

SP MORTGAGE BANK PLC'S

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2024



Sp Mortgage Bank Plc

Translation of the Sp Mortgage Bank's half-year report 1.1.-30.6.2024

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A woman with dark hair pulled back, wearing a mustard-colored button-down shirt, is looking down at a laptop screen. Her hand is resting on her chin, and she has a thoughtful expression. The background is a blurred office setting.

BOARD OF DIRECTORS' REVIEW

1 JANUARY – 30 JUNE 2024

SP MORTGAGE BANK PLC'S HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2024

The objective of Sp Mortgage Bank (hereinafter referred to as "Sp Mortgage Bank") 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 activities. Sp Mortgage Bank is responsible for Savings Banks Group's mortgage-secured funding by issuing covered bonds.

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 amounted to EUR 2,269 million at the end of the review period.

Sp Mortgage Bank's operating loss during the review period amounted to EUR 3,0 million, and the balance sheet total was EUR 3,174 million.

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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

The member companies of the Savings Banks Amalgamation form a financial institution as defined in the Act on the Amalgamation of Deposit Banks, in which Savings Banks' Union coop and its member credit institutions are ultimately jointly and severally liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop which acts as the central institution of the Amalgamation, 14 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. 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.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

The global economy

The growth outlook of the global economy was fairly subdued at the beginning of 2024, with economic forecasts projecting growth to be slower than the long-term average. As it turned out, economic growth was slightly above expectations in the first half of the year.

In the United States, economic growth has remained strong and the expected weakening of the economy has yet to materialise. Going forward, economic growth in the US is expected to slow slightly, but it is nevertheless projected to remain at a good level of just over 2% for the full year 2024.

The Chinese economy also outperformed expectations in the first half of the year, albeit largely supported by stimulus measures. The housing market is still one of the concerns in the Chinese economy, and it is also keeping consumers cautious. The Chinese economy is projected to grow by approximately 5% this year.

In Europe, economic growth has been weak, but still slightly better than previously feared. Having contracted in the latter part of last year, the economy turned to growth in the first quarter. Exceptionally, the strongest growth figures were seen in Southern European countries, such as Greece and Spain. Growth in the eurozone is expected to accelerate slightly, but economic growth for the full year 2024 is projected to be less than 1%.

The slowing of inflation around the world makes it possible for central banks to lower their key interest rates. The expectations of rate cuts have, however, decreased substantially when compared to the start of the year. The European Central Bank lowered its key interest rates at its meeting in early June. At the time of writing, one or two further rate cuts are still expected this year. The rate cut cycle has yet to begin in the US, but the Fed is expected to lower its rates before the end of the year. Interest rates are trending downwards, but there is a lot of uncertainty regarding the rate of the decrease.

Interest rate environment

In the first half of 2024, short-term interest rates in the eurozone fluctuated within a relatively narrow range when compared to the previous year. For example, the 12-month Euribor rate, which is used as the general reference rate for mortgages, had a range of movement of approximately 0.25 percentage points. Long-term interest rates have trended slightly upward since the turn of the year as the expectations of quick rate cuts evaporated.

The interest rate environment remained favourable for banking operations in the first half of 2024. The interest rate curve has enabled the positive development of net interest income in basic operations. At the same time, in wholesale financing, costs have decreased for both covered bonds and senior loans.

The future development of interest rates remains largely open. On 6 June 2024, the European Central Bank carried out its first interest rate cut in an expected series of cuts. However, the timing of future rate cuts remains uncertain because the ECB simultaneously made an upward adjustment to its inflation projections for 2024 and 2025.

Investment markets

From the perspective of the investment markets, the first half of the year was positive as a whole. Equity markets developed in a positive direction as companies reported better earnings growth than expected. A recovery was also seen in emerging market equities, and investor confidence in the outlook of emerging markets improved during the first half of the year. In the corporate bond markets, credit risk margins narrowed and the demand for corporate bonds remained very strong. In the sovereign bond market, yields were below expectations as central banks gave indications of slower rate cuts this year and in 2025. On the whole, investor confidence in the development of the market is very strong, but the risk of a correction has simultaneously increased. From the perspective of the investment markets, the key factors influencing development during the remainder of the year are geopolitical risks, monetary policy and the US presidential election.

The Finnish economy

The Finnish economy is sensitive to interest rates. Consequently, the rise in interest rates has had a particularly heavy impact on Finland. Last year, the economy contracted by 1% and Finland was one of the poorest performers in the EU. The economic outlook was fairly subdued at the start of the year, but the GDP growth figure for the first quarter came as a positive surprise. According to the current statistics, the Finnish economy rebounded from its slump and returned to growth, albeit at a rather modest rate (+0.2% QOQ)

The low ebb in the economy remains quite broad-based. The housing market and construction have been hit hard by the rise in interest rates and the outlook remains weak for construction in particular. The economic situation in the industrial sector is also subdued. The service sector has performed better. The situation is improving for consumers as their purchasing power is increasing again, but consumer confidence remains very low.

We expect the Finnish economy to improve a little in the second half of 2024. This will be enabled by falling interest rates and the slight recovery of the global economy. However, there are still risks associated with this view. For example, a rapid deterioration of the geopolitical situation or delays in rate cuts would have a negative impact on Finland's economic outlook.

The housing market in Finland

The housing market slump has continued since October 2022. The transaction volume has been subdued due to the low consumer confidence index and rapid rise in interest rates in particular. During the first five months of the year, the number of housing transactions decreased by over 5% year-on-year according to the price monitoring service of the Federation of Real Estate Agency in Finland. The demand for small apartments has been particularly low, while various types of dwellings in the family size category have seen moderate demand.

There was regional variation in the transaction volumes for old dwellings in the first half of the year. The transaction volume decreased by 12% in the Helsinki metropolitan area, by nearly 6% in the surrounding municipalities and by only 2% in other parts of Finland. The changes in the market have continued to have a significant negative impact on the transaction volume for new dwellings, as it has declined by over 18% from the previous year. For the Finnish cities with a significant number of housing transactions, the year-on-year changes during the January–May period remained negative: Helsinki -11%, Tampere -0.5%, Turku -18.5%, Jyväskylä -1.1% and Oulu -2.5%.

