



HYPO

THE MORTGAGE SOCIETY OF FINLAND

Interim Report

1 January – 30 September 2016

The fourth quarter result 2016 will be released on 31 January 2017.

The 2016 Annual Report will be published on 30 March 2017.

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

Hypo Group's January – September 2016

The home finance specialist Hypo's low risk loan portfolio continued its strong growth. The operating profit and the net interest income strengthened.

CEO Ari Pauna:

“Successful measures taken to lower the funding costs and the growth of the low risk loan portfolio will further strengthen Hypo's net interest income and profitability. As Hypo is a mutual company, it is guaranteed that the profitability improvement will strengthen group's capital adequacy and competitiveness. Hypo has clearly started to gain market share in the biggest cities in Finland.

- Group's operating profit reached EUR 6.3 million (EUR 5.8 million 1-9/2015)
- Net fee and commission income EUR 3.5 million (EUR 2.6 million)
- Loan portfolio EUR 1,756.3 million (EUR 1,420.7 million 31.12.2015)
- Deposits EUR 1,155.6 million (EUR 1,040.0 million)
- Common Equity Tier 1 (CET1) ratio 13.0 % (13.8% 31.12.2015)

GROUP'S KEY FIGURES

(1000 €)

	1-9/2016	1-9/2015	7-9/2016	7-9/2015	2015
Net interest income	3 610	3 613	1 561	1 076	4 574
Net fee and commission income	3 550	2 580	1 051	747	3 416
Total other income	6 312	5 870	1 133	1 896	8 681
Total expenses (incl. depreciation, other operating expenses and impairment losses)	-7 215	-6 310	-2 094	-2 205	-9 149
Operating profit	6 257	5 753	1 650	1 513	7 523
Receivables from the public and public sector entities	1 756 349	1 361 526	1 756 349	1 361 526	1 420 711
Deposits	1 155 648	873 706	1 155 648	873 706	1 039 955
Balance sheet total	2 232 311	1 822 324	2 232 311	1 822 324	1 959 478
Common Equity Tier 1 (CET1) ratio	13,0	13,8	13,0	13,8	13,8
Cost-to-income ratio,%	53,5	52,4	56,0	59,1	54,9
Non-performing assets, % of the loan portfolio	0,19	0,22	0,19	0,22	0,16
LTV-ratio, % / Loan to Value, average, %	39,0	41,7	39,0	41,7	41,1
Loans / deposits, %	152,0	155,8	152,0	155,8	136,6

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

HYPO GROUP

The Mortgage Society of Finland Group (hereafter "Hypo Group" or "Hypo") is the only nationwide expert organization 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 products, payment cards and residential land trustee services. Hypo has approximately 26,000 customers. Maintaining the strong capital adequacy and keeping the customer promise "Secure way for better living" guides Hypo in growing the business in a profitable manner, while managing risks.

S&P Global Ratings has assigned a 'BBB/A-3' counterparty credit ratings to Hypo. Rating for the cover pool of Hypo's covered bond is 'AAA' (S&P Global Ratings).

OPERATING ENVIRONMENT

Economic output continued to grow modestly in Q3 2016. The construction industry led the development while private consumption also held up. Retail sales, car sales and housing markets grew steadily. On the other hand exports were still meagre. Outlook for domestic and external demand faced a negative shock as Britain voted to leave the European Union on the 23.6.2016 referendum. Effects from the increased uncertainty were not yet visible in the real economy in Q3.

Labour market improved slowly as the number of employed increased and unemployment rate declined to 8.7 percent. Inflation remained around 0.5 percent as lower interest rates and oil prices kept down the general price level. European Central

Bank kept main policy rates unchanged, but expanded asset purchases brought down short-term interest rates. In September the 12 month Euribor rate fell to -0.06 percent.

The annual growth of the housing loan stock in Finland was 2.5 percent in August 2016. Household deposits increased by 3.8 percent. During the same period house prices of old dwellings rose in the Helsinki Metropolitan Area by 1.7 percent and remained stable elsewhere in Finland.

RESULT AND PROFITABILITY

July – September 2016

Hypo Group's operating profit was EUR 1.7 million (EUR 1.5 million for July – September 2015). Income totalled EUR 3.8 million (EUR 3.7 million) and expenses EUR 2.1 million (EUR 2.2 million).

