



Covered Bond Transparency Information

# The Mortgage Society of Finland

Information as at December 31, 2019

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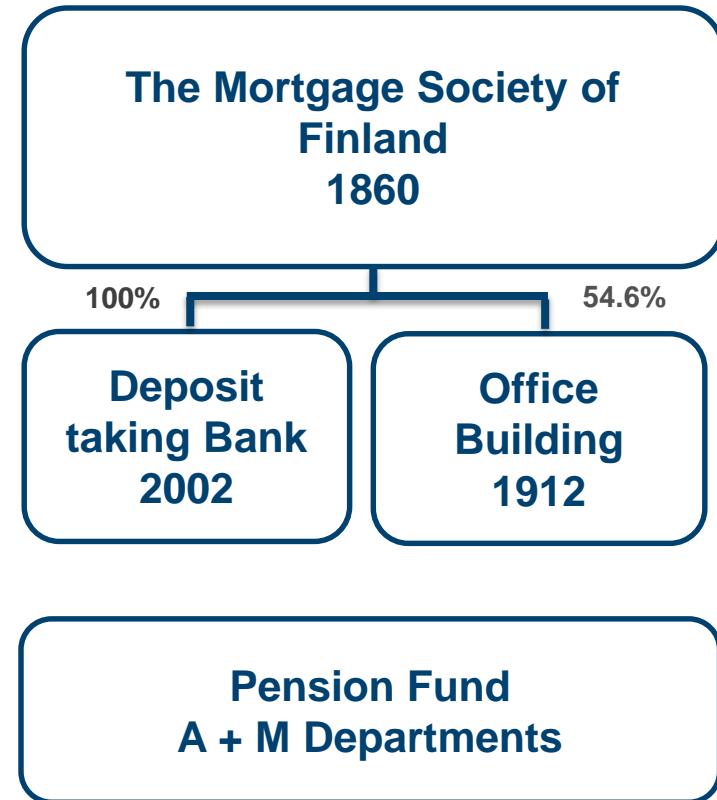
# About the Issuer



# 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 0.1%)
- 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' (st.)



## Anchor Rating for Finnish Commercial Banks

a-

### 1. Hypo business position

-2

- Small, monoline player with concentrated niche market position
- Conservative approach to risks and a very low risk appetite

### 2. Hypo capital and earnings

+2

- Very strong risk-adjusted capital (RAC)
- Mutual company: retained profits solely used for capital buildup
- Interest income from loans expected to strengthen spurred by improved margins

### 3. Hypo risk position

-1

- Strong asset quality and exceptional loan-loss track record in recent decades
- Moderate risk position due to concentration risks
- Partly mitigated by very conservative lending and underwriting standards

