THE MORTGAGE SOCIETY OF FINLAND

Financial Statements Release 1 January–31 December 2024

The Audited Financial Statements in ESEF-format will be published on 3 March 2025.

The Annual Report will be published on 3 March 2025.

The Interim Report for the period of 1 January 2025 to 31 March 2025 will be published on 9 May 2025.

The Financial Statements Release does not contain all information nor notes that are required in the Annual Financial Statements. The Financial Statements Release should be read in conjunction with the Group's Financial Statements 2023 and Stock Exchange Releases published during the period of 1 January to 31 December 2024.

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

The Financial Statements Release is unaudited.

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

Hypo Group’s January–December 2024

The home finance specialist Hypo Group’s operations and liquidity remained stable while capital adequacy got stronger

CEO Ari Pauna:

“Focusing on low-risk housing collateralized lending in urbanising Finland still provides stability despite the continuous uncertainty in operating environment. Net interest income, capital adequacy and liquidity remained strong. Non-performing loans and impairment losses remained at low level. During uncertain times, the services of a specialist organization are in demand. 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 8.0 million (EUR 8.5 million 1–12/2023)
- Net interest income was EUR 17.4 million (EUR 18.2 million 1–12/2023)
- Net fee and commission income increased to EUR 5.7 million (EUR 4.7 million 1–12/2023)
- Other income was EUR 1.5 million (EUR 2.1 million 1–12/2023)
- Total costs were EUR 16.6 million (EUR 16.5 million 1–12/2023)
- Non-performing loans remained low at 0.43% of loan book (0.19% 31 December 2023)
- Expected credit losses were 0.01% of the loan book (0.01% 31 December 2023)
- Common Equity Tier 1 (CET1) ratio, calculated with the standardized approach and the basic indicator approach, was 14.3% (14.2% on 31 December 2023)
- Liquidity Coverage Ratio (LCR) was 183.7% (326.4% on 31 December 2023)

GROUP'S KEY FIGURES (1000 €)	**1-12/2024**	**1-12/2023**	**10-12/2024**	**10-12/2023**
Net interest income	17 444	18 204	5 196	5 007
Net fee and commission income	5 655	4 697	1 498	1 172
Total other income	1 490	2 106	500	-559
Total expenses	-16 581	-16 504	-4 366	-4 465
Operating profit	8 008	8 503	2 827	1 156
Receivables from the public and public sector entities	2,791,811	2,785,973	2,791,811	2,785,973
Deposits	1,551,254	1,562,999	1,551,254	1,562,999
Balance sheet total	3,478,594	3,619,094	3,478,594	3,619,094
Return on equity (ROE) %	4.1	4.5	5.7	2.5
Common Equity Tier 1 (CET1) ratio %	14.3	14.2	14.3	14.2
Cost-to-income ratio %	67.0	65.5	59.6	79.8
Non-performing assets % of the loan portfolio	0.43	0.19	0.43	0.19
LTV-ratio (Loan to Value, average) %	31.1	30.3	31.1	30.3
Loans / deposits %	180.0	178.2	180.0	178.2
Liquidity Coverage Ratio (LCR) %	183.7	326.4	183.7	326.4
Net Stable Funding Ratio (NSFR) %	115.1	112.0	115.1	112.0
Leverage Ratio (LR) %	4.3	3.9	4.3	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 “the Group”) is the only expert organization specialized in home financing in Finland. Hypo Group grants mortgages as well as renovation loans and consumer loans, both secured by residential property collateral, for first-time and other homebuyers.

Our customer promise – a *secure way for better living* – guides all our operations. Over 22 thousand customers 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 offers its customers deposit products and residential land trustee services. Suomen Asuntohypopankki Oy is a member of the Deposit Guarantee Fund and a deposit bank wholly owned by the Mortgage Society of Finland.

S&P Global Ratings has assigned ‘BBB/A-2’ issuer credit ratings with stable outlook to the Mortgage Society of Finland (4 October 2024).

