

Hypo Investor Update

Debt Investor Presentation



Vienna, Austria – September 2022

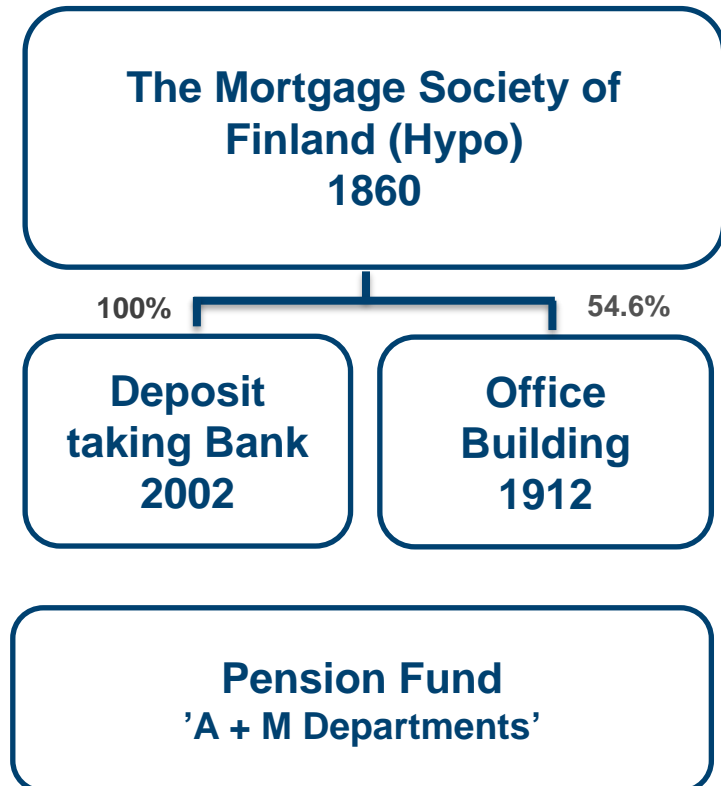


Secure Way for Better Living

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 0.22% (as at 1H22)
- Total assets EUR 3.3 billion (as at 1H22)
- 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 decades-long loan-loss track record
- 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



Hy
aih
äkk
yllä

Hypo
mukaa
määrä
paussil
kehitys

Pankkipomolta raju ehdotus: Asumisen tuet pitäisi ajaa alas

Hypon toimitusjohtajan Ari Paunan mukaan vuokra-asumisen tuista pitäisi luopua 15–20 vuoden siirtymäajalla, koska julkinen talous ei kestä tukien jatkuvaa kasvua.

JAA KOMMENTIT



21.

Hypoteekkiyhdistyksen toimitusjohtaja Ari Pauna mukaan julkinen talous kärsii asumisen tukien kasvusta. KUVA: JUSSI NUKARI / LEHTIKUVA, SEPPÖ KÄRKI / IS

ETUSIVU » PAIKALLISET

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



lyyytyy - Hypo ennustaa Suomen käyvän
oppuvuonna

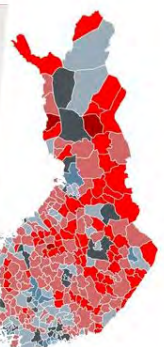
2019 11:40 KANSANTALOUS ASUMINEN POLITIIKKA



alouskasvua: "Edessä kesä,
eilla ja baarien l-

po asetti kunnille riskiluokituksen -
kitus voi vaikuttaa asuntosi arvoon ja
neuvotteluihin

...riski 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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Finnish Economy & Housing Market

Overview



Finnish economy in a nutshell

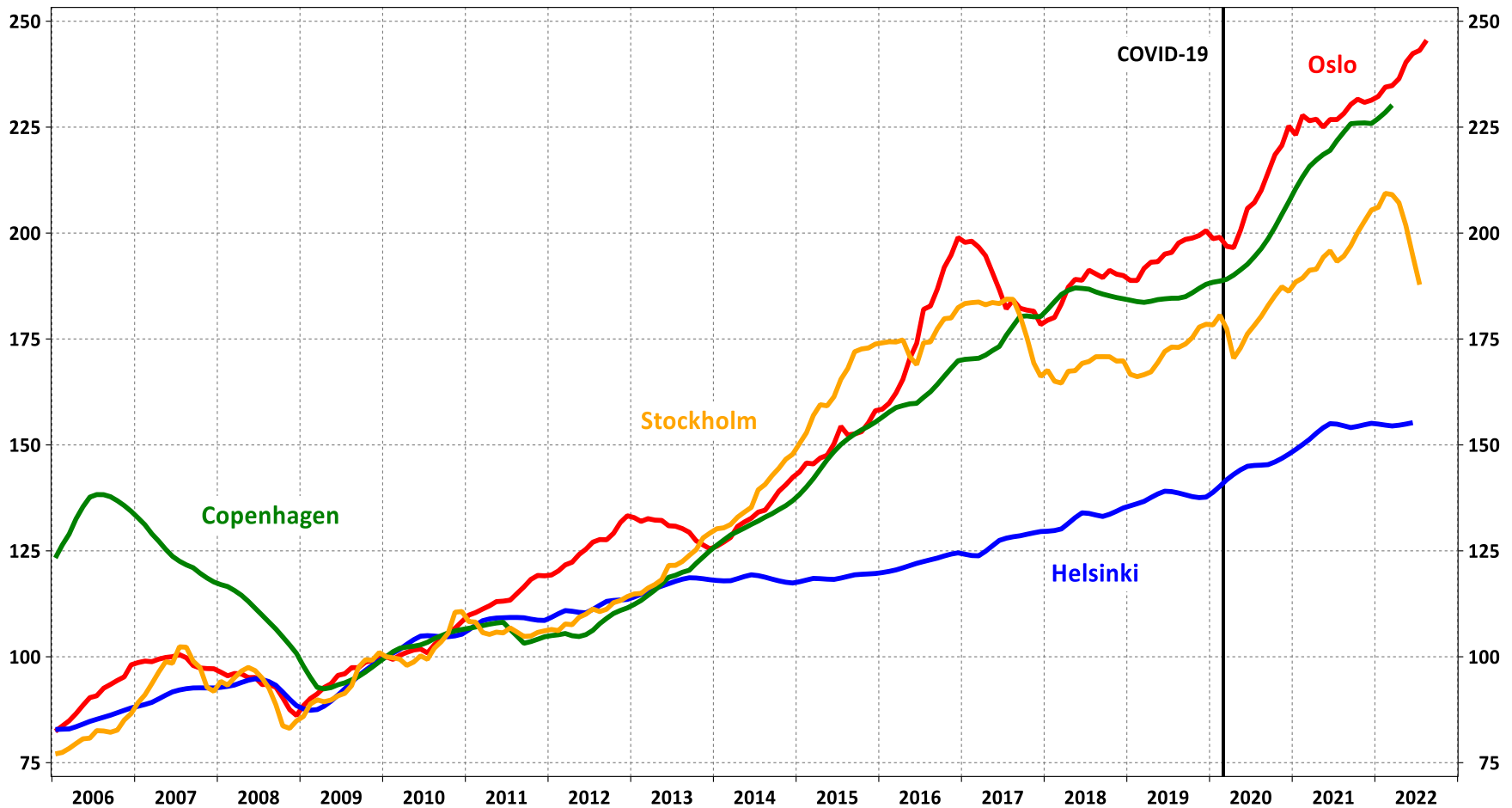


				Forecast	
National account	2021	2020	2021	2022	2023
	EUR bn (current prices)			% y/y	
GDP	251	-2,2	3,0	2,0	0,5
Imports	98	-5,8	5,6	3,5	2,0
Exports	99	-6,8	5,6	3,5	3,0
Private Consumption	123	-4,3	3,7	2,5	0,5
Public Consumption	61	0,5	2,7	2,0	-0,5
Investments	59	-0,5	1,1	3,0	0,0
Economic indicators		2020	2021	2022	2023
Unemployment rate, %		7,7	7,7	6,5	6,5
Earnings, % y/y		1,9	2,4	3,0	3,0
Inflation, % y/y		0,3	2,2	6,5	3,0
Housing prices, % y/y		1,5	3,7	1,5	-0,5
Current account, % of GDP		0,6	0,9	-1,1	-0,4
Public deficit, % of GDP		-5,5	-2,7	-2,0	-1,2
Public debt/GDP, % of GDP		74,8	72,3	70,5	71,5

Housing prices steadier in Helsinki



2010 = 100, apartment prices, seasonally adjusted



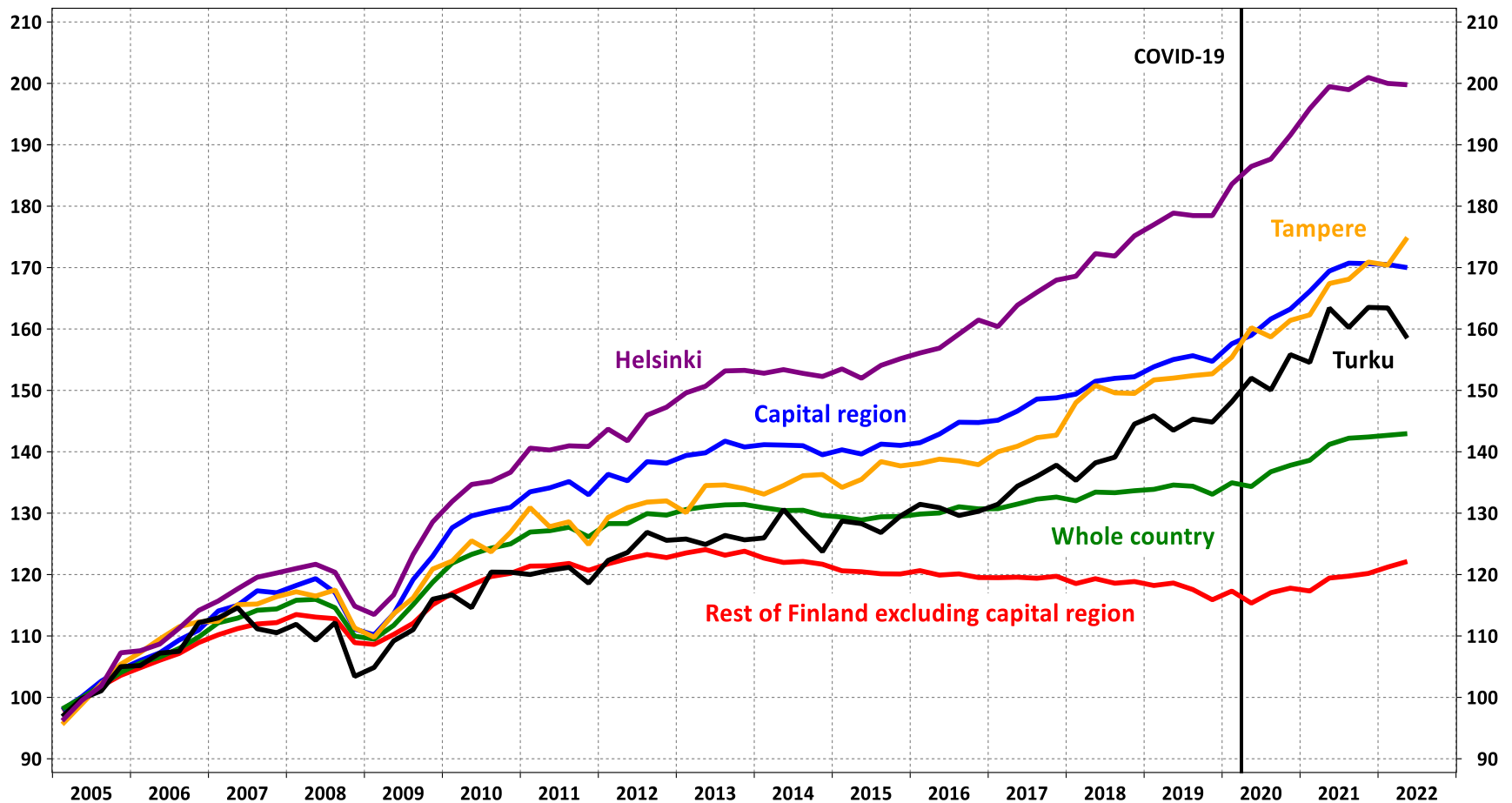
Source: Hypo, Macrobond

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Urbanization drives housing prices



