New regulations and issues regarding mortgage bonds in Poland.

Jacek Furga
HypoVereinsbank Bank Hipoteczny SA

Mortgage Banks and Mortgage Bonds Act of August 29th, 1997, presents in article 1 (constituting a specific introduction) the mortgage bond and its issuer – specialized mortgage banks

The Act defines rules on:

- **Issuing mortgage bonds**
- **Buying and selling mortgage bonds**
- **Redemption of mortgage bonds**
- **Securing mortgage bonds**

Other legal acts regulating mortgage bonds market:

- The Act on bonds
- The Law on public trading in securities
- The Insuring Activities Act
- The Investment Funds Act
- The Organisation and Functioning of Pension Funds Act

Mortgage-backed bond

Public mortgage bond

Mortgage bonds

Non-public issue of mortgage bonds

Public issue of mortgage bonds

Attractiveness of mortgage bonds issued by the Polish mortgage banks

- **Ranking of mortgage bonds on international capital markets**
- **Safety provided by issuers of mortgage bonds (Polish mortgage banks)**
- **Rules concerning the specialization of the Polish mortgage banks**

Safety provided by Polish mortgage banks (statutory restrictions pursuant to the Mortgage Banks and Mortgage Bonds Act)

- Mortgage lending valuation
- Trustee
- Limits
- The congruence rule
- Insolvency privilege

Necessity of applying a mortgage lending valuation

- **Mortgage lending value represents real estate worth valued according to rules set forth by the Act, serving for mortgage-collateral of loans being refinanced through issues of mortgage bonds.**
- **Regulations on the mortgage lending value**
- **The requirement not to exceed 80% of a mortgage lending value upon granting a single loan**
- **The requirement not to exceed 60% of a mortgage lending value of collateral in case of issuing mortgage bonds**

Trustee

- Independent auditor of the mortgage bank's activity
- Coverage registration
- Collateral Account
- Mortgage bonds issuance control

Limitations

- Capital requirements higher than in case of universal banks
- Refinancing activities by means of issuing mortgage bonds up to the 40-times own capital ratio.
- Limitation on refinancing by other instruments than mortgage bonds - up to the double capital ratio.
- Limitation on loan activities: a single loan shall not exceed 25% of capital according to the Banking Law

Potential investors

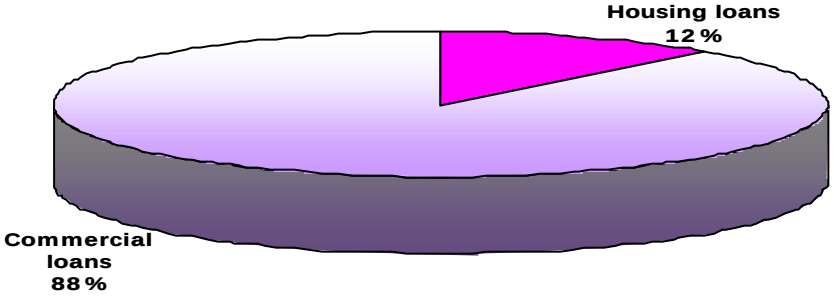
- Banks
- Insurance companies
- Investment funds
- Pension funds

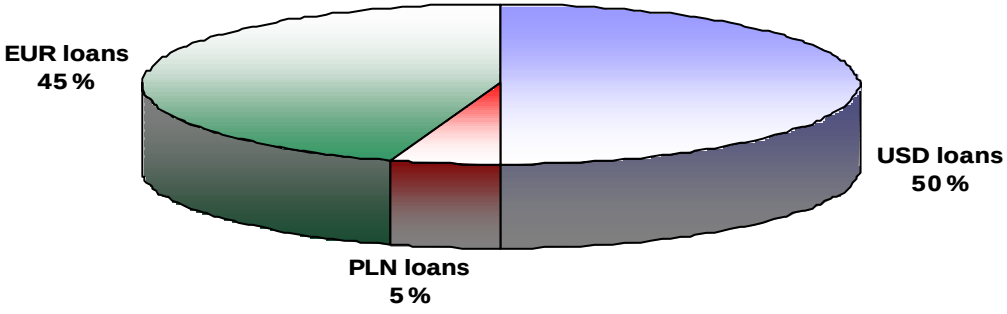
Mortgage Banks in Poland

- 1st December 1999 - Rheinhyp BRE Bank Hipoteczny (Commerzbank Group)
- 1st December 1999 - HypoVereinsbank Bank Hipoteczny (HypoVereinsbank Group)
- 24th September 2001 - Slaski Bank Hipoteczny (ING Group)
- - WBK / Bank Zachodni (AIB Group)
- - BGK / PKO BP (State Treasury)
- - Bank Hipoteczny PEKAO S.A.

