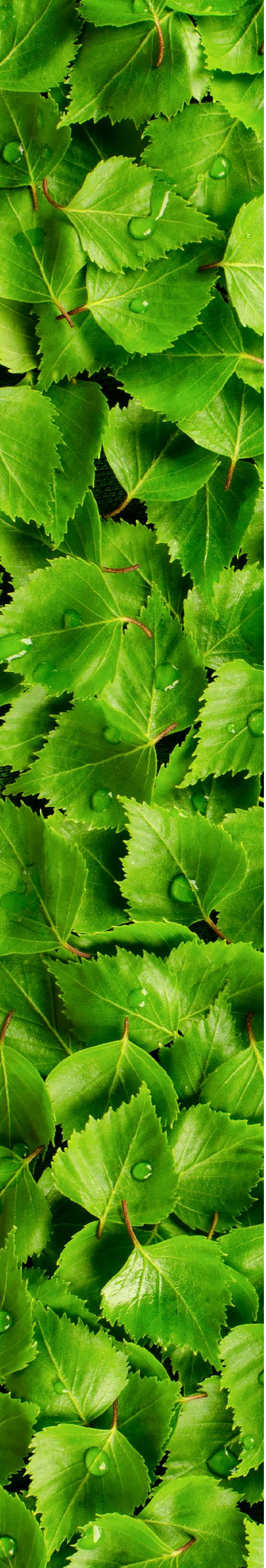
POP BANK GROUP'S HALF-YEAR FINANCIAL REPORT 1 JANUARY – 30 JUNE 2016

POP Pankki



POP Bank Group's half-year financial report for 1 January – 30 June 2016

CEO's review

The operations of the POP Bank Group developed favourably during the review period 1 January – 30 June 2016. The Group's profit before tax was on a par with the comparison period 1 January – 30 June 2015, and the result of insurance operations improved significantly. The POP Bank Group's total result after taxes decreased from the comparison period due to lower return on investments, dissolution of the guarantee fund and the resulting tax expense, among other factors. The dissolution income recognised for the banks as the result of the dissolution of the POP Banks' guarantee fund is not included in the result of the POP Bank Group, as it was an intra-Group arrangement that is eliminated in consolidation. However, taxes paid on the yield continue to strain the Group's result for the financial period. The loan portfolio and deposits continued their stable and balanced growth.

The excellent capital adequacy of the amalgamation further improved, which, combined with the most satisfied bank customers in the Nordic countries according to surveys and the most advanced digital non-life insurance services, lays down a strong foundation for the customer-oriented development of business operations both now and in the future.

The development of the structures of the amalgamation of POP Banks, which commenced operations at the turn of the year, continued according to plans during the first year of operation. The central credit institution Bonum Bank Plc received an investment-grade credit rating and issued its first bond. POP Banks developed their branch office network and launched a new website. Finnish P&C Insurance Ltd continued its rapid growth and improvement of profitability, securing 3,700 new customers on average per month.

Implementation projects of the new strategy approved in December were launched during the first half of the year, aiming at developing the best customer experience and profitable growth.

Heikki Suutala
CEO
POP Bank Alliance Coop

The POP Bank Group and amalgamation of POP Banks

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

The POP Bank Group refers to the new legal entity created in 31 December 2015, comprised of POP Banks and POP Bank Alliance Coop and the entities under their control. The POP Bank Group prepares IFRS financial statements. The most significant companies in the POP Bank Group engaged in customer business are:

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

POP Banks and Bonum Bank Ltd are member credit institutions of the central institution of the amalgamation of POP Banks, POP Bank Alliance Coop. The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. The most significant entities that 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.

During the first half of the year, Bonum Bank Ltd changed its company form into public limited liability company (Plc) and the POP Banks' guarantee fund was dissolved as planned in June 2016. The POP Banks' guarantee fund could be dissolved because its duties related to ensuring the operating stability of the bank group will be carried out by the central institution of the amalgamation of POP Banks, POP Bank Alliance Coop, in the future.

Operating environment

The development of the global economy is showing signs of a slowing down of growth – however, the development is not fully consistent. The European Central Bank (ECB) has strongly continued its stimulus policy, and measures to support the liquidity of the market have pressed the historically low interest rates even lower. Even though energy prices and interest rates are low and efforts have been made to ease the availability of money in the market, growth in the Eurozone is sluggish. Following the Brexit poll result, there are fears of the rise of populist parties in the EU. The strengthening of EU-critical parties may increase political uncertainty, and also the EU's future goals and progressing unification development may become subject to a political reassessment.

Finland's economic growth has continued to be modest, even though some positive signals have been visible. The growth of unemployment has slowed down, and activity in the construction industry in particular has significantly picked up. Also, the commencement of major investments in the forest industry will have positive cascade effects on the economy. Residential sales were slightly up during the first half of the year, and private consumption increased the gross production clearly during the first quarter year-on-year.

Exports continue to be the biggest problem; they have not begun to recover, and the positive effects of the Competitiveness Pact will only materialise with a delay. However, the conclusion of the Pact was an important step in the right direction, giving faith in a positive turn in the economy and gradual slowing down of the debt growth rate.

The development of households' spending power has been modest in Finland, and the Competitiveness Pact will have a negative effect on its development in the short term, even though the Government has promised that it will compensate for the matter with tax cuts depending on the coverage of the Pact. The inflation rate being close to zero and exceptionally low interest rates have significantly supported households' ability to repay their loans, even though the number of disruptions in payments has risen to a new record high. In particular, households that have not experienced problems caused by unemployment have maintained their financial position solid. For investors, the operating environment has been challenging, as uncertainty took over the market in expectation of the Brexit vote and its impacts. The interest rate markets, on the other hand, have not attracted private households with the returns having been at a historic low. In the housing market, prices have still been increasing in growth centres, while elsewhere prices have remained unchanged or even decreased slightly.

Major events during the first half of the year

OPERATIONS OF THE AMALGAMATION OF POP BANKS WELL UNDER WAY

Establishing the operations of the amalgamation of POP Banks proceeded as planned during the first half of the year. Implementation projects of the POP Bank Group's new strategy confirmed in December 2015 were launched in spring 2016. In addition, internal guidelines related to the steering and control of the amalgamation of POP Banks were developed further and implemented.

The POP Banks' guarantee fund was dissolved as planned in June 2016. The guarantee fund was no longer needed once the amalgamation of POP Banks started its operation. As the guarantee fund was dissolved, its funds were distributed to the member banks.

POP BANK AND CENTRAL CREDIT INSTITUTION

The POP Banks developed their service channels. The new www.poppankki.fi site was launched in May 2016. During the first half of the year, POP Banks opened one new branch office in addition to the four new branch offices opened last autumn.

In February, POP Banks sold their jointly held subsidiary Optium Oy to UB Asset Management Ltd. The capital gain from the sale did not have a significant effect on the result for the review period.

The transfer of mortgage loans intermediated by POP Banks to Aktia Real Estate Mortgage Bank to POP Banks' own balance sheets began at the end of June. The plan is to transfer the loan portfolio of approximately EUR 150 million to POP Banks' balance sheets by spring 2017.

Bonum Bank Ltd, the central credit institution owned by POP Bank Alliance Coop changed its company form into public limited liability company (Plc) on 6 April 2016. Bonum Bank Plc obtained a credit rating from S&P Global on 23 May 2016. Bonum Bank Plc published a EUR 150 million certificate of deposit programme in March and a EUR 750 million bond programme in May. In June, Bonum Bank Plc issued the first multi-year bond amounting to EUR 100 million within the bond programme.

VISA TRANSACTION

The sale of Visa Europe announced in November 2015 to the US-based Visa Inc. was confirmed in spring, and the sale was completed in June. Bonum Bank Plc, the issuer of the POP Bank Group's cards, recognised a capital gain of EUR 1.5 million as revenue from the sale of its interest in June. Before the start of Bonum Bank Plc's card business, the issue of POP Banks' cards was arranged in cooperation with Nets Ltd, which was a member (Principal Member) of Visa Europe. POP Bank Alliance Coop's membership (Associate Member) was associated with cooperation with Nets Ltd, Suomen Luotto-osuuskunta and other bank groups, and therefore the selling price was not paid directly to the POP Bank Group. The management of POP Bank Alliance Coop estimated the capital gain from the transaction very conservatively, taking into account the fact that the legal relationships and the bases of the payment of the selling price are still unclear to a certain extent. POP Bank Alliance Coop recognised a capital gain of EUR 1 million as revenue from the sale of its interest. The capital gain of EUR 2.5 million recognised by the POP Bank Group was recognised in net investment income. The amount of the capital gain will be specified later.

NUMBER OF NON-LIFE INSURANCE CUSTOMERS IS STILL GROWING

The number of Finnish P&C Insurance Ltd's customers continued its rapid growth. The telesales and customer service was reorganised to meet the needs of growing volumes.

The insurance company's Solvency II requirements for administration, capital adequacy and reporting took effect at the beginning of the year. Finnish P&C Insurance Ltd meets the capital requirements of Solvency II.

