

Covered Bond Transparency Information

The Mortgage Society of Finland



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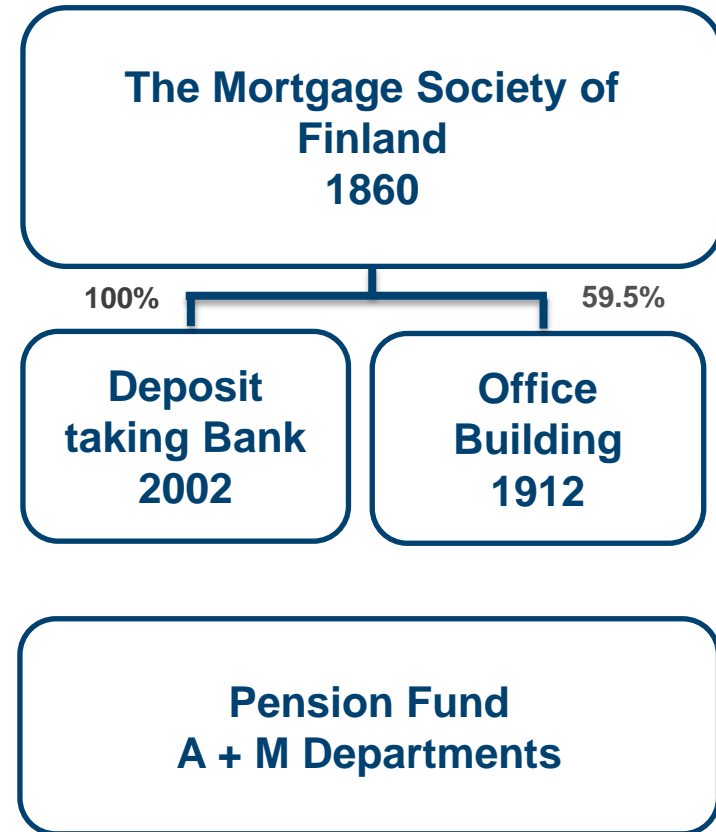
About the Issuer



Hypo Group Overview



- Founded in 1860
 - The oldest private credit institution in Finland
- Retail banking, no corporate lending
- Specialized in mortgage financing
 - Residential property always as collateral
- Strong loan book
 - NPLs 0.24% as of end June, 2016
- Total assets EUR 2.15 billion
- Mutual company governed by the member customers
 - All returns are kept within Hypo
- S&P rating 'BBB/A-3'
 - The outlook is negative, reflecting S&P's view of weak recovery in Finnish economy.
- Well-known and frequent borrower in Finland
- Supervised by the FIN-FSA



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 recovery in Finnish economy.

