Sp Mortgage Bank Plc's

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2023

Sp Mortgage Bank Plc

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BOARD OF DIRECTORS' REVIEW FOR 1 JANUARY – 30 JUNE 2023

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

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

During the review period, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio reached at the end of the review period the amount of EUR 2,037 million.

On 28 November 2022, Sp Mortgage Bank Plc and Oma Savings Bank Plc signed an agreement on selling the mortgages originated by Lieto Savings Bank and currently held by Sp Mortgage Bank to Oma Savings Bank. The signed agreement was part of a wider set of transactions whereby Lieto Savings Bank sold its entire banking business to Oma Savings Bank. The mortgages transferred to Oma Savings Bank on 5 March 2023 amounted to approximately EUR 233 million. After the sale, Oma Savings Bank carries all rights and responsibilities relating to the mortgages. The effect of the sale of mortgages on the result of the review period was minor.

Sp Mortgage Bank's operating loss during the review period amounted to EUR -6.1 million, and the balance sheet total amounted to EUR 2,485 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 is comprised of Savings Banks forming the Savings Banks Amalgamation, the Savings Banks' Union Coop which acts as their Central Institution, as well as the subsidiaries and associated companies owned by the Savings Banks.

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

During the review period, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

THE GLOBAL ECONOMY

At the beginning of 2023, the economic outlook was overshadowed by fears of an energy crisis, particularly in Europe. Thanks to the mild winter and energy saving efforts, the worst fears did not materialise. The eurozone economy did drift into a slight technical recession in the early part of the year, but that can be considered a defensive victory. Going forward, the outlook of the European economy is slightly better, but the rise in interest rates prevents faster growth. The outlook is reasonably good in the service sector, but substantially weaker in industry and particularly in construction.

The US economy also outperformed expectations in the early part of the year, but the outlook going forward is more subdued, and even a slight recession is possible. While private consumption has held up well, it is gradually starting to suffer from the contraction of purchasing power and the dwindling of savings accumulated during the COVID-19 pandemic. The Chinese economy achieved rapid growth in the first quarter, supported by the discontinuation of COVID-19 lockdowns. Economic data has subsequently weakened, and growth is expected to slow. Still, growth of approximately 5–6% is projected for the full year, which is a high level from a Western perspective.

Central banks around the world have increased their reference rates, which is beginning to be reflected in earnest in the real economy. It will take time for interest hikes to be fully passed on to the economy. There have also been isolated troubles during the rate hike cycle, such as those seen in the US banking sector. Still, the good news is that inflation has begun to fall and is expected to become even more moderate going forward. This makes it possible for central bank rate hikes to come to an end.

INTEREST RATE ENVIRONMENT

Interest rate changes in the eurozone were more moderate during the review period than in 2022. The sharpest rise in short-term interest rates has been seen in the shortest maturities, while the most common reference rate for housing loans, the 12-month Euribor, has risen by less than one percentage point.

Long-term interest rates, for their part, have remained largely unchanged from the turn of the year. The rise in interest rates has been tempered by the markets having a strong expectation that the rate hike cycle will end soon. Recently, however, the European Central Bank has signalled the possibility of further interest rate hikes, which could change the development of interest rates in the second half of the year, particularly if macroeconomic development is favourable.

Although interest rates have levelled off, wholesale funding markets have remained volatile and credit spreads are wide, especially for unsecured debt instruments. This increases the cost of refinancing and partially eliminates the positive impact on the maturity transformation income of banking operations of the yield curve being steeper than in the previous years.

INVESTMENT MARKETS

There was uncertainty in the banking sector in the United States and Europe in the first half of 2023. In the United States, the authorities reacted quickly, and trust in the functioning of the banking system was quickly restored. The prolonged problems of the Switzerland-based Credit Suisse bank culminated in an acquisition facilitated by the authorities, which saw Credit Suisse merged with UBS bank.

Equity market returns were positive in all of the major markets. In the United States, the stocks of large technology companies saw particularly strong growth. In Europe, share prices are more sensitive to economic cycles, and returns were slightly lower than in the US market. In both equity markets, expectations of corporate earnings growth are optimistic given the uncertain economic growth outlook and high inflation. In emerging equity markets, geopolitical tensions and high inflation reduced investors' risk appetite, which contributed to weaker performance when compared to other markets.

In the interest rate markets, nominal yields were positive for both sovereign bonds and corporate bonds. There were no significant changes in the interest rate markets during the first half of the year, although expectations of rising corporate defaults increased.

THE FINNISH ECONOMY

The Finnish economy drifted into a recession in the second half of last year. In early 2023, the economy returned to growth as GDP in the first quarter grew by 0.4% compared to the preceding quarter. The rise in interest rates has had an impact on the housing market and construction in particular. New orders in the industrial sector have declined, and the future outlook is therefore bleaker. By contrast, the service sector is performing fairly well. The employment situation is a bright spot in the economy. The employment rate in Finland has continued to rise.