2005 = 100, Prices of old dwellings, seasonally adjusted



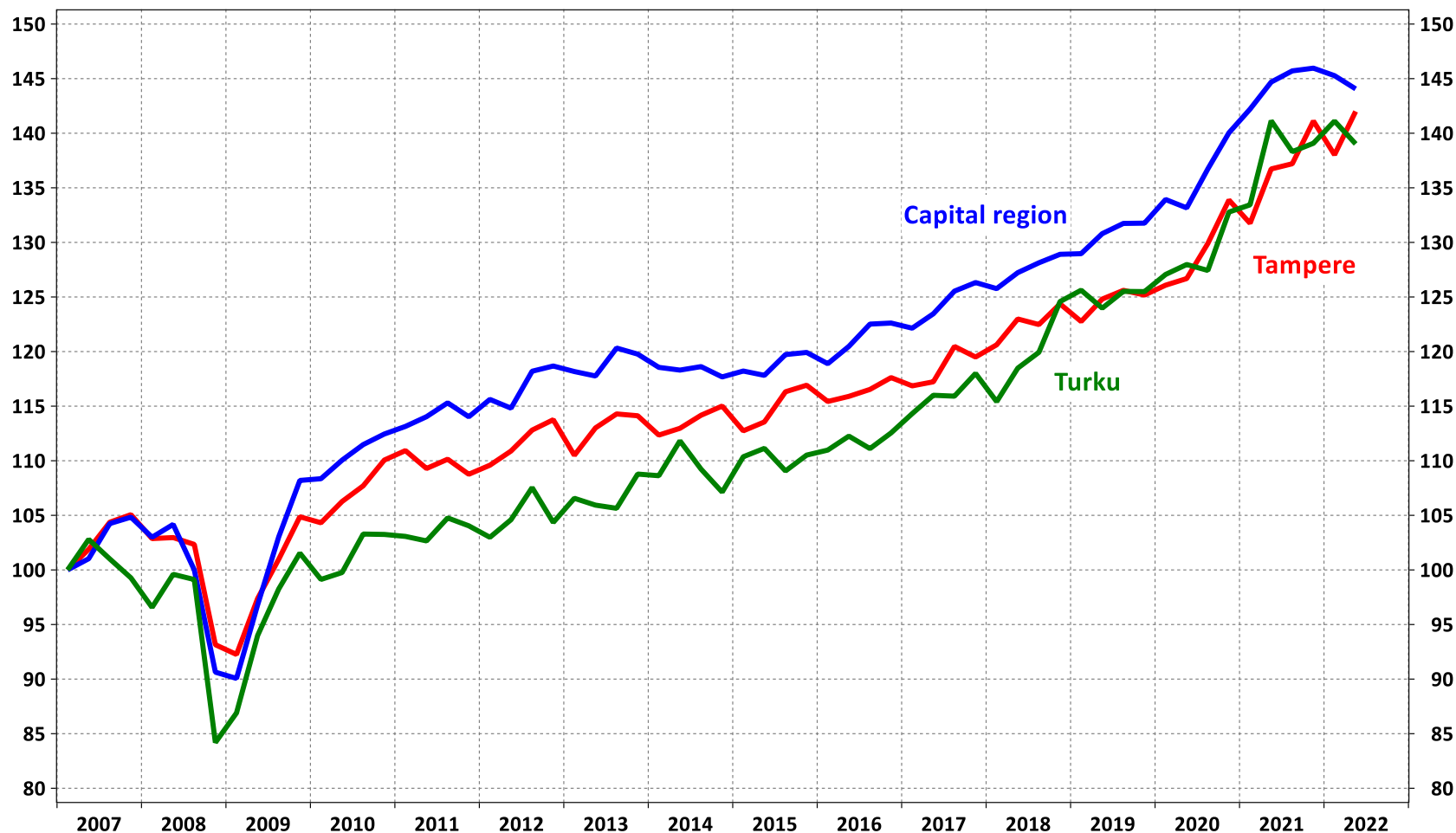
Source: Hypo, Macrobond

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Transactions returning to pre-covid levels



2007 = 100, Hypo Housing Market Index, combines housing prices and volumes



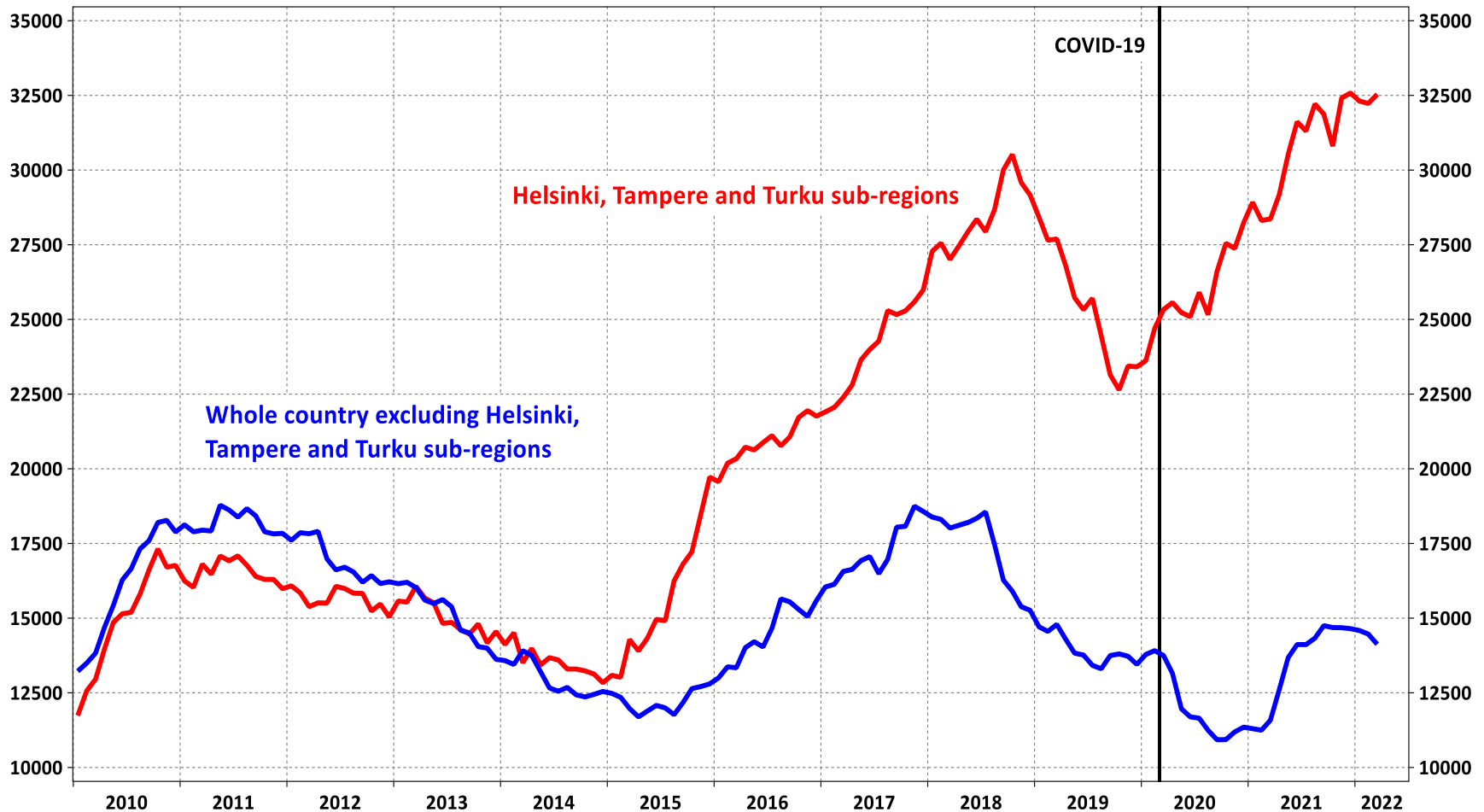
Source: Hypo, Macrobond

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Construction breaking records



Dwellings, 1 year moving average, building starts



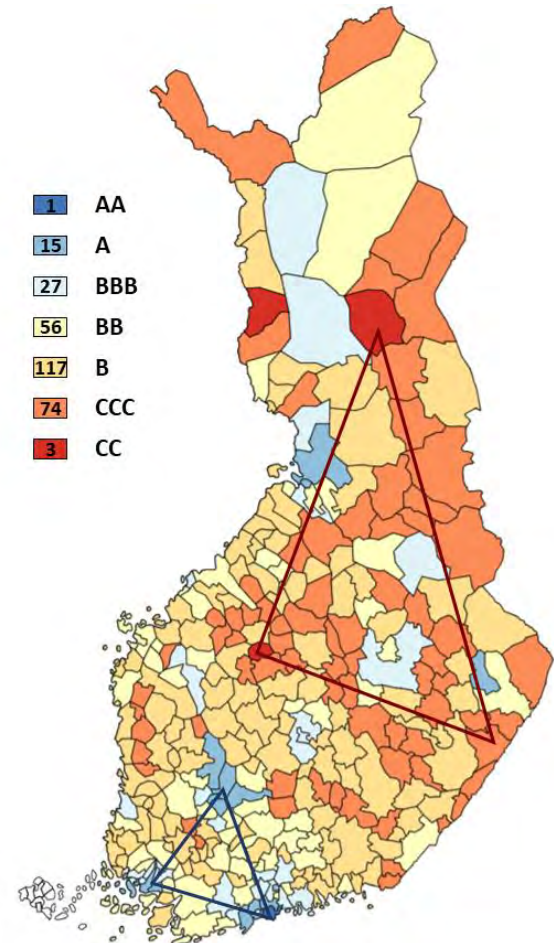
Source: Hypo, Macrobond

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Hypo Regional Rating for Collaterals



