THE MORTGAGE SOCIETY OF FINLAND

Financial Statements Release 1 January–31 December 2020

The Annual report containing the Audited Financial Statements will be published on 1 March 2021

The Interim Report for the period of 1 January 2021 to 31 March 2021 will be published on 3 May 2021

The Financial Statements Release does not contain all information and Notes that are required in the annual Financial Statements. The Financial Statements Release should be read in conjunction with the Group's Financial Statements 2019 and Stock Exchange Releases published during the period of 1 January to 31 December 2020.

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

The Financial Statements Release has been approved on 29 January 2021 by the Board of Directors of The Mortgage Society of Finland to be published on 1 February 2021.

The Financial Statements Release is unaudited.

Hypo Group's Financial Statements Release can be accessed at http://www.hypo.fi/en/

Hypo Group’s January–December 2020

The home finance specialist Hypo Group’s net interest income grew and capital adequacy strengthened.

CEO Ari Pauna:

“Focusing on low risk housing collateralized lending in urbanising Finland is yielding profits even as the corona crisis continues. Hypo Group’s net interest income and net fee and commission income grew. CET 1 Capital adequacy continued to strengthen. Impairment losses remained at low level. Liquidity is very strong.”

- Operating profit was EUR 8.0 million (EUR 8.4 million 1–12/2019)
- Net interest income increased to EUR 14.6 million (EUR 14.5 million 1–12/2019)
- Non-performing loans remained low at 0.11% of loan book (0.10% 31 December 2019)
- Expected credit losses were 0.01% of the loan book
- Net fee and commission income was EUR 3.7 million (EUR 3.6 million 1–12/2019)
- Other income totaled EUR 4.2 million (EUR 2.7 million 1–12/2019) including valuation originated net income from securities trading EUR 0.8 million (EUR -0.2 million 1–12/2019)
- Total costs were EUR 14.4 million (EUR 12.3 million 1–12/2019) including EUR 1.7 million contribution to the Resolution Fund for the year 2020 (EUR 0.9 million 1–12/2019)
- Common Equity Tier 1 (CET1) ratio, calculated with standard and basic methods, was 13.9% (13.4% on 31 December 2019)
- Liquidity Coverage Ratio (LCR) was 194.5 % (163.8 %).

GROUP'S KEY FIGURES

(1000 €)	**1-12/2020**	**1-12/2019**	**10-12/2020**	**10-12/2019**
Net interest income	14 562	14 452	3 787	4 019
Net fee and commission income	3 675	3 562	921	854
Total other income	4 236	2 689	1 617	631
Total expenses	-14 429	-12 296	-3 418	-3 483
Operating profit	8 044	8 407	2 906	2 021
Receivables from the public and public sector entities	2 510 910	2 586 147	2 510 910	2 586 147
Deposits	1 562 234	1 628 793	1 562 234	1 628 793
Balance sheet total	3 213 082	3 230 657	3 213 082	3 230 657
Return on equity % (ROE)	4,9	5,5	7,1	5,3
Common Equity Tier 1 (CET1) ratio	13,9	13,4	13,9	13,4
Cost-to-income ratio, %	63,9	59,6	53,6	63,5
Non-performing assets, % of the loan portfolio	0,11	0,10	0,11	0,10
LTV-ratio, % / Loan to Value, average, %	33,8	35,3	33,8	35,3
Loans / deposits, %	160,7	158,8	160,7	158,8
Liquidity Coverage Ratio (LCR), %	194,5	163,8	194,5	163,8

Calculation of key figures and definitions are set out below.

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HYPO GROUP

The Mortgage Society of Finland Group (hereafter “Hypo Group” or “Group”) is the only nationwide expert organization specialized in home financing and housing 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. Hypo Group continuously develops new ways and models for housing and home financing.

Our customer promise – a *secure way for better living* – guides all our operations. Nearly 28,000 customers, mainly in growth centers, have already taken us up on our promise.

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

Suomen AsuntoHypoPankki Oy is a deposit bank that offers its customers deposit products, payment cards and residential land trustee services. Suomen AsuntoHypoPankki Oy is a member of the Deposit Guarantee Fund and a wholly owned subsidiary of The Mortgage Society of Finland.

S&P Global Ratings has assigned ‘BBB/A-2’ issuer credit ratings to The Mortgage Society of Finland. On 19 May 2020 S&P Global Ratings (S&P) changed the trend of economic risk for Finland’s Banking Industry Country Risk (BICRA) to negative due to deepening Covid-19 downside risks. Therefore the outlook of The Mortgage Society of Finland was also changed from stable to negative. (See also: Key events since the end of the financial period.)

Rating for the covered bonds of The Mortgage Society of Finland is ‘AAA’ (S&P Global Ratings). On 3 June 2020, the outlook was changed from stable to negative due to the negative trend of Finland’s Banking Industry Country Risk. (See also: Key events since the end of the financial period.)

