THE MORTGAGE SOCIETY OF FINLAND

Financial Statements Release 1 January–31 December 2023

The Audited Financial Statements in ESEF-format will be published on 1 March 2024.

The Annual Report will be published on 1 March 2024.

The Interim Report for the period of 1 January 2024 to 31 March 2024 will be published on 30 April 2024.

The Financial Statements Release does not contain all information or notes that are required in the Annual Financial Statements. The Financial Statements Release should be read in conjunction with the Group's Financial Statements 2022 and Stock Exchange Releases published during the period of 1 January to 31 December 2023.

The figures in the tables in the Financial Statements Release are presented in thousands of euros.

The Financial Statements Release is unaudited.

Hypo Group's Financial Statements Release can be accessed at https://www.hypo.fi/en/hypo-financial-information/

Hypo Group's January–December 2023

The home finance specialist Hypo Group's net interest income grew 19 percent and capital adequacy remained strong

CEO Ari Pauna:

"Focusing on low-risk housing collateralized lending in urbanising Finland still provides stability despite the continuous uncertainty in operating environment. The deposits and loan portfolio grew more than the market. Net interest income, capital adequacy and liquidity remained strong. Non-performing loans and impairment losses remained at low level. During uncertain times, the services of a specialist organization are in demand. There is a strong demand for home financing from us and we respond to the demand comprehensively supported by completely renewed banking technology."

- Operating profit was EUR 8.5 million (EUR 7.1 million 1–12/2022)
- Net interest income was EUR 18.2 million (EUR 15.3 million 1–12/2022)
- Non-performing loans remained low at 0.19% of loan book (0.14% 31 December 2022)
- Expected credit losses were 0.01% of the loan book (0.01 % 31 December 2022)
- Net fee and commission income grew to EUR 4.7 million (EUR 3.6 million 1–12/2022)
- Other income was EUR 2.1 million (EUR 5.8 million 1–12/2022)
- Total costs decreased to EUR 16.5 million (EUR 17.5 million 1–12/2022)
- Common Equity Tier 1 (CET1) ratio, calculated with standard and basic methods, was 14.2% (13.8% on 31 December 2022)
- Liquidity Coverage Ratio (LCR) was 326.4% (201.6 % on 31 December 2022)

GROUP'S KEY FIGURES

(1,000 €)	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Net interest income	18,204	15,264	5,007	1,552
Net fee and commission income	4,697	3,592	1,172	880
Total other income	2,106	5,766	-559	1,067
Total expenses	-16,504	-17,543	-4,465	-3,098
Operating profit	8,503	7,079	1,156	402
Receivables from the public and public sector entities	2,785,973	2,754,008	2,785,973	2,754,008
Deposits	1,562,999	1,466,671	1,562,999	1,466,671
Balance sheet total	3,619,094	3,461,004	3,619,094	3,461,004
Return on equity (ROE) %	4.5	4.0	2.5	1.0
Common Equity Tier 1 (CET1) ratio %	14.2	13.8	14.2	13.8
Cost-to-income ratio %	65.5	71.2	79.8	88.8
Non-performing assets % of the loan portfolio	0.19	0.14	0.19	0.14
LTV-ratio (Loan to Value, average) %	30.3	30.8	30.2	30.8
Loans / deposits %	178.2	187.8	178.2	187.8
Liquidity Coverage Ratio (LCR) %	326.4	201.6	326.4	201.6
Net Stable Funding Ratio (NSFR) %	112.0	106.5	112.0	106.5
Leverage Ratio (LR) %	3.9	3.9	3.9	3.9

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 expert organization specialized in home financing 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. The 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. Over 23 thousand customers 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 offers its customers deposit products and residential land trustee services. Suomen Asuntohypopankki Oy is a member of the Deposit Guarantee Fund and a deposit bank wholly owned by The Mortgage Society of Finland.

S&P Global Ratings has assigned ‘BBB/A-2’ issuer credit ratings with stable outlook to The Mortgage Society of Finland.

Rating for the covered bonds of The Mortgage Society of Finland is ‘AAA’ with stable outlook (S&P Global Ratings).

OPERATING ENVIRONMENT

World economic growth remained modest in the fourth quarter, but labor markets still supported private consumption, especially in the services sector. The growth of the world economy is expected to be moderate going forward. Tightened monetary policy will weaken growth in 2024, but slowing inflation will support demand in the longer term. Global crises and tensions have increased uncertainty, and Russia's war of aggression in Ukraine continues. The global composite output Purchasing Managers’ index rose in the fourth quarter, indicating a slight improvement in the global growth outlook at the end of the year.

