

Hypo Investor Update 2017

Debt Investor Presentation



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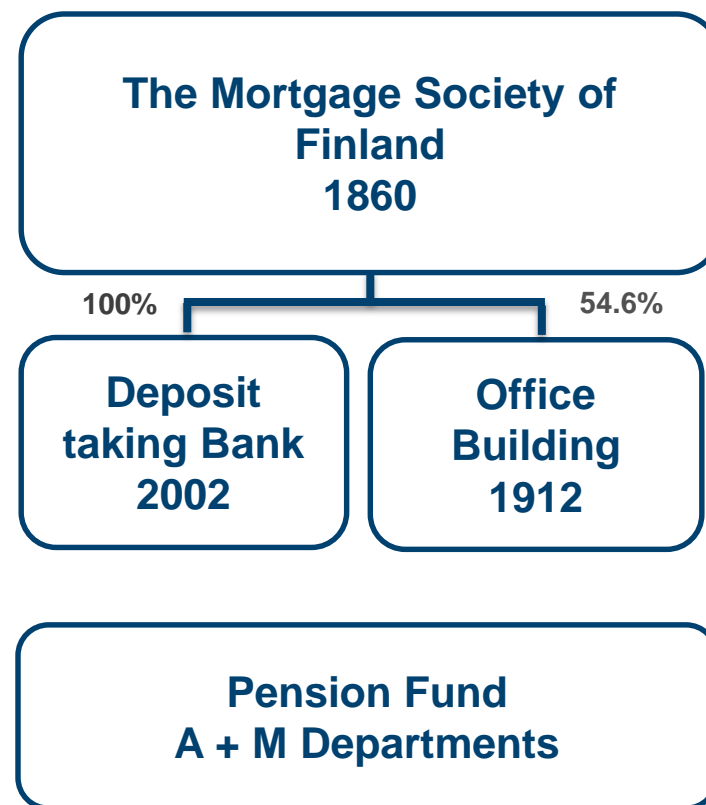


Secure Way for Better Living

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 0.14%)
- Established and regular issuer in Finland
- Total assets EUR 2.8 billion
- S&P issuer rating 'BBB/A-2' (st.)
- S&P covered bond rating 'AAA' (st.)



S&P Issuer Credit Rating of Hypo: 'BBB/A-2' (st.)



Anchor Rating for Finnish Commercial Banks

a-

1. Hypo business position

-2

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

2. Hypo capital and earnings

+2

- Very strong capitalization
- Strong asset quality and exceptional loan loss track record.
- Mutual business model: 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 (st.)