OPERATING ENVIRONMENT

News about Covid-19 vaccines improved the expectations about the future of global economy during the fourth quarter of 2020. Although the global output turned into growth already in the third quarter, global economy had not recovered from the shock at the turn of the year. Purchasing Managers’ indexes and consumer confidence went up until the end of the year which tells about nascent economic growth. High infection rates weakened economic development during the fourth quarter and will affect the world economy still in 2021.

Turbulence around the presidential election in the USA indicated that political risks increased during the quarter. At the same time economic indicators reflected positive expectations and reduced uncertainty. Stock prices went up and risk premiums down as consequence of the vaccine news in November 2020. Banks’ stock price indexes moved up by 23.1% in the eurozone and by 21.9% in the USA. Pfizer and BioNTech received authorization for the Covid-19 vaccine in the EU in December, which increased stock prices further. The Governing Council of ECB extended the horizon for net purchases to at least the end of March 2022. The Euribor-rates declined further to –0,5 by the end of the year.

The Finnish working day adjusted change of total output declined 1.8% in October and 0.4% in November from previous year’s corresponding month. The seasonally adjusted unemployment rate was 8.1% in November and the number of unemployed was higher than year ago by 27 000 persons. Disguised employment and underemployment remained high as the number of people outside the labor force was high and the employed persons would have liked to do more work than they were offered. On the other hand, the year-on-year change of disguised employment was negative in November for the first time since the beginning of the pandemic. Consumer confidence was close to its pre-pandemic level, yet below its long-term average.

According to preliminary data, prices of old dwellings went up by 3,3% from previous year in November in the whole country. Corresponding price change was 5,1% in the metropolitan area while in the whole country excluding greater Helsinki the price increase was 1.5%. Housing prices declined most in eastern Finland. Home sales volumes were high and in December the number of real estate agent sales increased 34% compared to the previous year. The housing loan stock growth was 2.9% and the average interest rate on mortgage loans was 0.85%.

The number of newly approved building permits compared to previous year went up by 21.2% between September and November. The year-on-year change in consumer prices was 0.2% in December.

KEY EVENTS

During the financial period, Hypo Group focused on strengthening its core businesses. The renewal project of the core banking system, launched in 2019, has progressed as planned regarding its significant parts.

The first year-half was marked by the COVID 19 pandemic and the abnormal situation in the financial markets caused by it. During the summer 2020 the pandemic showed signs of calming down but only to accelerate again in the autumn. Hypo Group has monitored the situation closely and followed the instructions of the authorities in all its operations. The Group has practised remote working since the beginning of the pandemic and has succeeded in maintaining its ability to function throughout the whole year. Customers have been guided to operate online or by telephone and have been offered moratoria on loan repayments within the normal credit policy.

The pandemic has not had a major effect on credit demand as the number of loan applications remained on a high level during the financial period. The amount of non-performing loans remained on a low level and it is not expected to grow significantly during the next financial period. The Forward Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) rose temporarily at the beginning of the pandemic but recovered back to its basic level during the autumn due to the recovery of consumer confidence. There have been no major changes in ECL levels or amounts.

Even though the pandemic has not yet had a major effect on the Hypo Group, the Group has prepared for future possible effects by making a supplementary provision of 32 thousand euros based on management judgement. The provision is allocated to loans on a certain ECL level and it has been made to cover the general uncertainty concerning the COVID 19 pandemic.

RESULTS AND PROFITABILITY

October–December 2020

Hypo Group’s operating profit was EUR 2.9 million (EUR 2.0 million for October–December 2019). Income totaled EUR 6.3 million (EUR 5.5 million) and expenses EUR 3.4 million (EUR 3.5 million).

January–December 2020

Hypo Group’s operating profit was EUR 8.0 million (EUR 8.4 million for January–December 2019). Income totaled EUR 22.5 million (EUR 20.7 million) and expenses EUR 14.4 million (EUR 12.3 million). Income grew but expenses grew especially due to the growth of other operating expenses and the conservative expensing without activating the internal expenses of the core banking project. The largest single expense item was the yearly contribution to the Single Resolution Fund EUR 1.7 million (EUR 0.9 million) which grew by more than 80 % from the previous year and represented as much as 12 % of total expenses. Net interest income continued to grow to EUR 14.6 million (EUR 14.5 million) due to lower funding costs and the growth of other interest income. Net fee and commission income totaled EUR 3.7 million (EUR 3.6 million).

Net income from investment properties (housing units and residential land) amounted to EUR 3.3 million (EUR 2.9 million), of which sale profit from investment properties were EUR 0.3 million (EUR 0.1 million).

Group’s cost-to-income ratio was 63,9% (59.6%). The increase was mainly due to the growth of administrative expenses and other operating expenses, especially the contribution to the Single Resolution Fund.

Group’s other comprehensive income EUR 7.2 million (EUR 8.4 million) includes EUR 6.6 million (EUR 6.9 million) profit for the financial period as well as the change in the fair value reserve EUR 0.1 million (EUR 0.8 million) and the revaluation of defined benefit pension plans EUR 0.5 million (EUR 0.6 million).

PERSONNEL

On 31 December 2020, the number of permanent personnel was 57 (53 on 31 December 2019). The increase in the amount of permanent personnel was due to strengthening the resources of the renewal project of the core banking system. These figures do not include the CEO and the deputy to the CEO.

