



Covered Bond Transparency Information

The Mortgage Society of Finland

Information as at December 31, 2020

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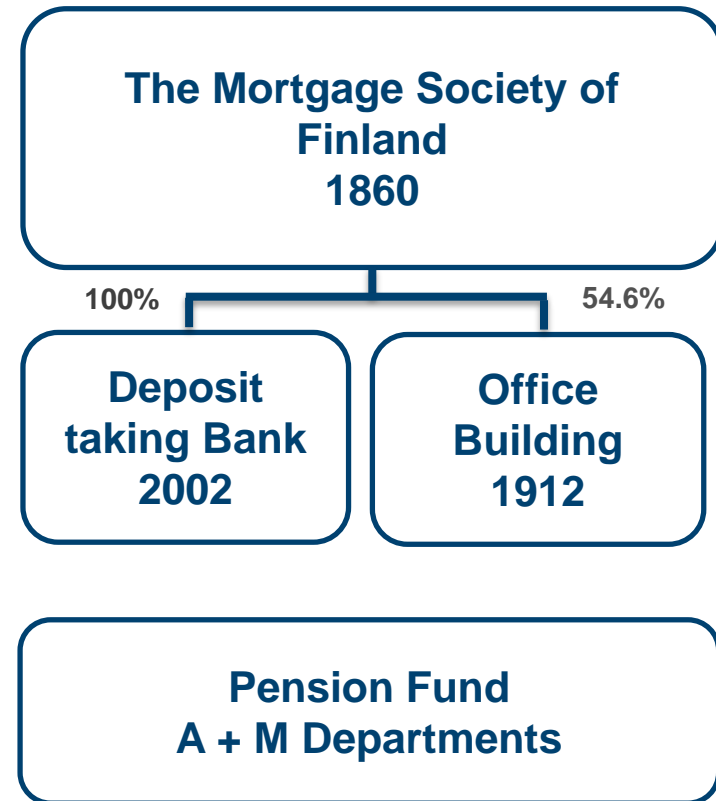
About the Issuer



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 0.11%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.2 billion
- S&P issuer rating 'BBB/A-2' (stable*)
- S&P covered bond rating 'AAA' (stable*)



*outlook revised from negative to stable on Jan 22, 2021 for issuer and on Jan 29, 2021 for covered bonds.

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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

- Monoline business model as a pure residential mortgage financier
- Conservative approach to risks and a very low risk appetite

2. Hypo capital and earnings

+2

- Very strong risk-adjusted capitalization (RAC)
- Mutual company: retained profits solely used for capital buildup
- Interest income from loans expected to be lower in 2020 due to turbulent markets and cautious lending but return to growth in 2021-22

3. Hypo risk position

-1

- Strong asset quality and exceptional loan-loss track record in the past decades
- Concentration and cyclical risk due to focus on residential mortgage lending
- 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

Hypo Credit Rating

BBB (stable*)

