

Hypo Investor Update 3Q2022

Debt Investor Presentation



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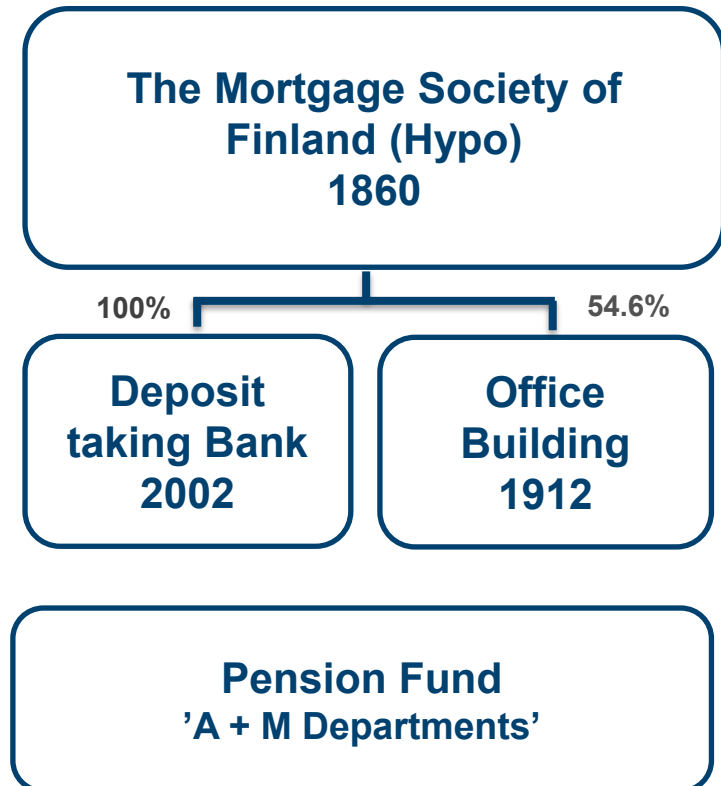


Secure Way for Better Living

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 0.18% (as at 3Q22)
- Total assets EUR 3.3 billion (as at 3Q22)
- 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



Hypön 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

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

JAA

KOMMENTIT



21.

Ylitarjontaa. Hypön toimitusjohtaja Ari Pauna arvelee, että Suomessa on kertynyt liikaa pienemmällä määällä.

ETUSIVU » PAIKALLISET

19.11.2021 10:27 | Päivitetty 19.11.2021 11:19

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

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



lyyytyy - Hypo ennustaa Suomen käyvän oppuvuonna

2019 11:40

KANSANTALOUS

ASUMINEN

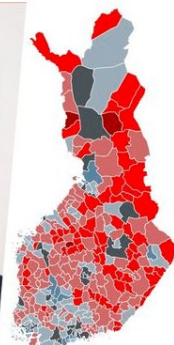
POLITIikka



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 Hypön ekonomistin mukaan yksikin ääri-ilmiö voi aiheuttaa dominoefektin.



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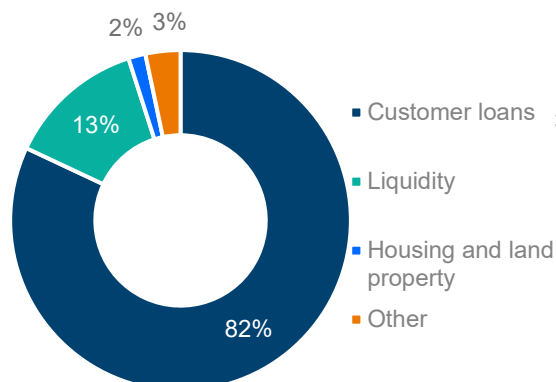
Financial Results



