SP MORTGAGE BANK PLC'S

HALF-YEAR REPORT

1 JANUARY – 30 JUNE 2025

Sp Mortgage Bank Plc

Translation of the Sp Mortgage Bank's half-year report 1.1.-30.6.2025

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BOARD OF DIRECTORS' REVIEW FOR 1 JANUARY – 30 JUNE 2025

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 reporting period, Sp Mortgage Bank's operations proceeded as planned and the loan portfolio amounted to EUR 2,267 million at the end of the year.

Sp Mortgage Bank's operating profit during the reporting period amounted to EUR 6,0 million, and the balance sheet total was EUR 3,250 million.

THE SAVINGS BANKS GROUP AND THE SAVINGS BANKS AMALGAMATION

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.

The Savings Banks Group and Fennia Life have agreed on a long-term distribution partnership corcerning insurance-based saving and loan protection. In connection with this, the Savings Bank Group and Fennia Life have agreed on the sale of the entire share capital of Sb Life Insurance Ltd. The transaction has received approval from the Finnish Competition and Consumer Authority and will be completed during the secong half of 2025.

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

DESCRIPTION OF THE OPERATIONAL ENVIRONMENT

The Global economy

The year 2025 started in a situation where global economic growth was slowing down. Many of US President Trump's actions, especially those involving threats of tariffs, have significantly increased uncertainty as the year has progressed. The situation is particularly challenging due to the erratic nature of the related decision-making, with announcements of tariffs having changed on several occasions during the past few months.

At the time of writing, it remains unclear what level the tariffs will ultimately be set at, how long they will remain in effect, and what countermeasures will be taken by other countries. What is clear, however, is that tariffs will end up at higher levels than before, which is likely to weaken global economic growth. Nevertheless, the very high tariffs displayed on "Liberation Day" at the beginning of April are unlikely to be implemented.

According to the projections of various economic forecasting agencies, the US economy will suffer the most from the tariffs. Economic growth in the United States is expected to halve from last year to around 1.5%. The Chinese economy will also clearly suffer from the tariff threats, with economic growth in China projected to slow to around 4%.

In Europe, economic growth has been subdued for a long time. The trade war will naturally hit Europe too, but its impacts will be less severe. In addition, Germany announced significant defence and infrastructure investments early in the year, which are expected to boost economic growth across Europe in the coming years. Economic growth of approximately one per cent is projected for the eurozone this year.

Interest rate environment

In the first half of 2025, short-term interest rates in the eurozone remained on a downward trajectory as the European Central Bank continued its rate cuts. For example, the 12-month Euribor rate, which is used as the general reference rate for mortgages, had a range of movement of approximately 0.5 percentage points.

US tariff policy, geopolitical concerns and the weakening of economic growth expectations have affected the development of long-term interest rates. Although development in the first half of the year was more volatile in this environment, the period ended with long-term interest rates close to the levels seen at the beginning of the year.

For banking operations, the interest rate environment was more challenging in the first half of 2025, as the falling reference rates and the normalisation of the interest rate curve have a negative impact on net interest income.

The ECB's current rate cut cycle is nearing its end, and the key interest rate is now two per cent. Consequently, the development of short-term interest rates can be expected to be more stable during the second half of the year. As in the first half of the year, trade policy and geopolitical factors are expected to pose occasional challenges to the development of the longer end of the interest rate curve.

Investment markets

The first half of 2025 was characterised by geopolitical risks and tensions created by the trade war. Uncertainty in the investment markets has been high, and the impacts of the trade war on companies' growth prospects has been the focus of investors' attention. The US stock market experienced a sharp decline in April when President Trump announced plans to raise tariffs. Although investor confidence in the development of the equity markets returned quickly, capital flows have nevertheless turned away from the United States. This has led to a strengthening of the euro against the US dollar, and the returns of European equities have strengthened relative to US stocks. In spite of the uncertainty associated with trade policy threats, equities in emerging markets developed favourably in the second quarter of 2025. The uncertainty experienced in April was also reflected in the corporate bond markets. However, the strong growth in credit risk margins was ultimately brief, as investor confidence recovered towards the end of the quarter.

The Finnish Economy

The recovery of the Finnish economy began in 2024. In terms of quarter-to-quarter economic growth, GDP has been recovering for over a year now. While growth has been subdued, the change from one quarter to the next has nevertheless been positive. Falling interest rates are good for the Finnish economy.

However, the trade war will have a negative impact on the Finnish economy. In recent years, the United States has become Finland's most important trade partner, and Finland also exports a wide range of capital goods, the demand for which is negatively affected by the general increase in uncertainty.

For consumers, the situation is mixed. Purchasing power has been rising for some time now, and lower interest rates benefit households with debt. At the same time, unemployment has increased in Finland and, as of yet, there are no signs of a turn for the better. In general, consumers are cautious and consumer confidence has remained below the long-term average. Uncertainty is reflected in an increase in the savings rate.

