POP Mortgage Bank Plc

HALF-YEAR FINANCIAL REPORT

1 January – 30 June 2023

POP Mortgage Bank Plc

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POP Mortgage Bank Plc Half-Year Financial Report for 1 January – 30 June 2023 is a translation of the original Finnish version "POP Asuntoluottopankki Oyj puolivuosikatsaus 1.1.–30.6.2023". In case of discrepancies, the Finnish version shall prevail.

BOARD OF DIRECTOR'S REVIEW 1.1.-30.6.2023

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 responsible for acquiring external funding for the amalgamation of POP Banks in cooperation with Bonum Bank Plc. POP Mortgage Bank is responsible for issuing secured bonds and forwarding the acquired funding to member credit institutions of the amalgamation of POP Banks.

During the review period, in April 2023, POP Mortgage Bank issued another EUR 250 million bond under its EUR 1 billion covered bond programme. The first issue was in September 2022.

POP Mortgage Bank's result for the review period was a loss of EUR -0.2 (-0.9) million. The balance sheet total at the end of the review period was EUR 524.8 (268.3 at the beginning of the review period) million.

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 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.

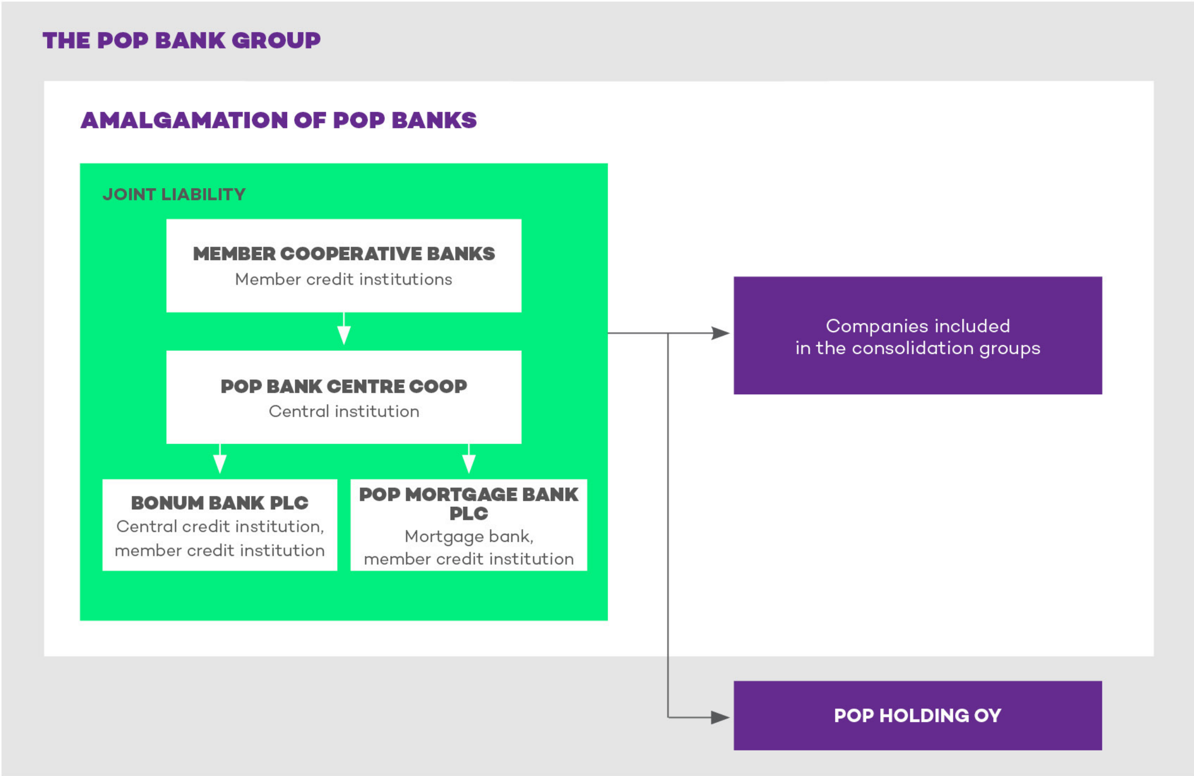
POP Bank Centre coop is the central institution of the amalgamation of POP Banks and is responsible for steering and supervising the POP Bank Group. POP Bank Centre coop has two subsidiaries, Bonum Bank Plc and POP Mortgage Bank Plc, which are also its member credit institutions.

