

Hypo Investor Update

Debt Investor Presentation



Autumn 2023



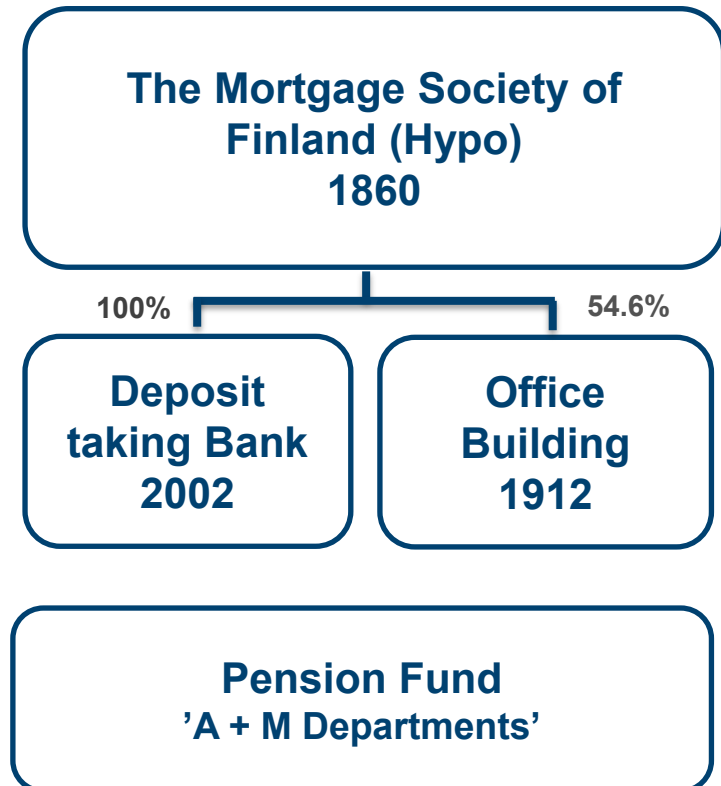
HYPO

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

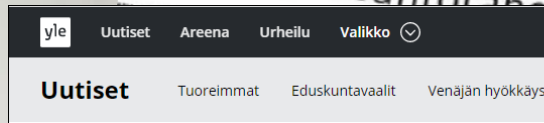
BBB (stable)

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 yksiöiden hintoihin on osunut voimakas

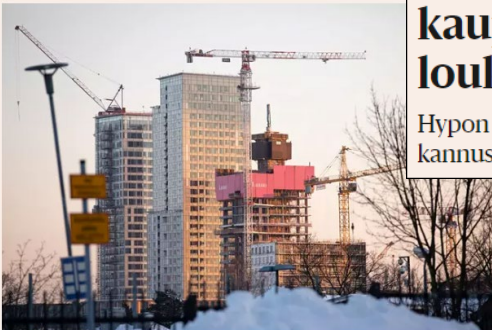
Hypo: Venäjän hyökkäys Ukrainaan aiheuttamassa rakentamisen äkkikäännöksen – "Tässä voi tulla yllättävän voimakas lasku"

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 talvihorros 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

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.



Finnish Economy & Housing Market

Overview



Finnish economy in a nutshell



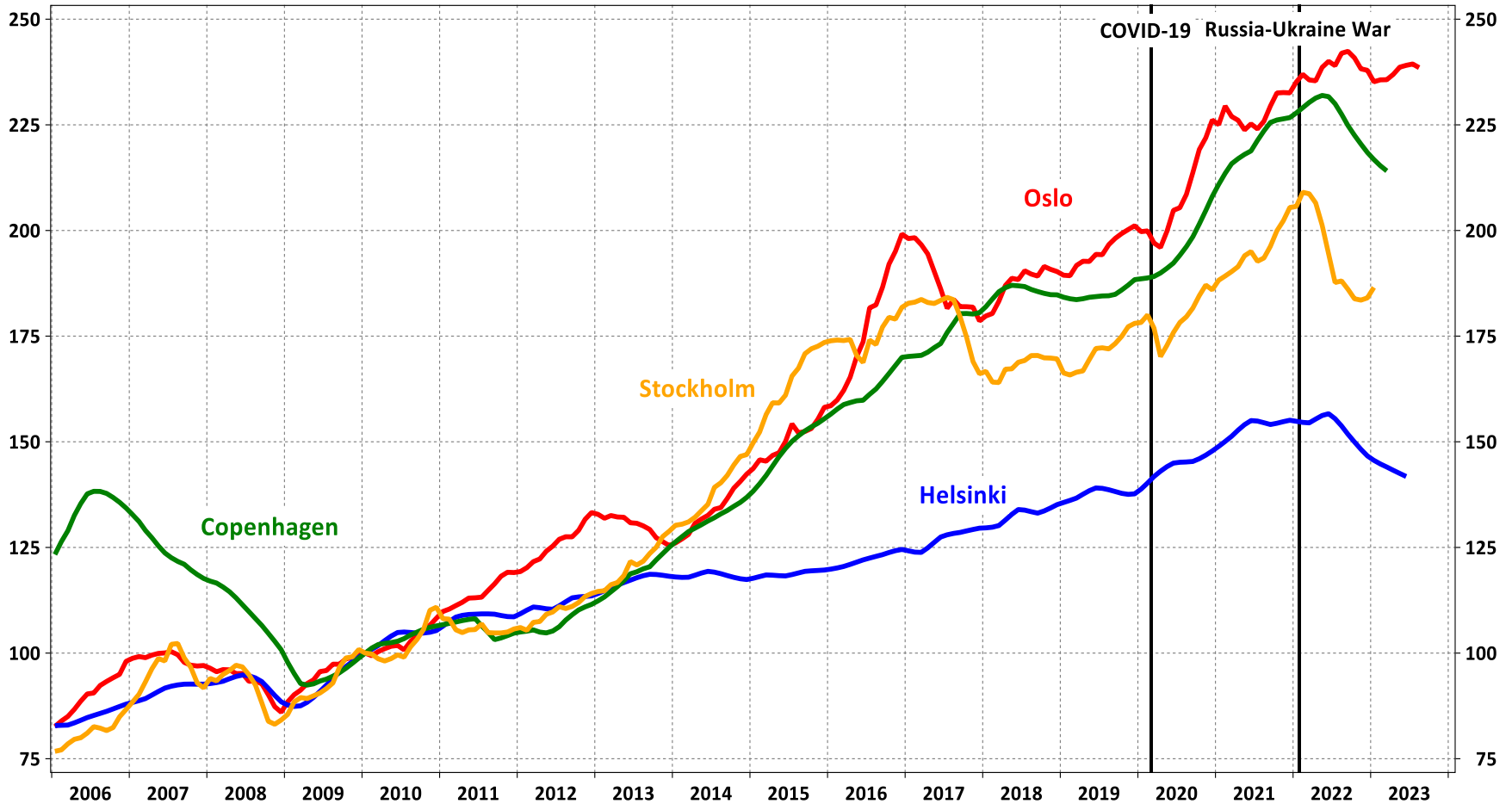
National account	2021	2021	2022	Forecast*	
	EUR bn (current prices)			% y/y	
GDP	251	3,2	1,6	-0,5	1,0
Imports	99	6,0	8,3	-3,0	2,0
Exports	99	5,8	3,5	0,0	2,0
Private Consumption	123	3,7	1,8	-1,0	1,5
Public Consumption	62	3,9	0,8	3,0	0,0
Investments	59	1,0	3,2	-4,0	1,0
Economic indicators	2021	2022	2023	2024	
Unemployment rate, %	7,7	6,8	7,0	7,0	
Earnings, % y/y	2,4	2,5	4,5	3,5	
Inflation, % y/y	2,2	7,1	6,5	2,5	
Housing prices, % y/y	4,1	0,5	-7,0	2,0	
Current account, % of GDP	0,4	-3,6	-1,1	-1,0	
Public deficit, % of GDP	-2,8	-0,9	-2,5	-2,2	
Public debt/GDP, % of GDP	72,5	72,5	73,5	75,0	

