Sp Mortgage Bank Plc's

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2022

Sp Mortgage Bank Plc

TABLE OF CONTENTS

SP MORTGAGE BANK PLC'S HALF-YEAR REPORT 1 JANUARY – 30 JUNE 2022

BOARD OF DIRECTORS' REVIEW FOR

1 JANUARY – 30 JUNE 2022

BOARD OF DIRECTORS' REVIEW FOR 1 JANUARY – 30 JUNE 2022

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 2.25 billion.

In April, Sp Mortgage Bank issued a EUR 300 million covered bond under its covered bond programme. S&P Global Ratings assigned a credit rating of AAA for the bond.

Sp Mortgage Bank's operating profit during the review period amounted to EUR -2.1 million, and the balance sheet total amounted to EUR 2.70 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, 16 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.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd during the review period. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 16. The transaction outlined in the business transfer plan for Liedon Säästöpankki and Mietoisten Säästöpankki was carried out in March 2022. The changes were internal to the Savings Banks Group, and the arrangements have thus had no impact on the financial result of the Savings Banks Group.

On 13 May 2022, Liedon Säästöpankki announced it will begin merger negotiations with Oma Savings Bank. The decision on the merger will be made in the latter part of 2022.

The Savings Bank Centre initiated change negotiations in May 2022 concerning approximately 470 employees in the Savings Banks' Union Coop, Savings Bank Services, Central Bank of Savings Banks Finland Plc, Sp-Fund Management Company Ltd and Sb Life Insurance. The aim of the change negotiations was to improve operational efficiency, simplify the organisational structure and clarify the division of labour and responsibilities. It was estimated that, if implemented, the planned measures would lead to the termination of a maximum of 45 positions. The change negotiations were concluded on 21 June 2022. As a result of the negotiations, the employment relationships of 21 employees were terminated. In addition, there were material changes to the duties of some personnel.

As part of the reform, CEO Tomi Närhinen left his position at the Savings Banks' Union Coop by mutual agreement. The management model reform is led by Karri Alameri who has been appointed Acting CEO and took up the position on 27 June 2022.

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

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DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

GLOBAL ECONOMIC OUTLOOK

The year 2022 began with a fairly positive outlook. The new Omicron variant of COVID-19 spread around the world and led to further shutdown measures in many economies. However, it soon became apparent that the Omicron variant was not very serious, and the outlook was that the pandemic would gradually abate and the service sector, in particular, would finally see a proper recovery. Concerns were raised by rising inflation and the consequent measures by central banks to tighten monetary policy.

The economic outlook then deteriorated substantially in February 2022 due to Russia's attack on Ukraine. The war has an impact on the economy through various channels. The increase in the prices of energy and raw materials accelerated and is now likely to be a longer-term phenomenon. Logistics disruptions have also increased, which also contributes to higher inflation. Another threat is that the war will lead to caution among consumers and the postponement of investments by companies. Trade with Russia has also declined sharply.

Although the rapid acceleration of inflation is undermining consumer purchasing power around the world, there are opposing forces at play that help sustain consumption. The service sector continues to recover after the pandemic, and the focus of consumption is shifting from goods to services. In addition, savings accumulated during the COVID-19 pandemic can now be used to compensate for increased prices.

China also creates challenges to the global economy. Due to China's zero tolerance policy concerning COVID-19, large cities in China have been shut down when the number of infections has increased. Consequently, the COVID-19 situation in China creates volatility and uncertainty in the global economy as a whole.

International economic forecasters have made downward adjustments to their growth forecasts for the global economy due to the war. For example, the OECD adjusted its growth forecast for the global economy from 4.5% to 3.0% in June. The expected year of rapid recovery is turning into a year of fairly weak growth. Fears of a recession have increased, but it can still be avoided.

INTEREST RATE ENVIRONMENT

Having remained practically unchanged in 2021, short-term interest rates in the euro zone increased substantially during the review period and the yield curve has steepened. The 12-month Euribor, which is the dominant reference rate for mortgages, has risen by approximately 1.5 percentage points since the turn of the year. This steepening of the short-term yield curve slightly reduces the burden that the flat yield curve in recent years has placed on net interest incomes in the banking sector. However, at the same time, the end of the European Central Bank's TLTRO programme and the winding down of the purchase programmes have contributed to wider margins in the debt capital markets and thereby increased the costs of wholesale funding for banks.

Long-term interest rates also rose sharply during the review period. The five-year swap rate has increased by approximately two percentage points since the turn of the year. The development of interest rates is difficult to predict due to the opposing forces represented by the interest rate policy communicated by the European Central Bank on the one hand and the expectations of slower economic growth on the other hand.

INVESTMENT MARKETS

The year 2022 has been a turning point in the investment markets. The long increase in returns on investments came to an end in the first half of the year as interest rates turned to sharp growth and, simultaneously, increased uncertainty led to a downturn in the stock markets. Rising inflation has surprised central banks, forcing them to react to the new circumstances by tightening their monetary policy. For a long time, the investment markets have been supported by low interest rates and stimulating monetary policy, but the markets now need to adapt to a new operational environment.

