THE MORTGAGE SOCIETY OF FINLAND

Financial Statements Release

1 January – 31 December 2016

The Audited Financial Statements 2016 will be released on 1 March 2017

The 2016 Annual Report will be published on 30 March 2017

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

Unaudited Financial Statements Release

Hypo Group's January – December 2016

The home finance specialist Hypo's net interest income increased and net fee and commission income improved markedly.

CEO Ari Pauna:

"Determined business development generates results. Net interest income improved by nearly 20% while net fee and commission income improved by over 30%. Hypo is ready for intensifying competition for cities' mortgage markets."

- Group's operating profit reached EUR 7.3 million (EUR 7.4 million 1-12/2015)
- Net interest income strengthened to EUR 5.4 million (EUR 4.6 million 1-12/2015)
- Net fee and commission income grew to EUR 4.4 million (EUR 3.3 million 1-12/2015)
- Low risk loan portfolio's growth continued, non-performing assets remained low
- The proportion of deposits from wholesale funding improved
- Common Equity Tier 1 (CET1) ratio 13.6% (13.8% on 31 December 2015)

GROUP'S KEY FIGURES (1000 €)	**1-12/2016**	**1-12/2015**	**10-12/2016**	**10-12/2015**
Net interest income	5 386	4 574	1 776	961
Net fee and commission income	4 439	3 344	890	764
Total other income	7 924	8 667	1 612	2 797
Total expenses (incl. depreciation, other operating expenses and impairment losses)	-10 403	-9 141	-3 188	-2 831
Operating profit	7 347	7 444	1 090	1 691
Receivables from the public and public sector entities	1 806 440	1 420 711	1 806 440	1 420 711
Deposits	1 203 042	1 038 942	1 203 042	1 038 942
Balance sheet total	2 305 218	1 959 478	2 305 218	1 959 478
Common Equity Tier 1 (CET1) ratio	13,6	13,8	13,6	13,8
Cost-to-income ratio,%	57,1	55,2	68,3	62,4
Non-performing assets, % of the loan portfolio	0,11	0,16	0,11	0,16
LTV-ratio, % / Loan to Value, average, %	38,4	41,1	38,4	41,1
Loans / deposits, %	150,2	136,7	150,2	136,7

Calculation of key figures and definitions are set out below.

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Hypo Group's Financial Statements Release can be accessed at http://www.hypo.fi/en/

HYPO GROUP

The Mortgage Society of Finland Group (hereafter “Hypo Group” or “Hypo”) is the only nationwide expert organization specializing in home financing and housing in Finland. Hypo constantly aims to complement traditional home financing and housing products with new, alternative and customer-oriented solutions.

The Mortgage Society of Finland grants loans to households and housing companies with domestic housing or residential property as collateral. Suomen AsuntoHypoPankki Oy deposit bank offers its customers deposit products, payment cards and residential land trustee services. Hypo has approximately 27,000 customers. Maintaining the strong capital adequacy and keeping the customer promise “Secure way for better living” guides Hypo in growing the business in a profitable manner, while managing risks.

S&P Global Ratings has assigned a ‘BBB/A-3’ issuer credit ratings with stable outlook to Hypo. Rating for the cover pool of Hypo’s covered bonds is ‘AAA’ (S&P Global Ratings).

OPERATING ENVIRONMENT

Economic growth picked up in Finland in Q4 2016. The construction industry, private consumption, industrial output and exports all contributed to the development. Growth was broad-based also in retail and car sales. At the end of the year, trading volumes in the housing market have stabilized. Economic outlook is blurred by U.S. policy directions, although the impact on the real economy will be visible in the upcoming years.

Labor market and the number of employed remained steady. The unemployment rate was flat at 8.7%. In December, inflation increased to 1% for the first time since 2014. This was due to higher gasoline prices. European Central Bank kept main policy rates unchanged and announced to continue asset purchases at least until the end of 2017. As a result, short-term interest rates remained negative. At the end of December12-month Euribor rate was -0.08%.

The annual growth rate of the housing loan stock in Finland was 2.3% in November 2016. Household deposits increased by 5.7%. In the same period, house prices of old dwellings rose in the Helsinki Metropolitan Area by 2.9% and declined elsewhere in Finland by 1.6%.

