

A photograph of a modern multi-story brick building with glass balconies, viewed from a low angle. The sky is overcast and grey. A small bird is visible in the upper part of the sky. The text 'POP Bank Group Investor Presentation' is overlaid in white on the left side of the image.

# POP Bank Group Investor Presentation

August 2024

# Content overview

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# 1. Highlights of H1 2024

# Highlights 1 January - 30 June 2024

- The POP Bank Group continues its historically strong performance. **The Group's profit before taxes for the first half of the year exceeded the previous year's record half year result**, and capital adequacy remained high.
- **The POP Bank Group's system reform project is progressing towards its planned implementation in 2025.** During the review period, the office infrastructure reform was completed, replacing the workstations and networks of the Group with new solutions. In the regulatory reporting project, a new capital adequacy calculation solution was implemented, utilising a new regulatory reporting data warehouse.
- S&P Global Ratings assigned its resolution counterparty rating (RCR) 'BBB+' for long-term and 'A-2' for short-term funding to Bonum Bank Plc reflecting the entire Group.
- The Group is currently preparing for reporting in accordance with the EU Corporate Sustainability Reporting Directive (CSRD), and numerous development projects are underway in this regard.
- **Strategic collaboration with LocalTapiola;** customer events with LocalTapiola throughout Finland and a new insurance solution that can be tailored to fit the customer's individual life situation was launched (POP Talousturva).
- During the first half of the year, **gradual hedging of open net interest income rate exposure with derivatives was continued.** Hedging procedures were implemented by the Bonum Bank Plc for all member cooperative banks of the amalgamation.
- The POP Bank Group also joined the InvestEU business finance programme, which enables competitive financing of investments that support business growth.

# Key figures H1 2024



Operating income

**124.9**

(106.3)  
EUR million



Profit before tax

**46.5**

(42.6)  
EUR million



Net interest income

**96.0**

(78.0)  
EUR million



CET 1 capital ratio

**22.8**

(20.3)  
per cent



Loan portfolio

**4.7**

(4.5)  
EUR billion

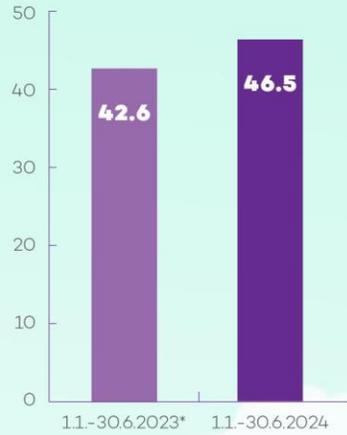


Total customers

**253,400**

(255,900)

### PROFIT BEFORE TAX, EUR MILLION



\*continuing operations

### LOAN PORTFOLIO AND DEPOSITS, EUR MILLION



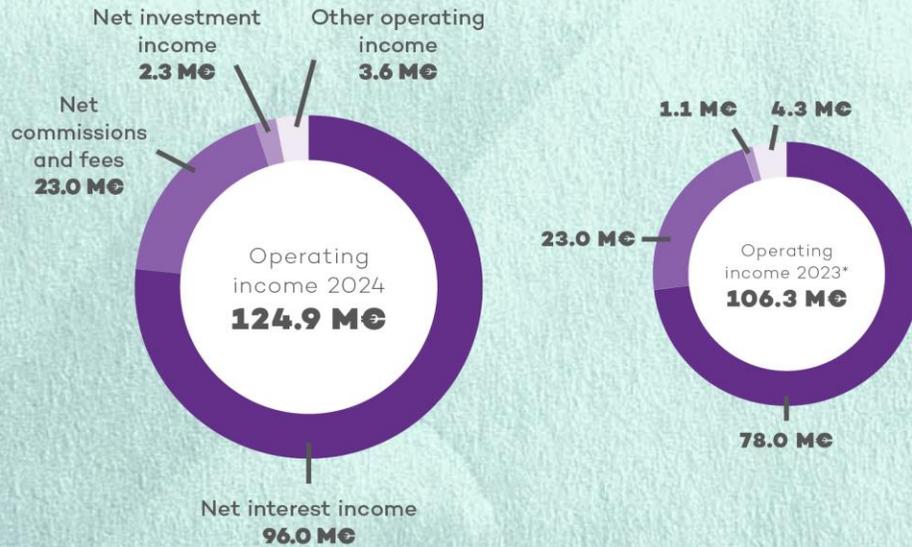
■ Loan portfolio, EUR Million ■ Deposits, EUR Million

### CAPITAL ADEQUACY

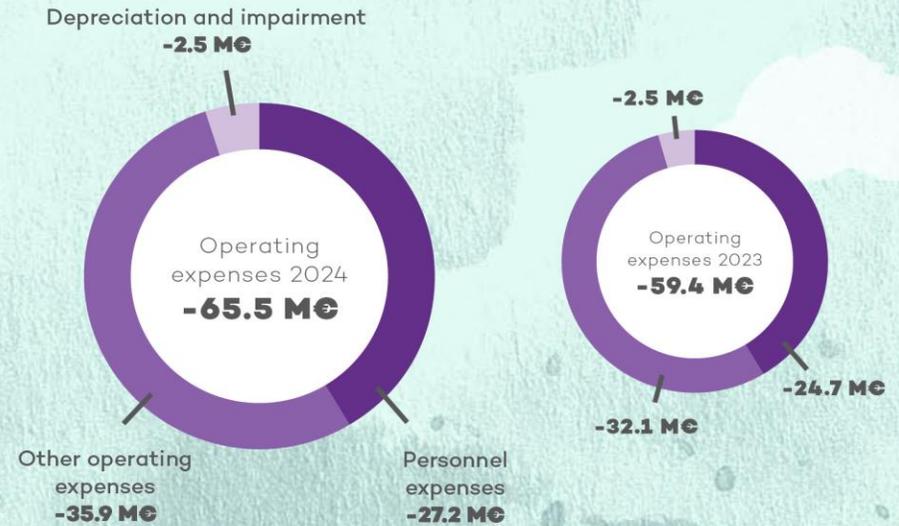


■ Own funds, EUR Million  
 ■ Capital requirement, EUR Million  
 — Capital ratio (CET1-%)

### OPERATING INCOME, EUR MILLION



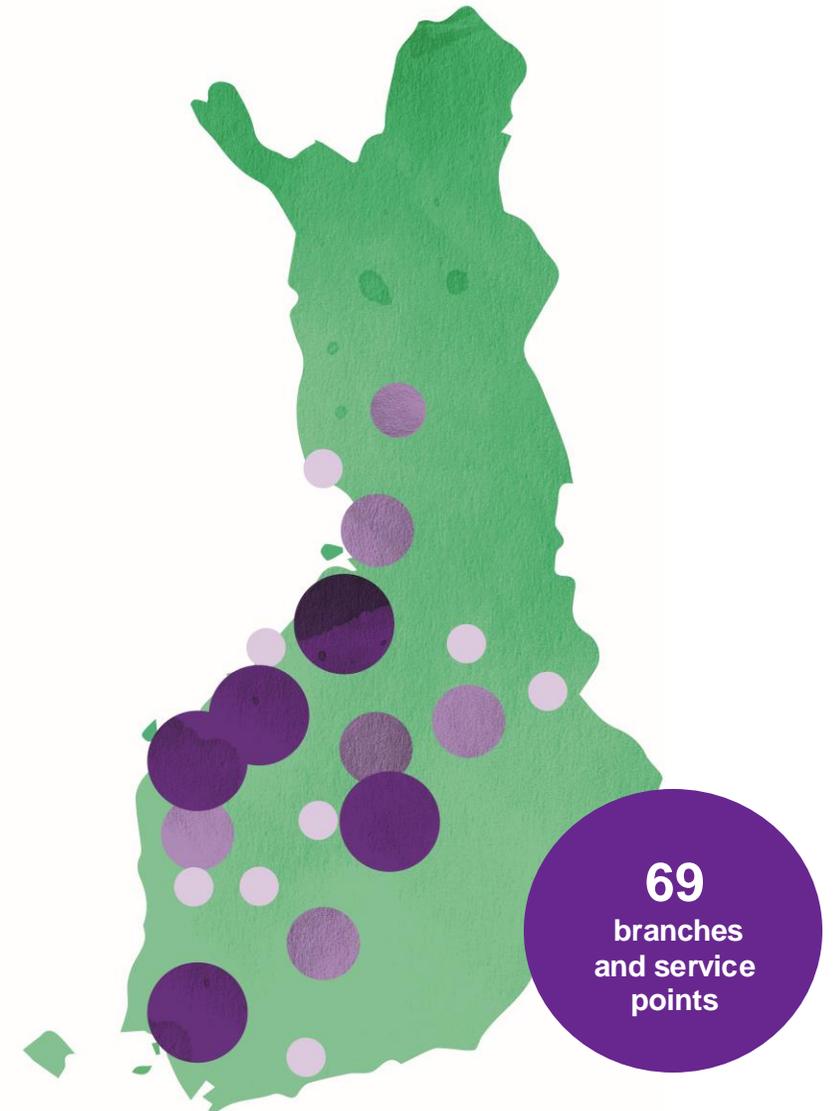
### OPERATING EXPENSES, EUR MILLION



## **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 as well as 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 centres 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; 90% 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

