

Hypo Investor Update 1Q2022

Debt Investor Presentation



Published on May 2, 2022

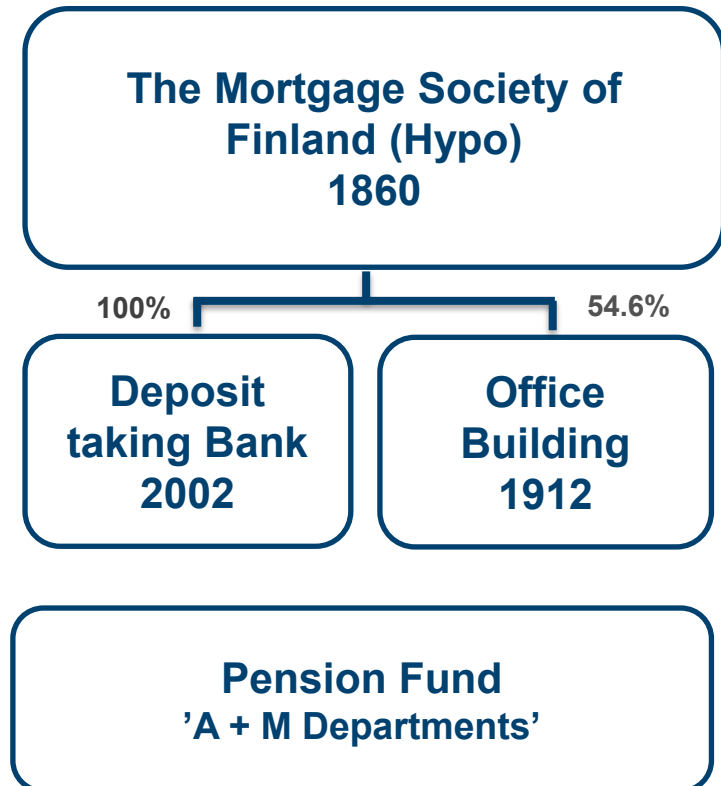


Secure Way for Better Living

Hypo Group Overview



- Founded in 1860
 - The oldest private credit institution in Finland
- Mutual company governed by the member customers
 - All returns are kept within Hypo
- Retail banking, no corporate lending
- Specialised in mortgage financing
- Residential property always as collateral
- Strong loan book - NPLs 0.20% (as at 1Q22)
- Total assets EUR 3.2 billion (as at 1Q22)
- Established and regular issuer in Finland
- S&P issuer rating 'BBB/A-2' (stable)
- S&P covered bond rating 'AAA' (stable)
- Supervised by the FIN-FSA



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)

Hypo Leading the Debate on Finnish Mortgage Market



Hypon Ari Pauna täräyttää ja puhuu pakosta: "Pankkien ja kuntien määristä ainakin nolla pois"

15.4.2021 04:30 PANKIT FINANSSI TILINPÄÄTÖS



Hypo: Venäjän hyökkäys Ukrainaan aiheuttamassa rakentamisen äkkikäännöksen – "Tässä voi tulla yllättävän voimakas lasku"

Hypon asuntomarkkinoihin keskittyvän ekonomisti Juho Keskinen mukaan myönnettyjen rakennuslupien aiempaa alemmasta määrästä voi päätellä, että asuntorakentamisessa "olla paussilla", kun hinnat ovat nousussa. Ukrainan sota voi voimistaa kehitystä.

21.6.2020 07:15

KANSANTALOUS

POLITIikka

päivitetty 11.1.2021 07:50

KORONAVIRUS SUOMEN HY

Ylitarjontaa. Hypon toimitusjohtaja Ari Pauna arvelee, että Suomessa kertyy kerta-luokkaa pienemmällä määrällä.

