

POP Mortgage Bank Plc

HALF-YEAR

FINANCIAL REPORT

1 January – 30 June 2024

CONTENTS

BOARD OF DIRECTOR'S REVIEW	2
POP Bank Group and Amalgamation of POP Banks	2
Operating environment	4
Key figures and ratios	5
Earnings and balance sheet	6
Credit rating	6
Risk and capital adequacy management and risk position	6
Outlook for the second half of the year	10
Events after the review period	10
TABLES (IFRS)	11
Income statement	11
Balance sheet	12
Statement of changes in equity capital	13
POP Mortgage Bank's cash flow statement	14
Notes	15
Note 1 Accounting policies	15
Note 2 Interest income and expenses	17
Note 3 Net income from hedge accounting	17
Note 4 Classification of financial assets and liabilities	18
Note 5 Classification of financial assets and liabilities and fair values by valuation technique	19
Note 6 Loans and receivables from credit institutions	21
Note 7 Debt securities issued to the public.....	21
Note 8 Derivatives and hedge accounting.....	22
Note 9 Collateral given and received	24
Note 10 Related party disclosures	24
FURTHER INFORMATION	25

POP Mortgage Bank Plc Half-Year Financial Report for 1 January – 30 June 2024 is a translation of the original Finnish version "POP Asuntoluottopankki Oyj puolivuosisikatsaus 1.1.–30.6.2024". In case of discrepancies, the Finnish version shall prevail.

BOARD OF DIRECTOR'S REVIEW

The POP Mortgage Bank Plc (hereinafter 'POP Mortgage Bank') engaged in mortgage banking operations after it was authorised by the European Central Bank on 25 May 2022 and had been granted an operating license pursuant to the Act on Mortgage Banks and Covered Bonds on 30 June 2022. POP Mortgage Bank is a member credit institution within Amalgamation of the POP Banks.

POP Mortgage Bank is responsible for acquiring external funding for the amalgamation in cooperation with Bonum Bank Plc. POP Mortgage Bank is also responsible for issuing secured bonds and forwarding the acquired funding to member credit institutions belonging to the Amalgamation of POP Banks. On February 29, 2024, the board of POP Mortgage Bank decided to increase the amount of the covered bond program from EUR 1 billion to 1.5 billion.

POP Mortgage Bank's operations are based on the intermediary loan model. Thus, the mortgage-backed loan portfolio provided as collateral for bonds to be issued is not recognised on POP Mortgage Bank's balance sheet. Instead, it remains on each member credit institution's balance sheet.

POP Mortgage Bank recorded a profit of EUR 0.3 (-0.2) million for the reporting period and balance sheet totalled EUR 528.9 (544.3) million at the end of the reporting period.

POP BANK GROUP AND AMALGAMATION OF POP BANKS

POP Bank Group is a Finnish financial group that offers retail banking services to private customers and small and medium sized companies. POP Banks are cooperative banks owned by their member customers. POP Bank's mission is to promote its customers' financial well-being and prosperity, as well as local success.

STRUCTURE OF THE POP BANK GROUP

POP Bank Group consists of POP Banks, POP Bank Centre coop and their controlled entities. POP Banks are member credit institutions of POP Bank Centre coop. POP Bank Centre coop and its member credit institutions are mutually liable for their debts and liabilities according to the Act on the Amalgamation of Deposit Banks. POP Banks, POP Bank Centre coop and their controlled service companies constitute the Amalgamation of POP Banks.

