



HYPO



THE MORTGAGE SOCIETY OF FINLAND
ANNUAL REPORT 2024

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This is an unofficial English language translation of the original Finnish language release (Vuosikertomus 2024) 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.

HYPO TURNS ITS ATTENTION TO CUSTOMERS

It is time for Hypo to make a promise: We will respond to every loan application from target regions and customers even faster and in a more tailored and automated way, regardless of time and place. We will deliver better, more diverse and more competitive services for mortgage lending. We will 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.

We can turn our attention back to our customers and their needs now that Hypo's new banking system has been completed. Our promise is based on the fact that the Hypo Group is now operating with the most modern banking system in the Nordic countries, as the final stages of the system were completed and approved by the end of 2024. Overall, it took five years from start to finish to replace the technology. This is a major effort for a small bank, but the most important aspect is that our business continuity is now secured until the end of the 2030s.

Our new system allows us to develop our own products and services in a completely different way to what we were able to with the previous banking system solution, which was owned entirely by our competitors. In addition to the service structure, all our core systems related to finance, accounting and reporting have been renewed. The financial statements and balance sheets for 2023 and 2024 will be 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 their timeliness and accuracy.

We can now say in all respects that Hypo's reform program, launched in 2000 by the late Professor Jarmo Leppiniemi, the long-time Chair of the Board of Directors of the Hypo Group, has finally reached a stage where Hypo is independent not only in its funding, but also in its banking technology.

I am confident that we are heading safely toward our 170th anniversary in 2030, as we have also reformed our internal operations with determination. We are able to respond to all regulatory, financial, technological and profitability demands on our business independently, even if the uncertainty in our operating environment were to continue and deepen.

WE HAVE A HEALTHY LOAN PORTFOLIO

At the end of 2024, Hypo's loan portfolio stood at EUR 2,792 million, and our total committed loan exposure was EUR 3,000 million. For the purpose of comparison, our loan portfolio stood at EUR 281 million at the end of 2000 and EUR 725 million in 2012.



The growth of our loan portfolio and committed loan exposure was on par with market growth last year, despite the fact that, similar to the previous year, it included a 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. This millennium has seen the launch of deposit banking, IFRS financial reporting, land notary operations, an international credit rating, the launch of mortgage banking and the modernization of the entire banking technology and the related core information system solutions. On top of this, there was a significant increase in media recognizability and visibility with a marketing budget of around zero. 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.

Developments in the Finnish housing and mortgage markets support our belief in Hypo's chosen strategy to focus on the strongest market areas in selected parts of the country. The long-term change in the markets has continued despite the pandemic, war and major economic challenges, just as the predictions have shown. The resilience

and liquidity of the selected, best housing markets in the country will determine the direction and momentum going forward.

The volatile state of the rule-based international system is creating an unprecedented level of uncertainty throughout the world. The war in Ukraine may be winding down, but negotiations without the involvement of Ukrainians and Europeans risk creating open crises on the old continent. The back-and-forth between the superpowers puts countless other countries and territories at risk – Greenland, the Gaza Strip and Taiwan, for example. This is a concerning development and casts a dark shadow over current forecasts for the future regional structure in Finland as well, as the previous premises may change quite drastically.

However, the latest population forecasts reinforce our view that in the 2040s, there will only be three genuinely growing metropolitan regions left in Finland, these being 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, 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 inside many urban regions as well, there are various kinds of developments to be seen: the centers may grow while the populations in the surrounding areas may even decline.

We follow the specific development of each municipality through Hypo Regional Rating, which is updated and published regularly. The Regional Rating offers a clear, contemporary and new way to follow developments within Finland, also considering the global trends and challenges for anyone interested in the housing market. We look at the markets by municipality and also, in Helsinki, Tampere and Turku, by postcode area, through the eyes of a mortgage lender, by examining the risks and benefits in a transparent and analytical way.

DIVIDING LINE BETWEEN HOME OWNING AND HOME RENTING

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, where a leveraged loan is critical to a lessor's return on equity, the repayment depends of rental income, which in turn depends on collateral and is subject to competition between lessors.

Political decisions also have an effect of rental income. One is traditional, low risk financing of home owning, and the other is financing a rapidly grown housing business with higher risks.

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 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 construction backed by housing investors and large 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 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 with new conventional operators and new types of unconventional competition are entering the Finnish market. Competition for price and quality gets tougher every year. Banking technology, and artificial intelligence in particular, will divide banks into winners and losers in the 2030s. Only two Finnish banks have been able to completely modernize their banking technology. Hypo is one of them. More than 200 other banks have projects in various stages of incompleteness.

Nationwide operators are being challenged by the regional fragmentation 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. Another relevant, but sad, story of our time is told by the sentences on price cartels in the real estate management sector, the excesses of the rental sector and the bankruptcies among construction companies. Various negative phenomena have emerged in housing over the years, and we must not be naïve about them. Consumer and ownership protection must keep up with the changing environment, even if the phenomena are isolated cases.

CHANGE IS A CHALLENGE

The price and availability of long-term funding for lenders have become the decisive factors. Funding depends more and more on liquid housing collateral that holds its value, as competitive long-term funding is not available without it, nor will regulatory requirements be met. This trend is self-reinforcing and typical of the EU as a whole and of the Nordic countries and is especially challenging to us Finns,

as we continue to be very used to local banking funded with deposits, where all customers are equal for example in terms of credit availability and terms.

Recent years have taught us that households must consider even more carefully where in Finland and how they will 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 a housing company before buying an apartment. Are the homes in the housing company really owner-occupied or is it actually a rental home housing company? Are the owner or the lessors liable for the housing company loans in this housing company? Other important factors to consider include whether the building is located on a plot owned by the housing company or is the plot under a perpetual lease or can it be redeemed. And what is the condition of the underground infrastructure of the building and the site? Does the infrastructure work or is there a ticking time bomb hidden underground? 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.

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 at 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 ever more 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 also with 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, RAC (Risk Adjusted Capital) of about 18 percent, 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 recent years 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 at 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 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 interests 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 to a different rhythm from commercial banks and local transactional 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 the personnel of Hypo for the extremely hard, high-quality and profitable work undertaken for Hypo in the midst of the global crises and uncertain economic circumstances. 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 to 2024 have been a turning point for Hypo, and I am very confident about the years ahead. The early part of 2025 has shown that the turn toward growth has continued despite the challenges accumulating in the operating environment. While 2024 was year zero for the housing market, 2025 will be year one.

I would also like to separately thank the Chairs and members of the Board of Directors and the Supervisory Board for their unwavering and strong support in these uncertain times. 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 your continued input and guidance.

In particular, I would like to thank our Supervisory Board members Mikael Englund and Riitta Vahela-Kohonen and our Board members Kai Heinonen and Hannu Kuusela for their long-term hard work as members of the Board and the Supervisory Board of Hypo. You have all had a strong impact on Hypo's development from the early 2000s to the present day.

I would also like to thank Hannele Nyström, Päivi Salo and Maarit Valkeajärvi for their excellent and diligent long-term work in various mortgage lending and other management positions in many different areas of responsibility. On my own behalf and on behalf of all Hypo employees, I wish you a carefree retirement.

Finally, I would especially like to thank our many customers, old and new, for their growing interest in the 164-year-old Hypo Group and all its services.

A Secure Way for Better Living.

Helsinki, February 15, 2025

Ari Pauna
CEO



Sustainability (ESG – Environmental, Social, Governance) is naturally reflected in Hypo Group’s operations in many ways. Our core business area is housing finance, through which we promote our customers’ well-being and enable their wealth accumulation by increasing homeownership. Concrete actions to mitigate climate change, such as increasing energy efficiency projects and renovation projects aimed at promoting renewable energy sources, present business opportunities for Hypo.

Materiality analysis of climate and environmental risks relevant to Hypo’s operations was completed in spring 2024, and preliminary results of the double materiality analysis which are the basis of sustainability reporting have been obtained. These results will be refined as we engage with stakeholders on key sustainability topics in housing finance throughout 2025. In 2025, we will advance the development of a sustainability program and start setting indicators and targets for our key sustainability topics. Over the coming years, our sustainability goals will be integrated into the bank’s business operations, risk and capital management, principles, guidelines, and reporting.

REGULATORY FRAMEWORK

The EU has made significant efforts in recent years to develop common rules for assessing sustainability. A key regulation in this area is the Taxonomy Regulation, which establishes a unified set of criteria for environmentally sustainable economic activities. The goal is to direct an increasing share of capital flows toward sustainable investments. The classification framework set in the Taxonomy Regulation also serves as the foundation for the EU’s Corporate Sustainability Reporting Directive (CSRD), which creates common frameworks

for sustainability reporting and assessment. Hypo Group will apply the Taxonomy Regulation and CSRD from the financial year starting January 1, 2025, and will report accordingly for the first time in the 2025 financial statements. In conjunction with this, IFRS sustainability disclosure standards S1 and S2 will also be applied.

From January 1, 2025, the EU’s Capital Requirements Regulation will define ESG risks and impose reporting and disclosure obligations that banks must comply with in risk management, regulatory reporting, and financial statement disclosures. Additional requirements for managing ESG risks will also be introduced through the EU’s Capital Requirements Directive, as its new requirements are implemented into national legislation by January 10, 2026.

ENVIRONMENTAL

Through our housing solutions, we aim to contribute to mitigating climate change

The results of our climate and environmental risk materiality analysis indicate that financing opportunities for energy efficiency improvement projects create potential for the growth of our lending business. The key findings of the analysis have been integrated into the bank’s business planning and capital management during 2024. Environmental goals have also been incorporated into the principles guiding lending decisions and risk management.

Customers and investors are increasingly interested in green financing and green investment products. Hypo’s single-branch model and focus on housing finance are key factors that limit the impact of climate and environmental risks in our operations. At the same time, the transition

to a lower-emission and more energy-efficient living environment creates growth opportunities for us. Hypo does not finance agriculture or forestry and does not engage in corporate financing, meaning that the main physical impacts of climate and environmental risks are limited to our office building and the physical damages that extreme weather events may cause to our collateral portfolio in certain areas. The most important measures for managing climate and environmental risks in our collateral portfolio, in addition to a low loan-to-value (LTV) ratio, are the diversification of our collateral portfolio and the presence of real estate insurance. No significant transition or physical risks affecting customers' repayment ability were identified.

Two-thirds of Hypo's loan portfolio consists of loans granted for various renovations in housing companies, which help extend the lifespan of existing buildings. Hypo has also collaborated with the Nordic Investment Bank (NIB) for over a decade through loan programs aimed at financing environmental investments in residential buildings. Funding granted under the NIB cooperation is primarily directed at energy efficiency improvement projects in housing companies.

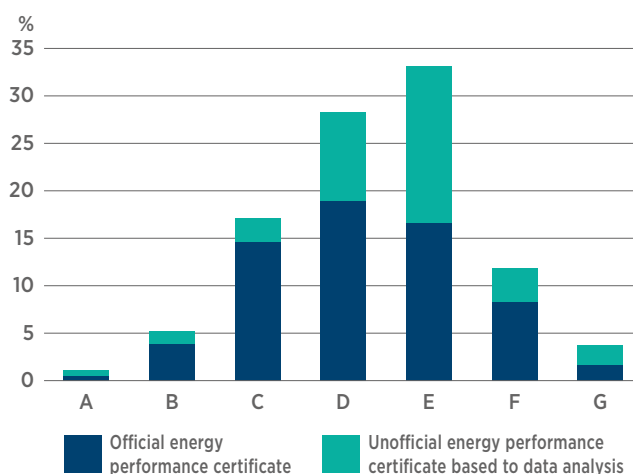
From a housing finance perspective, key sustainability topics include the energy solutions of financed properties, sustainable construction techniques, the selection of sustainable building materials, and the geographical location of properties in relation to the risk of extreme weather events. The Regional Rating, which Hypo publishes examines Finland's regional housing markets from a housing finance perspective, considering various environmental and climate factors as well as other sustainability elements.

Energy efficiency of collateral portfolio

In 2024, we collected for the first time data on energy efficiency certificates of the collateral in our loan portfolio. We have also modeled, in collaboration with our partner, the calculation of the carbon footprint of mortgage-backed loans and the energy efficiency data for the collateral portfolio. The analysis indicates that the energy efficiency of Hypo's real estate collateral correspond to the average of residential properties in Finland, considering the construction years of the buildings.

The data collected for collateral will be utilized in setting the targets of the sustainability program. Renovations aimed at improving energy efficiency in the lowest energy classes are the most effective way to enhance the average energy efficiency of the real estate collateral held by Hypo.

Energy classes of real estate collateral



Carbon footprint of our own operations

We calculated the carbon footprint of Hypo's operations for the first time based on 2024 activities. The results will serve as the foundation for setting sustainability program targets.

The carbon footprint represents the amount of greenhouse gas emissions generated by the bank's operations. Greenhouse gas emissions are presented as carbon dioxide equivalents (CO₂e), which reflect the global warming potential of different greenhouse gases converted into the equivalent impact of carbon dioxide. Hypo's carbon footprint has been calculated following the GHG Protocol guidelines.

Hypo's total emissions in 2024 amounted to 1,366 tCO₂e. Majority of the emissions came from indirect value chain emissions (Scope 3), which totaled 1,333 tCO₂e. There were no direct emissions (Scope 1),

and indirect emissions from purchased energy (Scope 2) amounted to approximately 32 tCO₂e. Procurement of products and services accounted for nearly 95% of total emissions, with IT services being the largest single contributor, making up 51% of Hypo's total emissions.

During 2025, we will expand the carbon footprint calculation to include Hypo's own investments and loans granted to customers. The accuracy of the calculation will further improve as we receive carbon footprint data from our key service providers.

SOCIAL

We promote debt-free homeownership

Our customer promise, "Better living. Safely." encapsulates our goal of increasing well-being responsibly by taking care of housing wealth. Our expertise enables us to actively participate in public discussions on housing markets and the economy, offering insights in an accessible and realistic manner.

Hypo developed the Plot Concept in the early 2000s to lower the threshold for homeownership by separating the cost of land from the purchase price of a home. Over its 20-year lifespan, the Plot Concept has become an essential part of housing finance solutions, particularly in growth centers.

We treat our employees fairly

Hypo actively takes care of employee well-being by investing in comprehensive occupational health services and other employee benefits. Employee turnover is low, and Hypo has a large number of long-term, committed staff. Work endurance and well-being are regularly monitored through BBI and NPS surveys. The principles of human resource management, which are regularly updated, set objectives for equality and non-discrimination, and their implementation is continuously monitored. As part of the employee reward system, our pension fund Suomen Hypoteekkiyhdistyksen eläkesäätiö s.r. provides additional pension benefits, ensuring financial security for employees well into the future.

In 2024, Hypo paid a total of EUR 7.2 million in salaries (EUR 6.8 million in 2023), along with EUR 3.1 million (EUR 3.7 million in 2023) in pension costs, other indirect costs, and taxes.

Hypo has outsourced its banking IT services to partner companies. As part of our sustainability efforts, we engage in discussions with our partners regarding their responsible treatment of employees.

GOVERNANCE

Our corporate culture is transparent, and our operations are guided and monitored

Hypo operates responsibly in all aspects of its business, adhering to good banking practices, regulatory requirements, and supervisory guidelines. Regarding good governance, Hypo applies the Corporate Governance Code for Finnish listed companies in its administration. As a mutual company, Hypo's financial results remain within the organization to grow Finnish housing wealth.

To serve our stakeholders, especially investors, our financial reporting follows international IFRS principles and is published also in ESEF format. From fiscal year 2025 onwards, the consolidated financial statements will also include sustainability reporting elements.

As a financial sector operator, Hypo is subject to extensive regulations, regulatory guidelines, and reporting requirements. The goal of banking regulation is to ensure banks' operational capability in all situations and to make their activities open and transparent to all stakeholders.

Regulations concerning customer due diligence, anti-money laundering, and counter-terrorist financing are fundamental principles of banking operations. Compliance, monitoring, and implementation of these regulations now constitute a significant part of banking activities. When successfully executed, they ensure that customers' information and assets remain secure and that the bank does not receive regulatory reprimands. Hypo has performed well in fulfilling this core responsibility.

We strive to ensure a positive customer experience and adequate customer protection in all situations. We actively collect customer feedback and provide channels for anonymous reporting and dispute resolution through independent advisory services.

HISTORY OF HYPO

The year 2024 was the 164th 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.
- 2024** 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.

THE MORTGAGE SOCIETY OF FINLAND GROUP

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

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 Asuntopankki Oy (hereinafter also referred to as "the Bank" or "Suomen Asuntopankki"), a wholly owned subsidiary of the parent company, is a deposit bank that offers its customers deposit products and trustee services. Acting as a deposit bank, Suomen Asuntopankki also pays deposit guarantee contributions to the Deposit Guarantee Fund managed by the Financial Stability Authority.

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 Asuntopankki are supervised by the Finnish Financial Supervisory Authority (hereinafter also referred to as FIN-FSA).

S&P Global Ratings (S&P) has assigned a 'BBB/A-2' issuer credit rating with stable outlook to The Mortgage Society of Finland (4 October 2024).

Rating for the covered bonds of the Mortgage Society of Finland is 'AAA' with stable outlook (S&P Global Ratings Cover pool 1 4th June 2024 and Cover Pool 2 24 December 2024).

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. Its goal is to offer a competitive alternative for financing housing company customers' renovation needs and individual customers' housing solutions to their benefit. The group continues to strengthen its market position in its core business, which focuses on lending that qualifies for covered bonds.

KEY EVENTS OF THE YEAR 2024

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

On 10th of April the Mortgage Society of Finland issued a covered bond of 300 million euros to refinance the matured cover bond on 28th of June 2024. On 25 September 2024 the Mortgage Society of Finland paid off its TLTRO III loan (EUR 50 million) and therefore has no longer funding from the ECB.

