Sp Mortgage Bank Plc's

HALF-YEAR REPORT
1 JANUARY – 30 JUNE 2021

Sp Mortgage Bank Plc

Sp Mortgage Bank Plc's Half-year Report 1 January – 30 June 2021

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SP MORTGAGE BANK PLC'S HALF-YEAR REPORT

Board of Directors' Review for 1 January – 30 June 2021

Sp Mortgage Bank Plc's (henceforth also "Sp Mortgage Bank") objective is to strengthen the competitiveness of the Savings Banks Group through competitive funding and to promote the strategy of the Savings Banks Group through its own activity. Sp Mortgage Bank is responsible for the Savings Banks Group's covered bond issuance.

Sp Mortgage Bank does not have its own customer business operations or a service network; instead, the Savings Banks that belong to the Savings Banks Amalgamation intermediate and sell residential mortgage loans for Sp Mortgage Bank. The Savings Banks also see to the local customer relationship management.

During the review period, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio reached at the end of the review period the amount of EUR 2.8 billion.

Sp Mortgage Bank's operating profit during the review period amounted to EUR 0.64 million, and the balance sheet total amounted to EUR 2.28 billion.

The Savings Banks Group and the Savings Banks Amalgamation

Sp Mortgage Bank belongs to the Savings Banks Group and the Savings Banks Amalgamation. The Bank's financial statements are consolidated with the Savings Banks Group's consolidated financial statements.

The Savings Banks Group is the most longstanding banking group in Finland. It is comprised of Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop which acts as their Central Institution, as well as the subsidiaries and associated companies owned by the Savings Banks.

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions ultimately are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop which acts as the Central Institution of the Amalgamation, 18 Savings Banks, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, as well as Sp-Fund Management Company Ltd and Savings Bank Services Ltd. The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most notable of these are Sb Life Insurance Ltd and Sp-Koti Oy.

Liedon Säästöpankki has concluded a preliminary agreement for the acquisition of the client business of the Mietoisten Säästöpankki. The aim is to make the final decisions and other measures related to the business acquisition by the end of 2021 at the latest.

On 15 June 2021, the Board of Directors of Eurajoen Säästöpankki unanimously approved the transfer plan to merge Eurajoen Säästöpankki with Oma Säästöpankki Oyj. The hosts of Eurajoen Säästöpankki have also approved the launch of the process on the transfer of business.

Further information about the structure of the Savings Banks Group can be found at *www.saastopankki.fi/saastopankkiryhma*.

Description of the operational environment

Global economic outlook

The year 2021 is expected to be a year of rapid economic recovery. The recovery will focus on the second half of the year, but already in the spring it was seen that the recovery had started in different countries. We owe the improvement in the recovery and the economic outlook to the rapid development of vaccines, which has made it possible to make progress with vaccination and thus to brighten up the economic outlook. In addition, the fiscal and monetary stimulus contributes to the recovery of economies from the downward spiral of interest rates.

In the first half of the year, vaccination progressed rapidly after the initial struggle. Among the large economies, vaccination has been the fastest in the United States and the United Kingdom, with a slight delay in Europe. In China, vaccination started later, but the disease situation has also remained good.

As vaccination progresses, there have also been occasional setbacks on the disease front. Globally, the highest infection rates so far were seen in April, and the situation was difficult in particular in India.

Even since then, individual clusters of disease have been seen in different parts of the world and restrictive measures have been reintroduced. The beginning of the year was marked by a tug-of-war between vaccination and outbreaks of the disease.

However, the economic outlook has improved as vaccinations have progressed. As early as the beginning of the year, various confidence indicators showed an increase and reported an increase in both business and consumer confidence. The industry has held its ground reasonably well, and even the increase in the number of infections in the early part of the year did not cause a major shock to industrial production. In the services sector, the situation is different, and the prospects of many companies in the services sector go hand in hand with restrictive measures. When restrictive measures were relaxed during the spring, this was reflected in the restoration of confidence in the service sector.

During the spring, various forecasting institutions have raised their forecasts for global economic growth. For example, at the end of March, the IMF estimated that the world economy would grow by 6% in 2021. In China, the gap in GDP caused by the COVID-19 crisis has already been bridged. In the United States, economic growth is expected to be very strong and strong stimulus measures will contribute to strengthening growth. Europe is lagging behind the US and growth is expected to be slower, but Europe is also witnessing a rather rapid recovery.

With the start of the economic recovery, fears of higher inflation have also increased. During the spring, many countries have recorded higher inflation rates than have been seen for a long time. The market consensus expects that most of the acceleration in inflation will be temporary and explained by factors related to economic opening. Of course, there are also risks of an increase in inflation in a longer term.

Although, for example, the investment market has already turned its attention to the post-covid period, the risk of disease remains. New, more rapidly spreading variants of the virus have been seen, but fortunately the vaccines are still effective. If this were not the case, the economic outlook could quickly deteriorate again.

Interest rate environment

Short-term interest rates in the euro area have remained virtually unchanged over the reference period. By contrast, long-term interest rates have been rising until mid-May, after which a slight decline has been observed. As Euribor rates are the dominant form of interest rate fixation in lending, the low level of these reference rates and the flatness of the short-term interest rate curve have continued to pose challenges to the interest income of the banking sector over the reference period.

The utilisation of the European Central Bank's TLTRO programme has led to a significant reduction in the issuance of debt by the financial sector. As a result, debt issuance created an over-demand in the debt capital markets during the reference period, which in turn has led to lower credit margins in the wholesale markets. However, at the end of the reference period, this trend has begun to stabilise. In the euro area government bond market, spreads remained stable during the first half of the year.

Investment markets

The first half of the year was positive from the perspective of the investment markets. The gradual recovery in economic growth and good stock market performance led to higher stock prices. In emerging markets, the impact of the pandemic remained more pronounced and share price developments were also lower than in developed markets. Market expectations of the Central Banks' monetary policy turned towards a tightening of monetary policy. This, together with the rise in inflation, led to an increase in interest rates both in Europe and the United States. In the corporate bond market, credit spreads declined, supported by strong demand, thus, supporting corporate bond yields in an environment of rising interest rates. Investor confidence and risk appetite remained strong as the recovery from the pandemic progressed.

