THE MORTGAGE SOCIETY OF FINLAND

Interim Report
1 January–31 March 2024

The Interim Report for the period of 1 January 2024 to 30 June 2024 will be published on 9.8.2024.

Hypo Group's Interim Report can be accessed on Hypo's website.

Hypo Group’s January–March 2024

The home finance specialist Hypo Group’s operating profit grew significantly and capital adequacy and liquidity strengthened

CEO Ari Pauna:

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

- Operating profit was EUR 2.1 million (EUR 0.4 million 1–3/2023)
- Net interest income was EUR 4.8 million (EUR 4.8 million 1–3/2023)
- Non-performing loans remained low at 0.20% of loan book (0.19% 31 December 2023)
- Expected credit losses were 0.01% of the loan book (0.01% 31 December 2023)
- Net fee and commission income were EUR 1.1 million (EUR 1.0 million 1–3/2023)
- Other income was EUR 0.4 million (EUR 0.2 million 1–3/2023)
- Total costs decreased to EUR 4.3 million (EUR 5.6 million 1–3/2023)
- Common Equity Tier 1 (CET1) ratio, calculated with the standardized approach and the basic indicator approach, was 14.6% (14.2% on 31 December 2023)
- Liquidity Coverage Ratio (LCR) was 305.5% (326.4% on 31 December 2023)

HYPO GROUP'S KEY FIGURES

(1,000 €)	1-3/2024	1-3/2023	1-12/2023
Net interest income	4,793	4,777	18,204
Net fee and commission income	1,148	1,021	4,697
Total other income	399	214	2,106
Total expenses	-4,271	-5,598	-16,504
Operating profit	2,069	414	8,503
Receivables from the public and public sector entities	2,794,638	2,787,297	2,785,973
Deposits	1,703,531	1,323,573	1,562,999
Balance sheet total	3,724,570	3,626,570	3,619,094
Return on equity (ROE) %	4.3	0.4	4.5
Common Equity Tier 1 (CET1) ratio %	14.6	13.6	14.2
Cost-to-income ratio %	67.4	91.5	65.5
Non-performing assets % of the loan portfolio	0.20	0.14	0.19
LTV-ratio (Loan to Value, average) %	30.3	30.5	30.3
Loans / deposits %	163.5	210.6	178.2
Liquidity Coverage Ratio (LCR) %	305.5	142.4	326.4
Net Stable Funding Ratio (NSFR) %	110.2	114.0	112.0
Leverage Ratio (LR) %	3.9	3.7	3.9

Calculation of key figures and definitions are set out below.

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HYPO GROUP

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

Our customer promise – a *secure way for better living* – guides all our operations. Over 23 thousand customers in growth centers have already taken us up on our promise.

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

Suomen Asuntohypopankki offers its customers deposit products and residential land trustee services. Suomen Asuntohypopankki Oy is a member of the Deposit Guarantee Fund and a deposit bank wholly owned by The Mortgage Society of Finland.

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

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

OPERATING ENVIRONMENT

Global economic growth remained slow, but stable in the first quarter of the year. Falling inflation, favorable wage trends and the employment situation supported the development of the global economy. 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 first quarter, indicating an improvement in the global growth outlook at the beginning of the year.

The EURO STOXX Index rose approximately 10% in the first quarter. The Governing Council of the ECB kept its key interest rates unchanged at both its January and March meetings. 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 rose slightly from January to March. The short-term Euribor rates remained close to 4%, but the 12 months Euribor settled at 3.669 percent by the end of March.

The Finnish working day adjusted change of total output grew by nearly 1% in February from a year ago. In February the number of employed individuals was 11,000 higher than the previous year, while the number of unemployed also increased by 34,000 from a year ago. Consumer confidence improved from January to March compared to the end of last year but was still at a generally weak level.

