

A low-angle photograph of a modern multi-story brick building with large windows and glass balconies. The sky is overcast and grey. The text 'POP Bank Group Investor Presentation' is overlaid in white, with 'Investor Presentation' being significantly larger and bolder than 'POP Bank Group'.

# POP Bank Group Investor Presentation

March 2024

# Content overview

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# **1. Highlights of the financial year 2023**

# Highlights 1 January - 31 December 2023

- In April, POP Mortgage Bank Plc, which is part of the POP Bank Group, issued the second covered bond under its EUR 1 billion covered bond programme. The covered bond has a nominal value of EUR 250.0 million. In addition, Bonum Bank Plc issued a bond with a nominal value of EUR 50.0 million in July.
- The POP Bank Group sold 70 per cent of the share capital of Finnish P&C Insurance Ltd to LocalTapiola Group in May 2023. The POP Bank Group recognised a profit of EUR 41.9 million from the sale. The overall positive impact of the insurance operations on the Group's result was EUR 45.2 million. The divestment of insurance operations further strengthened the amalgamation's common equity tier 1 (CET 1) capital ratio
- 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.
- In October 2023, S&P Global Ratings affirmed Bonum Bank Plc's long-term investment grade to 'BBB' and short-term investment grade to 'A-2' and changed the outlook from stable to positive.

# Key figures 2023



Operating income\*

**224.5**

(141.6)  
EUR million



Profit before tax\*\*

**89.3**

(26.2)  
EUR million



Net interest income

**178.1**

(93.3)  
EUR million



CET 1 capital ratio

**20.3 %**

(19.4 %)



Loan portfolio

**4.6**

(4.4)  
EUR billion

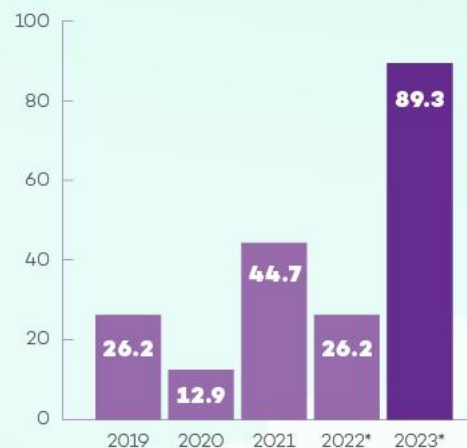


Customers

**255,900**

(256,500)

## PROFIT BEFORE TAX, EUR MILLION



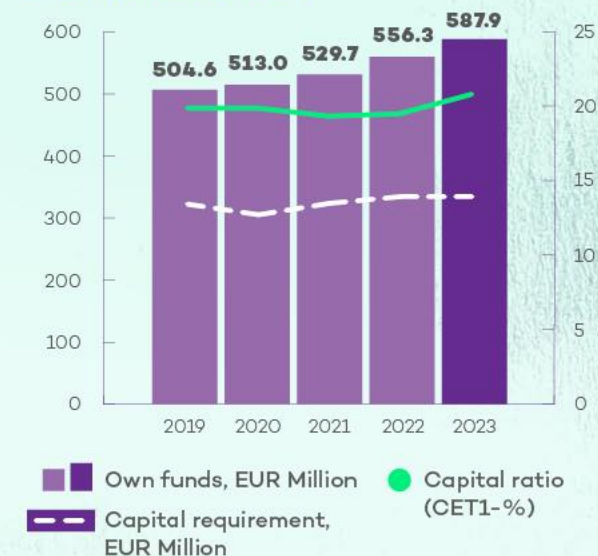
\*Continuing operations

## LOAN PORTFOLIO AND DEPOSITS, EUR MILLION

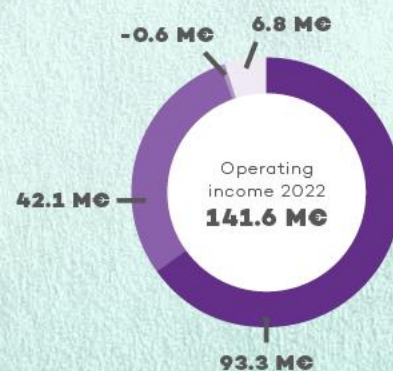
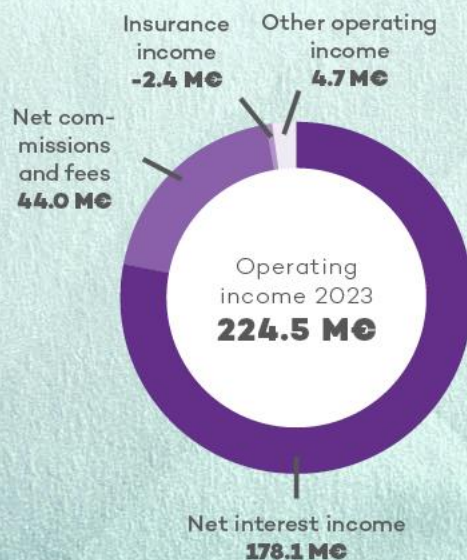


■ Loan portfolio, EUR Million ■ Deposits, EUR Million

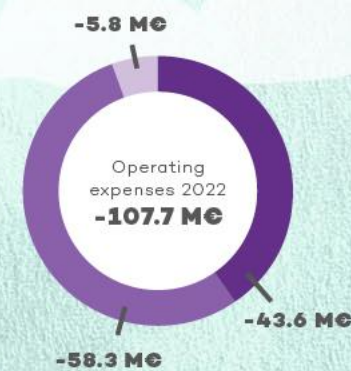
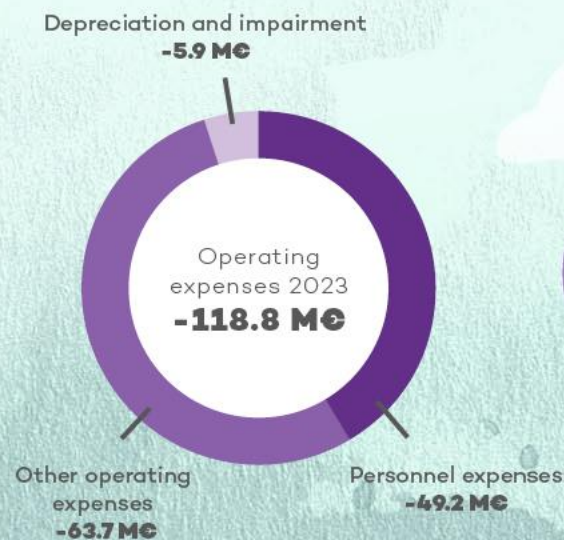
## CAPITAL ADEQUACY



## OPERATING INCOME, EUR MILLION



## OPERATING EXPENSES, EUR MILLION



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

# Overview

- The 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
- The POP Banks' network is in the demographically vital regions around growth centers of Western, Central and Southwestern Finland. Less exposure to Eastern Finland.
- Highest customer satisfaction in Finland (EPSI Rating 2023)
- Very strong capital position: target to maintain CET1 Ratio > 17,5%
- Investment grade rating: BBB (S&P Global) with positive 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

**1997**

POP Bank Group is founded

**2015**

The amalgamation of POP Banks commence operating on 31 December.

**2021**

The POP Banks entered into an agreement on single operator status at the amalgamation level

**2023**

POP Bank Group focuses on banking segment by selling 70 per cent of the Finnish P&C Insurance; a strategic partnership is launched with LocalTapiola

