THE MORTGAGE SOCIETY OF FINLAND

ANNUAL REPORT 2023

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Interim report Q1 2024 will be published 30 April 2024.

This is an unofficial English language translation of the original Finnish language release (Vuosikertomus 2023) 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.

THIS WILL BE YEAR ZERO FOR THE HOUSING MARKET. HYPO IS NOW EVEN STRONGER AND READY FOR A NEW BEGINNING.

Finland's security situation is stronger than ever, but the external environment is filled with increasingly alarming threats. Relief that the pandemic was loosening its grip was replaced by chaos in Europe as Russia launched a brutal war of aggression in Ukraine and open warfare brought the continuous fear of nuclear war even into normal everyday conversation. In the tidal waves of war, conflict hotspots around the world threaten to explode – in the Middle East, people in Gaza are effectively living in the midst of an open battle. In Finland, the new president will be required to take office without any kind of introductory period.

Finland's social fabric is being tested through both political and economic strife. Consumer confidence has fallen to a historically low level, as have home buying intentions. Signs of global climate change are becoming more pronounced here, too. Fortunately, Finland is now a member of NATO. This gives us protection, both in terms of security policy and economically. International money markets continue to have confidence in the stability of Finland, the Finnish financial sector and Hypo. This is good for Finland and for everyone in Finland, and not the least for home savers.

Hypo has been preparing for global crises and increased competition in the banking sector by systematically reforming its operations for several years. We are able to respond to all regulatory, financial, technological and profitability demands on our business independently and autonomously, even if the uncertainty in our operating environment were to continue and deepen.

From the beginning of 2023, the entire Hypo Group has been successfully operating with the newest banking system in the Nordic countries, built in collaboration with Tietoevry. During the previous year, we withdrew from the long-standing Samlink partnership without a hitch. There is still work to be done, of course, but these tasks are purely standard maintenance and development of banking technology. What matters most is that the continuity of our operations has now been secured to the 2030s. Moreover, the new core banking system solution will allow us to develop our own products and services in a completely different way than under the previous system, which was fully owned by our competitors. All our core financial, accounting and reporting systems have been renewed. The 2023 financial statements and balance sheet are the combined result of our completely renewed technology platform, business systems and financial management systems. They have been considered a success in terms of both timeliness and accuracy.

We can now say that all aspects of Hypo's renewal program, launched in 2000 by the late Professor Jarmo Leppiniemi, the long-time

Chairman of the Board of Directors of Hypo Group, have finally reached a stage where Hypo is independent and autonomous also in terms of banking technology.

We will be able to provide better, more varied and more affordable home financing and housing-related products and services. We offer a range of deposit products to help our customers build their wealth, especially in the areas of long-term home saving and liquidity management.

A CLOSE EYE ON CUSTOMERS

The total amount of applications for collateralized home financing by our customers, or *"Our members and lenders who have registered as our members"*, since the beginning of 2013 has now reached almost EUR 27.5 billion. During that time, we have accepted over EUR 7.0 billion worth of applications – with the recent years during the technology renewal having been more restrictive. We returned to a path of determined profitable growth with controlled risk-taking in 2023 and will continue on the same path in the coming years. We can now finally focus, beyond the bits and processes, on the market and our customers as is characteristic of Hypo, all the way to our anniversary year 2030. We will respond to every loan application

from target regions and customers in an even faster and more tailored and automated way, regardless of time and place. It is still the case that no Finnish bank has the same demand potential that Hypo has. We will profitably meet this demand in full by managing risks and resolutely pursuing our specific objectives, while safeguarding the Hypo Group's own funds accumulated over 163 years.

At the end of 2023, Hypo's loan portfolio stood at EUR 2,786 million and our total committed loan exposure at almost EUR 3,000 million. For the purpose of comparison, our loan portfolio stood at EUR 281 million at the end of 2000 and our total committed loan exposure at EUR 725 million in 2012.

The growth of our loan portfolio and committed loan exposure exceeded market growth last year, despite the fact that it included a very significant amount of additional loan repayments, which we consider to be a very positive development. This, together with the very low level of non-performing loans and write-downs, reflects the solvency of our customers and the health of our credit portfolio. In the last 21 years, we have launched deposit banking, IFRS financial reporting, Land Trustee services, international credit rating, mortgage banking and a complete overhaul of banking technology and the renewal of the closely associated information system solutions. Hypo is determined to increase its market share, year by year, while continuing to reform its operations in line with the changes required by demand and growth.

The development of the Finnish housing and mortgage markets in the middle of the pandemic and Russia's war of aggression reinforces our faith in the strategy chosen by Hypo to focus operating in the strongest housing markets in the country. Many other operators in the housing and mortgage markets have come to the same conclusion. The long-term change in the markets has continued despite the pandemic, war and major economic challenges just as the predictions have shown. It is the resilience and liquidity of the best housing markets in the selected regions of the country that counts.

Population forecasts reinforce our view that in the 2040s, there will only be three genuinely growing metropolitan regions left in Finland, these being the Helsinki, Tampere and Turku regions. Tampere in particular has significantly improved its position in recent years and we believe this will continue for the time being. However, the Helsinki and Turku regions have woken up to the competition, and we expect the Turku region in particular to strengthen its position in the coming years. However, it is good to remember that also inside many urban regions there are different kinds of developments to be seen: the centers may grow while the population in the surrounding areas may even decline. And vice versa, of course, depending on the time and circumstances.

We follow the specific development of each municipality through Hypo Regional Rating, which is updated and published regularly. The Rating offers a clear, contemporary and new way to follow developments within Finland for anyone interested in the housing market, also considering the global trends and challenges.The Rating looks at the markets through the eyes of a mortgage lender by providing information on the regional risks and advantages openly and analytically. We have chosen municipalities as the geographical areas, but also study city districts by postcode area in the Helsinki region, Tampere and Turku. We are actively developing this classification and take climate and safety risks into account, as well.

A NEW DIVIDING LINE BETWEEN OWNER-OCCUPIED AND RENTED HOUSING

The Finnish home financing system and the Finnish housing market are challenged by a strongly divergent and fragmenting development. Our country is divided into housing markets that include collateralized or non-collateralized markets and markets that are based on buyer financing and those based on donated funds. This poses new challenges for the banks that provide home financing as well as for other operators in the housing market. The old dividing line between home owning and home renting is coming back again. This is happening because these two forms of housing are totally different when it comes to financing and risk management.

In home owning, the repayment of mortgages depends on salaries and entrepreneurial income which are independent of collateral. In home renting, the repayment of the leverage loan, which is critical to the lessor's return on equity, depends on rental income, which in turn depends on collateral and is subject to competition between lessors, and on political decisions. The other is traditional, low risk financing of home owning, and the other is financing a rapidly grown housing business with higher risks. The old way of thinking that comes from the time when the Finnish markka was in use and is centered on local banks and operating on local deposits and collaterals is not enough in a world of international financial markets and credit ratings. There are many operators in the housing market who will find it difficult to adapt to this change for many years to come. Not to mention mortgage lenders. We must ensure that these issues do not spread to the finance providers and investors in the financial sector, even though the financial media have recently been regularly reporting serious payment difficulties, even bankruptcies, among both construction companies and housing investors.

Competition between cities and other municipalities for jobs, health care services and people increased during the Covid-19 crisis and will continue to do so. It would be very positive if the cities and municipalities could decide on their own approach more independently. The conventional way of developing all of Finland equally has reached a dead end. Structural changes are not progressing almost anywhere in the country. The regional structure built over several decades has been maintained with debt and the debt will continue to mount under the pretext of the Covid-19 crisis, Russia's war of aggression, NATO membership and the related defense spending. The familiar "let's keep the entire country populated" mantras have made a comeback, especially in the presidential election campaign. But the fact is that in 2030, voters will take a hard look at what the current President-elect promised in the run-up to these elections

and what he did to deliver on those promises. Instead of the policy of keeping the entire country populated, we should be paying attention to the development of the share of owner-occupied housing on land owned by the owner in all of Finland's urban areas. The growing portion of rental housing speaks of increasing concentrations of risks in the housing markets of the city in question. Affordable long-term financing will vote with its feet, especially from the beginning of 2025, when Basel IV regulation will gradually start coming into force.

It is important to be aware that an increase in rental housing means that housing wealth and debt will become more concentrated and lead to greater volatility or fluctuation in the urban housing market. The ups will be strong and euphoric, but the downs will be far stronger, and have dramatic consequences. The current situation in the capital region is a good example of this. The risks of rental housing backed by investors or with housing company loans are there for all to see.

It is clear that this development will significantly influence the housing market and house prices in Finland. In a growing number of areas, there are more and more owner-occupied and rental homes that fall off the housing collateral market first and then off the housing market itself. This has put nationwide non-urban banks that have an international credit rating and acquire housing funding from the international finance market in a difficult position. Their traditional market share is melting away and the competition in the urban bank market is heating up significantly while new conventional operators and new types of unconventional competition is entering the Finnish market. The price and quality competition gets tougher every year. Banking technology will divide banks into winners and losers in the 2020s because the ability to adopt new technology in practice rather than on PowerPoint presentations alone is the key to success. Only two Finnish banks have been able to completely modernize their banking technology. Hypo is one of these. The renewal projects of the rest of the almost 200 banks are at various stages of completion.

All sectors share the need for modernization. Nationwide operators are being challenged by the regional fragmenting of the market, as goals and needs diverge. Many have embarked on internal reform, and some have even split over internal divisions. This can be seen in the increasing competition between different lobbying organizations, and in mergers and specialization in the banking industry. I still predict that in the 2030s, there will be only 25 genuinely independent banks instead of the current 200 or so. Sentences on price cartels in the real estate management sector, the excesses of the rental sector and the bankruptcies among construction companies tell another story of our time, relevant but sad. Various negative phenomena have emerged in housing over the years, and we must not be naïve about them. The protection of consumers and ownership rights must keep up with the changing environment, even if the phenomena are isolated cases. And in any case, they are signals of a more general trend. Of a culture of taking the path of least resistance. Remember, if something has not been expressly forbidden, it does not mean it should be done.

CHANGE IS A CHALLENGE

The price and availability of long-term funding for financing providers have become the decisive factors. Funding depends more and more on liquid housing collateral that holds its value, as competitive long-term financing is not available without it, nor will regulatory requirements be met. This trend is self-reinforcing and typical to the EU as a whole and all Nordic countries and is especially challenging to us Finns, as we are used to local banking financed with deposits, where all the customers are mutually equal in respect of credit availability and terms, for example. The Finnish population is aging, decreasing and lives in a large and very sparsely built country. In Finland, we have invested billions in underground and overground infrastructure and real estate for decades, confident that they will hold their value. Now there is not enough money to even properly assess the need for essential repairs. And we also need money for social and health care services and education, investments in competitiveness and rail traffic, not to mention attaining climate and security policy goals. Fortunately, confidence in Finnish banks is still very strong. The events of a year ago on international money markets are a concrete example of this. The problems of US and Central European banks did not spread to Finland and Finnish covered bonds traded well despite the volatile international environment.

The lesson of the past five years is that households must carefully consider how and where in Finland to live permanently. Job opportunities, good health care services and other everyday services and a housing market where homes can always be sold or used as collateral, especially in a crisis, are even more important than before. In addition, it is even more important to carefully evaluate the housing company before buying an apartment. Are the homes in the company really owner-occupied or is it actually a rental home company? Are owner-occupiers or lessors liable for housing company loans? Other important factors to consider include whether the building is located on a plot owned by the company or is the plot under a perpetual lease or can it be redeemed.

Finland is continuing on the same path even after the pandemic: our country is *becoming more urban, with an emphasis on big cities, not rural.* We should simply accept this and start adapting to it independently, on our own and with our own loans, to the extent that we can. It is good to distinguish between genuinely vibrant areas and developing areas. The former need to manage on their own, the latter need careful guidance on how to adapt to the future. This is even more important if the areas also have security policy implications.

The availability and price of long-term financing and international credit ratings speak a grim truth. The country can only get financing on the backs of the central government and the municipalities, which means the taxpayers, but the amount of central government and municipal debt and guarantee exposure is already alarmingly high. It will be impossible to continue with current policy. There has to be a change of direction. This puts unprecedented pressure on Finland's international credit rating and, as a result, all international credit ratings in the Finnish financial sector. The availability

and terms of long-term financing are diverging even more than before and are deepening the polarization of society. Returning Finland's credit rating to AAA would lower the cost of financing for all of us, while allowing it to fall further from the current AA+ would raise the cost of financing for all of us. Unfortunately, it now seems that the consensus on how serious the economic situation in which Finland finds itself has broken down into a several self-serving factions. Finland has succeeded in creating a new stigma for itself in the eyes of the international financial market. Namely the stigma of political risk. It is no longer certain that Finland can reform together over time and transparently communicate this.

Hypo has taken this into account in its operations and is ready to face the challenges for its own part. Our loan portfolio is more transparent than that of our competitors and we focus on quality by always keeping quantity on an adequately high level for the international finance market. Our customer promises *"Best from Finland"* and *"A Secure Way for Better living"* guide our operations on both sides of the balance sheet, keeping in mind the evermore relevant and to us historically natural ESG aspects of operating and investing.

HYPO COMPARES ITSELF WITH THE TOUGHEST COMPETITION

Hypo compares itself with the toughest of its competitors, which are on international listed company level and some with also international operations, because it forces our rare company form – a mortgage society – to renew constantly and profitably while also managing risks. Hard numbers keep speaking for themselves: a balance sheet of almost EUR 4.0 billion, using standard and basic approaches, a RAC (Risk Adjusted Capital) adequacy of about 18 percent, a ROE of almost 4.5 percent and credit losses still at around 0.0 percent, which is a tough combination even in international comparison and taking into consideration the unusual circumstances of 2023 and the substantial renewal measures. In addition, the soft numbers show a balanced development: Customer and employee satisfaction, internal audit, competence and well-being at work are all on the right track and on a good level despite a very demanding operating environment both internally and externally. Nevertheless, we continue to aim for the top international level regarding both the hard and soft numbers as an independent and autonomous credit institution specialized in home financing and housing, which bases its operations on the latest technology solution in the industry, created together with a chosen partner, and on future reforms that it has made possible in the best interest of our customers on both sides of the balance sheet.

When comparing Hypo's figures to those of our domestic competitors, it is good to keep in mind that we are, after all, the only mortgage banking group in the country. Mortgage banks operate at a different rhythm from commercial banks and local payment transaction banks. Our sights are always set on the next 25 years, not on the next quarter of the year.

On behalf of myself and our governing bodies, I thank Hypo's personnel for their very hard, high-quality and profitable work carried out amidst the global Covid-19 crisis, the war in Ukraine, increasing interest rates and rising inflation. The strategically important renewal of our entire banking technology and the other developments on top of this have demanded a lot of our staff. The years 2022 and 2023 have been a turning point for Hypo and I am very confident about the years ahead. The beginning of 2024 has shown that the turnaround towards growth has started strongly, despite accumulating challenges in the operating environment. This year will be year zero for the housing market. A new era and a new start in many ways. Especially for Hypo.

I would also like to thank the Chairmen and members of the Board of Directors and the Supervisory Board for their unwavering and strong support over the past five years. In this environment, the renewal of our entire banking technology and related information system solutions, and our specific objective of putting lending back on a growth path, would not have been possible without continued input and guidance from all of you.

In particular, I would like to thank our long-standing Board members Tuija Virtanen and Teemu Lehtinen for their significant personal contribution to Hypo's renewal and growth. I would also like to thank our Supervisory Board members Anni Sinnemäki and Seppo Laakso for their hard work on the Board.

Furthermore, I am grateful to Petteri Bollmann and Juhana Brotherus for their many years of excellent work as members of our Management Group and to Anja Kymäläinen for her many years and excellent work as a housing finance expert. On behalf of myself and all the people of Hypo, I wish Petteri and Anja a carefree retirement and Juhana success in his new role.

Finally, I would especially like to thank our many customers, old and new, for their growing interest in the 163-year-old Hypo Group and all its services.

A Secure Way for Better Living.

Helsinki, February 7, 2024
Ari Pauna
CEO

Sustainability (ESG, Environmental, Social, Governance) is a natural part of Hypo's operations in many ways. Our main business area is home financing, with an aim to improve the wellbeing and prosperity of our customers through home ownership. Concrete climate change mitigation measures, such as increased energy efficiency projects and renovation projects to promote renewable energy sources, are an opportunity to Hypo's business.

Work to assess risks related to sustainability, climate and environment has started in Hypo and is progressing well. We are currently carrying out the double materiality analysis. Sustainability objectives will be embedded in the Bank's core business and reporting processes in the coming years.

The Group will start applying the Taxonomy Regulation and the Sustainability Reporting Directive (CSRD) for the financial year starting 1 January 2025. The objective of the Taxonomy Regulation is to direct an increasing amount of capital flows to sustainable investments. The CSRD Directive creates a common framework for sustainability reporting.

ENVIRONMENTAL RESPONSIBILITY

Environmental objectives have been introduced into the lending process. Two thirds of Hypo's loan portfolio have been granted to housing companies for various renovations projects that help prolong the life of the building.

Hypo has also been working with the Nordic Investment Bank (NIB) for more than ten years through loan programmes targeted to environmental investments in residential buildings. The financing has been primarily intended for renovation projects that improve the energy efficiency of the housing companies.

From the point of view of the mortgage lender, the energy solutions and durable building techniques of the property to be financed and its geographical location in relation to the risk of extreme weather events will be of particular importance. The Regional Rating Hypo publishes examines the Finnish regional housing market from a mortgage lender's perspective, and considers several environmental, climate and other sustainability factors.

SOCIAL RESPONSIBILITY

Hypo fulfils its social responsibility as a specialized housing financier, employer and taxpayer.

Our customer promise "Better living. Safely." sums up our aim to increase wellbeing through responsible stewardship of housing wealth. We aim to raise awareness of current housing and housing finance issues in a way that is easy for everyone to understand. With our strong expertise, we actively participate in the social debate on the housing market and the economy. Our housing market and economic reports address social issues that are central to housing in a simple and realistic way. The reports are available at www.hypo.fi in Finnish.

Hypo's borrowers have access to the expertise and support of Hypo´s housing finance managers during the home-buying process to ensure that the biggest purchase of their lifetime goes smoothly.

Hypo developed a plot concept in the beginning of the 21st century with an aim to lower the threshold for home ownership by separating the price of land from the purchase price of the apartment. The 'Plot Concept' has during its 20-year lifespan become a meaningful part of financing solutions of home construction, especially in growth centers.

Hypo actively takes care of its staff's well-being through extensive occupational health services and other benefits. Staff turnover is low and there are many long-term, committed staff members at Hypo. Job satisfaction and well-being at work are monitored through regular BBI and NPS measurements. Regularly ratified human resources management principles set targets for equality and non-discrimination, the implementation of which is regularly monitored.

As part of the staff remuneration scheme, pension fund 'Suomen Hypoteekkiyhdistyksen eläkesäätiö' is there to provide additional pension benefits hence providing financial security for the long term.

In 2023, Hypo paid EUR 6.8 million in salaries and EUR 3.7 million in pension expenses, other side expenses and taxes. In addition, Hypo has made donations to non-profit organisations.

GOOD GOVERNANCE

Hypo acts responsibly in lending by applying the orders and recommendations of the Finnish Financial Supervisory Authority as well as other regulations and guidelines from the authorities.

In the field of good corporate governance, Hypo applies the governance code of Finnish listed companies in its administration. As a mutual company Hypo uses its profits to the benefit of its loan customers to further enable Finnish prosperity growth.

As a financial institution, Hypo is regulated by a large amount of obligatory regulation, guidelines and reporting requirements from the authorities. The goal of banking regulation is to secure the functioning of banks in all circumstances and make their operations open and transparent to all stakeholders. Know your customer (KYC), and prevention of money laundering and terrorist financing regulations are part of the principles of banking. Applying, following and implementing the regulations is a substantial part of banks' operation these days, and when successful, customers' information and funds are safe, and the supervising authority is satisfied with the bank's performance. Hypo has succeeded well in this basic task. In addition, Hypo participates actively in common lobbying work in the financial sector, which focuses strongly on new banking regulatory projects.

Our financial reporting, prepared in accordance with internationally consistent IFRS principles, serves the information needs of our stakeholders, especially our investors. From 2021, the consolidated financial statements have also been published in ESEF format.

HISTORY OF HYPO

The year 2023 was the 163rd operational year for the Mortgage Society of Finland.

21 Dec 1858 The Senate of Finland decides on the proclamation to be made to establish the Mortgage Society of Finland.

25 May 1859 His Imperial Majesty's Gracious Proclamation on the terms and general principles of the Mortgage Society of Finland.

15 Sep 1859 First general meeting in Helsinki for the establishment of the Mortgage Society of Finland.

4–6 Jul 1860 Decision on the establishment of the Mortgage Society of Finland at a general agricultural meeting in Hamina.

24 Oct 1860 The Senate ratifies the rules of the Mortgage Society of Finland. Consul **Otto Reinhold Frenckell** serves as the first managing director 1860–1867.

2/1862 Lending begins with funds received from the Bank of Finland and the Society's own bonds. Loans are repayable over 55 years in level annuity instalments.

1 Feb 1862 First private bond issue in Finland.

12/1864 First foreign loan from M.A.V. Rothschild & Söhne, Frankfurt am Main: 3 million Prussian thaler (FIM 8,998,300 after a 19 per cent issue discount).

21 Jan 1865 The Finnish mark, markka, is tied to a silver standard backed by a FIM 8 million currency reserve deposited at the Bank of Finland by the Society.

1868–1869 Senator Aleksander **August Brunou** serves as managing director.

1869–1881 Senator **J.V. Snellman** serves as managing director at a fixed annual salary of FIM 8,000.

1881–1884 Senator **Gustav Robert Alfred Charpentier** serves as managing director.

1865–1914 Freedom fighter, Lieutenant and Knight of Danneborg **Herman Liikanen** serves the Society as an accountant for nearly 50 years.

1884–1905 Senator **Pehr Kasten Samuel Antell** serves as managing director.

1890s Economic growth. The Society's loan portfolio totals FIM 22 million in 1890 and FIM 73 million in 1913.

1906–1920 **Ernst Emil Schybergson**, Bachelor of Laws, serves as managing director.

1914–1918 First World War. In the 1920s, based on the guarantee of the Grand Duchy of Finland, the Republic of Finland pays off bonds issued before the war as creditors demand payment on four currency-based loans in Swedish krona, the currency least affected by inflation.

1913–1917 The Society finances AB Brändö Villastad, the garden suburb of Kulosaari in Helsinki.

1920–1928 Senator **August Ramsay** serves as managing director.

1927–1979 Suomen Asuntohypoteekkipankki (the Housing Mortgage Bank of Finland). The bank had a market share of 18 per cent in loans made on urban property in the late 1920s. Slightly less than 70 per cent of these loans went to Helsinki. The bank was eventually toppled by foreign exchange losses.

1929–1942 **Auli Markkula**, LL.M. (trained on the bench), serves as managing director.

1929 The Great Depression.

1937 The head office, which now houses the Ministry of Transport and Communications, is taken over by the government as old bonds and the related agricultural loans are assumed by the state.

1939–1945 Second World War.

1942–1967 **Ilmo Ollinen**, Doctor of Laws, serves as managing director.

1945–1959 Post-war period of reconstruction and resettlement. In addition to land loans, government funds are used for loans for housing companies and their owners – that is, home mortgage banking. Kansallis-Osake-Pankki and Pohjoismaiden Yhdyspankki serve as agents, as does Postisäästöpankki later on.

1960–1980 Loan portfolio grows slowly. Farm loans from government funds.

1967–1976 **Pentti Huhanantti**, LL.M. (trained on the bench), serves as president.

1977–1978 **Pentti Linkomo** serves as acting managing director.

1979–1987 **Osmo Kalliala**, LL.M. (trained on the bench) serves as managing director. Lending expands into home building and apartment purchasing, into housing companies for renovation projects, and into new developments.

1987–2001 **Risto Piepponen**, LL.M. (trained on the bench), serves as managing director. Lending focuses increasingly on housing companies and rental communities instead of private individuals. A positive net income even during the banking crisis. The euro is adopted. Y2K preparations. Loan portfolio at EUR 280 million. Average number of personnel: 30.

2002–2012 **Matti Inha**, Bachelor of Laws, honorary financial counsellor, serves as CEO. The decade of "A secure way for for better living". Under the leadership of Inha, Hypo reawakens and establishes its position as the only bank specialising in housing and home financing in Finland. The Group nearly triples its loan portfolio and balance sheet, to EUR 725 million and EUR 930 million, respectively. Suomen Asuntohypopankki Oy establishes its position as a Group company and achieves a deposit portfolio of EUR 308 million. The number of customers doubles to approximately 25,000 during Inha's term, and the Group's own funds increase to nearly EUR 80 million with capital adequacy remaining strong. All of this was achieved during the worst global financial and government crisis in economic history so far, driven by a staff of less than 30 home financing specialists on average.

2013 **Ari Pauna**, LL.M., becomes the 15th CEO of Hypo. His first goal is to increase Hypo's loan portfolio to more than EUR 1 billion in a profitable and risk-conscious manner.

In 2013, the loan portfolio grew from EUR 725 million to EUR 978 million.

2014 The loan portfolio increased to EUR 1.2 billion, and the deposit portfolio grew to EUR 500 million.

Operating profit EUR 7.5 million. Capital adequacy ratio 15.1 per cent. Non-performing receivables/total lending 0.23 per cent. Personnel 50.

2015 Hypo opened its extended street-level banking office in Hypo House. Standard & Poor's Rating Services issued an international credit rating for Hypo. Hypo's loan portfolio exceeded EUR 1.4 billion, and its deposits exceeded EUR 1.0 billion.

2016 In May Hypo issued its first covered bond totaling EUR 300 million. In December another covered bond was issued with a nominal amount of EUR 100 million.

Coverd bonds have a credit rating of 'AAA' stable assigned by S&P Global Ratings (S&P).

In November S&P Global Ratings (S&P) affirmed its credit rating 'BBB/A-3' with stable outlook to The Mortgage Society of Finland.

Hypo's own funds increased to over EUR 100 million.

The credit portfolio grew to EUR 1.8 billion and the deposits exceeded EUR 1.2 billion.

2017 S&P Global Ratings raises Hypo's short-term counterparty credit rating to 'A-2' from 'A-3' and affirms the 'BBB' long-term rating with stable outlook.

Hypo's credit portfolio grew to EUR 2.2 billion and the deposits exceeded EUR 1.5 billion.

2018 Hypo launched a new Mobile bank alongside the familiar online bank service. Hypo's loan book grew to EUR 2.6 billion and deposits to EUR 1.7 billion.

2019 Hypo initiated the renewal project of the core banking system. The amount of covered bonds issued grew to EUR 1.3 billion. Hypo's loan book at the end of the year was EUR 2.6 billion and deposits EUR 1.6 billion.

2020 The Mortgage Society of Finland was founded 160 years ago. The amount of covered bonds issued grew to EUR 1.45 billion. Hypo's loan book at the end of the year was EUR 2.5 billion and deposits EUR 1.6 billion.

2021 The Mortgage Society of Finland issued for the first time a covered bond with a tenor of 10 years. Hypo Group focused on the renewal project of the core banking system and the implementation of its first phase. Hypo's loan book at the end of the year was EUR 2.6 billion and deposits EUR 1.7 billion.

2022 The renewal project of the core banking system was launched on February 1st 2022. Hypo's loan book at the end of the year was EUR 2.7 billion and deposits EUR 1.5 billion.

2023 Supported by its completely renewed banking technology, Hypo focused on low-risk housing collateralized lending in urbanizing Finland. Hypo's loan book stood at EUR 2.8 billion and deposits at 1.6 billion at the year end.

THE MORTGAGE SOCIETY OF FINLAND GROUP

The Mortgage Society of Finland Group (hereafter "Hypo Group" or "Group") is the only nationwide expert organization specializing in home financing and housing in Finland. Hypo Group grants mortgages as well as renovation loans and consumer loans, all 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. Over 23 thousand customers, in growth centers, have already taken us up on our promise.

The Mortgage Society of Finland, the parent of company of the Group (hereinafter also referred to as "Hypo"), has its domicile and administrative headquarters in Helsinki. Hypo is a mutual company governed by its member customers. The company is an authorized credit institution. Since 2016, Hypo's license includes mortgage credit bank operations.

Suomen Asuntohypopankki Oy (hereinafter also referred to as "the Bank" or "Suomen Asuntohypopankki"), a wholly owned subsidiary of the parent company, is a deposit bank that offers its customers deposit products and trustee services.

Group companies own 54.6 percent of the housing company Bostadsaktiebolaget Taos (hereinafter "Taos"). Taos owns and manages the land and property where Hypo's customer service facilities are located and rents out office premises from the property. The operations of Hypo and Suomen Asuntohypopankki are supervised by the Finnish Financial Supervisory Authority (hereinafter also referred to as FIN-FSA).

Group's both credit institutions endow the Single Resolution Fund of the Banking Union by contribution payments to the Financial Stability Authority. Acting as a deposit bank, Suomen Asuntohypopankki also pays deposit guarantee contributions to the Deposit Guarantee Fund managed by the Financial Stability Authority.

S&P Global Ratings (S&P) has assigned a 'BBB/A-2' issuer credit rating with stable outlook to The Mortgage Society of Finland.

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

GROUP STRATEGY AND GOALS

In the long term, Hypo Group's aim is steady and profitable growth in its secured loan portfolio and customer relationships while managing risks. Hypo Group aims to offer a competitive alternative for financing private customers' housing solutions and housing companies' need for repairs as well as to strengthen its market position in the core business of lending for the benefit of the customer.

Profits will be used to develop lending practices to the benefit of lending customers, maintain a high capital adequacy and to improve competitiveness. In accordance with Group strategy, the Board of Directors sets business targets for Hypo Group. These targets are confirmed, entered onto scorecard and monitored annually, focusing in growth, profitability and capital adequacy.

