



Covered Bond Investor Presentation

The Mortgage Society of Finland

April 2016

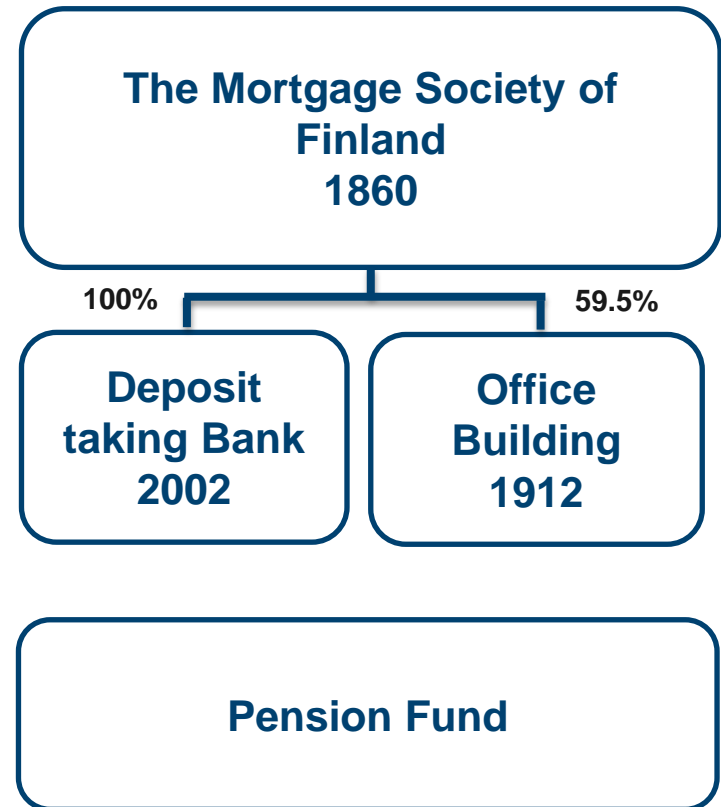
Hypo in Brief



Hypo Group Overview



- Founded in 1860
 - The oldest private credit institution in Finland
- Specialized in mortgage financing
 - Residential property always as collateral
- Retail banking, no corporate lending
- Operates only in Finnish growth centers
- Supervised by the FIN-FSA
- Mutual company governed by the member customers
 - All returns are kept within Hypo
- Strong loan book (NPLs 0.16%)
- Well-known and frequent borrower in Finland
- Total assets EUR 1.96 billion (2015)
- S&P issuer credit rating: 'BBB/A-3' (neg.)
- Preliminary covered bond rating: 'AAA' (st.)



S&P Issuer Credit Rating of Hypo: 'BBB/A-3'



Anchor Rating for Finnish Commercial Banks

A-

1. Hypo business position

-2

- Small-sized bank, concentrated niche market position
- Prudent approach in managing risks, restricted operations providing stability

2. Hypo capital and earnings

+2

- Very strong capital and earnings
- Retained earnings fully used for capital build-up

3. Hypo risk position

-1

- Moderate risk position due to concentration in risks
- Partly mitigated by conservative underwriting standards, prudent risk management and outstanding loan-loss track record

4. Hypo liquidity and funding

-1

- Well matched funding profile
- High loan-to-deposit ratio

Hypo Credit Rating

BBB

- The outlook is negative, reflecting S&P's view of the weak economic recovery in Finnish economy.

Financial Results

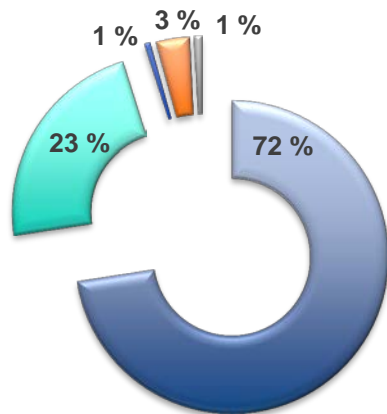


Hypo Group Balance Sheet

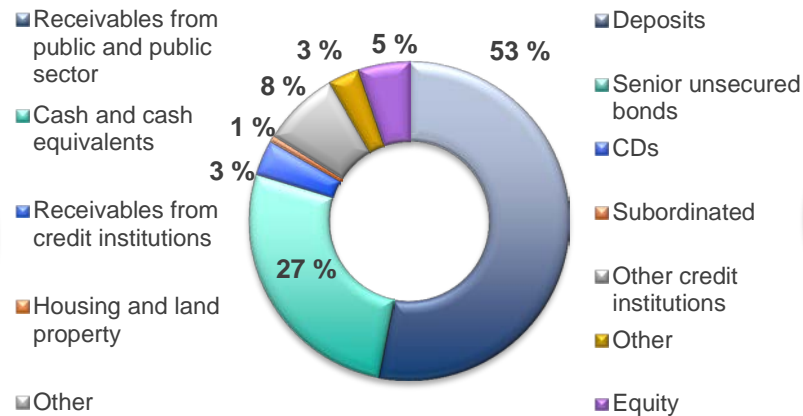
EUR 1.96 billion as of 31.12.2015



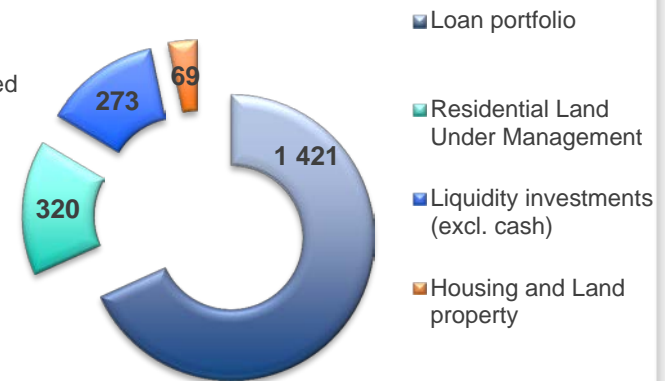
Total Assets



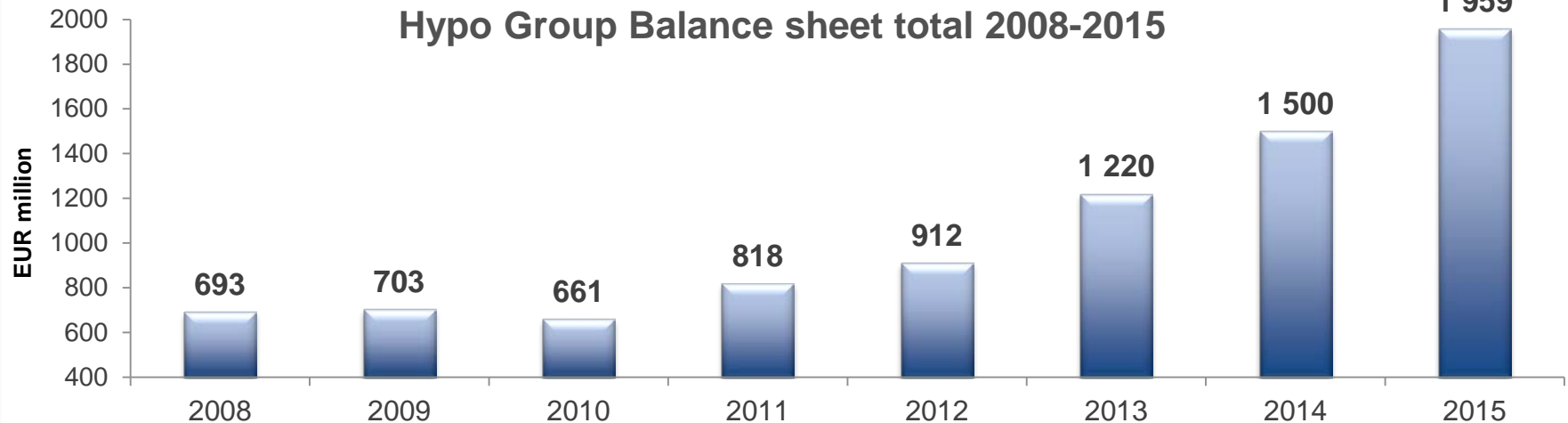
Liabilities and Equity



Revenue Generating Assets (m€), On and Off Balance Sheet



Hypo Group Balance sheet total 2008-2015



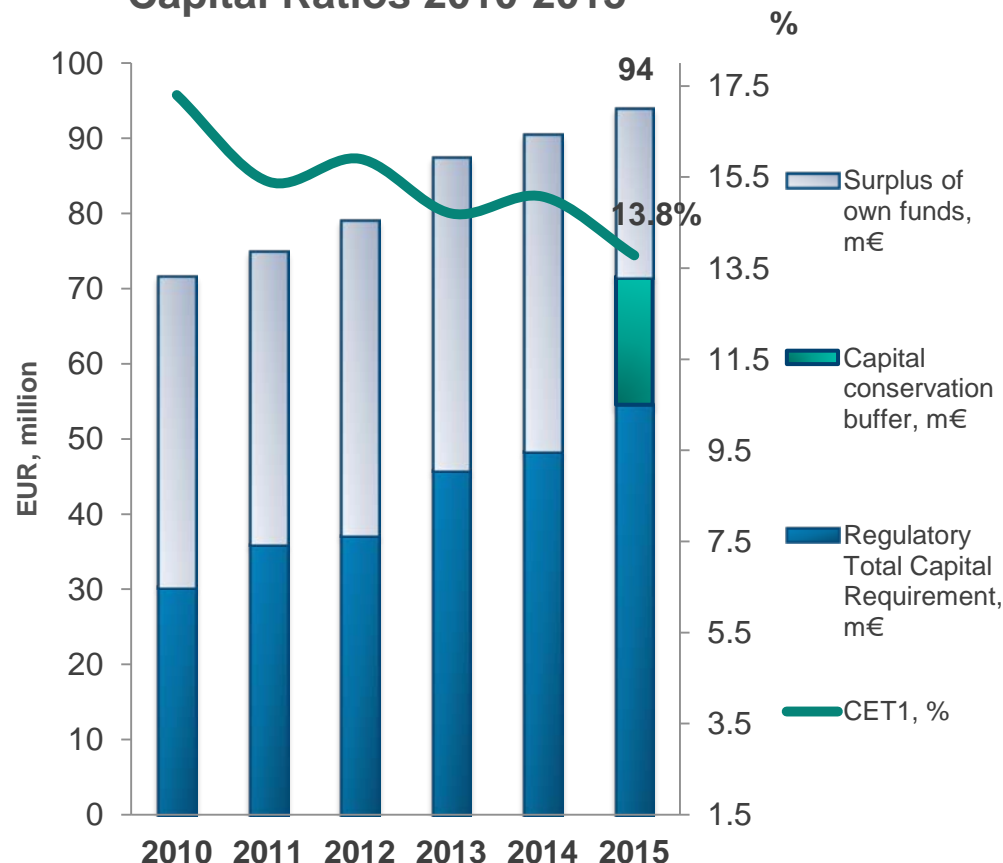
SECURE WAY FOR BETTER LIVING.

Solid Capital - Reporting Under Basel III Standardized Approach



- Common Equity Tier 1 at 13.8%
- Mutual company: all profits retained and added to the core capital
- S&P Risk Adjusted Capital ratio 20.5% as of 30.6.2015
 - Significantly higher than Nordic peers applying internal methods
- EUR 22.4 million of excess capital after
 - Regulatory TC requirement 8.0% + 2.5% Capital Conservation Buffer
- EUR 8.8 million of hidden reserves in housing property (not marked-to-market) and EUR 7.7 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 15.5%
- Basel III standard approach risk weights
 - Lending with Residential collateral (including loans to housing companies): 35% risk weight
 - Housing and land investments: 100% risk weight

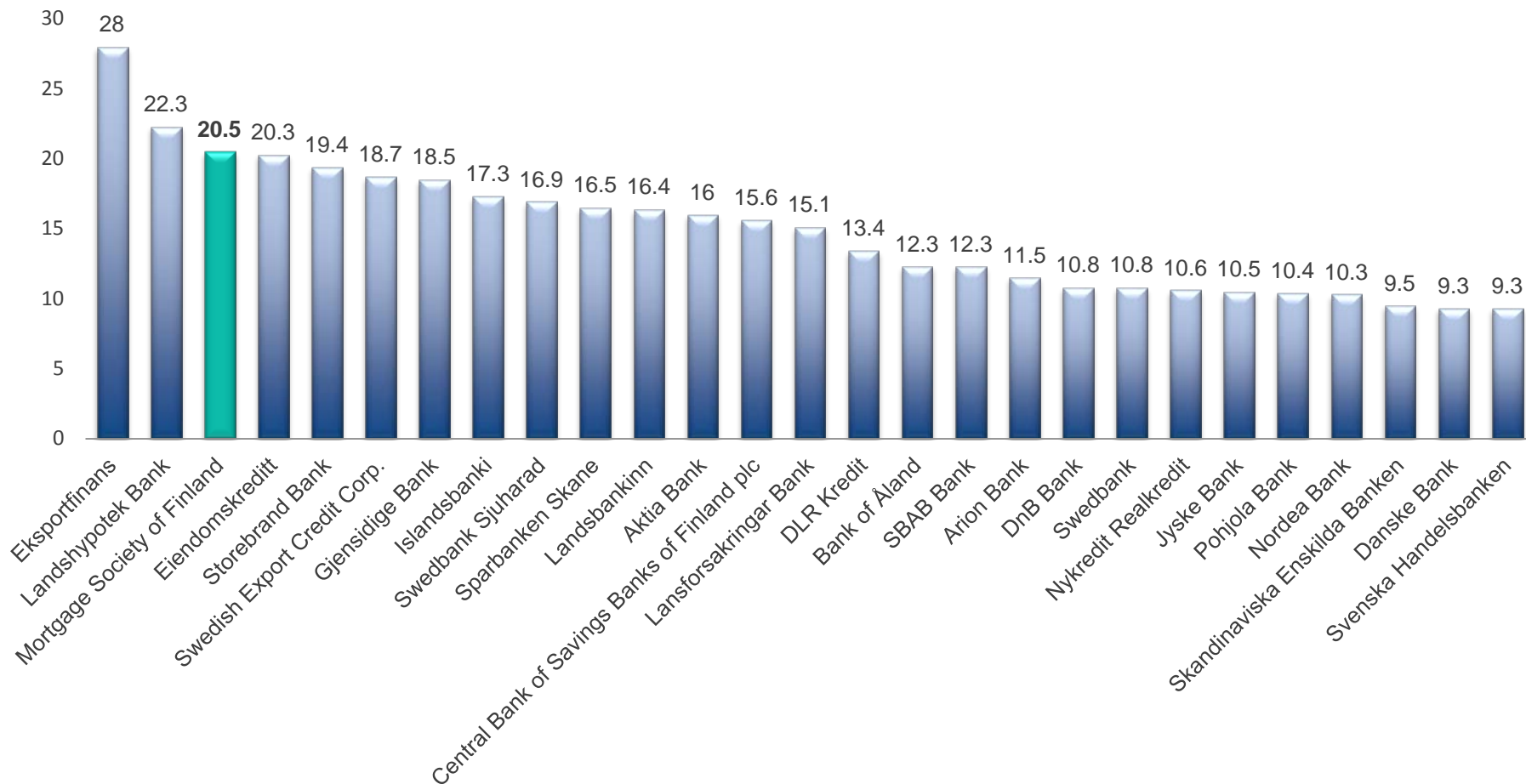
Capital Ratios 2010-2015



Hypo's S&P Risk Adjusted Capital 'very strong' at 20.5% as of 30.6.2015



S&P's Nordic RAC ratios as of 30.6.2015



SECURE WAY FOR BETTER LIVING.