**2014**

Bonum Bank Plc, the central credit institution, starts to operate

**2016**

Bond programme and first issued bond. Rating from S&P Global Ratings

**2022**

Renewal of core banking system starts; POP Mortgage Bank Plc begins operating

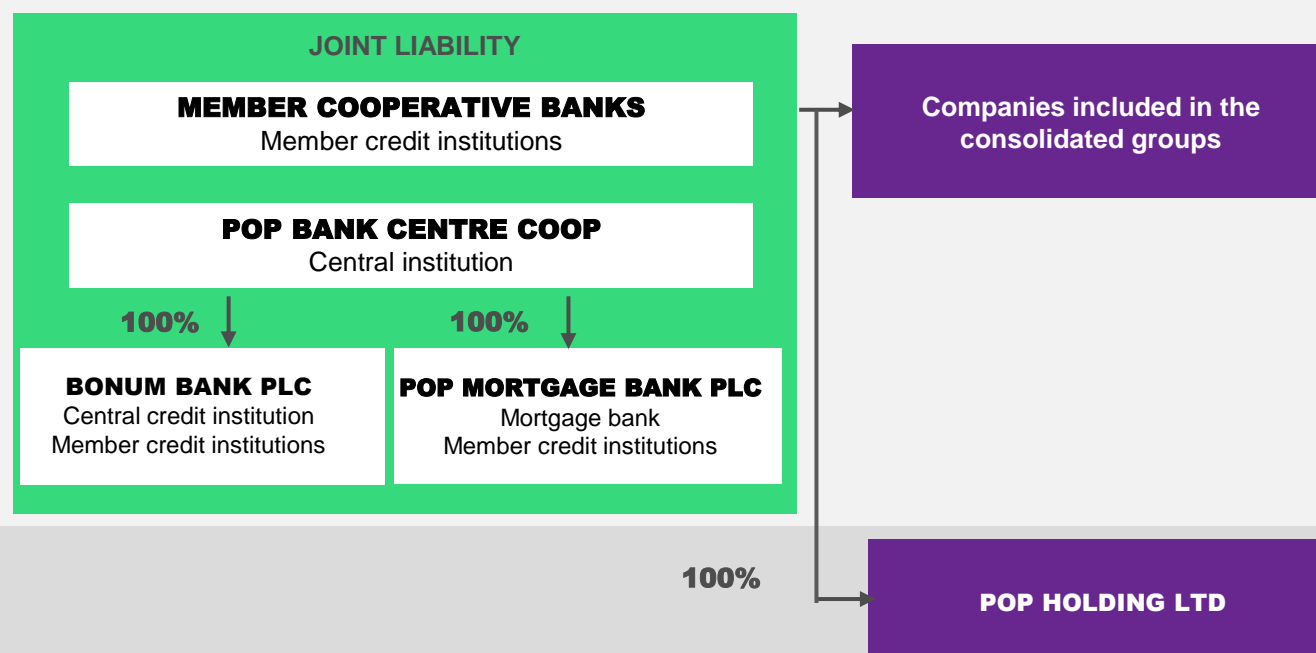
**2025**

Introducing the new new core banking system during 2025

# The Group structure

## POP Pankki THE POP BANK GROUP

### THE AMALGAMATION OF POP BANKS

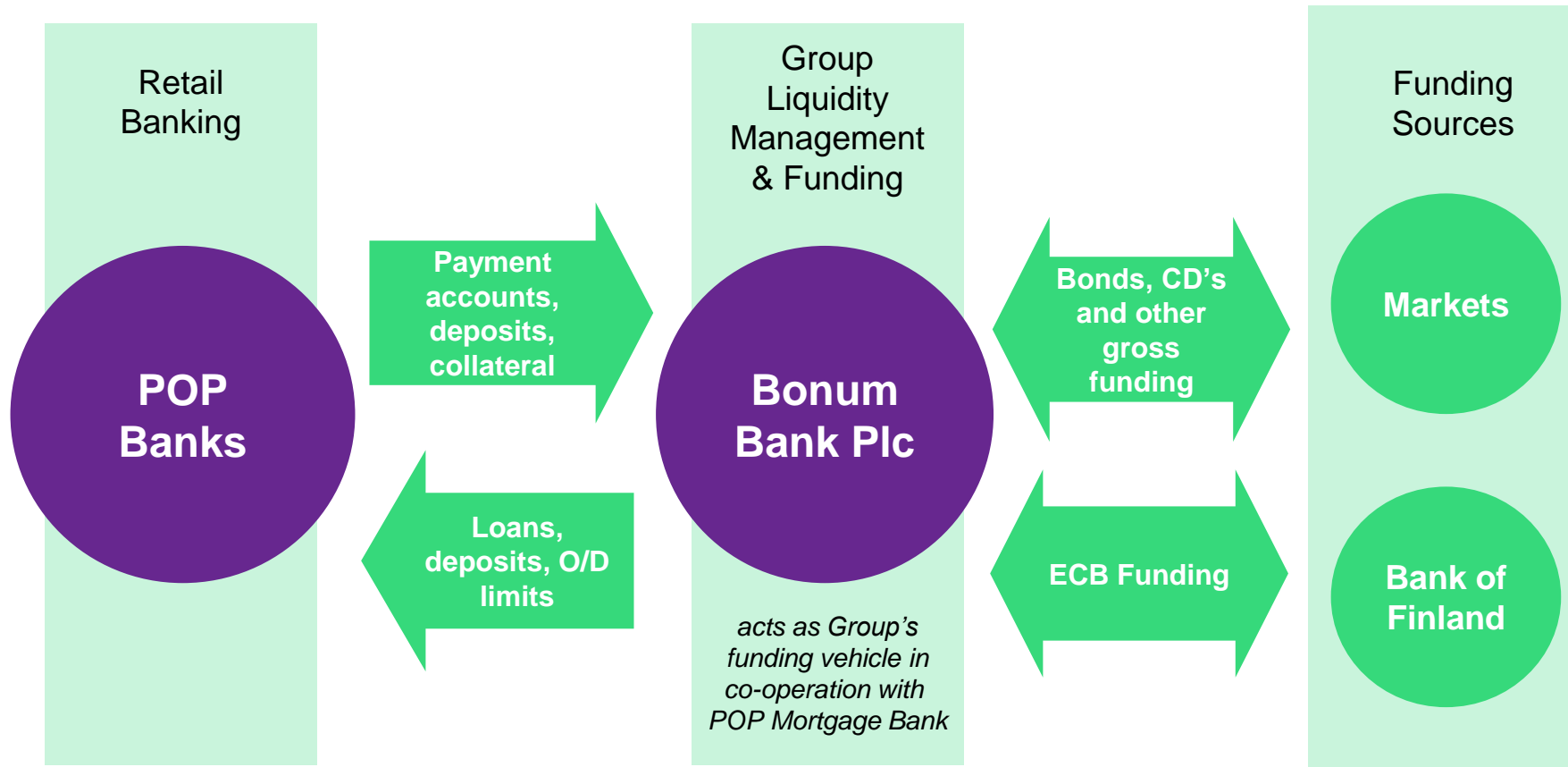


- The POP Bank Group consists of POP Banks, POP Bank Centre coop and their controlled entities.
- The POP Banks, Bonum Bank Plc and POP Mortgage Bank Plc are member credit institutions of POP Bank Centre coop.
- The POP Banks, POP Bank Centre coop and their controlled service companies constitute the amalgamation of POP Banks. POP Bank Centre coop is the central institution of the amalgamation of POP Banks and is responsible for steering and supervising POP Bank Group.
- Bonum Bank Plc serves as the central credit institution of the POP Banks and acquires external funding for the Group by issuing unsecured bonds. Bonum Bank Plc is also responsible for the POP Banks' card business and the Group's payment transactions and centralised services, in addition to granting credit to retail customers.
- POP Mortgage Bank Plc is responsible for the Group's mortgage-backed funding, which it acquires by issuing covered bonds.
- The 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 and uses the auxiliary business name of POP Insurance.

# The Amalgamation of POP Banks

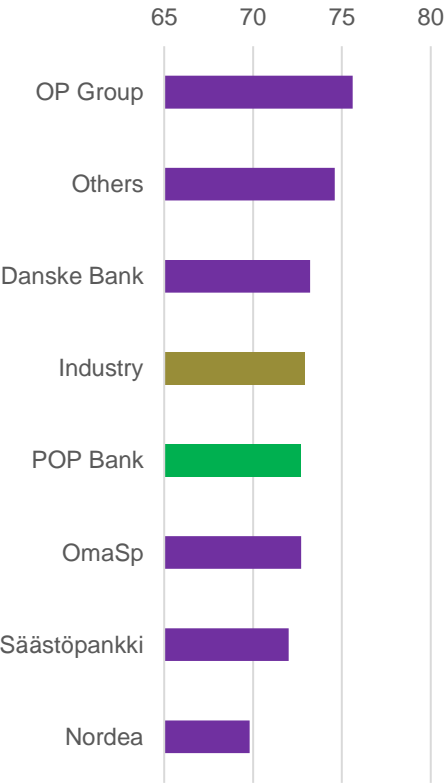
<b>Amalgamation</b>	POP Banks established an amalgamation, as defined in the Act on the Amalgamation of Deposit Banks (599/2010), on 31 December 2015. The amalgamation structure enables a single point of access to funding, internal bank and cost-efficient operations.
<b>Central Institution's role</b>	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"><li>• Risk Management</li><li>• Corporate Governance</li><li>• Liquidity and Capital Adequacy</li><li>• Internal Auditing</li></ul>
<b>Joint Liability</b>	<p>The 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

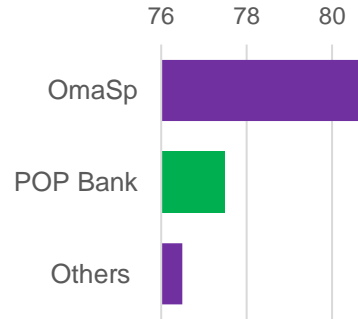


# Customer satisfaction & EPSI Sustainable Index

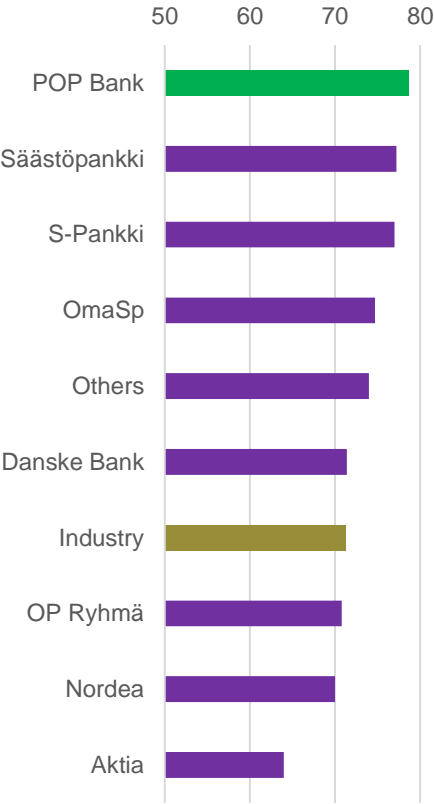
Corporate customers, EPSI Rating 2023



Corporate customers, TOP 3 banks, EPSI Sustainable Index 2023



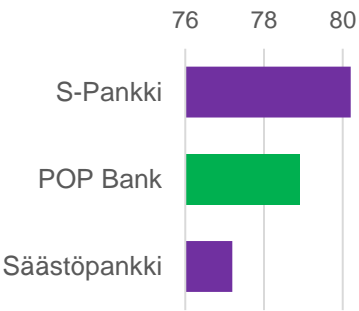
Private customers, EPSI Rating 2023



POP Bank has had the most satisfied private customers in Finland 12 times since the study has been conducted by the EPSI Rating. POP Bank participated in EPSI Rating's B2B study for the first time in 2021.

