



# Profitability of covered bonds

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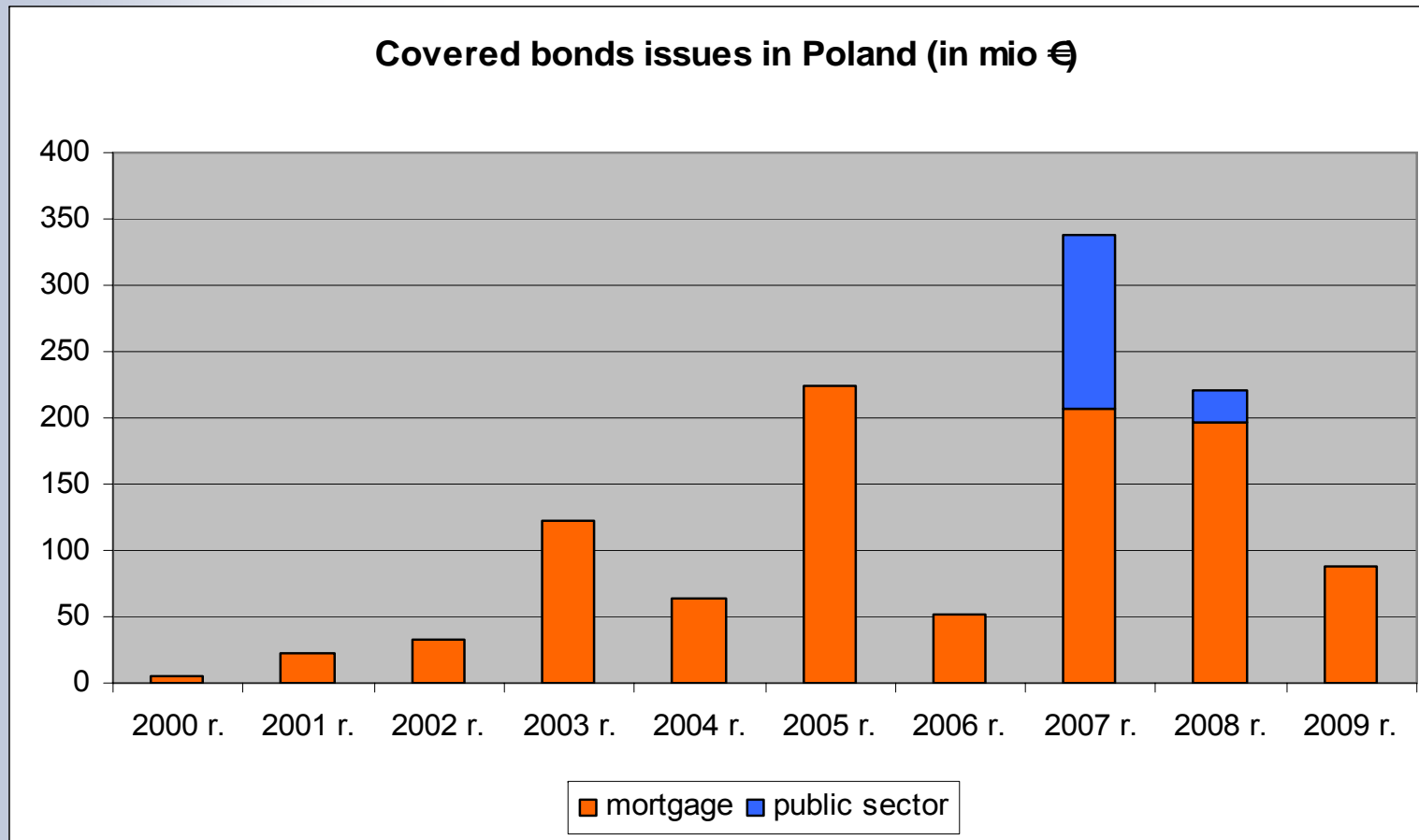
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## Covered bonds: new issues in Poland



