



Covered Bond Transparency Information

# The Mortgage Society of Finland

Information as at June 30, 2024

Published on August 9, 2024

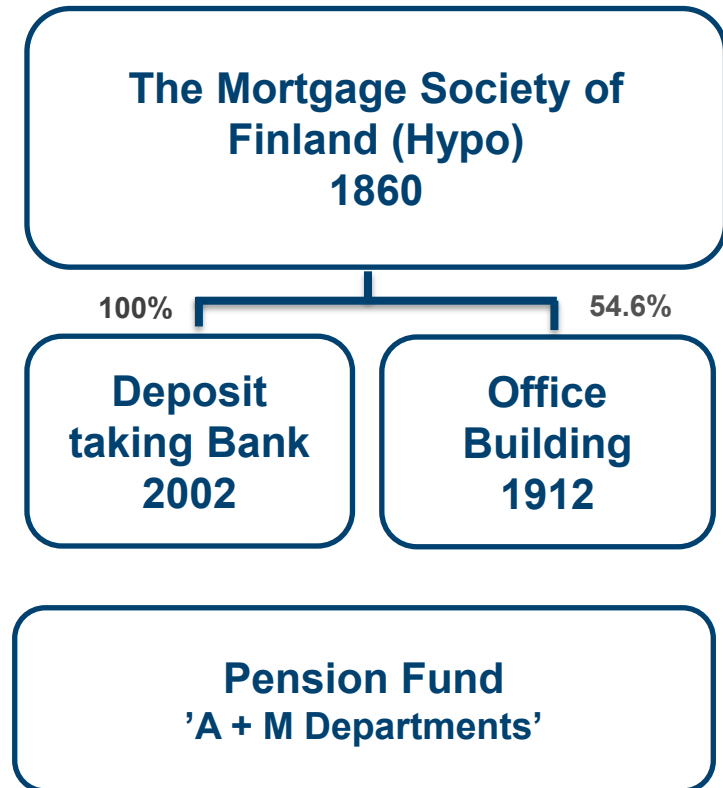
# About the Issuer



# 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 0.18% (as at 2Q24)
- Total assets EUR 3.7 billion (as at 2Q24)
- 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 – 30.6.2024



- 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 1,720 million
- Current WALTV's for pools 34.1% and 21.9%
- Current nominal overcollateralization for pools 29.0% and 27.4%
  - 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

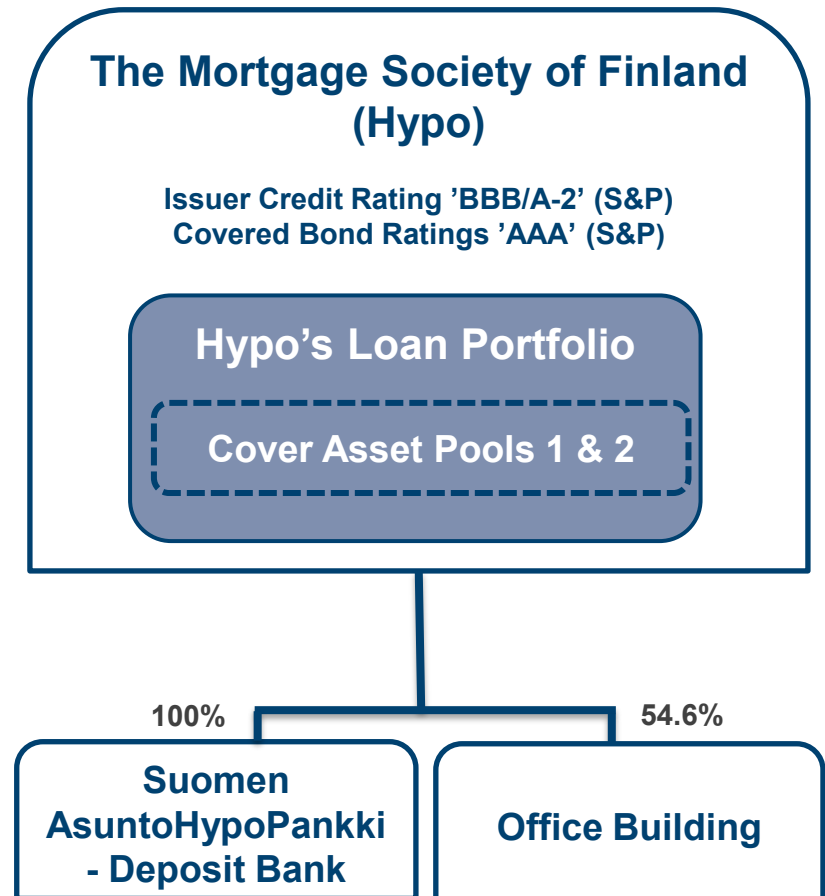
Type	ISIN	Issue Date	Maturity Date	Nominal (m€)	Coupon	Pricing
Covered – Pool 1	FI4000375092	13.3.2019	13.3.2026	300	Fixed +0.5	MS +15
Covered – Pool 1	FI4000496344	24.3.2021	24.3.2031	300	Fixed +0.01	MS +6
Covered – Pool 1	FI4000522420 (own use)	20.4.2022	20.4.2025	70	Float EUB 3M +7 bps	
Covered – Pool 1	FI4000375092 (tap)	26.4.2022	13.3.2026	150	Fixed +0.5	private placement
Covered – Pool 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
Covered – Pool 2	FI4000570684	10.4.2024	10.4.2029	300	Fixed +3.125	MS +43

