THE MORTGAGE SOCIETY OF FINLAND

Interim Report

1 January–31 March 2023

The Interim Report for the period of 1 January 2023 to 30 June 2023 will be published on 31 August 2023.

The Interim Report does not contain all information and Notes that are required in the annual Financial Statements. The Interim Report should be read in conjunction with the Group's Financial Statements 2022 and Stock Exchange Releases published during the period of 1 January to 31 March 2023.

The figures in the tables in the Interim Report are presented in thousands of euros.

The Interim Report has been approved on 28 April 2023 by the Board of Directors of The Mortgage Society of Finland to be published on 2 May 2023.

The Interim Report is unaudited.

Hypo Group's Interim Report can be accessed at http://www.hypo.fi/en/financial-information/

Hypo Group’s January–March 2023

The home finance specialist Hypo Group’s net interest income grew and capital adequacy remained strong

CEO Ari Pauna:

“Focusing on low-risk housing collateralized lending in urbanising Finland still provides stability despite the continuous uncertainty in operating environment. Hypo Group’s net interest income and loan portfolio grew. Capital adequacy and liquidity remained strong. Impairment losses remained at low level. The year 2023 has started promisingly. During uncertain times, the services of a specialist organization are in demand. There is a strong demand for home financing from us and we respond to the demand comprehensively supported by completely renewed banking technology.”

- Operating profit was EUR 0.4 million (EUR 1.0 million 1–3/2022)
- Net interest income was EUR 4.8 million (EUR 4.3 million 1–3/2022)
- Non-performing loans remained low at 0.14% of loan book (0.14% 31 December 2022)
- Expected credit losses were 0.01% of the loan book (0.01 % 31 December 2022)
- Net fee and commission income grew to EUR 1.0 million (EUR 0.7 million 1–3/2022)
- Other income grew to EUR 0.2 million (EUR 1.8 million 1–3/2022)
- Total costs decreased to EUR 5.6 million (EUR 5.8 million 1–3/2022) including EUR 1.8 million contribution to the Resolution Fund for the year 2023 (EUR 1.9 million 1–3/2022)
- Common Equity Tier 1 (CET1) ratio, calculated with standard and basic methods, was 13.6% (13.8% on 31 December 2022)
- Liquidity Coverage Ratio (LCR) was 142.4% (201.6 % on 31 December 2022)

GROUP'S KEY FIGURES

(1000 €)	1-3/2023	1-3/2022	1-12/2022
Net interest income	4 777	4 270	15 264
Net fee and commission income	1 021	720	3 592
Total other income	214	1 844	5 766
Total expenses	-5 598	-5 816	-17 543
Operating profit	414	1 018	7 079
Receivables from the public and public sector entities	2 787 297	2 641 064	2 749 916
Deposits	1 323 573	1 520 958	1 463 261
Balance sheet total	3 626 570	3 217 483	3 461 004
Return on equity % (ROE)	0.4	2.3	4.0
Common Equity Tier 1 (CET1) ratio	13.6	13.9	13.8
Cost-to-income ratio, %	91.5	85.4	71.2
Non-performing assets, % of the loan portfolio	0.14	0.20	0.14
LTV-ratio, % / Loan to Value, average, %	30.5	32.0	30.8
Loans / deposits, %	210.6	173.6	187.0
Liquidity Coverage Ratio (LCR), %	142.4	134.1	201.6
Net Stable Funding Ratio (NSFR), %	114.0	108.6	106.5
Leverage Ratio (LR), %	3.7	4.0	3.9

Calculation of key figures and definitions are set out below.

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HYPO GROUP

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

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

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

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

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

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

OPERATING ENVIRONMENT

The ongoing Russia's war of aggression in Ukraine still causes challenges to the global economy, but the reopening of China's economy supports economic growth at the same time. Supply chain disruptions are unwinding, but core inflation has forced central banks to continue massive monetary policy tightening. The tensions in the financial markets, which started in the US banking sector, have contributed to increasing uncertainty. The global composite Purchasing Managers' Index rose in the first quarter, which indicates an improvement in global economic growth.