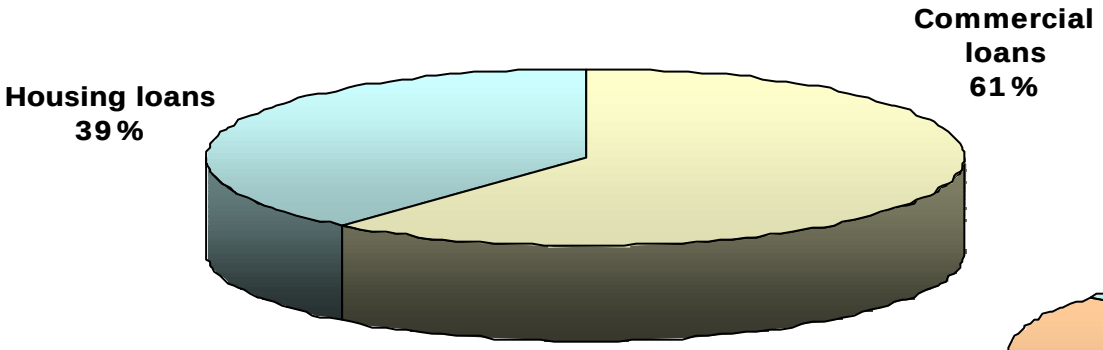
FUNDING CHALLENGES FOR RHEINHYP-BRE

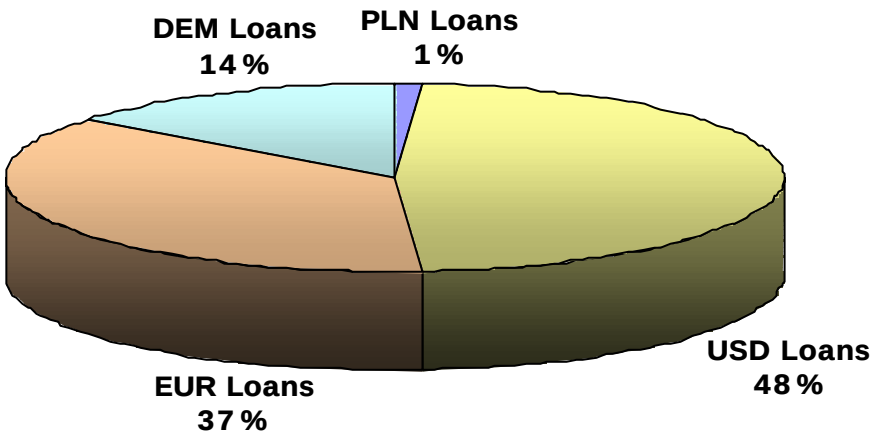
Bank Hipoteczny

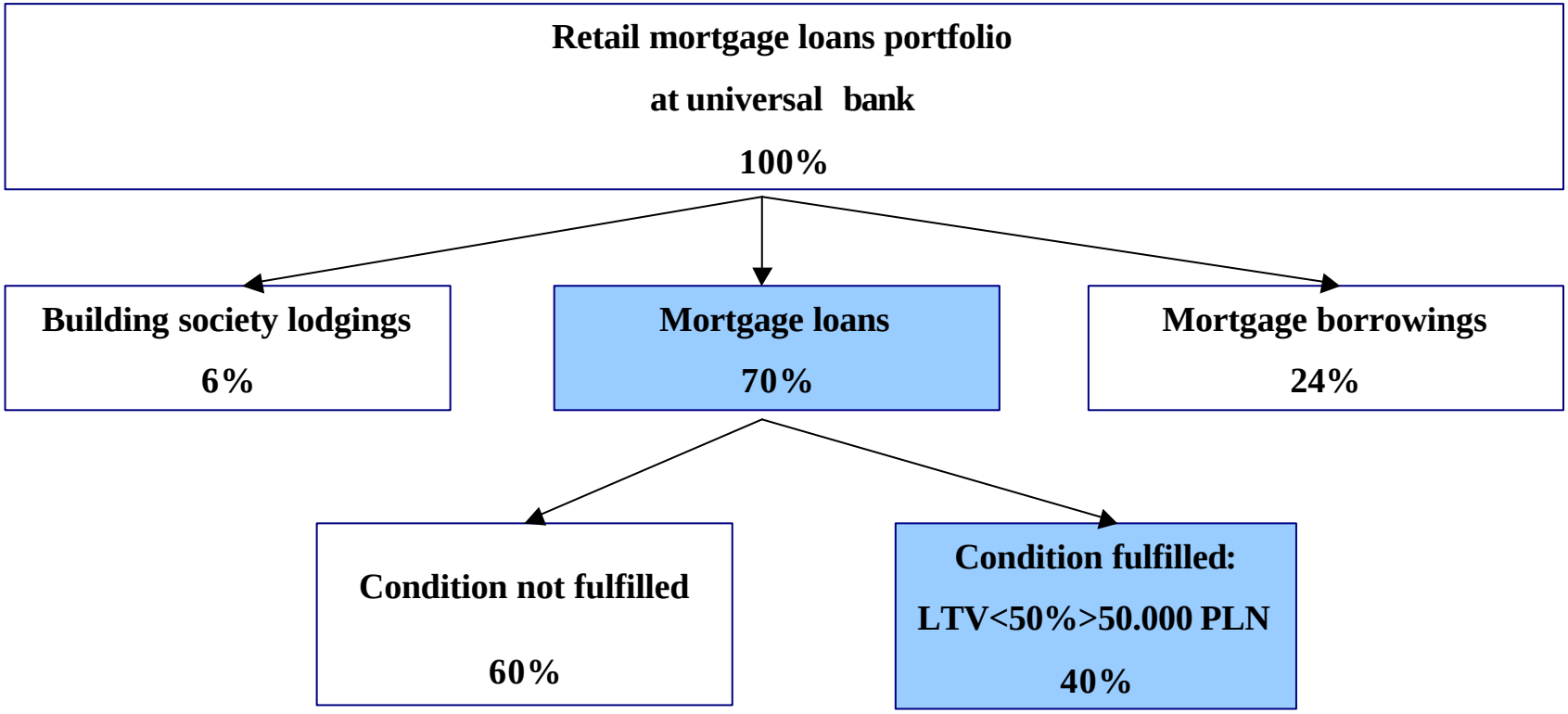




FUNDING CHALLENGES FOR HypoVereinsbank Bank Hipoteczny SA







Analysis performs, that only 30% of retail mortgage loans portfoliofulfils the conditions of Mortgage Banks and Mortgage Bonds Act.

TERMS OF MORTGAGE BONDS ISSUES ON THE POLISH MARKET

				HypoVereinsbank Bank Hipoteczny SA
Currency and Volume	5 mln PLN	10 mln USD	5 mln EUR	3,6 mln EUR
Interest	3 month WIBOR	3 month LIBOR	3 months EUROLIBOR	5,95 %
Rate	+25 bp	+55 bp	+55 bp	p.a. fixed
Maturity	5-years	3-years	3-years	10-years
Rating	AA+	-	-	-
Investors	Banks	BRE Bank shareholder	BRE Bank shareholder	BPH shareholder