SECURE WAY FOR BETTER LIVING.

# 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 34.1%</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>

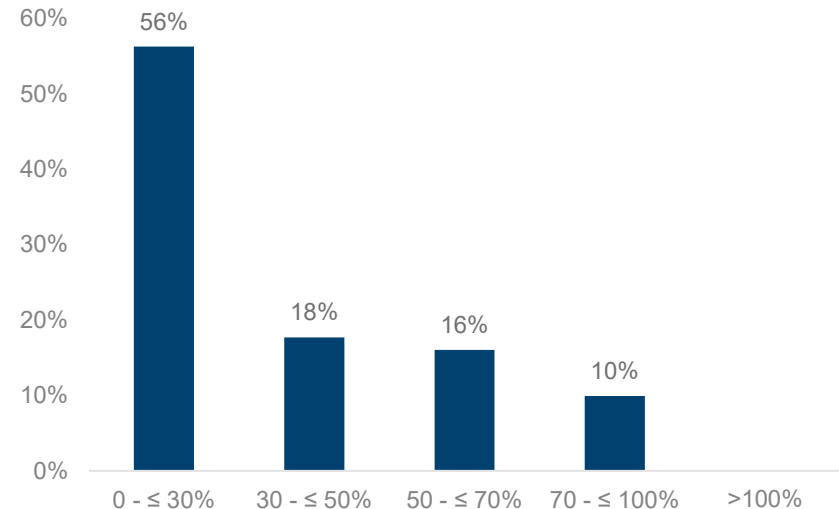
# Cover Asset Pool 1 Data (1/3)



## Pool Data as at 30.6.2024

Applicable law	Act 688/2010
Total Cover Pool (nominal)	EUR 1 057 900 184
Eligible Cover Pool	EUR 1 046 013 000
Average Loan Balance	EUR 196 380
Number of loans	5 387
Number of properties	4 685
Number of clients	5 549
WA seasoning (months)	51
WA remaining term (months)	230
WA LTV (indexed)	33.4%
WA LTV total (indexed)	34.1%
Interest	Variable 97% Fixed 3%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	29.0%
OC level (eligible)	27.6%
Pool Type	Dynamic