Despite the market fluctuations in March, non-financial sector companies' stock prices increased by 5.2% and the bank equity prices of euro area gained as much as 8.4% from 15 December 2022 to 15 March 2023. The ECB raised its key interest rates by 0.50 percentage points in both its February and March meetings. ECB's asset purchase programme portfolio is declining at 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 fluctuated during the quarter, but at the end of the quarter settled close to their year-end levels. The Euribor rates were on the rise at the beginning of the year but fell quickly as a result of news related to the banking sector, which is why the 12-month Euribor settled at 3.622 percent at the end of the first quarter.

The Finnish working day adjusted change of total output grew in February by 0.4% from a year ago. The employment situation improved and there were 12,000 more people employed in February than a year ago. The number of unemployed people was almost the same as a year earlier. Consumer confidence improved slightly from its lowest level in history at the beginning of the year but remained very weak.

The year-on-year change in consumer prices was 7.9% in March.

According to preliminary data, prices of old dwellings fell about 5% between January and February from the previous year in the whole country. The corresponding price decline was more than 6% in the metropolitan area while in the whole country excluding greater Helsinki prices fell by more than 4%. Home sales volumes fell by more than 30% but the number of apartments available for sale increased slightly over the quarter in the whole country. The housing loan stock growth was 0.6% and the average interest rate on mortgage loans was 2.38% in the end of February.

The number of housing starts of residential buildings decreased by more than 40% between November and January from one year ago.

KEY EVENTS

During the year 2023, Hypo Group focuses on strengthening its core business and profitability.

On 15 March 2023 Hypo Group issued a EUR 300 million covered bond to replace a covered bond maturing on 24 April 2023.

The effect of rising interest rates, especially short-term interest rates, on Group's net interest income evened out during the financial period. The growth of interest rates has had a minor impact on net investment income.

The amount of non-performing loans remained on a low level and is not expected to grow significantly during the next financial period. The Forward-Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) has been elevated to the highest level. The ECL have increased by EUR 0,1 million, due to one loan.

RESULTS AND PROFITABILITY

January–March 2023

Hypo Group's operating profit was EUR 0.4 million (EUR 1.0 million for January–December 2022). Income decreased by 12.0% from the previous year and totaled EUR 6.0 million (EUR 6.8 million). Expenses decreased by 3.7 % from the previous year and totaled EUR 5.6 million (EUR 5.8 million). Depreciations increased by 92.5% and totaled EUR 0.4 million (EUR 0.2 million). The increase was mainly due to depreciations of the new core information system, deployed in the beginning of year 2022. The depreciations of the new core banking system started in Q2 2022.The largest single expense item was the yearly contribution to the Single Resolution Fund EUR 1.8 million (EUR 1.9 million) which represented 31.9% of total expenses on the financial period. Group's cost-to-income ratio was 91.5% (85.4%). Net interest income increased by 11.9% to EUR 4.8 million (EUR 4.3 million) due to increased interest rates. Net fee and commission income totaled EUR 1.0 million (EUR 0.7 million).

Net income from investment properties (housing units and residential land) amounted to EUR 0.5 million (EUR 0.5 million), of which sale profit from investment properties was EUR 1.2 thousand (sale loss EUR 4.5 thousand).

Group's other comprehensive income EUR 0.2 million (EUR 0.3 million) includes EUR 0.1 million (EUR 0.8 million) profit for the financial period as well as the change in the fair value reserve EUR -0.06 million (EUR -0.4 million) and the revaluation of defined benefit pension plans EUR 0.1 million (EUR 0.2 million).

PERSONNEL

On 31 March 2022, the number of permanent personnel was 73 (63 on 31 December 2022). These figures do not include the CEO and the vice CEO.

ASSETS AND LIABILITIES

Lending

During the financial period, the loan portfolio grew by 0.9% to EUR 2,774.4 million (EUR 2,750.9 million on 31 December 2022).

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

The weighted average Loan-to-Value ratio of the loan portfolio remained on a strong level and was 30.5% (30.8%) at the end of the financial period.

