

A low-angle photograph of a modern multi-story apartment building. The building features a mix of brick and glass facades, with prominent glass balconies on the right side. The image is overlaid with a semi-transparent purple filter. The text is centered over the building.

# POP Bank Group Investor Presentation

September 2023

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# **1. H1/2023 Highlights**

# Highlights

## H1/2023

- Funding has been acquired by issuing short-term certificates of deposit under its EUR 250 million certificates of deposit programme and by accepting money market deposits.
- POP Bank Group sold the majority stake in Finnish P&C Insurance Ltd to LocalTapiola in May. The transaction will have a positive impact on the Group's performance in the short and long term. The Group continue to be a shareholder in Finnish P&C Insurance with a 30 per cent stake.
- The Group have also launched a strategic partnership with LocalTapiola to develop the product portfolio, however, the Group's main focus is on the banking segment.
- Two local POP Banks merged; after the merger there are 18 cooperative banks in the Group.
- The strategic projects such as core banking project are proceeding as planned.

# Key figures

## H1/2023

(H1/2022)



Operating income

**106.3**

(63.5)  
EUR million



Profit before tax

**42.6**

(5.1)  
EUR million



Net interest income

**78.0**

(40.3)  
EUR million



CET 1 capital ratio

**21.1**

(19.4)  
per cent



Loan portfolio

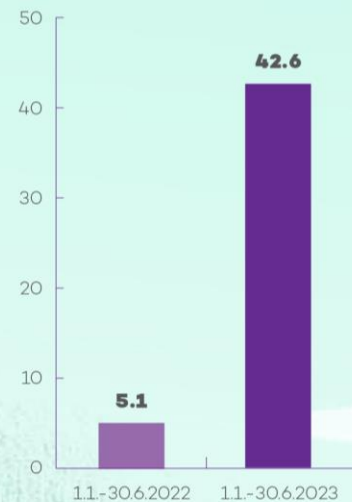
**4.5**

(4.4)  
EUR billion

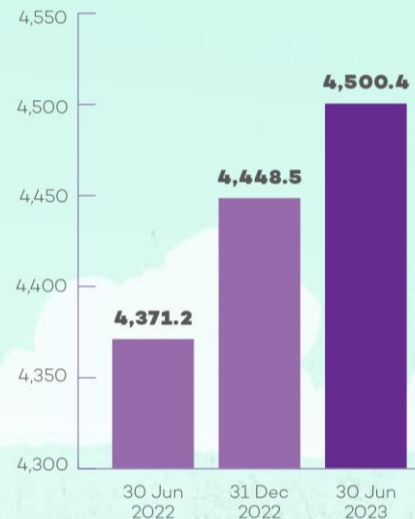
*\*Profit before taxes EUR 87,9 (4,8) million including income from continuing operations and income from insurance operations and their divestment.*



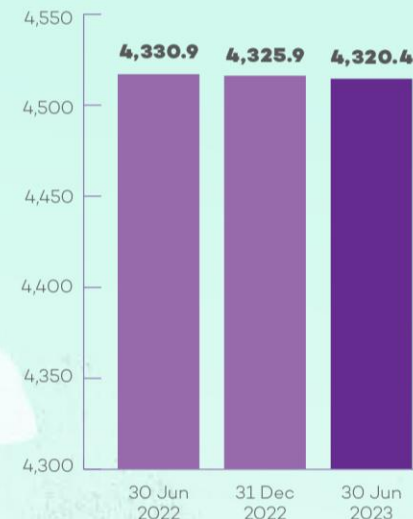
## PROFIT BEFORE TAX, EUR MILLION



## LOAN PORTFOLIO, EUR MILLION



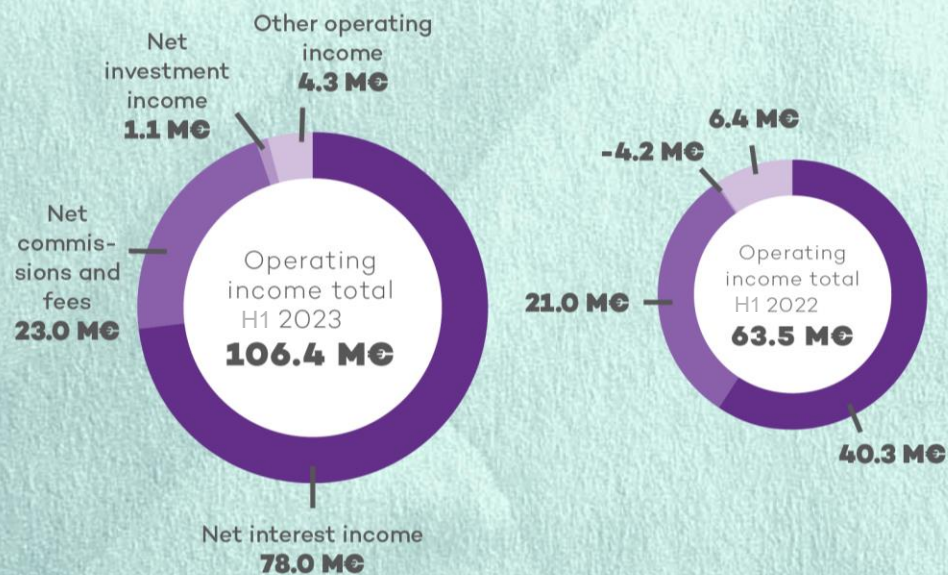
## DEPOSITS, EUR MILLION



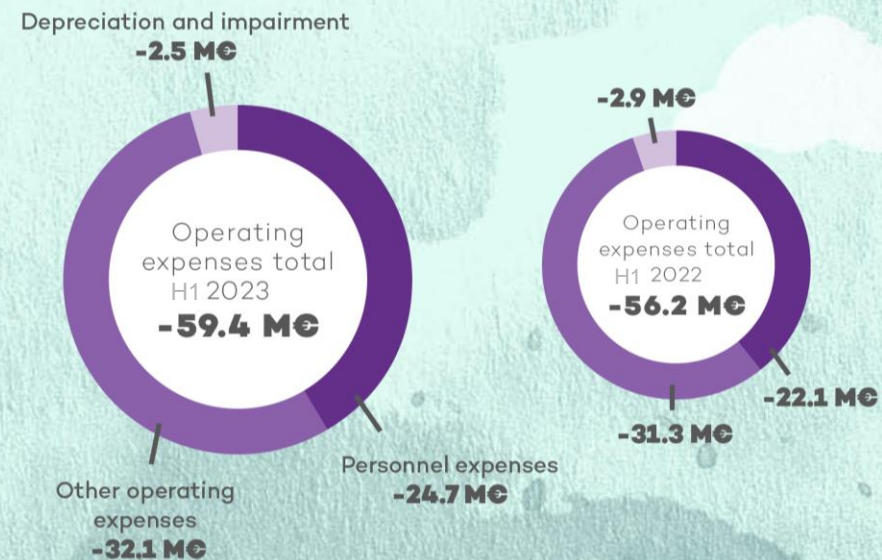
## CAPITAL ADEQUACY



## OPERATING INCOME, EUR MILLION



## OPERATING EXPENSES, EUR MILLION



## **2. Introduction to the POP Bank Group**

# Overview

- POP Bank Group is a Finnish financial group that offers retail banking services for private customers and small and medium-sized companies. POP Banks are cooperative banks owned by their member customers
- POP Banks' network is located in the demographically vital regions around growth centers of Western, Central and Southwestern Finland. Less exposure to Eastern Finland.
- Highest B2B and B2C customer satisfaction in Finland (EPSI Rating 2022)
- Very strong capital position: target to maintain CET1 Ratio > 17,5%
- Investment grade rating: BBB (S&P Global) with stable outlook
- Low risk and diversified loan portfolio; 92% of loan portfolio with residential or other real estate collateral
- Main funding through retail deposits, wholesale funding through covered and senior bonds (no AT1)

