



HYPO

THE MORTGAGE SOCIETY OF FINLAND
FINANCIAL STATEMENT RELEASE
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THE HYPO GROUP'S YEAR 2014

The home finance specialist Hypo's operating profit improved by almost 25 percent, deposits increased to over EUR 500 million and the Common Equity Tier 1 (CET1) ratio remained strong at 15 percent.

CEO Ari Pauna:

"Uncertain times, urbanisation and the restructuring of the financial sector have increased the business and growth opportunities of the Hypo Group specialising in housing finance. The result for year 2014 was good and markedly better than the previous year."

Operating profit increased to EUR 7.5 million.

The Group's operating profit met the expectations and was EUR 7.5 million (EUR 6.0 million in 2013).

Total assets increased to EUR 1 500 million (EUR 1 220 million). The net impairments on loans remained very low and amounted to EUR 0.03 million (EUR -0.02 million).

The loan portfolio's growth was also reflected in the net interest income which grew by 21%. Fee and commission income increased to EUR 3.7 million (EUR 2.7 million).

Administrative expenses, depreciation and other expenses totalled EUR 9.7 million (EUR 8.1 million). Cost-to-income ratio was 56.4 percent (57.4 percent).

The Group's comprehensive income EUR 7.9 million (EUR 7.7 million) includes i.a. operating profit and changes in equity due to changes in fair value reserves.

The Group's reputation as a stable and strongly capitalised Finnish credit institution and deposit bank increased further. The number of Group's customers increased to around 25.000.

Loans secured by residential property continued to increase. Non-performing loans remained at a low level.

As a mortgage society, Hypo's loan portfolio is entirely secured by residential property. The loan portfolio's average LTV (loan-to-value) continued to improve and was 44.88% (49.98%) on December 31, 2014.

At year end Hypo's total loan portfolio stood at EUR 1 204.0 million (EUR 977.9 million).

The amount of non-performing loans, describing the loan portfolio's quality and reported in line with the new regulations, continued to remain low at EUR 2.7 million (EUR 1.3 million), which corresponds to only 0.23 percent of the total loan portfolio.

Strong liquidity and capital adequacy.

The Group liquidity was very strong throughout the financial year. The amount of liquid assets, including cash and binding credit facilities, was EUR 229.9 million (EUR 205.6 million). Cash, totalling EUR 226.4 million, consisted of well-diversified deposits and of debt securities tradable on the secondary market, of which 65.0% were at least AA- rated and 95.6% ECB eligible.

The Group's CET1 capital ratio was 15,1 percent (14.7 percent), calculated by the standard method.

The quality and amount of the Group's own funds was excellent in relation to the group's current and future business as well as to unexpected developments in the operating environment.

Hypo Group as an investment is low risk yet profitable. Deposit growth 41 percent.

The Group's financing position remained stable, and the deposit funding increased compared to 2013. The amount of deposits grew by 41 percent and was EUR 507.4 million (EUR 359.7 million), including deposits made by financial institutions, and accounted for 36.9 percent (32.4%) of total funding.



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The Mortgage Society of Finland has domestic programmes for issuance of EMTNs and Certificate of Deposits. During the financial year, four bond issues were completed totalling a nominal amount of EUR 177.2 million. As at December 31, 2014 the amount of outstanding bonds and CDs stood at EUR 648.5 million (EUR 534.3 million), which corresponded to 47.2 percent (48.1%) of total funding.

Future outlook

The outlook for the Finnish economy is still modest, and the economic cycle is not expected to bring any rapid stimulation to the prevailing situation in the Finnish housing market. Despite the uncertainty of the operating environment, Hypo, as a specialised mortgage institution focusing on growth centers, has good possibilities to continue growing its business in a profitable manner while managing risks also in 2015. The management expects the Group operating profit for 2015 to reach year 2014's level while liquidity is being further strengthened.

CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1.1.2014 31.12.2014	1.1.2013 31.12.2013	10-12/2014	10-12/2013
Interest income	21 070,7	17 663,2	5 347,4	5 163,0
Interest expenses	-14 643,2	-12 373,0	-3 718,5	-3 189,5
Net interest income	6 427,5	5 290,2	1 629,0	1 973,5
Income from equity investments	84,0	98,0	0,0	28,0
Net income from financial assets available for sale and from securities and foreign currency transactions	2 778,9	101,9	444,6	89,4
Net income from investment properties	4 362,5	5 825,4	1 609,5	1 645,2
Net fee and commission income	3 603,8	2 731,9	1 079,7	678,9
Impairment losses on loans and other commitments	-31,1	19,1	143,0	-9,3
Administrative-, depreciations and other operating expenses	-9 727,7	-8 060,4	-3 321,6	-2 715,4
OPERATING PROFIT	7 498,0	6 006,1	1 584,1	1 690,2
Income taxes	-1 330,3	-1 116,5	-278,1	-220,6
PROFIT FOR THE PERIOD	6 167,7	4 889,7	1 306,0	1 469,7
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT	7 899,7	7 726,9	1 335,4	3 433,3

(1000 €)	31.12.2014	31.12.2013	10-12/2014	10-12/2013
Total capital ratio, %	15,2	14,7	15,2	14,7
CET1 capital ratio, %	15,1	14,7	15,1	14,7
Total capital (m€)	90 566	84 440	90 566	84 440
CET1 capital	89 758	84 238	89 758	84 238
Cost-to-income ratio, %	56,4	57,4	69,7	61,5
Non-performing loans, % of total loans	0,23	0,14	0,23	0,14
LTV-ratio, %	44,88	49,98	44,88	49,98
Deposits/loans, %	42,1	36,8	42,1	36,8
Receivables from the public and public sector entities	1 204 042	977 893	1 204 042	977 893
Deposits	507 388	359 734	507 388	359 734
Balance sheet total	1 499 915	1 219 595	1 499 915	1 219 595

All information included in this release is preliminary and unaudited. The audited Financial Statements will be published on 13.2.2015 and the Annual Report during the week 11/2015.

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