*July 2023. Source: Hypo, Statistics Finland

Prices settle down instead of crashing



2010 = 100, apartment prices, seasonally adjusted



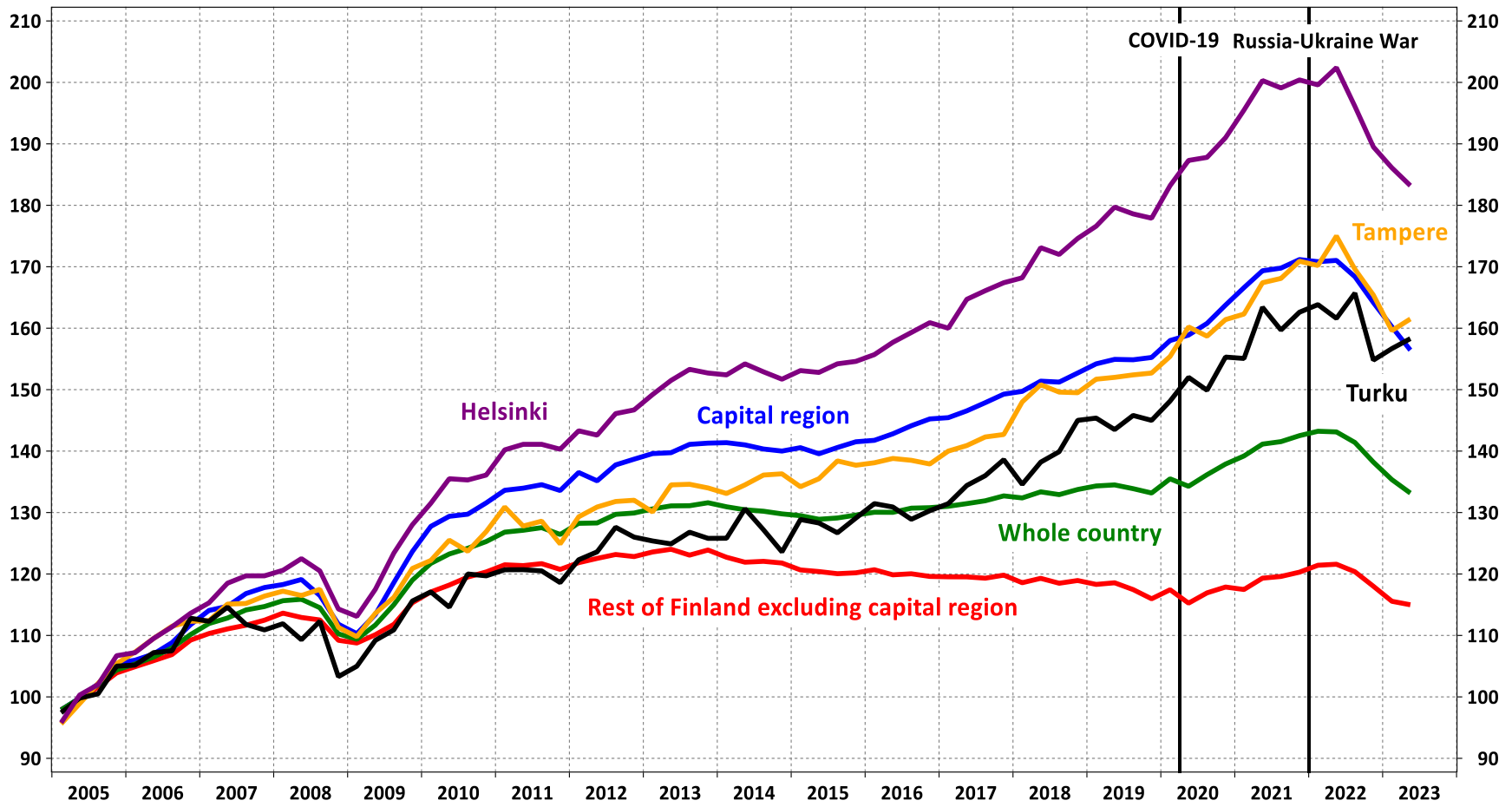
Source: Hypo, Macrobond

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Urbanization drives housing prices



2005 = 100, Prices of old dwellings, seasonally adjusted



Source: Hypo, Macrobond

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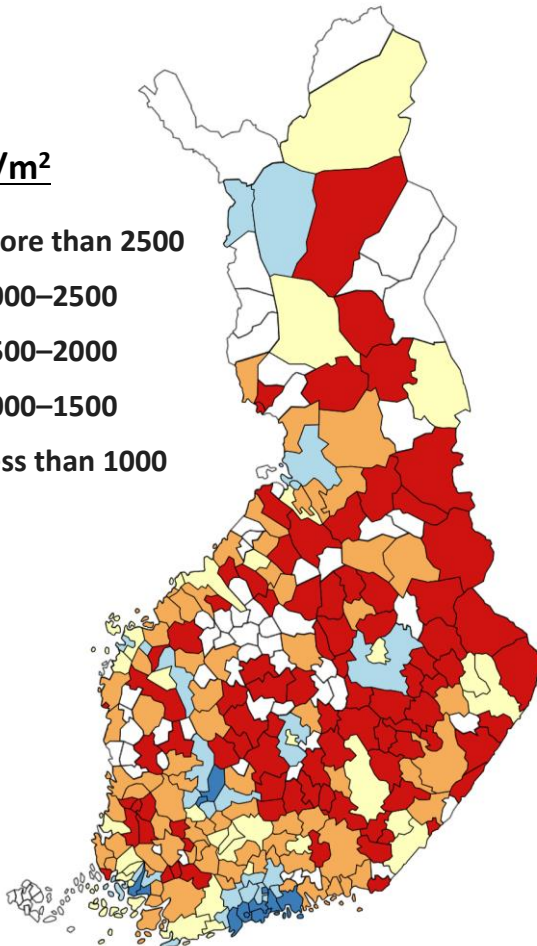
High prices stand for high demand



House prices 2022

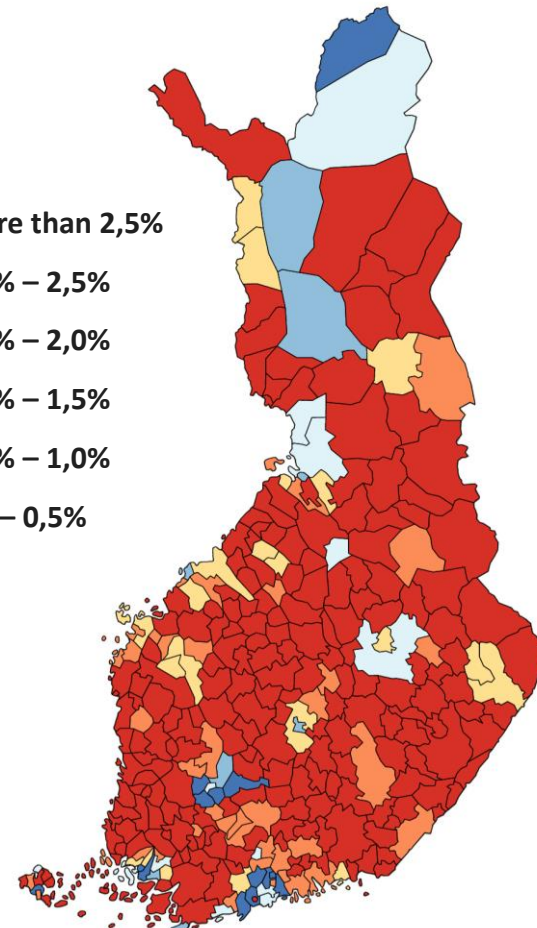
€/m²

- More than 2500
- 2000–2500
- 1500–2000
- 1000–1500
- Less than 1000



Newbuilding starts per housing stock 2022

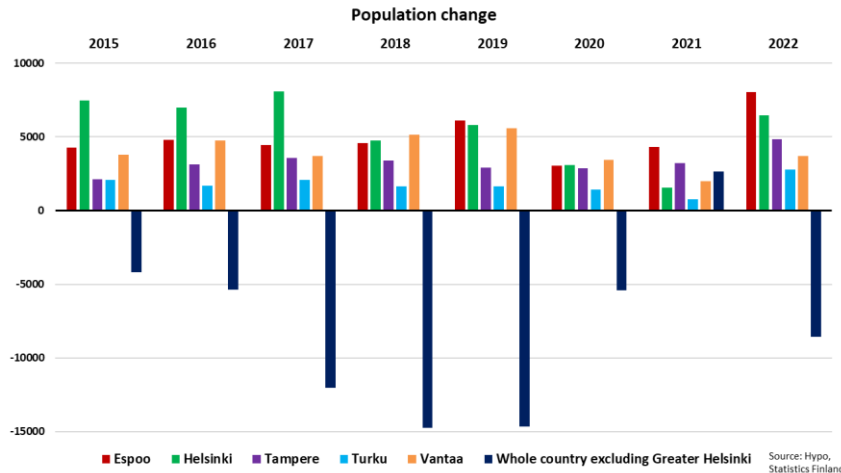
- More than 2,5%
- 2,0% – 2,5%
- 1,5% – 2,0%
- 1,0% – 1,5%
- 0,5% – 1,0%
- 0% – 0,5%