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% of the Finnish P&C Insurance; a strategic partnership starts with LocalTapiola

**1902  
-1933**

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

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

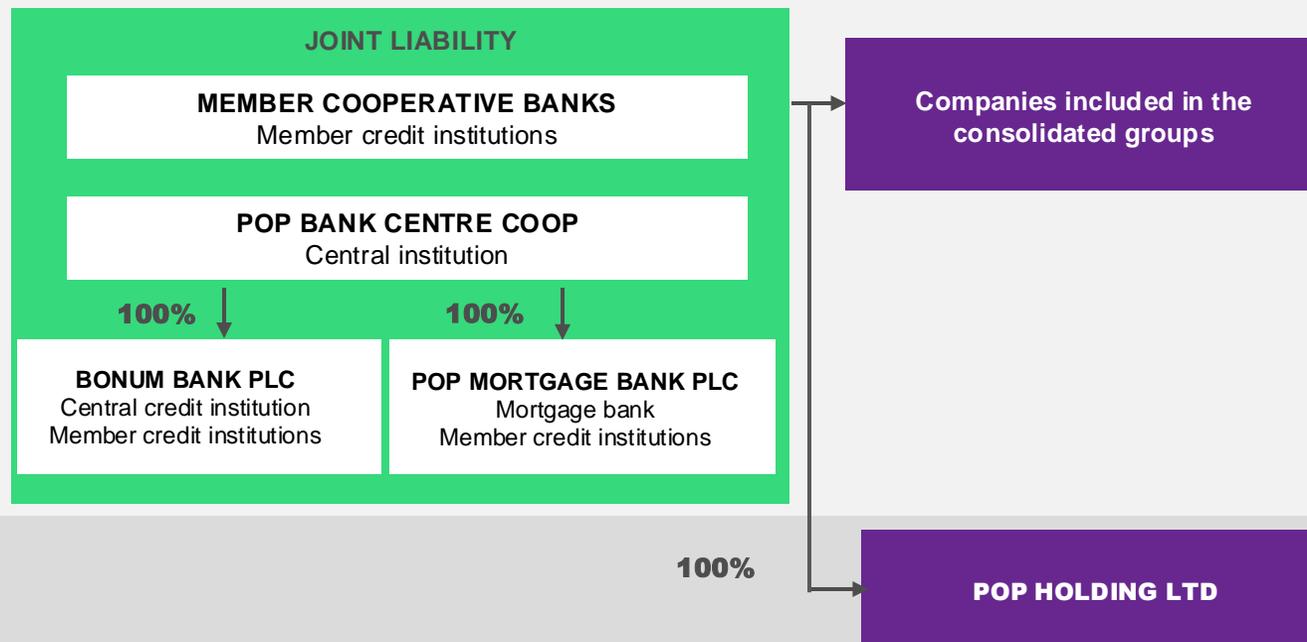
2025

Introducing the new core banking system during 2025

# The Group structure

## POP Pankki THE POP BANK GROUP

### THE AMALGAMATION OF POP BANKS

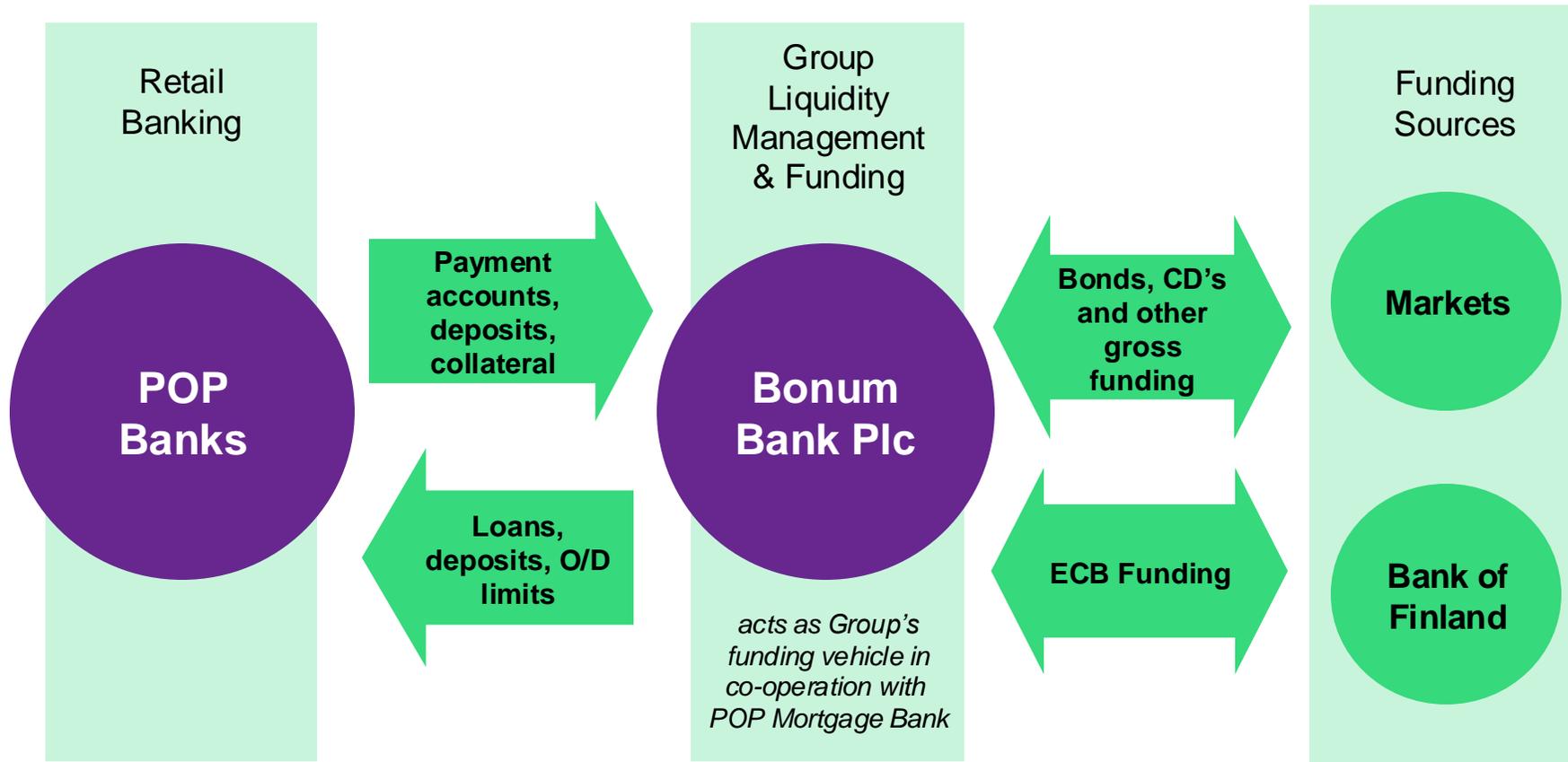


- The POP Bank Group consists of POP Banks, POP Bank Centre coop and their controlled entities.
- The POP Banks, Bonum Bank Plc and POP Mortgage Bank Plc are member credit institutions of POP Bank Centre coop.
- The POP Banks, POP Bank Centre coop and their controlled service companies constitute the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

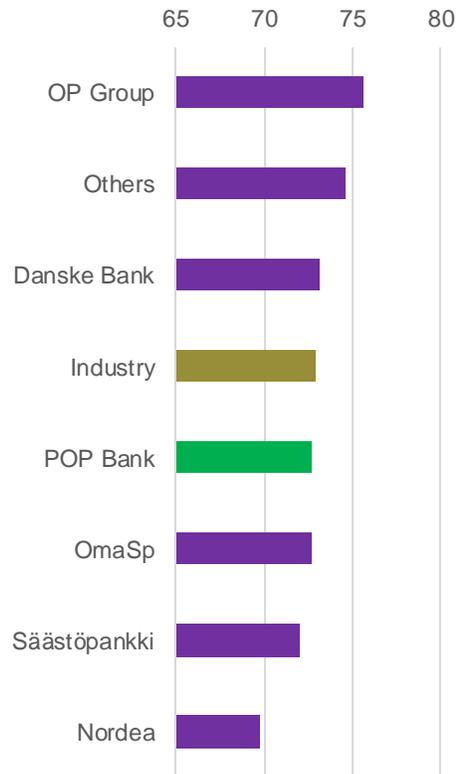
# Bonum Bank Plc - POP Bank Group's internal bank



