



Covered Bond Transparency Information

# The Mortgage Society of Finland

May 10, 2016

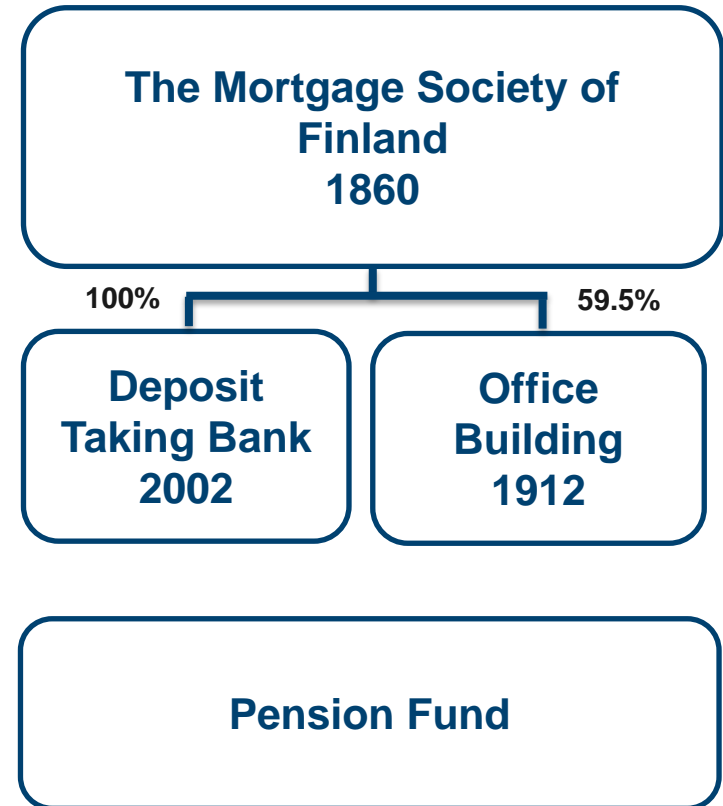
# About the Issuer



# Hypo Group Overview



- Founded in 1860
  - The oldest private credit institution in Finland
- Specialized in mortgage financing
  - Residential property always as collateral
- Retail banking, no corporate lending
- Operates only in Finnish growth centers
- Supervised by the FIN-FSA
- Mutual company governed by the member customers
  - All returns are kept within Hypo
- Strong loan book (NPLs 0.22%\*)
- Well-known and frequent borrower in Finland
- Total assets EUR 1.97 billion\*
- S&P issuer credit rating 'BBB/A-3' (neg.)
- Covered bond rating 'AAA' (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 negative, reflecting S&P's view of the weak economic recovery in Finnish economy.

# Covered Bonds



# Hypo Covered Bonds as of May 10, 2016

## Executive Summary



- Issuer is the Group parent, no separate covered bond issuer
- Total amount issued EUR 250 million
  - Maturity Date May 10, 2021 with 1 year soft bullet structure
- Covered bonds rated 'AAA' (st.) by the S&P on May 10, 2016
- Cover pool consists 100% of Finnish residential property
  - Regulatory risk weight of the assets is 35% under the Basel III standard method
- Current WALTV 33.8%\*
- Current nominal overcollateralization 50.0%\*
  - Commitment to keep the OC all times at a level commensurate with a 'AAA' rating from S&P
  - Legally binding OC requirement: 2% of the net present value
  - All collateral located in Finland, in the selected prime growth centers
- Hedging agreements in place to mitigate the interest rate risk
- Hypo is a member of ECBC