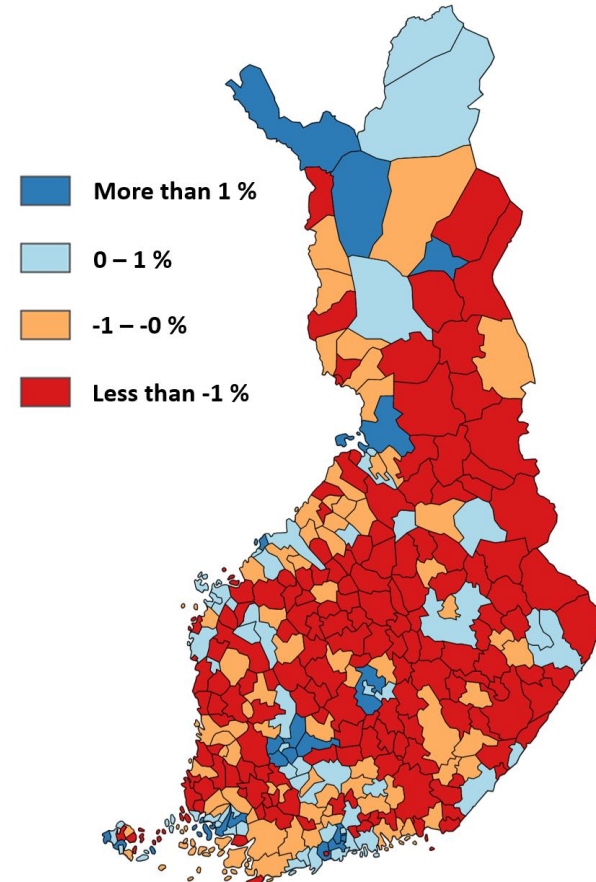
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Source: Hypo, Statistics Finland

Urbanization continues



Population growth 2022



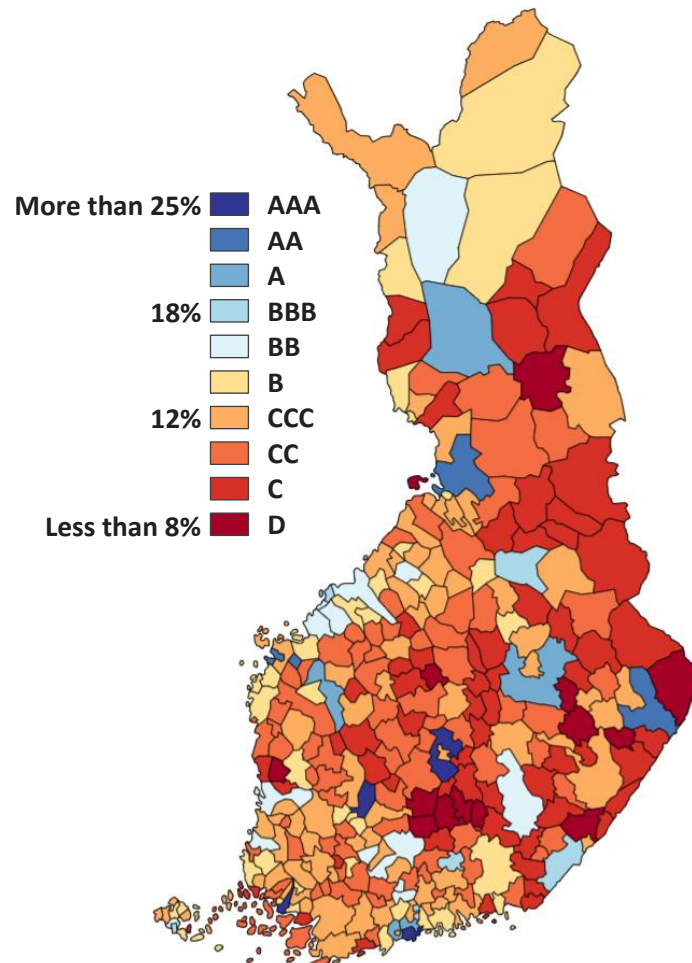
Source: Hypo, Statistics Finland

- Population growth was strongest in the largest university cities last year.
- Statistics Finland's population forecast predicts that growth will be concentrated in the growth triangle area of the Greater Helsinki region, Tampere and Turku.
- Population growth in the largest cities intensified after the Covid year 2021.

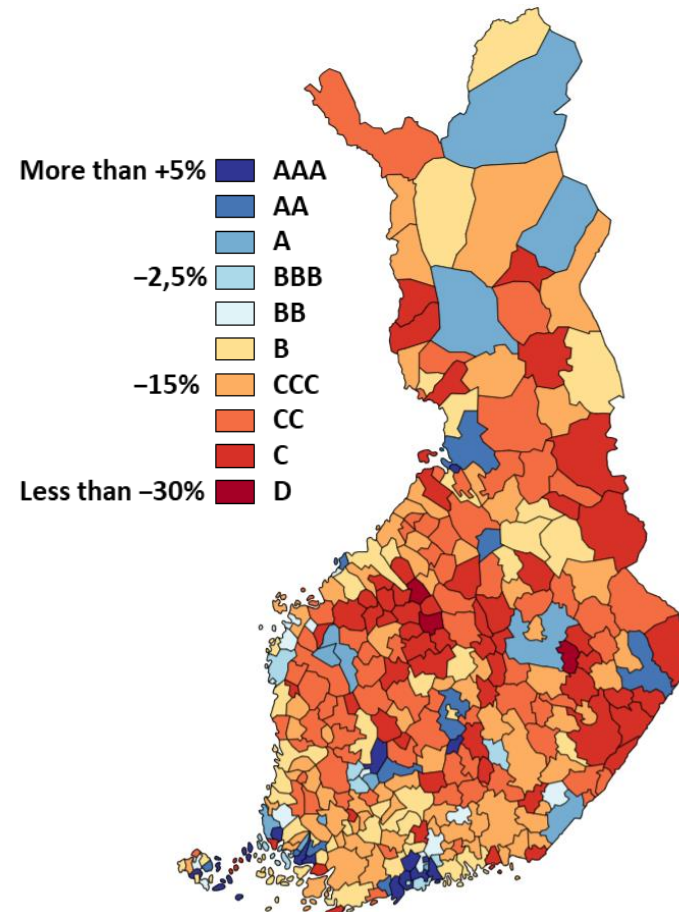
Population structure forecasts housing demand



Share of 20-34 year-olds



Population change of 20-34 year-olds 2015–2020



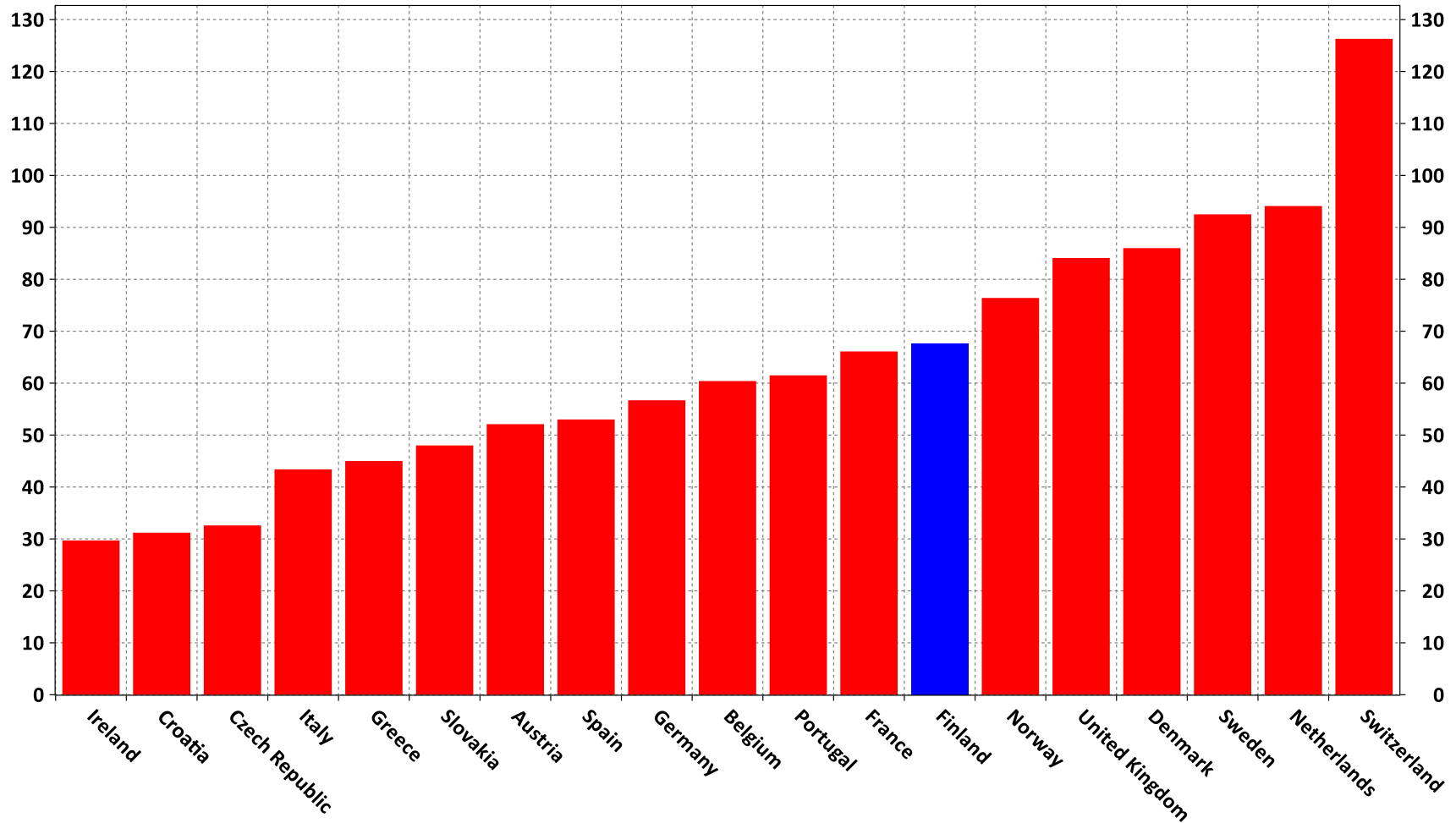
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Source: Hypo, Statistics Finland

