

Bonum Bank Plc

HALF-YEAR REPORT

FOR 1 January – 30 June 2019

CONTENTS

REVIEW BY THE BOARD OF DIRECTORS FOR THE PERIOD 1 JANUARY – 30 JUNE 2019.....	3
POP Bank Group and amalgamation of POP Banks.....	3
Operating environment.....	4
Bonum Bank’s earnings and balance sheet.....	5
Earnings.....	5
Balance Sheet.....	6
Key Indicators.....	7
Credit Rating.....	7
Risk and capital adequacy management and risk exposure.....	8
Principles and organisation of risk management.....	8
Capital adequacy.....	8
Credit risk and concentrations.....	10
Liquidity risk.....	10
Market risks.....	10
Events after the review period.....	10
Outlook for the second half of the year.....	10
HALF-YEAR REPORT FOR 1 January – 30 June 2019.....	11
Income Statement.....	11
Statement of Other Comprehensive Income.....	11
Balance Sheet.....	12
Statement of Changes in Equity Capital.....	13
Cash Flow Statement.....	14
NOTES.....	15
NOTE 1 Accounting Principles.....	15
NOTE 2 Interest Income and Expenses.....	17
NOTE 3 Commission Income and Expenses, Net.....	17
NOTE 4 Net Investment Income.....	18
NOTE 5 Classification of Financial Assets and Financial Liabilities.....	19
NOTE 6 Expected Credit Losses on Financial Assets.....	20
NOTE 7 Fair Values of Financial Assets and Financial Liabilities.....	23
NOTE 8 Debt Securities Issued to the Public.....	25
NOTE 9 Collateral Given.....	25
NOTE 10 Off-Balance-Sheet Commitments.....	25
NOTE 11 Related Parties.....	26
NOTES 12 Capital Adequacy.....	26

Review by the Board of Directors for the period 1 January – 30 June 2019

Bonum Bank Plc is part of the amalgamation of POP Banks. It provides central credit institution services and secures external funding for the 26 POP Banks, and it issues their payment cards.

The intermediation of funding from Bonum Bank to the POP Banks became more efficient during the period under review. Bonum Bank has a EUR 750 million bond programme under which it issued a three-year, EUR 75 million unsecured senior bond in April to replace the EUR 100 million senior bond which matured in June. Bonum also issued a separate two year, EUR 20 million unsecured senior bond within the bond programme in the first half of the year. The bonds are listed on Nasdaq Helsinki (the Helsinki Stock Exchange).

In January 2019, Bonum Bank and the Nordic Investment Bank (NIB) established a EUR 25 million loan programme for financing SMEs and environmental projects. The period of the loan programme is seven years. Bonum Bank renewed its certificate of deposit programme in January, increasing its size to EUR 250 million. In May, S&P Global Ratings reiterated Bonum Bank Plc's long-term rating as BBB (investment grade) and its short-term rating as A-2. The outlook remained stable.

Bonum Bank plays a key role in developing the digital services of the POP Bank Group. Demand for POP Pikalaina, a new short-term unsecured loan (a "payday loan") product launched late in 2018, has been brisk, with sales in the first half of the year exceeding expectations. The overhaul of the POP Bank Group's core banking system, in which Bonum Bank is closely involved, also aims at increasing efficiency in the development of digital services. Moreover, some processes of the POP Banks were centralised with Bonum Bank, where they were automated using robotics during the first half of the year.

Bonum Bank was one of the first banks in Finland to adopt SEPA Instant Credit Transfers, and the first such transfers were received in May. Additionally, Bonum Bank has prepared for compliance with the requirements of the Payment Services Directive (PSD2). Improving the efficiency of anti-money laundering measures

and systems is currently one of the key focus areas for the bank.

The Annual General Meeting of Bonum Bank was held in April 2019. The Annual General Meeting dealt with statutory matters and elected Pekka Lemettinen, Hanna Linna, Mikael Zilliacus and Arvi Helenius to the Board of Directors. Pekka Lemettinen has served as Chairman of the Board.