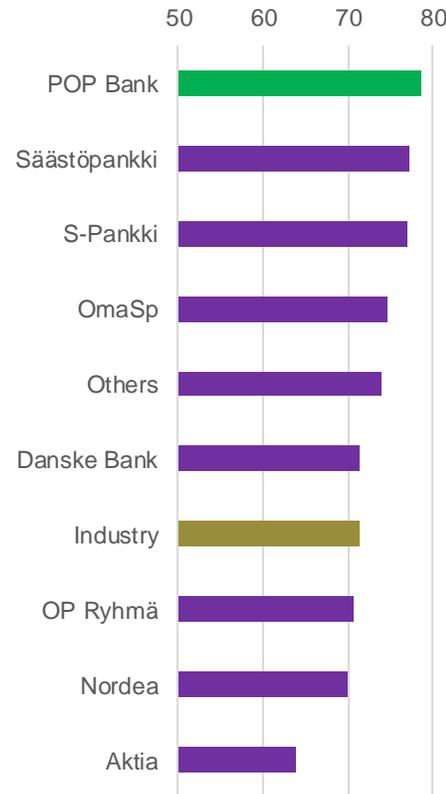
# Customer satisfaction & EPSI Sustainable Index



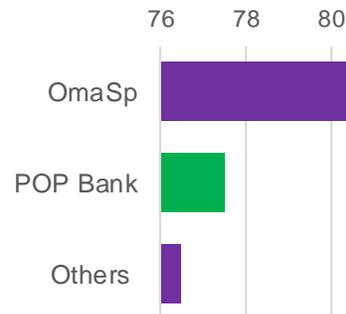
Corporate customers, EPSI Rating 2023



Private customers, EPSI Rating 2023



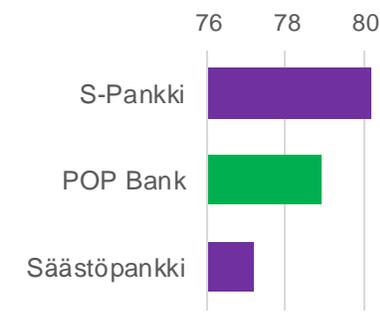
Corporate customers, TOP 3 banks. EPSI Sustainable Index 2023



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



# **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.

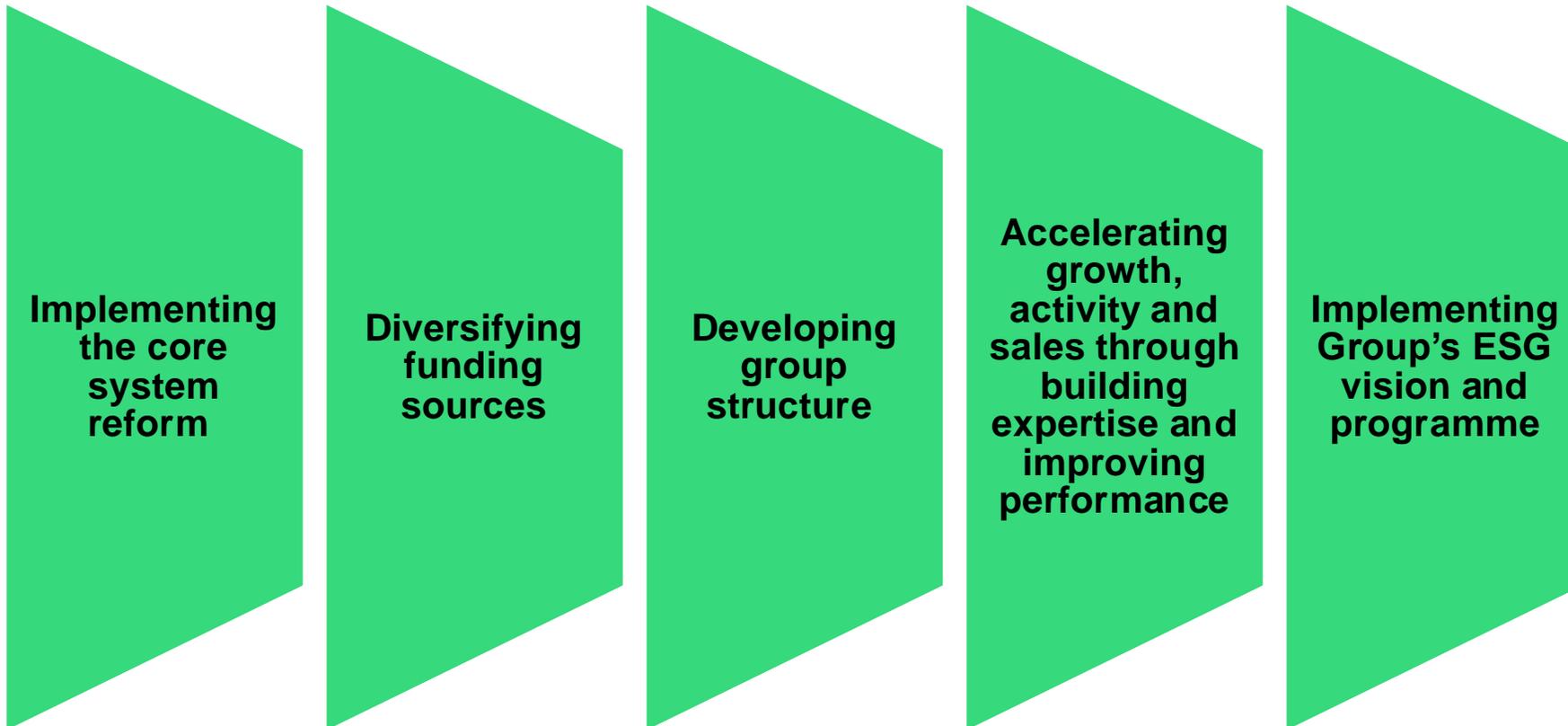
The POP Bank Group focuses on building long-term customer relationships and continuously renewing its ways of working to ensure that its vision materialises through its customer service, product offering, pricing and operational efficiency.

## 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	H1 2024	Y 2023	Y 2022
Cost-to-income ratio	<60%	52.5%	52.9%	77.7%
CET 1 ratio	17.5%	22.8%	20.3%	19.4%
ROA%	1.0%	1.3%	1.2%	0.4%

