BŪSTO PASKOLŲ DRAUDIMAS

# Mortgage insurance portfolio

An opportunity to take over an attractive legacy insurance business

March 2024

# Low-risk legacy insurance portfolio

State-owned insurance company established with a mission to promote mortgage market development

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## Portfolio transfer

- Having accomplished its mission and no longer issuing new insurance contracts, UAB Būsto paskolų draudimas ("BPD") is seeking a counterparty to take over its legacy mortgage insurance portfolio
- The insurance portfolio is composed of two parts: (i) **active insurance contracts** (under Terms and Conditions (T&Cs) No. 002, 003, 004, 005[1]) and (ii) **unsettled claims[2]**
- Active insurance contracts includes: (i) **mortgage insurance contracts** (T&Cs No. 002, 003, 004) and (ii) **credit insurance contracts for modernization of apartment buildings[3]** (T&Cs No. 005)

## Key portfolio highlights[1]

| | | |
|---|---|---|
| **5,976**<br>Active insurance contracts | **€28,480**<br>Average credit outstanding | **€43,766**<br>Average issued credit value |
| **Loans secured by collateral** | **LTV 51%**<br>Average | **LTV 95%**<br>Average as at contract issue date |
| **<10**<br>Forecasted yearly claims | **€170 m**<br>Total credit outstanding | **€261 m**<br>Total issued credit value |

## Key attraction points

✓ **Rapidly decreasing number of active insurance contracts with low level of claims**

✓ **Low risk insurance contracts backed up by real estate collateral**

✓ **Continuously decreasing portfolio administrative costs**

[1] *Averages calculated based on active insurance contracts at the end of 2023*
[2] *5 unsettled claims under T&Cs No. 003, total sum insured of €34k*
[3] *9 active insurance contracts, ~ €118k credit outstanding*

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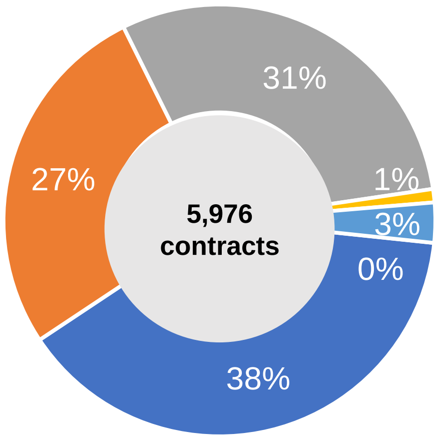
## Key characteristics

- Long-term mortgage loans
- Insurance premium was paid by a lump sum for the entire period at the time of mortgage confirmation, thus currently the portfolio does not generate any cash flow
- 2045 is the last insurance contract expiration date, but most likely insurance contracts will be terminated much earlier
- All insured mortgage loans are secured by a real estate collateral located in Lithuania
- The default rates have gradually decreased since the financial crisis in 2008 and are now at very low level, making the portfolio very low risk

## Contracts split by banks




## Insurance contracts by type

| General conditions | T&Cs no. 002 | T&Cs no. 003 | T&Cs no. 004 |
|---|---|---|---|
| **Insurance contracts period of application** | May 2000 to Jun. 2002 | Feb. 2002 to May 2005 | Since May 2005 |
| **Sum insured** | 100% of outstanding credit | 25-30% of outstanding credit + 4 months of interest | 100% of outstanding credit + 2 months of interest |
| **Validity of an insurance contract** | For the entire term of the credit agreement | For the entire term of the credit agreement | Terminates when LTV ratio falls below 66% |
| **Max. ratio of insured credit and collateral value** | 95% | 95% | 100% (state sponsored - 95%) |
| **Realization of property** | Executed by BPD | Executed by a bank | Executed by BPD |

