

Hypo Credit Update 3Q2016

Investor Presentation

October 31, 2016



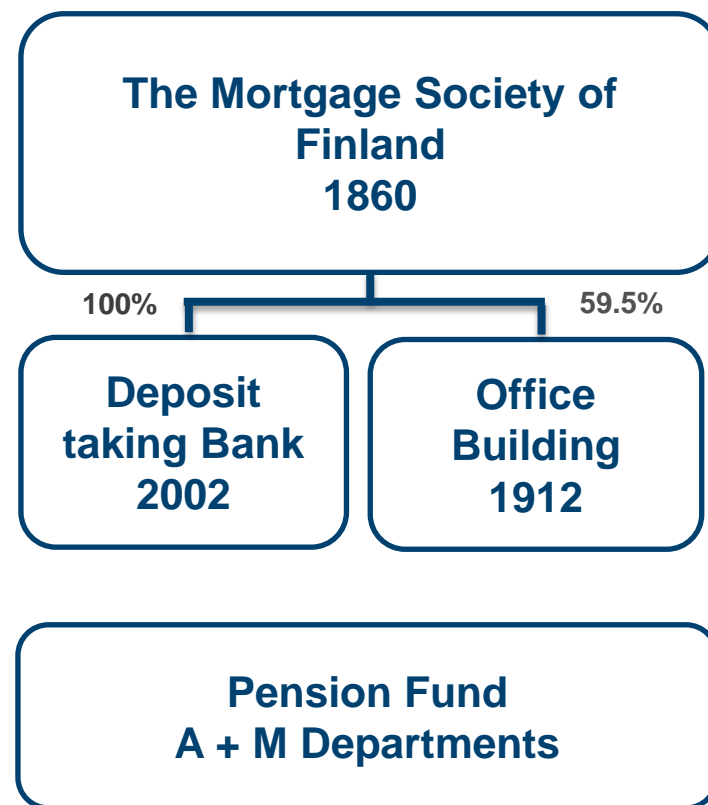


Secure Way for Better Living

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 0.19%)
- Established and frequent issuer in Finland
- Total assets EUR 2.2 billion
- S&P rating 'BBB/A-3'
 - The outlook is negative, reflecting S&P's view of the weak recovery in Finnish economy.



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 recovery in Finnish economy.

Hypo is the Leading Debater on Finnish Mortgage Market

Kauppalehti

Uutiset Pörssi Yritykset Keskustelu Blogit

KL NYT
Tarkemmat uutiset ja terävimmät näkemykset nyt.

27.10. 16:00 (PÖRSSITIEDOTE)
Consti Yhtiöt Oy:n osavuosikatsaus 1-9/2016 julkaistaan 10.11.2016 klo 8.30

27.10. 16:00 (PÖRSSITIEDOTE)
Sonst Group Plc:n 9:n January-September 2016 tulokset julkaistaan 10.11.2016 klo 8.30

27.10. 15:56
Ericssonin ongelmat laarini

27.10. 15:49
Nissan ei päästynyt valmistus jatkoon Sund

27.10. 15:41
Nykyuorten eläkelä

27.10. 15:40
REUTERS: Copper hits Chinese demand hopes

KL NYT -kuja

LUETUIMMAT

Tänään 10.38
Tutkijat: Saimme viestin avaruudesta

Tänään 8.05
Nokian tulos selvästi odote

Tänään 12.30
Nokian tulos hämmäyttää jalka liikevoitto 55 vai 556 miljoonaa

Tänään 8.37

Hypo: Suurin vastuu asuntokuplasta on vuokranantajilla ja heidän rahoittajillaan

16.1.2016 8:00 | Päivitetty 16.1.2016 16:35

Asuminen Asuntojen hinnat

Asuntomarkkinat
+0,37 -0,76
1 euro = 1000 markkaa

TALOUS Pikkuasuntojen kauppa

Asuntomarkkinat
Asuntomarkkinat
Asuntomarkkinat



Asuntovarallisuuden isojako kiihtyy

Asuntokaupan hulluja vuosia on seurannut krupula. Harvoja hyötyjää ovat parituvut sinkut.



Asuntomarkkinat
Asuntomarkkinat
Asuntomarkkinat



Hypo: Kasvukeskuksissa asunvasta alkanut - syrjäseuduilla

28.9.2016 9:24 | Päivitetty 28.9.2016 10:09

Asuminen Asuntojen hinnat Sijoittaminen Asiantuntijamateriaali



Asuntomarkkinat
Asuntomarkkinat
Asuntomarkkinat



"Ei kaikkia munia asuntokoriin"

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



Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna Päämajan kasvun ohjelman vierana. Kuva: Yle

Hypon Pää-ASP rem...

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

Antti Lomusvirta
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SECURE WAY FOR BETTER LIVING.



