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Ratings

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Bonum Bank PLC

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Bonum Bank PLC

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
BBB/Positive/A-2
Resolution Counterparty Rating
BBB+/--/A-2

SACP: bbb → **Support: 0** → **Additional factors: 0**

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

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

Issuer credit rating
BBB/Positive/A-2
Resolution counterparty rating
BBB+/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 capital position underpinned by improved earnings and high earnings retention.	Concentrated business operations and sensitivity to the domestic real estate market.
Deposit-funded regional franchise based on a cooperative business model.	High development spending burdens the cost base.
Focus on low-risk collateralized lending to households and small and midsize enterprises (SMEs).	Somewhat weaker asset quality than that of peers.

The ratings on Bonum Bank PLC reflect the franchise and creditworthiness of the wider POP Bank Group. The group brings together 18 independent member cooperative banks, POP Bank Center Coop (central institution), Bonum Bank PLC (the central credit institution of the amalgamation), and POP Mortgage Bank, to operate as a single entity for regulatory purposes under a joint-liability scheme. S&P Global Ratings expects that POP Bank Group's regional member banks will maintain their sound regional franchises in household and SME-lending and payments and continue to demonstrate resilient business performance despite net interest income pressures and a persistently muted credit outlook in Finland. The member banks operate mainly in and around smaller cities and have a modest market share of 2% in Finland.

We expect POP Bank group will sustain structurally higher earnings generation. Despite the challenging macro environment in Finland and declining interest rates we project POP Bank Group will maintain a sound financial performance with structurally improved profitability. We forecast net income of €75 million-€80 million over 2024-2026, translating into return on average assets of 1.10%-1.25%, from 1.21% (adjusted for one-offs) in 2023. This is a significant improvement from the group's 2020-2022 average of 0.23% and reflects our expectation that POP Bank Group will counter downside pressure on the net interest margin with growing volumes and improved internal efficiency following the delivery of its core banking platform renewal project. Owing to full earnings retention, we forecast this will further strengthen the group's robust risk-adjusted capital (RAC) ratio to 22%-23.5% through 2026, from 19.4% as of Dec. 31, 2023.

We expect a recovering domestic economy and housing market will support a gradual improvement of POP Bank Group's somewhat weaker asset quality. We anticipate that disinflation and lower interest rates will relieve some of the pressure on households and corporates, supporting asset quality over the next two years. We forecast the nonperforming assets ratio will peak at 3.5%-3.7% in 2024 and then gradually lower to 2.9%-3.3% over 2025-2026. Similarly, we project that the group's loan loss provisioning needs will lower to 20 basis points (bps)-30 bps in 2025-2026, compared with an annualized 58 bps in the first half of 2024. Although this compares unfavorably to most domestic and Nordic peers, we maintain our view of POP Bank Group's high share of collateralized lending (close to 90%), adequate loan loss coverage, and generally smaller ticket sizes as mitigating factors.

POP Bank Group's granular retail-deposit franchise will ensure funding stability. We expect core retail deposits, accounting for 85% of total funding as of June 30, 2024, will remain the group's main source of funding. We expect limited downside pressures on deposit volumes given member banks' sound regional franchise and comparatively low competition compared with many peers. The funding profile is further supported by POP Bank Group's adequate liquidity holdings, which as of June 30, 2024, measured 15% of assets and covered 20.5% of customer deposits net of maturing short-term wholesale funding. We believe that Bonum Bank could be eligible for additional loss-absorbing capacity (ALAC) uplift if it were to build a sufficient buffer of subordinated debt over time. Since POP Bank Group, to date, has met its minimum requirement for own funds and eligible liabilities (MREL) with other liabilities, including senior preferred notes, we do not expect the group to build a sufficient ALAC buffer over the next two years.

Outlook

The positive outlook on Bonum Bank reflects our base case expectation that in the next 12-24 months the wider POP Bank Group will maintain sound earnings generation capacity even as interest rates decline. This would provide improved resilience to absorb a marked uptick in credit or other unexpected costs and support its investment capacity and growth ambitions.

Downside scenario

We could revise the outlook to stable if the group's earnings improvement is not durably sustained as expected. A negative rating action could also follow if weaker-than-peer asset quality metrics further deteriorated beyond our base case, weakening the combined capital and risk profile.