## Partner banks providing long term mortgage loans

Citadele

Luminor

Swedbank

SEB

ŠIAULIŲ BANKAS

URBO

# Mortgage insurance portfolio metrics (1/2)

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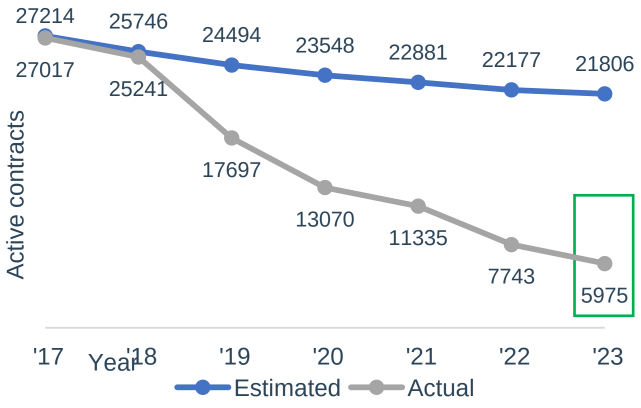
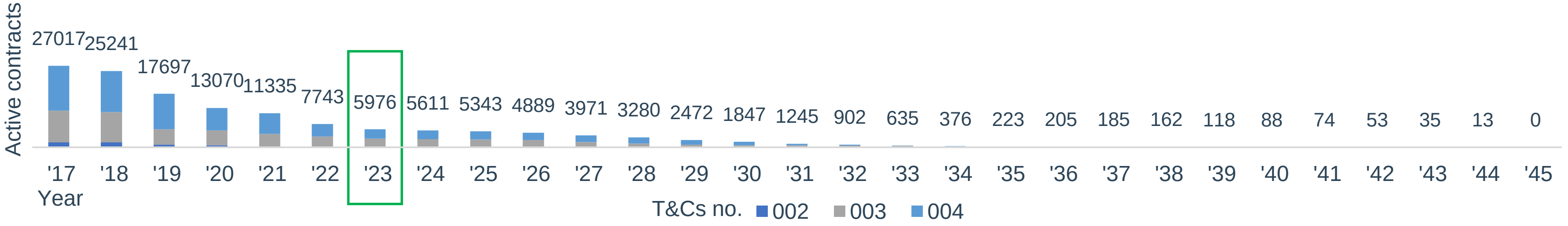
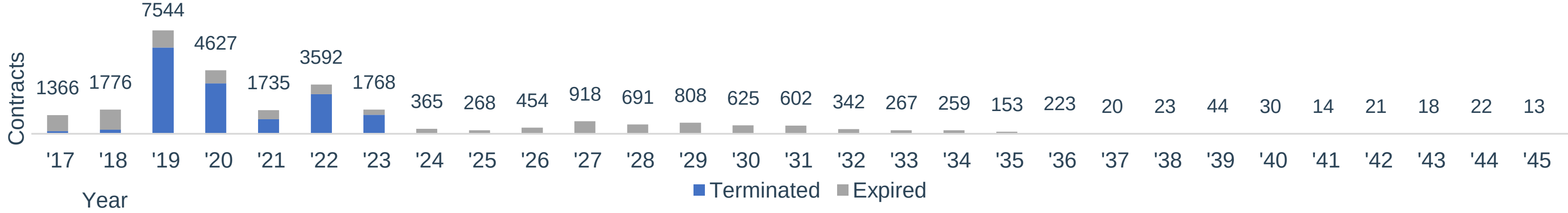
## Active insurance contracts and terminated/expired insurance contracts at the end of a year



