THE MORTGAGE SOCIETY OF FINLAND

Interim Report

1 January–30 June 2021

The Interim Report for the period of 1 January 2021 to 30 September 2021 will be published on 1 November 2021

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 2020 and Stock Exchange Releases published during the period of 1 January to 30 June 2021.

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

The Interim Report has been approved on 30 August 2021 by the Board of Directors of The Mortgage Society of Finland to be published on 31 August 2021.

The Interim Report is unaudited.

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

Hypo Group’s January–June 2021

The home finance specialist Hypo Group’s operating profit grew 103 percent and reached a historically good level of EUR 4.5 million.

CEO Ari Pauna:

“Focusing on low risk housing collateralized lending in urbanising Finland has brought security throughout the whole corona crisis. Hypo Group’s net interest income and net fee and commission income continued to grow, and CET 1 Capital adequacy and liquidity remained strong. Impairment losses remained at low level.”

- Operating profit was EUR 4.5 million (EUR 2.2 million 1–6/2020)
- Net interest income increased to EUR 8.6 million (EUR 7.3 million 1–6/2020)
- Non-performing loans remained low at 0.13% of loan book (0.11% 31 December 2020)
- Expected credit losses were 0.01% of the loan book
- Net fee and commission income grew to EUR 2.2 million (EUR 1.9 million 1–6/2020)
- Other income totaled EUR 2.4 million (EUR 1.1 million 1–6/2020) including valuation originated net income from securities trading EUR 0.7 million (EUR -0.1 million 1–6/2020)
- Total costs grew to EUR 8.7 million (EUR 8.1 million 1–6/2020) including EUR 1.9 million contribution to the Resolution Fund for the year 2021 (EUR 1.7 million 1–6/2020)
- Common Equity Tier 1 (CET1) ratio, calculated with standard and basic methods, was 13.3% (13.9% on 31 December 2020)
- Liquidity Coverage Ratio (LCR) was 170.9 % (194.5% on 31 December 2020).

GROUP'S KEY FIGURES

(1000 €)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
Net interest income	8 621	7 286	4 595	3 575	14 562
Net fee and commission income	2 204	1 875	1 335	1 034	3 675
Total other income	2 364	1 131	1 092	764	4 236
Total expenses	-8 736	-8 102	-3 657	-4 188	-14 429
Operating profit	4 453	2 189	3 364	1 185	8 044
Receivables from the public and public sector entities	2 615 585	2 505 422	2 615 585	2 505 422	2 510 910
Deposits	1 645 786	1 523 096	1 645 786	1 523 096	1 562 234
Balance sheet total	3 288 994	3 230 719	3 288 994	3 230 719	3 213 082
Return on equity % (ROE)	5,1	2,7	7,9	3,0	4,9
Common Equity Tier 1 (CET1) ratio	13,3	13,7	13,3	13,7	13,9
Cost-to-income ratio, %	66,3	78,4	52,1	77,1	63,9
Non-performing assets, % of the loan portfolio	0,13	0,24	0,13	0,24	0,11
LTV-ratio, % / Loan to Value, average, %	33,8	34,5	33,8	34,5	33,8
Loans / deposits, %	158,9	164,5	158,9	164,5	160,7
Liquidity Coverage Ratio (LCR), %	170,9	242,1	170,9	242,1	194,5
Net Stable Funding Ratio (NSFR), %	114,6	113,0	114,6	113,0	107,0
Leverage Ratio (LR), %	3,7	3,7	3,7	3,7	3,8

Calculation of key figures and definitions are set out below.

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HYPO GROUP

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

Our customer promise – a *secure way for better living* – guides all our operations. Nearly 28 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, payment cards and residential land trustee services. Suomen AsuntoHypoPankki Oy is a member of the Deposit Guarantee Fund and a wholly owned subsidiary of The Mortgage Society of Finland.

S&P Global Ratings (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

COVID-19 vaccine administrations continued during the second quarter of 2021. The world economy grows substantially this year, but the pace of growth varies between different countries and regions. New virus mutations cause uncertainty, albeit the progress of vaccinations of risk groups already enables opening the economy. The composite output Purchasing Manager’s index went up in the eurozone during the second quarter which predicts economic growth in manufacturing as well as in the service sector.

Non-financial sector companies’ stock prices increased by 8% and the equity prices of euro area banks by 11% from 11 March to 9 June. The Governing Council of ECB decided to hold the key interest rates unchanged in its meeting in June. In addition, net asset purchases will continue at least until the end of March 2022. ECB approved its new monetary policy strategy that adopts symmetric 2% inflation target over medium term. The announcement strengthened the expectations that interest rates will remain low also in the future. The long-term risk-free interest rates remained low in the eurozone and 12 months Euribor rate was close to –0.5% until the end of the second quarter.

