

SP MORTGAGE BANK PLC'S

# BOARD OF DIRECTORS' REPORT AND IFRS FINANCIAL STATEMENTS

31.12.2024



Sp Mortgage Bank Plc

*Translation of Sp Mortgage Bank's financial statement 2024*

# TABLE OF CONTENTS

## SP MORTGAGE BANK PLC'S BOARD OF DIRECTORS' REPORT

### 1 JANUARY – 31 DECEMBER 2024..... 3

The Savings Banks Group and the Savings Banks Amalgamation .....	4
Description of the operational environment.....	4
Sp Mortgage Bank Plc's financial position .....	7
Capital adequacy and risk position .....	8
Sp Mortgage Bank's management and personnel.....	14
Main outsourced functions .....	15
Social responsibility .....	15
Material events after the closing date .....	15
Outlook for the year 2025 .....	15
The Board of Directors' proposal on the disposal of distributable funds.....	15
Formulas used in calculating the financial highlights .....	16

### SP MORTGAGE BANK PLC: IFRS FINANCIAL STATEMENTS ..... 17

Income statement .....	18
Statement of comprehensive income .....	18
Statement of financial position .....	19
Statement of cash flows .....	20
Statement of changes in equity .....	21

### BASIS OF PREPARATION..... 22

Note 1: Information on Sp Mortgage Bank and description of the Savings Banks group and the Savings Banks Amalgamation .....	23
Note 2: Accounting policies .....	24
Note 3: Accounting policies requiring management judgement and key sources of estimation uncertainty .....	29

### PRINCIPLES OF RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT..... 31

Note 4: Risk management disclosures .....	32
Note 5: Capital adequacy management .....	39

### NOTES RELATED TO PROFIT AND LOSS AND BALANCE ITEMS ..... 42

Note 6: Net interest income .....	43
Note 7: Net fee and commission income .....	44
Note 8: Net trading income.....	44
Note 9: Other operating revenue and expenses .....	45

9.1 Other operating revenue .....	45
9.2 Other operating expenses.....	45
Note 10: Loans and advances .....	46
10.1 Loans and advances to credit institutions and customers.....	46
10.2 Investment assets .....	46
10.3 Impairment loss on financial assets .....	47
Note 11: Funding.....	51
11.1 Liabilities to credit institutions .....	51
11.2 Debt securities issued.....	51
Note 12: Classification on financial assets and financial liabilities .....	52
12.1 Offsetting of financial assets and financial liabilities .....	54
Note 13: Derivatives and hedge accounting .....	55
Note 14: Personnel expenses.....	56
Note 15: Fair values by valuation technique .....	57
Note 16: Intangible assets .....	59
Note 17: Capital and reserves.....	61
Note 18: Taxes .....	62
18.1 Income taxes .....	62
18.2 Deferred taxes .....	62
Note 19: Other assets, other liabilities and provisions .....	63
19.1 Other assets .....	63
19.2 Other liabilities and provisions .....	63

### OTHER NOTES ..... 64

Note 20: Collaterals .....	65
Note 21: Off balance-sheet commitments .....	65
Note 22: Related parties.....	66
Note 23: Subsequent events.....	67

### PILAR III DISCLOSURES ..... 68

### SIGNATURES OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT ..... 69

### AUDITOR'S NOTE ..... 70

A close-up photograph of a man with a beard and short hair, wearing a dark blue sweater, holding a baby. The man is looking down at the baby with a gentle smile. The baby is wearing a light yellow long-sleeved shirt and has its mouth open in a wide, happy expression. The background is softly blurred, showing indoor lighting and architectural elements.

# **SP MORTGAGE BANK PLC'S BOARD OF DIRECTORS' REPORT**

**1 JANUARY – 31 DECEMBER 2024**

# SP MORTGAGE BANK PLC'S BOARD OF DIRECTORS' REPORT 1 JANUARY – 31 DECEMBER 2024

The objective of Sp Mortgage Bank Plc (hereinafter "Sp Mortgage Bank") is to strengthen the operating conditions of the Savings Banks Group through competitive funding and to promote the strategy of the Savings Banks Group through its activities. Sp Mortgage Bank is responsible for the Savings Banks Group's mortgage-secured funding by issuing covered bonds.

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

During the financial year, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio amounted to EUR 2,309 (2,198) million at the end of the year.

Sp Mortgage Bank's operating profit during the financial year amounted to EUR 2.6 (-19.1) million, and the balance sheet total was EUR 3,283 (2,607) million.

## THE SAVINGSBANKS 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 long-standing banking group in Finland. It comprises the Savings Banks that form the Savings Banks Amalgamation, the Savings Banks' Union Coop that acts as the Central Institution, as well as the subsidiaries and associated companies owned jointly by the 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 Savings Banks' Union Coop and its member credit institutions are ultimately jointly and severally liable for each other's liabilities and commitments. The Amalgamation comprises the Savings Banks' Union Coop which acts as the central institution of the Amalgamation, 14 Savings Banks, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc and the companies within the consolidation groups of the above-mentioned entities, Savings Bank Services Ltd as well as Sp-Fund Management Company Ltd. The scope 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 Ltd.

Further information about the structure of the Savings Banks Group can be found at [www.saastopankki.fi/en/savingsbanksgroup](http://www.saastopankki.fi/en/savingsbanksgroup).

## DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

### The global economy

The global economy was relatively stable in 2024 and global economic growth is expected to settle at around 3%, although it will take some time before official GDP figures are known. This implies growth slightly below the long-term average and roughly in line with the previous year.

Given the turbulence in the world around us, the development of global economy can be considered surprisingly stable. The war in Ukraine continues, the situation in the Middle East is explosive, a new president was elected in the United States, the threat of a trade war is looming and major governments fell in Europe.

Globally, inflation continued to ease and many countries are already close to central bank inflation targets. This allowed central banks to cut interest rates, which was seen on several occasions in Europe, the United States and China.

Things were naturally bubbling beneath the big surface of economy, and development was quite different in different regions. The US economy once again surprised on the upside and growth there continued to be strong. Annual growth is expected to settle at just under 3%. Economic growth in Europe, on the other hand, was very sluggish and growth is expected to remain below 1%. The German economy in particular, and the industrial sector overall, performed poorly. Contrary to what we are accustomed to, the strongest drivers of the euro area economy were to be found in service-driven southern Europe.

In terms of economic development, China also underperformed, and in autumn 2024, the country introduced various stimulus measures, which slightly boosted growth prospects towards the end of the year. Overall, growth is expected to settle at just under 5%, which is still a rather enviable figure from a Western point of view.

### **The interest rate environment**

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

In the second half of the year, the situation changed substantially with the ECB interest rate cuts and, in particular, strong market expectations of rate cuts. The 12-month Euribor fell by more than one percentage point in the second half of the year and the 5-year swap rate by almost one percentage point.

The overall interest rate environment in 2024 has been relatively favourable for banking activities, although the decline in reference rates in the second half of the year will continue to have a negative impact on net interest income.

The future development of interest rates is not straightforward or clear. In principle, the weakening economic development and the fact that the ECB is likely to reach its 2% inflation target earlier than expected will allow room for further interest rate cuts, but at the same time, geopolitical tensions, trade policy factors and service sector inflation could change the situation.

### **Investment markets**

From the perspective of the investment markets, the year 2024 was positive as a whole. Corporate earnings growth was good, especially in the United States. Share prices in the technology sector rose strongly during the year and the stock market as a whole outperformed the other main markets. European equity returns were also above long-term average returns. Finnish equity returns remained low and well below other markets. Falling interest rates supported fixed income returns and in the corporate bond market credit risk margins remained low despite rising defaults. Geopolitical tensions and concerns about a slowdown in global trade due to rising tariffs made headlines, especially in the last quarter following the US presidential election. This had an impact on emerging market investments, whose returns fell in the last quarter. Overall, investor confidence remained strong throughout the year, with good investment returns in both fixed income and equity markets.

### **The Finnish economy**

The Finnish economy entered a recession towards the end of 2023. In 2024, however, the economy recovered and, at least in the first three quarters of the year, the economy grew quarter by quarter. 2024 can therefore be called a year of budding recovery. However, growth was still rather modest.

After some challenging years, the economic situation of Finnish consumers has started to improve: purchasing power has picked up, price rises have eased and falling interest rates are benefiting indebted households. This was also reflected in the Savings Banks' Savings Barometer, which showed that the financial distress experienced by households decreased from the previous year. However, the situation on the labour market was disappointing, with development weaker than expected, especially towards the end of the year. This contributed to keeping consumer confidence below average.

Finnish business confidence also started to improve in 2024, albeit rather cautiously. There are significant differences between industries. The year remained difficult for the construction industry, although a budding recovery was also seen in business confidence in the construction sector. The service sector fared better. The manufacturing industry suffered from the weakness of the overall global industrial cycle.

The number of bankruptcies continued to rise in 2024, with the highest numbers in the construction industry and trade.

## The housing market in Finland

The housing market slump has continued since October 2022. However, trading has been busier this year than last. Transaction volumes have risen by around 4%. This has been driven in particular by pent-up consumer demand and lower interest rates. Demand has been particularly strong for detached houses and family-sized dwellings. Demand for small dwellings has remained low, mainly due to the low demand for investment housing.

While the total housing transaction volume has increased by around 4%, the trend in transaction volumes has been different for old and new dwellings. The transaction volume for old dwellings rose by around 5%, while the transaction volume for new dwellings fell by around 14%. There are several reasons for this. The price gap between new and old dwellings has widened as the prices of old dwellings have fallen. In addition, as interest rates have risen from zero, the financial costs of housing company loans have increased significantly. Living expenses in new homes are often significantly higher than in old homes.

There has also been a regional disparity in the development of transaction volumes. In the growth centres where transaction volumes fell most in 2022 and 2023, the housing market has also been the first to recover. For example, Espoo and Jyväskylä have already seen a 9.7% and a 7% growth respectively.

We expect the housing market to recover over the next year by 8–10% in old units in housing companies and the price of these dwellings to increase by 3.5% on average. This recovery will be driven in particular by increased consumer purchasing power, falling interest rates, pent-up demand and higher consumer confidence. A risk to the recovery of the housing market is the mismatch between supply and demand, partly due to the low level of new housing production.



# SP MORTGAGE BANK PLC'S FINANCIAL POSITION

## SP MORTGAGE BANK'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	1.1.-31.12.2024	1.1.-31.12.2023	1.1.-31.12.2022
Net interest income	16,982	13,495	18,950
Operating profit or loss	2,560	-19,142	-2,351
Total operating revenue	5,537	-15,810	523
Total operating expenses	-2,396	-2,289	-2,272
Profit	5,877	-18,672	-2,351
Cost to income ratio	0.43	-0.14	4.34
Total assets	3,283,032	2,606,508	2,699,233
Total equity	129,808	99,361	118,033
Return on equity %	5.1%	-17.2%	-2.0%
Return on assets %	0.2%	-0.7%	-0.1%
Leverage ratio %	4.0%	3.8%	4.4%
Capital adequacy ratio %	15.3%	12.5%	14.6%
Impairment losses on financial assets	-581	-1,043	-602

## PROFIT TRENDS (COMPARISON PERIOD 1-12/2023)

Sp Mortgage Bank Plc's operating profit was EUR 2.6 (-19.1) million and net profit for the period was EUR 5.9 (-18.7) million.

Total operating revenue was EUR 5.5 (-15.8) million.

Net interest income was EUR 17.0 (13.5) million. Interest income increased to EUR 162.3 (112.4) million and consisted mainly of interest on housing loans and hedging derivatives. Interest expenses amounted to EUR -145.3 (-98.9) million and consisted mainly of liabilities to credit institutions and interest expenses on covered bonds and hedging derivatives. The increase in both interest income and interest expenses is explained by the higher pricing of reference

interest rates and the growth in the balance sheet. Interest rate swaps used to hedge interest rate risk accounted for EUR -56.1 (-35.7) million of the net interest income.

Net fee and commission income and expenses consisted of fees from clients and fees paid to intermediary banks, amounting to EUR -10.3 (-9.2) million.

Net trading income amounted to EUR -1.2 (-20.2) million, of which the net profit from hedge accounting amounted to EUR 0.0 (-19.2) million and the DVA adjustment to the valuation of derivatives amounted to EUR -1.1 (-1.0) million.

Operating expenses before impairment losses on the financial assets were EUR -2.4 (-2.3) million. Impairment losses on financial assets were EUR -0.6 (-1.0) million.

## BALANCE SHEET AND FINANCING (COMPARISON FIGURES 31 DECEMBER 2023)

Loans and advances to customers amounted to EUR 2,307 (2,196) million. The total loan portfolio amounted to EUR 2,309 (2,198) of which model based expected loss provisioning amounted to EUR 2.5 (2.1) million.

Sp Mortgage Bank funds its operations through covered bonds and credit from the Central Bank of Savings Banks Finland Plc. In May, Sp Mortgage Bank issued a new covered bond in the international capital markets. The fixed-rate mortgage-covered bond of EUR 500 million has a maturity of seven years. No covered bonds matured during the review period. At the end of the review period, the carrying amount of covered bonds was EUR 2,532 (1,973) million. The amount of short-term funding drawn from the Central Bank of Savings Banks Finland Plc was EUR 469 (380) million.

At the end of the review period, equity amounted to EUR 129.8 (99.4) million. During the review period, Sp Mortgage Bank carried out two directed share issues to the member banks of the amalgamation, which increased equity by a total of EUR 24.6 million. The number of Sp Mortgage Bank shares is 122 588.

## CAPITAL ADEQUACY AND RISK POSITION

### Capital adequacy management (comparison figures 31.12.2023)

Sp Mortgage Bank has defined a capital adequacy management process aimed at ensuring the adequacy of the bank's risk-bearing capacity in relation to all material risks of its business operations. In order to achieve this objective, Sp Mortgage Bank identifies and assesses the risks associated with its operations in a comprehensive manner and ensures that its risk-bearing capacity is proportionate to the sum of the risks to which Sp Mortgage Bank is exposed. The internal capital requirements determined through the capital adequacy management process are based on Pillar I capital requirements and non-Pillar I risks, such as interest rate risk of the banking book, market risk of the investment portfolio and business risk. In the internal assessment process, Sp Mortgage Bank estimates the amount of capital that is also sufficient to cover unexpected losses arising from non-Pillar I risks.

The Board of Directors of the bank has overall responsibility for capital adequacy management. The Board of Directors approves the basis, objectives and principles of capital adequacy management. Moreover, it confirms the general requirements for the measurement and assessment of capital adequacy and the general principles for the organisation of the capital adequacy management process. In practice, this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the business operations and changes in the operating environment. The capital adequacy, liquidity and customer risks of the entities belonging to the Savings Bank Amalgamation are monitored on a consolidated basis at the Amalgamation level. The Board of Directors of the Central Institution has set target levels for the capital adequacy of the Amalgamation and banks, which are monitored quarterly.