Households moderately indebted



%, Household debt to GDP



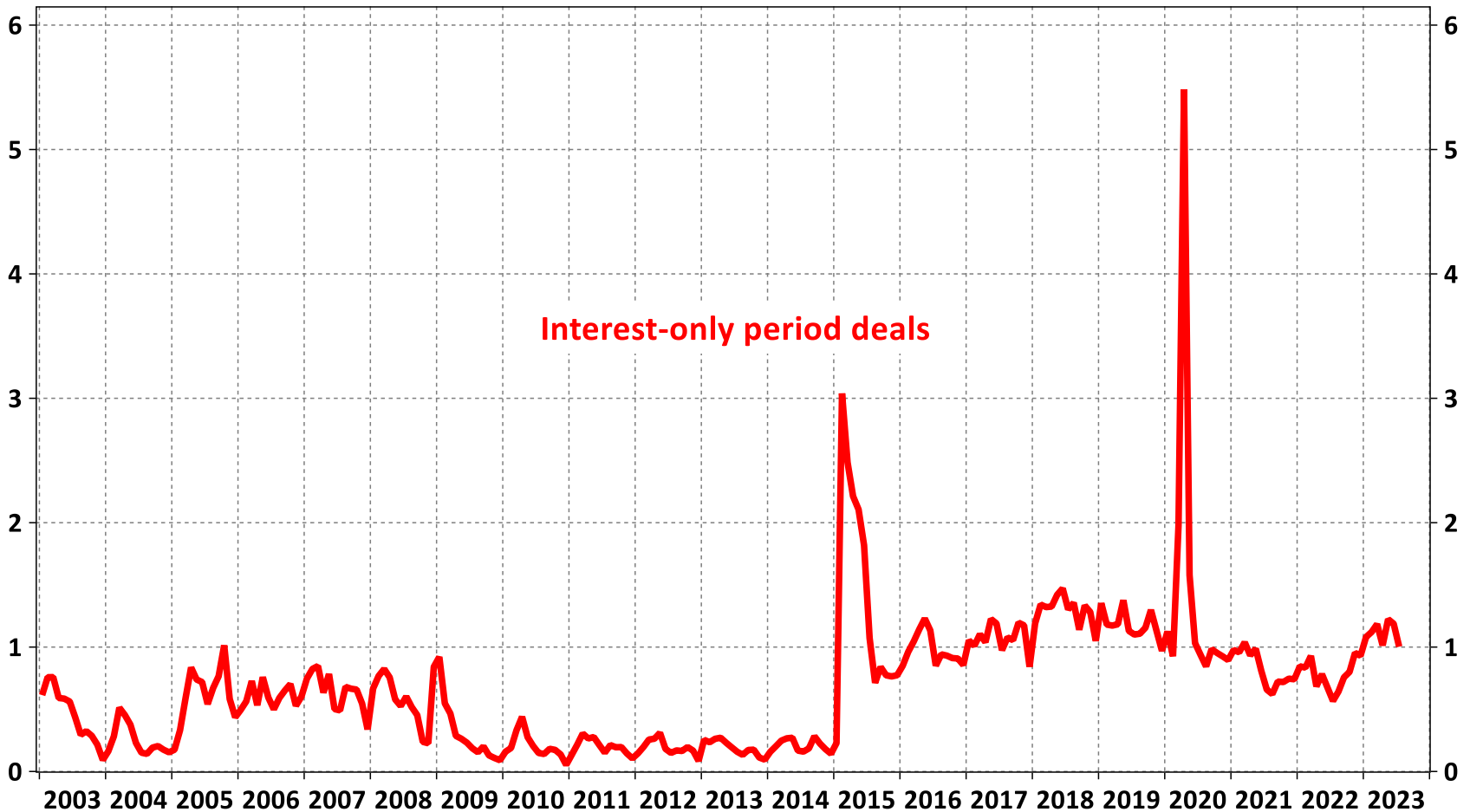
Source: Hypo, Macrobond

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Households adapting well to interest rates



billion eur, mortgage loan renegotiations per month



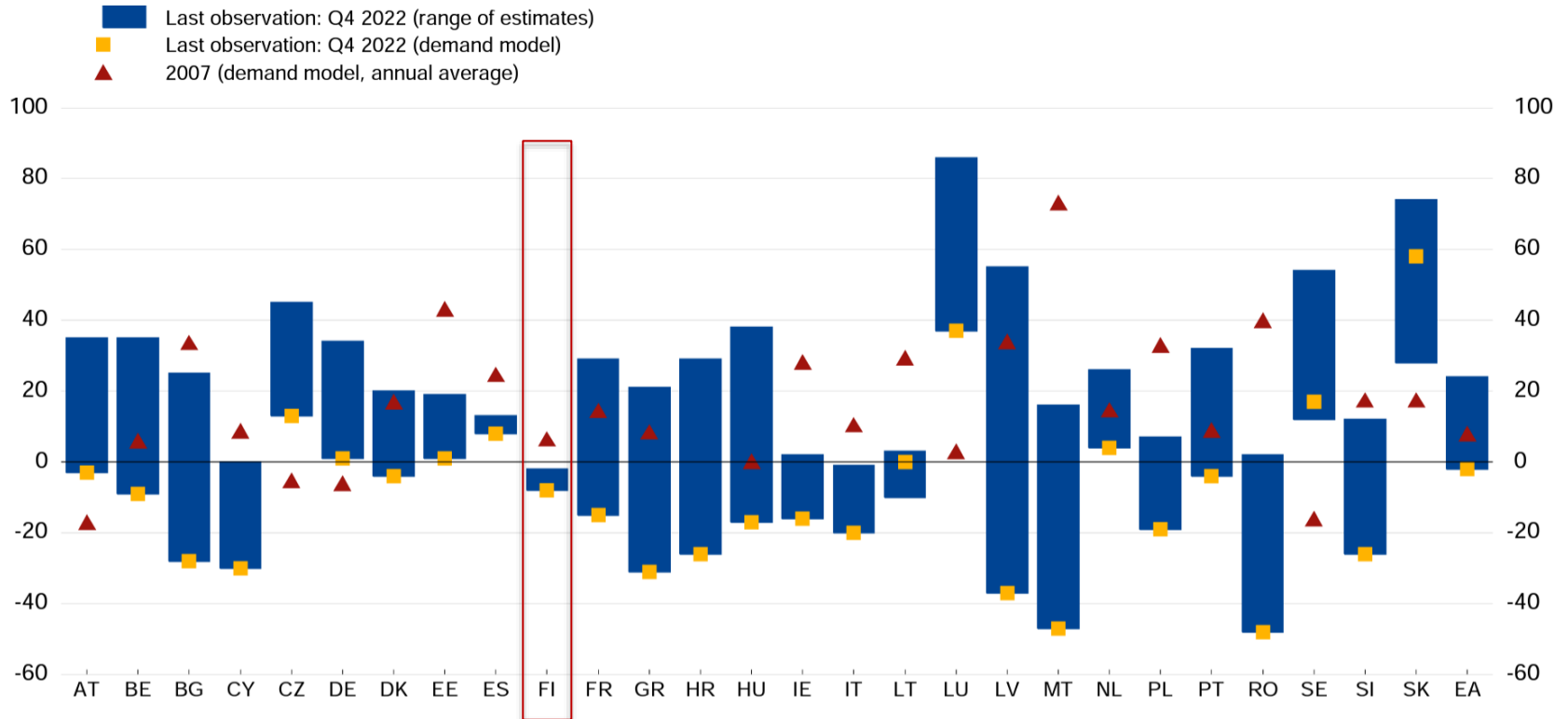
Interest-only period deals

Source: Hypo, Macrobond

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No housing bubble in Finland

3.12 Over/undervaluation of residential property prices (EU; percentages)



Sources: Eurostat, national sources, ECB and ECB calculations.

