

A photograph of a modern multi-story brick building with glass balconies, viewed from a low angle. The sky is overcast and grey. The text is overlaid on the image.

# POP Mortgage Bank Investor Presentation

April 2024

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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

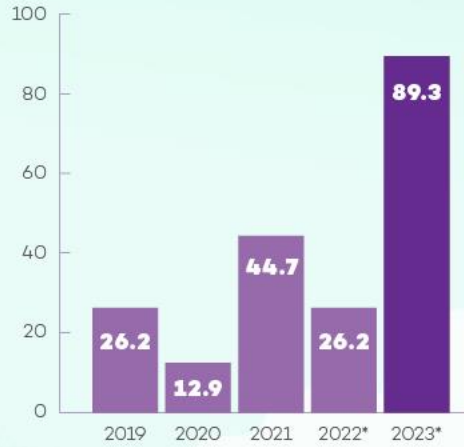
**255,900**

(256,500)

\*continuing operations



### PROFIT BEFORE TAX, EUR MILLION

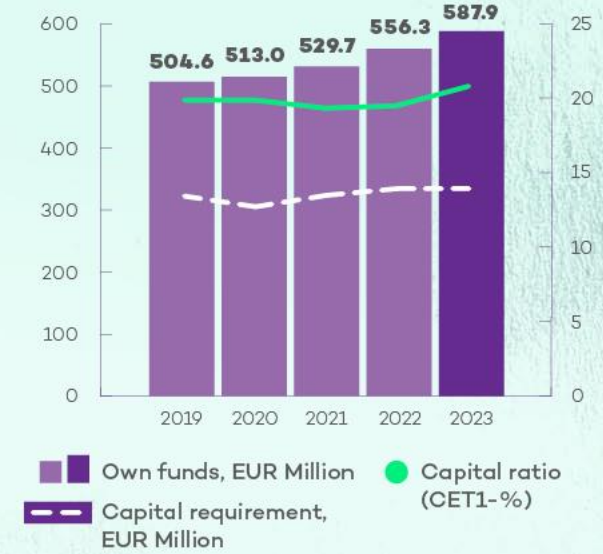


\*Continuing operations

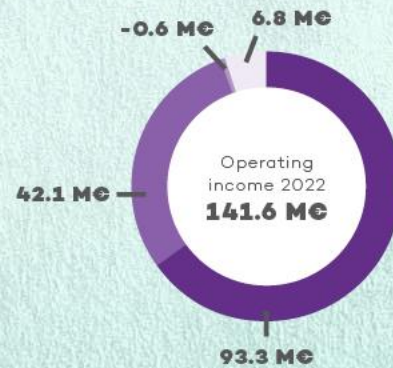
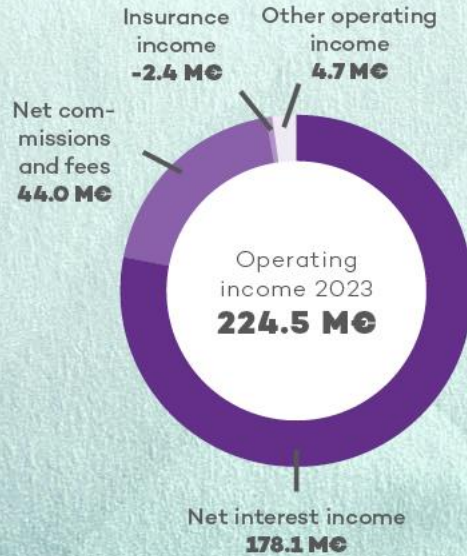
### LOAN PORTFOLIO AND DEPOSITS, EUR MILLION



