

Hypo Investor Update 4Q2024

Debt Investor Presentation



Published on January 31, 2024



HYPO

Secure Way for Better Living

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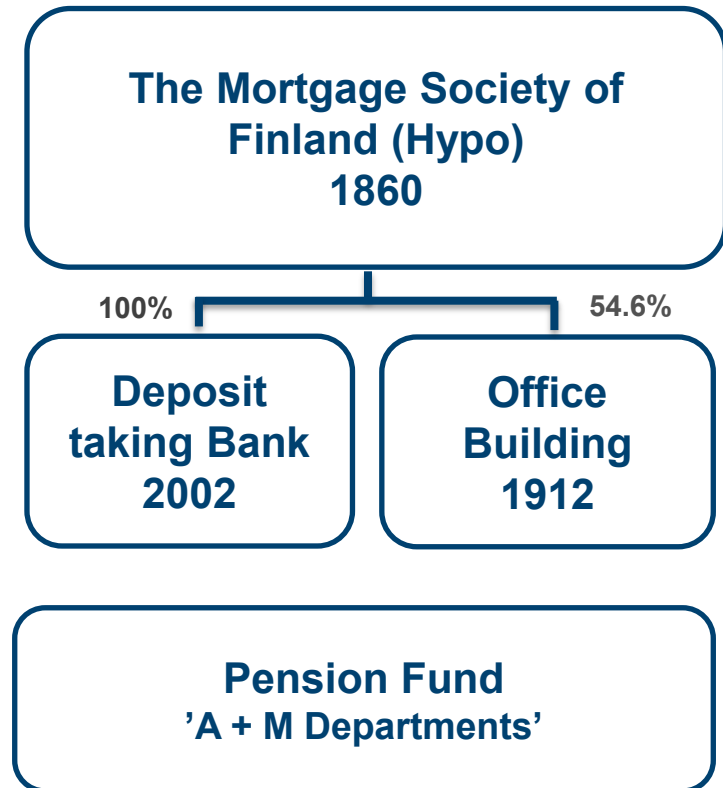
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Hypo Group Overview



- 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 0.43% (as at 4Q24)
- Total assets EUR 3.5 billion (as at 4Q24)
- 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
<ul style="list-style-type: none">• Niche residential mortgage financier in Finland• Expectation of ongoing business stability given selective business underwriting which partly offsets concentrated business profile• Well positioned for further loan growth and to increase operational efficiency	
2. Hypo capital and earnings	+2
<ul style="list-style-type: none">• Very strong risk-adjusted capitalization (RAC)• Profit retention as a Mutual company, profits only used for capital build-up	
3. Hypo risk position	-1
<ul style="list-style-type: none">• 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
<ul style="list-style-type: none">• 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](#)



Hypo: Kuluttajien ja yritysten talouteen pysyy alhaisena

Taloyhtiöiden maineen pilaaminen harmittaa asuntorahoitusmiestä



en mukaan kuluva vuosi tulee aikea mutta nousujohteinen. Hypo tavan talouskasvua.

Kaupparehti 27.3.2024 Suoraan asiaan

ASUMINEN

Tällaisia alueita kannattaa nyt vilkuilla, jos toiveissa on asunnon arvon nousu, sanoo Hypon Juho Keskinen

Hypon pääekonomistiksi nimitetty Juho Keskinen paljastaa pahimman asuntomarkkinamokansa ja kertoo, kuka pelastaa Suomen asuntomarkkinat.



ASUMINEN

Hypo pani taas kunnat järjestykseen Vain yksi kaupunki saa AA-luokkaa

Hypon tuore asuntoluottoluokitus kertoo, mitkä kuuluvat parhaaseen A-ryhmään, mitkä taas put heikompaan BBB-luokkaan.



