (TC = T1 + T2)	**555,823**	**529,733**
Total risk weighted assets	**2,837,645**	**2,766,096**
of which credit risk	2,597,524	2,521,248
of which credit valutaion adjustment risk (CVA)	-	-
of which market risk (foreign exchange risk)	15,475	20,202
of which operational risk	224,646	224,646

(EUR 1,000)	30 Jun 2022	31 Dec 2021
CET1 Capital ratio (CET1-%)	**19.6 %**	**19.2 %**
T1 Capital ratio (T1-%)	**19.6 %**	**19.2 %**
Total capital ratio (TC-%)	**19.6 %**	**19.2 %**
Capital Requirement		
Total capital	555,823	529,733
Capital requirement *	333,672	325,162
Capital buffer	222,151	204,570
Leverage ratio		
Tier 1 capital (T1)	555,823	529,733
Leverage ratio exposure	5,721,979	5,445,616
Leverage ratio, %	9.7 %	9.7 %

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

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. with key themes of 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 speakers to Global Money Week, an event promoting the financial awareness of young people, and coordinated in Finland by the Finnish Foundation for Share Promotion on behalf of the OECD. The Group is also involved in the "In Your Own Hands" (Omissa Käsissä) guardianship campaign, launched by Finland's Digital and Population Data Services Agency in May. The POP Bank Group is organising events and webinars on the topic. During the summer, the Group also participated in an Instagram campaign run by Finance Finland in which summer employees presented their employers. The local POP Banks have also continued their extensive cooperation with educational institutions and have helped various sports and cultural organisations to promote the well-being of children and young people in particular. The POP Banks have been involved in the Responsible Employer campaign for the third consecutive year.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

The war in Ukraine has caused significant economic uncertainty, both internationally and in Finland. High inflation, driven by energy prices, coupled with decreased exports and logistical and production chain problems, are negatively impacting the economic outlook and increasing the risk of recession. Although inflation is expected to slow down in the second half-year, price increases are predicted to continue at a more rapid rate than usual. High inflation is also being reflected in interest rates, and the European Central Bank is expected to continue the interest rate hikes that started in July, in order to curb inflation in the autumn. However, weakening of the eurozone economic outlook may cause problems through key interest rate hikes. Higher interest rates will increase banks' interest income, but will negatively impact the valuation of many assets. The predicted increase in interest rates is not yet expected to affect substantially the pricing of deposits and interest costs.

POP Bank Group's result is expected to amount smaller than result for 2021, since there are no significant non-recurring income expected for the financial year 2022. The most significant uncertainties related to earnings arise from the valuation and impairment of financial assets.

EVENTS AFTER THE REVIEW PERIOD

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 2022 (IFRS)

POP BANK GROUP'S INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Interest income		43,282	40,738
Interest expenses		-2,600	-3,091
Net interest income	**4**	**40,681**	**37,647**
Net commissions and fees	5	20,829	18,298
Net investment income	6	-5,980	8,911
Insurance income	7	5,483	7,384
Other operating income		6,613	36,969
Total operating income		**67,626**	**109,209**
Personnel expenses		-26,011	-24,568
Other operating expenses		-31,852	-27,908
Depreciation and amortisation		-3,995	-9,789
Total operating expenses		**-61,859**	**-62,264**
Impairment losses on financial assets	10	-2,135	2,282
Associate´s share of profits		21	3
Profit before tax		**3,653**	**49,231**
Income tax expense		-1,031	-8,434
Profit for the period		**2,622**	**40,797**
Attributable to			
Equity owners of the POP Bank Group		2,622	40,794
Non-controlling interests		0	2
Total		**2,622**	**40,797**

POP Bank Group has changed the accounting policies in 2021, and therefore comparison period has been restated. The changes are presented in Note 2.

POP BANK GROUP'S STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Profit for the period	**2,622**	**40,797**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net changes in fair value		
Equity instruments at FVOCI	-1,017	218
Capital gains and losses		
Equity instruments at FVOCI	1,396	-
Items that may be reclassified to profit or loss		
Movement in fair value reserve		
Liability instruments at FVOCI	-10,495	47
Other comprehensive income for the period	**-7,493**	**41,061**
Attributable to		
Owners of the POP Bank Group	-7,494	41,059
Non-controlling interests	0	2
Total other comprehensive income for the period	**-7,493**	**41,061**

POP BANK GROUP'S BALANCE SHEET

(EUR 1,000)	Note	30 Jun 2022	31 Dec 2021
Assets			
Liquid assets		389,052	279,882
Loans and advances from credit institutions	8, 9	69,812	73,897
Loans and advances from customers	8, 9	4,371,217	4,243,829
Investment assets	8, 9	689,856	681,552
Investments in associates		235	214
Intangible assets		8,727	9,298
Property, plant and equipment		26,729	29,611
Other assets		48,145	34,014
Tax assets		9,222	5,401
Total assets		**5,612,995**	**5,357,697**

(EUR 1,000)	Note	30 Jun 2022	31 Dec 2021
Liabilities			
Liabilities to credit institutions	8, 9	165,821	166,484
Liabilities to customers	8, 9	4,330,886	4,222,364
Non-life insurance liabilities	12	56,263	52,692
Debt securities issued to the public	13	435,264	284,920
Other liabilities		54,331	50,060
Tax liabilities		26,886	28,367
Total liabilities		**5,069,451**	**4,804,888**
Equity capital			
Cooperative capital			
Cooperative contributions		10,570	10,163
POP Shares		57,264	56,893
Total cooperative capital		**67,834**	**67,056**
Reserves		154,851	163,877
Retained earnings		320,859	321,437
Total equity attributable to the owners of the POP Bank Group		**543,544**	**552,370**
Non-controlling interests		-	439
Total equity capital		**543,544**	**552,809**
Total liabilities and equity capital		**5,612,995**	**5,357,697**