Group Income Statement 2015



(1000 €)	2015	2014
Net interest income	4 574	6 427
Net fee and commission income	3 416	3 610
Total other income	8 681	7 219
Total expenses	- 9 149	-9 759
Operating profit	7 523	7 498

- Hypo Group's operating profit before tax for financial year 2015 remained stable at EUR 7.52 million (EUR 7.49 million 2014).
- NII decreased to EUR 4.57 million (6.4 million) due to low interest rate environment
- Net fee and commission income for the financial year was stable at EUR 3.4 million (3.6 million).
- Total other income (incl. Treasury operations and investments in housing and residential land) increased to EUR 8.7 million (7.2 million)
- Total expenses decreased to EUR 9.1 million (9.8 million) despite the new contribution payment to the national resolution fund (*vakausmaksu*)

SECURE WAY FOR BETTER LIVING.

Group Key Financial Figures

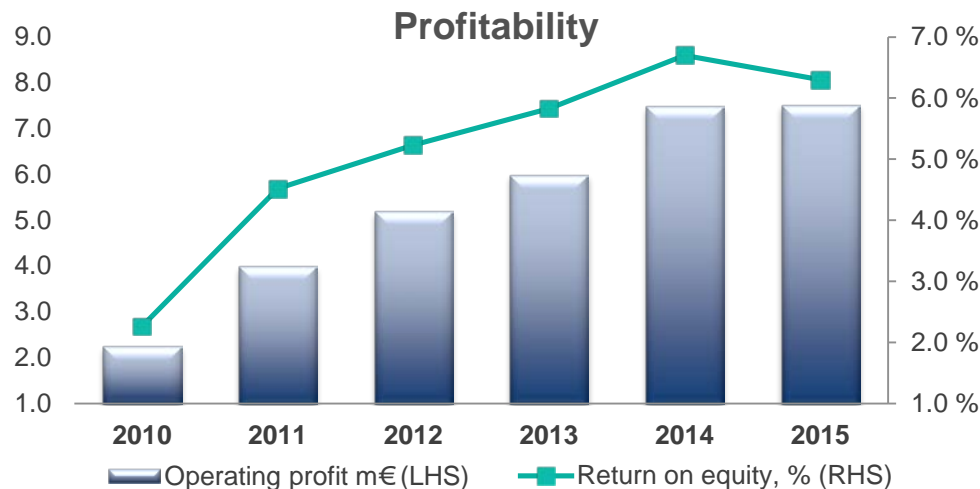


	2015	2014
Common Equity Tier 1 ratio (%)	13.8	15.1
Cost-to-income ratio (%)	54.9	56.4
Non-performing assets, % of the loan portfolio	0.16	0.23
Loan-to-value ratio (%)	41.1	44.9
Loans-to-deposits (%)	137	237
Loan portfolio total (m€)	1 421	1 204
Balance sheet total (m€)	1 959	1 500

- Total assets increased to EUR 1.96 billion (EUR 1.5 billion 2014)
- Loan portfolio increased to EUR 1.42 billion (1.2 billion 2014)
- CET1 ratio decreased to 13.8% (15.1% 2014)
- Equity increased to EUR 101.5 million (EUR 95.4 million 2014).
- Average LTV strengthened to 41.1% (44.9%)
- Group's financial position remained stable throughout the period

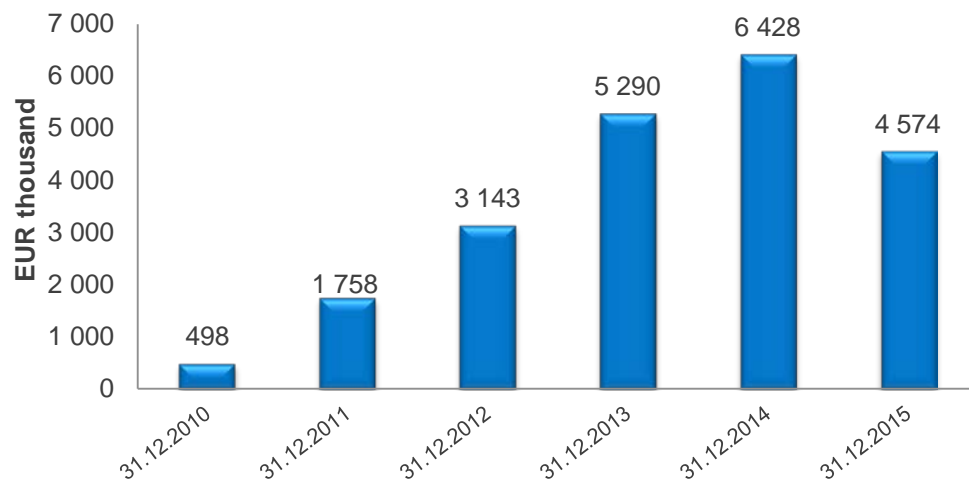
SECURE WAY FOR BETTER LIVING.

Financial Performance - Stable Profitability Despite Lower Interest Rates

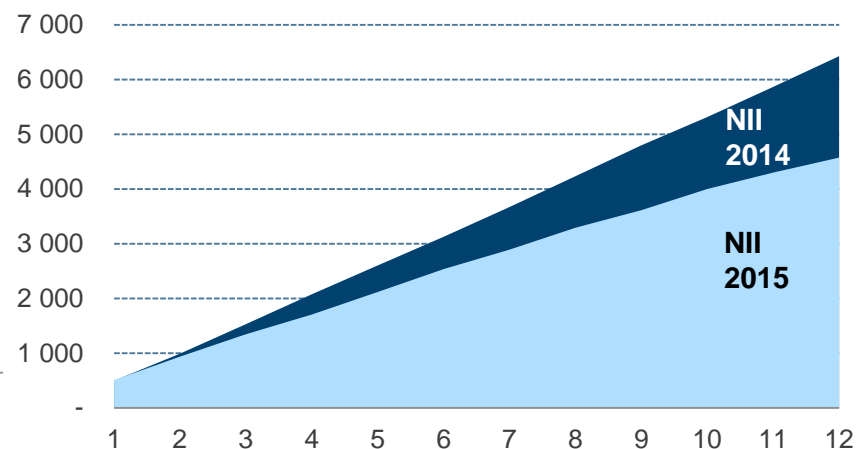


- Group's return-on-equity stood at 6.3% (6.7% 2014)
- Operating profit for 2015 remained stable at EUR 7.52 million (7.49 million 2014)
- Net interest income decreased 29% to EUR 4.6 million (6.4 million) due to low interest rate environment and **significant strengthening of liquidity**
- Cost-to-income ratio was 54.9% (56.4%)

Net Interest Income 2010-2015



m€ Accumulation of Net Interest Income



SECURE WAY FOR BETTER LIVING.

Lending Strategy



Lending Strategy Summary



Customers	Two customer groups <ul style="list-style-type: none">• Individuals and households: home mortgage, buy-to-let (47%)• Housing companies: renovation loans, construction phase loans (53%)
Collateral	<ul style="list-style-type: none">• Requirement for safeguarding collateral set in the Act on Mortgage Societies• > 99% of the loan book with residential collateral• Collateral must be located in Finnish growth center
LTV	<ul style="list-style-type: none">• The loan book average LTV is 41.1%• At origination, loans granted only up to 70% of the fair value (exceptions for loans with e.g. government guarantee possible)
Repayment type	<ul style="list-style-type: none">• 93% of the loans amortizing• 7% bullets
Interest rate type	<ul style="list-style-type: none">• > 97% of the loan book is floating rate<ul style="list-style-type: none">• 51% in 6 months euribor, 45% in 12 months euribor
NPLs	<ul style="list-style-type: none">• 0.16% (>90 days)
Currency	Only EUR denominated lending

Loan portfolio data as of 31.12.2015

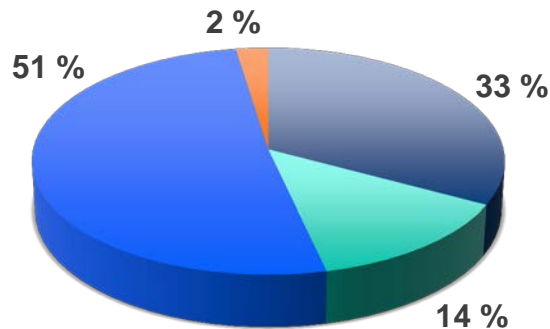
SECURE WAY FOR BETTER LIVING.

Loan Book Overview



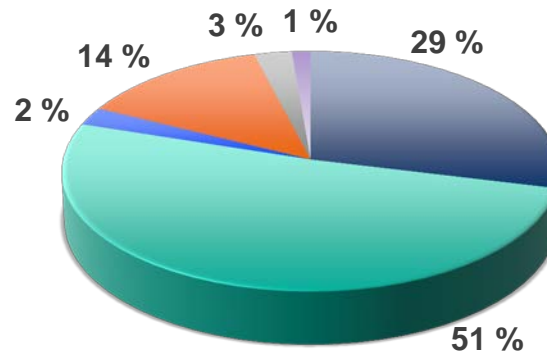
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 - Private individuals and households: home mortgage, buy-to-let
 - Housing companies: renovation loans, construction phase loans

Lending by Customer Type



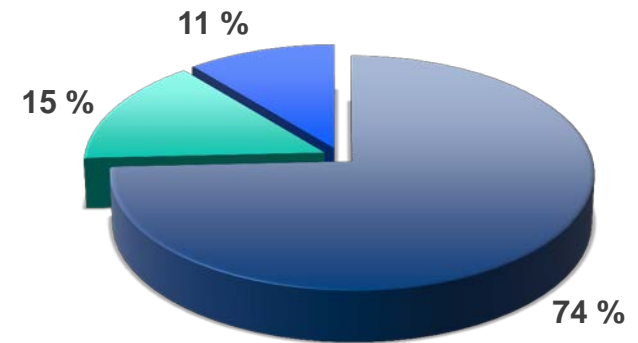
- Households
- Housing investors
- Housing companies
- Housing companies under construction

Lending by Purpose of Use



- Housing loans
- Housing companies
- Housing companies under construction
- Housing investors
- Reverse loans
- Consumer loan w/ residential collateral

Loan Book by Customer Domicile



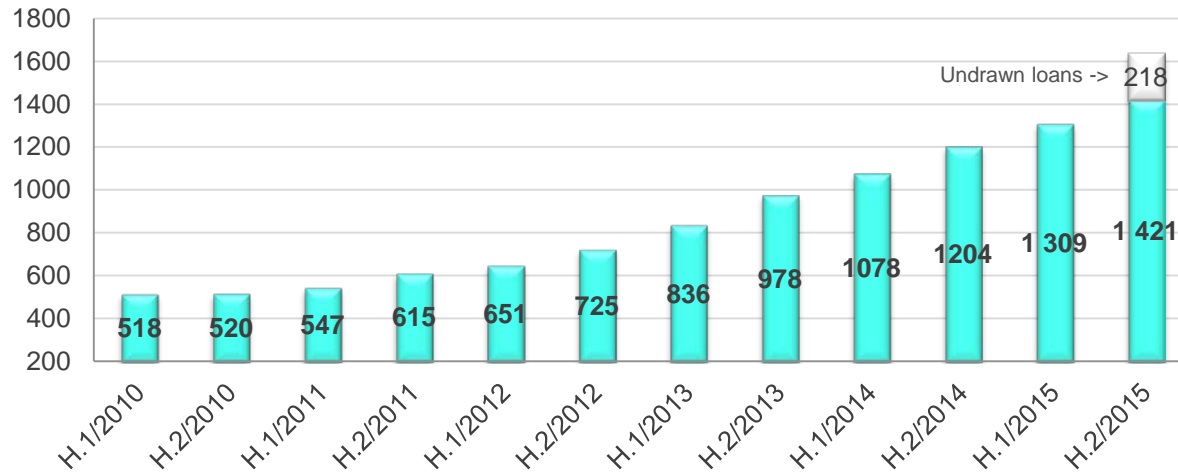
- Helsinki Metropolitan Area (Helsinki, Espoo, Vantaa, Kauniainen)
- Other growth areas
- Other areas (incl. Rest of Uusimaa)

SECURE WAY FOR BETTER LIVING.

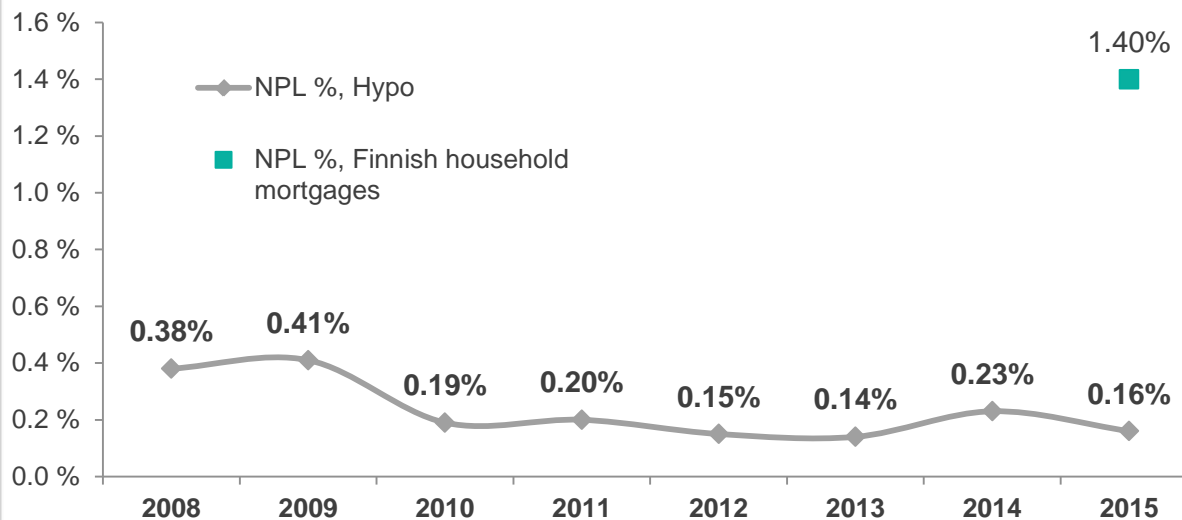
Hypo Loan Book Growing Steadily



Hypo Loan Book Total, m€



Non-performing Loans (%)



* Finnish FSA

SECURE WAY FOR BETTER LIVING.