The Finnish working day adjusted change of total output grew 7% in April and 9% in May from previous year’s corresponding months. The number of unemployed was higher than a year ago by 16 000 persons but the employment situation improved towards the end of the quarter. Since the pandemic struck in the second quarter of 2020, it’s reasonable to compare current unemployment numbers to corresponding ones from 2019. Thereby the number of unemployed was higher by 37 000 persons. Consumer confidence improved and reached its 3-year-peak in June.

According to preliminary data, prices of old dwellings went up in the second quarter by more than 5% from the previous year in the whole country. The corresponding price change was more than 6% in the metropolitan area while in the whole country excluding greater Helsinki prices rose by 4%. Home sales volumes went up in the whole country and average times to sale fell especially in the metropolitan area. The housing loan stock growth was 4.3% and the average interest rate on mortgage loans was 0.80% in the end of July.

The number of new approved building permits went up by 22.6% compared to the previous year between March and May. The year-on-year change in consumer prices was 2.0% in June.

KEY EVENTS

During the financial period, Hypo Group focused on strengthening its core businesses. The renewal project of the core banking system, launched in 2019, has progressed according to timetable specified in spring this year. The new solutions will be implemented phase by phase during the ongoing year 2021 and during the first part of the year 2022.

At the end of the financial period, the COVID 19 pandemic seemed to be calming down. The Group has practiced remote working and the instructions of the authorities since the beginning of the pandemic and has succeeded in maintaining a good ability to function throughout the pandemic. Customers have been guided to operate online or by telephone and they have been offered moratoria on loan repayments within the normal credit policy.

The pandemic has not had a major effect on credit demand as the number of loan applications has reached a historically high level during the financial period. The amount of non-performing loans remained on a low level and it is not expected to grow significantly during the next financial period. The Forward Looking Factor (FLF) affecting the amount of Expected Credit Losses (ECL) remained on its basic level and there have been no major changes in ECL levels or amounts.

Even though the pandemic has not yet had a major effect on the Hypo Group, the Group did prepare for future possible effects by making a supplementary provision of 32 thousand euros based on management judgement in 2020. The provision is allocated to loans on a certain ECL level and it has been made to cover the general uncertainty concerning the COVID 19 pandemic. The provision was kept unchanged.

RESULTS AND PROFITABILITY

April–June 2021

Hypo Group’s operating profit was EUR 3.4 million (EUR 1.2 million for April–June 2020). Income totaled EUR 7.0 million (EUR 5.4 million) and expenses EUR 3.7 million (EUR 4.2 million).

January–June 2021

Hypo Group’s operating profit was EUR 4.5 million (EUR 2.2 million for January–June 2020). Income totaled EUR 13.2 million (EUR 10.3 million) and expenses EUR 8.7 million (EUR 8.1 million). Income grew 28% from the previous year but expenses grew especially due to the growth of other operating expenses and the conservative expensing without activating the internal expenses of the core banking project. The largest single expense item was the yearly contribution to the Single Resolution Fund EUR 1.9 million (EUR 1.7 million) which grew by 11% from the previous year and represented as much as 22% of total expenses on the financial period. Net interest income grew 18% to EUR 8.6 million (EUR 7.3 million) due to lower funding costs and the growth of other interest income. Net fee and commission income totaled EUR 2.2 million (EUR 1.9 million).

Net income from investment properties (housing units and residential land) amounted to EUR 1.6 million (EUR 1.6 million), of which sale profit from investment properties were EUR 0.2 million (EUR 0.1 million).

Group’s cost-to-income ratio was 66.3% (78.4%). The strengthening was mainly due to the growth in operating income, which was 28% from the reference period.

Group’s other comprehensive income EUR 3.5 million (EUR 1.9 million) includes EUR 3.5 million (EUR 1.8 million) profit for the financial period as well as the change in the fair value reserve EUR -0.3 million (EUR 0.02 million) and the revaluation of defined benefit pension plans EUR 0.3 million (EUR 0.1 million).

PERSONNEL

On 30 June 2021, the number of permanent personnel was 57 (57 on 31 December 2020). These figures do not include the CEO and the deputy CEO.

ASSETS AND LIABILITIES

Lending

During the financial period, the loan portfolio grew 4% to EUR 2,615.6 million (EUR 2,510.9 million on 31 December 2020).

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

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

The amount of non-performing loans remained low at EUR 3.4 million (EUR 2.7 million), representing 0.13% (0.11%) of the loan portfolio.

Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totaled EUR 566.9 million (EUR 590.7 million on 31 December 2020), which corresponds to 17.2% (18.4%) of the total assets. The cash and cash equivalents which totaled EUR 563.9 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 35 months. The Liquidity Coverage Ratio was 170.9% (194.5%).

