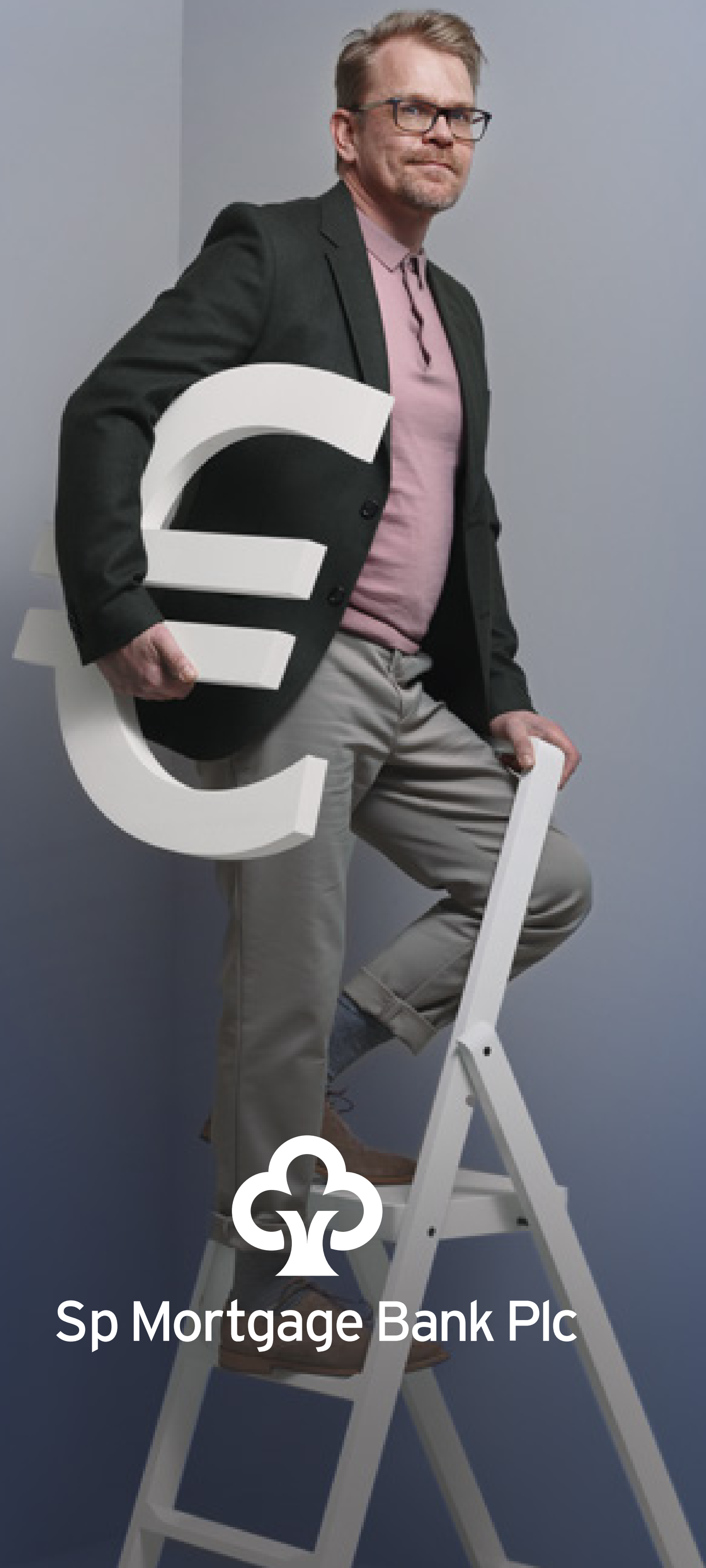
Sp Mortgage Bank Plc's

HALF-YEAR REPORT
1 JANUARY – 30 JUNE 2020



Sp Mortgage Bank Plc

Sp Mortgage Bank Plc's Half-year Report 1 January – 30 June 2020

Table of contents

SP MORTGAGE BANK PLC'S HALF-YEAR REPORT

Board of Directors' Review for 1 January – 30 June 2020

Sp Mortgage Bank Plc's (hereinafter also "Sp Mortgage Bank") objective is to strengthen the competitiveness of the Savings Banks Group through competitive funding and promote the strategy of Savings Banks Group's through its own activity. Sp Mortgage Bank is responsible for 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 June EUR 1.97 billion. The COVID-19 pandemic, which started in the beginning of the year, had no significant impacts on Sp Mortgage Bank's profit.

Sp Mortgage Bank's operating profit January – June amounted to EUR 1.2 million, and total assets amounted to EUR 2.065 million.

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 comprises 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 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 Amalgamation comprises the Savings Banks' Union Coop which acts as the Central Institution of the Amalgamation, 19 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 Savings Bank Services Ltd and 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.

During the review period, one merger between the Savings Banks were executed. Huittisten Säästöpankki merged to Aito Säästöpankki. As a result of the merger, the number of Savings Banks belonging to the Amalgamation and to the Group reduced from 20 banks to 19 banks.

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

Description of the operational environment

Global economic outlook

The year 2020 started in an atmosphere of emerging economic optimism. The International Monetary Fund (IMF) predicted that the global economy would grow by 3.3 per cent in 2020, in other words: slightly more than last year. However, during the first weeks of the year, the entire world became aware of the coronavirus that was spreading in China and leading to movement restrictions and the plummeting of economic activity. At the early stages of the spread of the disease, it was believed that the coronavirus epidemic would be limited to China and its global effects would primarily consist of production disturbances as many companies or their subcontractors have production in China.

