THE MORTGAGE SOCIETY OF FINLAND

Financial Statements Release 1 January–31 December 2022

The Audited Financial Statements in ESEF-format will be published on 1 March 2023

The Annual Report will be published on 1 March 2023

The Interim Report for the period of 1 January 2023 to 31 March 2023 will be published on 2 May 2023

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 2021 and Stock Exchange Releases published during the period of 1 January to 31 December 2022.

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

The Financial Statements Release has been approved on 30 January 2023 by the Board of Directors of The Mortgage Society of Finland to be published on 31 January 2023.

The Financial Statements Release is unaudited.

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

Hypo Group's January–December 2022

The home finance specialist Hypo Group's loan portfolio and capital adequacy grew and Hypo's banking technology was renewed

CEO Ari Pauna:

"Focusing on low-risk housing collateralized lending in urbanising Finland still provides stability despite the growing uncertainty in operating environment. Hypo Group's loan portfolio and CET 1 Capital adequacy grew and liquidity remained strong. Impairment losses remained at low level. We succeeded in renewing our entire banking technology without disruptions, and in embracing new processes to daily work "

- Operating profit was EUR 7.1 million (EUR 8.1 million 1–12/2021)
- Net interest income was EUR 15.3 million (EUR 17.3 million 1–12/2021)
- Non-performing loans remained low at 0.14% of loan book (0.14% 31 December 2021)
- Expected credit losses were 0.01% of the loan book (0.01 % 31 December 2021)
- Net fee and commission income were EUR 3.6 million (EUR 4.1 million 1–12/2021)
- Other income grew to EUR 5.8 million (EUR 4.7 million 1–12/2021)
- Total costs decreased to EUR 17.5 million (EUR 18.0 million 1–12/2021) including EUR 2.1 million contribution to the Resolution Fund for the year 2022 (EUR 1.9 million 1–12/2021) and EUR 3.4 million in IT costs related to the renewal project of the core banking system (EUR 3.7 million 1–12/2021)
- Common Equity Tier 1 (CET1) ratio, calculated with standard and basic methods, was 13.8% (13.6% on 31 December 2021)
- Liquidity Coverage Ratio (LCR) was 201.6% (179.9% on 31 December 2021)

GROUP'S KEY FIGURES (1000 €)	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Net interest income	15 264	17 276	1 552	4 440
Net fee and commission income	3 592	4 077	880	961
Total other income	5 766	4 734	1 067	1 306
Total expenses	-17 543	-18 023	-3 098	-5 787
Operating profit	7 079	8 064	402	920
Receivables from the public and public sector entities	2 749 916	2 636 986	2 749 916	2 636 986
Deposits	1 463 261	1 660 288	1 463 261	1 660 288
Balance sheet total	3 461 004	3 324 839	3 461 004	3 324 839
Return on equity % (ROE)	4,0	4,7	1,0	2,2
Common Equity Tier 1 (CET1) ratio	13,8	13,6	13,8	13,6
Cost-to-income ratio, %	71,2	69,0	88,8	86,2
Non-performing assets, % of the loan portfolio	0,14	0,14	0,14	0,14
LTV-ratio, % / Loan to Value, average, %	30,8	33,1	30,8	33,1
Loans / deposits, %	187,0	158,8	187,0	158,8
Liquidity Coverage Ratio (LCR), %	201,6	179,9	201,6	179,9
Net Stable Funding Ratio (NSFR), %	106,5	114,1	106,5	114,1
Leverage Ratio (LR), %	3,9	3,8	3,9	3,8

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. Over 22 thousand 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 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 (S&P) has assigned ‘BBB/A-2’ issuer credit ratings with stable outlook to The Mortgage Society of Finland.

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

OPERATING ENVIRONMENT

The ongoing Russian invasion of Ukraine, prolonged inflation, cost-of-living crisis, and energy supply scarcity combined with rising interest rates cause challenges to the global economy. Consumer confidence has remained weak and households’ purchasing power declined further. Economic indicators reflect higher uncertainty. Decline in the global composite output Purchasing Managers’ index went on in the fourth quarter, which worsens global economic prospects.

