S&P Global Ratings

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Bonum Bank PLC

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Bonum Bank PLC

Rating Score Snapshot

Issuer Credit Rating
BBB/Stable/A-2

SACP: bbb

Anchor	a-	
Business position	Constrained	-2
Capital and earnings	Very strong	+2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		-1

Support: 0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
BBB/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Very strong capitalization underpinned by high profit retention.	Concentrated business operations and sensitivity to the domestic real estate market.
Focus on low-risk collateralized lending to retail-clients and small and midsize enterprises (SMEs).	Weak earnings and cost efficiency compared with peers.
Sound regional franchise based on a cooperative business model.	

The ratings on Bonum Bank reflect the franchise and creditworthiness of the wider POP Bank Group. The group brings together 19 independent member cooperative banks, plus POP Bank Center Coop, Bonum Bank PLC, and POP Mortgage Bank, to operate as a single entity for regulatory purposes under a joint-liability scheme. The group also includes specialized institutions, such as the non-life insurance company Finnish P&C Insurance Ltd., which operate outside the amalgamation and joint-liability framework. We expect that, over time, more member banks will merge, leading to leaner and more efficient operations at the amalgamation level.

We expect POP Bank Group's capitalization to remain a strong buffer against unexpected credit losses and the key rating strength for the group. The robust capitalization is underpinned by our expectation that the risk-adjusted capital (RAC) ratio will remain comfortably above 15% over the next 24 months. We project the cost of risk to average 15-20 basis points (bps) over 2022-2024. This balances quite substantial buffers built up over 2020-2021 with the potentially adverse effects from higher inflation and rising interest rates on the repayment capacity of households and businesses. Furthermore, POP Bank Group's funding and liquidity still compares well with that of domestic peers, reflecting the group's stable and granular deposit franchise.

We project that POP Bank Group' regional member banks will demonstrate resilient business performance, with loan growth above the market average over the next two years. POP Bank Group benefits from relatively predictable revenue streams based on member banks' sound regional position in household lending and payments, and we expect loan growth of 5%-6% in 2022-2023. The net interest revenue standing for 54% of revenues will be further supported by the strengthening of net interest margins. The member banks operate mainly in and around smaller cities and have a modest market share of 2% nationwide. The group is, in our view, well placed in terms of digital offerings and is in addition to its fully automated consumer loan product currently in the process of launching its digital housing loan.

However, we expect its cost base will remain high as the core banking system renewal project is delayed. In our opinion, the group has yet to leverage the scale advantages and efficiency gains from operating as an amalgamation. We expect efforts to streamline operations and centralize its pricing model will gradually lower the cost-to-income ratio and reduce the operating efficiency gap to peers. That said, ongoing IT investment will continue to burden the cost base over the forecast period. After terminating the core banking renewal project in 2021, the group has signed a new core banking system delivery agreement with Finland-based Crosskey with a planned launch in 2025.

Outlook

The stable outlook on Bonum Bank reflects our expectation that the wider POP Bank Group will continue to focus on improving the group structure and digitalization, while maintaining robust capitalization and stable funding and liquidity.

Downside scenario

We could lower the rating if the expected strengthening in the group's cohesiveness does not materialize, and if lagging efficiency and deteriorating asset quality lead to a weakening of the group's combined capital and risk profile because the RAC ratio falls below 15%. We could remove the one-notch negative comparable rating assessment (CRA) adjustment we currently incorporate in the rating and revise downward our assessment of the bank's business position--which would not have an impact on the stand-alone credit profile (SACP)--if the wider group does not close the operating profitability and cost-efficiency gap with domestic peers.

Upside scenario

We could consider raising the rating if the group demonstrates a significant improvement in revenue generation and cost efficiency, so that it builds an earnings buffer more in line with that of its peers. In such a scenario, we would no longer apply a negative CRA adjustment of one notch.

Key Metrics

POP Bank Group--Key Ratios And Forecasts					
	--Fiscal year ended Dec. 31--				
(%)	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue	(5.5)	16.5	(8.0)-(6.6)	18.3-22.4	7.8-9.5
Growth in customer loans	6.3	9.7	5.4-6.6	4.5-5.5	3.6-4.4
Growth in total assets	12.4	5.1	4.2-5.1	3.5-4.3	2.8-3.4
Net interest income/average earning assets (NIM)	1.7	1.6	1.5-1.7	1.6-1.8	1.6-1.8
Cost to income ratio	83.2	79.7	88.8-93.4	74.6-78.4	69.3-72.9
Return on average common equity	2.2	6.9	0.8-0.9	4.2-4.6	5.5-6.1
Return on assets	0.2	0.7	0.1-0.1	0.4-0.5	0.5-0.6
New loan loss provisions/average customer loans	0.2	0.3	0.15-0.20	0.15-0.20	0.15-0.20
Gross nonperforming assets/customer loans	3.0	2.3	2.4-2.6	2.4-2.6	2.4-2.6
Risk-adjusted capital ratio	16.5	16.7	16.0-16.5	16.2-16.7	16.8-17.3

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'a'- For Banks Operating Purely In Finland

Under our bank criteria, we use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine the anchor, the starting point for our bank rating. The anchor for Bonum Bank is 'a-', in line with that for commercial banks based in Finland. Our assessment of the economic and industry risk trends for Finland's BICRA are stable.