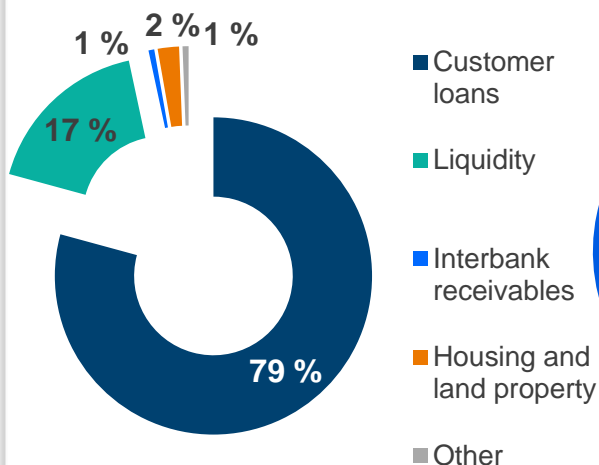
Financial Results



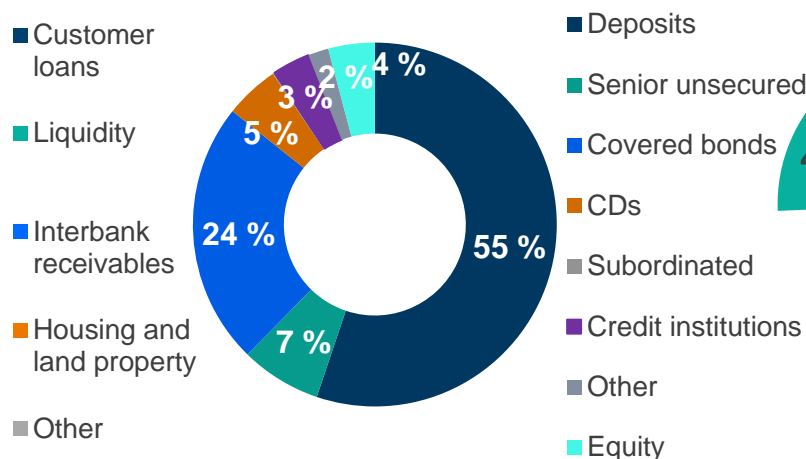
Group Balance Sheet EUR 2.8 billion



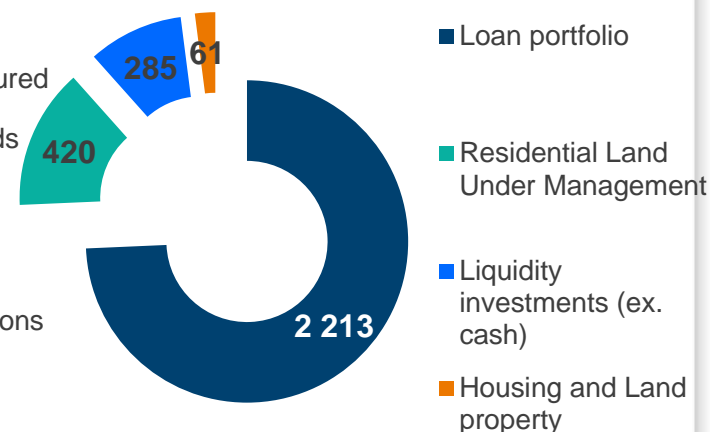
Assets



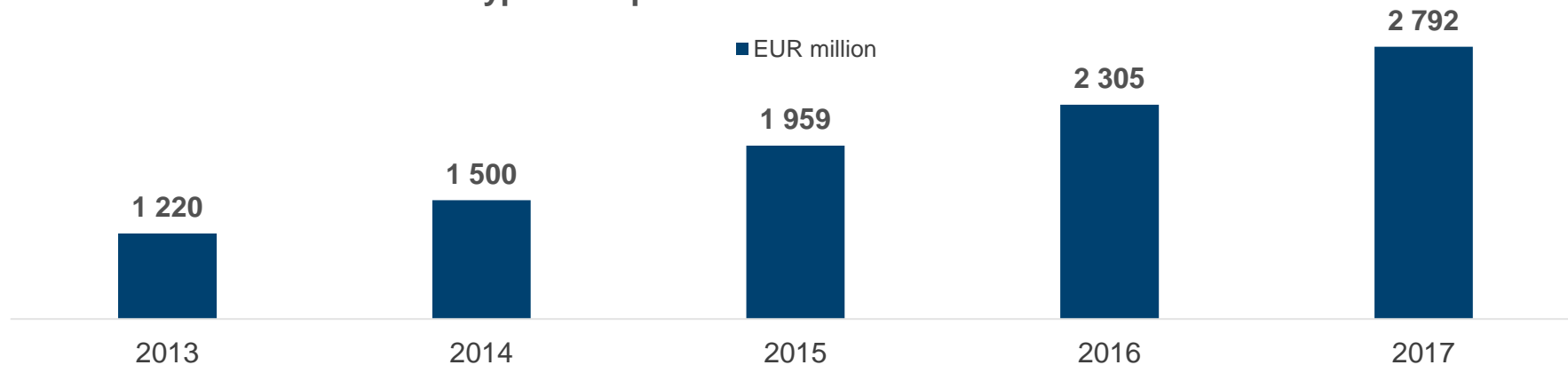
Liabilities and Equity



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



Hypo Group Balance Sheet Total 2013-2017

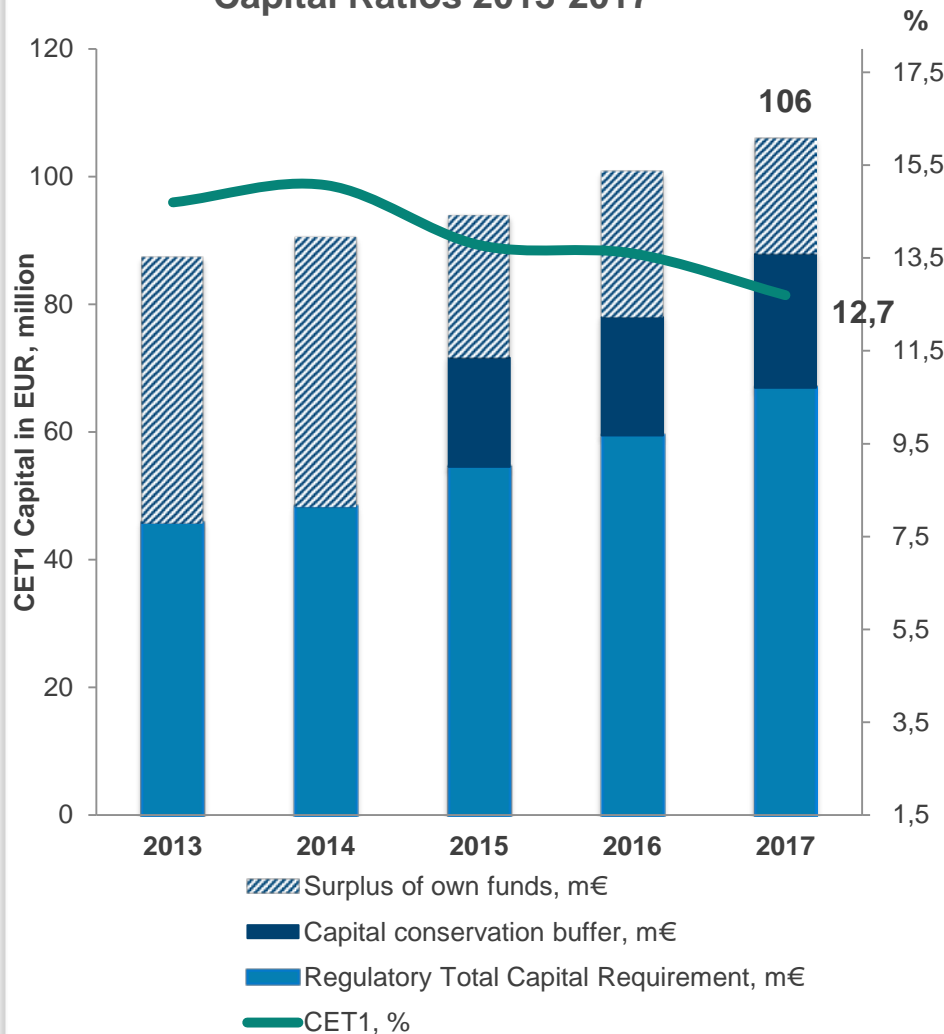


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Solid Capital Basel III Standard Approach



Capital Ratios 2013-2017



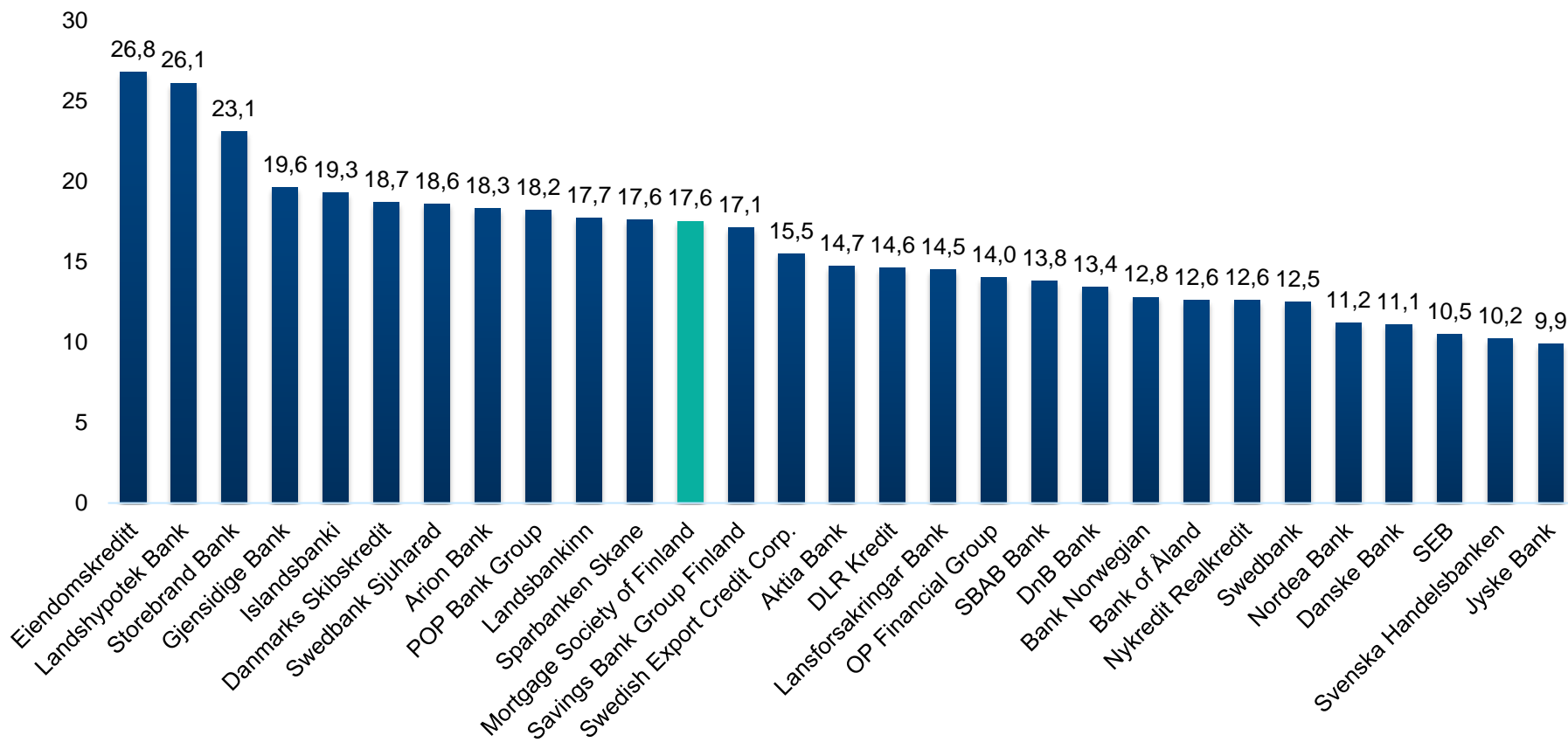
- Mutual company: all profits retained and added to the core capital
- Common Equity Tier 1 12.7%
- S&P's Risk Adjusted Capital 17.6% on 30.6.2017
 - Markedly higher than Finnish peers applying internal methods
- EUR 18.2 million of excess capital after
 - 8.0% Regulatory TC requirement
 - 2.5% Capital Conservation Buffer
- EUR 5.6 million of hidden reserves in housing property (not marked-to-market) and EUR 6.4 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 13.8%
- Basel III standardized approach risk weights
 - Lending with residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