ETUSIVU » PAIKALLISET 19.11.2021 10:27 | Päivitetty 19.11.2021 11:19

Asuntojen hinnat nousevat tänä vuonna odotettua enemmän, ennustaa Hypo, pääkaupunkiseudulla hinnannousu 5,5 prosenttia - Myös lainakulut nousemassa



Taloukasvu hyytyy - Hypo ennustaa Suomen käyvän taantumassa loppuvuonna

2019 11:40

KANSANTALOUS

ASUMINEN

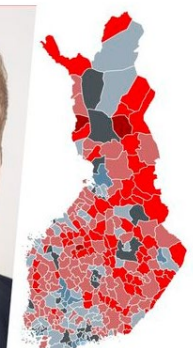
POLITIikka



Taloukasvua: "Edessä kesä, -silla ja baarien l-

Hypo asetti kunnille riskiluokituksen – luokitus voi vaikuttaa asuntosi arvoon ja lainaneuvotteluihin

Tulvariski uhkaa joka sadannen asunnon arvoa. Toistaiseksi riskiä ei hinnoitella asuntojen arvoon, mutta Hypon ekonomistin mukaan yksikin ääri-ilmiö voi aiheuttaa dominoefektin.



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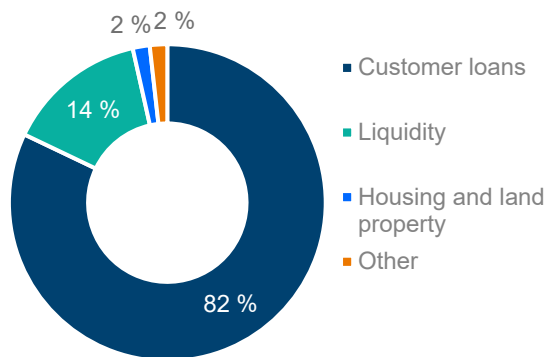
Financial Results



