

Hypo Investor Update 1Q2023

Debt Investor Presentation



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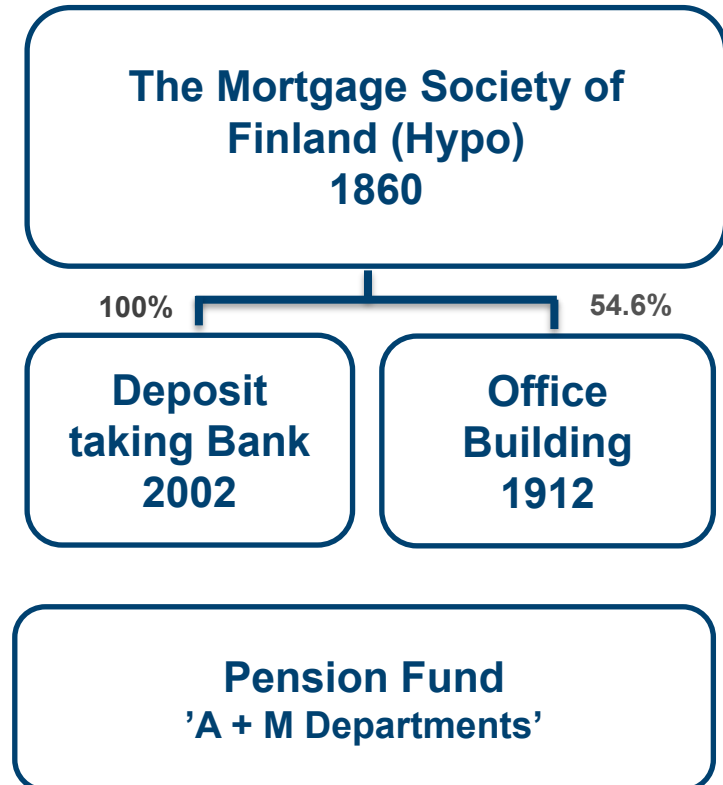
HYPO

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 0.14% (as at 1Q23)
- Total assets EUR 3.6 billion (as at 1Q23)
- Established and regular issuer in Finland
- S&P issuer rating 'BBB/A-2' (stable)
- S&P covered bond ratings '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



Taloyhtiöiden maineet
harmittaa asuntorakentamista

yle Uutiset Areena Urheilu Valikko

Uutiset Tuoreimmat Eduskuntavaalit Venäjän hyökkäys

Talous

Hypo: Asuntojen hinnat laskevat vuonna enemmän kuin 25 vuodelistassimme, minkälaiset asunnot

penevät eniten ja missä arvo säilyy

Asuntojen hinnat ovat nousseet muita asuntoja nopeammin miltei vuoden ajan. Nyt yksioiden hintoihin on osunut voimakas

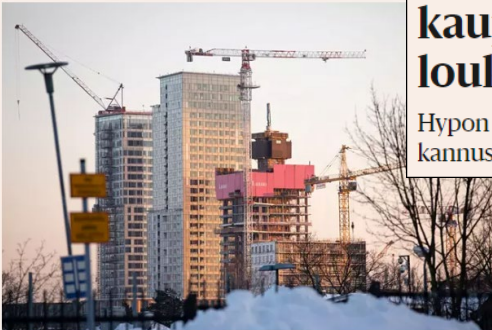
Hypo: Venäjän hyökkäys Ukrainaan aiheuttamassa rakentamisen äkkikäännöksen – "Tässä voi tulla yllättävän voimakas lasku"

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

Talous | Asuntomarkkinat

Hypo: Asuntojen hintoihin tulossa poikkeuksellinen käänne, yhtä rajua laskua viimeksi vuonna 1995

Helsingin seudulla asuntojen hinnat laskevat ensi vuonna prosenttia, ennustaa Hypo. Käänne on lyhytaikainen, jos työmarkkinat eivät hyydy.



"Sijoittajien talvihorroris tarjoaa nyt hyviä hintaneuvottelun paikkoja pienten kotien etsijöille", toteaa Hypon ekonomisti Juho Keskinen. KUVA: JOONAS SALO

Laura Kukkonen HS

18.11.2022 0:01 | Päivitetty 18.11.2022 8:38

Talous | Asuntomarkkinat

Hypo: Markkinoille syntynyt kauppaa jumittava kannustinloukku

Hypon arvion mukaan korkojen voimakkaasta noususta syntynyt kannustinloukku koskettaa peräti miljoonaa suomalaista.