While business confidence also remains at a fairly subdued level, it increased in the first half of 2025. Demand for corporate bonds has recovered slightly, reflecting a cautious recovery in investment demand. At least for the time being, companies have taken a moderate stance towards US President Trump's threats of tariffs. The number of bankruptcies has continued to rise, and the level is now above the long-term average.

The housing market in Finland

The housing market slump, which has continued since October 2022, is easing slightly. Nevertheless, uncertainty in the housing market is increased by the global political climate, low consumer confidence and the employment situation. For this year, we have projected growth of 8–10% in the transaction volume for old dwellings sold by real estate agents, and a 2% average increase in the prices of old units in housing companies.

During the first third of the year, the transaction volume increased by 18.8% year-on-year. However, it should be noted that the transaction volume in the first quarter of last year was the lowest on record during the monitoring history of the price monitoring service of the Central Federation of Finnish Real Estate Agencies. The number of transactions for old dwellings (terraced houses, detached houses and apartments) increased by 20.3% in the early part of the year, while the number of transactions for new dwellings decreased by 14.3%.

Demand has been particularly focused on detached houses and apartments in the family size category. Demand for small dwellings has remained at a low level, mainly due to the low demand for investment housing and caution among first-time home buyers.

During the first third of the year, the largest growth in housing transactions was seen in Oulu (37.2%), Espoo (26.5%) and Helsinki (22.2%). The number of transactions for old dwellings increased the most in Espoo (38%), Oulu (34.5%) and Helsinki (24%). Looking at the regional development of the transaction volume for old dwellings, the number of transactions increased by 27% in the Helsinki metropolitan area, by 22.6% in the surrounding municipalities, and by 17.9% in other parts of Finland.

The transaction volume for holiday homes was a bright spot in the housing market in the first third of the year. The number of transactions increased by 34.5% year-on-year. The reason for the growth is the low-snow winter, which made it possible for potential buyers to visit holiday homes earlier than usual. In addition, the strong domestic and European demand for holiday homes around ski resorts in northern Finland has been a significant factor behind the development. We expect the transaction volume for holiday homes to remain higher than last year during the second half of the year.

SP MORTGAGE BANK'S FINANCIAL POSITION

SP MORTGAGE BANK'S FINANCIAL HIGHLIGHTS

(EUR 1,000)	1.1.-30.6.2025	1.1.-31.12.2024	1.1.-30.6.2024
Net interest income	7,396	16,982	8,696
Operating profit	5,995	2,560	3,012
Total operating revenue	6,717	5,537	4,363
Total operating expenses	-1,256	-2,396	-1,193
Profit	4,796	5,877	2,409
Cost to income ratio %	19%	43%	27%
Total assets	3,250,108	3,283,032	3,174,387
Total equity	134,604	129,808	110,518
Return on equity %*	7.3%	5.1%	4.6%
Return on assets %*	0.3%	0.2%	0.2%
Equity/assets ratio %	4.1%	4.0%	3.5%
Solvency ratio %	20.2%	15.3%	13.6%
Impairment losses on financial assets	534	-581	-158

* The calculation formula for the key figures has been adjusted to account for the length of the reporting period.

PROFIT TRENDS (COMPARISON PERIOD 1-6/2024)

Sp Mortgage Bank Plc's operating profit was EUR 6.0 (3.0) million and net profit for the period was EUR 4.8 (2.4) million.

Total operating revenue was EUR 6.7 (4.4) million.

Net interest income decreased to EUR 7.4 (8.7) million. Interest income amounted to EUR 74.3 (75.9) million while interest expenses were EUR -66.9 (-67.2) million. The share of interest rate swaps used to hedge interest rate risk amounted to EUR -15.7 (-28.9) million of the net interest income.

Net fee and commission income and expenses consisted mainly of fees paid to intermediary banks, amounting to EUR -5.0 (-5.1) million.

Net profit from hedge accounting for the review period was EUR 4.4 (1.3) million and it is presented under Net trading income on the income statement.

Operating expenses before impairment losses on the financial assets were EUR -1.3 (-1.2) million. Impairment losses on financial assets were EUR 0.5 (-0.2) million. The positive development in impairment losses was particularly influenced by the modification of the ECL model implemented in May.

BALANCE SHEET AND FUNDING (COMPARISON FIGURES 31 DECEMBER 2024)

Loans and advances to customers amounted to EUR 2,265 (2,307) million. Sp Mortgage Bank funds its operations through covered bonds and credit from the Central Bank of Savings Banks Finland Plc.

In April, a fixed-rate covered bond of 300 million euros matured. Sp Mortgage Bank did not issue any new covered bonds during the reporting period.

At the end of the review period, the carrying amount of covered bonds was EUR 2,243 (2,532) million. The amount of short-term funding drawn from the Central Bank of Savings Banks Finland Plc was EUR 741 (469) million.

At the end of the review period, equity amounted to EUR 134.6 (129.8) million.

