



Covered Bond Transparency Information

# The Mortgage Society of Finland

Information as at September 30, 2023

Published on November 1, 2023

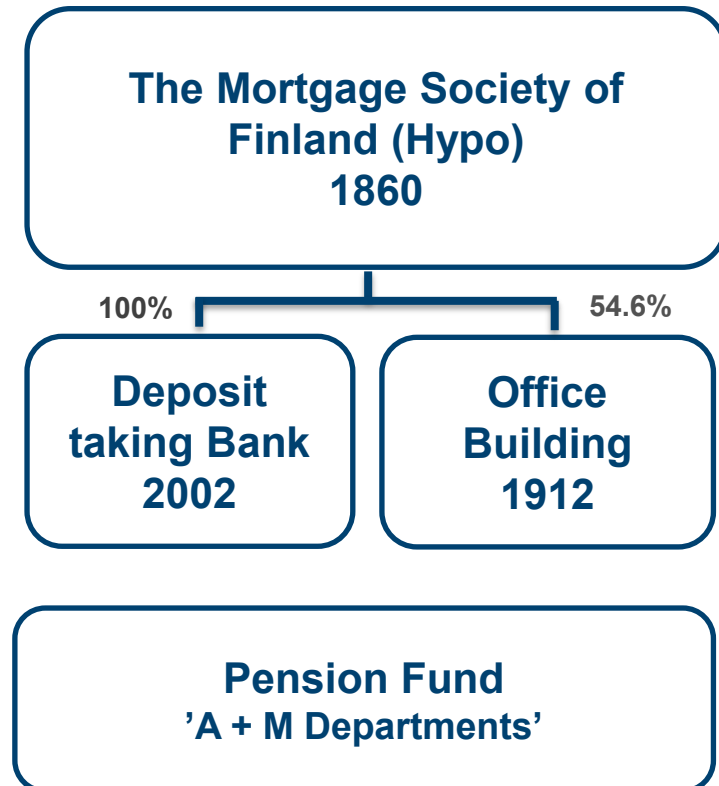
# About the Issuer



# 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 0.15% (as at 3Q23)
- Total assets EUR 3.5 billion (as at 3Q23)
- 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 ongoing business stability given selective business underwriting partly offsets concentrated business profile
- Well positioned to resume loan growth and improve operating efficiency

### 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

- Issuance of covered bonds improves funding maturity and leads to a well-matched funding profile
- Less stable deposit base and higher share of wholesale funding than domestic peers'

## Hypo Credit Rating

**BBB (stable)**

# Covered Bonds



# Hypo Covered Bonds Executive Summary – 30.9.2023



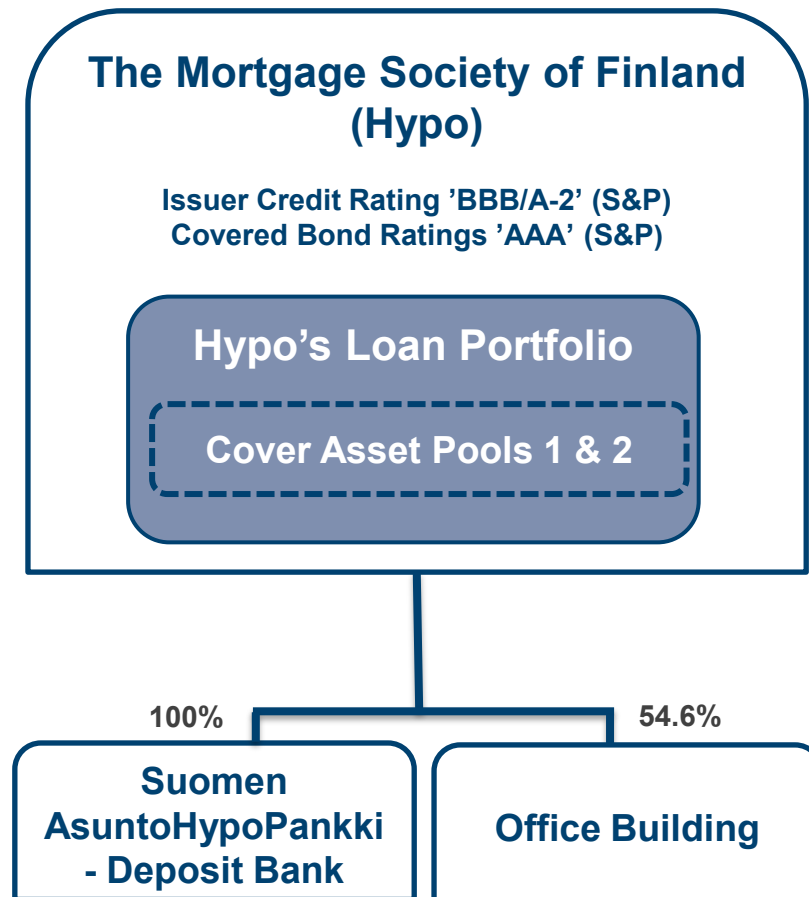
- Issuer is the Group parent, no separate covered bond issuer
- Hypo is a member of ECBC
- Covered bonds rated 'AAA' (stable) by S&P
- Cover pools consist 100% of Finnish residential property
  - Regulatory risk weight of pool assets 35% (Basel III standard method)
  - All collateral located in selected prime growth centers
- Total amount outstanding EUR 1,770 million
- Current WALTV's for pools 31.0% and 24.7%
- Current nominal overcollateralization for pools 32.3% and 26.1%
  - 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