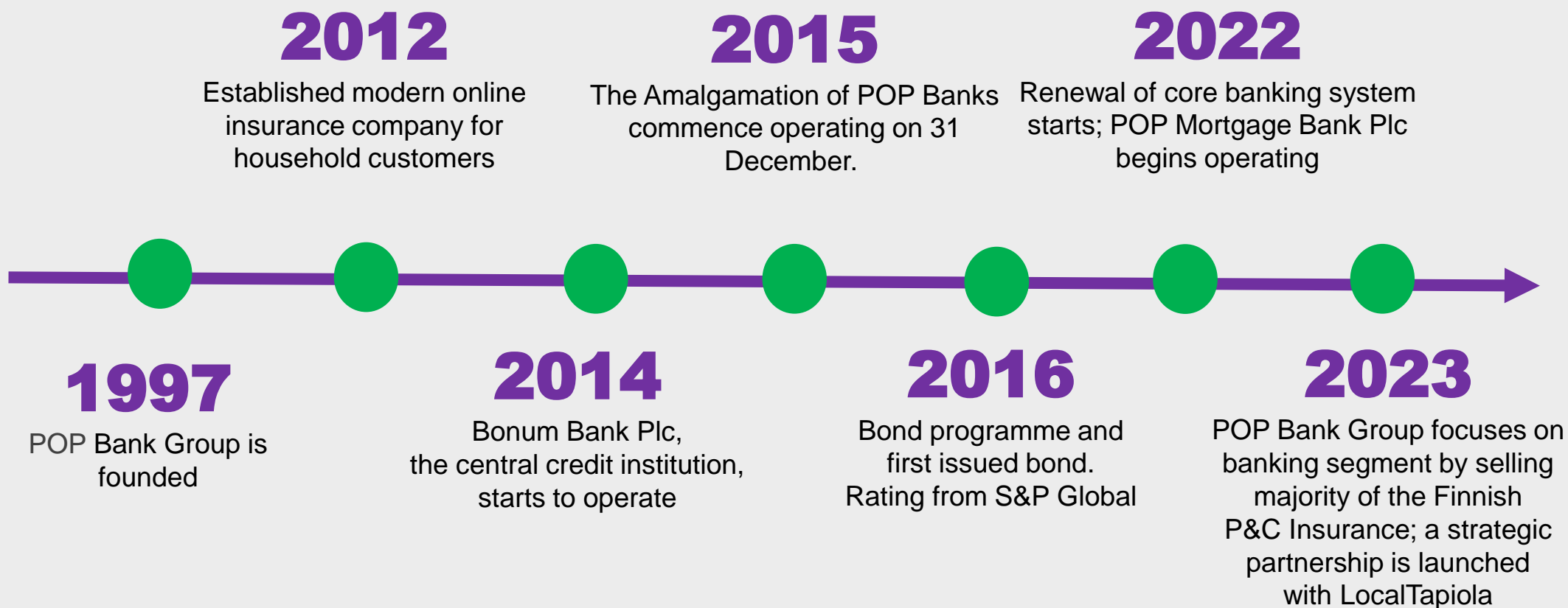




# POP Bank Group's timeline

**1902  
-1933**

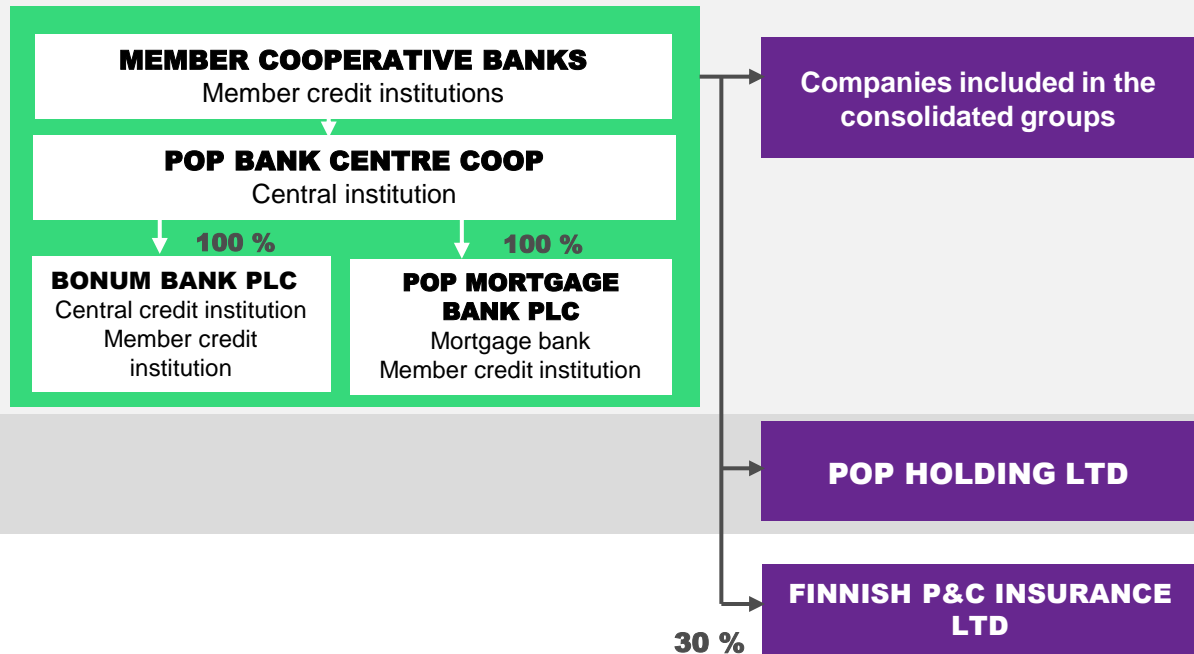
Individual co-operative banks were founded that now are part of the POP Bank Group



# The Group structure

## The POP Bank Group

### The amalgamation of POP Banks

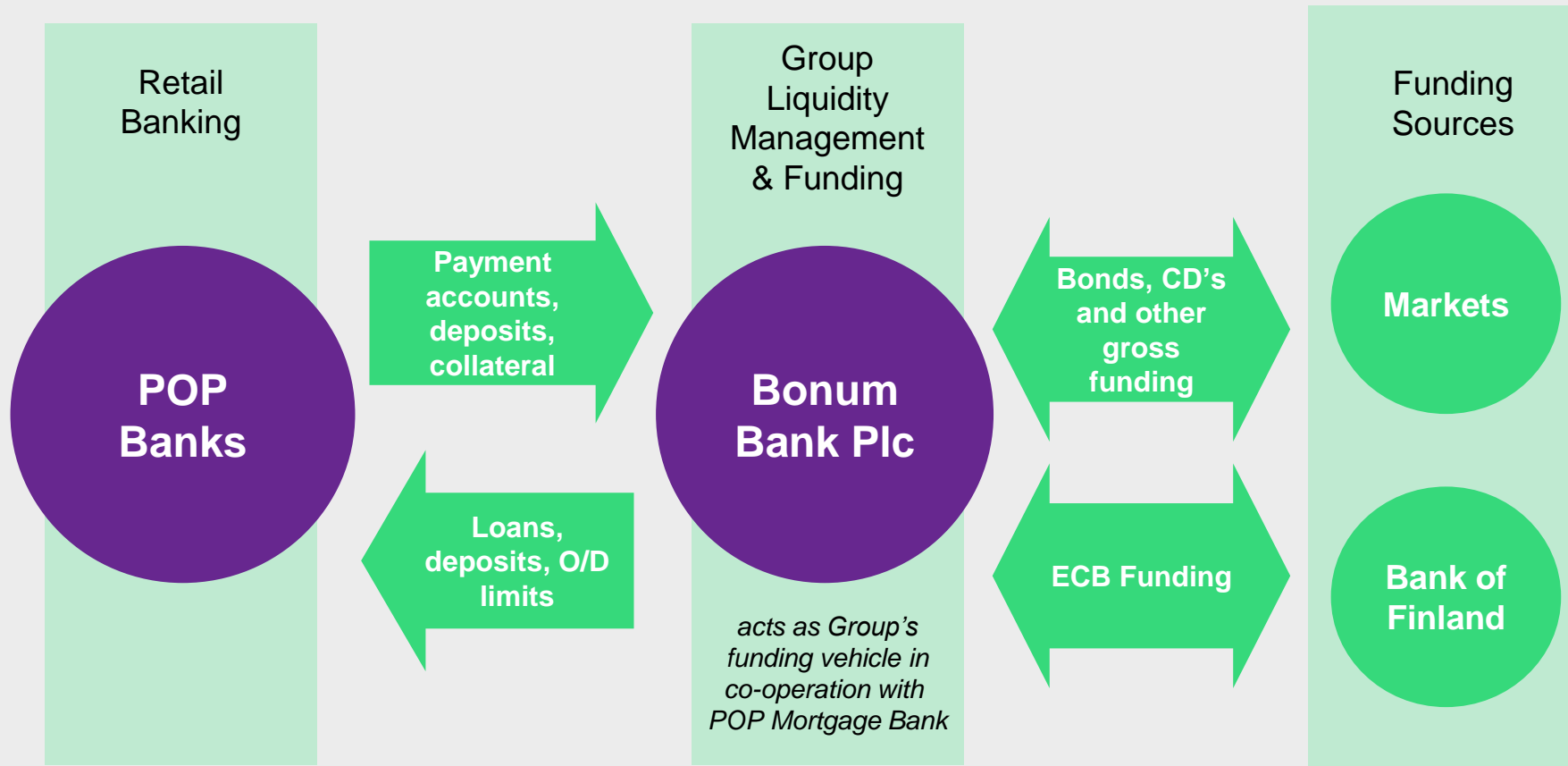


- The POP Bank Group brings together 18 independent member cooperative banks, POP Bank Centre Coop, Bonum Bank Plc, and POP Mortgage Bank Plc, to operate as a single entity for regulatory purposes under a joint-liability scheme.
- POP Bank Centre coop is the central institution of the Amalgamation of POP Banks and is responsible for steering and supervising the POP Bank Group. POP Bank Centre coop has two subsidiaries, Bonum Bank Plc and POP Mortgage Bank Plc, which are also its member credit institutions.
- Bonum Bank Plc serves as the central credit institution of the POP Banks and acquires external funding for the Group by issuing unsecured bonds. POP Mortgage Bank Plc is responsible for the Group's mortgage-backed funding, which it acquires by issuing covered bonds.
- POP Bank Group also includes POP Holding Ltd owned by POP Banks and POP Bank Centre coop. POP Holding Ltd owns 30 per cent from Finnish P&C Insurance Ltd that belongs to LocalTapiola Group. POP Holding Ltd is not a member of the Amalgamation of POP Banks and is not included in the scope of joint liability
- Amalgamation structure offers security to investors (joint liability of the entities). Amalgamation is binding: a bank departing the amalgamation will still be liable in accordance with the Act on the Amalgamation of Deposit Banks.

# The Amalgamation of POP Banks

<b>Amalgamation</b>	POP Banks established an amalgamation, as defined in the Act on the Amalgamation of Deposit Banks (599/2010), on 31 December 2015. The amalgamation structure enables a single point of access to funding, internal bank and cost-efficient operations.
<b>Central Institution's role</b>	<p>As the central institution, POP Bank Centre coop is obliged to supervise and instruct the member banks according to the Act. Responsibilities include (among others):</p> <ul style="list-style-type: none"><li>• Risk Management</li><li>• Corporate Governance</li><li>• Liquidity and Capital Adequacy</li><li>• Internal Auditing</li></ul>
<b>Joint Liability</b>	<p>POP Bank Centre coop (the central institution) and all member banks (18 POP Banks, Bonum Bank, POP Mortgage Bank) are jointly liable for each other's debt.</p> <p>In the case of insolvency of the POP Bank Centre coop, the member banks have unlimited liability to pay the debts of POP Bank Centre coop.</p>
<b>Capital Ratio</b>	POP Bank Centre coop is, as the central institution, responsible for the group's joint capital ratio.
<b>Obligation</b>	If a member bank fails to meet its obligations, a creditor may demand payment from POP Bank Centre coop. Other member banks are obliged to participate in the central institution's supporting actions.

