

Hypo Investor Update 2Q2023

Debt Investor Presentation



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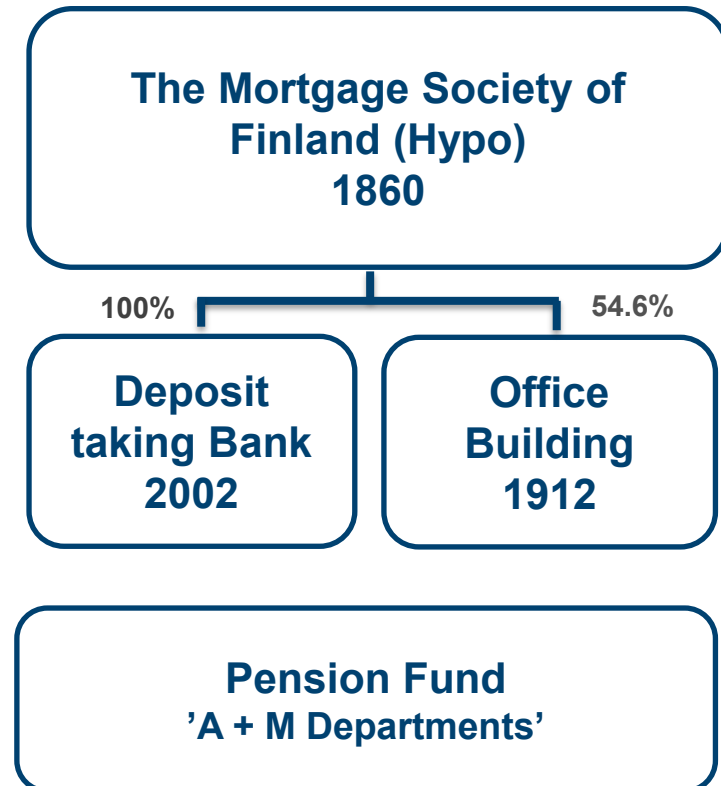
HYPO

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 0.13% (as at 2Q23)
- Total assets EUR 3.5 billion (as at 2Q23)
- 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

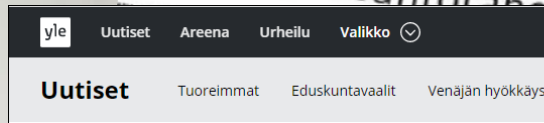
BBB (stable)

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



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

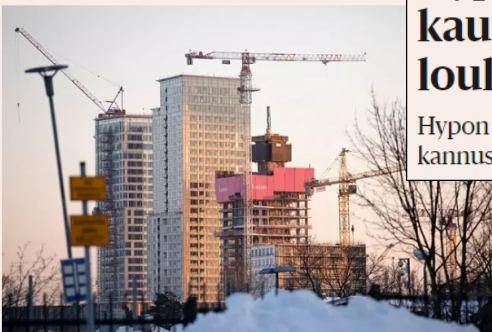
penevät eniten ja missä arvo säilyy

iden hinnat ovat nousseet muita asuntoja nopeammin miltei joden ajan. Nyt yksioiden hintoihin on osunut voimakas

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 kauppa 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

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

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

Kasvua: "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.