Kerrostalon sisäpiha Helsingin Kampissa kuvattuna toukokuussa 2023. Kuva: Terhi Liimu / Yle

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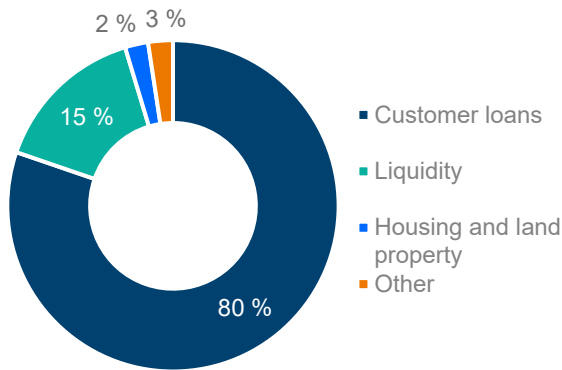
Financial Results



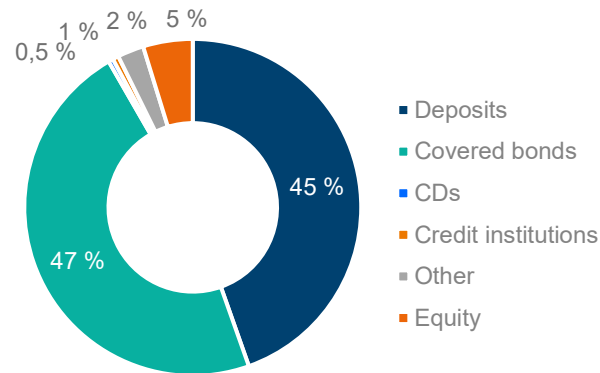
Strong Balance Sheet



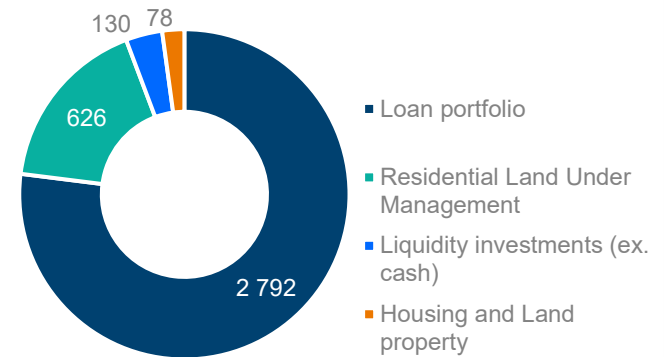
Total Assets



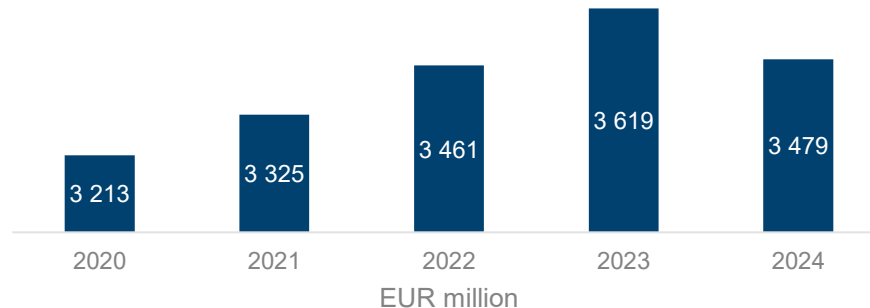
Liabilities and Equity



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



Balance Sheet Total

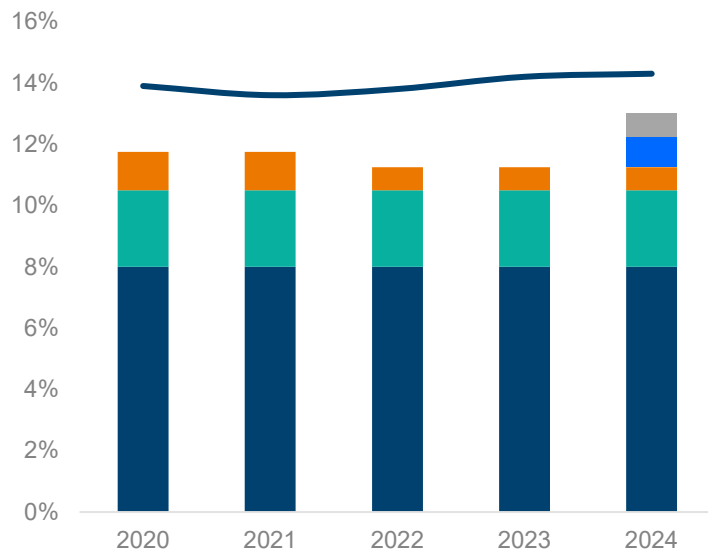


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Solid Capital Basel III Standard Approach