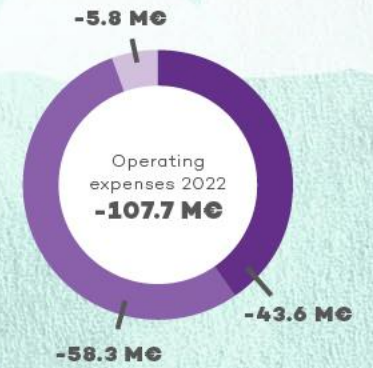
### CAPITAL ADEQUACY



### 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

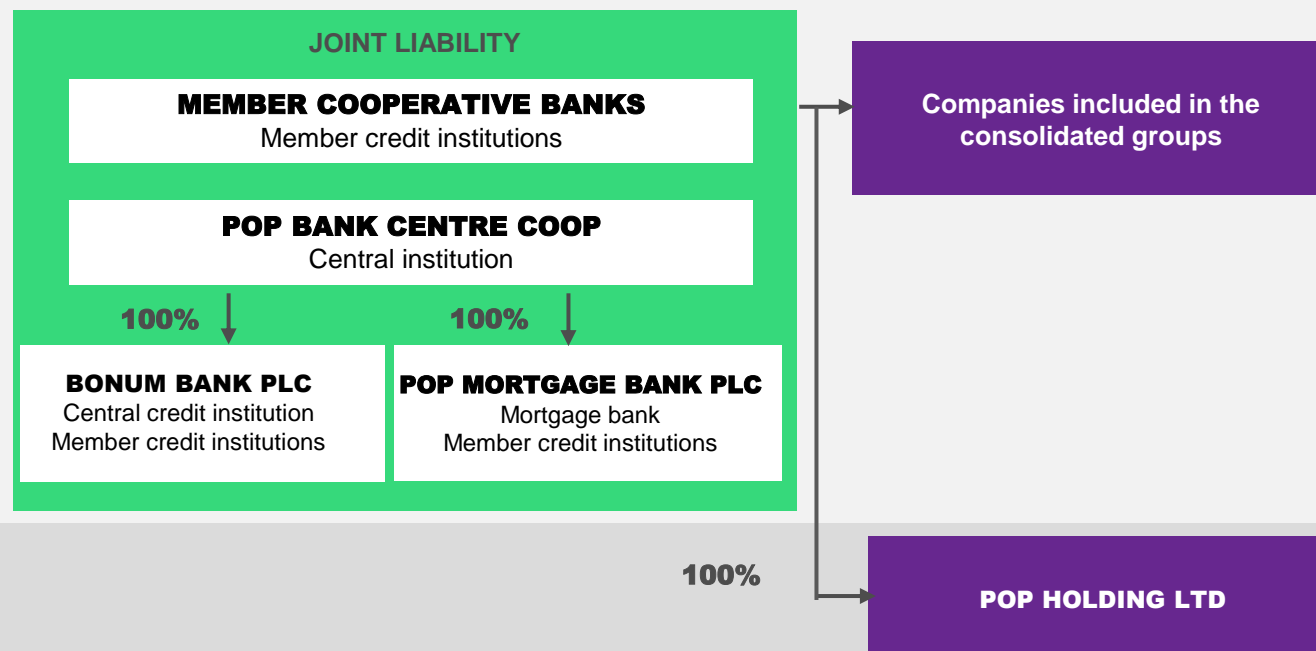
**2025**

Introducing the new new core banking system during 2025

# The Group structure

## POP Pankki THE POP BANK GROUP

### THE AMALGAMATION OF POP BANKS

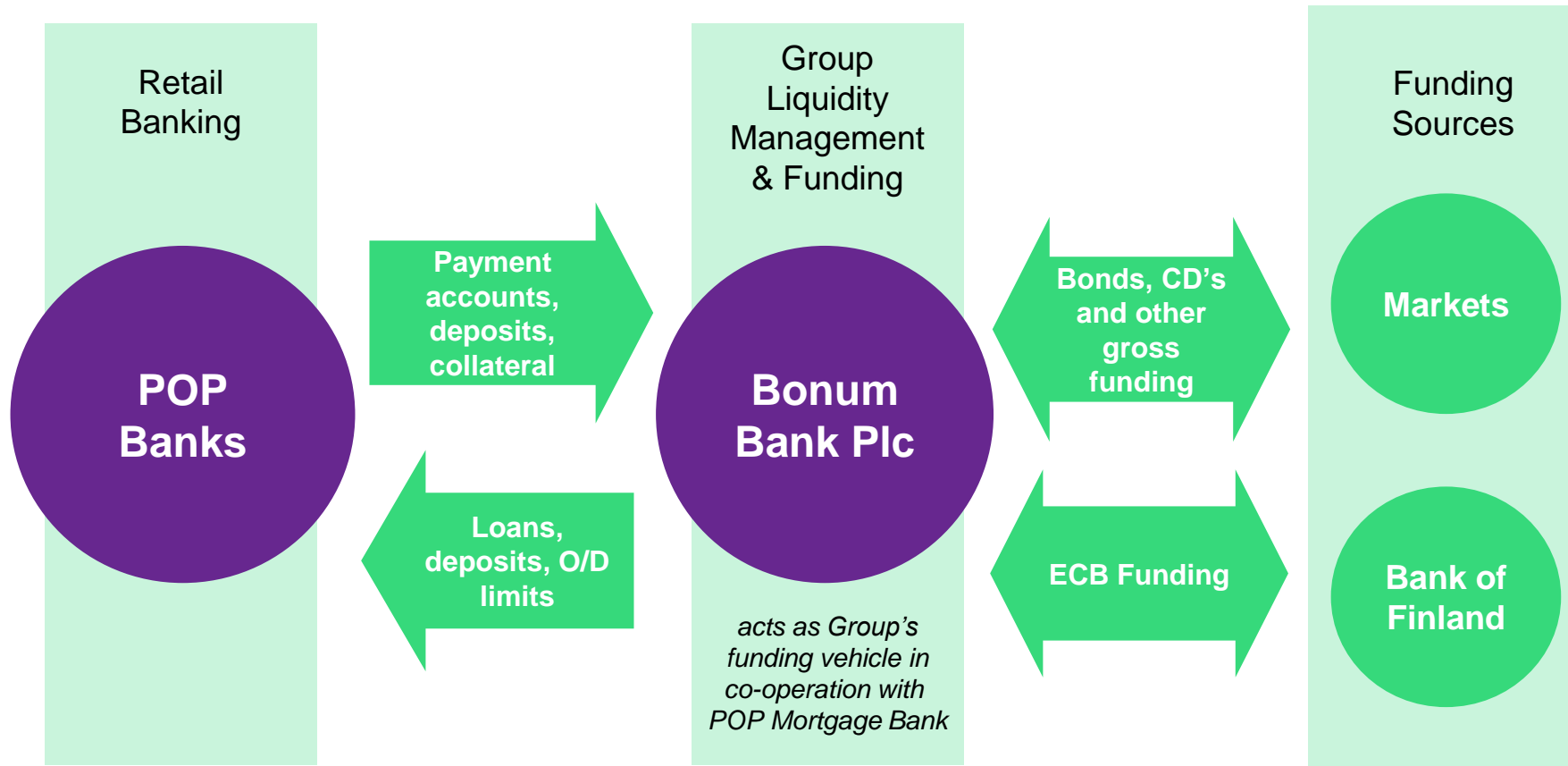


- The POP Bank Group consists of POP Banks, POP Bank Centre coop and their controlled entities.
- The POP Banks, Bonum Bank Plc and POP Mortgage Bank Plc are member credit institutions of POP Bank Centre coop.
- The POP Banks, POP Bank Centre coop and their controlled service companies constitute the 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.

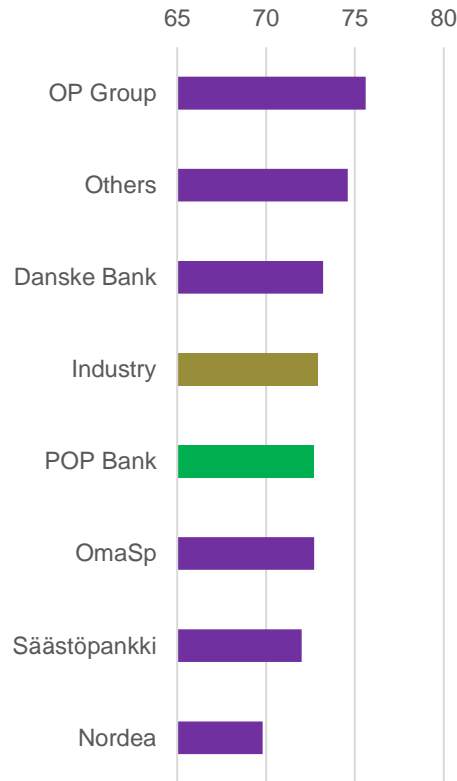
# Bonum Bank Plc - POP Bank Group's internal bank



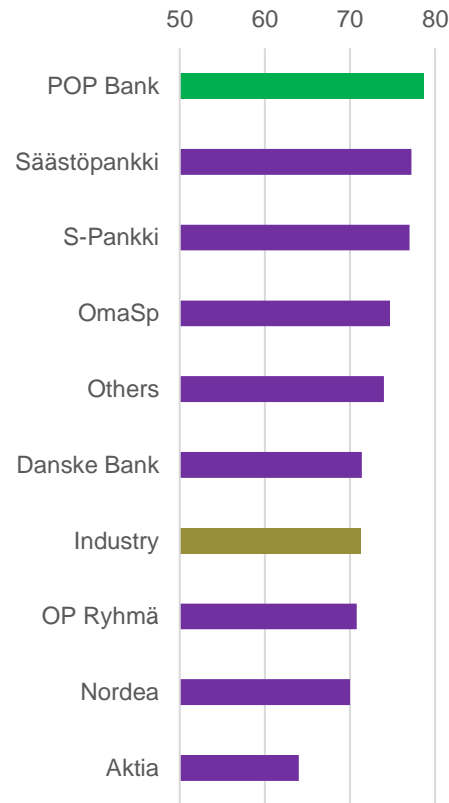
# Customer satisfaction & EPSI Sustainable Index



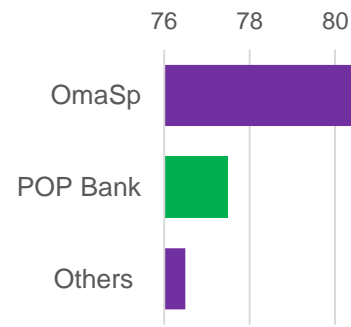
Corporate customers, EPSI Rating 2023



Private customers, EPSI Rating 2023



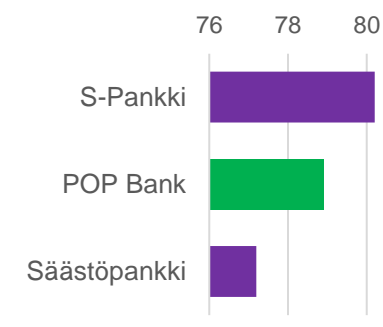
Corporate customers, TOP 3 banks, EPSI Sustainable Index 2023



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



# POP Bank Group and sustainability

## Themes of our responsibility programme

Promoting sustainable financing and investing, and thereby mitigating climate change

Supporting local success, vitality and well-being

Transparent business operations

Ensuring the equality of employees and promoting diversity and well-being at work

Preventing a grey economy, corruption and money laundering

Continuous improvement of information security and promoting secure banking

- The POP Bank Group's ESG vision is to be the trusted partner for its customers, members and local communities to create sustainable wellbeing.
- Many of the POP Banks have history of 100+ years and being the local trusted financial partner. This reflects the commitment to the local community and the goal of establishing long-term customer relationships.
- Long-term partnership approach is reflected in the Group's lending principles, investing operations and the environment. Responsible lending is based on knowing the customer and careful examination of the customer's situation.
- The POP Bank Group requires all its employees and members of its executive management and administration to be familiar with good governance guidelines and to comply with them.
- The systematic reinforcement of the operating model for risk management related to preventing money laundering and other financial crime is on-going at the level of the amalgamation.