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 following chart presents the structure of the POP Bank Group and the entities included in the amalgamation and scope of joint liability.

POP BANK GROUP STRUCTURE



CHANGES IN POP BANK GROUP'S STRUCTURE

During the review period, in May 2023, the POP Bank Group relinquished control over Finnish P&C Insurance Ltd and continues as a minority shareholder in the company. Subsequently, Finnish P&C Insurance Ltd will be consolidated as an associated company into the POP Bank Group's consolidated IFRS financial statements.

One merger was completed within the POP Bank Group during the review period. At the end of May 2023, Jämijärven Osuuspankki merged with Kurikan Osuuspankki. After the merger, the POP Bank Group consists of 18 cooperative banks. The merger was an intra-Group arrangement and had no impact on the POP Bank Group's consolidated financial information.

OPERATING ENVIRONMENT

The beginning of 2023 in Finland was marked by slow economic growth while inflation remained high and interest rates continued to rise. The employment rate has remained high in Finland, but GDP growth has been negative for two consecutive quarters, which meets the criterion for a technical recession. GDP growth is expected to remain low for the rest of the year.

Economic growth has continued to be weighed down by the ongoing war in Ukraine, high inflationary pressures on consumer demand and rising interest rates, although there have been positive developments in individual sectors. In Finland, however, companies' growth and investments are constrained by challenges in the availability of labour. The purchasing power of Finnish households has weakened because wage agreements are markedly more moderate than inflation. However, inflation is slowing down in Finland, as electricity prices have started to fall and fuel prices have also come down from their peak levels.

The European Central Bank (ECB) continued to fight inflation by raising key interest rates at a rapid pace also in early 2023. Since the beginning of the year, interest rates have been raised three times, by 1.25 percentage points in total. The ECB's messages and market expectations suggest that interest rate hikes will continue during the remainder of the year. The impact of higher interest rates has been passed on to households in the form of higher borrowing costs. The rise in the cost of housing loans and the increase in interest expenses for limited liability housing company loans have led to a sharp slowdown in residential construction and housing sales. Housing prices have declined, especially in the Helsinki metropolitan area.

For banks, changes in the operating environment have been reflected in a decline in consumers' willingness to borrow. The rising cost of living has caused some consumers to resort to savings. On the other hand, the good employment situation has helped consumers cope with rising costs and manage their loans. The declining economic cycle is gradually beginning to be reflected in an increase in corporate bankruptcy filings, but so far this trend has not been reflected in the quality of Finnish banks' loan portfolios.

KEY RATIOS

	30 Jun 2023	30 Jun 2022	31 Dec 2022
Cost-to-income ratio	139 %	4986 %	610 %
Return on assets, ROA	-0.1 %	-9.8 %	-1.0 %
ROE Return on equity, ROE	-1.8 %	-9.9 %	-7.9 %
Capital adequacy ratio (TC)	112.9 %	412.8 %	307.1 %
Equity ratio	3.2 %	98.0 %	6.3 %

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 pages 6-7 in the POP Mortgage Banks' Board of Directors' Report and Financial Statements 31 December 2022. When calculating ROA and ROE, the profit for the review period has been changed to match full year level.

PERFORMANCE AND BALANCE SHEET

PERFORMANCE

POP Mortgage Bank received permission from the Financial Supervisory Authority to engage in mortgage banking operations in 2022, and the bank issued its first covered bond in September 2022. Since mortgage banking operations had not yet started in the comparison period, the figures in the income statement of the review period and the comparative period are not completely comparable.

POP Mortgage Bank recorded a loss of EUR -0.2 (-0.9) million for the review period.

POP Mortgage Bank's net interest income was EUR 0.5 (0.0) million. Interest income consisted of EUR 6.1 (0.0) million in receivables from credit institutions and EUR 4.9 (-) million in derivative contracts. Net interest income has been increased by second bond issue made in April, which doubled the volume of operations. Interest expenses consisted of EUR 5.0 (-) million in bonds issued and EUR 5.5 (-) million in derivative contracts.

POP Mortgage Bank's operating expenses totalled EUR 0.5 (0.9) million. Personnel expenses included fees paid to the members of the Board of Directors. Other operating expenses include EUR 0.2 (0.3) 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 decreased significantly from the review period that included EUR 0.3 million consulting costs related to starting the mortgage banking operations.

BALANCE SHEET AND FINANCIAL POSITION

POP Mortgage Bank's balance sheet totalled EUR 524.8 million at the end of the review period (268.3 at the beginning of the review period).

