



POP Bank Group Investor Presentation

March 2023

Content overview

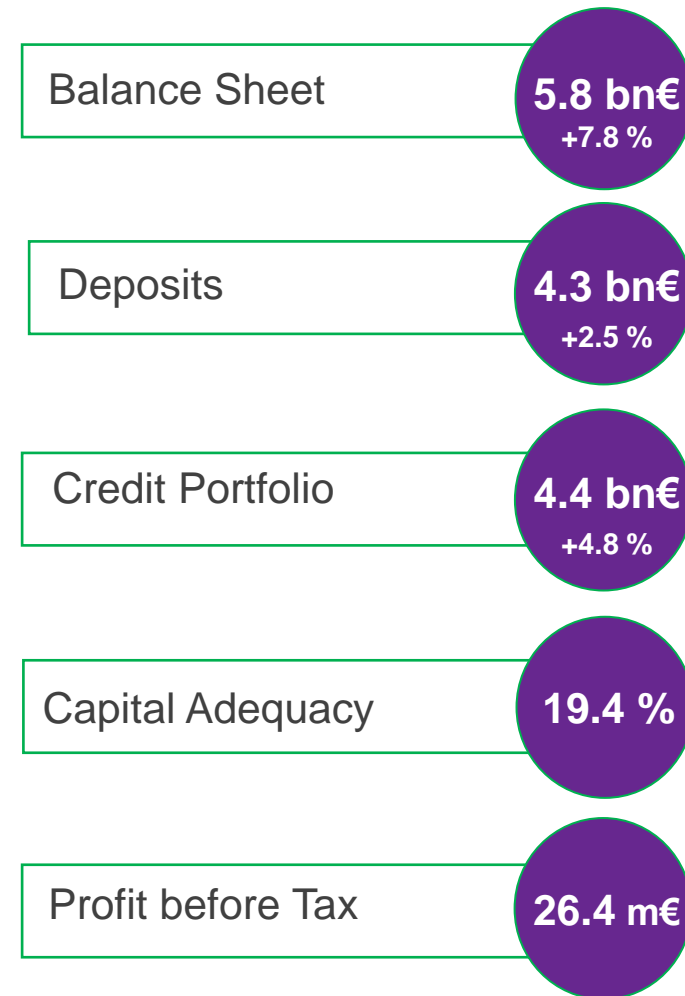
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1. Introduction to the POP Bank Group

POP Bank Group overview

- The POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises, in addition to providing private customers with non-life insurance services.
- 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
- Rapidly growing and fully digital insurance business driving new customer acquisition