ASSETS AND LIABILITIES

Lending

During the financial year, the loan portfolio decreased slightly to EUR 2,510.9 million (EUR 2,586.1 million on 31 December 2019) due to the sale of certain parts of the loan portfolio.

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

The weighted average Loan-to-Value ratio of the loan portfolio remained on a strong level and was 33.8% (35.3% on 31 December 2019) at the end of the financial year.

The amount of non-performing loans remained low at EUR 2.7 million (EUR 2.7 million on 31 December 2019), representing 0.11% of the loan portfolio (0.10%).

Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totaled EUR 590.7 million (EUR 539.1 million on 31 December 2019), which corresponds to 18.4% (16.7%) of the total assets. The cash and cash equivalents which totaled EUR 587.7 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market, of which 100.0% (100.0%) had a credit rating of at least ‘AA-‘ or were of equivalent credit quality and 100.0% (94.7%) were ECB repo eligible. Liquidity covers wholesale funding cash flows for the following 26 months. The Liquidity Coverage Ratio was 194.5% (163.8%).

The defined benefit plans surplus of EUR 5.1 million (EUR 4.6 million on 31 December 2019) from the Mortgage Society of Finland's pension fund has been recognized in Group's other assets.

Hypo Group offers rental apartments and residential land for its customers. Hypo Group's properties are located in selected growth centers, mainly in the Helsinki Metropolitan Area. The property in Hypo Group's own use, the Mortgage House, is located in the center of Helsinki. The difference between the fair value and the book value of the properties totaled EUR 4.9 million (EUR 5.0 million on 31 December 2019). Group's properties carry housing company loans for EUR 0.9 million (EUR 1.1 million 31.12.2019).

Derivative contracts

The balance sheet value of derivative receivables was EUR 26.7 million on 31 December 2020 (EUR 19.4 million on 31 December 2019), and the value of liabilities was EUR 7.9 million (EUR 7.6 million).

Deposits and other funding

The total amount of deposits decreased slightly and was EUR 1,562.2 million at the end of the financial year (EUR 1,628.8 million on 31 December 2019). The share of deposits accounted for 51.9% (53.6%) of total funding.

Since 2016 the Mortgage Society of Finland has issued covered bonds, totaling EUR 1,450 million (EUR 1,300 million) at the end of the financial period. The amount of certificates of deposit issued was EUR 51.0 million (EUR 36.5 million).

The share of long-term funding of total funding was 46.6% on 31 December 2020 (46.5%).

The total funding at the end of the financial year was EUR 3,012.0 million (EUR 3,041.1 million).

RISK TOLERANCE AND RISK MANAGEMENT

At the end of the financial year, Hypo Group's equity amounted to EUR 136.9 million (EUR 129.8 million on 31 December 2019). The changes in equity during the period are presented in Group's statement of equity attached to this Report.

Group's CET1 capital in relation to risk-weighted assets on 31 December 2020 was 13.9% (13.4% on 31 December 2019). Profit for the financial period is included in the Common Equity Tier 1 capital, based on the statement by the auditors. In measuring credit risk, the standardized approach is used. Group's own funds are quantitatively and qualitatively on an adequate level in relation to Group's current and future business. At the end of the financial year, Group's Leverage Ratio was 3.8% (3.7%).

The Finnish Financial Supervisory Authority (The Finnish FSA) has set a discretionary additional capital requirement of 1.25 percent (Pillar 2 requirement) to the Hypo Group. The requirement is to be met with Common Equity Tier 1 capital (CET 1). The requirement entered into force on 31 December 2019 and it will remain in force until further notice, however not longer than until 31 December 2022. The decision was made as a normal part of the Group's continuous supervisory review.

The additional capital requirement of 1.0 percent (the systemic risk buffer), which entered into force on 1 July 2019, was removed during the financial year based on the decision made on 6 April 2020 by the Finnish FSA.

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	31.12.2020	31.12.2019
Common Equity Tier 1 capital before deductions	136 949,6	129 762,3
Deductions from Common Equity Tier 1 capital	-13 178,3	-9 733,7
Total Common Equity Tier 1 capital (CET1)	123 771,3	120 028,6
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	123 771,3	120 028,6
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	123 771,3	120 028,6
Total risk weighted assets	887 458,6	896 212,8
of which credit risk	840 689,8	853 050,5
of which market risk (foreign exchange risk)	-	-
of which operational risk	39 900,8	36 346,8
of which other risks	6 868,0	6 815,5
CET1 Capital ratio (CET1-%)	13,9	13,4
T1 Capital ratio (T1-%)	13,9	13,4
Total capital ratio (TC-%)	13,9	13,4
Minimum capital	5 000,0	5 000,0

The Group's total capital requirement at the end of the financial year was 11.75%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on (Pillar 2 requirement) 1.25% and countercyclical buffer requirements of foreign exposures.

The Finnish Financial Stability Authority has not set a minimum requirement for own funds and eligible liabilities (MREL) for the Hypo Group.