Upside scenario

We could upgrade Bonum Bank if POP Bank Group's improved revenue generation and cost efficiency proves to be sustainable over time, enabling it to maintain an earnings buffer more in line with that of its peers. In such a scenario, we would no longer apply a one-notch negative comparable ratings analysis adjustment. An upgrade would also need to be supported by improving and resilient asset quality.

Key Metrics

POP Bank Group--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	2022a	2023a	2024f	2025f	2026f
Growth in operating revenue	6.0	47.1	8.9-10.9	(4.4)-(5.4)	(3.8)-(4.7)
Growth in customer loans	4.9	2.8	2.7-3.3	3.6-4.4	4.5-5.5
Growth in total assets	7.8	5.1	2.9-3.5	3.8-4.6	3.5-4.2
Net interest income/average earning assets (NIM)	1.8	3.3	3.2-3.6	2.9-3.3	2.7-2.9
Cost to income ratio	77.8	52.7	50.5-53.1	51.5-54.1	52.2-54.8
Return on average common equity	3.8	18.7	9.8-10.9	9.0-9.9	8.1-9.0
Return on assets	0.4	2.0	1.1-1.3	1.1-1.3	1.0-1.3
New loan loss provisions/average customer loans	0.2	0.4	0.50-0.53	0.25-0.35	0.15-0.25
Gross nonperforming assets/customer loans	2.5	3.3	3.5-3.7	3.2-3.4	2.7-3.1
Risk-adjusted capital ratio	17.0	19.4	20.5-21.5	22.0-23.0	22.5-23.5

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. We assess Finland's banking sector in group '2' under our BICRA methodology, alongside the banking sectors of Sweden, Norway, Belgium, and Switzerland. We see stable economic and industry risk trends for Finland's BICRA.

We view Finland as an innovative, wealthy, small, and open economy that has mature political and institutional structures. We expect the Finnish economy will show a contraction in 2024, before expanding by 1.3%-1.4% over 2025-2026. High inflation and increased financing costs have stifled domestic demand and private investments, resulting in a decrease in households' real disposable income and purchasing power. However, we expect a gradual acceleration in real GDP growth as consumption and investments increase due to lower inflation, a reduction in financing costs, and strong wage growth. We expect credit losses will remain manageable at about 20 bps-25 bps over 2024-2025.

Housing prices declined by about 6% in 2023 and we expect them to remain subdued in 2024 due to the increased mortgage financing costs and softer consumer confidence. We anticipate that property prices will recover in nominal terms in 2025. That said, we expect skill mismatches in the labor market will persist and unemployment will remain above 7%, despite reforms targeting the labor market. This, combined with weaker consumer and business confidence, could eventually lead to higher credit losses for banks.

We view regulatory standards and bank supervision in Finland as being in line with those of European peers. The banking sector is dominated by two major banking groups, OP Financial Group and Nordea, and characterized by intense competition and low lending margins. That said, we think that overall profitability and capitalization will remain resilient. We also expect banks to maintain their restrained risk appetites. In our view, the risk of technology disruption remains moderate, given that the banks are at the forefront of digitalization and continue to invest in innovation and digital capabilities.

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

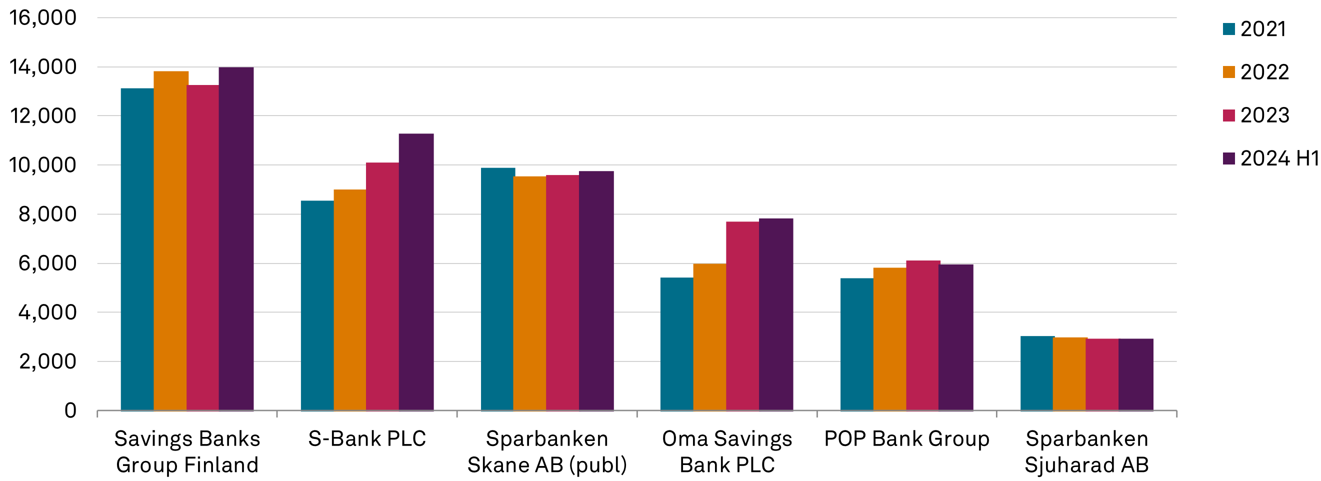
Business Position: Sound Local Retail Franchise With Improved Profitability