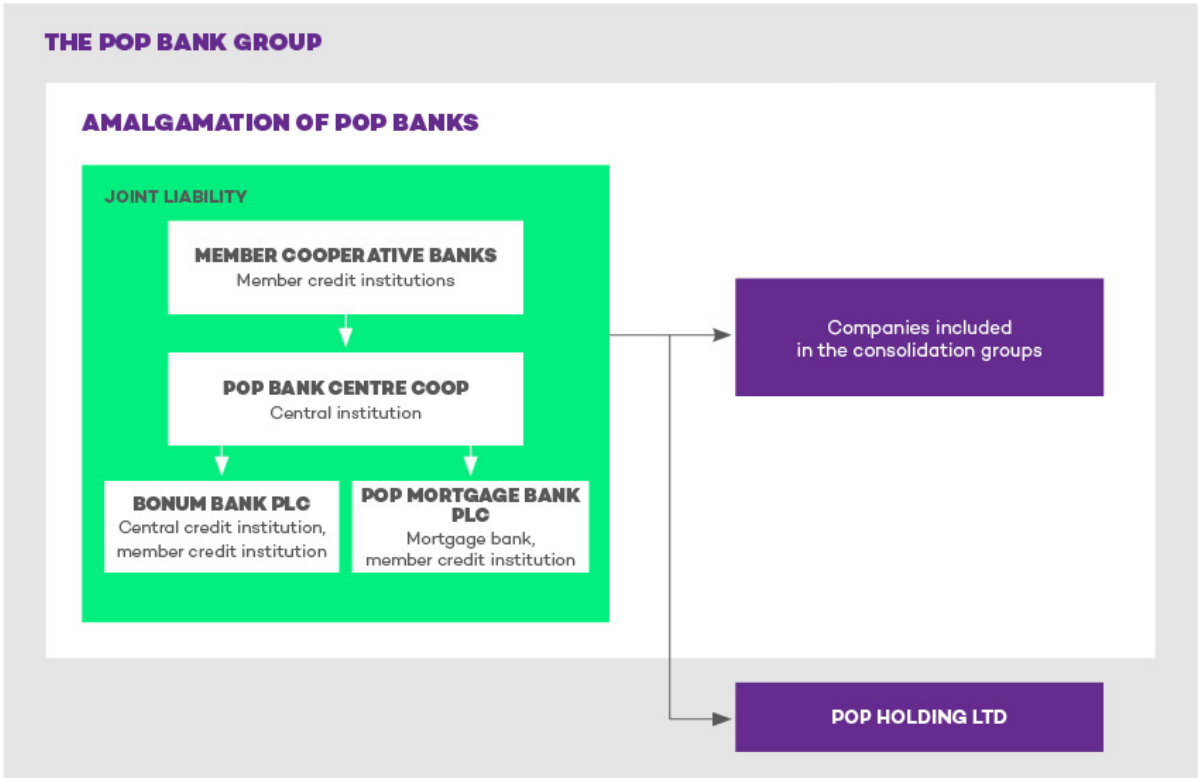
POP Bank Centre coop is the central institution of the Amalgamation of POP Banks and is responsible for steering and supervising the POP Bank Group. POP Bank Centre coop has two subsidiaries, Bonum Bank Plc and POP Mortgage Bank Plc, which are also its member credit institutions.

Bonum Bank Plc serves as the central credit institution of the POP Banks and acquires external funding for the Group by issuing unsecured bonds. Bonum Bank Plc is also responsible for the POP Banks' card business and the Group's payment transactions and centralised services, in addition to granting credit to retail customers. POP Mortgage Bank Plc is responsible for the Group's mortgage-backed funding, which it acquires by issuing covered bonds.

POP Bank Group also includes POP Holding Ltd owned by POP Banks and POP Bank Centre Coop. POP Holding Ltd owns 30 per cent of Finnish P&C Insurance Ltd that belongs to LocalTapiola Group and uses the auxiliary business name of POP Insurance. POP Holding Ltd is not a member of the Amalgamation of POP Banks and is not included in the scope of joint liability.

The chart on the next page presents the structure of the POP Bank Group and the entities included in the amalgamation and scope of joint liability.

POP BANK GROUP STRUCTURE



OPERATING ENVIRONMENT

Global economic growth in the first half of 2024 continued at roughly the same pace as in 2023. The strong growth of the US economy slowed down, however. In the euro area, growth was modest in 2023 and has continued to be sluggish in the first half of 2024. The growth of these markets, which are important for Finnish exports, is under pressure from interest rates that have rapidly risen as central banks seek to curb inflation, which accelerated in both the US and the euro area after the Covid-19 crisis. A long-awaited turn in interest rate policy was seen in June, when the European Central Bank cut its key policy rates by 0.25 percentage points.

The Finnish economy has continued to perform poorly in the first half of the year. Unemployment has been on the rise and consumer expectations for the economy have been pessimistic. This is reflected in households' cautious spending. The housing market in particular has suffered from buyer caution and trading volumes are low. The order books of exporting companies became thinner in the early part of the year, and the construction sector is in particular difficulty, with new construction virtually at a standstill. In fact, the number of bankruptcies remained high in the first half of the year.

Russia's war of aggression against Ukraine continued, but as most export and import trade with Russia ended earlier due to EU sanctions, the negative effects on the Finnish economy have not increased. However, the significant aid flows to Ukraine will also increase cost pressures on the public sector in Finland.

In early 2024, increasing public spending and rising interest costs forced policymakers to look for solutions to alleviate Finland's substantial fiscal deficit. In the spring, Finland saw significant industrial action as trade unions sought to persuade the Government to withdraw its proposed changes to labour legislation to limit political strikes. In the short term, raising the general VAT rate and cutting various benefits to improve the deficit will, however, have a negative impact on economic growth.

Housing prices continued to fall in the first half of 2024 on the year before, although there are also some signs that the decline is coming to an end and that the housing market is recovering. Wage increases in the spring, together with a sharp slowdown in domestic inflation, boost households' purchasing power. Increased income has so far been moderately reflected in consumption growth, but the household savings rate has increased.

In agriculture and forestry, input prices turned sharply downwards as inflation eased. Energy prices in particular fell sharply, with the exception of temporary fluctuations in the price of electricity on the stock exchange. The timber trade has continued to do well, with domestic timber replacing imports from Russia.