January – September 2016

Hypo Group's operating profit increased from last year to EUR 6.3 million (EUR 5.8 million for January – September 2015).

Net interest income remained at last year's level at EUR 3.6 million (EUR 3.6 million).

Net fee income increased to EUR 3.5 million (EUR 2.6 million).

Net income from investment properties (housing units and residential land) amounted to EUR 4.2 million (EUR 5.0 million). This included EUR 2.4 million of capital gains (EUR 3.1 million).

Group's cost-to-income ratio was 53.5% (52.4%).

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

Group's comprehensive income, EUR 7.0 million (EUR 5.1 million), includes EUR 5.2 million (EUR 4.7 million) of profit for the financial period and the change in the fair value reserve included in equity amounting to EUR 1.3 million (EUR -0,0 million) as well as

the revaluation of defined benefit pension plans worth EUR 0.7 million (EUR 0.2 million) and EUR -0.3 million from changes in ownership of a subsidiary (EUR 0.2 million).

PERSONNEL AND DEVELOPMENT

On 30 September 2016, the number of permanent personnel was 50 (51 on 30 September 2015) of which 2 persons were on parental leave. These figures do not include the CEO and the COO. Cooperation with Helmi Business College continued.

ASSETS AND LIABILITIES

Lending

The loan portfolio grew to EUR 1,756.3 million (EUR 1,420.7 million on 31 December 2015).

Hypo has an entirely residential property-secured loan portfolio. The average Loan-to-Value ratio of the loan portfolio was 39.0% at the end of the period (41.1% on 31 December 2015).

Amount of non-performing receivables was low, EUR 3.4 million (EUR 2.3 million on 31 December 2015), representing 0.19% of the loan portfolio (0.16%).

Liquid assets and other receivables

At the end of the financial period, cash and cash equivalents in accordance with the cash flow statement, combined with current account and other binding credit facilities, totalled EUR 398.1 million (EUR 458.6 million on 31 December 2015), which corresponds to 17.8% (23.4%) of the total assets. The cash and cash equivalents (which totalled EUR 394.4 million) consisted of assets distributed widely across various counterparties, and of debt securities that are tradable on the secondary market, of which 87% had a credit rating of at least AA- or were of equivalent credit quality and 100% were ECB repo eligible. The Liquidity Coverage Ratio was 104%.

The surplus of EUR 8.3 million (EUR 7.4 million) from the Mortgage Society of Finland's pension foundation has been recognised in Group's other assets.

The share of housing and residential land holdings remained at a low level, 2.8% of the total assets (3.5% on 31 December 2015). Apartments and residential land owned and rented out by Hypo enable Group to offer its customers a more comprehensive selection of housing products and services. Hypo's properties are located in selected growth centres, mainly in the Helsinki Metropolitan Area, distributed across key residential districts. The property in Hypo's own use is located in the centre of Helsinki. The difference between the fair value and the book value of the properties remained strongly positive at EUR 6.0 million (EUR 8.8 million on 31 December 2015).

Derivative contracts

The balance sheet value of derivative receivables was EUR 0.7 million on 30 September 2016 (EUR 0.5 million on 31 December 2015), and the value of liabilities was EUR 5.6 million (EUR 5.6 million).

Deposits and other funding

Deposits grew slightly from year-end to EUR 1,155.6 million. (EUR 1,040.0 million on 31 December 2015). The share of deposits accounted for 55.5% (56.9%) of total funding. The deposit bank Suomen AsuntoHypoPankki Oy is a member of the Deposit Guarantee Fund and a wholly owned subsidiary of the Mortgage Society of Finland.

In May, the Mortgage Society of Finland issued a covered bond with a nominal amount of EUR 250.0 million and in September a EUR 50.0 million tap issue followed. The nominal amount of mortgages in the cover pool is EUR 420.0 million. Hypo repurchased its own senior unsecured bonds to the nominal amount of EUR 11.5 million.

The share of long-term funding of total funding was 41.8% on 30 September 2016 (39.5%).

The total funding at the end of the financial period was EUR 2,081.3 million (EUR 1,829.2 million).

EQUITY, CAPITAL ADEQUACY AND RISK MANAGEMENT

Hypo Group's equity amounted to EUR 108.5 million at the end of the financial period (EUR 101.5 million on 31 December 2015). The changes in equity during the period are presented in Group's statement of equity attached to this Interim Report.