With total assets of €5.9 billion as of June 30, 2024, POP Bank Group is a small regional player in the Finnish banking sector with a market share of approximately 2.3% in housing loans and deposits. Lending is concentrated on 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.

Chart 1

POP Bank Group holds a small regional retail franchise

Total assets (Mil. €)



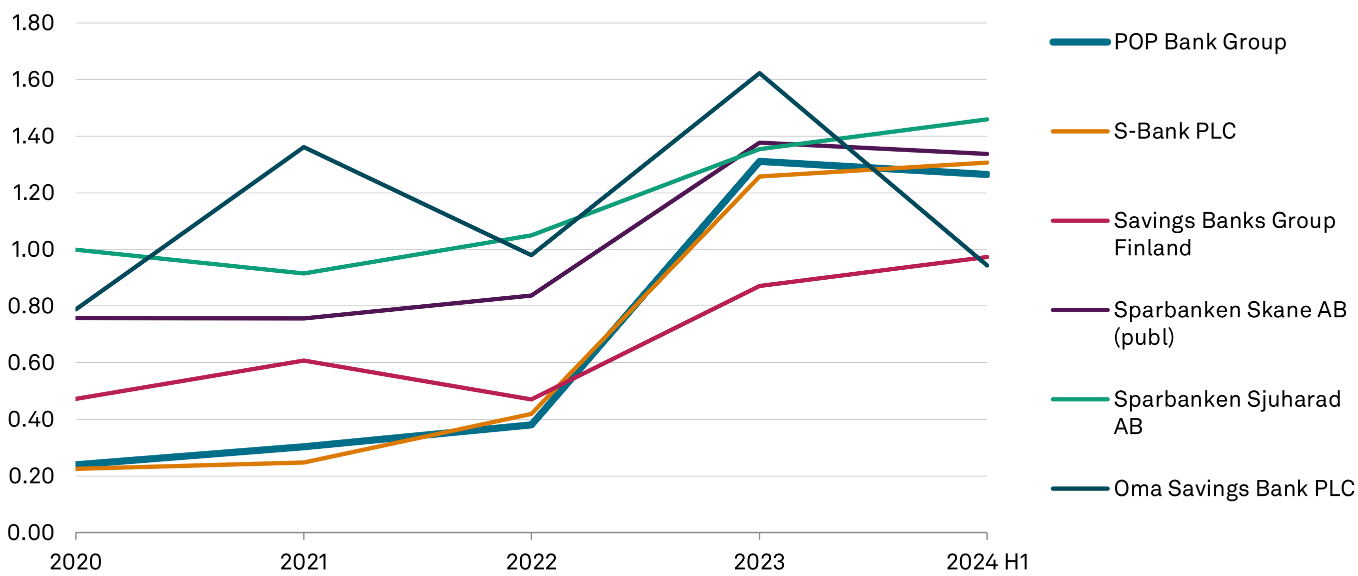
Source: S&P Global Ratings.

POP Bank Group's short average duration of its loan book--most of which is tied to the 12-month Euro Interbank Offered Rate--coupled with cost-efficient retail deposits funding, have translated into a significant earnings improvement in the higher interest rate environment. Operating income adjusted for one-offs more than doubled in 2023 and continued to grow in 2024. We also consider the group has taken steps to improve its internal efficiency as reflected by increased cooperation between group members and centralized pricing initiatives. At the same time, POP Bank Group has invested heavily in information technology and digitalization, which has continued to burden the cost base. We expect the core banking platform renewal, scheduled to be delivered in 2025, will further support the group's operating efficiency over the next two years.