CAPITAL ADEQUACY AND RISK POSITION

Capital adequacy (Comparison figures 31 December 2024)

Sp Mortgage Bank's own funds totalled EUR 130.9 (124.8) million, while the minimum requirement for own funds was EUR 68.1 (85.8) million. Tier 1 capital consisted fully of Common Equity Tier 1 (CET1) capital, and it amounted to EUR 130.9 (124.8) million.

Sp Mortgage Bank's capital adequacy ratio was 20.2% (15.3%) at the end of the period. The amendments to the Capital Requirements Regulation (CRR3), which entered into force at the beginning of 2025, had a strengthening effect on Sp Mortgage Bank's capital adequacy.

The capital requirement is formed by:

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

The Pillar II capital requirement imposed by the Financial Supervisory Authority on the Savings Banks Amalgamation is 1.5%. At least three quarters of the Pillar II capital requirement must be Tier 1 capital, of which at least three quarters must be CET1 capital.

On 26 June 2025, the Financial Supervisory Authority decided to maintain the systemic risk buffer (1%) for the Savings Banks Amalgamation. The decision will enter into force on 1 July 2026.

In 2025, the Financial Supervisory Authority has not imposed a countercyclical capital buffer requirement, which may range from 0 to 2.5% of the risk-weighted exposure amounts. The Financial Supervisory Authority has not set additional capital requirements, so called O-SII buffers, for the Savings Banks Amalgamation.

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

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

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

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

Sp Mortgage Bank's capital adequacy information is included in the information concerning the capital adequacy of the Savings Banks Amalgamation, presented in the consolidated financial statements and half-year report of the Savings Banks Group. The Savings Banks Group publishes the so-called Pillar III capital adequacy information separately in connection with its financial statements.

A copy of the Savings Banks Group's financial statements and the Pillar III information are available www.saastopankki.fi.

SP MORTGAGE BANK'S CAPITAL ADEQUACY'S MAIN ITEMS

Own funds (EUR 1,000)	**30.6.2025**	**31.12.2024**
Common Equity Tier (CET1) capital before regulatory adjustments	134,604	129,808
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-3,687	-4,964
Common Equity Tier (CET1) capital	130,917	124,844
Additional tied 1 (AT1) capital	0	0
Tier 1 capital (T1 = CET1 + AT1) total	130,917	124,844
Tier 2 (T2) capital	0	0
Total Capital (TC = T1 + T2)	130,917	124,844
Risk weighted assets	647,763	816,270
of which: credit and counterparty risk	580,872	798,511
of which: credit valuation adjustments (CVA)	7,714	12,077
of which: market risk		
of which: operational risk	59,177	5,681
Common Equity Tier 1 (as percentage of total risk exposure amount)	20.2%	15.3%
Tier 1 (as a percentage of total risk exposure amount)	20.2%	15.3%
Total capital (as a percentage of total risk exposure amount)	20.2%	15.3%
Capital requirements		
Total capital	130,917	124,844
Capital requirement total*	68,072	85,761
Capital buffer	62,845	39,082

* 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 5.7% (5.3%) clearly exceeding the 3% minimum requirement. The leverage ratio describes the level of indebtedness of a credit institution and is calculated by dividing the original own funds by the total of liabilities. The Sp Mortgage Bank monitors excessive indebtedness as part of the ICAAP process.

LEVERAGE RATIO

(EUR 1,000)	**30.6.2025**	**31.12.2024**
Tier 1 capital	130,917	124,844
Leverage ratio exposure	2,297,077	2,343,258
Leverage ratio	5.7%	5.3%

RESOLUTION PLAN

Directive 2014/59/EU of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms was implemented nationally 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 March 2025, 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. The requirement does not apply to the member credit institutions or the Central Bank of Savings Banks.

The MREL requirement is by nature a Pillar II type minimum requirement that must be met continuously. According to the Financial Stability Authority's decision, the MREL requirement applied to the Savings Banks Amalgamation is 20.87% of the total risk exposure amount or 7.80% of the total exposures, whichever is higher.

The MREL requirement for Sp Mortgage Bank Plc is 15.75% of total risk exposure or 5.92% of total liabilities, whichever is higher.

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.

At the end of June 2025, Sp Mortgage Bank Plc's position relative to the MREL requirement was strong. The amount of own funds and eligible liabilities was 28.1% of the total risk amount and 7.9% of the total exposures.

