

Hypo Credit Update 4Q2016

Investor Presentation

February 2, 2017



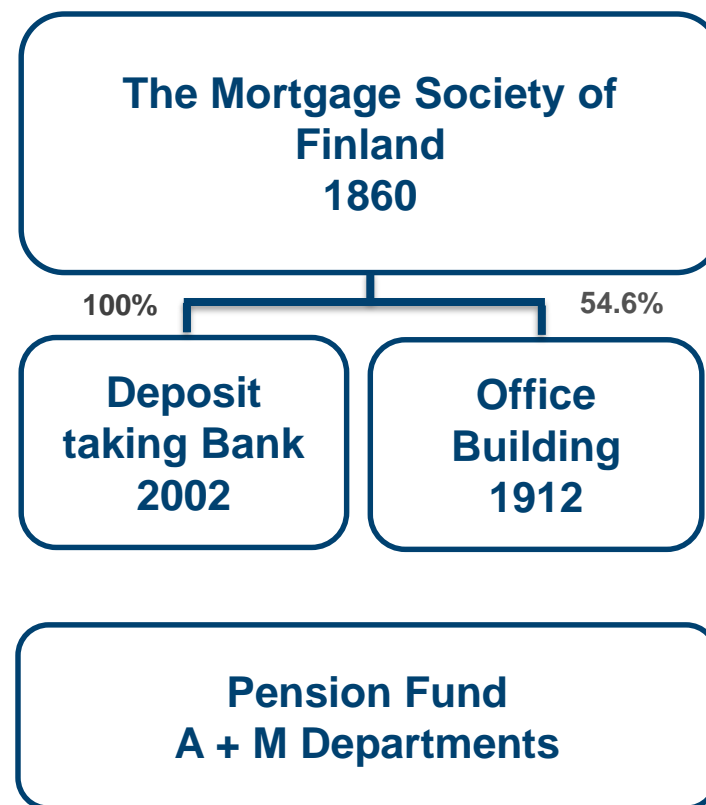


Secure Way for Better Living

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 0.11%)
- Established and frequent issuer in Finland
- Total assets EUR 2.3 billion
- S&P rating 'BBB/A-3' (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 stable.