Chart 2

Net interest income-led revenue growth has boosted POP Bank Group's profitability

Core earnings/average adjusted assets (%)



Source: S&P Global Ratings.

POP Bank Group's leading position in customer satisfaction is, in our view, a testament to its loyal customer base which we expect will facilitate the group's repricing strategy and provide for continued access to cost-efficient funding. We also consider the partnership with LocalTapiola Group, to whom POP Bank Group sold its majority stake in Finnish P&C Insurance in 2023, will allow POP Bank Group to broaden its insurance offering in a cost-efficient manner. Even so, we project limited contribution of insurance income to group earnings over our forecast horizon. POP Bank Group retains the remaining 30% stake and Finnish P&C Insurance which will continue to operate as an independent company under the POP Insurance brand.

Capital And Earnings: Very Strong Capitalization Serves As A Cushion To Absorb Unexpected Losses

We expect POP Bank Group's capitalization will remain its key rating strength and we project the RAC ratio will further improve to 22.0%-23.5% through 2026, compared with 19.4% as of year-end 2023. The capital position is supported by full earnings retention because the group member banks, as cooperatives, do not pay dividends. Similarly, we anticipate the group will maintain a comfortable buffer to regulatory capital requirements. As of June 30, 2024, the common equity Tier 1 ratio stood at 22.8% against a regulatory requirement of 12.75% as of June 30, 2024.

In addition, the group's capital quality remains strong, with total adjusted capital solely comprising core capital.

We expect net profits will remain largely stable over 2025-2026. This balance our projection of declining net interest income from a shrinking net interest margin with healthy fee and commission income growth and lower operating expenses including cost of risk.

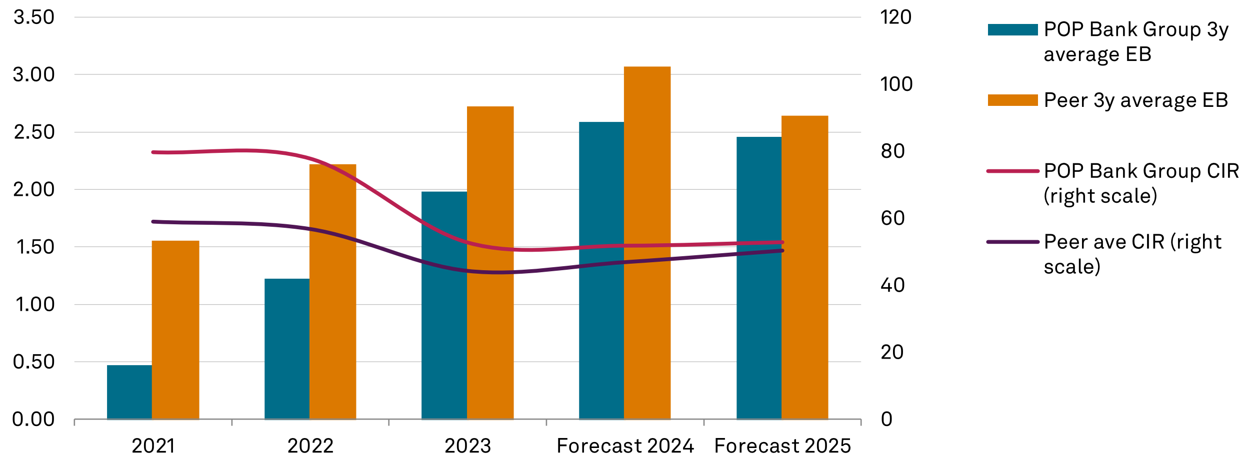
Our key assumptions for the RAC projections include:

- Loan growth of 3% in 2024 against flat market growth, and gradually increasing to 4%-5% over 2025-2026 as credit conditions ease.
- A declining but historically high net interest margin at 2.8%-3.1% over 2025-2026, from a projected 3.4% in 2024 (2023: 3.3%).
- Net interest income peaking at €185 million-€190 million in 2024 before stabilizing at €165 million-€175 million in 2025-2026.
- Healthy net fee and commission income growth of 2%-3% over 2024-2026.
- Annual decline in operating expenses of 3% in 2025-2026, following recent years' high development spending including on the core bank platform renewal project, translating into a cost-to-income ratio of 52%-54% (2023: 53%).
- Declining cost of risk to about 20 bps-30 bps annually in 2025-2026, compared with an annualized 58 bps in first-half 2024.
- Net income of €75 million-€80 million in 2024-2026 translating into a comparable return on average assets of 1.10%-1.25%, compared with an adjusted 1.21% in 2023.

