

Credit enhancement in securitization

 **THE URBAN INSTITUTE**

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Speaker Massimo Ceretto - Eurofidi

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Introducing Eurofidi's role on securitization and "PMI FINANCE 2"

SECURITIZATION, EUROFIDI'S ROLE

Eurofidi provides a 100% first-demand autonomous guarantee in favour of the Bank to cover full payment of all principal amounts falling due in relation to junior securities up to a maximum amount equal to X% (defined with the Bank) of the amount of the securitised portfolio. As security that all the obligations assumed by Eurofidi will be punctually and fully met, an equal amount will be pledged by Eurofidi in a current account held with the Bank

PMI FINANCE 2

- Loans campaign 11/07/2003 – 03/31/2004
- Transaction was carried out by Unicredit Banca d'Impresa using performing medium-term loans guaranteed by Eurofidi
- Securitization November 2004
- This transaction was structured by ECS and UBM, it entailed the block sale of loans without recourse to PMI DUE FINANCE (SPV)
- A “cash pledge” was created by Eurofidi on behalf of Junior notes (tranche equity) in a current account

PMI FINANCE 2 deal overview in a nutshell

ACTORS

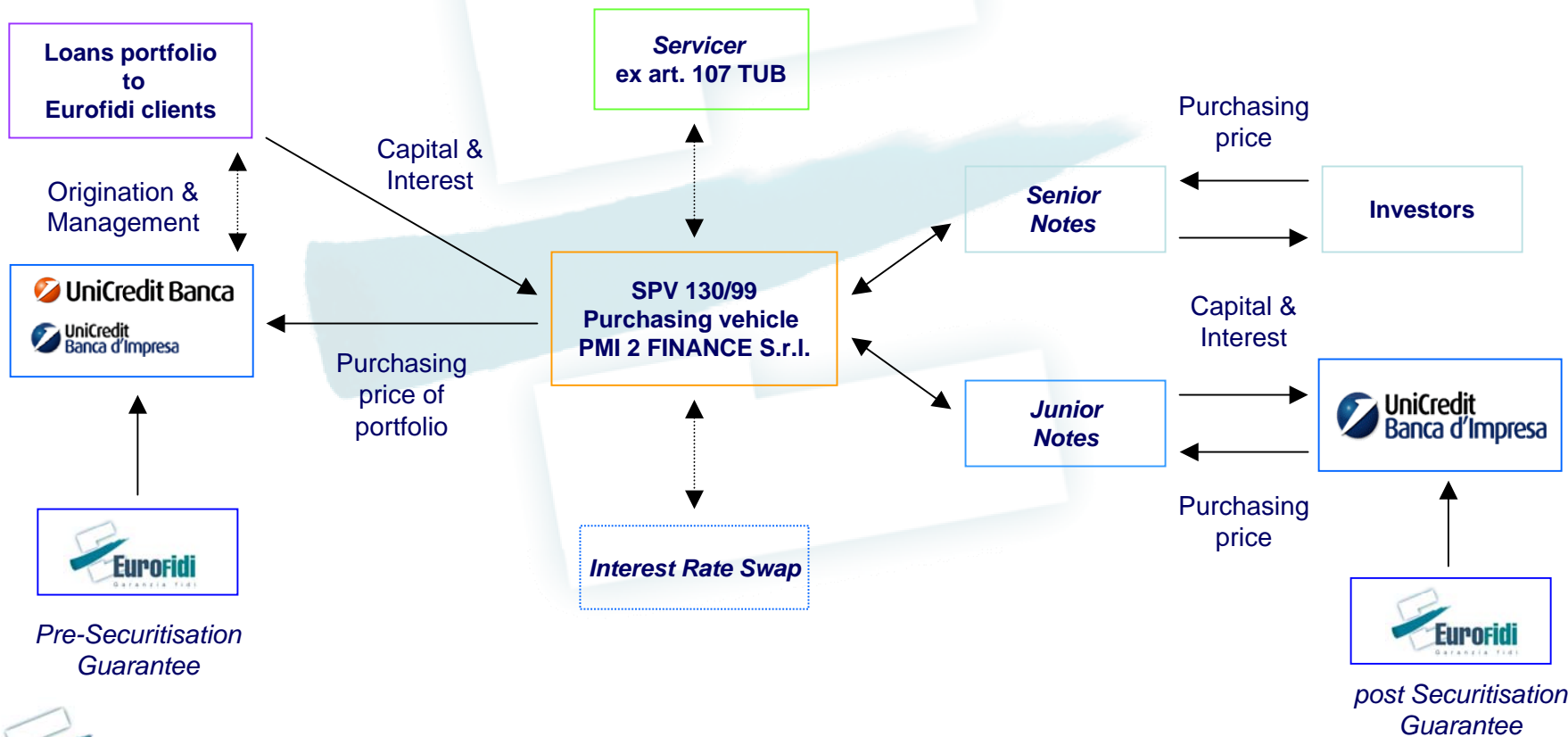


OUR STRATEGIC MOTIVATIONS

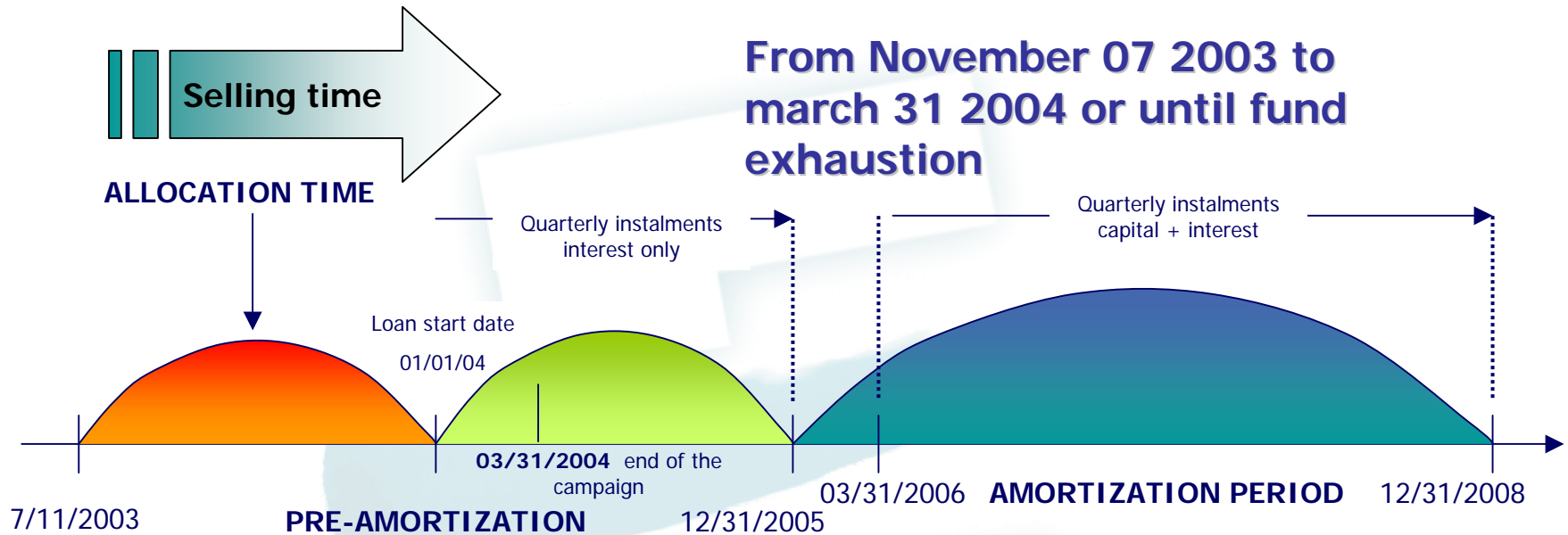
- Facilitate SMEs access to capital markets
- Diversify SME funding sources in anticipation of BIS II
- Pricing based on risk associated to each obligor
- Encourage medium long term funding