- Hypo's loan book increased 18% during 2015, reaching EUR 1.42 billion (1.2 billion 2014)
- EUR 218 million of undrawn loans
- All lending against residential collateral
- Only EUR denominated lending
- All collateral located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- The amount of non-performing loans remain at very low level at 0.16% of the total loans
- The quality of the loan book well above the Finnish household mortgage average NPLs (1.4% 1Q2015*)

Funding



Funding Strategy



- The Finnish FSA granted Hypo a license for mortgage banking activity on Jan. 29, 2016
 - Issuer is the Group Parent, no separate entity
 - First issue anticipated during the first half of 2016
 - Aiming at LCR level 2A eligibility
- Senior unsecured issues continue
- All bonds
 - Listed on the NASDAQ OMX Helsinki trading list
 - Issued under Finnish legislation and EUR 1.5bn note issuance programme
- Deposit funding through 100% subsidiary bank "Suomen AsuntoHypoPankki"
- Other funding sources
 - Commercial Deposit program
 - Bilateral loans
 - ECB repo counterparty

Hypo's Outstanding Issues as of 31.3.2016 (original amount issued)

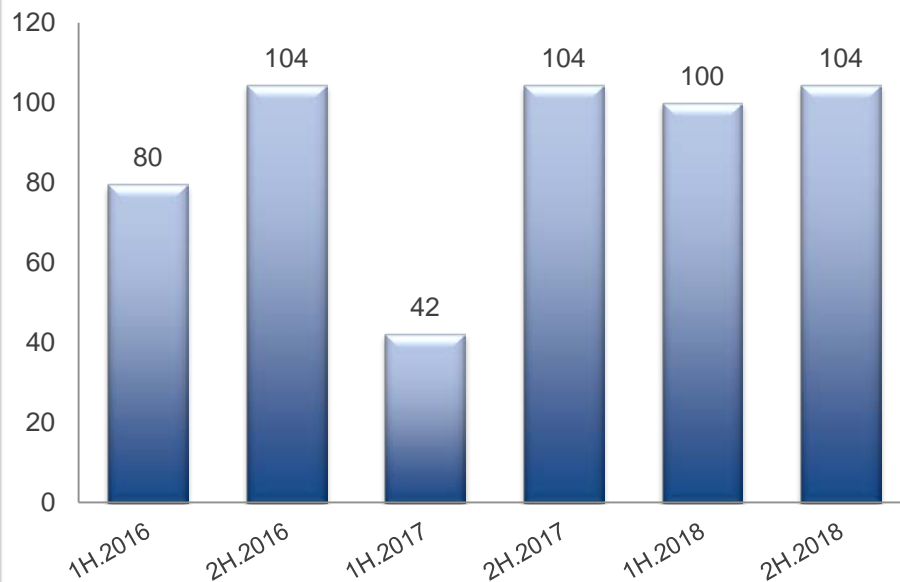
ISIN	Issue Date	Maturity Date	Type	Nominal Issued (m€)	Coupon
FI4000060322	14.2.2013	14.2.2017	Senior Unsecured	40	FRN 6M +110
FI4000064191	23.5.2013	23.5.2016	Senior Unsecured	(SEK) 250	FRN 3M (STIBOR) +138
FI4000064183	23.5.2013	23.5.2016	Senior Unsecured	50	FRN 6M +95
FI4000076443	9.12.2013	9.12.2016	Senior Unsecured	100	FRN 6M +95
FI4000092598	29.4.2014	30.10.2017	Senior Unsecured	75	FRN 6M +100
FI4000092598 (tap)	22.9.2014	30.10.2017	Senior Unsecured	25	FRN 6M +90
FI4000123021	4.12.2014	4.6.2018	Senior Unsecured	75	FRN 6M +95
FI4000123021 (tap)	16.1.2015	4.6.2018	Senior Unsecured	25	FRN 6M +95
FI4000186614	4.12.2015	4.12.2018	Senior Unsecured	100	FRN 6M +90

Diversified Funding Profile

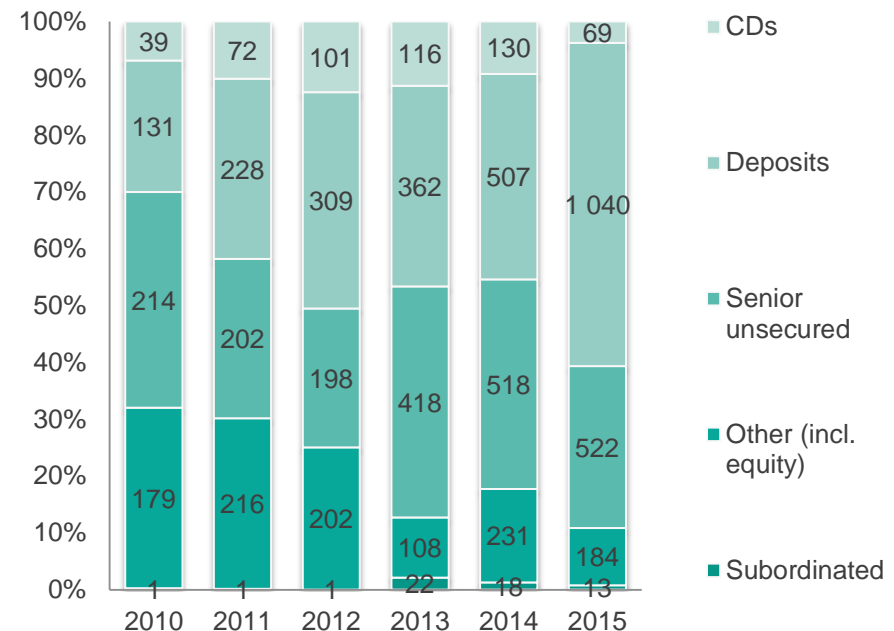


- Domestic Programme for Senior Unsecured Notes, Subordinated Debentures and Covered Bonds
- Covered Bonds will further diversify funding sources
- Solid strategy, solid financial performance
 - IFRS quarterly reporting, transparent and timely financial Information
- Deposit funding through the AsuntoHypoPankki subsidiary, 57% of total funding (31.12.2015)
 - Increase during 2015 follows the strategy to diversify funding sources

Outstanding Senior Unsecured and Subordinated Debt by Maturity
31.12.2015



Funding Structure 2010-2015, m€



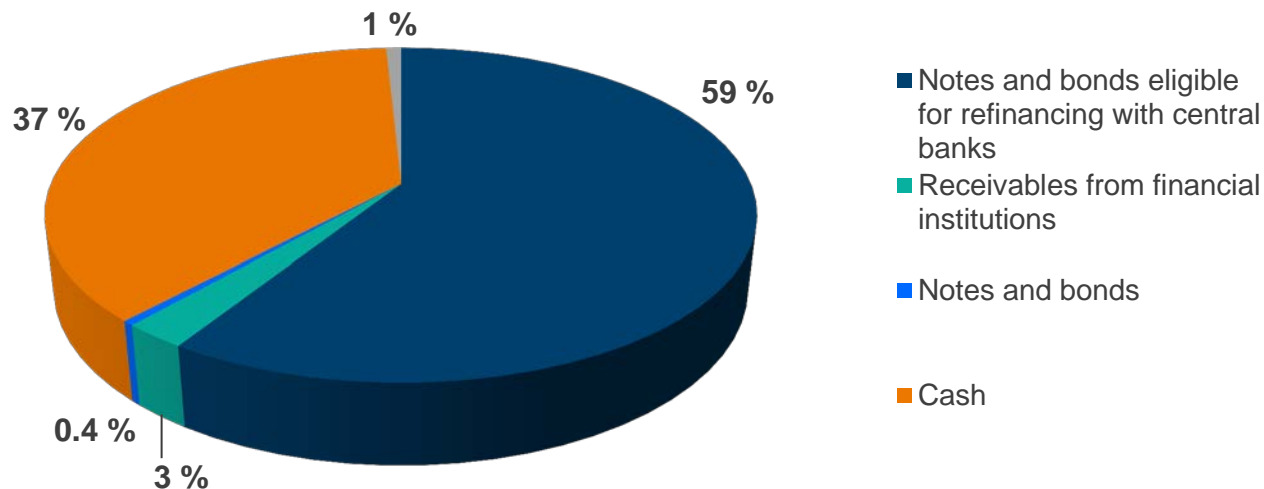
SECURE WAY FOR BETTER LIVING.

Solid Liquidity Position



- **Liquidity portfolio EUR 459 million as of 31.12.2015**
 - Conservative investment policy
 - 77% of debt securities invested in at least AA- rated counterparties
 - 99% of liquidity portfolio investments ECB repo eligible
 - Only EUR denominated exposure
 - Hypo's domestic MTN and CD programs support the liquidity
 - Liquidity covers maturing wholesale funding for the following 22 months

Liquidity Portfolio as of 31.12.2015



Covered Bonds & Cover Asset Pool



Hypo Covered Bonds Executive Summary



- Issuer is the Group parent, no separate covered bond issuer
- Cover pool consists 100% of Finnish residential property
- Current WALTV 34.1%
- Current nominal OC 50.0%
 - Commitment to keep the OC all times at a level commensurate with a 'AAA' rating from S&P
 - Legally binding OC requirement: 2% of the net present value
 - All collateral located in Finland, in the selected prime growth centers
- Preliminary rating by S&P 'AAA' (st.)
- Expected LCR level 2A eligibility
- Hypo is a member of ECBC

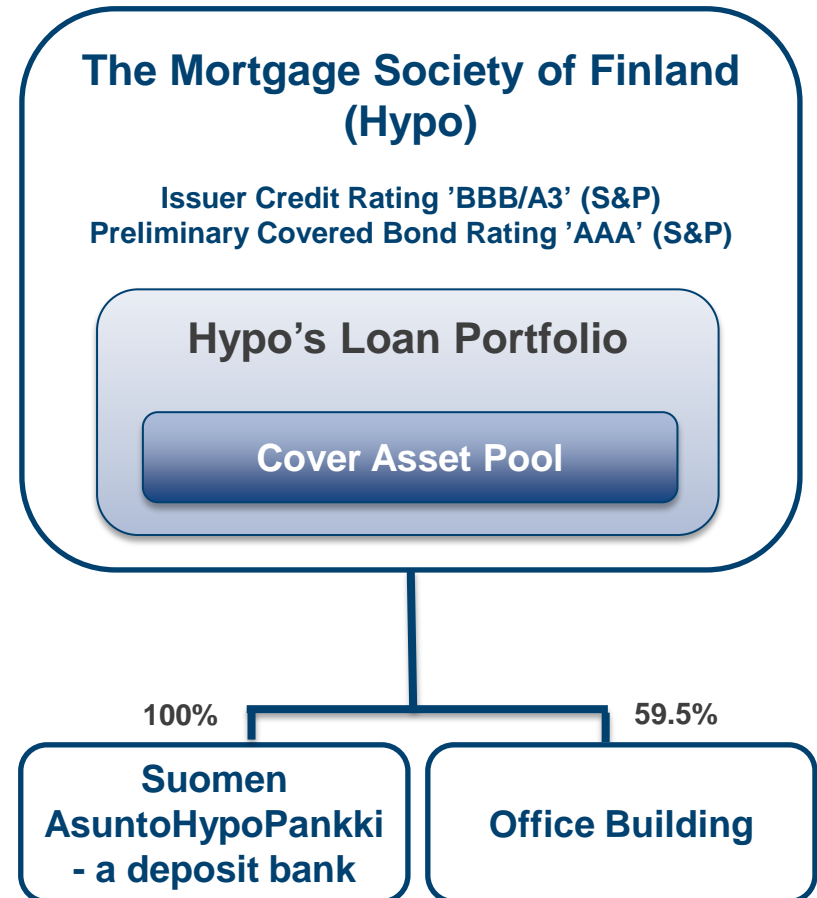
As of 31.3.2016

SECURE WAY FOR BETTER LIVING.

Simple Structure, High Transparency



- The issuer is the group parent Hypo
- Covered bonds issued directly from Hypo's balance sheet
 - No separate covered bond entity
 - The assets are segregated by the covered bond register
- Issuer Credit Rating 'BBB/A3' (neg.)
- Preliminary covered bond rating 'AAA' (st.)



Eligibility Criteria for the Cover Pool



Origination	<ul style="list-style-type: none">• Issuer the Mortgage Society of Finland (Hypo)• Only mortgage loans originated by Hypo
Assets Categories	<ul style="list-style-type: none">• 100% Finnish residential assets<ul style="list-style-type: none">• Retail mortgages• Housing company residential mortgages (common debt between multiple individuals)
Customer Credit Quality	<ul style="list-style-type: none">• No arrears (>30 days)• No negative credit history• Over 65% of the pool in internal credit class 'A'
Collateral	<ul style="list-style-type: none">• Maximum LTV limit 70%• Current Pool WALTV 34.1%• Finnish residential collateral, located in prime growth centers• Collateral valuations updated quarterly• Commitment to keep OC all times at the level commensurate with S&P rating 'AAA'
Type of Properties	<ul style="list-style-type: none">• Primary residences• Limited liability housing companies (multiple individuals)
Type of Products	<ul style="list-style-type: none">• Principal repayment mortgages<ul style="list-style-type: none">• >95% floating interest rate• No revolving/flexible loans

SECURE WAY FOR BETTER LIVING.