# Bonum Bank Plc - POP Bank Group's internal bank

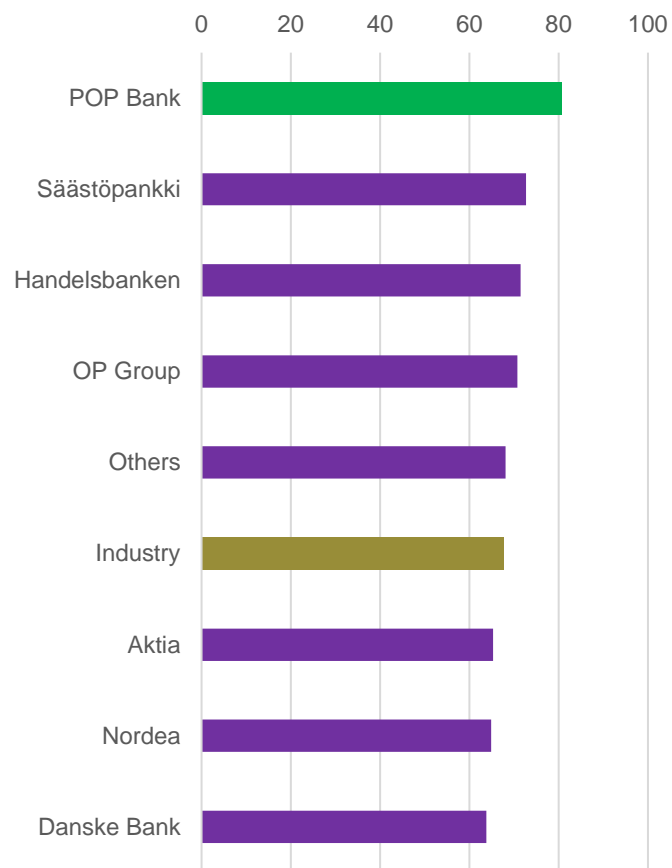


# Top position in customer satisfaction

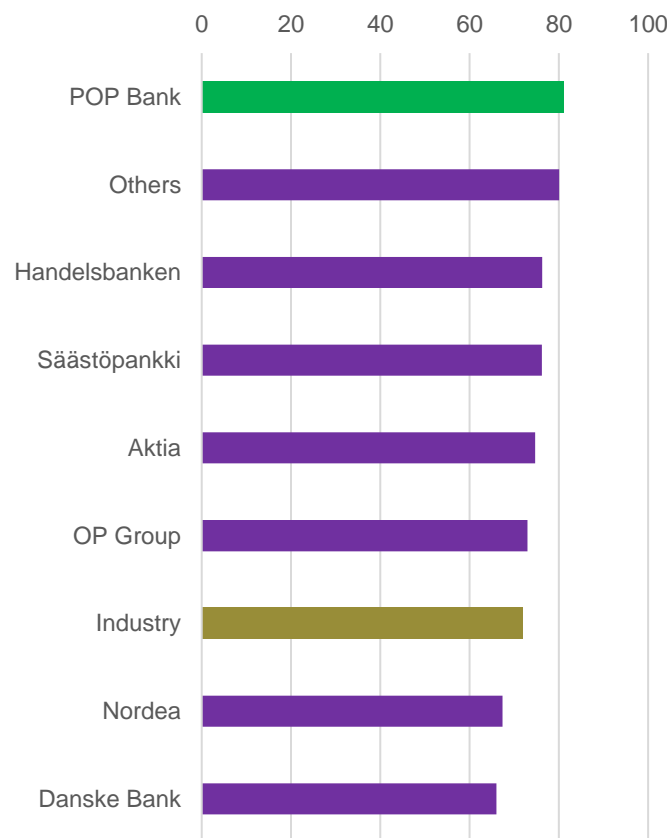


A part of EPSI Rating Group

Corporate customers,  
EPSI Rating 2022



Private customers,  
EPSI Rating 2022



POP Banks have the most satisfied customers in Finland 2011–2013 and 2015–2022 by independent 3<sup>rd</sup> party study, EPSI Rating. POP Bank participated to B2B study first time in 2021.

**POP Bank received also the highest index scores in its sector from both private and corporate customers in the EPSI Rating Sustainability Index** assessment that was carried out for the first time in 2022 in connection with the EPSI Rating customer satisfaction survey. The index is based on customers' assessments of their bank and how socially, environmentally and financially responsible they consider their bank is.

### **3. Strategy and operations**



# POP Bank Group's mission, values and strategy

## The Mission & Values

Our mission is to promote its customers' financial well-being and prosperity, as well as local success. Our values are customer orientation, profitability, bold renewal, responsibility and speed.

## The Vision

Our Group's vision is to be a bank that combines personal and digital services, that achieves the highest level of customer satisfaction and efficient decision-making, and that maintains capital adequacy and outperforms the market in profitable growth.

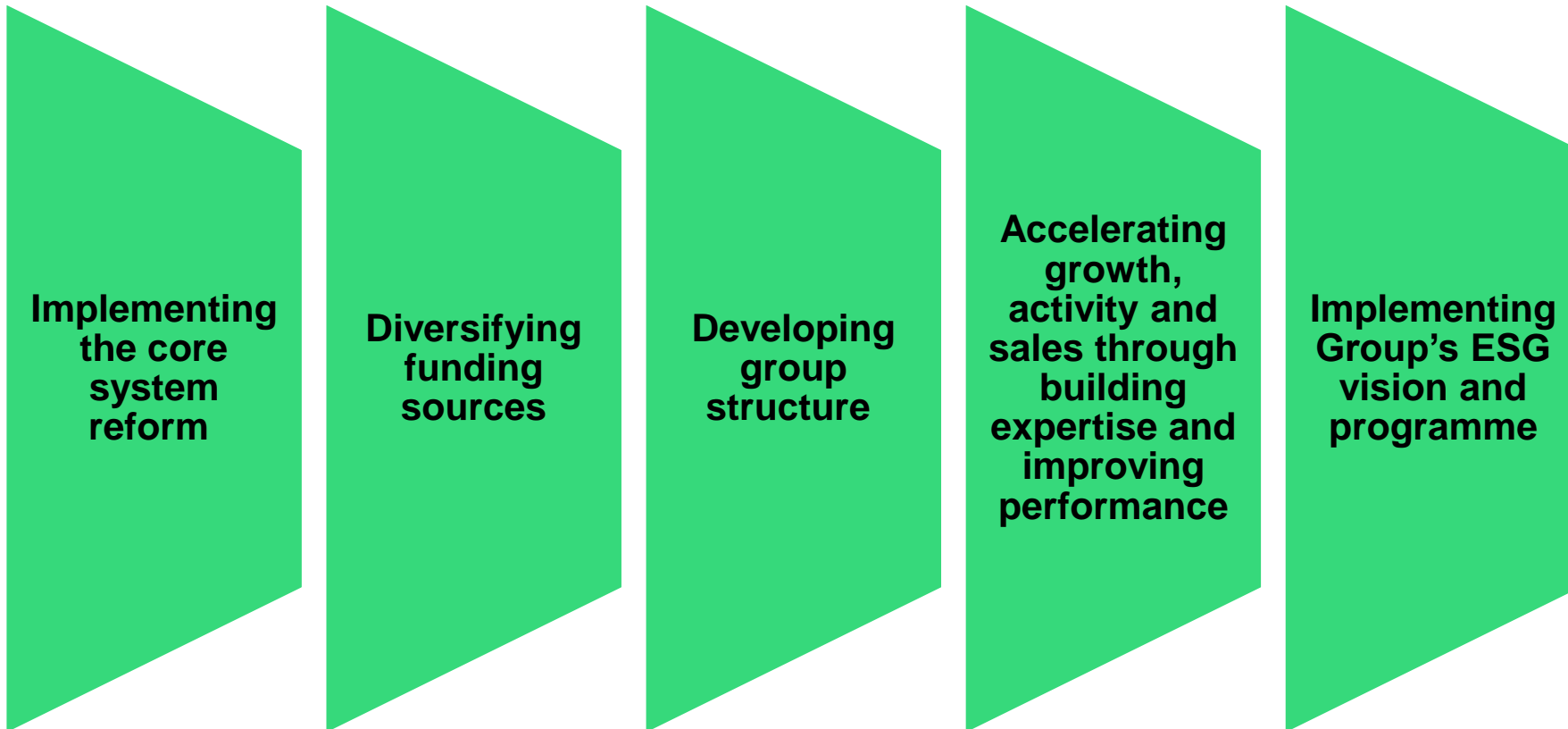
The Group focuses on building long-term customer relationships and continuously renewing its ways of working to ensure that its vision materializes through its customer service, product offering, pricing and operational efficiency.

## The Strategy

The POP Bank Group's strategy focuses on investments in the management of personal and fully digital customer service situations, as well as on strengthening lending to companies and shifting the focus of operations to growth areas.

