

# Funding a Mortgage Portfolio

*What is the “best” way?*

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17 October 2005



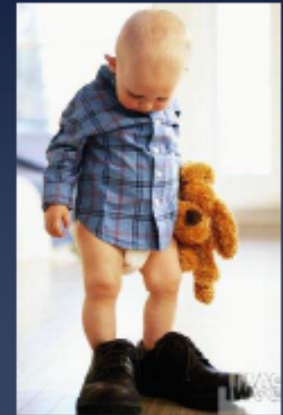
# Options for funding a retail mortgage book

Retail deposits	Senior funding	RMBS	Covered Bonds
Very cheap	Readily accessible	Capital Relief (non-recourse financing)	Super Senior
Generally a vista: potentially volatile	Liquid	Complex	Cheap
Need for distribution network	Limited investor base	Good systems	Relatively simple
Franchise-enhancing		Data requirements	Good systems
			Data requirements
Bank Capital (Equity, Tier 1, Tier 2)			
Permanent and committed		Extremely expensive	

# OK, I hear you – but *what is the right mix ?!?!*

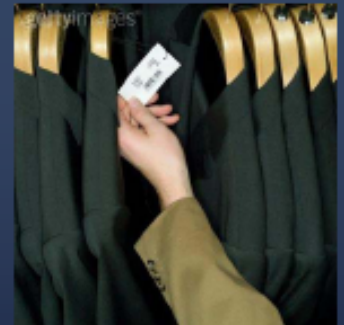


*RMBS to reduce capital requirement*



*Covered bonds manage mismatch risk*

*Deposits, the lowest cost source*



*Assumption: Mortgages are a low-risk product*

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