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 2022	**67,057**	**4,038**	**159,839**	**321,437**	**552.370**	**439**	**552,809**
Comprehensive income for the period							
Profit for the financial period	-	-	-	2,622	**2,622**	0	**2,622**
Other comprehensive income	-	-10,115	-	-	**-10,115**	-	**-10,115**
Total comprehensive income	**-**	**-10,115**	**-**	**2,622**	**-7,494**	**0**	**-7,493**
Transactions with shareholders							
Change in cooperative capital	246	-	-	-	**246**	-	**246**
Profit distribution	-	-	-	-1,599	**-1,599**	-	**-1,599**
Transfer of reserves	532	-	2,486	-3,017	**-**	**-**	**-**
Transactions with shareholders total	**778**	**-**	**2,486**	**-4,616**	**-1,353**	**-**	**-1,353**
Disposals, shares and participations, measured at fair value through other comprehensive income	-	-1,396	-	1,396	**-**	-	**-**
Other changes	-	-	-	20	**20**	-439	**-419**
Balance at 30 Jun 2022	**67,834**	**-7,474**	**162,325**	**320,859**	**543,544**	**-**	**543,544**

(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**	**284,271**	**516,798**	**444**	**517,242**
Comprehensive income for the period							
Profit for the financial period	-	-	-	40,797	**40,797**	2	**40,799**
Other comprehensive income	-	265	-	-	**265**	-	**265**
Total comprehensive income	**-**	**265**	**-**	**40,797**	**41,061**	**2**	**41,063**
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**	**325,476**	**555,583**	**447**	**556,030**

POP Bank Group has changed the accounting policies in 2021, and therefore comparison period has been restated. The changes are presented in Note 2.

POP BANK GROUP'S CASH FLOW STATEMENT

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Cash flow from operations		
Profit for the year	2,622	40,797
Adjustments to profit for the year	10,710	18,865
Increase (-) or decrease (+) in operating assets	**-169,949**	**-172,952**
Receivables from credit institutions	-2,437	1,883
Receivables from customers	-129,487	-198,529
Investment assets	-23,957	31,838
Other assets	-14,068	-8,144
Increase (+) or decrease (-) in operating liabilities	**109,501**	**160,632**
Liabilities to credit institutions	-417	74,686
Liabilities to customers	108,422	93,437
Other liablilities	4,951	-5,032
Income tax paid	-3,455	-2,460
Total cash flow from operations	**-47,115**	**47,341**
Cash flow from investing activities		
Changes in other investments	3,495	-
Purchase of PPE and intangible assets	-3,456	-2,407
Proceeds from sale of PPE and intangible assets	1,392	900
Total cash flow from investing activities	**1,430**	**-1,507**
Cash flow from financing activities		
Change in cooperative capital, net	778	-1,162
Interests paid on cooperative capital and other profit distribution	-2,131	-1,051
Debt securities issued to the public, increase	298,242	-
Debt securities issued to the public, decreace	-147,979	-39,448
Lease liabilities, decrease	-576	-1,058
Net cash used in financing activities	**148,334**	**-42,719**

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	314,365	415,120
Cash and cash equivalents at the end of the period	417,014	418,234
Total cash flow from cash and cash equivalents	**102,649**	**3,115**

ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT

Interest received	41,645	39,213
Interest paid	1,695	2,402
Dividends received	3,657	3,460
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	2,135	-2,282
Depreciations	4,362	10,336
Technical provision	3,572	3,187
Other	641	7,625
Adjustments to profit for the financial year	**10,710**	**18,865**
Cash and cash equivalents		
Liquid assets	389,052	385,912
Receivables from credit institutions payable on demand	27,961	32,322
Total	**417,014**	**418,234**

POP Bank Group has changed the accounting policies in 2021, and therefore comparison period has been restated. The changes are presented in Note 2.

NOTES

NOTE 1 THE POP BANK GROUP

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, as well as non-life insurance services to retail customers.

