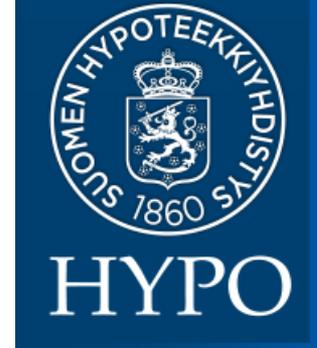


Hypo Investor Update 2017

Debt Investor Presentation



Published on February 1, 2018

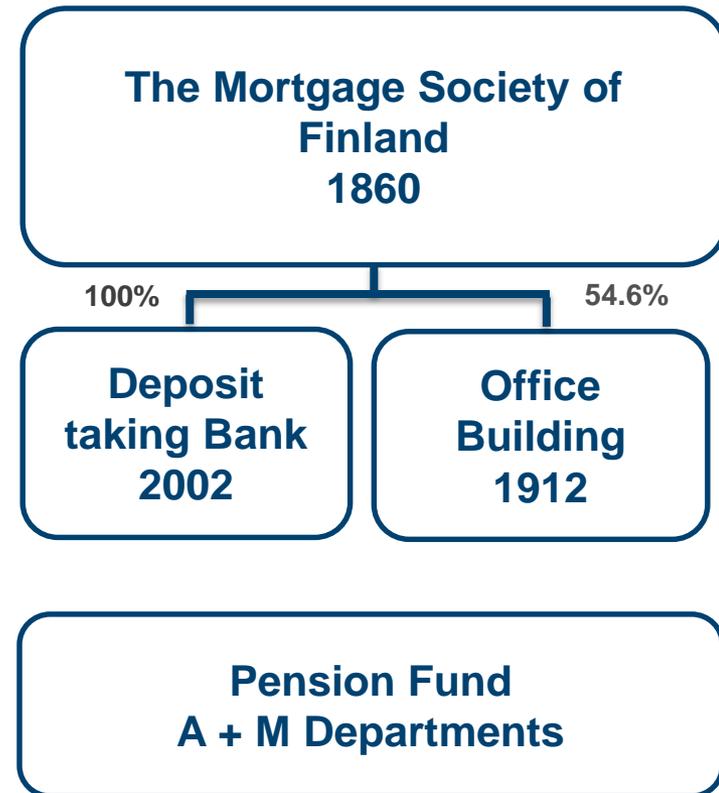


Secure Way for Better Living

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.)

Hypo – Leading the Debate on Finnish Mortgage Market

Kauppalehti

Uutiset Pörssi Yritykset Keskustelu Blogit

KL NYT
Tärkeimmät 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]

Hypo: Suurin vastuu asuntokuplasta on vuokranantajilla ja heidän rahoittajillaan

16.1.2016 8:00 | Päivitetty 16.1.2016 16:35

Asuminen Asuntojen hinnat



Hypo: Aktiivimalli tuo tilastoihin valetyöisiä

Suomen Hypoteekkiyhdistys (Hypo) arvioi, että talouden menetty vuosikymmen on nyt takana. Vetotavusta talouskasvusta siirtyi vihdoin kuluttajilla ja rakennusalaalta vientialoille.

Työttömyystavun aktiivimalli 12.1.2018 klo 00:01

Asiantuntija: Suomi jakautumassa kahteen kastiin asuntomarkkinoilla

Ensisijnon ostajat ovat todella tulakkasa tilanteessa, sanoo Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna.



Kuva: Yle

Hypo: Asuntojen hinnat kasvukeskuksissa, muu synkempää – kasvukes ulkopuolella kehitys "miinusmerkkistä"

Hypon Pauna: ASP remontoitava

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

ASP-säästäminen
ASP-säästöille voi antaa 18-30-vuotiaat henkilöt, jotka aikoo mennä naimisiin 50 prosentilla tai enemmän asunnosta. Myös 18-vuotiaat voivat ryhtyä yhdes- tai kahdenkymmenen vuotiaaksi ASP-säästäjiä. Tällä säästetään vähintään 10 prosenttia asunnon tai talon arvoon. Lisäksi on mahdollista saada valtion korkotukea asunotilasta.

Antti Lehtinen
antilehtinen@kauppalehti.fi

apna. Tämä on herättänyt asialle ASP-säästämisen, jonka suosio on kasvanut kahden viime vuoden aikana voimakkaasti. "Mitään haemittia, ettei järjestelmä ole ajantasaisista. Siinä olisi monin kertaan kehitettävä."

MYR-säästämisen voi aloittaa vasta 18-vuotiaana. Paunan mielestä 25 vuotta olisi hyvä ikäraja. Ja myös hintatason pitäisi tarkistaa vastaamaan nykytilannetta.

"Asuntomarkkinat ovat muuttaneet merkittävästi viimeisen kymmenen vuoden aikana, mutta säästämisen alitarkoituksena on ollut sama ja vuosikymmeniä."

Julkisuuksissa on käytetty keskusvelaa, onko kukaan ASP-järjestelmällä vastustamassa. Hypo omistusasunnolle on vaikeaa joko hyvin pikajärjestelyt esimerkiksi säästämistä tai vankeimpien

Asuntovarallisuuden isojako kiihtyy

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



Teksti Taina Vuokko

ASUNTOJEN MYNTI on hidastunut merkittävästi. Ennen varainistoveron maalisuorituksen korotusta asunnot vaihtivat omistajia, mutta sen jälkeen asuntokauppa löimäsi tiliseensä.