During the accounting period, the Finnish FSA has classified the Mortgage Society of Finland as a small and non-complex institution as defined in the Capital Requirements Regulation (EU) 2019/876 (CRR II) which will enter into force on 28 June 2021. The classification enables the Hypo Group to benefit from the simplification of requirements of CRR II according to the principle of proportionality.

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

Hypo Group implemented the new definition of default in its processes on 31 December 2020. The change will show for the first time in the figures of 31 March 2021 and the estimated effect on the capital adequacy ratio is -0.01 percentage points. The figures in this Financial Statements Release are presented as before the implementation.

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 December 2020, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

On 22 January 2021 S&P Global Ratings (S&P) changed the trend of economic risk for Finland's Banking Industry Country Risk (BICRA) to stable from negative. Therefore the outlook of The Mortgage Society of Finland was also revised to stable from negative. At the same time the issuer credit rating 'BBB' for long-term and 'A-2' for short-term were affirmed. On 29 January 2021 S&P also revised The Mortgage Society of Finland's covered bond program's outlook from negative to stable and affirmed the 'AAA' rating.

FUTURE OUTLOOK

In the 1st quarter the coronavirus dampens economic situation significantly. There is substantial uncertainty regarding the economic and employment development in 2021 due to the disease. Housing markets in the growth centers remain strong even during the pandemic. Urbanization continues, albeit at a slower pace for a while. Ability to recover from the economic crisis varies widely across different areas in Finland with the Helsinki region among the strongest. Low interest rates, institutional investors and subsidized building support newbuilding activity to stay relatively stable. Housing loan demand remains strong in the growth centers.

Hypo Group focuses on renewal of its core systems and on strengthening its core business and expects the share of profit made by it to rise following the increase of net interest and net fee income. Capital adequacy continues to strengthen.

The operating profit for 2021 is expected to be on the same level or slightly smaller than in 2020. The expectation contains uncertainties due to the development in economy and interest rates as well as the coronavirus pandemic.