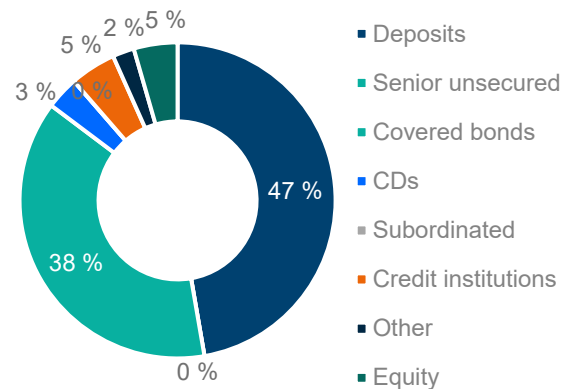
Strong Balance Sheet



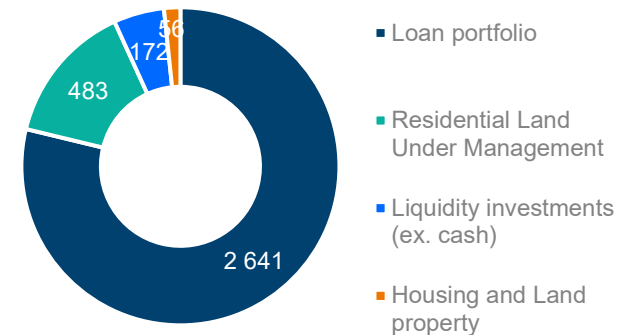
Total Assets



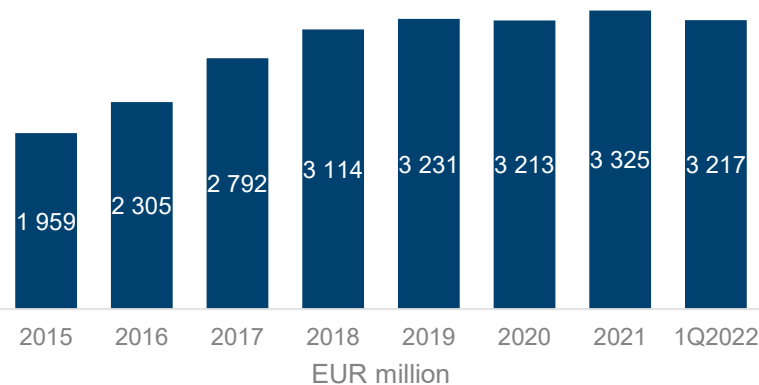
Liabilities and Equity



Revenue generating assets (m€), on and off balance sheet

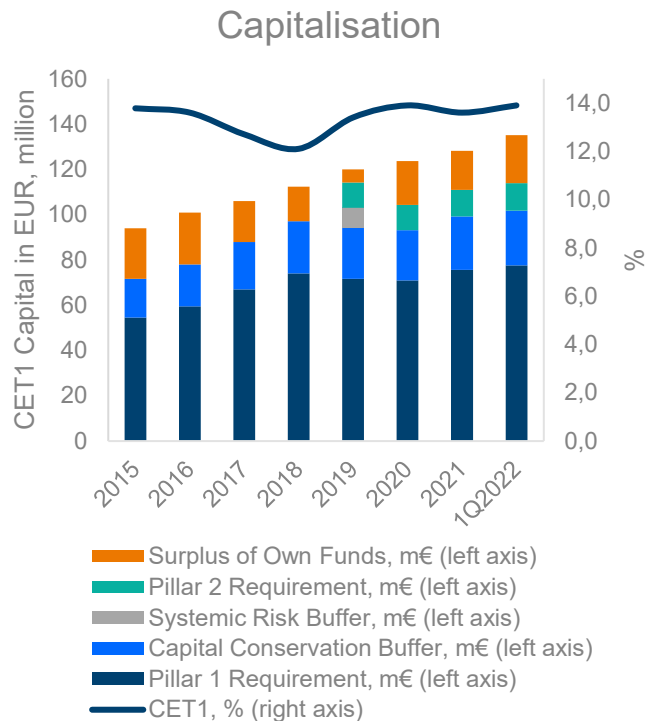


Balance Sheet Total



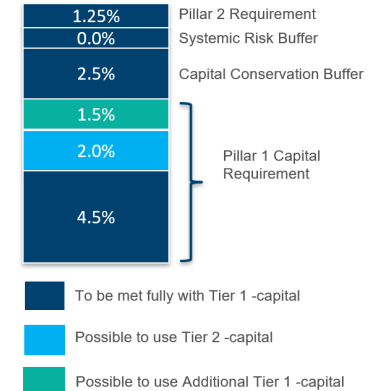
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Solid Capital Basel III Standard Approach



- Mutual company: all profits are retained and added to the core capital
- S&P's Risk Adjusted Capital 17.0% on 30.6.2021
- Total Capital Ratio 13.9%, all CET1 (as at 1Q2022)
- EUR 21.2 million of excess capital after

Pillar 1 Capital Requirement	8.00%
Capital Conservation Buffer	2.50%
Systemic Risk Buffer	0.00%
<ul style="list-style-type: none"> • 0% from 6.4.2020 onwards 	
Pillar 2 Requirement	1.25%
<ul style="list-style-type: none"> • Entered into force on 31.12.2019 	
→ Total Capital Requirement	11.75%



- EUR 4.7 million of hidden reserves in housing property (not marked-to-market) and EUR 4.7 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 14.7%
- Basel III standardized approach risk weights
 - Lending with residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