Long-term strategic goals			
	Target	H1 2023	Year 2022
Cost-to-income ratio	<60%	58.8%	77.7%
CET 1 ratio	17.5%	21.1%	19.4%
ROA %	1.0%	1.1%	0.4%

# Strategic focus areas of the POP Bank Group



## **4. Key financials**

Key income figures (EUR 1,000)	1 Jan-30 Jun 2023	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Net interest income	77,966	94,175	78,338	74,099	69,318
Net commissions and fees	22,987	41,617	36,326	31,049	30,013
Insurance income	-	12,675	13,192	11,611	10,913
Net investment income	1,106	-2,460	10,028	1,298	15,588
Personnel expenses	24,731	-51,178	-50,655	-43,531	-42,843
Other operating expenses	32,116	-59,997	-55,464	-51,978	-47,927
Impairment losses on financial assets	4,156	-7,716	-10,390	-7,468	-6,528
Profit before tax	42,627	26,408	44,670	12,919	26,150

Key balance sheet figures (EUR 1,000)	1 Jan-30 Jun 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Loan portfolio	4,500,382	4,448,480	4,243,829	3,868,147	3,635,488
Deposit portfolio	4,320,431	4,325,946	4,222,364	4,086,045	3,746,305
Insurance contract liabilities	-	57,011	52,692	43,915	38,606
Equity capital	645,518	560,617	552,809	517,242	508,435
Balance sheet total	6,009,345	5,777,207	5,357,697	5,098,398	4,535,557

Key ratios	1 Jan-30 Jun 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Cost to income ratio	55.8%	77.7%	68.8%	83.6%	75.1%
Return on assets, ROA %	1.1%	0.4%	0.7%	0.2%	0.5%
Return on equity, ROE %	11.2%	3.8%	6.9%	2.2%	4.3%
Equity ratio, %	10.7%	9.7%	10.3%	10.1%	11.2%
Capital ratio (CET1-%)	21.1%	19.4%	19.2%	19.9%	19.8%
Total capital ratio (TC-%)	21.1%	19.4%	19.2%	19.9%	19.9%

# Key figures 1-12/2022



Operating Income  
**EUR 153.3**  
(176.2) million



Profit Before Tax  
**EUR 26.4**  
(44.7) million



CET 1 Capital Ratio  
**19.4**  
(19.2) per cent



Loan Portfolio  
**EUR 4.4**  
(4.2) billion



Net Interest Income  
**EUR 94.2**  
(78.3) million



Balance Sheet  
**EUR 5.9**  
(5.4) billion

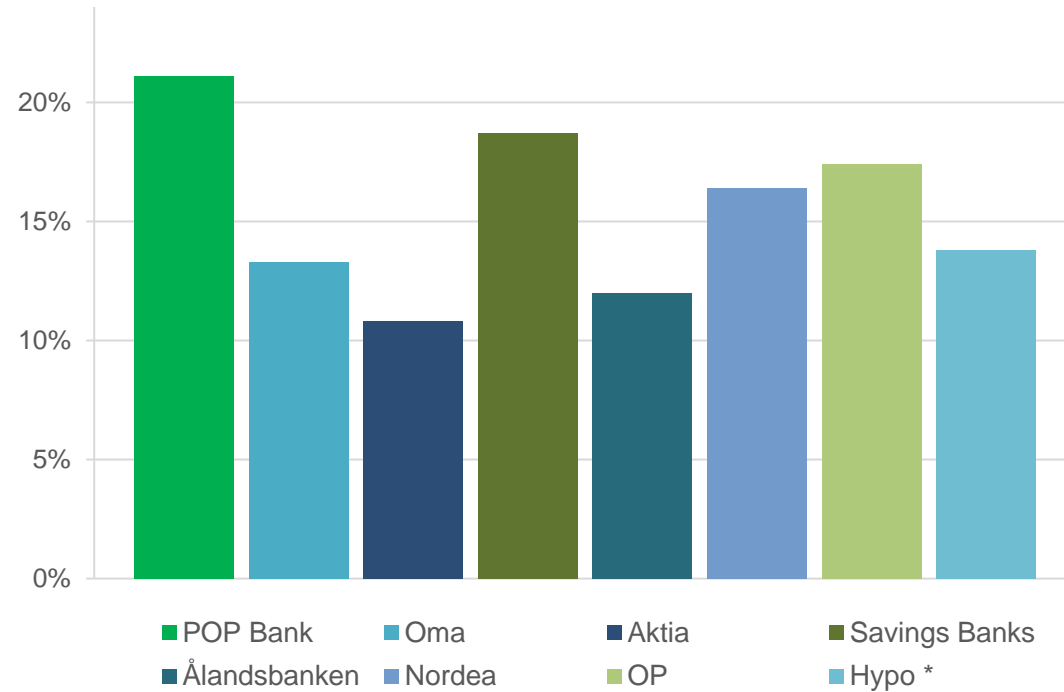
## **5. Banking segment**



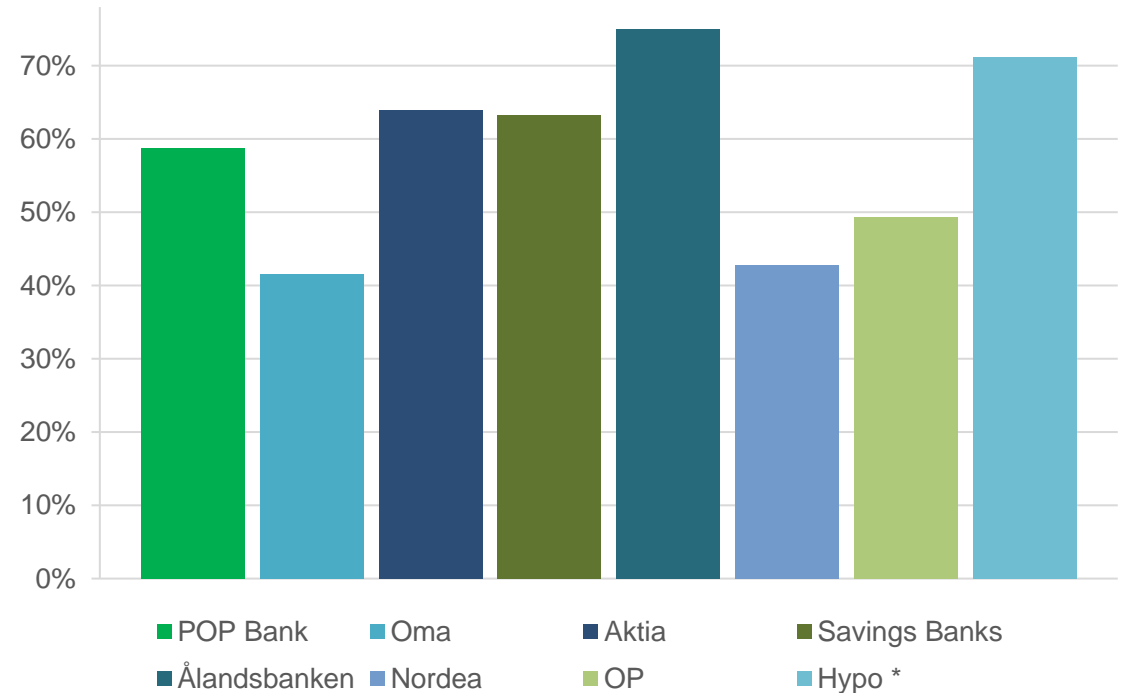
# Strong capital position and improving efficiency

## 06/2023

CET1



Cost / Income -ratio



\* Hypo per 31 Dec 2022

# Bonum Bank / POP Bank Group rating – 'BBB/A-2'

<b>Finnish banks (anchor rating)</b>	<b>A-</b>
<ul style="list-style-type: none"> <li>• Capital &amp; Earnings (very strong) <ul style="list-style-type: none"> <li>– Very strong capitalization</li> </ul> </li> </ul>	+2
<ul style="list-style-type: none"> <li>• Liquidity &amp; Funding (adequate) <ul style="list-style-type: none"> <li>– Stable customer deposit base</li> <li>– Adequate liquidity buffers</li> </ul> </li> </ul>	0
<ul style="list-style-type: none"> <li>• Risk position (moderate) <ul style="list-style-type: none"> <li>– Regional concentration</li> <li>– Concentration mitigated by sound collateralization and moderate loan sizes</li> </ul> </li> </ul>	-1
<ul style="list-style-type: none"> <li>• Business position (weak) <ul style="list-style-type: none"> <li>– Only in Finnish retail &amp; SME sectors</li> <li>– Weak position in growth centers</li> <li>– Non-life insurance business still small</li> </ul> </li> </ul>	-2
<ul style="list-style-type: none"> <li>• Additional: Weaker earnings profile compared to peers</li> </ul>	-1
<ul style="list-style-type: none"> <li>• <b>POP Bank Group credit rating</b></li> </ul>	<b>BBB (STABLE)</b>

## Major rating factors (from S&P)

### Strengths

- Very strong capitalization, which offers a robust buffer to absorb potential losses
- A solid cooperative business model
- Sound regional franchise in selected rural areas

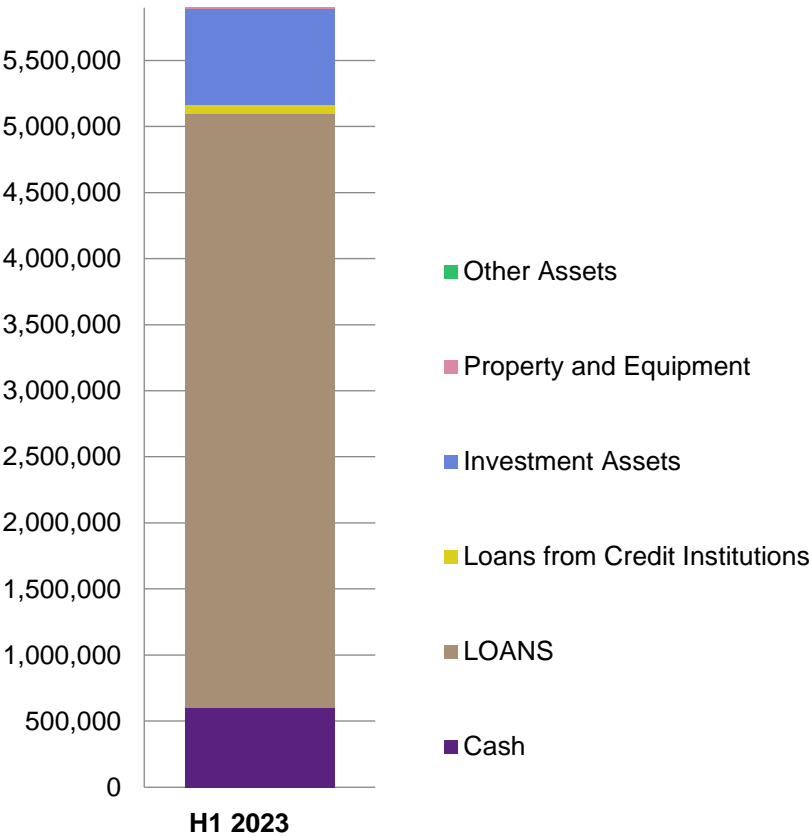
### Weaknesses

- Concentrated business operations focused on lending to individuals and small and midsize enterprises
- Weak earnings and cost efficiency