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

Asuvua: "Edessä kesä, areilla 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.



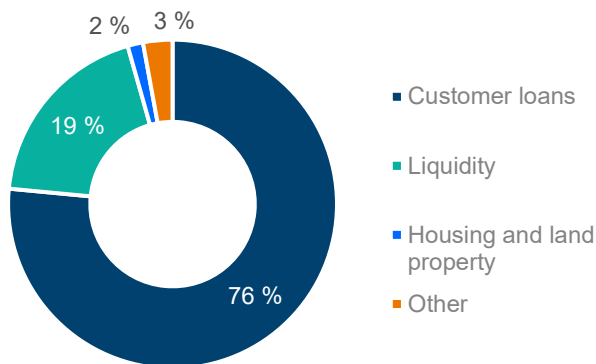
Financial Results



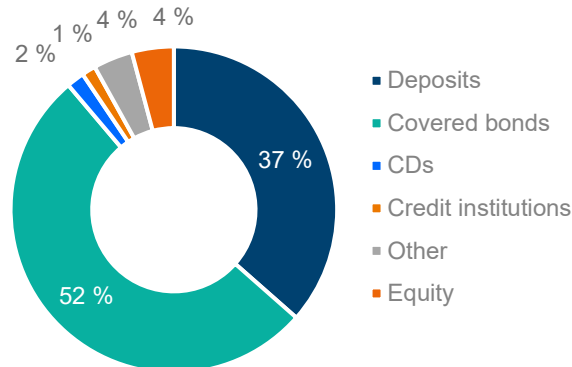
Strong Balance Sheet



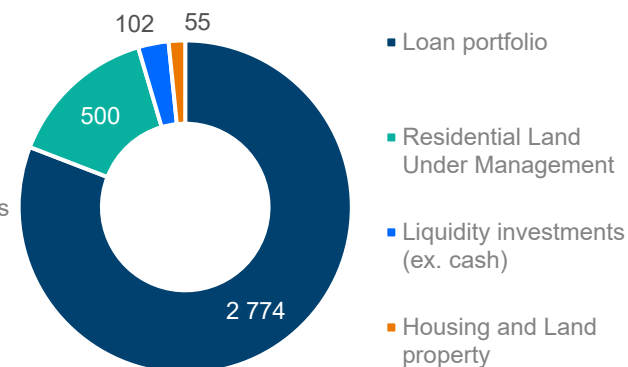
Total Assets



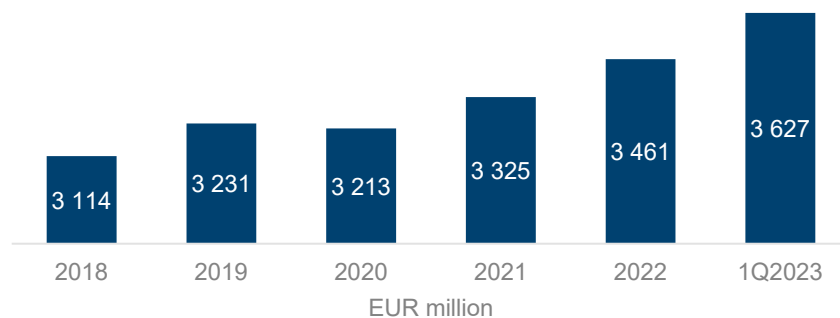
Liabilities and Equity



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

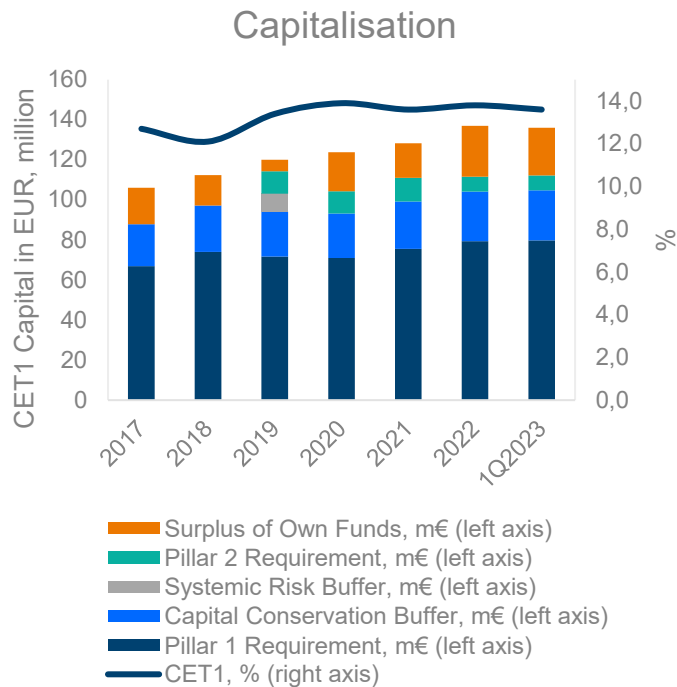


Balance Sheet Total



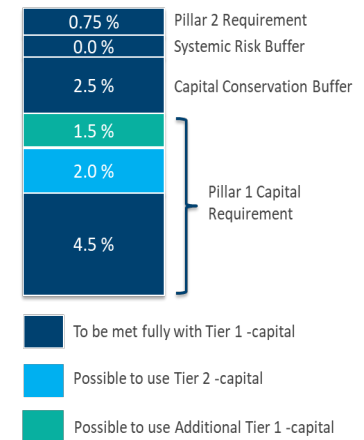
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Solid Capital Basel III Standard Approach



- 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 13.6%, all CET1 (as at 1Q2023)