# **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.

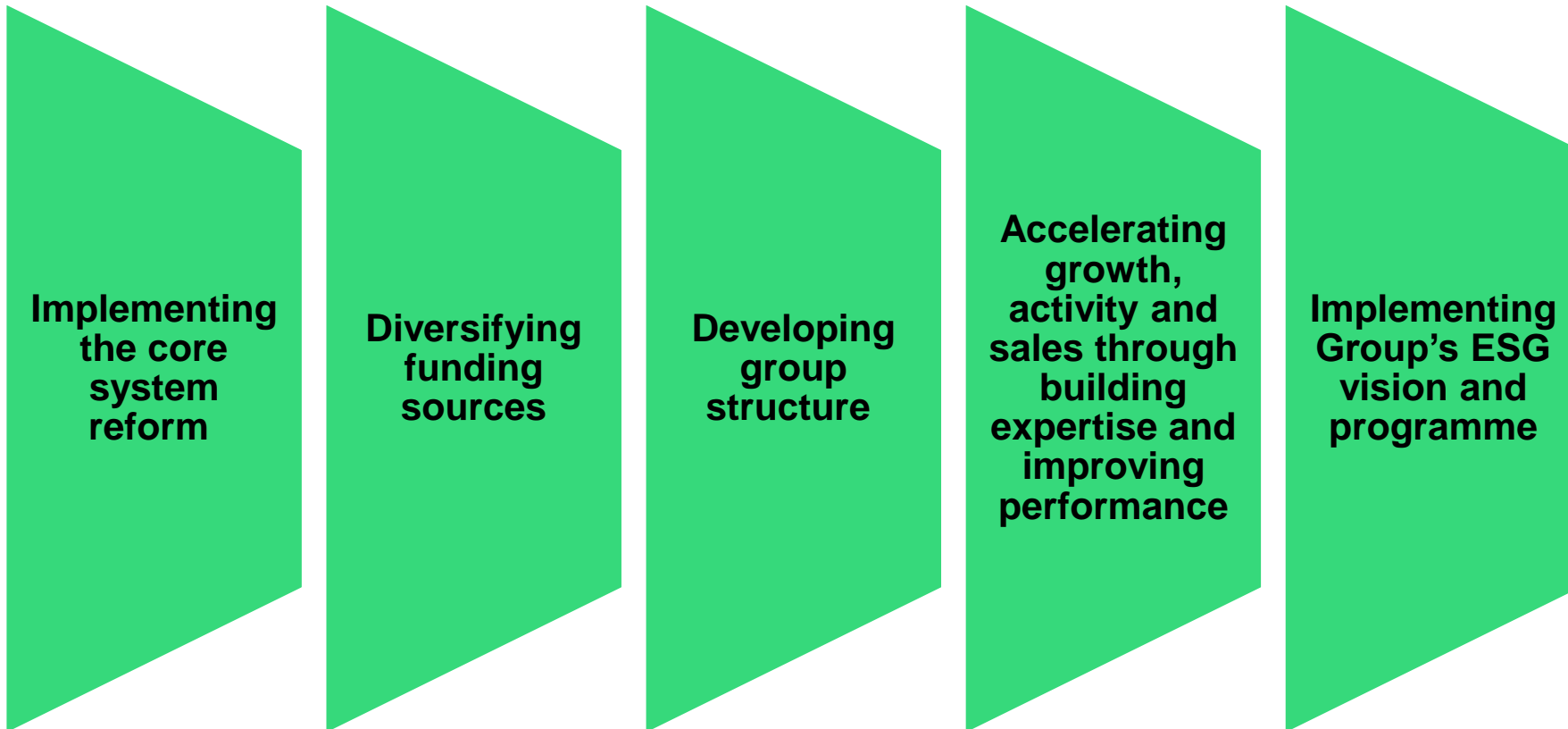
## The Strategy

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%

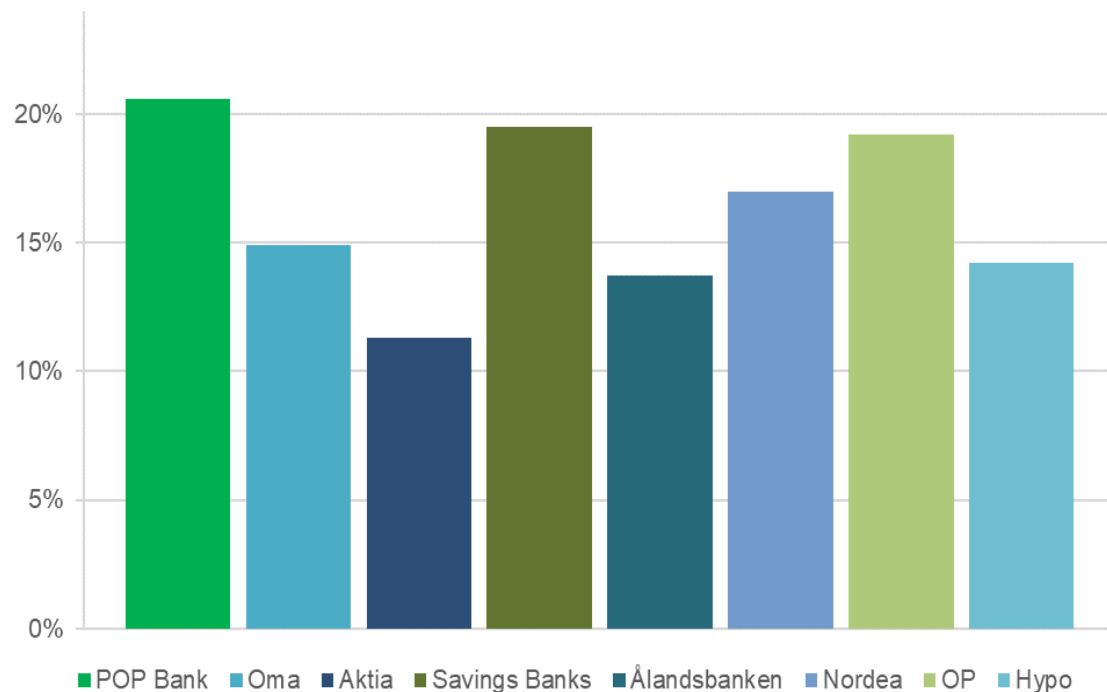
# Strategic focus areas of the POP Bank Group



