



NEW CHALLENGES FOR POLISH MORTGAGE BANKS

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Warsaw, November 2002

Market Position of the Mortgage Banks (1)

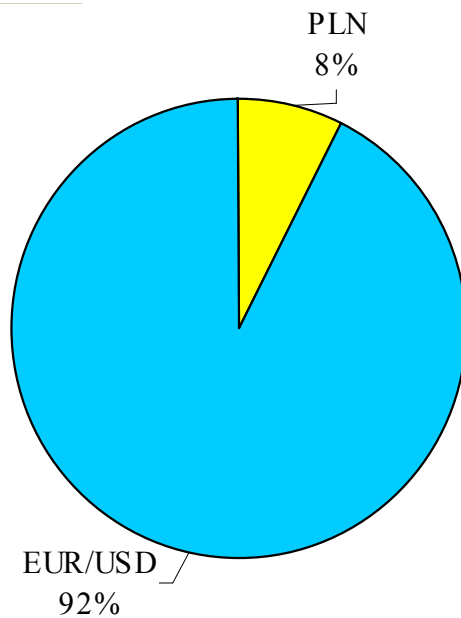
	Funds PLN mln	Commencement date of operations
🌟 HypoVereinsbank Bank Hipoteczny S.A.	165,5	2.12.1999
🌟 Rheinhyp-BRE Bank Hipoteczny S.A.	197	2.12.1999
🌟 Śląski Bank Hipoteczny S.A.	51,2	1.11.2001

Market Position of the Mortgage Banks (2)

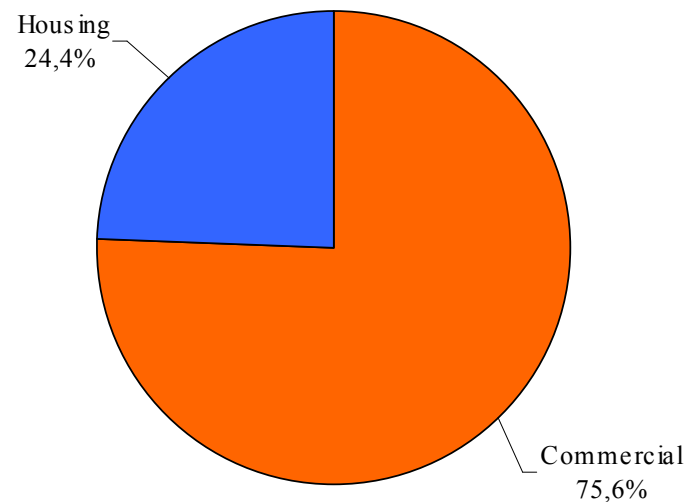
- ✦ Total real estate loan portfolio of all Polish banks
 - approximately PLN 40 bln
- ✦ Total loan portfolio of three Polish mortgage banks – PLN 1,17 bln or 2,9 per cent
- ✦ Share of mortgage banks:
 - in housing market – 1,3 %
 - in commercial market – approximately 8 –10 %
(up to EUR 12 mln – legal lending limit)

Specific Features of Loan Portfolio

Currency structure



Structure by type of loans

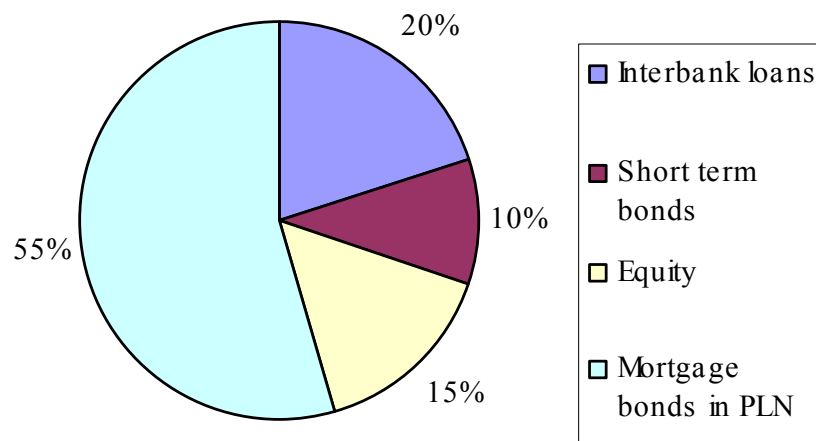


Funding Structure (1)