- EUR 24 million of excess capital after

Pillar 1 Capital Requirement	8.00 %
Capital Conservation Buffer	2.50 %
Systemic Risk Buffer	0.00 %
• 1 % from 1.4.2024 onwards	
Pillar 2 Requirement	0.75 %
➔ Total Capital Requirement	11.25 %



- EUR 4.8 million of hidden reserves in housing property (not marked-to-market) and EUR 6.6 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

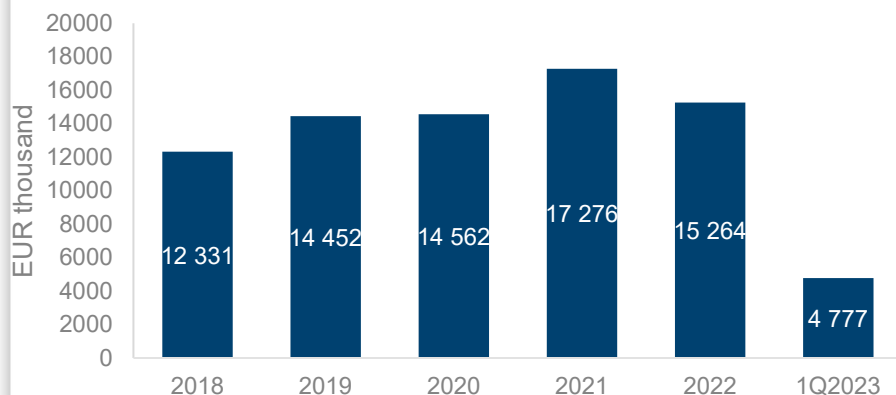
Group Income Statement



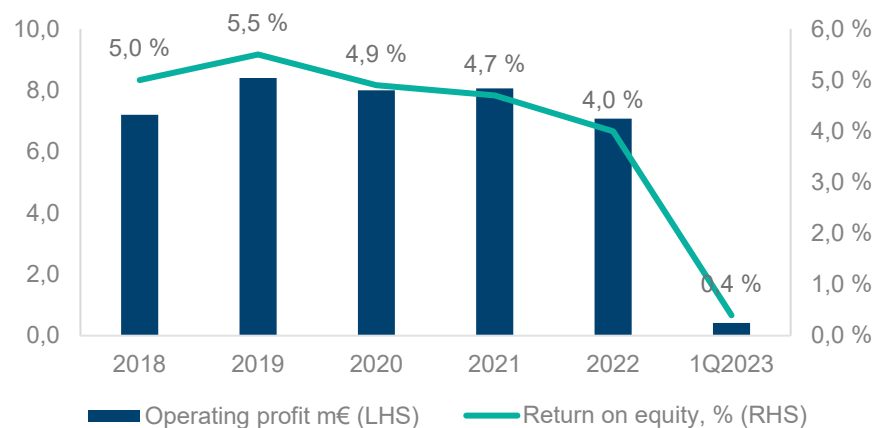
(EUR 1,000)	1-3/2023	1-3/2022	2022	2021
Net Interest Income	4,777	4,270	15,264	17,276
Net Fee and Commission Income	1,021	720	3,592	4,077
Total Other Income	214	1,844	5,766	4,734
Total expenses	-5,598	-5,816	-17,543	-18,023
Operating Profit	414	1,018	7,079	8,064

