

BONUM BANK PLC

HALF-YEAR REPORT

FOR 1 JANUARY – 30 JUNE 2020

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REVIEW BY THE BOARD OF DIRECTORS FOR THE PERIOD 1 JANUARY – 30 JUNE 2020

Bonum Bank Plc is part of the amalgamation of POP Banks and is responsible for providing 26 POP Bank central credit institution services, obtaining external funding for the POP Bank Group, handling payments and issuing payment cards to the customers of the POP Banks. In addition, Bonum Bank grants unsecured consumer credits and secured debt securities to retail customers. The purpose of Bonum Bank's internal service production is to limit the Group's dependence on external service providers and enhance the efficiency of the whole Group's cost structure. In its external business operations, the Bank provides services that are in line with the Group's strategy and supplement its offering.

The intermediation of funding from Bonum Bank to the POP Banks is diverse and efficient. During the spring, Bonum Bank issued two senior bonds. In May, Bonum Bank was authorised by the Bank of Finland to operate as a lead institution on behalf of the member banks of the amalgamation of POP Banks. In June, Bonum Bank participated in the central bank's TLTRO III operation.

The further development of digital services continued. February saw the establishment in Vaasa of a service centre, in which the customer service operations of the amalgamation's member banks were centralised. The Contact Centre at the service centre manages the POP Banks' chat channel, for example, as well as incoming contact requests, and campaign contacts. The Contact Centre has been very well received among customers, and the number of enquiries has markedly exceeded expectations. Some of the Group's centralised ser-

vices were also transferred to the service centre. In addition, the existing processes have been robotised. In June, the POP Banks joined the DIAS platform for digital housing sales. Bonum Bank's service center has a supporting role in this fully digital service process, with no need for physical meetings to conclude contracts of sale.

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. In addition, improving the efficiency of anti-money laundering measures and systems is currently one of the key focus areas of the bank.

Bonum Bank's own external business operations grew strongly during the first half of the year, and the growth outlook for the second half was good, particularly in terms of unsecured consumer credits. However, the outlook changed rapidly because of the exceptional situation caused by COVID-19. The bank succeeded in adapting to the changed circumstances, and its practices were rapidly adjusted to fit the situation.

S&P Global Ratings affirmed Bonum Bank's rating of 'BBB' for long-term investment grade, and 'A-2' for short-term investment grade, in May. The credit rating remained unchanged, but the outlook changed from stable to negative because of the general economic uncertainty caused by the COVID-19 pandemic.

The Annual General Meeting of Bonum Bank was held in April 2020. The Annual General Meeting dealt with statutory matters and elected Pekka Lemettinen, Hanna Linna, Ilkka Lähteenmäki and Arvi Helenius to the Board of Directors. Pekka Lemettinen has served as Chairman of the Board.