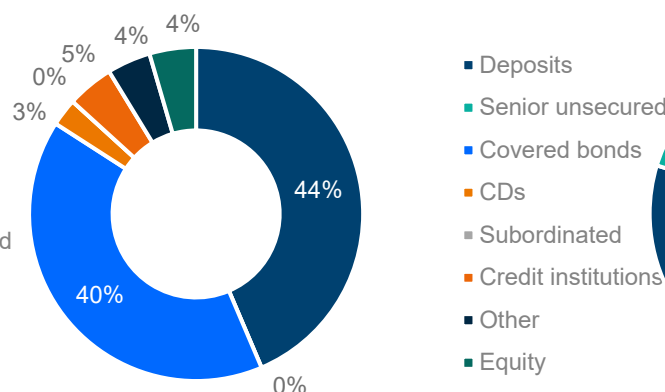
Strong Balance Sheet



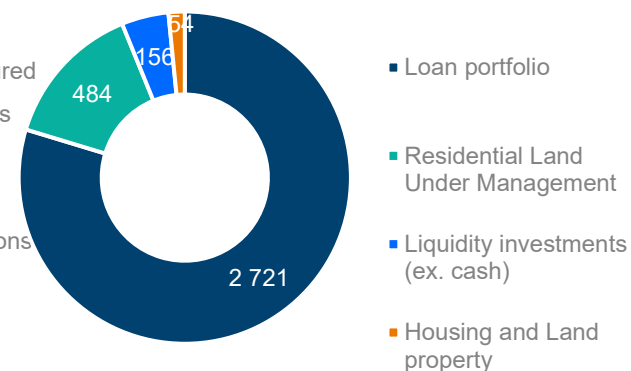
Total Assets



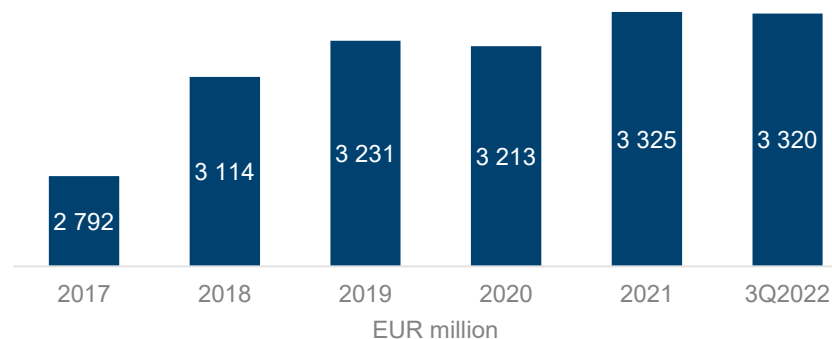
Liabilities and Equity



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

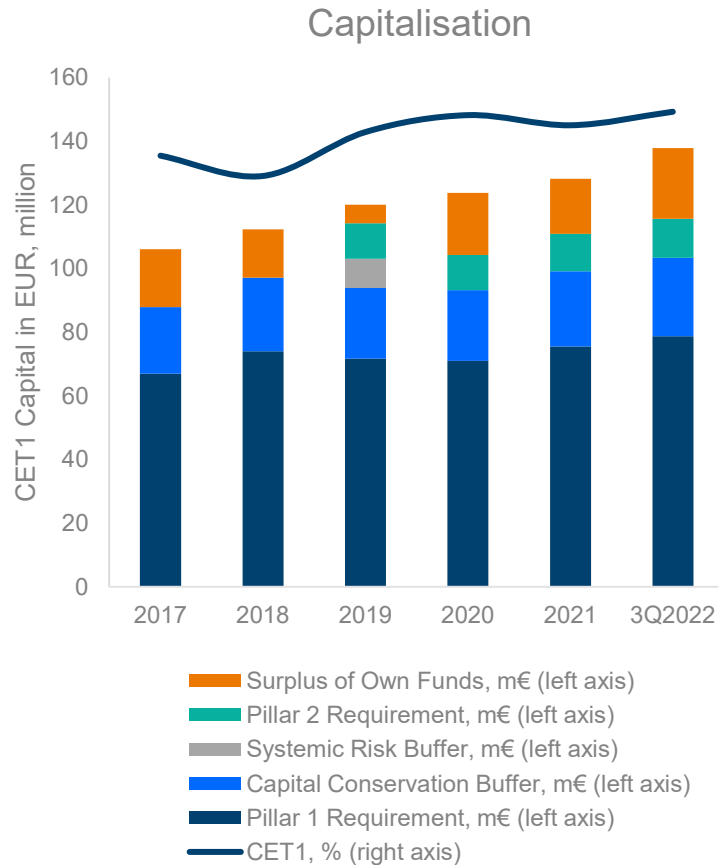


Balance Sheet Total



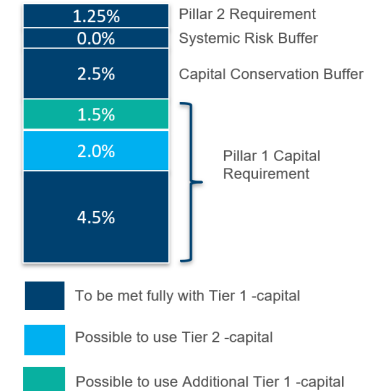
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Solid Capital Basel III Standard Approach



- Mutual company: all profits are retained and added to the core capital
- S&P's Risk Adjusted Capital 17.9% on 31.12.2021
- Total Capital Ratio 14.0%, all CET1 (as at 3Q2022)
- 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 5.7 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 14.9%