POP Bank Group and amalgamation of POP Banks

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

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

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

Operating environment

The pace of economic growth slowed down in the first half of 2019. Uncertainty in the global economy has increased, owing to the more strained trade relations between the US and China and to the US policy of quickly resorting to trade tariffs as a means of applying political and economic pressure. The US has unresolved trade disputes with the EU as well. The postponement of Brexit and uncertainty over which form it will take are threatening economic performance in the eurozone.

The European Central Bank has continued to support the markets with bond purchases and special financing measures. Expectations of higher interest rates in the eurozone have again been pushed back a lot further into the future. However, negative short-term market rates and the good availability of financing are providing a boost to the equity and real estate markets.

Economic growth in Finland in the first half of the year slowed down considerably compared to the previous year, albeit the improved competitiveness of exports continues to support export sector companies. Over the long term, it is expected that construction will continue to be exceptionally brisk, although the number of applications for new building permits indicates a slackening in its pace.

Consumer purchasing power has maintained its positive trend owing primarily to an improved employment situation, but also to an increase in the wages and salaries sum due to pay rises, and flat inflation. The decline in unemployment is levelling off, however, as it becomes more challenging to find employment for those still out of work. Saving has finally begun to grow, with the result that consumer demand is hardly growing at all.

The agricultural sector continues to face overall challenges. The structural transformation is expected to continue and farms to grow in size. On the other hand investments to forestry and bioeconomy are increasing and the development prospects of the sector seem promising. The importance of the sector is emphasized by the climate change.

Low interest rates still support the housing markets and sales have remained on a decent level. At the growth centres, construction building continues this year, but the number of applied building permits indicates a slow-down in the housing construction. Outside of the Greater Helsinki area and other growth centres, housing prices are rising only modestly.

Bonum Bank's earnings and balance sheet

EARNINGS

The earnings of Bonum Bank Plc during the reporting period grew by 23.7 per cent on the comparison period. Profit before taxes was EUR 329 thousand negative, whereas in the comparison period it was EUR 158 thousand negative. Profit in the first half was particularly encumbered by higher personnel and IT expenses, as well as by calculated expected credit losses related to growth in the loan portfolio. The bank's cost-to-income ratio was 96.7 (100.6) per cent. The earnings for the reporting period still consisted mostly of the interest and commission income from central credit institution services offered to the POP Banks, as well as from commissions gained from the cards business.

The bank's key items on the income statement have developed as follows, compared to the corresponding period a year ago:

(EUR 1,000)	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	Change %
Net interest income	1,510	1,104	36.8
Net commissions and fees	3,239	2,813	15.1
Net investment income	266	223	19.4
Other operating income	511	326	56.6
Total operating income	5,526	4,466	23.7
Personnel expenses	-1,220	-968	26.1
Other operating expenses	-3,699	-3,223	14.8
Depreciation and amortisation on property, plant and equipment and intangible assets	-423	-304	39.1
Total operating income	-5,342	-4,494	18.9
Impairment losses on financial assets	-513	-130	295.2
Profit before taxes	-329	-158	108.1
Income taxes	65	30	114.8
Result for the period	-264	-128	106.5

The bank's net interest income amounted to EUR 1,510 (1,104) thousand. Interest income consists mainly of interest income from the cards business, intra-group funding and the bank's investments. Pikalaina accounts for a growing share of interest income.

Net commission income grew to EUR 3,239 (2,813) thousand. Commission income consists mostly of payment transmission fees and income from the cards business.

Net investment income increased to EUR 266 (233) thousand. Other operating income totalled EUR 511 (326) thousand.

Personnel expenses increased to EUR 1,220 (968) thousand. Personnel expenses are composed of salary expenses and pension and other indirect employee expenses. Other operating expenses increased to EUR 3,699 (3,223) thousand. Among the factors that further increased expenses was growth in the verification expenses of the cards business.

BALANCE SHEET

The bank's balance sheet at the close of the period under review was EUR 588,536 (606,015) thousand.