**EPSI Rating Sustainability Index** is based on customers' assessments of their bank and how socially, environmentally and financially responsible they consider their bank is.

Private customers, TOP 3 banks, EPSI Sustainable Index 2023



### **3. Strategy and focus areas**

# 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.

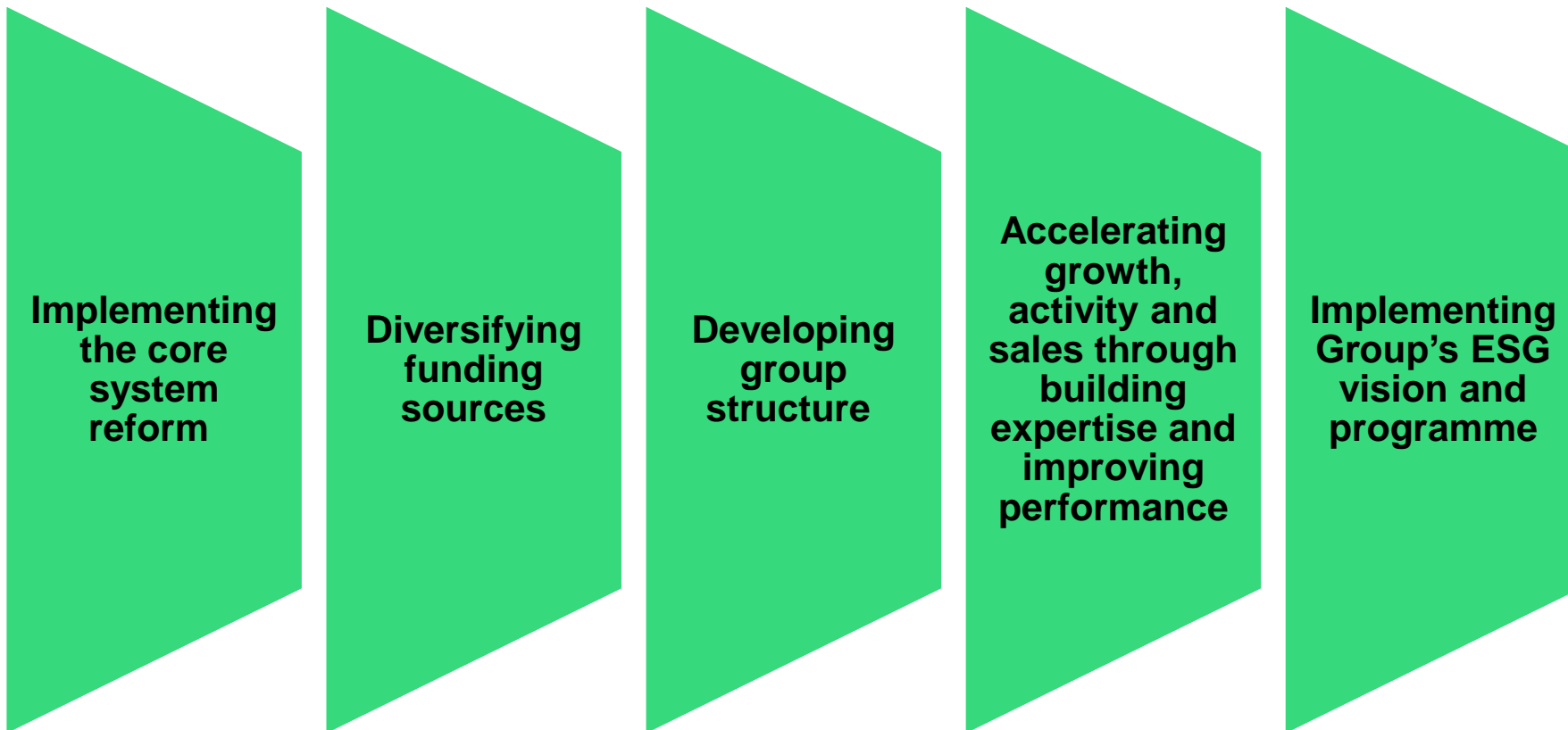
The POP Bank Group focuses on building long-term customer relationships and continuously renewing its ways of working to ensure that its vision materializes through its customer service, product offering, pricing and operational efficiency.

## 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	Year 2023	Year 2022
Cost-to-income ratio	<60%	52.9%	77.7%
CET 1 ratio	17.5%	20.3%	19.4%
ROA %	1.0%	1.2%	0.4%

# Strategic focus areas of the POP Bank Group



## **4. Operations and figures**

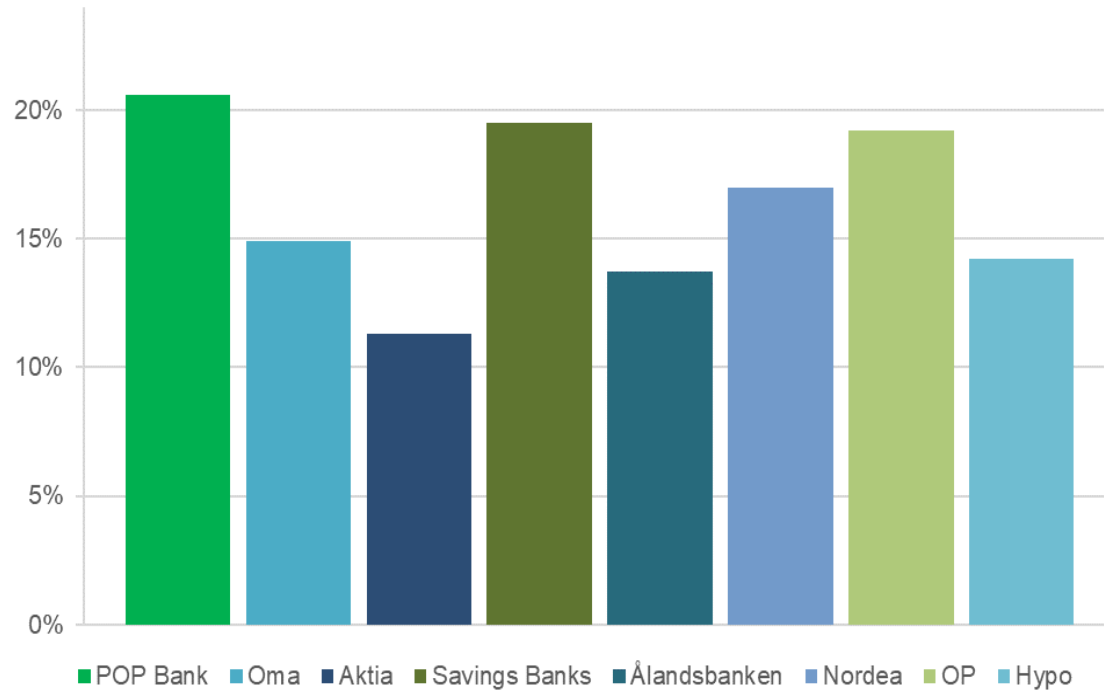
Key income figures (EUR 1,000)	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021	1 Jan-31 Dec 2020	1 Jan-31 Dec 2019
Net interest income	178 495	93 326	78 338	74 099	69 318
Net commissions and fees	44 016	42 098	36 326	31 049	30 013
Insurance income	-	-	13 192	11 611	10 913
Net investment income	-2 355	-602	10 028	1 298	15 588
Personnel expenses	-49 204	-43 571	-50 655	-43 531	-42 843
Other operating expenses	-63 703	-58 303	-55 464	-51 978	-47 927
Impairment losses on financial assets	-17 271	-7 738	-10 390	-7 468	-6 528
Profit before tax	89 326	26 155	44 670	12 919	26 150

Key balance sheet figures (EUR 1,000)	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Loan portfolio	4 562 254	4 448 480	4 243 829	3 868 147	3 635 488
Deposit portfolio	4 330 320	4 325 946	4 222 364	4 086 045	3 746 305
Insurance contract liabilities	-	48 241	52 692	43 915	38 606
Equity capital	688 106	566 675	552 809	517 242	508 435
Balance sheet total	6 074 569	5 774 192	5 357 697	5 098 398	4 535 557