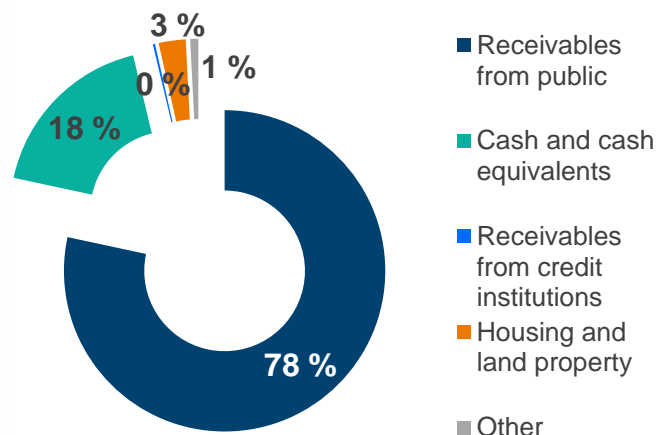
Financial Results

Hypo Group Balance Sheet

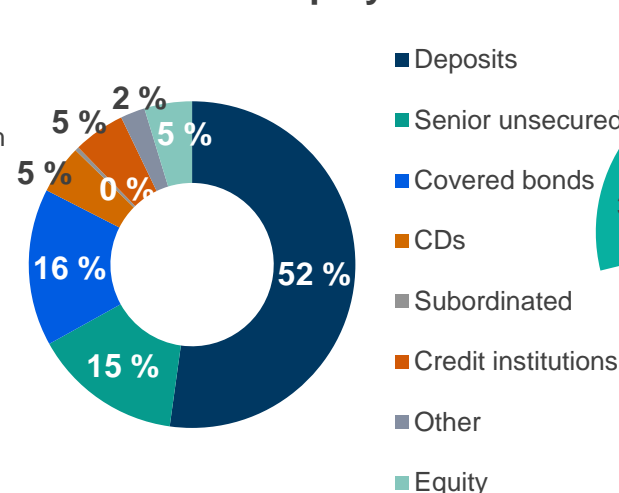
EUR 2.3 billion as of 31.12.2016



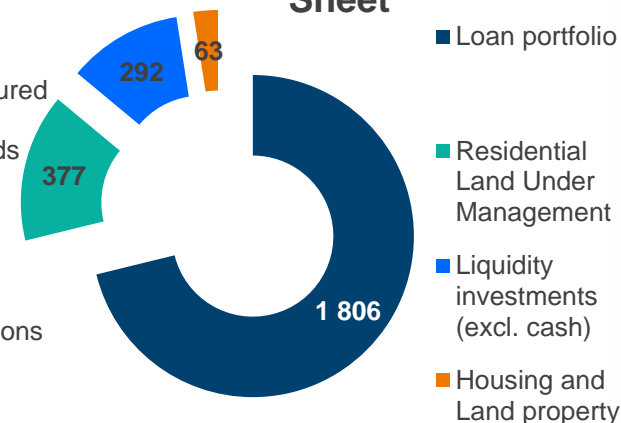
Total Assets



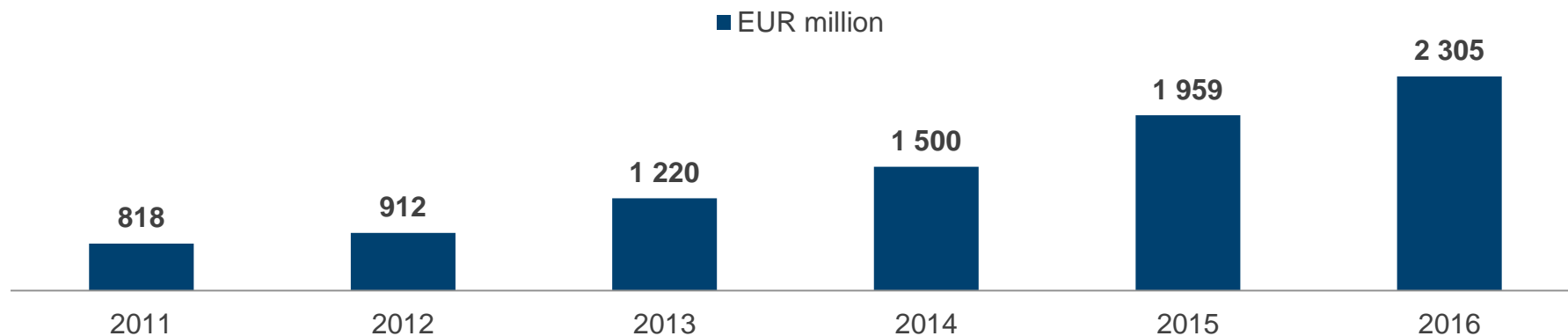
Liabilities and Equity



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



Hypo Group Balance Sheet Total 2011-2016

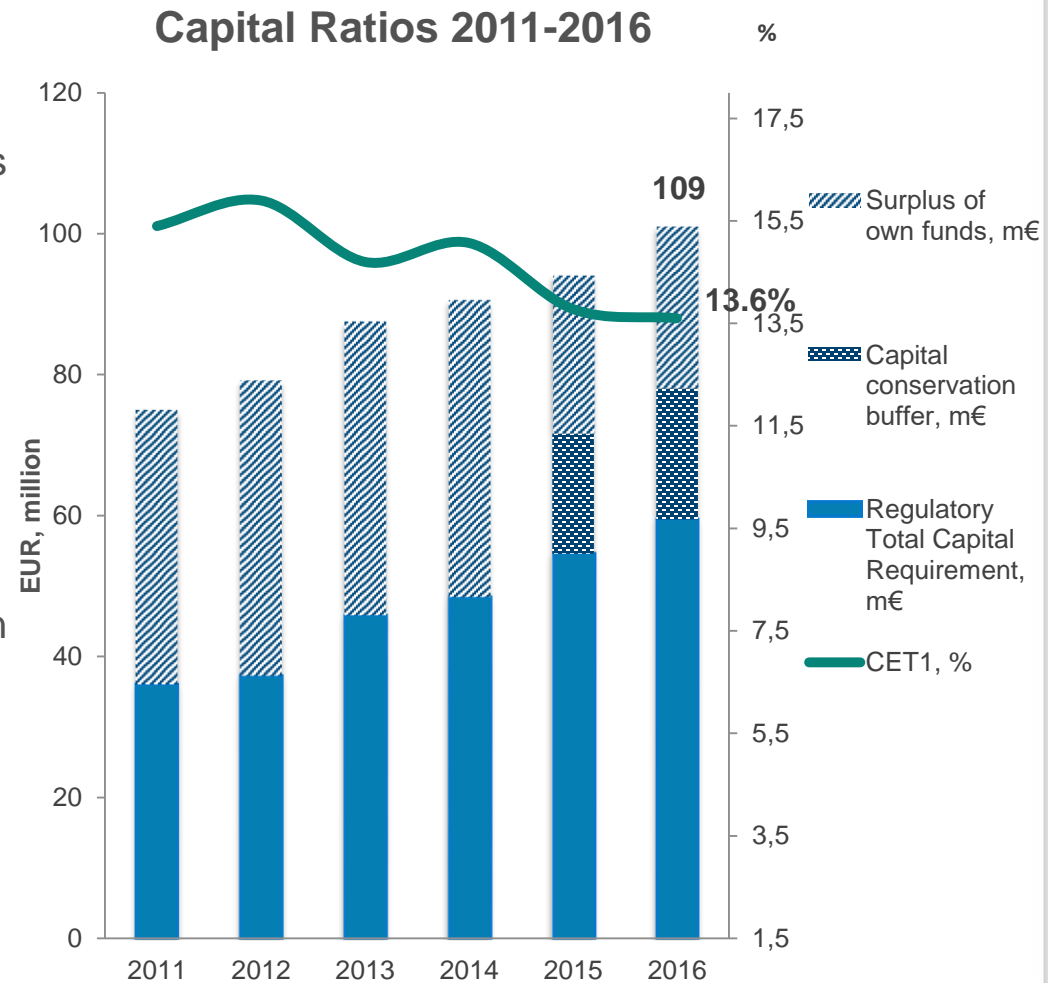


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Solid Capital - Reporting Under Basel III Standard Approach



- Common Equity Tier 1 at 13.6%
- Mutual company: all profits retained and added to the core capital