### 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 31.12.2019

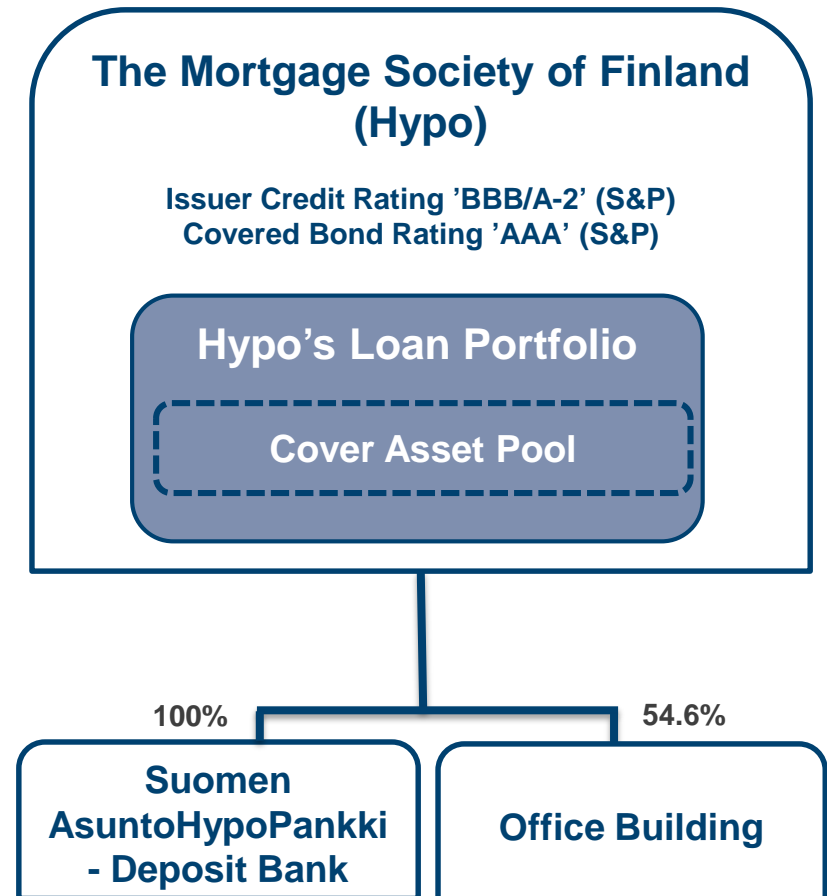


- Issuer is the Group parent, no separate covered bond issuer
- Total amount outstanding EUR 1 300 million
  - EUR 300 million, Maturity Date May 10, 2021 with 1 year soft-bullet structure
  - EUR 100 million, Maturity Date Dec. 7, 2022 with 1 year soft-bullet structure
  - EUR 300 million, Maturity 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 32.1%
- Current nominal overcollateralization 26.9%
  - 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



<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 70% of the pool loans have 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 32.1%</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>• 99% floating interest rate</li> </ul> </li> <li>• No revolving/flexible loans</li> </ul>

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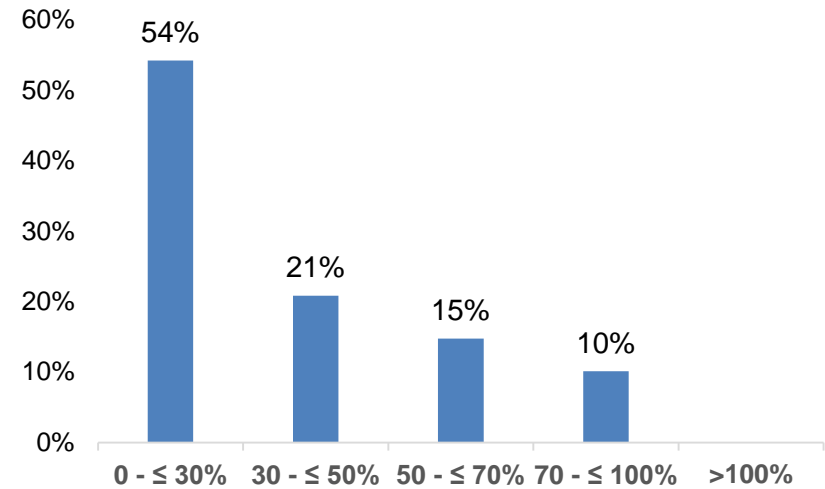
# Cover Asset Pool Data (1/3)



## Pool Data as at 31.12.2019

<b>Total Cover Pool (nominal)</b>	EUR 1 649 531 452
<b>Eligible Cover Pool</b>	EUR 1 630 858 121
<b>Average Loan Balance</b>	EUR 210 587
<b>Number of loans</b>	7 833
<b>Number of properties</b>	6 467
<b>Number of clients</b>	7 595
<b>WA seasoning (months)</b>	42
<b>WA remaining term (months)</b>	227
<b>WA LTV (indexed)</b>	31.5%
<b>WA LTV total (indexed)</b>	32.1%
<b>Interest</b>	Variable 99% Fixed 1%
<b>Loans in arrears (&gt;30 days)</b>	0.00%
<b>OC level (nominal)</b>	26.9%
<b>OC level (eligible)</b>	25.5%
<b>Pool Type</b>	Dynamic