- Basel III standardized approach risk weights
 - Lending with residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

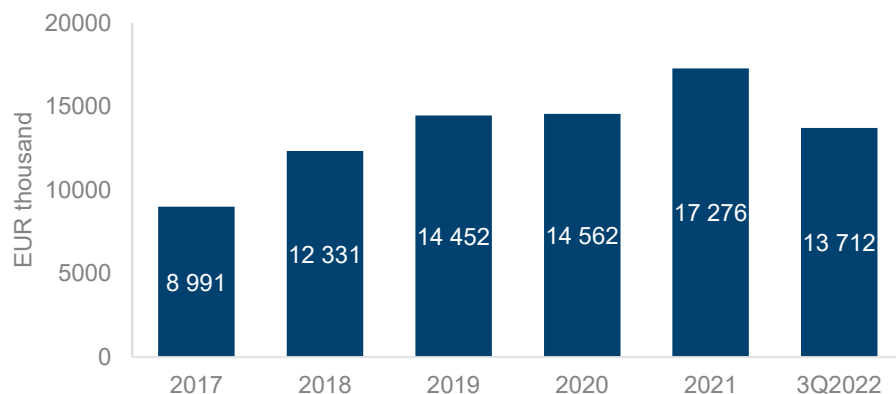
Group Income Statement



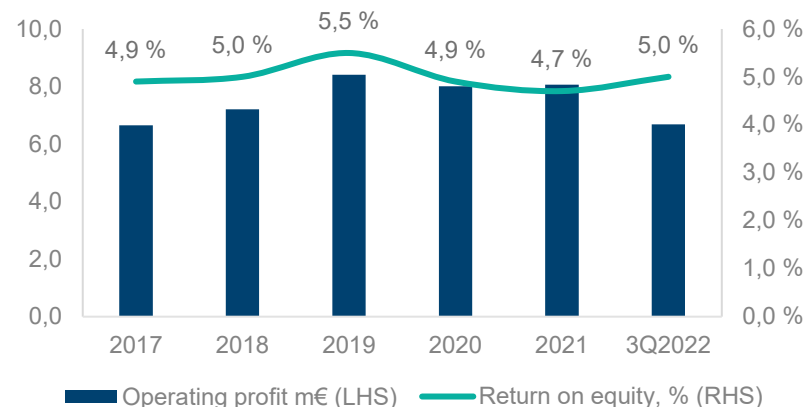
| (EUR 1,000) | 1-9/2022 | 1-9/2021 | 2021 | 2020 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Net Interest Income | 13,712 | 12,835 | 17,276 | 14,562 |
| Net Fee and Commission Income | 2,712 | 3,116 | 4,077 | 3,675 |
| Total Other Income | 4,699 | 3,429 | 4,734 | 4,236 |
| Total expenses | -14,445 | -12,236 | -18,023 | -14,429 |
| Operating Profit | 6,677 | 7,144 | 8,064 | 8,044 |