The rise in interest rates reduced sovereign bond yields, and credit risk margins in the corporate bond markets increased, contributing to a significant decline in corporate bond yields. All major stock markets declined during the first half of the year. There were significant differences between sectors, with the energy sector generating the highest returns and share prices in the technology sector falling due to the higher interest rates. Share prices also declined in emerging markets, and their currencies weakened relative to the US dollar.

THE FINNISH ECONOMY

The Finnish economy is affected by the same themes as the global economy: the recovery from the pandemic is continuing, but the war and rising inflation are weakening the economic growth outlook. With regard to the various economic impacts of the war in Ukraine, it is worth noting that Russia has been an important trade partner for Finland. In 2021, Russia was Finland's sixth-most important export market. Exports to Russia plummeted during the spring and are expected to decline further.

Consumer confidence has fallen to a very low level in Finland since the war began. Consumers are pessimistic about their own finances and the outlook of the Finnish economy. Inflation expectations are at a record high. At the same time, households with debt are adversely affected by the rising interest rates. However, there are also positive factors involved in the outlook for households. The labour market situation is still very good. Unemployment has fallen to the lowest level seen since the financial crisis, and there are plenty of vacancies in the job market.

The situation for companies has also deteriorated over the past few months but, on the whole, their outlook remains moderate. Business confidence has decreased, albeit not as sharply as household confidence. The decline in business confidence is the most apparent in the retail and construction sectors. In the manufacturing sector, however, confidence is still above the long-term average, while the service sector is benefiting from the lifting of COVID-19 restrictions. According to an investment survey by the Confederation of Finnish Industries, companies' willingness to invest is fairly high in spite of the prevailing uncertainty.

We expect the Finnish economy to grow by 1.6% in 2022. Growth is likely to slow down next year.

THE HOUSING MARKET IN FINLAND

After record-high activity in the housing market in 2021, the year began in an expectant mood. Housing transaction volume is expected to decline in spite of high demand because the supply of housing is low. The expected decline in new residential construction was also reflected in the market. The start of the war in Ukraine in February presented additional challenges to the housing market. Activity in the housing market was low for about a month before the market began to recover again.

The main drivers influencing the housing market are the employment rate, interest rates and consumer confidence. Employment has remained at a very good level, and wage increases would have increased purchasing power were it not for high inflation. The expected rise in interest rates has given pause to many potential homebuyers, and many people with mortgages have only had loans during the period of negative interest rates. Consumers' confidence in their own finances and the Finnish economy decreased significantly after the war in Ukraine began, but intentions to buy and build housing have remained at a good level, which supports the housing transaction volume.

Inflation has a significant impact on the costs of housing. This is currently reflected in homebuyers seeking to optimise the size of the residential properties they buy so as not to pay higher costs of housing for unnecessary square metres.

According to the price monitoring service report of the Federation of Real Estate Agency in Finland, the number of transactions for old and new residential properties declined by 14.2% year-on-year in the early part of 2022 (1 January–31 May). The five-year change is still positive at 2.4%. The most significant changes in the largest cities were -25.8% for Espoo, -18.8% for Turku and -17% for Helsinki. The change was the smallest in Oulu at -2%. In the transaction volume for old residential properties, the most significant changes were -14.1% for Espoo, -9.5% for Tampere and -9.4% for Vantaa. In Oulu, the transaction volume grew by 4.2%. For new residential properties, the largest changes were -60.6% for Turku, -59.1% for Helsinki and -50.4% for Espoo.

Over the past year, the prices of old apartments have increased by +2.9% in the Helsinki Metropolitan Area and by +0.1% in other major cities.

The transaction volume for holiday homes was record-high last year, but the market showed signs of slowing down during the early part of 2022. This is partly due to the limited supply but also the increased interest in travel now that the COVID-19 pandemic has begun to abate. The transaction volume for holiday homes in the early part of the year was 42.8% lower than last year. The five-year change is -13.2%. The average price of holiday homes has risen continuously over the past four years and was EUR 140,000 in the early part of the year.

Continued uncertainty is expected in the housing market during the rest of the year. There are major questions in the market: to what extent will interest rate hikes keep inflation in check? Will there be a recession? How will the war in Ukraine develop? How will the availability of materials and products be ensured? Will supply in the housing market increase sufficiently?

According to our forecast, the housing transaction volume this year will be approximately 15–20% lower than last year. Housing prices will increase by 2.5% in the Helsinki Metropolitan Area and remain unchanged elsewhere in Finland. By long-term comparison, the volume of housing transactions will still be relatively high this year.

SP MORTGAGE BANK'S INCOME STATEMENT AND BALANCE SHEET

FINANCIAL HIGHLIGHTS

(EUR 1,000)	1.1.-30.6.2022	1.1.-31.12.2021	1.1.-30.6.2021
Revenue	13,968	30,364	14,431
Net interest income	11,485	24,981	11,697
% of revenue	82.2 %	82.3 %	81.1 %
Profit before taxes	-2,132	1,968	639
% of revenue	-15.3 %	6.5 %	4.4 %
Total operating revenue	-913	3,636	1,557
Total operating expenses	-890	-2,033	-962
Cost to income ratio	-0.98	0.56	0.62
Total assets	2,702,979	2,375,143	2,280,259
Total equity	118,252	120,384	112,157
Return on equity %	-1.8 %	1.4 %	0.5 %
Return on assets %	0.0 %	0.0 %	0.0 %
Equity/assets ratio %	4.4 %	5.1 %	4.9 %
Solvency ratio %	15.0 %	15.2 %	14.3 %
Impairment losses on loans and other receivables	-329	404	44

PROFIT TRENDS (COMPARISON PERIOD 1–6/2021)

The Interest income increased to EUR 15.5 (14.3) 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 4.0 (2.6) million consisted mostly of Interest expenses from liabilities to credit institutions and Interest expenses from covered bonds. The net interest income amounted to EUR 11.5 (11.7) million.

