



Covered Bond Transparency Information

# The Mortgage Society of Finland

Information as at September 30, 2022

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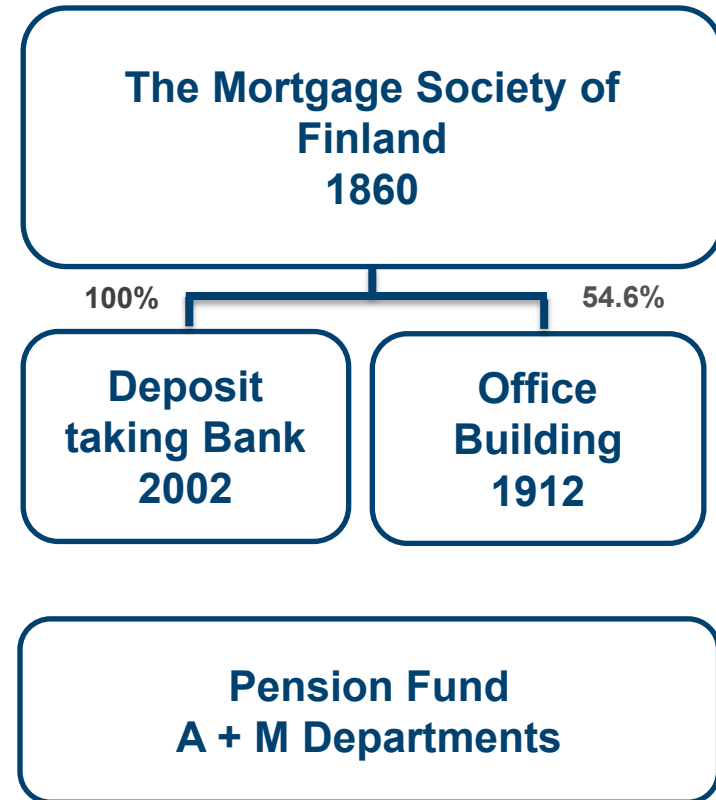
# About the Issuer



# 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 0.18%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.3 billion
- S&P issuer rating 'BBB/A-2' (stable)
- S&P covered bond rating 'AAA' (stable)



# 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)**

# Covered Bonds



# Hypo Covered Bonds Executive Summary – 30.9.2022



- 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 1,650 million
- Current WALTV 29.4%
- Current nominal overcollateralization 30.3%
  - 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

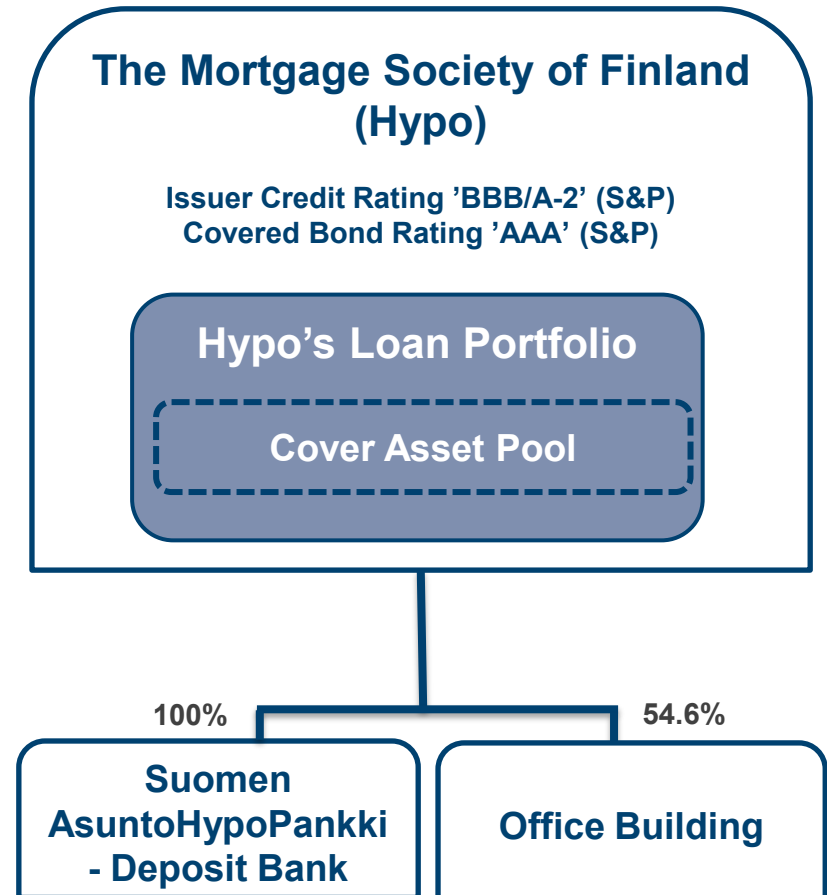
| Type    | ISIN                   | Issue Date | Maturity Date | Nominal (m€) | Coupon               | Pricing           |
|---------|------------------------|------------|---------------|--------------|----------------------|-------------------|
| Covered | FI4000232855           | 7.12.2016  | 7.12.2022     | 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 |
| Covered | FI4000266903 (tap)     | 9.9.2022   | 28.6.2024     | 50           | Fixed +0.375         | private placement |