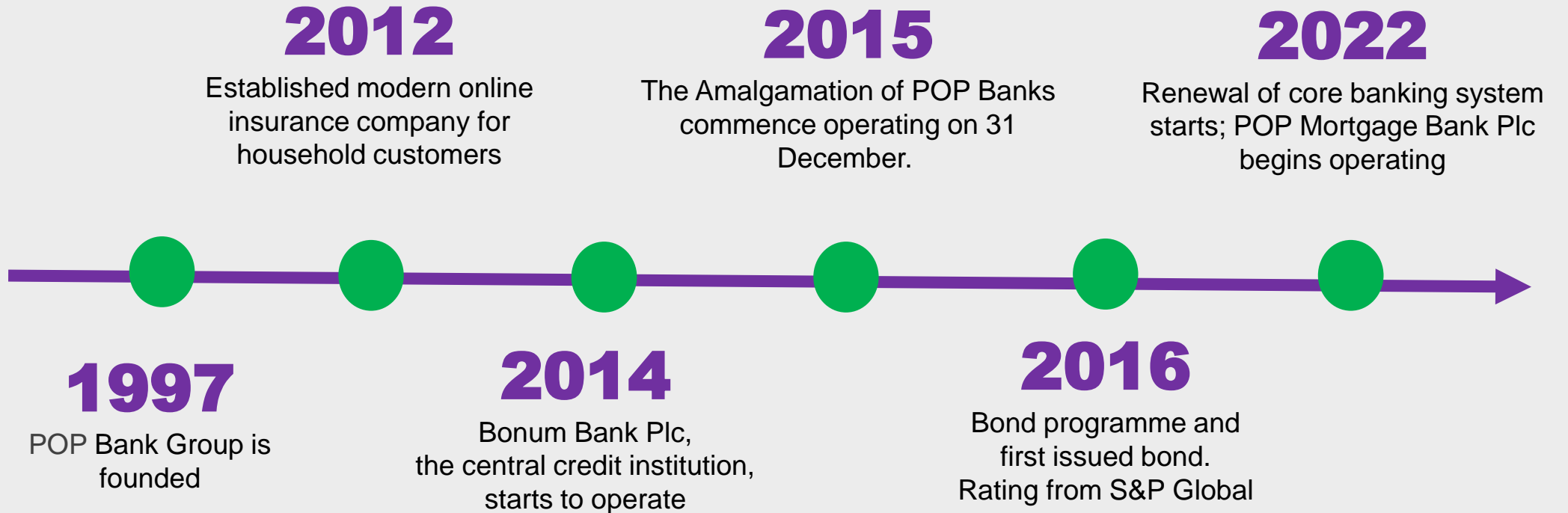
FINANCIAL HIGHLIGHTS 2022



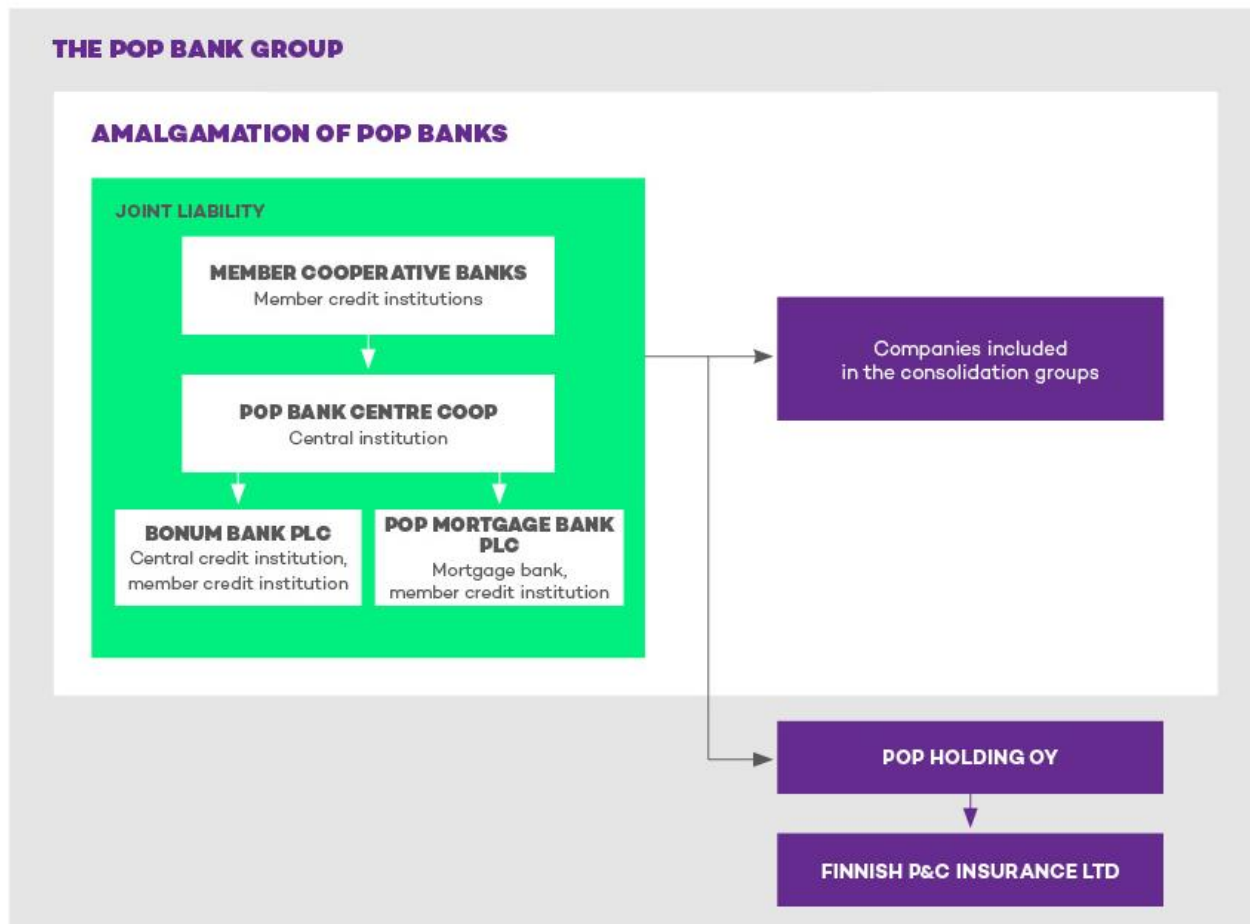
POP Bank Group's timeline

**1902
-1933**

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



POP Bank Group structure

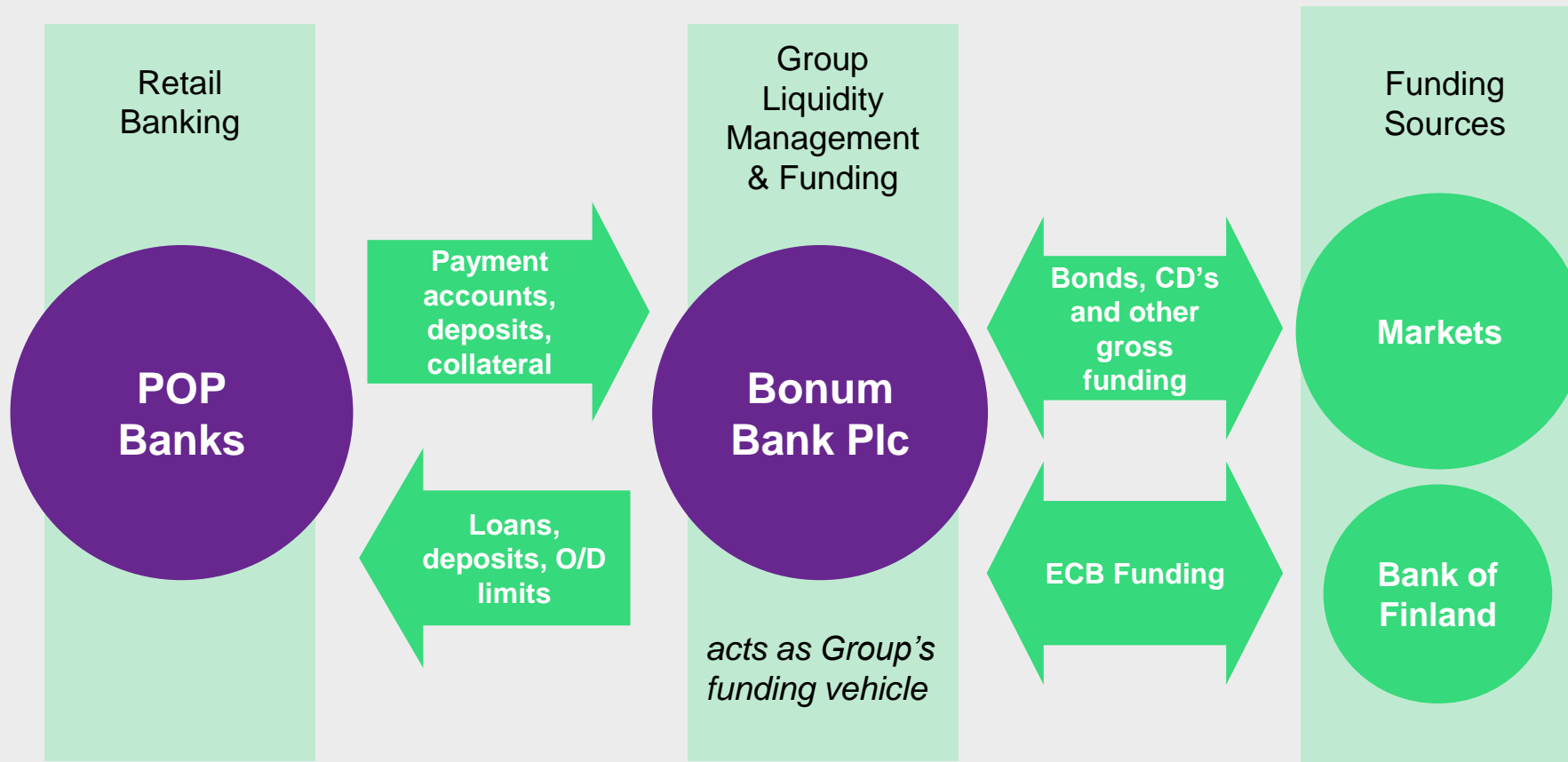


- The POP Bank Group brings together 19 independent member cooperative banks, POP Bank Center Coop, Bonum Bank Plc, and POP Mortgage Bank Plc, to operate as a single entity for regulatory purposes under a joint-liability scheme.
- POP Bank Centre coop is the central institution of the Amalgamation of 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 Oy and Finnish P&C Insurance Ltd (POP Insurance), which are not covered by mutual 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.

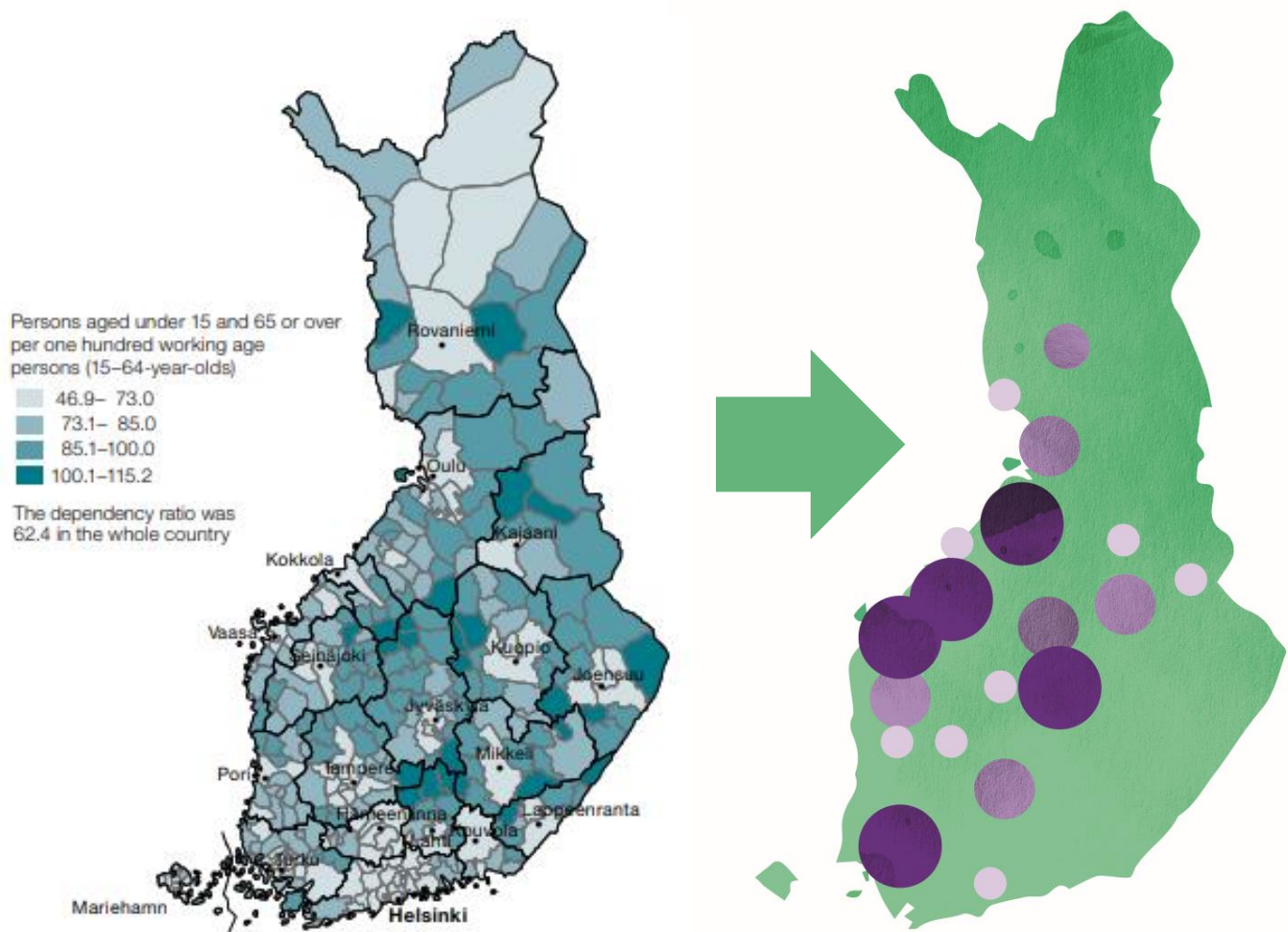
The Amalgamation of POP Banks

Amalgamation	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.
Central Institution's role	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): <ul style="list-style-type: none">• Risk Management• Corporate Governance• Liquidity and Capital Adequacy• Internal Auditing
Joint Liability	<p>POP Bank Centre coop (the central institution) and all member banks (19 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>
Capital Ratio	POP Bank Centre coop is, as the central institution, responsible for the group's joint capital ratio.
Obligation	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



POP Banks in Finland



POP Banks' network is located in the demographically vital regions around growth centers of Western, Central and Southwestern Finland. Less exposure to Eastern Finland.

The e-bank branch concept serve customers across the country.

