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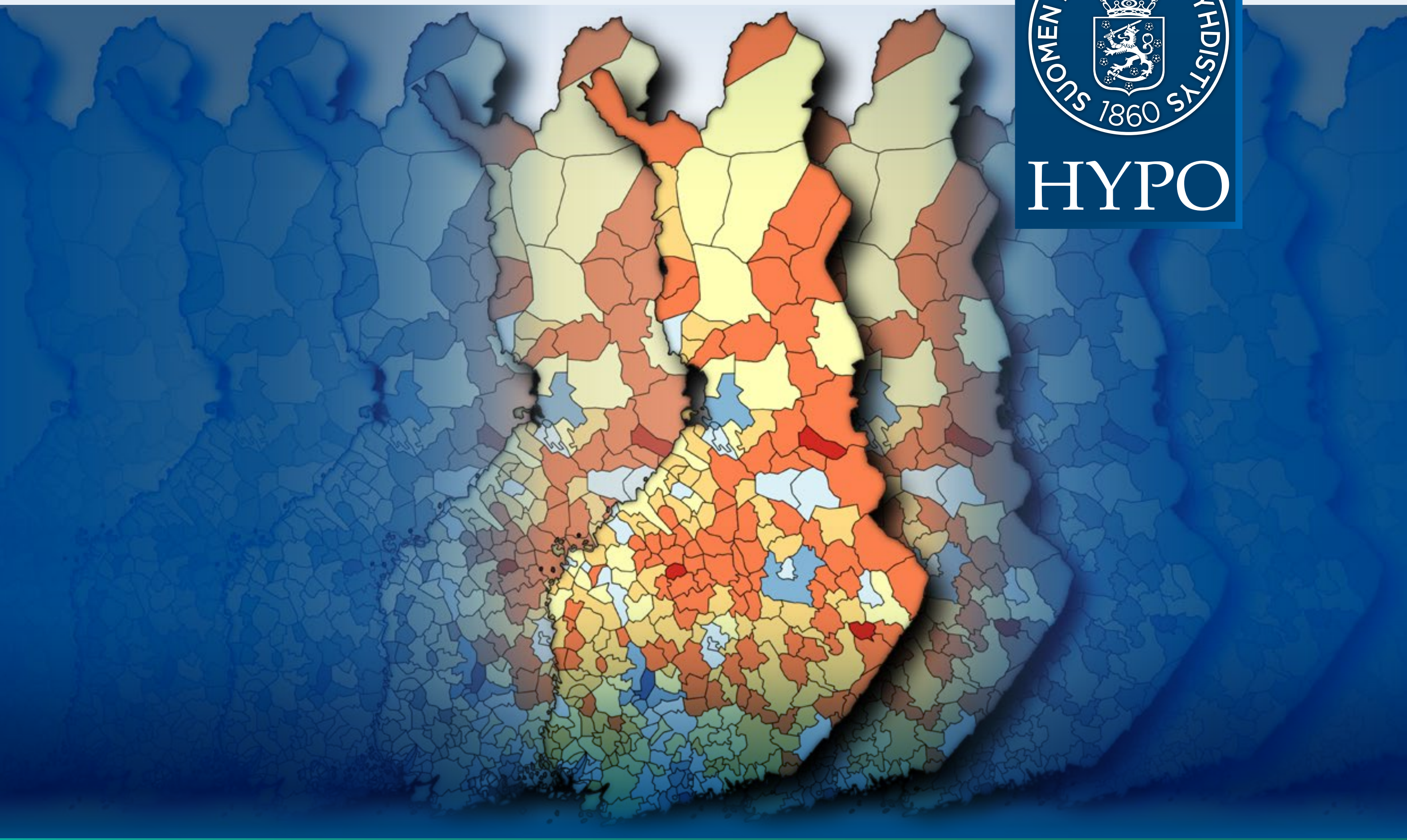

THE MORTGAGE SOCIETY OF FINLAND

ANNUAL REPORT 2022

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Interim report Q1 2023 will be published 2 May 2023

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HYPO IS NOW EVEN MORE INDEPENDENT AND AUTONOMOUS THAN BEFORE

Covid-19 hit the foundations of society, economic activity and social networks with unprecedented force between 2020 and 2022. Despite the rapid progress of this challenge, we survived the challenges it caused.

The pandemic may be behind us, but it has been replaced by a war in Europe, with rising inflation and interest rates. Societies, economies and social networks are being tested again, and this time there is also the threat of nuclear war. Consumer confidence has fallen to a historically low level, as have home buying intentions. At the time of writing, prolongation of military action, intensification of economic challenges and continuation of climate change are looming.

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

In early 2022, we successfully implemented a core banking system built with Tietoevry and ended our long-term partnership with Samlink without issues. The Nordic region's newest core banking system was established as the basis for the entire Group's operations in late 2022. There is still work to be done, of course, but these tasks are purely standard maintenance and development of banking technology. What really matters most is that the continuity of our operations has now been secured to the 2030s. Moreover, the new core banking system will allow us to develop our own products and services in a completely different way than under the previous system, which was fully owned by our competitors.

We can now say that Hypo's renewal program, launched in 2000 by the late Professor Jarmo Leppiniemi, the long-time Chairman of the Board of Directors of Hypo Group, has finally reached a stage where Hypo is independent and autonomous also in terms of banking technology.

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

A CLOSE EYE ON CUSTOMERS

The total amount of applications for collateralized home financing by our customers, or *"Our members and lenders who have registered as our members"*, since the beginning of 2013 has now reached almost EUR 24 billion. During that time, we have accepted over EUR 6.6 billion worth of applications – the last four years having been more restrictive because of the ongoing technology renewal. After early 2022, we returned to normal following this period of austerity. We returned to a path of determined profitable growth with controlled risk-taking and will continue on the same path in the coming years. We can finally focus, beyond the bits and processes, on the market and our customers as is characteristic of Hypo, all the way to our anniversary year 2030. We will respond to every loan application from target regions and customers in an even faster and more tailored and automated way, regardless of time and place. No Finnish bank has the same demand potential that we have. We will profitably meet this demand in full by managing risks and resolutely pursuing our specific objectives, while safeguarding Hypo Group's own funds accumulated over the past 162 years.

Hypo's loan portfolio was EUR 281 million at the end of 2000 and grew to EUR 725 million by the end of 2012. At the end of 2022, our loan portfolio stood at EUR 2,750 million and our total committed loan exposure at EUR 3,050 million. In the last 20 years, we have launched deposit banking, IFRS financial reporting, land trustee services, international credit rating, mortgage banking and a complete overhaul of banking technology. Hypo is determined to increase its market share, year by year, while continuing to reform its operations in line with the changes required by demand and growth.

The development of the housing and mortgage markets in the midst of the pandemic reinforces our faith in the strategy chosen by Hypo to focus on operating only in the strongest housing markets in the country. Many other operators in the housing and mortgage markets have come to the same conclusion. The long-term change in the markets has continued despite the pandemic just as the predictions have shown. The same trend has continued during

Russia's war of aggression and the period major economic challenges. It is the resilience of the best housing markets in the selected regions of the country that counts.

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

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

A NEW DIVIDING LINE BETWEEN OWNER-OCCUPIED AND RENTED HOUSING

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

In home owning, the repayment of mortgages depends on salaries which are independent of collateral. In home renting, the repayment of the leverage loan, which is critical to return on equity, depends on rental income, which in turn depends on collateral and is subject to competition between lessors and on political decisions. The other is traditional, low risk financing of home owning, as the other is financing a rapidly grown housing business with higher risks. The old way of thinking that comes from the time when the Finnish markka was in use and is centered on local banks and operating on local deposits and collaterals is not enough in a world of international financial markets and credit ratings. There are many operators in the housing market who will find it difficult to adapt to this change for many years to come. Not to mention mortgage lenders. Care must be taken to ensure that this difficulty will not reach the finance providers of the financial sector.

Competition between cities and other municipalities for jobs, health care services and people increased during the Covid-19 crisis and will continue increasing. It would be very positive if the cities and municipalities could decide on their own approach more independently. The conventional way of developing all of Finland equally has reached a dead end. Structural changes are not progressing almost anywhere in the country. The regional structure built over several decades has been maintained with debt which will be increased even more under the pretext of the Covid-19 crisis, Russia's war of aggression and the subsequent rebuilding and deficit debt. When comparing growing cities, it is worth paying attention to the development of the share of owner-occupied housing on land owned by the owner. The growing portion of rental housing speaks of increasing concentrations of risks in the housing markets of the city in question. Affordable long-term financing will vote with its feet.

It is clear that this development will significantly influence the housing market and house prices in Finland. In a growing number of areas, there are more and more owner-occupied and rental homes that fall off the housing collateral market first and then off the housing market itself. This has put nationwide non-urban banks that have an international credit rating and acquire housing funding from the international finance market in a difficult position. Their traditional market share is melting away and the competition in the urban bank market is heating up significantly while new conventional operators and new types of unconventional competition is entering the Finnish market. The price and quality competition gets tougher every year. Banking technology will divide banks into winners and losers in the 2020s, as the ability to adopt new technology in practice rather than on PowerPoint presentations alone is the key to success. Only two Finnish banks have been able to completely modernize their banking technology. Hypo is one of these. The renewal projects of the rest of the almost 220 other banks are at various stages of completion.

All sectors share the need for modernization. Nationwide operators are being challenged by the regional fragmenting of the market, as goals and needs diverge. Many have embarked on internal reform and some have even split over internal divisions. This can be seen in the increasing competition between different lobbying organizations, and in mergers and specialization in the banking industry. I still predict that in the 2030s, there will be only 25 genuinely independent banks instead of the current 220. Sentences on price cartels in the real estate management sector and the excesses of the rental sector tell a sad story of our time. Various negative phenomena have emerged in housing over the years and we must not be naïve about them. The protection of consumers and ownership rights must keep up with the changing environment, even if the phenomena are isolated cases. And in any case, they are signals of a more general trend.

CHANGE IS A CHALLENGE

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

Yet, during the regional election campaign in early 2022, using government support to move jobs, reduce debt and build new housing in regions with declining populations was suggested by many. The pretext was fear of Covid-19 and the wonders of remote work. Our love for our rural roots prevailed over common sense. Fortunately, common sense and mobile on-site work have made a comeback, but now the parliamentary elections are upon us. Calls to keep the entire country populated are growing stronger, this time in the name of security policy and security of supply.

The Covid-19 years taught us that households must carefully consider where in Finland they will live and in what type of housing. Job opportunities, good health care services and a housing market where homes can always be sold or used as collateral, especially in a crisis, are even more important than before. In addition, it is even more important to carefully evaluate the housing company before buying an apartment. Are the homes in the company really owner-occupied or is it actually a rental home company? Other important factors to consider include whether the building is located on a plot owned by the company or is the plot under a perpetual lease or can it be redeemed.

Finland is continuing on the same path even after the pandemic: our country is *becoming more urban, with an emphasis on big cities, not rural.* We should simply accept this and start adapting to it independently, on our own and with our own loans, to the extent that we can.

The price of long-term financing and international credit ratings speak a grim truth. The country can only get financing on the backs of the central government and the municipalities, which means the taxpayers, but the amount of central government and municipal debt and guarantee exposure is already alarmingly high. The current ideology of "keeping the entire country populated" is impossible to continue without significantly increasing the burden on the taxpayers. This puts unprecedented pressure on Finland's international credit rating and, as a result, all international credit ratings in the financial sector. The availability and terms of long-term financing are diverging even more than before and are deepening the polarization of society. Returning Finland's credit rating to AAA would lower the cost of financing for all of us, while allowing it to fall further from the current AA+ would raise the cost of financing for all of us.

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

HYPO COMPARES ITSELF WITH THE TOUGHEST COMPETITION

Hypo compares itself with the toughest of its competitors, which are on listed company level and some with also international operations, because it forces our rare company form – a mortgage society – to renew constantly and profitably while also managing risks. Hard numbers keep speaking for themselves: a balance sheet of almost EUR 4.0 billion, using standard and basic approaches, a RAC (Risk Adjusted Capital) adequacy of about 18 percent, a ROE of almost 4 percent and credit losses still at around 0.0 percent, which is a tough combination even in international comparison and taking into consideration the unusual circumstances of 2022. In addition, the soft numbers show a balanced development: Customer and employee satisfaction, internal audit, competence and well-being at work are all on the right track and on a good level despite a very demanding operating environment both internally and externally. Nevertheless, we aim for the top international level regarding both the hard and soft numbers as an independent and autonomous credit institution specialized in home financing and housing, which bases its operations on the latest technology solution in the industry, created together with a chosen partner, and on future reforms that it has made possible in the best interest of our customers on both sides of the balance sheet.

On behalf of myself and our governing bodies, I thank Hypo's personnel for their very hard, high-quality and profitable work carried out amidst the global Covid-19 crisis, the war in Ukraine, increasing interest rates and rising inflation. Our strategically important technology project demanded a lot from them. I would also like to thank the Chairmen and members of the Board of Directors and the Supervisory Board for their unwavering and strong support over the past four years. In this environment, modernizing our banking technology would not have been possible without the continued input and guidance of each one of you.

Finally, I would like to thank our many customers, old and new, for their growing interest in the 162-year-old Hypo Group and all its services.

A Secure Way for Better Living.

Helsinki, February 11, 2023
Ari Pauna
CEO

HYPO IS SUSTAINABLE IN RAISING PROSPERITY

Sustainability (ESG, Environmental, Social, Governance) is a natural part of Hypo's operations in many ways. Our main business area is home financing, where we focus in improving the state of home-owning. Hypo follows closely the ESG regulation and prepares to take care of its future responsibilities. In the following years, the ESG criteria will most probably integrate into main processes of the bank. It is expected that sustainability and the taxonomy will guide to a greater extent the lending, investments and funding of banks.

The binding ESG regulation is limited to disclosure requirements. For the time being, Hypo does not have any binding ESG disclosure requirements. We follow the progressing of the regulation, as well as the disclosure requirements coming into effect.

ENVIRONMENTAL

Our customer promise "Better living. Safely." crystallizes our goal to increase well-being responsibly by taking care of residential property. Our strong specialization encourages us to participate actively in public conversation concerning the housing markets and the economy. Our aim there is to promote topics around housing and mortgage lending in a convenient way for everyone. Hypo has further deepened and stabilized tools to analyse environmental and other risks in the housing market. The Hypo Regional Rating focuses on regional housing markets from a risk perspective of a mortgage lender. Also, the Housing Market Reviews, together with the Economic Reviews, introduce social and environmental topics closely related to housing. The reviews can be found on Hypo's webpages at www.hypo.fi in Finnish.

We act responsibly in lending by applying the orders and recommendations of the Finnish Financial Supervisory Authority as well as other regulations and guidelines from the authorities. Environmental goals have also been integrated into lending: Hypo has collaborated for over a decade with the Nordic Investment Bank (NIB) in loan programs directed to environmental investments in residential buildings. The NIB-financing primarily pointed to repairment projects improving the energy efficiency of housing companies.

From the perspective of a mortgage lender, ESG criteria to be set for residental properties will set very important guidelines to mortgage financing in general.

In the field of funding, the future EU Green Bond Standard is significant. However, many open issues remain concerning the application of the Taxonomy Regulation, for example the availability of data needed in the taxonomy and the constant renewal of the taxonomy. Both from the lender's and investor's perspectives, it would be important to make sure that the taxonomy is applied consistently through the maturity of a loan or a bond.

GOOD GOVERNANCE

In the field of good corporate governance, Hypo applies the governance code of Finnish listed companies in its administration. To the benefit of our loan customers, Hypo as a mutual company uses profits to further develop the best practices within mortgage financing, to maintain a high capital adequacy and to improve competitiveness.

As a financial institution, Hypo is regulated by a large amount of obligatory regulation, guidelines and reporting requirements from the authorities. The goal in banking regulation is to secure the functioning ability of banks in all circumstances and make their operations open and transparent to all stakeholders. Contributions to deposit guarantee funds and resolution funds are collected from banks in order to protect the depositors and taxpayers. In financial year 2022, Hypo paid 2.3 million euros in these contributions. Applying, following and implementing the regulation is a substantial part of banks' operation these days, and when successful, the bank does not get warnings from the authorities. Hypo has succeeded well in this basic task. In addition, Hypo participates actively in common lobbying work in the financial sector, which focuses strongly on new banking regulatory projects. ESG is one of the most important current themes also in this field.

SOCIAL RESPONSIBILITY

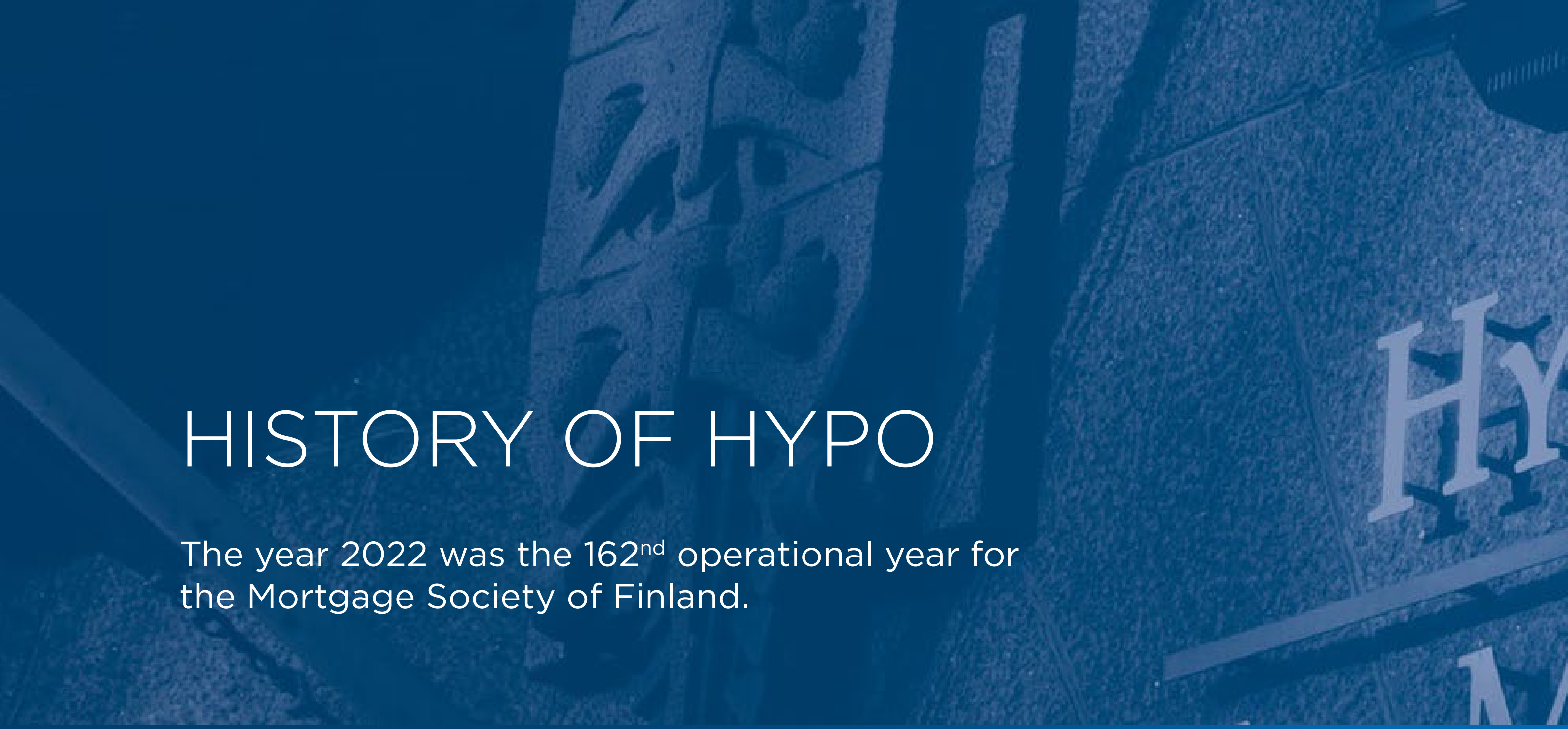
Hypo practises social responsibility also as an employer and taxpayer. Well-being of the personnel is actively taken care of by investing in health care services and other benefits, among other things. Employee turnover is small, and Hypo has a lot of long-term, committed personnel. Regularly confirmed principles of personnel management set goals for equality and non-discrimination, which are monitored regularly. In financial year 2022, Hypo paid 6.1 million euros in salaries and 3.2 million euros in pension expenses, other side expenses and taxes. In addition, Hypo makes donations to non-profit organisations, lately for example to UNICEF's support for Ukraine, to the Baltic Sea Action Group and to Save the Children Finland.

