

Hypo Credit Update 1Q2016

Investor Presentation

April 26, 2016





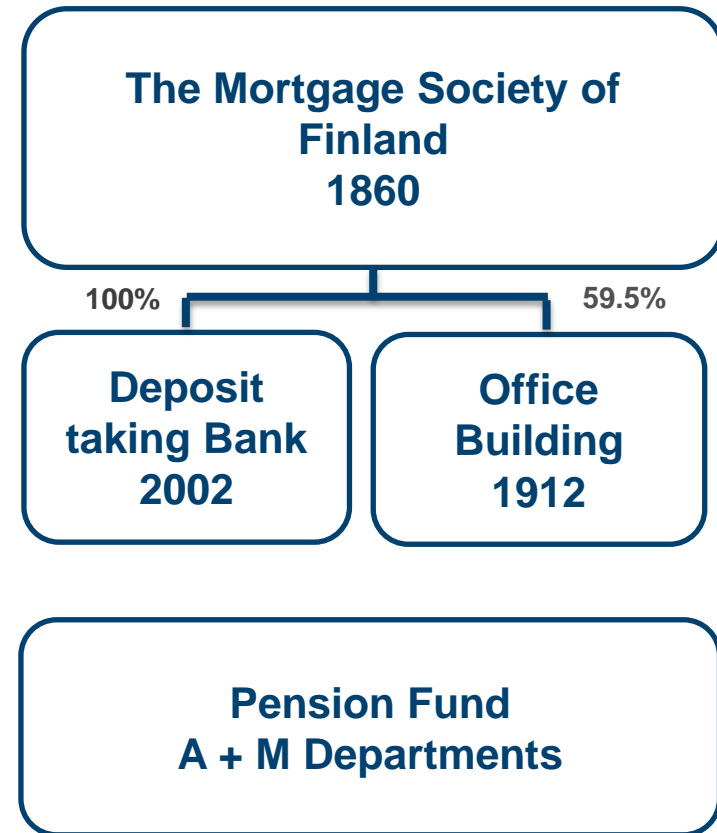
HYPO

Secure Way for Better Living

Hypo Group Overview



- Founded in 1860
 - The oldest private credit institution in Finland
- Retail banking, no corporate lending
- Supervised by the FIN-FSA
- Specialized in mortgage financing
- Residential property always as collateral
- Mutual company governed by the member customers
 - All returns are kept within Hypo
- Strong loan book (NPLs 0.22%)
- Well-known and frequent borrower in Finland
- Total assets EUR 1.97 billion
- S&P rating 'BBB/A-3'
 - The outlook is negative, reflecting S&P's view of the weak economic recovery in Finnish economy.



Hypo is the Leading Debater on Finnish Mortgage Market

Hypon Pauna: ASP remontoitava

Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna ehdottaa, että säästämisen voisi aloittaa 15-vuotiaana.

Antti Lehmusvirta
antti.lehmusvirta@hypo.fi

ASP-säästäminen

ASP-säästämisen voima on 18-30-vuotiaiden henkilöiden osalta noin 50 prosenttia talonpoikaisten asunnoista. Myös asunot voivat ryhtyä yhdessä säästämiseen.

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"Ei kaikkia munia asuntokoriin"

ASUMINEN - Jos perintönä on pelkkä vanha, arvonsa menettänyt lapsuudenkoti, voi olla, että perillisille ei olekaan mitään järkeä siirtää sitä eteenpäin. Tällöin on syytä harkita myyntiä.



Uutiset

ASUNTOMARKKINAT

Asuntovarallisuuden isojako kiihtyy

Asuntokaupan hulluja vuosia on seurannut krapula. Harvoja hyötyjyivät ovat pariutuvat sinkut.



Asiantuntija: Suomi jakautumassa kahteen kastiin asuntomarkkinoilla
Ensiasunnon ostajat ovat todella tukalassa tilanteessa, sanoo Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna.

HS

Talouselämä

10.10.2013

1 euro = 1,326 dollar

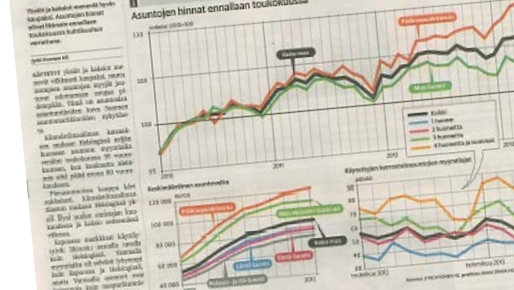
0,37

-0,76

TALOUS

Pikkuasuntojen kauppa käy

Helsingissä neljän kuukauden asunon myyntitaito on pidentynyt parilla viikolla.



Asuntovarallisuus uuteen jakoon

Asuntomarkkinat ovat jatkaneet kasvuaan, ja asuntomarkkinat ovat jatkaneet kasvuaan. Asuntomarkkinat ovat jatkaneet kasvuaan, ja asuntomarkkinat ovat jatkaneet kasvuaan.



Parempaan asumiseen turvallisesti

Hypo on kehittänyt asuntomarkkinoita, ja asuntomarkkinat ovat jatkaneet kasvuaan. Asuntomarkkinat ovat jatkaneet kasvuaan, ja asuntomarkkinat ovat jatkaneet kasvuaan.



toimitusjohtaja Ari Pauna Päivän kasvo-ohjelman vierana. Kuva: Yle

Asiantuntija: Suomi jakautumassa kahteen kastiin asuntomarkkinoilla, usko Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna.