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S&P Risk Adjusted Capital 'Very Strong'



S&P's Nordic RAC Ratios 30.6.2017



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Group Income Statement



(EUR 1 000)	4Q2017	4Q2016	2017	2016
Net Interest Income	2 712	1 776	8 991	5 386
Net Fee and Commission Income	834	890	3 525	4 439
Total Other Income	1 142	1 612	5 190	7 924
Total expenses	-2 946	- 3 188	-11 055	-10 403
Operating Profit	1 741	1 090	6 651	7 347

- Net Interest Income increased by 67% to EUR 9 million (5.4 million 2016) due to loan portfolio growth and continued decrease in funding costs.
- Hypo Group's operating profit before tax decreased to EUR 6.7 million (EUR 7.3 million 2016).
- Net Fee and Commission Income for the period decreased to EUR 3.5 million (4.4 million) due to intensified competition in Land trustee services.
- Total other income (incl. treasury operations and housing and residential land) expectedly decreased to EUR 5.2 million (7.9 million)
- Total expenses increased to EUR 11.1 million (10.4 million)

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Group Key Financial Figures



	4Q2017	4Q2016	2017	2016
Common Equity Tier 1 ratio (%)	12.7	13.6	12.7	13.6
Cost-to-income ratio (%)	62.6	68.3	62.5	57.1
Non-performing assets, % of the loan portfolio	0.14	0.11	0.14	0.11
Loan-to-value ratio (%)	37.4	38.4	37.4	38.4
Loans-to-deposits (%)	144	150	144	150
Loan portfolio total (m€)	2 213	1 806	2 213	1 806
Balance sheet total (m€)	2 792	2 305	2 792	2 305

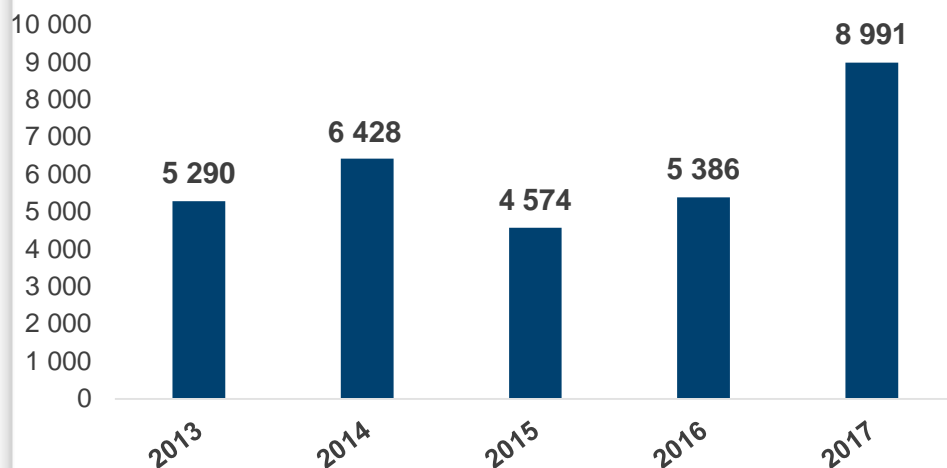
- Total assets increased to EUR 2.8 billion (EUR 2.3 billion 2016)
- Loan portfolio increased to EUR 2.2 billion (1.8 billion 2016)
- CET1 ratio decreased to 12.7% (13.6% 2016)
 - Amount of equity increased to EUR 116 million (EUR 109 million 2016).
- Average LTV lowered to 37.4% (38.4% 2016)
- Group's financial position remained stable throughout the period

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Net Interest Income Increases Despite Low Interest Rate Environment