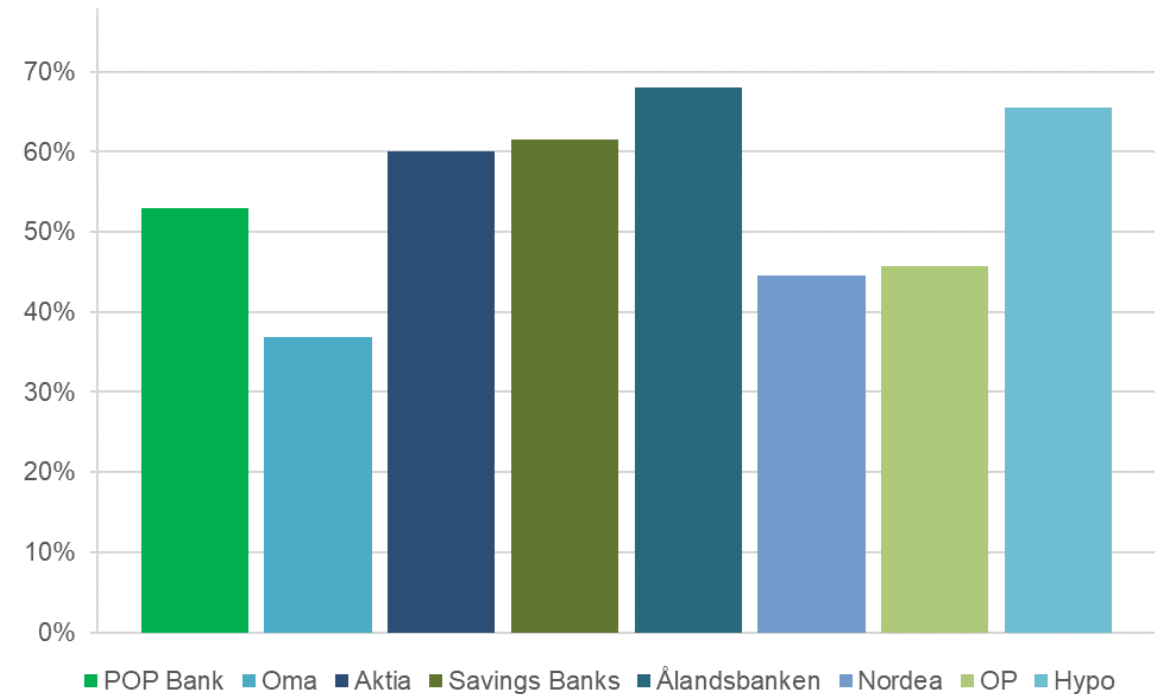
Key ratios	31 Dec 2023	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
Cost to income ratio	52.9%	76.1%	68.8%	83.6%	75.1%
Return on assets, ROA %	1.2%	0.4%	0.7%	0.2%	0.5%
Return on equity, ROE %	11.4%	3.7%	6.9%	2.2%	4.3%
Equity ratio, %	11.3%	9.8%	10.3%	10.1%	11.2%
Common equity Tier 1 capital ratio, (CET1) %	20.3%	19.4%	19.2%	19.9%	19.8%
Capital adequacy ratio, (TC) %	20.3%	19.4%	19.2%	19.9%	19.9%

# Strong capital position and improving efficiency 12/2023

CET1



Cost / Income -ratio



# 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: Comparable ratings analysis</li></ul>	-1
<b>POP Bank Group credit rating</b>	<b>BBB (POSITIVE)</b>

## Major rating factors (from S&P)

### Strengths

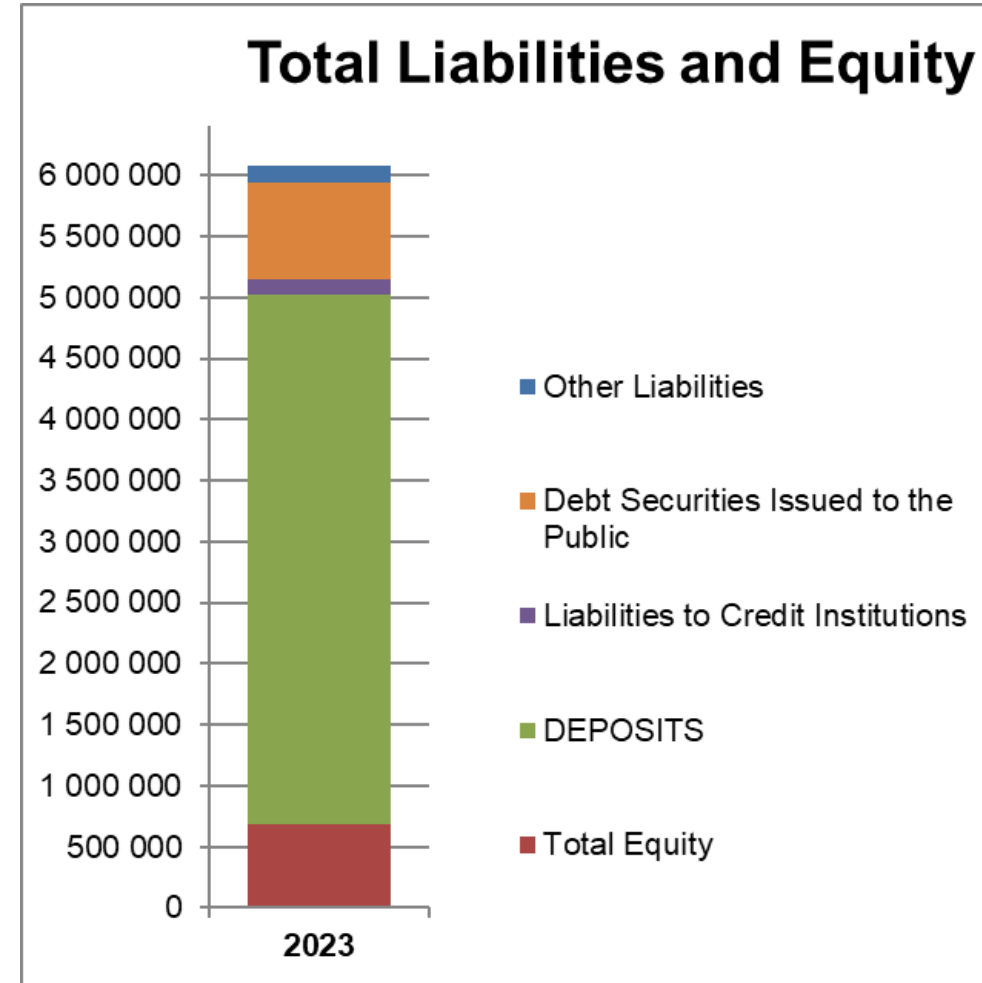
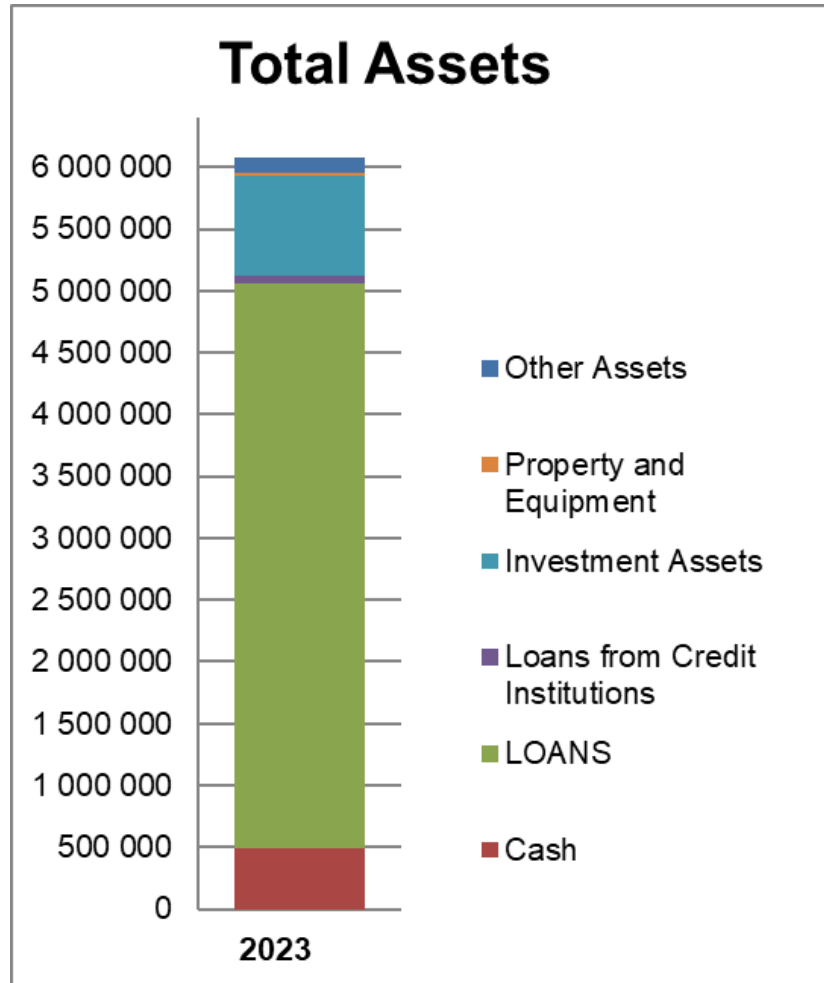
- Very strong capitalization, which offers a robust buffer to absorb potential losses
- A solid cooperative business model
- Sound regional franchise in selected rural areas