The amount of non-performing loans remained low at EUR 3.8 million (EUR 3.9 million), representing 0.14% (0.14%) of the loan portfolio. The expected credit losses increased to EUR 0.3 million (EUR 0.2 million) due to one loan.

Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totaled EUR 695.6 million (EUR 560.8 million on 31 December 2022), which corresponds to 19.2% (16.2%) of the total assets. The cash and cash equivalents which totaled EUR 692.6 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market, of which 100.0% (100.0%) had a credit rating of at least 'AA-' or were of equivalent credit quality and 100.0% (100.0%) were ECB repo eligible. Liquidity covers wholesale funding cash flows for the following 15 months. The Liquidity Coverage Ratio remained on a strong level and was 142.4% (201.6%).

The defined benefit plans surplus of EUR 6.6 million (EUR 6.4 million) from the Mortgage Society of Finland's pension fund has been recognized in Group's other assets.

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

Derivative contracts

The balance sheet value of derivative receivables was EUR 6.5 million on 31 March 2023 (EUR 2.8 million on 31 December 2022), and the value of liabilities was EUR 104.4 million (EUR 113.0 million). The amount of liabilities is explained with the values of hedging derivatives for covered bonds.

Deposits and other funding

The total amount of deposits decreased by 13% and was EUR 1,323.6 million at the end of the financial period (EUR 1,463.3 million on 31 December 2022). The share of deposits accounted for 39.6% (46.3%) of total funding.

On 15 March 2023 Hypo Group issued a EUR 300 million covered bond, maturing on 15 September 2028.

The total amount of covered bonds was EUR 2,070.0 million (EUR 1,770.0 million) at the end of the financial period. The total amount of certificates of deposit was EUR 64.0 million (EUR 61.0 million).

The share of long-term funding of total funding was 58.9% on 30 December 2022 (42.3%). The Group's NSFR-ratio at the end of the financial period was 114.0% (106.5%).

The total funding grew and was EUR 3,328.0 million at the end of the financial period (EUR 3,163.0 million).

RISK TOLERANCE AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 150.7 million (EUR 150.5 million on 31 December 2022). The changes in equity during the period are presented in Group's statement of equity attached to this Report.

Group's CET1 capital in relation to risk-weighted assets on 31 March 2023 was 13.6% (13.8% on 31 December 2022). Profit for the financial period is included in the Common Equity Tier 1 capital, based on the statement by the auditors. In measuring credit risk, the standardized approach is used. Group's own funds are quantitatively and qualitatively on an adequate level in relation to Group's current and future business. At the end of the financial period, Group's Leverage Ratio was 3.7% (3.9%).

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

The Finnish Financial Supervisory Authority (The Finnish FSA) has on 24 August 2022 set a discretionary additional capital requirement of 0.75% (1.25% 31.12.2019-31.12.2022) (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 decision has been made as a normal part of the group's supervisory review and evaluation process.

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

The Finnish Financial Stability Authority has on 28 April 2021 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.

The information required by EU's Capital Requirements Regulation (EU) 575/2013 Part eight (i.e. Pillar 3 -information) is published yearly for the most part. The key metrics are published semi-annually. The amending regulation (EU) 2019/876 (i.e. 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 amendment.

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	31.3.2023	31.12.2022
Common Equity Tier 1 capital before deductions	150 692	150 483
Deductions from Common Equity Tier 1 capital	-14 655	-13 537
Total Common Equity Tier 1 capital (CET1)	136 037	136 947
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	136 037	136 947
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	136 037	136 947
Total risk weighted assets	997 551	991 991
of which credit risk	932 910	925 679
of which market risk (foreign exchange risk)	-	-
of which operational risk	43 863	43 863
of which other risks	20 779	22 450
CET1 Capital ratio (CET1-%)	13,6	13,8
T1 Capital ratio (T1-%)	13,6	13,8
Total capital ratio (TC-%)	13,6	13,8
Minimum capital	5 000,0	5 000,0

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

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 March 2023, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

The Mortgage Society of Finland's bank subsidiary Suomen Asuntohypopankki Oy raised its Hypo Prime rate by 0.5 percentage points to 1.0 percent on 15 April 2023. The increase is based on the development of general market rates.