Bank customers with services
256,500

Insurance customers
184,000

2. 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 materialises 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	Year 2022	Year 2021
Cost-to-income ratio	<60%	77.7%	68.8%
CET 1 ratio	17.5%	19.4%	19.2%
ROA %	0.7%	0.4%	0.7%

Focus areas

Group structure

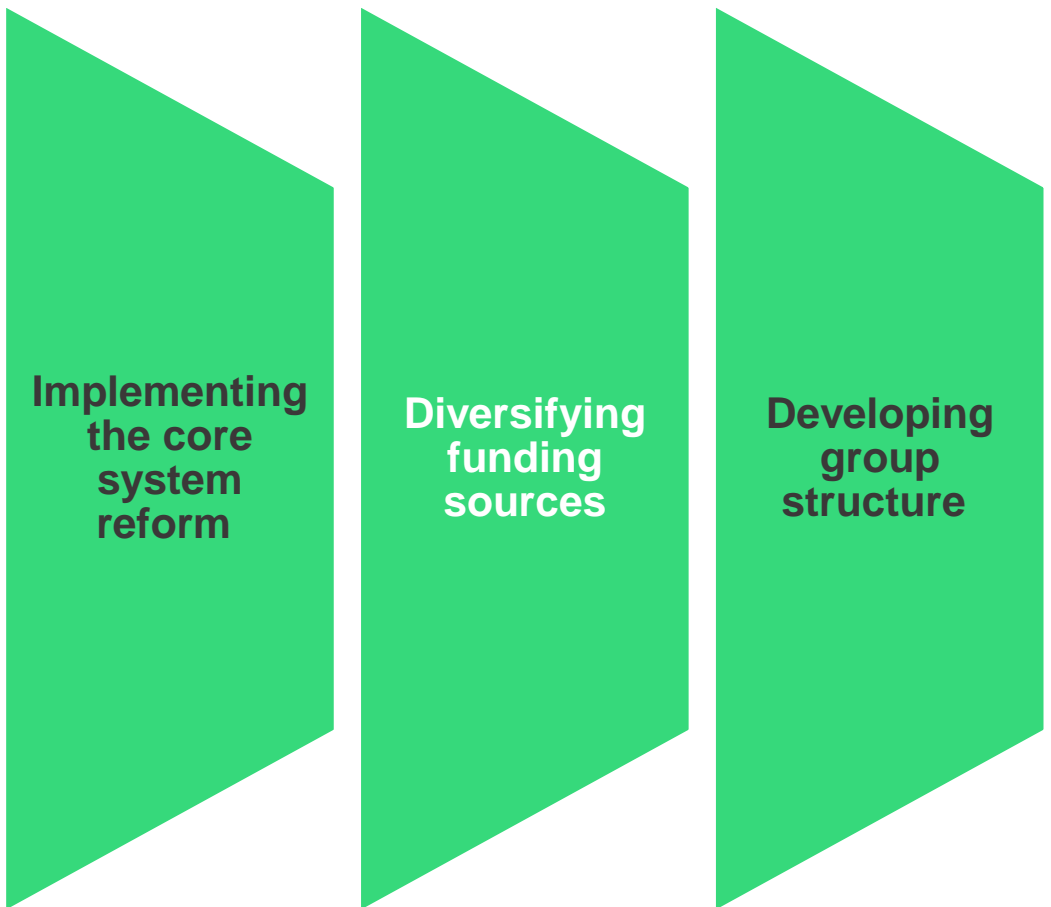
One merger between three POP Banks was completed during year 2022 and another merger between two banks is set to be registered in May 2023. After this merger, there are 18 POP Banks. The mergers will enhance the POP Bank Group's operational efficiency and strengthen its ability to meet its customers' financial needs.

Diversifying funding resources

POP Mortgage Bank Plc started operating in May 2022. The bank is responsible for acquiring external funding for the Group in cooperation with Bonum Bank Plc.

Core Banking System Reform

In January 2022, the POP Bank Group selected Crosskey as its partner for its core system reform project. The project started in January 2022 and has progressed as planned. We are expecting to introduce the new core banking system during 2025. The cooperation agreement has no immediate effect on the daily banking services offered by the Bank.



Implementing
the core
system
reform

Diversifying
funding
sources

Developing
group
structure

Focus areas continue

Accelerating growth

The Group aims profitable growth among other things by continuing the emphasis on B2B customers and product portfolio targeted to them, developing digital service channel and improving Service Center's efficiency and productivity; in the core is also new extensive employee training program to build competence that is starting in 2023.

Sustainability

POP Bank Group has revised its ESG strategy and vision as well as the material analysis in 2022. The Group is preparing the implementation of the carbon footprint mapping so that the organisations belonging to the Group in during 2023.

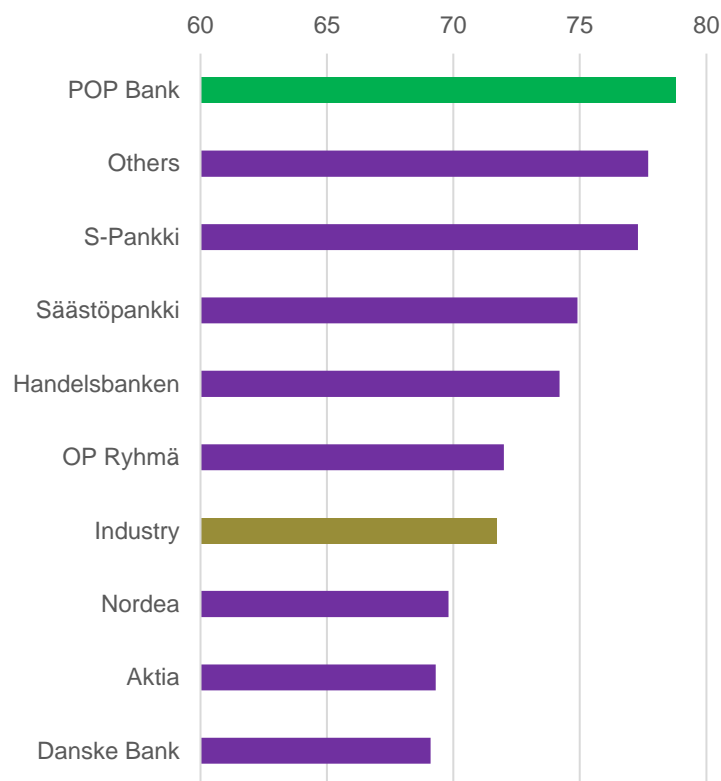


Leading position in customer satisfaction

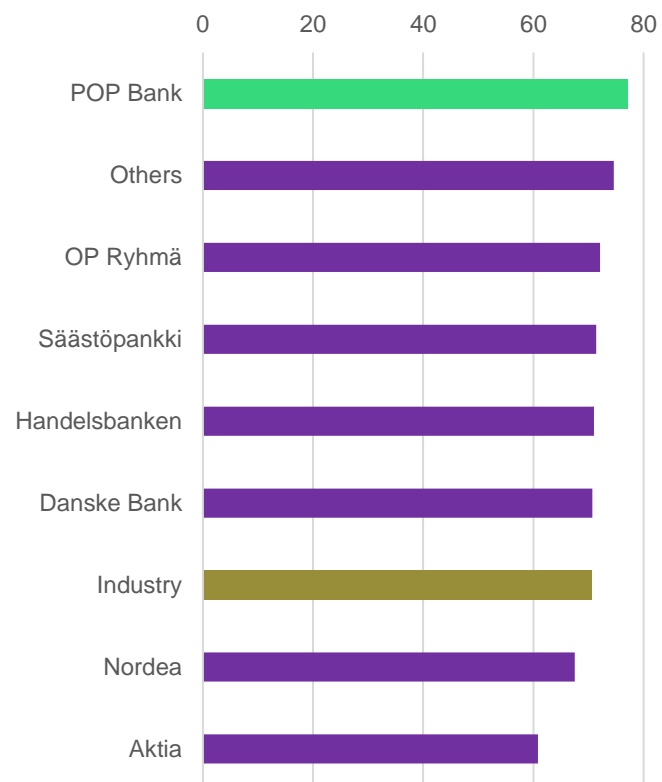


SVENSKT KVALITETSINDEX
A part of EPSI Rating Group

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 3rd party study, EPSI Rating. POP Bank participated to B2B study first time in 2021.

