

Housing Finance in Emerging Markets – Experiences and Challenges DEG -Targets-Results-Prospects

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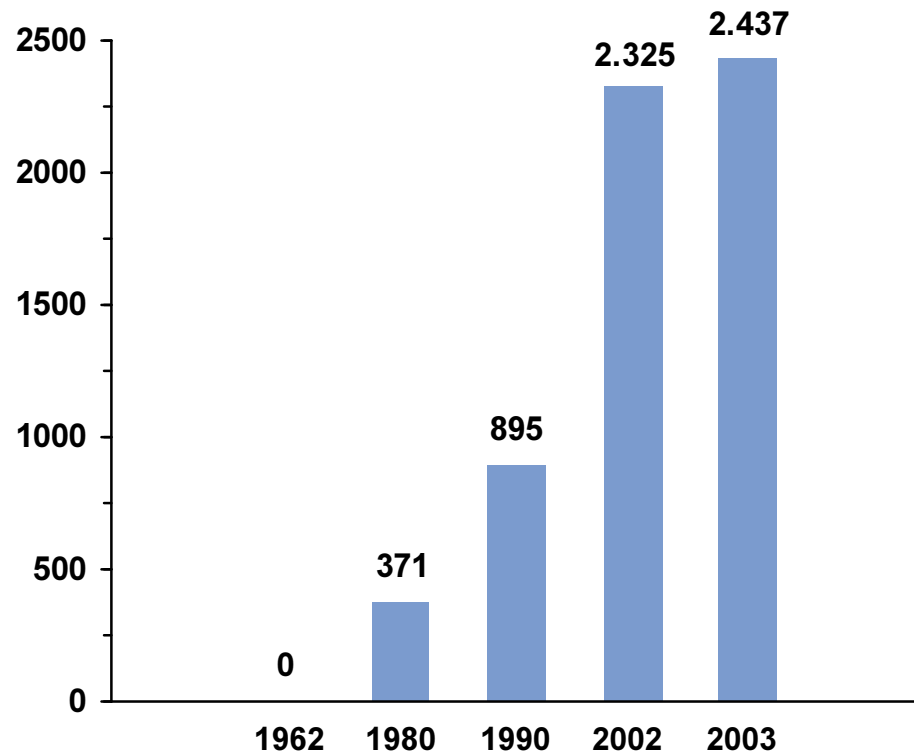
Introducing DEG

Corporate data



- **Founded:** 1962
- **Owner:** KfW
- **Legal form:** GmbH (limited liability group)
- **Head office:** Cologne
- **Capital:** EUR 750 million
- **Employees:** 323

Success in figures - Development of DEG's portfolio -



Portfolio in EUR million; as of 2003

- Our portfolio comprises projects with 472 companies in 85 countries.
- The net committed portfolio increased to EUR 2.437 billion by the end of 2003.
- The total investment volume of investment projects amounted to EUR 16.2 billion.
- Since its establishment DEG has cooperated with more than 1,100 companies and has provided financing in the amount of EUR 5.6 billion.

Our business is developing



DEG – the German Development Finance Institution for the promotion of private companies in developing and transition countries (Africa, Asia, Latin America, Eastern Europe, Middle East).

DEG invests in profitable projects in the financial sector, manufacturing & services sector, food processing and private infrastructure; with the principles of sustainable development, international standards for environmental and social aspects.

Our aim is to establish and expand private enterprises and thus create the basis for sustainable economic growth and a lasting improvement in the living conditions of the local population.

DEG – a member of the KfW group

- KfW – one of the leading banks in Germany -



- **Since 2001 KfW has been the sole shareholder of DEG.**
- **KfW banking group consists out of**
 - **Promotional Bank (social infrastructure, environment, housing etc.);**
 - **SME Bank (SME financing etc.)**
 - **Development Bank (bilateral financial aid)**
 - **Epex-Bank (project and export financing)**
- **DEG financing private enterprises in developing and transition countries**
- **In figures: in 2003, balance sheet total amounted to EUR 314,000 million with the volume of commitments reaching EUR 72,300 million.**
- **KfW is rated AAA.**

DEG activities in housing industry

Why to do housing financing?

- **to improve the living conditions of local residents**
 - to reduce the lack of housing space
 - to prevent from uncontrolled construction and thus to secure social and environmental standards
 - to promote private property to all social classes and thus to promote the development of democracy
- **to promote private sector development**
 - to increase investment activity
 - to safeguard and create jobs
- **to promote financial sector development**
 - to promote the diversification of the local financial sector
 - to introduce innovative financial products

Realised Financing - recent commitment -



	Region / Country	Form of Financing	Mio. Euro	Contractual Maturity
Mortgage Bank	India	Debt	41.0	6 9
Mortgage Bank	Mexico	Debt	11.7	7
Mortgage Bank	Romania	Equity Stake Debt	0.8 5.0	10
Mortgage Bank	Mexico	Guaranty	3.1	7
Mortgage Bank	Egypt	Equity Stake	1.3	
Mortgage Bank	Palestinian Territory	Equity Stake	3.3	