Helsinki, 29 January 2021

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1-12/2020	1-12/2019	10-12/2020	10-12/2019
Interest income	26 146,7	26 462,7	6 666,3	7 151,0
Interest expenses	-11 584,3	-12 010,8	-2 879,8	-3 131,7
NET INTEREST INCOME	14 562,4	14 451,9	3 786,5	4 019,2
Fee and commission income	3 727,5	3 615,7	933,4	861,7
Fee and commission expenses	-52,1	-53,3	-12,6	-7,9
Net income from securities and foreign currency transactions				
Net income from securities trading	754,4	-190,0	361,7	40,7
Net income from financial assets at fair value through other comprehensive income	207,6	4,9	0,0	-189,2
Net income from hedge accounting	-47,7	73,9	252,8	135,8
Net income from investment properties	3 322,4	2 850,1	956,5	669,0
Other operating income	-0,7	-50,3	46,2	-25,4
Administrative expenses				
Personnel costs				
Wages and salaries	-6 028,5	-5 180,2	-1 697,6	-1 558,6
Other personnel related costs				
Pension costs	-1 010,7	-938,6	-273,9	-271,5
Other personnel related costs	-178,6	-126,3	-52,8	-46,6
Other administrative expenses	-3 535,2	-3 206,4	-917,1	-992,5
Total administrative expenses	-10 753,0	-9 451,5	-2 941,4	-2 869,2
Depreciation and impairment losses on tangible and intangible assets	-893,7	-856,1	-229,3	-288,7
Other operating expenses	-2 715,8	-2 027,5	-218,7	-335,3
Net gains/losses on derecognition of financial assets measured at amortised cost	-67,0	22,2	-29,0	-5,1
Net gains/losses on derecognition of other financial assets	0,0	16,6	0,0	15,1
OPERATING PROFIT	8 044,4	8 406,7	2 906,3	2 020,8
Income taxes	-1 462,6	-1 523,3	-497,0	-320,4
OPERATING PROFIT AFTER TAX	6 581,8	6 883,4	2 409,3	1 700,4
PROFIT FOR THE PERIOD	6 581,8	6 883,4	2 409,3	1 700,4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	1-12/2020	1-12/2019	10-12/2020	10-12/2019
Profit for the period	6 581,8	6 883,4	2 409,3	1 700,4
Other comprehensive income items				
Items that may be reclassified subsequently to income statement				
Change in fair value reserve				
Financial assets at fair value through other comprehensive income	116,1	835,1	52,7	-220,4
	116,1	835,1	52,7	-220,4
Items that may not be reclassified subsequently to the income statement				
Revaluation of defined benefit pension plans	489,4	634,8	110,1	296,3
	489,4	634,8	110,1	296,3
Total other comprehensive income items	605,5	1 469,9	162,8	76,0
COMPREHENSIVE INCOME FOR THE PERIOD	**7 187,3**	**8 353,3**	**2 572,1**	**1 776,4**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31.12.2020	31.12.2019
ASSETS		
Cash	359 150,0	244 100,0
Debt securities eligible for refinancing with central banks		
Treasury bills		
Other	219 333,5	267 107,0
Receivables from credit institutions		
Repayable on demand	9 182,5	9 820,9
Other	1 775,9	29,8
	10 958,4	9 850,7
Receivables from the public and public sector entities		
Other than those repayable on demand	2 510 909,8	2 586 147,0
Debt securities		
From public sector entities	0,0	15 006,4
	0,0	15 006,4
Shares and holdings	132,4	132,4
Derivative financial instruments	26 731,9	19 351,9
Intangible assets		
Other long-term expenditure	6 840,2	3 636,7
Tangible assets		
Investment properties and shares and holdings in investment properties	57 569,4	61 564,4
Other properties and shares and holdings in real estate corporations	637,3	644,5
Other tangible assets	463,3	242,2
	58 670,0	62 451,1
Other assets	13 637,0	15 134,3
Accrued income and advances paid	6 719,4	7 739,3
TOTAL ASSETS	**3 213 082,5**	**3 230 656,9**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31.12.2020	31.12.2019
LIABILITIES		
Liabilities to credit institutions		
Central banks	100 000,0	80 000,0
Credit institutions		
Repayable on demand		
Other than those repayable on demand	3 331,7	6 329,2
	103 331,7	86 329,2
Liabilities to the public and public sector entities		
Deposits		
Repayable on demand	872 258,3	829 457,9
Other	689 976,1	799 335,3
	1 562 234,4	1 628 793,2
Other liabilities		
Other than those repayable on demand	11 970,6	14 294,1
	1 574 205,0	1 643 087,3
Debt securities issued to the public		
Bonds	1 283 448,5	1 275 217,9
Other	50 987,8	36 483,2
	1 334 436,2	1 311 701,1
Derivative financial instruments	7 944,3	7 598,5
Other liabilities		
Other liabilities	39 410,2	35 004,0
Deferred income and advances received	6 937,3	7 445,2
Deferred tax liabilities	9 868,0	9 729,3
EQUITY		
Basic capital	5 000,0	5 000,0
Other restricted reserves		
Reserve fund	28 893,0	25 490,5
Fair value reserve		
From fair value recognition	871,1	755,0
Defined benefit pension plans	3 329,0	2 839,6
Unrestricted reserves		
Other reserves	22 923,5	22 923,5
Retained earnings	69 351,2	65 870,4
Profit for the period	6 581,8	6 883,4
	136 949,6	129 762,3
TOTAL LIABILITIES	**3 213 082,5**	**3 230 656,9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2019	5 000,0	22 810,7	2 124,6	22 923,5	68 550,2	121 409,0
Profit for the period					6 883,4	6 883,4
Other comprehensive income						
Profit use of funds		2 679,9			-2 679,9	0,0
Financial assets at fair value through other comprehensive income						
Change in fair value			1 052,9			1 052,9
Amount transferred to the income statement			-4,9			-4,9
Change in deferred taxes			-212,9			-212,9
Revaluation of defined benefit plans						
Actuarial gains / losses			793,5			793,5
Change in deferred taxes			-158,7			-158,7
Total other comprehensive income	0,0	2 679,9	1 469,9	0,0	-2 679,9	1 469,9
Equity 31 December 2019	**5 000,0**	**25 490,5**	**3 594,5**	**22 923,5**	**72 753,8**	**129 762,3**
Equity 1 January 2020	5 000,0	25 490,5	3 594,5	22 923,5	72 753,8	129 762,3
Profit for the period					6 581,8	6 581,8
Other comprehensive income						
Profit use of funds		3 402,5			-3 402,5	0,0
Financial assets at fair value through other comprehensive income						
Change in fair value			352,8			352,8
Amount transferred to the income statement			-207,6			-207,6
Change in deferred taxes			-29,0			-29,0
Revaluation of defined benefit plans						
Actuarial gains / losses			611,7			611,7
Change in deferred taxes			-122,3			-122,3
Total other comprehensive income	0,0	3 402,5	605,5	0,0	-3 402,5	605,5
Equity 31 December 2020	**5 000,0**	**28 893,0**	**4 200,0**	**22 923,5**	**75 933,1**	**136 949,6**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-12/2020	1-12/2019
Cash flow from operating activities		
Interest received	27 302,2	24 107,7
Interest paid	-11 996,9	-10 049,4
Fee income	3 823,3	3 696,1
Fee expenses	-52,1	-53,3
Net income from securities and foreign currency transactions	754,4	-190,0
Net income from financial assets at fair value through other comprehensive income	207,6	4,9
Net income from hedge accounting	-47,7	73,9
Net income from investment properties	3 706,5	3 024,0
Other operating income	-0,7	-50,3
Administrative expenses	-8 445,2	-11 018,6
Other operating expenses	-2 735,0	-2 187,8
Expected credit losses	-67,3	38,8
Income taxes	-1 890,7	-2 260,6
Total net cash flow from operating activities	**10 558,3**	**5 135,4**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	73 653,3	3 316,5
Collateral, derivatives	5 844,1	12 539,9
Investment properties	3 870,5	1 794,8
Operating assets increase (-) / decrease (+) total	**83 367,8**	**17 651,2**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	-66 558,8	-89 372,5
Operating liabilities increase (+) / decrease (-) total	**-66 558,8**	**-89 372,5**
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**27 367,4**	**-66 585,9**
Cash flows from investments		
Change in fixed assets	-4 311,0	-1 489,1
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-4 311,0**	**-1 489,1**
Cash flows from financing		
Bank loans, new withdrawals	100 034,0	89,7
Bank loans, repayments	-83 031,5	-3 862,0
Other liabilities, increase (+) / decrease (-)	-2 382,2	-2 605,8
Bonds, new issues	8 576,4	318 624,8
Bonds, repayments	-7 380,0	-14 827,2
Certificates on deposit, new issues	179 664,8	134 328,4
Certificates on deposit, repayments	-165 160,2	-266 280,8
NET CASH FLOWS ACCRUED FROM FINANCING	**30 321,4**	**165 467,1**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**53 377,7**	**97 392,1**
Cash and cash equivalents at the beginning of the period	**536 064,1**	**438 672,0**
Cash and cash equivalents at the end of the period	**589 441,9**	**536 064,1**
CHANGE IN CASH AND CASH EQUIVALENTS	**53 377,7**	**97 392,1**