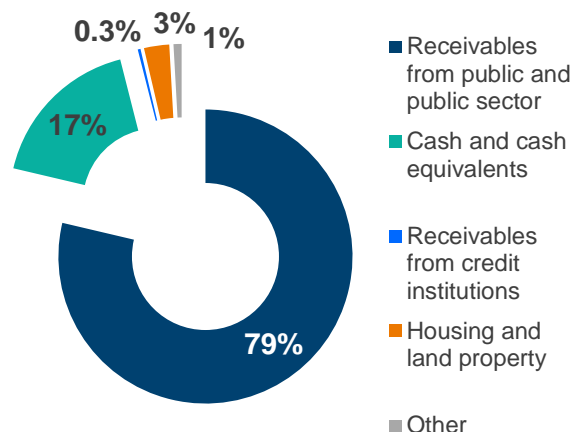
Financial Results

Hypo Group Balance Sheet

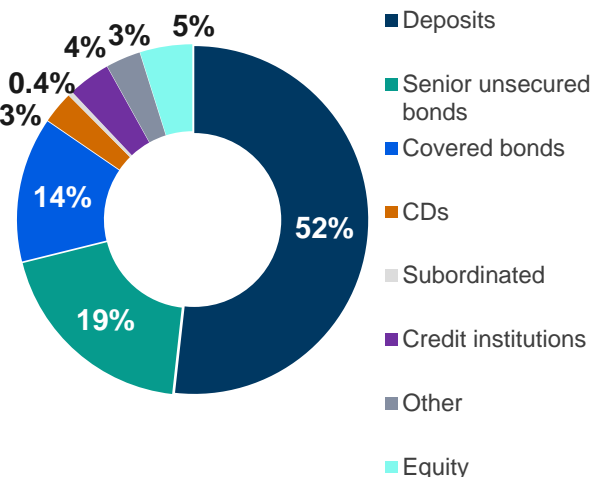
EUR 2.23 billion as of 30.9.2016



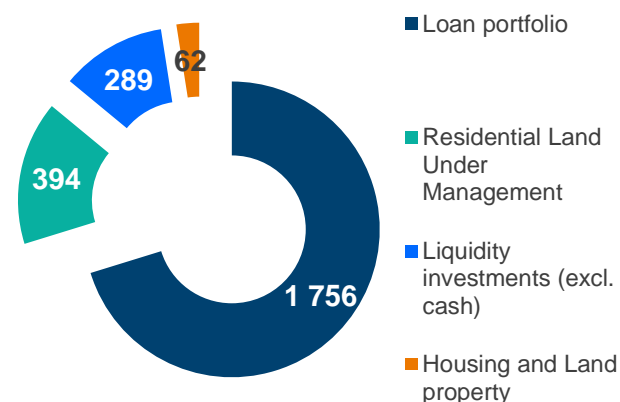
Total Assets



Liabilities and Equity

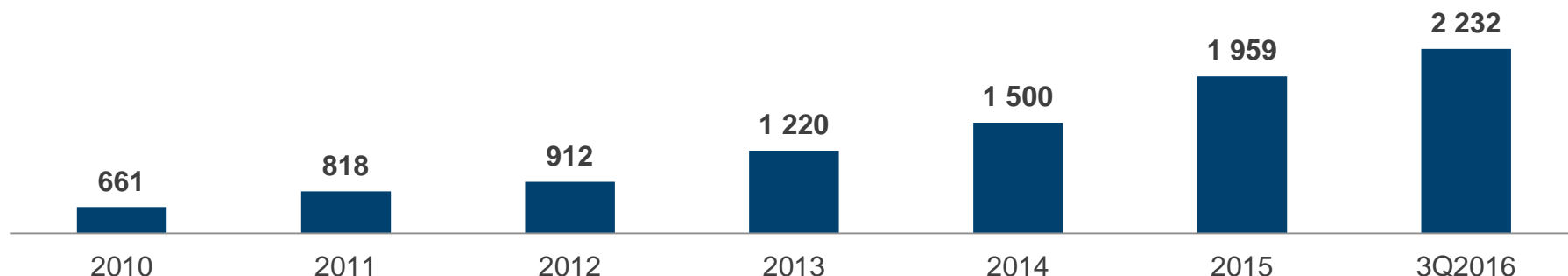


**Revenue Generating Assets
(m€, On and Off Balance Sheet)**



Hypo Group Balance Sheet Total 2010-3Q2016

■ EUR million



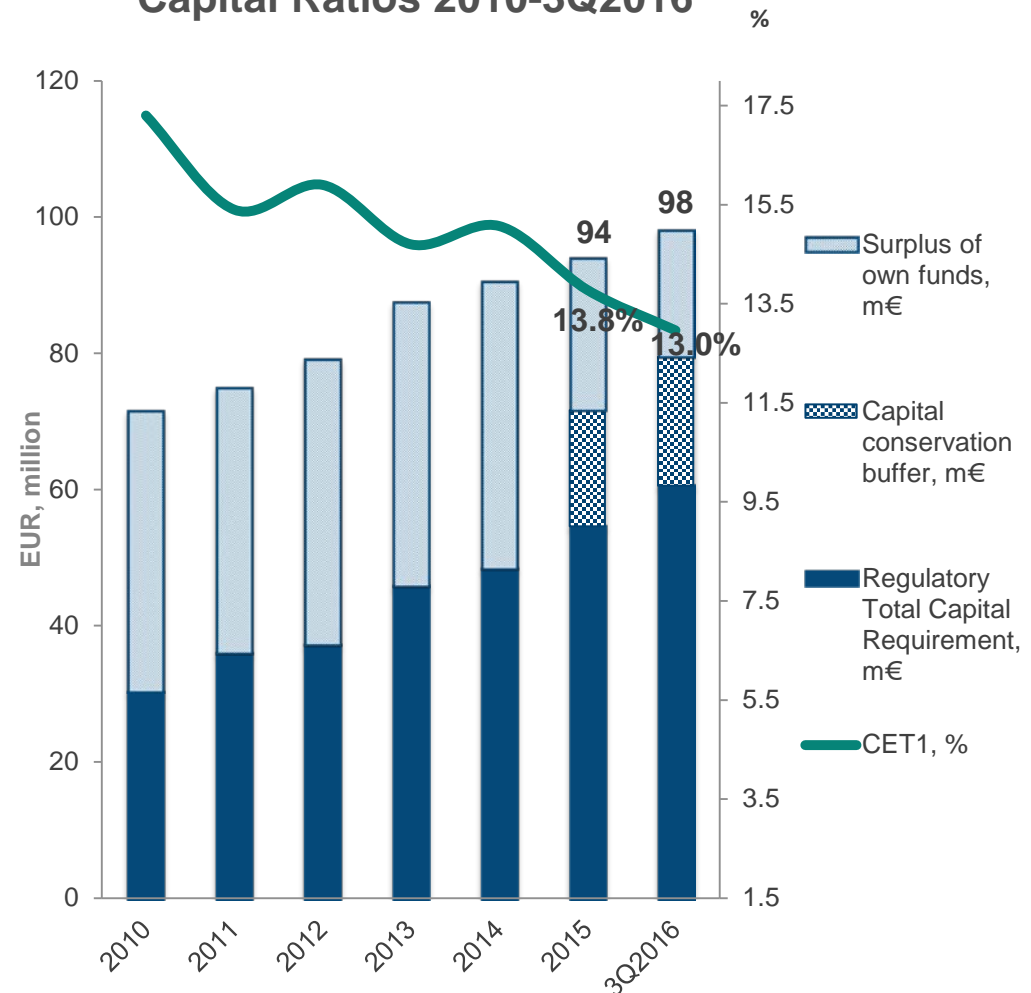
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Solid Capital - Reporting Under Basel III Standard Approach



- Common Equity Tier 1 at 13.0%
- Mutual company: all profits retained and added to the core capital
- S&P Risk Adjusted Capital ratio 18.6% as of 31.12.2015
 - Significantly higher than Finnish peers applying internal methods
- EUR 18.6 million of excess capital after
 - 8.0% Regulatory TC requirement
 - 2.5% Capital Conservation Buffer
- EUR 6.0 million of hidden reserves in housing property (not marked-to-market) and EUR 8.3 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 14.6%
- Basel III standardized approach risk weights
 - Lending with Residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