POP Bank received 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. Key financials

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

Key income figures	1 Jan-31 Dec 2022	1 Jan-31 Dec 2021	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019	1 Jan-31 Dec 2018
(EUR 1,000)					
Net interest income	94,175	78,338	74,099	69,318	65,391
Net commissions and fees	41,617	36,326	31,049	30,013	29,790
Insurance income	12,675	13,192	11,611	10,913	10,433
Net investment income	-2,460	10,028	1,298	15,588	1,111
Personnel expenses	-51,178	-50,655	-43,531	-42,843	-41,769
Other operating expenses	-59,997	-55,464	-51,978	-47,927	-48,257
Impairment losses on financial assets	-7,716	-10,390	-7,468	-6,528	-3,195
Profit before tax	26,408	44,670	12,919	26,150	11,569

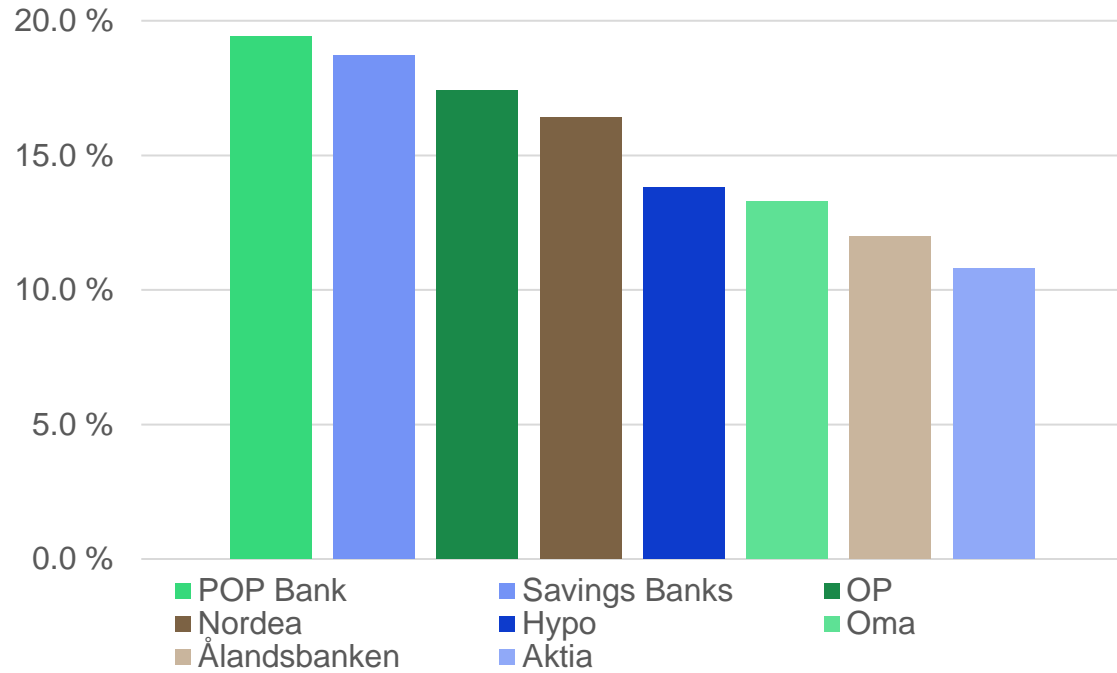
Key balance sheet figures	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
(EUR 1,000)					
Loan portfolio	4,448,480	4,243,829	3,868,147	3,635,488	3,473,310
Deposit portfolio	4,325,946	4,222,364	4,086,045	3,746,305	3,666,543
Insurance contract liabilities	57,011	52,692	43,915	38,606	32,488
Equity capital	560,617	552,809	517,242	508,435	483,788
Balance sheet total	5,777,207	5,357,697	5,098,398	4,535,557	4,409,518

Key ratios	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018
Cost to income ratio	77.7 %	68.8 %	83.6 %	75.1 %	86.8 %
Return on assets, ROA %	0.4 %	0.7 %	0.2 %	0.5 %	0.2 %
Return on equity, ROE %	3.8 %	6.9 %	2.2 %	4.3 %	1.8 %
Equity ratio, %	9.7 %	10.3 %	10.1 %	11.2 %	11.0 %
Capital ratio (CET1-%)	19.4 %	19.2 %	19.9 %	19.8 %	20.5 %
Total capital ratio (TC-%)	19.4 %	19.2 %	19.9 %	19.9 %	20.8 %

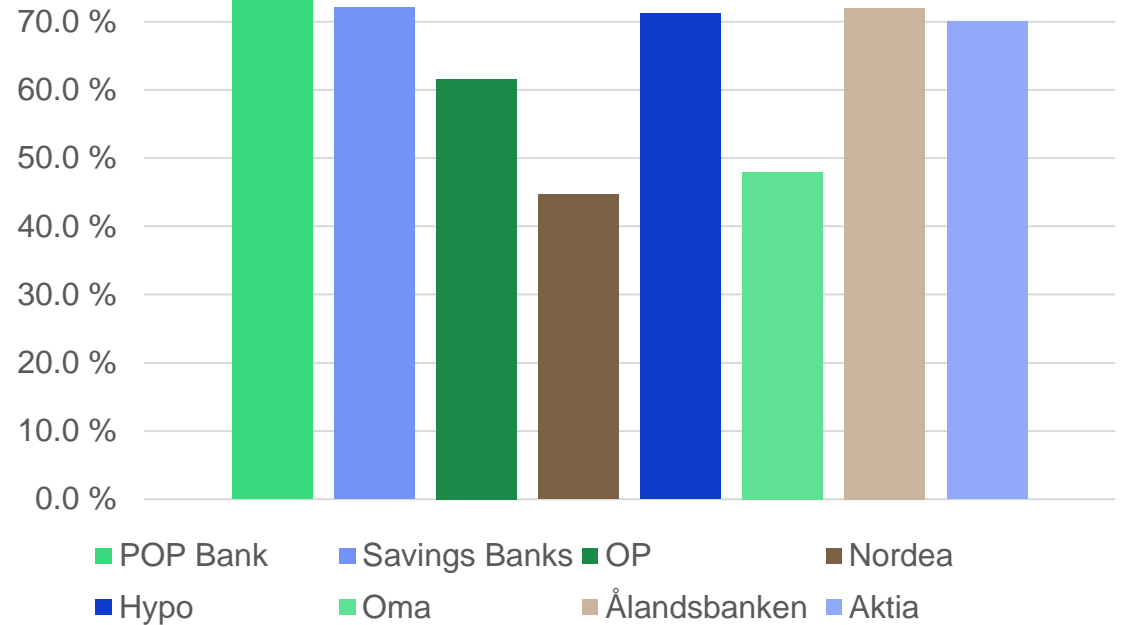
4. Banking segment

Strong capital position and adequate efficiency

CET1



Cost / Income -ratio



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

Finnish banks (anchor rating)	A-
• Capital & Earnings (very strong)	+2
• – Very strong capitalization	
• Liquidity & Funding (adequate)	0
• – Stable customer deposit base	
• – Adequate liquidity buffers	
• Risk position (moderate)	-1
• – Regional concentration	
• – Concentration mitigated by sound collateralization and moderate loan sizes	
• Business position (weak)	-2
• – Only in Finnish retail & SME sectors	
• – Weak position in growth centers	
• – Non-life insurance business still small	
• Additional: Weaker earnings profile compared to peers	-1
• POP Bank Group credit rating	BBB (STABLE)

