



Covered Bond Transparency Information

# The Mortgage Society of Finland

Information as at March 31, 2022

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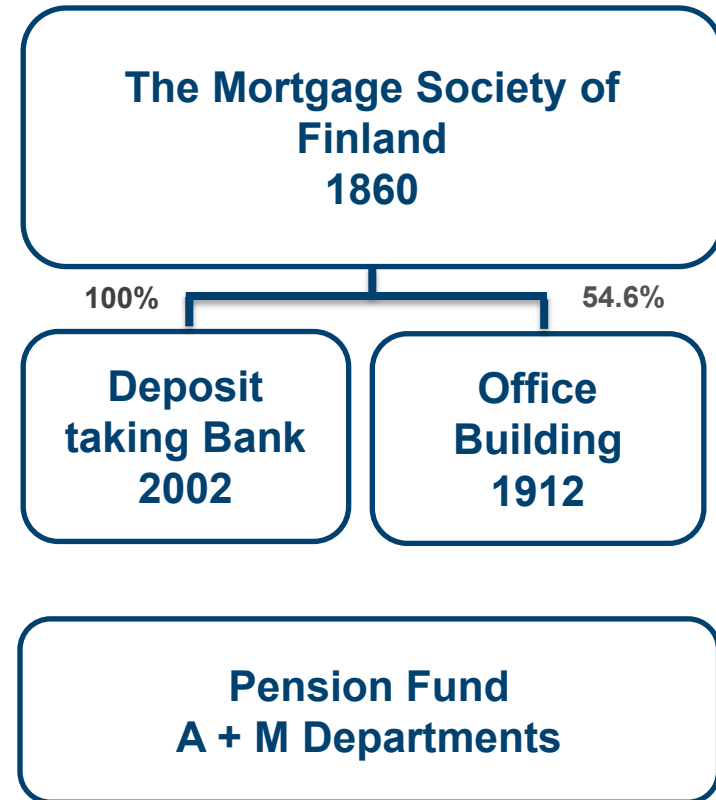
# About the Issuer



# 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 0.20%)
- 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)



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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 profile as a pure residential mortgage financier in Finland
- Expectation of continued business stability partly offsets concentrated business profile

### 2. Hypo capital and earnings

+2

- Very strong risk-adjusted capitalization (RAC)
- Profit retention as a Mutual company, profits solely used for capital build-up

### 3. Hypo risk position

-1

- Strong asset quality and exceptional loan-loss track record in the past decades
- Very conservative lending and underwriting standards with a focus on urban areas
- Concentration and cyclical risk in the lending book

### 4. Hypo liquidity and funding

-1

- Matched funding profile but elevated dependence on wholesale funding
- Issuance of covered bonds leads to a well-matched funding profile
- Less stable deposit base than domestic peers

## Hypo Credit Rating

**BBB (stable)**

# Covered Bonds



# Hypo Covered Bonds Executive Summary – 31.3.2022



- 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 1,450 million
- Current WALTV 27.4%
- Current nominal overcollateralization 29.0%
  - 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