OPERATING ENVIRONMENT

Global economic growth remained moderate but stable during 2024. Falling inflation, favorable wage trends and the employment situation nevertheless supported the development of the global economy. Tight monetary policy has further weakened growth, but slowing inflation supports overall economic demand. Global crises and tensions have increased uncertainty as Russia's war of aggression in Ukraine continues and uncertainty remains regarding the situation in the Middle East. The future foreign policy of the United States can also create risks for international trade. The global composite output Purchasing Managers' Index has risen slightly from a year ago, which indicates a gradual recovery of the global growth outlook.

The Eurozone STOXX index rose by 6 percent during the year. The Governing Council of the ECB continued its interest rate cuts in December by 0.25 percentage points, and the key interest rate was cut a total of four times during the year. 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 discontinued reinvestments under the pandemic emergency purchase programme at the end of 2024. The long-term risk-free interest rates rose during the year. The short-term Euribor rates were on a sharp decline, and the 12 months Euribor settled at 2.46 percent by the end of December.

Gross domestic product shrank on an annual basis but the working day adjusted change of total output grew by 0.9 percent in December from the previous year's level. In December the number of employed individuals was 56 000 lower than the previous year, while the number of unemployed increased by 27 000 from a year ago. Consumer confidence recovered slightly during the year but dwindled to a generally weak level in December. Intentions to buy a dwelling were still relatively weak and intentions to use money for basic repairs of a dwelling remained lower than usual at the end of the year.

According to preliminary data, the prices of old dwellings in the whole country declined by 3.3% in 2024 from the previous year. During the same period, prices in the metropolitan area decreased by 4.2%, while in the whole country excluding greater Helsinki the decline was 2.5%. Home sales volumes increased by less than 4% in 2024 from the previous year. The number of apartments available for sale remained high in the whole country. The Finnish housing loan stock year-on-year growth rate was -0.8% at the end of December, when the average interest rate on mortgage loans was 3.56% and the average interest rate on new housing loans was 3.17%. The annual growth rate in the stock of housing corporation loans was 3.1% in December. At the end of December 2024, the total stock of Finnish households' deposits was EUR 110.2 billion, and the average interest rate on these deposits was 1.23%. Overnight deposits accounted for EUR 67.2 billion and fixed term deposits for EUR 15.0 billion of the total deposit stock.

The number of housing starts for residential buildings increased slightly compared to the previous year, but the economic situation in the construction industry remained very weak. The average inflation was 1.6% in 2024.

The downward trend in interest rates supports 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 demand for housing companies' renovation loans and the growth of the loan stock in Finland. The growth of cities and new construction also create good conditions for the growth of closed plot funds managed by Hypo.

GROUP 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 3,478.6 million (EUR 3,461.0 million) on 31 December 2024. Loan portfolio grew a bit even though mortgage lending in whole decreased in Finland during year 2024.

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 decreased by 3.2% totaling EUR 3,229.6 million (EUR 3,335.0 million) on 31 December 2024. Deposit portfolio remained stable totaling EUR 1,551.3 million (EUR 1,563.0 million). Amount of debt securities issued decreased to EUR 1,653.8 million (EUR 1,694.7 million). The share of long-term deposit and other funding remained high and was 51.5% (42.3%) of total funding at the end of the year.

The off-balance sheet commitments amounted to EUR 225.1 million (EUR 197.5 million). The off-balance sheet commitments mainly consisted 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 remained at a strong level. The weighted average Loan-to-value (LTV) ratio was 31.1 percent (30.3%).

The amount of non-performing loans was EUR 12.0 million (EUR 5.2 million), representing 0.43% (0.19%) of the loan portfolio. The increase in non-performing loans is due to a few loans that are not expected to result in credit losses. The expected credit losses on balance sheet remained almost on the same level as the previous year, EUR 0.3 million (EUR 0.3 million).

At the end of the year, Hypo's loan portfolio stood at EUR 2,791.8 million (EUR 2,786.0 million). Granted but undrawn loans totaled EUR 221.3 million (EUR 197.5 million).

Liquidity

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 538.2 million (EUR 688.2 million on 31 December 2023), which corresponds to 15.5% (19.0%) of the total assets. The carrying amount of cash and cash equivalents which totaled EUR 537.1 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market. 82.5% (97.6%) of debt securities had a credit rating of at least 'AA-' or were of equivalent credit quality and 90.8% (100.0%) were ECB repo eligible. The Liquidity Coverage Ratio remained on a strong level and was 183.7% (326.4%).

Investment properties and property investments in own use

Hypo Group offers rental apartments and residential land for its customers. The total number of properties increased from EUR 58.0 million to EUR 78.4 million. 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 3.7 million (EUR 4.6 million).

Hypo's customer service facilities and office premises in own use are in the housing company Bostadsaktiebolaget Taos.

Property investments constituted 2.3 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.

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 8.0 million (EUR 6.9 million), is part of Group's assets and may with a separate permission from the FIN-FSA be returned to the parent company thus enhancing 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 amount of contracts decreased during the financial. The changes in market interest rates cause volatility in the fair value of derivative contracts.

The balance sheet values of derivative assets and margin call receivables were EUR 48.8 million on 31 December 2024 (EUR 70.2 million on 31 December 2023), and the value of derivative liabilities was EUR 55.6 million (EUR 95.0 million). The amount of derivative liabilities consists of the values of hedging derivatives for covered bonds and collateral arrangements for derivatives.

Deposits

The total amount of deposits decreased a bit by 0.8% and was EUR 1,551.3 million at end of the financial period (EUR 1,563.0 million on 31 December 2023). The share of deposits accounted for 48.0% (46.9%) of total funding.

Covered bonds and other funding

The total nominal amount of covered bonds was EUR 1,720.0 million (EUR 1,770.0 million) at the end of the financial period. The total nominal value of certificates of deposit was EUR 16.0 million (EUR 48.0 million).

On 10th of April the Mortgage Society of Finland issued a covered bond of 300 million euros to refinance the matured cover bond on 28th of June 2024. On 25 September 2024 the Mortgage Society of Finland paid off its TLTRO III loan (EUR 50 million) and therefore has no longer funding from the ECB.

The share of long-term funding of total funding was 51.5% on 31 December 2024 (42.3%). The Group's NSFR -ratio at the end of the financial period was 115.1% (112.0%). The total funding was EUR 3,230.0 million at the end of the financial period (EUR 3,335.0 million).

CAPITAL ADEQUACY

At the end of the financial period, Hypo Group's equity amounted to EUR 165.7 million (EUR 158.2 million on 31 December 2023). The changes in equity are presented in more detail in the Financial Statements for 2024 under "Statement of changes in equity between 1 January and 31 December 2024."

The Group's CET1 capital in relation to risk-weighted assets on 31 December 2024 was 14.3% (14.2%). 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 4.3% (3.9%).

The Group's total capital requirement at the end of the financial period was 13.0%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on 0.75%, indicative capital add-on 0.75%, systematic risk buffer 1.0% and countercyclical buffer requirements of foreign exposures. The discretionary additional capital requirement (Pillar 2 requirement) for the Mortgage Society of Finland Group remains in force until further notice, however not longer than 31 December 2025. 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 repealed on 28 November 2024 the decision given on 25 April 2023 to 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.

There have been no significant changes in the risk levels during the financial period.

THE BOARD OF DIRECTORS' REPORT 2024

SUMMARY OF CAPITAL ADEQUACY

€ 1,000	2024	2023
Common Equity Tier 1 capital before deductions	165,683	158,207
Deductions from Common Equity Tier 1 capital	-13,858	-15,973
Total Common Equity Tier 1 capital (CET1)	151,825	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)	151,825	142,234
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	151,825	142,234
Total risk weighted assets	1,059,854	999,966
of which credit risk	990,587	932,467
of which market risk (foreign exchange risk)	-	-
of which operational risk	48,514	47,743
of which other risks	20,753	19,755
CET1 Capital ratio (CET1-%)	14.3	14.2
T1 Capital ratio (T1-%)	14.3	14.2
Total capital ratio (TC-%)	14.3	14.2
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 yearly for the most part. The key metrics are published semi-annually. The Mortgage Society of Finland is defined as a small and non-complex institution.

GROUP RESULT AND PROFITABILITY

Group's operating profit for the financial period 1 January to 31 December 2024 was EUR 8.0 million (EUR 8.5 million for 1 January to 31 December 2023). Income remained almost at the same level as at the end of previous year and totaled EUR 24.6 million (EUR 25.0 million). Expenses remained almost on the same level and were EUR 16.6 million (EUR 16.5 million). Cost-to-income ratio was 67.0% (65.5%).

Income

Income remained almost at the same level as at the end of previous year and totaled EUR 24.6 million (EUR 25.0 million). Net interest income decreased by 4.2% from previous year and totaled EUR 17.4 million (EUR 18.2 million). The decrease was caused by the general level of interest rates as well as by one-off interest expense of EUR 1.6 million which was

recognized in the period April 1 - June 30 2024 due to a revision of the effective interest rate method. Net fee and commission income totaled EUR 5.7 million (EUR 4.7 million). Net income from investment properties (housing units and residential land) amounted to EUR 2.6 million (EUR 2.4 million).

Expenses

Expenses remained almost at the same level and were EUR 16.6 million (EUR 16.5 million).

Personnel expenses totaled EUR 8.8 million (8.3 million). Administrative expenses were EUR 4.8 million (EUR 4.5 million). Salaries and indirect employee costs constituted 53.2% (50.7%) of total expenses. Final and expected credit losses were EUR 0.1 in 2024 (EUR 0.1 million).

Consolidated statement of comprehensive income

Hypo Group's other comprehensive income of EUR 7.5 million (EUR 7.7 million) includes EUR 6.7 million (EUR 6.9 million) of profit for the year and other comprehensive income, after tax items of EUR 0.8 million (EUR 0.8 million).

THE BOARD OF DIRECTORS' REPORT 2024

KEY FINANCIAL INDICATORS 2020–2024

Key financial indicators	2024	2023	2022	2021	2020
Operating profit, EUR million	8.0	8.5	7.1	8.1	8.0
Return on equity (ROE) %	4.1	4.5	4.0	4.7	4.9
Return on assets (ROA) %	0.2	0.2	0.2	0.2	0.2
Equity ratio %	4.8	4.4	4.3	4.3	4.3
Cost-to-income ratio %	67.0	65.5	71.2	69.0	63.9
Loan-to-value ratio (average LTV) %	31.1	30.3	30.8	33.1	33.8
Loans/Deposits %	180.0	178.2	187.8	158.8	160.7
Indicators set in the EU's Capital Requirements Regulation and in national legislation					
Capital adequacy %	14.3	14.2	13.8	13.6	13.9
Common Equity Tier 1 (CET1) ratio %	14.3	14.2	13.8	13.6	13.9
Total Capital, EUR million	151.8	142.2	136.9	128.3	123.8
Common Equity Tier 1 (CET1), EUR million	151.8	142.2	136.9	128.3	123.8
Minimum requirement of Total Capital, EUR million *)	137.8	112.5	111.6	111.0	104.3
Leverage Ratio %	4.3	3.9	3.9	3.8	3.8
Liquidity Coverage Ratio (LCR) %	183.7	326.4	201.6	179.9	194.5
Net Stable Funding Ratio (NSFR) %	115.1	112.0	106.5	114.1	107.0
Non-performing loans % of loan portfolio	0.4	0.2	0.1	0.1	0.1
Other key figures					
Receivables from the public and public sector entities, EUR million	2,792	2,786	2,754	2,637	2,511
Deposits (incl. deposits of financial institutions), EUR million	1,551	1,563	1,467	1,660	1,562
Balance sheet total, EUR million	3,479	3,619	3,461	3,325	3,213
Average number of personnel	72	68	60	58	60
Salaries and remuneration, EUR million	6.4	5.9	5.3	6.5	5.4

*) On December 31 2024, the Group's total capital requirement was 13.00%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on 0.75%, indicative capital add-on 0.75%, a systemic risk buffer 1.0% and countercyclical buffer requirements of foreign exposures.

THE BOARD OF DIRECTORS' REPORT 2024

DEFINITIONS OF ALTERNATIVE PERFORMANCE INDICATORS

Key indicators and alternative performance indicators are reported together with indicators defined and named in the IFRS standards to give useful additional information on 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 Indicators:

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)	$\frac{\text{Operating profit - income taxes}}{\text{Equity + accumulated appropriations less deferred tax liabilities (average of beginning and end of the year)}}$	x 100
Return on assets % (ROA)	$\frac{\text{Operating profit - income taxes}}{\text{Average balance sheet total (average total at the beginning and end of the year)}}$	x 100
Equity ratio %	$\frac{\text{Equity + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}}$	x 100
Cost-to-income ratio %	$\frac{\text{Personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses}}{\text{Net interest income + income from equity investments + net income from financial assets at fair value through other comprehensive income + net income from financial instruments at fair value through profit and loss + net income from investment properties + other operating income}}$	x 100
LTV-ratio (Loan to Value, Weighted average) %	$\frac{\text{Receivables from the public and public sector entities}}{\text{Fair value of collateral received against the receivables from the public and public sector entities}}$ 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 %	$\frac{\text{Receivables from the public and public sector entities}}{\text{Deposits}}$	x 100

Definitions of other key figures:

Average number of personnel	Number of personnel includes those in employment relationship during the financial year (excl. The CEO and the vice CEO). The 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

THE BOARD OF DIRECTORS' REPORT 2024

DESCRIPTION OF ALTERNATIVE PERFORMANCE MEASURES

DESCRIPTIONS

Operating profit, profit before appropriations and taxes is an indicator of profitability in the financial statement describing the net revenues from business operations after considering 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 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.

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. Ratio 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 per cent indicates that in addition to deposit funding, wholesale funding and equity are used as funding sources.

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.

CALCULATION FORMULAS OF KEY FINANCIAL INDICATORS SET OUT IN EU'S CAPITAL REQUIREMENTS REGULATION:

Common Equity Tier 1 (CET1) ratio %	$\frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk}} \times 100$
Minimum requirement of Total Capital, EUR million	Total risk weighted assets X Total capital requirement
Leverage Ratio %	$\frac{\text{Tier 1 Capital}}{\text{Total exposure}} \times 100$
Liquidity Coverage Ratio (LCR) %	$\frac{\text{Liquid assets}}{\text{Outflow of liquidity - Inflow of liquidity (within 30 days)}} \times 100$
NSFR Ratio %	$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$
Non-performing assets, % of the loan portfolio	$\frac{\text{Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days}}{\text{Receivables from the public and public sector entities}} \times 100$

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 2024 to 31 December 2024.

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, labor market is still cool 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, construction investments are lower than before, and risks related to real estate funds are elevated. Decreasing inflation and improving wages support consumers' purchasing power. The housing market is recovering, renovation construction is increasing, inflation is low and interest rates continue to fall. Housing starts will still remain low, and housing prices are expected to turn upward. Differences

between housing market areas and units become more important and urbanization continues supported by the 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 stable level.

The amendments of the EU solvency regulation that entered into force on 1 January 2025 improve Hypo Group's solvency indicators.

The Hypo Group applies the taxonomy regulation and the sustainability reporting directive for the accounting period starting on 1 January 2025 and reports accordingly for the first time in connection with the 2025 financial statements.

The Mortgage Society of Finland group expects its operating profit for year 2025 to be at the same level than operating profit for 2024. The outlook contains considerable uncertainties due to development in economy and interest rates as well as uncertainties related to the wars in Ukraine and Gaza and the unstable global situation.

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 1,865,230.05 result for the year 2024, EUR 932.615.03 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 has been published on its website.

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 72 (68) and the average number of fixed-term employees was 2 (2). Total of combined person years was 76 (70). At the end of the financial year, permanent employees numbered 63 (67) and the number of fixed-term employees was 5 (3). These figures do not include the CEO and the vice CEO.

For permanent employment, 3 new employees were hired during the financial year and 8 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 47 years. At the end of the year, the youngest employee was 29.5 years of age and the oldest was 64. The average length of an employment relationship is seven years. Of all employees, 33 percent are men and 67 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, 38 percent hold a higher education degree, 25 percent have graduated from a university of applied sciences (polytechnic) and 37 percent have completed upper secondary education. Of the women employed by Hypo Group, 26 percent hold a higher education degree, 17 percent have graduated from a university of applied sciences (polytechnic) and 57 percent have completed upper secondary education. For the men, the proportions are 57 percent, 33 percent and 10 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 Supervisory Board. 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 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

Exposure to climate and environmental risks by risk categories

Credit Risk

The impact of climate and environmental risks on the Group's business is limited by its focus on housing finance in Finland and its emphasis on lending in Finnish growth centers. Hypo does not finance agriculture, forestry, or fisheries, nor does it support businesses particularly vulnerable to climate and environmental factors. On the other hand, the concentration of business activities in Finland increases country-specific concentration risks. However, for a specialized housing finance operator, geographically driven risks related to climate and environmental factors are mainly confined to local damage caused by extreme weather events such as heavy rainfall and storms.

The risks of wildfires, river flooding, and stormwater flooding caused by climate change are expected to increase in Finland in the future. Hypo has analyzed the exposure of its collateral portfolio to flood-prone areas and monitors the situation regularly. The flood risk analysis conducted indicates that Hypo has no risk concentrations in flood-prone areas.

From the perspective of Hypo's lending operations, which are concentrated in growth centers, the most significant flood risk is related to the increasing frequency of stormwater floods

and the damage they cause. Accurate data on specific stormwater flood risk areas is not yet available in Finland. Finnish cities are currently engaged in contingency planning for increased rainfall and stormwater flooding. The outcomes of this planning will be monitored, and the impacts will be incorporated into risk assessments and updates to the climate and environmental risk materiality analysis. Hypo has not identified exposures in areas particularly vulnerable to acute or chronic climate risks, except for individual properties located in flood risk areas.

For several years, Hypo has utilized the Hypo Housing Credit Rating system in its lending and collateral valuation. The housing credit rating is calculated on a municipal level and, for larger cities, on a postal code area basis. The calculation is based on a broad set of data and variables, including several sustainability elements. Key data sources related to climate and environmental risks include flood risk data from Statistics Finland, the average age of the building stock in each area, and average energy class information.