# 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



<b>Origination</b>	<ul style="list-style-type: none"><li>• Issuer the Mortgage Society of Finland (Hypo)</li><li>• Only mortgage loans originated by Hypo</li></ul>
<b>Assets Categories</b>	<ul style="list-style-type: none"><li>• 100% Finnish residential assets<ul style="list-style-type: none"><li>• Retail mortgages</li><li>• Housing company residential mortgages (common debt between multiple individuals)</li></ul></li></ul>
<b>Customer Credit Quality</b>	<ul style="list-style-type: none"><li>• No arrears (&gt;30 days)</li><li>• No negative credit history</li><li>• Over 65% of the pool loans have the best internal credit class 'A'</li></ul>
<b>Collateral</b>	<ul style="list-style-type: none"><li>• Maximum LTV limit 70%</li><li>• Current Pool WALTV 31.0%</li><li>• Finnish residential collateral, located in prime growth centers</li><li>• Collateral valuations updated quarterly</li><li>• Commitment to keep OC all times at the level commensurate with S&amp;P rating 'AAA'</li></ul>
<b>Type of Properties</b>	<ul style="list-style-type: none"><li>• Primary residences</li><li>• Limited liability housing companies (multiple individuals)</li></ul>
<b>Type of Products</b>	<ul style="list-style-type: none"><li>• Principal repayment mortgages<ul style="list-style-type: none"><li>• 97% floating interest rate</li></ul></li><li>• No revolving/flexible loans</li></ul>

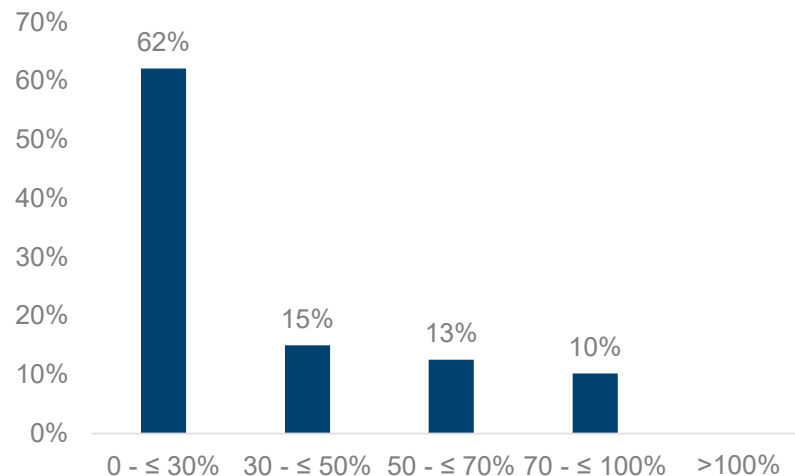
# Cover Asset Pool 1 Data (1/3)



## Pool Data as at 30.9.2023

Applicable law	Act 688/2010
Total Cover Pool (nominal)	EUR 1 548 019 443
Eligible Cover Pool	EUR 1 529 282 000
Average Loan Balance	EUR 237 791
Number of loans	6 510
Number of properties	5 636
Number of clients	6 608
WA seasoning (months)	47
WA remaining term (months)	232
WA LTV (indexed)	30.3%
WA LTV total (indexed)	31.0%
Interest	Variable 97% Fixed 3%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	32.3%
OC level (eligible)	30.7%
Pool Type	Dynamic