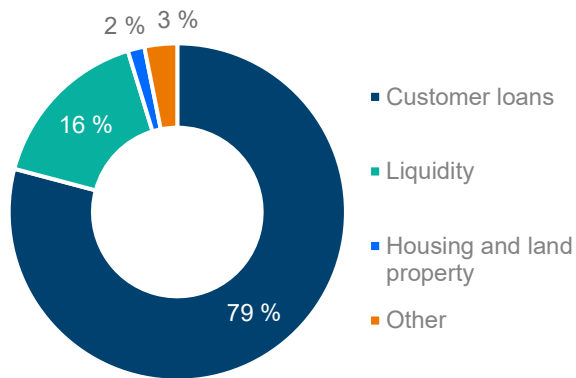
Financial Results



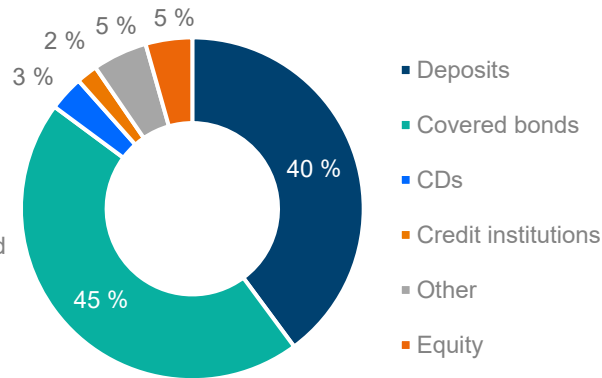
Strong Balance Sheet



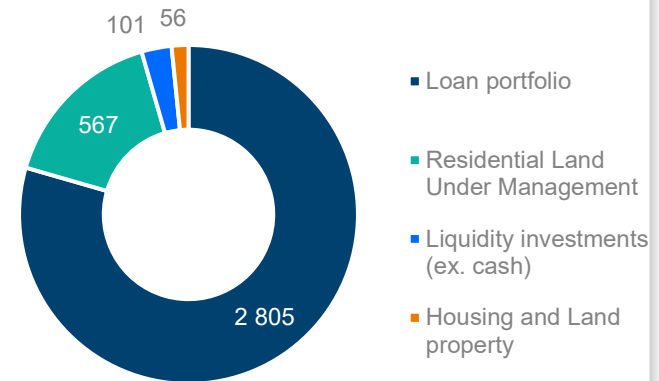
Total Assets



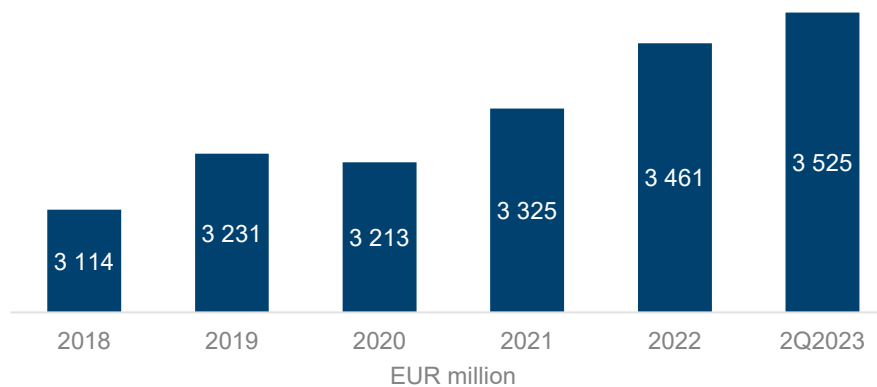
Liabilities and Equity



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

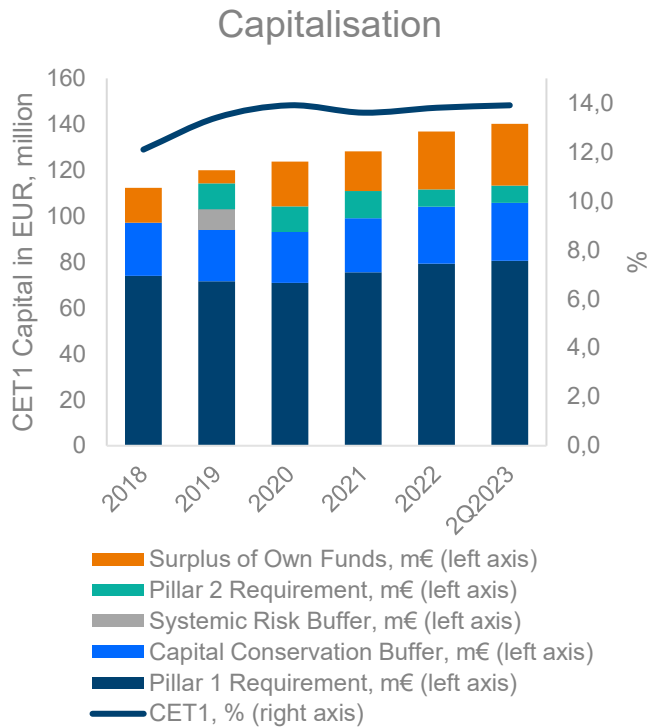


Balance Sheet Total



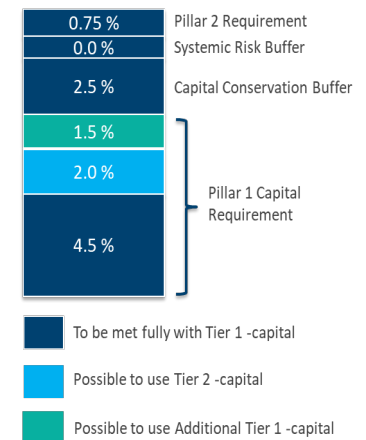
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Solid Capital Basel III Standard Approach



- Mutual company: all profits are retained and added to the core capital
- S&P's Risk Adjusted Capital 18.0% on 31.12.2022
- Total Capital Ratio 13.9%, all CET1 (as at 2Q2023)