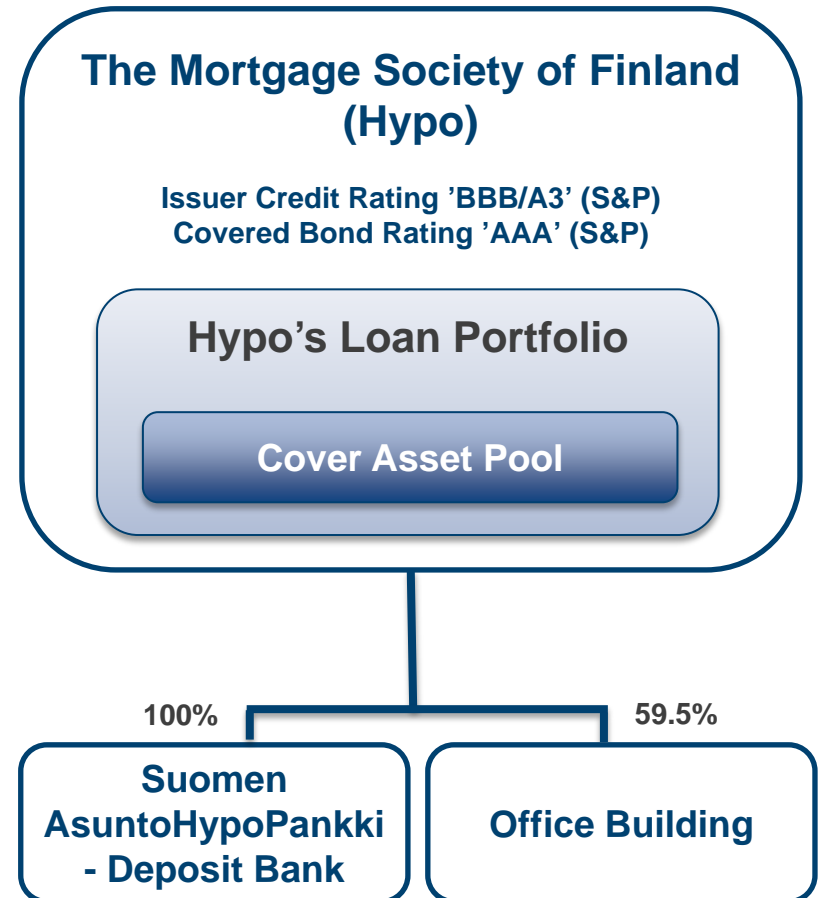
\* Pool data as at 9.5.2016

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# Simple Structure, High Transparency



- The issuer is the group parent Hypo
- Covered bonds issued directly from Hypo's balance sheet
  - No separate covered bond entity
  - The assets are segregated by the covered bond register
- Issuer Credit Rating 'BBB/A3' (neg.)
- Covered Bond Rating 'AAA' (st.)



# Cover Asset Pool





# Eligibility Criteria for the Cover Pool



<b>Origination</b>	<ul style="list-style-type: none"><li>• Issuer the Mortgage Society of Finland (Hypo)</li><li>• Only mortgage loans originated by Hypo</li></ul>
<b>Assets Categories</b>	<ul style="list-style-type: none"><li>• 100% Finnish residential assets<ul style="list-style-type: none"><li>• Retail mortgages</li><li>• Housing company residential mortgages (common debt between multiple individuals)</li></ul></li></ul>
<b>Customer Credit Quality</b>	<ul style="list-style-type: none"><li>• No arrears (&gt;30 days)</li><li>• No negative credit history</li><li>• Over 65% of the pool in the best internal credit class 'A'</li></ul>
<b>Collateral</b>	<ul style="list-style-type: none"><li>• Maximum LTV limit 70%</li><li>• Current Pool WALTV 33.8%</li><li>• Finnish residential collateral, located in prime growth centers</li><li>• Collateral valuations updated quarterly</li><li>• Commitment to keep OC all times at the level commensurate with S&amp;P rating 'AAA'</li></ul>
<b>Type of Properties</b>	<ul style="list-style-type: none"><li>• Primary residences</li><li>• Limited liability housing companies (multiple individuals)</li></ul>
<b>Type of Products</b>	<ul style="list-style-type: none"><li>• Principal repayment mortgages<ul style="list-style-type: none"><li>• &gt;95% floating interest rate</li></ul></li><li>• No revolving/flexible loans</li></ul>