RESULTS AND PROFITABILITY

October– December 2016

Hypo Group’s operating profit was EUR 1.1 million (EUR 1.7 million for October – December 2015). Income totaled EUR 4.3 million (EUR 4.5 million) and expenses EUR 3.2 million (EUR 2.8 million).

January– December 2016

Hypo Group’s operating profit remained at the previous year’s level, totaling EUR 7.3 million (EUR 7.4 million 1 January 31 December 31, 2015).

Net interest income strengthened and grew to EUR 5.4 million (EUR 4.6 million).

Net fee and commission income grew to EUR 4.4 million (EUR 3.3 million).

Net income from investment properties (housing units and residential land) amounted to EUR 4.9 million (EUR 6.8 million). This included EUR 2.4 million of capital gains (EUR 4.0 million).

Group’s cost-to-income ratio was 57.1% (55.2%).

Impairments were EUR 0.27 million (0.0 million) during the financial period (EUR 0.0 million).

Group's comprehensive income, EUR 7.4 million (EUR 6.0 million), includes EUR 6.1 million (EUR 6.1 million) of profit for the financial period and the change in the fair value reserve included in equity amounting to EUR 1.4 million (EUR -0.3 million), as well as the revaluation of defined benefit pension plans worth EUR 0.2 million (EUR 0.3 million), EUR -0.3 million from changes in ownership of a subsidiary (EUR 0.0 million) and adjustments made to retained earnings EUR 0,0 million (EUR -0,1 million).

PERSONNEL AND DEVELOPMENT

On 31 December 2016 the number of permanent personnel was 48 (52 on 31 December 2015) of which 2 persons were on parental leave. These figures do not include the CEO and the COO. Cooperation with Perho Tourism, Culinary and Business College continued by offering traineeships for the students.

ASSETS AND LIABILITIES

Lending

The loan portfolio grew to EUR 1,806.4 million (EUR 1, 420.7 million on 31 December 2015).

Hypo has an entirely residential property-secured loan portfolio. The average Loan-to-Value ratio of the loan portfolio was 38.4% (41.1% on 31 December 2015).

Amount of non-performing receivables remained low, EUR 2.1 million (EUR 2.3 million on 31 December 2015), representing 0.11% of the loan portfolio (0.16 %).

Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totaled EUR 421.0 million (EUR 458.6 million on 31 December 2015), which corresponds to 18.3% (23.4%) of the total assets. The cash and cash equivalents (which totaled EUR 417.3 million), consisted of assets distributed widely across various counterparties, and of debt securities that are tradable on the secondary market, of which 92.4% (77%) had a credit rating of at least AA- or were of equivalent credit quality and 100% (99%) were ECB repo eligible. The Liquidity Coverage Ratio was 144% (128%).

The surplus of EUR 5.7 million (EUR 7.4 million) from the Mortgage Society of Finland's pension foundation has been recognized in Group's other assets.

The share of housing and residential land holdings of total assets remained at a low 2.7% level (3.5% on 31 December 2015). Apartments 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 selected growth centers, mainly in the Helsinki Metropolitan Area. The property in Hypo's own use is located in the center of Helsinki. The difference between the fair value and the book value of the properties was EUR 6.1 million (EUR 8.8 million on 31 December 2015).

Derivative contracts

The balance sheet value of derivative receivables was EUR 0.1 million on 31 December 2016 (EUR 0.5 million on 31 December 2015), and the value of liabilities was EUR 4.5 million (EUR 5.6 million).

Deposits and other funding

Deposits grew to EUR 1,203.1 million (EUR 1,038.9 million on 31 December 2015). The share of deposits accounted for 55.5% (56.8%) of total funding. The deposit bank Suomen AsuntoHypoPankki Oy is a member of the Deposit Guarantee Fund and a wholly owned subsidiary of the Mortgage Society of Finland.

In May, the Mortgage Society of Finland issued a covered bond with a nominal amount of EUR 250.0 million. In September a EUR 50.0 tap issue followed increasing the issue's nominal amount. Furthermore, another covered bond was issued in December with a nominal amount of EUR 100.0 million. The nominal amount of mortgages in the cover pool is EUR 550.5 million.

Hypo repurchased its own bonds to the nominal amount of EUR 53.5 million.

The share of long-term funding of total funding was 39.9% on 31 December 2016 (39.5 %).

The total funding at the end of the financial period was EUR 2,169.1 million (EUR 1,829.2 million).