When the virus started spreading elsewhere, it became evident that this was a global pandemic and the economic outlook collapsed at an unprecedentedly fast rate. The shock was particularly severe because it had a strong impact on both supply and demand nearly simultaneously all around the world. To prevent the spread of the virus, restrictions were placed on people's movement and social contacts. Fear of the disease in itself made consumers cautious. In some countries, factories were closed down but, generally speaking, the field that was hit especially hard by the economic shock was the service sector.

In May–June, the lifting of economy-related restrictions had begun in different parts of the world and economic recovery is taking its first cautious steps. The situation is still fragile and the greatest risk is the potential second wave of the virus. As a whole, the global economy is expected to decline by 5–6 per cent this year. The current estimate is that the worst shock in economy occurred in the second quarter of the year and economies are expected to recover towards the end of the year. However, reaching the starting level will take longer due to the fierceness of the decline.

The euro zone economy entered the coronavirus crisis on a rather fragile foundation: in 2019, the zone's economic growth slowed down to 1.3 per cent. The euro zone economy has suffered drastically from the coronavirus pandemic. However, the situation varies greatly from country to country. Italy, with its already weak economy, was hit particularly hard by the coronavirus. The effect of the lifting of restrictions has already been visible as the first signs of recovery also in the euro zone.

As a result of the coronavirus crisis, the economies in the euro zone have launched massive fiscal stimulus programmes, with the aim of helping companies and households overcome the shock caused by the coronavirus and boosting demand after the economies re-open. The European Central Bank has also played an active role and supported the financial market with its measures. The indebtedness rates of the euro zone countries are rising quickly this year. As a whole, the euro zone economy is expected to decline by approximately 7 per cent this year.

The United States faced the coronavirus crisis in a state of clearly faster economic growth than the euro zone, although the growth was slowing down. The unemployment rate had reached a record-low level, under 4 per cent. The coronavirus spread to the United States later than to Europe but the number of coronavirus cases grew rapidly. Like other countries, the United States started to close down its economy, which led to a dramatic decline especially in the service sector and labour market. In a couple of months, the USA's unemployment rate rose from the record-low level to nearly 15 per cent. As usual, the US Federal Reserve took brisk action to ensure the functionality of the financial market, in addition to which fiscal stimulus has been massive. In the United States, too, the indicators forecasting future economic development have taken an upward turn in May–June. As a whole, the US GDP is expected to decline by approximately 6 per cent this year.

Interest rate environment

Interest rates remained at a very low level in the euro zone during the review period. Short-term interest rates rose slightly in March–April as nervousness in the financial market increased, but the situation has calmed down since then. The Euribor interest rates have remained negative and it is expected that the era of negative short-term interest rates will continue for an extended period of time. The coronavirus crisis has only reinforced this view. The risk of accelerating inflation over a short term is very low.

During the review period, relatively significant fluctuation could also be witnessed in long-term interest rates. Germany's 10-year interest rate rose in May but has come down since then. The difference of the government bond interest rates of the South European countries, especially Italy and Greece, when compared to Germany increased rapidly in March but has then decreased.

Investment markets

In the first half of 2020, there was a very strong decline in share prices due to the pandemic. The credit risk margins of corporate bonds also increased as investors sought safe havens when their risk appetites decreased. The collapse of investment markets started from Asia, where the restrictions introduced due to the coronavirus brought economic activity to a standstill. In Europe and the United States, the decline of share prices began in February and expanded quickly to emerging markets, too. The exceptionally intensive stimulus programmes of central banks and the public sector returned investor confidence, although economic indicators continued to decline at the same time. From the perspective of investment markets, the second quarter was strong and recovery could be seen in all asset categories. In many stock market sectors, share prices returned to their early-year levels and investor demand in corporate bond markets strengthened until it reached the pre-crisis level.

The Finnish economy

Similarly to other countries of the world, the outlook of the Finnish economy has clearly deteriorated due to the coronavirus crisis. The hardest blow can be seen in the figures for the second quarter. However, the April statistics on retail trade and industrial production, for instance, seem to indicate that the Finnish economy has suffered from the coronavirus shock less than other economies on average.

The greatest decline occurred in the service sector, where activity decreased dramatically in April–May and many employees were laid off temporarily. Instead, industrial production has clearly declined less. Unlike in some countries, any major closing down of factories was not necessary in Finland. As restrictions have been lifted, the situation in the service sector has already improved and consumption is returning to the early-year level. On the other hand, in industry, the worst phase is expected to take place only later this year as the weakness of the global economy keeps export demand at a low level and general uncertainty leads to cautiousness in companies. The Finnish economy is expected to decline by 6–7 per cent this year.

The housing market in Finland

In the housing market, the year started on a positive note. The expected decrease in the trading of old and newly constructed housing did not take place; instead, the number of transactions rose in the first quarter. The number of transactions grew by 5.3 per cent in the old housing market and by 23.8 per cent in the new housing market (source: the price monitoring service of the Central Federation of Finnish Real Estate Agencies). Factors behind the positive sentiment in the housing market included demand that increased already in December 2019, new collective agreements that brought along salary increases and strong consumer confidence in economy.