Covered Bonds



Hypo Covered Bonds

Executive Summary as at 16.9.2016

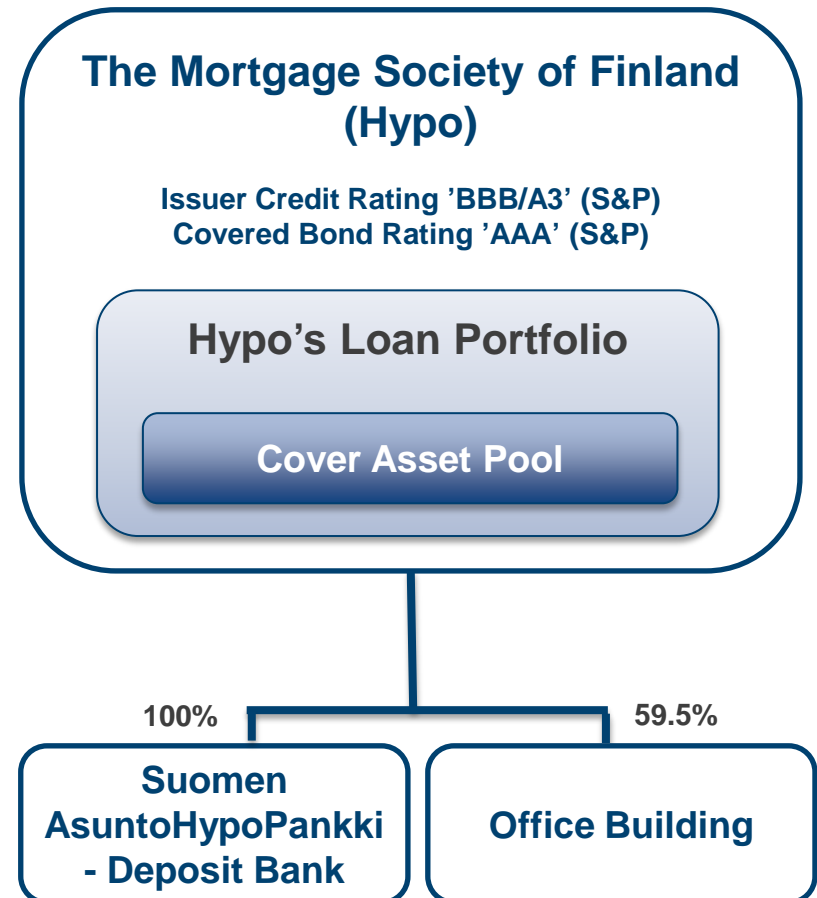


- Issuer is the Group parent, no separate covered bond issuer
- Total amount outstanding EUR 250 million
 - Maturity Date May 10, 2021 with 1 year soft bullet structure
- Covered bond issuance rated 'AAA' (st.) by the S&P on May 10, 2016
- Cover pool consists 100% of Finnish residential property
 - Regulatory risk weight of assets is 35% under Basel III standard method
- Current WALTV 33.6%
- Current nominal overcollateralization 68.0%
 - 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

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



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• Almost 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 33.6%• 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">• >95% floating interest rate• No revolving/flexible loans

SECURE WAY FOR BETTER LIVING.

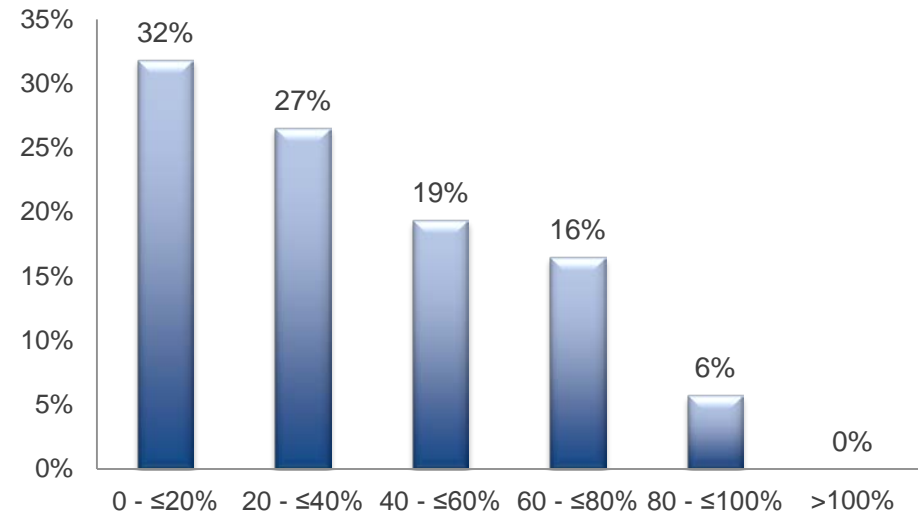
Cover Asset Pool Data (1/3)



Pool Data as at 16.9.2016

Total Cover Pool (nominal)	EUR 420 016 469
Eligible Cover Pool	EUR 413 506 457
Average Loan Balance	EUR 141 897
No. of loans	2 960
No. of properties	2 624
No. Clients	3 140
WA seasoning (months)	49
WA remaining term (months)	217
WA LTV (indexed)	33.6%
WA LTV (unindexed)	37.4%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	68.0%
OC level (eligible)	65.4%
Pool Type	Dynamic