Broad stock indices in the euro area rose by 4.3% during the review period, while the bank equity prices of euro area gained 6.0% from 14 September to 13 December. The Governing Council of the ECB kept its key interest rates unchanged at both its October and December meetings. The central bank raised its key interest rates a total of six times during the year 2023. During 2022-2023 ECB raised its interest rates ten times altogether. The asset purchase programme portfolio is declining at a measured and predictable pace and the principal payments from maturing securities will no longer be reinvested. The Governing Council intends to discontinue reinvestments under the pandemic emergency purchase programme at the end of 2024. The long-term risk-free interest rates dropped sharply from October to December. The short-term Euribor rates remained close to 4%, but the 12 months Euribor fell to 3.513 percent by the end of December.

The Finnish working day adjusted change of total output fell by just under one percent in October from a year ago. The employment situation deteriorated, with 22,000 fewer employed people in November than a year earlier. The number of unemployed increased by 26,000 compared to the previous year. Consumer confidence weakened from October to December but was still higher than a year earlier.

According to preliminary data, the prices of old dwellings in the whole country fell by over 5% from the previous year in October-November. During the same period, prices in the metropolitan area decreased by about 7%, while in the whole country excluding greater Helsinki the decline was just under 4%. Home sales volumes increased slightly from October to November compared to the previous year, but housing sales grew more noticeably in the November data. The end-of-year housing market was positively influenced by the government's proposal announced in October to reduce the transfer tax and eliminate the transfer tax exemption for first-time homebuyers from January 1, 2024. The number of apartments available for sale remained high in the whole country. The housing loan stock year-on-year growth rate was -1.8% at the end of November, when the average interest rate on mortgage loans was 4.04% and the average interest rate on new housing loans was 4.63%.

The number of housing starts of residential buildings fell by over a third between August and October from one year ago. The year-on-year change in consumer prices was 3.3% in November.

KEY EVENTS 2023

During the year 2023, Hypo Group focused on strengthening its core businesses and profitability.

The stabilization of interest rates had a positive effect on the Group's net interest income during the financial period.

On 15 March 2023 Hypo issued a EUR 300 million covered bond to replace a covered bond that matured on 24 April 2023.

Hypo Prime rate was raised three times during the financial year based on the development of general market rates. Hypo Prime rate was 1.50 percent at the end of the financial period.

Hypo and the Nordic Investment Bank (NIB) signed in June a EUR 20 million loan agreement for on-lending to projects with environmental effects.

The amount of non-performing loans remained on a low level. The Forward-Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) decreased from level 2 to level 1, indicating improving housing market.

RESULTS AND PROFITABILITY

October–December 2023

Hypo Group's operating profit was EUR 1.2 million (EUR 0.4 million for October–December 2022). Income totaled EUR 5.6 million (EUR 3.5 million) and expenses EUR 4.5 million (EUR 3.1 million).

January–December 2023

Hypo Group's operating profit was EUR 8.5 million (EUR 7.1 million for January–December 2022).

Income increased by 1.6% from the previous year and totaled EUR 25.0 million (EUR 24.6 million). Net interest income increased by 19.3% to EUR 18.2 million (EUR 15.3 million) due to increased interest rates. Net fee and commission income totaled EUR 4.7 million (EUR 3.6 million). Net income from investment properties (housing units and residential land) amounted to EUR 2.4 million (EUR 2.8 million), of which EUR 0.3 million (EUR 0.2 million) were capital gains upon sale. Other operating income totaled EUR 2.2 million (EUR 0.2 million), including EUR -2.2 million contribution to the Resolution Fund for the year 2023.

Expenses decreased by 5.9% from the previous year and totaled EUR 16.5 million (EUR 17.5 million). The decrease was mainly due to precisions made to calculation principles of regulatory contributions.

Group's other comprehensive income EUR 7.7 million (EUR 6.8 million) includes EUR 6.9 million (EUR 5.8 million) profit for the year and other comprehensive income, after tax items EUR 0.8 million (EUR 1.0 million).

PERSONNEL

On 31 December 2023, the number of permanent personnel was 67 (63 on 31 December 2022). These figures do not include the CEO and the vice CEO.

ASSETS AND LIABILITIES

Lending

During the financial period, the loan portfolio grew by 1.2% to EUR 2,786.0 million 31 December 2023 (EUR 2,754.0 million on 31 December 2022).

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 30.3% (30.8%) at the end of the financial period.

The amount of non-performing loans were EUR 5.2 million (EUR 3.9 million), representing 0.19% (0.14%) of the loan portfolio. The expected credit losses in balance sheet remained on same level as previous year, EUR 0.3 million (EUR 0.2 million).