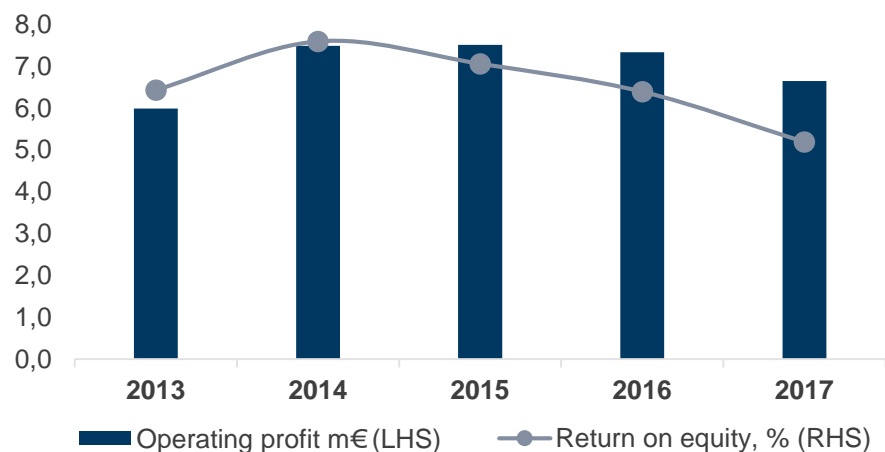


Net Interest Income 2013-2017

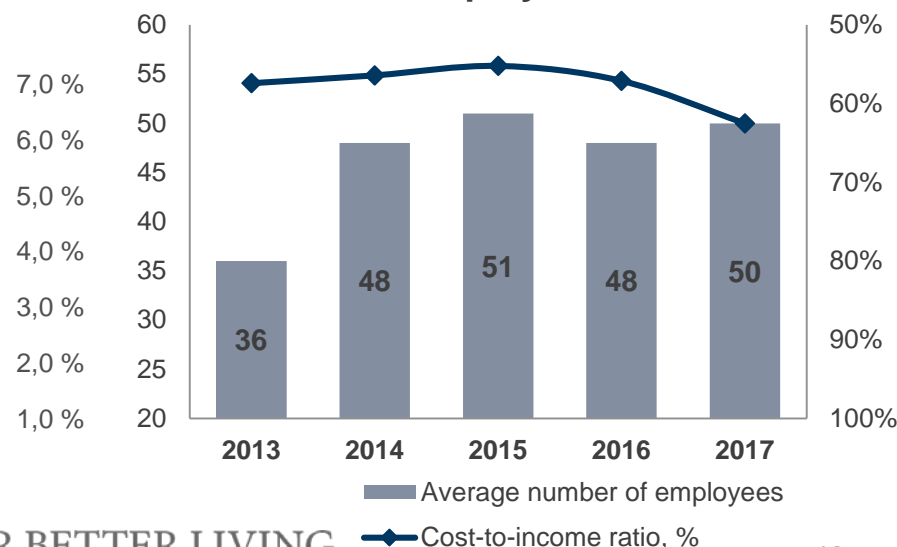


- 2017 net interest income increased to EUR 9 million (5.4 million) due to diversification of funding sources
- Operating profit decreased to EUR 6.7 million (7.3 million)
- Cost-to-income ratio 63% (57%)

Profitability



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



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Hypo's Loan Book

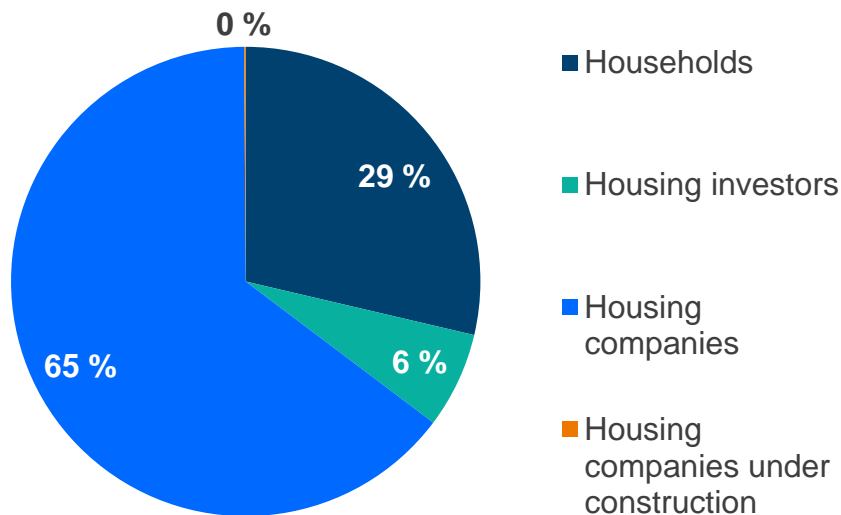


Loan Book Overview

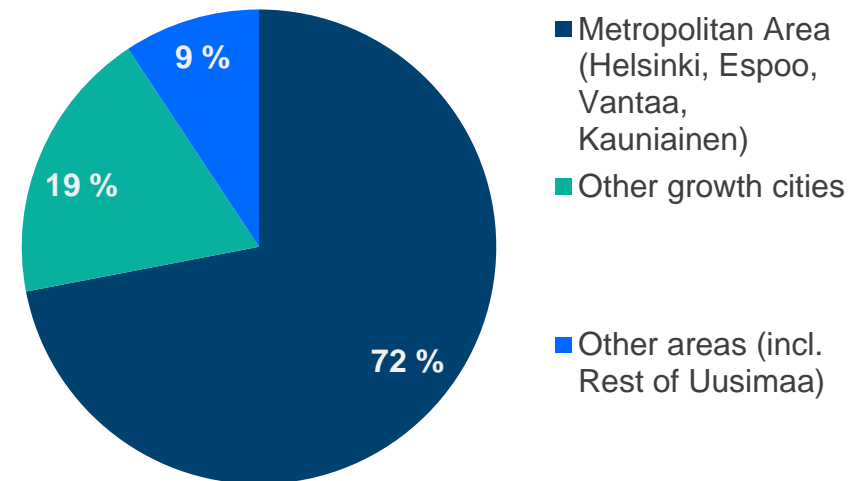


- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans, construction phase loans