- EUR 27 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"> • 1 % from 1.4.2024 onwards 	
Pillar 2 Requirement	0.75 %
➔ Total Capital Requirement	11.25 %



- EUR 5.1 million of hidden reserves in housing property (not marked-to-market) and EUR 6.8 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

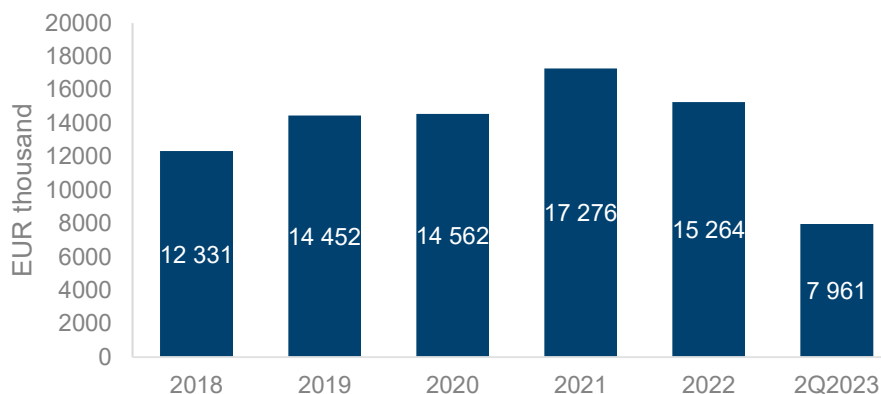
Group Income Statement



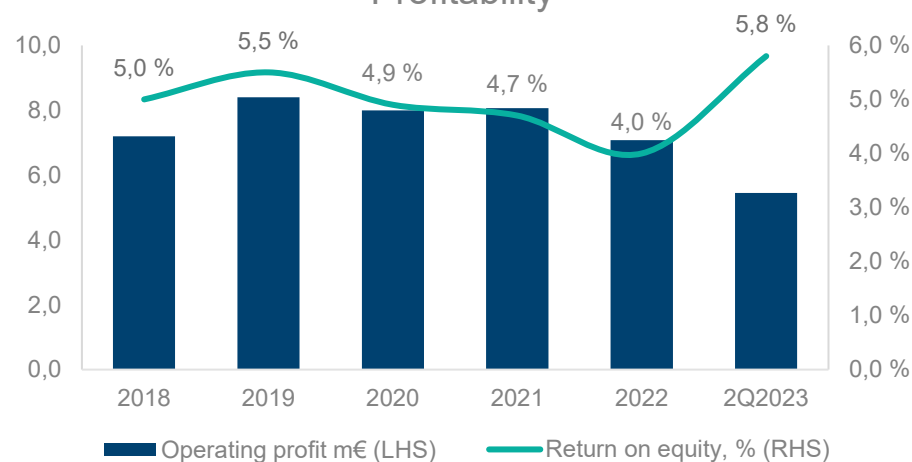
(EUR 1,000)	1-6/2023	1-6/2022	2022	2021
Net Interest Income	7,961	8,755	15,264	17,276
Net Fee and Commission Income	2,509	1,866	3,592	4,077
Total Other Income	3,180	3,812	5,766	4,734
Total expenses	-8,203	-10,386	-17,543	-18,023
Operating Profit	5,448	4,047	7,079	8,064

