

Covered Bond Transparency Information



The Mortgage Society of Finland

Information as at September 30, 2019

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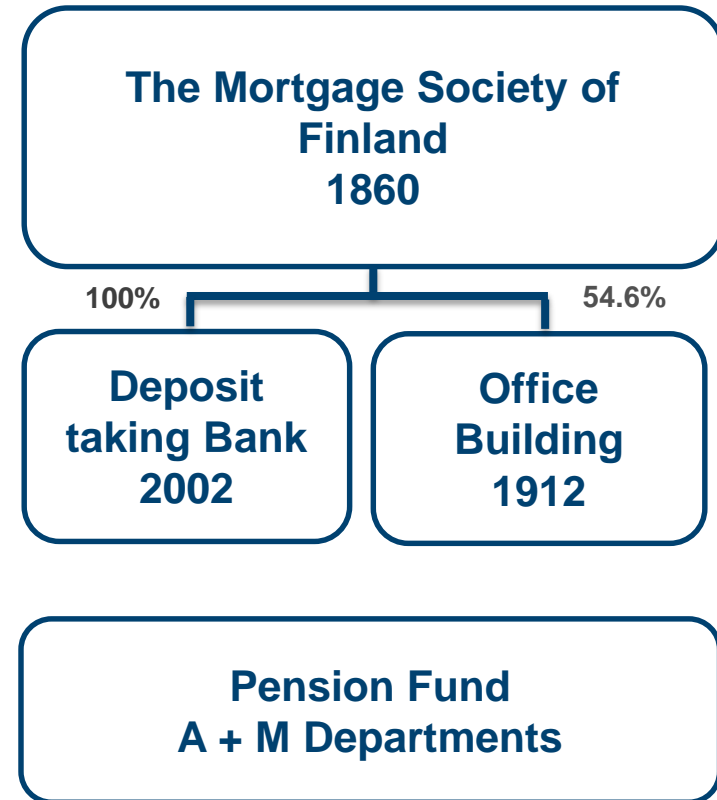
About the Issuer



Hypo Group Overview



- Founded in 1860
 - The oldest private credit institution in Finland
- Retail banking, no corporate lending
- Supervised by the FIN-FSA
- Specialized in mortgage financing
- Residential property always as collateral
- Mutual company governed by the member customers
 - All returns are kept within Hypo
- Strong loan book (NPLs 0.1%)
- Established EUR covered issuer with regular issuance
- Total assets EUR 3.2 billion
- S&P issuer rating 'BBB/A-2' (st.)
- S&P covered bond rating 'AAA' (st.)



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S&P Issuer Credit Rating of Hypo: 'BBB/A-2' (st.)



Anchor Rating for Finnish Commercial Banks

a-

1. Hypo business position

-2

- Small, monoline player with concentrated niche market position
- Conservative approach to risks and a very low risk appetite

2. Hypo capital and earnings

+2

- Very strong risk-adjusted capital (RAC)
- Mutual company: retained profits solely used for capital buildup
- Interest income from loans expected to strengthen spurred by improved margins

3. Hypo risk position

-1

- Strong asset quality and exceptional loan-loss track record in recent decades
- Moderate risk position due to concentration risks
- Partly mitigated by very conservative lending and underwriting standards

4. Hypo liquidity and funding

-1

- Matched funding profile but elevated dependence on wholesale funding
- Increased share of covered bonds leads to a more balanced funding profile
- Elevated loan-to-deposit ratio

Hypo Credit Rating

BBB (st.)