NOTES

1. Key accounting policies

This Financial Statements Release applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2019. The Financial Statements Release has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. No other new standards or interpretations with material effect on Hypo Group's financial position, profit or equity, entered into force in the financial period beginning 1 January 2020.

The Financial Statements Release does not contain all information and Notes that are required in the annual Financial Statements. The Financial Statements Release should be read in conjunction with the Group's Financial Statements 2019 and Stock Exchange Releases published during 1 January to 31 December 2020. The figures in the tables in the Release are presented in thousands of euros.

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

The Financial Statements Release has been approved on 29 January 2021by the Board of Directors of The Mortgage Society of Finland to be published on 1 February 2021. The Financial Statements Release has not been audited.

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

Hypo Group's consolidated financial statements cover The Mortgage Society of Finland as well as the deposit bank Suomen AsuntoHypoPankki Oy, of which The Mortgage Society of Finland owns 100 percent, and Bostadsaktiebolaget Taos, of which the Group companies own 54.6 percent. The financial statements of AsuntoHypoPankki have been consolidated using the acquisition cost method. Ownership in 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. Inter-company transactions and balances between Group companies are eliminated.

2. New standards and interpretations

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

Other new standards and interpretations that have not yet been adopted but may have an effect on Hypo Group's financial statements in the future:

2.1. ESEF (European Single Electronic Format)

According to the current information of the entry into force of the ESEF-regulation, Hypo Group will publish its Financial Statements 2021 in ESEF format.

3. Issuances and repayments of debt securities and equity instruments

Issuances, repayments and repurchases of debt securities appear on cash flow statement for the period from 1 January to 31 December 2020. Equity instruments have not been issued nor repaid during the period from 1 January to 31 December 2020.

4. Capital Adequacy Information

Hypo Group's own funds and capital ratios

(1000 €)	31.12.2020	31.12.2019
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	5 000,0	5 000,0
of which: Basic capital	5 000,0	5 000,0
Retained earnings	69 351,2	65 870,4
Accumulated other comprehensive income and other reserves	56 016,6	52 008,6
Independently reviewed interim profits net of any foreseeable charge or dividend	6 581,8	6 883,4
Common Equity Tier 1 (CET1) capital before regulatory adjustments	136 949,6	129 762,3
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	-5 472,1	-2 909,4
Value adjustments due to the requirements for prudent valuation	-258,9	-314,1
Defined-benefit pension fund assets	-7 447,3	-6 510,3
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-13 178,3	-9 733,7
Common Equity Tier 1 (CET1) capital	123 771,3	120 028,6
Additional Tier 1 (AT1) capital	0,0	0,0
Tier 2 (T2) capital	0,0	0,0
Total capital (TC = T1 + T2)	123 771,3	120 028,6
Total risk weighted assets	887 458,6	896 212,8
Capital ratios and buffers		
Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount	13,9	13,4
Tier 1 (T1) as a percentage of total risk exposure amount	13,9	13,4
Total capital as a percentage of total risk exposure amount	13,9	13,4
Institution specific buffer requirement, %	7,0	8,0
of which: capital conservation buffer requirement, %	2,5	2,5
of which: countercyclical buffer requirement, %	0,0	0,0
of which: systemic risk buffer requirement, %	0,0	1,0
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, %	0,0	0,0
Discretionary capital add-on (Pillar 2), %	1,25	1,25
Commom Equity Tier 1 available to meet buffers, %	10,4	9,9

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013).
The capital requirement for credit risk is calculated using the standard method.
The capital requirement for counterparty risk is calculated using the current exposure method.
The capital requirement for operational risk is calculated using the basic method.
The other risk-weighted items consist of credit valuation risk (CVA).
No restrictions applied in the EU's Capital Requirements Regulation (575/2013) compliant own funds calculation and no elements of own funds other than what is laid down in this regulation is used.

