



Primary Mortgage Markets in SEE: Overview Comments

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4 February 2003



Presentation Overview

- Trends across the SEE Region
- Issues in Individual Countries
- Summary Remarks



Section One:

- Trends across the SEE region
- Issues in Individual Countries
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Trends across the SEE Region

- Mortgage finance remains underdeveloped and is still very small relative to GDP:
 - below 5% in each of the SEE countries
 - compared with over 40% in most EU countries
- Reasons include lack of:
 - legal and regulatory frameworks
 - supporting administration such as land registries
 - long term finance for banks
 - secondary market mechanisms



Trends across the SEE Region

- However, there are good reasons to be optimistic:
 - Legal developments - new mortgage laws have been or are being implemented
 - Primary lending - rapidly increasing activity in primary mortgage origination with growing competition extending maturities and making products more affordable
 - Secondary markets - heightened interest in secondary mechanisms following demonstration of the use of mortgage bonds in Bulgaria, Hungary, Poland etc

SEE Mortgage Markets Should Grow Strongly in 2003



Section Two:

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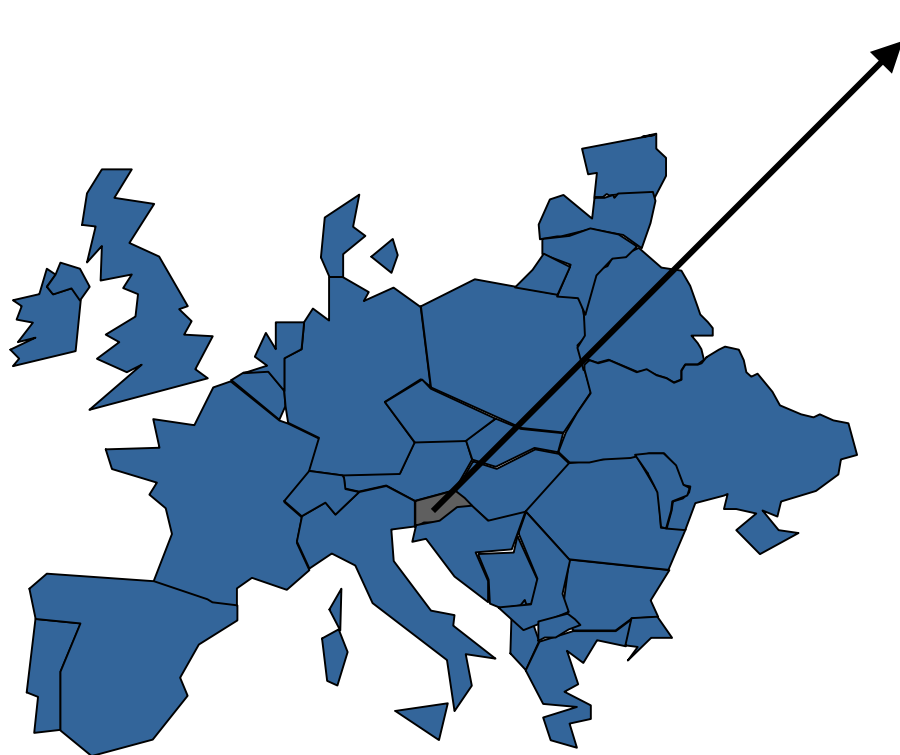


Issues in Individual Countries

- Other speakers will cover Bulgaria, Croatia and Romania in detail
- Before then, I would like to give you a brief flavour of developments in each of the other SEE countries...



