POP Bank Group Investor Presentation

June 2022

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Introduction to the POP Bank Group

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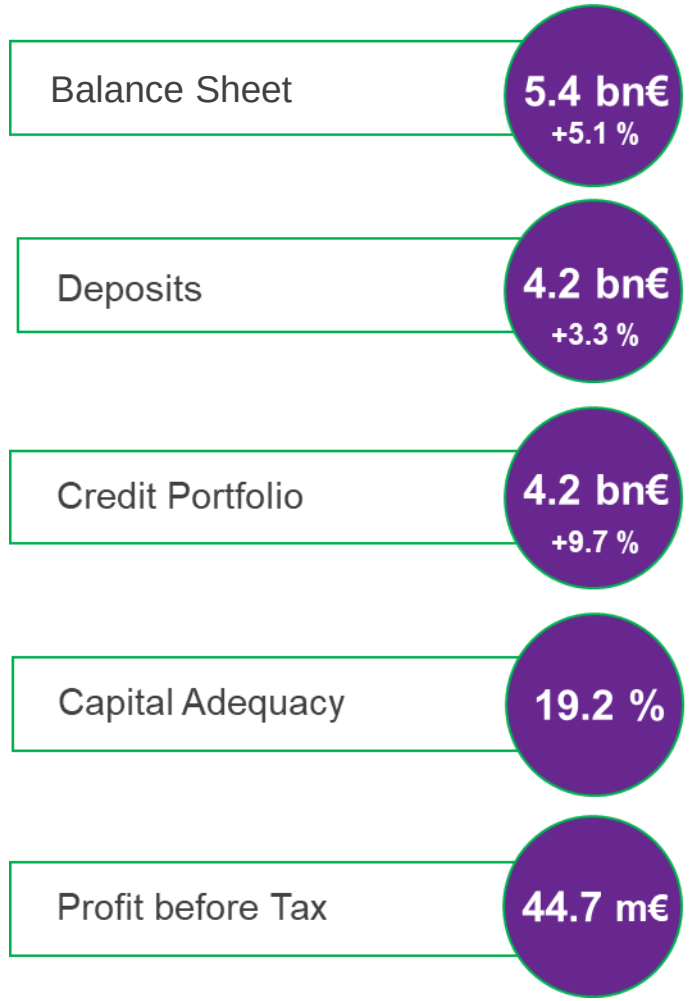
Summary of the POP Bank Group

Group today

- The POP Bank Group is a Finnish financial group that offers retail banking services for private customers and SMEs, in addition to providing private customers with non-life insurance services.
- Network of 19 banks with 70+ bank offices across the country.
- Highest private and corporate customer satisfaction in the Nordic countries (EPSI Rating 2021)
- Very strong capital position: target to maintain CET1 Ratio > 17.5%
- Investment grade rating: BBB (S&P Global) with stable outlook. Rated entity is POP Bank Group, rating is given to Bonum Bank Plc
- Low risk and diversified loan portfolio
- 92% of loan portfolio with residential or other real estate collateral
- Rapidly growing and fully digital insurance business driving new customer acquisition

Financial performance 2021



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POP Bank Group’s timeline

1902 -1933

Founding years of the individual co-operative banks, which are now part of the POP Bank Group

1997

POP Bank Group is founded

2012

The insurance company of the Group is established

2014

Bonum Bank Plc, the Group's central credit institution, starts to operate

2015

The Amalgamation of POP Banks is established. Bonum Bank becomes Visa Debit and Credit Card Issuer

2016

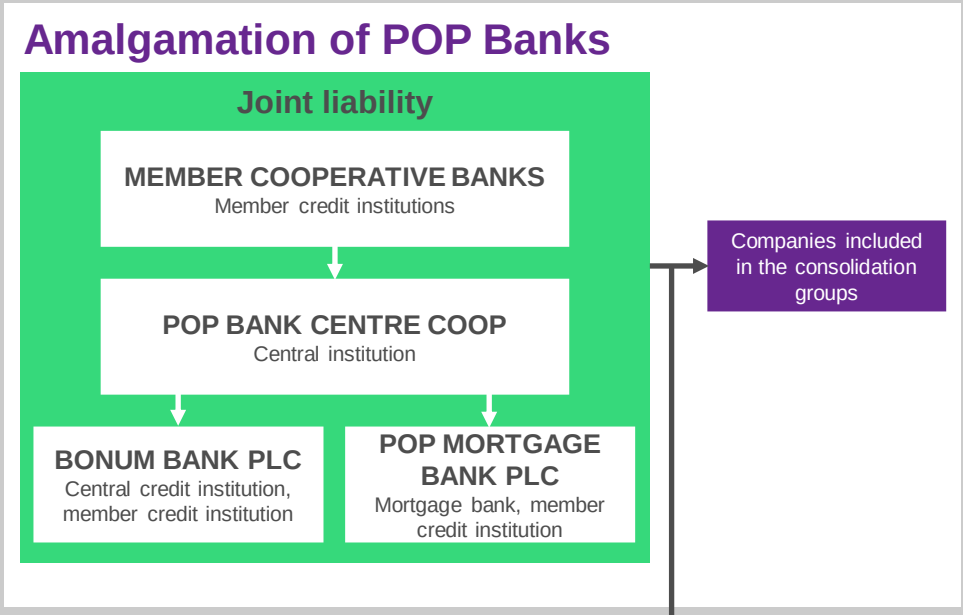
Bonum Bank's bond programme and first issued bond. Rating from S&P Global

2022

Co-operation agreement with Crosskey on the renewal of core banking system. POP Mortgage Bank Plc begins to operate

The ownership structure of the POP Bank Group and the amalgamation

The POP Bank Group structure



- The POP Bank Group consists of the member cooperative banks (POP Banks) of the POPC (POP Bank Centre coop), the POPC and organizations under their control. POPC, the central institution, is responsible for the group steering and supervision in accordance with the Act on the Amalgamation of Deposit Banks
- POPMB (POP Mortgage Bank Plc) acts as the mortgage bank and a member cooperative bank of the POP Bank Group.
- The POP Bank Centre coop has a 100% ownership of POPMB. POPMB falls within the joint liability of the POP Bank Group.
- Bonum Bank Plc (Bonum) steers issue activities of POPMB based on the funding plan of the Amalgamation
- From the point of view of competition law, the Amalgamation of POP Banks acts as a single undertaking.
- Each member credit institution has individually consented to give the POPC controlling power over its business activities as defined in the general principles.
- As a subsidiary of the POPC, the Board of Directors of POPMB accepts the amalgamation's principles and management system, on which the controlling power of the POPC is based.

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The amalgamation of POP Banks

The amalgamation structure enables a single point of access to funding, internal bank and cost-efficient operations

Amalgamation	POP Banks established an amalgamation, as defined in the Act on the Amalgamation of Deposit Banks (599/2010), on 31 December 2015.
Central Institution's role	As the central institution, POP Bank Centre coop is obliged to supervise and instruct the member banks according to the Act. Responsibilities include (among others): • Risk Management • Corporate Governance • Liquidity and Capital Adequacy • Internal Auditing
Joint Liability	POP Bank Centre coop (the central institution) and all member banks (19 POP Banks, Bonum Bank PLC and POP Mortgage Bank PLC) are jointly liable for each other's debt. 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.
Capital Ratio	POP Bank Centre coop is, as the central institution, responsible for the group's joint capital ratio.

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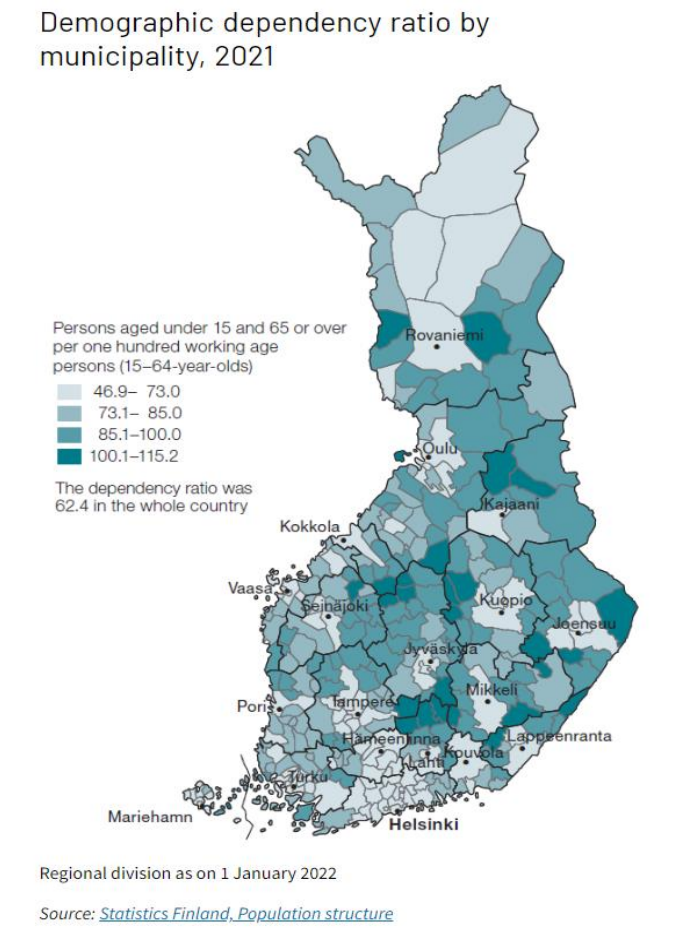
POP Banks in Finland



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Locations and digital concepts to provide service nationally

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

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

256,300
Bank Customers with Services

171,600
Insurance Customers

Source: Statistics Finland

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Strategy and operations

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POP Bank Group's mission, values and strategy

The Mission & Values

Our mission is to promote financial well-being and prosperity, as well as local success.

Our values are swiftness, profitability, responsibility, bold renewal and customer orientation

The Vision

POP Bank provides personal and digital services, offering the highest level of customer satisfaction and a rapid decision-making process. The bank maintains high capital ratio and grows profitably faster than the market.

The Strategy

The POP Bank Group offers best customer satisfaction and high availability both in branch offices and digital channels. We focus on personal and fully digital customer experience and growth of SME corporate segment as well as shifting the focus of operations to growth areas.