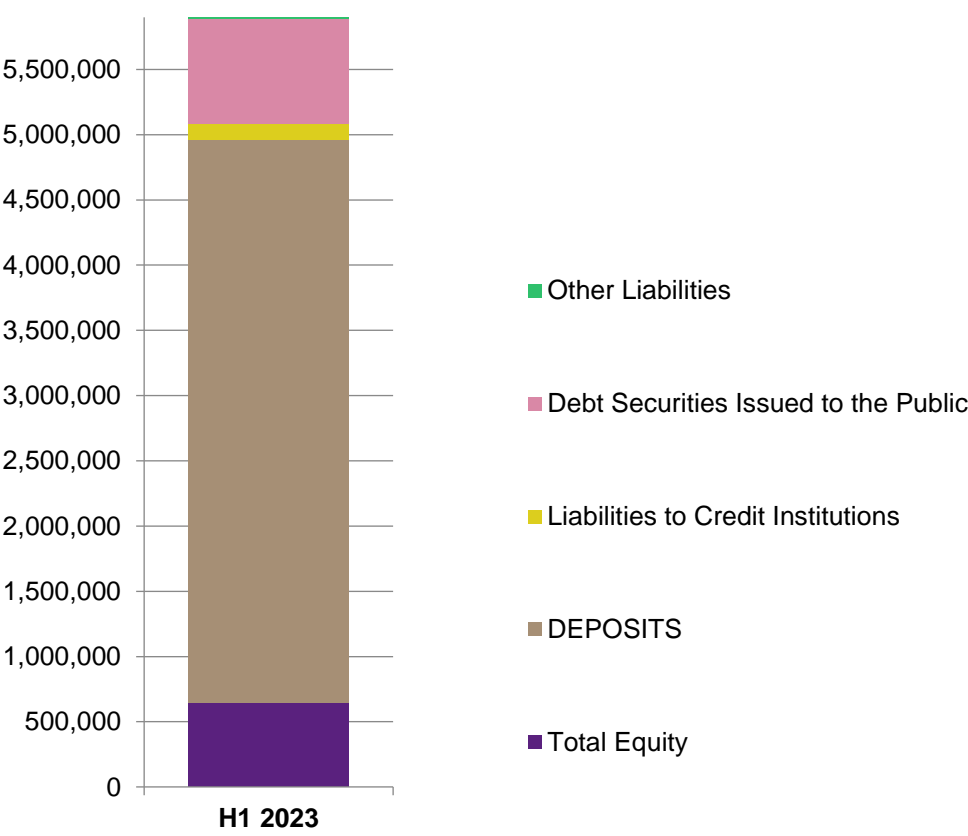
Source: S&P General Ratings Report, September 2022