The housing market is expected to recover in the latter part of 2024. This recovery will be driven particularly by increased consumer purchasing power, falling interest rates, pent-up demand and improving consumer confidence. We project an increase of 0–5% in the transaction volume for old dwellings, but we expect the average prices for old dwellings to be lower than in the previous year by -1%.

SP MORTGAGE BANK'S PROFIT AND BALANCE SHEET

SP MORTGAGE BANK'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	6/2024	12/2023	6/2023
Revenue	77,065	93,117	40,782
Net interest income	8,696	13,495	6,357
% of revenue	11.3%	14.5%	15.6%
Operating profit or loss	3,012	-19,142	-6,078
% of revenue	3.9%	-20.6%	-14.9%
Total operating revenue	4,363	-15,810	-4,860
Total operating expenses	-1,193	-2,289	-1,067
Cost to income ratio	0,27	-0,14	-0,22
Total assets	3,174,387	2,606,508	2,485,429
Total equity	110,518	99,361	111,955
Return on equity %	2.3%	-17.2%	-5.3%
Return on assets %	0.1%	-0.7%	-0.2%
Equity/assets ratio %	3.5%	3.8%	4.5%
Solvency ratio %	13.6%	12.5%	15.3%
Impairment losses on financial assets	-158	-1,043	-151

PROFIT TRENDS (COMPARISON PERIOD 1–6/2023)

Sp Mortgage Bank Plc's operating profit was EUR 3.0 (-6.1) million and net profit for the period was EUR 2.4 (-6.1) million.

Total operating revenue of the period was EUR 4.4 (-4.9) million.

Net interest income was EUR 8.7 (6.4) million. Interest income increased to EUR 75.3 (47.3) million and consisted mostly of housing loan and hedging derivatives interest payments. The increase in interest income is due to the rise in interest rates. Interest expenses amounted to EUR -67.2 (-40.9) million and consisted mostly of interest expenses from liabilities to credit institutions, covered bonds and hedging derivatives. The increase in interest expenses is also mainly explained by the rise in the market interest rate. Hedging through interest rate derivatives accounted for EUR -28.9 (-10.8) million of the net interest income.

Net fee and commission income consisted mainly of fees paid to the intermediating banks and amounted to EUR -5.1 (-4.3) million.

Net profit from hedge accounting for the review period was EUR 1.3 (-7.8) million and it is presented under Net trading income on the income statement.

Operating expenses before impairment losses on the financial assets were EUR -1.2 (-1.1) million. Impairment losses on financial assets were EUR -0.2 (-0.2) million.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2023)

Loans and advances to customers amounted to EUR 2,266 (2,196) million. 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.

In May, Sp Mortgage Bank issued a new covered bond in the international capital markets. The fixed rate covered bond of EUR 500 million has a maturity of seven years. No covered bonds matured during the review period.

At the end of the review period, the carrying amount of covered bonds was EUR 2 460 (1,973) million. The amount of short-term funding drawn from Central Bank of Savings Banks Finland Plc was EUR 436.0 (380.0) million.

At the end of the review period, equity amounted to EUR 110.5 (99.4) million. During the review period, Sp Mortgage Bank carried out a directed share issue to the member banks of the amalgamation, and the share capital was increased by EUR 5.8 million. The amount entered in the reserve for invested unrestricted equity was EUR 2.9 million.

CAPITAL ADEQUACY AND RISK POSITION

Capital adequacy and leverage ratio (comparison figures 31 December 2023)

Sp Mortgage Bank's own funds totalled EUR 108.3 (96.8) million, while the minimum requirement for own funds was EUR 83.9 (81.1) million. Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital and it amounted to EUR 108.3 (96.8) million.

Sp Mortgage Bank's capital adequacy ratio was 13.6% (12.5%) at the end of the period. The Financial Supervisory Authority has granted an exemption to the Amalgamation, according to which the risk weight applied to the Amalgamation's internal financing items in capital adequacy calculation is 0%.

The capital requirement is formed by:

- 8% minimum capital requirements set by the Capital Requirement Regulation (CRR),
- 2.5% CET1 capital conservation buffer 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%. 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.

The Financial Supervisory Authority's decision to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation entered into effect on 1 April 2024.

In 2024, the Financial Supervisory Authority has not imposed a 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 permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual bank level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted a permission to apply a 0% 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).

The Finnish Financial Supervisory Authority has granted Savings Banks' Union Coop, which acts as the Central Institution of the Savings Banks Amalgamation, permission pursuant to the Act on the Amalgamation of Deposit Banks to decide that its member credit institutions will not be subject to the requirements stipulated by Section 6 of the EU Capital Requirements Regulation (EU 575/2013) and other EU statutes issued on the basis of the Regulation regarding the liquidity of credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim.

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation. The 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 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), which will implement the final Basel III regulation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are scheduled to enter into force on 1 January 2025.

Sp Mortgage Bank publishes the relevant information about capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statements. Key information on capital adequacy is published in the half-year report.

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 and half-year report of the Savings Banks Group. The Savings Banks Group publishes the so-called Pillar III capital adequacy information separately in connection with its financial statements. A copy of the Savings Banks Group's financial statements and the Pillar III information are available at www.saastopankki.fi.

THE MAIN ITEMS OF SP MORTGAGE BANK'S CAPITAL ADEQUACY

Own Funds (EUR 1,000)	30.6.2024	31.12.2023
Common Equity Tier (CET1) capital before regulatory adjustments	110,518	99,361
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-2,251	-2,607
Common Equity Tier (CET1) capital	108,266	96,754
Additional tied 1 (AT1) capital	0	0
Tier 1 capital (T1 = CET1 + AT1) total	108,266	96,754
Tier 2 (T2) capital	0	0
Total Capital (TC = T1 + T2)	108,266	96,754
Risk weighted assets	798,815	722,204
of which: credit and counterparty risk	781,764	760,062
of which: credit valuation adjustments (CVA)	13,152	8,244
of which: market risk		
of which: operational risk	3,899	3,899
Common Equity Tier 1 (as percentage of total risk exposure amount)	13.6%	12.5%
Tier 1 (as a percentage of total risk exposure amount)	13.6%	12.5%
Total capital (as a percentage of total risk exposure amount)	13.6%	12.5%
Capital requirements		
Total capital	108,266	96,754
Capital requirement total*	83,927	81,123
Capital buffer	24,340	15,631

* The capital requirement 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 countercyclical capital requirements of foreign exposures.

