HYPO

THE MORTGAGE SOCIETY OF FINLAND

ANNUAL REPORT 2015

Contents

Secure way for better living. 3
Better living – Hypo at your service 4
CEO's review 6
A strategy of determined growth 8
Sharper focus for Hypo in the 21st century . 10
A home financing specialist
with a 155-year history. 12
Hypo year - financiel key figures 14
Hypo's management 16
Hypo's old style mortage bonds 17

FINANCIAL STATEMENTS 205 19
Annual report. 20
Income statement 25
Balance sheet 26
Change in equity 27
Cash flow statement. 28
Group's development 29
Accounting policies 30
Notes to the consolidated
income statement 34
Notes to the consolidated balance sheet . . 36
Notes concerning the capital adequacy
of the group and risk management 45
Statement of the Supervisory Board 56
Auditor's report 57
Corporate governance. 58
Personnel 61
Hypo's history in brief 62

Secure way for better living.

Hypo is the only national expert organisation specialising in home financing and housing in Finland. We offer all types of loan services for home financing: we grant mortgage and consumer loans for first-time and other homebuyers and for renovations. We continuously develop new ways and models of housing and home financing.

We offer safe deposit accounts for customers interested in saving and investing and also bonds for institutional investors.

Established 155 years ago, the Mortgage Society of Finland operates in the century-old Hypo House in the heart of Helsinki. We employ 50 home financing specialists. In addition, our customers have access to secure, user-friendly online and telephone banking services.

Our long-term focus on the housing market ensures our in-depth expertise. All of our customers benefit from our expertise through face-to-face meetings based on their individual needs. We know what is going on in the market, and we are able to advise and help our customers with their specific financing needs. Mortgage and consumer loans are tailored to our customers' actual needs, case by case.

As a housing market expert, Hypo actively participates in the public discussion on housing. We publish a quarterly Hypo Housing Market Analysis, with information about the market situation and its changes from the perspective of all stakeholders. Our regularly updated Housing Clinic blog discusses topical issues.

Hypo's operations are founded on its strong financial standing. Profitable growth over the long term strengthens our capital adequacy and enables us to continuously develop our services. Our customer promise –a secure way for better living – guides all of our operations. As many as 25,000 customers, mainly in growth centres, have already taken us up on our promise.

Hypo's balance sheet stood at EUR 1.96 billion at the end of 2015. Its loan portfolio was EUR 1.42 billion, and its deposit base reached EUR 1.04 billion. Hypo's core capital adequacy ratio was 13.8%, calculated using conservative risk weights in accordance with standard methods. Its operating profit reached last years level at EUR 7.5 million.

The Mortgage Society of Finland constitutes the core of Hypo Group. Established in 1860, it is the oldest nationwide private credit institution in Finland. Hypo Group also includes Suomen AsuntoHypoPankki Oy, a deposit bank founded in 2002. Hypo is a member of the Federation of Finnish Financial Services and a founding member of Nordiska Realkredit Samrådet, the federation of Nordic mortgage banks. In addition, Hypo is a member of the International Union for Housing Finance and the Mortgage Bankers Association.

All of Hypo's operations are monitored by the Finnish Financial Supervisory Authority. Hypo publishes its financial results on a quarterly basis.

Better living – Hypo at

Hypo is a mutual company governed by its member customers. It is independent of all banking and insurance companies. We provide our customers with the full range of home financing services, without a requirement for them to change banks or to concentrate their banking with us.

We have been there for our customers since 1860. Our experts continue to serve our customers in all aspects of buying a home. We grant loans to our customers, and they can count on our support even in times of trouble. We help them find a way out of difficulty; for example, we have rental apartments available for acute needs.

However, it is key to prepare for uncertainties in advance. We tailor each loan and the related services to the customer's individual needs. We help our customers make good decisions that bring stability and security to their life. In addition to financial calculations, we draw up a secure financing solution tailored to the every customer's situation.

We offer a diverse range of easy and flexible financing solutions for housing companies. Our loans take account of the individual needs of housing companies and their shareholders. When Hypo participates in planning a renovation project from its beginning, we offer optimal financing solutions for the shareholders of the housing company.

Loans

HYPO HOME LOAN
Our experts will tailor a mortgage loan that is secure and meets your specific needs.

HYPO REVERSE
A reverse mortgage helps you enjoy retirement and make your dreams come true.

ASP LOAN
We help you buy your first home and answer any questions you may have about this big decision.

LOAN INSURANCE
Hypo Loan Insurance is an insurance policy that gives you financial protection if you fall ill or lose your job. You can take out an individual insurance or an insurance policy for you and your partner.

CONSUMER LOAN
Make use of your housing property assets and apply for a consumer loan. You will get an offer within a few banking days.

HOUSING COMPANY LOANS
We offer a diverse range of easy and flexible financing solutions for housing companies. We always take account of the individual needs of housing companies and their shareholders.

INVESTMENT APARTMENT LOAN
No two apartment investors are alike. Our experts help investors find the best solution in various financing situations.

your service

Hypo serves savers and investors alike. For investors, we offer secure and profitable deposit accounts and retail bonds.

Home savings accounts intended for children and young people are ideal for parents and grandparents who want to start saving for an apartment for their children and grandchildren.

Deposits and investments

DEPOSIT ACCOUNT

Hypo Deposit Account is a special savings account. It enables you to grow your contingency fund profitably and effortlessly.

FIXED-TERM DEPOSIT

Choose a fixed-term deposit when you will not be needing to access your assets for a while and you want a guaranteed yield.

HYPO RETAIL BOND

Hypo Retail Bond is ideal for anyone looking for a safe and stable investment. It is a secure fixed-income investment and involves no equity risk or third-party company risk.

Saving for housing

HYPO BABY

Hypo Baby is an account that enables grandparents, godparents and other relatives to start saving for a first home for children.

HYPO TEEN

Start saving for your first home before you come of age. The Hypo Teen account is a fast and effortless way to your first home.

HYPO ASP

Take the first step towards becoming a homeowner. Our experts will draw up a savings plan and help you buy your first home.

Card

HYPO MASTERCARD

Hypo MasterCard is an international charge and credit card that you can use to securely pay for your minor and major purchases around the world.

Hypo is nearing a loan portfolio of EUR 2 billion

This is my fourth CEO's review. I am writing this in a situation where Hypo's focus on home financing and housing – its special purpose – has laid a solid foundation for continuous operational development.

In 2015, Hypo took significant steps forward, in terms of both structure and business operations, even though the news from home and abroad created uncertainty in the political and economic operating environment rather than trust.

However, the trust in Hypo's future is very strong: in August 2015, we announced that Standard & Poor's had assigned us a rating of BBB and had also rated Hypo as the second most solvent bank in the Nordic countries, considering the risk level (RAC) of business operations. On 29 January 2016, the Financial Supervisory Authority licensed Hypo to engage in mortgage credit bank operations and to issue covered bonds.

Hypo now has access to both the Finnish and international funding markets and to nearly all funding sources for bank operations, with the exception of funding for payment transactions – that is, current accounts, an area we are very likely not to enter even in the future.

In my first CEO's review in February 2013, I wrote that Hypo's operations nearly tripled during the term of honorary financial counsellor

Matti Inha as the CEO, amidst financial and national crises of historic proportions, with a personnel of 30 home financing professionals on average. At the time, we decided that we must be able to do the same – that is, triple our operations by 2020.

Now is a good time for an interim review. Hypo's loan portfolio stands at EUR 1,422 million, representing an increase of EUR 697 million, or 96 per cent, in comparison to the end of 2012. Our deposit base totals EUR 1,040 million, marking an increase of EUR 732 million, or 238 per cent. Our balance sheet stands at EUR 1,960 million, representing an increase of EUR 1,048 million, or 115 per cent. Our equity totals EUR 100 million, marking an increase of EUR 20 million, or 25 per cent. Our return on equity is 6.3 per cent. This is a good level, in my opinion, considering the low risk level of our business operations and the zero interest rate policy prevailing in our operating environment. All of the figures listed above show that we are headed in the right direction. However, they are not yet sufficient for a bank that wants to stay independent.

Back in 2013, I did not write about liquidity, which today is extremely significant for Hypo and other banks. Since the end of 2012, Hypo's liquidity has increased to EUR 451 million and meets the applicable statutory and rating agency requirements. Over a period of three years, our liquidity has improved by EUR 309 million, or 218 per cent. It now covers our payment obligations for 22 months. The opportunity of issuing covered bonds will further improve our liquidity.

The loan applications submitted to Hypo in 2013–2015 totalled EUR 4.1 billion. During the same period, we granted a total of EUR 1.6 billion in loans, or 40 per cent of the total amount of the applications. Our lending has been and continues to be based on a conservative, highly effective credit policy. Non-performing assets constitute only 0.16 per cent of our loan portfolio, which is a record low level in the banking sector. In addition, our impairment losses are practically non-existent. Our loan-to-value ratio is currently 41 per cent, and we have nearly EUR 9.5 billion in collateral within our control in major growth centres in Finland. It is safe to say that our loan and collateral portfolio is one of the best sources of covered bonds in Finland.

We have achieved all of this with a personnel of 50 home financing professionals on average. Our operating profit per permanent employee was EUR 150,000 in 2015. In 2012, our operating profit was EUR 170,000 per permanent employee. The difference is explained by changes in the regulatory environment. Along with other banks, Hypo has increased its competence in administration, finances, risk management and internal auditing while also strengthening the independent role of these functions.

We have now achieved two-thirds of the targets set in 2012. I believe that our lending – our special purpose – will exceed EUR 2.0 billion at the latest in 2018, two years earlier than planned. Naturally, this presupposes that the political and economic operating environment will not continue to weaken permanently and that urbanisation will continue in Finland as expected – the signs are strongly pointing in this direction. It also presupposes that the forthcoming amendments to bank regulations (BASEL IV, etc.) will not have significant, unexpected effects on small, independent banks that operate in a similar way to mortgage credit banks.

Urbanisation is a powerful trend in society at the moment. It poses both challenges and opportunities. Large cities are growing and all types of homes are needed, which ensures sufficient demand and growth potential for the only bank specialising in home financing and housing in Finland. Hypo is all set to increase its lending and the related products, services and business operations. We will succeed if we help our customers buy their dream homes while also meeting the expectations of our providers of funding with regard to returns, ensuring profitability and managing risks effectively, serving as a trusted partner for both parties.

I would like to take this opportunity to thank all of our employees and all of the members of our administrative bodies for their hard work and high level of commitment over the past three years. In particular, I would like to thank lawyer Väinö Teperi, Vice Chair of the Supervisory Board of the Mortgage Society of Finland, for his long career and support, which have helped Hypo fulfil its special purpose and grow. On 6 December 2015, the President of Finland awarded **Väinö Teperi** with the insignia of Knight, First Class, of the Order of the Lion of Finland for this work and for his other work for business and industry.

I would also like to extend my thanks to the resigning members of the Supervisory Board – managing director **Antti Arjanne**, managing director **Veikko M. Vuorinen** and **Jukka Räihä**, LLM (trained on the bench) – for their long-term work and support to develop the operations of the Mortgage Society of Finland.

Finally, I would like to thank ledger manager **Irma Könönen** for her career of more than 40 years in the banking sector and for having worked for the Mortgage Society for ten years. On my own behalf and on behalf of Hypo, I wish her a relaxing retirement, with long mornings.

Helsinki, 15 February 2016

Ari Pauna, CEO

According to Sari Lounasmeri, Chair of the Hypo Board of Directors, specialisation in the home financing market requires continuous, determined operational development.

Sari Lounasmeri, Chair of the Hypo Board of Directors, has great expectations for the future. Hypo has decided on a strategy of determined growth, and it wants to secure a permanent position as the leading operator in the mortgage market in growth centres in Finland.

In an environment of tough competition and increasingly strict regulations for banks, the competitive funding from diverse sources is an important cornerstone. Standard & Poor's Rating Services issued an international credit rating for Hypo in 2015. Hypo also prepared for restructuring so as to be able to issue covered bonds. Now it is focusing on working with Finnish and international investors.

"Our funding must always be competitive. Its renewal means determined work over the long term. Hypo was established 155 years ago, and we are thriving," says Lounasmeri.

Hypo is focusing on and specialising in housing and home financing in the Finnish mortgage market. This is generating both interest and questions among international investors.

"Advantages of the Finnish market include stability and a mortgage repayment system that prevents housing bubbles much more effectively than in Sweden, for example. And our limited liability housing company model is an excellent factor in the home financing equation," says Lounasmeri.

The growth strategy is based on a conscious decision by Hypo to increase its lending to customers. This requires continuous operational development on all fronts. The more varied funding is part of ensuring competitiveness.

The need for growth arises from a major change in the financial market, among other factors. The financial crisis caused banks and the financial market to be regulated more strictly. As part

A strategy of determined growth

of the regulation, tighter minimum requirements have been set for the own funds, capital adequacy and liquidity of credit institutions.

“The size and internal structures of a credit institution must be at a certain level so as to meet the requirements. Hypo is responding to this situation through determined growth and effective risk management.”

Competitive funding is part of customer service

In addition to bonds, deposits made by customers are an important part of funding. Interest rate levels are currently at a record low, causing pressures related to net interest income.

The competitive funding also plays a key role in developing customer service. It is reflected in incoming funds and lending alike. The price margin on mortgages is one of the elements that enables Hypo to be one of the leading operators and to continuously develop its operations.

“Naturally, the key financial figures must be at a good level. We must also continuously improve customer service. We have qualified experts specialising in the mortgage market. As an expert operator, we have the ability to genuinely listen to our customers and respond to their requirements and expectations and to develop and introduce new products and services,” says Lounasmeri.

She points out that the better Hypo is able to serve new customers, the better it will be able to serve its existing customers.

Sharper focus for Hypo in the 21st cent

Since the turn of the century, the Mortgage Society of Finland (Hypo) has been focusing on and specialising in housing and home financing. Hypo entered the new millennium as a lender for limited liability housing companies, but decided on a new strategy: growth and the expansion of its customer base to cover households and their home financing.

Jukka Räihä, LL.M. (trained on the bench), joined the Supervisory Board in 2003 and served as Chairman of the Annual General Meeting of the Mortgage Society of Finland for several years. In his opinion, Hypo made exactly the right decision.

"Hypo grew rapidly, and its profitability improved. Coming from banking, I was all for the new strategy, even back then. Now we can see that it was implemented smoothly and successfully."

The focus on mortgages and financing for residential construction required structures and operations to be developed to match the goals. **Matti Inha**, Honorary Financial Counsellor, became the CEO of Hypo in 2002. He was in charge of the strategy process. **Jarmo Leppiniemi** was serving as Chairman of the Board at the time and had a strong impact.

According to Räihä, Inha created an atmosphere of innovation and rapid but controlled changes. One of the key decisions was to found AsuntoHypoPankki, a subsidiary of the Mortgage Society of Finland. Refinancing developed onto a new level, as the bank was able to take in deposits from customers and reach new loan customers in the process.

"Establishing AsuntoHypoPankki was definitely a key factor. It strengthened our position significantly. We also issued bonds and bank certificates, which supported the change," says Räihä.

Over a period of just ten years, the Mortgage Society of Finland Group nearly tripled its loan portfolio and balance sheet total and doubled its customer base.

Its focus on housing and home financing also meant that professional skills and the fluent management of affairs became critical.

"We became a specialist business that focuses on one area of expertise and therefore needed to be better than our competitors. We promised our customers that we provide leading expertise in home financing, and we needed to stick to our promise," says Räihä.

This required continuous training and process development in particular. Nearly all of Hypo's customer service employees are licensed real estate agents.

Jukka Räihä has been a member of the Supervisory Board of Hypo since 2003. He will resign in spring 2016.

Hypo also continuously develops new models of housing and home financing. When Inha served as CEO, Hypo introduced reverse mortgages, which enable seniors to convert their apartments into cash while continuing to live there.

Räihä is also proud of the quarterly Hypo Housing Market Analysis, which explains the economy to customers comprehensibly. The first Hypo Housing Market Analysis was published in summer 2002. The publication provides the unembellished truth about the market situation, good or bad.

Progress in funding

The financial crisis caused the authorities to impose significantly stricter regulations on banks, particularly in Europe. Their own funds, capital adequacy and liquidity, among other aspects, are monitored more closely than before.

The continuous development of refinancing has been and continues to be a key goal in the twenty-first century. In 2013, Hypo issued its first bond outside Finland in more than 100 years. In early 2016, Hypo completed its licence process for mortgage credit bank operations. This enables it to issue covered bonds in the future.

"In terms of significance, the project concerning covered bonds can well be compared to the establishment of AsuntoHypo-Pankki. At the time, we ensured the growth and continuity of our operations. Now we are strengthening our position as a provider of home financing in growth centres," says Räihä.

"Naturally, we must continue to ensure the effective management of interest rate, refinancing and credit risks. Capital adequacy management also plays an important role in international markets."

Ari Pauna became CEO while Räihä was serving on the Supervisory Board. Pauna previously worked as COO and became the first CEO in 45 years to be selected from within Hypo. With more than ten years of experience, Räihä is confident about the future.

"Residential construction will continue in our main market areas, meaning that we will continue to reach new customers and implement new financing projects. Hypo is counted among the good banks."

A home financing sp

The Mortgage Society of Finland is the second oldest financial institution in the country after the Bank of Finland. It played a key role in establishing the markka, the Finnish currency. As a specialist in its field, it played a significant role in providing financing for agriculture and residential construction.

Over the course of 155 years, the Mortgage Society of Finland has developed into an all-round expert in home financing and housing. A mutual association owned by its members continues to constitute its core. The modern Hypo Group meets the needs of customers and modern financial markets.

Alexander II of Russia reformed the Grand Duchy of Finland

The establishment of the Mortgage Society of Finland was one of the earliest reforms implemented by Alexander II during his term of office. During his term, steam-sawing operations and trading in land were deregulated in the Grand Duchy of Finland. The Finnish *markka* was established, the first railway was built, the Diet of Finland began to convene again, and Finnish became an official language alongside Swedish.

The Mortgage Society of Finland was modelled on Swedish and German mortgage societies. Its operating principle was to acquire funds from investors against bonds and grant stable long-term loans against mortgages.

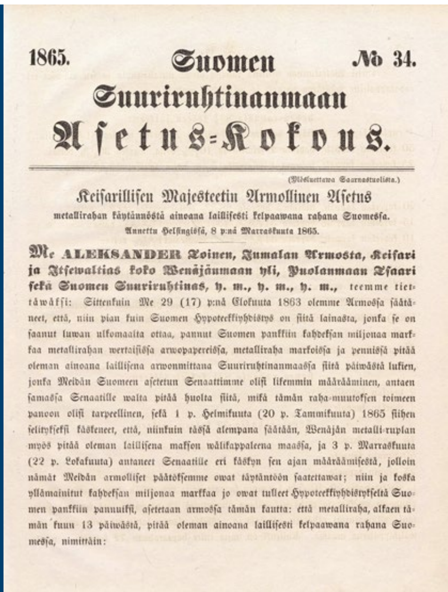
The Mortgage Society of Finland was founded by means of His Imperial Majesty's Gracious Proclamation on 25 May 1859. The Senate ratified the rules of the Mortgage Society of Finland on 24 October 1860. Lending began in February 1862. Loans were mainly granted in the form of the Society's own bonds.

At the time, the Grand Duchy of Finland was an agricultural country, and a financial institution was needed to develop farms.

Key role in establishing the Finnish mark

A national currency had been established for Finland in 1860, but the Finnish mark was tied to the Russian financial economy. The establishment of a genuinely national currency required a sufficient reserve with the central bank.

Securing a foreign loan for the Bank of Finland was not politically possible, as the leaders of Russia were nervous about the uprising in Poland in 1863, among other developments. Senator of Finance J.V. Snellman came up with the idea of acquiring a loan for the Mortgage Society, which would



1865. Suomen Suuriruhtinanmaan Asetus-Kokous. № 34.

(Wäsluettawa Saarnastuolista.)

Keisarillisen Majesteetin Armollinen Asetus metallirahan käytännöstä ainoana laillisesti kelpaawana rahana Suomessa.

Annettu Helsingissä, 8 p:nä Marraskuuta 1865.