Operational Risk

Regarding operational risks, Hypo is exposed to physical damages caused by extreme weather events and climate change through one of its office properties and its housing investment assets. These risks are managed by maintaining the condition of owned properties and ensuring comprehensive insurance coverage.

Liquidity Risk

In terms of liquidity risks, investor expectations regarding Hypo's efforts in the green transition and broader sustainability issues must be considered in funding activities. If Hypo cannot meet investor expectations, this could affect the cost of funding and/or the number of potential investors. When selecting liquidity investments, potential exposure to climate and environmental risks is considered in the choice of investment targets.

Market Risk

Market risks can be influenced by sudden natural disasters, which may impact international financial markets. Rapid changes in market interest rates can affect earnings through net interest income or the results of hedge accounting.

Strategic Risks

Climate and environmental factors are considered in the assessment of strategic risks and as part of strategic planning. So far, the most significant strategic factor is the transition towards a carbon-neutral and more energy-efficient building stock, which creates more opportunities than threats for Hypo's business.

The most relevant transition risks related to climate and environmental factors for Hypo are associated with changing political and regulatory guidelines. Stricter energy efficiency requirements increase the need for renovations in the existing building stock, further enhancing Hypo's business opportunities.

Impact of own operations on climate

Hypo's long-standing strategy has been to focus on Finnish owner-occupied housing and housing community lending. The loan portfolio granted to housing communities entirely consists of financing for renovation projects, which typically extend the lifecycle of the property, increase its value, and often improve energy efficiency.

Role of management in overseeing and managing climate and environmental risks

To ensure comprehensive consideration of climate and environmental risks in Hypo's operations, the Board of Directors:

- Approves the materiality analysis of climate and environmental risks and incorporates its results into strategic planning.
- Monitors the impacts of climate and environmental factors on the risk profile as part of risk assessment.
- Oversees the management of climate and environmental matters.
- Approves strategic priorities, key performance indicators, and policies related to climate and environmental risk factors.

When overseeing the materiality assessment and management framework for climate and environmental risks, the Board considers the business model, strategy, and prevailing business environment. Climate and environmental risk management also accounts for Hypo's overall level of development and internal risk management practices to ensure that procedures, processes, and systems align with other risk management practices.

Process for identifying, assessing, and managing climate and environmental risks

Climate and environmental risks are identified and assessed as part of the business risk assessment process. Management measures are defined for identified risks during this process.

Considering the nature and scope of Hypo's business, key tools for risk management include sufficiently comprehensive insurance coverage for both owned and collateralized housing stock, monitoring energy class information, and conducting specific analyses of the collateral portfolio, such as exposure to flood risks.

Climate and environmental risks have been integrated into the risk management principles of other risk areas. The goal is to ensure that climate factors are considered across all risk areas, achieving both business and climate objectives.

Exposure to other environmental risks (pollution, biodiversity)

Hypo's business model, focused on housing-secured lending in Finland, does not expose Hypo significantly to risks related to pollution or biodiversity. Regional soil contamination in Hypo's business area may reduce the value of individual collateral properties but, on the other hand, creates opportunities for financing construction in clean areas. Marine area pollution could lower the collateral value of waterfront properties, but these impacts remain isolated at Hypo's level. The most significant waterfront property concentrations in Hypo's loan portfolio are located in major cities, where property values are less dependent on seawater quality compared to holiday homes.

Exposures to sectors that adversely affect climate change and may pose reputational risks

Hypo has not identified exposures to sectors that adversely affect climate change, except for newly constructed residential properties still under construction and owned by Hypo. In these cases, the counterparty is a construction company. A comprehensive risk assessment, including sustainability aspects, has been conducted in the selection of counterparties.

Performance and risk indicators, and targets

Risk indicators and targets related to climate and environmental risks will be set once the CSRD (Corporate Sustainability Reporting Directive)-required double materiality analysis is completed. The measurement of Hypo's Scope 1, 2, and 3 emissions is being conducted as part of this analysis. No specific targets related to climate and environmental factors were set for 2024.

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 Asuntopopankki 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 Asuntopopankki'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.

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 Asuntopopankki Oy 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, liquidity 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 Asuntopopankki. 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 roles 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.

Risk management and internal auditing

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 operating environment. 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 remained heightened, but there have been no serious cybersecurity breaches. The realization of operational risks has been moderate, and further measures have been taken to improve the management of operational risks. The correction of system errors and deficiencies after the core system project is still ongoing, but have implemented by the end of the year.

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.

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, credit risk management and reporting are based on General Terms in lending, Principles of Credit Risk Management and supplemental operational instructions. The key credit risk management measures are collateralization of lending and assessment and monitoring of customers' creditworthiness and sufficient debt servicing capacity

Market risk refers to the risk of loss arising from the fluctuation of market prices. The subtypes of market risk are interest rate, economic value, credit spread, 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 excluded.

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. Should liquidity risk materialize, 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 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,

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. Operational risks also include the following areas, even when they are not expected to pose a direct risk of loss:

- Cybersecurity and information systems: Risks related to information technology and telecommunications that may threaten Hypo's data security, operational continuity, and the reliability of information systems.
- Data protection as part of cybersecurity, and
- Prevention of money laundering and terrorist financing, along with the specific risk management obligations associated with them.

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.

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.

Reputational risk refers to the risk that negative publicity or a decline in reputation leads to financial losses, weakened customer relationships, and a loss of trust among stakeholders.

ESG risk refers to environmental, social, and governance-related events or phenomena that may affect the Group's financial performance and/or reputation.

Key management measures for both reputational and ESG risks include ensuring reliable governance, effective internal controls, responsible customer relationship management, and caring for employee well-being.

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 primary method for managing climate and environmental risks is limiting business operations to housing-secured lending in Finland. The integration of climate and environmental risks, as well as other ESG factors, into risk-taking, risk management, and capital and liquidity adequacy assessment processes was initiated during the financial year. This work will continue as the results of materiality analyses become available and the amount of data related to sustainability factors increases.

THE BOARD OF DIRECTORS' REPORT 2024

KEY FIGURES DESCRIBING RISK POSITION

OTHER INFORMATION DESCRIBING RISK POSITION

Risk type	Indicator	2024	2023
Credit risk	LTV-ratio (Loan to Value, average) %	31.1	30.3
Credit risk	Final and expected credit losses, net movement, EUR million	0.1	0.1
Liquidity risk	Long-term funding out of total funding %	51.5	42.3
Liquidity risk	Deposits out of total funding %	48.0	46.9
Liquidity risk	Average maturity of liabilities, in years	3.3	3.3
Liquidity risk	Short-term liquidity, EUR million	538.5	688.4
Liquidity risk	Share of short -term liquidity of the balance sheet total %	15.5	19.0
Interest rate risk	Net Interest Income risk in banking book, EUR million	-5.6	-2.1
Interest rate risk	Economic Value risk, EUR million	-10.8	-3.7
Risk related to ownership of housing units and residential land	Total amount of housing property holdings of the balance sheet total %	2.3	1.6
Risk related to ownership of housing units and residential land	Book values of investment properties % out of estimated fair values	95.3	92.5
Risk related to ownership of housing units and residential land	Occupancy rate %	82.2	83.0
Risk related to ownership of housing units and residential land	Net profit of investment properties calculated by book value %	3.6	4.6

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 collaterals are taken into account. LTV average is calculated by weighting the loan-to-value ratio of the credit by the remaining amount of credit.
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, subordinated liabilities and debt securities issued to the public.
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.
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.
Net Interest Income risk in banking book, EUR million	Annual change in net interest income if interest rates increase parallelly 1% on the reporting date.
Economic Value risk, EUR million	Change in economic value of banking book if interest rates increase parallelly 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 27 February 2025

The Board of Directors

FINANCIAL STATEMENTS 2024

CONSOLIDATED INCOME STATEMENT

€ 1,000	Note	1.1-31.12.2024	1.1-31.12.2023
Interest income	G2, G4	169,456	130,732
Interest expenses	G2, G4	-152,012	-112,528
NET INTEREST INCOME		17,444	18,204
Fee and commission income	G3, G4	5,852	4,863
Fee and commission expenses	G3, G4	-197	-166
Net income from financial instruments at FVPL	G5	-1,344	-2,517
Net income from financial instruments at FVOCI	G6	261	
Net income from investment properties	G4, G7	2,571	2,431
Other operating income	G8	2	2,192
Personnel expenses	G40	-8,755	-8,321
Administrative expenses	G9	-4,761	-4,460
Total personnel costs and administrative expenses		-13,515	-12,781
Depreciation and impairment losses on tangible and intangible assets	G11	-1,449	-1,611
Other operating expenses	G10	-1,510	-1,993
Final and expected credit losses	G12	-108	-119
OPERATING PROFIT	G14	8,008	8,503
Income taxes	G13	-1,346	-1,556
PROFIT AFTER TAXES		6,662	6,947
PROFIT FOR THE PERIOD		6,662	6,947

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

€ 1,000	1.1-31.12.2024	1.1-31.12.2023
Profit for the period	6,662	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	48	-125
Total	48	-125
Items that may not be included in the income statement at a later date		
Revaluation of defined benefit pension plans	765	288
Adjustment to previous years retained earnings		614
Total	765	902
Other comprehensive income, after tax, total	814	777
COMPREHENSIVE INCOME FOR THE PERIOD	7,476	7,724

FINANCIAL STATEMENTS 2024

CONSOLIDATED BALANCE SHEET

€ 1,000	Note	31.12.2024	31.12.2023
ASSETS			
Cash	G15	385,793	520,670
Debt securities eligible for refinancing with central banks	G19, G20, G36, G37, G52.a, G52.e	129,708	146,386
Receivables from credit institutions	G17, G36, G38, G52.a	8,901	17,390
Receivables from the public and public sector entities	G18, G36, G37, G52.a, G52.e	2,791,811	2,785,973
Debt securities	G16, G36, G37	13,066	
Shares and holdings	G21, G37, G52.a	31	24
Derivative contracts	G22, G23, G24, G25, G26, G37, G38, G52.a	19,016	18,232
Intangible assets	G27, G29	10,251	10,175
Tangible assets			
Investment properties	G28, G29	76,703	57,306
Other tangible assets	G29	1,913	1,002
Tangible assets, total		78,616	58,308
Other assets	G30	40,424	60,385
Deferred income and advances paid	G31	962	1,540
Deferred tax receivables	G32	14	9
TOTAL ASSETS		3,478,594	3,619,094

€ 1,000	Note	31.12.2024	31.12.2023
LIABILITIES			
LIABILITIES			
Liabilities to credit institutions			
To central banks	G36, G37		51,349
To credit institutions	G36, G37	20,000	20,004
Liabilities to credit institutions, total		20,000	71,354
Liabilities to the public and public sector entities			
Deposits	G36, G37	1,551,254	1,562,999
Other liabilities	G36, G37	4,572	6,204
Liabilities to the public and public sector entities, total		1,555,826	1,569,203
Debt securities issued to the public	G33, G36, G37	1,653,818	1,694,460
Derivative contracts	G22-26, G37, G38	36,266	74,793
Other liabilities	G34	34,655	38,788
Deferred expenses and advances received		2,290	2,465
Deferred tax liabilities	G32	10,055	9,825
EQUITY			
Basic capital		5,000	5,000
Other restricted reserves			
Reserve fund		37,712	36,219
Fair value reserve			
From valuation at fair value		106	57
Defined benefit pension plans			
Actuarial gains/losses		6,241	5,476
Unrestricted reserves			
Other reserves		22,924	22,924
Retained earnings		87,038	81,584
Profit for the period		6,662	6,947
Total equity	G39	165,683	158,207
TOTAL LIABILITIES AND EQUITY		3,478,594	3,619,094

FINANCIAL STATEMENTS 2024

STATEMENT OF CHANGES IN EQUITY

€ 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 made to 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	
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.

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 2024	5,000	36,219	5,534	22,924	88,531	158,207
Profit for the period					6,662	6,662
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-205			-205
Amount transferred to the income statement			261			261
Change in deferred taxes			-7			-7
Defined benefit pension plans						
Actuarial gains/losses			956			956
Change in deferred taxes			-191			-191
Total other comprehensive income, after tax	0	0	814	0	0	814
Transactions with owners of the bank						
Distribution of profits		1,493			-1,493	0
Equity 31 Dec 2024	5,000	37,712	6,347	22,924	93,700	165,683

FINANCIAL STATEMENTS 2024

CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	1.1-31.12.2024	1.1-31.12.2023
Cash flow from operating activities		
Interest income and fees received	172,750	134,834
Interest and fees paid	-148,110	-100,317
Credit losses	-88	-41
Personnel, administrative and other operating expenses paid	-14,479	-14,587
Income taxes paid	-1,039	-1,647
Total net cash flow from operating activities	9,035	18,242
Operating assets increase (-) / decrease (+)		
Receivables from customers	-13,794	-19,592
Operating assets increase (-) / decrease (+) total	-13,794	-19,592
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	-9,945	86,758
Other operating liabilities	416	435
Operating liabilities increase (+) / decrease (-) total	-9,530	87,192
NET CASH FROM/USED IN OPERATING ACTIVITIES	-14,289	85,842
Cash flows from investing activities		
Income received from financial instruments measured at fair value	729	7,975
Expenses paid from financial instruments and measured at fair value	-445	-2,135
Payments received from investment properties	3,093	3,876
Expenses paid from investment properties	-19,853	-4,670
Cash flows from acquisition of fixed assets	-1,375	-1,360
NET CASH FROM /USED IN INVESTING ACTIVITIES	-17,850	3,686
Cash flows from financing activities		
Financial liabilities, new withdrawals	364,259	556,759
Financial liabilities, repayments	-481,739	-525,325
NET CASH FROM/USED IN FINANCING ACTIVITIES	-117,480	31,434
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-149,620	120,962
Cash and cash equivalents at the beginning of the period	686,168	565,206
Cash and cash equivalents at the end of the period	536,549	686,168
CHANGE IN CASH AND CASH EQUIVALENTS	-149,620	120,962
Cash and cash equivalents in the balance sheet		
Cash and cash equivalents in the cash flow statement at the end of the financial period	536,549	686,168
Changes that do not involve payment	920	-1,721
Balance sheet value at the end of the financial period	537,468	684,447

Adjustments have been made to the cash flow statement presented in the 2023 financial statements. Cash flows have been reorganized to provide a clearer representation of the subcategories in the cash flow statement: operating activities, investing activities, and financing activities. The structure of line items in the cash flow statement has been refined, and adjustments have been made to the euro amounts of cash flows. The euro amounts of the adjustments are as follows:

Adjustments made to the Cash flow statement 31.12.2023 (EUR 1,000)	Adjusted amount	Amount presented in the 2023 financial statements	Change
Net cash flows from/used in Operating Activities	85,842	116,502	-30,660
Net cash flows from/used in Investing Activities	3,686	-4,806	8,492
Cash flows from/used in Financing Activities	31,434	14,475	16,960
Change in Cash and cash equivalents			-5,208

The nature and reasons for the adjustments:

Net cash flows from/used in Operating Activities Cash flows from derivative margin calls have been reclassified into the group 'Cash Flows from Financing Activities.' The cash flows from interest received and paid related to financial instruments have been adjusted.

Net Cash Flows from/used in Investing Activities The line item grouping of cash flows from investment properties has been simplified. Binding agreements for the acquisition of investment properties are presented in cash flows when the purchase price is paid. Realized cash amounts from derivatives hedging cash reserves have been grouped under 'Cash Flows from Investing Activities.' The cash flow amounts have been adjusted.

Cash Flows from/used in Financing Activities Cash flows from derivatives hedging financing agreements have been grouped together with cash flows from financing agreements. Additionally, cash flows from derivative margin call arrangements have been reclassified into the item 'Cash Flows from Financing Activities'. Transactions related to contracts under hedge accounting have been adjusted to a cash flow basis.

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", "Suomen 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 31 January 2025, the Board of Directors approved the Financial Statements Release 1.1. - 31.12.2024 to be published on 31 January 2025. On 27 February 2025, the board has approved to pass the financial statements to the Auditors and to the Supervisory Board for verification. The Supervisory Board meeting was held on 28 February 2025. Financial Statements is presented for confirmation to the Annual General Meeting of the Mortgage Society of Finland, which will be held on 18 March 2025.

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. Financial Statements are also published 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 disclosed 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.

This document is an unofficial English language translation of the original Finnish language Consolidated financial statements 2024 (Konsernitilinpäätös 2024). Should there be any discrepancies between the Finnish language and the English language versions, the Finnish version shall prevail.

NEW STANDARDS AND INTERPRETATIONS

During the 2024 financial year, no new IFRS standards, interpretations or amendments have entered into force that would have had a material impact on the group's financial statements.

On 1 January 2027, the IFRS 18 standard will have an impact on the financial statements, above all on the presentation of the income statement, which will be applied retroactively to comparative data.

Other future new standards or standard amendments published by the IASB are not expected to have a material effect on the consolidated financial statements.

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. The 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.

Information on significant judgements and assumptions used in the above areas is disclosed in notes to these 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 amortization 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 an 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 consider when pricing the asset or liability.

After the initial recognition financial assets and liabilities are classified into the 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 have expired.

Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled 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 instruments that meet the definition of 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. The 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 to collect contractual cash flows. Those cash flows represent solely payments of principal and interest (SPPI), and those that are not designated at FVPL, are measured at amortized cost. The book value of these assets is adjusted by the recognized expected credit loss allowance. Interest in income from these financial assets is included in interest income using an 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 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 (FVPL): Financial assets that are held 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 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 the 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 maturity, Hypo tests whether the cash flows represent only solely payments of principal and interest. Hypo's financial

instruments' cash flows consist of solely of payments of principal and interest. However, some debt instruments may have special clauses, for example interest rate floor or so-called soft bullet clause. 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 an 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 fair value changes through 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 in 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. Lifetime ECL is calculated as the difference between contractual unreduced cash flows and the fair value of collateral(s). In addition, the above-mentioned future coefficient is considered. 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 debt settlement loan is always on Stage 3. Loan is assessed as a future non-performing loan if it fails the 90 days past-due test.