Finnish P&C Insurance Ltd launched the POP Auto Kilsa motor liability insurance product, which is the first kilometre-based product in the market. In this product, the price of motor liability insurance and all-risk insurance is determined based on kilometres travelled. Over 5,000 policies were sold by the end of June. The launch of the product attracted extensive attention in main media.

POP Bank Group's earnings and balance sheet

The amalgamation of POP Banks started its operations on 31 December 2015. The central institution of the POP Bank Group, POP Bank Alliance Coop, has an obligation to prepare consolidated financial statements in accordance with IFRS. Because the start date of operations was the last day of the financial period, the first official financial statements of the POP Bank Group cover the closing date of the financial period, 31 December 2015. The financial statements include the POP Bank Group's balance sheet and required notes to the balance sheet, accounting principles and other notes in accordance with IFRS. In addition, Note 48 to the official IFRS financial statements provide additional financial information covering the information for the financial period 1 January – 31 December 2015 and comparison period 1 January – 31 December 2014 calculated in accordance with IFRS. With regard to additional financial information of the POP Bank Group, the IFRS adoption date was 1 January 2014, and the additional financial information has been prepared with the accounting principles applied in the financial statements.

The first half-year report of the POP Bank Group for 1 January – 30 June 2016 provide comparison data for the period 1 January – 30 June 2015 for the period preceding the establishment of the amalgamation as additional financial information. The comparison information has been prepared in accordance with the accounting principles applied in the financial statements. The earnings data for the period 1 January – 30 June 2015 and reconciliation of the balance sheets at 1 January 2015 and 30 June 2015 or 31 December 2015 disclosed in the half-year report are part of the additional financial information. The additional financial information is marked with footnotes in the half-year report.

POP BANK GROUP'S EARNINGS DEVELOPMENT (COMPARISON PERIOD 1 JANUARY – 30 JUNE 2015*)

The POP Bank Group monitors its business operations based on two operating segments: banking and insurance. The Banking segment's profit before tax were on a par with the comparison period 1 January – 30 June 2015, and the result of insurance operations improved significantly. The POP Bank Group's profit after taxes, however, decreased from the comparison period due to decreasing investment income and the dissolution of the guarantee fund included in other operations and resulting tax expense, among other things.

The most significant income item, net interest income, developed favourably in spite of the challenging interest rate situation. The net interest income accrued in January–June amounted to EUR 30.6 million, an increase of 2.2 per cent year-on-year. The net fee and commission income also increased clearly (+8.9%) to EUR 16.0 million. Net income from insurance increased by 78.5 per cent to EUR 3.2 million.

Due to the challenging investment environment, net investment income decreased by 23.6 per cent to EUR 6.4 million year-on-year. An impairment of EUR 1.5 million was recognised in net investment income in accordance with the harmonised recognition principles of the amalgamation, while no significant impairment was recognised during the comparison period. Tightening and harmonising the impairment practices at the end of the 2015 financial period contributed to the increase in the impairment of investments. The significance criteria for the impairment of equity instruments was tightened from 40 per cent to 30 per cent during the review period, which resulted in a slight increase in impairment recognised for the period. Net investment income increased due to the non-recurring capital gain of a total of EUR 2.5 million from the sale of interests in Visa Europe.

Total operating income increased by EUR 1.5 million to EUR 59.2 million (+2.7%).

During the 12 months preceding the half-year report, the POP Banks established several new branch offices, and their establishment increased the expenses. In addition, the launch of the amalgamation was associated with additional costs. Personnel expenses amounted to EUR 19.6 million (+7.2%) and other operating expenses to EUR 25.0 million (+16.6%) for the first half of the year. Expenses excluding impairment

*Additional financial information for the period preceding the start of the operations of the amalgamation of POP Banks on 31 December 2015. See p. 4.

losses on loans and receivables amounted to EUR 47.4 million (+11.8%).

Impairment losses on loan receivables were EUR 2.4 million for the first six months, an increase of EUR 1.5 million year-on-year. The increase was due to the harmonisation of impairment recognition principles, among other factors.

The key operating income items developed favourably, but especially increasing costs related to the launch of the amalgamation and the transfer of the card business to Bonum Bank, the tax expense resulting from the dissolution of the guarantee fund and lower investment income resulted in the POP Bank Group's profit before tax falling short of the comparison period, amounting to EUR 9.4 million (14.4).

The earnings of the POP Banks included in the POP Bank Group include income of EUR 10.0 million recognised from the dissolution of the POP Banks' guarantee fund, which is eliminated in the consolidation of the POP Bank Group, as the assets have been included in the POP Bank Group's equity capital already in previous financial periods. However, taxes paid on the earnings, EUR 2.0 million, will stress the Group's earnings for the financial period, even though the earnings are not included in the Group's earnings.

KEY INDICATORS OF THE POP BANK GROUP

(EUR 1000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*	1 Jan–31 Dec 2015*
Net sales	69 395	67 532	126 963
Net interes income	30 625	29 974	61 237
% of net sales	44,1 %	44,4 %	48,2 %
Profit before tax	9 430	14 372	12 023
% of net sales	13,6 %	21,3 %	9,5 %
Total operating income	59 231	57 691	103 292
Total operating expenses	–44 551	–39 670	–80 474
Cost to income ratio	75,2 %	68,8 %	77,9 %
Balance sheet total	4 183 457	4 018 638	4 071 635
Equity capital	441 054	398 190	423 716
Return on assets, ROA %	0,1 %	0,3 %	0,2 %
Return on equity, ROE %	1,1 %	2,5 %	2,1 %
Equity ratio, %	10,5 %	9,9 %	10,4 %
Common equity Tier 1 capital ratio, (CET1) %	20,9 %	–	20,2 %
Capital adequacy ratio, (TC) %	21,5 %	–	20,8 %
Impairment losses on loans and other receivables	–2 420	–949	–4 961

* The figures are based on additional financial information disclosed for the period preceding the commencement of the operations of the amalgamation of POP Banks on 31 December 2015. See p. 7. The key indicators for 2015 have been adjusted due to an adjustment to real estate entities' depreciation. More details on the adjustments are presented in Note 3 to the half-year report.

Development of the operating segments

BANKING

The POP Bank Group's Banking segment includes the POP Banks engaged in retail banking and the amalgamation's central credit institution, Bonum Bank Plc. At the end of the period, POP Banks had a total of 240.6 thousand customers (241.3 thousand at the beginning of the period). POP Banks had 85.2 thousand members (85.4 thousand at the beginning of the review period). Bonum Bank issued a three-year EUR 100 million bond in June, which diversified the Group's funding.

POP Banks paid a total of EUR 1.0 million as interest on POP Shares and supplementary cooperative contributions. A POP Share is an investment in the cooperative's equity capital pursuant to the Co-Operatives Act. By 30 June 2016, POP Banks had issued a total of EUR 30.7 million in POP Shares (17.9). Banking assets amounted to EUR 4,205.9 million at the end of June, an increase of 3.0 per cent from the beginning of the year. Deposits totalled EUR 3,398.9 million (+1.5%) and the loan portfolio EUR 3,089.8 million (+2.0%).

Banking earnings (comparison period 1 January – 30 June 2015*)

Banking net interest income increased to EUR 30.7 million (+1.0%) year-on-year. Banking's net commission income increased to EUR 14.5 million (+9.2%). The investment environment was more challenging compared to the first half of 2015, and therefore net investment income fell short of the comparison period, totalling EUR 4.6 million (-43.1%). An impairment of EUR 1.5 million was recognised in net investment income in accordance with the harmonised recognition principles of the amalgamation, while no significant impairment was recognised during the comparison period. Tightening and harmonising the impairment practices at the end of the 2015 financial period contributed to the increase in the impairment of investments. The significance criteria for the impairment of equity instruments was tightened from 40 per cent to 30 per cent during the review period, which resulted in a slight increase in impairment recognised for the period. Net investment income includes the capital gain of EUR 1.5 million recognised from the sale of Visa Europe by Bonum Bank. Other operating income, on the other hand, increased clearly to EUR 12.7 million (+203.3%). Underlying the other operating income was the dissolution of the POP Banks' guarantee fund, which increased POP Banks' income by EUR 10.0 million. Operating income increased by 11.5 per cent to EUR 62.7 million in total.

Banking's personnel expenses increased by 2.9 per cent to EUR 14.8 million and other operating expenses by 23.4 per cent to EUR 23.5 million. The increase in expenses was largely due to significant investments in the establishment of new branch offices made in the preceding 12 months and the transfer of the card business to the POP Bank Group's own central credit institution, Bonum Bank Plc. Total operating expenses (including depreciation) amounted to EUR 40.4 million (+14.0%).

The recognised impairment on loans and receivables amounted to EUR 2.4 million, while they amounted to EUR 0.9 million for the comparison period. The increase from the comparison period was EUR 1.5 million, resulting from the harmonisation of the recognition principles of impairment, among other things.

Banking's profit before tax, EUR 19.9 million (19.8), was on a par with the comparison period.