Me ALEKSANDER Toinen, Jumalan Armosta, Keisari ja Itsewaltias koko Wenäjänmaan yli, Puolanmaan Tsaari sekä Suomen Suuriruhtinas, y. m., y. m., y. m., teemme tiettäwäksi: Sittenkuin Me 29 (17) p:nä Elokuuta 1863 olemme Armossa säätäneet, että, niin pian kuin Suomen Hypoteekkiyhdistys on siitä lainasta, jonka se on saanut luwan ulkomaalta ottaa, pannut Suomen pankkiin kahdeksan miljonaa markkaa metallirahan wertaisissa arwopapereissa, metalliraha markoissa ja penneissä pitää oleman ainoana laillisena arwonmittana Suuriruhtinanmaassa siitä päiwästä lukien, jonka Meidän Suomeen asetetun Senaattimme olisi likemmin määrääminen, antaen samassa Senaatille walta pitää huolta siitä, mikä tämän raha-muutoksen toimeen panoon olisi tarpeellinen, sekä 1 p. Helmikuuta (20 p. Tammikuuta) 1865 siihen selitykseksi käskeneet, että, niinkuin tässä alempana säätään, Wenäjän metalli-ruplan myös pitää oleman laillisena makson wälikappaleena maassa, ja 3 p. Marraskuuta (22 p. Lokakuuta) antaneet Senaatille eri käskyn sen ajan määräämisestä, jolloin nämät Meidän armolliset päätöksemme owat täytäntöön saatettawat; niin ja koska yllämainitut kahdeksan miljonaa markkaa jo owat tulleet Hypoteekkiyhdistykseltä Suomen pankkiin pannuiksi, asetetaan armossa tämän kautta: että metalliraha, alkaen tämän kuun 13 päiwästä, pitää oleman ainoana laillisesti kelpaawana rahana Suomessa, nimittäin:

▲ A bond of the Mortgage Society of Finland from 1 September 1884.

◄ His Imperial Majesty's Gracious Proclamation No. 34 on 8 November 1865. On 13 November 1865, the Finnish mark was made the only instrument of payment in Finland.

J.V. Snellman served as Managing Director of the Mortgage Society of Finland from 1869 to 1881.

ecialist
with a 155-year history

deposit it with the Bank of Finland to serve as a silver reserve for the Finnish mark.

M.A.V. Rothschild & Söhne in Frankfurt am Main granted a loan of 3 million Prussian thalers to the Society, which deposited 8 million Finnish marks with the Bank of Finland. As a result, Finland had its own, stable currency as of 1865.

The operation enabled the Mortgage Society of Finland to grant more loans to Finnish farms. However, customers were burdened by poor crops and weak exports, which caused crises for the Society. After the late nineteenth century, this pattern repeated itself in the early twentieth century: a high level of lending during upswings in the economy was followed by difficulties. Help was needed and received from the government, as loans granted by the Mortgage Society were needed in agriculture.

Towards home financing

A major change began to take place in the Mortgage Society's operations during the boom in home construction after the Second World War. The Society managed to secure for itself a share of the home financing market.

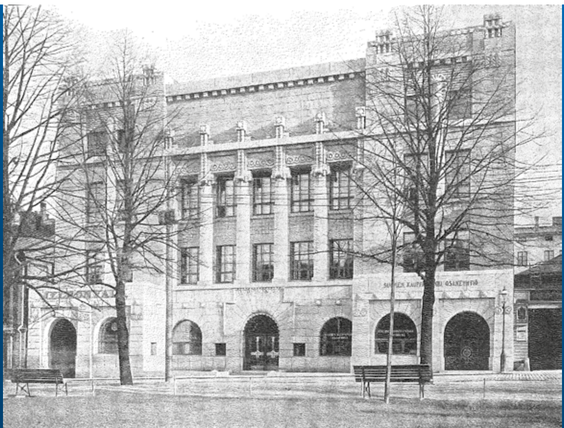
Close cooperation with commercial banks and Postipankki provided the Society with access to a national network of operations and financing. Urbanisation and the boom in construction continued in the 1960s and 1970s.

The Mortgage Society became familiar with lending for urban properties after the administrative affairs of the Housing Mortgage Bank of Finland were transferred to the Society. The Housing Mortgage Bank of Finland had been established by key organisations in the real estate sector in 1927. After decades of cooperation and coexistence, the Mortgage Society of Finland and the Housing Mortgage Bank of Finland were merged in 1979.

The Finnish financial market was deregulated in the mid-1980s. The Mortgage Society was able to resume its original operating principle of acquiring funds from the capital market for granting long-term loans.

Its independent status grew stronger towards the end of the millennium. The banking market had become market-based, which enabled the Society to operate extensively and develop its lending operations. Although economic downturns repeatedly caused difficulties for the Mortgage Society in the twentieth century, its financial statements showed a profit even during the worst years of the major banking crisis in the 1990s, and the Society never needed any form of support from the government.

Sources
The First 125 Years of the Mortgage Society of Finland.
An original article by Jyrki Vesikansa in The First 140 Years of the Mortgage Society of Finland.
The Housing Mortgage Bank of Finland 1929–1979.

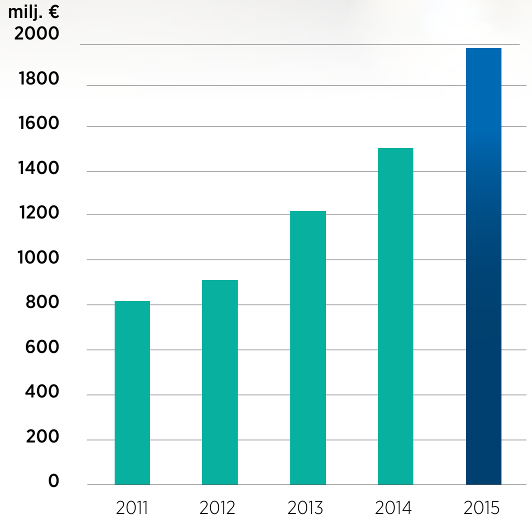


A property designed by Lars Sonck was completed for the Mortgage Society in 1909.

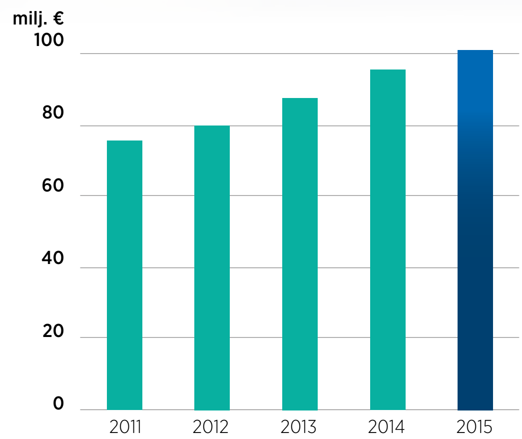
Hypo House near Old Church Park on Yrjönkatu in Helsinki has been the home of the Mortgage Society since 1937.

Hypo year 2015

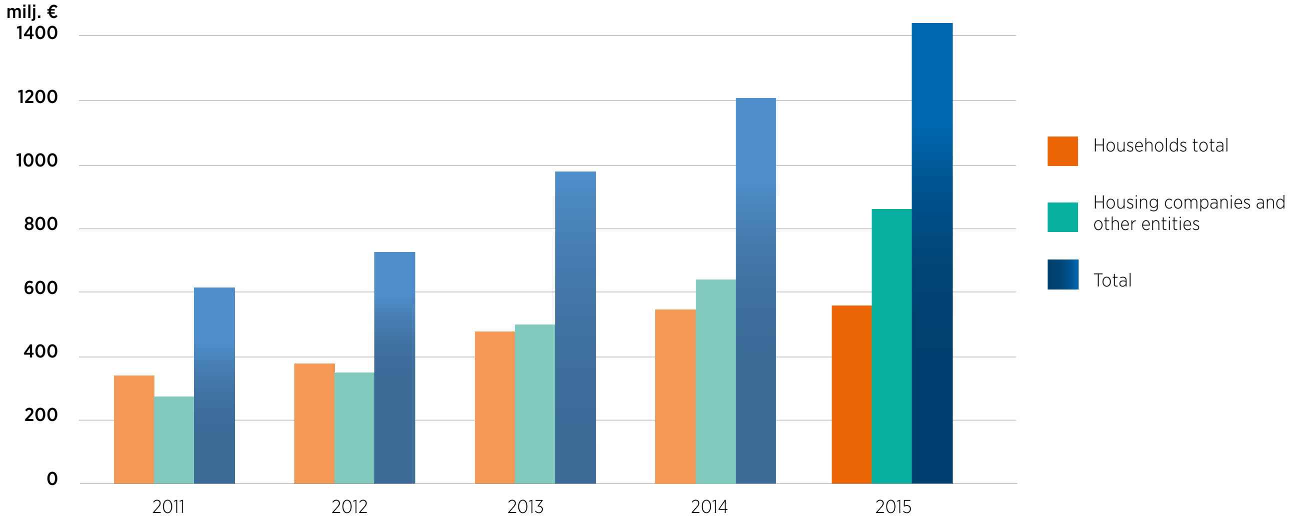
BALANCE SHEET TOTAL



EQUITY



LOAN PORTFOLIO



1

January

Elina Aalto becomes Director of Marketing and Communications

2

February

Extraordinary general meeting of the Mortgage Society of Finland

The Supervisory Board of the Mortgage Society of Finland and its auditors hold a meeting

Hypo holds a Credit Update event

Financial statements for 2014

3

March

Annual general meeting of the Mortgage Society of Finland

The meeting approves the change of rules, new rules applied

The Supervisory Board of the Mortgage Society of Finland holds a meeting

Hypo opens street-level office on Bulevardi

4

April

Tiina Helokivi becomes Financial Manager

Hypo Housing Market Analysis (Q1) is published

Interim report for Q1 is published

5

May

Hypo holds a Credit Update event

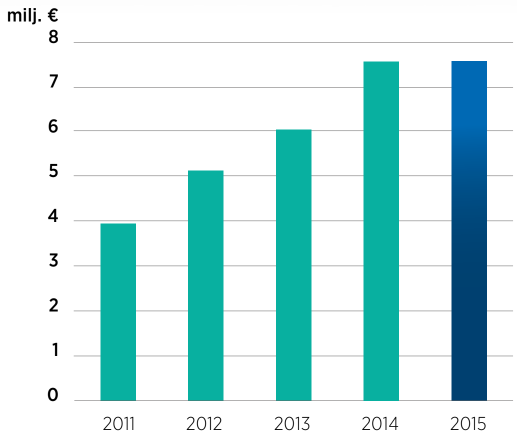
6

June

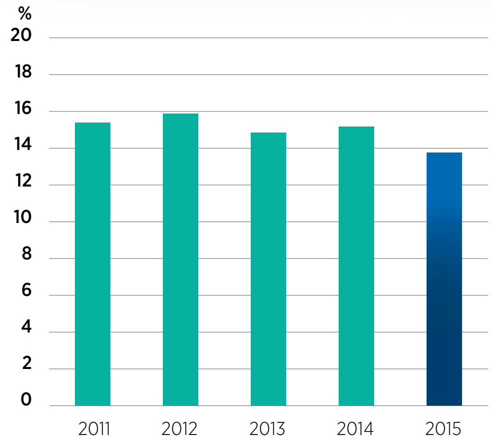
Hypo Housing Market Analysis (Q2) is published

Hypo Loan Insurance is introduced

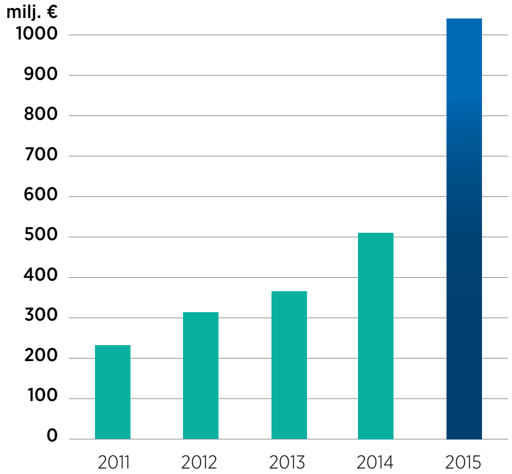
OPERATING PROFIT



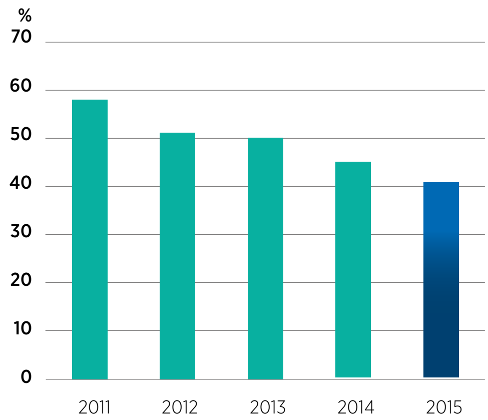
CAPITAL ADEQUACY
own funds



DEPOSITS, € million



LOAN-TO-VALUE RATIO



7

July

Pekka Turunen becomes ICT Manager

The first Hypo Economic Review is published

8

August

Revised Hypo Housing Market Analysis (Q3) is published

The Supervisory Board of the Mortgage Society of Finland and its auditors hold a meeting

Interim report for Q2 is published

Standard & Poor's Rating Services assigned an international credit rating for Hypo

9

September

Hypo holds a Credit Update event

Hypo received the Finnish Key Flag Symbol from the Association for Finnish Work

10

October

Interim report for Q3 is published

11

November

Deposit base exceeds EUR 1 billion

Hypo Housing Market Analysis (Q4) is published

Hypo issues Senior unsecured bond

Hypo holds a Credit Update event

12

December

Extraordinary general meeting of the Mortgage Society of Finland

MANAGEMENT OF THE MORTGAGE SOCIETY OF FINLAND AND SUOMEN ASUNTOHYPOPANKKI OY SINCE 1 JANUARY 2016

The extended management group standing from the left: Chief Risk Officer Mikko Huopio, Chief Economist and Research Director Juhana Brotherus, Chief Operating Officer Elli Reunanen, Director of Treasury and Funding Petteri Bollmann, CEO Ari Pauna, Director of Marketing, Communications and HR Elina Aalto and Chief Banking Officer Sami Vallinkoski.

Hypo's Old Style Mortgage Bonds

The table compares bonds (Old Style Mortgage Bonds) issued by the Mortgage Society of Finland with senior unsecured bonds and covered bonds issued by other credit institutions.

FACTOR	UNSECURED BOND ISSUED BY A BANK (FIN)	HYPO BOND (FIN)	COVERED BOND ISSUED BY A MORTGAGE BANK (FIN)
Age of instrument	Over 160 years	155 years	14 years
Statutory	No	Yes (served as a model for covered bonds)	Yes
Supervision	Financial Supervisory Authority	Financial Supervisory Authority	Financial Supervisory Authority
Creditor's position in case of bankruptcy	Below holders of securities	Practically similar to that of holders of securities through Hypo's balance sheet	Holder of security
Limitations and risk level	Normal	Operations are limited but allow for multiple sources of profit/low risk level	Operations are very limited/ low risk level
Corporate governance	Meets the requirements for listed companies	Upgraded in 2004/meets the requirements for listed companies	Meets the requirements for listed companies
Form of organisation/continuity of ownership	Usually a limited company/ can be taken over	Own/cannot be taken over in practice = continuity	Usually a limited company/ can be taken over
Collateral for lending/LTV ratio	No limit	Always required/max. 70%/in practice less than 60%	Always required/max. 60%–70%
Geographical distribution of loan portfolio	Finland	Helsinki Metropolitan Area/ Uusimaa region/ Growth Centres	Finland
Transparency of reporting	Complicated	Highly transparent	Transparent, but connected to the parent company
IFRS/IRBA (method with lower capital requirement)	Yes/Usually yes	Yes/No (only the standard method is used = higher capital requirement)	Yes/Usually yes

The information and conclusions in the table are general statements and opinions on the compared instruments and their issuers. These statements and opinions may include simplifications, as may the information in the table on which they are based. More detailed conclusions about the differences between the various instruments and issuers may only be made by evaluating and comparing the specific terms and conditions related to single issuances of instruments as well as the legislation pertaining to the instruments and their issuers.

FINANCIAL STATEMENTS 2015

Financial statements 2015

Annual report 20

Income statement. 25

Balance sheet 26

Change in equity 27

Cash flow statement 28

Group's development 29

Accounting policies 30

Notes to the consolidated
income statement. 34

Notes to the consolidated balance sheet 36

Notes concerning the capital adequacy
of the group and risk management 45

Statement of the Supervisory Board 56

Auditor's report 57

ANNUAL REPORT

THE MORTGAGE SOCIETY OF FINLAND GROUP

The Mortgage Society of Finland Group (hereinafter "Hypo Group") is an expert organisation specialising in home financing and housing in Finland. The Mortgage Society of Finland (hereinafter "Hypo") has its domicile and administrative headquarters in Helsinki. Hypo operates in the entire country of Finland, but its operations focus on Helsinki, the Helsinki Metropolitan Area, the Uusimaa region and other growth centres. Hypo, the parent of company of the Group, is a mutual company governed by its member customers. The company is an authorised credit institution.

Hypo Group's consolidated financial statements include Hypo (the parent company), Suomen AsuntoHypoPankki (hereinafter "the Bank"), a wholly-owned subsidiary of the parent company, and the housing company subsidiary Bostadsaktiebolaget Taos (hereinafter "Taos"), of which the parent company owns 59.5 per cent. AsuntoHypoPankki is a deposit bank that offers its customers secure deposit products, banking services for housing companies under construction, trustee services and credit cards. Since 2013, AsuntoHypoPankki has offered investment services related to its parent company's bonds. AsuntoHypoPankki is a member of the Deposit Guarantee Fund and Investor's Compensation Fund. Taos owns and manages the land and property where Hypo's customer service facilities are located and also rents out office premises from the property. Hypo Group's business operations constitute a single segment, retail banking.

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

GROUP STRATEGY AND GOALS

Hypo Group aims at steady and profitable growth in its secured loan portfolio and customer relationships while managing risks. Hypo Group aims to constantly complement its traditional home financing and housing products with new, alternative and customer-focused solutions. Profits will be used to maintain a high capital adequacy ratio and to develop competitive products for the benefit of customers. In accordance with the Group's strategy, the Board of Directors sets business targets for Hypo Group. These targets are confirmed, entered onto scorecards and monitored annually, with a focus on a strong common equity tier 1 ratio and low credit losses.

OPERATING ENVIRONMENT

During Hypo's 155th year of operation, housing prices increased slightly and rents continued to increase. Euribor rates continued to decrease.

During 2015, the prices of old apartments in housing companies increased by 0.6 per cent across the country. The prices of apartments in older buildings increased by 3.1 per cent in the Helsinki Metropolitan Area but decreased by 1.7 per cent elsewhere in Finland. Rents for privately financed apartments increased by 2.7 per cent during the year. The 12-month Euribor rate, which is the most common reference rate for mortgage loans, decreased by 0.27 percentage points during the year and was 0.060 per cent on 31 December 2015. (Source: Prices of dwellings in housing companies, 28 January 2016, and Rents of dwellings, 7 February 2014, Statistics Finland. Interest rate statistics of the Bank of Finland for 2015).

The annual growth of the mortgage loan portfolio slowed down and was 2.5 per cent in December 2015. (Source: MFI balance sheet and interest rates, 1 February 2016, Bank of Finland.) The annual change in the stock of household deposits was -1.0 per cent in December. The average interest rate of the stock of deposits in Finland stood at 0.30 per cent at the end of December 2015. Hypo Prime, the reference rate for Hypo Avista on demand deposits, decreased from 0.8 per cent to 0.5 per cent during the year.

Hypo continued to publish the Hypo Housing Market Analysis, a quarterly report. The report was revamped in 2016. It provides concise information about the housing market, market changes and other topical issues for those operating in the housing market. In July 2015, Hypo published its first economic review, which discusses the Finnish and global economic situation more extensively. Hypo's Economic Outlook for Finland will be published twice a year.

USE OF ASSETS AND FUNDING

Most of Hypo's assets are invested in lending. Some of its assets are invested in liquid assets, homes, residential land and car parks. Funding is acquired on market terms. Standard & Poor's Rating Services assigned an international credit rating (BBB/A-3) for Hypo in 2015.

