



Covered Bond Transparency Information

The Mortgage Society of Finland

Information as at December 31, 2022

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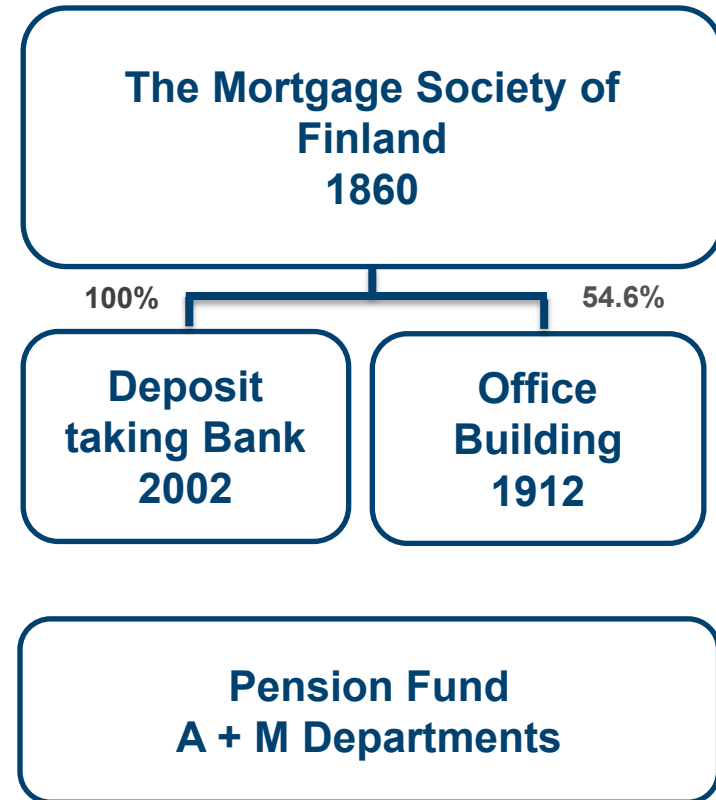
About the Issuer



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 0.14%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.5 billion
- S&P issuer rating 'BBB/A-2' (stable)
- S&P covered bond ratings '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 – 31.12.2022



- Issuer is the Group parent, no separate covered bond issuer
- Hypo is a member of ECBC
- Covered bonds rated 'AAA' (stable) by S&P
- Cover pools consist 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 1,770 million
- Current WALTV's for pools 29.4% and 20.8%
- Current nominal overcollateralization for pools 30.5% and 23.3%
 - Commitment to keep the OC, in both pools, 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