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

OPERATING ENVIRONMENT

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

The Eurozone STOXX index rose by 6 percent during the year. The Governing Council of the ECB continued its interest rate cuts in December by 0.25 percentage points, and the key interest rate was cut a total of four times during the year. The asset purchase programme portfolio is declining at a measured and predictable pace and the principal payments from maturing securities will no longer be reinvested. The Governing Council discontinued reinvestments under the pandemic emergency purchase programme at the end of 2024. The long-term risk-free interest rates rose during the year. The short-term Euribor rates were on a sharp decline, and the 12 months Euribor settled at 2.46 percent by the end of December.

Gross domestic product shrank on an annual basis but the working day adjusted change of total output grew by 1.5 percent in November from the previous year’s level. In December the number of employed individuals was 56 000 lower than the previous year, while the number of unemployed increased by 27 000 from a year ago. Consumer confidence recovered slightly during the year but dwindled to a generally weak level in December. Intentions to buy a dwelling were still relatively weak and intentions to use money for basic repairs of a dwelling remained lower than usual at the end of the year.

According to preliminary data, the prices of old dwellings in the whole country declined by 1.5% from the previous year from October to December. During the same period, prices in the metropolitan area decreased by 1.4%, while in the whole country excluding greater Helsinki the decline was 1.7%. Home sales volumes increased by about 3% from October to December compared to the previous year. The number of apartments available for sale remained high in the whole country. The Finnish housing loan stock year-on-year growth rate was -0.8% at the end of December, when the average interest rate on mortgage loans was 3.56% and the average interest rate on new housing loans was 3.17%. The annual growth rate in the stock of housing corporation loans was 3.1% in December. At the end of December 2024, the total stock of Finnish households' deposits was EUR 110.2 billion, and the average interest rate on these deposits was 1.23%. Overnight deposits accounted for EUR 67.2 billion and fixed term deposits for EUR 15.0 billion of the total deposit stock.

The number of housing starts for residential buildings increased from September to November compared to the previous year, but the economic situation in the construction industry remained very weak. The year-on-year change in consumer prices was 0.7% in December and the average inflation was 1.6% in 2024.

The downward trend in interest rates supports households' purchasing power, housing sales and loan demand in Hypo's operating areas this year. The need for repairs to residential buildings continues to grow, which supports the demand for housing companies' renovation loans and the growth of the loan stock in Finland. The growth of cities and new construction also create good conditions for the growth of closed plot funds managed by Hypo.

KEY EVENTS 2024

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

On 10th of April the Mortgage Society of Finland issued a covered bond of 300 million euros to replace a covered bond that matured on 28 June 2024.

On 25 September 2024 the Mortgage Society of Finland paid off its TLTRO III loan (EUR 50 million) and therefore has no longer funding from the ECB.

RESULTS AND PROFITABILITY

October–December 2024

Hypo Group's operating profit was EUR 2.8 million (EUR 1.2 million for October–December 2023). Income totalled EUR 7.2 million (EUR 5.6 million) and expenses EUR 4.4 million (EUR 4.5million).

January–December 2024

Hypo Group's operating profit was EUR 8.0 million (EUR 8.5 million for January–December 2023).

Income remained almost at the same level as at the end of previous year and totaled EUR 24.6 million (EUR 25.0 million). Net interest income decreased by 4.2% from previous year and totaled EUR 17.4 million (EUR 18.2

million), due to the general level of interest rates. Net fee and commission income totaled EUR 5.7 million (EUR 4.7 million). Net income from investment properties (housing units and residential land) amounted to EUR 2.6 million (EUR 2.4 million).

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

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

PERSONNEL

On 31 December 2024, the number of permanent personnel was 63 (67 on 31 December 2023). These figures do not include the CEO and the vice CEO.

ASSETS AND LIABILITIES

Lending

During the financial period, the loan portfolio increased a bit by 0.2% and totaled EUR 2,791.8 million 31 December 2024 (EUR 2,786.0 million on 31 December 2023).