We view Finland as an innovative, wealthy, and small open economy with mature political and institutional frameworks. The Finnish economy showed strong resilience during the pandemic. After a contained GDP contraction of 2.3% during the first COVID-19 wave in 2020, then a strong rebound of 3.5% in 2021, we now project more muted growth of 1.3% in 2022 and 1.0% in 2023. This is because the knock-on effects of the Russia-Ukraine war could impair overall demand from Finnish trading partners. We expect domestic demand will be affected through lower private consumption due to declining real disposable incomes on rising prices. More muted consumer and business confidence could weaken the banking sector's growth prospects.

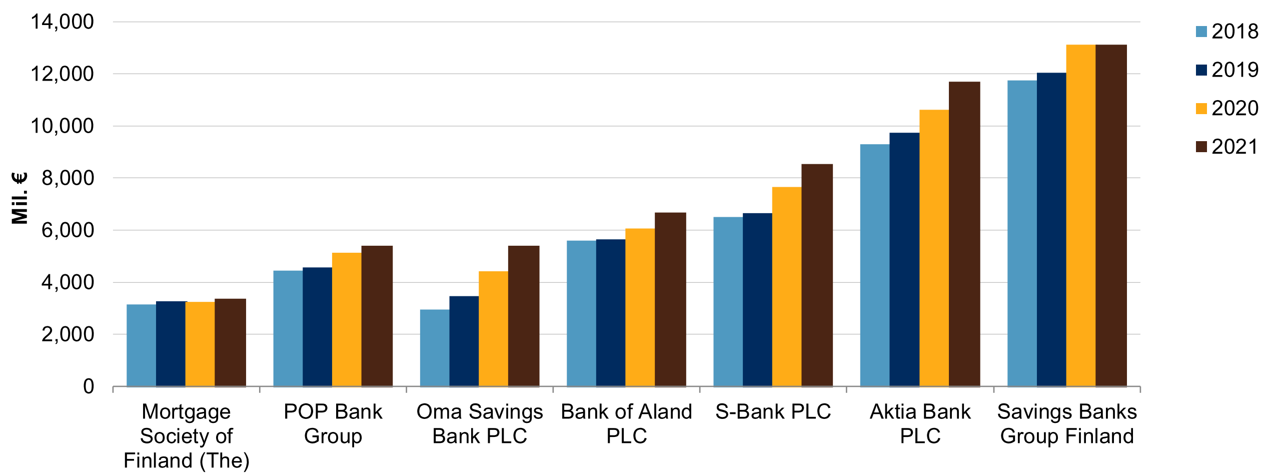
We do not see material economic imbalances in the Finnish economy as inflation-adjusted house prices show modest growth or a slight decrease in 2022-2024, although regional differences persist. However, increasing household debt remains a concern and a swift increase in interest rates could weaken households' disposable income and consumption, given that more than 90% of mortgage loans are at variable rates. Fixed-rate mortgages remain an exception, although borrowers are increasingly taking interest-rate hedges.

In our view, regulatory standards and bank supervision in Finland are in line with those of European peers. The banking sector is dominated by two major banking groups, OP Financial Group and Nordea Bank, and underpinned by intense competition and low lending margins. That said, we believe that overall profitability and capitalization will remain resilient. We also expect banks' risk appetites to stay restrained. In our view, the risk of technology disruption remains moderate given banks' digital customer offerings and ongoing investment in innovation.

Finnish banks will remain dependent on external funding, which makes them vulnerable to changes in confidence sensitivity. That said, they continue to demonstrate good access to the capital markets. The Nordic banking system also remains highly interconnected, which results in potential spillover risks from external events.