Covered Bonds



Hypo Covered Bonds Executive Summary as at 31.12.2020



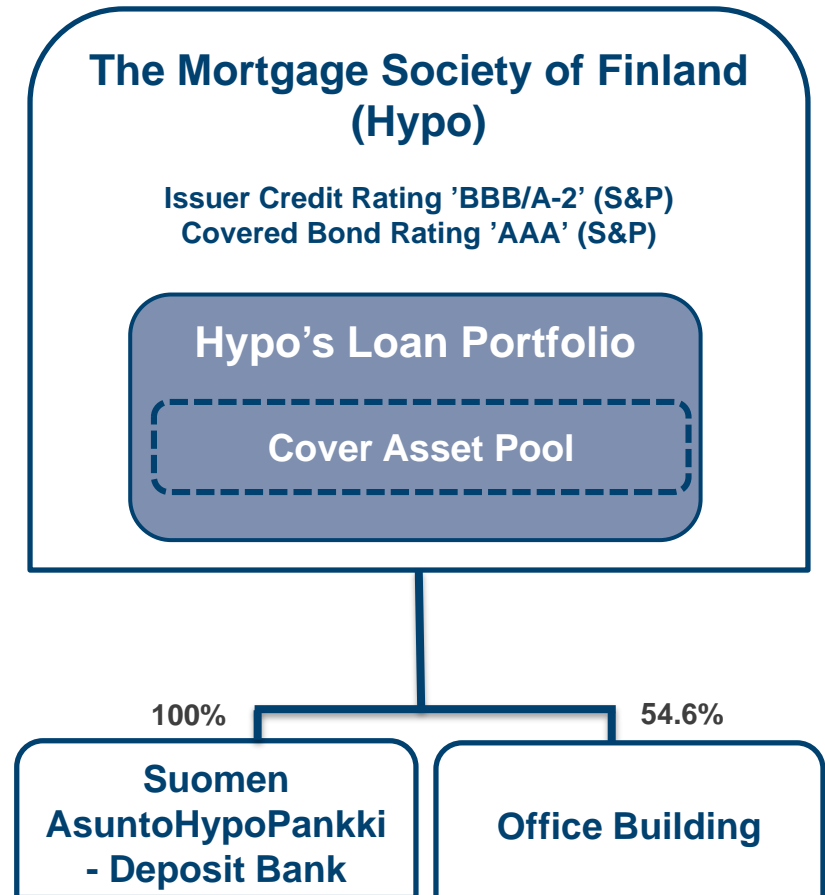
- Issuer is the Group parent, no separate covered bond issuer
- Total amount outstanding EUR 1 450 million
 - EUR 300 million, maturity May 10, 2021 with 1 year soft-bullet structure
 - EUR 150 million *own use*, maturity April 29, 2022 with 1 year soft-bullet structure
 - EUR 100 million, maturity Dec. 7, 2022 with 1 year soft-bullet structure
 - EUR 300 million, maturity April 24, 2023 with 1 year soft-bullet structure
 - EUR 300 million, maturity June 28, 2024 with 1 year soft-bullet structure
 - EUR 300 million, maturity March 13, 2026 with 1 year soft-bullet structure
- Covered bonds rated 'AAA' (neg.) by the S&P
 - Outlook revised to stable on January 29, 2021.
- 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 33.1%
 - 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

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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' (stable*)
- Covered Bond Rating 'AAA' (stable*)



*outlook revised from negative to stable on Jan 22, 2021 for issuer and on Jan 29, 2021 for covered bonds.

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 65% 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 32.1% • 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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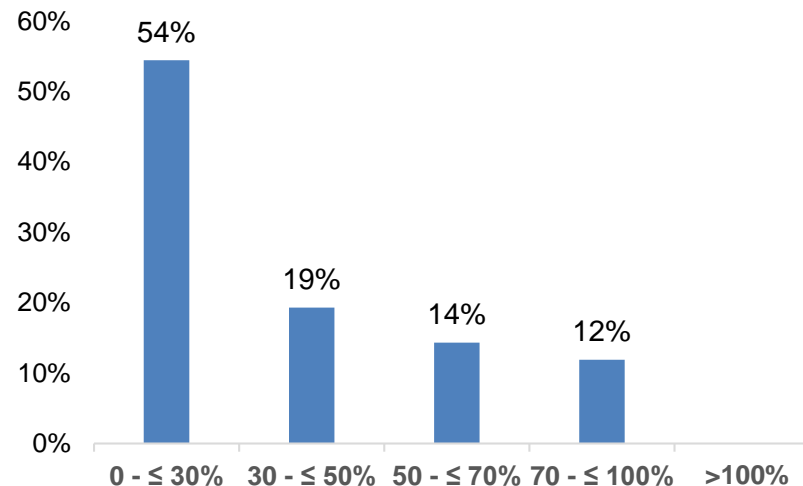
Cover Asset Pool Data (1/3)



Pool Data as at 31.12.2020

Total Cover Pool (nominal)	EUR 1 930 092 895
Eligible Cover Pool	EUR 1 901 252 285
Average Loan Balance	EUR 207 805
Number of loans	9 288
Number of properties	7 773
Number of clients	9 199
WA seasoning (months)	45
WA remaining term (months)	226
WA LTV (indexed)	31.3%
WA LTV total (indexed)	32.1%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	33.1%
OC level (eligible)	31.1%
Pool Type	Dynamic