According to preliminary data, the prices of old dwellings in the whole country fell by over 5% from the previous year in January to February. During the same period, prices in the metropolitan area decreased by about 7%, while in the whole country excluding greater Helsinki the decline was close to 4%. Home sales volumes decreased more than 10% from January to February compared to the previous year. The housing market at the beginning of the year was negatively affected by the government's decision in October about the removal of the transfer tax exemption for first-time home buyers starting from January 1, 2024. The number of apartments available for sale remained high in the whole country. The housing loan stock year-on-year growth rate was -1.4% at the end of February, when the average interest rate on mortgage loans was 4.08% and the average interest rate on new housing loans was 4.37%.

The number of housing starts for residential buildings rose slightly from December to February compared to the previous year, but were at a low level at the beginning of the year. The year-on-year change in consumer prices was 2.2% in March.

The downward trend in interest rates will support households' purchasing power, housing sales and loan demand in Hypo's operating areas this year. The need for repairs to residential buildings continues to grow, which supports the need and demand for housing companies' renovation loans. The growth of cities and new construction also create good conditions for the growth of plot funds managed by Hypo.

KEY EVENTS

During the year 2024, Hypo Group focuses on strengthening its core businesses and profitability.

Hypo started to utilize the positive credit register in March 2024.

Since the maximum number of operating periods for audit firms was reached, the audit cooperation with PricewaterhouseCoopers Oy for more than 20 years came to an end. The General Meeting of the Mortgage Society of Finland selected Ernst & Young Oy as auditor with Mr. Miikka Hietala, APA, as the auditor-in-charge.

Through a new 'Deposit button' on Hypo's website, it is ever easier to open a term deposit in our deposit bank, Suomen Asuntohypopankki.

The amount of non-performing loans remained on a low level. The three-tiered Forward-Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) remained at the intermediate level.

RESULTS AND PROFITABILITY

January–March 2024

Hypo Group's operating profit was EUR 2.1 million (EUR 0.4 million for January–March 2023).

Income increased by 5.5% from the previous year and totaled EUR 6.3 million (EUR 6.0 million). Net interest income remained on the same level and was EUR 4.8 million (EUR 4.8 million). Net fee and commission income totaled EUR 1.1 million (EUR 1.0 million). Net income from investment properties (housing units and residential land) amounted to EUR 0.5 million (EUR 0.5 million).

Expenses decreased by 23.7% from the comparison period and totaled EUR 4.3 million (EUR 5.6 million). The decrease was mainly due to the Group's provision for contribution to the Resolution Fund in the comparison period. Contribution to the Resolution Fund will not be paid in 2024.

Hypo Group's other comprehensive income EUR 2.1 million (EUR 0.2 million) includes EUR 1.7 million (EUR 0.1 million) profit for the year and other comprehensive income, after tax items EUR 0.4 million (EUR 0.1 million).

PERSONNEL

On 31 March 2024, the number of permanent personnel was 65 (67 on 31 December 2023). These figures do not include the CEO and the vice CEO.

ASSETS AND LIABILITIES

Lending

During the financial period, the loan portfolio remained almost on the same level and was EUR 2,784.7 million 31 March 2024 (EUR 2,786.0 million on 31 December 2023).

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

The weighted average Loan-to-Value ratio of the loan portfolio remained on a strong level and was 30.3% (30.3%) at the end of the financial period.

The amount of non-performing loans were EUR 5.6 million (EUR 5.2 million), representing 0.20% (0.19%) of the loan portfolio. The expected credit losses in balance sheet remained on same level as previous year, EUR 0.3 million (EUR 0.3 million).

Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totaled EUR 787.5 million (EUR 686.4 million on 31 December 2023), which corresponds to 21.1% (19.0%) of the total assets. The cash and cash equivalents which totaled EUR 785.5 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market. 90.9% (100.0%) of debt securities had a credit rating of at least 'AA-' or were of equivalent credit quality and 94.5% (100.0%) were ECB repo eligible. Liquidity covers wholesale funding cash flows for the following 23 months. The Liquidity Coverage Ratio remained on a strong level and was 305.5% (326.4%).

The defined benefit plans surplus of EUR 7.4 million (EUR 6.9 million) from the Mortgage Society of Finland's pension fund has been recognized in the Group's other assets.

Hypo Group offers rental apartments and residential land for its customers. Hypo Group's properties are in selected growth centers, mainly in the Helsinki Metropolitan Area. The difference between the fair value and the book value of the properties totaled EUR 4.9 million (EUR 4.6 million).