ESG regulation has developed strongly in recent years, and the aim is to create a single rule book concerning the ESG criteria. EU Taxonomy Regulation has a key role in this; it sets a single, unanimous criteria for environmentally sustainable economic operations. The taxonomy lays the foundations for sustainability reporting and evaluation in the EU.

The current binding ESG regulation mainly concerns disclosures. In addition to the Taxonomy Regulation, disclosure requirements are set in the Sustainable Finance Disclosure Regulation (SFRD), which concerns sustainability related ESG disclosures in the financial services sector, and in the future Corporate Sustainability Reporting Directive (CSRD), which will significantly expand the scope of sustainability reporting and specify the reporting requirements. In addition, international IFRS accounting standards will set binding disclosure requirements to be applied in Financial Statements releases.

The EU sustainable finance strategy includes a goal to integrate ESG risks in credit ratings and outlooks. Currently, rating agencies publish their own ESG estimates as supplementary information of credit ratings, but they do not yet affect the actual credit ratings. A proposition for EU Green Bond Standard was also published together with the strategy. It is a voluntary classification based on the Taxonomy Regulation and defines the criteria a bond must meet in order to get EuGB label.

The proposition for a new banking package contains several ESG risk management related aspects. The proposed changes to the Capital Requirements Directive integrate ESG risks in the established risk management framework of banks and obligates the authorities to supervise ESG risk management together with other risk areas. A definition and reporting obligation of ESG risks are proposed to be added to the Capital Requirements Regulation.



HISTORY OF HYPO

The year 2022 was the 162nd operational year for the Mortgage Society of Finland.

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

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

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

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

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

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

1 Feb 1862 First private bond issue in Finland.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1929 The Great Depression.

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

1939–1945 Second World War.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

THE MORTGAGE SOCIETY OF FINLAND GROUP

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

Our customer promise – a secure way for better living – guides all our operations. Over 22 thousand customers, in growth centers, have already taken us up on our promise.

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

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

Group companies own 54.6 percent of the housing company Bostadsaktiebolaget Taos (hereinafter "Taos"). Taos owns and manages the land and property where Hypo's customer service facilities are located and rents out office premises from the property.

The operations of Hypo and Suomen Asuntohypopankki Oy are supervised by the Finnish Financial Supervisory Authority (hereinafter also referred to as FIN-FSA).

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

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

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

GROUP STRATEGY AND GOALS

In the long term, Hypo Group's aim is steady and profitable growth in its secured loan portfolio and customer relationships while managing risks. Hypo Group aims to offer a competitive alternative for financing private customers' housing solutions and housing companies' need for repairs as well as strengthen its market position in the core private customer business of lending for the benefit of the customer. Profits will be used to maintain a high capital adequacy and to improve competitiveness. In accordance with Group's strategy, the Board of Directors sets business targets for Hypo Group. These targets are confirmed, entered onto scorecard and monitored annually, focused on the renewal of the core banking system, profitability and capital adequacy.

KEY EVENTS OF THE YEAR 2022

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 remains in force until 31 December 2022.

Finnish FSA granted The Mortgage Society of Finland a license to pursue mortgage credit bank operations as per Section 8 of the Act on Mortgage Credit Banks and Covered Bonds (151/2022). The new law came into force on July 8, 2022.

The Mortgage Society of Finland's bank subsidiary Suomen Asuntohypopankki Oy raised its Hypo Prime rate twice during year 2022 to 0.50%. The increases were based on the development of general market rates.

Net interest income was affected by the growth of interest rates, especially by the hike of short-term interest rates. The effect on net interest income was largest during last quarter of the financial period. The hike 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.

OPERATING ENVIRONMENT

The Russian invasion of Ukraine caused significant challenges to the global economy as energy supply scarcity led to prolonged inflation, cost-of-living crisis and rising interest rates. Consumer confidence declined and households' purchasing power weakened historically and economic indicators reflected higher uncertainty. The global composite output Purchasing Managers' index declined, which worsens global economic prospects.

Non-financial sector companies' stock prices and the bank equity prices of euro area went down during the year. The

Governing Council of ECB raised interest rates four times from July to December and the rate on the deposit facility was 2.00% at the end of the year. 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 steeply during the year. The Euribor rates rose exceptionally and 12 months Euribor rate was 3.291% at the end of December.

The Finnish working day adjusted output grew through the year but fell in November from one year ago. The employment situation improved and the number of employed was higher than a year ago by 65,000 persons. The number of unemployed fell by 22,000 persons. Consumer confidence weakened after the beginning of the war and was at the lowest level in its entire measuring history in December.

According to preliminary data, prices of old dwellings rose about 0.5% from the previous year in the whole country. The year-on-year price change was 0% in the metropolitan area while in the whole country excluding greater Helsinki prices rose by 1%. Home sales volumes fell by more than 15% and the number of apartments available for sale increased during the year. The housing loan stock growth was 0.5% and the average interest rate on mortgage loans was 1.97% in the end of December.

The number of housing starts of residential buildings decreased by more than 15% from the previous year. The year-on-year change in consumer prices was 7.1%.

BALANCE SHEET AND OFF-BALANCE SHEET COMMITMENTS

Most of Hypo's assets are invested in lending and liquidity instruments. The balance sheet total was EUR 3,461.0 million (EUR 3,324.8 million) on 31 December 2022. The increase of 4,1% was mainly due to the increase of the loan portfolio. Liquidity investments decreased, but the amount of cash increased. Given cash collaterals for derivative liabilities increased the amount of other assets. Housing and residential land holdings decreased slightly.

Group's funding operations benefit from a strong capital adequacy ratio, a good liquidity position, an entirely property-secured loan portfolio, as well as Hypo's investment grade credit rating, all valued by investors. A growing number of international investors choose to finance Hypo's operations as covered bonds continued to strengthen their position as a source of funding along with deposit funding. The amount of total funding increased by 1.0% totaling EUR 3,163.0 million (EUR 3,132.2 million) on 31 December 2022. The deposits decreased by 11.9% totaling EUR 1,463.3 million (EUR 1,660.3 million) while the amount of debt securities issued inreased to EUR 1,642.3million (EUR 1,311.4 million). The share of long-term deposit and other funding remained high and was 42.3% (45.4%) of total funding at the end of the year.

The off-balance sheet commitments amounted to EUR 278.1 million (EUR 215.8 million). The off-balance sheet commitments consisted mainly of granted but undrawn loans.

Lending

Hypo has an entirely property-secured loan portfolio. Majority of the lending and related collateral is focused on growth centers, particularly the Helsinki Metropolitan Area. Borrowers primarily consist of households and housing companies. The key financial indicators portraying the quality of the loan portfolio continued to strengthen. The weighted average Loan-to-value (LTV) ratio was 30.8 percent (33.1%). The total amount of non-performing loans remained on a low level, totaling EUR 3.9 million (EUR 3.8 million), representing only 0.14 percent (0.14%) of the total loan portfolio.

At the end of the year, Hypo's loan portfolio stood at EUR 2,749.9 million (EUR 2,637.0 million). Granted but undrawn loans totaled EUR 278.1 million (EUR 215.8 million).

Liquidity

Group liquidity continued to remain strong during the financial year. The cash and cash equivalents which totaled EUR 557.8 million (EUR 587.8 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. The Liquidity Coverage Ratio (LCR) was 201.6% (179.9%). The NSFR Ratio was 106.5% (114.1%) at end of year 2022.

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

Investment properties and property investments in own use

Homes and residential land owned and rented out by Hypo enables The Group to offer its customers a more comprehensive selection of housing products and services. Hypo's customer service facilities and office premises in own use are located in the housing company Bostadsaktiebolaget Taos. At the end of the financial year, the fair value of property holdings was EUR 4.8 million (EUR 4.7 million) higher than their book value. Property investments constituted 1.6 percent (1.7 percent) of the balance sheet total, which is clearly less than the 13 percent maximum allowed in the Act on Credit Institutions. Group's housing and residential land holdings were EUR 55.2 million (EUR 56.0 million).

Pension benefits

The additional pension cover for Hypo's employees, which is classified as a defined benefit plan, has been arranged through Department A of Hypo's pension foundation, which was closed in 1991. The surplus from the assets and obligations of the pension foundation, which totaled EUR 6.4 million (EUR 4.9 million), is part of Group's assets and may with a separate permission from the FIN-FSA be returned to the parent company thus benefiting the Group's capital adequacy.

Derivative contracts

The interest rate risk related to funding and other financial instruments is managed with interest rate derivatives. The notional of contracts increased during the financial year mainly due tohedges for funding. The changes in market interest rates cause volatility in the fair value of derivative contracts. On 31 December 2022, the balance sheet value of derivative receivables was EUR 2.8 million (EUR 14.3 million), and that of derivative liabilities were EUR 113.0 million (EUR 10.7 million).

Deposits

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). The share of deposits accounted for 46.3% (53.0%) of total funding.

Covered bonds and other funding

The outstanding amount of covered bonds on 31 December 2022 was EUR 1,576.5 million (EUR 1,260.4 million), representing 49.8% of total funding. Hypo entered the covered bond market four times during year 2022 to refund maturing contracts and operations in general.

- On 20 April 2022, The Mortgage Society of Finland issued EUR 150 million retained covered bond to refund a similar covered bond maturing on 29 April 2022. It can be used as collateral for central bank operations.
- On 26 April 2022, The Mortgage Society of Finland made a tap issue of EUR 150 million to covered bond 1/2019, maturing 13 March 2026.
- On 9 September 2022, The Mortgage Society of Finland made a tap issue of EUR 50 million to covered bond 1/2017, originated 28 June 2017 and maturing 28 June 2024.
- On 15 November 2022, The Mortgage Society of Finland issued a covered bond of EUR 300 million, maturing 15 November 2027.

CAPITAL ADEQUACY

Equity stood at EUR 150.5 million at the end of the financial year (EUR 143.7 million). The changes in equity are presented in more detail in the Financial Statements for 2022 under "Statement of changes in equity between 1 January and 31 December 2022."

Group's Common Equity Tier 1, CET 1, in relation to total risk was 13.8% on 31 December 2022 (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 year, 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% and discretionary capital add-on (Pillar 2 requirement) 0.75%.

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 (FFSA) 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 loss absorption amount (LAA) according to the act 1194/2014 chapter 8, section 7, subsection 2, paragraph 1. It can be covered with the same own funds as the capital adequacy requirement.

Risk levels of the Hypo-Group have not had substantial changes.

SUMMARY OF CAPITAL ADEQUACY

€ 1,000	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	5,000

The information required by EU's Capital Requirements Regulation (EU) 575/2013 Part eight (ie. Pillar 3 -information) is mainly published on an annual basis. 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 as a small and non-complex institution, for whom the disclosure requirements were simplified in the amendmend.

HYPO GROUP'S RESULT AND PROFITABILITY

Group's operating profit for the financial period 1 January to 31 December 2022 was EUR 7.1 million (EUR 8.1 million for 1 January to 31 December 2021). The income declined by 5.6% from previous year and were EUR 24.6million (EUR 26.1 million). Expenses stayed stable at EUR 17.5 million (EUR 18.0 million). Group's cost-to-income ratio was 71.2% (69.0%).

Income

Net interest income declined by 11.6% to EUR 11.5 million (EUR 17.3 million) due to interest rate hike. 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), including capital gains of EUR 0.2 million (EUR 0.5 million). Net income of liquidity management and hedge accounting was EUR 2.8 million (EUR 1.7 million).

Expenses

Total expenses were EUR 17.5 million (EUR 18.0 million). Personnel expenses declined by 12 % from previous year, constituting 43.2% (48.0%) of total expenses. Administrative expenses were EUR 5.0 million (EUR 5.1 million). Depreciations of the capitalized core banking project costs started during the financial year causing an increase of 87.0% to depreciations compared with previous year. Depreciations were EUR 1.5 million (EUR 0.8 million). Within other operating expenses, 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. Net of final and expected credit losses were EUR 0.01 million (EUR 0.04 million).

Consolidated statement of comprehensive income

Group's consolidated comprehensive income, after tax totaled to EUR 6.8 million (EUR 6.8 million), including EUR 5.8 million (EUR 6.6 million) profit for the year. Comprehensive income also includes 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).

KEY FINANCIAL INDICATORS 2018-2022

Group	IFRS 2022	IFRS 2021	IFRS 2020	IFRS 2019	IFRS 2018
Turnover, EUR million	42.8	36.9	34.1	32.8	29.3
Operating profit/profit before appropriations and taxes, EUR million	7.1	8.1	8.0	8.4	7.2
Operating profit/turnover, %	16.6	22.0	23.5	25.7	24.4
Return on equity (ROE), %	4.0	4.7	4.9	5.5	5.0
Return on assets (ROA), %	0.2	0.2	0.2	0.2	0.2
Equity ratio, %	4.3	4.3	4.3	4.0	3.9
Cost-to-income ratio, %	71.2	69.0	63.9	59.6	60.6
Non-performing loans, % of loan portfolio	0.14	0.14	0.11	0.10	0.07
Loan-to-value ratio (average LTV), %	30.8	33.1	33.8	35.3	35.8
Loans/Deposits, %	187.0	158.8	160.7	158.8	150.7
Indicators set in the EU's Capital Requirements Regulation and in national legislation					
Leverage Ratio, %	3.9	3.8	3.8	3.7	3.5
Common Equity Tier 1 (CET1) ratio, %	13.8	13.6	13.9	13.4	12.1
Capital adequacy, %	13.8	13.6	13.9	13.4	12.1
LCR-ratio, %	201.6	179.9	194.5	163.8	122.6
Pysyvän varainhankinnan vaatimus (NSFR)	106.5	114.1	107.0		
Other key figures					
Receivables from the public and public sector entities	2,749.9	2,637.0	2,510.9	2,586.1	2,588.9
Deposits (incl. deposits of financial institutions)	1,463.3	1,660.3	1,562.2	1,628.8	1,718.2
Balance sheet total, EUR million	3,461.0	3,324.8	3,213.1	3,230.7	3,113.8
Total Capital, EUR million	136.9	128.3	123.8	120.0	112.3
Common Equity Tier 1 (CET1), EUR million	136.9	128.3	123.8	120.0	112.3
Minimum requirement of Total Capital, EUR million*)	111.6	111.0	104.3	114.3	97.2
Average number of personnel	60	56	60	52	53
Salaries and remuneration, EUR million	6.5	6.5	5.4	4.6	4.2

*) 31.12.2022 the total capital adequacy requirement was 11.25%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5% and discretionary capital add-on (Pillar 2) 0.75%.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

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.

Turnover

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

Operating profit/profit before appropriations and taxes, million €

Interest income + income from equity investments + fee income + net income from financial assets at fair value through other comprehensive income + net income from financial instruments at FVPL + net income from hedge accounting + income from investment properties + other operating income – (personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses+ impairment losses on loans and other commitments)

Operating profit/Turnover, %

$$\frac{\text{Operating profit}}{\text{Turnover}} \times 100$$

Return on equity % (ROE)

$$\frac{\text{Operating profit - income taxes}}{\text{Equity + accumulated appropriations less deferred tax liabilities (average of beginning and end of the year)}} \times 100$$

Return on assets % (ROA)

$$\frac{\text{Operating profit - income taxes}}{\text{Average balance sheet total (average total at the beginning and end of the year)}} \times 100$$

Equity ratio, %

$$\frac{\text{Equity + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$$

Cost-to-income ratio, %

$$\frac{\text{Personnel expenses administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses}}{\text{Net interest income + income from equity investments + net fee and commission income + net income from financial instruments at FVPL + net income from available-for-sale financial assets + net income from hedge accounting + net income from investment properties + other operating income}} \times 100$$

LTV-ratio (Loan to Value, Weighted average), %

$$\frac{\text{Receivables from the public and public sector entities}}{\text{Fair value of collateral received against the receivables from the public and public sector entities}} \times 100$$

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.

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.

Average number of personnel

Number of personnel includes those in employment relationship during the financial year (excl. The CEO and the vice CEO). Average number of personnel is calculated by dividing the sum of the number of permanent full-time personnel at the end of each month by the total number of months.

Salaries and remuneration, million €

Total of personnel's salaries and remuneration

DESCRIPTION OF ALTERNATIVE PERFORMANCE MEASURES:

Turnover describes the volume of business operations. By comparing the turnover between different financial years, gives information on the increase or decrease of business volumes.

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.

Operating profit / turnover, % describes the profitability of business operations. By comparing the value of the ratio between different financial years, gives information on the development of profitability.

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

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

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

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

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

Loans / deposits, % describes the relation of lending to deposit funding. A ratio exceeding 100 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.

Average number of personnel describes the personnel resources available.

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

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

There have been no significant changes in Hypo's or Group's prospects nor financial position since the end of the financial period from 1 January 2022 to 31 December 2022.

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

FUTURE OUTLOOK

Economic growth will slow down, and recession is likely in the beginning of the year due to high inflation, rising rates and as 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 outlook contains uncertainties due to the development in economy and interest rates as well as due to uncertainties related to the war in Ukraine.

BOARD OF DIRECTORS' PROPOSAL FOR THE USE OF PROFITS

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

The Board of Directors propose that EUR 1,682,030.00 of Hypo's result for 2022 (EUR 3,364,060.19) shall be transferred to the reserve fund and the rest to remain in retained earnings.

CORPORATE GOVERNANCE

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

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

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

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

During the financial year, the average number of permanent employees was 60 (56) and the average number of fixed-term employees was 6 (4). Total of combined person years was 63 (58). At the end of the financial year, permanent employees numbered 63 (55) and the number of fixed-term employees was 3 (8). These figures do not include the CEO and the vice CEO.

Eight new employees were hired for permanent employment during the financial year, three temporary employment relationship was made permanent, and 3 employment relationships ended.

Of Group's personnel, 68 percent work in direct customer service duties and 32 percent in administration. The average age of employees is 47.5 years. At the end of the year, the youngest employee was 27.5 years of age and the oldest was 63.8. The average length of an employment relationship is 7.3 years. Of all employees, 30 percent are men and 70 percent are women. Three of the four members of the Management Group (excl. CEO and vice CEO) are men and one is a woman. In addition, the secretary to the Management Group is a woman. Of Group's employees, 33 percent hold a higher education degree, 24 percent have graduated from a university of applied sciences (polytechnic) and 43 percent have completed upper secondary education. Of the women employed by Hypo Group, 24 percent hold a higher education degree, 18 percent have graduated from a university of applied sciences (polytechnic) and 58 percent have completed upper secondary education. For the men, the proportions are 56 percent, 39 percent and 6 percent, respectively. The above-mentioned figures do not include temporary staff, the CEO or the vice CEO.