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

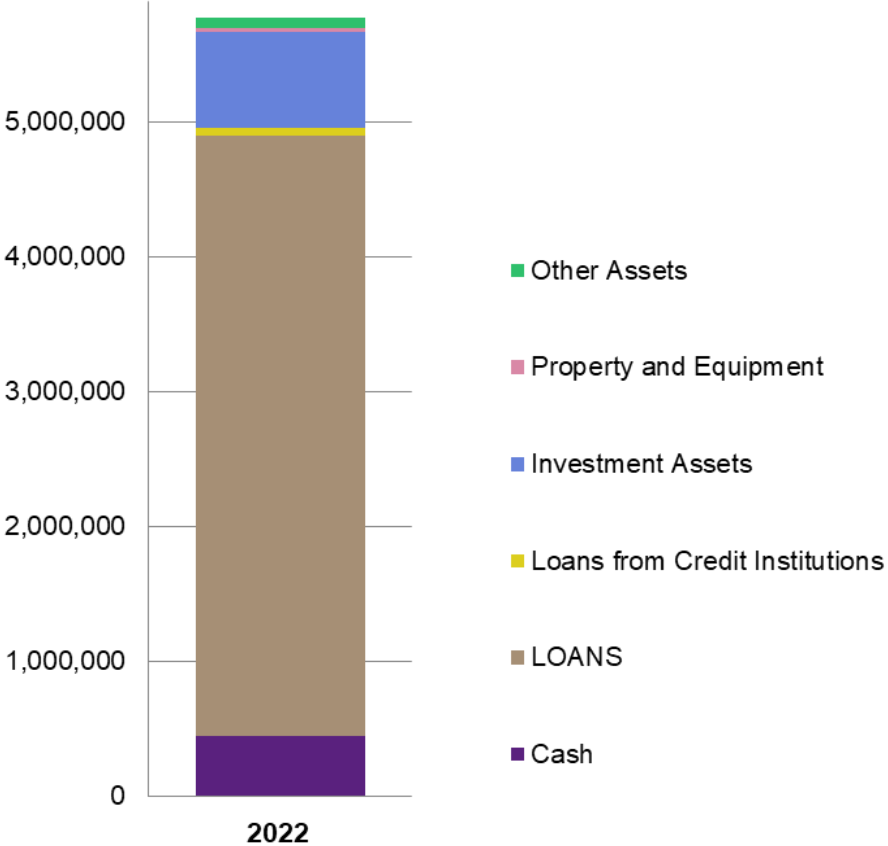
Weaknesses

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

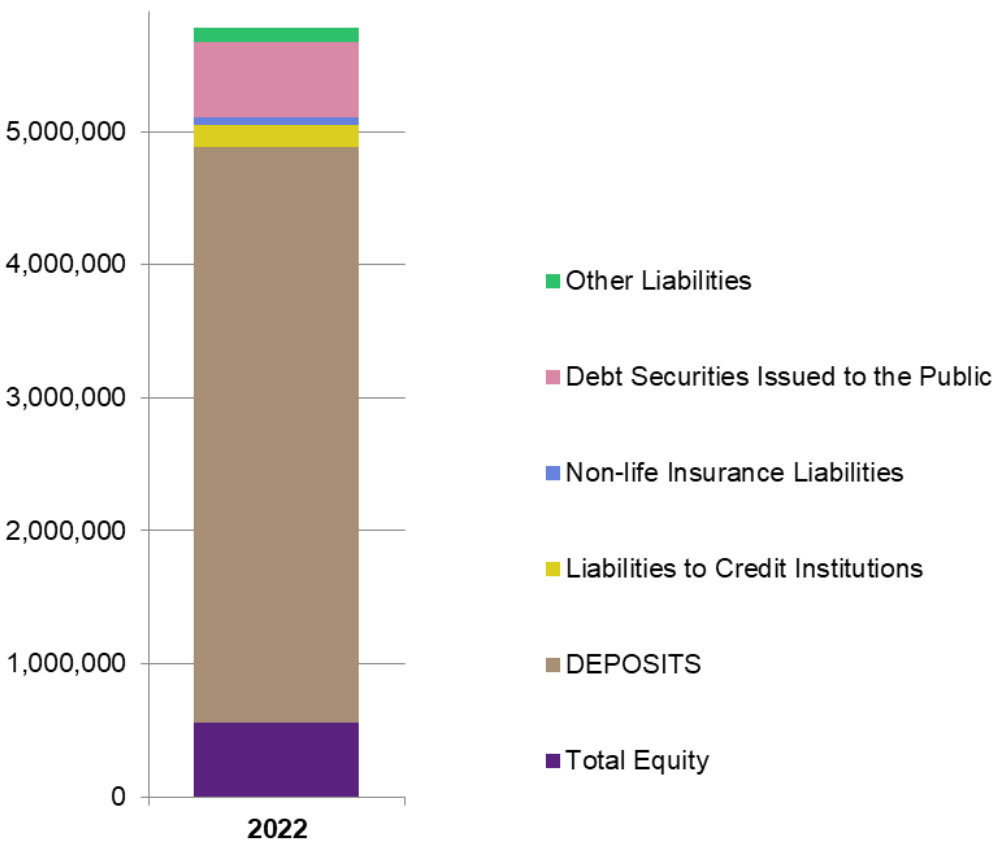
Source: S&P General Ratings Report, September 2022