### Weaknesses

- Concentrated business operations focused on lending to individuals and small and midsize enterprises

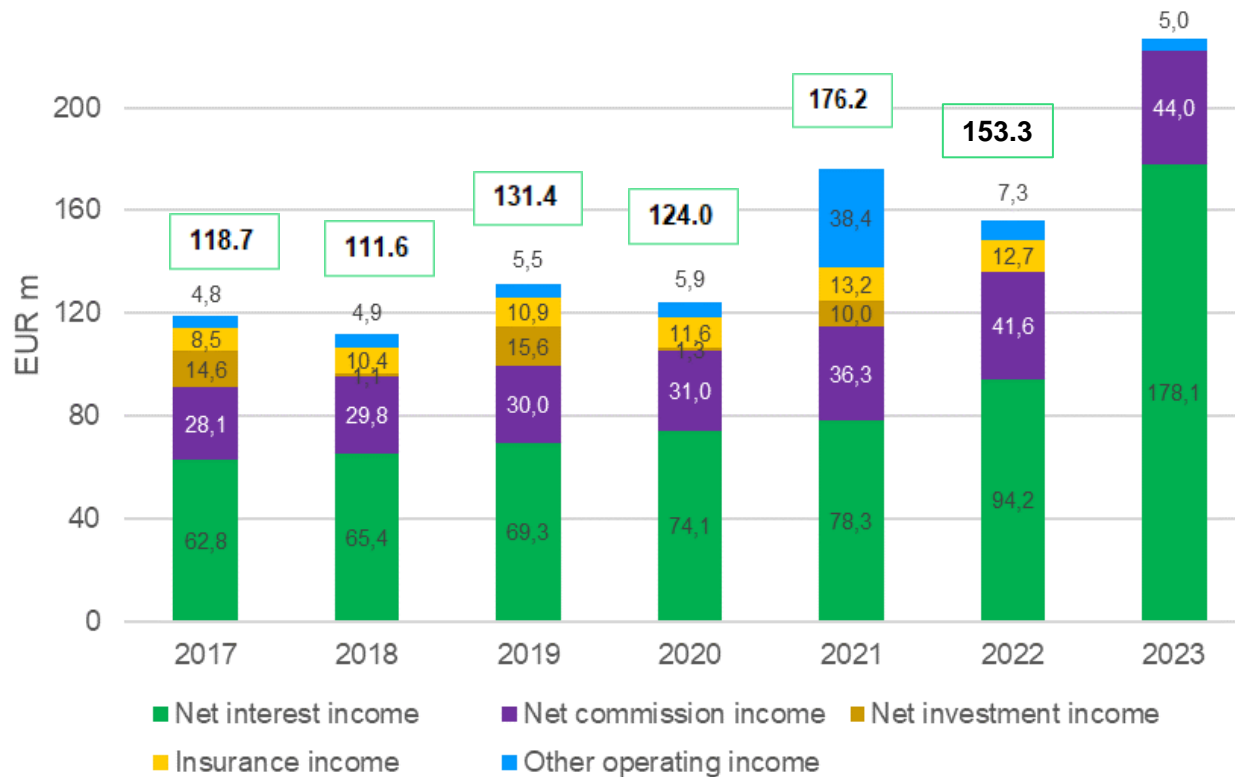
Source: S&P General Ratings Report, October 2023