KEY EVENTS OF THE YEAR 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 year 2023.

On 15 March 2023 Hypo issued a EUR 300 million covered bond to replace the 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 Group and the Nordic Investment Bank (NIB) signed an EUR 20 million loan agreement for on-lending to projects with environmental effects in June 2023.

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 an improving housing market.

OPERATING ENVIRONMENT

World economic growth remained modest in 2023, 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 percent during the review period, while the bank equity prices of euro area gained 6.0 percent 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 year 2022 and 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 percent, but the 12 months Euribor fell to 3.513 percent by the end of December 2023.

Working day adjusted output in Finland fell by less than one percent from a year ago. In 2023 there were 8,000 more employed and 14,000 more unemployed than in the previous year. Consumer confidence weakened from October to December but was still higher than a year earlier.

According to preliminary data, prices of old dwellings in housing fell by over five percent year-on-year in October-December. Over the same period, prices in the Helsinki metropolitan area decreased by around seven percent, while in the rest of the country the decline was just above three percent. In the whole country, the volume of transactions in old dwellings in housing companies rose in October-December year-on-year, but housing transactions increased strongly in the December data. Housing sales at the end of the year were positively affected by the government's proposal, announced in October, to lower the asset transfer tax and abolish the asset transfer tax exemption for first-time buyers from 1 January 2024. The number of apartments for sale remained high. In Finland, the housing loan stock year-on-year growth rate was -1.6 percent at the end of December and the average interest rate on mortgage loans was 4.08 percent and the average interest rate on new housing loans was 4.42 percent.

Housing starts of new residential buildings fell by around one-third in 2023 compared with a year earlier. In 2023 however, more than 40,000 dwellings were completed. The year-on-year change in consumer prices was 3.6 percent in December.

BALANCE SHEET AND OFF-BALANCE SHEET COMMITMENTS

Most of Hypo's assets are invested mainly in lending and liquidity instruments. The balance sheet total was EUR 3,619.1 million (EUR 3,461.0 million) on 31 December 2023. Loan portfolio grew even though mortgage lending in whole decreased in Finland during year 2023.

Group's funding operations benefit from a strong capital adequacy ratio, a good liquidity position, an entirely property-secured loan portfolio, as well as Hypo's investment grade credit rating, all valued by investors. A growing number of international investors choose to finance Hypo's operations as covered bonds continued to strengthen their position as a source of funding along with deposit funding. Total funding increased by 5.2% totaling EUR 3,335.0 million (EUR 3,170.7 million) on 31 December 2023. Deposit portfolio increased by 6.6% totaling EUR 1,563.0 million (EUR 1,466.7 million) while the amount of debt securities issued increased to EUR 1,694.7 million (EUR 1,646.8 million). The share of long-term deposit and other funding remained high and was 42.3% (42.3%) of total funding at the end of the year.

The off-balance sheet commitments amounted to EUR 197.5 million (EUR 278.1 million). The off-balance sheet commitments consist of granted but undrawn loans.

Lending

Hypo has an entirely property-secured loan portfolio. The majority of the lending and related collateral is focused on growth centers, particularly the Helsinki Metropolitan Area. Borrowers primarily consist of households and housing companies. The key financial indicators portraying the quality of the loan portfolio continued to strengthen. The weighted average Loan-to-value (LTV) ratio was 30.3%t (30.8%). The total amount of non-performing loans remained on a low level, totaling EUR 5.2 million (EUR 3.9 million), representing only 0.19% (0.14%) of the total loan portfolio.

At the end of the year, Hypo's loan portfolio stood at EUR 2,786.0 million (EUR 2,754.0 million). Granted but undrawn loans totaled EUR 197.5 million (EUR 278.1 million).

Liquidity

Group liquidity continued to remain strong during the financial year. The cash and cash equivalents which totaled EUR 684.4 million (EUR 558.3 million) consisted of assets distributed widely across various counterparties and of debt securities tradable on the secondary market. Of investments in debt security instruments, 97.6% (100.0%) had a credit rating of 'AA-' or higher and 100.0% (100.0%) were ECB repo eligible. The Liquidity Coverage Ratio (LCR) was 326.4% (201.6%). The NSFR Ratio was 112.0% (106.5%) at end of year 2023.

The 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). In addition to cash and cash equivalents and committed credit facilities, Hypo has domestic programs for issuing covered bonds, senior unsecured bonds and certificates of deposit.

Investment properties and property investments in own use

Homes and residential land owned and rented out by Hypo enables The Group to offer its customers a more comprehensive selection of housing products and services. Hypo's customer service facilities and office premises in own use are in the housing company Bostadsaktiebolaget Taos. At the end of the financial year, the fair value of property holdings was EUR 4.6 million (EUR 4.8 million) higher than their book value. Property investments constituted 1.6 percent (1.6 percent) of the balance sheet total, which is clearly less than the 13 percent maximum allowed in the Act on Credit Institutions. Group's housing and residential land holdings were EUR 58.0 million (EUR 55.2 million).

Pension benefits

The additional pension cover for Hypo's employees, which is classified as a defined benefit plan, has been arranged through Department A of Hypo's pension foundation, which was closed in 1991. The surplus from the assets and obligations

of the pension foundation, which totaled EUR 6.9 million (EUR 6.4 million), is part of Group's assets and may with a separate permission from the FIN-FSA be returned to the parent company thus benefiting the Group's capital adequacy.

Derivative contracts

The interest rate risk related to funding and other financial instruments is managed with interest rate derivatives. The notional of contracts increased slightly during the financial year mainly due to hedges for liquidity investments. The changes in market interest rates cause volatility in the fair value of derivative contracts. On 31 December 2023, the balance sheet value of derivative receivables was EUR 18.2 million (EUR 2.8 million), and that of derivative liabilities were EUR 74.8 million (EUR 113.0 million).

Deposits

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

Covered bonds and other funding

The outstanding amount of covered bonds on 31 December 2023 was EUR 1,647.5 million (EUR 1,581.0 million), representing 49.4% of total funding. On 15 March 2023 Hypo issued a EUR 300 million covered bond to refund maturing contracts.

The Mortgage Society of Finland and the Nordic Investment Bank (NIB) signed in June 2023 a EUR 20 million loan agreement for on-lending to projects with environmental effects.

CAPITAL ADEQUACY

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 are presented in more detail in the Financial Statements for 2023 under "Statement of changes in equity between 1 January and 31 December 2023."

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 the end of the financial year, 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 (Pillar 2 requirement) 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 chapter 11, 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 overruled 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.

SUMMARY OF CAPITAL ADEQUACY

€ 1,000	2023	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 (ie. Pillar 3 information) is published on an annual basis on Hypo's website. The key metrics are published semi-annually. The Mortgage Society of Finland is defined as a small and non-complex institution.

HYPO GROUP'S RESULT AND PROFITABILITY

Group's operating profit for the financial period 1 January to 31 December 2023 was EUR 8.5 million (EUR 7.1 million for 1 January to 31 December 2022). The income increased by 1.6% from previous year and were EUR 25.0 million (EUR 24.6 million). Expenses declined by 5.9% to EUR 16.5 million (EUR 17.5 million). The decrease was mainly due to precisions made to calculation principles of regulatory contributions. Group's cost-to-income ratio was 65.5% (71.2%).

Income

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

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.

Personnel expenses totaled EUR 8.3 million (7.6 million). Administrative expenses were EUR 4.5 million (EUR 5.0 million). Salaries and indirect employee costs constituted 50.8% (43.2%) of total expenses. Final and expected credit losses were EUR 0.1 expense in 2023 (EUR 0.0 million income).

Consolidated statement of comprehensive income

Group's consolidated comprehensive income, after tax totaled to EUR 7.7 million (EUR 6.8 million), including 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).

KEY FINANCIAL INDICATORS 2019-2023

Group	2023	2022	2021	2020	2019
Operating profit, EUR million	8.5	7.1	8.1	8.0	8.4
Return on equity (ROE) %	4.5	4.0	4.7	4.9	5.5
Return on assets (ROA) %	0.2	0.2	0.2	0.2	0.2
Equity ratio %	4.4	4.3	4.3	4.3	4.0
Cost-to-income ratio %	65.5	71.2	69.0	63.9	59.6
Non-performing loans % of loan portfolio	0.19	0.14	0.14	0.11	0.10
Loan-to-value ratio (average LTV) %	30.3	30.8	33.1	33.8	35.3
Loans/Deposits %	178.2	187.8	158.8	160.7	158.8
Indicators set in the EU's Capital Requirements Regulation and in national legislation					
Leverage Ratio %	3.9	3.9	3.8	3.8	3.7
Common Equity Tier 1 (CET1) ratio %	14.2	13.8	13.6	13.9	13.4
Capital adequacy %	14.2	13.8	13.6	13.9	13.4
Liquidity Coverage Ratio (LCR) %	326.4	201.6	179.9	194.5	163.8
Net Stable Funding Ratio (NSFR) %	112.0	106.5	114.1	107.0	
Other key figures					
Receivables from the public and public sector entities, EUR million	2,786.0	2,754.0	2,637.0	2,510.9	2,586.1
Deposits (incl. deposits of financial institutions), EUR million	1,563.0	1,466.7	1,660.3	1,562.2	1,628.8
Balance sheet total, EUR million	3,619.1	3,461.0	3,324.8	3,213.1	3,230.7
Total Capital, EUR million	142.2	136.9	128.3	123.8	120.0
Common Equity Tier 1 (CET1), EUR million	142.2	136.9	128.3	123.8	120.0
Minimum requirement of Total Capital, EUR million*)	112.5	111.6	111.0	104.3	114.3
Average number of personnel	68	60	58	60	52
Salaries and remuneration, EUR million	5.9	5.3	6.5	5.4	4.6

*) 31.12.2023 the total capital adequacy requirement was 11.25%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5% and discretionary capital add-on (Pillar 2) 0.75%.

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

Key indicators and alternative performance indicators 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.

Indicator	Definition	
Operating profit/profit before appropriations and taxes, EUR 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 fair value through profit and loss + income from investment properties + other operating income – (personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses+ final and expected losses on loans and other commitments)	
Return on equity % (ROE)	Operating profit - income taxes / Equity + accumulated appropriations less deferred tax liabilities (average of beginning and end of the year)	x 100
Return on assets % (ROA)	Operating profit - income taxes / Average balance sheet total (average total at the beginning and end of the year)	x 100
Equity ratio %	Equity + accumulated appropriations less deferred tax liabilities / Balance sheet total	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 income from financial assets at fair value through other comprehensive income + net income from financial instruments at fair value through profit and loss + net income from investment properties + other operating income	x 100
LTV-ratio (Loan to Value, Weighted 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
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 minimum 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
Average number of personnel	Number of personnel includes those in employment relationship during the financial year (excl. The CEO and the vice CEO). Average number of personnel is calculated by dividing the sum of the number of permanent full-time personnel at the end of each month by the total number of months.	
Salaries and remuneration, EUR million	Total of personnel's salaries and remuneration	

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, final and expected credit losses and depreciations.

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

Return on assets % (ROA) measures profitability of business operations through the ratio of operating profit to total assets during the financial period.

Leverage ratio % the ratio of own funds to total assets. Describes risk-absorbing capacity.

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% 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.

Average number of personnel describes the personnel resources available.

Salaries and remuneration, EUR million are presented on an accrual basis. The sum describes the expenses related to personnel resources incurred to the company. Salaries and remuneration to senior management (CEO, vice CEO, members of the Board of Directors and the Supervisory Board) are excluded.

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

There have been no significant changes in Hypo's or Group's prospects nor financial position since the end of the financial period from 1 January 2023 to 31 December 2023.

After the financial year, neither Hypo nor the Group companies have been involved in administrative or legal proceedings, arbitrations or other events that would have had a material effect on Hypo's financial position. Furthermore, Hypo is not aware of such proceedings or events being under consideration or being otherwise threatened.

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, 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 strong level.

The operating profit for 2024 is expected to be clearly higher than operating profit for 2023. The outlook contains uncertainties due to the development in economy and interest rates as well as uncertainties related to the wars in Ukraine and Gaza and unstable global situation.

BOARD OF DIRECTORS' PROPOSAL FOR THE USE OF PROFITS

According to section 26 of the rules of The Mortgage Society of Finland, at least 80 percent of annual profits must be transferred to a contingency fund or a reserve fund if the ratio between equity and risk-adjusted commitments (capital adequacy ratio) is less than 8 percent. If the capital adequacy ratio is at least 8 percent but less than 9 percent, at least 70 percent of annual profits must be transferred to a contingency or reserve fund. If the ratio is at least 9 percent, at least 50 percent of annual profits must be transferred to a contingency or reserve fund.

The Board of Directors propose that of The Mortgage Society of Finland's EUR 2,985,208.32 result for the year 2023, EUR 1,492,604.16 shall be transferred to the reserve fund and the rest to remain in retained earnings.

CORPORATE GOVERNANCE

Hypo's operations are governed by general laws and regulations concerning credit institutions and by the Act on Mortgage Societies. Although Hypo is not a listed company, it issues bonds that are traded publicly. For this reason, it must comply with many of the regulations concerning listed companies. Hypo adheres to the Finnish Corporate Governance Code of the Securities Market Association with certain exceptions.

Corporate Governance Statement of The Mortgage Society of Finland, as well as on its internal auditing and risk management systems related to financial reporting process, have been published on its website www.hypo.fi/en in conjunction with this document.

The Finnish Financial Supervisory Authority monitors the operations of Hypo and the Group.

PERSONNEL, INCENTIVES, COMPETENCE PROGRAM AND PENSION PLAN ASSETS AND LIABILITIES

During the financial year, the average number of permanent employees was 68 (60) and the average number of fixed-term employees was 2 (6). Total of combined person years was 70 (63). At the end of the financial year, permanent employees numbered 67 (63) and the number of fixed-term employees was 3 (3). These figures do not include the CEO and the vice CEO.

For permanent employment, 13 new employees were hired during the financial year, one temporary employment relationship was made permanent, and 12 employment relationships ended.

Of Group's personnel, 69 percent work in direct customer service duties and 31 percent in administration. The average age of employees is 46 years. At the end of the year, the youngest employee was 28.5 years of age and the oldest was 64. The average length of an employment relationship is seven years. Of all employees, 30 percent are men and 70 percent are women. One of the two members of the Management Group (excl. CEO and vice CEO) is a man and one is a woman. Of Group's employees, 34 percent hold a higher education degree, 27 percent have graduated from a university of applied sciences (polytechnic) and 36 percent have completed upper secondary education. Of the women employed by Hypo Group, 26 percent hold a higher education degree, 21 percent have graduated from a university of applied sciences (polytechnic) and 49 percent have completed upper secondary education. For the men, the proportions are 55 percent, 40 percent and 5 percent, respectively. The above-mentioned figures do not include temporary staff, the CEO or the vice CEO.

All employees are included in Group's performance-related pay and incentive scheme. The performance-related and incentive scheme takes into account the success of the company and business area as well as personal performance. The scheme enables employees to earn a discretionary reward that, at its highest, can equal 8 weeks' pay. The Board of Directors decides on rewards for employees and middle management at the proposal of the CEO. Decisions about rewards for the CEO and the vice CEO are made by Hypo's Compensation Committee on a proposal of the Board of Directors. The scheme also takes account of the content of current regulations, particularly regarding the remuneration of senior management.

Incentives are paid partly in cash and partly as insurance premiums to the defined contribution-based Department M of Hypo's Pension Foundation. Department M provides both Hypo and its personnel with an incentive and special opportunity to increase the personnel's pension security. Due to cautionary reasons, the part paid in cash is remitted with a delay. For temporary employees the whole incentive is paid in cash.

In line with its HR policy, which supports its strategic targets, Hypo is a learning, efficient and profitable organization and a community of experts passionate about housing and home financing. The continuous development of employees' competence, management and the workplace community are an integral part of Group's business strategy. During the financial year, each employee attended at least one personal performance and development discussion.

The determined fostering of competence throughout the organization has laid a solid foundation not only for business growth, but also for an effective response to the requirements of constantly changing and increasing regulation. Through organizational solutions, Group has been able to ensure that each employee's best competence is utilized to reach strategic targets. Almost all our customer service employees have completed their real estate agent diplomas (LKV).

All employees are covered by statutory occupational health care and a wide selection of additional services offered by Mehiläinen Occupational Health Care and a supplementary working capacity insurance provided by LähiTapiola. In addition, regardless of position or type of employment, all employees have access to sports vouchers and holiday homes.

Statutory pension insurance for Hypo's personnel has been set up with Elo Mutual Pension Insurance Company. Additional pension benefits are managed by Hypo's Pension Foundation.

CLIMATE AND ENVIRONMENTAL FACTORS IN HYPOS' BUSINESS

Climate and environmental risks refer to structural changes in the economy and financial system resulting from climate change and the deterioration of the environment. These risks can be physical or transition risks, arising directly or indirectly from the transition to a low-carbon and environmentally sustainable economy. During the financial year, the group began work on assessing climate and environmental risks and integrating environmental, social, and governance (ESG) factors into all business operations.

The impact of climate and environmental risks on the group's business is limited by its focus on housing finance in Finland and the concentration of lending in Finnish growth centers. Hypo does not finance industries such as agriculture, forestry, fishing, or businesses that are particularly sensitive to climate and environmental factors. However, the concentration of business in Finland increases country-specific concentration risks. In terms of climate and environmental risks, risks related to geographical location are mainly limited to local damage caused by extreme weather events such as heavy rainfall and storms.

The impact of flood risks on Hypo's collateral portfolio has been analyzed, and the risks have been assessed as low. However, local rainfall and stormwater floods in downtown areas of major cities may pose a threat to individual collateral properties. Hypo's Mortgage Credit Rating takes into account several environmental and climate factors as well as other sustainability elements in new sales and collateral assessments.

Mitigating climate change will lead to increasing energy efficiency requirements and the promotion of renewable energy sources. These requirements will apply to both new and

existing building stock, including housing, and have been recognized as enabling the development and growth of the group's business.

The group's funding is dependent on the behavior of both domestic and foreign investors. Investor expectations for considering climate and environmental factors, as well as other aspects of sustainability, in business operations are growing. Work has been initiated and is progressing well to meet investor expectations and increasing regulatory and reporting requirements.

INFORMATION CONCERNING GROUP'S CAPITAL ADEQUACY AND RISK MANAGEMENT

CAPITAL ADEQUACY

Capital adequacy procedures are an essential part of risk management. The main purpose of capital adequacy management is to ensure that the quantity and quality of Group's own funds sufficiently and continually cover all relevant risks which Group's operations are exposed to.

Capital adequacy and risk management procedures at Suomen Asuntohypopankki have been integrated into capital adequacy management at the Group. In the internal capital adequacy assessment process (ICAAP), Group's own funds are allocated at the group level, considering both Hypo's and Suomen Asuntohypopankki's business operations.

On the Group level, capital adequacy is evaluated and guided with minimum capital requirements set by regulators (Common Equity Tier1, CET1) as well as with risk adjusted capital (RAC) requirements from S&P Global Ratings. Besides the minimum requirements, internal minimum targets and monitoring limits have been set for these key indicators.

The minimum amount of Group's own funds allocated to the credit risk and to the counterparty credit risk is calculated using the standard method. The minimum amount of Group's own funds allocated to the operational risk is calculated using the basic method.

Group assesses its risk position and maintains risk buffers, not only for the minimum requirements for its own funds, but also for risk areas beyond these requirements. The most relevant areas of the latter are market risks and the risk of decreasing housing prices.

Capital is allocated and the sufficiency of risk buffers is tested regularly at the group level by conducting proactive reviews of the sufficiency of its own funds through stress tests. In this review, the goals for liquidity management and deposit funding in accordance with Group's strategy are considered, as are certain potential changes in the operating environment. The sufficiency of Group's own funds in relation to growth objectives is also proactively considered in the strategy and the planning and supervision of business operations.

Group estimates that the surplus of own funds is at an adequate level both quantitatively and qualitatively to also cover the operational and operating environment risks outside the minimum requirement.

DEFINITIONS OF KEY FINANCIAL INDICATORS SET OUT IN EU'S CAPITAL REQUIREMENTS REGULATION (EU 575/2013)

Indicator	Formula	
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
Leverage Ratio %	Equity + accumulated appropriations less deferred tax liabilities / Balance sheet total	x 100
NSFR-ratio %	Available stable funding / Required stable funding	x 100
Common Equity Tier 1 (CET1) ratio %	Common Equity Tier 1, CET1 / Total risk	x 100

The capital requirement for total risk is calculated using the standard method.
The capital requirement for operational risk is calculated using the basic method.

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

RISK MANAGEMENT

Group manages risks in accordance with confirmed principles and practices which cover all its operations. Parent company The Mortgage Society of Finland and subsidiary Suomen Asuntohypopankki manage their risks according to the Group's principles and practices and as a part of Group's risk management.

Group's key business areas include lending against housing collateral, deposits from the public, the renting of homes and residential properties, and the provision of trustee services in selected services. Group does not offer payment transaction nor investment services.

Risk tolerance and risk appetite

The Mortgage Society of Finland Group must continuously be risk tolerant in relation to the risks in its business operations and its operating environment. Risk tolerance depends on the profitability of business and the quality and quantity of capital, as well as on qualitative factors, which include reliable governance, efficient capital adequacy management and effective internal control. Risk tolerance determines the limits of risk taking and business growth. Risk appetite determines the accepted types and levels of risk to achieve the set business objectives.

Reliable management

Reliable governance means organizing Group's processes in a manner that ensures management based on healthy and cautious business principles, with a clear division of responsibilities and reporting lines. The governance of the Group is centralized in the parent company, The Mortgage Society of Finland, and it also covers the subsidiary Suomen Asuntohypopankki. In addition to this Board of Directors' Report, more information about corporate governance is available in separate Corporate Governance Statement and Remuneration Statement as well as on the Hypo website.

Responsibility and organization of risk management

The Group's risk management objective is to maintain a healthy business. Risk management ensures that all significant risks are identified, measured and assessed regularly, risk management tools are accountable, agreed controls are implemented in business processes and risk buffers are kept adequate.

Risk management and internal control refers to the business's own risk management and other controls, as well as the measures taken by controls that are independent of the business, namely risk management, compliance activities focused on monitoring compliance with regulations and internal audit.

The Group's risk management and risk taking control framework is organised in accordance with the Group-wide general principles of risk management as approved by the Board of Directors. These define, inter alia, the following areas:

- Responsibilities and organizing of risk management
- Preparation and minimum content of risk area specific principles in risk management
- Processes related to Identification, measuring, managing and monitoring of risks at business operations
- Relationships and frequency of risk reporting

The regular risk report is given to the Management Group, to the Boards of Directors of Group companies and to the auditors selected by the Supervisory Board of the parent company and its subsidiary. Any need for updating the risk management principles as well as the risk area specific principles is assessed regularly by the Board of Directors. The Board of Director's Risk Management Committee has been established to assess Group's risk position. The Committee assemble regularly four times a year.

Other independent control functions, i.e. compliance and internal audit are responsible for monitoring the implementation and compliance of risk taking principles in their respective area of responsibility. The material used in risk reporting is produced by the controller function which is separate from the business lines.

Controls by business units

Risk taking in the business units and their supporting functions is carried out in accordance with the above principles, the related limits and the performance targets, risk taking mandates and other guidelines established by management. Business unit managers are responsible for identifying, assessing, and managing the risks in their respective areas of responsibility. Risk self-assessment is carried out regularly in all business units. All business units implement operational risk management guidelines. The heads of the units implement internal controls in their areas of responsibility. The Boards of Directors of the Group companies are actively involved in the business, contributing to the implementation of internal control.

Independent control functions

Hypo's Chief Risk Officer is responsible for risk management within the Group. This includes responsibility for organizing risk management, development of risk management principles, as well as monitoring, evaluating and reporting of risk taking in all areas of Group's operations. The material used in risk reporting is produced in a separate control function from the business activities.

The monitoring of compliance is performed by a compliance organization, in accordance with confirmed compliance principles. An independent Compliance Officer is in charge of Group's Compliance operations. Employees working as legal counsels serve as compliance contact persons for business operations and are responsible for ensuring that the products and services offered by Group comply with the current legislation and regulation given by the authorities.

Internal audit is an independent unit within Group, with the Chief Auditing Officer being responsible for its operations.

Internal and compliance audits carried out within Group are based on separate action plans. If necessary, audits can also be conducted outside these plans. The Chief Risk Officer, the Compliance Officer and the Chief Auditing Officer regularly report their observations directly to the Boards of Directors of the Group companies and to the auditors selected by the Supervisory Board of the parent company.

Assessment of sufficiency of risk management

The boards of directors of the Group companies have assessed that the risk management systems used are sufficient in relation to profiles and strategies of the Group and Group companies.

Risk statement

In light of the figures concerning Group's risk position presented in the Financial Statements and in this Board of Directors' Report, Group's overall risk profile is regarded as moderate. Risk taking within the Group is cautious. The management of various risk areas is based on separately confirmed risk management principles in each risk area. Lending is Group's most important business area. Lending is carried out only against individually valued collateral, and other credit and counterparty risk counterparties are selected carefully within confirmed limits. The probability of the continuity of Group's business operations being jeopardized in a negative development scenario has been determined to be small through stress testing. Compliance with the limits set for risk taking is actively monitored. The limited scope of the services offered by Group enables it to maintain a favorable risk position. Considering the risk profile of Group companies, the risk tolerance in different risk areas have been assessed to be reasonable and sufficient in relation to one another.

Risk position and main risks

The overall risk position of the group has remained stable despite the volatility in the housing market and economic conditions. Risk levels in all risk areas have remained relatively low. Risks arising from the Russian attack on Ukraine, the Gaza war, and the volatility of the economic operating environment have increased the uncertainty of the operating environment. However, the creditworthiness of loan customers has remained good, and payment delays and the number of problem loans have not significantly increased. The amounts of non-performing loans and loan loss provisions have slightly increased but have remained at low levels compared to industry averages. The decline in housing prices has not yet affected the loan-to-value ratios of the loan portfolio or caused loan losses. The decline in housing values has also not affected the book values of the group's own housing holdings, as the holdings are recorded in the books at their acquisition cost and the decline in values has not led to write-offs. The liquidity position has remained strong, and there have been no losses from the investments in the liquidity portfolio.

The functioning of the information systems has remained stable, despite the elevated cybersecurity threats. The monitoring and supervision of cybersecurity threats have been intensified, but there have been no serious cybersecurity breaches. The realization of operational risks has been minimal. The correction of system errors and deficiencies after the core system project is still ongoing, but all significant identified errors and deficiencies have been rectified.

The following is a short overview of the key risks affecting Group's business operations and their management procedures. A more detailed explanation with risk indicators is available in Group's risk management notes.

The credit risk refers to the risk of loss arising from a counterparty not being able to meet its agreed payment obligations. In such a situation, the credit risk materializes if the counterparty proves to be insolvent and the possible collateral or other means of reducing the credit are not sufficient to cover Group company's receivables. The credit risk is the key risk among Group's business risks, as lending is by far its largest business area. Within the Group, lending is carried out by Hypo, the parent company. Credit risk can also arise from other types of receivables, such as bonds or certificate of deposits in which the group company has invested, or rental receivables based on a lease agreement. Within the Group, the credit risk management and reporting are based on General Terms in lending, Principles of Credit Risk Management and supplemental operational instructio The key credit risk management measures are collateralization of lending and assessment and monitoring of customers' creditworthiness and sufficient debt servicing capacity.

The market risk refers to the risk of loss arising from the fluctuation of market prices. The subtypes of market risk are interest rate, currency, stock and commodity risk. Market risk also includes the possibility of loss caused by changes in various risk factors (e.g. volatility or correlation). The group's market risk management and reporting are based on the market risk management principles established at the group level. Market risks are managed through established risk limits and their active monitoring. Equity and commodity risks are not taken.

Liquidity risk refers to the probability of the Group not being able to meet its payment obligations due to the weakening of its financial position. If liquidity risk is materialized, it may jeopardize the continuity of Group's business operations. Liquidity risk management and reporting within the Group are based on confirmed principles of liquidity risk management. Liquidity risks are divided into long-term structural funding risk, refinancing risk, and short-term liquidity risk. The structural funding risk is managed by maintaining a sufficient level of bond programs and authorizations for long term funding arrangements in line with business objectives and uncertainties in the operating environment. Refinancing risk is managed by entering into long term funding agreements that align with the objectives set for funding. The proportion of long term funding in total funding is regularly monitored. Short term liquidity risk is managed by maintaining sufficient liquidity in relation to payment obligations and regulatory minimum requirements. This is achieved by diversifying short term liquidity investments into liquid instruments within the limits set by established country and counterparty limits.

Risks related to ownership of housing units and residential land refer to the risk of loss arising from impairment, damage or interruption of revenues. Risks are managed with a long-term investment policy, diversification of holdings and allocation to growth centers, a diversity of counterparties and by maintaining the properties' good condition and adequate insurance coverage.

The operational risk refers to the risk of loss due to insufficient or failed internal processes, employees, information systems or external factors. Operational risks also include legal risks. Continuity planning for business operations and preparedness for exceptional circumstances are part of operational risk management. Operational risk management and reporting within Group are based on separately confirmed operational risk management principles. Operational risks related to the business are identified, measured and evaluated through continuous monitoring and event reporting, which also establish corrective measures. In business, operational risks are assessed by supervisors, the management team and the executive management.

The strategic risk refers to the risk of loss caused by unforeseen changes in the group's operational environment. Changes may occur due to environmental changes, market fluctuations, actions of the authorities or wrong strategic choices. Possible weakening of the Group's reputation is also considered a strategic risk. Strategic risks are managed e.g. with the adaptation of the business and the management of personnel and technical resources related to the implementation of changes, compliance activities and maintaining factual relations with the authorities.