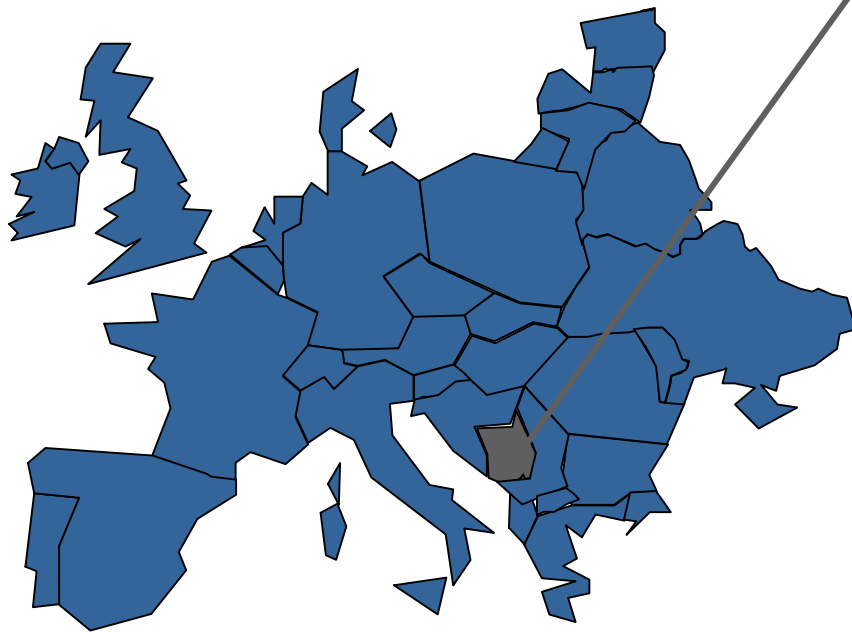
Issues in Individual Countries



Slovenia

- Primary mortgage lending possible and there is a new law. Problems remain with incomplete land registry
- Housing loans available (c.3.3% of GDP). Mortgages are growing, as are their maturities
- No secondary market but mortgage bond law being developed

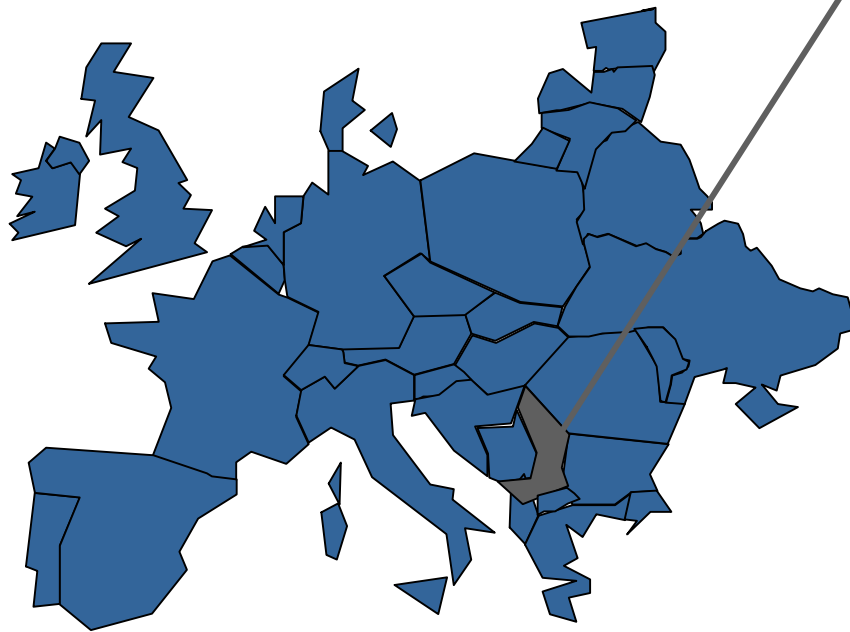
Issues in Individual Countries



Bosnia and Herzegovina

- Law on mortgages in force but difficulties exist with registration and execution. New draft law under preparation
- Primary lending dominated by five foreign banks providing maturities up to 15 years and rates as low as 10%. Recent start of Bausparkassen product
- No secondary market as yet