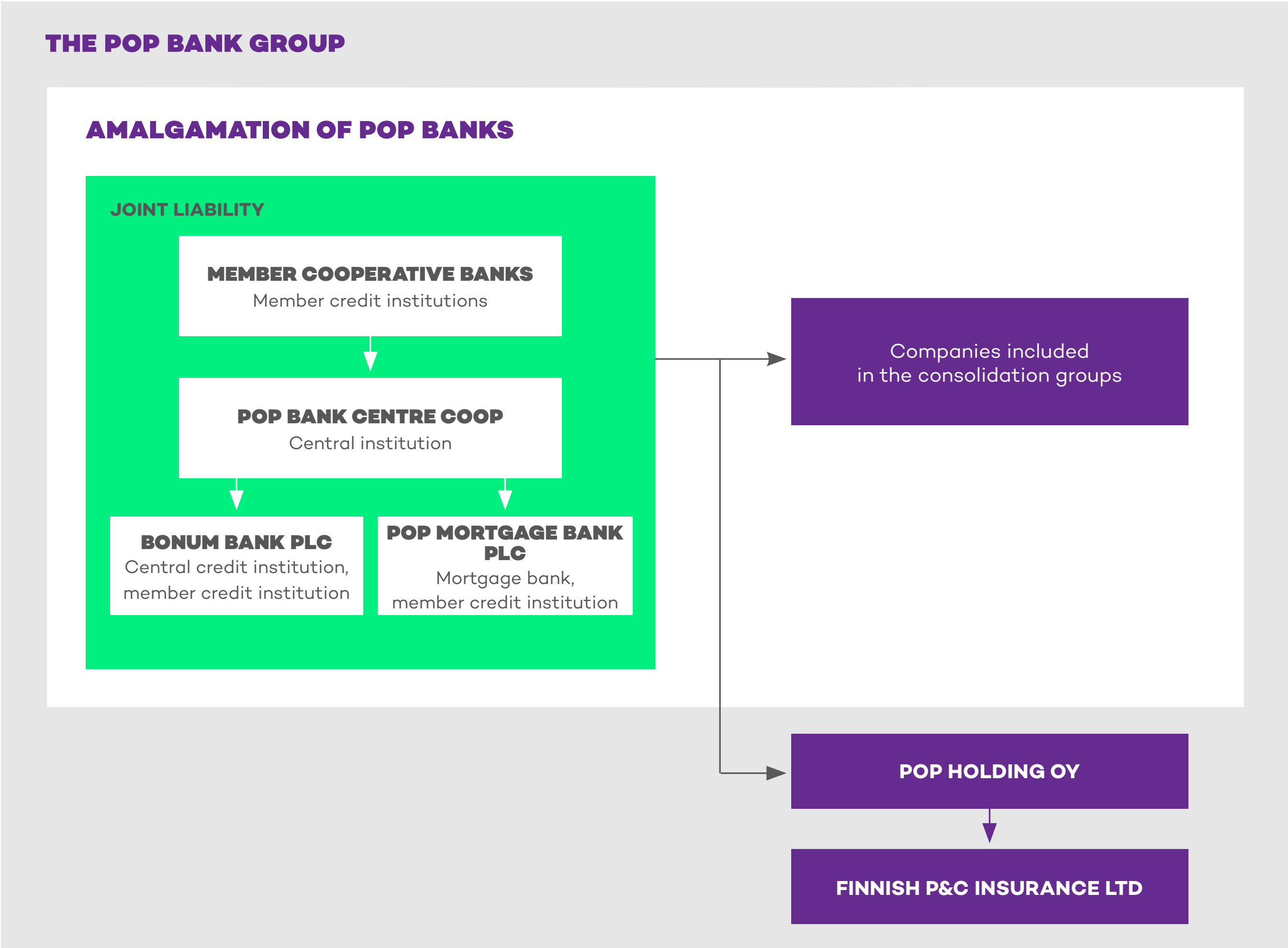
The member credit institutions of POP Bank Centre coop are the 19 cooperative banks and the central credit institution of the member cooperative banks, Bonum Bank Plc and mortgage bank POP Mortgage Bank Plc. The amalgamation of POP Banks is an economic entity referred to in the Act on the Amalgamation 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. Companies that belong in consolidation groups are mainly 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 2021.

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

POP BANK GROUP STRUCTURE



One merger was completed within the POP Bank Group during the review period. At the end of May 2022, Liedon Osuuspankki and Piikkiön Osuuspankki merged with Suupohjan Osuuspankki, and the name of the bank was changed to Suomen Osuuspankki. After the merger, the POP Bank Group consists of 19 cooperative banks. The merger was an intra-Group arrangement and had no impact on the POP Bank Group's consolidated financial information.

In March POP Bank Group divested one of the real estate companies previously consolidated to the Group.

POP Mortgage Bank Plc has been accepted as a member credit institution of the amalgamation of POP Banks in May.

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 2022 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 2021.

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

No new IFRS standards were adopted during the review period in POP Bank Group's financial statements.

Treatment of costs related to cloud service agreements

During the 2021 financial year, the agenda decision of the IFRS Interpretations Committee in April 2021 on the accounting treatment of configuration and customization costs (Configuration or Customization Costs in a Cloud Computing Arrangement) for supplier's application software in a Software as a Service (SaaS) was adopted. The change in accounting principles is described in detail in Note 2 of POP Bank Group's IFRS Financial Statements 31 December 2021.

The effects of the change in accounting policy on the financial statements line items for the comparison period (1 Jan – 30 Jun 2021) are presented in the table below.

INCOME STATEMENT

(EUR 1,000)	1 Jan - 30 Jun 2021	Change in accounting policy	Restated 1 Jan - 30 Jun 2021
Other operating income	-27,503	-405	-27,908
Depreciation and amortisation	-10,389	601	-9,789
Income tax expense	-8,396	-38	-8,434
Profit for the financial year	40,639	158	40,797

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 uncertainty to the development of economy caused by changes in geopolitical situation and continuing COVID-19 pandemic, the fair values and impairments of financial assets are subject to greater uncertainty than usual.

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.

Based on management's judgement, an additional impairment loss provision (ECL) on loans to customers was recognised during the financial year 2021 based on estimated effects of prolonged Covid-19 pandemic to credit risk. The provision was re-assessed under the review period. The total amount of provision remained the same. The provision was revised on basis of the effects of prolonged Covid-19 pandemic and increased respectively based on the possible negative effects on cost-inflation on credit risk in agricultural industry.

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 profitability 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.

Scope of the standard

In POP Bank Group, the standard will be applied to all issued direct insurance contracts as well as reinsurance contracts held. The Group has neither insurance contracts containing investment components or embedded derivatives, nor insurance contracts containing distinct components for services other than insurance services.

Insurance Contracts are issued by Finnish P&C Insurance Ltd, which is consolidated in the POP Bank Group's IFRS financial statements. Finnish P&C Insurance Ltd is a subsidiary of POP Holding Ltd. POP Holding Ltd is owned by POP Bank Centre coop and 19 POP Bank Group's member cooperative banks.

Insurance contracts

The portfolios of direct insurance contracts consist of contracts, which are subject to similar risks and managed together. Coverage periods have mostly a length of one year. A portfolio of insurance contracts is divided into groups based on the issue date and expected profitability.