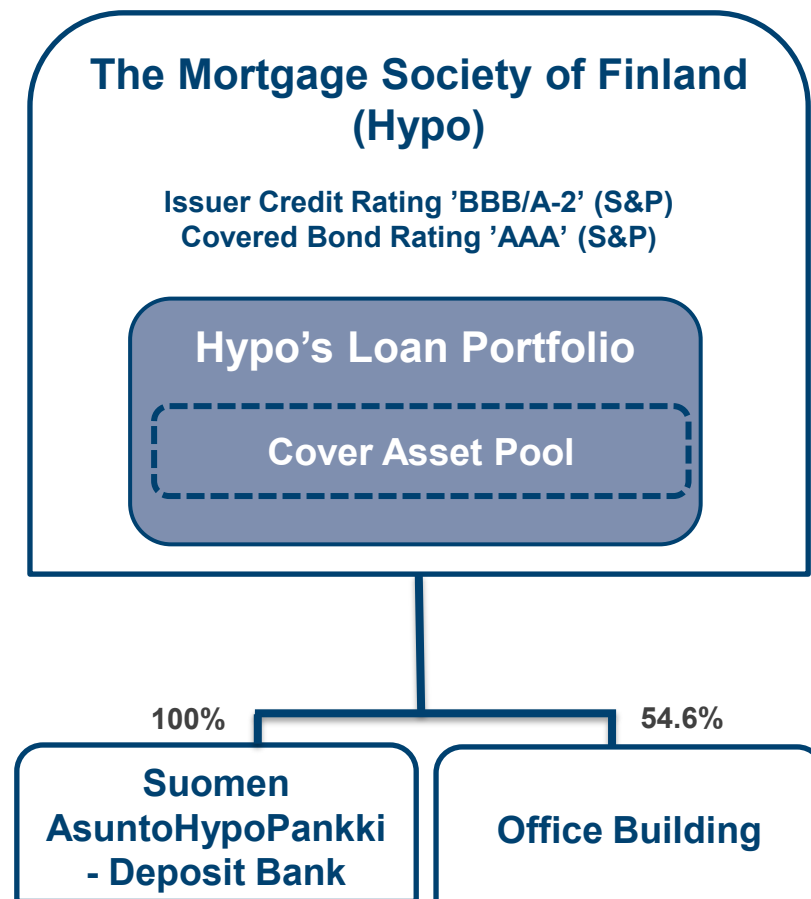
Type	ISIN	Issue Date	Maturity Date	Nominal (m€)	Coupon	Pricing
Covered	FI4000232855	7.12.2016	7.12.2022	100	Fixed +0.25	MS +11
Covered	FI4000266903	28.6.2017	28.6.2024	250	Fixed +0.375	MS +9
Covered	FI4000266903 (tap)	25.10.2017	28.6.2024	50	Fixed +0.375	MS +4
Covered	FI4000315841	24.4.2018	24.4.2023	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



<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 65% 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 27.4%</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>• 98% floating interest rate</li></ul></li><li>• No revolving/flexible loans</li></ul>

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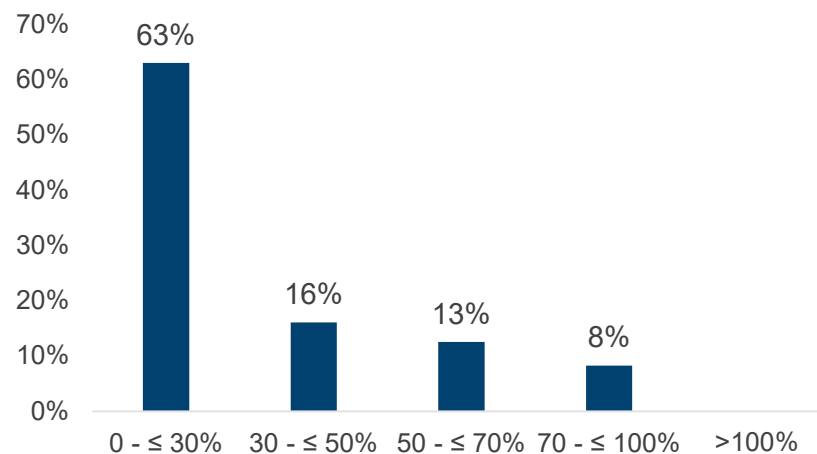
# Cover Asset Pool Data (1/3)



## Pool Data as at 31.3.2022

<b>Total Cover Pool (nominal)</b>	EUR 1 870 270 069
<b>Eligible Cover Pool</b>	EUR 1 852 610 826
<b>Average Loan Balance</b>	EUR 224 522
<b>Number of loans</b>	8 330
<b>Number of properties</b>	6 818
<b>Number of clients</b>	7 994
<b>WA seasoning (months)</b>	53
<b>WA remaining term (months)</b>	222
<b>WA LTV (indexed)</b>	26.9%
<b>WA LTV total (indexed)</b>	27.4%
<b>Interest</b>	Variable 98% Fixed 2%
<b>Loans in arrears (&gt;30 days)</b>	0.00%
<b>OC level (nominal)</b>	29.0%
<b>OC level (eligible)</b>	27.8%
<b>Pool Type</b>	Dynamic