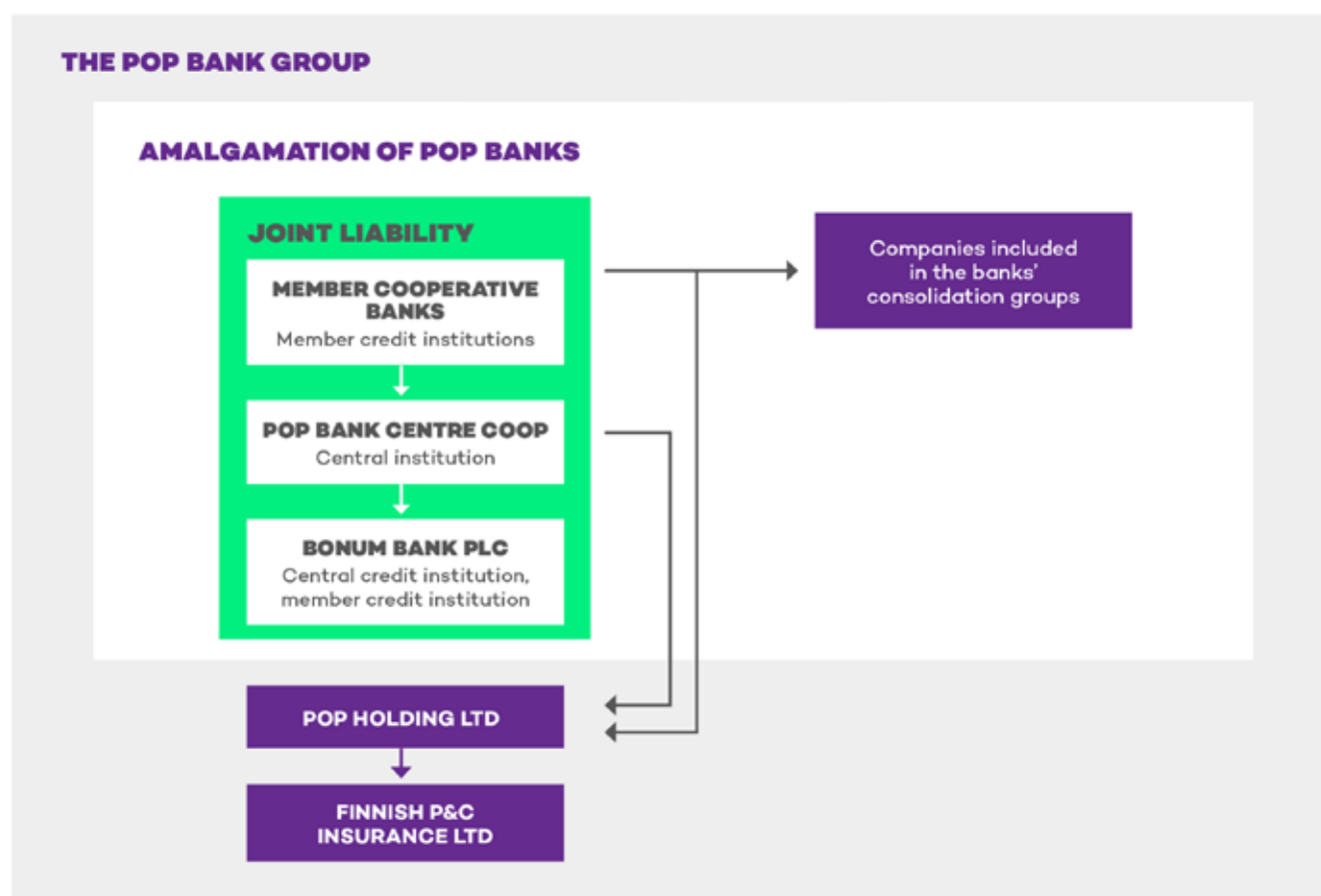
POP BANK GROUP AND AMALGAMATION OF POP BANKS

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 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 Centre 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 compa-

nies in the POP Bank Group engaged in customer business are:

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

The chart below presents the structure of the POP Bank Group and the entities included in the amalgamation and scope of joint liability. POP Bank Centre coop, the central institution, is responsible for the group steering and supervision in accordance with the Act on the Amalgamation of Deposit Banks (24 June 2010/599) (hereinafter referred to as the “Amalgamation Act”).



POP Banks and Bonum Bank Plc are member credit institutions of POP Bank Centre 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

After a promising start to 2020, the situation changed abruptly because of the impact of the coronavirus pandemic on the global economy. The economy has never shrunk as rapidly as this year. During the first half of the year, share prices fell exceptionally steeply, and bond risk premiums increased markedly. The restrictions imposed to suppress the pandemic changed consumer behaviour, which resulted in discontinued revenues and extensive lay-offs in many sectors.

Recovery measures have been implemented on a wide scale. Through maintaining low interest rate levels and a good availability of finance, the European Central Bank (ECB) has sought to support the development of investments and consumption. During the coronavirus crisis, the ECB has expanded its purchase programmes significantly. The ECB has also reviewed the eligibility requirements and conditions for collateral used in financing provided by central banks. As a result of these measures, share prices returned relatively quickly to almost the same level as they were before the slump.

As yet, the coronavirus crisis has not hit the Finnish economy as hard as in most Western European countries. In Finland, the restrictions affecting the economy have been milder, and industrial production plants and construction sites have not been closed extensively. In agriculture, the general situation has been challenging in recent years, but the increasing importance of environmental aspects continues to support the development of the forest sector and the bioeconomy. The overall impacts of the coronavirus crisis on agriculture are expected to remain minor. However, the restrictions caused by the pandemic hit the service sector much harder, with the number of lay-offs being highest in the tourism and catering sectors. The good snow situation was positive for Finnish winter holiday destinations, but the tourist season fell through because of global travel restrictions.

The coronavirus crisis does not seem to have had any considerable impacts on Finnish households

during the review period. The sum of wages and salaries did not begin to decrease markedly until April. Public subsidies have helped consumers to compensate for some of their lost income, as well as maintaining consumer purchasing power. Low interest levels and the decrease in consumer prices in April and May have made the situation easier for households. However, consumer expectations for personal finances and the state economy weakened significantly during the spring. Employment is heavily dependent on the general recovery rate of the economy and consumer behaviour.

This year, the GDP is expected to decrease exceptionally strongly year-on-year. However, the extent of the decrease and the negative impacts on the Finnish economy are exceptionally difficult to predict. The risk of delays in the predicted economy recovery rate has increased because of the global development of the coronavirus pandemic. For the time being, however, the indicators related to credit risks in the banking sector are at the same level as before the pandemic.

BONUM BANK'S EARNINGS AND BALANCE SHEET

EARNINGS

Bonum Bank's profit before taxes was EUR 561 thousand (EUR 264 thousand negative in the comparison period). The earnings for the reporting period grew by 48.5 per cent year-on-year. The increase was mainly due to better net interest income as a result of growth in the unsecured consumer credit portfolio. Its expenses for the reporting period grew moderately, by 7.2 per cent. This was mainly due to higher personnel expenses. The profit for the first half of the year was burdened by the calculated expected and actual credit losses related to the growth of the unsecured credit portfolio. The bank's cost-to-income ratio was 69.8 (96.7) per cent. The income for the reporting period continued to primarily consist of interest and commission income on central credit institution services provided for the POP Banks and profit from the card business.