LEVERAGE RATIO

The leverage ratio of Sp Mortgage Bank was 4.7% (4.4%), exceeding the binding 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 capital by its total leverage ratio exposure measure. The Board of Directors of Sp Mortgage Bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2024	31.12.2023
Tier 1 capital	108,266	96,754
Leverage ratio exposure	2,305,738	2,217,976
Leverage ratio	4.7%	4.4%

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). In April 2024, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation Sp Mortgage Bank Plc. The requirement entered into effect from the date of the decision. 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. According to the Financial Stability Authority's decision, the MREL requirement applied to the Savings Banks Amalgamation is 20.84% of the total risk exposure amount or 7.72% of the total exposures, whichever is higher.

The MREL requirement for Sp Mortgage Bank Plc is 15.76% of the total risk amount or 5.92% 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 must be met on an ongoing basis.

At the end of June 2024, Sp Mortgage Bank Plc's position relative to the MREL requirement was strong. The amount of own funds and eligible liabilities was 20.0% of the total risk amount and 6.9% of the total exposures.

The table below presents Sp Mortgage Bank Plc's information pertaining to the MREL requirement on the basis of Commission Implementing Regulation 2021/763.



EU ILAC – INTERNAL LOSS-ABSORBING CAPACITY: INTERNAL MREL AND, WHERE APPLICABLE, REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES FOR NON-EU G-SIIS

		a	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	Qualitative information
Applicable requirement and level of application			
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Yes/No)		No
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated (C) or individual (I) basis? (C/I)		
EU-2a	Is the entity subject to an internal MREL? (Yes/No)		Yes
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated (C) or individual (I) basis? (C/I)		I
Own funds and eligible liabilities			
EU-3	Common Equity Tier 1 capital (CET1)	108,266	
EU-4	Eligible Additional Tier 1 capital (AT1)		
EU-5	Eligible Tier 2 capital (T2)		
EU-6	Eligible own funds	108,266	
EU-7	Eligible liabilities	51,359	
EU-8	of which permitted guarantees		
EU-9a	(Adjustments)		
EU-9b	Own funds and eligible liabilities items after adjustments		
Total risk exposure amount and total exposure measure			
EU-10	Total risk exposure amount (TREA)	798,815	
EU-11	Total exposure measure (TEM)	2,305,738	
Ratio of own funds and eligible liabilities			
EU-12	Own funds and eligible liabilities as a percentage of the TREA	19.98%	
EU-13	of which permitted guarantees	0.00%	
EU-14	Own funds and eligible liabilities as a percentage of the TEM	6.92%	
EU-15	of which permitted guarantees	0.00%	
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	4.22%	
Requirements			
EU-18	Requirement expressed as a percentage of the TREA	15.76%	
EU-19	of which part of the requirement that may be met with a guarantee	0.00%	
EU-20	Requirement expressed as a percentage of the TEM	5.92%	
EU-21	of which part of the requirement that may be met with a guarantee	0.00%	

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The data of row EU-17 and row EU-22 and column b are not presented, because they are not part of the disclosure obligation of the Amalgamation of Savings Banks.

RISK POSITION

The development in own funds has strengthened Sp Mortgage Bank's risk position. Global events or the change in the interest rate level have not had a material impact on the risk position.

The credit risk position of Sp Mortgage Bank has remained stable with a moderate risk level. The quality of the credit portfolio is good, but there is a risk of negative development. While Sp Mortgage Bank does not have significant direct liabilities to Russia, there are indirect impacts through certain industries and individual customer relationships. The impairment of receivables amounted to EUR 2.3 million (31.12.2023: 2.1). Non-performing receivables remained at a low level at 0.30% of the credit portfolio (31.12.2023: 0.28%).

Sp Mortgage Bank's capital position has strengthened during the first half of the year 2024.

The objectives, principles and organisation of risk management in Sp Mortgage Bank are the same as those presented in the 2023 financial statements.

MATERIAL EVENTS AFTER THE HALF-YEAR REPORT DATE

The Board of Directors of Sp Mortgage Bank is not aware of any factors that would materially influence the bank's financial position after the half-year report date.

OUTLOOK FOR THE YEAR

The capital adequacy and risk position of Sp Mortgage Bank are estimated to remain stable.

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, other operating revenue
Total operating revenue:	Net interest income, net fee and commission income, net trading income, other operating revenue
Total operating expenses:	Personnel expenses, other operating expenses, depreciations of property, plant and equipment and intangible assets
Cost to income ratio:	$\frac{\text{Total operating expenses}}{\text{Total operating revenue}}$
Return on equity %:	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interests (average)}} \times 100$
Return on assets %:	$\frac{\text{Profit}}{\text{Total assets (average)}} \times 100$
Equity/assets ratio %:	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} \times 100$
Solvency ratio %:	$\frac{\text{Own funds total}}{\text{Risk-weighted assets total}} \times 100$

VAIHTOEHTOISET TUNNUSLUVUT

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.

A close-up photograph of a man with a beard and short hair, wearing a dark blue sweater, looking down at a baby he is holding. The baby is wearing a light-colored, ribbed sweater and has its mouth open as if crying or yawning. The background is softly blurred, showing an indoor setting with warm lighting.