The net fee and commission income mainly consisted of fees paid to the intermediating banks amounted to EUR -10.4 (-9.9) million.

Net profit from hedge accounting for the period was EUR -2.0 (-0.3) million and it is presented under Net trading income on the income statement.

Operating expenses were EUR -0.9 (-1.0) million.

Operating expenses mainly consisted of other operating expenses.

Operating profit for the review period was EUR -2.1 (0.6) million.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2021)

The loan portfolio of Sp Mortgage Bank grew to EUR 2,254 (2,247) 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 1,712 (1,545) 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 781 (699) million.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARISON FIGURES 31 DECEMBER 2021)

At the end of the review period, the Sp Mortgage Bank had a strong capital structure, consisting of CET1 capital. Own funds were EUR 117 (120) million. Risk-weighted assets amounted to EUR 782 (792) million. The capital ratio of Sp Mortgage Bank was 15.0 (15.2) % and the CET1 capital ratio was 15.0 (15.2) %.

The capital requirement of Sp Mortgage Bank was EUR 82 (83) 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.

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5 (1.25) % based on the Financial Supervisory Authority's decision in November 2021. At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

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. In its meeting on 27 June 2022, the Financial Supervisory Authority decided not to impose a systemic risk buffer requirement for the time being because Russia's war of aggression in Ukraine, among other factors, has further weakened the economic outlook for Finland and Europe, increased uncertainty about the operation of the banking system and intensified the risk of credit losses.

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 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.

The standard method is used to calculate the capital requirement to the credit risk of Sp Mortgage Bank and capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over two per cent of the aggregate amount of the own funds. Sp Mortgage Bank does not have a trading book and the amalgamation's business does not involve taking commodity risk.

On 27 October 2021, the European Commission published a proposal for a new banking package to implement the final Basel III regulation in the EU. The proposed amendments to the EU's Capital Requirements Regulation (CRR3), which are intended to enter into force from the beginning of 2025, are not expected to have a material impact on the capital adequacy of Sp Mortgage Bank.

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)	**30.6.2022**	**31.12.2021**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	118,252	120,384
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-778	-272
Common Equity Tier 1 (CET1) capital	117,474	120,112
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)	117,474	120,112
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)	117,474	120,112
Risk weighted assets	782,065	791,647
of which: credit and counterparty risk	770,709	769,956
of which: credit valuation adjustment (CVA)	767	11,102
of which: market risk		
of which: operational risk	10,588	10,588
Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.0 %	15.2 %
Tier 1 (as a percentage of total risk exposure amount)	15.0 %	15.2 %
Total capital (as a percentage of total risk exposure)	15.0 %	15.2 %
Capital requirement		
Total capital requirement	117,474	120,112
Capital requirement total*	82,119	83,123
Capital buffer	35,355	36,989

*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 5.2 per cent (5.3%) clearly exceeding the 3% minimum requirement. 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. Sp Mortgage Bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2022	31.12.2021
Tier 1 capital	117,474	120,112
Leverage ratio exposure	2,275,514	2,265,694
Levarage ratio	5.2 %	5.3 %

RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally effective from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). The Financial Stability Authority is responsible for resolution with regard to the Savings Banks Amalgamation. In April 2022, the Financial Stability Authority updated the minimum requirement for own funds and eligible liabilities (MREL requirement) set for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

From the beginning of 2022, the MREL requirement for Sp Mortgage Bank Plc is 16.93% of the total risk exposure amount and 5.1% of the total exposures.

Starting from the beginning of 2024, the MREL requirement for Sp Mortgage Bank Plc will be 18.21% of the total risk exposure amount and 5.91% of the total exposures.

The MREL requirement for both the Savings Banks Amalgamation and Sp Mortgage Bank was based on total risk on 30 June 2022. The requirements calculated on the basis of overall risk include institution-specific capital buffer requirements.

RISK POSITION

Sp Mortgage Bank's risk position has remained at a good level. Estimates of the impact of the war in Ukraine on risks have an indirect effect on the Group's income and risks, mainly due to customers' changed circumstances and the general market situation.

The credit risk position of the Savings Banks Amalgamation has remained stable, with a moderate risk level, in spite of the war. The quality of the credit portfolio is good, but there is a risk of negative development. While savings banks do not have significant direct liabilities to Russia, there are indirect impacts through certain industries and individual customer relationships. The impairment of receivables were EUR 0.8 (0.5) million. Non-performing receivables remained at a moderate level at 0.12% (0.17%) of the credit portfolio.

Sp Mortgage Bank's capital structure has remained strong despite of the war in Ukraine. The objectives, principles and organization of risk management in Sp Mortgage Bank are the same as those presented in the 2021 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 2022

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 2022.

