THE MORTGAGE SOCIETY OF FINLAND

Interim Report

1 January – 30 June 2015

The Interim Report for the period of 1 January – 30 September 2015 will be published on October 30, 2015.

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

The Hypo Group's January – June 2015

The home finance specialist Hypo's operating profit improved by 14 percent, the Group's liquidity position was significantly strengthened and the Common Equity Tier 1 (CET1) ratio remained strong at 14.4 percent.

CEO Ari Pauna:

"Hypo Group's profitable growth in risk-conscious manner continues and during the first half liquidity was substantially strengthened. Operating profit and key figures for 2015 will reach 2014 levels unless markets experience significant negative changes.''

- Group's operating profit improved by 14% to EUR 4.2 million (EUR 3.7 million 1-6/2014)
- Fee and commission income EUR 1.9 million (EUR 1.8 million)
- Loan portfolio EUR 1,308.8 million (EUR 1,204.0 million 31.12.2014)
- Deposits increased to 748.1 million (EUR 507.4 million)
- Common Equity Tier 1 (CET1) ratio 14.4% (15.1% 31.12.2014)
- Liquidity almost doubled to EUR 312.2 million (EUR 162.5 million 30.6.2014) and covered payment obligations related to debt agreements for 10.8 months following the reporting date
- The Liquidity Coverage Ratio was 200% (149% 31.12.2014)

THE GROUP'S KEY FIGURES

(1000 €)	1-6/2015	1-6/2014	4-6/2015	4-6/2014	2014
Net interest income	2 537	3 127	1 191	1 597	6 427
Net fee and commission income	1 833	1 792	896	1 080	3 610
Total other income	3 975	3 139	1 766	1 452	7 219
Total expenses (incl. depreciation, other operating expenses and impairment losses)	-4 105	-4 332	-1 799	-1 937	-9 759
Operating profit	4 240	3 726	2 054	2 191	7 498
Receivables from the public and public sector entities	1 308 753	1 077 810	1 308 753	1 077 810	1 204 042
Deposits	748 084	379 281	748 084	379 281	507 388
Balance sheet total	1 700 252	1 293 960	1 700 252	1 293 960	1 499 915
Common Equity Tier 1 (CET1) ratio	14,4	14,3	14,4	14,3	15,1
Cost-to-income ratio,%	49,5	51,5	47,0	42,4	56,4
Non-performing assets, % of the loan portfolio	0,24	0,19	0,24	0,19	0,23
LTV-ratio, % / Loan to Value, average, %	43,0	47,9	43,0	47,9	44,9
Loans / deposits, %	174,9	284,2	174,9	284,2	237,3

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The Hypo Group's interim report can be accessed at http://www.hypo.fi/en/

THE HYPO GROUP

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

The Mortgage Society of Finland grants loans to households and housing companies with domestic housing or residential property as collateral. Suomen AsuntoHypoPankki Oy deposit bank offers its customers deposit and debt securities products, payment cards and residential land trustee services. Hypo has approximately 24,000 customers. Maintaining the strong capital adequacy and keeping the customer promise “Secure way for better living” guides Hypo in growing the business in a profitable manner, while managing risks.

OPERATING ENVIRONMENT

Economic conditions in Finland remained stagnant in 2Q2015. Domestic demand was fragile but net exports improved slightly. Unemployment rate rose towards 10 percent. Consumer prices declined marginally due to lower interest rates and oil prices. No changes occurred to the monetary policy or refinancing rate from the European Central Bank and the main reference rates remained broadly flat. 12 month Euribor rate was 0.16 percent at the end of June. Number of bankruptcies diminished and the amount of non-performing loans remained low.

The annual growth of the housing loan stock in Finland was 1.9% in June 2015. Household deposits have decreased by 0.1% year-on-year.

In June house prices in old blocks fell by 1.6% in the Helsinki Metropolitan Area at an annual level. Elsewhere in Finland, prices declined by 1.2% compared to the corresponding period in the previous year.