The key items on the balance sheet of Bonum Bank Plc are as follows:

(EUR 1,000)	30 Jun 2019	31 Dec 2018
Assets		
Cash funds	27,213	68,137
Loans and receivables from credit institutions	239,187	235,339
Loans and receivables from customers	50,428	41,444
Investment assets	263,756	255,960
Other assets	7,952	5,136
Total assets	588,536	606,015
Liabilities		
Liabilities to credit institutions	424,336	414,973
Liabilities to customers	10,073	9,983
Debt securities issued to the public	109,799	142,399
Other liabilities	12,448	6,948
Total liabilities	556,656	574,302
Equity		
Share capital	10,000	10,000
Reserves	20,930	20,498
Retained earnings	951	1,215
Total equity	31,881	31,713
Total liabilities and equity	588,536	606,015

KEY INDICATORS

	30 Jun 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Cost-to-income ratio, %	96.7	94.9	95.6	82.7
ROA	-0.09	0.03	0.02	0.22
ROE	-1.66	0.60	0.44	4.66
Capital adequacy ratio (TC), %	33.7	43.7	53.2	28.7
Equity ratio	5.4	5.2	5.7	4.7

CALCULATION METHOD

$$\text{Cost-to-income ratio, \%} = \frac{\text{Personnel expenses + other operating expenses + depreciation}}{\text{Net interest income + net fee income + net investment income + other operating income}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Operating profit (loss) - income taxes}}{\text{Equity (average of beginning and end of year)}} \times 100$$

$$\text{Return on assets (ROA), \%} = \frac{\text{Operating profit (loss) - Income taxes}}{\text{Balance sheet total (average of beginning and end of year)}} \times 100$$

$$\text{Capital adequacy ratio (TC), \%} = \frac{\text{Total capital (TC)}}{\text{Total minimum capital requirement}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Balance sheet total}} \times 100$$

CREDIT RATING

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

Risk and capital adequacy management and risk exposure

PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

The purpose of Bonum Bank's risk management is to ensure that all significant risks resulting from business operations are identified, measured, assessed, limited and monitored in accordance with the appropriate internal control principles. Risk management is part of the capital adequacy management process, which aims to ensure that the risk levels are proportionate to the Bank's risk-bearing capacity and will not risk the Bank's capital adequacy position.

With regard to Bonum Bank's business operations and capital adequacy, the key areas of risk management are credit risk, interest rate risk, liquidity risk and operational risks.

CAPITAL ADEQUACY

The Bank applies the standardised approach for the calculation of the capital requirement to the credit risk and the basic indicator approach to the operational risk. Bonum Bank's own funds consist of share capital, non-restricted reserves and retained earnings, less the deductible items in accordance with the EU's Capital Requirements Regulation (No. 575/2013). On 30 June 2019, Bonum Bank's CET1 capital stood at EUR 27,464 thousand (28,845 on 31 December 2018), and its CET1 capital adequacy ratio was 33,7% (43,7%).

During the first half of 2019 Bonum Bank's capital adequacy was affected by decrease of own funds which was due to growth in risk weighted assets and capitalization of investment costs. Growth of the risk weighted assets is mainly related to business-plan-aligned increase of unsecured loans and changes in the allocation of liquid assets.

SUMMARY OF CAPITAL ADEQUANCY

(EUR 1,000)	30 Jun 2019	31 Dec 18
Common Equity Tier 1 capital before deductions	31,881	31,521
Deductions from Common Equity Tier 1 capital	-4,417	-2,676
Ydinpääoma (CET1) yhteensä	27,464	28,845
Additional Tier 1 capital before deductions	0	0
Deductions from Additional Tier 1 capital	0	0
Additional Tier 1 capital (AT1)	0	0
Tier 1 capital (T1 = CET1 + AT1)	27,464	28,845
Tier 2 capital before deductions	0	0
Deductions from Tier 2 capital	0	0
Total Tier 2 capital (T2)	0	0
Total capital (TC = T1 + T2)	27,464	28,845
Total risk weighted assets	81,592	65,955
- of which credit risk	64,001	48,624
- of which credit valuation adjustment risk (CVA)	0	0
- of which market risk (exchange rate risk)	1,527	1,266
- of which operational risk	16,064	16,064
CET1 Capital ratio (%)	33.7	43.7
T1 Capital ratio (%)	33.7	43.7
Total capital ratio (%)	33.7	43.7
Capital requirement		
Total capital	27,464	28,845
Capital requirement *	8,596	6,952
Capital buffer	18,868	21,893
* The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the country-specific countercyclical capital requirements of foreign exposures.		
Leverage ratio		
Tier 1 capital (T1)	27,464	28,845
Leverage ratio exposure	602,014	620,359
Leverage ratio, %	4.56	4.65