FURTHER INFORMATION

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

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 income
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 %:	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} * 100$
Return on assets %:	$\frac{\text{Profit}}{\text{Total assets (average)}} * 100$
Equity/assets ratio %:	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} * 100$
Solvency ratio %:	$\frac{\text{Own funds total}}{\text{Risk-weighted assets total}} * 100$

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	1-6/2022	1-6/2021
Interest income		15,532	14,309
Interest expense		-4,048	-2,611
Net interest income	4	11,485	11,697
Net fee and commission income	5	-10,422	-9,866
Net trading income	6	-1,975	-275
Total operating revenue		-913	1,557
Personnel expenses		-3	-15
Other operating expenses		-887	-947
Total operating expenses		-890	-962
Net impairment loss on financial assets	7	-329	44
Profit before tax		-2,132	639
Taxes			-128
Profit		-2,132	511
Distribution:			
Owners' share of the profit		-2,132	511
Non-controlling interests share			
Total		-2,132	511

SP MORTGAGE BANK'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Profit	-2,132	511
Total comprehensive income	-2,132	511

SP MORTGAGE BANK'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2022	31.12.2021
Assets			
Loans and advances to credit institutions	9	438,241	115,048
Loans and advances to customers	9	2,253,061	2,246,459
Derivatives	10	962	4,066
Intangible assets		603	260
Other assets		10,111	9,310
Total assets		2,702,979	2,375,143
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	782,030	701,400
Derivatives		85,408	5,362
Debt securities issued	12	1,712,776	1,544,537
Provisions and other liabilities		4,512	3,461
Total liabilities		2,584,726	2,254,760
Equity			
Share capital		72,051	72,051
Reserves		35,972	35,972
Retained earnings		10,229	12,361
Total equity		118,252	120,384
Total liabilities and equity		2,702,979	2,375,143

SP MORTGAGE BANK'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1-6/2022	1-6/2021
Cash flows from operating activities		
Profit	-2,132	511
Adjustments for items without cash flow effect	2,852	899
Cash flows from operating activities before changes in assets and liabilities	721	1,410
Increase (-) or decrease (+) in operating assets	-7,621	-34,753
Loans and advances to customers	-6,921	-33,179
Other assets	-700	-1,574
Increase (-) or decrease (+) in operating liabilities	81,671	32,536
Liabilities to credit institutions	80,630	32,120
Debt securities issued		416
Other liabilities	1,041	
Paid income taxes	-101	-1,222
Total cash flows from operating activities	74,670	-2,030
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets	-343	
Total cash flows from investing activities	-343	
Cash flows from financing activities		
Increase in issued debt securities	298,866	
Decrease in issued debt securities	-50,000	
Total cash flows from financing activities	248,866	
Change in cash and cash equivalents	323,193	-2,030
Cash and cash equivalents at the beginning of the period	115,048	85,309
Cash and cash equivalents at the end of the period	438,241	83,279
Cash and cash equivalents comprise the following items:		
Receivables from central banks repayable on demand	438,241	83,279
Total cash and cash equivalents	438,241	83,279
Adjustments for items without cash flow effect		
Impairment losses on financial assets		-44
Changes in fair value	1,975	275
Other adjustments	877	668
Total	2,852	899
Interest received	14,624	12,658
Interest paid	2,872	2,530

SP MORTGAGE BANK'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Retained earnings	Total equity
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
Equity 1 January 2021	67,273	33,586	10,787	10,787
Comprehensive income				
Profit			1,574	
Total comprehensive income			1,574	1,574
Transactions with owners				
Subscription issue	4,778	2,386		7,164
Total equity 31 December 2021	72,051	35,972	12,361	120,384
Equity 1 January 2022	72,051	35,972	12,361	120,384
Comprehensive income				
Profit			-2,132	
Total comprehensive income			-2,132	-2,132
Total equity 30 June 2022	72,051	35,972	10,229	118,252

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, 16 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.

Ylihärmän Säästöpankki merged with Aito Savings Bank Ltd during the review period. As a result of the merger, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 17 to 16. The transaction outlined in the business transfer plan for Liedon Säästöpankki and Mietoisten Säästöpankki was carried out in March 2022. The changes were internal to the Savings Banks Group, and the arrangements have thus had no impact on the financial result of the Savings Banks Group.

On 13 May 2022, Liedon Säästöpankki announced it will begin merger negotiations with Oma Savings Bank. The decision on the merger will be made in the latter part of 2022.

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

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 2022 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 2021. There has not been changes in accounting policies during the reporting period.

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 and impairment of financial assets. The most significant source of uncertainty influencing the management's estimates in the half-year report for the period 1 January–30 June 2022 concerns the impact of the war in Ukraine and the economic sanctions against Russia on future economic development.

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.

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.