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

SP MORTGAGE BANK'S INCOME STATEMENT

(EUR 1,000)	Note	1-6/2024	1-6/2023
Interest income		75,884	47,302
Interest expense		-67,188	-40,945
Net interest income	4	8,696	6,357
Net fee and commission income	5	-5,104	-4,295
Net trading income		771	-7,072
Other operating revenue			150
Total operating revenue		4,363	-4,860
Personnel expenses		-4	-2
Other operating expenses		-1,077	-1,065
Depreciation of intangible assets		-113	
Total operating expenses		-1,193	-1,067
Net impairment loss on financial assets	6	-158	-151
Profit before tax		3,012	-6,078
Taxes		-602	
Profit		2,409	-6,078

SP MORTGAGE BANK'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-6/2024	1-6/2023
Profit	2,409	-6,078
Total comprehensive income	2,409	-6,078

SP MORTGAGE BANK'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.06.2024	31.12.2023
Assets			
Loans and advances to credit institutions	6	867,628	371,388
Loans and advances to customers	6	2,266,410	2,196,086
Derivatives	9		13,093
Investment assets	6	4,871	4,993
Intangible assets		995	1,108
Other assets		34,483	19,840
Total assets		3,174,387	2,606,508

(EUR 1,000)	Note	30.06.2024	31.12.2023
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	7	442,870	389,350
Derivatives	9	98,444	101,201
Debt securities issued	7	2,460,031	1,972,873
Tax liabilities		602	
Provisions and other liabilities		61,922	43,723
Total liabilities		3,063,870	2,507,147
Equity			
Share capital		77,885	72,051
Reserves		38,885	35,972
Retained earnings		-6,252	-8,662
Total equity		110,518	99,361
Total liabilities and equity		3,174,387	2,606,508

SP MORTGAGE BANK'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1-6/2024	1-6/2023
Cash flows from operating activities		
Profit	2,409	-6,078
Adjustments for items without cash flow effect	765	7,855
Change in deferred tax		
Cash flows from operating activities before changes in assets and liabilities	3,174	1,777
Increase (-) or decrease (+) in operating assets	-584,679	-64,259
Debt securities	121	
Loans and advances to credit institutions	-499,770	-250,000
Loans and advances to customers	-70,387	202,787
Investment assets, at amortized cost		-4,922
Other assets	-14,643	-12,125
Increase (-) or decrease (+) in operating liabilities	71,715	-215,435
Liabilities to credit institutions	53,520	-240,500
Debt securities issued		
Other liabilities	18,195	25,065
Paid income taxes		-59
Total cash flows from operating activities	-509,790	-277,917

(EUR 1,000)	1-6/2024	1-6/2023
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets		-88
Total cash flows from investing activities		-88
Cash flows from financing activities		
Increase in basic capital	5,834	
Other monetary increases in equity items	2,913	
Other	497,603	
Total cash flows from financing activities	506,350	
Change in cash and cash equivalents	-3,440	-278,005
Cash and cash equivalents at the beginning of the period	58,944	383,045
Cash and cash equivalents at the end of the period	55,504	104,982
Cash and cash equivalents comprise the following items:		
Receivables from central banks repayable on demand	55,504	104,982
Total cash and cash equivalents	55,504	104,982
Adjustments for items without cash flow effect		
Impairment losses on financial assets	158	
Changes in fair value	-1,341	7,818
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	113	
Other adjustments	1,835	36
Total	765	7,855
Interest received	61,043	34,756
Interest paid	47,979	15,653

SP MORTGAGE BANK'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2023	72,051	35,972	10,010	118,033
Comprehensive income				
Profit			-18,672	
Total comprehensive income			-18,672	-18,672
Total equity 31 December 2023	72,051	35,972	-8,662	99,361
Equity 1 January 2024	72,051	35,972	-8,662	99,361
Comprehensive income				
Profit			2,409	
Total comprehensive income			2,409	2,409
Transactions with owners				
Subscription issue	5,834	2,913		8,747
Total equity 30 June 2024	77,885	38,885	-6,252	110,518



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 (hereinafter “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 Savings Banks Group’s mortgage-secured funding by issuing covered bonds. 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.

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 (hereinafter “the Group”) is the oldest banking group in Finland. It is comprised of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks’ Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by 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 Group via producing centralised services or having responsibility for certain products. The most significant product companies of the Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Oy and Sp-Koti Oy.

The member organisations of the Savings Banks Amalgamation constitute a financial entity as defined in the Amalgamations Act, 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, 14 Savings Banks, 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 companies within the consolidation groups of the above-mentioned entities.

The structure 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. 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 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 consisting of the Savings Banks Group.

Sp Mortgage Bank’s registered office is in Helsinki, Finland, and its registered address is Teollisuuskatu 33, 00510 Helsinki. A copy of the financial statements of Sp Mortgage Bank is available at www.saastopankki.fi/saastopankkiryhma.

Similarly, copies of the Savings Banks Group’s financial statements are available at www.saastopankki.fi/saastopankkiryhma.

NOTE 2: ACCOUNTING POLICIES

General

The financial statements of Sp Mortgage Bank are prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union.

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 IFRSs.

The half-year report for 1 January–30 June 2024 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. A complete description of the accounting policies can be found in the notes to the financial statements for 2023. No new accounting policies or changes to accounting policies were adopted during the review period.

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

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

Critical accounting estimates and judgements

Preparing an IFRS-compliant half-year report requires 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 will differ from the estimates used in the half-year report.

The key assessments of Sp Mortgage Bank concern the assessment of impairment of financial assets and fair values.

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 uncertainty regarding future economic development that continued during the review period has increased the significance of the management's judgment and estimates.

On the half-year report date, in assessing the need for, and amounts of, adjustments based on the management's judgment, attention was 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 and liquidity 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, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.

The need for an adjustment based on the management's judgement can also be based on other factors that influence the customer's operational environment and have significance to the credit risk of the receivable counterparty.

NOTE 3: OPERATING SEGMENTS

Sp Mortgage Bank's management examines its operations as a single segment, meaning that segment-specific information is not provided in accordance with IFRS 8.

A close-up profile of a woman with dark hair tied back, looking upwards and to the right. She is wearing a small diamond earring and a dark red garment. The background is a soft-focus bokeh of green and yellow light spots, suggesting an outdoor setting with trees.

