# THE MORTGAGE SOCIETY OF FINLAND

## Interim Report

## 1 January–31 March 2021

The Interim Report for the period of 1 January 2021 to 30 June 2021 will be published on 31 August 2021

The Interim Report does not contain all information and Notes that are required in the annual Financial Statements. The Interim Report should be read in conjunction with the Group's Financial Statements 2020 and Stock Exchange Releases published during the period of 1 January to 31 March 2021.

The figures in the tables in the Report are presented in thousands of euros.

The Interim Report has been approved on 30 April 2021 by the Board of Directors of The Mortgage Society of Finland to be published on 3 May 2021.

*The Interim Report is unaudited.*

Hypo Group's Interim Report can be accessed at http://www.hypo.fi/en/

## Hypo Group’s January–March 2021

## The home finance specialist Hypo Group’s net interest income grew, capital adequacy and liquidity remained strong.

## CEO Ari Pauna:

*“Focusing on low risk housing collateralized lending in urbanising Finland is yielding profits even as the corona crisis continues. Hypo Group’s net interest income and net fee and commission income continued to grow, and CET 1 Capital adequacy and liquidity remained strong. Impairment losses remained at low level.”*

- Operating profit was EUR 1.1 million (EUR 1.0 million 1–3/2020)
- Net interest income increased to EUR 4.0 million (EUR 3.7 million 1–3/2020)
- Non-performing loans remained low at 0.10% of loan book (0.11% 31 December 2020)
- Expected credit losses were 0.01% of the loan book
- Net fee and commission income was EUR 0.9 million (EUR 0.8 million 1–3/2020)
- Other income totaled EUR 1.3 million (EUR 0.4 million 1–3/2020) including valuation originated net income from securities trading EUR 0.4 million (EUR -0.6 million 1–3/2020)
- Total costs were EUR 5.1 million (EUR 3.9 million 1–3/2020) including an estimated EUR 1.7 million contribution to the Resolution Fund for the year 2021 (EUR 0.9 million 1–3/2020)
- Common Equity Tier 1 (CET1) ratio, calculated with standard and basic methods, was 13.5% (13.9% on 31 December 2020)
- Liquidity Coverage Ratio (LCR) was 213.7 % (194.5% on 31 December 2020).

| **GROUP'S KEY FIGURES**<br>(1000 €) | **1-3/2021** | **1-3/2020** | **2020** |
|---|---|---|---|
| Net interest income | 4 026 | 3 711 | 14 562 |
| Net fee and commission income | 869 | 841 | 3 675 |
| Total other income | 1 272 | 367 | 4 236 |
| Total expenses | -5 079 | -3 915 | -14 429 |
| Operating profit | 1 089 | 1 004 | 8 044 |
| | | | |
| Receivables from the public and public sector entities | 2 586 253 | 2 534 728 | 2 510 910 |
| Deposits | 1 563 683 | 1 509 387 | 1 562 234 |
| Balance sheet total | 3 503 477 | 3 118 835 | 3 213 082 |
| | | | |
| Return on equity % (ROE) | 2,3 | 2,4 | 4,9 |
| Common Equity Tier 1 (CET1) ratio | 13,5 | 13,6 | 13,9 |
| Cost-to-income ratio, % | 82,4 | 79,8 | 63,9 |
| Non-performing assets, % of the loan portfolio | 0,10 | 0,26 | 0,11 |
| LTV-ratio, % / Loan to Value, average, % | 33,9 | 35,2 | 33,8 |
| Loans / deposits, % | 165,4 | 167,9 | 160,7 |
| Liquidity Coverage Ratio (LCR), % | 213,7 | 142,6 | 194,5 |

Calculation of key figures and definitions are set out below.

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## HYPO GROUP

The Mortgage Society of Finland Group (hereafter “Hypo Group” or “Group”) is the only nationwide expert organization specialized in home financing and housing in Finland. Hypo Group grants mortgages as well as renovation loans and consumer loans, both secured by residential property collateral, for first-time and other homebuyers. Hypo Group continuously develops new ways and models for housing and home financing.

Our customer promise – a *secure way for better living* – guides all our operations. Nearly 28,000 customers, mainly in growth centers, have already taken us up on our promise.

The Mortgage Society of Finland, the parent company of the Group, has its domicile and administrative headquarters in Helsinki. The street address of the Mortgage Society of Finland is Yrjönkatu 9 A, 00120 Helsinki and the mail address is P.O.Box 509, 00101 Helsinki. The Mortgage Society of Finland is a mutual company governed by its member customers.

Suomen AsuntoHypoPankki Oy is a deposit bank that offers its customers deposit products, payment cards and residential land trustee services. Suomen AsuntoHypoPankki Oy is a member of the Deposit Guarantee Fund and a wholly owned subsidiary of The Mortgage Society of Finland.

S&P Global Ratings (S&P) has assigned ‘BBB/A-2’ issuer credit ratings to The Mortgage Society of Finland. On 22 January 2021, S&P changed the trend of economic risk for Finland’s Banking Industry Country Risk (BICRA) to stable from negative. Therefore, the outlook of The Mortgage Society of Finland was also revised to stable from negative. At the same time the issuer credit rating ‘BBB’ for long-term and ‘A-2’ for short-term were affirmed.

Rating for the covered bonds of The Mortgage Society of Finland is ‘AAA’ (S&P Global Ratings). On 29 January 2021, S&P also revised The Mortgage Society of Finland's covered bond program's outlook from negative to stable and affirmed the ‘AAA’ rating.

## OPERATING ENVIRONMENT

The progress of COVID-19 vaccinations during the first quarter improved the expectations about global economic growth in 2021. There is still a lot of uncertainty about the pandemic and paths of recovery vary across and inside countries. Purchasing Managers’ index went up especially in the eurozone during the first quarter which predicts economic growth.

Non-financial sector companies’ stock prices increased by 7% and the equity prices of euro area banks by 17% on 10 December–10 March. The Governing Council of ECB decided to hold the key interest rates unchanged in its meeting in March. Net asset purchases will continue until at least the end of March 2022 as well. The long-term risk-free interest rates went up in the eurozone, but 12 months Euribor rate was close to -0.5% until the end of the first quarter.

The Finnish working day adjusted change of total output declined 1.4% in January and 0.6% in February from previous year’s corresponding month. The number of unemployed was higher than a year ago by 35 000 persons. Consumer confidence weakened slightly in March; it was yet higher than a year ago.