The impact of the coronavirus started to show in the housing market already in mid-March as demand plummeted. Major underlying reasons for this were the provisions of the Emergency Powers Act and the restrictions on movement to and from the Uusimaa region. Despite this, March was still a strong month in the housing market as most transactions had been agreed on in early March. Demand remained low until mid-April, after which it started to pick up again. The number of visitors to real estate portals (Etuovi.com and Oikotie.fi) grew steadily in April and contact requests from these portals started to increase in mid-April. However, the number of transactions was clearly lower than in the preceding months and in last year's April: the number of transactions decreased by 33 per cent in the old housing market and by 51 per cent in the new housing market. The year-on-year decrease was 31 per cent in Helsinki, 34 per cent in Espoo, 31 per cent in Tampere, 40 per cent in Vantaa, 46 per cent in Turku and 46 per cent in Joensuu. As demand picked up, the sellers' unwillingness to put their apartments and houses on sale became an obstacle to the increase in the number of housing transactions. The year-on-year decrease in the number of new properties for sale was approximately 40 per cent in April and approximately 30 per cent in May.

In May, the pandemic still affected the housing market considerably. On the basis of HSP's data, trading decreased by 31.5 per cent in the old housing market and by 25 per cent in the new housing market. The year-on-year decrease was 29 per cent in Helsinki, 23 per cent in Espoo, 33 per cent in Tampere, 47 per cent in Vantaa, 36 per cent in Turku and 53 per cent in Joensuu. Towards the end of the month, transaction volumes started to show signs of picking up.

The coronavirus pandemic did not influence the prices of apartments and houses. From April to May, the price of old apartments in apartment blocks increased by 0.6 per cent in the Helsinki Metropolitan Area, by 4.2 per cent in Tampere, by 4.7 per cent in Turku and by 7.2 per cent in Oulu. However, the sales prices of old apartments in these cities vary greatly even in normal market situations. In May, the average price of old apartments in apartment blocks was EUR 4,926 per sq.m. in the Helsinki Metropolitan Area and EUR 2,394 per sq.m. elsewhere in Finland (Turku: EUR 2,825, Tampere EUR 3,101, Oulu EUR 2,278).

In May, as the coronavirus restrictions have been gradually lifted, the housing market has been clearly more active than in April–May, thanks to the lifting of the provisions of the Emergency Powers Act and the return to a nearly normal state of affairs. Furthermore, approximately one million Finns worked from home in April–May, which led many to plan renovating their home or buying a new home. In addition, the holiday home market was very active throughout the spring and activity still continues. On the basis of HSP's data, the number of holiday home transactions in May increased by more than 32 per cent from May last year.

The slowing down of trading in the new housing market and banks' decreased willingness to be involved in RS financing arrangements have raised construction firms' threshold to start building new properties significantly. Consequently, it is estimated that only approximately 28,000 new homes will be built this year, compared to approximately 40,000 last year.

The forecasting of the housing transactions during the remainder of the year entails a couple of factors that are difficult to predict: the potential second wave of the coronavirus pandemic and the impact of the post-cyclical nature of the export industry on employment in the autumn.

Sp Mortgage Bank's profit and balance sheet

Sp Mortgage Bank's financial highlights

(EUR 1,000)	1.1.-30.6.2020	1.1.-31.12.2019	1.1.-30.6.2019
Revenue	12,329	25,162	9,989
Net interest income	10,684	19,216	8,726
% of revenue	86.7 %	76.4 %	87.4 %
Profit before taxes	1,172	2,766	-1,187
% of revenue	9.5 %	11.0 %	-11.9 %
Total operating revenue	1,810	5,014	-66
Total operating expenses	-803	-2,224	-1,026
Cost to income ratio	44.4 %	44.4 %	-1554.7 %
Total assets	2,064,661	2,066,789	2,026,801
Total equity	99,335	98,397	94,997
Return on equity %	0.9 %	2.4 %	-1.3 %
Return on assets %	0.0 %	0.1 %	-0.1 %
Equity/assets ratio %	4.8 %	4.8 %	4.7 %
Solvency ratio %	13.7 %	13.7 %	13.5 %
Impairment losses on loans and other receivables	165	-24	-96

Profit trends (comparison period 1-6/2019)

Profit of the financial period consisted of net interest income, net fee and commission income and net trading income, other operating expenses, depreciations of intangible assets, expected credit losses and taxes.

Interest income was EUR 13.0 (11.8) million and consisted mostly of housing loan Interest payments. Growth in Interest income comes from growth in housing loans and interest income from hedging derivatives. Interest expenses were EUR 2.3 (3.1) million consisting mostly of Interest expenses from liabilities to credit institutions and Interest expenses from covered bonds. The net interest income amounted to EUR 10.7 (8.7) million.

Net fee and commission income mainly consisting of fees paid to the intermediating banks amounted to EUR -7.8 (-6.7) million.

Net profit from hedge accounting for the review period was EUR -1.0 (-2.1) million and it is presented under Net trading income on the income statement.

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

Expected credit losses were EUR 0.2 (-0.1) million.

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

Balance sheet and funding (comparison figures 31 December 2019)

The loan portfolio of Sp Mortgage Bank grew to EUR 1,970 (1,957) 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 bond was EUR 1,514 (1,505) million at the end of the review period. At the end of the review period, the amount of short term funding taken from Central Bank of Savings Banks Finland Plc was EUR 431 (452) million.

Capital adequacy and risk position

Capital adequacy (comparison figures 31 December 2019)

At the end of the review period, the Sp Mortgage Bank had a strong capital structure, consisting of CET1 capital. Own funds were EUR 99 (98) million. Risk-weighted assets amounted to EUR 725 (715) million. The capital ratio of the Sp Mortgage Bank was 13.7 (13.7) % and the CET1 capital ratio was 13.7 (13.7) %.