Covered Bonds



Hypo Covered Bonds Executive Summary as at 30.9.2019

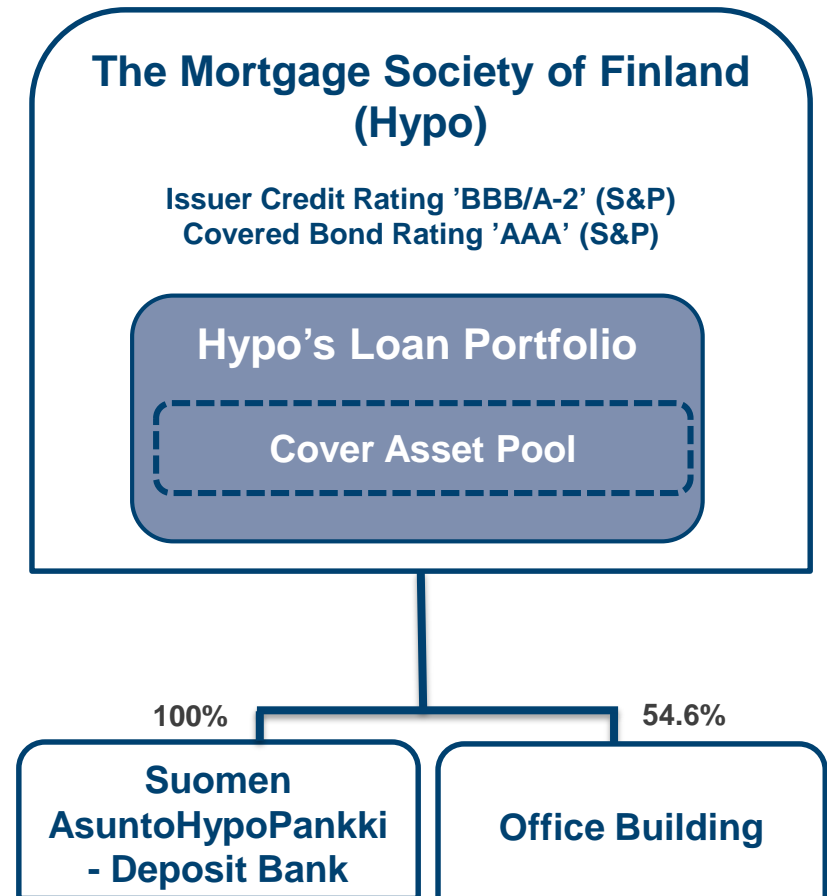


- Issuer is the Group parent, no separate covered bond issuer
- Total amount outstanding EUR 1 300 million
 - EUR 300 million, Maturity Date May 10, 2021 with 1 year soft-bullet structure
 - EUR 100 million, Maturity Date Dec. 7, 2022 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date April 24, 2023 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date June 28, 2024 with 1 year soft-bullet structure
 - EUR 300 million, Maturity Date March 13, 2026 with 1 year soft-bullet structure
- Covered bonds rated 'AAA' (st.) by the S&P
- Cover pool consists 100% of Finnish residential property
 - Regulatory risk weight of pool assets 35% (Basel III standard method)
 - All collateral located in selected prime growth centers
- Current WALTV 31.6%
- Current nominal overcollateralization 23.1%
 - 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 the interest rate risk
- Hypo is a member of ECBC

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 the covered bond register
- Issuer Credit Rating 'BBB/A-2' (st.)
- Covered Bond Rating 'AAA' (st.)



Cover Asset Pool



Eligibility Criteria for the Cover Pool



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 70% of the pool loans have the best internal credit class 'A'
Collateral	<ul style="list-style-type: none">• Maximum LTV limit 70%• Current Pool WALTV 31.6%• 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

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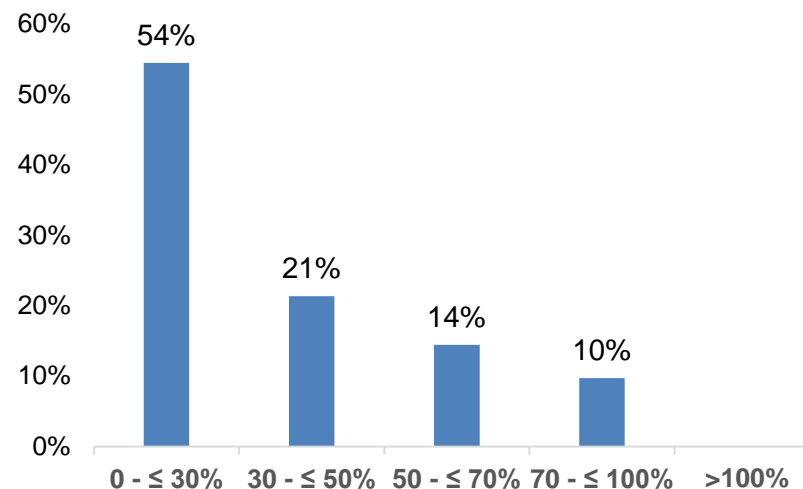
Cover Asset Pool Data (1/3)