Non-financial sector companies’ stock prices increased by 7.7% and the bank equity prices of euro area gained as much as 14.2% from 8 September 2022 to 14 December 2022. The Governing Council of ECB decided to raise interest rates by 75 basis points in its meeting in October and by 50 basis points in its meeting in December. The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme until the end of February 2023 after which the portfolio will decline at a measured and predictable pace. The Governing Council intends to reinvest the principal payments from maturing securities purchased under the pandemic emergency purchase programme until at least the end of 2024. The long-term risk-free interest rates hiked in December after their decline between October and November. The Euribor rates rose exceptionally and 12 months Euribor rate was 3.3% at the end of the fourth quarter.

The Finnish working day adjusted change of total output fell in November by 0.4% from previous year’s corresponding month. In November the employment situation improved and the number of employed was higher than a year ago by 63 000 persons. The number of unemployed was the same as one year ago. Consumer confidence was at the lowest level in its entire measuring history in December.

According to preliminary data, prices of old dwellings fell about 3% between October and November from the previous year in the whole country. The corresponding price decline was more than 4% in the metropolitan area while in the whole country excluding greater Helsinki prices fell by more than 1%. Home sales volumes fell by more than 30% and the number of apartments available for sale decreased over the quarter in the whole country. The housing loan stock growth was 1.3% and the average interest rate on mortgage loans was 1.8% in the end of November.

The number of housing starts of residential buildings decreased by 7% between August and October from one year ago. The year-on-year change in consumer prices was 9.1% in December.

KEY EVENTS

During the financial period, Hypo Group focused on strengthening its core businesses and on finalisation of its new core information system, launched in 2019. Deployment of the new core information system took place successfully in the beginning of year 2022. At the same the group ended the use of Oy Samlink Ab’s IT system.

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

The Mortgage Society of Finland's bank subsidiary Suomen AsuntoHypoPankki Oy raised its Hypo Prime rate by 0.35 percentage points to 0.50% on 15 August 2022. The increase is based on the development of general market rates.

Net interest income was affected by the growth of interest rates, especially by the growth of short-term interest rates. The effect on net interest income was largest during last quarter of the financial period. The growth of interest rates has had a minor impact on net investment income.

The amount of non-performing loans remained on a low level and is not expected to grow significantly during the next financial period. The Forward-Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) has been elevated but there were no major changes in ECL levels or amounts.

RESULTS AND PROFITABILITY

October–December 2022

Hypo Group’s operating profit was EUR 0.4 million (EUR 0.9 million for October–December 2021). Income totaled EUR 3.5 million (EUR 6.7 million) and expenses EUR 3.1 million (EUR 5.8 million).

January–December 2022

Hypo Group’s operating profit was EUR 7.1 million (EUR 8.1 million for January–December 2021). Income decreased by 5.6% from previous year and totaled EUR 24.6 million (EUR 26.1 million). Expenses remained on the same level as previous year and totaled EUR 17.5 million (EUR 18.0 million). Depreciations increased by 87,0% and totaled EUR 1.5 million (EUR 0.8 million). The increase was mainly due to depreciations of the new core information system, deployed in the beginning of year 2022. The largest single expense item was the yearly contribution to the Single Resolution Fund EUR 2.1 million (EUR 1.9 million) which grew by 9.3% from the previous year and represented as much as 11.8% of total expenses on the financial period. Group's cost-to-income ratio was 71.2% (69.0%). Net interest income decreased by 11.6% to EUR 15.3 million (EUR 17.3 million) due to increased interest rates. Net fee and commission income totaled EUR 3.6 million (EUR 4.1 million).

Net income from investment properties (housing units and residential land) amounted to EUR 2.8 million (EUR 3.0 million), of which sale profit from investment properties were EUR 0.2 million (EUR 0.5 million).

Group's other comprehensive income EUR 6.8 million (EUR 6.8 million) includes EUR 5.8 million (EUR 6.6 million) profit for the financial period as well as the change in the fair value reserve EUR -0.2 million (EUR -0.4 million) and the revaluation of defined benefit pension plans EUR 1.2 million (EUR 0.6 million).

PERSONNEL

On 31 December 2022, the number of permanent personnel was 63 (55 on 31 December 2021). These figures do not include the CEO and the vice CEO.

ASSETS AND LIABILITIES

Lending

During the financial period, the loan portfolio grew 4.3% to EUR 2,749.9 million (EUR 2,637.0 million on 31 December 2021).

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

The weighted average Loan-to-Value ratio of the loan portfolio remained on a strong level and was 30.8% (33.1%) at the end of the financial period.

The amount of non-performing loans remained low at EUR 3.9 million (EUR 3.8 million), representing 0.14% (0.14%) of the loan portfolio.