According to preliminary data, prices of old dwellings went up by 1% in January–February from the previous year in the whole country. The corresponding price change was 3% in the metropolitan area while in the whole country excluding greater Helsinki prices fell slightly. Home sales volumes went up and average times to sale fell especially in the growth centers. The housing loan stock growth was 3.6% and the average interest rate on mortgage loans was 0.82% in the end of February.

The number of new approved building permits compared to previous year went up by 22.4% between December and February. The year-on-year change in consumer prices was 1.3% in March.

## KEY EVENTS

During the financial period, Hypo Group focused on strengthening its core businesses. The renewal project of the core banking system, launched in 2019, has been specified so that the new solutions will be implemented phase by phase during the ongoing year 2021 and during the first part of the year 2022. The specification of the timetable does not have a relevant profit and loss effect.

A covered bond of 10-year maturity and 300 million euros was issued in March during the financial period. The issuance was made to replace the covered bond maturing in May 2021 and to cover other funding needs.

The first quarter was marked by the second wave of the COVID 19 pandemic. The Group has practiced remote working and the instructions of the authorities since the beginning of the pandemic and has succeeded in maintaining a good ability to function throughout the pandemic. Customers have been guided to operate online or by telephone and they have been offered moratoria on loan repayments within the normal credit policy.

The pandemic has not had a major effect on credit demand as the number of loan applications has reached a historically high level during the financial period. The amount of non-performing loans remained on a low level and it is not expected to grow significantly during the next financial period. The Forward Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) remained on its basic level and there have been no major changes in ECL levels or amounts.

Even though the pandemic has not yet had a major effect on the Hypo Group, the Group did prepare for future possible effects by making a supplementary provision of 32 thousand euros based on management judgement in 2020. The provision is allocated to loans on a certain ECL level and it has been made to cover the general uncertainty concerning the COVID 19 pandemic. The provision was reviewed and decided to keep it unchanged.

## RESULTS AND PROFITABILITY

### January–March 2021

Hypo Group’s operating profit was EUR 1.1 million (EUR 1.0 million for January–March 2020). Income totaled EUR 6.2 million (EUR 4.9 million) and expenses EUR 5.1 million (EUR 3.9 million). Income grew 25 % from last year but expenses grew especially due to the growth of other operating expenses and the conservative expensing without activating the internal expenses of the core banking project. The largest single expense item was the estimated yearly contribution to the Single Resolution Fund EUR 1.7 million (EUR 0.9 million) which grew by more than 80 % from the previous year and represented as much as 33 % of total expenses on the financial period. Net interest income grew 8% to EUR 4.0 million (EUR 3.7 million) due to lower funding costs and the growth of other interest income. Net fee and commission income totaled EUR 0.9 million (EUR 0.8 million).

Net income from investment properties (housing units and residential land) amounted to EUR 0.8 million (EUR 0.8 million), of which sale profit from investment properties were EUR 0.1 million (EUR 0.1 million).

Group's cost-to-income ratio was 82.4% (79.8%). The increase was mainly due to the growth of administrative expenses and other operating expenses, especially the contribution to the Single Resolution Fund.

Group's other comprehensive income EUR 0.6 million (EUR 0.3 million) includes EUR 0.8 million (EUR 0.8 million) profit for the financial period as well as the change in the fair value reserve EUR -0.2 million (EUR -0.1 million) and the revaluation of defined benefit pension plans EUR 0.04 million (EUR -0.3 million).

## PERSONNEL

On 31 March 2021, the number of permanent personnel was 55 (57 on 31 December 2020). These figures do not include the CEO and the deputy CEO.

## ASSETS AND LIABILITIES

### Lending

During the financial period, the loan portfolio grew 3% to EUR 2,586.3 million (EUR 2,510.9 million on 31 December 2020).

Hypo Group has an entirely residential property-secured loan portfolio.

The weighted average Loan-to-Value ratio of the loan portfolio remained on a strong level and was 33.9% (33.8%) at the end of the financial period.

The amount of non-performing loans remained low at EUR 2.5 million (EUR 2.7 million), representing 0.10% (0.11%) of the loan portfolio.

### Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totaled EUR 807.4 million (EUR 590.7 million on 31 December 2020), which corresponds to 23.0% (18.4%) of the total assets. The cash and cash equivalents which totaled EUR 804.4 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market, of which 100.0% (100.0%) had a credit rating of at least 'AA-' or were of equivalent credit quality and 100.0% (100.0%) were ECB repo eligible. Liquidity covers wholesale funding cash flows for the following 38 months. The Liquidity Coverage Ratio was 213.7% (194.5%).

The defined benefit plans surplus of EUR 5.2 million (EUR 5.1 million) from the Mortgage Society of Finland's pension fund has been recognized in Group's other assets.

Hypo Group offers rental apartments and residential land for its customers. Hypo Group's properties are located in selected growth centers, mainly in the Helsinki Metropolitan Area. The property in Hypo Group's own use, the Mortgage House, is located in the center of Helsinki. The difference between the fair value and the book value of the properties totaled EUR 4.9 million (EUR 4.9 million). Group's properties carry housing company loans for EUR 0.9 million (EUR 0.9 million).

### Derivative contracts

The balance sheet value of derivative receivables was EUR 22.4 million on 31 March 2021 (EUR 26.7 million on 31 December 2020), and the value of liabilities was EUR 9.3 million (EUR 7.9 million).

### Deposits and other funding

The total amount of deposits remained on the same level and was EUR 1,563.7 million at the end of the financial period (EUR 1,562.2 million on 31 December 2020). The share of deposits accounted for 47.3% (51.9%) of total funding.

Since 2016 the Mortgage Society of Finland has issued covered bonds, totaling EUR 1,750 million (EUR 1,450 million) at the end of the financial period. The amount of certificates of deposit issued was EUR 51.0 million (EUR 51.0 million).

The share of long-term funding of total funding was 42.2% on 31 March 2021 (46.6%).

The total funding at the end of the financial period was EUR 3,304.2 million (EUR 3,012.0 million). The growth was due to the covered bond of 300 million euros issued in March 2021.

## RISK TOLERANCE AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 137.6 million (EUR 136.9 million on 31 December 2020). The changes in equity during the period are presented in Group's statement of equity attached to this Report.