The bank's key income statement items have developed as follows, compared with the corresponding period in the previous year:

INCOME STATEMENT

(EUR 1,000)	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	Change %
Net interest income	3,715	1,510	146.1
Net commissions and fees	3,575	3,239	10.4
Net investment income	226	266	-14.9
Other operating income	687	511	34.5
Total operating income	8,204	5,526	48.5
Personnel expenses	-1,530	-1,220	25.4
Other operating expenses	-3,829	-3,699	3.5
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-365	-423	-13.7
Total operating expenses	-5,724	-5,342	7.2
Impairment losses on financial assets	-1,778	-513	246.4
Profit before taxes	701	-329	...
Income tax expense	-140	65	...
Result for the period	561	-264	...

The bank's net interest income amounted to EUR 3,715 (1,510) thousand. Interest income consists mainly of interest income from unsecured consumer credits, the card business, intra-group funding and the bank's investments.

Net commission income grew to EUR 3,575 (3,239) thousand. Commission income consists mostly of payment transmission fees and income from the card business.

Net investment income was EUR 226 (266) thousand. Other operating income totalled EUR 687 (511) thousand.

Personnel expenses increased to EUR 1,530 (1,220) thousand. Personnel expenses are composed of salary expenses and pension and other indirect employee expenses. Other operating expenses increased to EUR 3,829 (3,699) thousand. Total amount of Impairment losses on financial assets grew to EUR 1,778 (513) thousand due to increase of unsecured credit portfolio.

BALANCE SHEET

At the end of the review period, Bonum Bank's balance sheet stood at EUR 906,208 (588,631) thousand. The increase in the balance sheet is due to the bonds issued during the spring and Bonum Bank's participation in the central bank's TLTRO III operation.

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

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Assets		
Liquid assets	228,879	155,350
Loans and receivables from credit institutions	342,744	253,317
Loans and receivables from customers	84,801	76,434
Investment assets	238,334	94,163
Other assets	11,451	9,367
Total assets	906,208	588,631
		0
Liabilities		0
Liabilities to credit institutions	575,580	415,939
Liabilities to customers	36,878	17,338
Debt securities issued to the public	251,805	114,829
Other liabilities	9,027	8,092
Total liabilities	873,290	556,198
		0
Equity		0
Share capital	10,000	10,000
Reserves	20,901	20,976
Retained earnings	2,018	1,457
Total equity capital	32,919	32,433
		0
Total liabilities and equity capital	906,208	588,631

KEY RATIOS

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Cost-to-income ratio	69.8 %	96.7 %	84.6 %
ROA	0.2 %	-0.1 %	0.0 %
ROE	3.4 %	-1.7 %	0.8 %
Capital adequacy ratio (TC), %	24.7 %	33.7 %	29.7 %
Equity ratio	3.6 %	5.4 %	5.5 %

FORMULAS OF KEY FIGURES

$$\text{Cost-to-income ratio, \%} = \frac{\text{Total operating expenses}}{\text{Total operating income}} \times 100$$

$$\text{Return on assets (ROA), \%} = \frac{\text{Result for the period}}{\text{Balance sheet total (average of beginning and end of year)}} \times 100$$

$$\text{Return on equity (ROE), \%} = \frac{\text{Result for the period}}{\text{Equity (average of beginning and end of year)}} \times 100$$

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

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

CREDIT RATING

S&P Global Ratings affirmed Bonum Bank's rating of BBB for long-term investment grade, and A-2 for short-term investment grade, in May. The credit rating remained unchanged, but the outlook changed from stable to negative because of the general economic uncertainty caused by the COVID-19 pandemic.

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, retained earnings and other non-restricted reserves, less the deductible items in accordance with the EU's Capital Requirements Regulation (No. 575/2013). On 30 June 2020, Bonum Bank's CET1 capital totalled EUR 25,619 thousand (EUR 26,957 on 31 December 2019), and its CET1 capital adequacy ratio was 24.7 (29.7) per cent.

Bonum Bank's own funds affecting its capital adequacy decreased moderately during the first half of 2020. This was mainly due to the capitalisation of investments and the development of investment items. The growth of the credit portfolio slowed during the spring because of the exceptional situation caused by COVID-19, which also slowed the growth of risk-weighted receivables. The increase in the risk-weighted receivables during the first half of the year was caused by an increase in the credit portfolio and the investment items in the liquidity reserve.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Own funds		
Common Equity Tier 1 capital before deductions	32,358	32,190
Deductions from Common Equity Tier 1 capital	-6,739	-5,233
Total Common Equity Tier 1 capital (CET1)	25,619	26,957
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	25,619	26,957
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	25,619	26,957
Total risk weighted assets	103,700	90,679
of which credit risk	83,108	70,106
of which credit valuation adjustment risk (CVA)	-	-
of which market risk (exchange rate risk)	1,663	1,644
of which operational risk	18,929	18,929
Fixed capital conservation buffer according to Act on Credit institutions (2.5%)	2,593	2,267
Countercyclical capital buffer	0	35
CET1 Capital ratio (%)	24.7 %	29.7 %
T1 Capital ratio (%)	24.7 %	29.7 %
Total capital ratio (%)	24.7 %	29.7 %
Capital requirement		
Total capital	25,619	26,957
Capital requirement *	10,889	9,556
Capital buffer	14,731	17,401
Leverage ratio		
Tier 1 capital (T1)	25,619	26,957
Leverage ratio exposure	917,446	606,196
Leverage ratio, %	2.8 %	4.4 %

* 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.