Derivative contracts

The balance sheet values of derivative assets and margin call receivables were EUR 75.6 million on 31 March 2024 (EUR 70.2 million on 31 December 2023), and the value of derivative liabilities was EUR 85.7 million (EUR 95.0 million). The amount of derivative liabilities is explained with the values of hedging derivatives for covered bonds and with collateral arrangements for derivatives.

Deposits and other funding

The total amount of deposits increased by 9.0% and was EUR 1,703.5 million at end of the financial period (EUR 1,563.0 million on 31 December 2023). The share of deposits accounted for 49.2% (46.3%) of total funding.

The total nominal amount of covered bonds was EUR 1,770.0 million (EUR 1,770.0 million) at the end of the financial period. The total nominal amount of certificates of deposit was EUR 35.0 million (EUR 48.0 million).

The share of long-term funding of total funding was 40.1% on 31 March 2024 (42.3%). The Group's NSFR-ratio at the end of the financial period was 110.2% (112.0%).

The total funding grew and was EUR 3,460.8 million at the end of the financial period (EUR 3,335.0 million).

CAPITAL ADEQUACY AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 160.3 million (EUR 158.2 million on 31 December 2023). The changes in equity during the financial period are presented in the Group's statement of changes in equity attached to this report.

The Group's CET1 capital in relation to risk-weighted assets on 31 March 2024 was 14.6% (14.2% on 31 December 2023). Profit for the financial period is included in the Common Equity Tier 1 capital, with the permission from the Finnish Financial Supervisory Authority (The Finnish FSA). In measuring credit risk, the standardized approach is used. The Group's own funds are quantitatively and qualitatively on an adequate level in relation to the Group's current and future business. At end of the financial period, the Group's Leverage Ratio was 3.9% (3.9%).

The Group's total capital requirement at the end of the financial period was 12.00%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on 0.75%, indicative capital add-on 0.75% and countercyclical buffer requirements of foreign exposures.

The Finnish FSA has on 23 October 2023 set an indicative additional capital recommendation of 0.75% of total risk for The Mortgage Society of Finland Group. The indicative additional capital recommendation should be covered with CET1 capital. The recommendation entered into force on 31 March 2024 and is in force until further notice.

The Finnish Financial Stability Authority has on 25 April 2023 set a minimum requirement of own funds and eligible liabilities (MREL) as stated in the act on the Resolution of Credit Institutions and Investment Firms (1194/2014) chapter 8, section 7 for the Mortgage Society of Finland, applying from 25 April 2023. The requirement will consist solely of the loss absorption amount (LAA) according to the act 1194/2014 chapter 8, section 7, subsection 2, paragraph 1. It can be covered with the same own funds as the capital adequacy requirement. This decision overrules the previous decision from the Finnish Financial Stability Authority dated 28 April 2021.

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

The Finnish 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.

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

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

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	31/3/2024	31/12/2023
Common Equity Tier 1 capital before deductions	160,266	158,207
Deductions from Common Equity Tier 1 capital	-11,418	-15,973
Total Common Equity Tier 1 capital (CET1)	148,849	142,234
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	148,849	142,234
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	148,849	142,234
Total risk weighted assets	1,021,419	999 966
of which credit risk	955,601	932 467
of which market risk (foreign exchange risk)	-	-
of which operational risk	47,743	47 743
of which other risks	18,075	19 755
CET1 Capital ratio (CET1-%)	14.6	14.2
T1 Capital ratio (T1-%)	14.6	14.2
Total capital ratio (TC-%)	14.6	14.2
Minimum capital	5,000	5,000

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 March 2024, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

On 10 April 2024 Hypo issued a EUR 300 million covered bond to replace a covered bond that matures on 28 June 2024.

FUTURE OUTLOOK

According to Hypo's estimate Finland's economic growth is weak this year, during which labour markets cool down and foreign trade stagnates but the outlook for the economy improves towards the end of the year. 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 will remain low, but the production of completed dwellings 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, which increases housing sales and the demand for mortgages and housing company loans, especially in Hypo's most important operating areas.

