

Mortgage insurance portfolio

An opportunity to take over an attractive legacy insurance business

Low-risk legacy insurance portfolio

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



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, 005¹) and (ii) **claims occurred but haven't been settled yet**
- ▶ Active insurance contracts includes: (i) **mortgage insurance contracts** (T&Cs No. 002, 003, 004) and (ii) **credit insurance contracts for modernization of apartment buildings**² (T&Cs No. 005)

Key portfolio highlights¹

8,612 Active insurance contracts	€29,937 Average credit outstanding	€37,691 Average issued credit value
Loans secured by collateral	LTV 53% Average	LTV 95% Average as at contract issue date
<10 Forecasted yearly claims	€258 m Total credit outstanding	€325 m Total issued credit value

Key attraction points

- ✓ **Rapidly decreasing active insurance contracts and claims**
- ✓ **Low risk insurance contracts backed up by real estate collateral**
- ✓ **Continuously decreasing portfolio administrative costs**

¹ Averages calculated based on active insurance contracts as at 2022H1

² 17 active insurance contracts, ~ €200k credit outstanding

Mortgage insurance portfolio

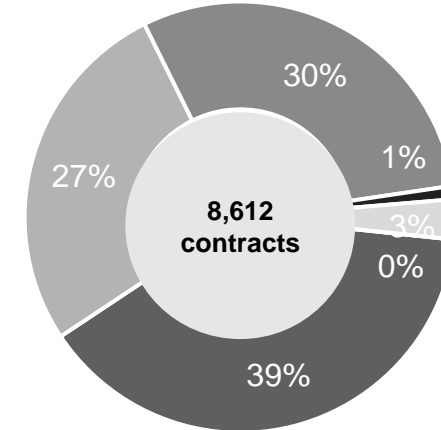
Key characteristics

- ▶ 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 close to 0, making the portfolio very low risk

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

Contracts split by banks



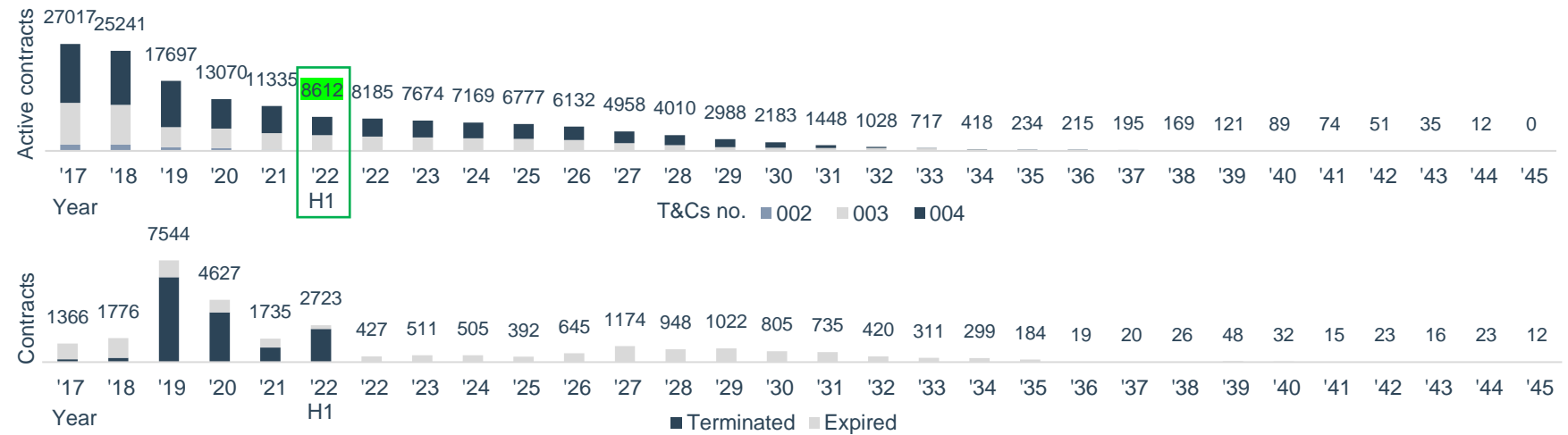
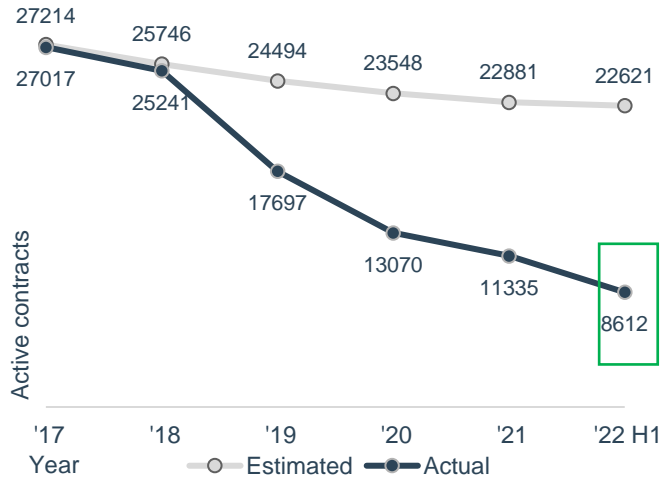
■ Bank A ■ Bank B ■ Bank C ■ Bank D ■ Bank E ■ Bank F