LTV Distribution



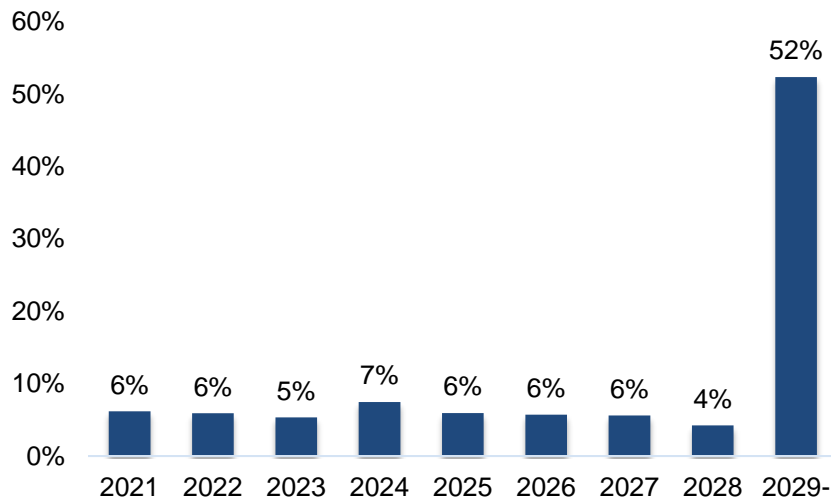
- The weighted average indexed LTV of the pool is 32.1%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

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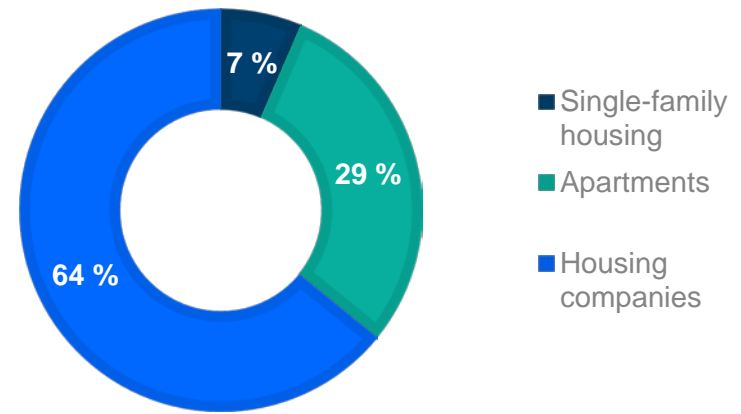
Cover Asset Pool Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 36% of retail mortgages and 64% 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

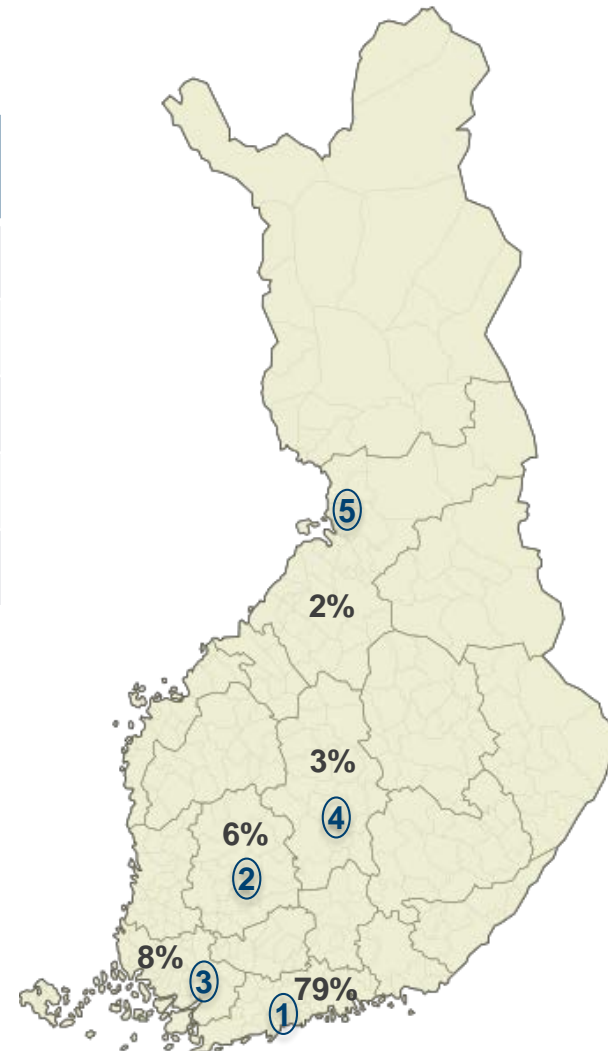
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Cover Asset Pool Data (3/3)