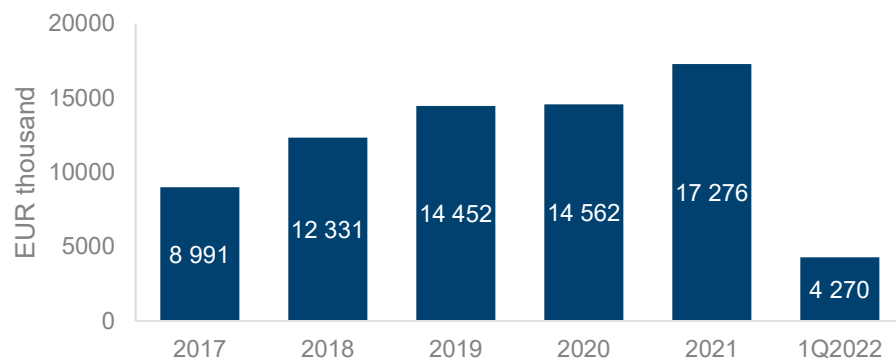
Group Income Statement



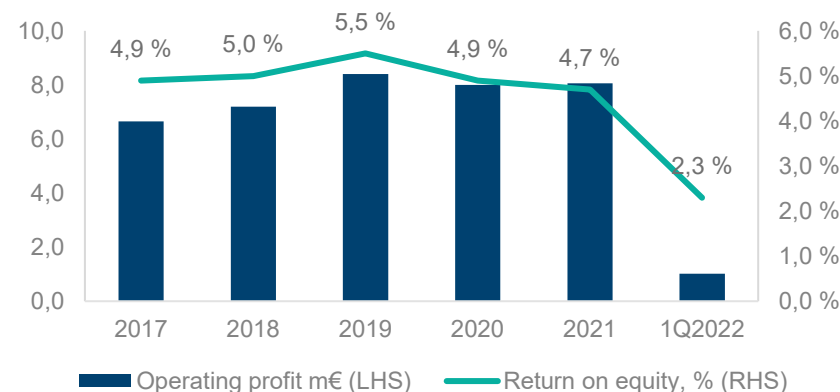
(EUR 1,000)	1-3/2022	1-3/2021	2021	2020
Net Interest Income	4,270	4,026	17,276	14,562
Net Fee and Commission Income	720	869	4,077	3,675
Total Other Income	1,844	1,272	4,734	4,236
Total expenses	-5,816	-5,079	-18,023	14,429
Operating Profit	1,018	1,089	8,064	8,044

- In 1Q2022, net interest income grew 6% to EUR 4.3 million due to moderate growth of other interest income and lower funding costs
- Hypo Group's operating profit was EUR 1.0 million in 1Q2022
- Net Fee and Commission Income totaled EUR 0.7 million in 1Q2022
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 1.8 million in 1Q2022
- Total expenses totaled EUR 5.8 million in 1Q2022

Net Interest Income



Profitability



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Group Key Financial Figures

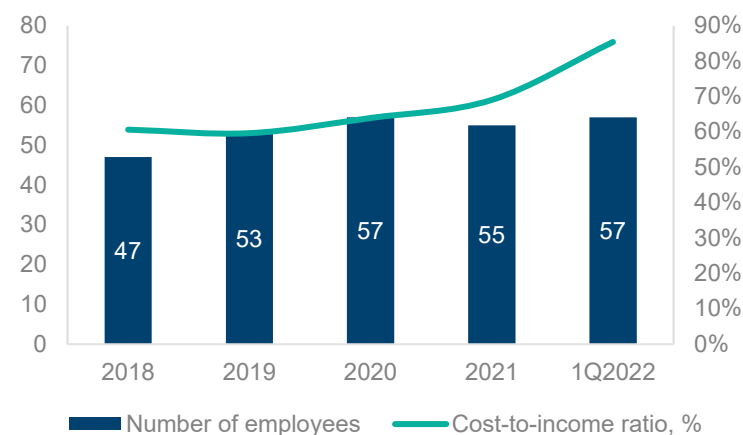


	1-3/2022	1-3/2021	2021	2020
Return on Equity (ROE), %	2.3	2.3	4.7	4.9
Common Equity Tier 1 (CET1), %	13.9	13.5	13.6	13.9
Cost-to-income, %	85.4	82.4	69.0	63.9
Non-performing loans (NPL), %	0.2	0.1	0.14	0.11
Loan to value (LTV), %	32.0	33.9	33.1	33.8
Loans / deposits, %	173.6	165.4	158.8	160.7
Loan portfolio total (m€)	2,641	2,586	2,637	2,511
Balance sheet total (m€)	3,217	3,503	3,325	3,213