Käinteistönvälitysalan Keskustelin mukaan kauppamäärät vähenivät lymyessä prosenttia tammi-kesäkuussa verrattuna viime vuoden vastaavaan ajankohtaan. Suomalaiset tilaajalouduet ovat Suomen Pankin mukaan ottaneet entistä asuntolainoja.

"Kasvukeskusten pienet kerros- ja kerrostalot eivät menevät yhtä kaupaksi, mutta perheasuntojen kauppa on se Asuntomarkkinat ovat yhä voimakkaasti eriytyneet eri paikkakuntien ja asuntolainojen mukaan", asuntolainojen toimitusjohtaja Ari Pauna sanoo.

Asuntomarkkinoilla on Ari Paunan mukaan käynnissä asuntovaras-

Hypo: Kasvukeskuksissa asuntovasta alkanut syrjäseuduilla

28.9.2016 9:24 | Päivitetty 28.9.2016 10:09

Asuminen Asuntojen hinnat Sijoittaminen Asiantuntijointaminen



Velkapelko heräsi

Suomalaiset ovat ennätysvelkaantuneita, asuntolainojen korot ovat ennätyskorkeita ja korot nousevat. Fiva huolestui yhäkädellä. Pankit eivät ja huolta, mutta Hypo ymmärtää.

Henri Madsen
Suomen Pankin mukaan Suomen asuntolainojen määrä on kasvanut voimakkaasti viime vuosina. Tämä on aiheuttanut velkapelkoa, jota on yritetty hillitä korotusten avulla. Madsen arvioi, että velkapelko on nyt herännyt, ja se voi vaikuttaa asuntomarkkinoihin.

Yrjö Vuorimäki
Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna on huolissaan velkapelkosta. Hän arvioi, että velkapelko voi vaikuttaa asuntomarkkinoihin, ja se voi aiheuttaa asuntomarkkinoiden hirttautumista.



"KOROT OVA NOLLASSA JA POKAINEN YMMÄRTÄÄ, ETTÄ KOROT NOUSEVAT."
Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna on huolissaan velkapelkosta. Hän arvioi, että velkapelko voi vaikuttaa asuntomarkkinoihin, ja se voi aiheuttaa asuntomarkkinoiden hirttautumista.

VASTUU KUULUU KUMMALLEKIN
Suomen Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna on huolissaan velkapelkosta. Hän arvioi, että velkapelko voi vaikuttaa asuntomarkkinoihin, ja se voi aiheuttaa asuntomarkkinoiden hirttautumista.



SECURE WAY FOR BETTER LIVING.