The capital requirement of Sp Mortgage Bank was EUR 76 (75) 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:

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

Finnish Financial Supervisory Authority made decision on pillar 2 requirement for the Savings Bank Amalgamation on 4 July 2019 and it came into force on 31 March 2020. As a result pillar 2 requirement for the Savings Bank Amalgamation increased from 0.5% to 1.25 % of total risk amount. The requirement percentage is based on the methodology of SREP (Supervisory Review and Evaluation Process) for LSI banks from ECB, where

the percentage of additional capital requirement is determined from the overall rating of FSA's assessment. The requirement shall be met at the amalgamation level with CET1 capital. The requirement is valid maximum 3 years until 31 March 2023.

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

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

At its meeting on 29 June 2020, the Board of the Financial Supervision Authority decided that the maximum LTC ratio for residential mortgage loans will be adjusted and brought back to the statutory standard level of 90 %. The Board of the Financial Supervision Authority also decided that countercyclical capital buffer (CCyB) requirement will remain at 0 %. Countercyclical buffer requirement can vary from 0-2.5 % of risk weighted assets. FIN-FSA has not imposed additional O-SII capital requirement for 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 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).

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 standard method is used to calculate the capital requirement for credit risk of the Sp Mortgage Bank. The capital requirement for operational risk is calculated by the basic method. Sp Mortgage Bank has published 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. 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)	30.6.2020	31.12.2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	99,335	98,397
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-19	-39
Common Equity Tier 1 (CET1) capital	99,316	98,358
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)	99,316	98,358
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)	99,316	98,358
Risk weighted assets	724,804	715,469
of which: credit and counterparty risk	684,777	683,047
of which: credit valuation adjustment (CVA)	29,627	22,022
of which: market risk	0	0
of which: operational risk	10,400	10,400
Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.7 %	13.7 %
Tier 1 (as a percentage of total risk exposure amount)	13.7 %	13.7 %
Total capital (as a percentage of total risk exposure)	13.7 %	13.7 %
Capital requirement		
Total capital requirement	99,316	98,358
Capital requirement total*	76,104	75,130
Capital buffer	23,211	23,228

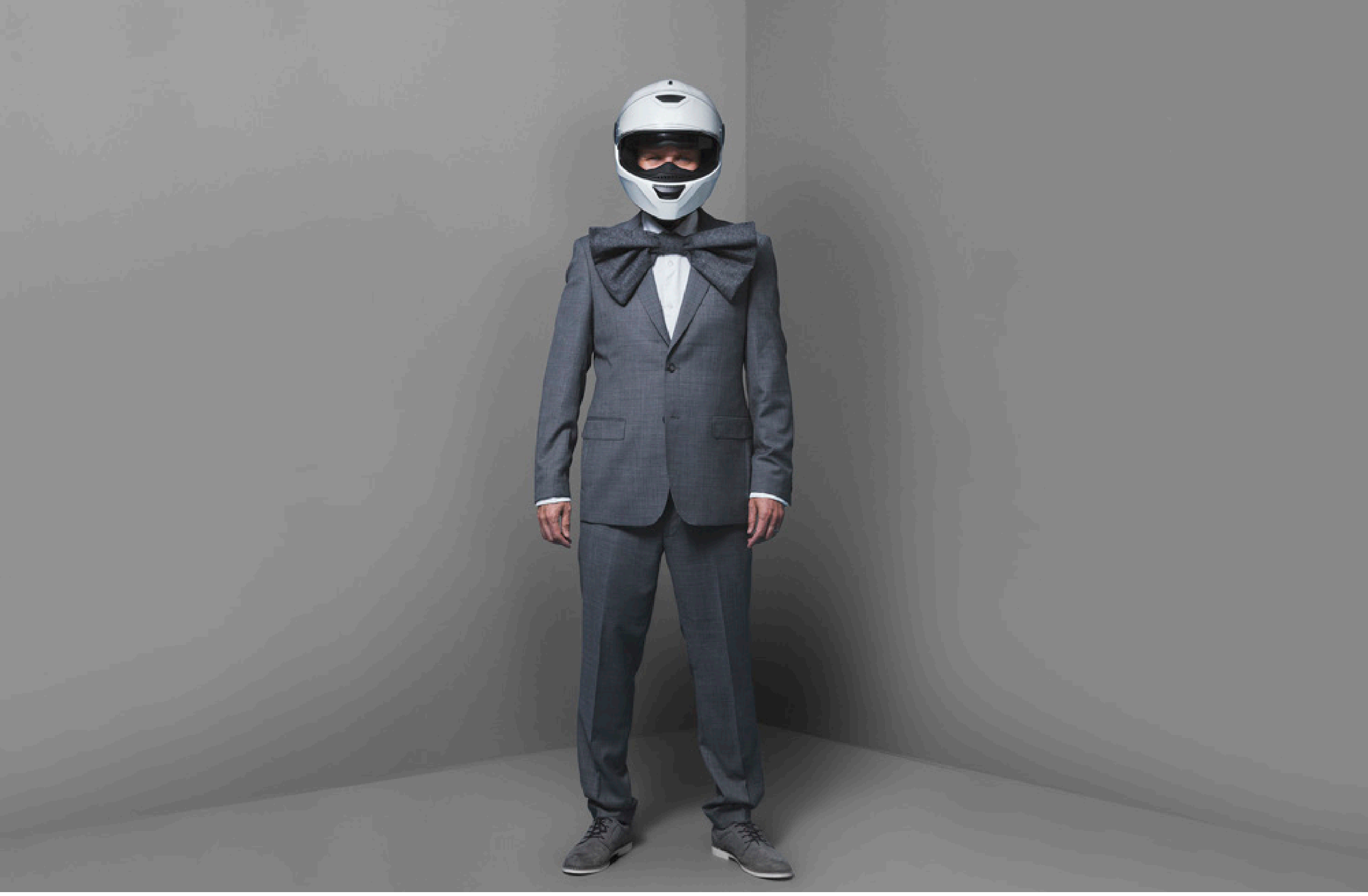
* The capital requirement of 10.5% is formed by the statutory minimum capital adequacy requirement of 8%, the capital conservation buffer of 2.5% according to the Act on Credit Institutions, and the country-specific countercyclical capital requirements of foreign exposures.