INSURANCE

The Insurance segment of the POP Bank Group includes Finnish P&C Insurance Ltd, which continued its strong business growth. During the first half of the year, the company succeeded in increasing its business volumes and improving the loss ratio. The company secured an average of 3,700 new customers per month. During the period under review, the number of Finnish P&C Insurance Ltd's customers increased from 73 thousand to 85 thousand customers. According to the most recent customer survey, 96 per cent (92%) of the customers would recommend the company.

Insurance earnings (comparison period 1 January – 30 June 2015*)

The loss ratio of Insurance improved by 6 percentage points and technical profitability improved considerably. The loss ratio was 80.4 per cent (86.4%) and the operating expense ratio was 34.8 per cent (36.9%).

*Additional financial information for the period preceding the start of the operations of the amalgamation of POP Banks on 31 December 2015. See p. 4.

Net insurance income increased by 82.9 per cent from the comparison period to EUR 3.2 million. Premiums (gross) increased by 17 per cent from the comparison period to EUR 18.1 million. Investment income from the beginning of the year at fair value was 1.0 per cent (0.3%). The loss for the period decreased as a result of the improved loss and expense ratio compared to the comparison period, amounting to EUR -2.3 million (-3.3). The company will pursue positive earnings in 2017 at the latest.

Credit ratings

During the spring, POP Bank Group's central credit institution Bonum Bank Plc, owned by POP Bank Alliance Coop, obtained a credit rating from S&P Global (S&P). S&P granted Bonum Bank Plc the long-term investment grade credit rating "BBB" and short-term credit rating "A-2" on 23 May 2016. The outlook is stable. The rating reflects the assessment performed in accordance with the criteria used by S&P, assessing, among other things, the POP Bank Group's business position, financial performance, capital and liquidity buffers, risk profile and funding. The stable outlook rating by S&P is proof of the POP Bank Group's strong capital adequacy, stability and predictability of business operations, and increasing efficiency resulting from the amalgamation.

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

The purpose, principles and organization of the POP Bank Group's risk and capital adequacy management is described in Note 4 of the financial statements of 2015. During the period, no essential changes have been made to the purpose, principles or organization as described in the financial statements.

BANKING RISKS

Credit risk

Banking's credit risk exposure remained stable and its risk level moderate. The indicators of receivables past due remained on stable level, although the challenging situation in the domestic economy showed in somewhat increased indicators of receivables past due. The amount of collectively assessed impairments remained close to the level of the year-end, whereas the amount of individually assessed impairments increased somewhat.

The loan portfolio increased by 2.0 per cent since the year-end to EUR 3,089.8 million (EUR 3,029.0 million on 31 December 2015). The amount of intermediated Aktia Real Estate Mortgage Bank's mortgage loans was EUR 147.6 million (203.1) at the end of the second quarter. Majority of the lending is associated with low-risk lending to private customers. Loans granted to private customers accounted for 64.5 per cent (64.1) of the loan portfolio, companies for 16.7 per cent (16.8) and agriculture entrepreneurs for 18.7 per cent (19.1). Loans secured by residential real estate collateral accounted for 63.3 per cent (63.0) of the loan portfolio.

The amalgamation of POP Banks' receivables more than 90 days past due accounted for 0.93 per cent (0.76) of the loan portfolio. The amalgamation's receivables 30–90 days past due accounted for 1.76 per cent (1.53) of the loan portfolio at the end of the second quarter.

Impairment losses on loans and receivables totaled EUR 16.9 million (16.9) at the end of the second quarter. Of these, individually assessed impairment losses totaled EUR 15.8 million (14.2) and collectively assessed impairment losses totaled EUR 2.8 million (2.8).

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

Liquidity risk

The Group's liquidity position remained strong during the interim period. The regulatory requirement for the liquidity of the member credit institutions, LCR (Liquidity Coverage Ratio), entered into force on 1 October 2015, at which time all credit institutions had to meet the regulatory minimum requirement of 60 per cent of liquidity coverage ratio. From the beginning of 2016, the requirement is set to 70 per cent, increasing gradually to 100 per cent by 1 January 2018. The amalgamation of POP Banks' LCR-eligible assets totaled EUR 471,7 million on 30 June 2016, of which 35,6 per cent were cash and balance at a central bank, 94,0 per cent high quality liquid assets and 6,0 per cent other liquid assets. The LCR indicator of the amalgamation was 226 per cent on 30 June 2016 (31 December 2015: 202 per cent).

The amalgamation's central credit institution Bonum Bank Ltd supervises the intraday liquidity coverage. Taking into account the need for liquidity, the Board of Directors of the central institution determines the liquidity risk appetite at the amalgamation level, which is moderate. The member credit institutions continuously monitor their own liquidity and LCR indicator. The central institution monitors the LCR indicator at the amalgamation and member bank level.

Market risk

The amalgamation's key market risk is interest rate risk in the banking book, which is monitored and limited using both present value risk and income risk. Interest rate risk arises from the banking book of member credit institutions, consisting of lending and deposits, wholesale market funding and investment and liquidity portfolios.

The market risk of investment activities is limited at the amalgamation of POP Banks and the non-life insurance company with regards to the allocation of asset categories, derivative contracts, currency risk and structured products. The member credit institutions of the amalgamation do not, as a rule, engage in trading for own or customers' account. The use of derivatives is limited to the purpose of hedging interest rate risk in banking book. The effectiveness of the hedges is verified as a continuous process, and the interest rate risks of the balance sheet and hedging instruments are separately monitored using both present value risk and income risk. No currency risk is taken in lending. A member credit institution may use structured products only with the consent of the risk control function.

Operational risks

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

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

INSURANCE RISKS

The key insurance risks during the reporting period were linked to the development of the profitability of the business, and particularly to the development of pricing and customer selection and sufficient increase in business volumes, taking into account the point of view of profitability.

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

Operating online, data security risks are significant to the company and, therefore, the company strongly invests in controlling them. Investment activities have been protective and have not been associated with significant risks.

The Board of Directors annually approves the company's risk management plan.

CAPITAL ADEQUACY MANAGEMENT

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

The member credit institutions conduct a comprehensive identification and evaluation of risks related to their operations and align their risk-bearing capacity to match the total amount of the risks. In order to secure its capital adequacy, the bank sets risk-based capital objectives and prepares a capital plan to achieve these objectives.

The own funds of the amalgamation of POP Banks consist of cooperative contributions, supplementary cooperative contributions, POP Shares, retained earnings and other non-restricted reserves. The EU's Capital Requirements Regulation No. 575/2013 does not acknowledge the supplementary cooperative contributions previously used by the member credit institution as an equity instrument, ergo supplementary cooperative contributions are no longer items recognized in own funds of the member credit institutions according to the new regulations. The Capital Requirements Regulation is applied as of 1 January 2014, but the application of the transitional rules concerning supplementary cooperative contributions will be gradually phased in. Some of the member credit institutions of the amalgamation have since 2015 issued new equity instruments, POP Shares, which are included in own funds. A total of EUR 30.7 million of POP Shares had been issued at the end of the second quarter of 2016 (17.9 million).

At the end of the second quarter, the capital adequacy of the amalgamation of POP Banks was at a good level. The amalgamation's capital adequacy ratio was 21.5 per cent (20.8) and the ratio of Common Equity Tier 1 capital to risk-weighted items was 20.9 per cent (20.2). The amalgamation does not include the profit for the financial year in own funds.

The statutory minimum level of the capital adequacy ratio is 8 per cent and of Tier 1 capital it is 4.5 per cent. In addition to the 8 per cent capital adequacy requirement, a fixed 2.5 per cent capital conservation buffer requirement became applicable on 1 January 2015, as well as a variable additional capital requirement which the authorities can upon need set at 0–2.5 per cent. For the time being, the Financial Supervisory Authority has not set a variable additional capital requirement for Finnish exposures, which almost exclusively comprise the credit and counterparty risk of the amalgamation's member credit institutions.

SUMMARY OF CAPITAL ADEQUACY OF THE AMALGAMATION OF POP BANKS

(EUR 1,000)	30 Jun 2016	31 Dec 2015
Own funds		
Common Equity Tier 1 capital before deductions	477 440	461 632
Deductions from Common Equity Tier 1 capital	–5 379	–6 089
Total Common Equity Tier 1 capital (CET1)	**472 061**	**455 542**
Additional Tier 1 capital before deductions	8 815	10 545
Deductions from Additional Tier 1 capital	–	–
Additional Tier 1 capital (AT1)	**8 815**	**10 545**
Tier 1 capital (T1 = CET1 + AT1)	**480 876**	**466 087**
Tier 2 capital before deductions	3 526	3 164
Deductions from Tier 2 capital	–	–
Total Tier 2 capital (T2)	**3 526**	**3 164**
Total capital (TC = T1 + T2)	**484 402**	**469 251**
Total risk weighted assets	**2 256 276**	**2 252 853**
of which credit risk	2 046 965	2 038 332
of which credit valuation adjustment risk (CVA)	2 463	3 599
of which market risk (exchange rate risk)	20 817	24 892
of which operational risk	186 031	186 031
Fixed capital conservation buffer according to Act on Credit institutions (2.5%)	**56 407**	**56 321**
Countercyclical capital buffer	**200**	**253**
Common Equity Tier 1 capital (CET1) in relation to risk weighted assets (%)	20,9 %	20,2 %
Tier 1 capital (T1) in relation to risk weighted assets (%)	21,3 %	20,7 %
Total Capital (TC) in relation to risk weighted assets (%)	21,5 %	20,8 %
Leverage ratio		
Tier 1 capital (T1)	480 876	466 087
Leverage ratio exposure	4 429 563	4 283 948
Leverage ratio, %	10,9 %	10,9 %

Outlook for the second half of the year

There are lots of uncertainties related to the operating environment, the most significant of which are the negative interest rate environment, uncertainty in the investment environment and the development of the Finnish economy. Business operations are expected to develop during the rest of the year so that the POP Bank Group's full-year profit before tax for 2016 will be higher or on a par with 2015.