# Group balance 31 December 2023

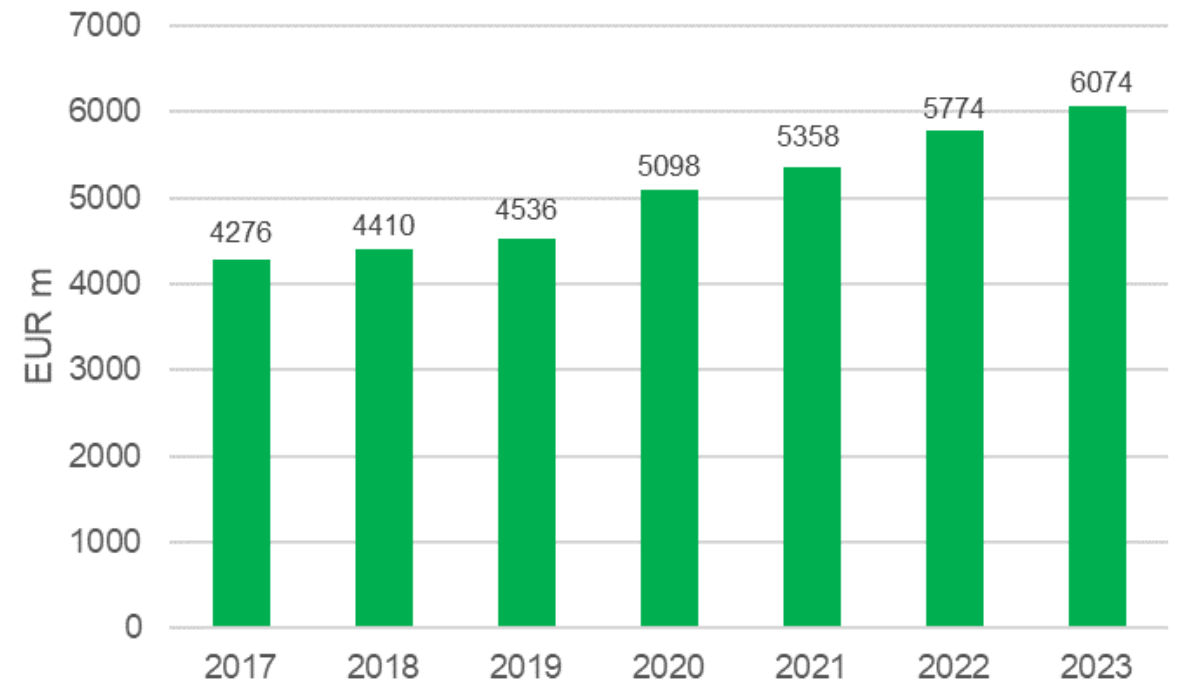


# Stable growth and increased net interest income

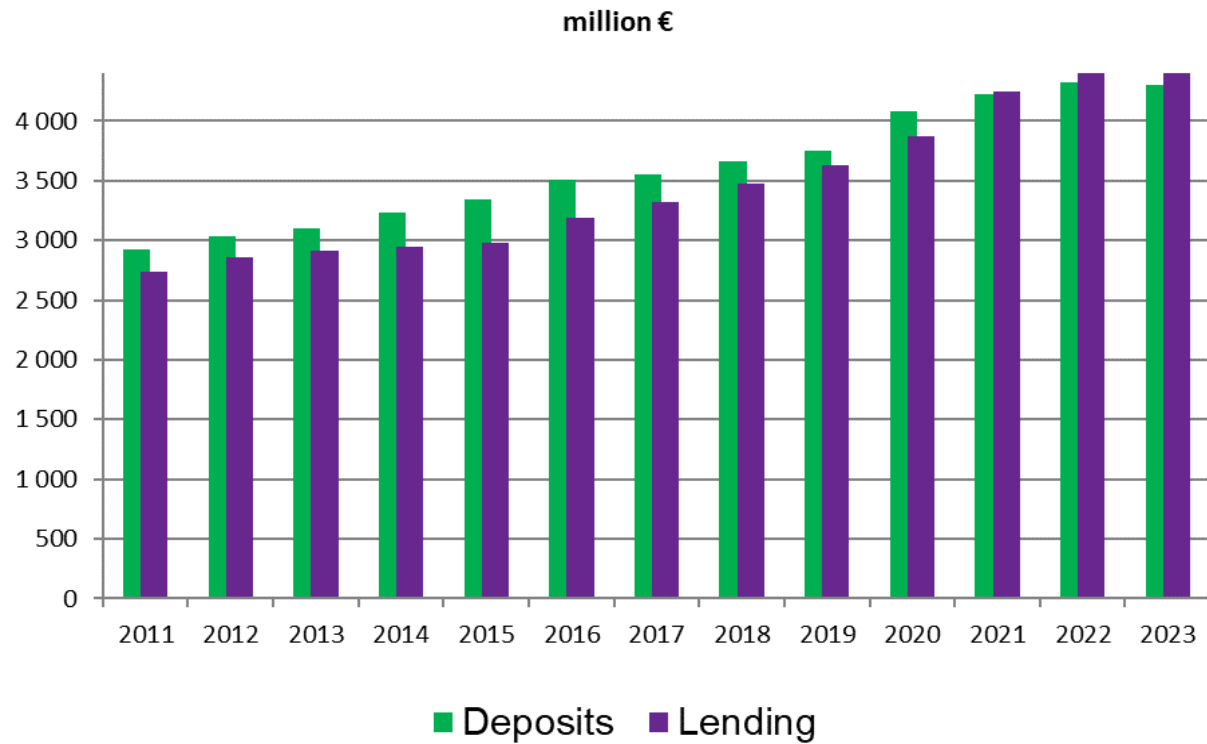
Operating Income - POP Bank Group



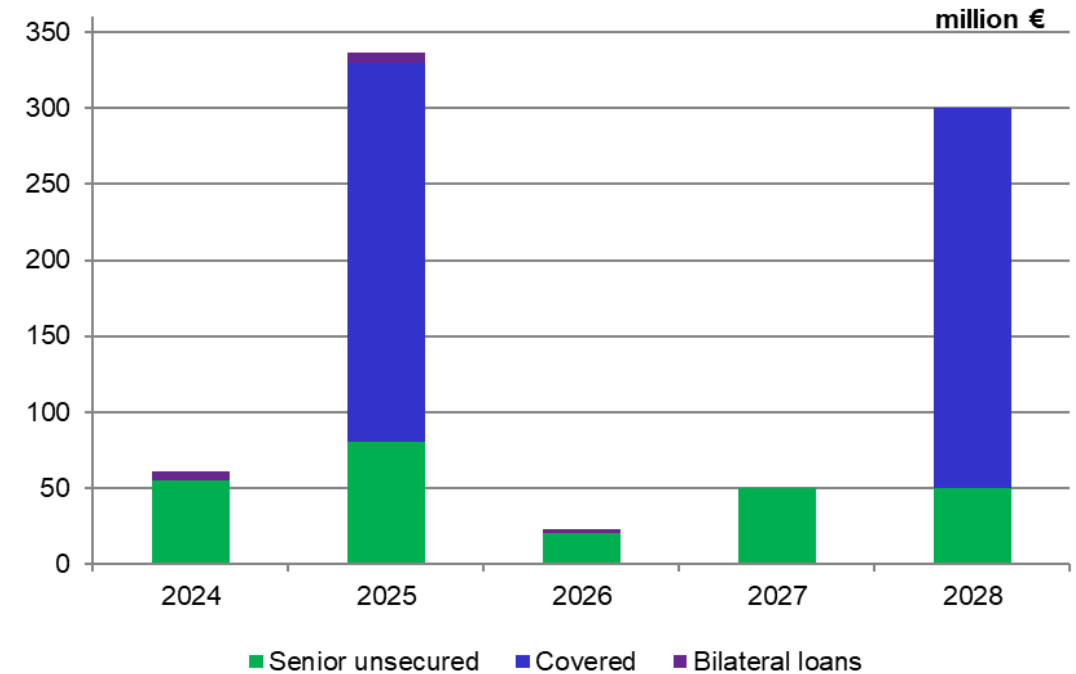
Total assets



# Lending and deposits



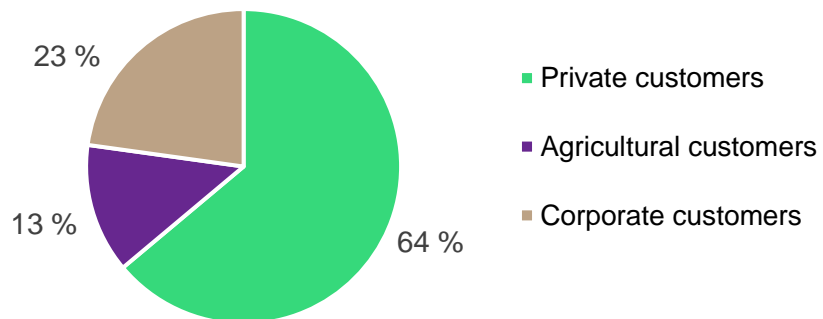
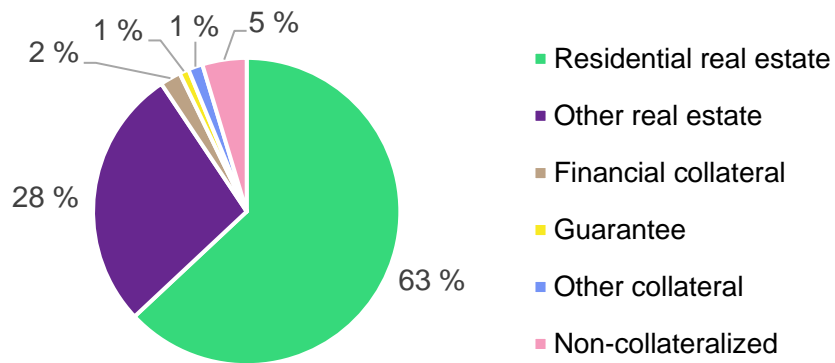
## Maturity of long term funding 2023



- Steady growth continued in lending
- Loan book funded mainly with deposits from own customer base with lending/depo ratio 106%
- Approximately 3/4 of deposits are covered by depositor guarantee scheme

# Low risk and diversified loan portfolio

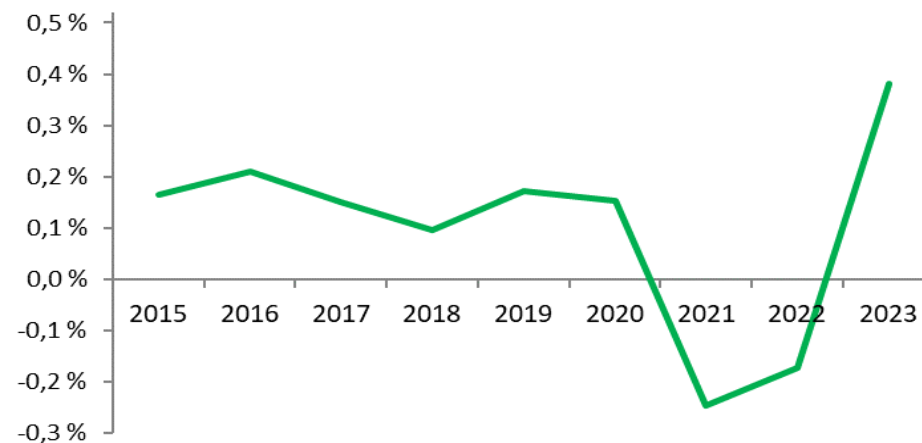
## 31 December 2023



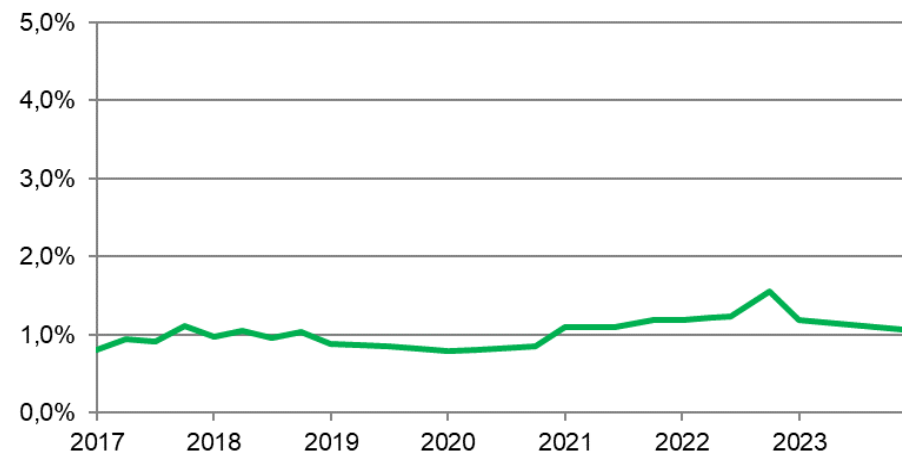
Total loan portfolio EUR 4.6 bn€

Individual housing loans are moderate – average €74,200 (2023)