Leverage ratio

The leverage ratio of the Sp Mortgage Bank was 4.8 (4.7) % The leverage ratio has been calculated according to the known regulation, and it describes the ratio of the Sp Mortgage Bank's Tier 1 capital to total liabilities. The Sp Mortgage Bank monitors the indebtedness as part of the ICAAP process.

Leverage ratio

(EUR 1,000)	30.6.2020	31.12.2019
Tier 1 capital	99,316	98,358
Leverage ratio exposure	2,079,950	2,081,645
Leverage ratio	4.8 %	4.7 %



Resolution plan

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014). Financial Stability Authority decided in August 2019 that the MREL requirement applicable for Savings Banks Amalgamation is 10.3 percentage of total liabilities and own funds. MREL requirement is not applicable for member Savings Banks, Sp Central Bank Plc nor for the Sp Mortgage Bank Plc. MREL requirement is a Pillar 2 type requirement to be fulfilled at all times.

Risk Position

Due to the exceptional uncertainty prevailing in the review period regarding future development, there is great uncertainty associated with forecasts, valuations and credit portfolio analyses, which may have an impact on the Sp Mortgage Bank's expected credit losses. The objectives, principles and organization of risk management in Sp Mortgage Bank are the same as those presented in the 2019 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 2019

Sp Mortgage Bank expects the loan portfolio to continue to grow and its quality to remain good.

Sp Mortgage Bank estimates the operating profit to be positive. The expectations include uncertainties due to economic circumstances, which have an impact on the estimated result; especially with regard to net profit from hedge accounting.

Information

Managing Director, Tero Kangas
tel. +358 50 420 1022

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

Alternative Performance Measures

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

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

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

Sp Mortgage Bank's income statement

(EUR 1,000)	Note	1-6/2020	1-6/2019
Interest income		12,995	11,804
Interest expense		-2,311	-3,078
Net interest income	4	**10,684**	**8,726**
Net fee and commission income	5	-7,841	-6,657
Net trading income	6	-1,033	-2,135
Total operating revenue		**1,810**	**-66**
Personnel expenses		-5	
Other operating expenses		-770	-845
Depreciation of intangible assets		-28	-181
Total operating expenses		**-803**	**-1,026**
Net impairment loss on financial assets	7	165	-96
Profit before tax		**1,172**	**-1,187**
Taxes		-234	
Profit		**938**	**-1,187**

Sp Mortgage Bank's statement of comprehensive income

(EUR 1,000)	1-6/2020	1-6/2019
Profit	**938**	**-1,187**
Total comprehensive income	**938**	**-1,187**

Sp Mortgage Bank's statement of financial position

(EUR 1,000)	Note	30.6.2020	31.12.2019
Assets			
Loans and advances to credit institutions	9	71,129	94,318
Loans and advances to customers	9	1,968,881	1,956,315
Derivatives	10	19,934	12,412
Intangible assets		1	29
Other assets		4,717	3,714
Total assets		**2,064,661**	**2,066,789**
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	11	447,800	460,300
Debt securities issued	12	1,514,170	1,505,074
Tax liabilities		49	89
Provisions and other liabilities		3,308	2,928
Total liabilities		**1,965,327**	**1,968,392**
Equity			
Share capital		61,937	61,937
Reserves		30,922	30,922
Retained earnings		6,476	5,538
Total equity		**99,335**	**98,397**
Total liabilities and equity		**2,064,661**	**2,066,789**

Sp Mortgage Bank's statement of cash flows

(EUR 1,000)	1-6/2020	1-6/2019
Cash flows from operating activities		
Profit	938	-1,187
Adjustments for items without cash flow effect	1,131	2,411
Cash flows from operating activities before changes in assets and liabilities	**2,069**	**1,224**
Increase (-) or decrease (+) in operating assets	**-13,402**	**-69,929**
Loans and advances to customers	-12,399	-69,284
Other assets	-1,003	-645
Increase (-) or decrease (+) in operating liabilities	**-11,581**	**100,816**
Liabilities to credit institutions	-12,500	-396,460
Debt securities issued	540	497,420
Other liabilities	378	-144
Paid income taxes	**-275**	**-233**
Total cash flows from operating activities	**-23,189**	**31,877**
Cash flows from financing activities		
Increase in basic capital		5,336
Other monetary increases in equity items		2,664
Total cash flows from financing activities		**8,000**
Change in cash and cash equivalents	**-23,189**	**39,877**
Cash and cash equivalents at the beginning of the period	**94,318**	**44,151**
Cash and cash equivalents at the end of the period	**71,129**	**84,028**
Cash and cash equivalents comprise the following items:		
Receivables from central banks repayable on demand	71,129	84,028
Total cash and cash equivalents	**71,129**	**84,028**
Adjustments for items without cash flow effect		
Impairment losses on financial assets	-165	96
Changes in fair value	1,033	2,135
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	28	181
Other adjustments	234	
Total	**1,131**	**2,411**
Interest received	11,907	11,765
Interest paid	2,141	2,571

