

Temporary expansion of Collateral Eligibility criteria / 9th Feb ECB decision

An italian perspective

Marco Bertotti / Intesa Sanpaolo

ECB's Gov Council approves eligibility criteria for additional "credit claims" / 9th Feb 2012

- **Bank of Italy's among the 7 nat. Central Banks that put forward proposals and specific eligibility criteria for temporary accepting performing Credit Claims**
- **Objective: support bank lending and liquidity in the euro area money market**
- **Features of the Claims:**
 - PD over 1y horizon up to 1%;
 - in addition to other accepted ECAF sources, creditworthiness now can be assessed with VALCRE Icas run by Bank of Italy;
 - Financial leasing and non-recourse factoring contracts (with leasing and factoring co.s considered as "valid providers of pledge" in favour of the ECB ctps that belong to the same banking group);
 - Loans guaranteed by SACE (Italian ECA)

Preliminary impact assessment of introduced measures

- Estimates by It MFIs currently on-going but... “*Here, again, there was one newspaper that wrote that Italy had taken 70 billion euros against these additional credit claims, when the figure was about 3 billion euros **”
- Preliminary considerations: Impact
 - PD over 1y horizon up to 1% Positive
 - VALCRE Icas: Under analysis
 - for bks w/o IRB/ECAI/3rd party RT
 - Fin. leasing and non-rec. factoring contracts Positive
 - currently under evaluation:
 - the possibility to reduce the min. size (below 500k)
 - If application of minimum size enlarged to debtor and not only single credit (*pool of credits*)
 - Loans guaranteed by SACE (Italian ECA) Under analysis
 - debtors/governing. law mostly non EA / ccyes non-Euro

*Gov. Draghi Q&A Transcript / 8° March 2012 Press Conference

A quick *look-back* at It Rep. Legislative Decree 6th Dec 2011..

- Ministry of Econ. and Finance, until 30th June 2012, allow banks to “benefit from the State guarantee on new debt instruments , secured and unsecured “**
- Features:
 - State guarantess should in general only cover debt with maturities between 1-5 years (7 y in case of Covered Bonds);
 - Interested banks apply to Bank of Italy and MEF, whose approval is subject to BOI assessment on the Banks’ capital ratios and prospected income (a “cap” is set at the level of regulatory capital)
 - Pricing of the guarantees will be linked to CDS spreads over a three-year period ending one month before the grant of guarantees;
 - The formula should:
 - isolate the intrinsic risk of individual banks from changes in CDS spr. of Member States and the market as a whole;
 - reflect the fact that guarantees on CB expose the guarantor to substantially lower risk than guarantees on unsecured debt.