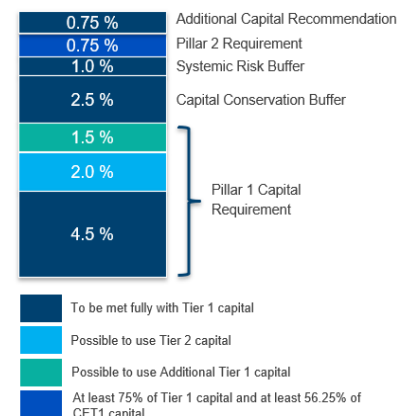
Capitalisation



- Additional Capital Recommendation (left axis)
- Systemic Risk Buffer, m€ (left axis)
- Pillar 2 Requirement, m€ (left axis)
- Capital Conservation Buffer, m€ (left axis)
- Pillar 1 Requirement, m€ (left axis)
- CET1%

- Mutual company: all profits are retained and added to the core capital
- S&P's Risk Adjusted Capital 18.7% on 31.12.2023
- Total Capital Ratio 14.3%, all CET1 (as at 4Q2024)

Pillar 1 Capital Requirement	8.00%
Capital Conservation Buffer	2.50%
Systemic Risk Buffer	1.00%
Pillar 2 Requirement	0.75%
Additional Capital Recommendation	0.75%
→ Total Capital Requirement	13.00%



- EUR 3.7 million of hidden reserves in housing property (not marked-to-market) and EUR 8.0 million of surplus in Pension Fund
 - Inclusion into CET1 would raise the ratio to 15.2%
- Basel III standardized approach risk weights
 - Lending with residential collateral: 35% risk weight
 - Housing and land investments: 100% risk weight

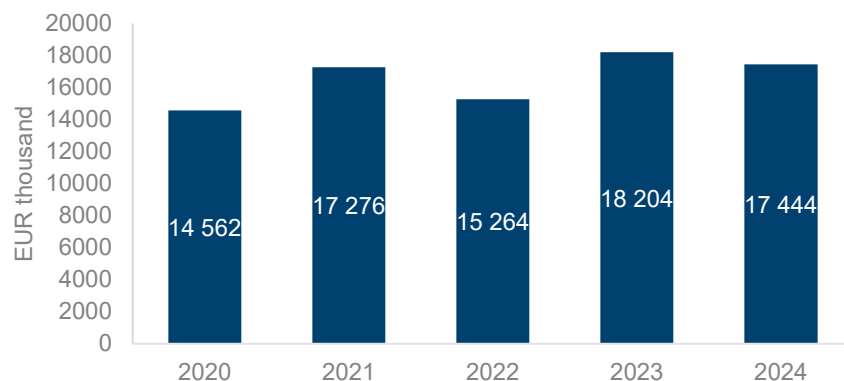
Group Income Statement



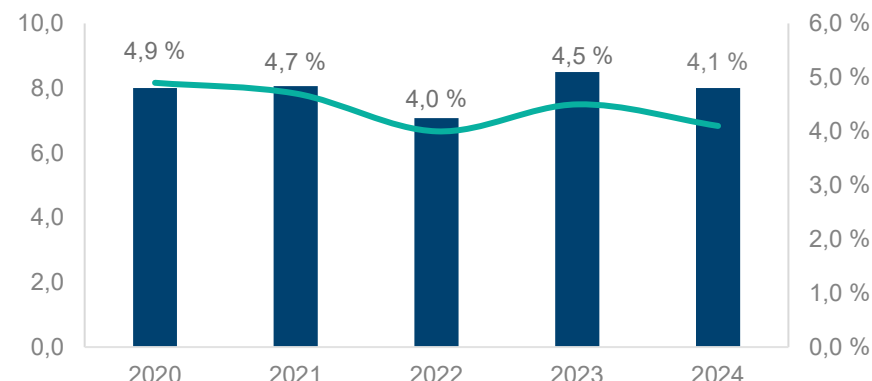
(EUR 1,000)	2024	2023	2022	2021
Net Interest Income	17,444	18,204	15,264	17,276
Net Fee and Commission Income	5,655	4,697	3,592	4,077
Total Other Income	1,490	2,106	5,766	4,734
Total expenses	-16,581	-16,504	-17,543	-18,023
Operating Profit	8,008	8,503	7,079	8,064