Pool Data as at 30.9.2019

Total Cover Pool (nominal)	EUR 1 600 001 882
Eligible Cover Pool	EUR 1 583 014 213
Average Loan Balance	EUR 213 021
Number of loans	7 511
Number of properties	6 203
Number of clients	7 239
WA seasoning (months)	41
WA remaining term (months)	226
WA LTV (indexed)	31.1%
WA LTV total (indexed)	31.6%
Interest	Variable 99% Fixed 1%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	23.1%
OC level (eligible)	21.8%
Pool Type	Dynamic

LTV Distribution

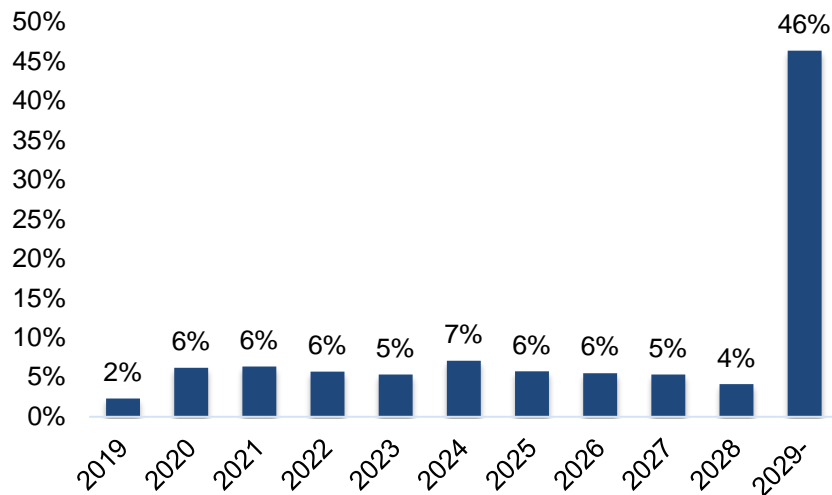


- The weighted average indexed LTV of the pool is 31.6%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

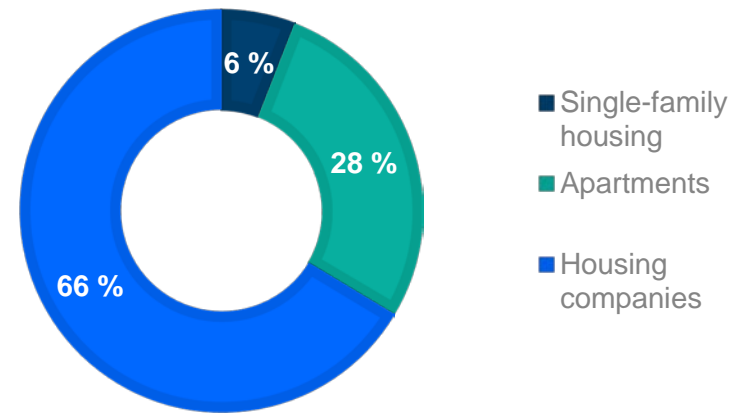
Cover Asset Pool Data (2/3)



Pool Loan Maturity Profile Contractual Amortizations



Pool Collateral Types



- Balanced pool composition: 34% of retail mortgages and 66% 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

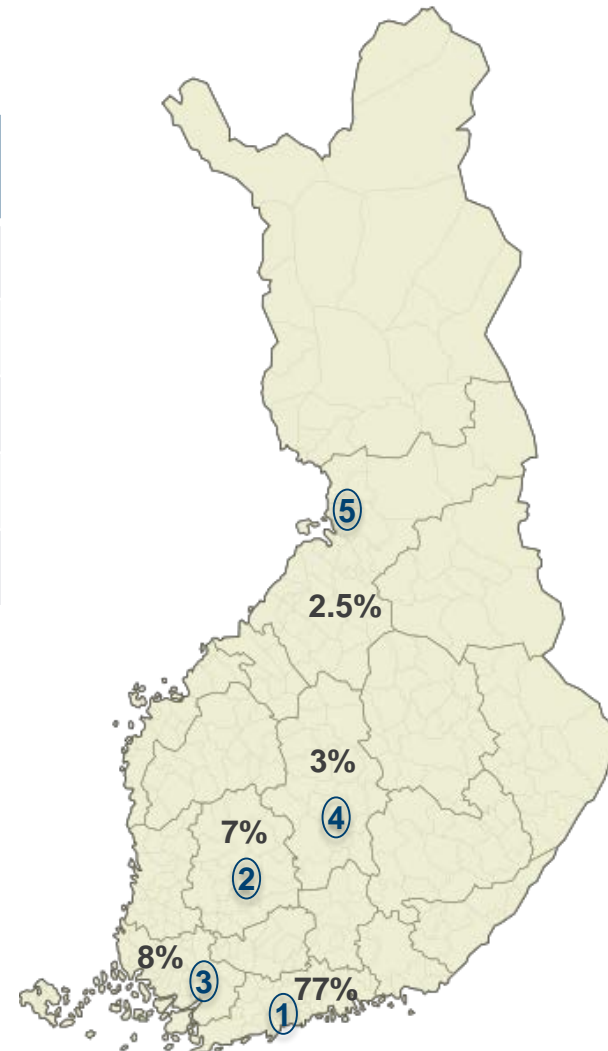
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Cover Asset Pool Data (3/3)