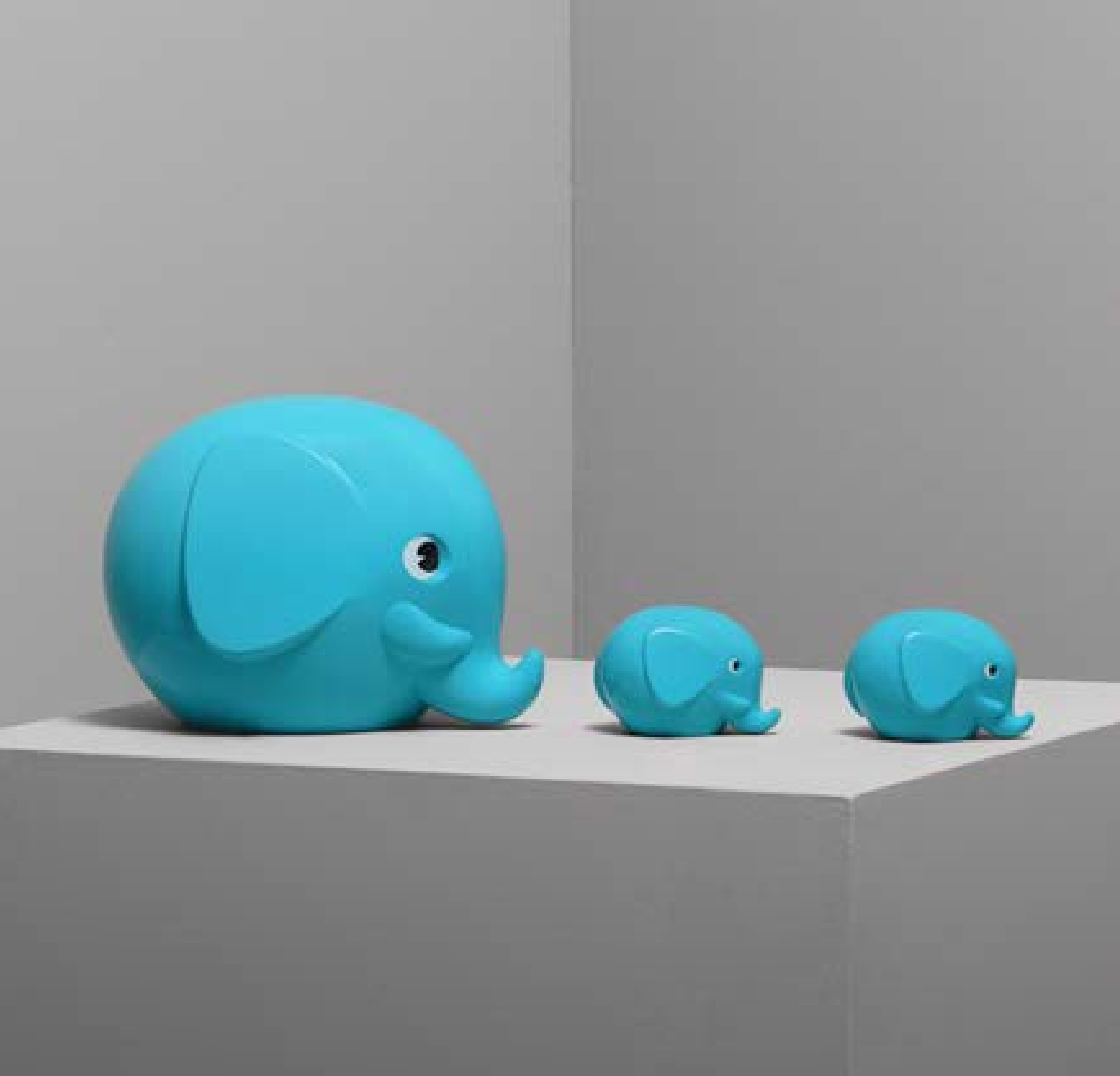
- Change in the credit risk of the receivable counterparty, resulting from factors such as pandemic-related restrictions that influence business or employment that are not included in the calculation model.

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.

Sp Mortgage Bank has assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. Sp Mortgage Bank does not have significant direct liabilities to Russia, Ukraine or Belarus. Nevertheless, the changed market conditions have indirect impacts on certain industries or individual customer relationships. Sp Mortgage Bank has enhanced its monitoring of identified risks that have potentially been elevated by the crisis. In June, Sp Mortgage Bank updated the economic forecasts used in the calculation of expected credit losses and the weights set for the scenarios.

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)	1-6/2022	1-6/2021
Interest income		
Loans and advances to customers	10,745	10,372
Derivative contracts		
Hedging derivatives	4,562	3,885
Other	226	52
Total	15,532	14,309
Interest expense		
Liabilities to credit institutions	-2,147	-1,379
Debt securities issued	-1,422	-1,222
Other	-479	-11
Total	-4,048	-2,611
Net interest income	11,485	11,697

NOTE 5. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Fee and commission income		
Lending	410	397
Total	410	397
Fee and commission expense		
Loans	-10,831	-10,261
Other	-1	-2
Other	-10,833	-10,263
Net fee and commission income	-10,422	-9,866

NOTE 6. NET TRADING INCOME

(EUR 1,000)	1-6/2022	1-6/2021
Net income from hedge accounting		
Change in hedging instruments' fair value	-83,150	-8,156
Change in hedged items' fair value	81,175	7,881
Net trading income	-1,975	-275

NOTE 7. IMPAIRMENT LOSS ON FINANCIAL ASSETS

Sp Mortgage Bank determines impairments on financial assets based on an expected credit loss model. The loss allowance for expected credit loss is measured and recognized for financial assets that are subsequently measured at amortized cost or at fair value through other comprehensive income as well as for financial guarantees and loan commitments.