The Finnish economy

The Finnish economy has coped with the COVID-19 crisis better than other European countries. Finland's GDP fell by 2.8% in 2020, well below the euro area average. Finland's success in managing the situation is the sum of many factors. The disease management in Finland has proved to be reasonably successful, and the structure of the Finnish economy also supports a smaller drop, as the role of the service sector and tourism, for example, is smaller in Finland than in many other countries. In addition, the transition to teleworking has gone smoothly thanks to good digital capabilities.

As in other countries, the decline in economic activity has been the sharpest in the service sector in Finland. There are also substantial differences within the service sector. The hardest-hit segments have been the hotel and restaurant industry, transport, entertainment and recreational services. At the same time, the information and communication sector has even grown during the COVID-19 pandemic. Industry and construction have held up well during COVID-19, and the retail trade has even benefited from the pandemic. Thus, the effects of the pandemic vary between companies in different industries.

The start of the global economic recovery is already reflected in the Finnish economy. For example, according to the latest statistics, orders in manufacturing are growing rapidly and exports have also picked up.

Corporate bankruptcies were even lower than normal in 2020, which is at least partly explained by the change in bankruptcy legislation which temporarily made it more difficult for companies to file for bankruptcy. This temporary legislation expired at the end of January 2021, but the expected wave of bankruptcy has yet to been seen. At least on the surface, companies have coped reasonably well with the coronavirus.

On the whole, households have coped with the COVID-19 crisis relatively well. Unemployment has risen slightly, but the feared mass unemployment was not seen. In spring 2021, unemployment has continued to fall, but the level is still slightly higher than before the COVID-19 crisis. The wages and salaries sum of households was at a higher level in spring 2021 than before the COVID-19 crisis in 2019. One manifestation of the COVID-19 crisis is an increase in the household savings rate. This will allow for a recovery in rapid consumption through the gradual dismantling of restrictive measures.

The housing market in Finland

The housing market has been buoyant since the summer of 2020. There was no normal seasonal fluctuation, i.e. market calming around the turn of the year. There was also no seasonal variation between different types of dwellings, but, for example, the trade in detached houses and leisure destinations continued to be lively even during the winter months. There are many reasons, but the most important ones are the need for more space brought by increased teleworking and the desire to improve housing, increased savings and low interest rates. There would certainly have been even more housing transactions, but many customers have wanted to find a new apartment first before starting the sale of their current one. This has barred the supply.

Between January and May 2021, the trade volume of old dwellings grew by 33.5% from last year and the price change for five years has been 25.7% (source: the price monitoring service of the Central Federation of Finnish Real Estate Agencies). During this period, the trade volume of old dwellings in blocks of flats grew by 36.8%, that of terraced houses by 31.6% and that of detached houses by 27.9%. In five years, the prices of single-family houses have increased most, i.e. by 25.9%. In old dwellings sold, trade volumes have grown in other parts of Finland (36%) more than in large cities (31.7%). In each region, the growth has also been significant compared to last year. Among the regions, the strongest growth has been in Kanta-Häme, Central Ostrobothnia and Kymenlaakso.

In many places, when demand exceeds supply, the price level has clearly strengthened. In May, the price development of old dwellings in blocks of flats in the Helsinki Metropolitan area was 8.7% compared to the corresponding period of the year before. The same comparison shows 5.6% in large cities (not the Helsinki region), 10.6% in Turku, 6.3% in Tampere and 4% in Oulu. There is also a large dispersion in price developments within localities.

According to the Finnish Construction Industry Association's March economic review, housing production rose to nearly 41,000 dwellings last year, contrary to expectations, when the housing trade has been exceptionally lively. Housing construction is estimated to remain at a good level also this year, although it is slowing down by around ten per cent. Next year, the number of starts is expected to fall to 34,000 dwellings. According to the HSP, in the early part of the year, the volume of new-build dwellings has increased by 80.6% over the corresponding period of the year before, and in the course of the last five years, too, the total growth has been 38.5%. The majority of construction is concentrated in large cities.

The free-time residential property trade has been lively and uninterrupted this year and has increased by 32% in the beginning of this year. In the last five years, the total growth has been 75.8%. The sale has been made from small, affordable dryland cottages to expensive ski resort villas. The volume of trade has been curbed by a lack of supply. The previous assumption of the trend that younger generations would no longer want to buy secondary residences has proved to be wrong.

Sp Mortgage Bank's profit and balance sheet

Sp Mortgage Bank's financial highlights

(EUR 1,000)	1.1.-30.6.2021	1.1.-31.12.2020	1.1.-30.6.2020
Revenue	14,431	30,275	12,329
Net interest income	11,697	21,854	10,684
% of revenue	81.1 %	72.2 %	86.7 %
Profit before taxes	639	6,561	1,172
% of revenue	4.4 %	21.7 %	9.5 %
Total operating revenue	1,557	8,292	1,810
Total operating expenses	-962	-1,689	-803
Cost to income ratio	61.8 %	20.4 %	44.4 %
Total assets	2,280,259	2,255,494	2,064,661
Total equity	112,157	111,646	99,335
Return on equity %	0.5 %	5.0 %	0.9 %
Return on assets %	0.0 %	0.1 %	0.0 %
Equity/assets ratio %	4.9 %	4.9 %	4.8 %
Solvency ratio %	14.3 %	14.2 %	13.7 %
Impairment losses on loans and other receivables	44	-42	165

Profit trends (comparison period 1-6/2020)

The Interest income increased to EUR 14.3 (13.0) million and consisted mostly of housing loan Interest payments. Growth in Interest income comes from housing loans and interest income from hedging derivatives. The Interest expenses were EUR 2.6 (2.3) million consisted mostly of Interest expenses from liabilities to credit institutions and Interest expenses from covered bonds. The net interest income amounted to EUR 11.7 (10.7) million.