CREDIT RISK AND CONCENTRATIONS

Bonum Bank's most significant credit risks are related to investment assets and unsecured credits. At the end of the review period, Bank's investment assets totalled EUR 238,334 (94,163) thousand. The investment asset items in the liquidity portfolio consists of debt securities issued by governments, municipalities, financial institutions and companies with a good credit rating. Some of these debt securities are secured and accepted as collateral by the ECB. The debt securities in the liquidity portfolio are measured at market-quoted prices on the balance sheet.

At the end of June, the portfolio of unsecured loan portfolio totalled EUR 65,373 (60,447) thousand. During the first half of 2020, a total of EUR -812 (-398) thousand was recognised as a credit loss. Receivables overdue by more than 90 days accounted for 4.56 (2.52) per cent of the loan portfolio. No credit losses or non-performing receivables were recognised for other balance sheet items.

Expected credit loss provisions (ECL) from credit, receivables and off-balance sheet items increased by 151.6 per cent to EUR 2,834 (1,869) thousand. Most of the growth is explained by the increase in the loan portfolio.

LIQUIDITY RISK

The amalgamation of POP Banks manages its liquidity position and reports its LCR requirement at the amalgamation level. As the central credit institution, Bonum Bank is responsible for managing the amalgamation's LCR ratio and monitoring the member banks' liquidity situation. The liquidity and financing position of the amalgamation of POP Banks remained strong during the first half of the year. The LCR ratio was 186 (115) per cent at the end of June 2020.

During the first half of the year, Bonum Bank issued unsecured bonds of EUR 50 million and EUR 55 million respectively. At the end of the review period, EUR 200 million of Bonum Bank Plc's bond programme and EUR 52 million of its certificate of deposit programme were outstanding. In addition, Bonum Bank Plc has a loan programme of EUR 35 million with the Nordic Investment Bank. In June, Bonum Bank Plc participated for the first time in the European Central Bank's TLTRO III financing operation to the tune of EUR 50 million.

MARKET RISK

Bonum Bank's market risk levels remained moderate during the first half of the 2020. The most significant market risk related to the Bank's business operations is the interest rate risk (in banking book). The interest rate risk refers to the effect of changes in interest levels on the market value of balance sheet and off-balance-sheet items, or on net interest income. The interest rate risk arises from differences in the interest terms of receivables and liabilities and mismatches in interest rate repricing and maturity dates. The objective of interest rate risk management is to stabilise the interest rate risk involved in the bank's balance sheet at a level at which business is profitable but profit or capital adequacy is not threatened even during considerable changes in the interest rate environment.

The interest rate risk arises from liquidity reserve investment activities and banking book operations. Bonum Bank did not use any derivatives during the first half of 2020.

EVENTS AFTER THE REVIEW PERIOD

Bonum Bank has not had any significant business transactions after the review period that would have a material impact on the information presented in the half-year report.

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 for the POP Banks will continue to be extensively developed. Bonum Bank also contributes to the development of the POP Bank Group's business operations, as well as exploring its own earnings potential. The full-year result is expected to be positive. The result involves uncertainty arising from the impairment provisions related to the increase in lending and credit losses.

HALF-YEAR REPORT FOR 1 JANUARY – 30 JUNE 2020

INCOME STATEMENT

(EUR 1,000)	Note	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	Change %
Interest income	2	4,312	2,597	66.0
Interest expenses	2	-597	-1,087	-45.1
Net interest income		3,715	1,510	146.1
Net commissions and fees	3	3,575	3,239	10.4
Net investment income	4	226	266	-14.9
Other operating income		687	511	34.5
Total operating income		8,204	5,526	48.5
Personnel expenses		-1,530	-1,220	25.4
Other operating expenses		-3,829	-3,699	3.5
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-365	-423	-13.7
Total operating expenses		-5,724	-5,342	7.2
Impairment losses on financial assets	7	-1,778	-513	246.4
Profit before taxes		701	-329	...
Income tax expense		-140	65	...
Result for the period		561	-264	...