## LTV Distribution

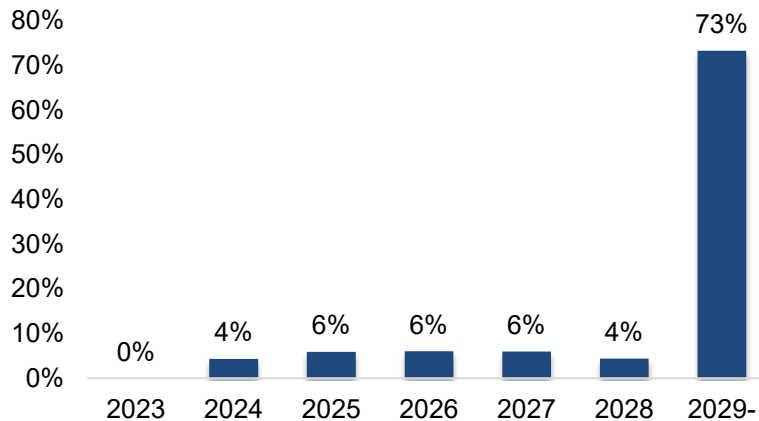


- The weighted average indexed LTV of the pool is 34.1%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

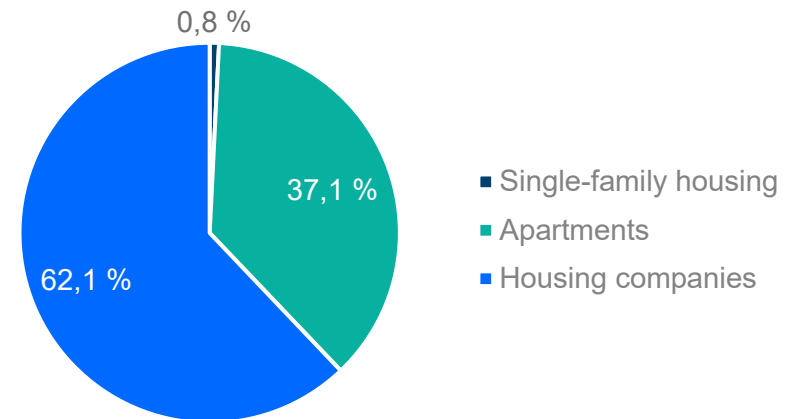
# Cover Asset Pool 1 Data (2/3)



## Pool Loan Maturity Profile Contractual Amortizations



## Pool Collateral Types



- Pool composition: 37% of retail mortgages and 62% 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

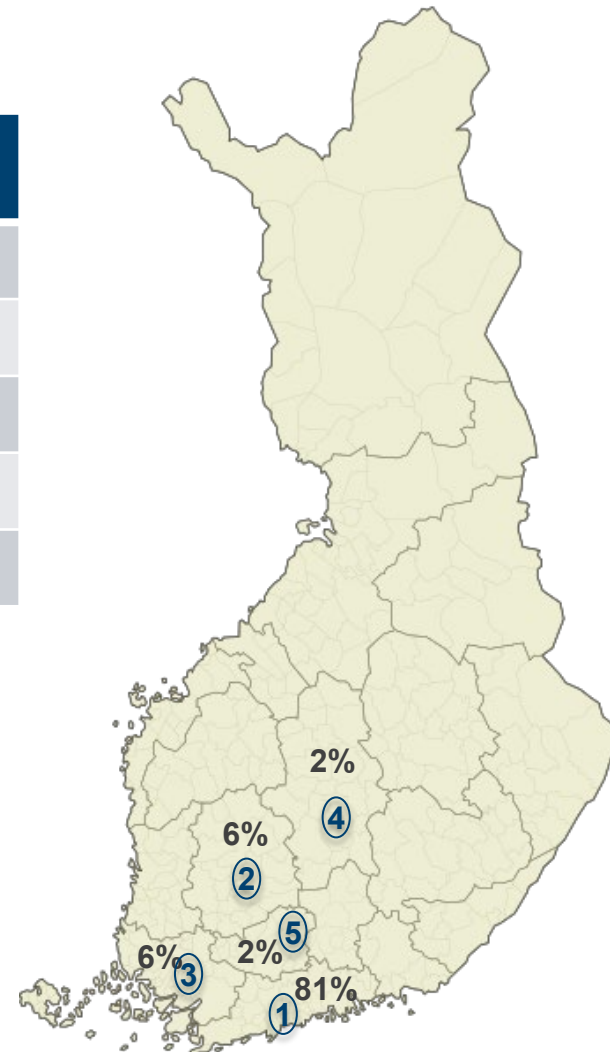
# Cover Asset Pool 1 Data (3/3)