All employees are included in Group's performance-related pay and incentive scheme. The performance-related and incentive scheme takes into account the success of the company and business area as well as personal performance. The scheme enables employees to earn a discretionary reward that, at its highest, can equal 16 weeks' pay. The Board of Directors decides on rewards for employees and middle management at the proposal of the CEO. Decisions about rewards for the CEO and the vice CEO are made by Hypo's Compensation Committee on a proposal of the Board of Directors. The scheme also takes account of the content of current regulations, particularly regarding the remuneration of senior management.

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

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

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

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

Statutory pension insurance for Hypo's personnel has been set up with Elo Mutual Pension Insurance Company. Additional benefits are managed by Department A of Hypo's Pension Foundation, which has a closed sphere of operation and no uncovered liabilities. The additional benefits cover 2 employees in total. Through Department M, the pension foundation covers a total of 90 people.

INFORMATION CONCERNING GROUP'S CAPITAL ADEQUACY AND RISK MANAGEMENT

CAPITAL ADEQUACY MANAGEMENT

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

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

Capital adequacy of the Group is evaluated and guided with legal obligations as well as with requirements from external credit assessment institution S&P Global Ratings. Besides the compulsory minimum quantity, an internal minimum targets and monitoring limits have been set for the key indicators.

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

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

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

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

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

Non-performing assets, % of the loan portfolio

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

LCR-ratio, %

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

NSFR-ratio, %

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

Leverage Ratio, %

$$\frac{\text{Equity + accumulated appropriations less deferred tax liabilities}}{\text{Balance sheet total}} \times 100$$

Common Equity Tier 1 (CET1) ratio, %

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

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

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

RISK MANAGEMENT

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

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

Risk tolerance

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

Reliable management

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

Responsibility and organization of risk management

The Supervisory Board of Hypo and Boards of Directors of the group companies confirm principles of risk taking, which are implemented by the Chief Executive Officer and other members of the management group.

Risk taking takes place in business functions in accordance with said principles and other instructions and limitations applicable in risk taking. For the part of credit risk, the management group member responsible for lending (Chief Banking Officer) complies with the general terms of lending and principles of credit risk management and other applicable lending instructions.

For the part of market and liquidity risk, the management group member responsible for funding and treasury (Chief Funding and Treasury Officer) complies with principles on market risk management, principles of liquidity risk management and investment policy of treasury and other applicable instructions concerning said functions.

Risks related to ownership of housing units and residential land, recognizing and evaluation of those risks are responsibilities of the management group member responsible for housing and land.

All management group members implement principles of operational risk management and other operational instructions. Risk management is responsible for monitoring of risk taking, development and maintenance of risk management methodologies and risk reporting to the management.

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

Risk management and internal auditing

Risk management and internal audit refer to risk management and other controls carried out by business units as well as measures performed by risk management, compliance and internal auditing, i.e. functions that are independent of business operations.

Group's risk management work and monitoring of risk-taking have been organized at the group level in accordance with principles confirmed by the Board of Directors. i.e. the following areas have been specified:

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

Regular risk report is given to the Management Group, to the boards of directors of Group companies and to the auditors selected by the Supervisory Board of the parent company.

Need for updating the risk management principles as well as the risk area specific principles is assessed regularly on the Board of Directors.

The Board of Director's Risk Management Committee has been established in order to assess Group's risk position. The Committee assembled regurlarly.

Business units' controls

The operational management and Hypo's personnel are responsible for the practical implementation of risk management and internal auditing in accordance with performance targets, risk authorizations and guidelines confirmed by the management. In addition, the various operations of the Group carry out self-assessments of operational risks. The boards of directors of the Group companies actively participate in business operations, carrying out internal auditing on their part.

The objective of risk management within the Group is to maintain healthy business operations in a way that the agreed controls are carried out in business processes and by making the risks related to the operations visible by acknowledging these risks and by preventing significant risks and any related losses. In addition, the purpose of risk management is to ensure that all significant risks that may hinder the realization of Group's strategy and goals are identified, measured and assessed regularly and that sufficient risk buffers are maintained.

Independent control functions

Hypo's Risk Manager is responsible for risk management within Group. This includes responsibility for the organization of risk management and the development of risk management principles, as well as the monitoring and evaluation and reporting of risk-taking, in all areas of Group's operations.

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

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

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

Assessment of sufficiency of risk management

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

Risk statement

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

The following is a short overview of the key risks affecting Group's business operations and their management procedures. More extensive qualitative and quantitative information of risk management is presented in the 'Notes to group's risk management' and in the 'Notes to parent company's risk management'.

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

The market risk refers to the risk of loss arising from the fluctuation of market prices. The subtypes of market risk are interest rate, currency, stock and commodity risk. Market risk also includes the possibility of loss caused by changes in various risk factors (e.g. volatility or correlation). The group's market risk management and reporting are based on the market risk management principles established at the group level.

Liquidity risk refers to the probability of the Group not being able to meet its payment obligations due to the weakening of its financial position. If liquidity risk is materialized, it may jeopardize the continuity of Group's business operations. Liquidity risk management and reporting within the Group are based on confirmed principles of liquidity risk management.

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

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

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

KEY FIGURES DESCRIBING RISK POSITION

Risk type	Indicator	2022	2021
Credit risk	LTV-ratio (Loan to Value, average), %	30.8	33.1
Credit risk	Non-performing loans, % of loan portfolio	0.14	0.14
Credit risk	Final and expected credit losses, net movement, EUR million	0.01	0.04
Liquidity risk	Long-term funding out of total funding, %	42.3	45.4
Liquidity risk	Deposits out of total funding, %	46.3	53.0
Liquidity risk	Average maturity of liabilities, in years	3.3	3.8
Liquidity risk	LCR-ratio, %	201.6	179.9
Liquidity risk	Short-term liquidity, EUR million	560.8	590.9
Liquidity risk	Short-term liquidity, months	17.0	29.4
Liquidity risk	Share of short -term liquidity of the balance sheet total, %	16.2	17.8
Interest rate risk	Interest rate risk in the banking book, EUR million	-1.5	-5.6
Interest rate risk	Net Present Value risk, EUR million	-2.4	0.8
Risk related to ownership of housing units and residential land	Total amount of housing property holdings of the balance sheet total, %	1.6	1.7
Risk related to ownership of housing units and residential land	Book values of investement properties, % out of estimated fair values	92.0	92.2
Risk related to ownership of housing units and residential land	Occupancy rate, %	89.3	95.2
Risk related to ownership of housing units and residential land	Net profit of investment properties calculated by book value	4.8	5.1

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

CONSOLIDATED INCOME STATEMENT, IFRS

€ 1,000	Note	1.1.–31.12.2022	1.1.–31.12.2021
Interest income	G2, G4	35,145	28,017
Interest expenses	G2, G4	-19,882	-10,742
NET INTEREST INCOME		**15,264**	**17,276**
Fee and commission income	G3, G4	3,673	4,147
Fee and commission expenses	G3, G4	-81	-69
Net income from financial instruments at FVPL	G5	2,432	1,672
Net income from financial instruments at FVOCI	G6	-1,248	53
Net income from hedge accounting	G7	1,613	32
Net income from investment properties	G4, G8	2,762	3,007
Other operating income	G9	209	-29
Personnel expenses	G41	-7,574	-8,645
Administrative expenses		-5,029	-5,136
Total personnel costs and administrative expenses		-12,603	-13,781
Depreciation and impairment losses on tangible and intangible assets	G12	-1,489	-796
Other operating expenses	G11	-3,436	-3,410
Final and expected credit losses	G13	-15	-36
OPERATING PROFIT	G15	**7,079**	**8,064**
Income taxes	G14	-1,274	-1,506
PROFIT AFTER TAXES		**5,805**	**6,558**
PROFIT FOR THE PERIOD		**5,805**	**6,558**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

€ 1,000	1.1.–31.12.2022	1.1.–31.12.2021
Profit for the period	5,805	6,558
Other comprehensive income, after tax		
Items that may in the future be recognized through profit or loss		
Change in fair value reserve		
Financial assets at FVOCI	-242	-446
	-242	-446
Items that may not be included in the income statement at a later date		
Revaluation of defined benefit pension plans	1,216	643
	1,216	643
Other comprehensive income, after tax, total	974	197
COMPREHENSIVE INCOME FOR THE PERIOD	**6,778**	**6,755**

CONSOLIDATED BALANCE SHEET, IFRS

€ 1,000	Note	31.12.2022	31.12.2021
ASSETS			
Cash	G16, G38	393,179	388,200
Debt securities eligible for refinancing with central banks	G18, G37, G38, G53.a, G53.c-e	140,315	191,526
Receivables from credit institutions	G18, G37, G38	24,286	8,195
Receivables from the public and public sector entities	G19, G37, G38, G53.a-e	2,749,916	2,636,986
Shares and holdings	G22, G38, G53.a	24	24
Derivative contracts	G23, G24, G25, G26, G27, G38, G39, G53.a	2,827	14,250
Intangible assets	G28, G30	10,230	9,174
Tangible assets			
Investment properties	G29, G30	50,726	55,410
Other tangible assets	G30	4,995	1,146
		55,720	56,556
Other assets	G31	78,366	17,227
Deferred income and advances paid	G32	6,133	2,693
Deferred tax receivables	G33	8	6
TOTAL ASSETS		**3,461,004**	**3,324,839**

€ 1,000	Note	31.12.2022	31.12.2021
LIABILITIES			
Liabilities to credit institutions			
To central banks	G37, G38, G53.a	50,000	150,000
To credit institutions	G37, G38, G53.a	0	1,111
		50,000	151,111
Liabilities to the public and public sector entities			
Deposits	G37, G38, G53.a	1,463,261	1,660,288
Other liabilities	G37, G38, G53.a	7,474	9,447
		1,470,735	1,669,735
Debt securities issued to the public	G34, G37, G38, G53.a	1,642,313	1,311,389
Derivative contracts	G23-27, G38, G39, G53.a	112,984	10,681
Other liabilities	G35	14,294	23,339
Deferred expenses and advances received	G35	10,248	5,166
Deferred tax liabilities	G33	9,947	9,712
EQUITY			
Basic capital	G40	5,000	5,000
Other restricted reserves			
Reserve fund		34,537	31,317
Fair value reserve			
From valuation at fair value		182	425
Defined benefit pension plans			
Actuarial gains/losses		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 AND EQUITY		**3,461,004**	**3,324,839**

STATEMENT OF CHANGES IN EQUITY

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 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
Defined benefit pension 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 Dec 2021	**5,000**	**31,317**	**4,397**	**22,924**	**80,068**	**143,705**

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 2022	**5,000**	**31,317**	**4,397**	**22,924**	**80,068**	**143,705**
Profit for the period					5,805	5,805
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-1,551			-1,551
Amount transferred to the income statement			1,248			1,248
Change in deferred taxes			61			61
Defined benefit pension plans						
Actuarial gains/losses			1,520			1,520
Change in deferred taxes			-304			-304
Total other comprehensive income, after tax	0	0	974	0	0	974
Transactions with owners of the bank						
Distribution of profits		3,220			-3,220	
Equity 31 Dec 2022	**5,000**	**34,537**	**5,371**	**22,924**	**82,652**	**150,483**

CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	1.1.-31.12.2022	1.1.-31.12.2021
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
Cash collaterals, 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 entities (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 (+)		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 of deposit, new issues	249,126	103,071
Certificates of 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**

ACCOUNTING POLICIES

G1. Group Accounting policies

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

The parent company of the Group, The Mortgage Society of Finland (hereinafter "Hypo") has its domicile and administrative headquarters in Helsinki. The street address of The Mortgage Society of Finland is Yrjönkatu 9 A, 00120 Helsinki and the mail address is P.O.Box 509, 00101 Helsinki.

Hypo is a mutual company governed by its member customers. The company is an authorized credit institution. Since 2016, Hypo has also license to engage in mortgage credit banking operations.

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

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

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

On 30 January 2023, the Board of Directors approved the Financial Statements Release 1.1 - 31.12.2022 to be published on 31 January 2023 and on 27 February 2023, the presentation of this Financial Statements to the Auditors and to the Supervisory Board for verification. The Supervisory Board meeting was held on 28 February 2023. Financial Statements is presented for confirmation to the Annual General Meeting of the Mortgage Society of Finland, which will be held on 22 March 2023.

BASIS OF PREPARATION

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

The consolidated Financial Statements include Hypo Group's and the parent company's income statements, balance sheet and notes as well as Group's comprehensive income, cash flow statement and statement on changes in equity. In addition, the Board of Director's report is incorporated in the Financial Statements.

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

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

Ownership in housing company Bostadsaktiebolaget Taos is accounted for using IFRS 11 Joint Arrangements –standard. Assets, liabilities, revenue and expenses of the joint operations are recognized in relation to Hypo Group´s interest in the joint operation. The accounting principles of joint operations are modified to correspond Hypo Group's accounting policies.

Intercompany transactions and balances between Group companies are eliminated.

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

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

Financial data is presented in group entities' operating currency, euros.

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

New standards and interpretations

Amendments to existing standards during the financial year 1.1.-31.12.2022 did not have a significant effect on the financial statements of the Group.

ESEF (European Single Electronic Format): Hypo Group will publish its Financial Statements 2022 in ESEF format.

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

CHANGES IN ACCOUNTING POLICIES

In preparing these financial statements, The Group has followed the same accounting policies as in the Annual Financial statements for 2021. The structure of the group's balance sheet and income statements have been adjusted to better take into account the IAS 1 regulation.

In the income statement, previously separately presented items ie. salaries and fees, pension costs and other personnel expenses are now presented under rubric personnel expenses. In the balance sheet, previously separately presented items ie. other real estates and shares, as well as shares in real estate associations and other tangible assets are now presented under rubric other tangible assets.

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

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

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

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

FINANCIAL INSTRUMENTS

Definitions

Amortized cost

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

Effective interest rate

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

Recognition

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

Measurement methods

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

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

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

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

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

After the initial recognition an expected credit loss allowance is recognized for financial assets measured at amortized cost and bought debt instruments measured at FVOCI which results in an accounting loss being recognized in profit or loss when an asset is newly originated. Fair value of FVPL and FVPLO financial instruments is presented without interest accruals. Interest accruals of such instruments are presented as deferred assets or deferred liabilities.

Accounting principles of financial instruments' fair value measurement

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

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

Derecognition

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

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

Financial assets

Classification of debt instruments

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

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

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

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

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

Classification of Equity instruments

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

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

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

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

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

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

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

As STAGE 2 receivables are considered loans:

- with on-going forbearance on the reporting date; or
- with interest, interest on arrears or principal payments more than 30 days due; and
- that have not become non-performing.

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

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

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

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

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

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

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

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

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

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

ECL calculation for other debt securities
In the ECL calculations for debt securities Hypo applies:

- regulation conformant counterparty Credit Quality Steps derived from credit ratings,
- regulation conformant average Probability of Default, PD, and
- Loss Given Default, LGD

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

Debt securities are classified and measured based on their credit quality into three different stages:

- STAGE 1: Debt securities in normal state (credit quality 1-3)
- STAGE 2: Debt securities with an increased credit risk (credit quality 4-5 or payments due more than 30 days)
- STAGE 3: Debt securities with a significant increase in credit risk (credit quality 6 or payments due more than 90 days or Hypo's self-imposed individual impairment)

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

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

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

Significant increase in credit risk (SICR)

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

Definition of default and credit-impaired assets

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

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

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

Forward-looking information incorporated in the ECL models

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

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

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

Grouping of instruments for losses measured on collective basis

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

Collateral and other credit enhancements

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

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

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

Loss allowance

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

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

Write-off policy

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

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

Cash and cash equivalents

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

Financial liabilities

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

Financial derivatives

Classification and measurement of derivatives

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

Offsetting financial assets and financial liabilities

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

Recognition of derivative collateral

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

Fair value hedge accounting

Fair value hedge accounting is applied to some of fixed-rate liabilities issued by Hypo and to fixed-rate assets as well as to the derivate contracts marked as hedging instruments used to hedge the aforementioned items. The purpose of fair value hedge accounting is to allocate the profit or loss impact from change in fair value of hedged items and hedging instruments to the same accounting period. The changes in the fair value of hedging instrument and hedged item are considered to be similar in size, but opposite. Only the interest rate risk element is hedged. The credit risk is managed according to the credit risk management strategy, and it is not considered to have significant impact to the value changes of the aforementioned items.

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

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

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

INTANGIBLE ASSETS

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

TANGIBLE ASSETS

Investment properties

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

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

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

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

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

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

Other tangible assets

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

EMPLOYEE BENEFITS

Pension expenses and other post-employment benefits

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

Defined contribution plans

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

Defined benefit plans

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

DEFERRED TAX RECEIVABLES AND LIABILITIES

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

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

The voluntary credit loss provision recorded by the parent company in accordance with section 46 of the Business Income Tax Act has been reversed in the consolidated financial statements and adjusted in the tax statement.

Fair value reserve from assets measured at fair value through other comprehensive income and from interest rate swaps, recognized in equity is presented net of deferred tax assets and liabilities.

OTHER ASSETS AND OTHER LIABILITIES

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

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

REVENUE AND EXPENSES RECOGNITION

Net interest income

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

Net fee income

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

Fee income from lending activities include origination fees, transaction fees of services as well as recurring monthly loan servicing fees. Fee expenses consist of commission paid when a specific service has been performed by the external counterparty.

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

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

Income from equity investments

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

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

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

Net income from financial assets at fair value through other comprehensive income (FVOCI)

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

Net income from investment properties

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

Personnel expenses

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

Administrative expenses

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

Depreciation, depreciation calculation and the useful lifee

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

Intangible assets

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

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

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

Tangible assets

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

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

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

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

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

Final credit losses and net gains/lossesof other financial assets

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

Taxes in income statement

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

IFRS 16 LEASES

Hypo Group uses the simplified retrospective approach.

Hypo Group as lessee

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

As IFRS 16 requires Hypo Group as lessee recognizes assets for the right of use received and liabilities for the payment obligations entered into for all leases. The depreciation charges on the right of use assets and the interest expenses from unwinding of the discount on the lease liabilities are recognized on the income statement. For leases that have been classified as operative, the lease liability is recognized at the present value of the remaining payments or when the lease period is not fixed term an appropriate period is determined based on economic and business factors. Possible advance payments and liabilities will also be accounted for as well as initial direct costs. The remaining lease payments are discounted using the lessee's incremental borrowing rate. The right-of-use assets will be measured at the amount of the lease liability.

On the Consolidated Cash Flow Statement, repayments of the lease liability are recognized as cash flows from financing.

Hypo Group as lessor

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

€ 1,000, unless otherwise indicated.

G2. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM	2022	2021
Receivables valued at amortized cost		
Receivables from the public and public sector entities	24,117	16,978
Total	24,117	16,978
Debt securities, financial assets through FVOCI	193	20
Derivative contracts	7,376	9,551
Negative interest expenses of financial liabilities	1,263	1,158
Other interest income	2,196	309
Total interest income	35,145	28,017
Liabilities valued at amortized cost		
Liabilities to credit institutions	-94	-23
Liabilities to the public and public sector entities	-6,062	-1,723
Debt securities issued to the public	-8,405	-5,547
Total	-14,561	-7,292
Derivative contracts	-4,406	-1,902
Negative interest income of cash and cash equivalents	-904	-1,528
Other interest expenses	-11	-20
Total interest expenses	-19,882	-10,742

G3. FEE INCOME AND EXPENSE	2022	2021
From lending and deposits		
From residential property trustee services	1,945	1,993
From other operations	1,545	1,784
Total fee income	183	369
	3,673	4,147
Fee expenses from lending and deposits		
Net fee income	-81	-69
Total fee expenses	3,592	4,077

Grouping of fee income is presented in line with grouping of note ‘income distribution’.