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

(1000 €)		31.12.2020		
Credit and counterparty risks	Original exposure pre conversion factors	Exposure value	Risk weighted exposure amount after SME-supporting factor	Own funds requirement
Exposures to central governments or central banks	453 681,6	504 774,1	0,0	0,0
Exposures to regional governments or local authorities	118 733,1	126 718,3	0,0	0,0
Exposures to credit institutions	56 879,2	62 759,7	23 039,9	1 843,2
Exposures to corporates	54 445,8	28 627,6	20 866,4	1 669,3
Retail exposures	54 850,9	14 671,4	9 621,6	769,7
Exposures secured by mortgages on immovable property	2 567 166,6	2 467 136,0	725 808,2	58 064,7
Exposures in default	2 224,0	1 320,5	1 325,9	106,1
Exposures in the form of covered bonds	6 417,9	6 417,9	641,8	51,3
Other items	59 886,1	59 886,1	59 386,1	4 750,9
	3 374 285,2	3 272 311,6	840 689,8	67 255,2
Operational risk			39 900,8	3 192,1
Other risks			6 868,0	549,4
All items in total	**3 374 285,2**	**3 272 311,6**	**887 458,6**	**70 996,7**

(1000 €)		31.12.2019		
Credit and counterparty risks	Original exposure pre conversion factors	Exposure value	Risk weighted exposure amount after SME-supporting factor	Own funds requirement
Exposures to central governments or central banks	364 618,4	421 686,8	0,0	0,0
Exposures to regional governments or local authorities	138 747,9	147 493,5	0,0	0,0
Exposures to credit institutions	53 091,9	61 075,2	16 676,0	1 334,1
Exposures to corporates	54 738,1	25 919,9	18 426,5	1 474,1
Retail exposures	61 925,5	15 075,3	10 129,7	810,4
Exposures secured by mortgages on immovable property	2 582 115,8	2 514 794,5	738 062,4	59 045,0
Exposures in default	2 412,0	2 238,3	2 290,8	183,3
Exposures in the form of covered bonds	23 451,1	23 451,1	2 345,1	187,6
Other items	65 120,0	65 120,0	65 120,0	5 209,6
	3 346 220,5	3 276 854,7	853 050,5	68 244,0
Operational risk			36 346,8	2 907,7
Other risks			6 815,5	545,2
All items in total	**3 346 220,5**	**3 276 854,7**	**896 212,8**	**71 697,0**

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

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	31.12.2020	31.12.2019
Commitments given on behalf of a customer for the benefit of a third party		
Guarantees and other liabilities	2 181,9	2 181,9
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	161 636,9	110 284,1
Total	163 818,8	112 466,0

6. Fair values of financial instruments

(1000 €)		31.12.2020	31.12.2019
Financial assets	Fair value determination principle	Fair value	Fair value
Debt securities eligible for refinancing with central banks	A	219 333,5	267 107,0
Debt securities	A	0,0	15 006,4
Derivative contracts	B	26 731,9	19 351,9
Total		246 065,4	301 465,3
Financial liabilities			
Derivative contracts	B	7 944,3	7 598,5

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

Fair value determination principles:

A: Quoted price on an active market

B: Verifiable price, other than quoted

C: Unverifiable market price

Fair values and valuation principles are disclosed above for items that are measured at fair value on a recurring basis. The fair values of debt securities (financial assets) are presented based on public quotes from active markets. The fair values of derivatives are calculated by discounting the future cash flows of the contracts using the market interest rates of the closing date. Fair values are presented excluding accrued interest. There have been no transfers between the stages (A, B, C).

7. Related party information

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

An absolut guarantee granted by subsidiary Suomen Asuntohypopankki for its´ parent, The Mortgage Society of Finland, relating to mortgages originated by the Mortgage Society of Finland, was terminated on the last quarter of the financial year.

The Mortgage Society of Finland's pension fund has sold its shares of Asunto-osakeyhtiö Vanhaväylä 17 to the Mortgage Society of Finland during the ongoing accounting period. The sale amount was 810 thousand euros.

There have been no other material changes in the related party transactions since 31 December 2019.

8. IFRS 9 expected credit losses by stage

(1000 €)	Net book value	Expected credit loss allowance	Net book value	Expected credit loss allowance
	31.12.2020	**31.12.2020**	**31.12.2019**	**31.12.2019**
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2 495 304,6	12,2	2 573 585,2	20,4
Level 2, performing loans with a significant increase in credit risk	12 938,2	72,4	9 916,9	44,9
Level 3, non-performing loans	2 667,0	244,3	2 644,9	196,1
Total	**2 510 909,8**	**328,9**	**2 586 147,0**	**261,4**
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	118 713,9	0,0	138 728,4	0,0
Other assets, trade receivables				
Level 1, performing loans, no significant increase in credit risk	255,3	0,0	369,1	0,0
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	161 636,9	0,0	110 284,1	0,4

There were no significant ECL-level transitions during the financial period. New loans were originated to level one.
The Forward Looking Factor (FLF) of the ECL model is on level 0. The level of FLF is evaluated monthly.