- S&P Risk Adjusted Capital ratio 18.6% as at 31.12.2015
 - Significantly higher than Finnish peers applying internal methods
- EUR 22.9 million of excess capital after
 - 8.0% Regulatory TC requirement
 - 2.5% Capital Conservation Buffer
- EUR 6.1 million of hidden reserves in housing property (not marked-to-market) and EUR 5.7 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 14.8%
- Basel III standardized approach risk weights
 - Lending with Residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

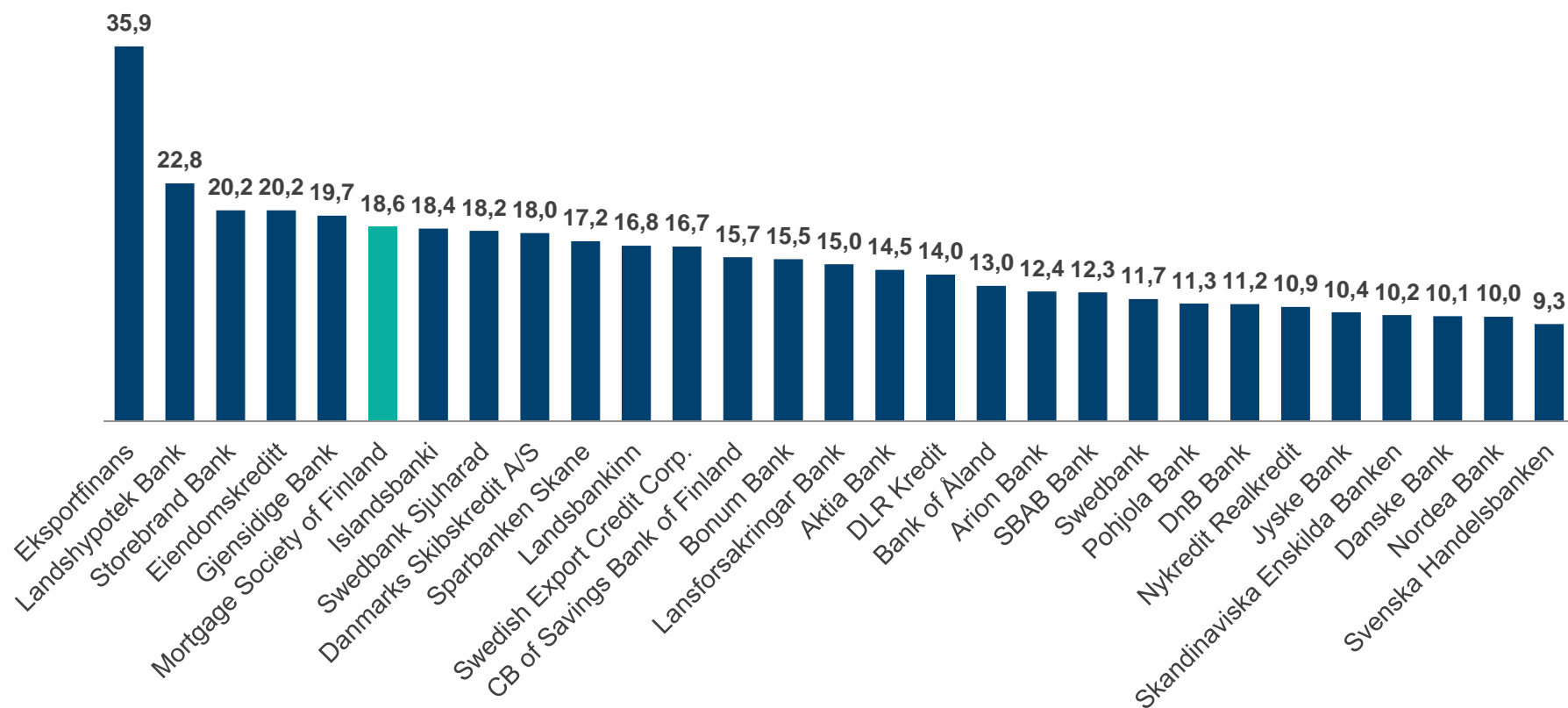


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Hypo's S&P Risk Adjusted Capital 'very strong' at 18.6% as of 31.12.2015