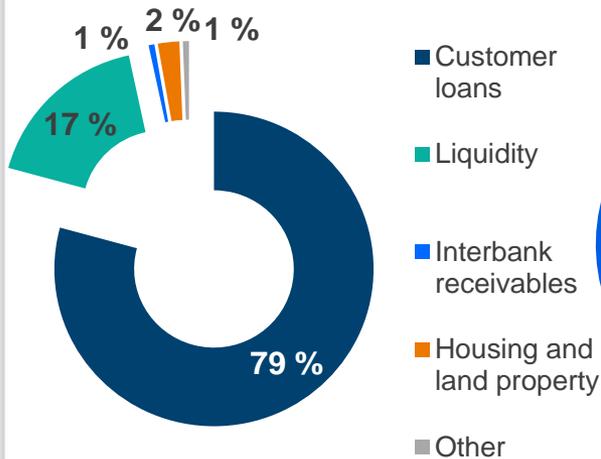
Financial Results



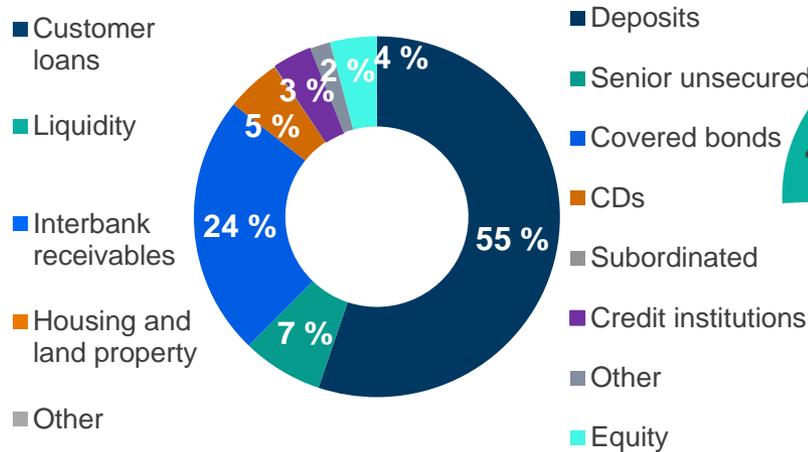
Group Balance Sheet EUR 2.8 billion



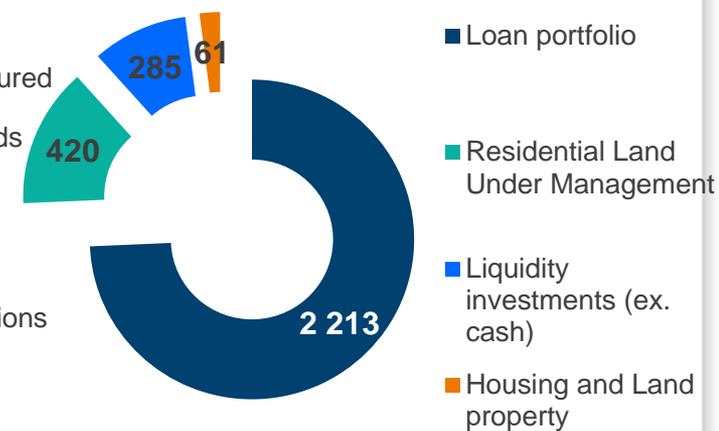
Assets



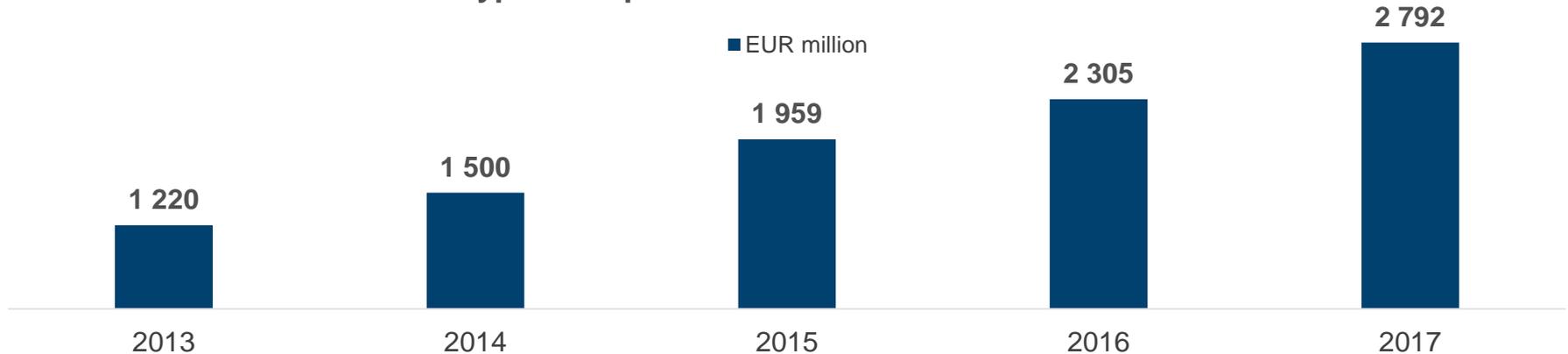
Liabilities and Equity



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



Hypo Group Balance Sheet Total 2013-2017

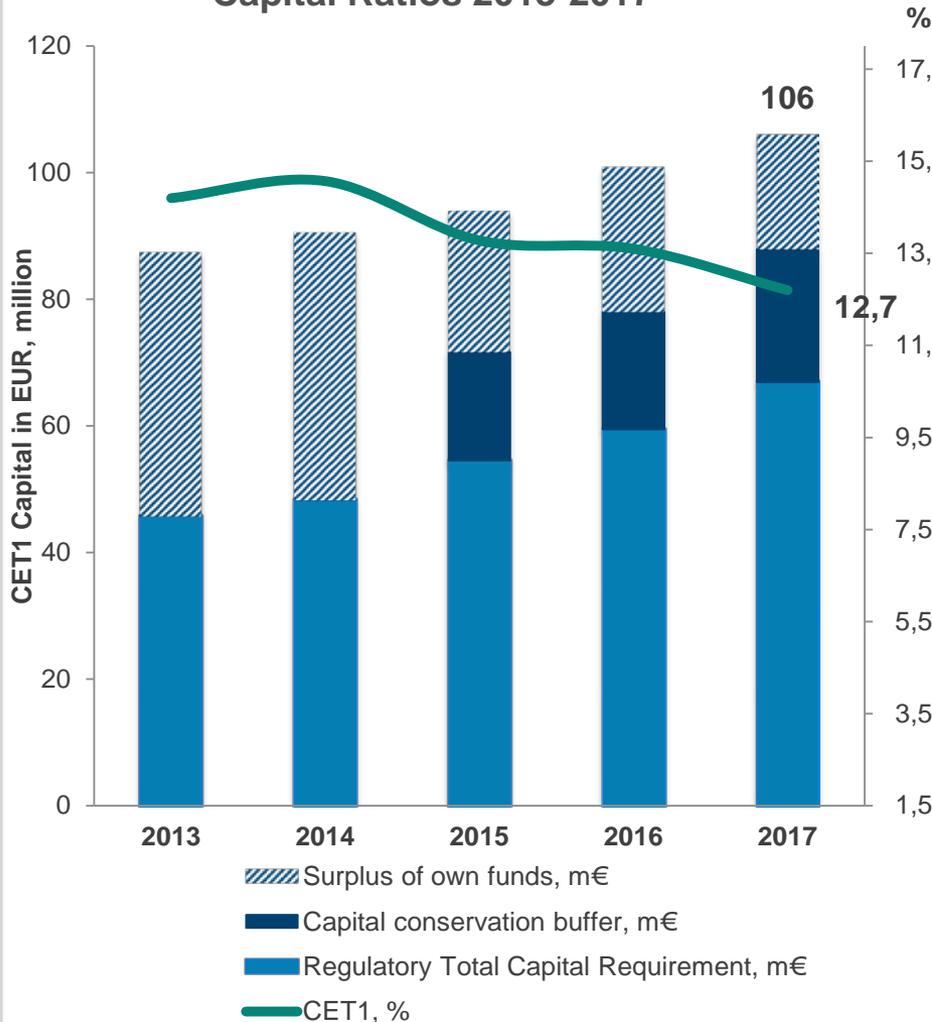


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Solid Capital Basel III Standard Approach