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 31.1% (30.3%) at the end of the financial period.

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

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 536.5 million (EUR 686.2 million on 31 December 2023), which corresponds to 15.5% (19.0%) of the total assets. The cash and cash equivalents which totaled EUR 537.5 million consisted of assets distributed widely across various counterparties, and of debt securities tradable on the secondary market. 82.5% (97.6%) of debt securities had a credit rating of at least 'AA-' or were of equivalent credit quality and 90.8% (100.0%) were ECB repo eligible. The Liquidity Coverage Ratio remained on a strong level and was 183.7% (326.4%).

The defined benefit plans surplus of EUR 8.0 million (EUR 6.9 million) from the Mortgage Society of Finland's pension fund has been recognized in the Group's other assets.

Hypo Group offers rental apartments and residential land for its customers. The total number of properties increased from EUR 58.0 million to EUR 78.4 million, representing 2.3% (1.6%) of the total balance. 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 3.7 million (EUR 4.6 million).

Derivative contracts

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

Deposits and other funding

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

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

The share of long-term funding of total funding was 51.5% on 31 December 2023 (42.3%). The Group's NSFR-ratio at the end of the financial period was 115.1% (112.0%).

The total funding was EUR 3,230.0 million at the end of the financial period (EUR 3,335.0 million).

CAPITAL ADEQUACY AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 165.7 million (EUR 158.2 million on 31 December 2023). The changes in equity during the financial period are presented in the Group's statement of changes in equity attached to this report.

The Group's CET1 capital in relation to risk-weighted assets on 31 December 2024 was 14.3% (14.2%). Profit for the financial period is included in the Common Equity Tier 1 capital, with the permission from the Finnish Financial Supervisory Authority (The Finnish FSA). In measuring credit risk, the standardized approach is used. The Group's own funds are quantitatively and qualitatively on an adequate level in relation to the Group's current and future business. At end of the financial period, the Group's Leverage Ratio was 4.3% (3.9%).

The Group's total capital requirement at the end of the financial period was 13.0%, consisting of minimum capital requirement 8%, capital conservation buffer requirement 2.5%, discretionary capital add-on 0.75%, indicative capital add-on 0.75%, a systematic risk buffer 1.0% and countercyclical buffer requirements of foreign exposures.

The discretionary additional capital requirement (Pillar 2 requirement) for the Mortgage Society of Finland Group remains in force until further notice, however not longer than 31 December 2025.

The indicative additional capital recommendation should be covered with CET1 capital. The recommendation entered into force on 31 March 2024 and is in force until further notice.

The Finnish Financial 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 entered into force on 1 April 2024 and is in force until further notice.

The Finnish Financial Stability Authority has repealed on 28 November the decision given on 25 April 2023 to set a minimum requirement of own funds and eligible liabilities (MREL) as stated in the act on the Resolution of Credit Institutions and Investment Firms (1194/2014) chapter 8, section 7 for the Mortgage Society of Finland.

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

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

Finland is classified as a small and non-complex institution.

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	31.12.2024	31.12.2023
Common Equity Tier 1 capital before deductions	165 683	158 207
Deductions from Common Equity Tier 1 capital	-13 858	-15 973
Total Common Equity Tier 1 capital (CET1)	**151 825**	**142 234**
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**151 825**	**142 234**
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	**-**	**-**
Total capital (TC = T1 + T2)	**151 825**	**142 234**
Total risk weighted assets	**1 059 854**	**999 966**
of which credit risk	990 587	932 467
of which market risk (foreign exchange risk)	-	-
of which operational risk	48 514	47 743
of which other risks	20 753	19 755
CET1 Capital ratio (CET1-%)	**14,3**	**14,2**
T1 Capital ratio (T1-%)	**14,3**	**14,2**
Total capital ratio (TC-%)	**14,3**	**14,2**
Minimum capital	**5 000**	**5 000**

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 December 2024, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

Finland's economic growth is weak, labor market is still cool and foreign trade stagnates but the outlook for the economy improves towards the end of the year. The construction sector is in a weak phase, construction investments are lower than before, and risks related to real estate funds are elevated. Decreasing inflation and improving wages support consumers' purchasing power. The housing market is recovering, renovation construction is increasing, inflation is low and interest rates continue to fall. Housing starts will still remain low, and housing prices are expected to turn upward. Differences between housing market areas and units become more important and urbanization continues supported by the supply of housing, which increases housing sales and the demand for mortgages and housing company loans, especially in Hypo's most important operating areas.