The defined benefit plans surplus of EUR 5.5 million (EUR 5.1 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 property in Hypo Group’s own use, the Mortgage House, is located in the center of Helsinki. The difference between the fair value and the book value of the properties totaled EUR 5.0 million (EUR 4.9 million). Group’s properties carry housing company loans for EUR 0.9 million (EUR 0.9 million).

Derivative contracts

The balance sheet value of derivative receivables was EUR 19.0 million on 30 June 2021 (EUR 26.7 million on 31 December 2020), and the value of liabilities was EUR 9.3 million (EUR 7.9 million).

Deposits and other funding

The total amount of deposits grew 5% and was EUR 1,645.8 million at the end of the financial period (EUR 1,562.2 million on 31 December 2020). The share of deposits accounted for 53.4% (51.9%) of total funding.

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

The share of long-term funding of total funding was 44.9% on 30 June 2021 (46.6%). The requirement to hold stable funding (Net Stable Funding Ratio, NSFR) entered into force on 28 June 2021. The Group's NSFR-ratio at the end of the financial period was 114.6% (107.0%)

The total funding grew 2% and was EUR 3,081.1 million at the end of the financial period (EUR 3,012.0 million).

RISK TOLERANCE AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 140.5 million (EUR 136.9 million on 31 December 2020). 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 30 June 2021 was 13.3% (13.9% on 31 December 2020). 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% (3.8%).

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

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

The Finnish Financial Stability Authority has made a decision on 28 April 2021 of setting a minimum requirement of own funds and eligible liabilities (MREL) as 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 and therefore it will not cause any need to increase MREL-eligible funds.

The information required by EU's Capital Requirements Regulation (EU) 575/2013 Part eight (ie. Pillar 3 -information) is published yearly for the most part. The key metrics are published semi-annually. The amending regulation (EU) 2019/876 (ie. CRR II) entered into force on 28 June 2021, connecting the disclosure requirements to the size and complexity of the institution. The Finnish FSA has classified the Mortgage Society of Finland as a small and non-complex institution, for whom the disclosure requirements were simplified in the amendment.

SUMMARY OF CAPITAL ADEQUACY

(1000 €)	**30.6.2021**	**31.12.2020**
Common Equity Tier 1 capital before deductions	140 455,6	136 949,6
Deductions from Common Equity Tier 1 capital	-15 077,2	-13 178,3
Total Common Equity Tier 1 capital (CET1)	125 378,4	123 771,3
Additional Tier 1 capital before deductions	-	-
Deductions from Additional Tier 1 capital	-	-
Total Additional Tier 1 capital (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	125 378,4	123 771,3
Tier 2 capital before deductions	-	-
Deductions from Tier 2 capital	-	-
Total Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	125 378,4	123 771,3
Total risk weighted assets	939 825,2	887 458,6
of which credit risk	880 010,0	840 689,8
of which market risk (foreign exchange risk)	-	-
of which operational risk	39 900,8	39 900,8
of which other risks	19 914,4	6 868,0
CET1 Capital ratio (CET1-%)	13,3	13,9
T1 Capital ratio (T1-%)	13,3	13,9
Total capital ratio (TC-%)	13,3	13,9
Minimum capital	5 000,0	5 000,0

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

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 30 June 2021, no significant changes have occurred in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

Share of people vaccinated against Covid-19 increases in Finland and main export countries enabling the economy to open gradually. Economic growth continues strong and broad-based although risks are still visible. Housing markets in the growth centers remain strong even after the coronavirus crisis. Urbanization continues and services in the cities recover steadily. Low interest rates, institutional investors and subsidized building support newbuilding activity to stay relatively stable. Housing loan demand remains strong in the growth centers.

Hypo Group focuses on renewal of its core systems and on strengthening its core business and expects the share of profit made by it to rise following the increase of net interest and net fee income. Capital adequacy and liquidity are expected to remain on a strong level.