Consequently, we expect POP Bank Group's three-year average earnings buffer, which measures the capacity of earnings to absorb normalized losses through the credit cycle, will improve to around 2.5% in 2024-2025, compared with 2% in 2023 (an earnings buffer of about 1.0% indicates adequate earnings capacity). While this compares favorably with domestic peers, our base-case projection relies on resilient net interest income generation and declining operating expenses including cost of risk. Therefore, we are mindful to whether the earnings buffer will be sustained over time.

Chart 3

Improved profitability has materially raised the group's loss-absorbing capacity
3year average earnings buffer (EB) and cost to income ratio (CIR) (%)



Peers: S-Bank PLC, Savings Banks Group Finland, Sparbanken Skåne, Sparbanken Sjuhärad, Oma Savings Bank.
Source: S&P Global Ratings.

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

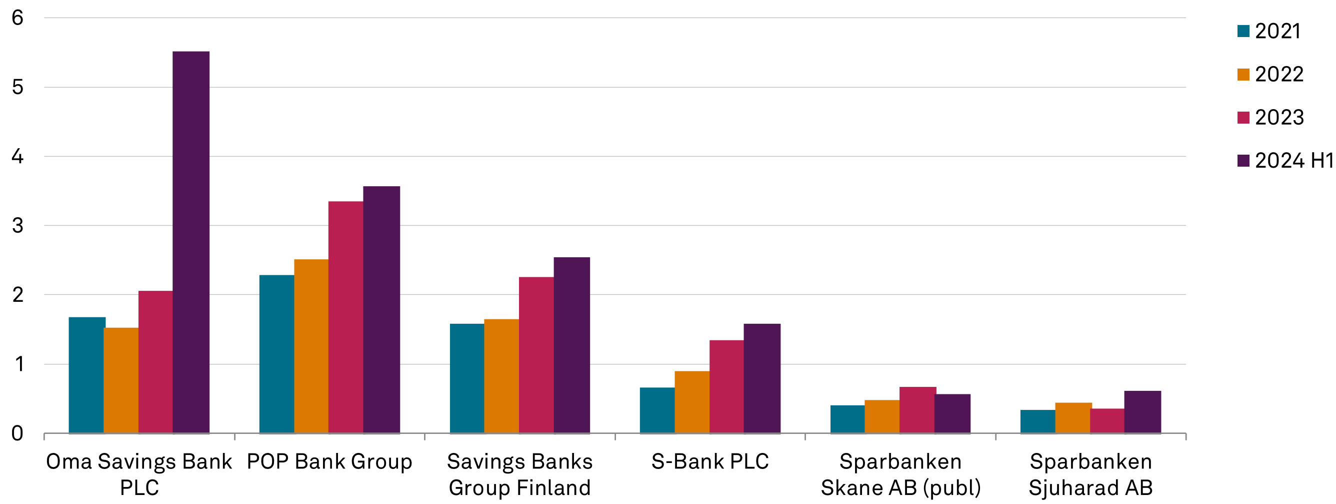
Our assessment of POP Bank Group's risk position balance our view of its regional retail concentration and exposure to domestic real estate with its adequately collateralized and granular loan book. The group focus on conventional low-complexity lending to private customers (63% of the loan portfolio as of first-half 2024), SMEs (25%), and small agricultural and forestry clients (13%).

POP Bank Group has expanded its loan book above the market, with a five-year average yearly growth rate of 5.7% (2.1% year-on-year in first-half 2024). In particular, we note that the bank expanded its SME loan book by more than 60% since 2020 (4.4% in first-half 2024) albeit from a low starting point. Even so, the emphasis on prudent underwriting standards and sustainable growth with a more evenly allocated loan portfolio, is somewhat mitigating the expansion of the loan book.

With a nonperforming assets ratio (defined as the share of stage 3 loans) of 3.6% as of June 30, 2024, POP Bank Group's asset quality is slightly weaker than that of domestic and Nordic peers. While we expect it will remain on the high side, we expect the stabilization in inflation and gradually lower borrowing cost will ease the strain on Finnish households and corporates and result in a declining nonperforming assets ratio to 2.9%-3.3% over the next two years. Downside risk to our base-case is mitigated by the group's collateralized lending focus, adequate NPL coverage (36% of nonperforming assets as of first-half 2024) and overall small loan sizes.