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

FUTURE OUTLOOK

Slow economic development continues as inflation and rising interest costs reduce households' purchasing power. Employment supports the economy and the housing market in difficult times. The housing market will be able to recover when inflation and interest rates settle down and consumer confidence returns. New housing starts decrease significantly, but the supply of completed new homes will remain high this year. Differences between housing market areas and units will deepen. Urbanization continues due to strong newbuilding in 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 as in 2022. The expectation contains uncertainties due to the development in economy and interest rates as well as uncertainties related to the war in Ukraine.

Helsinki, 28 April 2023

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1-3/2023	1-3/2022	2022
Interest income	21 430	6 743	35 145
Interest expenses	-16 653	-2 473	-19 882
NET INTEREST INCOME	4 777	4 270	15 264
Fee and commission income	1 036	738	3 673
Fee and commission expenses	-15	-19	-81
Net income from financial instruments at FVPL	-158	1 097	2 432
Net income from financial instruments through FVOCI	0		-1 248
Net income from hedge accounting	-168	266	1 613
Net income from investment properties	544	491	2 762
Other operating income	-3	-10	209
Personnel expenses	-1 754	-2 090	-7 574
Administrative expenses	-1 008	-1 303	-5 029
Total personnel and administrative expenses	-2 762	-3 393	-12 603
Depreciation and impairment losses on tangible and intangible assets	-370	-192	-1 489
Other operating expenses	-2 369	-2 253	-3 436
Final and expected credit losses	-97	23	-15
OPERATING PROFIT	414	1 018	7 079
Income taxes	-281	-187	-1 274
OPERATING PROFIT AFTER TAX	133	831	5 805
PROFIT FOR THE PERIOD	133	831	5 805