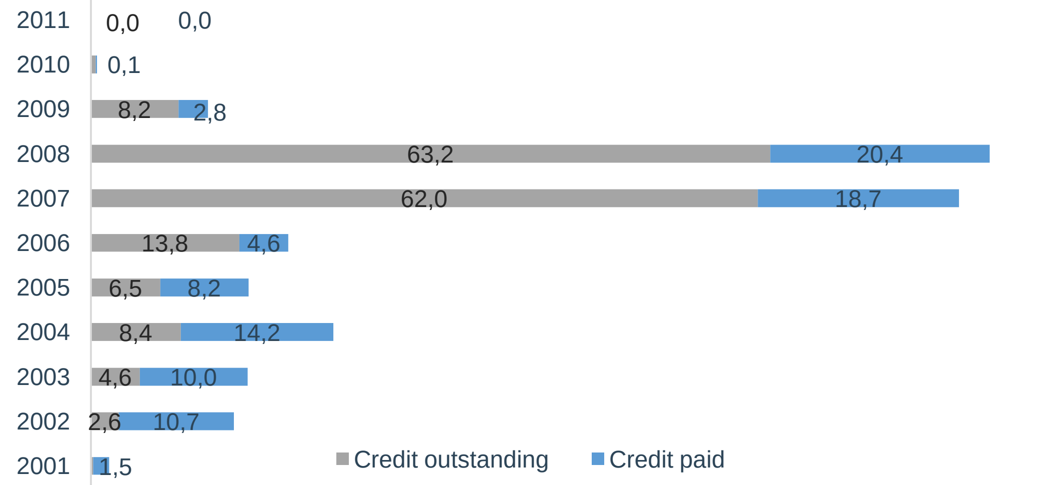




## Loan-to-value ratio[1]

| | |
|---|---|
| Average total **LTV** ratio | **51%** |
| Average T&Cs no. 004 contract **LTV** ratio | **74%** |

## Credit value by contract issue year (€ million)




## Termination of contracts[2]

- Termination of contracts during last 5 years has made significant effect on the insurance portfolio volume
- Forecast:
  - active contracts should expire earlier than the end of 2045

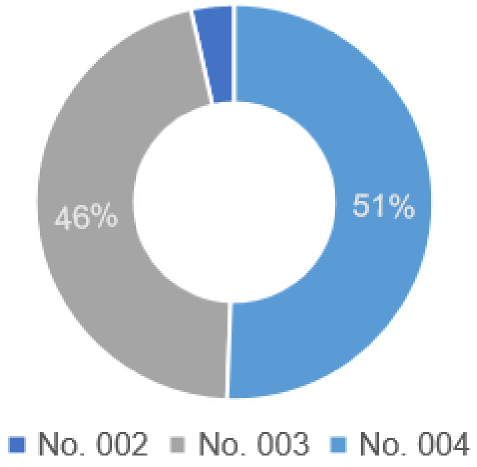
## Synergies and administrative costs

- Portfolio acquirer can benefit from administrative process synergies
- Decreasing administrative costs are in line with decreasing number of contracts and claims

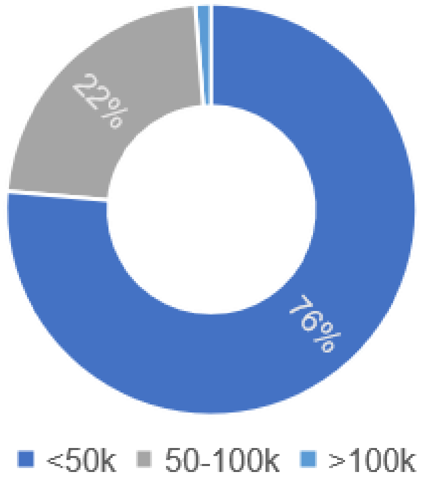
[1] *LTV ratio = mortgage amount / asset value (mostly a property was assessed at the loan issue date, therefore is likely to be undervalued)*
[2] *Calculated based on individual agreement terms*

# Mortgage insurance portfolio metrics (2/2)

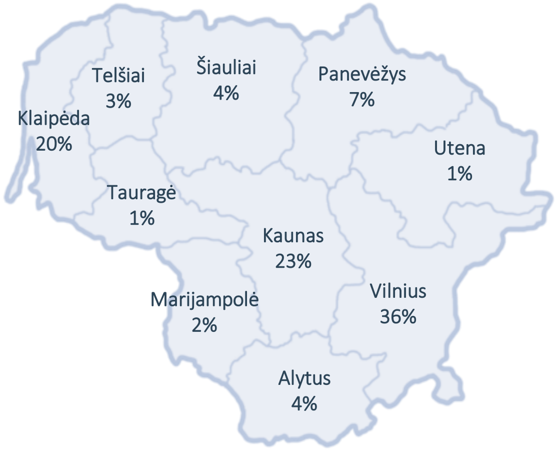
## Contracts by T&Cs[1]