There are two phases of lifetime 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 considered in the ECL calculation.

Modification of loans

When the loan cash flows are modified, Hypo assesses whether the credit risk needs to be 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 with a tendering process

- 2) extra 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, the typical modification to the loan terms does 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.

A similar backstop is applied to debt securities. Credit risk of debt security is considered 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 in 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 the Hypo's independent chief economist and the values needed for the calculation of the FLF 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 a 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 anticipates 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 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 per-

formed 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 principal 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 is 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 and of listed covered bonds.

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 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 fixed rate liabilities issued by Hypo and to fixed rate assets as well as to the derivative 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 is the 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.

The 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 can 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 and equipment. 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

The voluntary supplementary pension plan arranged in Department A of the pension fund 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. If the 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. 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 an 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 and from land trustee services is recognized as revenue according to IFRS 15.

Fee income from lending activities includes origination fees, transaction fees of services fulfilled during loan lifetime, as well as recurring monthly loan servicing fees.

Fee income from land trustee services consists of the execution of individual assignments, whereby the performance obligation is fulfilled once the assignment has been completed. Another type of fee income related to land trustee services is the recurring management service based on customer agreements. The pricing of the recurring management service is based on the euro value of the assets subject to the land trustee service, with the performance obligation being fulfilled over time. The management service fee is invoiced to customers every three months.

Other fee income arises 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 recognized using the effective interest method in accordance with IFRS 9.

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 and 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 a 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 telecommunication 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 net movement 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 a 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 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 in 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.

FINANCIAL STATEMENTS 2024

NOTES TO THE CONSOLIDATED INCOME STATEMENT

€ 1,000, unless otherwise indicated.

G2. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM	2024	2023
Receivables valued at amortized cost		
Receivables from credit institutions	21,190	13,836
Receivables from the public and public sector entities	122,277	101,029
Debt securities, financial assets through FVOCI	2,347	1,786
Derivative contracts	19,928	11,105
Other interest income	3,714	2,976
Total interest income	169,456	130,732
Liabilities valued at amortized cost		
Liabilities to credit institutions	-2,567	-2,280
Liabilities to the public and public sector entities	-59,521	-41,395
Debt securities issued to the public	-36,242	-27,163
Derivative contracts	-53,680	-41,615
Negative interest income of cash and cash equivalents		-38
Other interest expenses	-1	-37
Total interest expenses	-152,012	-112,528
G3. FEE INCOME AND EXPENSE	2024	2023
Fee income		
From lending and deposits	3,097	2,621
From residential property trustee services	2,643	2,072
From other operations	112	170
Total fee income	5,852	4,863
Fee expenses	-197	-166
Net fee income	5,655	4,697

The sources of fee income based on customer agreements are described in the section Revenue Recognition Principles of the accounting policies. Fee income arising from lending is earned when the service or a separate action has been performed for the customer. Fee income is recognized as revenue when the performance obligation has been satisfied. Fee income from land trustee services consists of items where the performance obligation has been satisfied or where the performance obligation has been fulfilled based on the passage of time. Assets and liabilities based on customer agreements were:

	2024	2023
Assets	692	571
Liabilities	17	34

The assets arising from customer contracts consist of invoiced but unpaid fee income from lending and land trustee services. The liabilities arising from customer contracts consist of loan guarantee fees payable to a cooperation partner.

G4. INCOME DISTRIBUTION	2024	2023
Interest income	169,456	130,732
Interest expense	-152,012	-112,528
Net interest income	17,444	18,204
Net fee income		
from lending operations	3,010	2,454
from land trustee services	2,533	2,075
from other operations	112	168
Total net fee income	5,655	4,697
Net income from Financial instruments at FVPL and FVOCI	-1,083	-2,517
Net income from investment properties	2,427	2,118
Capital gains on investment properties	144	314
Other income	2	2,192
Total other operating income	1,490	2,106
Total income	24,589	25,006

Other operative income for year 2023 includes EUR -2.2 million contribution to the Resolution Fund for the year 2023.

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NOTES TO THE CONSOLIDATED INCOME STATEMENT

	2024			2023		
	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	465	534	999	-1,875	4,948	3,072
Interest rate swaps other than those in hedge accounting	-384	-1,604	-1,989	2,789	-6,288	-3,499
Net income from hedge accounting						
Fair value hedge accounting for debt securities issued to the public		-31,146	-31,146		-63,756	-63,756
Interest rate swaps in fair value hedge accounting		30,791	30,791		61,665	61,665
Net income from financial instruments at FVPL, total	81	-1,425	-1,344	914	-3,431	-2,517

There are no financial instruments held for trading purposes.

	2024	2023
Net income from financial assets through FVOCI		
Capital gains from debt securities	261	
Net income from financial assets at fair value through FVOCI, total	261	0

	2023	2022
Net income from investment properties		
Rental income	2,117	1,646
Capital gains (losses)	144	314
Other income	1,273	1,378
Maintenance charges and other maintenance costs paid		
From investment properties that have accrued rental income during the period	-742	-706
Other expenses	-162	-139
Depreciation according to plan	-59	-62
Net income from investment properties, total	2,571	2,431

The baseline year's numbers have been harmonized with the 2024 numbers.

	2024	2023
Net income from other operating income		
Usage fees, property assets in own use	12	14
Other income	-10	2,178
Other operating income, total	2	2,192

Other income includes administrative services related to IAS 19. Other income for year 2023 also includes EUR -2.2 million contribution to the Resolution Fund for the year 2023.

	2024	2023
Net income from administrative expenses		
Other personnel related	-725	-764
Office maintenance and other operative	-340	-482
Corporate governance and investor relations	-240	-210
Information technology, telecommunication and postage	-3,414	-2,963
Other	-42	-43
Administrative expenses, total	-4,761	-4,460

	2024	2023
Net income from other operating expenses		
Rental expenses	-39	-29
Expenses from properties in own use	-79	-70
Other expenses	-1,392	-1,893
Other operating expenses, total	-1,510	-1,993

	2024	2023
Net income from depreciation and impairment losses on tangible and intangible assets		
Depreciations according to plan	-1,449	-1,611

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NOTES TO THE CONSOLIDATED INCOME STATEMENT

G12. FINAL AND EXPECTED CREDIT LOSSES	2024	2023
From financial assets at amortised cost		
Receivables from the public and public sector entities		
Expected credit losses, net change	-2	-73
Final credit losses	-94	-52
Recoveries of final credit losses	6	11
Off-balance sheet commitments, granted but unclaimed loans		
Expected credit losses, net change	0	1
Net gains/losses on derecognition of other financial assets		
Debt securities eligible for refinancing with central banks		
Expected credit losses, net change	-18	-5
Final and expected credit losses, total	-108	-119

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	2024	2023
Breakdown of taxes in the income statement		
Tax expense based on taxable income for the financial period	-1,320	-1,528
Change in deferred taxes	-27	-27
Taxes from previous periods	1	-1
Taxes in the income statement	-1,346	-1,556
Reconciliation of taxes		
Profit before taxes	8,008	8,503
Tax-free income	-1,428	-1,019
Non-deductible expenses	8	0
Recognition of previously unrecorded tax losses	147	288
Total	6,735	7,772
Taxes calculated using the tax rate of 20 %	-1,347	-1,554
Taxes from previous periods	1	-1
Taxes in the income statement	-1,346	-1,556

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 consist of services provided to a non-group entity.

2024	Combined amount of income	Operating profit	Total assets	Total liabilities	Average number of personnel
Lending and deposits and other housing products and services	24,516	7,958	3,478,594	3,312,911	72
Other operations	71	50	0		
Total	24,587	8,008	3,478,594	3,312,911	72
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

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G15. CASH AND CASH EQUIVALENTS	2024	2023
Receivables from central bank	385,793	520,670

G16. CASH AND CASH EQUIVALENTS AND NET DEBT IN THE CASH FLOW STATEMENT	2024	2023
Liquid assets	385,793	520,555
Debt securities eligible for refinancing with central banks	128,895	148,224
Receivables from credit institutions	8,901	17,390
Debt securities	12,959	
Cash and cash equivalents and net debt in the cash flow statement, total	536,548	684,447

Cash and cash equivalents	537,468	684,447
Funding, repayable within one year	-5,448	-342,045
Funding, repayable after one year	-1,673,753	-1,487,586
Net debt	-1,141,733	-1,145,184

Cash and cash equivalents	537,468	684,447
Funding, fixed rate	-33,250	-96,488
Funding, floating rate	-1,645,951	-1,733,143
Net debt	-1,141,733	-1,145,184

	Cash and cash equivalents				Funding	
	Liquid assets	Debt securities eligible for refinancing with central banks	Debt securities	Receivables from credit institutions	Funding	Total
Net debt 2024						
Net debt 1.1.	520,670	146,386		17,390	-1,829,630	-1,145,184
Cash flows	-134,877	-16,099	12,959	-8,489	159,916	13,410
Fair value changes without cash flow		-579	107		-9,487	-9,959
Net debt 31.12.	385,793	129,708	13,066	8,901	-1,679,201	-1,141,733

	Cash and cash equivalents				Funding	
	Liquid assets	Debt securities eligible for refinancing with central banks	Debt securities	Receivables from credit institutions	Funding	Total
Net debt 2023						
Net debt 1.1.	393,179	140,802		24,296	-1,815,156	-1,256,879
Cash flows	127,491	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	0	17,390	-1,829,631	-1,145,184

Group manages liquidity risks by maintaining sufficient liquidity compared to Group's payment obligations. In the cash flow statement, financing cash flows include funding agreements, interest rate hedges, and collateral arrangements for derivatives. Together with cash and cash equivalents financing cash flow items form the net financial position (net debt).

G17. RECEIVABLES FROM CREDIT INSTITUTIONS	2024			2023		
	Payable on demand	Other than those payable on demand	Total	Payable on demand	Other than those payable on demand	Total
From domestic credit institutions	8,901		8,901	17,390		17,390

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.

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NOTES TO THE CONSOLIDATED BALANCE SHEET

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

	2024		2023	
	Balance sheet value	Expected credit loss allowance	Balance sheet value	Expected credit loss allowance
Housing companies	1,924,011	0	1,919,738	0
Households	841,892	-308	850,685	-306
Companies excl. housing companies	23,862		13,601	
Others	2,046		2,256	
Total	2,791,811	-308	2,786,280	-306

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

	2024	2023
Non performing loans	12,226	5,254
Expected credit losses recognised during the period		
Expected credit losses 1.1.	-306	-234
Expected credit losses, net change	-2	-72
Expected credit losses 31.12.	-308	-306
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 (-)	88	41

Final credit losses are presented as net of recognized credit losses and reversals of credit losses during accounting period. The baseline year's numbers have been harmonized with the 2024 numbers.

G19. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANK

	2024			2023		
	Publicly quoted	Total	Expected credit loss allowance	Publicly quoted	Total	Expected credit loss allowance
Debt securities issued by public sector entities						
FVOCI						
Other debt securities issued by public sector entities	20,440	20,440		53,346	53,346	
FVPLO						
Government bills	32,177	32,177		54,895	54,895	
Other debt securities issued by public sector entities	2,195	2,195		2,142	2,142	
Debt securities issued by other than public sector entities						
FVOCI						
Debt instruments issued by banks	18,500	18,500	-8	3,570	3,570	-5
FVPLO						
Debt instruments issued by banks	56,274	56,274		32,433	32,433	
Debt securities eligible for refinancing with central bank, total	129,708	129,708	-8	146,386	146,386	-5

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

G20. DEBT SECURITIES BY CREDIT RATING

Credit rating	2024			
	Governments and public sector entities	Companies and banks	Covered bonds	Total
Credit quality level 1: (S&P AAA-AA)	54,812	10,393	52,534	117,739
Credit quality level 3: (S&P BBB)		6,771		6,771
Credit quality level 4: (S&P BB)		3,141		3,141
Credit quality level 6: (S&P lower than CCC)		8,140		8,140
No credit rating		6,984		6,984
	2023			
Credit rating	Governments and public sector entities	Companies and banks	Covered bonds	Total
Credit quality level 1: (S&P AAA-AA)	110,383	7,706	24,727	142,816
Credit quality level 3: (S&P BBB)		3,570		3,570

Credit rating has been adjusted to match EBA's ECAI mapping.

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G21. SHARES AND HOLDINGS

	2024			2023		
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Shares and holdings, FVOCI		31	31		24	24
Of which at acquisition cost		0	0		0	0
Of which in credit institutions		0	0		0	0

G22. DERIVATIVE CONTRACTS

	2024			2023		
	Assets	Book value Liabilities		Assets	Book value Liabilities	
OTC interest rate swaps						
Derivative contracts in fair value hedge accounting relationships						
Fair value	18,845	35,580		16,995	74,874	
of which: cleared by a central counterparty		29,124			53,010	
Derivative contracts other than those in hedge accounting						
Fair value	171	686		1,238	-82	
of which: cleared by a central counterparty		686			-82	
Fair value total	19,016	36,266		18,232	74,793	

The fair value of the contract contains accrued interest.

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Derivative contracts in fair value hedge accounting relationships	600,000	1,000,000	609,321	1,050,000
Derivative contracts other than those in hedge accounting	44,273	71,500	45,000	91,000
Total nominal value	644,273	1,071,500	654,321	1,141,000

	2024			
	Less than one year	1-5 years	>5 years	Total
Remaining maturity				
Nominal values of the underlying instruments	40,000	1,415,273	260,500	1,715,773
of which: cleared by a central counterparty	5,000	506,000	260,500	771,500
Fair value, assets	171	18,845		19,016
of which: cleared by a central counterparty				0
Fair value, liabilities	17	-116	36,365	36,266
of which: cleared by a central counterparty	17	-6,572	36,365	29,810

	2023			
	Less than one year	1-5 years	>5 years	Total
Remaining maturity				
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

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 2024 totaled EUR -274,000. The amount of risk is calculated over the netting sets and taking into account the collateral delivered.

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G23. HEDGE ACCOUNTING, MATURITY

	2024		
	3-12 months	1-5 years	5-10 years
Fair value hedges			
Notional amount		1,359,273	250,000
Average fixed interest rate		2.21%	0.01%
	2023		
	3-12 months	1-5 years	5-10 years
Fair value hedges			
Notional amount	350,000	1,059,321	250,000
Average fixed interest rate	0.47%	2.07%	0.01%

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

G24. INSTRUMENTS USED FOR HEDGE ACCOUNTING

2024	Notional amount	Book value, assets	Book value, liabilities	Fair value changes in hedge accounting
Fair value hedges				
Derivatives, interest rate swaps	1,609,273	29,943	46,678	30,577
2023	Notional amount	Book value, assets	Book value, liabilities	Fair value changes in hedge accounting
Fair value hedges				
Derivatives, interest rate swaps	1,659,321	16,995	74,874	61,343

The fair value of the contract contains accrued interest.

G25. HEDGED EXPOSURES

2024	Book value		Accumulated amount of fair value adjustments on the hedged item		Fair value changes in hedge accounting
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges					
Debt securities issued to the public		1,557,510	35,497		-31,146
Receivables from the public and public sector entities	18,443			194	214
2023	Book value		Accumulated amount of fair value adjustments on the hedged item		Fair value changes in hedge accounting
	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

G26. HEDGE EFFECTIVENESS

	2024	2023
Hedge ineffectiveness		
Fair value hedges		
Net income from financial instruments at FVPL	-354	-2,091

G27. INTANGIBLE ASSETS

	2024	2023
IT programs and projects	10,018	9,842
Other intangible assets	234	333
Intangible assets, total	10,251	10,175
Amount of agreement-based commitments concerning acquisition of intangible assets	0	623

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G28. TANGIBLE ASSETS	Fair value determination principle	2024	2023
Investment properties and investment property shares, balance sheet value			
Land and water areas	3	6,961	7,196
Buildings	3	957	1,065
Shares and holdings in housing property corporations	3	68,785	49,045
Total balance sheet value		76,703	57,306
Total fair value of investment properties			
of which based on assessments of a qualified third-party valuer		0	14,134
Non-cancellable land lease agreements			
Rental receivables within one year		364	119
Other properties and shares in housing property corporations, balance sheet value			
In own use			
Land and water areas	3	687	538
Buildings	3	165	126
Shares in real estate associations	3	854	0
Total balance sheet value		1,707	665
Total fair value of other properties		2,806	2,966

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	
		Investment properties and -shares	Other tangible assets	Tangible assets total
2024				
Acquisition cost 1 January	16,758	59,386	4,007	63,393
Increases, new acquisitions	1,342	21,369	1,072	22,441
Deductions	0	-1,918	-32	-1,950
Acquisition cost 31 December	18,100	78,836	5,047	83,884
Accumulated depreciation and impairment losses 1 January				
	6,583	2,081	3,005	5,085
Depreciation for the period				
	1,266	53	130	183
Accumulated depreciation and impairment losses 31 December	7,849	2,134	3,134	5,268
Book value 31 December	10,251	76,703	1,913	78,616
2023				
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

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G30. OTHER ASSETS	2024	2023
Defined benefit pension plans/surplus	7,952	6,861
Collateral for derivatives	29,735	51,963
Accounts receivable	664	525
Receivables related to residential property trustee services	1,265	832
Other receivables	809	204
Other assets, total	40,424	60,385

The baseline year's numbers have been harmonized with the 2024 numbers. More detailed information about defined benefit pension plans is presented in Note 40.

G31. DEFERRED INCOME AND ADVANCES PAID	2024	2023
Tax receivable based on taxes for the period	374	912
Other deferred income	588	628
Deferred income and advances paid, total	962	1,540

The baseline year's numbers have been harmonized with the 2024 numbers.