POP Bank Group estimates the profitability of insurance contracts on initial recognition using the general measurement model (GMM). The measurement is based on future cashflow estimates, which have been adjusted by the time value of money and the risk adjustment for non-financial risk. Cashflow estimates contain premiums adjusted by expected credit loss, expected claim costs developed to the ultimate level as well as insurance service expenses.

Recognition

Insurance contracts are added to the calendar year's cohort, in which the contract is issued.

POP Bank Group has made the preliminary accounting policy choice, to recognise acquisition cashflows as expenses when it incurs those costs, as POP Bank Group applies the premium allocation approach to all insurance contracts and the coverage period of each contract in the group is no more than a year. The contract boundary of each contract is the end of insurance coverage period.

The carrying amount of a group of insurance contracts at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

POP Bank Group has a made the preliminary accounting policy choice to include insurance finance income and expenses for the period in the profit or loss, but still considers the alternative, to disaggregate insurance finance income and expenses between profit or loss and other comprehensive income.

Measurement

Measurement of liability for remaining coverage
For the measurement of the liability for remaining coverage, POP Bank Group applies the simplified measurement provided by the IFRS 17 standard, the premium allocation approach (PAA), to all its insurance contracts, as coverage periods are one year or less.

Measurement of liability for incurred claims
The liability for incurred claims (LIC) is measured by applying the general measurement model (GMM).

At transition to apply the IFRS 17 standard starting from 1.1.2023, POP Bank Group will apply a fully retrospective approach and will adjust the comparative figures of the previous accounting period.

The application of the standard is estimated to have a slightly positive effect on the POP Bank Group's equity 1 January 2022 due to the differences in measurement of balance sheet items. The most material changes are regarding the measurement of insurance contracts and the presentation of profit and loss. In future personnel costs and other operating expenses as well as deprecations related to insurance business will be presented as part of insurance service expenses according to IFRS 17 standard. All preliminary accounting policy choices can be refined before the new standard comes into force.

The application of IFRS 17 standard does not have an effect on the capital adequacy of the amalgamation of POP Banks, as the insurance company is neither in scope of joint liability nor part of the amalgamation.

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 credit institutions of POP Bank Group: member cooperative banks, Bonum Bank Plc and POP Mortgage Bank Plc. Cooperative banks engage in retail banking and Bonum Bank Plc acts as their central credit institution. POP Mortgage Bank Plc is a mortgage bank, which is responsible for Group's funding alongside Bonum Bank Plc. 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 2022

INCOME STATEMENT 1 JANUARY – 30 JUN 2022

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Net interest income	40,320	363	**40,682**	-1	**40,681**
Net commissions and fees	21,024	-194	**20,830**	0	**20,829**
Net investment income	-3,933	-1,735	**-5,668**	-312	**-5,980**
Insurance income	-	5,483	**5,483**	-	**5,483**
Other operating income	6,519	272	**6,791**	-178	**6,613**
Total operating income*	**63,930**	**4,188**	**68,118**	**-492**	**67,626**
Personnel expenses	-18,155	-3,922	**-22,077**	-3,934	**-26,011**
Other operating expenses	-37,779	-614	**-38,392**	6,540	**-31,852**
Depreciation and amortisation	-2,034	-1,133	**-3,167**	-828	**-3,995**
Total operating expenses	**-57,968**	**-5,669**	**-63,636**	**1,778**	**-61,859**
Impairment losses on financial assets	-2,126	-9	**-2,135**	-	**-2,135**
Associate´s share of profits	-	-	**-**	21	**21**
Profit before tax	**3,836**	**-1,489**	**2,346**	**1,307**	**3,653**
Income tax expense	-898	-	**-898**	-133	**-1,031**
Profit for the period	**2,937**	**-1,489**	**1,448**	**1,174**	**2,622**
*External share of total operating income	63,930	4,188	**68,118**		
*Internal share of total operating income	1,207	-	**1,207**		

BALANCE SHEET 30 JUN 2022

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	389,052	-	**389,052**	-	**389,052**
Loans and advances from credit institutions	67,382	6,349	**73,732**	-3,920	**69,812**
Loans and advances from customers	4,372,899	-	**4,372,899**	-1,682	**4,371,217**
Investment assets	735,391	68,628	**804,019**	-114,163	**689,856**
Investments in associates	-	-	**-**	235	**235**
Intangible assets	3,391	3,786	**7,177**	1,550	**8,727**
Property, plant and equipment	27,905	345	**28,251**	-1,522	**26,729**
Other assets	33,435	14,304	**47,739**	405	**48,145**
Tax assets	6,092	1,402	**7,494**	1,729	**9,222**
Total assets	**5,635,549**	**94,814**	**5,730,363**	**-117,369**	**5,612,995**
Liabilities					
Liabilities to credit institutions	165,638	-	**165,638**	183	**165,821**
Liabilities to customers	4,337,179	-	**4,337,179**	-6,293	**4,330,886**
Non-life insurance liabilities	-	56,263	**56,263**	-	**56,263**
Debt securities issued to the public	435,264	-	**435,264**	-	**435,264**
Other liabilities	47,189	5,171	**52,360**	1,971	**54,331**
Tax liabilities	25,591	924	**26,515**	371	**26,886**
Total liabilities	**5,010,861**	**62,358**	**5,073,219**	**-3,769**	**5,069,451**

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	-33,728	-216	**-33,944**	6,036	**-27,908**
Depreciation and amortisation	-7,760	-1,041	**-8,801**	-988	**-9,789**
Total operating expenses	**-58,332**	**-5,163**	**-63,495**	**1,231**	**-62,264**
Impairment losses on financial assets	2,286	-3	**2,282**	-	**2,282**
Associate´s share of profits	-	-	**-**	3	**3**
Profit before tax	**45,040**	**3,787**	**48,827**	**404**	**49,231**
Income tax expense	-8,351	-	**-8,351**	-84	**-8,434**
Profit for the period	**36,689**	**3,787**	**40,476**	**321**	**40,797**

*External share of total operating income	101,086	8,953	**110,039**		
*Internal share of total operating income	554	-	**554**		

POP Bank Group has changed the accounting policies in 2021, and therefore comparison period has been restated. The changes are presented in Note 2.