Sp Mortgage Bank's statement of changes in equity

(EUR 1,000)	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2019	**56,601**	**28,258**	**3,325**	**88,184**
Comprehensive income				
Profit			-1,187	
Total comprehensive income			**-1,187**	**-1,187**
Transactions with owners				
Subscription issue	5,336	2,664		8,000
Total equity 30 June 2019	**61,937**	**30,922**	**2,138**	**94,997**
Equity 1 January 2019	**56,601**	**28,258**	**3,325**	**88,184**
Comprehensive income				
Profit			2,213	
Total comprehensive income			**2,213**	**2,213**
Transactions with owners				
Subscription issue	5,336	2,664		8,000
Total equity 31 December 2019	**61,937**	**30,922**	**5,538**	**98,397**
Equity 1 January 2020	61,937	30,922	5,538	98,397
Comprehensive income				
Profit			938	
Total comprehensive income			938	938
Total equity 30 June 2020	61,937	30,922	6,476	99,335

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 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 an authorisation to operate as a mortgage bank, granted by the European Central Bank, in March 2016, and the Bank’s operations were started 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 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 Group support and promote the operations of the Group via producing centralised services or having responsibility for certain products. The most significant service and 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 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 Amalgamation comprises the Savings Banks’ Union Coop, which acts as the Central Institution of the Amalgamation, 21 Savings Banks, the Central Bank of Savings Banks Finland Plc and Sp Mortgage Bank Plc, the companies within the consolidation groups of the above-mentioned entities as well as Savings Bank Services Ltd and 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 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 Group.

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

Sp Mortgage Bank’s financial statements and half-year reports are available at the website *www.saastopankki.fi/saastopankkiryhma* or at the premises, address Teollisuuskatu 33, FI-00510 Helsinki.

The Savings Banks Group’s financial statements and half-year reports are available at the website *www.saastopankki.fi/saastopankkiryhma* or at the premises of Savings Banks’ Union Coop, address Teollisuuskatu 33, FI-00510 Helsinki.

NOTE 2 ACCOUNTING POLICIES

1. Overview

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 2020 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 2019. Changes in accounting policies during the financial year are described below. The financial statement 2019 contain the full accounting principles.

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

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

Critical accounting estimates and judgments

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

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

In the review period 1 January–30 June 2020, the most significant uncertainty influencing the management's estimates has been the prevailing coronavirus (COVID-19) pandemic. There is considerable uncertainty associated with estimating the financial effects of the coronavirus pandemic, influencing especially the determination of financial assets' expected credit losses (ECL).

The Sp Mortgage Bank's ECL calculation models contain several factors that require the management's judgment. The most significant factors requiring the management's judgment for the review period are listed below:

- The ECL calculation model takes into account the Savings Banks Group's forecasts of future economic development. The forecasts contain macroeconomic factors, such as the development of unemployment, GDP and housing prices, which are used in the calculation. The Sp Mortgage Bank updated the macroeconomic factors and scenarios used in the ECL calculation model during the first half of 2020 before the outbreak of the coronavirus pandemic. The exceptional uncertainty prevailing in the review period regarding future development and the poorer forecast accuracy of macroeconomic forecast models have required an increasing amount of the management's judgment and estimates..
- In the ECL calculation model, the processing of loan management adjustments and matters related to problem customers is performed without the management's judgment, but the exceptional uncertainty prevailing in the review period regarding future development as well as the high amount of instalment-free periods granted to customers have required the further specification of estimates afterwards.
- The ECL calculation model is used without the management's judgment, but the exceptional uncertainty prevailing in the review period regarding future development has required the management's judgment especially in the analysis of major liabilities in Stage 3 and the determination of the ECL amount.

The management's estimates are based on the information that was available at the time of reporting. As a result of the exceptional uncertainty prevailing in the review period regarding future development, there is great uncertainty associated with forecasts, valuations and credit portfolio analyses, which may have a significant impact on the Sp Mortgage Bank's expected credit losses.

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.

KAUDEN TULOS

NOTE 4. NET INTEREST INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Interest income		
Loans and advances to customers	10,009	9,966
Derivative contracts		
Hedging derivatives	2,942	1,817
Other	45	22
Total	**12,995**	**11,804**
Interest expense		
Liabilities to credit institutions	-1,035	-2,104
Debt securities issued	-1,224	-910
Other	-51	-64
Total	**-2,311**	**-3,078**
Net interest income	**10,684**	**8,726**

NOTE 5. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Fee and commission income		
Lending	367	319
Total	**367**	**319**
Fee and commission expense		
Loans	-8,208	-6,975
Other	-1	-1
Total	**-8,209**	**-6,977**
Net fee and commission income	**-7,841**	**-6,657**

NOTE 6. NET TRADING INCOME

(EUR 1,000)	1-6/2020	1-6/2019
Net income from hedge accounting		
Change in hedging instruments' fair value	7,522	10,499
Change in hedged items' fair value	-8,555	-12,634
Net trading income	**-1,033**	**-2,135**