## Geographical Distribution as at 30.6.2024

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	81%
2	Pirkanmaa	Tampere	6%
3	Varsinais-Suomi	Turku	6%
4	Central Finland	Jyväskylä	2%
5	Kanta-Häme	Hämeenlinna	2%

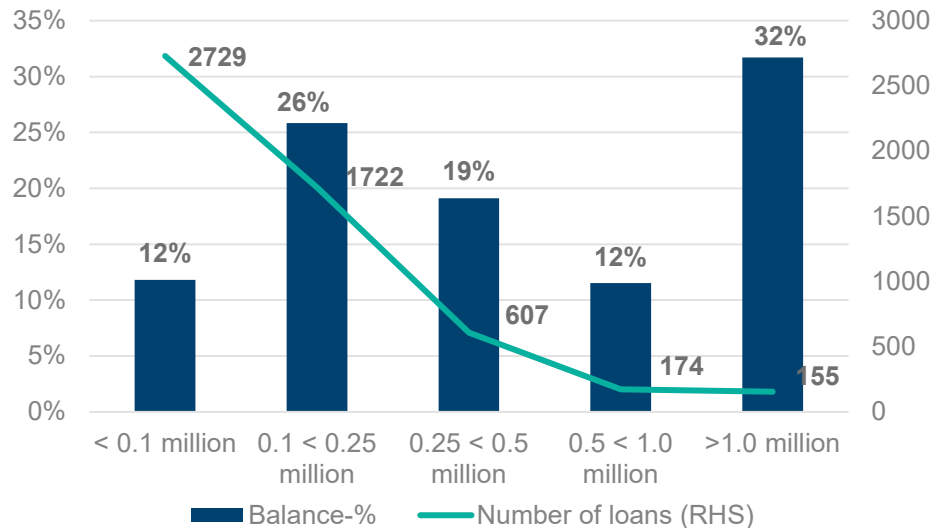
Hypo's strategic choice is to operate only in prime growth centers.



# Cover Pool 1 Loan Size Distribution



Loan Size Distribution:  
Share and Number of Loans



- 38% 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%	687	654	614	565	502
40- ≤ 70%	266	238	217	211	209
70- ≤100%	105	154	186	177	157
>100%		12	41	105	190
<b>Pool total (nominal), EUR million</b>	1,058	1,046	1,017	953	868
<b>OC (nominal)</b>	29.0%	27.5%	24.0%	16.2%	5.9%

- 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 820 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 21.9%</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>• 99,5% floating interest rate</li></ul></li><li>• No revolving/flexible loans</li></ul>

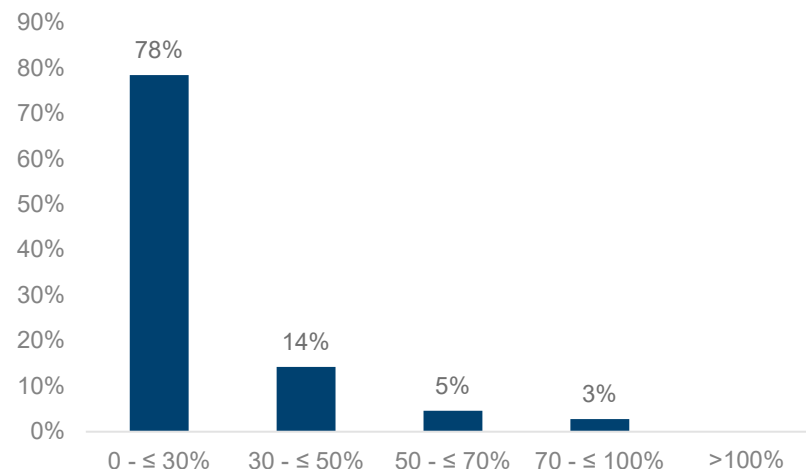
# Cover Asset Pool 2 Data (1/3)