SECURE WAY FOR BETTER LIVING.

# 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
  - Hypo will have two pools: one for issuance under the old Act and one for 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 1



# Eligibility Criteria for Cover Pool 1



|                                |  |
|--------------------------------|--|
| <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>Applicable law</b>          | <ul style="list-style-type: none"> <li>• Act 688/2010</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 29.4%</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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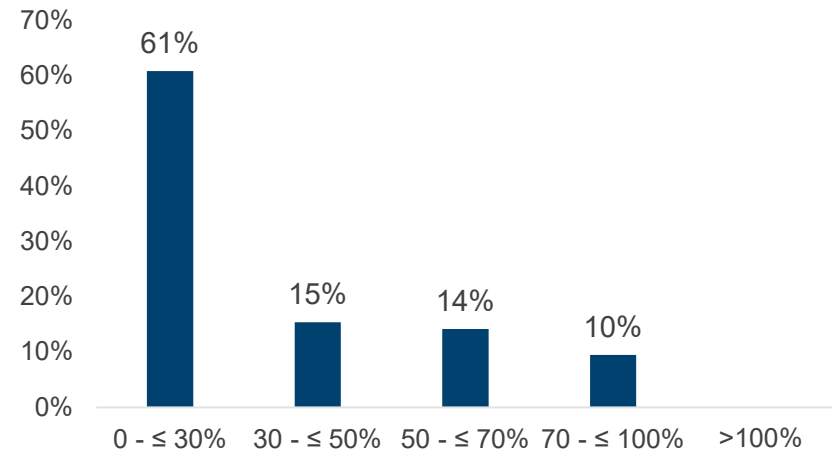
# Cover Pool 1 Data (1/3)



## Pool Data as at 30.9.2022

|                             |                          |
|-----------------------------|--------------------------|
| Applicable law              | Act 688/2010             |
| Total Cover Pool (nominal)  | EUR 2 150 080 066        |
| Eligible Cover Pool         | EUR 2 126 415 728        |
| Average Loan Balance        | EUR 227 305              |
| Number of loans             | 9 459                    |
| Number of properties        | 7 804                    |
| Number of clients           | 9 163                    |
| WA seasoning (months)       | 51                       |
| WA remaining term (months)  | 226                      |
| WA LTV (indexed)            | 28.9%                    |
| WA LTV total (indexed)      | 29.4%                    |
| Interest                    | Variable 98%<br>Fixed 2% |
| Loans in arrears (>30 days) | 0.00%                    |
| OC level (nominal)          | 30.3%                    |
| OC level (eligible)         | 28.9%                    |
| Pool Type                   | Dynamic                  |