# Strategic focus areas of the POP Bank Group



# 4. Operations and figures

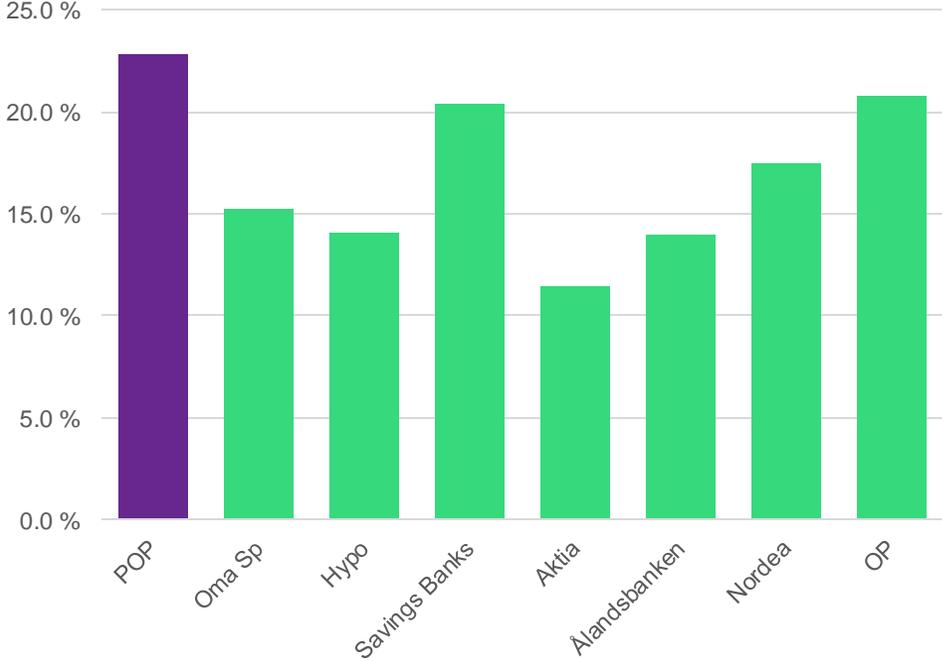
# POP Bank Group key figures and ratios

Key income figures (EUR 1,000)	1 Jan-30 Jun 2024	1 Jan-30 Jun 2023*	1 Jan-31 Dec 2023*	1 Jan - 31 Dec 2022*	1 Jan - 31 Dec 2021
Net interest income	95,962	77,966	178,108	93,326	78,338
Net commissions and fees	23,013	22,987	44,016	42,098	36,326
Insurance income	-	-	-	-	13,192
Net investment income	2,304	1,106	-2,355	-602	10,028
Personnel expenses	-27,173	-24,731	-49,204	-43,571	-50,655
Other operating expenses	-35,875	-32,116	-63,703	-58,303	-55,464
Impairment losses on financial assets	-13,478	-4,156	-17,271	-7,738	-10,390
Profit before tax	46,549	42,627	89,326	26,155	44,670
Key balance sheet figures (EUR 1,000)	30 Jun 2024	30 Jun 2023	31 Dec 2023	31 Dec 2022	31 Dec 2021
Loan portfolio	4,651,615	4,500,382	4,562,254	4,448,480	4,243,829
Deposit portfolio	4,322,001	4,320,431	4,321,022	4,331,041	4,222,364
Insurance contract liabilities	-	-	-	48,241	52,692
Equity capital	721,296	645,518	688,106	566,675	552,809
Balance sheet total	5,918,187	6,009,345	6,074,569	5,774,192	5,357,697
Key ratios	30 Jun 2024	30 Jun 2023*	31 Dec 2023*	31 Dec 2022*	31 Dec 2021
Cost to income ratio	52.5%	55.8%	52.9%	76.1%	68.8%
Return on assets, ROA	1.3%	1.1%	1.2%	0.4%	0.7%
Return on equity, ROE	10.6%	11.2%	11.4%	3.7%	6.9%
Equity ratio	12.2%	10.7%	11.3%	9.8%	10.3%
Common equity Tier 1 capital ratio, (CET1)	22.8%	21.1%	20.3%	19.4%	19.2%
Capital adequacy ratio, (TC)	22.8%	21.1%	20.3%	19.4%	19.2%

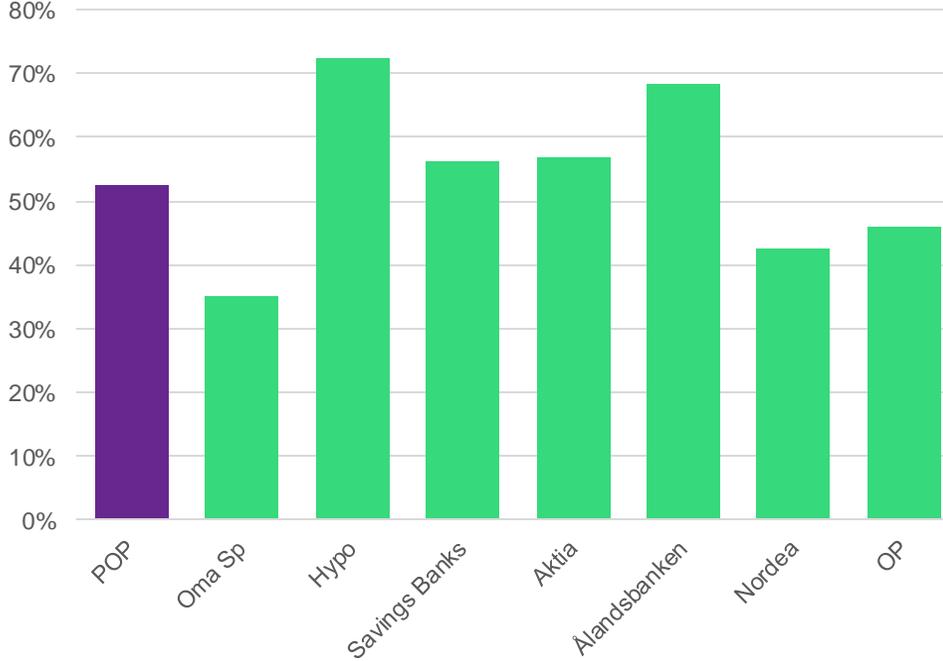
\*Continuing operations (without insurance segment)

# Strong capital position and improving efficiency (H1/2024)

CET1



Cost / Income ratio



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

**S&P Global Ratings assigned June 2024 Bonum Bank BBB+/A-2 resolution counterparty rating (RCR) and affirmed BBB/A-2 counterparty rating with positive outlook**

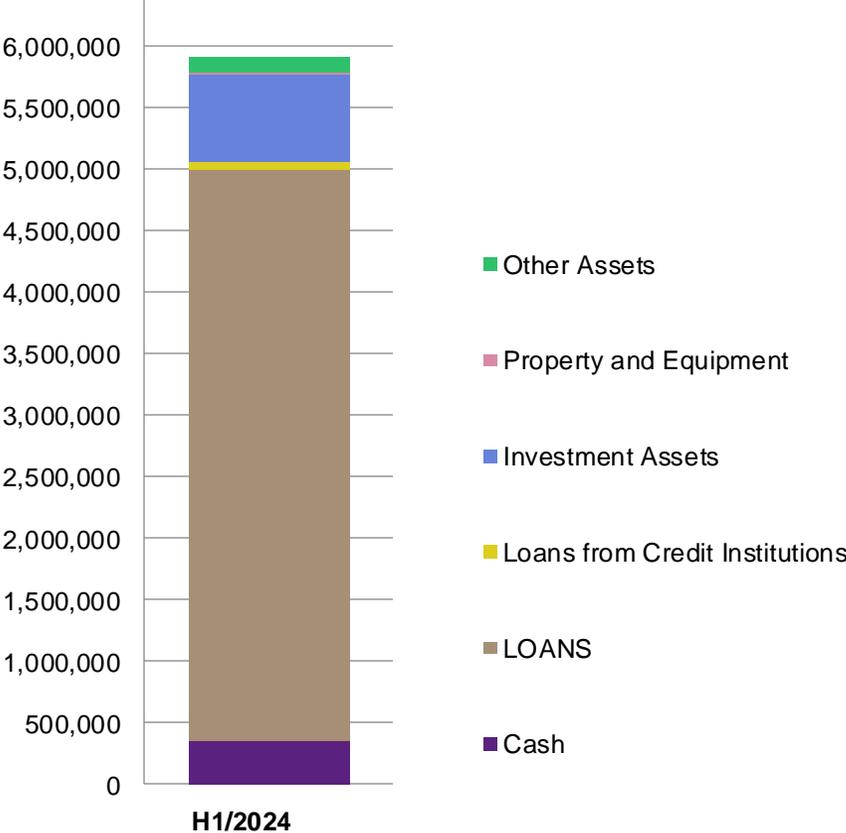
<b>Finnish banks (anchor rating)</b>	<b>A-</b>
• Capital & Earnings (very strong) <ul style="list-style-type: none"><li>• Very strong capitalisation</li></ul>	<b>+2</b>
• Liquidity & Funding <ul style="list-style-type: none"><li>• Stable customer deposit base</li><li>• Adequate liquidity buffers</li></ul>	<b>0</b>
• Risk position (moderate) <ul style="list-style-type: none"><li>• Regional concentration</li><li>• Concentration mitigated by sound collateralisation and moderate loan sizes</li></ul>	<b>-1</b>
• Business position (constrained) <ul style="list-style-type: none"><li>• Only in Finnish retail &amp; SME sectors</li><li>• Weak position in growth centres</li></ul>	<b>-2</b>
• Additional: Comparable ratings analysis	<b>-1</b>
• <b>POP Bank Group credit rating</b>	<b>BBB (POSITIVE OUTLOOK)</b>

<b>Major rating factors (from S&amp;P)</b>
<b>Strengths</b>
<ul style="list-style-type: none"><li>• Very strong capitalisation, which offers a robust buffer to absorb potential losses</li><li>• A solid cooperative business model</li><li>• Sound regional franchise in selected rural areas</li></ul>
<b>Weaknesses</b>
<ul style="list-style-type: none"><li>• Concentrated business operations focused on lending to individuals and small and midsize enterprises</li></ul>
<b>Positive outlook</b>
<ul style="list-style-type: none"><li>• The outlook remains positive and reflects our expectation that POP Bank Group will maintain sound earnings generation even as interest rates decline</li><li>• Improved earnings and high profit retention will further underpin already robust capitalisation</li></ul>