G32. TAX RECEIVABLES AND LIABILITIES	2024	2023
Income tax receivables	374	912
Deferred tax receivables	14	9
Total tax receivables	388	922
Income tax liabilities	68	326
Deferred tax liabilities	10,055	9,825
Total tax liabilities	10,123	10,151
Deferred tax receivables		
Fair value reserve	14	9
Deferred tax receivables, total	14	9
Deferred tax liabilities		
Earnings-related pensions	1,590	1,372
Revaluation reserve	93	93
Fair value reserve	35	23
Credit loss provisions	8,337	8,337
Deferred tax liabilities, total	10,055	9,825
Net deferred tax receivable (+)/liability (-)	-10,041	-9,815
Changes in deferred taxes		
Deferred tax receivables/liabilities 1 January	-9,815	-9,940
Recognized in the income statement:		
IAS 19 calculation	-27	-27
Recognized in the consolidated comprehensive income statement and equity:		
Financial assets through FVOCI	-7	33
Revaluation of defined benefit pension plans	-191	-72
Adjustment made to retained earnings of joint operations	0	191
Net deferred tax receivables (+)/liabilities (-), total 31 December	-10,041	-9,815
Income tax receivables (+)/liabilities (-), net	306	586
Total tax receivables (+)/liabilities (-), net	-9,735	-9,229

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G33. DEBT SECURITIES ISSUED TO THE PUBLIC

	2024		2023	
	Book value	Nominal value	Book value	Nominal value
Other than those payable on demand				
Bonds	1,637,926	1,650,000	1,647,529	1,700,000
Certificates of deposit and commercial papers	15,893	16,000	46,931	48,000
Debt securities issued to the public, total	1,653,818	1,666,000	1,694,460	1,748,000

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.

G34. OTHER LIABILITIES

	2024	2023
Tax-at-source, liability	617	637
Collateral for derivatives	19,290	20,240
Received, short-term customer payments not yet recorded to contracts	9,375	15,434
Other liabilities	5,373	2,477
Other liabilities, total	34,655	38,788

Other items consist of unpaid purchase commitments of dwellings as well as of transactions related to group's business activities that are to be posted to customer accounts.

G35. LIABILITIES ACCORDING TO THE ACT ON RESOLUTION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS

	2024	2023
Unsecured liabilities		
of which the remaining maturity is more than one year	-	6,100
Common Equity Tier 1 (CET1) capital	-	142,234
Total liabilities according to the Act on Resolution of Credit Institutions and Investment Firms	-	148,334

On 28 November 2024 the Finnish Financial Stability Authority withdrew its previous decision to set a minimum requirement of own funds and eligible liabilities (MREL) for the Mortgage Society of Finland.

G36. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

2024	<3 months	3-12 months	1-5 years	5-10 years	>10 years	Total
Cash	385,793					385,793
Receivables from credit institutions	8,901					8,901
Receivables from the public and public sector entities	9,297	2,169	77,228	229,437	2,473,680	2,791,811
Debt securities	6,984	24,861	100,104	10,826		142,774
Derivative assets	163	8	18,845			19,016
Financial assets, total	411,138	27,038	196,177	240,262	2,473,680	3,348,295
Liabilities to credit institutions				20,000		20,000
Liabilities to the public and public sector entities	1,118,463	435,182	2,181			1,555,826
Debt securities issued to the public	5,991	9,902	1,372,571	265,354		1,653,818
Derivative liabilities		17	-116	36,365		36,266
Financial liabilities, total	1,124,454	445,101	1,374,636	321,720	0	3,265,910
2023	<3 months	3-12 months	1-5 years	5-10 years	>10 years	Total
Cash	520,670					520,670
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
Derivative assets		253	17,979			18,232
Financial assets, total	541,145	55,187	160,860	218,394	2,513,066	3,488,653
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
Derivative liabilities		7,408	22,888	44,497		74,793
Financial liabilities, total	1,032,482	948,197	1,106,802	322,329	0	3,409,810

Contractual interest accruals at end of financial year are presented based on the maturity date of financial assets and liabilities. Derivative liabilities in the balance sheet consist of multiple contracts that have been netted by counterparty. The maturity distribution has been prepared on a contract basis.

FINANCIAL STATEMENTS 2024

NOTES TO THE CONSOLIDATED BALANCE SHEET

G37. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	Classification	Fair value determination principle	2024		2023	
			Book value	Fair value	Book value	Fair value
Publicly quoted						
Debt securities	Fair value through other comprehensive income (FVOCI)	1	45,144	45,144	56,916	56,916
Debt securities	Option to designate a financial asset at fair value	1	90,646	90,646	89,470	89,470
Total			135,791	135,791	146,386	146,386
Debt securities issued to the public						
Debt securities issued to the public	Amortised cost	1	1,637,926	1,637,926	1,647,529	1,647,529
Total			1,637,926	1,637,926	1,647,529	1,647,529
Other						
Liquid assets	Amortised cost	1	385,793	385,793	520,670	520,670
Receivables from credit institutions	Amortised cost	2	8,901	8,901	17,390	17,390
Receivables from the public and public sector entities	Amortised cost	2	2,791,811	2,791,811	2,785,973	2,785,973
Debt securities	Fair value through other comprehensive income (FVOCI)	1	6,984	6,984		
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	31	31	24	24
Derivative contracts	Fair value through profit or loss (FVPL)	2	19,016	19,016	18,232	18,232
Total			3,212,536	3,212,536	3,342,290	3,342,290
Liabilities to credit institutions						
Liabilities to credit institutions	Amortised cost	2	20,000	20,000	71,354	71,354
Liabilities to the public and public sector entities						
Liabilities to the public and public sector entities	Amortised cost	2	1,555,826	1,555,826	1,569,203	1,569,203
Debt securities issued to the public						
Debt securities issued to the public	Amortised cost	1	15,893	15,893	46,931	46,931
Derivative contracts						
Derivative contracts	Fair value through profit or loss (FVPL)	2	36,266	36,266	74,793	74,793
Total			1,627,985	1,627,985	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. 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

2024	Gross amounts	Netted on balance sheet	Amounts shown on balance sheet	Amounts not offset on the balance sheet	
				Cash collateral received/paid	Net amount
Derivative liabilities	47,958	11,692	36,266	29,735	6,531
Derivative receivables	19,016	0	19,016	19,290	-274
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

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. EQUITY

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. The amount of the Group's unrestricted equity as of 31 December 2024 was 116,623.7 thousand euros (114,454.1 t€), of which the non-distributable portion is the amount to be transferred to the reserve fund from the parent company's financial year profit in accordance with the rules of the mortgage association. At least 932.6 thousand euros of the parent company's profit for 2024 is non-distributable (at least 1,492.6 t€ of the profit for 2023). No capitalized development costs were allocated to unrestricted equity as of 31 December 2024, or 31 December 2023.

G40. EMPLOYEE BENEFITS

Employee benefits and 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 as 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.

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G40. EMPLOYEE BENEFITS CONTINUES

Defined benefit plans

Plan assets

Employee benefits in Consolidated Income Statement

	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
2024				
Interest income			216	216
Other operating income (+) / expense (-)			-69	-69
Salaries and remuneration	-7,237			-7,237
Pension expenses		-1,381	-12	-1,393
Other indirect personnel expenses		-124		-124
Other administrative expenses	-10			-10
Total	-7,247	-1,506	135	-8,618

	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
2023				
Interest income			234	234
Other operating income (+) / expense (-)			-89	-89
Salaries and remuneration	-6,766			-6,766
Pension expenses		-1,369	-12	-1,381
Other indirect personnel expenses		-174		-174
Other administrative expenses	-8			-8
Total	-6,774	-1,555	134	-8,195

	Defined benefit plan liabilities	Defined benefit plan assets	Defined benefit plan liabilities	Defined benefit plan assets
2024				
Net return of defined benefit plan assets		753		576
Experience adjustment on plan liabilities		34	-142	
Effect of actuarial assumptions, from changes in demographic assumptions		169	-73	
Remeasurements in OCI	0	956	-216	576
Net return in OCI		956		360

Employee benefits in Consolidated Balance Sheet Assets

	Defined contribution plans	Defined benefit plans	Total
2024			
Other assets		7,952	7,952
Total	0	7,952	7,952
2023			
Other assets		6,861	6,861
Total	0	6,861	6,861

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NOTES TO THE CONSOLIDATED BALANCE SHEET

G40. EMPLOYEE BENEFITS CONTINUES

Employee benefits in Consolidated Balance Sheet Liabilities				
2024	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
Other liabilities		187		187
Deferred tax liabilities			1,590	1,590
Deferred expenses and advances received	1,774			1,774
Fair value reserve, net actuarial gain (+) / loss (-)			7,802	7,802
Fair value reserve, deferred tax liabilities			-1,560	-1,560
Total	1,774	187	7,832	9,793

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

Defined benefit plans	2024	2023
Present value of Defined benefit obligation	-4,651	-5,043
Fair value of Plan assets	12,603	11,904
Net demined benefit asset (+) / liability (-)	7,952	6,861

Change in Net defined benefit assets

Net defined benefit asset as of 1.1.	6,861	6,367
Current service cost	-12	-12
Interest income of the net defined benefit asset (+), cost (-)	216	234
Administrative cost	-69	-89
Net actuarial gain (+) / loss (-) for the period	956	360
Net defined benefit asset as of 31.12.	7,952	6,861

Fair value of Plan assets

	2024			2023		
	Listed	Non-listed	Total	Listed	Non-listed	Total
Equity instruments		-139	-139		570	570
Debt instruments						
Investment funds	5,506		5,506	4,637		4,637
Properties and land	7,235		7,235	6,697		6,697
Fair value of Plan assets	12,742	-139	12,603	11,334	570	11,904

	2024	2023
Group's own financial instruments included in plan assets, 1000 euros	363	504
Duration, years	8.9	9.6
Discount rate, %	3.4	3.2
Expected returns on assets, %	3.4	3.2
Future pay rise assumption, %	2.1	2.1
Inflation, %	1.9	2.1

Sensitivity of the projected benefit obligations to changes in the principal assumptions

Change in assumption	2024		2023		
	Effect on defined benefit obligation		Effect on defined benefit obligation		
	Increase	Decrease	Increase	Decrease	
Discount rate, %	0.50%	-4.13%	4.45%	-4.43%	4.81%
Rate of wage increases, %	0.50%	0.04%	-0.04%	0.04%	-0.04%
Rate of pension increases, %	0.50%	4.78%	-4.56%	4.78%	-4.56%
Life expectancy at birth, %	1 year	4.29%	-4.12%	4.29%	-4.12%

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NOTES TO GROUP'S COLLATERAL AND CONTINGENT LIABILITIES

G41. COLLATERAL PLEDGED AND RECEIVED	2024	2023
Collateral pledged for own liabilities	Other collaterals	Other collaterals
Liabilities to the central bank	-	75,039
Debt securities issued to the public	2,169,139	2,193,648
Derivative contracts	49,633	71,785
Encumbered assets total	2,218,773	2,340,473
Collateral received		
Derivative contracts	19,290	20,240
Collateral received total	19,290	20,240

G42. IFRS 16 LEASES	2024	2023
Hypo Group as lessee		
Right-of-use assets		
Depreciation - Apartments	53	86
Carrying amount - Apartments	20	350
Lease liabilities		
Interest expense	2	4
Carrying amounts sorted by remaining maturity		
Non-fixed-term leases	21	352
Relief options		
Expenses from leases of low-value assets	13	6

Hypo Group leases office premises in Helsinki. The lease terms of these contracts are non-fixed.

Hypo Group as a lessor	2024	2023
Operative leases		
Lease income	2,129	1,660
Undiscounted lease payments to be received		
1 year	828	557
2 year	349	356
3 year	285	352
4 year	146	288
5 year	114	149
>5 years	381	4,035

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

G43. OFF-BALANCE SHEET COMMITMENTS	2024	2023
Commitments given to a third party on behalf of the customer		
Guarantees and pledges	3,840	
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	22,446	20,394
Purchase commitments of housing units	198,860	177,141
Off-balance sheet commitments, total	225,145	197,535

Granted unclaimed loans are distributed by households and housing companies.

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NOTES TO THE AUDIT SERVICE FEES

G44. AUDIT SERVICE FEES	2024	2023
Fees paid to the auditor for the audit		
Ernst & Young	135	
PwC	156	203
Fees paid to the auditor for other services, parent company		
PwC	34	16
Fees paid to the auditor for other services, Group		
PwC	34	21
Audit service fees, total	325	224

Amounts for year 2024 are presented as invoiced for the year. Amounts (VAT 0%) are presented by assignment for year 2023.

NOTES TO GROUP'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

G45. NUMBER OF PERSONNEL	2024	2023
	Average number	Average number
Permanent full-time personnel	72	68
CEO and vice CEO	2	2
Temporary personnel	2	2
Total number of personnel	76	72

G46. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2024	2023
CEO and vice CEO total salaries	575	593

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 8 weeks' salary. No performance bonuses were paid in 2024.

	2024	2023
Board of Directors		
Total remuneration, chair	65	62
Total remuneration, vice chair	46	43
Total remunerations, members	165	159
Remuneration paid to Board of Directors, total	276	265
Supervisory Board		
Total remuneration, chair	19	16
Total remuneration, vice chair	12	8
Total remunerations, members	79	78
Remuneration paid to Supervisory Board, total	110	102
Members of the Management Group (exc. CEO and vice CEO)		
Total remunerations	327	721

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 Report of the Governing Bodies and the Other Remuneration Information, which are published on Hypo's website.

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NOTES TO GROUP'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

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.

	2024	2023	Change
CEO and vice CEO	68	97	-29
Management Group	367	946	-579
Board of Directors	493	182	311
Supervisory Board	207	243	-36
Joint operations	707	703	4
Other related parties	1,227	1,126	101
Loans granted to the related parties, total	3,069	3,296	-228

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.

G48. DEPOSITS BY THE RELATED PARTIES

	2024	2023	Change
CEO, vice CEO, Board of Directors and Supervisory Board	373	486	-113
Supervisory Board	191	139	52
Management Group	70	119	-49
The Mortgage Society of Finland's pension foundation	352	488	-136
Other insiders	1,336	1,453	-117
Total	2,322	2,684	-363

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:	2024	2023	Change
Hypo sold investment property to Suomen AsuntoHypoPankki Oy	0	700	-700
Hypo sold investment property to The Mortgage Society of Finland's pension foundation	550	0	550
Hypo sold service to The Mortgage Society of Finland's pension foundation	25	26	-1

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

2024	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen Asuntohypopankki Oy	Helsinki	100.0	64,867	3,408	1,620,354	1,551,254	8,865
Joint operations							
Bostadsaktiebolaget Taos	Helsinki	54.6	6,142	-142	7,790	1,648	724

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2024. The Articles of Association of Bostadsaktiebolaget Taos include a provision that a shareholder may have 20 per cent of the votes at a maximum.

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 Bostadsaktiebolaget Taos include a provision that a shareholder may have 20 per cent of the votes at a maximum.

NOTES TO GROUP'S SHAREHOLDINGS

G51. KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January–31 December 2024, 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, credit risk management and reporting are based on General Terms in lending, Principles of Credit Risk Management and supplemental operational instructions.

Lending

The 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. Any deviations from the normal credit criteria for lending are evaluated and decided 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. Regarding 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 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 used credit risk mitigation techniques.

The credit decisions related to lending are based on a credit decision analysis conducted before deciding, 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. Most of the customers and collateral are focused over 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 considers several 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 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 it is 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 the 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.

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NOTES TO GROUP'S RISK MANAGEMENT

G52.CREDIT RISK CONTINUES

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 to 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 the 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.

	2024			2023		
	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	2,654,854	2,701,189	-9	2,747,524	2,713,849	-13
Past due by 1-2 days*)	87,170	43,585	-1	0	18,521	0
Past due by 3 days-1 month	31,561	27,684	-6	23,807	25,568	0
Past due by 1-3 months	6,303	8,010	-39	9,717	7,780	-4
Non-performing, past due by less or more than 3 months	12,230	8,731	-253	5,232	4,543	-289
Total lending	2,792,118	2,789,199	-308	2,786,280	2,770,261	-306
Other						
Receivables from credit institutions						
Not fallen due	8,901	13,146	0	17,390	20,843	
Debt securities						
Not fallen due	142,774	144,580	-24	146,386	143,838	-5
Shares and holdings	31	28	0	24	24	
Derivative contracts			0			
Not fallen due	19,016	18,624	0	18,232	10,530	
Total other	170,723	176,378	-24	182,033	175,235	-5
Non-performing loans/total lending, %	0.44%			0.19%		

*) 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.

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NOTES TO GROUP'S RISK MANAGEMENT

G52.b CONCENTRATION OF LENDING

	2024				2023			
	Book value	Expected credit loss allowance	Book value, net	%	Book value	Expected credit loss allowance	Book value, net	%
Lending by category								
Households	842,209	-308	841,901	30.2%	850,684	-306	850,378	30.5%
Housing companies	1,924,002	0	1,924,001	68.9%	1,919,738	0	1,919,738	68.9%
Companies excluding Housing companies	23,862	0	23,862	0.9%	13,601		13,601	0.5%
Other	2,046	0	2,046	0.1%	2,256		2,256	0.1%
Total	2,792,118	-308	2,791,811	100.0%	2,786,280	-306	2,785,973	100.0%
Lending by purpose of use								
Permanent dwelling	2,727,475	-291	2,727,185	97.7%	2,734,399	-292	2,734,108	98.1%
Consumer loan	35,727	-17	35,710	1.3%	34,459	-15	34,444	1.2%
Holiday home	8,627	0	8,627	0.3%	7,971	0	7,970	0.3%
Other	20,290	0	20,290	0.7%	9,451		9,451	0.3%
Total	2,792,118	-308	2,791,811	100%	2,786,280	-306	2,785,973	100.0%
Lending by province								
Uusimaa	2,065,620	-146	2,065,475	74.0%	2,095,782	-222	2,095,560	75.2%
Rest of Finland	726,498	-162	726,336	26.0%	690,498	-85	690,413	24.8%
Total	2,792,118	-308	2,791,811	100%	2,786,280	-306	2,785,973	100.0%

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

G52.c LOAN TO VALUE BY CATEGORY

The key financial indicators portraying the quality of the loan portfolio remained at a strong level. The weighted average Loan-to-value (LTV) ratio was 31.1 percent (30.3%).