## LTV Distribution

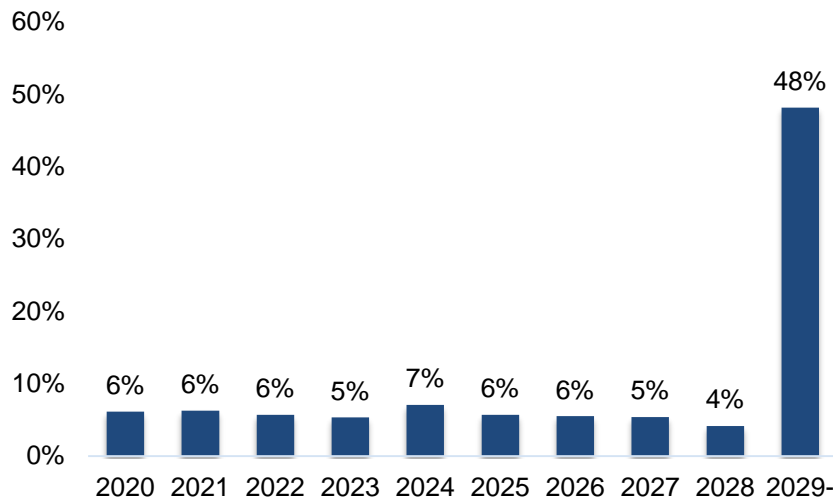


- The weighted average indexed LTV of the pool is 32.1%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

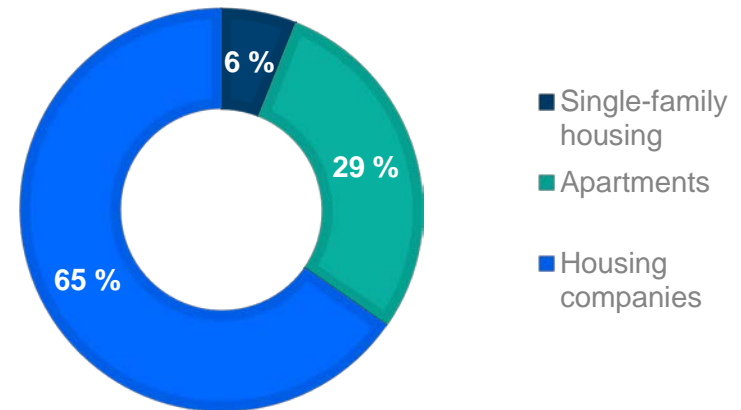
# Cover Asset Pool Data (2/3)



## Pool Loan Maturity Profile Contractual Amortizations



## Pool Collateral Types



- Balanced pool composition: 35% of retail mortgages and 65% 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

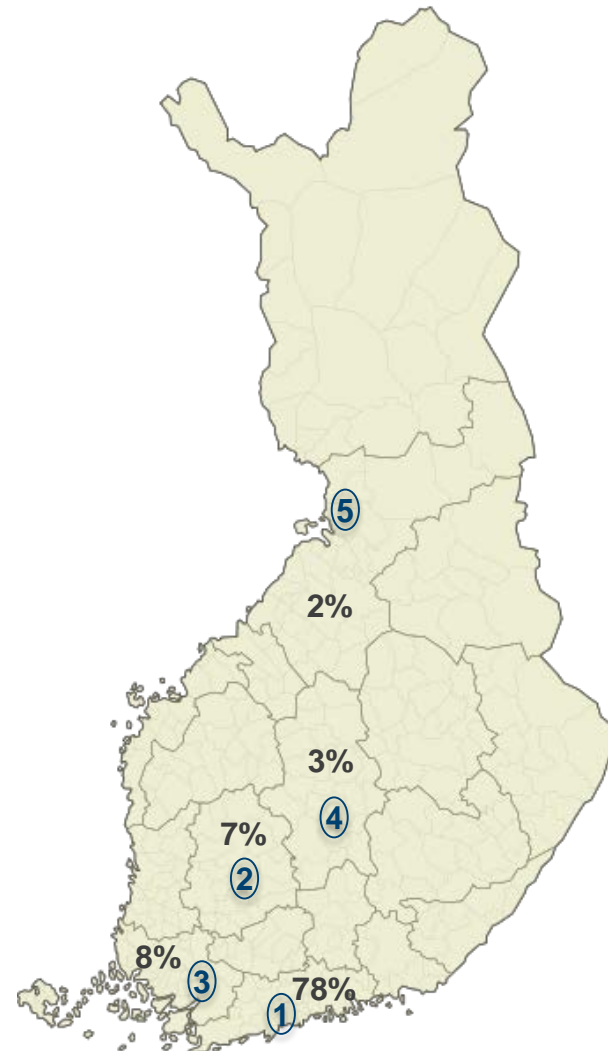
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# Cover Asset Pool Data (3/3)