## LTV Distribution



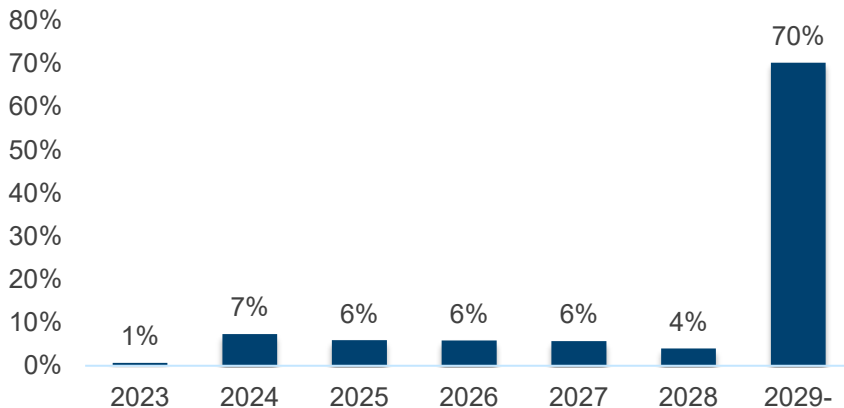
- The weighted average indexed LTV of the pool is 31.0%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

SECURE WAY FOR BETTER LIVING.

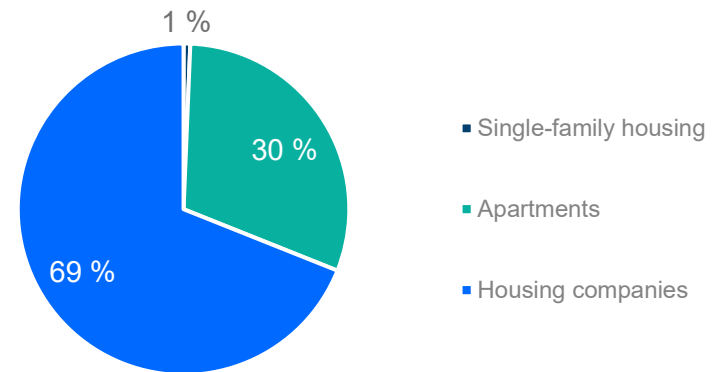
# Cover Asset Pool 1 Data (2/3)



## Pool Loan Maturity Profile Contractual Amortizations



## Pool Collateral Types



- Balanced pool composition: 31% of retail mortgages and 69% 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

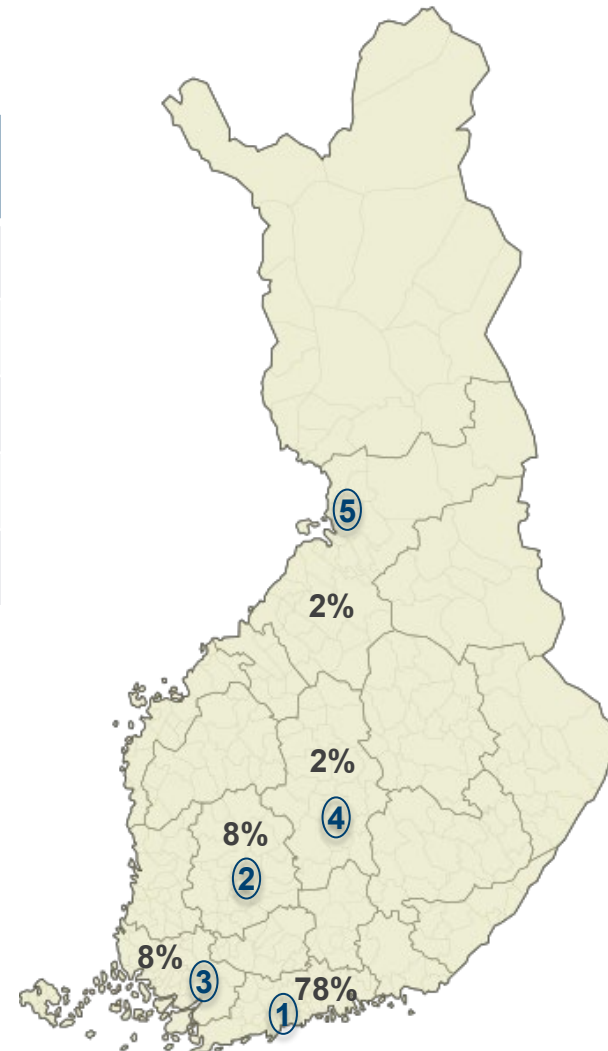
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# Cover Asset Pool 1 Data (3/3)