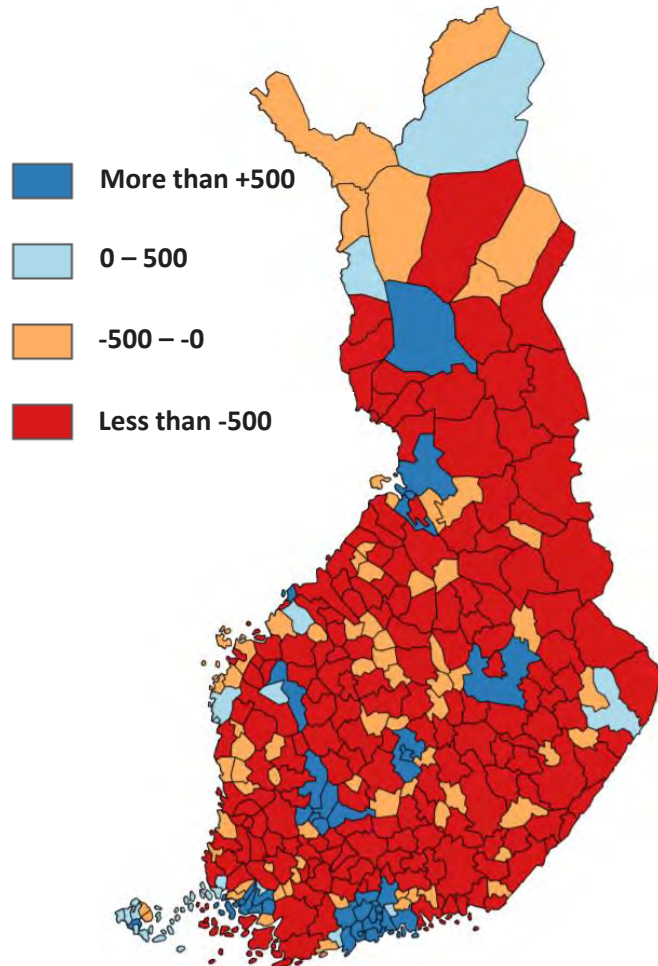
- New rating for housing markets across Finland. Risks differ significantly between different areas in Finland as is known.
- Hypo-rating is a clear framework based on the key measures that make it possible to analyze housing market development across Finland.
- Model includes variables such as housing prices, housing transactions, demographics, environment, income growth, crime and distance to university hospitals.
- Housing finance is based on covered bonds. The model gives valuable information of different risks to ordinary buyers in the housing market as well as credit rating institutions and institutional investors of different risks.



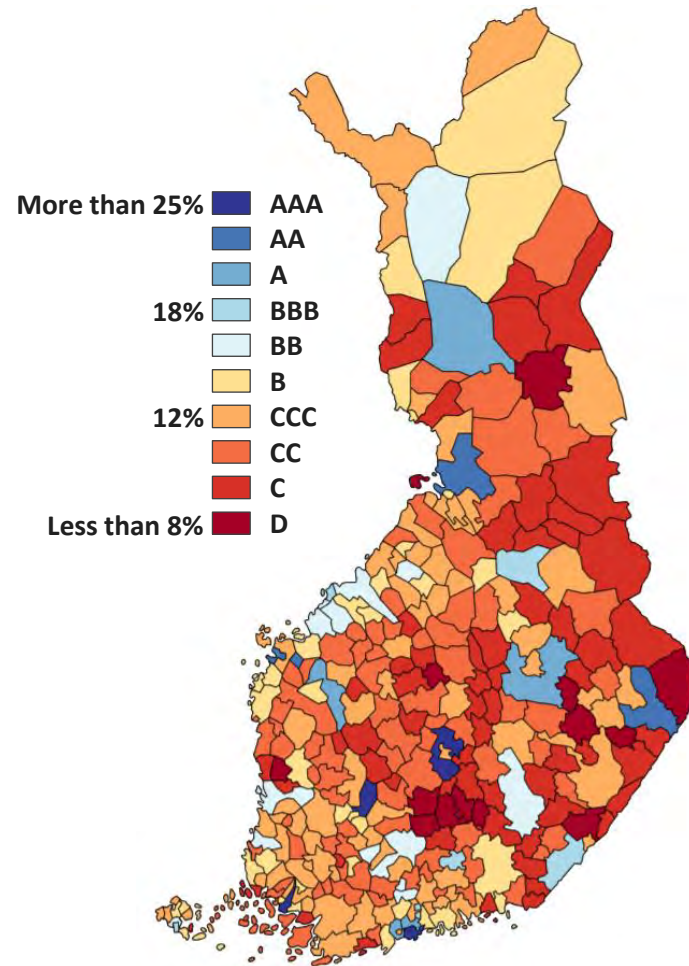
Population structure forecasts housing demand



Population growth forecast 2021-2040



Share of 20-34 year-olds

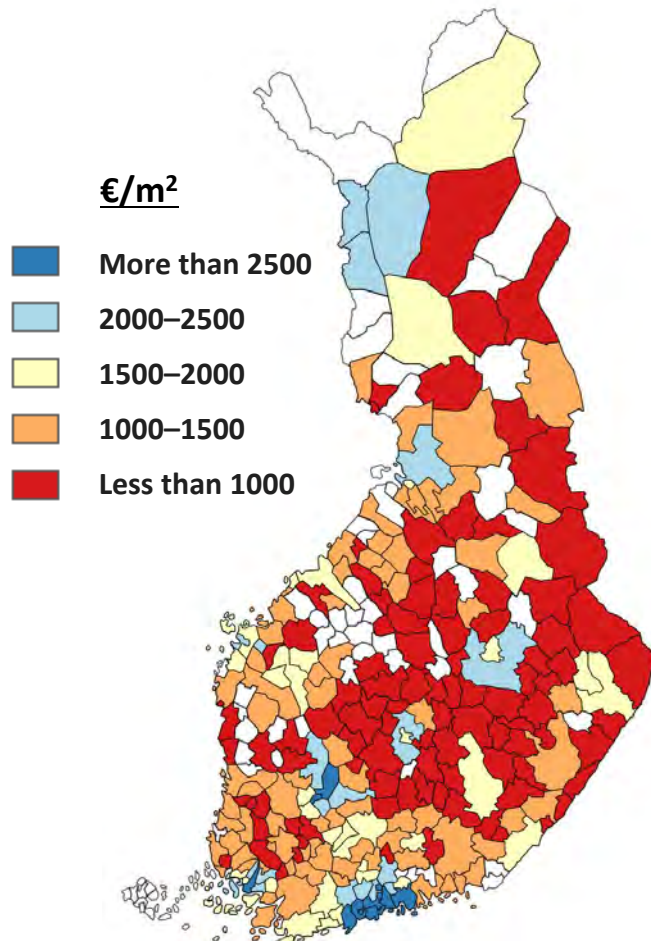


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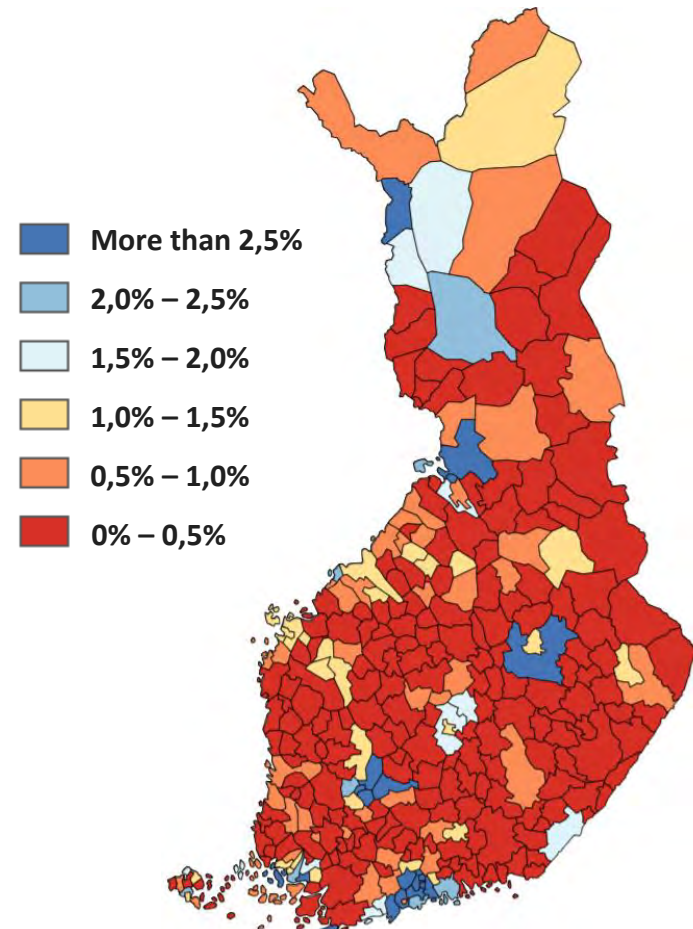
Source: Hypo, Statistics Finland