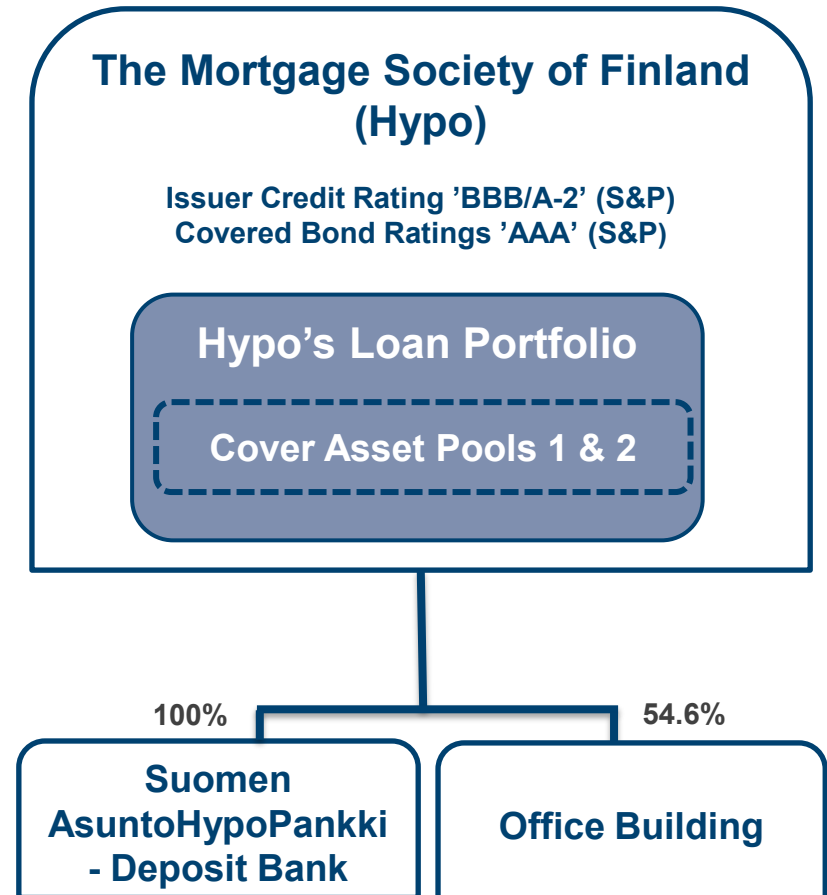
Type	ISIN	Issue Date	Maturity Date	Nominal (m€)	Coupon	Pricing
Covered – Pool 1	FI4000266903	28.6.2017	28.6.2024	250	Fixed +0.375	MS +9
Covered – Pool 1	FI4000266903 (tap)	25.10.2017	28.6.2024	50	Fixed +0.375	MS +4
Covered – Pool 1	FI4000315841	24.4.2018	24.4.2023	250	Fixed +0.375	MS +6
Covered – Pool 1	FI4000315841 (tap)	14.11.2018	24.4.2023	50	Fixed +0.375	MS +9
Covered – Pool 1	FI4000375092	13.3.2019	13.3.2026	300	Fixed +0.5	MS +15
Covered – Pool 1	FI4000496344	24.3.2021	24.3.2031	300	Fixed +0.01	MS +6
Covered – Pool 1	FI4000522420 (own use)	20.4.2022	20.4.2025	70	Float EUB 3M +7 bps	
Covered – Pool 1	FI4000375092 (tap)	26.4.2022	13.3.2026	150	Fixed +0.5	private placement
Covered – Pool 1	FI4000266903 (tap)	9.9.2022	28.6.2024	50	Fixed +0.375	private placement
Covered – Pool 2	FI4000541461	15.11.2022	15.11.2027	300	Fixed +3.25	MS +23

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 covered bond registers
- Issuer Credit Rating 'BBB/A-2' (stable)
- Covered Bond Ratings '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

Act 688/2010



Eligibility Criteria for Cover Pool 1



Origination	<ul style="list-style-type: none">• Issuer the Mortgage Society of Finland (Hypo)• Only mortgage loans originated by Hypo
Applicable law	<ul style="list-style-type: none">• Act 688/2010
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 31.5%• 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

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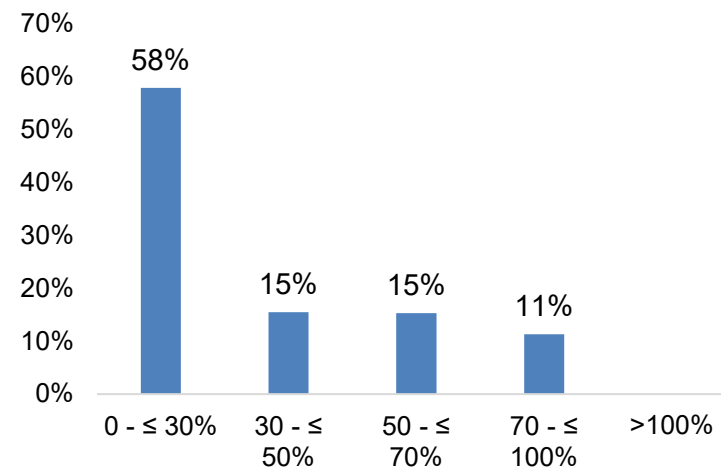
Cover Asset Pool 1 Data (1/3)



Pool Data as at 31.12.2022

Applicable law	Act 688/2010
Total Cover Pool (nominal)	EUR 1 917 936 395
Eligible Cover Pool	EUR 1 892 540 706
Average Loan Balance	EUR 235 618
Number of loans	8 140
Number of properties	7 005
Number of clients	8 260
WA seasoning (months)	44
WA remaining term (months)	235
WA LTV (indexed)	30.7%
WA LTV total (indexed)	31.5%
Interest	Variable 98% Fixed 2%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	30.5%
OC level (eligible)	28.7%
Pool Type	Dynamic