- In January-December 2024, net interest income decreased by 4.2% from previous year and totaled EUR 17.4 million (EUR 18.2 million) due to general level of interest rates
- Hypo Group's operating profit was EUR 8.0 million in 2024
- Net Fee and Commission Income totaled EUR 5.7 million in 2024
- Total other income (incl. treasury operations and housing and residential land) amounted to EUR 1.5 million in 2024
- Expenses remained almost on the same level and were EUR 16.6 million (EUR 16.5 million)

Net Interest Income



Profitability



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

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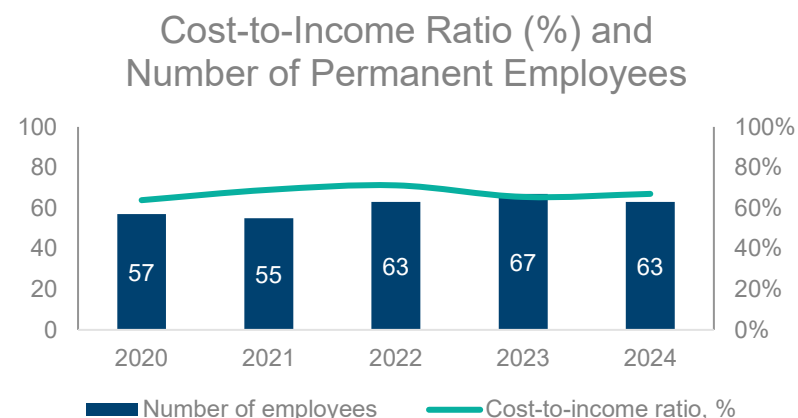
Group Key Financial Figures



	2024	2023	2022	2021
Return on Equity (ROE), %	4.1	4.5	4.0	4.7
Common Equity Tier 1 (CET1), %	14.3	14.2	13.8	13.6
Cost-to-income, %	67.0	65.5	71.2	69.0
Non-performing loans (NPL), %	0.43	0.19	0.14	0.14
Loan to value (LTV), %	31.1	30.3	30.8	33.1
Loans/ deposits, %	180.0	178.2	187.0	158.8
Receivables from the public (m€)	2,792	2,786	2,754	2,637
Balance sheet total (m€)	3,479	3,619	3,461	3,325

- Cost-to-income ratio was 67.0% in 2024 (65.5% as at ye2023)

- Total assets were EUR 3.5 billion and receivables from the public EUR 2.8 billion in 2024
- In 2024 CET1 ratio was 14.3% (14.2% as at ye2023) and equity amounted to EUR 165.7 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



Hypo's Loan Book

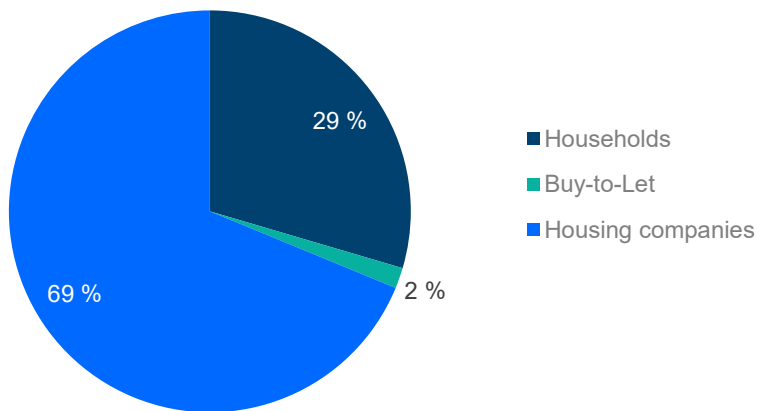


Loan Book Overview

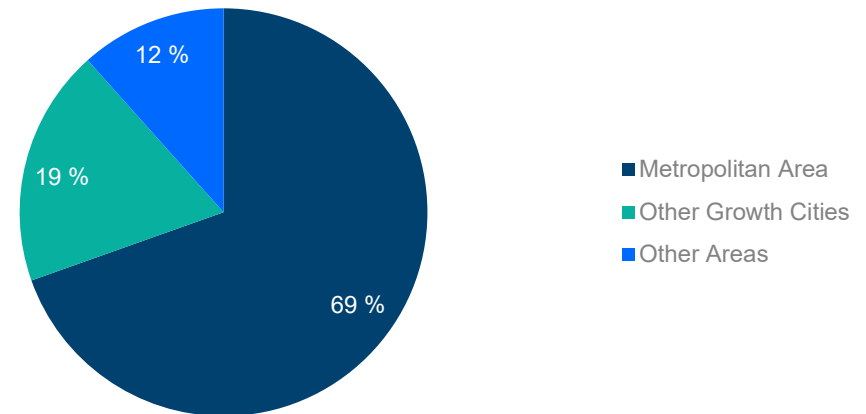


- Hypo's loan book is EUR 2,792 million
- Mortgage loans secured by residential property
- Collateral requirement is set in the Finnish Act on Mortgage Societies
- Two main customer groups
 1. Households: home mortgage, buy-to-let
 2. Housing companies: renovation loans

