



EBRD Approach to Financing Mortgage Market Development

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Presentation Overview

- EBRD - Role and Achievements
- Approach to Mortgage Finance
- Experience and Pipeline



Section One:

- EBRD - Role and Achievements
- Approach to Mortgage Finance
- Experience and Pipeline

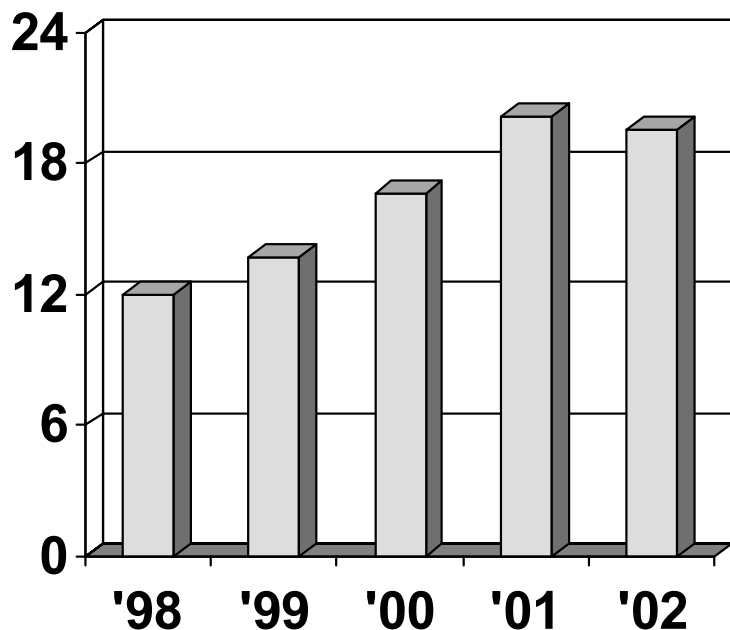


EBRD - 11 successful years of operation

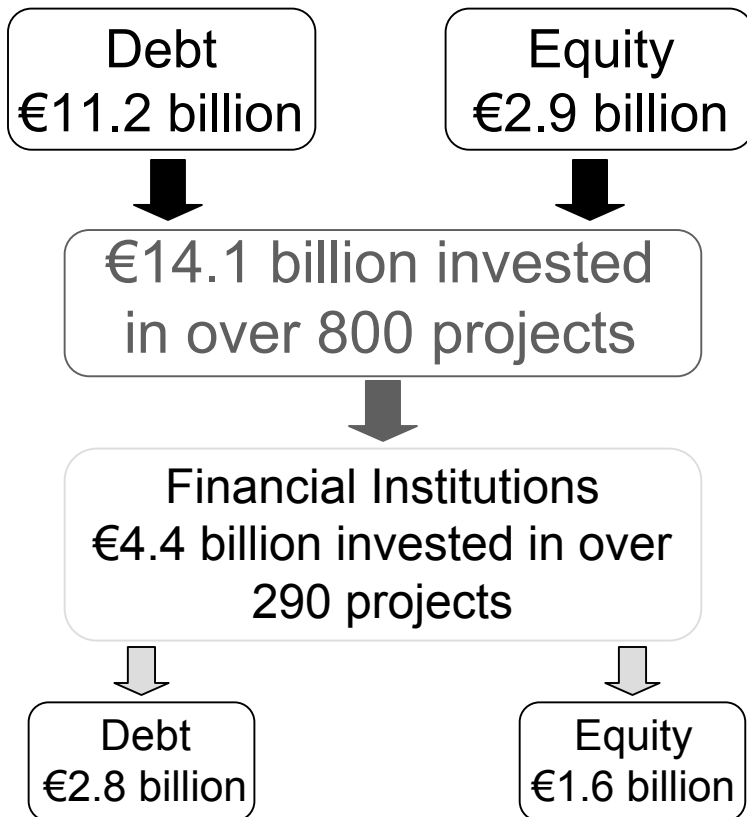
- International financial institution established in 1991, owned by 60 national and 2 supranational shareholders
- Shareholders include CEE, CIS and EU member states, USA, Canada, Japan, Australia, New Zealand, EU, and EIB
- Promotes market-based economies in 27 countries in central & eastern Europe and the former Soviet Union; provides debt and equity financing to both state and private sector projects
- Representative offices in all countries of operation
- Capital base of €20.0 billion



EBRD's 11 Year Record



*Cumulative commitments
€ 19.6 billion*



FI remains the largest sector in the market and for the EBRD



EBRD's Role in the Financial Sector

- Promote continued enhancement of market-based financial institutions and contribute to institution building
- Support private and entrepreneurial initiatives acting as a door opener for local and western investors
- Engage in policy dialogue with operators and authorities to strengthen regulatory/legislative frameworks and to enhance overall corporate governance and institutions
- Leader in corporate governance and institution building

EBRD provides value added support



Section Two:

- EBRD - Role and Achievements
- Approach to Mortgage Finance
- Experience and Pipeline



Reasons for the Approach

- Despite previous efforts, in all transition countries, mortgage finance still represents a low percentage of GDP, for example:
 - current highest % in the CEE is Estonia with just over 5% of GDP
 - compare with the UK, where residential mortgage finance is over 50% of GDP
- Great opportunity for development for which funding needs to be mobilised
- This requires a comprehensive approach...



