

# Hypo Investor Update 1Q2024

Debt Investor Presentation



Published on April 30, 2024



**HYPO**

**Secure Way for Better Living**

# Content

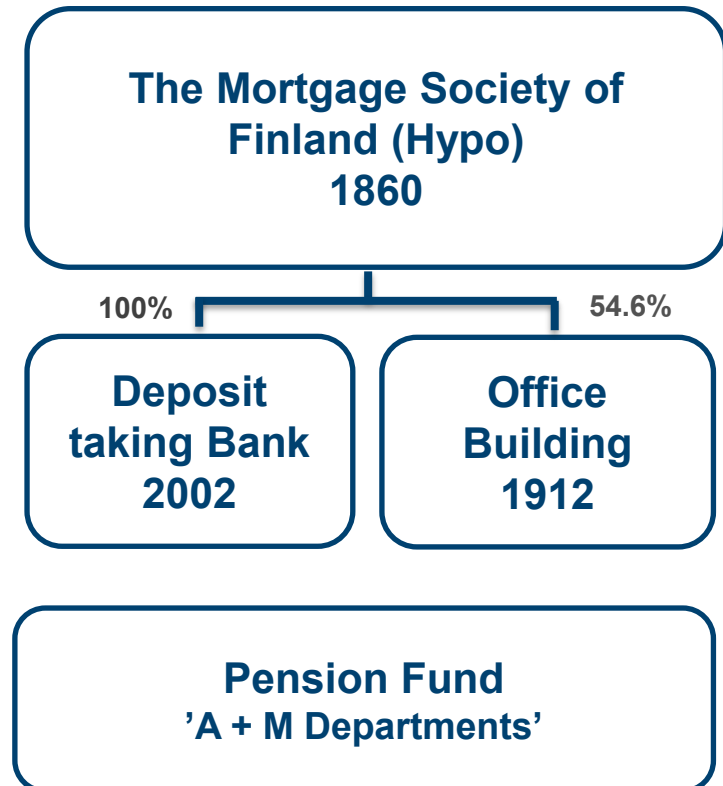
- 1 Group Overview
- 2 Financial Results 1Q2024
- 3 Hypo's Loan Book
- 4 Funding and Liquidity
- 5 Outlook



# 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 0.20% (as at 1Q24)
- Total assets EUR 3.7 billion (as at 1Q24)
- 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)**

# Hypo Leading the Debate on Finnish Mortgage Market

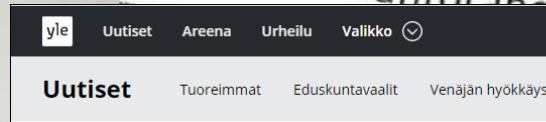


Hypon Ari Pauna täräyttää ja puhuu pakosta: "Pankkien ja kuntien määristä ainakin nolla pois"

15.4.2021 04:30 PANKIT FINANSSI TILINPÄÄTÖS



Taloyhtiöiden maineet  
harmittaa asuntorak



**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

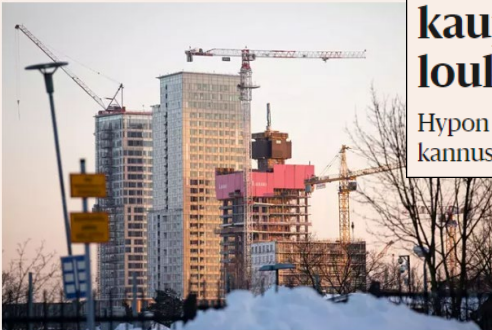
**Hypo: Venäjän hyökkäys Ukrainaan aiheuttamassa rakentamisen äkkikäännöksen – "Tässä voi tulla yllättävän voimakas lasku"**

Hypon asuntomarkkinoihin keskittyvän ekonomisti Juho Keskisen mukaan myönnettyjen rakennuslupien aiempaa alemmasta määrästä voi päätellä, että asuntorakentamisessa "olla 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