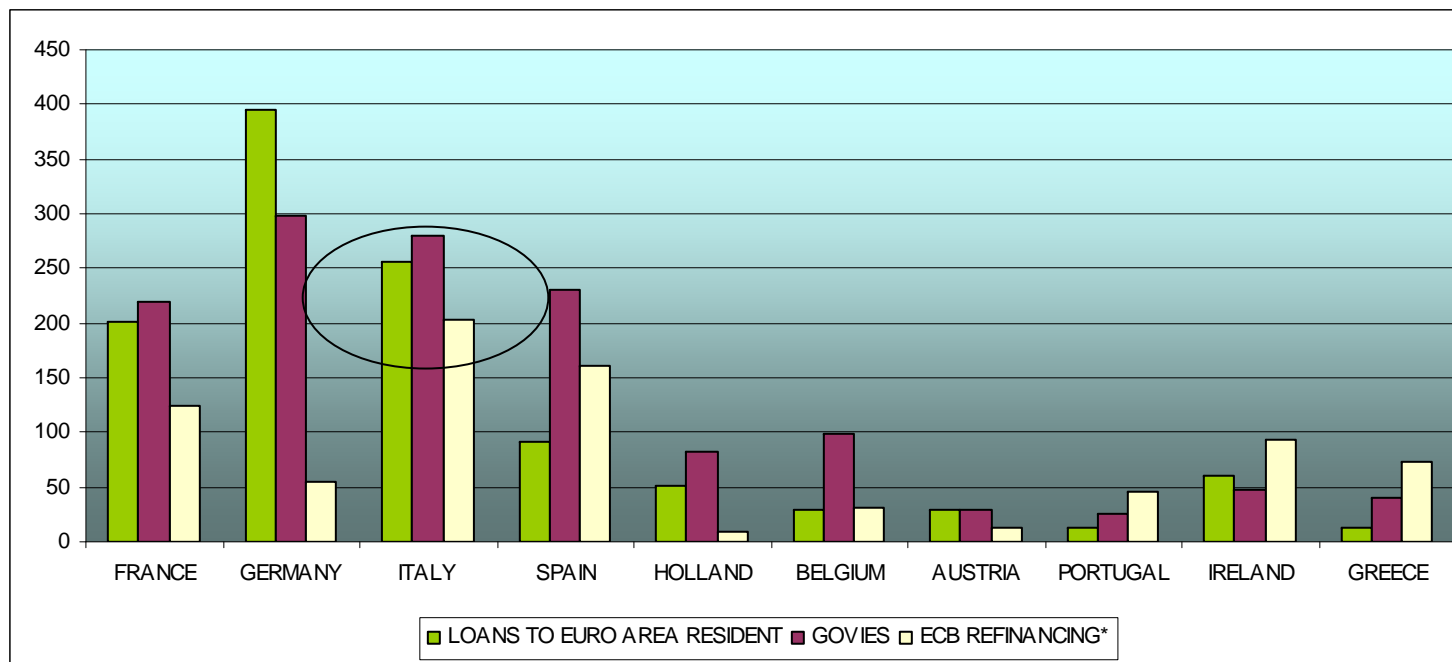
** : European Commission / Communication from the Commission on the Application of state aid rules to support measures in favour of banks in the context of the financial crisis / Brussels 1.12.2011

..and at how banks' funding plans adapted to the new instruments

- **End-Dec 2011: approx 40.4 bn/eur issued by 14 banks with 96% of total < 1 year (90% 3 months);**

- **End-Feb 2012: approx 83 bn/eur issued by 253 banks, with high concentration:**
 - 21 top banks represents 86% of the sample (issuance minimum lvl > 500 mln);
 - 226 low-tier banks (with debt issuance < 500 mln/eur) represented 14% of the overall amt of which 199 issuers with < 100 mln/eur

MFI assets/liabilities... a focus on Loans/Government Bonds and ECB refinancing as of end-Jan 2012 (1)