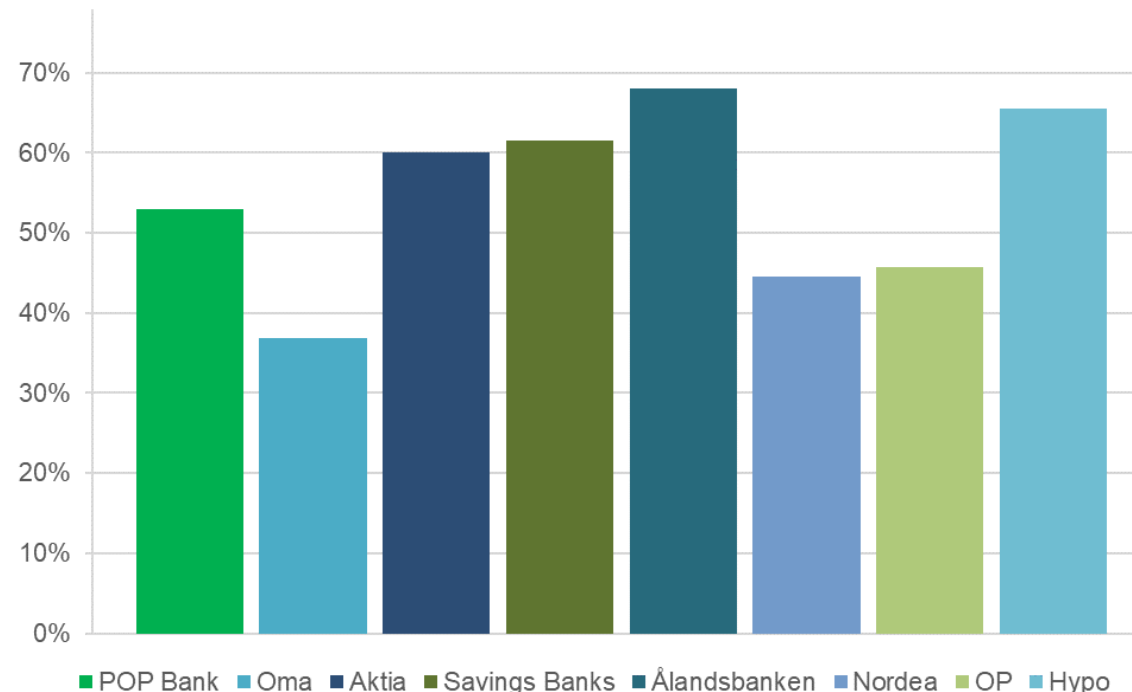
# **4. Operations and figures**

# Strong capital position and improving efficiency 12/2023

## CET1



## Cost / Income -ratio



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

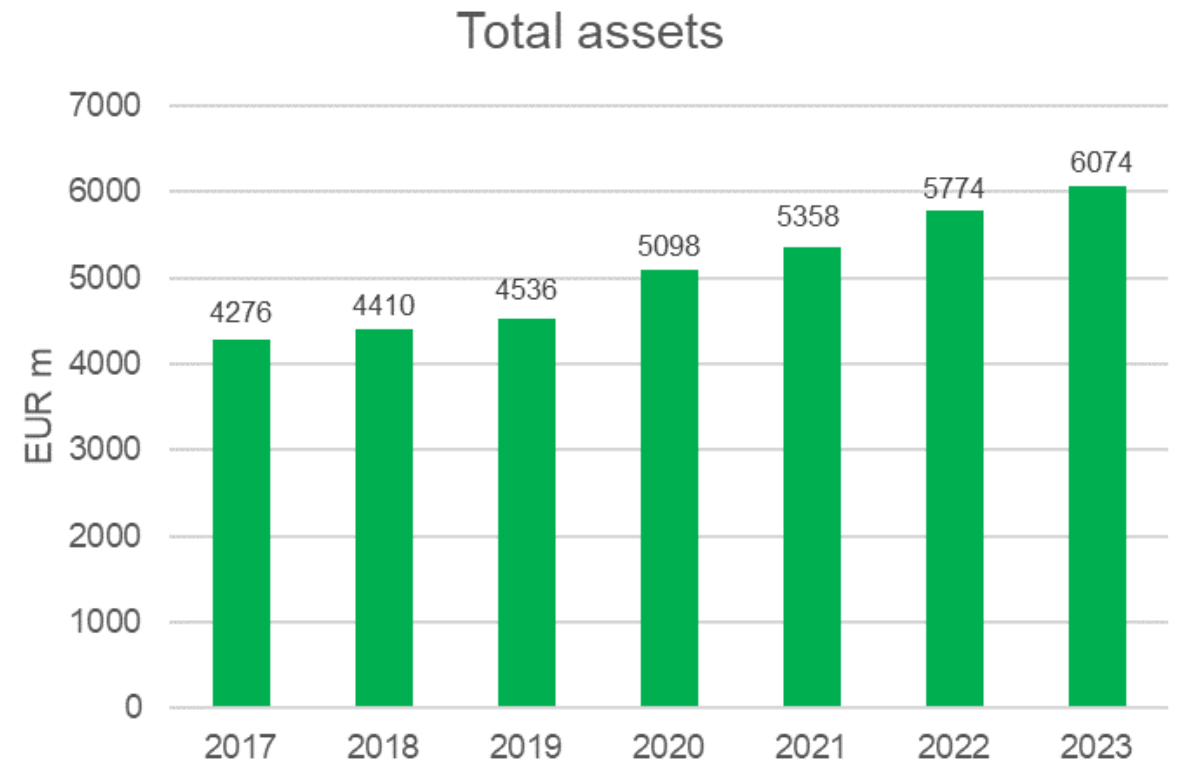
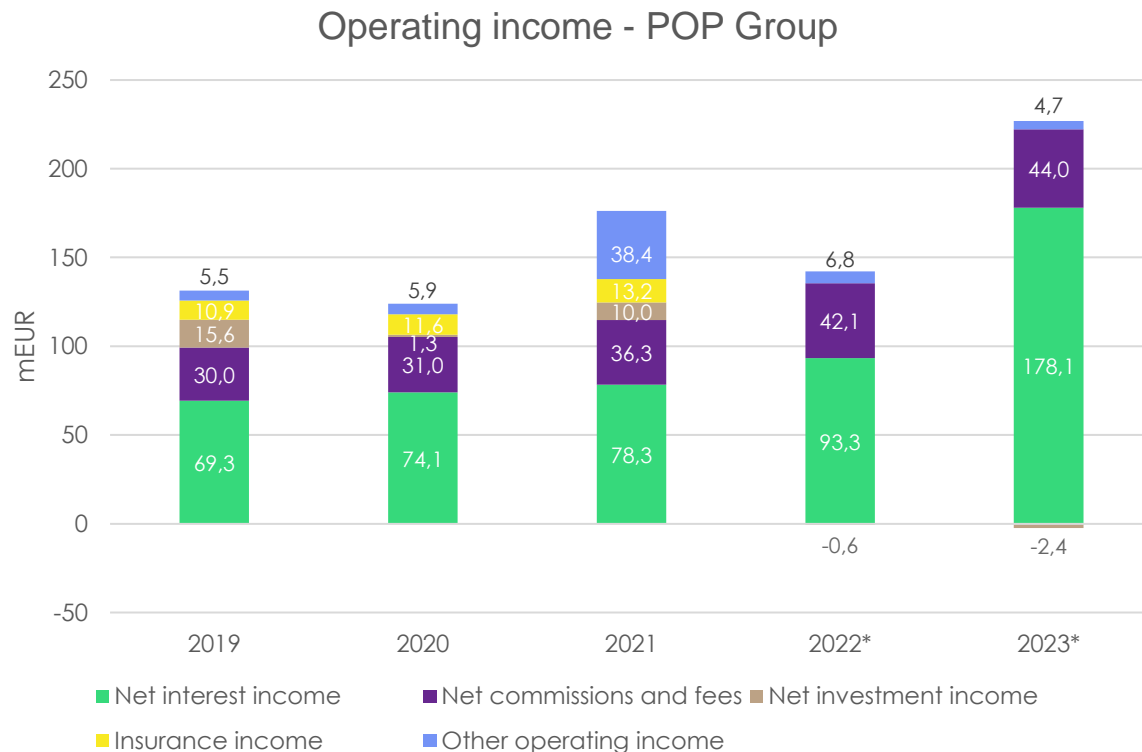
<b>Finnish banks (anchor rating)</b>	<b>A-</b>
• Capital & Earnings (very strong)	+2
• Very strong capitalization	
• Liquidity & Funding (adequate)	0
• Stable customer deposit base	
• Adequate liquidity buffers	
• Risk position (moderate)	-1
• Regional concentration	
• Concentration mitigated by sound 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: Comparable ratings analysis	-1
• <b>POP Bank Group credit rating</b>	<b>BBB (POSITIVE)</b>

<b>Major rating factors (from S&amp;P)</b>
<b>Strengths</b>
• Very strong capitalization, which offers a robust buffer to absorb potential losses
• A solid cooperative business model
• Sound regional franchise in selected rural areas
<b>Weaknesses</b>
• Concentrated business operations focused on lending to individuals and small and midsize enterprises

Source: S&P General Ratings Report, October 2023



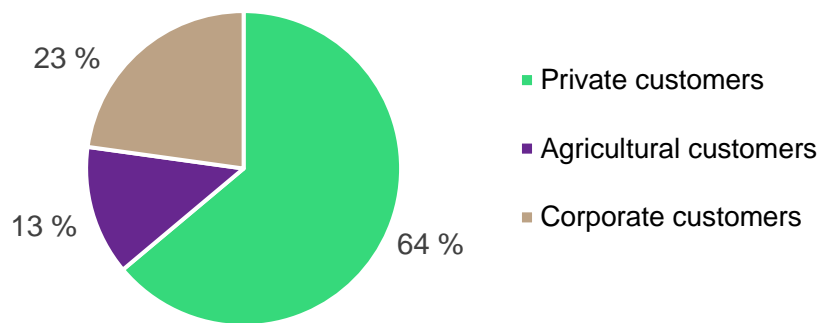
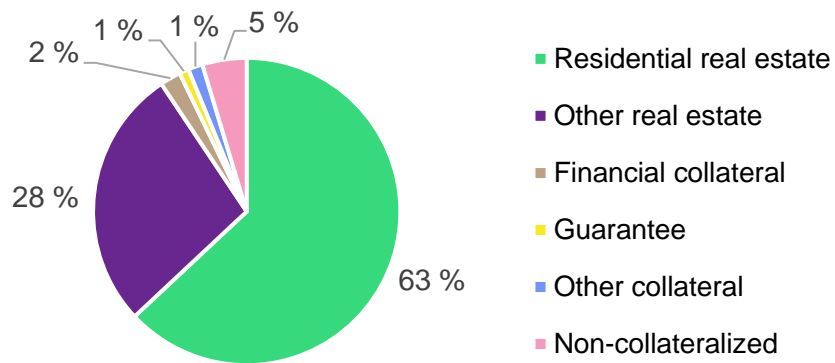
# Stable growth and increased net interest income