### Stress tests

As part of the capital adequacy management process, Sp Mortgage Bank uses stress tests to assess its own risk position and the adequacy of its capital. Stress tests are used to assess how various exceptionally severe but possible scenarios can affect performance, capital adequacy and capital headroom. Stress tests are designed to identify the key risks to Sp Mortgage Bank and assess how vulnerable the structure of the Bank is in relation to the occurrence of those risks. The objective of the capital adequacy management process is also to maintain and develop a high-quality risk management framework.

### Capital contingency plan

The capital contingency plan of Sp Mortgage Bank is made in order to be prepared for unforeseeable events that could jeopardise the bank's capital adequacy. The capital contingency plan

includes target levels and monitoring thresholds set by the Board of Directors for the quantity and quality of capital, which are monitored quarterly. The capital contingency plan describes the actions to be taken by the operative management and the Board of Directors in the event that the capital adequacy ratio falls below the monitoring threshold.

### Pillar I capital requirements

The biggest capital requirements of Sp Mortgage Bank are comprised of mortgage loan receivables. The standard method is used to calculate the capital requirement for the credit and counterparty risk of Sp Mortgage Bank. The capital requirement for the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of the aggregate amount of own funds. Sp Mortgage Bank does not have a trading book and Sp Mortgage Bank's business does not involve taking commodity risk.

## OWN FUNDS AND CAPITAL ADEQUACY

Sp Mortgage Bank's own funds totalled EUR 124.8 (96.8) million, while the aggregate capital requirement was EUR 85.8 (81.1) million. At the end of the period, Sp Mortgage Bank's capital adequacy ratio was 15.3% (12.5%) and its leverage ratio was 5.3% (4.4%). The Financial Supervisory Authority has granted an exemption to the Amalgamation, according to which the risk weight of the internal financial items of the Savings Banks Amalgamation is 0% for the capital adequacy calculation. The capital requirement consists of the following items:

- 8% minimum capital adequacy ratio under the Capital Requirements Regulation (CRR)
- 2.5% CET1 capital add-on according to the Act on Credit Institutions, and
- the country-specific variable CET1 capital add-ons of foreign exposures.

The discretionary 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.

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

In 2024, the Financial Supervisory Authority has not imposed a variable capital add-on, which may range from 0 to 2.5% of the total risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

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

The standard method is used to calculate the capital requirement to the credit risk of the Savings Banks Amalgamation. The capital requirement to the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of the aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), implementing the Basel III finalisation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are entering into force on 1 January 2025.

Sp Mortgage Bank publishes the relevant information with regard to capital adequacy calculation annually as part of its Board of Directors' Report and Notes to the Financial Statements. Key capital adequacy data have been published in the half-year report.

Sp Mortgage Bank's capital adequacy data are included in the capital adequacy data of the Savings Banks Amalgamation, disclosed in the consolidated financial statements and half-year report of the Savings Banks Group. The Savings Banks Group presents the so-called Pillar III capital adequacy disclosures separately in connection with its financial statements. A copy of the Savings Banks Group's financial statements and Pillar III disclosures are available at [www.saastopankki.fi](http://www.saastopankki.fi).

## SP MORTGAGE BANK'S CAPITAL ADEQUACY'S MAIN ITEMS

<b>Own Funds (EUR 1,000)</b>	<b>31.12.2024</b>	<b>31.12.2023</b>
Common Equity Tier (CET1) capital before regulatory adjustments	129,808	99,361
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-4,964	-2,607
<b>Common Equity Tier (CET1) capital</b>	<b>124,844</b>	<b>96,754</b>
<b>Additional tied 1 (AT1) capital</b>	<b>0</b>	<b>0</b>
<b>Tier 1 capital (T1 = CET1 + AT1) total</b>	<b>124,844</b>	<b>96,754</b>
<b>Tier 2 (T2) capital</b>	<b>0</b>	<b>0</b>
<b>Total Capital (TC = T1 + T2)</b>	<b>124,844</b>	<b>96,754</b>
<b>Risk weighted assets</b>	<b>816,270</b>	<b>772,204</b>
of which: credit and counterparty risk	798,511	760,062
of which: credit valuation adjustments (CVA)	12,077	8,244
of which: market risk		
of which: operational risk	5,681	3,899
Common Equity Tier 1 (as percentage of total risk exposure amount)	15.3%	12.5%
Tier 1 (as a percentage of total risk exposure amount)	15.3%	12.5%
Total capital (as a percentage of total risk exposure amount)	15.3%	12.5%
<b>Capital requirements</b>		
<b>Total capital</b>	<b>124,844</b>	<b>96,754</b>
Capital requirement total*	85,761	85,750
Capital buffer	39,082	11,004

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

## LEVERAGE RATIO

(EUR 1,000)	31.12.2024	31.12.2023
Tier 1 capital	124,844	96,754
Leverage ratio exposure	2,343,258	2,217,976
Leverage ratio	5.3%	4.4%

## RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in

Finland (Act on the Financial Stability Authority, 1995/2014). In April 2024, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement entered into effect from the date of the decision, 17 April 2024. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the Financial Stability Authority's decision, the MREL requirement applied to the Savings Banks Amalgamation is 20.84% of the total risk exposure amount or 7.72% of the total exposures, whichever is higher.

The MREL requirement for Sp Mortgage Bank Plc is 15.76% of the total risk exposure amount or 5.92% of the total exposures, whichever is higher. The ratio of own funds and eligible liabilities to total risk was 21.4% and to total liabilities was 7.5%. 100% of own funds and eligible liabilities consisted of own funds and subordinated liabilities.

In addition to the requirement calculated on the basis of total risk exposure, the institution-specific capital buffer requirement must be met on an ongoing basis.

Table EU ILAC below shows the data on Sp Mortgage Bank Plc's internal requirement for own funds and eligible liabilities. Table EU TLAC2b shows the breakdown of own funds and eligible liabilities by insolvency rank based on creditor ranking.

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

		a	c	
		Minimum requirement for own funds and eligible liabilities (internal MREL)	Qualitative information	
Applicable requirement and level of application				
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Yes/No)		No	
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated (C) or individual (I) basis? (C/I)		Yes	
EU-2a	Is the entity subject to an internal MREL? (Yes/No)			C
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated (C) or individual (I) basis? (C/I)			
Own funds and eligible liabilities				
EU-3	Common Equity Tier 1 capital (CET1)	124,844		
EU-4	Eligible Additional Tier 1 capital (AT1)	0		
EU-5	Eligible Tier 2 capital (T2)	0		
EU-6	Eligible own funds	124,844		
EU-7	Eligible liabilities	50,073		
EU-8	of which permitted guarantees	0		
EU-9a	(Adjustments)	0		
EU-9b	Own funds and eligible liabilities items after adjustments	0		
Total risk exposure amount and total exposure measure				
EU-10	Total risk exposure amount (TREA)	816,271		
EU-11	Total exposure measure (TEM)	2,343,258		
Ratio of own funds and eligible liabilities				
EU-12	Own funds and eligible liabilities as a percentage of the TREA	21.43%		
EU-13	of which permitted guarantees	0.00%		
EU-14	Own funds and eligible liabilities as a percentage of the TEM	7.46%		
EU-15	of which permitted guarantees	0.00%		
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	5.67%		
EU-17	Institution-specific combined buffer requirement			
Requirements				
EU-18	Requirement expressed as a percentage of the TREA	15.76%		
EU-19	of which part of the requirement that may be met with a guarantee	0		
EU-20	Requirement expressed as a percentage of the TEM	5.92%		
EU-21	of which part of the requirement that may be met with a guarantee	0		
Memorandum items				
EU-22	Total amount of excluded liabilities referred to in Article 72 a(2) of Regulation (EU) No 575/2013			

## EU TLAC2B: CREDITOR RANKING (ENTITY THAT IS NOT A RESOLUTION ENTITY)

		Insolvency ranking				Sum of 1 to n
		1	1	8	8	
		(most junior)	(most junior)	(most senior)	(most senior)	
		Resolution entity	Other	Resolution entity	Other	
2	Description of insolvency rank		CET1 capital		SNP debt	
6	Own funds and eligible liabilities for the purpose of internal MREL		124 844		50 073	174 917
7	of which residual maturity $\geq 1$ year < 2 years					
8	of which residual maturity $\geq 2$ years < 5 years					
9	of which residual maturity $\geq 5$ years < 10 years				50 073	50 073
10	of which residual maturity $\geq 10$ years, but excluding perpetual securities					
11	of which perpetual securities		124 844			124 844

Rows 1 and 3–5 will not be published as they are not part of the publication obligation. Only those insolvency ranks in which the institution has relevant items will be presented.

## **Risk position**

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

The credit risk position of Sp Mortgage Bank has remained stable with a moderate risk level. The impairment of exposures amounted to EUR 2.5 (2.1) million. Non-performing exposures remained at a low level at 0.37% (0.28%) of the credit portfolio.

Sp Mortgage Bank's capital position has strengthened during 2024.

## **Objective of risk management**

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its operations. The risk-bearing capacity comprises adequate and effective risk management based on the scale and complexity of operations, as well as a sufficient degree of liquidity and capitalisation based on profitable business operations.

## **Principles and organisation of risk management**

Risk management is defined as the identification, assessment, quantification, limitation and monitoring of risks arising from and inherent to the business operations. The purpose of risk management is to minimise the likelihood of unforeseen losses or threats to the reputation of the controlled entity and thereby ensure the implementation of the Group's strategy. Risk and capital adequacy management are part of internal control. Sp Mortgage Bank has a risk control function that is independent of business operations.

Risk and capital adequacy management enables the identification, assessment and measurement of risks and limiting them to a level corresponding to the Sp Mortgage Bank's risk appetite. The capital requirements for the various risk areas and business lines are determined in a reliable and independent manner and capital is allocated systematically according to the current and planned risk appetite and appropriately for the liquidity management of Sp Mortgage Bank.

In its operations, Sp Mortgage Bank is exposed to credit, market and operational risks, as well as business and liquidity risks.

## **Credit and counterparty risks**

Credit and counterparty risk is defined as the possibility that a counterparty may not meet its contractual obligations. The main source of credit risk is lending, but counterparty risk can also arise from other types of receivables, such as bonds, short-term debt securities and derivative contracts, as well as off-balance sheet commitments such as unused credit facilities and limits and guarantees.

The core business of Sp Mortgage Bank is the granting of mortgage-backed loans and issuing bonds with mortgage collateral in accordance with the Act on Mortgage Credit Banks. Sp Mortgage Bank finances only retail customers, which are private persons and entrepreneurs. Sp Mortgage Bank's main target group of credit customers, according to the Savings Banks Group's strategy, is active-age households. These customer segments form the main target groups in terms of the bank's lending and credit risk. The Savings Bank acting as the credit intermediary of Sp Mortgage Bank complies with the objectives set by that Savings Bank for its lending to specific customer groups.

## **Liquidity risk**

Liquidity risk is the risk that Sp Mortgage Bank will not be able to meet its present or future expected and unexpected cash flows at all or without materially damaging Sp Mortgage Bank's financial position.

Sp Mortgage Bank does not take deposits from the public. Sp Mortgage Bank has an agreement on the use of liquid assets with the Central Bank of Savings Banks Finland Plc, which belongs to the Savings Banks Group and the Savings Banks Amalgamation. The overcollateralisation requirement of Sp Mortgage Bank's cover pools is funded by the Central Bank of Savings Banks Finland Plc.

## **Market risk management**

Limits and other monitoring thresholds have been set for measuring and monitoring market risks. The main tool for measuring and monitoring market risks in the banking book is the Internal Capital Adequacy Assessment Process (ICAAP), whereby capital is allocated in the banking book for market risks under both normal and stress scenarios.

## Operational risk

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel, systems or external factors. Legal and compliance risks are also included in the operational risks. The operational risks associated with key products, services, operations, processes and systems are identified. Identifying operational risks helps determine their monitoring and controls. Part of the losses caused by operational risks are covered by insurance. In addition, the continuity plans of the bank help prepare for major disruptions to operations.

## Business risk

Business risk describes the impact of uncertainties caused by the operating environment on the business. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in income. Business risks may also be caused by choosing a wrong strategy, ineffective management, or slow response to changes in the operating environment. Business risk is managed and minimised through strategic and business planning.

## Corporate governance

The Annual General Meeting of Sp Mortgage Bank considers the previous year's financial statements, distribution of the profits, discharge from liability, and election of Board members. Decisions on Sp Mortgage Bank's business operations and strategic matters are made by the Board of Directors of Sp Mortgage Bank. In addition, the Board of Directors is responsible for taking decisions on the most important matters relating to Sp Mortgage Bank's business operations and for appointing the Managing Director of Sp Mortgage Bank. The Board is also responsible for ensuring that Sp Mortgage Bank has comprehensive and appropriately organised accounting, accounting policies and financial reporting for all its operations. In addition, the Board is responsible for ensuring that Sp Mortgage Bank has adequate and appropriately organised internal control, internal audit and auditing. The work of the Board of Directors is based on established guidelines and the rules of procedure for the Board of Directors. The Managing Director of Sp Mortgage Bank manages the day-to-day administration of Sp Mortgage Bank in accordance with guidelines from the Board of Directors.

The independence and integrity of the Board members and Managing Director are verified in accordance with the directions issued by the Financial Supervisory Authority. Upon appointment and on an annual basis, the Board members and Managing Director are obliged to declare the entities with which they are involved. In addition, on accepting their position, each Board member and the Managing Director must submit a fitness and propriety report, as stipulated by the Financial Supervisory Authority.

## SP MORTGAGE BANK'S MANAGEMENT AND PERSONNEL

### Sp Mortgage Bank's Board of Directors and auditors

According to the Articles of Association, the Bank's Board of Directors shall consist of at least three and no more than nine members.

In 2024, the following persons were members of the Board of Directors of Sp Mortgage Bank:

Monika Mangs, Chairman, until 14 March 2024

Karri Alameri, member of the Board until 1 October 2024, Chairman 14 March 2024 – 1 October 2024

Ossi Öhman, Deputy Chairman until 29 October 2024, Chairman from 29 October 2024

Samu Rouhe, member of the Board, Deputy Chairman from 29 October 2024

Petri Siviranta, member of the Board until 14 March 2024

Toivo Alarautalahti, member of the Board from 14 March 2024

Fredrik Westerholm, member of the Board from 14 March 2024

Tero Kangas is the Managing Director of Sp Mortgage Bank.