Annual impairment losses, %

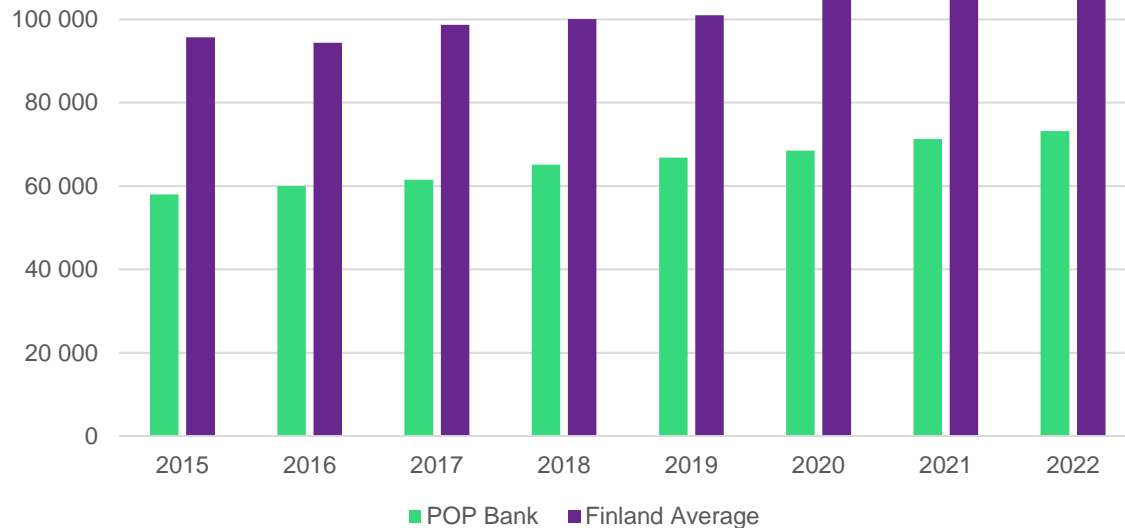


Loans over 90 days past due



# Housing loan portfolio

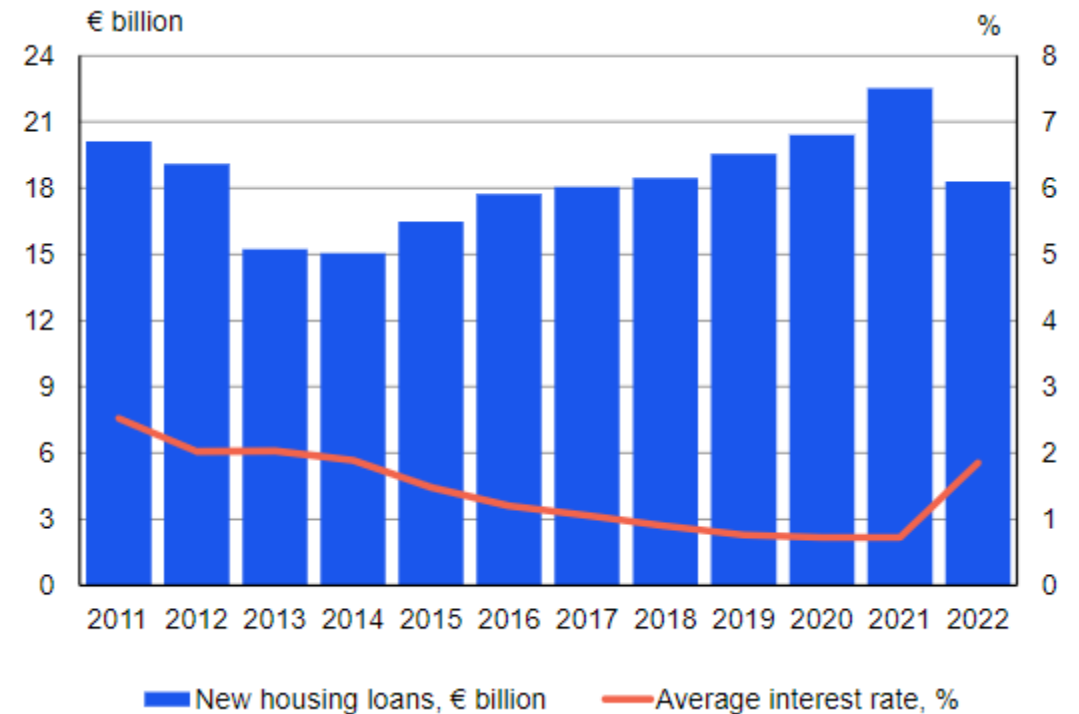
Average Housing Loan Size, €



- Housing loan portfolio is well diversified; the average size of a housing loan was 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

Source: Statistics of Finland

New housing loans withdrawn from Finnish financial institutions



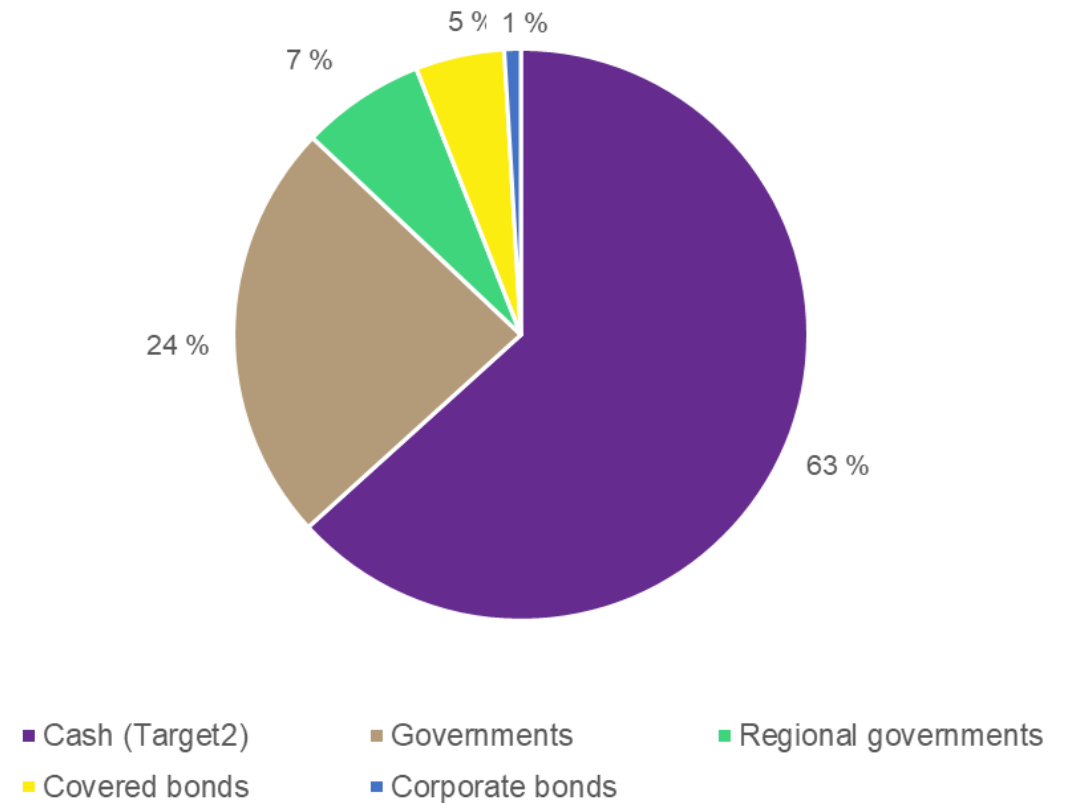
# Solid liquidity position

- LCR eligible liquid assets were 859 m€ per 31 Dec. 2023
- LCR of the POP Bank Group was 274 (185)% as of 31 Dec. 2023

Cash and T2	63.3 (71.7)%
Other Level 1 assets	35.8 (26.6)%
Government bonds	23.8%
Regional government CD's	7.0%
Covered bonds	5.0%
Other Level 2 assets	0.9 (1.7)%