Construction supports urbanization

House prices 2021



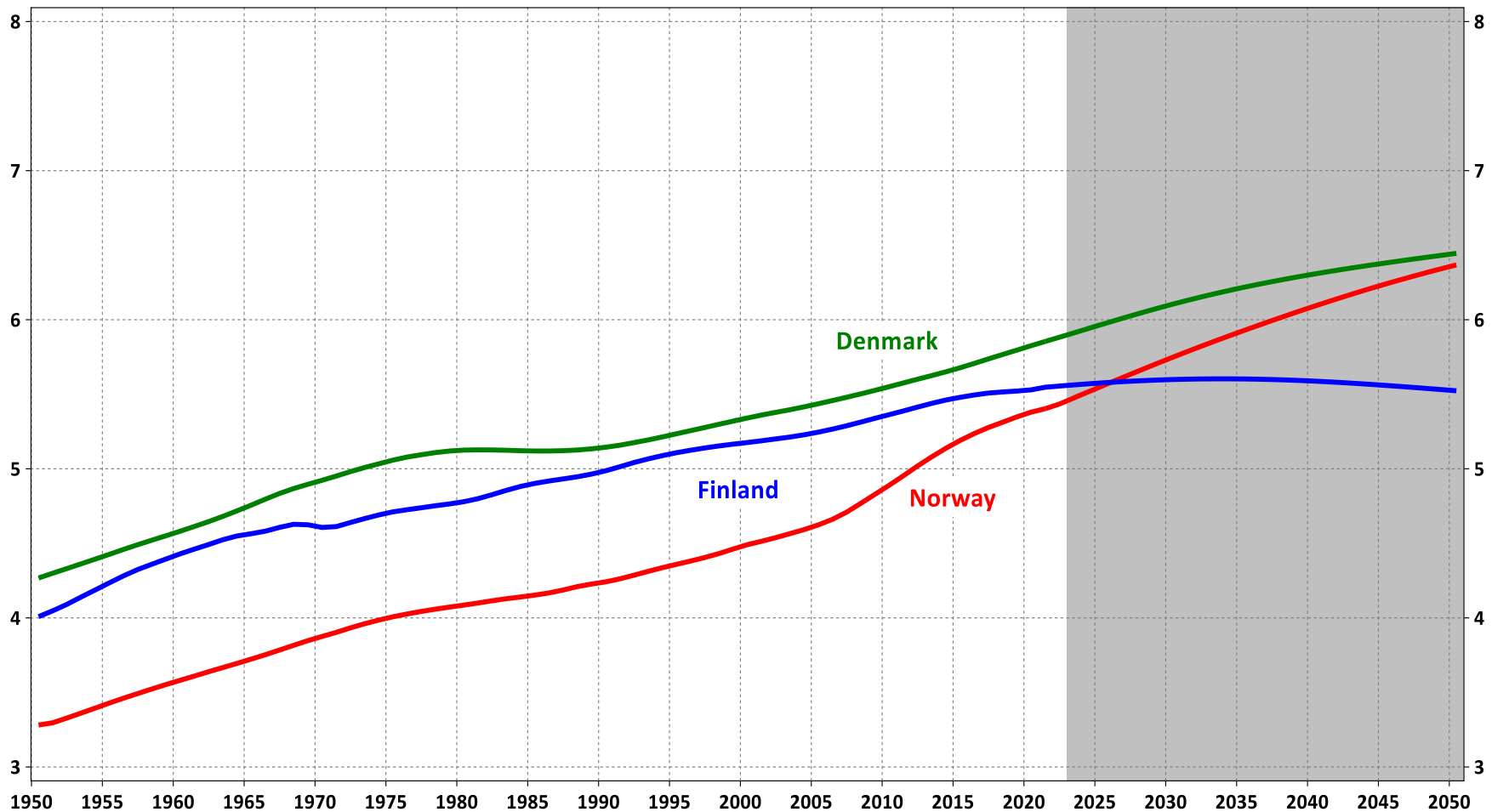
Newbuilding starts per housing stock 2021



Finland aging and soon shrinking



Million, Population, Projection: UN, Statistics Finland



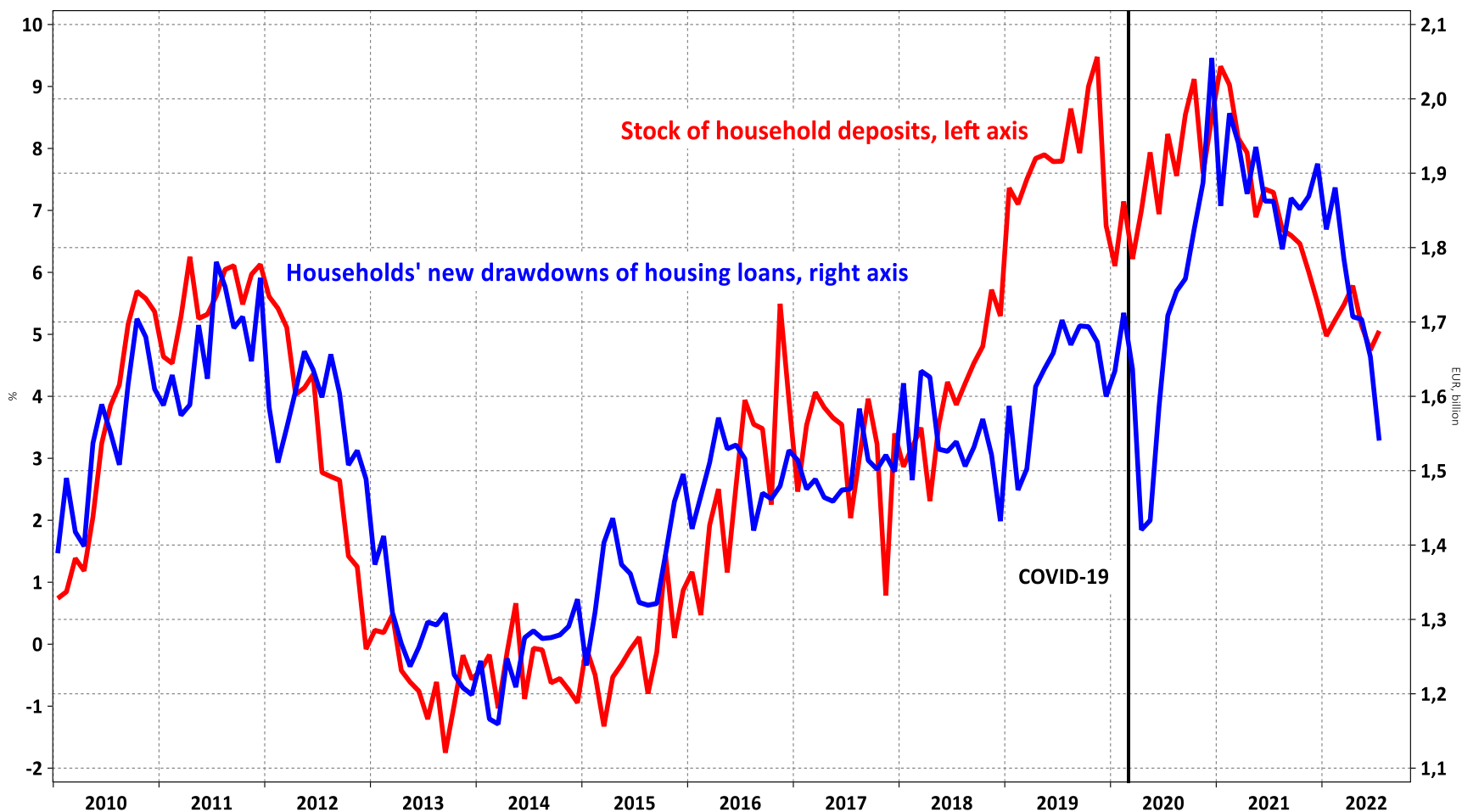
Source: Hypo, Macrobond

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Housing loan drawdowns on pre-pandemic level



Annual change, stock of household deposits & new drawdowns of housing loans



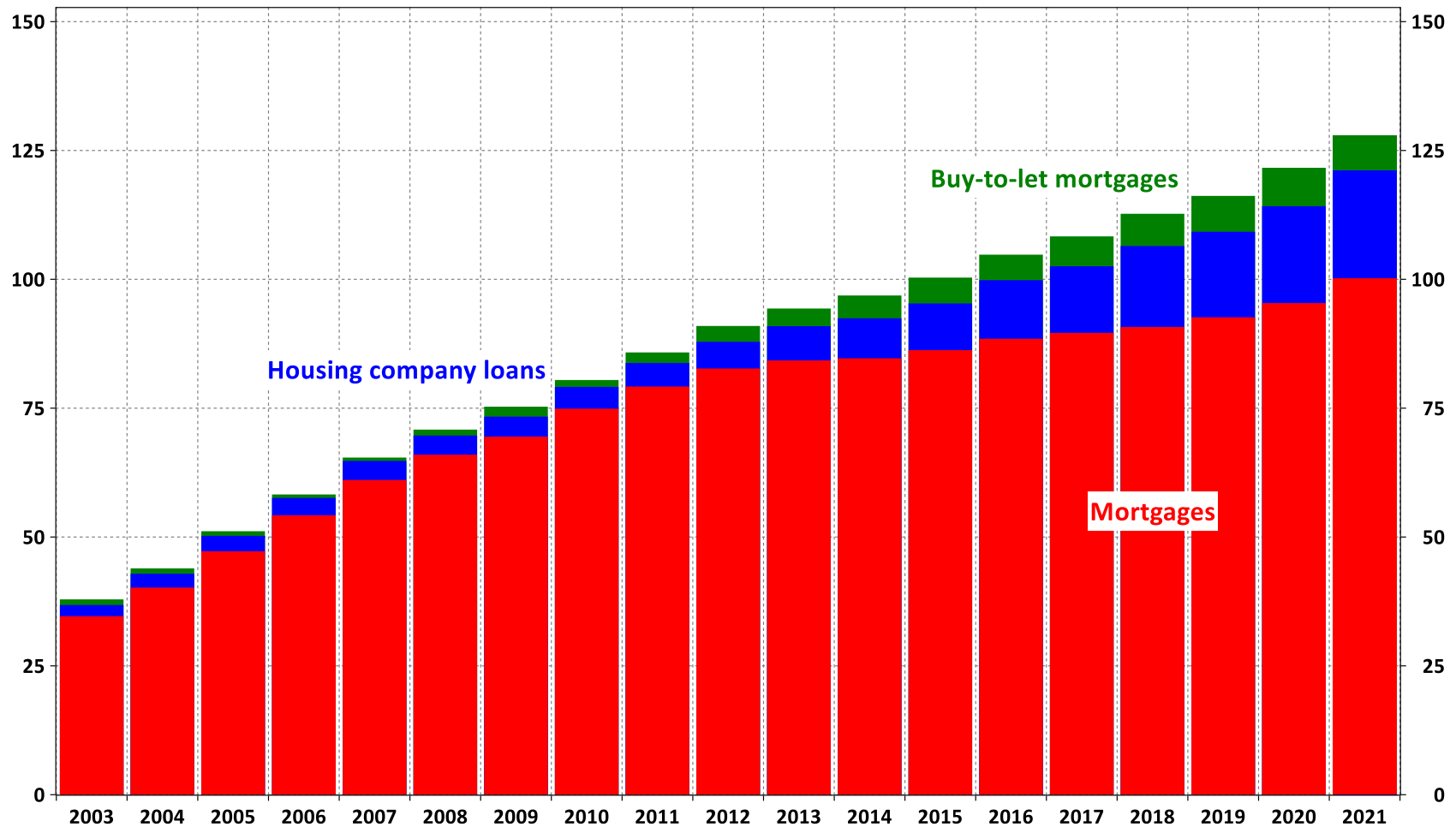
Source: Hypo, Macrobond

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Buy-to-let mortgages growing faster



bn EUR, Household's mortgages, housing company loans & buy-to-let mortgages



Source: Hypo, Macrobond

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No housing bubble in Finland