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 686.4 million (EUR 561.3 million on 31 December 2022), which corresponds to 19.0% (16.2%) of the total assets. The cash and cash equivalents which totaled EUR 684.4 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market. 97.6% (100.0%) of debt securities 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 26 months. The Liquidity Coverage Ratio remained on a strong level and was 326.4% (201.6%).

The defined benefit plans surplus of EUR 6.9 million (EUR 6.4 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 in selected growth centers, mainly in the Helsinki Metropolitan Area. The difference between the fair value and the book value of the properties totaled EUR 4.6 million (EUR 4.8 million).

Derivative contracts

The balance sheet values of derivative assets and margin call receivables were EUR 70.2 million on 31 December 2023 (EUR 69.2 million on 31 December 2022), and the value of derivative liabilities was EUR 74.8 million (EUR 113.0 million). The amount of derivative liabilities is explained with the values of hedging derivatives for covered bonds.

Deposits and other funding

The total amount of deposits increased by 6.6% and was EUR 1,563.0 million at end of the financial year (EUR 1,466.7 million on 31 December 2022). The share of deposits accounted for 46.9% (46.3%) of total funding.

The total nominal amount of covered bonds was EUR 1,770.0 million (EUR 1,770.0 million) at end of the financial period. The total nominal amount of certificates of deposit was EUR 48.0 million (EUR 61.0 million).

The share of long-term funding of total funding was 42.3% on 31 December 2023 (42.3%). The Group's NSFR-ratio at the end of the financial period was 112.0% (106.5%).

The total funding grew and was EUR 3,335.0 million at the end of the financial period (EUR 3,170.0 million).

CAPITAL ADEQUACY AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 158.2 million (EUR 150.5 million on 31 December 2022). The changes in equity during the financial period are presented in Group's statement of changes in equity attached to this release.

Group's CET1 capital in relation to risk-weighted assets on 31 December 2023 was 14.2% (13.8% on 31 December 2022). 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 end of the financial period, Group's Leverage Ratio was 3.9% (3.9%).

The Group's total capital requirement at the end of the financial period was 11.25%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on 0.75% and countercyclical buffer requirements of foreign exposures.

In accordance with the Credit Institution Act 610/2014 chapter 11, section 6d, the Finnish Financial Supervisory Authority (The Finnish FSA) has on 23 October 2023 set an indicative additional capital recommendation of 0.75% of total risk. The indicative additional capital recommendation should be covered with CET1 capital as stated in the Credit Institution Act section 6c, 1 subsection. The recommendation will enter into force on 31 March 2024 and is in force until further notice.

The Finnish Financial Stability Authority has on 25 April 2023 set a minimum requirement of own funds and eligible liabilities (MREL) as stated 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 25 April 2023. 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. This decision overrules the previous decision from the Finnish Financial Stability Authority dated 28 April 2021.

The Finnish Financial Supervision Authority has on 29 March 2023 decided to set a systematic risk buffer amounting to 1.0% for The Mortgage Society of Finland group. The decision will enter into force on 1 April 2024.

The Finnish Financial Supervisory Authority (The Finnish FSA) has on 24 August 2022 set a discretionary additional capital requirement of 0.75% (Pillar 2 requirement) for The Mortgage Society of Finland group. The requirement took effect on 31 December 2022 and remains in force until further notice, however not longer than 31 December 2025. The previous requirement 1.25 % was in force up to 31 December 2022.

There have been no significant 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.

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	31.12.2023	31.12.2022
Common Equity Tier 1 capital before deductions	158,207	150,483
Deductions from Common Equity Tier 1 capital	-15,973	-13,537
Total Common Equity Tier 1 capital (CET1)	142,234	136,947
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	142,234	136,947
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	142,234	136,947
Total risk weighted assets	999 966	991,991
of which credit risk	932 467	925,679
of which market risk (foreign exchange risk)	-	-
of which operational risk	47 743	43,863
of which other risks	19 755	22,450
CET1 Capital ratio (CET1-%)	14.2	13.8
T1 Capital ratio (T1-%)	14.2	13.8
Total capital ratio (TC-%)	14.2	13.8
Minimum capital	5,000	5,000

The information required by EU's Capital Requirements Regulation (EU) 575/2013 Part eight (i.e. Pillar 3) is published yearly for the most part. The key metrics are published semi-annually. The Mortgage Society of Finland is classified as a small and non-complex institution.

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 December 2023, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

Finland's economic growth is weak during year 2024. Labor markets cool down and foreign trade stagnates. The construction sector is in a weak phase, and construction investments are lower than before, but decreasing inflation and improving wages support consumers' purchasing power. The reductions in transfer tax will help the housing market, which will recover better only after inflation and interest rates calm down. Housing starts are declining, but the completion of housing already in production will keep house prices moderate for the first half of this year. Differences between housing market areas and units become more important and urbanization continues supported by the strong supply of housing.