**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.



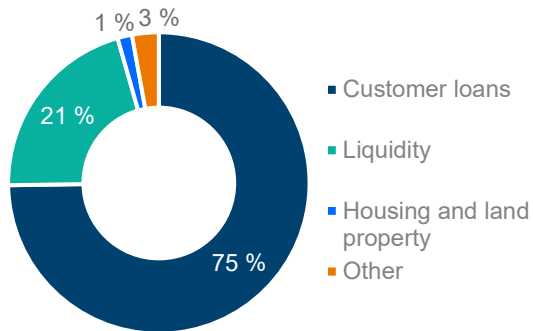
# Financial Results



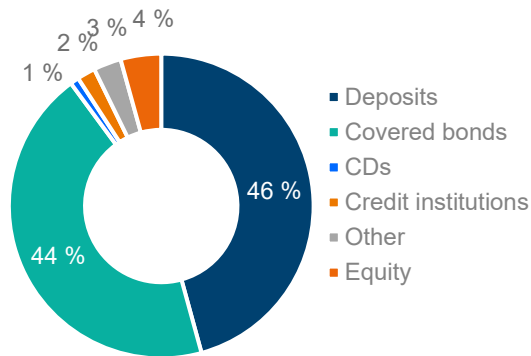
# Strong Balance Sheet



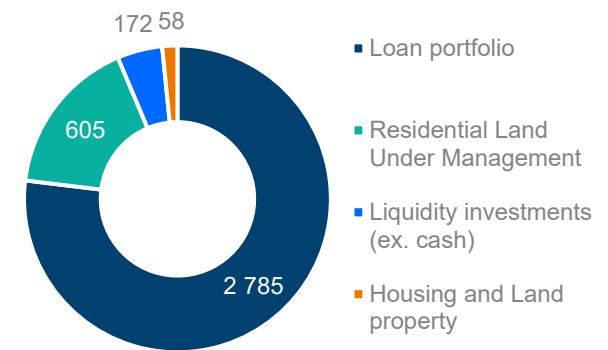
Total Assets



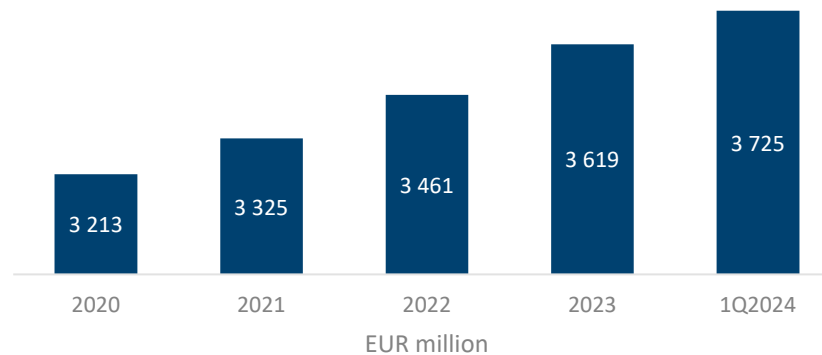
Liabilities and Equity



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



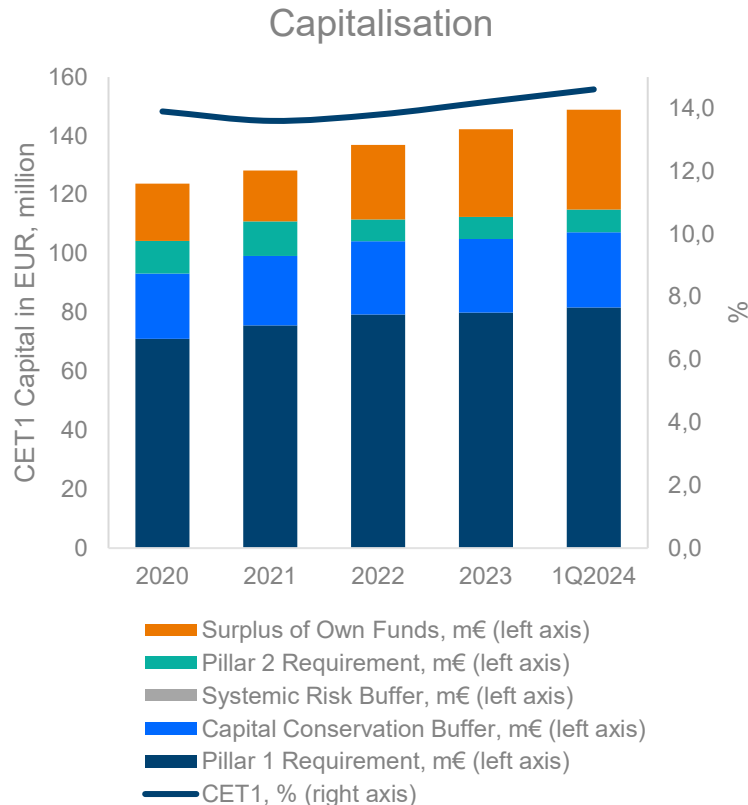
Balance Sheet Total



SECURE WAY FOR BETTER LIVING.

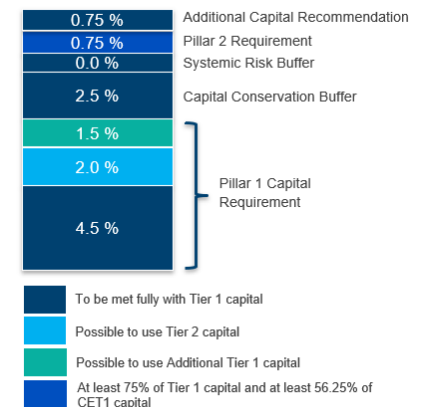


# Solid Capital Basel III Standard Approach



- 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 14.6%, all CET1 (as at 1Q2024)
- EUR 34 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"> <li>• 1% from 1.4.2024 onwards</li> </ul>	
Pillar 2 Requirement	0.75%
Additional Capital Recommendation	0.75%
