



Covered Bond Transparency Information

The Mortgage Society of Finland

Information as at September 30, 2018

Published on October 31, 2018

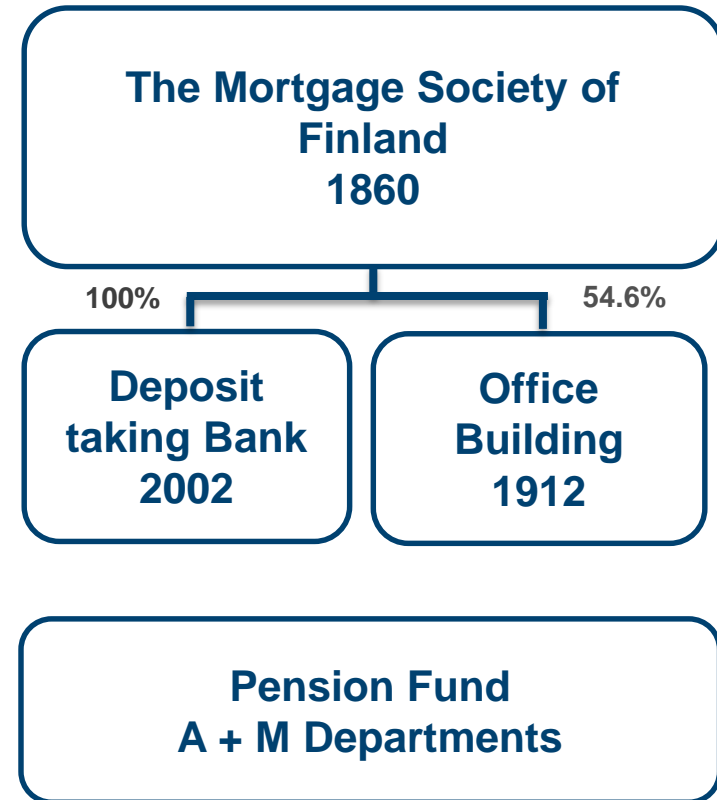
About the Issuer



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 0.08%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.0 billion
- S&P issuer rating 'BBB/A-2' (st.)
- S&P covered bond rating 'AAA' (st.)



SECURE WAY FOR BETTER LIVING.

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 30.9.2018



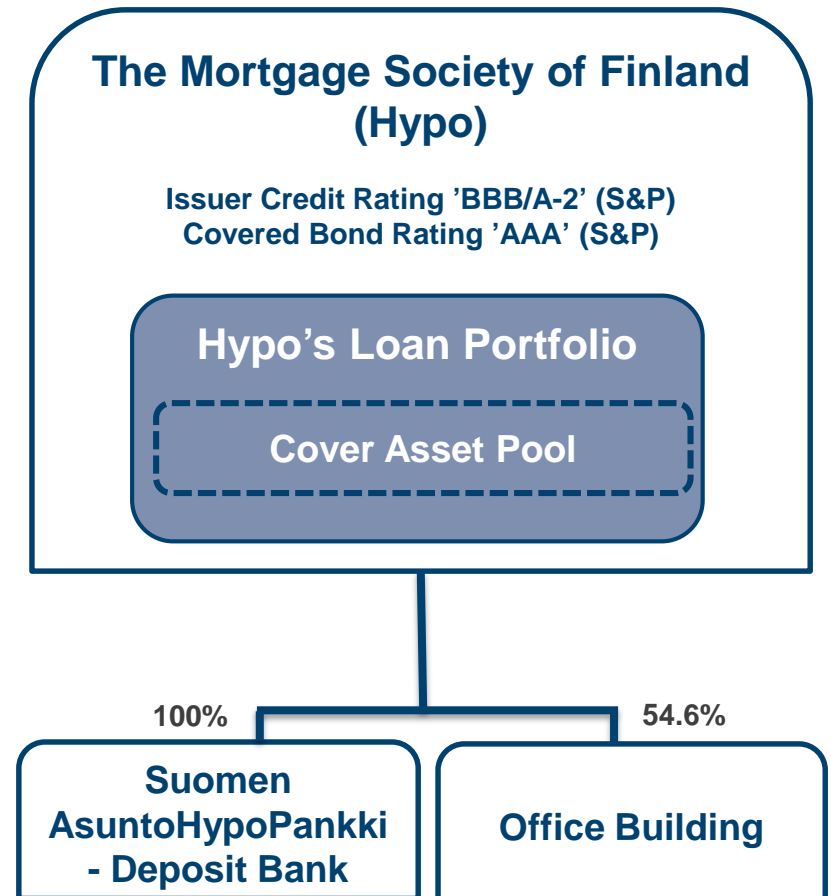
- Issuer is the Group parent, no separate covered bond issuer
- Total amount outstanding EUR 950 million
 - EUR 300 million, Maturity Date May 10, 2021 with 1 year soft-bullet structure
 - EUR 100 million, Maturity Date Dec. 7, 2022 with 1 year soft-bullet structure
 - EUR 250 million, Maturity Date April 24, 2023 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date June 28, 2024 with 1 year soft-bullet structure
- 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 31.7%
- Current nominal overcollateralization 29.1%
 - 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