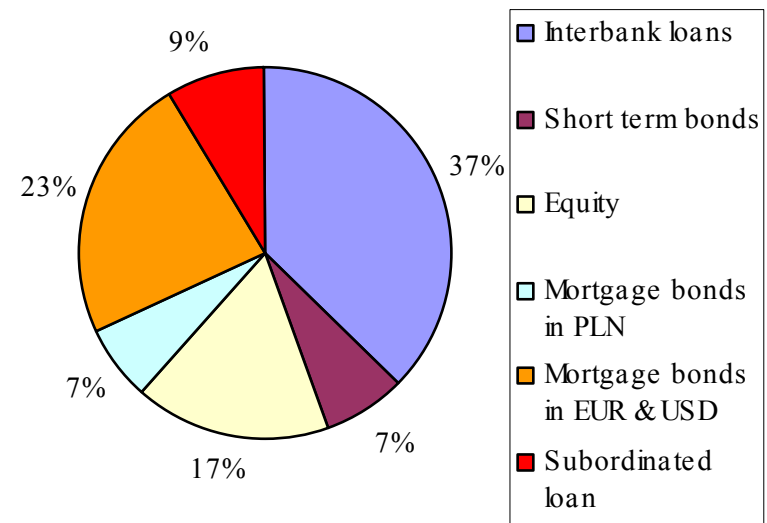
(the case of Rheinhyp-BRE Bank Hipoteczny)

Structure of funding by type of resources.

Planned in 1999 for 2002



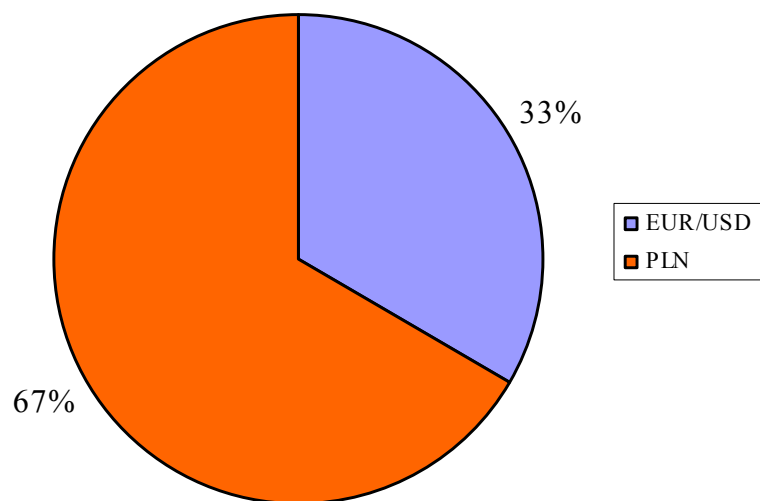
Achieved in 2002



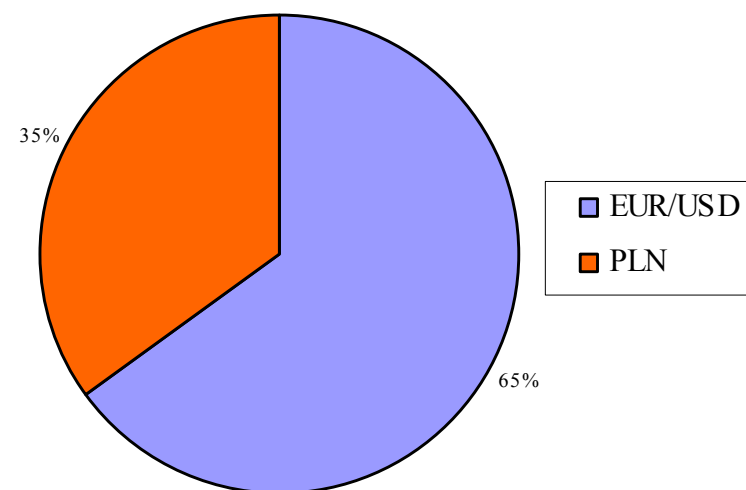
Funding Structure (2)

(the case of Rheinhyp-BRE Bank Hipoteczny)

Planned in 1999 for 2002



Achieved in 2002



Funding Structure (3)

	Volume of loans in the cover register	Total lending value	2 : 1 in per cent
As of:	1	2	3
31-12-2000	20.303.768,04	62.761.438,03	32,35 %
31-12-2001	136.231.292,86	452.635.107,44	30,10 %
30-09-2002	350.958.485,58	849.691.737,35	41,30 %

Data for Rheinhyp – BRE Bank Hipoteczny S.A. only.

Funding Structure (4)

	Volume of issued mortgage bonds in PLN	Total lending value	2 : 1 in per cent
As of:	1	2	3
31-12-2000	5.000.000,00	62.761.438,03	7,97 %
31-12-2001	102.335.500,00	452.635.107,44	22,61 %
30-09-2002	240.619.000,00	849.691.737,35	28,32 %

Data for Rheinhyp – BRE Bank Hipoteczny S.A. only.