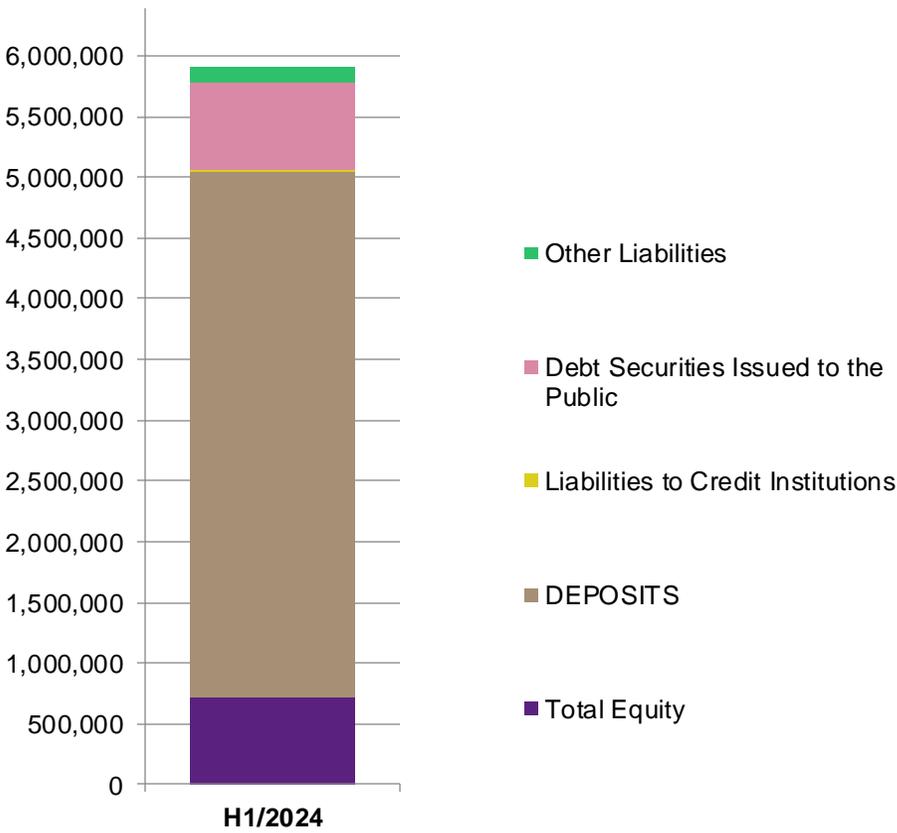
Source: S&P Global Ratings Reports (latest published in June 2024)

# Group balance 30 June 2024

### Total Assets

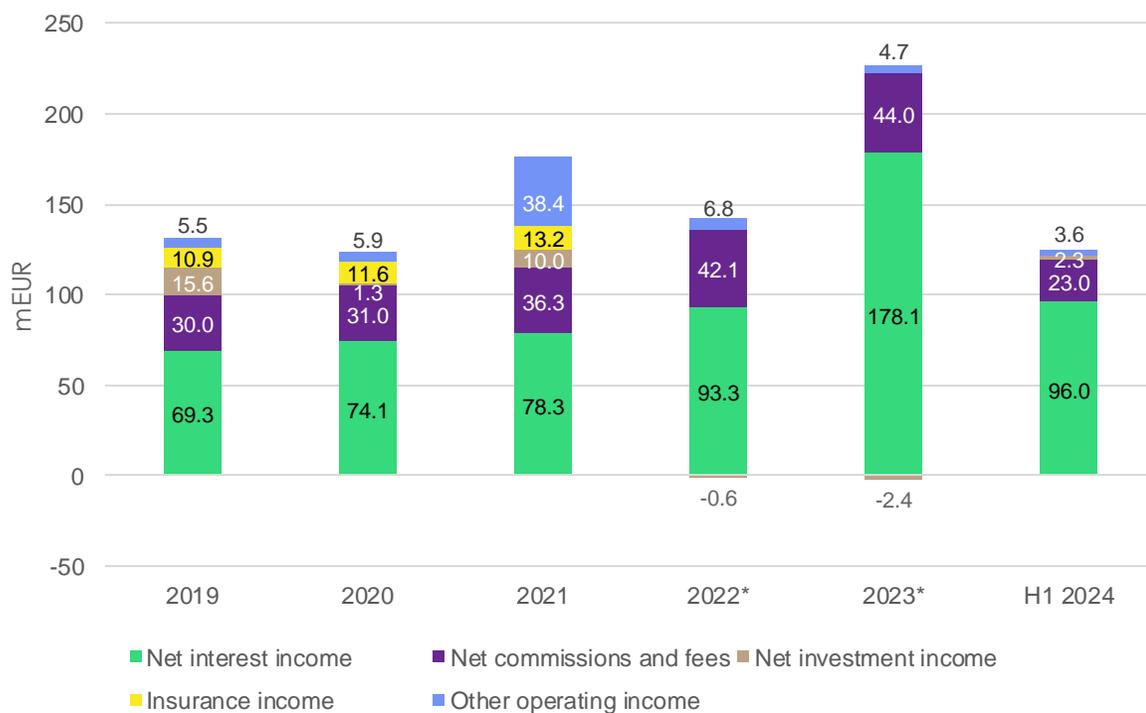


### Total Liabilities and Equity

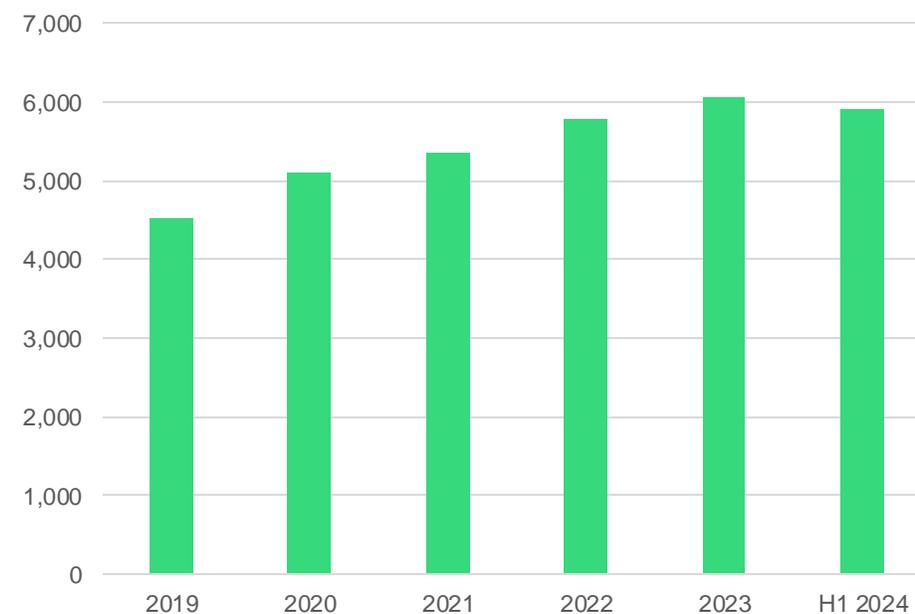


# Stable growth and increased net interest income

Operating income - POP Bank Group



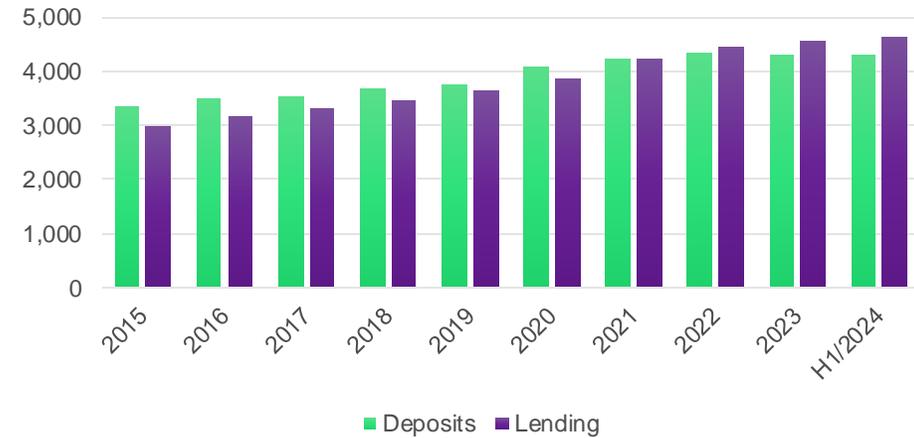
Total assets



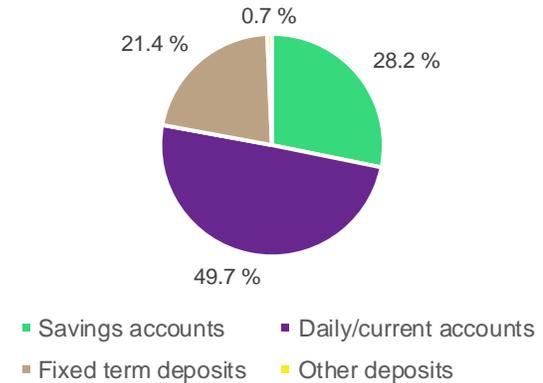
\*continuing operations

# Deposit base

- Deposit base is stable and granular
- 49.7% of total deposits are on daily/current accounts, 28.2% on savings accounts and 21.4% on fixed term accounts.
- 80.5% of total deposits come from private customers and 13.7% from corporate customers.
- 74% of total deposits are covered by depositor guarantee scheme (31.12.2023).