## LTV Distribution



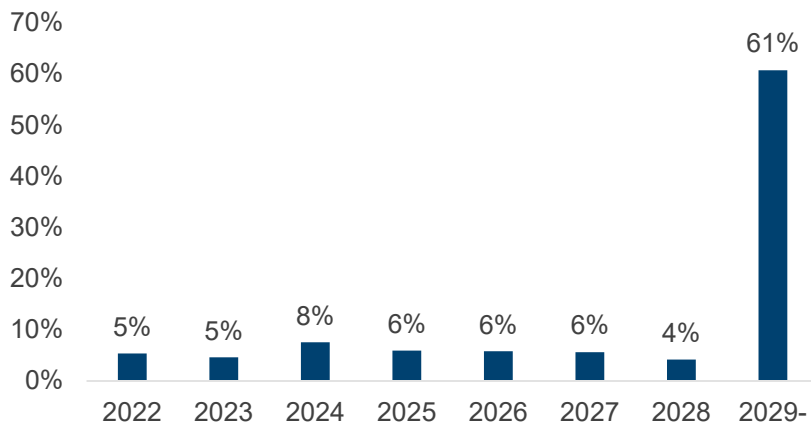
- The weighted average indexed LTV of the pool is 27.4%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

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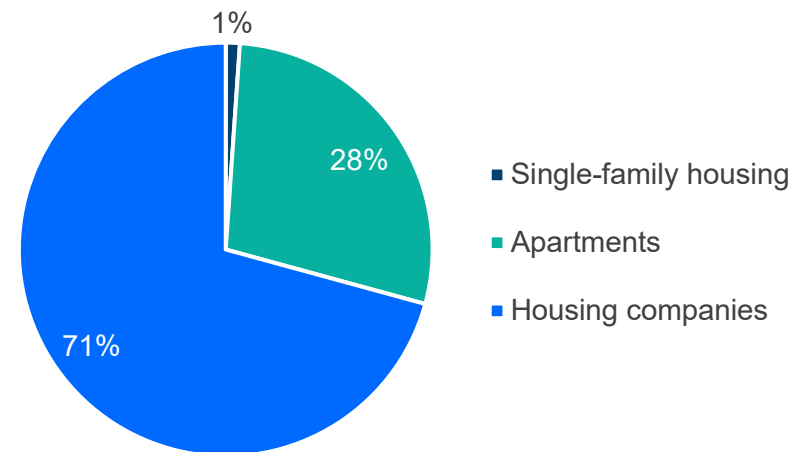
# Cover Asset Pool Data (2/3)



## Pool Loan Maturity Profile Contractual Amortizations



## Pool Collateral Types



- Balanced pool composition: 29% of retail mortgages and 71% 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