LTV Distribution

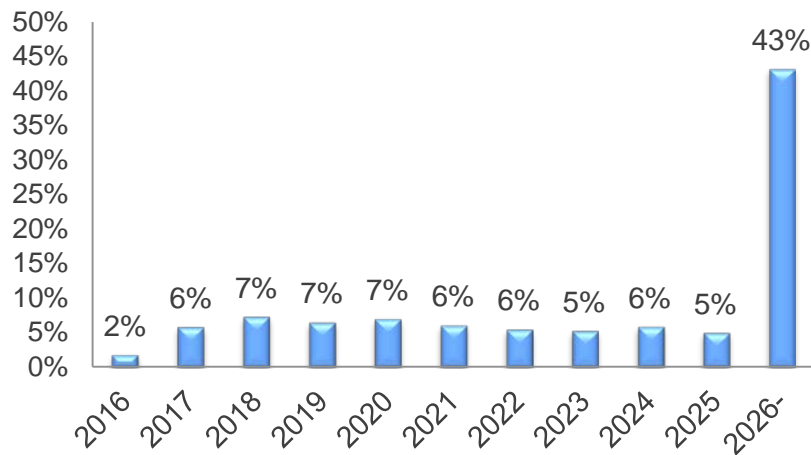


- The weighted average indexed LTV of the pool is 33.6%.
- No non-performing loans in the cover pool.
- No arrears.
- Well-seasoned mortgage cover pool

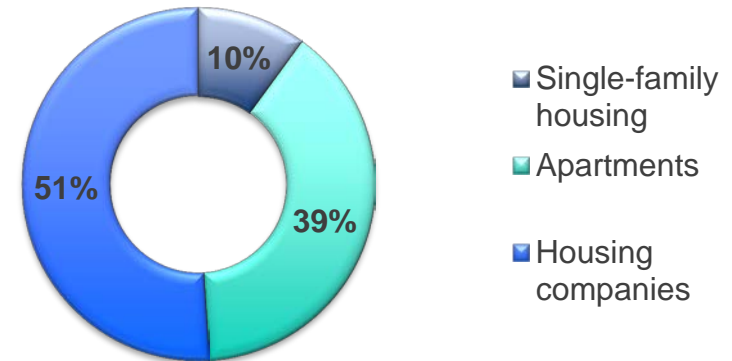
Cover Asset Pool Data (2/3)



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

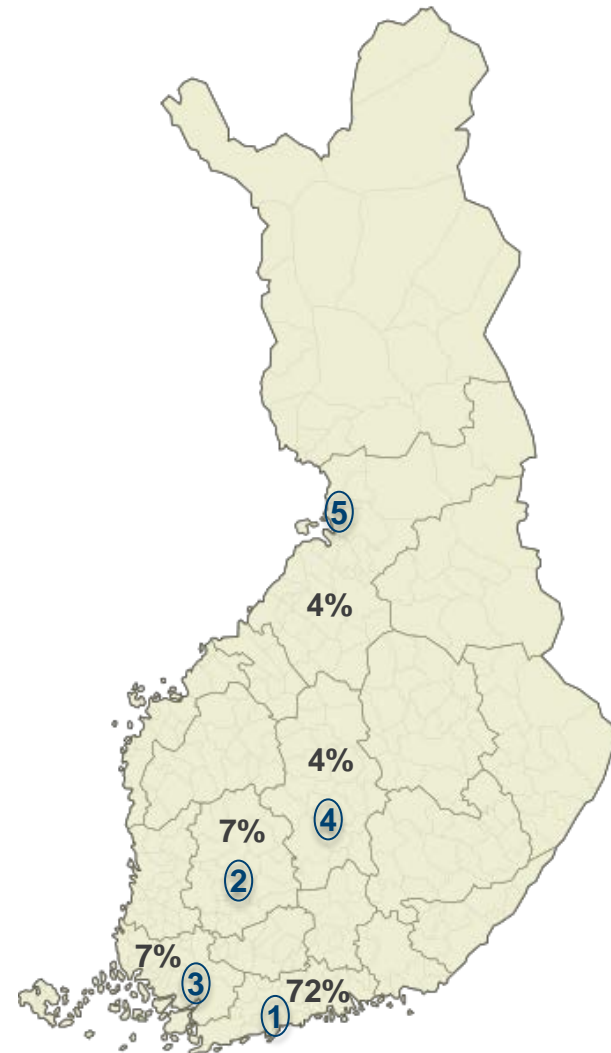
Cover Asset Pool Data (3/3)



Geographical Distribution as at 16.9.2016

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	72%
2	Pirkanmaa	Tampere	8%
3	Varsinais-Suomi	Turku	7%
4	Pohjois-Pohjanmaa	Oulu	4%
5	Keski-Suomi	Jyväskylä	4%

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



SECURE WAY FOR BETTER LIVING.

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%	245	225	198	180	160
40- ≤ 70%	117	114	111	105	102
70- ≤100%	58	77	87	78	65
>100%	0	5	24	58	93
Pool total (nominal), EUR million	420	415	396	362	327
OC (nominal)	68%	66%	58%	45%	31%

- 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 300 million.

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