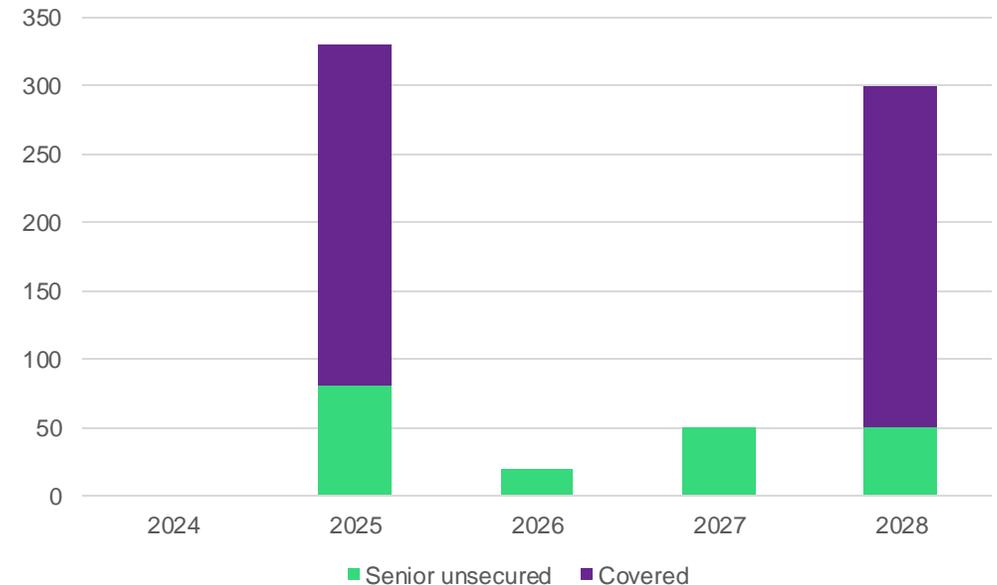
Deposit structure



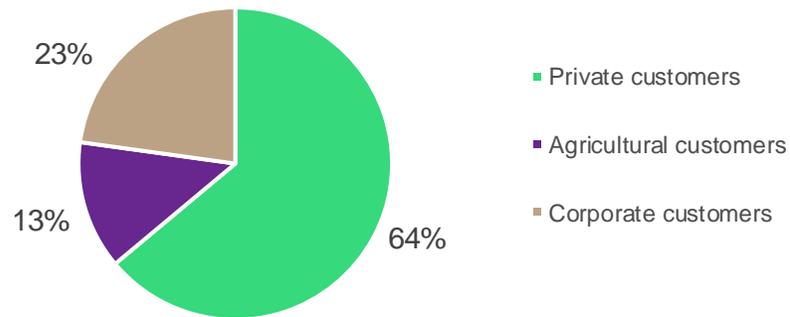
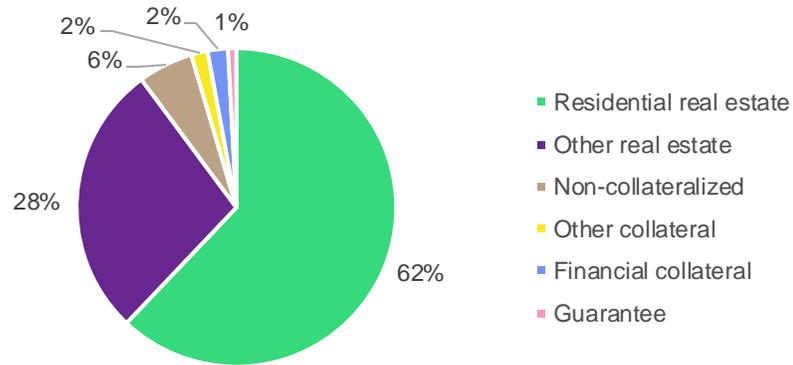
# Funding

- After the amalgamation was established in 2015, the POP Bank Group started to introduce different funding instruments (cd's, senior bonds etc.) to enable strategic growth acceleration.
- POP Mortgage Bank Plc started issuing covered bonds in 2022. POP Mortgage Bank is expected to issue covered bonds regularly. Bonum Bank will also be issuing senior bonds on a regular basis.
- Customers' deposits will be still POP Bank Group's main source of funding in the future.
- Effective on January 1st, 2024, the Finnish FSA has given the amalgamation of POP Banks a formal MREL requirement under European Union regulations. The updated requirement is 19.99 per cent of total risk-weighted assets (TREA) or 7.75 per cent of the leverage ratio exposures (LRE). The Group's MREL requirement has been covered with own funds and unsecured senior bonds.

Maturity of long term funding H1 2024

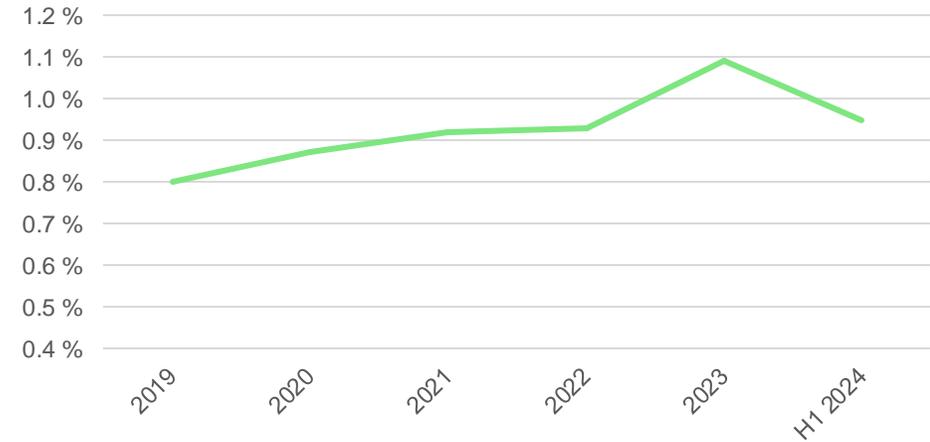


# Low risk and diversified loan portfolio (H1 2024)

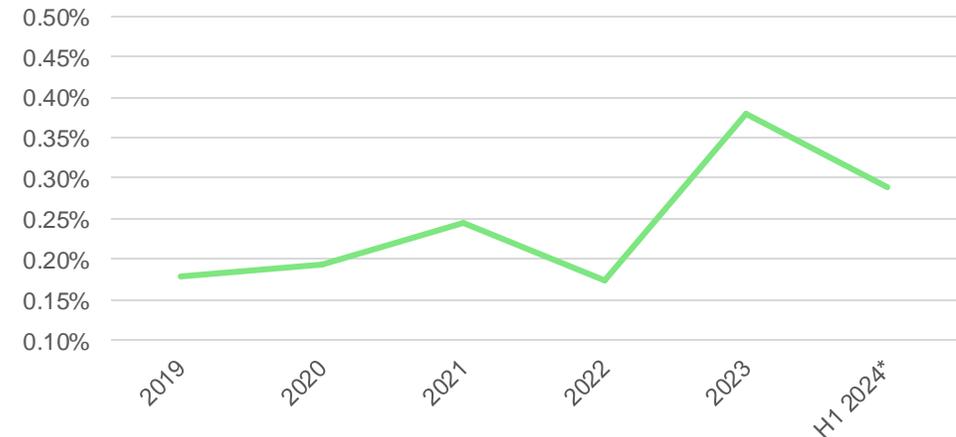


- Total loan portfolio EUR 4.6 bn
- Individual housing loans are moderate – average EUR 75,300

Loans over 90 days past due (%)

