



Securitisation of Mortgage Loans in SEE

HVB Securitisation Group

Unicredit Group, and Unicredit Group in the region

- Overall, the 5th largest European banking group, with:
 - 28 million customers
 - Including banks in 19 countries
 - 139,000 employees
- In CEE / SEE and CIS countries:
 - Banks in 16 countries, with 2,800 branches
 - Approaching €50bn of assets
 - Over 16m customers
 - 58,000 employees
 - Over 2x the size of the next largest group

Unicredit Group and securitisation in this region ...

- HVB is the leading player in the securitisation of domestic assets in the CEE / SEE and CIS regions.
- Our clients hire us because of:
 - Our leading-edge ABS and systems technologies (= time and cost savings)
 - Our local presence
 - Our ability to underwrite
- In the last three years we have executed over €1bn of ABS transactions in these regions – public and private, rated and un-rated.
- Last year we won awards from Euromoney and SFI for our deals in this region.

“HVB demonstrated a proper understanding of our business and our needs.”

Overall European ABS Presence

Source: International Insider as of 23/01/2006

| Position | Bookrunner | Total EUR mn | % Share |
|----------|------------------------|--------------|---------|
| 1 | ABN AMRO | 16,182 | 9.30 |
| 2 | DEUTSCHE | 13,096 | 7.53 |
| 3 | BARCLAYS CAPITAL | 13,019 | 7.48 |
| 4 | SG CIB | 12,209 | 7.02 |
| 5 | JP MORGAN | 11,804 | 6.79 |
| 6 | BNP PARIBAS | 11,553 | 6.64 |
| 7 | HVB / UBM | 9,190 | 5.28 |
| 8 | CITIGROUP | 8,469 | 4.87 |
| 9 | CALYON | 8,389 | 4.82 |
| 10 | MORGAN STANLEY | 8,340 | 4.79 |
| 11 | MERILL LYNCH | 7,708 | 4.43 |
| 12 | UBS | 7,400 | 4.25 |
| 13 | ROYAL BANK OF SCOTLAND | 7,078 | 4.07 |
| 14 | LEHMAN | 6,544 | 3.76 |
| 15 | CSFB | 4,983 | 2.87 |
| 16 | BBVA | 2,963 | 1.70 |
| 17 | NIB CAPITAL | 2,958 | 1.70 |
| 18 | SCH | 2,508 | 1.44 |
| 19 | MEDIOCREDITO CENTRALE | 2,414 | 1.39 |
| 20 | HSBC | 2,368 | 1.36 |
| | Other | 14,766 | 7.84 |
| | Total | 173,952 | 100.00 |

- The Securitisation team is 40 people in London, Munich, Milan and Vienna. We manage assets and investments of over €10bn in the group.

- We focus on our home markets:

