



Covered Bond Transparency Information

The Mortgage Society of Finland

Information as at March 31, 2020

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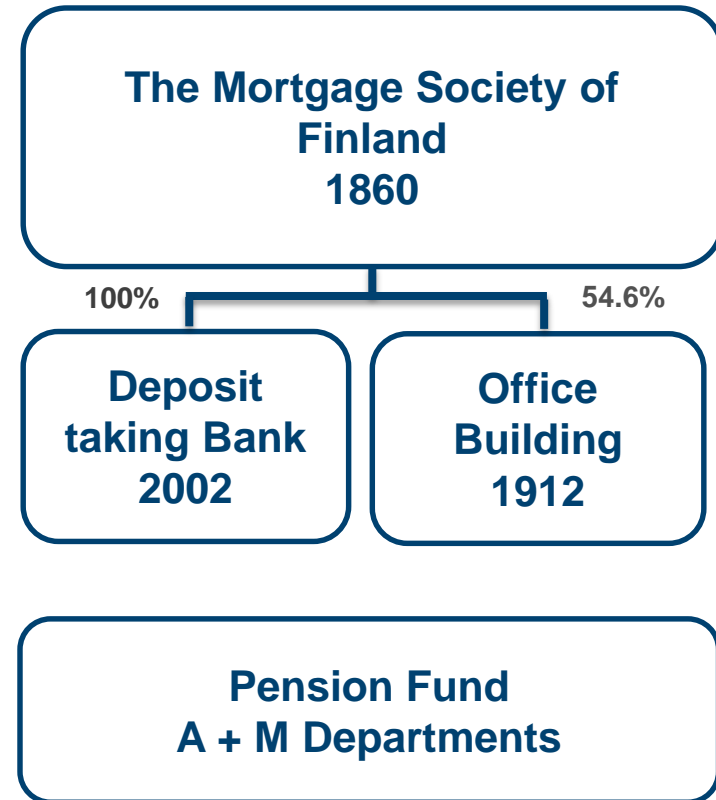
About the Issuer



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 0.10%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.5 billion
- S&P issuer rating 'BBB/A-2' (stable)
- S&P covered bond rating 'AAA' (stable)



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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 – 31.3.2021



- Issuer is the Group parent, no separate covered bond issuer
- Hypo is a member of ECBC
- Covered bonds rated 'AAA' (stable) 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
- Total amount outstanding EUR 1,750 million
- Current WALTV 32.5%
- Current nominal overcollateralization 32.1%
 - 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 interest rate risk