Climate and environmental risks refer to structural changes in the economy and financial system resulting from climate change and the deterioration of the environment. These risks can be physical or transition risks, arising directly or indirectly from the transition to a low-carbon and environmentally sustainable economy. They can become financial risks to Hypo's business through different channels and impact chains targeting different risk areas. The group has initiated work to integrate climate and environmental risks, as well as other ESG factors, into risk taking and risk management, as well as the assessment processes for capital and liquidity adequacy.

KEY FIGURES DESCRIBING RISK POSITION

Risk type	Indicator	2023	2022
Credit risk	LTV-ratio (Loan to Value, average) %	30.3	30.8
Credit risk	Non-performing loans % of loan portfolio	0.19	0.14
Credit risk	Final and expected credit losses, net movement, EUR million	0.1	0.0
Liquidity risk	Long-term funding out of total funding %	42.3	42.3
Liquidity risk	Deposits out of total funding %	46.9	46.3
Liquidity risk	Average maturity of liabilities, in years	3.3	3.3
Liquidity risk	LCR-ratio %	326.4	201.6
Liquidity risk	Short-term liquidity, EUR million	686.4	561.3
Liquidity risk	Short-term liquidity, months	26	17
Liquidity risk	Share of short -term liquidity of the balance sheet total %	19.0	16.2
Interest rate risk	Interest rate risk in banking book, EUR million	-2.1	-1.5
Interest rate risk	Economic value risk, EUR million	-3.7	-2.4
Risk related to ownership of housing units and residential land	Total amount of housing property holdings of the balance sheet total %	1.6	1.6
Risk related to ownership of housing units and residential land	Book values of investment properties % out of estimated fair values	92.5	92.0
Risk related to ownership of housing units and residential land	Occupancy rate %	83.0	89.3
Risk related to ownership of housing units and residential land	Net profit of investment properties calculated by book value %	4.6	4.8

Risk indicator	Description
LTV-ratio (Loan to Value, average) %	Remaining amount of credit divided by total amount of collaterals allocated to the credit. Only housing collaterlas are taken into account. LTV average is calculated by weighting the loant-to-value ratio of the credit by the remaining amount of credit.
Non-performing loans % of loan portfolio	Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days
Final and expected credit losses, net movement, EUR million	Net amount of final and expected credit losses recognized through profit or loss
Long-term funding out of total funding %	Funding with remaining maturity of over a year divided by total funding
Deposits out of total funding %	Deposits divided by total funding. Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, and subordinated liabilities. debt securities issued to the public as well as subordinated liabilities.
Average maturity of liabilities, in years	The average maturity weighted with cash flow of liabilities in years (divider 365)
Short-term liquidity, EUR million	Cash and cash equivalents in the cash flow statement added with unused current account facilities and other binding credit facilities
Short-term liquidity, months	Coverage of short-term liquidity to funding cash flows (difference of days multplied with 365 (days in a year) multiplied with 12 (months in a year)
Share of short -term liquidity of the balance sheet total %	Cash and cash equivalents in the cash flow statement added with available current account facilities and other binding credit facilities divided by balance sheet total
Interest rate risk in banking book, EUR million	Annual change in net interest income if interest rates increase parallely 1% on the reporting date
Economic value risk, EUR million	Change in economic value of banking book if interest rates increase parallely 1% on the reporting date
Total amount of housing property holdings of the balance sheet total %	Total of owned investment properties and properties in own use set in proportion with the balance sheet total
Book values of investment properties % out of estimated fair values	Book values of investment properties out of estimated fair values
Occupancy rate %	Relation of amounts of square meters of housing units rented-out and amounts of square meters of owned housing units at the end of the period
Net profit of investment properties calculated by book value %	Net-profit of investment properties (excl. changes in the value and capital gains / losses) set in proportion with average book value of investment properties at the beginning and in the end of the period

Helsinki 28 February 2024

The Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

€ 1,000	Note	1.1.–31.12.2023	1.1.–31.12.2022
Interest income	G2, G4	130,732	35,145
Interest expenses	G2, G4	-112,528	-19,882
NET INTEREST INCOME		**18,204**	**15,264**
Fee and commission income	G3, G4	4,863	3,673
Fee and commission expenses	G3, G4	-166	-81
Net income from financial instruments at FVPL	G5	-2,517	4,044
Net income from financial instruments at FVOCI	G6	0	-1,248
Net income from investment properties	G4, G7	2,431	2,762
Other operating income	G8	2,192	209
Personnel expenses	G40	-8,321	-7,574
Administrative expenses	G9	-4,460	-5,029
Total personnel costs and administrative expenses		-12,781	-12,603
Depreciation and impairment losses on tangible and intangible assets	G11	-1,611	-1,489
Other operating expenses	G10	-1,993	-3,436
Final and expected credit losses	G12	-119	-15
OPERATING PROFIT	G14	**8,503**	**7,079**
Income taxes	G13	-1,556	-1,274
PROFIT AFTER TAXES		**6,947**	**5,805**
PROFIT FOR THE PERIOD		**6,947**	**5,805**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

€ 1,000	1.1.–31.12.2023	1.1.–31.12.2022
Profit for the period	6,947	5,805
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
	-125	-242
Items that may not be included in the income statement at a later date		
Revaluation of defined benefit pension plans	288	1,216
Adjustment to previous years retained earnings	614	0
	902	1,216
Other comprehensive income, after tax, total	777	974
COMPREHENSIVE INCOME FOR THE PERIOD	**7,724**	**6,778**

CONSOLIDATED BALANCE SHEET, IFRS

€ 1,000	Note	31.12.2023	31.12.2022
ASSETS			
Cash	G15, G38	520,670	393,179
Debt securities eligible for refinancing with central banks	G19, G20, G36, G37, G52.a, G52.c-e	146,386	140,802
Receivables from credit institutions	G17, G36, G38, G52.a	17,390	24,296
Receivables from the public and public sector entities	G18, G36, G37, G52.a-e	2,785,973	2,754,008
Shares and holdings	G21, G37, G52.a	24	24
Derivative contracts	G22, G23, G24, G25, G26, G37, G38, G52.a	18,232	2,827
Intangible assets	G27, G29	10,175	10,230
Tangible assets			
Investment properties	G28, G29	57,306	50,726
Other tangible assets	G29	1,002	4,995
		58,308	55,720
Other assets	G30	60,385	78,366
Deferred income and advances paid	G31	1,540	1,545
Deferred tax receivables	G32	9	8
TOTAL ASSETS		**3,619,094**	**3,461,004**

€ 1,000	Note	31.12.2023	31.12.2022
LIABILITIES			
Liabilities to credit institutions			
To central banks	G36, G37	51,349	50,000
To credit institutions	G36, G37	20,004	0
		71,354	50,000
Liabilities to the public and public sector entities			
Deposits	G36, G37	1,562,999	1,466,671
Other liabilities	G36, G37	6,204	7,173
		1,569,203	1,473,844
Debt securities issued to the public	G33, G36, G37	1,694,460	1,646,814
Derivative contracts	G22-26, G37, G38	74,793	112,984
Other liabilities	G34	38,788	14,294
Deferred expenses and advances received		2,465	2,638
Deferred tax liabilities	G32	9,825	9,947
EQUITY			
Basic capital	G39	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			
Actuarial 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**

STATEMENT OF CHANGES IN EQUITY

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 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
Defined benefit pension 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 Dec 2022	**5,000**	**34,537**	**5,371**	**22,924**	**82,652**	**150,483**

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 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
Defined benefit pension plans						
Actuarial gains/losses			360			360
Change in deferred taxes			-72			-72
Total other comprehensive income, after tax	0	0	163	0	614	777
Transactions with owners of the bank						
Distribution of profits		1,682			-1,682	0
Equity 31 Dec 2023	**5,000**	**36,219**	**5,534**	**22,924**	**88,531**	**158,207**

In 2023, the adjustment of EUR 614 thousand euros to the retained earnings in the statement of changes in equity and in the consolidated comprehensive income statement was due to revisit into the consolidation of Bostadsaktiebolaget Taos financial position. The adjustment presented relates to situations where the Group ownership of Bostadsaktiebolaget Taos changed. The Group ownership declined from 61.9 percent to 54.6 percent during 2011-2016. At end of 2023, Hypo Groups' ownership of Bostadsaktiebolaget Taos was 54.6 percent.

CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	1.1.–31.12.2023	1.1.–31.12.2022
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 TO GROUP'S FINANCIAL STATEMENTS

G1. Material Accounting policies of the Group

The Mortgage Society of Finland Group (hereinafter "Hypo Group" or "Group") is the only national organization focusing in home financing and housing in Finland. Hypo Group offers all kinds of loan services for home financing to its customers as well as continuously develops new ways and models for housing and home financing.

The parent company of the Group, The Mortgage Society of Finland (hereinafter "Hypo") 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 company is an authorized credit institution. Since 2016, Hypo has also license to engage in mortgage credit banking operations.

Suomen Asuntohypopankki Oy ("hereinafter Asuntohypopankki" or "the Bank"), a deposit bank wholly owned by the parent company, offers its customers deposit products and trustee services.

The group entities together own 54.6 percent of the housing company Bostadsaktiebolaget Taos (hereinafter "Taos"). Taos owns and manages the land and property where Hypo's customer service facilities are located. Taos also rents out its office premises to third parties.

The operations of Hypo and the Bank are supervised by the Financial Supervisory Authority.

On 1 February 2024, the Board of Directors approved the Financial Statements Release 1.1-31.12.2023 to be published on 2 February 2024 and on 28 February 2024, the presentation of this Financial Statements to the Auditors and to the Supervisory Board for verification. The Supervisory Board meeting was held on 29 February 2024. Financial Statements is presented for confirmation to the Annual General Meeting of the Mortgage Society of Finland, which will be held on 20 March 2024.

BASIS OF PREPARATION

Hypo Group's Financial Statements is prepared in accordance with the International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations. The international financial reporting standards refer to standards and the related interpretations that have been approved in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. In addition, the applicable national legislation and regulatory requirements have been considered.

The consolidated Financial Statements include Hypo Group's and the parent company's income statements, balance sheet and notes as well as Group's comprehensive income, cash flow statement and statement on changes in equity.

Hypo Group will publish its Financial Statements 2023 in ESEF format.

Hypo Group's business operations constitute a single segment, retail banking. The Board is the Chief Operating Decision Maker (CODM) at Hypo.

Suomen Asuntohypopankki is accounted for using the acquisition method of accounting.

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. The accounting principles of joint operations are modified to correspond Hypo Group's accounting policies. Inter-company transactions and balances between Group companies are eliminated.

The information related to capital adequacy has been prepared and presented in accordance with the EU Capital Requirements Regulation (CRR, EU 575/2013) and Financial Supervisory Authority's Regulation and Guidance 5/2019. The capital requirement for credit risk and the counterparty credit risk is calculated using the standard method. The capital requirement for operational risk is calculated using the basic method. Disclosures required under the EU Capital Requirements Regulation Part Eight are published as a separate document at the same time with the annual report. The document contains partly disclosured information required from a large subsidiary, Suomen Asuntohypopankki.

The Group does not apply the transitional arrangements of the EU Capital Requirements Regulation (EU 575/2013) Article 473a.

Financial data is presented in group entities' operating currency, euros. The Group does not have operations in foreign currencies.

Numeric tables presented in the Financial Statements released by the group are presented in thousands of euros unless stated otherwise. Therefore, presented totals may vary from the sum calculated from the presented figures.

NEW STANDARDS AND INTERPRETATIONS

In preparing these financial statements, The Group has followed the same accounting policies as inannual financial statements for the year ended 31 December 2022, except for the effect of changes required by the adoption of the following new accounting standards, interpretations and amendments

to existing accounting standards and interpretations on 1 January 2023:
- IAS 12 Income Taxes
- IAS 1 Presentation of Financial Statements
- IAS 8 Accounting Policies

Amendments to existing standards during the financial year 1.1.-31.12.2023 did not have a significant effect on the financial statements of the Group.

Forthcoming requirements of IFRS accounting standards, interpretations and amendments, which have been issued but which the Group has not applied in the 2023 financial statements are:
- IAS 1 Presentation of Financial Statements, 1 January 2024 (not yet endorsed in the EU)
- IFRS 16 Leases, 1 January 2024 (not yet endorsed in the EU)

Future amendments to standards are not expected to have substantial influence on the annual financial statements of the Group.

CHANGES IN ACCOUNTING POLICIES

The structure of the group's balance sheet and income statements have been adjusted to better take into account the IAS 1 regulation. The following adjustments have been made to comparative year 2022:
- The previously separately presented income item 'Net income from hedge accounting" is included in the income item 'Net income from financial instruments at FVPL' and presented as part of the notes to that income item.
- Interest receivables and payables are presented in the 2023 financial statements in the capital of each balance sheet item. In previous years, these items were presented under 'Deferred income and advances paid' or 'Deferred expenses and advances received'. The notes have been adjusted accordingly.

In the 2023 financial statements, the information for the comparative year 2022 has been adjusted to conform to the 2023 presentation.

€ 1,000 **Assets**	Group's balance sheet items in 2022 financial statements	Comparative year 2022 in the 2023 financial statements	Change in presentation, interest receivables/ interest liabilites
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			
Liabilities to credit institutions	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

Key figures	Group's key figures in 2022 financial statements	Comparative year 2022 in the 2023 financial statements
Loans/ deposits %	187.0	187.8
Receivables from the public and public sector entities, EUR million	2,749.9	2,754.0
Deposits (incl. deposits of financial institutions), EUR million	1,463.3	1,466.7
Short-term liquidity, EUR million, EUR million	560.8	561.3

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

Due to uncertainty of future, preparation of financial statements requires use of accounting estimates. Accounting estimates involve judgements based on the latest available, reliable information. Following areas of financial statements involve significant judgements and assumptions:

- estimate of whether the financial instruments' credit risk has increased significantly since initial recognition
- estimate of the business environment's future development,
- estimations used in ECL model; future development for mortgage collaterals and solvency of customers,
- estimation of fair values of certain financial instruments,
- estimations used in hedge accounting,
- estimation of fair values of investment property,
- estimated useful life on intangible assets,
- estimations of defined benefit plan asset and actuarial assumptions and
- estimation of fair values of certain off-balance sheet commitments.

Information on significant judgements and assumptions used on above areas is disclosed in notes to this Financial Statements. Significant judgements and assumptions require regular assessment to revise estimates if changes in circumstances occur.

FINANCIAL INSTRUMENTS

Definitions

Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. In effective interest rate method, transaction fees and expenses forming an integral part of effective interest rate are amortized over the remaining amount and duration of financial instruments. Gains or losses from the repurchase of own liabilities are recognized in interest expenses. The expected credit losses are not considered in the calculation.

Recognition

Financial assets and financial liabilities are recognized in the statement of financial position when Hypo becomes party to the contractual provisions of the instrument. The transactions of debt securities and shares are recognized using trade date accounting.

Measurement methods

At initial recognition, Hypo measures a financial asset and financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, Hypo recognizes the difference as follows:

a) When fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, Hypo recognizes the difference between the fair value at initial recognition and the transaction price as a gain or loss.
b) In all other cases, adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, Hypo recognizes that deferred difference as a gain or loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

After the initial recognition financial assets and liabilities are classified into following categories:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Option to designate fair value through profit or loss (FVPLO)
- Fair value through profit or loss (FVPL)

After the initial recognition an expected credit loss allowance is recognized for financial assets measured at amortized cost and bought debt instruments measured at FVOCI which results in an accounting loss being recognized in profit or loss when an asset is even a newly originated one. Fair value includes accrued, but not received / paid interest of a financial instrument. Interest accruals are presented in conjunction with the principal amount of the financial instrument.

Accounting principles of financial instruments' fair value measurement

The fair value hierarchy is applied to determining fair values. Quoted prices are used primarily (Level 1), but if quoted prices are not available, observable input information other than quoted prices is used instead (Level 2).

The fair values of derivative contracts, most of which consist of plain vanilla interest rate swaps, as well as unquoted fixed-rate liabilities and receivables, are calculated by discounting future cash flows to the present by using market rates. A margin based on the counterparty's credit risk has been added to the market rates (Euribor and swap rates).

Derecognition

Financial assets are derecognized when the contractual cash flows of a financial asset has expired.

Financial liabilities are derecognized when they are extinguished that is, when the obligation specified in the contract is discharged, canseled or expires. If the terms of the liabilities are substantially modified the liability is accounted as an extinguishment of the original financial liability and a new financial liability is recognized. The difference between the carrying amount of the derecognized financial liability and the new financial liability is recognized in profit or loss.

Financial assets

Classification of debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans or government and corporate bonds. Classification and subsequent measurement of debt instruments depend on Hypo's business model. Business model refers to how Hypo manages its financial assets and liabilities. Based on these factors, Hypo classifies debt instruments into the following categories:

- Amortized cost: Assets that are held in order to collect contractual cash flows. Those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortized cost. The book value of these assets is adjusted by recognized expected credit loss allowance. Interest income from these financial assets is included in interest income using effective interest rate method. Cash, receivables from credit institutions, the public and public sector entities are classified under amortized cost.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held in order to collect contractual cash flows and possibly sell the financial assets prior to maturity. The contractual cash flows of these assets are solely payments of principal and interest (SPPI) and the assets are not designated at FVPL. Part of debt securities are classified under FVOCI.
- Option to designate a financial asset at fair value through profit or loss (FVPLO): Financial assets that are held in order to collect contractual cash flows and possibly sell the financial assets prior to maturity. Using this business model eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring or recognizing gains and losses on them on different bases.
- Fair value through profit or loss (FVPL): Assets that are not measured at amortized cost or FVOCI are measured at FVPL. Part of debt securities are classified under FVPL.

Solely Payments of Principal and Interest (SPPI) test: When the business model is to collect contractual cash flows or to collect contractual cash and to sell financial assets prior to the maturity, Hypo tests whether the cash flows represent only solely payments of principal and interest. Hypo's financial instruments' cash flows consist solely payments of principal and interest. However, some debt instruments may have special clauses, for example interest rate floor or so called soft bullet clause. In order to detect the special clause cash flows, SPPI tests are conducted to the FVOCI instruments on the instrument level.

The change in fair value for debt instruments measured at fair value through other comprehensive income, is recognized in fair value reserve. When the financial instrument is sold the change in fair value reserve and the capital gain or loss is recognized in profit or loss. The interest income is recognized according to effective interest rate method through profit and loss. The expected credit losses are measured through profit and loss.

Hypo reclassifies financial assets only when its business model for managing those assets changes.

Classification of equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's standpoint. Hypo's business model is to own shares as strategic long term investments. With these instruments Hypo has made irreversible choice to always recognize the fair value changes trough other comprehensible income. Dividend, when representing a return on such investments, continue to be recognized in profit or loss as income from equity investments when Hypo's right to receive payments is established.

Expected credit loss (ECL) measurement and calculation

The ECL principles are applied to financial assets measured at amortized cost or fair value through other comprehensive income, to lease receivables, loan commitments and to off-balance sheet loan.

IFRS 9 outlines a three-level model for impairment based changes in credit quality since initial recognition. The model is summarized below for loan portfolio and for financial assets measured at fair value through other comprehensive income.

ECL calculation for loans

Hypo's loan portfolio is highly collateralized, and hence, the level of ECL is typically low. The calculations are performed separately for retail customers and for corporate customers.

Loans are classified into three different stages based on their credit risk:

- STAGE 1: Performing loans that have not had a significant increase in credit risk since initial recognition
- STAGE 2: Performing loans with a significant increase in credit risk after initial recognition
- STAGE 3: Non-performing loans

All other loans than the ones on stage 2 or 3 are considered as stage 1 receivables. On stage 1, ECL is calculated on a 12-month basis. ECL is calculated only for receivables that do not meet the condition of high collateralization, i.e. LTV exceeding 85%. The calculations incorporate data regarding exposure at default (EAD), historical impairment and credit loss (which are used to approximate probability of default (PD) and loss given default (LGD)), as well as statistical forward-looking factors, which are included in a so-called future coefficient (FLF).

As Stage 2 receivables are considered loans:
- with on-going forbearance on the reporting date; or
- with interest, interest on arrears or principal payments more than 30 days due; and
- that have not become non-performing.

On Stage 2, ECL is calculated on a life-time basis, if in addition to the abovementioned criteria the loan's LTV is above 90% either before or after the collateral's statistical value change has been considered. Life-time ECL is calculated as the difference between contractual unreduced cash flows and the fair value of collateral(s). In addition, the abovementioned future coefficient is taken into account. It is assumed that additional loan withdrawals on stage 2 loans are rejected based on terms and conditions of the loan. Hence, undrawn loan commitments recorded as off-balance sheet items are not included in the ECL calculations.

In line with specifically defined principles, collaterals other than those accepted in the LTV calculation, only high-quality collateral is qualified as collateral in the ECL calculations (i.e. guarantee deposits or state / municipality guarantees).

STAGE 3 loan is either a non-performing loan or a loan, which is a debt settlement loan of a Private Individual. Non-performing loans meet the criteria in EU's Capital Requirements Regulation's 8EU 575/2013), CRR article 47a. A debtsettlement loan is always on Stage 3. Loan is assessed as future non-performing loan should it fail the 90 days past-due test.

There are two phases of life-time ECL calculation on Stage 3 loans. The first phase of the assessment is accomplished by subtracting the collateral fair value from the contractual cash flows, calculated on the contract net value after individual impairment. Phase 2 applies to situations where the collateral has been realized.

Stage 3/Phase 1 ECL-calculation result is recognized for the first time when a loan is initially identified as Stage 3 loan and thereafter, every time until the ECL-calculation result is recognized as per Stage 3/Phase 2. In the Stage 3/Phase 1 calculation, the future factor is also applied.

In Stage 3/Phase 2 ECL calculation result is recognized once loan collateral has been fully realized at the end of the debt collection process and when the debt collection process has been finished and all debtors have been declared insolvent by the enforcement authorities.

Also on Stage 3, it is assumed that further withdrawals on undrawn loans are not allowed based on contract terms and hence the off-balance sheet amounts are not taken into account in the ECL calculation.

Modification of loans

When the loan cash flows are modified, Hypo assesses whether or not the credit risk has changed. Typically cash flow modifications are negotiated mainly based on the following reasons:

1) customer convenience without connection to financial difficulties, e.g. maintenance of customer relationship or in connection of a tendering process
2) extraordinary partial repayments in accordance with terms and conditions of the loan agreement
3) customer's existing or expected financial difficulties

With respect to items 1 and 2, typical modification to the loan terms do not significantly change the original terms and thus the credit risk remains unchanged. In item 3, when forbearance is granted to the customer, Hypo assesses that the credit risk has increased and the loan is moved to stage 2 and the ECL measurement is calculated accordingly.

ECL calculation for other debt securities

In the ECL calculations for debt securities Hypo applies:
- regulation conformant counterparty Credit Quality Steps derived from credit ratings,
- regulation conformant average Probability of Default, PD, and
- Loss Given Default, LGD

ECL is calculated only for debt securities measured at amortized cost or at fair value through other comprehensive income.

Debt securities are classified and measured based on their credit quality into three different stages:
- STAGE 1: Debt securities in normal state (credit quality 1-3)
- STAGE 2: Debt securities with an increased credit risk (credit quality 4-5 or payments due more than 30 days)
- STAGE 3: Debt securities with a significant increase in credit risk (credit quality 6 or payments due more than 90 days or Hypo's self-imposed individual impairment)

ON STAGE 1, 12-month expected ECL is calculated as the product of the instrument's carrying amount, counterparty Probability of Default (adapted on a 12-month period or the security's term to maturity, if less than 12 months) and the security's Loss Given Default.
Credit quality level 1: (S&P AAA)
Credit quality level 2: (S&P AA+ - AA-)
Credit quality level 3: (S&P A+ - A-)

ON STAGE 2, lifetime ECL is calculated as the product of the instrument´s carrying amount, counterparty Probability of Default (adapted on the security's term to maturity) and the security's Loss Given Default.
Credit quality level 4: S&P BBB+ - BBB-)
Credit quality level 5: (S&P BB+)

ON STAGE 3, lifetime ECL is calculated as the product of the debt security's net market value, counterparty Probability of Default (adapted on the security's term to maturity) and the security's Loss Given Default. Net market value is the security's market value reduced by individual impairment, if any.
Credit quality level 6: (S&P lower than BB+)

Significant increase in credit risk (SICR)

A backstop is applied and the credit risk is considered to have increased significantly in loan portfolio when interest, interest on arrears or principal payment is more than 30 days due. Similar backstop is applied to debt securities. Credit risk of debt security is considered to have increased significantly when financial instrument's credit quality is 4-5 or payments are due more than 30 days. When the Credit risk has significantly increased the loss allowance is calculated according to stage 2 of the ECL model.

Definition of default and credit-impaired assets

Hypo group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- The criteria set out in the EU's Capital Requirements Regulation's (EU 575/2013), CRR article 178
- A specific Adjustment of Debt of a Private Individual loan is applied to a loan
- Debt security's credit quality is 6

Instrument is considered to no longer be in default when it no longer meets any of the default criteria.

Forward-looking information incorporated in the ECL models

Hypo has performed historical analysis and identified the key economic variables associated with the changes of credit risk. These variables are built into the forward-looking factor (FLF) included in the ECL model. The statistical data is collected by the Statistics Finland. The calculation method was developed by Hypo's independent chief economist and values the FLF is assigned are based on the estimation made by Hypo's risk management. Hypo's independent chief economist provides up-to-date FLF value for the ECL model on regular basis. The FLF can have values that increase the final ECL allowance in comparison to the base scenario, but as a precautionary measure, it is not allowed to decrease it.

Scale for the forward looking factor (FLF) values are

- 0 = No expectations for a negative change,
- 1 = One of the two variables anticipate a deteriorating trend or
- 2 = Both variables anticipate a deteriorating trend.

The most significant assumptions affecting the ECL allowance are as follows:

- Number of known transactions of dwellings in housing companies as it estimates future development of housing prices and therefore the value of commonly used collateral in housing loans
- Consumer confidence index as it estimates the future development in unemployment and furthermore the increase in defaults

Grouping of instruments for losses measured on collective basis

On ECL stage 1, ECL for loan portfolio is calculated only for receivables that do not meet the condition of high collateralization, i.e. LTV exceeding 85%. The calculations are performed separately for retail customers and for corporate customers. The calculation is done based on each loan's exposure amounts but using statistical data to determine the ECL allowance. The grouping of the exposures is done based on shared, homogeneous risk characteristics. On ECL stages 2 and 3 the ECL is calculated on contract level and no grouping is executed.

Collateral and other credit enhancements

Lending is Group's most important business area. Lending is carried out only against individually valued secured collateral. The principle collateral types for loans and loan commitments are shares in housing companies or mortgage deeds registered in a residential property. Loans are not granted without collateral. Market value of collaterals are monitored on a regular basis by using statistical methods. In addition to housing collateral, guarantees given by the state of Finland or by an insurance company with adequate credit rating and deposit collateral are used as credit risk mitigation techniques.

Collateral held as security for financial assets other than loans and loan commitments depends on the nature of the instrument. Covered bonds and similar assets are collateralized by their cover pools. Vast majority of the derivatives contracts are collateralized, either by CCP or by counterparty. Other debt securities, treasury and other bills are generally unsecured.

Hypo group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in overall quality of the collaterals held by Hypo group since the prior period.

Loss allowance

Loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing changes in their credit risk or becoming credit-impaired in the period
- Additional allowance for new financial instruments recognized during the period
- Releases for financial instruments derecognized during the period
- Impact on measurement of ECL due to changes in financial instrument specific factors
- Impact on measurement of ECL due to changes made to model and assumptions
- Write-offs of financial assets during the period.

Write-off policy

Hypo Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation for recovery are:

- Debtor has been declared insolvent
- All guarantees (guarantors, collateral) have been realized

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash, debt securities eligible for refinancing with central banks, receivables from credit institutions and other debt securities

Financial liabilities

Group funding mainly consists of deposit taking, of issued debt instruments such as listed covered bonds and, of borrowings from central bank.

Classification of financial liabilities

Hypo Group's financial liabilities are recognized initially at fair value and subsequently at amortized cost. If the principal paid or received for a liability is more or less than the nominal value of the liability, the liability is recognized at the amount received. The difference between the nominal value and the amount initially recognized on the balance sheet is amortized over the term of the loan. It is recognized as either an expense or an expense deduction and recorded as an increase or decrease in the book value of the liability. Correspondingly, transaction costs related to the issuance of a liability are amortized using the effective interest method over the term of the liability.

Financial derivatives

Classification and measurement of derivatives

Derivatives are initially recognized at fair value on the date which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives with positive fair value according to netting sets, including accrued interest, are recognized as assets in the balance sheet in the item derivatives. Derivatives with negative fair value according to netting sets, including accrued interest, are recognized as liabilities in the balance sheet in the item derivatives. Interest income and interest expenses from interest rate derivatives are recognized at contract level net amounts in interest expenses or interest income.

Offsetting financial assets and financial liabilities

Liabilities are offset in the statement of financial position if Hypo has both the intention and a legally enforceable right to settle the transaction amounts on a net basis, or to realize the asset and settle the liability simultaneously. In contrast, bilateral OTC derivative assets and liabilities are recorded on contract level in either derivative assets or liabilities without offsetting.

Recognition of derivative collateral

Received and given collateral are recognized in other assets and in other liabilities.

Fair value hedge accounting

Fair value hedge accounting under IFRS 9 standard is applied to some of fixedrate liabilities issued by Hypo and to fixedrate assets as well as to the derivate contracts marked as hedging instruments used to hedge the aforementioned items. The purpose of fair value hedge accounting is to allocate the profit or loss due to change in fair value of hedged items and hedging instruments to the same accounting period. The changes in the fair value of hedging instrument and hedged item are considered to offset each other. Hedge accounting is applied solely to interest rate risk element. The credit risk is managed according to the credit risk management strategy, and it is not considered to have significant impact on the value changes of the aforementioned items.