- In January-June 2023, net interest income decreased by 9.1% to EUR 8.0 million (EUR 8.8 million) due to increased interest rates
- Hypo Group's operating profit was EUR 5.4 million in 2Q2023
- Net Fee and Commission Income totaled EUR 2.5 million in 2Q2023
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 3.2 million in 2Q2023
- Expenses decreased by 21.0% from the previous year and totaled EUR 8.2 million (EUR 10.4 million)

Net Interest Income



Profitability



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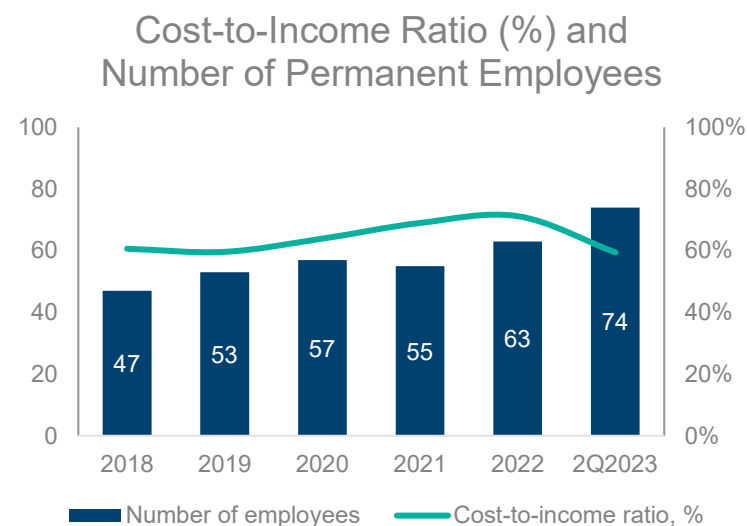
Group Key Financial Figures



	1-6/2023	1-6/2022	2022	2021
Return on Equity (ROE), %	5.8	4.6	4.0	4.7
Common Equity Tier 1 (CET1), %	13.9	14.0	13.8	13.6
Cost-to-income, %	59.4	72.2	71.2	69.0
Non-performing loans (NPL), %	0.13	0.22	0.14	0.14
Loan to value (LTV), %	30.4	31.4	30.8	33.1
Loans/ deposits, %	199.6	185.7	187.0	158.8
Receivables from the public (m€)	2,805	2,690	2,750	2,637
Balance sheet total (m€)	3,525	3,316	3,461	3,325

- Total assets were EUR 3.5 billion and receivables from the public EUR 2.8 billion in 2Q2023
- In 2Q2023 CET1 ratio was 13.9% (13.8% as at ye2022) and equity amounted to EUR 155.1 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 59.4% in 2Q2023 (71.2% as at ye2022)