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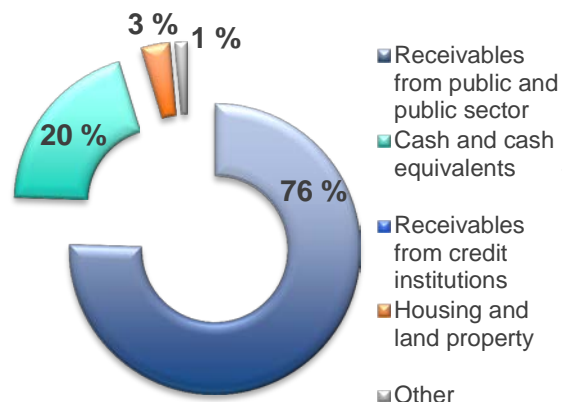
Financial Results

Hypo Group Balance Sheet

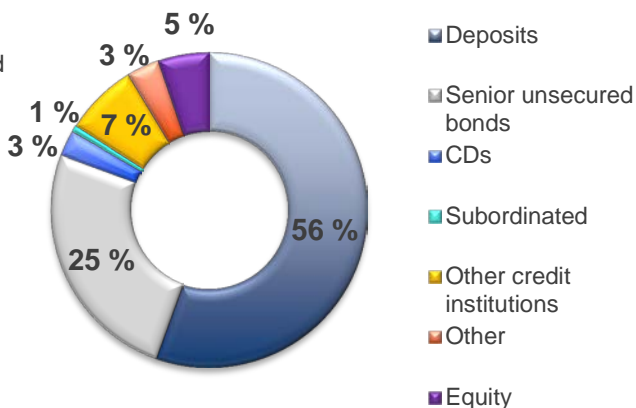
EUR 1.97 billion as of 31.3.2016



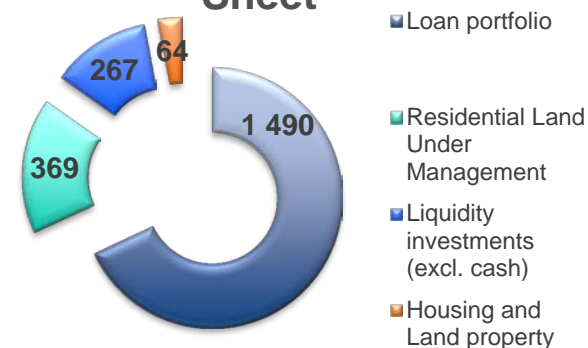
Total Assets



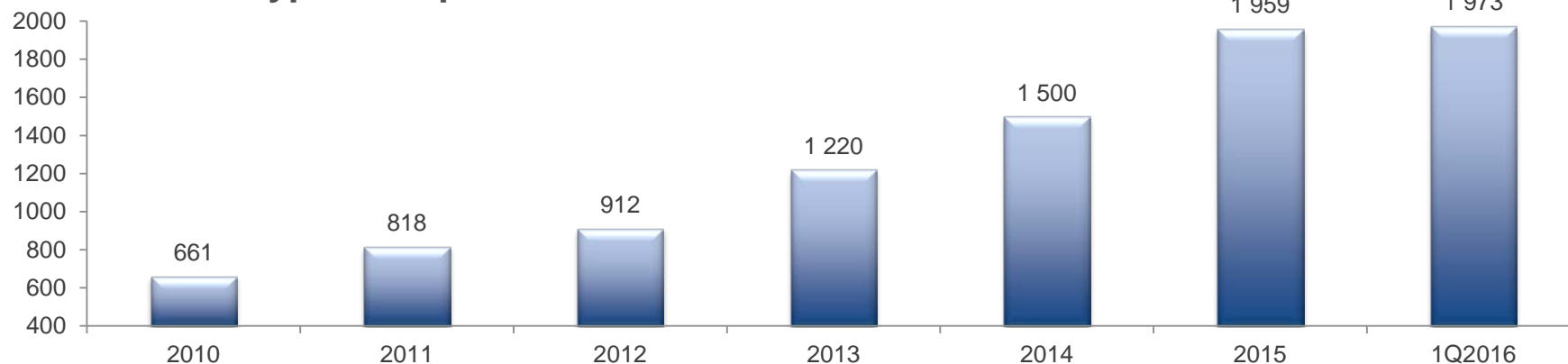
Liabilities and Equity



Revenue Generating Assets (m€) 31.3.2016, On and Off Balance Sheet



Hypo Group Balance Sheet Total 2010-1Q2016