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

Helsinki, 30 August 2021

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
Interest income	14 150,5	13 018,7	7 450,0	6 433,5	26 146,7
Interest expenses	-5 529,7	-5 732,6	-2 855,2	-2 858,5	-11 584,3
NET INTEREST INCOME	8 620,8	7 286,1	4 594,8	3 575,0	14 562,4
Fee and commission income	2 237,7	1 904,2	1 354,9	1 050,6	3 727,5
Fee and commission expenses	-34,0	-29,3	-20,4	-16,4	-52,1
Net income from securities and foreign currency transactions					
Net income from securities trading	686,8	-76,9	298,8	530,3	754,4
Net income from financial assets at fair value through other comprehensive income	0,0	0,0	0,0	0,0	207,6
Net income from hedge accounting	141,4	-342,3	12,9	-507,8	-47,7
Net income from investment properties	1 551,5	1 583,2	790,5	757,3	3 322,4
Other operating income	-15,5	-33,3	-10,2	-16,0	-0,7
Administrative expenses					
Personnel costs					
Wages and salaries	-3 340,4	-3 068,3	-1 688,6	-1 605,1	-6 028,5
Other personnel related costs					
Pension costs	-595,7	-532,5	-327,1	-283,4	-1 010,7
Other personnel related costs	-114,5	-74,5	-66,7	-30,0	-178,6
Other administrative expenses	-1 699,2	-1 649,1	-749,8	-912,5	-3 535,2
Total administrative expenses	-5 749,8	-5 324,5	-2 832,3	-2 830,9	-10 753,0
Depreciation and impairment losses on tangible and intangible assets	-438,1	-430,9	-220,2	-213,5	-893,7
Other operating expenses	-2 552,3	-2 309,9	-608,1	-1 095,9	-2 715,8
Net gains/losses on derecognition of financial assets measured at amortised cost	4,3	-36,4	3,4	-46,7	-67,0
Net gains/losses on derecognition of other financial assets	0,0	-0,8	0,0	-0,8	0,0
OPERATING PROFIT	4 452,7	2 189,4	3 364,1	1 185,2	8 044,4
Income taxes	-911,1	-414,1	-617,6	-188,8	-1 462,6
OPERATING PROFIT AFTER TAX	3 541,6	1 775,3	2 746,5	996,5	6 581,8
PROFIT FOR THE PERIOD	3 541,6	1 775,3	2 746,5	996,5	6 581,8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	1-6/2021	1-6/2020	4-6/2021	4-6/2020	2020
Profit for the period	3 541,6	1 775,3	2 746,5	996,5	6 581,8
Other comprehensive income items					
Items that may be reclassified subsequently to income statement					
Change in fair value reserve					
Financial assets at fair value through other comprehensive income	-306,8	17,8	-78,0	163,0	116,1
	-306,8	17,8	-78,0	163,0	116,1
Items that may not be reclassified subsequently to the income statement					
Revaluation of defined benefit pension plans	271,1	80,7	225,2	428,0	489,4
	271,1	80,7	225,2	428,0	489,4
Total other comprehensive income items	-35,7	98,5	147,2	591,0	605,5
COMPREHENSIVE INCOME FOR THE PERIOD	**3 505,9**	**1 873,8**	**2 893,7**	**1 587,5**	**7 187,3**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	30.6.2021	31.12.2020	30.6.2020
ASSETS			
Cash	322 500,0	359 150,0	331 000,0
Debt securities eligible for refinancing with central banks			
Treasury bills			
Other	227 348,3	219 333,5	267 381,4
Receivables from credit institutions			
Repayable on demand	13 994,4	9 182,5	14 781,7
Other	97,8	1 775,9	72,6
	14 092,2	10 958,4	14 854,4
Receivables from the public and public sector entities			
Other than those repayable on demand	2 615 584,6	2 510 909,8	2 505 422,3
Shares and holdings	132,4	132,4	132,4
Derivative financial instruments	19 002,2	26 731,9	26 583,4
Intangible assets			
Other long-term expenditure	8 564,2	6 840,2	5 159,8
Tangible assets			
Investment properties and shares and holdings in investment properties	58 743,0	57 569,4	59 737,4
Other properties and shares and holdings in real estate corporations	633,6	637,3	640,9
Other tangible assets	485,3	463,3	261,2
	59 862,0	58 670,0	60 639,5
Other assets	15 485,0	13 637,0	14 394,0
Accrued income and advances paid	6 415,6	6 719,4	5 152,0
Deferred tax receivables	7,3	0,0	0,0
TOTAL ASSETS	**3 288 993,8**	**3 213 082,5**	**3 230 719,1**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	30.6.2021	31.12.2020	30.6.2020
LIABILITIES			
Liabilities to credit institutions			
Central banks	100 000,0	100 000,0	100 000,0
Credit institutions			
Repayable on demand			
Other than those repayable on demand	2 220,4	3 331,7	4 442,0
	102 220,4	103 331,7	104 442,0
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand	915 209,3	872 258,3	764 355,8
Other	730 576,5	689 976,1	758 740,1
	1 645 785,8	1 562 234,4	1 523 095,9
Other liabilities			