\*continuing operations

# Low risk and diversified loan portfolio

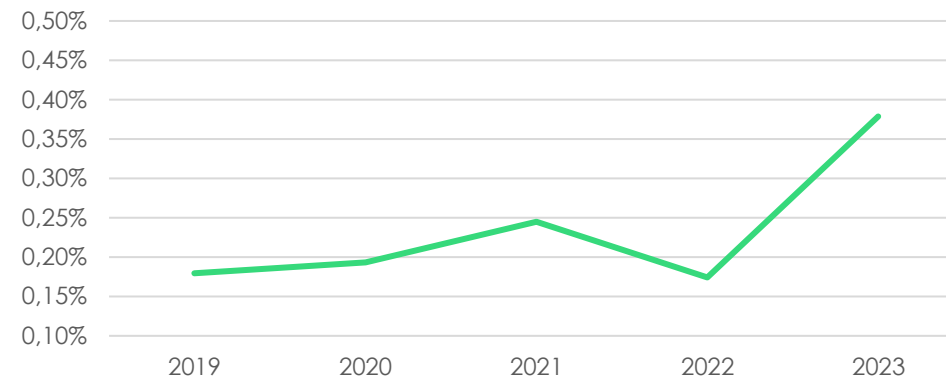
## 31 December 2023



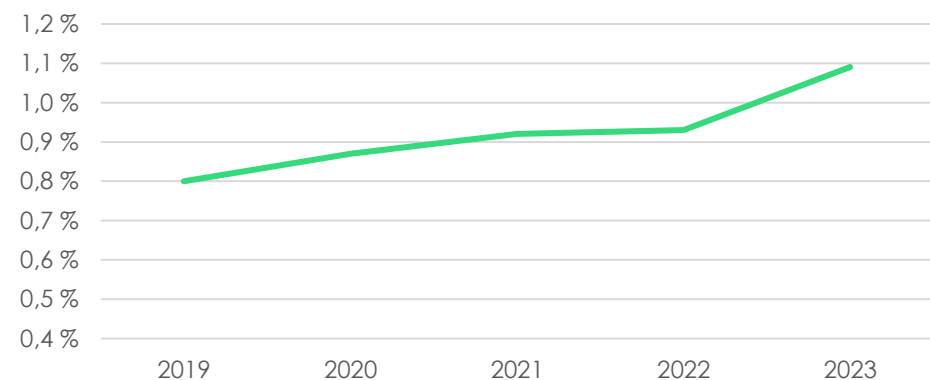
Total loan portfolio EUR 4.6 bn€

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

Annual impairment losses (%)

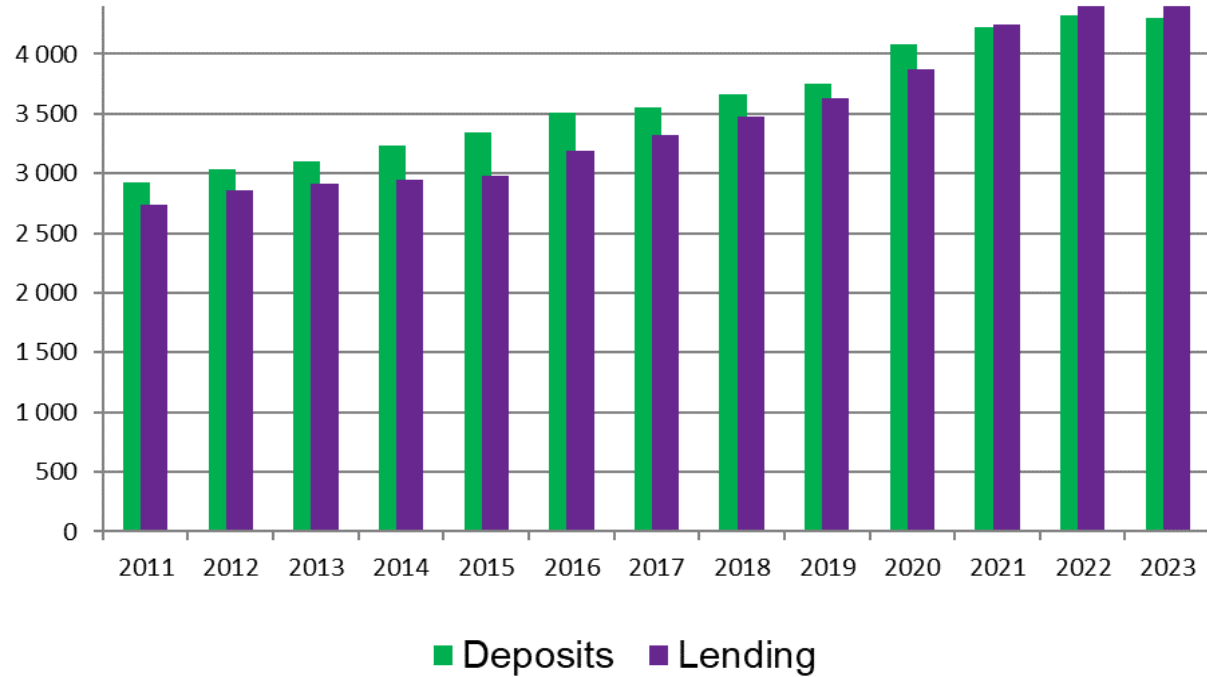


Loans over 90 days past due (%)