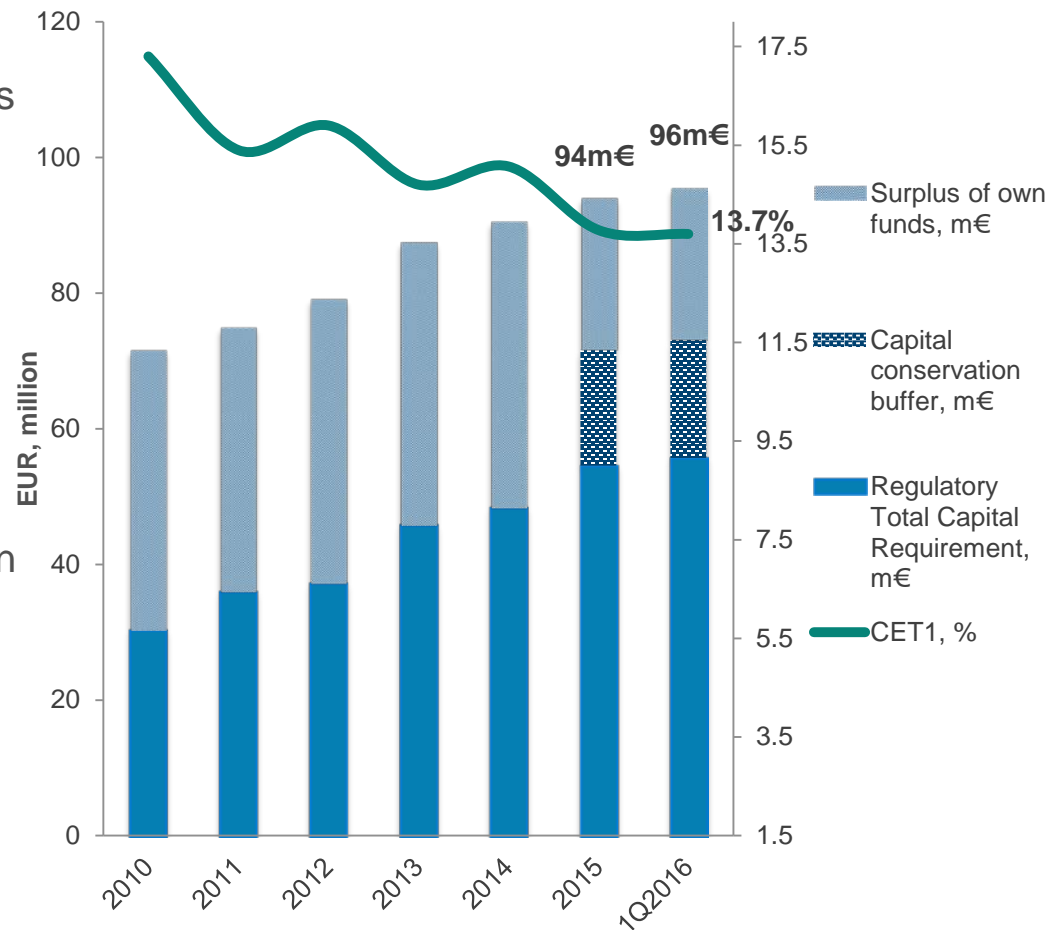
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Solid Capital - Reporting Under Basel III Standardized Approach



- Common Equity Tier 1 at 13.7%
- 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 7.2 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 15.4%
- Basel III standard approach risk weights
 - Lending with Residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