Loans origination

Securitisation



**From November 07 2003 to
march 31 2004 or until fund
exhaustion**



Pre-amortization

till December 31, 2005

Amortization

**From January 1, 2006
to December 31, 2008**

PMI FINANCE 2 Target market & key features

TARGET MARKET



Eligible obligors

SMEs active in industry, commerce, services, handicraft and tourism



Regions

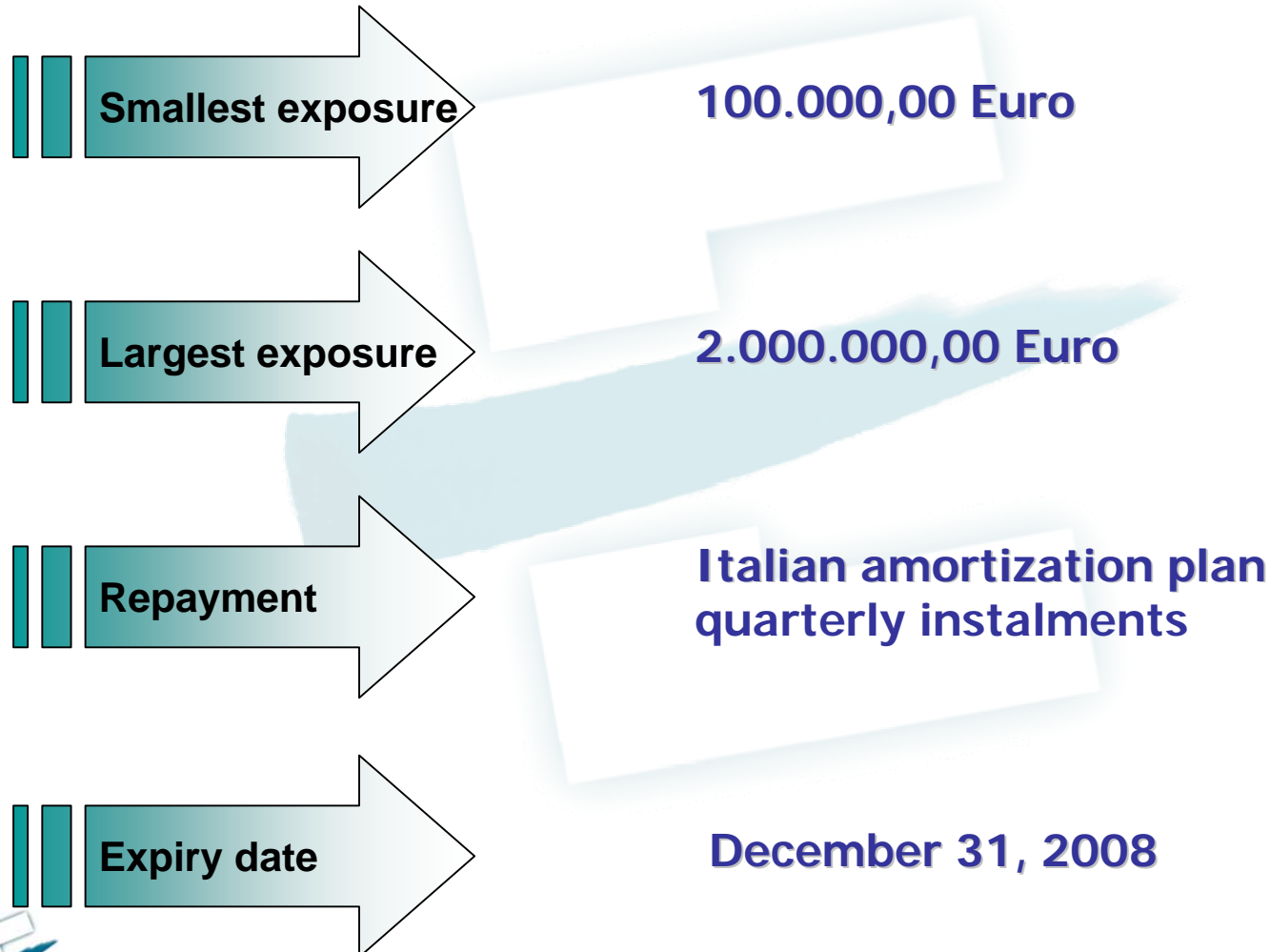
Piemonte, Lombardia, Liguria, Valle d'Aosta