- In 2022, net interest income increased by 11.9% to EUR 4.8 million due to increased interest rates
- Hypo Group's operating profit was EUR 0.4 million in 1Q2023
- Net Fee and Commission Income totaled EUR 1.0 million in 1Q2023
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 0.2 million in 1Q2023
- Total expenses totaled EUR 5.6 million in 1Q2023

Net Interest Income



Profitability



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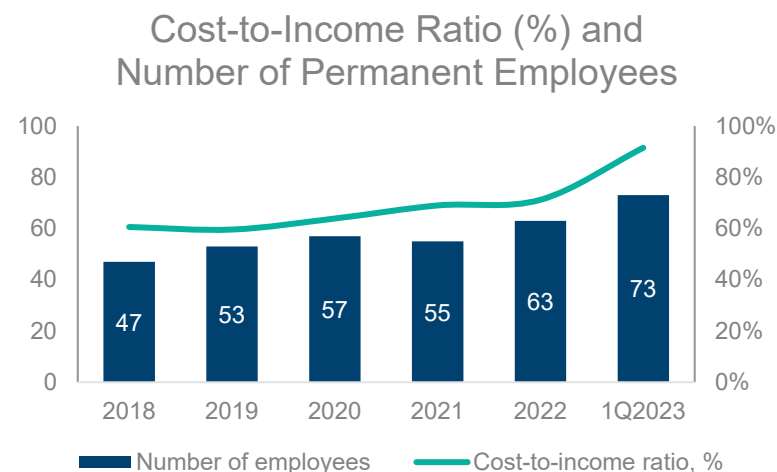
Group Key Financial Figures



	1-3/2023	1-3/2022	2022	2021
Return on Equity (ROE), %	0.4	2.3	4.0	4.7
Common Equity Tier 1 (CET1), %	13.6	13.9	13.8	13.6
Cost-to-income, %	91.5	85.4	71.2	69.0
Non-performing loans (NPL), %	0.14	0.20	0.14	0.14
Loan to value (LTV), %	30.5	32.0	30.8	33.1
Loans / deposits, %	210.6	173.6	187.0	158.8
Receivables from the public (m€)	2,787	2,641	2,750	2,637
Balance sheet total (m€)	3,627	3,217	3,461	3,325

- Total assets were EUR 3.6 billion and receivables from the public EUR 2.8 billion in 1Q2023
- In 1Q2023 CET1 ratio was 13.6% (13.8% as at ye2022) and equity amounted to EUR 150.7 million (150.5 million as at ye2022)
- 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 91.5% in 1Q2023 (71.2% as at ye2022)