Group's CET1 capital in relation to risk weighted assets on 30 September 2016 was 13.0% (13.8% on 31 December 2015). Profit for the financial period 1 January – 30 September 2016 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. Group's own funds are quantitatively and qualitatively strong in relation to Group's current and future business, as well as to changes, even exceptional ones, in the operating environment. At the end of September, Group's Leverage Ratio was 4.2% (4.3%).

There have been no significant negative changes in the risk levels during the financial period. More detailed information on capital adequacy and risk management practices are published as part of the 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/en.

KEY EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Since the end of the financial period of 1 January – 30 September 2016, there have

not been any significant changes in the outlook or financial standing of the Mortgage Society of Finland or its Group.

FUTURE OUTLOOK

The positive development of Finnish economic growth will continue in the fourth quarter unless the uncertainties in the operating environment realize and end the slow recovery. Urbanization will, however, continue supporting the housing and mortgage markets in the biggest growth centres.

Group management estimates that the 2016 operating profit will reach 2015 levels or slightly below.

Helsinki, 31 October 2016

The Board

Sources:

Loans and deposits; Bank of Finland

Housing prices; September 2016; 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 (Osavuositiedote) 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 €)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	2015
Interest income	4 991,5	5 232,4	14 960,4	15 658,9	20 960,0
Interest expenses	-3 430,0	-4 156,0	-11 350,1	-12 045,8	-16 386,2
NET INTEREST INCOME	1 561,5	1 076,4	3 610,2	3 613,1	4 573,8
Income from equity investments	0,0	0,0	0,0	0,0	0,0
Fee and commission income	1 072,3	758,8	3 610,8	2 616,4	3 469,2
Fee and commission expenses	-21,7	-12,1	-61,3	-36,3	-53,0
Net income from securities and foreign currency transactions					
Net income from securities trading	-139,7	-99,3	-1 022,6	-848,9	-569,5
Net income from foreign currency transactions	0,0	0,0	0,1	0,3	0,5
Net income from financial assets available for sale	692,8	493,9	3 194,7	1 745,8	2 474,2
Net income from hedge accounting	-27,8	0,0	-42,5	0,0	0,0
Net income from investment properties	609,0	1 504,9	4 188,8	4 980,0	6 783,0
Other operating income	-1,7	-3,8	-6,5	-7,0	-6,8
Administrative expenses					
Personnel costs					
Wages and salaries	-906,3	-1 136,7	-3 237,7	-3 204,3	-4 390,0
Other personnel related costs	0,0				
Pension costs	-199,0	-240,7	-674,4	-674,2	-982,9
Other personnel related costs	-129,1	-24,0	-214,2	-70,6	-95,7
Other administrative expenses	-601,6	-591,3	-1 975,8	-1 760,6	-2 564,2
Total administrative expenses	-1 836,0	-1 992,7	-6 102,1	-5 709,7	-8 032,9
Depreciation and impairment losses on tangible and intangible assets	-82,8	-100,2	-237,1	-282,1	-375,1
Other operating expenses	-177,4	-104,0	-873,6	-331,7	-746,5
Impairment losses on loans and other commitments	1,9	-8,5	-2,0	13,2	6,0
OPERATING PROFIT	1 650,4	1 513,4	6 256,9	5 753,2	7 522,7
Income taxes	-283,0	-246,3	-1 083,7	-1 009,8	-1 314,9
OPERATING PROFIT AFTER TAX	1 367,4	1 267,1	5 173,2	4 743,4	6 207,9
PROFIT FOR THE PERIOD	1 367,4	1 267,1	5 173,2	4 743,4	6 207,9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

(1000 €)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	2015
Profit for the period	1 367,4	1 267,1	5 173,2	4 743,4	6 207,9
Items that may be reclassified subsequently to income statement					
Change in fair value reserve					
Cash flow hedges	356,9	463,1	611,3	1 240,0	1 241,3
Available for sale financial assets	348,6	50,4	681,7	-1 256,2	-1 557,0
	705,5	513,5	1 292,9	-16,1	-315,7
Items that may not be reclassified subsequently to the income statement					
Revaluation of defined benefit pension plans	0,0	0,0	748,8	177,5	324,5
Effect of changes in the ownership of Bostads Ab Taos	0,0	0,0	-299,5	169,9	3,1
Correction for previous year	0,0	0,0	34,9	0,0	-62,3
	0,0	0,0	484,1	347,4	265,3
Total other comprehensive income items	705,5	513,5	1 777,1	331,3	-50,5
COMPREHENSIVE INCOME FOR THE PERIOD	2 072,9	1 780,6	6 950,3	5 074,7	6 157,4

