

Hypo in brief

Hypo's profile as an innovative specialist in the field of home financing and housing strengthened during 2007. We responded to developments in the housing markets and renewed our product concepts. Hypo's diverse service packages established themselves beyond loans, deposits and Visa cards to include the financing of new construction sites in the real estate sector. Through its service packages, Hypo supports the improvement of housing standards by both improving existing housing stock and financing new construction.

The operations of Hypo centre on the work of the Mortgage Society of Finland (Finland's oldest national private credit institution) and the special deposit bank Suomen Asuntopankki Oy. These operations comprise the Hypo Group. With a staff of some 30 permanent specialists at its customer service centre in Helsinki, Hypo serves its member customers through encrypted Internet connections, by telephone and over the counter.

Hypo's aim is to continually create new, alternative and customer-oriented solutions for housing and home financing side-by-side more traditional solutions. We serve our member customers in a personal fashion and seek to provide them with Finland's finest housing loan expertise. We build long-term customer relationships, not relying on the quarterly economic cycle. There is no need for member customers to focus their service requirements on us or change their banking arrangements, as we do not require them to transfer their current accounts, invoicing, funds or insurance to Hypo.

Hypo's mission, vision and strategy are designed for the modern housing market. Solidity is the basis for all of Hypo's operations. The long-term vision for 2010 is unfolding as planned. Our operations for member customers are developed in accordance with the vision through profitable business. Hypo's credit rating is A+ (stable). Hypo's customer promise "Towards better housing, safely" directs all of our operations.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT 1 JANUARY – 31 DECEMBER 2007

EUR	2007	2006
Interest income	22,695,705.93	16,730,824.81
Interest expenses	-20,059,048.55	-13,874,400.79
NET INTEREST INCOME	2,636,657.38	2,856,424.02
Income from equity investments	132,634.06	107,812.39
Fee and commission income	945,277.56	876,479.64
Fee and commission expenses	-20,908.95	-3,167.50
Net income from marketable securities	6,291,392.03	550,700.38
Net income from real estate investments	3,911,945.72	4,356,296.78
Administration costs	,	,
Staff costs	,	,
Salaries and fees	-2,290,041.70	-1,744,881.56
Indirect staff costs		
Pension costs	150,470.84	114,705.97
Other indirect staff costs	-119,274.84	-98,346.84
Other administration costs	-1,587,151.14	-1,535,659.45
Total administration costs	-3,845,996.84	-3,264,181.88
Depreciation, amortisation and write-downs on tangible and	,	,
intangible assets	-262,309.87	-398,285.21
Other operating costs	-284,745.70	-273,919.52
Impairment loss on loans and other commitments	-3 456,30	19,115.30
OPERATING PROFIT	9,500,489.09	4,827,274.40
Income taxes	-2,294,351.05	-874,946.02
PROFIT FROM REGULAR OPERATIONS AFTER TAXES	7 206 138,04	3,952,328.38
NET PROFIT FOR THE PERIOD	7,206,138.04	3,952,328.38

CONSOLIDATED BALANCE SHEET 31 DECEMBER 2007

EUR	2007	2006
ASSETS		
Cash and cash equivalents	1,264,443.06	320,248.60
Receivables from credit institutions	,	,
Payable on demand	6,310,684.01	2,551,979.17
Other	<u>3,000,000.00</u>	<u>22,550,000.00</u>
	9,310,684.01	25,101,979.17
Receivables from the public	,	,
Other than payable on demand	486,667,600.52	461,241,796.08
Marketable securities	,	,
From public sector entities	2,194,498.09	4,905,630.40
From others	<u>6,971,831.26</u>	<u>6,477,689.43</u>
	9,166,329.35	11,383,319.83
Shares and holdings	5,611,077.31	13,241,184.36
Derivative instruments	7,728,695.55	9,247,983.87
Intangible assets	,	,
Other long-term expenses	310,850.99	197,115.41
Tangible assets	,	,
Investment property	52,953,976.17	49,455,536.93
Other real estate	1,086,575.06	1,530,769.14
Other tangible assets	<u>392,796.23</u>	<u>374,172.91</u>
	54,433,347.46	51,360,478.98
Other assets	9,491,366.49	7,685,225.35
Accrued income and advance payments	2,539,735.14	3,079,067.40
Deferred tax receivables	7,089.82	10,796.62
TOTAL ASSETS	<u>586,531,219.70</u>	<u>582,869,195.67</u>