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

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

		a	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	**Qualitative information**
Applicable requirement and level of application			
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Yes/No)		No
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated (C) or individual (I) basis? (C/I)		
EU-2a	Is the entity subject to an internal MREL? (Yes/No)		Yes
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated (C) or individual (I) basis? (C/I)		I
Own funds and eligible liabilities			
EU-3	Common Equity Tier 1 capital (CET1)	130,917	
EU-4	Eligible Additional Tier 1 capital (AT1)		
EU-5	Eligible Tier 2 capital (T2)		
EU-6	Eligible own funds	130,917	
EU-7	Eligible liabilities	51,017	
EU-8	of which permitted guarantees		
EU-9a	(Adjustments)		
EU-9b	Own funds and eligible liabilities items after adjustments	181,934	
Total risk exposure amount and total exposure measure			
EU-10	Total risk exposure amount (TREA)	647,763	
EU-11	Total exposure measure (TEM)	2,297,077	
Ratio of own funds and eligible liabilities			
EU-12	Own funds and eligible liabilities as a percentage of the TREA	28.09%	
EU-13	of which permitted guarantees	0.00%	
EU-14	Own funds and eligible liabilities as a percentage of the TEM	7.92%	
EU-15	of which permitted guarantees	0.00%	
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	12.33%	
Requirements			
EU-18	Requirement expressed as a percentage of the TREA	15.75%	
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			

139 / 5 000 The data of row EU-17 and row EU-22 and column b are not presented, because they are not part of the disclosure obligation of the Amalgamation of Savings Banks.

RISK POSITION

The credit risk position of Sp Mortgage Bank has remained stable and capital adequacy has strengthened during the financial period.

The quality of the credit portfolio has remained stable with a moderate risk profile. The impairment of receivables amounted to EUR 2.0 million (2.5). Non-performing receivables remained at a low level at 0.36% of the credit portfolio (0.37%).

The objectives, principles and organisation of risk management in Sp Mortgage Bank are the same as those presented in the 2024 financial statements.

MATERIAL EVENTS AFTER THE HALF-YEAR REPORT DATE

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

OUTLOOK FOR THE YEAR 2025

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

FURTHER INFORMATION

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

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

FORMULAS USED IN CALCULATING THE FINANCIAL HIGHLIGHTS

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

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.

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

INCOME STATEMENT

(EUR 1,000)	Note	1–6/2025	1–6/2024
Interest income		74,331	75,884
Interest expense		-66,935	-67,188
Net interest income	4	7,396	8,696
Net fee and commission income	5	-4,988	-5,104
Net trading income		4,309	771
Other operating revenue			
Total operating revenue		6,717	4,363
Personnel expenses			-4
Other operating expenses		-1,144	-1,077
Depreciation of intangible assets		-113	-113
Total operating expenses		-1,256	-1,193
Net impairment loss on financial assets	6	534	-158
Profit before tax		5,995	3,012
Taxes		-1,199	-602
Profit		4,796	2,409

STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	1–6/2025	1–6/2024
Profit	4,796	2,409
Total comprehensive income	4,796	2,409

STATEMENT OF FINANCIAL POSITION

(EUR 1,000)	Note	30.06.2025	31.12.2024
Assets			
Loans and advances to credit institutions	6	915,477	902,174
Loans and advances to customers	6	2,265,365	2,306,900
Derivatives	9	28,881	30,948
Investment assets	6	4,994	4,933
Intangible assets		805	899
Other assets		34,585	37,177
Total assets		3,250,108	3,283,032

(EUR 1,000)	Note	30.06.2025	31.12.2024
Liabilities and equity			
Liabilities			
Liabilities to credit institutions	7	778,430	500,630
Derivatives	9	45,431	62,587
Debt securities issued	7	2,243,124	2,531,721
Provisions and other liabilities		48,519	58,286
Total liabilities		3,115,504	3,153,223
Equity			
Share capital		88,439	81,766
Share issue			10,005
Reserves		44,154	40,822
Retained earnings		2,011	-2,785
Total equity		134,604	129,808
Total liabilities and equity		3,250,108	3,283,032