## Pool Data as at 30.6.2024

Applicable law	Act 151/2022
Total Cover Pool (nominal)	EUR 1 146 886 286
Eligible Cover Pool	EUR 1 145 298 000
Average Loan Balance	EUR 275 826
Number of loans	4 158
Number of properties	3 213
Number of clients	3 435
WA seasoning (months)	62
WA remaining term (months)	214
WA LTV (indexed)	21.8%
WA LTV total (indexed)	21.9%
Interest	Variable 99.55% Fixed 0.5%
Loans in arrears (>30 days)	0.00%
OC level (nominal)	27.4%
OC level (eligible)	27.3%
Pool Type	Dynamic

## LTV Distribution

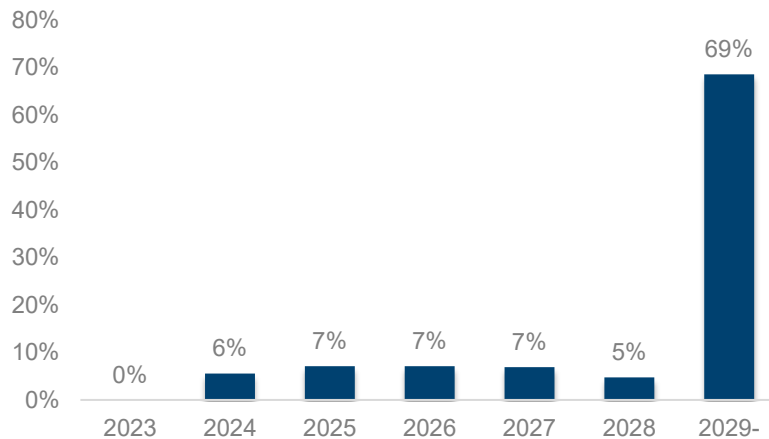


- The weighted average indexed LTV of the pool is 21.9%
- No non-performing loans in the cover pool
- No arrears
- Well-seasoned mortgage cover pool

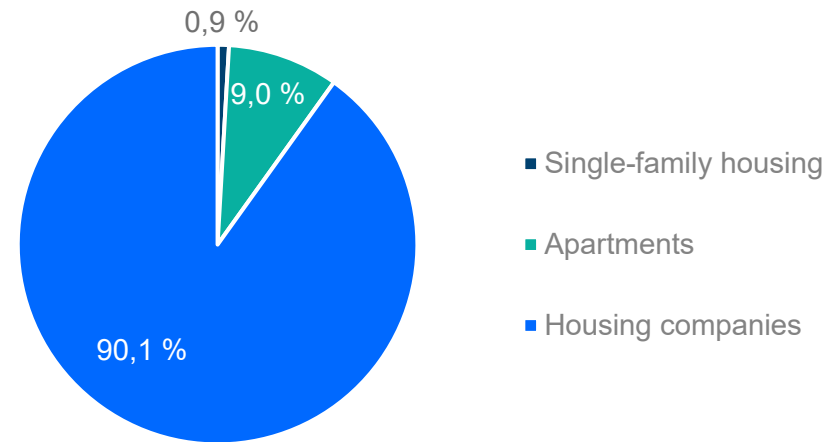
# Cover Asset Pool 2 Data (2/3)