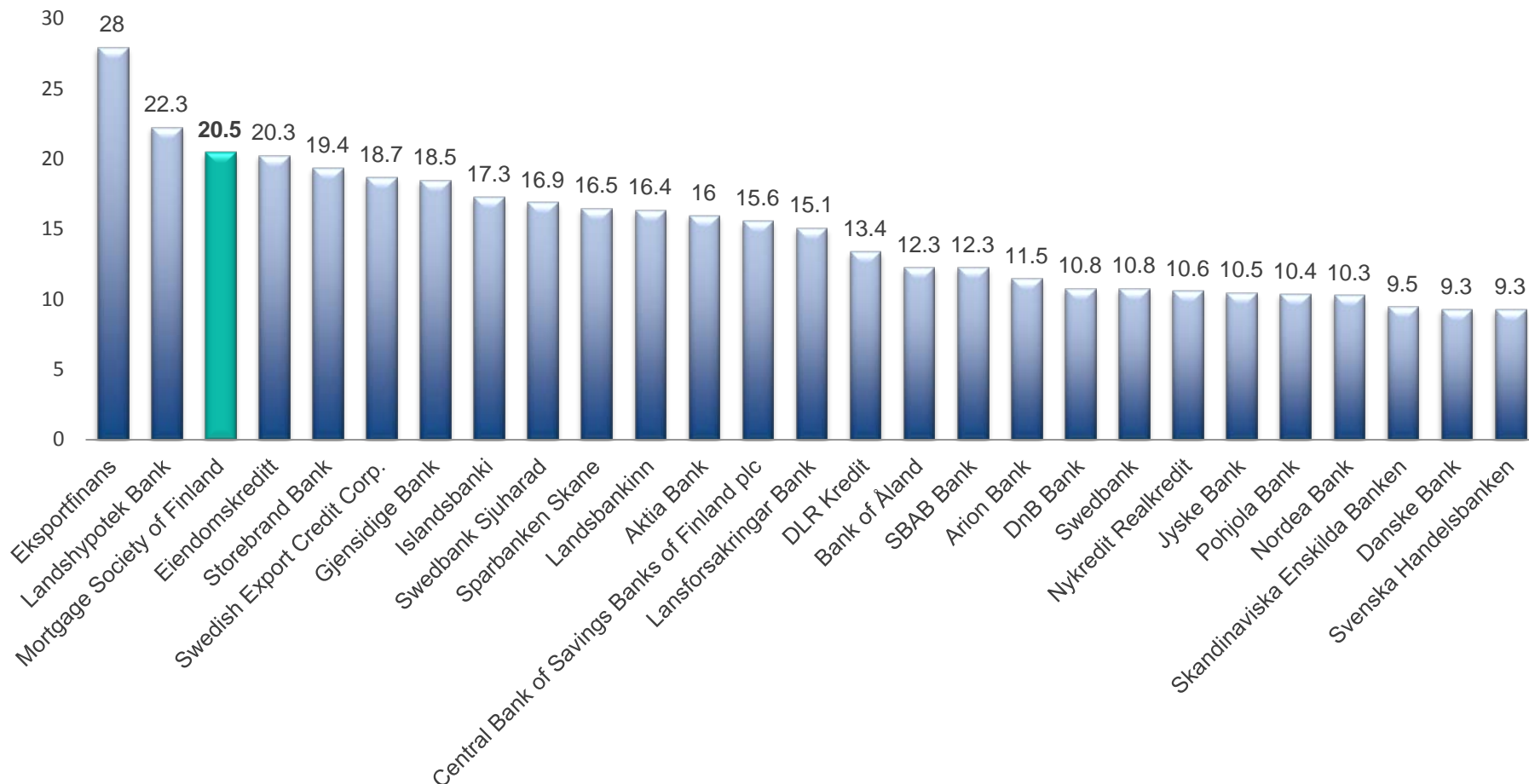
Capital Ratios 2010-1Q2016 %



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



Group Income Statement



(1000 €)	1Q2016	4Q2015	2015	2014
Net interest income	782	961	4 574	6 427
Net fee and commission income	1 061	836	3 416	3 610
Total other income	2 621	2 811	8 681	7 219
Total expenses	-2 405	-2 838	- 9 149	-9 759
Operating profit	2 060	1 770	7 523	7 498

- Hypo Group's operating profit before tax for 1Q2016 increased to EUR 2.1 million (EUR 1.8 million 4Q2015).
- NII decreased to EUR 0.8 million (0.96 million 4Q15) due to low interest rate environment
- Net fee and commission income for the period increased to EUR 1.1 million (0.8 million 4Q15).
- Total other income (incl. Treasury operations and investments in housing and residential land) decreased to EUR 2.6 million (2.8 million 4Q2015)
- Total expenses decreased to EUR 2.4 million (2.8 million 4Q2015)

Group Key Financial Figures



HYPO

	1Q2016	4Q2015	2015	2014
Common Equity Tier 1 ratio (%)	13.7	13.8	13.8	15.1
Cost-to-income ratio (%)	53.9	61.4	54.9	56.4
Non-performing assets, % of the loan portfolio	0.22	0.16	0.16	0.23
Loan-to-value ratio (%)	40.4	41.1	41.1	44.9
Loans-to-deposits (%)	136	137	137	237
Loan portfolio total (m€)	1 490	1 421	1 421	1 204
Balance sheet total (m€)	1 973	1 959	1 959	1 500

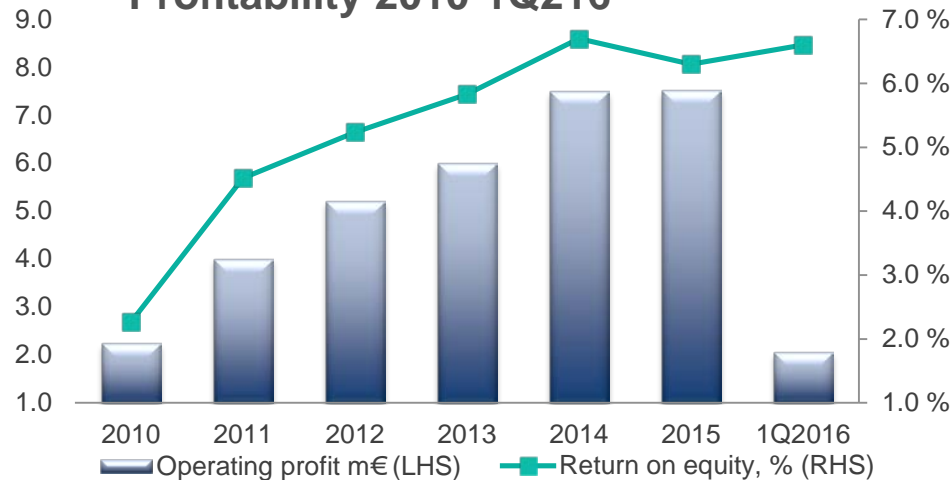
- Total assets increased to EUR 1.97 billion (EUR 1.96 billion 4Q2015)
- Loan portfolio increased to EUR 1.49 billion (1.42 billion 4Q15)
- CET1 ratio decreased to 13.7% (13.8%)
- Equity increased to EUR 103.3 million (EUR 101.5 million).
- Average LTV further strengthened to 40.4% (41.1%)
- Group's financial position remained stable throughout the period

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Financial Performance - Stable Profitability Despite Lower Interest Rates