The hedging instruments are interest rate swaps that are used to change the hedged items' fixed rate cash flows to variable cash flows. Hedged interest rate risk component isthe change in fair value of long-term fixed rate payments or repayments. Hypo establishes the hedge relationship by matching equal notional amounts of the derivative with the principal of hedged item. For example, the hedge relationship may be half of the nominal value of the hedged item if the actual hedging purpose, under the risk management strategy, is to cover only half of the fair value change of the hedged item.

The hedge relationship is assumed to be highly effective at the beginning and in the future of the hedge relationship, if the principals, due dates, re-pricing dates, interest periods and reference rates of the hedged item and the hedging instrument are identical or very similar. Hedge effectiveness is tested with hypothetical derivatives. Hypothetical derivatives are identical in their terms to the hedged item, excluding the credit risk and eventual transaction costs of the hedged item. The hedge ineffectiveness rise mainly from the changes in fair value of the floating leg of the hedging instrument. Any ineffectiveness of the hedging instruments is recognized through profit or loss.

In fair value hedge accounting derivative contracts are recognized at fair value and their offsetting entries are recognized into income statement as net income from financial instruments at FVPL. The fair value of a hypothetical derivative is recognized as an adjustment of the balance sheet value of the hedged instrument and the offset entry is recognized into income statement as net income from financial instruments at FVPL.

INTANGIBLE ASSETS

The capitalized expenditures recognized in "Intangible assets" consist of IT projects and other strategic project expenditures. On the balance sheet, intangible assets are recognized at cost, deducted by amortizations and possible impairment losses.

TANGIBLE ASSETS

Investment properties

On the balance sheet, property investments are divided into investment properties and other properties. Investment properties mainly consist of land intended to be used as residential land as well as shares in housing companies and investments in shares in housing companies under construction. Investment properties are held for collecting rental income as well as for possible increase in value.

Rental income from investment properties, maintenance charges and other expenses, as well as depreciation and capital gains, are recognized in "Net profits from investment properties". Costs and depreciation related to properties in Hypo Group's own use are recognized in "Other operating expenses".

Investment properties and other properties are initially recognized in balance sheet at cost.

Group has chosen not to recognize investment properties in their fair value in balance sheet. The fair values of property investments are disclosed in the notes to the consolidated financial statements.

The need for impairment on property investments is assessed at least once a year. Should the book value of an asset exceed the recoverable amount, an impairment loss is recorded.

Hypo has long-term leases with housing companies on the residential land it owns. Once a year, the housing company has the opportunity to purchase a share of the land if the customers choose to do so. The purchase price is the acquisition price adjusted with the increase in the living cost index.

Other tangible assets

Other properties and shares and stakes in housing companies refer to the part of the property that is in own use. Other tangible assets include machinery, equipment and works of art. These are recognized according to the acquisition cost model.

EMPLOYEE BENEFITS

Pension expenses and other post-employment benefits

Post-employment benefits are considered as defined contribution plans or defined benefit plans.

Defined contribution plans

In defined contribution plan, the employer's obligation is limited to the amount of money paid to the plan and to the investment income generated by the payments. Employee contributions based on statutory pension provision are treated as a defined contribution plan. Expenses caused by defined contribution plans are recognized in the accounting period in which the expense is rendered. Expenses are recognized undiscounted and presented as pension expenses in the consolidated income statement. The voluntary defined contribution plan is arranged by the M Department of Hypo's separate pension foundation.

Defined benefit plans

Voluntary supplementary pension plan arranged in Department A of the pension foundation is recognized as a defined benefit plan. Obligation amount of the arrangement, net asset or net liability, is accounted by deducting the fair value of plan assets from the discounted obligation amount. Net defined benefit asset is presented as other assets in the consolidated balance sheet. Net defined plan asset amount is adjusted should actuarial assumptions be amended. Also, changes caused by actualized revenues compared with expected ones are recognized as change in defined benefit pension plan asset amount. Both changes are recognized as other comprehensive income (and as equity's fair value reserve, net of deferred tax). Accounting of discounted obligation value requires use of certain actuarial estimations such as discount rate, expected disability rate and expected salary and pension benefit levels. Possible deviations between actual and expected levels of income generated from investments and the fair values of investments also cause uncertainty of future amount of plan assets.

DEFERRED TAX RECEIVABLES AND LIABILITIES

Amounts generated due to temporary changes in negative fair values from financial assets measured at fair value through other comprehensive income and from interest rate swaps are recognized as deferred tax receivables.

Deferred tax liabilities consist of temporary amounts caused by positive fair values from net defined benefit asset, from a credit loss provision in accordance with section 46 of the Business Income Tax Act recognized by parent company and from revaluations of selected holdings of investment properties and other properties. Amounts caused by positive fair values from financial assets measured at fair value through other comprehensive income and from interest rate swaps are recognized as deferred tax liabilities.

Defined benefit plans in other assets

The fair value reserve arising from the defined benefit asset has been recognized in Group equity, net of deferred tax. The deferred tax liability increases or decreases when there is a change in the amount of the net asset of the plan. The amount of the net asset of the defined benefit pension plan varies from quarter to quarter as shown in the IAS 19 statement position. The current value of the net asset is affected both by changes in the total pension obligation and by changes in plan assets. The pension obligation decreases as the pension fund pays additional monthly pensions to beneficiaries.

General loan loss provision in accordance with section 46 of the Business Income Tax Act

The deferred tax liability increases or decreases as Suomen Hypoteekkiyhdistys increases or decreases its general loan loss reserve. The general loan loss provision in accordance with Article 46 of the Income Tax Act, which has been recognized by the parent company at its deferred tax-adjusted value, is reversed in the consolidated financial statements, and is shown under retained earnings.

Revaluations of selected holdings of investment properties and other properties

The revaluation reserve at deferred tax adjusted values has been reversed in the consolidated financial statements and is presented in the previous years' retained earnings. The deferred tax liability increases or decreases when the Suomen Hypoteekkiyhdistys sells units of investment properties or units of properties in own use that include valuation adjustments to the carrying amount. The revaluation reserve and the deferred tax liability recognized thereon is cancelled upon a sale of property unit.

Fair values from financial assets measured at fair value through other comprehensive income and from interest rate swaps

Fair value reserve from assets measured at fair value through other comprehensive income and from interest rate swaps, recognized in equity is presented net of deferred tax assets and liabilities. The deferred tax receivable or tax liability increases or decreases as FVOCI valued financial instrument is revalued mark-to market on a regular basis.

OTHER ASSETS AND OTHER LIABILITIES

Other assets mainly consist of margin call assets given for derivative positions and of defined pension plan asset derived from Department A of the pension foundation net assets.

Other liabilities consist of incoming customer remittances shortly registered to customer agreements and of margin call liabilities received from derivative counterparties. In addition, short term differences due to purchase date and settlement day are registered as other liabilities.

REVENUE AND EXPENSES RECOGNITION

Net interest income

Interest income and expenses are recognized based on effective interest rate method. In this method, transaction fees and expenses forming an integral part of effective interest rate are amortized over the remaining amount and duration of financial instruments. Gains or losses from the repurchase of own liabilities are recognized in interest expenses.

Net fee income

Generally, fee income is earned when a specific service, assignment or transaction has been fulfilled hence revenue is recognized at a point of time. Income from borrowings, from land trustee services and from credit card services, are recognized as revenue according to IFRS 15.

Fee income from lending activities include origination fees, transaction fees of services as well as recurring monthly loan servicing fees.

Fee income from land trustee services derives from transactions performed on behalf of customer and from monthly recurring administrative services.

Other fee income generates from credit card activities and from transaction based administrative services to customers.

Fee expenses consist of recurring or one-off commissions paid when a service has been performed by the external counterparty.

Other income and expenses from financial instruments are recognised using the effective interest method in accordance with IFRS 9.

Income from equity investments

Dividend income from equity instruments is recognized once the dividend has become vested.

Net income from financial instruments at fair value through Profit or Loss

Changes of fair value and realized capital gain/loss from financial instruments designated as financial assets measured at FVPL, kept for liquidity management purposes, are recognized as net income from financial instruments at FVPL. Also fair value changes of interest rate swaps are recognized under this P&L item. In addition, fair value changes of hedged financial instruments in hedge accounting are recognized under this P&L item. The Group does not hold a trading book nor has operations in foreign currencies.

Net income from financial assets at fair value through other comprehensive income

Realized capital gain/loss from financial instruments measured at fair value through other comprehensive income are recognized on the trade date. Fair value is de-recognized from fair value reserve to profit or loss when the instrument is sold. Instruments measured at fair value through other comprehensive income are instruments held for collecting interest income and which according to the business model may also be sold prior to their contractual maturity date.

Net income from investment properties

Rental income from investment properties and maintenance costs are recognized in the items on a time proportion basis.

Also gains / losses on disposal are recorded in net income from investment properties. The sales result is recognized when all significant risks and rewards are transferred to the buyer. Any possible impairment and depreciation are also presented in net income from investment properties.

Personnel expenses

Salaries and remunerations, paid annual leave expenses, allowances paid to cover business travel expenses compensated to personnel are presented as short term employee benefits. The statutory pension security of employees is arranged through pension insurance and the compensations paid based on Hypo´s performance and incentive scheme are recognized as defined contribution plan. Salaries and other defined contribution arrangements are expected to be settled before twelve months have elapsed from period in which the employees render the related services hence expenses are recognized with undiscounted values.

Administrative expenses

Personnel related other expenses consist mainly of health care, recruiting and training and external specialist services. Yearly license- and service fees of banking and other IT systems, together with development expenses, are recorded as information technology and telecommnication expenses. Office maintenance and other operative business expenses are also recorded as administrative expenses. Administrative expenses are recognized with undiscounted values.

Depreciation, depreciation calculation and the useful life

Depreciation of intangible assets and other tangible assets is recognized in the item.

Intangible assets

Intangible assets with a finite useful life are subject to straight-line depreciation as follows:

- IT-projects 2 to 10 years
- Other intangible assets 5 to 10 years

Depreciations begin when the asset is deemed to have materially been put into service.

Tangible assets

Tangible assets with a finite useful life are subject to straight-line depreciation as follows:

- Buildings 25 years
- Vehicles 3 to 5 years
- Equipment, supplies and equipment 2 to 5 years

Depreciations are not applied to land areas. The assets whose useful life is unlimited, are not subject to depreciations. Machines and equipment are recorded as cost during the useful life of the asset.

Final credit losses and net gains/losses of financial assets measured at amortized cost

Final credit losses and net movement of expected credit losses from financial assets measured at amortized cost, according to ECL model are expensed to profit or loss. Reversals of final credit losses are also recognized under this rubric.

Final credit losses and net gains/losses of other financial assets

Final and netmovement of expected credit losses from other financial assets than assets measured at amortized cost, according to ECL model are expensed to profit and loss.

Taxes in income statement

Taxes in the income statement include tax expenses based on taxable income in the financial year and adjustments for previous years' taxes. In addition, taxes include deferred taxes, which are recognized through profit or loss. Deferred tax receivable is recognized in income statement to probable maximum amount of future taxable income.

IFRS 16 LEASES

Hypo Group uses the simplified retrospective approach.

Hypo Group as lessee

Practical expedients on assessing whether the leases are onerous and excluding initial costs from the measurement of the right-of-use asset at the time of initial application are also used.

As IFRS 16 requires Hypo Group as lessee recognizes assets for the right of use received and liabilities for the payment obligations entered into for all leases. Hypo Group uses relief options provided for leases of low-value assets. For leases that have been classified to date as operative leases in accordance with IAS 17, the lease liability is recognized at the present value of the remaining payments or when the lease period is not fixed term an appropriate period is determined based on economic and business factors. The remaining lease payments are discounted using the lessee's incremental borrowing rate. The right-of-use assets will be measured at the amount of the lease liability. Possible advance payments and liabilities will also be accounted for as well as initial direct costs.

The depreciation charges on the right-of-use assets and the interest expense from unwinding of the discount on the lease liabilities will be recognized on the income statement.

The change in the presentation of operating leases will result in an equivalent improvement is cash flows from operating activities and a decline in cash flows from financing activities.

Hypo Group as lessor

All the leases in which Hypo Group is the lessor are classified as operative leases. The leased assets continue to be presented on the Hypo Group's balance sheet and the lease payments are generally recognized as income on a straight-line basis over the lease term according to IFRS 15.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

€ 1,000, unless otherwise indicated.

G2. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM	2023	2022
Receivables valued at amortized cost		
Receivables from credit institutions	13,836	1,428
Receivables from the public and public sector entities	101,029	24,117
Total	114,864	25,545
Debt securities, financial assets through FVOCI	1,786	213
Derivative contracts	11,105	7,376
Negative interest expenses of financial liabilities		1,263
Other interest income	2,976	748
Total interest income	130,732	35,145
Liabilities valued at amortized cost		
Liabilities to credit institutions	-2,280	-94
Liabilities to the public and public sector entities	-41,395	-6,062
Debt securities issued to the public	-27,163	-8,405
Total	-70,838	-14,561
Derivative contracts	-41,615	-4,406
Negative interest income of cash and cash equivalents	-38	-904
Other interest expenses	-37	-11
Total interest expenses	-112,528	-19,882

G3. FEE INCOME AND EXPENSE	2023	2022
Fee income		
From lending and deposits	2,621	1,945
From residential property trustee services	2,072	1,545
From other operations	170	183
Total fee income	4,863	3,673
Fee expenses from lending and deposits	-166	-81
Net fee income	4,697	3,592

G4. INCOME DISTRIBUTION	2023	2022
Group's total income		
Interest income	130,732	35,145
Interest expense	-112,528	-19,882
Net interest income	18,204	15,264
Net fee income		
from lending operations	2,454	1,864
from land trustee services	2,075	1,545
from other operations	168	183
Total net fee income	4,697	3,592
Net income from Financial instruments at FVPL and FVOCI	-2,517	2,796
Net income from investment properties	2,118	2,536
Capital gains on investment properties	314	226
Other income	2,192	209
Total other income	2,106	5,766
Total income	25,006	24,622

NOTES TO THE CONSOLIDATED INCOME STATEMENT

G5. NET INCOME FROM FINANCIAL INSTRUMENTS AT FVPL

	2023			2022		
	Gains and losses from disposals of financial instruments (net)	Net income arising from changes in fair values	Total	Gains and losses from disposals of financial instruments (net)	Net income arising from changes in fair values	Total
Net income from financial instruments at fair value						
Net income from financial instruments at FVPL	-1,875	4,948	3,072	-2,623	-7,357	-9,980
Interest rate swaps other than those in hedge accounting	2,789	-6,288	-3,499	1,878	10,534	12,412
Net income from hedge accounting						
Fair value hedge accounting for debt securities issued to the public		-63,756	-63,756		118,880	118,880
Interest rate swaps in fair value hedge accounting		61,665	61,665		-117,267	-117,267
Total	914	-3,431	-2,517	-745	4,789	4,044

Hypo does not hold a trading book.

G6. NET INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023	2022
Net income from financial assets through FVOCI		
Capital gains from debt securities		-1,248
Total	0	-1,248

G7. NET INCOME FROM INVESTMENT PROPERTIES

	2023	2022
Rental income	1,646	2,131
Capital gains (losses)	314	226
Other income	1,378	1,136
Maintenance charges and other maintenance costs paid		
From investment properties that have accrued rental income during the period	-809	-648
Other expenses	-36	-21
Depreciation according to plan	-62	-62
Total	2,431	2,762

G8. OTHER OPERATING INCOME

	2023	2022
Usage fees, property assets in own use	14	13
Other income	2,178	196
Total	2,192	209

Other operative income for year 2023 includes EUR -2.2 million contribution to the Resolution Fund for the year 2023 and net fee income from adminstrative services related to IAS 19.

G9. ADMINISTRATIVE EXPENSES

	2023	2022
Other personnel related	-764	-801
Office maintenance and other operative	-482	-339
Corporate governance and investor relations	-210	-229
Information technology, telecommunication and postage	-2,963	-3,609
Other	-43	-52
Total	-4,460	-5,029

G10. OTHER OPERATING EXPENSES

	2023	2022
Rental expenses	-29	-19
Expenses from properties in own use	-70	-52
Other expenses	-1,893	-3,365
Total	-1,993	-3,436

G11. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS

	2023	2022
Depreciation according to plan	-1,611	-1,489

NOTES TO THE CONSOLIDATED INCOME STATEMENT

GI2. FINAL AND EXPECTED CREDIT LOSSES	2023	2022
From financial assets at amortised cost		
Receivables from the public and public sector entities		
Expected credit losses, net change	-73	-22
Final credit losses	-52	
Recoveries of final credit losses	11	8
Off-balance sheet commitments, granted but unclaimed loans		
Expected credit losses, net change	1	-1
Net gains/losses on derecognition of other financial assets		
Debt securities eligible for refinancing with central banks		
Expected credit losses, net change	-5	
Total	-119	-15

A more detailed breakdown of the net change in expected credit losses is presented in the group risk management note 'IFRS 9 Loss allowance changes and transitions'.

G13. INCOME TAXES	2023	2022
Breakdown of taxes in the income statement		
Tax expense based on taxable income for the financial period	-1,528	-1,292
Change in deferred taxes	-27	10
Taxes from previous periods	-1	8
Taxes in the income statement	**-1,556**	**-1,274**
Reconciliation of taxes		
Profit before taxes	8,503	7,079
Tax-free income	-1,019	-743
Non-deductible expenses	0	7
Recognition of previously unrecorded tax losses	288	68
Total	**7,772**	**6,411**
Taxes calculated using the tax rate of 20 %	-1,554	-1,282
Taxes from previous periods	-1	8
Taxes in the income statement	**-1,556**	**-1,274**

G14. INFORMATION CONCERNING PRODUCT GROUPS AND GEOGRAPHICAL MARKET AREAS

The Mortgage Society of Finland Group has only one segment, retail banking. By product group, Group's main income is made of lending and deposits and other housing products and services. Lending and deposits, including other housing products and services, are considered to constitute one business area due to the special characteristics of Hypo's customers and products (partial ownership, reverse mortgages, residential property trustee service). Residential property trustee service covers, among other things, legal and administrative assignments related to the sale and rental of land. Group's operating area is Finland. Other operations mainly consist of marketing and sales operations for MasterCard charge cards issued by card partners (card operations are ending and new cards are no longer issued) and services provided to a company outside Group.

2023	Combined amount of income	Operating profit	Total assets	Total liabilities	Average number of personnel
Lending and deposits and other housing products and services	24,903	8,387	3,619,094	3,460,887	68
Other operations	136	116	0		
Total	25,039	8,503	3,619,094	3,460,887	68

2022	Combined amount of income	Operating profit	Total assets	Total liabilities	Average number of personnel
Lending and deposits and other housing products and services	24,255	6,730	3,461,004	3,310,621	60
Other operations	367	349	0		
Total	24,622	7,079	3,461,004	3,310,621	60

NOTES TO THE CONSOLIDATED BALANCE SHEET

G15. LIQUID ASSETS	2023	2022
Cash		500
Receivables from central bank	520,670	392,679
Liquid assets total	520,670	393,179

G16. CASH AND CASH EQUIVALENTS AND NET DEBT IN THE CASH FLOW STATEMENT	2023 Book value	2022 Book value
Liquid assets	520,670	393,179
Debt securities eligible for refinancing with central banks	146,386	140,802
Receivables from credit institutions	17,390	24,296
Net debt	684,447	558,277
Cash and cash equivalents	684,447	558,277
Funding, repayable within one year	-342,045	-364,626
Funding, repayable after one year	-1,487,586	-1,450,530
Net debt	**-1,145,184**	**-1,256,879**
Cash and cash equivalents	684,447	558,277
Funding, fixed rate	-96,488	-115,274
Funding, floating rate	-1,733,143	-1,699,882
Net debt	**-1,145,184**	**-1,256,879**

	Cash and cash equivalents			Funding	
Net debt 2023	Liquid assets	Debt securities eligible for refinancing with central banks	Receivables from credit institutions	Funding	Total
Net debt 1.1.	393,179	140,802	24,296	-1,815,156	-1,256,879
Cash flows	127,492	800	-6,906	-78,231	43,155
Fair value changes without cash flow		4,785		63,756	68,541
Net debt 31.12.	520,670	146,386	17,390	-1,829,631	-1,145,184

	Cash and cash equivalents			Funding	
Net debt 2022	Liquid assets	Debt securities eligible for refinancing with central banks	Receivables from credit institutions	Funding	Total
Net debt 1.1.	388,200	191,989	8,195	-1,321,705	-733,321
Cash flows	4,979	-43,526	16,100	-374,571	-397,018
Fair value changes without cash flow		-7,660	0	-118,880	-126,540
Net debt 31.12.	393,179	140,802	24,296	-1,815,156	-1,256,879

Group manages liquidity risks by maintaining sufficient liquidity compared to Group´s payment obligations. Funding presented in cash flows from financing together with cash and cash equivalents presented in consolidated cash flow statement form net cash position (net debt). Year 2022 has been modified to meet with year 2023 presentation.

G17. RECEIVABLES FROM CREDIT INSTITUTIONS	2023			2022		
	Payable on demand	Other than those payable on demand	Total	Payable on demand	Other than those payable on demand	Total
From the central bank					16,010	16,010
From domestic credit institutions	17,390		17,390	8,286		8,286
Total	17,390	0	17,390	8,286	16,010	24,296

Receivables payable on demand from credit institutions consist of balances of bank accounts and deposits with a maturity of no more than one banking day. The receivable from the central bank is a minimum reserve deposit based on the reserve base, with a floating interest rate. There are restrictions for its use as part of liquidity. The amount includes the minimum reserve deposit principal and interest receivable. Year 2022 has been modified to meet with year 2023 presentation.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G18. RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES (LOANS AND RECEIVABLES)

	2023		2022	
	Balance sheet value	Expected credit loss allowance	Balance sheet value	Expected credit loss allowance
Housing companies	1,919,738	0	1,879,649	1
Households	850,685	306	857,246	233
Companies excl. housing companies	13,601		14,866	
Others	2,256		2,480	
Total	2,786,280	306	2,754,241	233

Receivables from the public and public sector entities consist of long-term lending to various counterparties.

	2023	2022
Non performing loans	5,186	3,853
Expected credit losses recognised during the period		
Expected credit losses 1.1.	233	211
Expected credit losses, net change	73	22
Expected credit losses 31.12.	306	233
Expected credit losses have been identified and recognized on contract level.		
Final credit losses on receivables recognized during the period, net credit losses (+), net reversals (-)	-11	-8

Final credit losses are presented as net of recognized credit losses and reversals of credit losses during accounting period.

G19. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANK

	2023			2022	
	Publicly quoted	Total	Expected credit loss allowance	Publicly quoted	Total
Debt securities issued by public sector entities					
FVOCI					
Other debt securities issued by public sector entities	53,346	53,346		53,346	53,346
FVPLO					
Government bills	54,895	54,895		57,132	57,132
Other debt securities issued by public sector entities	2,142	2,142		9,404	9,404
Debt securities issued by other than public sector entities					
FVOCI					
Debt instruments issued by banks	3,570	3,570	5		0
FVPLO					
Debt instruments issued by banks	32,433	32,433		20,434	20,434
Total	146,386	146,386	5	140,315	140,315

Debt securities are investments in various credit counterparties with a remaining maturity of four months up to ten years.

G20. DEBT SECURITIES BY CREDIT RATING

2023

Credit rating	Governments and public sector entities	Companies and banks	Covered bonds	Total
Credit quality level 1: (S&P AAA)	45,984		24,727	70,710
Credit quality level 2: (S&P AA+ - AA-)	64,400	7,706		72,106
Credit quality level 4: (S&P BBB+ - BBB-)		3,570		3,570

2022

Credit rating	Governments and public sector entities	Companies and banks	Covered bonds	Total
Credit quality level 1: (S&P AAA)	50,915		20,434	71,349
Credit quality level 2: (S&P AA+ - AA-)	61,579	7,387		68,966

NOTES TO THE CONSOLIDATED BALANCE SHEET

G21. SHARES AND HOLDINGS (FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, FVOCI)

			2023			2022
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Shares and holdings, FVOCI		24	24		24	24

G22. DERIVATIVE CONTRACTS

		2023		2022
	Book value		Book value	
	Assets	Liabilities	Assets	Liabilities
OTC interest rate swaps				
Derivative contracts in fair value hedge accounting relationships				
Fair value	16,995	74,874	727	118,340
of which: cleared by a central counterparty		53,010		73,311
Derivative contracts other than those in hedge accounting				
Fair value	1,238	-82	2,100	-5,356
of which: cleared by a central counterparty		-82		-5,356
Total fair value	18,232	74,793	2,827	112,984

The fair value of the contract contains the accrued interest (dirty value).

		2023		2022
	Nominal amount		Nominal amount	
	Assets	Liabilities	Assets	Liabilities
Derivative contracts in fair value hedge accounting relationships	609,321	1,050,000	9,370	1,650,000
Derivative contracts other than those in hedge accounting	45,000	91,000	45,000	82,000
Total nominal value	654,321	1,141,000	54,370	1,732,000

				2023
Remaining maturity	Less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	360,000	1,170,321	265,000	1,795,321
of which: cleared by a central counterparty	50,000	226,000	265,000	541,000
Fair value, assets	253	17,979		18,232
of which: cleared by a central counterparty				0
Fair value, liabilities	7,408	22,888	44,497	74,793
of which: cleared by a central counterparty	796	7,635	44,497	52,928

				2022
Remaining maturity	Less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	300,000	1,211,370	275,000	1,786,370
of which: cleared by a central counterparty		557,000	275,000	832,000
Fair value, assets		2,827		2,827
of which: cleared by a central counterparty				0
Fair value, liabilities	1,961	53,005	58,018	112,984
of which: cleared by a central counterparty		9,937	58,018	67,955

Open counterparty credit risk related to derivatives agreements consists of mark-to-market value of the contracts and the delivered collateral. Some of the derivatives and collateral form netting sets. Counterparty credit risk related to derivative contracts is managed through careful selection of counterparties, use of master service agreements and collateral. All Hypo's derivative counterparties have at least 'A' credit rating, and majority of contracts have been made under the ISDA/CSA master agreements. Hypo's open derivative counterparty credit risk as at 31 December 2023 totaled EUR -2,007,527. The amount of risk is calculated over the netting sets and taking into account the collateral delivered.

G23. HEDGE ACCOUNTING, MATURITY

			2023
	3–12 months	1–5 years	5–10 years
Fair value hedges			
Notional	350,000	1,059,321	250,000
Average fixed interest rate	0.47%	2.07%	0.01%

			2022
	3–12 months	1–5 years	5–10 years
Fair value hedges			
Notional	300,000	1,109,370	250,000
Average fixed interest rate	0.38%	1.22%	0.01%

The table sets out the maturity profile of hedging instrument used in hedge accounting.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G24. INSTRUMENTS USED FOR HEDGE ACCOUNTING

2023	Notional	Carrying amount, assets	Carrying amount, liabilities	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges				
Derivatives, interest rate swaps	1,659,321	16,995	74,874	61,343

2022	Notional	Carrying amount, assets	Carrying amount, liabilities	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges				
Derivatives, interest rate swaps	1,659,370	727	118,340	-116,264

Fair value of the contracts includes accrued interest (dirty value).

G25. HEDGED EXPOSURES

2023	Carrying amount		Accumulated amount of fair value adjustments on the hedged item		
	Assets	Liabilities	Assets	Liabilities	Changes in fair value used for calculating hedge ineffectiveness
Fair value Hedges					
Debt securities issued to the public		1,591,080	48,894		-63,756
Receivables from the public and public sector entities	18,590			408	322

2022	Carrying amount		Accumulated amount of fair value adjustments on the hedged item		
	Assets	Liabilities	Assets	Liabilities	Changes in fair value used for calculating hedge ineffectiveness
Fair value Hedges					
Debt securities issued to the public		1,527,043	112,650		118,880
Receivables from the public and public sector entities	18,736			730	-1,003

G26. HEDGE EFFECTIVENESS

2023	Hedge Ineffectiveness recognised in P&L	P&L item that includes hedge inefectiveness
Fair value Hedges		
Interest rate swaps	-2,091	Net income from financial instruments at FVPL

2022	Hedge Ineffectiveness recognised in P&L	P&L item that includes hedge inefectiveness
Fair value Hedges		
Interest rate swaps	1,613	Net income from financial instruments at FVPL

G27. INTANGIBLE ASSETS

G27. INTANGIBLE ASSETS	2023	2022
IT programs and projects	9,842	9,769
Other intangible assets	333	461
	10,175	10,230
Amount of agreement-based commitments concerning acquisition of intangible assets	623	453

NOTES TO THE CONSOLIDATED BALANCE SHEET

G28. TANGIBLE ASSETS	Fair value determination principle	2023	2022
Investment properties and investment property shares, balance sheet value			
Land and water areas	3	7,196	7,328
Buildings	3	1,065	709
Shares and holdings in housing property corporations	3	49,045	42,688
Total balance sheet value		**57,306**	**50,726**
Total fair value of investment properties		59,607	52,836
of which based on assessments of a qualified third-party valuer		14,134	4,429
Non-cancellable land lease agreements			
Rental receivables within one year		119	121
Other properties and shares in housing property corporations, balance sheet value			
In own use			
Land and water areas	2	538	538
Buildings	2	126	3,937
Total balance sheet value		**665**	**4,475**
Total fair value of other properties		2,966	7,118

Hypo's properties are located in growth centers, mainly in the Helsinki Metropolitan Area, distributed across key residential areas. These properties consist mainly of apartments that have been rented out as well as residential land that has been rented for the long term to housing companies. The fair values of housing units have mainly been assessed using the Statistics Finland's most recently released statistics on the prices of dwellings, in which dwellings are divided into categories based on type and location. The fair values of apartments purchased a year or less than a year ago are assumed to be equal to their acquisition prices. The fair value of the land is its acquisition cost adjusted for the increase in the living cost index, which equals the land's redemption price.