S&P's Nordic RAC Ratios as of 31.12.2015



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Group Income Statement



(EUR 1 000)	2016	2015
Net Interest Income	5 386	4 574
Net Fee and Commission Income	4 439	3 344
Total Other Income	7 924	8 667
Total expenses	-10 403	- 9 141
Operating Profit	7 347	7 444

- Hypo Group's operating profit before tax stabilized to EUR 7.3 million (EUR 7.4 million 2015).
- Despite low interest rates, NII increased by 18% to EUR 5.4 million (4.6 million 2015) due to successful diversification of funding instruments
- Net fee and commission income for the period increased to EUR 4.4 million (3.3 million).
- Total other income (incl. Treasury operations and investments in housing and residential land) decreased to EUR 7.9 million (8.7 million)
- Total expenses increased to EUR 10.4 million (9.1 million)

Group Key Financial Figures



	2016	2015
Common Equity Tier 1 ratio (%)	13.6	13.8
Cost-to-income ratio (%)	57.1	55.2
Non-performing assets, % of the loan portfolio	0.11	0.16
Loan-to-value ratio (%)	38.4	41.1
Loans-to-deposits (%)	150	137
Loan portfolio total (m€)	1 806	1 421
Balance sheet total (m€)	2 305	1 959

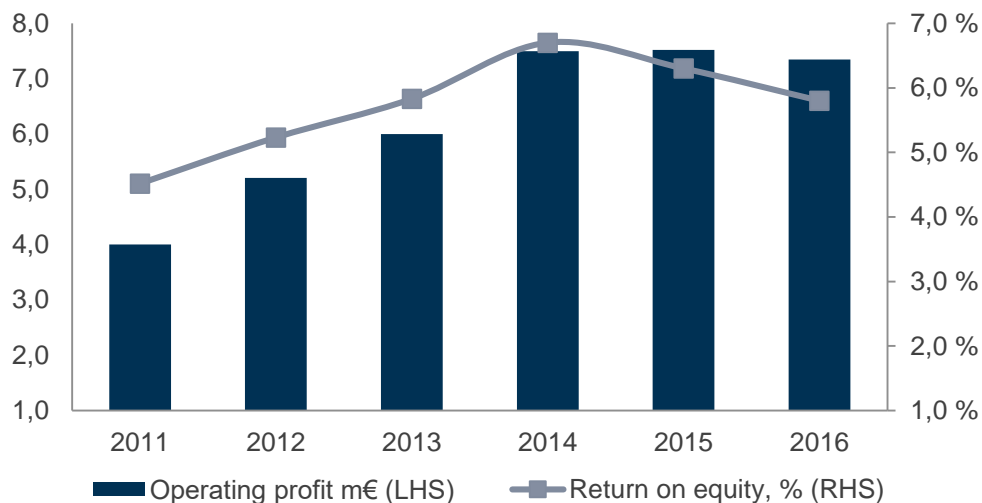
- Total assets increased to EUR 2.3 billion (EUR 1.96 billion 2015)
- Loan portfolio increased to EUR 1.8 billion (1.4 billion 2015)
- CET1 ratio decreased to 13.6% (13.8%)
- Amount of equity increased to EUR 108.8 million (EUR 101.5 million).
- Average LTV further strengthened to 38.4% (41.1%)
- Group's financial position remained stable throughout the period

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Financial Performance – Net Interest Income Improved Despite Low Interest Rates