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

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

Helsinki, 30 April 2024

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	**1-3/2024**	**1-3/2023**	**2023**
Interest income	42,805	21,430	130,732
Interest expenses	-38,012	-16,653	-112,528
NET INTEREST INCOME	4,793	4,777	18,204
Fee and commission income	1,190	1,036	4,863
Fee and commission expenses	-42	-15	-166
Net income from financial instruments at fair value	-76	-327	-2,517
Net income from investment properties	456	544	2,431
Other operating income	19	-3	2,192
Personnel expenses	-2,267	-1,754	-8,321
Administrative expenses	-1,224	-1,008	-4,460
Total personnel costs and administrative expenses	-3,491	-2,762	-12,781
Depreciation and impairment losses on tangible and intangible assets	-385	-370	-1,611
Other operating expenses	-396	-2,369	-1,993
Final and expected credit losses	2	-97	-119
OPERATING PROFIT	2,069	414	8,503
Income taxes	-364	-281	-1,556
PROFIT FOR THE PERIOD	**1,705**	**133**	**6,947**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	**1-3/2024**	**1-3/2023**	**2023**
Profit for the period	1,705	133	6,947
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	-26	-64	-125
	-26	-64	-125
Items that may not be included in the income statement at a later date			
Revaluation of defined benefit pension plans	380	140	288
Adjustment to previous years retained earnings	0	0	614
	380	140	902
Other comprehensive income, after tax, total	354	76	777
COMPREHENSIVE INCOME FOR THE PERIOD	**2,059**	**209**	**7,724**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31/3/2024	31/12/2023	31/3/2023
ASSETS			
Cash	592,078	520,670	558,472
Debt securities eligible for refinancing with central banks	172,234	146,386	101,502
Receivables from credit institutions	11,203	17,390	32,614
Receivables from the public and public sector entities	2,794,638	2,785,973	2,787,297
Shares and holdings	24	24	24
Derivative contracts	13,769	18,232	6,457
Intangible assets	9,999	10,175	10,579
Tangible assets			
Investment properties	57,115	57,306	50,470
Other tangible assets	931	1,002	4,933
	58,046	58,308	55,404
Other assets	71,691	60,385	72,347
Accrued income and advances paid	876	1,540	1,868
Deferred tax receivables	13	9	6
TOTAL ASSETS	**3,724,570**	**3,619,094**	**3,626,570**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31/3/2024	31/12/2023	31/3/2023
LIABILITIES			
Liabilities to credit institutions			
To central banks	51,855	51,349	49,947
To credit institutions	20,287	20,004	0
	72,142	71,354	49,947
Liabilities to the public and public sector entities			
Deposits	1,703,531	1,562,999	1,323,573
Other liabilities	5,865	6,204	7,067
	1,709,395	1,569,203	1,330,640
Debt securities issued to the public	1,679,263	1,694,460	1,961,006
Derivative contracts	71,991	74,793	104,361
Other liabilities	19,047	38,788	15,670
Deferred expenses and advances received	2,544	2,465	4,282
Deferred tax liabilities	9,921	9,825	9,971
EQUITY			
Basic capital	5,000	5,000	5,000
Other restricted reserves			
Reserve fund	37,712	36,219	36,219
Fair value reserve			
From valuation at fair value	31	57	118
Defined benefit pension plans			
Acturial gains/ losses	5,856	5,476	5,328
Unrestricted reserves			
Other reserves	22,924	22,924	22,924
Retained earnings	87,038	81,584	80,970