- In January-September 2022, net interest income grew 7% to EUR 13.7 million due to increased interest income.
- Hypo Group's operating profit was EUR 6.7 million in 3Q2022
- Net Fee and Commission Income totaled EUR 2.7 million in 3Q2022
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 4.7 million in 3Q2022
- Total expenses totaled EUR 14.4 million in 3Q2022

Net Interest Income



Profitability



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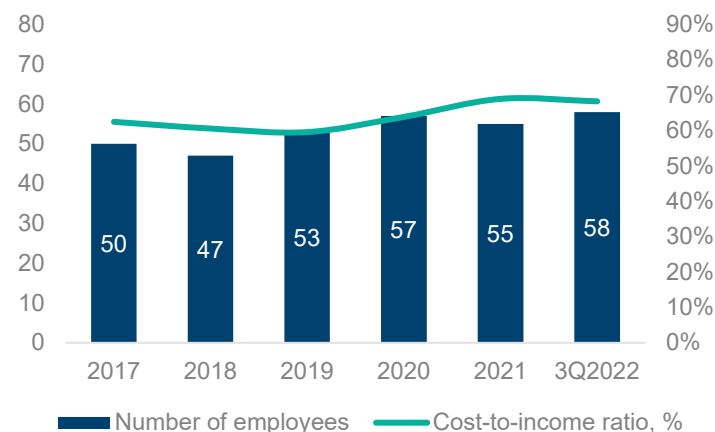
Group Key Financial Figures



| | 1-9/2022 | 1-9/2021 | 2021 | 2020 |
|---------------------------------------|----------|----------|-------|-------|
| Return on Equity (ROE), % | 5.0 | 5.5 | 4.7 | 4.9 |
| Common Equity Tier 1 (CET1), % | 14.0 | 13.4 | 13.6 | 13.9 |
| Cost-to-income, % | 68.3 | 63.0 | 69.0 | 63.9 |
| Non-performing loans (NPL), % | 0.18 | 0.20 | 0.14 | 0.11 |
| Loan to value (LTV), % | 31.1 | 33.4 | 33.1 | 33.8 |
| Loans / deposits, % | 188.1 | 164.2 | 158.8 | 160.7 |
| Loan portfolio total (m€) | 2,721 | 2,644 | 2,637 | 2,511 |
| Balance sheet total (m€) | 3,320 | 3,288 | 3,325 | 3,213 |

- Total assets were EUR 3.3 billion and loan portfolio EUR 2.7 billion in 3Q2022
- In 3Q2022 CET1 ratio was 14.0% (13.6% as at ye2021) and equity amounted to EUR 149.7 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



- Cost-to-income ratio was 68.3% in 3Q2022 (69.0% as at ye2021)