Long-Term strategic targets

The Group's Cost-to-income ratio 60%	Profit before tax per assets 0.7%
Private and corporate customer satisfaction 1.	CET1 Capital ratio 17.5%

Focus areas

Group structure

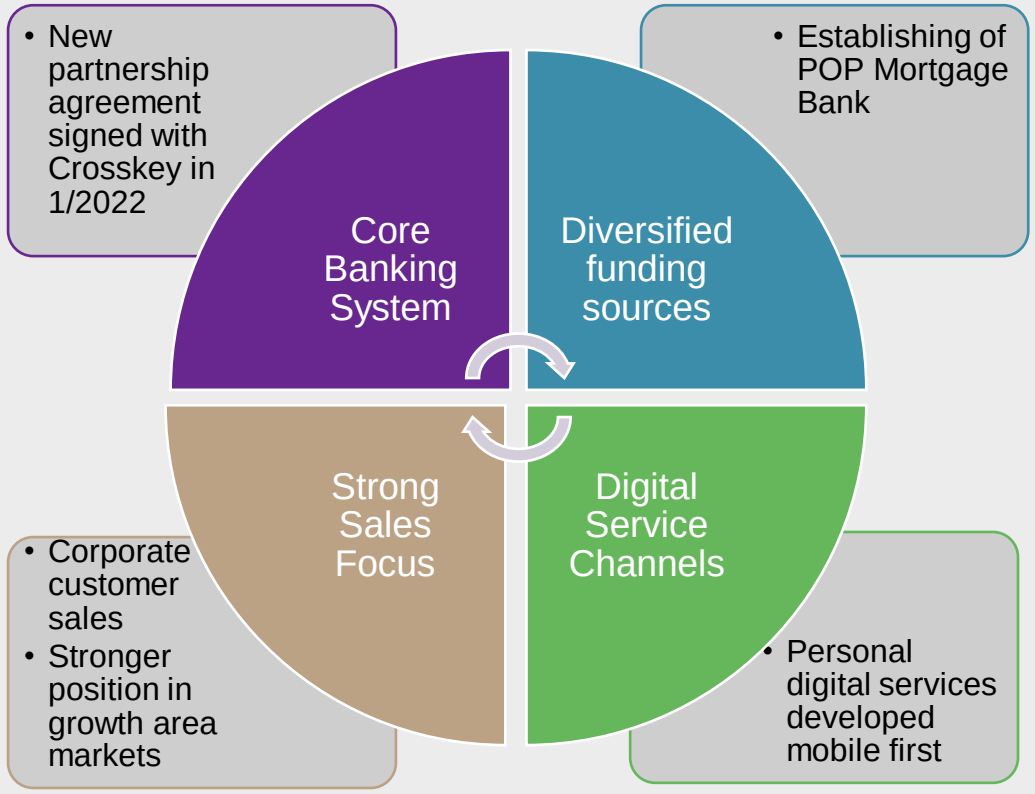
POP Bank Group agreed on single-operator status in 2021. This provides the POP Bank Centre coop with steering power over the member banks' business decisions, such as pricing, product selection and areas of operation.

Core Banking System Reform

POP Bank Centre coop signed in January 2022 a co-operation agreement with Crosskey on the renewal of its core banking system. POP Bank Centre is anticipating to introduce the new core banking system during 2025. The co-operation agreement has no immediate effect on the daily banking services offered by the Bank.

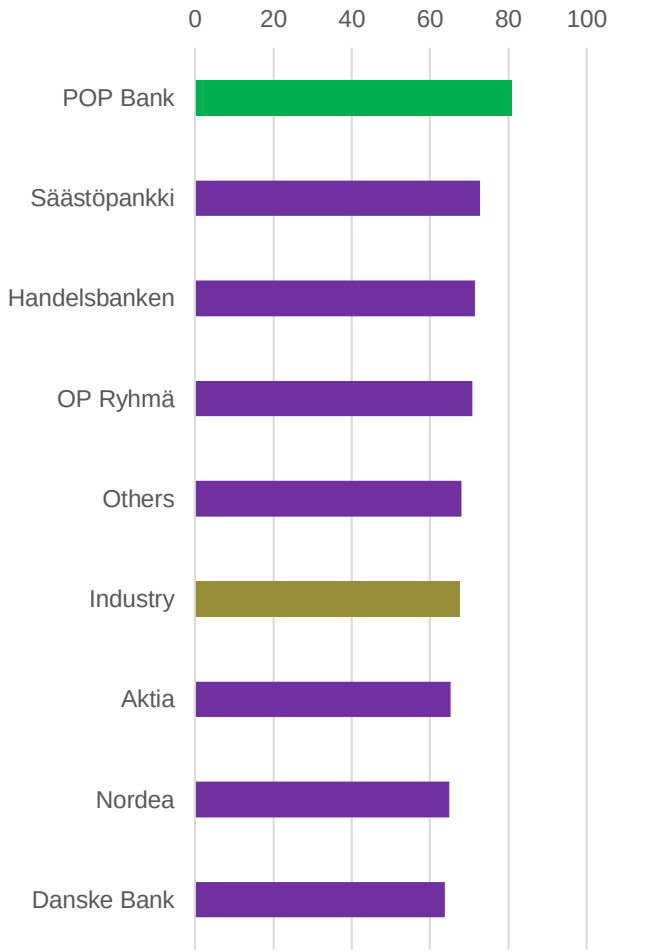
Digital services

Strong digital development emphasis; highly ranked mobile bank app, widely used authentication app, web meeting concept, digitalised housing loan process

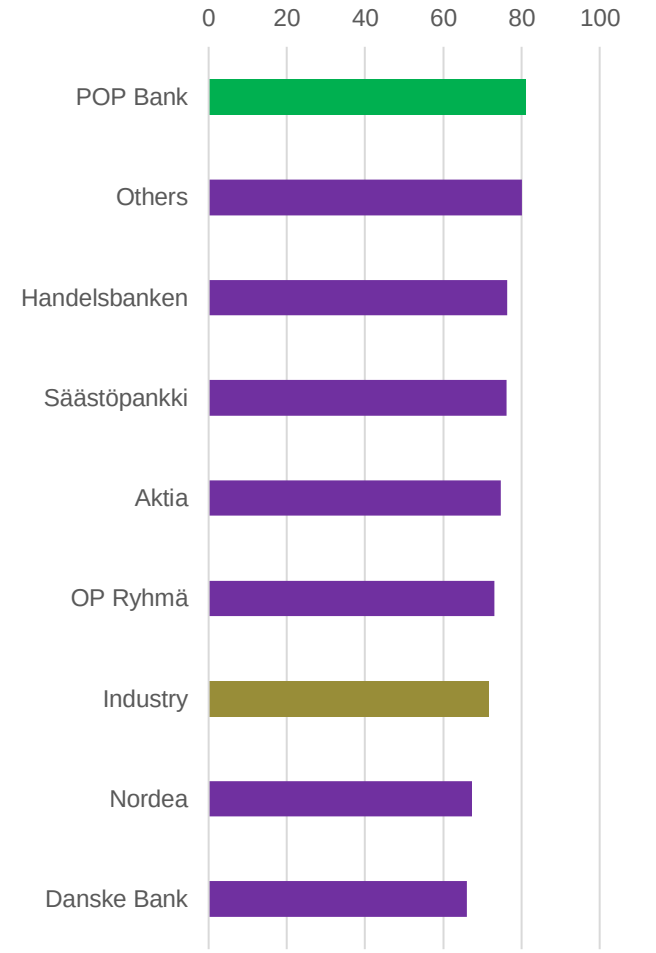


Leading position in customer satisfaction

Business Customer Satisfaction Rating by EPSI Rating 2021



Private Customer Satisfaction Rating by EPSI Rating 2021



EPSI RATING

SKI

SVENSKT KVALITETSINDEX

A part of EPSI Rating Group

POP Bank has the most satisfied customers in Finland and in the Nordic countries 2011–2013 and 2015–2021 by independent 3rd party study, EPSI Rating.

POP Bank participated to B2B study for the first time in 2021.

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Key financials

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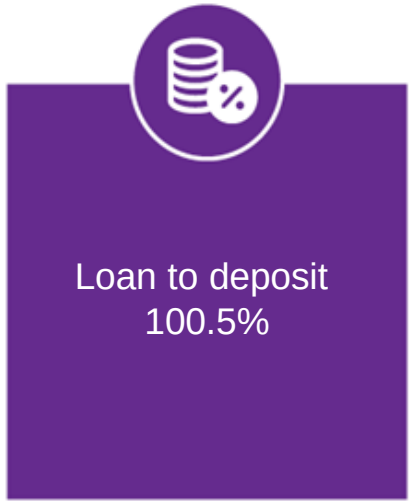
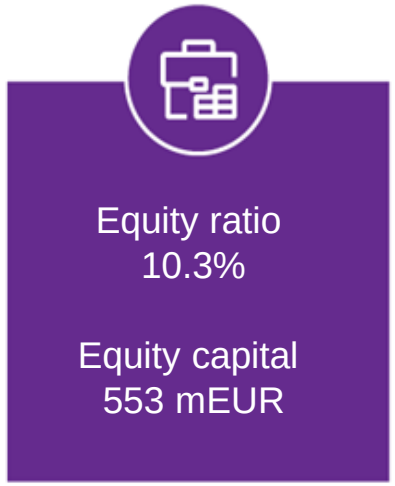
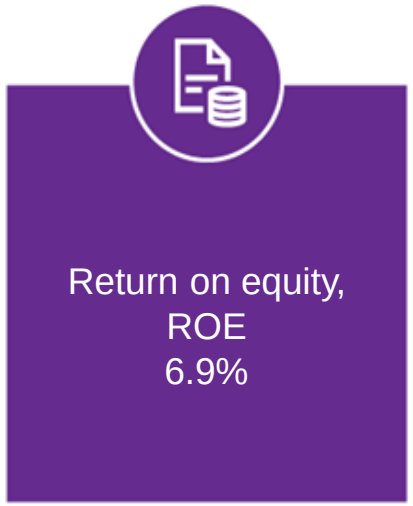
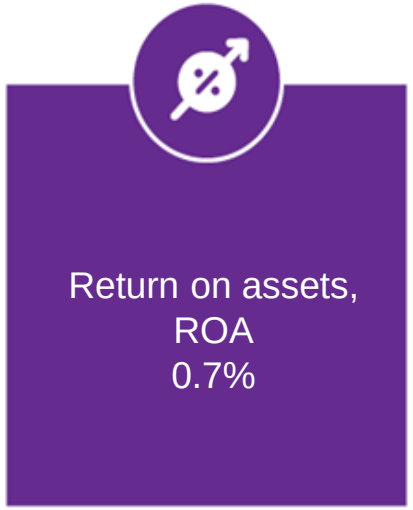
POP Bank Group key figures 1-12/2021