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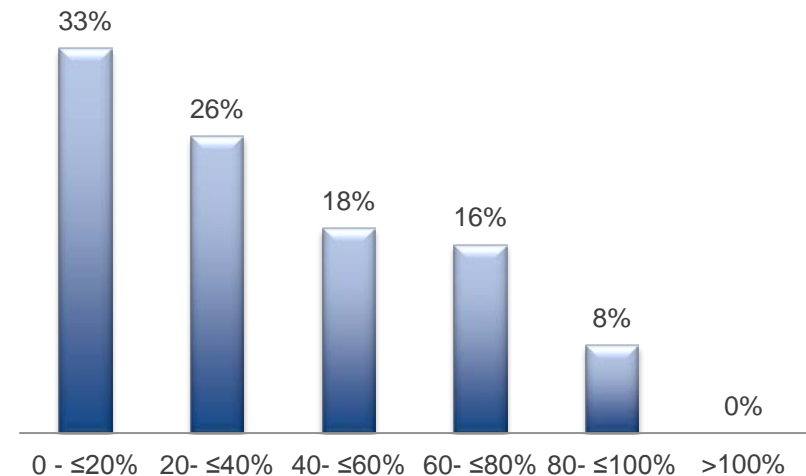
# Cover Asset Pool Data (1/3)



## Pool Data as at 9.5.2016

<b>Total Cover Pool (nominal)</b>	EUR 375 054 931
<b>Eligible Cover Pool</b>	EUR 368 005 478
<b>Average Loan Balance</b>	EUR 139 998
<b>No. of loans</b>	2 679
<b>No. of properties</b>	2 383
<b>No. Clients</b>	2 885
<b>WA seasoning (months)</b>	45
<b>WA remaining term (months)</b>	217
<b>WA LTV (indexed)</b>	33.8%
<b>WA LTV (unindexed)</b>	34.7%
<b>Interest</b>	Variable 98.6% Fixed 1.4%
<b>Loans in arrears (&gt;30 days)</b>	0.00%
<b>OC level (nominal)</b>	50.0%
<b>OC level (eligible)</b>	47.2%
<b>Pool Type</b>	Dynamic

## LTV distribution as at 9.5.2016

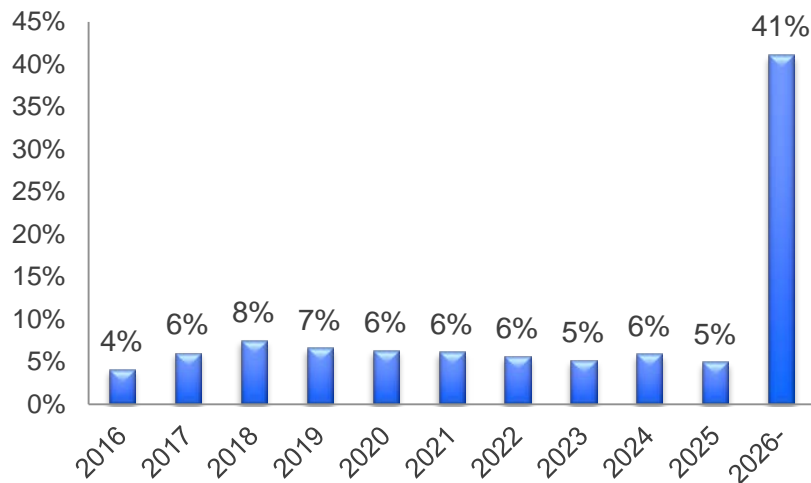


- The weighted average indexed LTV of the pool is 33.8%.
- No non-performing loans in the cover pool.
- No arrears.
- Well-seasoned mortgage cover pool