Chart 1

POP Bank Group Holds A Small Regional Retail Franchise
Total assets



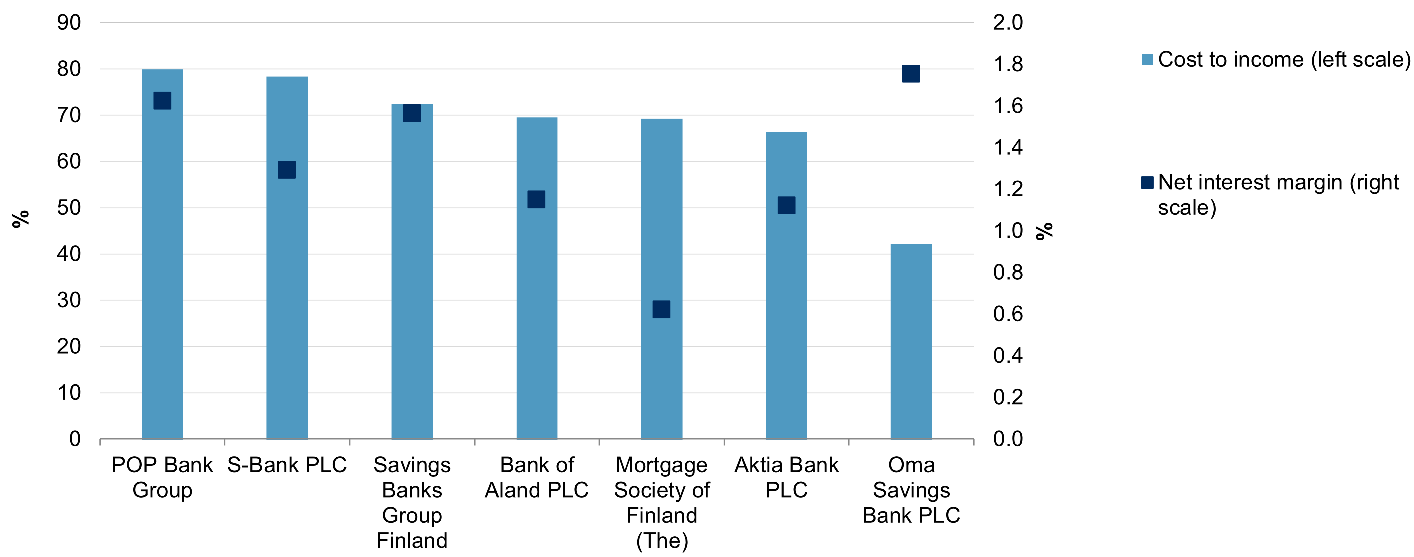
Source: S&P Global Ratings.

Business Position: Continued Group Unification Is Key For Improving Subpar Profitability And Operating Efficiency

POP Bank Group's business position benefits from its sound regional retail franchise focusing primarily on collateralized lending to households and small and midsized enterprises (SMEs). We expect the group's ongoing efforts to streamline operations and centralize steering will improve the group's internal efficiency and reduce the profitability gap to peers. As reflected by the group's leading position in customer satisfaction, the group has a loyal customer base which, in our view, will support the ongoing repricing strategy and revenue generation. That said, the discontinuation of the core banking system reform project in 2021 and commissioning of Crosskey as a new provider will further delay the platform update and keep IT investments high for another few years, which we expect will remain a drag on profitability.

Chart 2

POP Bank Group's Cost Efficiency Lags Peers' While Lower Price Sensitivity In Rural Areas Supports Margins
2021 cost to income and net interest margin



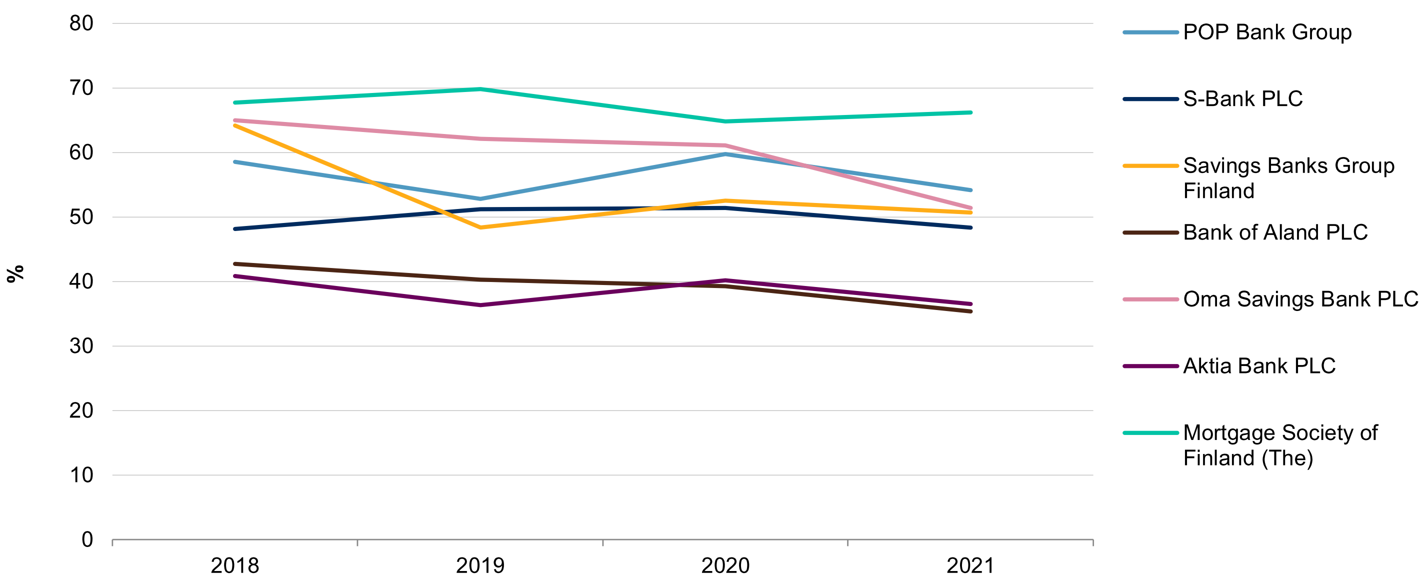
Note: Net interest income to average earning assets. Source: S&P Global Ratings.