Hypo's Loan Book

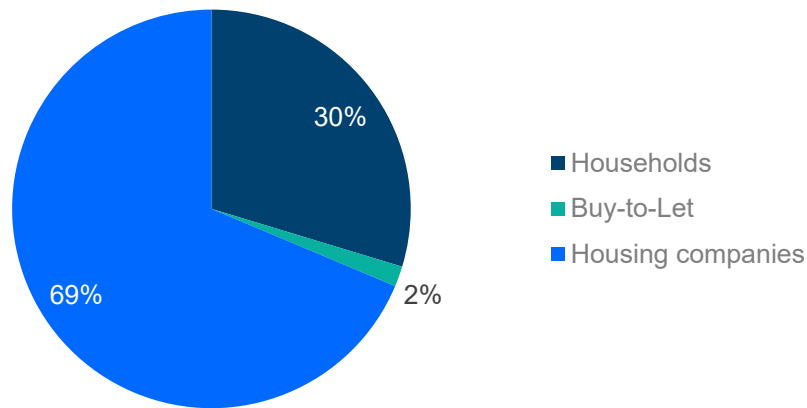


Loan Book Overview

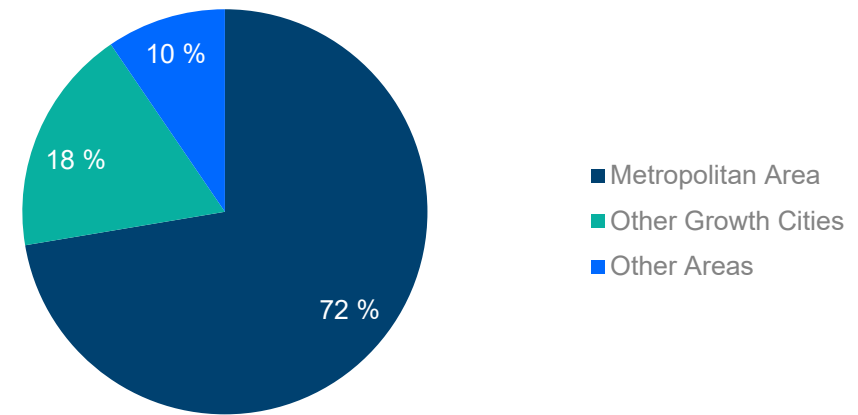


- Hypo's loan book is EUR 2,774.4 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type

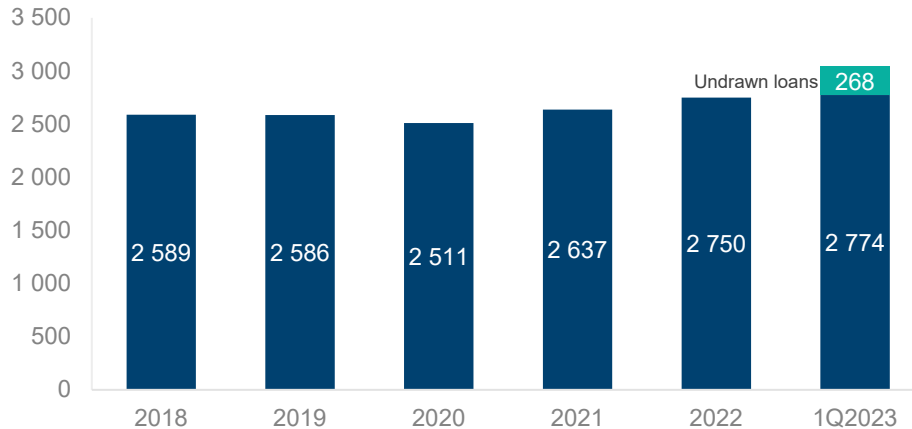


Loan Book by Customer Domicile

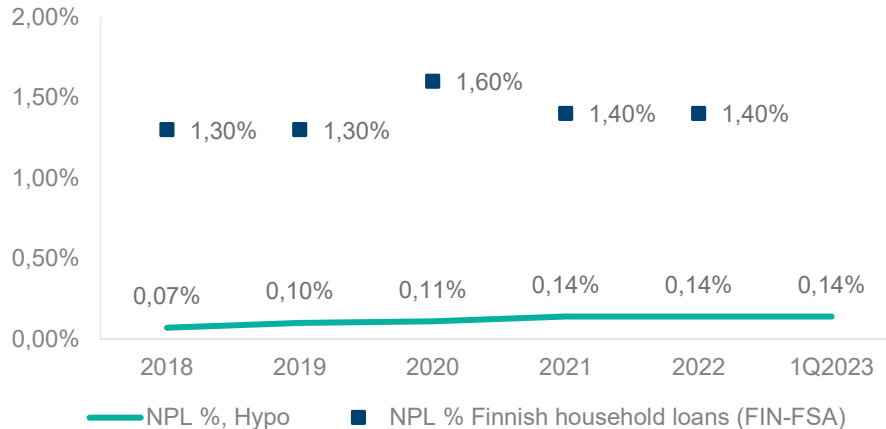


Loan Book Quality Excellent

Hypo Loan Book Total, m€



Non-performing Loans (%)