Coming into force of mortgage bonds & mortgage banks acts in the Middle Europe

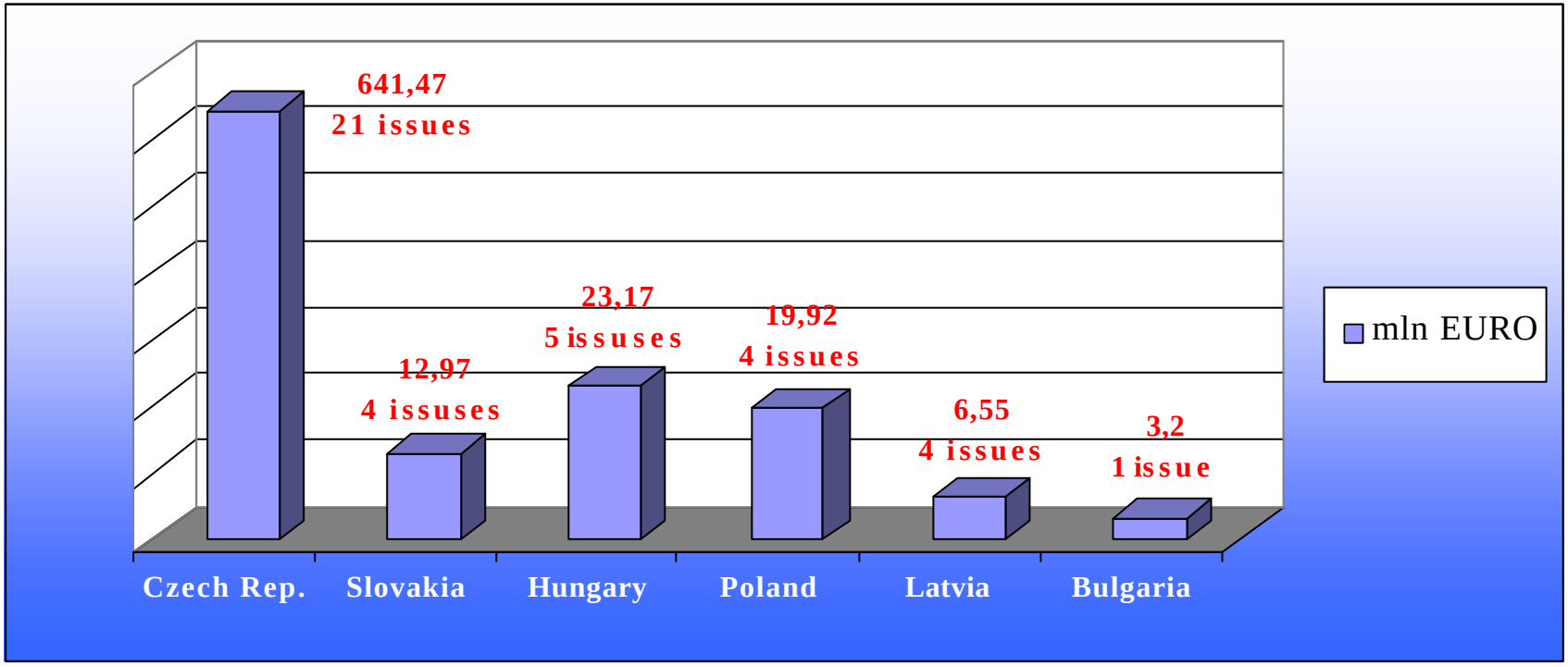
Country	Date of obligation of Mortgage Banks Act	Number of licenses	Number of issues
Czech Republik	01.07.1995	9.	21
Slovakia	01.03.1996	5	4
Hungary	07.06.1997	2	5
Poland	01.01.1998	3	4
Latvia	29.09.1998	1	4
Bulgaria	13.10.2000	1	1

LEGAL FRAMEWORK TO ISSUE MORTGAGE BONDS

Country	Law pertaining mortgage bonds	Model	
		1* (Licenced universal bank)	2* (Licenced specialized bank)
Czech Republik	Yes	X	
Slovakia	Yes	X	
Hungary	Yes		X
Latvia	Yes	X	
Poland	Yes		X
Bulgaria	Yes	X	

MORTGAGE BOND ISSUES

(vo;umes in mln EURO and number)



At present amendments to the Act of Mortgage Bank and Mortgage Bonds is being worked on:

Biographical Details:

Jacek Furga - President of the Management Board of HypoVereinsbank Bank Hipoteczny S.A. (Mortgage Bank) in Warsaw.

Jacek Furga took his degree at Warsaw Institute of Technology. He graduated from uppergraduated studies on Multilateral International Relations and also specialised in National Economy Mechanism - Money and Banking postgraduated studies. Mr Furga passed the exam for candidates of the posts of Supervisory Board Members for sole shareholder company of the State Treasury, performed by Examination Committee of Ministry of National Treasury. Since 1991 he worked at the German Bausparkasse Schwaebisch Hall AG (Savings and Loans System for Financing the Housing Field) as a Management Board Consultant and Representative of the Company in Poland. In 1999, as a Member of Management Board, he was appointed to manage the transformation process of an existing universal bank Hypo Bank Polska into a specialistic mortgage bank - HypoVereinsbank Bank Hipoteczny S.A.