NOTES TO THE HALF-YEAR REPORT

NOTE 4: NET INTEREST INCOME

Interest income and expense are accrued over maturity using the effective interest rate method. Using this method, the income and expenses arising from an instrument are accrued in relation to the residual receivable and liability in the balance sheet until maturity.

(EUR 1,000)	1-6/2024	1-6/2023
Interest income		
From financial assets at amortised cost		
Debt securities eligible for refinancing with Central Bank	68	52
Loans and advances to credit institutions	10,805	4,928
Loans and advances to customers*	49,529	29,085
Other	286	218
Total	60,687	34,283
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	15,197	13,019
Total	15,197	13,019
Interest income, total	75,884	47,302

When a financial asset is impaired, the original effective interest rate is used when calculating interest income. Interest is calculated for the loan balance less impairment.

(EUR 1,000)	1-6/2024	1-6/2023
Interest expense		
Financial liabilities at amortised cost		
Liabilities to credit institutions	-6,312	-3,050
Debt securities issued	-16,785	-14,096
Other	-16	-52
Total	-23,113	-17,197
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-44,075	-23,748
Total	-44,075	-23,748
Interest expenses, total	-67,188	-40,945
Net interest income	8,696	6,357

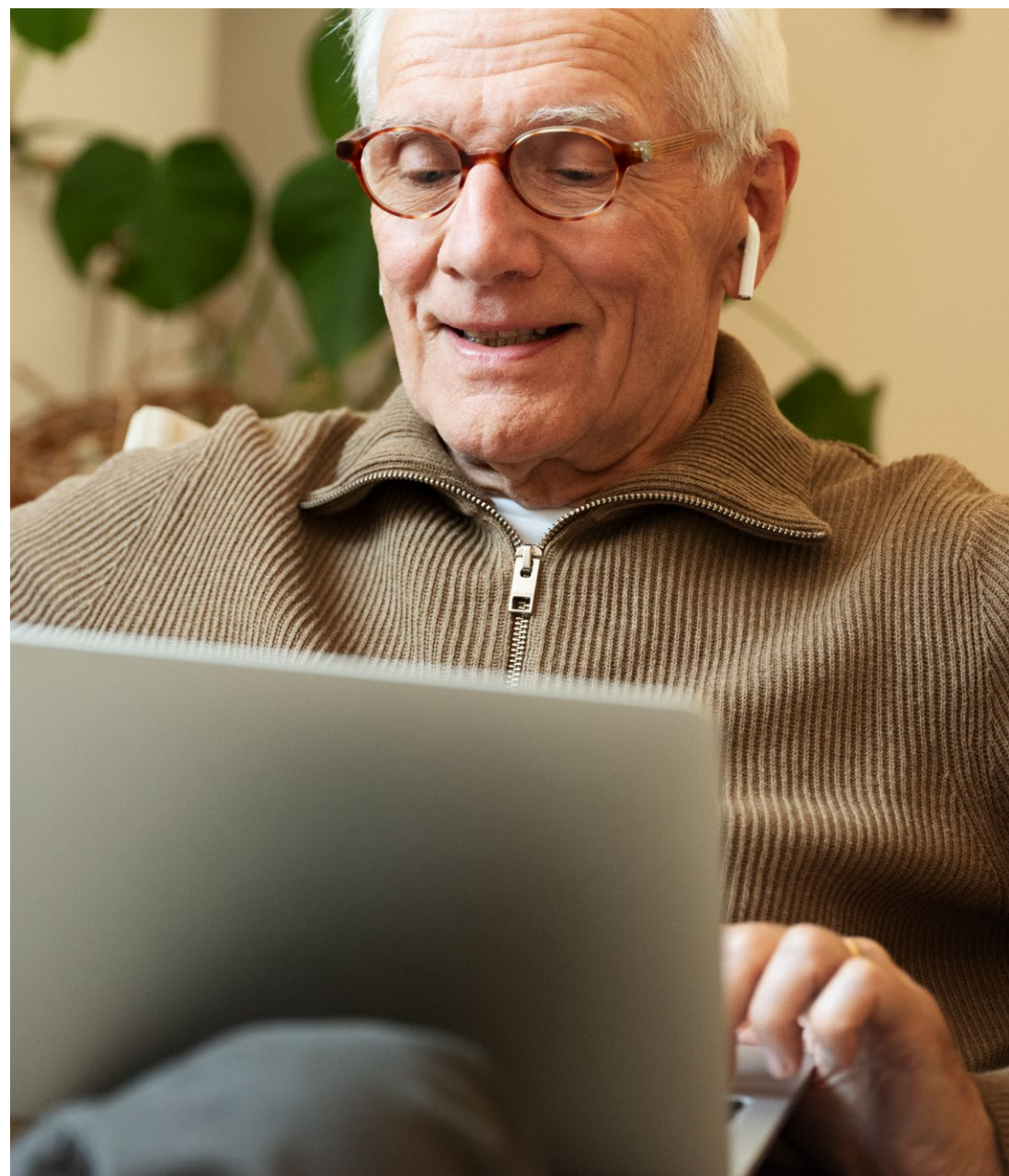
NOTE 5: NET FEE AND COMMISSION INCOME

In accordance with the transfer agreement, Savings Banks are returned a share of the fee income arising from the credit facilities managed by the Sp Mortgage Bank. Fee expenses consist mainly of fee income charged from lending that is paid to Savings Banks.

Fee and commission income and expense are generally recognised on an accrual basis. Fees and commissions for performing an action or a service are recognised when the related actions or services are performed. Fees relating to actions or services performed over several years are amortised over the service period. Fees that are directly attributable to the effective interest of a financial instrument are treated as an adjustment to the effective interest of that financial instrument.

(EUR 1,000)	1-6/2024	1-6/2023
Fee and commission income		
Lending	410	402
Total	410	402
Fee and commission expense		
Loans*	-5,510	-4,693
Other	-4	-3
Total	-5,514	-4,696
Net fee and commission income	-5,104	-4,295

* Consists mainly of fees paid to the intermediating banks.