House price indicators

Region	House Price-to-Income Ratio	House Price-to-Rent Ratio	Nominal price index (%)	Real price index (%)	Private sector credit growth
New Zealand	149,3	162,6	39,2	28,3	23,7
Portugal	147,1	159,1	20,4	15,0	8,4
Netherlands	146,8	160,6	32,9	21,6	6,2
Canada	146,8	160,4	36,3	27,0	24,1
Czech Republic	146,2	176,1	41,3	24,3	19,6
Austria	140,9	134,0	26,2	17,7	11,3
United States	139,2	142,5	35,1	22,8	9,7
Germany	138,4	151,0	22,8	14,5	12,0
Spain	123,7	132,1	9,6	1,0	8,6
Switzerland	123,4	123,8	14,3	12,4	14,1
United Kingdom	121,7	129,1	18,9	11,3	12,8
Denmark	120,8	132,7	21,6	15,2	4,7
Australia	119,7	141,6	28,7	21,1	22,2
Sweden	117,4	131,6	18,3	11,3	25,3
France	112,7	128,8	12,9	8,1	14,5
Norway	111,2	125,2	19,1	11,5	29,2
Japan	110,8	114,7	12,9	12,5	2,7
Poland	109,3	121,0	21,8	7,9	8,5
South Korea	108,8	113,0	24,2	17,9	21,2
Belgium	107,0	119,1	13,7	4,8	10,7
Finland	99,0	102,6	8,0	1,9	7,4
Italy	94,3	104,2	6,4	0,1	8,4

MACROBOND

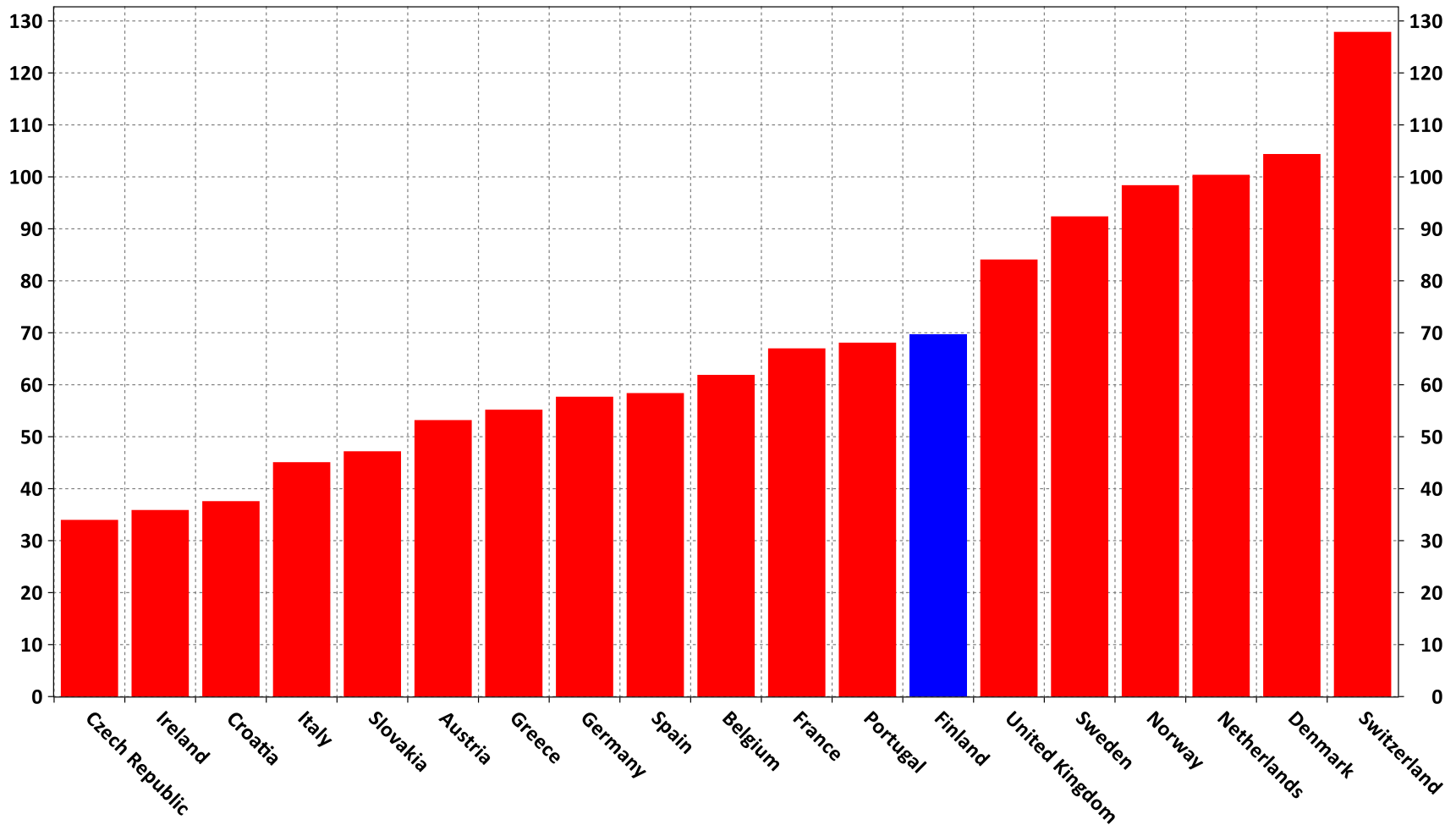
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Source: Hypo, Macrobond

Relatively little household debt



%, Household debt to GDP



Source: Hypo, Macrobond

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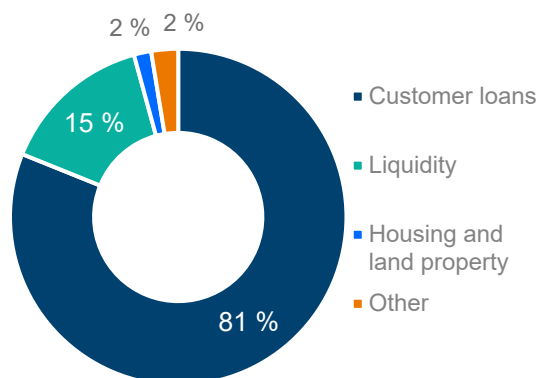
Financial Results



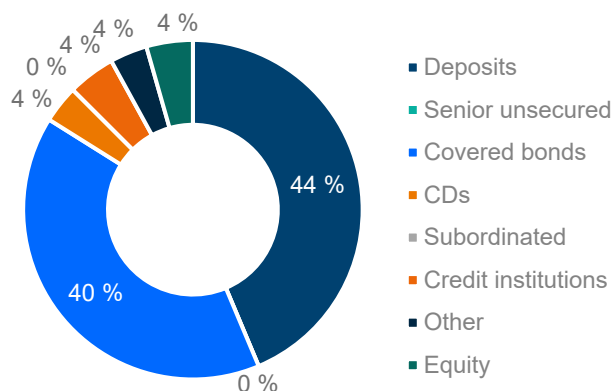
Strong Balance Sheet



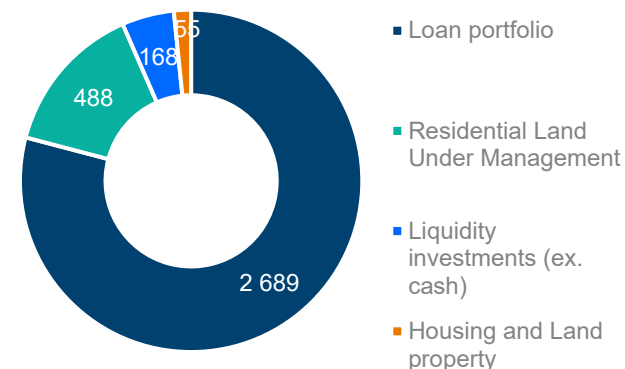
Total Assets



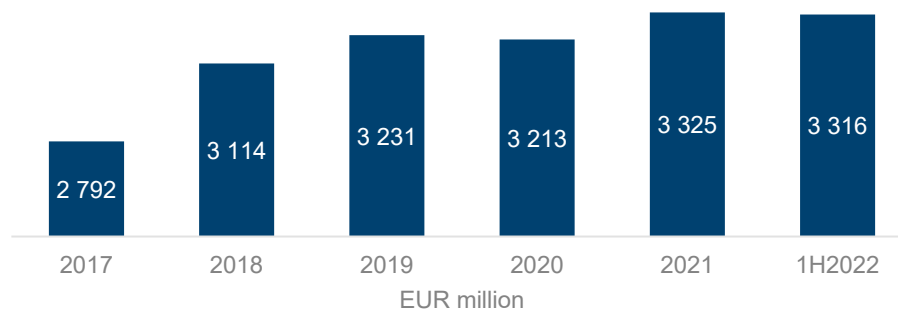
Liabilities and Equity



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

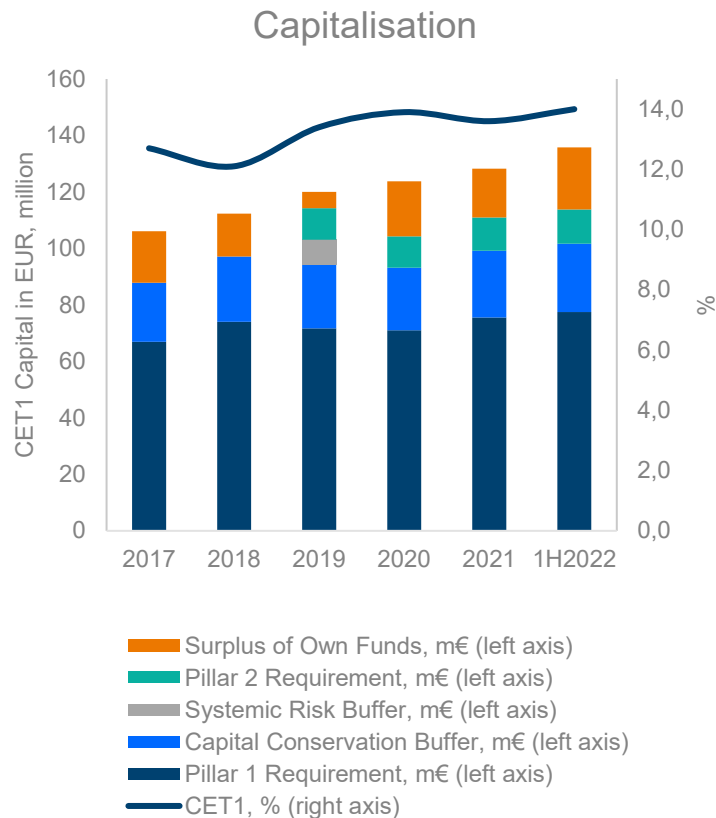


Balance Sheet Total



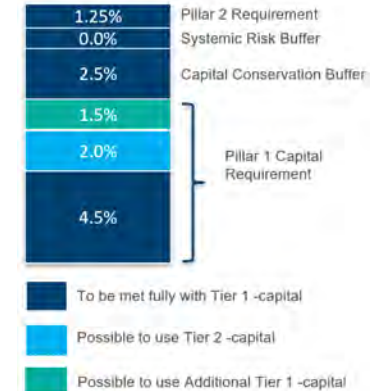
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Solid Capital Basel III Standard Approach