Other than those repayable on demand	10 608,8	11 970,6	13 132,4
	1 656 394,6	1 574 205,0	1 536 228,3
Debt securities issued to the public			
Bonds	1 271 505,0	1 283 448,5	1 283 151,1
Other	50 994,6	50 987,8	105 438,1
	1 322 499,7	1 334 436,2	1 388 589,3
Derivative financial instruments	9 305,3	7 944,3	9 511,6
Other liabilities			
Other liabilities	43 587,7	39 410,2	45 566,7
Deferred income and advances received	4 671,5	6 937,3	5 001,5
Deferred tax liabilities	9 859,2	9 868,0	9 743,5
EQUITY			
Basic capital	5 000,0	5 000,0	5 000,0
Other restricted reserves			
Reserve fund	31 316,9	28 893,0	28 893,0
Fair value reserve			
From fair value recognition	564,3	871,1	772,8
Defined benefit pension plans	3 600,1	3 329,0	2 920,3
Unrestricted reserves			
Other reserves	22 923,5	22 923,5	22 923,5
Retained earnings	73 509,2	69 351,2	69 351,2
Profit for the period	3 541,6	6 581,8	1 775,3
	140 455,6	136 949,6	131 636,2
TOTAL LIABILITIES	**3 288 993,8**	**3 213 082,5**	**3 230 719,1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2020	5 000,0	25 490,5	3 594,5	22 923,5	72 753,8	129 762,3
Profit for the period					1 775,3	1 775,3
Other comprehensive income						
Profit use of funds		3 402,5			-3 402,5	0,0
Financial assets at fair value through other comprehensive income						
Change in fair value			22,1			22,1
Change in deferred taxes			-4,3			-4,3
Revaluation of defined benefit plans						
Actuarial gains / losses			100,9			100,9
Change in deferred taxes			-20,2			-20,2
Total other comprehensive income	0,0	3 402,5	98,5	0,0	-3 402,5	98,5
Equity 30 June 2020	**5 000,0**	**28 893,0**	**3 693,1**	**22 923,5**	**71 126,6**	**131 636,2**
Equity 1 January 2021	5 000,0	28 893,0	4 200,0	22 923,5	75 933,1	136 949,6
Profit for the period					3 541,6	3 541,6
Other comprehensive income						
Profit use of funds		2 423,8			-2 423,8	0,0
Financial assets at fair value through other comprehensive income						
Change in fair value			-383,4			-383,4
Change in deferred taxes			76,7			76,7
Revaluation of defined benefit plans						
Actuarial gains / losses			338,9			338,9
Change in deferred taxes			-67,8			-67,8
Total other comprehensive income	0,0	2 423,8	-35,7	0,0	-2 423,8	-35,7
Equity 30 June 2021	**5 000,0**	**31 316,9**	**4 164,4**	**22 923,5**	**77 050,8**	**140 455,6**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	**1-6/2021**	**1-6/2020**
Cash flow from operating activities		
Interest received	14 627,7	16 043,7
Interest paid	-7 789,4	-7 940,3
Fee income	2 225,1	2 002,7
Fee expenses	-34,0	-29,3
Net income from securities and foreign currency transactions	686,8	-76,9
Net income from hedge accounting	141,4	-342,3
Net income from investment properties	1 384,7	1 790,7
Other operating income	-15,5	-33,3
Administrative expenses	-5 897,5	-3 456,1
Other operating expenses	-2 563,5	-2 318,8
Expected credit losses	4,4	-37,2
Income taxes	-1 021,5	-1 206,9
Total net cash flow from operating activities	**1 748,6**	**4 396,2**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-89 888,8	86 862,7
Collateral, derivatives	-11 798,9	3 336,3
Investment properties	-1 626,7	1 717,5
Operating assets increase (-) / decrease (+) total	**-103 314,4**	**91 916,5**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	83 551,4	-105 697,0
Operating liabilities increase (+) / decrease (-) total	**83 551,4**	**-105 697,0**
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**-18 014,4**	**-9 384,4**
Cash flows from investments		
Change in fixed assets	-2 180,5	-1 969,4
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-2 180,5**	**-1 969,4**
Cash flows from financing		
Bank loans, new withdrawals	7,2	100 021,0
Bank loans, repayments	-1 118,6	-81 908,2
Other liabilities, increase (+) / decrease (-)	-1 349,2	-1 157,2
Bonds, new issues	10 905,1	9 846,3
Bonds, repayments	-13 758,0	-7 231,4
Certificates on deposit, new issues	60 048,4	110 510,9
Certificates on deposit, repayments	-60 041,5	-41 556,0
NET CASH FLOWS ACCRUED FROM FINANCING	**-5 306,5**	**88 525,4**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-25 501,4**	**77 171,6**
Cash and cash equivalents at the beginning of the period	**589 441,9**	**536 064,1**
Cash and cash equivalents at the end of the period	**563 940,5**	**613 235,8**
CHANGE IN CASH AND CASH EQUIVALENTS	**-25 501,4**	**77 171,6**