The calculation of LTV ratios takes into account only the residential property collateral, 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.

	2024	%	2023	%
Loan to value in percent by households (€ 1,000)				
<10	8,084	1.0%	8,247	1.0%
10-20	24,579	2.9%	25,323	3.0%
20-30	51,748	6.2%	54,135	6.4%
30-40	78,224	9.3%	81,224	9.6%
40-50	117,953	14.0%	116,395	13.7%
50-60	134,552	16.0%	156,157	18.4%
60-70	162,402	19.3%	166,389	19.6%
70-80	142,303	16.9%	143,146	16.9%
80-90	76,355	9.1%	63,825	7.5%
90-100	39,227	4.7%	27,687	3.3%
>100	3,894	0.5%	4,989	0.6%
Loans that are not included in LTV calculation	718	0.1%	1,531	0.2%
Total	840,039	100.0%	849,049	100.0%

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NOTES TO GROUP'S RISK MANAGEMENT

G52.c LOAN TO VALUE BY CATEGORY CONTINUES	2024	%	2023	%
Loan to value in percent by housing companies, private companies and other:				
<10	688,816	35.5%	676,832	35.1%
10-20	500,220	25.7%	547,403	28.4%
20-30	349,954	18.0%	351,906	18.3%
30-40	199,618	10.3%	206,337	10.7%
40-50	123,053	6.3%	86,500	4.5%
50-60	39,134	2.0%	19,035	1.0%
60-70	21,187	1.1%	13,660	0.7%
70-80	0	0.0%	0	0.0%
80-90	0	0.0%	0	0.0%
90-100	20,629	1.1%	20,758	1.1%
>100	251	0.0%	0	0.0%
Loans that are not included in LTV calculation	0	0.0%	3,474	0.2%
Total	1,942,862	100.0%	1,925,905	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 at 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 0.36% of the loan stock for household customers, 0.04% for housing companies and 0.03% for other entities.

Number of forbearances increased slightly during 2024 but remained on a moderate level. 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 0.48% of loan stock for household customers and 0.16% for housing companies.

Credit risk adjustments are 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 has remained at a very modest level.

	Performing and past due receivables			Non-performing loans		
	Receivables with modified terms	Re-financing	Total	Receivables with amended terms	Re-financing	Total
2024						
Forbearances 1 Jan	11,621	0	11,621	269	0	269
Changes during the financial period	5,245	85	5,330	625	0	625
Book value of forbearances 31 Dec	16,867	85	16,952	894	0	894
Expected credit losses recognized on receivables during the financial period			22			69

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		
	Receivables with modified terms	Re-financing	Total	Receivables with amended terms	Re-financing	Total
2023						
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.

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NOTES TO GROUP'S RISK MANAGEMENT

G52.e IFRS 9 BY RISK CATEGORY

	2024				2023			
Debt securities, Fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Credit quality level 1-3	30,282			30,282	53,346			53,346
Credit quality level 4-5	11,798			11,798	3,570			3,570
Rating not classified	10,048			10,048				0
Loss allowance	-24			-24	-5			-5
Debt securities, Fair value through other comprehensive income, total	52,104	0	0	52,104	56,911	0	0	56,911
Receivables from the public and public sector entities, amortised cost	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Households	812,236	19,730	10,233	842,200	825,836	20,832	4,017	850,685
Housing companies	1,920,204	2,582	1,225	1,924,011	1,914,879	4,463	396	1,919,738
Companies excluding Housing companies	21,975	1,120	768	23,862	12,759		841	13,601
Other	2,046			2,046	2,256			2,256
Loss allowance	-16	-39	-253	-308	-13	-4	-289	-306
Receivables from the public and public sector entities, total	2,756,445	23,392	11,973	2,791,811	2,755,717	25,292	4,965	2,785,973
Off-balance sheet, granted but undrawn loans, amortised cost	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Households	22,304	28	114	22,446	20,250	96	48	20,394
Housing companies	198,759			198,759	176,691	350		177,041
Companies excluding Housing companies	3,940			3,940	99			99
Loss allowance	0			0	0			0
Off-balance sheet, total	225,003	28	114	225,145	197,041	446	48	197,535

G52.f IFRS 9 LOSS ALLOWANCE CHANGES AND TRANSITIONS

Debt securities, Fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Loss allowance as at 1 January	5			5	0			0
New financial assets	24			24	5			5
Maturities and repayments	-5			-5				0
Loss allowance as at 31 December	24	0	0	24	5	0	0	5
Receivables from the public and public sector entities, amortised cost	Stage 1	Stage 2	Stage 3	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Loss allowance as at 1 January	13	4	289	306	17	27	189	233
New financial assets (new loans)	12	17	0	28	7			7
Maturities and repayments	-8		-12	-20	-4			-4
Final credit losses			-132	-132			-52	-52
Change due to credit risk	-1	18	108	125	-7	-23	153	123
Loss allowance as at 31 December	16	39	253	308	13	4	289	306
Off balance sheet, granted but undrawn loans by risk category	Stage 1	Stage 2	Stage 3	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Loss allowance as at 1 January	0			0	1			1
New financial assets	0			0	0			0
Change due to credit risk	0			0	-1			-1
Loss allowance as at 31 December	0	0	0	0	0	0	0	0

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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				2024				2023
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January	56,916			56,916	53,522			53,522
New financial assets	31,688			31,688	3,570			3,570
Maturities and repayments	-36,476			-36,476	-176			-176
Carrying amount as at 31 December	52,128	0	0	52,128	56,916	0	0	56,916
Receivables from the public and public sector entities, amortised cost								
Carrying amount as at 1 January	2,755,730	25,296	5,254	2,786,280	2,721,987	28,403	3,852	2,754,241
Transfer from Stage 1 to Stage 2	-15,438	15,438		0	-17,565	17,565		0
Transfer from Stage 1 to Stage 3	-2,762		2,762	0	-2,117		2,117	0
Transfer from Stage 2 to Stage 3		-5,473	5,473	0		-926	926	0
Transfer from Stage 3 to Stage 2		160	-160	0		275	-275	0
Transfer from Stage 2 to Stage 1	9,661	-9,661		0	17,760	-17,760		0
Transfer from Stage 3 to Stage 1	804		-804	0	707		-707	0
New financial assets	423,286	1,981	770	426,038	505,468	-51	557	505,974
Maturities and repayments	-414,820	-4,310	-937	-420,067	-470,511	-2,210	-1,163	-473,884
Final credit losses			-132	-132			-52	-52
Carrying amount as at 31 December	2,756,461	23,432	12,226	2,792,118	2,755,730	25,296	5,254	2,786,280
Off balance sheet, granted but undrawn loans by risk category								
Off balance sheet as at 1 January	197,041	446	48	197,535	277,225	698	126	278,050
Transfer from Stage 1 to Stage 2				0	-350	350		0
Transfer from Stage 2 to Stage 3		-44	44	0		-18	18	0
Transfer from Stage 2 to Stage 1				0	37	-37		0
Transfer from Stage 3 to Stage 1	5		-5	0	17		-17	0
Net change, lapsed and granted	27,958	-374	27	27,610	-79,889	-547	-79	-80,515
Off balance sheet as at 31 December	225,003	28	114	225,145	197,041	446	48	197,535

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 materializes, 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 materializes, 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 materializes, it means that the 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 dysfunction 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 considered in the principles and processes of liquidity risk management.

The 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

	2024				
Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–10 years	Yhteensä
Liabilities to credit institutions		826	18,095	4,083	23,004
Liabilities to the public and public sector entities	1,118,663	435,062	2,181		1,555,906
Debt securities issued to the public	2,280	46,000	1,441,995	300,060	1,790,335
Derivative contracts	9,708	3,912	5,071	9,696	28,387
Off-balance sheet items, granted but undrawn loans	225,145				225,145
Total liabilities	1,355,796	485,800	1,467,343	313,838	3,622,777

	2023				
Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–10 years	Yhteensä
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

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.

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 because of trading in bonds issued by Hypo on the secondary market.

The 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).

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. For on-demand deposits held by retail customers, Hypo Prime is also used as a reference interest rate. Its pricing follows changes in the general interest rate level based on the Group's own decisions.

NOTES TO GROUP'S RISK MANAGEMENT

G54. MARKET RISKS CONTINUES

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.

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 has been allocated to market risks in Group's Internal Capital Adequacy Assessment Process.

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 materializes if the fair value of residential land or shares in housing companies permanently decreases below the acquisition price. The impairment risk may also materialize when a site is sold. To manage the risk of impairment, the Group makes long-term investments.

The Group's housing and residential land holdings consist of leased-out sites. Most 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. The 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 materializes 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 linkage of rent levels to indices. The land rents are adjusted annually based on 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 several 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 are 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 the 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.

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NOTES TO GROUP'S RISK MANAGEMENT

G54.a INFORMATION CONCERNING INTEREST RATE RISK

EUR million

Time to repricing 2024	<3 months	3-12 months	1-5 years	5-10 years	Total
Floating-rate items					
Receivables	763	2,097	0		2,860
Liabilities	1,104	748	46		1,898
Net	-341	1,349	-46	0	962
Fixed-rate items					
Receivables	393	25	1,460	297	2,176
Liabilities	866	466	1,427	276	3,034
Net	-472	-440	33	22	-858

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. They are assumed to be repriced between 1 day and 24 months depending on the counterparty. 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 2024

If market interest rates would have increased by 1 per cent (decreased by 1 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 5.6 million (increase by EUR 5.6 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 one percentage points in market interest rates on the balance sheet date would decrease the value of items measured at fair value by EUR 0.9 million. The economic value of Hypo would decrease by EUR 10.8 million due to a rise of one per cent in interest rates.

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

Sensitivity analysis 2023

If market interest rates would have increased by 1 per cent (decreased by 1 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 2.1 million (increase by EUR 2.1 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. An increase of one percentage points in market interest rates on the balance sheet date would decrease the value of items measured at fair value by EUR 0.3 million. The economic value of Hypo would decrease by EUR 3.7 million due to a rise of 1 per cent in interest rates.

NOTES TO GROUP'S RISK MANAGEMENT

G55. OPERATIONAL RISKS

The group's key operational risks include personal, cybersecurity, IT and single-office risks as well as legal risks. Mortgage credit bank operations, performed by the parent company Hypo, have added some characteristics in Groups operational risks. Operational risks also include data protection as part of cybersecurity, as well as the prevention of money laundering and terrorist financing, along with the specific risk management obligations associated with them.

Personnel

The entire personnel of the 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. Employee well-being is actively supported through investments in extensive occupational health services and other employee benefits. Work capacity and well-being are regularly monitored through BBI and NPS surveys. 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.

Cybersucurity and Information systems

Cybersecurity threats are addressed by protecting Hypo's services, information systems, and databases with technical solutions that ensure a high level of security, enabling the monitoring and prevention of cybersecurity threats. Cybersecurity guidelines are kept up to date, with updates and new instructions implemented as needed. Employee cybersecurity expertise is ensured through regular training sessions and tests. Access rights for all employees are reviewed annually. Data security and its management have been highlighted by changes in the overall security situation. Particular attention is paid to monitoring and tracking information security threats.

For 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. The 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 stabled since the deployment in early 2022. Few elements of the core banking system renewals were implemented during the year 2024.

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. Principles of information security and information system risk management have been confirmed within the Group and are complemented by operational instructions and training.

Facilities

Single-office risks related to the Group's facilities are managed through fire, water and burglary protection. The 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 considered 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

During the financial year, no significant losses occurred due to operational risks.

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.

NOTES TO GROUP'S RISK MANAGEMENT

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 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 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 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

In the Group's internal capital adequacy assessment process, own funds have been allocated to strategic risks, due to the risks linked especially within the development of the core banking systems.

G57. CLIMATE AND ENVIRONMENTAL RISKS

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 its emphasis on lending in Finnish growth centers. Hypo does not finance agriculture, forestry, or fisheries, nor does it support businesses particularly vulnerable to climate and environmental factors. On the other hand, the concentration of business activities in Finland increases country-specific concentration risks. However, regarding climate and environmental risks, the geographical location limits the risks for a specialized housing finance operator mainly to local damages 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 considers 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 the increasing regulatory and reporting requirements.

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PARENT COMPANY INCOME STATEMENT

€ 1,000	Note	1.1.-31.12.2024	1.1.-31.12.2023
Interest income	P2	157,712	130,502
Interest expenses	P2	-146,543	-118,806
NET INTEREST INCOME		11,169	11,696
Fee income	P3	1,665	1,606
Fee expenses	P3	-86	-57
Net income from financial instruments at FVPL	P4	-1,344	-2,517
Net income from financial assets at FVOCI	P5	261	0
Net income from investment properties	P6	2,354	2,596
Other operating income	P7	4,520	6,303
Personnel and administrative expenses			
Personnel expenses			
Wages and salaries		-7,212	-6,740
Other personnel related costs			
Pension costs		-1,375	-1,362
Other personnel related costs		-124	-174
Administrative expenses		-4,743	-4,443
Personnel and administrative expenses total		-13,454	-12,719
Depreciation and impairment losses on tangible and intangible assets	P9	-1,385	-1,517
Other operating expenses	P8	-1,259	-1,538
Final and expected credit losses	P10	-108	-119
OPERATING PROFIT	P11	2,332	3,733
Income taxes		-467	-748
PROFIT FOR THE PERIOD		1,865	2,985

FINANCIAL STATEMENTS 2024

PARENT COMPANY BALANCE SHEET

€ 1,000	Note	31.12.2024	31.12.2023
ASSETS			
Cash	P12, P32		520,670
Debt securities eligible for refinancing with central banks	P15, P31, P32, P45.a, P45.c-e	129,708	146,386
Receivables from credit institutions			
Payable on demand	P13, P31, P32, P45.a	8,048	12,292
Receivables from the public and public sector entities			
Other than those payable on demand	P14, P31, P32, P45.a-P	2,792,659	2,786,814
Debt securities			
From others	P31, P32, P45.a, P45.c-e	13,066	
Shares and holdings	P16, P32, P45.a	24	24
Shares and holdings in the same group of companies	P16, P32, P45.a	36,688	36,688
Derivative contracts	P17, P32, P35, P45.a, P46.a	19,016	18,232
Intangible assets			
Other long-term expenditure	P22	10,251	10,175
Tangible assets			
Investment properties and shares and holdings in investment properties	P23, P24	51,592	52,614
Other properties and shares and holdings in housing property corporations	P23, P24	2,958	2,104
Other tangible assets	P24	206	337
Tangible assets, total		54,757	55,055
Other assets	P 25	31,078	54,147
Deferred income and advances paid	P 26	945	1,526
Deferred tax receivables	P 27	14	9
TOTAL ASSETS		3,096,255	3,642,020

FINANCIAL STATEMENTS 2024

PARENT COMPANY BALANCE SHEET

€ 1,000	Note	31.12.2024	31.12.2023
LIABILITIES			
Liabilities to credit institutions			
To central banks	P31, P32, P46.a		51,349
To credit institutions			
Other than those payable on demand	P31, P32, P46.a	1,231,083	1,645,898
Liabilities to credit institutions, total		1,231,083	1,697,247
Liabilities to the public and public sector entities			
Other liabilities			
Other than those payable on demand	P31, P32, P46.a	4,572	6,204
Debt securities issued to the public			
Bonds		1,637,926	1,647,529
Other		15,893	46,931
Debt securities issued to the public, total	P28, P31, P32, P46.a	1,653,818	1,694,460
Derivative instruments	P17, P32	36,266	74,793
Other liabilities	P 29	28,692	30,888
Deferred expenses and advances received		2,145	2,102
Deferred tax liabilities	P27	8,930	8,918
ACCUMULATION OF APPROPRIATIONS			
Voluntary reservations		41,683	41,683
Deferred tax liability		-8,337	-8,337
Voluntary reservations, total		33,347	33,347
EQUITY			
Basic capital	P34	5,000	5,000
The revaluation reserve		2,235	2,235
Other restricted reserves			
Reserve fund		50,425	47,505
Fair value reserve			
From valuation at fair value		106	57
Unrestricted reserves			
Other reserves		22,924	22,924
Retained earnings		14,848	13,355
profit for the period		1,865	2,985
Total equity	P33	97,402	94,061
TOTAL LIABILITIES AND EQUITY		3,096,255	3,642,020

OFF-BALANCE SHEET COMMITMENTS

€ 1,000	Note	31.12.2024	31.12.2023
Irrevocable commitments given on behalf of a customer			
Granted but unclaimed loans		221,414	197,535
OFF-BALANCE SHEET COMMITMENTS TOTAL	P38	221,414	197,535

FINANCIAL STATEMENTS 2024

CASH FLOW STATEMENT

€ 1,000	1.1.–31.12.2024	1.1.–31.12.2023
Cash flow from operating activities		
Interest income and fees received	164,456	136,520
Interest and fees paid	-129,516	-116,791
Credit losses	-88	-41
Personnel, administrative and other operating expenses paid	-14,220	-14,041
Income taxes paid	71	-842
Total net cash flow from operating activities	20,703	4,805
Operating assets increase (-) / decrease (+)		
Receivables from customers	-9,333	-23,174
Operating assets increase (-) / decrease (+) total	-9,333	-23,174
Operating liabilities increase (+) / decrease (-)		
Other operating liabilities	-21	-45
Operating liabilities increase (+) / decrease (-) total	-21	-45
NET CASH FROM/USED IN OPERATING ACTIVITIES	11,349	-18,413
Cash flows from investing activities		
Income received from financial instruments measured at fair value	763	7,975
Expenses paid from financial instruments and measured at fair value	-437	-2,135
Payments received from investment properties	2,720	3,867
Expenses paid from investment properties	-806	-2,955
Cash flows from acquisition of fixed assets	-1,320	-1,259
NET CASH FROM /USED IN INVESTING ACTIVITIES	919	5,494
Cash flows from financing activities		
Financial liabilities, new withdrawals	364,259	659,321
Financial liabilities, repayments	-907,695	-528,886
NET CASH FROM/USED IN FINANCING ACTIVITIES	-543,436	130,434
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-531,168	117,515
Cash and cash equivalents at the beginning of the period	681,070	563,555
Cash and cash equivalents at the end of the period	149,902	681,070
CHANGE IN CASH AND CASH EQUIVALENTS	-531,168	117,515
Cash and cash equivalents in the balance sheet		
Cash and cash equivalents in the cash flow statement at the end of the financial period	149,902	681,070
Changes that do not involve payment	920	-1,721
Balance sheet value at the end of the financial period	150,822	679,349

Adjustments have been made to the cash flow statement presented in the 2023 financial statements. Cash flows have been reorganized to provide a clearer representation of the subcategories in the cash flow statement: operating activities, investing activities, and financing activities. The structure of line items in the cash flow statement has been refined, and adjustments have been made to the euro amounts of cash flows. The euro amounts of the adjustments are as follows:

Adjustments made to the Cash flow statement 31.12.2023 (EUR 1,000)	Adjusted amount	Amount presented in the 2023 financial statements	Change
Net cash flows from/used in Operating Activities	-18,413	12,372	-30,785
Net cash flows from/used in Investing Activities	5,494	-2,679	8,172
Cash flows from/used in Financing Activities	130,434	113,030	17,404
Change in Cash and cash equivalents			-5,208

The nature and reasons for the adjustments:

Net cash flows from/used in Operating Activities

Cash flows from derivative margin calls have been reclassified into the group 'Cash Flows from Financing Activities.' The cash flows from interest received and paid related to financial instruments have been adjusted.