Germany

Austria

Italy

New Europe

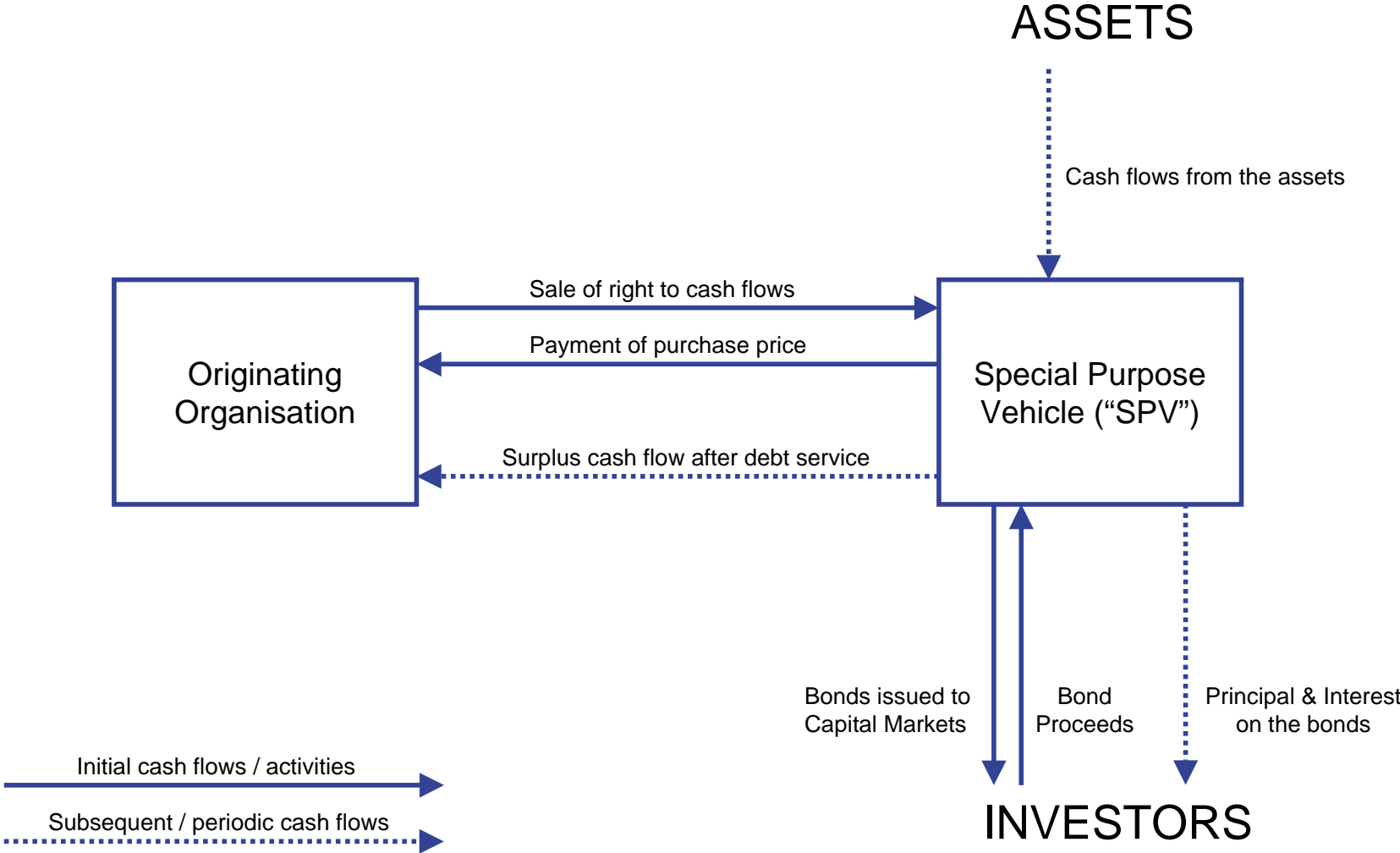
- We are prepared to use our own balance sheet, to support our clients and even execute un-rated ABS transactions in this region when this is required.

- We are the only international investment bank that can truly consider this region (SEE and CIS) to be our “home market”.

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Example structure diagram



Securitisation in context

- Securitisation involves the true sale of the loans to an SPV. Investors rely exclusively upon the SPV's ability to collect (and recover) from the loans to repay any funding. Credit analysis assumes the insolvency of the original lender occurs.
- Compare this to:
 - a simple unsecured bond issue – here investors rely upon the bank's "covenant to pay";
 - covered bond – here investors take security over a pool of mortgages (the "cover pool") and rely upon obtaining value from it if a default occurs. They have the benefit of the covenant to pay + the mortgage pool.

Challenges

- True-sale financings have some difficulties:
 - Will the SPV be able to gain vacant possession versus a defaulting mortgagor if stressful times apply? Where will the mortgagor go?
 - Currency / interest rate risks – often mortgage loans have complex features versus the kind of notes that investors want to buy (eg: mortgages with fixed rates in hard currencies and with long tenors).
 - Legal and tax uncertainties
 - Lack of history
- These can, to some extent, be addressed.
- However, do not believe all that you hear.


Using ABS technology effectively

- We recommend, if possible, that:
 - Advice should be taken on product design from organisations like us (ie: with real, practical experience of funding mortgage loans). Generally – variable rate loans in local currency are better than fixed rate loans in hard currency (believe me, despite what you may have heard!).
 - In the current markets, (with some exceptions), usually the best advice is to focus on using covered bond technologies combined with “synthetic” products. The covered bond generates the funding, and the synthetic product generates regulatory capital relief. We have designed special versions of the typical synthetic structures for the SEE market.
 - For broadly-based consumer finance companies, we recommend focussing on unsecured products (credit cards, cash loans, consumer loans, SME loans) to raise finance before doing covered bonds or mortgage loan securitisation.
- This advice will change from time to time.