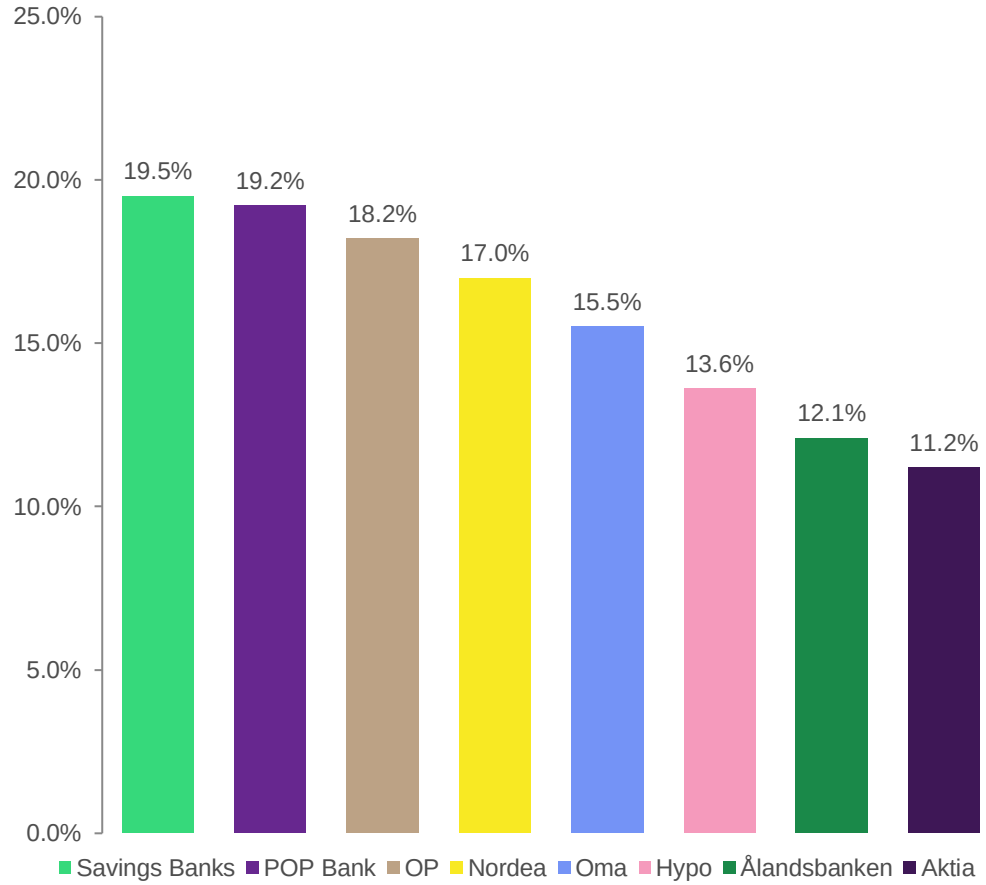




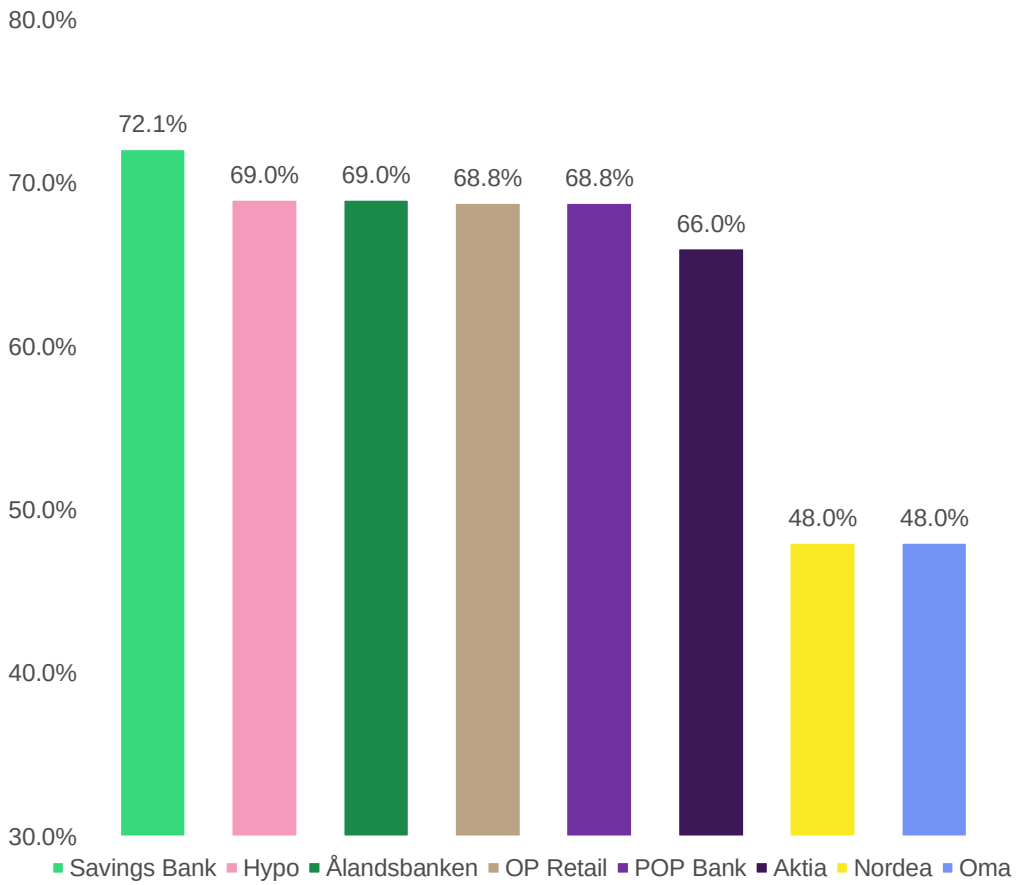


Strong capital position and improving efficiency

CET1



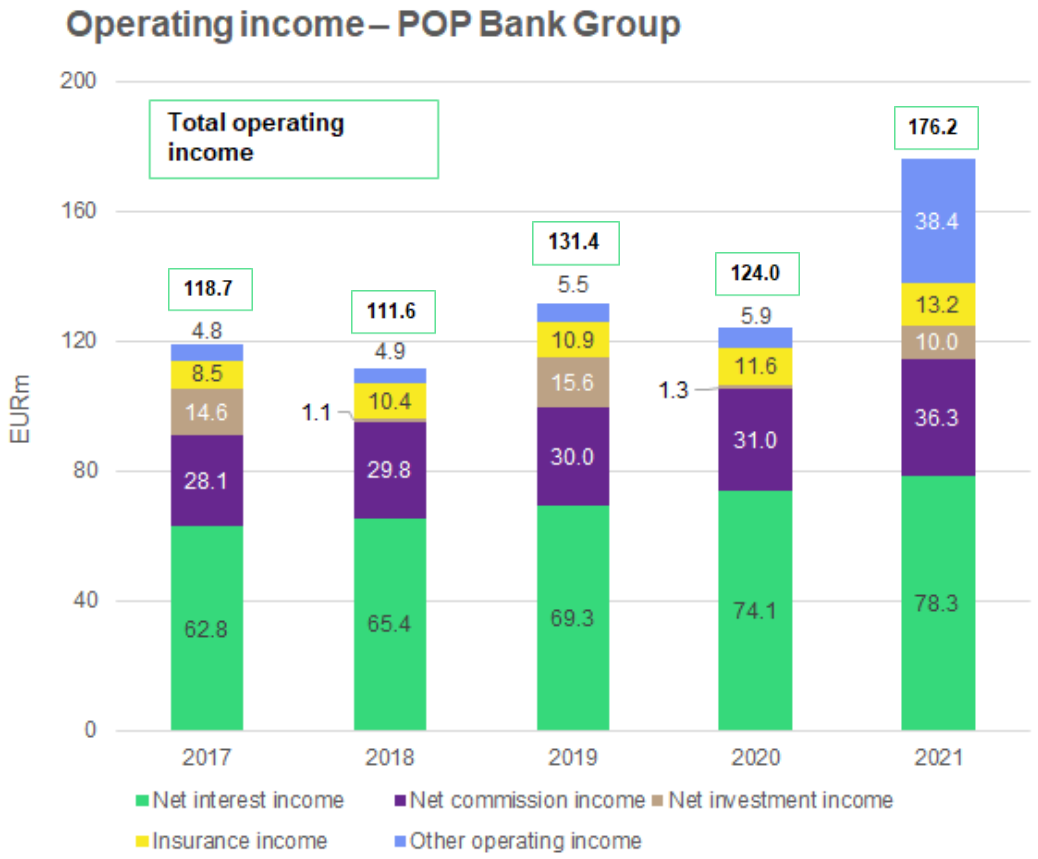
Cost / Income -ratio

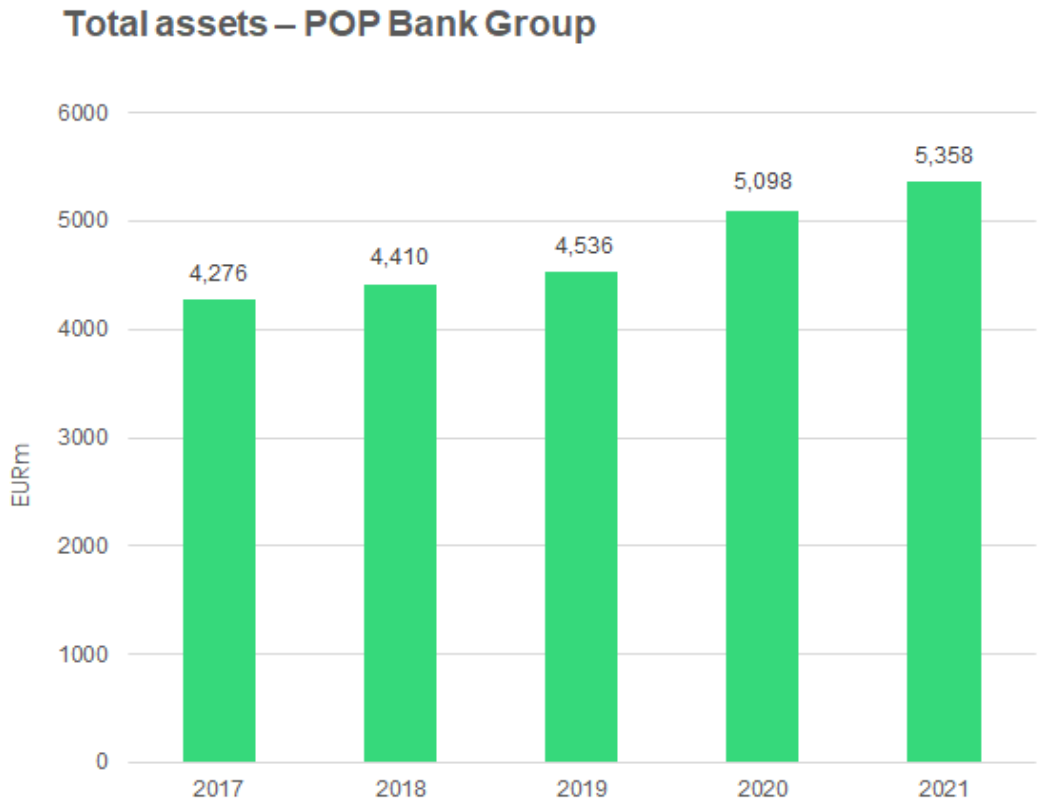


POP Bank's cost/income ratio decreased by 18% in 2021 vs 2020

Source: Company reports 2021

Stable growth and increased operating income





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POP Bank Group's key financials

Satisfied customers, profitable and well-capitalised bank business and rapidly growing digital insurance business

Banking Segment			
	2019	**2020**	**2021**
Deposits	EUR 3.7bn	EUR 4.1bn	EUR 4.2bn
Loans	EUR 3.6bn	EUR 3.9bn	EUR 4.2bn
Profit before tax	EUR 23.8m	EUR 11.3m	EUR 40.4m
CET1 ratio *)	19.8%	19.9%	19.2%
Total capital ratio *)	19.9%	19.9%	19.2%
Customers	252,000	253,700	256,300
Insurance segment			
	2019	**2020**	**2021**
Insurance premium	EUR 42.5m	EUR 43.1m	EUR 45.8m
Total operating income	EUR 12.5m	EUR 12.5m	EUR 15.6m
Operating loss	EUR 1.5m	EUR 2.4m	EUR 5.0m
Operating Expenses	EUR 11.0m	EUR 10.0m	EUR 10.6m
Loss Ratio	74.3%	73.1%	71.2%
Customers	143,000	156,500	171,600
POP Bank Group (Banking, Insurance, other functions)			
	2019	**2020**	**2021**
Balance sheet	EUR 4.5bn	EUR 5.1bn	EUR 5.4bn
Profit before tax	EUR 26.1m	EUR 12.9m	EUR 44.7m

*) Amalgamation of POP Banks

POP Bank Group rating – ’BBB/A-2’

Finnish banks (anchor rating)	**a-**
• Capital & Earnings (very strong) • Very strong capitalization	+2

• Liquidity & Funding (adequate)
  • Stable customer deposit base
  • Adequate liquidity buffers
	0

• Risk position (moderate)
  • Regional concentration
  • Concentration mitigated by sound collateralization and moderate loan sizes