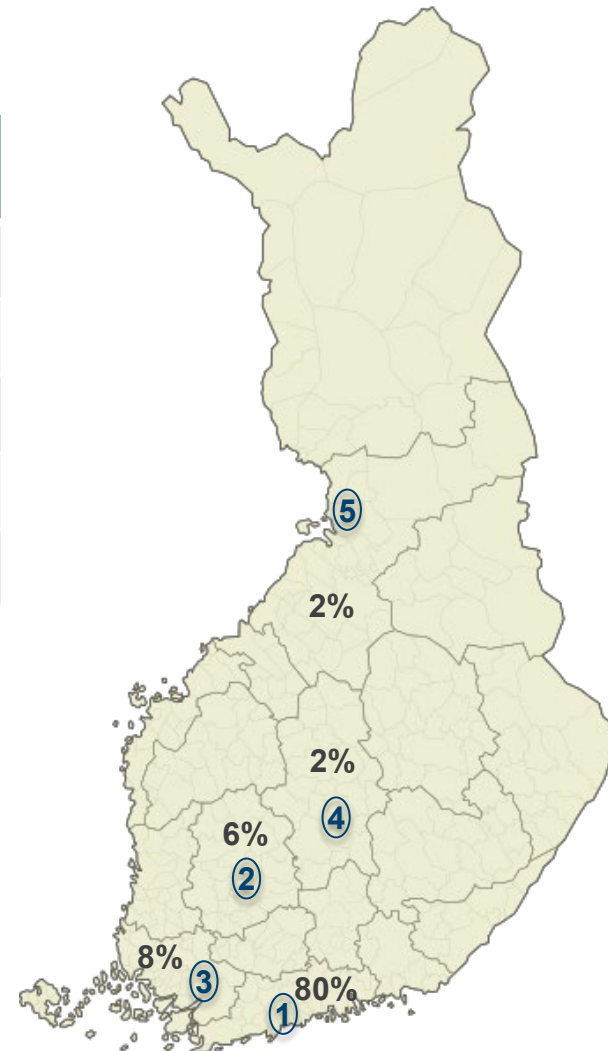
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# Cover Asset Pool Data (3/3)



## Geographical Distribution as at 31.3.2022

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

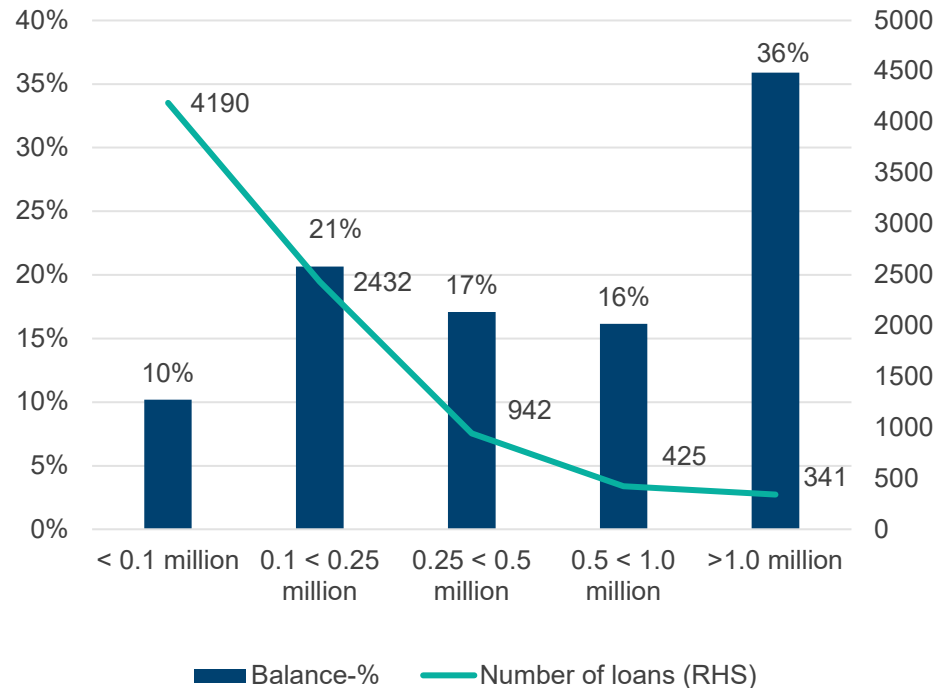


Hypo's strategic choice is to operate only in prime growth centers.

# Cover Pool Loan Size Distribution



## Loan Size Distribution: Share and Number of Loans



- 31% 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%	1,372	1,311	1,231	1,118	1,001
40- ≤ 70%	342	318	327	354	391
70- ≤100%	155	223	255	243	200
>100%		18	58	155	278
<b>Pool total (nominal), EUR million</b>	1,870	1,852	1,812	1,715	1,593
<b>OC (nominal)</b>	29.0%	27.7%	25.0%	18.3%	9.8%

- 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 1,450 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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