G4. INCOME DISTRIBUTION	2022	2021
Group’s total income		
Interest income	35,145	28,017
Interest expense	-19,882	-10,742
Net interest income	15,264	17,276
Net fee income		
from lending operations	1,864	1,924
from land trustee services	1,545	1,784
from other operations	183	369
Total net fee income	3,592	4,077
Net income from Financial instruments at FVPL and FVOCI	2,796	1,757
Net income from investment properties	2,536	2,519
Capital gains on investment properties	226	488
Other income	209	-29
Non-interest income	5,766	4,734
Total income	24,622	26,087

NOTES TO THE CONSOLIDATED INCOME STATEMENT

G5. NET INCOME FROM FINANCIAL INSTRUMENTS AT FVPL	2022	2021
Gains and losses from disposals of financial instruments (net)		
Net income arising from items recognized based on the fair value option	-2,623	778
Non-hedging derivative contracts	1,878	-821
Gains and losses arising from measurement at fair value (net)		
Net income arising from items recognized based on the fair value option	-7,357	-2,401
Non-hedging derivative contracts	10,534	4,116
Net income from financial instruments at FVPL total	2,432	1,672

G6. NET INCOME FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	2022	2021
Net income from financial assets through FVOCI		
Capital gains from debt securities	-1,248	53

G7. NET INCOME FROM HEDGE ACCOUNTING	2022	2021
Change in fair value, hedging items	118,880	20,711
Change in fair value, hedging instruments	-117,267	-20,679
Total	1,613	32

G8. NET INCOME FROM INVESTMENT PROPERTIES	2022	2021
Rental income	2,131	2,256
Capital gains (losses)	226	488
Other income	1,136	1,334
Maintenance charges and other maintenance costs paid		
From investment properties that have accrued rental income during the period	-648	-612
Other expenses	-21	-51
Impairment losses		-347
Depreciation according to plan	-62	-62
Total	2,762	3,007

G9. OTHER OPERATING INCOME	2022	2021
Usage fees, property assets in own use	13	15
Other income	196	-44
Total	209	-29

Other operative income consist income regocnized from a non-realized commitment which was recognized as expenditure for year 2021. Also, net fee income from adminstrative services related to IAS 19 is presented as other operative income.

G10. ADMINISTRATIVE EXPENSES	2022	2021
Other personnel related	-801	-775
Office maintenance and other operative	-339	-315
Corporate governance and investor relations	-229	-69
Information technology, telecommunication and postage	-3,609	-3,866
Other	-52	-112
Total	-5,029	-5,136

G11. OTHER OPERATING EXPENSES	2022	2021
Rental expenses	-19	-19
Expenses from properties in own use	-52	-51
Other expenses	-3,365	-3,340
Total	-3,436	-3,410

Contributions of EUR 2.066 thousand (EUR 1.891 thousand) to Financial Stability Authority are included in Other expenses.

G12. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS	2022	2021
Depreciation according to plan	-1,489	-796

NOTES TO THE CONSOLIDATED INCOME STATEMENT

G13. FINAL AND EXPECTED CREDIT LOSSES IN PROFIT OR LOSS STATEMENT	2022	2021
From financial assets at amortised cost		
Receivables from the public and public sector entities		
Expected credit losses, net change in loss allowances	-22	118
Recoveries of final credit losses	8	51
Off-balance sheet commitments, granted but unclaimed loans		
Expected credit losses, net change in loss allowances	-1	0
Total	-15	169

G14. INCOME TAXES	2022	2021
Breakdown of taxes in the income statement		
Tax expense based on taxable income for the financial period	-1,292	-1,718
Change in deferred taxes	10	211
Taxes from previous periods	8	1
Taxes in the income statement	**-1,274**	**-1,506**
Reconciliation of taxes		
Profit before taxes	7,079	8,064
Tax-free income	-743	-571
Non-deductible expenses	7	0
Recognition of previously unrecorded tax losses	68	40
Total	**6,411**	**7,533**
Taxes calculated using the tax rate of 20 %	-1,282	-1,507
Taxes from previous periods	8	1
Taxes in the income statement	**-1,274**	**-1,506**

G15. INFORMATION CONCERNING PRODUCT GROUPS AND GEOGRAPHICAL MARKET AREAS

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

2022	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	24,335	6,730	3,461,004	3,310,621	66
Other operations	367	349	0		
	24,703	7,079	3,461,004	3,310,621	66

2021	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	25,843	7,783	3,324,764	3,181,134	63
Other operations	314	281	75		
	26,157	8,064	3,324,839	3,181,134	63

NOTES TO THE CONSOLIDATED BALANCE SHEET

G16. LIQUID ASSETS	2022	2021
Cash	500	500
Receivables from central bank	392,679	387,700
	393,179	388,200

G17. CASH AND CASH EQUIVALENTS AND NET DEBT IN THE CASH FLOW STATEMENT	2022 book value	2021 book value
Liquid assets	393,179	388,200
Debt securities eligible for refinancing with central banks	140,315	191,526
Receivables from credit institutions	24,286	8,195
	557,780	587,922

Net debt	**2022**	**2021**
Cash and cash equivalents	557,780	587,922
Funding, repayable within one year	-363,852	-111,327
Funding, repayable after one year	-1,446,803	-1,357,794
Net debt	**-1,252,875**	**-881,199**
Cash and cash equivalents	557,780	587,922
Funding, fixed rate	-115,271	-100,425
Funding, floating rate	-1,695,385	-1,368,696
Net debt	**-1,252,875**	**-881,199**

	Cash and cash equivalents			Funding	
2022	Liquid assets	Debt securities eligible for refinancing with central banks	Receivables from credit institutions	Funding	Total
Net debt 1.1.2022	388,200	191,526	8,195	-1,469,121	-881,199
Cash flows	4,979	-43,551	16,091	-222,655	-245,136
Fair value changes without cash flow		-7,660		-118,880	-126,540
Net debt 31.12.2022	393,179	140,315	24,286	-1,810,655	-1,252,875

Group manages liquidity risks by maintaining sufficient liquidity compared to Group´s payment obligations. Funding presented in cash flows from financing together with cash and cash equivalents presented in consolidated cash flow statement form net cash position (net debt). Year 2021 has been modified to meet with year 2022 presentation.

	Cash and cash equivalents			Funding	
2021	Liquid assets	Debt securities eligible for refinancing with central banks	Receivables from credit institutions	Funding	Total
Net debt 1.1.2021	359,150	219,333	10,958	-1,431,801	-842,359
Cash flows	29,050	-24,848	-2,763	-16,633	-15,194
Fair value changes without cash flow		-2,959		-20,688	-23,647
Net debt 31.12.2021	388,200	191,526	8,195	-1,469,121	-881,199

Group manages liquidity risks by maintaining sufficient liquidity compared to Group´s payment obligations. Funding presented in cash flows from financing together with cash and cash equivalents presented in consolidated cash flow statement form net cash position (net debt).

	2022			2021		
G18. RECEIVABLES FROM CREDIT INSTITUTIONS	Payable on demand	Other than those payable on demand	Total	Payable on demand	Other than those payable on demand	Total
From the central bank		16,000	16,000		47	47
From domestic credit institutions	8,286		8,286	8,148		8,148
Total	8,286	16,000	24,286	8,148	47	8,195

Receivables payable on demand from credit institutions consist of balances of bank accounts and deposits with a maturity of no more than one banking day. The receivable from the central bank is a minimum reserve deposit based on the reserve base, with a floating interest rate. There are restrictions for its use as part of liquidity.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G19. RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES (LOANS AND RECEIVABLES)

	2022		2021	
	Balance sheet value	Expected credit loss allowance	Balance sheet value	Expected credit loss allowance
Housing companies*)	1,876,423	1	1,737,020	
Households*)	856,380	233	868,837	211
Companies excl. housing companies*)	14,866		30,918	
Others*)	2,480		422	
Total	2,750,149	233	2,637,197	211

*) Distribution by sector has been updated.

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

	2022	2021
Non performing loans	3,853	3,803
Expected credit losses recognised during the period		
Expected credit losses 1.1.	211	329
Expected credit losses, net change	22	-118
Expected credit losses 31.12.	233	211
Expected credit losses have been identified and recognized on contract level.		
Final credit losses on receivables recognized during the period, net credit losses (+), net reversals (-)	-8	64

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

G20. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANK

	2022			2021		
	Publicly quoted	Total	Expected credit loss allowance	Publicly quote	Total	Expected credit loss allowance
Issued by public sector entities						
FVOCI						
Government bonds				20,731		20,731
Other bonds issued by public sector entities	53,346	53,346		57,084		57,084
FVPLO						
Government bonds	57,132	57,132		94,814		94,814
Other bonds issued by public sector entities	9,404	9,404				0.0
FVPLO						
Bonds issued by banks	20,434	20,434		18,898		18,898
Total debt securities	130,912	140,315	0	191,526	0	191,526
Receivables eligible for refinancing with central banks		140,315				191,526

Debt securities are investments in various credit counterparties with a remaining maturity of 18 months to six years.

G21. DEBT SECURITIES BY CREDIT RATING

2022				
Credit rating	Governments and public sector entities	Companies and banks	Covered bonds	Total
Credit quality level 1: (S&P AAA)	50,915		20,434	71,349
Credit quality level 2: (S&P AA+ - AA-)	61,579	7,387		68,966

2021				
Credit rating	Governments and public sector entities	Companies and banks	Covered bonds	Total
Credit quality level 1: (S&P AAA)	68,368		10,695	79,063
Credit quality level 2: (S&P AA+ - AA-)	104,260	8,203		112,464

NOTES TO THE CONSOLIDATED BALANCE SHEET

G22. SHARES AND HOLDINGS (FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, FVOCI)

	2022			2021		
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Shares and holdings, FVOCI		24	24		24	24
Of which at acquisition cost		24	24		24	24

G23. DERIVATIVE CONTRACTS

	2022		2021	
	Book value		Book value	
	Assets	Liabilities	Assets	Liabilities
Derivative contracts in hedge accounting relationships				
OTC Interest rate swaps, fair value hedge accounting model, fair value	727	115,021	14,017	7,005
of which: cleared by a central counterparty		73,311		
Derivative contracts not in hedge accounting relationships				
OTC Interest rate swaps, fair value	2,100	-2,037	234	3,676
of which: cleared by a central counterparty		5,356		1,640
	2,827	112,984	14,250	10,681

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

2022				
Remaining maturity	less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	300,000	1,201,370	275,000	1,776,370
of which: cleared by a central counterparty		557,000	275,000	832,000
Fair value, assets		2,827		2,827
of which: cleared by a central counterparty				0
Fair value, liabilities	1,961	53,005	58,018	112,984
of which: cleared by a central counterparty		9,937	58,018	67,955

2021				
Remaining maturity	less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	136,000	974,418	295,000	1,405,418
of which: cleared by a central counterparty	20,000	20,000	295,000	335,000
Fair value, assets	585	13,666		14,250
of which: cleared by a central counterparty				0
Fair value, liabilities	188	2,908	7,585	10,681
of which: cleared by a central counterparty	81	669	7,585	8,335

Open counterparty credit risk related to derivatives agreements consists of mark-to-market value of the contracts and the delivered collateral. Some of the derivatives and collateral form netting sets. Counterparty credit risk related to derivative contracts is managed through careful selection of counterparties, use of master service agreements and collateral. All Hypo's derivative counterparties have at least 'A' credit rating, and majority of contracts have been made under the ISDA/CSA master agreements. Hypo's open derivative counterparty credit risk as at 31 December 2022 totaled EUR 807 353. The amount of risk is calculated over the netting sets and taking into account the collateral delivered.

G24. HEDGE ACCOUNTING, MATURITY

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

2021	3–12 months	1–5 years	5–10 years
Fair value hedges			
Notional	60,000	909,418	250,000
Average fixed interest rate	0.22%	0.17%	0.01%

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

G25. INSTRUMENTS USED FOR HEDGE ACCOUNTING

2022	Notional	Carrying amount, assets	Carrying amount, liabilities	Balance sheet line item(s)	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges					
Interest rate swaps	1,659,370	727	-118,340	Derivative contracts	-116,264

2021	Notional	Carrying amount, assets	Carrying amount, liabilities	Balance sheet line item(s)	Changes in fair value used for calculating hedge ineffectiveness
Fair value hedges					
Interest rate swaps	1,219,418	14,017	7,005	Derivative contracts	-20,408

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

G26. HEDGED EXPOSURES

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

2021	Carrying amount		Accumulated amount of fair value adjustments on the hedged item			
	Assets	Liabilities	Assets	Liabilities	Balance sheet line item(s)	Changes in fair value used for calculating hedge ineffectiveness
Fair value Hedges						
Debt securities issued to the public		1,005,172		-6,230	Debt securities issued to the public	20,711
Receivables from the public and public sector entities	18,845		273		Receivables from the public and public sector entities	-271

G27. HEDGE EFFECTIVENESS

2022	Hedge Ineffectiveness recognised in P&L	P&L line item that includes hedge inefectiveness
Fair value Hedges		
Interest rate swaps	1 613	Net income from hedge accounting

2021	Hedge Ineffectiveness recognised in P&L	P&L line item that includes hedge inefectiveness
Fair value Hedges		
Interest rate swaps	32	Net income from hedge accounting

G28. INTANGIBLE ASSETS

	2022	2021
IT programs and projects	9,769	8,589
Other intangible assets	461	585
	10,230	9,174
Amount of agreement-based commitments concerning acquisition of intangible assets	453	855

NOTES TO THE CONSOLIDATED BALANCE SHEET

G29. TANGIBLE ASSETS	Fair value determination principle	2022	2021
Investment properties and investment property shares, balance sheet value			
Land and water areas	3	7,328	7,885
Buildings	3	709	771
Shares and holdings in housing property corporations	3	42,688	46,755
Total balance sheet value		**50,726**	**55,410**
Total fair value of investment properties		52,836	60,091
of which share based on assessments of a qualified third-party valuer		4,429	15,146
Non-cancellable land lease agreements			
Rental receivables within one year		121	144
Rental income is only calculated for one year ahead, as the future redemptions of the land holdings of housing companies are not yet known.			
Properties and shares in housing property corporations in own use, balance sheet value			
Land and water areas	2	538	538
Buildings	2	3,937	92
Total balance sheet value		**4,475**	**630**
Total fair value of other properties		7,118	2,926

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

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

G30. CHANGES IN INTANGIBLE AND TANGIBLE ASSETS DURING THE FINANCIAL PERIOD

	Intangible assets	Tangible assets		
2022		Investment properties and -shares	Other	Tangible assets total
Acquisition cost 1 January	**13,457**	**57,132**	**3,710**	**60,842**
Increases, new acquisitions	10,981	3,830	4,069	7,899
Deductions	-8,927	-8,242	-3	-8,245
Acquisition cost 31 December	**15,512**	**52,720**	**7,776**	**60,496**
Accumulated depreciation and impairment losses 1 January	4,283	1,721	2,564	4,285
Depreciation for the period	999	273	217	490
Accumulated depreciation and impairment losses 31 December	**5,282**	**1,994**	**2,781**	**4,776**
Book value 31 December	**10,230**	**50,726**	**4,995**	**55,720**
2021				
Acquisition cost 1 January	**10,691**	**58,718**	**3,526**	**62,244**
Increases, new acquisitions	4,333	2,048	261	2,309
Deductions	-1,567	-3,634	-77	-3,711
Acquisition cost 31 December	**13,457**	**57,132**	**3,710**	**60,842**
Accumulated depreciation and impairment losses 1 January	3,851	1,149	2,425	3,574
Depreciation for the period	432	226	139	364
Impairment losses for the period		347		347
Accumulated depreciation and impairment losses 31 December	**4,283**	**1,721**	**2,564**	**4,285**
Book value 31 December	**9,174**	**55,410**	**1,146**	**56,556**

Properties in own use have been re-grouped and presented under 'Other tangible assets'. Acquisition cost 1 January 2021 includes revaluation reserve previously presented as an independent item.

G31. OTHER ASSETS	2022	2021
Defined benefit pension plans/surplus	6,367	4,896
Other receivables	71,999	12,331
Total	78,366	17,227

More detailed information about defined benefit pension plans is presented in Note 41.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G32. DEFERRED INCOME AND ADVANCES PAID	2022	2021
Interest receivables	4,588	1,938
Other deferred income	1,545	755
Total	6,133	2,693

G33. TAX RECEIVABLES AND LIABILITIES	2022	2021
Income tax receivables	818	136
Deferred tax receivables	8	6
Total tax receivables	826	143
Income tax liabilities	349	
Deferred tax liabilities	9,947	9,712
Total tax liabilities	10,297	9,712
Deferred tax receivables		
Fair value reserve	8	6
Deferred tax liabilities		
Earnings-related pensions	1,273	979
Revaluation reserve	284	284
Fair value reserve	53	112
Credit loss provisions	8,337	8,337
Total	9,947	9,712
Net deferred tax receivable (+)/liability (-)	-9,940	-9,706
Changes in deferred taxes		
Deferred tax receivables/liabilities 1 January	-9,706	-9,868
Recognized in the income statement:		
IAS 19 calculation	10	11
Occupational retirement benefits		200
Recognized in the consolidated comprehensive income statement and equity:		
Financial assets through FVOCI	61	112
Revaluation of defined benefit pension plans	-304	-161
Net deferred tax receivables (+)/liabilities (-), total 31 December	**-9,940**	**-9,706**
Income tax receivables (+)/liabilities (-), net	**469**	**136**
Total tax receivables (+)/liabilities (-), net	**-9,471**	**-9,570**

G34. DEBT SECURITIES ISSUED TO THE PUBLIC	2022		2021	
	Book value	Nominal value	Book value	Nominal value
Other than those payable on demand				
Bonds	1,576,534	1,700,000	1,260,394	1,260,000
Certificates of deposit and commercial papers	65,779	66,000	50,995	51,000
Total	1,642,313	1,766,000	1,311,389	1,311,000

The bonds are covered bonds issued by the Mortgage Society of Finland. The certificates of deposit are unsecured debt obligations issued by the Mortgage Society of Finland with a maximum maturity of one year.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G35. DEFERRED EXPENSES AND ADVANCES RECEIVED	2022	2021
Interest liabilities	7,611	1,707
Advance payments received	44	39
Tax liability based on taxes for the period	349	
Other deferred expenses	2,244	3,421
Total	10,248	5,166

G36. LIABILITIES ACCORDING TO THE ACT ON RESOLUTION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS	2022	2021
Unsecured liabilities		
of which the remaining maturity is more than one year	7,350	9,447
Common Equity Tier 1 (CET1) capital	136,947	128,253
Total liabilities according to the Act on Resolution of Credit Institutions and Investment Firms	144,297	137,701

Due to FFSA re-assessment of liabilities eligible, year 2021 information has been updated.

G37. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

2022	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	22,645					22,645
Receivables from the public and public sector entities	981	1,560	53,446	208,476	2,490,210	2,754,674
Debt securities			138,764	35,486		174,250
Total	23,625	1,560	192,210	243,962	2,490,210	2,951,568
Liabilities to credit institutions			49,670			49,670
Liabilities to the public and public sector entities	1,076,041	387,700	10,433			1,474,174
Debt securities issued to the public	52,917	311,709	1,049,124	240,443		1,654,192
Total	1,128,958	699,409	1,109,227	240,443	0	3,178,037

Change of presentation has been made to year 2021 section of this note, contractual interest accruals at end of financial year are presented based on the maturity date of financial assets and liabilities.