Realised Financing - recent commitment -



	Region / Country	Form of Financing	Mio. Euro	Contractual Maturity
Housing	Mexico	Debt	17.7	7
Commercial Bank	Georgia	mortgage refunding	1.5	6

Projects Under Examination - region Eastern Europe / Near East -



	Region / Country	Form of Financing	Mio. Euro	Contractual Maturity
Housing	Turkey	Debt	20	10
Mortgage Bank	Ukraine	Debt	6	10

DEG housing promotion - Tailor-made finance to our clients -



- **Long-term loans**
- **Mezzanine finance**
- **Equity capital**
- **Guarantees**

with terms suited to the individual project and on market-oriented terms

Housing financing - different methodologies -



Building society savings (German model)

- Personal savings
- Plus possible public grant
- i.e. Czech Republic, Slovakia

Mortgage Financing

enables

- Credit financing through deposits or long-term loans
- Property as collateral

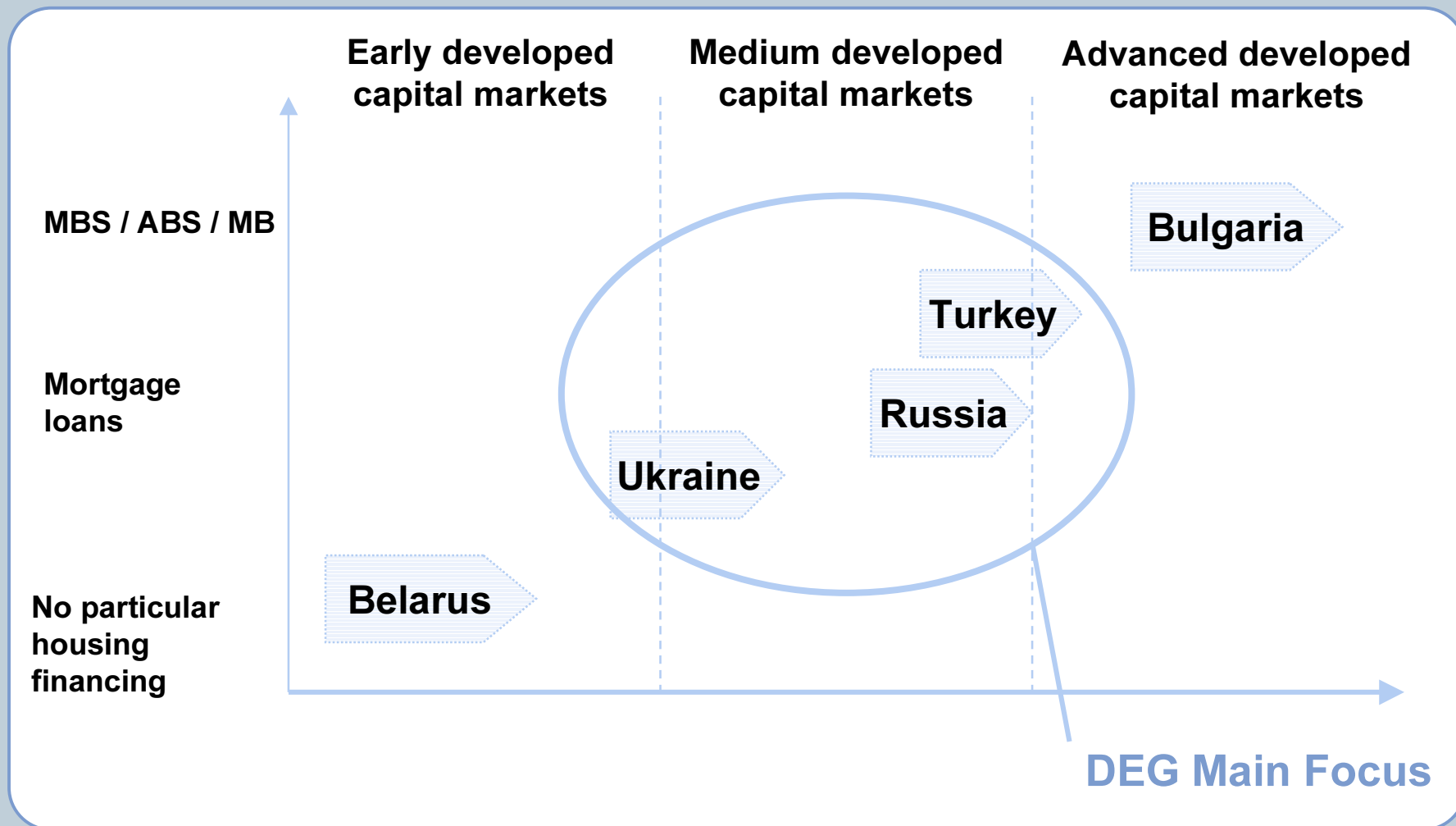
Securitization (American model)

- Mortgage bonds (MB)
- Mortgage backed securities (MBS)