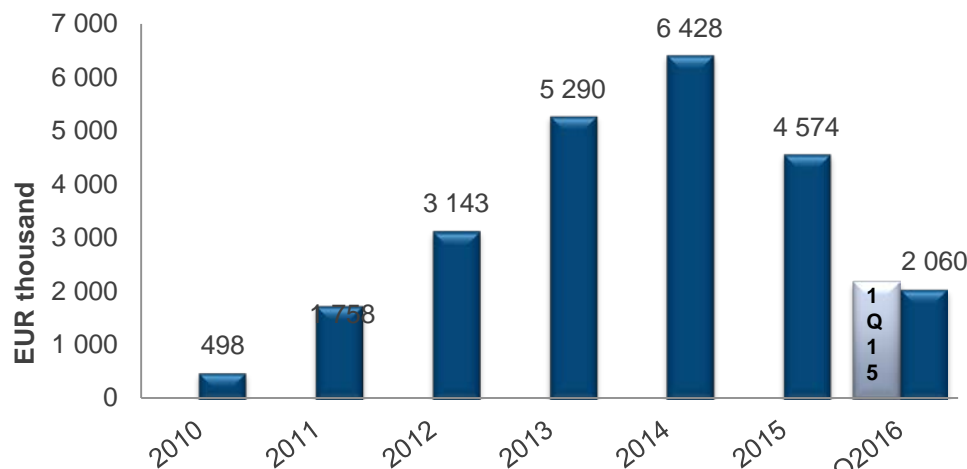


Profitability 2010-1Q2016

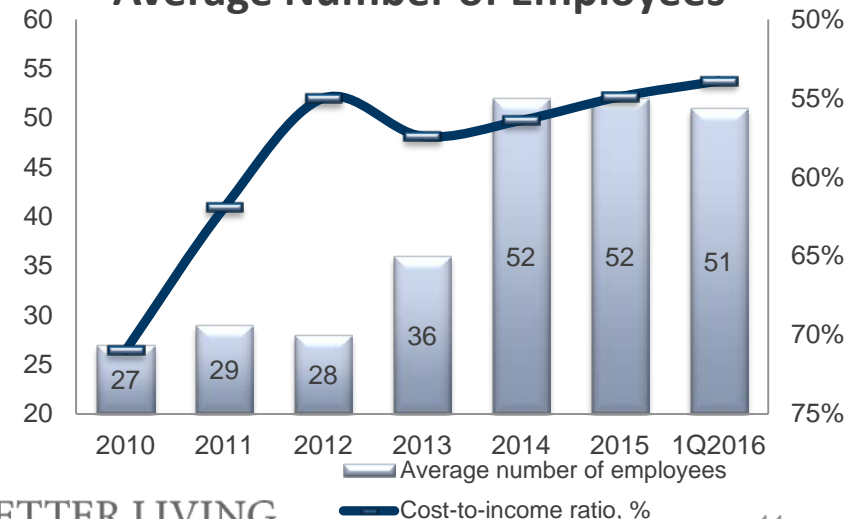


- Group's ROE stood at 6.6% (6.3% 4Q2015)
- Operating profit for 1Q2016 increased to EUR 2.1 million (1.8 million)
- Net interest income decreased to EUR 0.8 million (0.96 million) due to low interest rate environment and **significant strengthening of liquidity**
- Cost-to-income ratio was 53.9% (61.4%)

Net Interest Income 2010-1Q2016



Cost-to-Income Ratio (%) and the Average Number of Employees



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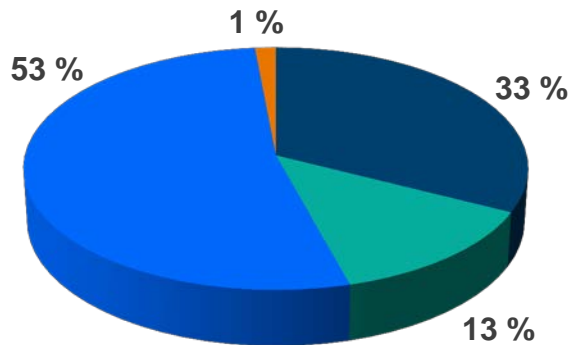
Hypo's Loan Book

Loan Book Overview



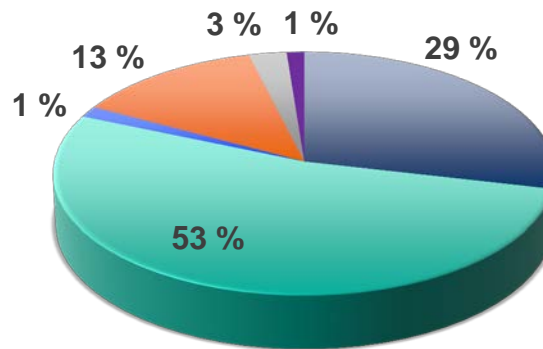
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 - Private individuals and households: home mortgage, buy-to-let
 - Housing companies: renovation loans, construction phase loans

Lending by Customer Type



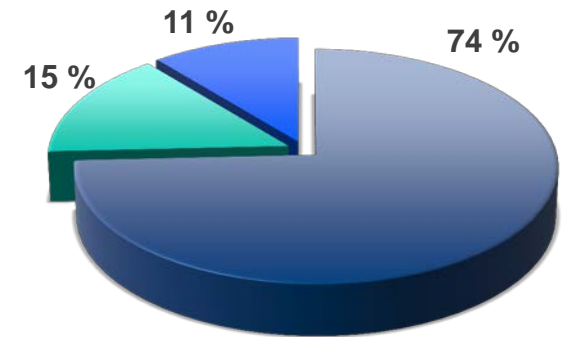
- Households
- Housing investors
- Housing companies
- Housing companies under construction