Profit for the period	1,705	6,947	133
	160,266	158,207	150,692
TOTAL LIABILITIES AND EQUITY	**3,724,570**	**3,619,094**	**3,626,570**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2023	5,000	34,537	5,371	22,924	82,652	150,483
Profit for the period					133	133
Adjustment to previous years retained earnings						0
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-80			-80
Change in deferred taxes			16			16
Revaluation of defined benefit plans						
Actuarial gains / losses			175			175
Change in deferred taxes			-35			-35
Total other comprehensive income, after tax	0	0	76	0	0	76
Transactions with owners of the bank						
Distribution of profits		1,682			-1,682	0
Equity 31 March 2023	**5,000**	**36,219**	**5,447**	**22,924**	**81,103**	**150,692**
Equity 1 January 2024	5,000	36,219	5,534	22,924	88,531	158,207
Profit for the period					1,705	1,705
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-33			-33
Change in deferred taxes			7			7
Revaluation of defined benefit plans						
Actuarial gains / losses			475			475
Change in deferred taxes			-95			-95
Total other comprehensive income, after tax	0	0	354	0	0	354
Transactions with owners of the bank						
Distribution of profits		1,493			-1,493	0
Equity 31 March 2024	**5,000**	**37,712**	**5,888**	**22,924**	**88,744**	**160,266**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-3/2024	1-3/2023
Cash flow from operating activities		
Interest income and fees received	44,072	22,513
Interest and fees paid	-38,564	-16,560
Credit losses	2	-98
Personnel, administrative and other operating expenses paid	-3,601	-3,284
Income taxes paid	258	-106
Total net cash flow from operating activities	**2,166**	**2,465**
Operating assets increase (-) / decrease (+)		
Receivables from customers	-11,669	-31,146
Cash collaterals, derivatives	-16,226	5,925
Other operating assets	-502	-209
Operating assets increase (-) / decrease (+) total	**-28,398**	**-25,430**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	140,532	-143,098
Other operating liabilities	215	-156
Operating liabilities increase (+) / decrease (-) total	**140,747**	**-143,254**
NET CASH FROM/USED IN OPERATING ACTIVITIES	**114,515**	**-166,219**
Cash flows from investing activities		
Income received from financial instruments measured at fair value	7,955	20,449
Expenses paid from financial instruments and measured at fair value	-8,031	-20,776
Income received from investment properties	679	796
Expenses paid from investment properties	-1,284	-535
Proceeds from disposal of investment properties	243	257
Acquisition of investment properties	-56	0
Proceeds from disposal of fixed assets	-138	-658
NET CASH FROM /USED IN INVESTING ACTIVITIES	**-631**	**-467**
Cash flows from financing activities		
Financial liabilities, new withdrawals	28,955	267,634
Financial liabilities, repayments	-41,703	34,389
Other liabilities, new withdrawals	7,915	4,356
Other liabilities, repayments	-8,013	-4,802
NET CASH FROM/USED IN FINANCING ACTIVITIES	**-12,846**	**301,577**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**101,038**	**134,891**
Cash and cash equivalents at the beginning of the period	684,447	**558,277**
Cash and cash equivalents at the end of the period	785,485	**693,168**
CHANGE IN CASH AND CASH EQUIVALENTS	**101,038**	**134,891**