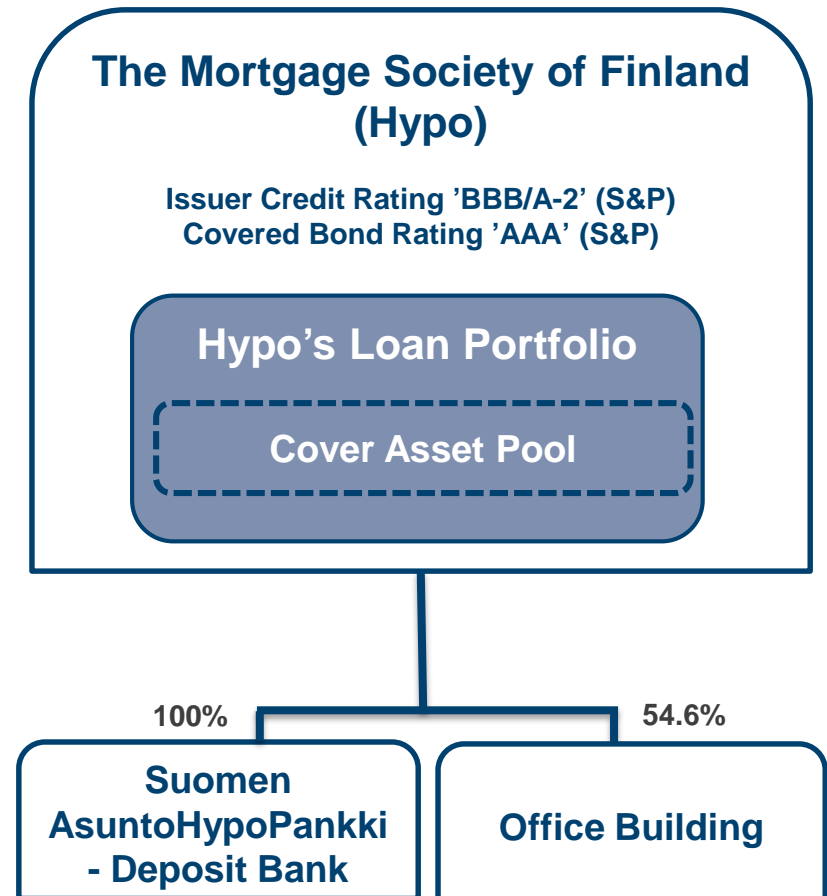
Type	ISIN	Issue Date	Maturity Date	Nominal (m€)	Coupon	Pricing
Covered	FI4000206966	10.5.2016	10.5.2021	250	Fixed +0.25	MS +22
Covered	FI4000206966 (tap)	27.9.2016	10.5.2021	50	Fixed +0.25	MS +10
Covered	FI4000232855	7.12.2016	7.12.2022	100	Fixed +0.25	MS +11
Covered	FI4000266903	28.6.2017	28.6.2024	250	Fixed +0.375	MS +9
Covered	FI4000266903 (tap)	25.10.2017	28.6.2024	50	Fixed +0.375	MS +4
Covered	FI4000315841	24.4.2018	24.4.2023	250	Fixed +0.375	MS +6
Covered	FI4000315841 (tap)	14.11.2018	24.4.2023	50	Fixed +0.375	MS +9
Covered	FI4000375092	13.3.2019	13.3.2026	300	Fixed +0.5	MS +15
Covered	FI400429410 (own use)	29.4.2020	29.4.2022	150	Fixed +0.01	MS +22.3
Covered	FI4000496344	24.3.2021	24.3.2031	300	Fixed +0.01	MS +6

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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)



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 (joint liability 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 32.5%▪ 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">▪ 98% floating interest rate▪ No revolving/flexible loans

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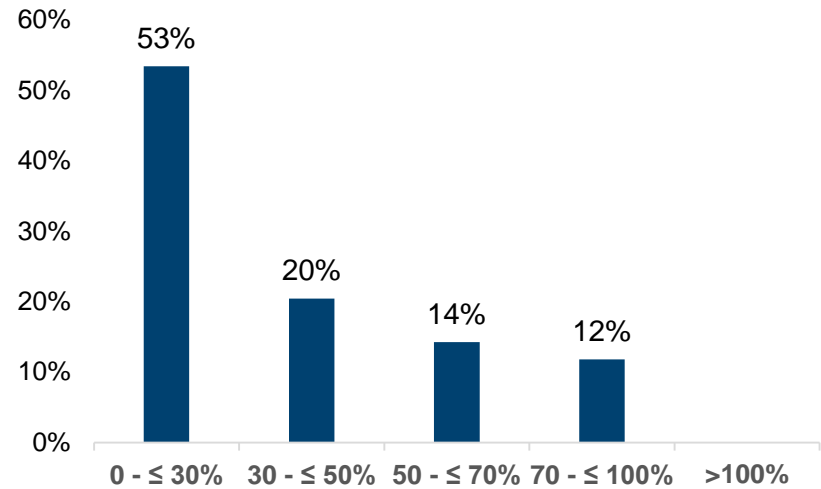
Cover Asset Pool Data (1/3)



Pool Data as at 31.3.2021

Total Cover Pool (nominal)	EUR 2,310,977,500
Eligible Cover Pool	EUR 2,278,442,047
Average Loan Balance	EUR 224,578
Number of loans	9,845
Number of properties	8,312
Number of clients	9,820
WA seasoning (months)	45
WA remaining term (months)	230
WA LTV (indexed)	31.7%
WA LTV total (indexed)	32.5%
Interest	Variable 98% Fixed 2%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	32.1%
OC level (eligible)	30.2%
Pool Type	Dynamic