Capital Ratios 2010-3Q2016

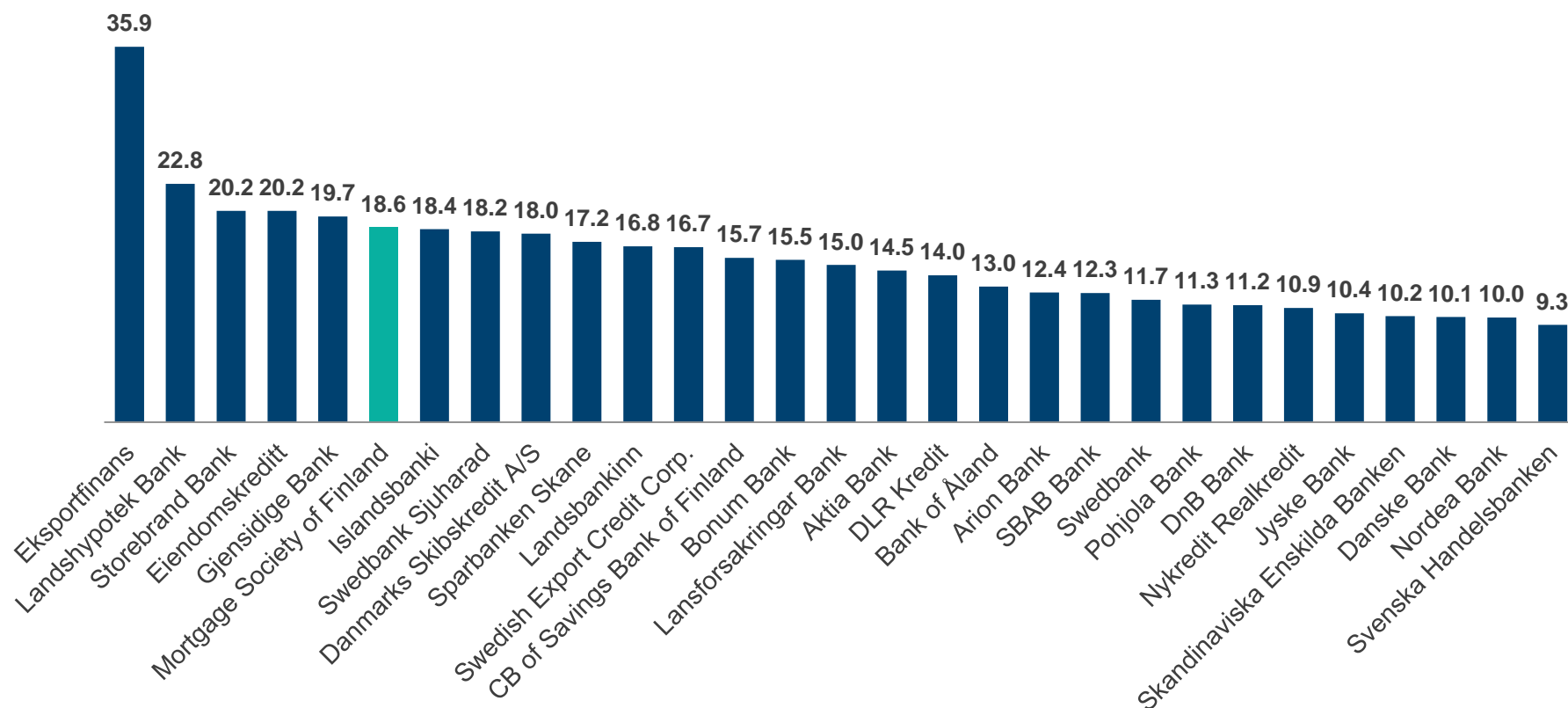


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Hypo's S&P Risk Adjusted Capital 'very strong' at 18.6% as of 31.12.2015



S&P's Nordic RAC Ratios as of 31.12.2015



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Group Income Statement



(EUR 1 000)	1-3Q16	1-3Q15	2015
Net Interest Income	3 610	3 613	4 574
Net Fee and Commission Income	3 550	2 580	3 416
Total Other Income	6 312	5 870	8 681
Total expenses	-7 215	-6 310	- 9 149
Operating Profit	6 257	5 753	7 523

- Hypo Group's operating profit before tax increased to EUR 6.3 million (EUR 5.8 million 1-3Q15).
- NII stabilized to EUR 3.6 million (3.6 million 1-3Q15) due to successful diversification of funding instruments
- Net fee and commission income for the period increased to EUR 3.6 million (2.6 million 1-3Q15).
- Total other income (incl. Treasury operations and investments in housing and residential land) increased to EUR 6.3 million (5.9 million 1-3Q15)
- Total expenses increased to EUR 7.2 million (6.3 million 1-3Q15)

Group Key Financial Figures



	3Q16	3Q15	2015
Common Equity Tier 1 ratio (%)	13.0	13.8	13.8
Cost-to-income ratio (%)	53.5	52.4	54.9
Non-performing assets, % of the loan portfolio	0.19	0.22	0.16
Loan-to-value ratio (%)	39.0	41.7	41.1
Loans-to-deposits (%)	152	156	137
Loan portfolio total (m€)	1 756	1 362	1 421
Balance sheet total (m€)	2 232	1 822	1 959

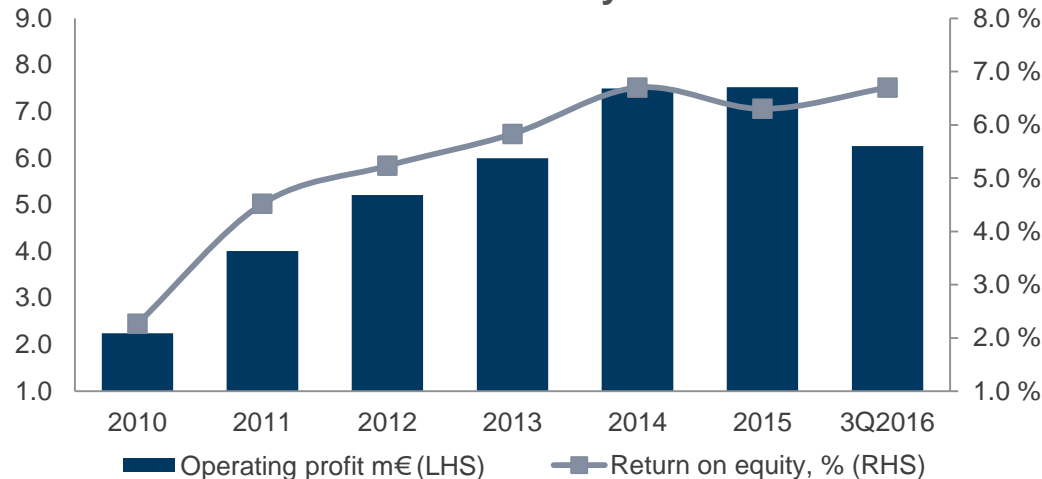
- Total assets increased to EUR 2.23 billion (EUR 1.82 billion 3Q15)
- Loan portfolio increased to EUR 1.76 billion (1.36 billion 3Q15)
- CET1 ratio decreased to 13.0% (13.8%)
- Amount of equity increased to EUR 108.5 million (EUR 101.6 million).
- Average LTV further strengthened to 39.0% (41.7%)
- Group's financial position remained stable throughout the period

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Financial Performance - Stable Profitability Despite Lower Interest Rates