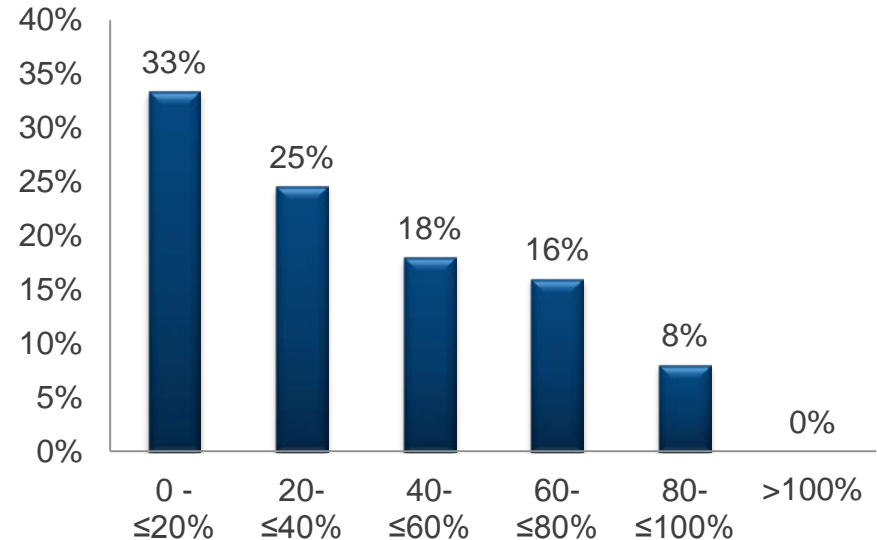
Cover Asset Pool Data (1/3)



Pool Data as at 31.3.2016

Total Cover Pool (nominal)	EUR 375 028 390
Eligible Cover Pool	EUR 367 672 526
Average Loan Balance	EUR 139 157
No. of loans	2 695
No. of properties	2 408
No. Clients	2 928
WA seasoning (months)	45
WA remaining term (months)	215
WA LTV (indexed)	34.1%
WA LTV (unindexed)	37.6%
Interest	Variable 98.5% Fixed 1.5%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	50%
Pool Type	Dynamic

LTV distribution as at 31.3.2016

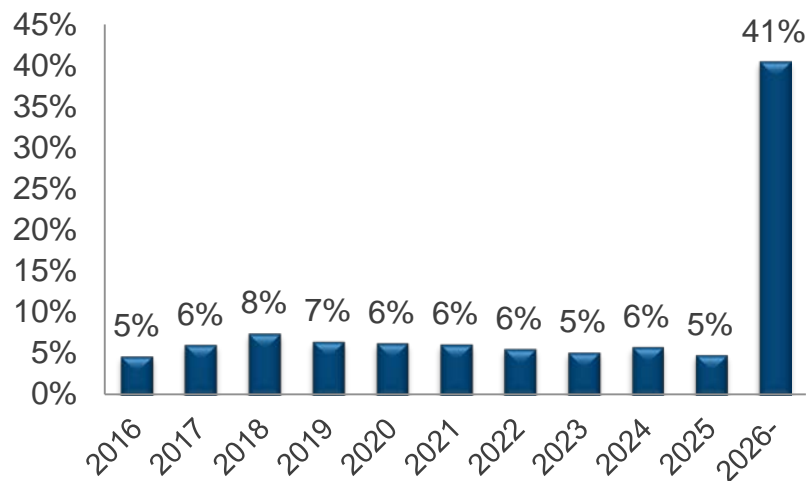


- The weighted average indexed LTV of the pool is 34.1%.
- No non-performing loans in the cover pool.
- No arrears.
- Well-seasoned mortgage cover pool

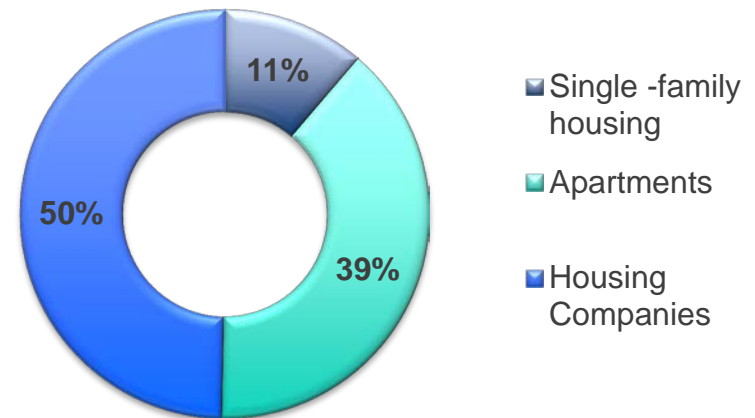
Cover Asset Pool Data (2/3)



Pool Loan Maturity Profile - Contractual Amortizations



Pool Collateral Types



- Balanced pool composition with 50% retail mortgages and 50% housing company residential mortgages
- All loans with contractual repayment schedule
- Stable amortization profile
- No public sector loans in the pool
- Currently no substitute assets in the pool

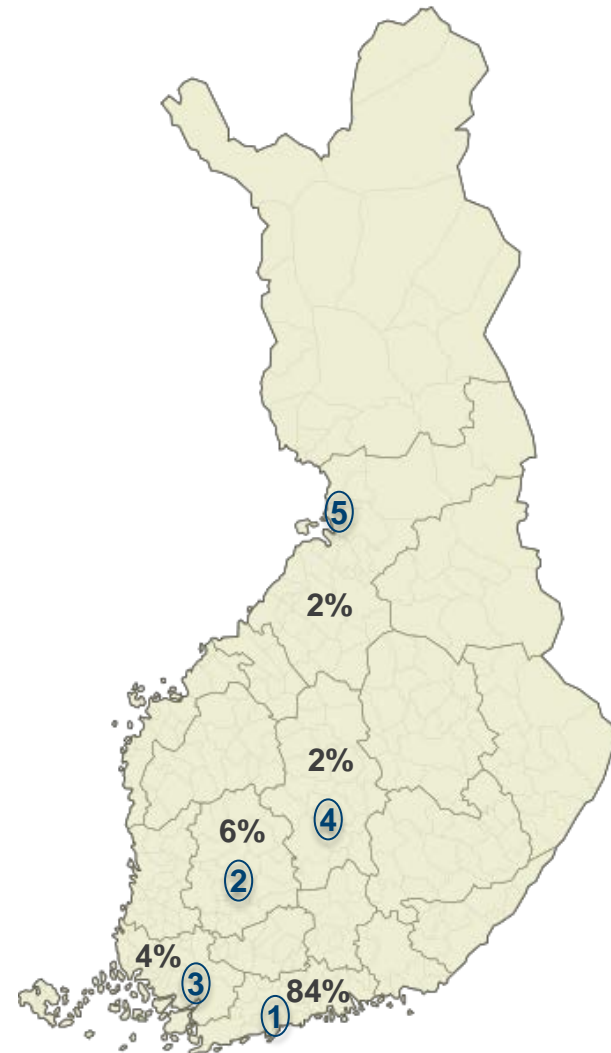
Cover Asset Pool Data (3/3)



Geographical Distribution as at 31.3.2016

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	84%
2	Pirkanmaa	Tampere	6%
3	Varsinais-Suomi	Turku	4%
4	Keski-Suomi	Jyväskylä	2%
5	Pohjois-Pohjanmaa	Oulu	2%

- Hypo's strategic choice is to operate in prime growth centers



SECURE WAY FOR BETTER LIVING.

Preliminary Rating Summary



- On March 31, 2016, Standard & Poor's Ratings Services assigned its preliminary rating of 'AAA' to The Mortgage Society of Finland's mortgage covered bond program and related issuances
 - A cash flow analysis of the program's proposed EUR 250 million, five-year soft-bullet covered bond.
 - S&P's target credit enhancement 20.23%
 - The available credit enhancement 48.92%
 - Hypo is committed to keep OC always at a level commensurate with the 'AAA' rating by S&P

S&P analyzed the pool data as at 8.1.2016

SECURE WAY FOR BETTER LIVING.

Cover Asset Pool Stress Test



Pool Resilient to House Price Decline

LTV	House price decline 0%	House price decline 10%	House price decline 20%	House price decline 30%	House price decline 40%
0- ≤ 40%	218	203	188	172	149
40- ≤ 70%	100	94	85	79	79
70- ≤100%	58	72	72	66	56
>100%	0	6	30	58	90
Pool total (nominal), EUR million	375	369	345	317	285
OC (nominal)	50%	48%	38%	27%	14%

- The stress test assumes that no action is taken to include new loans into the pool.
- Even in an extreme stress, where house prices decline by 40%, the pool total still exceeds EUR 250 million.

Finnish Economy and Housing Markets



Finnish Economy in a Nutshell



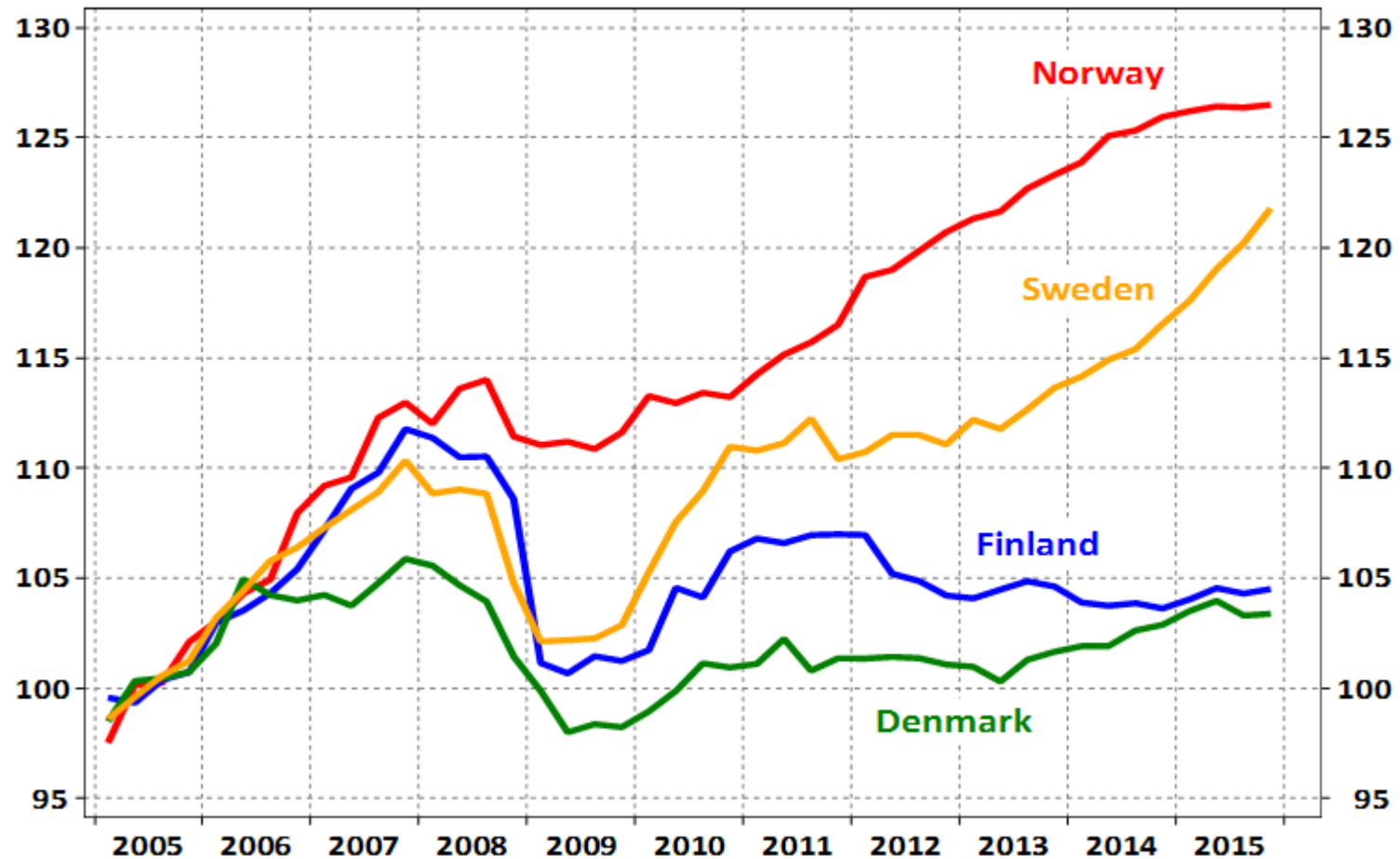
				Forecast	
National account	2014	2014	2015	2016	2017
	EUR bn (current prices)			% y/y	
GDP	205,3	-0,7	0,5	1,0	1,2
Imports	79,5	0,0	-0,4	1,0	1,5
Exports	77,6	-0,9	0,6	1,5	2,0
Private Consumption	113,7	0,6	1,4	0,6	0,6
Public Consumption	50,8	-0,3	-0,9	0,0	0,0
Investments	42,2	-2,6	-1,1	2,2	3,5
Economic indicators		2014	2015	2016	2017
Unemployment rate, %		8,7	9,4	9,3	9,2
Earnings, % y/y		1,4	1,1	1,1	1,2
Inflation, % y/y		1,0	-0,2	0,5	1,0
Housing prices, % y/y		-0,6	-0,6	1,0	1,5
Current account, % of GDP		-0,9	0,1	0,4	0,5
Public deficit, % of GDP		-3,2	-2,7	-2,7	-2,4
Public debt/GDP, % of GDP		59,3	63,1	64,9	65,8

Source: Statistic Finland, The Mortgage Society of Finland

SECURE WAY FOR BETTER LIVING.

Economic Growth Lagging in Finland

2005 = 100, GDP



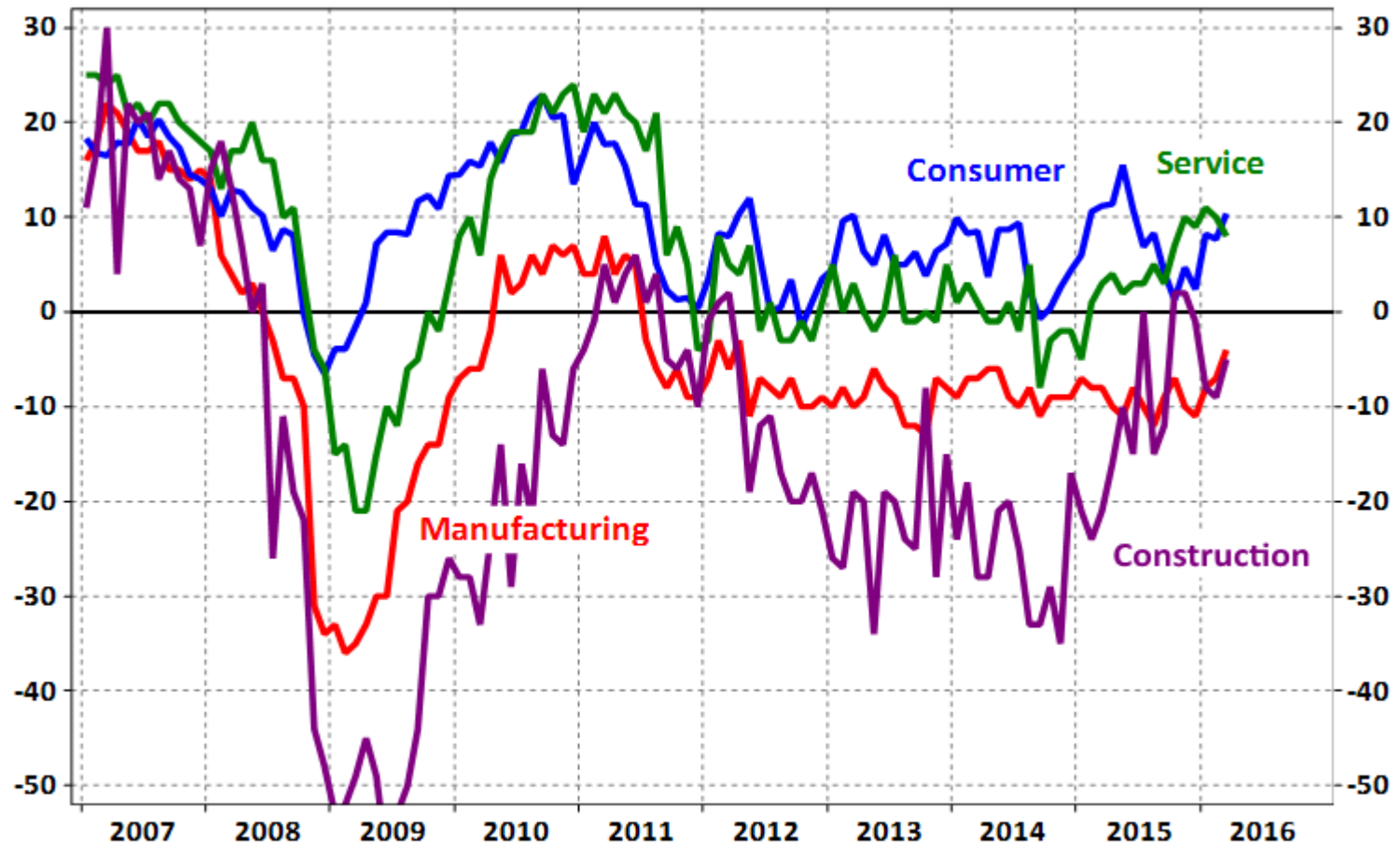
Source: Macrobond

SECURE WAY FOR BETTER LIVING.