NOTE 7. IMPAIRMENT LOSS ON FINANCIAL ASSETS

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 2020				
Loans and advances	1,904,326	64,513	693	1,969,532
Off-balance sheet items	10,442			10,442
Total	**1,914,767**	**64,513**	**693**	**1,979,973**
Financial asset 31 December 2019				
Loans and advances	1,821,437	134,881	815	1,957,133
Off-balance sheet items	15,533	381		15,915
Total	**1,836,971**	**135,262**	**815**	**1,973,048**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Expected Credit Losses 1 January 2020	**497**	**350**	**4**	**851**
Transfers to Stage 1	34	-190		-157
Transfers to Stage 2	-8	37	-1	29
New assets originated or purchased	76	8		84
Assets derecognised or repaid (excluding write offs)	-40	-32		-72
Change in credit risk without stage change	-17	-36	-1	-55
Manual repair, individual level	5			5
Expected Credit Losses 30 June 2020	**545**	**138**	**3**	**686**

Expected Credit Losses (ECL), Loans and advances and off-balance sheet (EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Expected Credit Losses 1 January 2019	**502**	**320**	**6**	**827**
Transfers to Stage 1	6	-23		-18
Transfers to Stage 2	-48	132	-2	81
Transfers to Stage 3		-1	3	1
New assets originated or purchased	217	84	3	304
Assets derecognised or repaid (excluding write offs)	-158	-158	-5	-321
Change in credit risk without stage change	-21	-3		-24
Expected Credit Losses 30 June 2019	**497**	**350**	**4**	**851**

ASSETS

NOTE 8. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

30 June 2020 (EUR 1,000)	Amortized costs	Fair value through profit or loss	Total
Loans and advances to credit institutions	71,129		71,129
Loans and advances to customers	1,968,881		1,968,881
Derivatives		19,934	19,934
hedging derivatives		19,934	
fair value		19,934	
Total assets	**2,040,010**	**19,934**	**2,059,944**
Liabilities to credit institutions	447,800		447,800
Debt securities issued	1,514,170		1,514,170
Total liabilities	**1,961,970**		**1,961,970**

31 December 2019 (EUR 1,000)	Amortized costs	Fair value through profit or loss	Total
Loans and advances to credit institutions	94,318		94,318
Loans and advances to customers	1,956,315		1,956,315
Derivatives		12,412	12,412
hedging derivatives		12,412	
fair value		12,412	
Total assets	**2,050,634**	**12,412**	**2,063,046**
Liabilities to credit institutions	460,300		460,300
Debt securities issued	1,505,074		1,505,074
Total liabilities	**1,965,374**		**1,965,374**

NOTE 9. LOANS AND ADVANCES

30 June 2020 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	71,129		71,129
Total	71,129		71,129

* of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 71,129 thousand.

Loans and advances to customers			
Loans	1,969,532	-651	1,968,881
Total	1,969,532	-651	1,968,881
Loans and advances total	2,040,661	-651	2,040,010

31 December 2019 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	94,318		94,318
Total	94,318		94,318

* of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 94,318 thousand.

Loans and advances to customers			
Loans	1,957,133	-817	1,956,314
Total	1,957,133	-817	1,956,314
Loans and advances total	2,051,451	-817	2,050,634

NOTE 10. DERIVATIVES AND HEDGE ACCOUNTING

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

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

30 June 2020	Nominal value / remaining maturity			Fair value	
(EUR 1,000)	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts					
Fair value hedging	1,000,000	500,000	1,500,000	19,934	
Interest rate derivatives	1,000,000	500,000	1,500,000	19,934	
Total	**1,000,000**	**500,000**	**1,500,000**	19,934	
Derivatives total				**19,934**	

31 December 2019	Nominal value / remaining maturity			Fair value	
(EUR 1,000)	1 - 5 years	more than 5 years	Total	Assets	Liabilities
Hedging derivative contracts					
Fair value hedging	1,000,000	500,000	1,500,000	12,412	
Interest rate derivatives	1,000,000	500,000	1,500,000	12,412	
Total	**1,000,000**	**500,000**	**1,500,000**	**12,412**	
Derivatives total				**12,412**	

LIABILITIES AND EQUITY

NOTE 11. LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2020	31.12.2019
Other than those repayable on demand*	447,800	460,300
Liabilities to credit institutions	**447,800**	**460,300**

* Consists mainly of internal deposits in the Savings Banks Group.

NOTE 12. DEBT SECURITIES ISSUED

Measured at amortised cost	30 June 2020		31 December 2019	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Covered bonds	1,500,000	1,495,606	1,500,000	1,495,065
Fair value hedging on covered bonds		18,564		10,009
Debt securities issued	**1,500,000**	**1,514,170**	**1,500,000**	**1,505,074**

Sp Mortgage Bank Plc's Covered bonds issued

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2016	500,000	499,555	5 years	Fixed	0.100 %	29.11.2021
Sp Mortgage Bank 2017	500,000	498,546	5 years	Fixed	0.125 %	24.10.2022
Sp Mortgage Bank 2019	500,000	497,504	7 years	Fixed	0.050 %	19.6.2026
Total	**1,500,000**	**1,495,606**				

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)	30.6.2020	31.12.2019
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans	1,891,442	1,881,238
Collateral given	**1,891,442**	**1,881,238**
Collateral received		
Real estate collateral	1,969,280	1,957,039
Other	17,486	8,894
Collateral received	**1,986,766**	**1,965,933**

NOTE 14. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2020	31.12.2019
Loan commitments	13,208	10,818
Money Market Deposits*	40,000	40,000
Off balance-sheet commitments	**53,208**	**50,818**

* 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 June 2020 (EUR 1,000)				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
	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				19,934			19,934
Total				**19,934**			**19,934**
Liabilities							
Derivative contracts						8,800	8,800
Total						**8,800**	**8,800**

31 December 2019 (EUR 1,000)				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
	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				12,412			12,412
Total				**12,412**			**12,412**
Liabilities							
Derivative contracts						8,800	8,800
Total						**8,800**	**8,800**

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 1.1-30.6.2020, there were no transfers between levels 1 and 2.