NOTES

1. Key accounting policies

This Interim Report applies the same IFRS Accounting Standards as the Group’s Financial Statements on 31 December 2023. The Interim Report has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. No other new standards or interpretations with material effect on Hypo Group’s financial position, profit or equity, entered into force in the financial period beginning 1 January 2024.

The Interim Report does not contain all information or notes that are required in the Annual Financial Statements. The Interim Report should be read in conjunction with the Group’s Financial Statements 2023 and Stock Exchange Releases published during 1 January to 31 March 2024. The figures in the tables in the Interim Report are presented in thousands of euros.

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

The Interim Report has not been audited.

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

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

2. New standards and interpretations

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

3. Issuances and repayments of debt securities and equity instruments

Issuances, repayments and repurchases of debt securities appear on cash flow statement for the period from 1 January to 31 March 2024. Equity instruments have not been issued nor repaid during the period from 1 January to 31 March 2024.

4. Capital Adequacy Information

Hypo Group's own funds and capital ratios

(1000 €)	31/3/2024	31/12/2023
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	5,000	5,000
of which: Basic capital	5,000	5,000
Retained earnings	87,038	81,584
Accumulated other comprehensive income and other reserves	66,523	64,676
Independently reviewed interim profits net of any foreseeable charge or dividend	1,705	6,947
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**160,266**	**158,207**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	-5,247	-4,760
Deferred tax assets that rely on future profitability	-13	-9
Value adjustments due to the requirements for prudent valuation	-268	-239
Defined benefit pension fund assets	-5,890	-10,965
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-11,418**	**-15,973**
Common Equity Tier 1 (CET1) capital	148,849	142,234
Additional Tier 1 (AT1) capital	-	-
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	**148,849**	**142,234**
Total risk weighted assets	**1,021,419**	**999,966**
Capital ratios and buffers		
Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount	14.6	14.2
Tier 1 (T1) as a percentage of total risk exposure amount	14.6	14.2
Total capital as a percentage of total risk exposure amount	14.6	14.2

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013).
The capital requirement for credit and counterparty credit risk is calculated using the standardized approach.
The capital requirement for operational risk is calculated using the basic indicator approach.
No restrictions applied in the EU's Capital Requirements Regulation (575/2013) compliant own funds calculation and no elements of own funds other than what is laid down in this regulation is used.

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

(1000 €)

31/3/2024

Credit and counterparty risks	Original exposure pre conversion factors	Exposure value	Risk weighted exposure amount after SME-supporting factor	Own funds requirement
Exposures to central governments or central banks	674,704	720,985	-	-
Exposures to regional governments or local authorities	32,643	38,440	-	-
Exposures to international organisations	2,126	2,126	-	-
Exposures to credit institutions	79,845	99,038	38,811	3,105
Exposures to corporates	51,906	12,037	11,183	895
Retail exposures	59,645	19,636	13,717	1,097
Exposures secured by mortgages on immovable property	2,889,234	2,785,066	818,196	65,456
Exposures in default	5,489	5,358	5,472	438
Exposures in the form of covered bonds	38,261	38,261	3,826	306
Equity investments	24	24	24	2
Other items	64,681	64,681	64,372	5,150
Total	3,898,557	3,785,650	955,601	76,448
Operational risk			47,743	3,819
Other risks			18,075	1,446
All items in total	**3,898,557**	**3,785,650**	**1,021,419**	**81,714**

31/12/2023

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

Risk-weighting of the following exposures: sovereigns, regional governments, local authorieties, public sector entities, institutions and companies; is based on the ratings assigned by S&P Global ratings, Fitch and Moody's where applicable.
Own funds requirement for credit and counterparty risks have been calculated using eight percent requirement of risk-weighted exposures in accordance with the Article 438 of the EU's Capital Requirements Regulation (575/2013).
The other risk-weighted items consist of credit valuation risk (CVA).

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	31/3/2024	31/12/2023
Commitments given on behalf of a customer for the benefit of a third party		
Guarantees and other liabilities	3,840	
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	207,766	197,535
Total	211,606	197,535

6. Fair values of financial assets and liabilities

			31/3/2024		31/12/2023	
Publicly quated	Fair value determination principle		Book value	Fair value	Book value	Fair value
Debt securities	Fair value through other comprehensive income (FVOCI)	1	66,957	66,957	56,916	56,916
Debt securities	Option to designate a financial asset at fair value	1	105,277	105,277	89,470	89,470
Total			172,234	172,234	146,386	146,386
Debt securities issued to the public	Amortised cost	1	1,644,875	1,644,875	1,647,529	1,647,529
Total			1,644,875	1,644,875	1,647,529	1,647,529
Other						
Liquid assets	Amortised cost	1	592,078	592,078	520,670	520,670
Receivables from credit institutions	Amortised cost	2	11,203	11,203	17,390	17,390
Receivables from the public and public sector entities	Amortised cost	2	2,784,668	2,784,668	2,785,973	2,785,973
Debt securities	Fair value through other comprehensive income (FVOCI)	2	9,970	9,970		
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	13,769	13,769	18,232	18,232
Total			3,411,712	3,411,712	3,342,290	3,342,290
Liabilities to credit institutions	Amortised cost	2	72,142	72,142	71,354	71,354
Liabilities to the public and public sector entities	Amortised cost	2	1,709,395	1,709,395	1,569,203	1,569,203
Debt securities issued to the public	Amortised cost	1	34,388	34,388	46,931	46,931
Derivative contracts	Fair value through profit or loss (FVPL)	2	71,991	71,991	74,793	74,793
Total			1,887,915	1,887,915	1,762,281	1,762,281

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 or on other than quated verifiable prices. 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

7. Related party information

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

There have been no material changes in the related party transactions since 31 December 2023.