LTV Distribution



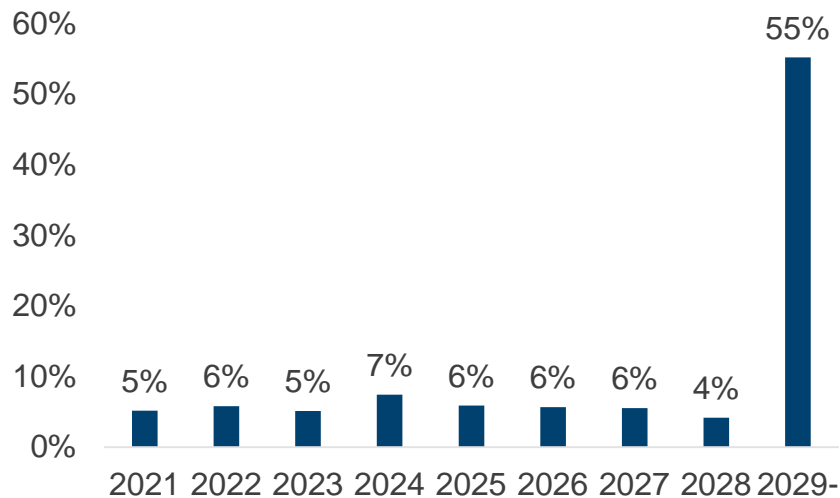
- The weighted average indexed LTV of the pool is 32.5%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

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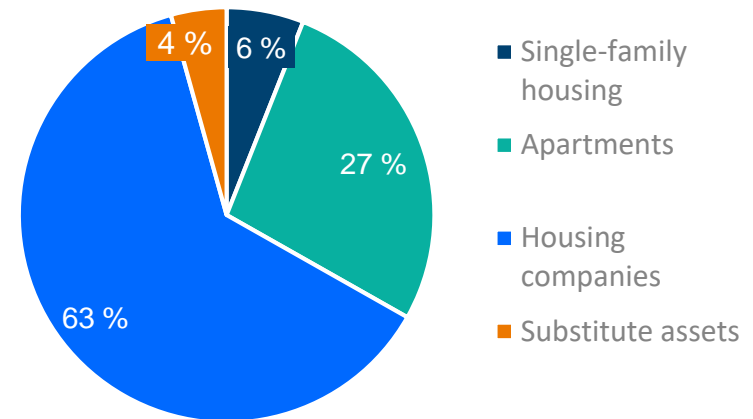
Cover Asset Pool Data (2/3)



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 EUR 100 million of cash as substitute assets in the pool

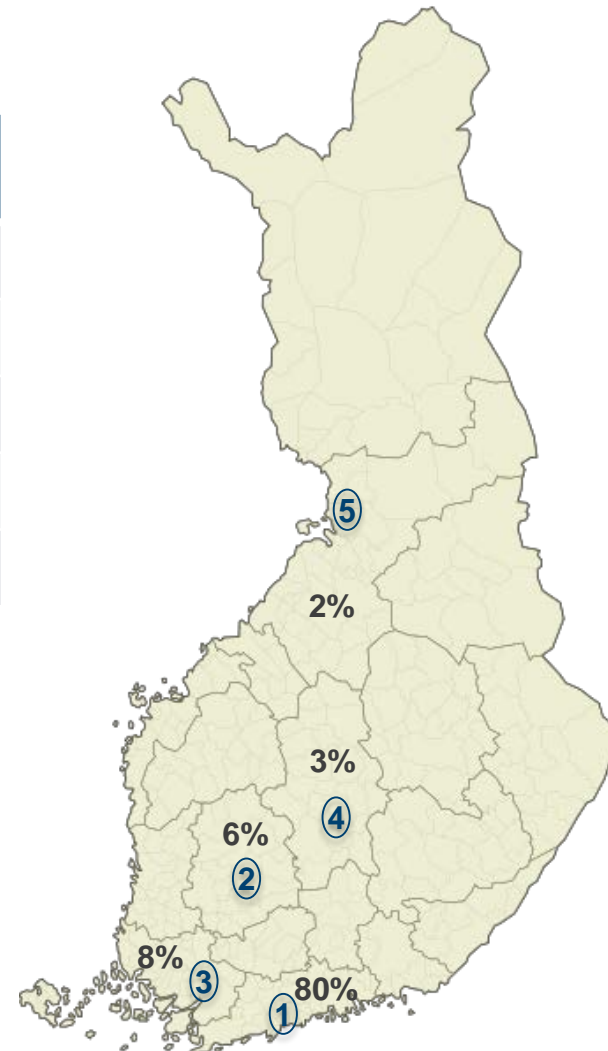
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Cover Asset Pool Data (3/3)