31 December 2022 figures in parentheses

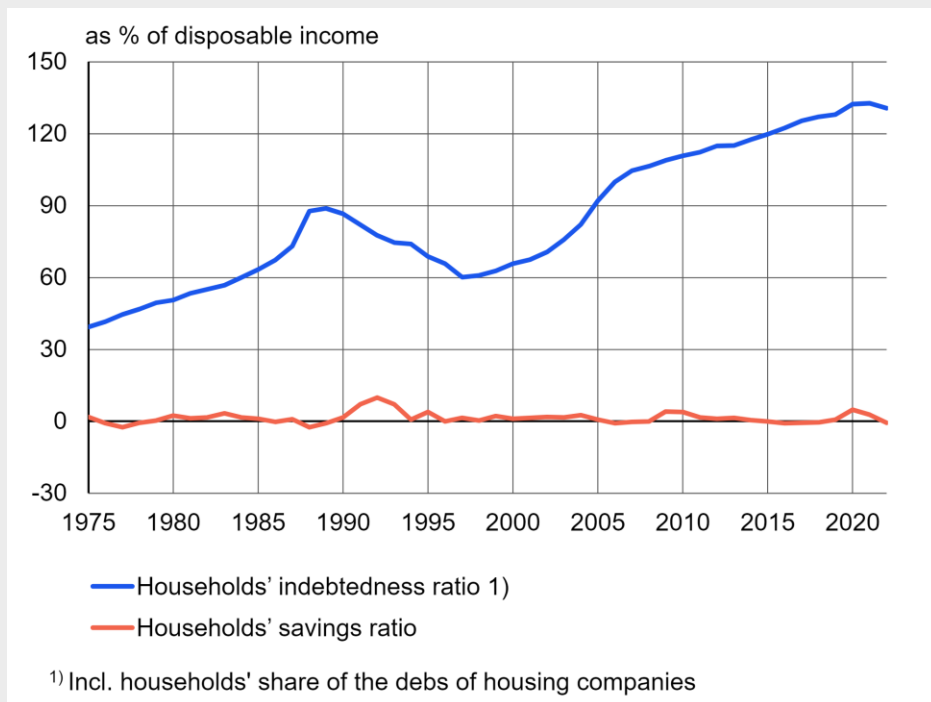
*LCR - liquid assets per 31.12.2023*



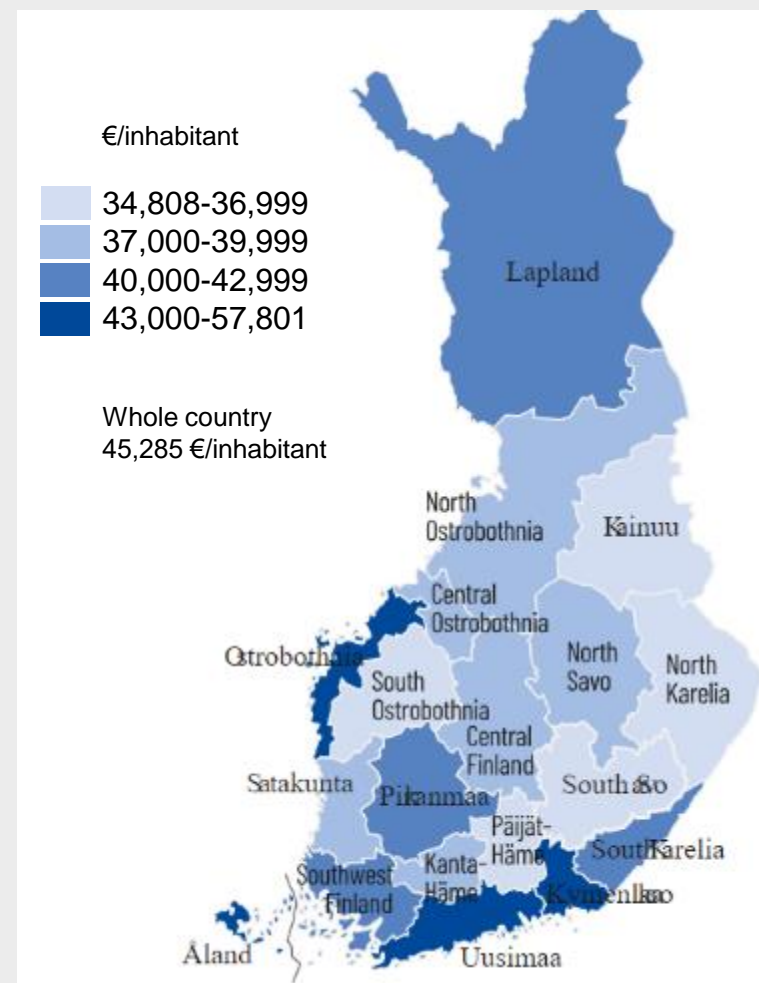
## **5. Market information**

# Finnish households' statistics

Households' indebtedness ratio and savings ratio, 1975–2022\*



Gross domestic product per capita by region, 2021



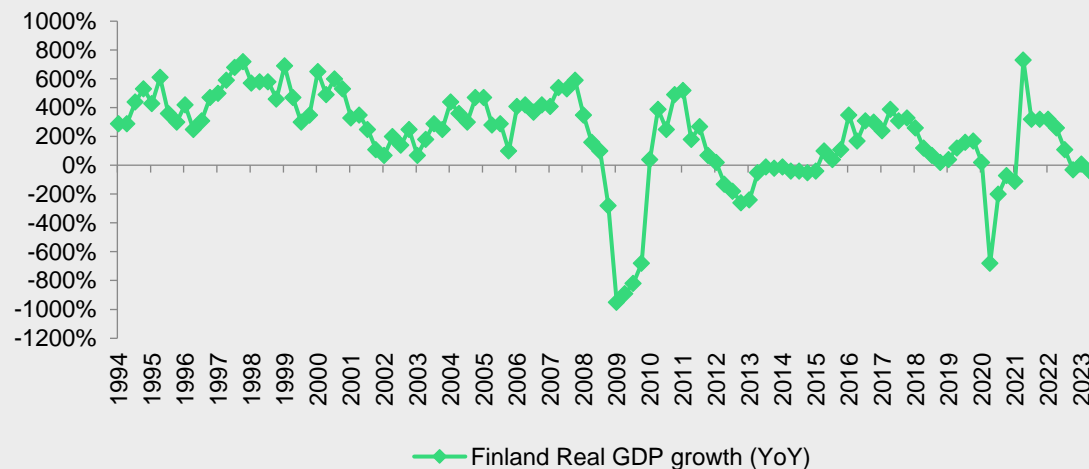
\*Preliminary data, Statistics Finland, Jan 2024 & Dec 2023

# Finnish economy has shown resilience

## Inflation



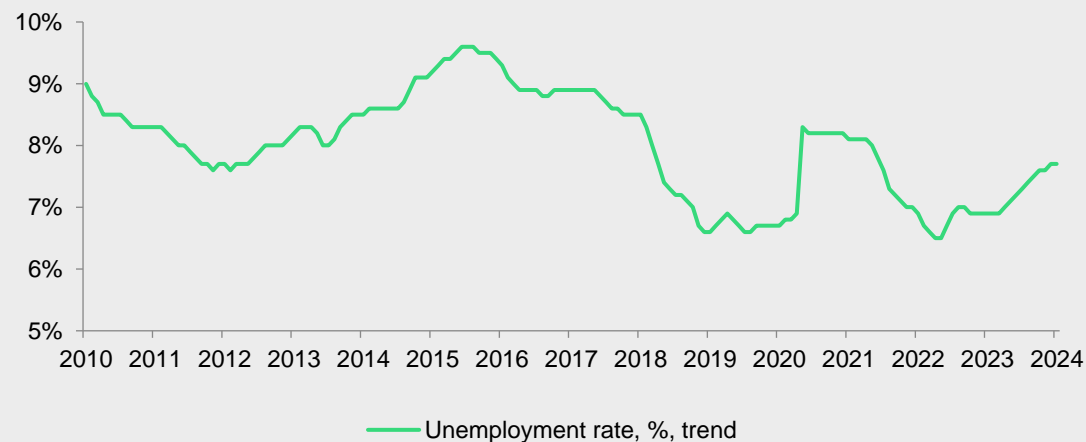
## GDP growth



## Employment rate

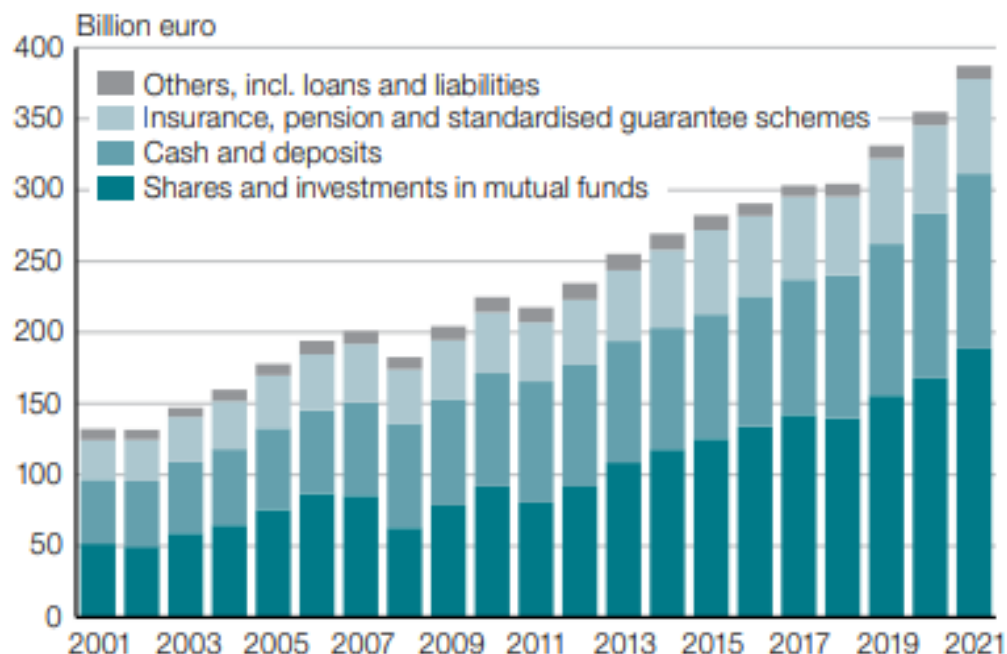


## Unemployment rate



# 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

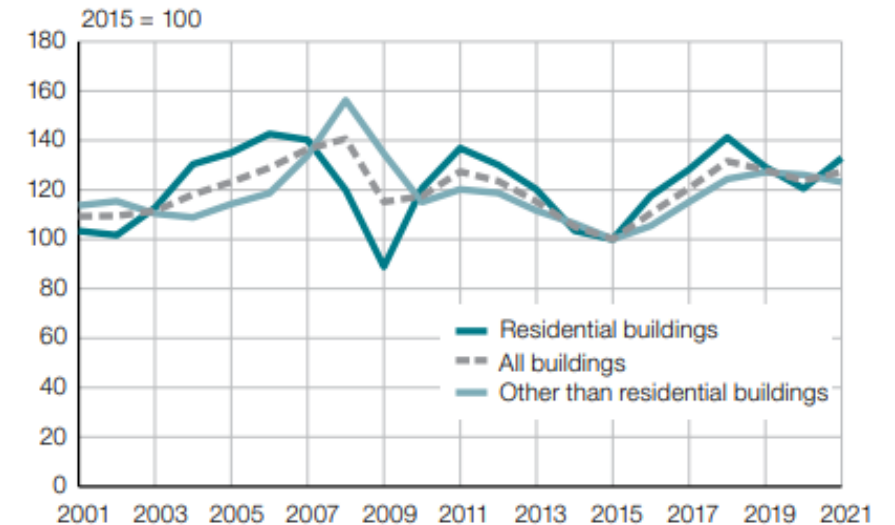
# Finnish housing market continues

## 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



**Men:** 3 575 €/month

**Women:** 2 953 €/month

Total earnings of wage and salary 2020



**Population of Finland:**  
5.5 million



**46%**



**32%**



**22%**

Size of household-dwelling unit 2021 (persons)

## **6. Contact information**

# Contact information

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# **7. Disclaimer**

# Contact information

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