# Group balance 30th June 2023

## Total Assets

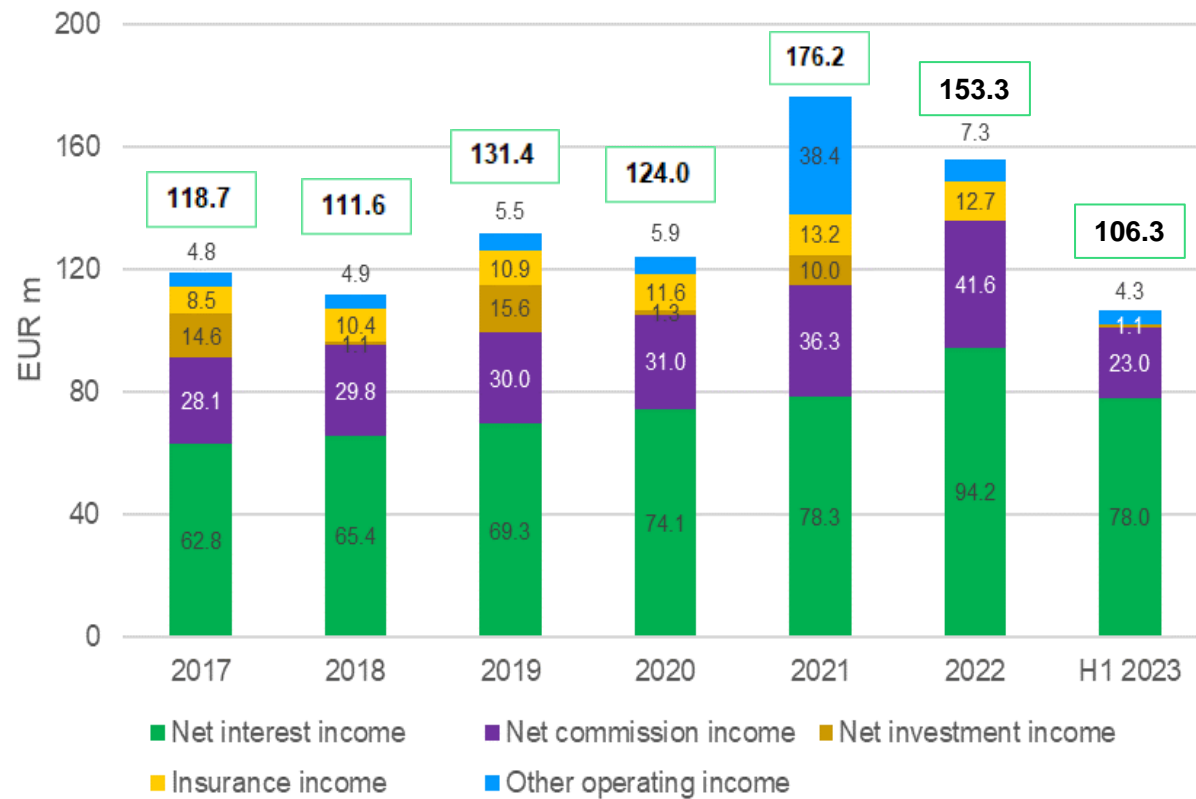


## Total Liabilities and Equity

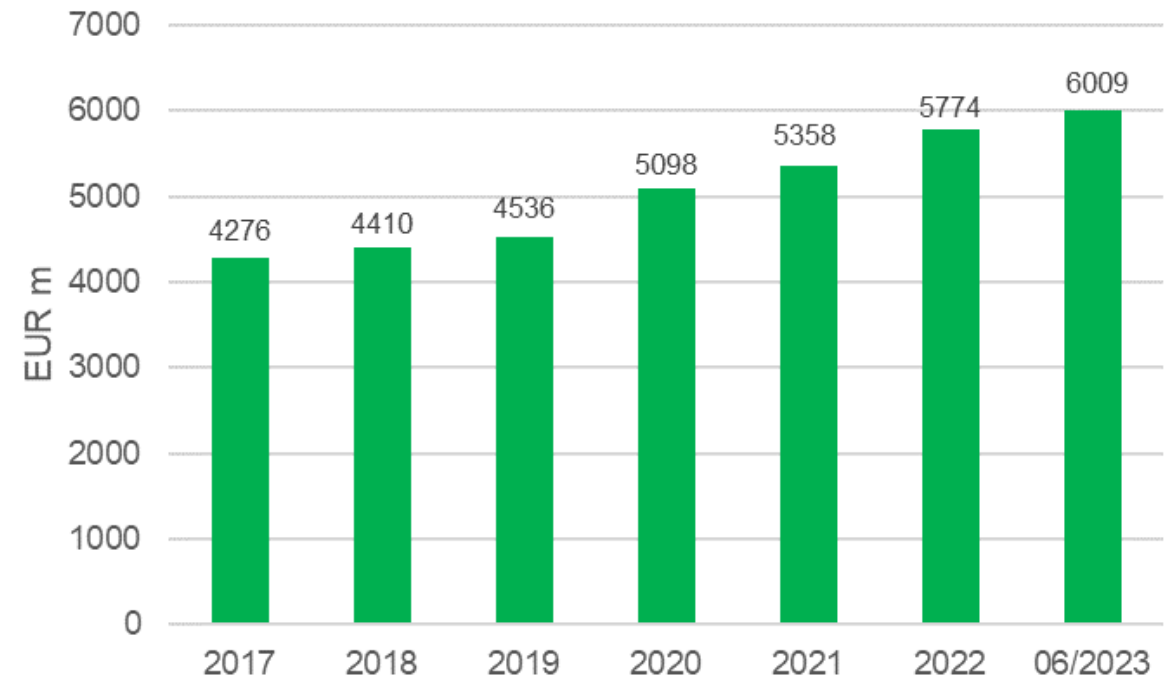


# Stable growth and increased net interest income

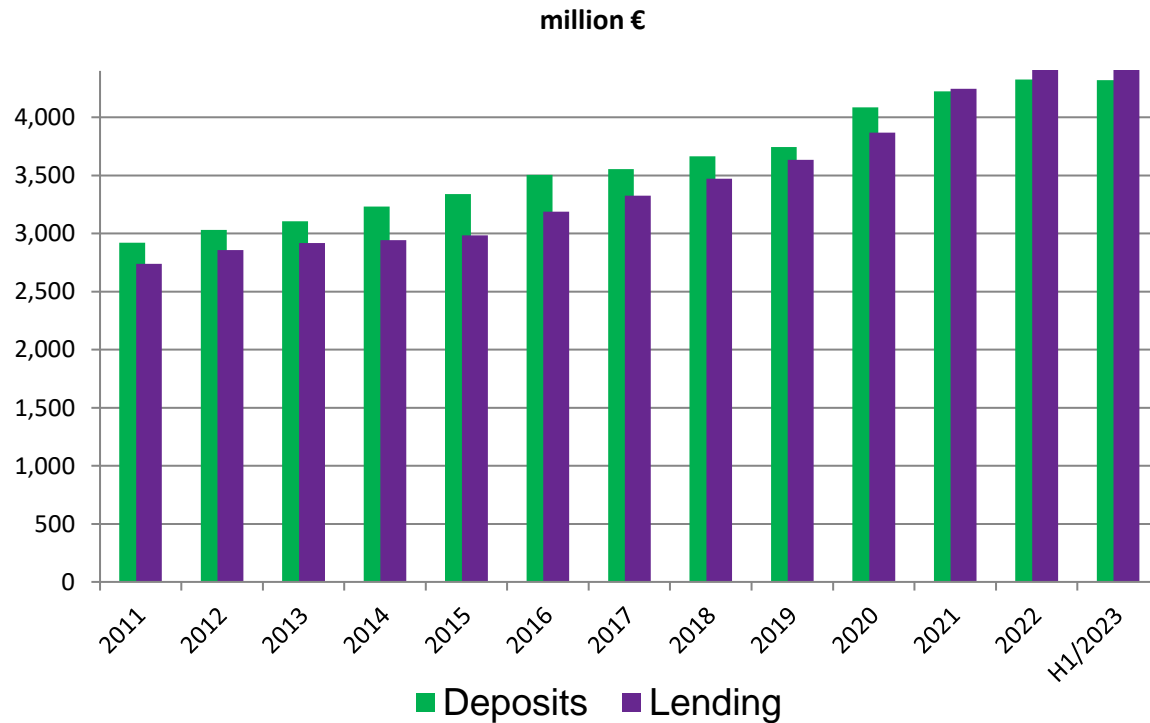
Operating Income - POP Bank Group



Total assets

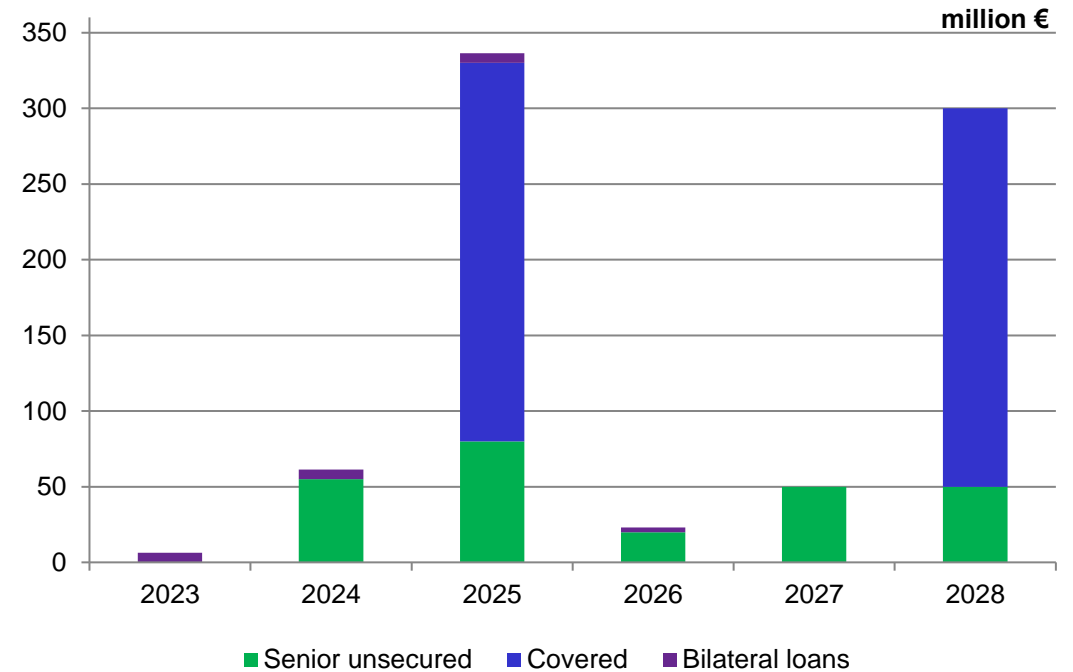


# Lending and deposits



- Steady growth both in deposits and lending
- Loan book funded mainly with deposits from own customer base with lending/depo ratio 103%
- Approximately 3/4 of deposits are covered by depositor guarantee scheme

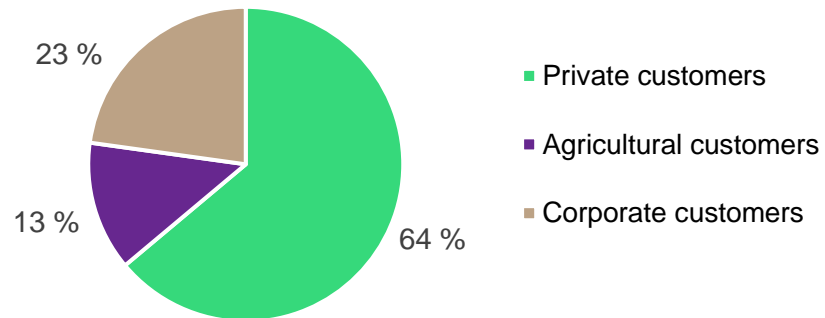
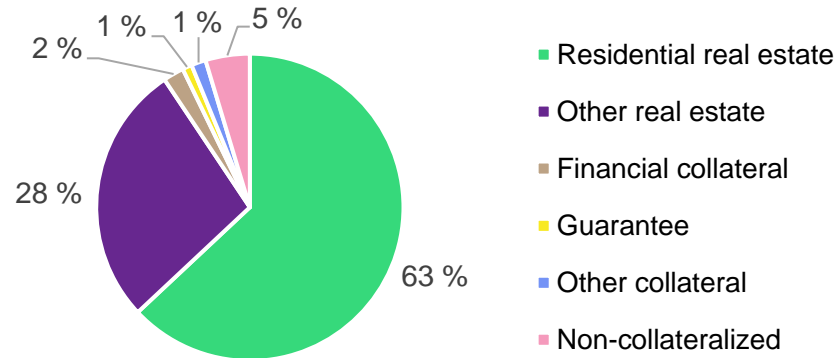
## Maturity of long term funding H1/23



# Low risk and diversified loan portfolio

31.12.2022

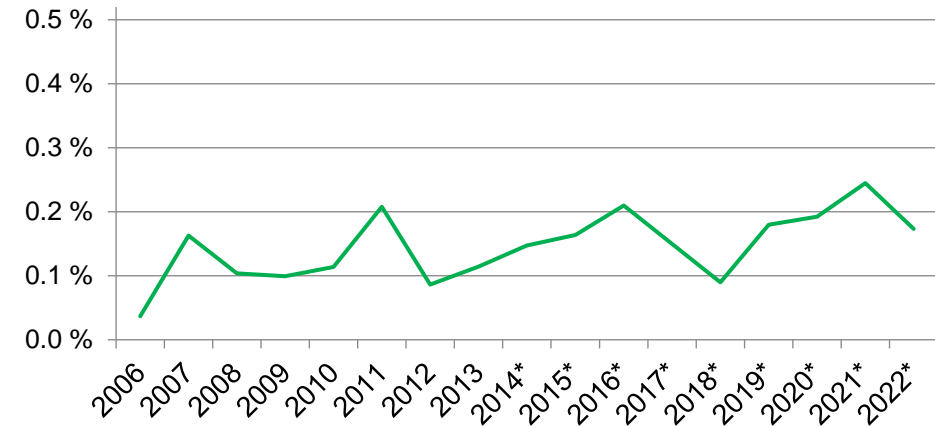
## Loan portfolio structure: collateral and customer base



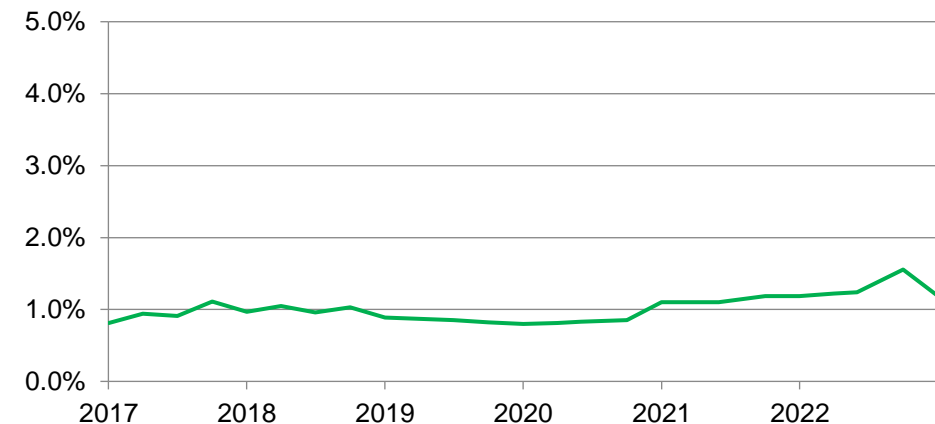
Total loan portfolio EUR 4.4 bn€

Individual housing loans are moderate – average €73,200 (2022)