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



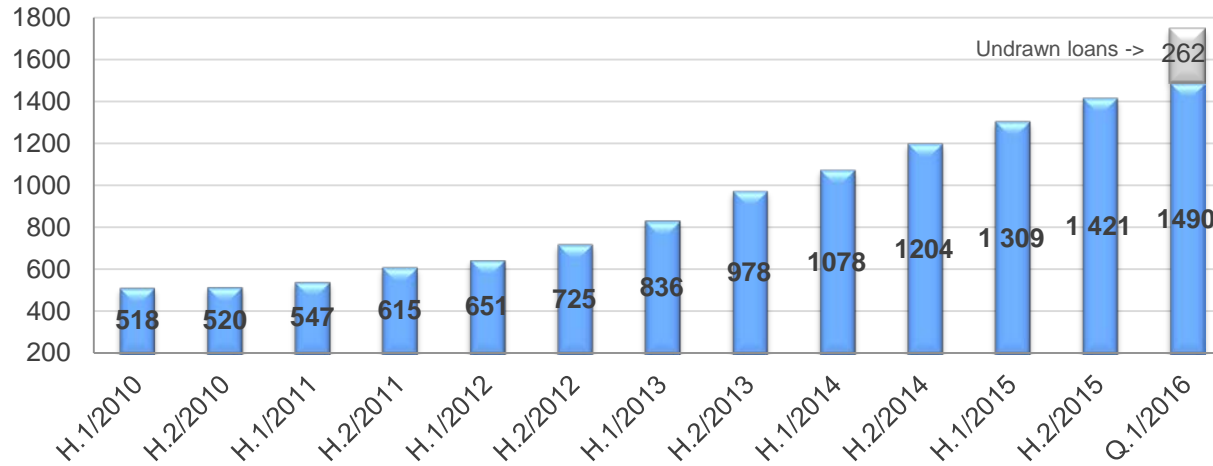
- Helsinki Metropolitan Area (Helsinki, Espoo, Vantaa, Kauniainen)
- Other growth areas
- Other areas (incl. Rest of Uusimaa)

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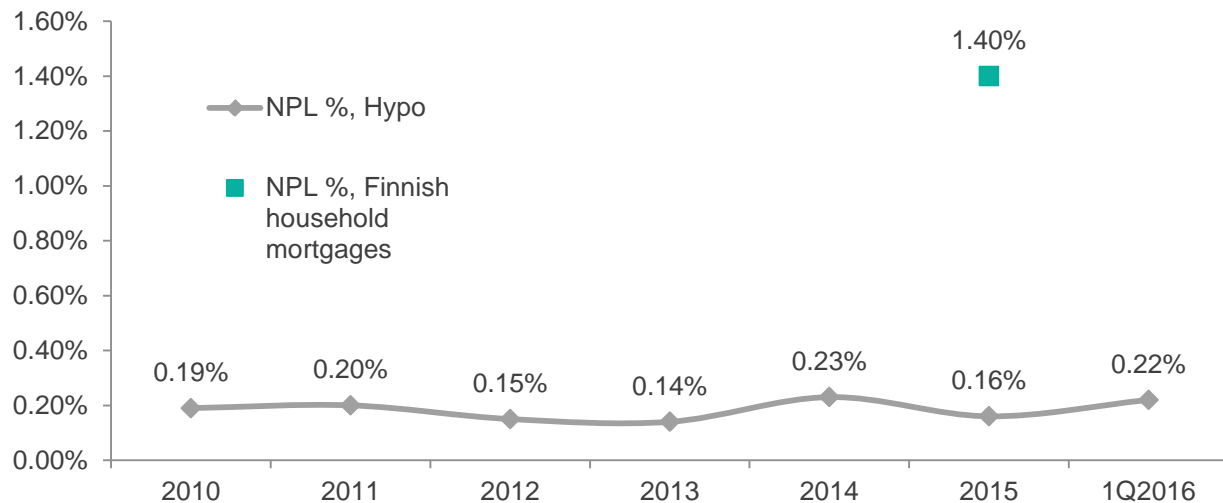
Hypo Loan Book Growing Steadily



Hypo Loan Book Total, m€



Non-performing Loans (%)



- Hypo's loan book increased 5% during the first quarter, reaching EUR 1.49 billion (1.26 billion 1Q2015)
- EUR 262 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 0.22% of the total loans
- The quality of the loan book well above the Finnish household mortgage average NPLs (1.4% 1Q2015)*