Lending

Hypo has an entirely property-secured loan portfolio. Its loan-to-value (LTV) ratio was 41.06 per cent (44.88 per cent on 31 December 2014). The total amount of non-performing receivables, which describes the quality of the loan portfolio, remained low at EUR 2.3 million (EUR 2.7 million), representing only 0.16 per cent (0.23) of the total loan portfolio.

At the end of the year, Hypo's loan portfolio stood at EUR 1,420.7 million (1,204.0 million). Granted but undrawn loans remained at the same level as at the end of 2014, totalling EUR 218.0 million. The majority of the lending and collateral is focused on growth centres, particularly the Helsinki Metropolitan Area. Borrowers primarily consist of households and housing companies or equivalent housing associations.

Liquidity

Group continued to strengthen its liquidity during the financial year. Its liquidity, including cash and cash equivalents in the cash flow statement and binding credit facilities, totalled EUR 458.6 million (229.9 million) at the end of the review period. Cash and cash equivalents totalled EUR 454.9 million and consisted of well-diversified deposits and debt securities tradable on the secondary market, of which 77 per cent were at least AA- rated and 99 per cent were eligible as ECB collateral. Of the total liquidity, EUR 429.9 million was unencumbered.

In addition to cash and cash equivalents and binding credit facilities, Hypo has domestic programmes for issuing bonds and certificates of deposit.

Other receivables

Homes and residential land owned and rented out by Hypo enable Group to offer its customers a more comprehensive selection of housing products and services. Hypo's properties are located in growth centres, mainly in the Helsinki Metropolitan Area, distributed across key residential areas. These properties mainly consist of apartments that have been rented out as well as residential land that has been rented for the long term to housing companies, which will purchase it gradually. Group's housing, residential land and car park holdings increased to EUR 67.8 million (54.4 million). At the end of the financial year, the fair value of investment properties was EUR 8.8 million (EUR 10.0 million) higher than their book value. Property investments constituted 3.5 percent (3.6) of the balance sheet total, which is clearly less than the 13 per cent maximum stated in the Act on Credit Institutions.

The additional pension cover for Hypo's employees, which is classified as a defined benefit plan, has been arranged through Department A of Hypo's pension foundation, which was closed in 1991. The surplus from the assets and obligations of the pension foundation, which totalled EUR 7.4 million (6.9 million), has been entered into Group's other assets and into equity after deferred tax liabilities.

Derivative contracts

Interest rate swaps and currency swaps made for hedging Hypo's funding agreements are recognised at fair value, and their offset entries are recognised in the fair value reserve included in equity (cash flow hedging with respect to interest rate risk) or through profit or loss (currency valuation). Derivative contracts in the investment portfolio are recognised at fair value, and their offset entries are recognised in the income statement (net income from securities trading). On 31 December 2015, the balance sheet value of derivative receivables was EUR 0.5 million (0.0 million), and that of derivative liabilities was EUR 5.6 million (7.9 million).

Deposits and other funding

Group's funding operations benefit from a high CET 1 ratio and a strong liquidity position, both of which are valued by investors, and an entirely property-secured credit portfolio, as well as Hypo's investment grade credit rating, which was issued in 2015. Group's financing position remained stable, and deposit funding was increased in comparison to the previous year. Its deposit and bond portfolio (including deposits by financial institutions) grew by 105.0 per cent to EUR 1,040.0 million (EUR 507.4 million), representing 56.9 per cent (36.9) of total funding. The ratio between deposits and loans decreased to 136.6 per cent (237.3).

Hypo's progamme for the issuance of notes was updated to EUR 1,500 million on 13 October 2015 and subsequently supplemented after the publication of each interim result to maintain issuance readiness. During the financial year, Hypo carried out two bond issues in the wholesale market, with a total nominal capital of EUR 125.0 million. These were used to finance Hypo's normal lending operations and refinance maturing bonds and other funding contracts. During 2015, Hypo repurchased its own bonds in the amount of EUR 48.6 million. On 31 December 2015, the issued bonds and certificates of deposit amounted to EUR 591.3 (648.5 million), representing 32.3 per cent (47.2) of total funding.

Hypo Group's funding totalled EUR 1,829.2 million (1,375.2 million).

CHANGES IN EQUITY

Equity stood at EUR 101.5 million at the end of the financial year (95.4 million). The changes in equity are presented in more detail in the financial statements for 2015 under "Statement of changes in equity between 1 January and 31 December 2015."

The balance sheet of the parent company includes, in accordance with section 46 of the Business Income Tax Act, a general credit loss provision of EUR 28.9 million (25.8 million) after deferred tax liabilities. In the consolidated financial statements, this provision is included in non-restricted equity under "Retained earnings".

HYPO GROUP'S RESULT, PROFITABILITY AND CAPITAL ADEQUACY

Group's operating profit for 1 January to 31 December 2015 was EUR 7.5 million (7.5 million for 1 January to 31 December 2014).

Impairment for the financial year totalled EUR -0.01 million (0.03 million).

Known as a financially sound Finnish credit institution and deposit bank operator, Group had around 24,000 customers on 31 December 2015.

Income from fees and commissions totalled EUR 3.5 million (3.7 million), consisting of fees related to lending, trustee services and credit cards.

Net profits from investment properties (housing units and residential land) amounted to EUR 6.8 million (4.4 million). This included EUR 4.0 million of capital gains (1.8 million).

Administrative costs totalled EUR 8.0 million (8.9 million). Salaries and indirect employee costs decreased by EUR 0.6 million in comparison to the previous year, constituting 68.1 per cent (68.8) of total administrative costs. Other administrative costs decreased to EUR 2.6 million (2.8 million).

Depreciation amounted to EUR 0.4 million (0.3 million), consisting mainly of items related to the deposit system. Other operating expenses totalled EUR 0.7 million (0.6 million).

KEY FINANCIAL INDICATORS 2011–2015

Group	IFRS 2011	IFRS 2012	IFRS 2013	IFRS 2014	**IFRS 2015**
Turnover, EUR million	26.8	28.3	27.1	32.7	**34.4**
Operating profit/profit before appropriations and taxes, EUR million	4.0	5.2	6.0	7.5	**7.5**
Operating profit, % of turnover	14.9	18.4	22.2	22.9	**21.9**
Return on equity (ROE), %	4.5	5.2	5.8	6.7	**6.7**
Return on assets (ROA), %	0.4	0.5	0.5	0.5	**0.4**
Leverage ratio, %	9.2	8.8	7.2	6.4	**5.2**
Capital adequacy, %	16.7	17.0	14.7	15.2	**13.8**
CET 1 Capital ratio, %	15.4	15.9	14.7	15.1	**13.8**
Own funds, EUR million	75.0	79.2	84.4	90.6	**94.0**
Common Equity Tier 1 funds, EUR million	69.3	73.8	84.2	89.8	**94.0**
Minimum requirement of own funds, EUR million*	36.0	37.2	45.8	48.4	**71.6**
Cost-to-income ratio, %	61.9	55.0	57.4	56.4	**54.9**
Average number of personnel**	29	28	36	52	**55**
Salaries and remuneration, EUR million	2.1	2.0	2.9	4.1	**3.8**
Non-performing receivables, % of loan portfolio	0.20	0.16	0.14	0.23	**0.16**
Loan-to-value ratio (average LTV), %	57.8	51.0	50.0	44.9	**41.1**
Loans/Deposits, %	269.3	235.0	271.8	237.3	**136,6**
Receivables from the public and public sector entities	615.0	725.0	977.9	1,204.0	**1,420.7**
Deposits (incl. deposits of financial institutions)	228.3	308.6	359.7	507.4	**1,040.0**
Balance sheet total, EUR million	818.0	911.2	1 219.6	1,499.9	**1,959.5**

* The general capital adequacy requirement is 10.5% as of the beginning of 2015 (8% until 2015).
Capital adequacy has been calculated in accordance with the EU Capital Requirements Regulation (CRR, EU 575/2013) since 2013.
** Including employees in permanent and fixed-term employment relationships, but excluding the CEO and the COO.

Group's cost-to-income ratio decreased to 54.9 per cent (56.4).

Group's profit for the period remained at the previous year's level, totalling EUR 6.2 million (6.2 million). Group's comprehensive income was EUR 6.2 million (7.9 million), including changes in the fair value reserve included in equity and actuarial gains from the pension foundation of the Mortgage Society of Finland, in addition to the profit for the period. The changes in the fair value reserve were caused by unrealised changes in the value of interest rate swaps and available-for-sale financial assets.

KEY EVENTS SINCE THE END OF THE FINANCIAL YEAR AND AN ESTIMATE OF PROBABLE FUTURE DEVELOPMENTS

Key events since the end of the financial year

On 29 January 2016, the Financial Supervisory Authority granted Hypo a license to engage in mortgage credit bank activities. Hypo will introduce its mortgage banking activities during 2016. This will further improve Hypo's competitiveness by more varied and increasingly international funding sources and tools.

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

An estimate of probable future developments

We estimate that the Finnish economy will start a sluggish growth in 2016 even though the continuous uncertainty of the world economy or the unstable labor market conditions darken the Finnish economic growth prospects and may halt the slow growth. In Finland, the construction accelerates as the urbanization continues strong and housing market in the major growth centers keeps running despite the economic uncertainties. Low interest rates support housing loan demand.

As an expert organization specialized in housing and house financing operating in growth centers, Hypo has a good opportunity to continue its profitable growth. These prospects are further enhanced by the start of mortgage bank activities in the first half of 2016. We estimate the 2016 operating profit to reach at least the level of 2015.

DEFINITIONS OF KEY INDICATORS

Turnover

interest income + income from equity investments + fee income + net income from available-for-sale financial assets + net income from currency operations and securities trading + income from investment properties + other operating income

Return on equity % (ROE)

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

Return on assets % (ROA)

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

Leverage ratio, %

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

Capital adequacy, %

$$\frac{\text{own funds}}{\text{total risk}} \times 100$$

Cost-to-income ratio, %

$$\frac{\text{administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses}}{\text{net interest income + income from equity investments + net fee income + net income from available-for-sale financial assets + net income from currency operations and securities trading + net income from investment properties + other operating income}} \times 100$$

BOARD'S PROPOSAL FOR THE DISPOSAL OF PROFITS

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

The Board of Directors proposes that EUR 2,807,840 of Hypo's result for 2015 (EUR 5,615,670) be transferred to the reserve fund and the rest remain unused.

RISK MANAGEMENT STRATEGIES AND PRACTICES

Group manages risks in accordance with confirmed principles and practices, which cover all of its operations.

The special characteristics of Group's business operations affect these principles and their implementation. Its key business areas include lending against housing collateral, deposits from the public, the renting of homes and residential properties, the provision of trustee services in selected services, and selected investment services. The Group does not offer payment transaction services.

The Board of Director's Risk Management Committee was established during the financial year. Its duties include assisting the Board with issues concerning Group's risk strategy and risk-taking and supporting the Board in its work related to assessing, monitoring and controlling Group's risk position.

Group's risk management policy is discussed in more detail in the notes to the financial statements.

GOVERNANCE AND SUPERVISION SYSTEMS

Hypo's operations are governed by general laws and regulations concerning credit institutions and by the Act on Mortgage Societies. As the licensing authority, the Financial Supervisory Authority monitors the operations of Hypo and the Group. Although Hypo is not a listed company, it issues bonds that are traded publicly. For this reason, it must comply with many of the regulations concerning listed companies. Hypo adheres to the Finnish Corporate Governance Code of the Securities Market Association with certain exceptions. Statements on the administration and governance systems of the Mortgage Society of Finland, as well as on its internal auditing and risk management systems related to financial reporting, have been published on its website (http://www.hypo.fi/tietoa-hyposta/johtaminen-ja-hallinnointi/hallinnointi-ja-ohjausjarjestelmat) in conjunction with this annual report.

PERSONNEL, INCENTIVES, COMPETENCE DEVELOPMENT AND PENSION LIABILITIES

The average number of permanent employees was 51 (48) during the financial year. At the end of the financial year, permanent employees numbered 51 (50). These figures do not include the CEO and the COO. The average number of fixed-term employees was 4 (4) during the financial year. At the end of the financial year, the number of temporary employees was 5 (4). All employment contracts were full-time contracts.

Three employees were hired during the financial year, and three employment relationships ended. Group continued to cooperate with Helmi Business College by offering internships to students pursuing a diploma in business and administration.

Of Group's personnel, 69 per cent work in direct customer service duties and 31 per cent in administration. The average age of employees is 44.3 years. At the end of the year, the youngest employee was 26 years of age and the oldest was 58.6. The average length of an employment relationship is 6.2 years. Of all employees, 43 per cent are men and 57 per cent are women. Three of the four members of the Management Group are men and one is a woman. In addition, the secretary to the Management Group is a woman. Of Group's employees, 52 per cent hold a higher education degree and 48 per cent have graduated from a university of applied sciences (polytechnic) or completed upper secondary education. Of the women employed by Hypo Group, 43 per cent hold a higher education degree and 57 per cent have graduated from a university of applied sciences (polytechnic) or completed upper secondary education. For the men, the proportions are 61 and 39 per cent, respectively.

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

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

The number of personnel grew during the financial year with a number of experts and specialised professionals. Employees were hired in response to the needs arising from increased business and changes in the operating environment. In line with its HR policy, which supports its strategic targets, Hypo is a learning, efficient and profitable organisation and a community of experts passionate about housing and home financing. The continuous development of employees' competence, management and the workplace community is an integral part of Group's business strategy. During the financial year, each employee attended at least one personal performance and development discussion.

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

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

Statutory pension insurance for Hypo's personnel has been set up with Elo Mutual Pension Insurance Company. Additional benefits are managed by Department A of Hypo's pension foundation, which has a closed sphere of operation and no uncovered liabilities. The additional benefits cover three employees in total. Through Department M, the pension foundation covers a total of 76 people.

Helsinki, 29 February 2016

Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

€ 1,000	Note	2015	2014
Interest income	1	20,960.0	21,070.7
Interest expenses	1	-16,386.2	-14,643.2
NET INTEREST INCOME		**4,573.8**	**6,427.5**
Income from equity investments			
From other companies	2		84.0
Fee income	3	3,469.2	3,658.9
Fee expenses	3	-53.0	-48.6
Net income from currency operations and securities trading			
Net income from securities trading	4	-569.5	-101.0
Net income from currency operations	4	0.5	-1.0
Net income from available-for-sale financial assets	5	2,474.2	2,880.8
Net income from investment properties	6	6,783.0	4,362.5
Other operating income	7	-6.8	-6.5
Administrative expenses			
Personnel expenses			
Salaries and remuneration		-4,390.0	-4,662.6
Indirect personnel expenses			
Pension expenses		-982.9	-1,110.6
Other indirect personnel expenses		-95.7	-319.1
Other administrative expenses		-2,564.2	-2,763.0
Total administrative expenses		-8,032.9	-8,855.4
Depreciation and impairment losses on tangible and intangible assets	9	-375.5	-312.1
Other operating expenses	8	-746.5	-560.1
Impairment losses on loans and other commitments	10	6.0	-31.1
OPERATING PROFIT		**7,522.7**	**7,498.0**
Income taxes	11	-1,314.9	-1,330.3
PROFIT FROM OPERATIONS AFTER TAXES		**6,207.9**	**6,167.7**
PROFIT FOR THE PERIOD		**6,207.9**	**6,167.7**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

€ 1,000	2015	2014
Profit for the period	**6,207.9**	**6,167.7**
Other comprehensive income		
Items that may in the future be recognised through profit or loss		
Change in fair value reserve		
Hedging of cash flows	1,241.3	309.0
Financial assets available for sale	-1,557.0	703.6
	-315.7	1,012.7
Items that may not be included in the income statement at a later date		
Revaluation of defined benefit pension plans	324.5	719.4
Effect of the change in the ownership of Bostads Ab Taos Oy	3.1	
Adjustment made to retained earnings	-62.3	
	265.3	
Total other comprehensive income	-50.5	1,732.0
COMPREHENSIVE INCOME FOR THE PERIOD	**6,157.41**	**7,899.7**

CONSOLIDATED BALANCE SHEET, IFRS

€ 1,000	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Cash	13, 14, 32	170,000.0	75,000.0
Debt securities eligible for refinancing with central banks			
Treasury bills	14, 17, 30, 31, 32		
Other	14, 17, 30, 31, 32	270,650.5	111,070.4
		270,650.5	111,070.4
Receivables from credit institutions			
Repayable on demand	14, 15, 30, 31, 32	11,404.9	35,085.8
Other	14, 15, 30, 31, 32	786.4	159.3
		12,191.3	35,245.1
Receivables from the public and public sector entities			
Other than those repayable on demand	16, 30, 31, 32	1,420,711.2	1,204,041.8
Debt securities			
From others	14, 17, 30, 31, 32	2,051.5	5,090.7
		2,051.5	5,090.7
Shares and holdings	18, 31, 32	132.4	113.4
Derivative contracts	19, 31, 32	510.4	
Intangible assets			
Other long-term expenditure	20, 22, 31	1,927.8	948.5
Tangible assets			
Investment properties and shares and holdings in investment properties	21, 22, 31	67,784.8	54,356.9
Other properties and shares and holdings in housing property corporations	21, 22, 31	939.2	842.6
Other tangible assets	22, 31	330.5	273.4
		69,054.5	55,472.9
Other assets	23, 31	8,029.7	7,762.1
Deferred income and advances paid	24, 31	3,640.7	4,506.1
Deferred tax receivables	25, 31	577.8	663.8
TOTAL ASSETS		**1,959,477.6**	**1,499,914.8**
LIABILITIES			
LIABILITIES			
Liabilities to credit institutions			
To central banks		20,000.0	35,000.0
To credit institutions			
Repayable on demand			16,824.7
Other than those repayable on demand	30, 31, 32	131,385.7	148,549.9
		151,385.7	200,374.6
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand	30, 31, 32	516,063.0	192,068.3
Other than those repayable on demand	30, 31, 32	522,879.5	275,995.4
		1,038,942.5	468,063.7
Other liabilities			
Other than those repayable on demand	30, 31, 32	34,028.9	40,339.7
		1,072,971.4	508,403.4
Debt securities issued to the public			
Bonds	26, 30, 31, 32	521,878.6	518,423.4
Other	26, 30, 31, 32	69,451.3	130,028.7
		591,329.9	648,452.1
Derivative contracts	19, 31, 32, 33	5,627.4	7,856.7
Other liabilities			
Other liabilities	27, 3	7,862.4	8,125.9
Deferred expenses and advances received	28, 3	6,061.3	4,551.0
Subordinated liabilities			
Other	29, 30, 31, 32	13,469.7	17,962.1
Deferred tax liabilities	25, 31	9,219.9	8,796.5
EQUITY			
Basic capital	35	5,000.0	5,000.0
Other restricted reserves			
Reserve fund		22,794.7	22,793.8
Fair value reserve			
From cash flow hedging		-1,413.8	-2,655.1
From valuation at fair value		-749.1	807.9
Defined benefit pension plans			
Actuarial gains/losses		1,531.8	1,207.4
Unrestricted reserves			
Other reserves		22,923.5	22,923.5
Retained earnings		45,254.9	39,147.4
Profit for the period		6,207.9	6,167.7
	31	101,550.0	95,392.6
TOTAL LIABILITIES AND EQUITY		**1,959,477.6**	**1,499,914.8**

CHANGE IN EQUITY

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 2014	**5,000.0**	**22,790.4**	**-2,371.8**	**22,923.5**	**39,150.8**	**87,492.9**
Profit for the period					6,167.7	6,167.7
Other comprehensive income						
Distribution of profits		3.4			-3.4	0.0
Hedging of cash flow						
Amount recognised in equity			-542.1			-542.1
Amount transferred to the income statement			928.4			928.4
Change in deferred taxes			-77.3			-77.3
Financial assets available for sale						
Change in fair value			3,760.4			3,760.4
Amount transferred to the income statement			-2,880.8			-2,880.8
Change in deferred taxes			-175.9			-175.9
Defined benefit pension plans						
Actuarial gains/losses			899.2			899.2
Change in deferred taxes			-179.8			-179.8
Total other comprehensive income	**0.0**	**3.4**	**1,732.0**	**0.0**	**-3.4**	**1,732.0**
Equity 31 Dec 2014	**5,000.0**	**22,793.8**	**-639.8**	**22,923.5**	**45,315.1**	**95,392.6**