Events after the review period

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

The Supervisory Board of POP Bank Alliance Coop initiated the recruitment process of a new CEO on 24 August 2016 at the initiative of the current CEO, Heikki Suutala, who will leave the company on 31 March 2017 at the latest.

Formulas for key figures

Net sales
Interest income, commission income, net trading income, net income from non-life insurance, other operating income, net income from hedge accounting

Total operating income
Net interest income, net commissions and fees, net trading income, net investment income, net income from non-life insurance, other operating income, net income from hedge accounting

Total operating expenses
Personnel expenses, other operating expenses (excluding amortisation)

Cost-income ratio, %

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

Return on equity (ROE)

$$\frac{\text{Profit for the period}}{\text{Equity capital and minority interest}} * 100$$

Return on assets (ROA)

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

Equity ratio, %

$$\frac{\text{Equity capital and minority interest}}{\text{Balance sheet total}} * 100$$

Half-year financial report 1 January – 30 June 2016

THE POP BANK GROUP'S INCOME STATEMENT

(EUR 1 000)	Note	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*	Change, %
Interest income		40 233	40 752	–1,3 %
Interest expenses		–9 608	–10 778	–10,9 %
Net interest income	**5**	**30 625**	**29 974**	**2,2 %**
Net commissions and fees	6	15 975	14 668	8,9 %
Net trading income		236	320	–26,3 %
Net investment income	7	6 375	8 340	–23,6 %
Net incom from non-life insurance	8	3 233	1 812	78,5 %
Other operating income		2 787	2 578	8,1 %
Total operating income		**59 231**	**57 691**	**2,7 %**
Personnel expenses		–19 598	–18 274	7,2 %
Other operating expenses		–24 953	–21 396	16,6 %
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		–2 829	–2 700	4,8 %
Total operating expenses		**–47 381**	**–42 370**	**11,8 %**
Impairment losses on loans and receivables		–2 420	–949	155,1 %
Profit before tax		**9 430**	**14 372**	**–34,4 %**
Income tax expense		–4 992	–3 901	28,0 %
Profit for the period		**4 438**	**10 471**	**–57,6 %**
Attributable to				
Equity owners of the POP Bank Group		4 126	10 229	–59,7 %
Non-controlling interests		312	242	29,0 %
Total		**4 438**	**10 471**	**–57,6 %**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

THE POP BANK GROUP'S STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*	Change, %
Profit for the period	4 438	10 471	–57,6 %
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	–4	2	
Items that may be reclassified to profit or loss			
Changes in fair value reserve			
Available-for-sale financial assets	3 217	–427	
Other comprehensive income for the period	**7 652**	**10 045**	**–23,8 %**
Other comprehensive income for the period attributable to			
Other comprehensive income for the period attributable to owners of the POP Bank Group	7 240	9 822	–26,3 %
Other comprehensive income for the period attributable to non-controlling interests	412	223	84,5 %
Total other comprehensive income for the period	**7 652**	**10 045**	**–23,8 %**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

THE POP BANK GROUP'S BALANCE SHEET

(EUR 1 000)	Note	30 Jun 2016	31 Dec 2015*	Change, %
Assets				
Liquid assets		204 488	172 899	18,3 %
Financial assets at fair value through profit or loss	9	1 978	3 383	–41,5 %
Loans and receivables from credit institutions	9,10	115 778	129 327	–10,5 %
Loans and receivables from customers	9,10	3 067 265	3 013 972	1,8 %
Derivative contracts	9	4 105	5 356	–23,4 %
Investment assets	9,11	671 834	635 904	5,7 %
Non-life insurance assets	9,12	42 327	37 610	12,5 %
Intangible assets		14 327	15 839	–9,5 %
Property, plant and equipment		36 728	39 796	–7,7 %
Other assets		22 462	13 582	65,4 %
Tax assets		2 165	3 967	–45,4 %
Total assets		**4 183 457**	**4 071 635**	**2,7 %**
Liabilities				
Liabilities to credit institutions	13	51 335	112 783	–54,5 %
Liabilities to customers	13	3 392 724	3 342 813	1,5 %
Non-life insurance liabilities	14	31 968	27 567	16,0 %
Debt securities issued to the public	15	123 624	24 188	411,1 %
Supplementary cooperative capital		50 605	58 231	–13,1 %
Other liabilities		65 063	57 056	14,0 %
Tax liabilities		27 084	25 281	7,1 %
Total liabilities		**3 742 404**	**3 647 918**	**2,6 %**
Equity capital				
Cooperative capital				
Cooperative contributions		8 840	8 904	–0,7 %
POP Shares		30 694	17 904	71,4 %
Total cooperative capital		**39 534**	**26 809**	**47,5 %**
Reserves		151 869	156 081	–2,7 %
Retained earnings		248 911	237 566	4,8 %
Total equity attributable to the owners of the POP Bank Group		**440 313**	**420 455**	**4,7 %**
Non-controlling interests		741	3 261	–77,3 %
Total equity capital		**441 054**	**423 716**	**4,1 %**
Total liabilities and equity capital		**4 183 457**	**4 071 635**	**2,7 %**

*Adjusted see note 3

STATEMENT OF CHANGES IN THE POP BANK GROUP'S EQUITY CAPITAL

(EUR 1 000)	Co-operative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Reported balance at 31 Dec 2015	26 809	4 283	151 798	239 831	422 721	3 261	425 982
Error in real estate depreciations**				–2 265	–2 265		–2 265
Restated balance at 1 Jan 2016	26 809	4 283	151 798	237 566	420 455	3 261	423 716
Comprehensive income for period							
Profit for the financial year	–	–	–	4 126	4 126	312	4 438
Other comprehensive income	–	3 118	–	–4	3 114	99	3 213
Total comprehensive income for the period	**–**	**3 118**	**–**	**4 122**	**7 240**	**412**	**7 652**
Transactions with shareholders							
Increase in cooperative capital	12 725	–	–	–	12 725	–	12 725
Profit distribution	–	–	–	–65	–65	–	–65
Transfer of reserves	–	–	3 135	–3 135	–	–	–
Transactions with shareholders total	**12 725**	**–**	**3 135**	**–3 200**	**12 660**	**–**	**12 660**
Other changes							
Changes in holdings in subsidiaries	–	99	–10 564	10 423	–42	–2 932	–2 974
Other changes total	**–**	**99**	**–10 564**	**10 423**	**–42**	**–2 932**	**–2 974**
Balance at 30 Jun 2016	**39 534**	**7 500**	**144 369**	**248 910**	**440 312**	**741**	**441 053**

The non-controlling interests decreased significantly due to the dissolution of POP Banks' guarantee fund in June 2016.

(EUR 1 000)	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Reported balance at 31 Dec 2014*	2 971	147 410	235 558	385 939	8 604	394 543
Error in real estate depreciations**			–1 583	–1 583		–1 583
Restated balance at 1 Jan 2015	2 971	147 410	233 976	384 357	8 604	392 961
Comprehensive income for financial year						
Profit for the financial year	–	–	10 229	10 229	242	10 471
Other comprehensive income	–408	–	2	–406	–19	–425
Total comprehensive income for the financial year	**–408**	**–**	**10 231**	**9 822**	**223**	**10 045**
Transactions with shareholders						
Transfer of reserves	–	889	–889	–	–	–
Transactions with shareholders total	**–**	**889**	**–889**	**–**	**–**	**–**
Other changes						
Changes in holdings in subsidiaries	–27	3 522	–2 899	596	–2 710	–2 114
Refund of cooperative capital classified as a liability ***	–	–	–	–	–2 702	–2 702
Other changes total	**–27**	**3 522**	**–2 899**	**596**	**–5 411**	**–4 816**
Balance at 30 Jun 2015	**2 535**	**151 821**	**240 419**	**394 775**	**3 416**	**398 190**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

** Adjusted see note 3

***Refund of the cooperative capital of POP Bank Alliance Coop has been reclassified from non-controlling interests to other liabilities. More details on the reclassification in note 48.38 to consolditated financial statements 2015.