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

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

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

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

Helsinki, 31 January 2025

The Board

CONSOLIDATED INCOME STATEMENT

(1000 €)	1-12/2024	1-12/2023	10-12/2024	10-12/2023
Interest income	169 456	130 732	41 328	40 552
Interest expenses	-152 012	-112 528	-36 132	-35 545
NET INTEREST INCOME	17 444	18 204	5 196	5 007
Fee and commission income	5 852	4 863	1 553	1 297
Fee and commission expenses	-197	-166	-55	-125
Net income from financial instruments at fair value	-1 344	-2 517	-406	-1 479
Net income from financial instruments at FVOCI	261	0	70	0
Net income from investment properties	2 571	2 431	826	927
Other operating income	2	2 192	9	-6
Personnel expenses	-8 755	-8 321	-2 279	-2 292
Administrative expenses	-4 761	-4 460	-1 347	-1 381
Total personnel costs and administrative expenses	-13 515	-12 781	-3 626	-3 673
Depreciation and impairment losses on tangible and intangible assets	-1 449	-1 611	-342	-441
Other operating expenses	-1 510	-1 993	-321	-371
Final and expected credit losses	-108	-119	-77	20
OPERATING PROFIT	8 008	8 503	2 827	1 156
Income taxes	-1 346	-1 556	-504	-175
PROFIT FOR THE PERIOD	**6 662**	**6 947**	**2 323**	**981**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1000 €)	1-12/2024	1-12/2023	10-12/2024	10-12/2023
Profit for the period	6 662	6 947	2 323	981
Other comprehensive income, after tax				
Items that may in the future be recognized through profit or loss				
Change in fair value reserve				
Financial assets at FVOCI	48	-125	57	7
	48	-125	57	7
Items that may not be included in the income statement at a later date				
Revaluation of defined benefit pension plans	765	288	143	-109
Adjustment to previous years retained earnings	0	614	0	657
	765	902	143	548
Other comprehensive income, after tax, total	814	777	200	555
COMPREHENSIVE INCOME FOR THE PERIOD	**7 476**	**7 724**	**2 523**	**1 536**

CONSOLIDATED BALANCE SHEET

(1000 €)	**31.12.2024**	**31.12.2023**
ASSETS		
Cash	385 793	520 670
Debt securities eligible for refinancing with central banks	129 708	146 386
Receivables from credit institutions	8 901	17 390
Receivables from the public and public sector entities	2 791 811	2 785 973
Debt securities	13 066	0
Shares and holdings	31	24
Derivative contracts	19 016	18 232
Intangible assets	10 251	10 175
Tangible assets		
Investment properties	76 703	57 306
Other tangible assets	1 913	1 002
	78 616	58 308
Other assets	40 424	60 385
Accrued income and advances paid	962	1 540
Deferred tax receivables	14	9
TOTAL ASSETS	**3 478 594**	**3 619 094**