The net fee and commission income mainly consisted of fees paid to the intermediating banks amounted to EUR -9.9 (-7.8) million.

Net profit from hedge accounting for the period was EUR -0.3 (-1.0) million and it is presented under Net trading income on the income statement.

Operating expenses were EUR -1.0 (-0.8) million. Operating expenses mainly consisted of other operating expenses.

Operating profit for the review period was EUR 0.6 (1.2) million.

Balance sheet and funding (comparison figures 31 December 2020)

The loan portfolio of Sp Mortgage Bank grew to EUR 2,179 (2,146) million during the review period.

Sp Mortgage Bank funds its operations with covered bonds. Financial credit from Central Bank of Savings Banks Finland Plc is used as short-term bridge financing. The value of the covered bonds was EUR 1,504 (1,512) million at the end of the review period. The amount of short-term funding drawn from Central Bank of the Savings Banks Finland Plc was EUR 647 (609) million.

Capital adequacy and risk position

Capital adequacy (comparison figures 31 December 2020)

At the end of the review period, the Sp Mortgage Bank had a strong capital structure, consisting of CET1 capital. Own funds were EUR 112 (112) million. Risk-weighted assets amounted to EUR 786 (785) million. During the review period, risk-weighted exposure amounts were increased by the introduction of a new definition of default and reduced by the redemptions of fund investments and the extension of the SME support factor resulting from the amendment of the capital adequacy regulation (CRR). The capital ratio of Sp Mortgage Bank was 14.3 (14.2) % and the CET1 capital ratio was 14.3 (14.2) %.

The capital requirement of Sp Mortgage Bank was EUR 83 (82) million that equals to 10.5% of risk-weighted assets. The components of the capital requirement have remained unchanged compared to the previous year. The capital requirement is formed by:

- 8 % minimum capital requirements set by Capital Requirement Regulation (CRR),
- 2.5% CET1 capital conservation buffer of according to the Act on Credit Institutions, and
- The country specific countercyclical CET1 capital requirements of foreign exposures.

Finnish Financial Supervisory Authority made decision on pillar 2 requirement for the Savings Bank Amalgamation on 4 July 2019 and it came into force on 31 March 2020. As a result, pillar 2 requirement for the Savings Bank Amalgamation increased from 0.5% to 1.25 % of total risk amount. The requirement percentage is based on the methodology of SREP (Supervisory Review and Evaluation Process) for LSI banks from ECB, where the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. The requirement shall be met at the amalgamation level with CET1 capital. The requirement is valid maximum 3 years until 31 March 2023.

At its meeting on 6 April 2020, the Board of the Financial Supervisory Authority decided to remove the systemic risk buffer, which lowered the Saving Bank Amalgamation's capital requirement by one percentage point. The aim of the decision is to mitigate the negative effects of the coronavirus pandemic on the stability of financial markets and on credit institutions' ability to finance the economy.

At its meeting on 29 June 2021, the Board of the Financial Supervisory Authority decided to change the maximum lending ratio so that the maximum lending ratio of other than first-home buyers is reduced by 5 percentage points to 85 per cent. The amendment shall enter into force on 1 October 2021. In addition, the Financial Supervisory Authority decided not to impose the countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

The Finnish Financial Supervisory Authority is responsible for domestic macroprudential decision making after hearing the Bank of Finland, Ministry of Finance and Ministry of Social Affairs and Health. Decisions on the activation of macro prudential instruments are taken on a quarterly basis expect for decisions on O-SII buffers, risk weights for loans secured by mortgages on immovable property (CRR Article 124 and 164) and systematic risk buffer. Decisions on the activation of these instruments have taken at least once a year.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010).

The Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

Sp Mortgage Bank publishes the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statement. The main capital adequacy information has been published in the Half-year Report.

Sp Mortgage Bank's capital adequacy information is included in the consolidated financial statements and the half-year report of the Savings Banks Amalgamation. The Savings Banks Group publishes the so-called Pillar III capital adequacy information separately at the same time with its financial statements. Unlike before, the Savings Banks Amalgamation will also publish the information in the Pillar III report in connection with the publication of the Half-Year Report. The Savings Banks Group's financial statements and the Pillar III information are available online at *www.saastopankki.fi*.

Sp Mortgage Bank's capital adequacy's main items

Own funds (EUR 1,000)	30.6.2021	31.12.2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	112,157	111,646
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-8	-16
Common Equity Tier 1 (CET1) capital	112,149	111,630
Additional Tier 1 (AT1) capital before regulatory adjustments	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	0	0
Additional Tier 1 (AT1) capital	0	0
Tier 1 capital (T1 = CET1 + AT1)	112,149	111,630
Tier 2 (T2) capital before regulatory adjustments	0	0
Total regulatory adjustments to Tier 2 (T2) capital	0	0
Tier 2 (T2) capital	0	0
Total capital (TC = T1 + T2)	112,149	111,630
Risk weighted assets	786,405	784,525
of which: credit and counterparty risk	758,993	746,409
of which: credit valuation adjustment (CVA)	16,144	26,849
of which: market risk		
of which: operational risk	11,268	11,268
Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.3 %	14.2 %
Tier 1 (as a percentage of total risk exposure amount)	14.3 %	14.2 %
Total capital (as a percentage of total risk exposure)	14.3 %	14.2 %
Capital requirement		
Total capital requirement	99,316	98,358
Capital requirement total*	76,104	75,130
Capital buffer	23,211	23,228

* The capital requirement of 10.5% is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, and the country-specific countercyclical capital requirements of foreign exposures.

Leverage ratio

The leverage ratio of the Sp Mortgage Bank was 4.9 per cent (4.9%) clearly exceeding the 3% minimum requirement that became valid on 28 June 2021. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The benchmark data are not fully comparable as they do not take into account the changes to the CRR that entered into force during the review period.