	-1

• Business position (weak)
  • Only in Finnish retail & SME sectors
  • Weak position in growth centers
  • Non-life insurance business still small
	-2

• Additional: Weaker earnings profile compared to peers	-1
• **POP Bank Group credit rating**	**BBB (STABLE)**

Major rating factors (from S&P)

Strengths

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

Weaknesses

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

Source: S&P General Ratings Report dated 4 February 2022

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Lending & funding of the Amalgamation

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Development of mortgages

- POP Bank Centre coop has set general targets for group level mortgage business growth at 8% for 2022. The launch of POPMB will benefit the target accomplishment
- Mortgage product business area is focusing development resources to the digital platform (digital application and loan origination process) in the near and mid-term future
- The goal of digital mortgage development is to foster growth cost efficiently and enhance profitability by increasing cross selling capabilities and focusing the resources to more potential customer segments
- In addition to product and service development POP Banks are planning more intra group mergers in Q2 2022. We expect that mergers will enable better profitability and cost effectiveness in the future

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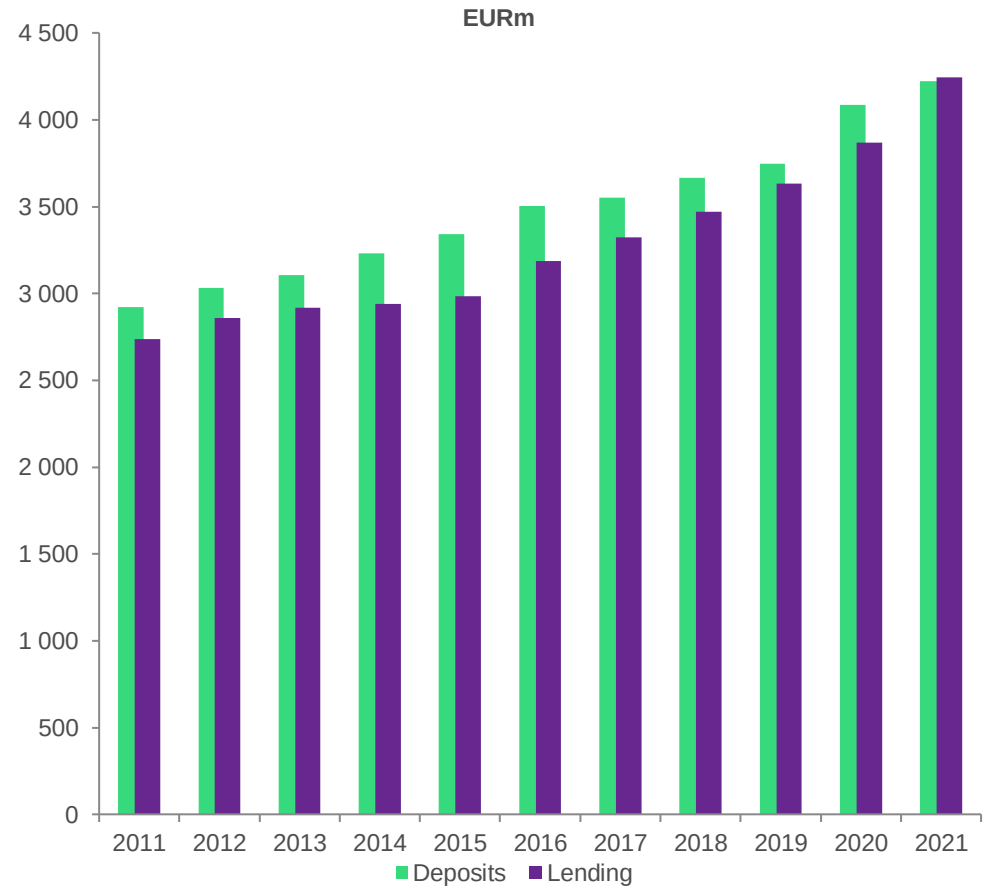
Lending and deposits

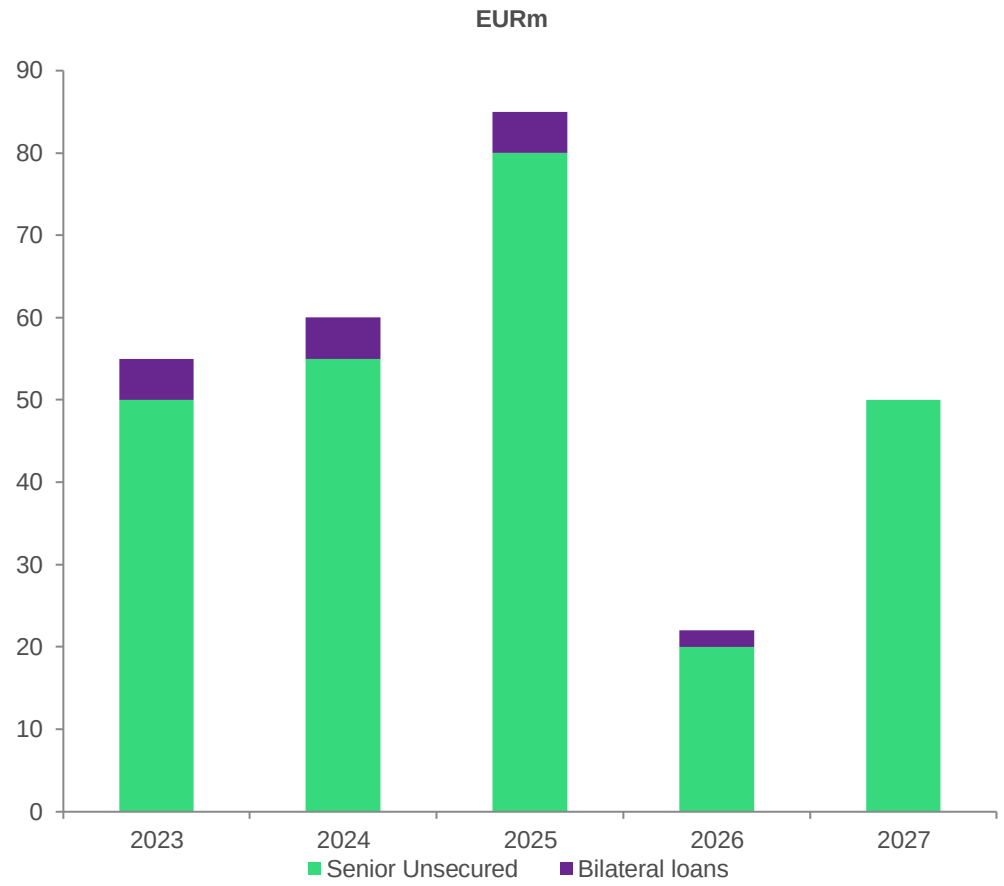
Loan book funded mainly with deposits



- Steady growth both in deposits and lendings
- Amalgamation has enabled faster growth in lending