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 560.8 million (EUR 590.9 million on 31 December 2021), which corresponds to 16.2% (17.8%) of the total assets. The cash and cash equivalents which totaled EUR 557.8 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% (100.0%) were ECB repo eligible. Liquidity covers wholesale funding cash flows for the following 17 months. The Liquidity Coverage Ratio was 201.6% (179.9%).

The defined benefit plans surplus of EUR 6.4 million (EUR 4.9 million) from the Mortgage Society of Finland's pension fund has been recognized in Group's other assets.

Hypo Group offers rental apartments and residential land for its customers. Hypo Group's properties are located in selected growth centers, mainly in the Helsinki Metropolitan Area. The difference between the fair value and the book value of the properties totaled EUR 4.8 million (EUR 4.7 million).

Derivative contracts

The balance sheet value of derivative receivables was EUR 2.8 million on 31 December 2022 (EUR 14.3 million on 31 December 2021), and the value of liabilities was EUR 113.0 million (EUR 10.7 million).

Deposits and other funding

The total amount of deposits decreased by 11.9% and was EUR 1,463.3 million at the end of the financial period (EUR 1,660.3 million on 31 December 2021). The share of deposits accounted for 46.3% (53.0%) of total funding.

On 15 November 2022 Hypo Group issued a EUR 300 million covered bond, maturing on 15 November 2027. In November Hypo repaid in advance EUR 100 million of its TLTRO3-funding, maturing in June 2023.

The total amount of covered bonds was EUR 1,770.0 million (EUR 1,450.0 million) at the end of the financial period. The total amount of certificates of deposit was EUR 61.0 million (EUR 51.0 million).

The share of long-term funding of total funding was 42.3% on 30 December 2022 (45.4%). The Group's NSFR-ratio at the end of the financial period was 106.5% (114.1%).

The total funding remained on the same level and was EUR 3,163.0 million at the end of the financial period (EUR 3,132.2 million).

RISK TOLERANCE AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 150.5 million (EUR 143.7 million on 31 December 2021). 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 2021 was 13.8% (13.6% on 31 December 2021). 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 period, Group's Leverage Ratio was 3.9% (3.8%).

The Group's total capital requirement at the end of the financial period was 11.25%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on (Pillar 2 requirement) 0.75% and countercyclical buffer requirements of foreign exposures.

The Finnish Financial Supervisory Authority (The Finnish FSA) has on 24 August 2022 set a discretionary additional capital requirement of 0.75% (Pillar 2 requirement) for The Mortgage Society of Finland group. The requirement is to be met, so that at least three quarters must be Tier 1 capital (T1), of which at least three quarters must be Common Equity Tier 1 capital (CET 1). The requirement took effect on 31 December 2022 and remains in force until further notice, however not longer than until 31 December 2025. The previous discretionary additional capital requirement 1.25% remained in force until 31 December 2022. The decision has been made as a normal part of the group's supervisory review and evaluation process.

The Finnish Financial Stability Authority has set a minimum requirement of own funds and eligible liabilities (MREL) as stated in the act on the Resolution of Credit Institutions and Investment Firms (1194/2014) chapter 8, section 7 for the Mortgage Society of Finland, applying from 1 January 2022. The requirement will consist solely of the lossabsorption amount (LAA) according to the act 1194/2014 chapter 8, section 7, subsection 2, paragraph 1. It can be covered with the same own funds as the capital adequacy requirement

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 amending regulation (EU) 2019/876 (ie. CRR II) entered into force on 28 June 2021, connecting the disclosure requirements to the size and complexity of the institution. The Finnish FSA has classified the Mortgage Society of Finland 5 as a small and non-complex institution, for whom the disclosure requirements were simplified in the amendment.

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	31.12.2022	31.12.2021
Common Equity Tier 1 capital before deductions	150 483	143 705
Deductions from Common Equity Tier 1 capital	-13 537	-15 451
Total Common Equity Tier 1 capital (CET1)	136 947	128 253
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	136 947	128 253
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	136 947	128 253
Total risk weighted assets	991 991	944 446
of which credit risk	925 679	881 669
of which market risk (foreign exchange risk)	-	-
of which operational risk	43 863	43 383
of which other risks	22 450	19 393
CET1 Capital ratio (CET1-%)	13,8	13,6
T1 Capital ratio (T1-%)	13,8	13,6
Total capital ratio (TC-%)	13,8	13,6
Minimum capital	5 000,0	5 000,0

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

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 December 2022, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

Economic growth will slow down, and recession is likely in the beginning of the year due to high inflation, rising rates and uncertainty linked to Russia’s war in Ukraine continues. Employment remains strong which is the most important factor supporting the economy and the housing market. Housing sales are expected to recover in the spring but prices will decline for longer. Housing starts will go down but number of completed new homes will stay high in the year 2023. Differences between housing market areas and units will deepen. Urbanization will increase due to the strong newbuilding to Helsinki-Tampere-Turku -areas.