Notes: Estimates based on four different valuation methods: price-to-rent ratio, price-to-income ratio, asset pricing approach and a Bayesian estimated inverted demand model. For further details see Box 3, Financial Stability Review, ECB, June 2011; and box 3, Financial Stability Review, ECB, November 2015. For each country, the blue bars represent the range of estimates across the four valuation methods. Estimates are up to Q3 2022 for BE and CY, Q4 2022 for all the other countries.

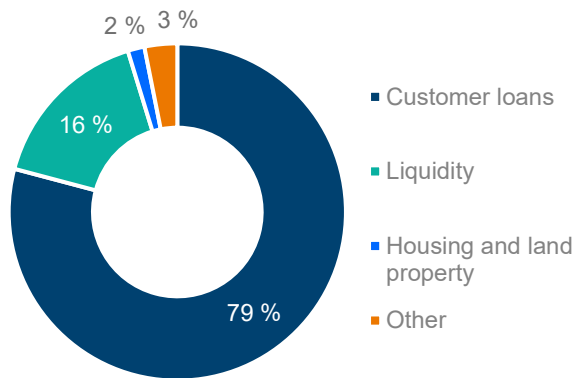
Financial Results



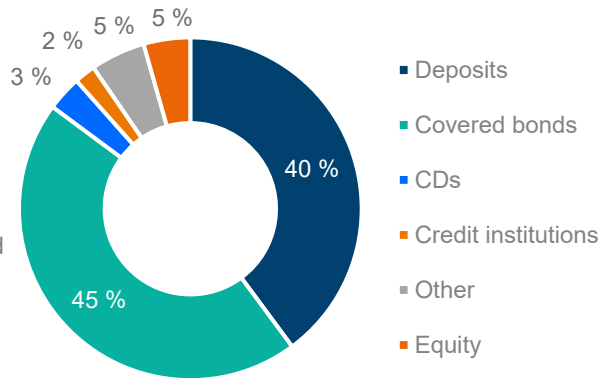
Strong Balance Sheet



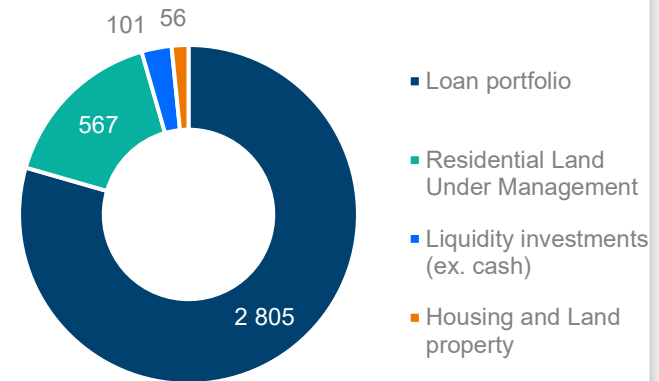
Total Assets



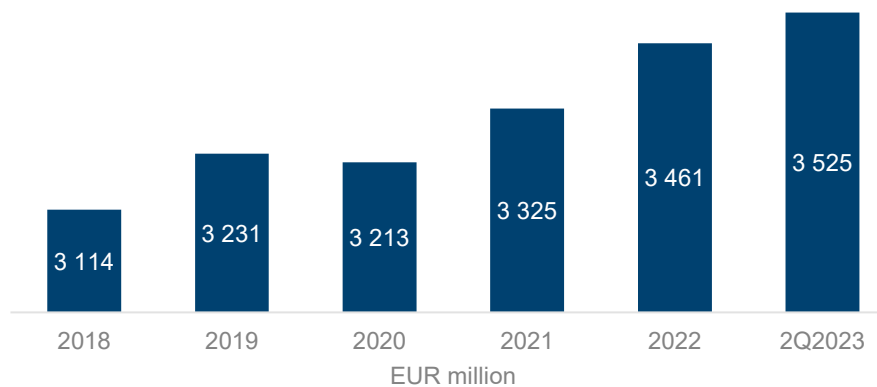
Liabilities and Equity



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

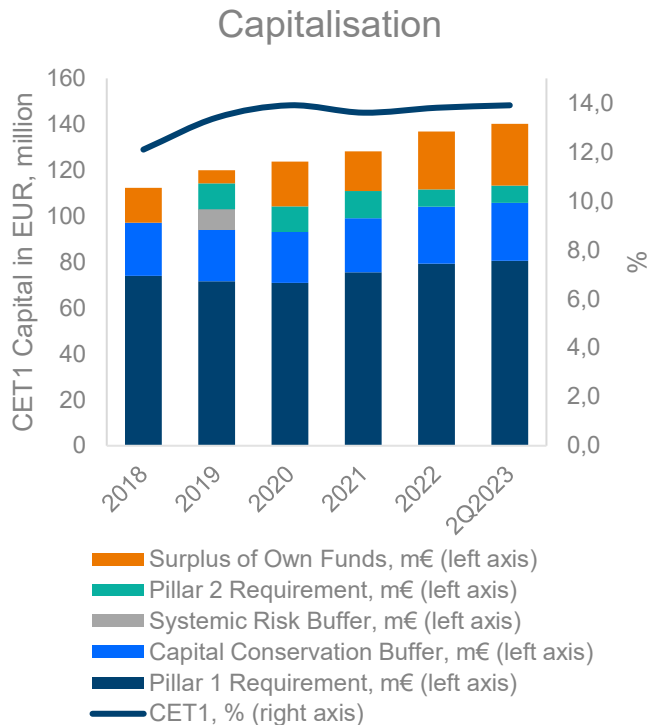


Balance Sheet Total



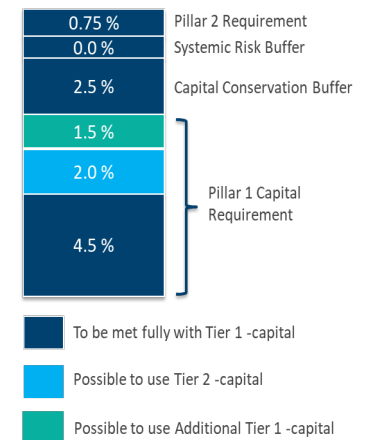
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Solid Capital Basel III Standard Approach



- 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 %
• 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
 - >90% of loan book is risk weighted at 35% or lower
 - Housing and land investments: 100% risk weight

Group Key Financial Figures H12023



GROUP'S KEY FIGURES

(1000 €)

	1-6/2023	1-6/2022	4-6/2023	4-6/2022	1-12/2022
Net interest income	7 961	8 755	3 184	4 485	15 264
Net fee and commission income	2 509	1 866	1 489	1 146	3 592
Total other income	3 180	3 812	2 966	1 968	5 766
Total expenses	-8 203	-10 386	-2 604	-4 571	-17 543
Operating profit	5 448	4 047	5 034	3 029	7 079
Receivables from the public and public sector entities	2 805 114	2 689 470	2 805 114	2 689 470	2 749 916
Deposits	1 405 304	1 448 047	1 405 304	1 448 047	1 463 261
Balance sheet total	3 524 581	3 316 229	3 524 581	3 316 229	3 461 004
Return on equity % (ROE)	5,8	4,6	11,2	6,8	4,0
Common Equity Tier 1 (CET1) ratio	13,9	14,0	13,9	14,0	13,8
Cost-to-income ratio, %	59,4	72,2	34,1	60,3	71,2
Non-performing assets, % of the loan portfolio	0,13	0,22	0,13	0,22	0,14
LTV-ratio, % / Loan to Value, average, %	30,4	31,4	30,4	31,4	30,8
Loans / deposits, %	199,6	185,7	199,6	185,7	187,0
Liquidity Coverage Ratio (LCR), %	256,1	163,0	256,1	163,0	201,6
Net Stable Funding Ratio (NSFR), %	109,9	106,8	109,9	106,8	106,5
Leverage Ratio (LR), %	3,9	4,0	3,9	4,0	3,9

- Net interest income decreased by 9.1% to EUR 8.0 million (EUR 8.8 million H12022) due to increased interest rates
- Expenses decreased to EUR 8.2 million (EUR 10.4 million H12022)
- Total assets grew to EUR 3.5 billion and receivables from the public to EUR 2.8 billion
- Group's financial position remained stable throughout the period