Credit risk and concentrations

Bonum Bank's most significant credit risks are related to investment assets and the credit card business. Its investment assets was EUR 263,756 thousand (255,960) at the end of the review period. The investment asset items included in its liquidity portfolio consist of debt securities issued by governments, municipalities, financial institutions and companies with investment grade credit ratings, some of them being collateralized debt securities or ECB eligible collateral. The debt securities included in the liquidity portfolio are measured at market-quoted price on the balance sheet.

At the end of June, the loan portfolio of unsecured loans amounted to EUR 43,938 thousand (35,393). In the first half of 2019, EUR -126 thousand was recognized as a credit loss (-271). Receivables overdue for more than 90 days accounted for 1.02% (0.80%) of the loan portfolio. No credit losses or non-performing receivables were recognized on other balance sheet items.

Expected credit loss provisions (ECL) from credit and other receivables grew 67.5% ending up to 940 thousand (561) mainly because of growth of the loan portfolio.

Liquidity risk

The amalgamation of POP Banks is reporting its' LCR ratio on consolidated amalgamation level. Bonum Bank as the central credit institution is responsible for amalgamation level LCR management and monitors liquidity situation of the member banks. On 30 June 2019, the LCR-ratio for the amalgamation of POP Banks stood at 136% (152%).

Market risks

Bonum Bank's market risk levels remained moderate in the first half of 2019. The most significant market risk related to the Bank's business operations is the interest rate risk in banking book. Interest rate risk refers to the effect of changes in interest rates on the market value or net interest income of balance sheet items and off-balance sheet items. Interest rate risk arises from differences in the interest terms of receivables and liabilities and differences in interest reset and maturity dates. The objective of interest rate management is to stabilise the interest rate risk involved in the bank's balance sheet to a level at which business is profitable but profit or capital adequacy are not threatened even in considerable changes of the interest rate environment.

Interest rate risk arises from the liquidity reserve investment activities and the financial account of the banking business. Bonum Bank did not use any derivatives during the first half of 2019.

Events after the review period

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

Outlook for the second half of the year

Bonum Bank's role as a service provider to the banks in the amalgamation is strengthening, and the service centre which serves the POP Banks will continue to be developed strongly. Moreover, Bonum Bank will support the POP Group's business development and continue to seek for new business opportunities. The full-year result is expected to be positive. The result involves a degree of uncertainty, arising from the demand for new products and the impairment provisions related to the growth in lending.

HALF-YEAR REPORT FOR 1 JANUARY – 30 JUNE 2019

INCOME STATEMENT

(EUR 1,000)	Note	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	Change %
Interest income	Note 2	2,597	1,936	34.1
Interest expenses	Note 2	-1,087	-833	30.5
Net interest income		1,510	1,104	36.8
Net commissions and fees	Note 3	3,239	2,813	15.1
Net investment income	Note 4	266	223	19.4
Other operating income		511	326	56.6
Total operating income		5,526	4,466	23.7
Personnel expenses		-1,220	-968	26.1
Other operating expenses		-3,699	-3,223	14.8
Depreciation and amortisation on property, plant and equipment and intangible assets		-423	-304	39.1
Total operating income		-5,342	-4,494	18.9
Impairment losses on financial assets	Note 6	-513	-130	295.2
Profit before taxes		-329	-158	108.1
Income taxes		65	30	114.8
Result for the period		-264	-128	106.5

STATEMENT OF OTHER COMPREHENSIVE INCOME

(EUR 1,000)	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018	Change %
Profit for the period	-264	-128	106.5
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value reserve			
Debt instruments	182	164	11.0
Available-for-sale investments			
Items that may not be reclassified to profit or loss			
Changes in fair value reserve			
Equity instruments	250	-94	-365.9
Total comprehensive income	168	-58	-390.4