LTV Distribution



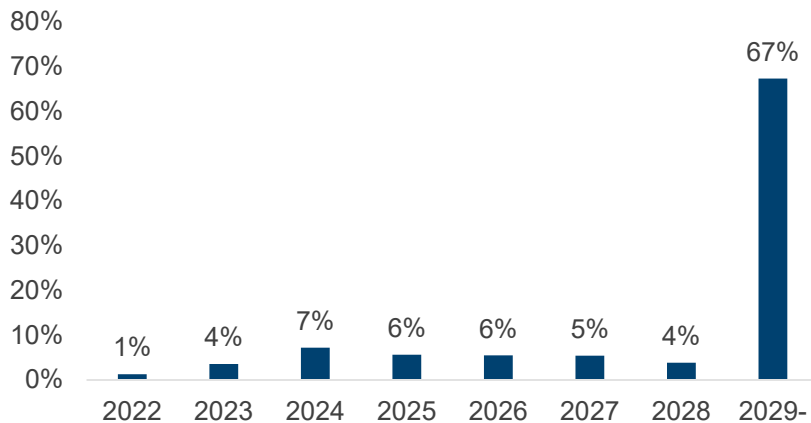
- The weighted average indexed LTV of the pool is 31.5%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

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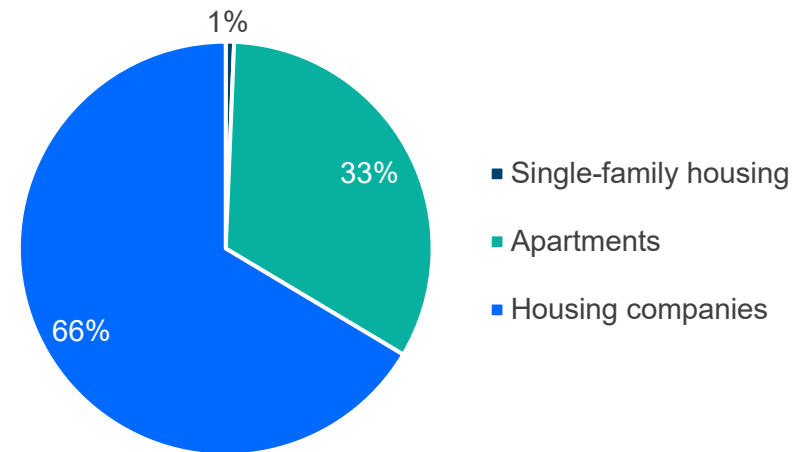
Cover Asset Pool 1 Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 34% of retail mortgages and 66% 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

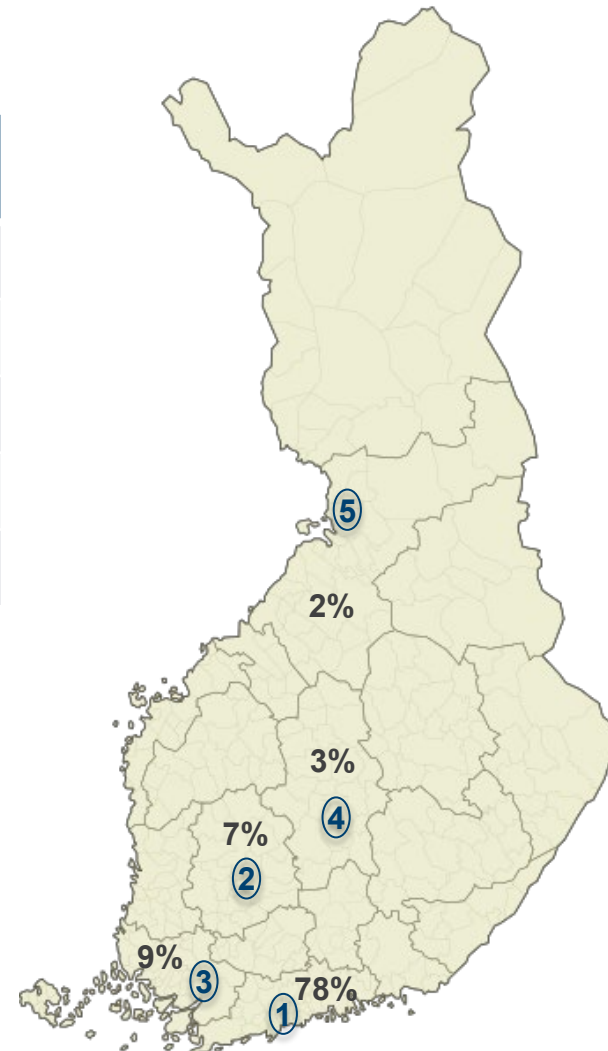
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Cover Asset Pool 1 Data (3/3)