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 2015	**5,000.0**	**22,793.8**	**-639.8**	**22,923.5**	**45,315.1**	**95,392.6**
Profit for the period					6,207.9	6,207.9
Other comprehensive income						
Adjustment made to retained earnings					-62.3	-62.3
Effect of the change in the ownership of Bostads Ab Taos Oy					3.1	3.1
Distribution of profits		0.9			-0.9	0.0
Hedging of cash flow						
Amount recognised in equity			51.9			51.9
Amount transferred to the income statement			1,499.7			1,499.7
Change in deferred taxes			-310.3			-310.3
Financial assets available for sale						
Change in fair value			405.6			405.6
Amount transferred to the income statement			-81.1			-81.1
Change in deferred taxes			8.7			-50.5
Defined benefit pension plans						
Actuarial gains/losses			405.6			405.6
Change in deferred taxes			-81.1			-81.1
Total other comprehensive income	**0.0**	**1.0**	**8.7**	**0.0**	**-60.2**	**-50.5**
Equity 31 Dec 2015	**5,000.0**	**22,794.7**	**-631.0**	**22,923.5**	**51,462.8**	**101,550.0**

CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	2015	2014
Cash flow from operating activities		
Interest received	20,866.3	20,586.8
Interest paid	-15,750.1	-15,177.7
Fee income	3,439.5	3,665.9
Fee expenses	-53.0	-48.6
Net income from currency operations and securities trading	-569.1	-101.9
Net income from available-for-sale financial assets	2,474.2	2,880.8
Net income from investment properties	7,925.8	3,246.5
Other operating income	-6.8	-6.5
Administrative expenses	-6,923.5	-7,778.7
Other operating expenses	-844.7	-703.9
Credit and guarantee losses	6.0	-31.1
Income taxes	-1,272.6	-1,227.2
Total net cash flow from operating activities	**9,292.0**	**5,304.4**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-214,610.2	-228,501.9
Investment properties	-16,645.8	-4,180.8
Operating assets increase (-) / decrease (+) total	**-231,255.9**	**-232,682.8**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector entities (deposits)	570,878.8	152,841.0
Operating liabilities increase (+) / decrease (-) total	**570,878.8**	152,841.0
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**348,914.9**	**-74,537.4**
Cash flows from investments		
Change in fixed assets	-1,508.1	-510.5
Equity investments increase (-) / decrease (+)	-18.9	
Dividends received		84.0
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-1,527.1**	**-426.5**
Cash flows from financing		
Bank loans, new withdrawals	40,608.5	364,062.2
Bank loans, repayments	-89,597.3	-354,784.2
Other liabilities increase (+) / decrease (-)	-7,185.6	-6,073.1
Bonds, new issues	180,569.8	258,330.7
Bonds, repayments	-178,226.3	-152,547.2
Certificates of deposit, new issues	208,286.5	274,108.8
Certificates of deposit, repayments	-268,863.9	-260,484.1
Subordinated liabilities, new withdrawals	35.9	967.4
Subordinated liabilities, repayments	-4,528.3	-4,839.9
NET CASH FLOWS ACCRUED FROM FINANCING	-118,900.8	**118,740.5**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**228,487.1**	**43,776.6**
Cash and cash equivalents at the beginning of the period	**226,406.2**	**182,629.5**
Cash and cash equivalents at the end of the period	**454,893.2**	**226,406.2**
CHANGE IN CASH AND CASH EQUIVALENTS	**228,487.1**	**43,776.6**

GROUP'S DEVELOPMENT PER QUARTER

€ 1,000	10-12/2015	7-9/2015	4-6/2015	1-3/2015	10-12/2014
Interest income	5,301.1	5,232.4	5,204.1	5,222.5	5,347.4
Interest expenses	-4,340.4	-4,156.0	-4,012.9	-3,876.9	-3,718.5
Net interest income	**960.7**	**1,076.4**	**1,191.2**	**1,345.6**	**1,629.0**
Income from equity investments					
Fee income	852.7	758.8	905.6	952.1	1,089.8
Fee expenses	-16.8	-12.1	-9.5	-14.7	-8.4
Net income from currency operations and securities trading					
Net income from securities trading	279.4	-99.3	-948.0	198.3	-101.0
Net income from currency operations	0.2	0.0	0.1	0.2	-0.3
Net income from available-for-sale financial assets	728.4	493.9	419.3	832.6	545.8
Net income from investment properties	1,803.0	1,504.9	2,293.3	1,181.8	1,609.5
Other operating income	0.2	-3.8	0.8	-4.0	-1.7
Administrative expenses					
Personnel expenses					
Salaries and remuneration	-1,185.7	-1,136.7	-824.8	-1,242.8	-1,479.3
Indirect personnel expenses					
Pension expenses	-308.8	-240.7	-174.5	-259.0	-502.1
Other indirect personnel expenses	-25.1	-24.0	8.8	-55.4	-178.1
Other administrative expenses	-803.6	-591.3	-601.1	-568.3	-880.7
Total administrative expenses	-2,323.2	-1,992.7	-1,591.6	-2,125.4	-3,040.3
Depreciation and impairment losses on tangible and intangible assets	-93.0	-100.2	-97.4	-84.5	-79.5
Other operating expenses	-414.8	-104.0	-123.2	-104.6	-201.8
Impairment losses on loans and other commitments	-7.3	-8.5	13.2	8.5	143.0
Operating profit	**1,769.5**	**1,513.4**	**2,053.8**	**2,186.0**	**1,584.1**
Income taxes	-305.1	-246.3	-359.0	-404.4	-278.1
PROFIT FROM OPERATIONS AFTER TAXES	**1,464.5**	**1,267.1**	**1,694.8**	**1,781.6**	**1,306.0**
PROFIT FOR THE PERIOD	**1,464.5**	**1,267.1**	**1,694.8**	**1,781.6**	**1,306.0**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

€ 1.000	10-12/2015	7-9/2015	4-6/2015	1-3/2015	10-12/2014
Profit for the period	1,464.5	1,267.1	1,694.8	1,781.6	1,306.0
Items that may be included in the income statement later					
Change in fair value reserve					
Hedging of cash flows	1.3	463.1	316.5	460.5	-92.4
Financial assets available for sale	-300.9	50.4	-1,089.6	-217.0	-89.6
	-299.6	513.5	-773.1	243.5	-182.0
Items that may not be included in the income statement at a later date	147.0		177.5		211.4
Revaluation of defined benefit pension plans	-166.8		169.9		
Effect of the change in the ownership of Bostads Ab Taos Oy	-62.3				
Adjustment made to retained earnings	-82.1	0.0	347.4	0.0	211.4
Total other comprehensive income	-381.7	513.5	-425.7	243.5	29.3
COMPREHENSIVE INCOME FOR THE PERIOD	**1,082.7**	**1,780.6**	**1,269.0**	**2,025.1**	**1,335.4**

ACCOUNTING POLICIES

GENERAL INFORMATION

The Mortgage Society of Finland (Hypo) is an independent credit institution specialising in home financing and housing, with its debtors as its members. The specific purpose of Hypo is to grant long-term loans, from assets largely acquired through long-term loans, to individuals and communities mainly for housing purposes. These loans are usually granted against a mortgage or other security. Its subsidiary, Suomen AsuntoHypoPankki, operates in deposit banking and offers its customers deposit accounts and credit cards in addition to trustee services related to retail banking. Its operations are monitored by the Financial Supervisory Authority.

Hypo Group's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and SIC and IFRIC interpretations. The international financial reporting standards refer to standards and the related interpretations that have been approved in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council on the application of international accounting standards.

The consolidated financial statements include Hypo Group's and the parent company's income statements, balance sheet and notes as well as Group's comprehensive income, cash flow statement and a statement on changes in equity. In addition, the financial statements include an annual report.

The information related to capital adequacy has been prepared and presented in accordance with the EU Capital Requirements Regulation (CRR, EU 575/2013). Part of the information is included in the annual report and part in the notes to the consolidated financial statements.

NEW STANDARDS AND INTERPRETATIONS

No new standards or interpretations with an effect on the preparation of the consolidated financial statements came into effect during the financial year 2015.

New standards and interpretations that have not yet been adopted but may have an effect on Group's financial statements in the future include the following:

- IFRS 9 Financial Instruments will come into effect on 1 January 2018 and will result in amendments to the financial statements, with regard to i.a. the recognition of credit loss provisions.
- IFRS 16 Leases, which was published in 2016, will come into effect on 1 January 2019. It mainly includes amendments to lessees' accounting policies and will not significantly affect Group's future financial statements.
- IFRS 15 Revenue from Contracts with Customers will apply to annual reporting periods beginning on or after 1 January 2017. It includes amendments related to revenue recognition and will not have significant effects on Group's future financial statements.

GROUP

Hypo Group's consolidated financial statements cover the Mortgage Society of Finland ("Hypo"), as well as Suomen AsuntoHypoPankki Oy ("AsuntoHypoPankki"), of which Group owns 100 per cent, and Bostadsaktiebolaget Taos ("Taos"), of which Group owns 59.5 per cent. The financial statements of AsuntoHypoPankki and Taos have been consolidated using the acquisition cost method, eliminating mutual business transactions included in the individual financial statements.

Housing companies that are affiliate companies have been accounted for in the same manner as other property investments and included in tangible assets. These companies have a minor effect on Group's result and financial position. The accounting principles applied to property investments are explained later in this document.

FINANCIAL INSTRUMENTS

Financial assets

Receivables from credit institutions, the public and public sector entities are classified under "Loans and receivables", recognised initially at fair value and subsequently at amortised cost. At least once every quarter, the company evaluates whether there is objective evidence that a single receivable or a group of receivables is impaired. If the receivable amount, which is based on an estimate of future cash flows, is evaluated to be lower than the book value, an impairment loss is recognised. Impairment losses on receivables, as well as any reversals of recognised impairment losses, are presented under "Impairment losses on credits and other commitments".

Debt securities, as well as equity investments (excluding shares in subsidiaries) that are classified under "Financial assets available for sale", are recognised at fair value. Unrealised changes in fair value have been recognised, after adjustment for deferred tax liabilities, in the fair value reserve included in equity. If the security is sold, the valuation recognised in the fair value reserve is recognised in the income statement. Debt securities held to maturity were sold during the financial year, and the remaining debt securities were reclassified as available-for-sale. The option to designate financial assets as at fair value through profit or loss is applied to some of the debt securities in the investment portfolio. These debt securities are measured at fair value through profit or loss. Equity instruments for which no market price is quoted and the fair value of which cannot be reliably determined are recognised at acquisition cost. At least once every quarter, the company evaluates whether there is objective evidence that the value of an investment has decreased. If the value of the investment has decreased below the acquisition cost and the impairment is significant or long-term in nature, an impairment loss is recognised through profit or loss. Dividend income from equity instruments is recognised once the dividend has become vested.

The purchases and sales of debt securities and shares are recognised using trade date accounting.

Designation of financial assets or financial liabilities as at fair value through profit or loss (fair value option)

In accordance with IAS 39, Hypo applies the fair value option to some of the debt securities included in its investment portfolio, as this serves to reduce the accounting mismatch that results from valuation gains and losses on debt securities and derivatives being treated differently for accounting purposes. Debt securities and the derivatives used to hedge them are exposed to the same risk (interest rate risk) that causes opposite changes in value in the items mentioned above. However, if the fair value option was not applied, only some of these changes in value would be recorded in profit or loss because of the different IFRS classification of items. Hence, the application of the fair value option gives a more accurate picture of the change in the value of the investment portfolio, as it eliminates the mismatch caused by the classification of the above-mentioned financial instruments. Hypo applies the fair value option only to debt securities for which a reliable market price is available. The decision to apply the fair value option is made case by case in conjunction with the acquisition of debt securities, with the goal of providing more relevant information by reducing the accounting mismatch mentioned above. Hypo does not apply the fair value option to financial liabilities.

For items to which the fair value option is applied, the change in value resulting from the credit risk is calculated based on asset swap spreads.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash, receivables from credit institutions and debt securities.

Financial liabilities

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

Liabilities denominated in foreign currencies are converted into euros at the currency rate on the balance sheet date. Liabilities are recognised in, or derecognised from, the balance sheet using trade date accounting.

Gains or losses from the repurchase of own liabilities are recognised in interest expenses.

Financial derivatives

Cash flow hedge accounting is applied to derivate contracts used to hedge liabilities issued by Hypo. The purpose of cash flow hedge accounting is to allocate the profit or loss impact of the cash flows related to hedged items and hedging instruments to the same accounting period.

The hedging instruments are interest rate swaps that are used to change the hedged items' variable cash flows to fixed-rate cash flows or to floating-rate cash flows with longer maturity reference rates. The future interest payments of the floating-rate liabilities are designated as hedged items.

Currency and interest rate swaps are also used as hedging instruments, for converting cash flows related to the hedged foreign-currency liability from floating-rate cash flows into fixed-rate ones or ones with longer maturities, and for eliminating the currency risk related to the foreign-currency liability. Cash flow hedge accounting is applied to these hedging relationships with respect to interest rate risk. The currency risk is hedged in full, but hedge accounting is not applied to the currency risk. The currency valuation of liabilities and receivables denominated in foreign currencies is recognised through profit or loss.

Hedge effectiveness is verified in two stages. At the inception of the hedge and during the term of the hedge relationship, the hedge relationship is assumed to be highly effective if the principals, due dates, re-pricing dates, interest periods and reference rates of the hedged item and the hedging instrument are identical or very similar. In the retrospective verifications, which are carried out at least four times a year, the effectiveness of the hedging instruments and the hedged items is verified to be between 80 and 125 per cent. Any ineffectiveness of the hedging instruments is recognised through profit or loss. If the hedge relationship becomes ineffective because of e.g. changed conditions, the related hedge accounting is discontinued prospectively.

Derivative contracts are recognised at fair value. The fair values of derivatives in cash flow hedge accounting are recognised in "Receivables and liabilities" on the balance sheet, and the offset entries are recognised, after adjustment for deferred taxes, in the fair value reserve included in equity. The unrealised changes in their fair value are included in the comprehensive income statement. Changes in fair value of currency and interest rate swaps resulting from currency revaluation are recognised through profit or loss. Currency valuations of hedged foreign-currency liabilities and the related hedging derivatives offset each other in the income statement, as foreign-currency liabilities are fully hedged against currency risks.

Hedge accounting is not applied to derivatives in Hypo's investment portfolio. Instead, the fair value option is applied to debt securities hedged by derivatives if applying the fair value option is assumed to produce more relevant information (see "Designation of financial assets or financial liabilities as at fair value through profit or loss" for details).

Interest income and interest expenses from interest rate derivatives are recognised at contract level net amounts in interest expenses or interest income, and accrued interest is included in deferred income or accrued expenses.

Accounting principles related to fair value measurement of financial instruments

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

The fair values of derivative contracts, most of which consist of traditional interest rate swaps, as well as fixed-rate liabilities and receivables, are calculated by discounting future cash flows to the present by using market rates. A margin based on the counterparty's credit risk has been added to the market rates (Euribor and swap rates). When valuing currency and interest rate swaps, currency rates at the time of valuation have also been considered.

The book value of unquoted floating-rate and short-term (maturity less than one year) balance sheet items is considered to be equal to their fair value.

INTANGIBLE ASSETS

The costs recognised in "Intangible assets" consist of IT projects, start-up costs related to MasterCard partnerships and a long-term development project. On the balance sheet, intangible assets are recognised in acquisition costs less accrued depreciation and possible impairment losses. The useful life of assets is limited, ten years at the most. Depreciation begins when the asset is deemed to have materially been put into service, and the depreciation is calculated as a straight-line deprecation. In the income statement, depreciation is recognised under "Amortisation and impairment on tangible and intangible assets."

TANGIBLE ASSETS

Investment properties

On the balance sheet, property investments are divided into investment properties and other properties. Investment properties mainly consist of land areas intended to be used as residential land as well as shares in housing companies and investments in shares in housing companies under construction. Other properties and shares and stakes in housing property companies refer to the part of the property that is used by Group.

New developments related to potential cooperation projects are recognised as income after completion in accordance with IFRIC 15.

Investment properties and other properties are recognised in accordance with the acquisition cost model. In the consolidated financial statements, shares in housing companies are combined line by line according to the proportional share. Buildings are recorded using straight-line depreciation over a period of 25 years. Land areas are not recorded using depreciation.

Earlier FAS financial statements have included revaluations related to some investments. At the time of the transition to IFRS, the values included in the FAS financial statements were used as the default acquisition cost of properties, in accordance with IFRS 1.17 and 1.18.

The need for impairment on property investments is evaluated at least once a year. If an asset item is recognised on the balance sheet at a value higher than the recoverable amount, an impairment loss is recorded.

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

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

A small share of the home purchases are based on the Hypo Partial Ownership concept. In practice, this means that Hypo and its customer (private individual) jointly own the home, and the customer pays rent on the share owned by Hypo. As a rule, the partial ownership agreement enables customers to purchase the entire home or sell their share to Hypo within four years. The purchase price is usually the original acquisition price less compensation based on wear and tear. The notes to the consolidated financial statements present a sum that describes the amount Hypo would need to use to purchase the partially owned homes if each owner decided to sell his or her share to Hypo. A provision will be made in accordance with IAS 37 if the agreement is regarded as a loss-making contract – in other words, if it is likely that Hypo will have to purchase the shares and this results in a loss.

The fair values of property investments are included in the notes to the consolidated financial statements. The fair values of housing units have mainly been calculated based on Statistics Finland's statistics on the prices of dwellings in the fourth quarter of 2015, in which dwellings are divided into categories based on type and location. The fair values of flats purchased a year or less than a year ago are assumed to be equal to their acquisition prices. The fair value of land is its acquisition cost adjusted for the increase in the cost of living, which equals the land's redemption price.

Other tangible assets

Other tangible assets include machines, equipment and works of art. These are recognised according to the acquisition cost model. Machines and equipment are recorded systematically as costs during the useful life of the asset, applying the reducing balance method of depreciation. The depreciation percentage is either 25 or 10. Works of art are not amortised systematically.

VOLUNTARY PENSION BENEFITS

Statutory pension insurance for Hypo's personnel has been set up with a pension insurance company. Additional pension cover for Hypo's employees, which is classified as a defined benefit plan, is arranged from department A of Hypo's pension foundation (closed in 1991). In accordance with the new IAS 19 standard, which came into effect on 1 January 2013, actuarial gains and losses are recognised in other comprehensive income for the period during which they arise. Any surplus returned by the pension foundation to the parent company will not affect Hypo Group's overall result, but it will improve Group's capital adequacy ratio.

A new department (Department M) was established in the pension foundation at the end of 2010. This offered the opportunity to use insurance premiums to improve employees' pension security. Department M is recognised as a defined contribution pension plan. Transfers from Department A of the pension foundation to Department M affect Group's pension expenses, depending on the insurance-technical result of the pension foundation.

TAXES

Taxes in the financial year

Taxes in the financial year include tax expenses based on taxable income in the financial year and adjustments for previous years' taxes. In addition, taxes include deferred taxes, which are recognised through profit or loss.

Deferred tax receivables and liabilities

The credit loss provision included in the parent company's FAS financial statements, the surplus from the pension foundation, the fair value reserve based on the valuation of available-for-sale investments and interest rate swaps, as well as the revaluation reserves based on revaluations related to properties, are recognised at values adjusted for deferred taxes on the consolidated balance sheet. The offset entries are recognised in deferred tax receivables and liabilities.

RECOGNITION PRINCIPLES

As a rule, fee income is earned when a service or a specific measure has been performed. Such income is recorded as non-recurring income. Entry fees are also recognised in fee income. Substantial fee income and expenses that are regarded as an integral part of the effective interest rate for a financial instrument are allocated as net interest income or expenses as part of the instrument's effective interest rate.

SEGMENT REPORTING

After a comprehensive examination, the Board of Directors has decided that Hypo has only one segment: retail banking. The Board is the Chief Operating Decision Maker (CODM) at Hypo.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

€ 1.000. unless otherwise indicated.

