

## **STRONG OPERATING PROFIT AND BALANCE SHEET – LOAN BOOK REACHED ALMOST 1 BILLION EUROS**

### **Operating profit increased to EUR 6 million**

The Hypo Group operating profit for financial year 2013 reached EUR 6.0 million as expected (5.2 million in 2012).

Total assets of the Group increased to EUR 1 220 million (911 million). The net impairments on loans increased the profit by EUR 0.02 million (-0.03 million).

The Group was successful in increasing the net interest income as planned. The NII increased 53% due to the positive development both in the loan portfolio and interest margins.

Fee and commission income for the financial year increased to EUR 2.7 million (2.3 million).

Administrative expenses, depreciation and other expenses totalled EUR 8.1 million (6.7 million). The Group's average number of personnel was 36 (28). Cost-to-income ratio was 57.4% (56.0%). The administrative expenses included EUR 0.5 million of one-off items related to the reorganization of the Group. Excluding the one-off items the cost-to-income ratio was 53.8%.

The Group's operating profit calculated per average number of employees was EUR 167 000 (186 000). The Group's comprehensive income for the financial year 2013 was EUR 7.7 million (4.4 million) including the operating profit and changes in equity due to changes in fair value reserves.

The Group's recognition as a stable and strongly capitalized Finnish credit institution and deposit taking bank increased further. The Group's customer base remained stable at around 24 500.

### **Loans secured by residential property continued to increase. Non-performing loans at very low level.**

As a mortgage society, Hypo's loan portfolio is entirely secured by residential property. The average LTV (loan-to-value) improved to 49.98% (51.03%).

At year end 2013 Hypo's total loan portfolio stood at EUR 977.9 million (725.0 million).

The quality of the loan portfolio remained good and the amount of non-performing loans decreased to EUR 1.0 million (1.1 million) equaling 0.1% of the total portfolio.

### **Solid liquidity. Capital Adequacy at 18.5% by standard method.**

The Group liquidity was strong throughout the financial year. The amount of liquid assets including cash and cash equivalents in the cash flow statement, combined with binding credit facilities, totalled EUR 205.6 million (141.9 million). Approximately 52% of cash and cash equivalents consisted of investments with at least an AA rating, distributed widely across various counterparties, and of debt securities tradable on the secondary market.

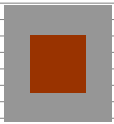
The Group's capital adequacy was 18.5% (17.0%) calculated by the standard method, which is more than twice the regulatory minimum. The capital adequacy calculated from Tier 1 assets was 14.1 % (15.9%).

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

### **Hypo Group as an investment is low risk yet profitable. Deposits and retail bond funding increased by 21.4%.**

The Group's financing position remained stable, and the deposit and retail bond funding increased. Total amount of deposits and retail bonds increased by 21.4 percent, to EUR 374.7 million (308.6 million) including deposits made by financial institutions. The share of deposits and retail bonds accounted for 33.8 percent (38.1%) of total funding.

The Mortgage Society of Finland has programs for issuance of EMTNs and Certificate of Deposits. During the financial year 2013, nine bond issues were completed totaling nominal capital of EUR 353.2 million. As at December 31, 2013 the amount of outstanding bonds and CDs stood at EUR 534.3 million (298.9 million) equaling 48.1% (36.9%) of total funding.



## Outlook for 2014

The general economic sentiment is considered to modestly improve but the economic growth is nevertheless expected to remain subdued in 2014. The economic cycle and interest rates are not expected to bring any substantial changes to the prevailing situation in the Finnish housing market.

The management is very confident that as a specialized mortgage institution, the Mortgage Society of Finland has good possibilities to continue growing its business in a profitable manner while managing risks also in 2014. The management expects the Group operating profit for 2014 to exceed the 2013.

## CONSOLIDATED INCOME STATEMENT, IFRS

(1000 €)	1.1.2013	1.1.2012		
	31.12.2013	31.12.2012	10-12/2013	10-12/2012
Interest income	17 663,2	19 245,8	5 163,0	4 259,5
Interest expenses	-12 373,0	-15 793,8	-3 189,5	-3 254,2
Net interest income	5 290,2	3 452,0	1 973,5	1 005,3
Income from equity investments	98,0	65,5	28,0	65,5
Net income from financial assets available for sale	101,9	17,5	90,0	9,1
Net income from investment properties	5 825,4	6 123,5	1 645,2	3 046,1
Fee and commission income	2 731,9	2 287,7	678,3	638,5
Impairment losses on loans and other commitments	19,1	-29,7	-9,2	-33,1
Administrative-, depreciations and other operating expenses	-8 060,4	-6 695,2	-2 715,5	-2 424,3
<b>OPERATING PROFIT</b>	<b>6 006,1</b>	<b>5 221,3</b>	<b>1 690,3</b>	<b>2 307,1</b>
Income taxes	-1 116,5	-1 129,1	-220,6	-468,0
<b>PROFIT FOR THE PERIOD</b>	<b>4 889,7</b>	<b>4 092,2</b>	<b>1 469,7</b>	<b>1 839,1</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME STATEMENT</b>	<b>7 726,9</b>	<b>4 444,9</b>	<b>3 433,2</b>	<b>2 276,1</b>

(1000 €)	31.12.2013	31.12.2012	10-12/2013	10-12/2012
Capital ratio, %	18,5	17,0	18,5	17,0
Capital Ratio Tier 1, %	14,1	15,9	14,1	15,9
Own funds Total (m€)	105 398	79 156	105 398	79 156
Tier 1 Capital	80 388	73 804	80 388	73 804
Minimum requirements of own funds	45 527	37 249	45 527	37 249
Cost-to-income ratio,%	57,4	56,0	61,5	50,9
Average number of personnel	36	28	46	29
Non-performing loans, % of total loans	0,10	0,16	0,10	0,16
LTV-ratio, %	49,98	51,03	49,98	51,03
Deposits/loans, %	36,8	42,6	36,8	42,6
Receivables from the public and public sector entities	977 893	725 046	977 893	725 046
Deposits	359 734	308 562	359 734	308 562
Balance sheet total	1 219 595	911 203	1 219 595	911 203

All information included in this release is preliminary and unaudited. The audited Financial Statements will be published on February 28, 2014 and the Annual Report during the week 14/2014.

The Mortgage Society of Finland

Suomen AsuntoHypoPankki Oy

The Mortgage Society of Finland - Secure options for better living.

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