Overall, our assessment of the POP Bank Group's business position remains constrained because of its modest nationwide market position in Finland. It has a market share of 2.1% in lending to households and total deposits in 2021. Lending is concentrated to retail and small businesses with customers distributed across Finland, mainly in smaller cities and less urbanized areas. Similar to domestic peers and following the strong urbanization trend in Finland, POP Bank Group has over recent years shifted its focus toward cities and growth areas.

POP Bank Group's product offering is complemented by fully digital, non-life insurance products from Finnish P&C Insurance Ltd., which in addition to POP Bank Group's customers also targets customers of savings banks. POP Bank Group's presence in the digital lending segment has remained steady. The launch of its fully digital and automated consumer loan product, Pikalaina, has improved overall margins but also increased the group's provisioning level. The group is also in the process of launching its digital housing loan, which we understand will be delivered in steps over 2022-2024.

Chart 3

Loan Growth And Repricing Initiatives To Be Key Revenue Drivers Given POP Bank Group's NII Dependence
Net interest income to operating revenue



NII--Net interest income. Source: S&P Global Ratings.

We consider that management is consistently executing its business plan, primarily focusing on growth, group structure and cost efficiency. We expect that continues consolidation and centralization will support long-term strategic targets.

Capital And Earnings: Very Strong Capitalization, With Efficiency Gains To Be Proven In The Long Term

We anticipate that POP Bank Group's capital and earnings will remain its key rating strength, mainly because we expect our RAC ratio for the group to be comfortably above 15%--in the range of 16.0%-16.7%--over the next 24 months, compared with 16.7% as of Dec. 31, 2021. In addition, the group's capital quality remains strong--core capital, measured as adjusted common equity (ACE), comprises 100 % of the bank's total adjusted capital (TAC). The group's capitalization is supported by high profit retention because member banks, as cooperatives, do not pay dividends.

In our view, POP Bank Group benefits from relatively predictable revenues, based on the group's sound regional position in household lending and payments. We project the group will grow its loan book above the market at about 5%-6% in 2022-2023. The net interest margin has remained higher than most peers' and averaged 1.63% in 2019-2021--which partly reflects the lack of competition in local regions. We expect POP Bank Group's average interest margin will benefit from a higher policy rate and gradually increase to 1.65%-1.70% by the end of 2023. Combined, that should translate into sound net interest income growth over the forecast period.

POP Bank Group continues to demonstrate weaker cost efficiency than domestic and Nordic peers--adjusted for exceptional items, the cost-to-income ratio was 79.7% in 2021 and increased to 90.4% as of June 30, 2022. The latter was heavily impacted by fair value losses amid rising market interest rates in the first half of 2022, which we project will revert over 2022-2023. We expect the cost-to-income ratio will gradually improve through 2024 as synergies are realized, but ongoing IT investment will continue to burden the cost base over the forecast period.

We expect that the three-year average earnings buffer, which measures the capacity of earnings to absorb normalized losses through the credit cycle, will increase to about 0.5%-0.6% by the end of 2023 (an earnings buffer of about 1.0% indicates adequate earnings capacity), from its currently projected modest level of 0.38% in 2022.

POP Bank Group's Common Equity Tier 1 (CET1) capital ratio was 19.2% at year-end 2021. The group aims to maintain a CET1 ratio above 17.5%, well above its regulatory requirement of 11.75%.

Risk Position: High Concentration To Sparsely Populated Areas Is Partially Mitigated By A Well-Collateralized Loan Book

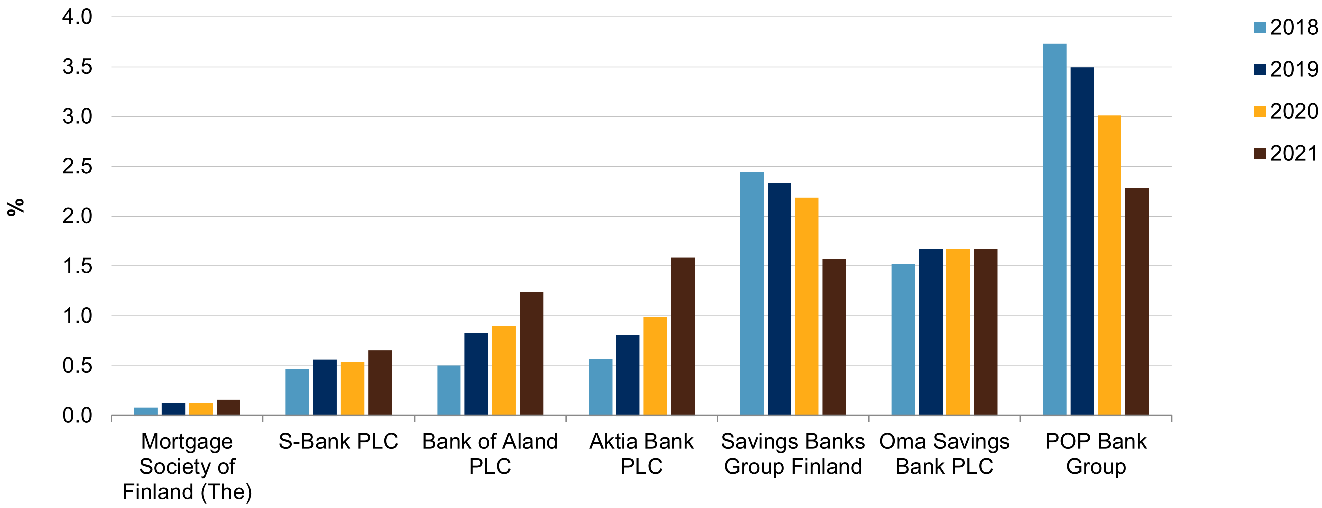
Our assessment of POP Bank Group's risk position as moderate combines our view of its regional retail concentration and exposure to domestic real estate with its adequately collateralized and granular loan book.