Maturity profile of capital markets funding

*As of 2022-05-25



- Funding base has been diversified with a senior MTN programme and a CD-program

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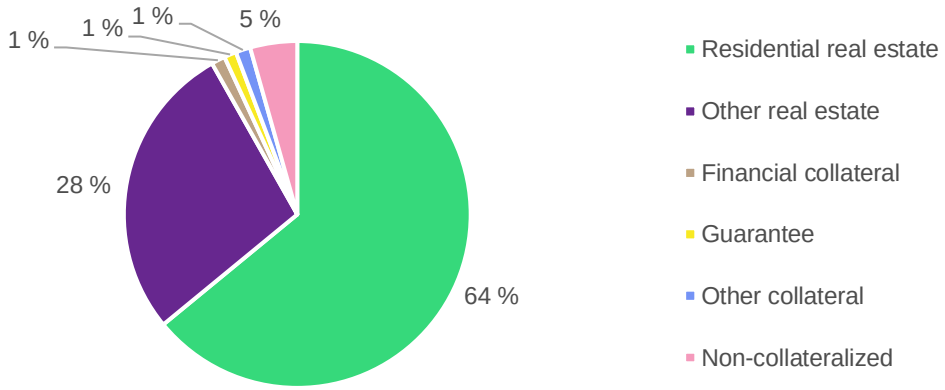
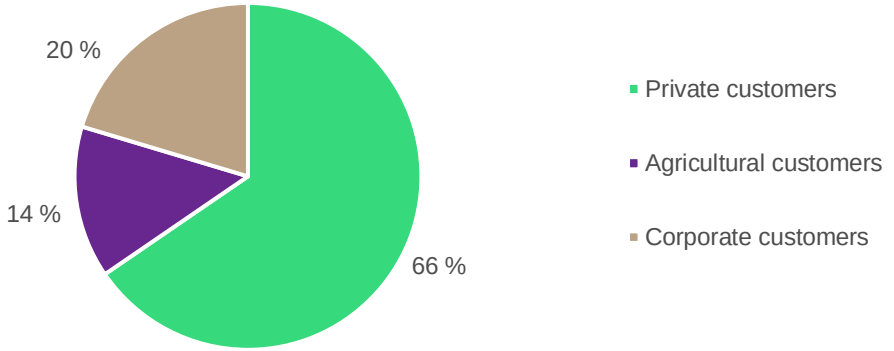
Low risk and diversified loan portfolio

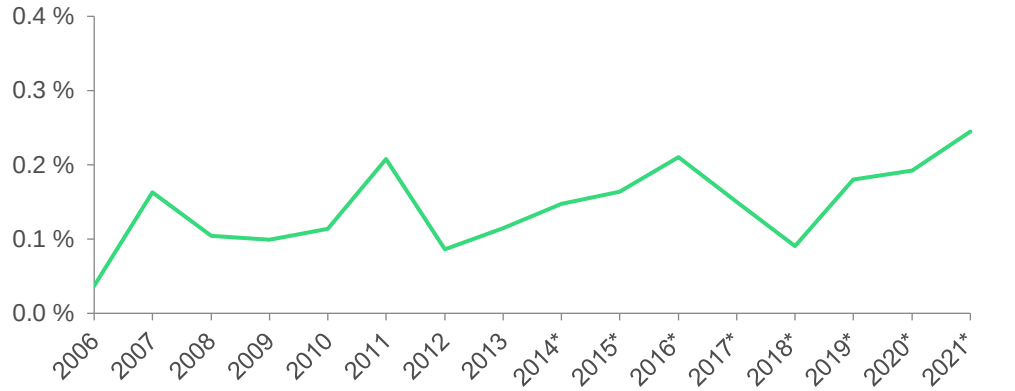
Loan portfolio structure: collateral and customer type



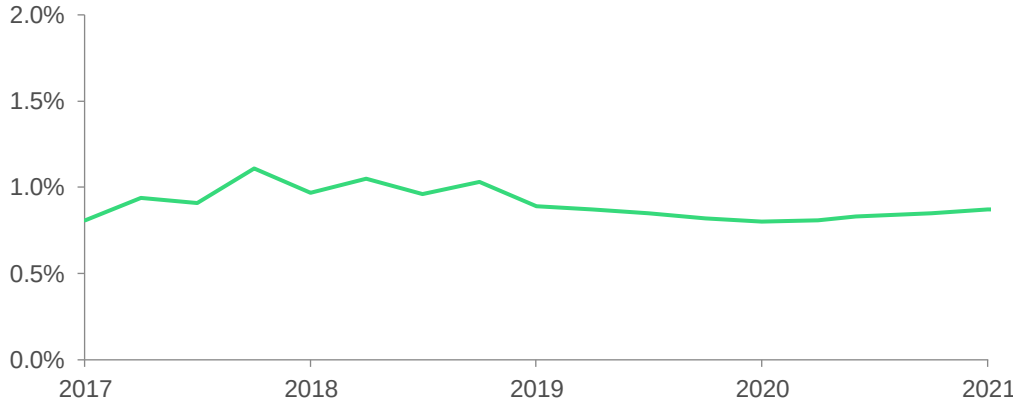


- Total loan portfolio EUR 4.2bn
- Individual housing loans are moderate – average EUR 68,500

Annual impairment losses, %



Loans over 90 days past due *



* Data available only for POP Bank Group

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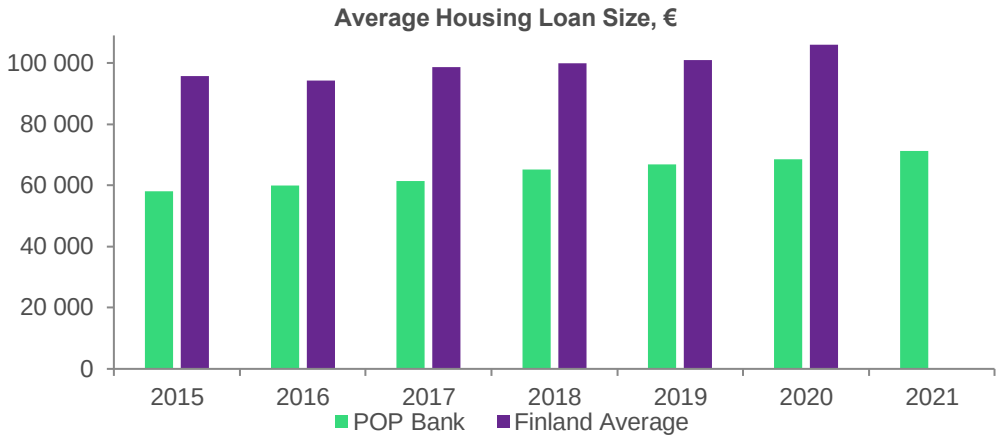
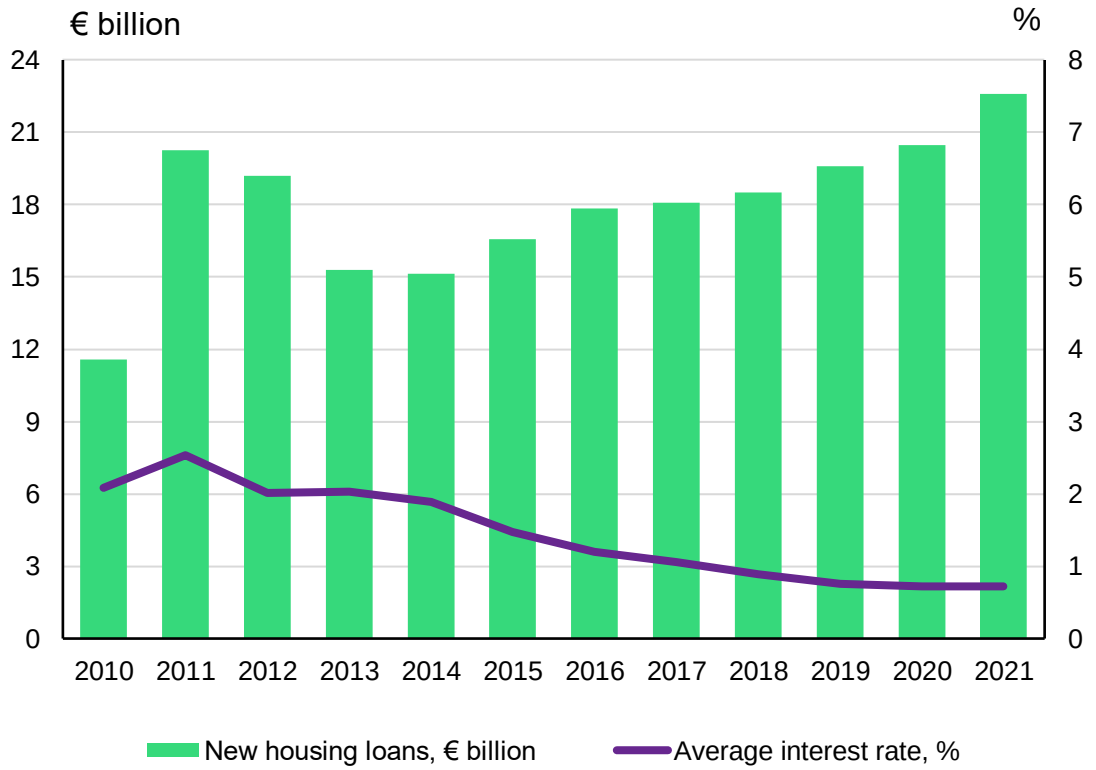
Housing loan portfolio

Smaller average size of housing loans and lower probability of payment defaults



- Housing loan portfolio is well diversified; the average size of a housing loan is EUR 68,500 compared to EUR 106,000 of average size of housing loans in Finland in 2020
- The probability of payment defaults is significantly lower due to smaller average housing loan size