Issues in Individual Countries

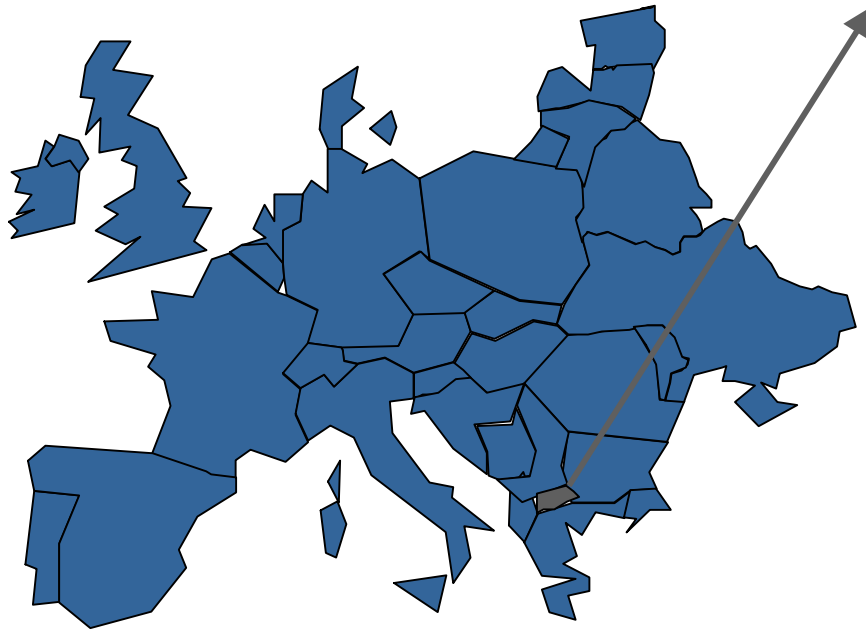


FR Yugoslavia

- Primary market under-developed, no secondary yet
- Legal problems exist: property ownership is a major issue, many titles are not recorded, enforcement is long and complicated
- Banks looking to start residential mortgage lending but limited access to funding



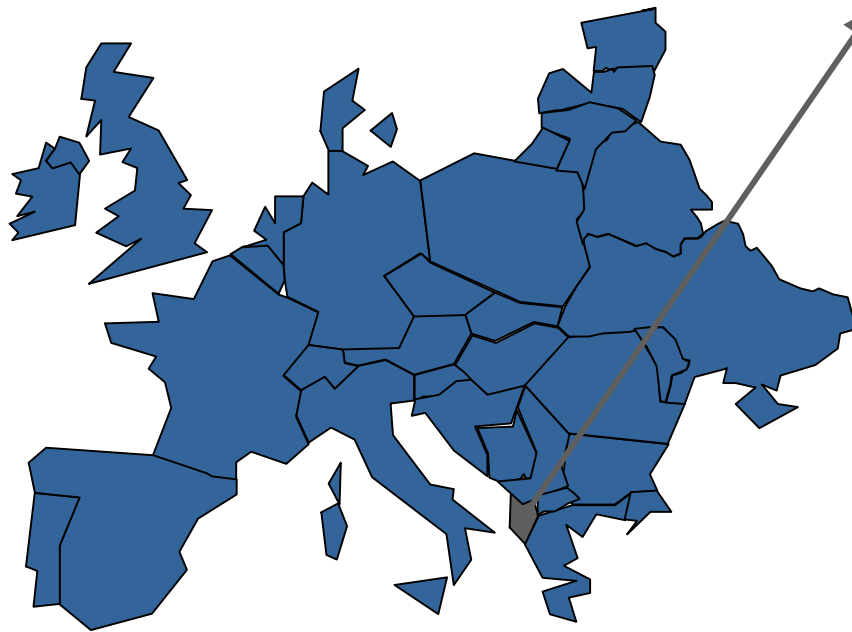
Issues in Individual Countries



FYR Macedonia

- Mortgage law passed in June 2000. Hindered by issues with the property registry and enforcement, but no current plans for legal reform
- Three major banks now rapidly growing the primary market but face lack of access to long term funding
- No secondary market as yet

Issues in Individual Countries



Albania

- No legislation for mortgages but treated as any other loan
- Primary lending expanding with growth in construction; volume of loans remains small relative to demand
- Eight banks now offer mortgages, but constrained by lack of funding and technical expertise

Section Three:

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Summary Remarks

Mortgage markets remain under-developed

Strong growth in primary lending expected
across the SEE Region

Specific issues differ across countries, but
possibly there are now opportunities to
create secondary markets





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