For the purpose of measuring expeted credit losses, Sp Mortgage Bank applies a three-stage model in which the stage to be applied in the measurement is determined based on the change in the credit risk of the financial asset between the date of initial recognition and the reporting date.

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event being incurred within 12 months of the reporting date.

- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

The tables below present the financial assets within the scope of measurement of expected credit losses by impairment stage broken down into investment assets, loans and advances and off-balance sheet items.

FINANCIAL ASSET WITHIN THE SCOPE OF ACCOUNTING FOR EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGE

Financial asset 30.06.2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)				
Loans and advances	2,198,935	54,104	824	2,253,863
Off-balance sheet items	10,569			10,569
Total	2,209,504	54,104	824	2,264,432

Financial asset 31.12.2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)				
Loans and advances	2,138,884	106,491	1,568	2,246,942
Off-balance sheet items	8,643	7		8,650
Total	2,147,527	106,497	1,568	2,255,592

In assessing the significance of change in credit risk, Sp Mortgage Bank takes into account the following qualitative and quantitative information, amongst others:

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when payment delay exceeds 30 days. When payment delay for a financial asset exceeding the threshold exceeds 90 days, it is deemed to be impaired and is migrated from stage 2 to stage 3.

- PD% increase (loans and advances): the risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the defined relative or abslute thresholds for the PD% increase are exceeded.

- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2. If the contract is forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.

- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

- PD% increase (investment assets): credit risk is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the relative or absolute threshold for PD% increases is exceeded.

The financial asset can revert from stage 2 and 3 if its credit risk has improved significantly and it has consistently met the criteria for the previous stage during the length of the defined probation period. The length of the probation period for transition from stage 2 to stage 1 is three months and from stage 3 to stage 2 three months.

The tables below present the development of the expected credit losses as of the beginning of the reporting period.

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)				
Expected Credit Losses 1.1.2021	184	255	50	489
Transfers to Stage 1	15	-42		-27
Transfers to Stage 2	-11	75	-35	28
Transfers to Stage 3		-2	32	30
New assets originated or purchased	73		10	83
Assets derecognised or repaid (excluding write offs)	-30	-43	-23	-97
Change in credit risk without stage change	250	95	1	347
Changes in ECL	51	-87		-36
Net change in ECL				329
Expected Credit Losses 30.06.2021	532	252	35	818

Expected Credit Losses (ECL), Loans and advances and off-balance sheet	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)				
Expected Credit Losses 1.1.2021	664	219	10	893
Transfers to Stage 1	92	-313	-58	-279
Transfers to Stage 2	-138	1,350	-30	1,182
Transfers to Stage 3	-2	-4	49	43
New assets originated or purchased	204	8		212
Assets derecognised or repaid (excluding write offs)	-106	-198	-46	-350
Change in credit risk without stage change	-403	-529	1,310	378
Changes in ECL	-126	-279	-1,185	-1,590
Net change in ECL				-404
Expected Credit Losses 31.12.2021	184	255	50	489

Methods and parameters used in calculation of expected credit losses

Sp Mortgage Bank's assessment of expected credit loss is based on the PD*LGD*EAD model. For low-risk counterparties – including the public sector, financial institutions and state-guaranteed student loans – the calculation is based on the Loss Rate model (Loss Rate*EAD). The calculations are carried out separately for each contract and based on the following parameters:

- PD% (only the PD/LGD model): probability of default based on external and internal credit ratings.
- Loss Rate% (only the Loss Rate model): a percentage figure established for each counterparty based on their sector code.
- LGD%: estimated loss at the time of default, takes into consideration the contract's available collateral.
- EAD: exposure at default is the annual average and takes into consideration instalments and advance repayments, calculated for the term of the contract and for the year, for products for which it has been modelled. Off-balance sheet items are considered to remain fixed until the end of the lifecycle of the contract. The undrawn commitment component is included in the calculation in full.

The calculation takes the time value of money into consideration by discounting the expected credit loss calculated for the contract. The effective interest rate is the contractual interest rate and it is calculated on the gross carrying amount in stages 1 and 2 and on the adjusted carrying amount in stage 3.

Sp Mortgage Bank assesses expected credit losses of debt securities belonging to investment assets by purchasing lot by using the PD*LGD*EAD model. The probability of default (PD) is based on credit ratings provided by Bloomberg and, if they are not available, external credit rating information, which is converted into PD values. The LGD values used in the calculation correspond to analysed historical actuals by investment type and are not assessed separately by issuer or investment.

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The effect of the changes in macroeconomic forecasts is modelled in the PD parameter that is used in calculation of ECL. The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the third-year values of the forecast period. The scenarios have been updated in June 2022.

The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2022	2023	2024
Change in EuropeStoxx%	0.0% / 8.0%	3.0% / 6.0%	6.0%
Change in GDP	0.0%/ 2.5%	1.0% / 2.0%	1.20%
Investments	2.0% / 4.0%	2.0% / 3.0%	1.50%

Effect of changes in the ECL model

Change in the criteria of impairment stage 2

The stage 2 criteria for calculation of expected credit losses for loans and advances have been changed by replacing the previously applied criteria of credit rating deterioration by four credit grades with increase in PD%. Following the amendment the contract will migrate to stage 2, if any of the following criteria is met:

- payment delay of more than 30 days,

- PD% increase that exceeds the defined absolute or relateive thresholds; or

- performing contract is marked as forborne.