Group's CET1 capital in relation to risk-weighted assets on 31 March 2021 was 13.5% (13.9% on 31 December 2020). Profit for the financial period is included in the Common Equity Tier 1 capital, based on the statement by the auditors. In measuring credit risk, the standardized approach is used. Group's own funds are quantitatively and qualitatively on an adequate level in relation to Group's current and future business. At the end of the financial period, Group's Leverage Ratio was 3.5% (3.8%).

The Finnish Financial Supervisory Authority (The Finnish FSA) has set a discretionary additional capital requirement of 1.25 percent (Pillar 2 requirement) for the Hypo Group. The requirement is to be met with Common Equity Tier 1 capital (CET 1). The requirement entered into force on 31 December 2019 and it will remain in force until further notice, however not longer than until 31 December 2022. The decision was made as a normal part of the Group's continuous supervisory review.

The Group's total capital requirement at the end of the financial period was 11.75%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on (Pillar 2 requirement) 1.25% and countercyclical buffer requirements of foreign exposures.

The Mortgage Society of Finland did not have a minimum requirement for own funds and eligible liabilities (MREL) during the financial period.

SUMMARY OF CAPITAL ADEQUACY

| (1000 €) | 31.3.2021 | 31.12.2020 |
|---|---|---|
| Common Equity Tier 1 capital before deductions | 137 561,8 | 136 949,6 |
| Deductions from Common Equity Tier 1 capital | -13 862,8 | -13 178,3 |
| Total Common Equity Tier 1 capital (CET1) | 123 699,1 | 123 771,3 |
| | | |
| Additional Tier 1 capital before deductions | - | - |
| Deductions from Additional Tier 1 capital | - | - |
| Total Additional Tier 1 capital (AT1) | - | - |
| | | |
| Tier 1 capital (T1 = CET1 + AT1) | 123 699,1 | 123 771,3 |
| | | |
| Tier 2 capital before deductions | - | - |
| Deductions from Tier 2 capital | - | - |
| Total Tier 2 capital (T2) | - | - |
| | | |
| Total capital (TC = T1 + T2) | 123 699,1 | 123 771,3 |
| | | |
| Total risk weighted assets | 913 456.7 | 887 458,6 |
| of which credit risk | 864 828,0 | 840 689,8 |
| of which market risk (foreign exchange risk) | - | - |
| of which operational risk | 39 900,8 | 39 900,8 |
| of which other risks | 8 728,0 | 6 868,0 |
| | | |
| CET1 Capital ratio (CET1-%) | 13,5 | 13,9 |
| T1 Capital ratio (T1-%) | 13,5 | 13,9 |
| Total capital ratio (TC-%) | 13,5 | 13,9 |
| | | |
| Minimum capital | 5 000,0 | 5 000,0 |

The Finnish FSA has classified the Mortgage Society of Finland as a small and non-complex institution as defined in the Capital

Requirements Regulation (EU) 2019/876 (CRR II) which will enter into force on 28 June 2021. The classification enables the Hypo Group to benefit from the simplification of requirements of CRR II according to the principle of proportionality.

There have been no significant negative changes in the risk levels during the financial period. More detailed information on risk management practices and on capital adequacy is published with the Annual Financial Statements.

Hypo Group implemented the new definition of default in its processes on 31 December 2020. The change shows for the first time in the figures of this financial period. It did not have a relevant effect on the capital adequacy ratio.

## KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 March 2021, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

The Finnish Financial Stability Authority has made a decision on 28 April 2021 of setting a minimum requirement of own funds and eligible liabilities (MREL) as in the act on the Resolution of Credit Institutions and Investment Firms (1194/2014) chapter 8, section 7 for the Mortgage Society of Finland, applying from 1 January 2022. The requirement will consist solely of the loss-absorption amount (LAA) according to the act 1194/2014 chapter 8, section 7, subsection 2, paragraph 1. It can be covered with the same own funds as the capital adequacy requirement and therefore it will not cause any need to increase MREL-eligible funds.

## FUTURE OUTLOOK

Economic outlook seems positive for late spring 2021 as new cases of COVID-19 decrease and vaccinations increase. There is still substantial uncertainty regarding the development of the pandemic, but economic recovery can surprise positively once the lockdowns are over. Housing markets in the growth centers remain strong even during coronavirus crisis. Urbanization will not stop but continues and services in the cities recover gradually. Low interest rates, institutional investors and subsidized building support newbuilding activity to stay relatively stable. Housing loan demand remains strong in the growth centers.

Hypo Group focuses on renewal of its core systems and on strengthening its core business and expects the share of profit made by it to rise following the increase of net interest and net fee income. Capital adequacy and liquidity are expected to remain on a strong level.

The operating profit for 2021 is expected to be on the same level or slightly smaller than in 2020. The expectation contains uncertainties due to the development in economy and interest rates as well as the coronavirus pandemic.

Helsinki, 30 April 2021

The Board

## CONSOLIDATED INCOME STATEMENT, IFRS

| (1000 €) | 1-3/2021 | 1-3/2020 | 2020 |
|---|---|---|---|
| Interest income | 6 700,5 | 6 585,1 | 26 146,7 |
| Interest expenses | -2 674,5 | -2 874,0 | -11 584,3 |
| **NET INTEREST INCOME** | 4 026,0 | 3 711,1 | 14 562,4 |
| Fee and commission income | 882,7 | 853,6 | 3 727,5 |
| Fee and commission expenses | -13,6 | -12,9 | -52,1 |
| Net income from securities and foreign currency transactions | | | |
| Net income from securities trading | 387,9 | -607,2 | 754,4 |
| Net income from financial assets at fair value through other comprehensive income | 0,0 | 0,0 | 207,6 |
| Net income from hedge accounting | 128,4 | 165,5 | -47,7 |
| Net income from investment properties | 761,1 | 825,9 | 3 322,4 |
| Other operating income | -5,3 | -17,3 | -0,7 |
| Administrative expenses | | | |
| Personnel costs | | | |
| Wages and salaries | -1 651,8 | -1 463,2 | -6 028,5 |
| Other personnel related costs | | | |
| Pension costs | -268,6 | -249,2 | -1 010,7 |
| Other personnel related costs | -47,8 | -44,6 | -178,6 |
| Other administrative expenses | -949,4 | -736,7 | -3 535,2 |
| Total administrative expenses | -2 917,5 | -2 493,6 | -10 753,0 |
| Depreciation and impairment losses on tangible and intangible assets | -217,9 | -217,4 | -893,7 |
| Other operating expenses | -1 944,2 | -1 213,9 | -2 715,8 |
| Net gains/losses on derecognition of financial assets measured at amortised cost | 0,9 | 10,3 | -67,0 |
| **OPERATING PROFIT** | 1 088,6 | 1 004,2 | 8 044,4 |
| Income taxes | -293,5 | -225,3 | -1 462,6 |
| **OPERATING PROFIT AFTER TAX** | 795,1 | 778,9 | 6 581,8 |
| **PROFIT FOR THE PERIOD** | 795,1 | 778,9 | 6 581,8 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