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

The operating profit for 2023 is expected to be at least on the same level than in 2022. The expectation contains uncertainties due to the development in economy and interest rates as well as uncertainties related to the war in Ukraine.

Helsinki, 30 January 2023

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Interest income	35 145	28 017	12 565	7 068
Interest expenses	-19 882	-10 742	-11 014	-2 627
NET INTEREST INCOME	15 264	17 276	1 552	4 440
Fee and commission income	3 673	4 147	900	984
Fee and commission expenses	-81	-69	-19	-23
Net income from financial instruments at FVPL	2 432	1 672	-616	565
Net income from financial instruments through FVOCI	-1 248	53	0	53
Net income from hedge accounting	1 613	32	481	-77
Net income from investment properties	2 762	3 007	966	767
Other operating income	209	-29	237	-2
Personnel expenses	-7 574	-8 645	-1 329	-2 317
Administrative expenses	-5 029	-5 136	-1 075	-2 719
Total personnel and administrative expenses	-12 603	-13 781	-2 404	-5 037
Depreciation and impairment losses on tangible and intangible assets	-1 489	-796	-435	-187
Other operating expenses	-3 436	-3 410	-270	-558
Final and expected credit losses	-15	-36	11	-6
OPERATING PROFIT	7 079	8 064	402	920
Income taxes	-1 274	-1 506	-41	-126
OPERATING PROFIT AFTER TAX	5 805	6 558	361	793
PROFIT FOR THE PERIOD	5 805	6 558	361	793

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	1-12/2022	1-12/2021	10-12/2022	10-12/2021
Profit for the period	5 805	6 558	361	793
Other comprehensive income, after tax				
Items that may be reclassified subsequently to income statement				
Change in fair value reserve				
Financial assets at FVOCI	-242	-446	-65	-107
	-242	-446	-65	-107
Items that may not be reclassified subsequently to the income statement				
Revaluation of defined benefit pension plans	1 216	643	532	226
	1 216	643	532	226
Total other comprehensive income, after tax	974	197	467	119
COMPREHENSIVE INCOME FOR THE PERIOD	**6 778**	**6 755**	**828**	**912**

CONSOLIDATED BALANCE SHEET, IFRS		
(1000 €)	**31.12.2022**	**31.12.2021**
ASSETS		
Cash	393 179	388 200
Debt securities eligible for refinancing with central banks	140 315	191 526
Receivables from credit institutions	24 286	8 195
Receivables from the public and public sector entities	2 749 916	2 636 986
Shares and holdings	24	24
Derivative contracts	2 827	14 250
Intangible assets	10 230	9 174
Tangible assets		
Investment properties	50 726	55 410
Other tangible assets	4 995	1 146
	55 720	56 556
Other assets	78 366	17 227
Accrued income and advances paid	6 133	2 693
Deferred tax receivables	8	6
TOTAL ASSETS	**3 461 004**	**3 324 839**