Capital Ratios 2013-2017



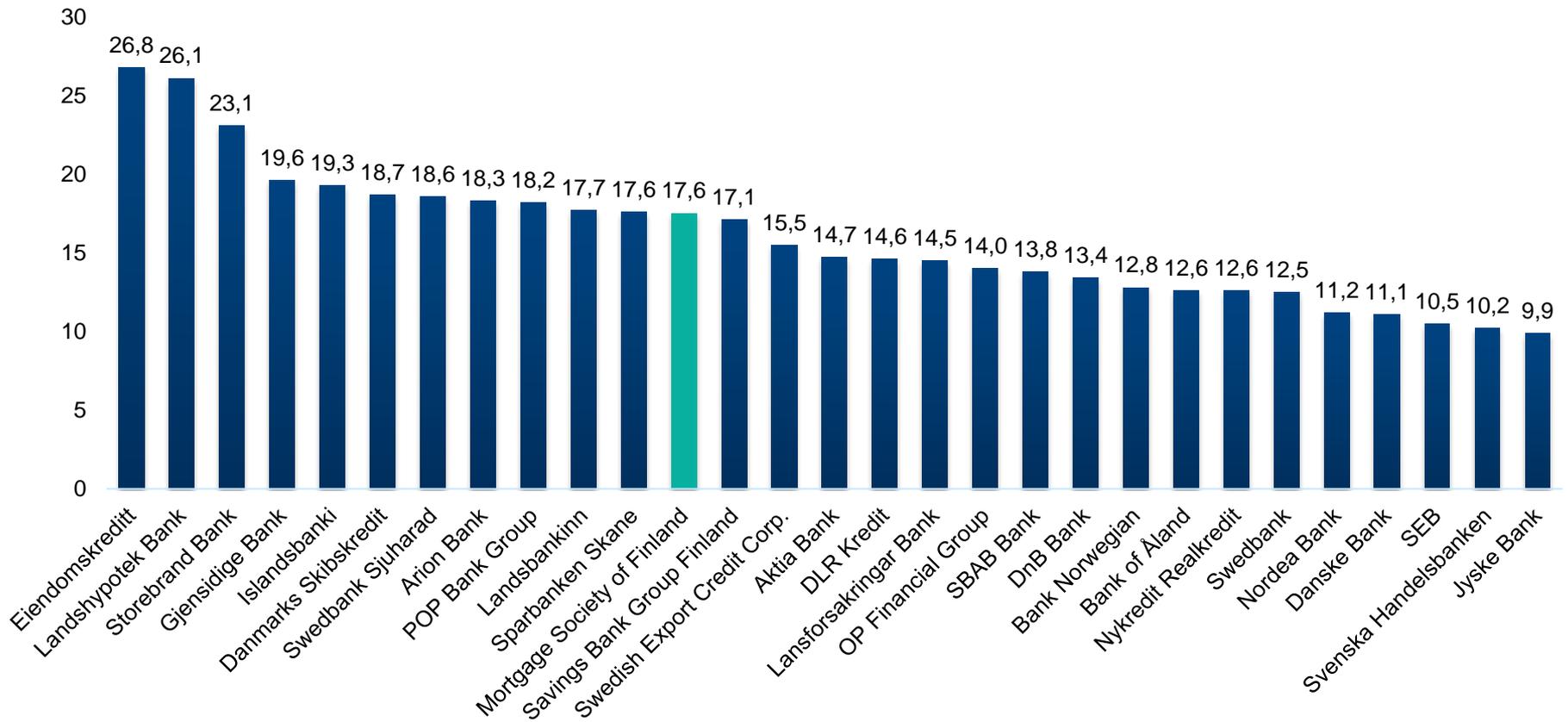
- Mutual company: all profits retained and added to the core capital
- Common Equity Tier 1 12.7%
- S&P's Risk Adjusted Capital 17.6% on 30.6.2017
 - Markedly higher than Finnish peers applying internal methods
- EUR 18.2 million of excess capital after
 - 8.0% Regulatory TC requirement
 - 2.5% Capital 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