Leverage ratio

	30.6.2021	31.12.2020
Tier 1 capital	112,149	111,630
Leverage ratio exposure	2,280,472	2,266,774
Levarage ratio	4.9 %	4.9 %

Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). In April 2021, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement will enter into force in full as of 1 January 2022 for the Savings Banks Amalgamation and as of 1 January 2022 for Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks. The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. The Financial Stability Authority decided that the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher. As of 1 January 2024, the MREL requirement in full for Sp Mortgage Bank Plc is 15.71% of the total risk amount or 5.91% of the total exposures, whichever is higher. In addition to the requirement calculated on the basis of overall risk, the institution-specific capital buffer requirement shall be met on an ongoing basis.

Risk Position

The solvency of the Sp Mortgage Bank is good, the quality of the credit portfolio is still at a good level and most of the loans are secured. Sp Mortgage Bank does not have significant risk concentrations in the sectors that have especially suffered from the coronavirus pandemic. The non-performing receivables of Sp Mortgage Bank have remained at a reasonable level despite the coronavirus pandemic and the introduction of a broader definition of default that entered into force on 1 January 2021. The objectives, principles and organization of risk management in Sp Mortgage Bank are the same as those presented in the 2020 financial statements.

Material events after the closing date

Sp Mortgage Bank's Board of Directors are not aware of any facts that would materially influence the financial position of the Sp Mortgage Bank after the completion of the half-year report.

Outlook for the year 2021

Sp Mortgage Bank expects the loan portfolio to continue to grow through sales of new contracts and the quality of the loan portfolio to remain at a high level. The capital adequacy of Sp Mortgage Bank is estimated to remain strong and the risk position to remain stable. The covered bond programme established in 2016 allows for covered bond issuances 2021.

Information

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Releases and other corporate information are available on the Savings Banks Group's website at *www.saastopankki.fi/saastopankkiryhma*

Formulas used in calculating the financial highlights:

Revenues	Interest income, fee income, net trading income, net investment income, other operating revenue
Total operating revenue	Net interest income, net fee and commission income, net trading income, net investment income, net life insurance income, other operating revenue
Total operating expenses	Personnel expenses, other operating expenses, depreciation and amortisation of plant and equipment and intangible assets
Cost to income ratio %	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}}$
Return on assets %	$\frac{\text{Profit}}{\text{Total assets (average)}}$
Equity/assets ratio %	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}}$

Alternative Performance Measures

European Securities and Markets Authority's Guidelines on Alternative Performance measures came into effect on 3 July 2016. An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the IFRS framework. Alternative Performance Measures are used to reflect financial development and enhance comparability between different reporting periods.

Sp Mortgage Bank is not using any alternative performance measures that are not directly calculated using the information presented in the financial statement, nor have any changes occurred in the financial highlights.

SP MORTGAGE BANK'S HALF-YEAR REPORT (IFRS)

Sp Mortgage Bank's income statement

(EUR 1,000)	Note	1-6/2020	1-6/2020
Interest income		14,309	12,995
Interest expense		-2,611	-2,311
Net interest income	4	**11,697**	**10,684**
Net fee and commission income	5	-9,866	-7,841
Net trading income	6	-275	-1,033
Total operating revenue		**1,557**	**1,810**
Personnel expenses		-15	-5
Other operating expenses		-947	-770
Depreciation of intangible assets			-28
Total operating expenses		**-962**	**-803**
Net impairment loss on financial assets	7	44	165
Profit before tax		**639**	**1,172**
Taxes		-128	-234
Profit		**511**	**938**
Distribution:			
Owners' share of the profit		511	938
Non-controlling interests share			
Total		**511**	**938**

Sp Mortgage Bank's statement of comprehensive income

(EUR 1,000)	1-6/2021	1-6/2020
Profit	**511**	**938**
Total comprehensive income	**511**	**938**

Sp Mortgage Bank's statement of financial position

(EUR 1,000)	Note	30.6.2021	31.12.2020
Assets			
Loans and advances to credit institutions	9	83,279	85,309
Loans and advances to customers	9	2,178,661	2,145,433
Derivatives	10	12,556	20,712
Intangible assets			
Tax receivables			
Other assets		5,764	4,040
Total assets		**2,280,259**	**2,255,494**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	659,950	627,830
Debt securities issued	12	1,504,441	1,511,782
Tax liabilities			944
Provisions and other liabilities		3,712	3,292
Total liabilities		**2,168,102**	**2,143,848**
Equity			
Share capital		67,273	67,273
Reserves		33,586	33,586
Retained earnings		11,298	10,787
Total equity		**112,157**	**111,646**
Total liabilities and equity		**2,280,259**	**2,255,494**

Sp Mortgage Bank's statement of cash flows

(EUR 1,000)	1-6/2021	1-6/2020
Cash flows from operating activities		
Profit	511	938
Adjustments for items without cash flow effect	899	1,131
Cash flows from operating activities before changes in assets and liabilities	**1,410**	**2,069**
Increase (-) or decrease (+) in operating assets	**-34,753**	**-13,402**
Loans and advances to customers	-33,179	-12,399
Other assets	-1,574	-1,003
Increase (-) or decrease (+) in operating liabilities	**32,536**	**-11,581**
Liabilities to credit institutions	32,120	-12,500
Debt securities issued	416	540
Other liabilities		378
Paid income taxes	**-1,222**	**-275**
Total cash flows from operating activities	**-2,030**	**-23,189**
Cash flows from financing activities		
Increase in basic capital		
Other monetary increases in equity items		
Total cash flows from financing activities		
Change in cash and cash equivalents	**-2,030**	**-23,189**
Cash and cash equivalents at the beginning of the period	**85,309**	**94,318**
Cash and cash equivalents at the end of the period	**83,279**	**71,129**
Cash and cash equivalents comprise the following items:		
Receivables from central banks repayable on demand	83,279	71,129
Total cash and cash equivalents	**83,279**	**71,129**
Adjustments for items without cash flow effect		
Impairment losses on financial assets	-44	-165
Changes in fair value	275	1,033
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		28
Other adjustments	668	234
Total	**899**	**1,131**
Interest received	12,658	11,907
Interest paid	2,530	2,141