## Geographical Distribution as at 31.12.2019

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	78%
2	Pirkanmaa	Tampere	7%
3	Varsinais-Suomi	Turku	8%
4	Central Finland	Jyväskylä	3%
5	North Ostrobothnia	Oulu	2%

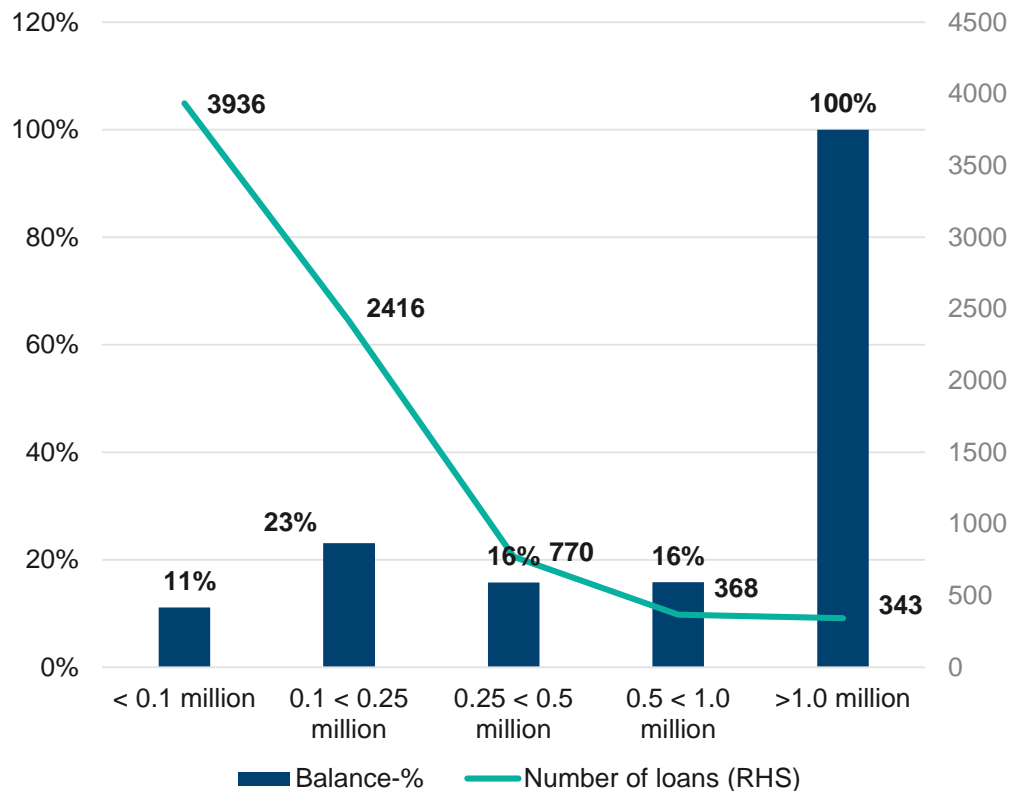


Hypo's strategic choice is to operate only in prime growth centers.

# 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%	1 088	1 023	946	848	735
40- ≤ 70%	395	377	366	376	385
70- ≤100%	167	237	271	259	240
>100%		13	67	167	290
<b>Pool total (nominal), EUR million</b>	1 650	1 637	1 583	1 483	1 360
<b>OC (nominal)</b>	26.9%	25.9%	21.7%	14.1%	4.6%

- 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).

# Contact

[www.hypo.fi/en/investor-relations/](http://www.hypo.fi/en/investor-relations/)



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