RESULT AND PROFITABILITY

April – June 2015

Hypo Group’s operating profit was EUR 2.1 million (EUR 2.2 million for April – June 2014). Income totalled EUR 3.9 million (EUR 4.1 million) and expenses EUR 1.8 million (EUR 1.9 million).

January – June 2015

Hypo Group's operating profit was EUR 4.2 million (EUR 3.7 million for January – June 2014).

Net interest income decreased 19% compared to the corresponding period last year due to significant strengthening of liquidity invested in low risk counterparties.

The net fee income was EUR 1.8 million (EUR 1.8 million).

Net income from investment properties (housing units and residential land) amounted to EUR 3.5 million (EUR 2.2 million). This included EUR 2.2 million of capital gains (EUR 1.1 million) of which EUR 1.2 million is related to ownership arrangements of the headquarter building TAOS housing company.

Group’s cost-to-income ratio was 49.5 % (51.5 %).

Impairments were EUR 0.0 million (EUR 0.2 million).

Group’s comprehensive income, EUR 3.3 million (EUR 4.7 million), includes EUR 3.5 million (EUR 3.1 million) of profit for the period under review and the change in the fair value reserve included in equity amounting to EUR -0.5 million (EUR 1.1 million) as well as the revaluation of defined benefit pension plans worth EUR 0.2 million (EUR 0.5 million) and EUR 0.2 million from changes in ownership of a subsidiary.

PERSONNEL AND DEVELOPMENT

On 30 June 2015, the number of permanent personnel was 52 (50 on 31 December 2014). These figures do not include the CEO and the COO. Cooperation with Helmi Business College continued.

Hypo started offering the Mortgage Loan Payment Protection Insurance to customer members in cooperation with Genworth Financial.

ASSETS AND LIABILITIES

Lending

The loan portfolio grew to EUR 1,308.8 million (EUR 1,204.0 million on 31 December 2014).

Hypo has an entirely residential property-secured loan portfolio which is typical of mortgage banks. The average Loan-to-Value ratio of the loan portfolio was 43.0% at the end of the period (44.9% on 31 December 2014).

The non-performing receivables remained at a low level, amounting to EUR 3.1 million (EUR 2.7 million on 31 December 2014), representing only 0.24% of the loan portfolio (0.23%).

Liquid assets and other receivables

At the end of the period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totalled EUR 312.2 million (EUR 229.9 million on 31 December 2014), which corresponds to 18.4% (15.3%) of the total assets and is almost double compared to the same period last year (EUR 162.5 million 30 June 2014). The cash and cash equivalents (which totalled EUR 308.5 million) consisted of assets distributed widely across various counterparties, and of debt securities that are tradable on the secondary market, of which 67% had a credit rating of at least AA- or were of equivalent credit quality and 98% were ECB repo eligible. The Liquidity Coverage Ratio was 200%.

During the period, the amount of securities classified as held to maturity was reduced whereby a remaining held to maturity instrument with nominal amount of EUR 7.2 million, was reclassified as available for sale.

The surplus of EUR 7.1 million (EUR 6.9 million) from the Mortgage Society of Finland's pension foundation has been recognised in the Group's other assets.

The share of housing and residential land holdings remained at the same level at 3.7% of the total assets (3.6% on 31 December 2014). Apartments and residential 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 selected growth centres, mainly in the Helsinki Metropolitan Area, distributed across key residential districts. The difference between the fair value and the book value of the housing and residential land holdings remained strongly positive at EUR 8.1 million (EUR 10.0 million 31.12.2014).

Derivative contracts

The balance sheet value of derivative receivables was EUR 1.3 million on 30 June 2015 (EUR 0.0 million on 31 December 2014), and the value of liabilities was EUR 5.8 million (EUR 7.9 million).