Source: Bank of Finland, Statistics of Finland

Source: Statistics of Finland

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Solid liquidity position

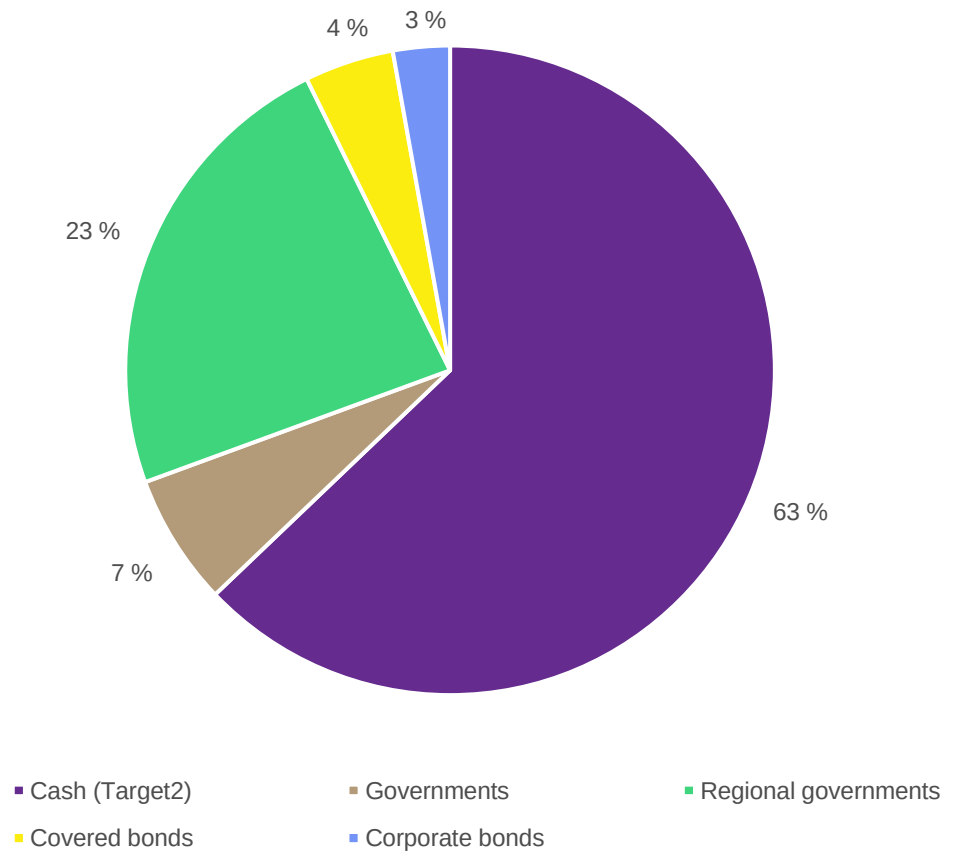
Loan book funded mainly with deposits

- LCR eligible liquid assets were EUR 458m per 31 Dec 2021
- LCR of the POP Bank Amalgamation was 141.3 (191)% as of 31 Dec 2021

Cash and Target2	62.9 (56.0)%
Other Level 1 assets	34.3 (39.5)%
Governments	6.5%
Regional governments	23.3%
Covered bonds	4.4%
Level 2 assets	2.8 (4.6)%

31 December 2020 figures in parentheses

LCR - liquid assets per 31.12.2021



Operating environment

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Solid GDP growth in Finland after pandemic

- Economic growth is projected to slow down from 3.5% in 2021 to 1.8% in 2022
- The GDP growth is expected to slow down after 2022 but not significantly
- Inflation rate is a concern also in Finland as in other EU-countries but it is expected to stay at a more moderate level than in Eurozone in general
- Unemployment rate is expected to decrease to 6.8% in 2022 (7.6% in 2021). The unemployment rate has lowered to pre-pandemic level. Some shortage of highly skilled specialised workforce has already been encountered.
- 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.

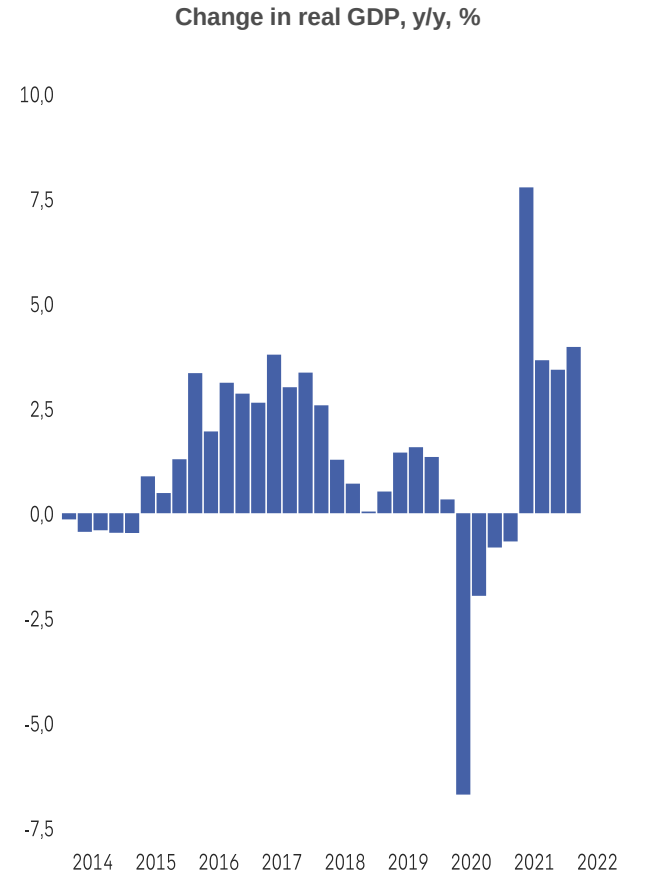
	2020	2021	2022	2023
GDP	-2.3	3.5	1.8	1.5
Private consumption	-4.1	3.1	2.0	1.7
Exports	-7.5	4.7	2.8	3.5
Unemployment	7.7	7.6	6.8	6.5
Wages and salaries	1.8	2.3	2.5	2.2
HICP inflation	0.3	2.1	4.5	1.8

Source: SEB, Macrobond

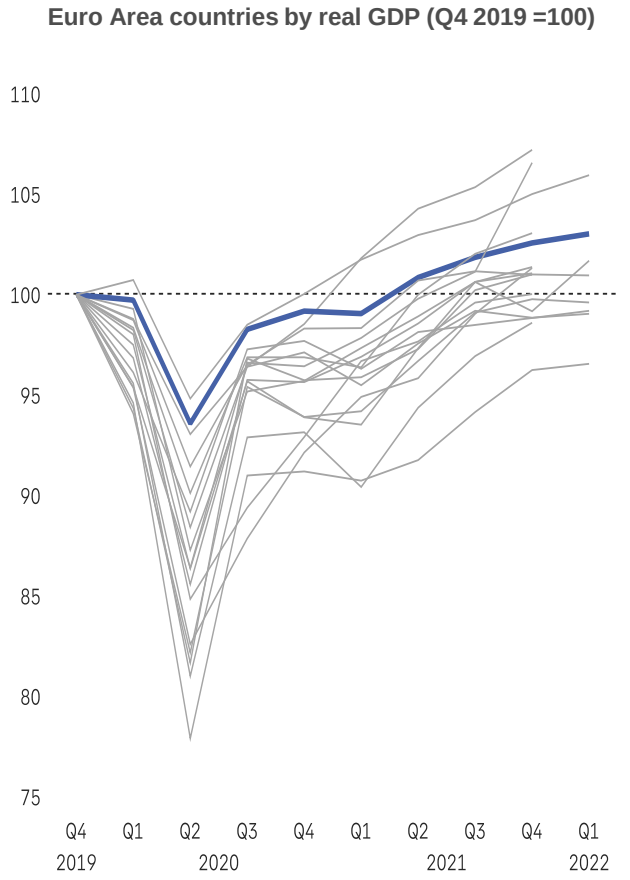
Finnish economy has fared well

- Companies that were previously hesitant due to the pandemic are now more eager to invest. Capacity utilization in industry remains high, while increased demand for services should also benefit investment.
- Total investments expected to increase by 2.7 percent in 2022 and 1.8 percent in 2023.
- Finland’s trade with Russia has steadily declined in recent years. The historic decision to join the NATO alliance will further reduce the connection.