Hypo's Loan Book

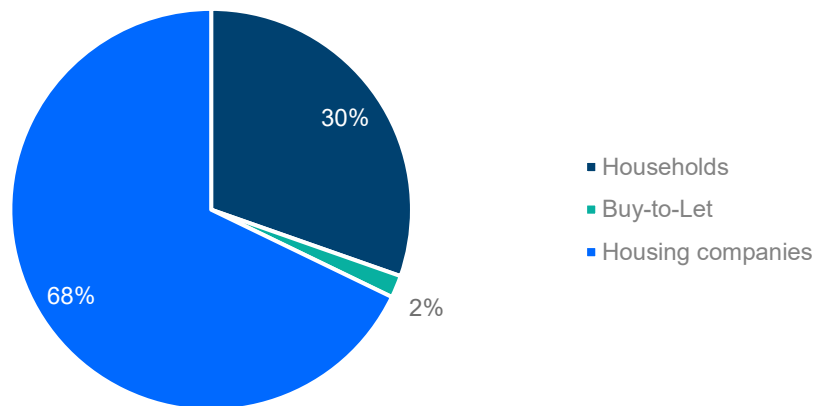


Loan Book Overview

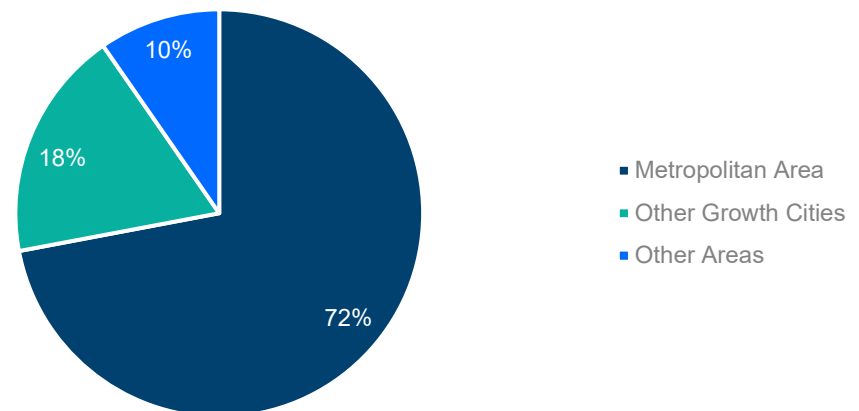


- Hypo's loan book is EUR 2,721.4 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type



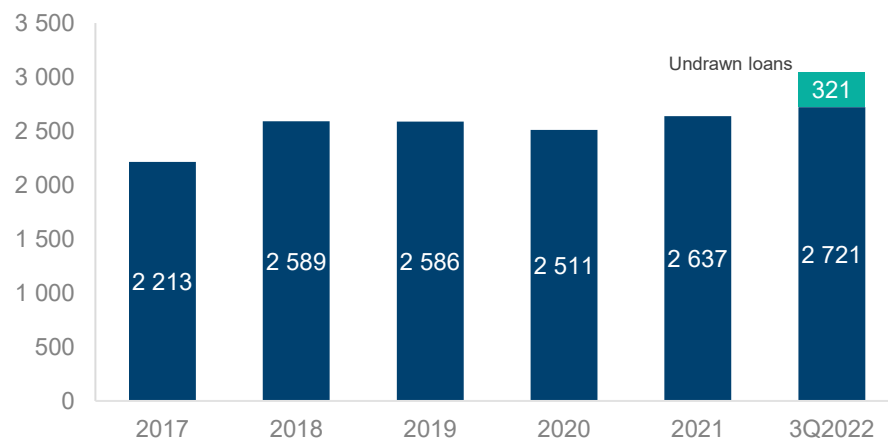
Loan Book by Customer Domicile



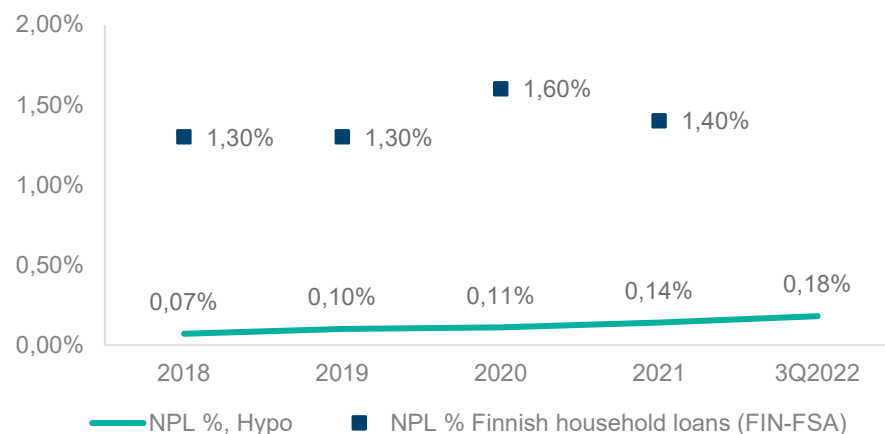
Loan Book Quality Excellent



Hypo Loan Book Total, m€



Non-performing Loans (%)