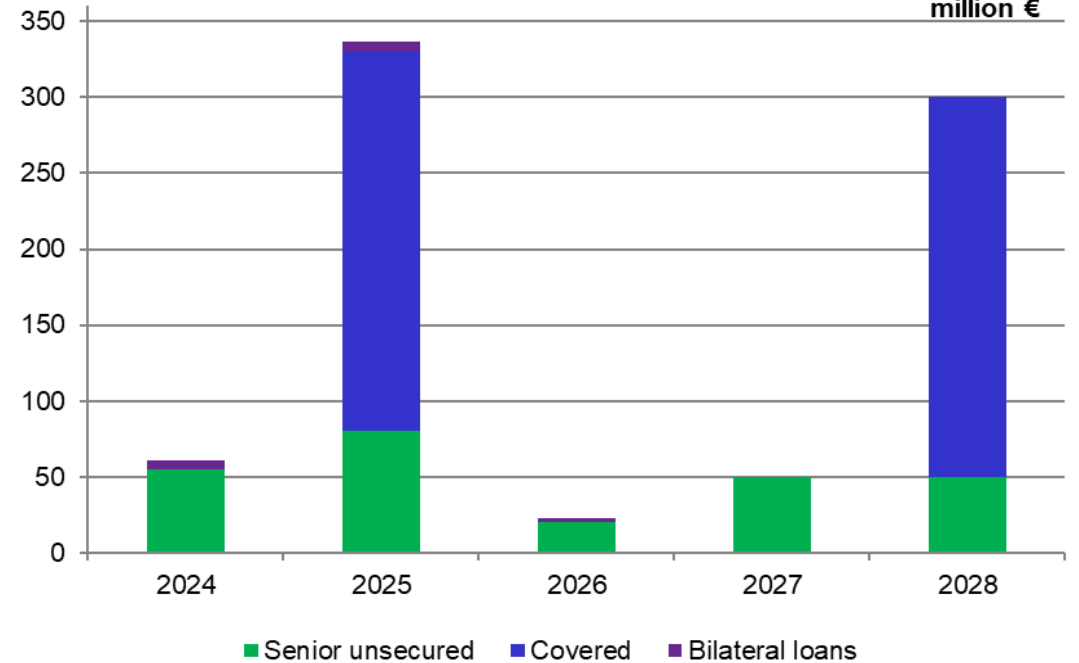
# Lending and deposits

million €



## Maturity of long term funding 2023

million €



- 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

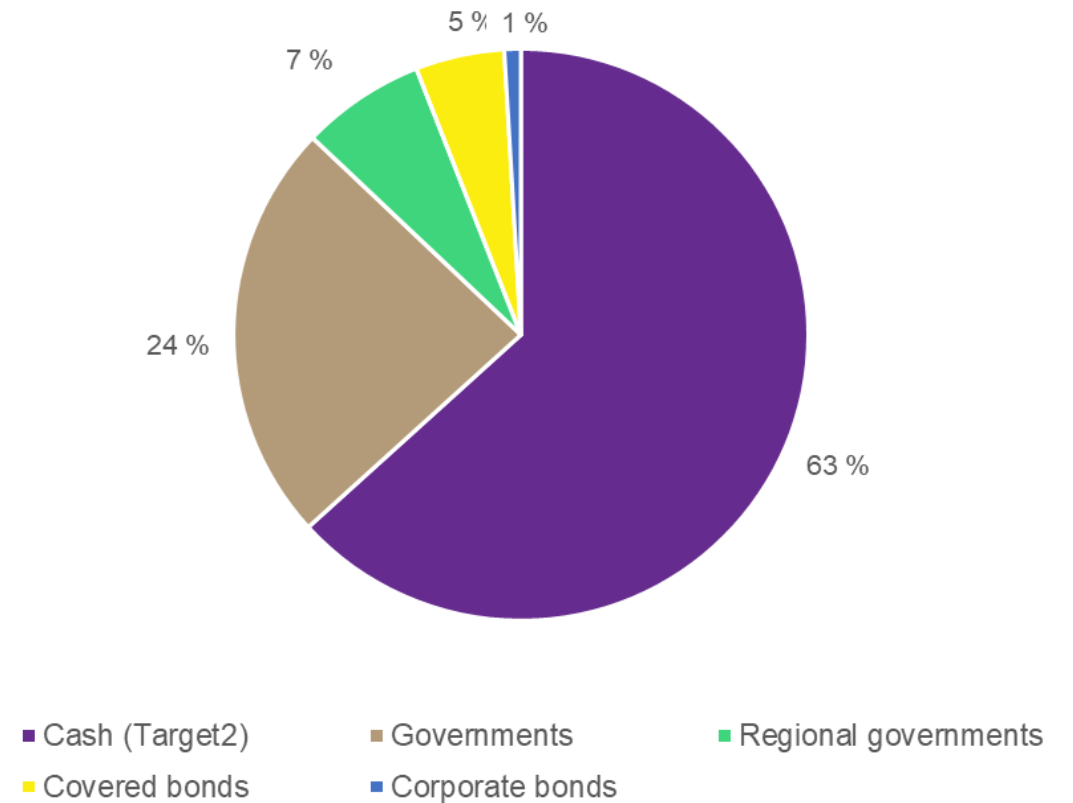
# Solid liquidity position

- 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. Operating environment**

# GDP growth negative also for 2024

- Economic growth is projected to further decline in 2024 but a pick-up is expected in 2025.
- Inflation has peaked in 2022 and slowed down in 2023. The downturn in inflation is expected to continue in 2024 and the current forecast is 1.0% (0.9% in March 2024 BoF forecasts).
- The unemployment rate has increased since 2022 resulting at around 7.2% for 2023, mainly due to layoffs in construction. The increase is expected to continue in 2024 as new dwellings are at low levels.
- Unemployment benefits (and other benefits for low-income households) are abundant in Finland compared to majority of European countries. Due to a very heavy progression in taxes the disposable income often stays relatively high compared to previous income level in case of unemployment.

	2022	2023e	2024e	2025e
GDP	1.6	-0.5	-0.2	1.5
Private consumption	1.7	-0.8	0.5	1.3
Exports	3.7	-1.2	-1.4	2.5
Unemployment	6.8	7.2	7.8	7.5
Wages and salaries	2.4	4.3	3.5	2.5
HICP inflation	7.2	4.4	1	1.4



# Finnish economy has fared well

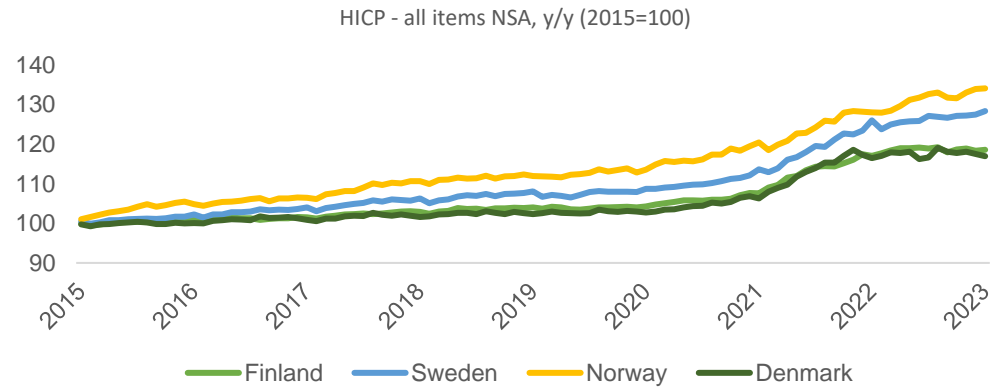
- Lowering inflation will support private consumption.
- Higher rates will dampen the effect of private consumption. GDP growth is estimated to remain negative at -0.2% for 2024.
- Investments are facing pressure due to higher funding costs and uncertain visibility for the near future.
- New dwellings on historically low levels and a four-week strike in transportation has made an impact.

