



Covered Bond Transparency Information

The Mortgage Society of Finland

Information as at June 30, 2019

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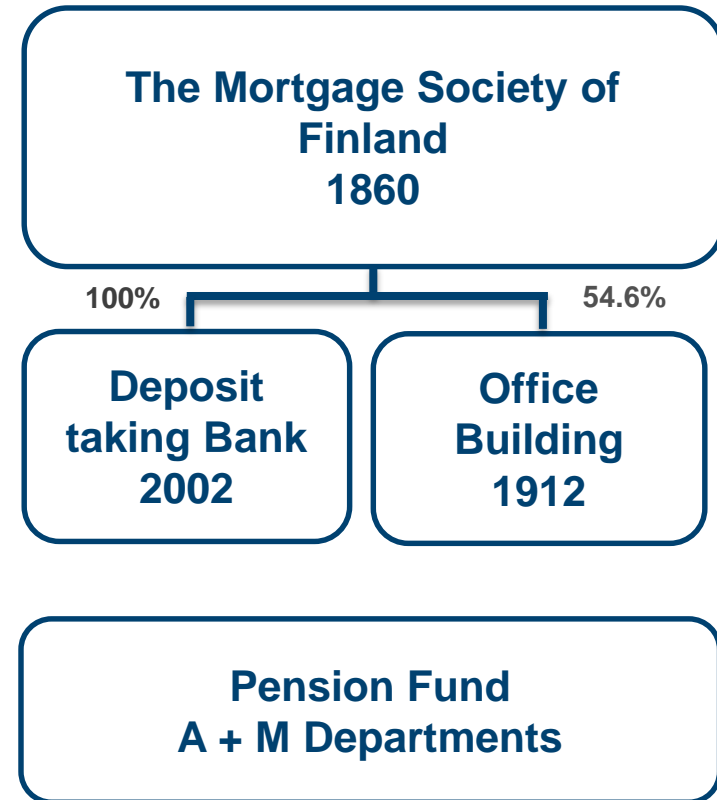
About the Issuer



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 0.07%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.2 billion
- S&P issuer rating 'BBB/A-2' (st.)
- S&P covered bond rating 'AAA' (st.)



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



Anchor Rating for Finnish Commercial Banks

a-

1. Hypo business position

-2

- Small-sized bank, concentrated niche market position
- Conservative approach to risks and a very low risk appetite

2. Hypo capital and earnings

+2

- Very strong risk-adjusted capitalization
- Strong asset quality and exceptional loan loss track record in the past decades.
- 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 and an exceptional loan loss track record

4. Hypo liquidity and funding

-1

- Matched funding profile but elevated dependence on wholesale funding
- Increased share of covered bonds leads to a more balanced funding profile
- Elevated loan-to-deposit ratio

Hypo Credit Rating

BBB (st.)