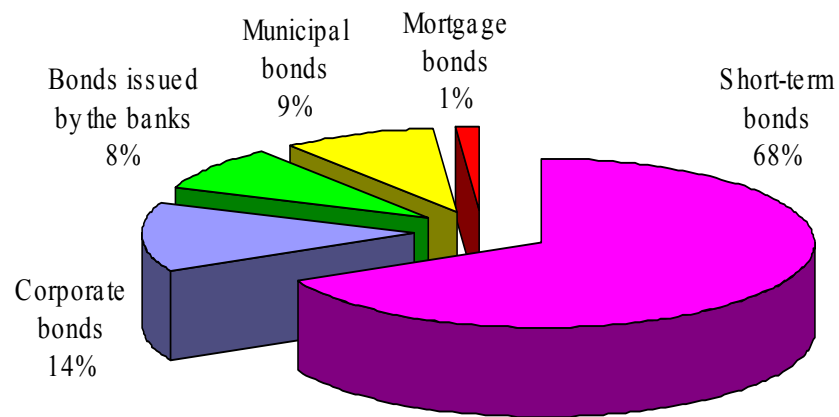
Mortgage Bonds Issued in Poland in 2000 - 2003

<i>Mortgage Bonds by Rheinhyp-BRE Bank Hipoteczny S.A (floating rate bonds)</i>				
Rating (FITCH)	Maturity date	Currency	Amount	Coupon
AAA	5-year	PLN	5,000,000	WIBOR 3M+0,25 %
AAA	5-year	PLN	50,000,000	WIBOR 3M+0,20 %
BBB+	3-year	EUR	5,000,000	EURIBOR 3M+0,55 %
BBB+	7-year	EUR	10,000,000	EURIBOR 3M+0,75 %
BBB+	3-year	USD	10,000,000	LIBOR 3M+0,55 %
BBB+	4-year	USD	10,000,000	LIBOR 3M+0,60 %
BBB+	6-year	USD	10,000,000	LIBOR 3M+0,70 %
<i>Mortgage Bonds by HypoVereinsbank Bank Hipoteczny S.A. (fixed rate bonds)</i>				
	10-year	EUR	3,630,000	5,95 %