## LTV Distribution

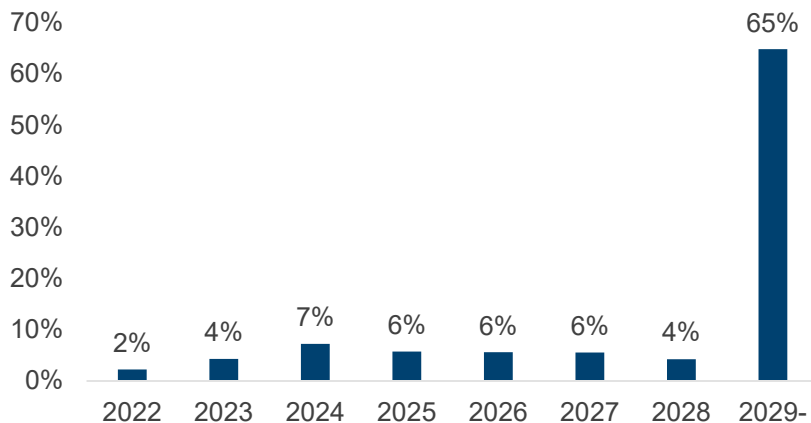


- The weighted average indexed LTV of the pool is 29.4%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

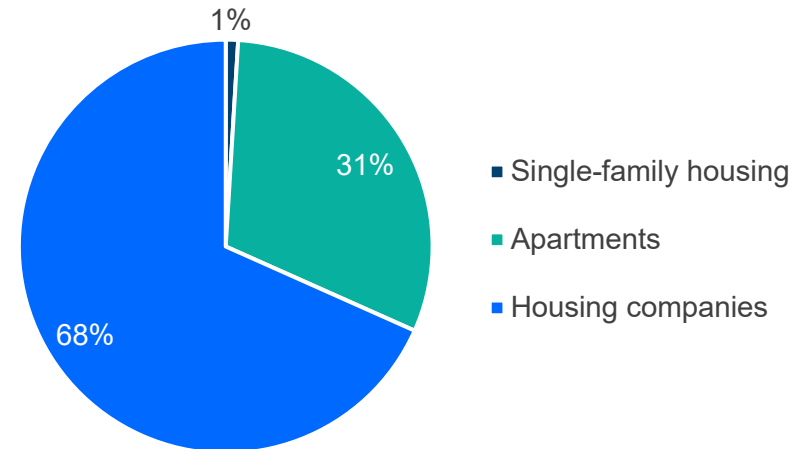
# Cover Pool 1 Data (2/3)



## 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 substitute assets in the pool

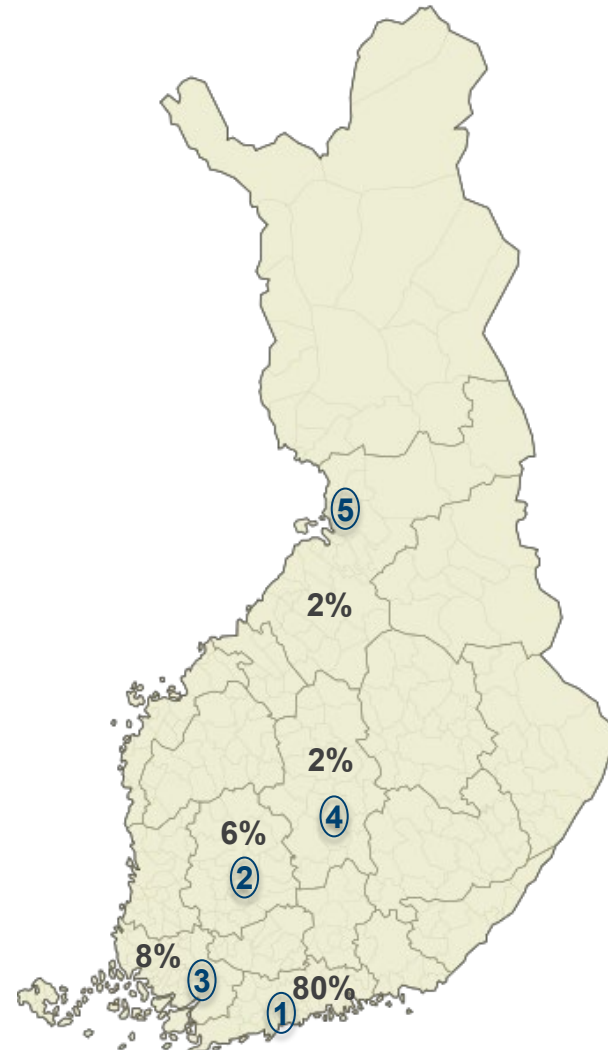
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# Cover Pool 1 Data (3/3)