Regional Prospects

Transition Countries / Near East

- DEG market evaluation -



Assessment of market risk / potential

- business environment -



Basic Conditions	Housing Industry	Capital Market
<ul style="list-style-type: none"> • GDP → per Capita → trend • Budget deficit • Inflation 	<ul style="list-style-type: none"> • Construction industry (key players, evaluation of construction technology etc.) • Investments in building construction • m² / household • Percentage of private ownership • Condition of existing buildings 	<ul style="list-style-type: none"> • Banking sector (access to long-term finance, key players etc.) • Interest rate on deposits • Interest rate on credits • Competition analysis

Assessment of market risk / potential - political environment / housing finance -



Legal Framework	Promotion of Proprietary	Institutional Framework
<ul style="list-style-type: none">• Building societies law• Mortgage banks law• Lien• Private property• Land register system	<ul style="list-style-type: none">• Instruments• Percentage of public budget	<ul style="list-style-type: none">• Supervision of banking• Competition law• Consumer protection• Legal security

DEG and partner contribution to the establishment of a mortgage bank



Financing

- Senior Debt
- Mezzanine
- Equity

Framework Development

- Mortgage regulation
- Round table (new legislation concerning MBS/ABS)

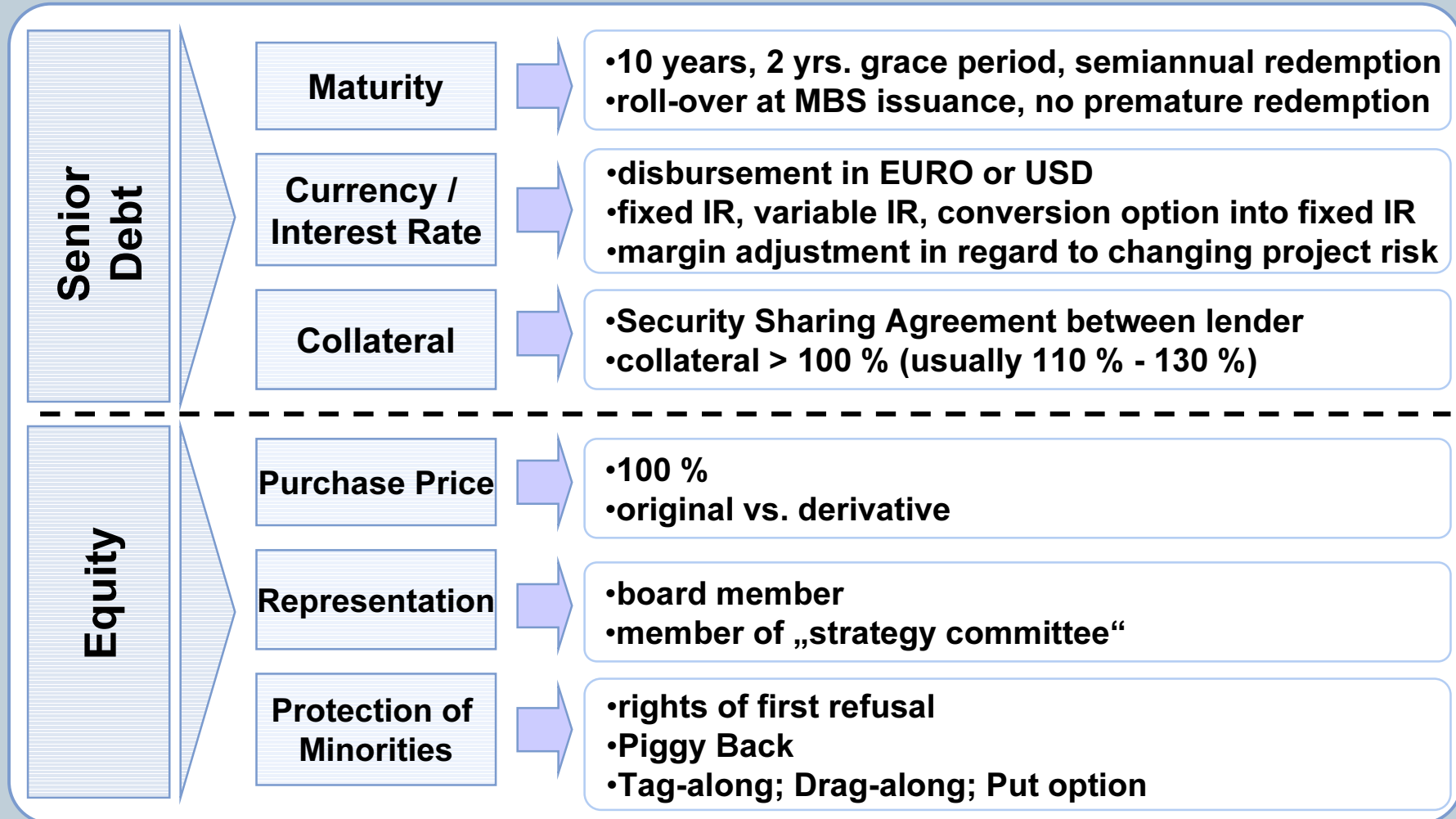
Consulting / Support

- Strategy
- Financial structuring
- Employee training



Financing of a Mortgage Bank

- illustrative example -



Get in touch!



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