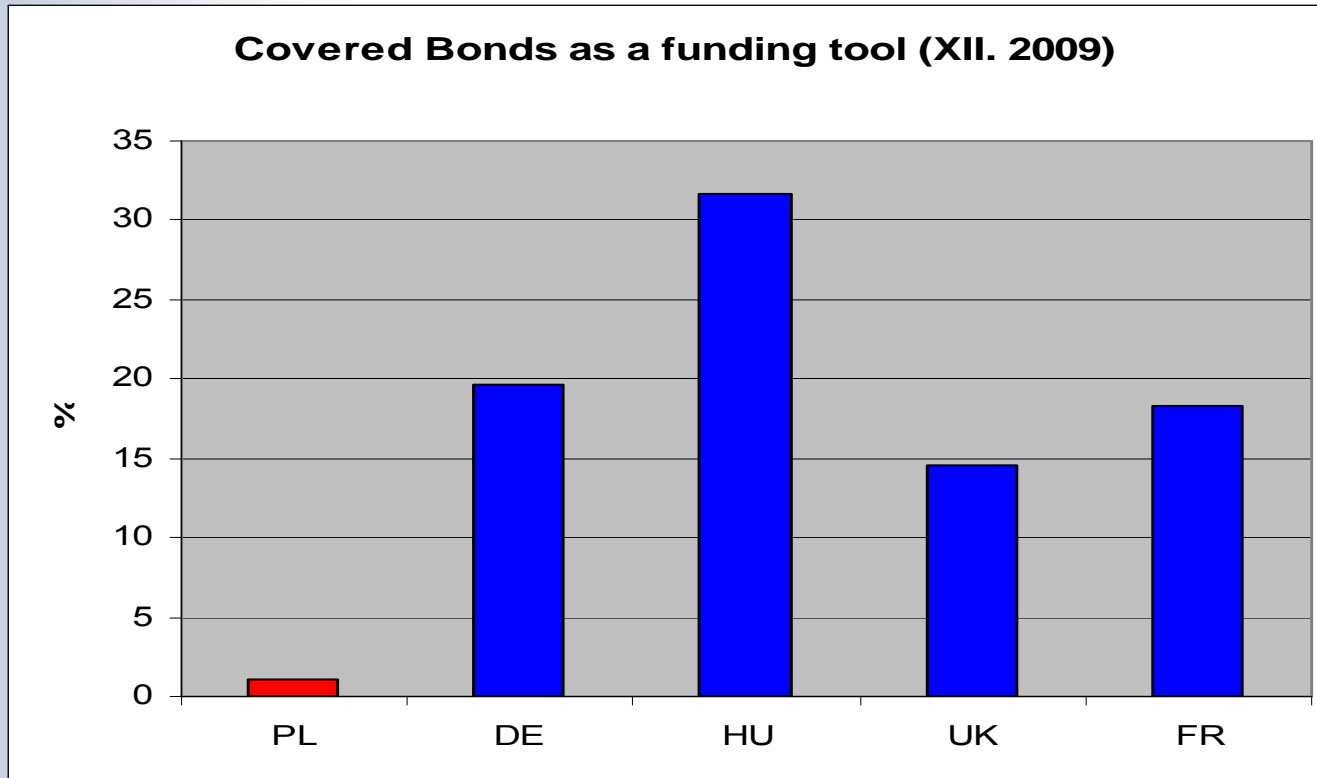
Source: Polish Mortgage Credit Foundation



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## Polish covered bonds: still insignificant share in the residential loans' funding market



Source:  
Polish Mortgage Credit  
Foundation/ECBC

Only about 1,1% of the Polish residential mortgage portfolio is funded via covered bonds.



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## Eligibility criteria – CB framework – created „disadvantage” vs. other ways of funding

<i>Mortgage requirements for covered bonds</i>	<i>Mortgage requirements at universal banks</i>
Banking & mortgage value (mandatory), additional reporting duties and controlling of the quality of mortgages, valuations and limits	Market value (not mandatory)
<ul style="list-style-type: none"> <li>- First mortgage with confirmed entry in the mortgage register (mandatory);</li> <li>- Additional mentions in mortgage registers</li> </ul>	Mortgage is not mandatory in advance, as it takes time to register a mortgage, a loan is usually granted before the legal collateral is effectively established.
Limits or restrictions - developer financing or housing in progress	No limitations
LTV limit – mandatory by law	
Funding term congruence - mandatory	

**For mortgage banks, the limits of offer and credit availability are the result of regime according to the Act on covered bonds and mortgage banks.**