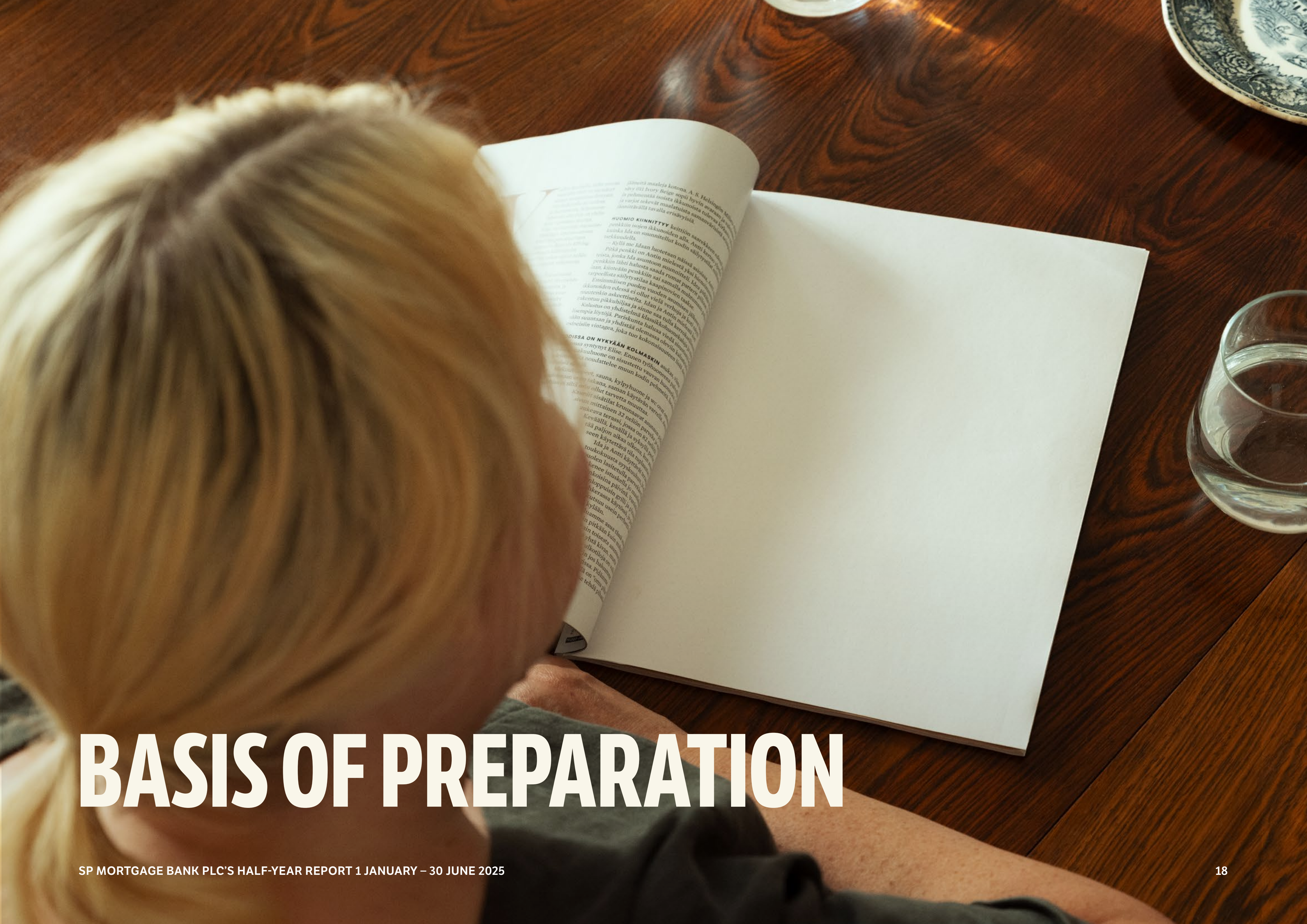
STATEMENT OF CASH FLOWS

(EUR 1,000)	1–6/2025	1–6/2024
Cash flows from operating activities		
Profit	4,796	2,409
Adjustments for items without cash flow effect	-4,108	765
Change in determed taxes	1,199	
Cash flows from operating activities before change in assets and liabilities	1,887	3,174
Increase (-) or decrease (+) operating assets	43,395	-584,679
Debt securities	-61	121
Loans and advances to credit institutions		-499,770
Loans and advances to customs	42,062	-70,387
Other assets	1,394	-14,643
Increase (-) or decrease (+) in operating liabilities	268,040	71,715
Liabilities to credit institutions	277,800	53,520
Other liabilities	-9,760	18,195
Paid income taxes		
Total cash flows from operating activities	313,322	-509,790

(EUR 1,000)	1–6/2025	1–6/2024
Cash flows from investing activities		
Investments in property, plant and equipment and intangliable assets	-19	
Total cash flows from investing activities	-19	
Cash flows from financing activities		
Increase in share capital		5,834
Share issue		2,913
Other monetary decreases in equity items		497,603
Debt securities issued	-300,000	
Total cash flows from financing activities	-300,000	506,350
Change in cash and cash equivalents	13,303	-3,440
Cash and cash equivalents at the beginning of the period	90,050	58,944
Cash and cash equivalents at the end of the period	103,354	55,504
Cash and cash equivalents comprise the following items:		
Receivale from central banks repayable on demand	103,354	55,504
Total cash and cash equivalents	103,354	55,504
Adjustments for items without cash flow effect		
Income statement tax		
Impairment losses on financial assets		158
Change in fair value	-4,351	-1,341
Expected credit losses	-534	
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	113	113
Other adjustments	665	1,835
Total	-4,108	765
Interest received	75,033	61,043
Interest paid	77,699	47,979

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share issue	Share premium	Retained earnings	Total equity
Equity 1.1.2024	72,051		35,972	-8,662	99,361
Comprehensive income					
Profit for the period				2,409	
Total comprehensive income				2,409	2,409
Transactions with owners					
Share issue	5,834		2,913		8,747
Total equity 30.6.2024	77,885		38,885	-6,252	110,518
Equity 1.1.2025	81,766	10,005	50,827	-2,785	129,808
Comprehensive income					
Profit for the period				4,796	
Total comprehensive income				4,796	4,796
Transactions with owners					
Share issue	6,673	-10,005	3,332		
Total equity 30.6.2025	88,439		44,154	2,011	134,604



BASIS OF PREPARATION

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

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

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

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

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

The Savings Banks Group and Fennia Life have agreed on a long-term distribution partnership corcerning insurance-based saving and loan protection. In connection with this, the Savings Bank Group and Fennia Life have agreed on the sale of the entire share capital of Sb Life Insurance Ltd. The transaction has received approval from the Finnish Competition and Consumer Authority and will be completed during the secong half of 2025.