Chart 4

POP Bank Group's nonperforming assets are above peers'
Nonperforming assets* (%)



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

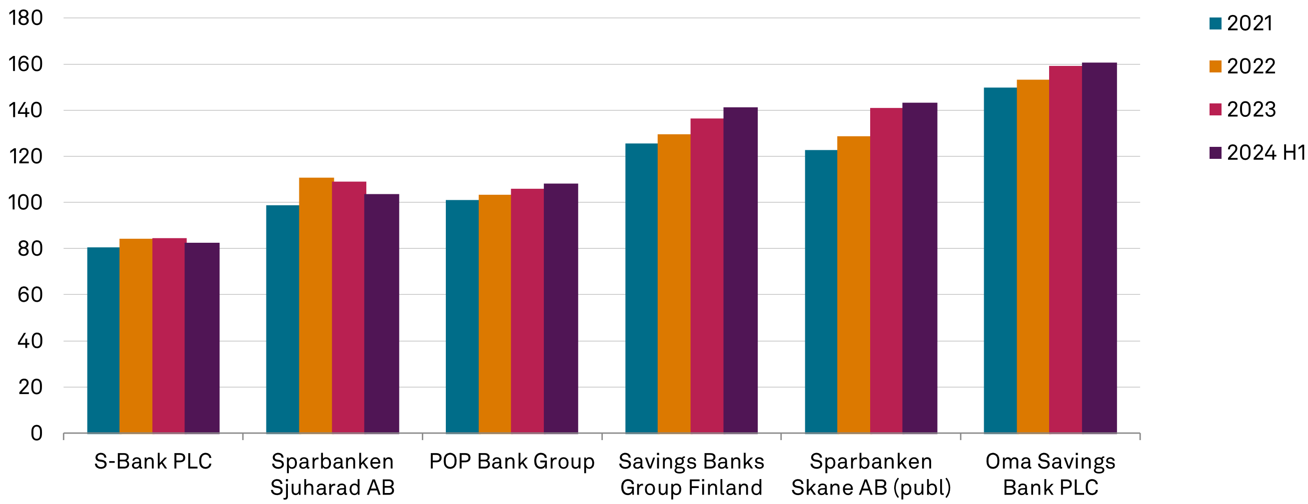
Funding And Liquidity: A Granular Deposit Base And Adequate Liquidity Buffers

We expect POP Bank Group's stable retail deposit-franchise and proximity to customers will continue to underpin a robust and granular funding base. As of June 30, 2024, core customer deposits accounted for 85% of total funding, of which close to three quarters stems from private customers. This results in a well-balanced loan-to-deposit ratio of 108%. To complement the funding base and to reduce reliance on shorter-dated wholesale funding, the group has over recent years issued mortgage-backed covered bonds of €500 million, equaling 10% of the funding base as of June 30, 2024. Remaining funding comprise issuance under the group's euro medium-term note and certificate of deposit program.

As such, we expect POP Bank Group will continue to demonstrate a balanced asset-liability structure with a stable funding ratio comfortably above 100% in the next two years. As of June 30, 2024, it was 114%, largely unchanged from 117% as of year-end 2023.

Chart 5

POP Bank Group's funding profile is dominated by deposits
Customer loans (net)/customer deposits (%)



Source: S&P Global Ratings.

We consider POP Bank Group's liquidity position sound. As of June 30, 2024, broad liquid assets stood at €886 million, mainly consisting of cash and reserves at the central bank and highly liquid level 1 assets. S&P Global Ratings' liquidity coverage ratio as of June 30, 2024 (broad liquid assets to short-term wholesale funding), stood at a very high level of 32.3x, owing to the group's limited use of wholesale funding. We consider that broad liquid assets to customer deposits of 20.5% is a better indicator of liquidity, given that the bank is predominantly deposit funded. As such, we believe that under stressful conditions involving the closure of capital markets, the group could continue operations for more than six months without material dependence on central bank operations.

Liquidity within the amalgamation is managed and controlled by Bonum Bank, where most member banks' liquidity is placed and on which the regulatory liquidity coverage ratio (LCR) is calculated. As of June 30, 2024, the LCR was reported at 230%.