The principles to determine fair values for investment properties and for properties and shares in own use are as follows:
1: Quoted prices in active markets
2: Verifiable price, other than quoted
3: Unverifiable market price

G29. CHANGES IN INTANGIBLE AND TANGIBLE ASSETS DURING THE FINANCIAL PERIOD

	Intangible assets	Tangible assets		
2023		Investment properties and -shares	Other	Tangible assets total
Acquisition cost 1 January	**15,512**	**52,720**	**7,776**	**60,496**
Increases, new acquisitions	2,168	7,031	84	7,115
Deductions	-922	-365	-3,853	-4,218
Acquisition cost 31 December	**16,758**	**59,386**	**4,007**	**63,393**
Accumulated depreciation and impairment losses 1 January	5,282	1,994	2,781	4,776
Depreciation for the period	1,301	86	223	310
Accumulated depreciation and impairment losses 31 December	**6,583**	**2,081**	**3,005**	**5,085**
Book value 31 December	**10,175**	**57,306**	**1,002**	**58,308**

	Intangible assets	Tangible assets		
2022		Investment properties and -shares	Other	Tangible assets total
Acquisition cost 1 January	**13,457**	**57,132**	**3,710**	**60,842**
Increases, new acquisitions	10,981	3,830	4,069	7,899
Deductions	-8,927	-8,242	-3	-8,245
Acquisition cost 31 December	**15,512**	**52,720**	**7,776**	**60,496**
Accumulated depreciation and impairment losses 1 January	4,283	1,721	2,564	4,285
Depreciation for the period	999	273	217	490
Accumulated depreciation and impairment losses 31 December	**5,282**	**1,994**	**2,781**	**4,776**
Book value 31 December	**10,230**	**50,726**	**4,995**	**55,720**

NOTES TO THE CONSOLIDATED BALANCE SHEET

G30. OTHER ASSETS	2023	2022
Defined benefit pension plans/surplus	6,861	6,367
Collateral for derivatives	51,963	66,350
Other receivables	1,561	5,649
Total	60,385	78,366

More detailed information about defined benefit pension plans is presented in Note 40.

G31. DEFERRED INCOME AND ADVANCES PAID	2023	2022
Other deferred income	1,540	1,545

G32. TAX RECEIVABLES AND LIABILITIES	2023	2022
Income tax receivables	912	818
Deferred tax receivables	9	8
Total tax receivables	922	826
Income tax liabilities	326	349
Deferred tax liabilities	9,825	9,947
Total tax liabilities	10,151	10,297
Deferred tax receivables		
Fair value reserve	9	8
Total	9	8
Deferred tax liabilities		
Earnings-related pensions	1,372	1,273
Revaluation reserve	93	284
Fair value reserve	23	53
Credit loss provisions	8,337	8,337
Total	9,825	9,947
Net deferred tax receivable (+)/liability (-)	-9,815	-9,940
Changes in deferred taxes		
Deferred tax receivables/liabilities 1 January	-9,940	-9,706
Recognized in the income statement:		
IAS 19 calculation	-27	10
Recognized in the consolidated comprehensive income statement and equity:		
Financial assets through FVOCI	33	61
Revaluation of defined benefit pension plans	-72	-304
Adjustment made to retained earnings of joint operations	191	
Net deferred tax receivables (+)/liabilities (-), total 31 December	**-9,815**	**-9,940**
Income tax receivables (+)/liabilities (-), net	**586**	**469**
Total tax receivables (+)/liabilities (-), net	**-9,229**	**-9,471**

G33. DEBT SECURITIES ISSUED TO THE PUBLIC		2023		2022
	Book value	Nominal value	Book value	Nominal value
Other than those payable on demand				
Bonds	1,647,529	1,700,000	1,581,034	1,700,000
Certificates of deposit and commercial papers	46,931	48,000	65,779	66,000
Total	1,694,460	1,748,000	1,646,814	1,766,000

The bonds are covered bonds issued by the Mortgage Society of Finland. The certificates of deposit are unsecured debt obligations issued by the Mortgage Society of Finland with a maximum maturity of one year. Year 2022 has been modified to meet with year 2023 presentation.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G34. OTHER LIABILITIES	2023	2022
Tax-at-source, liability	637	255
Collateral for derivatives	20,240	2,020
Other liabilities	17,911	12,019
Total	38,788	14,294

G35. LIABILITIES ACCORDING TO THE ACT ON RESOLUTION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS	2023	2022
Unsecured liabilities		
of which the remaining maturity is more than one year	6,100	7,350
Common Equity Tier 1 (CET1) capital	142,234	136,947
Total liabilities according to the Act on Resolution of Credit Institutions and Investment Firms	148,334	144,297

G36. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

2023	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	17,390					17,390
Receivables from the public and public sector entities	3,084	2,174	64,633	203,015	2,513,066	2,785,973
Debt securities		52,760	78,247	15,380		146,386
Total	20,475	54,934	142,880	218,394	2,513,066	2,949,750
Liabilities to credit institutions		51,349		20,004		71,354
Liabilities to the public and public sector entities	1,019,571	511,101	38,531			1,569,203
Debt securities issued to the public	12,911	378,339	1,045,384	257,827		1,694,460
Total	1,032,482	940,789	1,083,915	277,831	0	3,335,017

2022	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	24,296					24,296
Receivables from the public and public sector entities	980	1,560	53,446	208,476	2,489,546	2,754,008
Debt securities			140,802			140,802
Total	25,276	1,560	194,248	208,476	2,489,546	2,919,106
Liabilities to credit institutions			50,000			50,000
Liabilities to the public and public sector entities	1,075,712	387,700	10,433			1,473,844
Debt securities issued to the public	52,917	311,709	1,041,745	240,443		1,646,814
Total	1,128,628	699,409	1,102,178	240,443	0	3,170,658

Contractual interest accruals at end of financial year are presented based on the maturity date of financial assets and liabilities.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

			2023		2022	
Publicly quated	Classification	Fair value determination principle	Book value	Fair value	Book value	Fair value
Debt securities	Fair value through other comprehensive income (FVOCI)	1	56,916	56,916	53,522	53,522
Debt securities	Option to designate a financial asset at fair value	1	89,470	89,470	87,280	87,280
Total			146,386	146,386	140,802	140,802
Debt securities issued to the public	Amortised cost	1	1,647,529	1,647,529	1,581,034	1,581,034
Total			1,647,529	1,647,529	1,581,034	1,581,034
Other						
Liquid assets	Amortised cost	1	520,670	520,670	393,179	393,179
Receivables from credit institutions	Amortised cost	2	17,390	17,390	24,296	24,296
Receivables from the public and public sector entities	Amortised cost	2	2,785,973	2,785,973	2,754,008	2,754,008
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	24	24	24	24
Derivative contracts	Fair value through profit or loss (FVPL)	2	18,232	18,232	2,827	2,827
Total			3,342,290	3,342,290	3,174,334	3,174,334
Liabilities to credit institutions	Amortised cost	2	71,354	71,354	50,000	50,000
Liabilities to the public and public sector entities	Amortised cost	2	1,569,203	1,569,203	1,473,845	1,473,845
Debt securities issued to the public	Amortised cost	1	46,931	46,931	65,779	65,779
Derivative contracts	Fair value through profit or loss (FVPL)	2	74,793	74,793	112,984	112,984
Total			1,762,281	1,762,281	1,702,608	1,702,608

Level 3 financial assets do not carry any unrealized gains or losses. Book values and fair values of financial instruments contain accrued interest. Derivative contracts consist of interest rate and currency swaps with various counterparties for hedging purposes. Liabilities to financial institutions mainly consist of unsecured long-term promissory note loans with floating interest rates with various counterparties. Liabilities to the public and public sector entities consist of deposits from the public and long-term financing contracts concluded with certain counterparties. 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. There have been no transfers between the stages (1,2,3).

The fair value determination principles are as follows:
1: Quoted prices in active markets
2: Verifiable price, other than quoted
3. Unverifiable market price

G38. NETTING OF FINANCIAL ASSETS AND LIABILITIES

				Amounts not offset on the balance sheet	
2023	Gross amounts	Netted on balance sheet	Amounts shown on balance sheet	Cash collateral received/paid	Net amount
Derivative liabilities	76,527	1,735	74,793	51,963	22,829
Derivative receivables	18,232	0	18,232	20,240	-2,008

				Amounts not offset on the balance sheet	
2022	Gross amounts	Netted on balance sheet	Amounts shown on balance sheet	Cash collateral received/paid	Net amount
Derivative liabilities	118,340	5,356	112,984	66,350	46,635
Derivative receivables	2,827		2,827	2,020	807

Financial assets and liabilities are offset in the statement of financial position if Hypo has both the intention and a legally enforceable right to settle on a net basis, or to realise the asset and settle the liability simultaneously. Derivative liabilities and receivables include accrued interest.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G39. BASIC CAPITAL

The basic capital of the parent company of the Mortgage Society of Finland Group is EUR 5 million in accordance with its rules. The Board of Directors of the Mortgage Society of Finland decides on the amount, interest rate and repayment and other terms and conditions of additional capital made up of funds raised externally. The Mortgage Society of Finland is a mutual company governed by its member customers.

G40. EMPLOYEE BENEFITS

Short–term employee benefits
Salaries, annual leave expenses, as well as kilometer, business travel and daily allowances paid to Hypo's employees and members of governing bodies are classified as short-term employee benefits.

Compensations based on Hypo's performance and incentive scheme to employees are paid partly in cash and partly as insurance premia to Department M of Hypo's pension fund which is a defined contribution plan.

Pension obligations and other post–employment benefits
Post-employment benefits are classified as either defined contribution plans or defined benefit plans.

Defined contribution plans
Under defined contribution plans, employer's obligation is limited to the payment of fixed contributions into the arrangement.

The statutory pension security of employees is arranged through pension insurance, and it is recognized as a defined contribution plan.

Insurance premia paid to fund post-employment benefit plan arranged by Department M are classified as defined contribution plan. M-Department funds post-employment benefits of all employees and members of governing bodies who held position at Hypo on 1 December 2010. M-Department also funds post-employment benefit plan of all new full-time employees and members of governing bodies after above mentioned date. However, a person who is employed on a fixed-term contract is not eligible.

Pre-payments of statutory pension security arrangement to insurance company are presented as deferred income and advances paid. Withheld but unpaid taxes, social security expenses are presented as other liabilities and accrued annual leave expenses as deferred expenses and advances received.

Defined benefit plans
Voluntary supplementary post-employment plan paid to few beneficiaries is arranged through Department A of the pension foundation and recognized as a defined benefit pension plan. Fair value of plan assets exceeds its obligation. Thus, the plan's obligation is fully covered.

The supplementary post-employment benefit covers: voluntary supplementary pension, disability to work and supplementary survivor´s pension. Number of beneficiaries in Department A may not increase as no new beneficiaries are accepted to the plan without specific consent of the Pension Fund's Board. Obligation is fully funded.

Net defined benefit asset
Obligation amount of the arrangement, net asset or net liability, is accounted by deducting the fair value of plan assets from the discounted obligation amount. The Mortgage Society of Finland may transfer the net defined benefit asset or part of it to itself with a specific consent from Finnish Financial Supervisory Authority.

Net defined asset is recognized in other assets in the consolidated balance sheet as well as the unpaid portion of transfer from Department A. Deferred tax liability of the net defined asset is presented in deferred tax liabilities.

Fluctuations in amount of net defined benefit asset caused by actuarial assumptions is recorded as actuarial gain/loss through other comprehensive income and accordingly, in fair value reserve of equity, net of deferred tax liabilities.

Accounting of obligation
Accounting for defined benefit plan requires use of actuarial method which takes into account variables such age, expected salaries and pensions as well as relevant census data statistics. The group has outsourced accounting of obligation to a certificated actuary and the obligation is calculated at least once a year. Discounted obligation amount is sensitive to fluctuations in actuarial assumptions. Fluctuations may arise from inflation, actual salaries and pensions compared to expected, new benefits, discount rate and also from expected return of plan assets. Duration of the obligation characterizes the maturity of the obligation.

Plan assets
European AA-rated corporate bond yields, more specifically, iBoxx-series EUR Corporates AA10+, are used as benchmark to determine expected rate of return and discount rate of plan assets. Observations of actuary as well as those of employer company's independent economist are taken into account when setting up the discount rate. Plan assets are presented grouped by asset class divided to listed and non-listed assets..

Estimation uncertainty of benefit plan
Accounting of discounted obligation value requires use of certain actuarial estimations such as discount rate, expected disability rate and expected salary levels. Possible deviations between actual and expected levels of actuarial estimations cause uncertainty of future amount of the obligation. Actuary runs sensitivity tests and risk analyses to assess the effect of possible deviations of used actuarial data such as expected salary and inflation level.

Relevant risks of defined benefit plan
The obligation liability may increase should the benefits exceed the expected levels due to changes in actuarial assumptions or in return of plan assets. Fair value of plan assets is nearly twice the present value of obligation. Risk management, compliance and auditing of defined benefit obligation are run in parallel with the practices of Hypo group. In addition, Department A of the pension foundation has hired an ombudsman and outsourced the actuary services to a certified service provider. Most relevant risk areas of defined benefit plan are
- market risks (interest rate risk, currency risk, risks at stock and commodity markets) meaning the risks which may cause losses due to market changes
- risks of salary and pension increases
- risks caused by changes in census data statistics and
- strategic risk, which may realize due to erroneous estimations.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G40. EMPLOYEE BENEFITS CONTINUES

Employee benefits in Consolidated Income Statement **2023**	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
Interest income			234	234
Other operating income (+) / expense (-)			-89	-89
Salaries and remuneration	-6,766			-6,766
Pension expenses		-1,381	-12	-1,393
Other indirect personnel expenses		-174		-174
Other administrative expenses	-8			-8
Total	-6,774	-1,555	134	-8,195

2022	Salaries and other short term employee benefits	Defined contributi-on plans	Defined benefit plans	Total
Interest income			49	49
Other operating income (+) / expense (-)			-78	-78
Salaries and remuneration	-6,142			-6,142
Pension expenses		-1,366	-19	-1,385
Other indirect personnel expenses		-66		-66
Other administrative expenses	-7			-7
Total	-6,149	-1,432	-49	-7,630

		2023		2022
Employee benefits in Consolidated Comprehensive Income Statement	Defined benefit plan liabilities	Defined benefit plan assets	Defined benefit plan liabilities	Defined benefit plan assets
Net return of defined benefit plan assets		576		325
Experience adjustment on plan liabilities	-142		-82	
Effect of actuarial assumptions, from changes in demographic assumptions	-73		1,277	
Remeasurements in OCI	-216	576	1,195	325
Net return in OCI		360		1,520

			2023
Employee benefits in Consolidated Balance Sheet Assets	Defined contribution plans	Defined benefit plans	Total
Other assets		6,861	6,861
Total	0	6,861	6,861

			2022
	Defined contribution plans	Defined benefit plans	Total
Other assets		6,367	6,367
Total	0	6,367	6,367

NOTES TO THE CONSOLIDATED BALANCE SHEET

G40. EMPLOYEE BENEFITS CONTINUES

Employee benefits in Consolidated Balance Sheet Liabilities 2023	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
Other liabilities		197		197
Deferred tax liabilities			1,372	1,372
Deferred expenses and advances received	1,713			1,713
Fair value reserve, net actuarial gain (+) / loss (-)			6,845	6,845
Fair value reserve, deferred tax liabilities			-1,369	-1,369
Total	1,713	197	6,848	8,758

2022	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
Other liabilities		269		269
Deferred tax liabilities			979	979
Deferred expenses and advances received	1,748			1,748
Fair value reserve, net actuarial gain (+) / loss (-)			4,966	4,966
Fair value reserve, deferred tax liabilities			-993	-993
Total	1,748	269	4,952	6,968

The defined benefit obligation and Plan assets	2023	2022
Present value of Defined benefit obligation	-5,043	-4,972
Fair value of Plan assets	11,904	11,339
Net demined benefit asset (+) / liability (-)	6,861	6,367

Change in Net defined benefit assets	2023	2022
Net defined benefit asset as of 1.1.	6,367	4,896
Current service cost	-12	-19
Interest income of the net defined benefit asset (+), cost (-)	234	49
Administrative cost	-89	-78
Net actuarial gain (+) / loss (-) for the period	360	1,520
Net defined benefit asset as of 31.12.	6,861	6,367

Fair value of Plan assets	2023			2022		
	Listed	Non-listed	Total	Listed	Non-listed	Total
Equity instruments		570	570		1,297	1,297
Debt instruments					477	477
Investment funds	4,637		4,637	3,336		3,336
Properties and land	6,697		6,697	6,229		6,229
Fair value of Plan assets	11,334	570	11,904	9,565	1,774	11,339

	2023	2022
Group's own financial instruments included in plan assets, 1 000 euros	504	988
Duration, years	9.6	9.9
Discount rate, %	3.2	3.7
Expected returns on assets, %	3.2	3.7
Future pay rise assumption, %	2.1	2.1
Inflation, %	2.1	2.5

Sensitivity of the projected benefit obligations to changes in the principal assumptions		2023		2022	
		Effect on defined benefit obligation		Effect on defined benefit obligation	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate, %	0.50%	-4.43%	4.81%	-4.57%	4.96%
Rate of wage increases, %	0.50%	0.04%	-0.04%	0.08%	-0.08%
Rate of pension increases, %	0.50%	4.78%	-4.56%	4.90%	-4.67%
Life expectancy at birth, %	1 year	4.29%	-4.12%	4.15%	-3.98%

NOTES TO GROUP'S COLLATERAL AND CONTINGENT LIABILITIES

G41. COLLATERAL PLEDGED AND RECEIVED	2023	2022
Collateral pledged for own liabilities	Other collaterals	Other collaterals
Liabilities to the central bank	75,039	62,073
Debt securities issued to the public	2,193,648	1,858,713
Derivative contracts	71,785	85,872
Encumbered assets total	2,340,473	2,006,658
Collateral received		
Derivative contracts	20,240	2,020
Collateral received total	20,240	2,020

G42. IFRS 16 LEASES	2023	2022
Hypo Group as lessee		
Right-of-use assets		
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 office premises in Helsinki. The lease terms of these contracts are non-fixed.

Hypo Group as a lessor	2023	2022
Operative leases		
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.

G43. OFF-BALANCE SHEET COMMITMENTS	2023	2022
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	20,394	20,637
Purchase commitments of housing units	177,141	257,414
Total	197,535	278,051

Granted unclaimed loans are specified by households and housing companies. Year 2022 has been modified to meet with year 2023 presentation.

NOTES TO THE AUDIT SERVICE FEES

G44. AUDIT SERVICE FEES	2023	2022
Fees paid to the auditor for the audit	203	126
Fees paid to the auditor for other services, parent company	16	19
Fees paid to the auditor for other services, Group	21	23

Amounts (VAT 0%) are presented by assignment for year 2023 and 2022 accordingly.

NOTES TO GROUP'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

G45. NUMBER OF PERSONNEL	2023	2022
	Average number	Average number
Permanent full-time personnel	68	60
CEO and vice CEO	2	2
Temporary personnel	2	6
Total	72	68

G46. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2023	2022
CEO and vice CEO total salaries	593	622

In case of a notice, the CEO and the vice CEO are paid a payment corresponding to four (4) months´ salary in addition to the salary payable during the six (6) month notice period. The CEO and the members of the Board of Directors are entitled to basic pension security pursuant to the Employees Pensions Act (TyEL). The CEO and the vice CEO are covered by Hypo's performance-related pay and incentive scheme of which they have an opportunity to obtain at most a payment corresponding to 20 weeks' salary. Compensations based on performance-related pay and incentive scheme was not paid during 2023.

	2023	2022
Board of Directors		
Total remuneration, chair	62	60
Total remuneration, vice chair	43	42
Total remunerations, members	159	155
Total	265	257
Supervisory Board		
Total remuneration, chair	16	16
Total remuneration, vice chair	8	11
Total remunerations, members	78	76
Total	102	103
Members of the Management Group (exc. CEO and vice CEO)		
Total remunerations	721	1,293

Information about the renumerations paid to the individual members of the management and to the related parties, as well as the type of remuneration, is available in the Remuneration Report of the Governing Bodies and the Other Remuneration Information, which are published on Hypo's website.

G47. LOANS GRANTED TO THE RELATED PARTIES

Hypo Group's related parties include its subsidiary, members of the Board of Directors and the Supervisory Board, CEO and deputy to the CEO, members of the Management Group and the close family members of the aforementioned as well as the related party entities. In addition, The Mortgage Society of Finland's Pension Foundation and joint operations are included in related parties. The subsidiary and joint operations are presented in the Note 50. Those related party transactions that have not been eliminated in the consolidated financial statements are presented.

	2023	2022	Change
CEO and vice CEO	97	53	44
Management Group	946	648	298
Board of Directors	182	164	18
Supervisory Board	243	266	-23
Joint operations	703	598	104
Other related parties	1,126	1,667	-541
Total	3,296	3,397	-101

Loans to the related parties (private persons) are granted following the General Terms and in compliance with Hypo's Principles of Credit Risk Management. Amount of the loan granted is assessed case by case taking into consideration the borrower's solvency and the collateral. Maximum loan amount for owner occupied mortgages is 90% with 90% collateral valuation, at maximum. All lending is against housing collateral and loans are amortized regularly from the very beginning. Reference rate is 6 or 12 month euribor. Loan margin is determined by the purpose of use and the amount of the loan, ranging from 0.20% to 2.00%. An entry fee of 0.1% of the loan is charged.

NOTES TO GROUP'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

G48. DEPOSITS BY THE RELATED PARTIES	2023	2022	Change
CEO, vice CEO, Board of Directors and Supervisory Board	486	616	-131
Supervisory Board	139	125	14
Management Group	119	87	32
The Mortgage Society of Finland's pension foundation	488	985	-497
Other insiders	1,453	1,869	-416
Total	2,684	3,682	-998

Deposits made by the related parties are provided on market terms.

G49. LOANS GRANTED TO SUBSIDIARIES AND JOINT OPERATIONS

The Hypo Group carried out the following transactions with the related parties:	2023	2022	Change
Suomen Asuntohypopankki Oy			
Sales of investment properties	700		700
The Mortgage Society of Finland's pension foundation			
Sales of services	26	22	3

All transactions have been carried out with arm´s length principle. Unpaid amounts of transactions listed above are presented as receivables/liabilities. Disbursements as well as balances between Hypo and The Mortgage Society of Finland's Pension Foundation under the performance-related pay and incentive scheme are described in Note 40, Employee benefits.

NOTES TO GROUP'S SHAREHOLDINGS

G50. INFORMATION ABOUT SUBSIDIARIES AND JOINT OPERATIONS

2023	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen Asuntohypopankki Oy	Helsinki	100.0	61,459	3,124	1,634,307	1,572,848	8,552
Joint operations							
Bostadsaktiebolaget Taos	Helsinki	54.6	6,284	-404	7,875	1,591	558

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2023. The Articles of Association of Bostadsaktiebolag Taos include a provision that a shareholder may have 20 per cent of the votes at a maximum.

2022	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen Asuntohypopankki Oy	Helsinki	100.0	58,335	1,804	1,530,432	1,472,097	5,250
Joint operations							
Bostadsaktiebolaget Taos	Helsinki	54.6	6,689	-72	7,969	1,280	658

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2022. The Articles of Association of Bostadsaktiebolag Taos include a provision that a shareholder may have 20 per cent of the votes at a maximum.

G51. KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January–31 December 2023, there have not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group. After the financial year, neither Hypo nor Group companies have been involved in administrative or legal proceedings, arbitrations or other events that would have had a material effect on Hypo's financial position. Furthermore, Hypo is not aware of such proceedings or events being under consideration or being otherwise threatened.

NOTES TO GROUP'S RISK MANAGEMENT

G52. CREDIT RISK

The credit risk refers to the risk of loss arising from a counterparty of the Group not being able to meet its agreed payment obligations. In such a situation, the credit risk materializes if the collateral for the credit is not sufficient to cover Group company's receivables. The counterparty risk is processed as part of the credit risk. If materialized, the credit risk results in an impairment loss. The credit risk is the key risk among Group's business risks, as lending is by far its largest business area. Within the Group, lending is carried out by Hypo, the parent company.

Within the Group, the credit risk management and reporting are based on General Terms in lending, Principles of Credit Risk Management and supplemental operational instructions.

G52.a MAXIMUM AMOUNT OF CREDIT AND COUNTERPARTY RISK			2023			2022
	Book values, gross	Average book value during the period	Expected credit loss allowance	Book values, gross	Average book value during the period	Expected credit loss allowance
Lending						
Not fallen due	2,747,524	2,713,849	13	2,680,175	2,511,165	17
Past due by 1–2 days*)	0	18,521	0	37,042	155,117	0
Past due by 3 days–1 month	23,807	25,568	0	27,329	22,714	0
Past due by 1–3 months	9,717	7,780	4	5,843	3,965	27
Non-performing, past due by less or more than 3 months	5,232	4,543	289	3,853	3,828	189
Total lending	2,786,280	2,770,261	306	2,754,241	2,696,789	233
Other						
Receivables from credit institutions						
Not fallen due	17,390	20,843		24,296	15,454	
Debt securities						
Not fallen due	146,386	143,838	5	141,289	166,639	
Shares and holdings	24	24		24	24	
Derivative contracts						
Not fallen due	18,232	10,530		2,827	8,539	
Total other	182,033	175,235	5	168,436	190,655	0
Non-performing loans/total lending, %	0.19%			0.14%		

*) Past due by 1–2 days also includes loans the payment of which is delayed due to a delay in payment traffic.
Bookvalues contain accrued interest.

NOTES TO GROUP'S RISK MANAGEMENT

G52.a MAXIMUM AMOUNT OF CREDIT AND COUNTERPARTY RISK CONTINUES

Lending
Group's lending focuses on loans granted to households (private customers) and housing companies against housing or residential property collateral. Loans are not granted without collateral. Lending is based on the customer's creditworthiness, sufficient ability to service the loan, and securing housing collateral. In addition, the project to be financed must be justified as a whole. Any deviations from the normal credit criteria for lending are evaluated and decided on in accordance with operating processes with separate instructions.

As a rule, shares in housing companies or mortgage deeds registered in a residential property are required as collateral for loans. Generally, depending on the type of housing collateral, 50–80 per cent of the fair value of the site is accepted as collateral. As a rule, fair value refers to market value, that is, the price received in a voluntary sale between parties that are independent of each other. Market value of the collateral is monitored on a regular basis by using statistical methods. Large exposure collateral is evaluated in a separate process as requires in regulation. Almost all of Hypo's personnel working in lending are certified real estate agents, which serves to reinforce Hypo's ability to independently assess the fair value of collateral. With regard to residential property collateral, the provider of the collateral is required to arrange insurance cover for the site. In case of potential neglect of insurance premiums, Hypo Group maintains a special insurance policy to secure its collateral position related to lending. Collateral for lending by Hypo must be located in Finland. In addition to housing collateral, guarantees given by the state of Finland or by an insurance company with adequate credit rating and deposit collateral are the most commonly used credit risk mitigation techniques.

The credit decisions related to lending are based on a credit decision analysis conducted before making a decision, in compliance with the guidelines and regulations of the authorities and Hypo Group's internal guidelines. The personnel's awareness is ensured through training and compliance controls. Lending authorizations are adjusted according to the employee and their duties. In addition, Group makes use of intensive participation by operational and other management in daily lending activities, risk management analyses of the quality of the loan portfolio, and regular internal auditing of the loan and collateral process.

Group's loan portfolio is distributed across loans with housing collateral throughout Finland. In these loans, the debtor is usually a household (private customer) or a housing company or a corresponding housing corporation. The majority of the customers and collateral is focused in the Helsinki Metropolitan Area. Customers and collateral are also located in other parts of the Uusimaa region and in regional growth centers where the development of housing prices and population growth are estimated to be sufficient. Regarding other regions, additional collateral in the form of homes and holiday homes is accepted as collateral to a minor degree. The emergence and existence of risk concentrations are monitored continuously. The most significant risk concentration arising out of use of the credit risk mitigation techniques is the development of the housing market in Finland and especially in its largest growth centers.

The assessment of the collaterals is based on Hypo's Mortgage Loan Classification that takes into account a number of sustainability and climate aspects, including the flood risks of each region for both marine and freshwater. As part of the climate and environmental risk impact assessment, the Group has also carried out a separate assessment of the distribution of the credit portfolio across flood risk areas. The final result of this assessment is that the Group's portfolio contains individual collateral items exposed to flood risks, but no material concentrations of risk in flood risk areas.

Credit exposure limits of large connected customer groups are kept at a lower level than the maximum limit prescribed by the credit institution legislation and monitored regularly.

The credit risk is continuously measured and reported using factors that anticipate credit risks and factors that describe the quality and distribution of the loan portfolio.

Liquidity investments and derivatives
Those countries, credit institutions and companies for which the management has confirmed a country and counterparty limit are accepted as counterparties for the liquidity investments and plain vanilla derivative agreements of Group companies. The maximum amounts of the limits are kept lower than those prescribed by the credit institution legislation. The setting and monitoring of the limits have been described and are based on separately confirmed principles of liquidity risk management.

In derivative agreements, Group applies Central Counterparty Clearing in derivative contracts other than those related to the covered bonds.

Other credit risk counterparties
Of other counterparties, the credit information of lessees is checked, as is any other information that is essential in evaluating lessees for flats owned by Group, in compliance with legislation. As a rule, at the construction stage, residential land is only leased to housing companies owned by well-known listed construction companies. The fulfilment of the obligations of lessees is also secured by rent collateral arrangements.

To the extent Group companies engage in business with a new counterparty in key services, the counterparty's credit record and background are checked as permitted by law.