At the Annual General Meeting of Sp Mortgage Bank on 14 March 2024, KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of Sp Mortgage Bank, with Authorised Public Accountant Mikko Kylliäinen as principal auditor.

## PERSONNEL

Sp Mortgage Bank does not have personnel of its own. Instead, it purchases all necessary functions and support services from companies that are members of the Savings Banks Amalgamation or companies providing services to the Amalgamation.

## OWNERS AND SHAREHOLDING

Sp Mortgage Bank Plc is wholly owned by the 14 Savings Banks belonging to the Savings Banks Amalgamation.

## MAIN OUTSOURCED FUNCTIONS

Sp Mortgage Bank's key information systems are outsourced to Samlink Ltd. The bank's accounting operations are carried out by Figure Taloushallinto Oy, whose shares are held equally by Savings Banks' Union Coop and three other banking groups.

## SOCIAL RESPONSIBILITY

Sp Mortgage Bank's social responsibility refers to its responsibility for the impacts of its business activities on the surrounding society and the company's stakeholders. By acting as the Savings Banks' mortgage credit bank, Sp Mortgage Bank contributes to the social responsibility of local Savings Banks. Information on the social responsibility of Sp Mortgage Bank is included in the consolidated financial statements of the Savings Banks Amalgamation and the sustainability report published annually by the Savings Banks Group.

More information on the Savings Banks Group's responsibility and the Savings Banks Group's annual sustainability report can be found at [www.saastopankki.fi](http://www.saastopankki.fi).

## MATERIAL EVENTS AFTER THE CLOSING DATE

The Board of Directors of Sp Mortgage Bank is not aware of any factors that would materially influence the financial position of the bank for the period after the closing date.

## OUTLOOK FOR THE YEAR 2025

### Outlook for the operational environment

The growth outlook for 2025 is stable, but still rather sluggish. The OECD, for example, expects the global economy to grow at the same pace as last year, by around 3%. In the United States, growth is expected to slow but remain at a good level. In Europe, the growth outlook is improving slightly as interest rates fall, but the level is still quite modest. In China, growth is slowing structurally. The threat of a trade war has increased with the election of Donald Trump. Trump's actions are not yet certain, but in the long run, various global trade barriers will undermine growth prospects and increase uncertainty.

In Finland, economic growth is expected to pick up in 2025. Lower interest rates will benefit Finland's interest-sensitive economy. Private consumption is expected to pick up as purchasing power increases. However, the sluggish labour market will keep consumers cautious in the early part of the year, so private consumption growth will remain subdued. As the economy picks up, the labour market will gradually improve as the year progresses.

Business investment is also expected to recover gradually. While many uncertainties continue to keep businesses cautious, the downturn is expected to stimulate investment demand. The plight of the construction sector should also gradually start to ease.

### Business outlook

Sp Mortgage Bank expects the loan portfolio to continue to grow for the time being through sales of new contracts and to remain of good quality. The business outlook is stable. The covered bond programme established in 2016 allows for covered bond issues in 2025.

## THE BOARD OF DIRECTORS' PROPOSAL ON THE DISPOSAL OF DISTRIBUTABLE FUNDS

Sp Mortgage Bank's distributable funds amount to EUR 37,138,223.61.

The Board of Directors of Sp Mortgage Bank proposes to the Annual General Meeting that the profit/loss for the financial year of EUR 5,876,764.03 be recognised in retained earnings and that no dividend be distributed.

Releases and other corporate information are available on the Savings Banks Group's website at [www.saastopankki.fi/en/savingsbanksgroup](http://www.saastopankki.fi/en/savingsbanksgroup).

## FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

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 uses alternative performance measures (APMs) in its financial reporting to describe the financial position of the entity. These measures are not defined in IFRS standards, capital adequacy regulations (CRD/CRR), or Solvency II regulations (SII). The presented alternative performance measures complement the main financial statements and accompanying notes prepared in accordance with IFRS standards.

### FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

Total operating revenue:	Net interest income, net fee and commission income, net trading income, net investment 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 (ROE), %:	$\frac{\text{Profit}}{\text{Equity, incl. non-controlling interest (average)}} \times 100$
Return on assets (ROA), %:	$\frac{\text{Profit}}{\text{Total assets (average)}} \times 100$
Equity/assets ratio, %:	$\frac{\text{Equity (incl. non-controlling interests)}}{\text{Total assets}} \times 100$
Solvency ratio, %:	$\frac{\text{Own funds total}}{\text{Risk-weighted assets total}} \times 100$



# **SP MORTGAGE BANK PLC: IFRS FINANCIAL STATEMENTS**

## INCOME STATEMENT

(EUR 1,000)	Note	1-12/2024	1-12/2023
Interest income		162,257	112,409
Interest expense		-145,275	-98,913
Net interest income	6	16,982	13,495
Net fee and commission income	7	-10,270	-9,229
Net trading income	8	-1,185	-20,226
Other operating revenue	9	11	150
Total operating revenue		5,537	-15,810
Personnel expenses	14	-49	-43
Other operating expenses	9	-2,122	-2,227
Amortization and impairment of intangible assets	16	-225	-19
Total operating expenses		-2,396	-2,289
Net impairment loss on financial assets	10	-581	-1,043
Profit before tax		2,560	-19,142
Income tax expense	15	3,317	470
Profit		5,877	-18,672

## STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1-12/2024	1-12/2023
Profit	5,877	-18,672
Total comprehensive income	5,877	-18,672

## STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	31.12.2024	31.12.2023
<b>Assets</b>			
Loans and advances to credit institutions	10	902,174	371,388
Loans and advances to customers	10	2,306,900	2,196,086
Derivatives	13	30,948	13,093
Investment assets	10	4,933	4,993
Intangible assets	16	899	1,108
Other assets	19	37,177	19,840
<b>Total assets</b>		<b>3,283,032</b>	<b>2,606,508</b>

(EUR 1,000)	Note	31.12.2024	31.12.2023
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Liabilities to credit institutions	11	500,630	389,350
Derivatives	13	62,587	101,201
Debt securities issued	11	2,531,721	1,972,873
Provisions and other liabilities	19	58,286	43,723
<b>Total liabilities</b>		<b>3,153,223</b>	<b>2,507,147</b>
<b>Equity</b>			
Share capital	17	81,766	72,051
Share issue	17	10,005	
Reserves	17	40,822	35,972
Retained earnings	17	-2,785	-8,662
<b>Total equity</b>		<b>129,808</b>	<b>99,361</b>
<b>Total liabilities and equity</b>		<b>3,283,032</b>	<b>2,606,508</b>

# STATEMENT OF CASH FLOWS

(EUR 1,000)	1-12/2024	1-12/2023
<b>Cash flows from operating activities</b>		
Profit	5,877	-18,672
Adjustments for items without cash flow effect	3,520	22,634
Change in deferred taxes	-3,317	-470
Cash flows from operating activities before changes in assets and liabilities	6,080	3,492
Increase (-) or decrease (+) in operating assets	-623,124	-218,653
Debt securities	60	-4,994
Loans and advances to credit institutions	-499,770	-250,000
Loans and advances to customers	-111,305	41,652
Other assets	-12,109	-5,311
Increase (-) or decrease (+) in operating liabilities	125,843	-108,730
Liabilities to credit institutions	111,280	-136,150
Other liabilities	14,563	27,420
Paid income taxes	151	-117
Total cash flows from operating activities	-491,050	-324,008
<b>Cash flows from investing activities</b>		
Investments in property, plant and equipment and intangible assets	-17	-93
Total cash flows from investing activities	-17	-93

(EUR 1,000)	1-12/2024	1-12/2023
<b>Cash flows from financing activities</b>		
Increase in share capital	9,715	
Share issue	10,005	
Other monetary increases in equity items	4,850	
Debt securities issued	497,603	
Total cash flows from financing activities	522,173	
Change in cash and cash equivalents	31,106	-324,101
Cash and cash equivalents at the beginning of the period	58,944	383,045
Cash and cash equivalents at the end of the period	90,050	58,944
<b>Cash and cash equivalents comprise the following items:</b>		
Receivables from central banks repayable on demand	90,050	58,944
Total cash and cash equivalents	90,050	58,944
<b>Adjustments for items without cash flow effect</b>		
Income statement tax		
Impairment losses on financial assets	581	1,043
Changes in fair value	45	19,207
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	225	19
Other adjustments	2,669	2,365
Total	3,520	22,635
Interest received	149,379	106,415
Interest paid	129,443	72,110

## STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share issue	Share premium	Retained earnings	Total equity
<b>Equity 1.1.2023</b>	72,051		35,972	10,010	118,033
<b>Comprehensive income</b>					
Profit for the period				-18,672	
Total comprehensive income				-18,672	-18,672
Total equity 31.12.2023	72,051		35,972	-8,662	99,361
<b>Equity 1.1.2024</b>	72,051		35,972	-8,662	99,361
<b>Comprehensive income</b>					
Profit for the period				5,877	
Total comprehensive income				5,877	5,877
Transactions with owners					
Share issue	9,715	10,005	4,850		
Total equity 31.12.2024	81,766	10,005	40,822	-2,785	129,808

A person in a white shirt is looking at a laptop and a smartphone. The laptop screen displays a financial chart with a candlestick pattern and a volume bar chart below it. The smartphone also displays a similar financial chart. The background is blurred, showing a desk and other papers.

# BASIS OF PREPARATION

# NOTE 1: INFORMATION ON SP MORTGAGE BANK 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, together with Central Bank of Savings Banks Finland Plc, is to be responsible for acquiring 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 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 manage customer relationships locally.

Sp Mortgage Bank received licence 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 oldest banking group in Finland. It is comprised of Savings Banks that formed the Savings Banks Amalgamation, the Savings Banks’ Union Coop, which acts as the Central Institution and the subsidiaries and associated companies owned by Savings Banks. The Savings Banks are independent regional and local banks. Together, the Savings Banks form a banking group that operates locally as well as nationally. The basic objective of the Savings Banks is to promote thrift and 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 by other financial services and products provided in cooperation with the product companies within the Savings Banks Group. The service and product companies owned by the member Savings Banks support and promote the operations of the Group either through the products for which they are responsible or through centralised service provision. The most significant product companies of the Group are Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Sb Life Insurance Ltd, Sp-Fund Management Company Ltd, Savings Bank Services Ltd and Sp-Koti Oy.

The member organisations of the Savings Banks Amalgamation constitute a financial entity as defined in the Amalgamation Act, in which the Savings Banks’ Union Coop and its member credit institutions are jointly liable for each other’s liabilities and commitments. The Savings Banks

Amalgamation comprises the Savings Banks’ Union Coop which acts as the central institution of the Amalgamation, 14 Savings Banks, Central Bank of Savings Banks Finland Plc, Sp Mortgage Bank Plc, Savings Bank Services Ltd and Sp-Fund Management Company Ltd, as well as the companies within the consolidation groups of the above-mentioned entities.

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

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

Sp Mortgage Bank’s registered office is in Helsinki, Finland, and its registered address is Teollisuuskatu 33, 00510 Helsinki. A copy of the financial statements of Sp Mortgage Bank is available at [www.saastopankki.fi/en/savingsbanksgroup](http://www.saastopankki.fi/en/savingsbanksgroup) or at the premises of Sp Mortgage Bank at Teollisuuskatu 33, 00510 Helsinki, Finland.

Similarly, copies of the Savings Banks Group’s financial statements are available at [www.saastopankki.fi/en/savingsbanksgroup](http://www.saastopankki.fi/en/savingsbanksgroup).

The Board of Directors of Sp Mortgage Bank has on 11 February 2025 approved the Bank’s financial statements for the period 1 January – 31 December 2024, and the financial statements will be presented to the Annual General Meeting of 2025 for approval. The Annual General Meeting has the choice of approving or not approving the financial statements.

# NOTE 2: ACCOUNTING POLICIES

The “Accounting policies” note describes Sp Mortgage Bank’s general accounting policies and consolidation principles. The key principles concerning financial instruments, intangible assets, property, plant and equipment and operating revenue are presented in this note and in more detail in the notes to each item. The accounting policies for other income and balance sheet items are presented in their respective notes (Notes 6–23).

The new IFRS standards and interpretations that entered into force in financial year ended as well as the new standards and interpretations to be applied in future financial years are presented at the end of the “Accounting policies” note.

## 2.1 GENERAL

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

Sp Mortgage Bank is part of the Savings Banks Amalgamation and, in accordance with the Act on the Amalgamation of Deposit Banks and the principles of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Board of the Savings Banks’ Union Coop determines any applicable accounting policies for which no guidance is available from the IFRS.

Sp Mortgage Bank’s financial statements are presented in euros, which is the Bank’s accounting and functional currency.

Sp Mortgage Bank’s financial statements are prepared on the historical cost basis, except derivatives and hedging items in fair value hedges (for hedged risks), which are measured at fair value.

Assets and liabilities are offset only when Sp Mortgage Bank and the counterparty have both a legally enforceable right and the intention to set off the amounts or to realise an asset and settle a liability simultaneously.

## 2.2 FINANCIAL INSTRUMENTS

### *Financial assets and liabilities*

Sp Mortgage Bank applies IFRS 9 Financial Instruments on the recognition and measurement of financial instruments and hedging relationships that are subject to general hedge accounting.

Classification in the balance sheet of Sp Mortgage Bank is independent of the IFRS 9 categories. Different valuation bases can therefore be applied to assets and liabilities recognised on the same line in the balance sheet. The classification of financial assets and liabilities recognised in the balance sheet into measurement categories is set out in Note 12.

### *Initial recognition*

A financial asset or liability is recognised in the balance sheet only when the entity becomes a party to the contractual provisions of the instrument. The purchase or sale of financial assets under the settlement date convention is recognised or derecognised using trade date accounting.

Financial assets and liabilities are initially measured at fair value, and in the case of a financial asset or a financial liability not measured at fair value through profit or loss, plus or minus the transaction costs that are directly attributable to the acquisition or issue of that financial asset or financial liability. In subsequent periods, transaction costs are recognised through profit or loss as an interest income or expense as a part of the effective interest rate of the financial asset or liability.

### *Classification of financial assets and the determination of classification*

For the purposes of subsequent measurement, Sp Mortgage Bank classifies financial assets into the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income (fair value reserve)
- Fair value through profit or loss.

Financial liabilities are, as a rule, measured at amortised cost. Derivative contracts and other investors' participations in consolidated funds are measured at fair value through profit or loss.

The classification principles and breakdown of financial assets and liabilities by measurement category are described in more detail in Note 12.

The change in the fair value of debt instruments measured at fair value through other comprehensive income is recognised adjusted for deferred tax in the fair value reserve included in other comprehensive income. The gain or loss on the transfer or sale of a financial asset is recognised through profit or loss.