SECURE WAY FOR BETTER LIVING.

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 31.7%• 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

SECURE WAY FOR BETTER LIVING.

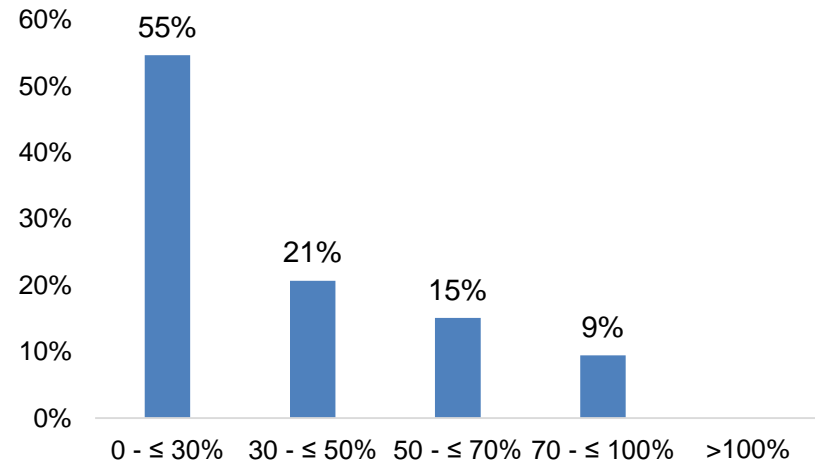
Cover Asset Pool Data (1/3)



Pool Data as at 30.9.2018

Total Cover Pool (nominal)	EUR 1 226 425 606
Eligible Cover Pool	EUR 1 214 096 882
Average Loan Balance	EUR 199 451
No. of loans	6 149
No. of properties	5 007
No. Clients	5 836
WA seasoning (months)	40
WA remaining term (months)	224
WA LTV (indexed)	31.2%
WA LTV total (indexed)	31.7%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	29.1%
OC level (eligible)	27.8%
Pool Type	Dynamic

LTV Distribution

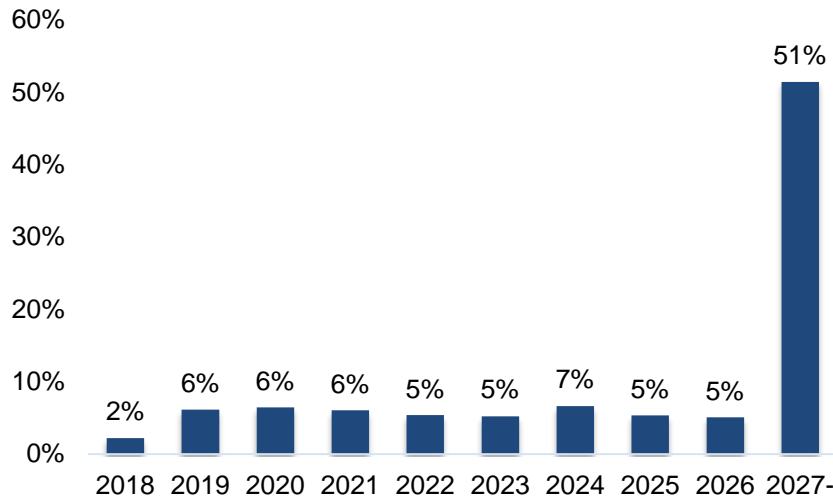


- The weighted average indexed LTV of the pool is 31.7%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