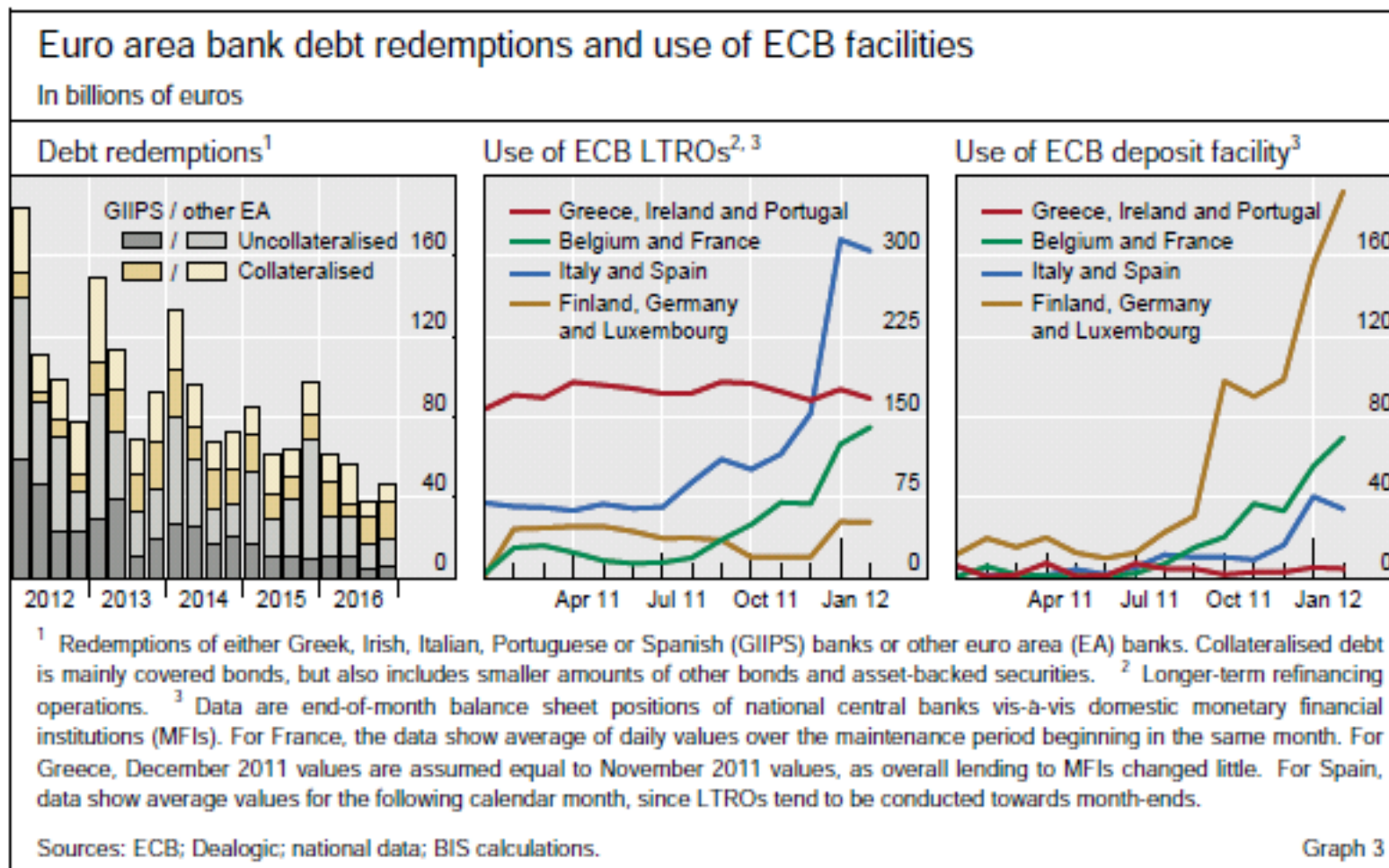


bn/eur	FRANCE	GERMANY	ITALY	SPAIN	HOLLAND	BELGIUM	AUSTRIA	PORTUGAL	IRELAND	GREECE
MFI TOTAL ASSETS	8452.54	8517.36	4119.15	3651.83	2467.64	1192.15	1008.62	571.31	1298.13	466.68
LOANS TO EURO AREA RESIDENT	201.67	395.91	256.13	90.56	51.97	28.42	29.67	12.38	60.51	12.91
HOLDINGS OF EA GOVIES	219.92	298.55	280.04	229.58	83.17	99.62	29.28	26.2	47.47	40.11
ECB REFINANCING*	124.3	55.7	202.59	161.41	9.66	31.36	13.7	46.47	92.61	73.96

*: French data as of 17th Jan 2012 / German data as of 31st Dec 2011

Intesa Sanpaolo Research Dept. Data from : Thompson Reuters Datastream

MFI assets/liabilities... a focus on Loans/Government Bonds and ECB refinancing as of end-Jan 2012 (2)



BIS Quarterly review , March 2012

MFI assets/liabilities... a focus on Loans/Government Bonds and ECB refinancing as of end-Jan 2012 (3)