<b>Total Capital Requirement</b>	<b>12.00%</b>



- EUR 4.9 million of hidden reserves in housing property (not marked-to-market) and EUR 7.4 million of surplus in Pension Fund
  - Inclusion into CET1 would raise the ratio to 15.5%
- Basel III standardized approach risk weights
  - Lending with residential collateral: 35% risk weight
  - Housing and land investments: 100% risk weight

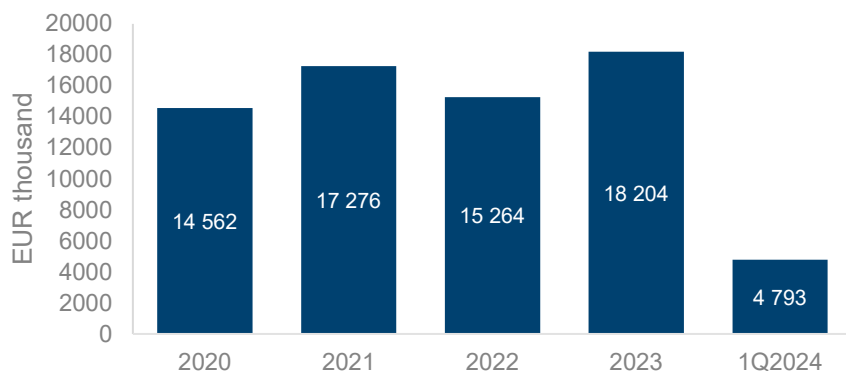
# Group Income Statement



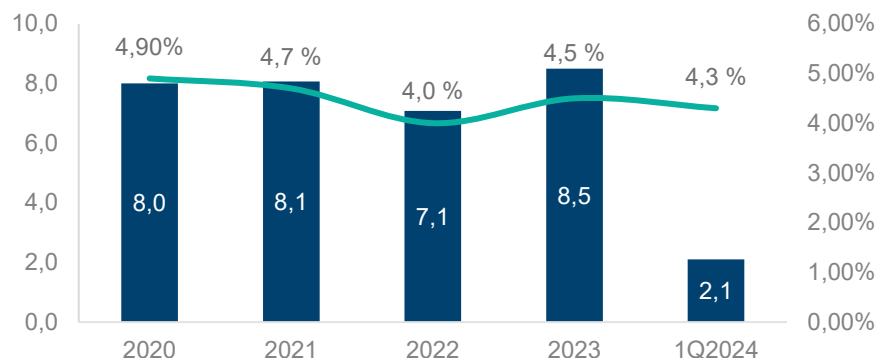
(EUR 1,000)	1-3/2024	1-3/2023	2023	2022
<b>Net Interest Income</b>	4,793	4,777	18,204	15,264
<b>Net Fee and Commission Income</b>	1,148	1,021	4,697	3,592
<b>Total Other Income</b>	399	214	2,106	5,766
<b>Total expenses</b>	-4,271	-5,598	-16,504	-17,543
<b>Operating Profit</b>	<b>2,069</b>	<b>414</b>	<b>8,503</b>	<b>7,079</b>