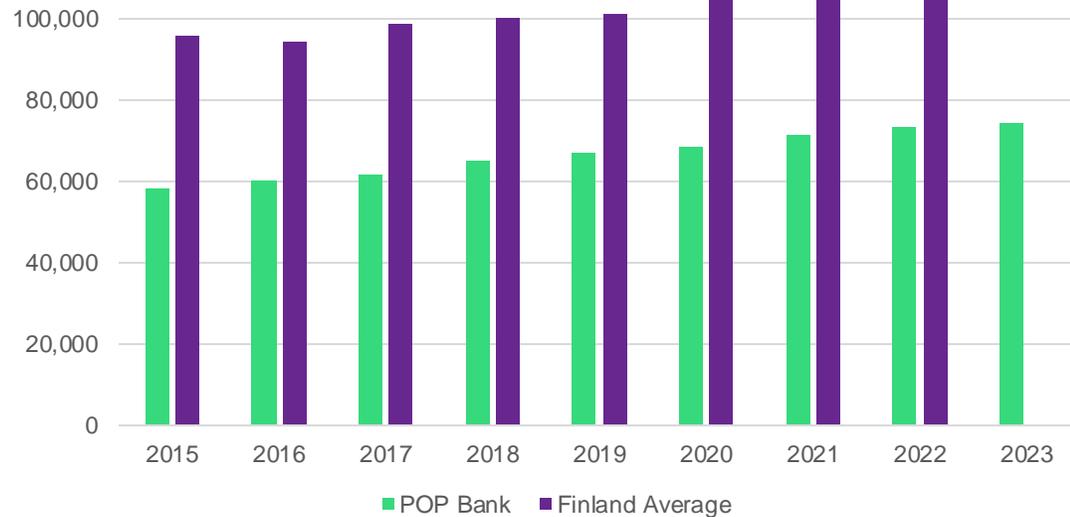


Annual impairment losses (%)



# Housing loan portfolio

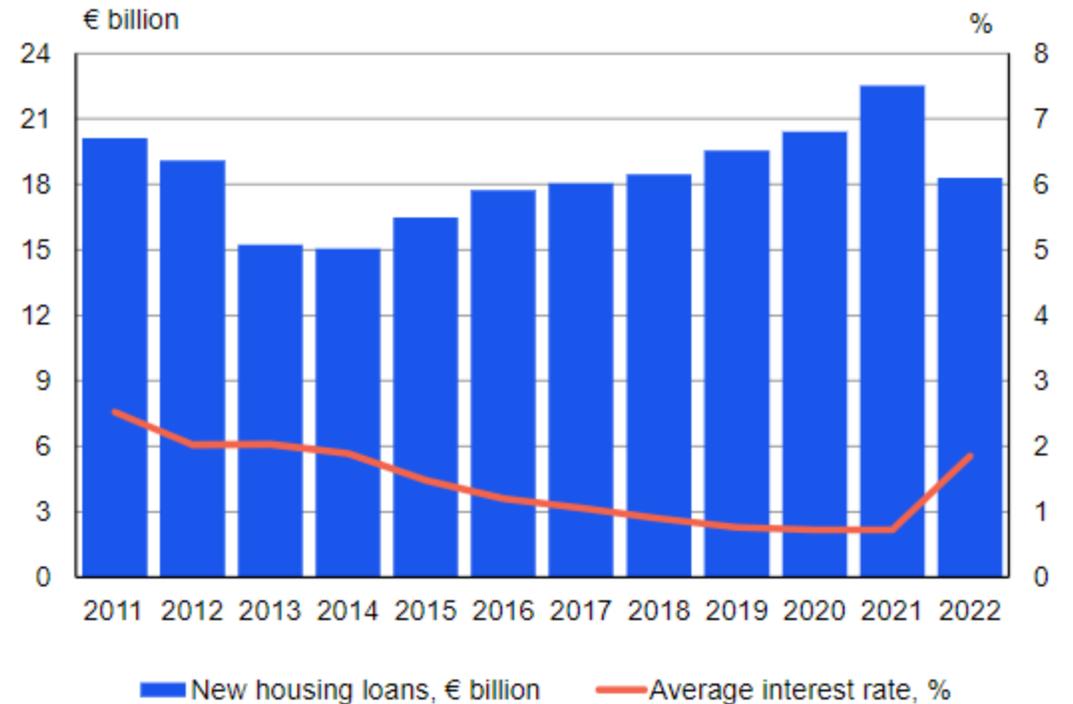
Average Housing Loan Size, €



- Housing loan portfolio is well diversified; the average size of a housing loan was EUR 74,400 at the end of 2023, being well below the average size of housing loans in Finland
- 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



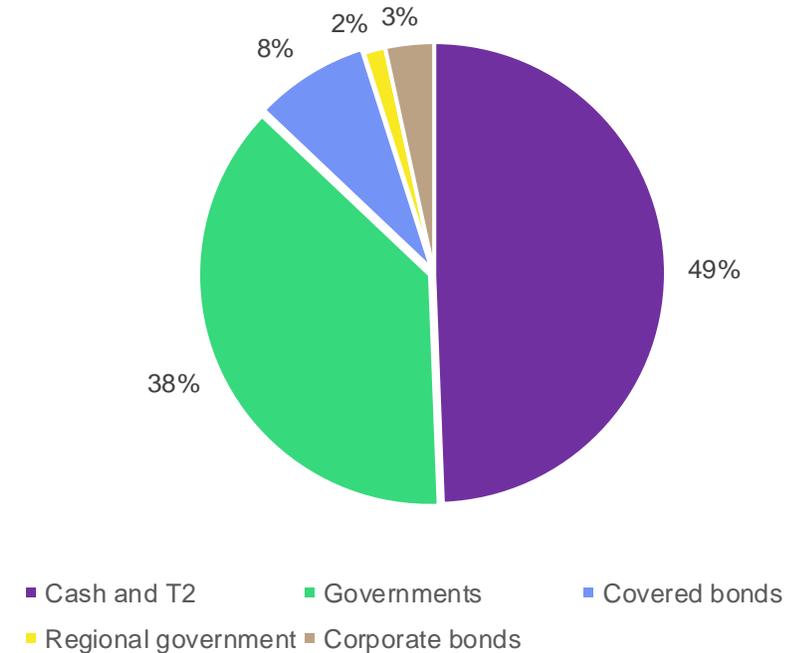
# Solid liquidity position

- LCR eligible liquid assets were 706 m€ per 30 June 2024
- LCR of the POP Bank Group was 230 (265)% as of 30 June 2024

Cash and T2	49.4 (55.9)%
Other Level 1 assets	47.2 (41.3)%
Government bonds	37.7%
Regional government CD's	1.5%
Covered bonds	8.0%
Other Level 2 assets	3.4 (0.9)%

30 June 2023 figures in parentheses

LCR, liquid assets per 30 June 2024



# 5. Market information

# Finnish economy has fared well

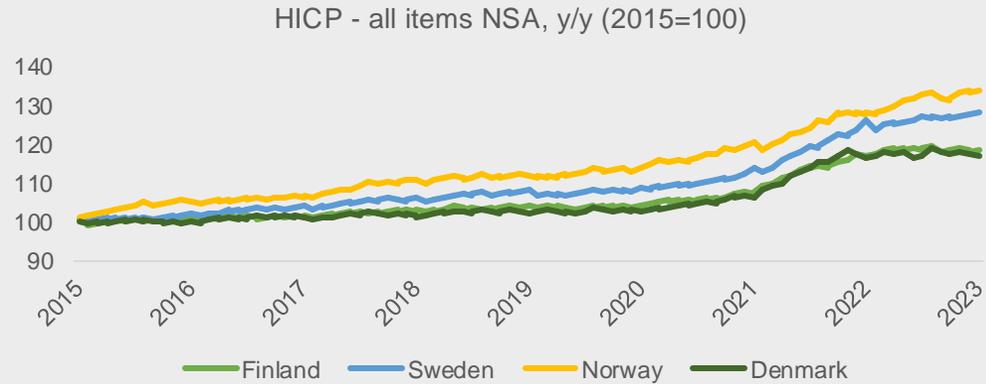
- Lowering inflation will support private consumption.
- Higher rates will dampen the effect of private consumption. GDP growth is estimated to remain negative at -0.5% for 2024.
- Investments are facing pressure due to higher funding costs and uncertain visibility for the near future.
- Housing construction will continue to decline sharply, and corporate fixed investment will also fall due to the tight monetary policy and uncertain economic outlook.