- Total assets were EUR 3.2 billion and loan portfolio EUR 2.6 billion in 1Q2022
- In 1Q2022 CET1 ratio was 13.9% (13.6% as at ye2021) and equity amounted to EUR 144.0 million (143.7 million as at ye2021)
- Group's financial position remained stable throughout the period
- Strong credit profile with both very low NPLs and LTV's

- Cost-to-income ratio was 85.4% in 1Q2022 (69.0% as at ye2021)

Cost-to-Income Ratio (%) and Number of Permanent Employees



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Hypo's Loan Book

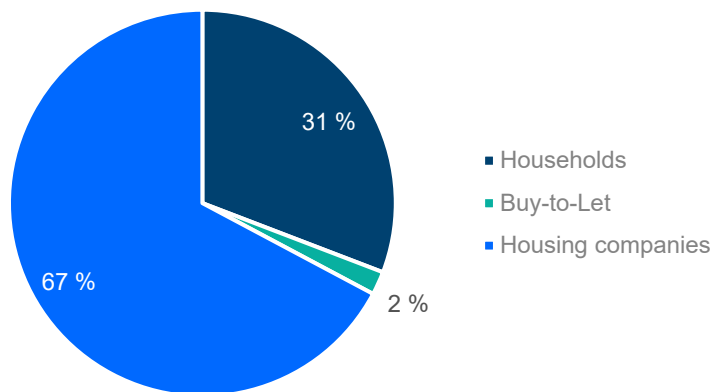


Loan Book Overview

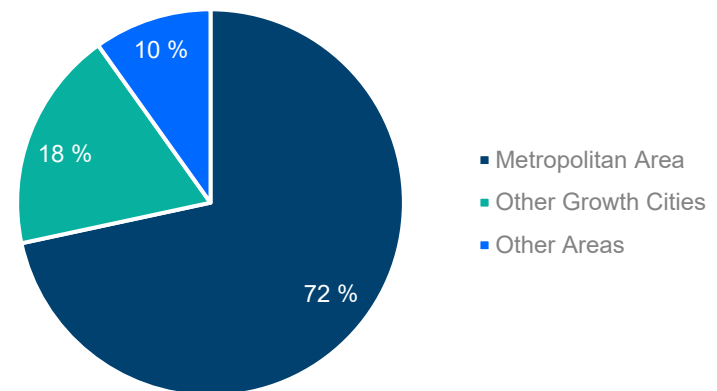


- Hypo's loan book is EUR 2,641 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type