Hypo Group focuses on strengthening its core business and profitability. The Group expects net interest income, net fee and commission income, capital adequacy and liquidity to remain on a strong level.

The Mortgage Society of Finland group expects its operating profit for year 2024 to be clearly higher than operating profit for 2023. The outlook contains uncertainties due to development in economy and interest rates as well as uncertainties related to the wars in Ukraine and Gaza and the unstable global situation.

Helsinki, 1 February 2024

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Interest income	130,732	35,145	40,552	12,565
Interest expenses	-112,528	-19,882	-35,545	-11,014
NET INTEREST INCOME	18,204	15,264	5,007	1,552
Fee and commission income	4,863	3,673	1,297	900
Fee and commission expenses	-166	-81	-125	-19
Net income from financial instruments at FVPL	-2,517	4,044	-1,479	-135
Net income from financial instruments at FVOCI	0	-1,248	0	0
Net income from investment properties	2,431	2,762	927	966
Other operating income	2,192	209	-6	237
Personnel expenses	-8,321	-7,574	-2,292	-1,329
Administrative expenses	-4,460	-5,029	-1,381	-1,075
Total personnel costs and administrative expenses	-12,781	-12,603	-3,673	-2,404
Depreciation and impairment losses on tangible and intangible assets	-1,611	-1,489	-441	-435
Other operating expenses	-1,993	-3,436	-371	-270
Final and expected credit losses	-119	-15	20	11
OPERATING PROFIT	8,503	7,079	1,156	402
Income taxes	-1,556	-1,274	-175	-41
PROFIT AFTER TAX	6,947	5,805	981	361
PROFIT FOR THE PERIOD	**6,947**	**5,805**	**981**	**361**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	1-12/2023	1-12/2022	10-12/2023	10-12/2022
Profit for the period	6,947	5,805	981	361
Other comprehensive income, after tax				
Items that may in the future be recognized through profit or loss				
Change in fair value reserve				
Financial assets at FVOCI	-125	-242	7	-65
	-125	-242	7	-65
Items that may not be included in the income statement at a later date				
Revaluation of defined benefit pension plans	288	1,216	-109	532
Adjustment to previous years retained earnings	614	0	657	0
	902	1,216	548	532
Other comprehensive income, after tax, total	777	974	555	467
COMPREHENSIVE INCOME FOR THE PERIOD	**7,724**	**6,778**	**1,536**	**828**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31.12.2023	31.12.2022
ASSETS		
Cash	520,670	393,179
Debt securities eligible for refinancing with central banks	146,386	140,802
Receivables from credit institutions	17,390	24,296
Receivables from the public and public sector entities	2,785,973	2,754,008
Shares and holdings	24	24
Derivative contracts	18,232	2,827
Intangible assets	10,175	10,230
Tangible assets		
Investment properties	57,306	50,726
Other tangible assets	1,002	4,995
	58,308	55,720
Other assets	60,385	78,366
Accrued income and advances paid	1,540	1,545
Deferred tax receivables	9	8
TOTAL ASSETS	**3,619,094**	**3,461,004**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31.12.2023	31.12.2022
LIABILITIES		
Liabilities to credit institutions		
To central banks	51,349	50,000
To credit institutions	20,004	0
	71,354	50,000
Liabilities to the public and public sector entities		
Deposits	1,562,999	1,466,671
Other liabilities	6,204	7,173
	1,569,203	1,473,844
Debt securities issued to the public	1,694,460	1,646,814
Derivative contracts	74,793	112,984
Other liabilities	38,788	14,294
Deferred expenses and advances received	2,465	2,638
Deferred tax liabilities	9,825	9,947
EQUITY		
Basic capital	5,000	5,000
Other restricted reserves		
Reserve fund	36,219	34,537
Fair value reserve		
From valuation at fair value	57	182
Defined benefit pension plans		
Acturial gains/ losses	5,476	5,188
Unrestricted reserves		
Other reserves	22,924	22,924
Retained earnings	81,584	76,847
Profit for the period	6,947	5,805
	158,207	150,483
TOTAL LIABILITIES AND EQUITY	**3,619,094**	**3,461,004**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2022	5,000	31,317	4,397	22,924	80,068	143,705
Profit for the period					5,805	5,805
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-1,551			-1,551
Amount transferred to the income statement			1,248			1,248
Change in deferred taxes			61			61
Revaluation of defined benefit plans						
Actuarial gains / losses			1,520			1,520
Change in deferred taxes			-304			-304
Total other comprehensive income, after tax	0	0	974	0	0	974
Transactions with owners of the bank						
Distribution of profits		3,220			-3,220	0
Equity 31 December 2022	**5,000**	**34,537**	**5,371**	**22,924**	**82,652**	**150,483**
Equity 1 January 2023	5,000	34,537	5,371	22,924	82,652	150,483
Profit for the period					6,947	6,947
Adjustment to previous years retained earnings					614	614
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-157			-157
Change in deferred taxes			33			33
Revaluation of defined benefit plans						
Actuarial gains / losses			360			360
Change in deferred taxes			-72			-72
Total other comprehensive income, after tax	0	0	163	0	0	163
Transactions with owners of the bank						
Distribution of profits		1,682			-1,682	0
Equity 31 December 2023	**5,000**	**36,219**	**5,534**	**22,924**	**88,531**	**158,207**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-12/2023	1-12/2022
Cash flow from operating activities		
Interest income and fees received	137,801	39,069
Interest and fees paid	-111,907	-18,881
Credit losses	-119	-14
Personnel, administrative and other operating expenses paid	-14,867	-16,826
Income taxes paid	-1,673	-1,607
Total net cash flow from operating activities	**9,234**	**1,741**
Operating assets increase (-) / decrease (+)		
Receivables from customers	-21,843	-116,720
Cash collaterals, derivatives	32,606	-67,509
Other operating assets	-493	-1,471
Operating assets increase (-) / decrease (+) total	**10,270**	**-185,700**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	96,328	-194,052
Other operating liabilities	670	420
Operating liabilities increase (+) / decrease (-) total	**96,998**	**-193,632**
NET CASH FROM/USED IN OPERATING ACTIVITIES	**116,502**	**-377,591**
Cash flows from investing activities		
Income received from financial instruments measured at fair value	69,662	131,587
Expenses paid from financial instruments and measured at fair value	-72,179	-128,791
Income received from investment properties	3,454	3,728
Expenses paid from investment properties	-1,597	-781
Proceeds from disposal of investment properties	133	7,215
Acquisition of investment properties	-6,714	-2,531
Proceeds from disposal of fixed assets	2,436	-6,394
NET CASH FROM /USED IN INVESTING ACTIVITIES	**-4,806**	**4,032**
Cash flows from financing activities		
Financial liabilities, new withdrawals	616,231	702,289
Financial liabilities, repayments	-600,827	-356,833
Other liabilities, new withdrawals	24,105	18,753
Other liabilities, repayments	-25,034	-20,758
NET CASH FROM/USED IN FINANCING ACTIVITIES	**14,475**	**343,451**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**126,170**	**-30,108**
Cash and cash equivalents at the beginning of the period	558,277	588,384
Cash and cash equivalents at the end of the period	684,447	558,277
CHANGE IN CASH AND CASH EQUIVALENTS	**126,170**	**-30,108**