Our recommended approach

- Do not rush into securitisation (could be a very expensive mistake).
- Split the project into two phases:
 - Feasibility study (without commitment to proceed)
 - Execution
- This approach allows us to establish the true internal and external costs and consequences of a transaction before you are committed to it.
- HVB has a specialist team that focuses on the production of feasibility studies and the implementation of their results.
- Our job is to raise finance and not to do studies – so our interests are totally aligned with our clients. A typical study takes only 4 to 8 weeks.
- Our advice is often different to that of our competitors and other commentators. There is a reason for this!

Example Structure Note



CORPORATES & MARKETS

Bank & Client Confidential

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CORPORATES & MARKETS

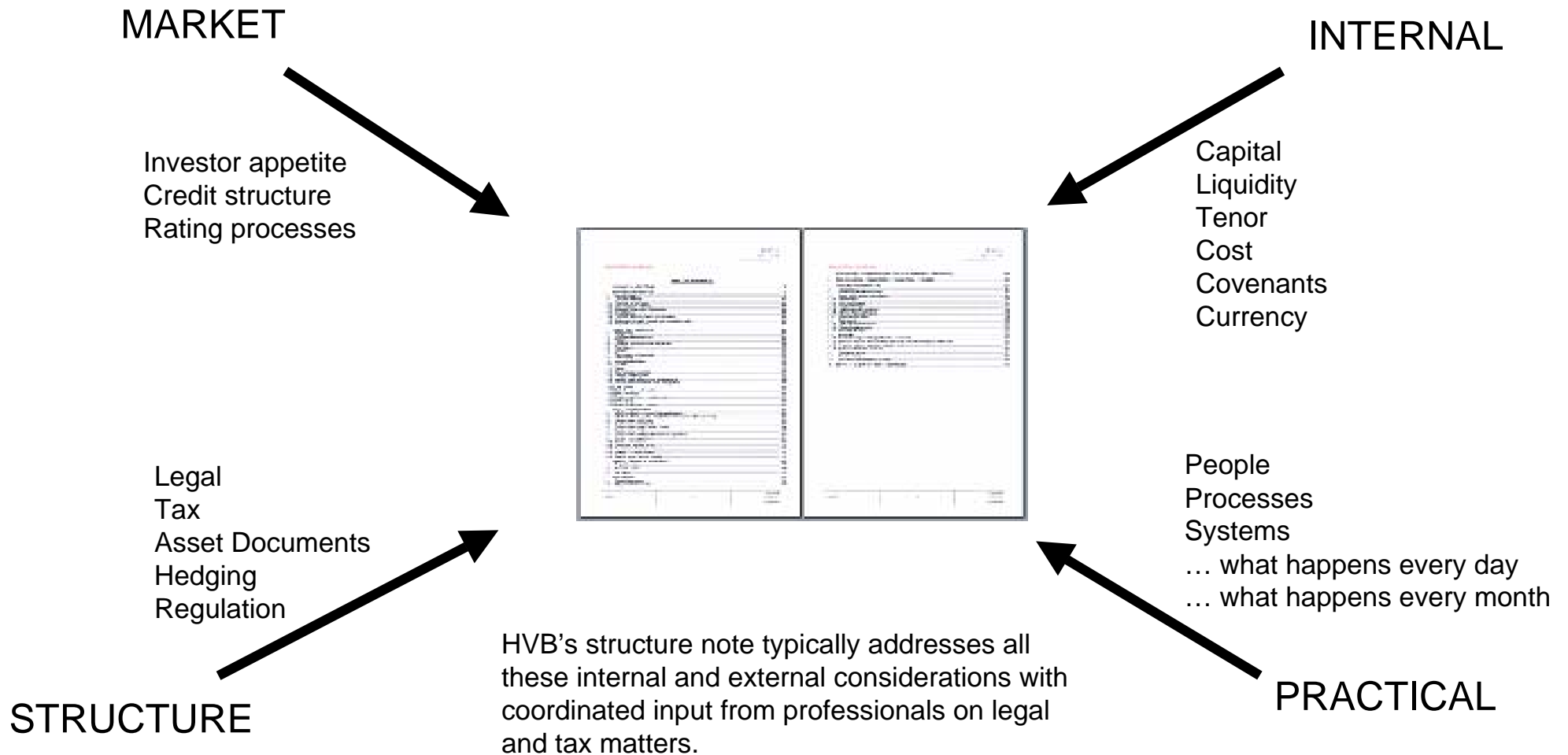
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This document is written by HVB, and covers all aspects of the securitisation process. It is not delegated to professional advisers, and is based upon the many years of experience that we have in all aspects of the financing of consumer and car receivables.

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Inputs to the Structure Note



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