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Hypo's Loan Book

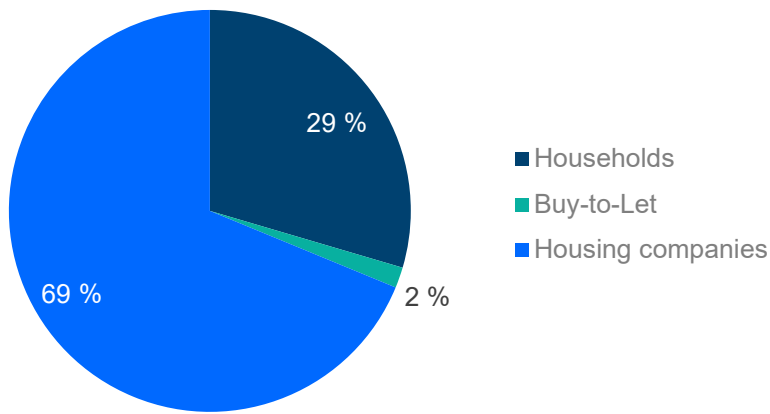


Loan Book Overview

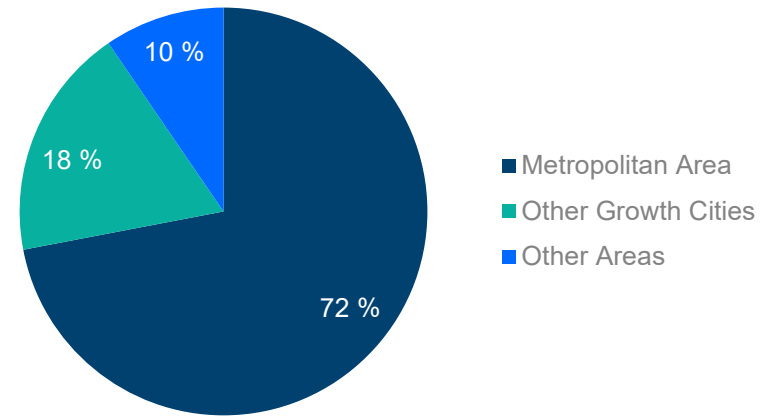


- Hypo's loan book is EUR 2,805.1 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type



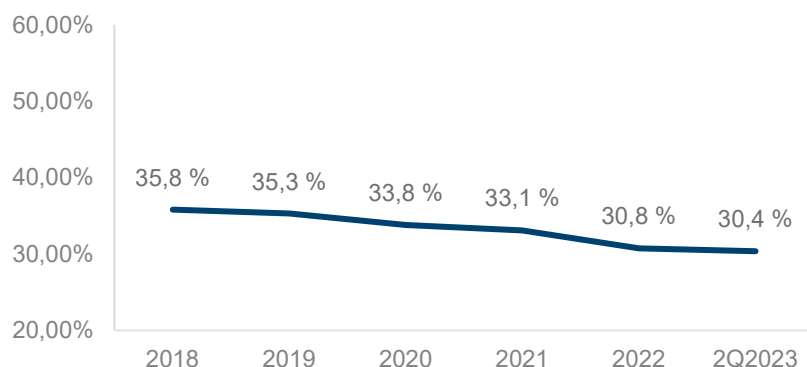
Loan Book by Customer Domicile



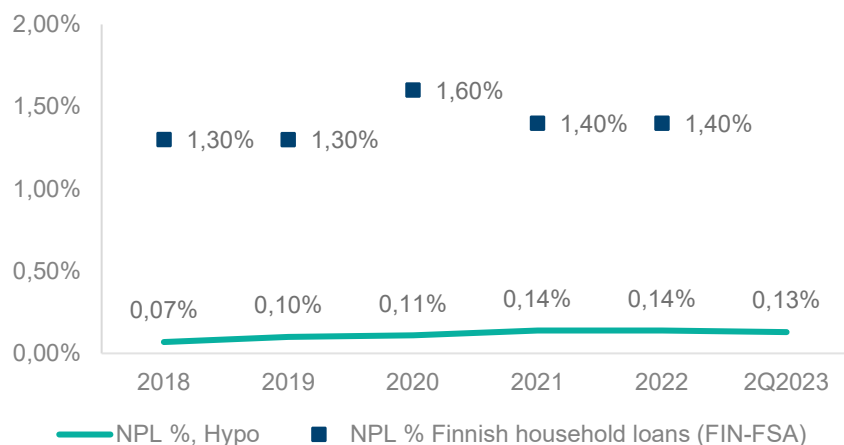
Loan Book Quality Excellent



Hypo Loan Book Average LTV



Non-performing Loans (%)

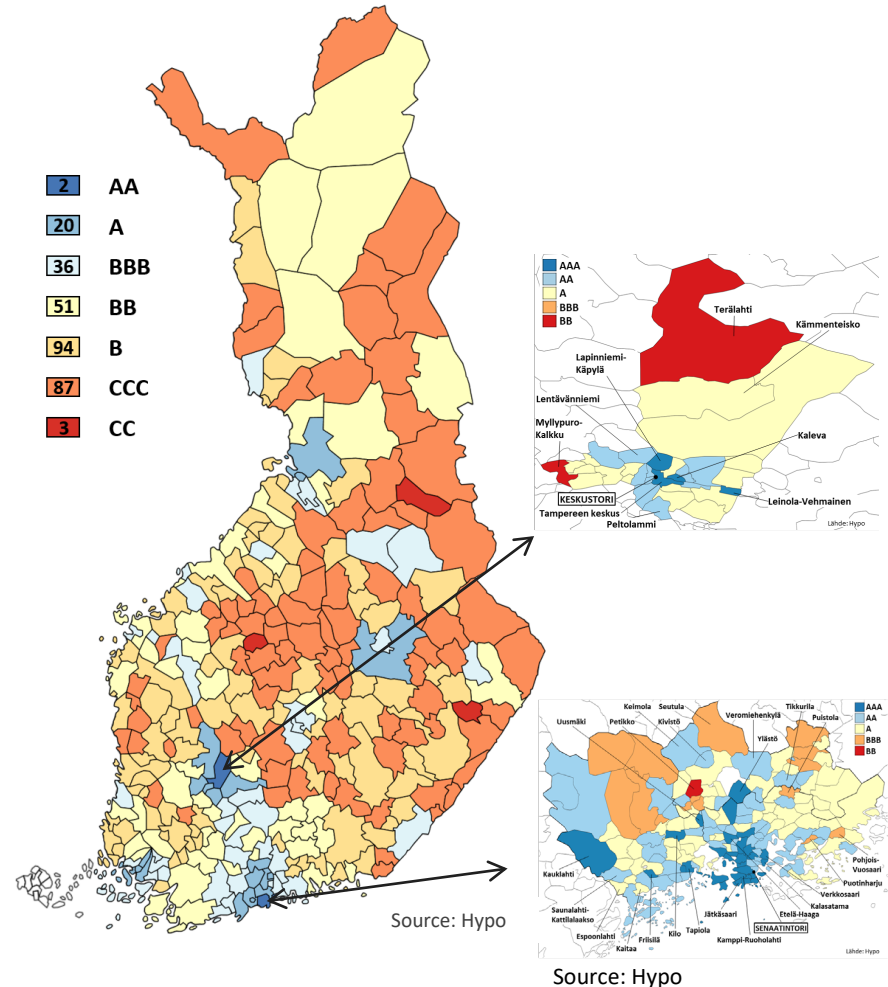


- The average LTV (loan-to-value) is stable at 30.4%
 - Low LTV combined with conservative collateral valuation makes Hypo's loan book very strong even in times of stress
- Hypo's loan portfolio is entirely secured by residential property located in Finland
- Around 99% of the loans are amortizing and 1% bullets
- The average maturity of a loan at the time of withdrawal is 23.4 years
- Non-performing loans remained very low at 0.13% of total loans

Hypo Regional Rating for Collaterals



- Hypo Regional Rating for Collaterals evaluates housing market areas across Finland through the eyes of a housing financier - Risks differ significantly between different areas in Finland
- Hypo-rating is a clear framework based on the key measures that make it possible to analyze housing market development across Finland
- Model includes variables such as housing prices, housing transactions, demographics, environment, income growth, crime and distance to university hospitals
- The model gives valuable information of different risks to ordinary buyers in the housing market as well as credit rating institutions and institutional investors