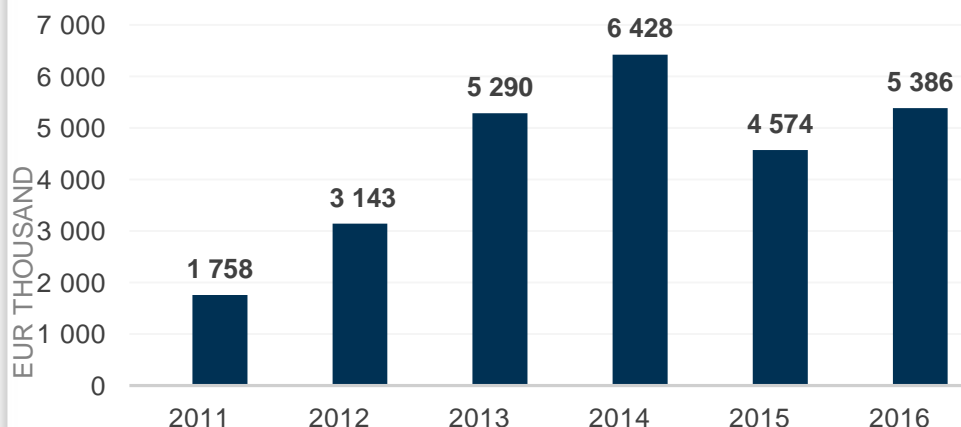


Profitability

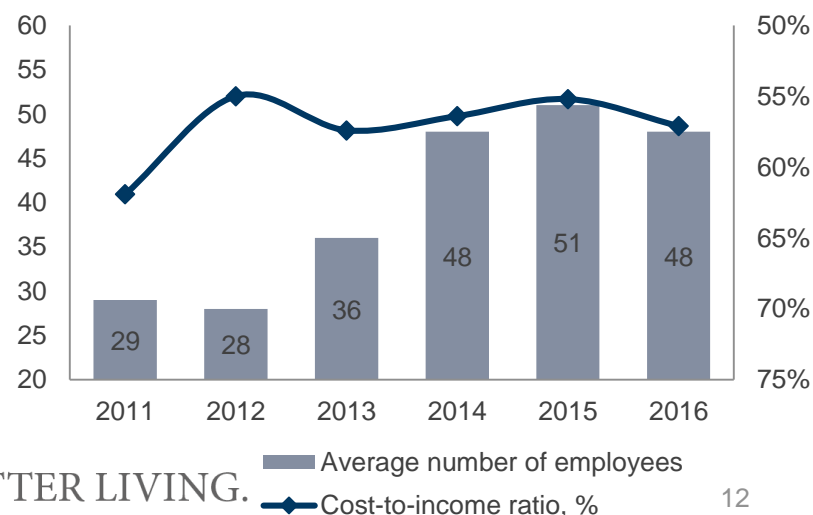


- Group's ROE lowered to 5.8% (6.7% 2015)
- Net interest income increased to EUR 5.4 million (4.6 million) due to successful diversification of funding sources
- Operating profit for 2016 stabilized to EUR 7.3 million (7.4 million)
- Cost-to-income ratio increased to 57% (55%) due to

Net Interest Income 2011-2016



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



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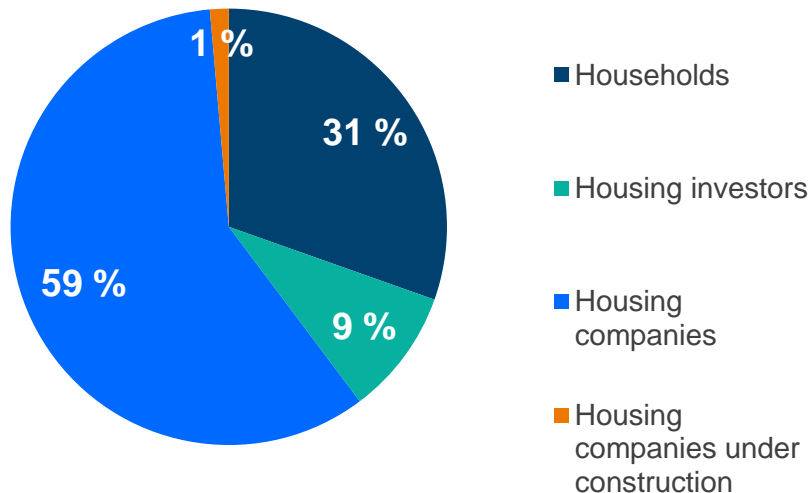
Hypo's Loan Book

Loan Book Overview

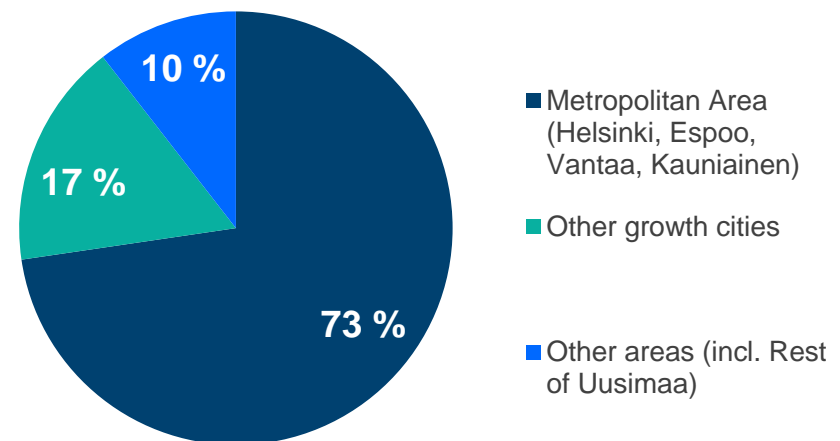


- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households and private individuals: home mortgage, buy-to-let
 2. Housing companies: renovation loans, construction phase loans