Hypo's Loan Book

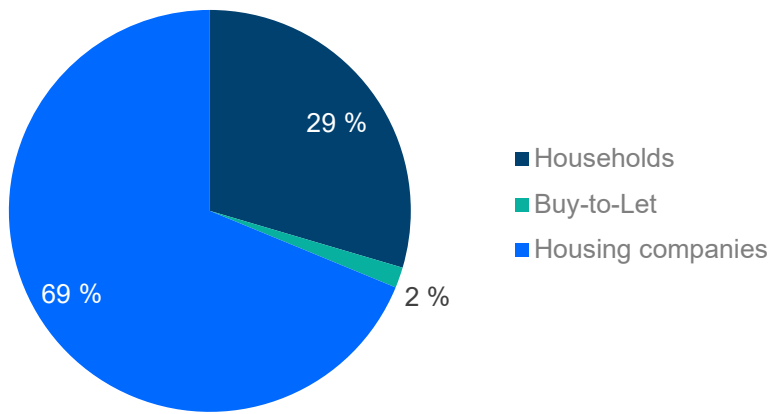


Loan Book Overview

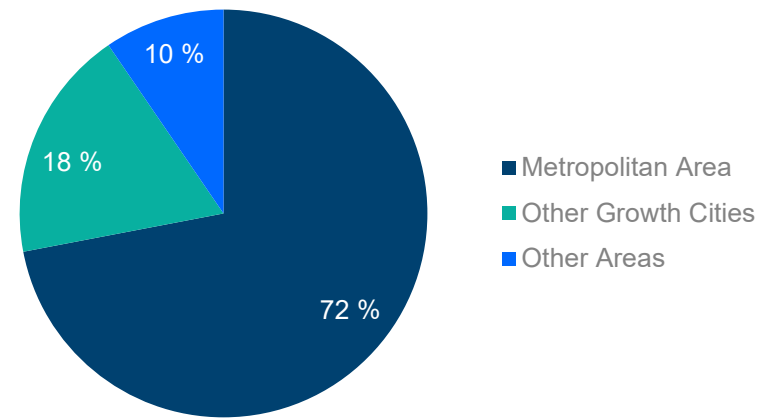


- Hypo's loan book is EUR 2,805.1 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type

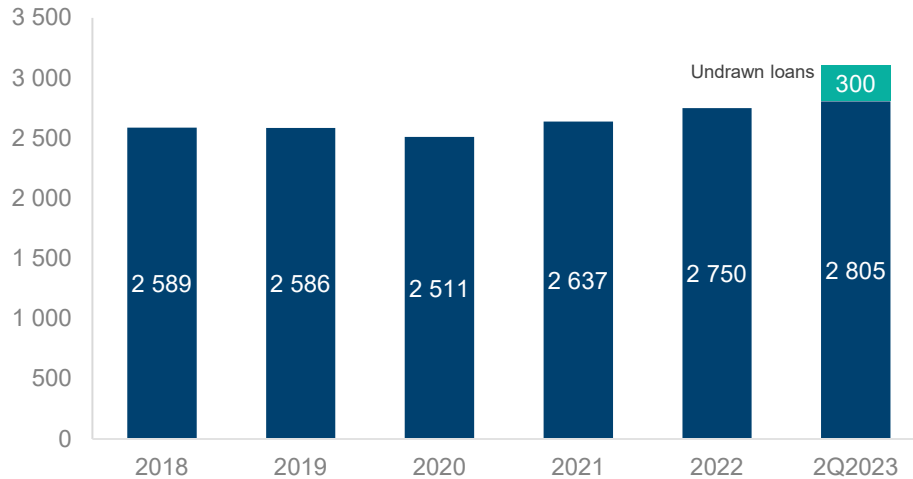


Loan Book by Customer Domicile

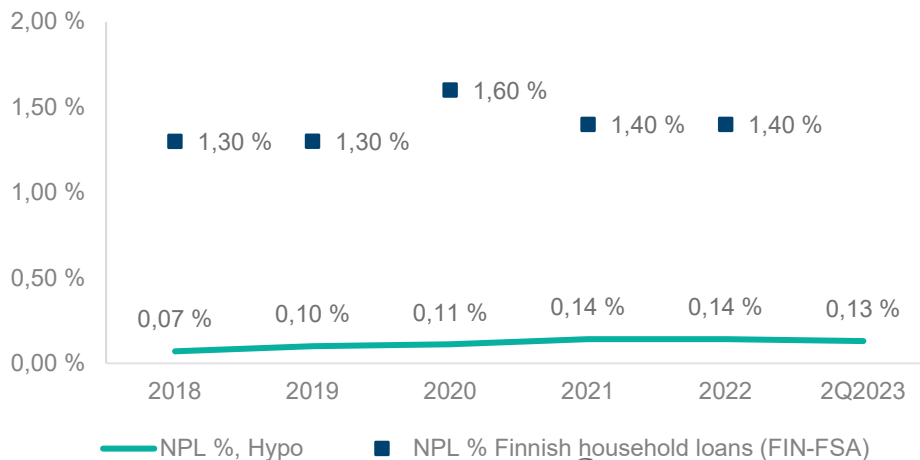


Loan Book Quality Excellent

Hypo Loan Book Total, m€



Non-performing Loans (%)