BALANCE SHEET 31 DEC 2021

(EUR 1,000)	Banking	Insurance	Segments total	Unallocated items and eliminations	Group total
Assets					
Liquid assets	279,882	-	**279,882**	-	**279,882**
Loans and advances from credit institutions	67,993	8,243	**76,237**	-2,340	**73,897**
Loans and advances from customers	4,245,716	-	**4,245,716**	-1,887	**4,243,829**
Investment assets	725,603	71,656	**797,259**	-115,707	**681,552**
Investments in associates	-	-	**-**	214	**214**
Intangible assets	2,529	4,098	**6,627**	2,671	**9,298**
Property, plant and equipment	28,520	480	**29,000**	611	**29,611**
Other assets	21,478	12,378	**33,856**	157	**34,014**
Tax assets	3,389	374	**3,763**	1,638	**5,401**
Total assets	**5,375,111**	**97,229**	**5,472,340**	**-114,643**	**5,357,697**
Liabilities					
Liabilities to credit institutions	184,002	-	**184,002**	-17,518	**166,484**
Liabilities to customers	4,227,799	-	**4,227,799**	-5,435	**4,222,364**
Non-life insurance liabilities	-	52,692	**52,692**	-	**52,692**
Debt securities issued to the public	284,920	-	**284,920**	-	**284,920**
Other liabilities	38,592	7,637	**46,228**	3,831	**50,060**
Tax liabilities	27,542	509	**28,050**	317	**28,367**
Total liabilities	**4,762,855**	**60,838**	**4,823,693**	**-18,805**	**4,804,888**

NOTE 4 NET INTEREST INCOME

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Interest Income		
Loans and receivables to credit institutions	0	0
Loans and receivables to customers	40,588	37,698
Debt securities		
At amortised cost	275	406
At fair value through profit or loss	97	116
At fair value through other comprehensive income	1,536	1,522
Other interest income	786	995
Total interest income	**43,282**	**40,738**
Of which negative interest expense	330	659
Interest expense		
Liabilities to credit institutions	-507	-361
Liabilities to customers	-779	-1,786
Debt securities issued to the public	-837	-644
Other interest expenses	-477	-301
Total interest expenses	**-2,600**	**-3,091**
Of which negative interest income	-714	-588
Net interest income	**40,681**	**37,647**
Interest income from financial assets impaired due to credit risk (stage 3)	2,670	1,015

NOTE 5 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Fee and commission income		
Lending	4,155	4,323
Deposits	122	93
Payment transfers	12,756	10,102
Legal services	1,195	1,092
Intermediated services	2,090	2,030
Issuing guarantees	288	258
Funds	1,804	1,610
Other	519	699
Total fee and commission income	**22,929**	**20,207**
Fee and commission expenses		
Payment transfers	-1,824	-1,643
Other	-276	-266
Total fee and commission expenses	-2,100	-1,909
Net commissions and fees	**20,829**	**18,298**

Commissions and fees are mainly accrued from the banking segment.

NOTE 6 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
At fair value through profit or loss		
Debt securities		
Capital gains and losses	-153	-68
Fair value gains and losses	-558	152
Shares and participations		
Dividend income	3,594	3,098
Capital gains and losses	-241	112
Fair value gains and losses	-8,358	5,392
Total	**-5,716**	**8,686**
At fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-35	-51
Transferred from fair value reserve to the income statement	-525	-112
Shares and participations		
Dividend income	63	4
Total	**-498**	**-159**
Net income from foreign exchange trading	**101**	**168**
Net income from investment property		
Rental income	1,254	1,389
Capital gains and losses	164	281
Other income from investment property	91	132
Maintenance charges and expenses	-1,007	-1,034
Depreciations and amortisation of investment property	-367	-547
Other expenses from investment property	-3	-5
Total net income from investment property	**132**	**216**
Net investment income total	**-5,980**	**8,911**

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 2022	1 Jan - 30 Jun 2021
Insurance premium revenue		
Premiums written	26,357	25,363
Change in the provision for unearned premiums	-2,625	-2,139
Gross insurance premium revenue	**23,732**	**23,224**
Ceded to reinsurers	-897	-980
Total insurance premium revenue	**22,835**	**22,244**
Claims incurred		
Claims paid	-15,516	-13,071
Change in provision for unpaid claims	-3,365	-3,091
Total claims incurred, gross	**-18,881**	**-16,163**
Ceded to reinsurers	1,529	1,302
Total claims incurred	**-17,352**	**-14,860**
Net insurance income	**5,483**	**7,384**

NOTE 8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS 30 JUN 2022

(EUR 1,000)	At amortised cost	At fair value through profit or loss	At fair value through other comprehensive income	Expected credit loss	Total carrying amount
Liquid assets	389,052	-	-	-	**389,052**
Loans and advances from credit institutions	69,813	-	-	-1	**69,812**
Loans and advances from customers	4,409,725	-	-	-38,508	**4,371,217**
Debt securities*	105,000	6,231	386,041	-38	**497,234**
Shares and participations	-	165,625	1,843	-	**167,468**
Financial assets total	**4,973,590**	**171,857**	**387,883**	**-38,546**	**5,494,784**
Other assets					**118,211**
Total assets					**5,612,995**

*Expected credit loss of EUR 1,206 thousand from debt securities, measured at fair value through other comprehensive income, have been recorded in the fair value reserve.