Group balance 31st December 2022

Total Assets

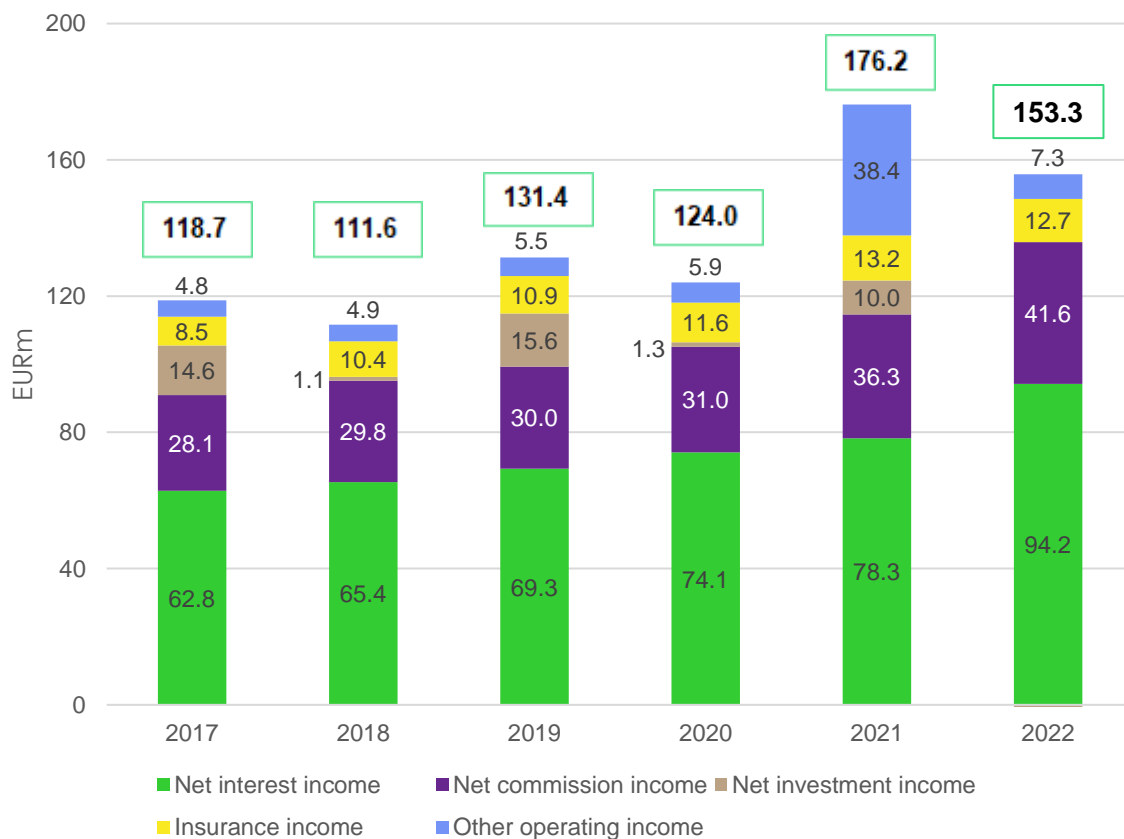


Total Liabilities and Equity

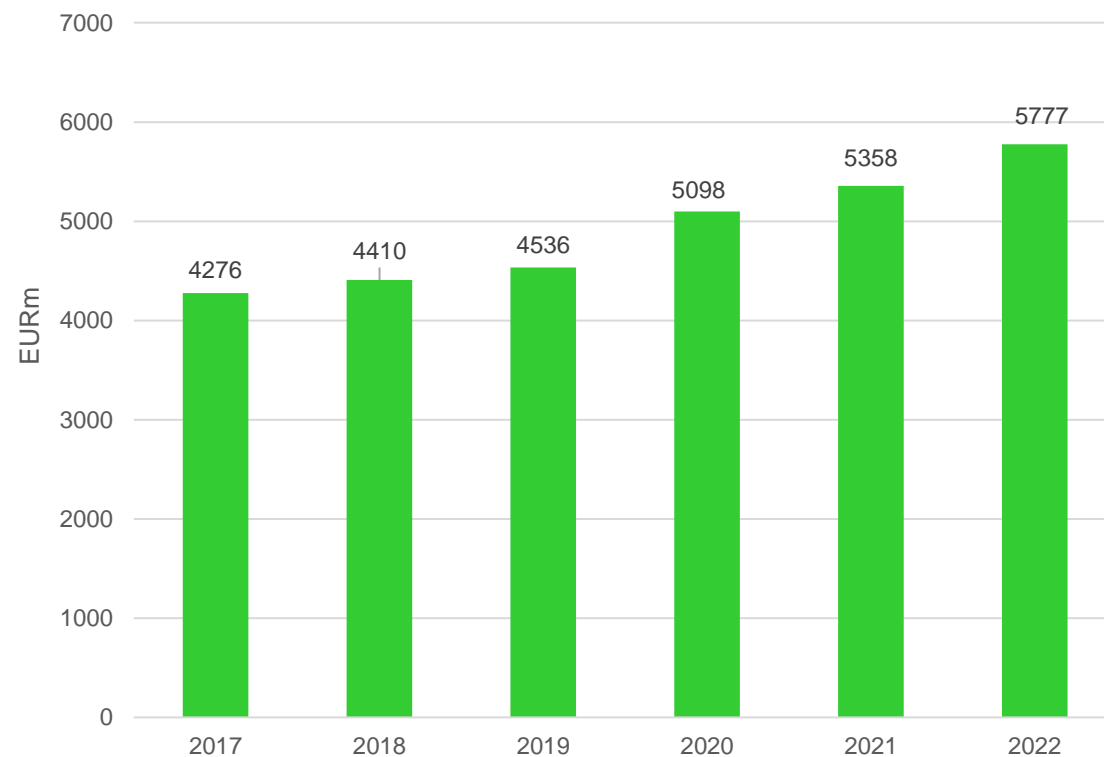


Stable growth and increased net interest income

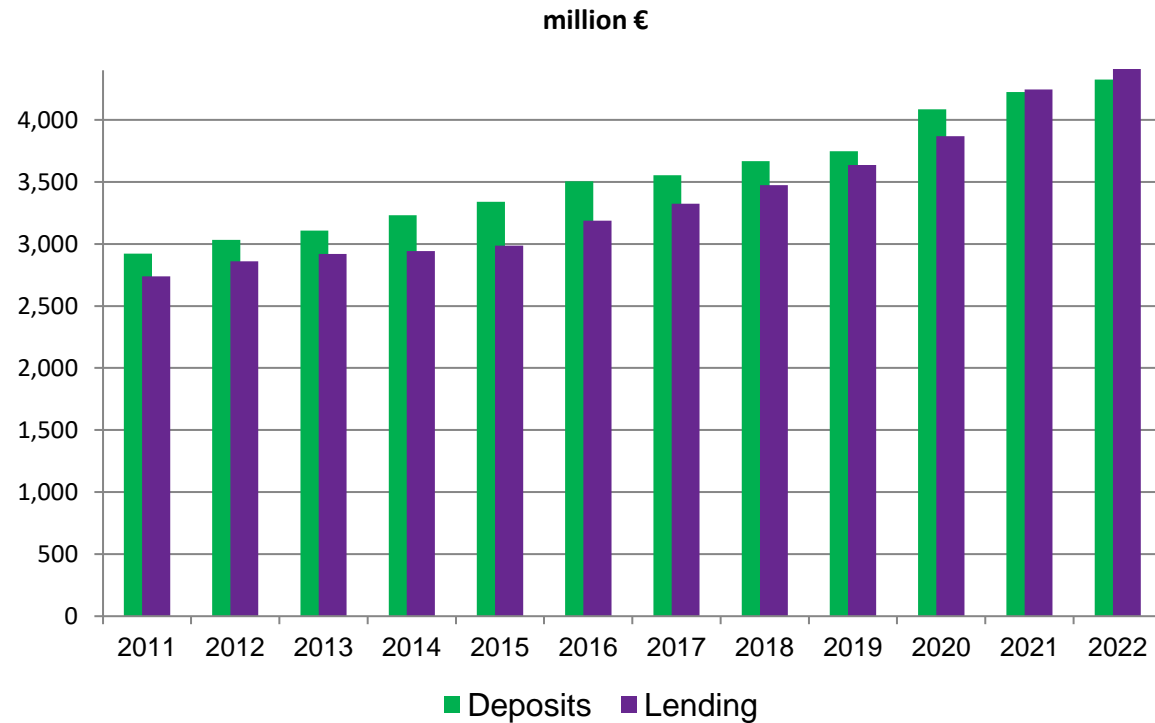
Operating Income - POP Bank Group



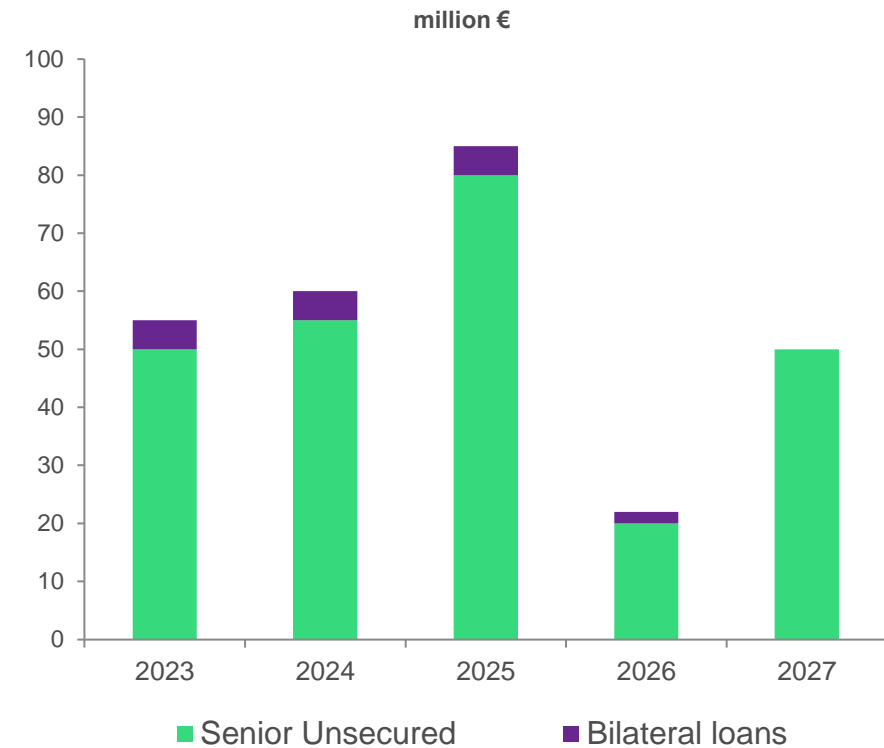
Total assets - POP Bank Group



Lending and deposits



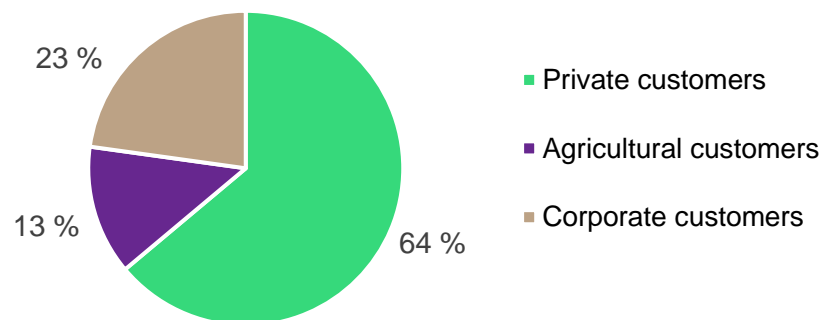
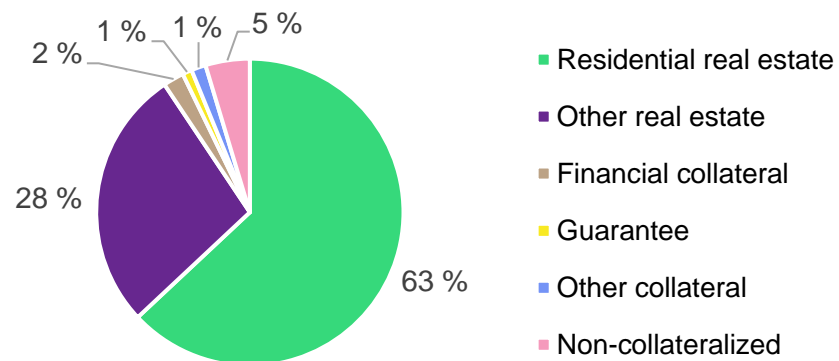
- Steady growth both in deposits and lending
- Loan book funded mainly with deposits



- Maturity profile of long-term funding
- New Covered Bond Programme was published in 2022 with the inaugural issue 250 mio€, maturing Sept. 2025.

Low risk and diversified loan portfolio

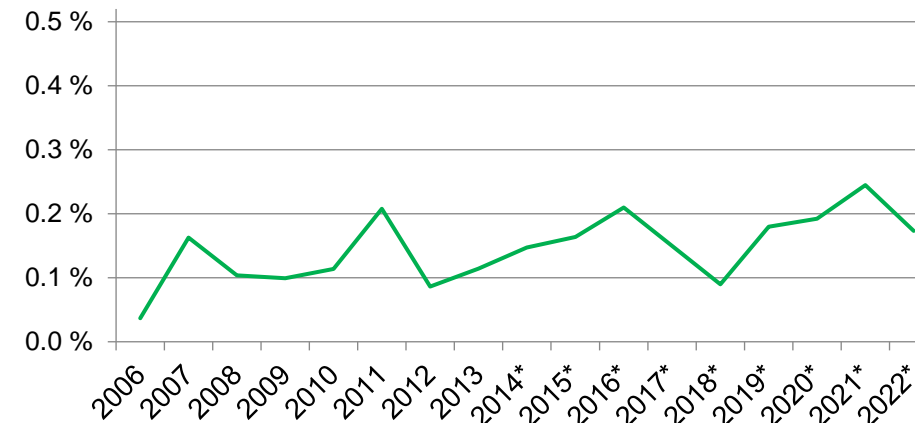
Loan portfolio structure: collateral and customer base