Lending by Customer Type



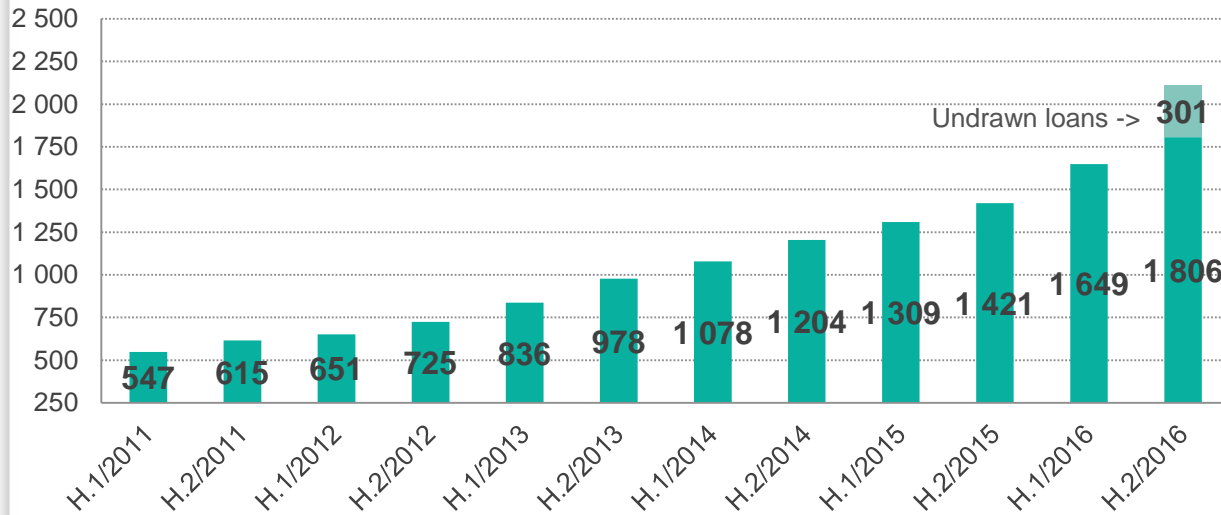
Lending by Customer Domicile



Hypo Loan Book Growing Steadily

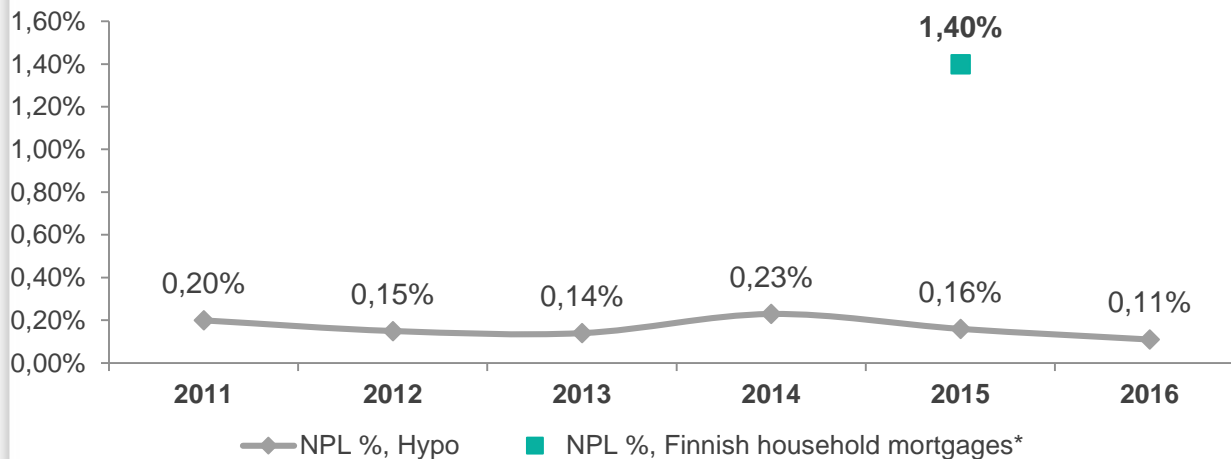


Hypo Loan Book Total, m€



- Hypo's loan book increased 18% during 2016, reaching EUR 1.8 billion (1.4 billion 2015)
- Currently EUR 301 million 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 remained very low at 0.11% of the total loans
- The quality of the loan book well above the Finnish household mortgage average NPLs (1.4% 1Q2015)*

Non-performing Loans (%)