Geographical Distribution as at 31.3.2021

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	80%
2	Pirkanmaa	Tampere	6%
3	Varsinais-Suomi	Turku	8%
4	Central Finland	Jyväskylä	3%
5	North Ostrobothnia	Oulu	2%

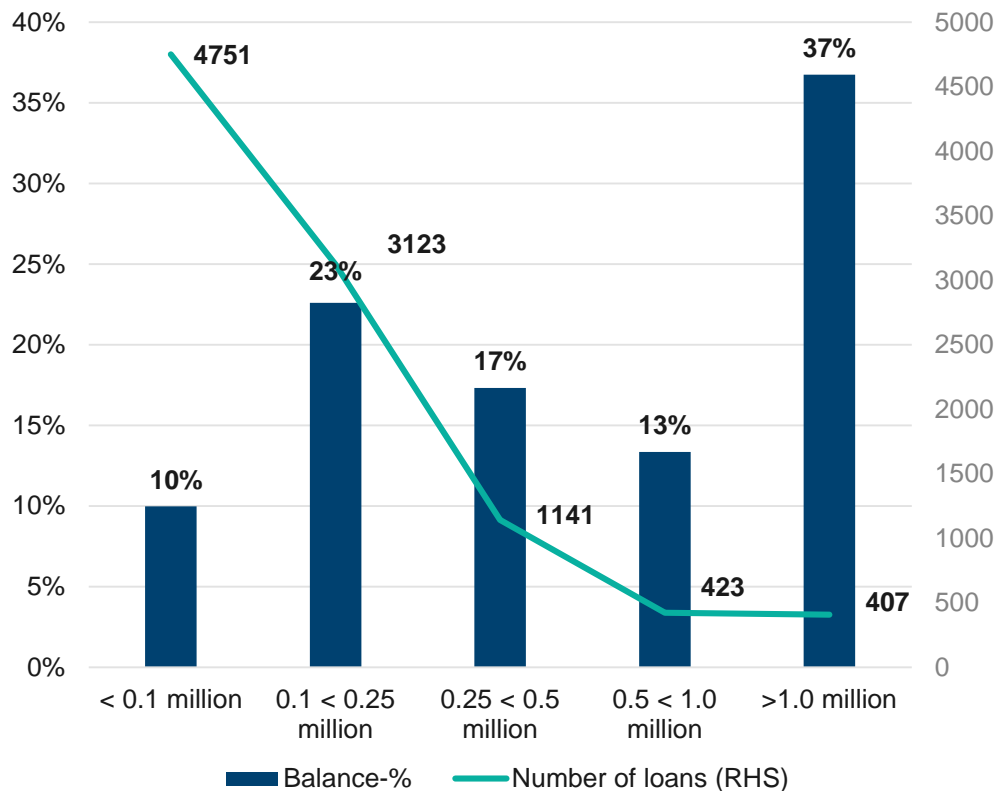


Hypo's strategic choice is to operate only in prime growth centers.

Cover Pool Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 33% 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%	1,462	1,359	1,249	1,119	983
40- ≤ 70%	487	473	484	501	513
70- ≤100%	262	342	366	329	298
>100%		35	112	262	417
Pool total (nominal), EUR million	2,211	2,175	2,000	1,949	1,794
OC (nominal)	26.3%	24.3%	20.0%	11.4%	2.5%

- 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 of loans total still exceeds EUR 1,750 million (the total outstanding amount of bonds).
- In addition, currently the pool includes EUR 100 million of cash (substitute asset).

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