## Slight downturn in 2023

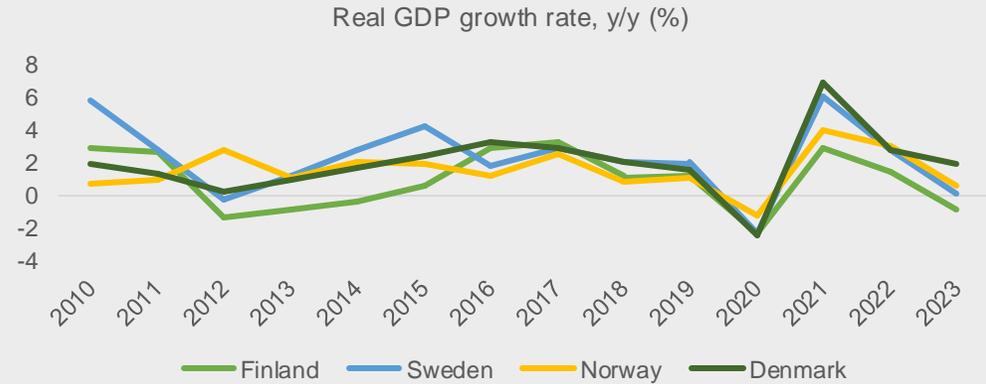


# Growth and improving employment in Finland

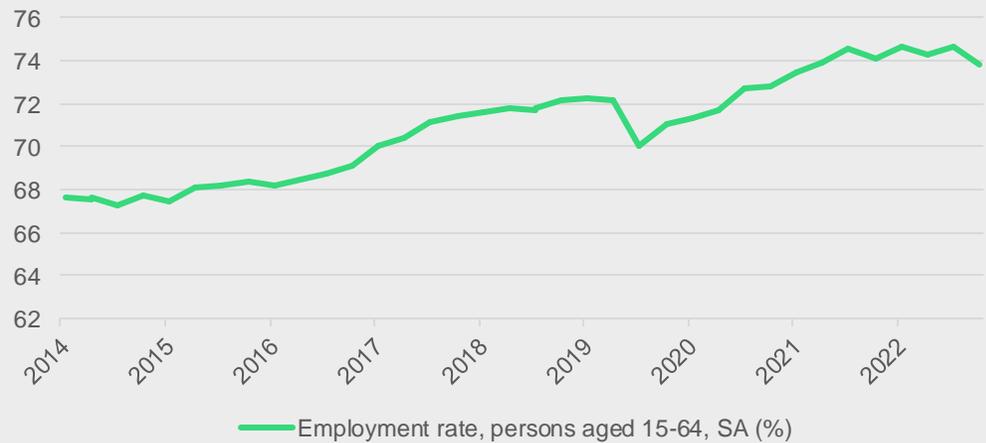
## Inflation



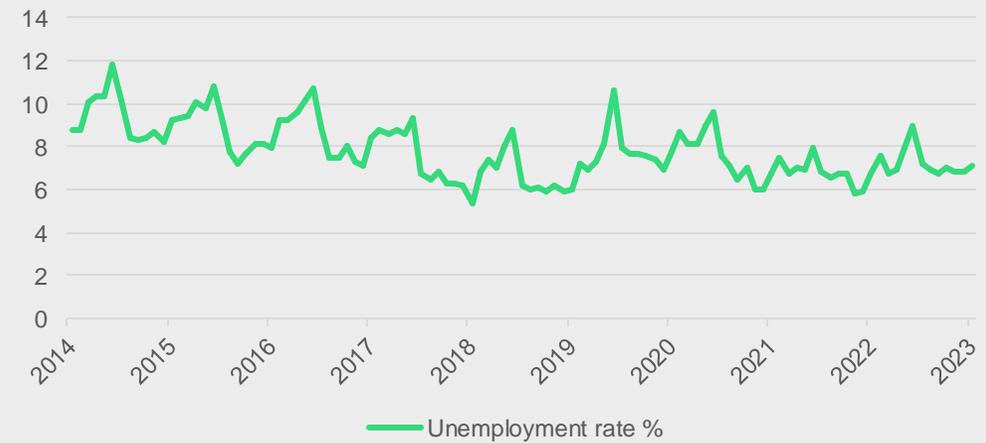
## GDP growth



## Employment rate



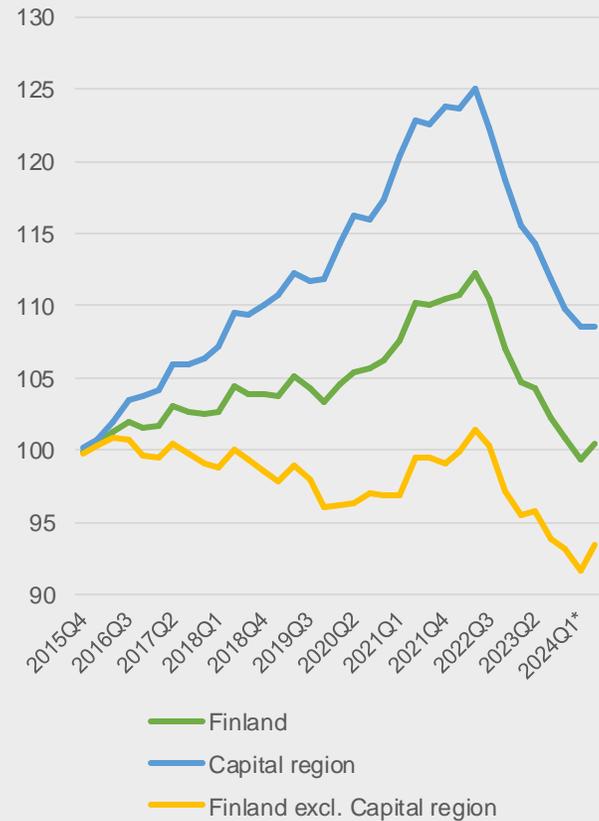
## Unemployment rate



# 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 more steady
- A hefty decline in housing prices since Q2/2022
  - Finland total -12%
  - Capital region -17%
  - Finland (excl. capital region) -8%
- Overall, the prices have had a relatively moderate growth trend in Finland.

Apartment price index (2015 = 100)



\*Preliminary data

House price index (2015 = 100)



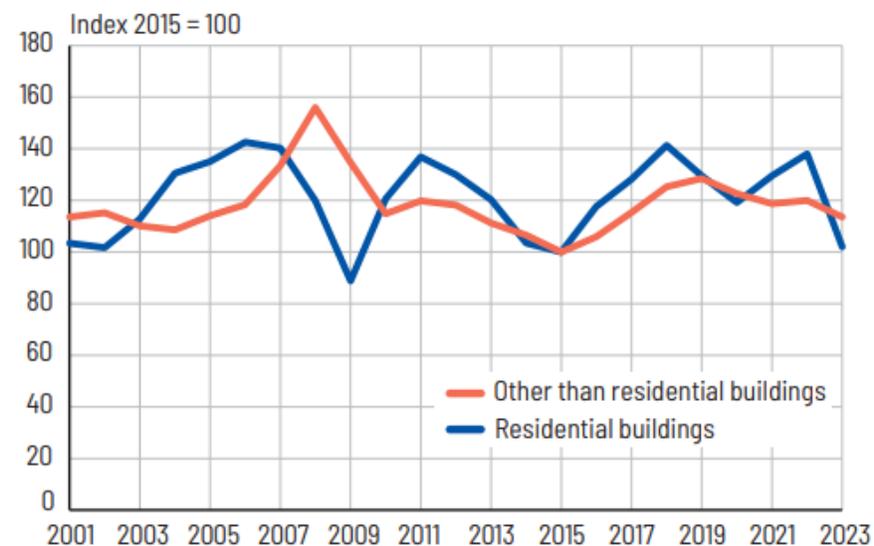
# Finnish housing market continues

## Completed buildings and dwellings

	2000	2010	2020	2023
<b>Completed buildings, million m<sup>3</sup></b>	<b>39.07</b>	<b>35.31</b>	<b>37.50</b>	<b>37.83</b>
Residential buildings	13.57	11.11	12.49	12.63
Commercial and office buildings	6.20	5.56	4.85	3.79
Industrial buildings and warehouses	8.17	7.46	9.42	12.68
Other buildings	11.13	11.18	10.75	8.74
<b>Completed dwellings, number</b>	<b>35 365</b>	<b>25 484</b>	<b>39 043</b>	<b>40 976</b>
Detached and semi-detached houses	18 173	13 639	10 314	8 827
Blocks of flats	16 772	11 140	28 062	31 721
Residential buildings for communities	18	213	-	45
Dwellings for special groups	-	85	163	287
Other than residential buildings	402	407	504	96

## Volume index of newbuilding

New buildings, building expansions and alterations comparable to rebuilding



# Finnish housing market. background information

113,793 €

Average housing loans of household-dwelling units 2022



**Men:** 3,753 €/month  
**Women:** 3,136 €/month

Total earnings of wage and salary 2022



**Population of Finland:**  
5.6 million



**47%**

**32%**

**21%**

Size of household-dwelling unit 2022 (persons)

# 6. Contact information

# Contact information

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# 7. Disclaimer

# Contact information

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