- In January-March 2024, net interest income remained on the same level and was EUR 4.8 million (EUR 4.8 million)
- Hypo Group's operating profit was EUR 2.1 million in 1Q2024
- Net Fee and Commission Income totaled EUR 1.1 million in 1Q2024
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 0.4 million in 1Q2024
- Expenses decreased by 23.7% from the comparison period and totaled EUR 4.3 million (EUR 5.6 million)

## Net Interest Income



## Profitability



■ Operating profit m€ (LHS)    — Return on equity, % (RHS)

SECURE WAY FOR BETTER LIVING.

# Group Key Financial Figures

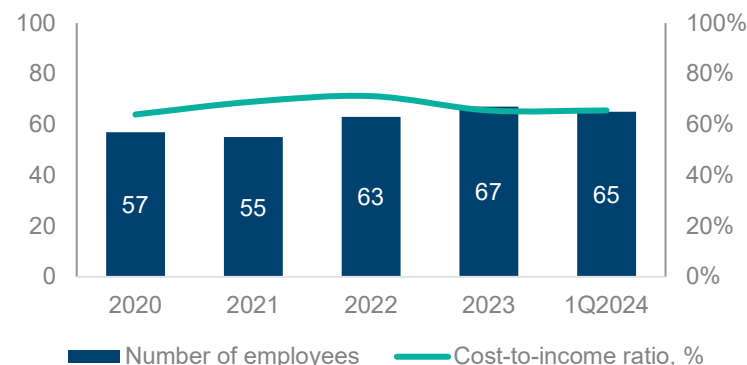


	1-3/2024	1-3/2023	2023	2022
Return on Equity (ROE), %	4.3	0.4	4.5	4.0
Common Equity Tier 1 (CET1), %	14.6	13.6	14.2	13.8
Cost-to-income, %	67.4	91.5	65.5	71.2
Non-performing loans (NPL), %	0.20	0.14	0.19	0.14
Loan to value (LTV), %	30.3	30.5	30.3	30.8
Loans/ deposits, %	163.5	210.6	178.2	187.0
Receivables from the public (m€)	2,785	2,787	2,786	2,754
Balance sheet total (m€)	3,725	3,627	3,619	3,461

- Cost-to-income ratio was 67.4% in 1Q2024 (65.5% as at ye2023)

- Total assets were EUR 3.7 billion and receivables from the public EUR 2.8 billion in 1Q2024
- In 1Q2024 CET1 ratio was 14.6% (14.2% as at ye2023) and equity amounted to EUR 160.3 million (158.2 million as at ye2023)
- Group's financial position remained stable throughout the period
- Strong credit profile with both very low NPLs and LTV's