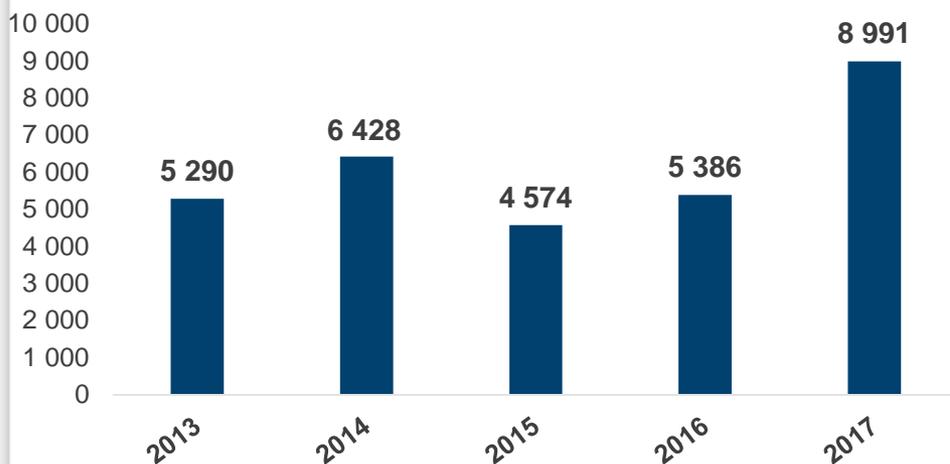
- Total assets increased to EUR 2.8 billion (EUR 2.3 billion 2016)
- Loan portfolio increased to EUR 2.2 billion (1.8 billion 2016)
- CET1 ratio decreased to 12.7% (13.6% 2016)
 - Amount of equity increased to EUR 116 million (EUR 109 million 2016).
- Average LTV lowered to 37.4% (38.4% 2016)
- Group's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

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Net Interest Income Increases Despite Low Interest Rate Environment

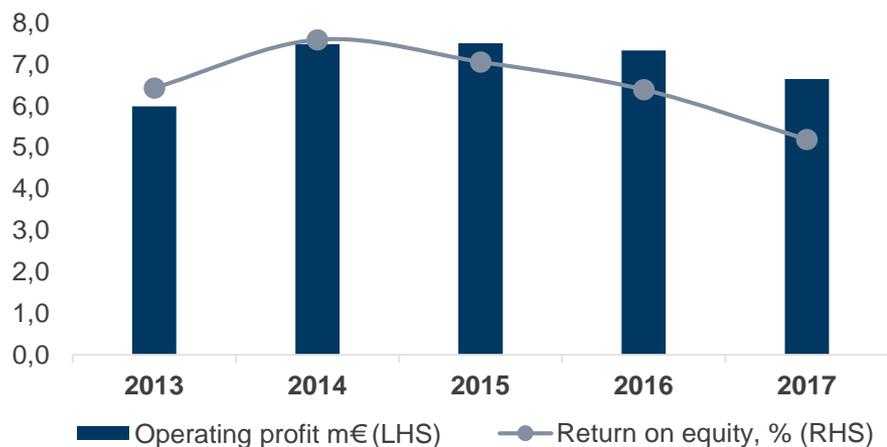


Net Interest Income 2013-2017

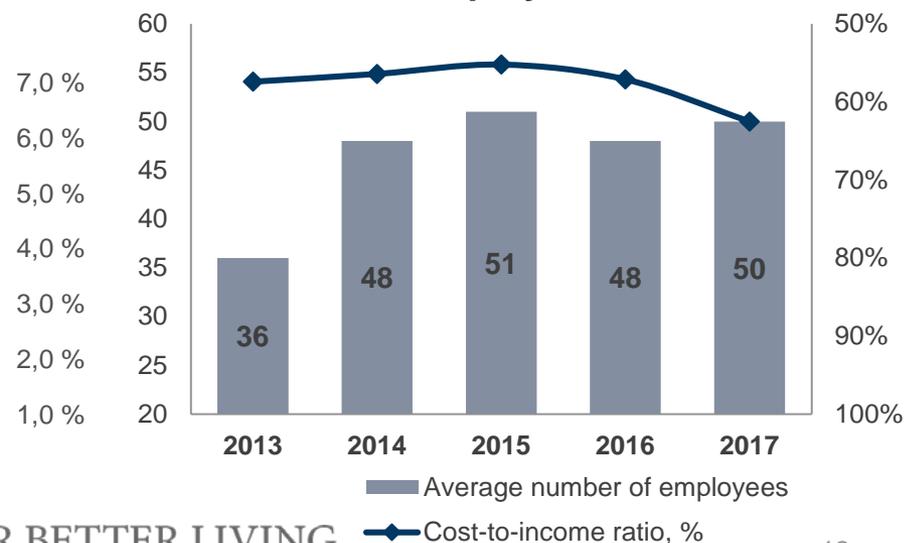


- 2017 net interest income increased to EUR 9 million (5.4 million) due to diversification of funding sources
- Operating profit decreased to EUR 6.7 million (7.3 million)
- Cost-to-income ratio 63% (57%)