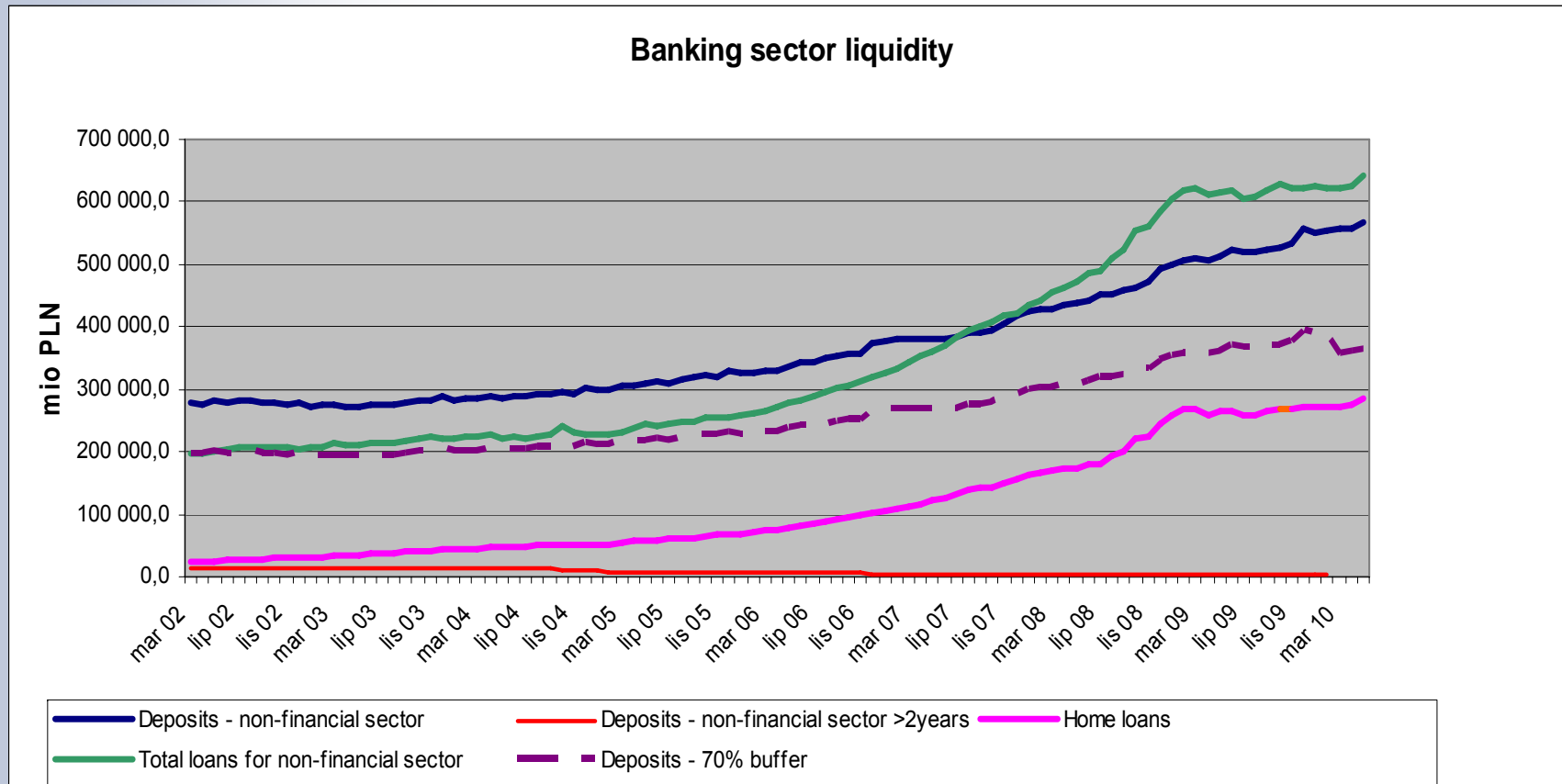
Source: Polish Mortgage Credit Foundation



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Will Basel III change the business model?  
Deposits – main & cheap source of mortgage funding.  
Question of sector liquidity.