| (1000 €) | 1-3/2021 | 1-3/2020 | 2020 |
|---|---|---|---|
| Profit for the period | 795,1 | 778,9 | 6 581,8 |
| Other comprehensive income items | | | |
| Items that may be reclassified subsequently to income statement | | | |
| Change in fair value reserve | | | |
| Financial assets at fair value through other comprehensive income | -228,8 | -145,2 | 116,1 |
| | -228,8 | -145,2 | 116,1 |
| Items that may not be reclassified subsequently to the income statement | | | |
| Revaluation of defined benefit pension plans | 45,9 | -347,3 | 489,4 |
| | 45,9 | -347,3 | 489,4 |
| Total other comprehensive income items | -182,9 | -492,5 | 605,5 |
| **COMPREHENSIVE INCOME FOR THE PERIOD** | **612,2** | **286,4** | **7 187,3** |

**CONSOLIDATED BALANCE SHEET, IFRS**

| (1000 €) | **31.3.2021** | **31.12.2020** | **31.3.2020** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | 556 900,0 | 359 150,0 | 200 900,0 |
| Debt securities eligible for refinancing with central banks | | | |
| Treasury bills | | | |
| Other | 238 197,4 | 219 333,5 | 262 160,3 |
| Receivables from credit institutions | | | |
| Repayable on demand | 9 261,9 | 9 182,5 | 8 693,3 |
| Other | 59,5 | 1 775,9 | 30,6 |
| | 9 321,3 | 10 958,4 | 8 723,9 |
| Receivables from the public and public sector entities | | | |
| Other than those repayable on demand | 2 586 253,2 | 2 510 909,8 | 2 534 727,6 |
| Shares and holdings | 132,4 | 132,4 | 132,4 |
| Derivative financial instruments | 22 372,5 | 26 731,9 | 23 657,4 |
| Intangible assets | | | |
| Other long-term expenditure | 7 571,1 | 6 840,2 | 4 092,0 |
| Tangible assets | | | |
| Investment properties and shares and holdings in investment properties | 57 248,0 | 57 569,4 | 59 019,2 |
| Other properties and shares and holdings in real estate corporations | 635,4 | 637,3 | 642,7 |
| Other tangible assets | 481,4 | 463,3 | 255,3 |
| | 58 364,8 | 58 670,0 | 59 917,2 |
| Other assets | 15 558,8 | 13 637,0 | 15 442,5 |
| Accrued income and advances paid | 8 799,6 | 6 719,4 | 9 081,8 |
| Deferred tax receivables | 6,3 | 0,0 | 0,0 |
| **TOTAL ASSETS** | **3 503 477,4** | **3 213 082,5** | **3 118 835,1** |

**CONSOLIDATED BALANCE SHEET, IFRS**

| (1000 €) | **31.3.2021** | **31.12.2020** | **31.3.2020** |
|---|---|---|---|
| **LIABILITIES** | | | |
| Liabilities to credit institutions | | | |
| Central banks | 100 000,0 | 100 000,0 | 80 000,0 |
| Credit institutions | | | |
| Repayable on demand | | | |
| Other than those repayable on demand | 3 332,3 | 3 331,7 | 5 552,2 |
| | 103 332,3 | 103 331,7 | 85 552,2 |
| Liabilities to the public and public sector entities | | | |
| Deposits | | | |
| Repayable on demand | 914 352,3 | 872 258,3 | 799 985,5 |
| Other | 649 330,7 | 689 976,1 | 709 401,0 |
| | 1 563 683,0 | 1 562 234,4 | 1 509 386,5 |
| Other liabilities | | | |
| Other than those repayable on demand | 11 108,8 | 11 970,6 | 13 532,4 |
| | 1 574 791,8 | 1 574 205,0 | 1 522 918,9 |
| Debt securities issued to the public | | | |
| Bonds | 1 575 040,8 | 1 283 448,5 | 1 279 528,2 |
| Other | 50 997,2 | 50 987,8 | 36 488,1 |
| | 1 626 038,0 | 1 334 436,2 | 1 316 016,3 |
| Derivative financial instruments | 9 319,5 | 7 944,3 | 8 749,6 |
| Other liabilities | | | |
| Other liabilities | 34 040,2 | 39 410,2 | 38 125,8 |
| Deferred income and advances received | 8 568,8 | 6 937,3 | 7 822,7 |
| Deferred tax liabilities | 9 824,9 | 9 868,0 | 9 601,1 |
| EQUITY | | | |
| Basic capital | 5 000,0 | 5 000,0 | 5 000,0 |
| Other restricted reserves | | | |
| Reserve fund | 31 316,9 | 28 893,0 | 28 893,0 |
| Fair value reserve | | | |
| From fair value recognition | 642,3 | 871,1 | 609,8 |
| Defined benefit pension plans | 3 374,8 | 3 329,0 | 2 492,2 |
| Unrestricted reserves | | | |
| Other reserves | 22 923,5 | 22 923,5 | 22 923,5 |
| Retained earnings | 73 509,2 | 69 351,2 | 69 351,2 |
| Profit for the period | 795,1 | 6 581,8 | 778,9 |
| | 137 561,8 | 136 949,6 | 130 048,6 |
| **TOTAL LIABILITIES** | **3 503 477,4** | **3 213 082,5** | **3 118 835,1** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (1000 €) | Basic capital | Reserve fund | Fair value reserve | Other reserves | Retained earnings | Total |
|---|---|---|---|---|---|---|
| **Equity 1 January 2020** | 5 000,0 | 25 490,5 | 3 594,5 | 22 923,5 | 72 753,8 | 129 762,3 |
| Profit for the period | | | | | 778,9 | 778,9 |
| Other comprehensive income | | | | | | |
| Profit use of funds | | 3 402,5 | | | -3 402,5 | 0,0 |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Change in fair value | | | -176,6 | | | -176,6 |
| Amount transferred to the income statement | | | -4,9 | | | -4,9 |
| Change in deferred taxes | | | 36,3 | | | 36,3 |
| Revaluation of defined benefit plans | | | | | | |
| Actuarial gains / losses | | | -434,2 | | | -434,2 |
| Change in deferred taxes | | | 86,8 | | | 86,8 |
| Total other comprehensive income | 0,0 | 3 402,5 | -492,5 | 0,0 | -3 402,5 | -492,5 |
| **Equity 31 March 2020** | **5 000,0** | **28 893,0** | **3 102,0** | **22 923,5** | **70 130,1** | **130 048,6** |
| | | | | | | |
| **Equity 1 January 2021** | 5 000,0 | 28 893,0 | 4 200,0 | 22 923,5 | 75 933,1 | 136 949,6 |
| Profit for the period | | | | | 795,1 | 795,1 |
| Other comprehensive income | | | | | | |
| Profit use of funds | | 2 423,8 | | | -2 423,8 | 0,0 |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Change in fair value | | | -286,0 | | | -286,0 |
| Change in deferred taxes | | | 57,2 | | | 57,2 |
| Revaluation of defined benefit plans | | | | | | |
| Actuarial gains / losses | | | 57,4 | | | 57,4 |
| Change in deferred taxes | | | -11,5 | | | -11,5 |
| Total other comprehensive income | 0,0 | 2 423,8 | -182,9 | 0,0 | -2 423,8 | -182,9 |
| **Equity 31 March 2021** | **5 000,0** | **31 316,9** | **4 017,1** | **22 923,5** | **74 304,3** | **137 561,8** |