2021	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	8,195					8,195
Receivables from the public and public sector entities	26,407	122,573	643,480	689,016	1,155,510	2,636,986
Debt securities		77,815	41,512	72,200		191,526
Total	34,602	200,388	684,992	761,216	1,155,510	2,836,708
Liabilities to credit institutions		1,111	150,000			151,111
Liabilities to the public and public sector entities	1,348,827	320,524	384			1,669,735
Debt securities issued to the public	28,999	82,327	908,493	291,569		1,311,389
Total	1,377,826	403,962	1,058,877	291,569	0	3,132,235

Change of presentation has been made to year 2021 section of this note, contractual interest accruals at end of financial year are presented based on the maturity date of financial assets and liabilities.

NOTES TO THE CONSOLIDATED BALANCE SHEET

G38. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

			2022		2021	
	Classification	Fair value determination principle	Book value	Fair value	Book value	Fair value
Liquid assets	Amortised cost	1	393,179	393,179	388,200	388,200
Receivables from credit institutions	Amortised cost	2	24,286	24,286	8,195	8,195
Receivables from the public and public sector entities	Amortised cost	2	2,749,916	2,749,916	2,636,986	2,636,986
Debt securities	Fair value through other comprehensive income (FVOCI)	1	53,346	53,346	77,815	77,815
Debt securities	Option to designate a financial asset at fair value	1	86,970	86,970	113,711	113,711
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	24	24	24	24
Derivative contracts	Fair value through profit or loss (FVPL)	2	2,827	2,827	14,250	14,250
Total			3,310,548	3,310,548	3,239,182	3,239,182
Liabilities to credit institutions	Amortised cost	2	50,000	50,000	151,111	151,111
Liabilities to the public and public sector entities	Amortised cost	2	1,470,735	1,470,735	1,669,735	1,669,735
Debt securities issued to the public	Amortised cost	1	1,642,313	1,642,313	1,311,389	1,311,389
Derivative contracts	Fair value through profit or loss (FVPL)	2	112,984	112,984	10,681	10,681
Total			3,276,032	3,276,032	3,142,916	3,142,916

The fair value of the derivative contracts contains accrued interest. Fair value of other financial instruments do not contain accrued interests. Derivative contracts consist of interest rate and currency swaps with various counterparties for hedging purposes. Liabilities to financial institutions mainly consist of unsecured long-term promissory note loans with floating interest rates with various counterparties. Liabilities to the public and public sector entities consist of deposits from the public and long-term financing contracts concluded with certain counterparties. The fair values of debt securities (financial assets) are presented based on public quotes from active markets. The fair values of derivatives are calculated by discounting the future cash flows of the contracts using the market interest rates of the closing date.

There have been no transfers between the stages (1,2,3).
The fair value determination principles are as follows:
1: Quoted prices in active markets
2: Verifiable price, other than quoted
3. Unverifiable market price

G39. NETTING OF FINANCIAL ASSETS AND LIABILITIES

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

				Amounts not offset on the balance sheet		
2021	Gross amounts	Netted on the balance sheet	Amounts shown onthe balance sheet	Cash collateral received/paid	Net amount	Net amount
Derivative liabilities	10,909		10,681		10,450	231
Derivative receivables	14,250		14,250		13,630	620

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

G40. BASIC CAPITAL

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

G41. EMPLOYEE BENEFITS

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

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

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

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

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

Insurance premia paid to fund post-employment benefit plan arranged by Department M are classified as defined contribution plan. M-Department funds post-employment benefits of all employees and members of governing bodies who held position at Hypo on 1 December 2010. M-Department also funds post-employment benefit plan of all new full-time employees and members of governing bodies after above mentioned date.

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

G41. EMPLOYEE BENEFITS

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

2021	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	Total
Interest income			26	26
Other operating income (+) / expense (-)			-64	-64
Salaries and remuneration	-7,154			-7,154
Pension expenses		-1,168	-18	-1,186
Other indirect personnel expenses		-323		-323
Other administrative expenses	-1			-1
Total	-7,156	-1,491	-56	-8,703

		2022		**2021**
Employee benefits in Consolidated Comprehensive Income Statement	Defined benefit plans	Defined benefit plan assets	Defined benefit plan liabilities	Defined benefit plan assets
Net return of defined benefit plan assets		325		1,216
Experience adjustment on plan liabilities	-82		-151	
Effect of actuarial assumptions, from changes in demographic assumptions	1,277		-265	
Effect of actuarial assumptions, from changes in financial assumptions			5	
Remeasurements in OCI	1,195	325	-411	1,216
Net return in OCI		1,520		804

	2022		
Employee benefits in Consolidated Balance Sheet Assets	Defined contribution plans	Defined benefit plans	Total
Other assets		6,367	6,367
Deferred income and advances paid			
Total	0	6,367	6,367

	2021		
	Defined contribution plans	Defined benefit plans	Total
Other assets		4,896	4,896
Deferred income and advances paid	1,000		1,000
Total	1,000	4,896	5,896

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

G41. EMPLOYEE BENEFITS

Employee benefits in Consolidated Balance Sheet Liabilities	Salaries and other short term employee benefits	Defined contribution plans	Defined benefit plans	2021 Total
Other liabilities		394		394
Deferred tax liabilities			979	979
Deferred expenses and advances received	1,439			1,439
Fair value reserve, net actuarial gain (+) / loss (-)			4,966	4,966
Fair value reserve, deferred tax liabilities			-993	-993
Total	1,439	394	4,952	6,785

Defined benefit plans The defined benefit obligation and Plan assets	2022	2021
Present value of Defined benefit obligation	-4,972	-6,415
Fair value of Plan assets	11,339	11,311
Net demined benefit asset (+) / liability (-)	6,367	4,896

Change in Net defined benefit assets	2022	2021
Net defined benefit asset as of 1.1.	4,896	5,148
Current service cost	-19	-18
Interest income of the net defined benefit asset (+), cost (-)	49	26
Administrative cost	-78	-64
Net actuarial gain (+) / loss (-) for the period	1,520	804
Contributions		-1,000
Net defined benefit asset as of 31.12.	6,367	4,896

Fair value of Plan assets			2022			2021
	Listed	Non-listed	Total	Listed	Non-listed	Total
Equity instruments		1,297	1,297		854	854
Debt instruments		477	477	208		208
Investment funds	3,336		3,336	3,655		3,655
Properties and land	6,229		6,229	6,595		6,595
Fair value of Plan assets	9,565	1,774	11,339	10,458	854	11,311

	2022	2021
Group's own financial instruments included in plan assets, 1000 euros	988	980
Duration, years	9.9	12.2
Discount rate, %	3.7	1.0
Expected returns on assets, %	3.7	1.0
Future pay rise assumption, %	2.1	2.1
Inflation, %	2.5	2.0

Sensitivity of the projected benefit obligations to changes in the principal assumptions			2022		2021
		Effect on defined benefit obligation		Effect on defined benefit obligation	
	Change in assumption	Increase	Decrease	Increase	Decrease
Discount rate, %	0.50%	-4.57%	4.96%	-5.54%	6.10%
Rate of wage increases, %	0.50%	0.08%	-0.08%	0.15%	-0.15%
Rate of pension increases, %	0.50%	4.90%	-4.67%	5.83%	-5.51%
Life expectancy at birth, %	1 year	4.15%	-3.98%	4.78%	-4.56%

NOTES TO GROUP'S COLLATERAL AND CONTINGENT LIABILITIES

G42. COLLATERAL PLEDGED AND RECEIVED	2022	2021
Collateral pledged for own liabilities	Other collaterals	Other collaterals
Liabilities to the central bank	62,073	210,860
Debt securities issued to the public	1,858,713	1,626,554
Derivative contracts	85,872	21,194
Encumbered assets total	2,006,658	1,858,607
Collateral received	Other collaterals	Other collaterals
Derivative contracts	2,020	13,630
Collateral received total	2,020	13,630

G43. IFRS 16 LEASES	2022	2021
Hypo Group as lessee		
Right-of-use assets		
Depreciation - Apartments	273	226
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	2022	2021
Operative leases		
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.

G44. OFF-BALANCE SHEET COMMITMENTS	2022	2021
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	278,051	215,837
Total	278,051	215,837

NOTES TO THE AUDIT SERVICE FEES

G45. AUDIT SERVICE FEES	2022	2021
Fees paid to the auditor for the audit	126	113
Fees paid to the auditor for other services, parent company	19	23
Fees paid to the auditor for other services, Group	23	26

Amounts (VAT 0%) are presented by assignment for year 2021 and 2022 accordingly.

NOTES TO GROUP'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

G46. NUMBER OF PERSONNEL	2022	2021
	Average number	Average number
Permanent full-time personnel	60	56
CEO and vice CEO	2	2
Temporary personnel	6	4
Total	68	62

G47. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2022	2021
CEO and vice CEO total salaries	622	524

In case of a notice, the CEO and the vice CEO are paid a payment corresponding to four (4) months´ salary in addition to the salary payable during the six (6) month notice period. The CEO and the members of the Board of Directors are entitled to basic pension security pursuant to the Employees Pensions Act (TyEL). The CEO and the vice CEO are covered by Hypo's performance-related pay and incentive scheme of which they have an opportunity to obtain at most a payment corresponding to 20 weeks' salary. The total salaries do not include compensations based on performance-related pay and incentive scheme, as they were paid as an insurance payment corresponding to five (5) weeks salary to the M-department of the Pension Fund of the Mortgage Society of Finland. The insurance payment was 24,000 euros for the CEO and 15,221 euros for the vice CEO. The insurance payment for the CEO and the vice CEO may be canceled or retained during three (3) years after the earnings year.

	2022	2021
Board of Directors		
Total remuneration, chair	60	58
Total remuneration, vice chair	42	40
Total remunerations, members	155	147
Total	257	245
Supervisory Board		
Total remuneration, chair	16	17
Total remuneration, vice chair	11	10
Total remunerations, members	76	69
Total	103	96
Members of the Management Group (exc. CEO and vice CEO)		
Total remunerations	1,293	667

Informationa about the renumerations paid to the individual members of the management and to the related parted, as well as the type of remuneration, is available in the Remuneration Report of the Governing Bodies and the Other Remuneration Information, which are published on Hypo's website at www.hypo.fi/en/investor-relations/

G48. LOANS GRANTED TO THE RELATED PARTIES

Hypo Group's related parties include its subsidiary, members of the Board of Directors and the Supervisory Board, CEO and deputy to the CEO, members of the Management Group and the close family memebres of the aforementioned as well as the related party entities. In addition, The Mortgage Society of Finland's Pension Foundation and joint operations are included in related parties. The subsidiary and joint operations are presented in the Note 51. Those related party transactions that have not been eliminated in the consolidated financial statements are presented.

	2022	2021	Change
CEO and vice CEO	53	149	-95
Management Group	648	172	476
Board of Directors	164	45	119
Supervisory Board	266	337	-71
Joint operations	598	620	-22
Other related parties	1,667	1,206	461
Total	3,397	2,530	867

Loans to the related parties (private persons) are granted following the General Terms and in compliance with Hypo's Principles of Credit Risk Management. Amount of the loan granted is assessed case by case taking into consideration the borrower's solvency and the collateral. Maximum loan amount for owner occupied mortgages is 85% with 90% collateral valuation, at maximum. All lending is against housing collateral and loans are amortized regularly from the very beginning. Reference rate is 6 or 12 month euribor. Loan margin is determined by the purpose of use and the amount of the loan, ranging from 0.20% to 2.00%. An entry fee of 0.1% of the loan is charged.

NOTES TO GROUP'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

G49. DEPOSITS BY THE RELATED PARTIES

G49. DEPOSITS BY THE RELATED PARTIES	2022	2021	Change
CEO, vice CEO and Board of Directors	616	701	-85
Supervisory Board	125	492	-368
Management Group	87	26	61
The Mortgage Society of Finland's pension foundation	985	980	5
Other insiders	1,869	1,298	570
Total	3,682	3,498	184

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

G50. RELATED PARTY TRANSACTIONS

The Hypo Group carried out the following transactions with the related parties:

The Mortgage Society of Finland's pension foundation	2022	2021	Change
Sales of services	22	14	9
Return of surplus assets	0	1,000	-1,000
Receivables	0	1,000	-1,000

All transactions have been carried out with arm´s length principle. Unpaid amounts of transactions listed above are presented as receivables/liabilities. Disbursements as well as balances between Hypo and The Mortgage Society of Finland's Pension Foundation under the performance-related pay and incentive scheme are described in Note 41, Employee benefits.

NOTES TO GROUP'S SHAREHOLDINGS

G51. INFORMATION ABOUT SUBSIDIARIES AND JOINT OPERATIONS

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

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

2021	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen Asuntohypopankki Oy	Helsinki	100.0	56,531	219	1,720,257	1,565,547	3,715
Joint operations							
Bostadsaktiebolaget Taos	Helsinki	54.6	6,760	45	8,150	1,529	782

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2021. The Articles of Association of Bostadsaktiebolag Taos include a provision that a shareholder may have 20 per cent of the votes at a maximum.

G52. KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January–31 December 2022, there have not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group. After the financial year, neither Hypo nor Group companies have been involved in administrative or legal proceedings, arbitrations or other events that would have had a material effect on Hypo's financial position. Furthermore, Hypo is not aware of such proceedings or events being under consideration or being otherwise threatened.

NOTES TO GROUP'S RISK MANAGEMENT

G53. CREDIT RISK

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

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

G53.a MAXIMUM AMOUNT OF CREDIT AND COUNTERPARTY RISK

2022	Book values, gross	Average book value during the period	Expected credit loss allowance
Lending			
Not fallen due	2,676,748	2,509,119	17
Past due by 1–2 days*)	37,042	155,117	
Past due by 3 days–1 month	27,329	22,714	
Past due by 1–3 months	5,843	3,965	27
Non-performing, past due by less or more than 3 months	3,853	3,828	189
Total lending	2,750,814	2,694,743	233
Other			
Receivables from credit institutions			
Not fallen due	24,286	15,449	
Debt securities			
Not fallen due	140,802	166,395	
Shares and holdings	24	24	
Derivative contracts			
Not fallen due	2,827	8,539	
Total other	167,939	190,407	0
Non-performing loans/total lending, %	0.14%		

Information concerning recognition of impairment losses related to lending is presented in Notes 11 and 17 and the accounting policies.

*) Past due by 1–2 days also include loans the payment of which is delayed due to a delay in payment traffic.

2021	Book values, gross	Average book value during the period	Expected credit loss allowance
Lending			
Not fallen due	2,341,491	2,287,355	76
Past due by 1–2 days*)	273,193	267,574	1
Past due by 3 days–1 month	18,099	14,057	
Past due by 1–3 months	2,087	2,755	5
Non-performing, past due by less or more than 3 months	3,803	3,079	129
Total lending	2,638,672	2,574,819	211
Other			
Receivables from credit institutions			
Not fallen due	6,611	8,785	
Debt securities			
Not fallen due	191,989	205,199	
Shares and holdings	24	78	
Derivative contracts			
Not fallen due	14,250	18,865	
Total other	212,875	232,926	0
Non-performing loan/total lending, %	0.14%		

InformaInformation concerning recognition of impairment losses related to lending is presented in Notes 11 and 17 and the accounting policies.

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

NOTES TO GROUP'S RISK MANAGEMENT

G53. CREDIT RISK

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

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

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

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

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

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

G53.b CONCENTRATION OF LENDING				2022				2021
Lending by category	Book value	Expected credit loss allowance	Book value, net	%	Book value	Expected credit loss allowance	Book value, net	%
Households	856,747	233	856,515	31.1%	869,083	211	868,872	32.9%
Housing companies	1,876,053	1	1,876,053	68.2%	1,736,765		1,736,765	65.9%
Companies excluding Housing companies	14,869		14,869	0.5%	30,927		30,927	1.2%
Other	2,480		2,480	0.1%	422		422	
Total	2,750,149	233	2,749,916	100.0%	2,637,197	211	2,636,986	100.0%
Lending by purpose of use								
Permanent dwelling	2,698,581	169	2,698,412	98.1%	2,576,587	146	2,576,441	97.7%
Consumer loan	32,939	64	32,875	1.2%	30,125	65	30,060	1.1%
Holiday home	7,641		7,641	0.3%	8,510	0	8,510	0.3%
Other	10,988		10,988	0.4%	21,975	0	21,975	0.8%
Total	2,750,149	233	2,749,916	100.0%	2,637,197	211	2,636,986	100%
Lending by province								
Uusimaa	2,112,083	128	2,111,955	76.8%	2,062,348	83	2,062,265	78.2%
Rest of Finland	638,067	105	637,961	23.2%	574,849	127	574,721	21.8%
Total	2,750,149	233	2,749,916	100.0%	2,637,197	211	2,636,986	100%

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

NOTES TO GROUP'S RISK MANAGEMENT

G53. CREDIT RISK

Loan-to-value ratio has developed positively.

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

G53c. LOAN TO VALUE BY CATEGORY	2022	%	2021	%
Loan to value in percent by households:				
<10	8,210	1.0%	7,537	0.9%
10–20	25,433	3.0%	24,272	2.8%
20–30	52,927	6.2%	48,869	5.6%
30–40	83,207	9.7%	78,470	9.0%
40–50	114,196	13.3%	111,660	12.8%
50–60	159,192	18.6%	141,296	16.3%
60–70	177,731	20.7%	186,615	21.5%
70–80	151,694	17.7%	162,448	18.7%
80–90	61,672	7.2%	65,744	7.6%
90–100	20,373	2.4%	40,403	4.6%
>100	1,293	0.2%	1,473	0.2%
Loans that are not included in LTV calculation	1,813	0.2%	431	0.0%
	857,741	100.0%	869,217	100.0%

	2022	%	2021	%
Loan to value in percent by housing companies, private companies and other:				
<10	612,023	32.3%	535,219	30.3%
10–20	530,202	28.0%	466,407	26.4%
20–30	396,156	20.9%	372,105	21.0%
30–40	226,959	12.0%	227,454	12.9%
40–50	63,031	3.3%	78,342	4.4%
50–60	17,347	0.9%	29,456	1.7%
60–70	21,540	1.1%	26,872	1.5%
70–80	0	0.0%	3,005	0.2%
80–90	18,697	1.0%	0	0.0%
90–100	2,221	0.1%	21,689	1.2%
>100	0	0.0%	0	0.0%
Loans that are not included in LTV calculation	3,999	0.2%	7,220	0.4%
	1,892,176	100.0%	1,767,769	100.0%

LTV-ratio (Loan to Value, average), % compares the outstanding balance of credit owed by a customer to the fair value of the collaterals provided by the customer. The ratio reflects a credit institution's lending in relation to its collateral position. All loans have securing housing collateral. One credit is presented only in one LTV category. LTV calculations is including only property-secured loans.

NOTES TO GROUP'S RISK MANAGEMENT

G53. CREDIT RISK

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

Since 2018, credit risk adjustments have been based on calculation of expected credit losses (ECL) and potentially final credit losses in line with IFRS 9 regulation.

The amount of forbearances increased during 2022 but still remained on a very moderate level. A forbearance is a credit whose payment scheme or terms have been temporary modified with e.g. amortization-free periods (primary method), lengthening of the loan maturity, or other arrangement, due to the debtor's existing or anticipated financial difficulties.