Profitability



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



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Hypo's Loan Book

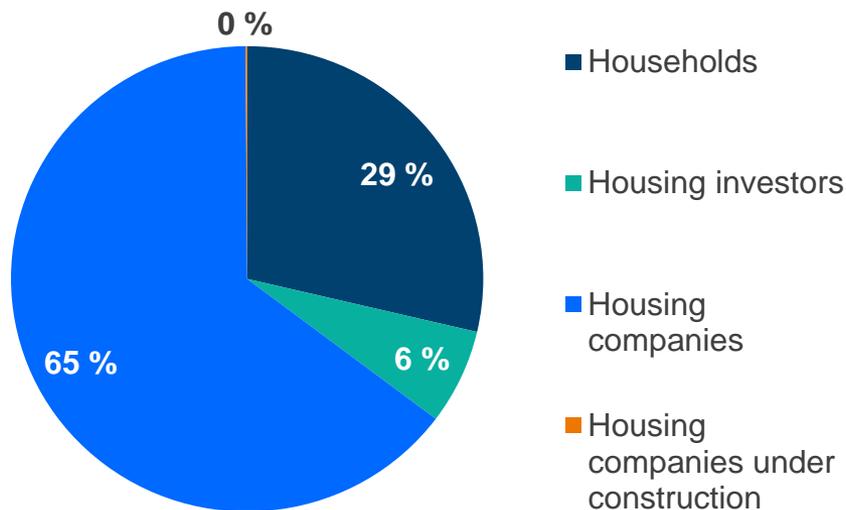


Loan Book Overview

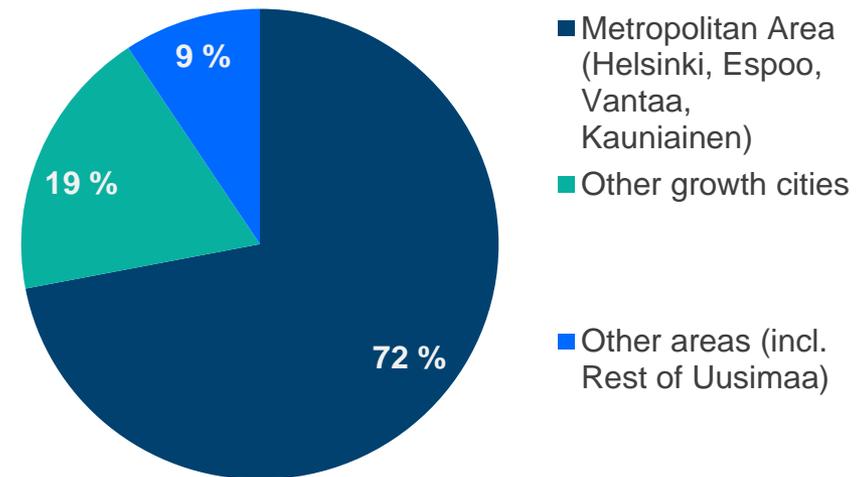


- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans, construction phase loans