## CONSOLIDATED CASH FLOW STATEMENT

| (1000 €) | 1-3/2021 | 1-3/2020 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Interest received | 4 912,4 | 5 235,7 |
| Interest paid | -3 051,5 | -3 381,3 |
| Fee income | 891,1 | 872,8 |
| Fee expenses | -13,6 | -12,9 |
| Net income from securities and foreign currency transactions | 387,9 | -607,2 |
| Net income from hedge accounting | 128,4 | 165,5 |
| Net income from investment properties | 665,5 | 948,2 |
| Other operating income | -5,3 | -17,3 |
| Administrative expenses | -1 293,8 | -1 307,3 |
| Other operating expenses | -1 949,2 | -1 217,8 |
| Expected credit losses | 1,1 | 10,6 |
| Income taxes | -561,6 | -868,8 |
| **Total net cash flow from operating activities** | **111,5** | **-179,9** |
| | | |
| **Operating assets increase (-) / decrease (+)** | | |
| Receivables from customers (lending) | -76 621,9 | 50 932,0 |
| Collateral, derivatives | -5 700,9 | 2 246,8 |
| Investment properties | 22,3 | 2 272,4 |
| **Operating assets increase (-) / decrease (+) total** | **-82 300,5** | **55 451,2** |
| | | |
| **Operating liabilities increase (+) / decrease (-)** | | |
| Liabilities to the public and public sector organisations (deposits) | 1 448,6 | -119 406,6 |
| **Operating liabilities increase (+) / decrease (-) total** | **1 448,6** | **-119 406,6** |
| | | |
| **NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES** | **-80 740,4** | **-64 135,3** |
| | | |
| **Cash flows from investments** | | |
| Change in fixed assets | -965,1 | -684,0 |
| **NET CASH FLOWS ACCRUED FROM INVESTMENTS** | **-965,1** | **-684,0** |
| | | |
| **Cash flows from financing** | | |
| Bank loans, new withdrawals | 4,2 | 11,6 |
| Bank loans, repayments | -3,7 | -788,6 |
| Other liabilities, increase (+) / decrease (-) | -860,4 | -769,4 |
| Bonds, new issues | 298 832,3 | 6 386,3 |
| Bonds, repayments | -1 299,5 | -4 305,4 |
| Certificates on deposit, new issues | 30 042,8 | 5 025,8 |
| Certificates on deposit, repayments | -30 033,4 | -5 020,9 |
| **NET CASH FLOWS ACCRUED FROM FINANCING** | **296 682,3** | **539,3** |
| | | |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **214 976,9** | **-64 280,0** |
| | | |
| **Cash and cash equivalents at the beginning of the period** | **589 441,9** | **536 064,1** |
| **Cash and cash equivalents at the end of the period** | **804 418,7** | **471 784,2** |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **214 976,9** | **-64 280,0** |

## NOTES

### 1. Key accounting policies

This Interim Report applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2020. The Interim Report has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. No other new standards or interpretations with material effect on Hypo Group's financial position, profit or equity, entered into force in the financial period beginning 1 January 2021.

The Interim Report does not contain all information and Notes that are required in the annual Financial Statements. The Interim Report should be read in conjunction with the Group's Financial Statements 2020 and Stock Exchange Releases published during 1 January to 31 March 2021. The figures in the tables in the Release are presented in thousands of euros.

Parent company of the Group, the Mortgage Society of Finland has its domicile and administrative headquarters in Helsinki. The street address of the Mortgage Society of Finland is Yrjönkatu 9 A, 00120 Helsinki and the mail address is P.O.Box 509, 00101 Helsinki. Hypo is a mutual company governed by its member customers.

The Interim Report has been approved on 30 April 2021 by the Board of Directors of The Mortgage Society of Finland to be published on 3 May 2021. The Interim Report has not been audited.

Hypo Group's business operations constitute a single segment, retail banking.

Hypo Group's consolidated financial statements cover The Mortgage Society of Finland as well as the deposit bank Suomen AsuntoHypoPankki Oy, of which The Mortgage Society of Finland owns 100 percent, and Bostadsaktiebolaget Taos, of which the Group companies own 54.6 percent. The financial statements of AsuntoHypoPankki have been consolidated using the acquisition cost method. Ownership in housing company Bostadsaktiebolaget Taos is accounted for using IFRS 11 Joint Arrangements -standard. Assets, liabilities, revenue and expenses of the joint operations are recognized in relation to Hypo Group's interest in the joint operation. Inter-company transactions and balances between Group companies are eliminated.

### 2. New standards and interpretations

Standards and interpretations entered into force during the financial period have not had a material effect on Group's financial statements. Accordingly, the new standards and interpretations published by the IASB that have not yet been adopted are not expected to have a material effect on the consolidated financial statements.

Other new standards and interpretations that have not yet been adopted but may have an effect on Hypo Group's financial statements in the future:

2.1. ESEF (European Single Electronic Format)

According to the current information of the entry into force of the ESEF-regulation, Hypo Group will publish its Financial Statements 2021 in ESEF format.