The net amount of final credit losses have remained at a very low level.

G53.d FORBEARANCES

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

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

	Performing and past due receivables			Non-performing loans		
2021	Receivables with modified terms	Refinancing	Total	Receivables with amended terms	Refinancing	Total
Forbearances 1 Jan	7,877	1,919	9,796			0
Changes during the financial period	285	-1,257	-972	175	78	254
Book value of forbearances 31 Dec	8,162	662	8,825	175	78	254
Interest income recognised from receivables during the financial period			0			0

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

G53.e IFRS 9 BY RISK CATEGORY

	2022				2021			
Debt securities, Fair value through other comprehensive income	12-month ECL (stage 1)	Lifetime ECL (stage 2)	Lifetime ECL, credit-impaired (stage 3)	Total	12-month ECL (stage 1)	Lifetime ECL (stage 2)	Lifetime ECL, credit-impaired (stage 3)	Total
Credit quality level 1-3	53,346			53,346	77,815			77,815
Receivables from the public and public sector entities, amortised cost								
Credit quality level 'Performing'	2,717,944			2,717,944	2,617,809			2,617,809
Credit quality level 'Performing, credit quality deteriorated'		28,352		28,352		15,374		15,374
Credit quality level 'Non-performing'			3,853	3,853			3,803	3,803
Loss allowance				0	10	72	129	211
Total	2,717,944	28,352	3,853	2,750,149	2,617,799	15,302	3,674	2,636,775
Final credit losses				0				0
Off balance sheet, granted but undrawn loans, amortised cost								
Credit quality level 'Performing'	277,226			277,226	215,764			215,764
Credit quality level 'Performing, credit quality deteriorated'		698		698		73		73
Credit quality level 'Non-performing'			126	126				0
Rating not classified				0				0
Total	277,226	698	126	278,051	215,764	73	0	215,837
Final credit losses				0				0

NOTES TO GROUP'S RISK MANAGEMENT

G53. CREDIT RISK

G53.f IFRS 9 LOSS ALLOWANCE CHANGES AND TRANSITIONS

Receivables from the public and public sector entities, amortised cost	Stage 1	Stage 2	Stage 3	**2022** Total	Stage 1	Stage 2	Stage 3	**2021** Total
Loss allowance as at 1 January	10	72	129	211	12	72	244	329
New financial assets (new loans)	11			11	4			4
Maturities and repayments	-1	-2		-3	-1	-6	-9	-16
Final credit losses				0			-115	-115
Normal changes, e.g. change without stage change	-2	-43	60	15	-6	3	9	6
Manual correction by loan				0		3		3
Loss allowance as at 31 December	17	27	189	233	10	72	129	211
Off balance sheet, granted but undrawn loans by risk category								
Loss allowance as at 1 January	0	0	0	0	0	0	0	0
New financial assets	1			1				0
Loss allowance as at 31 December	1	0	0	1	0	0	0	0

G53.g IFRS 9 CHANGES IN THE CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

Debt securities, Fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	**2022** Total	Stage 1	Stage 2	Stage 3	**2021** Total
Carrying amount as at 1 January	77,815	0	0	77,815	118,714	0	0	118,714
New financial assets	9,000			9,000	37,000			37,000
Maturities and repayments	-33,469			-33,469	-77,899			-77,899
Carrying amount as at 31 December	53,346	0	0	53,346	77,815	0	0	77,815
Receivables from the public and public sector entities, amortised cost 2021								
Carrying amount as at 1 January	2,617,809	15,374	3,803	2,636,986	2,495,305	12,938	2,667	2,510,910
Transfers	-17,287	16,047	1,239	0	-6,537	4,598	1,939	0
Transfer from Stage 1 to Stage 2	-20,191	20,191			-9,600	9,600		
Transfer from Stage 1 to Stage 3	-1,177		1,177		-1,136		1,136	
Transfer from Stage 2 to Stage 3		-515	515			-927	927	
Transfer from Stage 2 to Stage 1		95	-95					
Transfer from Stage 3 to Stage 1	3,724	-3,724			4,075	-4,075		
New financial assets	358		-358		124		-124	
Maturities and repayments	535,310			535,310	550,596			550,596
Carrying amount as at 31 December	-417,888	-3,069	-1,189	-422,146	-421,554	-2,163	-688	-424,405
Off balance sheet, granted but undrawn loans by risk category								
Off balance sheet as at 1 January	215,764	73		215,837	161,621	16		161,637
Transfers	-5	12	-7		37	-57	21	0
Transfer from Stage 1 to Stage 2	-5		5		-21		21	
Transfer from Stage 1 to Stage 3		12	-12					
Transfer from Stage 2 to Stage 1					57	-57		
Net change, lapsed and granted	61,465	614	134	62,212	54,107	115	-21	54,201
Off balance sheet as at 31 December	277,225	698	126	278,050	215,765	73	0	215,837

NOTES TO GROUP'S RISK MANAGEMENT

G53. CREDIT RISK

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

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

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

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

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

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

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

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

G54. LIQUIDITY RISKS

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

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

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

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

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

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

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

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

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

NOTES TO GROUP'S RISK MANAGEMENT

G54. LIQUIDITY RISKS

G54.a LIQUIDITY RISK

Cash flows from financial liabilities and derivatives 2022	<3 months	3–12 months	1–5 years	5–10 years	2022 Total
Liabilities to credit institutions			53,033		53,033
Liabilities to the public and public sector entities	1,076,504	387,745	10,470		1,474,719
Debt securities issued to the public	44,280	331,188	1,147,183	300,120	1,822,770
Derivative contracts	4,443	21,425	54,446	23,708	104,021
Guarantees, granted but undrawn loans, rental liabilities and potential redemptions of partially owned housing units	278,051				278,051
Total liabilities	1,403,277	740,358	1,265,132	323,828	3,732,594

Cash flows from financial liabilities and derivatives 2021	<3 months	3–12 months	1–5 years	5–10 years	2021 Total
Liabilities to credit institutions		1,113	147,715		148,829
Liabilities to the public and public sector entities	1,349,732	311,443	9,196		1,670,370
Debt securities issued to the public	22,532	92,400	909,495	300,150	1,324,577
Derivative contracts	-2,149	-4,159	9,506	8,781	11,979
Guarantees, granted but undrawn loans, rental liabilities and potential redemptions of partially owned housing units	215,837				215,837
Total liabilities	1,585,952	400,797	1,075,912	308,931	3,371,592

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

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

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

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

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

G55. MARKET RISKS

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

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

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

Group does not have a securitization position.

Market risk management and reporting within the Group are based on separately confirmed market risk management principles.

Interest rate risk
Interest rate risk refers to a decreasing effect in the annual net interest income (net interest income risk) and the present value of interest rate-sensitive balance sheet items (present value risk) caused by variation in the amounts, reference rates and interest rate fixing dates of interest-bearing receivables and liabilities.

NOTES TO GROUP'S RISK MANAGEMENT

G55. MARKET RISKS

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

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

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

G55.a INFORMATION CONCERNING INTEREST RATE RISK

milj. €

Repricing time in 2022 (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	Total
Floating-rate items					
Receivables	723.3	2,137.8			2,861.1
Liabilities	1,078.3	1,061.6	106.6		2,246.4
Net	-355.0	1,076.2	-106.6	0.0	614.7
Fixed-rate items					
Receivables	393.8	300.2	1,216.9	303.0	2,213.8
Liabilities	550.1	699.3	1,205.8	255.4	2,710.6
Net	-156.3	-399.0	11.1	47.5	-496.8

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

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

EUR million

Repricing time in 2021	<3 months	3–12 months	1–5 years	5–10 years	Total
Floating-rate items					
Receivables	694.2	1,999.3			2,693.5
Liabilities	895.9	782.2	124.9		1,803.0
Net	-201.7	1,217.1	-124.9	0.0	890.5
Fixed-rate items					
Receivables	467.4	101.5	902.8	309.8	1,781.5
Liabilities	668.3	593.6	833.5	347.8	2,443.2
Net	-200.9	-492.1	69.3	-38.0	-661.7

Sensitivity analysis 2021
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Group's net interest income would decreaseby EUR 7.8 million (increase by EUR 0.6 million) over a period of 12 months. The change in net interest income would mainly be caused by the re-pricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date. An increase of two percentage points in market interest rates on the balance sheet date would increase the value of items measured at fair value by EUR 0.7 million. The economic value of Hypo would increase by EUR 1.5 million due to a rise of 2 per cent in interest rates.

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

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

NOTES TO GROUP'S RISK MANAGEMENT

G55. MARKET RISKS

RISKS RELATED TO OWNERSHIP OF HOUSING UNITS AND RESIDENTIAL LAND

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

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

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

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

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

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

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

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

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

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

G56. OPERATIONAL RISKS

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

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

NOTES TO GROUP'S RISK MANAGEMENT

G56. OPERATIONAL RISKS

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

The renewal of the Group's core banking systems has been initiated in 2019 was successfully deployed during 2022. Some implementations are still to follow during 2023.

The operations, situation and pricing of the key information system partner, as well as its ability to provide services, are monitored as part of strategic risk management. Group pays special attention to the management of access rights and controls by means of identity and access management as well as internal auditing. Information security is paid attention to both in guidelines and training. Information security principles have been confirmed within Group and are complemented by operational instructions. Operational risks related to services offered to customers remotely without face-to-face contact, are considered in planning of business processes. Business risks, such as fraud risks, are also covered with separate insurance policies.

Facilities
Single-office risks related to Group's facilities are managed through fire, water and burglary protection in particular. Group maintains up-to-date insurance coverage in case of various business operations disturbances, such as the possibility of office facilities becoming unusable.

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

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

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

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

G57. STRATEGIC RISKS

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

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

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

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

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

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

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

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

Impact on capital adequacy
An amount of Group's own funds considered sufficient have been allocated to strategic risks in the Group's internal capital adequacy assessment process, especially due to anticipated changes in the operations of the central IT-system service providers.

PARENT COMPANY INCOME STATEMENT

€1,000	Notes	1.1.–31.12.2022	1.1.–31.12.2021
Interest income	P2	35,102	27,996
Interest expenses	P2	-23,357	-11,467
NET INTEREST INCOME		**11,746**	**16,529**
Fee income	P3	1,209	1,214
Fee expenses	P3	-80	-69
Net income from financial instruments at FVPL	P4	2,432	1,672
Net income from financial assets at FVOCI	P5	-1,248	53
Net income from hedge accounting	P6	1,613	32
Net income from investment properties	P4, P7	2,702	2,901
Other operating income	P8	2,643	1,875
Personnel and adminstrative expenses			
Personnel expenses			
Wages and salaries		-6,117	-7,131
Other personnel related costs			
Pension costs		-1,341	-145
Other personnel related costs		-66	-323
Administrative expenses		-4,866	-4,922
Personnel and administrative expenses total		-12,390	-12,520
Depreciation and impairment losses on tangible and intangible assets	P10	-1,209	-563
Other operating expenses	P9	-3,199	-3,073
Final and expected credit losses	P11	-21	54
OPERATING PROFIT	P12	**4,197**	**8,103**
Income taxes		-833	-1,662
PROFIT AFTER TAXES		**3,364**	**6,441**
PROFIT FOR THE PERIOD		**3,364**	**6,441**

PARENT COMPANY BALANCE SHEET

€1,000	Notes	31.12.2022	31.12.2021
ASSETS			
Cash	P13, P33	393,179	388,200
Debt securities eligible for refinancing with central banks	P16, P32, P33, P46.a, P46.c-e	140,315	191,526
Receivables from credit institutions			
Payable on demand		6,635	6,564
Other		16,000	47
	P14, P32, P33, P46.a	22,635	6,611
Receivables from the public and public sector entities			
Other than those payable on demand	P15, P32, P33, P46.a-e	2,750,581	2,637,731
Shares and holdings	P17, P33, P46.a	24	24
Shares and holdings in the same group of companies	P17, P33, P46.a	36,688	36,688
Derivative contracts	P18, P19, P20, P21, P22, P33, P46.a	2,827	14,250
Intangible assets			
Other long-term expenditure	P23, P25	10,230	9,174
Tangible assets			
Investment properties and shares and holdings in investment properties	P24, P25	47,167	51,061
Other properties and shares and holdings in housing property corporations	P24, P25	5,957	2,104
Other tangible assets	P25	519	516
		53,643	53,681
Other assets	P26	73,276	13,066
Deferred income and advances paid	P27	6,133	2,496
Deferred tax receivables		8	6
TOTAL ASSETS		**3,489,539**	**3,353,454**

PARENT COMPANY BALANCE SHEET

€1,000	Notes	31.12.2022	31.12.2021
LIABILITIES			
Liabilities to credit institutions			
To central banks	P32, P33, P47.a	50,000	150,000
To credit institutions			
Other than those payable on demand	P32, P33, P47.a	1,526,140	1,717,251
Liabilities to the public and public sector entities			
Other liabilities			
Other than those payable on demand	P32, P33, P47.a	7,474	9,447
Debt securities issued to the public			
Bonds		1,576,534	1,260,394
Other		65,779	50,995
	P29, P32, P33, P47.a	1,642,313	1,311,389
Derivative instruments and other liabilities held for trading	P18, P19, P20, P21, P22, P33, P47.a	112,984	10,681
Other liabilities		10,731	20,806
Deferred expenses and advances received	P30	7,420	5,209
Deferred tax liability	P28	8,949	9,008
ACCUMULATION OF APPROPRIATIONS			
Voluntary reservations		41,683	41,683
Deferred tax liability		-8,337	-8,337
	P34	33,347	33,347
EQUITY			
Basic capital	P34, P35	5,000	5,000
The revaluation reserve		2,235	2,235
Other restricted reserves			
Reserve fund		44,804	40,840
Fair value reserve			
From valuation at fair value		182	425
Unrestricted reserves			
Other reserves		22,924	22,924
Retained earnings		11,673	8,453
PROFIT FOR THE PERIOD		3,364	6,441
	P34	90,182	86,316
TOTAL LIABILITIES AND EQUITY		**3,489,539**	**3,353,454**

OFF-BALANCE SHEET COMMITMENTS

€1,000	Notes	31.12.2022	31.12.2021
Irrevocable commitments given on behalf of a customer			
Granted but unclaimed loans		278,051	215,837
Owned housing company loan			920
		278,051	216,757
OFF-BALANCE SHEET COMMITMENTS TOTAL	P39, P47.a	**278,051**	**216,757**

CASH FLOW STATEMENT

€1,000	1.1.–31.12.2022	1.1.–31.12.2021
Cash flow from operating activities		
Interest received	32,451	32,101
Interest paid	-19,990	-13,799
Fee income	1,932	1,962
Fee expenses	-80	-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	2,509	2,844
Other operating income	2,162	1,409
Personnel and administrative expenses	-12,879	-12,389
Other operating expenses	-3,396	-3,172
Credit and guarantee losses	-20	54
Income taxes	-1,625	-1,599
Total net cash flow from operating activities	**3,859**	**9,100**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-115,595	-126,437
Cash collaterals, derivatives	-67,509	-18,005
Investment properties	3,591	1,398
Operating assets increase (-) / decrease (+) total	**-179,514**	**-143,044**
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**-175,654**	**-133,944**
Change in fixed assets	-6,121	-2,985
Equity investments increase (-) / decrease (+)		-30,000
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-6,121**	**-32,985**
Bank loans, new withdrawals	389,001	2,054,056
Bank loans, repayments	-680,112	-1,877,377
Bonds, new issues	442,035	19,176
Bonds, repayments	-12,169	-27,013
Certificates of deposit, new issues	249,126	103,071
Certificates of deposit, repayments	-234,342	-103,064
Other liabilities, repayments	-1,974	-2,524
NET CASH FLOWS ACCRUED FROM FINANCING	**151,566**	**166,326**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-30,209**	**-603**
Cash and cash equivalents at the end of the period	556,129	586,338
CHANGE IN CASH AND CASH EQUIVALENTS	**-30,209**	**-603**

NOTES TO PARENT COMPANY'S FINANCIAL STATEMENTS

P1. Accounting policies of parent company

The Mortgage Society of Finland (hereinafter also "Hypoteekkiyhdistys", "Hypo") has its domicile and administrative headquarters in Helsinki. The street address of The Mortgage Society of Finland is Yrjönkatu 9 A, 00120 Helsinki and the mail address is P.O.Box 509, 00101 Helsinki.

Hypo is a mutual company governed by its member customers. The company is an authorized credit institution. Since 2016, Hypo has also license to engage in mortgage credit banking operations. The Mortgage Society of Finland is the parent company of the Group.

The financial statements of The Mortgage Society of Finland's parent company have been prepared and presented according to the Act on Credit Institutions, decree of the Ministry of Finance and regulations of the Financial Supervisory Authority concerning financial statements. Financial statements include income statement, balance sheet, cash flow statement and notes.

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

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

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

SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS

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

FINANCIAL INSTRUMENTS

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

INTANGIBLE ASSETS

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

TANGIBLE ASSETS

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

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

UNTAXED RESERVES

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

DEFERRED TAX RECEIVABLES AND LIABILITIES

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

VOLUNTARY SUPPLEMENTARY PENSION PLAN

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

REVENUE AND EXPENSES RECOGNITION

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

NOTES TO THE PAREN COMPANY'S INCOME STATEMENT

€ 1,000, unless otherwise indicated.

P2. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM	2022		2021	
	to / from subsidiaries	Total	to / from subsidiaries	Total
Receivables from the public and public sector entities		24,123		16,983
Debt securities		583		281
Derivative contracts		7,376		9,551
Negative interest expenses		1,263		1,158
Other interest income		328		22
Total interest income	0	33,674	0	27,996
Liabilities to credit institutions	-9,511	-9,604	-2,436	-2,458
Liabilities to the public and public sector entities		-38		-18
Debt securities issued to the public		-8,405		-5,547
Derivative contracts		-4,406		-1,902
Negative interest income		-904		-1,528
Other interest expenses				-15
Total interest expenses	-9,511	-23,357	-2,436	-11,467

P3. FEE INCOME AND EXPENSE	2022	2021
From lending	1,200	1,208
From other operations	9	5
Total fee income	1,209	1,214
Lending fee expenses	-80	-69
Total net fee income	1,129	1,144

Grouping of fee income is presented in line with grouping of Hypo Group's note 'Fee income and expense'.

P4. NET INCOME FROM FINANCIAL INSTRUMENTS AT FVPL	2022	2021
Gains and losses from disposals of financial instruments (net)		
Net income arising from items recognised based on the fair value option	-2,623	778
Derivative contracts not in hedge accounting relationships	1,878	-821
Derivative contracts not in hedge accounting relationships		
Net income arising from items recognised based on the fair value option	-7,357	-2,401
Derivative contracts not in hedge accounting relationships	10,534	4,116
Net income from financial instruments at FVPL total	2,432	1,672

P5. NET INCOME FROM FINANCIAL ASSETS THROUGH FVOCI	2022	2021
Net income from financial assets through FVOCI		
Capital gains from debt securities	-1,248	53
Total	-1,248	53

P6. NET INCOME FROM HEDGE ACCOUNTING	2022	2021
Change in fair value, hedging items	118,880	20,711
Change in fair value, hedging instruments	-117,267	-20,679
Total	1,613	32

NOTES TO THE INCOME STATEMENT OF PARENT COMPANY

P7. NET INCOME FROM INVESTMENT PROPERTIES	2022	2021
Rental income	1,699	1,797
Capital gains (losses)	226	488
Other income	1,136	1,334
Maintenance charges and other maintenance costs paid	-337	-319
Impairments	0	-347
Other expenses	-23	-52
Total	2,702	2,901

P8. OTHER OPERATING INCOME	2022	2021
Usage fees, property assets in own use	13	15
Other income	2,630	1,860
Total	2,643	1,875

Other operating income accrued from adminstrative services to group companies.