**CONSOLIDATED BALANCE SHEET 31
DECEMBER 2007**

	2007	2006
LIABILITIES		
LIABILITIES		
Deposits by credit institutions		
Other than payable on demand	120,107,463.09	165,129,298.90
Deposits and borrowings from the public		,
Deposits		,
Payable on demand	20,802,046.50	17,289,309.06
Other	13,280,751.45	6,435,465.92
	<u>34,082,797.95</u>	<u>23,724,774.98</u>
Other liabilities		,
Other than payable on demand	65,325,896.52	70,080,770.98
	<u>99,408,694.47</u>	<u>93,805,545.96</u>
Debt securities issued		,
Bonds	209,113,530.41	218,066,729.12
Other	55,577,801.91	7,306,897.41
	<u>264,691,332.32</u>	<u>225,373,626.53</u>
Derivative instruments	6,088,222.11	8,673,728.48
Other liabilities		,
Other liabilities	3,474,705.08	2,330,076.67
Accrued expenses and prepaid income	9,059,158.52	7,811,404.95
Subordinated debts		
Other	1,700,000.00	1,700,000.00
Deferred tax liabilities	8,958,258.47	9,495,518.95
EQUITY		,
Core capital	5,000,000.00	5,000,000.00
Revaluation fund	6,261,702.95	6,445,439.40
Other restricted funds		,
Reserve fund	22,466,348.79	22,366,348.79
Unrestricted funds		,
Fair value fund		,
From cash flow hedging	1,213,950.39	424,948.99
From fair value recognition	22,741.82	3,519,490.85
Other funds	12,900,000.00	11,300,000.00
Retained earnings	17,972,503.65	15,541,438.82
Net profit for the period	7,206,138.04	3,952,328.39
	<u>73,043,385.64</u>	<u>68,549,995.24</u>
TOTAL LIABILITIES	<u>586,531,219.70</u>	<u>582,869,195.67</u>

CHANGES IN GROUP EQUITY 1 JANUARY – 31 DECEMBER 2007

EUR

	Core capital	Revaluation fund	Reserve fund	Fair value fund	Other funds	Retained earnings	Total
Equity 31 December 2005	5,000,000	6,944,322	22,266,349	2,868,549	9,000,000	12,423,984	58,503,205
IFRS adjustments 1 January 2006				-593,763		5,303,651	4,709,888
Opening IFRS balance sheet 1 January 2006	5,000,000	6,944,322	22,266,349	2,274,786	9,000,000	17,727,636	63,213,093
Cash flow hedging							
Amount recognised in equity				600,037			600 037
Amount transferred to income statement				715,083			715 083
Financial assets available for sale							
Change in fair value				1,430,351			1 430 351
Amount, transferred to income, statement				-550,700			-550 700
Real estate investments		-674,166		0		674,166	0
Board of Directors' proposal for distribution of profit			100,000		2,300,000	-2,405,000	-5,000
Deferred tax related to equity recognition		175,283		-525,117		-455,363	-805,197
Total net income recognised directly in equity	0	-498,883	100,000	1,669,654	2,300,000	-2,186,197	1,384,574
Net profit for the period						3,952,328	3,952,328
Income and expenses, total	0	-498,883	100,000	1,669,654	2,300,000	1,766,132	5,336,902
Equity 31.12.06	5,000,000	6,445,439	22,366,349	3,944,440	11,300,000	19,493,767	68,549,995
	Core capital	Revaluation fund	Reserve fund	Fair value fund	Other funds	Retained earnings	Total
Equity 1 January 2007	5,000,000	6,445,439	22,366,349	3,944,440	11,300,000	19,493,767	68,549,995
Cash flow hedging							
Amount, recognised, in equity				1,095,397			1,095,397
Amount, transferred, to income statement				-29,179			-29 179
Financial assets available for sale							
Change, in fair, value				1,566,056			1,566,056
Amount transferred to income statement				-6,291,392			-6,291,392
Real estate investments		-248,293				248,293	0
Board of Directors' proposal for distribution of profit			100,000		1,600,000	-1,705,000	-5,000
Deferred tax related to equity recognition		64,556		951,371		-64,556	951,371
Total net income recognised directly in equity	0	-183,736	100,000	-2,707,748	1,600,000	-1,521,264	-2,712,748
Net profit for the period						7,206,138	7,206,138
Income and expenses, total	0	-183,736	100,000	-2,707,748	1,600,000	5,684,874	4,493,390
Equity 31 December 2007	5,000,000	6,261,703	22,466,349	1,236,692	12,900,000	25,178,642	73,043,386