## Pool Loan Maturity Profile Contractual Amortizations



## Pool Collateral Types



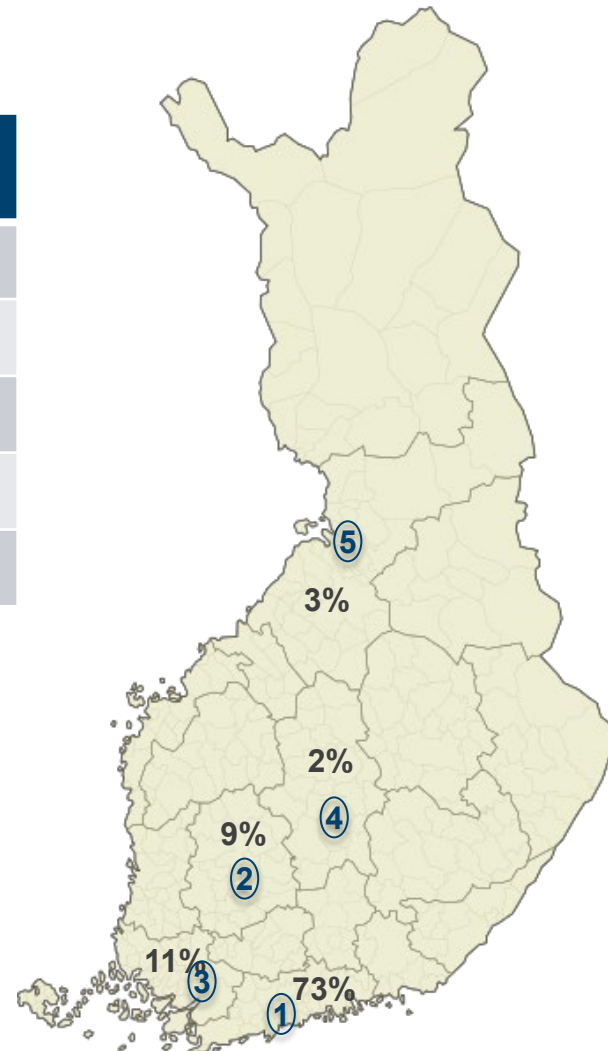
- Pool composition: 10% of retail mortgages and 90% of housing company residential mortgages
- All loans with contractual repayment schedule
- Stable amortization profile
- No public sector loans in the pool
- Currently no substitute assets in the pool

# Cover Asset Pool 2 Data (3/3)



## Geographical Distribution as at 30.6.2024

	Region	Major City	Share of the Pool
1	Uusimaa	Helsinki	73%
2	Pirkanmaa	Tampere	9%
3	Varsinais-Suomi	Turku	11%
4	Central Finland	Jyväskylä	2%
5	North Ostrobothnia	Oulu	3%

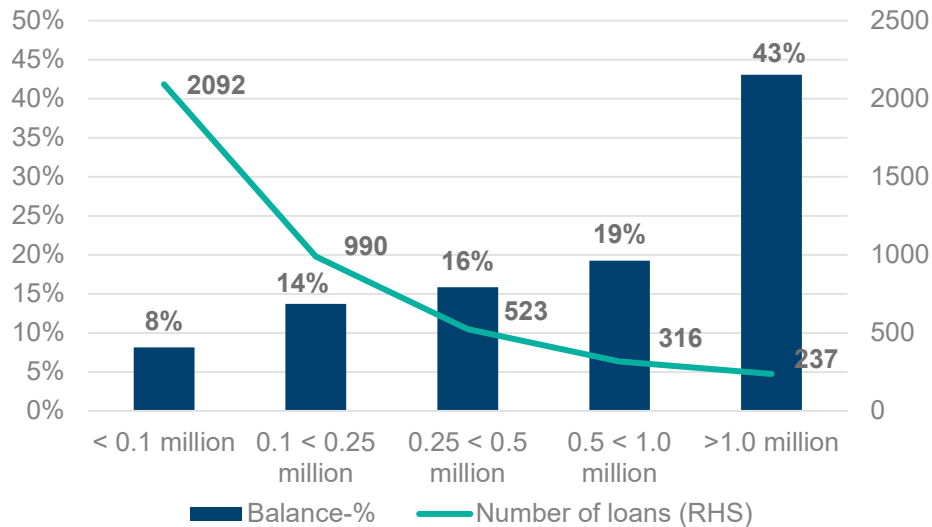


Hypo's strategic choice is to operate only in prime growth centers.

# Cover Pool 2 Loan Size Distribution



Loan Size Distribution:  
Share and Number of Loans



- 22% 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%	1,015	985	924	869	783
40- ≤ 70%	100	106	152	189	245
70- ≤100%	32	50	54	57	57
>100%		6	17	32	61
<b>Pool total (nominal), EUR million</b>	1,147	1,141	1,130	1,115	1,086
<b>OC (nominal)</b>	27.4%	26.7%	25.6%	23.9%	20.6%

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

# Contact

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