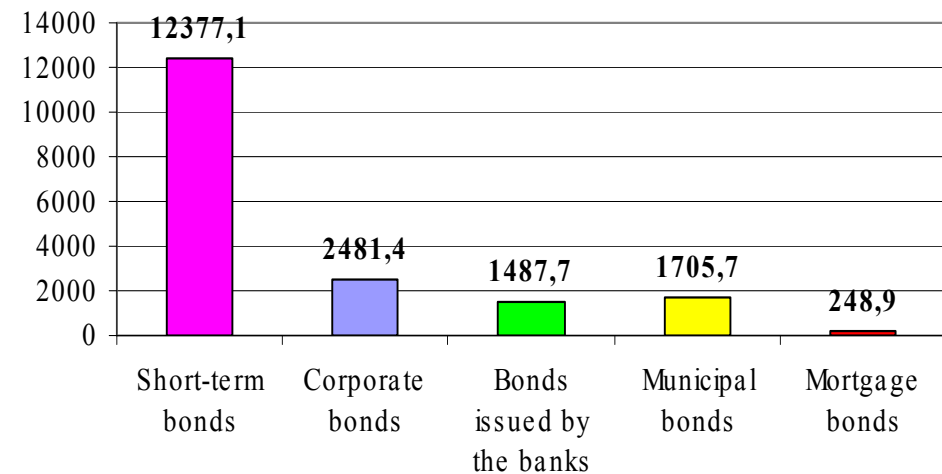




Structure of the Debt Market in Poland

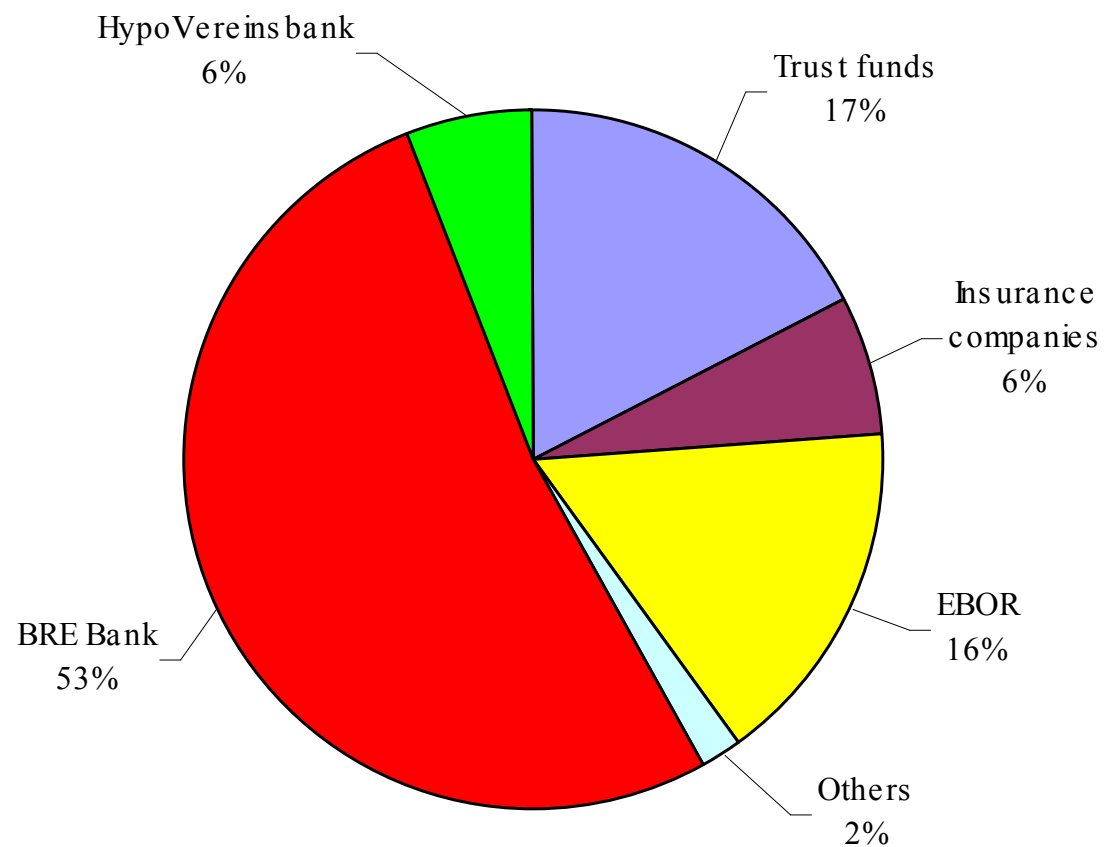


mln PLN



Source: based on Fitch Polska SA, as of 28-06-2002 r.

Mortgage Bonds Investors on the Polish Market





Major Reasons of Concern for Mortgage Banks in 2000 - 2002

- ✦ Slow court registration of mortgages
- ✦ Funding limit and other legal regulations pertaining mortgage bonds
- ✦ Lack of mortgage bonds in PLN
- ✦ Small housing lending business
- ✦ Ownership changes in the shareholders' structure on the Polish market

Amendments to the Law on Mortgage Bonds and Mortgage Banks

(Effective since September 9th, 2002)

I. New types of operation:

- ✦ Opening of banking accounts to serve the projects financed by the bank,
- ✦ Providing consulting services related to the real estate market
- ✦ Administrating of receivables of other banks following from the mortgage loans
- ✦ Lending to municipalities

Amendments to the Law on Mortgage Bonds and Mortgage Banks

(Effective since September 9th, 2002)

II. Liberalization of the limits:

- ✦ Acceptable volume of loan was increased from 80 % up to 100 % of banking mortgage value of single property
- ✦ Acceptable excess over 60 % of the banking mortgage value for the overall portfolio was raised from 10 up to 30 %
- ✦ Funding limit allowing to refinance banking operations in other way than mortgage bonds was determined as ten fold of the core capital for the first five years and six fold one after five years instead of core capital up to day

Amendments to the Law on Mortgage Bonds and Mortgage Banks

(Effective since September 9th, 2002)

III. Others

- ✦ Possibility to enrol exchange and interest rate hedging transaction into the cover register
- ✦ Possibility to dematerialised mortgage bonds in private placement
- ✦ Granting loans for the clients when the mortgage and land register has not been opened for them after fulfilling some legal conditions
- ✦ Detailed description of trustee status

Effects of Amendments

- ✦ More competitive than up-to-date offer for housing loans comparing to products of universal banks
- ✦ Broader access to cheaper funding

New Challenges for Mortgage Banks (1)

I. Macroeconomic environment

- ✦ Slowdown in investment activities both in housing and commercial
- ✦ Low rate of growth of personnel income

New Challenges for Mortgage Banks (2)

II. Mortgage banks' targets



To achieve break-even in housing lending through:

- standardization of the product
- developing distribution channels



To develop the liquid local market for mortgage bonds which could absorb appropriate volumes of bonds both in PLN, EUR and USD

New Challenges for Mortgage Banks (3)

III. Legal changes

- ✦ To modernize the mortgage registration system
- ✦ To simplify legal regulations concerning construction process
- ✦ To amend the bankruptcy law and the law on pension funds
- ✦ To introduce the law regulating relations between the bank, the developer and the client