### 3. Issuances and repayments of debt securities and equity instruments

Issuances, repayments and repurchases of debt securities appear on cash flow statement for the period from 1 January to 31 March 2021. Equity instruments have not been issued nor repaid during the period from 1 January to 31 March 2021.

## 4. Capital Adequacy Information

**Hypo Group's own funds and capital ratios**

| (1000 €) | 31.3.2021 | 31.12.2020 |
|---|---|---|
| **Common Equity Tier 1 (CET1) capital: Instruments and reserves** | | |
| Capital instruments and the related share premium accounts | 5 000,0 | 5 000,0 |
| of which: Basic capital | 5 000,0 | 5 000,0 |
| Retained earnings | 73 509,2 | 69 351,2 |
| Accumulated other comprehensive income and other reserves | 58 257,5 | 56 016,6 |
| Independently reviewed interim profits net of any foreseeable charge or dividend | 795,1 | 6 581,8 |
| Common Equity Tier 1 (CET1) capital before regulatory adjustments | 137 561,8 | 136 949,6 |
| | | |
| **Common Equity Tier 1 (CET1) capital: regulatory adjustments** | | |
| Intangible assets | -6 056,9 | -5 472,1 |
| Deferred tax assets that rely on future profitability | -6,3 | 0,0 |
| Value adjustments due to the requirements for prudent valuation | -275,0 | -258,9 |
| Defined-benefit pension fund assets | -7 524,6 | -7 447,3 |
| Total regulatory adjustments to Common Equity Tier 1 (CET1) | -13 862,8 | -13 178,3 |
| Common Equity Tier 1 (CET1) capital | 123 699,1 | 123 771,3 |
| Additional Tier 1 (AT1) capital | 0,0 | 0,0 |
| Tier 2 (T2) capital | 0,0 | 0,0 |
| Total capital (TC = T1 + T2) | 123 699,1 | 123 771,3 |
| Total risk weighted assets | 913 456,7 | 887 458,6 |
| | | |
| **Capital ratios and buffers** | | |
| Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount | 13,5 | 13,9 |
| Tier 1 (T1) as a percentage of total risk exposure amount | 13,5 | 13,9 |
| Total capital as a percentage of total risk exposure amount | 13,5 | 13,9 |
| Institution specific buffer requirement, % | 7,0 | 7,0 |
| of which: capital conservation buffer requirement, % | 2,5 | 2,5 |
| of which: countercyclical buffer requirement, % | 0,0 | 0,0 |
| of which: systemic risk buffer requirement, % | 0,0 | 0,0 |
| of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, % | 0,0 | 0,0 |
| Discretionary capital add-on (Pillar 2), % | 1,25 | 1,25 |
| Commom Equity Tier 1 available to meet buffers, % | 10,0 | 10,4 |

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013).
The capital requirement for credit risk is calculated using the standard method.
The capital requirement for counterparty risk is calculated using the current exposure method.
The capital requirement for operational risk is calculated using the basic method.
The other risk-weighted items consist of credit valuation risk (CVA).
No restrictions applied in the EU's Capital Requirements Regulation (575/2013) compliant own funds calculation and no elements of own funds other than what is laid down in this regulation is used.

### Credit and counterparty risks according to the standard method, operative risk and other risks, balance sheet and off-balance sheet items

| (1000 €) | | 31.3.2021 | | |
|---|---|---|---|---|
| **Credit and counterparty risks** | Original exposure pre conversion factors | Exposure value | Risk weighted exposure amount after SME-supporting factor | Own funds requirement |
| Exposures to central governments or central banks | 645 597,4 | 696 444,0 | 0,0 | 0,0 |
| Exposures to regional governments or local authorities | 139 292,1 | 147 285,9 | 0,0 | 0,0 |
| Exposures to credit institutions | 55 342,8 | 60 588,9 | 22 139,9 | 1 771,2 |
| Exposures to corporates | 53 093,4 | 27 642,9 | 20 228,8 | 1 618,3 |
| Retail exposures | 53 530,7 | 13 975,6 | 9 187,2 | 735,0 |
| Exposures secured by mortgages on immovable property | 2 648 899,1 | 2 542 817,5 | 751 839,6 | 60 147,2 |
| Exposures in default | 2 361,0 | 1 483,3 | 1 487,6 | 119,0 |
| Exposures in the form of covered bonds | 10 922,4 | 10 922,4 | 1 092,2 | 87,4 |
| Other items | 59 352,6 | 59 352,6 | 58 852,6 | 4 708,2 |
| | 3 668 391,6 | 3 560 513,1 | 864 828,0 | 69 186,2 |
| Operational risk | | | 39 900,8 | 3 192,1 |
| Other risks | | | 8 728,0 | 698,2 |
| **All items in total** | **3 668 391,6** | **3 560 513,1** | **913 456,7** | **73 076,5** |

| (1000 €) | | 31.12.2020 | | |
|---|---|---|---|---|
| **Credit and counterparty risks** | Original exposure pre conversion factors | Exposure value | Risk weighted exposure amount after SME-supporting factor | Own funds requirement |
| Exposures to central governments or central banks | 453 681,6 | 504 774,1 | 0,0 | 0,0 |
| Exposures to regional governments or local authorities | 118 733,1 | 126 718,3 | 0,0 | 0,0 |
| Exposures to credit institutions | 56 879,2 | 62 759,7 | 23 039,9 | 1 843,2 |
| Exposures to corporates | 54 445,8 | 28 627,6 | 20 866,4 | 1 669,3 |
| Retail exposures | 54 850,9 | 14 671,4 | 9 621,6 | 769,7 |
| Exposures secured by mortgages on immovable property | 2 567 166,6 | 2 467 136,0 | 725 808,2 | 58 064,7 |
| Exposures in default | 2 224,0 | 1 320,5 | 1 325,9 | 106,1 |
| Exposures in the form of covered bonds | 6 417,9 | 6 417,9 | 641,8 | 51,3 |
| Other items | 59 886,1 | 59 886,1 | 59 386,1 | 4 750,9 |
| | 3 374 285,2 | 3 272 311,6 | 840 689,8 | 67 255,2 |
| Operational risk | | | 39 900,8 | 3 192,1 |
| Other risks | | | 6 868,0 | 549,4 |
| **All items in total** | **3 374 285,2** | **3 272 311,6** | **887 458,6** | **70 996,7** |

Risk-weighting of the following exposures: sovereigns, regional governments, local authorieties, public sector entities, institutions and companies; is based on the ratings assigned by S&P, Fitch and Moody's where applicable.
Own funds requirement for credit and counterparty risks have been calculated using eight percent requirement of risk-weighted exposures in accordance with the EU's Capital Requirements Regulation (575/2013).