FINANCIAL ASSETS 31 DEC 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	279,882	-	-	-	**279,882**
Loans and advances from credit institutions	73,897	-	-	-1	**73,897**
Loans and advances from customers	4,280,352	-	-	-36,523	**4,243,829**
Debt securities*	105,000	9,290	340,590	-38	**454,842**
Shares and participations	-	197,000	3,724	-	**200,724**
Financial assets total	**4,739,132**	**206,290**	**344,314**	**-36,561**	**5,253,174**
Other assets					**104,523**
Total assets					**5,357,697**

*Expected credit loss of EUR 1,385 thousand from debt securities, measured at fair value through other comprehensive income, have been recorded in the fair value reserve.

FINANCIAL LIABILITIES 30 JUN 2022

(EUR 1,000)	At amortised cost	Total carrying amount
Liabilities to credit institutions	165,821	**165,821**
Liabilities to customers	4,330,886	**4,330,886**
Debt securities issued to the public	435,264	**435,264**
Financial liabilities total	**4,931,971**	**4,931,971**
Other than financial liabilities		**137,480**
Total liabilities		**5,069,451**

FINANCIAL LIABILITIES 31 DEC 2021

(EUR 1,000)	At amortised cost	Total carrying amount
Liabilities to credit institutions	166,484	**166,484**
Liabilities to customers	4,222,364	**4,222,364**
Debt securities issued to the public	284,920	**284,920**
Financial liabilities total	**4,673,768**	**4,673,768**
Other than financial liabilities		**131,119**
Total liabilities		**4,804,888**

NOTE 9 FAIR VALUE MEASUREMENTS BY VALUATION TECHNIQUE

FINANCIAL ASSETS

	30 Jun 2022		31 Dec 2021	
(EUR 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
Liquid assets	389,052	389,052	279,882	279,882
Loans and receivables from credit institutions	69,812	69,835	73,897	74,080
Loans and receivables from customers	4,371,217	4,339,766	4,243,829	4,314,310
Debt securities	497,234	489,199	454,842	457,935
Shares and participations	167,468	167,468	200,724	200,724
Total	**5,494,784**	**5,455,322**	**5,253,174**	**5,326,932**

FINANCIAL LIABILITIES

	30 Jun 2022		31 Dec 2021	
(EUR 1,000)	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to credit institutions	165,821	164,764	166,484	165,926
Liabilities to customers	4,330,886	4,328,042	4,222,364	4,220,011
Debt securities issued to the public	435,264	443,551	284,920	289,850
Total	**4,931,971**	**4,936,357**	**4,673,768**	**4,675,788**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 30 JUN 2022

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Shares and participations	154,858	-	10,767	**165,625**
Debt securities	2,379	-	3,852	**6,231**
At fair value through other comprehensive income				
Shares and participations	-	-	1,843	**1,843**
Debt securities	277,890	107,823	328	**386,041**
Total	**435,127**	**107,823**	**16,790**	**559,740**

ITEMS RECURRENTLY MEASURED AT FAIR VALUE 31 DEC 2021

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
At fair value through profit or loss				
Shares and participations	187,498	-	9,502	**197,000**
Debt securities	3,024	-	6,266	**9,290**
At fair value through other comprehensive income				
Shares and participations	-	-	3,724	**3,724**
Debt securities	242,288	98,206	95	**340,590**
Total	**432,810**	**98,206**	**19,587**	**550,604**

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 statements of the POP Bank Group's on 31 December 2021 in Note 2 POP Bank Group's accounting policies.

FAIR VALUE HIERARCHIES

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

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

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

TRANSFERS BETWEEN FAIR VALUE HIERARCHIES

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

During the reporting period, no securities were transferred between the hierarchy levels. During the comparison period securities were transferred between hierarchy levels based on the 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 2022	**15,768**	**3,819**	**19,587**
+ Purchases	642	263	**904**
- Sales	-2,167	-2,404	**-4,572**
- Matured during the financial year	-25	-	**-25**
+/- Realised changes in value recognised in income statment	-146	379	**233**
+/- Unrealised changes in value recognised in the income statement	548	-	**548**
+/- Changes in value recognised in other comprehensive income	-	-1,282	**-1,282**
+/- Realised changes in value recognised in retained earnings	-	1,396	**1,396**
Carrying amount 30 Jun 2022	**14,619**	**2,171**	**16,790**

(EUR 1,000)	At fair value through profit or loss	At fair value through other comprehensive income	Total
Kirjanpitoarvo 1.1.2021	**16,264**	**3,370**	**19,633**
+ Purchases	2,266	169	**2,435**
- Sales	-258	-247	**-504**
- Matured during the financial year	-1,424	-376	**-1,800**
+/- Realised changes in value recognised in income statment	-182	26	**-156**
+/- Unrealised changes in value recognised in the income statement	-637	-	**-637**
+/- Changes in value recognised in other comprehensive income	-	205	**205**
+ Transfers from levels 1 and 2	-	672	**672**
- Transfers to levels 1 and 2	-261	-	**-261**
Carrying amount 31 Dec 2021	**15,768**	**3,819**	**19,587**

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AT LEVEL 3

30 JUN 2022

(EUR 1,000)	Carrying amount	Possible effect on equity capital	
		Positive	Negative
At fair value through profit or loss	14,619	1,654	-1,654
At fair value through other comprehensive income	2,171	280	-280
Total	**16,790**	**1,933**	**-1,933**

31 DEC 2021

(EUR 1,000)	Carrying amount	Possible effect on equity capital	
		Positive	Negative
At fair value through profit or loss	15,768	1,488	-1,488
At fair value through other comprehensive income	3,819	560	-560
Total	**19,587**	**2,048**	**-2,048**

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 RECOGNISED DURING THE REPORTING PERIOD

(EUR 1,000)	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Change of ECL due to write-offs	201	1,428
Change of ECL, receivables from customers and off-balance sheet items	-2,400	2,557
Change of ECL, debt securities	179	977
Final credit losses	-116	-2,680
Impairment losses on financial assets total	**-2,135**	**2,282**

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 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.