Growth Picking Up Slowly in Finland



Balance, Confidence Indicator, SA



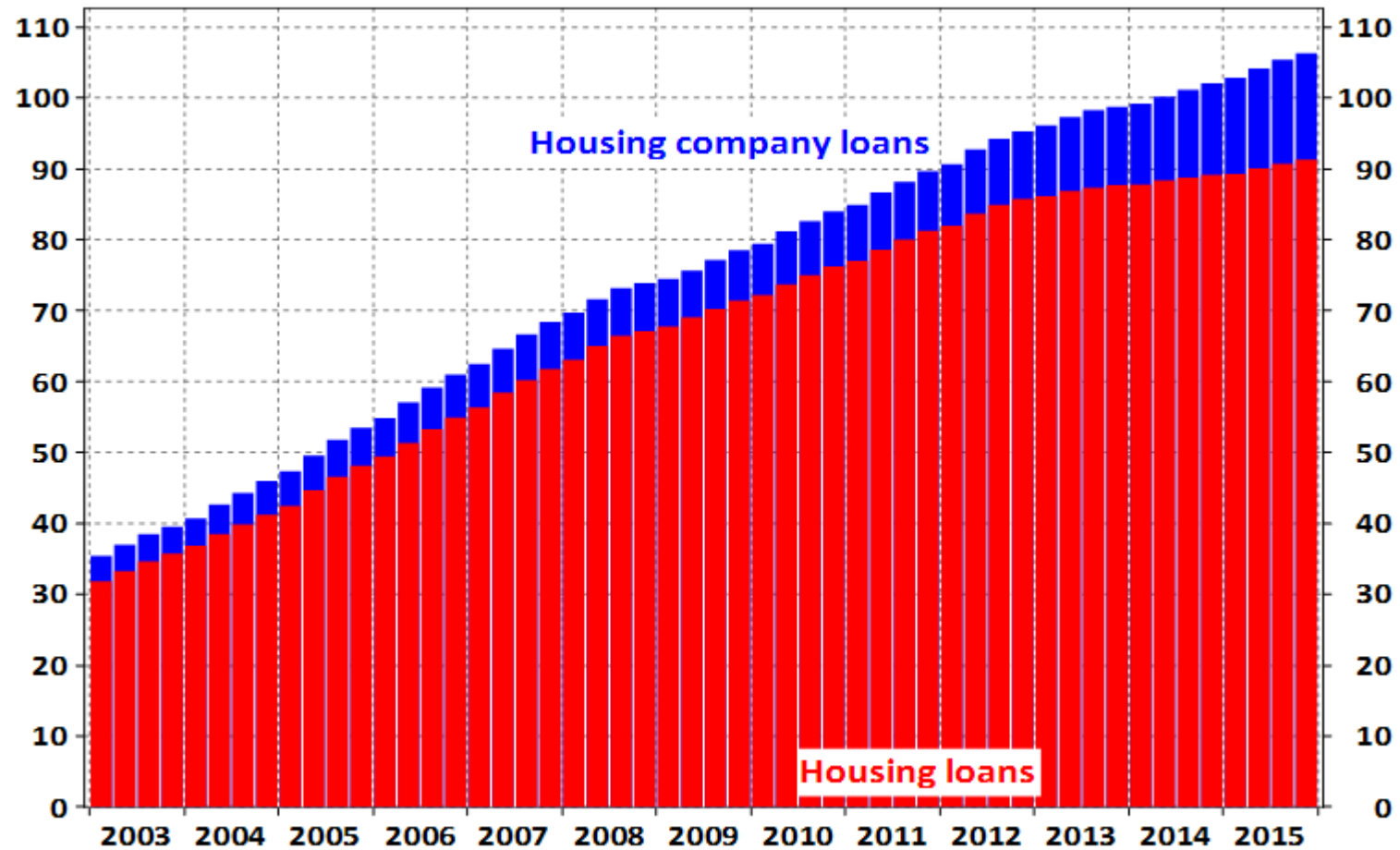
Source: Macrobond

SECURE WAY FOR BETTER LIVING.

Housing Company Loans as a Share of Housing loans



EUR billion, household indebtedness

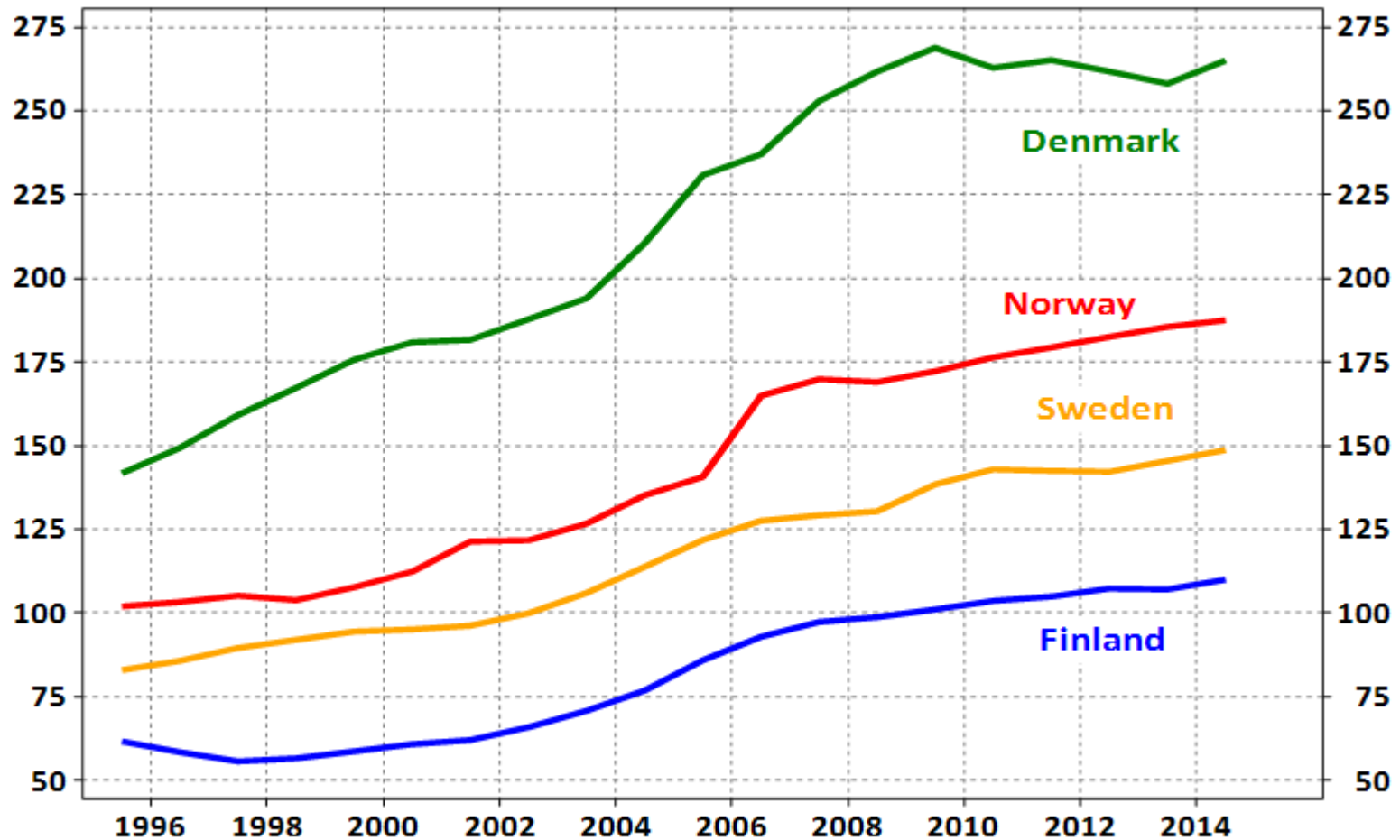


Source: Macrobank

SECURE WAY FOR BETTER LIVING.

Despite Recent Increase, Private Debt Ratio Relatively Low in Finland

% , Gross Debt -To-Income Ratio of Households

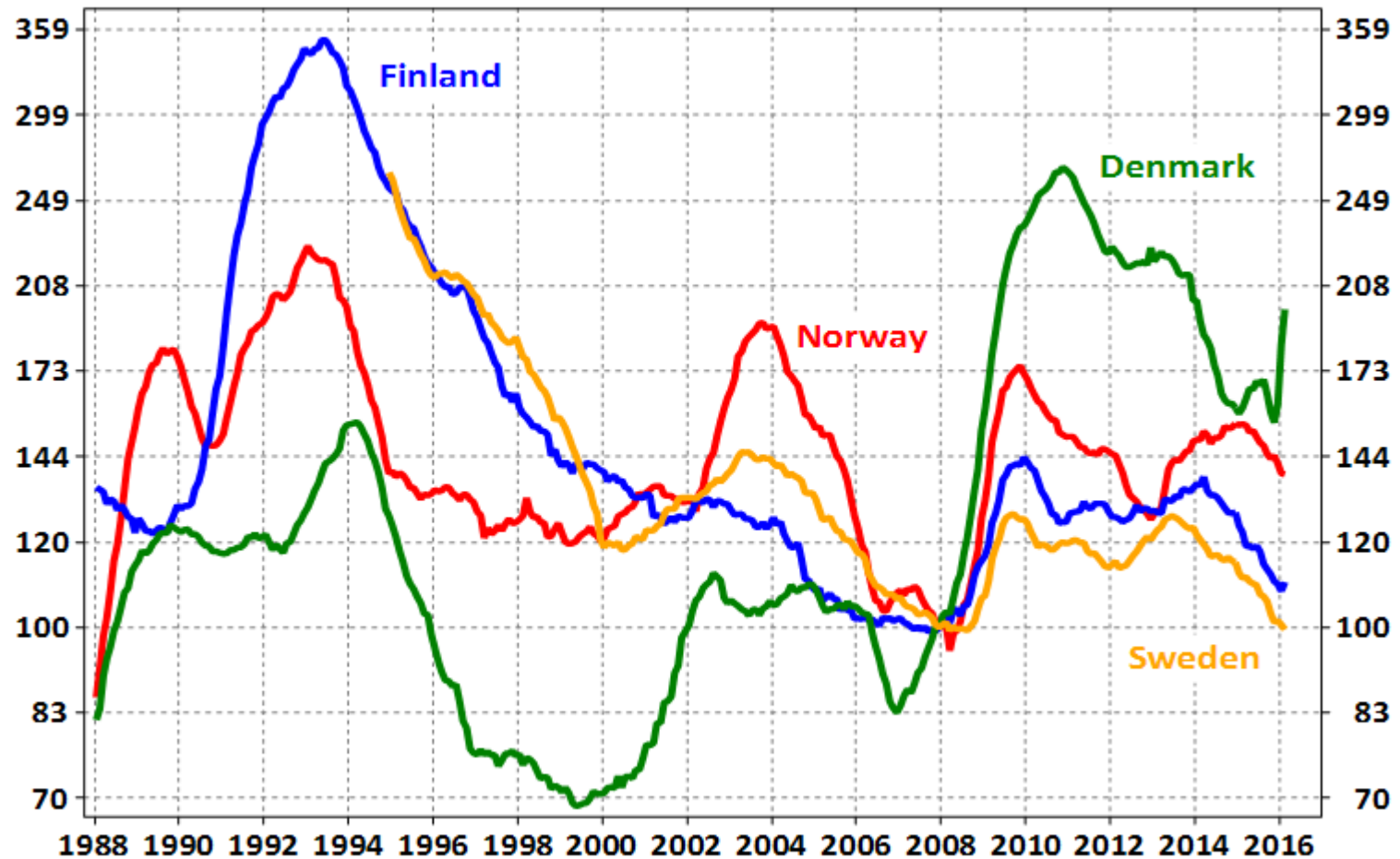


Source: Macrobond

SECURE WAY FOR BETTER LIVING.

Rate of Bankruptcies Low in Finland

2007 = 100, Bankruptcies compared to population, 12m moving average, log



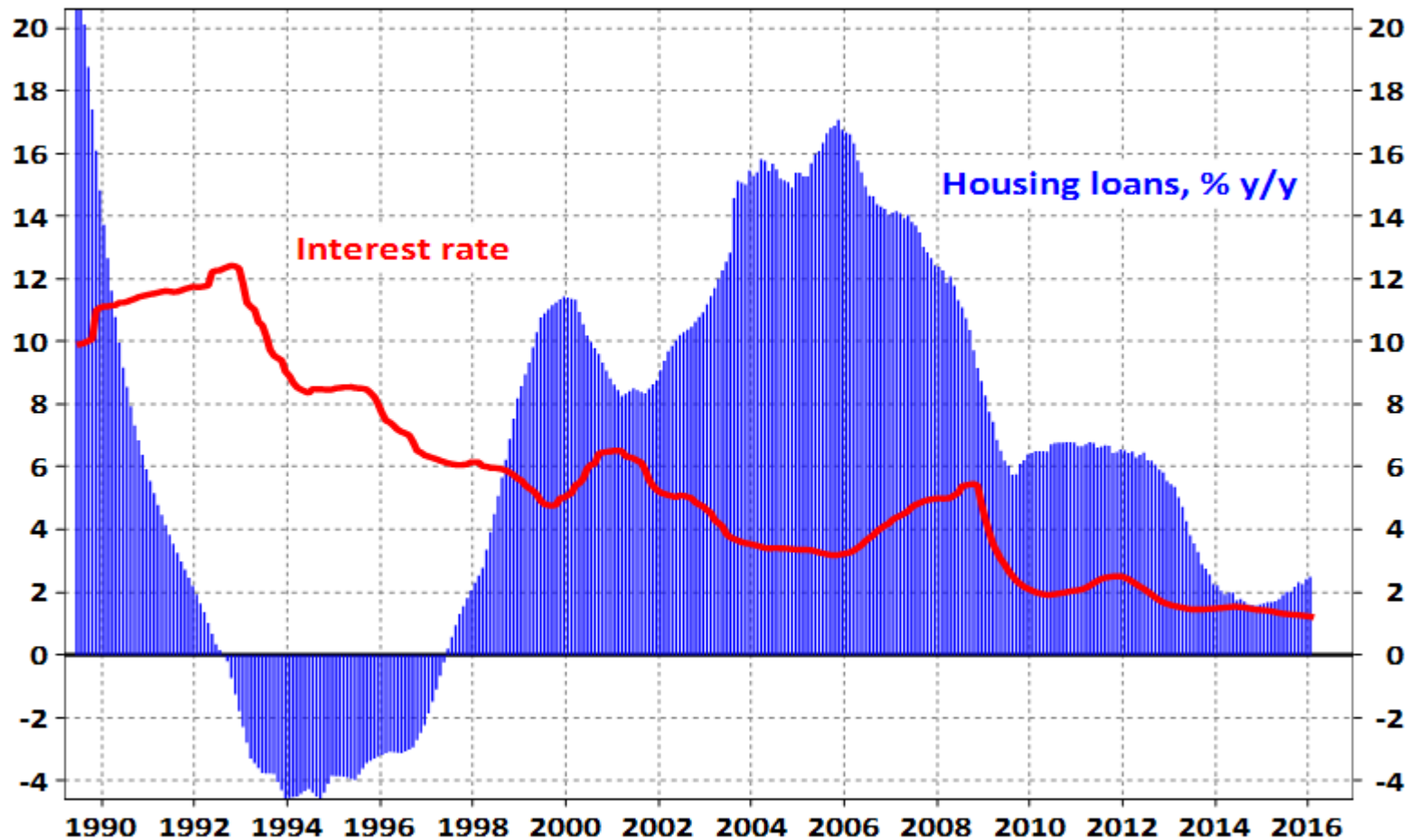
Source: Macroband

SECURE WAY FOR BETTER LIVING.