Funding and Liquidity

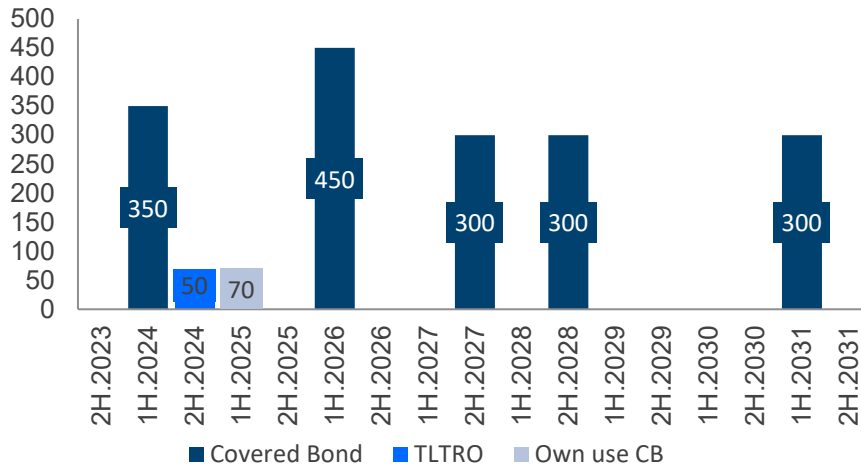


Diversified Funding Profile

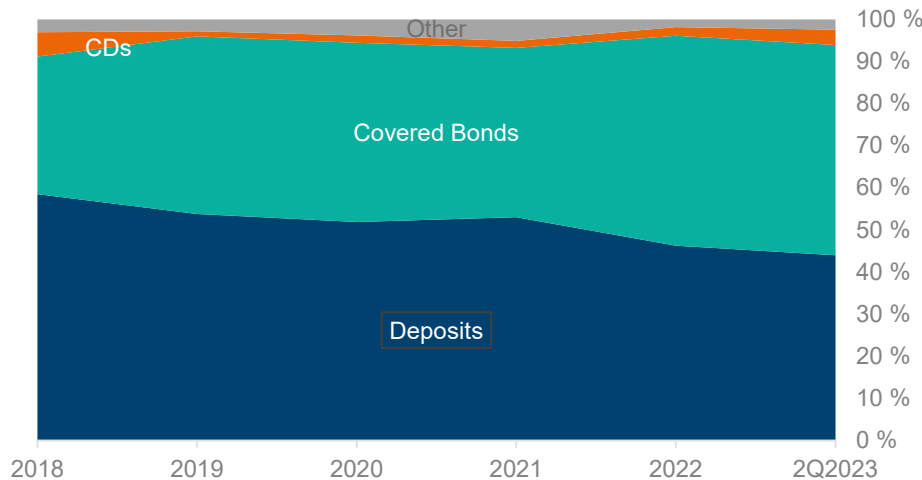


Million EUR

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
- Further diversifying funding base through capital markets (eg. senior preferreds) in the future
- 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

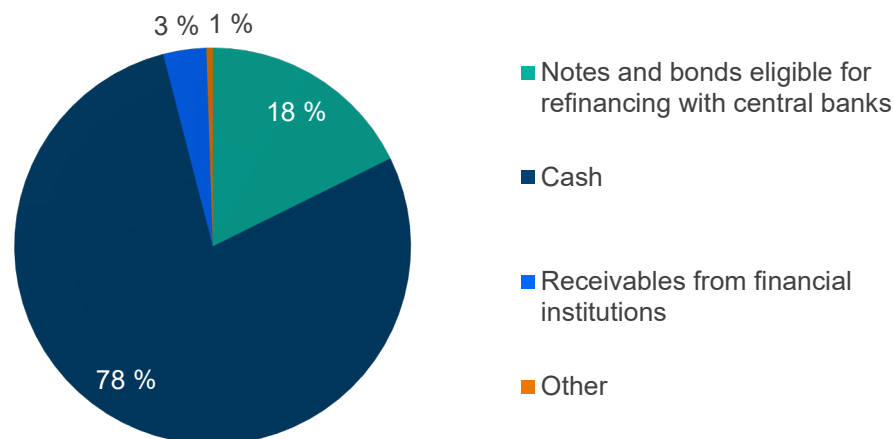
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Solid Liquidity Position



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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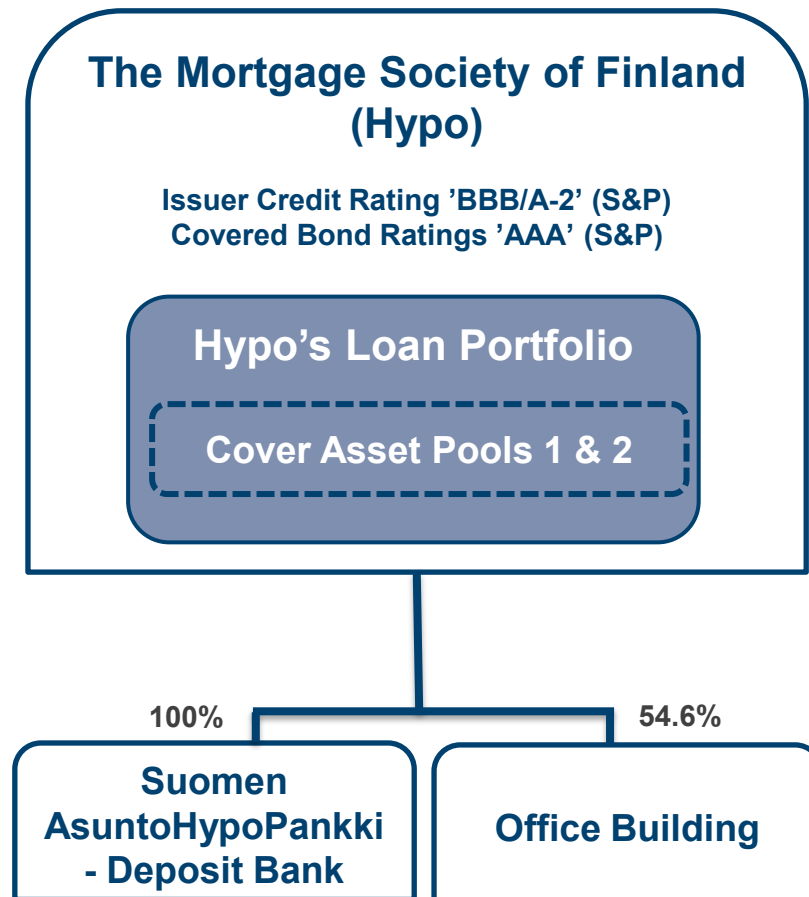
Covered Bonds



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)
- Hypo has two pools: Pool 1 for issues done under previous Covered Bond Act 688/2010 and Pool 2 for **new issuance** under Act 151/2022 (European Covered Bond Premium)



Hypo Covered Bonds Executive Summary – 30.6.2023



- 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

Cover Asset Pool 2

Act 151/2022

- came into force July 2022
- All new issuance will be done under the new Act
- European Covered Bond (Premium)



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
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 80%• Current Pool WALTV 25.8%• 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

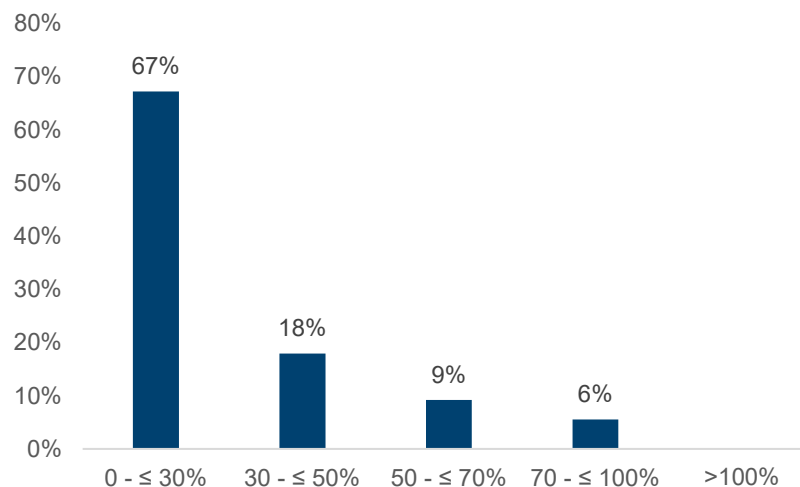
Cover Asset Pool 2 Data (1/3)



Pool Data as at 30.6.2023

Applicable law	Act 151/2022
Total Cover Pool (nominal)	EUR 758 051 832
Eligible Cover Pool	EUR 749 200 393
Average Loan Balance	EUR 228 054
Number of loans	3 324
Number of properties	2 582
Number of clients	2 958
WA seasoning (months)	64
WA remaining term (months)	216
WA LTV (indexed)	25.7%
WA LTV total (indexed)	25.8%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	26.3%
OC level (eligible)	26.1%
Pool Type	Dynamic