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**5,199**	**3,960**	**27,363**	**36,523**
Transfers to stage 1	126	-863	-1,358	**-2,095**
Transfers to stage 2	-309	1,356	-398	**649**
Transfers to stage 3	-81	-269	3,528	**3,178**
Increases due to origination	1,718	547	638	**2,902**
Decreases due to derecognition	-572	-408	-2,017	**-2,998**
Changes due to change in credit risk (net)	-726	11	1,264	**550**
Decreases due to write-offs	-	-	-201	**-201**
Total	**155**	**373**	**1,456**	**1,985**
ECL 30 Jun 2022	**5,355**	**4,334**	**28,820**	**38,509**

The largest change in expected credit losses on receivables from customers comes from transfers to stage 3 that totaled EUR 3,178 (6,997) thousand. Decreases due to derecognition were EUR 2,998 (6,606) thousand.

ECL for receivables from customers includes a management judgement based provision of EUR 3,000 thousand, which was recognised in 2021. The provision was made in order to prepare for the effects of possible prolonged Covid-19 pandemic. The provision was re-assessed under the review period. The total amount of provision remained the same. The provision was revised on basis of the effects of prolonged Covid-19 pandemic and increased respectively based on the possible negative effects on cost-inflation on credit risk in agricultural industry.

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**160**	**870**	**393**	**1,423**
Transfers to stage 1	0	-3	-	**-3**
Transfers to stage 2	-9	69	-	**61**
Increases due to origination	38	81	-	**120**
Decreases due to derecognition	-17	-69	-	**-86**
Changes due to change in credit risk (net)	-12	-259	-	**-271**
Total	**1**	**-180**	**-**	**-179**
ECL 30 Jun 2022	**160**	**690**	**393**	**1,244**

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**414**	**43**	**215**	**672**
Transfers to stage 1	2	-13	-17	**-28**
Transfers to stage 2	-14	36	-1	**21**
Transfers to stage 3	-1	0	43	**42**
Increases due to origination	252	51	29	**331**
Decreases due to derecognition	-27	-7	-4	**-37**
Changes due to change in credit risk (net)	-154	-6	44	**-117**
Total	**58**	**61**	**94**	**213**
ECL 30 Jun 2022	**472**	**104**	**309**	**885**

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2022	**5,772**	**4,874**	**27,971**	**38,617**
ECL 30 Jun 2022	**5,988**	**5,129**	**29,521**	**40,637**

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	162	-1,392	-2,888	**-4,119**
Transfers to stage 2	-264	1,513	-3,128	**-1,879**
Transfers to stage 3	-158	-357	7,512	**6,997**
Increases due to origination	2,509	954	1,541	**5,003**
Decreases due to derecognition	-1,138	-546	-4,921	**-6,606**
Changes due to change in credit risk (net)	-1,271	-250	7,647	**6,127**
Changes due to management estimates	-	500	2,500	**3,000**
Decreases due to write-offs	-	-	-4,303	**-4,303**
Total	**-161**	**421**	**3,959**	**4,219**
ECL 31 Dec 2021	**5,199**	**3,960**	**27,363**	**36,523**

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	5	-206	-	**-201**
Transfers to stage 2	-1	1,456	-1,680	**-225**
Increases due to origination	37	271	-	**308**
Decreases due to derecognition	-32	-305	-	**-337**
Changes due to change in credit risk (net)	147	0	-	**146**
Changes due to management estimates	-165	-1,284	-	**-1,449**
Total	**-9**	**-69**	**-1,680**	**-1,758**
ECL 31 Dec 2021	**160**	**870**	**393**	**1,423**

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	-104	-49	**-146**
Transfers to stage 2	-5	6	-3	**-1**
Transfers to stage 3	-2	-2	31	**28**
Increases due to origination	263	22	14	**300**
Decreases due to derecognition	-35	-11	-61	**-108**
Changes due to change in credit risk (net)	-145	-7	-37	**-189**
Total	**83**	**-95**	**-104**	**-117**
ECL 31 Dec 2021	**414**	**43**	**215**	**672**

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2021	**5,860**	**4,616**	**25,797**	**36,273**
ECL 31 Dec 2021	**5,772**	**4,874**	**27,971**	**38,617**

BALANCE SHEET ITEM BY STAGE 30 JUN 2022

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,692,915	125,102	40,866	**2,858,882**
Corporate	843,096	64,852	34,138	**942,086**
Agriculture	518,631	60,707	29,420	**608,757**
Receivables from customers total	**4,054,641**	**250,661**	**104,423**	**4,409,725**
ECL 30 Jun 2022	5,355	4,334	28,820	38,509
Coverage ratio %	0.13 %	1.73 %	27.60 %	0.87 %
Off-balance sheet commitments				
Private	221,357	4,755	482	**226,594**
Corporate	121,136	3,462	632	**125,229**
Agriculture	22,152	2,230	248	**24,630**
Off-balance sheet commitments total	**364,645**	**10,447**	**1,361**	**376,453**
ECL 30 Jun 2022	472	104	309	885
Coverage ratio %	0.13 %	1.00 %	22.67 %	0.24 %
Debt securities				
Banking segment	417,626	22,939	-	**440,565**
Insurance segment	36,129	16,082	-	**52,210**
Debt securities total	**453,755**	**39,021**	**-**	**492,776**
ECL 30 Jun 2022	160	690	393	1,244
Coverage ratio %	0.04 %	1.77 %	-	0.25 %
Credit risk by stages total	**4,873,041**	**300,129**	**105,784**	**5,278,954**