Changes in the fair value of equity investments for which the Sp Mortgage Bank has irrevocably designated that subsequent changes in their fair value will be measured through other comprehensive income are also recognised in other comprehensive income. Such a decision has been made in significant investments in partners or companies with a business relationship, for example. Dividends from equity instruments are recognised in profit or loss when the right to receive payment is established. Capital repayments from the share are recognised in the statement of comprehensive income. For equity instruments, gains or losses accrued in the fair value reserve are not transferred to be recognised through profit or loss at any stage.

If the contractual cash flows from a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the gross carrying amount of the financial asset is recalculated and a modification gain or loss is recognised through profit or loss.

### ***Derecognition of financial assets and liabilities***

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party and the transfer qualifies for derecognition.

A financial asset is considered to be transferred to another party in the event that the Sp Mortgage Bank either:

- transfers the contractual rights to receive the cash flows from a financial asset to another party; or
- retains the contractual rights to receive the cash flows from a financial asset but assumes a contractual obligation to pay those cash flows to one or more recipients using a 'pass

through' arrangement. A contract may be regarded as a 'pass through' arrangement when:

- There is no obligation to pay amounts to the eventual recipients unless equivalent amounts are collected from the original asset
- The selling or pledging of the original asset is prohibited by the terms of the transfer contract

When transferring a financial asset to another party, the conditions for derecognition are met only when:

- The significant risks and rewards of ownership are transferred to another party; or
- The significant risks and rewards of ownership are not transferred or they have been retained, but control has been transferred.

A financial liability is derecognised only when the liability ceases to exist, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount and the consideration paid is recognised through profit or loss.

### ***Impairment***

#### ***Expected credit losses***

Sp Mortgage Bank determines impairment based on the expected credit losses on financial assets. The loss allowance for expected credit loss is measured and recognised for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income, guarantees and off-balance sheet loan commitments.

The parameters and methods used in the expected credit loss calculation are described in more detail in Note 10.

The loss allowance for expected credit loss is recognised in the balance sheet as a reduction of the carrying amount of the loan in a separate account. For loan commitments and financial guarantee contracts, the loss allowance is recognised in the balance sheet as a provision. For

debt securities recognised at fair value through other comprehensive income, expected credit loss is recognised as an adjustment to the fair value reserve. Changes in expected credit losses recognised in the balance sheet are presented in the income statement item “Net impairment loss on financial assets”.

### ***Incurred credit losses***

Non-recoverable loans and receivables are recognised as a permanent credit loss when the normal collection process is completed and the final amount of the loss on the individual loan or receivable can be measured. Credit losses that are deemed permanent are derecognised as a counterpart to the income statement item “Net impairment loss on financial assets”. Any payments received after derecognition are recognised as adjustments to the income statement item “Net impairment loss on financial assets”.

### ***Hedging and derivatives***

Sp Mortgage Bank hedges its interest rate risk against changes in fair value and applies hedge accounting to hedging relationships. Fair value hedging is applied to covered bonds issued at fixed interest rates.

Sp Mortgage Bank applies the IFRS 9 standard to hedging relationships under general hedge accounting.

Derivative contracts are measured at fair value. The fair value of derivatives that hedge fair value is recognised in the balance sheet as a derivative receivable or liability and the change in fair value is recognised in the income statement under “Net trading income”. When hedging fair value, the hedged item is also measured at fair value during hedging even if it would otherwise be measured at amortised cost. A change in the hedged item’s fair value is recognised as an adjustment to the balance sheet item in question and in the income statement under “Net trading income”. Interest on hedging derivatives is presented as interest income and expense according to their nature.

When hedge accounting begins, the hedging relationship between the hedged item and the hedging derivative is documented, along with the risk management objectives and the strategy for initiating hedging. The effectiveness of the hedging relationship is assessed on a regular basis and always on reporting dates.

## **2.3 INTANGIBLE ASSETS**

An intangible asset is an identifiable asset that has no physical substance. Sp Mortgage Bank’s intangible assets include, for example, computer software. An intangible asset is recognised in the balance sheet only if it is probable that the expected economic benefits that are attributable to the asset will flow to the Sp Mortgage Bank and the acquisition cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets are measured at acquisition cost less depreciation and impairment. The accounting policies for intangible assets are described in Note 16.

## **2.4 REVENUE RECOGNITION PRINCIPLES**

The most significant income items of Sp Mortgage Bank are net interest income and net fee and commission income and expenses. Interest on balance sheet items included in financial assets and liabilities is recognised in net interest income, regardless of the measurement category. Interest income and expenses are amortised using the effective interest method over the term of the contract. The accounting policies for net interest income are presented in more detail in Note 6.

Net fee and commission income and expenses consists of the income and expenses associated with services provided to customers, measured at the amount to which Sp Mortgage Bank considers itself to be entitled against the services provided. Fees and commissions are, as a rule, recognised once the service has been provided and control has passed to the customer. The accounting policies for net fee and commission income and expenses are presented in full in Note 7.

The accounting policies for other operating income items are set out in the notes to each item.

## **2.5 SEGMENT REPORTING**

Sp Mortgage Bank’s management examines its operations as a single segment and therefore no separate segment information is disclosed in accordance with IFRS 8. SB Mortgage Bank’s operations are part of the Group’s operations, and its financial statements are included in the consolidated financial statements and presented in the Group’s banking segment, which is another reason why SB Mortgage Bank’s operations have not been divided into sub-segments.

## 2.6 NEW IFRS STANDARDS AND INTERPRETATIONS

### New and amended standards applied in the financial year ended

Sp Mortgage Bank has applied, from the beginning of 2024, the following new standards that have entered into effect, but they are not considered to have had a material impact on the financial statements of Sp Mortgage Bank.

New and amended IFRS Accounting Standards® applied in the financial year ended 31 December 2024

\* = not yet endorsed for use by the European Union as of 31 December 2024

Current status: Endorsement – EFRAG

### Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases (effective for financial years beginning on or after 1 January 2024)

The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

### Classification of Liabilities as Current and Non-current – Amendments to IAS 1 Presentation of Financial Statements (effective for financial years beginning on or after 1 January 2024)

The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements. The amendments also clarify transfer of a company's own equity instruments is regarded as settlement of a liability. Liability with any conversion options might affect classification as current or non-current unless these conversion options are recognized as equity under IAS 32.

### Supplier Finance Arrangements – Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 January 2024)

The amendments enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Amendments require to disclose quantitative and qualitative information about supplier finance programs.

### New and amended IFRS Accounting Standards issued but not yet effective

\* = not yet endorsed for use by the European Union as of 31 December 2024

### Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (effective for financial years beginning on or after 1 January 2025, early application is permitted)

The amendments require to apply a consistent approach in assessing whether a currency can be exchanged into another currency and, when it cannot, in determining the exchange rate to use and the disclosures to provide.

### Classification and Measurement of Financial Instruments – Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures\* (effective for financial years beginning on or after 1 January 2026, early application is permitted)

The amendments clarify that an entity is required to apply settlement date accounting when derecognising a financial asset or a financial liability; and to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met. The amendments clarify the application guidance for assessing the contractual cash flow characteristics of financial assets, including financial assets with contractual terms that could change the timing or amount of contractual cash flows, for example, those with environmental, social and governance (ESG)-linked features, financial assets with non-recourse features and financial assets that are contractually linked instruments.

### Annual Improvements to IFRS Accounting Standards – Volume 11\* (effective for financial years beginning on or after 1 January 2026, early application is permitted)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRS Accounting Standards to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Hedge Accounting by a First-time Adopter

- IFRS 7 Financial Instruments: Disclosures – Gain or loss on derecognition; Disclosure of differences between the fair value and the transaction price; Disclosures on credit risk
- IFRS 9 Financial Instruments –Derecognition of lease liabilities; Transaction price
- IFRS 10 Consolidated Financial Statements – Determination of a ‘de facto agent’
- IAS 7 Statement of Cash Flows – Cost Method

**IFRS 18 Presentation and Disclosure in Financial Statements\*** (effective for financial years beginning on or after 1 January 2027, early application is permitted)

IFRS 18 will replace IAS 1 Presentation of Financial Statements. The key new requirements are as follows:

- Income and expenses in the income statement to be classified into three new defined categories – operating, investing and financing – and two new subtotals – “Operating profit or loss” and “Profit or loss before financing and income tax”.
- Disclosures about management-defined performance measures (MPMs) in the financial statements. MPMs are subtotals of income and expenses used in public communications to communicate management’s view of the company’s financial performance.
- Disclosure of information based on enhanced general requirements on aggregation and disaggregation. In addition, specific requirements to disaggregate certain expenses, in the notes, will be required for companies that present operating expenses by function in the income statement.

**IFRS 19 Subsidiaries without Public Accountability: Disclosures\*** (effective for financial years beginning on or after 1 January 2027, early application is permitted)

The new standard permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. It will enable subsidiaries to keep only one set of accounting records to meet the needs of both their parent company and the users for their financial statements and reduce disclosure requirements.

**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures\*** (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a ‘business’ under IFRS 3 Business Combinations.

# NOTE 3: ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of IFRS-compliant financial statements requires Sp Mortgage Bank's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and other disclosures, such as the amounts of income and expenses. 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 relate to the determination of impairment and fair value of financial assets.

## DETERMINATION OF EXPECTED CREDIT LOSSES

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

- 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 estimate. 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.

At the balance sheet date, in assessing the need for, and amounts of, adjustments based on management judgement, attention was paid especially to the following factors that influence the expected credit loss amount.

- Considering the nature and value of receivable-related collaterals, the effect of the regional economic situation on the price level and realisability of residential properties, for instance.
- Amount and timing of receivables' contractual cash flows, taking into account available counterparty information that is not included in the calculation model. Such information includes, for instance, changes in employment, the number and duration of instalment-free periods that have been applied for and changes in the scope and profitability of business operations.

The need for an adjustment based on management judgement may also be based on other factors that influence the customer's environment that are relevant to the credit risk of the counterparty to the receivable.

In late 2024, Sp Mortgage Bank updated the economic forecasts used in the expected credit loss calculation model. Further details on the key macroeconomic variables and the weights assigned to the scenarios in the economic forecasts are presented in Note 10 "Net impairment loss on financial assets".

## FAIR VALUE MEASUREMENT

In determining fair value, the management should assess whether price information is available in the market that can be regarded as a reliable indicator of the fair value of the financial instrument. The assessment is based on an understanding of the functioning of the market and the trading activity for the financial instrument in question.

At the balance sheet date, Sp Mortgage Bank's financial instruments measured at fair value consist mainly of listed financial assets for which a public price quotation is available or financial assets for which fair value measurement is based on verifiable market information, such as

interest rate data. In the view of the management of Sp Mortgage Bank, the conditions regarding the functioning of the market and the trading activity of the individual financial instruments are met and, consequently, the price information available in the market can be regarded as a reliable indicator of the fair value of the instruments.

Management judgement is required in circumstances where fair value price information is not available in the market and the fair value of a financial instrument needs to be determined using a valuation technique. In such circumstances, the valuation techniques and inputs used to measure fair values are based on the management's assessment of the market practices used to measure the value of the instruments in question.

## **IMPAIRMENT OF NON-FINANCIAL ASSETS**

At each reporting date, Sp Mortgage Bank assesses whether there is any indication that an asset under construction may be impaired. Impairment testing is also carried out whenever there is any indication of impairment. Assessment of impairment of intangible assets under construction requires management judgement.



# **PRINCIPLES OF RISK MANAGEMENT AND CAPITAL ADEQUACY MANAGEMENT**

# NOTE 4: RISK MANAGEMENT DISCLOSURES

## OBJECTIVE OF RISK MANAGEMENT

The objective of risk management is to secure the bank's risk-bearing capacity and ensure the continuity of its operations. The risk-bearing capacity comprises adequate and effective risk management based on the scale and complexity of operations, as well as a sufficient degree of liquidity and capitalisation based on profitable business operations.

## PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

Risk management is defined as the identification, assessment, quantification, limitation and monitoring of risks arising from and inherent to the business operations. The purpose of risk management is to minimise the likelihood of unforeseen losses or threats to the reputation of the controlled entity and thereby ensure the implementation of the group strategy. Risk and capital adequacy management are part of internal control.

Risk and capital adequacy management enables the identification, assessment and measurement of risks and limiting them to a level corresponding to the Sp Mortgage Bank's risk appetite. The capital requirements for the various risk areas and business lines are determined in a reliable and independent manner and capital is allocated systematically according to the current and planned risk appetite and appropriately for the liquidity management of Sp Mortgage Bank.

Risk management is part of Sp Mortgage Bank's internal control and an integral part of its operational activities.

Internal control includes financial and other controls. Internal control refers to the part of management and operations that seeks to ensure:

- the achievement of set objectives and goals
- economical and efficient processes
- the management of operational risks

- the reliability and accuracy of financial and other management information
- compliance monitoring
- the adequate protection of operations, data, as well as the entity's property and customers' assets, and
- adequate and appropriately organised manual and IT systems to support operations.

The purpose of internal control at Sp Mortgage Bank is to ensure that the objectives and aims set for different levels at the bank are reached in compliance with the agreed and set internal control guidelines. Internal control is supervision from the inside managed by the administrative organs and the organisation itself, and it primarily concerns the state, quality and results of operations. Internal control is carried out by the Board of Directors, Managing Director, risk control function, supervisors and employees. In addition, employees are required to report any deviations and illegalities to those higher up in the organisation.

Sp Mortgage Bank's risk management is based on the business strategy and risk management guidelines confirmed by the Board of Directors and an authorisation system as well as the risk and deviation reports produced for key business areas.

Sp Mortgage Bank does not have any customer or investment portfolio risk concentrations that are excessive in relation to its financial capacity, nor does Sp Mortgage Bank take such risks in accordance with its strategy. Sp Mortgage Bank maintains its capital adequacy at a safe level.

The Board of Directors is regularly informed about the various risks affecting Sp Mortgage Bank and their levels. The Board of Directors sets the level of risk appetite by approving risk strategies for each risk area and the necessary risk limits and monitoring thresholds. The implementation of the risk strategy is monitored through the monitoring and reporting of risk limits and monitoring thresholds, which is carried out independently of business operations. The Board of Directors also approves the mandate and framework for risk-taking by specifying the permitted risk limits for different risk types. Within this mandate, the responsibility for day-to-day risk monitoring and control is with the operative management. The systems and procedures for risk reporting and monitoring fulfil the criteria set for risk management, taking into account the nature and scale of Sp Mortgage Bank's business operations.