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

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

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

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

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

NOTE 2. ACCOUNTING POLICIES

General

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

Sp Mortgage Bank is part of the Savings Banks Amalgamation and in accordance with the principles of the Act on the Amalgamation of Deposit Banks and the IAS 8 standard concerning accounting policies, adjustments and errors in accounting estimates, the Board of the Savings Banks' Union Coop confirms any accounting policy for which no guidance is available in the IFRS.

The half-year report 1 January – 30 June 2025 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Accounting principles applied in the half-year report are essentially the same as in the financial statement of 2024. There has not been changes in accounting policies during the reporting period.

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

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

Critical accounting estimates and judgements

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

The critical estimates of Sp Mortgage Bank concern determining fair value and impairment of financial assets.

Determination of expected credit losses

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

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

Sp Mortgage Bank uses modelling-based calculations for determining expected credit losses but, where necessary, the figures generated by the models are adjusted to reflect the management's judgment. Recognising an adjustment may be based on, for example, newly available information or a new factor that is not included in the parameters or inputs used in the calculation model.

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

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

Adjustments based on management's judgment may also be influenced by other factors affecting the customer's operating environment that are relevant to the counterparty's credit risk.

NOTE 3. SEGMENT INFORMATION

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

NOTES TO THE HALF-YEAR REPORT

NOTE 4. NET INTEREST INCOME

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

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

(EUR 1,000)	1–6/2025	1–6/2024
Interest income		
From financial assets at amortised cost		
Debt securities eligible for refinancing with Central Bank	67	68
Loans and advances to credit institutions	13,850	10,805
Loans and advances to customers*	40,870	49,529
Other	257	286
Total	55,044	60,687
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	19,287	15,197
Total	19,287	15,197
Interest income, total	74,331	75,884

(EUR 1,000)	1–6/2025	1–6/2024
Interest expense		
Financial liabilities at amortised cost		
Liabilities to credit institutions	-10,185	-6,312
Debt securities issued	-21,798	-16,785
Other	66	-16
Total	-31,917	-23,113
From financial assets at fair value through profit or loss		
Derivative contracts		
Hedging derivatives	-35,018	-44,075
Total	-35,018	-44,075
Interest expenses, total	-66,935	-67,188
Net interest income	7,396	8,696

NOTE 5. NET FEE AND COMMISSION INCOME

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

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

(EUR 1,000)	1–6/2025	1–6/2024
Fee and commission income		
Lending	321	410
Total	321	410
Fee and commission expense		
Loans*	-5,299	-5,510
Other	-10	-4
Total	-5,309	-5,514
Net fee and commission income	-4,988	-5,104

* Consists mainly of fees paid to the intermediating banks.

NOTE 6. LOANS AND ADVANCES

6.1 LOANS AND ADVANCES TO CREDIT INSTITUTIONS AND CUSTOMERS

Loans and advances to credit institutions and customers are primarily classified as measured at amortised cost and are consequently subject to calculation of expected credit losses. The table below presents the gross values, allowances for expected credit losses and balance values for loans and advances by product type.

30.6.2025 **(EUR 1,000)**	**Not impaired (gross)**	**Expected credit losses (ECL)**	**Balance sheet value**
Loans and advances to credit institutions			
Deposits*	915,624	-146	915,477
Total	915,624	-146	915,477
Loans and advances to customers			
Loans	2,267,386	-2,021	2,265,365
Total	2,267,386	-2,021	2,265,365
Loans and advances total	3,183,010	-2,167	3,180,842

*of which Deposits to Credit Institutions belonging to the Savings Banks Amalgamation EUR 915,465 thousand.

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

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

6.2 INVESTMENT ASSETS

(EUR 1,000)	**30.6.2025**	**31.12.2024**
Amortised cost investments		
Debt securities	4,995	4,934
Expected Credit Losses		-1
Total	4,994	4,933

6.3 IMPAIRMENT LOSS ON FINANCIAL ASSETS

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

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

- Stage 1 includes financial assets for which the credit risk has not increased significantly between the date of initial recognition and the reporting date. The measurement of the expected credit loss for stage 1 financial assets is based on the probability of a default event occurring 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 occurring 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 that a credit loss event occurs within the remaining life of the financial asset.