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	1-3/2023	1-3/2022	2022
Profit for the period	133	831	5 805
Other comprehensive income, after tax			
Items that may be reclassified subsequently to income statement			
Change in fair value reserve			
Financial assets at FVOCI	-64	-405	-242
	-64	-405	-242
Items that may not be reclassified subsequently to the income statement			
Revaluation of defined benefit pension plans	140	-157	1 216
	140	-157	1 216
Total other comprehensive income, after tax	76	-561	974
COMPREHENSIVE INCOME FOR THE PERIOD	**209**	**270**	**6 778**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	**31.3.2023**	**31.12.2022**	**31.3.2022**
ASSETS			
Cash	558 472	393 179	291 000
Debt securities eligible for refinancing with central banks	101 502	140 315	172 470
Receivables from credit institutions	32 614	24 286	6 799
Receivables from the public and public sector entities	2 787 297	2 749 916	2 641 064
Shares and holdings	24	24	24
Derivative contracts	6 457	2 827	3 039
Intangible assets	10 579	10 230	9 884
Tangible assets			
Investment properties	50 470	50 726	55 112
Other tangible assets	4 933	4 995	1 132
	55 404	55 720	56 243
Other assets	72 347	78 366	32 554
Accrued income and advances paid	1 868	6 133	4 327
Deferred tax receivables	6	8	78
TOTAL ASSETS	**3 626 570**	**3 461 004**	**3 217 483**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	**31.3.2023**	**31.12.2022**	**31.3.2022**
LIABILITIES			
Liabilities to credit institutions			
Central banks	49 947	50 000	150 000
Credit institutions	0,00	0	1 111
	49 947	50 000	151 111
Liabilities to the public and public sector entities			
Deposits	1 323 573	1 463 261	1 520 958
Other liabilities	7 067	7 474	8 935
	1 330 640	1 470 735	1 529 893
Debt securities issued to the public	1 961 006	1 642 313	1 330 189
Derivative contracts	104 361	112 984	33 793
Other liabilities	15 670	14 294	11 859
Deferred income and advances received	4 282	10 248	7 021
Deferred tax liabilities	9 971	9 947	9 641
EQUITY			
Basic capital	5 000	5 000	5 000
Other restricted reserves			
Reserve fund	36 219	34 537	31 317
Fair value reserve			
From fair value recognition	118	182	20
Defined benefit pension plans	5 328	5 188	3 816
Unrestricted reserves			
Other reserves	22 924	22 924	22 924
Retained earnings	80 970	76 847	80 068
Profit for the period	133	5 805	831
	150 692	150 483	143 975
TOTAL LIABILITIES	**3 626 570**	**3 461 004**	**3 217 483**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2022	5 000	31 317	4 397	22 924	80 068	143 705
Profit for the period					831	831
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-506			-506
Amount transferred to the income statement			0			0
Change in deferred taxes			101			101
Revaluation of defined benefit plans						
Actuarial gains / losses			-196			-196
Change in deferred taxes			39			39
Total other comprehensive income, after tax	0	0	-561	0	0	-561
Transactions with owners of the bank						
Distribution of profits						
Equity 31 March 2022	**5 000**	**31 317**	**3 836**	**22 924**	**80 899**	**143 975**
Equity 1 January 2023	5 000	34 537	5 371	22 924	82 652	150 483
Profit for the period					133	133
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-80			-80
Amount transferred to the income statement			0			0
Change in deferred taxes			16			16
Revaluation of defined benefit plans						
Actuarial gains / losses			175			175
Change in deferred taxes			-35			-35
Total other comprehensive income, after tax	0	0	76	0	0	76
Transactions with owners of the bank						
Distribution of profits		1 682			-1 682	0
Equity 31 March 2023	**5 000**	**36 219**	**5 447**	**22 924**	**81 103**	**150 692**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-3/2023	1-3/2022
Cash flow from operating activities		
Interest received and fee income	12 581	5 882
Interest paid and fee expenses	-11 168	-2 983
Final and expected credit losses	-98	23
Administrative and other operating expenses	-3 284	-2 890
Total net cash flow from operating activities	**-1968**	**33**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-21 298	-3 748
Collateral, derivatives	5 925	-28 013
Other operating assets	-209	205
Operating assets increase (-) / decrease (+) total	**-15 583**	**-31 556**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	-146 780	-139 330
Other operating liabilities	-156	-540
Income taxes	-106	-224
Operating liabilities increase (+) / decrease (-) total	**-147 042**	**-140 094**
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**-164 593**	**-171 618**
Cash flows from investments		
Income from securities transactions and hedge accounting	20 449	43 330
Expenses from securities transactions and hedge accounting	-20 776	-41 966
Income from investment properties	1 053	1 600
Expenses from investment properties	-535	-709
Change in fixed assets	-658	-888
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-467**	**1 366**
Cash flows from financing		
Financial liabilities, new withdrawals	263 524	125 420
Financial liabilities, repayments	36 788	-72 296
Other liabilities, new withdrawals	4 356	4 479
Other liabilities, repayments	-4 802	-5 003
NET CASH FLOWS ACCRUED FROM FINANCING	**299 867**	**52 600**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**134 807**	**-117 652**
Cash and cash equivalents at the beginning of the period	**557 780**	**587 922**
Cash and cash equivalents at the end of the period	**692 587**	**470 270**
CHANGE IN CASH AND CASH EQUIVALENTS	**134 807**	**-117 652**

NOTES

1. Key accounting policies

This Interim Report applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2022. The Interim Report has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. No other new standards or interpretations with material effect on Hypo Group's financial position, profit or equity, entered into force in the financial period beginning 1 January 2023.

The Interim Report does not contain all information and Notes that are required in the annual Financial Statements. The Interim Report should be read in conjunction with the Group's Financial Statements 2022 and Stock Exchange Releases published during 1 January to 31 March 2023. The figures in the tables in the Interim Report are presented in thousands of euros.

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

The Interim Report has been approved on 28 April 2023 by the Board of Directors of The Mortgage Society of Finland to be published on 2 May 2023. The F Interim Report has not been audited.