Loans and receivables from credit institutions includes EUR 15.2 (15.8) million in deposits made in Bonum Bank and EUR 500.0 (250.0) million in intermediary loans granted to banks belonging to the amalgamation of POP Banks. The number of intermediary loans increased as a result of the second issue. Intangible assets include EUR 0.5 (0.5) million in investments made by POP Mortgage Bank in long-term ICT systems.

Derivative contracts consist of interest rate swaps for hedging purposes. The accumulated change in their fair value stood at EUR 9.8 (6.5) million at the end of the review period.

The bonds issued, at EUR 489.2 (243.0) 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 16.7 (16.8) million at the end of the review period.

CREDIT RATING

In April 2023, the credit rating agency S&P Global Rating 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, their own rules and the internal binding guidelines issued by the central institution of the amalgamation in its activities.

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 which is integrally linked to the amalgamation's and member credit institutions' strategy process and business planning and management. 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 2022. 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 2023.

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 the liquidity management and fulfilment of the requirement for net stable funding. Liquidity risks are managed by maintaining a liquidity reserve consisting of LCR-eligible liquid assets, assets eligible as collateral for central bank funding, and short-term bank receivables. The net stable funding requirement NSFR measures the maturity mismatch of assets and liabilities on the balance sheet and ensures that the ongoing funding is sufficient to meet funding needs over a one-year period, thus preventing over-reliance on short-term wholesale funding. 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 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 257.3 (184.8 at the beginning of the review period) per cent on 30 June 2023, with the regulatory minimum level being 100 per cent. The amalgamation's Net Stable Funding Ratio (NSFR) was 136,2 (133.5) per cent on 30 June 2023, 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 through continuous personnel development and 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.

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 112.9 per cent on 30 June 2023 (307.1 at the beginning of the review period). Bank's own funds totalled EUR 16.2 (16.3) 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 2023 was 129.9 (339.5) 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 2023	31 Dec 2022
Own funds		
Common Equity Tier 1 capital before deductions	16,640	16,793
Deductions from Common Equity Tier 1 capital	-484	-529
Total Common Equity Tier 1 capital (CET1)	**16,156**	**16,264**
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**16,156**	**16,264**
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**-**
Total capital (TC = T1 + T2)	**16,156**	**16,264**
Total risk weighted assets	**14,310**	**5,296**
of which credit risk	2,551	974
of which credit valuation adjustment risk (CVA)	10,093	2,657
of which market risk (exchange rate risk)	-	-
of which operational risk	1,666	1,666
Fixed capital conservation buffer according to Act on Credit institutions (2.5%)	**358**	**132**
Countercyclical capital buffer	**-**	**-**
CET1 Capital ratio (%)	**112.9 %**	**307.1 %**
T1 Capital ratio (%)	**112.9 %**	**307.1 %**
Total capital ratio (%)	**112.9 %**	**307.1 %**
Capital requirement		
Total capital	16,156	16,264
Capital requirement *	1,503	556
Capital buffer	14,654	15,707
Leverage ratio		
Tier 1 capital (T1)	16,156	16,264
Leverage ratio exposure	12,435	4,794
Leverage ratio, %	129.9 %	339.2 %

*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 produce a positive result following the second covered bond issue. 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 2023	1 Jan - 30 Jun 2022
Interest income		10,957	18
Interest expenses		-10,470	-
Net interest income	**2**	**487**	**18**
Net income from hedge accounting	3	-96	-
Total operating income		**391**	**18**
Personnel expenses		-13	-13
Other operating expenses		-473	-875
Depreciation and amortisation		-58	-10
Total operating expenses		**-543**	**-898**
Profit before taxes		**-152**	**-880**
Income taxes		-	-
Result for the period		**-152**	**-880**

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

BALANCE SHEET

(EUR 1,000)	Note	30 Jun 2023	31 Dec 2022
Assets			
Loans and advances to credit institutions	4, 5, 6	515,248	265,784
Intangible assets		456	514
Other assets		9,046	2,033
Total assets		**524,750**	**268,332**
Liabilities			
Debt securities issued to the public	4, 5, 7	489,175	243,038
Derivatives	4, 5, 8	9,773	6,520
Other liabilities		9,162	1,981
Total liabilities		**508,110**	**251,539**
Equity capital			
Share capital		10,000	10,000
Reserves		9,000	9,000
Retained earnings		-2,360	-2,207
Total equity capital		**16,640**	**16,793**
Total liabilities and equity capital		**524,750**	**268,332**