Use of external credit rating agencies
In capital adequacy calculation the following credit rating agencies used: S&P Global Ratings, Moody's and Fitch. The credit ratings are being used in capital adequacy calculation by assigning the regulatory risk weight corresponding the ratings. The current credit ratings are used for the receivables from the following counterparties:
- sovereigns and central banks
- regional governments or local authorities
- public corporations and bodies governed by public
- institutions
- companies

Final credit losses
No significant losses related to credit risks were recognized in Hypo's business operations during the financial year.

Impact on capital adequacy
The capital adequacy requirement for the credit risk and the counterparty risk related to derivative contracts is calculated using the standard method in accordance with capital adequacy regulations. The liquidity investments belonging to the banking book are included in the credit risk calculation. Hypo does not have a trading book and can only have a minor trading book permitted by the law, (EU 575/2013, Article 94,5 per cent of total assets and EUR 50 million at most).

In Group's internal capital adequacy assessment process, the minimum capital calculated for the credit risk using the standard method has been deemed sufficient to cover the capital need for the credit risk, even in a negative scenario.

NOTES TO GROUP'S RISK MANAGEMENT

G52.b CONCENTRATION OF LENDING

Lending by category	Book value 2023	Expected credit loss allowance 2023	Book value, net 2023	% 2023	Book value 2022	Expected credit loss allowance 2022	Book value, net 2022	% 2022
Households	850,684	306	850,378	30.5%	857,613	233	857,380	31.1%
Housing companies	1,919,738	0	1,919,738	68.9%	1,879,279	1	1,879,279	68.2%
Companies excluding Housing companies	13,601		13,601	0.5%	14,869		14,869	0.5%
Other	2,256		2,256	0.1%	2,480		2,480	0.1%
Total	2,786,280	306	2,785,973	100.0%	2,754,241	233	2,754,008	100.0%
Lending by purpose of use								
Permanent dwelling	2,734,399	292	2,734,108	98.1%	2,702,673	169	2,702,504	98.1%
Consumer loan	34,459	15	34,444	1.2%	32,939	64	32,875	1.2%
Holiday home	7,971	0	7,970	0.3%	7,641	0	7,641	0.3%
Other	9,451		9,451	0.3%	10,988	0	10,988	0.4%
Total	2,786,280	306	2,785,973	100.0%	2,754,241	233	2,754,008	100.0%
Lending by province								
Uusimaa	2,095,782	222	2,095,560	75.2%	2,115,161	128	2,115,033	76.8%
Rest of Finland	690,498	85	690,413	24.8%	639,081	105	638,975	23.2%
Total	2,786,280	306	2,785,973	100.0%	2,754,241	233	2,754,008	100.0%

Lending by province is based on the debtor's place of residence.

G52.c LOAN TO VALUE BY CATEGORY

Loan-to-value ratio has developed positively.

The calculation of LTV ratios only takes the residential property collateral into account, which here refers to mortgage deeds registered in property or lease rights, buildings, shares in housing companies or similar as well as rights of residence. Other types of collateral, such as guarantees, have not been taken into account.

	2023	%	2022	%
Loan to value in percent by households (€ 1,000)				
<10	8,247	1.0%	8,210	1.0%
10–20	25,323	3.0%	25,433	3.0%
20–30	54,135	6.4%	52,927	6.2%
30–40	81,224	9.6%	83,207	9.7%
40–50	116,395	13.7%	114,196	13.3%
50–60	156,157	18.4%	159,192	18.6%
60–70	166,389	19.6%	177,731	20.7%
70–80	143,146	16.9%	151,694	17.7%
80–90	63,825	7.5%	61,672	7.2%
90–100	27,687	3.3%	20,373	2.4%
>100	4,989	0.6%	1,293	0.2%
Loans that are not included in LTV calculation	1,531	0.2%	1,813	0.2%
	849,049	100.0%	857,741	100.0%

NOTES TO GROUP'S RISK MANAGEMENT

G52.c LOAN TO VALUE BY CATEGORY CONTINUES

	2023	%	2022	%
Loan to value in percent by housing companies, private companies and other:				
<10	676,832	35.1%	612,023	32.3%
10–20	547,403	28.4%	530,202	28.0%
20–30	351,906	18.3%	396,156	20.9%
30–40	206,337	10.7%	226,959	12.0%
40–50	86,500	4.5%	63,031	3.3%
50–60	19,035	1.0%	17,347	0.9%
60–70	13,660	0.7%	21,540	1.1%
70–80	0	0.0%	0	0.0%
80–90	0	0.0%	18,697	1.0%
90–100	20,758	1.1%	2,221	0.1%
>100	0	0.0%	0	0.0%
Loans that are not included in LTV calculation	3,474	0.2%	3,999	0.2%
	1,925,905	100.0%	1,892,176	100.0%

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. All loans have securing housing collateral. Each loan contract is presented only in one LTV category. Only property-secured loans are in scope of LTV calculation. Accrued interest of a loan is not regarded in calculations.

G52.d FORBEARANCES

The amount of non-performing loans has remained on an excellent level with respect to industry average. A non-performing loan means a credit which, according to creditor's estimate, is deemed unlikely to be paid without recovery measures such as realization of collateral or the payment obligation has been past due and unpaid over 90 days or which has been impaired.

Non-performing loans amounted to 0.14% of the loan stock for household customers, 0.01% for housing companies and 0.03% for other entities.

Amount of forbearances increased slightly during 2023 but remained on a very moderate level. A forbearance is a credit whose payment scheme or terms have been temporary modified with e.g. amortization-free periods (primary method), lengthening of the loan maturity, or other arrangement, due to the debtor's existing or anticipated financial difficulties.

Forborne loans amounted to 0.42% of loan stock for household customers and 0.01% for housing companies.

Since 2018, credit risk adjustments have been based on calculation of expected credit losses (ECL) and potentially, final credit losses in line with IFRS 9 regulation. The net amount of final credit losses have also remained at a very low level.

	Performing and past due receivables			Non-performing loans		
2023	Receivables with modified terms	Refinancing	Total	Receivables with amended terms	Refinancing	Total
Forbearances 1 Jan	10,655		10,655	340		340
Changes during the financial period	967		967	-71		-71
Book value of forbearances 31 Dec	11,621	0	11,621	269	0	269
Expected credit losses recognized on receivables during the financial period			0			0

Loan renegotiations were not carried out related to non-performing loans, and final credit losses were not recognized on forbearances during the financial period.

	Performing and past due receivables			Non-performing loans		
2022	Receivables with modified terms	Refinancing	Total	Receivables with amended terms	Refinancing	Total
Forbearances 1 Jan	8,162	662	8,825	175	78	254
Changes during the financial period	2,493	-662	1,830	165	-78	86
Book value of forbearances 31 Dec	10,655	0	10,655	340	0	340
Expected credit losses recognized on receivables during the financial period			0			0

Loan renegotiations were not carried out related to non-performing loans, and final credit losses were not recognized on forbearances during the financial period.

NOTES TO GROUP'S RISK MANAGEMENT

G52.e IFRS 9 BY RISK CATEGORY

Debt securities, Fair value through other comprehensive income	2023 Stage 1	Stage 2	Stage 3	Total	2022 Stage 1	Stage 2	Stage 3	Total
Credit quality level 1–3	53,346			53,346	53,346			53,346
Credit quality level 4–5	3,570			3,570				0
Loss allowance	5			5				0
Total	56,911	0	0	56,911	53,346	0	0	53,346
Receivables from the public and public sector entities, amortised cost								
Households	825,836	20,832	4,017	850,685	837,047	17,123	3,444	857,614
Housing companies	1,914,879	4,463	396	1,919,738	1,867,624	11,280	348	1,879,252
Companies excluding Housing companies	12,759		841	13,601	14,830		60	14,889
Other	2,256			2,256	2,487			2,487
Loss allowance	13	4	289	306	17	27	189	233
Total	2,755,717	25,292	4,965	2,785,973	2,721,970	28,375	3,663	2,754,008
Off balance sheet, granted but undrawn loans, amortised cost								
Households	20,250	96	48	20,394	20,545	75	17	20,637
Housing companies	176,691	350		177,041	256,706	234		256,940
Companies excluding Housing companies	99			99	474			474
Loss allowance				0	1			1
Total	197,041	446	48	197,535	277,724	309	17	278,050

G52.f IFRS 9 LOSS ALLOWANCE CHANGES AND TRANSITIONS

Debt securities, Fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
Loss allowance as at 1 January				0				0
New financial assets	5			5				0
Loss allowance as at 31 December	5	0	0	5	0	0	0	0
Receivables from the public and public sector entities, amortised cost								
Loss allowance as at 1 January	17	27	189	233	10	72	129	211
New financial assets (new loans)	7			7	11			11
Maturities and repayments	-4			-4	-1	-2		-3
Final credit losses			-52	-52				0
Normal changes, e.g. change without stage change	-7	-23	153	123	-2	-43	60	15
Loss allowance as at 31 December	13	4	289	306	17	27	189	233
Off balance sheet, granted but undrawn loans by risk category								
Loss allowance as at 1 January	1			1	0			0
New financial assets	0			0	1			1
Normal changes, e.g. change without stage change	-1			-1				0
Loss allowance as at 31 December	0	0	0	0	1	0	0	1

NOTES TO GROUP'S RISK MANAGEMENT

G52.g IFRS 9 CHANGES IN THE CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

Receivables from the public and public sector entities, amortised cost	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
Carrying amount as at 1 January	53,522			53,522	77,822			77,822
New financial assets	3,570			3,570	9,000			9,000
Maturities and repayments	-176			-176	-33,300			-33,300
Carrying amount as at 31 December	56,916	0	0	56,916	53,522	0	0	53,522
Receivables from the public and public sector entities, amortised cost								
Carrying amount as at 1 January	2,721,987	28,403	3,852	2,754,241	2,619,483	15,384	3,806	2,638,672
Transfer from Stage 1 to Stage 2	-17,565	17,565		0	-20,191	20,191		0
Transfer from Stage 1 to Stage 3	-2,117		2,117	0	-1,177		1,177	0
Transfer from Stage 2 to Stage 3		-926	926	0		-515	515	0
Transfer from Stage 3 to Stage 2		275	-275	0		95	-95	0
Transfer from Stage 2 to Stage 1	17,760	-17,760		0	3,724	-3,724		0
Transfer from Stage 3 to Stage 1	707		-707	0	358		-358	0
New financial assets	505,468	-51	557	505,974	535,310			535,310
Maturities and repayments	-470,511	-2,210	-1,163	-473,884	-415,519	-3,029	-1,193	-419,740
Final credit losses			-52	-52				0
Carrying amount as at 31 December	2,755,730	25,296	5,254	2,786,280	2,721,987	28,403	3,852	2,754,241
Off balance sheet, granted but undrawn loans by risk category								
Off balance sheet as at 1 January	277,225	698	126	278,050	215,764	73		215,837
Transfer from Stage 1 to Stage 2	-350	350		0				0
Transfer from Stage 1 to Stage 3				0	-5		5	0
Transfer from Stage 2 to Stage 3		-18	18	0		12	-12	0
Transfer from Stage 2 to Stage 1	37	-37		0				0
Transfer from Stage 3 to Stage 1	17		-17	0				0
Net change, lapsed and granted	-79,889	-547	-79	-80,515	61,465	614	134	62,212
Off balance sheet as at 31 December	197,041	446	48	197,535	277,225	698	126	278,050

G53. LIQUIDITY RISKS

Liquidity risk refers to the probability of the Group not being able to meet its payment obligations due to the weakening of its financial position. If liquidity risk is materialized, it may jeopardize the continuity of Group's business operations.

Liquidity risk management and reporting within the Group are based on confirmed principles of liquidity risk management.

Group's liquidity risks comprise various funding risks related to the whole of its operations – that is, its banking book, including off-balance sheet items. These risks are identified, measured and assessed by reviewing the mutual structure and distribution of the interest-bearing items on the balance sheet.

The liquidity investment activities managed by the Treasury unit aim to maintain liquidity in both normal and stressed environments and to preserve the capital of the invested assets as well as possible. Liquidity investment shall ensure adequate diversification of counterparty risks to avoid excessive risk concentration by country, client group, industry, credit quality category, client group or time horizon. Sustainability and climate considerations will be considered in the risk assessment of investment targets and counterparties. Investments are not made, for example, in the coal mining industry.

The long-term i.e. structural financing risk on the balance sheet
The long-term funding risk, also known as the structural funding risk, on the balance sheet refers to the temporal imbalance that is related to the funding of long-term lending and results from funding on market terms. If the risk is materialized, it jeopardizes the continuance of growth-orientated lending as well as the Group's funding position.

The existing programs and authorizations for arranging long-term funding and securing the funding position are kept at a sufficient level in relation to the Group's business goals and the uncertainty caused by its operating environment. The share of deposit funding of the total funding is maintained in accordance with the Group's strategy. Hypo, the parent company of the Group, also has permission to act as a counterparty to central bank funding. Implemented debt issuances and liquidity investments are regularly reported to the management.

The Net Stable Funding Ratio (NSFR) has been considered in the principles of liquidity risk management.

Short-term liquidity risk
Short-term liquidity risk refers to a quantitative and temporal imbalance of Group's short-term cash flow. If the risk is materialized, it means that Group will not be able to meet its payment obligations. The risk is managed by maintaining sufficient liquidity in relation to payment obligations, regulatory minimum amounts and capital needs by distributing the liquidity investments in liquid assets in accordance with the confirmed country and counterparty limits.

When assessing the amount of liquidity that is sufficient in terms of managing liquidity risk, regular stress testing is performed considering among others a potential bank run on sight deposits and wider disfunctioning of the finance market. The survival period in the stress scenario has been limited with a minimum level and a monitoring limit.

The Liquidity Coverage Ratio (LCR %), a liquidity requirement describing short-term 30-day liquidity, has been taken into account in the principles and processes of liquidity risk management.

Group's management monitors the sufficiency of liquidity as part of risk reporting in accordance with the principles of liquidity risk management.

NOTES TO GROUP'S RISK MANAGEMENT

G53.a LIQUIDITY RISK

2023

Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–10 years	Total
Liabilities to credit institutions		57,123	14,615	8,379	80,117
Liabilities to the public and public sector entities	1,019,931	511,388	38,206		1,569,525
Debt securities issued to the public	15,280	406,938	1,127,370	300,090	1,849,678
Derivative contracts	14,939	18,861	19,339	16,684	69,823
Off-balance sheet items, granted but undrawn loans	197,535				197,535
Total liabilities	1,247,685	994,309	1,199,530	325,153	3,766,677

2022

Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–10 years	Total
Liabilities to credit institutions			53,033		53,033
Liabilities to the public and public sector entities	1,076,504	387,745	10,470		1,474,719
Debt securities issued to the public	44,280	331,188	1,147,183	300,120	1,822,770
Derivative contracts	4,443	21,425	54,446	23,708	104,021
Off-balance sheet items, granted but undrawn loans	278,051				278,051
Total liabilities	1,403,277	740,358	1,265,132	323,828	3,732,594

Refinancing risk

Refinancing risk – caused by the maturity imbalance between receivables and liabilities on the balance sheet – is the risk of an increase in the refinancing costs. This imbalance is managed by concluding funding agreements that are as long term as possible, considering the goals set for funding. When loans are granted, the maturity of the receivables is longer than the average maturity of funding. Because of this funding matures to be refinanced several times during the term of the loans granted. The share of long-term funding of the total funding is monitored regularly.

The repayments of certain funding agreements are linked to changes in the corresponding portion of the lending portfolio, in which case no maturity imbalance arises with regard to the balance sheet items in question. Premature repayment of loans in relation to the original repayment plans of mortgage loan customers causes the imbalance between receivables and liabilities on the balance sheet to be slighter in reality than when the loans were granted. The average maturity of funding is monitored at the group level, and it is regularly reported to the management.

Realized losses

No significant losses related to liquidity risks were recognized in Hypo's business operations during the financial year.

Impact on capital adequacy

Liquidity risks have been assessed in Group's internal capital adequacy assessment process, and an amount of Group's own funds considered sufficient in the internal analysis has been allocated to them as a risk outside the minimum requirements, also considering the stress scenario.

A specific declaration and statement on liquidity risk management are given in connection with information concerning liquidity position.

G54. MARKET RISKS

The market risk refers to the risk of loss arising from the fluctuation of market prices.

A change in the market value of interest-bearing contracts related to the Group's business operations may result from a change in the general interest rate level, a change in the credit risk related to the counterparty, limited supply of an instrument on the market (lack of liquidity) or a combination of these. The Group aims to maintain the changes in the market value of balance sheet items measured at fair value – that is, debt securities and interest rate derivatives – as well as the net interest rate risk of interest-bearing receivables and liabilities at such levels that they do not jeopardize the achievement of profitability and capital adequacy goals. Items on the balance sheet other than interest-bearing receivables related to lending are held for liquidity purposes. An impairment of market value during the holding period of debt securities decreases the related collectable returns if the investment is realized.

The management monitors the impact of market valuations on Group's operations and key indicators, such as consolidated comprehensive income statement and fair value reserve, and regularly assesses the management and realization of market risks. Group does not have a trading book. However, a small trading book may be generated as a result of trading in bonds issued by Hypo on the secondary market.

Group does not hold securitization positions.

Market risk management and reporting within the Group are based on separately confirmed market risk management principles. Market risks are managed by keeping risk levels within the limits and monitoring thresholds set out in these principles and by limiting the use of derivatives to hedging purposes only.

Interest rate risk

Interest rate risk refers to a decreasing effect in the annual net interest income (net interest income risk) and the economic value of interest rate-sensitive balance sheet items (economic value risk) caused by variation in the amounts, reference rates and interest rate fixing dates of interest-bearing receivables and liabilities.The Group reviews its interest rate risk as a whole, on level of total financial activities (IRRBB, Interest Rate Risk in the Banking Book).

NOTES TO GROUP'S RISK MANAGEMENT

G54. MARKET RISKS CONTINUES

The net interest income risk is measured by calculating the impact of e.g. a parallel interest rate shift of one (1) percentage points on the Group's net interest income over one year. The objective of net interest income risk management is to maintain such amounts of, and reference rates and repricing dates for, receivables and liabilities in the banking book that the effects of fluctuations in market interest rates on the Group's net interest income are as slight and temporary as possible. The reference rates of interest-bearing receivables are determined in accordance with reference rates generally used in mortgage loans. Funding operations are based on market terms. Depending on the arrangement, the interest rate used is either a floating rate or a fixed rate. The most common reference rate for deposits is Hypo Prime, of which the pricing is adjusted to changes in the general interest rate level based on Hypo Group's decisions.

The economic value risk is measured by calculating the impact of e.g. a parallel shift of one (1) percentage points on the economic value of interest-sensitive balance sheet items. The negative effect on the financial value of Hypo Group of the discounted net cash flows from the interest-sensitive receivables and liabilities on the balance sheet must not exceed a maximum limit that is set in proportion to the Group's own funds.

In Hypo Group, derivatives are used for hedging interest rate risks arising from receivables and liabilities and respective cash flows. Only simple and general derivatives are allowed to be used. Derivative contracts are used in funding, which includes mortgage credit bank activities, solely for hedging purposes. In other business than funding, derivatives may be used in a controlled manner to make a moderate position by utilizing view on interest rates. As a rule, the market risks related to the Group's banking book are not increased by entering into derivative contracts. Decrease in the market value of interest rate derivatives during the term diminishes both Hypo's own funds (fair value reserve) and comprehensive income until the hedging instrument, i.e. the interest rate swap, is recognized through profit or loss simultaneously with the hedged item. A decrease in the market value of the interest rate derivatives in the liquidity portfolio is reflected in the income statement.

G54.a INFORMATION CONCERNING INTEREST RATE RISK — EUR million

Time to repricing **2023**	<3 months	3–12 months	1–5 years	5–10 years	Total
Floating-rate items					
Receivables	755	2,128	3		2,886
Liabilities	1,219	737	60		2,016
Net	-463	1,391	-58	0	870
Fixed-rate items					
Receivables	525	371	1,161	305	2,362
Liabilities	713	899	1,178	273	3,063
Net	-188	-528	-17	33	-701

Group's interest rate risks are related to the whole of its operations and are measured, monitored and managed by examining the Group's banking book. Lending, investments related to liquidity maintenance, derivative contracts and deposits and other funding expose to interest rate risk. In the table describing the interest rate risk, derivative contracts are shown in euros at nominal value, other receivables and liabilities at carrying amount. Derivative contracts are also shown in each group describing interest rate tying, combined with either the receivable or the liability group. Floating-rate liabilities include items that are by nature payable on demand, are assumed to be reprised within six months. Contractual maturity assumptions are applied to the lending portfolio. The interest rate risk is measured at least with a monthly frequency with regard to liquidity investments and at least on a quarterly frequency with regard to the entire banking book.

Sensitivity analysis 2023
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 4.2 million (increase by EUR 0.5 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date. An increase of two percentage points in market interest rates on the balance sheet date would decrease the value of items measured at fair value by EUR 0.5 million. The economic value of Hypo would decrease by EUR 7.4 million due to a rise of 2 per cent in interest rates.

EUR million

Time to repricing **2022**	<3 months	3–12 months	1–5 years	5–10 years	Total
Floating-rate items					
Receivables	723	2,138			2,861
Liabilities	1,078	1,062	107		2,246
Net	-355	1,076	-107		615
Fixed-rate items					
Receivables	394	300	1,217	303	2,214
Liabilities	550	699	1,206	255	2,711
Net	-156	-399	11	48	-497

Sensitivity analysis 2022
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 3.0 million (increase by EUR 0.4 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date. An increase of two percentage points in market interest rates on the balance sheet date would increase the value of items measured at fair value by EUR 0.4 million. The economic value of Hypo would decrease by EUR 2.4 million due to a rise of 2 per cent in interest rates.

Realized losses
No significant losses related to market risks were recognized in Group companies' business operations during the financial year.

Impact on capital adequacy
A sufficient amount of own funds have been allocated to market risks in Group's Internal Capital Adequacy Assessment Process.

NOTES TO GROUP'S RISK MANAGEMENT

G54. MARKET RISKS CONTINUES

RISKS RELATED TO OWNERSHIP OF HOUSING UNITS AND RESIDENTIAL LAND

Group companies' residential land holdings and shares in housing companies are exposed to impairment, return and damage risks as well as risks related to the concentration of ownership.

The statutory maximum for Hypo Group's property holdings and comparable loans and guarantees granted to housing property corporations is 13 per cent of the balance sheet total. This limit forms the basis for the management of the risks related to the Group's housing and residential landholdings. The maximum amount for internal housing property holdings is kept at a lower limit than what the law requires by means of internal monitoring limits and, in practice, clearly lower than even that.

Impairment risk
The impairment risk is materialized if the fair values of residential land or shares in housing companies permanently decrease below the acquisition prices. The impairment risk may also be materialized when a site is sold. In order to manage the impairment risk, the Group makes long-term investments.

The Group's housing and residential land holdings consist of leased-out sites. The majority of the sites are distributed across Finland's largest growth centers, mainly in the Helsinki Metropolitan Area. Sites located abroad are not acquired. The value of the housing units and residential land on the balance sheet corresponds to the actual value of the investments or the value that will at least be obtained for them when sold. The fair value of housing unit holdings is verified annually by making use of statistics and the certified housing property expertise of Hypo's employees and, whenever necessary, with the help of an external appraisal. In residential land holdings, the impairment risk has been eliminated by agreements.

The Group makes use of its balance sheet by offering diverse housing solutions for its customers. Sales and acquisitions of sites are always adjusted to the prevailing market situation. Group strives to avoid selling at a loss. Loss-making sales are very rare, even over the long term. The annual capital gains may vary because the site and time of the transaction are usually determined by the customer. In addition, the chosen accounting method, in which the properties are valued at the acquisition cost or market value, if lower, has resulted in the fair values of certain assets being significantly higher than their book values.

Return risk and risk of damage
Return risks refer to decreases in the returns on holdings. The return risk is materialized if the occupancy rate of the sites decreases or the level of returns generally decreases on the rental market. The rental contracts of the housing units owned by the Group address the timing of rent adjustments, the lessor's right to adjust the rent, and the tying of rent levels to indices. The land rents are adjusted annually on the basis of the cost-of-living index, with an increase in the index affecting the rents, but not vice versa.

The return risk is also managed by keeping the holdings in good general condition and by selecting holdings in areas that are attractive in terms of leasing – that is, mainly in good locations in growth centers. Damage risks are covered by requiring sufficient insurance coverage for the sites and rent collateral from the lessees.

Concentration risk
Hypo Group's housing and residential land investments are distributed across a number of sites in growth centers. There are very few concentrations of holdings at individual sites, and they are strictly observed in business operations. In business operations related to housing units and residential land, it is ensured that there is large number of counterparties. As a rule, when land is leased out for the construction period, only well-established, stock listed and recognized companies are accepted as counterparties.

Diversification of ownership also reduces property-specific environmental and climate risks associated with housing and real estate. Therefore, it is highly unlikely that ownership properties would be widely affected by physical climate and environmental risks, such as damage caused by extreme weather events.

Realized losses
No significant impairment losses related to holdings of housing units or residential land were recognized during the financial year.

Impact on capital adequacy
In Group's internal capital adequacy assessment process, an amount of own funds deemed sufficient has been allocated to the price risk related to housing units. The value of the housing units serving as collateral for the loan portfolio and its effect on capital adequacy were also considered during the allocation process.

G55. OPERATIONAL RISKS

Group's key operational risks include personal, IT and single-office risks as well as legal risks. The Mortgage credit bank operations, performed by the parent company Hypo, have added some characteristics in Groups operational risks.

Personnel
The entire personnel of Group are employed by Hypo, the parent company. Operational risks related to employees are managed through regularly updated job descriptions, personal goals derived from the company's targets, training, and substitute arrangements. In addition to business goals, the personnel incentive and commitment system takes account of risk management. Group's operational policies are maintained actively. Breaches of policies are addressed.

NOTES TO GROUP'S RISK MANAGEMENT

G55. OPERATIONAL RISKS CONTINUES

Information systems
For the purpose of operational risk management, the key information systems have been outsourced to recognized companies or acquired as software packages. The key information systems have also been duplicated, and they are mainly located outside Group's facilities. Group has prepared for risks related to information system malfunctions through service agreements and continuity planning. IT related development projects are carried out systematically and in documented manner.

The renewed core banking systems have been stable since the deployment in early 2022. Few elements of the core banking system renewals were implemented still during the year 2023.

The operations, situation and pricing of the key information system partner, as well as its ability to provide services, are monitored as part of strategic risk management. The Group pays special attention to the management of access rights and controls by means of identity and access management as well as internal auditing. Information security is paid attention to both in guidelines and training. Data security and its management have been highlighted by changes in the overall security situation. Information security principles have been confirmed within the Group and are complemented by operational instructions and training. Particular attention is paid to monitoring and tracking information security threats.

Facilities
Single-office risks related to Group's facilities are managed through fire, water and burglary protection in particular. Group maintains up-to-date insurance coverage in case of various business operations disturbances, such as the possibility of office facilities becoming unusable. Facilities are exposed to risks caused by extreme weather events, especially heavy rainfall. Urban floods can also pose a threat to facilities, and preparations have been made to address this risk. Both short-term and long-term climate and environmental risks are taken into account in the management of facilities, as well as in the planning of repair and maintenance needs.

Legal risks
Legal risks are managed by relying on the expert resources in the organization and, whenever necessary, standard agreements and the expertise of reputable industry operators. In addition, new products and services are assessed in advance in terms of operational risks. Business related risks, such as criminal risks, have also been covered with a special insurance.

Mortgage credit bank operations
Special requirements related to the mortgage credit banking operations, such as limits set for operations, forming a cover pool, requirements concerning the separation of assets and related operational risks and their management, monitoring and reporting have been instructed separately.

Realized losses
No significant losses related to operational risks were recognized in Group companies' business operations during the financial year.

Impact on capital adequacy
In Hypo Group, the capital adequacy requirement for operational risks is calculated using the basic method in accordance with the capital requirements regulation. Group's own funds allocated to operational risks in the basic method have been established as sufficient in Group's internal capital adequacy assessment process also considering the stress scenario.

G56. STRATEGIC RISKS

Strategic risks are identified, assessed and documented regularly as part of the strategy work carried out by the Group's management and operational management.

The nature of risks related to cyclical and other changes in the operating environment, as well as those affecting the availability of funding, is such that they materialize due to significant changes in the macro economy and cause requirements for change in the Group's business operations. In addition, risks related to changes in the operations of the key information system supplier may have a material effect on Group's operations. Risks related to the competition are mainly the result of decisions made by competitors. Changes in credit institutions' regulation and supervision environment create a regulation risk that affects resourcing in the Group over the short term. This risk is managed as part of strategic risks. Any decrease in public visibility and recognizability and loss of reputation of the Group are also regarded as strategic risks.

Changes in the operating environment
Unfavorable changes in the operating environment, such as strong changes in economic cycles, cause a risk that the Group does not achieve its business goals. An economic downturn may weaken the quality of the loan portfolio and simultaneously decrease the value of the property collateral thus intensifying the overall effect. Crises in the capital markets have negative effects on the availability and price of refinancing. Adjusting business operations to the prevailing situation is a key method of managing the risk related to changes in the operating environment. This can be done by limiting lending, for example.

Competition
The competition is expected to intensify. This is particularly evident in competitors' pricing solutions. However, the Group aims to maintain its good competitive position in the market with its special products, high quality service and home financing focused strategy

Regulation risk
Regulation risks refer to such changes in the regulatory and supervisory environment of credit institutions which are implemented in a short period of time. Rapid regulatory changes increase costs related to governance and information technology. Considering the size of the Group, these costs may be higher in proportion than those of competitors and weaken the profitability of its operations over the short term. Potential problems also include the fact that the special legislation pertaining to Hypo will not be sufficiently considered by the authorities or when setting new regulations. Rapid changes may also slow the market launch of special product and service packages and affect the Group's competitiveness in relation to other credit institutions.