CONSOLIDATED BALANCE SHEET

(1000 €)	**31.12.2024**	**31.12.2023**
LIABILITIES		
Liabilities to credit institutions		
To central banks	0	51 349
To credit institutions	20 000	20 004
	20 000	71 354
Liabilities to the public and public sector entities		
Deposits	1 551 254	1 562 999
Other liabilities	4 572	6 204
	1 555 826	1 569 203
Debt securities issued to the public	1 653 818	1 694 460
Derivative contracts	36 266	74 793
Other liabilities	34 655	38 788
Deferred expenses and advances received	2 290	2 465
Deferred tax liabilities	10 055	9 825
EQUITY		
Basic capital	5 000	5 000
Other restricted reserves		
Reserve fund	37 712	36 219
Fair value reserve		
From valuation at fair value	106	57
Defined benefit pension plans		
Acturial gains/ losses	6 241	5 476
Unrestricted reserves		
Other reserves	22 924	22 924
Retained earnings	87 038	81 584
Profit for the period	6 662	6 947
	165 683	158 207
TOTAL LIABILITIES AND EQUITY	**3 478 594**	**3 619 094**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2023	5 000	34 537	5 371	22 924	82 652	150 483
Profit for the period					6 947	6 947
Adjustment to previous years retained earnings					614	614
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-157			-157
Change in deferred taxes			33			33
Revaluation of defined benefit plans						
Actuarial gains / losses			360			360
Change in deferred taxes			-72			-72
Total other comprehensive income, after tax	0	0	163	0	0	163
Transactions with owners of the bank						
Distribution of profits		1 682			-1 682	0
Equity 30 September 2023	**5 000**	**36 219**	**5 534**	**22 924**	**88 531**	**158 207**
Equity 1 January 2024	5 000	36 219	5 534	22 924	88 531	158 207
Profit for the period					6 662	6 662
Other comprehensive income, after tax						
Financial assets at FVOCI						
Change in fair value			-205			56
Amount transferred to the income statement			261			0
Change in deferred taxes			-7			-7
Revaluation of defined benefit plans						
Actuarial gains / losses			956			956
Change in deferred taxes			-191			-191
Total other comprehensive income, after tax	0	0	814	0	0	814
Transactions with owners of the bank						
Distribution of profits		1 493			-1 493	0
Equity 30 September 2024	**5 000**	**37 712**	**6 347**	**22 924**	**93 700**	**165 683**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-12/2024	1-12/2023
Cash flow from operating activities		
Interest income and fees received	172 750	134 834
Interest and fees paid	-148 110	-100 317
Credit losses	-88	-41
Personnel, administrative and other operating expenses paid	-14 479	-14 587
Income taxes paid	-1 039	-1 647
Total net cash flow from operating activities	**9 035**	**18 242**
Operating assets increase (-) / decrease (+)		
Receivables from customers	-13 794	-19 592
Cash collaterals, derivatives	0	0
Other operating assets	0	0
Operating assets increase (-) / decrease (+) total	**-13 794**	**-19 592**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	-9 945	86 758
Other operating liabilities	416	435
Operating liabilities increase (+) / decrease (-) total	**-9 530**	**87 192**
NET CASH FROM/USED IN OPERATING ACTIVITIES	**-14 289**	**85 842**
Cash flows from investing activities		
Income received from financial instruments measured at fair value	729	7 975
Expenses paid from financial instruments and measured at fair value	-445	-2 135
Payments received from investment properties	3 093	3 876
Expenses paid from investment properties	-19 853	-4 670
Cash flows from acquisition of fixed assets	-1 375	-1 360
NET CASH FROM /USED IN INVESTING ACTIVITIES	**-17 850**	**3 686**
Cash flows from financing activities		
Financial liabilities, new withdrawals	364 259	556 759
Financial liabilities, repayments	-481 739	-525 325
Other liabilities, new withdrawals	0	0
Other liabilities, repayments	0	0
NET CASH FROM/USED IN FINANCING ACTIVITIES	**-117 480**	**31 434**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**-149 620**	**120 962**
Cash and cash equivalents at the beginning of the period	686 168	565 206
Cash and cash equivalents at the end of the period	536 549	686 168
CHANGE IN CASH AND CASH EQUIVALENTS	**-149 620**	**120 962**
Cash and cash equivalents in the cash flow statement at the end of the financial period	536 549	686 168
Changes that do not involve payment	920	-1 721
Balance sheet value at the end of the financial period	537 468	684 447

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

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

The nature and reasons for the adjustments:

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

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

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

NOTES

1. Key accounting policies

This Interim Report applies the same IFRS Accounting Standards as the Group’s Financial Statements on 31 December 2023. 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 2024.