NOTES

1. Key accounting policies

This Interim Report applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2020. 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 2021.

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 2020 and Stock Exchange Releases published during 1 January to 30 June 2021. The figures in the tables in the Release are presented in thousands of euros.

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

The Interim Report has been approved on 30 August 2021 by the Board of Directors of The Mortgage Society of Finland to be published on 31 August 2021. 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 housing company Bostadsaktiebolaget Taos is accounted for using IFRS 11 Joint Arrangements -standard. Assets, liabilities, revenue and expenses of the joint operations are recognized in relation to Hypo Group's interest in the joint operation. Inter-company transactions and balances between Group companies are eliminated.

2. New standards and interpretations

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

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

2.1. ESEF (European Single Electronic Format)

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

3. Issuances and repayments of debt securities and equity instruments

Issuances, repayments and repurchases of debt securities appear on cash flow statement for the period from 1 January to 30 June 2021. Equity instruments have not been issued nor repaid during the period from 1 January to 30 June 2021.

4. Capital Adequacy Information

Hypo Group's own funds and capital ratios

(1000 €)	30.6.2021	31.12.2020
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	5 000,0	5 000,0
of which: Basic capital	5 000,0	5 000,0
Retained earnings	73 509,2	69 351,2
Accumulated other comprehensive income and other reserves	58 404,7	56 016,6
Independently reviewed interim profits net of any foreseeable charge or dividend	3 541,6	6 581,8
Common Equity Tier 1 (CET1) capital before regulatory adjustments	140 455,6	136 949,6
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets	-6 851,4	-5 472,1
Deferred tax assets that rely on future profitability	-7,3	0,0
Value adjustments due to the requirements for prudent valuation	-258,0	-258,9
Defined-benefit pension fund assets	-7 960,6	-7 447,3
Total regulatory adjustments to Common Equity Tier 1 (CET1)	-15 077,2	-13 178,3
Common Equity Tier 1 (CET1) capital	125 378,4	123 771,3
Additional Tier 1 (AT1) capital	0,0	0,0
Tier 2 (T2) capital	0,0	0,0
Total capital (TC = T1 + T2)	125 378,4	123 771,3
Total risk weighted assets	939 825,2	887 458,6
Capital ratios and buffers		
Common Equity Tier 1 (CET1) as a percentage of total risk exposure amount	13,3	13,9
Tier 1 (T1) as a percentage of total risk exposure amount	13,3	13,9
Total capital as a percentage of total risk exposure amount	13,3	13,9
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), %	1,25	1,25
Commom Equity Tier 1 available to meet buffers, %	9,8	10,4

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 €)

	30.6.2021			
Credit and counterparty risks	Original exposure pre conversion factors	Exposure value	Risk weighted exposure amount after SME-supporting factor	Own funds requirement
Exposures to central governments or central banks	425 774,2	474 942,9	0,0	0,0
Exposures to regional governments or local authorities	114 126,1	121 481,1	0,0	0,0
Exposures to credit institutions	54 749,0	59 822,2	19 706,6	1 576,5
Exposures to corporates	52 400,5	29 535,5	19 633,4	1 570,7
Retail exposures	53 826,9	13 590,3	8 919,2	713,5
Exposures secured by mortgages on immovable property	2 737 446,5	2 604 844,8	768 309,5	61 464,8
Exposures in default	2 907,9	1 864,5	1 868,2	149,5
Exposures in the form of covered bonds	10 885,7	10 885,7	1 088,6	87,1
Other items	60 984,4	60 984,4	60 484,4	4 838,8
	3 513 101,1	3 377 951,5	880 010,0	70 400,8
Operational risk			39 900,8	3 192,1
Other risks			19 914,4	1 593,2
All items in total	**3 513 101,1**	**3 377 951,5**	**939 825,2**	**75 186,0**

(1000 €)

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

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

5. Contingent liabilities and other off-balance sheet commitments

(1000 €)	30.6.2021	31.12.2020
Commitments given on behalf of a customer for the benefit of a third party		
Guarantees and other liabilities	2 181,9	2 181,9
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	225 125,9	161 636,9
Total	227 307,9	163 818,8

6. Fair values of financial instruments

(1000 €)		30.6.2021	31.12.2020
Financial assets	Fair value determination principle	Käypä arvo	Fair value
Debt securities eligible for refinancing with central banks	A	227 348,3	219 333,5
Derivative contracts	B	19 002,2	26 731,9
Total		246 350,5	246 065,4
Financial liabilities			
Derivative contracts	B	9 305,3	7 944,3

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

Fair value determination principles:

A: Quoted price on an active market

B: Verifiable price, other than quoted

C: Unverifiable market price

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

7. Related party information

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

There have been no other material changes in the related party transactions since 31 December 2020.