THE POP BANK GROUP'S CASH FLOW STATEMENT

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Cash flow from operations		
Profit for the financial year	4 438	10 471
Adjustments to profit for the financial year	17 435	11 748
Increase (–) or decrease (+) in operating assets	**–88 435**	**–152 585**
Financial assets at fair value through profit or loss	–48 790	–95 877
Receivables from credit institutions	11 979	66 676
Receivables from customers	–55 721	–63 954
Investment assets	17 980	–44 824
Non-life insurance assets	–4 717	–2 872
Other assets	–9 165	–11 734
Increase (+) or decrease (–) in operating liabilities	**86 204**	**152 463**
Liabilities to credit institutions	–61 447	88 401
Liabilities to customers	51 248	52 582
Increases in debt securities issued to the public	99 437	23
Non-life insurance liabilities	–5	–1 765
Provisions and other liablilities	–791	16 955
Income tax paid	–2 237	–3 733
Net cash from operating activities	**19 642**	**22 097**
Cash flow from investing activities		
Increases in held-to-maturity financail assets	–	–72 332
Decreases in held-to-maturity financail assets	2 386	13 870
Proceeds from sale of subsidiaries	–340	–
Increases in other investments	–	–1 522
Purchase of PPE and intangible assets	–2 734	–2 975
Proceeds from sale of PPE and intangible assets	1 245	1 112
Net cash used in investing activities	**557**	**–61 847**
Cash flow from financing activities		
Decreases in subordinated liabilities	–	–1 513
Increase in cooperative capital	13 196	–
Decrease in cooperative capital	–478	–
Interests paid on cooperative capital and other profit distribution	–10	–10
Changes in other equity capital items	–2 688	–2 853
Net cash used in financing activities	**10 021**	**–4 376**
Change in cash and cash equivalents		
Cash and cash equivalents at period-start	236 314	245 939
Cash and cash equivalents at the end of the period	266 534	201 812
Net change in cash and cash equivalents	**30 220**	**–44 127**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Interest received	**41 128**	**39 026**
Interest paid	**8 311**	**8 213**
Dividends received	**1 765**	**1 247**
Adjustments to profit for the financial year		
Non-cash items and other adjustments		
Impairment losses on receivables	2 747	1 435
Fair value change in trading income	–2	0
Depreciations	3 479	3 248
Technical provision	4 406	3 511
Other	6 805	3 555
Net adjustments to profit for the financial year	**17 435**	**11 748**
Cash and cash equivalents		
Liquid assets	204 488	121 859
Receivables from credit institutions payable on demand	62 046	79 953
Total	**266 534**	**201 812**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

Notes

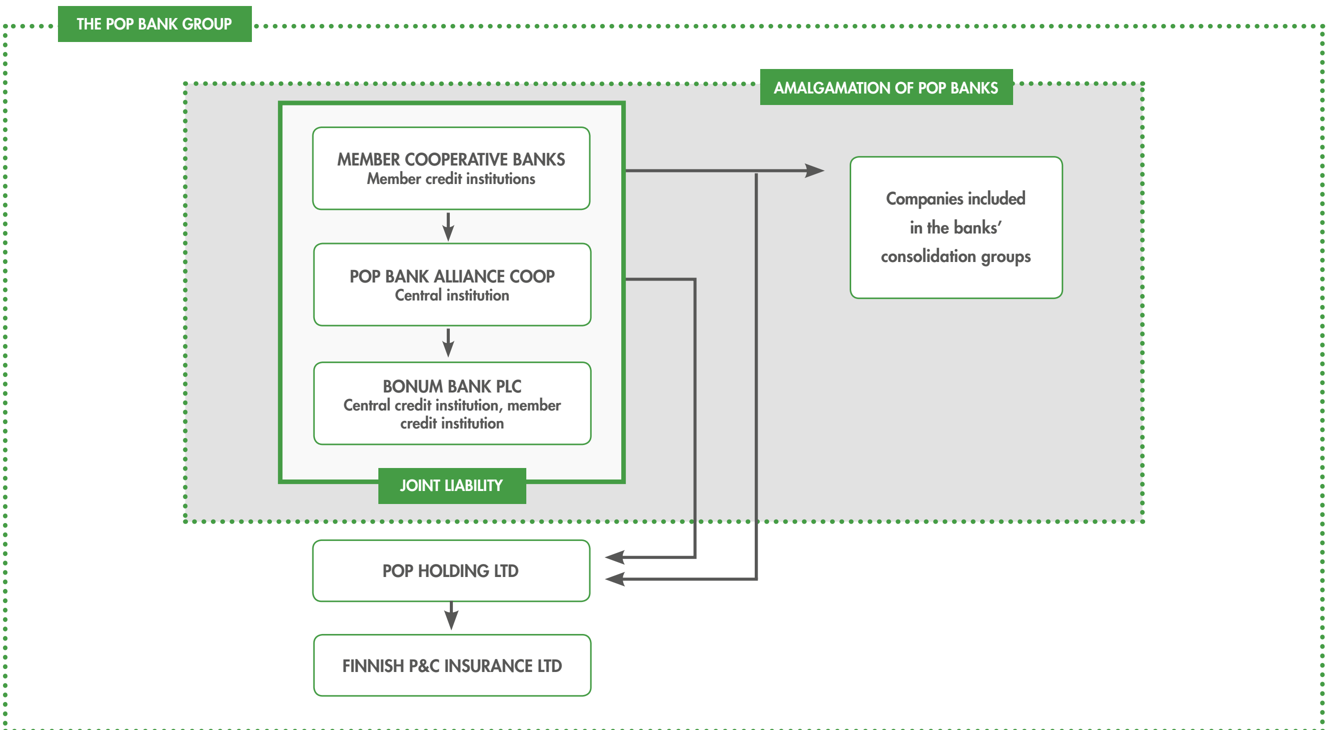
NOTE 1 POP BANK GROUP AND ADDITIONAL FINANCIAL INFORMATION DISCLOSED AS COMPARISON INFORMATION IN THE HALF-YEAR FINANCIAL REPORT

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

The member credit institutions of POP Bank Alliance Coop are the 26 cooperative banks and the central credit institution of the member cooperative banks, Bonum Bank Plc. The amalgamation of POP Banks is a legal entity referred to in the Act on the Amalgamation of Deposit Banks (599/2010, hereinafter "the Amalgamation Act") in which the member credit institutions and the central institution are jointly liable for each other's debts and commitments. The amalgamation of POP Banks is formed by the central institution POP Bank Alliance Coop, its member credit institutions, the companies included in their consolidation groups and those credit institutions, financial institutions and service companies in which entities included in the amalgamation jointly hold over 50% of the votes. The companies included in the consolidation groups of the member credit institutions are primarily real estate companies.

The POP Bank Group also includes other entities besides the entities included in the amalgamation of POP Banks. The most significant entities that do not belong to the POP Bank Group are POP Holding Ltd, its wholly-owned subsidiary Finnish P&C Insurance Ltd and POP Banks' guarantee fund (dissolved in June 2016), which are not in the scope of joint liability. The POP Bank Group does not form a group of companies referred to in the Accounting Act (1336/1997) or a consolidation group referred to in the Act on Credit Institutions (610/2014). POP Bank Alliance Coop or its member cooperative banks do not exercise control

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



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 to the POP Bank Group consolidated financial statements 2015.

The chart on the previous page illustrates the structure of the POP Bank Group and the entities included in the amalgamation as well as the scope of joint liability.

During the first half of 2016, Bonum Bank Ltd changed its company form into public limited liability company (Plc) and a decision to dissolve the POP Banks' guarantee fund was made. The final settlement and distribution of assets to the members of the guarantee fund were approved in June. The dissolution of the guarantee fund is an intra-Group arrangement, and therefore has no effects on the Group's earnings. The dissolution of the guarantee fund is visible the Group's equity structure as a transfer from funds to retained earnings.

Additional financial information presented as comparative information in the half-year financial report

The POP Bank Group formed the legal entity amalgamation of POP Banks when it started operations on 31 December 2015. Before the formation of the amalgamation, the Group did not have a statutory obligation to prepare combined FAS financial statements. Additional financial information is presented as notes to the first IFRS financial statements of the POP Bank Group, including the financial statements prepared in accordance with IFRS for the financial years 1 January–31 December 2015 and 1 January–31 December 2014. The additional financial information included in the IFRS financial statements of the POP Bank Group has been prepared for the period preceding the formation of the amalgamation of POP Banks, at which time POP Banks acted as a single bank group but were not legally liable for each other's commitments.

More detailed information about the additional financial information is presented in Note 1 The POP Bank Group and the scope of the first IFRS Financial Statements in the POP Bank Group consolidated financial statements 31 December 2015. With regard to the additional financial information for the POP Bank Group, the IFRS transition date was 1 January 2014 and the information presented as additional information is prepared in compliance with the accounting policies applied in the financial statements.

POP Bank Group's first half-year financial report 1 January - 30 June 2016 provides corresponding additional financial information for 1 January - 30 June 2015 as comparison information for the time preceding the formation of the amalgamation. The comparison information has been prepared in accordance with the accounting principles applied in the financial statements. The information presented in the income statement for the period 1 January 30 June 2015 and reconciliations between balances 1 January 2015 and 30 June 2015 or 31 December 2015 are part of the additional financial information.