## Annual impairment losses, %



## Loans over 90 days past due

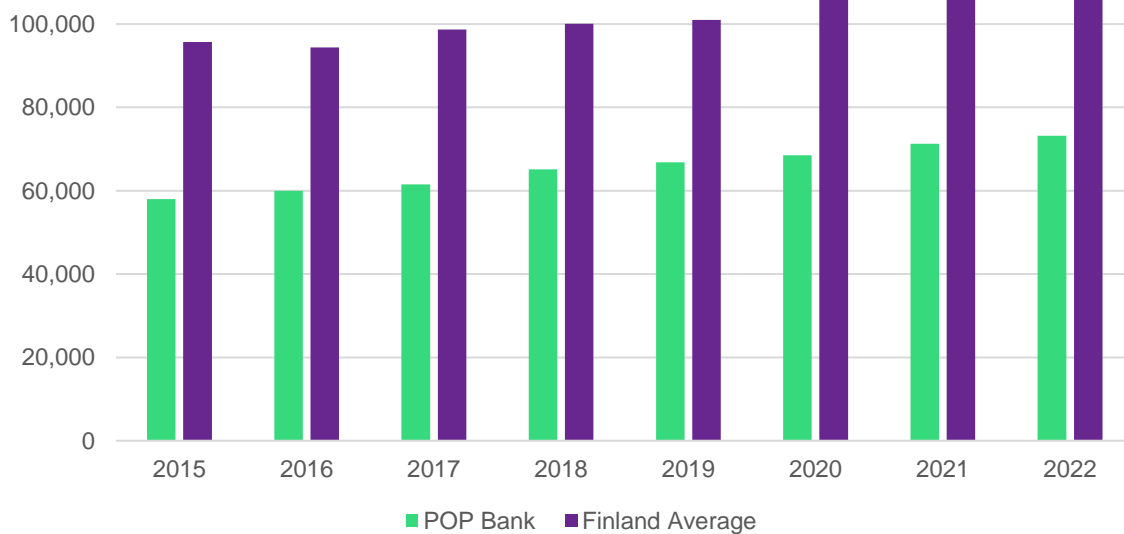


\* Data available only for POP Bank Group



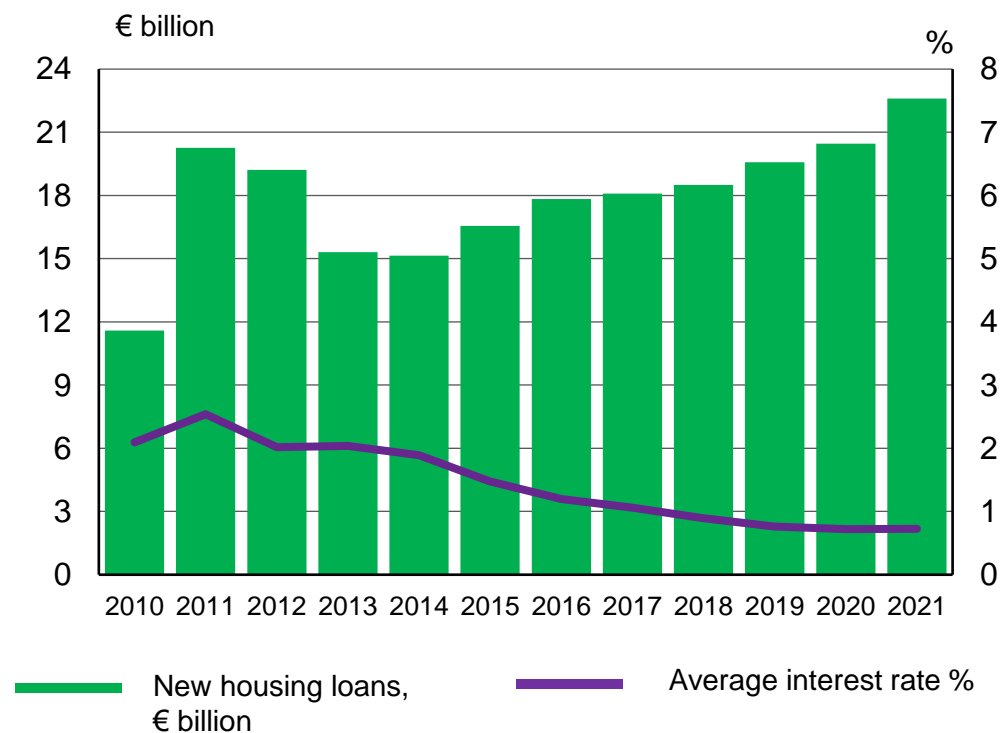
# Housing loan portfolio

Average Housing Loan Size, €



- Housing loan portfolio is well diversified; the average size of a housing loan is 73,100 euros compared to 110,000 euros of average size of housing loans in Finland in 2022
- The probability of payment defaults is significantly lower due to smaller average housing loan size

New housing loans withdrawn from Finnish financial institutions



Source: Bank of Finland

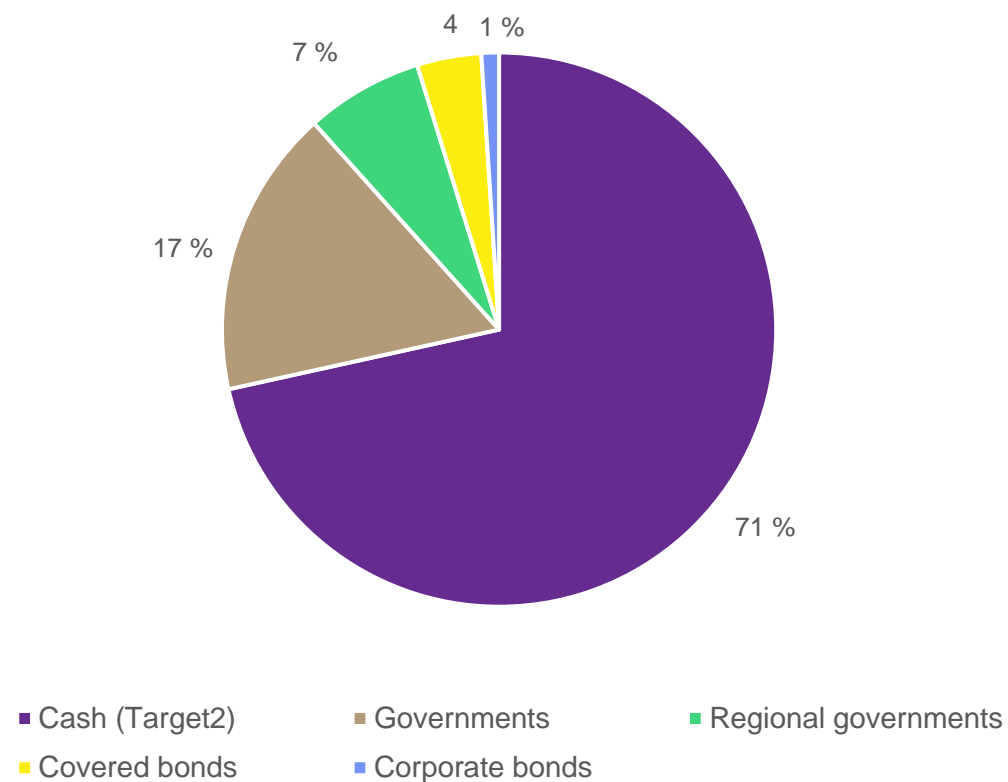
# Solid liquidity position

- LCR eligible liquid assets were 898 m€ per 30 June 2023
- LCR of the POP Bank Group was 257.3 (185)% as of 30 June 2023

Cash and T2	71.5 (71.7)%
Other Level 1 assets	27.4 (26.6)%
Government bonds	16.8%
Regional government CD's	6.9%
Covered bonds	3.8%
Other Level 2 assets	1.0 (1.7)%