NOTES

1. Key accounting policies

This Financial Statements Release applies the same IFRS Accounting Standards as the Group's Financial Statements on 31 December 2022. The Financial Statements Release 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 2023.

The Financial Statements Release does not contain all information or notes that are required in the Annual Financial Statements. The Financial Statements Release should be read in conjunction with the Group's Financial Statements 2022 and Stock Exchange Releases published during 1 January to 31 December 2023. The figures in the tables in the Financial Statements 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 Financial Statements Release 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 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.

1.1 Changes in presentation

In the 2023 financial statements the interest receivables and interest liabilities are presented in conjunction with the principal amount of each balance sheet item. The earlier policy was to present these amounts under "Accrued income and advances paid" and "Deferred expenses and advances received". In the 2023 financial statements, the figures for the comparative year 2022 have been revised to conform to the 2023 presentation.

(1000 €)	Group's balance sheet items in 2022 financial statements	Comparative year 2022 in the 2023 financial statements	Change in presentation, interest receivables/ interest liabilites
Assets			
Debt securities eligible for refinancing with central banks	140,315	140,802	487
Receivables from credit institutions	24,286	24,296	10
Receivables from the public and public sector entities	2,749,916	2,754,008	4,092
			4,588
Accrued income and advances paid	6,133	1,545	-4,588
Liabilities			
Deposits	1,463,261	1,466,671	3,410
Other liabilities	7,474	7,173	-300
Debt securities issued to the public	1,642,313	1,646,814	4,501
			7,610
Deferred expenses and advances received	10,248	2,638	-7,610

Due to this change in presentation the key figure Loans / deposits % has been revised for the year 2022. The revised figure is 187.8% and the previous figure was 187.0%.

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.