## Slight downturn in 2023

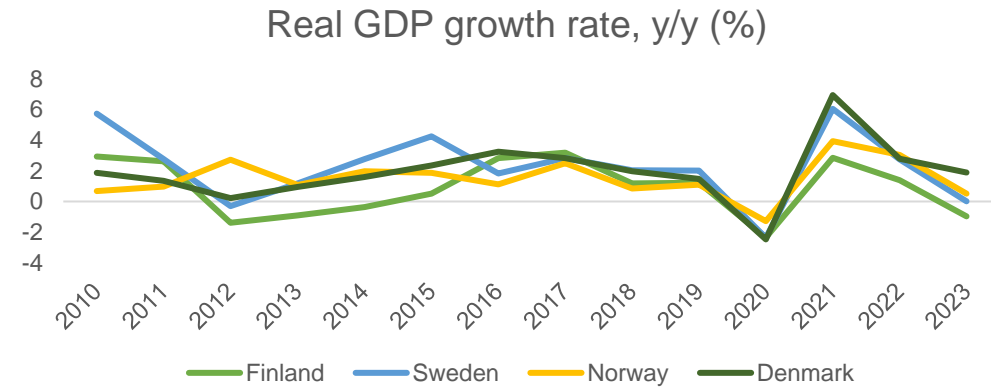


# Growth and improving employment in Finland

## Inflation



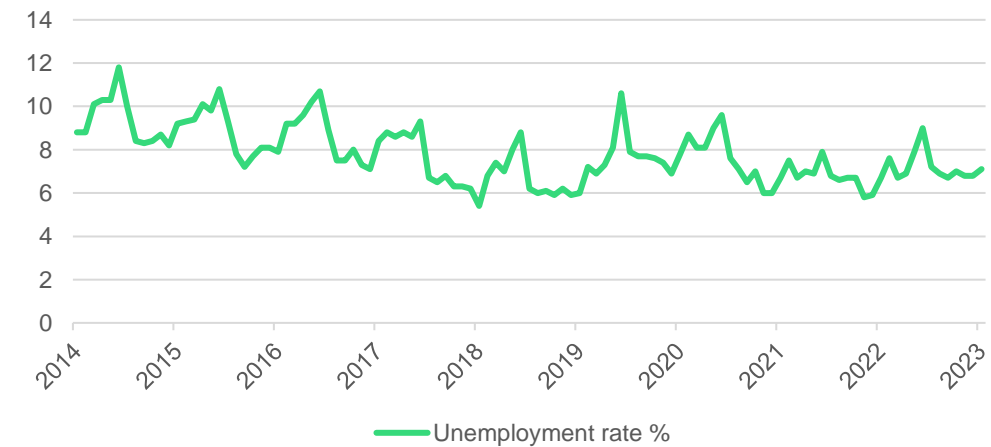
## GDP growth



## Employment rate



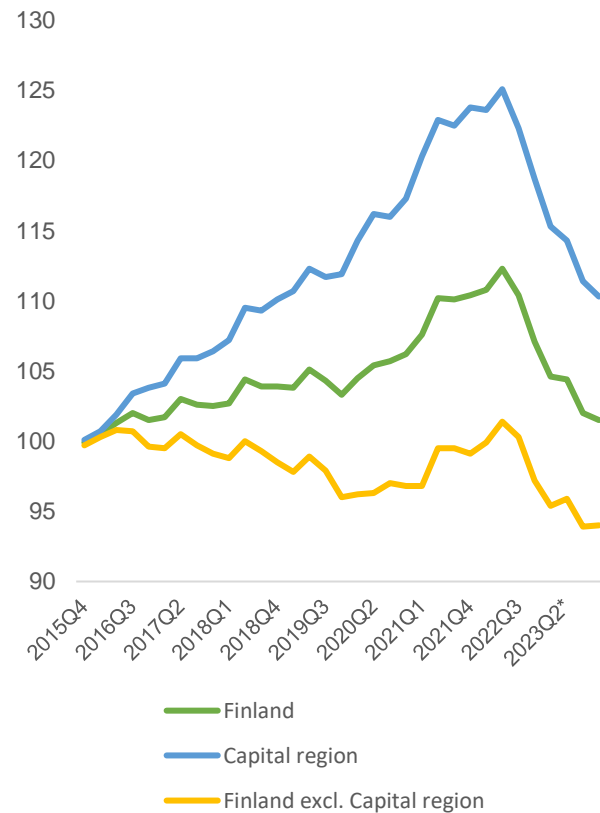
## Unemployment rate



# Evolution of residential property prices in Finland

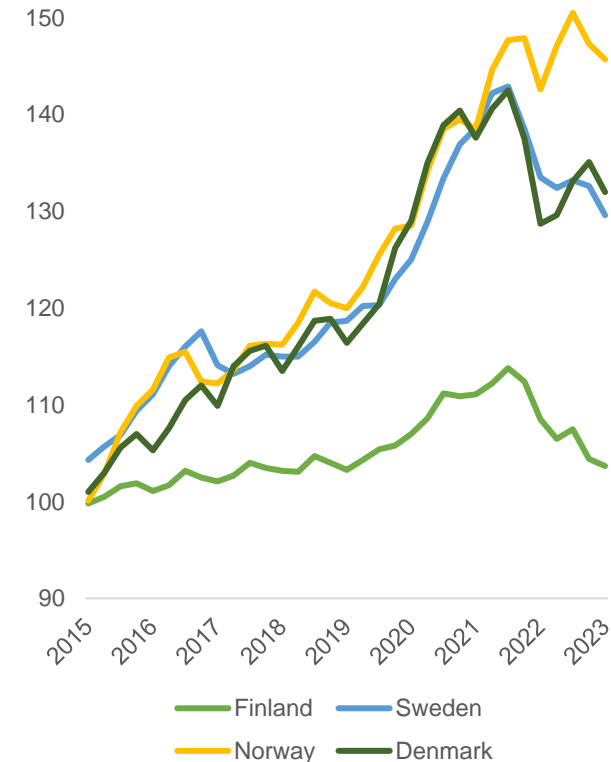
- The Greater Helsinki region has encountered significant growth in prices but at the same time the development in the rest of Finland has been steadier.
- A hefty decline in housing prices since Q2 2022
  - Finland total -11%
  - Capital region -15%
  - Finland (excl. capital region) - 7.5%
- Overall, the prices have had a relatively moderate growth trend in Finland.

Apartment price index (2015 = 100)



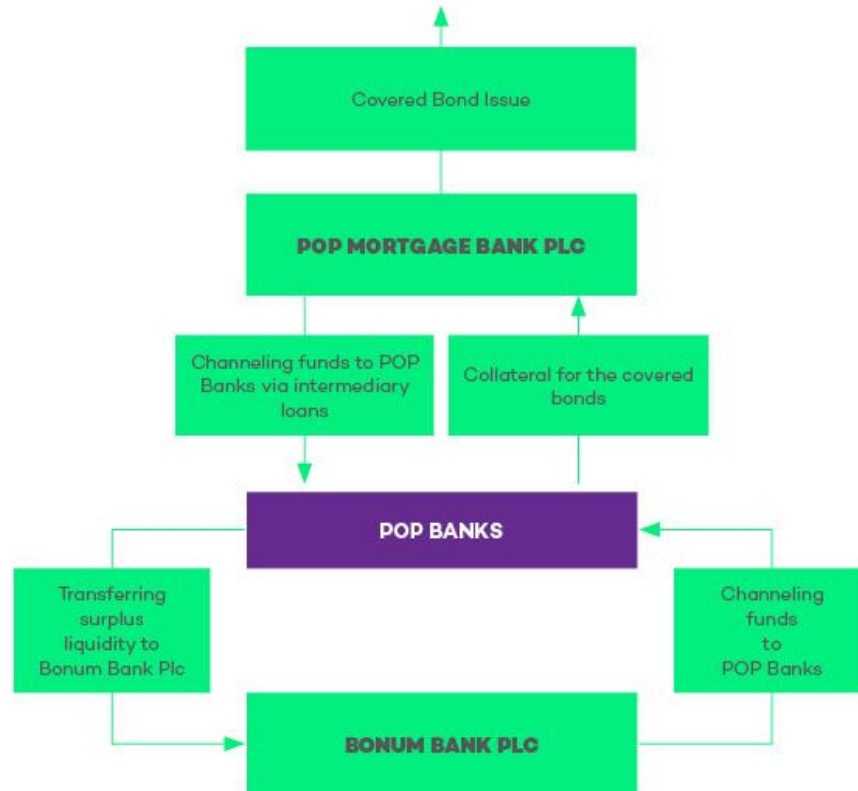
\*Preliminary data

House price index (2015 = 100)



# 6. POP Mortgage Bank

# Business model of POP Mortgage Bank Plc



- POP Mortgage Bank Plc (POPMB) acts as a mortgage bank according to established principles in Finland.
- The POP Bank Centre coop has a 100% ownership of POPMB
- The intermediation mechanism of POPMB's funding is based on the intermediary loan approach where the assets of POPMB consist of receivables from member cooperative banks, whose mortgages have been registered as collateral for the covered bonds issued by POPMB
- Funds acquired will be channelled via the intermediary loans to member credit institutions
- POPMB's key function is to provide long-term funding for member credit institutions as cost-effectively as possible
- The fundamental function of POPMB is to diversify the financial structure of the amalgamation by maintaining the capability of issuing covered bonds
- Bonum Bank Plc (Bonum) steers issue activities of POPMB based on the funding plan of the Amalgamation

# Underwriting criteria

<b>The Group credit policy of mortgage loans</b>	<ul style="list-style-type: none"><li>• Lending criteria according to the Finnish national standard</li></ul>
<b>Maximum LTV</b>	<ul style="list-style-type: none"><li>• 90% in general</li><li>• 95% for customers purchasing their first home</li></ul>
<b>General lending criteria</b>	<ul style="list-style-type: none"><li>• Max 80% of collateral value as main internal rule. Other acceptable collaterals are used, such as government or loan insurance guarantee, forest or other real estate collaterals to some extent (excluded from the pool)</li></ul>
<b>Assessment of the customer's repayment ability</b>	<ul style="list-style-type: none"><li>• Affordability calculations are made for all customers, as well as a stress test for 6% interest / max 25 years maturity</li><li>• Loan expenses should not exceed 45% of the regular net income</li><li>• As a main rule, no lending to borrowers on furlough (temporarily lay off) schemes</li><li>• further advance to debtors on a payment holiday is possible, requires a separate loan decision classification, always payment holiday / forbearance classification</li></ul>
<b>Customer identification</b>	<ul style="list-style-type: none"><li>• Customer must be identified and verified, also regarding age (+18)</li></ul>
<b>Income verification</b>	<ul style="list-style-type: none"><li>• Customer's income is verified by pay slip and/or taxation information</li></ul>
<b>Credit register</b>	<ul style="list-style-type: none"><li>• National positive credit register for private individuals expected to be rolled out in spring 2024</li></ul>



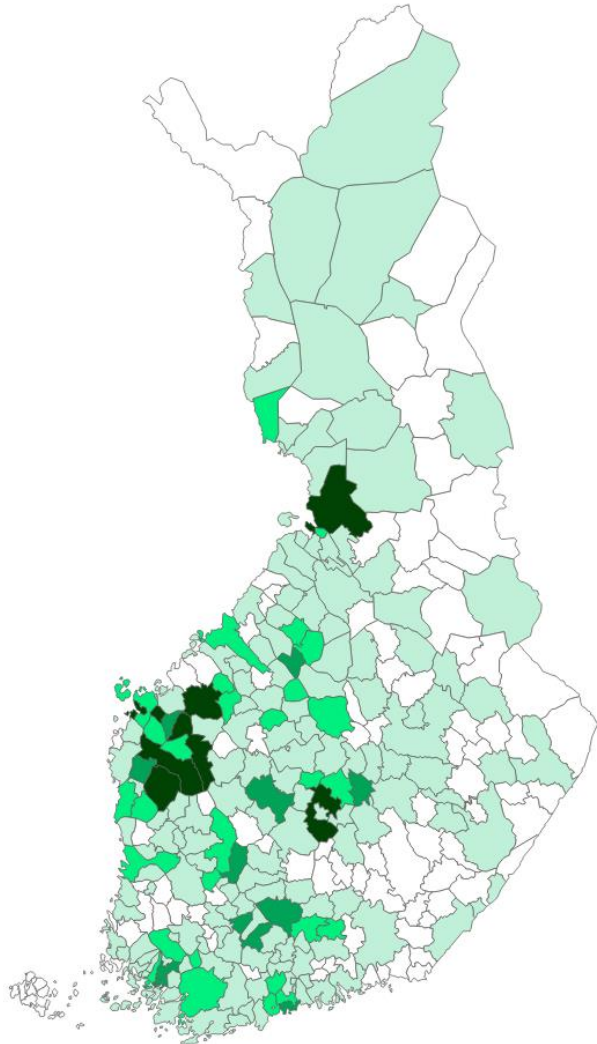
# Cover pool characteristics

Key characteristics of the cover pool	
Size of the pool	EUR 676.9 million (nominal)
Collateral type	100% Finnish residential mortgages
Number of loans	11,578
Average loan size	EUR 58,468
WALTV	68.0%
WA loan seasoning	58.5 months
Non-performing loans	0.0 %
Loans in arrears (> 30 days past due)	0.0 %
Interest rate base	93% floating / 7% fixed
Over-collateralisation	35.4%