- Mutual company: all profits are retained and added to the core capital
- S&P's Risk Adjusted Capital 17.9 % on 31.12.2021
- Total Capital Ratio 14.0%, all CET1 (as at 1H2022)
- EUR 22 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"> 0.75 % from 31.12.2022 onwards 	
→ Total Capital Requirement	11.75 %
from 31.12.2022 onwards	11.25 %



- EUR 4.8 million of hidden reserves in housing property (not marked-to-market) and EUR 5.5 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

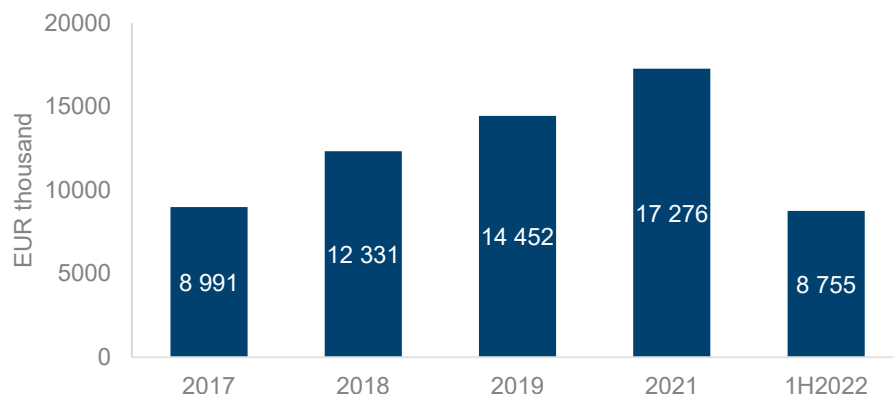
Group Income Statement



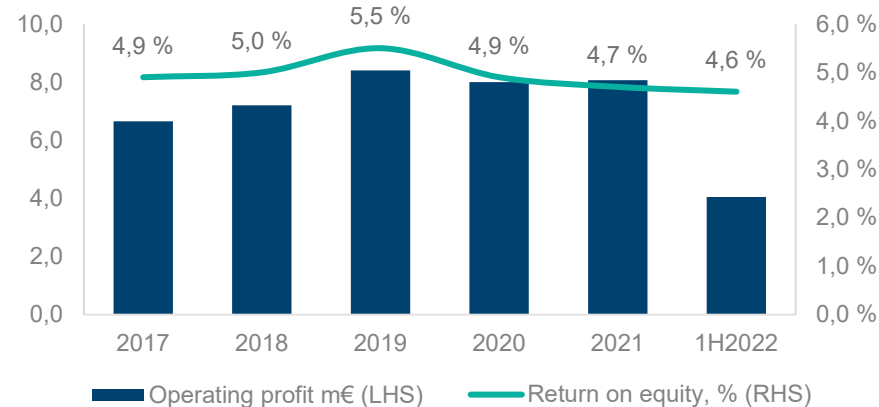
(EUR 1,000)	1-6/2022	1-6/2021	2021	2020
Net Interest Income	8,755	8,621	17,276	14,562
Net Fee and Commission Income	1,866	2,204	4,077	3,675
Total Other Income	3,812	2,364	4,734	4,236
Total expenses	-10,386	-8,736	-18,023	-14,429
Operating Profit	4,047	4,453	8,064	8,044

- In January-June 2022, net interest income grew 2 % to EUR 8.8 million due to moderate growth of other interest income and lower funding costs
- Hypo Group's operating profit was EUR 4.0 million in 1H2022
- Net Fee and Commission Income totaled EUR 1.9 million in 1H2022
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 3.8 million in 1H2022
- Total expenses totaled EUR 10.4 million in 1H2022

Net Interest Income



Profitability



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Group Key Financial Figures

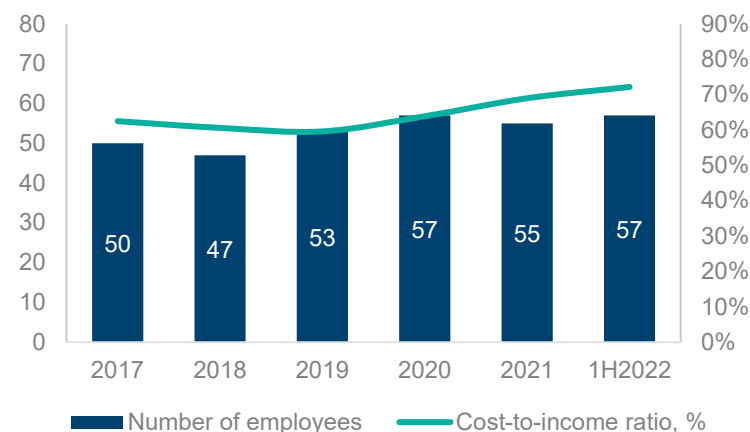


	1-6/2022	1-6/2021	2021	2020
Return on Equity (ROE), %	4.6	5.1	4.7	4.9
Common Equity Tier 1 (CET1), %	14.0	13.3	13.6	13.9
Cost-to-income, %	72.2	66.3	69.0	63.9
Non-performing loans (NPL), %	0.22	0.13	0.14	0.11
Loan to value (LTV), %	31.4	33.8	33.1	33.8
Loans / deposits, %	185,7	158,9	158.8	160.7
Loan portfolio total (m€)	2,690	2,616	2,637	2,511
Balance sheet total (m€)	3,316	3,289	3,325	3,213

- Cost-to-income ratio was 72.2 % in 1H2022 (69.0% as at ye2021)

- Total assets were EUR 3.3 billion and loan portfolio EUR 2.7 billion in 1H2022
- In 1H2022 CET1 ratio was 14.0 % (13.6 % as at ye2021) and equity amounted to EUR 146.7 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 (%) and Number of Permanent Employees



Hypo's Loan Book

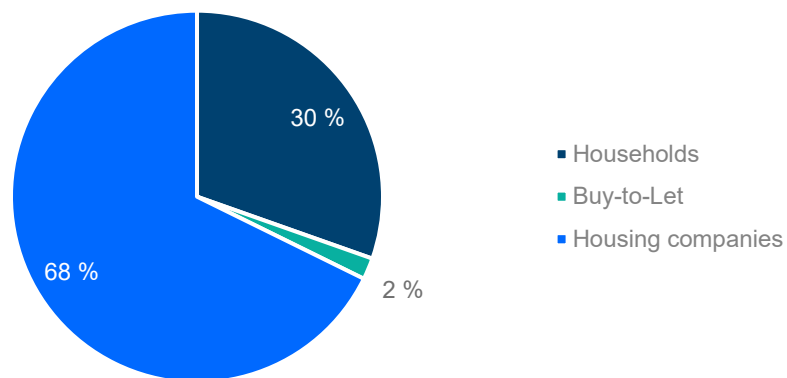


Loan Book Overview

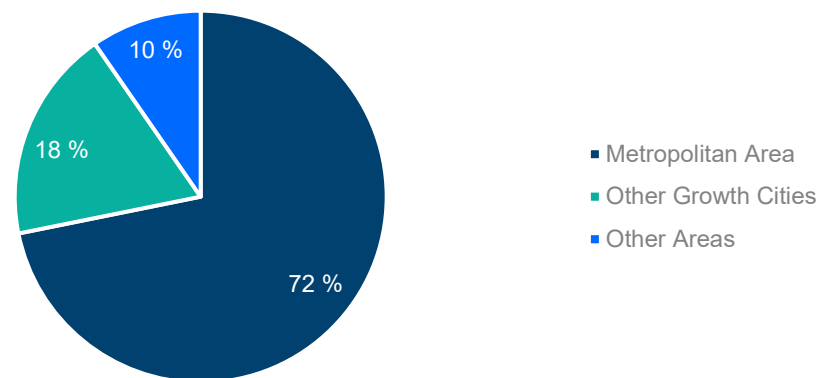


- Hypo's loan book is EUR 2,689.5 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type



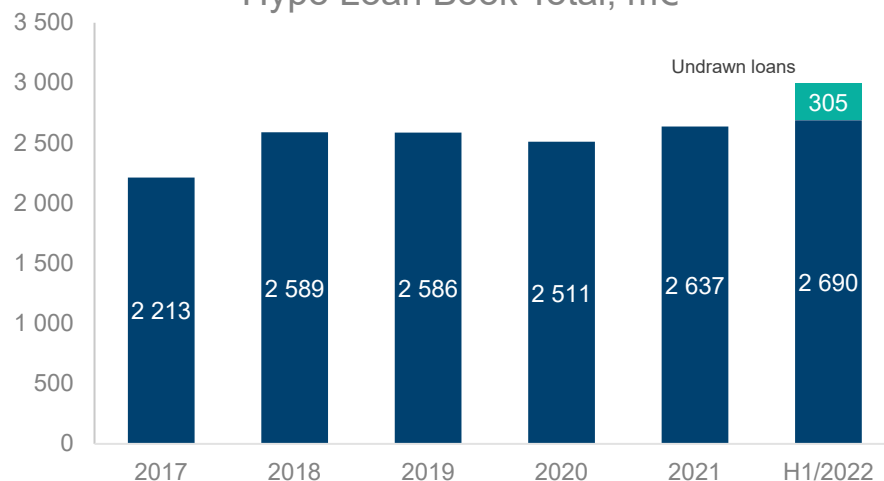
Loan Book by Customer Domicile



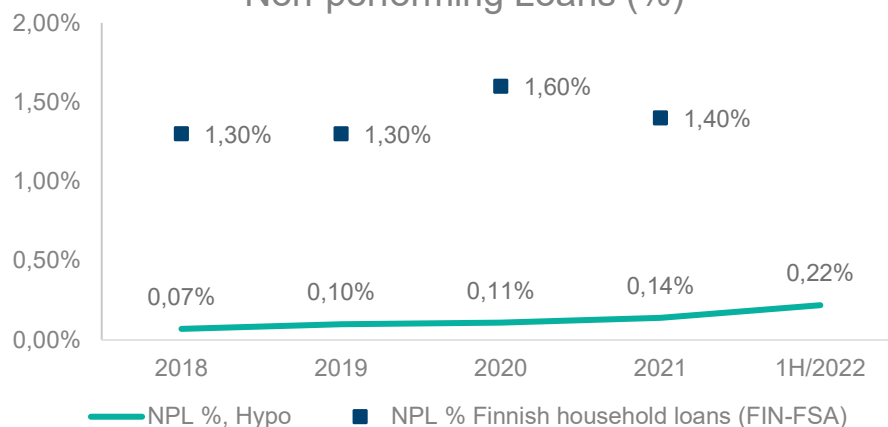
Loan Book Quality Excellent



Hypo Loan Book Total, m€



Non-performing Loans (%)