Sp Mortgage Bank's statement of changes in equity

(EUR 1,000)	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2020	**61,937**	**30,922**	**5,538**	**98,397**
Comprehensive income				
Profit			511	
Total comprehensive income			**511**	**511**
Total equity 30 June 2020	**61,937**	**30,922**	**6,049**	**98,908**
Equity 1 January 2020	**61,937**	**30,922**	**5,538**	**98,397**
Comprehensive income				
Profit			5,249	
Total comprehensive income			**5,249**	**5,249**
Transactions with owners				
Subscription issue	5,336	2,664		8,000
Total equity 31 December 2020	**67,273**	**33,586**	**10,787**	**111,646**
Equity 1 January 2021	67,273	33,586	10,787	111,646
Comprehensive income				
Profit			511	
Total comprehensive income			511	511
Total equity 30 June 2021	67,273	33,586	11,298	112,157

BASIS OF PREPARATION

NOTE 1. INFORMATION ON THE REPORTING COMPANY AND DESCRIPTION OF THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

Sp Mortgage Bank Plc (henceforth “Sp Mortgage Bank”) is a mortgage bank wholly owned by the Savings Banks that belong to the Savings Banks Amalgamation. The role of Sp Mortgage Bank is, together with Central Bank of Savings Banks Finland Plc, to be responsible for obtaining funding for the Savings Banks Group from money and capital markets. Sp Mortgage Bank is responsible for the Savings Banks Group’s mortgage-secured funding by issuing covered bonds. Sp Mortgage Bank does not have independent customer business operations or service network; instead, the Savings Banks that belong to the Savings Banks Amalgamation intermediate and sell residential mortgage loans for Sp Mortgage Bank. The Savings Banks also see to the local customer relationship management.

Sp Mortgage Bank received authorisation to operate as a mortgage bank, granted by the European Central Bank, in March 2016, and the Bank’s operations began immediately. Sp Mortgage Bank has been Savings Banks’ Union Coop’s member credit institution starting from March 2016.

Sp Mortgage Bank is part of the Savings Banks Amalgamation and the Savings Banks Group. The Savings Banks Group is the most longstanding banking group in Finland. It comprises of Savings Banks forming the Savings Banks Amalgamation, the Savings Banks’ Union Coop which acts as the central institution and the subsidiaries and associated companies owned by the Savings Banks. The Savings Banks are independent regional and local banks. Together the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift, the financial wellbeing of their customers and to operate near their customers.

The Savings Banks focus on retail banking, particularly services related to daily business, saving and investments, and lending services. The service and product range offered is complemented with the other financial services and products provided in cooperation with the service and product companies within the Savings Banks Group. The service and product companies within the Savings Banks Group support and promote the operations of the Savings Banks Group via producing centralised services or having responsibility for certain products. The most significant service and product companies of the Savings Banks Group are Sp Mortgage Bank Plc, Central Bank of Savings Banks Finland Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Ltd and Sp-Koti Oy.

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks’ Union Coop and its member credit institutions are jointly liable for each other’s liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks’ Union Coop, which acts as the Central Institution of the Amalgamation, 18 Savings Banks, the Central Bank of Savings Banks Finland Plc , Sp Mortgage Bank Plc, Savings Bank Services Ltd and Sp-Fund Management Company Ltd as well as the above-mentioned companies within the consolidation groups.

The coverage of the Savings Banks Group differs from that of the Savings Banks Amalgamation in that the Savings Banks Group also includes institutions other than credit and financial institutions or service companies. The most significant of these are Sb Life Insurance Ltd and Sp-Koti Oy. The Savings Banks Group does not form a consolidated corporation or a consolidation group as defined in the Act on Credit Institutions because the Savings Banks’ Union Coop and its member Savings Banks do not have control over each other as referred to in the general consolidation accounting principles and therefore it is not possible to define a parent company for the Savings Banks Group.

The Savings Banks’ Union Coop steers the operations of the Savings Banks Group and is the Central Institution responsible for the internal control framework. According to the Act on the Amalgamation of Deposit Banks, the Savings Banks’ Union Coop acting as the central institution of the Savings Banks Amalgamation is obligated to prepare consolidated financial statements for the Savings Banks Group. Sp Mortgage Bank is also consolidated into these financial statements. The financial statements are prepared for the financial group formed by the Savings Banks Group.

The head office of Sp Mortgage Bank is in Helsinki, and its registered address is Teollisuuskatu 33, FI-00510 Helsinki, Finland. A copy of Sp Mortgage Bank's Annual Report is available online at *www.saastopankki.fi/saastopankkiryhma* or at Sp Mortgage Bank's offices at Teollisuuskatu 33, FI-00510 Helsinki, Finland.

Similarly, copies of the Savings Banks Group's financial statements and half- year reports are available online at *www.saastopankki.fi/saastopankkiryhma* or at Savings Banks' Union Coop's offices at Teollisuuskatu 33, FI-00510 Helsinki, Finland.

NOTE 2 ACCOUNTING POLICIES

1. General

Sp Mortgage Bank's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

Sp Mortgage Bank is part of the Savings Banks Amalgamation and in accordance with the principles of the Act on the Amalgamation of Deposit Banks and the IAS 8 standard concerning accounting policies, adjustments and errors in accounting estimates, the Board of the Savings Banks' Union Coop confirms any accounting policy for which no guidance is available in the IFRS.

The half-year report 1 January – 30 June 2021 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2020. Changes in accounting policies during the financial year are described below. The financial statement 2020 contain the full accounting principles.

The figures presented in the half-year report are unaudited.

Sp Mortgage Bank's financial statements are presented in euros, which is the Bank's accounting and functional currency. The half-year report is presented in thousands of euros, unless stated otherwise.

Critical accounting estimates and judgments

IFRS-compliant financial statements require Sp Mortgage Bank's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the financial statements.

The critical estimates of Sp Mortgage Bank concern the future and key uncertainties related to estimates at the reporting date, and they relate in particular to determining fair value, impairment of financial assets and recognition of deferred tax assets on confirmed tax losses.