BALANCE SHEET

(EUR 1,000)	Note	30 Jun 2019	31 Dec 2018
Assets			
Cash funds		27,213	68,137
Loans and receivables from credit institutions		239,187	235,339
Loans and receivables from customers		50,428	41,444
Investment assets		263,756	255,960
Intangible assets		4,327	2,629
Property, plant and equipment		198	26
Other assets		3,135	2,233
Tax assets		293	248
Total assets		588,536	606,015
Liabilities			
Liabilities to credit institutions		424,336	414,973
Liabilities to customers		10,073	9,983
Debt securities issued to the public	Note 8	109,799	142,399
Other liabilities		12,041	6,604
Tax liabilities		407	344
Total liabilities		556,656	574,302
Equity			
Share capital		10,000	10,000
Reserves		20,930	20,498
Retained earnings		951	1,215
Total equity		31,881	31,713
Total liabilities and equity		588,536	606,015

STATEMENT OF CHANGES IN EQUITY CAPITAL

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Equity on 1 January 2018	10,000	498	20,000	1,215	31,713
Total comprehensive income					
Profit for the period				-264	-264
Other comprehensive income		432			432
Total comprehensive income		432		-264	168
Other changes					
Equity on 30 June 2019	10,000	930	20,000	951	31,881

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Equity on 1 January 2018	10,000	616	20,000	985	31,601
Total comprehensive income					
Profit for the period				-128	-128
Other comprehensive income		70			70
Total comprehensive income		70		-128	-58
Other changes					
				38	38
Equity on 30 June 2018	10,000	686	20,000	894	31,580

CASH FLOW STATEMENT

(EUR 1,000)	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018
Cash flow from operations		
Profit for the period	-264	-128
Adjustments to result for the financial year	971	403
Increase (-) or decrease (+) in business assets	-19,811	9,348
Receivables from credit institutions	-2,204	-17,241
Receivables from customers	-9,440	-3,533
Notes and bonds	-7,264	30,143
Other assets	-902	-21
Increase (+) or decrease (-) in business liabilities	14,722	-4,125
Liabilities to credit institutions	9,363	-21,722
Liabilities to customers	90	5,912
Debt securities issued to the public	0	0
Provisions and other liabilities	5,269	11,686
Income taxes paid	-25	-181
Total cash flow from operations	-4,407	5,318
Cash flow from investments		
Increases in other investments	0	-65
Investments in tangible and intangible assets	-2,061	-335
Total cash flow from investments	-2,061	-400
Cash flow from financing		
Vuokrasopimusvelan maksut	-58	0
Yleiseen liikkeeseen lasketut velkakirjat, lisäykset	119,763	15,092
Yleiseen liikkeeseen lasketut velkakirjat, vähennykset	-152,462	-14,991
Total cash flow from financing	-32,757	101
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	72,209	39,297
Cash and cash equivalents at end of period	32,984	44,315
Net change in cash and cash equivalents	-39,225	5,018
Interest received	2,358	1,990
Interest paid	983	839
Dividends received	7	5
Adjustments to result for the financial year	971	403
Non-cash items and other adjustments		
Impairment losses on receivables	513	130
Depreciation	423	304
Other	35	-30
Cash and cash equivalents		
Cash funds	27,213	41,543
Receivables from credit institutions repayable on demand	5,771	2,773
Total	32,984	44,315

The debt securities that have been issued to the public by Bonum Bank are presented under 'Cash flow from financing activities' in the comparative information, whereas previously they were presented under 'Cash flow from operations'. The item for the minimum reserve deposit with the Bank of Finland has been moved in the comparative information from 'Liquid assets' to 'Receivables from credit institutions'. This change impacts the amount of cash and cash equivalents and liquid assets in the cash flow statement.

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

Bonum Bank's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations (IFRIC).

The half-year report for 1 January – 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting and the accounting policies presented in Bonum Bank's IFRS financial statements 31 December 2018.

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

Copy of Bonum Bank's half-year report is available from its office at Hevosenkentä 3, FI-02600 Espoo, and online at www.bonumpankki.fi.

ADOPTION OF NEW STANDARDS

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

Bonum Bank is not involved in any leases in the capacity of the lessor.