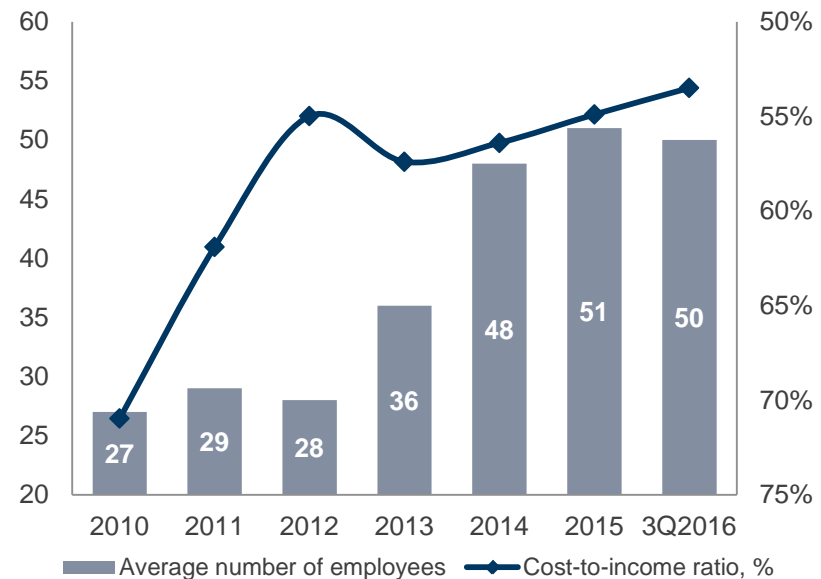
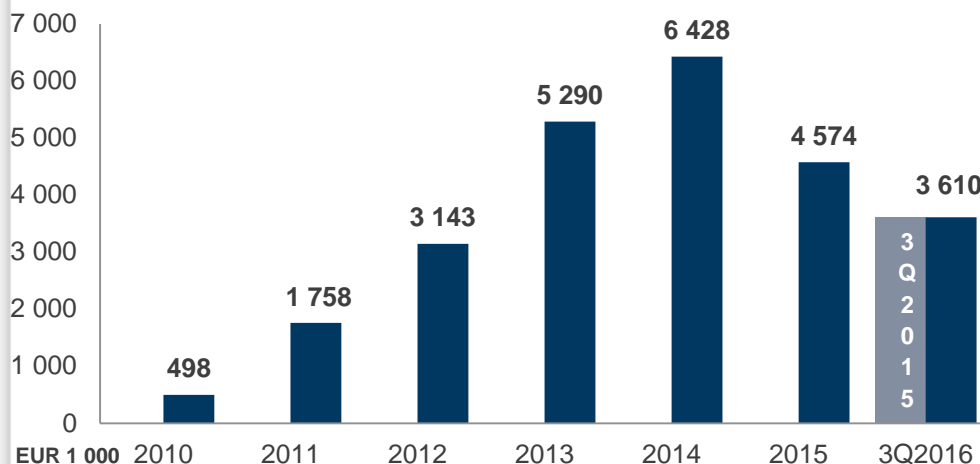
Profitability



- Group's ROE stood at 6.7% (6.5% 3Q15)
- Operating profit for 1-3Q16 increased to EUR 6.3 million (5.8 million 1-3Q15)
- Net interest income stabilized to EUR 3.6 million (3.6 million) due to successful diversification of funding sources
- Cost-to-income ratio was 53.5% (52.4%)

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

Net Interest Income 2010-3Q2016



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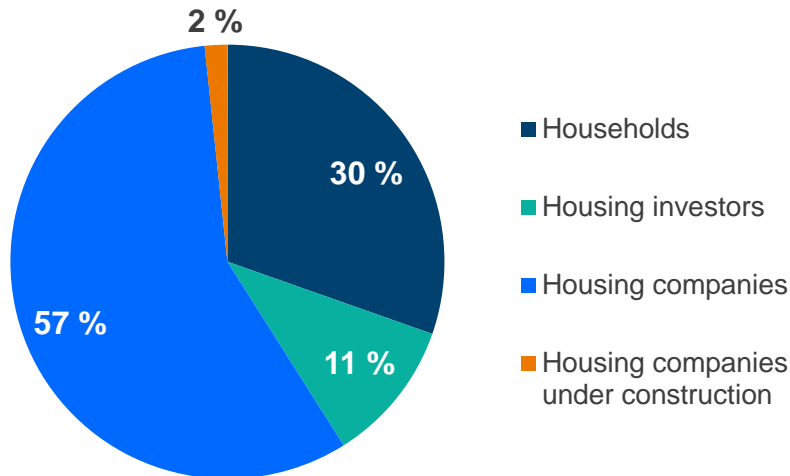
Hypo's Loan Book

Loan Book Overview

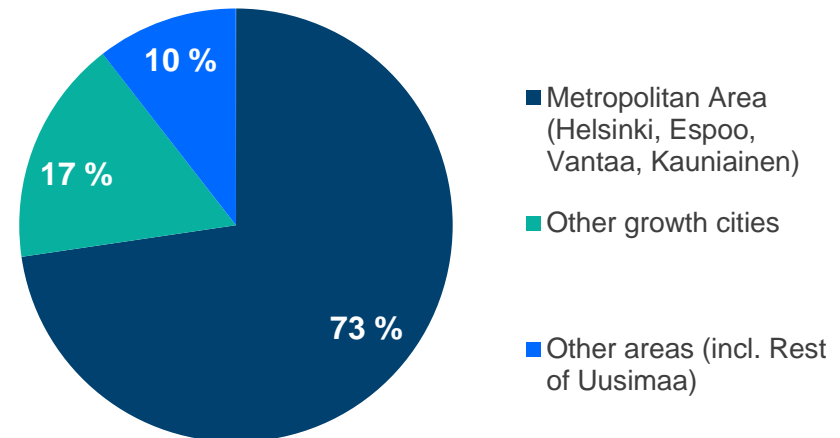


- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households and private individuals: home mortgage, buy-to-let
 2. Housing companies: renovation loans, construction phase loans