In the half-year report dated 30 June 2021, the most significant uncertainty influencing the management's estimates has been the prevailing COVID-19 pandemic. There is uncertainty associated with estimating the economic impacts of the coronavirus pandemic, which particularly influences the assessment of the expected credit losses on financial assets.

Determination of expected credit losses

Sp Mortgage Bank's expected credit loss calculation models contain several factors that require the management's judgment.

- Selection of the models used in the calculations so that they illustrate the expected credit losses of the contract portfolio as accurately as possible.
- Assumptions and expert assessments included in the models
- Defining the quantitative and qualitative criteria for a significant increase in credit risk
- Selection of the macroeconomic factors describing future economic development used in the calculations so that changes in the selected factors are correlated with the probability of contract default.
- Preparing economic forecasts and predicting the probability of their future realisation.

Sp Mortgage Bank uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognising an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model. The exceptional uncertainty regarding future economic development that prevailed during the financial year and the reduced forecast ability of macroeconomic forecasting models have increased the significance of the management's judgment and estimates.

Based on an analysis of the credit portfolio, Sp Mortgage Bank does not have significant sector-specific risk concentrations that would necessitate increases to the expected credit losses indicated by the forecasting models by making adjustments based on the management's judgment. In evaluating the quality of the credit portfolio, special attention was given to stage 3 receivables and the number, recurrence and allocation of instalment-free periods granted by the Sp Mortgage Bank.

Sp Mortgage Bank updated the four macroeconomic scenarios used in the ECL calculation model in

November 2020. The macroeconomic variables used in the scenarios and the weights assigned to the different scenarios have not been changed.

On the balance sheet date, the adjustments based on the management's judgment have been associated especially with receivables in stage 3 and, when assessing the need and extent of adjustments, attention has been paid especially to the following factors that influence the expected credit loss amount.

- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level of residential properties, for instance.
- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the calculation model. Such information includes, for instance, changes in employment or the number and duration of instalment-free periods that have been applied for.
- Change in the credit risk of the receivable counterparty, resulting from factors such as pandemic-related restrictions that influence business or employment that are not included in the calculation model.

NOTE 3 SEGMENT INFORMATION

Sp Mortgage Bank's management reviews the performance of the company as one individual segment and therefore separate segment information, as defined in IFRS 8, is not presented.

PROFIT FOR THE PERIOD

NOTE 4. NET INTEREST INCOME

(EUR 1,000)	1-6/2021	1-6/2020
Interest income		
Loans and advances to customers	10,372	10,009
Derivative contracts		
Hedging derivatives	3,885	2,942
Other	52	45
Total	**14,309**	**12,995**
Interest expense		
Liabilities to credit institutions	-1,379	-1,035
Debt securities issued	-1,222	-1,224
Other	-11	-51
Total	**-2,611**	**-2,311**
Net interest income	**11,697**	**10,684**

NOTE 5. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2021	1-6/2020
Fee and commission income		
Lending	397	367
Total	**397**	**367**
Fee and commission expense		
Loans	-10,261	-8,208
Other	-2	-1
Total	**-10,263**	**-8,209**
Net fee and commission income	**-9,866**	**-7,841**

NOTE 6. NET TRADING INCOME

(EUR 1,000)	1-6/2021	1-6/2020
Net income from hedge accounting		
Change in hedging instruments' fair value	-8,156	7,522
Change in hedged items' fair value	7,881	-8,555
Net trading income	**-275**	**-1,033**

NOTE 7. IMPAIRMENT LOSS ON FINANCIAL ASSETS

Financial asset 30 June 2021				
Loans and advances	2,064,047	113,436	2,002	2,179,484
Off-balance sheet items	10,993	29		11,023
Financial asset 31 December 2020				
Loans and advances	2,056,022	89,590	694	2,146,305
Off-balance sheet items	6,025			6,025

Expected Credit Losses (ECL), Loans and advances and off-balance sheet (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Expected Credit Losses 1 January 2021	**696**	**187**	**10**	**893**
Transfers to Stage 1	45	-218		-173
Transfers to Stage 2	-71	496	-76	348
Transfers to Stage 3	-1	-3	25	20
New assets originated or purchased	168			168
Assets derecognised or repaid (excluding write offs)	-69	-146	-17	-232
Change in credit risk without stage change	8	-280	-68	-340
Manual repair, individual level	-367	337	194	164
Net change in ECL				-44
Expected Credit Losses 30 June 2021	**409**	**372**	**67**	**849**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Expected Credit Losses 1 January 2020	**497**	**350**	**4**	**851**
Transfers to Stage 1	23	-160		-138
Transfers to Stage 2	-12	77	-2	62
New assets originated or purchased	164	43	3	210
Assets derecognised or repaid (excluding write offs)	-72	-59		-131
Change in credit risk without stage change	-65	-15		-81
Manual repair, individual level	130	-17	6	119
Net change in ECL				42
Expected Credit Losses 31 December 2020	**664**	**219**	**10**	**893**

NOTE 8. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30 June 2021 (EUR 1,000)	Amortized costs	Fair value through profit or loss	Total
Loans and advances to credit institutions	83,279		83,279
Loans and advances to customers	2,178,661		2,178,661
Derivatives		12,556	12,556
hedging derivatives		12,556	
fair value		12,556	
Total assets	**2,261,939**	**12,556**	**2,274,495**
Liabilities to credit institutions	659,950		659,950
Debt securities issued	1,504,441		1,504,441
Total liabilities	**2,164,391**		**2,164,391**

31 December 2020 (EUR 1,000)	Amortized costs	Fair value through profit or loss	Total
Loans and advances to credit institutions	85,309		85,309
Loans and advances to customers	2,145,433		2,145,433
Derivatives		20,712	20,712
hedging derivatives		20,712	
fair value		20,712	
Total assets	**2,230,742**	**20,712**	**2,251,454**
Liabilities to credit institutions	627,830		627,830
Debt securities issued	1,511,782		1,511,782
Total liabilities	**2,139,612**		**2,139,612**

NOTE 9. LOANS AND ADVANCES

Loans and advances to credit institutions			
Deposits*	83,279		83,279

*of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 83,279 thousand.