Geographical Distribution as at 31.12.2022

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	78%
2	Pirkanmaa	Tampere	7%
3	Varsinais-Suomi	Turku	9%
4	Central Finland	Jyväskylä	3%
5	North Ostrobothnia	Oulu	2%

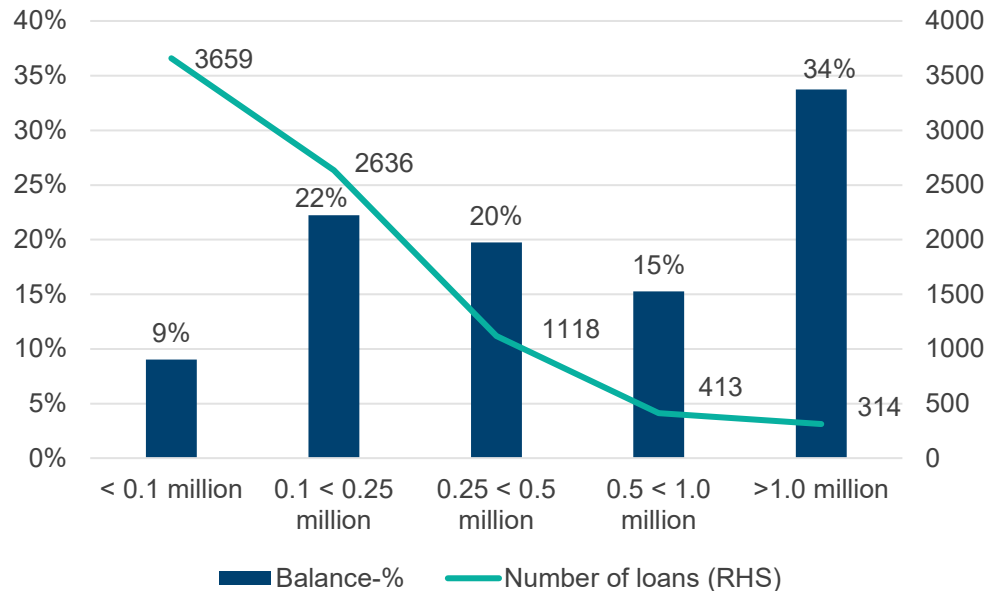


Hypo's strategic choice is to operate only in prime growth centers.

Cover Pool 1 Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 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 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%	1,298	1,235	1,161	1,058	939
40- ≤ 70%	404	349	324	338	385
70- ≤100%	217	304	346	306	215
>100%		30	86	217	379
Pool total (nominal), EUR million	1,918	1,888	1,831	1,701	1,539
OC (nominal)	30.5%	28.4%	24.6%	15.7%	4.7%

- 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 1,470 million (the total outstanding amount of bonds).

Cover Asset Pool 2

Act 151/2022



Eligibility Criteria for Cover Pool 2



Origination	<ul style="list-style-type: none">• Issuer the Mortgage Society of Finland (Hypo)• Only mortgage loans originated by Hypo
Applicable law	<ul style="list-style-type: none">• Act 151/2022
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 70% of the pool loans have the best internal credit class 'A'
Collateral	<ul style="list-style-type: none">• Maximum LTV limit 80%• Current Pool WALTV 20.8%• 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">• 99% floating interest rate• No revolving/flexible loans

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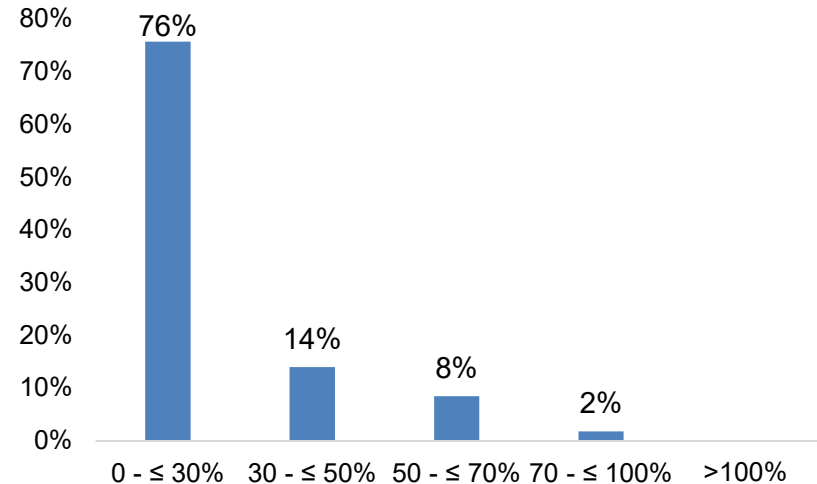
Cover Asset Pool 2 Data (1/3)