Still Tepid Growth in Housing Loans



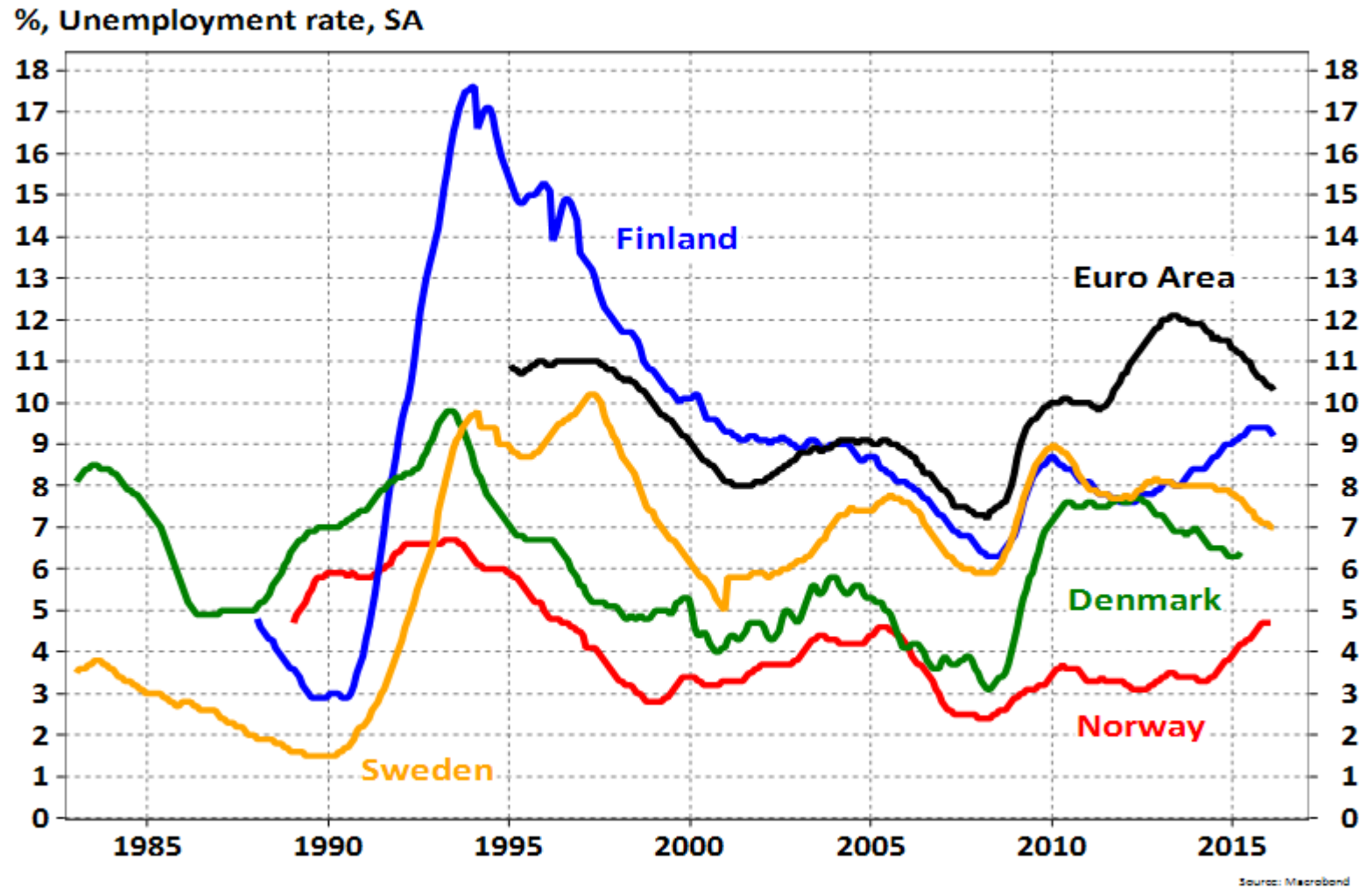
%, Housing loan stock (before 2003 total private loans) and average interest rate



Source: Microband

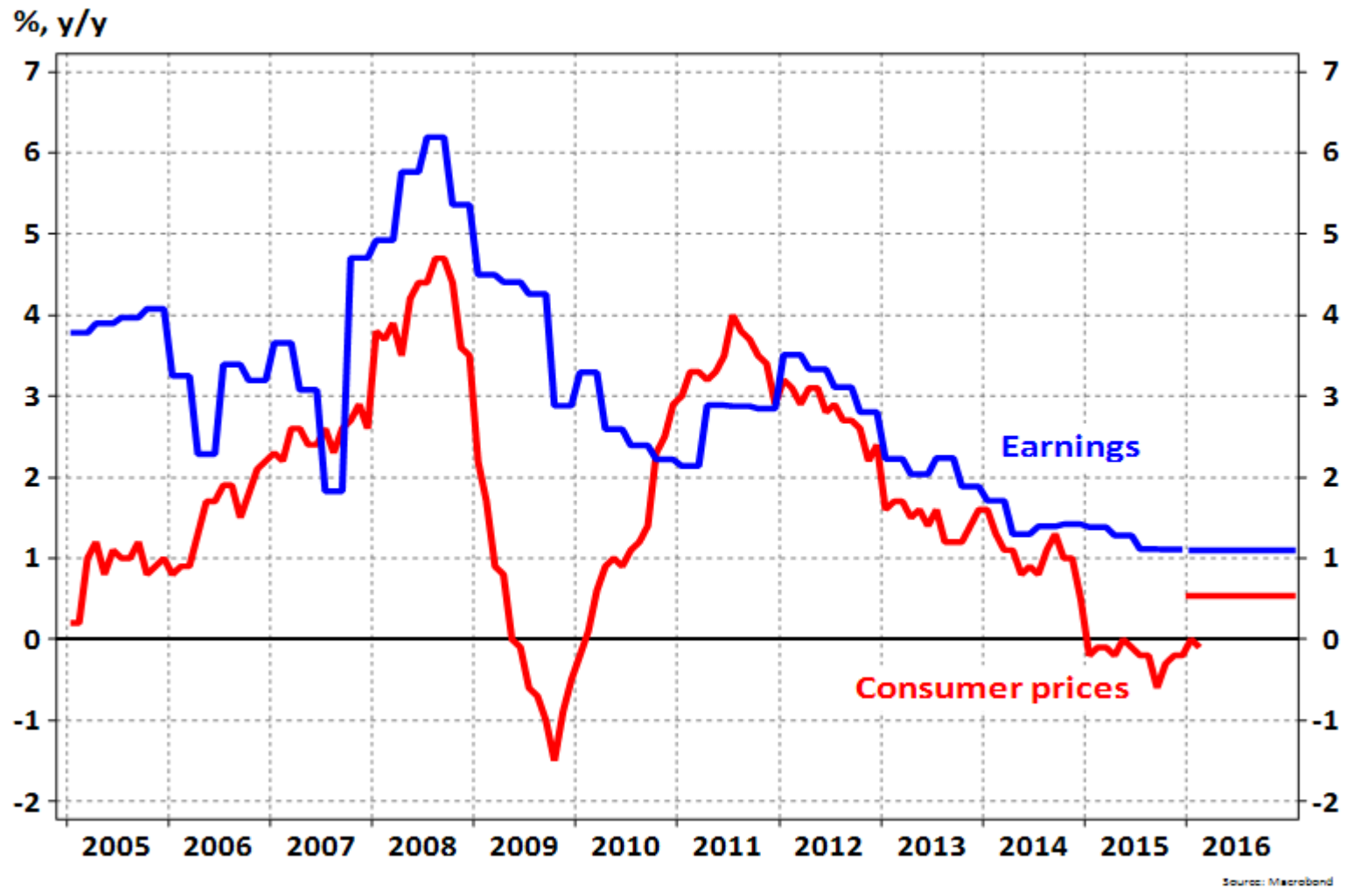
SECURE WAY FOR BETTER LIVING.

Unemployment Remains Elevated



SECURE WAY FOR BETTER LIVING.

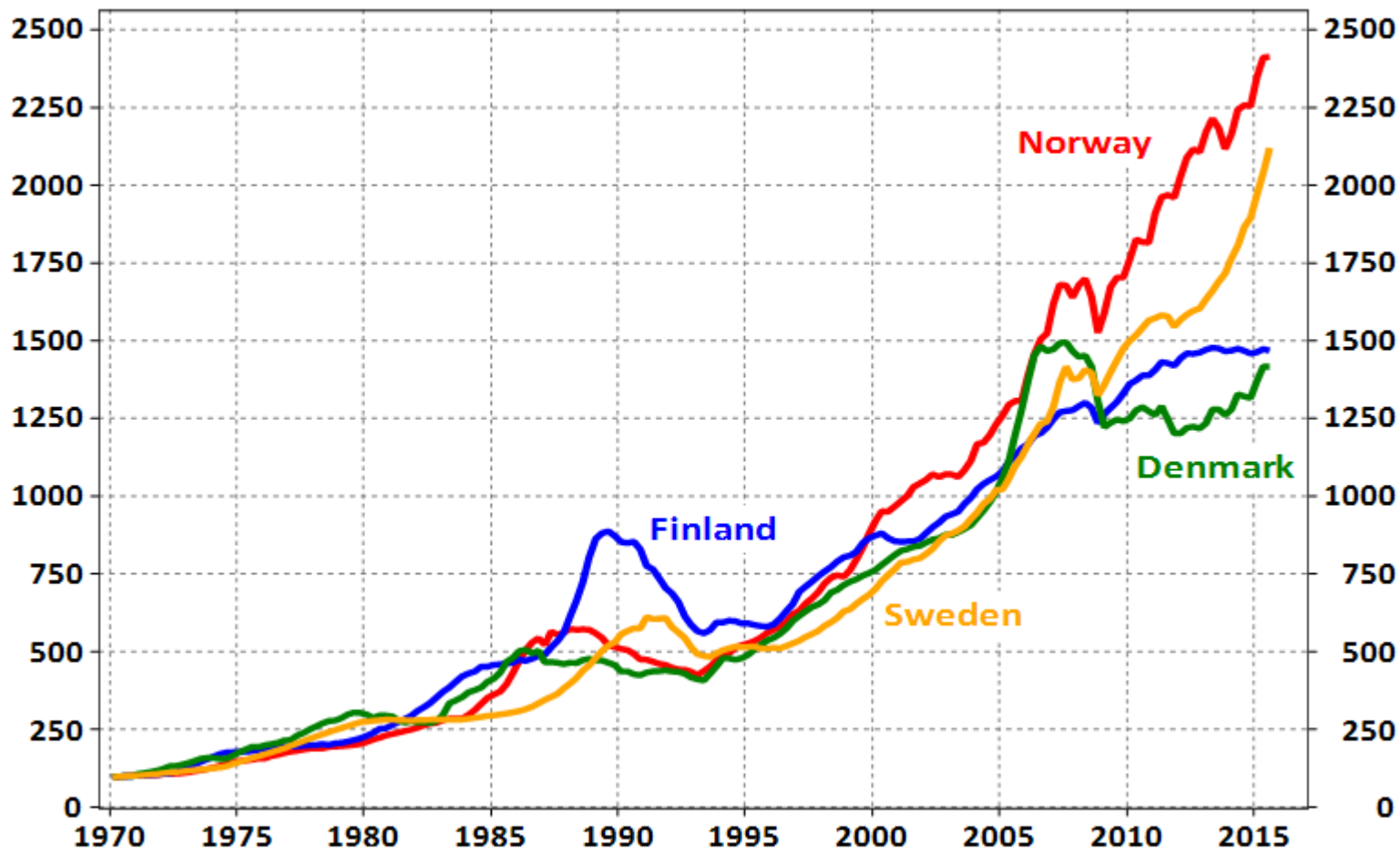
Sluggish Real Earnings Growth



SECURE WAY FOR BETTER LIVING.