8. IFRS 9 expected credit losses by stage

(1000 €)	31/3/2024 Book value	31/3/2024 Expected credit loss allowance	31/12/2023 Book value	31/12/2023 Expected credit loss allowance
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	66,445	7	56,538	5
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2,725,296	15	2,746,419	13
Level 2, performing loans with a significant increase in credit risk	29,302	16	23,348	4
Level 3, non-performing loans	5,565	273	5,186	289
Total	**2,760,163**	**304**	**2,774,953**	**306**
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	211,606	1	197,535	0

There were no significant ECL-level transitions during the financial period. New loans were originated to level one.
The Forward Looking Factor (FLF) of the ECL model remained at level 1 during the financial period.
The level of FLF is evaluated monthly.
The book value contains contract principal amounts but not accrued interests.

(1000 €)	1–3/2024 Net expected credit losses with P&L impact	1–3/2023 Net expected credit losses with P&L impact	1–12/2023 Net expected credit losses with P&L impact
Debt instruments, FVOCI			
Level 1, performing loans, no significant increase in credit risk	-2	0	-5
Receivables from the public and public sector entities			
Level 1, performing loans, no significant increase in credit risk	-2	0	4
Level 2, performing loans with a significant increase in credit risk	-12	0	23
Level 3, non-performing loans	16	-100	-100
Total	**3**	**-100**	**-73**
Off-balance sheet commitments; granted but undrawn loans			
Level 1, performing loans, no significant increase in credit risk	-1	0	1

9. IFRS 15 Income distribution

Group's total income
(1000 €)

	1–3/2024	1–3/2023	2023
Interest income	42,805	21,430	130,732
Interest expense	-38,012	-16,653	-112,528
Net interest income	4,793	4,777	18,204
Net fee income			
from lending operations	486	526	2,454
from land trustee services	641	359	2,075
from other operations	21	135	168
Total net fee income	1,148	1,021	4,697
Net income from treasury operations	-76	-327	-2,517
Net income from investment properties	456	542	2,118
Capital gains on investment properties	0	1	314
Other income	19	-3	2,192
Non-interest income	399	214	2,106
Total income	6,340	6,012	25,006

10. IFRS 16 Leases

Hypo Group as lessee
(1000 €)

Right-of-use assets	**1-3/2024**	**1-3/2023**	**1–12/2023**
Depreciation - Apartments	17	5	86
Carrying amount - Apartments	122	35	350
Lease liabilities			
Interest expense	1	0	4
Carrying amounts sorted by remaining maturity			
Non-fixed-term leases	122	36	352
Relief options			
Expenses from leases of low-value assets	3	3	6

Hypo Group leases storage spaces and parking lots in Helsinki.

Hypo Group as a lessor
(1000 €)

Operative leases	**1-3/2024**	**1–3/2023**	**1–12/2023**
Lease income	517	353	1,660
Undiscounted lease payments to be received			
1 year	556	544	557
2 year	354	194	356
3 year	352	168	352
4 year	240	161	288
5 year	139	161	149
>5 years	4,006	4,289	4,035

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

11. Information concerning asset encumbrance

31 March 2024	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
(1000 €)		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	2,330,105	6,000	2,330,105	-	1,394,465	768,095	1,394,465	182,205
Equity instruments	-	-	-	-	24	-	24	-
Debt securities	-	-	-	-	182,205	182,205	182,205	182,205
Other assets, including lending	2,330,105	6,000	2,330,105	-	1,212,237	585,890	1,212,237	-

B - Collateral received	Unencumbered
	Fair value of collateral received or own debt securities issued available for encumbrance
Own covered bonds and asset-backed securities issued and not yet pledged	13,548

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	51,855	76,788
Debt securities issued to the public	1,644,875	2,191,497
Derivative contracts	49,850	61,819
Total	1,746,580	2,330,105

D - Information on the importance of encumbrance
The amount of assets reported under items A and C above does not include excess collateral except for covered bonds. Group's encumbered assets consist of debt securities, cover asset pool and cash collateral for derivative contracts that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.