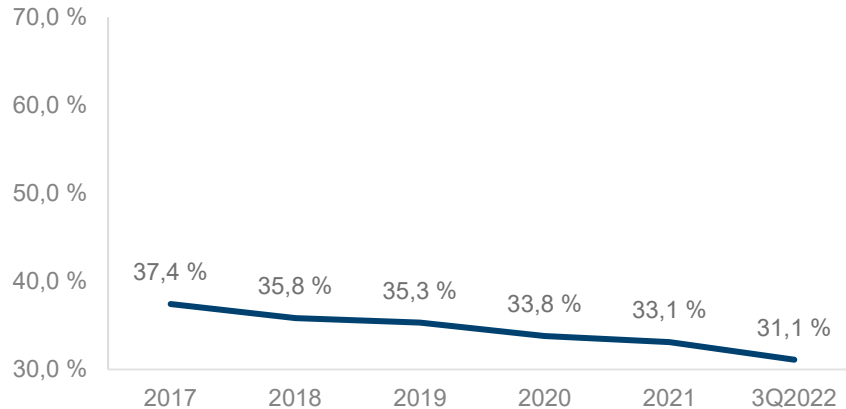
- During the financial period, the loan portfolio grew 3% to EUR 2,721.4 million.
- Currently EUR 321 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.18% 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

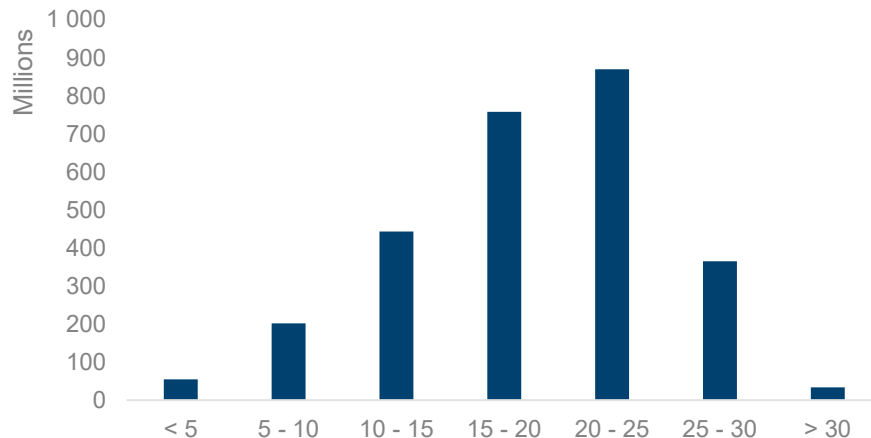


Hypo Loan Book Average LTV



- 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 31.1%
- 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

Loan Book by Remaining Maturity (years)