Stable House Price Development in Finland

1970 = 100, House Prices, Source: OECD and Eurostat



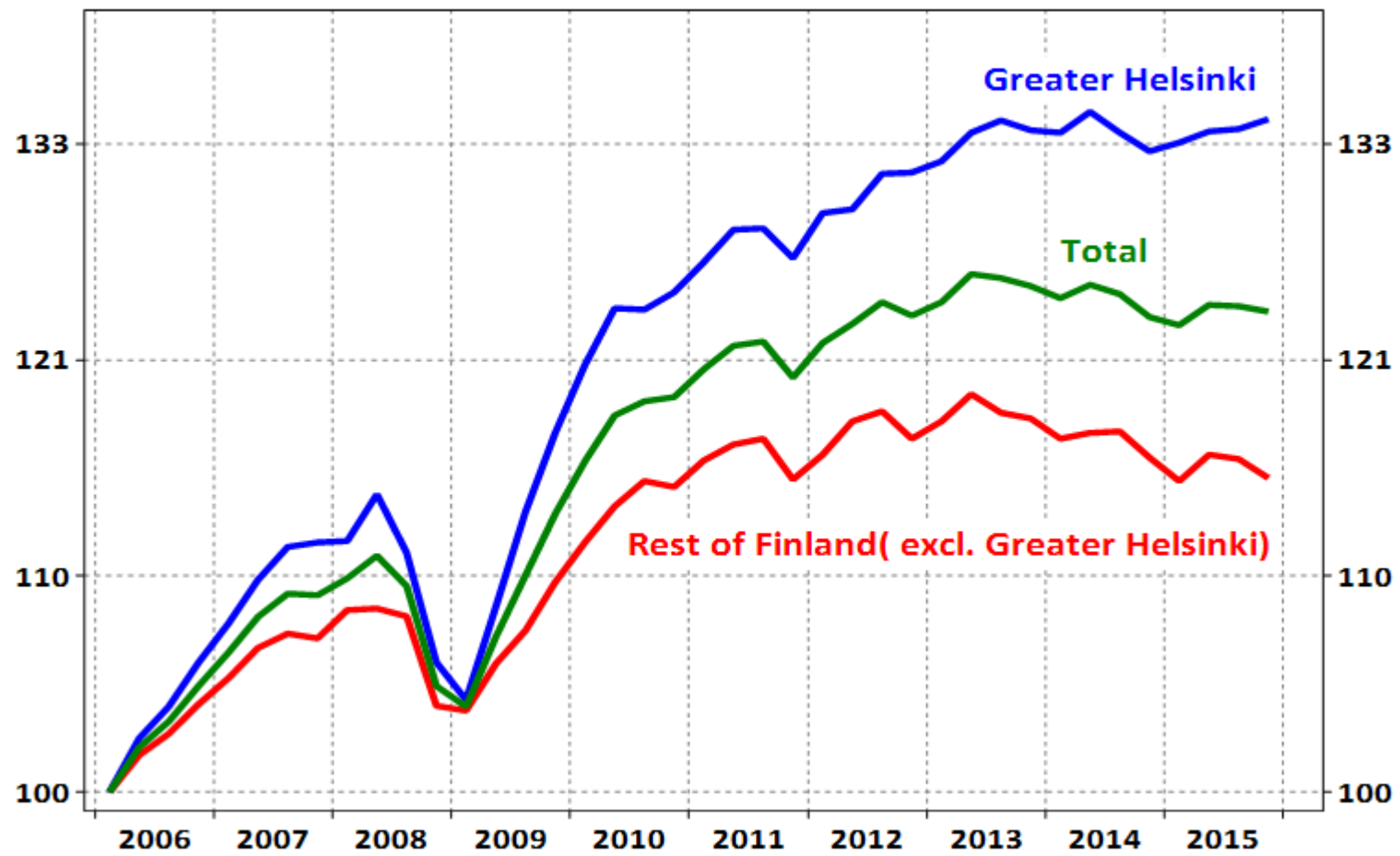
Source: Macroband

SECURE WAY FOR BETTER LIVING.

Prospects Differ Around Finland



2006 = 100, Prices of old dwellings in housing companies quarterly, log



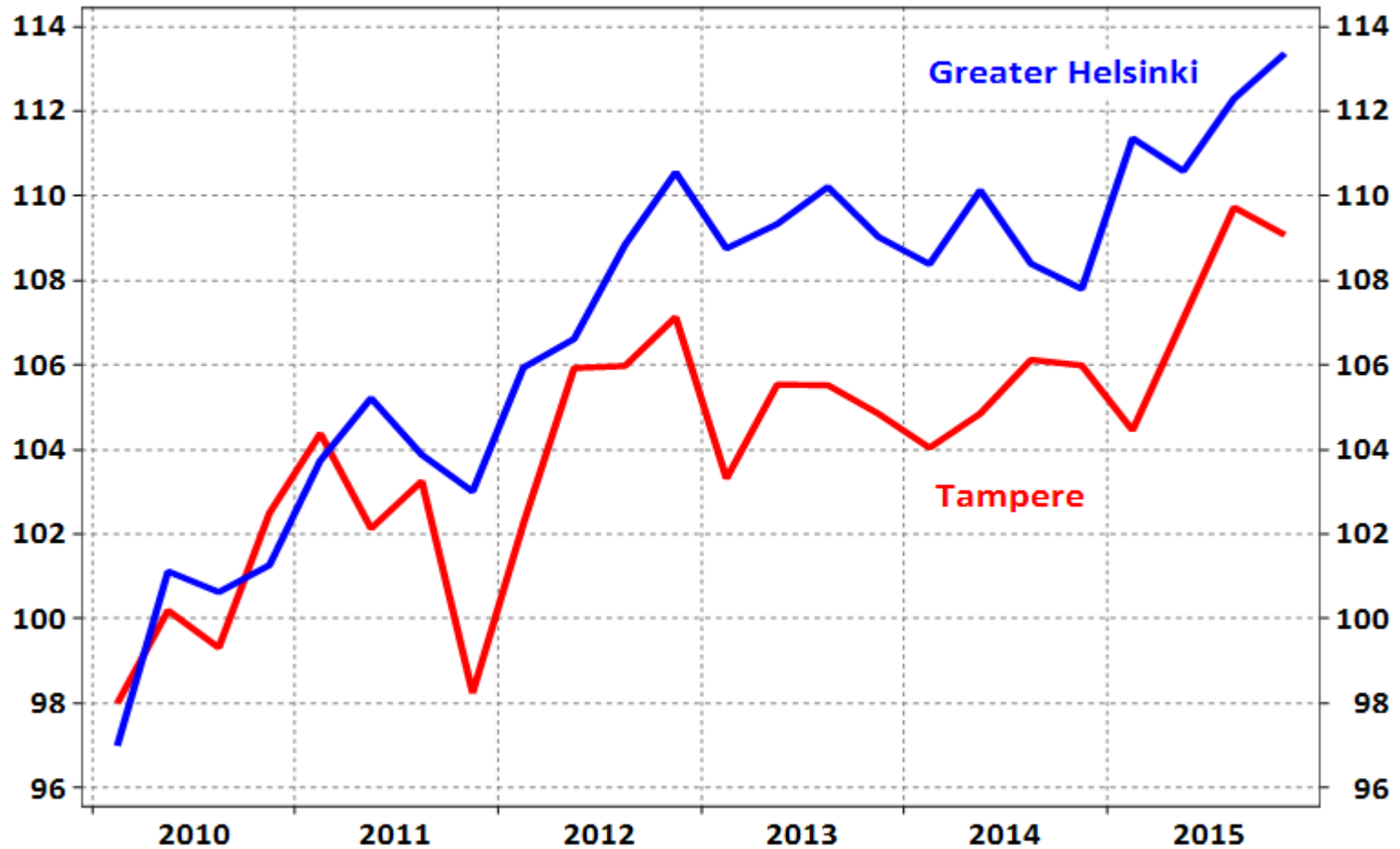
Source: Microbond

SECURE WAY FOR BETTER LIVING.

Growing Demand for Housing in Large Cities



2010 = 100, Hypo Housing Market Index, combines housing prices and volumes



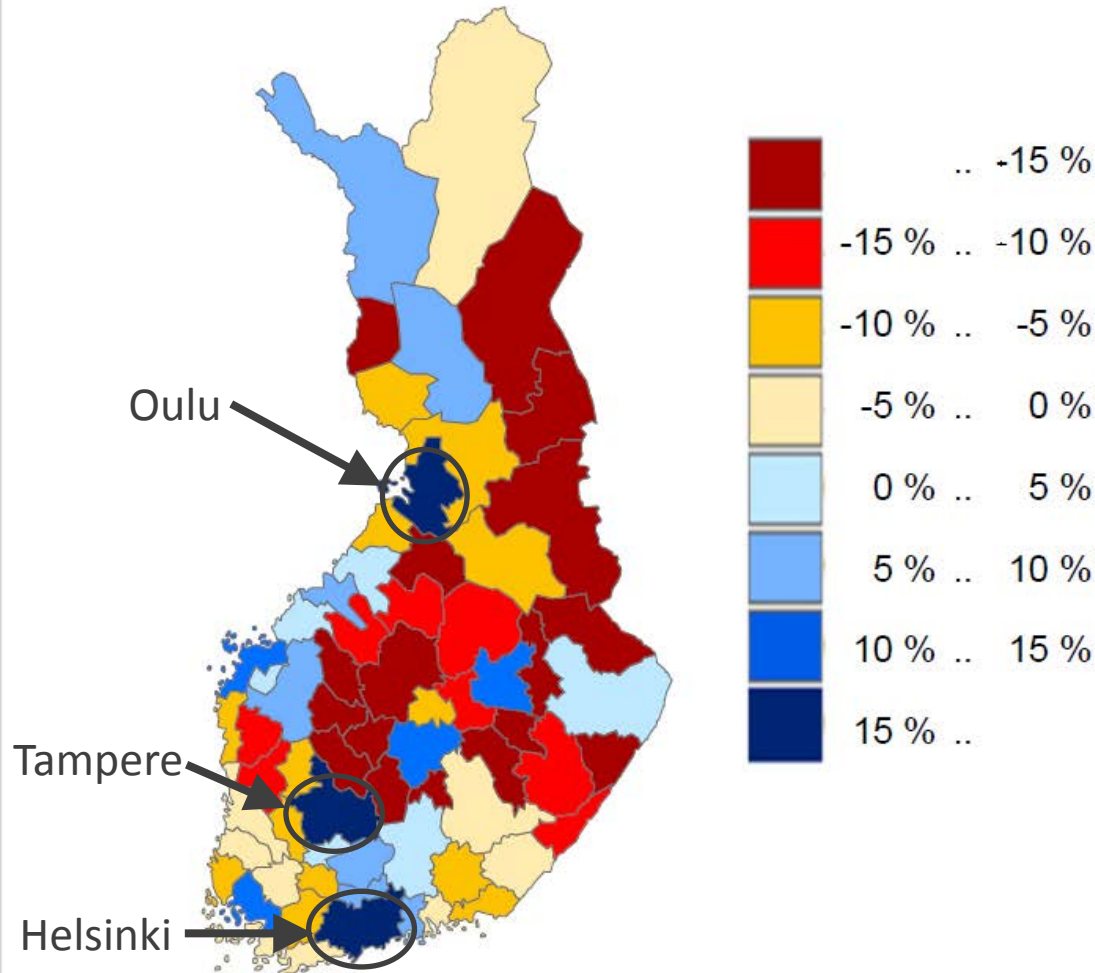
Source: Macroband

SECURE WAY FOR BETTER LIVING.

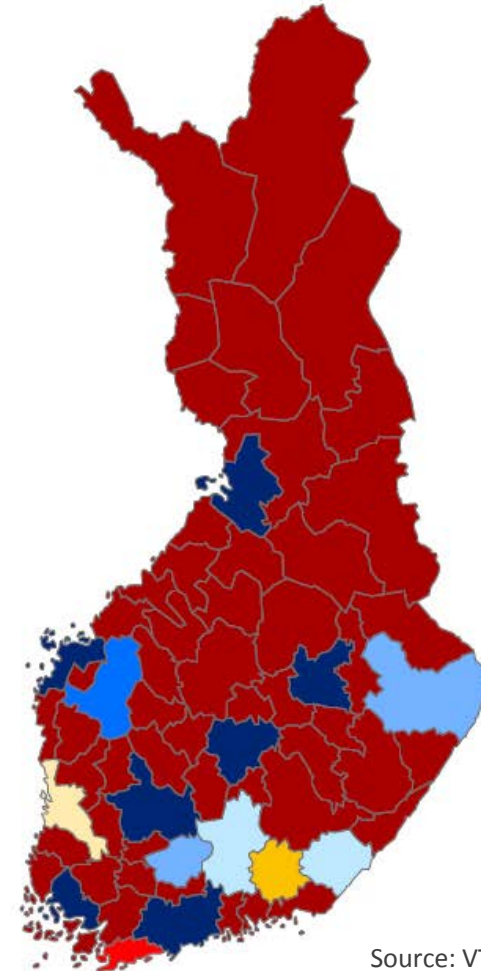
Urbanization Major Trend in Finland: Population Projection 2015-2040



Statistics Finland
official forecast



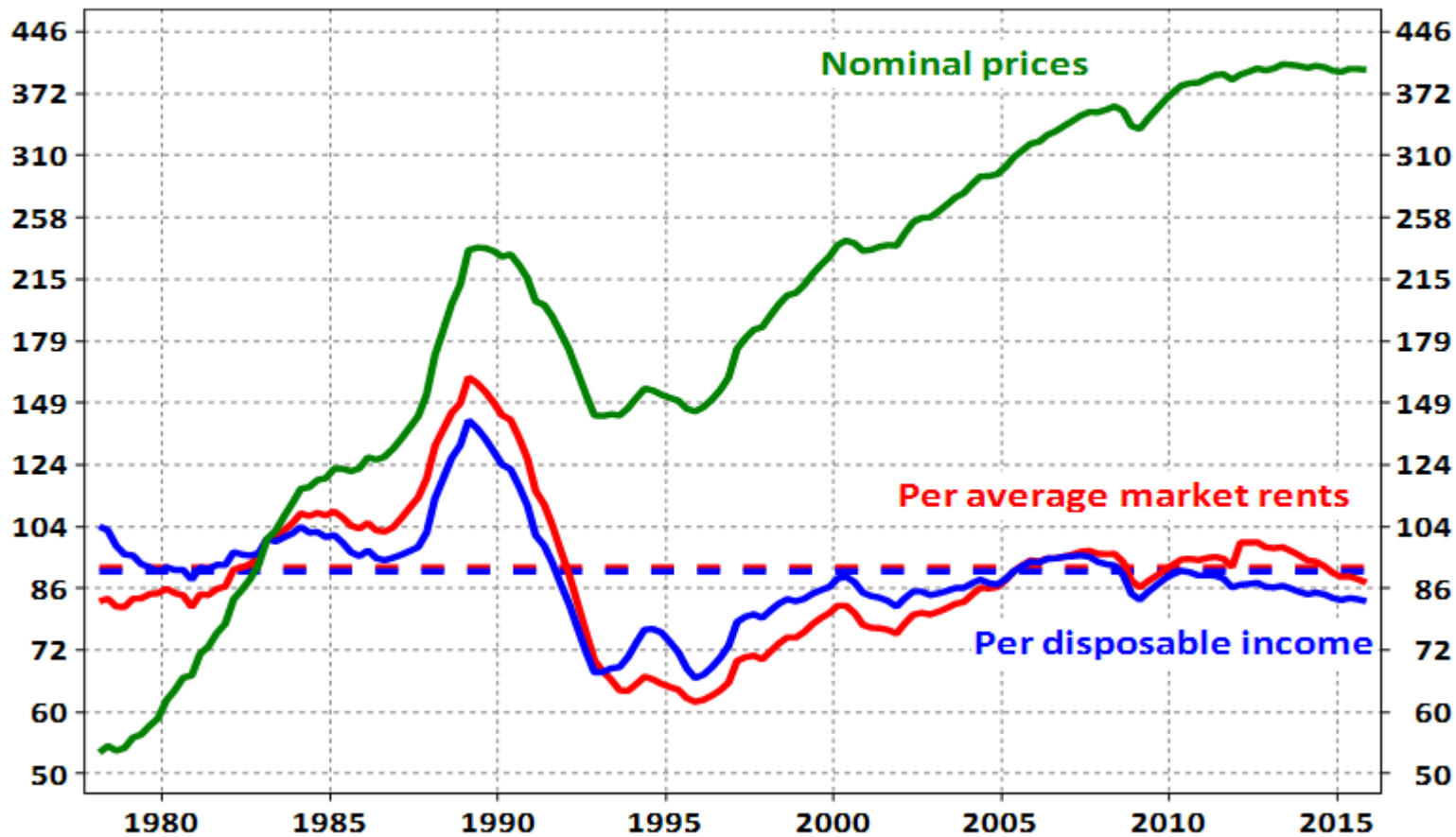
Trend development
2010-2014 projected to 2040