Sp Mortgage Bank has established the following functions, independent of business operations, to ensure effective and comprehensive internal control:

- independent risk control function
- compliance function
- internal audit function

The independent risk control function is responsible for ensuring and monitoring that the risk management framework of Sp Mortgage Bank is adequate in relation to the nature, scale, complexity and risk level of the Sp Mortgage Bank's business operations. The risk control function assists the Board of Directors and operative management of Sp Mortgage Bank in organising adequate risk management and monitoring its functionality and efficiency.

The compliance function ensures that Sp Mortgage Bank complies with the legislation and the regulations and guidelines issued by the authorities. The compliance function is responsible for monitoring that Sp Mortgage Bank complies with the internal guidelines issued, the ethical guidelines binding on its personnel and other guidelines prevailing in the financial markets.

The Board of Directors of Sp Mortgage Bank has established an internal audit function for the bank and approved the internal audit plan and reporting principles.

The internal audit function is responsible for assessing the scope and adequacy of internal control within the bank's operating organisation and for monitoring and evaluating the effectiveness of the risk management systems. The internal audit function reports on its observations to the Managing Director and the Board of Directors.

The Board of Directors of Sp Mortgage Bank is responsible for organising internal control in accordance with legislation, the requirements of the authorities and the guidelines issued by the Board of Directors of the Central Institution.

The Managing Director and other executives of Sp Mortgage Bank are responsible for the operational organisation of internal control in accordance with legislation, the requirements of the authorities and more detailed internal guidelines issued by the Central Institution and the bank's Board of Directors.

The independent functions of Sp Mortgage Bank are carried out by functions independent of the business functions of Savings Banks' Union Coop.

The methods of risk management in the Savings Banks Amalgamation are maintained and developed by the Central Institution's independent risk control function. The objective is to

ensure that the risk management covers all material risks, including any new and previously unidentified risks.

Significant or high-risk commitments are made in accordance with a collegial decision-making process and the use of authority is limited by limits. Business operations and processes are steered by internal policies, which are monitored for compliance and timeliness. All decisions and significant business operations are documented and archived. An essential part of risk management is executed in daily supervision. The execution of decisions made is monitored through approvals, verifications, confirmations, reconciliations and monitoring and exception reports.

In its operations, Sp Mortgage Bank is exposed to credit, market and operational risks, as well as business and liquidity risks.

### **Credit and counterparty risks**

Credit risk is the most significant risk of the banking segment. The management and monitoring of credit risk plays a major role when ensuring the adequacy of capital relative to business risks and losses caused by risk occurrence.

Credit risk is the possibility that a counterparty may not meet its contractual obligations. The main source of credit risk is lending, but credit risk (counterparty risk) can also arise from other types of receivables, such as bonds, short-term debt securities and derivative contracts, as well as off-balance sheet commitments such as unused credit facilities and limits and guarantees.

The core business of Sp Mortgage Bank is the granting of mortgage-backed loans and issuing bonds with mortgage collateral in accordance with the Act on Mortgage Credit Banks. Sp Mortgage Bank finances only retail customers, which are private persons and entrepreneurs. The main target group of credit customers, according to the Savings Banks Group's strategy, is active-age households. These customer segments form the main target groups in terms of the bank's lending and credit risk. The Savings Bank acting as the credit intermediary of Sp Mortgage Bank complies with the objectives set by that Savings Bank for its lending to specific customer groups.

### **Management of credit risk**

The Board of Directors of Sp Mortgage Bank steers credit risk management, the methods used, as well as their monitoring and reporting through the credit risk strategy it has approved, the guidelines it has issued on the basis of this strategy for credit risks and their management, and the risk limits and other monitoring thresholds it has set. The risk control function of the Central Institution monitors the compliance of Sp Mortgage Bank with these principles.

Sp Mortgage Bank's business strategy and credit-underwriting policies define the maximum exposure limits for risk concentrations and steer the targeting of lending by customer sector, industry and credit ratings. The Savings Banks acting as intermediaries for Sp Mortgage Bank grant loans and guarantees mainly within their operational areas, ensuring one of the criteria for lending: local, comprehensive knowledge of the customers.

Sp Mortgage Bank has outsourced a significant part of its lending process to the Savings Banks as intermediaries and to Savings Bank Services Ltd, which is responsible for back-office operations.

The credit intermediary agreement between the Savings Banks and Sp Mortgage Bank governs the Savings Banks' right, as the responsible agent, to lend Sp Mortgage Bank's funds to the public and to manage mortgage bank loans on behalf of Sp Mortgage Bank. Under the agreement, the Savings Banks have the obligation and the right to repurchase from Sp Mortgage Bank any loan that is not eligible for the Mortgage Bank's cover pool or has become non-performing.

In Savings Banks, the Boards of Directors of the banks have delegated lending authorisations to the bank's management/management team/credit committee and other designated employees. Credit decisions are made according to Sp Mortgage Bank's credit-underwriting policy as approved by the Board of Directors. The main principle is decision-making by two persons having lending authorisation. The credit decisions are based on the customers' creditworthiness, ability to pay and the fulfilment of other criteria for granting credit, such as collateral requirements. Collateral is conservatively valued at fair value and its fair value is monitored regularly, both statistically and through good industry knowledge. The Boards of Directors of the Savings Banks have established guidelines for their banks on the valuation of different types of collateral and the collateral values against which credit can be granted. The fair value of collateral is always assessed on a case-by-case basis.

Loans to private customers are granted against sufficient residential collateral. Credit with the Sp Mortgage Bank must always comply with the provisions of the Act on Mortgage Credit Banks and the separate instructions issued by the Board of Directors of Sp Mortgage Bank. The collateral must be the best priority residential collateral.

The mortgage credit pledged as collateral for a covered bond, as defined above, may not exceed the fair value of the shares or real estate used as collateral. Up to 70% of the fair value of the shares or real estate used as collateral for each residential mortgage loan counts towards the total amount of collateral for covered bonds.

The value of the collateral is determined in accordance with the principles of the credit guidelines of the Savings Banks Amalgamation. For all items offered or pledged as collateral, sufficient information must be available at the time the credit decision is taken to enable the fair value of the item to be reliably determined. The fair value of the collateral is approved by a credit decision which is based on the valuation of the collateral. The credit decision is taken within the limits of the Savings Bank's credit decision authorisations.

The value of the collateral is determined in accordance with good property valuation practice. The value of the collateral is revised in case of significant changes that increase the bank's risk, e.g. if a co-debtor is released from liability. The value of the collateral is also revised in the system whenever the bank becomes aware of a material decrease in the value of an individual item of collateral.

The mortgage loan portfolio of Sp Mortgage Bank was EUR 2,309 (2,196) million and it increased by EUR 111 million compared to the end of 2023. Calculative impairments on the total portfolio of housing loans amounted to EUR 2.5 (2.1) million. Of the loans in the balance sheet, private persons account for 98% and entrepreneurs for 2%.

## BREAKDOWN OF LOANS BY CUSTOMER GROUPS

(EUR 1,000)			
Customer group	31.12.2024	31.12.2023	change %
Private persons	2,260,766	2,151,005	5%
Entrepreneurs	42,960	42,341	1%
Agriculture and others	5,722	4,797	19%
Total	2,309,448	2,198,143	5%

The creditworthiness of a private customer is based on the local Savings Bank's comprehensive customer knowledge and an assessment of the customer's ability to pay. The credit decision is primarily based on the customer's sufficient repayment ability. The customer's ability to pay,

past payment history, the credit rating of the application and the collateral form the basis for credit decisions and the risk-based pricing of credit.

Description	31.12.2024			Total	Percentage of total	
	Phase 1	Phase 2	Phase 3		31.12.2024	31.12.2023
1 – Excellent	219,418,714	104,905	0	219,523,619	9.5%	9.1%
2 – Good	644,329,335	1,071,166	0	645,400,501	27.9%	29.0%
3 – Good	781,383,086	10,158,393	0	791,541,479	34.3%	34.0%
4 – Average	246,330,975	17,343,579	0	263,674,554	11.4%	12.0%
5 – Average	88,774,204	18,587,431	0	107,361,634	4.6%	4.7%
6 – Weak	59,602,725	45,793,472	0	105,396,197	4.6%	4.5%
7 – Overdues, non-impaired	16,293,639	34,895,527	0	51,189,166	2.2%	2.2%
8 – Overdues, non-impaired	5,609,737	48,876,184	0	54,485,921	2.4%	2.2%
9 – Overdues, non-impaired	1,953,889	60,556,384	0	62,510,273	2.7%	2.1%
D – Impaired	0	0	8,364,510	8,364,510	0.4%	0.3%
<b>Total</b>	<b>2,063,696,303</b>	<b>237,387,040</b>	<b>8,364,510</b>	<b>2,309,447,853</b>	<b>100.00%</b>	<b>100.00%</b>

Credit risk is assessed and measured continuously by monitoring delays in repayment, expected credit losses, doubtful receivables and non-performing loans. The customer-specific amounts of liabilities and collateral are monitored by customer account managers based on continuous payment behaviour and monitoring the customers' activities. The Board of Directors receives regular reports on customer liabilities, payment delays, expected credit losses, doubtful receivables and non-performing loans. The concentrations of the credit portfolio are monitored by customer and by industry, and the reporting includes the levels and development of risks by customer and industry and also by credit rating.

#### **Doubtful receivables**

Doubtful receivables, delayed payments, forborne exposures and non-performing exposures are monitored regularly. Doubtful receivables are exposures where the customer is classified as insolvent, either because of significant amounts past due for more than 90 days or for other reasons it is considered unlikely that the customer will fulfil their obligations.

Delayed payment refers to the customer's receivables being 30 to 89 days overdue and the customer being a potential problem customer. Sp Mortgage Bank's delayed receivables were approximately 0.11% (0.05 %) of the credit portfolio.

A loan that meets at least one of the following criteria is classified as a non-performing exposure: the loan is classified as insolvent, the loan is in ECL stage 3, the loan has a non-performing forborne exposure or the lifecycle of the forborne exposure of the loan is one year.

In Sp Mortgage Bank, the share of non-performing exposures was 0.37% (0.28%) of the credit portfolio at the end of 2024. The share of non-performing exposures remained at a reasonable level in 2024.

Exposures whose terms have been renegotiated due to the customer's deteriorated ability to pay are reported as forborne exposures. Concessions are granted on the loan terms of renegotiated exposures due to the customer's financial difficulties by, for example, granting an instalment-free period of 6–12 months. In certain circumstances, when a debtor experiences financial difficulties, the customer is granted a concession on the terms of the loan in the form of an instalment-free period or restructuring the loan. The aim is to ensure the customer's ability to pay and avoid potential credit losses. Granting forbearance is conditional on the customer's financial difficulties being short-term and temporary. The Bank's forborne exposures totalled EUR 16 (9) million.

Impairment and expected credit losses are described in the accounting policies of the financial statements.

## Concentration risks

Credit risk concentrations may arise when the credit portfolio contains large amounts of credit and other exposures to the following:

- a single counterparty
- groups consisting of single counterparties and their affiliated entities
- certain industries
- against certain collateral
- with identical maturity
- same product/instrument.

The total amount of credit granted by Sp Mortgage Bank to a single customer and/or a group of customers may not exceed the maximum limits set out in the Act on Credit Institutions, other legislation or the regulations and guidelines issued by the Financial Supervisory Authority or other supervisory authorities. The concentration risks posed by single counterparties are regulated by limits and guidelines on maximum customer exposure.

## Market risk

In general, market risk refers to the impact of a change in market prices on the market value of financial assets and liabilities. The most significant market risk for Sp Mortgage Bank is the interest rate risk in the banking book, which is monitored through both present value and income risk.

The business of Sp Mortgage Bank is to issue euro-denominated bonds with mortgage collateral under the Act on Mortgage Credit Banks and to grant residential loans as referred to in the Act on Mortgage Credit Banks.

As defined, Sp Mortgage Bank does not have a trading book. Sp Mortgage Bank may acquire bonds to be used as temporary supplementary collateral or as a liquidity buffer, but otherwise it will not have an investment portfolio.

Sp Mortgage Bank does not take any equity risk, commodity risk or currency risk. Both the issued covered bonds and the residential mortgage loans used as their collateral and any temporary supplementary collateral and other balance sheet items and off-balance sheet items are all euro-denominated.

## Market risk management

Limits and other monitoring thresholds have been set for measuring and monitoring market risks. The main tool for measuring and monitoring market risks in the banking book is the Internal

Capital Adequacy Assessment Process (ICAAP), whereby capital is allocated in the banking book for market risks under both normal and stress scenarios.

## Interest rate risk in the banking book

The most significant market risk for Sp Mortgage Bank is the interest rate risk in the banking book, which is monitored using both present value risk and income risk.

Interest rate risk refers to the adverse effect of interest rate changes on the market value (present value risk) or on the net interest income (income risk) of the balance sheet and off-balance sheet items.

At Sp Mortgage Bank, interest rate risk arises from differences in the interest rate bases for lending and funding.

At Sp Mortgage Bank, derivative contracts are only concluded to hedge against risks. Sp Mortgage Bank manages its interest rate risks by pegging both sides of its balance sheet to short-term market interest rates. Any supplementary collateral or bonds in the liquidity buffer are hedged to short-term market interest rates. Hedge accounting is applied to the hedges implemented. All hedging derivatives are implemented directly from Sp Mortgage Bank with a credit institution outside the Savings Banks Group.

The interest rate risks are measured using both the net interest income and the change in the present value of the balance sheet. The net present value method measures how much the fair value of the balance sheet changes with changes in interest rates when the market value of each balance sheet item is calculated as the present value of the cash flows of that instrument. The income risk model predicts future net interest income over one year with changing market interest rates.

The table below shows the sensitivity of the net interest income to a parallel shift of 1 percentage point in the interest rate curve.

## INTEREST RATE SENSITIVITY ANALYSIS, 1 PERCENTAGE POINT CHANGE IN THE INTEREST RATE CURVE

Period	Change in net interest income			
	31.12.2024		31.12.2023	
	Down	Up	Down	Up
Change, next 12 months	-1,151	1,167	-992	988
Change, 12–24 months	-1,277	1,294	-652	655

## LIQUIDITY RISK

Liquidity risk is the risk that the bank will not be able to meet its present or future expected and unexpected cash flows at all or without materially damaging the bank's financial position.

Sp Mortgage Bank does not take deposits from the public. Sp Mortgage Bank has an agreement on the use of liquid assets with the Central Bank of Savings Banks Finland Plc, which belongs to the Savings Banks Group and the Savings Banks Amalgamation. The Savings Bank acting as an intermediary for the Sp Mortgage Bank or its agent, the Central Bank of Savings Banks Finland Plc, refinance the loans it transfers from the assets of the Sp Mortgage Bank with an amount corresponding to the overcollateralisation requirement set by the credit rating insti-

tution for covered bonds issued by Sp Mortgage Bank. The overcollateralisation requirement of Sp Mortgage Bank is funded by the credit limit granted by the Central Bank of Savings Banks Finland Plc.