Steady growth continued in 2022 Q1



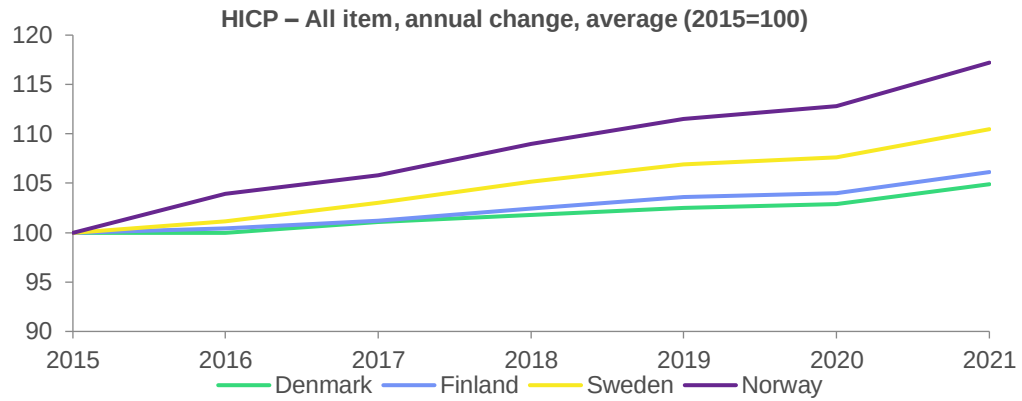
GDP exceeds pre-crises level by far



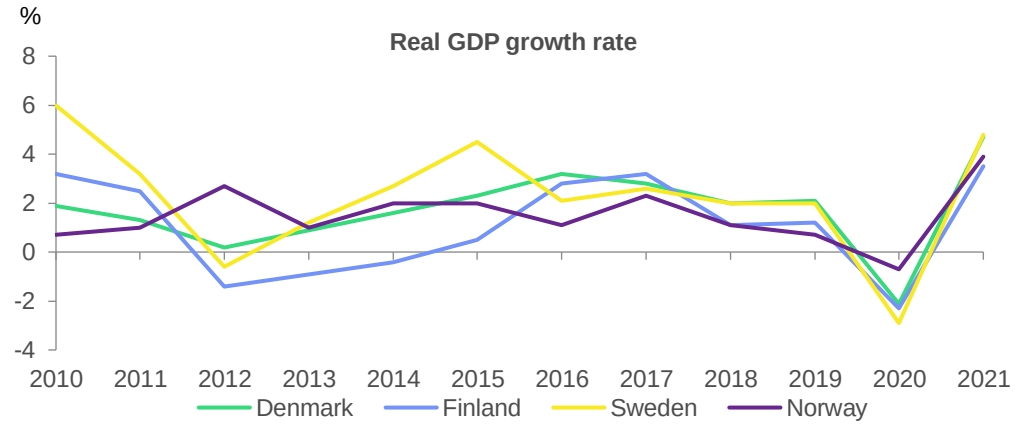
Source: SEB, Macrobond

Growth and improving employment in Finland

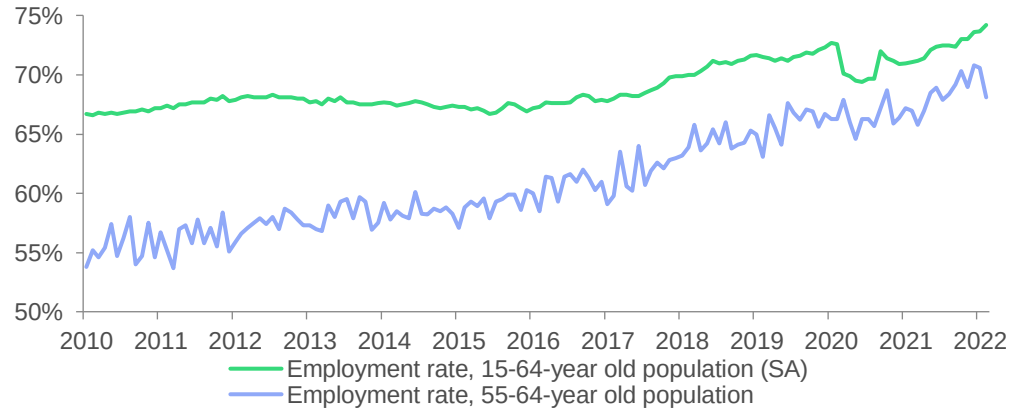
Inflation



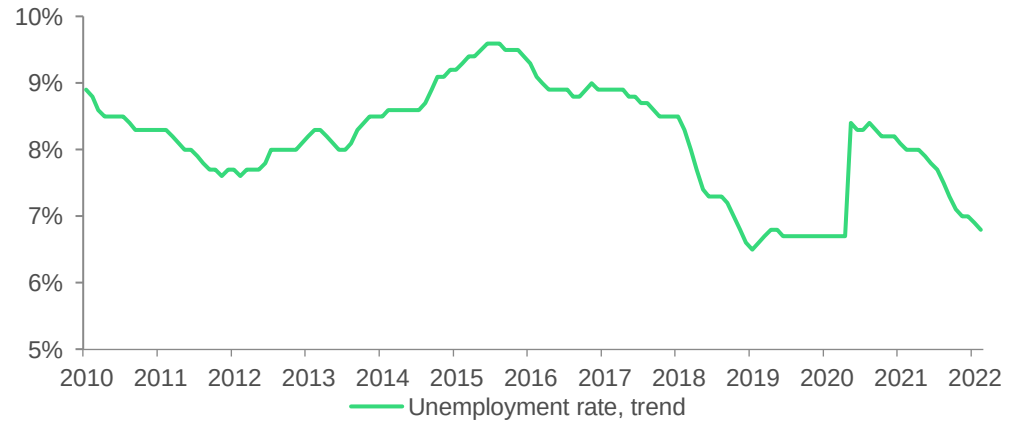
GDP growth



Employment rate



Unemployment rate



Source: Bloomberg, Statistics Finland, Eurostat

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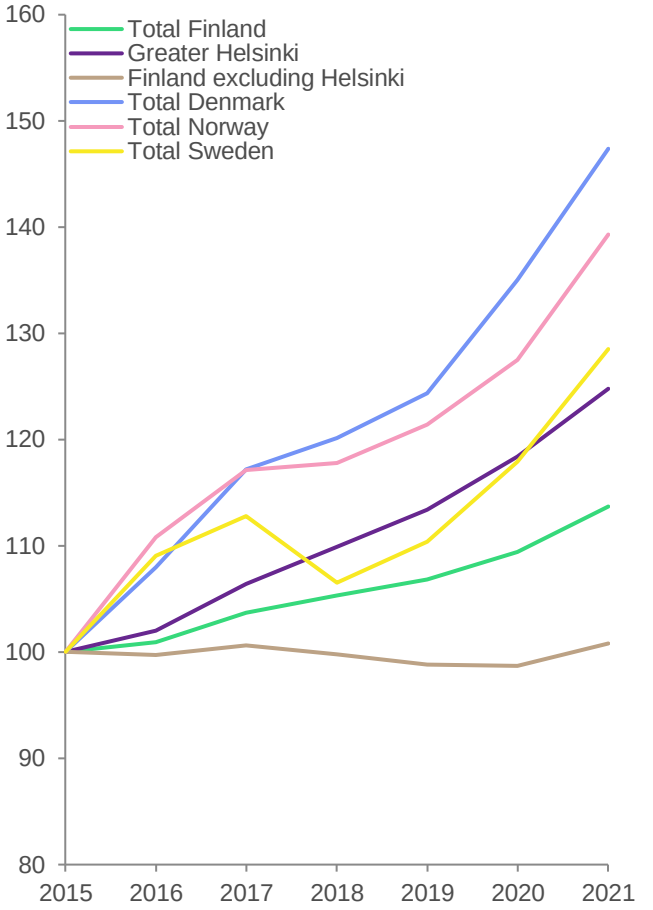
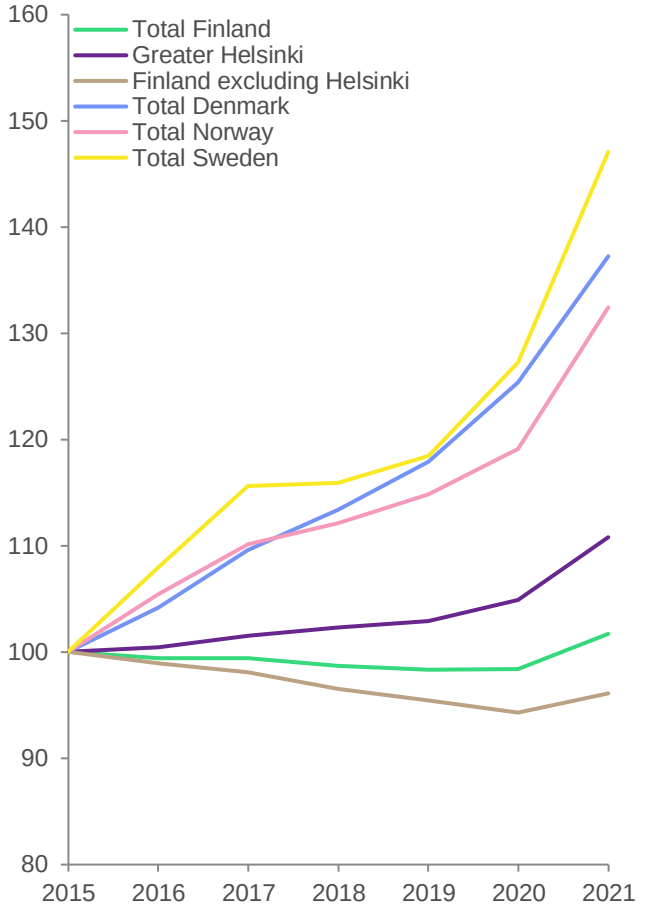
Evolution of residential property prices in Finland

- The Greater Helsinki region has encountered significant growth in prices but at the same time the development in the rest of Finland has been quite steady
- Overall, the prices have had a relatively moderate growth trend in Finland

Apartment price index (2015 = 100)



Detached house price index (2015 = 100)

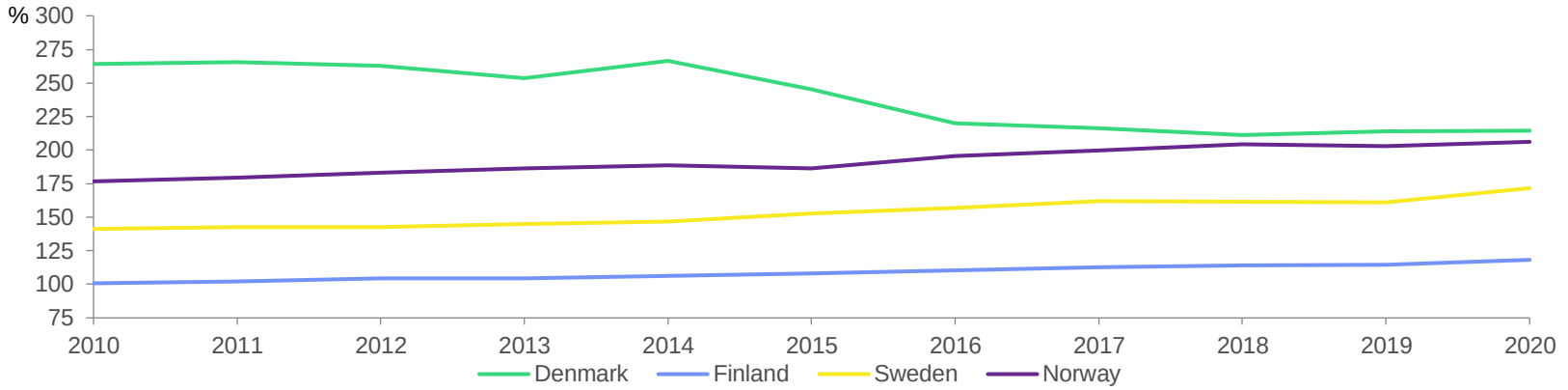


Source: Finance Denmark, Mäklarstatistik, Statistics Finland, Statistics Norway, Statistics Sweden