Lending by Customer Type

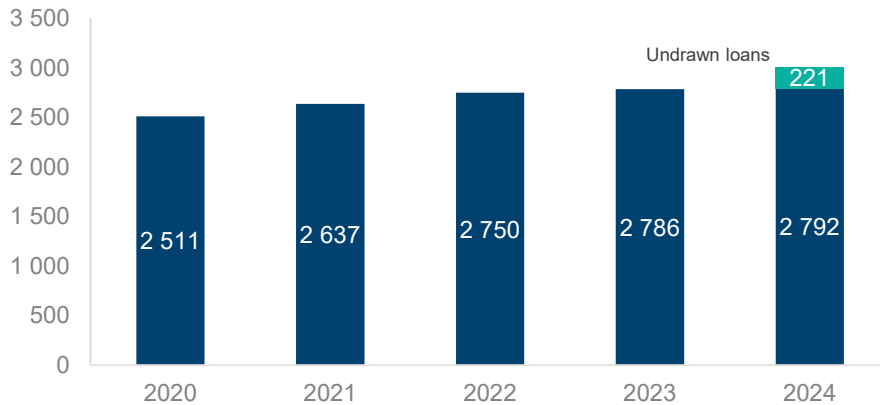


Loan Book by Customer Domicile

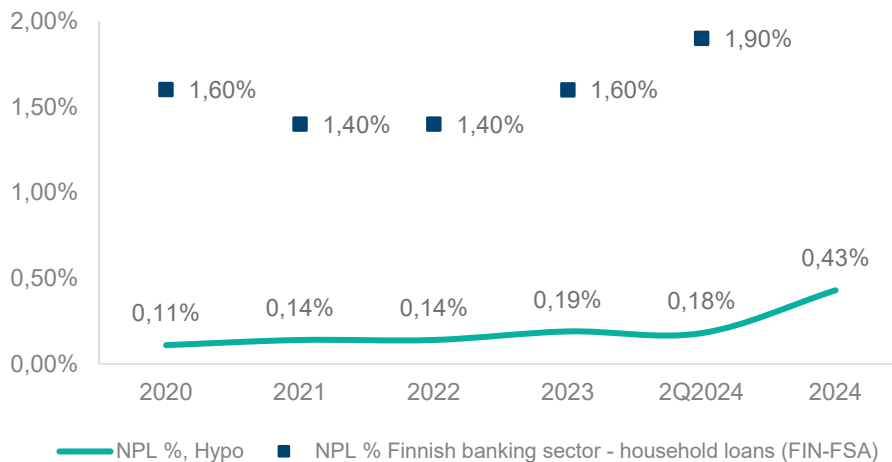


Loan Book Quality Excellent

Hypo Loan Book Total, m€



Non-performing Loans (%)



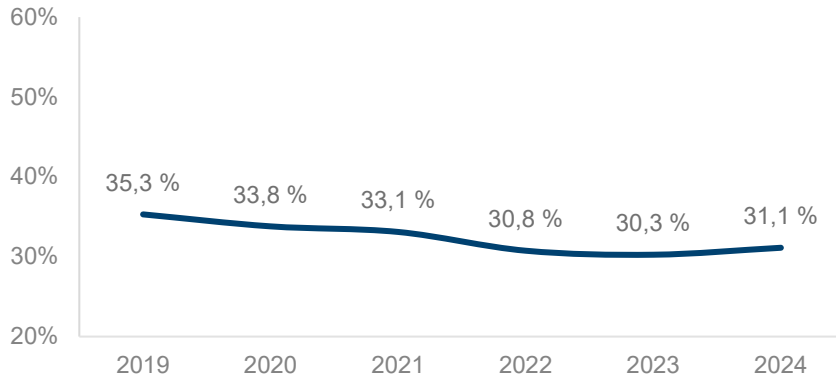
- During the financial period, the loan portfolio increased a bit by 0.2% and totaled EUR 2,792 million
- Currently EUR 211 million undrawn loans
- All lending is against residential collateral
- Only EUR denominated lending
- All collateral is located in Finland
- Strategic concentration in the Helsinki Metropolitan Area and other specified growth areas
- Non-performing loans remained very low at 0.43% of total loans
- The quality of the loan book is well above the Finnish banks' household loans' average NPLs