STATEMENT OF CHANGES IN EQUITY CAPITAL

(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Balance 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 30 Jun 2023	**10,000**	**9,000**	**-2,360**	**16,640**

(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Retained earnings	Total equity
Balance 1 Jan 2022	**10,000**	**9,000**	**-828**	**18,172**
Profit for the financial year	-	-	-880	-880
Total income for the financial year	**-**	**-**	**-880**	**-880**
Balance 30 Jun 2022	**10,000**	**9,000**	**-1,708**	**17,292**

CASH FLOW STATEMENT

(EUR 1,000)	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Cash flow from operating activities		
Profit for the financial year	-152	-880
Adjustments to profit for the financial year	245	10
Increase (-) or decrease (+) in operating assets	**-256,813**	**-14,606**
Advances to credit institutions	-249,800	-14,500
Other assets	-7,013	-106
Increase (+) or decrease (-) in operating liabilities	**7,181**	**232**
Other liabilities	7,181	232
Total cash flow from operating activities	**-249,539**	**-15,244**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-	-43
Total cash flow from investing activities	**-**	**-43**
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	1,284	17,748
Cash and cash equivalents at the end of the period	948	2,461
Net change in cash and cash equivalents	**-336**	**-15,287**
Cash and cash equivalents		
Receivables from credit institutions payable on demand	948	2,461
Total	**948**	**2,461**
ADDITIONAL INFORMATION OF THE CASH FLOW STATEMENT		
Interest received	4,341	-
Interest paid	3,675	-
Adjustments to result for the financial year		
Changes in fair value	99	-
Depreciation	58	10
Other	88	-
Adjustments to result for the financial year total	**245**	**10**

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 financial report for 1 January – 30 June 2023 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 2022.

The figures disclosed in the half-year report are unaudited. The reported figures in the half-year financial 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.

A copy of POP Mortgage Bank's half-year financial report is available from its office at Hevosenkenkä 3, FI-02600 Espoo, and online at **www.poppankki.fi**.

CHANGES IN THE ACCOUNTING POLICIES

No new IFRS standards were adopted during the review period in POP Mortgage Bank's financial statements.

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.

At the end of each reporting period, management is required to assess whether there is any indication that an asset other than a financial asset may be impaired. Impairment of intangible assets should be assessed whenever there is any indication that an asset may be impaired. The valuation of intangible assets in progress also requires management judgment.

In the calculation of expected credit losses, the management's assessment has been used in deciding that the probability of default of the amalgamation of POP Bank Group's internal items is to be zero. The assessment was made based on the structure of the Group and the principles of risk management.

NOTE 2 INTEREST INCOME AND EXPENSES

(EUR 1,000)	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Interest income		
Loans and advances to credit institutions	6,064	18
Hedging derivatives	4,894	-
Total interest income	**10,957**	**18**
Interest expenses		
Liabilities to credit institutions	0	-
Debt securities issued to the public	-4,955	-
Hedging derivatives	-5,515	-
Total interest expenses	**-10,470**	**-**
Net interest income	**487**	**18**

NOTE 3 NET INCOME FROM HEDGE ACCOUNTING

(EUR 1,000)	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Change in hedging instruments' fair value	-3,253	-
Change in hedged items' fair value	3,157	-
Total net income from hedge accounting	**-96**	**-**

NOTE 4 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS 30 JUN 2023

(EUR 1,000)	At amortised cost	Total carrying amount
Loans and advances to credit institutions	515,248	**515,248**
Financial assets total	**515,248**	**515,248**
Other assets		**9,502**
Total assets		**524,750**

FINANCIAL ASSETS 31 DEC 2022

(EUR 1,000)	At amortised cost	Total carrying amount
Loans and advances to credit institutions	265,784	**265,784**
Financial assets total	**265,784**	**265,784**
Other assets		**2,547**
Total assets		**268,332**

FINANCIAL LIABILITIES 30 JUN 2023

(EUR 1,000)	At amortised cost	At fair value through profit or loss	Total carrying amount
Debt securities issued to the public	489,175	-	**489,175**
Derivatives	-	9,773	**9,773**
Financial liabilities total	**489,175**	**9,773**	**498,948**
Other liabilities			**9,162**
Total liabilities			**508,110**