### Liquidity reserve and liquidity requirement

Sp Mortgage Bank has been granted an exemption from the liquidity requirements set out in the Capital Requirements Regulation. Sp Mortgage Bank still has a reserve of free liquid assets in case of a rapid and unexpected deterioration of the liquidity situation. The size of the liquidity reserve is still determined on the basis of the liquidity requirement. The liquidity reserve consists of assets held in a payment transaction account and an LCR account.

<b>Financial assets 31.12.2024 (EUR 1,000)</b>	<b>&lt; 3 months</b>	<b>3–12 months</b>	<b>1–5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Loans and advances to credit institutions	90,050		312,500	499,770	902,320
Loans and advances to customers	28,144	89,946	498,197	1,693,160	2,309,448
Sijoitusomaisuus		5,000			5,000
<b>Total</b>	<b>118,194</b>	<b>94,946</b>	<b>810,697</b>	<b>2,192,930</b>	<b>3,216,768</b>

<b>Financial liabilities 31.12.2024 (EUR 1,000)</b>	<b>&lt; 3 months</b>	<b>3–12 months</b>	<b>1–5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Liabilities to credit institutions and central banks	33,130	60,000	306,500	101,000	500,630
Debt securities issued to the public		300,000	1,750,000	500,000	2,550,000
<b>Total</b>	<b>33,130</b>	<b>360,000</b>	<b>2,056,500</b>	<b>601,000</b>	<b>3,050,630</b>

<b>Financial assets 31.12.2023 (EUR 1,000)</b>	<b>&lt; 3 months</b>	<b>3–12 months</b>	<b>1–5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Loans and advances to credit institutions	58,944		312,500		371,444
Loans and advances to customers	22,259	73,483	459,238	1,643,164	2,198,143
<b>Total</b>	<b>81,203</b>	<b>73,483</b>	<b>771,738</b>	<b>1,643,164</b>	<b>2,569,587</b>

<b>Financial liabilities 31.12.2023 (EUR 1,000)</b>	<b>&lt; 3 months</b>	<b>3–12 months</b>	<b>1–5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Liabilities to credit institutions and central banks	10,350	5,000	239,500	134,500	389,350
Debt securities issued to the public			2,050,000		2,050,000
<b>Total</b>	<b>10,350</b>	<b>5,000</b>	<b>2,289,500</b>	<b>134,500</b>	<b>2,439,350</b>

## OPERATIONAL RISK

Operational risk refers to the risk of loss arising from inadequate or failed internal processes, personnel, systems or external factors. Legal and compliance risks are also included in the operational risks. In addition, reputational risks are managed as part of operational risks. The various stages of lending and trading processes also involve operational risks as well credit, liquidity and market risks, which have been assessed in operational risk assessment at group level. Strategic risks are excluded from operational risks here.

Sp Mortgage Bank's operations comply with the current legislation, the regulations issued by the authorities, the principles of good banking practice as laid down by Finance Finland and the principles and organisation of operational risk management, along with other internal guidelines of Sp Mortgage Bank.

The Board of Directors of Sp Mortgage Bank has the overall responsibility for the bank's operational risks and for defining risk appetite levels and the operational risk management procedures related to identification, measurement, limitation, monitoring and control. The Board of Directors of Sp Mortgage Bank approves the principles and key operational guidelines for operational risk management. The risk management organisation oversees the application of the operational risk management framework in all companies and units of the Savings Banks Group.

The operational risks associated with key products, services, operations, processes and systems are identified. Identifying operational risks helps determine their monitoring and controls. Part of the losses caused by operational risks are covered by insurance. In addition, the continuity plans of the bank help prepare for major disruptions to operations.

Operational risks and actual losses and near misses are regularly reported to operational management.

## LEGAL RISK

Legal risks refer to risk of loss due to an invalid contract or incomplete documentation and the risk of sanctions, liability to compensate customers and loss of goodwill due to non-compliance with laws or official regulations. Sp Mortgage Bank operates in accordance with the standard terms and conditions of the banking industry. When drafting non-standard agreements, legal experts are used and external experts are consulted when needed.

The compliance function is responsible for regulatory compliance and coordination. It ensures compliance with legislation and guidelines and regulations issued by the authorities. The compliance function is also responsible for monitoring compliance with internal guidelines and ethical principles binding on personnel, as well as other guidelines prevailing in the financial and insurance markets. The main objective is to avoid the realisation of compliance risks in the operations of the Savings Banks Group.

## BUSINESS RISK

Business risk describes the impact of uncertainties caused by the operating environment on the business. Business risks arise from competition, changes in markets and customer behaviour, and unexpected fluctuations in income. Business risks may also be caused by choosing a wrong strategy, ineffective management, or slow response to changes in the operating environment.

Business risk is managed and minimised through strategic and business planning.

# NOTE 5: CAPITAL ADEQUACY MANAGEMENT

Sp Mortgage Bank has defined a capital adequacy management process aimed at ensuring the adequacy of the bank's risk-bearing capacity in relation to all material risks of its business operations. In order to achieve this objective, Sp Mortgage Bank identifies and assesses the risks associated with its operations in a comprehensive manner and ensures that its risk-bearing capacity is proportionate to the sum of the risks to which Sp Mortgage Bank is exposed. The internal capital requirements determined through the capital adequacy management process are based on Pillar I capital requirements and non-Pillar I risks, such as interest rate risk of the banking book, market risk of the investment portfolio and business risk. In the internal assessment process, Sp Mortgage Bank estimates the amount of capital that is also sufficient to cover unexpected losses arising from non-Pillar I risks.

The Board of Directors of Sp Mortgage Bank has the overall responsibility for capital adequacy management. The Board of Directors approves the basis, objectives and principles of capital adequacy management. Moreover, it confirms the general requirements for the measurement and assessment of capital adequacy and the general principles for the organisation of the capital adequacy management process. In practice, this means that the Board of Directors approves the risk strategies and defines target levels for the capital needed to cover all material risks caused by the business operations and changes in the operating environment. The capital adequacy, liquidity and customer risks of the entities belonging to the Savings Banks Amalgamation are monitored on a consolidated basis at the Amalgamation level. The Board of Directors of the Central Institution has set target levels for the capital adequacy of the Amalgamation and banks, which are monitored quarterly.

## Stress tests

As part of the capital adequacy management process, Sp Mortgage Bank uses stress tests to assess its own risk position and the adequacy of its capital. Stress tests are used to assess how various exceptionally severe but possible scenarios can affect performance, capital adequacy and capital headroom. Stress tests are designed to identify the key risks to Sp Mortgage Bank and assess how vulnerable the structure of the Bank is in relation to the occurrence of those risks. The objective of the capital adequacy management process is also to maintain and develop a high-quality risk management framework.

## Capital contingency plan

The capital contingency plan of Sp Mortgage Bank is made in order to be prepared for unforeseeable events that could jeopardise the bank's capital adequacy. The capital contingency plan includes target levels and monitoring thresholds set by the Board of Directors for the quantity

and quality of capital, which are monitored quarterly. The capital contingency plan describes the actions to be taken by the operative management and the Board of Directors in the event that the capital adequacy ratio falls below the monitoring threshold.

## PILLAR I CAPITAL REQUIREMENTS

The biggest capital requirements of Sp Mortgage Bank are comprised of mortgage loan receivables. The standard method is used to calculate the capital requirement for the credit and counterparty risk of Sp Mortgage Bank. The capital requirement for the operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of the aggregate amount of own funds. Sp Mortgage Bank does not have a trading book and Sp Mortgage Bank's business does not involve taking commodity risk.

## OWN FUNDS AND CAPITAL ADEQUACY

Sp Mortgage Bank's own funds totalled EUR 124.8 (96.8) million, while the aggregate capital requirement was EUR 85.8 (81.1) million. At the end of the period, Sp Mortgage Bank's capital adequacy ratio was 15.3% (12.5%) and its leverage ratio was 5.3% (4.4%). The Financial Supervisory Authority has granted an exemption to the Amalgamation, according to which the risk weight of the internal financial items of the Savings Banks Amalgamation is 0% for the capital adequacy calculation. The capital requirement consists of the following items:

- 8% minimum capital adequacy ratio under the Capital Requirements Regulation (CRR),
- 2.5% CET1 capital add-on according to the Act on Credit Institutions, and
- the country-specific variable CET1 capital add-ons of foreign exposures.

The discretionary 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.

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

In 2024, the Financial Supervisory Authority has not imposed a variable capital add-on, which may range from 0 to 2.5% of the total risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

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

The standard method is used to calculate the capital requirement for the credit risk of the Savings Banks Amalgamation. The capital requirement for operational risk is calculated by the basic method. The capital requirement relating to market risk is calculated by the basic method for the foreign exchange exposure if the total net foreign exchange position is over 2% of aggregate amount of own funds. The Savings Banks Amalgamation does not have a trading book and the Amalgamation's business does not involve taking commodity risk.

The amendments to the EU's Capital Requirements Regulation (CRR3), implementing the Basel III finalisation in the EU, are not expected to have a material impact on the capital adequacy of the Savings Banks Amalgamation. The amendments are entering into force on 1 January 2025.

Sp Mortgage Bank publishes the relevant information with regard to capital adequacy calculation annually as part of its Board of Directors' Report and Notes to the Financial Statements. Key capital adequacy data have been published in the half-year report.

Sp Mortgage Bank's capital adequacy data are included in the capital adequacy data of the Savings Banks Amalgamation, disclosed in the consolidated financial statements and half-year report of the Savings Banks Group. The Savings Banks Group presents the so-called Pillar III capital adequacy disclosures separately in connection with its financial statements. A copy of the Savings Banks Group's financial statements and Pillar III disclosures is available at [www.saastopankki.fi](http://www.saastopankki.fi).

## SP MORTGAGE BANK'S CAPITAL ADEQUACY'S MAIN ITEMS

Omat varat (EUR 1,000)	31.12.2024	31.12.2023
Common Equity Tier (CET1) capital before regulatory adjustments	129,808	99,361
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-4,964	-2,607
Common Equity Tier (CET1) capital	124,844	96,754
Additional tier 1 capital (AT1)	0	0
Tier 1 capital (T1 = CET1 + AT1) total	124,844	96,754
Total Tier 2 capital (T2)	0	0
Total Capital (TC = T1 + T2)	124,844	96,754
Total risk-weighted assets	816,270	772,204
of which: credit and counterparty risk	798,511	760,062
of which: credit valuation adjustments (CVA)	12,077	8,244
of which: market risk		
of which: operational risk	5,681	3,899
Common Equity Tier 1 (as percentage of total risk exposure amount)	15.3%	12.5%
Tier 1 (as a percentage of total risk exposure amount)	15.3%	12.5%
Total capital (as a percentage of total risk exposure amount)	15.3%	12.5%
<b>Capital requirement</b>		
Total own funds	124,844	96,754
Capital requirement total*	85,761	81,123
Capital buffer	39,082	15,631

\*The capital requirement is formed by the statutory minimum capital adequacy requirement of 8%, the capital add-on of 2.5% according to the Act on Credit Institutions, and the country-specific variable capital add-ons of foreign exposures.

## LEVERAGE RATIO

The leverage ratio of Sp Mortgage Bank was 5.3% (4.4%), well above the binding minimum requirement of 3%. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing its Tier 1 capital by its total exposure measure. The Board of Directors of Sp Mortgage Bank monitors level of indebtedness as part of the ICAAP process.

### LEVERAGE RATIO

(EUR 1,000)	31.12.2024	31.12.2023
Tier 1 capital	124,844	96,754
Total exposure measure	2,343,258	2,217,976
Leverage ratio	5.3%	4.4%

## RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally from 1 January 2015 (Act on the Resolution of Credit Institutions and Investment Firms). To implement the Resolution Act, the Financial Stability Authority was established in Finland (Act on the Financial Stability Authority, 1995/2014). In April 2024, the Financial Stability Authority set a minimum requirement for own funds and eligible liabilities (MREL requirement) for the Savings Banks Amalgamation and Sp Mortgage Bank Plc. The requirement entered into effect from the date of the decision, 17 April 2024. The requirement does not apply to the member credit institutions or to the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar 2 type minimum requirement that must be met continuously. According to the Financial Stability Authority's decision, the MREL requirement applied to the Savings Banks Amalgamation is 20.84% of the total risk exposure amount or 7.72% of the total exposures, whichever is higher.

The MREL requirement for Sp Mortgage Bank Plc is 15.76% of the total risk exposure amount or 5.92% of the total exposures, whichever is higher. The ratio of own funds and eligible liabilities to total risk was 21.4% and to total liabilities was 75%. 100% of own funds and eligible liabilities consisted of own funds and subordinated liabilities.

In addition to the requirement calculated on the basis of total risk exposure, the institution-specific capital buffer requirement must be met on an ongoing basis.



# NOTES RELATED TO PROFIT AND LOSS AND BALANCE ITEMS

## NOTE 6: NET INTEREST INCOME

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

(EUR 1,000)	1-12/2024	1-12/2023
<b>Interest income</b>		
<b>From financial assets at amortised cost</b>		
Debt securities eligible for refinancing with Central Bank	135	125
Loans and advances to credit institutions	28,230	11,989
Loans and advances to customers*	97,894	73,803
Other	573	353
<b>Total</b>	<b>126,832</b>	<b>86,270</b>
<b>From financial assets at fair value through profit or loss</b>		
Derivative contracts		
Hedging derivatives	35,425	26,139
<b>Total</b>	<b>35,425</b>	<b>26,139</b>
<b>Interest income, total</b>	<b>162,257</b>	<b>112,409</b>

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

(EUR 1,000)	1-12/2024	1-12/2023
<b>Interest expense</b>		
<b>Financial liabilities at amortised cost</b>		
Liabilities to credit institutions	-14,307	-8,498
Debt securities issued	-39,509	-28,484
Other	18	-103
<b>Total</b>	<b>-53,798</b>	<b>-37,084</b>
<b>From financial assets at fair value through profit or loss</b>		
Derivative contracts		
Hedging derivatives	-91,477	-61,829
<b>Total</b>	<b>-91,477</b>	<b>-61,829</b>
<b>Interest expenses, total</b>	<b>-145,275</b>	<b>-98,913</b>
<b>Net interest income</b>	<b>16,982</b>	<b>13,495</b>

## NOTE 7: NET FEE AND COMMISSION INCOME

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

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

(EUR 1,000)	1-12/2024	1-12/2023
<b>Fee and commission income</b>		
Lending	845	784
<b>Total</b>	<b>845</b>	<b>784</b>
<b>Fee and commission expense</b>		
Loans*	-11,106	-9,990
Other	-9	-24
<b>Total</b>	<b>-11,115</b>	<b>-10,014</b>
<b>Net fee and commission income</b>	<b>-10,270</b>	<b>-9,229</b>

\* Consists mainly of fees paid to the intermediating banks.