Cost-to-Income Ratio (%) and Number of Permanent Employees



# Hypo's Loan Book

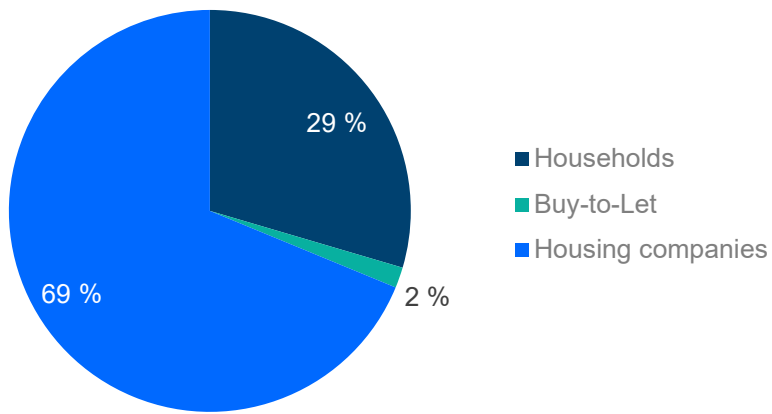


# Loan Book Overview

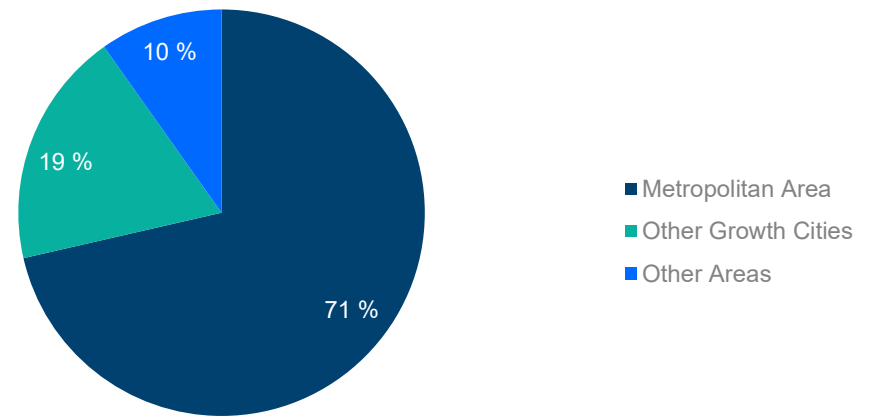


- Hypo's loan book is EUR 2,785 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
  1. Households: home mortgage, buy-to-let
  2. Housing companies: renovation loans