Covered Bonds



Hypo Covered Bonds

Executive Summary as at 30.6.2019

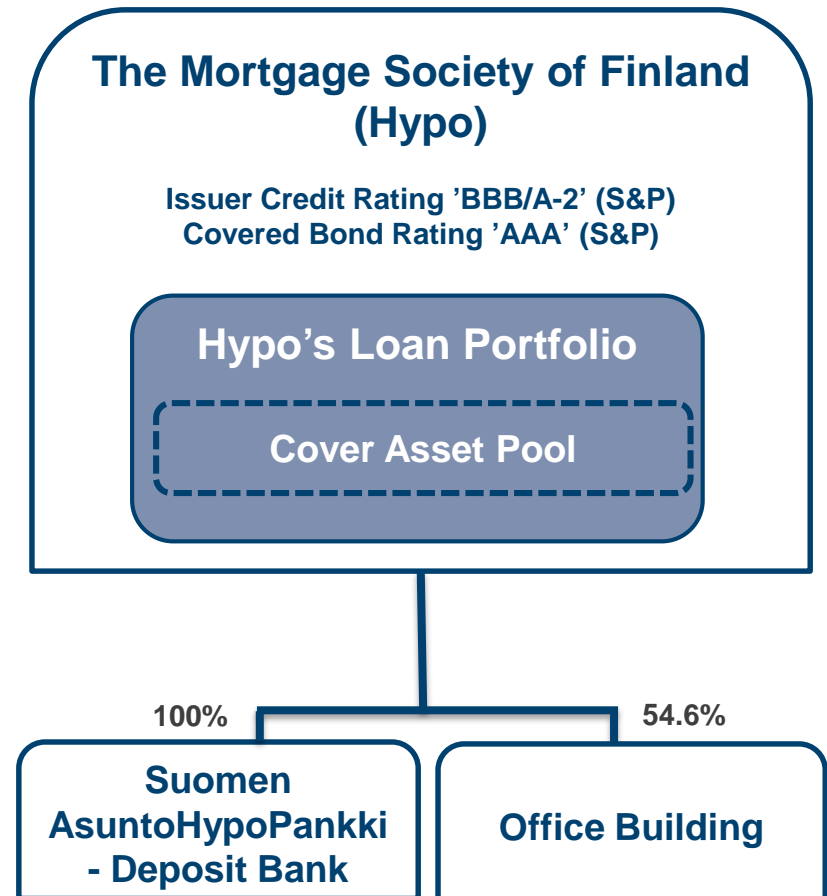


- Issuer is the Group parent, no separate covered bond issuer
- Total amount outstanding EUR 1 300 million
 - EUR 300 million, Maturity Date May 10, 2021 with 1 year soft-bullet structure
 - EUR 100 million, Maturity Date Dec. 7, 2022 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date April 24, 2023 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date June 28, 2024 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date March 13, 2026 with 1 year soft-bullet structure
- Covered bonds rated 'AAA' (st.) by the S&P
- Cover pool consists 100% of Finnish residential property
 - Regulatory risk weight of pool assets 35% (Basel III standard method)
 - All collateral located in selected prime growth centers
- Current WALTV 32.3%
- Current nominal overcollateralization 23.1%
 - Commitment to keep the OC all times at a level commensurate with a 'AAA' rating from S&P Global Ratings
 - Legally binding OC requirement: 2% of the net present value
- Hedging agreements in place to mitigate the interest rate risk
- Hypo is a member of ECBC

Simple Structure, High Transparency



- Covered bonds issued directly from Hypo's balance sheet
 - Issuer the group parent Hypo
 - No separate covered bond entity
 - The assets are segregated by the covered bond register
- Issuer Credit Rating 'BBB/A-2' (st.)
- Covered Bond Rating 'AAA' (st.)



Cover Asset Pool



Eligibility Criteria for the Cover Pool



| | |
|--------------------------------|--|
| Origination | <ul style="list-style-type: none"> • Issuer the Mortgage Society of Finland (Hypo) • Only mortgage loans originated by Hypo |
| Assets Categories | <ul style="list-style-type: none"> • 100% Finnish residential assets <ul style="list-style-type: none"> • Retail mortgages • Housing company residential mortgages (common debt between multiple individuals) |
| Customer Credit Quality | <ul style="list-style-type: none"> • No arrears (>30 days) • No negative credit history • Over 70% of the pool loans have the best internal credit class 'A' |
| Collateral | <ul style="list-style-type: none"> • Maximum LTV limit 70% • Current Pool WALTV 32.3% • Finnish residential collateral, located in prime growth centers • Collateral valuations updated quarterly • Commitment to keep OC all times at the level commensurate with S&P rating 'AAA' |
| Type of Properties | <ul style="list-style-type: none"> • Primary residences • Limited liability housing companies (multiple individuals) |
| Type of Products | <ul style="list-style-type: none"> • Principal repayment mortgages <ul style="list-style-type: none"> • 99% floating interest rate • No revolving/flexible loans |

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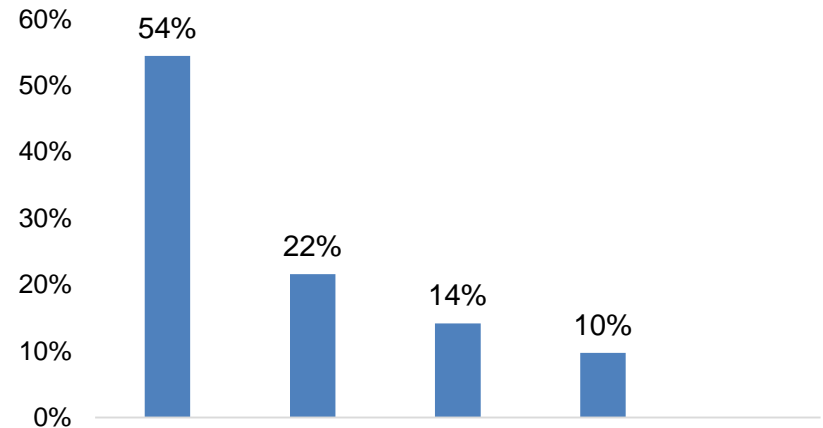
Cover Asset Pool Data (1/3)