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 2021

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	2,633,042	124,010	35,143	**2,792,195**
Corporate	783,410	61,363	32,530	**877,303**
Agriculture	523,383	57,919	29,552	**610,854**
Receivables from customers total	**3,939,835**	**243,292**	**97,224**	**4,280,352**
ECL 31 Dec 2021	5,199	3,960	27,363	36,523
Coverage ratio %	0.13 %	1.63 %	28.14 %	0.85 %
Off-balance sheet commitments				
Private	226,773	3,759	441	**230,973**
Corporate	98,302	2,880	578	**101,760**
Agriculture	20,850	2,250	154	**23,254**
Off-balance sheet commitments total	**345,925**	**8,890**	**1,173**	**355,987**
ECL 31 Dec 2021	414	43	215	672
Coverage ratio %	0.12 %	0.48 %	18.29 %	0.19 %
Debt securities				
Banking segment	370,628	23,452	-	**394,081**
Insurance segment	36,915	14,594	-	**51,509**
Debt securities total	**407,544**	**38,046**	**-**	**445,590**
ECL 31 Dec 2021	160	870	393	1,423
Coverage ratio %	0.04 %	2.29 %	-	0.32 %
Credit risk by stages total	**4,693,304**	**290,228**	**98,397**	**5,081,929**

NOTE 11 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Liabilities to credit institutions		
To central banks	128,400	128,400
To other credit institutions		
Repayable on demand	1,810	1,252
Not repayable on demand	35,611	36,832
Total liabilities to credit institutions	**165,821**	**166,484**
Liabilities to customers		
Deposits		
Repayable on demand	3,899,587	3,809,583
Not repayable on demand	430,075	411,039
Other financial liabilities		
Not repayable on demand	1,223	1,742
Total liabilities to customers	**4,330,886**	**4,222,364**
Total liabilities to credit institutions and customers	**4,496,706**	**4,388,848**

Liabilities to central banks includes secured TLTRO III funding total of 128,400 thousand euros. The funding matures on 27 March 2024 (TLTRO 3.7) and 26 June 2024 (TLTRO 3.8) but for which early repayment is possible from 30 March 2022 and 29 June 2022 onwards. 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 2021 - 23 June 2022 was determined on the basis of the net lending review period ending on 31 December 2021. Bank of Finland has verified the fulfilment of the lending growth criteria. The additional interest rate has been recognised as income during financial year 2021. 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 2022	31 Dec 2021
Provision for unearned premiums	22,830	20,205
Ceded to reinsurers	-890	-
Provisions for unpaid claims	46,829	43,464
Ceded to reinsurers	-12,506	-10,977
Total insurance contract liabilities	**56,263**	**52,692**

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 2022	31 Dec 2021
Debt securities issued to the public	254,869	254,926
Certificate of deposits	180,396	29,995
Total debt securities issued to the public	**435,264**	**284,920**

Certificates of deposit with a total nominal value of EUR 180,5 (30,0) million were out-standing on the balance sheet date. Amount of the certificates is 27, nominals range from 1 million to 20 million euros with average maturity of 8 months.

LISTED DEBT SECURITIES

Name	Issue date	Due date	Interest	Nominal value	Currency
BONUM20231207	3.6.2020	12.7.2023	EB 12 kk + 1,044 %	50,000	EUR
BONUM20240117	3.6.2020	17.1.2024	EB 12 kk + 1,20 %	55,000	EUR
BONUM20261026	20.10.2021	20.10.2026	EB 3 kk + 0,85 %	20,000	EUR
BONUM20251116	16.11.2021	16.11.2025	EB 3 kk + 0,75 %	30,000	EUR
Issued during the period					
BONUM20250405	5.4.2022	5.4.2025	EB 3kk + 1,40 %	50,000	EUR
BONUM20270422	22.4.2022	22.4.2027	EB 12 kk + 1,25 %	50,000	EUR

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Balance at 1 Jan	**284,920**	**266,346**
Debt securities issued, increase	99,911	49,952
Certificates of deposits, increase	198,331	29,993
Total increase	**298,242**	**79,945**
Debt securities issued, decrease	-100,000	-20,000
Certificates of deposits, decrease	-47,979	-41,387
Total decrease	**-147,979**	**-61,387**
Total changes in cash flow	**150,263**	**18,558**
Valuation, accrued interest	81	17
Balance at the end of period	**435,264**	**284,920**

NOTE 14 COLLATERAL GIVEN

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Given on behalf of own liabilities and commitments		
Pledges and mortagages	3,038	2,546
Collateral to the Bank of Finland	177,884	144,361
Total collateral given	**180,921**	**146,907**

NOTE 15 OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	30 Jun 2022	31 Dec 2021
Guarantees	20,673	17,455
Loan commitments	355,780	338,532
Total off-balance sheet commitments	**376,453**	**355,987**
Other commitments		
Commitment to invest in venture capital funds	5,356	4,712
Total other commitments	**5,356**	**4,712**

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 2021.

Espoo 12 August 2022
Board of Directors of POP Bank Centre coop

FURTHER INFORMATION

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