The structure of the group's balance sheet, income statement and cash flow statement have been adjusted to better consider the IAS 1 and IAS 7 regulations. The comparison period amounts have been adjusted accordingly.

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 December 2023. Equity instruments have not been issued nor repaid during the period from 1 January to 31 December 2023.

4. Capital Adequacy Information

Hypo Group's own funds and capital ratios

(1000 €)	31.12.2023	31.12.2022
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	5,000	5,000
of which: Basic capital	5,000	5,000
Retained earnings	81,584	76,847
Accumulated other comprehensive income and other reserves	64,676	62,831
Independently reviewed interim profits net of any foreseeable charge or dividend	6,947	5,805
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**158,207**	**150,483**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	-4,760	-2,991
Deferred tax assets that rely on future profitability	-9	-8
Value adjustments due to the requirements for prudent valuation	-239	-257
Defined-benefit pension fund assets	-10,965	-10,282
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-15,973**	**-13,537**
Common Equity Tier 1 (CET1) capital	142,234	136,947
Additional Tier 1 (AT1) capital	-	-
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	**142,234**	**136,947**
Total risk weighted assets	**999,966**	**991,991**
Capital ratios and buffers		
Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount	14.2	13.8
Tier 1 (T1) as a percentage of total risk exposure amount	14.2	13.8
Total capital as a percentage of total risk exposure amount	14.2	13.8

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013).
The capital requirement for credit and counterparty credit risk is calculated using the standard method.
The capital requirement for operational risk is calculated using the basic method.
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 €)

31.12.2023

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	597,119	643,412	-	-
Exposures to regional governments or local authorities	32,705	38,441	-	-
Exposures to international organisations	2,142	2,142	-	-
Exposures to credit institutions	68,434	87,676	29,071	2,326
Exposures to corporates	37,813	103	79	6
Retail exposures	55,759	17,129	12,159	973
Exposures secured by mortgages on immovable property	2,885,178	2,786,569	819,239	65,539
Exposures in default	4,758	4,595	4,701	376
Exposures in the form of covered bonds	24,727	24,727	2,473	198
Equity investments	24	24	24	2
Other items	64,722	64,722	64,722	5,178
Total	3,773,381	3,669,540	932,468	74,597
Operational risk			47,743	3,819
Other risks			19,755	1,580
All items in total	**3,773,381**	**3,669,540**	**999,966**	**79,997**

(1000 €)

31.12.2022

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	487,574	536,185	-	-
Exposures to regional governments or local authorities	32,831	39,298	-	-
Exposures to international organisations	2,016	2,016	-	-
Exposures to credit institutions	60,328	74,750	23,864	1,909
Exposures to corporates	40,221	951	817	65
Retail exposures	36,518	5,301	3,975	318
Exposures secured by mortgages on immovable property	2,951,707	2,809,490	827,644	66,212
Exposures in default	3,604	3,596	3,649	292
Exposures in the form of covered bonds	20,453	20,453	2,045	164
Equity investments	24	24	24	2
Other items	64,161	64,161	63,661	5,093
Total	3,699,437	3,556,224	925,679	74,054
Operational risk			43,863	3,509
Other risks			22,450	1,796
All items in total	**3,699,437**	**3,556,224**	**991,991**	**79,359**

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 Global ratings, 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 Article 438 of the EU's Capital Requirements Regulation (575/2013).
The other risk-weighted items consist of credit valuation risk (CVA).

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	31.12.2023	31.12.2022
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	197,535	278,051
Total	197,535	278,051

6. Fair values of financial instruments

(1000 €)		12/31/2023	31.12.2022
Financial assets	Fair value determination principle	Fair value	Fair value
Debt securities eligible for refinancing with central banks	1	146,386	140,802
Derivative contracts	2	18,232	2,827
Total		164,619	143,629
Financial liabilities			
Derivative contracts	2	74,793	112,984

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

Fair value determination principles:

1: Quoted prices in active markets

2: Verifiable price, other than quoted

3: 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. The fair value contains accrued interest. Year 2022 has been modified to meet with year 2023 presentation. There have been no transfers between the stages (1, 2, 3).

7. Related party information

Hypo Group's related parties include its subsidiary, members of the Board of Directors and the Supervisory Board, CEO and vice 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.

The Mortgage Society of Finland has sold its shares of Asunto-osakeyhtiö Eiran Helmi A 2 to the subsidiary Suomen Asuntohypopankki Oy during the financial period. The sale amount was 700 thousand euros.

There have been no other material changes in the related party transactions since 31 December 2022.

