

European Investment Fund

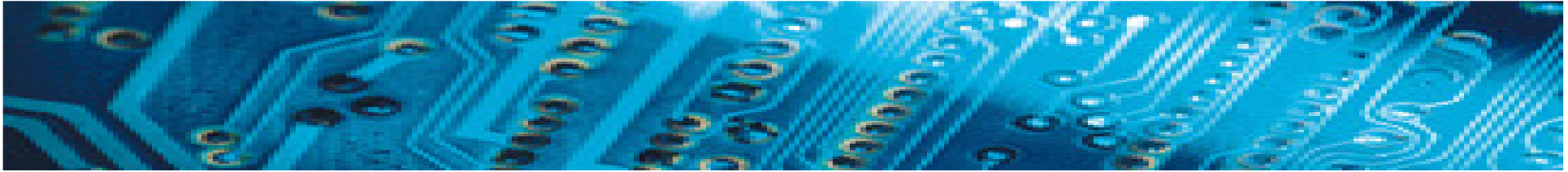


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The role of structured finance operations for financial sectors in transition countries

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Role of structured finance operations for financial sectors in transition countries

- Transaction drivers (originator view)
 - ✓ Diversification of funding (e.g. less reliance on banks)
 - ✓ Improved use of scarce capital
 - ✓ Limit asset growth on balance sheet
 - ✓ Asset liability management (e.g. matched maturities)
- Transaction drivers (investor view)
 - ✓ Geographical diversification
 - ✓ Asset diversification
 - ✓ Appeal of risk return profile
 - ✓ Tailored investment opportunities

Role of structured finance operations for financial sectors in transition countries

- Status of the market
 - ✓ Strong growth in pool of assets suitable for operations
 - ✓ Increased range of underlying assets
(RMBS, consumer loans, SME & Micro loans, lease)
 - ✓ Still limited number of transaction parties / investors
(limited number of specialised players, IFIs' special role, ...)
 - ✓ Historically low credit spreads in capital markets
 - ✓ Decreasing sovereign risk spreads
 - ✓ Untested legal basis
 - ✓ Limited credit risk track record
 - ✓ Uncertainty as to servicing capabilities

Role of structured finance operations for financial sectors in transition countries

- Structural considerations (originator / investor view)
 - ✓ Cash vs. synthetic
(rationale, legal framework, execution, size, ...)
 - ✓ Term issuance vs. revolving facility
(portfolio ramp up, use of conduits, target investors, ...)
 - ✓ Replenishment features vs. static portfolio
 - ✓ Mutualisation of risk
(multi-country, multi-originator, ...)
 - ✓ Public deals vs. private placement
(rated / unrated, club deals)
 - ✓ Choice of underlying assets
(e.g. MFI loans vs. Micro finance/SME loans, ...)

Role of structured finance operations for financial sectors in transition countries

- Market outlook (micro finance / Southeast Europe)
 - ✓ Rating agencies are becoming more familiar [and also flexible] with the micro finance asset class
 - ✓ Investment banks have started to look with increasing interest at the asset class [arranger role]
 - ✓ Increased activity both for private and public deals is expected
 - ✓ Market [as emerging] is probably more vulnerable to major events [not necessarily related to this specific market] in the global credit market

Role of structured finance operations for financial sectors in transition countries

- EIF role: “deal facilitator” and “key synthetic investor”
 - ✓ Supranational (MDB)
 - ✓ AAA/Aaa/AAA rated
 - ✓ 0% - 20% risk-weighted
 - ✓ Tailored solutions
 - ✓ Risk taking with “Wrap”, Financial Guarantees, Credit Default Swaps, Bilateral deals, Club/Private trades
 - ✓ Structuring capabilities (feasibility studies, co-arranger, placement of guaranteed notes)