Additional Rating Factors: Negative Adjustment Due To Underperformance Against Peers

We incorporate a one-notch negative comparable ratings analysis adjustment in the stand-alone credit profile on Bonum Bank due to the wider POP Bank Group's historically weaker earnings profile and lower operating efficiency compared with peers. However, as reflected in our positive outlook on Bonum Bank, we expect the improved revenue generation coupled with ongoing internal efficiency measures will continue to support profitability better aligned with peers, if sustained over time. This coupled with abating concerns about the group's asset quality could lead us to remove the adjustment over the next two years.

Support: No Uplift For External Support

We view the Finnish resolution regime as effective under our ALAC criteria. We have gained further visibility into the resolution plans for POP Bank Group's member banks and believe the group would be subject to a bail-in-led resolution approach. Given POP Bank Group's provision of critical functions in Finland--such as retail deposits and payment services--we see this as consistent with the authorities likely planning for an open-bank, bail-in-led resolution if the group were to fail or likely to fail.

The Financial Stability Authority in Finland has imposed a MREL requirement of 19.99% on total risk-weighted exposure, and 7.75% for the leverage ratio-based calculation since Jan. 1, 2024. In our view, the MREL level implies an intended full recapitalization of the banking group, if it failed. However, we expect the group will cover its increased MREL mainly by own funds. In the absence of a specific subordination requirement in Finland, it is unlikely to build a meaningful buffer of instruments that are ALAC eligible under our criteria.

Resolution Counterparty Assessment

Our 'BBB+/A-2' resolution counterparty ratings (RCRs) on Bonum Bank reflect our jurisdiction assessment for Finland, our analysis of its liability profile, and our expectation of the regulator's resolution plan. An RCR is a forward-looking opinion of the relative default risk of certain liabilities, particularly those legally exempt from bail-in (such as insured deposits or secured liabilities), that may be better protected from default in an effective resolution scenario than other senior liabilities.

Environmental, Social, And Governance

We see environmental, social, and governance factors for POP Bank Group as broadly in line with those of industry and domestic peers.

Owing to POP Bank Group's cooperative values, the group members are closely attached to the local community and take part in promoting financial literacy among other things. The group reports on its responsibility work in accordance with the Global Reporting Initiative guidelines and is in the process of updating its responsibility reporting in accordance with EU regulations.

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 it faces.

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

	--Fiscal year end Dec. 31--				
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	5,908	6,067	5,768	5,348	5,079
Customer loans (gross)	4,711	4,615	4,490	4,280	3,900
Adjusted common equity	714	670	506	480	434
Operating revenues	126	225	153	145	124
Noninterest expenses	66	119	119	115	103
Core earnings	38	78	21	16	11

*Data as of June 30.

Table 2

POP Bank Group--Business position

	--Fiscal year end Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Loan market share in country of domicile	1.7	1.6	1.6	1.6	1.5
Deposit market share in country of domicile	2.3	2.3	2.1	2.1	2.1
Total revenues from business line (mil. €)	126.0	271.0	153.0	176.0	124.0
Commercial & retail banking/total revenues from business line	100.0	100.0	93.8	91.8	90.7
Insurance activities/total revenues from business line	N/A	0.0	6.2	8.3	9.4
Return on average common equity	10.6	18.7	3.8	6.9	2.2

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

Table 3

POP Bank Group--Capital and earnings

	--Fiscal year end Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	22.8	20.3	19.4	19.2	19.9
S&P Global Ratings' RAC ratio before diversification	N/A	19.4	17.0	16.7	16.5
S&P Global Ratings' RAC ratio after diversification	N/A	15.1	12.9	12.7	12.7
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	76.4	79.0	61.5	54.2	59.7
Fee income/operating revenues	18.3	19.5	27.2	25.1	25.0
Market-sensitive income/operating revenues	1.9	(0.5)	(1.7)	8.4	1.5
Cost to income ratio	52.2	52.7	77.8	79.7	83.2
Preprovision operating income/average assets	2.0	1.8	0.6	0.6	0.4
Core earnings/average managed assets	1.3	1.3	0.4	0.3	0.2