### 5. Contingent liabilities and other off-balance sheet commitments

| (1000 €) | 31.3.2021 | 31.12.2020 |
|---|---|---|
| Commitments given on behalf of a customer for the benefit of a third party | | |
| Guarantees and other liabilities | 2 181,9 | 2 181,9 |
| Irrevocable commitments given on behalf of a customer | | |
| Granted but unclaimed loans | 165 506,4 | 161 636,9 |
| Total | 167 688,3 | 163 818,8 |

### 6. Fair values of financial instruments

| (1000 €) | | 31.3.2021 | 31.12.2020 |
|---|---|---|---|
| **Financial assets** | Fair value determination principle | Käypä arvo | Fair value |
| Debt securities eligible for refinancing with central banks | A | 238 197,4 | 219 333,5 |
| Derivative contracts | B | 22 372,5 | 26 731,9 |
| Total | | 260 569,9 | 246 065,4 |
| | | | |
| **Financial liabilities** | | | |
| Derivative contracts | B | 9 319,5 | 7 944,3 |

Derivative contracts consist of interest rate swaps with various counterparties for hedging purposes.

Fair value determination principles:

A: Quoted price on an active market

B: Verifiable price, other than quoted

C: Unverifiable market price

Fair values and valuation principles are disclosed above for items that are measured at fair value on a recurring basis. The fair values of debt securities (financial assets) are presented based on public quotes from active markets. The fair values of derivatives are calculated by discounting the future cash flows of the contracts using the market interest rates of the closing date. Fair values are presented excluding accrued interest. There have been no transfers between the stages (A, B, C).

### 7. Related party information

Hypo Group's related parties include its subsidiary, members of the Board of Directors and the Supervisory Board, CEO and debuty to the CEO, members of the Management Group and close family members of the aforementioned as well as related party entities. In addition, The Mortgage Society of Finland's pension fund and joint operations are included in related parties. Those related party transactions that have not been eliminated in the consolidated financial statements are presented.

There have been no other material changes in the related party transactions since 31 December 2020.

## 8. IFRS 9 expected credit losses by stage

| (1000 €) | Net book value | Expected credit loss allowance | Net book value | Expected credit loss allowance |
|---|---|---|---|---|
| | **31.3.2021** | **31.3.2021** | **31.12.2020** | **31.12.2020** |
| **Receivables from the public and public sector entities** | | | | |
| Level 1, performing loans, no significant increase in credit risk | 2 567 904,1 | 17,1 | 2 495 304,6 | 12,2 |
| Level 2, performing loans with a significant increase in credit risk | 15 887,6 | 65,3 | 12 938,2 | 72,4 |
| Level 3, non-performing loans | 2 461,5 | 130,1 | 2 667,0 | 244,3 |
| **Total** | **2 586 253,2** | **212,4** | **2 510 909,8** | **328,9** |
| | | | | |
| **Debt instruments, FVOCI** | | | | |
| Level 1, performing loans, no significant increase in credit risk | 139 261,1 | 0,0 | 118 713,9 | 0,0 |
| | | | | |
| **Other assets, trade receivables** | | | | |
| Level 1, performing loans, no significant increase in credit risk | 250,2 | 0,0 | 255,3 | 0,0 |
| | | | | |
| **Off-balance sheet commitments; granted but undrawn loans** | | | | |
| Level 1, performing loans, no significant increase in credit risk | 165 506,4 | 0,0 | 161 636,9 | 0,0 |

There were no significant ECL-level transitions during the financial period. New loans were originated to level one.
The Forward Looking Factor (FLF) of the ECL model is on level 0. The level of FLF is evaluated monthly.

| (1000 €) | Net expected credit losses with P&L impact | Net expected credit losses with P&L impact | Net expected credit losses with P&L impact |
|---|---|---|---|
| | **1–3/2021** | **1–3/2020** | **1–12/2020** |
| **Receivables from the public and public sector entities** | | | |
| Level 1, performing loans, no significant increase in credit risk | -5,0 | 5,7 | 8,2 |
| Level 2, performing loans with a significant increase in credit risk | 7,1 | 3,2 | -27,5 |
| Level 3, non-performing loans | 114,3 | 1,7 | -48,2 |
| **Total** | **116,5** | **10,6** | **-67,5** |
| | | | |
| **Debt instruments, FVOCI** | | | |
| Level 1, performing loans, no significant increase in credit risk | 0,0 | 0,0 | 0,0 |
| | | | |
| **Other assets, trade receivables** | | | |
| Level 1, performing loans, no significant increase in credit risk | 0,0 | 0,0 | 0,0 |
| | | | |
| **Off-balance sheet commitments; granted but undrawn loans** | | | |
| Level 1, performing loans, no significant increase in credit risk | 0,0 | -0,3 | 0,4 |

## 9. IFRS 15 Income distribution

### Group's total income

(1000 €)

| | 1–3/2021 | 1–3/2020 | 2020 |
|---|---|---|---|
| Interest income | 6 700,5 | 6 585,1 | 26 146,7 |
| Interest expense | -2 674,5 | -2 874,0 | -11 584,3 |
| Net interest income | 4 026,0 | 3 711,1 | 14 562,4 |
| | | | |
| Net fee income | | | |
| from lending operations | 402,30 | 415,7 | 1 837,2 |
| from land trustee services | 389,06 | 304,5 | 1 409,7 |
| from other operations | 77,76 | 120,5 | 428,5 |
| Total net fee income | 869,1 | 840,7 | 3 675,4 |
| | | | |
| Net income from treasury operations | 516,4 | -441,6 | 914,3 |
| Net income from investment properties | 680,3 | 722,9 | 2 999,9 |
| Capital gains on investment properties | 80,8 | 103,0 | 322,5 |
| Other income | -5,3 | -17,3 | -0,7 |
| Non-interest income | 1 272,2 | 367,0 | 4 236,0 |
| Total income | 6 167,3 | 4 918,8 | 22 473,8 |

## 10. IFRS 16 Leases

### Hypo Group as lessee

(1000 €)

| Right-of-use assets | 1–3/2021 | 1-3/2020 | 2020 |
|---|---|---|---|
| Depreciation - IT | 0,0 | 9,0 | 35,9 |
| Depreciation - Apartments | 56,4 | 50,2 | 217,2 |
| Carrying amount - IT | 0,0 | 62,8 | 35,9 |
| Carrying amount - Apartments | 251,3 | 351,7 | 223,6 |
| | | | |
| **Lease liabilities** | | | |
| Interest expense | 1,8 | 3,3 | 11,3 |
| Carrying amounts sorted by remaining maturity | | | |
| Non-fixed-term leases | 252,1 | 416,7 | 265,0 |
| | | | |
| **Relief options** | | | |
| Expenses from leases of low-value assets | 2,2 | 1,3 | 7,6 |

Hypo Group leases office premises in Helsinki as well as IT products and services.
The lease terms of these contracts are non-fixed.