1. BREAKDOWN OF INTEREST INCOME AND EXPENSES BY BALANCE SHEET ITEM

	2015	2014
Receivables valued at allocated acquisition cost		
Receivables from credit institutions	-3,2	11.8
Receivables from the public and public sector entities	19 333,1	19,565.5
Debt securities held to maturity	73,6	170.2
Total	19 403,6	19,747.5
Debt securities available for sale	706,3	1,095.6
Derivative contracts	170,9	
Other interest income	679,1	227.6
Total interest income	20 960,0	21,070.7
Liabilities valued at allocated acquisition cost		
Liabilities to credit institutions	-1 332,7	-1,736.7
Liabilities to the public and public sector entities	-5 941,2	-3,520.1
Debt securities issued to the public	-6 561,1	-7,671.0
Subordinated liabilities	-616,5	-786.7
Total	-14 451,5	-13,714.4
Derivative contracts	-1 499,7	-928.4
Other interest expenses	-435,0	-0.4
Total interest expenses	-16 386,2	-14,643.2

2. INCOME FROM EQUITY INVESTMENTS

	2015	2014
From available-for-sale financial assets	0.0	84.0

3. FEE INCOME AND EXPENSES

	2015	2014
From lending and deposits	1 418,5	1,425.9
From legal assignments	199,1	212.0
From residential property trustee service	1 351,3	1,221.0
From other operations	500,3	800.1
Total fee income	3 469,2	3,658.9
Other fee expenses	-53,0	-48.6
Total fee expenses	-53,0	-48.6

4. NET INCOME FROM CURRENCY OPERATIONS AND SECURITIES TRADING

	2015	2014
Gains and losses from disposals of financial instruments (net)		
Net income arising from financial instruments classified as held for trading		-14.6
Net income arising from items recognised based on the fair value option	37.3	
Gains and losses arising from measurement at fair value (net)		
Net income arising from financial instruments classified as held for trading		
Net income arising from items recognised based on the fair value option	-606.9	-86.4
Net income from securities trading	-569.5	-101.0
Net income from currency operations	0.5	-1.0
Total net income from currency operations and securities trading	-569.1	-101.9

The change in value resulting from the credit risk related to items recognised based on the fair value option was EUR 1.750 during the period (and cumulatively).

5. NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
Capital gains from debt securities	2,474.2	2,880.8
	2,474.2	2,880.8

6. NET INCOME FROM INVESTMENT PROPERTIES

	2015	2014
Rental income	3,189.4	2,970.2
Capital gains (losses)	3,981.2	1,833.7
Other income	317.5	307.9
Maintenance charges and other maintenance costs paid		
From investment properties that have accrued rental income during the period	-611.4	-737.3
Other expenses	-20.4	-40.5
Depreciation according to plan	-73.2	28.6
Total	6,783.0	4,362.5

7. OTHER OPERATING INCOME

	2015	2014
Rental income, property assets in own use	7.1	4.0
Other income	-14.0	-10.5
Total	-6.8	-6.5

8. OTHER OPERATING EXPENSES

	2014	2014
Rental expenses	-144.2	-125.8
Expenses from properties in own use	-55.6	-47.8
Other expenses	-546.7	-386.6
Total	-746.5	-560.1

9. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS

	2014	2014
Depreciation according to plan	-375.1	-312.1

10. IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS AND OTHER FINANCIAL ASSETS

	2014	2014
On receivables from the public and public sector entities		
Agreement-specific impairment losses	-35.5	-204.5
Deductions	41.4	173.4
Total	6.0	-31.1

11. INCOME TAXES

	2014	2014
Breakdown of taxes in the income statement		
Tax expense based on taxable income for the financial period	-814.5	-595.3
Change in deferred taxes	-506.5	-720.8
Taxes from previous periods	6.1	-14.2
Taxes in the income statement	**-1,314.9**	**-1,330.3**
Reconciliation of taxes		
Profit before taxes	7,522.7	7,498.0
Tax-free income	-851.0	-871.7
Non-deductible expenses	32.2	14.1
Adjustment made to previous period	-62.3	
Recognition of previously unrecorded tax losses	-36.7	-74.9
Total	**6,604.9**	**6,565.6**
Taxes calculated using the tax rate of 20%	-1,321.0	-1,313.1
Taxes from previous periods	6.1	-14.2
Other items		-3.0
Taxes in the income statement	**-1,314.9**	**-1,330.3**

12. INFORMATION CONCERNING PRODUCT GROUPS AND GEOGRAPHICAL MARKET AREAS

By product group, Group's main income is made up of lending and deposits and other housing products and services.
Lending and deposits, including other housing products and services, are considered to constitute one business area, due to the special characteristics of Hypo's customers and products (partial ownership, reverse mortgages, residential property trustee service).
Residential property trustee service covers, among other things, legal and administrative assignments related to the sale and rental of land. The Group's operating area is Finland. Other operations mainly consist of marketing and sales operations for MasterCard charge cards issued by card partners and services provided to a company outside the Group.

2015	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	16,825.1	7,107.0	1,959,077.2	1,857,680.0	58
Other operations	468.2	415.7	400.4	247.7	
	17,293.4	**7,522.7**	**1,959,477.6**	**1,857,927.6**	**58**

20134	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	16,448.5	6,909.7			54
Other operations	874.7	588.3	302.7	278.0	
	17,323.2	**7,498.0**	**1,499,914.8**	**1,404,522.2**	**54**

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. LIQUID ASSETS

	2015	2014
Cash	170,000.0	75,000.0

14. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	2014 balance sheet value	2014 balance sheet value
Liquid assets	170,000.0	75,000.0
Debt securities eligible for refinancing with central banks	270,650.5	111,070.4
Receivables from credit institutions	12,191.3	35,245.1
Debt securities	2,051.5	5,090.7
	454,893.2	226,406.2

15. RECEIVABLES FROM CREDIT INSTITUTIONS (LOANS AND RECEIVABLES)

	2015			2014		
	Repayable on demand	Other than those repayable on demand	Total	Repayable on demand	Other than those repayable on demand	Total
From the central bank		786.4	786.4		159.3	159.3
From domestic credit institutions	8,631.9		8,631.9	33,649.0		33,649.0
From foreign credit institutions	2,772.9		2,772.9	1,436.7		1,436.7
Total	11,404.9	786.4	12,191.3	35,085.8	159.3	35,245.1

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

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

	2015	2014
Companies and housing corporations	849,024.2	647,258.0
Households	552,877.6	545,681.6
Financial and insurance institutions	11,640.0	3,020.0
Non-profit organisations serving households	982.3	1,713.2
Foreign countries	6,187.0	6,369.0
Total	1,420,711.2	1,204,041.8
Subordinated receivables	686.2	703.7

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

	2015	2014
Impairment losses on receivables recognised during the period		
Impairment losses at the beginning of the year	349.7	315.9
Receivable-specific impairment losses recognised during the period	29.9	204.5
Receivable-specific impairment losses reversed during the period	-24.9	-170.7
Impairment losses at the end of the year	354.8	349.7

No group-specific impairment losses have been recognised.

17. DEBT SECURITIES

	2015			2014		
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Issued by public sector entities						
Available for sale						
Government bonds	57,182.3		57,182.3	61,039.4		61,039.4
Other bonds issued by public sector entities	14,575.8		14,575.8	11,664.8		11,664.8
Recognised based on the fair value option						
Government bonds	60,815.5		60,815.5	10,096.3		10,096.3
Other bonds issued by public sector entities	6,006.8		6,006.8			
Those issued by other than public sector entities						
Held to maturity						
Bonds issued by banks			0.0	10,760.1		10,760.1
Recognised based on the fair value option						
Bonds issued by banks	40,181.3		40,181.3	5,351.1		5,351.1
Available for sale						
Bonds issued by banks	83,855.4		83,855.4	12,158.8		12,158.8
Other debt securities	10,084.8		10,084.8	5,090.7		5,090.7
Total debt securities	272,701.9	0.0	272,701.9	116,161.1	0.0	116,161.1
Subordinated receivables			0.0			0.0
Receivables eligible for refinancing with central banks			270,650.5			111,070.4

Debt securities are investments in various credit counterparties with a remaining maturity of one to ten years.

18. SHARES AND HOLDINGS (FINANCIAL ASSETS AVAILABLE FOR SALE)

	2015			2014		
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Shares and holdings, available for sale		132.4	132.4		113.4	113.4
Of which at acquisition cost		132.4	132.4		113.4	113.4
Of which in credit institutions		108.5	108.5		108.5	108.5

19. DERIVATIVE CONTRACTS

	2015		2014	
	Book value		Book value	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Interest rate swaps, cash flow hedge accounting model, fair value		1,822.1		2,786.7
Interest rate and currency swaps, cash flow hedge accounting model, fair value		2,900.4		4,918.0
Non-hedging derivatives				
Interest rate swaps, fair value	510.4	904.9		151.9
	510.4	5,627.4		7,856.7
Interest rate and currency swaps, interest carried forward		890.4		627.7
Total	510.4	6,517.8		8,484.3

	2015			
Remaining maturity	Less than one year	1-5 years	>5 years	Total
Nominal values of the underlying instruments	79,427.7	125,000.0	61,000.0	265,427.7
Fair value, assets			510.4	510.4
Fair value, liabilities	3,096.8	1,838.6	692.1	5,627.4

	2014			
Remaining maturity	Less than one year	1-5 years	>5 years	Total
Nominal values of the underlying instruments	1,000.0	159,427.7	10,000.0	170,427.7
Fair value, assets				0.0
Fair value, liabilities	2.8	7,715.0	138.8	7,856.7

In cash flow hedge accounting, the periods during which the cash flows related to the hedged items are expected to occur do not significantly differ from the periods during which the cash flows related to the hedging instruments are expected to occur.

20. INTANGIBLE ASSETS

	2015	2014
IT programs and projects	1,630.3	825.0
Other intangible assets	297.5	123.5
	1,927.8	948.5
Amount of agreement-based commitments concerning acquisition of intangible assets	368.2	430.1

21. TANGIBLE ASSETS

	2015	2014
Investment properties and investment property shares, balance sheet value		
Land and water areas	26,632.0	23,900.8
Buildings	1,184.4	628.1
Shares and holdings in housing property corporations	39,968.3	29,827.9
Total balance sheet value	**67,784.8**	**54,356.9**
Total fair value of investment properties	73,894.0	64,348.0
of which share based on assessments of a qualified third-party valuer	17,733.5	10,810.0
Non-cancellable land lease agreements		
Rental receivables within one year	1,201.1	1,012.3

Rental income is only calculated for one year ahead, as the future redemptions of the land holdings of housing companies are not yet known.

	2015	2014
Agreement-based obligations of investment properties		
Potential redemptions of partially owned housing units and those to be completed	809.2	1,340.3
Liabilities related to construction	2,181.9	2,181.9
Total	**2,991.1**	**3,522.2**

Agreement-based obligations of investment properties are included in the off-balance sheet commitments presented in Note 40.
Liabilities related to construction consist of potential construction and defect liabilities.

	2015	2014
Other properties and shares in housing property corporations, balance sheet value		
In own use		
Land and water areas	734.6	734.1
Buildings	204.6	108.5
Total balance sheet value	**939.2**	**842.6**
Total fair value of other properties	3,611.0	3,514.4
Obligations related to sites under construction		
Unpaid purchase prices of sites under construction		1,797.9

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

	Intangible assets	Investment properties and investment property shares	Other properties and housing property shares	Other tangible assets	Total tangibles
Acquisition cost 1 January 2015	**2,170.2**	**55,237.7**	**897.3**	**2,219.8**	**58,354.8**
Increases, new acquisitions	1,259.4	18,331.8	109.2	206.3	18,647.3
Increases, capitalisation realised later		-3,552.9		-66.8	-3,619.6
Deductions	**3,429.6**	**70,016.7**	**1,006.5**	**2,359.3**	**73,382.5**
Acquisition cost 31 December 2015	1,221.7	503.5	54.6	1,946.4	2,504.5
Accumulated depreciation and impairment losses 1 Jan 2015	280.1	0.0	12.7	82.4	95.0
Depreciation for the period	**1,501.8**	**503.5**	**67.3**	**2,028.8**	**2,599.5**
Accumulated depreciation and impairment losses 31 Dec 2015		-377.4			**-377.4**
Adjustments to the revaluation reserve for the period		-1,351.1			-1,351.1
Book value 31 December 2015	**1,927.8**	**67,784.8**	**939.2**	**330.5**	**69,054.5**
Acquisition cost 1 January 2014	**1,713.4**	**46,572.0**	**878.0**	**2,185.3**	**49,635.3**
Increases, new acquisitions	458.5	11,648.3	19.3	34.5	11,702.0
Increases, capitalisation realised later	-1.7				0.0
Deductions		-2,982.6			-2,982.6
Acquisition cost 31 December 2014	**2,170.2**	**55,237.7**	**897.3**	**2,219.8**	**58,354.8**
Accumulated depreciation and impairment losses 1 Jan 2014	974.4	503.5	49.7	1,886.5	2,439.7
Depreciation for the period	247.3		4.9	59.9	64.8
Accumulated depreciation and impairment losses 31 Dec 2014	**1,221.7**	**503.5**	**54.6**	**1,946.4**	**2,504.5**
Adjustments to the revaluation reserve for the period		-377.4			-377.4
Book value 31 December 2014	**948.5**	**54,356.9**	**842.6**	**273.4**	**55,472.9**

23. OTHER ASSETS

	2015	**2014**
Defined benefit pension plans/excess margin of the pension foundation	7,350.3	6,893.8
Other receivables	679.4	868.3
Total	8,029.7	7,762.1

More detailed information about defined benefit pension plans is presented in Note 36.

24. DEFERRED INCOME AND ADVANCES PAID

	2015	**2014**
Interest receivables	3,125.6	3,031.9
Tax receivable based on taxes for the period	0.0	0.2
Other deferred income	515.1	1,474.0
Total	3,640.7	4,506.1

25. DEFERRED TAX RECEIVABLES AND LIABILITIES

	Tax receivable in 2015		**Tax liability in 2015**		
	Included in the financial statements of separate companies	Total Group	Included in the financial statements of separate companies	Based on consolidation	Total Group
Deferred tax on the pension foundation's surplus				1,470.1	,1,470.1
Deferred tax on the old revaluation reserve for property investments			673.6	-175.5	498.1
Deferred tax on the fair value reserve	577.8	577.8	37.0		37.0
Deferred tax on credit loss provisions			7,214.7		7,214.7
Total	577.8	577.8	7,925.3	1,294.6	9,219.9

	Tax receivable in 2014		**Tax liability in 2014**		
	Included in the financial statements of separate companies	Total Group	Included in the financial statements of separate companies	Based on consolidation	Total Group
Deferred tax on the pension foundation's surplus				1,378.8	1,378.8
Deferred tax on the revaluation reserve for property investments			943.8	-176.1	767.6
Deferred tax on the fair value reserve	663.8	663.8	202.0		202.0
Deferred tax on credit loss provisions			6,448.2		6,448.2
Total	663.8	663.8	7,593.9	1,202.6	8,796.5

26. DEBT SECURITIES ISSUED TO THE PUBLIC

	2015		2014	
	Book value	Nominal value	Book value	Nominal value
Other than those repayable on demand				
Bonds	521,878.6	522,330.0	518,423.4	518,960.6
Certificates of deposit and commercial papers	69,451.3	69,500.0	130,028.7	130,200.0
Total	591,329.9	591,830.0	648,452.1	649,160.6

The bonds are unsecured debt obligations issued by the Mortgage Society of Finland with a maximum maturity of five years and mainly with a floating interest rate.
The certificates of deposit are unsecured debt obligations issued by the Mortgage Society of Finland with a maximum maturity of one year.

27. OTHER LIABILITIES

	2015	2014
Other liabilities	7,862.4	8,125.9

28. DEFERRED EXPENSES AND ADVANCES RECEIVED

	2015	2013
Interest liabilities	3,412.1	2,849.4
Advance payments received	66.0	65.1
Tax liability based on taxes for the period	357.6	315.5
Other deferred expenses	2,225.5	1,321.0
Total	6,061.3	4,551.0

29. SUBORDINATED LIABILITIES

	2015		2014	
	Book value	Nominal value	Book value	Nominal value
Debenture loans	13,469.7	13,475.4	17 962.1	17 967.2

Debenture loan 7/2013, with a balance sheet value of EUR 11.998 million, will mature on 18 September 2018 and be repaid in equal instalments. Its interest rate is fixed at 3.750%.
Debenture loan 1/2014, with a balance sheet value of EUR 1,4722 million, will mature on 2 February 2018 and be repaid in equal instalments. Its interest rate is 2.00% + 12-month Euribor.
Premature repayment of the loans is subject to the permission of the Financial Supervisory Authority. The loans are not included in own funds in capital adequacy calculations.

30. MATURITY DISTRIBUTION OF FINANCIAL ASSETS AND LIABILITIES

	2015					
	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	12,191.3					12,191.3
Receivables from the public and public sector entities	14,619.0	62,256.0	387,334.0	361,038.0	595,464.2	1,420,711.2
Debt securities			149,231.0	123,470.9		272,701.9
Total	26,810.3	62,256.0	536,565.0	484,508.9	595,464.2	1,705,604.4
Liabilities to credit institutions	1,012.1	48,824.6	91,571.5	9,977.5		151,385.7
Liabilities to the public and public sector entities	753,574.9	282,982.1	35,262.0	1,152.4		1,072,971.4
Debt securities issued to the public	69,078.1	180,453.0	341,798.8			591,329.9
Subordinated liabilities			13,469.7			13,469.7
Total	823,665.1	512,259.6	482,102.1	11,129.9	0.0	1,829,156.7

Liabilities to the public and public sector entities, as well as debt securities issued to the public, include items the maturity of which complies with the loans granted to the personnel of partners. At the end of 2015, such loans totalled EUR 38,257,272.

	2014					
	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	35,245.1					35,245.1
Receivables from the public and public sector entities	14,612.0	53,612.0	328,000.8	306,376.0	501,441.0	1,204,041.8
Debt securities			71,696.7	44,464.3		116,161.1
Total	49,857.1	53,612.0	399,697.5	350,840.3	501,441.0	1,355,447.9
Liabilities to credit institutions	41,758.0	18,100.0	139,641.6	875.0		200,374.6
Liabilities to the public and public sector entities	333,295.7	121,729.9	52,815.9	561.8		508,403.4
Debt securities issued to the public	99,399.9	105,587.1	443,465.0			648,452.1
Subordinated liabilities		4,491.8	13,470.3			17,962.1
Total	474,453.6	249,908.8	649,392.8	1,436.8	0.0	1,375,192.1

31. BREAKDOWN OF BALANCE SHEET ITEMS TO THOSE DENOMINATED IN DOMESTIC AND FOREIGN CURRENCIES

	2015			2014		
	Domestic currency	Foreign currency	Total	Domestic currency	Foreign currency	Total
Receivables from credit institutions	12,191.3		12,191.3	35,245.1		35,245.1
Receivables from the public and public sector entities	1,420,711.2		1,420,711.2	1,204,041.8		1,204,041.8
Debt securities	272,701.9		272,701.9	116,161.1		116,161.1
Derivative contracts	510.4		510.4			
Other assets	253,362.8		253,362.8	144,466.8		144,466.8
Total	1,959,477.6		1,959,477.6	1,499,914.8	0.0	1,499,914.8
Liabilities to credit institutions	112,561.2	38,824.6	151,385.7	162,398.7	37 975.8	200,374.6
Liabilities to the public and public sector entities	1,072,971.4		1,072,971.4	508,403.4		508,403.4
Debt securities issued to the public	564,124.9	27,205.0	591,329.9	621,836.5	26 615.6	648,452.1
Derivative contracts and liabilities held for trading	2,727.0	2,900.4	5,627.4	2 938.7	4 918.0	7,856.7
Other liabilities	36,613.2		36,613.2	39,435.6		39,435.6
Equity	101,550.0		101,550.0	95,392.6		95,392.6
Total	1,890,547.7	68,929.9	1,959,477.6	1,430,405.4	69,509.4	1,499,914.8

The currencies and nominal amounts of currency and interest rate swaps correspond to those of foreign currency liabilities, which means that the Group is hedged against the currency risk.