Regulation risks are managed through compliance operations and human and technological resources management related to the implementation of changes and by maintaining a functional relationship with the authorities. However, the Group is aware that, over the long term, changes in the regulation and supervision environment serve to ensure that credit institution operations in general are on a healthy and profitable basis.

Group's recognizability
Group's recognizability is continuously increased by means of networking, increasing Group's visibility in various media in a balanced and cost-effective manner and particularly by carrying out individual customer contacts with an active approach. This has clearly increased the number of Group's customer contacts and partners. The key business indicators for recognizability are the number of customer contacts and the content of customer feedback, which are monitored regularly.

Realized losses
No significant losses related to strategic risks were recognized in Hypo Group's business operations during the financial year.

Impact on capital adequacy
An amount of Group's own funds considered sufficient have been allocated to strategic risks in the Group's internal capital adequacy assessment process, especially due to the development of the core banking systems.

PARENT COMPANY INCOME STATEMENT

€ 1,000	Note	1.1.–31.12.2023	1.1.–31.12.2022
Interest income	P2	130,502	35,102
Interest expenses	P2	-118,806	-23,357
NET INTEREST INCOME		**11,696**	**11,746**
Fee income	P3	1,606	1,209
Fee expenses	P3	-57	-80
Net income from financial instruments at FVPL	P4	-2,517	4,044
Net income from financial assets at FVOCI	P5	0	-1,248
Net income from investment properties	P6	2,596	2,702
Other operating income	P7	6,303	2,643
Personnel and adminstrative expenses			
Personnel expenses			
Wages and salaries		-6,740	-6,117
Other personnel related costs			
Pension costs		-1,362	-1,341
Other personnel related costs		-174	-66
Administrative expenses		-4,443	-4,866
Personnel and administrative expenses total		-12,719	-12,390
Depreciation and impairment losses on tangible and intangible assets	P9	-1,517	-1,209
Other operating expenses	P8	-1,538	-3,199
Final and expected credit losses	P10	-119	-21
OPERATING PROFIT	P11	**3,733**	**4,197**
Income taxes		-748	-833
PROFIT FOR THE PERIOD		**2,985**	**3,364**

PARENT COMPANY BALANCE SHEET

€ 1,000	Note	31.12.2023	31.12.2022
ASSETS			
Cash	P12, P32	520,670	393,179
Debt securities eligible for refinancing with central banks	P15, P31, P32, P45.a, P45.c-e	146,386	140,802
Receivables from credit institutions			
Payable on demand		12,292	6,635
Other		0	16,010
	P13, P31, P32, P45.a	12,292	22,645
Receivables from the public and public sector entities			
Other than those payable on demand	P14, P31, P32, P45.a-e	2,786,814	2,754,673
Shares and holdings	P15, P32, P45.a	24	24
Shares and holdings in the same group of companies	P15, P32, P45.a	36,688	36,688
Derivative contracts	P17, P18, P19, P20, P21, P32, P35, P45.a	18,232	2,827
Intangible assets			
Other long-term expenditure	P22	10,175	10,230
Tangible assets			
Investment properties and shares and holdings in investment properties	P23, P24	52,614	47,167
Other properties and shares and holdings in housing property corporations	P23, P24	2,104	5,957
Other tangible assets	P24	337	519
		55,055	53,643
Other assets	P25	54,147	73,276
Deferred income and advances paid	P26	1,526	1,545
Deferred tax receivables	P27	9	8
TOTAL ASSETS		**3,642,020**	**3,489,539**

PARENT COMPANY BALANCE SHEET

€ 1,000	Note	31.12.2023	31.12.2022
LIABILITIES			
Liabilities to credit institutions			
To central banks	P31, P32, P46.a	51,349	50,000
To credit institutions			
Other than those payable on demand	P31, P32, P46.a	1,645,898	1,527,095
		1,697,247	1,577,095
Liabilities to the public and public sector entities			
Other liabilities			
Other than those payable on demand	P31, P32, P46.a	6,204	7,173
Debt securities issued to the public			
Bonds		1,647,529	1,581,034
Other		46,931	65,779
	P28, P31, P32, P46.a	1,694,460	1,646,814
Derivative instruments	P17, P32	74,793	112,984
Other liabilities	P29	30,888	10,731
Deferred expenses and advances received		2,102	2,265
Deferred tax liabilities	P27	8,918	8,949
ACCUMULATION OF APPROPRIATIONS			
Voluntary reservations		41,683	41,683
Deferred tax liability		-8,337	-8,337
		33,347	33,347
EQUITY			
Basic capital	P34	5,000	5,000
The revaluation reserve		2,235	2,235
Other restricted reserves			
Reserve fund		47,505	44,804
Fair value reserve			
From valuation at fair value		57	182
Unrestricted reserves			
Other reserves		22,924	22,924
Retained earnings		13,355	11,673
Profit for the period		2,985	3,364
		94,061	90,182
TOTAL LIABILITIES AND EQUITY		**3,642,020**	**3,489,539**

OFF-BALANCE SHEET COMMITMENTS

€ 1,000	Note	31.12.2023	31.12.2022
Irrevocable commitments given on behalf of a customer			
Granted but unclaimed loans		197,535	278,051
		197,535	278,051
OFF-BALANCE SHEET COMMITMENTS TOTAL	P38	**197,535**	**278,051**

PARENT COMPANY CASH FLOW STATEMENT

€ 1,000	1.1.–31.12.2023	1.1.–31.12.2022
Cash flow from operating activities		
Interest income and fees received	138,937	39,196
Interest and fees paid	-118,660	-21,987
Credit losses	-119	-20
Personnel, administrative and other operating expenses paid	-14,286	-16,275
Income taxes paid	-842	-1,625
Total cash flows from operating activities	**5,029**	**-711**
Operating assets increase (-) / decrease (+)		
Receivables from customers	-25,108	-118,212
Cash collaterals, derivatives	32,606	-67,509
Operating assets increase (-) / decrease (+) total	**7,499**	**-185,721**
Operating liabilities increase (+) / decrease (-)		
Other operating liabilities	-156	-302
Operating liabilities increase (+) / decrease (-) total	**-156**	**-302**
NET CASH FROM/USED IN OPERATING ACTIVITIES	**12,372**	**-186,734**
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	3,163	3,067
Expenses paid from investment properties	-448	-558
Proceeds from disposal of investment properties	133	6,239
Acquisition of investment properties	-5,582	-2,347
Proceeds from disposal of fixed assets	2,572	-6,121
NET CASH FROM /USED IN INVESTING ACTIVITIES	**-2,679**	**3,077**
Cash flows from financing activities		
Financial liabilities, withdrawals	4,190,511	1,082,079
Financial liabilities, repayments	-4,076,108	-926,623
Other liabilities, repaymens	-1,374	-1,974
NET CASH FROM/USED IN FINANCING ACTIVITIES	**113,030**	**153,483**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**122,723**	**-30,175**
Cash and cash equivalents at the beginning of the period	556,625	586,800
Cash and cash equivalents at the end of the period	679,349	556,625
CHANGE IN CASH AND CASH EQUIVALENTS	**122,723**	**-30,175**

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

P1. Accounting policies of parent company

The Mortgage Society of Finland (hereinafter also Hypoteekkiyhdistys, Hypo) 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 company is an authorized credit institution. Since 2016, Hypo has also license to engage in mortgage credit banking operations. The Mortgage Society of Finland is the parent company of the Group.

The financial statements of The Mortgage Society of Finland's parent company have been prepared and presented according to the Act on Credit Institutions, decree of the Ministry of Finance and regulations of the Financial Supervisory Authority concerning financial statements. Financial statements include income statement, balance sheet, cash flow statement and notes. In addition, the financial statements are accompanied by a report of the Board of Directors, which is presented as Group information.

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013). The capital adequacy requirement for the credit risk and for the counterparty credit risk is calculated using the standard method and the capital requirement for operational risk is calculated using the basic method. Disclosures required under the EU Capital Requirements Regulation Part Eight are published at Group level in a separate document at the same time with the annual report.

Financial data is presented in company's operating currency, euros. The parent company's accounting policies follow most of the Group's accounting principles.

Numeric tables presented in the financial statements of parent company released by the group are presented in thousands of euros, unless otherwise stated. Therefore, presented totals may vary from the sum calculated from the presented figures.

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

The preparation of the parent company's financial statements requires the use of estimates, such as the preparation of the consolidated financial statements.

ADJUSTMENTS IN STRUCTURE OF FINANCIAL STATEMENTS

The structure of the parent company's financial statements has been harmonised to comply with the Group's presentation and the amendments to the Financial Supervisory Authority's Regulation and Guidance 2/2016, which entered into force on 1 January 2023. The figures for the comparative periods have been clarified:

- The previously separately presented income item 'Net income from hedge accounting" is included in the income item 'Net income from financial instruments at FVPL' and presented as part of the notes to that income item.
- Interest receivables and payables are presented in the 2023 financial statements in the capital of each balance sheet item. In previous years, these items were presented under 'Deferred income and advances paid' or 'Deferred expenses and advances received'. The notes have been adjusted accordingly.

In the 2023 financial statements, the information for the comparative year 2022 has been adjusted to conform to the 2023 presentation.

€ 1,000 **Assets**	Parent Comapany's balance sheet items in 2022 financial statements	Comparative year 2022 in the 2023 financial statements	Change in presentation, interest receivables/ interest liabilites
Debt securities eligible for refinancing with central banks	140,315	140,802	487
Receivables from credit institutions	22,635	22,645	10
Receivables from the public and public sector entities	2,750,581	2,754,673	4,092
			4,588
Accrued income and advances paid	6,133	1,545	-4,588
Liabilities			
Liabilities to credit institutions	1,526,140	1,527,095	955
Other liabilities	7,474	7,173	-300
Debt securities issued to the public	1,642,313	1,646,814	4,501
			5,155
Deferred expenses and advances received	7,420	2,265	-5,155

FINANCIAL INSTRUMENTS

Financial assets, financial liabilities and derivatives are treated in the parent company using the same accounting principles as in the consolidated financial statements. Items recognized on fair value through profit and loss is made in accordance with Section 6, Chapter 12 Credit Institutions Act 4 moment.

INTANGIBLE ASSETS

Intangible assets are treated in the parent company using the same accounting principles as in the consolidated financial statements.

TANGIBLE ASSETS

Investment properties have largely been recorded at acquisition cost on the balance sheet. Offset entries to revaluations recorded on certain properties in previous years have been recorded in the revaluation reserve included in equity. The revaluations are recorded in profit or loss in the event of a possible disposal. Any possible impairment on properties is assessed at least on an annual basis and if regarded necessary, an impairment loss is recorded, whereby the unfounded revaluation booking is reversed.

In other respects, the accounting policies for investment properties and other tangible assets are similar to the Group's.

UNTAXED RESERVES

Untaxed reserves and changes thereof are presented as a separate item in appropriations in the profit or loss and in accumulated appropriations in the balance sheet. The reserve consists of a general loss provisions in accordance with section 46 of the Business Income Tax Act, which is a provision intended for credit loss risks and other unidentified risks related to credit institution operations.

DEFERRED TAX RECEIVABLES AND LIABILITIES

The fair value reserve consisting of valuations of hedging derivatives and from financial instruments measured at fair value through other comprehensive income, the revaluation reserve consisting of revaluations of investment properties and untaxed reserves consisting of general credit loss provisions, net of deferred tax, have been recognized on balance sheet and the offset entries have been recorded in deferred tax receivables and liabilities on balance sheet.

VOLUNTARY SUPPLEMENTARY PENSION PLAN

Voluntary supplementary pension plan to Hypo´s employees, arranged in Department A (closed in 1991) of Hypo's pension foundation is recognized as a defined benefit plan. Hypo serves as employer. Obligation is fully funded. Accounting of discounted obligation value requires use of certain actuarial estimations such as discount rate, expected disability rate and expected salary levels. Possible deviations between actual and expected levels of actuarial estimations cause uncertainty of future amount of discounted obligation.

REVENUE AND EXPENSES RECOGNITION

The parent company's recognition principles comply with the recognition principles described in the Group's accounting policies with a few exceptions. The surplus returned in Hypo's pension foundation's Department A, subject to approval by the Financial Supervisory Authority, is recorded as a reduction of the pension costs in the income statement. Another deviation from the Group's recognition principles is that non-refundable entry fees are recorded in parent company's equity fund. In addition, the increase in general credit loss provisions is presented in appropriations and decreases the taxable result.

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

€ 1,000, unless otherwise indicated.

P2. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM	2023		2022	
	To / from subsidiaries	Total	To / from subsidiaries	Total
Receivables from credit institutions		13,836		1,428
Receivables from the public and public sector entities		101,064		24,123
Debt securities		2,397		583
Derivative contracts		11,105		7,376
Negative interest expenses				1,263
Other interest income		2,100		328
Total interest income	0	130,502	0	35,102
Liabilities to credit institutions	-47,498	-49,778	-9,511	-9,604
Liabilities to the public and public sector entities		-179		-38
Debt securities issued to the public		-27,163		-8,405
Derivative contracts		-41,615		-4,406
Negative interest income		-38		-904
Other interest expenses		-33		0
Total interest expenses	-47,498	-118,806	-9,511	-23,357

P3. FEE INCOME AND EXPENSE	2023	2022
From lending	1,599	1,200
From other operations	6	9
Total fee income	1,606	1,209
Lending fee expenses	-57	-80
Total net fee income	1,548	1,129

P4. NET INCOME FROM FINANCIAL INSTRUMENTS AT FVPL	2023			2022		
	Gains and losses from disposals of financial instruments (net)	Net income arising from changes in fair values	Total	Gains and losses from disposals of financial instruments (net)	Net income arising from changes in fair values	Total
Net income from financial instruments at fair value						
Net income from financial instruments at FVPLO	-1,875	4,948	3,072	-2,623	-7,357	-9,980
Interest rate swaps other than those in hedge accounting	2,789	-6,288	-3,499	1,878	10,534	12,412
Net income from hedge accounting						
Fair value hedge accounting for debt securities issued to the public		-63,756	-63,756		118,880	118,880
Interest rate swaps in fair value hedge accounting		61,665	61,665		-117,267	-117,267
Total	914	-3,431	-2,517	-745	4,789	4,044

Hypo does not hold a trading book.

P5. NET INCOME FROM FINANCIAL ASSETS THROUGH FVOCI	2023	2022
Net income from financial assets through FVOCI		
Capital gains from debt securities		-1,248
Total	0	-1,248

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

P6. NET INCOME FROM INVESTMENT PROPERTIES	2023	2022
Rental income	1,342	1,699
Capital gains (losses)	314	226
Other income	1,378	1,136
Maintenance charges and other maintenance costs paid	-298	-337
Other expenses	-139	-23
Total	2,596	2,702

P7. OTHER OPERATING INCOME	2023	2022
Usage fees, property assets in own use	14	13
Other income	6,289	2,630
Total	6,303	2,643

Other income in 2023 includes a stability fee of -2.2 million euros for 2023 and management service fees from group companies

P8. OTHER OPERATING EXPENSES	2023	2022
Rental expenses	-29	-19
Expenses from properties in own use	-110	-295
Other expenses	-1,398	-2,884
Total	-1,538	-3,199

P9. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS	2023	2022
Depreciation according to plan	-1,517	-1,209

P10. FINAL AND EXPECTED CREDIT LOSSES	2023	2022
From financial assets at amortised cost		
Receivables from the public and public sector entities		
Expected credit losses, net change	-73	-22
Final credit losses	-52	
Recoveries of final credit losses	11	2
Off-balance sheet commitments, granted but unclaimed loans		
Expected credit losses, net change	1	-1
Net gains/losses on derecognition of other financial assets		
Debt securities eligible for refinancing with central banks		
Expected credit losses, net change	-5	
Total	-119	-21

A more detailed breakdown of the net change in expected credit losses is presented in the group risk management note 'IFRS 9 Loss allowance changes and transitions'.

P11. INFORMATION CONCERNING PRODUCT GROUPS AND GEOGRAPHICAL MARKET AREAS

By product group, parent company's main income is made up of lending and other housing products and services. Lending including other housing products and services, are considered to constitute one business area due to the special characteristics of Hypo's customers and products (reverse mortgages, residential property trustee service). Parent company's operating area is Finland.

2023	Combined amount of income	Operating profit	Total assets	Total liabilities	Average number of personnel
Lending and deposits and other housing products and services	19,573	3,701	3,642,202	3,514,613	68
Other operations	53	32	0		
Total	19,626	3,733	3,642,202	3,514,613	68

2022	Combined amount of income	Operating profit	Total assets	Total liabilities	Average number of personnel
Lending and deposits and other housing products and services	20,729	3,926	3,489,539	3,366,011	60
Other operations	286	271	0		
Total	21,015	4,197	3,489,539	3,366,011	60

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P12. LIQUID ASSETS	2023	2022
Receivables from central bank	520,670	392,679
Cash		500
Total	520,670	393,179

P13. RECEIVABLES FROM CREDIT INSTITUTIONS			2023
	Payable on demand	Other than those payable on demand	Total
From credit institutions	12,292		12,292
Total	12,292	0	12,292

			2022
	Payable on demand	Other than those payable on demand	Total
From the central bank		16,010	16,010
From credit institutions	6,635		6,635
Total	6,635	16,010	22,645

P14. RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES	2023		2022	
	Balance sheet value	Expected credit loss allowance	Balance sheet value	Expected credit loss allowance
Housing companies	1,920,578	0	1,880,103	1
Households	850,685	306	857,453	233
Corporates excl. housing companies	13,601		14,870	
Other	2,256		2,480	
Total	2,787,120	306	2,754,906	233
Receivables from the public and public sector entities consist of long-term lending to various counterparties.				
Non-perfoming loans		5,186		3,853
Expected credit losses recognised during the period on receivables				
Expected credit losses at the beginning of the year		233		211
Expected credit losses, net change		73		22
Expected credit losses at the end of the year		306		233
Expected credit losses have been identified and recognized on a contract level.				
Final credit losses on receivables recognized during the period, net credit losses (+), net reversals (-)		-11		-2

Final credit losses are presented as net of recognized credit losses and reversals of credit losses during accounting period.

P15. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS				2023
	Publicly quoted	Other	Total	Expected credit loss allowance
Debt securities issued by public sector entities				
FVOCI				
Other debt securities issued by public sector entities	53,346		53,346	
FVPLO				
Government bills	54,895		54,895	
Other debt securities issued by public sector entities	2,142		2,142	
Debt securities issued by other than public sector entities				
Debt instruments issued by banks	3,570		3,570	5
Debt instruments issued by banks	32,433		32,433	
Total	146,386	0	146,386	5

Debt securities are investments in various credit counterparties with a remaining maturity of four months up to ten years.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P15. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS CONTINUES

2022	Publicly	Other	Total	Expected credit loss allowance
Debt securities issued by public sector entities				
FVOCI				
Other debt securities issued by public sector entities	53,346		53,346	
FVPLO				
Government bills	57,132		57,132	
Other debt securities issued by public sector entities	9,404		9,404	
Debt instruments issued by banks	20,434		20,434	
Total	140,315	0	140,315	0

Debt securities are investments in various credit counterparties with a remaining maturity of four months to ten years.

P16. SHARES AND HOLDINGS

2023	Publicly quoted	Other	Total	Of which in credit institutions
Shares and holdings through FVOCI		24	24	
Shares and holdings in the group companies		36,688	36,688	36,688
Shares and holdings, total	0	36,712	36,712	36,688
Of which at acquisition cost		36,688	36,688	

2022	Publicly quoted	Other	Total	Of which in credit institutions
Shares and holdings through FVOCI		24	24	
Shares and holdings in the same group of companies		36,688	36,688	36,688
Shares and holdings, total	0	36,712	36,712	36,688
Of which at acquisition cost		36,688	36,688	

P17. DERIVATIVE CONTRACTS

	2023		2022	
	Book value		Book value	
	Assets	Liabilities	Assets	Liabilities
OTC- interest rate swaps				
Derivatives in fair value hedging				
Fair value	16,995	74,874	727	118,340
of which: cleared by central counterparty		53,010		73,311
Derivatives other than in hedge accounting				
Fair value	1,238	-82	2,100	-5,356
of which: cleared by central counterparty		-82		-5,356
Fair value total	18,232	74,793	2,827	112,984

Fair value of a contract includes interest accrual (dirty value).

	2023		2022	
	Nominal amount		Nominal amount	
	Assets	Liabilities	Assets	Liabilities
Derivatives in fair value hedging	609,321	1,050,000	9,370	1,650,000
Derivatives other than in hedge accounting	45,000	91,000	45,000	82,000
Nominal amount total	654,321	1,141,000	54,370	1,732,000

2023 Remaining maturity	Less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	360,000	1,170,321	265,000	1,795,321
of which: cleared by a central counterparty	50,000	226,000	265,000	541,000
Fair value, assets	253	17,979		18,232
of which: cleared by a central counterparty				
Fair value, liabilities	7,408	22,888	44,497	74,793
of which: cleared by a central counterparty	796	7,635	44,497	52,928

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P17. DERIVATIVE CONTRACTS CONTINUES **2022**

Remaining maturity	Less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	300,000	1,201,370	275,000	1,776,370
of which: cleared by a central counterparty		557,000	275,000	832,000
Fair value, assets		2,827		2,827
of which: cleared by a central counterparty				0
Fair value, liabilities	1,961	53,005	58,018	112,984
of which: cleared by a central counterparty		9,937	58,018	67,955

Open counterparty credit risk related to derivatives agreements consists of mark-to-market value of the contracts and the delivered collateral. Some of the derivatives and collateral form netting sets. Counterparty credit risk related to derivative contracts is managed through careful selection of counter-parties, use of master service agreements and collateral. All Hypo's derivative counterparties have at least 'A' credit rating, and majority of contracts have been made under the ISDA/CSA master agreements. Hypo's open derivative counterparty credit risk as at 31 December 2023 totaled EUR -2,007,527. The amount of risk is calculated over the netting sets and taking into account the collateral delivered.

P18. HEDGE ACCOUNTING, MATURITY **2023**

	3–12 months	1–5 years	5–10 years
Fair value Hedges			
Notional	350,000	1,059,321	250,000
Average fixed interest rate	0.47%	2.07%	0.01%

2022

	3–12 kk	1–5 vuotta	5–10 vuotta
Fair value Hedges			
Notional	300,000	1,109,370	250,000
Average fixed interest rate	0.38%	1.22%	0.01%

The table sets out the maturity profile of hedging instrmument used in hedge accounting.

P19. INSTRUMENTS USED FOR HEDGE ACCOUNTING **2023**

	Notional	Carrying amount, assets	Carrying amount, liabilities	Changes in fair value used for calculatin hedge ineffectiveness
Fair value Hedges				
Derivatives, interest rate swaps	1,659,321	16,995	74,874	61,343

2022

	Notional	Carrying amount, assets	Carrying amount, liabilities	Changes in fair value used for calculatin hedge ineffectiveness
Fair value Hedges				
Derivatives, interest rate swaps	1 659 370	727	118 340	-116 264

P20. HEDGED EXPOSURES **2023**

	Carrying amount		Accumulated amount of fair value adjustments on the hedged item		Changes in fair value used for calculatin hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Fair value Hedges					
Debt securities issued to the public		1,591,080	48,894		-63,756
Receivables from the public and public sector entities	18,590			408	322

2022

	Carrying amount		Accumulated amount of fair value adjustments on the hedged item		Changes in fair value used for calculatin hedge ineffectiveness
	Assets	Liabilities	Assets	Liabilities	
Fair value Hedges					
Debt securities issued to the public		1,527,043	112,650		118,880
Receivables from the public and public sector entities	18,736			730	-1,003

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P21. HEDGE EFFECTIVENESS		2023
	Hedge Ineffectiveness recognised in P&L	P&L item that includes hedge inefectivenes
Fair value Hedges		
Interest rate swaps	-2,091	Net income from financial instruments at FVPL

		2022
	Hedge Ineffectiveness recognised in P&L	P&L item that includes hedge inefectivenes
Fair value Hedges		
Interest rate swaps	1,613	Net income from financial instruments at FVPL

P22. INTANGIBLE ASSETS	2023	2022
IT programs and projects	9,842	9,769
Other intagible assets	333	461
	10,175	10,230

P23. TANGIBLE ASSETS	Fair value determination principle	2023	2022
Investment properties and investment property shares, balance sheet value			
Land and water areas	3	1,800	1,932
Shares and holdings in housing property corporations	3	50,814	45,234
Total balance sheet value		**52,614**	**47,167**
Total fair value of investment properties		53,910	49,548
Other properties and shares in housing property corporations, balance sheet value			
Land and water areas	2	2,104	5,957
Total balance sheet value		**2,104**	**5,957**
Total fair value of other properties		4,406	8,253

The fair values of housing units have mainly been assessed using the Statistics Finland's most recently released statistics on the prices of dwellings, in which dwellings are divided into categories based on type and location. The fair values of apartments purchased a year or less than a year ago are assumed to be equal to their acquisition prices. The fair value of the land is its acquisition cost adjusted for the increase in the living cost index, which equals the land's redemption price.

The principles to determine fair values for investment properties and for properties and shares in own use are as follows:
1: Quoted prices in active markets
2: Verifiable price, other than quoted
3: Unverifiable market price

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P24. CHANGES IN INTANGIBLE AND TANGIBLE ASSETS DURING THE FINANCIAL PERIOD

2023

	Intangible assets	Tangible assets			
		Investment properties and -shares	Other properties and housing property shares	Other	Tangible assets total
Acquisition cost 1 January	14,563	47,622	3,854	3,044	54,520
Increases, new acquisitions	2,168	5,580		34	5,614
Deductions	-922	-133	-3,853		-3,985
Acquisition cost 31 December	**15,810**	**53,069**	**1**	**3,079**	**56,149**
Accumulated depreciation and impairment losses 1 January	4,334	1,145		2,526	3,671
Depreciation for the period	1,301			216	216
Accumulated depreciation and impairment losses 31 December	**5,634**	**1,145**	**0**	**2,742**	**3,887**
Revaluations 1 January		690	2,103		2,793
Book value 31 December	**10,175**	**52,614**	**2,104**	**337**	**55,055**

2022

	Intangible assets	Tangible assets			
		Investment properties and -shares	Other properties and housing property shares	Other	Tangible assets total
Acquisition cost 1 January	12,509	51,516	1	2,831	54,348
Increases	10,981	3,366	3,853	216	7,435
Deductions	-8,927	-7,260		-3	-7,263
Acquisition cost 31 Decembe	**14,563**	**47,622**	**3,854**	**3,044**	**54,520**
Accumulated depreciation and impairment losses 1 Jan	3,335	1,145		2,316	3,461
Depreciation for the period	999			210	210
Accumulated depreciation and impairment losses 31 December	**4,334**	**1,145**	**0**	**2,526**	**3,671**
Revaluations 1 January		690	2,103		2,793
Book value 31 December	**10,230**	**47,167**	**5,957**	**519**	**53,643**

P25. OTHER ASSETS

	2023	2022
Collateral for derivatives	51,963	66,350
Other receivables	2,184	6,927
Total	54,147	73,276

P26. DEFERRED INCOME AND ADVANCES PAID

	2023	2022
Other deferred income	1,526	1,545

P27. DEFERRED TAX RECEIVABLES AND LIABILITIES

	2023		2022	
	Tax receivables	Tax liabilities	Tax receivables	Tax liabilities
Deferred tax of revaluation reserve of real estate investments		559		559
Deferred tax of fair value reserves	9	23	8	53
Deferred tax of loan loss provision		8,337		8,337
Total	9	8,918	8	8,949

P28. DEBT SECURITIES ISSUED TO THE PUBLIC

	2023		2022	
	Book value	Nominal value	Book value	Nominal value
Other than those payable on demand				
Bonds	1,647,529	1,700,000	1,581,034	1,700,000
Certificates of deposit and commercial papers	46,931	48,000	65,779	66,000
Total	1,694,460	1,748,000	1,646,814	1,766,000

Bonds are covered bonds issued by the Finnish Mortgage Corporation. Certificates of deposit are unsecured debt obligations issued by Suomen Hypoteekkiyhdistys, with a maximum duration of one year. Year 2022 has been modified to meet with year 2023 presentation.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P29. DEFERRED EXPENSES AND ADVANCES RECEIVED	2023	2022
Collateral for derivatives	20,240	2,020
Other liabilities	10,648	8,711
Total	30,888	10,731

P30. LIABILITIES ACCORDING TO THE ACT ON RESOLUTION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS	2023	2022
Senior unsecured liabilities		
of which the remaining maturity is less than one year	6,100	7,350
Common Equity Tier 1 (CET1) capital	122,362	120,244
Liabilities according to the Act on Resolution of Credit Institutions and Investment Firms total	128,462	127,594

P31. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

2023	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	12,292					12,292
Receivables from the public and public sector entities	3,084	2,174	64,633	203,015	2,513,907	2,786,814
Debt securities		52,760	78,247	15,380		146,386
Total	15,377	54,934	142,880	218,394	2,513,907	2,945,492
Liabilities to credit institutions	1,019,531	562,490	32,327	20,004	62,895	1,697,247
Liabilities to the public and public sector entities			6,204			6,204
Debt securities issued to the public	12,911	378,339	1,045,384	257,827		1,694,460
Total	1,032,442	940,829	1,083,915	277,831	62,895	3,397,912

2022	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	22,645					22,645
Receivables from the public and public sector entities	980	1,560	53,446	208,476	2,490,210	2,754,673
Debt securities			140,802			140,802
Total	23,625	1,560	194,248	208,476	2,490,210	2,918,120
Liabilities to credit institutions	1,076,996	387,576	53,055		59,469	1,577,095
Liabilities to the public and public sector entities		124	7,049			7,173
Debt securities issued to the public	52,917	311,709	1,041,745	240,443		1,646,814
Total	1,129,913	699,409	1,101,849	240,443	59,469	3,231,082

Contractual interest accruals at end of financial year are presented based on the maturity date of financial assets and liabilities.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P32. FAIR VALUES AND BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES 2023

Publicly quated	Classification	Fair value determination principle	Book value	Fair value	Book value in the same group
Debt securities	Fair value through other comprehensive income (FVOCI)	1	56,916	56,916	
Debt securities	Option to designate a financial asset at fair value	1	89,470	89,470	
Total			146,386	146,386	0
Debt securities issued to the public	Amortised cost	1	1,647,529	1,647,529	
Total			1,647,529	1,647,529	0
Other					
Liquid assets	Amortised cost	1	520,670	520,670	
Receivables from credit institutions	Amortised cost	2	12,292	12,292	
Receivables from the public and public sector entities	Amortised cost	2	2,786,814	2,786,814	1,556
Derivative contracts	Fair value through profit or loss (FVPL)	2	18,232	18,232	
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	24	24	
Shares and holdings in the same group of companies	Fair value through other comprehensive income (FVOCI)	3	36,688	36,688	36,688
Total			3,374,720	3,374,720	38,244
Liabilities to credit institutions	Amortised cost	2	1,697,247	1,697,247	1,625,894
Liabilities to the public and public sector entities	Amortised cost	2	6,204	6,204	
Debt securities issued to the public	Amortised cost	1	46,931	46,931	
Derivative contracts	Fair value through profit or loss (FVPL)	2	74,793	74,793	
Total			1,825,175	1,825,175	1,625,894

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P32. FAIR VALUES AND BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES CONTINUES **2022**

Publicly quated	Classification	Fair value determination principle	Book value	Fair value	Book value in the same group
Debt securities	Fair value through other comprehensive income (FVOCI)	1	53,522	53,522	
Debt securities	Option to designate a financial asset at fair value	1	87,280	87,280	
Total			140,802	140,802	0
Debt securities issued to the public	Amortised cost	1	1,581,034	1,581,034	
Total			1,581,034	1,581,034	0
Other					
Liquid assets	Amortised cost	1	393,179	393,179	
Receivables from credit institutions	Amortised cost	2	22,645	22,645	
Receivables from the public and public sector entities	Amortised cost	2	2,754,673	2,754,673	1,270
Derivative contracts	Fair value through profit or loss (FVPL)	2	2,827	2,827	
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	24	24	
Shares and holdings in the same group of companies	Fair value through other comprehensive income (FVOCI)	3	36,688	36,688	36,688
Total			3,210,035	3,210,035	37,957
Liabilities to credit institutions	Amortised cost	2	1,577,095	1,577,095	1,527,095
Liabilities to the public and public sector entities	Amortised cost	2	7,173	7,173	
Debt securities issued to the public	Amortised cost	1	65,779	65,779	
Derivative contracts	Fair value through profit or loss (FVPL)	2	112,984	112,984	
Total			1,763,031	1,763,031	1,527,095

Level 3 financial assets do not carry any unrealized gains or losses. Book values and fair values of financial instruments include accrued interest. Derivative contracts consist of interest rate and currency swaps with various counterparties for hedging purposes. Liabilities to financial institutions mainly consist of unsecured long-term promissory note loans with floating interest rates with various counterparties. Liabilities to the public and public sector entities consist of deposits from the public and long-term financing contracts concluded with certain counterparties. 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. There have been no transfers between the stages (1,2,3).