Deposits and other funding

The Group's funding position has been strengthened in the period under review, and the proportion of deposit funding of total funding was further increased. Total deposits increased by 47.4% during the period under review, to EUR 748.1 million (EUR 507.4 million on 31 December 2014), including deposits made by financial institutions EUR 2.0 million. The share of deposits accounted for 47.8% (36.9%) of total funding. The deposit bank Suomen AsuntoHypoPankki Oy is covered by the Deposit Guarantee Fund and is a wholly owned subsidiary of the Mortgage Society of Finland.

The Mortgage Society of Finland carried out one wholesale bond issue with a nominal amount of EUR 25.0 million. Hypo repurchased its own bonds to the amount of EUR 2.0 million. The share of long-term deposit and other funding of total funding was 47.0% (54.0%) on 30 June 2015.

The total funding at the end of the period under review was EUR 1,566.2 million (EUR 1,375.2 million).

EQUITY, CAPITAL ADEQUACY AND RISK MANAGEMENT

The Hypo Group's equity amounted to EUR 98.7 million at the end of the period under review (EUR 95.4 million on 31 December 2014). The changes in equity during the period are presented in the Group's statement of equity attached to this Interim Report.

The Group's CET1 capital in relation to risk weighted assets as at 30.6.2015 was 14.4% (15.1% on 31 December 2014). Profit for the financial period 1 January – 30 June 2015 is included in the Core Tier 1 equity, based on the statement by the auditors. In measuring credit and counterparty risk, the standardised approach is used. The Group's own funds are quantitatively and qualitatively strong in relation to the Group's current and future business, as well as to changes, even exceptional ones, in the operating environment. At the end of June, Group's Leverage Ratio was 4.9% (5.5%).

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

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 30 June 2015, there have not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

The Group management estimates that the 2015 operating profit will reach 2014 levels, although the liquidity will be further strengthened. However, the uncertainty in the operating environment creates uncertainty also for Hypo's financial performance.

Helsinki, 10 August 2015

The Board

Sources:

Loans and deposits; Bank of Finland

Housing prices; June 2015; Statistics Finland

Cost-to-income ratio:

(Administrative expenses + depreciation and impairments from tangible and intangible assets + other operating income) / (net interest income + profit from equity investments + net income from fees and commissions + net income from available-for-sale financial assets + net income from securities trading and currency operations + net income from investment properties + other operating income)