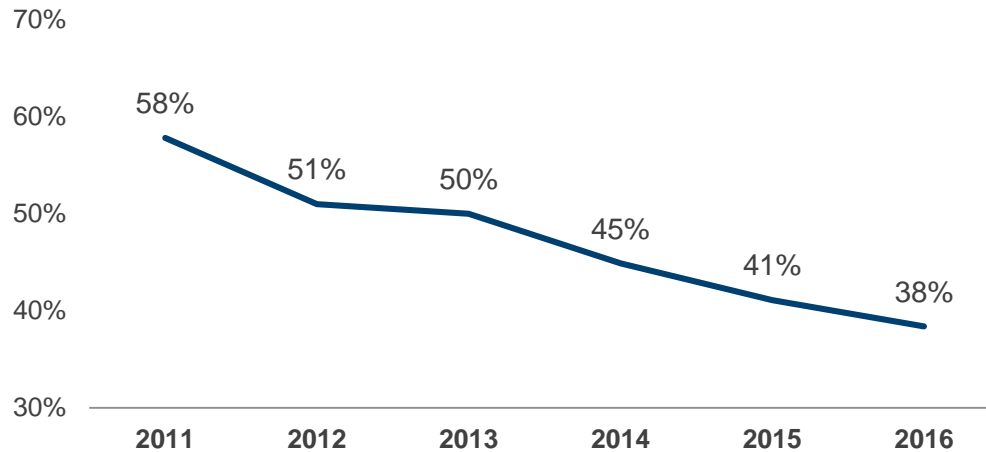


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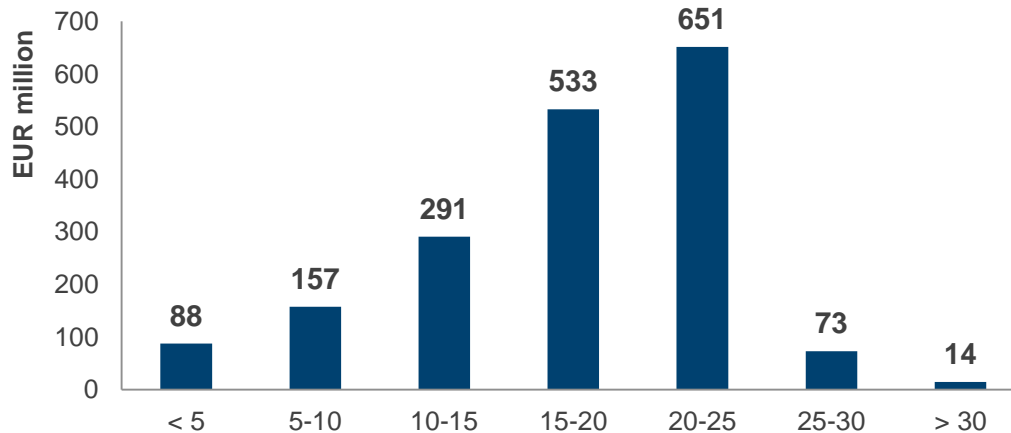
Loan Book Quality Excellent



Hypo Loan Book Average LTV



Loan Book by Remaining Maturity (years) as at 31.12.2016



- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) further improved to 38.4% (41.1% 2015)
- 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
 - No separate entity, issuer is the group parent
 - Larger issues (>250 million) 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 31.12.2016 (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
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
FI4000232855	7.12.2016	7.12.2022	Covered	100	Fixed +0.25

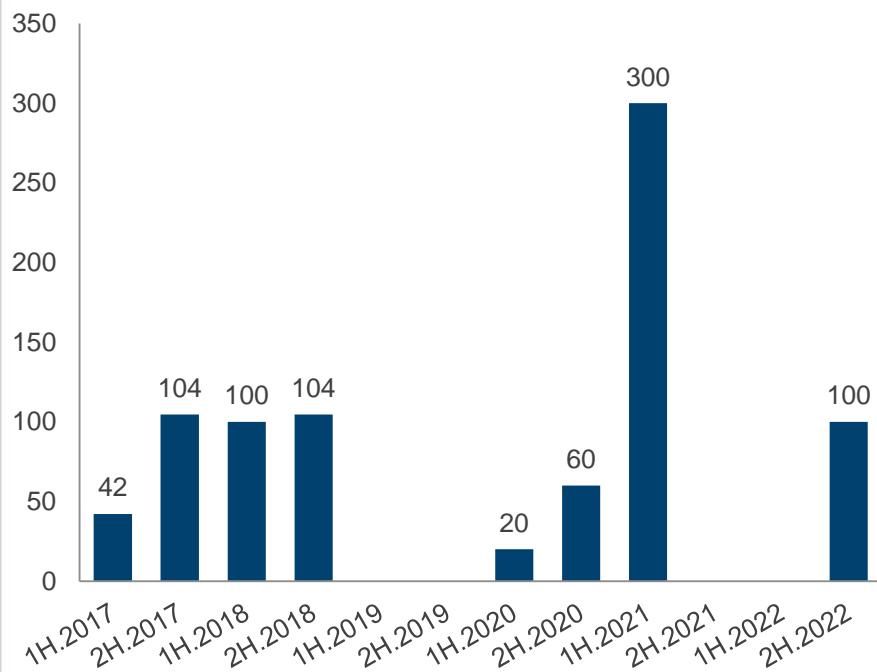
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Well Diversified Funding Profile