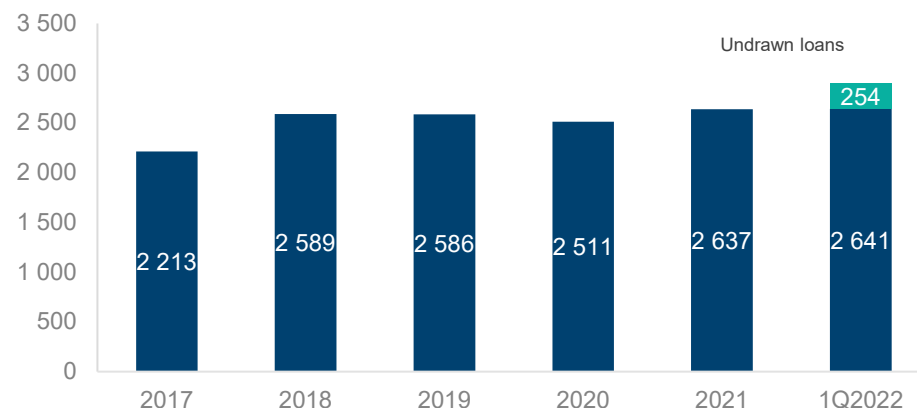
Loan Book by Customer Domicile



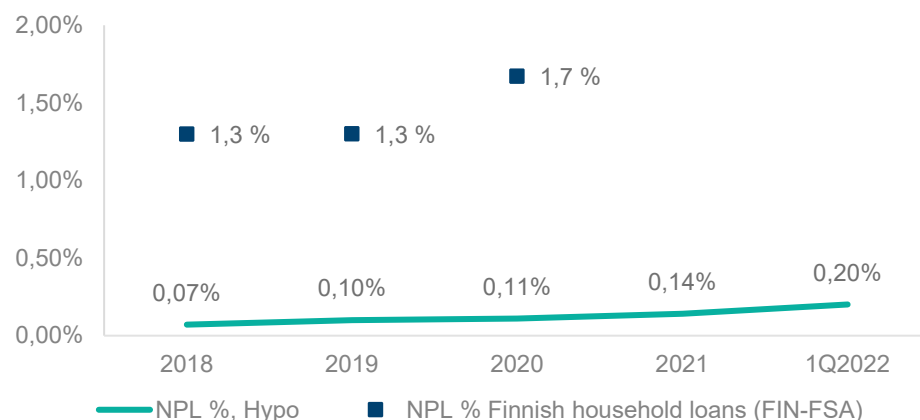
Loan Book Quality Excellent



Hypo Loan Book Total, m€



Non-performing Loans (%)



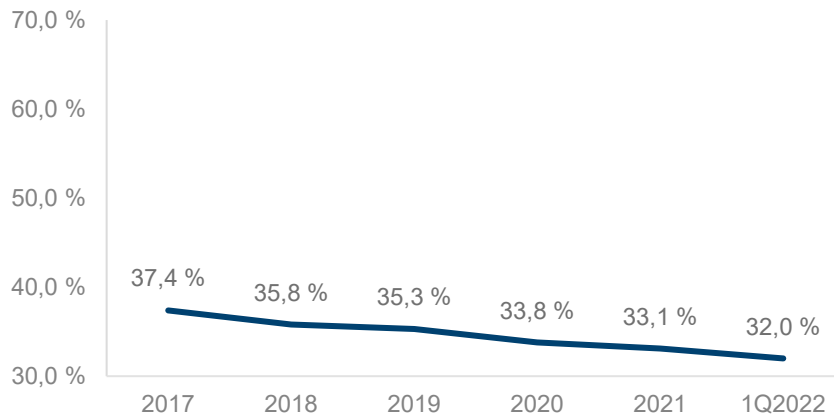
- The loan book remained on the same level as previous year, EUR 2,641 million in 1Q2022
- Currently EUR 254 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.20% of total loans
- The quality of the loan book is well above the Finnish household loans' average NPLs

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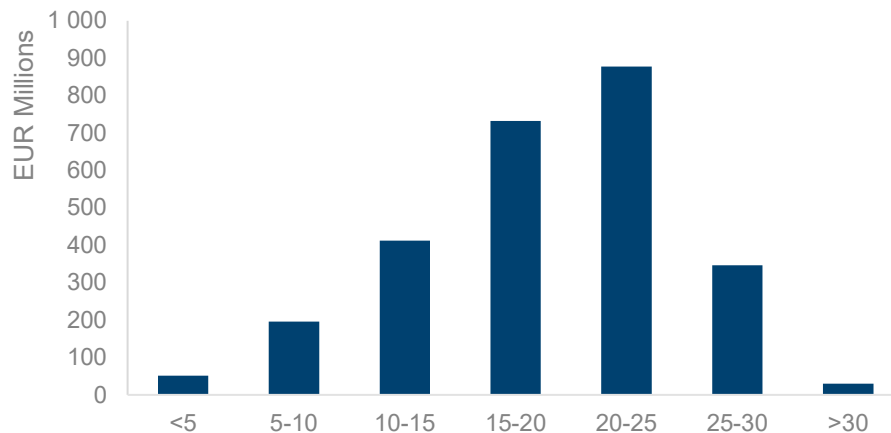
Loan Book Securely Collateralised