The Interim Report does not contain all information or notes that are required in the Annual Financial Statements. The Interim Report should be read in conjunction with the Group’s Financial Statements 2023 and Stock Exchange Releases published during 1 January to 30 September 2024. 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 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 the Group companies are eliminated.

2. New standards and interpretations

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

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

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

3. Issuances and repayments of debt securities and equity instruments

Issuances, repayments and repurchases of debt securities appear on cash flow statement for the period from 1 January to 31 December 2024. Equity instruments have not been issued nor repaid during the period from 1 January to 31 December 2024.

4. Capital Adequacy Information

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

(1000 €)

31/12/2024

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	446 675	487 416	-	-
Exposures to regional governments or local authorities	0	4 971	-	-
Exposures to international organisations	2 195	2 195	-	-
Exposures to credit institutions	59 793	79 321	35 920	2 874
Exposures to corporates	50 987	17 284	17 193	1 375
Retail exposures	62 849	22 193	15 510	1 241
Exposures secured by mortgages on immovable property	2 904 349	2 795 913	821 280	65 702
Exposures in default	12 075	11 814	12 374	990
Exposures in the form of covered bonds	52 534	52 534	5 253	420
Equity investments	31	31	31	3
Other items	83 026	83 026	83 026	6 642
Total	3 674 513	3 556 698	990 587	79 247
Operational risk			48 514	3 881
Other risks			20 753	1 660
All items in total	**3 674 513**	**3 556 698**	**1 059 854**	**84 788**

31/12/2023

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	597 119	643 412	-	-
Exposures to regional governments or local authorities	32 705	38 441	-	-
Exposures to international organisations	2 142	2 142	-	-
Exposures to credit institutions	68 434	87 676	29 071	2 326
Exposures to corporates	37 813	103	79	6
Retail exposures	55 759	17 129	12 159	973
Exposures secured by mortgages on immovable property	2 885 178	2 786 569	819 239	65 539
Exposures in default	4 758	4 595	4 701	376
Exposures in the form of covered bonds	24 727	24 727	2 473	198
Equity investments	24	24	24	2
Other items	64 722	64 722	64 722	5 178
Total	3 773 381	3 669 540	932 468	74 597
Operational risk			47 743	3 819
Other risks			19 755	1 580
All items in total	**3 773 381**	**3 669 540**	**999 966**	**79 997**

Risk-weighting of the following exposures: sovereigns, regional governments, local authorities, public sector entities, institutions and companies are based on the ratings assigned by S&P Global ratings, Fitch and Moody's as applicable.
Own funds requirement for credit and counterparty risks have been calculated by 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 include the credit valuation risk (CVA).

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	31/12/2024	31/12/2023
Commitments given on behalf of a customer for the benefit of a third party		
Guarantees and other liabilities	3 840	
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	221 305	197 535
Total	225 145	197 535