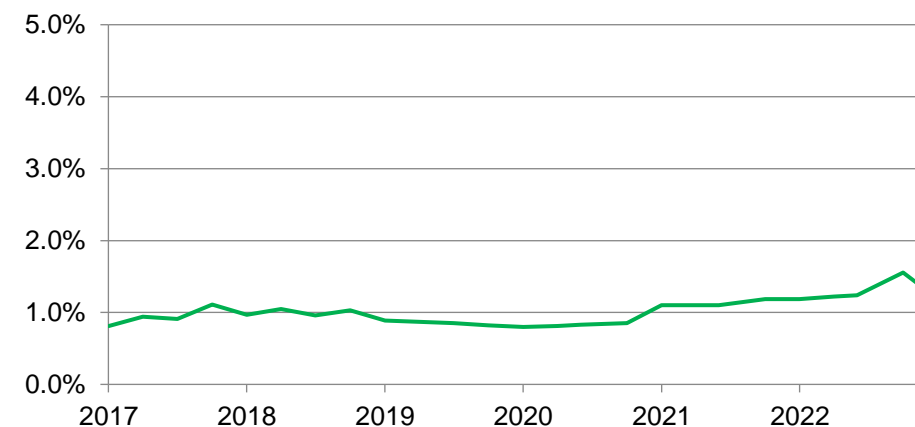
Total loan portfolio EUR 4.4 bn€

Individual housing loans are moderate – average €73,200

Annual impairment losses, %



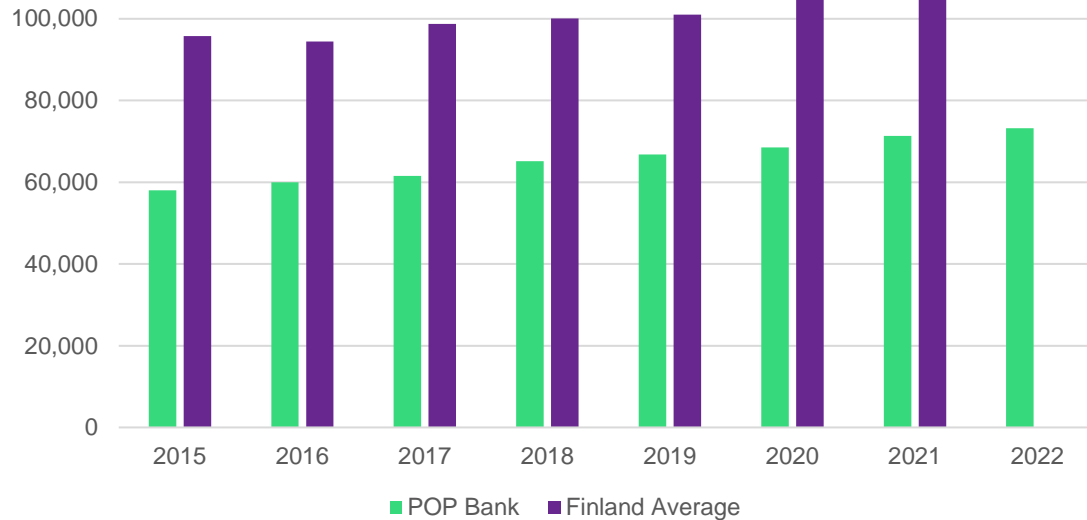
Loans over 90 days past due



* Data available only for POP Bank Group

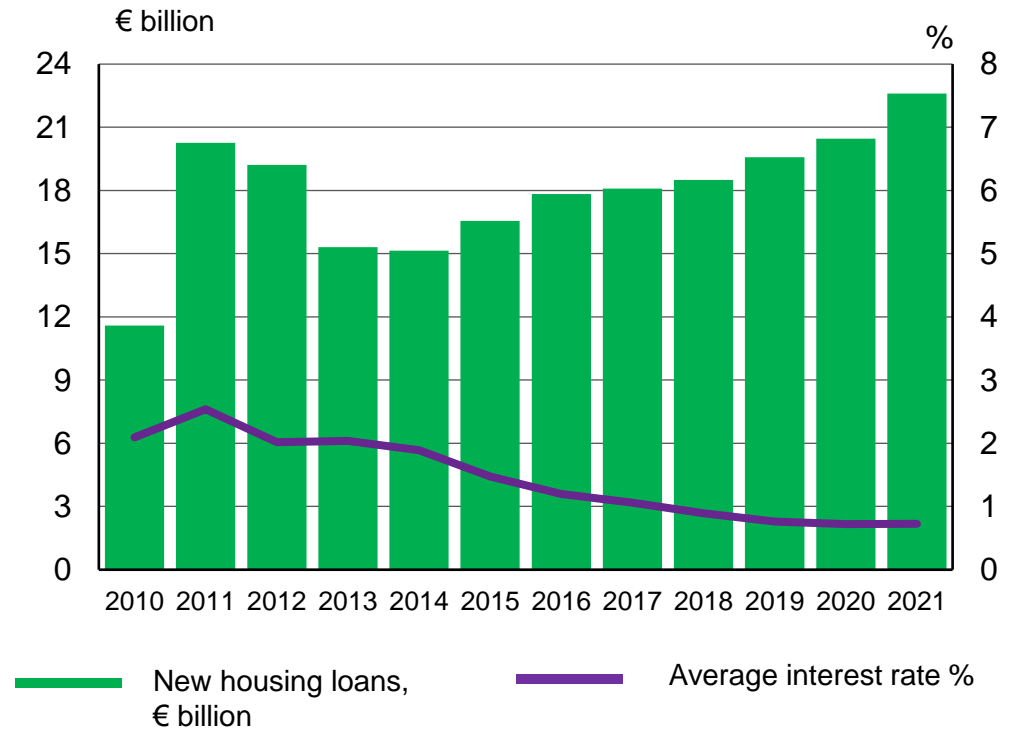
Housing loan portfolio

Average Housing Loan Size, €



- Housing loan portfolio is well diversified; the average size of a housing loan is 71,300 euros compared to 110,600 euros of average size of housing loans in Finland in 2021
- The probability of payment defaults is significantly lower due to smaller average housing loan size

New housing loans withdrawn from Finnish financial institutions



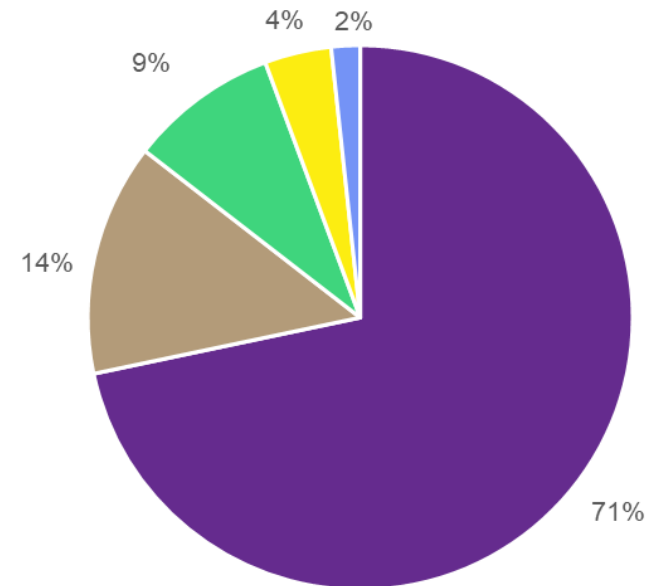
Solid liquidity position

- LCR eligible liquid assets were 692 m€ per 31 Dec 2022
- LCR of the POP Bank Group was 184.8 (141)% as of 31 Dec 2022

Cash and T2	71.7 (62.9)%
Other Level 1 assets	26.6 (34.3)%
Governments	13.8%
Regional governments	8.8%
Covered bonds	4.0%
Other Level 2 assets	1.7 (2.8)%

31 December 2021 figures in parentheses

LCR - liquid assets per 31.12.2022



■ Cash (Target2)
 ■ Governments
 ■ Regional governments
■ Covered bonds
 ■ Corporate bonds