We expect the Finnish economy to decline slightly this year. Weakening consumer purchasing power will keep private consumption at a subdued level. However, the difficult situation for consumers will gradually improve in the latter part of the year, as inflation slows and wage increases boost household incomes.

THE HOUSING MARKET IN FINLAND

With 2022 having been a year of changes, the housing market has remained at a low ebb. In the fourth quarter of last year, housing sales fell by almost 40%. This was mainly due to rising interest rates and the impact of inflation on the cost of housing and living. The housing transaction volume declined by 36.5% during the first five months of this year. The transaction volume decreased by 32.6% for old dwellings and by 70.6% for new dwellings. Similar downturns in the housing market have previously taken place only during the financial crisis in 2007–2009 and the recession in the 1990s.

Among the cities with the highest housing transaction volumes, the most significant changes have been seen in Espoo (-50.7%), Vantaa (-49.6%) and Oulu (-43.3%). The change in the market has particularly affected the transaction volume for new dwellings, with the highest rates of decline seen in Espoo (-83.5%), Oulu (-78.1%) and Helsinki (-77.7%). Housing prices have fallen from last year, and we project a decline of 4–6% for the full year.

The housing market is expected to recover in the latter part of 2023. This will be driven by interest rate hikes levelling off and pent-up demand. We project steady growth in the housing transaction volume rather than a sudden sharp increase.

SP MORTGAGE BANK'S PROFIT AND BALANCE SHEET

SP MORTGAGE BANK'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	6/2023	12/2022	6/2022
Revenue	40,782	43,115	13,968
Net interest income	6,357	18,950	11,485
% of revenue	15.6 %	44.0 %	82.2 %
Operating profit or loss	-6,078	-2,351	-2,132
% of revenue	-14.9 %	-5.5 %	-15.3 %
Total operating revenue	-4,860	523	-913
Total operating expenses	-1,067	-2,272	-890
Cost to income ratio	-0.22	4.34	-0.98
Total assets	2,485,429	2,699,233	2,702,979
Total equity	111,955	118,033	118,252
Return on equity %	-5.3 %	-2.0 %	-1.8 %
Return on assets %	-0.2 %	-0.1 %	0.0 %
Equity/assets ratio %	4.5 %	4.4 %	4.4 %
Solvency ratio %	15.3 %	14.6 %	15.0 %
Impairment losses on financial assets	-151	-602	-329

PROFIT TRENDS (COMPARISON PERIOD 1–6/2022)

The Interest income increased to EUR 47.3 (15.5) million and consisted mostly of housing loan and hedging derivatives interest payments. The increase in interest income is explained by the rise in the market interest rate. Interest income from hedging derivatives increased to EUR 13.0 (4.6) million. The interest expenses were EUR 40.9 (4.0) million consisted mostly of interest expenses from liabilities to credit institutions, covered bonds and hedging derivatives. The increase in interest expenses is mainly explained by the rise in the market interest rate. Interest expenses from hedging derivatives increased to EUR 23.7 (0.4) million. The net interest income amounted to EUR 6.4 (11.5) million.

The net fee and commission income mainly consisted of fees paid to the intermediating banks amounted to EUR –4.3 (-10.4) million.

Net profit from hedge accounting for the review period was EUR -7.8 (-2.0) million and it is presented under Net trading income on the income statement.

Operating expenses were EUR –1.1 (-0.9) million.

Loss for the period was EUR -6.1 (-2.1) million.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2022)

Loans and advances to customers amounted to EUR 2,036 (1,993) 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. The value of the covered bonds was EUR 1,899 (1,891) million at the end of the review period. The amount of short-term funding drawn from Central Bank of the Savings Banks Finland Plc was EUR 285 (526) million.

At the end of the period equity amounted to EUR 112 (118) million.

CAPITAL ADEQUACY AND RISK POSITION

CAPITAL ADEQUACY (COMPARISON FIGURES 31 DECEMBER 2022)

At the end of the period, the Sp Mortgage Bank had a strong capital structure, consisting of CET1 capital. Own funds were EUR 110 (118) million. Risk-weighted assets amounted to EUR 715 (783) million, i.e., they were 8.7% lower than at the end of the previous year. The decrease in risk-weighted exposure amounts was driven by the decrease in the credit portfolio, and the biggest decrease was seen in the exposure classes of receivables with real estate collateral and retail receivables. The capital ratio of Sp Mortgage Bank was 15.3 (14.9) % and the CET1 capital ratio was 15.3 (14.9) %.

The capital requirement of Sp Mortgage Bank was EUR 75 (82) million that equals to 10.5% of risk-weighted assets. The components of the capital requirement have remained unchanged compared to the previous year. The capital requirement is formed by:

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

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5 (1.25) %. 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.

In March 2023, the Financial Supervisory Authority decided to set a systemic risk buffer requirement of 1.0% for the Savings Banks Amalgamation. The decision will enter into effect on 1 April 2024.