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

The adoption of the standard does not have a material impact on Bonum Bank's result or financial position. In the transition to the new standard, Bonum Bank applied the modified retrospective approach, according to which comparative information is not restated and any cumulative effects are recognised as an adjustment to retained earnings. The adoption of the standard increased the assets and other liabilities on Bonum Bank's balance sheet by EUR 231 thousand, as a result of which the balance sheet total grew by a corresponding amount. The adoption of the standard did not impact equity.

The effects of the adoption of IFRS 16 are presented in the table on the next page.

Transition to IFRS 16	(EUR 1,000)
Operating lease obligation on 31 Dec 2018	84
Operating lease discounted using the incremental borrowing rate at 1 Jan 2019	231
Assessment of extension option and economic lifetime	160
Exemptions: low asset-value leases	5
Exemptions: short-term leases	7
Lease liabilities recognised at 1 January 2019	231

Lease liabilities were discounted with the incremental borrowing rate of 0.35% on 31 December 2018

Right-of-use assets January 1. 2019

Office Buildings	231
Total right-of-use assets	231

NOTE 2 INTEREST INCOME AND EXPENSES

(EUR 1,000)	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018
Interest income		
On receivables and debts from credit institutions	1,358	1,069
On receivables from customers	1,211	836
On notes and bonds	27	31
Other interest income	0	0
Total interest income	2,597	1,936
Of which negative interest expenses	573	572
Interest expenses		
On receivables and liabilities to credit institutions	-195	-65
On liabilities to customers	-310	-294
On debt securities issued to the public	-582	-474
Other interest expenses	0	0
Total interest expenses	-1,087	-833
Of which negative interest income	-441	-353
Net interest income	1,510	1,104

NOTE 3 COMMISSION INCOME AND EXPENSES, NET

(EUR 1,000)	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018
Fee and commission income		
Lending	65	24
Card business	3,166	2,717
Payment transfers	1,813	1,674
Other	136	131
Total fee and commission income	5,179	4,546
Fee and commission expenses		
Card business	-1,553	-1,345
Payment transfers	-373	-372
Other	-14	-16
Total fee and commission expenses	-1,940	-1,733
Net commissions and fees	3,239	2,813

NOTE 4 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan – 30 Jun 2019	1 Jan – 30 Jun 2018
Fair value through other comprehensive income		
Notes and bonds		
Gains and losses from sales	30	7
Transferred from fair value reserve	66	76
Shares and participations		
Dividend income	7	5
Fair value through other comprehensive income total	102	88
Net gains from foreign currency transactions	163	135
Total net investment income	266	223

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

NOTE 5 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets 30 June 2019

(EUR 1,000)	Amortised cost	Fair value through other comprehensive income	Expected Credit Loss	Total carrying amount
Cash funds	27,213	-		27,213
Loans and receivables from credit institutions to credit institutions	239,312	-	126	239,187
Loans and receivables to customers	51,037	-	609	50,428
Notes and bonds	-	262,411		262,411
Shares and participations	-	1,344		1,344
Total financial assets				580,584
Other assets				7,952
Total assets 30 June				588,536

Financial assets 31 December 2018

(EUR 1,000)	Amortised cost	Fair value through other comprehensive income	Expected Credit Loss	Total carrying amount
Cash funds	68,137	-		68,137
Loans and receivables to credit institutions	235,410	-	71	235,339
Loans and receivables to customers	41,723	-	279	41,444
Notes and bonds		254,928		254,928
Shares and participations		1,032		1,032
Total financial assets	345,270	255,960	350	600,880
Other assets				5,136
Total assets 31 December				606,015

Financial liabilities 30 June 2019

(EUR 1,000)	Measured at amortised cost	Total
Liabilities to credit institutions	424,336	424,336
Liabilities to customers	10,073	10,073
Debt securities issued to the public	109,799	109,799
Total financial liabilities	544,208	544,208
Other liabilities		12,448
Total liabilities 30 June		556,656

Financial liabilities 31 December 2018

(EUR 1,000)	Measured at amortised cost	Total
Liabilities to credit institutions	414,973	414,973
Liabilities to customers	9,983	9,983
Debt securities issued to the public	142,399	142,399
Total financial liabilities	567,355	567,355
Other liabilities		6,948
Total liabilities 31 December		574,302

NOTE 6 EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

Changes in expected credit loss (ECL) during the financial period are presented in the tables below.