For the banking sector, the April 2024 introduction of the positive credit register was a major improvement. Together with the income register, it enables lenders to assess the creditworthiness of individuals more reliably and comprehensively than before.

KEY FIGURES AND RATIOS

	30 Jun 2024	30 Jun 2023	31 Dec 2023
Cost-to-income ratio	55%	139%	94%
Return on Assets, ROA	0.1%	-0.1%	0.0%
Return on Equity, ROE	2.0%	-1.8%	0.4%
Capital adequacy ratio (TC)	328.3%	112.9%	231.6%
Equity ratio	3.3%	3.2%	3.1%

Alternative Performance Measures (APMs) are key figures other than those specified in the accounting standards or other regulation and are used to describe the company's financial position and development. The key figures presented by the POP Mortgage Bank are based on IFRS Financial Statement Reporting standards.

The calculation formulas for key ratios are presented in the POP Mortgage Banks' Board of Directors' Report and Financial Statements 31 December 2023. When calculating ROA and ROE, the profit for the review period has been changed to match full year level.

EARNINGS AND BALANCE SHEET

EARNINGS

POP Mortgage Bank recorded a profit of EUR 0.3 (-0.2) million for the review period.

POP Mortgage Bank's net interest income was EUR 0.8 (0.5) million. Interest income was entirely generated from interest earnings on receivables from credit institutions. Interest expenses consisted of EUR 8.0 (5.0) million in bonds issued and EUR 3.2 (0.6) million in derivative contracts.

POP Mortgage Bank's operating expenses totalled EUR 0.4 (0.5) million. Personnel expenses included fees paid to the members of the Board of Directors. Other operating expenses include EUR 0.1 (0.2) million in ICT expenses and EUR 0.3 (0.3) million in purchased services. Purchased services include management services purchased from Bonum Bank Plc and POP Bank Centre coop, among other services. Depreciation and impairment include the amortisation of intangible assets. Other operating expenses totalled EUR 0.4 (0.5) million, including regulatory and other consulting fees.

BALANCE SHEET AND FINANCIAL POSITION

POP Mortgage Bank's balance sheet totalled EUR 528.9 million (544.3 at the beginning of the review period).

Loans and receivables from credit institutions includes EUR 19.2 (26.3) million in deposits made in Bonum Bank and EUR 500.0 (500.0) million in intermediary loans granted to banks belonging to the Amalgamation of POP Banks.

The bonds issued, at EUR 497.3 (503.3) million, includes secured bonds issued in September 2022 and April 2023, with a nominal value of EUR 500 million, and the change in the fair value of the underlying asset in hedge accounting.

POP Mortgage Bank's equity was EUR 17.2 (16.9) million at the end of the review period.

CREDIT RATING

In April 2023, the credit rating agency S&P Global Rating has confirmed the 'AAA' credit rating with a stable outlook for POP Mortgage Bank's loan program and the issued bonds.

RISK AND CAPITAL ADEQUACY MANAGEMENT AND RISK POSITION

PRINCIPLES AND ORGANISATION OF RISK MANAGEMENT

The POP Bank Group's strategy outlines the Group's risk appetite. Business activities are carried out at a moderate risk level so that the risks can be managed in full. The purpose of risk management is to ensure the risk levels are proportionate to the risk-bearing capacity and capital adequacy position of the bank and the amalgamation. Risk management processes must be able to identify all significant risks of the business operations and assess, measure and monitor these regularly.

As the central institution, POP Bank Centre coop supervises the sufficiency and functioning of the risk management systems at the level of the member credit institutions and the amalgamation and is liable for the Group's risk and capital adequacy management in accordance with section 17 of the Amalgamation Act. The central institution of the amalgamation issues binding instructions concerning risk and capital adequacy management, corporate governance and internal control to the member credit institutions to secure their solvency and capital adequacy. Furthermore, common business controlling thresholds have been established for the member institutions to ensure that the risks taken by an individual member institution are within acceptable limits.

POP Mortgage Bank's risk management goal is to ensure that the bank complies with laws, decrees, instructions and regulations issued by the authorities, binding guidelines of the Group and its own rules.

The purpose of capital adequacy management is to ensure the sufficient amount, type and efficient use of the capital of the POP Mortgage Bank. Capital is held to cover the material risks arising from the amalgamation's business strategy and plan and to secure the uninterrupted operation of the amalgamation in case of unexpected losses. The goal is pursued through a documented and systematic capital adequacy management process. POP Mortgage Bank is responsible for member banks long-term funding by issuing secured bonds. Issuing is based on the funding needs of the amalgamation as an entity due to which POP Mortgage Bank's control process of the capital adequacy is closely connected to the strategy process of the amalgamation as well as the planning and managing of the business operations.