Lending by Customer Type



Loan Book by Customer Domicile

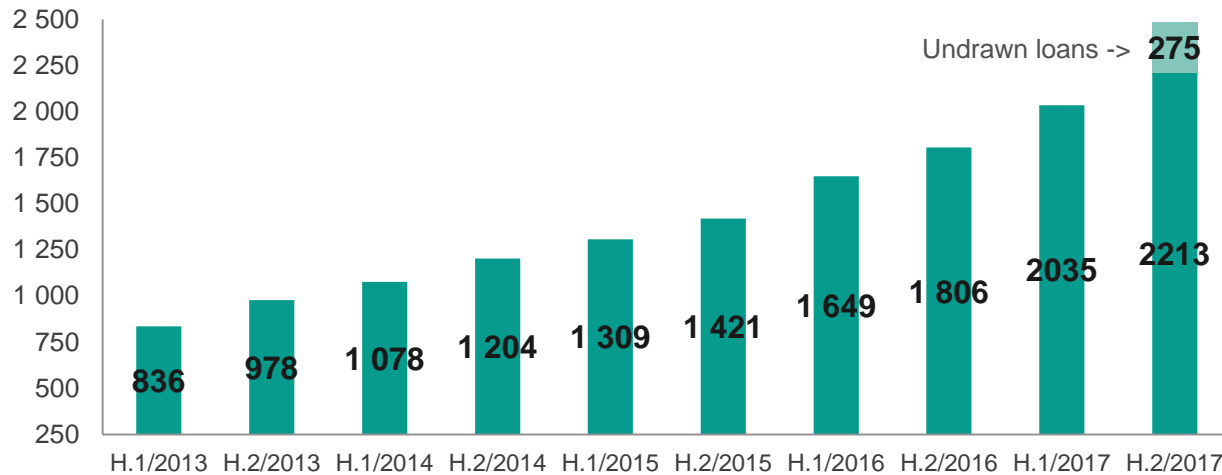


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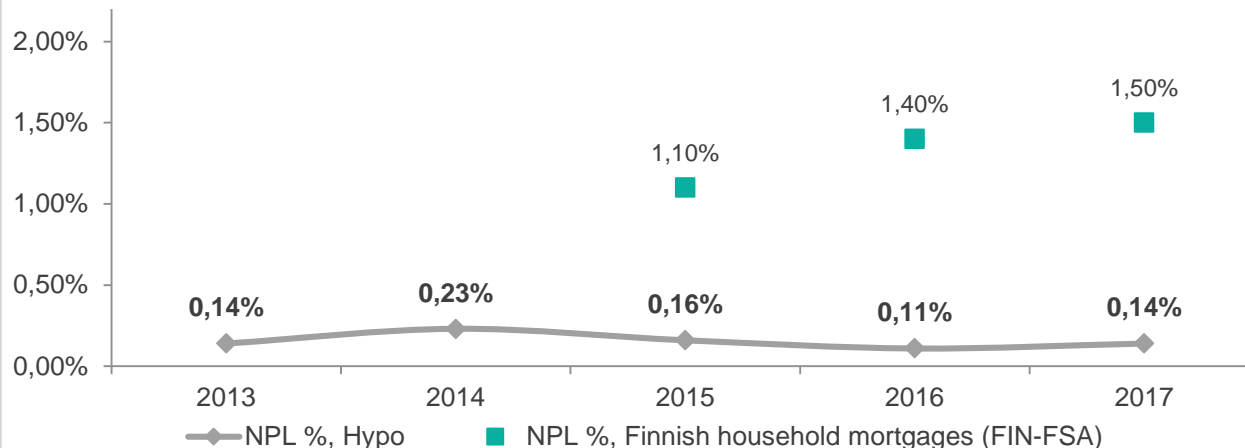
Loan Book Growing Steadily



Hypo Loan Book Total, m€



Non-performing Loans (%)



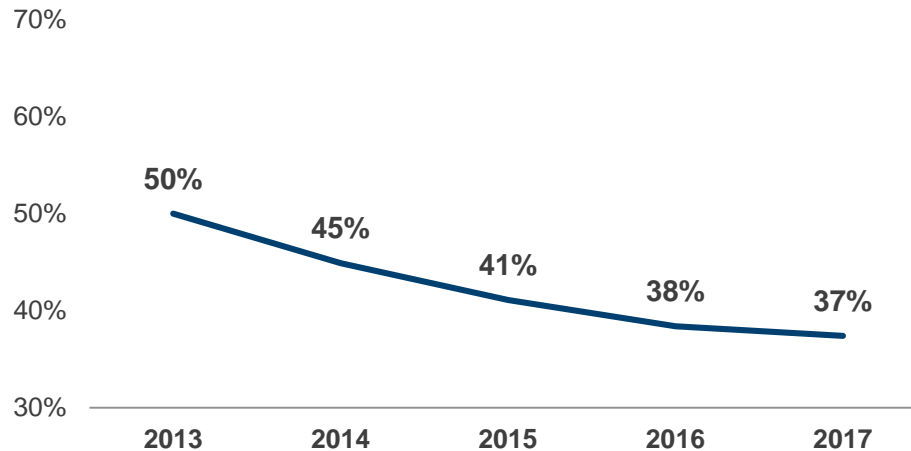
- Hypo's loan book increased 22% during 2017, reaching EUR 2.2 billion
- Currently EUR 275 million undrawn loans
- All lending against residential collateral
- Only EUR denominated lending
- All collateral located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.14% of the total loans
- The quality of the loan book well above the Finnish household mortgage average NPLs.