Lending by Customer Type



Loan Book by Customer Domicile

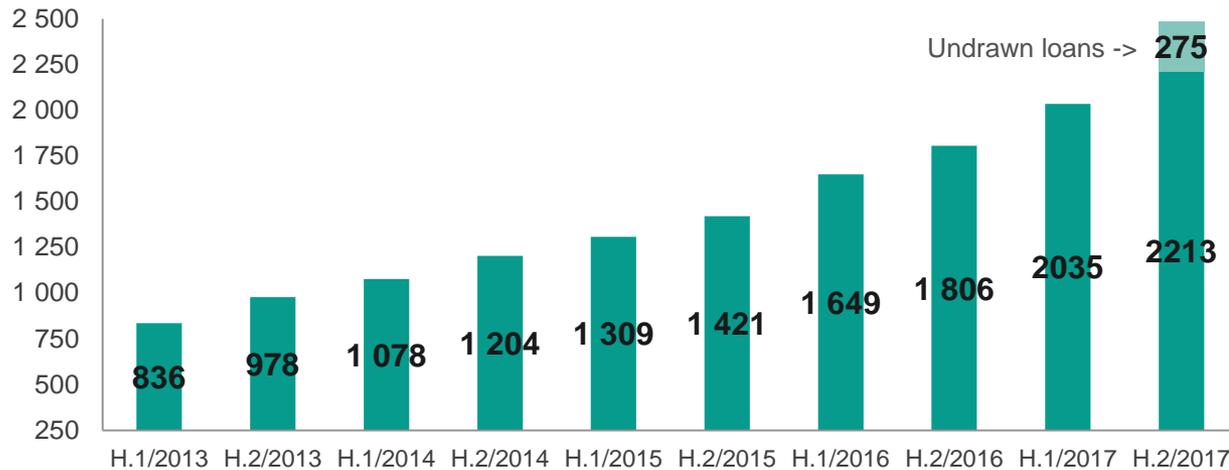


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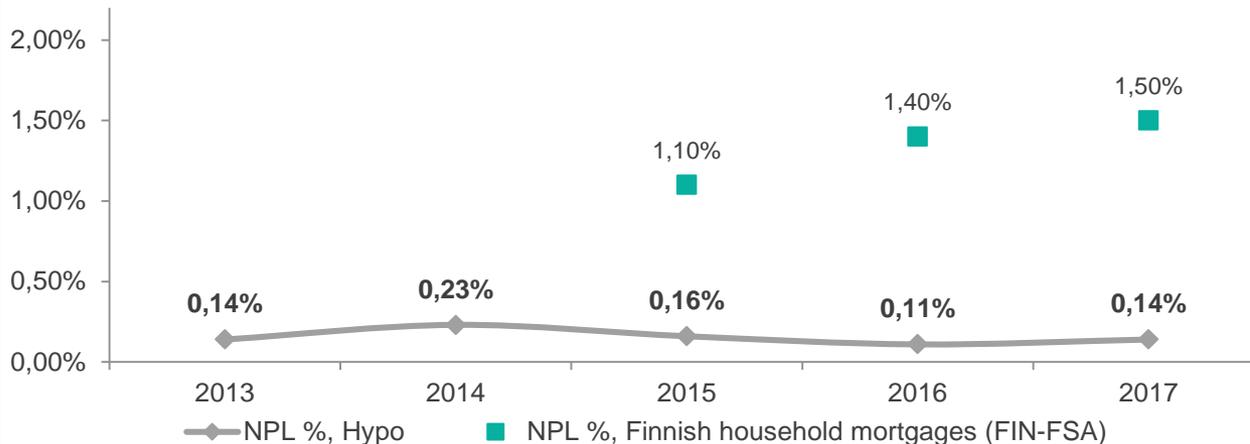
Loan Book Growing Steadily



Hypo Loan Book Total, m€



Non-performing Loans (%)

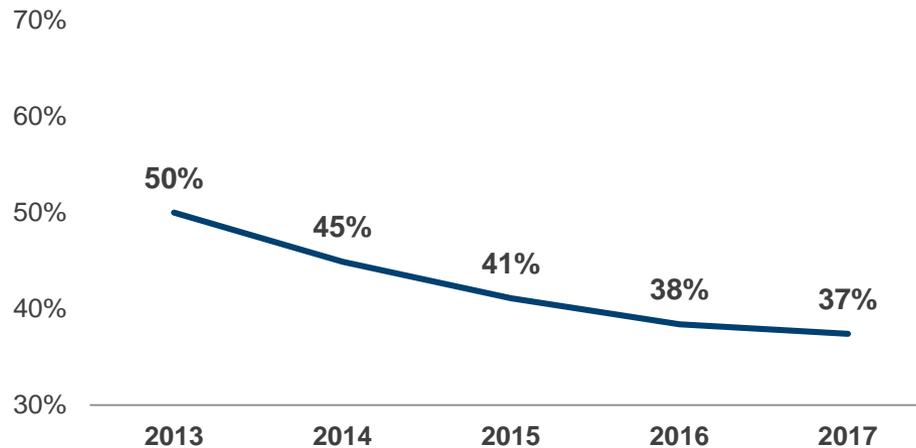


- Hypo's loan book increased 22% during 2017, reaching EUR 2.2 billion
- Currently EUR 275 million undrawn loans
- All lending against residential collateral
- Only EUR denominated lending
- All collateral located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified 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.

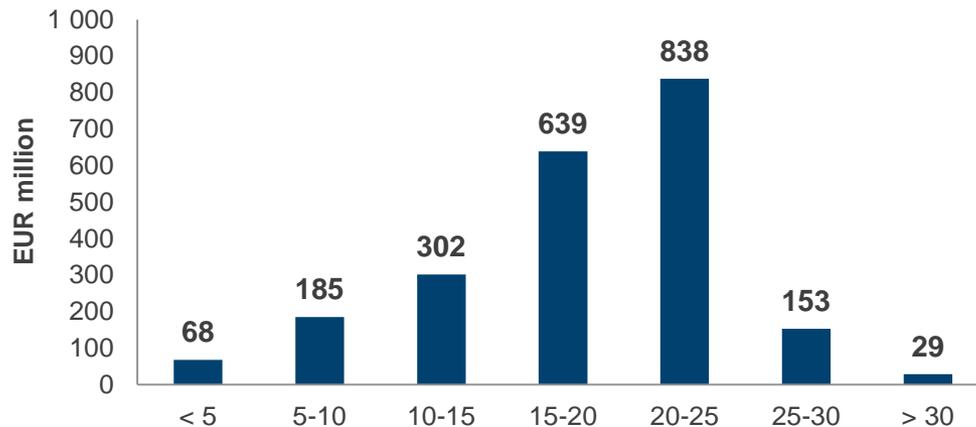
Loan Book Quality Excellent



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)

