



THE MORTGAGE SOCIETY OF FINLAND

SUPPLEMENT NO. 1 / 13.5.2022

FOR THE PROGRAMME FOR THE ISSUANCE OF SENIOR UNSECURED NOTES, SUBORDINATED  
DEBENTURES AND COVERED BONDS  
2,000,000,000 euros

This supplement (the **Supplement**) comprises a supplement for The Mortgage Society of Finland's (**Hypo** or the **Issuer**) 2,000,000,000 euros Programme for the Issuance of Senior Unsecured Notes, Subordinated Debentures and Covered Bonds (the **Programme**) dated 10.2.2022. The Supplement 1 should be read in conjunction with the Programme.

The main purpose of this Supplement is to (a) incorporate by reference the audited consolidated Financial Statements for 1 January 2021 to 31 December 2021 into the Programme, (b) incorporate by reference the unaudited consolidated Financial Statements for 1 January 2022 to 31 March 2022 into the Programme, and (c) confirm that there has been no significant change in the financial position of the Group since 31 March 2022.

## 1. Risk factors

The text on pages 7-8 under the subtitle "Uncertain global economic and financial market conditions caused by the Covid-19 and the spread of its new variants can adversely affect Hypo Group's business, results of operations, financial condition, liquidity and capital resources" and the subtitle itself is replaced by the following:

**"Uncertain global economic and financial market conditions caused by the war in Ukraine, Covid-19 and the spread of its new variants can adversely affect Hypo Group's business, results of operations, financial condition, liquidity and capital resources"**

Hypo Group's performance is significantly influenced by domestic and global macroeconomic circumstances and development. Relevant macroeconomic factors to Hypo Group are, without limitation, housing market development especially in domestic growth centres, domestic unemployment ratio, development of interest rates, development of households' disposable income and development of global and domestic economic and financial markets.

The war in Ukraine that started in February 2022 is likely to affect the Finnish economy adversely through a decline in foreign trade with Russia and higher inflation with rising energy costs and raw material prices. Also, implementation of sanctions by for example the European Union and possible counter measures can affect the Finnish economy. The full scale of the

effects is not currently known. The Covid-19-pandemic (the “Covid-19”) that erupted in March 2020 affects the general economic and financial situation, the banking sector in its entirety and Hypo Group and its customers. The spread of the Covid-19 and its new variants has led to restrictions, recommendations and other precautionary measures imposed by the authorities and private sector in Finland and elsewhere in the world to curb the spread of the Covid-19. These have included physical distance measures, travel bans, business restrictions and cancellations of events. In 2020, such measures, among other things, led to a significant contraction of the Finnish economy. However, the vaccinations against Covid-19 and the loosening restrictions have helped the Finnish economy to recover. Economic growth in 2021 was strong and broad-based. Especially, new Covid-19 variants have caused fluctuations in the European equity markets in 2021, which might also have an adverse impact on the world economy in 2022. Negative news about the spread of new Covid-19 variants could significantly increase uncertainty in the economic and financial markets.

Increased uncertainty and potential negative growth in economies and financial markets may reduce demand for residential lending. The Issuer offers mortgages as well as renovation loans and consumer loans, both secured by residential property collateral. Deterioration in the general economic situation due to the war in Ukraine and the Covid-19 and the spread of its new variants, high unemployment and financial uncertainty may increase defaults, credit losses and impairments and may adversely affect the housing loan demand, which may adversely affect the Issuer's results and increase the Issuer's financing costs. In addition, the consequences of the above uncertainties and restrictions will consequently weaken the Issuer's credit risk outlook.

It is difficult to predict the effects of the war in Ukraine and the spread of the Covid-19 and its new variants and the duration or possible expansion of restrictions, recommendations and precautions. Both may affect Hypo Group with a delay if customers' financial difficulties prolong. The changes in the economic cycle and operating environment described above may have a material adverse effect on Hypo Group's business, its financial condition and thereby on the Issuer's ability to fulfil its obligations under the Notes.”

## **2. Future Outlook**

The text on page 76 under the title “Future Outlook” is replaced by the following:

“The description of probable future developments given below has been compiled and prepared on a basis which is comparable with the historical financial information, and consistent with Hypo's accounting policies.

In the interim report for the period of 1 January 2022 to 31 March 2022, the following description of probable future developments has been given:

“Outlook is exceptionally murky now. Economic growth will slow down due to the war in Ukraine as well as tightening monetary policy. Inflation remains high and real earnings decline. Risks are also related to the COVID19 pandemic as new variations are a possibility. Housing markets react to the uncertainty with decreased volumes in housing transactions and construction. Main growth centers remain strong, while Eastern Finland is especially vulnerable. Urbanization will even increase due to the strong newbuilding to Helsinki-Tampere-Turku -areas. Institutional investors and subsidized building support construction activity. On the other hand, rising rates and tighter financing conditions will limit the activity.

Hypo Group focuses on finalisation and deployment of its new core information system and on strengthening its core business. The Group expects the share of profit made by it to rise following the increase of net interest and net fee income. Capital adequacy and liquidity will remain on a strong level.

The operating profit for 2022 is expected to be on the same level or slightly smaller than in 2021. The expectation contains uncertainties due to the development in economy and interest rates as well as uncertainties related to the renewal project of Hypo Group's core information systems, war in Ukraine and coronavirus pandemic.””

### **3. Members of Supervisory Board**

The following information is added into the end of the list of Members of Supervisory Board on page 78:

“On 22 March 2022 Ms Salla Seppä (Chief Customer Experience Officer, Master of Social Sciences) was elected as a new member of the Supervisory Board, replacing Ms Anni Sinnemäki who had resigned from the Supervisory Board.”

### **4. No significant changes**

The text on page 79 under the title “No significant changes” is replaced by the following:

“The most recent audited financial statements of Hypo and Hypo Group concerns the financial year that ended 31 December 2021. Since that date, the financial position of Hypo has not changed significantly and there has not been any significant negative change regarding future developments, other than as explained below under “Recent Events”.

Since 31 March 2022, there has been no significant change in the financial performance of Hypo Group, other than as explained below under “Recent Events”.”

### **5. Recent Events**

The text on page 79 under the title “Recent Events” is replaced by the following:

“The Ukraine-war and the still ongoing Covid-19 pandemic have weakened the global and domestic economic outlook. At the date of this Supplement, it is difficult to reliably estimate the overall effects of the war and Covid-19 on the business of Hypo Group.”

### **6. Information Incorporated by Reference**

The following information is added into the beginning of the list of documents on page 82, under the titles “Document” and “Referred information” respectively:

[“Annual Report 2021](#)

Board of Directors’ Report, Financial Statements 2021 and Auditor’s Report, pages 10-103.”

[“Interim Report 1 January – 31 March 2022](#)

Unaudited consolidated Interim Report for 1 January 2022 to 31 March 2022”