Loans			
Total	2,179,484	-824	2,178,661
Yhteensä	**2,179,484**	**-824**	**2,178,661**
Loans and advances total	**2,262,763**	**-824**	**2,261,939**

31 December 2020 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	85,309		85,309
Total	**85,309**		**85,309**

*of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 85,309 thousand.

Loans and advances to customers			
Loans	2,146,305	-872	2,145,433
Total	**2,146,305**	**-872**	**2,145,433**
Loans and advances total	**2,231,614**	**-872**	**2,230,742**

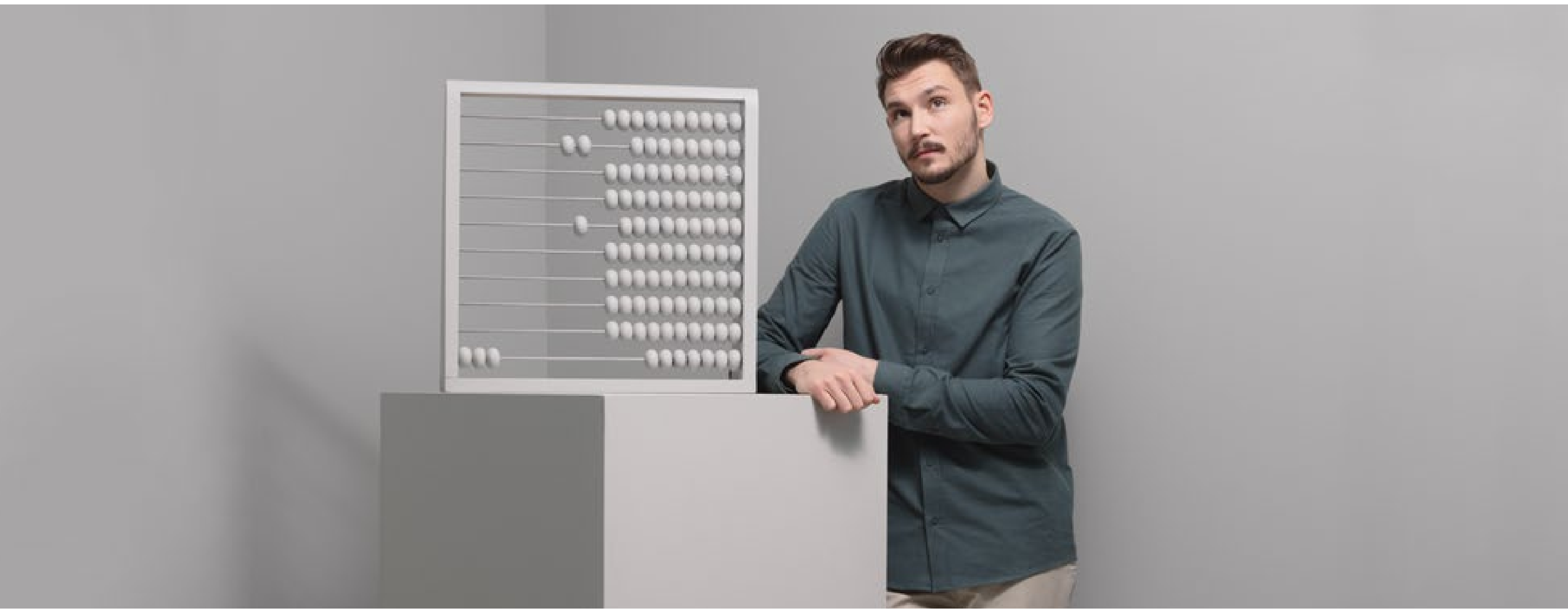
NOTE 10. DERIVATIVES AND HEDGE ACCOUNTING

The Sp Mortgage Bank hedges its interest rate risk against changes in fair value and applies hedge accounting on hedging relationships. Fair value hedging is applied when fixed interest rate issued covered bonds are hedged.

Changes in the fair value of derivatives in fair value hedging are recognised in the income statement under "Net trading income". In fair value hedging, also the hedged item is measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair value of the hedged item are recognized in the balance sheet as an adjustment to the corresponding balance sheet item and in the income statement under "Net trading income". Interests on hedging derivatives are presented as interest income and expense depending on their nature.

30 June 2021	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	Less than 1 year	1 - 5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	500,000	1,000,000		1,500,000	12,556	
Interest rate derivatives	500,000	1,000,000		1,500,000	12,556	
Total	**500,000**	**1,000,000**		**1,500,000**	**12,556**	
Derivatives total					**12,556**	

31 December 2020	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	Less than 1 year	1 - 5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	500,000	500,000	500,000	1,500,000	20,712	
Interest rate derivatives	500,000	500,000	500,000	1,500,000	20,712	
Total	**500,000**	**500,000**	**500,000**	**1,500,000**	**20,712**	
Derivatives total					**20,712**	



LIABILITIES AND EQUITY

NOTE 11. LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2021	31.12.2020
Other than those repayable on demand*	659,950	627,830
Liabilities to credit institutions	**659,950**	**627,830**

*of which Liabilities to Credit Institutions belonging to the Savings Banks Amalgamation EUR 646,500 (608,500) thousand.

Measured at amortised cost	30.6.2021		31.12.2020	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Covered bonds	1,500,000	1,496,693	1,500,000	1,496,153
Fair value hedging on covered bonds		7,748		15,629
Debt securities issued	**1,500,000**	**1,504,441**	**1,500,000**	**1,511,782**

Sp Mortgage Bank Plc's Covered bonds issued

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2016	500,000	499,869	5 v	Fixed	0.100 %	29.11.21
Sp Mortgage Bank 2017	500,000	498,903	5 v	Fixed	0.125 %	24.10.22
Sp Mortgage Bank 2019	500,000	497,921	7 v	Fixed	0.050 %	19.6.26
Total	**1,500,000**	**1,496,693**				

Sp Mortgage Bank has not had any delays or defaults in respect of its issued debt securities.