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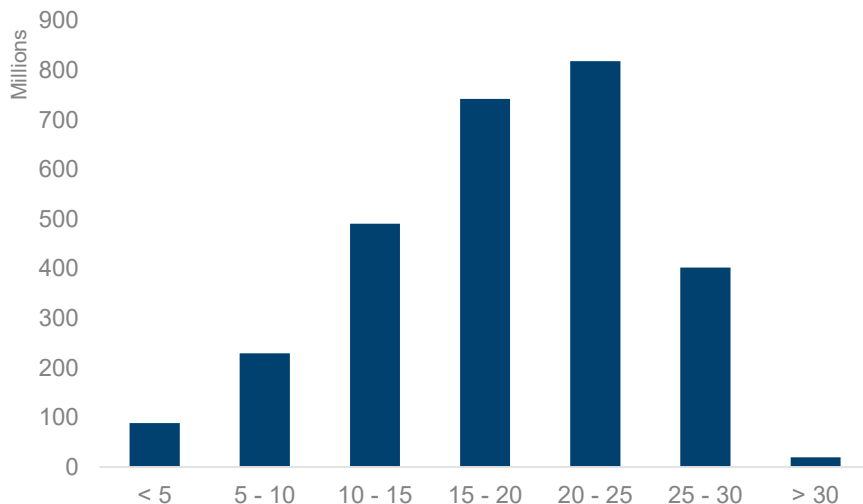
Loan Book Securely Collateralised



Hypo Loan Book Average LTV



Loan Book by Remaining Maturity (years)



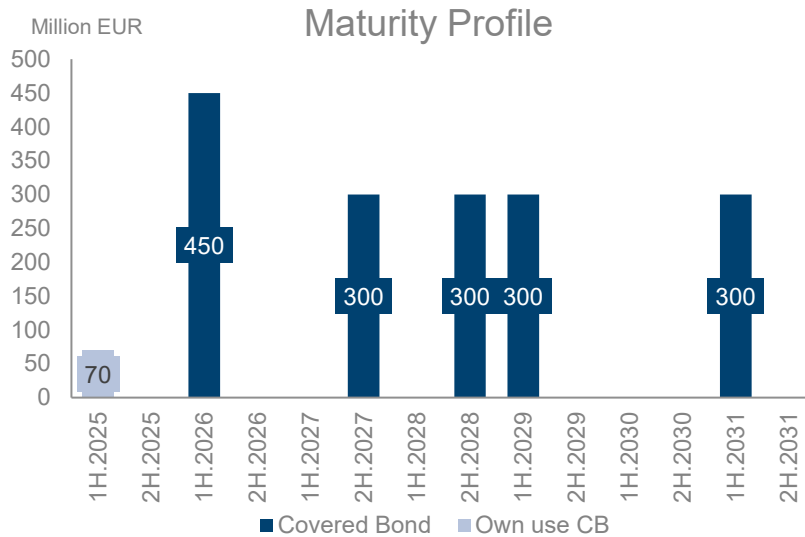
- Low LTV combined with conservative collateral valuation makes Hypo's loan book very strong even in times of stress
- Hypo's loan portfolio is entirely secured by residential property
- The average LTV (loan-to-value) is stable at 31.1%
- Around 98% of the loans are amortizing and 2% bullets
- >90% of loan book is risk weighted at 35% or lower
- The weighted 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