8. IFRS 9 expected credit losses by stage

(1000 €)	12/31/2023 Net book value	12/31/2023 Expected credit loss allowance	31.12.2022 Net book value	31.12.2022 Expected credit loss allowance
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	56,538	5	53,346	0
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2,746,419	13	2,717,711	17
Level 2, performing loans with a significant increase in credit risk	23,348	4	28,352	27
Level 3, non-performing loans	5,186	289	3,853	189
Total	**2,774,953**	**306**	**2,749,916**	**233**
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	197,535	0	278,051	1

There were no significant ECL-level transitions during the financial period. New loans were originated to level one.
Non-performing loans increased with eight loans and a total of EUR 1.33 million
The Forward Looking Factor (FLF) of the ECL model decreased to level 1 during the financial period.
The level of FLF is evaluated monthly.
The net book value does not include accrued interest.

(1000 €)	1–12/2023 Net expected credit losses with P&L impact	1–12/2022 Net expected credit losses with P&L impact	10–12/2023 Net expected credit losses with P&L impact	10–12/2022 Net expected credit losses with P&L impact
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	-5	0	-5	0
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	4	-8	2	2
Level 2, performing loans with a significant increase in credit risk	23	45	26	-35
Level 3, non-performing loans	-100	-60	-101	23
Total	**-73**	**-22**	**-73**	**-10**
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	1	-1	0	0

9. IFRS 15 Income distribution

Group's total income
(1000 €)

	1–12/2023	1–12/2022	10–12/2023	10-12/2022
Interest income	130,732	35,145	40,552	12,565
Interest expense	-112,528	-19,882	-35,545	-11,014
Net interest income	18,204	15,264	5,007	1,552
Net fee income				
from lending operations	2,454	1,864	548	459
from land trustee services	2,075	1,545	601	431
from other operations	168	183	23	-9
Total net fee income	4,697	3,592	1,172	880
Net income from treasury operations	-2,517	2,796	-1,479	-135
Net income from investment properties	2,118	2,536	641	865
Capital gains on investment properties	314	226	286	101
Other income	2,192	209	-6	237
Non-interest income	2,106	5,766	-559	1,067
Total income	25,006	24,622	5,621	3,499

10. IFRS 16 Leases

Hypo Group as lessee
(1000 €)

Right-of-use assets	**1–12/2023**	**1–12/2022**
Depreciation - Apartments	86	273
Carrying amount - Apartments	350	273

Lease liabilities		
Interest expense	4	11
Carrying amounts sorted by remaining maturity		
Non-fixed-term leases	352	276

Relief options		
Expenses from leases of low-value assets	6	11

Hypo Group leases storage spaces and parking lots in Helsinki.

Hypo Group as a lessor
(1000 €)

Operative leases	**1–12/2023**	**1–12/2022**
Lease income	1,660	2,143
Undiscounted lease payments to be received		
1 year	557	361
2 year	356	184
3 year	352	170
4 year	288	157
5 year	149	157
>5 years	4,035	4,174

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

11. Information concerning asset encumbrance

31 December 2023	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
(1000 €)		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	2,340,473	25,822	2,340,473	19,822	1,278,622	657,189	1,278,622	126,564
Equity instruments	-	-	-	-	24	-	24	-
Debt securities	19,822	19,822	19,822	19,822	126,564	126,564	126,564	126,564
Other assets, including lending	2,320,650	6,000	2,320,650	-	1,152,034	530,625	1,152,034	-

B - Collateral received	Unencumbered
	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	14,445

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	51,349	75,039
Debt securities issued to the public	1,647,529	2,193,648
Derivative contracts	52,928	71,785
Total	1,751,806	2,340,473

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 2,340.5 million, out of which of covered bonds were EUR 2,193.6.0 million on 31 December 2023. 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 126.6 million on 31 December 2023. EUR 250.7 million of unencumbered loans may be used as collateral for covered bonds.

31 December 2022	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
(1000 €)		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	2,006,658	19,523	2,006,658	19,523	1,454,346	515,740	1,454,346	121,267
Equity instruments	-	-	-	-	24	-	24	-
Debt securities	19,523	19,523	19,523	19,523	121,267	121,267	121,267	121,267
Other assets, including lending	1,987,136	-	1,987,136	-	1,333,055	394,473	1,333,055	-

B - Collateral received	Unencumbered
	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	13,890

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	48,728	62,073
Debt securities issued to the public	1,581,034	1,858,713
Derivative contracts	107,518	85,872
Total	1,737,280	2,006,658

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 2,006.7 million, out of which of covered bonds were EUR 1,858.7 million on 31 December 2022. 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 121.3 million on 31 December 2022. EUR 128.3 million of unencumbered loans may be used as collateral for covered bonds.