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

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 30 June 2025				
Loans and advances to customers	2,113,245	146,402	7,739	2,267,386
Loans and advances to credit institutions	819,054			819,054
Investments	4,997			4,997
Off-balance sheet items	6,804			6,804
Total	2,944,099	146,402	7,739	3,098,240

(EUR 1,000)	Stage 1	Stage 2	Stage 3	Total
Financial asset 31 December 2024				
Investment asset	2,063,696	237,387	8,365	2,309,448
Loans and advances to customers	821,361			821,361
Investments	4,930			4,930
Off-balance sheet items	12,135	61		12,196
Total	2,902,122	237,448	8,365	3,147,935

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 forborne and non-performing or if a forbearance concession is made for a contract at the time of application, the contract is deemed to be impaired and is migrated to stage 3.

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

The financial asset can revert from stage 2 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 from the begining 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 2025	632	1,537	399	2,568
Transfers to stage 1	50	-108		-59
Transfers to stage 2	-70	411	-44	298
Transfers to stage 3	-2	-55	202	144
New assets originated or purchased	191			191
Assets derecognised or repaid	-65	-152	-126	-343
Change in credit risk without stage change	-193	-190	10	-373
Change in model for calculation of ECL	-121	-244	-25	-391
Net change in ECL	-211	-338	16	-533
Expected Credit Losses 30 June 2025	421	1,198	415	2,034

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 2025	148			148
Change in credit risk without stage change	-1			-1
Net change in ECL	-1			-1
Expected Credit Losses 30 June 2025	147			147
Total expected credit losses 30 June 2025				2,182
Total change in expected credit losses 1 January 2025 - 30 June 2025				-534

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 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	57			57
New assets originated or purchased	90			90
Change in credit risk without stage change	1			1
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

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).

	2025	2026	2027
- Change in EuropeStoxx%	-10% / 12.0%	-3.0% / 8.0%	-1.0% / 8.0%
- Change in GDP	0.5% / 2.5%	1.2% / 1.5%	1.2%
- Investments	1.0% / 6.0%	2.0% / 3.0%	2.0% / 3.0%

EFFECT OF CHANGES IN THE ECL MODELS

Changes in the PD models

The PD models applied in the calculation of ECL for loan contracts have been updated in May 2025. The aforementioned models have been modelled separately for corporate and retail exposures.

Implementation of the new PD models decreased the ECL amount by EUR 0.4 million. The effect of this change is presented in the line change in the model for calculation of ECL.

NOTE 7. FUNDING

7.1 LIABILITIES TO CREDIT INSTITUTIONS

(EUR 1,000)	30.6.2025	31.12.2024
Liabilities to credit institutions		
Other than those repayable on demand*	778,430	500,630
Total liabilities to credit institutions	778,430	500,630

*of which Liabilities to Credit Institutions belonging to the Savings Banks Amalgamation EUR 740,500 (436,000) thousand.

7.2 DEBT SECURITIES ISSUED

(EUR 1,000)	30.6.2025		31.12.2024	
Measured at amortised cost	**Nominal value**	**Carrying amount**	**Nominal value**	**Carrying amount**
Covered bonds	2,250,000	2,246,272	2,550,000	2,545,488
Fair value hedging on covered bonds		-3,148		-13,767
Total debt securities issued	2,250,000	2,243,124	2,550,000	2,531,721

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	499,593	7 years	Fixed	0.050%	19.6.2026
Sp Mortgage Bank 2021	500,000	501,349	7 years	Fixed	0.010%	28.9.2028
Sp Mortgage Bank 2022	750,000	747,404	5 years	Fixed	3.125%	1.11.2027
Sp Mortgage Bank 2024	500,000	497,925	7 years	Fixed	3.250%	2.5.2031
Total	2,250,000	2,246,272				

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

NOTE 8. CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

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

Business model assessment

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

Assessment of cash flow characteristics

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

FINANCIAL ASSETS - MEASUREMENT CATEGORIES AND PRINCIPLES FOR CLASSIFICATION

Amortised cost

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

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

Measured at fair value through other comprehensive income

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

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

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

Financial assets measured at fair value through profit or loss

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

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

Classification and measurement of financial liabilities

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

- amortised cost
- fair value through profit or loss.

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

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

30.6.2025 (EUR 1,000)	Amortized costs	Financial assets at fair value through profit or loss	Total
Loans and advances to credit institutions	915,477		915,477
Loans and advances to customers	2,265,365		2,265,365
Derivatives			
fair value hedges		28,881	28,881
Investment assets	4,994		4,994
Total assets	3,185,837	28,881	3,214,718
Liabilities to credit institutions	778,430		778,430
Derivatives			
of which fair value hedging		45,431	45,431
Debt securities issued	2,243,124		2,243,124
Total liabilities	3,021,554	45,431	3,066,985

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

8.1 OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

30.6.2025				Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements			
(EUR 1,000)	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments held as collateral	Cash held as collateral*	Net amount
Assets							
Derivative contracts	46,096	0	46,096	-8,909		-37,187	0
Total	46,096	0	46,096	-8,909		-37,187	0

30.6.2025 (EUR 1,000)	Recognised financial liabilities, gross	Recognised financial assets offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments given as collateral	Cash given as collateral*	Net amount
Liabilities							
Derivative contracts	67,774	0	67,774	-8,909			58,865
Total	67,774	0	67,774	-8,909			58,865

* Cash received as collateral in the balance sheet was 37,930 thousand euros. Over-collateralization has not been taken into account in the table.