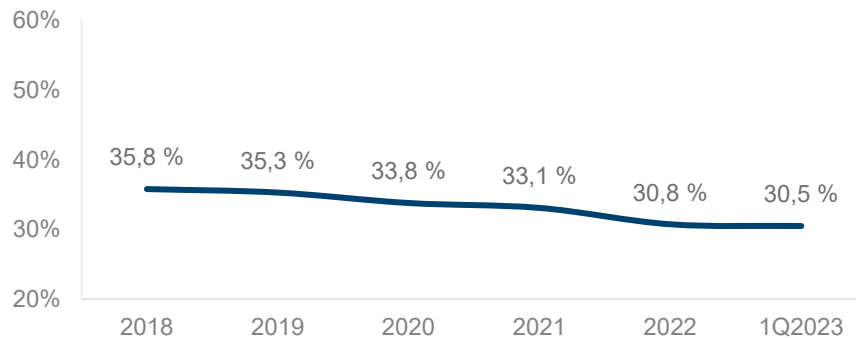
- During the financial period, the loan portfolio grew by 0.9% to EUR 2,774.4 million
- Currently EUR 268 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.14% of total loans
- The quality of the loan book is well above the Finnish household loans' average NPLs

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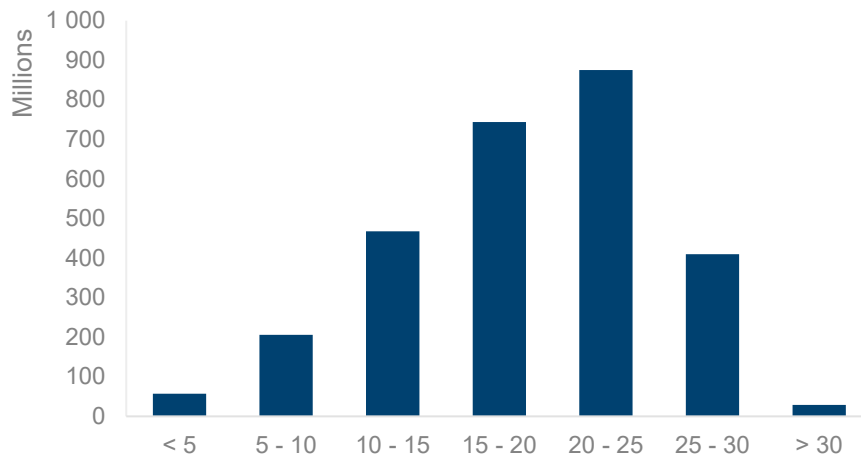
Loan Book Securely Collateralised



Hypo Loan Book Average LTV



Loan Book by Remaining Maturity (years)