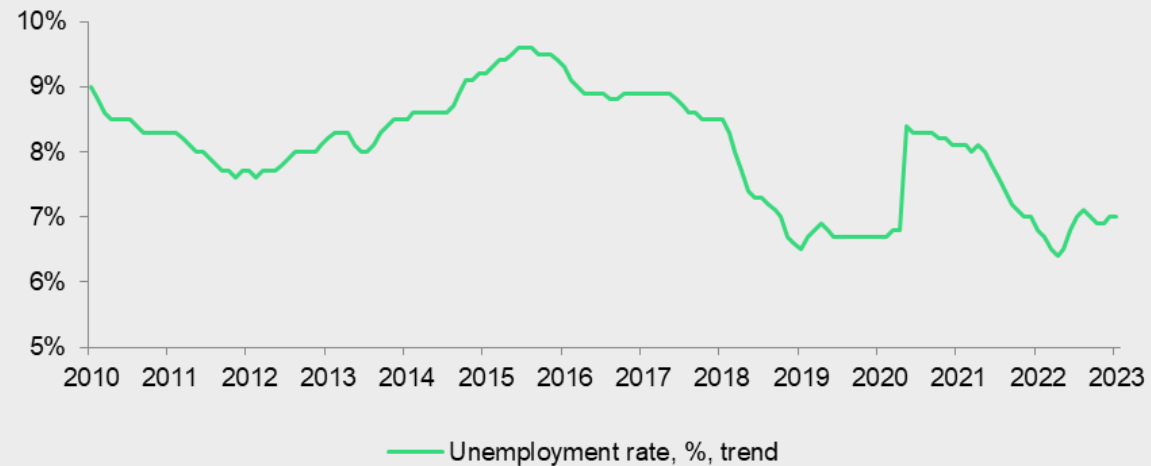
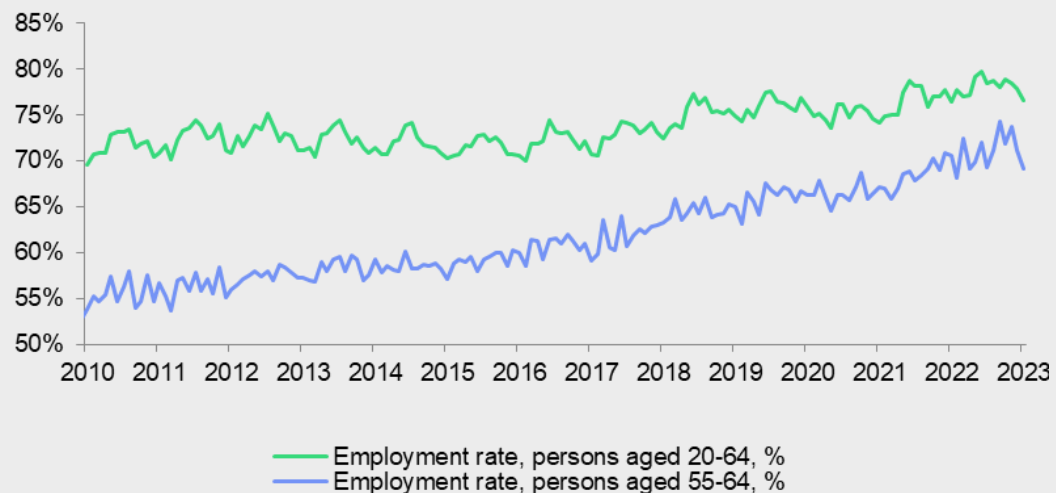
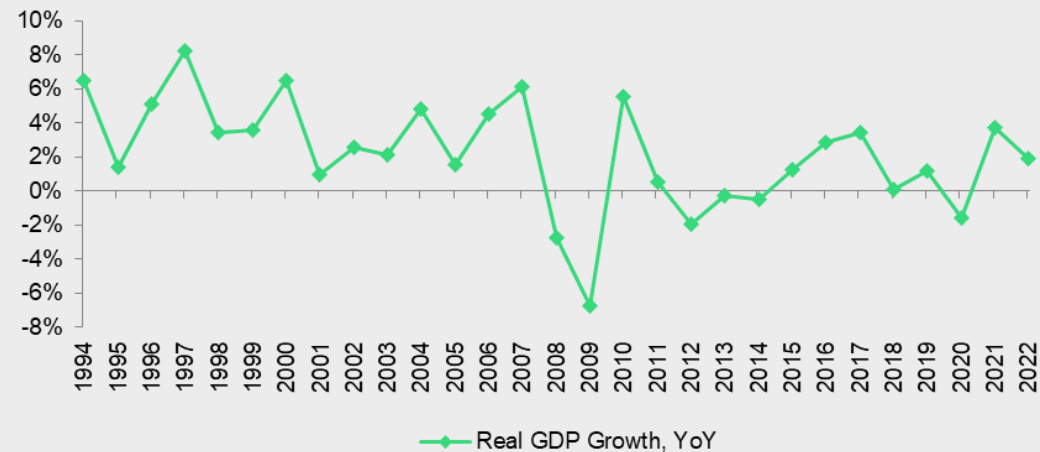
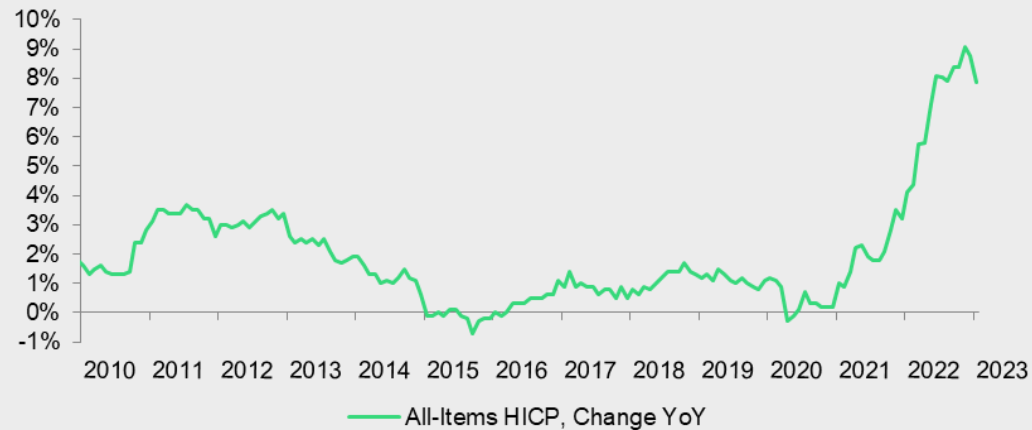
31 December 2022 figures in parentheses

LCR - liquid assets per 30.6.2023



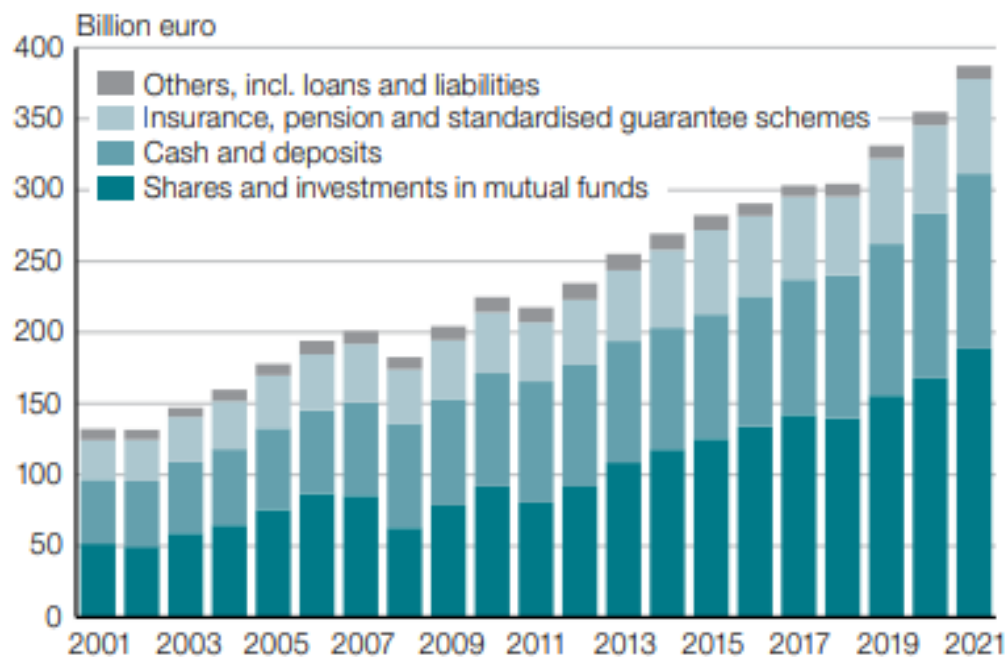
## **6. Market information**

# Growth and improving employment in Finland



# Finnish housing market

## Financial assets and liabilities of households



## Prices of dwellings in blocks of flats

Unencumbered average prices, €/m<sup>2</sup>

	Old dwellings		New dwellings	
	Helsinki region	Rest of Finland	Helsinki region	Rest of Finland
2017	3 718	1 598	5 206	3 859
2018	3 874	1 598	5 450	3 997
2019	3 966	1 590	5 873	4 073
2020	4 152	1 590	6 262	4 238
2021	4 380	1 635	6 441	4 376

## Real estate prices

	Old single-family houses		Single family house plots	
	Average price €/m <sup>2</sup>	Real price index 2015 = 100	Average price €/m <sup>2</sup>	Real price index 2015 = 100
2017	1 560	97.7	22.7	96.9
2018	1 545	95.0	23.5	101.1
2019	1 588	92.9	22.4	96.9
2020	1 629	94.0	23.1	103.9
2021	1 749	97.8	24.7	109.6

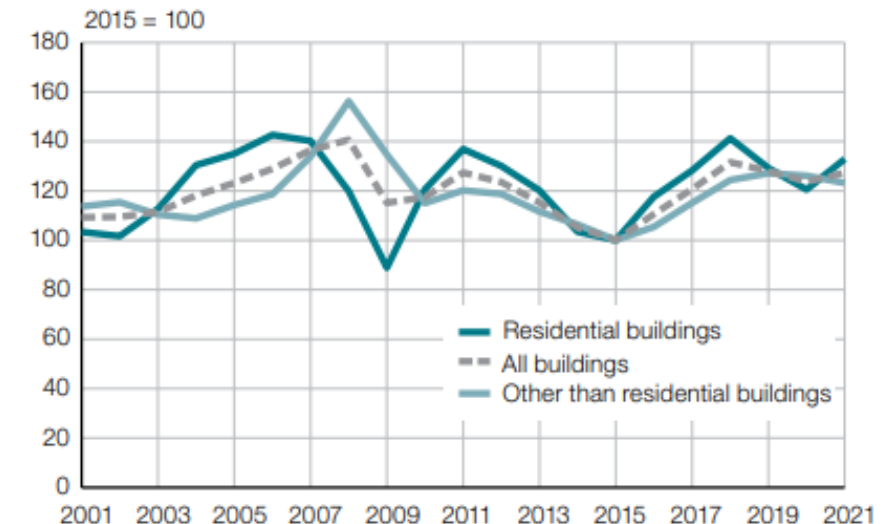
# Finnish housing market continues

## Completed buildings and dwellings

	2000	2010	2020	2021
<b>All buildings, million m<sup>3</sup></b>	<b>39.02</b>	<b>35.32</b>	<b>37.21</b>	<b>36.29</b>
Residential	13.56	11.10	12.48	11.83
Commercial and office buildings	6.20	5.56	4.81	4.01
Industrial buildings and warehouses	8.16	7.51	9.33	9.73
Other	11.09	11.15	10.59	10.72
<b>All dwellings, number</b>	<b>35 361</b>	<b>25 428</b>	<b>39 026</b>	<b>37 434</b>
Detached and semi-detached houses	18 170	13 630	10 304	10 124
Blocks of flats	16 772	11 140	28 062	26 887
Residential buildings for communities	18	213	-	-
Dwellings of special groups	-	85	163	100
Other than residential buildings	401	360	497	323

## Volume index of newbuilding

New buildings, building expansions and alterations comparable to rebuilding





# Finnish housing market, background information

106,119 €

Average housing loans of household-dwelling units 2020



Population of Finland:  
5.5 million



**Men:** 3 575 €/month  
**Women:** 2 953 €/month

Total earnings of wage and salary  
earners 2020



46%

32%

22%

Size of household-dwelling unit 2021 (persons)

# **7. Contact information**

# Contact information

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# **8. Disclaimer**

# Disclaimer

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