Customers	<ul style="list-style-type: none"> <li>100% retail customers</li> </ul>
Currency	<ul style="list-style-type: none"> <li>Only EUR</li> </ul>
Max loan size	<ul style="list-style-type: none"> <li>EUR 3.0 million</li> </ul>
Max maturity	<ul style="list-style-type: none"> <li>30 years</li> </ul>
Customer rating	<ul style="list-style-type: none"> <li>AAA-A</li> </ul>
Max LTV	<ul style="list-style-type: none"> <li>100% (of which 70% is accounted for in the pool)</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li>Euribor, POP Prime, Fixed</li> </ul>

Outstanding issues				
ISIN	Issue Date	Maturity Date	Nominal	Coupon
FI4000526876	22.9.2022	22.9.2025	250 000 000	2.625 %
FI4000550371	26.4.2023	26.4.2028	250 000 000	3.625 %

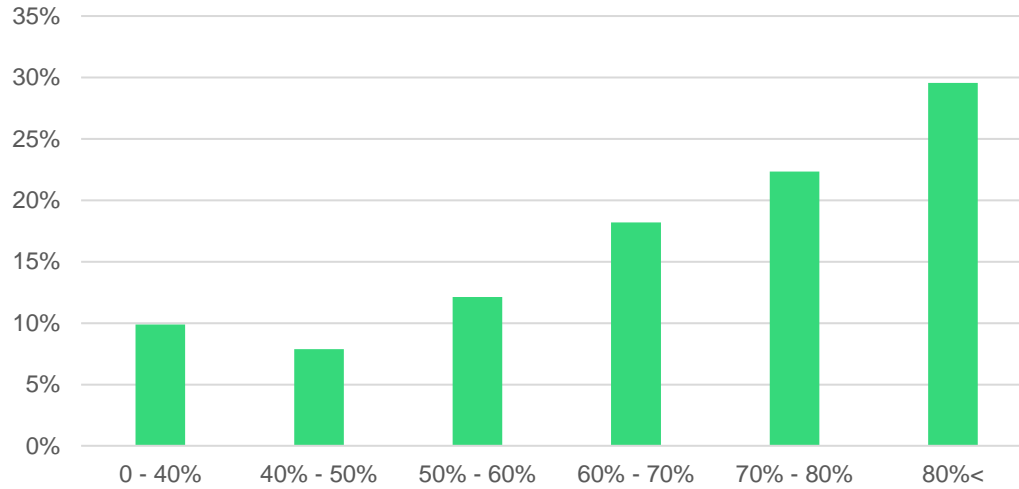
# Geographical distribution



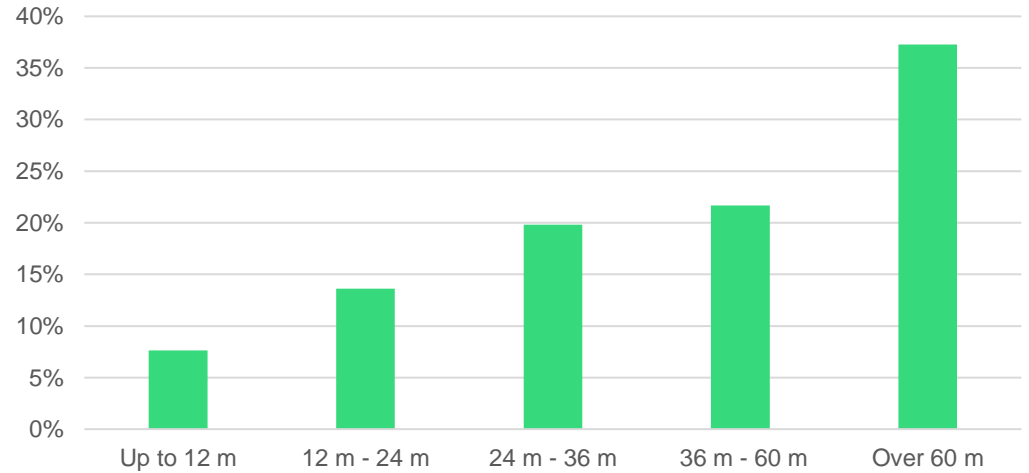
Region	Major City	mEUR	Share
South Ostrobothnia	Seinäjoki	120.8	17.8 %
North Ostrobothnia	Oulu	118.5	17.5 %
Central Finland	Jyväskylä	90.8	13.4 %
Varsinais-Suomi	Turku	69.3	10.2 %
Ostrobothnia	Vaasa	51.5	7.6 %
Pirkanmaa	Tampere	50.5	7.5 %
Uusimaa	Helsinki	49.1	7.2 %
Pohjois-Savo	Kuopio	34.2	5.1 %
Lapland	Rovaniemi	19.1	2.8 %
Others		73.3	10.8 %
Total		676.9	100 %

# Cover pool data

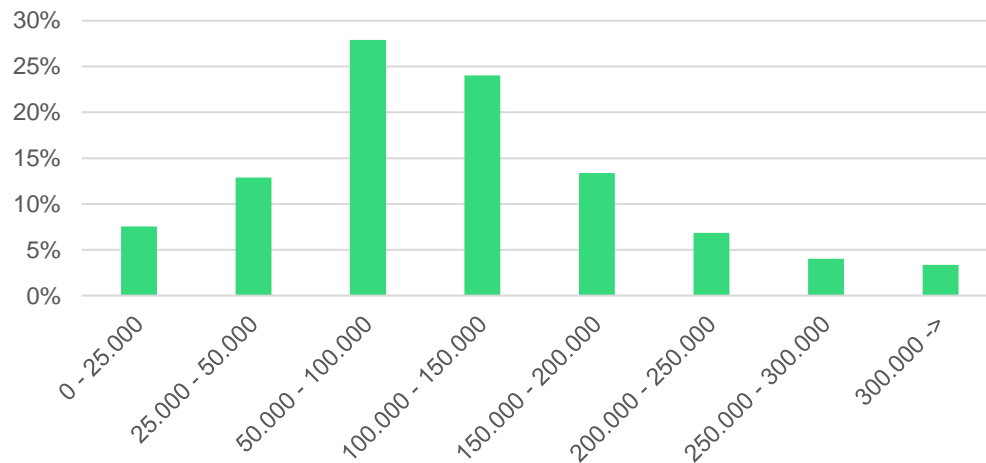
## LTV distribution of the pool



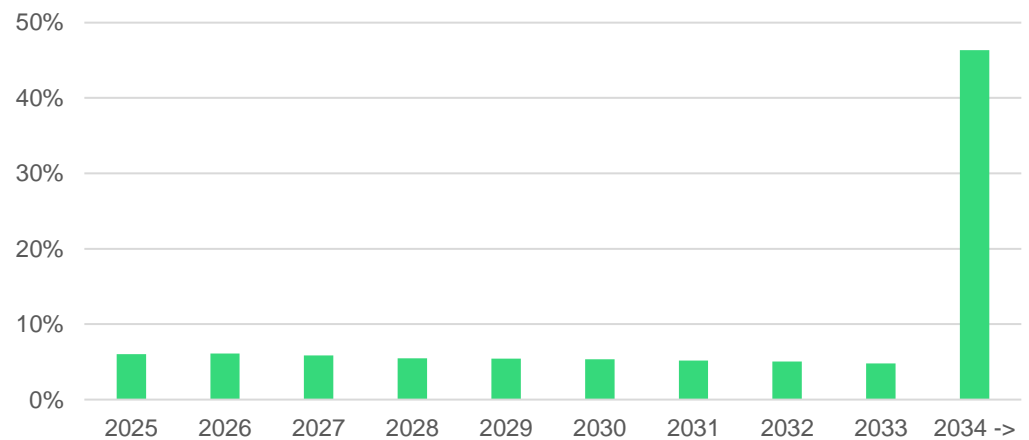
## Loan seasoning of the pool



## Loan size buckets (EUR)



## Cover pool maturity profile



# 7. Contact information

# Contact information

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# 8. Disclaimer

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