## Geographical Distribution as at 30.9.2022

|   | 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%                |

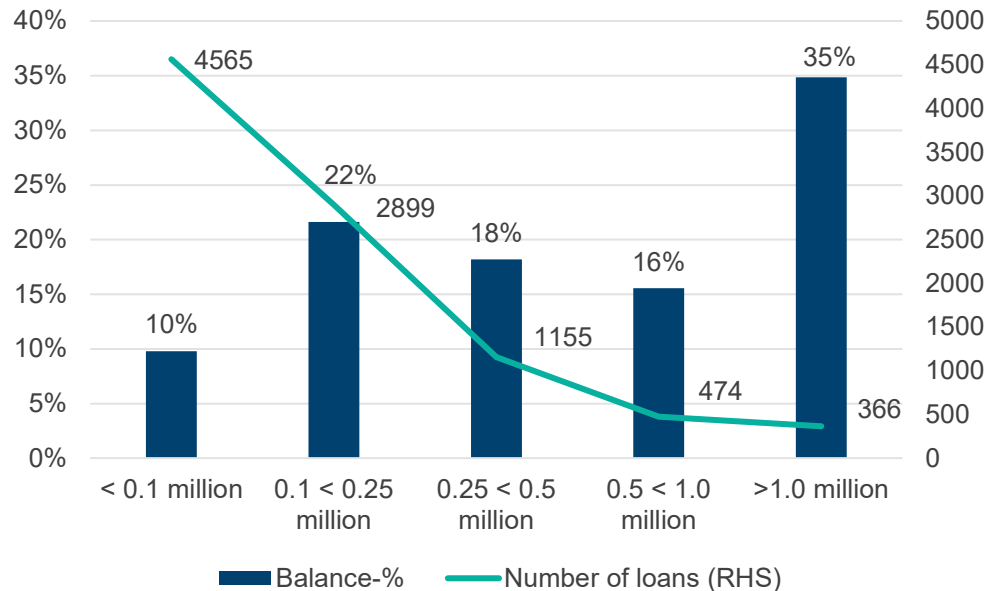


Hypo's strategic choice is to operate only in prime growth centers.

# Cover Pool 1 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 Pool 1 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%                                     | 1,516                  | 1,443                   | 1,361                   | 1,241                   | 1,095                   |
| 40- ≤ 70%                                    | 430                    | 375                     | 365                     | 382                     | 447                     |
| 70- ≤100%                                    | 205                    | 303                     | 343                     | 323                     | 237                     |
| >100%  |                        | 28                      | 81                      | 205                     | 372                     |
| <b>Pool total (nominal),<br/>EUR million</b> | 2,150                  | 2,122                   | 2,069                   | 1,945                   | 1,778                   |
| <b>OC (nominal)</b>                          | 30.3%                  | 28.6%                   | 25.4%                   | 17.9%                   | 7.8%                    |

- 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 1,650 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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