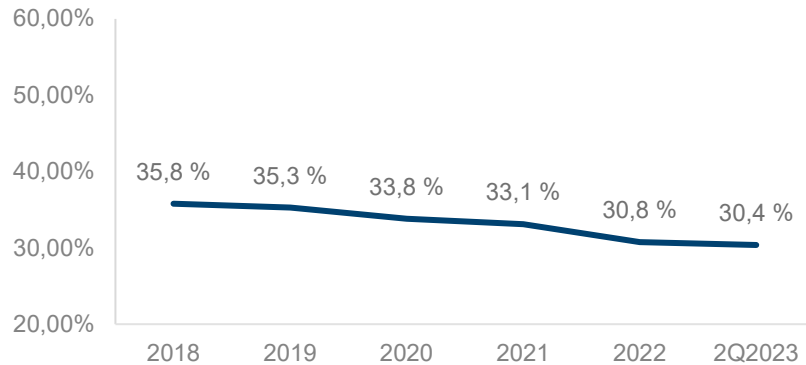
- During the financial period, the loan portfolio grew by 2.0% to EUR 2,805.1 million
- Currently EUR 300 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.13% 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

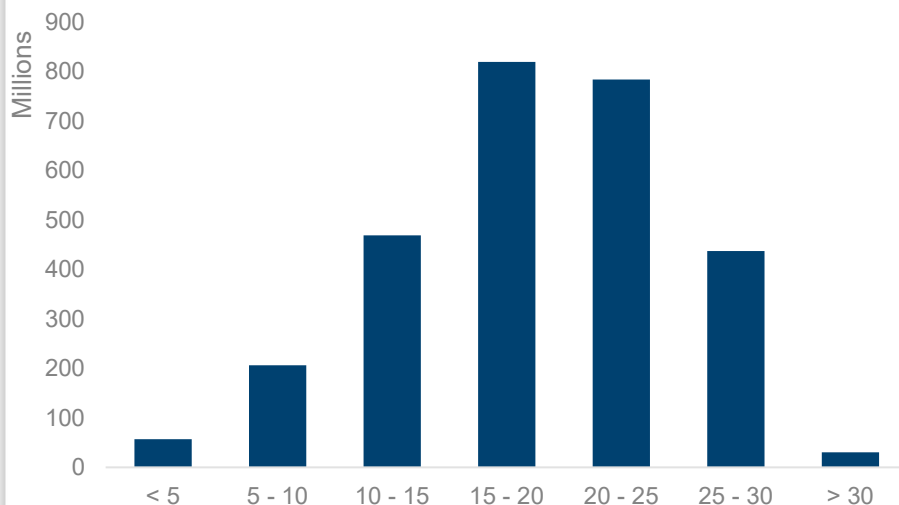


Hypo Loan Book Average LTV



- 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 30.4%
- 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 23.4 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

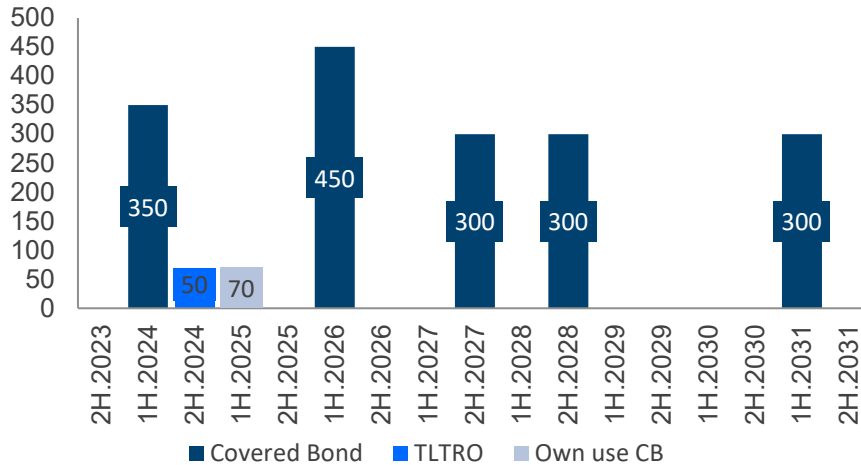


Diversified Funding Profile

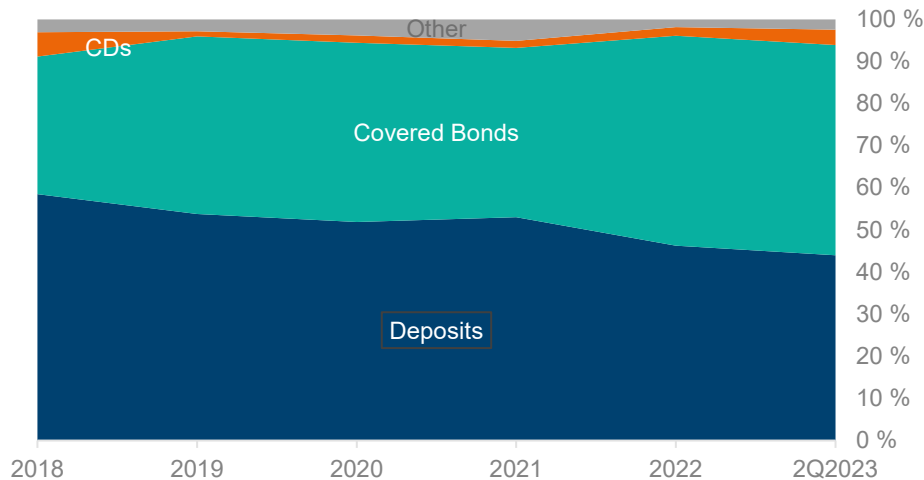


Million EUR

Maturity Profile



Funding Structure



- 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 109.9% (106.5% as at ye2022)
- Deposits through the AsuntoHypoPankki subsidiary form currently ~44% of total funding
- Covered bonds currently ~50% 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 1,770 million
- Current WALTV's for pools 32.1% and 25.8%
 - Current nominal overcollateralization for pools 32.3% and 26.3%
 - 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	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

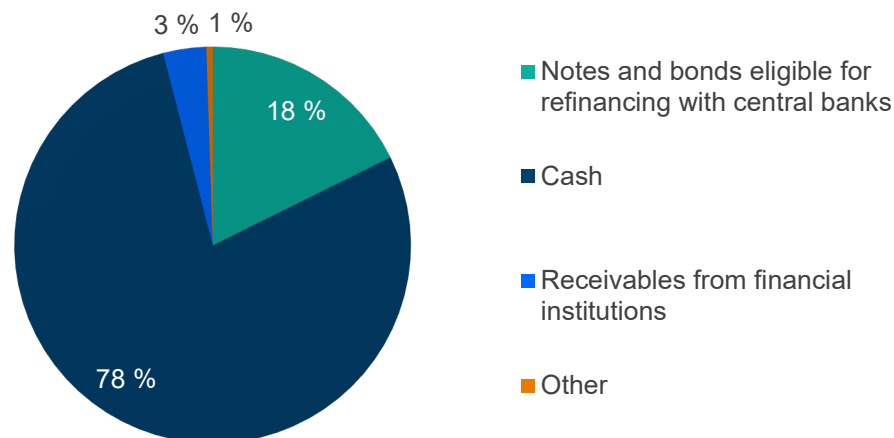
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Solid Liquidity Position



Liquidity portfolio EUR 571.7 million as of 30.6.2023

- Equaling 16.2% 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 256.1% (201.6% as at ye2022)
- Liquidity covers wholesale funding cash flows for the following 15 months.



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Outlook



Future Outlook



“Finland’s economic development will be slow for the rest of the year, when rising interest rates and inflation weaken investments and private consumption. The employment situation still supports the economy and the housing market. The housing market will only recover when inflation and interest rates settle down and consumers’ purchasing power improves. The construction industry’s economic situation is weakening, and construction investments are falling. New housing starts are decreasing, but the supply of completed new homes will remain high this year. Differences between housing market areas and units become more important and urbanization continues due to the strong newbuilding to 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 the year 2023 is expected to be slightly higher than operating profit for 2022. The expectation contains uncertainties due to the development in economy and interest rates as well as due to uncertainties related to the war in Ukraine.”



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