## Geographical Distribution as at 30.9.2023

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	78%
2	Pirkanmaa	Tampere	8%
3	Varsinais-Suomi	Turku	8%
4	Central Finland	Jyväskylä	2%
5	North Ostrobothnia	Oulu	2%



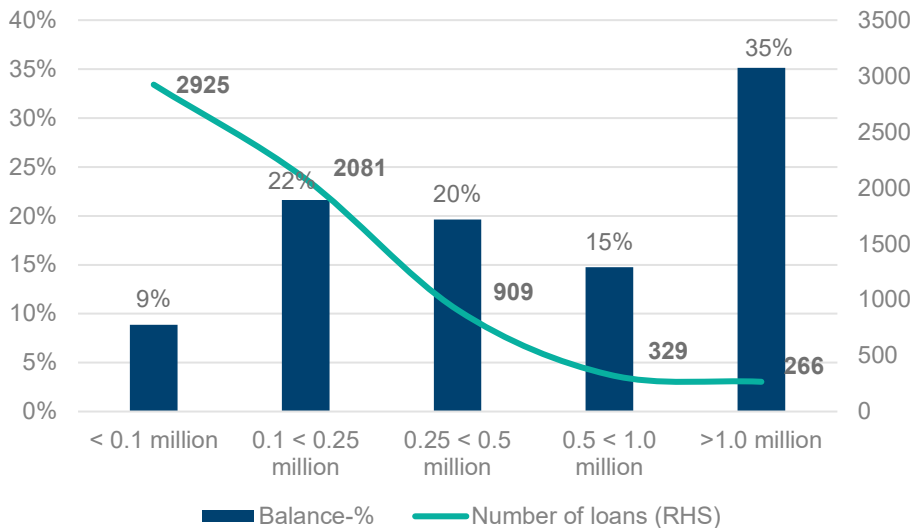
Hypo's strategic choice is to operate only in prime growth centers.

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# Cover Pool 1 Loan Size Distribution



## Loan Size Distribution: Share and Number of Loans



- 30% 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%	1,115	1,047	1,003	906	814
40- ≤ 70%	274	263	242	281	313
70- ≤100%	159	217	237	202	162
>100%		20	66	159	259
<b>Pool total (nominal), EUR million</b>	1,548	1,528	1,483	1,389	1,289
<b>OC (nominal)</b>	32.3%	30.6%	26.7%	18.7%	10.1%

- 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 1,170 million (the total outstanding amount of bonds).

**Cover Asset Pool 2**

**Act 151/2022**





# Eligibility Criteria for Cover Pool 2



<b>Origination</b>	<ul style="list-style-type: none"><li>• Issuer the Mortgage Society of Finland (Hypo)</li><li>• Only mortgage loans originated by Hypo</li></ul>
<b>Assets Categories</b>	<ul style="list-style-type: none"><li>• 100% Finnish residential assets<ul style="list-style-type: none"><li>• Retail mortgages</li><li>• Housing company residential mortgages (common debt between multiple individuals)</li></ul></li></ul>
<b>Customer Credit Quality</b>	<ul style="list-style-type: none"><li>• No arrears (&gt;30 days)</li><li>• No negative credit history</li><li>• Over 65% of the pool loans have the best internal credit class 'A'</li></ul>
<b>Collateral</b>	<ul style="list-style-type: none"><li>• Maximum LTV limit 80%</li><li>• Current Pool WALTV 24.7%</li><li>• Finnish residential collateral, located in prime growth centers</li><li>• Collateral valuations updated quarterly</li><li>• Commitment to keep OC all times at the level commensurate with S&amp;P rating 'AAA'</li></ul>
<b>Type of Properties</b>	<ul style="list-style-type: none"><li>• Primary residences</li><li>• Limited liability housing companies (multiple individuals)</li></ul>
<b>Type of Products</b>	<ul style="list-style-type: none"><li>• Principal repayment mortgages<ul style="list-style-type: none"><li>• 99% floating interest rate</li></ul></li><li>• No revolving/flexible loans</li></ul>