Partner banks providing long term mortgage loans



Mortgage insurance portfolio metrics (1/2)

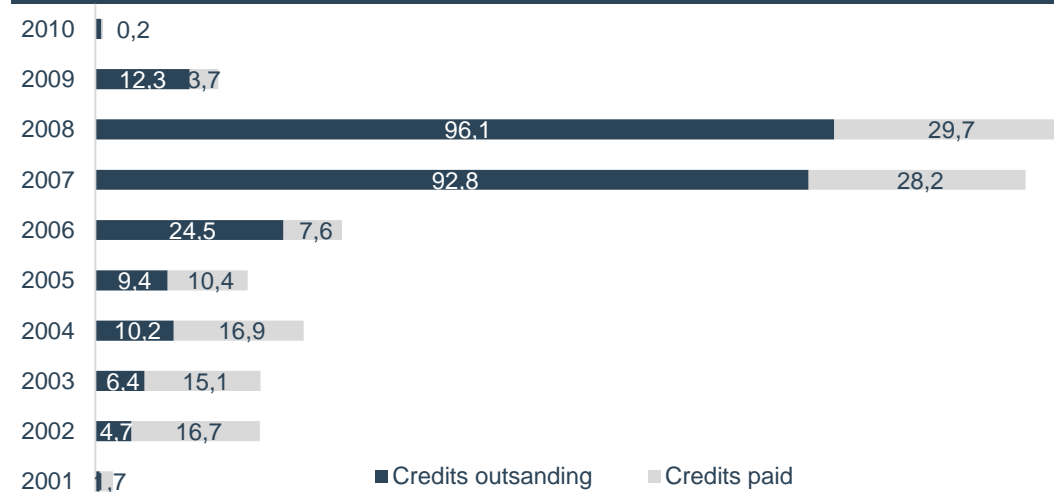
Active insurance contracts and terminated/expired insurance contracts at the end of a year



Loan-to-value ratio¹

Average total LTV ratio	53%
Average T&Cs no. 004 contract LTV ratio	74%

Credit value by contract issue year (€ million)



Termination of contracts²

- Termination of contracts during last 3-4 years has made significant effect on the insurance portfolio volume
- Forecasts:
 - 1.4k of terminated insurance contracts during the 2022H2 – 2023 period
 - 6.3k of active insurance contracts by the end of 2023
 - active contracts expiration is faster 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

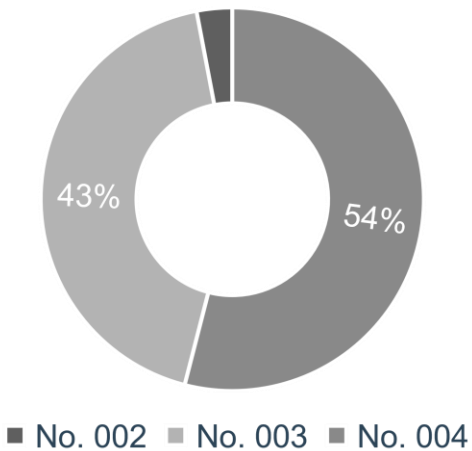
¹ LTV ratio = mortgage amount / asset value (mostly a property was assessed at the loan issue date, therefore is likely to be undervalued)

² Calculated based on individual agreement terms

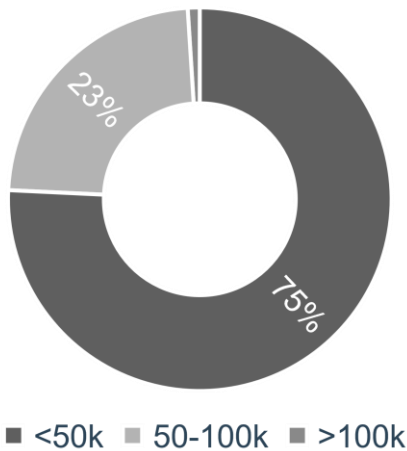
Mortgage insurance portfolio metrics (2/2)