Pool Data as at 30.6.2019

| | |
|---------------------------------------|--------------------------|
| Total Cover Pool (nominal) | EUR 1 600 741 057 |
| Eligible Cover Pool | EUR 1 583 353 059 |
| Average Loan Balance | EUR 214 461 |
| Number of loans | 7 464 |
| Number of properties | 6 175 |
| Number of clients | 7 187 |
| WA seasoning (months) | 39 |
| WA remaining term (months) | 228 |
| WA LTV (indexed) | 31.8% |
| WA LTV total (indexed) | 32.3% |
| Interest | Variable 99% Fixed 1% |
| Loans in arrears (>30 days) | 0.00% |
| OC level (nominal) | 23.1% |
| OC level (eligible) | 21.8% |
| Pool Type | Dynamic |

LTV Distribution

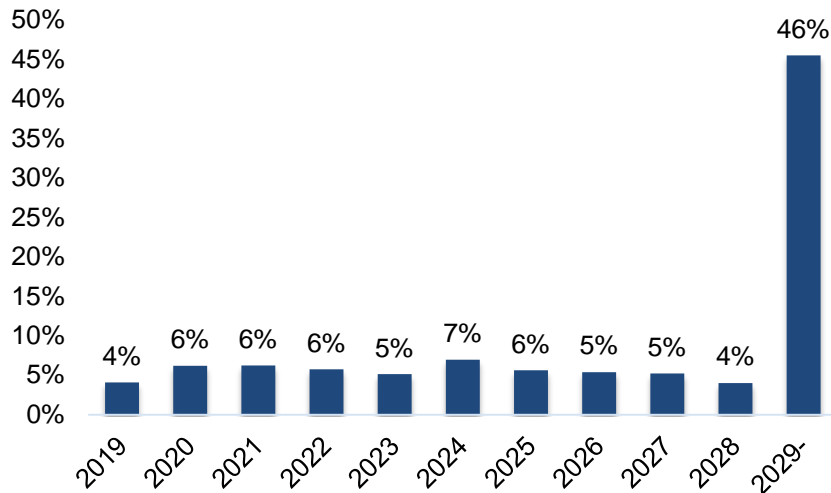


- The weighted average indexed LTV of the pool is 32.3%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

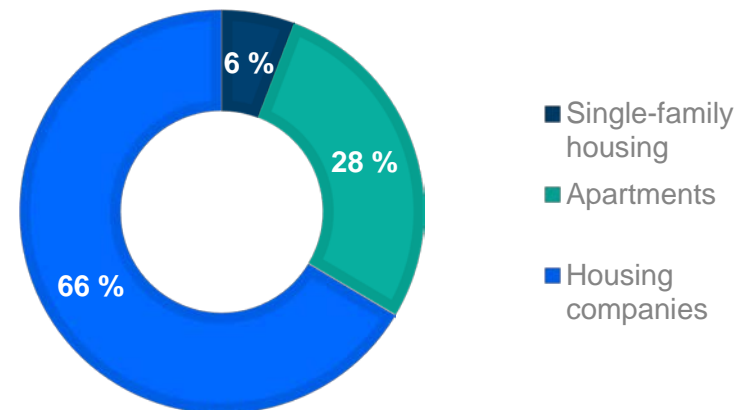
Cover Asset Pool Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 34% of retail mortgages and 66% 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

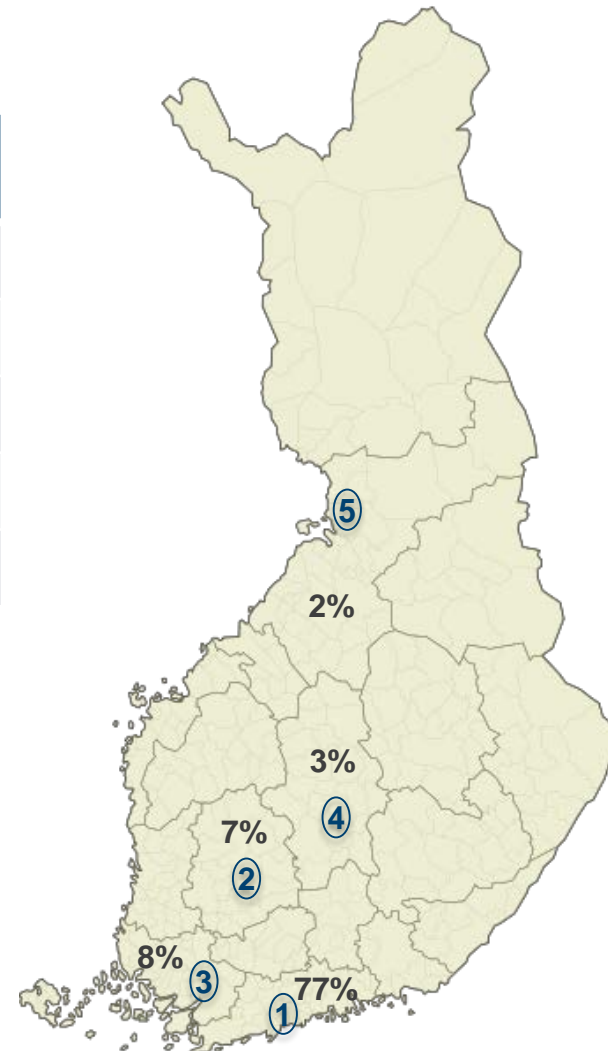
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Cover Asset Pool Data (3/3)