In addition, the Financial Supervisory Authority has not set in 2023 the countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

The Financial Supervisory Authority has granted a permission not to deduct internal holdings of credit institutions included in the Amalgamation from own funds instruments when calculating own funds at the individual institution level and sub-consolidation group level. In addition, the Financial Supervisory Authority has granted 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 Financial Supervisory Authority has granted permission to the Central Institution of the Amalgamation to waive fully the application of the requirements regarding liquidity set out in part six of Regulation (EU) No 575/2013 and its amending and supplementing acts to the Amalgamation's member credit institutions. The authorisation granted to the Central Institution also covers the NSFR claim that entered into force on 28 June 2021.

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

Sp Mortgage Bank publishes the relevant information with regard to capital adequacy calculation each year as part of its Annual Report and Notes to the Financial Statements. 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)	**30.6.2023**	**31.12.2022**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	111, 955	118, 033
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-2, 199	-3, 650
Common Equity Tier 1 (CET1) capital	109, 756	114, 383
Tier 1 capital (T1 = CET1 + AT1)	109, 756	114, 383
Total capital (TC = T1 + T2)	109, 756	114, 383
Risk weighted assets	715, 313	783, 052
of which: credit and counterparty risk	700, 887	768, 931
of which: credit valuation adjustment (CVA)	6, 644	6, 339
of which: market risk		
of which: operational risk	7, 782	7, 782
Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.3	14.6
Tier 1 (as a percentage of total risk exposure amount)	15.3	14.6
Total capital (as a percentage of total risk exposure amount)	15.3	14.6
Capital requirement		
Total capital	109,756	114,383
Capital requirement total*	75,143	82,242
Capital buffer	34,613	32,141

* 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 5.3% (5.0%) clearly exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The Sp Mortgage Bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	30.6.2023	31.12.2022
Tier 1 capital	109,756	114,383
Leverage ratio exposure	2,070,356	2,269,552
Leverage ratio	5.3 %	5.0 %

RESOLUTION PLAN

The Directive of the European Parliament and of the Union 2014/59/EU on the recovery and resolution framework of credit institutions and investment service firms was brought nationally into force as of 1 January 2015 (the Act on the crisis solution of credit institutions and investment service firms). To implement the resolution act, the Financial Stability Authority was established (the Act on the Financial Stability Authority, 1995/2014).

In April 2023, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement pursuant to the previous decision is valid until 31 December 2023. 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 II type minimum requirement that must be met continuously. According to the decision of the Financial Stability Authority, the MREL requirement applied to the Savings Banks Amalgamation is 19.49% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024, the MREL requirement is 20.53% of the total risk exposure amount or 7.74% of the total exposures, whichever is higher.

The MREL requirement applied to Sp Mortgage Bank Plc is 14.4% of the total risk exposure amount or 5.1% of the total exposures, whichever is higher, until 31 December 2023, and as of 1 January 2024 it is 15.72% of the total risk exposure amount or 5.91% of the total exposures, whichever is higher.

In addition to the requirement calculated on the basis of overall risk, the institution specific capital buffer requirement shall be met on an ongoing basis.

RISK POSITION

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

The credit risk position of the Sp Mortgage Bank has remained stable, with a moderate risk level, in spite of the war. The quality of the credit portfolio is good, but there is a risk of negative development. While Sp Mortgage Bank do not have significant direct liabilities to Russia, there are indirect impacts through certain industries and individual customer relationships. The impairment of receivables were EUR 1.2 (31.12.2022: 1.1) million. Non-performing receivables remained at a moderate level at 0.28% (31.12.2022: 0.25%) of the credit portfolio.

Sp Mortgage Bank's capital structure has remained strong despite of the war in Ukraine. The objectives, principles and organization of risk management in Sp Mortgage Bank are the same as those presented in the 2022 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 2023

The capital adequacy of Sp Mortgage Bank is estimated to remain strong and the risk position to remain stable. The covered bond programme established in 2016 allows for covered bond issuances 2023.

INFORMATION

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

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

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS:

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

ALTERNATIVE PERFORMANCE MEASURES

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.

SB Central Bank is not using any alternative performance measures that are not directly calculated using the information presented in the IFRS financial statements. nor have any changes occurred in the financial highlights.