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

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

2. New standards and interpretations

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

The structure of the group's balance sheet, income statement and cash flow statement have been adjusted to better take into account the IAS 1 and IAS 7 regulations. The comparison period amounts have been adjusted accordingly.

3. Issuances and repayments of debt securities and equity instruments

Issuances, repayments and repurchases of debt securities appear on cash flow statement for the period from 1 January to 31 March 2023. Equity instruments have not been issued nor repaid during the period from 1 January to 31 March 2023.

4. Capital Adequacy Information

Hypo Group's own funds and capital ratios

(1000 €)	**31.3.2023**	**31.12.2022**
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	5 000	5 000
of which: Basic capital	5 000	5 000
Retained earnings	80 970	76 847
Accumulated other comprehensive income and other reserves	64 589	62 831
Independently reviewed interim profits net of any foreseeable charge or dividend	133	5 805
Common Equity Tier 1 (CET1) capital before regulatory adjustments	150 692	150 483
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	-3 847	-2 991
Deferred tax assets that rely on future profitability	-6	-8
Value adjustments due to the requirements for prudent valuation	-213	-257
Defined-benefit pension fund assets	-10 589	-10 282
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-14 655	-13 537
Common Equity Tier 1 (CET1) capital	136 037	136 947
Additional Tier 1 (AT1) capital	0	0
Tier 2 (T2) capital	0	0
Total capital (TC = T1 + T2)	136 037	136 947
Total risk weighted assets	997 551	991 991
Capital ratios and buffers		
Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount	13,6	13,8
Tier 1 (T1) as a percentage of total risk exposure amount	13,6	13,8
Total capital as a percentage of total risk exposure amount	13,6	13,8
Institution specific buffer requirement, %	7,0	7,0
of which: capital conservation buffer requirement, %	2,5	2,5
of which: countercyclical buffer requirement, %	0,0	0,0
of which: systemic risk buffer requirement, %	0,0	0,0
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, %	0,0	0,0
Discretionary capital add-on (Pillar 2), %	0,75	0,75
Commom Equity Tier 1 available to meet buffers, %	10,1	10,3

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

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

(1000 €) **31.3.2023**

Credit and counterparty risks	Original exposure pre conversion factors	Exposure value	Risk weighted exposure amount after SME-supporting factor	Own funds requirement
Exposures to central governments or central banks	624 423	672 598	0	0
Exposures to regional governments or local authorities	32 767	39 245	0	0
Exposures to public sector entities	2 049	2 049	0	0
Exposures to credit institutions	65 395	80 654	25 229	2 018
Exposures to corporates	39 838	463	411	33
Retail exposures	40 700	6 120	4 590	367
Exposures secured by mortgages on immovable property	2 971 950	2 836 029	835 627	66 850
Exposures in default	3 050	3 090	3 090	247
Exposures in the form of covered bonds	9 421	9 421	942	75
Equity investments	24	24	24	2
Other items	62 996	62 996	62 996	5 040
	3 852 614	3 712 689	932 910	74 633
Operational risk			43 863	3 509
Other risks			20 779	1 662
All items in total	**3 852 614**	**3 712 689**	**997 551**	**79 804**

(1000 €) **31.12.2022**

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

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

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	31.3.2023	31.12.2022
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	268 178,56	278 050,60
Total	268 178,56	278 050,60

6. Fair values of financial instruments

(1000 €)		31.3.2023	31.12.2022
Financial assets	Fair value determination principle	Fair value	Fair value
Debt securities eligible for refinancing with central banks	A	101 502,33	140 315
Derivative contracts	B	6 456,78	2 827
Total		107 959,11	143 143
Financial liabilities			
Derivative contracts	B	104 361	112 984

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

Fair value determination principles:

A: Quoted price on an active market
B: Verifiable price, other than quoted
C: Unverifiable market price

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

7. Related party information

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

There have been no other material changes in the related party transactions since 31 December 2022.