The additional financial information has been marked with footers in the half-year financial report.

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 2016 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 2015, with the exception of the change to the accounting policies requiring the management's discretion and uncertainties associated with estimates described below.

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

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

Accounting policies requiring the management's discretion and uncertainties associated with estimates

The application of IFRS requires the management to make assessments and assumptions that effects on the items disclosed in the financial statements and information presented as notes to them. The management's key estimates concern the future and key uncertainties associated with values on the closing date, and they are particularly associated with the assessment of fair value, impairment of financial assets and intangible assets, as well as the assumptions used in actuarial calculations.

In May 2016, the Board of Directors of POP Bank Alliance Coop defined that impairment of an investment in an equity instrument to be significant when the fair value is more than 30 per cent lower than the cost of the instrument. Previously, the criterion for significance was 40 per cent. The change resulted in a slight increase in impairment of equity instruments during the first half of the year.

No significant changes have taken place in other accounting policies requiring the management's discretion and uncertainties included in estimates compared to the financial statements for 2015.

Essential errors concerning previous financial periods are adjusted retrospectively in accordance with the requirements of IAS 8 Accounting Policies, Changes in Accounting, Estimates and Errors. An error concerning the depreciation of real property was observed in the financial statements for 2015. Its effect on the balance sheet of 31 December 2015 and opening balance sheet of 1 January 2015 presented as additional financial information and the earnings for the financial period 1 January – 31 December 2015 is presented in Note 3.

NOTE 3 ERROR IN DEPRECIATIONS ON REAL ESTATE ASSETS, WHICH AFFECTS PREVIOUS PERIODS

Due to an accounting error in consolidating real estate entities, the depreciations on real estate assets were understated in Financial Statements 31 December 2015. The reported equity capital of the POP Bank Group 31 December was EUR 2 265 thousands overstated. The effect on the profit for the period 1 January - 31 December 2015 presented as additional financial information was EUR 683 thousand.

The error has been corrected retrospectively in accordance with the requirements of Standard IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors by adjusting the financial statements as follows:

31 December 2015

(EUR 1 000)	Reported	Adjustment	Adjusted
Investment assets	637 308	–1 403	635 904
Property, plant and equipment	41 224	–1 428	39 796
Tax assets	3 401	566	3 967
Retained earnings	239 831	–2 265	237 566
Total equity capital			
Total equity attributable to the owners of the POP Bank Group	422 721	–2 265	420 455
Non-controlling interests	3 261	–	3 261

1 January-31 December 2015*

(EUR 1 000)	Reported	Adjustment	Adjusted
1 January 2015			
Investment assets	388 668	–861	387 807
Property, plant and equipment	42 400	–1 118	41 282
Tax assets	2 574	396	2 969
Retained earnings	235 558	–1 583	233 976
Total equity capital			
Total equity attributable to the owners of the POP Bank Group	385 939	–1 583	384 356
Non-controlling interests	8 604	–	8 604
Impact on the income statement 1 Jan–31 Dec 2015			
Net investment income	3 226	–543	2 684
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	–5 523	–311	–5 834
Income tax expense	–3 783	171	–3 613
Profit for the period	9 093	–683	8 411

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

The adjustment had no material effect on capital adequacy ratios of the amalgamation of POP Banks 31 December 2015

NOTE 4 THE POP BANK GROUP'S OPERATING SEGMENTS

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

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

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

Internal transactions between banks included in the Banking segment are eliminated in segment reporting. Pricing between segments is based on market prices. Transactions between the Banking segment and the Insurance segment are included in eliminations presented with reconciliations. Unallocated items include income statement and balance sheet items related to other operations. Other operations include POP Holding Ltd, POP Bank Alliance Coop and POP Banks' guarantee fund, which was dissolved during the period.

POP BANK GROUP'S OPERATING SEGMENTS 2016

Income statement 1 January–30 June 2016

(EUR 1 000)	Banking	Insurance	Segments total
Net interest income	30 719	–	30 719
Net commissions and fees	14 524	–	14 524
Net trading income	236	–	236
Net investment income	4 586	–	4 586
Net income from non-life insurance	–	3 225	3 225
Other operating income	12 661	–	12 661
Total operating income*	**62 727**	**3 225**	**65 951**
Personnel expenses	–14 849	–3 189	–18 038
Other operating expenses	–23 461	–1 629	–25 090
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	–2 118	–662	–2 779
Total operating expenses	**–40 427**	**–5 480**	**–45 907**
Impairment losses on loans and receivables	–2 420	–	–2 420
Profit before tax	**19 880**	**–2 256**	**17 624**
Income tax expense	–4 528	1	–4 527
Profit for the period	**15 351**	**–2 255**	**13 097**
*of which external	62 727	3 225	65 951
of which internal	–	–	–

Balance Sheet June 30, 2016

(EUR 1 000)	Banking	Insurance	Segments total
Assets			
Liquid assets	204 488	–	204 488
Financial assets at fair value through profit or loss	1 978	–	1 978
Loans and receivables from credit institutions	113 453	7 725	121 178
Loans and receivables from customers	3 089 769	–	3 089 769
Derivative contracts	4 105	–	4 105
Investment assets	731 338	–	731 338
Non-life insurance assets	–	42 327	42 327
Intangible assets	5 372	8 318	13 691
Property, plant and equipment	32 325	45	32 370
Other assets	21 240	85	21 325
Tax assets	1 835	0	1 835
Total assets	**4 205 903**	**58 501**	**4 264 404**
Liabilities			
Liabilities to credit institutions	51 150	–	51 150
Liabilities to customers	3 398 906	–	3 398 906
Non-life insurance liabilities	–	31 968	31 968
Debt securities issued to the public	123 624	–	123 624
Supplementary cooperative capital	50 605	–	50 605
Other liabilities	59 046	1 559	60 605
Tax liabilities	26 649	208	26 857
Total liabilities	**3 709 981**	**33 734**	**3 743 715**

THE POP BANK GROUP'S OPERATING SEGMENTS 2015

Income statement 1 January–30 June 2015**

(EUR 1 000)	Banking	Insurance	Segments total
Net interest income	30 422	–	30 422
Net commissions and fees	13 302	–	13 302
Net trading income	320	–	320
Net investment income	8 054	–	8 054
Net income from non-life insurance	–	1 763	1 763
Other operating income	4 174	–	4 174
Total operating income*	**56 271**	**1 763**	**58 034**
Personnel expenses	–14 427	–2 667	–17 094
Other operating expenses	–19 012	–1 776	–20 788
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	–2 033	–634	–2 667
Total operating expenses	**–35 473**	**–5 076**	**–40 549**
Impairment losses on loans and receivables	–949	–	–949
Profit before tax	**19 850**	**–3 313**	**16 536**
Income tax expense	–3 848	0	–3 848
Profit for the period	**16 002**	**–3 313**	**12 688**
*of which external	56 271	1 763	58 034
of which internal	–	–	–

** Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

Balance Sheet 31 December 2015

(EUR 1 000)	Banking*	Insurance	Segments total
Assets			
Liquid assets	172 899	–	172 899
Financial assets at fair value through profit or loss	3 383	–	3 383
Loans and receivables from credit institutions	128 780	3 483	132 263
Loans and receivables from customers	3 029 032	–	3 029 032
Derivative contracts	5 356	–	5 356
Investment assets	686 487	–	686 487
Non-life insurance assets	–	37 610	37 610
Intangible assets	6 547	8 885	15 432
Property, plant and equipment	32 766	57	32 824
Other assets	13 293	162	13 455
Tax assets	3 266	56	3 322
Total assets	**4 081 809**	**50 252**	**4 132 062**
Liabilities			
Liabilities to credit institutions	112 658	–	112 658
Liabilities to customers	3 347 181	–	3 347 181
Non-life insurance liabilities	–	27 567	27 567
Debt securities issued to the public	24 188	–	24 188
Supplementary cooperative capital	58 231	–	58 231
Other liabilities	54 151	1 752	55 903
Tax liabilities	24 995	153	25 149
Total liabilities	**3 621 404**	**29 473**	**3 650 876**

*Adjusted see note 3

RECONCILIATIONS

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Income		
Segments' total income	65 951	58 034
Unallocated income, other functions	5 189	2 680
Eliminations of internal items between segments and other functions	–11 909	–3 024
Group's total income	**59 231**	**57 691**
Result		
Segments' total result	13 097	12 688
Unallocated items	–8 658	–2 218
Group's total result	**4 438**	**10 471**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Assets		
Total assets of the segments	4 264 404	4 132 062
Eliminations of internal items between segments	–5 747	–3 321
Unallocated assets, other functions	120 603	129 754
Eliminations of internal items between segments and other functions	–195 802	–186 861
Group's total assets	**4 183 457**	**4 071 635**
Liabilities		
Segments' total liabilities	3 743 715	3 650 876
Eliminations of internal items between segments	–5 747	–3 321
Unallocated liabilities, other functions	30 191	19 445
Eliminations of internal items between segments and other functions	–25 755	–19 082
Group's total liabilities	**3 742 404**	**3 647 918**