CONSOLIDATED CASH FLOW STATEMENT 1 JANUARY – 31 DECEMBER 2007

EUR	2007	2006
Cash flow from operations		
Interest received	22,782,537.56	16,002,610.48
Interest paid	-19,903,700.58	-11,102,415.81
Fee and commission income	930,965.41	911,387.08
Fee and commission expenses	-20,908.95	-3,167.50
Net income from real estate investments	3,943,168.88	5,062,118.26
Administration costs	-3,457,201.06	-3,705,709.99
Other operating costs	-284,745.70	-273,919.52
Credit and guarantee losses	-3,456.30	19,115.30
Income tax	-978,291.69	-695,774.12
Total net cash flow from operations	3,008,367.57	6,214,244.18
Increase (-) / decrease (+) in operating assets		
Receivables from customers (lending)	-25,295,711.26	-52,039,020.98
Investment property	-4,714,170.48	-6,953,340.92
Total increase (-) / decrease (+) in operating assets	-30,009,881.74	-58,992,361.90
Increase (+) / decrease (-) in operating liabilities		
Debts to the public (deposits)	10,358,022.97	12,198,351.26
Total increase (+) / decrease (-) in operating liabilities	10,358,022.97	12,198,351.26
ACCRUED NET CASH FLOW FROM OPERATIONS	-16,643,491.20	-40,579,766.46
Cash flow from investments		
Procurement of property, plant and equipment	49,525.31	-434,434.94
Increase (-) / decrease (+) in share investments	2,066,176.69	513,912.29
Dividend income	132,634.06	107,812.39
Net income from share investments	6,291,392.03	550,700.38
ACCRUED NET CASH FLOW FROM INVESTMENTS	8,539,728.09	737,990.12
Cash flow from financing		
Bank borrowings, new withdrawals	17,060,850.36	0.00
Bank borrowings, repayments	-62,082,686.17	-13,746,063.11
Increase (+) / decrease (-) in other debts	-4,094,791.88	14,890,716.28
Bonds, new issued	0.00	77,986,650.00
Bonds, repayments	-8,953,198.71	-27,246.10
Certificates of deposit, new issued	66,799,936.18	92,153,874.11
Certificates of deposit, repayments	-18,529,031.68	-96,031,702.28
Subordinated debts, increase (+) / decrease (-)	0.00	0.00
ACCRUED NET CASH FLOW FROM FINANCING	-9,798,921.90	75,226,228.90
NET CHANGE IN CASH AND CASH EQUIVALENTS	-17,902,685.01	35,384,452.56
Cash and cash equivalents at beginning of period	43,115,969.73	7,731,517.17
Cash and cash equivalents at end of period	25,213,284.72	43,115,969.73
CHANGE IN CASH AND CASH EQUIVALENTS	-17,902,685.01	35,384,452.56

FINANCIAL KEY INDICATORS 2003-2007

	2003	2004	2005	2006	2007
Turnover	20.1	17.2	18.5	23.4	34.9
Operating profit/loss before appropriations and taxes	4.1	3.7	2.7	4.8	9.5
% of turnover	20.3	21.7	14.5	20.6	27.3
Return on equity % (ROE)	6.7	5.1	4.2	6.8	10.2
Return on assets % (ROA)	0.8	0.6	0.5	0.8	1.2
Equity ratio %	11.9	12.7	12.3	11.8	12.5
Solvency %	20.9	19.7	18.7	18.2	20.4
Own assets	55.0	56.1	59.7	64.0	66.9
Minimum own asset requirement	19.7	22.8	25.6	28.2	26.2
Cost/income ratio %	51.0	45.5	64.0	45.0	31.6
Number of staff	32	35	32	29	30
Salaries and fees	1.1	1.2	1.4	1.3	1.9
Balance sheet total	438.6	438.9	474.6	582.9	586.5

Formulae for key indicators and solvency

Return on equity % (ROE) $\frac{\text{operating profit} - \text{income tax}}{\text{equity} + \text{accrued appropriations minus deferred tax liability (average at start and end of year)}} \times 100$

Return on assets % (ROA) $\frac{\text{operating profit} - \text{income tax}}{\text{average balance sheet total (average at start and end of year)}} \times 100$

Equity ratio % $\frac{\text{equity} + \text{accrued appropriations minus deferred tax liability}}{\text{balance sheet total}} \times 100$

Solvency % $\frac{\text{own assets}}{\text{minimum own asset requirement}} \times 8$

Cost/income ratio $\frac{\text{administration costs} + \text{depreciation, amortisation and write-downs of tangible and intangible assets} + \text{other operating costs}}{\text{net interest income} + \text{income from equity investments} + \text{net fee and commission income} + \text{net income from marketable securities} + \text{income from real estate investments}} \times 100$