

Covered bonds scenario post issuer's insolvency

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List zastawny scenario – after the insolvency of mortgage bank

Step 1: L.Z's principal maturity postponed 1 year (not conditional soft bullet)

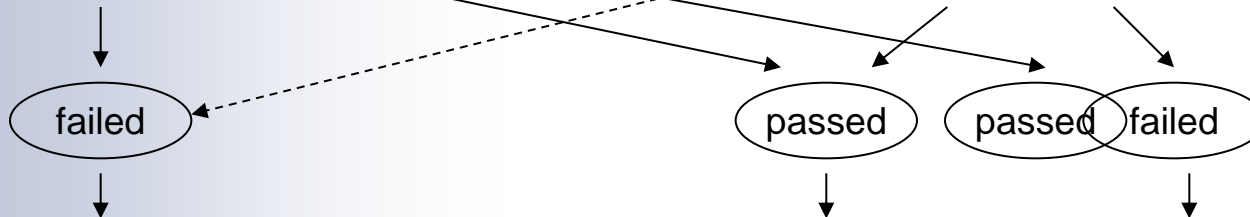
liquidity buffer used for LZ interest payment

2 TESTS (conducted also on regular basis, acc. To supervisory rules)

Step 2: Two tests, ordered by insolvency administrator, validated by resp. authority

a) coverage balance test

b) liquidity test



pass-through

- liquidity test will not be conducted
- pass-through or 2/3 holder's meeting decides to sell assets (pass through + division pari passu)

LZ paid

according to „original schedule”

pass-through

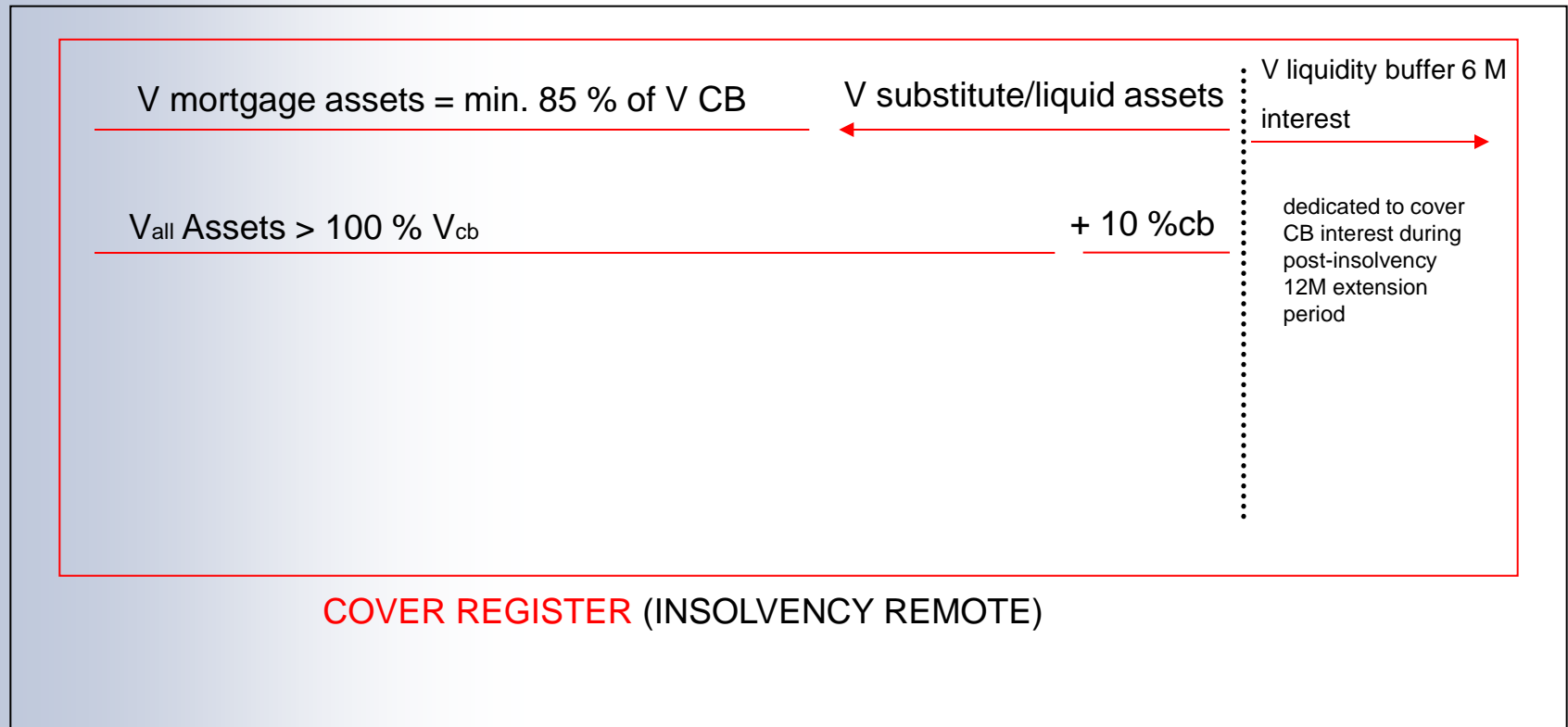
- L.Z. principal postponed till longest cov.pool asset's maturity plus 3 yrs. extension
- early repayment of LZ possible (6 M collection) but according to LZ terms of conditions (pass-through and pari-passu)
- interest paid acc. to LZ terms of conditions (announced in prospectus)

New regulation – in force since 01/01/2016.



Post-insolvency timely payment of list zastawny

Relation of OC vs. substitute/ liquid assets vs. liquidity buffer



MORTGAGE BANK

Substitute/ liquid assets:

1. Cash
2. State bonds & other securities guaranteed by EU Member States governments (except for states restructuring their debts during the last 5 years)
3. Funds deposited at the National Bank of Poland