Lending by Customer Type

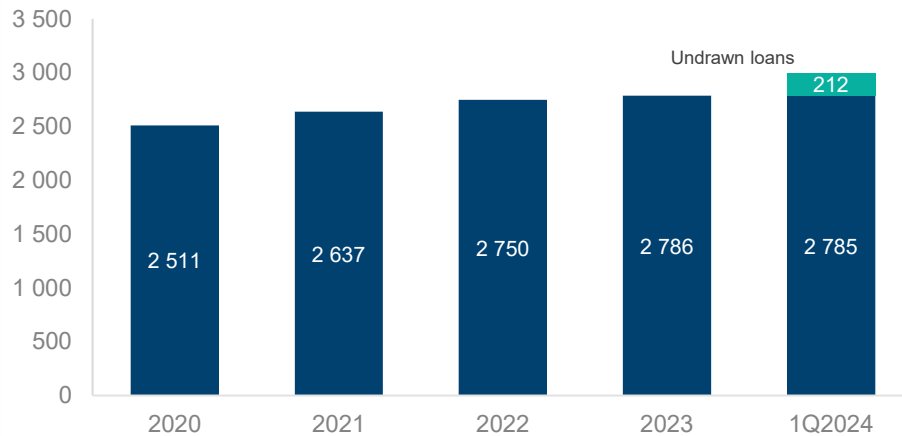


Loan Book by Customer Domicile

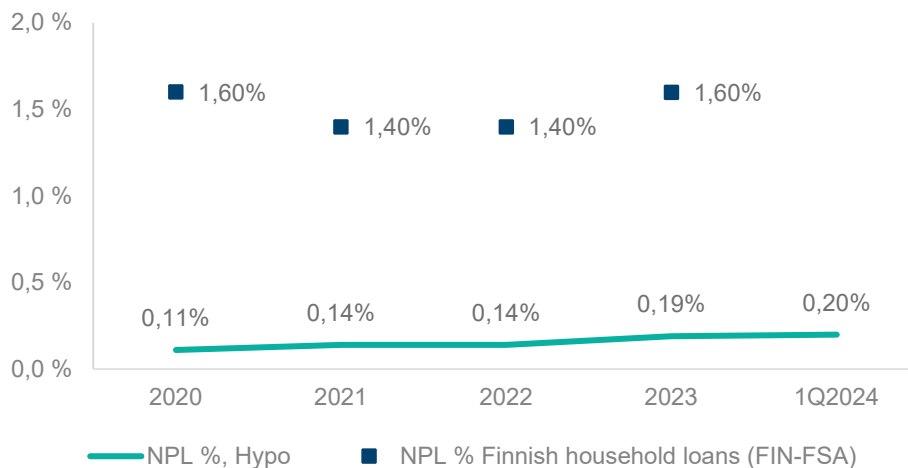


# Loan Book Quality Excellent

Hypo Loan Book Total, m€



Non-performing Loans (%)



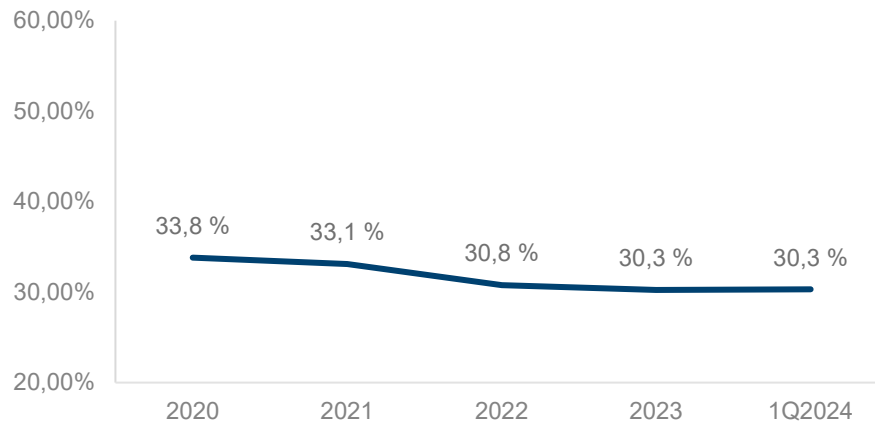
- During the financial period, the loan portfolio remained almost the same level and was EUR 2,785 million
- Currently EUR 212 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.20% of total loans
- The quality of the loan book is well above the Finnish household loans' average NPLs

SECURE WAY FOR BETTER LIVING.

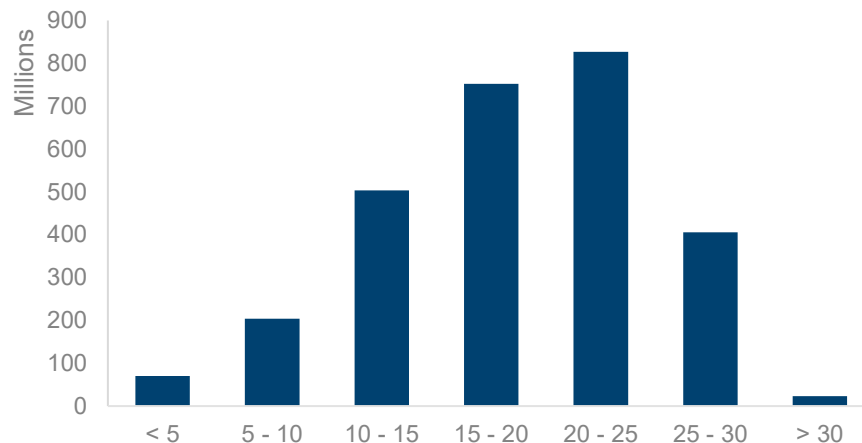
# Loan Book Securely Collateralised



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 30.3%
- Around 98% of the loans are amortizing and 2% bullets
- >90% of loan book is risk weighted at 35% or lower
- The average maturity of a loan at the time of withdrawal is 23.5 years
- Financed properties are mainly located in the densely populated Helsinki Metropolitan Area

SECURE WAY FOR BETTER LIVING.