CONSOLIDATED BALANCE SHEET, IFRS		
(1000 €)	**31.12.2022**	**31.12.2021**
LIABILITIES		
Liabilities to credit institutions		
Central banks	50 000	150 000
Credit institutions	0	1 111
	50 000	151 111
Liabilities to the public and public sector entities		
Deposits	1 463 261	1 660 288
Other liabilities	7 474	9 447
	1 470 735	1 669 735
Debt securities issued to the public	1 642 313	1 311 389
Derivative contracts	112 984	10 681
Other liabilities	14 294	23 339
Deferred income and advances received	10 248	5 166
	9 947	9 712
Deferred tax liabilities		
EQUITY		
Basic capital	5 000	5 000
Other restricted reserves		
Reserve fund	34 537	31 317
Fair value reserve		
From fair value recognition	182	425
Defined benefit pension plans	5 188	3 972
Unrestricted reserves		
Other reserves	22 924	22 924
Retained earnings	76 847	73 509
Profit for the period	5 805	6 558
	150 483	143 705
TOTAL LIABILITIES	**3 461 004**	**3 324 839**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2021	5 000	28 893	4 200	22 924	75 933	136 950
Profit for the period					6 558	6 558
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-505			-505
Amount transferred to the income statement			-53			-53
Change in deferred taxes			112			112
Revaluation of defined benefit plans						
Actuarial gains / losses			804			804
Change in deferred taxes			-161			-161
Total other comprehensive income, after tax	0	0	197	0	0	197
Transactions with owners of the bank						
Distribution of profits		2 424			-2 424	
Equity 31 December 2021	**5 000,0**	**31 316,9**	**4 397,1**	**22 923,5**	**80 067,5**	**143 705,0**
Equity 1 January 2022	5 000	31 317	4 397	22 924	80 068	143 705
Profit for the period					5 805	5 805
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			945			945
Amount transferred to the income statement			-1 248			-1 248
Change in deferred taxes			61			61
Revaluation of defined benefit plans						
Actuarial gains / losses			1 520			1 520
Change in deferred taxes			-304			-304
Total other comprehensive income, after tax	0	0	974	0	0	974
Transactions with owners of the bank						
Distribution of profits		3 220			-3 220	0
Equity 31 December 2022	**5 000**	**34 537**	**5 371**	**22 924**	**82 652**	**150 483**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	**1-12/2022**	**1-12/2021**
Cash flow from operating activities		
Interest received	32 494	32 123
Interest paid	-13 908	-13 433
Fee income	3 637	3 997
Fee expenses	-81	-69
Net income from financial instruments at FVPL	2 432	1 672
Net income from financial assets at FVOCI	-1 248	53
Net income from hedge accounting	1 613	32
Net income from investment properties	2 947	2 881
Other operating income	209	-29
Personnel and administrative expenses	-13 115	-13 671
Other operating expenses	-3 633	-3 442
Final and expected credit losses	-14	-36
Income taxes	-1 607	-1 745
Total net cash flow from operating activities	**9 725**	**8 333**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-114 103	-126 362
Collateral, derivatives	-67 509	-18 005
Investment properties	3 632	2 207
Operating assets increase (-) / decrease (+) total	**-177 980**	**-142 160**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	-197 027	98 054
Operating liabilities increase (+) / decrease (-) total	-197 027	**98 054**
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**-365 282**	**-35 774**
Cash flows from investments		
Change in fixed assets	-6 394	-3 175
Equity investments increase (-) / decrease (+)	0	109
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-6 394**	**-3 067**
Cash flows from financing		
Bank loans, new withdrawals	9 211	50 016
Bank loans, repayments	-110 322	-2 236
Other liabilities, increase (+) / decrease (-)	-2 006	-2 629
Bonds, new issues	442 035	19 176
Bonds, repayments	-12 169	-27 013
Certificates on deposit, new issues	249 126	103 071
Certificates on deposit, repayments	-234 342	-103 064
NET CASH FLOWS ACCRUED FROM FINANCING	**341 534**	**37 321**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-30 142**	**-1 520**
Cash and cash equivalents at the beginning of the period	**587 922**	**589 442**
Cash and cash equivalents at the end of the period	**557 780**	**587 922**
CHANGE IN CASH AND CASH EQUIVALENTS	**-30 142**	**-1 520**

NOTES

1. Key accounting policies

This Financial Statements Release applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2021. 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 2022.

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 2021 and Stock Exchange Releases published during 1 January to 31 December 2022. 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 30 January 2023 by the Board of Directors of The Mortgage Society of Finland to be published on 31 January 2023. 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.

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 2022. Equity instruments have not been issued nor repaid during the period from 1 January to 31 December 2022.