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

SP MORTGAGE BANK PLC'S INCOME STATEMENT

(EUR 1,000)	Note	1–6/2023	1–6/2022
Interest income		47,302	15,532
Interest expense		-40,945	-4,048
Net interest income	4	6,357	11,485
Net fee and commission income	5	-4,295	-10,422
Net trading income	6	-7,072	-1,975
Other operating revenue		150	
Total operating revenue		-4,860	-913
Personnel expenses		-2	-3
Other operating expenses		-1,065	-887
Total operating expenses		-1,067	-890
Net impairment loss on financial assets	7	-151	-329
Operating profit		-6,078	-2,132
Income tax expense			
Profit		-6,078	-2,132
Profit attributable to:			
Equity holders of the Sp Mortgage Bank		-6 078	-2 132
Non-controlling interests			
Total		-6 078	-2 132

SP MORTGAGE BANK PLC'S STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1–6/2023	1–6/2022
Profit	-6,078	-2,132
Total comprehensive income	-6,078	-2,132

SP MORTGAGE BANK PLC'S STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.6.2023	31.12.2022
Assets			
Loans and advances to credit institutions	9	417,437	445,536
Loans and advances to customers	9	2,035,828	1,993,411
Investment assets	10	4,919	
Intangible assets		1,121	1,033
Other assets		26,125	13,942
Assets held for sale			245,310
Total assets		2,485,429	2,699,233
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	12	285,000	525,500
Derivatives	11	148,181	149,131
Debt securities issued	13	1,898,931	1,890,278
Other liabilities		41,362	16,291
Total liabilities		2,373,474	2,581,200
Equity			
Share capital		72,051	72,051
Reserves		35,972	35,972
Retained earnings		3,932	10,010
Total equity		111,955	118,033
Total liabilities and equity		2,485,429	2,699,233

SP MORTGAGE BANK PLC'S STATEMENT OF CASH FLOWS

(EUR 1,000)	1–6/2023	1–6/2022
Cash flows from operating activities		
Profit	-6,078	-2,132
Adjustments for items without cash flow effect	7,855	2,852
Cash flows from operating activities before changes in assets and liabilities	1,777	721
Increase (-) or decrease (+) in operating assets	-64,259	-7,621
Loans and advances to credit institutions	-250,000	
Loans and advances to customers	202,787	-6,921
Investment assets, at amortized cost	-4,922	
Investment assets, fair value through profit or loss		
Other assets	-12,125	-700
Increase (-) or decrease (+) in operating liabilities	-215,435	81,671
Liabilities to credit institutions	-240,500	80,630
Other liabilities	25,065	1,041
Paid income taxes	-59	-101
Total cash flows from operating activities	-277,917	74,670
Cash flows from investing activities		
Investments in property, plant and equipment and intangible assets	-88	-343
Total cash flows from investing activities	-88	-343

(EUR 1,000)	1–6/2023	1–6/2022
Cash flows from financing activities		
Increase in issued debt securities		298,866
Decrease in issued debt securities		-50,000
Total cash flows from financing activities		248,866
Change in cash and cash equivalents	-278,005	323,193
Cash and cash equivalents at the beginning of the period	383,045	115,048
Cash and cash equivalents at the end of the period	104,982	438,241
Cash and cash equivalents comprise the following items:		
Receivables from central banks repayable on demand	104,982	438,241
Total cash and cash equivalents	104,982	438,241
Adjustments for items without cash flow effect		
Changes in fair value	7,818	1,975
Other adjustments	36	877
Total Adjustments for items without cash flow effect	7,855	2,852
Interest received	34,756	14,624
Interest paid	15,653	2,872

SP MORTGAGE BANK PLC'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2022	72,051	35,972	12,361	120,384
Comprehensive income				
Profit			-2,351	
Total comprehensive income			-2,351	-2,351
Total equity 31 December 2022	72,051	35,972	10,010	118,033
Equity 1 January 2023	72,051	35,972	10,010	118,033
Comprehensive income				
Profit			-6,078	
Total comprehensive income			-6,078	-6,078
Total equity 30 June 2023	72,051	35,972	3,932	111,955

BASIS OF PREPARATION

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

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

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

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

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

The member organisations of the Savings Banks Amalgamation form a financial entity as defined in the Act on the Amalgamation of Deposit Banks, in which the Savings Banks' Union Coop and its member credit institutions are jointly liable for each other's liabilities and commitments. The Savings Banks Amalgamation comprises the Savings Banks' Union Coop, which acts as the Central Institution of the Amalgamation, 14 Savings Banks, the Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Savings Bank Services Ltd and Sp-Fund Management Company Ltd as well as the above-mentioned companies within the consolidation groups.

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

During the review period, Lieto Savings Bank relinquished its membership of Savings Banks' Union Coop and the Savings Banks Amalgamation effective from 1 March 2023. In connection with this, Lieto Savings Bank transferred its entire business to Oma Savings Bank Plc. The business transfer took effect on 28 February 2023. As a result of the exit, the number of savings banks in the Savings Banks Amalgamation and the Savings Banks Group decreased from 15 to 14.

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

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

Similarly, copies of the Savings Banks Group's financial statements and half-year reports are available online at www.saastopankki.fi/saastopankkiryhma.

NOTE 2. ACCOUNTING POLICIES

GENERAL

The financial statements of the 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 IFRS.

The half-year report 1 January – 30 June 2023 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 2022. There has not been changes in accounting policies during the reporting period.