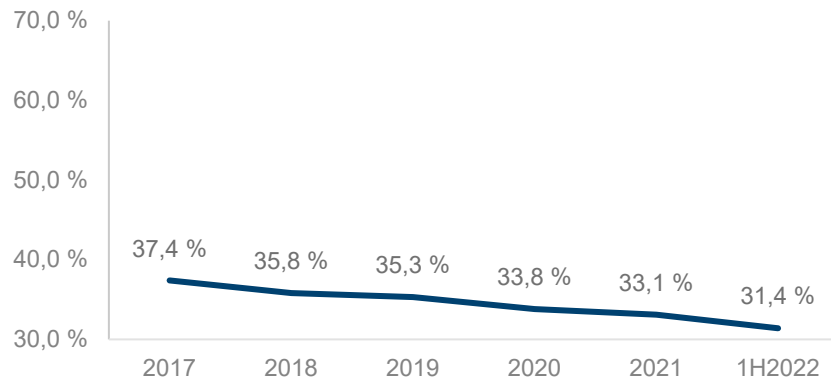
- The loan book remained on the same level as previous year, EUR 2,690 million in 1H2022
- Currently EUR 305 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.22% of total loans
- The quality of the loan book is well above the Finnish household loans' average NPLs

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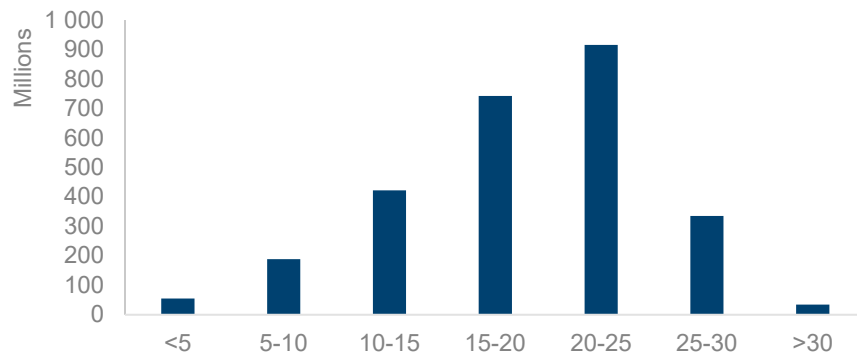
Loan Book Securely Collateralised



Hypo Loan Book Average LTV



Loan Book by Remaining Maturity (years)



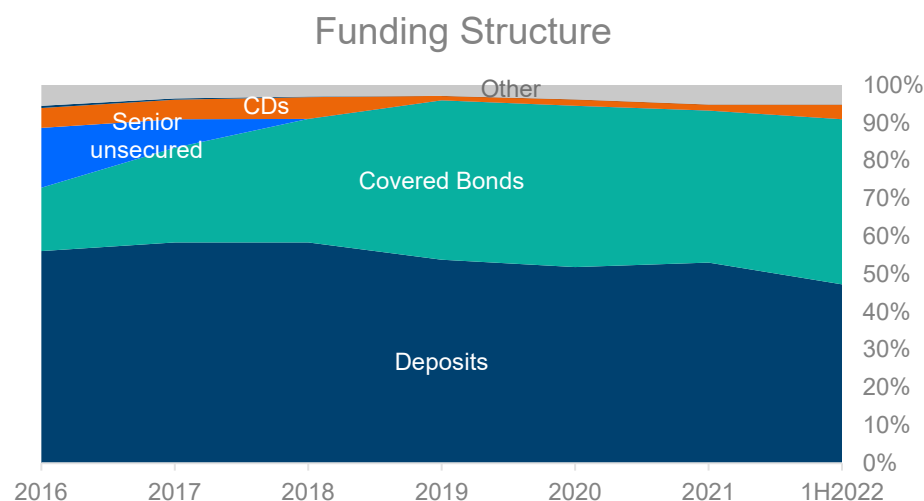
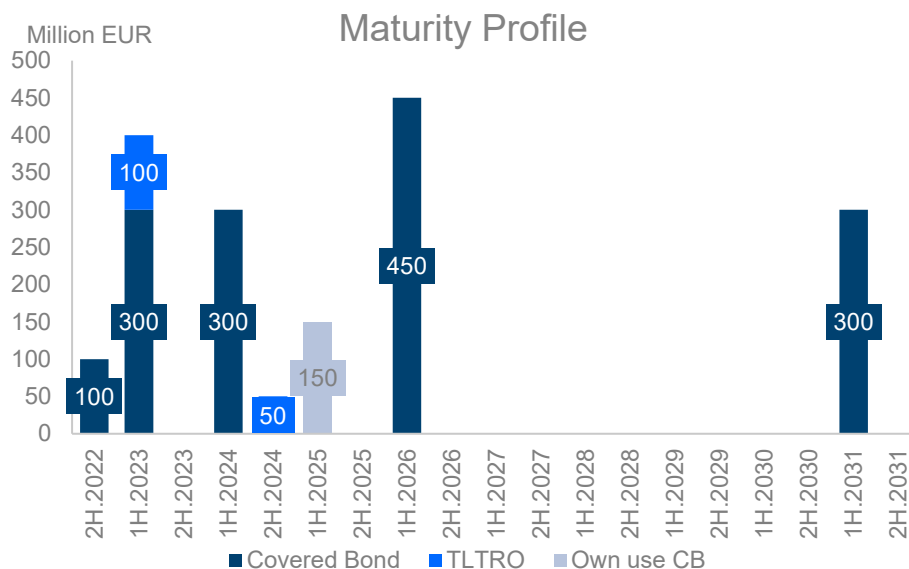
- Low LTV combined with conservative collateral valuation makes Hypo's loan book very strong even in times of stress
- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) is stable at 31.4 %
- Around 99% of the loans are amortizing and 1% bullets
- >90% 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)
- Further diversifying funding base through capital markets (eg. senior preferreds) in the future
- NSFR 106.8 % (114.1 % as at ye2021)
- Deposits through the AsuntoHypoPankki subsidiary form currently ~47 % of total funding
- Covered bonds currently ~44% of total funding
- Domestic CD program supports short term funding needs

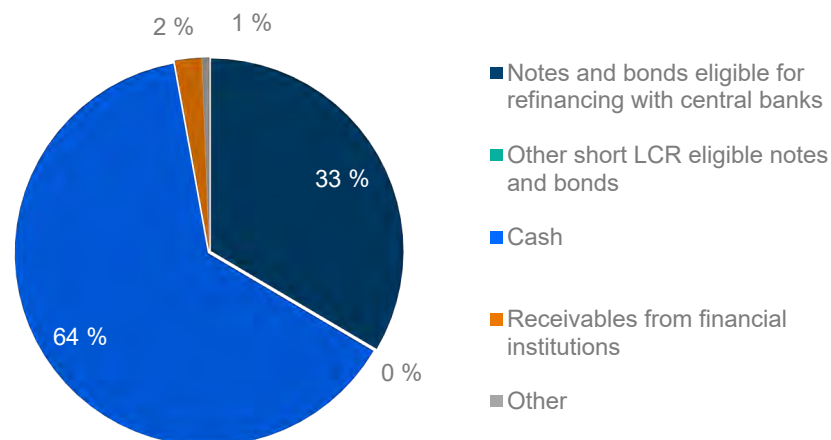
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Solid Liquidity Position



Liquidity portfolio EUR 500.3 million as of 30.6.2022

- Equaling 15.1 % 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 163.0 % (179.9 % as at ye2021)
- Liquidity covers wholesale funding cash flows for the following 11 months.



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Covered Bonds



Hypo Covered Bonds

Executive Summary – 30.6.2022



- 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 1,600 million
- Current WALTV 29.7%
- 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

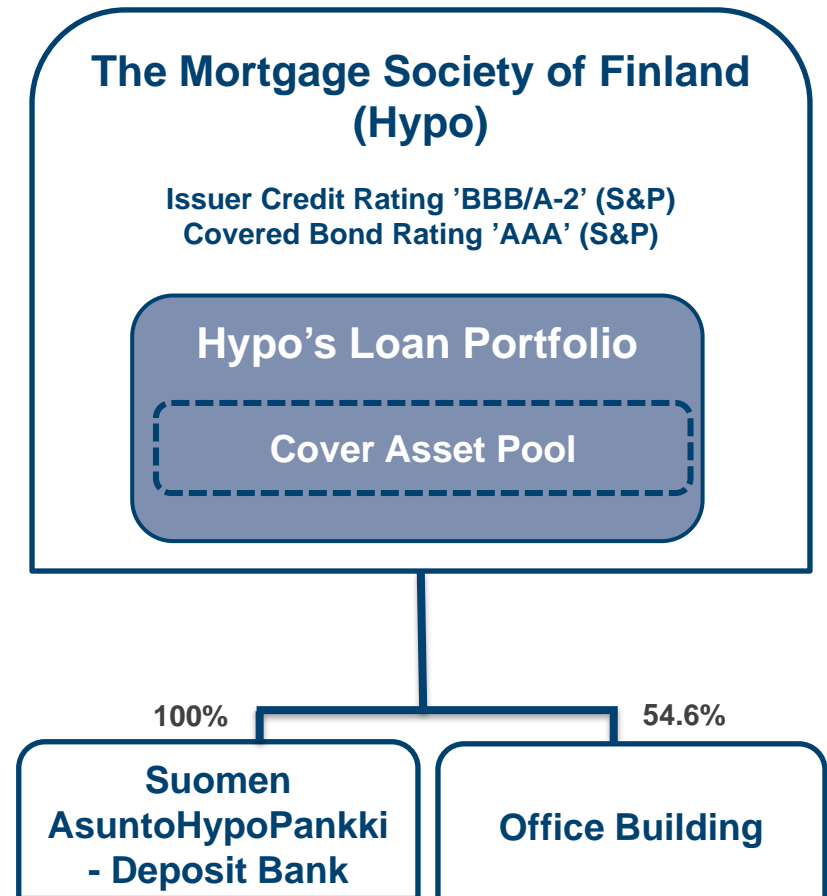
Type	ISIN	Issue Date	Maturity Date	Nominal (m€)	Coupon	Pricing
Covered	FI4000232855	7.12.2016	7.12.2022	100	Fixed +0.25	MS +11
Covered	FI4000266903	28.6.2017	28.6.2024	250	Fixed +0.375	MS +9
Covered	FI4000266903 (tap)	25.10.2017	28.6.2024	50	Fixed +0.375	MS +4
Covered	FI4000315841	24.4.2018	24.4.2023	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	FI4000496344	24.3.2021	24.3.2031	300	Fixed +0.01	MS +6
Covered	FI4000522420 (own use)	20.4.2022	20.4.2025	150	Float EUB 3M+ 7 bps.	
Covered	FI4000375092 (tap)	26.4.2022	13.3.2026	150	Fixed +0.5	private placement

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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)



New Act on Mortgage Credit Banks and Covered Bonds (151/2022)



- The New Finnish Act came into force on July 8th, 2022
 - New Act repealed the old Act on Mortgage Credit Bank Operations (688/2010)
 - All future new issuance will be done under the new Act
 - Existing bonds can be tapped as defined in the new Act
 - Hypo will have two pools: one for existing bonds (and possible taps) under the old Act and one for new issuance under the new Act
 - All issues compliant with the new Act can use the label "European Covered Bond (Premium)"
- The Mortgage Society of Finland was granted a licence to issue covered bonds under the new Act by the Finnish Financial Supervisory Authority

Cover Asset Pool – Act 688/2010



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 29.7%• 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">• 98% floating interest rate• No revolving/flexible loans

SECURE WAY FOR BETTER LIVING.