4. Capital Adequacy Information

Hypo Group's own funds and capital ratios

(1000 €)	31.12.2022	31.12.2021
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	5 000	5 000
of which: Basic capital	5 000	5 000
Retained earnings	76 847	73 509
Accumulated other comprehensive income and other reserves	62 831	58 637
Independently reviewed interim profits net of any foreseeable charge or dividend	5 805	6 558
Common Equity Tier 1 (CET1) capital before regulatory adjustments	150 483	143 705
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	-2 991	-7 339
Deferred tax assets that rely on future profitability	-8	-6
Value adjustments due to the requirements for prudent valuation	-257	-217
Defined-benefit pension fund assets	-10 282	-7 889
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-13 537	-15 451
Common Equity Tier 1 (CET1) capital	136 947	128 253
Additional Tier 1 (AT1) capital	0	0
Tier 2 (T2) capital	0	0
Total capital (TC = T1 + T2)	136 947	128 253
Total risk weighted assets	991 991	944 446
Capital ratios and buffers		
Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount	13,8	13,6
Tier 1 (T1) as a percentage of total risk exposure amount	13,8	13,6
Total capital as a percentage of total risk exposure amount	13,8	13,6
Institution specific buffer requirement, %	7,0	7,0
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	0,0
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), %	0,8	1,3
Commom Equity Tier 1 available to meet buffers, %	10,3	10,1

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

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

(1000 €) **31.12.2022**

Credit and counterparty risks	Original exposure pre conversion factors	Exposure value	Risk weighted exposure amount after SME-supporting factor	Own funds requirement
Exposures to central governments or central banks	487 574	536 185	0	0
Exposures to regional governments or local authorities	32 831	39 298	0	0
Exposures to public sector entities	2 016	2 016	0	0
Exposures to credit institutions	60 328	74 750	23 864	1 909
Exposures to corporates	40 221	951	817	65
Retail exposures	36 518	5 301	3 975	318
Exposures secured by mortgages on immovable property	2 951 707	2 809 490	827 644	66 212
Exposures in default	3 604	3 596	3 649	292
Exposures in the form of covered bonds	20 453	20 453	2 045	164
Equity investments	24	24	24	2
Other items	64 161	64 161	63 661	5 093
	3 699 437	3 556 224	925 679	74 054
Operational risk			43 863	3 509
Other risks			22 450	1 796
All items in total	**3 699 437**	**3 556 224**	**991 991**	**79 359**

(1000 €) **31.12.2021**

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	483 100	535 914	0	0
Exposures to regional governments or local authorities	77 822	84 042	0	0
Exposures to public sector entities	0	0	0	0
Exposures to credit institutions	56 826	53 044	18 412	1 473
Exposures to corporates	54 401	32 714	22 468	1 797
Retail exposures	50 413	12 637	8 348	668
Exposures secured by mortgages on immovable property	2 747 455	2 620 015	770 418	61 633
Exposures in default	2 647	2 480	2 491	199
Exposures in the form of covered bonds	10 707	10 707	1 071	86
Equity investments	24	24	24	2
Other items	58 939	58 939	58 439	4 675
	3 542 332	3 410 516	881 669	70 534
Operational risk			43 383	3 471
Other risks			19 393	1 551
All items in total	**3 542 332**	**3 410 516**	**944 446**	**75 556**

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).
The other risk-weighted items consist of credit valuation risk (CVA).

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	31.12.2022	31.12.2021
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	278 051	215 837
Total	278 051	215 837

6. Fair values of financial instruments

(1000 €)		**44 926**	**44 561**
Financial assets	Fair value determination principle	Fair value	Fair value
Debt securities eligible for refinancing with central banks	A	140 315	191 526
Derivative contracts	B	2 827	14 250
Total		143 143	205 777
Financial liabilities			
Derivative contracts	B	112 984	10 681

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

There have been no other material changes in the related party transactions since 31 December 2021.

8. IFRS 9 expected credit losses by stage

(1000 €)	Net book value	Expected credit loss allowance	Net book value	Expected credit loss allowance
	31.12.2022	**31.12.2022**	**31.12.2021**	**31.12.2021**
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2 717 711	17	2 617 809	10
Level 2, performing loans with a significant increase in credit risk	28 352	27	15 374	72
Level 3, non-performing loans	3 853	189	3 803	129
Total	**2 749 916**	**233**	**2 636 986**	**211**
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	53 346	0	77 815	0
Other assets, trade receivables				
Level 1, performing loans, no significant increase in credit risk	389	0	383	0
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	278 051	1	215 837	0

There were no significant ECL-level transitions during the financial period. New loans were originated to level one. The Forward Looking Factor (FLF) of the ECL model rose to level 2 during the financial period.
This increased expected credit losses by EUR 6 thousand.
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
	1–12/2022	**1–12/2021**	**10–12/2022**	**10–12/2021**
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	-8	3	2	-7
Level 2, performing loans with a significant increase in credit risk	45	0	-35	11
Level 3, non-performing loans	-60	115	23	1
Total	**-22**	**118**	**-10**	**6**
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	0	0	0	0
Other assets, trade receivables				
Level 1, performing loans, no significant increase in credit risk	0	0	0	0
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	-1	0	0	0