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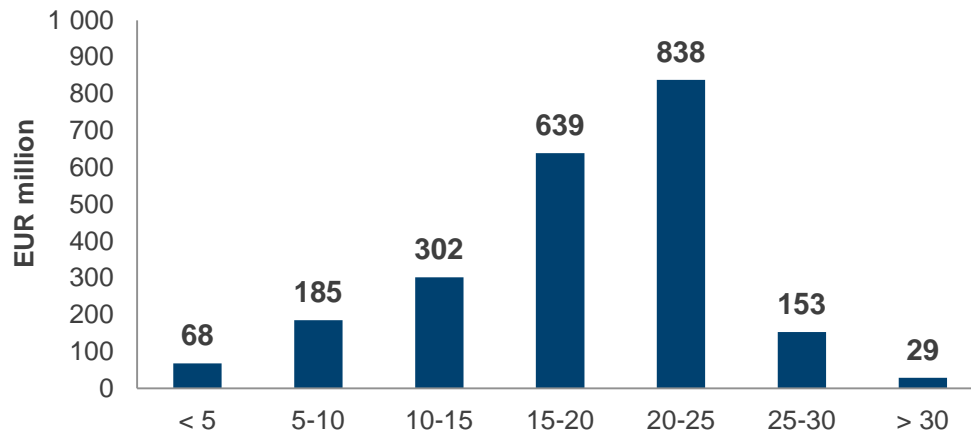
Loan Book Quality Excellent



Hypo Loan Book Average LTV 2013-2017



Loan Book by Remaining Maturity (years) as of 31.12.2017



- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) stable at 37%
- Around 95% of the loans are amortizing and 5% bullets
- >90% of loan book is risk weighted at 35% or lower
- 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



- Covered bond program inaugurated in 2016
 - Issuer is the group parent, no separate entity
 - 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 (e.g. NIB green funding cooperation)

Outstanding Issues as of 31.12.2017 (original amount issued)

ISIN	Issue Date	Maturity Date	Type	Nominal Issued (m€)	Coupon / pricing
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 (MS +22)
FI4000206966 (tap)	27.9.2016	10.5.2021	Covered	50	Fixed +0.25 (MS +10)
FI4000232855	7.12.2016	7.12.2022	Covered	100	Fixed +0.25 (MS +11)
FI4000266903	28.6.2017	28.6.2024	Covered	250	Fixed +0.375 (MS +9)
FI4000266903 (tap)	25.10.2017	28.6.2024	Covered	50	Fixed +0.375 (MS +4)

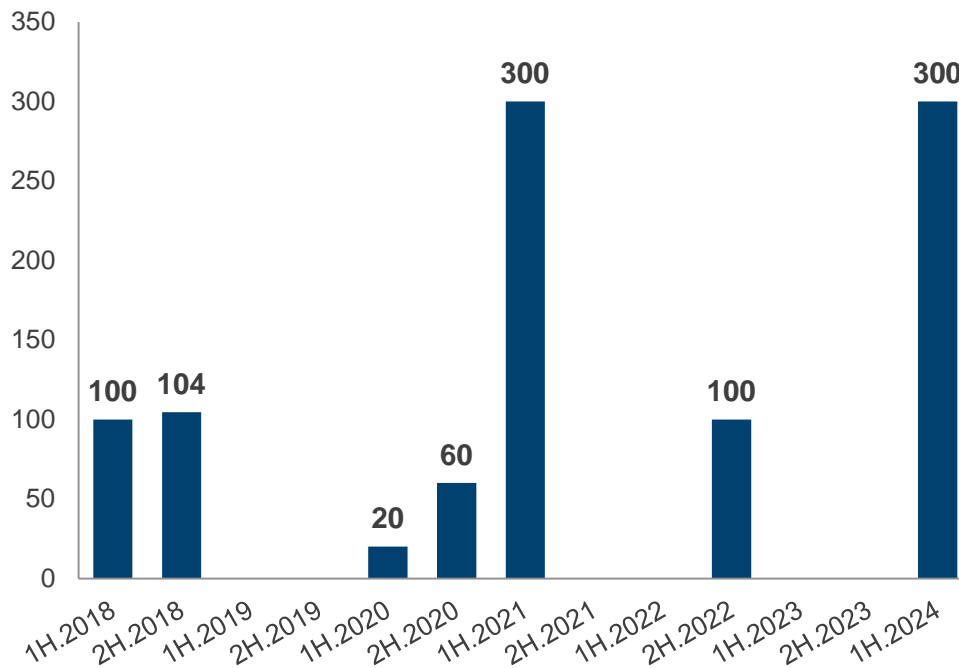
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Diversified Funding Profile