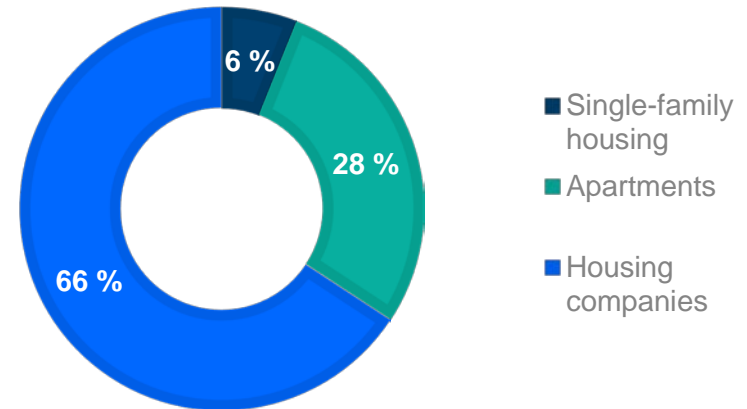
Cover Asset Pool Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



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

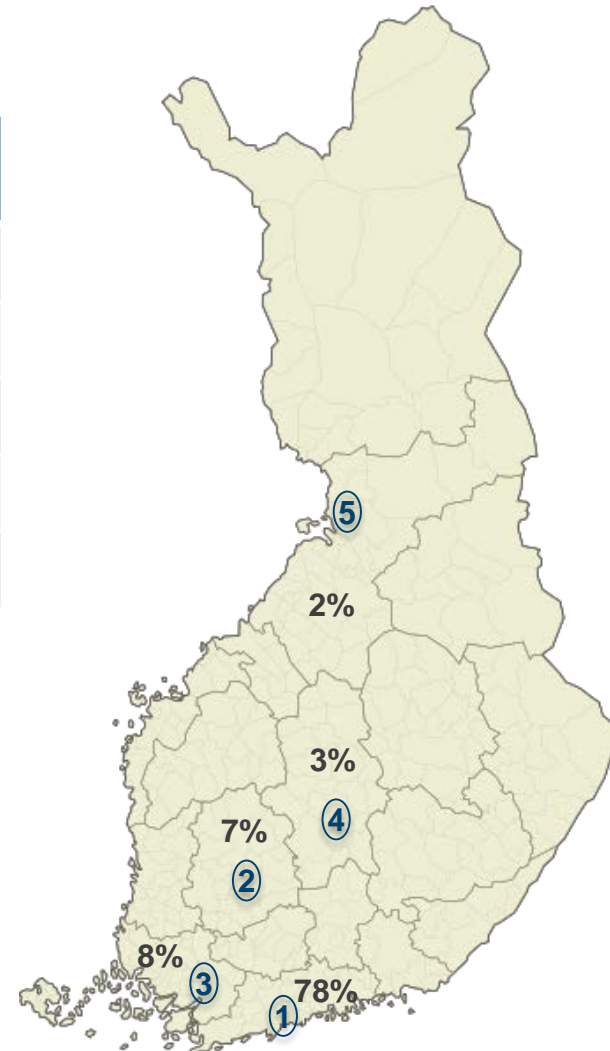
SECURE WAY FOR BETTER LIVING.