32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

			2015		2014	
	Book value	Fair value determi-nation principle	Book value	Fair value	Book value	Fair value
Liquid assets	Loans and receivables		170,000.0	170,000.0	75,000.0	75,000.0
Receivables from credit institutions	Loans and receivables		12,191.3	12,191.3	35,245.1	35,245.1
Receivables from the public and public sector entities	Loans and receivables		1,420,711.2	1,422,965.5	1,204,041.8	1,205,599.5
Debt securities	Financial assets available for sale	1	165,698.3	165,698.3	89,953.6	89,953.6
Debt securities	Held to maturity				10,760.1	11,313.8
Debt securities	Items recognised based on the fair value option	1	107,003.6	107,003.6	15,447.4	15,447.4
Shares and holdings	Financial assets available for sale	2	132.4	132.4	113.4	113.4
Derivative contracts		2	510.4	510.4		
Total			1,876,247.2	1,878,501.5	1,430,561.4	1,432,672.7
Liabilities to credit institutions	Other liabilities		151,385.7	151,385.7	200,374.6	200,374.6
Liabilities to the public and public sector entities	Other liabilities		1,072,971.4	1,074,580.9	508,403.4	508,823.7
Debt securities issued to the public	Other liabilities		591,329.9	591,329.9	648,452.1	648,452.1
Derivative contracts		2	5,627.4	5,627.4	7,856.7	7,856.7
Subordinated liabilities	Other liabilities		13,469.7	13,469.7	17,962.1	17,962.1
Total			1,834,784.1	1,836,393.7	1,383,048.7	1,383,469.1

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.

In the table above, fair value determination principles are presented only with regard to items that, after their initial recognition, are measured at fair value on the balance sheet on a recurring or non-recurring basis. The principles are as follows:

1: Quoted prices in active markets
2: Verifiable price, other than quoted
3: Unverifiable market price

33. NETTING OF FINANCIAL ASSETS AND LIABILITIES

				Amounts not offset on the balance sheet		
31 Dec 2015	Gross amounts	Netted on the balance sheet	Amounts shown on the balance sheet	Financial instruments	Cash collateral received/paid	Net amount
Derivative liabilities	5,627.4	-	5,627.4	-	-	5,627.4
Derivative receivables	510.4	-	510.4	-	-	510.4

31 Dec 2014	Gross amounts	Netted on the balance sheet	Amounts shown on the balance sheet	Financial instruments	Cash collateral received/paid	Net amount
Derivative liabilities	7,856.7	-	7,856.7	-	-	7,856.7
Derivative receivables	-	-	-	-		

The aforementioned derivative contracts subject to an enforceable master netting arrangement or similar agreement involve, in all cases, an agreement between the Group and a counterparty, according to which the financial assets and liabilities in question may be settled by net amount if so chosen by both parties.
If such a choice is not made, the financial assets and liabilities are settled by gross amount, but both parties to a master netting arrangement are entitled to settle such amounts by net amount, should the other party fail to fulfil its obligations.

34. NON-ELIMINATED ITEMS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS WHERE THE COUNTERPARTY IS A SUBSIDIARY OR ASSOCIATED COMPANY OF THE GROUP

	2015	2014
Balance sheet		
Receivables from the public and public sector entities		
Other than those repayable on demand	442.8	506.2
Tangible assets		
Investment properties and investment property shares	6,908.7	6,539.2
Balance sheet items		
Interest income	9.4	9.6
Net income/maintenance charges from investment properties	-92.4	-96.8

35. BASIC CAPITAL

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

36. PENSION OBLIGATIONS

The statutory pension security of employees is arranged through pension insurance, and it is recognised as a defined contribution plan in accordance with IFRS accounting practice.
Voluntary supplementary pension security is arranged through Department A of the pension foundation and recognised as a defined benefit pension plan. The wealth of the A-section exceeds the amount of liabilities.
Department M, a new department of the pension foundation, was established at the end of 2010. This offered the opportunity to use insurance premiums to improve employees' pension security.
Department M is recognised as a defined contribution pension plan.

Defined benefit pension plans in the income statement	**2015**	**2014**
Expenses based on work performance	20.7	21.7
Net interest, expense (+) or income (-)	-222.7	-199.2
Net actuarial profit (-)/loss (+) recognised during the period	-405.6	-899.2
Management expenses	75.5	80.4
Transfer to Department M	75.7	275.2
Pension expenses (+)/income (-)	**-456.5**	**-721.1**
Defined benefit pension plans on the balance sheet		
Present value of funded obligations	6,489.1	6,633.8
Fair value of plan assets	-13,839.4	-13,527.6
Surplus (-)/deficit (+)	-7,350.3	-6,893.8
Payments from the plan (return of surplus)	0.0	0,0
Net liability (+)/receivable (-)	**-7,350.3**	**-6,893.8**
Change in the net liability/receivable recognised on the balance sheet		
Net liability (+)/receivable (-) on 1 January	-6,893.8	-6,172.7
Pension expenses (+)/income (-)	-456.5	-721.1
Payments from the plan (return of surplus)		
Net liability (+)/receivable (-) on 31 December	**-7,350.3**	**-6,893.8**
The Group's own financial instruments included in plan assets		
Deposits in Suomen AsuntoHypoPankki	1,525.3	228.0
Most significant actuarial assumptions, %		
Discount rate	2.50	3.25
Expected returns on assets	2.50	3.25
Future pay rise assumption	2.50	3.00
Inflation	1.50	2.00

Defined benefit obligation's sensitivity to changes in weighted key assumptions

		Effect on defined benefit obligation	
	Change in assumption	Increase	Decrease
Discount rate	0.50 %	-5.60 %	6.20 %
Rate of wage increases	0.50 %	0.40 %	-0.40 %
Rate of pension increases	0.50 %	5.20 %	-4.80 %

A one-year increase in life expectancy increases the obligation by 4.1%.

NOTES CONCERNING THE GROUP'S COLLATERAL AND CONTINGENT LIABILITIES

37. COLLATERAL PLEDGED

		2015	2014
	Type of collateral		
Collateral pledged for own liabilities			
Liabilities to the central bank	Debt securities	20,031.6	35,001.2

38. INFORMATION CONCERNING ASSET ENCUMBRANCE

	2015			
(€ million)	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
A - Assets	21.9	--	1,730.7	--
Equity instruments			0.1	0.1
Debt securities	21.9	22.0	232.0	232.0
Other assets		--	1,498.6	--

B - Collateral received

Nothing to report, as Hypo has not received collateral that it would have pledged further or that it could pledge further.

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	20,0	21,9

D - Information on the importance of encumbrance

The amount of assets reported under items A and C above does not include excess collateral. All amounts are reported based on median values of quarterly data on a rolling basis over the previous twelve months.
The Group's encumbered assets consist of debt securities that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank. There has been no significant changes in the group's encumbered assets during the past year.
Around 90 per cent of unencumbered other assets are not eligible as collateral. In this context, cash is regarded as an asset eligible as collateral.
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 totalled EUR 246.3 million on 31 December 2015.

	2014			
(€ million)	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
A - Assets	35.4	--	1,499.9	--
Equity instruments			0.1	0.1
Debt securities	35.4	36.0	80.7	80.7
Other assets		--	1,419.1	--

B - Collateral received

Nothing to report, as Hypo has not received collateral that it would have pledged further or that it could pledge further.

C - Encumbered assets and associated liabilities	Liabilities associated with encumbered assets	Encumbered assets
Book value of selected financial liabilities	35,0	35,4

D - Information on the importance of encumbrance

The Group's encumbered assets consist of debt securities that are tradable on the secondary market and eligible as ECB collateral and that have been pledged against a loan from the central bank.
The Group's encumbered assets decreased by around 13 per cent in 2014 as result of a decrease in the amount of the loan from the central bank.
Around 95 per cent of unencumbered other assets are not eligible as collateral. In this context, cash is regarded as an asset eligible as collateral.
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 totalled EUR 75.6 million on 31 December 2014.
The amount of assets reported under items A and C above does not include excess collateral. All amounts are reported in accordance with the situation on 31 December 2014.

39. LEASING AND OTHER RENTAL LIABILITIES

	2015	2014
Minimum rents paid on the basis of leasing and other rental agreements		
Within one year	107.1	40.6
Within more than a year and at most within five years	46.8	81.2
Total	153.9	121.7

40. OFF-BALANCE SHEET COMMITMENTS

	2015	2014
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	218,022.7	218,099.9
Potential redemptions of partially owned housing units and those to be completed	809.2	1,340.3
Total	221,013.8	221,622.1

NOTES CONCERNING THE AUDITOR'S FEE

41. AUDITOR'S FEES	2015	2014
Fees paid to the auditor for the audit	47.0	78.7
Fees paid to the auditor for tax counselling		
For other services	13.1	10.7
Total	60.1	89.4

NOTES CONCERNING THE GROUP'S PERSONNEL AND INSIDERS

42 . NUMBER OF PERSONNEL	2015	2014
	Average number	Average number
Permanent full-time personnel	52	48
CEO and COO	2	2
Temporary personnel	4	4
Total	**58**	54

43. SALARIES AND REMUNERATION PAID TO MANAGEMENT	2015	2014
Total salaries paid to the CEO and COO	424.2	391.7

In the event of a termination of the employment, the CEO and the COO are paid a full four-month salary in addition to the salary of the six-month period of notice. The CEO and the members of the Board of Directors are entitled to basic pension security pursuant to the Employees Pensions Act (TyEL). The CEO and the COO are included in Hypo's guidance and incentive plan, in which they have the possibility of earning a maximum of 20 weeks' salary. The total salaries do not include remunerations, as they were paid in full as an insurance premium worth 10.5 weeks' salary to Department M of the Mortgage Society of Finland's pension foundation in accordance with the guidance and incentive plan. Then insurance premium paid for the CEO was EUR 47,250, and the insurance premium paid for the COO was EUR 29,400. In the case of the CEO and the COO, the insurance premiums paid can be cancelled unilaterally within the three years following the financial period.

Board of Directors	2015	2014
Annual remuneration of the chairman	21.7	19.2
Annual remuneration of the vice chairman	18.5	13.2
Other members, annual remuneration	82.5	58.3
Total	122.7	90.8
Supervisory Board		
Annual remuneration of the chairman	5.9	5.4
Annual remuneration of the vice chairman	3.4	3.1
Other members, annual remuneration	27.6	25.0
Total	36.8	33.6

Information about the salaries and remuneration paid to individual members, as well as the type of remuneration, is available in the salary and remuneration statement for 2015, which is published on Hypo's website at www.hypo.fi/tietoa-hyposta/johtaminen-ja-hallinnointi/saannot-ja-sisainen-valvonta/palkitseminen/.

44. LOANS GRANTED TO MANAGEMENT AND OTHER INSIDERS	2015	2014	Change
CEO and COO	530.8	567.2	-36.4
Board of Directors	156.0	162.0	-6.0
Supervisory Board	3,108.8	2,942.5	166.3
Total	3,795.6	3,671.7	123.9

45. DEPOSITS BY MANAGEMENT AND OTHER INSIDERS	2015	2014	Change
CEO, COO, Board of Directors and Supervisory Board	717.3	1,082.2	-364.9
The Mortgage Society of Finland's pension foundation	1,801.7	306.1	1,495.6
Total	2,519.1	1,388.3	1,130.7

The loans granted to management are subject to favourable terms and conditions applicable to personnel, and the deposits made by management are provided on market terms.

46. LOANS GRANTED TO SUBSIDIARIES AND ASSOCIATED COMPANIES	2014	2014
Bostadsaktiebolaget Taos	2,291.7	1,271.6
As Oy Kauniaisten Kokka	1,950.8	1,954.3
Total	4,242.5	3,225.9

The loans have been granted on market terms.

NOTES CONCERNING THE GROUP'S SHAREHOLDINGS

47. INFORMATION ABOUT SUBSIDIARIES AND ASSOCIATED COMPANIES

2014	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen AsuntoHypoPankki Oy	Helsinki	100.0	17,333.5	3,288.6	1,063,445.9	1,046,112.3	5,605.8
Bostadsaktiebolaget Taos	Helsinki	59.5	5,665.4	-1,017.1	7,994.1	2,328.7	753.3
Associated companies							
As Oy Vanhaväylä 17	Helsinki	48.2	1,539.3	20.6	1,544.7	5.4	55.9
As Oy Eiran Helmi	Helsinki	33.8	2,356.8	-6.8	2,363.3	6.5	80.9
As Oy Hyvinkään Munckinkatu 30	Hyvinkää	25.0	571.1		572.4	1.3	11.3
As Oy Kauniaisten Kokka	Kauniainen	22.7	4,218.7		6,173.2	1,954.5	62.2
As Oy Helsingin Lauttasaarenranta	Helsinki	22.6*)					

Profit for the period and shareholders' equity are indicated in accordance with the most recently adopted financial statements of the company.

The Articles of Association of Bostadsaktiebolag Taos include a provision that a shareholder may have 20 per cent of the votes at a maximum.

*) Company has just been completed and it has no consolidated financial statements.

2014	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen AsuntoHypoPankki Oy	Helsinki	100	14,107.3	2,348.5	526,128.2	512,021.0	4,370.2
Bostadsaktiebolaget Taos	Helsinki	59	6,682.5	-72.2	7,987.0	1,304.5	753.3
Subsidiaries that are not included in the consolidated financial statements							
As Oy Vanhaväylä 17	Helsinki	80	1,052.5	5.0	1,532.0	479.5	40.3
Associated companies							
As Oy Eiran Helmi	Helsinki	34	2,363.6	0.0	2,366.5	2.9	104.7
As Oy Mäkipellontie 4	Helsinki	30	156.2	-3.3	160.6	4.4	33.6
As Oy Hyvinkään Munckinkatu 30	Hyvinkää	25	571.1	1.1	573.1	2.0	10.5
As Oy Kauniaisten Kokka	Kauniainen	26	1,806.3	0.0	3,806.3	2,000.0	0.0

Profit for the period and shareholders' equity are indicated in accordance with the most recently adopted financial statements of the company.

The Articles of Association of Bostadsaktiebolag Taos include a provision that a shareholder may have a maximum of 20 per cent of the votes.

NOTES CONCERNING CONTROLLED ENTITIES OF THE GROUP

The Mortgage Society of Finland prepares the consolidated financial statements.
A copy of the consolidated financial statements is available from the Mortgage Society of Finland at Yrjönkatu 9 A, FI-00120 Helsinki, Finland, or by telephone on +358 (0)9 228 361, or by email at hypo@hypo.fi.

NOTES CONCERNING THE CAPITAL ADEQUACY OF THE GROUP AND RISK MANAGEMENT

RISK TOLERANCE

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

RELIABLE MANAGEMENT

Reliable governance means organising Group's processes in a manner that ensures management based on healthy and cautious business principles, with a clear division of responsibilities and reporting lines. The governance of the Group is centralised in the parent company, the Mortgage Society of Finland ("Hypo"), and it also covers the subsidiary Suomen AsuntoHypoPankki ("AsuntoHypoPankki"). More information about corporate governance and fees and remuneration within the Group is available in the notes to the consolidated financial statements and on the Hypo website at www.hypo.fi.

CAPITAL ADEQUACY MANAGEMENT

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

The Financial Supervisory Authority has exempted Group's parent company Hypo from applying the capital adequacy requirements separately to its banking subsidiary AsuntoHypoPankki. For this reason, capital adequacy and risk management procedures at AsuntoHypoPankki have been integrated into capital adequacy management at the Group. In the internal capital adequacy assessment process (ICAAP), the Group's own funds are allocated at the group level, considering both Hypo's and AsuntoHypoPankki's business operations.

The purpose of capital adequacy management within the Group is to maintain sufficient own funds and profitability in proportion to the operating risks. Profitability accrues assets in the form of annual profit, and these assets are used for the development of competitive business operations.

The assessment of capital adequacy relies solely solely on Common Equity Tier 1 (CET1). An internal minimum target and a monitoring limit have been set for the amount of CET 1 in proportion to risk-weighted receivables.

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

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

The details concerning own funds and the minimum requirements applicable to them are shown in the table below. On 31 December 2015, capital adequacy calculated with CET 1 stood at 13.8 per cent (15.1 per cent in 2014).

48. OWN FUNDS AND CAPITAL RATIOS	2015	2014
Equity	101,550.0	95,392.6
Fair value reserve	1,413.8	1,847.1
Revaluation of defined pension plans	-1,531.8	-1,207.4
Surplus from defined pension plans	-5,880.2	-5,515.1
Common Equity Tier 1 (CET1) capital before regulatory adjustments	95,551.7	90,517.3
Intangible assets	-1,542.2	-758.8
Common Equity Tier 1 (CET1) capital	94,009.5	89,758.5
Additional Tier 1 (AT1) capital	0.0	0.0
Tier 1 capital (T1 = CET1 + AT1)	94,009.5	89,758.5
Tier 2 (T2) capital	0.0	807.9
Total Capital (TC = T1 + T2)	**94,009.5**	**90,566.4**
Total risk-weighted items	**682,150.8**	**595,458.2**
of which credit risk	653,785.3	568,925.6
of which market risk	2.4	0.0
of which operational risk	28,363.1	26,532.7
of which other risks	0.0	0.0
Common Equity Tier 1 (CET1) in relation to risk-weighted items (%)	13.8	15.1
Tier 1 capital (T1) in relation to risk-weighted items (%)	13.8	15.1
Total capital (TC) in relation to risk-weighted items (%)	13.8	15.2
Minimum capital	5,000.0	5,000.0
Capital conservation buffer in relation to risk-weighted items (%)	2.5	0.0
Countercyclical capital buffer in relation to risk-weighted items (%)	0.0	0.0

The own funds and capital adequacy are presented in accordance with the EU's Capital Requirements Regulation (575/2013). The capital requirement for credit risk is calculated using the standard method.The capital requirement for operational risk is calculated using the basic method.
As of 1.1.2015 the unrealised gains and losses are included in CET1. Until 31.12.2014 the unrealised losses were included in CET1 and the unrealised gains in T2.

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

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

Each year, the Group publishes the key information required for the analysis of its capital adequacy and risk management as part of its audited financial statements and the related annual report.

RISK MANAGEMENT AND INTERNAL AUDITING

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

Business unit controls

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

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

Independent control functions

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

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

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

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

The following is an overview of the key risks affecting the Group's business operations and their management procedures.

RISK PROFILE

In light of the figures concerning the Group's risk position presented in these notes, the Group's overall risk profile is regarded as moderate. Risk-taking within the Group is cautious. The management of various risk areas is based on separately confirmed risk management principles in each risk area. Lending is the Group's most important business area. Lending is carried out only against individually valued collateral, and other credit and counterparty risk counterparties are selected carefully within confirmed limits. The probability of the continuity of the Group's business operations being jeopardised in a negative development scenario has been determined to be small through stress testing. Compliance with the limits set for risk-taking is actively monitored. The limited scope of the services offered by the Group enables it to maintain a favourable risk position.

CREDIT RISK

The credit risk refers to the risk of loss arising from a counterparty of the Group not being able to meet its agreed payment obligations. In such a situation, the credit risk materialises if the collateral for the credit is not sufficient to cover the Group company's receivables. The counterparty risk is processed as part of the credit risk. If materialised, the credit risk results in an impairment loss.

The credit risk is the key risk among the Group's business risks, as lending is by far its largest business area. Within the Group, lending is carried out by Hypo, the parent company.

Credit risk management and reporting within the Group are based on separately confirmed credit risk management principles.

Lending

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

As a rule, shares in housing companies or mortgage deeds registered in a residential property are required as collateral for loans. Generally, depending on the type of housing collateral, 50–70 per cent of the fair value of the site is accepted as collateral. This value is estimated independently with the help of Hypo's expertise. As a rule, fair value refers to the price received in a voluntary sale between parties that are independent of each other. Almost all of Hypo's personnel working in lending are certified real estate agents, which serves to reinforce Hypo's ability to independently assess the fair value of collateral. With regard to residential property collateral, the provider of the collateral is required to arrange insurance cover for the site. In case of potential neglect of insurance premiums, Hypo Group maintains a special insurance policy to secure its collateral position related to lending. Collateral for lending by Hypo must be located in Finland. In addition to housing collateral, guarantees and deposit collateral are mainly used as techniques to reduce the credit risk.