## NOTE 8: NET TRADING INCOME

Net profit from hedge accounting is recognised as Net Trading Income and consists of changes in fair value of hedged items and hedging instruments.

(EUR 1,000)	1-12/2024	1-12/2023
<b>Net income from financial assets at fair value through other comprehensive income</b>		
Net income from hedge accounting		
Change in hedging instruments' fair value	59,672	62,042
Change in hedged items' fair value	-59,716	-81,249
<b>Net trading income</b>	<b>-45</b>	<b>-19,207</b>
Debit Valuation Adjustment of derivatives	-1,141	-1,019
<b>Net trading income</b>	<b>-1,185</b>	<b>-20,226</b>

Detailed information on derivative contracts defined for hedge accounting are presented in note 14.

# NOTE 9: OTHER OPERATING REVEUE AND EXPENSES

## 9.1 OTHER OPERATING REVENUE

Rental and dividend income and other operating income are recognised as other operating revenue.

(EUR 1,000)	1-12/2024	1-12/2023
Other income from Banking	11	150
Other operating revenue	11	150

## 9.2 OTHER OPERATING EXPENSES

(EUR 1,000)	1-12/2024	1-12/2023
<b>Other administrative expenses</b>		
Other personnel expenses	-4	
Office expenses	-1,135	-833
ICT expenses	-273	-698
Telecommunications	-11	-8
Marketing	-7	-7
Other administrative expenses		-3
<b>Total</b>	<b>-1,430</b>	<b>-1,548</b>
<b>Other operating expenses</b>		
Other operating expenses*	-692	-679
<b>Total</b>	<b>-692</b>	<b>-679</b>
<b>Other operating expenses total</b>	<b>-2,122</b>	<b>-2,227</b>
<b>*Audit fees</b>		
Statutory audit	-22	-20
Audit related services	-1	
Other services		-26
<b>Total</b>	<b>-23</b>	<b>-46</b>



# NOTE 10: LOANS AND ADVANCES

## 10.1 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

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

31.12.2024 (EUR 1,000)	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
<b>Loans and advances to credit institutions</b>			
Deposits*	902,320	-147	902,174
<b>Total</b>	<b>902,320</b>	<b>-147</b>	<b>902,174</b>
<b>Loans and advances to customers</b>			
Loans	2,309,448	-2,548	2,306,900
<b>Total</b>	<b>2,309,448</b>	<b>-2,548</b>	<b>2,306,900</b>
<b>Loans and advances total</b>	<b>3,211,768</b>	<b>-2,695</b>	<b>3,209,074</b>

\*of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 902,161 thousand.

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

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

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

## 10.2 INVESTMENT ASSETS

(EUR 1,000)	31.12.2024	31.12.2023
<b>Amortised cost investments</b>		
Debt securities	4,934	4,994
Expected Credit Losses	-1	-1
<b>Total</b>	<b>4,933</b>	<b>4,993</b>

## 10.3 IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event being incurred within 12 months of the reporting date.
- Stage 2 includes financial assets for which the credit risk has increased significantly after the date of initial recognition. The measurement of the expected credit loss for stage 2 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.
- Stage 3 includes financial assets that are impaired. The measurement of the expected credit loss for stage 3 financial assets is based on the probability of a default event being incurred within the remaining life of the financial asset.

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

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

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
<b>Financial asset 31 Dec 2024</b>				
Loans and advances to customers	2,063,696	237,387	8,365	2,309,448
Loans and advances to credit institutions	821,361			821,361
Investments	4,930			4,930
Off-balance sheet items	12,135	61		12,196
<b>Total</b>	<b>2,902,122</b>	<b>237,448</b>	<b>8,365</b>	<b>3,147,935</b>
(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
<b>Financial asset 31 Dec 2023</b>				
Investment asset	1,996,901	195,207	6,035	2,198,143
Loans and advances to customers	316,364			316,364
Investments	4,994			4,994
Off-balance sheet items	6,785	10		6,795
<b>Total</b>	<b>2,325,044</b>	<b>195,217</b>	<b>6,035</b>	<b>2,526,295</b>

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

- Payment delay: the credit risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when a payment delay exceeds 30 days. When a payment delay for a financial asset exceeds the relative and absolute threshold values over 90 consecutive days, it is deemed to be impaired and is migrated to stage 3.
- PD% increase: the risk of a financial asset is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2 when the defined relative or absolute thresholds for the PD% increase are exceeded.
- Forbearance: the credit risk of a performing financial asset subject to forbearance is deemed to have increased significantly and the contract is migrated from stage 1 to stage 2. If the contract is forbore and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.
- Default: If the counterparty of a financial asset is in default, the contract is deemed to be impaired and is migrated to stage 3.

The financial asset can revert from stage 2 or stage 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 transitions from stage 3 to 2 and 2 to 1 is three months.

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

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2024	623	1,148	306	2,077
Transfers to stage 1	102	-224		-122
Transfers to stage 2	-204	1,154	-98	852
Transfers to stage 3	-1	-104	435	330
New assets originated or purchased	419			419
Assets derecognised or repaid	-84	-304	-196	-585
Change in credit risk without stage change	-124	-119	28	-215
Change in model for calculation of ECL	-98	-14	-77	-189
Net change in ECL	9	389	93	491
Expected Credit Losses 31 December 2024	632	1,537	399	2,568

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

	Stage 1	Stage 2	Stage 3	Total
(EUR 1,000)	12 month ECL	Lifetime ECL	Lifetime ECL	
Expected Credit Losses 1 January 2024	57			57
Transfers to stage 1				
Transfers to stage 2				
Transfers to stage 3				
New assets originated or purchased	90			90
Assets derecognised or repaid				
Change in credit risk without stage change	1			1
Change in model for calculation of ECL				
Net change in ECL	91			91
Expected Credit Losses 31 December 2024	148			148
Total expected credit losses 31 December 2024				2,716
Total change in expected credit losses 1 January 2024 – 31 December 2024				582

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

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

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

## METHODS AND PARAMETERS USED IN CALCULATION OF EXPECTED CREDIT LOSSES

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

- PD%: probability of default based on external and internal credit ratings.
- LGD %: estimated loss at the time of default, takes into consideration the contract's available collaterals and customer and contract related riskfactors.
- 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 contractual interest rate is used as the effective interest rate and it is calculated on the gross carrying amount in stages 1 and 2 and on the adjusted carrying amount in stage 3.

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

The calculation of expected credit loss for the credit portfolio (loans and advances to customers and off-balance sheet items) includes forward-looking information by incorporating three

different economic scenarios based on macroeconomic forecasts prepared by the Savings Banks Groups' Chief Economist. The effect of the changes in macroeconomic forecasts is modelled in the PD parameter that is used in calculation of ECL. The scenarios used in the calculation and their weights are the following: optimistic 20%, base 60% and pessimistic 20%. The forecast horizon of the economic scenarios used in ECL calculation is three years and in the years after that, the values of the macroeconomic factors are assumed to remain stable and be equivalent to the third-year values of the forecast period. The key macroeconomic factors and their forecasted values for the next three years are presented below (the value variation range between different scenarios).

	2024	2025	2026
- Change in EuropeStoxx%	2.0% / 8.0%	-10.0% / 12.0%	-3.0% / 8.0%
- Change in GDP	-1.8% / 1.5%	0.5% / 2.5%	1.2% / 1.5%
- Investments	-6.0% / 0.0%	1.0% / 6.0%	2.0% / 3.0%

## EFFECT OF CHANGES IN THE ECL MODELS

### Changes in the LGD models

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

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

# NOTE 11: FUNDING

## 11.1 LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	31.12.2024	31.12.2023
<b>Liabilities to credit institutions</b>		
Other than those repayable on demand*	500,630	389,350
<b>Total liabilities to credit institutions</b>	<b>500,630</b>	<b>389,350</b>

\*of which Liabilities to Credit Institutions belonging to the Savings Banks Amalgamation EUR 469,000 (380,000) thousand.

## 11.2 DEBT SECURITIES ISSUED

(EUR 1,000)	31.12.2024		31.12.2023	
	Nominal value	Carrying amount	Nominal value	Carrying amount
<b>Measured at amortised cost</b>				
Covered bonds	2,550,000	2,545,488	2,050,000	2,046,356
Fair value hedging on covered bonds		-13,767		-73,483
<b>Total debt securities issued</b>	<b>2,550,000</b>	<b>2,531,721</b>	<b>2,050,000</b>	<b>1,972,873</b>

### SP MORTGAGE BANK PLC'S COVERED BONDS ISSUED

(EUR 1,000)	Nominal value	Carrying amount	Maturity	Interest base	Coupon	Maturity date
Sp Mortgage Bank 2019	500,000	499,385	7 years	Fixed	0.050%	19.6.2026
Sp Mortgage Bank 2021	500,000	501,556	7 years	Fixed	0.010%	28.9.2028
Sp Mortgage Bank 2022	300,000	299,872	3 years	Fixed	1.00%	28.4.2025
Sp Mortgage Bank 2022	750,000	746,929	5 years	Fixed	3.125%	1.11.2027
Sp Mortgage Bank 2024	500,000	497,746	7 years	Fixed	3.250%	2.5.2031
<b>Total</b>	<b>2,550,000</b>	<b>2,545,488</b>				

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

# NOTE 12: CLASSIFICATION ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

## CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

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

### Business model assessment

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

### Assessment of cash flow characteristics

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

## FINANCIAL ASSETS – MEASUREMENT CATEGORIES AND PRINCIPLES FOR CLASSIFICATION

### Amortised cost

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

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

### Measured at fair value through other comprehensive income

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

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

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

## Financial assets measured at fair value through profit or loss

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

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

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

<b>31.12.2024</b> <b>(EUR 1,000)</b>	<b>Amortized costs</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Total</b>
Loans and advances to credit institutions	902,192		902,192
Loans and advances to customers	2,306,900		2,306,900
Derivatives			
fair value hedges		30,948	30,948
Investment assets	4,933		4,933
<b>Total assets</b>	<b>3,214,025</b>	<b>30,948</b>	<b>3,244,974</b>
Liabilities to credit institutions	500,630		500,630
Derivatives			
of which fair value hedging		62,587	62,587
Debt securities issued	2,545,488		2,545,488
<b>Total liabilities</b>	<b>3,046,118</b>	<b>62,587</b>	<b>3,108,705</b>

## Classification and measurement of financial liabilities

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

- amortised cost
- fair value through profit or loss.

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

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

## 12.1 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The derivative contracts of the Sp Mortgage Bank are subject to either ISDA Master Agreement or the Master Agreement of the Finance Finland. Under these agreements, derivative payments may be offset by payment transaction on each payment date as well as in the event of coun-

terparty default or bankruptcy. In addition, it is possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. These derivatives are presented in the statement of financial position on a gross basis.

31.12.2024				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral*	Net amount
<b>Assets</b>							
Derivative contracts	46,463		46,463	-14,895		-31,568	0
<b>Total</b>			46,463				
<b>Liabilities</b>							
Derivative contracts	97,442		97,442	-14,895			82,547
<b>Total</b>			97,442				82,547

\* Cash received as collateral in the balance sheet was EUR 31,630 in total. Over-collateralization has not been taken into account in the table.

31.12.2023				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral*	Net amount
<b>Assets</b>							
Derivative contracts	19,093		19,093	-9,801		-9,292	0
<b>Total</b>			19,093				
<b>Liabilities</b>							
Derivative contracts	133,585		133,585	-9,801		0	123,784
<b>Total</b>			133,585				123,784

\* Cash received as collateral in the balance sheet was EUR 9,350 in total. Over-collateralization has not been taken into account in the table.

# NOTE 13: 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.

31.12.2024 (EUR 1,000)	Nominal value / remaining maturity				Fair value	
	Less than 1 year	1 – 5 years	Over 5 years	Total	Assets	Liabilities
<b>Hedging derivative contracts</b>						
Fair value hedging	300,000	1,750,000	500,000	2,550,000	30,948	-62,587
Interest rate derivatives	300,000	1,750,000	500,000	2,550,000	30,948	-62,587
<b>Total</b>	<b>300,000</b>	<b>1,750,000</b>	<b>500,000</b>	<b>2,550,000</b>	<b>30,948</b>	<b>-62,587</b>

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

\* The nominal value of the issued fixed rate covered bonds hedged for fair value changes was EUR 2,550,000 thousand and carrying amount EUR 2,531,721 thousand on the end of review period. The fair value adjustment resulting from hedge calculation for the balance sheet item subject to hedging was 13,767 thousand decreasing the book value.

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

## NOTE 14: PERSONNEL EXPENSES

(EUR 1,000)	1-12/2024	1-12/2023
Wages and salaries	-49	-43
Personnel expenses	-49	-43

Personnel expenses consist of remuneration paid to the members of the Board of Directors.



# NOTE 15: 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 Note 13.

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

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

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

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

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

## FAIR VALUE HIERARCHY

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

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

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

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

## TRANSFERS BETWEEN LEVELS

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

In the financial reporting period January to December 2023, there were no transfers between levels 2 and 3.

31.12.2024	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		Level 1	Level 2	Level 3	Total
<b>Measured at fair value</b>					
Derivative contracts	30,948		30,948		30,948
<b>Measured at amortised cost</b>					
Loans and advances to credit institutions	902,192		939,459		939,459
Loans and advances to customers	2,306,900		2,517,568		2,517,568
Investment assets	4,933	4,942			4,942
<b>Total financial assets</b>	<b>3,244,974</b>	<b>4,942</b>	<b>3,487,975</b>		<b>3,492,917</b>

31.12.2024	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
<b>Measured at fair value</b>					
Derivative contracts	62,587		62,587		62,587
<b>Measured at amortised cost</b>					
Liabilities to credit institutions	500,630		486,141		486,141
Debt securities issued*	2,531,721	2,545,488			2,545,488
<b>Total financial liabilities</b>	<b>3,094,938</b>	<b>2,545,488</b>	<b>548,729</b>		<b>3,094,216</b>

\* Carrying amount includes the adjustment from the hedging EUR -13.8 million.