Premise of the Approach

- Key Premise: several preconditions are necessary for real estate markets
 - an adequate legal and regulatory framework for primary mortgage finance markets including:
 - enforcement of property rights
 - land registration
 - valuation
 - an efficient banking sector with available long-term funding
 - legislation permitting secondary mortgage markets and a standard for mortgage lending documentation



Priorities of the Approach

- Our Priorities are to:
 - provide long-term financing in markets where the basic legal framework is in place and term funds are needed
 - implement standardised legal documentation and improve consumer protection
 - support the development of specialised mortgage institutions and agencies/institutions
- But, our approach is differentiated by:
 - legal and regulatory development
 - development of real estate markets to date



Approach to Mortgage Finance: Specifics

- Hence, where:



- the legal and regulatory pre-conditions are generally in place



- there is real estate market activity

- EBRD will focus on more advanced products including:

- lending promoting longer maturities
- mortgage bonds
- where possible, securitisations and risk sharing



Approach to Mortgage Finance: Specifics

- Where:



- the legal and regulatory pre-conditions are generally in place



- but there is little real estate market activity

- EBRD will focus on:

- on financing to banks
- secondary market development

Approach to Mortgage Finance: Specifics

- Where:



- the legal and regulatory pre-conditions are not currently in place



- and there is little real estate market activity

- EBRD will focus on:

- getting the legal framework in place
- aim is to target one or two pilot countries to work with to achieve legal reform (e.g. in Ukraine)



Our Approach: Key Messages

- Mortgage finance is a high priority for the EBRD
- EBRD is committed to:
 - assisting the transition countries with legal preconditions for mortgage finance
 - offering the most appropriate range of products to financial institutions, relative to the development of the market



Section Three:

- EBRD - Role and Achievements
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- Experience and Pipeline



EBRD Mortgage Experience to Date

- Key FI achievements include:
 - 11 transactions signed by end-January, with total value approved of EUR 250 million
 - projects in Croatia, Estonia, Kazakhstan, Poland, Romania and Russia
- Recent transactions have broadened the Bank's range of financing...



EBRD Recent Transactions - 1

Delta Credit Bank

- Supporting the development of a new mortgage bank in Russia
- Size: USD 20 m
- Partners: IBC, Delta Bank and TUSRIF (US-Russia Investment Fund)
- Security: Pledge over pool of mortgage loans



EBRD Recent Transactions - 2

Rheinhyp - BRE Bank Hipoteczny, Poland

- Supporting the issuance of mortgage bonds as a financing tool for real estate development
- Size: EUR 54 m mortgage bonds purchase framework with committed and uncommitted portions
- Partners: Rheinhyp-Rheinische Hypothekenbank AG and BRE Bank, both controlled by Germany's Commerzbank AG
- Bonds are subject to 'quality criteria' including minimum local rating, minimum issue size, minimum amount to third party investors



EBRD Recent Transactions - 3

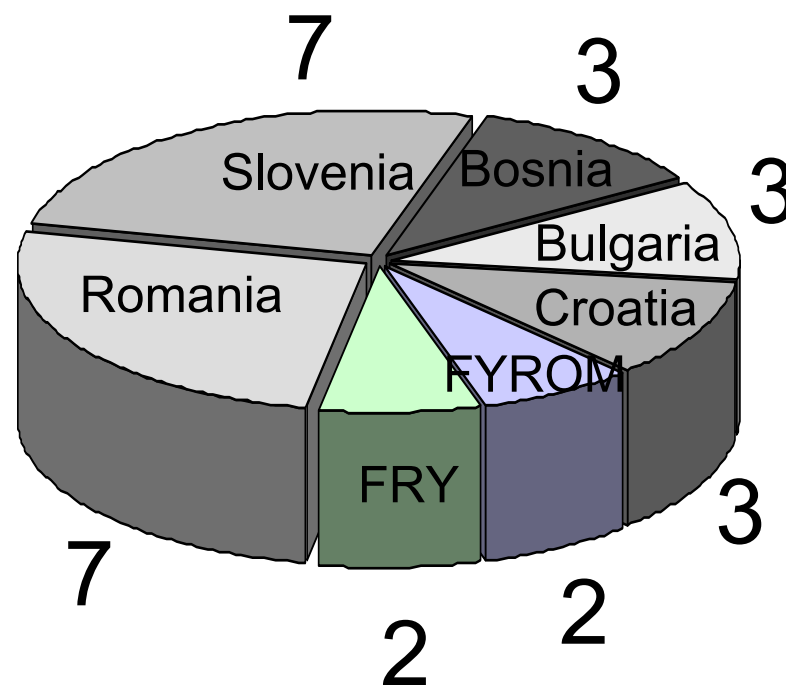
Banca Comerciala Romana, Romania

- Supporting an existing commercial bank developing its mortgage finance business
- Size: USD / EUR 50 m multi-currency facility
- Use of proceeds: retail mortgage lending through the nation-wide network of 277 branches and agencies
- Unsecured loan given size and financial performance of BCR
- Standardised lending documentation could permit securitisation in the future



Prospects for 2003

- Mortgage finance transactions are increasing:
 - Over 50 potential transactions in our pipeline
 - Total value of over EUR 500m
 - In South Eastern Europe, 27 potential transactions, divided as follows:



Presentation Summary

EBRD:

- key role in financing the transition

Approach to mortgage finance:

- comprehensive approach differentiated by mortgage market development in each country

Good experience to date:

- recent transactions have broadened the Bank's range and we are aiming to go further in 2003





Questions?



Appendices

- Financing criteria
- Financial institutions contact details



Financing Criteria

Flexible financing for financially sound projects

Equity

- Participation of between 10% and 35%
- Active participation in corporate governance
- With or without strategic investors
- Strong management
- Structured exit arrangements or open equity risk
- 5 to 10 year exit horizon

Debt

- Variety of instruments: subordinated, convertible, trade and mortgage
- Commercially priced
- Identifiable use of proceeds
- Maturity of up to 15 years
- Standard euroloan covenant requirements



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