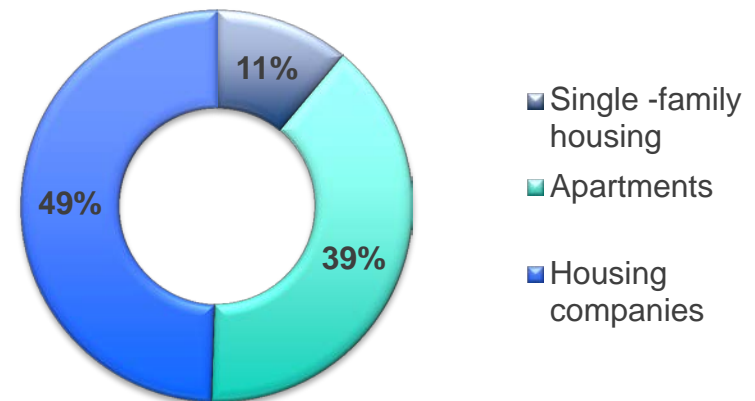
# Cover Asset Pool Data (2/3)



## Pool Loan Maturity Profile - Contractual Amortizations



## Pool Collateral Types



- Balanced pool composition with around 50% of retail mortgages and 50% of housing company residential mortgages
- All loans with contractual repayment schedule
- Stable amortization profile
- No public sector loans in the pool
- Currently no substitute assets in the pool

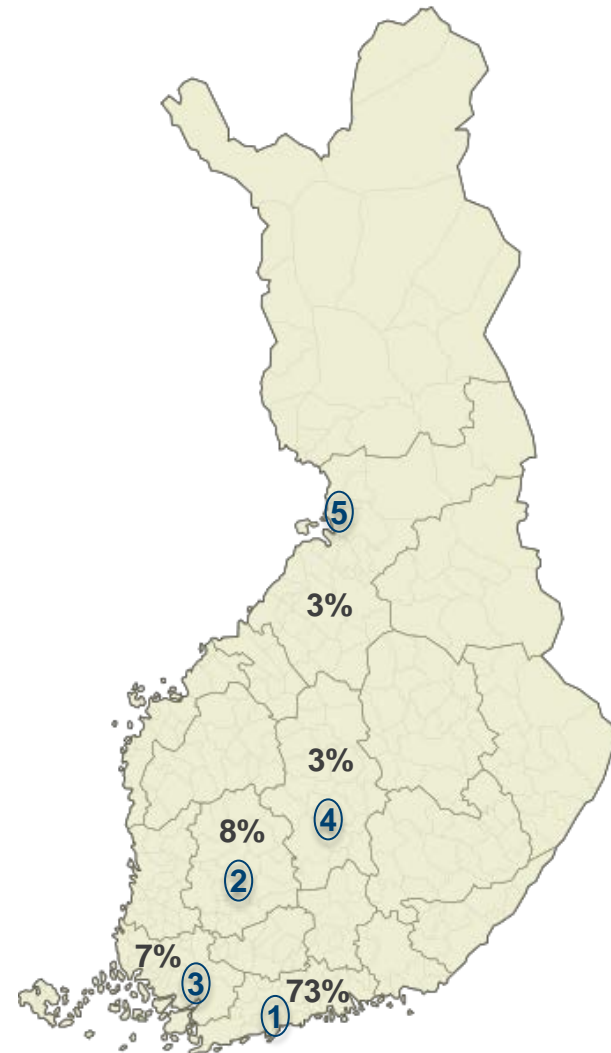
# Cover Asset Pool Data (3/3)



## Geographical Distribution as at 9.5.2016

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	73%
2	Pirkanmaa	Tampere	8%
3	Varsinais-Suomi	Turku	7%
4	Keski-Suomi	Jyväskylä	3%
5	Pohjois-Pohjanmaa	Oulu	3%

- Hypo's strategic choice is to operate in prime growth centers



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# Cover Asset Pool Stress Test



## Pool Resilient to House Price Decline\*

LTV	House price decline 0%	House price decline 10%	House price decline 20%	House price decline 30%	House price decline 40%
0- ≤ 40%	220	203	189	171	148
40- ≤ 70%	99	95	84	80	79
70- ≤100%	56	72	73	67	58
>100%	0	6	28	56	89
<b>Pool total (nominal), EUR million</b>	375	370	347	319	286
<b>OC (nominal)</b>	50%	48%	39%	27%	14%

- The stress test assumes that no action is taken to include new loans into the pool.
- Even in an extreme stress, where house prices decline by 40%, the pool total still exceeds EUR 250 million.

# Contact

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