Impairment losses recorded during the reporting period

(EUR 1,000)	1 Jan 2019	1 Jan 2019
Change of ECL due to write-offs	39	15
Change of ECL, receivables from customers and off-balance sheet items	-418	-35
Change of ECL, debt securities	-8	5
Final credit losses	-126	-115
Impairment losses on loans and receivables	-513	-130

Loans and receivables from customers

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2019	57	14	209	280
Transfers to stage 1	3	-5	-58	-60
Transfers to stage 2	-3	7	-9	-5
Transfers to stage 3	-3	-2	137	132
Increases due to origination	295	8	9	312
Decreases due to derecognition	0	-2	-3	-4
Changes due to change in credit risk (net)	-8	-1	4	-5
Changes in risk parameters	0	0	0	-1
Decreases due to write-offs	-	-	-39	-39
Total	284	5	41	330
ECL 30 June 2019	341	19	249	609

Notes and bonds

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 January 2019	60	7	-	67
Increases due to origination	47	6	-	54
Decreases due to derecognition	-29	-1	-	-31
Changes due to change in credit risk (net)	-10	-4	-	-15
Total	8	1	-	8
ECL 30 June 2019	68	8	-	75

Receivables from credit institutions

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	71	-	-	71
Increases due to origination	119	-	-	119
Decreases due to derecognition	-59	-	-	-59
Changes due to change in credit risk (net)	-9	-	-	-9
Changes in calculation parameters	3	-	-	3
Total	54	-	-	54
ECL 30 Jun 2019	125	-	-	125

Off-balance sheet commitments

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2019	151	28	32	210
Transfers to stage 1	4	-14	-12	-22
Transfers to stage 2	-1	7	-5	1
Transfers to stage 3	0	0	7	6
Increases due to origination	13	9	6	27
Decreases due to derecognition	0	0	-3	-3
Changes due to change in credit risk (net)	-11	-4	1	-15
Total	3	-4	-5	-5
ECL 30 Jun 2019	154	24	27	205
ECL 1 Jan 2019	339	48	241	628
ECL 30 Jun 2019	688	51	276	1,015

Loans and receivables from customers and off-balance sheet commitments

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2018	222	103	252	578
Transfers to stage 1	4	-11	-74	-81
Transfers to stage 2	-2	15	-61	-49
Transfers to stage 3	-2	-1	148	145
Increases due to origination	44	14	15	74
Decreases due to derecognition	-6	-11	-20	-53
Changes due to change in credit risk (net)	-18	6	-2	-15
Changes in risk parameters	0	-1	6	5
Decreases due to write-offs	0	0	-15	-15
Total	19	11	-4	27
ECL 30 June 2018	242	114	249	605

Notes and bonds

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1.1.2018	66	9	0	75
Transfer to stage 1	0	0	0	0
Transfer to stage 2	0	0	0	0
Transfer to stage 3	0	0	0	0
Changes due to origination and acquisition	42	1	0	43
Changes due to derecognition	-44	-9	0	-54
Changes due to change in credit risk (net)	-1	0	0	-1
Total	-3	-8	0	-12
ECL 30 June 2018	62	1	0	63

Balance sheet item 30 Jun 2019

(1,000 EUR)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers	250	1	1	252
Debt securities	255	8	-	262
Off-balance sheet commitments	116	1	0	117

Balance sheet item 31 Dec 2018

(1,000 EUR)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers	239	1	1	241
Debt securities	246	9	-	255
Off-balance sheet commitments	107	2	0	109

NOTE 7 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(EUR 1,000)	30 June 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash funds	27,213	27,213	68,137	68,137
Loans and receivables	289,615	290,577	276,783	276,099
Fair value through other comprehensive income	263,756	263,756	255,960	255,960
Total	580,584	581,547	600,880	600,196
Financial liabilities				
Deposits	434,409	434,409	424,956	424,956
Debt securities issued to the public	109,799	112,242	142,399	142,925
Total	544,208	546,651	567,355	567,881