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

The critical estimates of Sp Mortgage Bank concern the future and key uncertainties related to estimates at the reporting date, and they relate in particular to determining fair value and impairment of financial assets. The key uncertainties in estimates made in the half-year report are particularly related to future economic development.

In the half-year report, the most significant uncertainties influencing the management's estimates have been Russia's war of aggression in Ukraine, the resulting energy crisis in Europe, accelerating inflation and rising market interest rates. There is considerable uncertainty associated with estimating the economic impacts of the above-mentioned factors, which particularly influences the assessment of the expected credit losses on financial assets.

DETERMINATION OF EXPECTED CREDIT LOSSES

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

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

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

On the closing date, when assessing the need and extent of adjustments based on the management's judgement, attention has been paid especially to the following factors that influence the expected credit loss amount.

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

The Sp Mortgage Bank has assessed the financial impacts of the war in Ukraine and the economic sanctions against Russia on their customers' credit risk. Sp Mortgage Bank do not have significant direct liabilities to Russia, Ukraine or Belarus. Nevertheless, the changed market conditions have indirect impacts on certain industries or individual customer relationships. Sp Mortgage Bank has enhanced their monitoring of identified risks that have potentially been elevated by the crisis.

NOTE 3. SEGMENT INFORMATION

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

PROFIT FOR THE PERIOD

NOTE 4. NET INTEREST INCOME

(EUR 1,000)	1–6/2023	1–6/2022
Interest income		
Loans and advances to customers	29,085	10,745
Debt securities	4,980	
Derivative contracts		
Hedging derivatives	13,019	4,562
Other	218	226
Total	47,302	15,532
Interest expense		
Liabilities to credit institutions	-3,050	-2,147
Derivative contracts		
Hedging derivatives	-23,748	-445
Debt securities issued	-14,096	-1,422
Other	-52	-34
Total	-40,945	-4,048
Net interest income	6,357	11,485

NOTE 5. NET FEE AND COMMISSION INCOME

(EUR 1,000)	1–6/2023	1–6/2022
Fee and commission income		
Lending	402	410
Total	402	410
Fee and commission expense		
Loans*	-4,693	-10,831
Other	-3	-1
Total	-4,696	-10,833
Net fee and commission income	-4,295	-10,422
* Consists mainly of fees paid to the intermediating banks.		

NOTE 6. NET TRADING INCOME

(EUR 1,000)	1–6/2023	1–6/2022
Net income from hedge accounting		
Change in hedging instruments' fair value	950	-83,150
Change in hedged items' fair value	-8,022	81,175
Total net income from hedge accounting	-7,072	-1,975
Total net trading income	-7,072	-1,975

NOTE 7. IMPAIRMENT LOSSES 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, 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 loans and advances and off-balance sheet items and investment assets.

FINANCIAL ASSETS WITHIN THE SCOPE OF MEASURUEMENT OF EXPECTED CREDIT LOSSES BY IMPAIRMENT STAGE

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 30 June 2023				
Loans and advances to customers	1,857,686	173,830	5,493	2,037,009
Loans and advances to credit institutions	312,500			312,500
Investment assets	4,922			4,922
Off-balance sheet items	11,485			11,485
Total	2,186,593	173,830	5,493	2,365,916

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2022				
Loans and advances to customers	2,055,720	181,584	2,491	2,239,795
Loans and advances to credit institutions	62,500			62,500
Off-balance sheet items	5,403	173		5,576
Total	2,123,623	181,757	2,491	2,307,871

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

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

- PD% increase (loans and advances to customers): 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.

- PD% increase (loans and advances to credit institutions and investment assets): credit risk 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 is exceeded.

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

The tables below present the development of the expected credit losses as of the beginning of the financial year.

Expected Credit Losses (ECL), Loans and advances to customers and off-balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2023	302	703	77	1 082
Transfers to stage 1	20	-64		-44
Transfers to stage 2	-37	258	-2	219
Transfers to stage 3		-19	205	185
New assets originated or purchased	110	81	10	202
Assets derecognised or repaid	-71	-221	-36	-329
Change in credit risk without stage change	-41	-81		-121
Net change in ECL	-19	-46	177	113
Expected Credit Losses 30 June 2023	283	657	254	1,195

Expected Credit Losses (ECL), loans and advances to credit institutions and investment assets	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2023	9			9
New assets originated or purchased	39			39
Net change in ECL	39			39
Expected Credit Losses 30 June 2023	48			48
Total expected credit losses 30 June 2023	331	657	254	1,242
Total change in expected credit losses 1 January 2023 -30 June 2023	20	-46	177	151

Expected Credit Losses (ECL), Loans and advances to customers and off-balance sheet items	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2022	184	255	50	489
Transfers to stage 1	29	-68		-39
Transfers to stage 2	-42	241	-39	160
Transfers to stage 3	-1	-6	105	98
New assets originated or purchased	141		10	151
Assets derecognised or repaid	-66	-97	-43	-206
Change in credit risk without stage change	218	75	-6	287
Change in model for calculation of ECL	-161	302		141
Net change in ECL				593
Expected Credit Losses 31 December 2022	302	703	77	1,082

Expected Credit Losses (ECL), loans and advances to credit institutions and investment assets	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	**12 month ECL**	**Lifetime ECL**	**Lifetime ECL**	
Expected Credit Losses 1 January 2022	0			0
New assets originated or purchased	9			9
Net change in ECL				9
Expected Credit Losses 31 December 2022	9			9
Total expected credit losses 31 December 2022				1,091
Total change in expected credit losses 1 January 2022 -31 December 2022				602

Methods and parameters used in calculation of expected credit losses

Sp Mortgage Bank's assessment of expected credit loss is based on the PD*LGD*EAD model. 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 of intermediate 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).