Financial assets 30 June 2020 (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	19,934		19,934		**19,934**
Measured at amortised cost					
Loans and advances	2,040,010		2,287,448		**2,287,448**
Total financial assets	**2,059,944**		**2,307,382**		**2,307,382**

Financial liabilities 30 June 2020 (EUR 1,000)	Carrying amount	Fair value by hierarchy level			Fair value
		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Liabilities to credit institutions	447,800		456,440		**456,440**
Debt securities issued*	1,514,170	1,514,170			1,514,170
Total financial liabilities	**1,961,970**	**1,514,170**	**456,440**		**1,970,610**

* Carrying amount includes the adjustment from the hedging EUR 18.6 million.

Financial assets 31 December 2019 (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	12,412		12,412		**12,412**
Measured at amortised cost					
Loans and advances	2,050,634		2,275,344		**2,275,344**
Total financial assets	**2,063,046**		**2,287,756**		**2,287,756**

Financial liabilities 31 December 2019 (EUR 1,000)	Carrying amount	Fair value by hierarchy level			Fair value
		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Liabilities to credit institutions	460,300		465,697		**465,697**
Debt securities issued*	1,505,074	1,505,074			1,505,074
Total financial liabilities	**1,965,374**	**1,505,074**	**465,697**		**1,970,771**

* Carrying amount includes the adjustment from the hedging EUR 10.0 million.

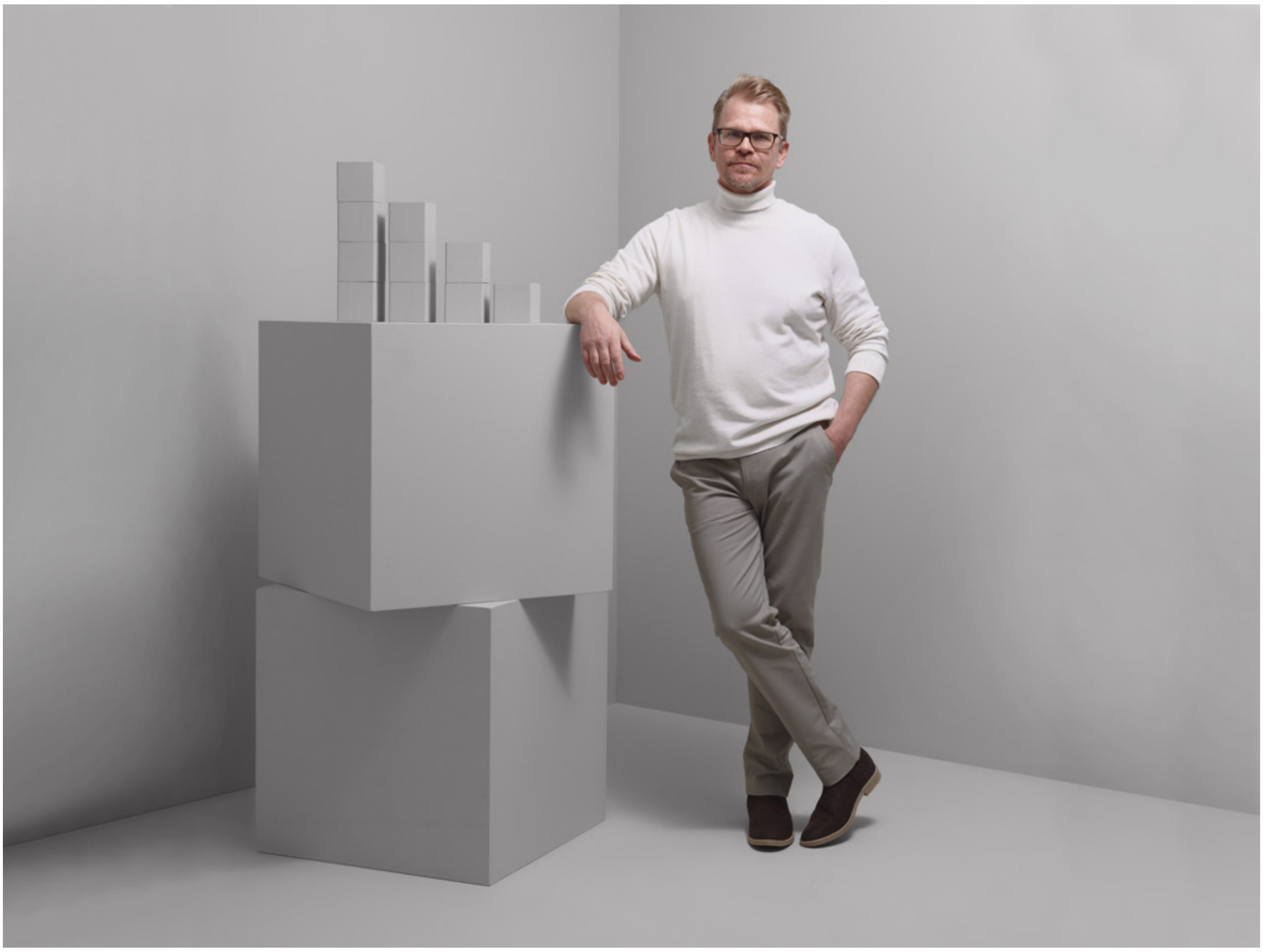
NOTE 17. RELATED PARTIES

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