Pool Data as at 31.12.2022

Applicable law	Act 151/2022
Total Cover Pool (nominal)	EUR 370 014 589
Eligible Cover Pool	EUR 369 913 440
Average Loan Balance	EUR 235 618
Number of loans	2 076
Number of properties	1 587
Number of clients	1 810
WA seasoning (months)	90
WA remaining term (months)	190
WA LTV (indexed)	20.8%
WA LTV total (indexed)	20.8%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	23.3%
OC level (eligible)	23.3%
Pool Type	Dynamic

LTV Distribution

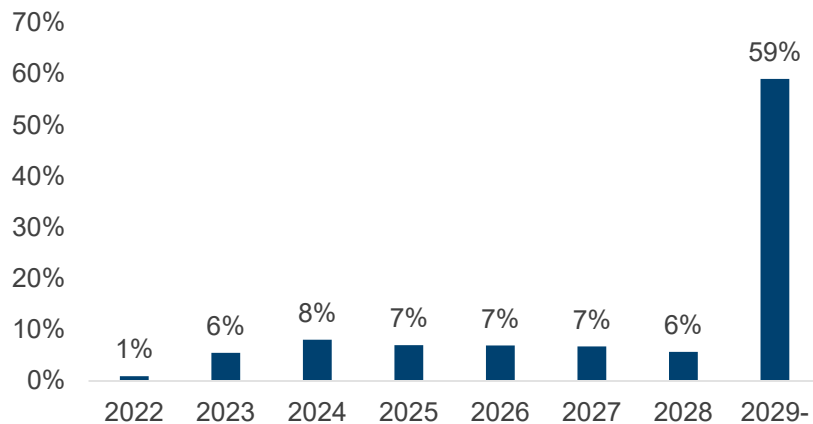


- The weighted average indexed LTV of the pool is 20.8%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

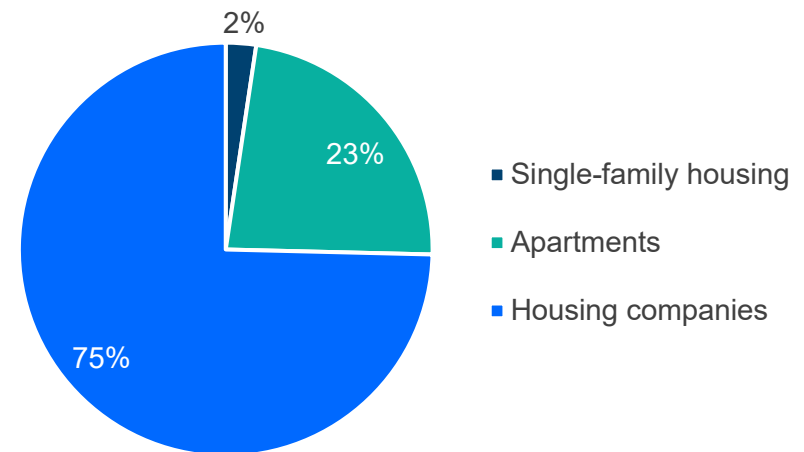
Cover Asset Pool 2 Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 25% of retail mortgages and 75% 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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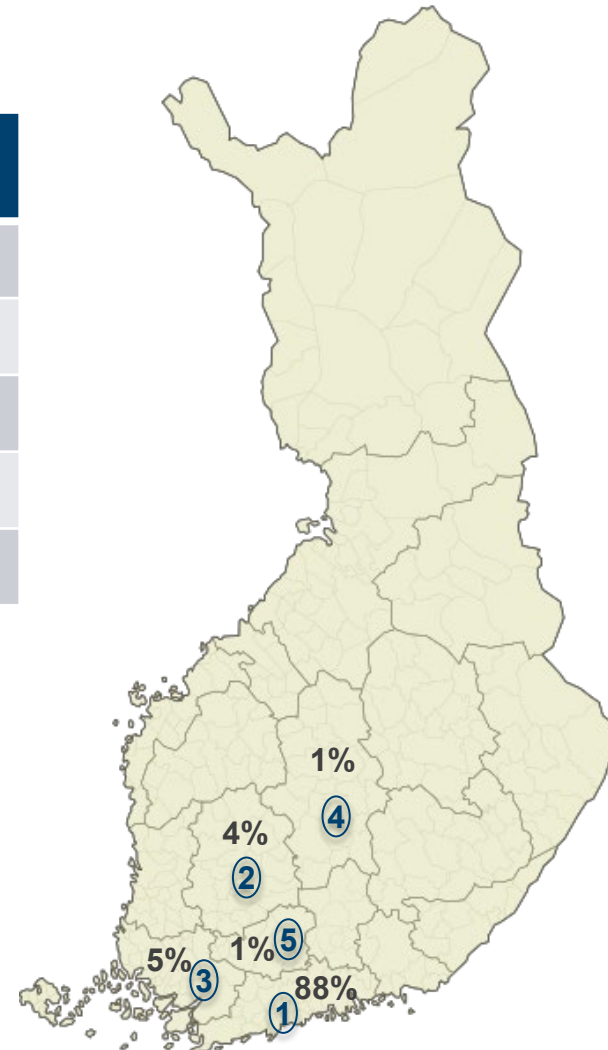
Cover Asset Pool 2 Data (3/3)