NOTE 6: LOANS AND ADVANCES

6.1 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

Loans and advances to credit institutions and customers are primarily classified as measured at amortised cost and are consequently subject to calculation of expected credit losses. The table

30.6.2024 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	867,774	-146	867,628
Total	867,774	-146	867,628
Loans and advances to customers			
Loans	2,268,530	-2,120	2,266,410
Total	2,268,530	-2,120	2,266,410
Loans and advances total	3,136,304	-2,266	3,134,038

* of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 867 774 thousand.

6.2 INVESTMENT ASSETS

(EUR 1,000)	30.6.2024	31.12.2023
Amortised cost investments		
Quoted		
Debt securities from Government	4,873	4,994
Expected Credit Losses	-2	-1
Total	4,871	4,993

below presents the gross values, allowances for expected credit losses and balance values for loans and advances by product type.

31.12.2023 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	371,444	-57	371,388
Total	371,444	-57	371,388
Loans and advances to customers			
Loans	2,198,143	-2,057	2,196,086
Total	2,198,143	-2,057	2,196,086
Loans and advances total	2,569,587	-2,114	2,567,473

* of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 371 387 thousand.

6.3 IMPAIRMENT LOSS ON FINANCIAL ASSETS

The 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 expected credit losses, the 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 adjacent table presents 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

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 30 June 2024				
Loans and advances to customers	2,043,722	218,618	6,190	2,268,530
Loans and advances to credit institutions	819,271			819,271
Investments	4,869			4,869
Off-balance sheet items	14,160	26		14,186
Total	2,882,023	218,644	6,190	3,106,856
(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 Dec 2023				
Investment asset	1,996,901	195,207	6,035	2,198,143
Loans and advances to customers	316,364			316,364
Investments	4,994			4,994
Off-balance sheet items	6,785	10		6,795
Total	2,325,043	195,217	6,035	2,526,295

In assessing the significance of change in credit risk, the 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 to stage 3.
- PD% increase: 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 absolute 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.

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 ITEMS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2024	623	1,148	306	2,077
Transfers to stage 1	52	-107		-55
Transfers to stage 2	-103	567	-53	410
Transfers to stage 3		-54	250	195
New assets originated or purchased	264			264
Assets derecognised or repaid	-44	-131	-137	-312
Change in credit risk without stage change	-140	-114	7	-247
Manual repair, individual level	-98	-14	-77	-189
Net change in ECL	-69	146	-10	67
Expected Credit Losses 30 June 2024	554	1,294	295	2,144

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND INVESTMENTS

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2024	57			57
Transfers to stage 1				
Transfers to stage 2				
Transfers to stage 3				
New assets originated or purchased	92			92
Assets derecognised or repaid	-1			-1
Change in credit risk without stage change				
Change in model for calculation of ECL				
Net change in ECL	92			92
Expected Credit Losses 30 June 2024	149			149
Total expected credit losses 30 June 2024				2,292
Total change in expected credit losses 1 January 2024 – 30 June 2024				158

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES AND OFF-BALANCE SHEET

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2023	302	703	77	1,082
Transfers to stage 1	51	-137		-86
Transfers to stage 2	-85	604	-50	469
Transfers to stage 3	-1	-38	386	348
New assets originated or purchased	265	81	10	357
Assets derecognised or repaid	-97	-309	-117	-523
Change in credit risk without stage change	187	244		430
Net change in ECL	321	445	229	995
Expected Credit Losses 31 December 2023	623	1,148	306	2,077

EXPECTED CREDIT LOSSES (ECL), LOANS AND ADVANCES AND OFF-BALANCE SHEET

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2023	9			9
Transfers to stage 1				
Transfers to stage 2				
Transfers to stage 3				
New assets originated or purchased	46			46
Assets derecognised or repaid				
Change in credit risk without stage change	2			2
Net change in ECL	48			48
Expected Credit Losses 31 December 2023	57			57
Total expected credit losses 31 December 2023				2,134
Total change in expected credit losses 1 January 2023 – 31 December 2023				1,043

METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

The Sp Mortgage Bank's assessment of expected credit loss is based on the PD*LGD*EAD model. The calculations are carried out separately for each contract and based on the following parameters:

- PD%: probability of default based on external and internal credit ratings.
- 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 for loans and debt securities belonging to investment assets 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 key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2024	2025	2026
- Change in EuropeStoxx%	-2.9% / 8.0%	-0.5% / 10.0%	6.0% / 8.0%
- Change in GDP	0.60%	1.0%	1.0% / 1.2%
- Investments	0.50%	1.50%	1.50%

IMPACTS OF THE WAR IN UKRAINE AND THE ECONOMIC SANCTIONS AGAINST RUSSIA

Sp Mortgage Bank has 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, Sp Mortgage Bank does not have direct or significant 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. As the exceptional situation prevails, the Sp Mortgage Bank will monitor and report the development of their customers' credit risk and, if necessary, makes an adjustment, based on the management's assessment, to the amount of expected credit losses.

EFFECT OF CHANGES IN THE ECL MODELS

Changes in the LGD models

ECL models have been changed during the review period. The LGD model previously applied in the calculation of ECL for loan contracts was based on a segmentation model, where the average LGD was estimated for three different segments. The new LGD models are modelled separately for retail and corporate exposures and consist of two components, cure rate and loss given loss. These model components take into consideration different variables depending on whether the exposure is classified as non-defaulted or defaulted.

Implementation of the new LGD models decreased the ECL amount by EUR 0,2 million. The effect of this change is presented in the line change in the model for calculation of ECL.

NOTE 7: FUNDING

7.1 LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2024	31.12.2023
Liabilities to credit institutions		
Other than those repayable on demand*	442,870	389,350
Total liabilities to credit institutions	442,870	389,350

* of which Liabilities to Credit Institutions belonging to the Savings Banks Amalgamation EUR 436,000 (380,000) thousand.