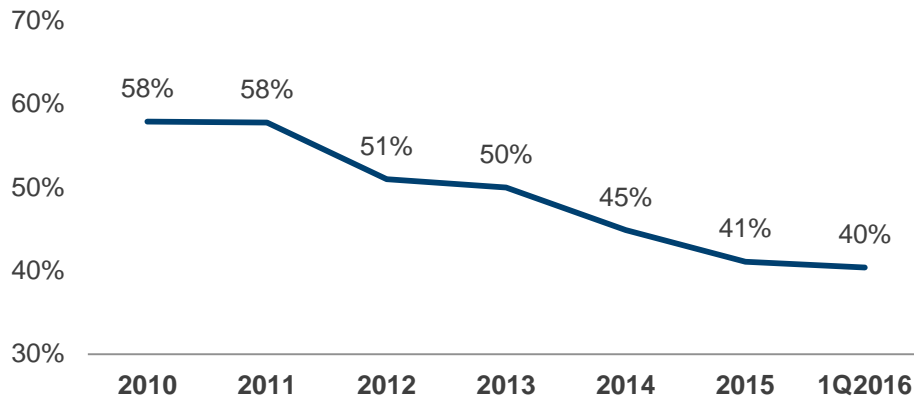
*Source: FIN-FSA

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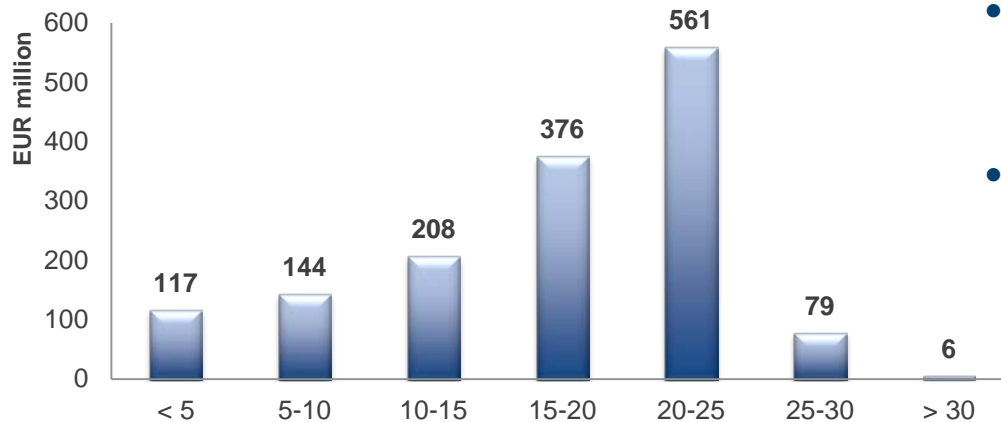
Loan Book Quality Excellent



Hypo Loan Book Average LTV 2010-1Q2016



Loan Book by Remaining Maturity (years) as of 31.3.2016



- Hypo's loan portfolio is entirely secured by residential property
- Almost 90% of loan book is 35% risk weighted
- The average LTV (loan-to-value) further improved to 40.4% (43.7% 1Q2015)
- 93% of the loans are amortizing and 7% bullets
- The average maturity of a loan at the time of withdrawal is 16 years
- Financed properties mainly located in the population dense Helsinki Metropolitan Area.
- Low LTV combined with conservative collateral valuation makes Hypo's loan book very strong even in times of stress

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Funding and Liquidity

Funding Strategy



- Licence for mortgage banking activity granted 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 Oy trading list
 - Issued under Finnish legislation and Domestic programs
- 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)

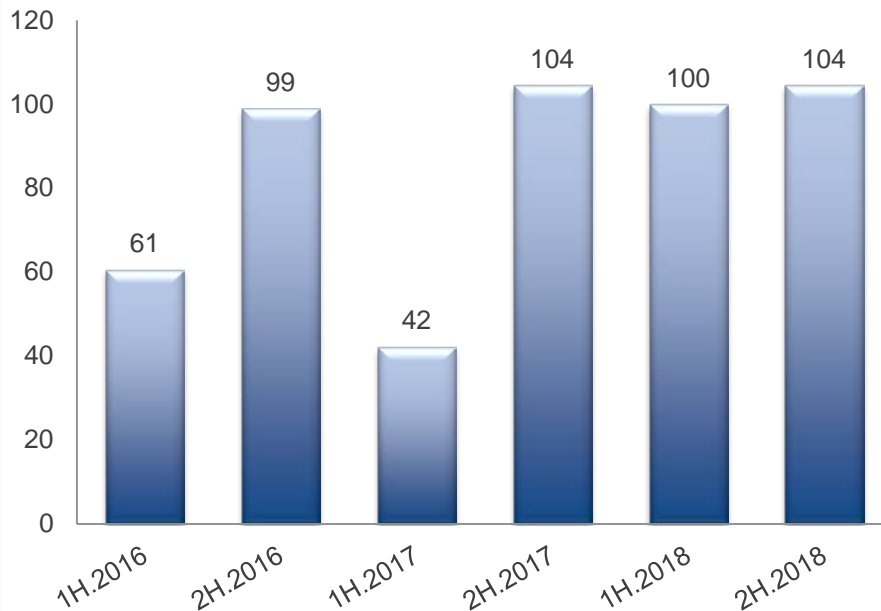
ISIN	Issue Date	Maturity Date	Type	Nominal Issued (m€)	Coupon
FI4000060322	14.2.2013	14.2.2017	Senior Unsecured	40	FRN 6M +110
FI4000064191	23.5.2013	23.5.2016	Senior Unsecured	(SEK) 250	FRN 3M (STIBOR) +138
FI4000064183	23.5.2013	23.5.2016	Senior Unsecured	50	FRN 6M +95
FI4000076443	9.12.2013	9.12.2016	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