6. Fair values of financial assets and liabilities

(1000 €)			31/12/2024		31/12/2023	
Publicly quated	Fair value determination principle		Book value	Fair value	Book value	Fair value
Debt securities	Fair value through other comprehensive income (FVOCI)	1	45 144	45 144	56 916	56 916
Debt securities	Option to designate a financial asset at fair value	1	90 646	90 646	89 470	89 470
Total			135 790	135 790	146 386	146 386
Debt securities issued to the public	Amortised cost	1	1 637 926	1 637 926	1 647 529	1 647 529
Total			1 637 926	1 637 926	1 647 529	1 647 529
Other						
Liquid assets	Amortised cost	1	385 793	385 793	520 670	520 670
Receivables from credit institutions	Amortised cost	2	8 901	8 901	17 390	17 390
Receivables from the public and public sector entities	Amortised cost	2	2 791 811	2 791 811	2 785 973	2 785 973
Debt securities	Fair value through other comprehensive income (FVOCI)	2	6 984	6 984		
Shares and holdings	Fair value through other comprehensive income (FVOCI)	2	31	31	24	24
Derivative contracts	Fair value through profit or loss (FVPL)	2	19 016	19 016	18 232	18 232
Total			3 212 536	3 212 536	3 342 290	3 342 290
Liabilities to credit institutions	Amortised cost	2	20 000	20 000	71 354	71 354
Liabilities to the public and public sector entities	Amortised cost	2	1 555 826	1 555 826	1 569 203	1 569 203
Debt securities issued to the public	Amortised cost	1	15 893	15 893	46 931	46 931
Derivative contracts	Fair value through profit or loss (FVPL)	2	36 266	36 266	74 793	74 793
Total			1 627 985	1 627 985	1 762 281	1 762 281

Level 3 financial assets do not carry any unrealized gains or losses.
Book values and fair values of financial instruments contain accrued interest. Derivative contracts consist of interest rate and currency swaps with various counterparties for hedging purposes. Liabilities to financial institutions mainly consist of unsecured long-term promissory note loans with floating interest rates with various counterparties. Liabilities to the public and public sector entities consist of deposits from the public and long-term financing contracts concluded with certain counterparties. The fair values of debt securities (financial assets) are presented based on public quotes from active markets or on other than quated verifiable prices. 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

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.

The Mortgage Society of Finland has restructured Bostadsaktiebolag Taos' loans. EUR 1.5 million of old loans were repaid and EUR 215 thousand of new loans were granted.
The total amount of the loan is therefore EUR 1.8 million.
The Mortgage Society of Finland has sold one property to the Hypo's Pension Fund, Section A, at a market price of EUR 0.55 million.

There have been no other material changes in the related party transactions since 31 December 2023.

8. IFRS 9 expected credit losses by stage

(1000 €)	31/12/2024 Book value	31/12/2024 Expected credit loss allowance	31/12/2023 Book value	31/12/2023 Expected credit loss allowance
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	51 593	24	56 538	5
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2 747 590	16	2 746 419	13
Level 2, performing loans with a significant increase in credit risk	23 327	39	23 348	4
Level 3, non-performing loans	11 984	253	5 186	289
Total	**2 782 901**	**308**	**2 774 953**	**306**
Off-balance sheet commitments; granted but undrawn loans and other commitments				
Level 1, performing loans, no significant increase in credit risk	225 145	0	197 535	0

During the financial period, loans of two individual customers total 4.2MEUR moved from level 2 to level 3. In addition to these, there were no significant ECL-level transitions and new loans were originated to level one. The Forward Looking Factor (FLF) of the ECL model remained at level 1 during the financial period.
The level of FLF is evaluated monthly.
The book value contains contract principal amounts but not accrued interests.

(1000 €)	1–12/2024 Net expected credit losses with P&L impact	1-12/2023 Net expected credit losses with P&L impact	10-12/2024 Net expected credit losses with P&L impact	10-12/2023 Net expected credit losses with P&L impact
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	-18	-5	0	-5
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	-2	4	1	2
Level 2, performing loans with a significant increase in credit risk	-35	23	-33	26
Level 3, non-performing loans	36	-100	-47	-101
Total	**-2**	**-73**	**-80**	**-73**
Off-balance sheet commitments; granted but undrawn loans and other commitments				
Level 1, performing loans, no significant increase in credit risk	0	1	0	0

9. Income distribution

Group's total income
(1000 €)

	1–12/2024	1–12/2023	10–12/2024	10-12/2023
Interest income	169 456	130 732	41 328	40 552
Interest expense	-152 012	-112 528	-36 132	-35 545
Net interest income	17 444	18 204	5 196	5 007
Net fee income				
from lending operations	3 010	2 454	735	548
from land trustee services	2 533	2 075	740	601
from other operations	112	168	23	23
Total net fee income	5 655	4 697	1 498	1 172
Net income from treasury operations	-1 083	-2 517	-335	-1 479
Net income from investment properties	2 427	2 118	704	641
Capital gains on investment properties	144	314	122	286
Other income	2	2 192	9	-6
Non-interest income	1 490	2 106	500	-559
Total income	24 589	25 006	7 193	5 621