The fair value determination principles are as follows:
1: Quoted prices in active markets
2: Verifiable price, other than quoted
3. Unverifiable market price

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P33. EQUITY

2022

	Basic capital	Revaluation reserve	Reserve fund	Fair value reserve	Other reserves	Untaxed reserves	Retained earnings	Total
Equity 1 Jan 2022	**5,000**	**2,235**	**40,840**	**425**	**22,924**	**33,347**	**14,894**	**119,663**
Fair value measurement of financial assets								
Change in fair value				-1,551				-1,551
Amount transferred to the income statement				1,248				1,248
The decision of the Annual General Meeting for the disposal of profits			3,220				-3,220	0
Entry fees			743					743
Profit for the period							3,364	3,364
Change in deferred taxes				61				61
Equity 31 Dec 2022	**5,000**	**2,235**	**44,804**	**182**	**22,924**	**33,347**	**15,037**	**123,528**

2023

	Basic capital	Revaluation reserve	Reserve fund	Fair value reserve	Other reserves	Untaxed reserves	Retained earnings	Total
Equity 1 Jan 2023	**5,000**	**2,235**	**44,804**	**182**	**22,924**	**33,347**	**15,037**	**123,528**
Fair value measurement of financial assets								
Change in fair value				-157				-157
Amount transferred to the income statement								
The decision of the Annual General Meeting for the disposal of profits			1,682				-1,682	0
Entry fees			1,019					1,019
Profit for the period							2,985	2,985
Change in deferred taxes				33				33
Equity 31 Dec 2023	**5,000**	**2,235**	**47,505**	**57**	**22,924**	**33,347**	**16,341**	**127,407**

According to section 26 of the rules of The Mortgage Society of Finland, at least 80 percent of annual profits must be transferred to a contingency fund or a reserve fund if the ratio between equity and risk-adjusted commitments (capital adequacy ratio) is less than 8 percent. If the capital adequacy ratio is at least 8 percent but less than 9 percent, at least 70 percent of annual profits must be transferred to a contingency or reserve fund. If the ratio is at least 9 percent, at least 50 percent of annual profits must be transferred to a contingency or reserve fund.

P34. BASIC CAPITAL

The basic capital of the Mortgage Society of Finland Group is EUR 5 million in accordance with its rules. The Board of Directors of the Mortgage Society of Finland decides on the amount, interest rate and repayment and other terms and conditions of additional capital made up of funds raised externally.

NOTES CONCERNING PARENT COMPANY'S COLLATERAL AND CONTINGENT LIABILITIES

P35. COLLATERAL PLEDGED AND RECEIVED

	2023	2022
Collateral pledged for own liabilities	Other collaterals	Other collaterals
Liabilities to the central bank	75,039	62,073
Debt securities issued to the public	2,193,648	1,858,713
Derivative contracts	71,785	85,872
Encumbered assets total	2,340,473	2,006,658

	2023	2022
Collateral received	Other collaterals	Other collaterals
Derivative contracts	20,240	2,020
Collateral received total	20,240	2,020

P36. PENSION OBLIGATIONS

The statutory pension security of employees is arranged through pension insurance and voluntary supplementary pension security through the pension foundation of Mortgage Society of Finland. The pension foundation does not have deficit. Department M, a new department of the pension foundation, was established at the end of 2010. This offered the opportunity to use insurance premiums to improve employees' pension security.

NOTES CONCERNING PARENT COMPANY'S COLLATERAL AND CONTINGENT LIABILITIES

P37. LEASING AND OTHER LIABILITIES	2023	2022
Minimum rents paid on the basis of leasing and other rental agreements		
Within one year	11	16
Within more than a year and at most within five years	4	4
Total	14	20

P38. OFF-BALANCE SHEET COMMITMENTS	2023	2022
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans to households	20,394	20,637
Granted but unclaimed loans to housing companies	177,141	257,414
Total	197,535	278,051

Granted unclaimed loans are specified by households and housing companies. Year 2022 has been modified to meet with year 2023 presentation.

NOTES CONCERNING THE AUDITOR'S FEE

P39. AUDITOR'S FEES	2023	2022
Fees paid to the auditor for the audit	176	102
Fees paid to the auditor for other services, parent company	16	19
Total	192	121

Amounts (VAT 0%) are presented by assignment for year 2023 and 2022 accordingly.

NOTES CONCERNING PARENT COMPANY'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

P40. NUMBER OF PERSONNEL	2023		2022	
	Avarage number	At the end of the period	Avarage number	At the end of the period
Permanent full-time personnel	68	67	60	63
CEO and the vice CEO	2	2	2	2
Temporary personnel	2	3	6	3
Total	72	72	68	68

P41. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2023	2022
CEO and vice CEO total salaries	593	622

In case of a notice, the CEO and the vice CEO are paid a payment corresponding to the CEO's four (4) months´ salary in addition to the salary payable during the six (6) month notice period. The CEO and the members of the Board of Directors are entitled to basic pension security pursuant to the Employees Pensions Act (TyEL). The CEO and the vice CEO are covered by Hypo's performance-related pay and incentive scheme of which they have an opportunity to obtain at most a payment corresponding to 20 weeks' salary. Compensations based on performance-related pay and incentive scheme was not paid during 2023.

Board of Directors	2023	2022
Total remuneration, chair	62	60
Total remuneration, vice chair	43	42
Total remunerations, members	159	155
Total	265	257
Supervisory Board		
Total remuneration, chair	16	16
Total remuneration, vice chair	8	11
Total remunerations, members	78	76
Total	102	103
Members of the Management Group (exc. CEO and vice CEO)		
Total remunerations	721	1,282

Information about the remunerations paid to the individual members of the management and to the related parties, as well as the type of remuneration, is available in the Remuneration Policy for Governing Bodies and Other Remuneration Information of The Mortgage Society of Finland Group published on Hypo's website.

NOTES CONCERNING PARENT COMPANY'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

P42. LOANS GRANTED TO THE RELATED PARTIES	2023	2022
CEO and the vice CEO	97	53
Management Group	946	648
Board of Directors	182	164
Supervisory Board	243	266
Joint operations	1,550	1,263
Other related parties	1,126	1,667
Total	4,143	4,062

Loans to the related parties (private persons) are granted following the General Terms and in compliance with Hypo's Principles of Credit Risk Management.

NOTES CONCERNING PARENT COMPANY'S SHAREHOLDINGS

P43. INFORMATION ABOUT OWNERSHIPS				2023
	Domicile	Holding, %	Equity	Result for the period
Subsidiaries combined in the consolidated financial statements				
Suomen Asuntohypopankki Oy	Helsinki	100.0	61,459	3,124
Other				
Bostadsaktiebolaget Taos	Helsinki	54.6	6,284	-414
As Oy Vanhaväylä 17	Helsinki	60.7	2,100	-10
As Oy Helsingin Eiran Helmi	Helsinki	24.3	2,358	2

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2023. Profit for the period and shareholders' equity of other ownerships are indicated in accordance with the year's 2022 adopted financial statements of the company.

				2022
	Domicile	Holding, %	Equity	Result for the period
Subsidiaries combined in the consolidated financial statements				
Suomen Asuntohypopankki Oy	Helsinki	100.0	58,335	1,804
Muut				
Bostadsaktiebolaget Taos	Helsinki	54.6	6,689	-72
As Oy Vanhaväylä 17	Helsinki	60.7	2,110	-5
As Oy Helsingin Eiran Helmi	Helsinki	28.3	2,360	-4

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2022. Profit for the period and shareholders' equity of other ownerships are indicated in accordance with the year's 2021 adopted financial statements of the company.

P44. KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January–31 December 2023, there have not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group. After the financial year, neither Hypo nor Group companies have been involved in administrative or legal proceedings, arbitrations or other events that would have had a material effect on Hypo's financial position. Furthermore, Hypo is not aware. of such proceedings or events being under consideration or being otherwise threatened.

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P45. CREDIT RISK

Parent company complies with risk management procedures of Hypo Group.

P45.a MAXIMUM AMOUNT OF CREDIT AND COUNTERPARTY RISK

	2023			2022		
	Book values, gross	Expected credit loss allowance	Average book value (gross) during the period	Book values, gross	Expected credit loss allowance	Average book value (gross) during the period
Lending						
Not fallen due	2,748,365	13	2,714,602	2,680,840	17	2,511,538
Past due by 1–2 days*)			18,521	37,042	0	155,117
Past due by 3 days–1 month	23,807		25,568	27,329	0	22,714
Past due by 1–3 months	9,717	4	7,780	5,843	27	3,965
Non-performing, past due by more than 3 months	5,232	289	4,543	3,853	189	3,828
Total lending	2,787,120	306	2,771,013	2,754,906	233	2,697,162
Other						
Receivables from credit institutions						
Not fallen due	12,292		17,464	22,635		14,623
Debt securities						
Not fallen due	146,386	5	143,838	141,289		166,407
Shares and holdings	36,712		36,712	36,712		36,712
Derivative contracts						
Not fallen due	18,232		10,530	2,827		8,539
Total other	213,623	5	208,543	203,463	0	226,281
Non-performing loans/total lending, %	0.19%			0.14%		

*) Past due by 1–2 days also includes loans the payment of which is delayed due to a delay in payment traffic.
Bookvalues contain accrued interest.

P45.b CONCENTRATION OF LENDING

2023				
Lending by category	Book value	Expected credit loss allowance	Book value, net	%
Housing companies	1,920,579	0	1,920,578	69%
Households	850,684	306	850,378	31%
Companies excluding Housing companies	13,601		13,601	0%
Other	2,256		2,256	0%
Total	2,787,120	306	2,786,814	100%
Lending by purpose of use				
Permanent dwelling	2,735,240	292	2,734,948	98%
Consumer loan	34,459	15	34,444	1%
Holiday home	7,971	0	7,970	0%
Other	9,451		9,451	0%
Total	2,787,120	306	2,786,814	100%
Lending by province				
Uusimaa	2,096,622	222	2,096,400	75%
Rest of Finland	690,498	85	690,413	25%
Total	2,787,120	306	2,786,814	100%

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P45.b CONCENTRATION OF LENDING CONTINUES

2022

Lending by category	Book value	Expected credit loss allowance	Book value, net	%
Housing companies	1,876,718	1	1,876,718	68%
Households	856,747	233	856,515	31%
Companies excluding Housing companies	14,869		14,869	1%
Other	2,480		2,480	0%
Total	2,750,814	233	2,750,581	100%
Lending by purpose of use				
Permanent dwelling	2,699,246	169	2,699,077	98%
Consumer loan	32,939	64	32,875	1%
Holiday home	7,641	0	7,641	0%
Other	10,988	0	10,988	0%
Total	2,750,814	233	2,750,581	100%
Lending by province				
Uusimaa	2,112,748	128	2,112,620	77%
Rest of Finland	638,067	105	637,961	23%
Total	2,750,814	233	2,750,581	100%

P45.c IFRS 9 BY RISK CATEGORY

	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
Debt securities, Fair value through other comprehensive income								
Credit quality level 1–3	53,346			53,346	53,500			53,500
Credit quality level 4–5	3,570			3,570				0
Loss allowance	5			5				0
Total	56,911	0	0	56,911	53,500	0	0	53,500
Receivables from the public and public sector entities, amortised cost								
Households	825,836	20,832	4,017	850,685	837,047	17,123	3,444	857,614
Housing companies	1,915,719	4,463	396	1,920,578	1,868,289	11,280	348	1,879,917
Companies excluding Housing companies	12,759		841	13,601	14,830		60	14,889
Other	2,256			2,256	2,487			2,487
Loss allowance	13	4	289	306	17	27	189	233
Total	2,756,557	25,292	4,965	2,786,814	2,722,635	28,375	3,663	2,754,673
Off balance sheet, granted but undrawn loans, amortised cost								
Households	20,250	96	48	20,394	20,545	75	17	20,637
Housing companies	176,691	350		177,041	256,706	234		256,940
Companies excluding Housing companies	99			99	474			474
Loss allowance	0			0	1			1
Total	197,041	446	48	197,535	277,724	309	17	278,050

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P45.d IFRS 9 LOSS ALLOWANCE CHANGES AND TRANSITIONS

	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
Debt securities, Fair value through other comprehensive income								
Loss allowance as at 1 January	0	0	0	0	0	0	0	0
New financial assets	5			5				0
Loss allowance as at 31 December	5	0	0	5	0	0	0	0
Receivables from the public and public sector entities, amortised cost								
Loss allowance as at 1 January	17	27	189	233	10	72	129	211
New financial assets (new loans)	7			7	11			11
Maturities and repayments	-4		0	-4	-1	-2		-3
Final credit losses			-52	-52				0
Normal changes, e.g. change without stage change	-7	-23	153	123	-2	-43	60	15
Loss allowance as at 31 December	13	4	289	306	17	27	189	233
Off balance sheet, granted but undrawn loans by risk category								
Loss allowance as at 1 January	1	0	0	1	0	0	0	0
New financial assets	0			0	1			1
Maturities and repayments				0	0			0
Normal changes, e.g. change without stage change	-1			-1				0
Loss allowance as at 31 December	0	0	0	0	1	0	0	1

P45.e IFRS 9 CHANGES IN THE CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
Debt securities, Fair value through other comprehensive income								
Carrying amount as at 1 January	53,522	0	0	53,522	77,822	0	0	77,822
New financial assets	3,570			3,570	9,000			9,000
Maturities and repayments	-176			-176	-33,300			-33,300
Carrying amount as at 31 December	56,916	0	0	56,916	53,522	0	0	53,522
Receivables from the public and public sector entities, amortised cost								
Carrying amount as at 1 January	2,722,652	28,403	3,852	2,754,906	2,620,228	15,384	3,806	2,639,417
Transfer from Stage 1 to Stage 2	-17,565	17,565		0	-20,191	20,191		0
Transfer from Stage 1 to Stage 3	-2,117		2,117	0	-1,177		1,177	0
Transfer from Stage 2 to Stage 3		-926	926	0		-515	515	0
Transfer from Stage 3 to Stage 2		275	-275	0		95	-95	0
Transfer from Stage 2 to Stage 1	17,760	-17,760		0	3,724	-3,724		0
Transfer from Stage 3 to Stage 1	707		-707	0	358		-358	0
New financial assets	505,468	-51	557	505,974	535,310			535,310
Maturities and repayments	-470,335	-2,210	-1,163	-473,708	-415,599	-3,029	-1,193	-419,821
Final credit losses			-52	-52				0
Carrying amount as at 31 December	2,756,571	25,296	5,254	2,787,120	2,722,652	28,403	3,852	2,754,906

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P45.e IFRS 9 CHANGES IN THE CARRYING AMOUNT OF FINANCIAL INSTRUMENTS CONTINUES

	Stage 1	Stage 2	Stage 3	2023 Total	Stage 1	Stage 2	Stage 3	2022 Total
Off balance sheet, granted but undrawn loans by risk category								
Off balance sheet as at 1 January	277,225	698	126	278,050	215,764	73		215,837
Transfer from Stage 1 to Stage 2	-350	350		0				0
Transfer from Stage 1 to Stage 3				0	-5		5	0
Transfer from Stage 2 to Stage 3		-18	18	0		12	-12	0
Transfer from Stage 2 to Stage 1	37	-37		0				0
Transfer from Stage 3 to Stage 1	17		-17	0				0
Net change, lapsed and granted	-79,889	-547	-79	-80,515	61,465	614	134	62,212
Off balance sheet as at 31 December	197,041	446	48	197,535	277,225	698	126	278,050

P46. LIQUIDITY RISK

P46.a MAKSUVALMIUSRISKI

Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–10 years	2023 Over 10 years
Liabilities to credit institutions	1,060,557	588,832	48,243	8,379	1,706,011
Liabilities to the public and public sector entities	400	247	5,879		6,526
Debt securities issued to the public	15,280	406,938	1,127,370	300,090	1,849,678
Derivative contracts	14,939	18,861	19,339	16,684	69,823
Off-balance sheet commitments (inc. granted but unclaimed loans)	197,535				197,535
Total liabilities	1,288,711	1,014,877	1,200,831	325,153	3,829,572

Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–0 years	2022 Over 10 years
Liabilities to credit institutions	1,120,372	403,543	56,214		1,580,128
Liabilities to the public and public sector entities	462	169	7,416		8,048
Debt securities issued to the public	44,280	331,188	1,147,183	300,120	1,822,770
Derivative contracts	4,443	21,425	54,446	23,708	104,021
Off-balance sheet commitments (inc. granted but unclaimed loans)	278,051				278,051
Total liabilities	1,447,608	756,325	1,265,258	323,828	3,793,018

P47. MARKET RISKS

P47.a INFORMATION CONCERNING INTEREST RATE RISK

Time to repricing (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	2023 Over 10 years
Floating-rate items					
Receivables	755	2,128	3		2,886
Liabilities	1,103	2,219			3,322
Net	-348	-91	3	0	-436
Fixed-rate items					
Receivables	525	371	1,161	305	2,362
Liabilities	13	388	1,146	273	1,820
Net	512	-17	15	33	543

In the table describing the interest rate risk, derivative contracts are shown in euros at nominal value, other receivables and liabilities at balance sheet values. Derivative contracts are also shown in each group describing interest rate tying, combined with either the receivable or the liability group.

Sensitivity analysis
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 0.9 million (increase by EUR 0.1 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date.

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P47.a INFORMATION CONCERNING INTEREST RATE RISK CONTINUES

Time to repricing (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	2022 Over 10 years
Floating-rate items					
Receivables	723	2 138			2 861
Liabilities	867	2 327			3 194
Net	-143	-189	0	0	-333
Fixed-rate items					
Receivables	394	300	1 217	303	2 214
Liabilities	53	312	1 203	255	1 823
Net	341	-12	14	48	391

In the table describing the interest rate risk, derivative contracts are shown in euros at nominal value, other receivables and liabilities at balance sheet values. Derivative contracts are also shown in each group describing interest rate tying, combined with either the receivable or the liability group.

Sensitivity analysis
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 0,2 million (increase by EUR 0.1 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date.

P48. OTHER INFORMATION DESCRIBING CAPITAL ADEQUACY AND RISK POSITION

Risk type	Indicator	2023	2022
Credit risk	LTV-ratio (Loan to Value, average) %	30.3	30.8
Credit risk	Non-performing loans % of loan portfolio	0.19	0.14
Credit risk	Net impairment losses EUR million	0.1	0.0
Liquidity risk	Long-term funding out of total funding %	89.9	98.0
Liquidity risk	Average maturity of liabilities, in years	3.3	3.3
Liquidity risk	Short-term liquidity, EUR million	681.3	559.1
Liquidity risk	Short-term liquidity, months	26	17
Liquidity risk	Share of short -term liquidity of the balance sheet total %	18.7	16.0
Interest rate risk	Interest rate risk in the banking book, EUR million	-0.5	-0.1
Interest rate risk	Economic value risk, EUR million	-2.4	-1.3
Risk related to ownership of housing units and residential land	Total amount of housing property holdings of the balance sheet total %	1.5	1.5
Risk related to ownership of housing units and residential land	Book values of investement properties, % out of estimated fair values	91.8	91.8
Risk related to ownership of housing units and residential land	Occupancy rate %	85.7	92.4
Risk related to ownership of housing units and residential land	Net profit of investment properties calculates by book value %	4.6	5.0

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P48. OTHER INFORMATION DESCRIBING CAPITAL ADEQUACY AND RISK POSITION CONTINUES

Risk indicator	Description
LTV-ratio (Loan to Value, average) %	Remaining amount of credit divided by total amount of collaterals allocated to the credit. Only housing collaterlas are taken into account. LTV average is calculated by weighting the loant-to-value ratio of the credit by the remaining amount of credit.
Non-performing loans % of loan portfolio	Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days
Net impairment losses EUR million	Net amount of final and expected credit losses recognized through profit or loss
Long-term funding out of total funding %	Funding with remaining maturity of over a year divided by total funding
Deposits out of total funding %	Deposits divided by total funding. Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, and subordinated liabilities. debt securities issued to the public as well as subordinated liabilities.
Average maturity of liabilities, in years	The average maturity weighted with cash flow of liabilities in years (divider 365)
Short-term liquidity, EUR million	Cash and cash equivalents in the cash flow statement added with unused current account facilities and other binding credit facilities
Short-term liquidity, months	Coverage of short-term liquidity to funding cash flows (difference of days multplied with 365 (days in a year) multiplied with 12 (months in a year)
Share of short -term liquidity of the balance sheet total %	Cash and cash equivalents in the cash flow statement added with available current account facilities and other binding credit facilities divided by balance sheet total
Interest rate risk in the banking book, EUR million	Annual change in net interest income if interest rates increase parallely 1% on the reporting date
Economic value risk, EUR million	Change in economic value of banking book if interest rates increase parallely 1% on the reporting date
Total amount of housing property holdings of the balance sheet total %	Total of owned investment properties and properties in own use set in proportion with the balance sheet total
Book values of investement properties, % out of estimated fair values	Book values of investment properties out of estimated fair values
Occupancy rate %	Relation of amounts of square meters of housing units rented-out and amounts of square meters of owned housing units at the end of the period
Net profit of investment properties calculates by book value %	Net-profit of investment properties (excl. changes in the value and capital gains / losses) set in proportion with average book value of investment properties at the beginning and in the end of the period

SIGNATURES OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT 2023

Helsinki, 28 February 2024

Board of Directors

Sari Lounasmeri *Chair*	**Harri Hiltunen** *Vice chair*	**Hanna-Maria Heikkinen**
Kai Heinonen	**Pasi Holm**	**Mikko Huopio** *Vice CEO*
Hannu Kuusela	**Ari Pauna** *Chief Executive Officer*	**Salla Seppä**

STATEMENT OF THE SUPERVISORY BOARD

After confirming the Mortgage Society of Finland's accounting principles, we have certified the financial statements for 2023 to be presented to the auditors and the Annual General Meeting. We hereby accept the Board of Directors' proposal for the distribution of profits.

The following members of the Supervisory Board have reached the end of their term in office: Elina Bergroth, Julianna Borsos, Timo Hietanen, Hannu Hokka, Hanna Kaleva and Kallepekka Osara.

Helsinki 29 February 2024
THE SUPERVISORY BOARD

THE AUDITOR'S NOTE

Our Auditor's Report has been issued today.

Helsinki, 1 March 2024

PricewaterhouseCoopers Oy,
Authorised Public Accountants

Jukka Paunonen,
Authorised Public Accountant

Auditor’s Report (Translation of the Finnish Original)

To the members of the Mortgage Society of Finland

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board.

What we have audited

We have audited the financial statements of Mortgage Society of Finland (business identity code 0116931-8) for the year ended 31 December 2023. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company’s balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note K44 to the Financial Statements.

PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone. +358 20 787 7000, www.pwc.fi
Reg. Domicile Helsinki, Business ID 0486406-8

Our Audit Approach

Overview

- Overall group materiality: 4 million euros, which represents 0.11% of the balance sheet total

- Audit scope: The scope of the group audit has included the Mortgage Society of Finland (the parent company) and its subsidiary

- Impairment of loans and other receivables
- Valuation of investment properties

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	4 million euros (previous year 4 million euros)
How we determined it	0.11% of the balance sheet total
Rationale for the materiality benchmark applied	We chose the balance sheet total as a benchmark, because in our view, it is the appropriate benchmark to assess the group’s performance, and it is a generally accepted benchmark. We chose 0.11%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Mortgage Society of Finland group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at group companies by us. Audits were performed in group companies which are considered significant either because of their individual financial significance or due to their specific nature, covering the vast majority of revenue, assets and liabilities of the Group. We performed selected specified procedures as well as analytical procedures to cover the remaining parts.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans and other receivables	
Refer to note K18 in the consolidated financial statements for the related disclosure Credit risk is the main risk of the group's business risks. Lending is the largest business area of the group, and according to group financial statements 31.12.2023 the receivables from the public and public sector entities are 2 786.0 million euros, comprising 77% of the group balance sheet total (3 619.1 million euros). The Group's lending focuses on loans granted to households (private customers) and housing companies against property collateral. Credit risk is regularly measured in the group using both factors that anticipate credit risks and factors that describe the quality and distribution of the loan portfolio. The group evaluates regularly whether there is objective evidence that a single receivable or a group of receivables is impaired. The valuation of loans and other receivables is a key audit matter in the audit taking into consideration the absolute and relative size of the balance sheet item, and the fact that the accounting for impairment of loan receivables requires management's judgment over timing of recognition of impairment.	Our audit of impairment of loans and other receivables included an assessment of the valuation principles and valuation model and also going through the related processes and the testing of the controls. The purpose of our processes and controls testing was to ascertain that the group evaluates based on the group's principles whether there is objective evidence that a single receivable or a group of receivables is impaired. We also tested individual accounting entries on a sample basis and performed detailed substantive procedures related to the accuracy of the details used in the evaluation of the loan receivables. We have also assessed the appropriateness of the notes in the consolidated financial statements regarding loans and other receivables.

Valuation of investment properties

Refer to note K29 in the consolidated financial statements for the related disclosure

In the group financial statements 31.12.2023 investment properties totalled 57.3 million euros, which is 1.6% of the group balance sheet (3 619.1 million euros). Investment properties mainly consist of land areas intended to be used as residential property as well as shares in housing companies and investments in shares in housing companies under construction.

The investment properties are exposed to impairment risk. If an asset item is recognized on the balance sheet at a value higher than the recoverable amount, an impairment loss is recorded.

The valuation of investment properties is a key audit matter due to the size of the balance sheet item and as the accounting for investment properties requires management's judgment over timing of recognition of impairment and especially over fair valuation of the investment properties.

In our audit of the valuation of investment properties, we assessed the valuation process, the control environment and assessed the valuation principles of the investment properties, impairment principles, as well as the valuation model.

We also examined individual accounting entries and performed testing on the investment properties valuations against the results of external evaluations or the group's valuation model.

We assessed the parameters used in the group's valuation model against market prices or other sources and assessed the valuation results.

We have also assessed the appropriateness of the notes in the consolidated financial statements regarding investment properties.

In addition to the matters described above, we have no other key audit matters to report with regard to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred in point (c) of Article 10(2) of Regulation (EU) No 537/2014 relating to the consolidated financial statements or the parent company's financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 27 March 1996. Our appointment represents a total period of uninterrupted engagement of 28 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 1 March 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

HYPO

The Mortage Society of Finland | Suomen Asuntohypopankki Oy
Street address: Yrjönkatu 9 A | 00120 HELSINKI
Mailing address: P.O. Box 509 | 00101 HELSINKI
Tel. +358 9 228 361 | hypo@hypo.fi | **www.hypo.fi**

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