Lending by Customer Type



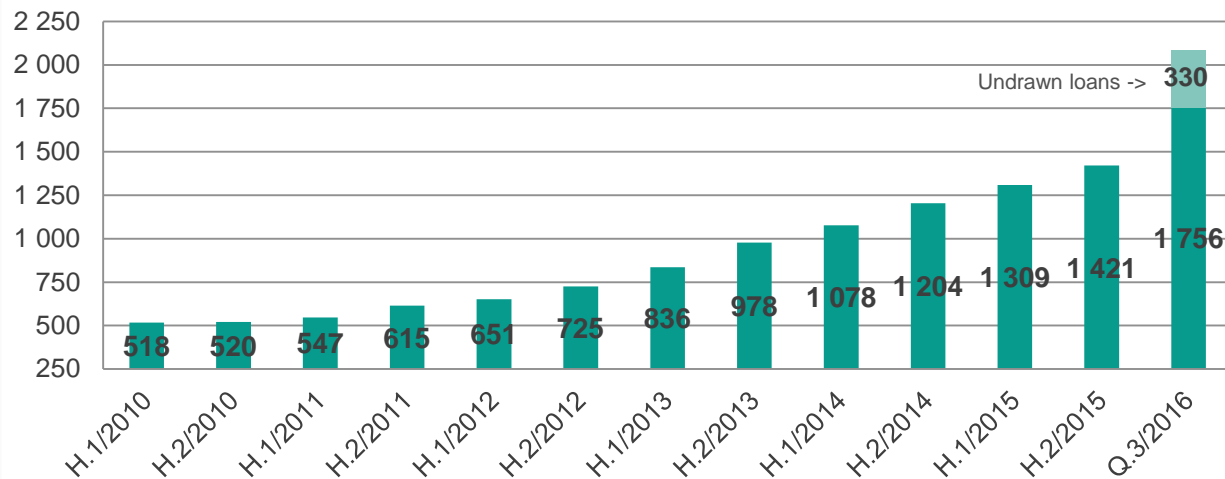
Lending by Customer Domicile



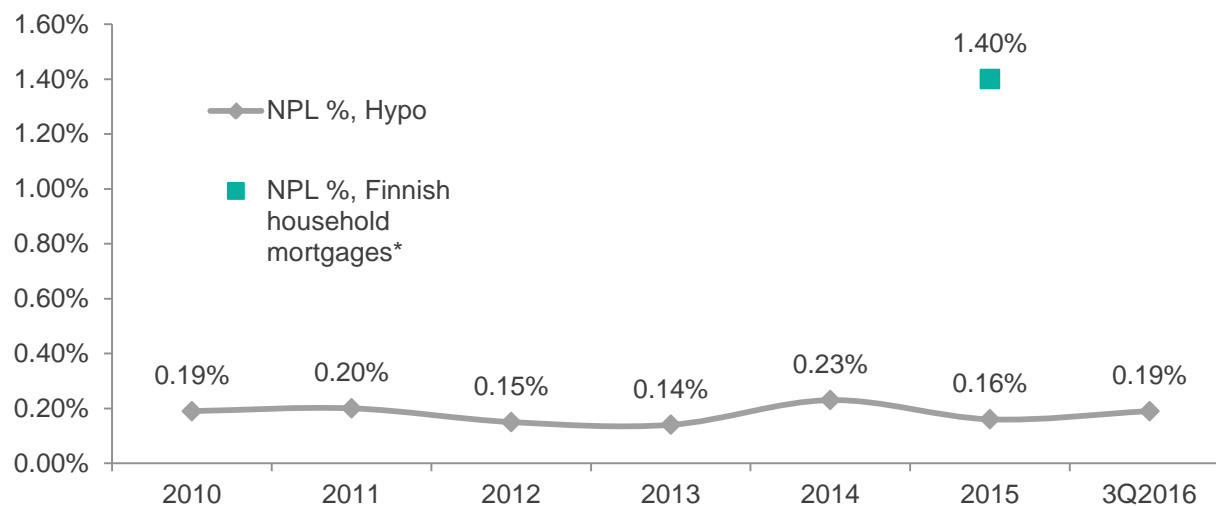
Hypo Loan Book Growing Steadily



Hypo Loan Book Total, m€



Non-performing Loans (%)



*Source: FIN-FSA

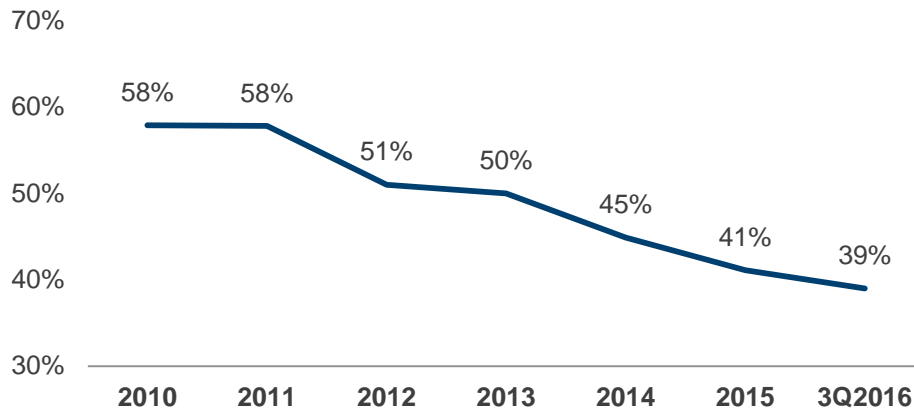
- Hypo's loan book increased 24% during 1-3Q2016, reaching EUR 1.76 billion (1.42 billion 2015)
- Currently EUR 330 million of undrawn loans
- All lending against residential collateral
- Only EUR denominated lending
- All collateral located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remain at very low level at 0.19% of the total loans
- The quality of the loan book well above the Finnish household mortgage average NPLs (1.4% 1Q2015)*