5. Insurance segment

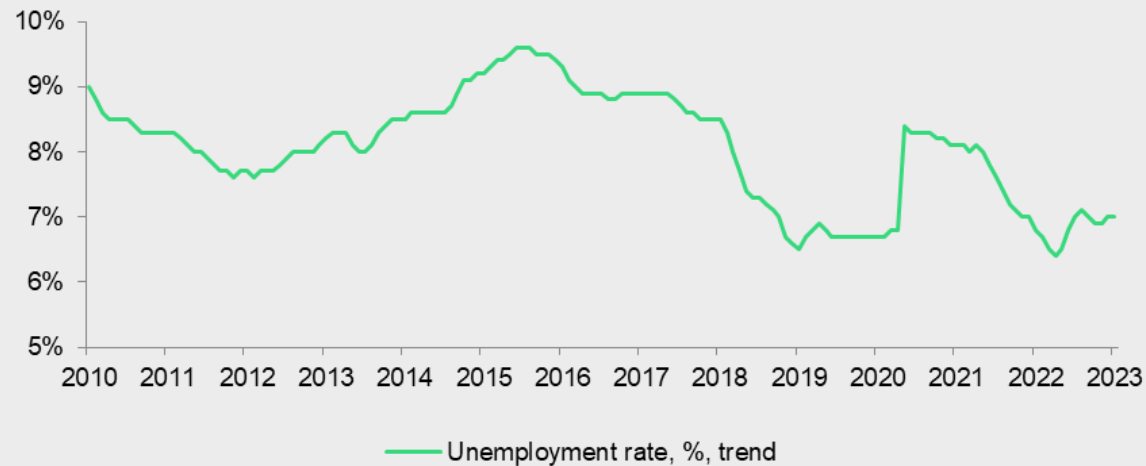
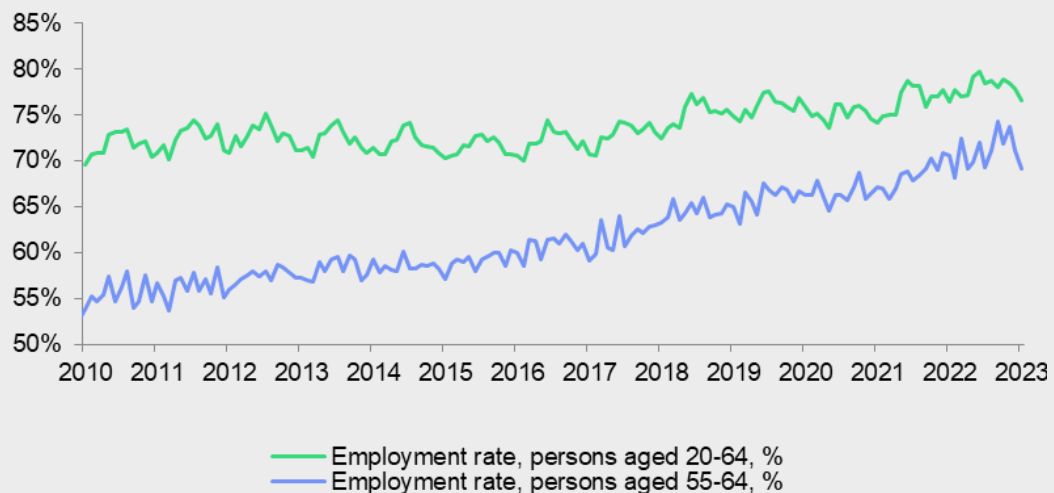
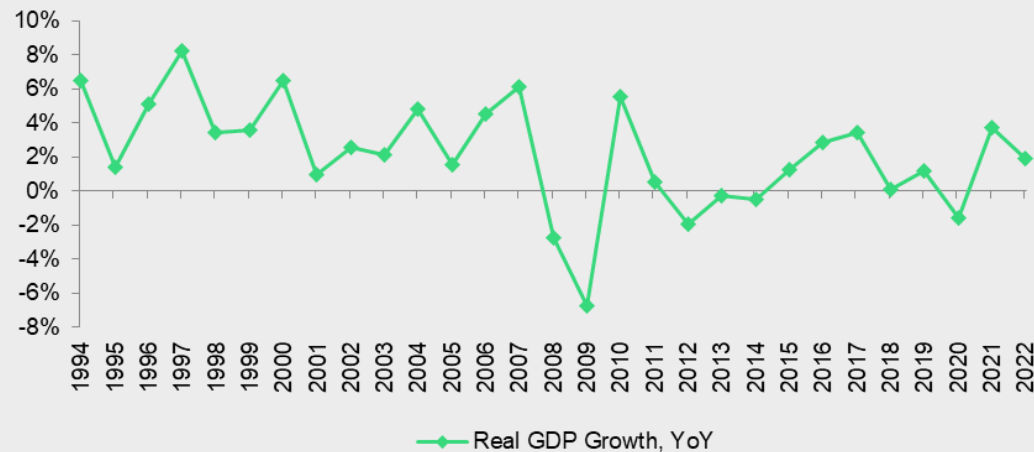
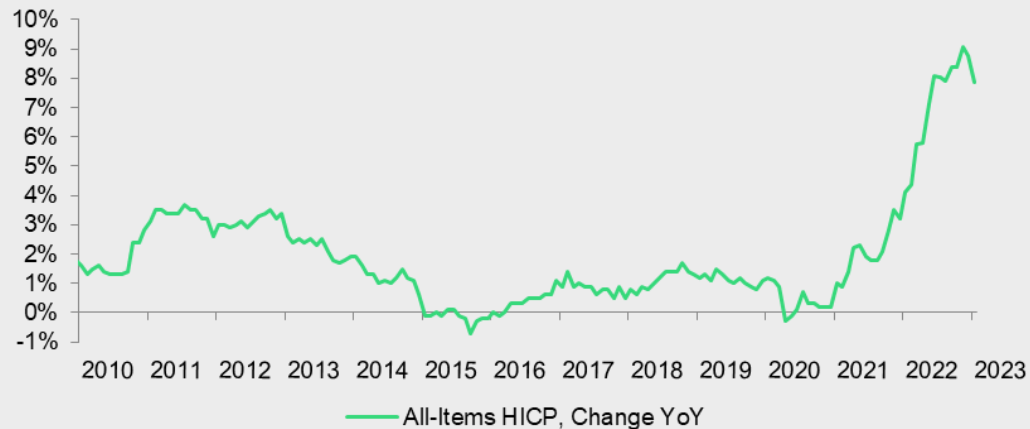
POP Bank Group insurance segment - key figures 2022

- Online P&C Insurance company
- Non-life insurance for private customers
- Modern and scalable technological solutions, white-label capabilities
- Established player especially in motor insurance
- Very satisfied customers – 9 out of 10 recommends

Gross Premiums Written 50.5m€ (48.0m€)	Loss Ratio 73% (71%)	Expense Ratio 23% (21%)	Operating Profit -1.1 M€ (5.2 €)
Active Customers 184,000 (171,600)	Active Policies 275.200 (258,200)	Customer Retention 76% (77%)	Premium per Customer 281 € (289 €)
Personnel 132 (124)	Premium per Employee 382 t€ (387 t€)	Customers by Channel Online 66% Telesales 19% Banks 9% Car dealers 6%	Online Sales Market Share Motor Insurance 12%

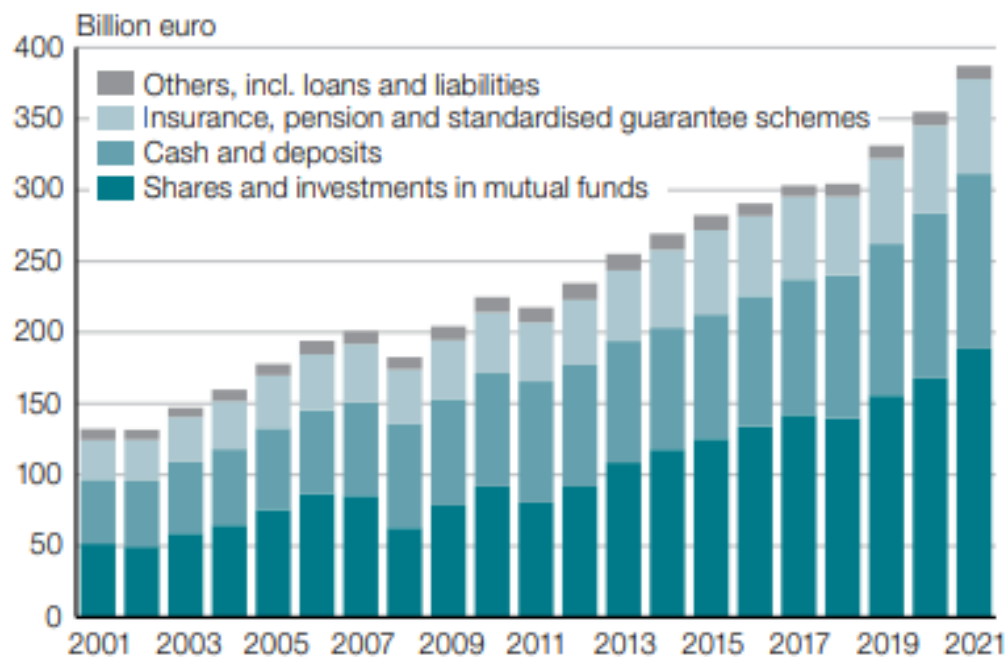
6. Market information

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, €/m²

	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 ²	Real price index 2015 = 100	Average price €/m ²	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

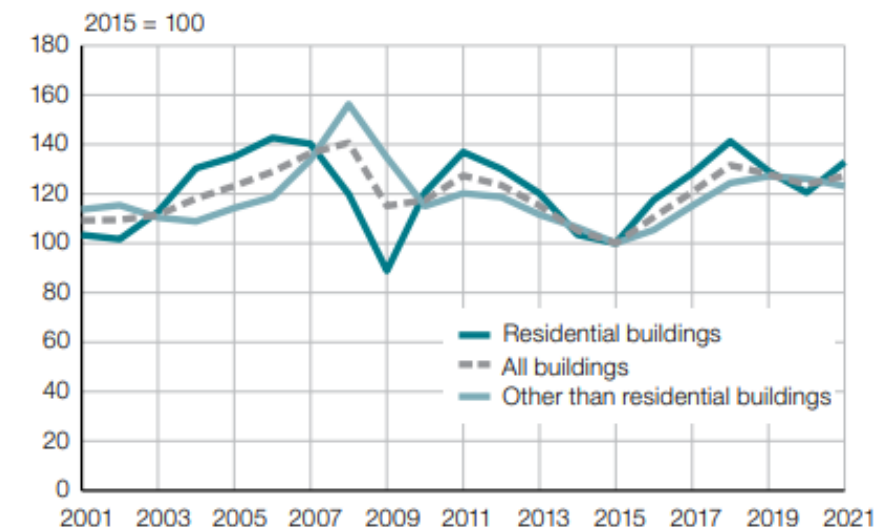
Finnish housing market continues

Completed buildings and dwellings

	2000	2010	2020	2021
All buildings, million m³	39.02	35.32	37.21	36.29
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
All dwellings, number	35 361	25 428	39 026	37 434
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)

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