Following the amendment there were contracts that migrated to stage 2 triggering. The effect of the amendment is presented in the line change in mode for calculation of ECL.

Impacts of the war in Ukraine and the economic sanctions against Russia

The member banks of the Savings Banks Group have assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. At the time of reporting, the Savings Banks Group does not have significant direct or indirect sector-specific risk concentrations related to the Ukrainian, Russian or Belarusian markets in sectors such as agriculture, logistics, construction or industries dependent on energy commodities. If the exceptional situation continues, the member banks of the Savings Banks Group will monitor and report the development of their customers' credit risk and, if necessary, make an adjustment, based on the management's assessment, to the amount of expected credit losses.

The macroeconomic forecasts used in calculation of expected credit losses were updated in June 2022.

ASSETS

NOTE 8. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(EUR 1,000) 30.6.2022	Amortized costs	Fair value through profit or loss	Total
Loans and advances to credit institutions	438,241		438,241
Loans and advances to customers	2,253,061		2,253,061
Derivatives		962	962
hedging derivatives			
fair value		962	
Total assets	2,691,302	962	2,692,264
Liabilities to credit institutions	782,030		782,030
Debt securities issued	1,712,776		1,712,776
Total liabilities	2,494,806		2,494,806

31.12.2021	Amortized costs	Fair value through profit or loss	Total
Loans and advances to credit institutions	115,048		115,048
Loans and advances to customers	2,246,459		2,246,459
Derivatives		4,066	4,066
hedging derivatives			
fair value		4,066	
Total assets	2,361,507	4,066	2,365,573
Liabilities to credit institutions	701,400		701,400
Debt securities issued	1,544,537		1,544,537
Total liabilities	2,245,937		2,245,937

NOTE 9. LOANS AND ADVANCES

(EUR 1,000) 30.6.2022	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	438,241		438,241
Total	438,241		438,241

*of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 438,240 thousand.

Loans and advances to customers			
Loans	2,253,863	-802	2,253,061
Total	2,253,863	-802	2,253,061
Loans and advances total	2,692,104	-802	2,691,302

(EUR 1,000) 31.12.2021	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	115,048		115,048
Total	115,048		115,048

*of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 115,046 thousand.

Loans and advances to customers			
Loans	2,246,942	-483	2,246,459
Total	2,246,942	-483	2,246,459
Loans and advances total	2,361,990	-483	2,361,507

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.

30.6.2022	**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	800,000	500,000	1,800,000	962	-85,408
Interest rate derivatives	500,000	800,000	500,000	1,800,000	962	-85,408
Total	500,000	800,000	500,000	1,800,000	962	-85,408
Derivatives total						-84,446

31.12.2021	**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	500,000	500,000	1,500,000	4,066	-5,362
Interest rate derivatives	500,000	500,000	500,000	1,500,000	4,066	-5,362
Total	500,000	500,000	500,000	1,500,000	4,066	-5,362
Derivatives total						-1,296

The nominal value of the issued fixed rate covered bonds hedged for fair value changes was EUR 1,800,000,000 and carrying amount EUR 1,799,551,372 on the balance sheet date. The nominal values of derivative instruments are equal to the nominal values of the hedged items.

LIABILITIES

NOTE 11. LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2022	31.12.2021
Other than those repayable on demand*	782,030	701,400
Liabilities to credit institutions	782,030	701,400

*of which Liabilities to Credit Institutions belonging to the Savings Banks Amalgamation EUR 781,000 (699,200) thousand.

NOTE 12. DEBT SECURITIES ISSUED

	30.6.2022		31.12.2021	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Measured at amortised cost				
Other Securities			50,000	50,000
Covered bonds	1,800,000	1,799,551	1,500,000	1,500,137
Covered bonds		-86,775		-5,600
Debt securities issued	1,800,000	1,712,776	1,550,000	1,544,537

SP MORTGAGE BANK PLC'S COVERED BONDS ISSUED

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2017	500,000	499,687	5 years	Fixed	0.125 %	24.10.2022
Sp Mortgage Bank 2019	500,000	498,338	5 years	Fixed	0.050 %	19.6.2026
Sp Mortgage Bank 2021	500,000	502,599	7 years	Fixed	0.010 %	28.9.2028
Sp Mortgage Bank 2022	300,000	298,927	3 years	Fixed	1.000 %	28.4.2025
Total	1,800,000	1,799,551				

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)	30.6.2022	31.12.2021
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans	2,210,499	2,198,310
Collateral given	2,210,499	2,198,310
Collateral received		
Real estate collateral	2,253,768	2,246,484
Other	1,125	2,618
Collateral received	2,254,893	2,249,102

NOTE 14. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2022	31.12.2021
Loan commitments	13,987	10,187
Money Market Deposits*	72,000	90,500
Off balance-sheet commitments	85,987	100,687

*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.

30.6.2022				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	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				962		1,030	-68
Total				962		1,030	-68
Liabilities							
Derivative contracts				85,408			85,408
Total				85,408			85,408

31.12.2021				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	Financial instruments held as collateral	Cash held as collateral	Net amount
Assets							
Derivative contracts				4,066		2,200	1,866
Total				4,066		2,200	1,866
Liabilities							
Derivative contracts				5,362			5,362
Total				5,362			5,362

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 - 30.6.2022, there were no transfers between levels 1 and 2.