Financial assets at fair value 30 June 2019

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Fair value through other comprehensive income					
Shares and participations	-	-	1,344	1,344	1,344
Notes and bonds	79,446	182,966	-	262,411	262,411
Financial assets measured at amortised cost					
Loans and other receivables		289,615		289,615	289,615
Total financial assets	79,446	182,966	1,344	553,371	553,371

Financial assets at fair value 31 December 2018

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Fair value through other comprehensive income					
Shares and participations	-	-	1,032	1,032	1,032
Notes and bonds	58,901	196,027	-	254,928	254,928
Financial assets measured at amortised cost					
Loans and other receivables		276,099		276,099	276,783
Total financial assets	58,901	472,126	1,032	532,059	532,743

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 a similar instrument or components of an instrument. This group includes card credits 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.

Transfers between fair value hierarchy levels

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. There were no transfers between levels during the reporting period.

Changes in assets at fair value classified into level 3

(EUR 1,000)	Fair value through profit and loss	Total
Carrying amount 1 January 2019	1,032	1,032
+/- Unrealised changes in value recognised in other comprehensive income	312	312
Carrying amount 30 June 2019	1,344	1,344

Sensitivity analysis of financial instruments at level 3

(EUR 1,000)	Carrying amount	Possible effect on equity capital Positive	Negative
Fair value through profit and loss			
Fair value through other comprehensive income	1,344	202	-202
Total	1,344	202	-202

The sensitivity of financial assets measured at fair value at level 3 has been calculated by assuming the market price of the security to change by 15%.

Bonum Bank does not have assets measured non-recurrently at fair value.

NOTE 8 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	30 Jun 2019	31 Dec 2018
Bonds	94,802	99,913
Certificates of deposits	14,998	42,485
Total debt securities issued to the public	109,799	142,399

Bonum Bank has a EUR 750 million bond programme under which it issued a three-year, EUR 75 million unsecured senior bond in April to replace the EUR 100 million senior bond which matured in June. Bonum also issued a two-year, EUR 20 million unsecured senior bond within the bond programme in the first half of the year. The bonds are listed on Nasdaq Helsinki (the Helsinki Stock Exchange).

Bonum Bank renewed its certificate of deposit programme in January, increasing its size to EUR 250 million. During the period under review, certificates of deposit worth EUR 32.5 million matured and one certificate of deposit with a nominal value of EUR 5 million was issued.

NOTE 9 COLLATERAL GIVEN

(EUR 1,000)	30 Jun 2019	31 Dec 2018
Given on behalf of own liabilities and commitments		
Other collateral to the Bank of Finland	17,155	16,805
Total collateral given	17,155	16,805

NOTE 10 OFF-BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30 Jun 2019	31 Dec 2018
Loan commitments	117,026	108,616
Total off-balance sheet commitments	117,026	108,616

NOTE 11 RELATED PARTIES

The related parties of Bonum Bank comprise the members of the company's Board of Directors and Executive Group and members of their immediate families. In addition, related parties include Bonum Bank's parent entity POP Bank Alliance Coop, as well as its managing director and deputy managing director. Furthermore, related parties include those entities over which key persons included in the management and/or members of their immediate families have control or joint control. Key persons included in the management comprise Bonum Bank's Board of Directors, CEO and Executive Group. Key persons also include the managing director and deputy managing director of POP Bank Alliance Coop. Also entities in the same group with Bonum Bank belong to the related parties.

In the half-year period, Bonum Bank granted housing and consumption loans to related parties at employee terms. These loans are tied to generally applied reference rates.

There are no material changes in related party transactions since 31 December 2018.

NOTE 12 CAPITAL ADEQUACY

Bonum Bank belongs to the amalgamation of POP Banks. Financial information about Bonum Bank's capital adequacy is part of the amalgamation capital adequacy presented in the consolidated half-year report of POP Bank Group.

POP Bank Group's financial statements are available at the office of POP Bank Alliance at Hevosenkentä 3, FI-02600 Espoo, Finland, or online at www.poppankki.fi.

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

Espoo 16 August 2019

Board of Directors of
Bonum Pankki Oyj

Further information

Pia Ali-Tolppa, CEO, +358 50 303 1476
Pekka Lemettinen, Chairman of the Board, +358 40 503 5411
www.bonumpankki.fi

POP Bank 
Bonum Pankki Oyj