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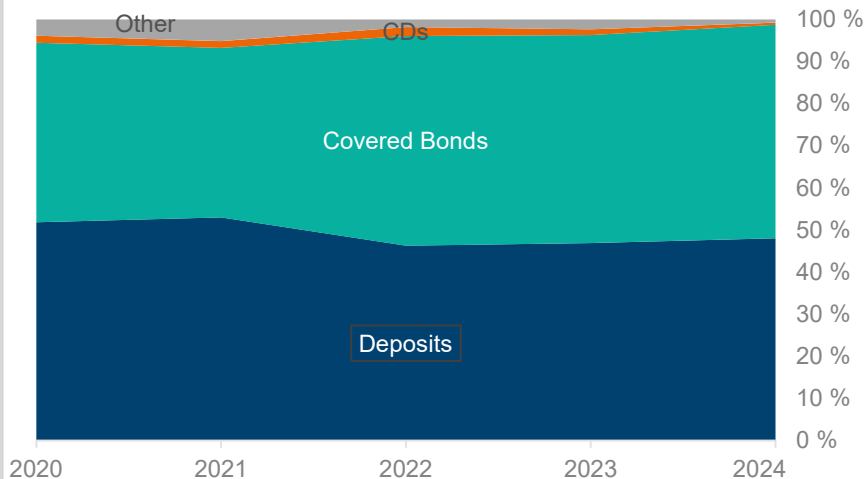
Funding and Liquidity



Diversified Funding 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
- NSFR 115.1% (112% as at ye2023)
- Deposits through the Asuntohypopankki subsidiary form currently ~48% of total funding
- Covered bonds currently ~51% of total funding
- Domestic CD program supports short term funding needs

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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 1,720 million
- Current WALTV's for pools 34.0% and 21.3%
 - Current nominal overcollateralization for pools 26.0% and 25.4%
 - 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

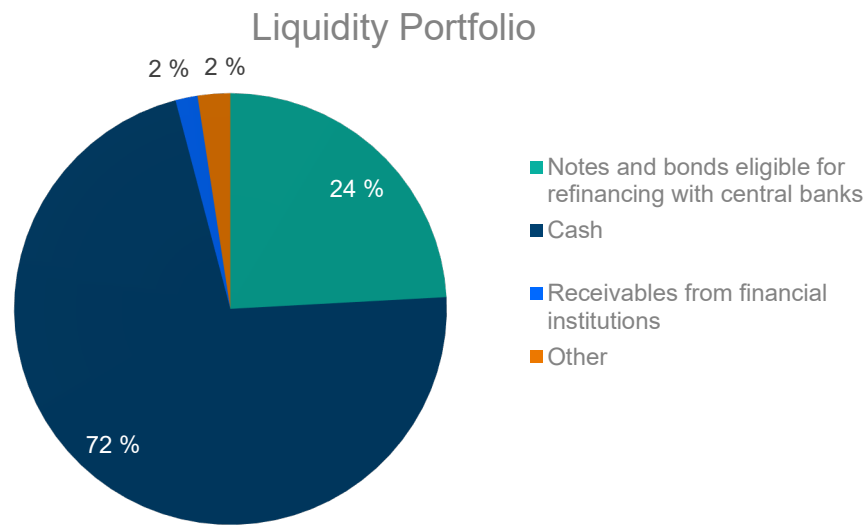
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Solid Liquidity Position



Liquidity portfolio EUR 537.5 million as of 31.12.2024

- Equaling 15.5% of total assets
- Conservative investment policy
 - 82.5% of debt securities invested in at least 'AA-' rated instruments
 - 90.8% of debt securities are ECB repo eligible
- Only EUR denominated exposure
- Hypo's domestic MTN and CD programmes support liquidity
- LCR 183.7% (326.4% as at ye2023)



Outlook



Future Outlook



“Finland's economic growth is weak, labor market is still cool 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, construction investments are lower than before, and risks related to real estate funds are elevated. Decreasing inflation and improving wages support consumers’ purchasing power. The housing market is recovering, renovation construction is increasing, inflation is low and interest rates continue to fall. Housing starts will still remain low, and housing prices are expected to turn upward. Differences between housing market areas and units become more important and urbanization continues supported by the 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 stable level.

The amendments of the EU solvency regulation that entered into force on 1 January 2025 improve Hypo Group’s solvency indicators.

The Hypo Group applies the taxonomy regulation and the sustainability reporting directive for the accounting period starting on 1 January 2025 and reports accordingly for the first time in connection with the 2025 financial statements.

The Mortgage Society of Finland group expects its operating profit for year 2025 to be at the same level as operating profit for 2024. The outlook contains considerable uncertainties due to development in economy and interest rates as well as uncertainties related to the wars in Ukraine and Gaza and the unstable global situation.”



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