P9. OTHER OPERATING EXPENSES	2022	2021
Rental expenses	-19	-19
Expenses from properties in own use	-295	-246
Other expenses	-2,884	-2,807
Total	-3,199	-3,073

P10. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS	2022	2021
Depreciation according to plan	-1,209	-563

P11. FINAL AND EXPECTED CREDIT LOSSES IN PROFIT OR LOSS STATEMENT	2022	2021
From financial assets at amortised cost		
Receivables from the public and public sector entities		
Expected credit losses, net change in loss allowances	-22	118
Final credit losses		-115
Recoveries of final credit losses	2	51
Off-balance sheet commitments, granted but unclaimed loans		
Expected credit losses, net change in loss allowances	-1	0
Total	-21	54

P12. INFORMATION CONCERNING PRODUCT GROUPS AND GEOGRAPHICAL MARKET AREAS

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

2022	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	18,453	1,569	3,489,539	3,366,011	66
Other operations	2,643	2,628	0	0	

2021	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	22,400	6,244	3,353,454	3,233,791	63
Other operations	1,875	1,859	0	0	

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P13. LIQUID ASSETS	2022	2021
O/N-deposits, central bank	392,679	387,700
Cash	500	500
Total	393,179	388,200

P14. RECEIVABLES FROM CREDIT INSTITUTIONS

2022	Payable on demand	Other than those payble on demand	Total
From the central bank		16,000	16,000
From credit institutions	6,635		6,635
	6,635	16,000	22,635

2021	Payable on demand	Other than those payble on demand	Total
From the central bank		47	47
From credit institutions	6,564		6,564
	6,564	47	6,611

P15. RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES

	2022		2021	
	Balance sheet value	Expected credit loss allowance	Balance sheet value	Expected credit loss allowance
Receivables from the public and public sector entities	1,876,877	1	1,737,510	
Housing companies*)	856,587	233	868,083	211
Households*)	14,870		30,927	
Corporates excl. housing companies*)	2,480		422	
Other*)	2,750,814	233	2,637,942	211
Total				
*) Distribution by sector has been updated. Receivables from the public and public sector entities consist of long-term lending to various counterparties.				
Non perfoming loans		3,853		3,803
Expected credit losses recognised during the period on receivables				
Expected credit losses at the beginning of the year		211		329
Expected credit losses, net change		22		-118
Expected credit losses at the end of the year		233		211
Expected credit losses have been identified and recognized on a contract level.				
Final credit losses on receivables recognized during the period, net credit losses (+), net reversals (-)		-2		64

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

P16. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

2022	Publicly quoted	Other	Total	Expected credit loss allowance
Debt securities issued by public sector entities				
Fair value at FVOCI				
Other bonds issued by public sector entities	53,346		53,346	
Fair value at FVPLO				
Government bonds	57,132		57,132	
Other bonds issued by public sector entities	9,404		9,404	
Fair value at FVPLO				
Bonds issued by banks	20,434		20,434	
Total debt securities	140,315	0	140,315	0
Receivables eligible for refinancing with central banks			140,315	

Debt securities are investments in various credit counterparties with a remaining maturity of 18 months to seven years.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P16. DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

2021	Publicly quoted	Other	Total	Expected credit loss allowance
Debt securities issued by public sector entities				
Fair value at FVOCI				
Government bonds	20,731.0		20,731.0	
Other bonds issued by public sector entities	57,084		57,084	
Option to designate a financial asset at fair value				
Government bonds	94,814		94,814	
Option to designate a financial asset at fair value				
Bonds issued by banks	18,898		18,898	
Total debt securities	191,526	0	191,526	0
Receivables eligible for refinancing with central banks			191,526	

P17. SHARES AND HOLDINGS

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

2021	Publicly quoted	Other	Total	Of which financial institutions
Shares and holdings through FVOCI		24	24	
Shares and holdings in the same group of companies		36,688	36,688	36,688
Shares and holdings, total	0	36,688	36,688	36,688
Of which at acquisition cost		36,712	36,712	

P18. DERIVATIVE CONTRACTS

	2022		2021	
	Book value Assets	Liabilities	Book value Assets	Liabilities
Derivative contracts in hedge accounting relationships				
OTC Interest rate swaps, fair value hedge accounting model, fair value	727	115,021	14,017	7,005
of which: cleared by a central counterparty		73,311		6,695
Derivative contracts not in hedge accounting relationships				
OTC Interest rate swaps, fair value	2,100	-2,037	234	3,676
of which: cleared by a central counterparty		5,356		1,640
	2,827	112,984	14,250	10,681

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

2022				
Remaining maturity	less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	300,000	1,201,370	275,000	1,776,370
of which: cleared by a central counterparty		557,000	275,000	832,000
Fair value, assets		2,827		2,827
of which: cleared by a central counterparty				0
Fair value, liabilities	1,961	53,005	58,018	112,984
of which: cleared by a central counterparty		9,937	58,018	67,955

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P18. DERIVATIVE CONTRACTS

2021				
Remaining maturity	less than one year	1–5 years	>5 years	Total
Nominal values of the underlying instruments	136,000	974,418	295,000	1,405,418
of which: cleared by a central counterparty	20,000	20,000	295,000	335,000
Fair value, assets	585	13,666		14,250
of which: cleared by a central counterparty				0
Fair value, liabilities	188	2,908	7,585	10,681
of which: cleared by a central counterparty	81	669	7,585	8,335

Open counterparty credit risk related to derivatives agreements consists of mark-to-market value of the contracts and the delivered collateral. Some of the derivatives and collateral form netting sets. Counterparty credit risk related to derivative contracts is managed through careful selection of counterparties, use of master service agreements and collateral. All Hypo's derivative counterparties have at least 'A' credit rating, and majority of contracts have been made under the ISDA/CSA master agreements. Hypo's open derivative counterparty credit risk as at 31 December 2022 totaled EUR 807 353. The amount of risk is calculated over the netting sets and taking into account the collateral delivered.

P19. HEDGE ACCOUNTING, MATURITY

2022	3–12 months	1–5 years	5–10 years
Fair value Hedges			
Notional	300 000	1 109 370	250 000
Average fixed interest rate	0,38 %	1,22 %	0,01 %

2021	3–12 months	1–5 years	5–10 years
Fair value Hedges			
Notional	60 000	909 418	250 000
Average fixed interest rate	0,22 %	0,17 %	0,01 %

The above table illustrates the maturity profile of hedging instruments.

P20. INSTRUMENTS USED FOR HEDGE ACCOUNTING

2022	Notional	Carrying amount, assets	Carrying amount, liabilities	Balance sheet line item(s)	Changes in fair value used for calculatin hedge in-effectiveness
Fair value Hedges					
Interest rate swaps	1,659,370	727	-118,340	Derivative contracts	-116,264

2021	Notional	Carrying amount, assets	Carrying amount, liabilities	Balance sheet line item(s)	Changes in fair value used for calculatin hedge in-effectiveness
Fair value Hedges					
Interest rate swaps	1,219,418	14,017	7,005	Derivative contracts	-20,408

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

P21. HEDGED EXPOSURES

2022	Assets	Liabilities	Assets	Liabilities	Balance sheet line item(s)	Changes in fair value used for calculatin hedge in-effectiveness
Fair value Hedges						
Debt securities issued to the public		1,527,043	112,650		Debt securities issued to the public	118,880
Receivables from the public and public sector entities	18,736			730	Receivables from the public and public sector entities	-1,003

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P21. HEDGED EXPOSURES

2021	Carryin amount		Accumulated amount of fair value adjustments on the hedged item			
	Assets	Liabilities	Assets	Liabilities	Balance sheet line item(s)	Changes in fair value used for calculatin hedge in-effectiveness
Fair value Hedges						
Debt securities issued to the public		1,005,172		-6,230	Debt securities issued to the public	20.711
Receivables from the public and public sector entities	18,845		273		Receivables from the public and public sector entities	-271

P22. HEDGE EFFECTIVENES

2022	Hedge In-effectiveness recognised in P&L	P&L line ite that includes hedge inefectivenes
Fair value Hedges		
Interest rate swaps	1,613	Net income from hedge accounting

2021	Hedge In-effectiveness recognised in P&L	P&L line ite that includes hedge i nefectivenes
Fair value Hedges		
Interest rate swaps	32	Net income from hedge accounting

P23. INTANGIBLE ASSETS

P23. INTANGIBLE ASSETS	2022	2021
IT programs and projects	9,769	8,589
Other intagible assets	461	585
	10,230	9,174

P24. TANGIBLE ASSETS

P24. TANGIBLE ASSETS	Fair value determination principle	2022	2021
Investment properties and investment property shares, balance sheet value			
Land and water areas	3	1,932	2,489
Shares and holdings in housing property corporations	3	45,234	48,571
Total balance sheet value		47,167	51,061
Total fair value of investment properties		49,277	53,442
Other properties and shares in housing property corporations, balance sheet value In own use			
Land and water areas	2	5,957	2,104
Total balance sheet value		5,957	2,104
Total fair value of other properties		8,600	4,400

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

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

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P25. CHANGES IN INTANGIBLE AND TANGIBLE ASSETS DURING THE FINANCIAL PERIOD

2022

	Intangible assets	Tangible assets			
		Investment properties and -shares	Other properties and housing property shares	Other	Tangible assets total
Acquisition cost 1 January	12,509	51,516	1	2,831	54,348
Increases, new acquisitions	10,981	3,366	3,853	216	7,435
Deductions	-8,927	-7,260		-3	-7,263
Acquisition cost 31 December	**14,563**	**47,622**	**3,854**	**3,044**	**54,520**
Accumulated depreciation and impairment losses 1 January	3,335	1,145		2,316	3,461
Depreciation for the period	999			210	210
Accumulated depreciation and impairment losses 31 December	**4,334**	**1,145**	**0**	**2,526**	**3,671**
Book value 31 December		690	2,103		2,793
Book value 31 December 2022	**10,230**	**47,167**	**5,957**	**519**	**53,643**

2021

	Intangible assets	Tangible assets			
		Investment properties and -shares	Other properties and housing property shares	Other	Tangible assets total
Acquisition cost 1 January	9,707	53,125	1	2,647	55,774
Increases	4,333	1,964		261	2,224
Deductions	-1,532	-3,573			-3,650
Acquisition cost 31 December	**12,509**	**51,516**	**1**	**2,831**	**54,348**
Accumulated depreciation and impairment losses 1 Jan	2,903	799		2,184	2,983
Depreciation for the period	432			131	131
Impairment losses for the period		347			347
Accumulated depreciation and impairment losses 31 December	**3,335**	**1,145**	**0**	**2,316**	**3,461**
Revaluations 1 January		690	2,103		2,793
Book value 31 December	**9,174**	**51,061**	**2,104**	**516**	**53,681**

A change of presentation, EUR -338,898.65, has been made in the acquisition cost 1 January 2021 due to reconciling revaluation reserve on balance sheet to information presented on this note.

P26. OTHER ASSETS

	2022	2021
Other receivables	73,276	13,066

P27. DEFERRED INCOME AND ADVANCES PAID

	2022	2021
Interest receivables	4,588	1,938
Other deferred income	1,545	558
Total	6,133	2,496

P28. DEFERRED TAX RECEIVABLES AND LIABILITIES

	2022		2021	
	Tax receivables	Tax liabilities	Tax receivables	Tax liabilities
Deferred tax of revaluation reserve of real estate investments		559		559
Deferred tax of fair value reserves	8	53	6	112
Deferred tax of loan loss provision		8,337		8,337
Total	8	8,949	6	9,008

P29.DEBT SECURITIES ISSUED TO THE PUBLIC

	2022		2021	
	Book value	Nominal value	Book value	Nominal value
Other than those payable on demand				
Bonds	1,576,534	1,700,000	1,260,394	1,260,000
Certificates of deposit and commercial papers	65,779	66,000	50,995	51,000
Total	1,642,313	1,766,000	1,311,389	1,311,000

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P30. DEFERRED EXPENSES AND ADVANCES RECEIVED	2022	2021
Interest liabilities	5,156	1,789
Advance payments received	30	32
Other deferred expenses	2,234	3,389
Total	7,420	5,209

Due to FFSA re-assessment of liabilities eligible, year 2021 information has been updated.

P31. LIABILITIES ACCORDING TO THE ACT ON RESOLUTION OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS	2022	2021
Senior unsecured libilities		
of which the remaining maturity is less than one year	7,350	9,447
Common Equity Tier 1 (CET1) capital	120,244	112,064
Liabilities according to the Act on Resolution of Credit Institutions and Investment Firms total.	127,594	112,511

Due to FFSA re-assessment of liabilities eligible, year 2021 information has been updated.

P32. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES						2022
	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	22,645					22,645
Receivables from the public and public sector entities	981	1,560	53,446	208,476	2,490,210	2,754,674
Debt securities			138,764	35,486		174,250
Total	23,625	1,560	192,210	243,962	2,490,210	2,951,568
Liabilities to credit institutions	1,120,372	403,543	49,670			1,573,585
Liabilities to the public and public sector entities		124	7,379			7,503
Debt securities issued to the public	52,917	311,709	1,049,124	240,443		1,654,192
Total	1,173,288	715,376	1,106,173	240,443	0	3,235,280

Contractual interest accruals at end of financial year for 2021 and 2022 are presented based on the maturity date of financial assets and liabilities.

						2021
	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	6,611					6,611
Receivables from the public and public sector entities	26,407	122,573	643,480	689,016	1,156,255	2,637,731
Debt securities		77,815	41,512	72,200		191,526
Total	33,018	200,388	684,992	761,216	1,156,255	2,835,869
Liabilities to credit institutions	1,348,827	312,435	150,137		55,852	1,867,251
Liabilities to the public and public sector entities		9,200	247			9,447
Debt securities issued to the public	28,999	82,327	908,493	291,569		1,311,389
Total	1,377,826	403,962	1,058,877	291,569	55,852	3,188,087

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P33. FAIR VALUES AND BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES

2022

	Classification	Fair value determination principle	Book value	Fair value	Book value in the same group
Liquid assets	Amortised cost	1	393,179	393,179	
Receivables from credit institutions	Amortised cost	2	22,635	22,635	
Receivables from the public and public sector entities	Amortised cost	2	2,750,581	2,750,581	1,219
Debt securities	Fair value through other comprehensive income (FVOCI)	1	53,346	53,346	
Debt securities	Option to designate a financial asset at fair value	1	86,970	86,970	
Derivative contracts	Fair value through profit or loss (FVPL)	2	2,827	2,827	
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	24	24	
Shares and holdings in the same group of companies	Fair value through other comprehensive income (FVOCI)	3	36,688	36,688	36,688
Total			3,346,249	3,346,249	37,906
Liabilities to credit institutions	Amortised cost	2	1,576,140	1,576,140	1,526,140
Liabilities to the public and public sector entities	Amortised cost	2	7,474	7,474	
Debt securities issued to the public	Amortised cost	1	1,642,313	1,642,313	
Derivative contracts	Fair value through profit or loss (FVPL)	2	112,984	112,984	
Total			3,338,911	3,338,911	1,526,140

The fair value of the derivative contracts contains accrued interest. Fair value of other financial instruments do not contain accrued interests. Derivative contracts consist of interest rate and currency swaps with various counterparties for hedging purposes. Liabilities to financial institutions mainly consist of unsecured long-term promissory note loans with floating interest rates with various counterparties. Liabilities to the public and public sector entities consist of deposits from the public and long-term financing contracts concluded with certain counterparties. The fair values of debt securities (financial assets) are presented based on public quotes from active markets. The fair values of derivatives are calculated by discounting the future cash flows of the contracts using the market interest rates of the closing date.

There have been no transfers between the stages (1,2,3).
The fair value determination principles are as follows: 1: Quoted prices in active markets, 2: Verifiable price, other than quoted, 3. Unverifiable market price.

2021

	Classification	Fair value determination principle	Book value	Fair value	Book value in the same group
Liquid assets	Amortised cost	1	388,200	388,200	
Receivables from credit institutions	Amortised cost	2	6,611	6,611	
Receivables from the public and public sector entities	Amortised cost	2	2,637,731	2,637,731	1,366
Debt securities	Fair value through other comprehensive income (FVOCI)	1	77,815	77,815	
Debt securities	Option to designate a financial asset at fair value	1	113,711	113,711	
Derivative contracts	Fair value through profit or loss (FVPL)	2	14,250	14,250	
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	24	24	
Shares and holdings in the same group of companies	Fair value through other comprehensive income (FVOCI)	3	36,688	36,688	36,688
Total			3,275,031	3,275,031	38,054
Liabilities to credit institutions	Amortised cost	2	1,867,251	1,867,251	1,716,140
Liabilities to the public and public sector entities	Amortised cost	2	9,447	9,447	0
Debt securities issued to the public	Amortised cost	1	1,311,389	1,311,389	0
Derivative contracts	Fair value through profit or loss (FVPL)	2	10,681	10,681	0
Total			3,198,768	3,198,768	1,716,140

The fair value of the derivative contracts contains accrued interest. Fair value of other financial instruments do not contain accrued interests. Derivative contracts consist of interest rate and currency swaps with various counterparties for hedging purposes. Liabilities to financial institutions mainly consist of unsecured long-term promissory note loans with floating interest rates with various counterparties. Liabilities to the public and public sector entities consist of deposits from the public and long-term financing contracts concluded with certain counterparties. The fair values of debt securities (financial assets) are presented based on public quotes from active markets. The fair values of derivatives are calculated by discounting the future cash flows of the contracts using the market interest rates of the closing date.

There have been no transfers between the stages (1,2,3).
The fair value determination principles are as follows: 1: Quoted prices in active markets, 2: Verifiable price, other than quoted, 3. Unverifiable market price.

NOTES TO THE PARENT COMPANY'S BALANCE SHEET

P34. EQUITY

2021	Basic capital	Revaluation reserve	Reserve fund	Fair value reserve	Other reserves	Untaxed reserves	Retained earnings	Total
Equity 1 Jan 2021	**5,000**	**2,235**	**37,632**	**871**	**22,924**	**33,347**	**10,877**	**112,885**
Financial assets at FVOCI								
Change in fair value				-505				-505
Amount transferred to the income statement				-53				-53
The decision of the Annual General Meeting for the disposal of profits			2,424				-2,424	0
Entry fees			784					784
Profit for the period							6,441	6,441
Change in deferred taxes				112				112
Equity 31 Dec 2021	**5,000**	**2,235**	**40,840**	**425**	**22,924**	**33,347**	**14,894**	**119,663**

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

P35. BASIC CAPITAL

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

NOTES CONCERNING PARENT COMPANY'S COLLATERAL AND CONTINGENT LIABILITIES

P36. COLLATERAL PLEDGED AND RECEIVED

	2022	2021
Collateral pledged for own liabilities	Other, collaterals	Other, collaterals
Liabilities to the central bank	62,073	210,860
Debt securities issued to the public	1,858,713	1,625,969
Derivative contracts	85,872	21,194
Encumbered assets total	2,006,658	1,858,022

	2022	2021
Collateral received	Other, collaterals	Other, collaterals
Derivative contracts	2,020	13,630
Collateral received total	2,020	13,630

P37. PENSION OBLIGATIONS

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

NOTES CONCERNING PARENT COMPANY'S COLLATERAL AND CONTINGENT LIABILITIES

P38. LEASING AND OTHER LIABILITIES	2022	2021
Minimum rents paid on the basis of leasing and other rental agreements		
Within one year	16	27
Within more than a year and at most within five years	4	5
Total	20	32

P39. OFF-BALANCE SHEET COMMITMENTS	2022	2021
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	278,051	215,837
Housing company loan allocated to owned housing units		920
Total	278,051	216,757

NOTES TO THE AUDITOR'S FEE

P40. AUDITOR'S FEES	2022	2021
Fees paid to the auditor for the audit	102	93
Fees paid to the auditor for other services, parent company	19	23
Total	121	116

Amounts (VAT 0%) are presented by assignment for year 2022 and 2021 accordingly.