Sources:
Loans and deposits; Bank of Finland
Housing prices; Statistics Finland

Key indicators and alternative performance measures are reported together with indicators defined and named in the IFRS standards in order to give useful additional information on the business operations. Key indicators and alternative performance measures describe the economic profit, financial standing or cash flows from business operations, but are other than the indicators defined and named in the IFRS standards. The indicators defined in the Capital Requirements Regulation (EU 575/2013) CRR, describe the risk-absorbing capacity of a credit institution.

Definitions of Alternative Performance Measures:

Operating profit/profit before appropriations and taxes, million €	Interest income + income from equity investments + fee income + net income from financial assets at fair value through other comprehensive income + net income from financial instruments at FVPL + income from investment properties + other operating income – (personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses+ impairment losses on loans and other commitments)	
Return on equity (ROE) %	Operating profit - income taxes / Equity + accumulated appropriations less deferred tax liabilities (average total at the beginning and end of the period)	x 100
Cost-to-income ratio %	Personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses / Net interest income + income from equity investments + net fee and commission income + net income from financial instruments at FVPL + net income from available-for-sale financial assets + net income from investment properties + other operating income	x 100
LTV-ratio (Loan to Value, average) %	Receivables from the public and public sector entities / Fair value of collateral received against the receivables from the public and public sector entities Loan-to-value ratio is calculated by dividing the outstanding loan balance with the fair value of the total amount of the collaterals allocated to the loan. Only housing and residential property collaterals are taken into account. The average LTV ratio is the weighted average of individual loan-to-value ratios.	x 100
Expected credit losses %	Expected credit losses from loans to the public in P&L / Lending to the public at the end of the period	x 100
Loans/deposits %	Receivables from the public and public sector entities / Deposits	x 100
Deposits out of total funding %	Deposits / Total funding Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, debt securities issued to the public as well as subordinated liabilities.	x 100
Long-term funding out of total funding %	Total funding with a remaining maturity of 12 months / Total funding Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, debt securities issued to the public as well as subordinated liabilities.	x 100
Short-term liquidity, months	Coverage of short-term liquidity to wholesale funding cash flows (difference of days multiplied with 365 (days in a year)multiplied with 12 (months in a year))	

Definitions of Key Financial Indicators set out in EU's Capital Requirements Regulation:

Non-performing assets, % of the loan portfolio	Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days / Receivables from the public and public sector entities	x 100
LCR-ratio, %	Liquid assets / Outflow of liquidity – Inflow of liquidity (within 30 days)	x 100
NSFR-ratio, %	Available stable funding / Required stable funding	x 100
Leverage Ratio, %	Equity + accumulated appropriations less deferred tax liabilities / Balance sheet total	x 100
Common Equity Tier 1 (CET1) ratio %	Common Equity Tier 1, CET1 / Total risk The capital requirement for total risk is calculated using the standard method. The capital requirement for operational risk is calculated using the basic method.	x 100

Risk-absorbing key figures are presented in accordance with the EU's Capital Requirements Regulation (EU 575/2013).

Description of Alternative Performance Measures:

Operating profit, profit before appropriations and taxes is an indicator of profitability in the financial statement describing the net revenues from business operations after taking into account expenses, expected credit losses/impairment losses and depreciations.

Return on equity % (ROE) measures profitability of business operations by revealing how much profit is generated in relation to the equity accrued over a financial period. The Mortgage Society of Finland is a mutual company and thus it does not pay dividends.

Cost-to-income ratio % describes business performance by comparing total costs to total income. The less input is used to accumulate revenue, the better the efficiency.

LTV-ratio (Loan to Value, average) % compares the outstanding balance of credit owed by a customer to the fair value of the collaterals provided by the customer. The ratio reflects a credit institution’s lending in relation to its collateral position.

Loans / deposits % describes the relation of lending to deposit funding. A ratio exceeding 100 per cent indicates that in addition to deposit funding, wholesale funding and equity are used as funding sources.

Deposits out of total funding % indicator describes the structure of funding.

Long-term funding out of total funding % the ratio describes the structural funding risk of a credit institution. Long-term funding extends the planning and implementation horizon of the credit institution’s funding therefore reducing the risk of having to raise funds under disadvantageous market conditions.

Short-term liquidity, months, describes the coverage of short-term liquidity to wholesale funding cash flows.

Number of personnel describes the personnel resources available.

Expected credit losses % compares expected credit losses in P&L from the loan portfolio to the loan portfolio in total. The smaller the ratio the less credit losses are expected in the future.

This is an unofficial English language translation of the original Finnish language release (Financial Statements Release) and it has not been approved by any competent authority. Should there be any discrepancies between the Finnish language and the English language versions, the Finnish version shall prevail.