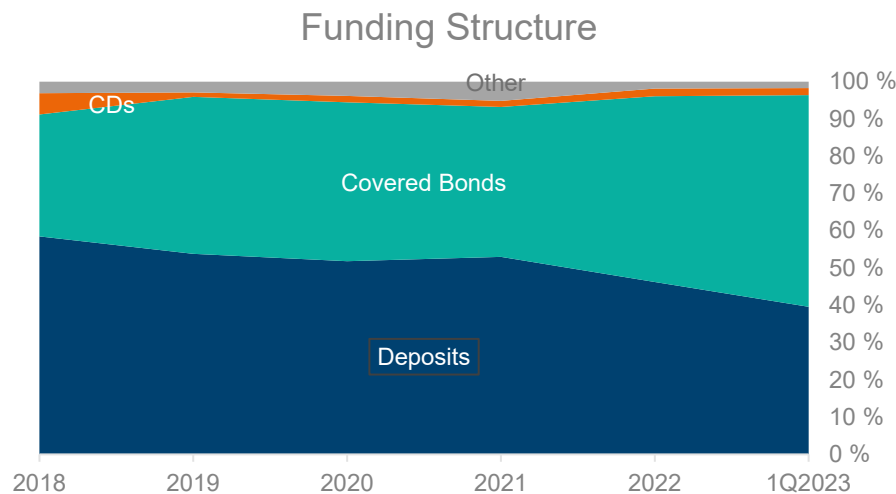
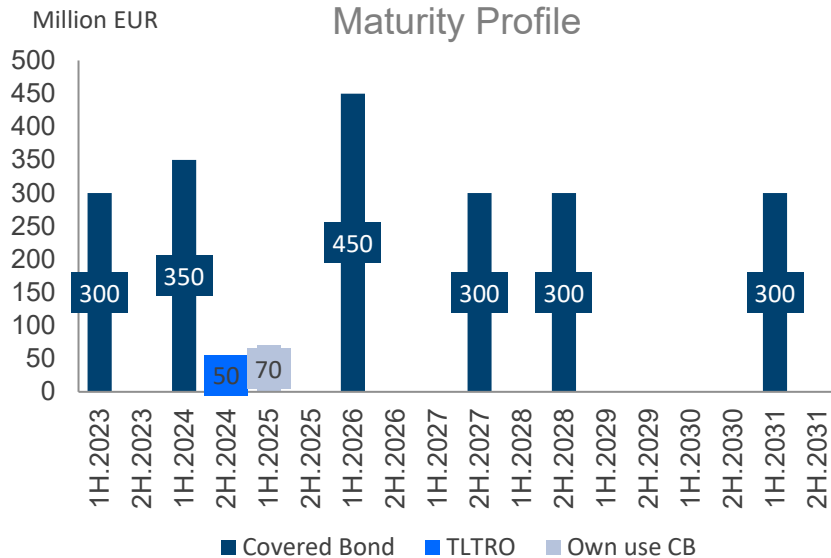
- Low LTV combined with conservative collateral valuation makes Hypo's loan book very strong even in times of stress
- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) is stable at 30.5%
- Around 99% of the loans are amortizing and 1% bullets
- >90% of loan book is risk weighted at 35% or lower
- The average maturity of a loan at the time of withdrawal is 23.4 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
- NSFR 114.0% (106.5% as at ye2022)
- Deposits through the AsuntoHypoPankki subsidiary form currently ~40% of total funding
- Covered bonds currently ~57% 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 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 2,070 million
- Current WALTV for pools 32.6% and 25.9%
- Current nominal overcollateralization for pools 31.0% and 26.0%
 - 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 – 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
Covered – Pool 2	FI4000549605	15.3.2023	15.9.2028	300	Fixed +3.625	MS +32

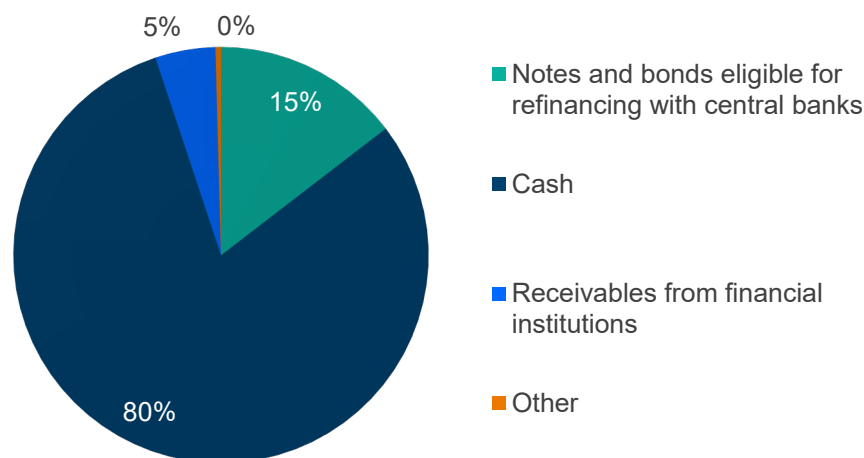
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Solid Liquidity Position



Liquidity portfolio EUR 695.6 million as of 31.3.2023

- Equaling 19.2% 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 142.4% (201.6% as at ye2022)
- Liquidity covers wholesale funding cash flows for the following 15 months.



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Outlook



Future Outlook



“Slow economic development continues as inflation and rising interest costs reduce households' purchasing power. Employment supports the economy and the housing market in difficult times. The housing market will be able to recover when inflation and interest rates settle down and consumer confidence returns. New housing starts decrease significantly, but the supply of completed new homes will remain high this year. Differences between housing market areas and units will deepen. Urbanization continues due to strong newbuilding in Helsinki-Tampere-Turku -areas.

Hypo Group focuses on strengthening its core business and profitability. 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 2023 is expected to be at least on the same level as in 2022. The expectation contains uncertainties due to the development in economy and interest rates as well as uncertainties related to the war in Ukraine.”



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