7.2 DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2024		31.12.2023	
	Nominal value	Carrying amount	Nominal value	Carrying amount
Measured at amortised cost				
Covered bonds	2,550,000	2,544,622	2,050,000	2,046,356
Fair value hedging on covered bonds		-84,590		-73,483
Total debt securities issued	2,550,000	2,460,031	2,050,000	1,972,873

SP MORTGAGE BANK PLC'S COVERED BONDS ISSUED

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2019	500,000	499,174	7 years	Fixed	0.05%	19.6.2026
Sp Mortgage Bank 2021	500,000	501,765	7 years	Fixed	0.01%	28.9.2028
Sp Mortgage Bank 2022	300,000	299,681	3 years	Fixed	1.00%	28.4.2025
Sp Mortgage Bank 2022	750,000	746,388	5 years	Fixed	3.125%	1.11.2027
Sp Mortgage Bank 2024	500,000	497,613	7 years	Fixed	3.25%	2.5.2031
Total	2,550,000	2,544,622				

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

NOTE 8: CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are classified into measurement categories on initial recognition. The measurement category defines subsequent measurement of a financial asset or liability.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Financial assets are classified on initial recognition based on the business model used for managing the group of financial assets in which the financial assets is held and characteristics of the cash flows of the instrument, specifically, whether the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model refers to how the Savings Banks Group manages its financial assets in order to generate cash flows. That is, the business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If cash flows are realised in a way that is different from the entity's expectations on the date that the entity assessed the business model, that does not give rise to a prior period error in the entity's financial statements nor does it change the classification of the remaining financial assets held in that business model.

Assessment of cash flow characteristics

Cash flow characteristics means the characteristics of the contractual cash flows of the financial asset. When assessing cash flow characteristics, it is determined whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, for example, interest only consists of consideration for the time value of money, credit risk and other basic lending risks. The cash flow criteria is assessed separately for each instrument and if the terms of the contract include factors that cannot be considered typical terms for lending, the financial asset is classified as measured at fair value through profit or loss.

FINANCIAL ASSETS – MEASUREMENT CATEGORIES AND PRINCIPLES FOR CLASSIFICATION

Amortised cost

A financial asset is measured at amortised cost when both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest and payments of principal.

On initial recognition the Sp Mortgage Bank Plc may make an irrevocable choice to present the subsequent fair value changes of an equity instrument in other comprehensive income. This election is made on instrument basis. These financial assets are measured at fair value and the change in value is recognised, less deferred taxes, in the statement of other comprehensive income.

Financial assets measured at fair value through profit or loss

All items that are not measured at amortised cost or recognised at fair value through other comprehensive income are recognised at fair value through profit or loss. However, a financial asset may, at initial recognition, be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets that are investments in debt instruments are reclassified only when the Savings Banks Group changes the business models applied in the management of financial assets. The Savings Banks Group expects such changes to be highly infrequent and it has not reclassified any financial assets during the review period.

Classification and measurement of financial liabilities

Financial liabilities are classified into following measurement categories for the purposes of subsequent measurement:

- amortised cost
- fair value through profit or loss.

Financial liabilities are principally measured at amortised cost. Derivative contracts and other investors' participation in consolidated funds are measured at fair value through profit or loss.

The table below presents financial assets and liabilities by balance items broken down into measurement categories for continuing operations.

30.6.2024 (EUR 1,000)	Amortized costs	Financial assets at fair value through profit or loss	Total
Loans and advances to credit institutions	867,628		867,628
Loans and advances to customers	2,266,410		2,266,410
Investment assets	4,871		4,871
Total assets	3,138,909		3,138,909
Liabilities to credit institutions	442,870		442,870
Derivatives		98,444	98,444
of which fair value hedging		98,444	98,444
Debt securities issued*	2,460,031		2,460,031
Total liabilities	2,902,901	98,444	3,001,345

31.12.2023 (EUR 1,000)	Amortized costs	Financial assets at fair value through profit or loss	Total
Loans and advances to credit institutions	371,388		371,388
Loans and advances to customers	2,196,086		2,196,086
Derivatives		13,093	13,093
fair value hedges		13,093	13,093
Investment assets	4,993		4,993
Total assets	2,572,467	13,093	2,585,560
Liabilities to credit institutions	389,350		389,350
Derivatives		101,201	101,201
fair value hedging		101,201	101,201
Debt securities issued*	1,972,873		1,972,873
Total liabilities	2,362,223	101,201	2,463,424

* The book value includes the adjustment resulting from the application of hedge accounting of EUR -84.6 (-73.5) million.

8.1 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 coun-

terparty 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.

30.6.2024				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/received as collateral	Cash held/received as collateral	Net amount
Assets							
Derivative contracts	17,728		17,728	-13,449		-6,870	0
Total			17,728				
Liabilities							
Derivative contracts	134,512		134,512	-13,449			121,064
Total			134,512				121,064

31.12.2023				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/received as collateral	Cash held/received as collateral	Net amount
Assets							
Derivative contracts	19,093		19,093	-9,801		-9,350	0
Total			19,093				0
Liabilities							
Derivative contracts	133,585		133,585	-9,801		0	123,784
Total			133,585				123,784

NOTE 9: 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.

30.6.2024 (EUR 1,000)	Nominal value / remaining maturity			Total	Fair value	
	Less than 1 year	1 – 5 years	Over 5 years		Assets	Liabilities
Hedging derivative contracts						
Fair value hedging	300,000	1,750,000	500,000	2,550,000		-98,444
Interest rate derivatives	300,000	1,750,000	500,000	2,550,000		-98,444
Total	300,000	1,750,000	500,000	2,550,000		-98,444
Derivatives total						-98,444

31.12.2023 (EUR 1,000)	Nominal value / remaining maturity			Total	Fair value	
	Less than 1 year	1 – 5 years	Over 5 years		Assets	Liabilities
Hedging derivative contracts						
Fair value hedging		2,050,000		2,050,000	13,093	-101,201
Interest rate derivatives		2,050,000		2,050,000	13,093	-101,201
Total		2,050,000		2,050,000	13,093	-101,201
Derivatives total						-88,108

* The nominal value of the issued fixed rate covered bonds hedged for fair value changes was EUR 2,550,000 thousand and carrying amount EUR 2,460,031 thousand on the end of review period. The fair value adjustment resulting from hedge calculation for the balance sheet item subject to hedging was 84,590 thousand decreasing the book value.