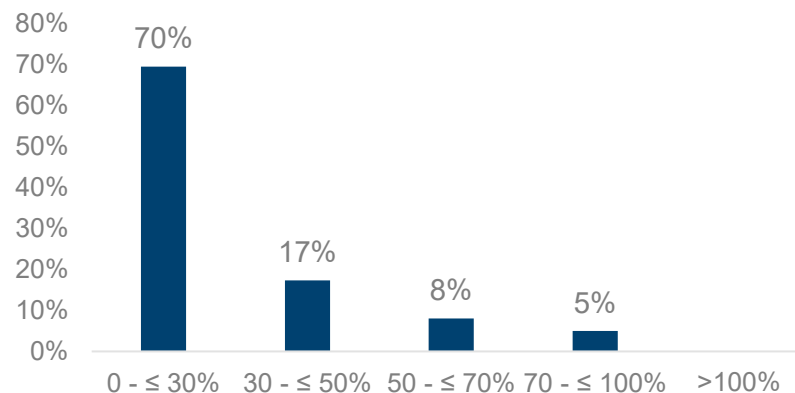
# Cover Asset Pool 2 Data (1/3)



## Pool Data as at 30.9.2023

Applicable law	Act 151/2022
Total Cover Pool (nominal)	EUR 756 755 927
Eligible Cover Pool	EUR 755 733 000
Average Loan Balance	EUR 230 788
Number of loans	3 279
Number of properties	2 571
Number of clients	2 923
WA seasoning (months)	64
WA remaining term (months)	214
WA LTV (indexed)	24.6%
WA LTV total (indexed)	24.7%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	26.1%
OC level (eligible)	26.0%
Pool Type	Dynamic

## LTV Distribution

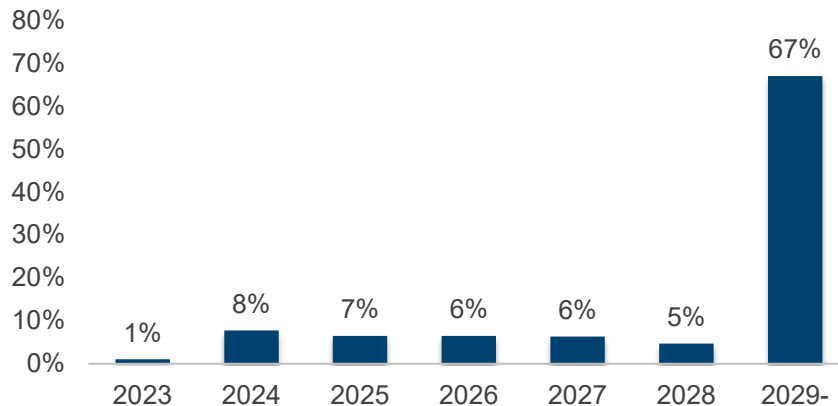


- The weighted average indexed LTV of the pool is 24.7%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

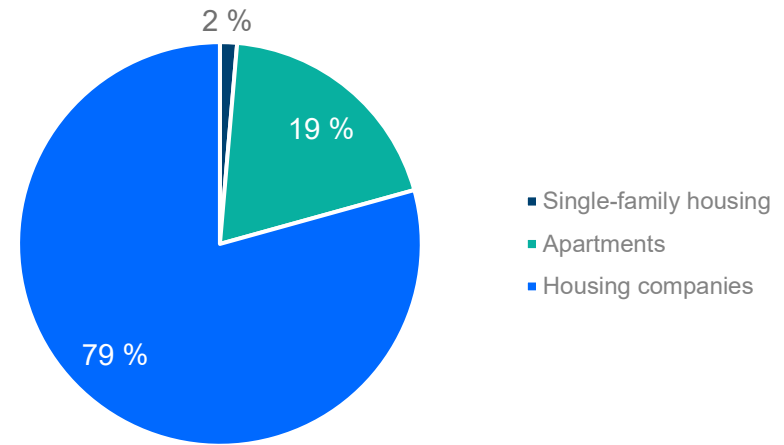
# Cover Asset Pool 2 Data (2/3)