10. IFRS 16 Leases

Hypo Group as lessee
(1000 €)

Right-of-use assets	1-12/2024	1–12/2023
Depreciation - Apartments	53	86
Carrying amount - Apartments	20	350

Lease liabilities		
Interest expense	2	4
Carrying amounts sorted by remaining maturity		
Non-fixed-term leases	21	352

Relief options		
Expenses from leases of low-value assets	13	6

Hypo Group leases storage spaces and parking lots in Helsinki.

Hypo Group as a lessor
(1000 €)

Operative leases	1-12/2024	1–12/2023
Lease income	2 129	1 660
Undiscounted lease payments to be received		
1 year	828	557
2 year	349	356
3 year	285	352
4 year	146	288
5 year	114	149
>5 years	381	4 035

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

11. Information concerning asset encumbrance

31.12.2024	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
(1000 €)		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	2 218 617	19 743	2 218 617	19 743	1 259 977	481 287	1 259 977	95 494
Equity instruments	-	-	-		31	-	31	
Debt securities	19 743	19 743	19 743	19 743	123 031	95 494	123 031	95 494
Other assets, including lending	2 198 874	-	2 198 874		1 136 914	385 793	1 136 914	

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	70 000

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	-	-
Debt securities issued to the public	1 637 926	2 169 139
Derivative contracts	33 089	49 478
Total	1 671 014	2 218 617

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 2,218.6 million, out of which of covered bonds were EUR 2,169.1 million on 31 December 2024. 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 109.8 million on 31 December 2024. EUR 434.7 million of unencumbered loans may be used as collateral for covered bonds.

31.12.2023	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
(1000 €)		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	2 340 473	25 822	2 340 473	19 822	1 278 622	657 189	1 278 622	126 564
Equity instruments	-	-	-	-	24	-	24	-
Debt securities	19 822	19 822	19 822	19 822	126 564	126 564	126 564	126 564
Other assets, including lending	2 320 650	6 000	2 320 650		1 152 034	530 625	1 152 034	-

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	14 445

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	51 349	75 039
Debt securities issued to the public	1 647 529	2 193 648
Derivative contracts	52 928	71 785
Total	1 751 806	2 340 473

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 2,340.5 million, out of which of covered bonds were EUR 2,193.6 million on 31 December 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 126.6 million on 31 December 2023. EUR 250.7 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, 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 + 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)	
Return on equity (ROE) %	Operating profit - income taxes / Equity + accumulated appropriations less deferred tax liabilities (average total at the beginning and end of the period)	x 100
Cost-to-income ratio %	Personnel expenses + administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses / 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 investment properties + other operating income	x 100
LTV-ratio (Loan to Value, average) %	Receivables from the public and public sector entities / Fair value of collateral received against the receivables from the public and public sector entities	x 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 %	Expected credit losses from loans to the public in P&L / Lending to the public at the end of the period	x 100
Loans/deposits %	Receivables from the public and public sector entities / Deposits	x 100
Deposits out of total funding %	Deposits / Total funding	x 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.	

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	x 100
LCR-ratio, %	Liquid assets / Outflow of liquidity – Inflow of liquidity (within 30 days)	x 100
NSFR-ratio, %	Available stable funding / Required stable funding	x 100
Leverage Ratio, %	Equity + accumulated appropriations less deferred tax liabilities / Balance sheet total	x 100
Common Equity Tier 1 (CET1) ratio %	Common Equity Tier 1, CET1 / Total risk	x 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).

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 relation to the equity accrued over a financial period. The Mortgage Society of Finland is a mutual company and thus it does not pay dividends.

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.

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