Geographical Distribution as at 30.6.2019

| | Region | Major City | Share of the Pool |
|---|--------------------|------------|-------------------|
| 1 | Uusimaa | Helsinki | 77% |
| 2 | Pirkanmaa | Tampere | 7% |
| 3 | Varsinais-Suomi | Turku | 8% |
| 4 | Central Finland | Jyväskylä | 3% |
| 5 | North Ostrobothnia | Oulu | 2% |



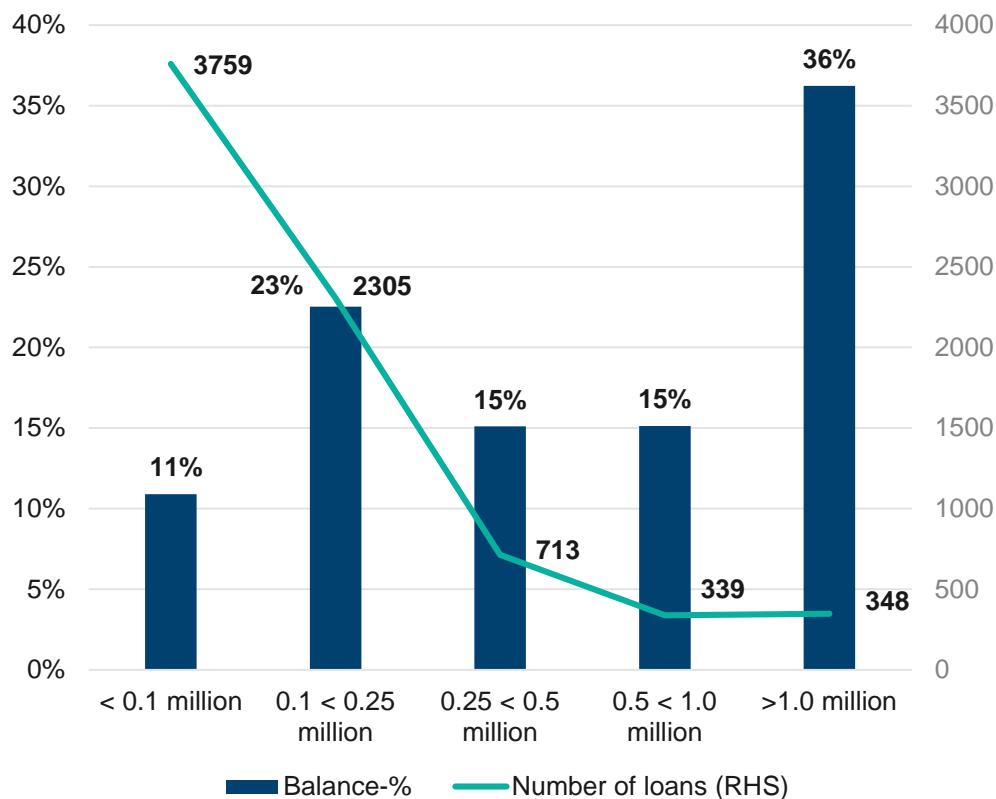
Hypo's strategic choice is to operate only in prime growth centers.

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Cover Pool Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 34% of loans in the pool have remaining balance below EUR 250,000.
- Loans with remaining balance > 1 million are housing company loans (= common debt between multiple individuals)
- Loans with remaining balance > 3 million excluded from the cover pool
- Loans with remaining balance < 5,000 excluded from the cover pool

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% | 1 070 | 990 | 921 | 817 | 706 |
| 40- ≤ 70% | 375 | 377 | 363 | 386 | 400 |
| 70- ≤100% | 156 | 221 | 253 | 242 | 225 |
| >100% | | 11 | 65 | 156 | 271 |
| Pool total (nominal), EUR million | 1 601 | 1 589 | 1 536 | 1 445 | 1 330 |
| OC (nominal) | 23.1% | 22.2% | 18.2% | 11.1% | 2.3% |

- The stress test assumes that no action is taken to include new loans into the pool.
- Even in an extreme stress scenario, where house prices decline by 40% overnight, the pool total still exceeds EUR 1 300 million (the total outstanding amount of bonds).

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