Cover Asset Pool Data (3/3)



Geographical Distribution as at 30.9.2018

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	78%
2	Pirkanmaa	Tampere	7%
3	Varsinais-Suomi	Turku	8%
4	Keski-Suomi	Jyväskylä	3%
5	Pohjois-Pohjanmaa	Oulu	2%



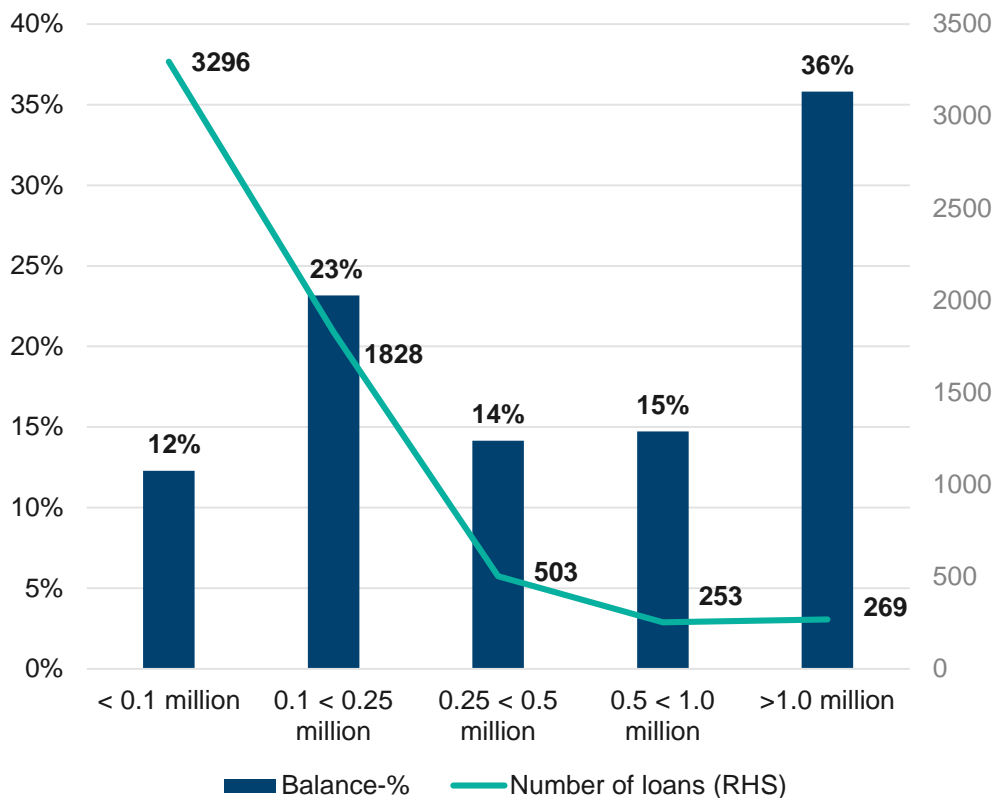
Hypo's strategic choice is to operate only in prime growth centers.

SECURE WAY FOR BETTER LIVING.

Cover Pool Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 35% 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%	814	768	703	630	554
40- ≤ 70%	296	276	273	288	283
70- ≤100%	116	175	208	192	181
>100%		8	42	116	208
Pool total (nominal), EUR million	1 226	1 219	1 185	1 111	1018
OC (nominal)	29.1%	28.3%	24.7%	16.9%	7.2%

- 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 950 million (the total outstanding amount of bonds).

Contact

www.hypo.fi/en/investor-relations/



CEO

Mr Ari Pauna

Tel. +358 50 353 4690

ari.pauna@hypo.fi

Chief Treasury and Funding Officer

Mr Petteri Bollmann

Tel. +358 50 550 4355

petteri.bollmann@hypo.fi

DISCLAIMER

To the extent the Information relating to The Mortgage Society of Finland ("Hypo") or its group members ("Hypo Group") is prepared by Hypo or another member of Hypo Group, the following limitations apply:

All official financial information of Hypo Group, including without limitation profit and loss statement, balance sheet, and annexes is available at web address www.hypo.fi/. This document is not official financial information of Hypo Group.

Opinions and statements of or concerning Hypo Group are made in good faith at the time of giving such statement and may be subject to change without notice. Investing in a financial instrument issued by Hypo may contain risks, such as (without limitation) operational and financial condition of Hypo Group and general market conditions. Changes in them may have an adverse effect on the price or value of the instrument. The investor is exposed to the risk of losing all or part of the investment in a financial instrument issued by Hypo. Opinions or statements regarding future performance are based on assumptions that may not be realised. Past performance of Hypo Group is not a sign or a promise of future performance.