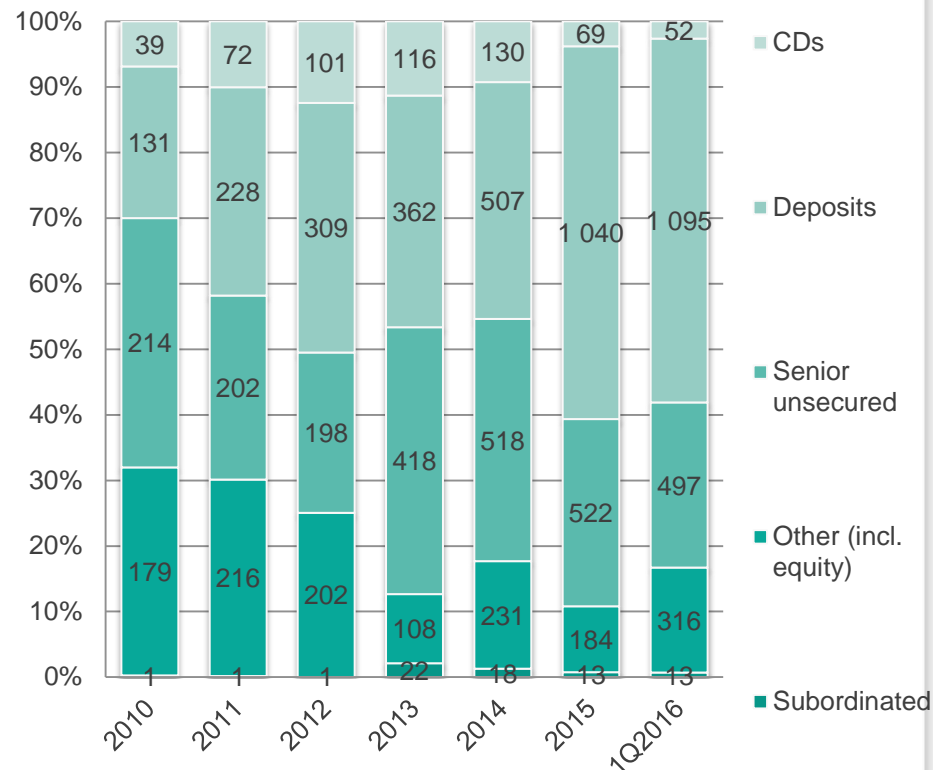


- Domestic Program for Senior Unsecured and Covered Bonds
- Solid strategy, solid financial performance
 - IFRS quarterly reporting, transparent and timely financial Information
- Deposit funding through the AsuntoHypoPankki subsidiary, 55% of total funding

Senior Unsecured and Subordinated Debt Maturity Profile as of 31.3.2016



Funding Structure 2010-1Q2016, m€



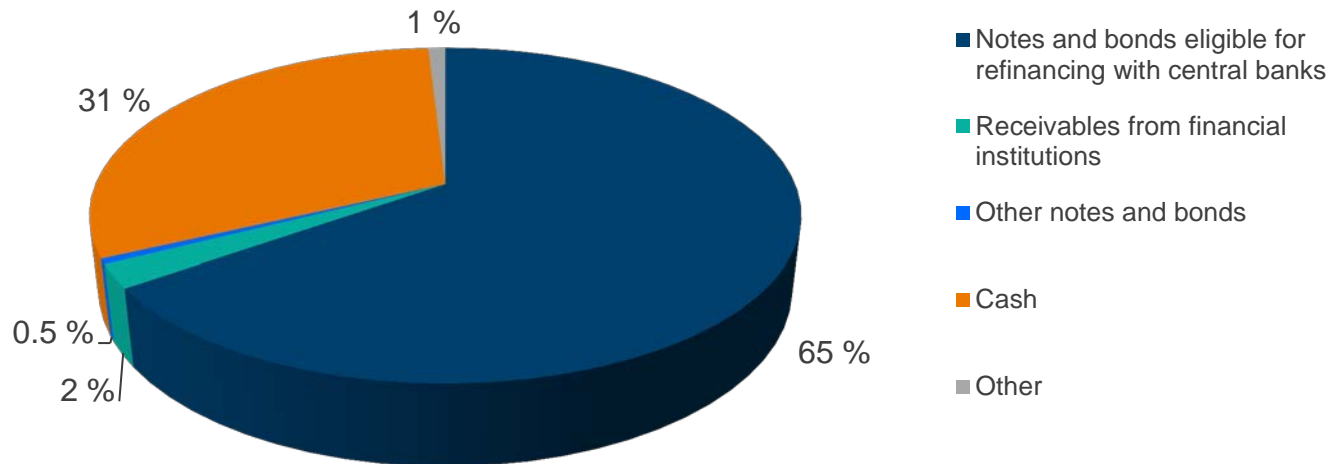
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Solid Liquidity Position



- **Liquidity portfolio EUR 406 million as of 31.3.2016**
 - Conservative investment policy
 - 74% 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 19 months

Liquidity portfolio as of 31.3.2016





Outlook for 2016

“Current year’s economic development is shadowed by global economic uncertainties and open questions regarding the domestic labour market. We believe however that the first quarter’s positive development in housing and mortgage markets will continue in the largest growth centers.

Group management estimates that the 2016 operating profit will reach 2015 levels.”



Contact Details

www.hypo.fi/en/investor-relations

CEO

Mr Ari Pauna
Tel. +358 50 353 4690
ari.pauna@hypo.fi

COO

Ms Elli Reunanen
Tel. +358 50 527 9717
elli.reunanen@hypo.fi

CRO

Mr Mikko Huopio
Tel. +358 50 400 2990
mikko.huopio@hypo.fi

Director, Funding and Treasury

Mr Petteri Bollmann
Tel. +358 50 550 4355
petteri.bollmann@hypo.fi

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