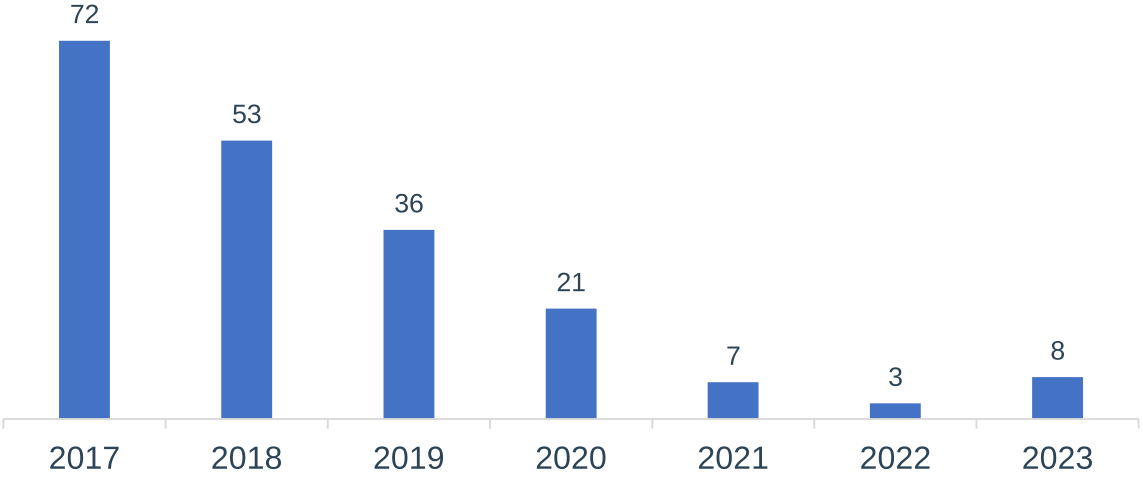

## Contracts split by credit outstanding, Eur[1]



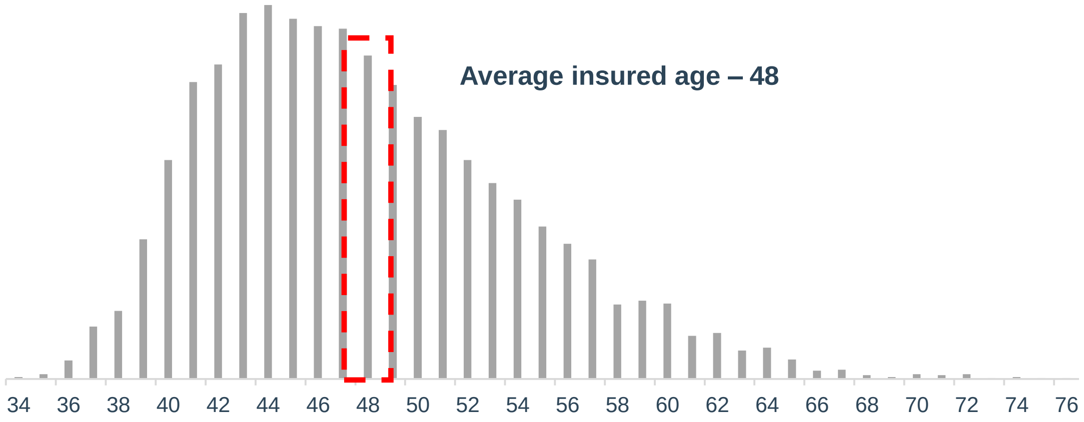

## Contracts geographical distribution[1]




## Claims development




## Contracts holders split by age[1]




[1] *Based on end of 2023 data*