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019	Change %
Profit for the period	561	-264	-312.38
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value reserve			
Debt instruments	-96	182	-152.9
Items that may not be reclassified to profit or loss			
Changes in fair value reserve			
Equity instruments	22	250	-91.3
Total comprehensive income	486	168	189.9

BALANCE SHEET (EUR 1,000)

(EUR 1,000)	Note	30 Jun 2020	31 Dec 2019
Assets			
Liquid assets		228,879	155,350
Loans and receivables from credit institutions	5, 8	342,744	253,317
Loans and receivables from customers	5, 8	84,801	76,434
Investment assets	9	238,334	94,163
Intangible assets		6,638	5,266
Property, plant and equipment		231	271
Other assets		4,434	3,688
Tax assets		149	141
Total assets		906,208	588,631
Liabilities			
Liabilities to credit institutions	5, 10	575,580	415,939
Liabilities to customers	5, 10	36,878	17,338
Debt securities issued to the public	11	251,805	114,829
Other liabilities		8,529	7,721
Tax liabilities		499	371
Total liabilities		873,290	556,198
Equity			
Share capital		10,000	10,000
Reserves		20,901	20,976
Retained earnings		2,018	1,457
Total equity capital		32,919	32,433
Total liabilities and equity capital		906,208	588,631

STATEMENT OF CHANGES IN EQUITY (EUR 1,000)

(EUR 1,000)	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity
Equity on 1 January 2020	10,000	976	20,000	1,457	32,433
Total comprehensive income					
Profit for the period	-	-	-	561	561
Other comprehensive income	-	-75	-	-	-75
Total comprehensive income	-	-75	-	561	486
Other changes					
Equity on 30 June 2020	10,000	901	20,000	2,018	32,919

(EUR 1,000)	Share capital	Fair value reserve	Other	Retained earnings	Total equity
Equity on 1 January 2019	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
Equity on 30 June 2019	10,000	930	20,000	951	31,881

CHASH FLOW STATEMENT

(EUR 1,000)	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019
Cash flow from operations		
Profit for the period	561	-264
Adjustments to result for the financial year	2,340	971
Increase (-) or decrease (+) in business assets	-244,367	-19,811
Receivables from credit institutions	-89,212	-2,204
Receivables from customers	-10,124	-9,440
Notes and bonds	-144,285	-7,264
Other assets	-746	-902
Increase (+) or decrease (-) in business liabilities	180,046	14,722
Liabilities to credit institutions	159,640	9,363
Liabilities to customers	19,540	90
Provisions and other liabilities	867	5,269
Income taxes paid	-1	-25
Total cash flow from operations	-61,421	-4,407
Cash flow from investments		
Investments in tangible and intangible assets	-1,696	-2,061
Total cash flow from investments	-1,696	-2,061
Cash flow from financing		
Lease liabilities, decrease	-57	-58
Increases in debt securities issued to the public	176,909	119,763
Decreases in debt securities issued to the public	-39,990	-152,462
Total cash flow from financing	136,861	-32,757
Change in cash and cash equivalents		
Cash and cash equivalents at beginning of period	159,268	72,209
Cash and cash equivalents at end of period	233,012	32,984
Net change in cash and cash equivalents	73,745	-39,225

(1,000 euroa)	1 Jan–30 Jun 2020	1 Jan–30 Jun 2019
Interest received	3,910	2,358
Interest paid	411	983
Dividends received	5	7
Adjustments to result for the financial year	2,340	971
Non-cash items and other adjustments		
Impairment losses on receivables	1,778	513
Depreciation	365	423
Other	197	35
Cash and cash equivalents		
Cash funds	228,879	27,213
Receivables from credit institutions repayable on demand	4,134	5,771
Total	233,012	32,984

The key changes in the cash flow statement are related to the bonds issued during the spring and Bonum Bank's participation in the central bank's TLTRO III operation.

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 2020 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 2019.

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 Hevosenkenkä 3, FI-02600 Espoo, and online at www.bonumpankki.fi.

ACCOUNTING POLICIES REQUIRING MANAGEMENT DISCRETION AND UNCERTAINTIES RELATED TO ESTIMATES

Application of the IFRS requires the management to make estimates and assumptions concerning the future that affect the amount of items presented in financial statement calculations, as well as the information provided in the notes. The management's key estimates concern the future and key uncertainties related to the values on the balance sheet date. Such key estimates are related to fair value measurement in particular, as well as the impairment of financial assets and intangible assets.

Due to the financial impacts of the COVID-19 pandemic, the uncertainty involved in the fair values and impairment provisions related to financial assets is more significant than usual.

IMPAIRMENT

Parameters that require management discretion are applied to the calculation of expected credit losses. The management must determine the following: how macroeconomic information related to the future is taken into account in the calculations, what principles are applied to the assessment of a significant increase in the credit risk, how the loss amount is estimated in the event of insolvency and what types of credit counter value coefficients are applied to credit cards.

Due to the COVID-19 pandemic, the macroeconomic information concerning the future that is used in the calculation of expected credit losses (ECL) has been updated.

NOTE 2 INTEREST INCOME AND EXPENSES

(EUR 1,000)	1 Jan-30 Jun 2019	1 Jan-30 Jun 2018
Interest income		
Loans and advances to credit institutions	1,373	1,358
Loans and advances to customers	2,933	1,211
Debt securities		
Measured at fair value through other comprehensive income	4	27
Other interest income	1	0
Total interest income	4,312	2,597
Of which negative interest expenses	721	573
Interest expenses		
Liabilities to credit institutions	-142	-195
Liabilities to customers	-56	-310
On debt securities issued to the public	-398	-582
Other interest expenses	-1	0
Total interest expenses	-597	-1,087
Of which negative interest income	-83	-441
Net interest income	3,715	1,510