Geographical Distribution as at 31.12.2022

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	88%
2	Pirkanmaa	Tampere	4%
3	Varsinais-Suomi	Turku	5%
4	Central Finland	Jyväskylä	1%
5	Kanta-Häme	Hämeenlinna	1%

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

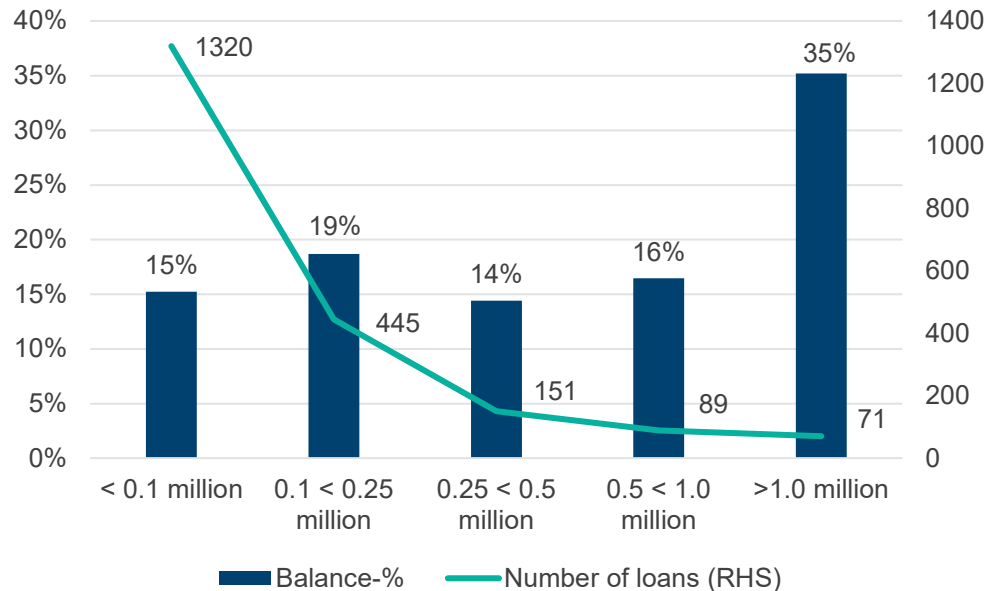


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Cover Pool 2 Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 34% 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 2 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%	308	295	288	268	247
40- ≤ 70%	55	58	54	61	69
70- ≤100%	7	17	27	34	33
>100%			1	7	22
Pool total (nominal), EUR million	370	370	369	363	348
OC (nominal)	23.3%	23.3%	22.9%	21.2%	15.9%

- 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 300 million (the total outstanding amount of bonds).

Contact

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