



THE MORTGAGE SOCIETY OF FINLAND

SUPPLEMENT NO. 2 / 2.9.2022

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 2 should be read in conjunction with the Programme and Supplement 1 (13.5.2022).

The main purpose of this Supplement is to (a) incorporate by reference the unaudited consolidated Interim Report for 1 January 2022 to 30 June 2022 into the Programme, (b) confirm that there has been no significant change in the financial position of the Group since 30 June 2022.

## 1. Risk factors

The text on pages 7-8 under the subtitle "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" is replaced by the following:

"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 and the increasing tensions between Russia and Belarus on one hand and the members of the North Atlantic Treaty Organisation (NATO) and the western countries on the other hand have caused and may also continue to cause disruptions to the global economy, financial markets, and Hypo Group's business environment, particularly, if even stricter sanctions and/or trade restrictions are imposed by the western countries and/or Russia, or, if the conflict escalates or expands to other countries or regions. As of May 2022, Finland is, together with Sweden, in the application process for full NATO membership. The application process may last months or even years and this causes uncertain times for Finnish foreign politics. It is not yet

known how NATO membership will affect Finland’s bilateral relations with Russia and whether a change in foreign policy will make prospective investors more wary of investing in Finnish assets. The uncertainty relating to the financial markets may create economic and financial disruptions and even a financial crisis. As the state debt levels remain high and continue to increase in some countries, including Finland, it is possible that the global economy will fall back into a recession, which could be deeper and last longer than the one experienced in 2008 and 2009.

Due to its geographical location and significant trade with Russia in recent decades, the Finnish economy is likely to be affected more by Russia’s illegal and unprovoked invasion of Ukraine and its consequences than the global and/or European economy. The economic effects on Finland are manifold and probably significantly greater than what could be inferred from the contraction in Russian trade directly on the basis of trade weight. Energy and commodity prices have risen sharply which accelerates inflation, and confidence among economists is weakening as uncertainty increases. Consumption and investment are suffering from both rising prices and growing uncertainty. The freezing of Russian trade due to both sanctions and the voluntary withdrawal of companies from the Russian market will weaken export growth. As a result of Russia’s illegal and unprovoked invasion of Ukraine, sanctions and countersanctions, the availability of many raw materials and industrial inputs is declining, exacerbating bottlenecks in global production chains already present during the Coronavirus pandemic (the “Covid-19”) that erupted in March 2020. Output bottlenecks will further accelerate inflation. Hypo’s business has not so far been highly affected by the situation. These factors may, however, cause negative effects to Hypo’s clients and may, therefore, also cause negative effects on Hypo’s business and operations.

The war in Ukraine had a negative effect on the housing market in the spring of 2022, although the market is stronger than in 2019 before the Covid-19, war or the rise of interest rates. Possibility of negative developments due to war exist in the background but on the date of this Supplement it is not a driving force in the housing market.

The Covid-19 still affects the general economic and financial situation, the banking sector in its entirety and Hypo Group and its customers. High vaccination rates in Finland and loosening restrictions have helped the Finnish economy to recover. Economic growth has continued strong in 2021 and broad-based although risks of targeted measures to fight the pandemic are still relevant. 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. At the date of this Supplement, the global situation is still uncertain, and the spread of new variants and the imposing of new restrictions cannot be ruled out. The spread of new Covid-19 variants and the preparation for them, as well as the related restrictive measures may have a material adverse effect on the business of the Issuer.

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, 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. The housing loan demand remains volatile, and pricing will diverge between different customers.

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. Risks related to Financial Position and Financing as well as Regulation risks**

The following text "On 17 May 2019 the FIN-FSA set Hypo Group a discretionary additional capital requirement of 1.25 percent (Pillar 2 requirement) which is to be met with Common Equity Tier 1 Capital (CET 1). The requirement took effect on 31 December 2019 and it remains in force until further notice, however not longer than until 31 December 2022." on page 15 is replaced by the following:

"On 17 May 2019 the FIN-FSA set Hypo Group a discretionary additional capital requirement of 1.25 per cent (Pillar 2 requirement) which is to be met with Common Equity Tier 1 capital (CET 1). The requirement took effect on 31 December 2019, and it remains in force until 31 December 2022. On 24 August 2022 the FIN-FSA set Hypo Group a new discretionary additional capital requirement of 0.75 per cent (Pillar 2 requirement) so that at least three quarters must be Tier 1 capital (T1), of which at least three quarters must be CET 1 capital. The new requirement takes effect on 31 December 2022 and remains in force until further notice, however not longer than until 31 December 2025."

## **3. General information on the Issuer**

The following text is added to page 75:

"On 24 August 2022 the FIN-FSA set Hypo Group a new discretionary additional capital requirement of 0.75 per cent (Pillar 2 requirement) so that at least three quarters must be Tier 1 capital (T1), of which at least three quarters must be CET 1 capital. The new requirement takes effect on 31 December 2022 and remains in force until further notice, however not longer than until 31 December 2025."

## **4. 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 30 June 2022, the following description of probable future developments has been given:

Economic growth will slow down due to the exceptionally high inflation level driven by energy prices. Russian war in Ukraine shows no signs of ending which means energy prices will stay high for longer. At the same time the European Central Bank is increasing policy rates and the post-COVID recovery in service sector demand isn't providing additional support to the growth figures anymore. Housing markets react to the uncertainty with decreased volumes in housing transactions and construction but also cooling down of price development. Differences between housing market areas and units will deepen. Urbanization will increase due to the strong newbuilding to Helsinki-Tampere-Turku -areas.

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 and war in Ukraine."

## **5. 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:

["Interim Report 1 January – 30 June 2022](#)

Unaudited consolidated Interim Report for 1  
January 2022 to 30 June 2022"