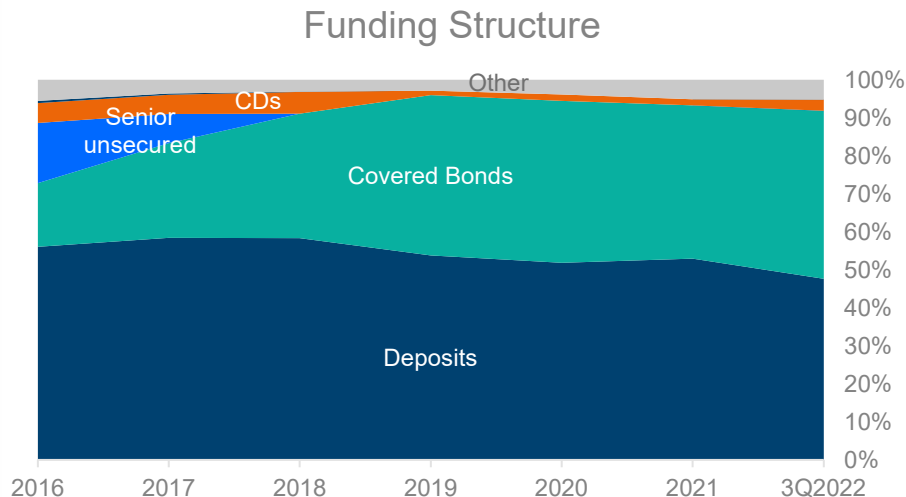
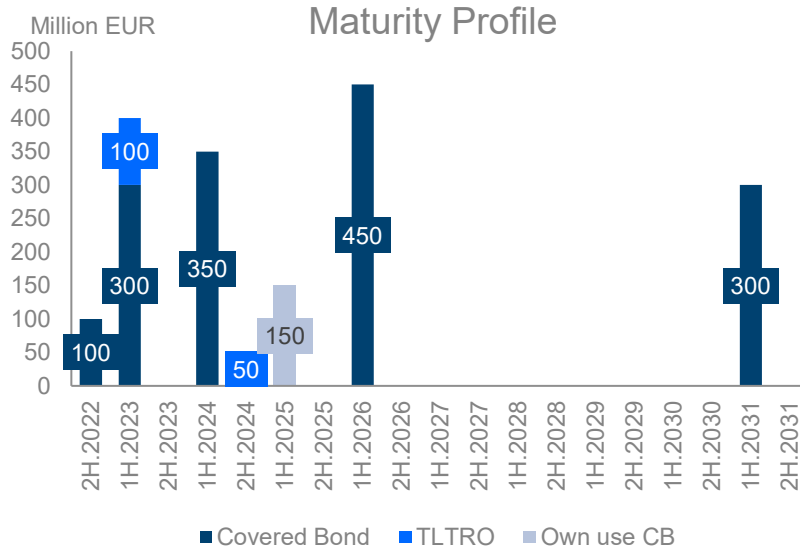


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Funding and Liquidity



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
- NSFR 105.5% (114.1 % as at ye2021)
- Deposits through the AsuntoHypoPankki subsidiary form currently ~48% of total funding
- Covered bonds currently ~44% 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 1,650 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 |

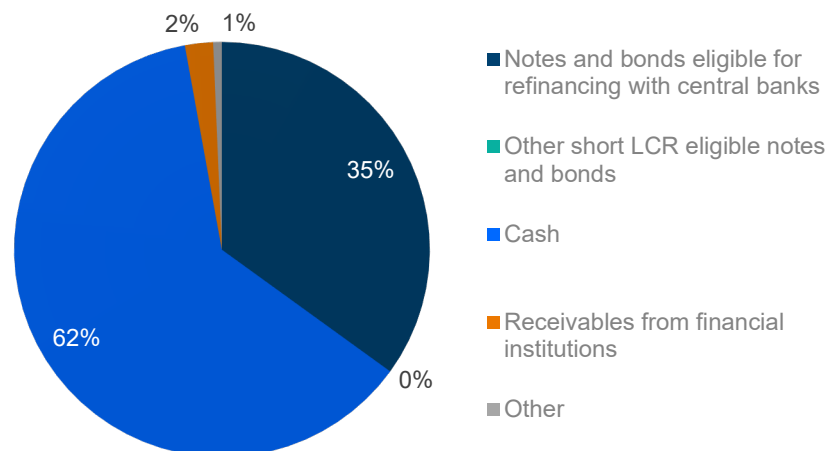
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Solid Liquidity Position



Liquidity portfolio EUR 446.9 million as of 30.9.2022

- Equaling 13.5% 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 150.4% (179.9% as at ye2021)
- Liquidity covers wholesale funding cash flows for the following 7 months.



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Outlook



Future Outlook



“Economic growth will slow down, and recession is likely in the winter due to high inflation, rising rates and uncertainty linked to the war. Russia’s war in Ukraine shows no signs of ending which means energy prices will stay high for longer. At the same time European Central Bank is increasing policy rates and the service sector recovery after the covid-19 pandemic doesn’t bring additional support to the growth figures anymore. Employment remains strong which is the most important factor supporting the economy. Housing markets react to the uncertainty with decreased volumes in housing transactions and construction but also declining 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 net interest income, net fee and commission income, capital adequacy and liquidity to 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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