RISK TOLERANCE AND RISK MANAGEMENT

At the end of the financial period, Hypo Group's equity amounted to EUR 108.8 million (EUR 101.5 million on 31 December 2015). The changes in equity during the period are presented in Group's statement of equity attached to this Financial Statements Release.

Group's CET1 capital in relation to risk-weighted assets on 31 December 2016 was 13.6 % (13.8% on 31 December 2015). Profit for the financial period 1 January – 31 December 2016 is included in the Core Tier 1 equity, based on the statement by the auditors. In measuring credit and counterparty risk, the standardized approach is used. Group's own funds are quantitatively and qualitatively strong in relation to Group's current and future business, as well as to changes, even exceptional ones, in the operating environment. At the end of the year, Group's Leverage Ratio was 4.2% (4.3%).

There have been no significant negative changes in the risk levels during the financial period. More detailed information on capital adequacy and risk management practices are published as part of the annual Audited Financial Statements, the Notes and the Annual Report. The same information and any updates therein can also be accessed at www.hypo.fi/en.

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 31 December 2016, there have not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

The positive development of Finnish economic growth will continue during 2017. The positive development would be hindered should the uncertainties in the European and world economies realize. The urbanization in Finland continues and supports the housing and mortgage markets in the biggest growth centers. Group management estimates that the net interest income continues its positive development in 2017 and the 2017 operating profit will reach the 2016 levels.

Helsinki, 31 January 2017

The Board

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Interest income	4 991,4	5 301,1	19 951,7	20 960,0
Interest expenses	-3 215,4	-4 340,4	-14 565,5	-16 386,2
NET INTEREST INCOME	1 776,0	960,7	5 386,2	4 573,8
Fee and commission income	906,3	780,5	4 517,1	3 397,0
Fee and commission expenses	-16,4	-16,8	-77,6	-53,0
Net income from securities and foreign currency transactions				
Net income from securities trading	500,4	279,4	-522,2	-569,5
Net income from foreign currency transactions	0,0	0,2	0,1	0,5
Net income from financial assets available for sale	439,8	728,4	3 634,5	2 474,2
Net icome from hedge accounting	-11,2	0,0	-53,7	0,0
Net income from investment properties	692,4	1 789,1	4 881,3	6 769,1
Other operating income	-9,6	0,2	-16,0	-6,8
Administrative expenses				
Personnel costs				
Wages and salaries	-1 275,7	-1 185,7	-4 513,4	-4 390,0
Other personnel related costs				
Pension costs	-379,8	-308,8	-1 054,2	-982,9
Other personnel related costs	-94,0	-25,1	-308,2	-95,7
Other administrative expenses	-849,3	-796,0	-2 825,1	-2 556,6
Total administrative expenses	-2 598,8	-2 315,6	-8 700,9	-8 025,3
Depreciation and impairment losses on tangible and intangible assets	-90,9	-93,0	-328,0	-375,1
Other operating expenses	-231,4	-414,8	-1 105,0	-746,5
Impairment losses on loans and other commitments	-266,7	-7,3	-268,7	6,0
OPERATING PROFIT	1 090,0	1 691,0	7 346,9	7 444,2
Income taxes	-145,2	-305,1	-1 228,9	-1 314,9