NOTE 3 NET COMMISSIONS AND FEES

(EUR 1,000)	1 Jan-30 Jun 2019	1 Jan-30 Jun 2018
Fee and commission income		
Lending	195	65
Card business	2,502	3,166
Payment transfers	1,755	1,813
Other	125	136
Total fee and commission income	4,577	5,179
Fee and commission expenses		
Card business	-608	-1,553
Payment transfers	-359	-373
Other	-35	-14
Total fee and commission expenses	-1,002	-1,940
Net commissions and fees	3,575	3,239

NOTE 4 NET INVESTMENT INCOME

(EUR 1,000)	1 Jan-30 Jun 2019	1 Jan-30 Jun 2018
Financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	31	30
Transferred from fair value reserve	21	66
Shares and participations		
Dividend income	5	7
Fair value through other comprehensive income total	57	102
Net income from foreign exchange trading	169	163
Total net investment income	226	266

Dividend income from equity shares measured at fair value through other comprehensive income held in the end of the financial period is 5 (7) thousand euro.

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 LIABILITIES

FINANCIAL ASSETS 30 JUNE 2020

(EUR 1,000)	Measured at amortised cost	Measured at fair value through other comprehensive income	Expected Credit Loss	Total carrying amount
Cash funds	228,879	0	0	228,879
Loans and receivables from credit institutions	342,750	0	5	342,744
Loans and receivables to customers	87,396	0	2,595	84,801
Notes and bonds	40,000	196,858	19	236,838
Shares and participations	0	1,495	0	1,495
Total financial assets	699,024	198,353	2,619	894,757
Other assets				11,451
Total assets 30 June				906,208

Expected credit loss of EUR 31 thousand from debt securities, measured at fair value through other comprehensive income, have been recorded in the fair value reserve.

Loans and receivables from credit institutions include liquis assets worth of EUR 38 924 thousand which are not covered by the calculation of impairment losses on financial assets.

FINANCIAL ASSETS 31 DECEMBER 2019

(EUR 1,000)	Measured at amortised cost	Measured at fair value through other comprehensive income	Expected Credit Loss	Total carrying amount
Cash funds	155,350	0	0	155,350
Loans and receivables to credit institutions	253,321	0	4	253,317
Loans and receivables to customers	78,083	0	1,649	76,434
Notes and bonds	0	92,695	0	92,695
Shares and participations	0	1,468	0	1,468
Total financial assets	486,755	94,163	1,654	579,264
Other assets				9,367
Total assets 31 December				588,631

Expected credit loss of EUR 29 thousand from debt securities, measured at fair value through other comprehensive income, have been recorded in the fair value reserve.

FINANCIAL LIABILITIES 30 JUNE 2020

(EUR 1,000)	Measured at amortised cost	Total carrying amount
Liabilities to credit institutions	575,580	575,580
Liabilities to customers	36,878	36,878
Debt securities issued to the public	251,805	251,805
Total financial liabilities	864,262	864,262
Other than financial liabilities	-	9,027
Total liabilities 30 June		873,290

FINANCIAL LIABILITIES 31 DECEMBER 2019

(EUR 1,000)	Measured at amortised cost	Total carrying amount
Liabilities to credit institutions	415,939	415,939
Liabilities to customers	17,338	17,338
Debt securities issued to the public	114,829	114,829
Total financial liabilities	548,107	548,107
Other liabilities	-	8,092
Total liabilities 31 December		556,198

NOTE 6 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES BY VALUATION TECHNIQUE

(EUR 1,000)	30 June 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Liquid assets	228,879	228,879	155,350	155,350
Loans and receivables	427,545	430,436	329,751	331,640
Investment assets				
Measured at amortised cost	39,981	40,214		
Measured at fair value through other comprehensive income	198,353	198,353	94,163	94,163
Total	894,757	897,882	579,264	581,154
Financial liabilities				
Deposits	612,458	612,458	433,278	433,278
Debt securities issued to the public	251,805	257,605	114,829	116,821
Total	864,262	870,062	548,107	550,099

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

FINANCIAL ASSETS AT FAIR VALUE 30 JUNE 2020

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Fair value through other comprehensive income					
Shares and participations			1,495	1,495	1,495
Debt securities	64,884	131,973		196,858	196,858
Total financial assets	64,884	131,973	1,495	198,353	198,353

FINANCIAL ASSETS AT FAIR VALUE 31 DECEMBER 2019

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Fair value through other comprehensive income					
Shares and participations			1,468	1,468	1,468
Debt securities	73,182	19,513		92,695	92,695
Total financial assets	73,182	19,513	1,468	94,163	94,163

Financial assets and liabilities are recognised in balance sheet at fair value or amortised cost. Classification and valuation of financial instruments are described in more detail in Bonum Bank Plc's 2019 Financial Statements Report's Note 1 Accounting policies.