8. IFRS 9 expected credit losses by stage

(1000 €)	Net book value	Expected credit loss allowance	Net book value	Expected credit loss allowance
	31.3.2023	**31.3.2023**	**31.12.2022**	**31.12.2022**
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2 753 716	17	2 717 711	17
Level 2, performing loans with a significant increase in credit risk	15 831	27	28 352	27
Level 3, non-performing loans	3 811	289	3 853	189
Total	**2 773 358**	**334**	**2 749 916**	**233**
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	53 230	0	53 346	0
Other assets, trade receivables				
Level 1, performing loans, no significant increase in credit risk	400	0	389	0
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	268 179	0	278 051	1

There were no significant ECL-level transitions during the financial period. New loans were originated to level one. The Forward Looking Factor (FLF) of the ECL model is on level 2.
The level of FLF is evaluated monthly

(1000 €)	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact
	1.3.2023	**1.3.2023**	**1–12/2022**
Receivables from the public and public			
Level 1, performing loans, no significant increase in credit risk	0	0	-8
Level 2, performing loans with a significant increase in credit risk	0	4	45
Level 3, non-performing loans	**-100**	13	-60
Total	-100	**17**	**-22**
Debt instruments, FVOCI			
Level 1, performing loans, no significant increase in credit risk	0	0	0
Other assets, trade receivables			
Level 1, performing loans, no significant increase in credit risk	0	0	0
Off-balance sheet commitments; granted			
Level 1, performing loans, no significant increase in credit risk	0	0	-1

9. IFRS 15 Income distribution

Group's total income

(1000 €)

	1-3/2023	1-3/2022	2022
Interest income	21 430	6 743	35 145
Interest expense	-16 653	-2 473	-19 882
Net interest income	4 777	4 270	15 264
Net fee income			
from lending operations	526	322	1 864
from land trustee services	359	384	1 545
from other operations	135	14	183
Total net fee income	1 021	720	3 592
Net income from treasury operations	-327	1 363	2 796
Net income from investment properties	542	495	2 536
Capital gains on investment properties	1	-5	226
Other income	-3	-10	209
Non-interest income	214	1 844	5 766
Total income	6 012	6 834	24 622

10. IFRS 16 Leases

Hypo Group as lessee

(1000 €)

Right-of-use assets	1–3/2023	1–3/2022	2022
Depreciation - Apartments	5	56	273
Carrying amount - Apartments	35	392	273
Lease liabilities			
Interest expense	0	3	11
Carrying amounts sorted by remaining maturity			
Non-fixed-term leases	36	393	276
Relief options			
Expenses from leases of low-value assets	3	3	11

Hypo Group leases office premises in Helsinki.

Hypo Group as a lessor

(1000 €)

Operative leases	1–3/2023	1–3/2022	2022
Lease income	353	538	2 143
Undiscounted lease payments to be received			
1 year	544	744	361
2 year	194	231	184
3 year	168	206	170
4 year	161	186	157
5 year	161	180	157
>5 years	4 289	5 310	4 174

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

11. Information concerning asset encumbrance

31 March 2023

(1000 €)	Book value of encumbered assets	of which notionally elligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally elligible EHQLA and HQLA	Book value of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
A - Assets	2 782 760		2 782 760		843 810		843 810	
Equity instruments					24		24	
Debt securities	19 658	19 658	19 658	19 658	82 424	82 424	82 424	82 424
Other assets, including lending	2 763 102	274 000	2 763 102		761 362	558 472	761 362	

B - Collateral received

	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
Own covered bonds and asset-backed securities issued and not yet pledged	14 406

C - Encumbered assets and associated liabilities

	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	49 947	78 348
Debt securities issued to the public	1 897 419	2 620 069
Derivative contracts	63 865	84 342
Total	2 011 231	2 782 760

D - Information on the importance of encumbrance

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

Encumbered assets totaled EUR 2,782.8 million, out of which of covered bonds were EUR 2,620.1 million on 31 March 2023. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 82.4 million on 31 March 2023. EUR 82.4 million of unencumbered loans may be used as collateral for covered bonds.