Financial assets 30.06.2022	Carrying camount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	962		962		962
Measured at amortised cost					
Loans and advances	2,691,302		2,941,086		2,941,086
Total financial assets	2,692,264		2,942,048		2,942,048

Financial liabilities 30.06.2022	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	85,408		85,408		85,408
Measured at amortised cost					
Liabilities to credit institutions	782,030		790,151		790,151
Debt securities issued*	1,712,776	1,765,035			1,765,035
Total financial liabilities	2,580,214	1,765,035	875,559		2,640,594

*Carrying amount includes the adjustment from the hedging EUR -86.8 million.

Financial assets 31.12.2021	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	4,066		4,066		4,066
Measured at amortised cost					
Loans and advances	2,361,507		2,610,580		2,610,580
Total financial assets	2,365,573		2,614,646		2,614,646

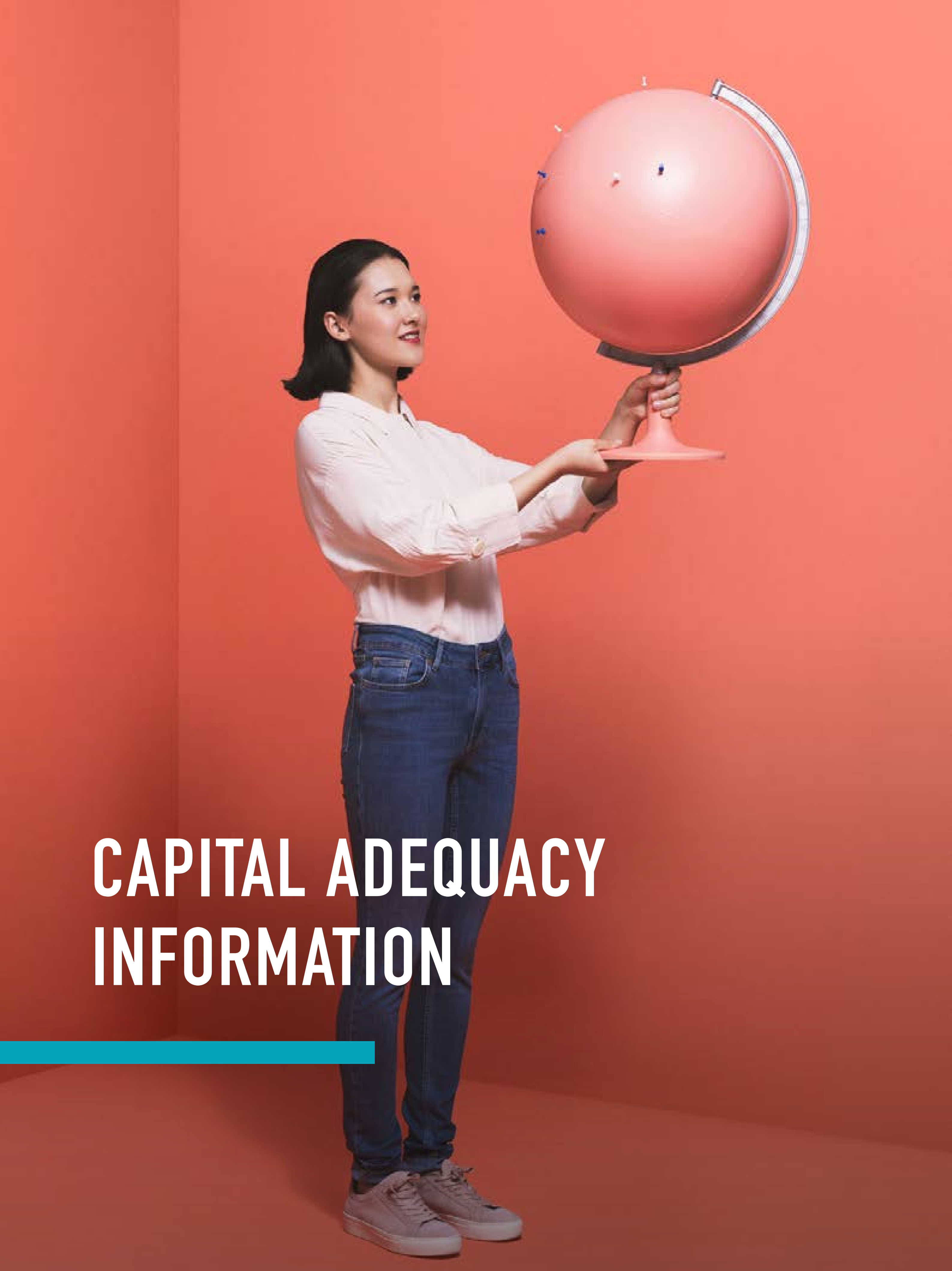
Financial liabilities 31.12.2021	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	5,362		5,362		5,362
Measured at amortised cost					
Liabilities to credit institutions	701,400		710,720		710,720
Debt securities issued*	1,544,537	1,505,525	55,699		1,561,224
Total financial liabilities	2,251,299	1,505,525	771,781		2,277,306

*Carrying amount includes the adjustment from the hedging EUR -5,6 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

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