NOTES TO THE PARENT COMPANY'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

P41. NUMBER OF PERSONNEL	2022		2021	
	Avarage number	At the end of the period	Avarage number	At the end of the period
Permanent full-time personnel	60	63	56	55
CEO and the vice CEO	2	2	2	2
Temporary personnel	6	3	4	8
Total	68	68	62	65

P42. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2022	2021
CEO and vice CEO total salaries	622	524

In case of a notice, the CEO and the vice CEO are paid a payment corresponding to the CEO's four (4) months´ salary in addition to the salary payable during the sx (6) month notice period. The CEO and the members of the Board of Directors are entitled to basic pension security pursuant to the Employees Pensions Act (TyEL). The CEO and the vice CEO are covered by Hypo's performance-related pay and incentive scheme of which they have an opportunity to obtain at most a payment corresponding to 20 weeks' salary. The total salaries do not include compensations based on performance-related pay and incentive scheme, as they were paid as an insurance payment corresponding to five (5) weeks salary to the M-department of the Pension Fund of the Mortgage Society of Finland. The insurance payment was 24,000 euros for the CEO and 15,221 euros for the vice CEO. The insurance payment for the CEO and the vice CEO may be cancelled or retained during three (3) years after the earnings year.

	2022	2021
Board of Directors		
Total remuneration, chair	60	58
Total remuneration, vice chair	42	40
Total remunerations, members	155	147
Total	257	245
Supervisory Board		
Total remuneration, chair	16	17
Total remuneration, vice chair	11	10
Total remunerations, members	76	69
Total	103	96
Members of the Management Group (exc. CEO and vice CEO)		
Total remunerations	1,282	652

Information about the remunerations paid to the individual members of the management and to the related parties, as well as the type of remuneration, is available in the Remuneration Policy for Governing Bodies 2021 and Other Remuneration Information 2021 of The Mortgage Society of Finland Group, which is published on Hypo's website at www.hypo.fi/en/investor-relations/

NOTES TO THE PARENT COMPANY'S PERSONNEL, MANAGEMENT AND RELATED PARTIES

P43. LOANS GRANTED TO THE RELATED PARTIES	2022	2021
CEO and the vice CEO	53	149
Management Group	648	172
Board of Directors	164	45
Supervisory Board	266	337
Joint operations	1,263	1,366
Other related parties	1,667	1,206
Total	4,062	3,275

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

NOTES TO PARENT COMPANY'S SHAREHOLDINGS

P44. INFORMATION ABOUT OWNERSHIPS				2022
	Domicile	Holding, %	Equity	Result for the period
Subsidiaries combined in the consolidated financial statements				
Suomen Asuntohypopankki Oy	Helsinki	100.0	58,335	1,804
Other				
Bostadsaktiebolaget Taos	Helsinki	54.6	6,689	-72
As Oy Vanhaväylä 17	Helsinki	60.7	2,110	-5
As Oy Helsingin Eiran Helmi	Helsinki	28.3	2,360	-4

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

				2021
	Domicile	Holding, %	Equity	Result for the period
Subsidiaries combined in the consolidated financial statements				
Suomen Asuntohypopankki Oy	Helsinki	100.0	56,531	219
Other				
Bostadsaktiebolaget Taos	Helsinki	54.6	6,760	45
As Oy Vanhaväylä 17	Helsinki	80.4	2,115	6
As Oy Helsingin Eiran Helmi	Helsinki	28.3	2,364	0
As Oy Helsingin Lauttasaarenranta	Helsinki	20.1	18.838.8	0.0

Amounts presented as result for the period and as equity for Bostadsaktiebolaget Taos is based on unaudited financial statements from financial year 2022. Profit for the period and shareholders' equity of other ownerships are indicated in accordance with the year's 2020 adopted financial statements of the company.

P45. KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January–31 December 2022, there have not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group. After the financial year, neither Hypo nor Group companies have been involved in administrative or legal proceedings, arbitrations or other events that would have had a material effect on Hypo's financial position. Furthermore, Hypo is not aware. of such proceedings or events being under consideration or being otherwise threatened.

NOTES CONCERNING THE RISK MANAGEMENT OF THE PARENT COMPANY

P46. CREDIT RISK

Parent company complies with risk management procedures of Hypo Group.

P46.a MAXIMUM AMOUNT OF CREDIT AND COUNTERPARTY RISK

	2022			2021		
	Book values, gross	Expected credit loss allowance	Average book value (gross) during the period	Book values, gross	Expected credit loss allowance	Average book value (gross) during the period
Lending						
Not fallen due	2,676,748	17	2,509,492	2,342,236	76	2,289,091
Past due by 1–2 days*)	37,042	0	155,117	273,193	1	268,222
Past due by 3 days–1 month	27,329	0	22,714	18,099	0	14,074
Past due by 1–3 months	5,843	27	3,965	2,087	5	2,790
Non-performing, past due by more than 3 months	3,853	189	3,828	3,803	129	3,250
Total lending	2,750,814	233	2,695,116	2,639,417	211	2,577,427
Other						
Receivables from credit institutions						
Not fallen due	22,635		14,623	6,611		7,534
Debt securities						
Not fallen due	140,802		166,164	191,526		205,430
Shares and holdings	36,712		36,712	36,712		21,712
Derivative contracts						
Not fallen due	2,827		8,539	14,250		22,335
Total other	202,976	0	226,038	249,100	0	257,011
Non-performing loans/total lending, %	0,14%			0,14%		

Information concerning recognition of impairment losses related to lending is presented in Notes 11 and 15 and the accounting policies.

*) Past due by 1–2 days also include loans the payment of which is delayed due to a delay in payment traffic.

P46.b CONCENTRATION OF LENDING

				2022
Lending by category*)	Book value	Expected credit loss allowance	Book value, net	%
Housing companies	1,876,718	1	1,876,718	68%
Households	856,747	233	856,515	31%
Companies excluding Housing companies	14,869		14,869	1%
Other	2,480		2,480	0%
Total	2,750,814	233	2,750,581	100%
Lending by purpose of use				
Permanent dwelling	2,699,246	169	2,699,077	98%
Consumer loan	32,939	64	32,875	1%
Holiday home	7,641		7,641	0%
Other	10,988		10,988	0%
Total	2,750,814	233	2,750,581	100%
Lending by province				
Uusimaa area	2,112,748	128	2,112,620	77%
Rest of Finland	638,067	105	637,961	23%
Total	2,750,814	233	2,750,581	100%

*) Distribution by sector has been updated.

NOTES TO PARENT COMPANY'S RISK MANAGEMENT

P46. CREDIT RISK

P46.b CONCENTRATION OF LENDING

Lending by category*)	Book value	Expected credit loss allowance	Book value, net	2021 %
Housing companies	1,737,510		1,737,510	66%
Households	869,083	211	868,872	33%
Companies excluding Housing companies	30,927		30,927	1%
Other	422		422	0%
Total	2,637,942	211	2,637,732	100%
Lending by purpose of use				
Permanent dwelling	2,577,332	146	2,577,186	98%
Consumer loan	30,125	65	30,060	1%
Holiday home	8,510	0	8,510	0%
Other	21,975	0	21,975	1%
Total	2,637,942	211	2,637,731	100%
Lending by province				
Uusimaa area	2,063,094	83	2,063,010	78%
Rest of Finland	574,849	127	574,721	22%
Total	2,637,942	211	2,637,731	100%

*) Distribution by sector has been updated.

P46.c IFRS 9 BY RISK CATEGORY

	12-month ECL (stage 1)	Lifetime ECL (stage 2)	Lifetime ECL, credit-impaired (stage 3)	2022 Total	12-month ECL (stage 1)	Lifetime ECL (stage 2)	Lifetime ECL, credit-impaired (stage 3)	2021 Total
Debt securities, Fair value through other comprehensive income								
Credit quality level 1-3	53,346			53,346	77,815			77,815
Receivables from the public and public sector entities, amortised cost								
Credit quality level 'Performing'	2,718,609			2,718,609	2,618,555			2,618,555
Credit quality level 'Performing, credit quality deteriorated'		28,352		28,352		15,374		15,374
Credit quality level 'Non-performing'			3,853	3,853		0	3,803	3,803
Loss allowance	17	27	189	233	10	72	129	211
Total	2,718,592	28,325	3,664	2,750,581	2,618,545	15,302	3,674	2,637,521
Final credit losses				0			115	115
Off balance sheet, granted but undrawn loans, amortised cost								
Credit quality level 'Performing'	277,226			277,226	215,764	73		215,837
Credit quality level 'Performing, credit quality deteriorated'		698		698				0
Credit quality level 'Non-performing'			126	126				0
Loss allowance	1			1	0			0
Total	277,225	698	126	278,050	215,764	73	0	215,837
Final credit losses				0				0

NOTES TO PARENT COMPANY'S RISK MANAGEMENT

P46. CREDIT RISK

P46.d IFRS 9 LOSS ALLOWANCE CHANGES AND TRANSITIONS

	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Receivables from the public and public sector entities, amortised cost								
Loss allowance as at 1 January	10	72	129	211	12	72	244	329
New financial assets (new loans)	11			11	4			4
Maturities and repayments	-1	-2		-3	-1	-6	-9	-16
Final credit losses				0			-115	-115
Normal changes, e.g. change without stage change	-2	-43	60	15	-6	3	9	6
Manual correction by loan				0		3		3
Loss allowance as at 31 December	17	27	189	233	10	72	129	211
Off balance sheet, granted but undrawn loans by risk category								
Loss allowance as at 1 January				0				0
New financial assets	1			1				0
Loss allowance as at 31 December	1	0	0	1	0	0	0	0

P46.e IFRS 9 CHANGES IN THE CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

	Stage 1	Stage 2	Stage 3	2022 Total	Stage 1	Stage 2	Stage 3	2021 Total
Debt securities, Fair value through other comprehensive income								
Carrying amount as at 1 January	77,815			77,815	118,714			118,714
New financial assets	9,000			9,000	37,000			37,000
Maturities and repayments	-33,469			-33,469	-77,899			-77,899
Carrying amount as at 31 December	53,346	0	0	53,346	77,815	0	0	77,815
Receivables from the public and public sector entities, amortised cost 2021								
Carrying amount as at 1 January	2,618,555	15,374	3,803	2,637,731	2,496,130	12,938	2,667	2,511,736
Transfers	-17,287	16,047	1,239	0	-6,537	4,598	1,939	0
Transfer from Stage 1 to Stage 2	-20,191	20,191			-9,600	9,600		
Transfer from Stage 1 to Stage 3	-1,177		1,177		-1,136		1,136	
Transfer from Stage 2 to Stage 3		-515	515			-927	927	
Transfer from Stage 3 to Stage 2		95	-95					
Transfer from Stage 2 to Stage 1	3,724	-3,724			4,075	-4,075		
Transfer from Stage 3 to Stage 1	358		-358		124		-124	
New financial assets	535,310			535,310	550,596			550,596
Maturities and repayments	-418,202	-3,069	-1,189	-422,460	-421,635	-2,163	-688	-424,485
Final credit losses				0			-115	-115
Carrying amount as at 31 December	2,718,376	28,352	3,853	2,750,581	2,618,555	15,374	3,803	2,637,731
Off balance sheet, granted but undrawn loans by risk category								
Off balance sheet as at 1 January	77,815			77,815	161,621	16		161,637
Transfers	-5	12	-7	0	37	-57	21	0
Transfer from Stage 1 to Stage 3	-5		5		-21		21	
Transfer from Stage 2 to Stage 3		12	-12					
Transfer from Stage 2 to Stage 1					57	-57		
Net change, lapsed and granted	61,465	614	134	62,212	54,107	115	-21	54,200
Off balance sheet as at 31 December	139,275	626	126	140,027	215,764	73	0	215,837

NOTES TO PARENT COMPANY'S RISK MANAGEMENT

P47. LIQUIDITY RISKS

P47.a LIQUIDITY RISK

					2022
Cash flows from financial liabilities and derivatives 2021	<3 months	3–12 months	1–5 years	5–10 years	Total
Liabilities to credit institutions	1 120 372	403 543	56 214		1 580 128
Liabilities to the public and public sector entities	462	169	7 416		8 048
Debt securities issued to the public	44 280	331 188	1 147 183	300 120	1 822 770
Derivative contracts	4 443	21 425	54 446	23 708	104 021
Off-balance sheet commitments (inc. granted but unclaimed loans)	278 051				278 051
Total liabilities	1 447 608	756 325	1 265 258	323 828	3 793 018

					2021
Cash flows from financial liabilities and derivatives 2020	<3 months	3–12 months	1–5 years	5–10 years	Total
Liabilities to credit institutions	1 394 661	322 967	147 857		1 865 486
Liabilities to the public and public sector entities	513	76	9 058		9 647
Debt securities issued to the public	22 532	92 400	909 495	300 150	1 324 577
Derivative contracts	-2 149	-4 159	9 506	8 781	11 979
Off-balance sheet commitments (inc. granted but unclaimed loans)	216 757				216 757
Total liabilities	1 632 314,8	411 283,9	1 075 916,3	308 931,1	3 428 446,1

P48. MARKET RISKS

P48.a INFORMATION CONCERNING INTEREST RATE RISK

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

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

Sensitivity analysis
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Hypo's net interest income would decrease by EUR 0.2 million (increase by EUR 0.1 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date.

Repricing time in 2021 (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	2021 Total
Floating-rate items					
Receivables	694	2000			2694
Liabilities	717	2260			2977
Net	-22	-260	0	0	-282
Fixed-rate items					
Receivables					
Liabilities	467	102	903	310	1782
Net	65	82	830	348	1325
Netto	402	19	73	-38	456

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

Sensitivity analysis
If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, Hypo's net interest income would decrease by EUR 8.4 million (increase by EUR 0.6 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date.

NOTES TO PARENT COMPANY'S RISK MANAGEMENT

P49. KEY FIGURES DESCRIBING RISK POSITION

Risk type	Indicator	2022	2021
Credit risk	LTV-ratio (Loan to Value, average), %	30.8	33.1
Credit risk	Non-performing loans, % of loan portfolio	0.14	0.14
Credit risk	Final and expected credit losses, net movement EUR million	0.02	0.05
Liquidity risk	Long-term funding out of total funding, %	98.0	98.4
Liquidity risk	Average maturity of liabilities, in years	3.3	3.8
Liquidity risk	Short-term liquidity, EUR million	559.1	589.3
Liquidity risk	Short-term liquidity, months	17	29
Liquidity risk	Share of short -term liquidity of the balance sheet total, %	16.0	17.6
Interest rate risk	Interest rate risk in the banking book, EUR million	-0,1	-5.8
Interest rate risk	Net Present Value risk, EUR million	-1.3	0.3
Risk related to ownership of housing units and residential land	Total amount of housing property holdings of the balance sheet total, %	1.5	1.6
Risk related to ownership of housing units and residential land	Book values of investement properties, % out of estimated fair values	91.8	92.0
Risk related to ownership of housing units and residential land	Occupancy rate, %	92.4	95.1
Risk related to ownership of housing units and residential land	Net profit of investment properties calculates by book value	5.0	5.1

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

SIGNATURES OF THE FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS' REPORT 2022

Helsinki, 27 February 2023

BOARD OF DIRECTORS

Sari Lounasmeri *chair*	**Harri Hiltunen** *vice chair*	**Kai Heinonen**
Pasi Holm	**Mikko Huopio** *vice CEO*	**Hannu Kuusela**
Teemu Lehtinen	**Ari Pauna** *Chief Executive Officer*	**Tuija Virtanen**

STATEMENT OF THE SUPERVISORY BOARD

After confirming the Mortgage Society of Finland's accounting principles, we have certified the financial statements for 2022 to be presented to the auditors and the Annual General Meeting. We hereby accept the Board of Directors' proposal for the distribution of profits.

The following members of the Supervisory Board have reached the end of their term in office: Timo Aro, Markus Heino, Seppo Laakso, Elias Oikarinen and Mari Vaattovaara.

THE SUPERVISORY BOARD
Helsinki 28 February 2023

THE AUDITOR'S NOTE

Our Auditor's Report has been issued today.

Helsinki, 1 March 2023

PricewaterhouseCoopers Oy,
Authorised Public Accountant Firm

Jukka Paunonen,
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the members of the Mortgage Society of Finland

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

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

What we have audited

We have audited the financial statements of the Mortgage Society of Finland (business identity code 0116931-8) for the year ended 31 December 2022. The financial statements comprise:

- the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to group's financial statements, including a summary of significant accounting policies

- the income statement of parent company, the balance sheet statement of parent company, the cash flow statement of parent company and notes to parent company's financial statements.

Basis for Opinion

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

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

Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note K45 to the Financial Statements.

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Our Audit Approach

Overview

- Overall group materiality: 4 million euros, which represents 0.12% of the balance sheet total

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

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

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

Materiality

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

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

Overall group materiality	4 million euros (previous year 4 million euros)
How we determined it	0.12% of the balance sheet total
Rationale for the materiality benchmark applied	We chose the balance sheet total as a benchmark, because in our view, it is the appropriate benchmark to assess the group's performance, and it is a generally accepted benchmark. We chose 0.12%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

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

Key Audit Matters

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Impairment of loans and other receivables *Refer to note K19 in the consolidated financial statements for the related disclosure* Credit risk is the main risk of the group's business risks. Lending is the largest business area of the group, and according to group financial statements 31.12.2022 the receivables from the public and public sector entities are 2 749.9 million euros, comprising 79% of the group balance sheet total (3 461.0 million euros). The Group's lending focuses on loans granted to households (private customers) and housing companies against property collateral. Credit risk is regularly measured in the group using both factors that anticipate credit risks and factors that describe the quality and distribution of the loan portfolio. The group evaluates regularly whether there is objective evidence that a single receivable or a group of receivables is impaired. The valuation of loans and other receivables is a key audit matter in the audit taking into consideration the absolute and relative size of the balance sheet item, and the fact that the accounting for impairment of loan receivables requires management's judgment over timing of recognition of impairment.	Our audit of impairment of loans and other receivables included an assessment of the valuation principles and valuation model and also going through the related processes and the testing of the controls. The purpose of our processes and controls testing was to ascertain that the group evaluates based on the group's principles whether there is objective evidence that a single receivable or a group of receivables is impaired. We also tested individual accounting entries on a sample basis and performed detailed substantive procedures related to the accuracy of the details used in the evaluation of the loan receivables. We have also assessed the appropriateness of the notes in the consolidated financial statements regarding loans and other receivables.

Valuation of investment properties

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

In the group financial statements 31.12.2022 investment properties totalled 50.7 million euros, which is 1.5% of the group balance sheet (3 461.0 million euros). Investment properties mainly consist of land areas intended to be used as residential property as well as shares in housing companies and investments in shares in housing companies under construction.

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

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

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

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

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Other Reporting Requirements

Appointment

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

Other Information

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

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

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

In our opinion

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

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

Helsinki 1 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)

HYPO

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