8. IFRS 9 expected credit losses by stage

(1000 €)	Net book value	Expected credit loss allowance	Net book value	Expected credit loss allowance
	30.6.2021	**30.6.2021**	**31.12.2020**	**31.12.2020**
Receivables from the public and public sector entities				
Level 1, performing loans, no significant increase in credit risk	2 595 657,7	16,8	2 495 304,6	12,2
Level 2, performing loans with a significant increase in credit risk	16 517,5	62,7	12 938,2	72,4
Level 3, non-performing loans	3 409,4	130,1	2 667,0	244,3
Total	**2 615 584,6**	**209,6**	**2 510 909,8**	**328,9**
Debt instruments, FVOCI				
Level 1, performing loans, no significant increase in credit risk	114 099,4	0,0	118 713,9	0,0
Other assets, trade receivables				
Level 1, performing loans, no significant increase in credit risk	281,7	0,0	255,3	0,0
Off-balance sheet commitments; granted but undrawn loans				
Level 1, performing loans, no significant increase in credit risk	225 125,9	0,0	161 636,9	0,0

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

(1000 €)	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact	Net expected credit losses with P&L impact
	1–6/2021	**1–6/2020**	**4–6/2021**	**4–6/2020**	**1–12/2020**
Receivables from the public and public sector entities					
Level 1, performing loans, no significant increase in credit risk	-4,7	-1,1	-0,3	-6,8	8,2
Level 2, performing loans with a significant increase in credit risk	9,7	-36,8	-2,6	-39,9	-27,5
Level 3, non-performing loans	114,2	1,4	0,0	-0,3	-48,2
Total	**119,3**	**-36,4**	**-2,8**	**-47,0**	**-67,5**
Debt instruments, FVOCI					
Level 1, performing loans, no significant increase in credit risk	0,0	-0,8	0,0	-0,8	0,0
Other assets, trade receivables					
Level 1, performing loans, no significant increase in credit risk	0,0	0,0	0,0	0,0	0,0
Off-balance sheet commitments; granted but undrawn loans					
Level 1, performing loans, no significant increase in credit risk	0,0	0,1	0,0	0,3	0,4

9. IFRS 15 Income distribution

Group's total income
(1000 €)

	1–6/2021	1–6/2020	4–6/2021	4–6/2020	2020
Interest income	14 150,5	13 018,7	7 450,0	6 433,5	26 146,7
Interest expense	-5 529,7	-5 732,6	-2 855,2	-2 858,5	-11 584,3
Net interest income	8 620,8	7 286,1	4 594,8	3 575,0	14 562,4
Net fee income					
from lending operations	954,7	955,2	552,4	539,5	1 837,2
from land trustee services	1 044,1	638,0	655,0	333,5	1 409,7
from other operations	204,8	281,7	127,1	161,2	428,5
Total net fee income	2 203,6	1 874,9	1 334,5	1 034,2	3 675,4
Net income from treasury operations	828,1	-419,1	311,8	22,5	914,3
Net income from investment properties	1 355,7	1 447,0	675,5	724,1	2 999,9
Capital gains on investment properties	195,8	136,3	115,0	33,2	322,5
Other income	-15,5	-33,3	-10,2	-16,0	-0,7
Non-interest income	2 364,2	1 130,8	1 092,0	763,8	4 236,0
Total income	13 188,6	10 291,8	7 021,3	5 373,1	22 473,8

10. IFRS 16 Leases

Hypo Group as lessee
(1000 €)

Right-of-use assets	1–6/2021	1–6/2020	2020
Depreciation - IT	0,0	18,0	35,9
Depreciation - Apartments	112,9	101,2	217,2
Carrying amount - IT	0,0	53,9	35,9
Carrying amount - Apartments	194,9	313,5	223,6
Lease liabilities			
Interest expense	3,3	6,2	11,3
Carrying amounts sorted by remaining maturity			
Non-fixed-term leases	196,1	370,5	265,0
Relief options			
Expenses from leases of low-value assets	4,4	2,7	7,6

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

Hypo Group as a lessor
(1000 €)

Operative leases	1–6/2021	1–6/2020	2020
Lease income	1 168,3	1 204,9	2 417,3
Undiscounted lease payments to be received			
1 year	811,2	866,7	857,0
2 year	452,0	603,6	500,3
3 year	207,6	497,2	304,7
4 year	206,6	252,8	207,0
5 year	181,7	251,8	193,1
>5 years	5 508,3	7 477,2	5 580,5