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)	30.9.2016	31.12.2015	30.9.2015
ASSETS			
Cash	99 000,0	170 000,0	70 000,0
Debt securities eligible for refinancing with central banks			
Treasury bills			
Other	288 513,0	270 650,5	282 427,9
Receivables from credit institutions			
Repayable on demand	4 799,8	11 404,9	21 057,4
Other	2 021,4	786,4	2 884,5
	<u>6 821,1</u>	<u>12 191,3</u>	<u>23 941,9</u>
Receivables from the public and public sector entities			
Other than those repayable on demand	1 756 349,4	1 420 711,2	1 361 526,3
Debt securities			
From others	20,0	2 051,5	5 064,4
	<u>20,0</u>	<u>2 051,5</u>	<u>5 064,4</u>
Shares and holdings	132,4	132,4	115,9
Derivative financial instruments	728,5	510,4	523,2
Intangible assets			
Other long-term expenditure	2 804,6	1 927,8	1 412,1
Tangible assets			
Investment properties and shares and holdings in investment properties	60 676,5	67 784,8	61 743,9
Other properties and shares and holdings in real estate corporations	867,2	939,2	971,8
Other tangible assets	335,1	330,5	375,2
	<u>61 878,9</u>	<u>69 054,5</u>	<u>63 090,9</u>
Other assets	10 570,8	8 029,7	8 635,3
Accrued income and advances paid	5 075,0	3 640,7	5 075,4
Deferred tax receivables	417,5	577,8	510,9
TOTAL ASSETS	<u>2 232 311,1</u>	<u>1 959 477,6</u>	<u>1 822 324,1</u>

CONSOLIDATED BALANCE SHEET, IFRS

(1000 €)

	30.9.2016	31.12.2015	30.9.2015
LIABILITIES			
Liabilities to credit institutions			
Central banks	50 000,0	20 000,0	20 000,0
Credit institutions			
Repayable on demand			
Other than those repayable on demand	38 074,9	131 385,7	131 983,5
	<u>88 074,9</u>	<u>151 385,7</u>	<u>151 983,5</u>
Liabilities to the public and public sector entities			
Deposits			
Repayable on demand	643 728,0	516 063,0	390 426,5
Other	511 919,9	522 879,5	481 256,8
	<u>1 155 647,8</u>	<u>1 038 942,5</u>	<u>871 683,4</u>
Other liabilities			
Other than those repayable on demand	29 593,4	34 028,9	35 545,9
	<u>1 185 241,3</u>	<u>1 072 971,4</u>	<u>907 229,3</u>
Debt securities issued to the public			
Bonds	732 082,9	521 878,6	504 860,7
Other	66 458,2	69 451,3	100 399,8
	<u>798 541,1</u>	<u>591 329,9</u>	<u>605 260,5</u>
Derivative financial instruments	5 618,0	5 627,4	7 139,6
Other liabilities			
Other liabilities	20 216,0	7 862,4	19 313,3
Deferred income and advances received	7 277,3	6 061,3	8 348,7
Subordinated liabilities			
Other	9 472,4	13 469,7	13 962,8
Deferred tax liabilities	9 369,8	9 219,9	8 619,1
EQUITY			
Basic capital	5 000,0	5 000,0	5 000,0
Other restricted reserves			
Reserve fund	22 796,7	22 794,7	22 795,2
Fair value reserve			
From cash flow hedging	-802,5	-1 413,8	-1 415,1
From fair value recognition	-67,4	-749,1	-448,2
Defined benefit pension plans	2 280,6	1 531,8	1 384,9
Unrestricted reserves			
Other reserves	22 923,5	22 923,5	22 923,5
Retained earnings	51 196,2	45 254,9	45 483,6
Profit for the period	5 173,2	6 207,9	4 743,4
	<u>108 500,2</u>	<u>101 550,0</u>	<u>100 467,3</u>
TOTAL LIABILITIES	<u>2 232 311,1</u>	<u>1 959 477,6</u>	<u>1 822 324,1</u>