Net Cash Flows from/used in Investing Activities

The line item grouping of cash flows from investment properties has been simplified. Realized cash amounts from derivatives hedging cash reserves have been grouped under 'Cash Flows from Investing Activities.' The cash flow amounts have been adjusted.

Cash Flows from/used in Financing Activities

Cash flows from derivatives hedging financing agreements have been grouped together with cash flows from financing agreements. Additionally, cash flows from derivative margin call arrangements have been reclassified into the item 'Cash Flows from Financing Activities'. Transactions related to contracts under hedge accounting have been adjusted to a cash flow basis.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

P1. Material 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 a 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 as the annual report.

Financial data is presented in the 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.

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 are treated 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 possible disposal. Any possible impairment on property 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 separate items in appropriations in the profit or loss and in accumulated appropriations in the balance sheet. The reserve consists of a general loss provision 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 fund is recognized as a defined benefit plan. Hypo serves as an employer. The obligation is fully funded. The accounting of discounted obligation value requires the 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 from Hypo's pension fund'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 the parent company's equity fund. In addition, the increase in general credit loss provisions is presented in appropriations and decreases the taxable result.

FINANCIAL STATEMENTS 2024

NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

€ 1,000, unless otherwise indicated.

P2. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM		2024		2023	
	To / from subsidiaries	Total	To / from subsidiaries	Total	
Receivables from credit institutions		9,734		13,836	
Receivables from the public and public sector entities		122,322		101,064	
Debt securities		4,335		2,397	
Derivative contracts		19,928		11,105	
Other interest income		1,394		2,100	
Interest income, total	0	157,712	0	130,502	
Liabilities to credit institutions	-53,844	-56,411	-47,498	-49,778	
Liabilities to the public and public sector entities		-209		-179	
Debt securities issued to the public		-36,242		-27,163	
Derivative contracts		-53,680		-41,615	
Negative interest income		0		-38	
Other interest expenses		-1		-33	
Interest expenses, total	-53,844	-146,543	-47,498	-118,806	

P3. FEE INCOME AND EXPENSE		2024		2023	
From lending		1,658		1,599	
From other operations		7		6	
Fee income, total		1,665		1,606	
Lending fee expenses		-86		-57	
Net fee income		1,578		1,548	

P4. NET INCOME FROM FINANCIAL INSTRUMENTS AT FVPL		2024		2023		
	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	465	534	999	-1,875	4,948	3,072
Interest rate swaps other than those in hedge accounting	-384	-1,604	-1,989	2,789	-6,288	-3,499
Net income from hedge accounting						
Fair value hedge accounting for debt securities issued to the public		-31,146	-31,146		-63,756	-63,756
Interest rate swaps in fair value hedge accounting		30,791	30,791		61,665	61,665
Net income from financial instruments at FVPL, total	81	-1,425	-1,344	914	-3,431	-2,517

There are no financial instruments held for trading purposes.

P5. NET INCOME FROM FINANCIAL ASSETS THROUGH FVOCI		2024		2023	
Net income from financial assets through FVOCI					
Capital gains from debt securities		261			
Net income from financial assets through FVOCI, total		261			0

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NOTES TO THE PARENT COMPANY'S INCOME STATEMENT

P6. NET INCOME FROM INVESTMENT PROPERTIES	2024	2023
Rental income	1,396	1,342
Capital gains (losses)	144	314
Other income	1,273	1,378
Maintenance charges and other maintenance costs paid		
From investment properties that have accrued rental income during the period	-324	-298
Other expenses	-135	-139
Net income from investment properties, total	2,354	2,596

P7. OTHER OPERATING INCOME	2024	2023
Usage fees, property assets in own use	12	14
Other income	4,508	6,289
Other operating income, total	4,520	6,303

Other income includes management service fees from group companies. Reference year figure includes stability fee of -2.2 million euros for 2023.

P8. OTHER OPERATING EXPENSES	2024	2023
Rental expenses	-39	-29
Expenses from properties in own use	-76	-110
Other expenses	-1,144	-1,398
Other operating income, total	-1,259	-1,538

P9. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS	2024	2023
Depreciations according to plan	-1,385	-1,517

P10. FINAL AND EXPECTED CREDIT LOSSES	2024	2023
From financial assets at amortised cost		
Receivables from the public and public sector entities		
Expected credit losses, net change	-2	-73
Final credit losses	-94	-52
Recoveries of final credit losses	6	11
Off-balance sheet commitments, granted but unclaimed loans		
Expected credit losses, net change	0	1
Net gains/losses on derecognition of other financial assets		
Debt securities eligible for refinancing with central banks		
Expected credit losses, net change	-18	-5
Final and expected credit losses, total	-108	-119

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. Parent company's operating area is Finland.

2024	Combined amount of income	Operating profit	Total assets	Total liabilities	Average number of personnel
Lending and deposits and other housing products and services	18,543	2,358	3,096,255	2,965,506	72
Other operations	69	48	0		
Total	18,612	2,406	3,096,255	2,965,506	72
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

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P12. CASH AND CASH EQUIVALENTS	2024	2023
Receivables from central bank		520,670
Total	0	520,670

P13. RECEIVABLES FROM CREDIT INSTITUTIONS	2024	
	Payable on demand	Other than those payable on demand
		Total
From credit institutions	8,048	8,048
Receivables from credit institutions, total	8,048	0

	2023	
	Payable on demand	Other than those payable on demand
		Total
From credit institutions	12,292	12,292
Receivables from credit institutions, total	12,292	0

P14. RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES	2024		2023	
	Balance sheet value	Expected credit loss allowance	Balance sheet value	Expected credit loss allowance
Housing companies	1,924,859	0	1,920,578	0
Households	841,892	-308	850,685	-306
Corporates excl. housing companies	23,862		13,601	
Other	2,046		2,256	
Total	2,792,659	-308	2,787,120	-306

Non performing loans	12,226	5,254
Expected credit losses recognised during the period on receivables		
Expected credit losses at the beginning of the year	-306	-234
Expected credit losses, net change	-2	-72
Expected credit losses at the end of the year	-308	-306
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 (-)	-88	-41

Final credit losses are presented as net of recognized credit losses and reversals of credit losses during accounting period. The comparative year's numbers have been harmonized with the 2024 data.

P15. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS	2024			
	Publicly quoted	Other	Total	Expected credit loss allowance
Debt securities issued by public sector entities				
FVOCI				
Other debt securities issued by public sector entities	20,440		20,440	
FVPLO				
Government bills	32,177		32,177	
Other debt securities issued by public sector entities	2,195		2,195	
Debt securities issued by other than public sector entities				
Debt instruments issued by banks	18,500		18,500	-8
Other debt securities	122		122	
Debt instruments issued by banks	56,274		56,274	
Debt securities eligible for refinancing with central bank, total	129,708	0	129,708	-8

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

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P15. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS CONTINUES 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	
Debt securities eligible for refinancing with central bank, total	146,386	0	146,386	-5

P16. SHARES AND HOLDINGS 2024

	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	

2023

	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 2024 2023

	Book value		Book value	
	Assets	Liabilities	Assets	Liabilities
OTC- interest rate swaps				
Derivatives in fair value hedging				
Fair value	18,845	35,580	16,995	74,874
of which: cleared by central counterparty		29,124		53,010
Derivatives other than in hedge accounting				
Fair value	171	686	1,238	-82
of which: cleared by central counterparty		686		-82
Fair value total	19,016	36,266	18,232	74,793

The fair value of the contract contains accrued interest.

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P17. DERIVATIVE CONTRACTS CONTINUES

	2024		2023	
	Assets	Liabilities	Assets	Liabilities
Derivatives in fair value hedging	600,000	1,000,000	609,321	1,050,000
Derivatives other than in hedge accounting	44,273	71,500	45,000	91,000
Nominal amount total	644,273	1,071,500	654,321	1,141,000

	2024			Total
	Less than one year	1-5 years	>5 years	
Remaining maturity				
Nominal values of the underlying instruments	40,000	1,415,273	260,500	1,715,773
of which: cleared by a central counterparty	5,000	506,000	260,500	771,500
Fair value, assets	171	18,845		19,016
of which: cleared by a central counterparty				0
Fair value, liabilities	17	-116	36,365	36,266
of which: cleared by a central counterparty	17	-6,572	36,365	29,810

	2023			Total
	Less than one year	1-5 years	>5 years	
Remaining maturity				
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

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 2024 totaled EUR -274,000. The amount of risk is calculated over the netting sets and taking into account the collateral delivered.

P18. HEDGE ACCOUNTING, MATURITY

	2024		
	3-12 months	1-5 years	5-10 years
Fair value edges			
Notional amount		1,359,273	250,000
Average fixed interest rate		2.21%	0.01%

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

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

P19. INSTRUMENTS USED FOR HEDGE ACCOUNTING

	2024			
	Notional amount	Book value, assets	Book value, liabilities	Fair value changes in hedge accounting
Fair value hedges				
Derivatives, interest rate swaps	1,609,273	29,943	46,678	30,577

	2023			
	Notional amount	Book value, assets	Book value, liabilities	Fair value changes in hedge accounting
Fair value hedges				
Derivatives, interest rate swaps	1,659,321	16,995	74,874	61,343

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P20. HEDGED EXPOSURES

2024

	Book value		Accumulated amount of fair value adjustments on the hedged item		Fair value changes in hedge accounting
	Assets	Liabilities	Assets	Liabilities	
Fair value hedges					
Debt securities issued to the public		1,557,510	35,497		-31,146
Receivables from the public and public sector entities	18,443			194	214

2023

	Book value		Accumulated amount of fair value adjustments on the hedged item		Fair value changes in hedge accounting
	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

P21. HEDGE EFFECTIVENES

2024

2023

Hedge ineffectiveness		
Fair value hedges		
Net income from financial instruments at FVPL	-354	-2,091

P22. INTANGIBLE ASSETS

2024

2023

IT programs and projects	10,018	9,842
Other intangible assets	234	333
Intangible assets, total	10,251	10,175

P23. TANGIBLE ASSETS

Fair value determination principle

2024

2023

Investment properties and investment property shares, balance sheet value		
Land and water areas	3	1,714
Shares and holdings in housing property corporations	3	49,879
Total balance sheet value		51,592
Total fair value of investment properties		54,177
Other properties and shares in housing property corporations, balance sheet value		
Land and water areas	3	2,958
Total balance sheet value		2,958
Total fair value of other properties		4,058

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

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P24. CHANGES IN INTANGIBLE AND TANGIBLE ASSETS DURING THE FINANCIAL PERIOD 2024

	Intangible assets		Tangible assets		
		Investment properties and -shares	Other properties and housing property shares	Other tangible assets	Tangible assets total
Acquisition cost 1 January	15,810	53,069	1	3,079	56,149
Increases, new acquisitions	1,342	347	854	20	1,222
Deductions		-1,369		-32	-1,400
Acquisition cost 31 December	17,151	52,048	855	3,067	55,970
Accumulated depreciation and impairment losses 1 January	5,634	1,145		2,742	3,887
Depreciation for the period	1,266			119	119
Accumulated depreciation and impairment losses 31 December	6,900	1,145	0	2,861	4,006
Revaluations 1 January		690	2,103		2,793
Book value 31 December	10,251	51,592	2,958	206	54,757

2023

	Intangible assets		Tangible assets		
		Investment properties and -shares	Other properties and housing property shares	Other tangible assets	Tangible assets total
Acquisition cost 1 January	14,563	47,622	3,854	3,044	54,520
Increases	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 Jan	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

P25. OTHER ASSETS

	2024	2023
Collateral for derivatives	29,735	51,963
Accounts receivable	73	65
Receivables related to residential property trustee services	1	4
Other receivables	1,270	2,116
Other assets, total	31,078	54,147

The baseline year's numbers have been harmonized with the 2024 numbers.

P26. DEFERRED INCOME AND ADVANCES PAID 2024 2023

Tax receivable based on the fiscal year taxes	374	912
Other deferred income	571	614
Deferred income and advances paid, total	945	1,526

The baseline year's numbers have been harmonized with the 2024 numbers.

P27. DEFERRED TAX RECEIVABLES AND LIABILITIES 2024 2023

	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	14	35	9	23
Deferred tax of loan loss provision		8,337		8,337
Deferred tax receivables and liabilities, total	14	8,930	9	8,918

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P28. DEBT SECURITIES ISSUED TO THE PUBLIC

	2024		2023	
	Book value	Nominal value	Book value	Nominal value
Other than those payable on demand				
Bonds	1,637,926	1,650,000	1,647,529	1,700,000
Certificates of deposit and commercial papers	15,893	16,000	46,931	48,000
Debt securities issued to the public, total	1,653,818	1,666,000	1,694,460	1,748,000

Bonds are covered bonds issued by the Mortgage Society of Finland. Certificates of deposit are unsecured debt obligations issued by the Mortgage Society of Finland, with a maximum duration of one year.

P29. DEFERRED EXPENSES AND ADVANCES RECEIVED

	2024	2023
Collateral for derivatives	19,290	20,240
Received short-term customer payments not yet recorded to contracts	8,239	9,828
Other liabilities	1,164	820
Deferred expenses and advances received, total	28,692	30,888

P30. LIABILITIES ACCORDING TO THE ACT ON RESOLUTION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS

	2024	2023
Unsecured liabilities		
of which the remaining maturity is more than one year	-	6,100
Common Equity Tier 1 (CET1) capital	-	122,362
Total liabilities according to the Act on Resolution of Credit Institutions and Investment Firms	-	128,462

On 28 November 2024 the Finnish Financial Stability Authority withdrew its previous decision to set a minimum requirement of own funds and eligible liabilities (MREL) for the Mortgage Society of Finland.

P31. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

	2024					Total
	<3 months	3-12 months	1-5 years	5-10 years	>10 years	
Cash						0
Receivables from credit institutions	8,048					8,048
Receivables from the public and public sector entities	9,297	2,169	77,228	229,437	2,474,528	2,792,659
Debt securities	6,984	24,861	100,104	10,826		142,774
Derivative assets	163	8	18,845			19,016
Financial assets, total	24,491	27,038	196,177	240,262	2,474,528	2,962,497
Liabilities to credit institutions	1,118,463	92,619		20,000		1,231,083
Liabilities to the public and public sector entities		4,572				4,572
Debt securities issued to the public	5,991	9,902	1,372,571	265,354		1,653,818
Derivative liabilities		17	-116	36,365		36,266
Financial liabilities, total	1,124,454	107,110	1,372,455	321,720	0	2,925,739

	2023					Total
	<3 months	3-12 months	1-5 years	5-10 years	>10 years	
Cash	520,670					520,670
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
Derivative assets		253	17,979			18,232
Financial assets, total	536,047	55,187	160,860	218,394	2,513,907	3,484,395
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
Derivative liabilities		7,408	22,888	44,497		74,793
Financial liabilities, total	1,032,442	948,237	1,106,802	322,329	62,895	3,472,704

Contractual interest accruals at end of financial year are presented based on the maturity date of financial assets and liabilities. Derivative liabilities in the balance sheet consist of multiple contracts that have been netted by counterparty. The maturity distribution has been prepared on a contract basis.