### Hypo Group as a lessor

(1000 €)

| Operative leases | 1–3/2021 | 1-3/2020 | 2020 |
|---|---|---|---|
| Lease income | 594,4 | 610,9 | 2 417,3 |
| Undiscounted lease payments to be received | | | |
| 1 year | 836,0 | 914,9 | 857,0 |
| 2 year | 500,4 | 632,9 | 500,3 |
| 3 year | 231,5 | 545,8 | 304,7 |
| 4 year | 207,1 | 277,0 | 207,0 |
| 5 year | 186,7 | 252,5 | 193,1 |
| >5 years | 5 536,0 | 7 531,2 | 5 580,5 |

Hypo Group leases out building plots, apartments, office space and parking lots.

## 11. Information concerning asset encumbrance

**31 March 2021**

| (1000 €) | Book value of encumbered assets | of which notionally elligible EHQLA and HQLA | Fair value of encumbered assets | of which notionally elligible EHQLA and HQLA | Book value of unencumbered assets | of which EHQLA and HQLA | Fair value of unencumbered assets | of which EHQLA and HQLA |
|---|---|---|---|---|---|---|---|---|
| **A - Assets** | 2 239 377 | | 2 239 377 | | 1 264 101 | | 1 264 101 | |
| Equity instruments | | | | | 132 | | 132 | |
| Debt securities | 9 903 | 9 903 | 9 903 | 9 903 | 228 889 | 228 889 | 228 889 | 228 889 |
| Other assets, including lending | 2 229 474 | 100 000 | 2 229 474 | | 1 035 079 | 556 900 | 1 035 079 | |

**B - Collateral received**

| | Unencumbered<br>Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|
| Own covered bonds and asset-backed securities issued and not yet pledged | 96 224 |

**C - Encumbered assets and associated liabilities**

| | Liabilities associated with encumbered assets | Encumbered assets |
|---|---|---|
| Book value of selected financial liabilities | 99 611 | 144 336 |
| Debt securities issued to the public | 1 577 732 | 2 075 122 |
| Derivative contracts | 6 254 | 19 919 |
| Total | 1 683 597 | 2 239 377 |

**D - Information on the importance of encumbrance**

The amount of assets reported under items A and C above does not include excess collateral except for covered bonds. Group's encumbered assets consist of debt securities, cover asset pool and cash collateral for derivative contracts that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.
Encumbered assets totaled EUR 2,139.4 million, out of which of covered bonds were EUR 2,040.0 million on 31 March 2021. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 228.9 million on 31 March 2021. EUR 207,5 million of unencumbered loans may be used as collateral for covered bonds.

**31 December 2020**

| (1000 €) | Book value of encumbered assets | of which notionally elligible EHQLA and HQLA | Fair value of encumbered assets | of which notionally elligible EHQLA and HQLA | Book value of unencumbered assets | of which EHQLA and HQLA | Fair value of unencumbered assets | of which EHQLA and HQLA |
|---|---|---|---|---|---|---|---|---|
| **A - Assets** | 1 849 389 | | 1 849 389 | | 1 363 694 | | 1 363 694 | |
| Equity instruments | | | | | 132 | | 132 | |
| Debt securities | 4 309 | 4 309 | 4 309 | 4 309 | 215 487 | 215 487 | 215 487 | 215 487 |
| Other assets, including lending | 1 845 080 | | 1 845 080 | | 1 148 074 | 359 150 | 1 148 074 | |

**B - Collateral received**

| | Unencumbered<br>Fair value of collateral received or own debt securities issued available for encumbrance |
|---|---|
| Own covered bonds and asset-backed securities issued and not yet pledged | 94 170 |

**C - Encumbered assets and associated liabilities**

| | Liabilities associated with encumbered assets | Encumbered assets |
|---|---|---|
| Book value of selected financial liabilities | 99 736 | 158 903 |
| Debt securities issued to the public | 1 286 492 | 1 678 272 |
| Derivative contracts | 7 437 | 12 214 |
| Total | 1 393 666 | 1 849 389 |

**D - Information on the importance of encumbrance**

The amount of assets reported under items A and C above does not include excess collateral except for covered bonds. Group's encumbered assets consist of debt securities, cover asset pool and cash collateral for derivative contracts that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.
Encumbered assets totaled EUR 1,849.4 million, out of which of covered bonds were EUR 1,837.2 million on 31 December 2020. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 215.5 million on 31 December 2020. EUR 423.8 million of unencumbered loans may be used as collateral for covered bonds.

***Opinion on the review of the 1 January – 31 March 2021 Interim Report of the Mortgage Society of Finland (Translation)***

Introduction

We have performed a review of the Mortgage Society of Finland's balance sheet of 31 March 2021, income statement, statement of changes in equity and the cash flow statement for the three months period ended, as well as the summary of significant accounting policies and other Notes. The Board of Directors and CEO are responsible for preparing the Interim Report and ensuring it provides accurate and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved in the EU, and other statutes and regulations concerning the preparation of the Interim Report in effect in Finland. Based on the review we have performed, we are issuing an opinion on the Interim Report in accordance with the Securities Act Section 2, Article 5a(7).

Scope of review

The review was performed in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially narrower in scope than an audit conducted in accordance with international standards and recommendations on auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Report is not prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the EU and other statutes and regulations concerning the preparation of the Interim Report in effect in Finland. The Report provides accurate and sufficient information on the financial standing of the entity on 31 March 2021 and the result and cash flows of its operations for the three months period ended.

Helsinki 3 May 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)