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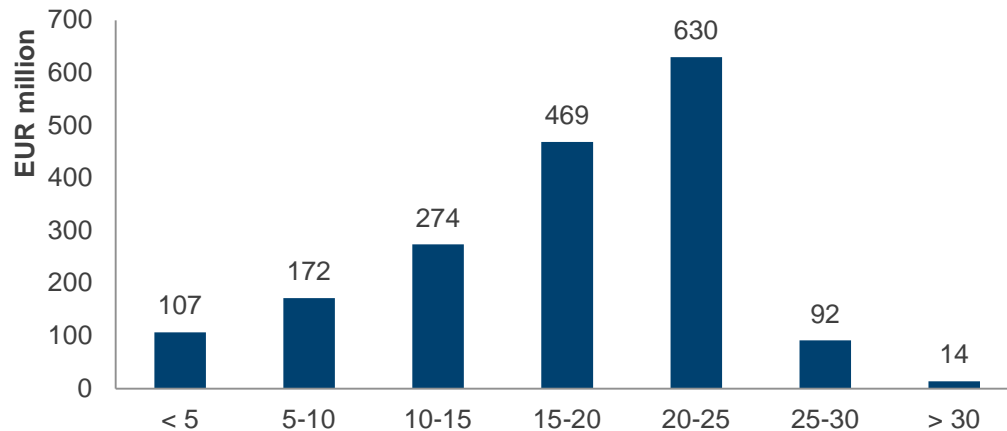
Loan Book Quality Excellent



**Hypo Loan Book Average-LTV
2010-3Q2016**



**Loan Book by Remaining Maturity (years) as of
30.9.2016**



- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) further improved to 39.0% (41.7% 3Q15)
- 94% of the loans are amortizing and only 6% bullets
- 93% of loan book is risk weighted at 35% or lower
- The average maturity of a loan at the time of withdrawal is 14 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 since Jan. 29, 2016
 - Issuer is the Group Parent, no separate entity
 - First issue in May 2016, tapped in September 2016
 - LCR level 2A eligible
- 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
 - ECB repo counterparty
 - Bilateral loans

Outstanding Issues as of 30.9.2016 (original amount issued)

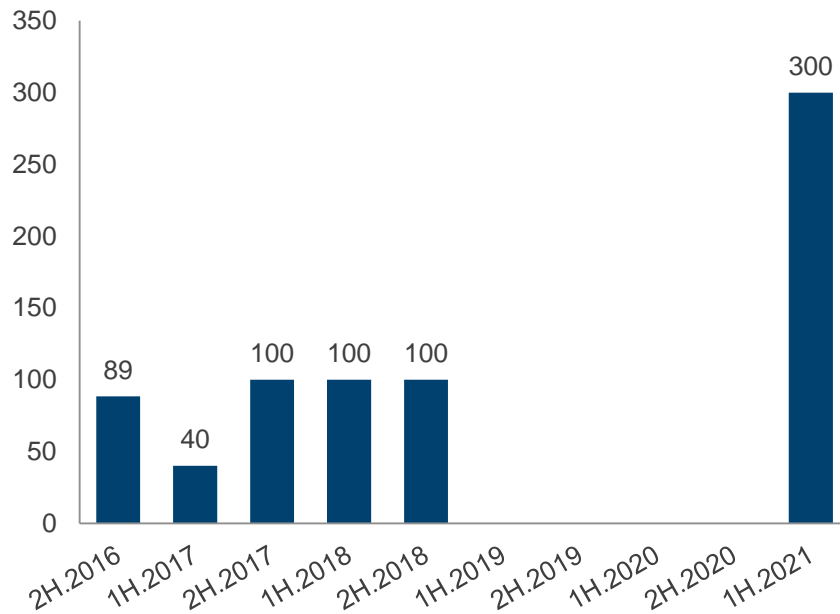
ISIN	Issue Date	Maturity Date	Type	Nominal Issued (m€)	Coupon
FI4000060322	14.2.2013	14.2.2017	Senior Unsecured	40	FRN 6M +1.10
FI4000076443	9.12.2013	9.12.2016	Senior Unsecured	100	FRN 6M +0.95
FI4000092598	29.4.2014	30.10.2017	Senior Unsecured	75	FRN 6M +1.00
FI4000092598 (tap)	22.9.2014	30.10.2017	Senior Unsecured	25	FRN 6M +0.90
FI4000123021	4.12.2014	4.6.2018	Senior Unsecured	75	FRN 6M +0.95
FI4000123021 (tap)	16.1.2015	4.6.2018	Senior Unsecured	25	FRN 6M +0.95
FI4000186614	4.12.2015	4.12.2018	Senior Unsecured	100	FRN 6M +0.90
FI4000206966	10.5.2016	10.5.2021	Covered	250	Fixed +0.25
FI4000206966 (tap)	27.9.2016	10.5.2021	Covered	50	Fixed +0.25