FINANCIAL LIABILITIES 31 DEC 2022

(EUR 1,000)	At amortised cost	At fair value through profit or loss	Total carrying amount
Debt securities issued to the public	243,038	-	**243,038**
Derivatives	-	6,520	**6,520**
Financial liabilities total	**243,038**	**6,520**	**249,558**
Other liabilities			**1,981**
Total liabilities			**251,539**

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

FINANCIAL ASSETS

	30 Jun 2023		31 Dec 2022	
(EUR 1,000)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Loans and advances to credit institutions	515,248	515,248	265,784	265,784
Total	**515,248**	**515,248**	**265,784**	**265,784**

FINANCIAL LIABILITIES

	30 Jun 2023		31 Dec 2022	
(EUR 1,000)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Debt securities issued to the public	489,175	489,175	243,038	243,038
Derivatives	9,773	9,773	6,520	6,520
Total	**498,948**	**498,948**	**249,558**	**249,558**

FAIR VALUE HIERARCHY LEVELS OF ITEMS RECURRENTLY RECOGNISED AT FAIR VALUE

FINANCIAL LIABILITIES AT FAIR VALUE 30 JUN 2023

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Derivatives	-	9,773	-	9,773
Total	**-**	**9,773**	**-**	**9,773**

FINANCIAL LIABILITIES AT FAIR VALUE 31 DEC 2022

(EUR 1,000)	Level 1	Level 2	Level 3	Total fair value
Derivatives	-	6,520	-	6,520
Total	**-**	**6,520**	**-**	**6,520**

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 2022.

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 ADVANCES TO CREDIT INSTITUTIONS

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Loans and advances to credit institutions		
Deposits		
Repayable on demand	948	1,284
Other	14,300	14,500
Intermediary loans	500,000	250,000
Total loans and advances to credit institutions	**515,248**	**265,784**

NOTE 7 DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Covered bonds	489,175	243,038
Total debt securities issued to the public	**489,175**	**243,038**

DEBT SECURITIES ISSUED TO THE PUBLIC

(EUR 1,000)

Bond	Issue date	Due date	Interest	Nominal	Currency
POPA 22092025	22.9.2022	22.9.2025	2.625% / fixed	250,000	EUR
Issued during the financial year					
POPA 26042028	26.4.2023	26.4.2028	3.625% / fixed	250,000	EUR

AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Balance at 1 Jan	**243,038**	**-**
Debt securities issued, increase	249,203	249,490
Total increase	**249,203**	**249,490**
Total changes of cash flow	**249,203**	**249,490**
Valuation	-3,065	-6,452
Balance at the end of period	**489,175**	**243,038**

NOTE 8 DERIVATIVES AND HEDGE ACCOUNTING

POP Mortgage Bank hedges its interest rate risk against changes in fair value, primarily using interest rate swaps. Hedge accounting is applied for fair value hedging. The hedged instrument of fair value hedging is fixed-rate bonds issued.

NOMINAL VALUES OF UNDERLYING LIABILITIES AND FAIR VALUES OF DERIVATIVES

30 JUN 2023	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	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	-	9,773
Derivatives total	**-**	**500,000**	**-**	**500,000**	**-**	**9,773**

31 DEC 2022	Nominal value / remaining maturity				Fair value	
(EUR 1,000)	Less than 1 year	1-5 years	More than 5 years	Total	Assets	Liabilities
Hedging derivative contracts						
Fair value hedging						
Interest rate derivatives	-	250,000	-	250,000	-	6,520
Derivatives total	**-**	**250,000**	**-**	**250,000**	**-**	**6,520**

The nominal value of the fixed-rate bond subject to fair value hedging was EUR 500 (250) 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 2023	31 Dec 2022
Liabilities		
Carrying amount of hedged debt securities issued to the public	489,175	243,038
of which the accrued amount of hedge adjustments	-9,608	-6,452

NOTE 9 COLLATERAL GIVEN

(EUR 1,000)	30 Jun 2023	31 Dec 2022
Given on behalf of own liabilities and commitments		
Debt securities	5,300	1,500
Mortgage-backed loan portfolio	675,384	330,791
Total collaterals given	**680,684**	**332,291**
Collaterals received		
Collaterals received from banks of POP Bank Group	675,384	330,791
Total collaterals received	**675,384**	**330,791**

The collaterals given and received by POP Mortgage Bank are related to the secured bonds issued in September 2022 and April 2023 and to the interim loans based on it.

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 2022.

Espoo 14 August 2023

POP Mortgage Bank Plc
Board of Directors

FURTHER INFORMATION

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POP Bank

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