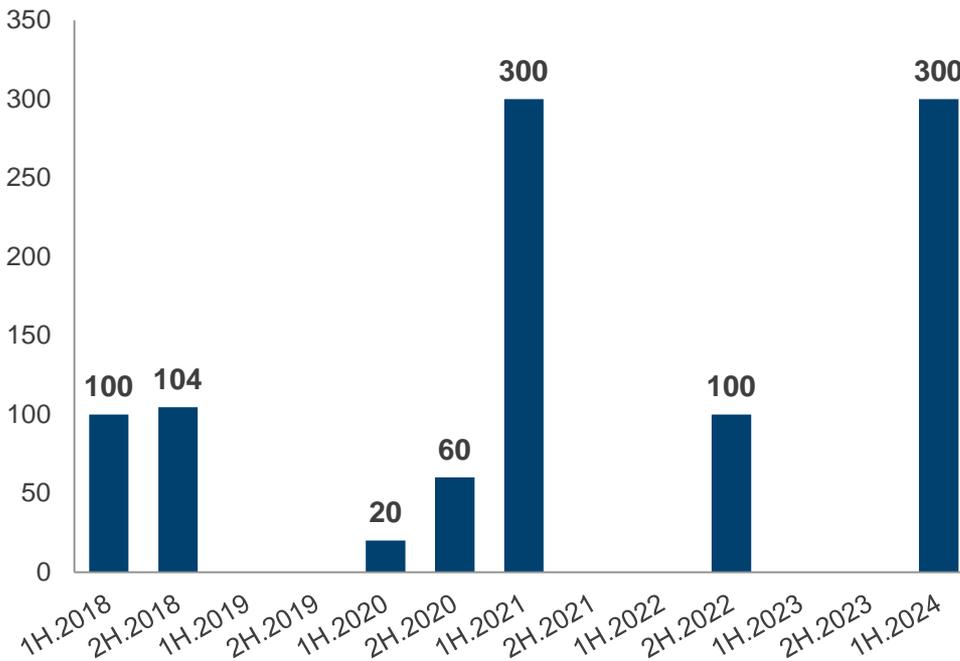
ISIN	Issue Date	Maturity Date	Type	Nominal Issued (m€)	Coupon / pricing
FI4000123021	4.12.2014	4.6.2018	Senior Unsecured	75	FRN 6M +0.95
FI4000123021 (tap)	16.1.2015	4.6.2018	Senior Unsecured	25	FRN 6M +0.95
FI4000186614	4.12.2015	4.12.2018	Senior Unsecured	100	FRN 6M +0.90
FI4000206966	10.5.2016	10.5.2021	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)

Diversified Funding Profile

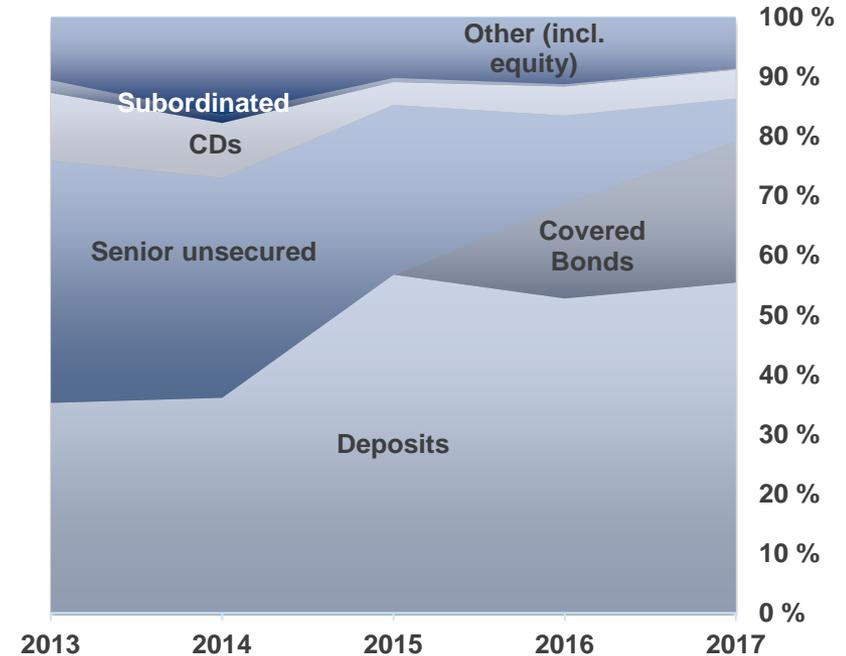


- Domestic Program for the Issuance of Senior Unsecured and Covered Bonds
- Deposit funding through the AsuntoHypoPankki subsidiary
 - ~50% of total funding
- Domestic CD program for short term funding
- Possibility to participate in the ECB market operations

Wholesale Funding Maturity Profile



Funding Structure 2013-2017



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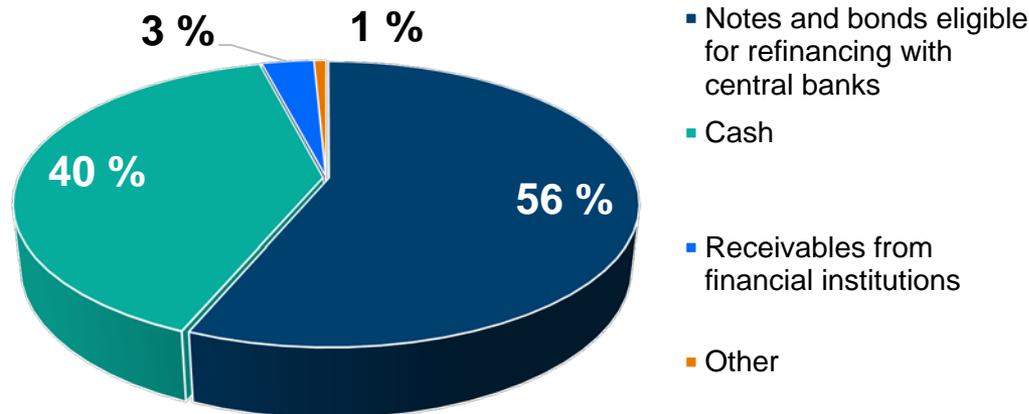
Solid Liquidity



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.”

SECURE WAY FOR BETTER LIVING.



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