Hypo Loan Book Average LTV



Loan Book by Remaining Maturity (years)



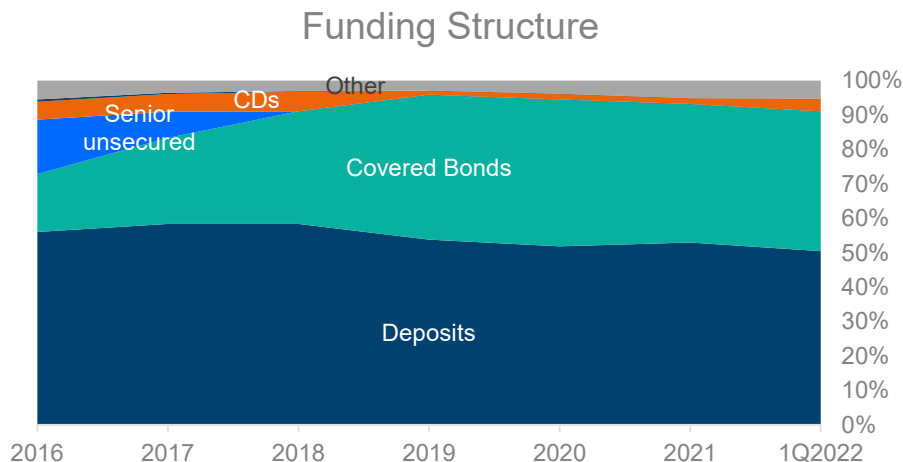
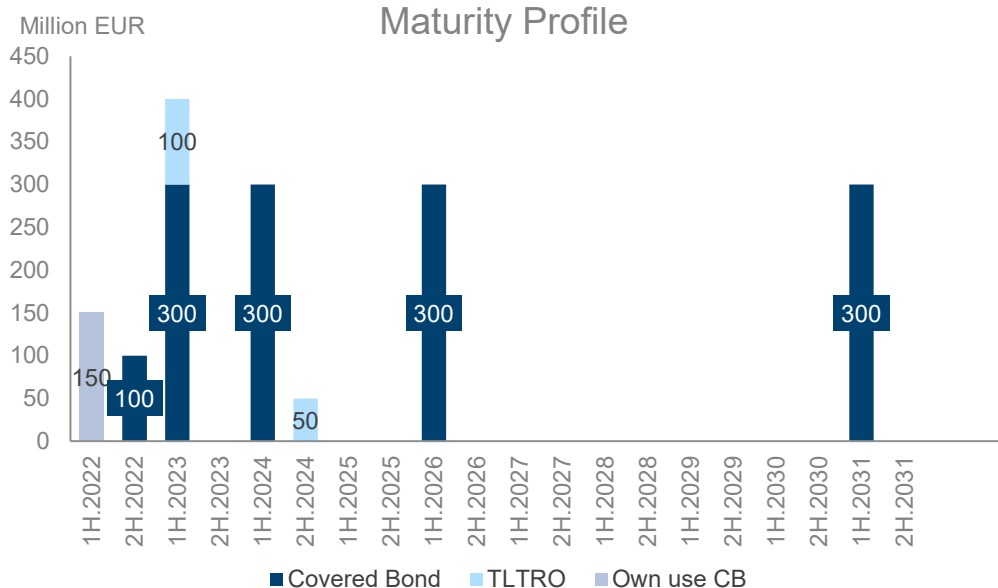
- Low LTV combined with conservative collateral valuation makes Hypo's loan book very strong even in times of stress
- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) is stable at 32.0%
- Around 99% of the loans are amortizing and 1% bullets
- >90% of loan book is risk weighted at 35% or lower
- The average maturity of a loan at the time of withdrawal is 23.2 years
- Financed properties are mainly located in the densely populated Helsinki Metropolitan Area