# Funding and Liquidity

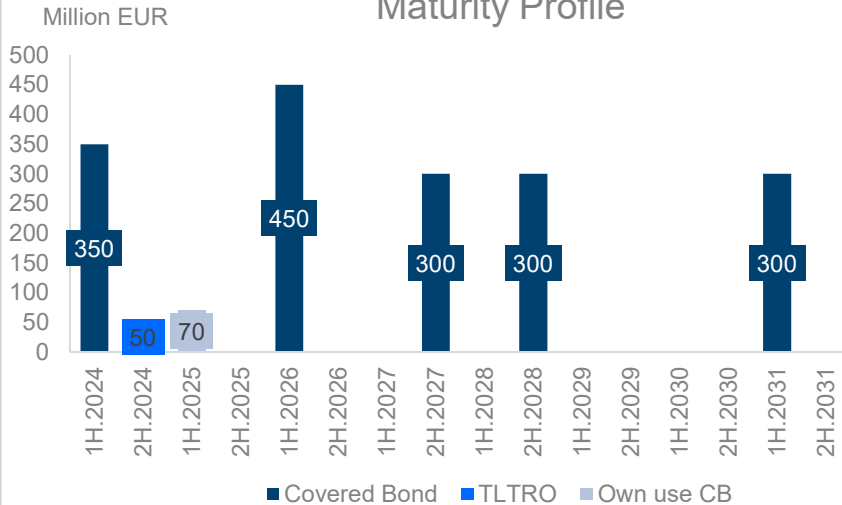




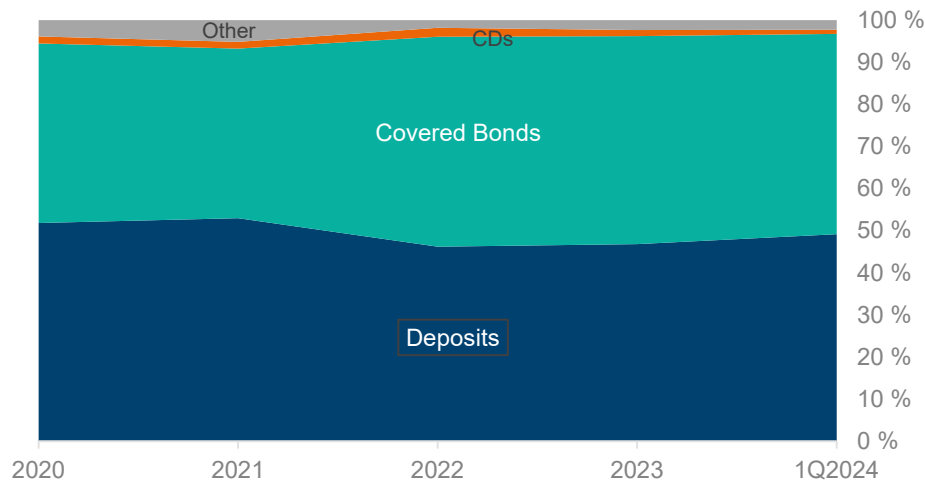
# Diversified Funding Profile



Maturity Profile



Funding Structure



- Covered bond program was inaugurated in 2016
  - Issuer is the group parent, no separate entity
  - Larger issues ( $\geq 250$  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 110.2% (112% as at ye2023)
- Deposits through the AsuntoHypoPankki subsidiary form currently ~49% of total funding
- Covered bonds currently ~48% of total funding
- Domestic CD program supports short term funding needs

# 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 30.0% and 25.7%
- Current nominal overcollateralization for pools 26.0% and 28.0%
  - 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