NOTE 5 NET INTEREST INCOME

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015**
Interest Income		
Loans and advances to credit institutions	486	1 066
Loans and advances to customers*	35 672	35 549
Debt securities	2 095	2 027
Hedging derivatives	1 687	1 694
Other interest income	292	416
Total interest income	**40 233**	**40 752**
Interest expenses		
Liabilities to credit institutions	–200	–307
Liabilities to customers	–9 133	–9 921
Debt securities issued to the public	–235	–204
Hedging derivatives	–1	–2
Subordinated liabilities	–	–11
Other interest expenses	–39	–334
Total interest expenses	**–9 608**	**–10 778**
Net interest income	**30 625**	**29 974**
*Impaired loans	–483	–464

** Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

NOTE 6 NET COMMISSIONS AND FEES

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Commissions and fees		
Lending	3 928	3 801
Deposits	881	218
Payment transfers	6 960	5 170
Securities brokerage	45	45
Legal services	948	845
Intermediated services	1 909	1 468
Issuing guarantees	578	1 043
Funds	943	994
Other commission income	339	1 840
Total commissions and fees	**16 532**	**15 424**
Commissions expenses		
Payment transfers	–580	–452
Securities	–306	–337
Other commission expenses	329	33
Total commission expenses	**–556**	**–757**
Net commissions and fees	**15 975**	**14 668**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

NOTE 7 NET INVESTMENT INCOME

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Net income from available-for-sale financial assets		
Debt securities		
Capital gains and losses	32	–56
Impairment losses	1	–35
Transferred from fair value reserve	400	379
Debt securities	**432**	**288**
Shares and participations		
Capital gains and losses	451	1 015
Impairment losses	–1 513	–3
Transferred from fair value reserve	5 267	5 629
Divident income	1 765	1 247
Total shares and participations	**5 971**	**7 889**
Total net income from available-for-sale financial assets	**6 403**	**8 177**
Net income from investment property		
Rental income	2 094	2 094
Capital gains and losses	25	14
Other income from investment property	42	32
Maintenance charges and expenses	–1 350	–1 426
Depreciations and amortisation of investment property	–650	–548
Other expenses from investment property	–190	–2
Total net income from investment property	**–28**	**164**
Total net investment income	**6 375**	**8 340**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

NOTE 8 NET INCOME FROM NON-LIFE INSURANCE

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Insurance premium revenue		
Premiums written	18 115	15 440
Change in the provision for unearned premiums	–2 186	–1 001
Gross insurance premium revenue	**15 929**	**14 439**
Ceded to reinsurers	–185	–693
Total insurance premium revenue	**15 744**	**13 746**
Claims incurred		
Claims paid	–9 942	–10 121
Change in provision for unpaid claims	–2 701	–1 766
Total claims incurred, gross	**–12 643**	**–11 887**
Ceded to reinsurers	–	–50
Total claims incurred	**–12 643**	**–11 937**
Net investment income	132	3
Total net income from non-life insurance	**3 233**	**1 812**

NET INVESTMENT INCOME FROM NON-LIFE INSURANCE

(1000 euroa)	1 Jan–30 Jun 2016	1 Jan–30 Jun 2015*
Net income from available-for-sale financial assets		
Debt securities		
Interest income	66	12
Capital gains and losses	63	5
Total net income from available-for-sale financial assets	**129**	**17**
Other investment income and expenses		
Interest income	27	30
Interest expenses	–1	–1
Other investment income	18	–11
Investment income management expenses	–41	–31
Other investment income and expenses total	**3**	**–14**
Total net investment income from non-life insurance	**132**	**3**

The net investment income of the investment activities of the non-life insurance company includes all income and expenses from investments.

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

NOTE 9 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Assets 30 June 2016

(EUR 1 000)	Loans and receivables	Measured at fair value through profit or loss	Hedging derivatives	Available-for-sale	Non-financial assets	Total carrying amount
Liquid assets	204 488	–	–	–	–	204 488
Assets at fair value through profit or loss	–	1 978	–	–	–	1 978
Loans and receivables from credit institutions	115 778	–	–	–	–	115 778
Loans and receivables from customers	3 067 265	–	–	–	–	3 067 265
Derivative contracts	–	–	4 105	–	–	4 105
Investment assets						
Debt securities	–	–	–	362 016	–	362 016
Shares and participations	–	–	–	274 566	–	274 566
Other	–	–	–	–	35 251	35 251
Non-life insurance assets	–	–	–	25 903	16 424	42 327
Total	**3 387 532**	**1 978**	**4 105**	**662 485**	**51 675**	**4 107 775**

Liabilities 30 June 2016

(EUR 1 000)	Other financial liabilities	Non-financial liabilities	Total carrying amount
Liabilities to credit institutions	51 335	–	51 335
Liabilities to customers	3 388 425	4 300	3 392 724
Debt securities issued to the public	123 624	–	123 624
Supplementary cooperative capital	50 605	–	50 605
Total	**3 613 990**	**4 300**	**3 618 289**

Assets 31 December 2015*

(EUR 1 000)	Loans and receivables	Measured at fair value through profit or loss	Hedging derivatives	Available-for-sale	Non-financial assets	Total carrying amount
Liquid assets	172 899	–	–	–	–	172 899
Assets at fair value through profit or loss	–	3 383	–	–	–	3 383
Loans and receivables from credit institutions	129 327	–	–	–	–	129 327
Loans and receivables from customers	3 013 972	–	–	–	–	3 013 972
Derivative contracts	–	–	5 356	–	–	5 356
Investment assets						
Debt securities	–	–	–	311 983	–	311 983
Shares and participations	–	–	–	289 823	–	289 823
Other	–	–	–	–	34 098	34 098
Non-life insurance assets	–	–	–	24 412	13 198	37 610
Total	**3 316 198**	**3 383**	**5 356**	**626 218**	**47 296**	**3 998 451**

*Adjusted see note 3

Liabilities 31 December 2015

(EUR 1 000)	Other financial liabilities	Non-financial liabilities	Total carrying amount
Liabilities to credit institutions	112 783	–	112 783
Liabilities to customers	3 337 170	5 643	3 342 813
Debt securities issued to the public	24 188	–	24 188
Supplementary cooperative capital	58 231	–	58 231
Total	**3 532 372**	**5 643**	**3 538 015**

NOTE 10 LOANS AND RECEIVABLES

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Loans and receivables from credit institutions		
Deposits		
Repayable on demand	62 046	63 415
Other	53 732	65 912
Total loans and advances to credit institutions	**115 778**	**129 327**
Loans and advances to customers		
Loans	2 974 153	2 919 646
Loans granted from government funds	8 059	9 026
Guarantees	66	184
Used overdrafts	45 042	44 002
Other receivables	39 945	41 115
Total loans and advances to customers	**3 067 265**	**3 013 972**
Total loans and receivables	**3 183 044**	**3 143 299**

POP Banks belonging to the POP Bank Group have additionally intermediated Aktia Real Estate Mortgage Bank's loans. POP Banks have the right to purchase the Aktia Real Estate Mortgage Bank loans they have intermediated during 2016. The loans intermediated by POP Banks amounted to EUR 147 614 thousand (203 105) on 30 June 2016.

Impairment losses recorded on loans and receivables

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–31 Dec 2015
Increases in impairment losses	2 747	–5 768
Reversals of impairment losses	–401	827
Change in collectively assessed impairment losses	67	–357
Reversals of impairment losses from final credit losses	–706	4 652
Final credit losses	714	–4 314
Impairment losses on loans and receivables	**2 420**	**–4 961**

Accrued impairment losses on loans and receivables in the balance sheet

(EUR 1 000)	1 Jan–30 Jun 2016	1 Jan–31 Dec 2015
Impairment losses 1 January	16 933	16 286
+ Increases in impairment losses	2 747	5 768
– Reversals of impairment losses	–401	–827
+/– Change in collectively assessed impairment losses	67	357
– Reversals of impairment losses from final credit losses	–706	–4 652
Impairment losses at the end of period	**18 639**	**16 933**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

NOTE 11 INVESTMENT ASSETS

(EUR 1 000)	30 Jun 2016	31 Dec 2015*
Available-for-sale financial assets		
Debt securities	362 016	311 983
Shares and participations	274 566	289 823
Investment properties	35 251	34 098
Total investment assets	**671 834**	**635 904**

*Adjusted see note 3

Impairment losses on available-for-sale financial assets

(EUR 1 000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2016	376	5 683	6 059
+ Increases in impairment losses	7	1 513	1 520
– Reversals of impairment losses	–8	–1 992	–2 000
Impairment losses 30 June 2016	**375**	**5 204**	**5 579**

(EUR 1 000)	Debt securities	Shares and participations	Total
Impairment losses 1 January 2015	329	805	1 134
+ Increases in impairment losses	47	6 359	6 407
– Reversals of impairment losses	–	–1 482	–1 482
Impairment losses 31 December 2015	**376**	**5 683**	**6 059**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

NOTE 12 NON-LIFE INSURANCE ASSETS

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Investments		
Shares and participations	5 923	7 900
Bonds	19 980	16 512
Other assets		
Other receivables		
Direct insurance operations	15 944	13 034
Other receivables	480	164
Non-life insurance assets total	**42 327**	**37 610**