The amalgamation's risk management and capital adequacy management are described in more detail in Note 4 to the POP Bank Group's financial statements 31 December 2023. Furthermore, information concerning risks (Pillar III) specified in the EU Capital Requirements Regulation (2019/876) (CRR II) is presented in a separate Amalgamation of POP Banks' Capital Adequacy report 30 June 2024.

CREDIT RISKS

POP Mortgage Bank's credit risk will consist of intermediary loans granted to the member banks of the Amalgamation of POP Banks.

POP Mortgage Bank engages in mortgage bank operations under an intermediary loan model established by the Act on Mortgage Banks and Covered Bonds (151/2023). Thus, the bank may issue secured bonds and use the acquired funds to offer intermediary loans to the member banks of the amalgamation.

Under the intermediary loan model, the mortgage-backed loans provided as collateral for secured bonds remain on the member banks' balance sheets and are not recognised on POP Mortgage Bank's balance sheet. The risks associated with the mortgage-backed loans provided as collateral are not transferred to POP Mortgage Bank. The bonds are recognised as collateral for the secured bonds issued. The intermediary loans granted to member

banks are presented under Receivables from credit institutions on the balance sheet.

LIQUIDITY RISKS

Bonum Bank Plc, the central credit institution of the amalgamation, is responsible for liquidity management. Liquidity risks are managed by maintaining a liquidity reserve consisting of LCR-eligible (Liquidity Coverage Ratio) liquid assets, assets eligible as collateral for central bank funding, and short-term bank receivables. Based on an authorisation granted by the Financial Supervisory Authority, the member credit institutions of the amalgamation have been exempted from the LCR and NSFR (Net Stable Funding Ratio) requirements by the decision of the central institution. The LCR and NSFR requirements are calculated at the level of the Amalgamation of POP Banks.

POP Bank Group's liquidity position remained strong during the financial period. The liquidity requirement (LCR) for the Amalgamation of POP Banks was 230.3 (273.9 at the beginning of the review period) per cent on 30 June 2024, with the regulatory minimum level being 100 per cent. The amalgamation's NSFR was 136.8 (132.7) per cent on 30 June 2024, with the regulatory minimum level being 100 per cent.

MARKET RISKS

POP Mortgage Bank's most significant market risk is the interest rate risk associated with the banking book. The interest rate risk refers to the impact of changes in interest levels on the market value of balance sheet and off-balance-sheet items, or on net interest income. The banking book consists of intermediary loans granted to the amalgamation's member banks and market-based financing.

POP Mortgage Bank does not engage in trading activities. The possible use of derivatives is limited to hedging interest rate risk in the banking book.

POP Mortgage Bank monitors the interest rate risk by using the present value method and the dynamic income risk model. The present value method measures how changes in interest rates affect the constructed market value of the balance sheet. In the

present value method, the market value of the balance sheet is calculated as the present value of the expected cash flows of individual balance sheet items. Interest rate sensitivity indicators are used to monitor the market value changes caused by changes in the interest rates and credit spreads of investment items in different interest rate scenarios. The income risk model predicts future net interest income and its changes in various market rate scenarios within a time frame of five years. The amount of interest rate risk taken is assessed with the effect of diverse interest rate shocks on the net interest income and net present value.

OPERATIONAL RISKS

The objective of the management of operational risks is to identify essential operational risks in business operations and minimise their materialisation and impacts. The objective is pursued by means of comprehensive operating instructions and internal control measures, such as by segregating preparation, decision-making, implementation and control from one another.

POP Mortgage Bank carries out an annual self-assessment of operational risks based on the risks assessments it performs, in which the monitoring of operational risk incidents is utilised. The risk assessment also aims to evaluate the risks related to POP Mortgage Bank most significant outsourced operations. Some of the potential losses caused by operational risks are hedged through insurance. Risks caused by malfunctions in information systems are prepared for through continuity planning.

CRISIS RESOLUTION PLAN

In accordance with the bank resolution act for own funds and eligible liabilities, the Financial Stability Authority has on 14 April 2024 set a minimum

requirement of own funds and eligible liabilities (MREL-requirement) for POP Mortgage Bank. The MREL requirement for POP Mortgage Bank is 16.0 per cent of total risk-weighted assets (TREA) or 6.0 per cent of the leverage ratio exposures (LRE). The MREL requirement has been fulfilled with own funds.

CAPITAL ADEQUACY MANAGEMENT

At the end of the review period POP Mortgage Bank's capital adequacy was at a good level. The Bank's capital ratio and the core capital adequacy ratio was 328.3 per cent on 30 June 2024 (231.6 at the beginning of the review period). Bank's own funds totalled EUR 16.5 (16.4) million consisting entirely of CET1 capital adequacy.

POP Mortgage Bank's own funds are comprised of share capital, retained earnings and other non-restricted reserves, less the deductible items in accordance with the CRR. Member credit institutions of the amalgamation have been exempted from the own funds requirements for intragroup items and large exposures limits for exposures between the central credit institution and the member credit institutions based on a permission granted by the FIN-FSA.