LTV Distribution



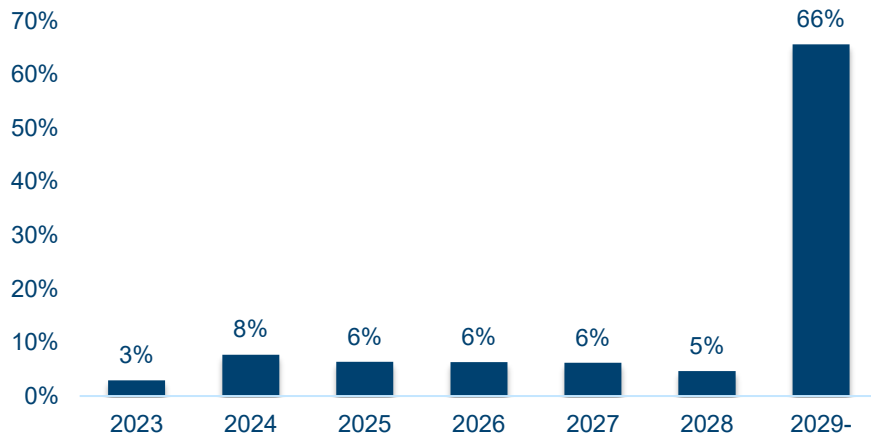
- The weighted average indexed LTV of the pool is 25.8%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

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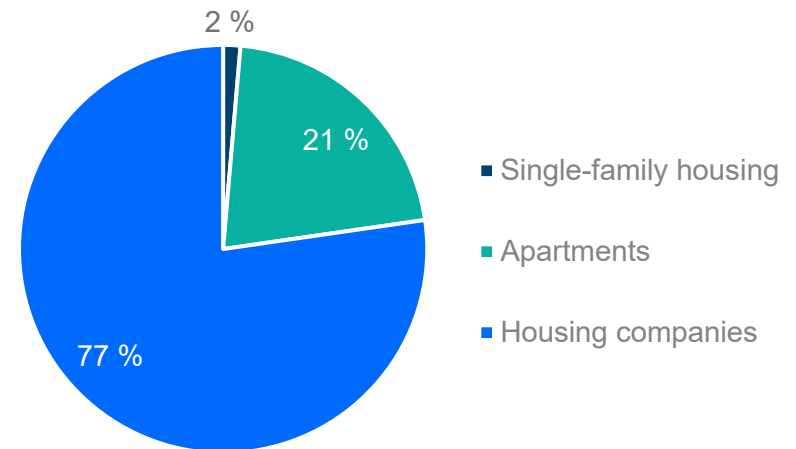
Cover Asset Pool 2 Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 23% of retail mortgages and 77% 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

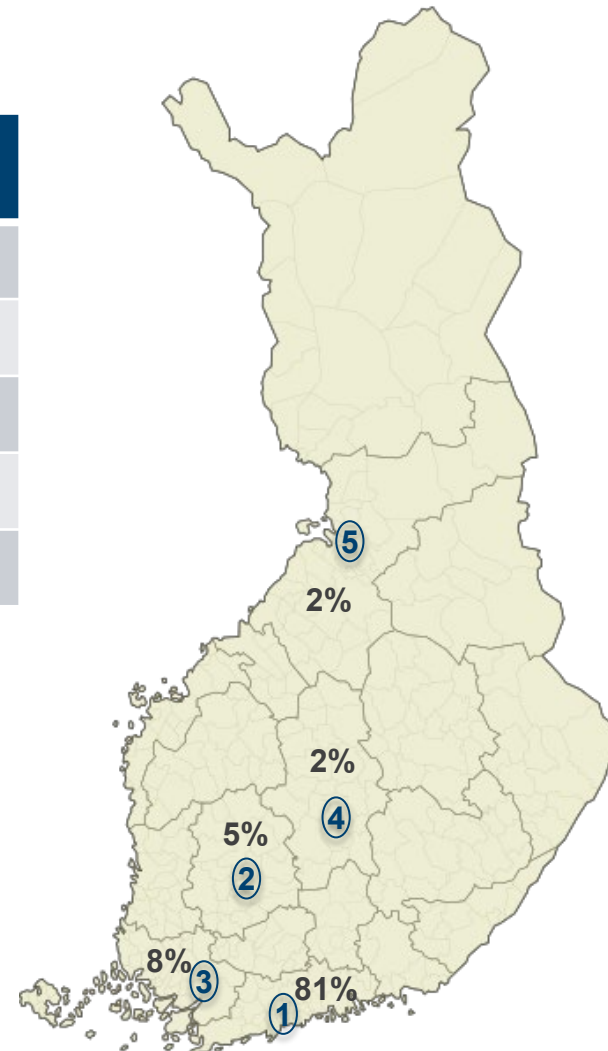
SECURE WAY FOR BETTER LIVING.

Cover Asset Pool 2 Data (3/3)



Geographical Distribution as at 30.6.2023

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	81%
2	Pirkanmaa	Tampere	5%
3	Varsinais-Suomi	Turku	8%
4	Central Finland	Jyväskylä	2%
5	North Ostrobothnia	Oulu	2%



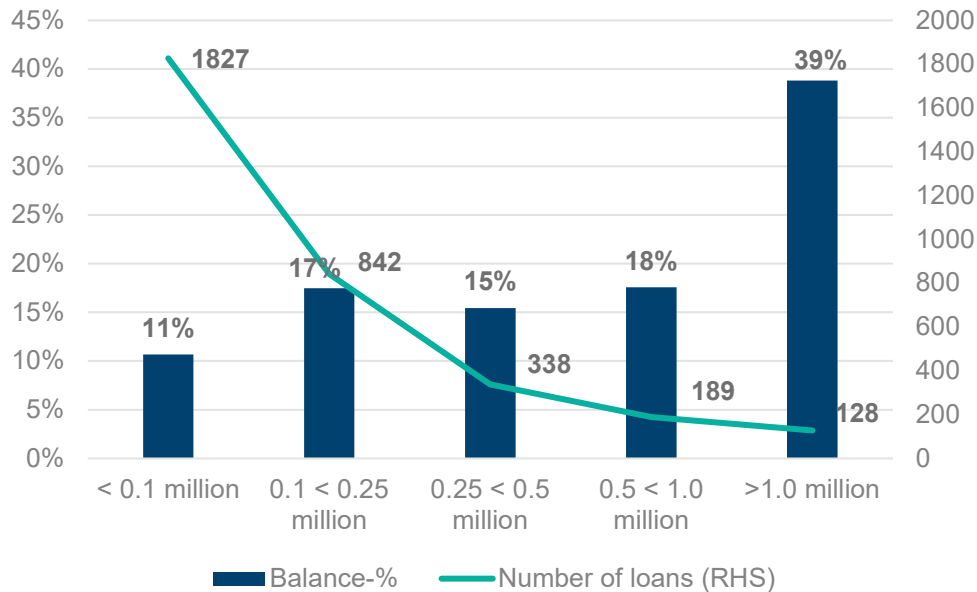
Hypo's strategic choice is to operate only in prime growth centers.

SECURE WAY FOR BETTER LIVING.

Cover Pool 2 Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 28% 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%	596	575	549	488	433
40- ≤ 70%	120	113	116	154	177
70- ≤100%	42	65	81	74	69
>100%		6	13	42	79
Pool total (nominal), EUR million	758	752	745	716	679
OC (nominal)	26.3%	25.4%	24.2%	19.3%	13.1%

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

ESG



ESG – natural part of Hypo's operations



- Hypo's basic purpose as a mortgage lender is to increase responsibly wellbeing through building wealth via home ownership
- Hypo participates actively in public conversation concerning housing markets and the economy
 - Our aim is to promote best practices and point observed defects
- Hypo Regional Rating takes also environmental risks related to housing into account (since September 2021)
 - Included topics: risk of flooding, energy efficiency and quality of building
- Environmental goals have also been integrated into lending
 - Housing company loans granted to renovation purposes make up two thirds of total lending
 - Renovations prolong the life of the building
 - New EUR 20 million environmental loan agreement signed with Nordic Investment Bank (NIB) for on-lending to projects with positive environmental effects

ESG – social responsibility through employer and taxpayer roles



- Employer responsibility
 - Well-being of the personnel is actively taken care of by investing in health care services and other benefits
 - Employee turnover is small, and Hypo has a lot of long-term, committed personnel
 - Hypo has an Employee equality plan, that is monitored yearly
 - No discrimination tolerated
 - Hypo operates from one office with possibility of working remotely
- Taxpayer
 - In 2022 Hypo paid over 2 million euros to deposit guarantee and resolution funds to protect depositors and taxpayers
 - 6.1 million euros was paid in salaries, and 3.2 million euros in pension expenses, other side expenses and taxes.
- Donations to non-profit organisations, e.g. UNICEF's support for Ukraine, Baltic Sea Action Group and Save the Children

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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