	2023	2024	2025
Change in EuropeStoxx%	3.0 % / 6.0 %	6.0 %	7.0 %
Change in GDP	0.0 % / 1.5 %	1.20 %	1.20 %
Investments	0.0 % / 3.0 %	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 significant direct or indirect sector-specific risk concentrations related to the Ukrainian, Russian or Belarusian markets in sectors such as agriculture, logistics, construction or industries dependent on energy commodities. As the exceptional situation prevails, Sp Mortgage Bank will monitor and report the development of their customers' credit risk and, if necessary, make an adjustment, based on the management's assessment, to the amount of expected credit losses.

ASSETS

NOTE 8. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(EUR 1,000)	Amortized costs	Financial assets at fair value through profit or loss	Total
30.6.2023			
Loans and advances to credit institutions	417,437		417,437
Loans and advances to customers	2,035,828		2,035,828
Investment assets	4,919		4,919
Total assets	2,458,183		2,458,183
Liabilities to credit institutions	285,000		285,000
Derivatives		148,181	148,181
of which fair value hedging		148,181	148,181
Debt securities issued	1,898,931		1,898,931
Total liabilities	2,183,931	148,181	2,332,112

(EUR 1,000)	Amortized costs	Financial assets at fair value through profit or loss	Total
31.12.2022			
Loans and advances to credit institutions	445,536		445,536
Loans and advances to customers	1,993,411		1,993,411
Assets held for sale	245,310		245,310
Total assets	2,684,258		2,684,258
Liabilities to credit institutions	525,500		525,500
Derivatives		149,131	149,131
of which fair value hedging		149,131	149,131
Debt securities issued	1,890,278		1,890,278
Total liabilities	2,415,778	149,131	2,564,909

NOTE 9. LOANS AND ADVANCES

30.6.2023 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	417,482	-45	417,437
Total	417,482	-45	417,437

* of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 417,482 thousand.

Loans and advances to customers			
Loans	2,037,009	-1,181	2,035,828
Total	2,037,009	-1,181	2,035,828
Loans and advances total	2,454,490	-1,226	2,453,264

31.12.2022 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Loans and advances to credit institutions			
Deposits*	445,545	-9	445,536
Total	445,545	-9	445,536

* of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 445,545 thousand.

Loans and advances to customers			
Loans	1,994,485	-1,074	1,993,411
Total	1,994,485	-1,074	1,993,411
Loans and advances total	2,440,031	-1,083	2,438,948

NOTE 10. INVESTMENT ASSETS

(EUR 1,000)	30.6.2023	31.12.2022
Amortised cost investments		
Debt securities	4,922	
Expected Credit Losses	-2	
Total	4,919	

NOTE 11. 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.