Nominal values of hedging instruments equal to the nominal values of hedged items.

NOTE 10: FAIR VALUES BY VALUATION TECHNIQUE

Financial instruments are presented in the Sp Mortgage Bank's balance sheet at amortised cost and at fair value in derivatives. 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 Note 8.

Fair value is the price that would be attained if the asset was sold or would be paid to transfer the liability from one market party to another in a standard business transaction taking place on a valuation day. The fair values of financial instruments are primarily determined using quotations on a publicly traded market or, if active markets do not exist, on the company's own valuation methods. A market is considered active if price quotations are readily and regularly available and if they reflect real and regularly occurring arm's-length market transactions. Current bid price is used as the quoted market price of a financial asset.

If the market has a well-established valuation technique for a financial instrument for which there is no direct market price available, the fair value is based on the commonly used valuation model and on the market quotations of the input data used in the model. If there is no well-established valuation technique in the market, the fair value is determined based on a specific valuation model created for the product in question. The valuation models are based on widely used measuring techniques, incorporating all the factors that market participants would consider when setting a price. The valuation prices used include market transaction prices, the discounted cash flow method, as well as the fair value of another substantially similar instrument at the reporting date. The valuation methods take into account an estimate of credit risk, applicable discount rates, early repayment option, and other such factors that may impact reliable determination of the fair value of the financial instrument. In respect of cash and deposits payable on demand, the nominal value is considered as an approximation of the fair value.

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 reporting date. In respect of cash and deposits payable on demand, the nominal value is considered equivalent to the fair value.

The fair value measurement of derivatives takes account of the credit risk of the parties to a transaction. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debit Valuation Adjustment (DVA). CVA and DVA valuation adjustments are calculated for each counterparty.

Sp Mortgage Bank does not have assets measured at fair value on a non-recurring basis.

FAIR VALUE HIERARCHY

The fair values are divided into three hierarchical levels, depending on how the fair value is defined. The fair value hierarchy level into which an item measured at fair value is fully classified is determined by the input data which is at the lowest level and is significant in respect of the whole item. The significance of input data is evaluated considering the whole item which is valued at fair value.

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 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. 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.

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 financial reporting period, there were no transfers between levels 2 and 3.

Financial assets 30.6.2024 (EUR 1,000)	Carrying amount	Fair value by hierarchy level			Fair value
		Level 1	Level 2	Level 3	total
Measured at amortised cost					
Loans and advances to credit institutions	867,628		870,858		870,858
Loans and advances to customers	2,266,410		2,471,047		2,471,047
Investment assets	4,871	4,863			4,863
Total financial assets	3,138,909	4,863	3,341,905		3,346,768

Financial liabilities 30.6.2024 (EUR 1,000)	Carrying amount	Fair value by hierarchy level			Fair value
		Level 1	Level 2	Level 3	total
Measured at fair value					
Derivative contracts	98,444		98,444		98,444
Measured at amortised cost					
Liabilities to credit institutions	442,870		445,638		445,638
Debt securities issued*	2,460,031	2,445,085			2,445,085
Total financial liabilities	3,001,345	2,445,085	544,082		2,989,167

* Carrying amount includes the adjustment from the hedging EUR -84,6 million.

Financial assets 31.12.2023 (EUR 1,000)	Carrying amount	Fair value by hierarchy level			Fair value
		Level 1	Level 2	Level 3	total
Measured at fair value					
Derivatives	13,093		13,093		13,093
Measured at amortised cost					
Loans and advances to credit institutions	371,388		383,852		383,852
Loans and advances to customers	2,196,086		2,816,479		2,816,479
Assets held for sale	4,993	4,990			4,990
Total financial assets	2,585,560	4,990	3,213,424		3,218,415

Financial liabilities 31.12.2023 (EUR 1,000)	Carrying amount	Fair value by hierarchy level			Fair value
		Level 1	Level 2	Level 3	total
Measured at fair value					
Derivative contracts	101,201		101,201		101,201
Measured at amortised cost					
Liabilities to credit institutions	389,350	9,350	393,096		402,446
Debt securities issued*	1,972,873	2,017,990			2,017,990
Total financial liabilities	2,463,424	2,027,340	494,297		2,521,637

* Carrying amount includes the adjustment from the hedging EUR -73.5 million.

NOTE 11: COLLATERALS

(EUR 1,000)	30.6.2024	31.12.2023
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans	3,945,750	3,113,976
Total collateral given	3,945,750	3,113,976
Collateral received		
Real estate collateral	2,267,754	2,197,616
Other	7,067	9,877
Total collateral received	2,274,822	2,207,493

On 30 June 2024, loans pledged as collateral for covered bonds issued in the bond programme established under the Act on Mortgage Credit Banks (688/2010) amounted to EUR 2,195 million. On 30 June 2024, loans pledged as collateral for covered bonds issued in the bond programme updated in 2022 under the act on mortgage banks and covered bonds (151/2022) amounted to EUR 1,751 million.

NOTE 12: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2024	31.12.2023
Loan commitments	14 483	6 815
Total off balance-sheet commitments	14 483	6 815

Binding credit commitments and other similar off-balance-sheet commitments, are recognised under off-balance sheet commitments. Commitments are recorded in the minimum amount that can be expected to be paid on the basis of them.

NOTE 13: 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.

A close-up photograph of a man and a woman holding hands. The man, on the left, has a grey beard and glasses, wearing a dark blue button-down shirt. The woman, on the right, has blonde hair and is wearing a green sweater. They are both smiling warmly at each other. The background is a softly blurred indoor space, possibly a home or office.

CAPITAL ADEQUACY INFORMATION

NOTE 14: 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, which the Savings Banks Group publishes in connection with the financial statements. 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 and pillar III report of the Savings Banks Group is available online at www.saastopankki.fi.



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