(1000 €)	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact
	1–12/2020	**1–12/2019**	**10-12/2020**	**10-12/2019**
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	8,2	-3,5	0,6	-0,2
Level 2, performing loans with a significant increase in credit risk	-27,5	3,2	-31,8	9,8
Level 3, non-performing loans	-48,2	-102,9	2,3	-85,6
Total	**-67,5**	**-103,2**	**-29,0**	**-76,1**
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	0,0	16,6	0,0	15,1
Other assets, trade receivables				
Level 1, performing loans, no significant increase in credit risk	0,0	0,0	0,0	0,0
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	0,4	0,0	0,0	-0,1

9. IFRS 15 Income distribution

Group's total income

(1000 €)

	1–12/2020	1–12/2019	10–12/2020	10–12/2019
Interest income	26 146,7	26 462,7	6 666,3	7 151,0
Interest expense	-11 584,3	-12 010,8	-2 879,8	-3 131,7
Net interest income	14 562,4	14 451,9	3 786,5	4 019,2
Net fee income				
from lending operations	1 837,20	1 707,4	442,43	395,3
from land trustee services	1 409,67	1 558,3	424,74	383,0
from other operations	428,54	296,7	53,64	75,5
Total net fee income	3 675,4	3 562,5	920,8	853,8
Net income from treasury operations	914,3	-111,3	614,6	-12,6
Net income from investment properties	2 999,9	2 708,5	825,0	674,1
Capital gains on investment properties	322,5	141,6	131,5	-5,1
Other income	-0,7	-50,3	46,2	-25,4
Non-interest income	4 236,0	2 688,5	1 617,4	631,0
Total income	22 473,8	20 702,9	6 324,8	5 504,0

10. IFRS 16 Leases

Hypo Group as lessee

(1000 €)

Right-of-use assets	1–12/2020	1-12/2019	10-12/2020	10-12/2019
Depreciation - IT	35,9	35,9	9,0	9,0
Depreciation - Apartments	217,2	163,1	190,3	49,8
Carrying amount - IT	35,9	35,9		
Carrying amount - Apartments	223,6	325,4		
Lease liabilities				
Interest expense	11,3	8,1	2,2	1,1
Carrying amounts sorted by remaining maturity				
Non-fixed-term leases	265,0	363,9		
Relief options				
Expenses from leases of low-value assets	7,6	5,3	2,5	1,3

Hypo Group leases office premises in Helsinki as well as IT products and services.
The lease terms of these contracts are non-fixed.

Hypo Group as a lessor

(1000 €)

Operative leases	1–12/2020	1-12/2019	10-12/2020	10-12/2019
Lease income	2 417,3	2 369,4	599,5	619,5
Undiscounted lease payments to be received				
1 year	857,0	1 006,3		
2 year	500,3	660,9		
3 year	304,7	545,8		
4 year	207,0	350,3		
5 year	193,1	252,5		
>5 years	5 580,5	7 594,0		

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

11. Information concerning asset encumbrance

31 December 2020

(1000 €)	Book value of encumbered assets	of which notionally elligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally elligible EHQLA and HQLA	Book value of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
A - Assets	1 849 389		1 849 389		1 363 694		1 363 694	
Equity instruments					132		132	
Debt securities	4 309	4 309	4 309	4 309	215 487	215 487	215 487	215 487
Other assets, including lending	1 845 080		1 845 080		1 148 074	359 150	1 148 074	

B - Collateral received

	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
Own covered bonds and asset-backed securities issued and not yet pledged	94 170

C - Encumbered assets and associated liabilities

	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	99 736	158 903
Debt securities issued to the public	1 286 492	1 678 272
Derivative contracts	7 437	12 214
Total	1 393 666	1 849 389

D - Information on the importance of encumbrance

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

Encumbered assets totaled EUR 1,849.4 million, out of which of covered bonds were EUR 1,837.2 million on 31 December 2020. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 215.5 million on 31 December 2020. EUR 423.8 million of unencumbered loans may be used as collateral for covered bonds.

31 December 2019

(1000 €)	Book value of encumbered assets	of which notionally elligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally elligible EHQLA and HQLA	Book value of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
A - Assets	1 706 676		1 706 676		1 523 981		1 523 981	
Equity instruments					132		132	
Debt securities	49 320	49 320	49 320	49 320	233 368	233 368	233 368	233 368
Other assets, including lending	1 657 356		1 657 356		1 290 481	244 100	1 290 481	

B - Collateral received

Nothing to report, as the Group's received collaterals meet the conditions for recognition on the balance sheet and are reported in Template A.

C - Encumbered assets and associated liabilities

	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	78 951	94 703
Debt securities issued to the public	1 278 253	1 598 597
Derivative contracts	7 048	13 375
Total	1 364 252	1 706 676

D - Information on the importance of encumbrance

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

Encumbered assets totaled EUR 1,706.7 million, out of which of covered bonds were EUR 1,649.3 million on 31 December 2019. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 218.4 million on 31 December 2019. EUR 677.0 million of unencumbered loans may be used as collateral for covered bonds.