Eligible investments

- Productive investments
- Production growth
- Vocational training
- Quality Certification
- Process of debt restructuring

PRODUCT KEY FEATURES



PRODUCT KEY FEATURES



BASED ON BANK INTERNAL RATING SCALE



EURIBOR 3 M + SPREAD BETWEEN 0,80% - 2,20%



- FEE 0,5%

- RISK FUND DEPOSIT BETWEEN 2% - 4% ON GUARANTEE

PMI FINANCE 2 appeals

SMEs APPEAL



**2 YEARS PRE-AMORTIZATION
SCHEDULE**



NO COLLATERAL



QUICK DECISION



SMEs ACCESS TO CAPITAL MARKETS

BANK APPEAL



FIRST DEMAND GUARANTEE



**RISK CONTROL BY MEANS OF
ELEGIBLE RATINGS**

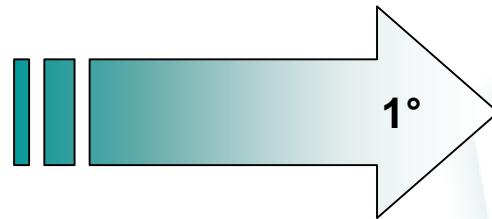


**COVERAGE ON FIRST LOSS THROUGH
CASH PLEDGE**



**INNOVATIVE FINANCIAL TOOL THAT
CAN HELP GAINING THE CONFIDENCE
OF CLIENT AND AFTERWARD
FINANCING ACCOUNTS RECEIVABLES**