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

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

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

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

On 31 December 2015, the weighted average of the loan-to-value (LTV) ratios of the loans in Hypo's lending portfolio was 41.06 per cent (44.88), calculated using the Group's own calculation model. The calculation of LTV ratios only takes the

CONCENTRATION OF LENDING	2015	%	2014	%
Lending by category				
Households	559,064.6	39.4 %	552,050.6	45.8 %
Housing companies	764,338.9	53.8 %	567,149.2	47.1 %
Private companies (housing investors)	83,374.7	5.9 %	78,530.3	6.5 %
Other	13,932.9	1.0 %	6,311.7	0.5 %
Total	1,420,711.2	100.0 %	1,204,041.8	100.0 %
Lending by purpose of use				
Permanent dwelling	1,346,069.4	94.7 %	1,124,917.8	93.4 %
Consumer loan	36,081.6	2.5 %	35,699.4	3.0 %
Holiday home	7,285.4	0.5 %	7,718.4	0.6 %
Other	31,274.8	2.2 %	35,706.2	3.0 %
Total	1,420,711.2	100.0 %	1,204,041.8	100.0 %
Lending by province				
Uusimaa	1,160,995.2	81.7 %	1,001,765.7	83.2 %
Rest of Finland	259,716.0	18.3 %	202,276.1	16.8 %
Total	1,420,711.2	100.0 %	1,204,041.8	100.0 %

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

LOAN PORTFOLIOS COLLATERALS GEOGRAPHICAL DISTRIBUTION

Helsinki Metropolitan Area	82.5 %
Turku	3.0 %
Tampere	5.7 %
Jyväskylä	1.7 %
Kuopio	0.2 %
Oulu	1.1 %
Others	5.8 %
	100 %

MAXIMUM AMOUNT OF THE CREDIT AND COUNTERPARTY RISK

2015	Book values, gross	Book value	Average book value during the period	Interest receivables	Impaired receivables
Lending					
Not fallen due	1,237,414.3	1,138,149.7	1,138,149.7	1,516.4	
Past due by 1–2 days*	155,853.9	148,345.4	148,345.4	666.1	
Past due by 3 days–1 month	18,307.7	15,464.5	15,464.5	54.0	
Past due by 1–3 months	9,361.0	8,210.8	8,210.8	37.2	
Non-performing, past due by less than 3 months**		108.9	108.9	0.0	
Non-performing, past due by more than 3 months	2,271.5	2,097.1	2,097.1	18.6	204.9
Total lending	**1,423,208.3**	**1,312,376.5**	**1,312,376.5**	**2,292.2**	**204.9**
Other					
Receivables from credit institutions					
Not fallen due	12,191.3	12,191.3	23,718.2		
Debt securities					
Not fallen due	273,493.3	194,431.5	194,431.5	791.4	
Shares and holdings	132.4	132.4	122.9		
Derivative contracts					
Not fallen due	512.3	510.4	255.2	2.0	
Total other	**286,329.3**	**285,536.0**	**218,527.8**	**791.4**	**0.00**
Non-performing receivables/total lending, %	0.16 %	0.14 %			

Information concerning recognition of impairment losses related to lending is presented in Notes 10 and 16 and the accounting policies.
*) Past due by 1–2 days also includes loans the payment of which is delayed due to a delay in payment traffic.
**) includes loans that have not fallen due or are past due and that are likely not to be repaid

2014	Book values, gross	Book value	Average book value during the period	Interest receivables	Impaired receivables
Lending					
Not fallen due	1,041,942.1	1,040,401.5	946 777.6	1,536.2	4.3
Past due by 1–2 days*	142,166.4	141,503.0	115 878.4	663.3	
Past due by 3 days–1 month	12,703.1	12,675.3	20 587.2	27.8	
Past due by 1–3 months	7,116.2	7,097.9	6 040.5	18.3	
Non-performing, past due by less than 3 months	218.0	217.9	108.9	0.1	
Non-performing, past due by more than 3 months	2,500.0	2,146.2	1,575.0	51.2	302.7
Total lending	**1,206,645.8**	**1,204,041.8**	**1 090 967.6**	**2,297.0**	**307.0**
Other					
Receivables from credit institutions					
Not fallen due	35,245.1	35,245.1	48 046.3		
Debt securities					
Not fallen due	116,840.0	116,161.1	112,800.0	678.9	
Shares and holdings	113.4	113.4	113.4		
Total other	**152,198.5**	**151,519.6**	**160 959.7**	**678.9**	**0.00**
Non-performing receivables/total lending, %	**0.23 %**	**0.20 %**			

Information concerning recognition of impairment losses related to lending is presented in Note 13 and the accounting policies.
*) Past due by 1–2 days also includes loans the payment of which is delayed due to a delay in payment traffic.

Breakdown of collateral in accordance with the capital adequacy calculation of lending	2014	2014
State, municipality or financial collateral, risk weight 0%	**2.2 %**	3.0 %
State, municipality or financial collateral, risk weight 20%	**0.7 %**	0.4 %
State, municipality or financial collateral, risk weight 50%	**0.4 %**	1.2 %
Deposit collateral, risk weight 20%	**0.6 %**	82.5 %
Housing collateral, risk weight 35%	**86.2 %**	0.0 %
Housing collateral, risk weight 75%	**1.8 %**	2.3 %
Receivable, the collateral of which has not been taken into account in the capital adequacy calculation or the risk weight of which is 100%	**8.1 %**	10.6 %
	100.0 %	100.0 %

Other investments consist of distributed liquidity investments in creditworthy credit institution or company counterparties. The Board of Directors confirms the counterparty limits.
The derivative contracts have mainly been concluded in compliance with the general terms and conditions of the Finnish Bankers' Association for derivative contracts, and they are executed so that the contract-specific cash flows of the same due date with the same counterparty may be paid net.

Forbearances	2015					
	Performing and past due receivables			Non-performing receivables		
	Receivables with modified terms	Refinancing	Total	Receivables with amended terms	Refinancing	Total
Forbearances 1 Jan 2015	2,064.5	400.1	2,464.7	0.0	0.0	0.0
Changes during the financial period	1,090.4	161.9	1,252.3	61.6	62.1	123.6
Book value of forbearances 31 dec 2015	3,154.9	562.0	3,717.0	61.6	62.1	123.6
Interest income recognised from receivables during the financial period	46.8	10.6	57.4	0.6	0.8	1.4
Impairment recognised on receivables during the financial period	-	-	0.0	-	-	0.0

Loan renegotiations were not carried out related to non-performing receivables, and impairment was not recognised on forbearances during the financial period.

Loan forbearances	2014					
	Performing and past due receivables			Non-performing receivables		
	Receivables with modified terms	Refinancing	Total	Receivables with amended terms	Refinancing	Total
New forbearances during the financial period	2,064.54	400.1	2,464.7	-	-	-
Book value of forbearances 31 Dec 2014	2,064.54	400.1	2,464.7	-	-	-
Interest income recognised from receivables during the financial period	34.68	2.0	36.7	-	-	-
Impairment recognised on receivables during the financial period			0.0	-	-	-

Loan renegotiations were not carried out related to non-performing receivables, and impairment was not recognised on forbearances during the financial period.

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

Liquidity investments and derivatives

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

Other credit risk counterparties

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

In the MasterCard business that AsuntoHypoPankki engages in, the credit risk is borne by a card service company that does not belong to Hypo Group.

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

Impact of the credit risk on capital adequacy

The capital adequacy requirement for the credit risk is calculated using the standard method in accordance with capital adequacy regulations.

Calculated in accordance with the amended reporting requirements, the total nominal amount of non-performing receivables related to lending – that is, receivables overdue for more than 90 days – increased moderately when compared to the previous year. On 31 December 2015, non-performing receivables stood at EUR 2.271 million (2.718 million), which represents 0.16 per cent of the loan portfolio (0.23). The number of forbearances (negotiation of terms due to the debtors financial difficulties) in 2015 was somewhat higher than in previous years, totalling around EUR 3.7 million. The primary method used is the issuance of instalment-free periods and the replacement of old loans with a new loan. All of these are based on separate credit decisions. Forbearances resulting from financial difficulties are handled by collection employees in a centralised manner. The number and causes of forbearances are monitored.

Net impairment losses amounted to EUR 0.01 million in 2015 (-0,03 million). The effective use of controls, the efficient monitoring of the credit risk and the low amount of credit losses reflect the moderate risk level in relation to the loan portfolio.

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

OPERATIONAL RISKS

The operational risk refers to the risk of loss due to insufficient or failed internal processes, employees, information systems or external factors. Operational risks also include legal risks. Continuity planning for business operations and preparedness for exceptional circumstances are part of operational risk management.

Operational risk management and reporting within the

Group are based on separately confirmed operational risk management principles.

Operational risks related to the Group's business operations are identified, measured and assessed by means of continuous monitoring and event reports on which the corrective measures are also based. In business operations, operational risks are assessed by supervisors, the management team and operational management.

The Group's key operational risks include personal, IT and single-office risks. Due to the single-office operating model, operational risks typical of remote communication are emphasised in the business processes. These are related to, for example, identification of the customer, the establishment of a customer relationship and information security. Other key risks in business processes are related to identity and access management and the prevention of crime in process parts based on information systems as well as manual work.

Personnel

The entire personnel of the Group are employed by Hypo, the parent company. Operational risks related to employees are managed through regularly updated job descriptions, personal goals derived from the company's targets, training, substitute arrangements and investments in well-being at work. In addition to business goals, the personnel incentive and commitment system takes account of risk management. The Group's operational policies are maintained actively. Breaches of policies are addressed. In addition, Hypo pays attention to the management of personal risks by distributing expertise and responsibility to a number of persons in the organisation. The Group's number of employees remained unchanged during 2015.

Information systems

For the purpose of operational risk management, the key information systems have been outsourced to recognised companies or acquired as software packages. The key information systems have also been duplicated, and they are mainly located outside the Group's facilities. The Group has prepared for risks related to information system malfunctions through service agreements and continuity planning. The operations, situation and pricing of the key information system partner, as well as its ability to provide services, are monitored as part of strategic risk management. The Group pays special attention to the management of access rights and controls by means of identity and access management as well as internal auditing. Information security guidelines for employees have been updated, and the number of information security instructions has been increased. More resources have been allocated to information system management.

Facilities

Single-office risks related to the Group's facilities are managed through fire, water and burglary protection in particular. The Group maintains up-to-date insurance coverage in case of various business operations disturbances, such as the possibility of office facilities becoming unusable. The Group also uses a third-party auditing service in assessing the physical safety of its locations.

Legal risks related to the Group's operations are managed by relying on the expert resources in the organisation and, whenever necessary, standard agreements and the expertise of reputable industry operators. In addition, new products and services are assessed in advance in terms of operational risks. In the planning of business processes, special attention is also paid to legal risks related to remote transactions with customers. Insurance coverage for risks arising from business operations has been expanded.

In Hypo Group, the capital adequacy requirement for operational risks is calculated using the basic method in accordance with capital adequacy regulations. The Group's own funds allocated to operational risks in the basic method have been established as sufficient in the Group's internal capital adequacy assessment procedure, also considering the stress scenario.

LIQUIDITY RISKS

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

The Group's liquidity risks comprise various financing risks related to the whole of its operations – that is, its banking book, including off-balance sheet items. These risks are identified, measured and assessed by reviewing the mutual structure and distribution of the interest-bearing items on the balance sheet.

Liquidity risk management and reporting within the Group are based on confirmed principles of liquidity risk management.

The long-term or structural financing risk on the balance sheet

The long-term financing risk, also known as the structural financing risk, on the balance sheet refers to the uncertainty that is related to the financing of long-term lending and results from funding on market terms. If the risk is materialised, it jeopardises the continuance of growth-orientated lending as well as the Group's financing position. The ability to continue lending in the long term is a key target and starting point for the Group's funding and the management of the structural financing risk. The existing limits for arranging long-term funding and securing the financing position are kept at a sufficient level in relation to the Group's business goals and the uncertainty caused by its operating environment. The share of deposit funding of the total funding is increased in accordance with the Group's strategy. Hypo, the parent company of the Group, also has permission to act as a counterparty to central bank financing. Implemented debt issuances as well as used and unused credit facilities are regularly reported to the management.

The Net Stable Funding Ratio (NSFR), an indicator introduced as part of new regulations, has been taken into account in the principles of liquidity risk management.

The share of deposit and other long term funding out of total funding was 39.5 per cent (54.0) on 31 December 2015.

Short-term liquidity risk

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

When assessing the amount of liquidity that is sufficient in terms of managing the liquidity risk, a potential bank run on sight deposits is taken into account, in which case the share exceeding the deposit guarantee limit of deposits repayable on demand would be withdrawn over a short period of time. In addition to the maintenance of liquidity investments, liquidity is secured by binding limits concluded with various counterparties.

The Liquidity Coverage Ratio (LCR), a liquidity requirement describing 30-day liquidity, became effective at 60 per cent in 2015 and has been taken into account in the principles and processes of liquidity risk management.

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

On 31 December 2015, short-term liquidity, which includes cash and cash equivalents as well as bank accounts and other binding credit facilities, totalled EUR 458.6 million (229.9 million).

Short-term liquidity covered payment obligations related to debt agreements for 22.0 months following the balance sheet date (9.8 months). In addition to short-term liquidity, the payment obligations related to funding and the growth goals for lending are covered through binding credit facilities in long-term financing or through funding based on certificate of deposit and bond programmes.

The Group's payment obligations related to debt and deposit agreements valid on the reporting date, including net cash flows from derivative contracts, are presented in the table below.

Refinancing risk

The refinancing risk – that is, the maturity imbalance between receivables and liabilities on the balance sheet – causes the risk of an increase in the refinancing costs. This imbalance is managed by concluding funding agreements that are as long-term as possible, considering the goals set for funding. When loans are granted, the maturity of the receivables is longer than the average maturity of funding. The impact of the deposit portfolio on the average maturity and average interest rate of funding is monitored regularly.

The repayments of certain funding agreements (representing around 2.7 per cent of the loan portfolio) are linked to changes in the corresponding portion of the lending portfolio, in which case no maturity imbalance arises with regard to the balance sheet items in question. Premature repayment of loans in relation to the original repayment plans of mortgage loan customers causes the imbalance between receivables and liabilities on the balance sheet to be slighter in reality than when the loans were granted. The average maturity of funding is monitored at the Group level, and it is regularly reported to the management.

On 31 December 2015, the average maturity based on debt agreements was around 1.6 years (2.0).

LIQUIDITY RISK

	2015					
Cash flows from financial liabilities and derivatives	**<3 months**	**3–12 months**	**1–5 years**	**5–10 years**	**Over 10 years**	**Total**
Liabilities to credit institutions	4,711.8	52,856.0	92,473.8	3,787.7		153,829.3
Liabilities to the public and public sector entities	755,192.7	288,791.8	30,369.5	547.2		1,074,901.2
Debt securities issued to the public	69,559.5	185,092.4	346,757.8	0.0		601,409.8
Derivative contracts	206.0	4,714.2	2,136.4	-1,114.9		5,941.7
Subordinated liabilities	0.0	4,972.5	9,463.7	0.0		14,436.2
Guarantees, granted but undrawn loans, rental liabilities and potential redemptions of partially owned housing units	223,928.5	76.4	0.0	0.0		224,004.9
Total liabilities	**1,053,598.5**	**536,503.4**	**481,201.2**	**3,220.1**	**0.0**	**2,074,523.2**

	2014					
Cash flows from financial liabilities and derivatives	<3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions	42,160.6	18,677.0	141,787.6	881.3		203,506.5
Liabilities to the public and public sector entities	333,857.4	122,504.5	53,521.3	589.6		510,472.8
Debt securities issued to the public	100,335.0	111,100.1	450,995.2			662,430.2
Derivative contracts	-102.9	1,392.0	2,667.0	384.2		4,340.1
Subordinated liabilities		5 138.2	14 445.3			19 583.6
Guarantees, granted but undrawn loans, rental liabilities and potential redemptions of partially owned housing units	220,350.2	1,236.1	157.6			221,743.8
Total liabilities	**696,600.3**	**260,047.9**	**663,573.9**	**1,855.0**	**0.0**	**1,622,077.1**

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

MARKET RISKS

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

A change in the market value of interest-bearing contracts related to the Group's business operations may result from a change in the general interest rate level, a change in the credit risk related to the counterparty, limited supply of an instrument on the market (lack of liquidity) or a combination of these. The Group aims to maintain the changes in the market value of balance sheet items measured at fair value – that is, debt securities and interest rate derivatives – as well as the net interest rate risk of interest-bearing receivables and liabilities at such levels that they do not jeopardise the achievement of profitability and capital adequacy goals. The management monitors the impact of market valuations on the Group's operations and key indicators, such as comprehensive income and fair value reserve, and regularly assesses the management and realisation of market risks. The Group does not have a trading book. However, a minor trading book may be generated as a result of trading in bonds issued by Hypo on the secondary market.

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

Price risk, i.e. change in the market value of liquidity investments and derivatives

Items on the balance sheet other than interest-bearing receivables related to lending are held for liquidity purposes and are thus short-term. An impairment of market value during the holding period of debt securities decreases the related collectable returns if the investment is realised. The investments are diversified among different counterparties, in accordance with the limits issued by the Board of Directors.

Interest rate risk

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

The net interest income risk is measured by calculating the impact of e.g. a parallel interest rate shift of two (2) percentage points on the Group's net interest income over one year. The objective of net interest income risk management is to maintain such amounts of, and reference rates and repricing dates for, receivables and liabilities in the banking book that the effects of fluctuations in market interest rates on the Group's net interest income are as slight and temporary as possible. In order to manage the interest rate risk, the Group's interest rate position is kept as neutral as possible. The reference rates of interest-bearing receivables are determined in accordance with reference rates generally used in mortgage loans. Funding operations are based on market terms. Depending on the arrangement, the interest rate used is either a floating rate or a fixed rate, taking into account the reference rates and repricing dates of the receivables portfolio on the balance sheet. The most common reference rate for deposits is Hypo Prime, which is adjusted to changes in the general interest rate level based on Hypo Group's decisions.

The present value risk is measured by calculating the impact of e.g. a parallel shift of two (2) percentage points in interest rates on the present value of interest-sensitive balance sheet items. The negative effect on the financial value of Hypo Group of the discounted net cash flows from the interest-sensitive receivables and liabilities on the balance sheet must not exceed a maximum limit that is set in proportion to the Group's own funds.

Derivative contracts are mainly used in funding for hedging purposes and to manage interest rate risks related to the liquidity portfolio. As a rule, the market risks related to the Group's banking book are not increased by entering into derivative contracts. Taking moderate and controlled interest rate risks is possible only through a documented decision-making process. An impairment of the market value of interest rate derivatives is seen during the term as a decrease in Hypo's own funds (fair value reserve) and comprehensive income, until the result from the hedging instrument, i.e. the interest rate derivative, is recognised through profit or loss simultaneously with the result from the hedged item. A decrease in the market value of the interest rate derivatives in the liquidity portfolio is reflected in the income statement.

Currency risk

The currency risk refers to the possibility of loss that results from the fluctuation of currency rates and has an effect on the Group's result. Hypo Group operates in euros or its operations are contractually converted into euros. It does not engage in foreign exchange trading on its own account. In funding in foreign currencies, the currency risk is managed by entering into currency swap contracts with contractually approved counterparties at the time of agreement.

A sufficient amount of the Group's own funds have been allocated to price risks, income risks and present value risks on the basis of the Group's internal capital adequacy assessment process.

INFORMATION CONCERNING INTEREST RATE RISK

Repricing time in 2015 (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Floating-rate items						
Receivables	926.8	823.5				1,750.3
Liabilities	534.9	598.5				1,133.4
Net	391.9	225.0	0.0	0.0	0.0	616.9
Fixed-rate items						
Receivables	2.8	12.9	120.1	91.4		227.2
Liabilities	567.7	237.3	100.5	61.0		966.5
Net	-564.9	-224.4	19.6	30.4	0.0	-739.2

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

Sensitivity analysis

If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, the Group's net interest income would increase by EUR 5.9 million (increase by EUR 0.7 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date. An increase of two percentage points in market interest rates on the balance sheet date would decrease the value of items measured at fair value by EUR 11.0 million. The financial value of Hypo would decrease by EUR 11.0 million due to a rise of 2 per cent in interest rates.