Encumbered assets totaled EUR 2,330.1 million, out of which of covered bonds were EUR 2,191.5 million on 31 March 2024. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 182.2 million on 31 March 2024. EUR 286.8 million of unencumbered loans may be used as collateral for covered bonds.

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

B - Collateral received	Unencumbered
	Fair value of collateral received or own debt securities issued available for encumbrance
Own covered bonds and asset-backed securities issued and not yet pledged	14,445

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

D - Information on the importance of encumbrance
The amount of assets reported under items A and C above does not include excess collateral except for covered bonds. Group's encumbered assets consist of debt securities, cover asset pool and cash collateral for derivative contracts that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.

Encumbered assets totaled EUR 2,340.5 million, out of which of covered bonds were EUR 2,193.6.0 million on 31 December 2023. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 126.6 million on 31 December 2023. EUR 250.7 million of unencumbered loans may be used as collateral for covered bonds.

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

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

Definitions of Alternative Performance Measures:

Operating profit/profit before appropriations and taxes, million €	Interest income + income from equity investments + fee income + net income from financial assets at fair value through other comprehensive income + net income from financial instruments at FVPL + income from investment properties + other operating income – (personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses+ impairment losses on loans and other commitments)
Return on equity (ROE) %	$\frac{\text{Operating profit - income taxes}}{\text{Equity + accumulated appropriations less deferred tax liabilities (average total at the beginning and end of the period)}} \times 100$
Cost-to-income ratio %	$\frac{\text{Personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses}}{\text{Net interest income + income from equity investments + net fee and commission income + net income from financial instruments at FVPL + net income from available-for-sale financial assets + net income from investment properties + other operating income}} \times 100$
LTV-ratio (Loan to Value, average) %	$\frac{\text{Receivables from the public and public sector entities}}{\text{Fair value of collateral received against the receivables from the public and public sector entities}} \times 100$ 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.
Expected credit losses %	$\frac{\text{Expected credit losses from loans to the public in P\&L}}{\text{Lending to the public at the end of the period}} \times 100$
Loans/deposits %	$\frac{\text{Receivables from the public and public sector entities}}{\text{Deposits}} \times 100$
Deposits out of total funding %	$\frac{\text{Deposits}}{\text{Total funding}} \times 100$ 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.
Long-term funding out of total funding %	$\frac{\text{Total funding with a remaining maturity of 12 months}}{\text{Total funding}} \times 100$ 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.
Short-term liquidity, months	Coverage of short-term liquidity to wholesale funding cash flows (difference of days multiplied with 365 (days in a year)multiplied with 12 (months in a year))

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

Non-performing assets, % of the loan portfolio	$\frac{\text{Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days}}{\text{Receivables from the public and public sector entities}} \times 100$
LCR-ratio, %	$\frac{\text{Liquid assets}}{\text{Outflow of liquidity – Inflow of liquidity (within 30 days)}} \times 100$
NSFR-ratio, %	$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$
Leverage Ratio, %	$\frac{\text{Equity + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$
Common Equity Tier 1 (CET1) ratio %	$\frac{\text{Common Equity Tier 1, CET1}}{\text{Total risk}} \times 100$ 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).

Description of Alternative Performance Measures:

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

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

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

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

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

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

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

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

Number of personnel describes the personnel resources available.

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

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

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Translation

Report on Review of Suomen Hypoteekkiyhdistys' Interim Financial Information for the period 1.1–31.3.2024

to the Board of Directors of Suomen Hypoteekkiyhdistys

Introduction

We have reviewed the interim financial information for Suomen Hypoteekkiyhdistys, comprising the consolidated balance sheet as of 31.3.2024, consolidated statement of comprehensive income, statement of changes in shareholders' equity, cash flow statement and explanatory notes for the tree-month period then ended.

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information has not been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and other regulations governing the preparation of interim reports in Finland.

Helsinki, 30.4.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant