THE MORTGAGE SOCIETY OF FINLAND

ANNUAL REPORT 2014

Contents

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.

For private customers interested in saving and investing, we offer safe deposit accounts and profitable retail bonds. By subscribing for Hypo retail bonds, investors help Finns grow their housing property wealth and promote reasonably priced living.

Established 154 years ago, the Mortgage Society of Finland operates in the 100-year-old Hypo House in the heart of Helsinki. Located at the corner of Bulevardi and Yrjönkatu, its banking office will expand its facilities to be closer to customers on the ground floor in early 2015. We employ more than 50 home financing specialists. In addition, our customers have access to secure, user-friendly online and telephone banking services.

Our long-time focus on the housing market serves to ensure that we are able to provide in-depth expertise tailored to customers' 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 customised 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 operations are guided by our customer promise: A secure way for better living. More than 25,000 customers, mainly in growth centres, have already taken us up on this promise.

At the end of the year 2014, Hypo's balance sheet stood at EUR1.5 billion, loan portfolio at EUR1.2 billion and deposit portfolio at EUR507 million. Our capital adequacy ratio was 15.1 per cent calculated using conservative risk weights in accordance with the standard method. The operating profit reached 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. The Mortgage Society of Finland publishes its financial results on a quarterly basis.

Better living – Hypo at y

We tailor mortgage loans and related services to each customer's individual needs. 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 a difficult situation; for example, we have rental apartments available for acute needs.

However, it is key to prepare for uncertainties in advance. We tailor our loans to each 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 customised to the 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. We value their time.

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 life decision.

CONSUMER LOAN
Make use of your housing property assets and apply for a consumer loan at a competitive interest rate. 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.

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

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.

Profitable growth through det

In the nearly 155-year history of Hypo, 2014 was a year of continued growth and determination. We were able to systematically improve our operations in line with our goals, even though last year was one of the weakest of this century in the housing market. Home financing, home purchases and housing prices were on the decline.

As the only mutual bank specialising in housing and home financing in Finland, Hypo has responded to the changes in the market by focusing even more closely on serving its customers and developing its operations.

The year 2014 was also a period of stricter regulations and tighter requirements for credit institutions. Hypo responded to these requirements in line with its predetermined strategy. Our strong financial standing has not gone unnoticed among our loan customers or investor customers.

We are directly or indirectly responsible for nearly EUR 2 billion in assets. Of this total, around EUR 1.4 billion is invested in mortgage loans granted to Finnish households and housing corporations. Their collateral consists of housing land and units in growth centres, with a loan-to-value ratio of less than 50 per cent.

The second largest item consists of around EUR 250 million in housing land assets owned by Finnish pension insurance companies of good financial standing, for which we provide land trustee services. These residential land assets are also located in growth centres.

Liquidity buffers constitute an item worth EUR 200 million, which is invested in low-risk assets eligible as collateral for ECB operations.

The market value of Hypo Group's own housing, residential land and car park assets is approximately EUR 65 million. The assets in this category are located in and distributed across growth centres.

The fifth largest item consists of the investment assets of Hypo Group's pension foundation, which was established nearly 120 years ago. The market value of these assets is EUR 14 million.

In other words, the Group is responsible for nearly EUR 2 billion in assets, most of which are invested in the Finnish housing market, our national wealth. Around 50 top experts at Hypo manage these assets. Taking account of our Board of Directors, Supervisory Board and other administrative and similar bodies, Hypo employs around 100 housing market professionals to ensure that the assets with which we are trusted are thriving and the risks are managed.

Hypo's operating profit was approximately EUR 7.5 million in 2014, its 154th year of operation. This record-high result represented an increase of around 25 per cent. Hypo's operating profit increased to EUR 150,000 per each permanent employee. I would dare to say that we represent the absolute top level of banking. The banking sector reports an abundance of financial key figures, but this one – operating profit per permanent employee – is perfect for mutual banks, in my opinion, and should be used more extensively in the sector in general. Mutual companies' equity may seem a little slower than that of listed companies, but our hard-working employees compensate for any such slowness.

This is a valuable resource in times of tighter regulations and profitability requirements. Hypo's core capital adequacy ratio remained strong, at more than 15 per cent, calculated using conservative risk weights in accordance with the standard method. If calculated using the average risk weights in the sector, our core capital adequacy ratio would have been around 25 per cent – and more than 30 per cent, if calculated in line with the practices of the Finnish bank that uses the lowest risk weights.

In our sector, the highest risk weights used in risk calculations are ten times higher than the lowest ones. Even though the mortgage loan, collateral and credit loss risk are the same, the

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difference is huge. However, the differences in Finnish banks' home financing expertise and credit loss risk management abilities cannot be this large in reality.

We need to implement more consistent risk weights, as is the case in the other Nordic countries. Raising the lowest risk weight levels to 10–15 per cent, for example, would be entirely justifiable. It would allow for healthier home financing and competition across the country, particularly in growth centres.

It is always a good idea to ask a bank what the amount of its real, absolute assets is and where these assets have been invested.

I would like to take this opportunity to thank all of our employees for their hard work to further Hypo's special purpose, the growth of home financing.

I would like to extend my special thanks to Professor Jarmo Leppiniemi, Commander of the Order of the Lion of Finland, for his determined work as the long-time Chairman of our Board of Directors. Today, Hypo is a well-known, widely recognised bank specialising in housing and home financing – a bank sized at nearly EUR 2 billion. On behalf of all of us here at Hypo, I wish Professor Leppiniemi a relaxing and rewarding retirement.

Helsinki, 28 January 2015

Ari Pauna, CEO

A year of stricter regu

lations

The year 2014 brought tighter regulations for banking operations. The new EU Capital Requirements Directive took effect at the beginning of the year. In Finland, the new Act on Credit Institutions entered into force in August, implementing the Capital Requirements Directive. Regulations will continue to become stricter in 2015, setting tighter requirements for credit institutions' capital, capital adequacy and liquidity as well as governance and operational information disclosure.

According to Mr **Mikko Huopio**, Chief Risk Officer at Hypo, new regulations also mean new reporting practices. In addition, amendments continue to be made to the extensive body of regulations, meaning that banks must take account of their interpretations in plans and operations.

"Responding to stricter regulations requires a great deal of work. At Hypo, this means further streamlining old practices and restructuring part of our operations. The pressures are high, but we can be confident about the compliance of our operations," he says.

Until 2013, Finnish credit institutions were primarily regulated by domestic legislation and regulations issued by the Finnish Financial Supervisory Authority. Now the regulations are supranational to a significant degree, and implementation guidelines must be followed. The new Act on Credit Institutions, the EU directive and extensive further regulations are key.

"The transition periods run for several years, which causes a great deal of work. We are closely monitoring changes in statutory requirements and their interpretations," says Mr Huopio.

Most of the regulations were long anticipated, and Hypo has prepared for such regulations. For example, it took account of the stricter capital adequacy requirements in its business planning in an early stage.

Governance must be organised more formally and specifically. Many aspects are directly based on the law and are becoming tighter and more standardised. The more arduous aspects include reporting to the authorities, particularly during the transition period. There continues to be general uncertainty about many details, as interpretations keep changing.

As a rule, small credit institutions and major multinational operators are treated equally.

Hypo has reformed its compliance operations. Its legal experts are centralised in a new organisation. Compliance operations serve to ensure that laws, statutory regulations and other binding rules are followed. With regulations becoming stricter, this makes compliance a key area of operations.

"In practice, compliance means identifying key requirements and their changes and preparing an implementation plan. In terms of requirements, this is nothing new, but now we must determine even more formally and specifically how an individual regulation must be taken into account in our operations," says Mr Huopio.

Stricter regulations have increased the number of employees in all credit institutions, as they have needed to hire more experts, legal specialists and auditors.

More requirements in 2015

Regulations are gradually becoming stricter. The Liquidity Coverage Ratio *(LCR)* requirement will take effect in October 2015. According to the requirement, credit institutions must keep a predetermined minimum amount in secure, highly liquid investments. This minimum amount is based on the estimated total amount of liabilities and other outflows maturing in the next 30 days. From October 2015, such investments must cover a minimum of 60 per cent of such liabilities at all times. In subsequent years, the minimum will increase to 100 per cent. In practice, this means that credit institutions' return on cash assets will decrease, as the more secure and liquid a security is, the lower is its yield. In addition, the requirement is challenging because the amount of maturing liabilities keeps changing. For example, when wholesale bonds are maturing, credit institutions must keep large amounts in highly liquid assets with a low yield for 30 days.

Capital adequacy requirements for banks are becoming stricter as well. Capital adequacy refers to the amount of a credit institution's assets in relation to the risks it has taken. The minimum requirement for common equity tier 1 (CET1) – that is, assets of the highest quality – was raised at the beginning of 2015. The core equity ratio must now be at least 7 per cent, including an additional requirement of 2.5 per cent implemented at the beginning of the year. In addition, all credit institutions are subject to a separately specified overall capital adequacy requirement, which is higher than the figures mentioned above. These requirements are considerably stricter than before. The authorities also have many new ways to impose even tighter capital adequacy requirements on credit institutions if the general economic situation or other reasons so require.

For credit institutions, the core equity requirement is key. They can increase core equity through profits or by acquiring it from investors at a higher cost.

Hypo's capital adequacy ratio was 15,1 per cent at the end of 2014. In practice, 100 per cent of this was core capital adequacy. Hypo clearly meets the stricter capital adequacy requirements.

The goal of the tighter regulations is to make banks more resilient to any crises in the future. The financial crisis that ensued from the bankruptcy of Lehman Brothers nearly destroyed the financial sector. Statutory requirements serve to prevent difficulties and crises before they unfold. This is a good and worthwhile goal, but the means are very strict.

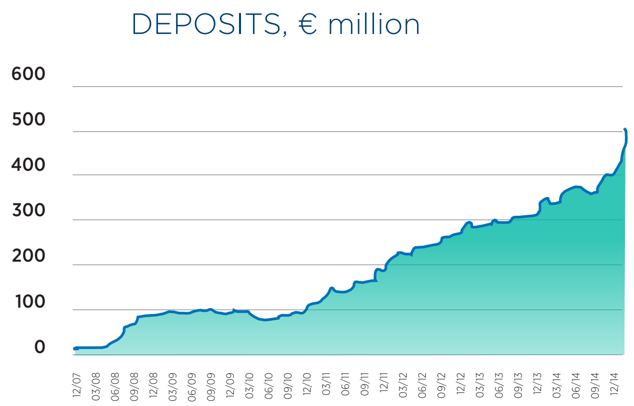
More diversified funding sources

For Hypo's funding, it was a significant step to commence more extensive Treasury operations in 2014. Active operations, that is funding from and investing in the financial markets, support Hypo's special purpose of lending, as well as improving liquidity management. Liquidity monitoring has become even more important, since the tightening banking regulations require credit institutions to maintain a higher liquidity reserve than before.

An active Treasury is a part of Hypo's actions to respond to the tightening regulations. In addition to other operations, Treasury provides reporting required by the regulations. A central part of operations is active participation in the capital markets to secure funding and liquidity for Hypo's growing customer lending.

"Ever greater liquidity reserves and tighter regulation of investments require an active Treasury," says Hypo's Director of Treasury and Funding, Mr Petteri Bollmann. He has a team of three people working with him.

In accordance with its strategy, Hypo follows a very conservative risk policy, and tight risk limits. Bank regulation also sets strict requirements on where credit institutions can place their liquid assets. The amount and quality of the assets are tightly regulated.



At the turn of the year, Hypo's liquid assets amounted to EUR 230 million. In practice, liquid and safe investment of the assets means investing mainly in bonds issued by states and municipalities, or in covered bonds. In accordance with the regulations, liquid investments may be sold at any time.

The interest rate level is currently extremely low on the capital markets. However, even minor changes in large figures amount to considerable sums.

"We monitor the news flow on the global economy, and use the information to form our own view on interest rate development. Last year, we were very successful in that," Mr Bollmann says.

Deposits increased

Hypo's deposits increased to EUR 507.4 million in 2014. Mr Bollmann says two factors supported the growth: Hypo is a reliable operator, and it pays relatively well for deposits.

Moreover, the funding sources became more diversified in 2014, and, for example, the number of foreign investors in Hypo's bond emissions increased significantly.

Hypo's deposits increased to
507
mEUR

Deposits will continue to play an important role in funding also in 2015. Hypo will also continue to be active on the bond markets. Hypo is well-known in Finland, but foreign investors will need to get to know the credit institution better. The key elements include Hypo's strategy and conservative credit policy.

It ought to be emphasised that all of Hypo's credit portfolio is entirely secured by housing or residential property. Hypo's average loan-to-value ratio was 44.9% at the end of the year.

Hypo to open street-level branch

In the future, Hypo House at the corner of Yrjönkatu and Bulevardi in Helsinki will be even more customer-friendly, as Hypo is expanding its branch operations to the ground floor. This will bring Hypo closer to customers.

The added facilities are much needed, as Hypo's customer numbers are increasing steadily. In addition, with the housing market undergoing a transformation, face-to-face meetings with customers during loan negotiations and advising are more and more important. Hypo offers the full range of loan services for home financing.

Hypo is the only credit institution specialising in home financing and housing in Finland. Accelerated urbanisation and Hypo's housing market expertise have strengthened its position in the market, even in uncertain times. Its loan portfolio grew to EUR 1.2 billion in 2014.

The loan portfolio is evenly distributed between private customers and housing companies. Loans to housing companies represent around 40 per cent of the loan portfolio.

Ms **Elli Reunanen**, COO of Hypo, believes that housing companies will continue to actively seek new loans, as the number of major renovation projects is increasing. This increase is inevitable: in the Helsinki region, for example, around 25 per cent of all homes – that is, nearly 200,000 apartments – were built in the 1960s and 1970s. The need for renovation has also increased because less renovations of properties and homes have been carried out than would have been needed. In 2013, housing companies spent around EUR 3 million on renovations.

Hypo seeks to provide shareholders in housing companies – that is, home owners – with information about renovation financing options as early as during the planning phase. Housing companies typically take on large long-term loans for renovation projects. It serves the shareholders' interests to be as fully aware as possible of what happens during the term of maturity of a 20-year loan, for example.

However, it is not unusual for banks to include an option in the loan agreement for revising the interest margin within 3–5 years from withdrawal. Anticipating and realistically reviewing changes is a key element in Hypo's services as a housing market specialist. Hypo is committed to serving the customer's needs throughout the term of the loan, and its loan agreements do not include a revision clause.

In terms of risk management, housing companies are good customers for banks if their property – which also serves as collateral – is located in a regional growth centre. In practice, the shareholders in a housing company are responsible for repaying the loan. In this respect, housing companies significantly differ from other companies, as their operations are limited to maintaining the property that they own and the liability for repayments is distributed extensively among the shareholders. Payment difficulties or bankruptcies of housing companies are practically non-existent in Finland. The Finnish housing company is a form of company that is unknown elsewhere in the world.

Lively housing markets in growth centres

For private customers, the year 2014 was a time of great uncertainty in the housing market. The housing market was lively in the Helsinki Metropolitan Area and other growth centres, but the number of home purchases and the collateral value of homes decreased in other areas.

In 2014, the number of new mortgage loans withdrawn in Finland was the lowest it has been in ten years. At the same time, however, Hypo strengthened its position in the housing market. Homebuyers are increasingly turning to Hypo.

"People are attracted by Hypo's expertise," says Ms Reunanen.

Homebuyers and sellers need expert answers with regard to property value development, residential area outlooks and financial market development. Hypo's experts answer questions and offer their view on what will happen in the market and why.

Ms Reunanen points out that Hypo's independent position outside large banking groups adds to its reliability. Customers can trust that Hypo will offer a neutral view, as it focuses on housing, without insisting that customers centralise their banking with Hypo.

"Hypo is a reliable partner for parents and grandparents who are looking for good solutions for their children and grandchildren."

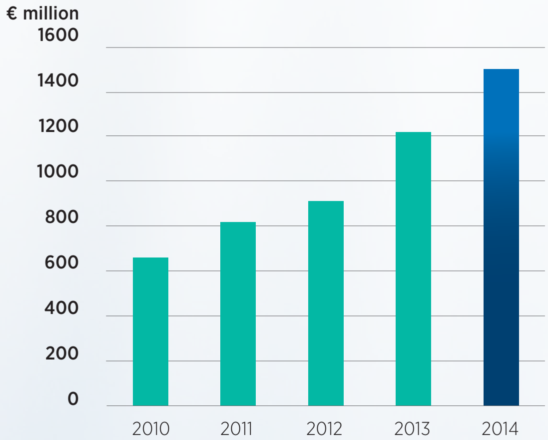
Customer Relationship Manager Mr **Sami Vallinkoski** adds that saving for homes has increased as a result of the turbulent housing market, and the significance of advance savings will increase in home purchases. Hypo is a reliable partner for parents and grandparents who are looking for good solutions for their children and grandchildren.

For depositors and investors, it is essential that Hypo issues loans for housing against property collateral.

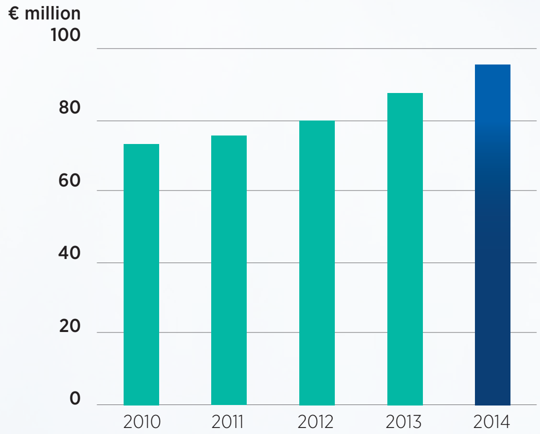
"Funds from the public and the wholesale market are used responsibly to grow Finns' property wealth," says Ms Reunanen.

Hypo year 2014

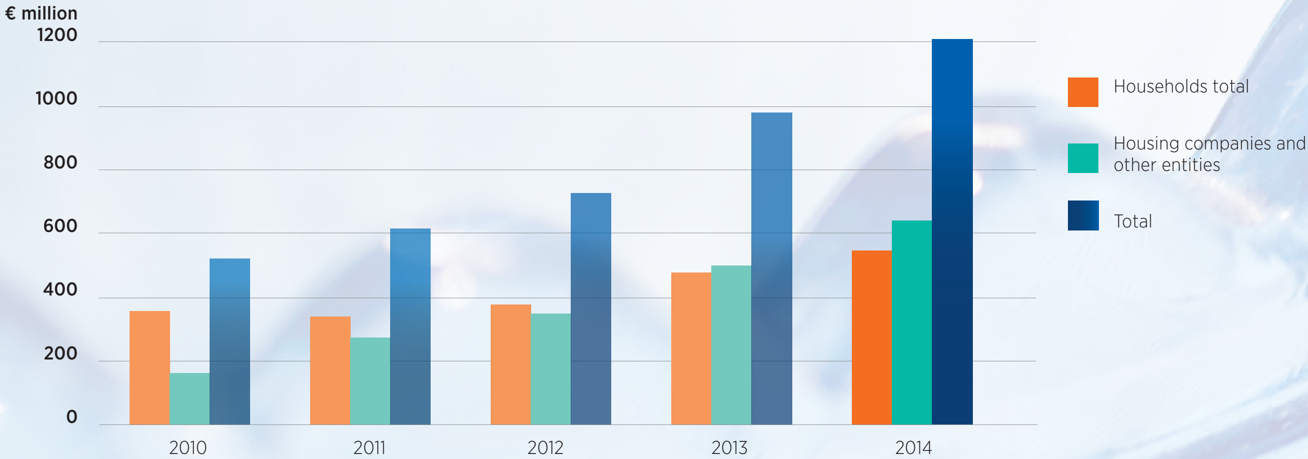
BALANCE SHEET TOTAL



EQUITY



LOAN PORTFOLIO



MAIN EVENTS OF THE YEAR AS A

1

- Maiju Harava appointed as a treasury manager
- Ksenia Akkonen appointed as a home financing manager

2

- Loan portfolio exceeds Eur 1 billion
- Pekka Nuutinen appointed as a financial manager
- Marja Ahjopalo appointed as a controller
- Piia Valtokari appointed as an Accounting manager
- The Mortage Society's Supervisory Board and its auditors convene for a meeting.

3

- Sari Ojala appointed as a Chief Audit Executive
- Hypo Housing Market Analysis Q1 is published
- Hypo's Annual General Meeting
- Supervisory Board's meeting
- Jarmo Leppiniemi leaves his post as the chair of Board of Directors and Sari Lounasmeri is appointed as his successor.
- Kai Heinonen joins the Board of Directors as a new member
- Hypo organises the Credit Update event
- Hypo issues the Hypo bond targeted to retail investors
- Elias Oikarinen and Mari Vaattovaara join the Supervisory Board as new members

4

- Hypo publishes interim report Q1
- Hypo Senior Unsecured emission

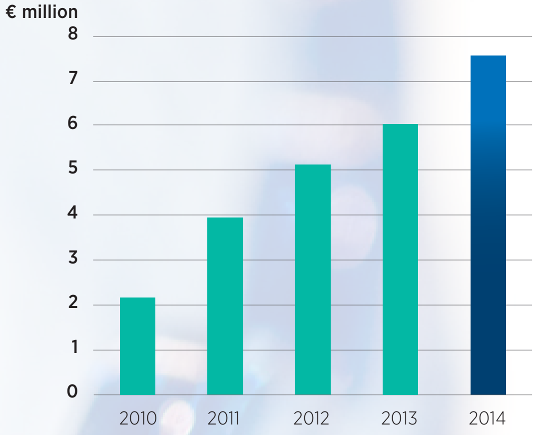
5

- Hypo Housing Market Analysis Q2 is published

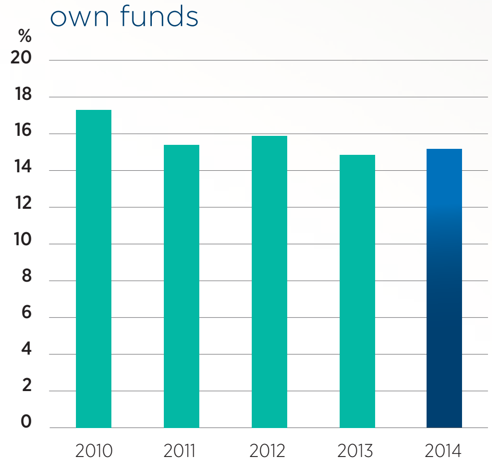
6

- Hypon publishes new corporate website.

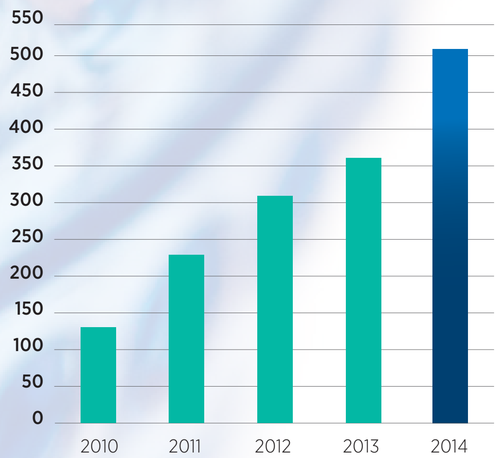
OPERATING PROFIT



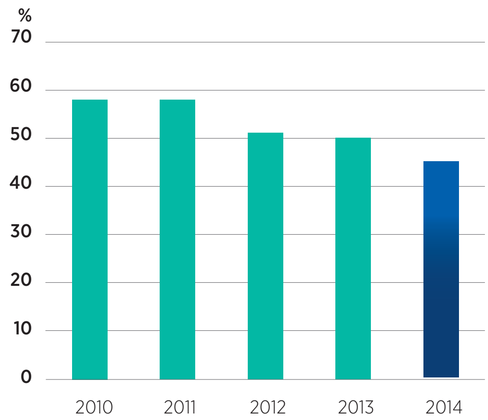
CAPITAL ADEQUACY
own funds



DEPOSITS, € million



LOAN-TO-VALUE RATIO



STRING OF PEARLS

7

8
- Hypo publishes interim report Q2
- The Mortage Society's Supervisory Board's and its auditors meeting

9
- Katariina Rautiainen appointed as a home financing manager
- Anttimatti Sipilä appointed as a treasury manager
- Hypo Housing Market Analysis Q2 is published
- Hypo Senior Unsecured emission supplemented

10

11
- Hypo publishes interim report Q3
- Hypo organises the Credit Update event

12
- Juhana Brotherus starts as an economist
- Hypo Housing Market Analysis Q2 is published
- Hypon senior unsecured emission

MANAGEMENT OF THE MORTGAGE SOCIETY OF FINLAND AND SUOMEN ASUNTOHYPOPANKKI OY SINCE 1 JANUARY 2015

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	154 years	13 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 2014

Financial statements 2014

ANNUAL REPORT

THE MORTGAGE SOCIETY OF FINLAND GROUP

The Mortgage Society of Finland Group (hereinafter "Hypo Group") is an organisation specialising in home financing and housing in Finland. The Mortgage Society of Finland (hereinafter "Hypoteekkiyhdistys" or "Hypo") has its domicile and administrative headquarters in Helsinki. Hypo operates nationwide in Finland, but its operations focus on Helsinki, the Helsinki Metropolitan Area, the Uusimaa region and other growth centres. Hypo, the parent 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 "AsuntoHypoPankki"), a wholly-owned subsidiary of the parent company, and the subsidiary Bostadsaktiebolaget Taos (hereinafter "Taos"), a housing company of which the parent company owns 59.4 per cent. AsuntoHypoPankki is a deposit bank that offers its customers secure deposit products, banking and land trustee services for housing companies under construction, and credit cards. Since 2013, AsuntoHypoPankki has offered investment services based on its parent company's retail bonds. AsuntoHypoPankki is covered by 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 monitored by the Finnish 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 seeks 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 Hypo Group business goals, which are confirmed, recorded on scorecards and monitored annually, with a focus on a strong core capital adequacy ratio and low credit losses.

OPERATING ENVIRONMENT

During Hypo's 154th year of operation, housing prices decreased slightly, while rents continued to increase. Euribor rates continued to decrease.

During 2014, the prices of old apartments in housing companies decreased by 0.8 per cent across the country (0.6 per cent in the Helsinki Metropolitan area and 0.9 per cent elsewhere in Finland). Rents for privately financed rental flats increased by 3.5 per cent during the year. The 12-month Euribor rate, which is the most common reference rate for mortgage loans, decreased by 0.23 percentage points during the year and was 0.325 per cent on 31 December 2014. (Source: Prices of dwellings in housing companies, 28 January 2014, and Rents of dwellings, 6 February 2015, Statistics Finland. Interest rate statistics of the Bank of Finland for 2014.)

The annual growth of the Finnish housing loan stock slowed down and was 1.7 per cent in December 2014. (Source: MFI balance sheet and interest rates, 30 January 2015, Bank of Finland.) The annual change in the stock of household deposits was -1.1 per cent in December. The average interest rate of the stock of deposits in Finland stood at 0.37 per cent at the end of December 2014. Hypo Prime, the reference rate for Hypo Avista demand deposits, remained unchanged at 0.80 per cent throughout 2014.

Hypo continued to publish the Hypo Housing Market Analysis, a quarterly report. This valued and widely recognised analysis provides concise information about the housing market as well as market changes and other topical issues for those operating in the housing market. The report has been published 51 times in total. The analysis is based on a combination of key factors, such as supply and demand, interest rates and house prices.

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. Hypo's funding is market-based and complies with the conditions set for neutralising its risk exposure in lending operations in terms of interest rates and other factors.

Lending

Hypo has an entirely property-secured loan portfolio, which is typical of mortgage credit banks. The average loan-to-value (LTV) ratio of Hypo's loan portfolio was 44.88 per cent (49.98 per cent on 31 December 2013). The total amount of non-performing receivables, which describes the quality of the loan portfolio and is reported in accordance with new regulations, remained low at EUR 2.7 million (1.3 million), representing only 0.23 per cent (0.14) of the total loan portfolio.

At the end of the year, Hypo's loan portfolio stood at EUR 1,204.0 million (977.9 million). Compared to the end of 2013, the amount of undrawn loans issued during the financial year increased by EUR 110.4 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

Hypo Group continued to maintain a strong liquidity position in 2014. Liquidity, including cash and cash equivalents in the cash flow statement and binding credit facilities, totalled EUR 229.9 million (205.6 million) at the end of the review period. Cash and cash equivalents totalled EUR 226.4 million and consisted of well-diversified deposits and of debt securities tradable on the secondary market, of which 65.0 per cent were at least AA– rated and 95.6 per cent ECB eligible. Of the total liquidity, EUR 194.5 million was available for unrestricted use in liquidity management.

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

Other receivables

Residential property and land owned and rented out by Hypo enable the 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 flats that have been rented out as well as residential land that have been rented for the long term to housing companies, which will purchase them gradually. The Group's housing, residential land and car park holdings increased to EUR 54.4 million (46.1 million). At the end of the financial period, the fair value of investment properties was EUR 13.2 million (EUR 10.0 million) higher than their book value. Property investments constituted 3.6 per cent (3.8) of the balance sheet total, which is clearly less than the 13 per cent maximum stated in the Act on Credit Institutions.

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 6.9 million (6.2 million), has been entered into the Group's other assets and into equity after deferred tax liabilities.

Derivative contracts

Interest rate swaps and currency swaps made for hedging loans issued by Hypo against the related risks 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). Derivatives 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 2014, the balance sheet value of derivative receivables was EUR 0.0 million (0.0 million), and that of derivative liabilities was EUR 7.9 million (3.0 million).

Deposits and other funding

The Group's funding operations benefit from a high capital adequacy ratio and a strong liquidity position, both of which are valued by investors, and an entirely property-secured credit portfolio, which is typical of mortgage banks. The Group's financing position remained stable, and the proportion of deposit and retail bond funding was increased in comparison to the previous year. Its deposits (including deposits by financial institutions) grew by 41.0 per cent to EUR 507.4 million (EUR 359.7 million), representing 36.9 per cent (32.4) of total funding. The ratio between deposits and loans grew to 42.1 per cent (36.8).

Hypo's bond programme was updated to EUR 900 million on 14 July 2014, and subsequently supplemented after the publication of each interim result to maintain issuance readiness. During the financial year, Hypo carried out three bond issues with a total nominal amount of EUR 175.0 million in the wholesale market and one retail bond issue with a nominal value of EUR 2.2 million. These were used to finance Hypo's normal lending operations and refinance maturing bonds and other funding contracts. During 2014, Hypo repurchased its own bonds to the amount of EUR 52.7 million. On 31 December 2014, the outstanding amount of issued bonds and certificates of deposit amounted to EUR 648.5 million (534.3 million), representing 47.2 per cent (48.1) of total funding.

Hypo Group's funding totalled EUR 1,375.2 million (1,109.6 million).

CHANGES IN EQUITY

Equity stood at EUR 95.4 million at the end of the financial period (87.5 million). The changes in equity are presented in more detail in the financial statements for 2014 under "Statement of changes in equity between 1 January and 31 December 2014".

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 25.8 million (22.5 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

The Group's operating profit for 1 January to 31 December 2014 was EUR 7.0 million (6.0 million for 1 January to 31 December 2013).

Impairment for the financial period totalled EUR 0.03 million (-0.02 million).

Known as a financially sound Finnish credit institution and deposit bank operator, the Group had around 25,000 customers on 31 December 2014.

Income from fees and commissions totalled EUR 3.7 million (2.7 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 4.4 million (5.8 million). This included EUR 1.8 million of capital gains (2.8 million).

Administrative costs totalled EUR 8.9 million (7.3 million). Salaries and indirect employee costs increased by EUR 1.8 million when compared to the previous year, constituting 68.8 per cent of total administrative costs (58.2). Other administrative costs totalled EUR 2.8 million (3.1 million).

KEY FINANCIAL INDICATORS 2010–2014

Group	IFRS 2010	IFRS 2011	IFRS 2012	IFRS 2013	**IFRS 2014**
Turnover, EUR million	23.1	26.8	28.3	27.1	**32.7**
Operating profit/profit before appropriations and taxes, EUR million	2.2	4.0	5.2	6.0	**7.5**
Operating profit, % of turnover	9.7	14.9	18.4	22.2	**22.9**
Return on equity (ROE), %	2.3	4.5	5.2	5.8	**6.7**
Return on assets (ROA), %	0.2	0.4	0.5	0.5	**0.5**
Leverage ratio, %	11.1	9.2	8.8	7.2	**6.4**
Capital adequacy, %	18.9	16.7	17.0	14.7	**15.2**
CET 1 Capital ratio, %	17.3	15.4	15.9	14.7	**15.1**
Own funds, EUR million	71.6	75.0	79.2	84.4	**90.6**
Common Equity Tier 1 funds, EUR million	65.5	69.3	73.8	84.2	**89.8**
Minimum requirement of own funds, EUR million	30.3	36.0	37.2	45.8	**48.4**
Cost-to-income ratio, %	71.0	61.9	55.0	57.4	**56.4**
Average number of personnel*	27	29	28	36	**52**
Salaries and remuneration, EUR million	1.5	2.1	2.0	2.9	**4.1**
Non-performing receivables, % of loan portfolio	0.19	0.20	0.16	0.14	**0.23**
Loan-to-value ratio (average LTV), %	57.9	57.8	51.0	50.0	**44.9**
Deposits/loans, %	25.1	37.1	42.6	36.8	**42.1**
Receivables from the public and public sector entities	520.4	615.0	725.0	977.9	**1,204.0**
Deposits (incl. deposits of financial institutions)	130.5	228.3	308.6	359.7	**507.4**
Balance sheet total, EUR million	660.8	818.0	911.2	1 219.6	**1,499.9**

* Including employees in permanent and fixed-term employment relationships, but excluding the CEO and the COO.

Capital adequacy has been calculated in accordance with the EU Capital Requirements Regulation (CRR, EU 575/2013) for 2013 and 2014.

Depreciation amounted to EUR 0.3 million (0.3 million), consisting mainly of items related to the deposit system. Other operating expenses totalled EUR 0.6 million (0.5 million).

The Group's cost-to-income ratio improved to 56.4 per cent (57.4).

The Group's profit for the financial period was EUR 6.2 million (4.9 million). The Group's comprehensive income was EUR 7.9 million (7.7 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

The financial positions of Hypo and Hypo Group have not changed significantly since the end of the 2014 financial period.

After the financial year, neither Hypo nor the Group's companies have been involved in administrative or legal proceedings, arbitrations or other events that would have had a significant 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

The outlook for the Finnish national economy continues to be modest, and economic cycles are not expected to boost the housing market. Despite the uncertain operating environment, we are very confident that Hypo, as a specialist in home financing, is in a good position to continue the profitable growth of its business operations in 2015 while managing risks. We estimate that our result for 2015 will be on a par with 2014, and our liquidity will continue to improve.

BOARD'S PROPOSAL CONCERNING THE DISPOSAL OF PROFITS

According to section 21 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 944.79 of Hypo's result for 2014, which was EUR 1,889.57, be transferred to the reserve fund, and the rest remain unused.

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)

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

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, %

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

Capital adequacy, %

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

Cost-to-income ratio, %

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

RISK MANAGEMENT STRATEGIES AND PRACTICES

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

The special characteristics of the Group's business operations have an impact on the risk management principles and their implementation. The most relevant business areas include lending against residential collateral, deposit-taking from the public, 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 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 as well as the Act on Mortgage Societies. As the licensing authority, the Finnish 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 48 (35) during the financial year. At the end of the financial period, permanent employees numbered 50 (44). These figures do not include the CEO and COO. The average number of fixed-term employees was 4 (1) during the financial year. At the end of the financial year, the number of fixed-term employees was 4 (3). All employment contracts were full-time contracts.

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

Of the Group's personnel, 73 per cent work in direct customer service duties and 27 per cent in administration. The average age of employees is 44 years. At the end of the year, the youngest employee was 25 years of age and the oldest was 62. The average length of an employment relationship is 5.5 years. Of all employees, 58 per cent are women and 42 per cent are men. Two of the five members of the Management Group are women and three are men. Of the Group's employees, 40 per cent hold a higher education degree and 60 per cent have graduated from a university of applied sciences (polytechnic) or completed upper secondary education. Of the women employed by Hypo Group, 30 per cent hold a higher education degree and 70 per cent have graduated from a university of applied sciences (polytechnic) or completed upper secondary education. For the men, the proportions are 55 and 45 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 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. For cautionary reasons, the part paid in cash is remitted with a delay.

The number of personnel grew during the financial period 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 goals, Hypo is a continuously learning, efficient and profitable organisation, and is a community of experts that is passionate about housing and home financing. The continuous development of employees' competence, management and the workplace community is an integral part of the 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, the Group has been able to ensure that each employee's best competence is utilised to reach the strategic goals. Almost all of our customer service employees have completed their real estate agent diplomas (LKV), and all new employees have completed the training requirements for the LKV examination.

Regardless of the type of employment, 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 75 people.

Helsinki, 12 February 2015

Board of Directors

CONSOLIDATED INCOME STATEMENT, IFRS

€ 1,000	Note	1 Jan to 31 Dec 2014	1 Jan to 31 Dec 2013
Interest income	1	21,070.7	17,663.2
Interest expenses	1	-14,643.2	-12,373.0
NET INTEREST INCOME		**6,427.5**	5,290.2
Income from equity investments			
From other companies	2	84.0	98.0
Fee income	3	3,658.9	2,747.6
Fee expenses	3	-48.6	-24.2
Net income from currency operations and securities trading			
Net income from securities trading	4	-101.0	
Net income from currency operations	4	-1.0	-1.7
Net income from available-for-sale financial assets	5	2,880.8	103.6
Net income from investment properties	6	4,362.5	5,825.4
Other operating income	7	-6.5	8.5
Administrative expenses			
Personnel expenses			
Salaries and remuneration		-4,662.6	-3,329.2
Indirect personnel expenses			
Pension expenses		-1,110.6	-824.9
Other indirect personnel expenses		-319.1	-99.7
Other administrative expenses		-2,763.0	-3,060.9
Total administrative expenses		-8,855.4	-7,314.7
Depreciation and impairment losses on tangible and intangible assets	9	-312.1	-261.4
Other operating expenses	8	-560.1	-484.3
Impairment losses on loans and other commitments	10	-31.1	19.1
OPERATING PROFIT		**7,498.0**	6,006.1
Income taxes	11	-1,330.3	-1,116.5
PROFIT FROM OPERATIONS AFTER TAXES		**6,167.7**	**4,889.7**
PROFIT FOR THE PERIOD		**6,167.7**	**4,889.7**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

€ 1,000	1 Jan to 31 Dec 2014	1 Jan to 31 Dec 2013
Profit for the period	**6,167.7**	4,889.7
Other comprehensive income		
Items that may in the future be recognised through profit or loss		
Change in fair value reserve		
Hedging of cash flows	309.0	700.0
Financial assets available for sale	703.6	-110.3
	1,012.7	589.7
Changes in the corporate tax rate		
Deferred tax on credit loss provisions		1,074.7
Deferred tax on revaluation reserve		409.7
IAS deferred tax on the pension foundation		275.1
	0.0	1,759.5
Items that may not be included in the income statement at a later date		
Revaluation of defined benefit pension plans	719.4	488.0
Total other comprehensive income	1,732.0	2,837.2
COMPREHENSIVE INCOME FOR THE PERIOD	**7,899.7**	7,726.9

CONSOLIDATED BALANCE SHEET, IFRS

€ 1,000	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Liquid assets	13, 14, 32	75,000.0	560.0
Debt securities eligible for refinancing with central banks			
Treasury bills	14, 17, 30, 31, 32		10,029.5
Other	14, 17, 30, 31, 32	111,070.4	109,193.2
		111,070.4	119,222.7
Receivables from credit institutions			
Repayable on demand	14, 15, 30, 31, 32	35,085.8	16,932.4
Other	14, 15, 30, 31, 32	159.3	43,915.0
		35,245.1	60,847.4
Receivables from the public and public sector entities			
Other than those repayable on demand	16, 30, 31, 32	1,204,041.8	977,893.5
Debt securities			
From others	14, 17, 30, 31, 32	5,090.7	1,999.4
		5,090.7	1,999.4
Shares and holdings	18, 31, 32	113.4	113.4
Intangible assets			
Other long-term expenditure	20, 22, 31	948.5	739.1
Tangible assets			
Investment properties and shares and holdings in investment properties	21, 22, 31	54,356.9	46,068.6
Other properties and shares and holdings in housing property corporations	21, 22, 31	842.6	828.3
Other tangible assets	22, 31	273.4	298.8
		55,472.9	47,195.7
Other assets	23, 31	7,762.1	7,518.0
Deferred income and advances paid	24, 31	4,506.1	2,740.6
Deferred tax receivables	25, 31	663.8	765.4
TOTAL ASSETS		**1,499,914.8**	**1,219,595.1**
LIABILITIES			
LIABILITIES			
Liabilities to credit institutions			
To central banks		35,000.0	40,000.0
To credit institutions			
Repayable on demand		16,824.7	27,749.5
Other than those repayable on demand	30,31,32	148,549.9	123,347.0
		200,374.6	191,096.5
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand	30,31,32	192,068.3	182,996.3
Other than those repayable on demand	30,31,32	275,995.4	132,226.4
		468,063.7	315,222.7
Other liabilities			
Other than those repayable on demand	30,31,32	40,339.7	47,241.4
		508,403.4	362,464.1
Debt securities issued to the public			
Bonds	26, 30, 31, 32	518,423.4	417,847.3
Other	26, 30, 31, 32	130,028.7	116,404.0
		648,452.1	534,251.3
Derivative contracts	19,31,32,33	7,856.7	3,035.5
Other liabilities			
Other liabilities	27,3	8,125.9	7,184.9
Deferred expenses and advances received	28,3	4,551.0	4,490.9
Subordinated liabilities			
Other	29,30,31,32	17,962.1	21,834.7
Deferred tax liabilities	25,31	8,796.5	7,744.3
EQUITY			
Basic capital	35	5,000.0	5,000.0
Other restricted reserves			
Reserve fund		22,793.8	22,790.4
Fair value reserve			
From cash flow hedging		-2,655.1	-2,964.1
From valuation at fair value		807.9	104.3
Defined benefit pension plans			
Actuarial gains/losses		1,207.4	488.0
Unrestricted reserves			
Other reserves		22,923.5	22,923.5
Retained earnings		39,147.4	34,261.1
Profit for the period		6,167.7	4,889.7
	31	95,392.6	87,492.9
TOTAL LIABILITIES AND EQUITY		**1,499,914.8**	**1,219,595.1**

CHANGE IN EQUITY

€ 1,000	Basic capital	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 Jan 2013	**5,000.0**	**22,789.4**	**-3,449.5**	**22,923.5**	**32,502.6**	**79,766.0**
Profit for the period					4,889.7	4,889.7
Other comprehensive income						
The impact of the change in the tax rate on deferred taxes on items included in retained earnings					1,759.5	1,759.5
Distribution of profits		1.0			-1.0	0.0
Hedging of cash flow						
Amount recognised in equity			1.0			1.0
Amount transferred to the income statement			1,147.0			1,147.0
Change in deferred taxes			-448.0			-448.0
Financial assets available for sale						
Change in fair value			-50.3			-50.3
Amount transferred to the income statement			-103.6			-103.6
Change in deferred taxes			43.6			43.6
Defined benefit pension plans						
Actuarial gains/losses			610.0			610.0
Change in deferred taxes			-122.0			-122.0
Total other comprehensive income	**0.0**	**1.0**	**1,077.7**	**0.0**	**1,758.5**	**2,837.2**
Equity 31 Dec 2013	**5,000.0**	**22,790.4**	**-2,371.8**	**22,923.5**	**39,150.8**	**87,492.9**

€ 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**

CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	1 Jan to 31 Dec 2014	1 Jan to 31 Dec 2013
Cash flow from operating activities		
Interest received	20,586.8	17,051.7
Interest paid	-15,177.7	-13,146.9
Fee income	3,665.9	2,712.4
Fee expenses	-48.6	-24.2
Net income from currency operations and securities trading	-101.9	-1.7
Net income from available-for-sale financial assets	2,880.8	103.6
Net income from investment properties	3,246.5	5,666.4
Other operating income	-6.5	8.5
Administrative expenses	-7,778.7	-6,925.4
Other operating expenses	-703.9	-583.5
Credit and guarantee losses	-31.1	19.1
Income taxes	-1,227.2	-145.9
Total net cash flow from operating activities	**5,304.4**	**4,734.1**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)		-250,828.1
Investment properties		8,966.6
Operating assets increase (-) / decrease (+) total	**-232,682.8**	**-241,861.4**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector entities (deposits)		46,695.1
Operating liabilities increase (+) / decrease (-) total	152,841.0	46,695.1
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**-74,537.4**	**-190,432.3**
Cash flows from investments		
Change in fixed assets		-698.3
Dividends received		98.0
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-426.5**	**-600.3**
Cash flows from financing		
Bank loans, new withdrawals		164,031.7
Bank loans, repayments		-160,224.9
Other liabilities increase (+) / decrease (-)		-7,813.6
Bonds, new issues		358,465.8
Bonds, repayments		-135,966.4
Certificates of deposit, new issues		255,952.2
Certificates of deposit, repayments		-240,330.9
Subordinated liabilities, new withdrawals		21,501.1
Subordinated liabilities, repayments		-346.5
NET CASH FLOWS ACCRUED FROM FINANCING	**118,740.5**	**255,268.6**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**43,776.6**	**64,236.1**
Cash and cash equivalents at the beginning of the period	**182,629.5**	118,393.5
Cash and cash equivalents at the end of the period	**226,406.2**	182,629.5
CHANGE IN CASH AND CASH EQUIVALENTS	**43,776.6**	64,236.1

GROUP'S DEVELOPMENT PER QUARTER

€ 1,000	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013
Interest income	5,347.4	5,464.3	5,303.6	4,955.3	5,163.0
Interest expenses	-3,718.5	-3,792.4	-3,707.1	-3,425.2	-3,189.5
Net interest income	**1,629.0**	**1,671.9**	**1,596.6**	**1,530.1**	**1,973.5**
Income from equity investments			84.0		28.0
Fee income	1,089.8	751.4	1,096.7	721.0	698.6
Fee expenses	-8.4	-14.7	-17.0	-8.4	-4.1
Net income from currency operations and securities trading					
Net income from securities trading	-101.0				
Net income from currency operations	-0.3	-0.1	-0.4	-0.2	-0.6
Net income from available-for-sale financial assets	545.8	1,444.8	388.7	501.5	90.0
Net income from investment properties	1,609.5	584.5	977.2	1,191.3	1,645.2
Other operating income	-1.7	-2.0	2.4	-5.2	-15.7
Administrative expenses					
Personnel expenses					
Salaries and remuneration	-1,479.3	-1,109.8	-801.8	-1,271.7	-1,152.3
Indirect personnel expenses					
Pension expenses	-502.1	-209.2	-162.0	-237.3	-438.4
Other indirect personnel expenses	-178.1	-37.3	-59.0	-44.7	-38.7
Other administrative expenses	-880.7	-650.1	-594.5	-637.7	-878.0
Total administrative expenses	-3,040.3	-2,006.4	-1,617.3	-2,191.4	-2,507.4
Depreciation and impairment losses on tangible and intangible assets	-79.5	-76.5	-76.6	-79.6	-77.3
Other operating expenses	-201.8	-170.6	-58.0	-129.7	-130.7
Impairment losses on loans and other commitments	143.0	5.5	-185.3	5.7	-9.2
Operating profit	**1,584.1**	**2,187.8**	**2,191.0**	**1,535.1**	**1,690.3**
Income taxes	-278.1	-391.5	-391.3	-269.4	-220.6
PROFIT FROM OPERATIONS AFTER TAXES	**1,306.0**	**1,796.3**	**1,799.7**	**1,265.7**	**1,469.7**
PROFIT FOR THE PERIOD	**1,306.0**	**1,796.3**	**1,799.7**	**1,265.7**	**1,469.7**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT, IFRS

€ 1.000	10-12/2014	7-9/2014	4-6/2014	1-3/2014	10-12/2013
Profit for the period	1,306.0	1,796.3	1,799.7	1,265.7	1,469.8
Items that may be included in the income statement later					
Change in fair value reserve					
Hedging of cash flows	-92.4	202.5	-190.5	389.4	-237.0
Financial assets available for sale	-89.6	-132.3	692.4	233.2	-149.0
	-182.0	70.2	501.9	622.6	-385.9
Changes in the corporate tax rate					
Deferred tax on credit loss provisions					1,074.7
Deferred tax on revaluation reserve					409.7
IAS deferred tax on the pension foundation					275.1
	0.0	0.0	0.0	0.0	1,759.5
Items that may not be included in the income statement at a later date					
Revaluation of defined benefit pension plans	211.4		508.0		589.9
Total other comprehensive income	29.3	70.2	1,009.9	622.6	1,963.5
COMPREHENSIVE INCOME FOR THE PERIOD	**1,335.4**	**1,866.4**	**2,809.6**	**1,888.3**	**3,433.2**

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 the Group's comprehensive income statement, 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

The following new or amended standards became effective on 1 January 2014:

- The new consolidation standards, IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements include principles concerning the preparation and presentation of consolidated financial statements and accounting for joint arrangements. They had no effects on the preparation of these financial statements.
- IFRS 12 Disclosure of Interests in Other Entities is a new standard that resulted in small adjustments to notes to the financial statements of subsidiaries.
- IFRIC 21 Levies is an interpretation providing guidance on when to recognise a liability for a levy imposed by a government. It had no effect on the Group's accounting policies.
- The amendments to IAS 32 Financial Instruments: Presentation included clarifications on the application of the offsetting rules and had no effect on these consolidated financial statements.
- The amendments to IAS 39 Financial Instruments: Recognition and Measurement mainly concerned needs for clarification caused by EMIR regulations with regard to derivative contracts and had no effect on these consolidated financial statements.

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

- IFRS 9 Financial Instruments will become effective on 1 January 2018 and will result in amendments to the financial statements, with regard to such matters as the recognition of credit loss provisions.
- To be published in 2015, IAS 17 Leases mainly includes amendments to lessees' accounting policies and will not significantly affect the 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 the Group's future financial statements.
- Amendments to IAS 19 Employee Benefits that will apply retrospectively to annual financial periods beginning on or after 1 July 2014 concern the accounting for employee contributions in defined benefit plans and are not likely to have an effect on the 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 the Group owns 100 per cent, and Bostadsaktiebolaget Taos ("Taos"), of which the Group owns 59.4 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.

The housing company Asunto Oy Vanhaväylä 17 (of which the Group owns 80.4 per cent) as well as housing companies that are affiliate companies have been accounted for in the same manner as other property investments and are included in tangible assets. These companies have a minor effect on the 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 amount receivable, 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 as "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 are recognised at amortised cost. 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 credit risk is calculated based on asset swap spreads.

Financial assets

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

Financial liabilities

The 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 originally recognised on the balance sheet is recorded as amortisation by using the effective interest method 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 recorded as amortisation by 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 removed from, the balance sheet using settlement 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; prospectively and retrospectively. 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, repricing 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 changed conditions, for example, 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, because 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 related to interest rate derivatives are recognised at their net amounts in interest expenses, and accrued interest is included in deferred income and 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 and start-up costs related to MasterCard partnerships. 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, seven years at the most. Depreciation begins when the asset is ready for use, and the depreciation is calculated as a straight-line deprecation. In the income statement, depreciations are 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 the 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 depreciations 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 (a 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 2014, 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 per cent. 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 became effective 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 the 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 regarded as a defined contribution pension plan. Transfers from Department A of the pension foundation to Department M affect the 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	2014	2013
Receivables valued at allocated acquisition cost		
Receivables from credit institutions	11.8	24.0
Receivables from the public and public sector entities	19,565.5	16,162.6
Debt securities held until maturity	170.2	60.2
Total	19,747.5	16,246.9
Debt securities available for sale	1,095.6	1,193.9
Other interest income	227.6	222.4
Total interest income	21,070.7	17,663.2
Liabilities valued at allocated acquisition cost		
Liabilities to credit institutions	-1,736.7	-2,203.6
Liabilities to the public and public sector entities	-3,520.1	-3,302.7
Debt securities issued to the public	-7,671.0	-5,494.3
Subordinated liabilities	-786.7	-225.4
Total	-13,714.4	-11,226.0
Derivative contracts	-928.4	-1,147.0
Other interest expenses	-0.4	
Total interest expenses	-14,643.2	-12,373.0

2. INCOME FROM EQUITY INVESTMENTS	2014	2013
From available-for-sale financial assets	84.0	98.0

3. FEE INCOME AND EXPENSES	2014	2013
From lending and deposits	1,425.9	1,435.8
From legal assignments	212.0	132.5
From residential property trustee service	1,221.0	673.5
From other operations	800.1	505.9
Total fee income	3,658.9	2,747.6
Other fee expenses	-48.6	-24.2
Total fee expenses	-48.6	-24.2

4. NET INCOME FROM CURRENCY OPERATIONS AND SECURITIES TRADING	2014	2013
Gains and losses from disposals of financial instruments (net)		
Net income arising from financial instruments classified as held for trading	-14.6	
Gains and losses arising from measurement at fair value (net)		
Net income arising from items recognised based on the fair value option	-86.4	
Net income from securities trading		0.00
Net income from currency operations		-1.7
Total net income from currency operations and securities trading	-101.9	-1.7

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	2014	2013
Capital gains from debt securities	2,880.8	103.6
	2,880.8	103.6

6. NET INCOME FROM INVESTMENT PROPERTIES	2014	2013
Rental income	2,970.2	3,338.3
Capital gains (losses)	1,833.7	2,816.9
Other income	307.9	407.5
Maintenance charges and other maintenance costs paid		
From investment properties that have accrued rental income during the period	-737.3	-654.5
Other expenses	-40.5	-48.6
Depreciation according to plan	28.6	-34.3
Total	4,362.5	5,825.4

7. OTHER OPERATING INCOME

7. OTHER OPERATING INCOME	2014	2013
Rental income, property assets in own use	4.0	
Other income	-10.5	8.5
Total	-6.5	8.5

8. OTHER OPERATING EXPENSES

8. OTHER OPERATING EXPENSES	2014	2013
Rental expenses	-125.8	-56.9
Expenses from properties in own use	-47.8	-57.9
Other expenses	-386.6	-369.5
Total	-560.1	-484.3

9. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS

9. DEPRECIATION AND IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS	2014	2013
Depreciation according to plan	-312.1	-261.4

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

10. IMPAIRMENT LOSSES ON LOANS AND OTHER COMMITMENTS AND OTHER FINANCIAL ASSETS	2014	2013
On receivables from the public and public sector entities		
Agreement-specific impairment losses	-204.5	-39.8
Deductions	173.4	59.0
Total	-31.1	19.1

11. INCOME TAXES

11. INCOME TAXES	2014	2013
Breakdown of taxes in the income statement		
Tax expense based on taxable income for the financial period	-595.3	-563.0
Change in deferred taxes	-720.8	-555.7
Taxes from previous periods	-14.2	2.2
Taxes in the income statement	**-1,330.3**	**-1,116.5**
Reconciliation of taxes		
Profit before taxes	7,498.0	6,006.1
Tax-free income	-871.7	-937.9
Non-deductible expenses	14.1	27.9
Recognition of previously unrecorded tax losses	-74.9	-19.9
Total	**6,565.6**	**5,076.2**
Taxes calculated using the tax rate of 20%	-1,313.1	-1,243.7
Taxes from previous periods	-14.2	2.2
Other items	-3.0	125.0
Taxes in the income statement	**-1,330.3**	**-1,116.5**

12. INFORMATION CONCERNING PRODUCT GROUPS AND GEOGRAPHICAL MARKET AREAS

Hypo Group has only one segment: retail banking.
By product group, the 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 Visa and MasterCard charge cards issued by card partners and services provided to a company outside the Group.

2014	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**

2013	Combined amount of income	Operating profit	Total assets	Total liabilities	Personnel
Lending and deposits and other housing products and services	13,364.8	5,742.4	1,219,486.6	1,132,102.2	38
Other operations		263.7	108.5		
	13,973.6	**6,006.1**	**1,219,595.1**	**1,132,102.2**	**38**

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. LIQUID ASSETS

	2014	2013
Cash	75,000.0	560.0

14. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

	2014 balance sheet value	2013 balance sheet value
Liquid assets	75,000.0	560.0
Debt securities eligible for refinancing with central banks	111,070.4	119,222.7
Receivables from credit institutions	35,245.1	60,847.4
Debt securities	5,090.7	1,999.4
	226,406.2	182,629.5

15. RECEIVABLES FROM CREDIT INSTITUTIONS (LOANS AND RECEIVABLES)

	2014			2013		
	Repayable on demand	Other than those repayable on demand	Total	Repayable on demand	Other than those repayable on demand	Total
From the central bank		159.3	159.3		43,915.0	43,915.0
From domestic credit institutions	33,649.0		33,649.0	16,244.8		16,244.8
From foreign credit institutions	1,436.7		1,436.7	687.6		687.6
Total	35,085.8	159.3	35,245.1	16,932.4	43,915.0	60,847.4

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)

	2014	2013
Companies and housing corporations	647,258.0	494,276.9
Households	545,681.6	474,681.5
Financial and insurance institutions	3,020.0	3,020.0
Non-profit organisations serving households	1,713.2	1,917.6
Foreign countries	6,369.0	3,997.4
Total	1,204,041.8	977,893.5
Subordinated receivables	703.7	721.5

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

	2014	2013
Impairment losses on receivables recognised during the period		
Impairment losses at the beginning of the year	315.9	333.8
Receivable-specific impairment losses recognised during the period	204.5	39.8
Receivable-specific impairment losses reversed during the period	-170.7	-57.8
Impairment losses at the end of the year	349.7	315.9

No group-specific impairment losses have been recognised.

17. DEBT SECURITIES

	2014			2013		
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Issued by public sector entities						
Available for sale						
Treasury bills			0.0	10,029.5		10,029.5
Government bonds	61,039.4		61,039.4			0.0
Other bonds issued by public sector entities	11,664.8		11,664.8			0.0
Recognised based on the fair value option						
Government bonds	10,096.3		10,096.3			0.0
Those issued by other than public sector entities						
Held until maturity						
Bonds issued by banks	10,760.1		10,760.1	10,916.4		10,916.4
Recognised based on the fair value option						
Bonds issued by banks	5,351.1		5,351.1			0.0
Available for sale						
Bonds issued by banks	12,158.8		12,158.8	98,276.8		98,276.8
Other debt securities	5,090.7		5,090.7	1,999.4		1,999.4
Total debt securities	116,161.1	0.0	116,161.1	121,222.1	0.0	121,222.1
Subordinated receivables			0.0			0.0
Receivables eligible for refinancing with central banks			111,070.4			119,222.7

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

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

	2014			2013		
	Publicly quoted	Other	Total	Publicly quoted	Other	Total
Shares and holdings, available for sale		113.4	113.4		113.4	113.4
Of which at acquisition cost		113.4	113.4		113.4	113.4
Of which in credit institutions		108.5	108.5		108.5	108.5

19. DERIVATIVE CONTRACTS

	2014		2013	
	Book value		Book value	
	Assets	Liabilities	Assets	Liabilities
Hedging derivatives				
Interest rate swaps, cash flow hedge accounting model, fair value		2,786.7		3,266.7
Interest rate and currency swaps, fair value hedge accounting model, fair value		4,918.0		-231.2
Non-hedging derivatives				
Interest rate swaps, fair value		151.9		
	0.0	7,856.7	0.0	3,035.5
Interest rate and currency swaps, interest carried forward		627.7		635.8
Total	0.0	8,484.3	0.0	3,671.3

	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

	2013			
Remaining maturity	Less than one year	1-5 years	>5 years	Total
Nominal values of the underlying instruments	55,402.0	109,935.0		165,337.0
Fair value, assets				0.0
Fair value, liabilities	-956.0	3,991.5		3,035.5

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

	2014	2013
IT programs and projects	825.0	739.1
Other intangible assets	123.5	
	948.5	739.1
Amount of agreement-based commitments concerning acquisition of intangible assets	430.1	100.0

21. TANGIBLE ASSETS

	2014	2013
Investment properties and investment property shares, balance sheet value		
Land and water areas	23,900.8	22,145.5
Buildings	628.1	545.2
Shares and holdings in housing property corporations	29,827.9	23,377.8
Total balance sheet value	**54,356.9**	**46,068.6**
Total fair value of investment properties	64,348.0	59,288.6
of which share based on assessments of a qualified third-party valuer	10,810.0	6,596.8
Non-cancellable land lease agreements		
Rental receivables within one year	1,012.3	956.7
Rental income is only calculated for one year ahead, as the future redemptions of the land holdings of housing companies are not yet known.		
Agreement-based obligations of investment properties		
Potential redemptions of partially owned housing units and those to be completed	1,340.3	761.6
Liabilities related to construction	2,181.9	2.181.9
Total	**3,522.2**	**2,943.5**
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.		
Other properties and shares in housing property corporations, balance sheet value		
In own use		
Land and water areas	734.1	734.1
Buildings	108.5	94.2
Total balance sheet value	**842.6**	**828.3**
Total fair value of other properties	3,514.4	3,500.1
Obligations related to sites under construction		
Unpaid purchase prices of sites under construction	1,797.9	822.5

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 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**
Acquisition cost 1 January 2013	**1,126.5**	**55,120.3**	**878.0**	**2,073.8**	**58,072.2**
Increases, new acquisitions	586.9	1,148.3		159.2	1,307.5
Deductions		-9,696.6		-47.7	-9,744.3
Acquisition cost 31 December 2013	**1,713.4**	**46,572.0**	**878.0**	**2,185.3**	**49,635.3**
Accumulated depreciation and impairment losses 1 Jan 2013	787.9	503.5	43.8	1,817.4	2,364.7
Depreciation for the period	186.5		5.9	69.1	75.0
Accumulated depreciation and impairment losses 31 Dec 2013	**974.4**	**503.5**	**49.7**	**1,886.5**	**2,439.7**
Book value 31 December 2013	**739.1**	**46,068.6**	**828.3**	**298.8**	**47,195.7**

23. OTHER ASSETS

	2014	**2013**
Defined benefit pension plans/excess margin of the pension foundation	6,893.8	6,172.7
Other receivables	868.3	1,345.3
Total	7,762.1	7,518.0

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

24. DEFERRED INCOME AND ADVANCES PAID

	2014	**2013**
Interest receivables	3,031.9	2,548.0
Tax receivable based on taxes for the period	0.2	
Other deferred income	1,474.0	192.6
Total	4,506.1	2,740.6

25. DEFERRED TAX RECEIVABLES AND LIABILITIES

	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 old 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

	Tax receivable in 2013		**Tax liability in 2013**		
	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				1,234.5	1,234.5
Deferred tax on the revaluation reserve for property investments			1,019.3	-176.1	843.1
Deferred tax on the fair value reserve	765.4	765.4	50.4		50.4
Deferred tax on credit loss provisions			5,616.2		5,616.2
Total	765.4	765.4	6,685.9	1,058.4	7,744.3

26. DEBT SECURITIES ISSUED TO THE PUBLIC

	2014		2013	
	Book value	Nominal value	Book value	Nominal value
Other than those repayable on demand				
Bonds	518,423.4	518,960.6	417,847.3	418,729.6
Certificates of deposit and commercial papers	130,028.7	130,200.0	116,404.0	116,700.0
Total	648,452.1	649,160.6	534,251.3	535,429.6

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

	2014	2013
Other liabilities	8,125.9	7,184.9

28. DEFERRED EXPENSES AND ADVANCES RECEIVED

	2014	2013
Interest liabilities	2,849.4	3,398.9
Advance payments received	65.1	58.4
Tax liability based on taxes for the period	315.5	212.3
Other deferred expenses	1,321.0	821.4
Total	4,551.0	4,490.9

29. SUBORDINATED LIABILITIES

	2014		2013	
	Book value	Nominal value	Book value	Nominal value
Debenture loans	17 962.1	17 967.2	21 834.7	21 841.0

Debenture loan 7/2013, with a balance sheet value of EUR 16 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 1,962 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

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

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 2014, such loans totalled EUR 59,543,286.

2013	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Receivables from credit institutions	60,847.4					60,847.4
Receivables from the public and public sector entities	13,788.0	54,820.0	260,817.5	238,262.0	410,206.0	977,893.5
Debt securities	23,538.3	4 023.6	85,682.4	7 977.8		121,222.1
Total	98 173.7	58 843.6	346,499.8	246,239.8	410,206.0	1,159,963.0
Liabilities to credit institutions	39,944.5	42,762.3	104,483.3	3,906.4		191,096.5
Liabilities to the public and public sector entities	204,224.3	92,663.8	55,108.0	10,467.9		362,464.1
Debt securities issued to the public	38,405.6	113,240.9	382,604.8			534,251.3
Subordinated liabilities		4,300.2	17,534.5			21,834.7
Total	282,574.5	252,967.2	559,730.6	14,374.3	0.0	1,109,646.6

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

	2014			2013		
	Domestic currency	Foreign currency	Total	Domestic currency	Foreign currency	Total
Receivables from credit institutions	35,245.1		35,245.1	60,847.4		60,847.4
Receivables from the public and public sector entities	1,204,041.8		1,204,041.8	977,893.5		977,893.5
Debt securities	116,161.1		116,161.1	121,222.1		121,222.1
Derivative contracts						0.0
Other assets	144,466.8		144,466.8	59,632.1		59,632.1
Total	1,499,914.8	0.0	1,499,914.8	1,219,595.1	0.0	1,219,595.1
Liabilities to credit institutions	162,398.7	37 975.8	200,374.6	119,685.9	71 410.6	191,096.5
Liabilities to the public and public sector entities	508,403.4		508,403.4	362,464.1		362,464.1
Debt securities issued to the public	621,836.5	26 615.6	648,452.1	506,031.7	28 219.6	534,251.3
Derivative contracts and liabilities held for trading	2 938.7	4 918.0	7,856.7	3,266.7	-231.2	3,035.5
Other liabilities	39,435.6		39,435.6	41,254.8		41,254.8
Equity	95,392.6		95,392.6	87,492.9		87,492.9
Total	1,430,405.4	69,509.4	1,499,914.8	1,120,196.1	99,398.9	1,219,595.1

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

			2014		2013	
	Book value	Fair value determination principle	Book value	Fair value	Book value	Fair value
Liquid assets	Loans and receivables		75,000.0	75,000.0	560.0	560.0
Receivables from credit institutions	Loans and receivables		35,245.1	35,245.1	60,847.4	60,847.4
Receivables from the public and public sector entities	Loans and receivables		1,204,041.8	1,205,599.5	977,893.5	980,470.0
Debt securities	Financial assets available for sale	1	89,953.6	89,953.6	110,305.7	110,305.7
Debt securities	Held until maturity		10,760.1	11,313.8	10,916.4	10,936.2
Debt securities	Items recognised based on the fair value option	1	15,447.4	15,447.4		
Shares and holdings	Financial assets available for sale	2	113.4	113.4	113.4	113.4
Derivative contracts		2				
Total			1,430,561.4	1,432,672.7	1,160,636.4	1,163,232.8
Liabilities to credit institutions	Other liabilities		200,374.6	200,374.6	191,096.5	191,096.5
Liabilities to the public and public sector entities	Other liabilities		508,403.4	508,823.7	362,464.1	362,895.4
Debt securities issued to the public	Other liabilities		648,452.1	648,452.1	534,251.3	534,251.3
Derivative contracts		2	7,856.7	7,856.7	3,035.5	3,035.5
Subordinated liabilities	Other liabilities		17,962.1	17,962.1	21,834.7	21,834.7
Total			1,383,048.7	1,383,469.1	1,112,682.0	1,113,113.4

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 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	-	-	-	-		

31 Dec 2013	Gross amounts	Netted on the balance sheet	Amounts shown on the balance sheet	Financial instruments	Cash collateral received/paid	Net amount
Derivative liabilities	3,035.5	-	3,035.5	-	-	3,035.5
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

	2014	2013
Balance sheet		
Receivables from the public and public sector entities		
Other than those repayable on demand		383.2
Tangible assets		
Investment properties and investment property shares	6,539.2	5,505.4
Balance sheet items		
Interest income		6.7
Net income/maintenance charges from investment properties	-96.8	-134.6

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	**2014**	**2013**
Expenses based on work performance	21.7	23.2
Net interest, expense (+) or income (-)	-199.2	-197,.7
Net actuarial profit (-)/loss (+) recognised during the period	-899.2	-605.7
Management expenses	80.4	87.9
Transfer to Department M	275.2	237.6
Pension expenses (+)/income (-)	**-721.1**	**-454.7**
Defined benefit pension plans on the balance sheet		
Present value of funded obligations	6,633.8	6,800.8
Fair value of plan assets	-13,527.6	-13,373.5
Surplus (-)/deficit (+)	-6,893.8	-6,572.7
Payments from the plan (return of surplus)		400.0
Net liability (+)/receivable (-)	**-6,893.8**	**-6,172.7**
Change in the net liability/receivable recognised on the balance sheet		
Net liability (+)/receivable (-) on 1 January	-6,172.7	-6,118.0
Pension expenses (+)/income (-)	-721.1	-454.7
Payments from the plan (return of surplus)		400.0
Net liability (+)/receivable (-) on 31 December	**-6,893.8**	**-6,172.7**
The Group's own financial instruments included in plan assets		
Deposits in Suomen AsuntoHypoPankki	228.0	33.0
Most significant actuarial assumptions, %		
Discount rate	3.25	3.25
Expected returns on assets	3.25	3.25
Future pay rise assumption	3.00	3.00
Inflation	2.00	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 %	-4.90 %	7.10 %
Rate of wage increases	0.50 %	0.30 %	-0.30 %
Rate of pension increases	0.50 %	6.30 %	-4.20 %

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

	Type of collateral	2014	2013
Collateral pledged for own liabilities			
Liabilities to the central bank	Debt securities	35,001.2	40,633.1

38. INFORMATION CONCERNING ASSET ENCUMBRANCE

(€ 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		--	1,419.2	--

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 received against encumbered assets items	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

	2014	2013
Minimum rents paid on the basis of leasing and other rental agreements		
Within one year	40.6	39.9
Within more than a year and at most within five years	81.2	119.8
Total	121.7	159.7

40. OFF-BALANCE SHEET COMMITMENTS

	2014	2013
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	218,099.9	107,700.3
Potential redemptions of partially owned housing units and those to be completed	1,340.3	761.6
Total	221,622.1	110,643.7

NOTES CONCERNING THE AUDITOR'S FEE

41. AUDITOR'S FEES

	2014	2013
Fees paid to the auditor for the audit	78.7	70.5
Fees paid to the auditor for tax counselling		
For other services	10.7	52.6
Total	89.4	123.1

NOTES CONCERNING THE GROUP'S PERSONNEL AND INSIDERS

42 . NUMBER OF PERSONNEL

	2014		2013	
	At the end of the financial period		At the end of the financial period	
Permanent full-time personnel	48	50	35	44
CEO and COO	2	2	2	2
Temporary personnel	4	4	1	3
Total	54	56	38	49

43. SALARIES AND REMUNERATION PAID TO MANAGEMENT

	2014	2013
Total salaries paid to the CEO and COO	391.7	333.8

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, because they were paid in full as an insurance premium worth 12 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 45,000, and the insurance premium paid for the COO was EUR 30,480. 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 by the decision of the Mortgage Society of Finland's Board of Directors. However, the salaries paid to the CEO and the COO include an additional monetary remuneration worth three week's salary that was paid to all employees in addition to the guidance and incentive plan.

Board of Directors	2014	2013
Annual remuneration of the chairman	19.2	16.2
Annual remuneration of the vice chairman	13.2	14.5
Other members, annual remuneration	58.3	61.3
Total	90.8	92.0
Supervisory Board		
Annual remuneration of the chairman	5.4	6.4
Annual remuneration of the vice chairman	3.1	3.6
Other members, annual remuneration	25.0	28.4
Total	33.6	38.3

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 2014, 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

	2014	2013	Change
CEO and COO	567.2	591.1	-23.9
Board of Directors	162.0	664.8	-502.8
Supervisory Board	2,942.5	2,734.1	208.4
Total	3,671.7	3,990.1	-318.4

45. DEPOSITS BY MANAGEMENT AND OTHER INSIDERS

	2014	2013	Change
CEO, COO, Board of Directors and Supervisory Board	1,082.2	962.3	120.0
The Mortgage Society of Finland's pension foundation	306.1	177.4	128.7
Total	1,388.3	1,139.7	248.7

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	2013
Bostadsaktiebolaget Taos	1,271.6	1,263.7
As Oy Vanhaväylä 17		475.9
As Oy Kauniaisten Kokka	1,954.3	0.0
Total	3,225.9	1,739.6

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	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 20 per cent of the votes at a maximum.

2013	Domicile	Holding, %	Equity	Result for the period	Assets	Liabilities	Income
Subsidiaries							
Suomen AsuntoHypoPankki Oy	Helsinki	100	11,758.7	1,713.8	375,599.0	363,840.3	3,049.1
Bostadsaktiebolaget Taos	Helsinki	59	6,754.7	134.9	8,086.6	1,331.9	710.3
Subsidiaries that are not included in the consolidated financial statements							
As Oy Vanhaväylä 17	Helsinki	80	1,031.5	9.9	1,532.1	500.6	38.1
Associated companies							
As Oy Eiran Helmi	Helsinki	34	2,363.6	0.0	2,367.7	4.1	73.3
As Oy Kulosaaren Puistotie 40	Helsinki	27	497.4	-5.1	860.1	362.7	81.5
As Oy Mäkipellontie 4	Helsinki	30	159.5	-0.6	162.6	3.1	31.5
As Oy Hyvinkään Munckinkatu 30	Hyvinkää	25	570.0	0.1	573.9	3.9	10.0

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" "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 the 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 operations of the subsidiary Suomen AsuntoHypoPankki ("AsuntoHypoPankki"). More information about corporate governance 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, quality and allocation 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 the Group's parent company Hypo from applying the requirements related to capital adequacy management procedures separately to AsuntoHypoPankki, the bank that is the Group's subsidiary. 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 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.

Due to the gradual entry into force of the new capital regulations requirements as of 1 January 2014, the assessment of capital adequacy now relies solely on core equity (Common Equity Tier 1, CET 1). An internal minimum target and a monitoring limit have been set for the amount of core equity in proportion to risk-weighted receivables.

The Group applies the new Basel III capital adequacy framework. The minimum amount of the Group's own funds for 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 2014, capital adequacy calculated with core equity was 15.1 per cent (14.7 per cent in 2013).

The Group estimates that the surplus of own funds is at an

48. OWN FUNDS AND CAPITAL ADEQUACY	2 014	2 013
Equity	95,392.6	87,492.9
Fair value reserve	1,847.1	2,762.5
Revaluation of defined benefit pension plans	-1,207.4	-488.0
Surplus from defined benefit pension plans	-5,515.1	-4,938.2
Core equity (CET1) before deductions	90,517.3	84,829.2
Intangible assets	-758.8	-591.2
Core equity (CET1)	89,758.5	84,238.0
Additional Tier 1 equity before deductions		
Deductions from additional Tier 1 equity		
Additional Tier 1 equity (AT1)		
Tier 1 equity (T1 = CET1 + AT1)	89,758.5	84,238.0
Tier 2 equity	807.9	201.6
Total own funds (TC = T1 + T2)	**90,566.4**	**84,439.6**
Total risk-weighted items	**595,458.2**	**572,825.0**
of which credit risk	568,925.6	548,816.0
of which market risk		
of which operational risk	26,532.7	24,009.0
Core equity (CET1) in relation to risk-weighted items (%)	15.07	14.71
Tier 1 equity (T1) in relation to risk-weighted items (%)	15.07	14.71
Own funds (TC) in relation to risk-weighted items (%)	15.21	14.74

Capital adequacy has been calculated in accordance with the EU Capital Requirements Regulation (CRR, EU 575/2013).
The capital adequacy requirement for the credit risk is calculated using the standard method. The capital adequacy requirement for the operational risk is calculated using the basic method.
Negative unrealised valuations are included in core equity, and positive unrealised valuations are included in Tier 2 equity.

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 asset 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 CONTROL

Risk management and internal control 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 senior 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 units 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 the person in charge of compliance. Employees working in legal positions in various operations 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 annual plans. If necessary, audits can also be conducted outside these plans. Chief Risk Officer and Chief Auditing Officer report their observations directly to the operational and senior management of the Group on a regular basis.

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

Overall 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

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, 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

49. MAXIMUM AMOUNT OF THE CREDIT AND COUNTERPARTY RISK

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
Overdue by 1–2 days*	142,166.4	141,503.0	115 878.4	663.3	
Overdue by 3 days–1 month	12,703.1	12,675.3	20 587.2	27.8	
Overdue by 1–3 months	7,116.2	7,097.9	6 040.5	18.3	
Non-performing, overdue by less than 3 months**	218.0	217.9	108.9	0.1	
Non-performing, overdue 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.
*) Overdue by 1–2 days also includes loans the payment of which is delayed due to a delay in payment traffic.
**) " Non-performing, overdue by less than 3 months" includes loans that have not fallen due or are overdue and that are likely not to be repaid

2013	Book values, gross	Book value	Average book value during the period	Interest receivables	Impaired receivables
Lending					
Not fallen due	854,501.7	853,153.6	752,783.8	1,348.1	
Overdue by 1–2 days*	90,626.3	90,253.7	68,988.2	372.6	
Overdue by 3 days–1 month	28,601.5	28,499.1	22,976.8	102.3	
Overdue by 1–3 months	5,017.1	4,983.1	5,675.8	16.9	17.1
Non-performing, overdue by more than 3 months**	1,336.8	1,003.9	1,045.2	57.5	275.5
Total lending	**980,083.4**	**977,893.5**	**851,469.8**	**1,897.4**	**292.6**
Other					
Receivables from credit institutions					
Not fallen due	60,847.4	60,847.4	35,777.9		
Debt securities					
Not fallen due	111,769.9	111,192.6	109,438.8	577.3	
Shares and holdings	113.4	113.4	113.4		
Derivative contracts					
Not fallen due			45.3		
Total other	**172,730.7**	**172,153.5**	**145,375.4**	**577.3**	
Non-performing receivables/total lending, %	**0.14 %**	**0.10 %**			

Information concerning recognition of impairment losses related to lending is presented in Note 13 and the accounting policies.
*) Overdue by 1–2 days also includes loans the payment of which is delayed due to a delay in payment traffic.
**) Comparison information for "Non-performing, overdue by less than 3 months" is not available, as the reporting requirement did not take effect until the 2014 financial period.

Loan renegotiations	Healthy and overdue receivables		
	Receivables with amended terms	Refinancing	Total
New loan renegotiations during the period	2,064.54	400.1	2,464.7
Balance sheet value of renegotiated loan receivables 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 renegotiated loan receivables during the financial period. Comparison information or information about the situation at the beginning of the period is not available, as the collection of information did not begin until 1 January 2014.

Breakdown of collateral in accordance with the capital adequacy calculation of lending	2014	2013
State, municipality or financial collateral, risk weight 0%	**3.0 %**	2.9 %
State, municipality or financial collateral, risk weight 50%	**0.4 %**	0.0 %
Deposit collateral, risk weight 20%	**1.2 %**	1.0 %
Housing collateral, risk weight 35%	**82.5 %**	73.9 %
Housing collateral, risk weight 50%	**0.0 %**	0.4 %
Housing collateral, risk weight 75%	**2.3 %**	3.4 %
Receivable, the collateral of which has not been taken into account in the capital adequacy calculation or the risk weight of which is 100%	**10.6 %**	18.3 %
	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.

50. CONCENTRATION OF LENDING	2014	%	2013	%
Lending by category				
Households	552,050.6	45.8 %	478,237.7	48.9 %
Housing companies	567,149.2	47.1 %	409,754.2	41.9 %
Private companies (housing investors)	78,530.3	6.5 %	84,863.9	8.7 %
Other	6,311.7	0.5 %	5,037.6	0.5 %
Total	1,204,041.8	100.0 %	977,893.5	100.0 %
Lending by purpose of use				
Permanent dwelling	1,124,917.8	93.4 %	892,681.8	92.2 %
Consumer loan	35,699.4	3.0 %	34,389.0	3.5 %
Holiday home	7,718.4	0.6 %	7,559.7	3.5 %
Other	35,706.2	3.0 %	43,262.9	0.8 %
Total	1,204,041.8	100.0 %	977,893.5	100.0 %
Lending by province				
Uusimaa	1,001,765.7	83.2 %	808,860.2	80.8 %
Rest of Finland	202,276.1	16.8 %	169,033.2	19.2 %
Total	1,204,041.8	100.0 %	977,893.5	100.0 %

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

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 financing insurance policies are 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, competence tests and compliance controls. Lending authorisations are adjusted according to the employee and his or her 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 lending and collateral is focused on growth centres, particularly the Helsinki Metropolitan Area. 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. Of the acceptable techniques to decrease the credit risk, guarantees and financial collateral are used as necessary in the risk management of large customer entities.

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

On 31 December 2014, the weighted average of the loan-to-value (LTV) ratios of the loans in Hypo's lending portfolio was 44.88 per cent (49.98), calculated using the Group's own calculation model. The calculation of LTV ratios only takes the 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 senior management has confirmed a counterparty limit are accepted as counterparties for the short-term investments and derivative receivables 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 liquidity risk management principles.

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 Visa and MasterCard business that AsuntoHypoPankki engages in, the credit risk is borne by card service companies that do 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 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 2014, non-performing receivables stood at EUR 2.718 million (1.337 million), which represents 0.23 per cent of the loan portfolio (0.14). The number of temporary renegotiations of loans carried out due to financial difficulties by the debtor in 2014 was somewhat higher than in previous years. The primary loan renegotiation 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. Renegotiations resulting from financial difficulties are handled by collection employees in a centralised manner. The number and causes of renegotiations are monitored.

Net impairment losses amounted to EUR 0.03 million in 2014 (-0.02 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

Operational risks refer 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.

Personnel, information technology and single-office risks are emphasised among operational 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 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 increased in 2014 with business growth.

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. The Group also uses a third-party auditing service in assessing the level of information security.

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.

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.

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 separately confirmed liquidity risk management principles.

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 counterparty to central bank financing. Implemented debt issuances as well as used and unused credit facilities are regularly reported to senior 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 funding implemented over the long term out of total funding was 54.0 per cent (59.5) on 31 December 2014.

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 instruments in accordance with the 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 new short-term liquidity requirement describing 30-day liquidity, has been taken into account in the principles of liquidity risk management. The LCR will become effective during 2015 at 60 per cent.

The Group's senior 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 2014, short-term liquidity, which includes cash and cash equivalents as well as cheque account and

51. LIQUIDITY RISK

Cash flows from financial liabilities and derivatives in 2014	<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**

Cash flows from financial liabilities and derivatives in 2013	<3 months	3–12 months	1–5 years	5–10 years	Over 10 years	Total
Liabilities to credit institutions	40,538.8	44,222.6	106,976.3	3,947.0		195,684.7
Liabilities to the public and public sector entities	204,966.9	94,950.0	58,635.9	10,577.8		369,130.6
Debt securities issued to the public	39,591.7	118,163.5	390,828.5			548,583.7
Derivative contracts	413.0	399.1	2,515.7			3,327.8
Subordinated liabilities		5 088.2	19 113.2			24 201.5
Guarantees, granted but undrawn loans, rental liabilities and potential redemptions of partially owned housing units	110,280.6	39.9	424.6			110,745.1
Total liabilities	**395,791.0**	**262,863.4**	**578,494.1**	**14,524.8**	**0.0**	**1,251,673.3**

other binding credit facilities, totalled EUR 229.9 million (205.6 million).

Short-term liquidity covered payment obligations related to debt agreements for 9.8 months following the balance sheet date (11,0 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 credit facilities based on certificate of deposit and bond programmes.

The Group's payment obligations related to debt and deposit agreements valid on the balance sheet date, including net cash flows from derivative contracts, are presented in the table 51 on previous page.

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 5.0 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 senior management.

On 31 December 2014, the average maturity of debt agreements was around 2.0 years (2.2).

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

Market risks refer 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. Senior 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, which became possible in conjunction with the investment services offered by AsuntoHypoPankki.

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 cash flows if the investment is realised. The investments are diversified among different counterparties, in accordance with the limits issued by senior management.

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.

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 one-way interest rate change 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

52. INFORMATION CONCERNING INTEREST RATE RISK

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.

Repricing time in 2013 (EUR million)	<3 months	3–12 months	1–5 years	5–10 years	>10 years	Total
Floating-rate items						
Receivables	576.1	651.0				1 227.1
Liabilities	565.0	643.1				1 208.2
Net	11.1	7.9	0.0	0.0	0.0	18.9
Fixed-rate items						
Receivables	10.7	22.6	67.5	13.3	0.9	115.0
Liabilities	3.5	26.3	69.3	2.9		102.1
Net	7.2	-3.7	-1.8	10.4	0.9	12.9
Other						
Receivables		11.2				11.2
Liabilities		11.2				11.2
Net	0.0	0.0	0.0	0.0	0.0	0.0

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. Liabilities with floating interest rates include items that are by nature repayable on demand, and they are assumed to be repriced within less than three months.
The item "Other" presents financial instruments including embedded derivatives.

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 1.2 million (decrease by EUR 0.15 million) over a period of 12 months, as a result of the open interest rate risk. The change in net interest income would mainly be caused by the repricing of receivables with floating interest rates at higher (lower) interest rates than on the balance sheet date. A decrease in the market interest rates of two percentage points on the balance sheet date would increase the negative value of the fair value reserve by EUR 0.3 million.
The financial value of Hypo would decrease by EUR 0.1 million due to a rise of 2 per cent in interest rates.

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 one-way change 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.

Currency risk

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.

Of the market risks, a sufficient amount of the Group's own funds have been allocated to net interest income risks and present value risks on the basis of the Group's internal capital adequacy assessment process.

RISKS RELATED TO OWNERSHIP OF HOUSING UNITS AND RESIDENTIAL LAND

Hypo Group's 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 2014 was 3.7 per cent of the balance sheet total (3.8).

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. Sites located abroad are not acquired. 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 about 84 per cent of the estimated fair values on 31 December 2014 (78 per cent). No impairment losses related to holdings were recognised during the financial period.

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 2014, the occupancy rate was 86.7 per cent (95.4).

The net return goal 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 2014 was 5.0 per cent (6.0). On 31 December 2014, the average monthly rent per square metre in housing units was EUR 17.11 (18.90).

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.

STRATEGIC RISKS

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

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 situation 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.

The regulatory risk has been allocated its own funds in the Group's internal assessment of capital adequacy, particularly due to changes taking place 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 2014 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: Elina Bergroth, Timo Hietanen, Hannu Hokka, Kari Joutsa, Markku Koskinen and Kallepekka Osara.

Helsinki 12 February 2015

Markku Koskela
Chair

Väinö Teperi
Vice Chair

Antti Arjanne

Elina Bergroth

Mikael Englund

Timo Hietanen

Hannu Hokka

Kari Joutsa

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 2014. 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 consolidated 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 report of the Board of Directors' report based on our audit. The Auditing Act obliges 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 report of the Board of Directors 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 report of the Board of Directors. 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 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 report of the Board of Directors

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 report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 13 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
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 12 February 2015, 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 Securities Market Association's Finnish Corporate Governance Code is available at www.cgfinland.fi. A statement on compliance with, and exemptions from the governance code in Hypo Group is available at www.hypo.fi, along with the statutory 2013 Corporate Governance Statement. The following is a general outline of Hypo's governance system as well as 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, accounts, securities, obligations, loan and collateral documents as well as liquidity.

The Supervisory Board must consist of 15 to 18 members. The members are appointed by the Annual General Meeting for a maximum term of three years. The members of the Supervi-sory Board must be voting members of the Mortgage Society of Finland.

Members of the Supervisory Board as of 31 March 2014
Markku Koskela, chair, Ph.D. (Econ.), Professor
Väinö Teperi, vice chair, LL.M., lawyer
Antti Arjanne, LL.M., managing director
Elina Bergroth, M.A., lecturer
Mikael Englund, M.Sc. (Eng.), MBA, managing director
Markus Heino, LL.M. (trained on the bench), managing director
Timo Hietanen, M.Sc. (Econ.), deputy managing director
Hannu Hokka, M.Sc. (Econ.), managing director
Kari Joutsa, LL.M. (trained on the bench), managing director
Markku Koskinen, Construction Engineer, consultant
Elias Oikarinen, Ph.D. (Econ.), Academy Research Fellow, docent
Kallepekka Osara, Agrologist, farmer
Jukka Räihä, LL.M. (trained on the bench)
Mari Vaattovaara, Ph.D. (Geography), dean
Riitta Vahela-Kohonen,M.A., project manager
Veikko M. Vuorinen, managing director
Supervisory Board's auditors as of 31 March 2014
Markku Koskela, chair, Ph.D. (Econ.), Professo
Väinö Teperi, vice chair, LL.M., lawyer
Antti Arjanne, LL.M., managing director
Elina Bergroth, M.A., lecturer
Auditors' deputies as of 31 March 2014
Mikael Englund, M.Sc. (Eng.), MBA, managing director
Markus Heino, LL.M. (trained on the bench), 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 as well as on the selection of the managing director and deputy managing director. The Mortgage Society of Finland's Nomination Committee 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 managing director or the deputy managing director takes part in 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 2014
Markku Koskela, chair, Ph.D. (Econ.), Professor
Väinö Teperi, vice chair, LL.M., lawyer
Sari Lounasmeri, M.Sc. (Econ.), managing director
Harri Hiltunen, M.Sc. (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 Mortgage Society of Finland's Compensation Committee 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 2014
Markku Koskela, chair, Ph.D. (Econ.), Professor
Väinö Teperi, vice chair, LL.M., lawyer
Antti Arjanne, LL.M., managing directo
Elina Bergroth, M.A., lecturer

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 Chief Operating Officer 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 of Directors as of 31 March 2014

Sari Lounasmeri (b. 1975), Chair, M.Sc (Econ.), managing director, member of the Board since 2011

Harri Hiltunen (b. 1961), Vice Chair, M.Sc (Econ.), managing director, member of the Board since 2012

Kai Heinonen (b. 1956), Real Estate Director, LL.M. (trained on the bench), member of the Board since 2014

Hannu Kuusela (b. 1956), Ph.D. (Econ.), Professor, member of the Board since 2001

Teemu Lehtinen (b. 1961), Ph.D. (Soc.Sc.), M.Sc (Eng.), managing director, member of the Board since 2005

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

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

Vesa Vihriälä (b. 1955), Ph.D (Soc.Sc.), managing director, member of the Board since 2012, member until 31 December 2014

Tuija Virtanen (b. 1958), Ph.D. (Econ.), Assistant Professor, member of the board since 2009.

The Board's secretary was Elli Reunanen.

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

CHIEF EXECUTIVE OFFICER AND MANAGEMENT GROUP

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 Manage-ment 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 Execu-tive Officer, Chief Operations Officer, Chief Risk Officer and Chief Customer Officer.

JOHTORYHMÄN JÄSENIÄ OVAT:
Ari Pauna (b. 1967), Chief Executive Officer, Chair, LL.M., member of the Management Group since 2002
Elli Reunanen (b. 1974), Chief Operating Officer, Vice Chair, LL.M. (trained on the bench) member of the Management Group since 2002
Mikko Huopio (b. 1968), Chief Risk Officer, LL.M. (trained on the bench), member of the Management Group since 2010
Sami Vallinkoski (b. 1972), Chief Customer Officer M.Soc.Sc., 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. Any changes to the rules of the Mortgage Society of Finland must be approved by the Annual 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 finan-cial period for the purposes of auditing the accounts and the financial statements, as well as the administration. All of the aforementioned must be auditors or public accountants authorised by the Finnish Chambers of Commerce.
As of 31 March 2013, PricewaterhouseCoopers Oy, Authorised Public Accountants, were selected to carry out auditing. The chief auditor is Juha Wahlroos (KHT Auditor, M.Sc. (Econ.)) and his deputy is Jukka Mynttinen (KHT Auditor, M.Sc. (Econ.)).

Internal auditing

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

PERMANENT PERSONNEL ON 23 February 2015

Chief Executive Officer **Ari Pauna**
Director, Marketing and Communications **Elina Aalto**
Economist **Juhana Brotherus**
Chief Audit Executive **Sari Ojala**
Executive assistant **Joanna Bremer**

LENDING AND CUSTOMER SERVICE

Chief Customer Officer **Sami Vallinkoski**

Private customers
Director, Retail Bank **Sanna Pälsi**
Financial manager **Teemu Venäläinen**, LKV
Home financing manager **Anja Kymäläinen**, LKV
Home financing manager **Martina Lindholm**, LKV
Home financing manager **Anu Maliranta**, LKV
Home financing manager **Risto Marila**, LKV
Home financing manager **Kati Ryhänen**, KED
Home financing manager **Hanna Saari**, LKV
Home financing manager **Päivi Salo**, LKV
Home financing manager **Maarit Valkeajärvi**, LKV

Corporate customers and other public entities
Director, Retail Bank **Tom Lönnroth**
Financial manager **Piia Konttinen**, LKV, perhevapaalla
Financial manager **Pekka Nuutinen**, LKV
Home financing manager **Ksenia Akkonen**, LKV
Home financing manager **Jari Häkkinen**, LKV
Home financing manager **Petra Koistinen**, KED
Home financing manager **Hannele Nyström**, LKV
Home financing manager **Jarkko Perälä**, KED
Home financing manager **Katariina Rautiainen**

Hypo OnLine, Services and contract amendments
Director, Retail Bank **Sami Aarnio**
Sales manager **Tommi Häggström**, KED
Sales manager **Mikke Pietilä**
General ledger manager **Irma Könönen**
Home financing manager **Anne Hiltunen**, LKV
Home financing manager **Pauli Lange**, LKV
Home financing manager **Marjut Nummelin**, LKV
Home financing manager **Elisa Sunikka**, LKV

FINANCE AND ADMINISTRATION

Chief Operating Officer **Elli Reunanen**

Accounting and control
Director, Accounting and control **Pekka Kainulainen**
Accountant **Ahti Aalto**, LKV
Controller **Marja Ahjopalo**
Controller **Arttu Mönkkönen**, KED
Chief Accountant **Netta Sundberg**
Accounting manager **Piia Valtokari**

Treasury and funding
Director, Treasury and funding **Petteri Bollmann**
Treasury manager **Maiju Harava**
Treasury manager **Anttimatti Sipilä**

Housing, property and land trustee services
Chief Investment Officer **Jouni Lehtinen**, LKV
Property specialist **Marja Niemelä**, LVV, KED

RISK MANAGEMENT, COMPLIANCE, LEGAL DEPARTMENT AND DEVELOPMENT

Chief Risk Officer **Mikko Huopio**

Strategic projects
Chief Development Officer **Aija Kontinen**

Legal department and compliance
Legal counsel **Kirsti Heikura**
Legal counsel **Eerika Koivisto**
Legal counsel, VT **Juho Pajari**
Legal assistant **Kristiina Aitala**, LKV
Collections manager **Päivi Hietamies**, LKV

Development and services
ICT manager **Ari Korkia-Aho**

THE FIRST 154 YEARS OF HYPO

From His Imperial Majesty's Gracious Proclamation in 1859 to a loan portfolio of EUR 1.2 billion and a deposit portfolio of over EUR 500 million in 2014.

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 managing director. 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 managing director 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.

Herman Liikanen
A FINNISH FREEDOM FIG

Herman Liikanen, the son of a crofter, embarked upon a military career and became a freedom fighter. He had a strong desire to defend poor and oppressed nations. Liikanen fought in the Battle of Bomarsund, in the Italian unification battles and alongside the Danes in the Schleswig War. In his declining years, he saw a long-held dream come true: Finland gained independence in 1917.

Liikanen was born in Ristiina, Finland, on 13 May 1835. The first edition of The Kalevala, compiled by Elias Lönnrot, was published in the same year.

Liikanen began his military career in the 4th Kuopio Marksman Battalion. He defended Hamina in the Crimean War in 1854 and was awarded with a medal of the Order of St. Andrew for his courage.

His military career was discontinued for health reasons in the same year. For a few years, Liikanen worked as secretary of a land rights court, a crown granary manager and a teacher in three families. He actively followed world events during that time.

In 1861, he joined Giuseppe Garibaldi's troops as a volunteer to fight for the unification of Italy. He fought in General Istvan Türr's Hungarian Legion, which was dissolved in 1862, and Liikanen returned to Finland. A statue of Herman Liikanen was unveiled in Garibaldi Park near the Finnish Institute in Rome in 1961.

In 1864, Liikanen travelled to Denmark with ten fellow Finns to fight against Prussia in the Schleswig War. As sergeant of the 3rd Infantry Brigade, he fought in the famous Battle of Dybbøl and was badly wounded. He was promoted to the rank of second lieutenant, but was addressed as lieutenant. On 11 November 1864, he was made Knight of the Order of the Dannebrog. After a year recovering, he resigned from the army and returned to Finland.

The 50th anniversary of the Battle of Dybbøl was commemorated in 1914. Liikanen participated as the only one of the Finnish volunteers. He was awarded with a valuable silver badge of honour. At the dinner hosted by Christian X of Denmark, he was seated between the king and the queen as a guest of honour. Liikanen was granted a disability pension by the state of Denmark.

After his return to Finland from Denmark in 1865, Liikanen permanently embarked upon a civilian career. He was appointed head accountant of the Mortgage Society of Finland at the beginning of November 1865. He retired at the age of 79, having served the society for nearly 50 years. In his job, he was hard-working, committed and conscientious. During his career at the society, he became friends with J.V. Snellman, who served as its managing director.

Liikanen was an active, well-networked Fennoman. The Helsinki Finnish Club selected him as its first honorary member in 1921. On his initiative, the club founded the Friends of the Finnish Primary School association.

Liikanen died in Kuhmalahti on 13 April 1926. He was buried with military honours in the Hietaniemi cemetery. Representatives of the king of Denmark, the king of Italy and the government of Hungary, among other people of note, laid a wreath on his grave. Auli Markkula, LL.M., offered the condolences of the Mortgage Society of Finland at the funeral. The society named a room in its facilities Hermanni Hall after Liikanen and had a relief made of him in his memory in cooperation with the Liikanen Family Society.

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GHTER


VAPAUSTAISTELIJA
HERMAN LIIKANEN
13.5.1835 – 13.4.1926
TOIMI 1865 – 1914 SUOMEN
HYPOTEEKKIYHDISTYKSEN
PALVELUKSESSA

HYPO

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