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

11. Information concerning asset encumbrance

30 June 2021

(1000 €)	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
		of which notionally elligible EHQLA and HQLA		of which notionally elligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
A - Assets	1 772 639		1 772 639		1 516 354		1 516 354	
Equity instruments					132		132	
Debt securities	7 984	7 984	7 984	7 984	219 584	219 584	219 584	219 584
Other assets, including lending	1 764 655		1 764 655		1 296 638	322 500	1 296 638	

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	96 946

C - Encumbered assets and associated liabilities

	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	98 969	145 738
Debt securities issued to the public	1 272 258	1 609 373
Derivative contracts	5 585	17 528
Total	1 376 813	1 772 639

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 1,772.6 million, out of which of covered bonds were EUR 1,676.6 million on 30 June 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 219.6 million on 30 June 2021. EUR 600.2 million of unencumbered loans may be used as collateral for covered bonds.

31 December 2020

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

B - Collateral received

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

C - Encumbered assets and associated liabilities

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

D - Information on the importance of encumbrance

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

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

Information required by Part Eight of the Capital Requirements Regulation (EU) 575/2013

Template EU KM1 - Key metrics template

(1 000 €)		30.6.2021
		a
		T
	Available own funds (amounts)	
1	Common Equity Tier 1 (CET1) capital	125 378
2	Tier 1 capital	125 378
3	Total capital	125 378
	Risk-weighted exposure amounts	
4	Total risk exposure amount	939 825
	Capital ratios (as a percentage of risk-weighted exposure amount)	
5	Common Equity Tier 1 ratio (%)	13,3406
6	Tier 1 ratio (%)	13,3406
7	Total capital ratio (%)	13,3406
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)	
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1,2500
EU 7b	of which: to be made up of CET1 capital (percentage points)	0,7031
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	0,9375
EU 7d	Total SREP own funds requirements (%)	9,2500
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)	
8	Capital conservation buffer (%)	2,5000
9	Institution specific countercyclical capital buffer (%)	0,0005
11	Combined buffer requirement (%)	2,5005
EU 11a	Overall capital requirements (%)	11,7505
12	CET1 available after meeting the total SREP own funds requirements (%)	38 445
	Leverage ratio	
13	Total exposure measure	3 384 043
14	Leverage ratio (%)	3,7050
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)	
EU 14c	Total SREP leverage ratio requirements (%)	3,0000
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)	
EU 14e	Overall leverage ratio requirement (%)	3,0000
	Liquidity Coverage Ratio	
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	541 322
EU 16a	Cash outflows - Total weighted value	321 826
EU 16b	Cash inflows - Total weighted value	4 994
16	Total net cash outflows (adjusted value)	316 832
17	Liquidity coverage ratio (%)	170,8549
	Net Stable Funding Ratio	
18	Total available stable funding	2 425 372
19	Total required stable funding	2 116 367
20	NSFR ratio (%)	114,6007

Rows EU 8a, EU 9a, 10, EU 10a, Eu 14a ja EU 14d are not presented, as they have no information to be reported.
The template is disclosed for the first time and therefore data for previous periods is not presented.

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 currency operations and securities trading + 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, %

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

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 (excl. The CEO and the COO). Average number of personnel is calculated by dividing the sum of the number of permanent full-time personnel at the end of each month by the total number of months.

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

Non-performing assets, % of the loan portfolio

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

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

LCR-ratio, %

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

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

NSFR-ratio, %

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

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

Leverage Ratio, %

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

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

Common Equity Tier 1 (CET1) ratio %

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

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

Description of Alternative Performance Measures:

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

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

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

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

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

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

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

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

Average number of personnel describes the personnel resources available.

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

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 .

Opinion on the review of the 1 January – 30 June 2021 Interim Report of the Mortgage Society of Finland (Translation)

Introduction

We have performed a review of the Mortgage Society of Finland's balance sheet of 30 June 2021, income statement, statement of changes in equity and the cash flow statement for the six months period ended, as well as the summary of significant accounting policies and other Notes. The Board of Directors and CEO are responsible for preparing the Interim Report and ensuring it provides accurate and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved in the EU, and other statutes and regulations concerning the preparation of the Interim Report in effect in Finland. Based on the review we have performed, we are issuing an opinion on the Interim Report in accordance with the Securities Act Section 2, Article 5a(7).

Scope of review

The review was performed in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially narrower in scope than an audit conducted in accordance with international standards and recommendations 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 accompanying Interim Report is not prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the EU and other statutes and regulations concerning the preparation of the Interim Report in effect in Finland. The Report provides accurate and sufficient information on the financial standing of the entity on 30 June 2021 and the result and cash flows of its operations for the six months period ended.

Helsinki 31 August 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jukka Paunonen
Authorised Public Accountant (KHT)