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
Assets							
Derivative contracts	46,463	0	46,463	-14,895		-31,568	0
Total	46,463	0	46,463	-14,895		-31,568	0

31.12.2024 (EUR 1,000)	Recognised financial liabilities, gross	Recognised financial assets offset in balance sheet, gross	Carrying amount in balance sheet, net	Financial instruments	Financial instruments given as collateral	Cash given as collateral*	Net amount
Liabilities							
Derivative contracts	97,442	0	97,442	-14,895			82,547
Total	97,442	0	97,442	-14,895			82,547

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

NOTE 9. DERIVATIVES AND HEDGE ACCOUNTING

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

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

30.6.2025	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	Less than 1 year	1-5 years	Over 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging*						
Interest rate derivatives	500,000	1,250,000	500,000	2,250,000	28,881	-45,431
Total	500,000	1,250,000	500,000	2,250,000	28,881	-45,431

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

* The nominal value of the issued fixed rate covered bonds hedged for fair value changes was EUR 2,250,000 thousand and carrying amount EUR 2,249,419 thousand on the end of review period. The fair value adjustment resulting from hedge calculation dor the balance sheet item subject to hedging was 3,148 thousand increasing the book value.

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

NOTE 10. 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 9.

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 June 2025, there were no transfers between levels 2 and 3.

30.6.2025	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		**Level 1**	**Level 2**	**Level 3**	**total**
Measured at fair value					
Derivative contracts	28,881		28,881		28,881
Measured at amortised cost					
Loans and advances to credit institutions	915,477		948,766		948,766
Loans and advances to customers	2,265,365		2,476,088		2,476,088
Investment assets	4,994	4,995			4,995
Total financial assets	3,214,718	4,995	3,453,735		3,458,730

30.6.2025	Carrying amount	Fair value by hierarchy level			Fair value
Financial liabilities (EUR 1,000)		**Level 1**	**Level 2**	**Level 3**	**total**
Measured at fair value					
Derivative contracts	45,431		45,431		45,431
Measured at amortised cost					
Liabilities to credit institutions	778,430		797,998		797,998
Debt securities issued*	2,243,124	2,246,272			2,246,272
Total financial liabilities	3,066,985	2,246,272	843,429		3,089,701

* Carrying amount includes the adjustment from the hedging EUR -3.1 million.

31.12.2024	Carrying amount	Fair value by hierarchy level			Fair value
Financial assets (EUR 1,000)		**Level 1**	**Level 2**	**Level 3**	**total**
Measured at fair value					
Derivatives	30,948		30,948		30,948
Measured at amortised cost					
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
Total financial assets	3,244,974	4,942	3,487,975		3,492,917

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

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

NOTE 11. COLLATERALS

(EUR 1,000)	30.6.2025	31.12.2024
Collateral given		
Given on behalf of Group's own liabilities and commitments		
Loans	3,910,150	3,979,220
Total colateral given	3,910,150	3,979,220
Collateral received		
Real estate collateral	2,266,699	2,308,685
Other	38,303	32,075
Total collateral received	2,305,003	2,340,760

On 30 June 20025, loans pledged as collateral for covered bonds issued in the bond programme established under the Act on Mortgage Credit Banks (688/2010) amounted to EUR 1,277 million. On 30 June 2025, 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 2,633 million.

NOTE 12. OFF BALANCE-SHEET COMMITMENTS

(EUR 1,000)	30.6.2025	31.12.2024
Loan commitments	6,821	12,229
Total off balance-sheet commitments	6,821	12,229

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

NOTE 13. RELATED PARTIES

The Board of Directors of Sp Mortgage Bank has defined the related parties of the Sp Mortgage Bank. The related parties of the Sp Mortgage Bank's comprise key management personnel as well as their close family members. In addition, related parties comprise entities which the key management personnel and/or their close family members control. The key management personnel of the Sp Mortgage Bank comprise the members of the Board of Directors, the Managing Director as well as the Executive Board of Sp Mortgage Bank.

Sp Mortgage Bank does not have own personnel, all the necessary functions and support services are bought from the companies in the Savings Banks Amalgamation or from companies offering services to the Savings Banks Amalgamation.

CAPITAL ADEQUACY INFORMATION

NOTE 14. PILLAR III DISCLOSURES

Sp Mortgage Bank is part of the Savings Banks Amalgamation and the Savings Banks Group. Sp Mortgage Bank's capital adequacy information is included in the information concerning the capital adequacy of the Savings Banks Amalgamation, 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.

Sp Mortgage Bank Plc

Postal/visiting address: Sp Mortgage Bank Plc, Teollisuuskatu 33, 00510 Helsinki | Registered office: Helsinki | Home state: Finland

saastopankki.fi