CHANGE IN EQUITY (1000 €)	Basic capital	Revaluation reserves	Reserve fund	Fair value reserve	Other reserves	Retained earnings	Total
Equity 1 January 2015	5 000,0	0,0	22 793,8	-639,8	22 923,5	45 315,1	95 392,6
Profit for the period						4 743,4	4 743,4
Other comprehensive income							
Effect of changes in the ownership of Taos			0,5			169,44	169,9
Profit use of funds			0,9			-0,9	0,0
Cash flow hedges							
Amount recognised in equity				528,6			528,6
Amount transferred to the income statement				1 021,4			1 021,4
Change in deferred taxes				-310,0			-310,0
Financial assets available for sale							
Change in fair value				175,6			175,6
Amount transferred to the income statement				-1 745,8			-1 745,8
Change in deferred taxes				314,0			314,0
Revaluation of defined benefit plans							
Actuarial gains / losses				221,9			221,9
Change in deferred taxes				-44,4			-44,4
Total other comprehensive income	0,0	0,0	1,4	161,4	0,0	168,5	331,3
Equity 30 June 2015	5 000,0	0,0	22 795,2	-478,4	22 923,5	50 227,0	100 467,3
Equity 1 January 2016	5 000,0	0,0	22 794,7	-631,0	22 923,5	51 462,8	101 550,0
Profit for the period						5 173,2	5 173,2
Other comprehensive income							
Correction for the year 2015						34,9	34,9
Effect of changes in the ownership of Taos						-299,5	-299,5
Profit use of funds			2,8			-2,8	0,0
Cash flow hedges							
Amount recognised in equity				-486,6			-486,6
Amount transferred to the income statement				1 250,7			1 250,7
Change in deferred taxes				-152,8			-152,8
Financial assets available for sale							
Change in fair value				4 046,8			4 046,8
Amount transferred to the income statement				-3 194,7			-3 194,7
Change in deferred taxes				-170,4			-170,4
Revaluation of defined benefit plans							
Actuarial gains / losses				936,0			936,0
Change in deferred taxes				-187,2			-187,2
Total other comprehensive income	0,0	0,0	2,8	2 041,7	0,0	-267,4	1 777,1
Equity 30 June 2016	5 000,0	0,0	22 797,5	1 410,7	22 923,5	56 368,5	108 500,2

CONSOLIDATED CASH FLOW STATEMENT

(1000 €)	1-9/2016	1-9/2015
Cash flow from operating activities		
Interest received	14 283,3	15 030,5
Interest paid	-9 318,7	-8 696,9
Fee income	3 216,1	2 365,7
Fee expenses	-61,3	-36,3
Net income from securities and foreign currency transactions	-1 022,5	-848,6
Net income from available-for-sale financial assets	3 194,7	1 745,8
Net income from hedge accounting	-42,5	0,0
Net income from investment properties	2 940,8	4 883,0
Other operating income	-6,5	-7,0
Administrative expenses	-8 043,9	-6 147,6
Other operating expenses	-896,9	-340,1
Credit and guarantee losses	-2,0	13,2
Income taxes	-701,1	-550,5
Total net cash flow from operating activities	3 539,5	7 411,2
Operating assets increase (-) / decrease (+)		
Receivables from customers (lending)	-335 132,0	-149 696,5
Investment properties	8 044,5	-8 713,4
Operating assets increase (-) / decrease (+) total	-327 087,5	-158 409,9
Operating liabilities increase (+) / decrease (-)		
Liabilities to the public and public sector organisations (deposits)	116 705,3	403 620,2
Operating liabilities increase (+) / decrease (-) total	116 705,3	403 620,2
NET CASH FLOWS ACCRUED FROM OPERATING ACTIVITIES	-206 842,7	252 621,5
Cash flows from investments		
Change in fixed assets	-1 046,4	-976,6
Net income from equity investments	0,0	-2,4
NET CASH FLOWS ACCRUED FROM INVESTMENTS	-1 046,4	-979,0
Cash flows from financing		
Bank loans, new withdrawals	101 719,8	35 016,8
Bank loans, repayments	-165 030,7	-83 407,9
Other liabilities, increase (-) / decrease (+)	-3 934,1	-1 342,2
Bonds, new issues	325 589,2	72 713,1
Bonds, repayments	-104 003,8	-85 966,1
Certificates on deposit, new issues	108 396,6	190 037,0
Certificates on deposit, repayments	-111 389,8	-219 665,9
Subordinated liabilities, new withdrawals	49,4	21,2
Subordinated liabilities, repayments	-4 046,6	-4 020,5
NET CASH FLOWS ACCRUED FROM FINANCING	147 350,0	-96 614,4
NET CHANGE IN CASH AND CASH EQUIVALENTS	-60 539,1	155 028,1
Cash and cash equivalents at the beginning of the period	454 893,2	226 406,2
Cash and cash equivalents at the end of the period	394 354,2	381 434,2
CHANGE IN CASH AND CASH EQUIVALENTS	-60 539,1	155 028,1