## Pool Loan Maturity Profile Contractual Amortizations



## Pool Collateral Types



- Balanced pool composition: 21% of retail mortgages and 79% 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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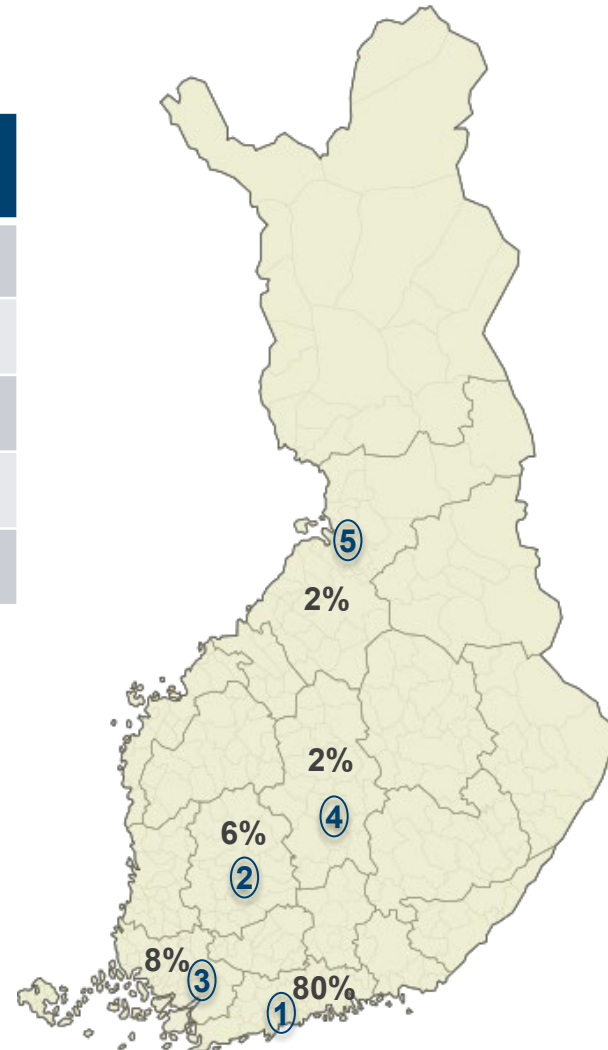
# Cover Asset Pool 2 Data (3/3)



## Geographical Distribution as at 30.9.2023

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	80%
2	Pirkanmaa	Tampere	6%
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.

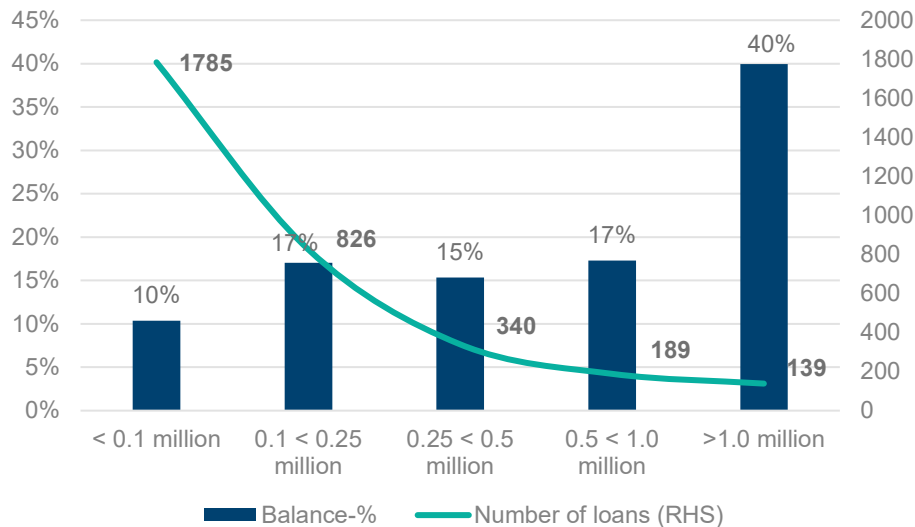


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# Cover Pool 2 Loan Size Distribution



## Loan Size Distribution: Share and Number of Loans



- 27% 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%	609	589	540	493	453
40- ≤ 70%	110	110	134	161	169
70- ≤100%	38	54	72	65	63
>100%		5	11	38	71
<b>Pool total (nominal), EUR million</b>	757	752	746	719	685
<b>OC (nominal)</b>	26.1%	25.3%	24.4%	19.8%	14.2%

- 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).

# Contact

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