GUARANTEE CONSORTIUM APPEAL



**QUICK ATTRACTIONS OF A LARGE
NUMBER OF NEW CLIENTS**



**DEVELOPMENT OF NEW FINANCIAL
TECHNOLOGIES**



**PROJECTING CORPORATE IMAGE ON
NATIONAL AND INTERNATIONAL
MARKETS**

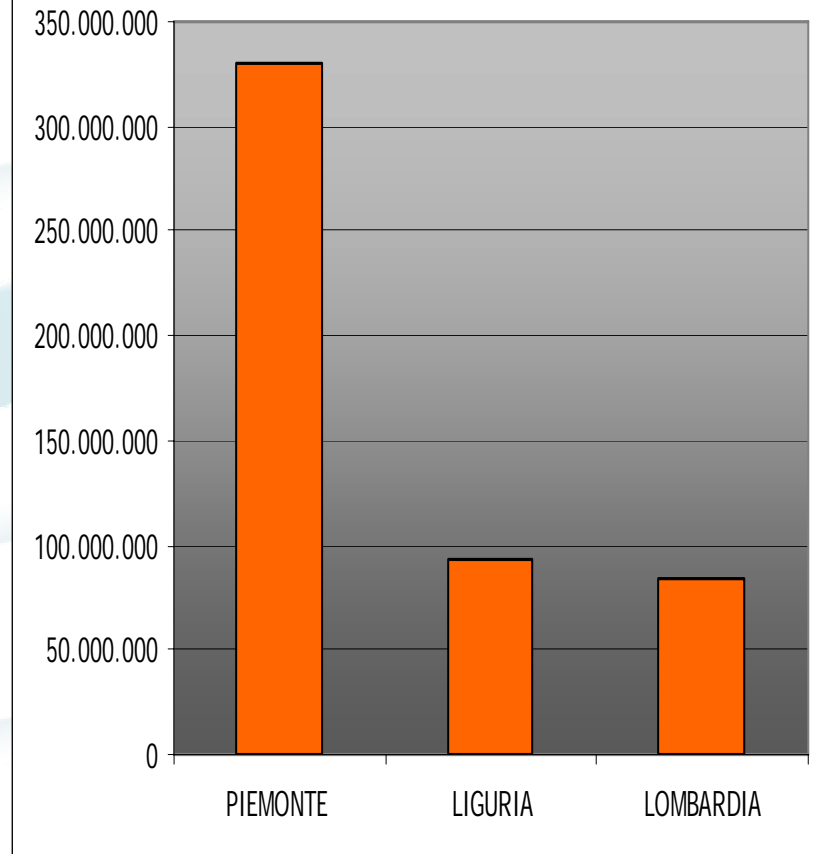


**LOW RISK OF EXPOSURE WITH AN
ARRANGED CAP**

PMI FINANCE 2 breakdown

ALLOCATED LOANS

Areas	ALLOCATED LOANS	
	Guarantees	SME's
PIEMONTE	330.741.500	936
LIGURIA	92.850.000	258
LOMBARDIA	83.730.000	148
<i>Grand total</i>	507.321.500	1.342
Transactions average	378.034	
Unicredit Banca d'impresa	470.030.500	
Unicredit Banca	37.291.000	
Rating average on guarantees issued	4,54	

GUARANTEES ISSUED PER REGION


THE PORTFOLIO-POOL SUMMARY

	PMI 2 FINANCE
Total amount	€ 307.305.500
Number of obligors	737
Number of loans	737
Largest exposure	€ 1.500.000
Smallest exposure	€ 100.000
Average exposure	€ 416.968
Moody's Diversity score	95/100
WA S&P default assumption	BB+
WA Moody's default assumption	Ba2
WA Fitch default assumption	BBB-/BB+
Weighted Average Portfolio Life	2,7 years
Minimum spread on the Loans	0,80%
Maximum spread on the Loans	1,75%
Weighted Average spread on the Loans	1,52%

Class	Rating (S&P/Moody's/Fitch)	Amount (Euro)	Size of SPV's Assets (%)	Credit support	Expected WAL (years)	Expected Maturity	Legal Maturity
Class A	AAA/Aaa/AAA	271.000.000	88,2%	11,8%	2,6	Oct-2008	Oct-2013
Class B	AA/Aa2/AA	7.000.000	2,3%	9,5%	3,9	Oct-2008	Oct-2013
Class C	BBB/Baa2/BBB	11.400.000	5,8%	5,8%	4,1	Jan-2009	Oct-2015
Class D	BB/Ba3/BB	6.200.000	3,8%	3,8%	4,2	Jan-2009	Oct-2015
Total		295.600.000					

Total Portfolio	€ 307.305.500
Total notes	€ 295.600.000
Junior notes (Eurofidi cash pledge)	€ 10.755.675

About us

Eurofidi is the most important Guarantee Consortium in Italy and one of the largest in Europe

Help small and medium enterprises to achieve their potential through credit enhancement

MAIN SHAREHOLDERS

Piedmont Region Finance Company



FINPIEMONTE SPA

Banks

**UNICREDITO
BANCA POPOLARE DI NOVARA
SANPAOLO IMI**

Member enterprises

SMEs

SOME FIGURES

- ✓ Approx. 28.250 SME clients
- ✓ Outstanding SME guarantees 2,7 billion €
- ✓ Max guarantee per single enterprise 4,4 million €
- ✓ Fitch Ratings BBB+
- ✓ Standard & Poor's BBB
- ✓ Personnel approx 223
- ✓ Banking agreements 70

Contact

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Eurofidi

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