NOTE 13 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Liabilities to credit institutions		
Liabilities to central banks	11 195	16 611
Liabilities to credit institutions		
Repayable on demand	28 113	81 175
Not repayable on demand	12 027	14 996
Total liabilities to credit institutions	**51 335**	**112 783**
Liabilities to customers		
Deposits		
Repayable on demand	2 458 342	2 424 924
Not repayable on demand	922 213	903 469
Other financial liabilities		
Not repayable on demand	12 169	14 421
Total liabilities to customers	**3 392 724**	**3 342 813**
Total liabilities to credit institutions and customers	**3 444 060**	**3 455 596**

NOTE 14 NON-LIFE INSURANCE LIABILITIES

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Insurance contract liabilities	26 295	21 889
Liabilities from direct insurance operations	184	692
Liabilities from reinsurance operations	576	369
Other	4 912	4 617
Total non-life insurance liabilities	**31 968**	**27 567**

Insurance contract liabilities

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Provision for unearned premiums	14 146	11 960
Ceded to reinsurers	–482	–
Provisions for unpaid claims	13 480	9 929
Ceded to reinsurers	–850	–
Total insurance contract liabilities	**26 295**	**21 889**

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

NOTE 15 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Debt securities issued to the public	122 789	23 356
Other		
Certificate of deposits	835	832
Total debt securities issued to the public	**123 624**	**24 188**

Bonum Bank Plc, the central credit institution of POP Banks, issued a three-year unsecured bond of EUR 100 million during the reporting period. The bond is listed on the Helsinki stock exchange.

NOTE 16 COLLATERAL GIVEN AND HELD

Collateral given

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Given on behalf of own liabilities and commitments		
Pledges	3 442	3 442
Mortgages	536	536
Collateral giben to the Bank of Finland	20 936	27 553
Total collateral given	**24 913**	**31 531**

Collateral received

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Real estate collateral	2 815 418	2 651 496
Other	52 666	51 785
Guarantees received	58 139	53 865
Total collateral received	**2 926 224**	**2 757 146**

NOTE 17 OFF-BALANCE-SHEET COMMITMENTS

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Guarantees	29 438	24 508
Loan commitments	98 299	186 773
Total off-balance sheet commitments	**127 737**	**211 281**

NOTE 18 FAIR VALUES BY VALUATION TECHNIQUE

Items recurrently measured at fair value 30 June 2016

(EUR 1 000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Measured at fair value through profit or loss					
Banking	209	–	1 769	1 978	1 978
Derivative contracts					
Banking	–	4 105	–	4 105	4 105
Available-for-sale financial assets					
Banking	460 293	148 550	27 739	636 582	636 582
Insurance	25 903	–	–	25 903	25 903
Total financial assets	**486 406**	**152 655**	**29 508**	**668 568**	**668 568**

Items measured at amortised cost 30 June 2016

(EUR 1 000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Loans and receivables					
Banking	–	3 246 005	–	3 246 005	3 183 044
Total assets measured at amortised cost	**–**	**3 246 005**	**–**	**3 246 005**	**3 183 044**
Financial liabilities					
Other financial liabilities					
Banking	–	3 628 857	–	3 628 857	3 613 990
Total financial liabilities measured at amortised cost	**–**	**3 628 857**	**–**	**3 628 857**	**3 613 990**

Items recurrently measured at fair value 31 December 2015

(EUR 1 000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Measured at fair value through profit or loss					
Banking	–	–	3 383	3 383	3 383
Derivative contracts					
Banking	–	5 356	–	5 356	5 356
Available-for-sale financial assets					
Banking	463 754	94 675	30 959	589 388	589 388
Insurance	24 412	–	–	24 412	24 412
Other	12 418	–	–	12 418	12 418
Total financial assets	**500 583**	**100 032**	**34 342**	**634 957**	**634 957**

The "Other" item under available-for-sale financial assets 31 December 2015 includes the available-for-sale assets of other operations, which are comprised of investments of the POP Banks' guarantee fund. The guarantee fund was dissolved in June 2016.

Items measured at amortised cost 31 December 2015

(EUR 1 000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets					
Loans and receivables					
Banking	–	3 123 949	–	3 123 949	3 143 299
Total assets measured at amortised cost	**–**	**3 123 949**	**–**	**3 123 949**	**3 143 299**
Financial liabilities					
Other financial liabilities					
Banking	–	3 519 270	–	3 519 270	3 532 372
Total financial liabilities measured at amortised cost	**–**	**3 519 270**	**–**	**3 519 270**	**3 532 372**

Fair value determination of financial assets and financial liabilities

Financial assets are recorded in the balance sheet either at fair value or at amortised cost. The classification and measurement of financial instruments is described in more detail in Note 2 to the POP Bank Group's consolidated financial statements 31 December 2015.

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 quotations are regularly available. This group includes all securities with publicly quoted prices."

Level 2 includes financial instruments measured 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 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 period EUR 4 204 thousand of secuirites have been transferred from hierarchy level 3 to hierarchy level 1. A regular public quote could not be previously obtained for the debt securities, which is why they were classified to hierarchy level 3 in the comparison period.

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

Changes in financial assets measured at fair value through profit or loss classified into level 3

(EUR 1 000)	1 Jan – 30 Jun 2016 Banking	1 Jan – 31 Dec 2015 Banking
Carrying amount 1 January	3 383	3 477
– Sales	–	–50
– Matured during the period	–1 554	–
+/– Unrealised changes in value recognised in the income statement	–60	–44
Carrying amount at the end of period	**1 769**	**3 383**

Changes in available-for-sale financial assets classified into level 3

(EUR 1 000)	1 Jan – 30 Jun 2016 Banking	1 Jan – 31 Dec 2015 Banking
Carrying amount 1 January	30 959	44 166
+ Purchases	1 158	5 081
– Sales	–125	–3 653
– Matured during the period	–211	–5 183
+/– Realised changes in value recognised in income statement	47	118
+/– Unrealised changes in value recognised in income statement	–8	30
+/– Changes in value recognised in other comprehensive income	122	499
– Transfers to level 1 and 2	–4 204	–10 099
Carrying amount at the end of period	**27 739**	**30 959**

* Additional financial information presented for the time preceding the start of operation of the amalgamation of POP Banks in 31 December 2015. See note 1.

SENSITIVITY ANALYSIS OF FINANCIAL INSTRUMENTS AT LEVEL 3

Available-for-sale financial assets 30 June 2016

		Possible effect on equity capital	
(EUR 1 000)	Carrying amount	Positive	Negative
Banking	70 111	10 517	–10 517
Total available-for-sale financial assets	**70 111**	**10 517**	**–10 517**

Available-for-sale financial assets 31 December 2015

		Possible effect on equity capital	
(EUR 1 000)	Carrying amount	Positive	Negative
Banking	31 446	3 258	–3 258
Total available-for-sale financial assets	**31 446**	**3 258**	**–3 258**

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 19 RELATED PARTY DISCLOSURES

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

There are no material changes in related party transactions since 31 December 2015.

NOTE 20 CAPITAL ADEQUACY

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

Pillar III disclosure requirements are presented in the financial statements' Note 4 on risk and capital adequacy management and Note 3 on governance and management systems. The disclosure requirements concerning remuneration are presented in Note 3 on governance and management systems and Note 48.17 on employee expenses.

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

SUMMARY OF CAPITAL ADEQUACY

(EUR 1 000)	30 Jun 2016	31 Dec 2015
Own funds		
Common Equity Tier 1 capital before deductions	477 440	461 632
Deductions from Common Equity Tier 1 capital	-5 379	-6 089
Total Common Equity Tier 1 capital (CET1)	**472 061**	**455 542**
Additional Tier 1 capital before deductions	8 815	10 545
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**8 815**	**10 545**
Tier 1 capital (T1 = CET1 + AT1)	480 876	466 087
Tier 2 capital before deductions	3 526	3 164
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**3 526**	**3 164**
Total capital (TC = T1 + T2)	**484 401**	**469 251**
Total risk weighted assets	**2 256 276**	**2 252 853**
of which credit risk	2 046 965	2 038 332
of which credit valuation adjustment risk (CVA)	2 463	3 599
of which market risk (exchange rate risk)	20 817	24 892
of which operational risk	186 031	186 031
Fixed capital conservaction buffer according to Act on Credit institutions (2.5%)	**56 407**	**56 321**
Countercyclical capital buffer	**200**	**253**
Common Equity Tier 1 capital (CET1) in relation to risk weighted assets (%)	20,9 %	20,2 %
Tier 1 capital (T1) in relation to risk weighted assets (%)	21,3 %	20,7 %
Total Capital (TC) in relation to risk weighted assets (%)	21,5 %	20,8 %
Leverage ratio		
Tier 1 capital (T1)	480 876	466 087
Leverage ratio exposure	4 429 563	4 283 948
Leverage ratio, %	10,9 %	10,9 %

FURTHER INFORMATION

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

POP Pankki