FAIR VALUE HIERARCHIES

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

Level 2 includes financial instruments 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 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 FINANCIAL ASSETS RECURRENTLY MEASURED AT FAIR VALUE CLASSIFIED INTO LEVEL 3

(EUR 1,000)	Fair value through other comprehensive income	Total
Carrying amount 1 January 2020	1,468	1,468
+/- Unrealised changes in value recognised in other comprehensive income	27	27
Carrying amount 30 June 2020	1,495	1,495

(EUR 1,000)	Fair value through other comprehensive income	Total
Carrying amount 1 January 2019	1,032	1,032
+/- Unrealised changes in value recognised in other comprehensive income	436	436
Carrying amount 31 Dec 2019	1,468	1,468

SENSITIVITY ANALYSIS OF FINANCIAL ASSETS AT LEVEL 3

30 Jun 2020	Carrying amount	Possible effect on equity capital	
		Positive	Negative
Fair value through other comprehensive income	1,495	224	-224
Total	1,495	224	-224

30 Jun 2020	Carrying amount	Possible effect on equity capital	
		Positive	Negative
Fair value through other comprehensive income	1,468	220	-220
Total	1,467,992	220,199	-220,199

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%.

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

NOTE 7 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

CREDIT LOSSES RECORDED ON LOANS AND RECEIVABLES

(EUR 1,000)	1 Jan-30 Jun 2020	1 Jan-30 Jun 2019
Decreases of ECL due to write-offs	315	39
Change of ECL, loans and receivables and off-balance sheet items	-1,260	-418
Change of ECL, debt securities	-21	-8
Final credit losses	-812	-126
Impairment losses on loans and receivables	-1,778	-513

During the financial year, EUR 812 thousand was recognised as final credit loss. Recollection measures are attributed to the whole amount.

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

The bases of calculating expected credit losses and determining the probability of default are presented in Note 2 in Bonum Bank Plc's Financial statements report 2019.

CHANGES IN EXPECTED CREDIT LOSS (ECL)

RECEIVABLES FROM CUSTOMERS				
(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	1,007	57	587	1,651
Transfers to stage 1	5	-10	-22	-28
Transfers to stage 2	-272	189	-134	-217
Transfers to stage 3	-87	-26	882	769
Increases due to origination	509	114	51	674
Decreases due to derecognition	-38	-6	92	48
Changes due to change in credit risk (net)	-81	-62	2	-141
Changes in calculation parameters	96	60	0	156
Decreases due to write-offs	0	0	-315	-315
Total	131	258	556	945
ECL 30 Jun 2020	1,139	315	1,142	2,596

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	28	2	0	29
Increases due to origination	27	-	-	27
Decreases due to derecognition	-3	0	-	-3
Changes due to change in credit risk (net)	-3	0	-	-2
Total	21	0	-	21
ECL 30 Jun 2020	49	2	0	51

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	157	25	34	215
Transfers to stage 1	2	-11	-12	-21
Transfers to stage 2	-3	9	-1	6
Transfers to stage 3	0	0	7	7
Increases due to origination	18	6	12	36
Decreases due to derecognition	-2	-3	-4	-9
Changes due to change in credit risk (net)	-22	0	1	-21
Total	-7	1	5	-1
ECL 30 Jun 2020	150	26	39	214

RECEIVABLES FROM CREDIT INSTITUTIONS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	3	0	0	3
Increases due to origination	2	-	-	2
Total	2	0	0	2
ECL 30 Jun 2020	4	0	0	4
ECL 1.1.2020	1,195	83	620	1,899
ECL 30.6.2020	1,342	342	1,181	2,865

BALANCE SHEET ITEM 30 JUN 2020

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	71,684	4,695	2,918	79,297
Corporate	8,099	-	-	8,099
Total	79,783	4,695	2,918	87,396
Off-balance sheet commitments				
Private	102,259	1,274	231	103,765
Corporate	15,028	-	-	15,028
Total	117,288	1,274	231	118,793
Debt securities				
Debt securities	236,550	307	-	236,858
Total	236,550	307	-	236,858
Receivables from credit institutions				
Corporate	303,820	-	-	303,820
Total	303,820	-	-	303,820

RECEIVABLES FROM CUSTOMERS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	57	14	209	280
Transfers to stage 1	2	-6	-54	-58
Transfers to stage 2	-3	8	-4	1
Transfers to stage 3	-4	-1	170	164
Increases due to origination	969	45	371	1,386
Decreases due to derecognition	-3	-1	53	50
Changes due to change in credit risk (net)	-32	-2	-2	-37
Changes in calculation parameters	21	1	1	23
Decreases due to write-offs	-	-	-157	-157
Total	950	43	378	1,371
ECL 30 Jun 2020	1,007	57	587	1,651

DEBT SECURITIES

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	60	7	-	67
Changes due to origination and acquisition	15	2	-	16
Decreases due to derecognition	-45	-7	-	-52
Changes due to change in credit risk (net)	-2	-	-	-2
Total	-32	-5	-	-38
ECL 30 Jun 2020	28	2	-	29

RECEIVABLES FROM CREDIT INSTITUTIONS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	71	-	-	71
Increases due to origination	3	-	-	3
Decreases due to derecognition	-65	-	-	-65
Changes due to change in credit risk (net)	-5	-	-	-5
Total	-68	-	-	-68
ECL 30 Jun 2020	3	-	-	3

OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
ECL 1 Jan 2020	151	28	32	210
Transfers to stage 1	3	-19	-17	-32
Transfers to stage 2	-1	6	-3	2
Transfers to stage 3	-1	-1	13	12
Increases due to origination	24	15	11	50
Decreases due to derecognition	-2	3	-3	-2
Changes due to change in credit risk (net)	-17	-7	0	-24
Total	7	-3	2	5
ECL 30 Jun 2020	157	25	34	215
ECL 1.1.2019	339	48	241	628
ECL 31.12.2019	1,195	83	620	1,899

BALANCE SHEET ITEM 31 DEC 2019

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Receivables from customers				
Private	68,116	1,815	1,511	71,442
Corporate	6,642	-	-	6,642
Total	74,758	1,815	1,511	78,083
Off-balance sheet commitments				
Private	94,132	1,355	221	95,707
Corporate	26,528	-	-	26,528
Total	120,660	1,355	221	122,235
Debt securities				
Debt securities	90,877	1,819	-	92,695
Total	90,877	1,819	-	92,695
Receivables from credit institutions				
Corporate	215,400	-	-	215,400
Total	215,400	-	-	215,400

NOTE 8 LOANS AND RECEIVABLES

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Loans and receivables from credit institutions		
Deposits		
Repayable on demand	38,929	37,920
Other	303,816	215,397
Total loans and advances to credit institutions	342,744	253,317
Loans and advances to customers		
Loans	48,029	37,932
Used overdrafts	213	190
Credit card receivables	36,559	38,312
Total loans and advances to customers	84,801	76,434
Total loans and receivables	427,545	329,751

NOTE 9 INVESTMENT ASSETS

(EUR 1,000)	30 Jun 2020	31 Dec 2019
At fair value through other comprehensive income		
Debt securities	196,858	92,695
Shares and participations	1,495	1,468
Measured at amortised cost		
Debt securities	39,981	-
Investment assets total	238,334	94,163

INVESTMENTS ON 30 JUN 2020

(EUR 1,000)	At fair value through other comprehensive income		Measured at amortised cost	Total
	Debt securities	Shares and participations	Debt securities	
Quoted				
Public sector entities	37,415	-	-	37,415
Other	27,469	-	39,981	67,450
Other				
Public sector entities	131,973	-	-	131,973
Other	-	1,495	-	1,495
Total	196,858	1,495	39,981	238,334

INVESTMENTS ON 31 DECEMBER 2019

(EUR 1,000)	At fair value through other comprehensive income		Total
	Debt securities	Shares and participations	
Quoted			
Public sector entities	42,366	-	42,366
Other	28,813	-	28,813
Other			
Public sector entities	16,015	-	16,015
Other	5,502	1,468	6,970
Total	92,695	1,468	94,163

NOTE 10 LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

(EUR 1,000)	30 June 2020	31 Dec 2019
Liabilities to credit institutions		
To central banks	50,000	-
Liabilities to credit institutions		
Repayable on demand	335,212	250,364
Other	190,368	165,575
Total liabilities to credit institutions	575,580	415,939
Liabilities to customers		
Deposits		
Repayable on demand	9,378	17,338
Others than repayable on demand	27 500	-
Total liabilities to customers	36,878	17,338
Total liabilities to credit institutions and customers	612,458	433,278

NOTE 11 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Debt securities issued to the public	199,855	94,839
Certificates of deposits	51,949	19,990
Total debt securities issued to the public	251,805	114,829

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Balance sheet 1 Jan	114,829	142,399
Debt securities issued, increase	104,978	114,764
Certificates of deposits, increase	71,931	24,986
Total increase	176,915	139,750
Debt securities issued, decrease	-	-119,980
Certificates of deposits, decrease	-39,990	-47,469
Total decrease	-39,990	-167,449
Total changes of cash flow of financial activities	136,925	-27,699
Valuation, accrued interest	57	130
Balance at the end of period	251,804	114,829

DEBT SECURITIES

Name	Issue date	Due date	Interest	Nominal (EUR 1000)	Currency
BONUM FRN 290121	29/01/2019	29/01/2021	EB 3kk + 0,75 %	20,000	EUR
BONUM FRN 180422	18/04/2019	18/04/2022	EB 3kk + 0,88 %	75,000	EUR
Debt securities issued during the reporting period					
BONUM FRN 120723	03/06/2020	12/07/2023	EB 12kk + 1,044 %	50,000	EUR
BONUM FRN 170124	03/06/2020	17/01/2024	EB 12kk + 1,2 %	55,000	EUR

The nominal total amount of certificates of deposits at the end of the reporting period was EUR 54,000 thousand.

NOTE 12 COLLATERAL GIVEN

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Collateral given		
Given on behalf of own liabilities and commitments		
Other collateral to the Bank of Finland	114,820	20,740
Total collateral given	114,820	20,740

NOTE 13 OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	30 Jun 2020	31 Dec 2019
Loan commitments	118,793	122,235
Total off-balance sheet commitments	118,793	122,235

Expect credit loss of total off-balance sheet commitments is presented in note 7.

NOTE 14 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 Centre 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 Centre 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 2019.

Espoo 18 August 2020

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