OTHER NOTES

NOTE 13. COLLATERALS

(EUR 1,000)	30.6.2021	31.12.2020
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans	2,122,969	2,059,487
Collateral given	**2,122,969**	**2,059,487**
Collateral received		
Real estate collateral	2,179,022	2,146,126
Other	13,906	19,509
Collateral received	**2,192,928**	**2,165,635**

NOTE 14. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2021	31.12.2020
Loan commitments	14,886	7,668
Money Market Deposits*		20,000
Off balance-sheet commitments	**14,886**	**27,668**

* Consists of loan agreements with Central Bank of Savings Banks Finland Plc, where the trade date is after the end of the reporting period.

NOTE 15. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the Sp Mortgage Bank are subject to either ISDA Master Agreement or the Master Agreement of the Finance Finland. Under these agreements, derivative payments may be offset by payment transaction on each payment date as well as in the event of counterparty default or bankruptcy. In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

30.6.2021				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements"		
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held as collateral	Net amount
Assets						
Derivative contracts				12 556		12,556
Total				**12,556**		**12,556**
Liabilities						
Derivative contracts					13,450	13,450
Total					**13,450**	**13,450**

31.12.2020				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements"		
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Cash held as collateral	Net amount
Assets						
Derivative contracts				20,712		20,712
Total				**20,712**	**20,712**	**20,712**
Liabilities						
Derivative contracts					19,330	19,330
Total					**19,330**	**19,330**

NOTE 16. FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

Financial instruments are presented in the Group's balance sheet at fair value or at amortized cost. The classification of financial assets and liabilities by valuation technique as well as the criteria for measurement methods and for determining fair value are described in the accounting policies.

The fair values of financial instruments are primarily determined using quotations on a publicly traded market or market prices received from third parties. If quoted market prices are not available, balance sheet items are mainly measured by discounting future cash flows using market interest rates at the balance sheet date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

The Savings Banks Group does not have assets measured at fair value on a non-recurring basis.

Fair value hierarchy

Level 1 consists of financial assets, for which the value is determined based on quotes on a liquid market. Market is considered liquid if the prices are available easily and regularly enough. Level 1 includes quoted bonds as well as other securities and listed shares and derivatives which are quoted on public.

Level 2 includes financial assets for which there is no quotation directly available on an active market and whose fair value is estimated using valuation techniques or models. These are based on assumptions which are supported by verifiable market information such as the listed interest rates or prices of similar instruments. This group includes e.g. currency and interest rate derivatives as well as commercial papers and certificates of deposit.

Level 3 includes financial assets whose fair value cannot be derived from public market quotations or through valuation techniques or models which are based on observable market data. Level 3 comprises unquoted equity instruments, structured investments and other securities for which there is currently no binding market quotation available. The fair value at level 3 is often based on price information received from a third party. Furthermore, level 3 includes the fair value determined for the Group's investment property.

Transfers between levels

"Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such a transfer or when circumstances change."

During the reporting period 1.1-30.6.2021, there were no transfers between levels 1 and 2.

Financial assets 30 June 2021	Carrying amount	Fair value by hierarchy level			Fair value
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	12,556		12,556		**12,556**
Measured at amortised cost					
Loans and advances	2,261,939		2,496,846		**2,496,846**
Total financial assets	**2,274,495**		**2,509,402**		**2,509,402**

Financial liabilities 30 June 2021	Carrying amount	Fair value by hierarchy level			Fair value
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Liabilities to credit institutions	659,950		677,488		**677,488**
Debt securities issued*	1,504,441	1,512,300			1,512,300
Total financial liabilities	**2,164,391**	**1,512,300**	**677,488**		**2,189,788**

* Carrying amount includes the adjustment from the hedging EUR 7.7 million.

Financial assets 31 December 2020	Carrying amount	Fair value by hierarchy level			Fair value
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	20,712		20,712		**20,712**
Measured at amortised cost					
Loans and advances	2,230,742		2,486,172		**2,486,172**
Total financial assets	**2,251,454**		**2,506,884**		**2,506,884**

Financial liabilities 31 December 2020	Carrying amount	Fair value by hierarchy level			Fair value
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Liabilities to credit institutions	627,830		641,301		**641,301**
Debt securities issued*	1,511,782	1,518,100			1,518,100
Total financial liabilities	**2,139,612**	**1,518,100**	**641,301**		**2,159,401**

* Carrying amount includes the adjustment from the hedging EUR 15.6 million.

NOTE 17. RELATED PARTIES

The Board of Directors of Sp Mortgage Bank has defined the related parties of the Sp Mortgage Bank. The related parties of the Sp Mortgage Bank's comprise key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Sp Mortgage Bank comprise the members of the Board of Directors, the Managing Director as well as the Executive Board of Sp Mortgage Bank.

Sp Mortgage Bank does not have own personnel, all the necessary functions and support services are bought from the companies in the Savings Banks Amalgamation or from companies offering services to the Savings Banks Amalgamation.

CAPITAL ADEQUACY INFORMATION

NOTE 18. PILLAR III DISCLOSURES

Sp Mortgage Bank is part of the Savings Banks Amalgamation and the Savings Banks Group. Sp Mortgage Bank's capital adequacy information is included in the information concerning the capital adequacy of the Savings Banks Amalgamation, presented in the consolidated financial statements of the Savings Banks Group. The Savings Banks Group publishes the so-called Pillar III capital adequacy information separately at the same time with its financial statements The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0 per cent risk weight to internal credit institution liabilities included within the scope of the Amalgamation's joint and several liability. These permissions are based on the European Union Capital Requirements Regulation (EU 575/2013) and the Act on the Amalgamation of Deposit Banks (599/2010). A copy of the financial statement of the Savings Banks Group is available online at *www.saastopankki.fi* or at the Savings Banks Union Coop offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

Sp Mortgage Bank Plc