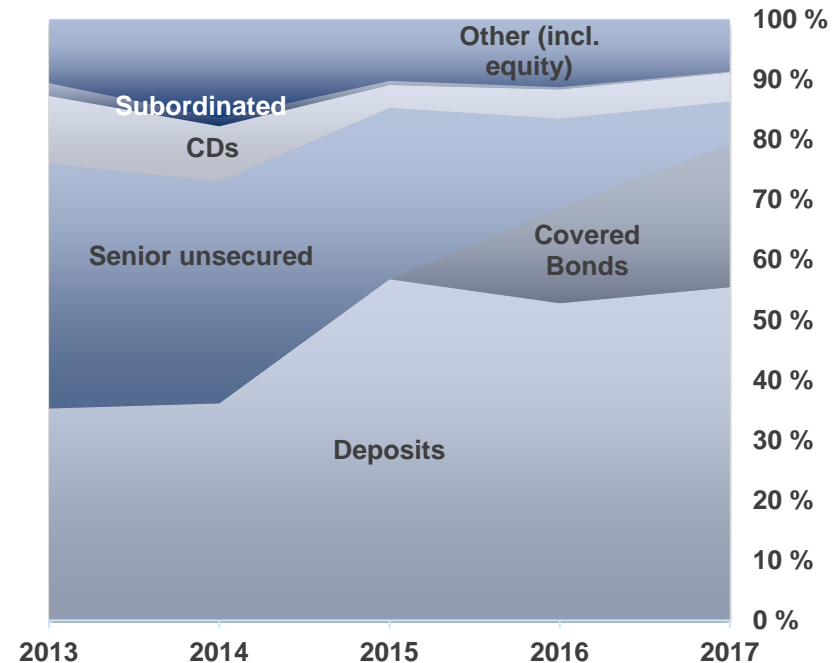


- Domestic Program for the Issuance of Senior Unsecured and Covered Bonds
- Deposit funding through the AsuntoHypoPankki subsidiary
 - ~50% of total funding
- Domestic CD program for short term funding
- Possibility to participate in the ECB market operations

Wholesale Funding Maturity Profile



Funding Structure 2013-2017



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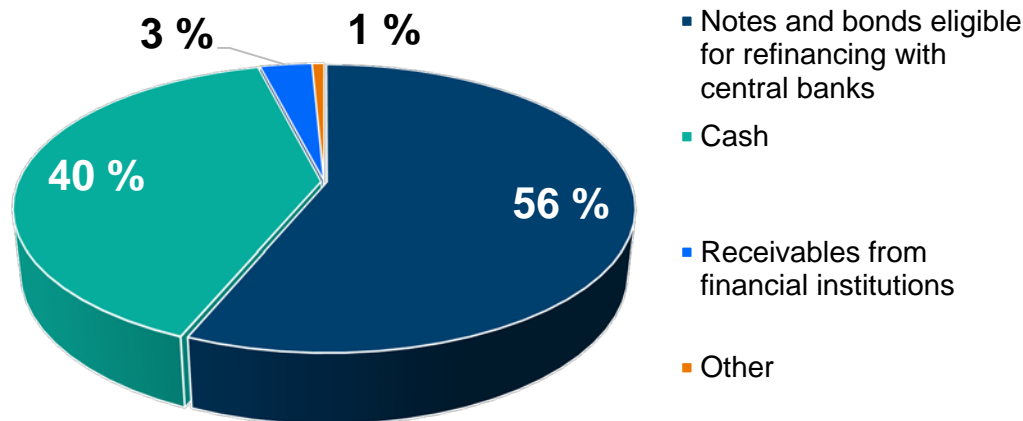
Solid Liquidity



Liquidity portfolio EUR 506 million as of 31.12.2017

- Equaling 18.1% of total assets
- Conservative investment policy
 - 91.5% 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 148% (144% ye2016)
- Liquidity covers maturing wholesale funding for the following 40 months

Liquidity Portfolio Composition



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Outlook for 2018



Future Outlook



“Finnish economy develops positively in 2018, which has positive repercussions on housing market and loan demand. The urbanization in Finland continues and supports the housing and mortgage markets in the biggest growth centers yet, at the same time, the decline of regions experiencing net population outflows continues. Uncertainties in the European and world economies may weaken the outlook.

Following the increase in loan portfolio and net interest income, Hypo’s core business’ share of the profit for the financial period keeps growing. The operating profit for 2018 is expected to reach at least the 2017 level. Hypo concentrates on its core business operations, whereupon risk level of lending is expected to become more moderate and capital adequacy to remain almost unchanged.”

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