POP Mortgage Bank's leverage ratio on 30 June 2024 was 409.0 (158.5) per cent. The minimum level of regulation is 3 per cent.

The statutory minimum is 8 per cent for the capital adequacy ratio and 4.5 per cent for CET1 capital. In addition to the minimum capital adequacy ratio, POP Mortgage Bank is subject to the fixed additional capital requirement, which is 2.5 per cent in accordance with the Act on Credit Institutions, and to the variable country-specific additional capital requirements for foreign exposures.

SUMMARY OF CAPITAL ADEQUACY

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Own funds		
Common Equity Tier 1 capital before deductions	16,855	16,793
Deductions from Common Equity Tier 1 capital	-348	-411
Total Common Equity Tier 1 capital (CET1)	16,507	16,381
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	16,507	16,381
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	16,507	16,381
Total risk weighted assets	5,028	7,074
of which credit risk	936	2,136
of which credit valuation adjustment risk (CVA)	2,498	3,344
of which market risk (exchange rate risk)	-	-
of which operational risk	1,594	1,594
Fixed capital conservation buffer according to Act on Credit institutions (2.5%)	126	177
Countercyclical capital buffer	-	-
CET1 Capital ratio (%)	328.3%	231.6%
T1 Capital ratio (%)	328.3%	231.6%
Total capital ratio (%)	328.3%	231.6%
Capital requirement		
Total capital	16,507	16,381
Capital requirement *	528	743
Capital buffer	15,979	15,639
Leverage ratio		
Tier 1 capital (T1)	16,507	16,381
Leverage ratio exposure	4,036	10,338
Leverage ratio, %	409.0%	158.5%

*The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the country-specific countercyclical capital requirements of foreign exposures.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

POP Mortgage Bank's core business is expected to generate positive results and continue its trend consistent with the performance in the first half of the year. The capital adequacy is expected to stay strong.

EVENTS AFTER THE REVIEW PERIOD

Board of Directors of POP Mortgage Bank is not aware of events after the closing date that would have a material impact on the information presented in the financial statements.

TABLES (IFRS)

INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2023
Interest income*		11,994	6,064
Interest expenses*		-11,214	-5,577
Net interest income	2	780	487
Net income from hedge accounting	3	-15	-96
Total operating income		765	391
Personnel expenses		-9	-13
Other operating expenses		-354	-473
Depreciation and amortisation		-58	-58
Total operating expenses		-421	-543
Profit before taxes		344	-152
Income taxes		-	-
Result for the period		344	-152

*The presentation method for interest income from derivative contracts has been changed. For the interest on derivatives, the interest from one interest rate swap will henceforth be recorded on a net basis rather than as gross interest income and gross interest expense. A reclassification of EUR 4,894 thousand from interest income to interest expenses was made for the comparative period. The change is described in more detail in Note 1, under “Changes in presentation method”.

The company has no items to be presented in the statement of other comprehensive income.

BALANCE SHEET

(EUR 1,000)	Note	30 Jun 2024	31 Dec 2023
Assets			
Loans and receivables from credit institutions	4, 5, 6	519,246	526,280
Derivatives	4, 5, 6	1,664	6,945
Intangible assets		340	398
Other assets		7,616	10,687
Total assets		528,866	544,310
Liabilities			
Debt securities issued to the public	4, 5, 7	497,293	503,259
Liabilities to credit institutions		3,320	10,650
Derivatives	4, 5, 8	3,743	2,863
Other liabilities		7,312	10,682
Total liabilities		511,667	527,455
Equity capital			
Share capital		10,000	10,000
Reserves		9,000	9,000
Retained earnings		-1,801	-2,145
Total equity capital		17,199	16,855
Total liabilities and equity		528,866	544,310

STATEMENT OF CHANGES IN EQUITY CAPITAL

(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Balance at 1 Jan 2024	10,000	9,000	-2,145	16,855
Profit for the financial year	-	-	344	344
Profit for the financial year	-	-	344	344
Balance at 30 Jun 2024	10,000	9,000	-1,801	17,199

(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Balance at 1 Jan 2023	10,000	9,000	-2,207	16,793
Profit for the financial year	-	-	-152	-152
Profit for the financial year	-	-	-152	-152
Balance at 30 Jun 2023	10,000	9,000	-2,360	16,640