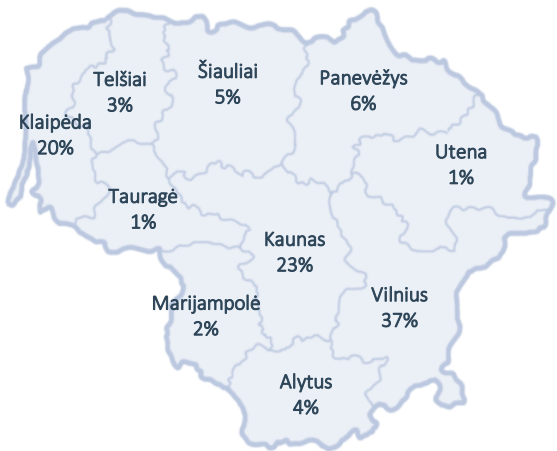
Contracts by T&Cs¹



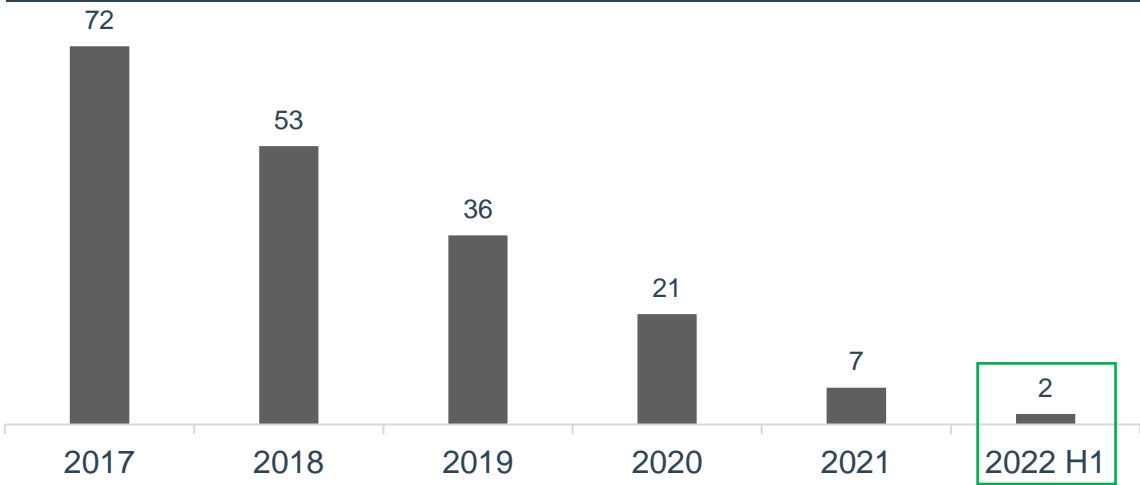
Contracts split by credit outstanding¹



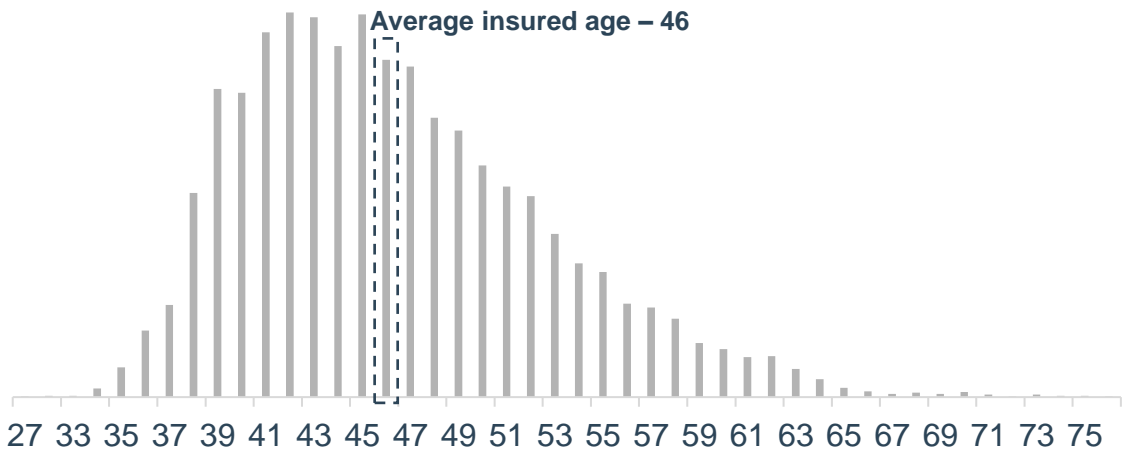
Contracts geographical distribution¹



Claims development



Contracts holders split by age¹



¹ Based on 2022H1 data