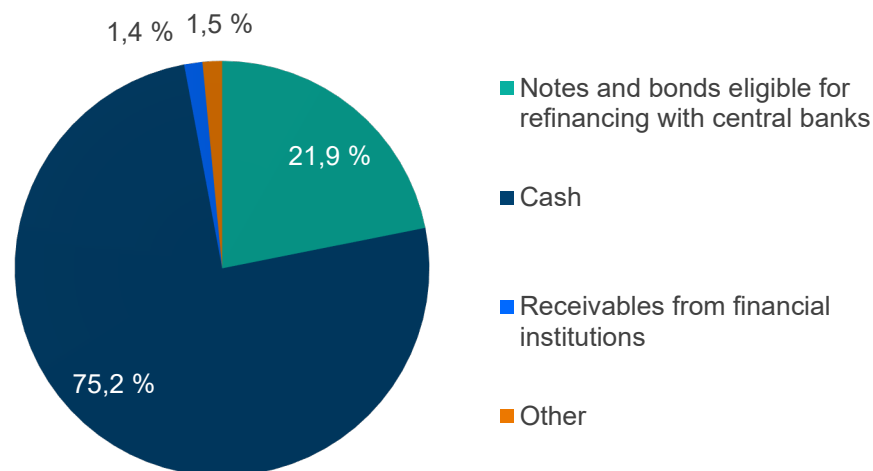
Type	ISIN	Issue Date	Maturity Date	Nominal (m€)	Coupon	Pricing
Covered – Pool 1	FI4000266903	28.6.2017	28.6.2024	250	Fixed +0.375	MS +9
Covered – Pool 1	FI4000266903 (tap)	25.10.2017	28.6.2024	50	Fixed +0.375	MS +4
Covered – Pool 1	FI4000375092	13.3.2019	13.3.2026	300	Fixed +0.5	MS +15
Covered – Pool 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

# Solid Liquidity Position



## Liquidity portfolio EUR 787.5 million as of 31.3.2024

- Equaling 21.1% of total assets
- Conservative investment policy
  - 90.9% of debt securities invested in at least 'AA-' rated instruments
  - 94.5% of debt securities are ECB repo eligible
- Only EUR denominated exposure
- Hypo's domestic MTN and CD programmes support liquidity
- LCR 305.5% (326.4% as at ye2023)
- Liquidity covers wholesale funding cash flows for the following 23 months.



SECURE WAY FOR BETTER LIVING.

# Outlook



# Future Outlook



“According to Hypo’s estimate Finland's economic growth is weak this year, during which labor markets cool down and foreign trade stagnates but the outlook for the economy improves towards the end of the year. The construction sector is in a weak phase, and construction investments are lower than before, but decreasing inflation and improving wages support consumers’ purchasing power. The reductions in transfer tax will help the housing market, which will recover better only after inflation and interest rates calm down. Housing starts will remain low, but the production of completed dwellings will keep house prices moderate for the first half of this year. Differences between housing market areas and units become more important and urbanization continues supported by the strong supply of housing, which increases housing sales and the demand for mortgages and housing company loans, especially in Hypo's most important operating 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 Mortgage Society of Finland group expects its operating profit for year 2024 to be clearly higher than operating profit for 2023. The outlook contains uncertainties due to development in economy and interest rates as well as uncertainties related to the war in Ukraine, the crisis in Middle East and the unstable global situation.”



**CEO**  
**Mr Ari Pauna**  
Tel. +358 50 353 4690  
ari.pauna@hypo.fi

**Head of Treasury**  
**Ms Outi Wasenius**  
Tel. +358 44 349 1433  
outi.wasenius@hypo.fi

**Chief Economist**  
**Mr Juho Keskinen**  
Tel. +358 40 165 9582  
juho.keskinen@hypo.fi

[www.hypo.fi/en/investor-relations](http://www.hypo.fi/en/investor-relations)

**DISCLAIMER**

To the extent the Information relating to The Mortgage Society of Finland ("Hypo") or its group members ("Hypo Group") is prepared by Hypo or another member of Hypo Group, the following limitations apply:

All official financial information of Hypo Group, including without limitation profit and loss statement, balance sheet, and annexes is available at web address [www.hypo.fi/](http://www.hypo.fi/). This document is not official financial information of Hypo Group.

Opinions and statements of or concerning Hypo Group are made in good faith at the time of giving such statement and may be subject to change without notice. Investing in a financial instrument issued by Hypo may contain risks, such as (without limitation) operational and financial condition of Hypo Group and general market conditions. Changes in them may have an adverse effect on the price or value of the instrument. The investor is exposed to the risk of losing all or part of the investment in a financial instrument issued by Hypo. Opinions or statements regarding future performance are based on assumptions that may not be realised. Past performance of Hypo Group is not a sign or a promise of future performance.