POP MORTGAGE BANK'S CASH FLOW STATEMENT

(EUR 1,000)	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2023
Cash flow from operating activities		
Profit for the financial year	344	-152
Adjustments to profit for the financial year	252	245
Increase (-) or decrease (+) in operating assets	2,771	-256,813
Receivables from credit institutions	-300	-249,800
Other assets	3,071	-7,013
Increase (+) or decrease (-) in operating liabilities	-10,700	7,181
Liabilities to credit institutions	-7,330	-
Other liabilities	-3,370	7,181
Total cash flow from operating activities	-7,334	-249,539
Cash flow from financing activities		
Debt securities issued, increase	-	249,203
Total cash flow from financing activities	-	249,203
Change in cash and cash equivalents		
Cash and cash equivalents at period-start	13,080	1,284
Cash and cash equivalents at the end of the period	5,746	948
Net change in cash and cash equivalents	-7,334	-336
ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT		
Interest received	14,839	4,341
Interest paid	14,535	3,675
Adjustments to result for the financial year		
Changes in fair value	17	99
Depreciation	58	58
Other	176	88
Cash and cash equivalents		
Receivables from credit institutions payable on demand	5,746	948
Total	5,746	948

POP Mortgage Bank had no items to present in the cash flow from investing activities during the review period.

NOTES

NOTE 1 ACCOUNTING POLICIES

POP Mortgage Bank Plc's (hereinafter POP Mortgage Bank) financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related interpretations (IFRIC).

The half-year report for 1 January – 30 June 2024 has been prepared in accordance with IAS 34 Interim Financial Reporting and the accounting policies presented in POP Mortgage Bank's IFRS financial statements 31 December 2023.

The figures disclosed in the half-year report are unaudited. The figures in the half-year report are in thousand euros, unless otherwise stated. The figures in the calculations and tables are rounded, whereby the sum total of individual figures may deviate from the sum total presented. The operating currency of POP Mortgage Bank is euro.

Copy of POP Mortgage Bank's half-year report is available from its office at Hevosenkentä 3, FI-02600 Espoo, and online at www.poppankki.fi.

CHANGES IN PRESENTATION METHOD

POP Mortgage Bank has clarified the presentation method for interest on derivative contracts. Unlike the previous presentation method, the interest from a single derivative contract will now be recorded on a net basis instead of as gross interest income and gross interest expense. Interest from derivatives hedging assets will be presented in the income statement under interest income, and interest from derivatives hedging liabilities will be presented under interest expenses. The presentation method for interest liabilities and receivables has also been modified, such that the interest from derivative contracts is shown as a net amount in either other assets or other liabilities on the balance sheet, depending on the interest payment situation at each reporting date. Comparative period data in the income statement has been adjusted to match the new presentation method. No corresponding adjustment

has been made to the balance sheet. The detailed EUR impacts of the adjustment are presented in the income statement and in Note 2 regarding net interest income.

ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGEMENT AND UNCERTAINTY FACTORS AFFECTING ESTIMATES

The application of the IFRS requires the management to make estimates and assumptions concerning the future that affect the reported amounts in the financial statements, as well as the information included in the notes. The management's main estimates concern the future and key uncertainties related to the amounts at the balance sheet date. Such key estimates are related to fair value measurement, as well as the impairment of financial assets and intangible assets. The management's estimates and assumptions are based on the best view at the balance sheet date, which may differ from the actual result.

The management must assess whether the markets for financial instruments are active or not. Furthermore, the management must assess whether an individual financial instrument is subject to active trading and whether the price information obtained from the market is a reliable indication of the instrument's fair value.

When the fair value of financial instruments is determined using a valuation technique, the management's judgement is needed in the choice of the valuation technique to be applied. Insofar as there is no market input available for the techniques, management must evaluate how other data can be used for the valuation.

In the calculation of expected credit losses, the management's assessment has been used in deciding that the probability of default of POP Banks Group's internal items is to be zero. The as-

assessment was made based on the structure of the Group and the principles of risk management. The most significant item within the amalgamation to which the principle is applied is the interim loans granted to POP Banks, which are presented in Note 6 Loans and receivables from credit institutions.

NOTE 2 INTEREST INCOME AND EXPENSES

(EUR 1,000)	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2023
Interest income		
Loans and receivables from credit institutions	11,994	6,064
Total interest income	11,994	6,064
Interest expenses		
Liabilities to credit institutions	-77	0
Debt securities issued to the public	-7,954	-4,955
Derivatives in hedges of liabilities*	-3,182	-622
Total interest expenses	-11,214	-5,577
Net interest income	780	487

*The presentation method for interest income from derivative contracts has been changed. For the interest on derivatives, the interest from one interest rate swap will henceforth be recorded on a net basis rather than as gross interest income and gross interest expense. A reclassification of EUR 4,894 thousand from interest income to interest expenses was made for the comparative period. The change is described in more detail in Note 1, under "Changes in presentation method".