31 December 2022

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

B - Collateral received

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

C - Encumbered assets and associated liabilities

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

D - Information on the importance of encumbrance

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

Encumbered assets totaled EUR 1,858,0 million, out of which of covered bonds were EUR 1,695.9 million on 31 December 2021. Unencumbered debt securities that are tradable on the secondary market and eligible as ECB collateral and that can be used as collateral in monetary policy operations totaled EUR 181.2 million on 31 December 2021. EUR 549.4 million of unencumbered loans may be used as collateral for covered bonds.

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

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

Definitions of Alternative Performance Measures:

Operating profit/profit before appropriations and taxes, milj. €

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

Return on equity % (ROE)

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

Cost-to-income ratio, %

$$\frac{\text{Administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses}}{\text{Net interest income + income from equity investments + net fee and commission income + net income from financial instruments at FVPL + net income from financial assets at fair value through other comprehensive income + net income from hedge accounting + net income from investment properties + other operating income}} \times 100$$

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

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

Loan-to-value ratio is calculated by dividing the outstanding loan balance with the fair value of the total amount of the collaterals allocated to the loan. Only housing and residential property collaterals are taken into account. The average LTV ratio is the weighted average of individual loan-to-value ratios.

Expected credit losses, %

$$\frac{\text{Expected credit losses from loans to the public in P\&L}}{\text{Lending to the public at the end of the period}} \times 100$$

Loans/deposits %

$$\frac{\text{Receivables from the public and public sector entities}}{\text{Deposits}} \times 100$$

Deposits out of total funding, %

$$\frac{\text{Deposits}}{\text{Total funding}} \times 100$$

Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, debt securities issued to the public as well as subordinated liabilities.

Long-term funding out of total funding, %

$$\frac{\text{Total funding with a remaining maturity of 12 months}}{\text{Total funding}} \times 100$$

Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, debt securities issued to the public as well as subordinated liabilities.

Short-term liquidity, months

Coverage of short-term liquidity to wholesale funding cash flows (difference of days multiplied with 365 (days in a year)multiplied with 12 (months in a year))

Average number of personnel

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

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

Non-performing assets, % of the loan portfolio	Receivables from the public and public sector entities deemed unlikely to be paid + receivables past due and unpaid over 90 days / Receivables from the public and public sector entities Non-performing assets are presented in accordance with the EU's Capital Requirements Regulation (575/2013).	x 100
LCR-ratio, %	Liquid assets / Outflow of liquidity – Inflow of liquidity (within 30 days) LCR-ratio is calculated in accordance with the EU's Capital Requirement Regulation CRR (EU 575/2013).	x 100
NSFR-ratio, %	Available stable funding / Required stable funding NSFR-ratio is calculated in accordance with the EU's Capital Requirement Regulation CRR (EU 575/2013).	x 100
Leverage Ratio, %	Tier 1 Capital / Total exposure Leverage Ratio, % is calculated in accordance with the EU's Capital Requirement Regulation CRR (EU 575/2013).	x 100
Common Equity Tier 1 (CET1) ratio %	Common Equity Tier 1, CET1 / Total risk The capital requirement for total risk is calculated using the standard method. The capital requirement for operational risk is calculated using the basic method.	x 100

Description of Alternative Performance Measures:

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

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

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

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

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

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

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

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

Average number of personnel describes the personnel resources available.

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

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

Report on the review of the 1 January – 31 March 2023 Interim Report of the Mortgage Society of Finland (Translation)

Introduction

We have reviewed the condensed interim financial information of the Mortgage Society of Finland's, which comprise the balance sheet as of 31 March 2023, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the three-month period then ended and notes. The Board of Directors and the Managing Director are responsible for the preparation of the condensed interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and with regulations governing the preparation of interim financial information in Finland. We will express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information of the Mortgage Society of Finland for the three-month period ended on 31 March 2023 is not prepared, in all material respects, as regards the Group financial information, in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union and other regulation governing the presentation of interim financial information in Finland.

Helsinki 2 May 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)