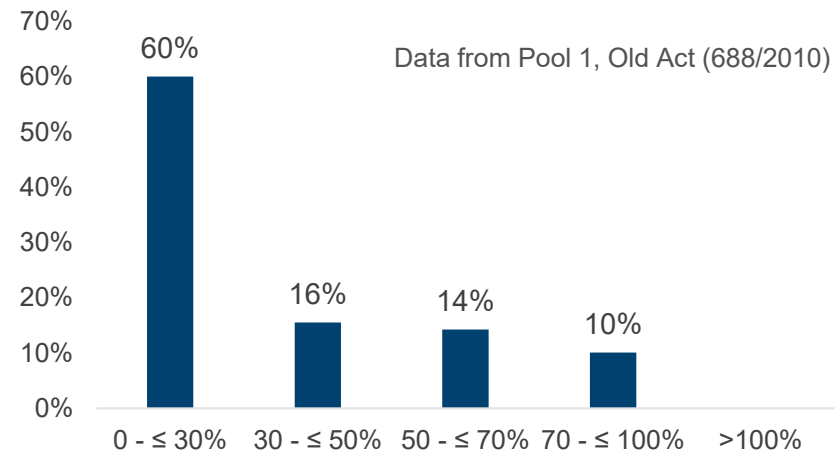
Cover Asset Pool Data (1/3)



Pool Data as at 30.6.2022

Governing Law	Act 688/2010
Total Cover Pool (nominal)	EUR 2 100 001 211
Eligible Cover Pool	EUR 2 075 273 023
Average Loan Balance	EUR 221 917
Number of loans	9 463
Number of properties	7 786
Number of clients	9 215
WA seasoning (months)	52
WA remaining term (months)	226
WA LTV (indexed)	29.0%
WA LTV total (indexed)	29.7%
Interest	Variable 98% Fixed 2%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	31.3%
OC level (eligible)	29.7%
Pool Type	Dynamic

LTV Distribution

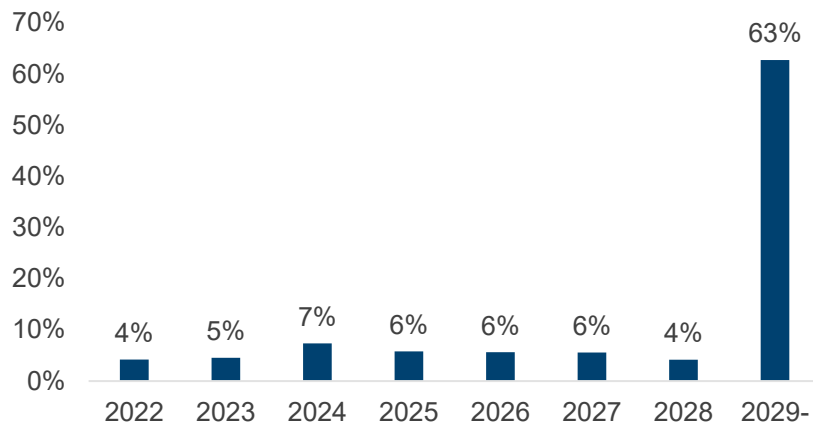


- The weighted average indexed LTV of the pool is 29.7%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

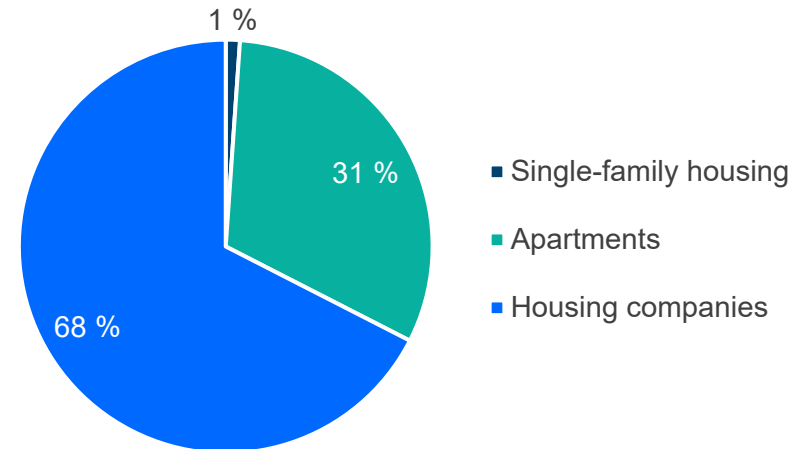
Cover Asset Pool Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 32% of retail mortgages and 68% of housing company residential mortgages
- All loans with contractual repayment schedule
- Stable amortization profile
- No public sector loans in the pool
- Currently no substitution assets in the pool

SECURE WAY FOR BETTER LIVING.

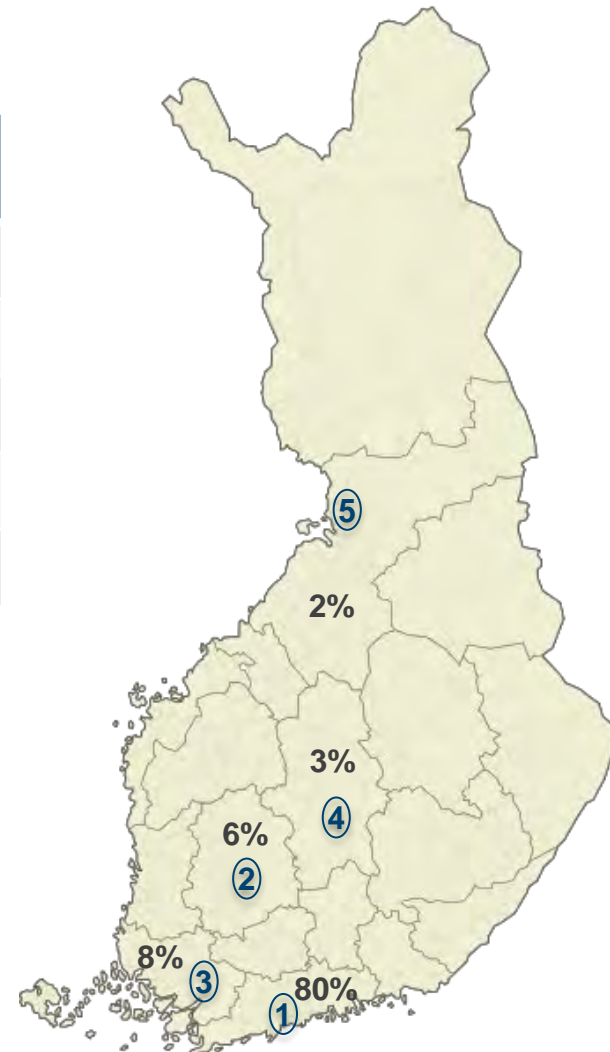
Cover Asset Pool Data (3/3)



Geographical Distribution as at 30.6.2022

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

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

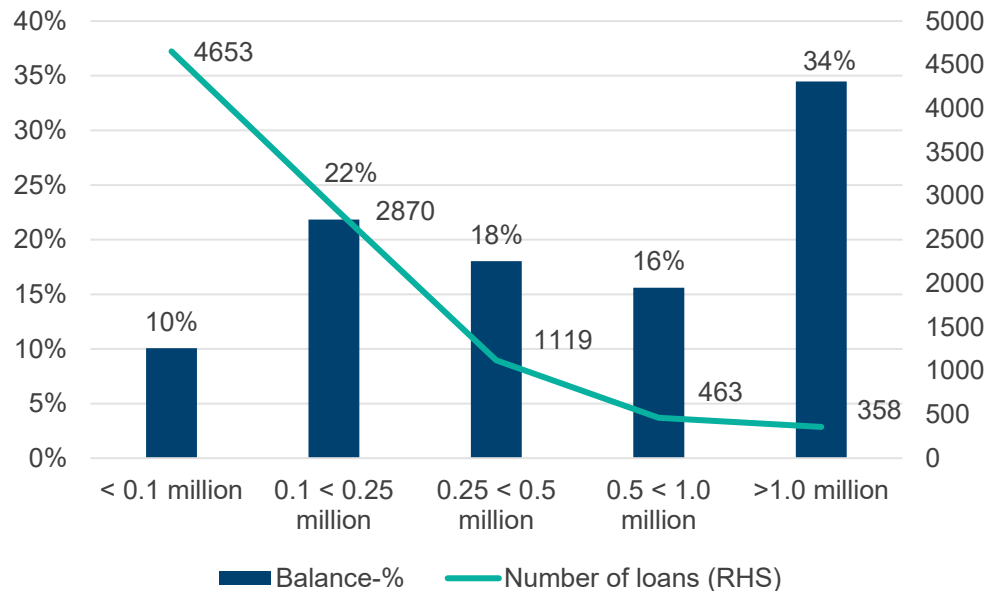


SECURE WAY FOR BETTER LIVING.

Cover Pool Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 32% 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%	1,454	1,387	1,316	1,202	1,060
40- ≤ 70%	434	380	362	373	426
70- ≤100%	212	301	338	312	243
>100%		31	83	212	371
Pool total (nominal), EUR million	2,100	2,069	2,017	1,888	1,729
OC (nominal)	31.3%	29.3%	26.1%	18.0%	8.1%

- 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 1,600 million (the total outstanding amount of bonds).

Outlook



Future Outlook



“Economic growth will slow down due to the exceptionally high inflation level driven by energy prices. Russian war in Ukraine shows no signs of ending which means energy prices will stay high for longer. At the same time the European Central Bank is increasing policy rates and the post-COVID recovery in service sector demand isn’t providing additional support to the growth figures anymore. Housing markets react to the uncertainty with decreased volumes in housing transactions and construction but also cooling down of price development. Differences between housing market areas and units will deepen. Urbanization will increase due to the strong newbuilding to Helsinki-Tampere-Turku -areas.

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 and war in Ukraine.”



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