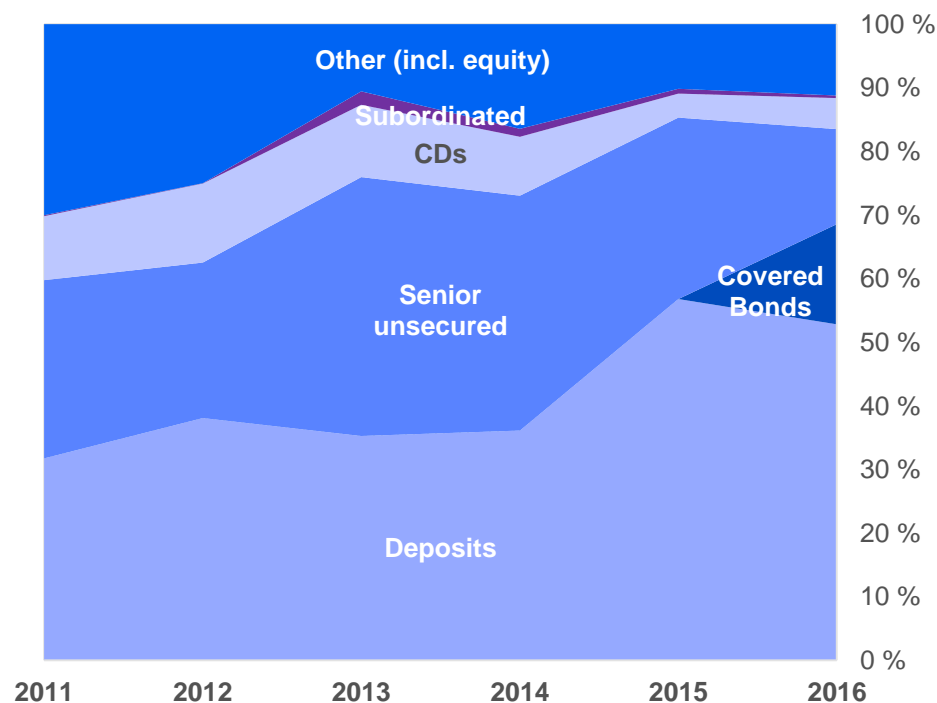


- Domestic Program for the Issuance of Senior Unsecured and Covered Bonds
- Deposit funding through the AsuntoHypoPankki subsidiary
 - >50% of total funding
- Domestic CD program for short term funding
- Possibility to participate in the ECB market operations

Wholesale Funding Maturity Profile as of 31.12.2016



Funding Structure 2011-2016



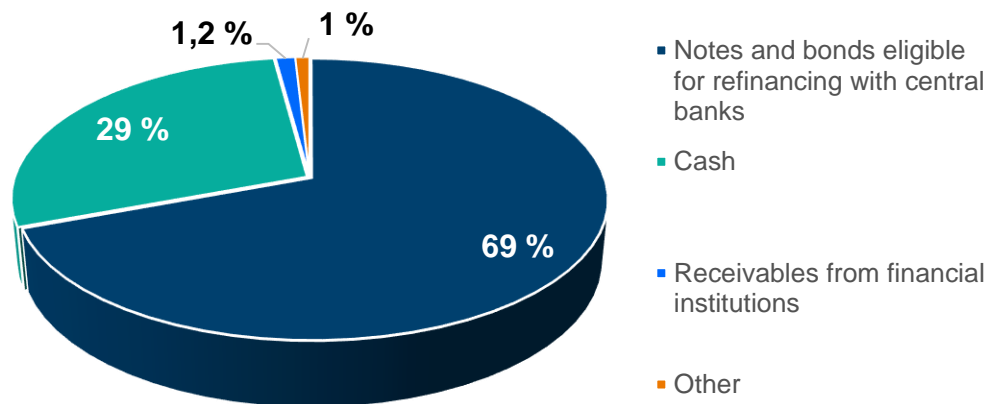
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Solid Liquidity Position



- **Liquidity portfolio EUR 421 million as of 31.12.2016**
 - Equaling 18.3% of total assets
 - Conservative investment policy
 - 92% of debt securities invested in at least 'AA-' rated instruments
 - 100% of debt securities are ECB repo eligible
 - Only EUR denominated exposure
 - Hypo's domestic MTN and CD programs support the liquidity
 - LCR 144% (128% 2015)
 - Liquidity covers maturing wholesale funding for the following 23 months

Liquidity Portfolio as at 31.12.2016



Outlook for 2017



“The positive development of Finnish economic growth will continue during 2017. The positive development would be hindered should the uncertainties in the European and world economies realize. The urbanization in Finland continues and supports the housing and mortgage markets in the biggest growth centers.

Group management estimates that the net interest income continues its positive development in 2017 and the 2017 operating profit will reach the 2016 levels.”



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