Diversified Funding Profile

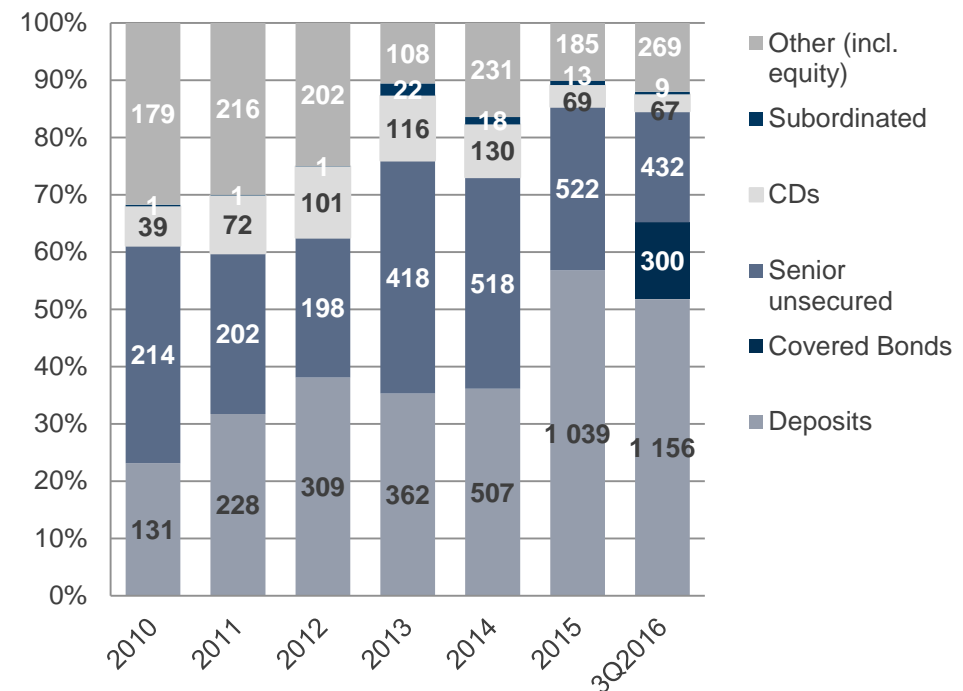


- Domestic Program for Senior Unsecured and Covered Bonds
- Solid strategy, solid financial performance
 - IFRS quarterly reporting, transparent and timely financial Information
- Deposit funding through the AsuntoHypoPankki subsidiary
 - >50% of total funding

**Senior Unsecured and Covered Bond
Maturity Profile as of 30.9.2016**



Funding Structure 2010-3Q2016, m€



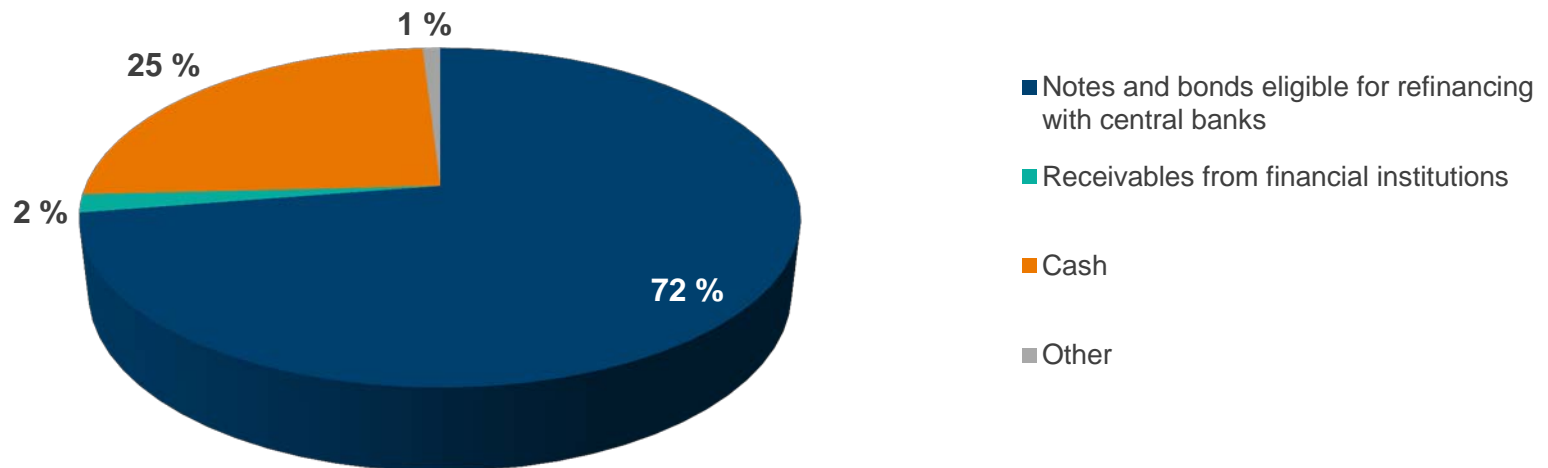
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Solid Liquidity Position



- **Liquidity portfolio EUR 398 million as of 30.9.2016**
 - Conservative investment policy
 - 87% of debt securities invested in at least 'AA-' rated instruments
 - 100% of debt securities in portfolio are 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 20 months

Liquidity portfolio as of 30.9.2016





Outlook for 2016

“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 centers.

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



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