Geographical Distribution as at 30.9.2019

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	77%
2	Pirkanmaa	Tampere	7%
3	Varsinais-Suomi	Turku	8%
4	Central Finland	Jyväskylä	3%
5	North Ostrobothnia	Oulu	2.5%

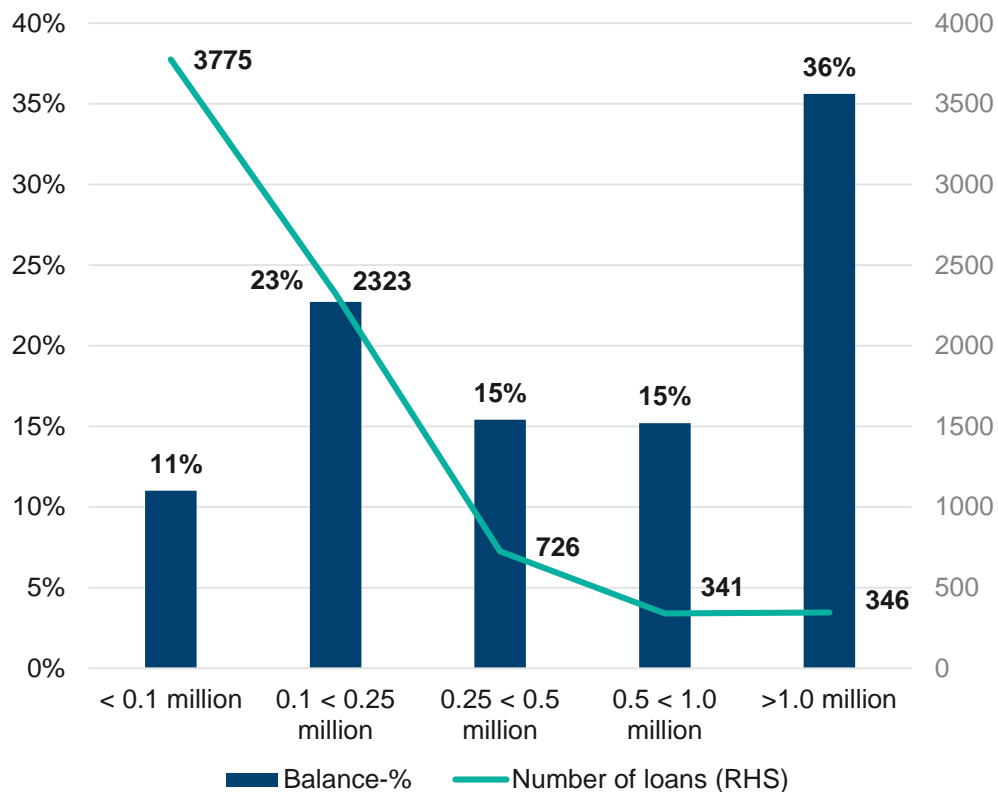


Hypo's strategic choice is to operate only in prime growth centers.

Cover Pool Loan Size Distribution



Loan Size Distribution: Share and Number of Loans



- 34% 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 > 3 million excluded from the cover pool
- Loans with remaining balance < 5,000 excluded from the cover pool

Cover Asset Pool 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%	1 063	1 001	925	822	717
40- ≤ 70%	382	368	355	375	387
70- ≤100%	155	222	261	248	228
>100%		10	59	155	269
Pool total (nominal), EUR million	1 600	1 591	1 541	1 445	1 331
OC (nominal)	23.1%	22.4%	18.5%	11.2%	2.4%

- 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 total still exceeds EUR 1 300 million (the total outstanding amount of bonds).

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