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

31.12.2023	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		Level 1	Level 2	Level 3	Total
<b>Measured at fair value</b>					
Derivative contracts	101,201		101,201		1,013,201
<b>Measured at amortised cost</b>					
Liabilities to credit institutions	389,350	9,350	393,096		402,446
Debt securities issued*	1,972,873	2,046,356			2,046,356
<b>Total financial liabilities</b>	<b>2,463,424</b>	<b>2,055,706</b>	<b>494,297</b>		<b>2,550,003</b>

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

# NOTE 16: INTANGIBLE ASSETS

An intangible asset is an identifiable asset that has no physical substance. The intangible assets of the Sp Mortgage Bank include e.g. computer softwares and software licenses. An intangible asset is recognised in the balance sheet only if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Sp Mortgage Bank and the acquisition cost of the asset can be measured reliably. The future economic benefits may include sales revenue on services or goods, cost savings or other benefits resulting from the Sp Mortgage Bank utilising the asset.

Intangible assets are initially measured at cost. The cost comprises the purchase price, including all costs that are directly attributable to preparing the asset for its intended use. The acquisition cost does not include the costs of using the asset, staff training expenses or administration and other general overhead costs.

After initial recognition, an intangible asset is recognised at its cost less accumulated amortisation and impairment. Intangible assets are amortised on a straight-line basis over the cause of their known or estimated useful lives. The useful life of intangible assets is reviewed annually.

Amortisation begins when the asset is available for use. An intangible asset that is not yet available for use is tested for impairment annually.

Estimated useful lives are mainly as follows:

Information systems purchased from a third party ..... 3–5 years

Other intangible assets .....5 years

Intangible assets are recognised in the item Intangible Assets in the balance sheet. Amortisation and impairment losses are recognised in the income statement under Depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

## Software as a Service (SaaS) projects

Cloud-based SaaS arrangements are arrangements in which the Sp Mortgage Bank does not own the software it uses and the software is not installed in the Sp Mortgage Bank's system environment or on its servers. Instead, its use is based on need, and it is accessed via the Internet or other specified data connection.

Direct costs of deployment, such as the configuration and customisation of the software or system that is the subject of the SaaS arrangement, are recognised on the balance sheet only when the SaaS arrangement generates an intangible asset that is recognised on the balance sheet. Typically, a SaaS arrangement does not meet the criteria for intangible assets because the contract does not constitute control for the buyer, as required by IAS 38.13–16.

The accounting treatment of deployment costs arising from SaaS arrangements is determined by the conclusion as to whether the services are separable from access to the software that is the subject of the arrangement and whether the direct deployment costs create an intangible asset.

If services are not separable from the software concerned and the criterion for recognising intangible assets is missing, the deployment costs are recorded as an expense for the period during which Sp Mortgage Bank has access to the software concerned.

The services are considered to be separable from access to the software if the Sp-Mortgage Bank produces the services with its internal resources or if the Sp Mortgage Bank purchases the services from a third party that is independent of the SaaS provider. When the service is provided by the SaaS provider or when the SaaS provider subcontracts the services to a third party, the service is considered to be separable if it could be provided by another service provider without at the same time giving access to the software that is the subject of the arrangement.

If the service can only be provided by the SaaS provider, the service is not separable from access to the system. In this case, the deployment costs paid for the service are recorded as an expense for the period during which the Sp Mortgage Bank has access to the software that is the subject of the arrangement.

Expenses arising from the construction of interfaces between software that is recorded as intangible assets on the balance sheet and used through a cloud-based service that is controlled by the Sp Mortgage Bank may meet the criteria of an intangible asset.

## INTANGIBLE ASSETS

(EUR 1,000)	31.12.2024	31.12.2023
Intangible assets	899	1,108
<b>Total</b>	<b>899</b>	<b>1,108</b>

Intangible assets formed a significant part of information systems acquired from external operators.

<b>2024</b> <b>(EUR 1,000)</b>			
<b>Changes in intangible assets</b>	<b>Intangible assets</b>	<b>Intangible assets under development</b>	<b>Total</b>
Acquisition cost 1 January	1,126		1,126
Increases		16	16
Siirrot			
Acquisition cost 31 December	1,126	16	1,142
Accumulated depreciation and impairments 1 January	-19		-19
Depreciation for the financial year	-225		-225
Accumulated depreciation and impairments 31 December	-244		-244
<b>Carrying amount 31 December</b>	<b>882</b>	<b>16</b>	<b>899</b>

<b>2023</b> <b>(EUR 1,000)</b>			
<b>Changes in intangible assets</b>	<b>Intangible assets</b>	<b>Intangible assets under development</b>	<b>Total</b>
Acquisition cost 1 January		1,033	1,033
Increases	93		93
Transfers between items	1,033	-1,033	0
Acquisition cost 31 December	1,126		1,126
Accumulated depreciation and impairments 1 January			
Depreciation for the financial year	-19		-19
Accumulated depreciation and impairments 31 December	-19		-19
<b>Carrying amount 31 December</b>	<b>1,108</b>		<b>1,108</b>

# NOTE 17: CAPITAL AND RESERVES

(EUR 1,000)	31.12.2024	31.12.2023
Share capital	81,766	72,051
Share issue	10,005	
Reserve for invested non-restricted equity	40,822	35,972
Retained earnings		
Profit (loss) for previous financial years	-8,662	10,010
Profit (loss) for the period	5,877	-18,672
<b>Total capital and reserves</b>	<b>129,808</b>	<b>99,361</b>

## Share capital

This item includes the paid share capital. If share capital is wholly or partly not entered in trade register, the unregistered amount must be presented in the balance sheet separately as a sub-item of this item. The bank's shares are divided into A and B series, with each A series share conferring one (1) vote. B shares do not carry voting rights at the general meeting. The total number of registered shares in the company as of December 31, 2024, was 122,588, all of which were A shares, and no B-shares have been issued to date.

## Reserve for invested non-restricted equity

Reserve for invested non-restricted equity includes the portion of subscription price which is not recognised in share capital and, according to the Accounting Act, is not recognised in liabilities, as well as other equity investments which are not recognised in other reserves. Furthermore, the reserve includes the amount by which share capital is reduced and which is not used to cover confirmed loss nor is distributed to shareholders.

## Retained earnings

This item includes the profit for the period as indicated by the income statement, as well as profit for prior periods to the extent that it has not been transferred to other equity items or distributed to shareholders.

## Shares and share issues

The General Meeting decided on February 2, 2024, to increase the equity capital of the Mortgage Credit Bank by issuing 14,565 new paid A-shares with voting rights for subscription. The share issue was carried out as a directed share issue in accordance with the capitalization provisions of the shareholder agreements. Based on the decision on the share issue, 14,565 shares were subscribed for, and the share issue was implemented in two parts. The subscribed shares have been registered. Of the proceeds from the share issue, EUR 9,715 thousand was recorded in the share capital, and EUR 4,850 thousand was recorded in the invested unrestricted equity fund.

On March 14, the General Meeting authorized the Board of Directors to decide on issuing up to 20,000 new voting A-shares or non-voting B-shares, deviating from the shareholders' pre-emptive subscription rights, to implement the capitalization provisions of the shareholder agreements. The authorization is valid indefinitely. As of the balance sheet date, 9,995 shares remained under the authorization.

In November, the company's Board of Directors decided to implement a paid directed share issue. In the issue, 10,005 new A-shares were offered for subscription. The share issue was directed in accordance with the capitalization provisions of the shareholder agreements. Based on the decision on the share issue, 10,005 new A-shares were subscribed for, which remained unregistered as of the balance sheet date.

# NOTE 18: TAXES

## 18.1 INCOME TAXES

Income taxes comprises tax based on the profit for the financial year, previous financial years' tax adjustments and changes in deferred taxes. Taxes are recognised in the income statement except if they relate directly to items recognised directly in equity or in other comprehensive income. In these circumstances the tax is also recognised directly in equity or in other comprehensive income, respectively.

(EUR 1,000)	1-12/2024	1-12/2023
Change in deferred tax assets	3,317	470
Income taxes	3,317	470

### RECONCILIATION BETWEEN TAX EXPENSE IN THE INCOME STATEMENT AND TAX EXPENSE CALCULATED BY THE APPLICABLE TAX RATE

Reconciliation of effective tax rate (EUR 1,000)	1-12/2024	1-12/2023
Accounting profit before tax	2,560	-19,142
Differences between accounting and taxable profit	-2	
Taxable profit	2,558	-19,142
Tax using the domestic corporation tax rate	-512	3,828
Change in deferred tax	3,828	
Tax for prior years		-3,358
Tax expense as specified above	3,317	470
Corporate income tax rate	20%	20%

## 18.2 DEFERRED TAXES

Deferred taxes are calculated on the basis of temporary taxable differences between accounting and taxation. Deferred tax is determined on the basis of the IAS 12 standard using tax rates that have been enacted at the balance sheet date and that apply when the related deferred tax is expected to be realised. A change in deferred tax resulting from changing tax rates is recognised in the income statement or other comprehensive income if the tax was recorded there during earlier financial years.

A deferred tax asset is recognised for the carryforward of unused tax losses to the extent that it is probable that future taxable profit will be accrued and unused tax credits can be utilised.

(EUR 1,000)	31.12.2024	31.12.2023
<b>Deferred tax assets</b>		
Change recognised in profit or loss		
Approved tax losses	3,787	470
Deferred taxes, total	3,787	470

# NOTE 19: OTHER ASSETS, OTHER LIABILITIES AND PROVISIONS

## 19.1 OTHER ASSETS

(EUR 1,000)	31.12.2024	31.12.2023
Accrued income and prepaid expenses		
Interest	28,359	15,461
Other accrued income and prepaid expenses	8,819	4,379
Other assets total	37,177	19,840

## 19.2 OTHER LIABILITIES AND PROVISIONS

(EUR 1,000)	31.12.2024	31.12.2023
<b>Other liabilities</b>		
Payment transfer liabilities	-469	154
Expected credit losses (ECL), off-balance sheet items	20	20
Total other liabilities	-449	173
<b>Accrued expenses</b>		
Interest payable	57,301	41,469
Interest advances received	3	4
Other accrued expenses	1,431	2,077
Total accrued expenses	58,735	43,550
Total provisions and other liabilities	58,286	43,723



# OTHER NOTES

## NOTE 20: COLLATERALS

(EUR 1,000)	31.12.2024	31.12.2023
<b>Collateral given</b>		
Given on behalf of Group's own liabilities and commitments		
Loans	3,979,220	3,113,976
<b>Total collateral given</b>	<b>3,979,220</b>	<b>3,113,976</b>
<b>Collateral received</b>		
Real estate collateral	2,308,685	2,197,616
Other	32,075	9,877
<b>Total collateral received</b>	<b>2,340,760</b>	<b>2,207,493</b>

On 31 December 2022, 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 2228 million. On 31 December 2024, loans pledged as collateral for covered bonds issued in the bond programme updated in 2022 under the act on mortgage banks and covered bonds (151/2022) amounted to EUR 1751 million.

## NOTE 21: OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	31.12.2024	31.12.2023
Loan commitments	12,229	6,815
<b>Total off balance-sheet commitments</b>	<b>12,229</b>	<b>6,815</b>

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

## NOTE 22: 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.

<b>Key management personnel compensation (EUR 1,000)</b>	<b>2024</b>	<b>2023</b>
Short-term employee benefits	49	43
<b>Total</b>	<b>49</b>	<b>43</b>

<b>2024</b>	<b>Salary and remuneration</b>
Öhman Ossi	13
Alameri Karri	8
Alarautalahti Toivo	6
Mangs Monica	2
Rouhe Samu	10
Siviranta Petri	3
Westerholm Fredrik	7
<b>Total</b>	<b>49</b>

<b>2023</b>	<b>Salary and remuneration</b>
Mangs Monika, Chairman of the board	15
Alameri Karri	
Rouhe Samu	9
Siviranta Petri	9
Öhman Ossi, Vice-Chairman of the board	11
<b>Total</b>	<b>43</b>

## NOTE 23: SUBSEQUENT EVENTS

The Board of Directors of Sp Mortgage Bank is not aware of any other factors, which would materially influence the financial position of Sp Mortgage Bank after the completion of the financial statements.

# PILAR 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](http://www.saastopankki.fi) or at the Savings Banks Union Coop offices at Teollisuuskatu 33, 00510 Helsinki, Finland.

# SIGNATURES OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT

## CONFIRMATION OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

We confirm that

- the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the laws and regulations governing the preparation of financial statements in Finland give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

In Helsinki, February 11, 2025.

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Ossi Öhman, Chairman

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Samu Rouhe, Deputy Chairman

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Toivo Alarautalahti, member of the Board

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Fredrik Westerholm, member of the Board

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Tero Kangas, Managing Director

# AUDITOR'S NOTE

The report on the completed audit has been issued today.

In Helsinki, February 11, 2025.

KPMG Oy Ab

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Mikko Kylliäinen

Authorised Public Accountant

*This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.*

# Auditor's Report

To the Annual General Meeting of Sp Mortgage Bank Plc

## **Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of Sp Mortgage Bank Plc (business identity code 2685273-8) for the year ended 31 December, 2024. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information.

In our opinion the financial statements give a true and fair view of the bank's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with the additional report submitted to the Board of Directors.

### **Basis for Opinion**

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the company in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Materiality**

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
<b>Valuation of receivables (loans and receivables from customers); Notes to financial statements 2, 3, 4 and 10</b>	
<ul style="list-style-type: none"> <li>— Calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the valuation models used by the company. The calculation of expected credit losses involves assumptions, estimates and management judgements for example in respect to the probability of the expected credit losses, the realizable value of the collateral as well as determining significant increases in credit risk.</li> <li>— The components of the calculation of expected credit losses are continuously updated and specified based on realized development of credit losses, validation and development of the calculation process as well as regulatory changes and requirements.</li> <li>— Due to the significance of the carrying amount involved, complexity of the accounting methods and management judgement involved, receivables from customers are addressed as a key audit matter.</li> </ul>	<ul style="list-style-type: none"> <li>— We assessed principles and controls over recognition and monitoring of loan receivables. Our audit procedures included testing of controls regarding determination and recording of expected credit losses on loans.</li> <li>— We have obtained an understanding of the control environment of the calculation of expected credit losses using centralized audit procedures.</li> <li>— Furthermore, we assessed the appropriateness of the note disclosures made in relation to receivables and impairment losses.</li> </ul>

### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and that financial statements comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Other Reporting Requirements**

### **Information on our audit engagement**

We were first appointed as auditors by the Annual General Meeting on 16 of April 2015, and our appointment represents a total period of uninterrupted engagement of 10 years.

### **Other Information**

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in compliance with the applicable provisions

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in compliance with the applicable provisions.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 11 February 2025

KPMG OY AB

MIKKO KYLLIÄINEN

*Authorised Public Accountant, KHT*



Sp Mortgage Bank Plc

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