NOTE 3 NET INCOME FROM HEDGE ACCOUNTING

(EUR 1,000)	1 Jan - 30 Jun 2024	1 Jan - 30 Jun 2023
Change in hedging instruments' fair value	-6,160	-3,253
Change in hedged items' fair value	6,145	3,157
Net income from hedge accounting	-15	-96

NOTE 4 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS 30 JUN 2024

(EUR 1,000)	Measured at amortised cost	At fair value through profit or loss	Total carrying amount
Loans and receivables from credit institutions	519,246	-	519,246
Derivative contracts	-	1,664	1,664
Financial assets total	519,246	1,664	520,911
Other assets			7,956
Total assets 30 Jun 2024			528,866

FINANCIAL ASSETS 31 DECEMBER 2023

(EUR 1,000)	Measured at amortised cost	At fair value through profit or loss	Total carrying amount
Loans and receivables from credit institutions	526,280	-	526,280
Derivative contracts		6,945	6,945
Financial assets total	526,280	6,945	533,225
Other assets			11,085
Total assets 31 Dec 2023			544,310

FINANCIAL LIABILITIES 30 JUN 2024

(EUR 1,000)	Measured at amortised cost	At fair value through profit or loss	Total carrying amount
Liabilities to credit institutions	3,320	-	3,320
Debt securities issued to the public	497,293	-	497,293
Derivative contracts	-	3,743	3,743
Financial liabilities total	500,613	3,743	504,356
Other liabilities			7,312
Total liabilities 30 Jun 2024			511,667

FINANCIAL LIABILITIES 31 DECEMBER 2023

(EUR 1,000)	Measured at amortised cost	At fair value through profit or loss	Total carrying amount
Liabilities to credit institutions	10,650	-	10,650
Debt securities issued to the public	503,259	-	503,259
Derivative contracts	-	2,863	2,863
Financial liabilities total	513,909	2,863	516,773
Other liabilities			10,682
Total liabilities 31 Dec 2023			527,455

NOTE 5 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES AND FAIR VALUES BY VALUATION TECHNIQUE

FINANCIAL ASSETS

(EUR 1,000)	30 Jun 2024		31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables from credit institutions	519,246	519,246	526,280	526,280
Derivatives	1,664	1,664	6,945	6,945
Total	520,911	520,911	533,225	533,225

FINANCIAL LIABILITIES

(EUR 1,000)	30 Jun 2024		31 Dec 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Liabilities to credit institutions	3,320	3,320	10,650	10,650
Derivatives	3,743	3,743	2,863	2,863
Debt securities issued to the public*	497,293	497,293	503,259	503,259
Total	504,356	504,356	516,773	516,773

*POP Mortgage Bank hedges issued bonds with fair value hedging. As a result of the hedge, the hedged item is also measured at fair value for the duration of the hedge, even though it would otherwise be measured at amortized cost. The change in the fair value of the hedged item is recorded as an adjustment to the respective balance sheet item.

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

FINANCIAL ASSETS MEASURED AT FAIR VALUE 30 JUN 2024

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Derivatives	-	1,664	-	1,664
Total	-	1,664	-	1,664

FINANCIAL ASSETS MEASURED AT FAIR VALUE 31 DEC 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Derivatives	-	6,945	-	6,945
Total	-	6,945	-	6,945

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE 30 JUN 2024

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Derivatives	-	3,743	-	3,743
Total	-	3,743	-	3,743

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE 31 DEC 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Derivatives	-	2,863	-	2,863
Total	-	2,863	-	2,863

FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and liabilities are recognised in balance sheet at fair value or amortised cost. Classification and valuation of financial instruments are described in more detail in Note 1 Accounting policies in POP Mortgage Bank's financial statements 31 December 2023.

FAIR VALUE HIERARCHIES

Level 1 includes financial instruments that are measured on the basis of quotations obtained from liquid markets. A market is considered as liquid if quotations are regularly available. This group included all securities with publicly quoted prices.

Level 2 includes financial instruments measures using generally approved measurement techniques or models which are based on assumptions made on the basis of observable market prices. For example, the fair value of a financial instrument allocated to Level 2 may be based on the value derived from the market quotation of components of an instrument. This group includes interest derivatives and other instruments that are not traded in liquid markets.

Level 3 includes financial instruments and other assets that are not measured using market quotations or values determined on the basis of observable market prices using measurement techniques or models. The assumptions applied in the measurement techniques often involve insecurity. The fair value of assets allocated to Level 3 is often based on price information obtained from a third party. This group includes unlisted shares and funds and investment properties.

TRANSFERS BETWEEN FAIR VALUE HIERARCHY LEVELS

Transfers between hierarchy levels are considered to have taken place on the date of the occurrence of the event that caused the transfer or the date when the circumstances changed. There were no transfers between levels during the reporting period.