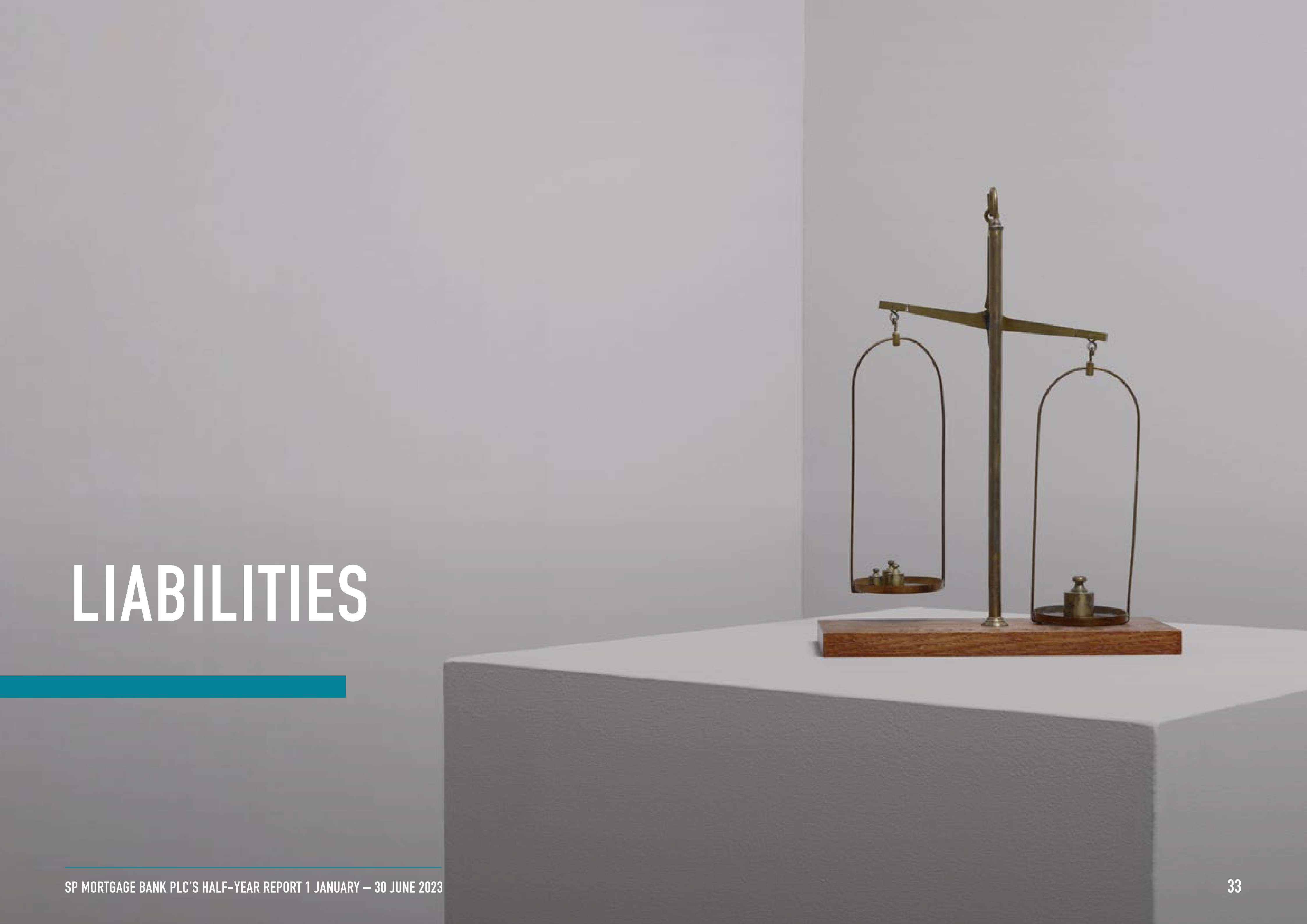
Changes in the fair value of derivatives in fair value hedging are recognised in the income statement under "Net trading income". In fair value hedging, also the hedged item is measured at fair value during the hedging period even if the item is otherwise measured at amortised cost. Changes in the fair 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.

30.6.2023	**Nominal value / remaining maturity**				**Fair value**	
(EUR 1,000)	**Less than 1 year**	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Hedging derivative contracts						
Fair value hedging		1,550,000	500,000	2,050,000		148,181
Interest rate derivatives		1,550,000	500,000	2,050,000		148,181
Total		1,550,000	500,000	2,050,000		148,181
Derivatives total						148,181

31.12.2022	**Nominal value / remaining maturity**				**Fair value**	
(EUR 1,000)	**Less than 1 year**	**1–5 years**	**Over 5 years**	**Total**	**Assets**	**Liabilities**
Hedging derivative contracts						
Fair value hedging		1,550,000	500,000	2,050,000		149,131
Interest rate derivatives		1,550,000	500,000	2,050,000		149,131
Total		1,550,000	500,000	2,050,000		149,131
Derivatives total						149,131

The nominal value of the issued fixed rate covered bonds hedged for fair value changes was EUR 2,050,000,000 and carrying amount EUR 2,045,641,768 on the end of review period. The nominal values of derivative instruments are equal to the nominal values of the hedged items.

LIABILITIES



NOTE 12. LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2023	31.12.2022
Liabilities to credit institutions		
Other than those repayable on demand*	285,000	525,500
Total liabilities to credit institutions	285,000	525,500

* of which Liabilities to Credit Institutions belonging to the Savings Banks Amalgamation EUR 285,000 (525,500) thousand.

NOTE 13. DEBT SECURITIES ISSUED

	30.6.2023		31.12.2022	
(EUR 1,000)	Nominal value	Carrying amount	Nominal value	Carrying amount
Measured at amortised cost				
Covered bonds	2,050,000	2,045,642	2,050,000	2,045,010
Fair value hedging on covered bonds		-146,711		-154,732
Total debt securities issued	2,050,000	1,898,931	2,050,000	1,890,278

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	498,756	7 years	Fixed	0.050 %	19.6.2026
Sp Mortgage Bank 2021	500,000	502,182	7 years	Fixed	0.010 %	28.9.2028
Sp Mortgage Bank 2022	300,000	299,301	3 years	Fixed	1.000 %	28.4.2025
Sp Mortgage Bank 2022	750,000	745,402	5 years	Fixed	3.125 %	1.11.2027
Total	2,050,000	2,045,642				

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

OTHER NOTES

NOTE 14. COLLATERALS

(EUR 1,000)	30.6.2023	31.12.2022
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans	2,959,222	3,158,567
Total colateral given	2,959,222	3,158,567
Collateral received		
Real estate collateral	2,036,485	2,239,521
Other	507	274
Total collateral received	2,036,992	2,239,795

On 30 June 2023, 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 1,983 (2,182) million. On 30 June 2023, loans pledged as collateral for covered bonds issued in the bond programme updated under the act on mortgage banks and covered bonds (151/2022) amounted to EUR 976 (976) million.