OPERATING PROFIT AFTER TAX	944,8	1 385,9	6 118,0	6 129,3
PROFIT FOR THE PERIOD	944,8	1 385,9	6 118,0	6 129,3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	10-12/2016	10-12/2015	1-12/2016	1-12/2015
Profit for the period	944,8	1 385,9	6 118,0	6 129,3
Items that may be reclassified subsequently to income statement				
Change in fair value reserve				
Cash flow hedges	211,3	1,3	822,5	1 241,3
Available for sale financial assets	-101,2	-300,9	580,5	-1 557,0
	110,1	-299,6	1 403,0	-315,7
Items that may not be reclassified subsequently to the income statement				
Revaluation of defined benefit pension plans	-563,2	147,0	185,6	324,5
Effect of changes in the ownership of Bostads Ab Taos	0,0	-166,8	-299,5	3,1
Correction for previous year	0,0	-131,8	34,9	-131,8
	-563,2	-151,7	-79,0	195,7
Total other comprehensive income items	-453,1	-451,3	1 324,0	-120,0
COMPREHENSIVE INCOME FOR THE PERIOD	**491,8**	**934,6**	**7 442,0**	**6 009,3**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	31.12.2016	31.12.2015
ASSETS		
Cash	120 200,0	170 000,0
Debt securities eligible for refinancing with central banks		
Treasury bills		
Other	291 927,8	270 650,5
Receivables from credit institutions		
Repayable on demand	5 153,3	11 404,9
Other	17,9	786,4
	5 171,2	12 191,3
Receivables from the public and public sector entities		
Other than those repayable on demand	1 806 439,8	1 420 711,2
Debt securities		
From others	0,0	2 051,5
	0,0	2 051,5
Shares and holdings	132,4	132,4
Derivative financial instruments	138,4	510,4
Intangible assets		
Other long-term expenditure	2 812,6	1 927,8
Tangible assets		
Investment properties and shares and holdings in investment properties	61 691,4	67 784,8
Other properties and shares and holdings in real estate corporations	864,7	939,2
Other tangible assets	336,7	330,5
	62 892,8	69 054,5
Other assets	9 239,5	8 029,7
Accrued income and advances paid	5 964,4	3 640,7
Deferred tax receivables	299,5	577,8
TOTAL ASSETS	**2 305 218,4**	**1 959 477,6**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	**31.12.2016**	**31.12.2015**
LIABILITIES		
Liabilities to credit institutions		
Central banks	80 000,0	20 000,0
Credit institutions		
Repayable on demand		
Other than those repayable on demand	38 086,5	131 385,7
	118 086,5	151 385,7
Liabilities to the public and public sector entities		
Deposits		
Repayable on demand	641 954,6	516 063,0
Other	561 087,8	522 879,5
	1 203 042,4	1 038 942,5
Other liabilities		
Other than those repayable on demand	28 476,9	34 028,9
	1 231 519,3	1 072 971,4
Debt securities issued to the public		
Bonds	699 076,2	521 878,6
Other	111 433,3	69 451,3
	810 509,6	591 329,9
Derivative financial instruments	4 536,3	5 627,4
Other liabilities		
Other liabilities	8 660,0	7 862,4
Deferred income and advances received	4 640,3	6 209,3
Subordinated liabilities		
Other	8 980,1	13 469,7
Deferred tax liabilities	9 442,4	9 219,9
EQUITY		
Basic capital	5 000,0	5 000,0
Other restricted reserves		
Reserve fund	22 796,7	22 794,7
Fair value reserve		
From cash flow hedging	-591,2	-1 413,8
From fair value recognition	-168,6	-749,1
Defined benefit pension plans	1 717,4	1 531,8
Unrestricted reserves		
Other reserves	22 923,5	22 923,5
Retained earnings	51 048,1	45 185,4
Profit for the period	6 118,0	6 129,3
	108 843,9	101 401,9
TOTAL LIABILITIES	**2 305 218,4**	**1 959 477,6**

CHANGE IN EQUITY

(1000 €)	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2015	5 000,0	22 793,8	-639,8	22 923,5	45 315,1	95 392,6
Profit for the period					6 129,3	6 129,3
Other comprehensive income						
Adjustments to retained earnings					-131,8	-131,8
Effect of changes in the ownership of Taos					3,1	3,1
Profit use of funds		0,9			-0,9	0,0
Cash flow hedges						
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			527,9			527,9
Amount transferred to the income statement			-2 474,2			-2 474,2
Change in deferred taxes			389,3			389,3
Revaluation of defined benefit plans						
Actuarial gains / losses			405,6			405,6
Change in deferred taxes			-81,1			-81,1
Total other comprehensive income	0,0	0,9	8,7	0,0	-129,7	-120,0
Equity 31 December 2015	**5 000,0**	**22 794,7**	**-631,0**	**22 923,5**	**51 314,7**	**101 401,9**
Equity 1 January 2016	5 000,0	22 794,7	-631,0	22 923,5	51 314,7	101 401,9
Profit for the period					6 118,0	6 118,0
Other comprehensive income						
Correction for the year 2015					34,9	34,9
Effect of changes in the ownership of Taos					-299,5	-299,5
Profit use of funds		2,0			-2,0	0,0
Cash flow hedges						
Amount recognised in equity			-480,3			-480,3
Amount transferred to the income statement			1 508,4			1 508,4
Change in deferred taxes			-205,6			-205,6
Financial assets available for sale						
Change in fair value			4 360,1			4 360,1
Amount transferred to the income statement			-3 634,5			-3 634,5
Change in deferred taxes			-145,1			-145,1
Revaluation of defined benefit plans						
Actuarial gains / losses			232,0			232,0
Change in deferred taxes			-46,4			-46,4
Total other comprehensive income	0,0	2,0	1 588,6	0,0	-266,6	1 324,0
Equity 31 December 2016	**5 000,0**	**22 796,7**	**957,6**	**22 923,5**	**57 166,1**	**108 843,9**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	**1-12/2016**	**1-12/2015**
Cash flow from operating activities		
Interest received	19 143,7	20 866,3
Interest paid	-15 477,1	-15 750,1
Fee income	4 073,2	3 367,3
Fee expenses	-77,6	-53,0
Net income from securities and foreign currency transactions	-522,1	-569,1
Net income from available-for-sale financial assets	3 634,5	2 474,2
Net income from hedge accounting	-53,7	0,0
Net income from investment properties	3 856,0	7 911,9
Other operating income	-16,0	-6,8
Administrative expenses	-10 804,6	-6 837,3
Other operating expenses	-1 225,8	-844,7
Credit and guarantee losses	-268,7	6,0
Income taxes	-1 150,1	-1 272,6
Total net cash flow from operating activities	**1 111,4**	**9 292,0**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-384 886,1	-214 610,2
Collateral, derivatives	-46,1	0,0
Investment properties	7 814,4	-16 645,8
Operating assets increase (-) / decrease (+) total	**-377 117,8**	**-231 255,9**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	164 101,1	570 878,8
Operating liabilities increase (+) / decrease (-) total	164 101,1	570 878,8
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**-211 905,2**	**348 914,9**
Cash flows from investments		
Change in fixed assets	-1 144,5	-1 508,1
Equity investments increase (-) / decrease (+)	0,0	-18,9
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-1 144,5**	**-1 527,1**
Casf flows from financing		
Bank loans, new withdrawals	131 830,4	40 608,5
Bank loans, repayments	-165 129,7	-89 597,3
Other liabilities, increase (-) / decrease (+)	-6 303,7	-7 185,6
Bonds, new issues	429 857,5	180 569,8
Bonds, repayments	-252 291,5	-178 226,3
Certificates on deposit, new issues	180 965,7	208 286,5
Certificates on deposit, repayments	-138 983,7	-268 863,9
Subordinated liabilities, new withdrawals	59,0	35,9
Subordinated liabilities, repayments	-4 548,6	-4 528,3
NET CASH FLOWS ACCRUED FROM FINANCING	**175 455,5**	**-118 900,8**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**-37 594,3**	**228 487,1**
Cash and cash equivalents at the beginning of the period	**454 893,2**	**226 406,2**
Cash and cash equivalents at the end of the period	**417 299,0**	**454 893,2**
CHANGE IN CASH AND CASH EQUIVALENTS	**-37 594,3**	**228 487,1**

NOTES

1. Key accounting policies

This release applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2016. The release has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. The new IFRS standards and interpretations effective from the financial year which started on 1 January 2016 did not have any material impact on the consolidated result or balance sheet.

The release does not contain all information and Notes that are required in the annual Financial Statements. The Report should be read in conjunction with the Group's Financial Statement.

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

The Hypo Group's consolidated financial statements cover The Mortgage Society of Finland as well as the deposit bank Suomen AsuntoHypoPankki Oy, of which The Mortgage Society of Finland owns 100 per cent, and the housing company Bostadsaktiebolaget Taos, of which the Group companies own 54.6 per cent. The financial statements of AsuntoHypoPankki and Taos have been consolidated using the acquisition cost method, and housing company-type associated companies are treated in the same manner as other housing company-type investments.

Certain fee and commission income along with respective expences have been adjusted due to treatment of value added tax. The net effect of the correction to the operating profit for 2015 is EUR -78,800.00. Correspongind adjustments, totaling EUR -131,800.00, have been presented as an adjustement in retained earnings.

2. Issuance and repayments of debt and equity securities

The issuance of debt securities and repayments/repurchases thereof are presented in the consolidated cash flow statement for 1 January – 31 December 2016.

3. Own funds and capital ratios

Hypo Group own funds and capital ratios	31.12.2016	31.12.2015
Equity	108 843,9	101 401,9
Fair value reserve	591,2	1 413,8
Revaluation of defined pension plans	-1 717,4	-1 531,8
Surplus from defined pension plans	-4 528,0	-5 880,2
Common Equity Tier 1 (CET1) capital before regulatory adjustments	103 189,8	95 403,6
Intangible assets	-2 250,1	-1 542,2
Common Equity Tier 1 (CET1) capital	100 939,6	93 861,4
Additional Tier 1 (AT1) capital	0,0	0,0
Tier 1 capital (T1 = CET1 + AT1)	100 939,6	93 861,4
Tier 2 (T2) capital	0,0	0,0
Total Capital (TC = T1 + T2)	100 939,6	93 861,4
Total risk-weighted items	743 003,7	682 150,8
of which credit risk	714 038,8	653 785,3
of which market risk	0,0	2,4
of which operational risk	28 964,9	28 363,1
of which other risks	0,0	0,0
Common Equity Tier 1 (CET1) in relation to risk-weighted items (%)	13,6	13,8
Tier 1 capital (T1) in relation to risk-weighted items (%)	13,6	13,8
Total capital (TC) in relation to risk-weighted items (%)	13,6	13,8
Minimum capital	5 000,0	5 000,0
Capital conservation buffer in relation to risk-weighted items (%)	2,5	2,5
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.

Contribution EUR 1,856,503.00 from the pension foundation of the Mortgage Society of Finland
has been included in Group's own funds.
An authorization for the contribution has been sought from the Financial Supervisory Authority on 21 December 2016.

4. Contingent off-balance sheet commitments

Consolidated off-balance sheet commitments

(1000 €)	**31.12.2016**	**31.12.2015**
Commitments made on behalf of a customer to benefit a third party		
Guarantees	2 181,9	2 181,9
Irrevocable commitments given on behalf of a customer		
Granted but unclaimed loans	301 014,8	218 022,7
Potential redemptions of partially owned housing units and those to be completed	563,2	809,2
Total	303 759,8	221 013,8

5. Fair values of financial instruments

(1000 €)	Käyvän arvon määrittämis-periaate	**31.12.2016** Käypä arvo	**31.12.2015** Käypä arvo
Debt securities eligible for refinancing with central banks	A	291 927,8	270 650,5
Debt securities	A	0,0	2 051,5
Derivative contracts	B	138,4	510,4
Total		292 066,2	273 212,4
Financial liabilities			
Derivative contracts	B	4 536,3	5 627,4

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

Fair value determination principles:

A: Quoted price on an active market

B: Verifiable price, other than quoted

C: Unverifiable market price

Fair values and valuation principles are disclosed above for items that are measured at fair value on a recurring basis. The fair values of debt securities (financial assets) are presented based on public quotes from active markets. The fair values of derivatives are calculated by discounting the future cash flows of the contracts using the market interest rates of the closing date. Fair values are presented excluding accrued interest.

Sources:
Loans and deposits; Bank of Finland
Housing prices; November 2016, Statistics Finland

Definitions of Alternative Performance Measures:

Cost-to-income ratio, %	Administrative expenses + depreciation and impairment losses on tangible and intangible assets + other operating expenses ――――――――――― Net interest income + income from equity investments + net fee and commission income + net income from currency operations and securities trading + net income from available-for-sale financial assets + net income from hedge accounting + net income from investment properties + other operating income	x 100
LTV-ratio (Loan to Value, average), %	Receivables from the public and public sector entities ――――――――――― Fair value of collateral received against the receivables from the public and public sector entities Loan-to-value ratio is calculated by dividing the outstanding loan balance with the fair value of the total amount of the collaterals allocated to the loan. Only housing and residential property collaterals are taken into account. The average LTV ratio is the weighted average of individual loan-to-value ratios.	x 100
Loans/deposits %	Receivables from the public and public sector entities ――――――――――― Deposits	x 100
Deposits out of total funding, %	Deposits ――――――――――― Total funding Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, debt securities issued to the public as well as subordinated liabilities.	x 100
Long-term funding out of total funding, %	Total funding with a remaining maturity of 12 months ――――――――――― Total funding Total funding includes liabilities to credit institutions, liabilities to the public and public sector entities, debt securities issued to the public as well as subordinated liabilities.	x 100

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

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

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

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

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

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

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