NOTE 6 LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Deposits		
Repayable on demand	5,746	13,080
Other	13,500	13,200
Intermediary loans	500,000	500,000
Total	519,246	526,280

NOTE 7 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Covered bonds	497,293	503,259
Total debt securities issued to the public	497,293	503,259

DEBT SECURITIES ISSUED TO THE PUBLIC (EUR 1,000)

Bond	Issue date	Due date	Interest	Nominal	Currency
POPA 22092025	22 Sep 2022	22 Sep 2025	2.625% / fixed	250,000	EUR
POPA 26042028	26 Apr 2023	26 Apr 2028	3.625% / fixed	250,000	EUR

DEBT SECURITIES PRESENTED IN CASH FLOW RECONCILIATION TO BALANCE SHEET

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Balance sheet 1 Jan	503,259	243,038
Increase of bonds	-	249,203
Total changes of cash flow of financial activities	-	249,203
Valuations and accrued interests	-5,967	11,019
Balance sheet end of the period	497,293	503,259

NOTE 8 DERIVATIVES AND HEDGE ACCOUNTING

POP Mortgage Bank hedges its interest rate risk against fair value changes primarily using interest rate swaps. With interest rate swaps, the interest rates of variable-rate intermediate loans and fixed-rate issued bonds are swapped to the same interest basis. As a result of the hedging, changes in market interest rates have a minimal impact on net interest income.

The hedged items are issued bonds, and hedge accounting is applied to fair value hedging. During the period, there were no new issuances, and consequently, no changes in hedge relationships.

NOMINAL AND FAIR VALUES OF DERIVATIVES

30 Jun 2024 (EUR 1,000)	Nominal value / remaining maturity				Fair value	
	Less than 1 year	1-5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging						
Interest rate derivatives	-	500,000	-	500,000	1,664	3,743
Derivatives total	-	500,000	-	500,000	1,664	3,743

31 Dec 2023 (EUR 1,000)	Nominal value / remaining maturity				Fair value	
	Less than 1 year	1-5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging						
Interest rate derivatives	-	500,000	-	500,000	6,945	2,863
Derivatives total	-	500,000	-	500,000	6,945	2,863

The nominal value of the fixed-rate bond subject to fair value hedging at the end of reporting period was EUR 500 million. This item is included on the balance sheet under “debt securities issued to the public”. The nominal values of derivative instruments correspond to the nominal values of the objects to be hedged.

EFFECTS OF HEDGE ACCOUNTING ON FINANCIAL POSITION AND RESULT

Fair value hedging (EUR 1,000)	30 Jun 2024	31 Dec 2023
Liabilities		
Carrying amount of hedged debt securities issued to the public	497,293	503,259
‘of which the accrued amount of hedge adjustments	-1,819	4,326

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

30 Jun 2024	Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements						
	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Master agreements	Financial instruments held as collateral	Cash held as collateral	Net amount
(EUR 1,000)							
Assets							
Derivatives	6,580	-	6,580	-4,066	-3,320	-	-
Total	6,580	-	6,580	-4,066	-3,320	-	-
Liabilities							
Derivatives	4,066	-	4,066	-4,066	-	-	-
Total	4,066	-	4,066	-4,066	-	-	-

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

31 Dec 2023	Amounts which are not offset but are subject to enforceable master netting arrangements or similar agreements						
	Recognised financial assets, gross	Recognised financial liabilities offset in balance sheet, gross	Carrying amount in balance sheet, net	Master agreements	Financial instruments held as collateral	Cash held as collateral	Net amount
(EUR 1,000)							
Assets							
Derivatives	14,903	-	14,903	-5,219	-10,650	-	-
Total	14,903	-	14,903	-5,219	-10,650	-	-
Liabilities							
Derivatives	5,219	-	5,219	-5,219	-	-	-
Total	5,219	-	5,219	-5,219	-	-	-

NOTE 9 COLLATERAL GIVEN AND RECEIVED

(EUR 1,000)	30 Jun 2024	31 Dec 2023
Given on behalf of own liabilities and commitments		
Mortgage-backed loan portfolio*	684,013	682,731
Total collateral given	684,013	682,731
Collateral received		
Collateral received from member banks of POP Bank amalgamation*	678,013	676,731
Other	3,320	10,650
Total collateral received	681,333	687,381

*The collateral provided and received by POP Mortgage Bank is related to secured bonds issued under the EUR 1.5 billion issuance programme established in September 2022 and updated in February 2024, as well as the interim loans based on it. The collateral given and received consists of loans secured by real estate.

Other collateral is related to derivatives and are collateral given and received in cash.

NOTE 10 RELATED PARTY DISCLOSURES

The related parties of POP Mortgage Bank comprise the members of the company's Board of Directors and Executive Group and members of their immediate families. In addition, related parties include POP Mortgage Bank's parent entity POP Bank Centre coop, as well as its managing director and deputy managing director. Furthermore, related parties include those entities over which key persons included in the management and/or members of their immediate families have control or joint control. Also entities in the same group with POP Mortgage Bank belong to the related parties.

There have been no significant changes in related party transactions since 31 December 2023.

Espoo 13 August 2024

POP Mortgage Bank Plc
Board of Directors

FURTHER INFORMATION

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