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

Table 4

POP Bank Group--Risk-adjusted capital framework data

	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	856,860,472	4,842,267	1	11,452,219	1
Of which regional governments and local authorities	102,619,700	2,249,333	2	3,694,309	4
Institutions and CCPs	262,866,461	46,972,626	18	43,372,722	16
Corporate	776,282,924	407,613,839	53	546,495,974	70
Retail	3,886,913,218	1,726,450,294	44	1,309,362,907	34
Of which mortgage	2,686,197,134	932,534,489	35	623,178,849	23
Securitization§	0	0	0	0	0
Other assets†	195,422,723	182,173,357	93	201,532,655	103
Total credit risk	5,978,345,798	2,368,052,384	40	2,112,216,476	35
Credit valuation adjustment					
Total credit valuation adjustment	--	10,001,938	--	0	--
Market Risk					
Equity in the banking book	163,618,385	186,778,167	114	841,388,992	514
Trading book market risk	--	13,747,500	--	20,621,250	--
Total market risk	--	200,525,667	--	862,010,242	--
Operational risk					
Total operational risk	--	317,202,713	--	472,006,162	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	2,899,047,882	--	3,446,232,880	100
Total diversification/ Concentration adjustments	--	--	--	1,029,366,771	30
RWA after diversification	--	2,899,047,882	--	4,475,599,651	130
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		587,896,001	20.3	669,602,722	19.4
Capital ratio after adjustments‡		587,896,001	20.3	669,602,722	15.0

*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, 2023, S&P Global Ratings.

Table 5

POP Bank Group--Risk position

	--Fiscal year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	2.1	2.8	4.9	9.7	6.3
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	29.9	31.8	32.0	29.4
Total managed assets/adjusted common equity (x)	8.3	9.1	11.4	11.2	11.8
New loan loss provisions/average customer loans	0.6	0.4	0.2	0.3	0.2
Net charge-offs/average customer loans	(0.2)	(0.1)	(0.0)	(0.1)	N.M.
Gross nonperforming assets/customer loans + other real estate owned	3.6	3.3	2.5	2.3	3.0
Loan loss reserves/gross nonperforming assets	35.7	34.2	37.0	37.6	27.6

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

Table 6

POP Bank Group--Funding and liquidity

	--Fiscal year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	85.4	82.4	85.5	90.3	91.5
Customer loans (net)/customer deposits	107.7	105.4	102.8	100.5	94.7
Long-term funding ratio	99.5	98.3	97.7	97.3	98.5
Stable funding ratio	114.1	117.0	111.8	108.3	114.0
Short-term wholesale funding/funding base	0.5	1.9	2.6	3.0	1.7
Regulatory net stable funding ratio	136.8	132.7	133.5	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	32.3	11.0	6.7	4.8	10.7
Broad liquid assets/total assets	15.0	17.8	15.3	12.6	15.8
Broad liquid assets/customer deposits	20.5	24.9	20.5	16.0	19.7
Net broad liquid assets/short-term customer deposits	25.5	23.4	17.8	14.1	18.3
Regulatory liquidity coverage ratio (LCR) (%)	230.3	273.9	184.8	N/A	N/A
Short-term wholesale funding/total wholesale funding	3.7	10.6	17.9	31.0	19.8
Narrow liquid assets/3-month wholesale funding (x)	12.2	11.9	16.3	17.7	24.5

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

POP Bank Group--Rating component scores

Issuer Credit Rating	**BBB/Positive/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

POP Bank Group--Rating component scores (cont.)	
Issuer Credit Rating	**BBB/Positive/A-2**
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: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- 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

- Banking Industry Country Risk Assessment Update: December 2024, Dec. 19, 2024
- European Banks Will Pull Multiple Levers To Protect Operating Performance in 2025-2026, Nov. 25, 2024
- Resilient Profitability And Ample Capitalization Continue To Support Nordic Banks´Financial Performance, Nov. 27, 2024
- Bonum Bank Assigned 'BBB+/A-2' Resolution Counterparty Ratings; 'BBB/A-2' Ratings Affirmed; Outlook Positive, June 28, 2024
- Bonum Bank Outlook Revised To Positive On POP Group's Improved Earnings Trajectory; 'BBB/A-2' Ratings Affirmed, Oct. 5, 2023
- POP Bank Group's Insurance Divestment Will Boost Earnings And Present Growth Opportunities, March 17, 2023

Ratings Detail (As Of December 30, 2024)*	
Bonum Bank PLC	
Issuer Credit Rating	BBB/Positive/A-2
Resolution Counterparty Rating	BBB+/--/A-2

Ratings Detail (As Of December 30, 2024)*(cont.)	
Issuer Credit Ratings History	
05-Oct-2023	BBB/Positive/A-2
22-Jan-2021	BBB/Stable/A-2
19-May-2020	BBB/Negative/A-2
Sovereign Rating	
Finland	AA+/Stable/A-1+
Related Entities	
POP Mortgage Bank	
Senior Secured	AAA/Stable

*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.