Repricing time in 2014 (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Floating-rate items						
Receivables	740.3	652.3				1,392.7
Liabilities	663.2	635.1				1,298.3
Net	77.1	17.3	0.0	0.0	0.0	94.3
Fixed-rate items						
Receivables	4.5	9.3	71.7	40.9		126.4
Liabilities	104.6	75.8	97.5	10.1		287.9
Net	-100.1	-66.5	-25.8	30.9	0.0	-161.5

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

Sensitivity analysis

If market interest rates would have increased by 2 per cent (decreased by 0.25 per cent) on the balance sheet date, the Group's net interest income would increase by EUR 2.4 million (increase by EUR 0.3 million) over a period of 12 months. The change in net interest income would mainly be caused by the repricing of floating-rate receivables and liabilities at higher (lower) interest rates than on the balance sheet date. An increase of two percentage points in market interest rates on the balance sheet date would decrease the value of items measured at fair value by EUR 4.3 million. The financial value of Hypo would decrease by EUR 2.9 million due to a rise of 2 per cent in interest rates.

RISKS RELATED TO OWNERSHIP OF HOUSING UNITS AND RESIDENTIAL LAND

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

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

The total amount of housing property holdings on the consolidated balance sheet on 31 December 2015 was 3.5 per cent of the balance sheet total (3.6).

Impairment risk

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

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

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

The book values of the housing units and residential land, excluding premises in the Group's own use, were around 90 per cent of the estimated fair values on 31 December 2015 (84 per cent). No impairment losses related to holdings were recognised during the financial year.

Return risk and damage risk

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

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

On 31 December 2015, the occupancy rate was 82.2 per cent (86.7).

The net return target for housing and residential land investments varies between 5 and 7 per cent, depending on the site. The net return on housing and residential land investments calculated using book values in 2015 was 4.6 per cent (5.0). On 31 December 2015, the average monthly rent per square metre in housing units was EUR 22.42 (17.11).

Concentration risk

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

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

STRATEGIC RISKS

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

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

Changes in the operating environment

Unfavourable changes in the operating environment, such as strong changes in economic cycles, cause a risk related to the Group not achieving its business goals. The effects of a slump may also weaken the total quality of the loan portfolio, and the values of properties used as collateral may decrease at the same time, intensifying the weakening of the loan portfolio. Crises in the capital market have negative effects on the availability and price of refinancing. Adjusting business operations to the prevailing situation is a key method of managing the risk related to changes in the operating environment. This can be done by limiting lending, for example.

Competition

The competition situation is expected to become continuously tougher. This is particularly evident in competitors' pricing solutions. However, the Group aims to maintain its good competitive position in the market with its special products and its strategy of focusing on home financing.

Regulation risk

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

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

Funds have been allocated to strategic risks in the Group's internal assessment of capital adequacy, particularly due to changes anticipated in the operations of the key system supplier.

The Group's recognisability

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

STATEMENT OF THE SUPERVISORY BOARD

After confirming the Mortgage Society of Finland's accounting principles, we have certified the financial statements for 2015 to be presented to the auditors and the Annual General Meeting. We hereby accept the Board of Directors' proposal for the distribution of profits.

The following members of the Supervisory Board have reached the end of their term in office: Antti Arjanne, Mikael Englund, Jukka Räihä, Väinö Teperi, Riitta Vahela-Kohonen and Veikko M. Vuorinen.

Helsinki 2 March 2016

Markku Koskela
Chair

Väinö Teperi
Vice Chair

Antti Arjanne

Mikael Englund

Timo Hietanen

Hannu Hokka

Kari Joutsa

Markku Koskinen

Elias Oikarinen

Kallepekka Osara

Jukka Räihä

Mari Vaattovaara

Riitta Vahela-Kohonen

Veikko M. Vuorinen

AUDITORS REPORT (Translation from the Finnish Original)

TO THE MEMBERS OF THE MORTGAGE SOCIETY OF FINLAND

We have audited the Mortgage Society of Finland's accounts, financial statements, Board of Directors' report and administration for the period between 1 January and 31 December 2015. The financial statements include the Group's balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibilities of the Board of Directors and Managing Director

The Board of Directors and the Managing Director are responsible for preparing the financial statements and the Board of Directors' report and for providing accurate and sufficient information in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as the related regulations in Finland. The Board of Directors is responsible for ensuring that accounting and asset management are monitored appropriately. The Managing Director is responsible for ensuring that the company accounts comply with the law and that asset management has been organised in a reliable manner.

Auditor's responsibilities

We are responsible for expressing an opinion on the financial statements, on the consolidated financial statements and on the Board of Directors' report based on our audit. The Auditing Act obligates us to comply with the principles of professional ethics. We have performed the audit in accordance with the Finnish Standards of Auditing, which require that we plan and perform the audit to obtain reasonable assurance about whether the Board of Directors' report and the financial statements are free of material misstatement and whether the members of the Supervisory Board or Board of Directors or the Managing Director of the parent company are guilty of an act or negligence that may result in a liability for damages towards the company or have violated the Credit Institutions Act, the Act on Mortgage Societies or the company's articles of association.

An audit involves performing procedures to obtain audit evidence about the amounts and other disclosures in the financial statements and the Board of Directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. When assessing these risks, the auditor takes account of the internal audit, which is of importance in the company for the preparation of financial statements and a Board of Directors' report that provide a true and fair view. The auditor assesses the internal audit to be able to plan auditing measures that are appropriate in view of the circumstances, but not for the purpose of presenting an opinion on the efficiency of the company's internal audit. An audit also includes evaluating the overall presentation of the financial statements and the Board of Directors' report, as well as evaluating whether appropriate accounting policies have been applied and whether the estimates made by the management are reasonable.

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

Opinion on the consolidated financial statements

It is our opinion that the consolidated financial statements provide a true and fair view of the Group's financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the financial statements and the Board of Directors' report

It is our opinion that the financial statements and the Board of Directors' report provide a true and fair view of the Group's and the parent company's financial performance and financial position in compliance with the regulations governing the preparation of financial statements and reports of boards of directors in Finland. The information in the Board of Directors' report is consistent with the information in the financial statements.

Helsinki, 2 March 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant

RELEASE OF FINANCIAL STATEMENTS

The Board of Directors and the Supervisory Board of the Mortgage Society of Finland approve the financial statements and the related annual report to be published on 2 March 2016, the date of their approval and certification. The members of the Mortgage Society of Finland will hold the Annual General Meeting by the end of April. The Annual General Meeting will verify the financial statements and release the administrative bodies from liability.

CORPORATE GOVERNANCE

As an issuer of bonds, the Mortgage Society of Finland (Hypo) has adhered to the recommendations on the governance of listed companies since 2004. The Finnish Corporate Governance Code issued by the Securities Market Association is available at www.cgfinland.fi. A statement on compliance with, and exemptions from, the governance code in the Hypo Group is available at www.hypo.fi, along with the statutory 2015 Corporate Governance Statement. The following is a general outline of Hypo's governance system and its administrative bodies and their duties.

SUPERVISORY BOARD

The Supervisory Board ensures that the Mortgage Society of Finland is governed with appropriate caution and care and in compliance with laws and regulations and the decisions made by the Annual General Meeting and the Supervisory Board.

The Supervisory Board and its auditors monitor financial reporting, internal auditing, risk management and auditing of the accounts. They also evaluate the auditor's independence and the quality of non-audit services. Twice a year, the auditors examine the management and administration of the Mortgage Society of Finland's cash balance, liquidity, securities, obligations and loan and collateral documents. The Supervisory Board must consist of 12 to 18 members. The members are appointed by the Annual General Meeting for a maximum term of three years. The members of the Supervisory Board must be voting members of the Mortgage Society of Finland.

Members of the Supervisory Board as of 13 March 2015

Markku Koskela, chair, DSc (Econ.), professor
Väinö Teperi, vice chair, LLM, lawyer
Antti Arjanne, LLM, managing director
Elina Bergroth, MA, lecturer
Mikael Englund, MSc (Tech.), MBA
Markus Heino, LLM (trained on the bench), managing director
Timo Hietanen, MSc (Econ.), deputy managing director
Hannu Hokka, MSc (Econ.), managing director
Kari Joutsa, LLM (trained on the bench)
Markku Koskinen, construction engineer, consultant
Elias Oikarinen, DSc (Econ.), Academy Research Fellow, adjunct professor
Kallepekka Osara, agrologist, farmer
Jukka Räihä, LLM (trained on the bench)
Mari Vaattovaara, professor of urban geography, dean
Riitta Vahela-Kohonen, MA, development manager
Veikko M. Vuorinen, managing director

Auditors of the Supervisory Board as of 13 March 2015

Markku Koskela, chair, DSc (Econ.), professor
Väinö Teperi, vice chair, LLM, lawyer
Mikael Englund, MSc (Tech.), MBA
Markus Heino, LLM (trained on the bench), managing director

Deputy auditors as of 13 March 2015

Timo Hietanen, MSc (Econ.), deputy managing director
Hannu Hokka, MSc (Econ.), managing director

COMMITTEES

Nomination Committee

The Nomination Committee prepares a proposal for the Annual General Meeting on the members to be selected to the Supervisory Board. It also prepares a proposal for the Supervisory Board on the members of the Board of Directors and on the selection of the CEO and his deputy. The Nomination Committee of the Mortgage Society of Finland consists of the chair and vice chair of the Supervisory Board and the chair and vice chair of the Board of Directors. In addition, the the CEO or his deputy attends the meetings of the Nomination Committee as a preparer and presenter of matters. The Nomination Committee's agenda must be confirmed by the Supervisory Board.

Nomination Committee 2015

Markku Koskela, chair, DSc (Econ.), professor
Väinö Teperi, LLM, lawyer
Sari Lounasmeri, MSc (Econ.), managing director
Harri Hiltunen, MSc (Econ.), managing director

Compensation Committee

The Compensation Committee prepares a proposal for the Annual General Meeting on the fees paid to the members of the Supervisory Board and to the auditors. It also prepares a proposal for the Supervisory Board on the fees paid to the members of the Board of Directors. The Compensation Committee of the Mortgage Society of Finland consists of the chair, vice chair and auditors of the Supervisory Board. The Compensation Committee's agenda must be confirmed by the Supervisory Board.

Compensation Committee 2015

Markku Koskela, chair, DSc (Econ.), professor
Väinö Teperi, vice chair, LLM, lawyer
Mikael Englund, MSc (Tech.), MBA
Markus Heino, LLM (trained on the bench), managing director

BOARD OF DIRECTORS

The Board of Directors governs the Mortgage Society of Finland in compliance with laws and regulations and the decisions and guidelines issued by the Annual General Meeting and the Supervisory Board. The Mortgage Society of Finland's rules include a detailed list of the duties of the Board of directors.

The Act on Mortgage Societies (936/1978) states that "the Board of Directors of a mortgage society shall comprise at least five members elected by the Supervisory Board. In addition, the CEO and another director of the mortgage society shall be members of the Board of Directors." In practice, "another director" refers to the Chief Operating Officer. The CEO and the COO prepare matters for the meetings of the Board of Directors. The other members of the Board of Directors must be independent of the company, as specified by the Finnish Corporate Governance Code. Their independence is evaluated by the Board.

Members of the Board as of 13 March 2015

Sari Lounasmeri (b. 1975), chair, MSc (Econ.), managing director, member of the Board since 2011

Harri Hiltunen (b. 1961), vice chair, MSc (Econ.), managing director, member of the Board since 2012

Kai Heinonen (b. 1956), LLM, real estate director, member of the Board since 2014

Pasi Holm (b. 1962), DSocSci, member of the Board since 2015

Hannu Kuusela (b. 1956), DSc (Econ.), professor, member of the Board since 2001

Teemu Lehtinen (b. 1961), DSocSci, MSc (Tech.), managing director, member of the Board since 2005

Ari Pauna (b. 1967), LLM, Chief Executive Officer, member of the Board since 2006

Elli Reunanen (b. 1974), LLM (trained on the bench), Chief Operating Officer, member of the Board since 2013

Tuija Virtanen (b. 1958), University Lecturer, member of the Board since 2009

Elli Reunanen serves as secretary to the Board.

Pictured sitting from the left: Tuija Virtanen, Sari Lounasmeri and Elli Reunanen. Pictured standing from the left: Ari Pauna, Hannu Kuusela, Pasi Holm, Kai Heinonen, Harri Hiltunen and Teemu Lehtinen.

The CEO is responsible for ensuring that the Mortgage Society of Finland's routine administration complies with the laws, regu-lations and orders of the authorities and the guidelines issued by the Supervisory Board and the Board of Directors. The CEO is also responsible for implementing the decisions made by the Board of Directors.

The Supervisory Board appoints the Chief Executive Officer on the motion of the Nomination Committee. Ari Pauna, LL.M. (b. 1967) took up the position of Chief Executive Officer on 1 January 2013. The CEO's service contract is valid until further notice.

The remunerations paid to the CEO are published in the notes to the financial statements in Hypo's annual report. The Chief Executive Officer is covered by the performance-based remu-neration scheme confirmed by the Board of Directors. The Chief Executive Officer is entitled to a normal pension in accordance with Employees Pensions Act.

The Management Group assists Hypo's Chief Executive Officer, operating under his supervision and responsibility. The Board of Directors has confirmed the composition of the Management Group and its charter. The Management Group prepares strategic matters, significant operational matters and operational matters of principle for the meetings of the Board of Directors. It also plans, implements and monitors the Group's ongoing operations. The Management Group makes decisions concerning Hypo's internal rules and authorities and the organi-sation of personnel within the framework of the authorities dele-gated to the chairperson. The Management Group also has the special task of granting exceptional loans within the framework of the authorities delegated to it.

The Management Group is composed of the Chief Executive Officer, Chief Operating Officer, Chief Risk Officer and Chief Banking Officer.

THE MANAGEMENT GROUP ARE:
Ari Pauna (b. 1967), Chief Executive Officer, chair, LLM, member of the Management Group since 2002
Elli Reunanen (b. 1974), Chief Operating Officer, vice chair, LLM (trained on the bench), member of the Management Group since 2006
Mikko Huopio (b. 1968), Chief Risk Officer, LLM (trained on the bench), member of the Management Group since 2010
Sami Vallinkoski (b. 1972), Chief Banking Officer, MSocSci, member of the Management Group since 2015

ANNUAL GENERAL MEETING

The Annual General Meeting of the Mortgage Society of Finland confirms the financial statements, decides on the use of the annual profit, appoints the members of the Supervisory Board and the auditors and decides on their fees, and releases the members of the Board and other accountable parties from liability. In addition, any changes to the rules of the Mortgage Society of Finland must be approved by a General Meeting.

The Annual General Meeting is held by the end of March each year.

AUDITORS

Auditing of the accounts

The Annual General Meeting must select an authorised public accountant or two auditors and their deputies during each financial period for the purposes of auditing the accounts, financial statements and administration. All of the aforementioned must be auditors or public accountants authorised by the Finnish Chambers of Commerce. As of 31 March 2015, PricewaterhouseCoopers Oy, Authorised Public Accountants, were selected to carry out auditing. The chief auditor is **Juha Tuomala**, KHT Auditor, MSc (Econ.), and his deputy is **Jukka Paunonen**, KHT Auditor, MSc (Econ.).

Internal auditing

Chief Audit Executive **Sari Ojala**, (b. 1963), MSc (Econ.), CIA, CCSA

PERMANENT PERSONNEL ON 1 MARCH 2016

Chief Executive Officer **Ari Pauna**
Director of Marketing, Communications and HR **Elina Aalto**
Chief Economist and Research Director **Juhana Brotherus**
Chief Audit and Compliance Executive **Sari Ojala**

LENDING AND CUSTOMER SERVICE

Chief Banking Officer **Sami Vallinkoski**
Credit Manager **Pekka Kainulainen**

Private Customers
Home Financing Director **Päivi Salo**, LKV
Home Financing Manager **Anja Kymäläinen**, LKV
Home Financing Manager **Anu Maliranta**, LKV
Home Financing Manager **Risto Marila**, LKV
Home Financing Manager **Marjut Nummelin**, LKV
Home Financing Manager **Jarkko Perälä**, KED
Home Financing Manager **Kati Ryhänen**, KED
Home Financing Manager **Hanna Saari**, LKV
Home Financing Manager **Maarit Valkeajärvi**, LKV
Financial Manager **Teemu Venäläinen**, LKV

Corporate customers and other public entities
Home Financing Director **Tom Lönnroth**
Home Financing Manager **Ksenia Akkonen, LKV**
Home Financing Manager **Jari Häkkinen**, LKV
Home Financing Manager **Petra Koistinen**, KED
Financing Manager **Piia Konttinen**, LKV
Financing Manager **Pekka Nuutinen**, LKV
Home Financing Manager **Katariina Rautiainen**

Hypo OnLine
Sales Director **Sami Aarnio**
Sales Manager **Tommi Häggström**, KED
Home Financing Manager **Pauli Lange**, LKV
Home Financing Manager **Hannele Nyström**, LKV

Customerservice
Home Financing Manager **Elisa Sunikka**, LKV
Home Financing Manager **Anne Hiltunen**, LKV

FINANCE AND ADMINISTRATION

Chief Operating Officer **Elli Reunanen**

Treasury and funding
Director of Treasury and Funding **Petteri Bollmann**
Senior Manager, Treasury **Maiju Harava**
Financial Manager **Tiina Helokivi**
Financial Manager **Anttimatti Sipilä**

Residential land funds and trustee services
Legal Counsel (acting), CEO **Juho Pajari**

Housing
Chief Investment Director **Jouni Lehtinen**, LKV
Chief Investment Director **Sanna Pälsi**
Property Specialist **Marja Niemelä**, LVV, KED
Technical Manager **Ari Korkia-Aho**
Assistant **Joanna Bremer**

Internal accounting
Chief Financial Officer **Aija Kontinen**
Controller **Marja Ahjopalo-Sundberg**
Controller **Arttu Mönkkönen**, KED
Controller **Mikke Pietilä**

External accounting
Accounting Manager **Piia Valtokari**
Accountant **Ahti Aalto**, LKV
Chief Accountant **Netta Sundberg**

RISK MANAGEMENT, LEGAL AFFAIRS AND DEVELOPMENT

Chief Risk Officer **Mikko Huopio**

Legal affairs
Legal Counsel **Kirsti Heikura**
Legal Counsel **Eerika Koivisto**
Legal Assistant **Kristiina Aitala**, LKV
Debt Collection Manager **Päivi Hietamies**, LKV

Development and support
ICT Manager **Pekka Turunen**

THE FIRST 155 YEARS OF HYPO

From His Imperial Majesty's Gracious Proclamation to an international credit rating by Standard and Poor's and a loan portfolio of EUR 1.4 billion in 2015. The deposit base exceeded EUR 1.0 billion.

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

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

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

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

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

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

1 Feb 1862 First private bond issue in Finland.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1929 The Great Depression.

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

1939–1945 Second World War.

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

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

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

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

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

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

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

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

2013 **Ari Pauna**, LL.M., becomes the 15th CEO of Hypo. His first goal is to increase Hypo's loan portfolio to more than EUR 1 billion in a profitable and risk-conscious manner.
In 2013, the loan portfolio grew from EUR 725 million to EUR 978 million.

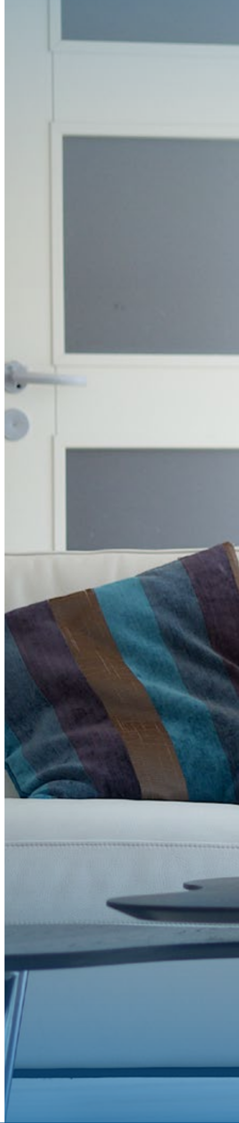
2014 The loan portfolio increased to EUR 1.2 billion, and the deposit portfolio grew to EUR 500 million.

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

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

The Mortage Society of Finland | Suomen AsuntoHypoPankki Oy
Street address: Yrjönkatu 9 A | 00120 HELSINKI
Mailing address: P.O. Box 509 | 00101 HELSINKI
Tel. +358 9 228 361 | hypo@hypo.fi | **www.hypo.fi**

Full contact details:



SUOMEN HYPOTEEKKIYHDISTYS 1860

HYPO