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Funding and Liquidity



Diversified Funding Profile



- Covered bond program was inaugurated in 2016
 - Issuer is the group parent, no separate entity
 - Larger issues (≥ 250 million) LCR level 2A eligible
- All Hypo's bonds are
 - Listed on the NASDAQ OMX Helsinki Oy trading list
 - Issued under Finnish legislation and Domestic programmes
- Deposit funding collected through 100% subsidiary bank "Suomen AsuntoHypoPankki"
- Other funding sources
 - Domestic Certificate of Deposit programme
 - ECB repo counterparty
 - Bilateral loans (eg. NIB green funding cooperation)
- NSFR 108.6 % (114.1 % as at ye2021)
- Deposits through the AsuntoHypoPankki subsidiary form currently ~51% of total funding
- Covered bonds currently ~41% of total funding
- Domestic CD program supports short term funding needs

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Covered Bonds



- 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

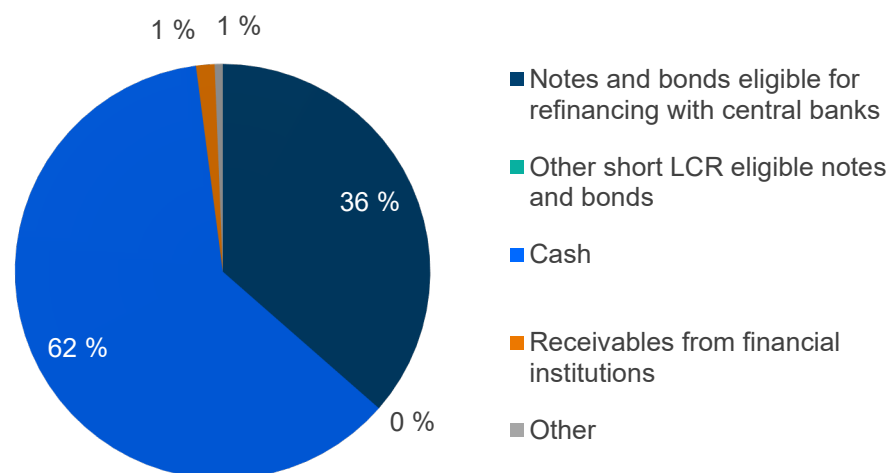
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Solid Liquidity Position



Liquidity portfolio EUR 473.3 million as of 31.3.2022

- Equaling 14.7% of total assets
- Conservative investment policy
 - 100% of debt securities invested in at least 'AA-' rated instruments
 - 100% of debt securities are ECB repo eligible
- Only EUR denominated exposure
- Hypo's domestic MTN and CD programmes support liquidity
- LCR 134.1% (179.9% as at ye2021)
- Liquidity covers wholesale funding cash flows for the following 14 months.



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Outlook



Future Outlook



“Outlook is exceptionally murky now. Economic growth will slow down due to the war in Ukraine as well as tightening monetary policy. Inflation remains high and real earnings decline. Risks are also related to the COVID-19 pandemic as new variations are a possibility. Housing markets react to the uncertainty with decreased volumes in housing transactions and construction. Main growth centers remain strong, while Eastern Finland is especially vulnerable. Urbanization will even increase due to the strong newbuilding to Helsinki-Tampere-Turku -areas. Institutional investors and subsidized building support construction activity. On the other hand, rising rates and tighter financing conditions will limit the activity.

Hypo Group focuses on finalisation and deployment of its new core information system and on strengthening its core business. The Group expects the share of profit made by it to rise following the increase of net interest and net fee income. Capital adequacy and liquidity will remain on a strong level.

The operating profit for 2022 is expected to be on the same level or slightly smaller than in 2021. The expectation contains uncertainties due to the development in economy and interest rates as well as uncertainties related to the renewal project of Hypo Group’s core information systems, war in Ukraine and coronavirus pandemic.”



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

**Chief Economist, Research
Director**
Mr Juhana Brotherus
Tel. +358 50 384 9479
juhana.brotherus@hypo.fi

www.hypo.fi/en/investor-relations

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