Geographical Distribution as at 31.12.2020

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	79%
2	Pirkanmaa	Tampere	6%
3	Varsinais-Suomi	Turku	8%
4	Central Finland	Jyväskylä	3%
5	North Ostrobothnia	Oulu	2%

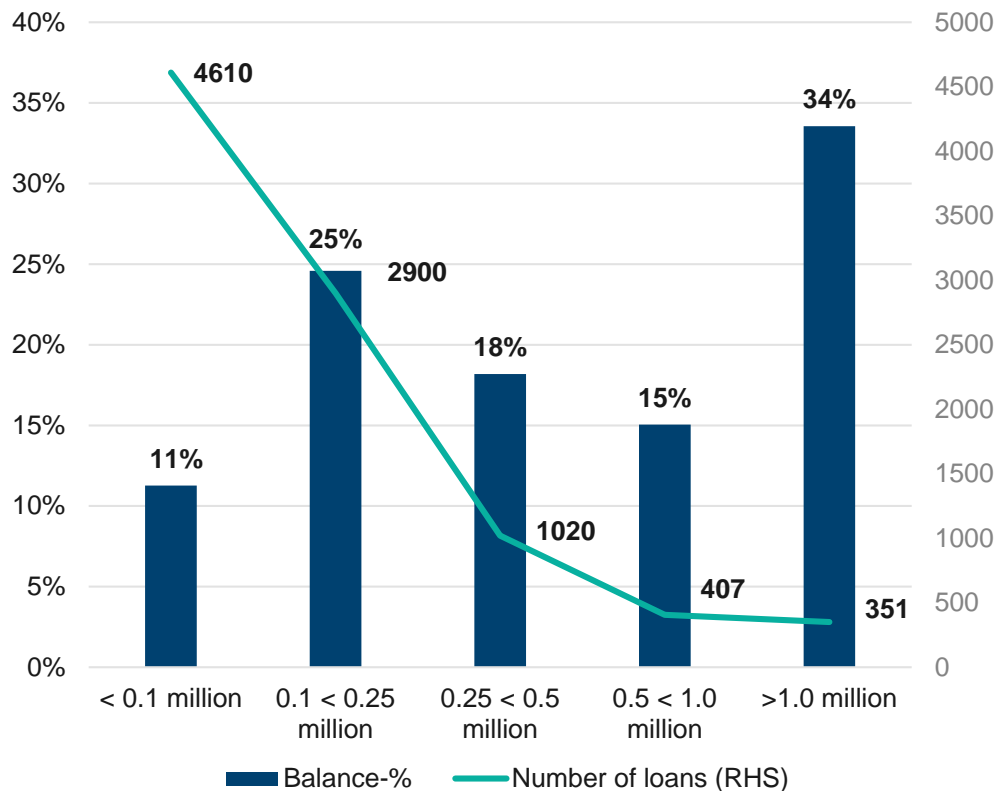


Hypo's strategic choice is to operate only in prime growth centers.

Cover Pool Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 36% 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 < 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%	1 276	1 193	1 114	1 003	873
40- ≤ 70%	424	404	392	406	430
70- ≤100%	230	301	324	291	257
>100%		31	101	230	370
Pool total (nominal), EUR million	1 930	1 898	1 830	1 700	1 560
OC (nominal)	33.1%	30.9%	26.2%	17.3%	7.6%

- 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 1 450 million (the total outstanding amount of bonds).

Contact

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