NOTE 15. OFF-BALANCE SHEET COMMITMENTS

(EUR 1,000)	30.6.2023	31.12.2022
Loan commitments	11,916	5,916
Money Market Deposits*		42,000
Total off balance-sheet commitments	11,916	47,916

* 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 16. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

30.6.2023				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	Carrying amount of financial instruments in balance sheet, net	Carrying amount in balance sheet of financial instruments recieved as collateral	Balance sheet value	Cash held as collateral	Net amount
Liabilities								
Derivative contracts				148,181		148,181		148,181
Total				148,181		148,181		148,181

31.12.2022				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements				
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Carrying amount of financial instruments in balance sheet, net	Carrying amount in balance sheet of financial instruments recieved as collateral	Balance sheet value	Cash held as collateral	Net amount
Liabilities								
Derivative contracts				149,131		149,131		149,131
Total				149,131		149,131		149,131

NOTE 17. FAIR VALUES BY VALUATION TECHNIQUE

Fair value measurement

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 accounting policies of the financial statement (Note 2).

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

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 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. loans to customers 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. Sp Mortgage Bank does not have financial assets for which the fair value has been determined according to level 3.

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.–30.6.2023, there were no transfers between levels 2 and 3.

Financial assets 30.6.2023	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Debt securities	4,919	4,910			4,910
Loans and advances to credit institutions	417,437		429,710		429,710
Loans and advances to customers	2,035,828		2,238,099		2,238,099
Total financial assets	2,458,183	4,910	2,667,809		2,672,719

Financial liabilities 30.6.2023	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	148,181		148,181		148,181
Measured at amortised cost					
Liabilities to credit institutions	285,000		280,601		280,601
Debt securities issued*	1,898,931	1,970,825			1,970,825
Total financial liabilities	2,332,112	1,970,825	428,782		2,399,607

* Carrying amount includes the adjustment from the hedging EUR -146.7 million.

Financial assets 31.12.2022	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at amortised cost					
Loans and advances to credit institutions	445,536		445,479		445,479
Loans and advances to customers	1,993,411		2,217,063		2,217,063
Assets held for sale	245,310		245,310		245,310
Total financial assets	2,684,258		2,907,852		2,907,852

Financial liabilities 31.12.2022	Carrying amount	Fair value by hierarchy level			
(EUR 1,000)		Level 1	Level 2	Level 3	Total
Measured at fair value					
Derivative contracts	149,131		149,131		149,131
Measured at amortised cost					
Liabilities to credit institutions	525,500		520,808		520,808
Debt securities issued*	1,890,278	1,973,185			1,973,185
Total financial liabilities	2,564,909	1,973,185	669,939		2,643,124

* Carrying amount includes the adjustment from the hedging EUR -154.7 million.

NOTE 18. LOANS DISTRIBUTED BY LIETO SAVINGS BANK SOLD TO OMA SAVINGS BANK

On 28 November 2022, Sp Mortgage Bank Plc and Oma Savings Bank Plc signed an agreement on selling the mortgages originated by Lieto Savings Bank and currently held by Sp Mortgage Bank to Oma Savings Bank. The signed agreement was part of a wider set of transactions whereby Lieto Savings Bank sold its entire banking business to Oma Savings Bank. The mortgages transferred to Oma Savings Bank on 5 March 2023 amounted to approximately EUR 233 million. After the sale, Oma Savings Bank carries all rights and responsibilities relating to the mortgages. The effect of the sale of mortgages on the result of the review period was minor.

The IFRS 5 Non-current Assets Held for Sale and Discontinued Operations standard is applied to the loans sold to Oma Savings Bank in the half-year report of Sp Mortgage Bank for 2023. The sold loans are presented on the balance sheet as a separate line item under assets and, in accordance with the IFRS 5 standard, the comparative information is not adjusted. An asset held for sale is reported at the lower of the carrying amount or the fair value less costs arising from the sales transaction.

Loans held for sale amounted to approximately EUR 78 (1–12/2022: 766) thousand of Sp Mortgage Bank's profit for the review period. The impact of the loans held for sale on the net interest income for the review period was approximately EUR 76 (1–12/2022: 3,239) thousand and on net fee and commission income was approximately EUR -19 (1–12/2022: -2,470) thousand.

NOTE 19. 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 20. 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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