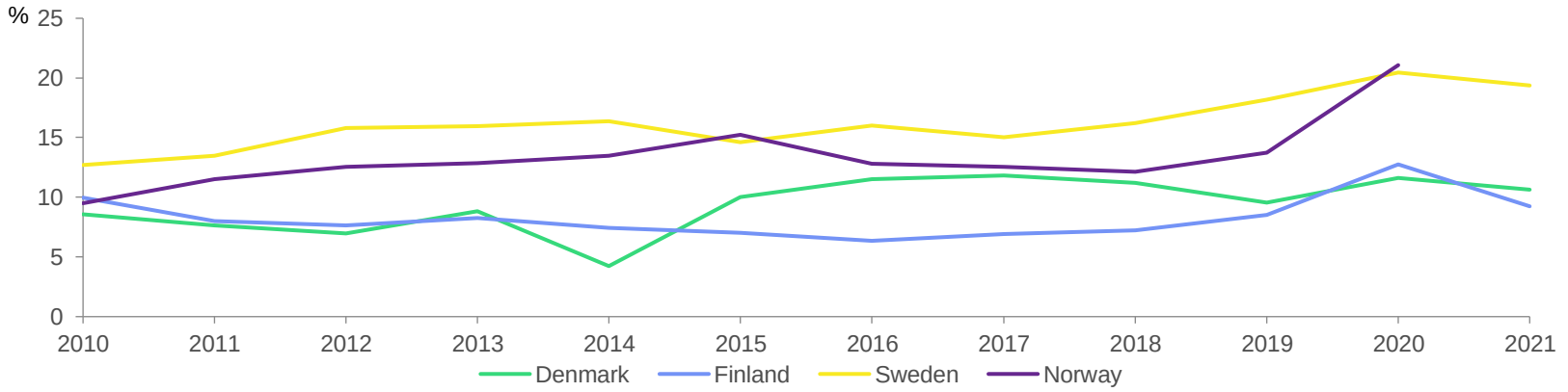
Housing debt-to-income and saving rate

- Finland's total disposable income has increased steadily and the growth rate of the housing debt has recently slowed down
- Household saving increased dramatically during Covid-19, partly due to a decline in private consumption but has since returned to pre-pandemic levels

Gross debt-to-income ratio of households



Household saving rate



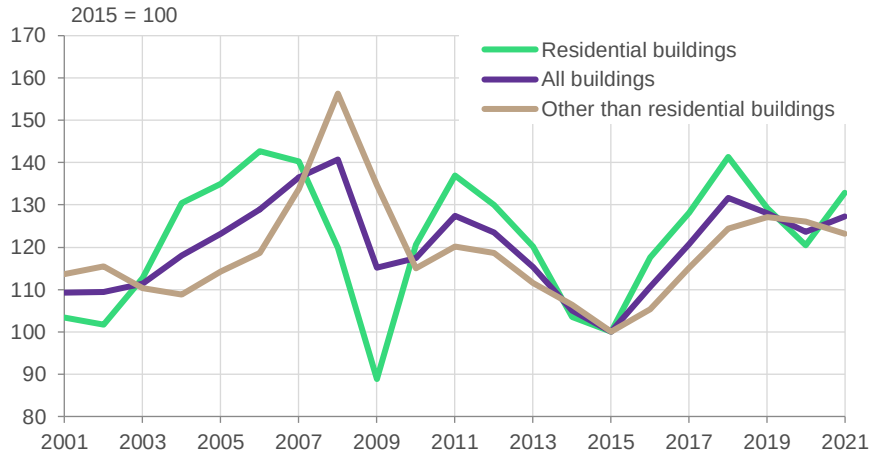
Source: Eurostat

Finnish housing market

Completed buildings and dwellings

	2000	2010	2020	2021
All buildings, mil. m³	**39.02**	**35.32**	**37.21**	**36.29**
Residential	13.56	11.10	12.48	11.83
Commercial and office buildings	6.20	5.56	4.81	4.01
Industrial buildings and warehouses	8.16	7.51	9.33	9.73
Other	11.09	11.15	10.59	10.72
All dwellings, number	**35,361**	**25,428**	**39,026**	**37,434**
Detached and semi-detached houses	18,170	13,630	10,304	10,124
Blocks of flats	16,772	11,140	28,062	26,887
Residential buildings for communities	18	213	-	-
Dwellings of special groups	-	85	163	100
Other than residential buildings	401	360	497	323

Volume index of newbuilding



Prices of dwellings in blocks of flats

Unencumbered average prices

		Old dwellings		New dwellings	
		Helsinki region	Rest of Finland	Helsinki region	Rest of Finland
2017	EUR/m²	3,718	1,598	5,206	3,859
2018	EUR/m²	3,874	1,598	5,450	3,997
2019	EUR/m²	3,966	1,590	5,873	4,073
2020	EUR/m²	4,152	1,590	6,262	4,238
2021	EUR/m²	4,380	1,635	6,441	4,376

Real estate prices

	Old single family houses		Single family house plots	
	Average price EUR/m²	Real price index 2015 = 100	Average price EUR/m²	Real price index 2015 = 100
2015	1,541	100.0	18.6	100
2016	1,549	99.8	21.2	97.8
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

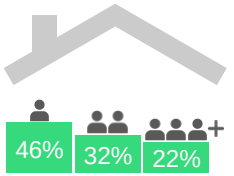
Average rents of rented dwellings

		Non-subsidised dwellings		Government-subsidised dwellings	
		Helsinki region	Rest of Finland	Helsinki region	Rest of Finland
2017	EUR/m²/month	18.39	12.29	12.74	10.72
2018	EUR/m²/month	18.78	12.58	12.98	10.80
2019	EUR/m²/month	19.29	12.85	13.10	10.92
2020	EUR/m²/month	20.12	12.99	13.29	11.05
2021	EUR/m²/month	20.28	13.05	13.41	11.13

Housing benefits, at 2020 prices	
2000	EUR **1.1**bn
2020	EUR **2.2**bn

Total earnings of wage and salary earners 2020
median
Men **3,575**
Women **2,953**

Size of household-dwelling unit 2021



Average age of first-time buyers
2019
29.7 years

Average housing loans of household-dwelling units
2020

EUR 106,119 per household-dwelling unit

Source: Kela, Statistics Finland

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Appendix

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Overview of the POP Bank Group

Group	The POP Bank Group is a Finnish financial group that offers retail banking services for private customers, small and medium-sized enterprises, in addition to providing private customers with non-life insurance services.
Alliance	POP Bank Group consists of 19 cooperative POP Banks, POP Bank Centre coop, central credit institution Bonum Bank Plc, POP Mortgage Bank Plc and online insurance company Finnish P&C Insurance Ltd (branded POP Insurance). POP Banks formed the amalgamation of POP Banks in December 2015.
History	Majority of POP Banks are over 100 years old and are owned by the co-operative members. POP Banks focus on customer experience and take pride in having the most satisfied customers in Nordic region and the best customer service in Finland.
Vision and Mission	The Group's vision is to be a bank that combines personal and digital services, thus providing the highest level of customer satisfaction and a rapid decision-making process. 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.
Financials	POP Bank Group has a strong financial position, and the capital adequacy is among the best bank groups in Finland.
Rating	S&P Global has affirmed a rating 'BBB' to Bonum Bank Plc with stable outlook.

The Group's key figures and ratios

Key income figures (EUR 1,000)	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020	1 Jan-31 Dec 2019
Net interes income	78,338	74,099	69,318
Net commissions and fees	36,326	31,049	30,013
Insurance income	13,192	11,611	10,913
Net investment income	10,028	1,298	15,588
Personnel expenses	-50,655	-43,531	-42,843
Other operating expenses	-55,464	-51,978	-47,927
Impairment losses on financial assets	-10,390	-7,468	-6,528
Profit before tax	44,670	12,919	26,150

Key balance sheet figures (EUR 1,000)	31 Dec 2021	31 Dec 2020	31 Dec 2019
Loan portfolio	4,243,829	3,868,147	3,635,488
Deposit portfolio	4,222,364	4,086,045	3,746,305
Insurance contract liabilities	52,692	43,915	38,606
Equity capital	552,809	517,242	508,435
Balance sheet total	5,357,697	5,098,398	4,535,557

Key ratios	31 Dec 2021	31 Dec 2020	31 Dec 2019
Cost to income ratio	68.8%	83.6%	75.1%
Return on assets, ROA %	0.7%	0.2%	0.5%
Return on equity, ROE %	6.9%	2.2%	4.3%
Equity ratio, %	10.3%	10.1%	11.2%
Common equity Tier 1 capital ratio, (CET1) %	19.2%	19.9%	19.8%
Capital adequacy ratio, (TC) %	19.2%	19.9%	19.9%

POP Bank Group insurance segment - key figures 2021

Rapidly growing and highly scalable digital business model

- Online P&C Insurance company
- Non-life insurance to private customers
- Modern and scalable system, white-labeling readiness
- Established player in car insurances
- Very satisfied customers – 9 out of 10 recommends

Gross Premiums Written **EUR 48.0m** (EUR 46.0m)	**Loss Ratio** **71%** (73%)	**Expense Ratio** **21%** (22%)	**Operating Profit** **EUR 5.0m** (EUR 2.9m)
Active Customers **171,600** (156,500)	**Active Policies** **258,200** (238,300)	**Customer Retention** **77%** (76%)	**Premium per Customer** **EUR 289** (EUR 300)
Personnel **124**	**Premium per Employee** **EUR 387,000**	**Customers by Channel** Online 64% Telesales 20% Banks 10% Car dealers 6%	**Sales Market Share** Motor Insurance 12%

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POP Bank Group & ESG

Themes of our responsibility program

- Promoting sustainable financing and investing and thereby mitigating climate change
- Transparent business operations
- Supporting local success, vitality and well-being
- Ensuring the equality of employees and promoting diversity and well-being at work
- Preventing a shadow economy, corruption and money laundering

ESG monitoring and reporting

- The POP Bank Group's mission is to support its customers' financial well-being and local success. This is reflected in the Group's approach to lending, investing operations and the environment
- The POP Bank Group has been reporting its responsibility work in accordance with the Global Reporting Initiative (GRI) framework since 2020. The Group publishes NFI as part of its Annual Report
- The operational management of matters related to responsibility has been integrated into normal day-to-day business operations. The guidelines are reviewed annually by the Executive Board and the Board of Directors, and policies and principles are updated to support operations as necessary
- The Group has an ESG Working Group that reviews the ESG related legislation and how to integrate the changes to its business operations and models

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