Source: Polish Mortgage Credit Foundation



## Price of capital from different sources in Polish market (2007-2010)

### Influence of the crisis?

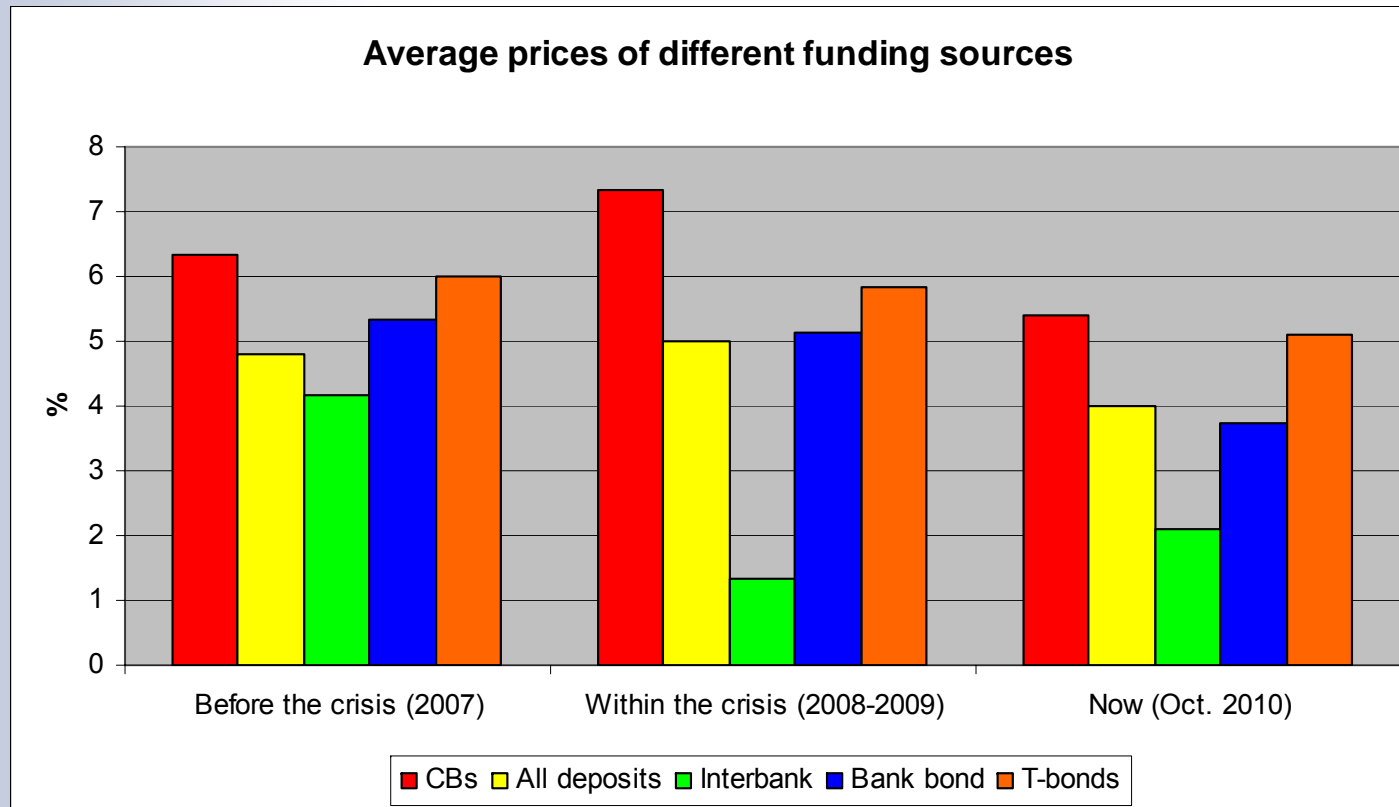
	Mortgage CBs	All deposits	Interbank	Bank bond	T-bond (5Y)
Before the <b>crisis</b> (2007)	6M Wibor + <b>60 bp</b>	4,8%	1D-12M Libor / Wibor	Wibor 1M + <b>5-10 pb</b>	5,99%
Within the <b>crisis</b> (2009)	6M Wibor + <b>260 bp</b>	5,0%	1 M Euribor + <b>20-30 bp</b> 1 M CHF Libor + <b>40-60 pb</b>	Wibor 1M + <b>120 pb</b>	5,84%
Now – <i>after</i> <b>crisis</b> (Oct. 2010)	6M Wibor + <b>136bp</b>	4,0%	3 M Euribor + <b>110-130 pb</b>	mid-swap + <b>185 pb</b>	5,09%

Source: Polish Mortgage Credit Foundation





## Price of capital from different sources in Polish market (2007-2010) Influence of the crisis?



Source: Polish Mortgage Credit Foundation