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

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

2024

Publicly quoted	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	45,144	45,144	
Debt securities	Option to designate a financial asset at fair value	1	90,646	90,646	
Total			135,791	135,791	0
Debt securities issued to the public	Amortised cost	1	1,637,926	1,637,926	
Total			1,637,926	1,637,926	0
Other					
Liquid assets	Amortised cost	1			
Receivables from credit institutions	Amortised cost	2	8,048	8,048	
Receivables from the public and public sector entities	Amortised cost	2	2,792,659	2,792,659	1,575
	Fair value through other comprehensive income (FVOCI)	1	6,984	6,984	
Derivative contracts	Fair value through profit or loss (FVPL)	2	19,016	19,016	
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			2,863,418	2,863,418	38,263
Liabilities to credit institutions	Amortised cost	2	1,231,083	1,231,083	1,211,083
Liabilities to the public and public sector entities	Amortised cost	2	4,572	4,572	
Debt securities issued to the public	Amortised cost	1	15,893	15,893	
Derivative contracts	Fair value through profit or loss (FVPL)	2	36,266	36,266	
Total			1,287,813	1,287,813	1,211,083

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

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

2023

Publicly quoted	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
	Fair value through other comprehensive income (FVOCI)	1			
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

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

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NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P33. EQUITY

	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
	2024							
	Basic capital	Revaluation reserve	Reserve fund	Fair value reserve	Other reserves	Untaxed reserves	Retained earnings	Total
Equity 1 Jan 2024	5,000	2,235	47,505	57	22,924	33,347	16,341	127,407
Fair value measurement of financial assets								
Change in fair value				-205				-205
Amount transferred to the income statement				261				261
Cancellation of properties' revaluations								
Change in untaxed reserves								
The decision of the Annual General Meeting for the disposal of profits			1,493				-1,493	0
Entry fees			1,428					1,428
Profit for the period							1,865	1,865
Change in deferred taxes				-7				-7
Equity 31 Dec 2024	5,000	2,235	50,425	106	22,924	33,347	16,713	130,749

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 amount of unrestricted equity as of 31 December 2024 was EUR 116,623.7 thousand (EUR 114,454.1 thousand), of which the non-distributable portion is the amount to be transferred to the reserve fund from the financial year profit in accordance with the rules of the mortgage association. At least EUR 932.6 thousand of the profit for 2024 is non-distributable (at least EUR 1,492.6 thousand of the profit for 2023). No capitalized development costs were allocated to unrestricted equity as of 31 December 2024, or 31 December 2023.

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

	2024		2023	
		Other collaterals		Other collaterals
Collateral pledged for own liabilities				
Liabilities to the central bank				75,039
Debt securities issued to the public		2,169,139		2,193,648
Derivative contracts		49,633		71,785
Encumbered assets total		2,218,773		2,340,473
		2024		2023
Collateral received		Other collaterals		Other collaterals
Derivative contracts		19,290		20,240
Collateral received total		19,290		20,240

P36. PENSION OBLIGATIONS

Employees' statutory pension security has been managed by external pension insurance and voluntary supplementary pension security by the Pension Fund Of Mortgage Society of Finland. At the end of 2010 M-department was established. This offered the opportunity to use insurance premiums to improve employees' pension security. The pension fund does not have deficit.

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NOTES CONCERNING PARENT COMPANY'S COLLATERAL AND CONTINGENT LIABILITIES

P37. LEASING AND OTHER LIABILITIES	2024	2023
Minimum rents paid on the basis of leasing and other rental agreements		
Within one year	6	11
Within more than a year and at most within five years	4	4
Leasing and other liabilities, total	9	14
P38. OFF-BALANCE SHEET COMMITMENTS	2024	2023
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans to households	22,446	20,394
Granted but unclaimed loans to housing companies	198,969	177,141
Off-balance sheet commitments, total	221,414	197,535

Granted unclaimed loans are specified by households and housing companies.

NOTES CONCERNING THE AUDITOR'S FEE

P39. AUDITOR SERVICE FEES	2024	2023
Fees paid to the auditor for the audit		
Ernst & Young	122	
PwC	132	176
Fees paid to the auditor for other services, parent company		
Ernst & Young		
PwC	34	16
Audit service fees, total	289	192

Amounts for year 2024 are presented as invoiced for the year. Amounts (VAT 0%) are presented by assignment for year 2023.

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

P40. NUMBER OF PERSONNEL	2024		2023	
	Average number	At the end of the period	Average number	At the end of the period
Permanent full-time personnel	72	63	68	67
CEO and the vice CEO	2	2	2	2
Temporary personnel	2	5	2	3
Number of personnel, total	76	70	72	72

P41. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2024	2023
CEO and vice CEO total salaries	575	593

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 8 weeks' salary. Compensations based on performance-related pay and incentive scheme was not paid during year 2024.

Board of Directors	2024	2023
Total remuneration, chair	65	62
Total remuneration, vice chair	46	43
Total remunerations, members	165	159
Remuneration paid to Board of Directors, total	276	265
Supervisory Board		
Total remuneration, chair	19	16
Total remuneration, vice chair	12	8
Total remunerations, members	79	78
Remuneration paid to Supervisory Board, total	110	102
Members of the Management Group (exc. CEO and vice CEO)		
Total remunerations	327	721

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.

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

P42. LOANS GRANTED TO THE RELATED PARTIES	2024	2023
CEO and the vice CEO	68	97
Management Group	367	946
Board of Directors	493	182
Supervisory Board	207	243
Joint operations	1,555	1,550
Other related parties	1,227	1,126
Loans granted to the related parties, total	3,917	4,143

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	2024			
	Domicile	Holding, %	Equity	Result for the period
Subsidiaries combined in the consolidated financial statements				
Suomen Asuntopankki Oy	Helsinki	100.0	64,867	3,408
Other				
Bostadsaktiebolaget Taos	Helsinki	54.6	6,142	-142
As Oy Vanhaväylä 17	Helsinki	60.7	2,098	-2
As Oy Helsingin Eiran Helmi	Helsinki	24.3	2,352	-6

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2024. Profit for the period and shareholders' equity of other ownerships are indicated in accordance with the year's 2023 adopted financial statements of the company.

	2023			
	Domicile	Holding, %	Equity	Result for the period
Subsidiaries combined in the consolidated financial statements				
Suomen Asuntopankki 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.

P44. KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January–31 December 2024, 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.

FINANCIAL STATEMENTS 2024

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

	2024			2023		
	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	2,655,703	-9	2,702,034	2,748,365	-13	2,714,602
Past due by 1-2 days*)	87,170	-1	43,585			18,521
Past due by 3 days-1 month	31,561	-6	27,684	23,807		25,568
Past due by 1-3 months	6,303	-39	8,010	9,717	-4	7,780
Non-performing, past due by more than 3 months	12,230	-253	8,731	5,232	-289	4,543
Total lending	2,792,967	-308	2,790,044	2,787,120	-306	2,771,013
Other						
Receivables from credit institutions						
Not fallen due	8,048		10,170	12,292		17,464
Debt securities						
Not fallen due	142,774	-24	144,580	146,386	-5	143,838
Shares and holdings	36,712		36,712	36,712		36,712
Derivative contracts						
Not fallen due	19,016		18,624	18,232		10,530
Total other	206,549	-24	210,086	213,623	-5	208,543
Non-performing loans/total lending, %	0.44%			0.19%		

*) 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

	2024			
	Book value	Expected credit loss allowance	Book value, net	%
Lending by category				
Housing companies	1,924,850	0	1,924,850	69%
Households	842,209	-308	841,901	30%
Companies excluding Housing companies	23,862	0	23,862	1%
Other	2,046	0	2,046	0%
Total	2,792,967	-308	2,792,659	100%
Lending by purpose of use				
Permanent dwelling	2,728,324	-291	2,728,033	98%
Consumer loan	35,727	-17	35,710	1%
Holiday home	8,627	0	8,627	0%
Other	20,290	0	20,290	1%
Total	2,792,967	-308	2,792,659	100%
Lending by province				
Uusimaa	2,066,469	-146	2,066,323	74%
Rest of Finland	726,498	-162	726,336	26%
Total	2,792,967	-308	2,792,659	100%

FINANCIAL STATEMENTS 2024

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P45.b CONCENTRATION OF LENDING CONTINUES

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%

P45.c IFRS 9 BY RISK CATEGORY

	Stage 1	Stage 2	Stage 3	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Debt securities, Fair value through other comprehensive income								
Credit quality level 1-3	30,282			30,282	53,346			53,346
Credit quality level 4-5	11,798			11,798	3,570			3,570
Rating not classified	10,048			10,048				0
Loss allowance	-24			-24	-5			-5
Debt securities, Fair value through other comprehensive income, total	52,104	0	0	52,104	56,911	0	0	56,911
Receivables from the public and public sector entities, amortised cost								
Households	812,236	19,730	10,233	842,200	825,836	20,832	4,017	850,685
Housing companies	1,921,052	2,582	1,225	1,924,860	1,915,719	4,463	396	1,920,578
Companies excluding Housing companies	21,975	1,120	768	23,862	12,759		841	13,601
Other	2,046			2,046	2,256			2,256
Loss allowance	-16	-39	-253	-308	-13	-4	-289	-306
Receivables from the public and public sector entities, total	2,757,293	23,392	11,973	2,792,659	2,756,557	25,292	4,965	2,786,814
Off-balance sheet, granted but undrawn loans, amortised cost								
Households	22,304	28	114	22,446	20,250	96	48	20,394
Housing companies	198,868	0		198,868	176,691	350		177,041
Companies excluding Housing companies	100			100	99			99
Loss allowance	0			0	0			0
Off-balance sheet, total	221,272	28	114	221,414	197,041	446	48	197,535

FINANCIAL STATEMENTS 2024

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P45.d IFRS 9 LOSS ALLOWANCE CHANGES AND TRANSITIONS

	Stage 1	Stage 2	Stage 3	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Debt securities, Fair value through other comprehensive income								
Loss allowance as at 1 January	5	0	0	5	0	0	0	0
New financial assets	24			24	5			5
Maturities and repayments	-5			-5				0
Loss allowance as at 31 December	24	0	0	24	5	0	0	5
Receivables from the public and public sector entities, amortised cost								
Loss allowance as at 1 January	13	4	289	306	17	27	189	233
New financial assets (new loans)	12	17	0	28	7			7
Maturities and repayments	-8		-12	-20	-4		0	-4
Final credit losses			-132	-132			-52	-52
Change due to credit risk	-1	18	108	125	-7	-23	153	123
Loss allowance as at 31 December	16	39	253	308	13	4	289	306
Off balance sheet, granted but undrawn loans by risk category								
Loss allowance as at 1 January	0			0	1	0	0	1
New financial assets	0			0	0			0
Change due to credit risk	0			0	-1			-1
Loss allowance as at 31 December	0	0	0	0	0	0	0	0

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

	Stage 1	Stage 2	Stage 3	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Debt securities, Fair value through other comprehensive income								
Carrying amount as at 1 January	56,916			56,916	53,522			53,522
New financial assets	31,688			31,688	3,570			3,570
Maturities and repayments	-36,476			-36,476	-176			-176
Carrying amount as at 31 December	52,128	0	0	52,128	56,916	0	0	56,916
Receivables from the public and public sector entities, amortised cost								
Carrying amount as at 1 January	2,756,571	25,296	5,254	2,787,120	2,722,652	28,403	3,852	2,754,906
Transfer from Stage 1 to Stage 2	-15,438	15,438		0	-17,565	17,565		0
Transfer from Stage 1 to Stage 3	-2,762		2,762	0	-2,117		2,117	0
Transfer from Stage 2 to Stage 3		-5,473	5,473	0		-926	926	0
Transfer from Stage 3 to Stage 2		160	-160	0		275	-275	0
Transfer from Stage 2 to Stage 1	9,661	-9,661		0	17,760	-17,760		0
Transfer from Stage 3 to Stage 1	804		-804	0	707		-707	0
New financial assets	423,295	1,981	770	426,046	505,468	-51	557	505,974
Maturities and repayments	-414,820	-4,310	-937	-420,067	-470,335	-2,210	-1,163	-473,708
Final credit losses			-132	-132			-52	-52
Carrying amount as at 31 December	2,757,309	23,432	12,226	2,792,967	2,756,571	25,296	5,254	2,787,121

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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	2024 Total	Stage 1	Stage 2	Stage 3	2023 Total
Off balance sheet, granted but undrawn loans by risk category								
Off balance sheet as at 1 January	197,041	446	48	197,535	277,225	698	126	278,050
Transfer from Stage 1 to Stage 2				0	-350	350		0
Transfer from Stage 2 to Stage 3		-44	44	0		-18	18	0
Transfer from Stage 2 to Stage 1				0	37	-37		0
Transfer from Stage 3 to Stage 1	5		-5	0	17		-17	0
Net change, lapsed and granted	24,227	-374	27	23,879	-79,889	-547	-79	-80,515
Off balance sheet as at 31 December	221,272	28	114	221,414	197,041	446	48	197,535

P46. LIQUIDITY RISK

P46.a LIQUIDITY RISK

2024

Cash flows from financial liabilities and derivatives	<3 months	3-12 months	1-5 years	5-10 years	Over 10 years
Liabilities to credit institutions	873,197	337,009	19,798	4,083	1,234,087
Liabilities to the public and public sector entities	200	4,452			4,652
Debt securities issued to the public	2,280	46,000	1,441,995	300,060	1,790,335
Derivative contracts	9,708	3,912	5,071	9,696	28,387
Off-balance sheet commitments (inc. granted but unclaimed loans)	221,414				221,414
Total liabilities	1,106,799	391,373	1,466,865	313,838	3,278,875

Cash flows from financial liabilities and derivatives	<3 months	3-12 months	1-5 years	5-10 years	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

P47. MARKET RISKS

P47.a INFORMATION CONCERNING INTEREST RATE RISK

2024

Time to repricing	<3 months	3-12 months	1-5 years	5-10 years	Over 10 years
Floating-rate items					
Receivables	763	2,098			2,860
Liabilities	1,012	1,824			2,836
Net	-249	274	0	0	25
Fixed-rate items					
Receivables	401	25	1,460	297	2,184
Liabilities	21	35	1,425	276	1,757
Net	380	-10	35	22	428

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 1 per cent (decreased by 1 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 3.6 million (increase by EUR 3.7 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.

FINANCIAL STATEMENTS 2024

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P47.a INFORMATION CONCERNING INTEREST RATE RISK CONTINUES

2023

Time to repricing (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	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 1 per cent (decreased by 1 per cent) on the balance sheet date, Group's net interest income would decrease by EUR 0.5 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.

P48. OTHER INFORMATION DESCRIBING CAPITAL ADEQUACY AND RISK POSITION

Risk type	Indicator	2024	2023
Credit risk	LTV-ratio (Loan to Value, average) %	31.1	30.3
Credit risk	Non-performing loans % of loan portfolio	0.43	0.19
Credit risk	Net impairment losses EUR million	0.1	0.1
Liquidity risk	Long-term funding out of total funding %	99.4	89.9
Liquidity risk	Average maturity of liabilities, in years	3.3	3.3
Liquidity risk	Short-term liquidity, EUR million	151.9	681.3
Liquidity risk	Share of short-term liquidity of the balance sheet total %	4.9	18.7
Interest rate risk	Net Interest Income risk in the banking book, EUR million	-3.6	-0.5
Interest rate risk	Economic Value risk, EUR million	-7.4	-2.4
Risk related to ownership of housing units and residential land	Total amount of housing property holdings of the balance sheet total %	1.8	1.5
Risk related to ownership of housing units and residential land	Book values of investment properties, % out of estimated fair values	93.7	91.8
Risk related to ownership of housing units and residential land	Occupancy rate %	93.4	85.7
Risk related to ownership of housing units and residential land	Net profit of investment properties calculates by book value %	4.2	4.6

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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 collaterals are taken into account. LTV average is calculated by weighting the loan-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
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
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
Net Interest Income risk in the banking book, EUR million	Annual change in net interest income if interest rates increase parallelly 1% on the reporting date
Economic Value risk, EUR million	Change in economic value of banking book if interest rates increase parallelly 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 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
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 2024

Helsinki, 27 February 2025

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 2024 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: Mikael Englund, Timo Kaisanlahti, Juha Metsälä, Liisa Suvikumpu, Riitta Vahela-Kohonen ja Ira van der Pals.

Helsinki, 28 February 2025
THE SUPERVISORY BOARD

THE AUDITOR'S NOTE

Our Auditor's Report has been issued today.

Helsinki, 3 March 2025

Ernst & Young Oy,
Authorised Public Accountants

Miikka Hietala
Authorised Public Accountant



**Building a better
working world**

Ernst & Young Oy
Korkeavuorenkatu 32-34
FI-00130 Helsinki
FINLAND

Tel: +358 207 280 190
www.ey.com/fi
Business ID: 2204039-6,
domicile Helsinki

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

We have audited the financial statements of the Mortgage Society of Finland (business identity code 0116931-8) for the year ended 31 December, 2024. 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, including material accounting policy information, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

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 submitted to the Board of Directors.

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 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.

We have not provided any non-audit services to the company or to group companies.

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

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.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Receivables from the public and public sector entities - valuation <i>We refer to the material accounting policies of the Group and key accounting policies of the group financial statements and notes in G18.</i></p> <p>The carrying value of receivables from the public and public entities amounted to 2.792 million euro as of December 31, 2024 (31.12.2024: 2.786 million euro), which is approximately 80 % of the balance sheet total.</p> <p>In calculation of expected credit losses, the management uses assumptions, estimates and judgement, which relate to, among other things, the probability and amount of expected credit losses, as well as determination of significant increase in credit risk.</p> <p>The valuation of receivables was determined to be a key audit matter due to the significance of the balance sheet amounts and the management judgement involved.</p>	<p>We have reviewed the processes related to lending and compliance with guidelines, as well as credit risk management, and assessed the appropriateness of the group accounting principles, comparing them to the applicable accounting standards.</p> <p>We have reviewed the processes related to the calculation of expected credit losses (ECL) and the controls included therein, as applicable.</p> <p>We have audited the calculation methods for expected credit losses and the key assumptions used in the calculations, as well as audited the accuracy of the information related to the valuation of loans through substantive audit procedures.</p> <p>In addition, we also assessed the adequacy of disclosure related to group's loan receivables and expected credit losses.</p>

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 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 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 on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 20.3.2024.

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. We have obtained the report of the Board of Directors and the Annual Report prior to the date of this auditor's report.

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 identified above 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 report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in compliance with the applicable provisions.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in compliance with the applicable provisions.

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

Helsinki 3.3.2025

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant



HYPO

The Mortgage 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

www.twitter.com/HypoPankki
www.facebook.com/hypoteekkiyhdistys
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www.youtube.com/c/HypoPankki-media