NOTES

1. Key accounting policies

This Interim Report applies the same IFRS accounting policies as the Group's Financial Statements on 31 December 2015. The release has been prepared in accordance with the IAS 34 standard (Interim Financial Reporting) approved in the EU. The new IFRS standards and interpretations effective from the financial year which started on 1 January 2016 did not have any material impact on the consolidated result or balance sheet.

The release does not contain all information and Notes that are required in the annual Financial Statements. The Report should be read in conjunction with the Group's 31 December 2015 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 54.6 per cent. The financial statements of AsuntoHypoPankki and Taos have been consolidated using the acquisition cost method, and housing company-type associated companies are treated in the same manner as other housing company-type investments.

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 September 2016.

3. Own funds and capital ratios

Hypo Group own funds and capital ratios	30.9.2016	31.12.2015	30.9.2015
Equity	108 500,2	101 550,0	100 467,3
Fair value reserve	802,5	1 413,8	1 415,1
Revaluation of defined pension plans	-2 280,6	-1 531,8	-1 384,9
Surplus from defined pension plans	-6 675,6	-5 880,2	-5 720,3
Common Equity Tier 1 (CET1) capital before regulatory adjustments	100 346,5	95 551,7	94 777,2
Intangible assets	-2 243,6	-1 542,2	-1 129,6
Common Equity Tier 1 (CET1) capital	98 102,9	94 009,5	93 647,5
Additional Tier 1 (AT1) capital	0,0	0,0	0,0
Tier 1 capital (T1 = CET1 + AT1)	98 102,9	94 009,5	93 647,5
Tier 2 (T2) capital	0,0	0,0	0,0
Total Capital (TC = T1 + T2)	98 102,9	94 009,5	93 647,5
Total risk-weighted items	756 791,3	682 150,8	678 439,2
of which credit risk	728 428,2	653 785,3	651 902,3
of which market risk	0,0	2,4	4,2
of which operational risk	28 363,1	28 363,1	26 532,7
of which other risks	0,0	0,0	0,0
Common Equity Tier 1 (CET1) in relation to risk-weighted items (%)	13,0	13,8	13,8
Tier 1 capital (T1) in relation to risk-weighted items (%)	13,0	13,8	13,8
Total capital (TC) in relation to risk-weighted items (%)	13,0	13,8	13,8
Minimum capital	5 000,0	5 000,0	5 000,0
Capital conservation buffer in relation to risk-weighted items (%)	2,5	2,5	2,5
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.

4. Contingent off-balance sheet commitments

(1000 €)	30.9.2016	31.12.2015	30.9.2015
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	329 558,5	218 022,7	203 306,2
Potential redemptions of partially owned housing units and those to be completed	717,3	809,2	2 664,0
Total	332 457,7	221 013,8	208 152,2

5. Fair values of financial instruments

(1000 €)		30.9.2016	31.12.2015	30.9.2015
Financial assets	Fair value determination principle	Fair value	Fair value	Fair value
Debt securities eligible for refinancing with central banks	A	288 513,0	270 650,5	282 427,9
Debt securities	A	20,0	2 051,5	5 064,4
Derivative contracts	B	728,5	510,4	523,2
Total		289 261,5	273 212,4	288 015,5
Financial liabilities				
Derivative contracts	B	5 618,0	5 627,4	7 139,6
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 September 2016 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 September 2016, income statement, statement of changes in equity and the cash flow statement for the nine 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 September 2016 and the result and cash flows of its operations for the nine months period ended.

Helsinki 28 October 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Tuomala
Authorised Public Accountant (KHT)