POP Bank Group focuses mainly on low-risk lending to private customers (65% of the loan portfolio first-half 2022), lending to SMEs (21%), and small agricultural and forestry clients (14%). We consider that this concentration is partly mitigated by the loan book's high granularity and adequate collateralization, while mortgage lending is mainly focused on less urbanized low-growth areas so that loans in the retail portfolio are moderately sized. The regional diversification of the mortgage loan book is sound, with the top 10 municipalities accounting for an aggregated 37%. In addition, the group's SME lending shows a conservative approach to loan sizes and collateralization. The top 10 largest loan exposures represent less than 1% of its total loan book, equivalent to 8% of TAC.

POP Bank Group's risk appetite is, in our view, contained and a neutral factor to our risk assessment. The member banks focus on plain vanilla retail banking with low complexity. The loan book has grown above the market but with a five-year average growth rate of 5.9% growth has, in our opinion, not been excessive. That said, in line with its strategic target to grow the SME portfolio, we note that lending in this segment has expanded rapidly in 2021-2022, increasing 21% in 2021 and 8% in first-half 2022. During 2020-2021, the group's cost of risk increased partly because the digital consumer loan product expanded. We note that growth in this segment have significantly lowered over the past year following tightened credit policies and the new consumer loan price law that was enacted in Finland.

Chart 4

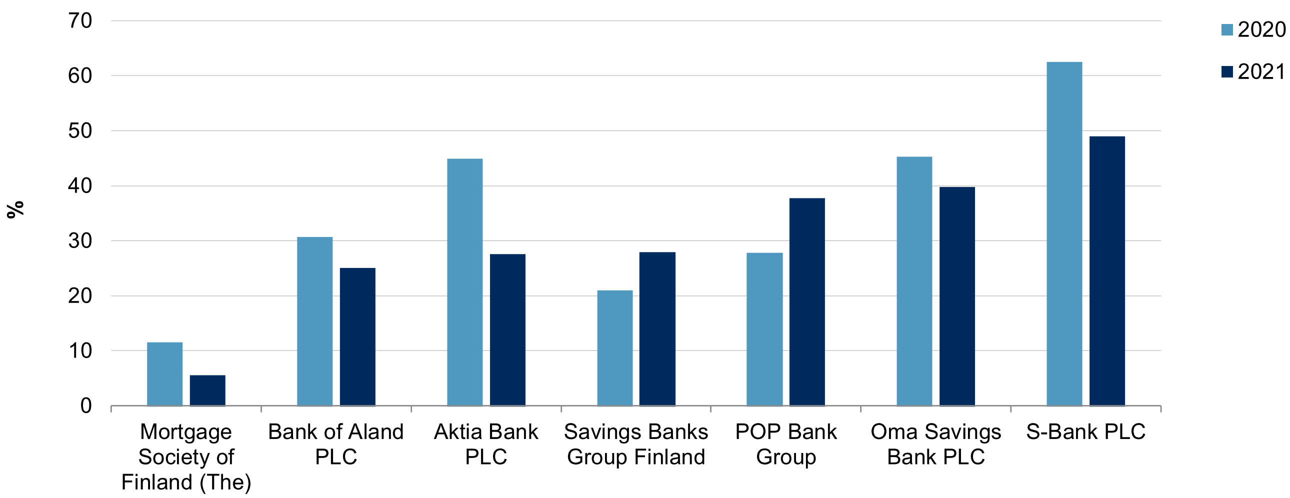
POP Bank Group's Asset Quality Is Strengthening...
Nonperforming assets*



*Adjusted nonperforming assets/customer loans + other real estate owned. Source: S&P Global Ratings.

Chart 5

...And Provisioning Levels Are Sound
Loan loss reserves to adjusted nonperforming assets



Source: S&P Global Ratings.

The ratio of nonperforming loans (defined as stage 3 loans) has gradually decreased over the past three years, but at 2.4% of gross loans as of June 30, 2022, it remains somewhat higher than that of most domestic peers. The level of provisioning is adequate, with a loan loss reserve currently covering 37% of nonperforming loans. Although we acknowledge that higher inflation and rising interest rates may weigh on the repayment capacity of households and businesses, we expect new loan loss provisioning to be contained in the range of 15-20 bps over 2022-2024. We also note that the level of installment-free loans has gradually subsided and was at end-2021 reported at pre-COVID-19 levels.

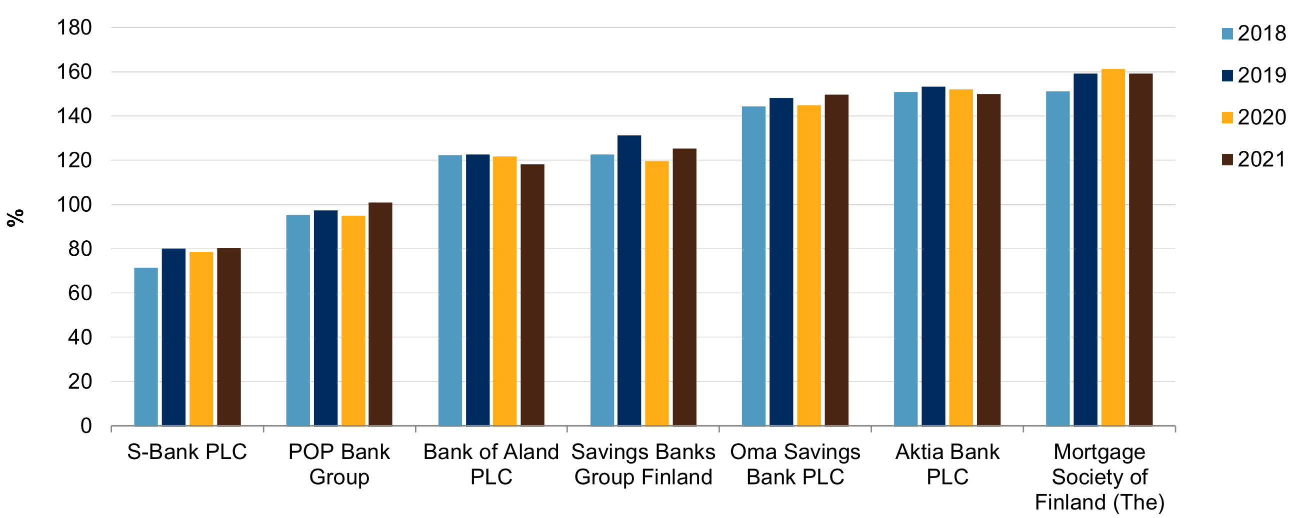
Funding And Liquidity: A Granular Deposit Base And Adequate Liquidity Buffers

Our view of POP Bank Group's adequate funding profile is based on its stable retail franchise and proximity to customers that should continue to provide the bank with a relatively stable and granular inflow of deposits. We expect that mortgage-backed covered bond issuance via newly established POP Mortgage Bank will further diversify the funding structure of the amalgamation and to gradually reduce the use of more expensive and shorter-dated wholesale funding sources over the forecast period.

As of June 30, 2022, customer deposits formed 88% of the funding base and have remained relatively stable over the years. The loan-to-deposit ratio was noted at 101%, which is materially lower than that of the domestic average. We expect retail deposits to remain the group's main source of funding, which provides granularity and stability to our funding assessment.

Chart 6

POP Bank Group's Funding Profile Is Dominated By Deposits
Customer loans (net)/customer deposits



Source: S&P Global Ratings.

To complement its funding sources and provide some diversification, the group has tapped the wholesale funding market through issuances of senior bonds, certificate of deposits, and over recent years the European Central Bank's targeted longer-term refinancing operations (TLTRO; €128.4 million in total).

We expect POP Bank Group will continue to demonstrate a balanced asset-liability structure with a stable funding ratio well above 100% in 2022-2023. As of June 30, 2022, it was 109% which is slightly higher than the domestic peer average of 107%.

In our view, POP Bank Group continues to demonstrate sound liquidity metrics. Liquidity within the amalgamation is managed and controlled by Bonum Bank. As of June 30, 2022, the group's portfolio of liquid assets totaled €581.3 million, consisting mainly of cash or receivables from the central bank, and highly liquid level 1 assets. On that date, S&P Global Ratings' liquidity coverage ratio (broad liquid assets/short-term wholesale funding) stood at a comfortable 4.2x owing to its limited use of wholesale funding. We believe that under stressful conditions involving the closure of capital markets, POP Bank Group could continue operations for more than six months without material dependence on central bank operations. The regulatory liquidity coverage ratio shows a similar picture at 163.5% as of June 30, 2022. We consider that net broad liquid assets to short-term deposits of 18.4% is a better indicator of liquidity, given that the bank is predominantly deposit-funded.

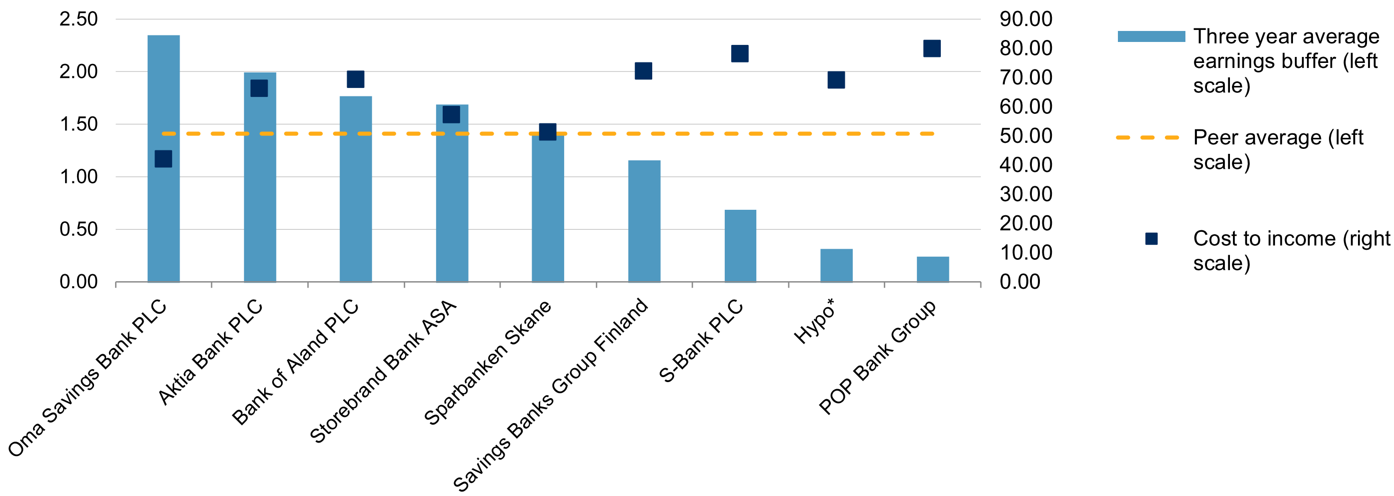
Additional Rating Factors: A Poor Performer In Its Peer Group

We apply a one-notch negative adjustment to the SACP on Bonum Bank, because we expect the POP Bank Group will continue to demonstrate a weaker earnings profile and lower operating efficiency than most of its peers in the medium term. Because of the group's high cost base, we expect its three-year average earnings buffer to remain below that of peers. In our opinion, this constrains the group's ability to absorb credit losses through the cycle without eroding capital levels.

Chart 7

Weak Operating Efficiency Constrains POP Bank Group's Capacity To Absorb Losses

earnings buffer and cost-to-income



*Mortgage Society of Finland (The). Source: S&P Global Ratings.

Support: No Uplift For External Support

We do not factor any external support into our assessment of the group's credit profile. We believe the prospect of extraordinary government support for Finnish banks is uncertain, following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers in case of resolution. We regard the POP Bank Group as having low systemic importance in Finland due to its modest market share in customer deposits. The Finnish authorities have not identified POP Bank Group as being subject to a well-defined bail-in process.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicator Definitions And Applications," published Oct. 13, 2021.

Environmental, social, and governance (ESG) factors have no material influence on our credit rating analysis of Bonum Bank. We see ESG factors for POP Bank Group as broadly in line with those of industry and domestic peers.

The group is firmly committed to promoting sustainable climate change goals in its investment and lending products which we view as the main environmental risks facing the group.

POP Bank Group reports on its responsibility work in accordance with the Global Reporting Initiative (GRI) guidelines. Given POP Bank Group's increasing focus on digitalized lending procedures, we consider conduct and compliance risks to be particularly relevant. Owing to the group's cooperative values the group members are closely attached to the local business and industries.

In our view, the bank has a stable senior management team and business strategy, and exhibits disciplined execution and operational control. We see a sound cooperative governance structure as critical for POP Bank Group.

Key Statistics

Table 1

POP Bank Group--Key Figures

	--Year ended Dec. 31--				
(Mil. €)	**2022**	**2021**	**2020**	**2019**	**2018**
Adjusted assets	5,604.3	5,348.4	5,078.7	4,517.4	4,398.3
Customer loans (gross)	4,409.7	4,280.4	3,900.4	3,669.3	3,504.6
Adjusted common equity	542.3	480.4	433.6	429.5	416.1
Operating revenues	67.6	144.6	124.0	131.3	111.6
Noninterest expenses	61.9	115.2	103.2	98.6	96.9
Core earnings	2.6	15.8	11.5	21.4	8.9

*Data as of June 30.

Table 2

POP Bank Group--Business Position

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Loan market share in country of domicile	N/A	1.6	1.5	1.5	1.5
Deposit market share in country of domicile	N/A	2.1	2.1	2.3	2.3
Total revenues from business line (mil. €)	67.6	176.3	124.0	131.3	111.6
Commercial & retail banking/total revenues from business line	94.5	91.8	90.6	89.4	90.9
Insurance activities/total revenues from business line	5.5	8.2	9.4	10.6	9.1
Return on average common equity	1.0	6.9	2.2	4.3	1.8

*Data as of June 30. N/A--Not applicable.

Table 3

POP Bank Group--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	19.6	19.2	19.9	19.9	20.7
S&P Global Ratings' RAC ratio before diversification	N/A	16.7	16.5	16.4	16.3
S&P Global Ratings' RAC ratio after diversification	N/A	12.7	12.7	12.5	12.3

Table 3

POP Bank Group--Capital And Earnings (cont.)					
	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	60.1	54.2	59.7	52.8	58.6
Fee income/operating revenues	30.8	25.1	25.0	22.9	26.7
Market-sensitive income/operating revenues	(9.0)	8.4	1.5	11.9	1.0
Cost to income ratio	91.4	79.7	83.2	75.1	86.8
Preprovision operating income/average assets	0.2	0.6	0.4	0.7	0.3
Core earnings/average managed assets	0.1	0.3	0.2	0.5	0.2

*Data as of June 30. N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

POP Bank Group--S&P Global Ratings' Risk-Adjusted Capital Framework					
	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government & central banks	475,508,985	11,851,800	2.0	12,450,660	3.0
Of which regional governments and local authorities	129,133,746	962,338	1.0	4,648,815	4.0
Institutions and CCPs	171,917,800	33,019,208	19.0	28,538,355	17.0
Corporate	635,201,694	532,287,709	84.0	392,648,927	62.0
Retail	3,741,394,494	1,477,058,831	39.5	1,113,152,099	29.8
Of which mortgage	2,955,574,681	1,064,236,232	36.0	685,601,758	23.2
Securitization§	0	0	0.0	0	0.0
Other assets†	155,276,578	141,585,214	91.0	161,596,290	104.0
Total credit risk	5,179,299,550	2,195,802,762	42.4	1,708,386,332	33.0
Credit valuation adjustment					
Total credit valuation adjustment	--	0	--	0	--
Market risk					
Equity in the banking book	204,057,414	325,445,142	159.0	927,822,673	455.0
Trading book market risk	--	20,202,163	--	30,303,244	--
Total market risk	--	345,647,305	--	958,125,916	--
Operational risk					
Total operational risk	--	224,645,588	--	209,697,711	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	2,766,095,654	--	2,876,209,959	100.0
Total diversification/ concentration adjustments	--	--	--	919,761,689	32.0
RWA after diversification	--	2,766,095,654	--	3,795,971,648	132.0

Table 4

POP Bank Group--S&P Global Ratings' Risk-Adjusted Capital Framework (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	541,449,743	19.6	480,431,357	16.7
Capital ratio after adjustments‡	541,449,743	19.6	480,431,357	12.7

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31 2021, S&P Global Ratings.

Table 5

POP Bank Group--Risk Position

	--Year ended Dec. 31--				
(%)	**2022**	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	6.0	9.7	6.3	4.7	4.7
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	32.0	29.4	31.1	32.8
Total managed assets/adjusted common equity (x)	10.4	11.2	11.8	10.6	10.6
New loan loss provisions/average customer loans	0.1	0.3	0.2	0.2	0.1
Gross nonperforming assets/customer loans + other real estate owned	2.4	2.3	3.0	3.5	3.7
Loan loss reserves/gross nonperforming assets	36.9	37.6	27.6	26.4	24.0

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

POP Bank Group--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	2022	2021	2020	2019	2018
Core deposits/funding base	87.8	90.3	91.5	95.5	95.6
Customer loans (net)/customer deposits	100.9	100.5	94.7	97.0	94.7
Long-term funding ratio	96.5	97.3	98.5	98.7	98.9
Stable funding ratio	109.3	108.3	114.0	108.4	111.4
Short-term wholesale funding/funding base	3.9	3.0	1.7	1.5	1.2
Regulatory net stable funding ratio	131.3	N/A	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	4.2	4.8	10.7	8.9	12.9
Broad liquid assets/total assets	14.2	12.6	15.8	11.3	13.3
Broad liquid assets/customer deposits	18.4	16.0	19.7	13.7	15.9
Net broad liquid assets/short-term customer deposits	15.5	14.1	18.3	12.5	15.0
Regulatory liquidity coverage ratio (LCR) (x)	163.5	N/A	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	31.7	31.0	19.8	32.7	27.2
Narrow liquid assets/3-month wholesale funding (x)	N/A	17.7	24.5	10.6	N/A

*Data as of June 30. N/A--Not applicable.

Bonum Bank PLC--Rating Component Scores	
Issuer Credit Rating	**BBB/Stable/A-2**
SACP	bbb
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Constrained
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	-1
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nordic Banks: Robust Capital Provides A Cushion Against Tougher Times, Sept. 6, 2022
- Banking Industry Country Risk Assessment Update: August 2022, Aug. 30, 2022
- Banking Industry Country Risk Assessment: Finland, June 1, 2022
- The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now, April 21, 2022
- SLIDES: Nordic Banks Shift Their Focus To Profitable Growth, March 16, 2022

- Ratings On Nine Finnish Financial Institutions Affirmed Under Revised Criteria; Outlooks Unchanged, Feb. 4, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022

Ratings Detail (As Of September 26, 2022)*	
Bonum Bank PLC	
Issuer Credit Rating	BBB/Stable/A-2
Issuer Credit Ratings History	
22-Jan-2021	BBB/Stable/A-2
19-May-2020	BBB/Negative/A-2
23-May-2016	BBB/Stable/A-2
Sovereign Rating	
Finland	AA+/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.