9. IFRS 15 Income distribution

Group's total income

(1000 €)

	1–12/2022	1–12/2021	10–12/2022	10–12/2021
Interest income	35 145	28 017	12 565	7 068
Interest expense	-19 882	-10 742	-11 014	-2 627
Net interest income	15 264	17 276	1 552	4 440
Net fee income				
from lending operations	1 864	1 924	459	471
from land trustee services	1 545	1 784	431	384
from other operations	183	369	-9	105
Total net fee income	3 592	4 077	880	961
Net income from treasury operations	2 796	1 757	-135	541
Net income from investment properties	2 536	2 519	865	683
Capital gains on investment properties	226	488	101	84
Other income	209	-29	237	-2
Non-interest income	5 766	4 734	1 067	1 306
Total income	24 622	26 087	3 499	6 707

10. IFRS 16 Leases

Hypo Group as lessee

(1000 €)

Right-of-use assets	**1–12/2022**	**1–12/2021**
Depreciation - IT	0	0
Depreciation - Apartments	273	256
Carrying amount - IT	0	0
Carrying amount - Apartments	273	82
Lease liabilities		
Interest expense	11	5
Carrying amounts sorted by remaining maturity		
Non-fixed-term leases	276	83
Relief options		
Expenses from leases of low-value assets	11	9

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	**1–12/2022**	**1–12/2021**
Lease income	2 143	2 272
Undiscounted lease payments to be received		
1 year	361	751
2 year	184	302
3 year	170	205
4 year	157	191
5 year	157	179
>5 years	4 174	5 292

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

11. Information concerning asset encumbrance

31 December 2022

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

B - Collateral received

	Unencumbered
	Fair value of collateral received or own debt securities issued available for encumbrance
Own covered bonds and asset-backed securities issued and not yet pledged	13 890

C - Encumbered assets and associated liabilities

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

D - Information on the importance of encumbrance

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

Encumbered assets totaled EUR 2,006.7 million, out of which of covered bonds were EUR 1,858.7 million on 31 December 2022. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 121.3 million on 31 December 2022. EUR 128.3 million of unencumbered loans may be used as collateral for covered bonds.

31 December 2021

(1000 €)	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	1 858 022		1 858 022		1 466 817		1 466 817	
Equity instruments					24		24	
Debt securities	10 743	10 743	10 743	10 743	181 245	181 245	181 245	181 245
Other assets, including lending	1 847 278	-	1 847 278		1 285 548	387 365	1 285 548	

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	34 326

C - Encumbered assets and associated liabilities

	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	149 165	210 860
Debt securities issued to the public	1 262 978	1 625 969
Derivative contracts	3 299	21 194
Total	1 415 442	1 858 022

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 1,858,0 million, out of which of covered bonds were EUR 1,695.9 million on 31 December 2021. 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 181.2 million on 31 December 2021. EUR 549.4 million of unencumbered loans may be used as collateral for covered bonds.

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

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

Definitions of Alternative Performance Measures:

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

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

Non-performing assets, % of the loan portfolio

$$\frac{\text{Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days}}{\text{Receivables from the public and public sector entities}} \times 100$$

Non-performing assets are presented in accordance with the EU's Capital Requirements Regulation (575/2013).

LCR-ratio, %

$$\frac{\text{Liquid assets}}{\text{Outflow of liquidity – Inflow of liquidity (within 30 days)}} \times 100$$

LCR-ratio is calculated in accordance with the EU's Capital Requirement Regulation CRR (EU 575/2013).

NSFR-ratio, %

$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$$

NSFR-ratio is calculated in accordance with the EU's Capital Requirement Regulation CRR (EU 575/2013).

Leverage Ratio, %

$$\frac{\text{Tier 1 Capital}}{\text{Total exposure}} \times 100$$

Leverage Ratio, % is calculated in accordance with the EU's Capital Requirement Regulation CRR (EU 575/2013).

Common Equity Tier 1 (CET1) ratio %

$$\frac{\text{Common Equity Tier 1, CET1}}{\text{Total risk}} \times 100$$

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

Description of Alternative Performance Measures:

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

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

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

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

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

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

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

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

Average number of personnel describes the personnel resources available.

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

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