No Housing Bubble in Sight



1983 = 100, Blocks of flats and terraced houses, prices relative to market rents and disposable income



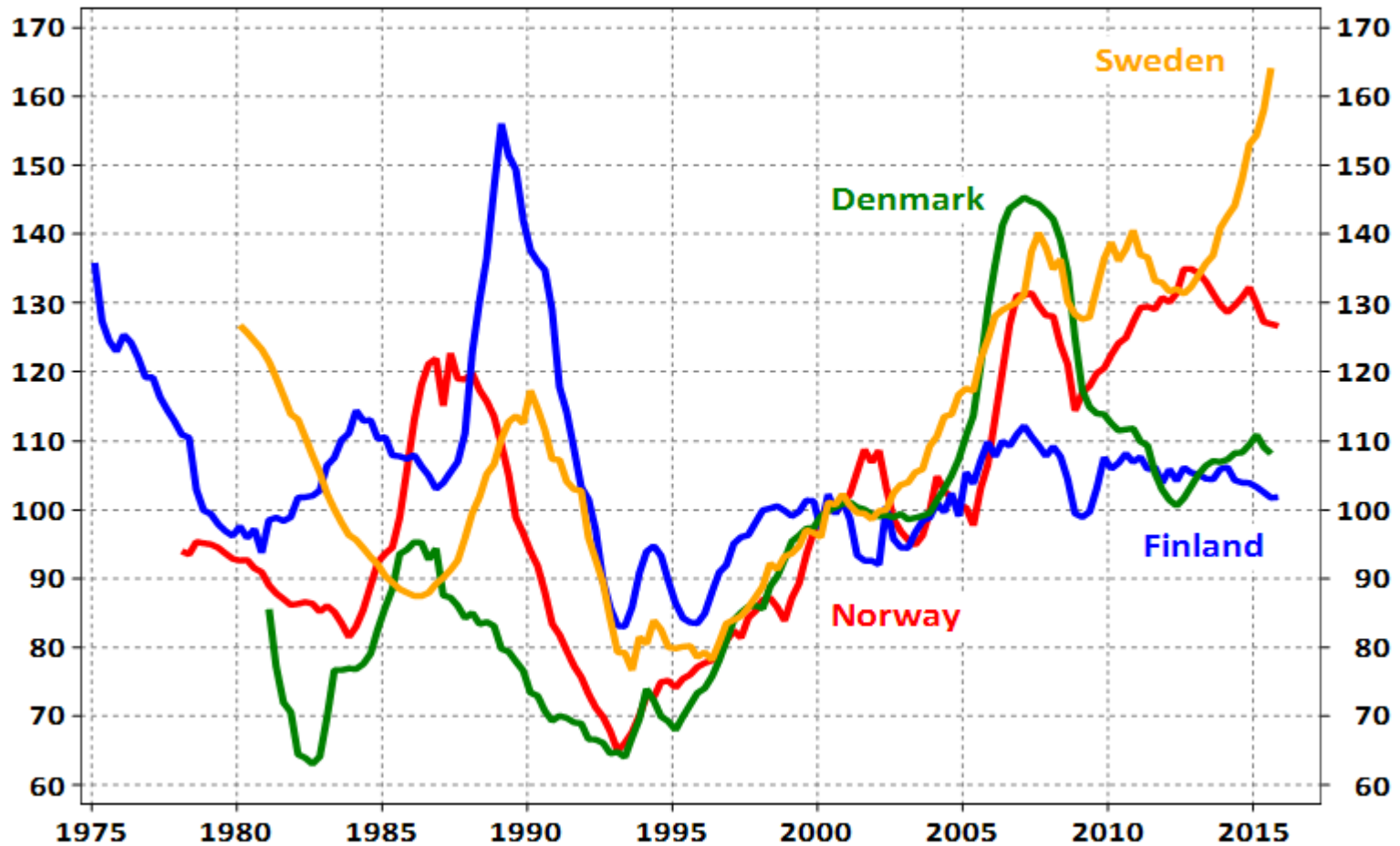
Source: MacroBond

SECURE WAY FOR BETTER LIVING.

Price-to-Income Scary - in Sweden



2000 = 100, Price-to-Income Ratio, SA, Source: OECD

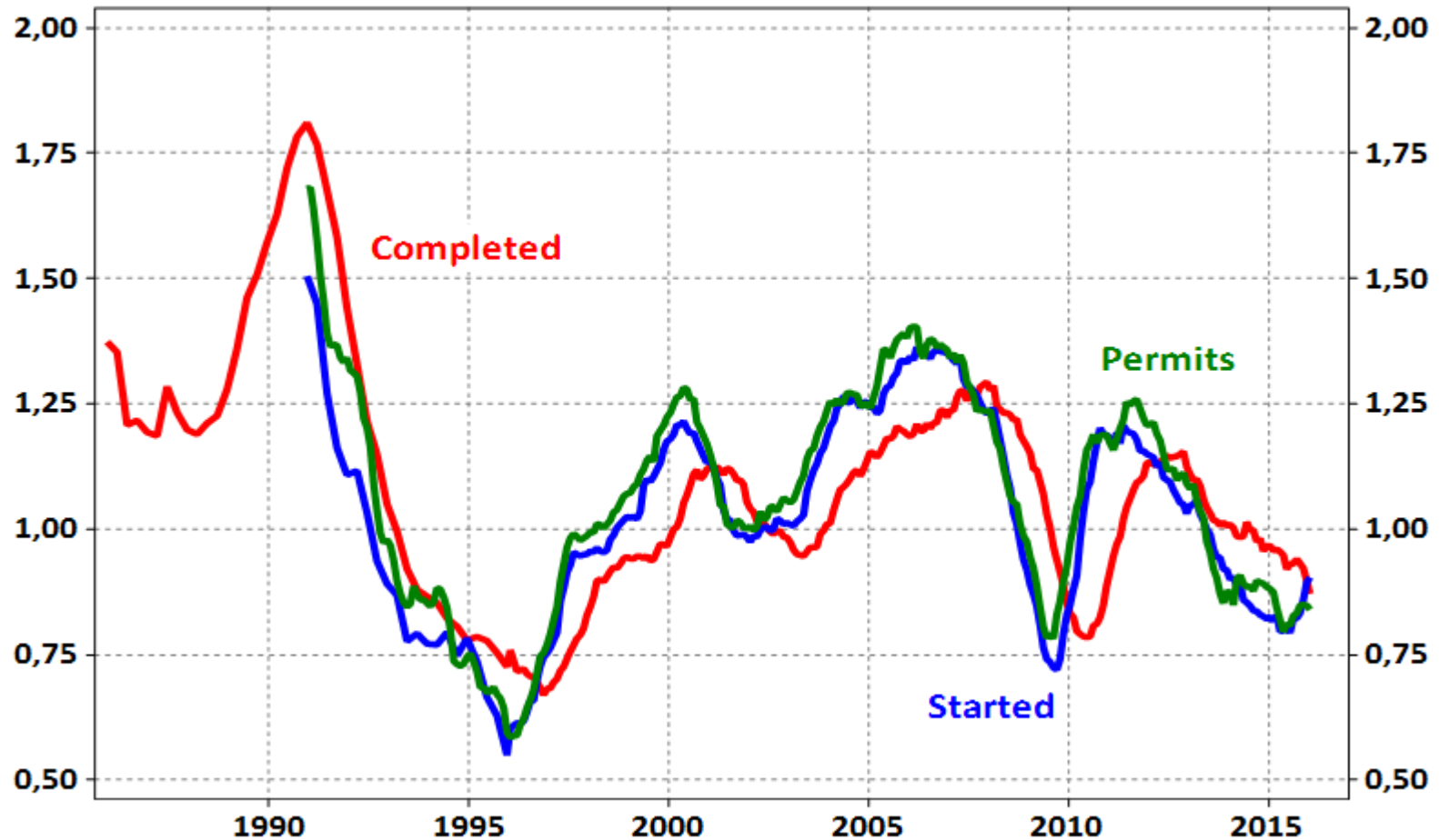


Source: Macrobond

SECURE WAY FOR BETTER LIVING.

Construction Rising from Low Levels

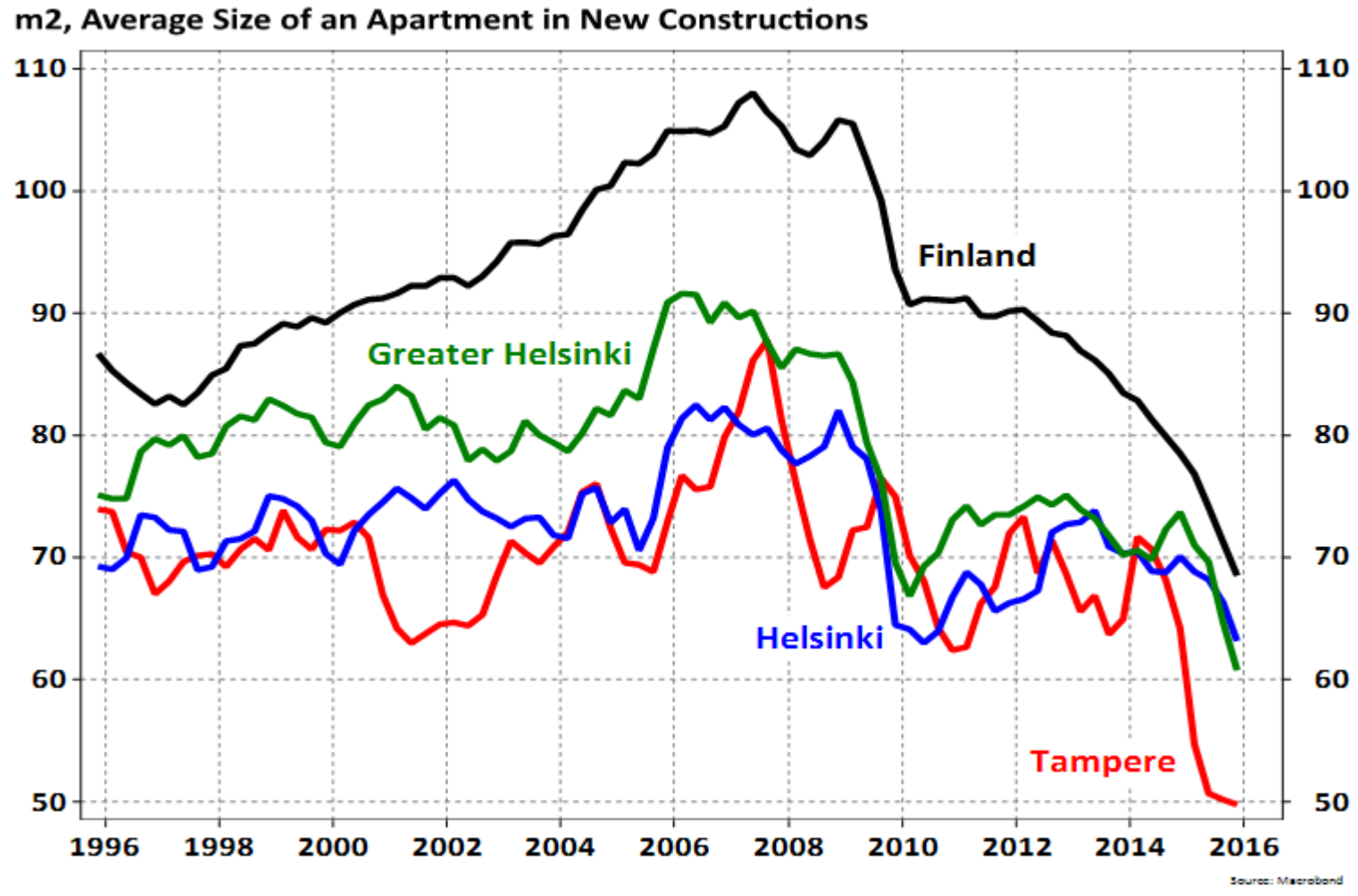
Million Cubic Meters, Construction by Status, Residential Buildings



Source: Macroband

SECURE WAY FOR BETTER LIVING.

Another Sign of Urbanization: New Apartments Compact



SECURE WAY FOR BETTER LIVING.

Contemplated Transaction



Indicative Terms and Conditions

Issuer	The Mortgage Society of Finland (Suomen Hypoteekkiyhdistys)
Preliminary Rating	AAA (st.) by S&P
Status	Covered
Amount	EUR 250 million
LCR Eligibility	Level 2A
Maturity	[5 years, soft bullet]
Coupon	Fixed [] %
Coupon payments	Annual
Documentation	Domestic MTN Programme, Finnish Law
Clearing	Euroclear Finland Infinity
Listing	Nasdaq OMX Helsinki
Denominations	EUR 100,000 + 100,000
Lead Managers / Bookrunners	Danske, LBBW, Nordea, Swedbank



Hypo is an established senior unsecured issuer in the Finnish credit market.

Planned inaugural covered bond issue will diversify Hypo's funding sources and lengthen the funding maturity.

Hypo will be a frequent covered bond issuer in future (annual issuances).

Contact

<http://www.hypo.fi/en/investor-relations/>



CEO

Mr Ari Pauna

Tel. +358 50 353 4690

ari.pauna@hypo.fi

Director, Funding and Treasury

Mr Petteri Bollmann

Tel. +358 50 550 4355

petteri.bollmann@hypo.fi

Chief Economist, Research Director

Mr Juhana Brotherus

Tel. +358 50 3849 479

juhana.brotherus@hypo.fi

Home Financing Director

Mr Tom Lönnroth

Tel. +358 50 5706 646

tom.lonnroth@hypo.fi

DISCLAIMER

To the extent the Information relating to The Mortgage Society of Finland ("Hypo") or its group members ("Hypo Group") is prepared by Hypo or another member of Hypo Group, the following limitations apply:

All official financial information of Hypo Group, including without limitation profit and loss statement, balance sheet, and annexes is available at web address www.hypo.fi/. This document is not official financial information of Hypo Group.

Opinions and statements of or concerning Hypo Group are made in good faith at the time of giving such statement and may be subject to change without notice. Investing in a financial instrument issued by Hypo may contain risks, such as (without limitation) operational and financial condition of Hypo Group and general market conditions. Changes in them may have an adverse effect on the price or value of the instrument. The investor is exposed to the risk of losing all or part of the investment in a financial instrument issued by Hypo. Opinions or statements regarding future performance are based on assumptions that may not be realised. Past performance of Hypo Group is not a sign or a promise of future performance.