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

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	4-6/2015	4-6/2014	1-6/2015	1-6/2014	2014
Interest income	5 204,1	5 303,6	10 426,6	10 259,0	21 070,7
Interest expenses	-4 012,9	-3 707,1	-7 889,8	-7 132,3	-14 643,2
NET INTEREST INCOME	1 191,2	1 596,6	2 536,8	3 126,7	6 427,5
Income from equity investments	0,0	84,0	0,0	84,0	84,0
Fee and commission income	905,6	1 096,7	1 857,7	1 817,7	3 658,9
Fee and commission expenses	-9,5	-17,0	-24,2	-25,4	-48,6
Net income from securities and foreign currency transactions					
Net income from securities trading	-948,0	0,0	-749,6	0,0	-101,0
Net income from foreign currency transactions	0,1	-0,4	0,3	-0,6	-1,0
Net income from financial assets available for sale	419,3	388,7	1 251,9	890,2	2 880,8
Net income from investment properties	2 293,3	977,2	3 475,1	2 168,5	4 362,5
Other operating income	0,8	2,4	-3,2	-2,8	-6,5
Administrative expenses					
Personnel costs					
Wages and salaries	-824,8	-801,8	-2 067,6	-2 073,5	-4 662,6
Other personnel related costs					
Pension costs	-174,5	-162,0	-433,5	-399,3	-1 110,6
Other personnel related costs	8,8	-59,0	-46,6	-103,7	-319,1
Other administrative expenses	-601,1	-594,5	-1 169,3	-1 232,2	-2 763,0
Total administrative expenses	-1 591,6	-1 617,3	-3 717,0	-3 808,7	-8 855,4
Depreciation and impairment losses on tangible and intangible assets	-97,4	-76,6	-181,9	-156,2	-312,1
Other operating expenses	-123,2	-58,0	-227,7	-187,7	-560,1
Impairment losses on loans and other commitments	13,2	-185,3	21,7	-179,6	-31,1
OPERATING PROFIT	2 053,8	2 191,0	4 239,8	3 726,1	7 498,0
Income taxes	-359,0	-391,3	-763,5	-660,7	-1 330,3
OPERATING PROFIT AFTER TAX	1 694,8	1 799,7	3 476,3	3 065,4	6 167,7
PROFIT FOR THE PERIOD	1 694,8	1 799,7	3 476,3	3 065,4	6 167,7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	**4-6/2015**	**4-6/2014**	**1-6/2015**	**1-6/2014**	**2014**
Profit for the period	1 694,8	1 799,7	3 476,3	3 065,4	6 167,7
Items that may be reclassified subsequently to income statement					
Change in fair value reserve					
Cash flow hedges	316,5	-190,5	776,9	198,9	309,0
Available for sale financial assets	-1 089,6	692,4	-1 306,6	925,6	703,6
	-773,1	501,9	-529,6	1124,5	1012,7
Items that may not be reclassified subsequently to the income statement					
Revaluation of defined benefit pension plans	177,5	508,0	177,5	508,0	719,4
Effect of changes in ownership of Bostads Ab Taos	169,9	0,0	169,9	0,0	0,0
	347,4	508,0	347,4	508,0	719,4
Total other comprehensive income items	-425,7	1009,9	-182,2	1632,5	1732,0
COMPREHENSIVE INCOME FOR THE PERIOD	**1 269,0**	**2 809,6**	**3 294,1**	**4 697,9**	**7 899,7**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	30.6.2015	31.12.2014	30.6.2014
ASSETS			
Cash	38 013,9	75 000,0	0,0
Debt securities eligible for refinancing with central banks			
Treasury bills			
Other	232 520,4	111 070,4	114 976,1
Receivables from credit institutions			
Repayable on demand	31 780,6	35 085,8	25 753,0
Other	1 075,9	159,3	4 250,7
	32 856,5	35 245,1	30 003,7
Receivables from the public and public sector entities			
Other than those repayable on demand	1 308 753,3	1 204 041,8	1 077 809,8
Debt securities			
From others	5 078,0	5 090,7	4 026,5
	5 078,0	5 090,7	4 026,5
Shares and holdings	115,9	113,4	113,4
Derivative financial instruments	1 327,0	0,0	2 448,6
Intangible assets			
Other long-term expenditure	1 205,0	948,5	849,6
Tangible assets			
Investment properties and shares and holdings in investment properties	62 165,2	54 356,9	49 081,1
Other properties and shares and holdings in real estate corporations	950,8	842,6	825,4
Other tangible assets	386,6	273,4	299,9
	63 502,5	55 472,9	50 206,3
Other assets	11 380,8	7 762,1	8 173,4
Accrued income and advances paid	4 823,4	4 506,1	4 653,3
Deferred tax receivables	675,4	663,8	699,7
TOTAL ASSETS	**1 700 252,1**	**1 499 914,8**	**1 293 960,4**

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	**30.6.2015**	**31.12.2014**	**30.6.2014**
LIABILITIES			
Liabilities to credit institutions			
Central banks	20 000,0	35 000,0	54 000,0
Credit institutions			
Repayable on demand	0,0	16 824,7	23 374,2
Other than those repayable on demand	134 587,3	148 549,9	119 059,8
	154 587,3	200 374,6	196 434,0
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand	340 208,4	192 068,3	195 803,6
Other	405 863,9	275 995,4	143 301,4
	746 072,3	468 063,7	339 105,1
Other liabilities			
Other than those repayable on demand	36 915,6	40 339,7	43 602,9
	782 987,8	508 403,4	382 708,0
Debt securities issued to the public			
Bonds	506 271,7	518 423,4	469 769,4
Other	104 372,3	130 028,7	103 385,4
	610 644,0	648 452,1	573 154,8
Derivative financial instruments	5 794,2	7 856,7	6 350,5
Other liabilities			
Other liabilities	15 000,1	8 125,9	6 307,1
Deferred income and advances received	5 892,7	4 551,0	5 986,7
Subordinated liabilities			
Other	17 962,8	17 962,1	22 793,3
Deferred tax liabilities	8 696,6	8 796,5	8 035,3
EQUITY			
Basic capital	5 000,0	5 000,0	5 000,0
Other restricted reserves			
Reserve fund	22 795,2	22 793,8	22 793,8
Fair value reserve			
From cash flow hedging	-1 878,1	-2 655,1	-2 765,2
From fair value recognition	-498,6	807,9	1 029,9
Defined benefit pension plans	1 384,9	1 207,4	996,0
Unrestricted reserves			
Other reserves	22 923,5	22 923,5	22 923,5
Retained earnings	45 483,6	39 147,4	39 147,4
Profit for the period	3 476,3	6 167,7	3 065,4
	98 686,7	95 392,6	92 190,8
TOTAL LIABILITIES	**1 700 252,1**	**1 499 914,8**	**1 293 960,4**

CHANGE IN EQUITY (1000 €)	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					3 065,4	3 065,4
Other comprehensive income						
Hedging of cash flow		3,4			-3,4	0,0
Cash flow hedges						
Amount recognised in equity			-175,5			-175,5
Amount transferred to the income statement			424,1			424,1
Change in deferred taxes			-49,7			-49,7
Financial assets available for sale						
Change in fair value			2 047,2			2 047,2
Amount transferred to the income statement			-890,2			-890,2
Change in deferred taxes			-231,4			-231,4
Revaluation of defined benefit plans						
Actuarial gains / losses			635,0			635,0
Change in deferred taxes			-127,0			-127,0
Investment property, revaluation reserves						
Amount transferred to the previous period profits						
Change in deferred taxes						
Total other comprehensive income	0,0	3,4	1 632,5	0,0	-3,4	1 632,5
Equity 30 June 2014	5 000,0	22 793,8	-739,3	22 923,5	42 212,8	92 190,8
Equity 1 Jan 2015	5 000,0	22 793,8	-639,8	22 923,5	45 315,1	95 392,6
Profit for the period					3 476,3	3 476,3
Other comprehensive income						
		0,5			169,4	169,9
Adjustments to retained earnings						
Board proposal concerning the disposal of profits						
Profit use of funds		0,9			-0,9	0,0
Cash flow hedges						
Amount recognised in equity			352,0			352,0
Amount transferred to the income statement			619,1			619,1
Change in deferred taxes			-194,2			-194,2
Financial assets available for sale						
Change in fair value			-2 382,8			-2 382,8
Amount transferred to the income statement			749,6			749,6
Change in deferred taxes			326,6			326,6
Revaluation of defined benefit plans						
Actuarial gains / losses			221,9			221,9
Change in deferred taxes			-44,4			-44,4
Investments property, revaluation reserves						
Amount transferred to the previous period profits						
Change in deferred taxes						
Total other comprehensive income	0,0	1,4	-352,1	0,0	168,5	-182,2
Equity 30 June 2015	**5 000,0**	**22 795,2**	**-991,9**	**22 923,5**	**48 959,9**	**98 686,7**

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-6/2015	1-6/2014
Cash flow from operating activities		
Interest received	10 040,6	9 061,4
Interest paid	-6 501,2	-5 948,7
Fee income	1 718,6	1 750,9
Fee expenses	-24,2	-25,4
Net income from securities and foreign currency transactions	-749,3	-0,6
Net income from available-for-sale financial assets	1 251,9	890,2
Net income from investment properties	3 780,9	1 406,3
Other operating income	-3,2	-2,8
Administrative expenses	-4 505,4	-3 792,5
Other operating expenses	-229,7	-201,9
Credit and guarantee losses	21,7	-179,6
Income taxes	-477,6	-314,8
Total net cash flow from operating activities	**4 323,2**	**2 642,6**
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-101 638,8	-102 568,4
Investment properties	-8 646,6	-1 479,6
Operating assets increase (-) / decrease (+) total	**-110 285,4**	**-104 048,0**
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	278 008,6	23 882,4
Operating liabilities increase (+) / decrease (-) total	278 008,6	23 882,4
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	**172 046,4**	**-77 522,9**
Cash flows from investments		
Change in fixed assets	-659,7	-264,9
Equity investments increase (-) / decrease (+)	-2,4	0,0
Dividends received	0,0	84,0
NET CASH FLOWS ACCRUED FROM INVESTMENTS	**-662,1**	**-180,9**
Casf flows from financing		
Bank loans, new withdrawals	28 673,3	71 951,4
Bank loans, repayments	-74 460,5	-66 613,9
Other liabilities, increase (-) / decrease (+)	-3 308,7	-2 379,8
Bonds, new issues	63 500,0	102 261,8
Bonds, repayments	-78 070,0	-49 078,9
Certificates on deposit, new issues	138 391,1	108 153,3
Certificates on deposit, repayments	-164 047,5	-121 171,9
Subordinated liabilities, new withdrawals	10,4	960,8
Subordinated liabilities, repayments	-9,8	-2,2
NET CASH FLOWS ACCRUED FROM FINANCING	**-89 321,7**	**44 080,5**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**82 062,6**	**-33 623,3**
Cash and cash equivalents at the beginning of the period	**226 406,2**	**182 629,5**
Cash and cash equivalents at the end of the period	**308 468,8**	**149 006,3**
CHANGE IN CASH AND CASH EQUIVALENTS	**82 062,6**	**-33 623,3**

NOTES

1. Key accounting policies

This Interim Report applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2014. The Interim Report has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. The new IFRS standards and interpretations effective from the financial period which started on 1 January 2015 did not have any material impact on the consolidated result or balance sheet.

The Interim Report does not contain all information and Notes that are required in the annual Financial Statements. The Report should be read in conjunction with the Group's 31 December 2014 Financial Statements.

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

The Hypo Group's consolidated financial statements cover The Mortgage Society of Finland as well as the deposit bank Suomen AsuntoHypoPankki Oy, of which The Mortgage Society of Finland owns 100 per cent, and the housing company Bostadsaktiebolaget Taos, of which the Group companies own 62.2 per cent. The financial statements of AsuntoHypoPankki and Taos have been consolidated using the acquisition cost method, the housing company Asunto Oy Vanhaväylä 17 (the Group's ownership is 80.4 per cent) and housing company-type associated companies are treated in the same manner as other housing company-type investments.

2. Issuance and repayments of debt and equity securities

The issuance of debt securities and repayments/repurchases thereof are presented in the consolidated cash flow statement for 1 January – 30 June 2015.

3. Own funds and capital ratios

Hypo Group own funds and capital ratios	30.6.2015	31.12.2014	30.6.2014
Equity	98 686,7	95 392,6	92 190,8
Fair value reserve	1 878,1	1 847,1	1 701,7
Revaluation of defined pension plans	-1 384,9	-1 207,4	-996,0
Surplus from defined pension plans	-5 701,4	-5 515,1	-5 485,8
Common Equity Tier 1 (CET1) capital before regulatory adjustments	93 478,6	90 517,3	87 410,7
Intangible assets	-964,0	-758,8	-679,7
Common Equity Tier 1 (CET1) capital	92 514,6	89 758,5	86 731,0
Additional Tier 1 (AT1) capital	0,0	0,0	0,0
Tier 1 capital (T1 = CET1 + AT1)	92 514,6	89 758,5	86 731,0
Tier 2 (T2) capital	0,0	807,9	1 063,5
Total Capital (TC = T1 + T2)	92 514,6	90 566,4	87 794,5
Total risk-weighted items	643 165,3	595 458,2	605 700,1
of which credit risk	616 632,6	568 925,6	581 691,1
of which market risk	0,0	0,0	0,0
of which operational risk	26 532,7	26 532,7	24 009,0
of which other risks	0,0	0,0	0,0
Common Equity Tier 1 (CET1) in relation to risk-weighted items (%)	14,4	15,1	14,3
Tier 1 capital (T1) in relation to risk-weighted items (%)	14,4	15,1	14,3
Total capital (TC) in relation to risk-weighted items (%)	14,4	15,2	14,5
Minimum capital	5 000,0	5 000,0	5 000,0
Capital conservation buffer in relation to risk-weighted items (%)	2,5	0,0	0,0
Countercyclical capital buffer in relation to risk-weighted items (%)	0,0	0,0	0,0

The own funds and capital adequacy are presented in accordance with the EU’s Capital Requirements Regulation (575/2013).
The capital requirement for credit risk is calculated using the standard method.
The capital requirement for operational risk is calculated using the basic method.

As of 1.1.2015 the unrealised gains and losses are included in CET1.
Until 31.12.2014 the unrealised losses were included in CET1
and the unrealised gains in T2.

4. Contingent off-balance sheet commitments

(1000 €)	30.6.2015	31.12.2014	30.6.2014
Commitments made on behalf of a customer to benefit a third party			
Guarantees	2 181,9	2 181,9	2 181,9
Irrevocable commitments given on behalf of a customer			
Granted but unclaimed loans	200 062,1	218 099,9	182 809,9
Potential redemptions of partially owned housing units and those to be completed	2 664,0	1 340,3	597,4
Total	204 908,0	221 622,1	185 589,2

5. Fair values of financial instruments

(1000 €)		30.6.2015	31.12.2014	30.6.2014
Financial assets	Fair value determination principle	Fair value	Fair value	Fair value
Debt securities eligible for refinancing with central banks	A	232 520,4	100 310,3	114 976,1
Debt securities	A	5 078,0	5 090,7	4 026,5
Derivative contracts	B	1 327,0	0,0	2 448,6
Total		238 925,4	105 401,0	121 451,2
Financial liabilities				
Derivative contracts	B	5 794,2	7 856,7	6 350,5

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

Fair value determination principles:

A: Quoted price on an active market

B: Verifiable price, other than quoted

C: Unverifiable market price

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

OPINION ON THE REVIEW OF THE 1 JANUARY – 30 JUNE 2015 INTERIM REPORT OF THE MORTGAGE SOCIETY OF FINLAND (TRANSLATION)

Introduction

We have performed a review of the Mortgage Society of Finland's balance sheet of 30 June 2015, income statement, statement of changes in equity and the cash flow statement for the six months period ended, as well as the summary of significant accounting policies and other Notes. The Board of Directors and CEO are responsible for preparing the Interim Report and ensuring it provides accurate and sufficient information in accordance with the International Financial Reporting Standards (IFRS) approved in the EU, and other statutes and regulations concerning the preparation of the Interim Report in effect in Finland. Based on the review we have performed, we are issuing an opinion on the Interim Report in accordance with the Securities Act Section 2, Article 5a(7).

Scope of review

The review was performed in accordance with the International Standard on Review Engagements 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’. A review of interim financial information consists of making enquiries, primarily with persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially narrower in scope than an audit conducted in accordance with international standards and recommendations on auditing, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Report is not prepared in accordance with the International Financial Reporting Standards (IFRS) approved in the EU and other statutes and regulations concerning the preparation of the Interim Report in effect in Finland. The Report provides accurate and sufficient information on the financial standing of the entity on 30 June 2015 and the result and cash flows of its operations for the six months period ended.

Helsinki, August 4th 2015

PricewaterhouseCoopers Oy

Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant