

From traditional to innovative applications of the Credit Bureau Score:

A recent development for the Italian Securitization Market

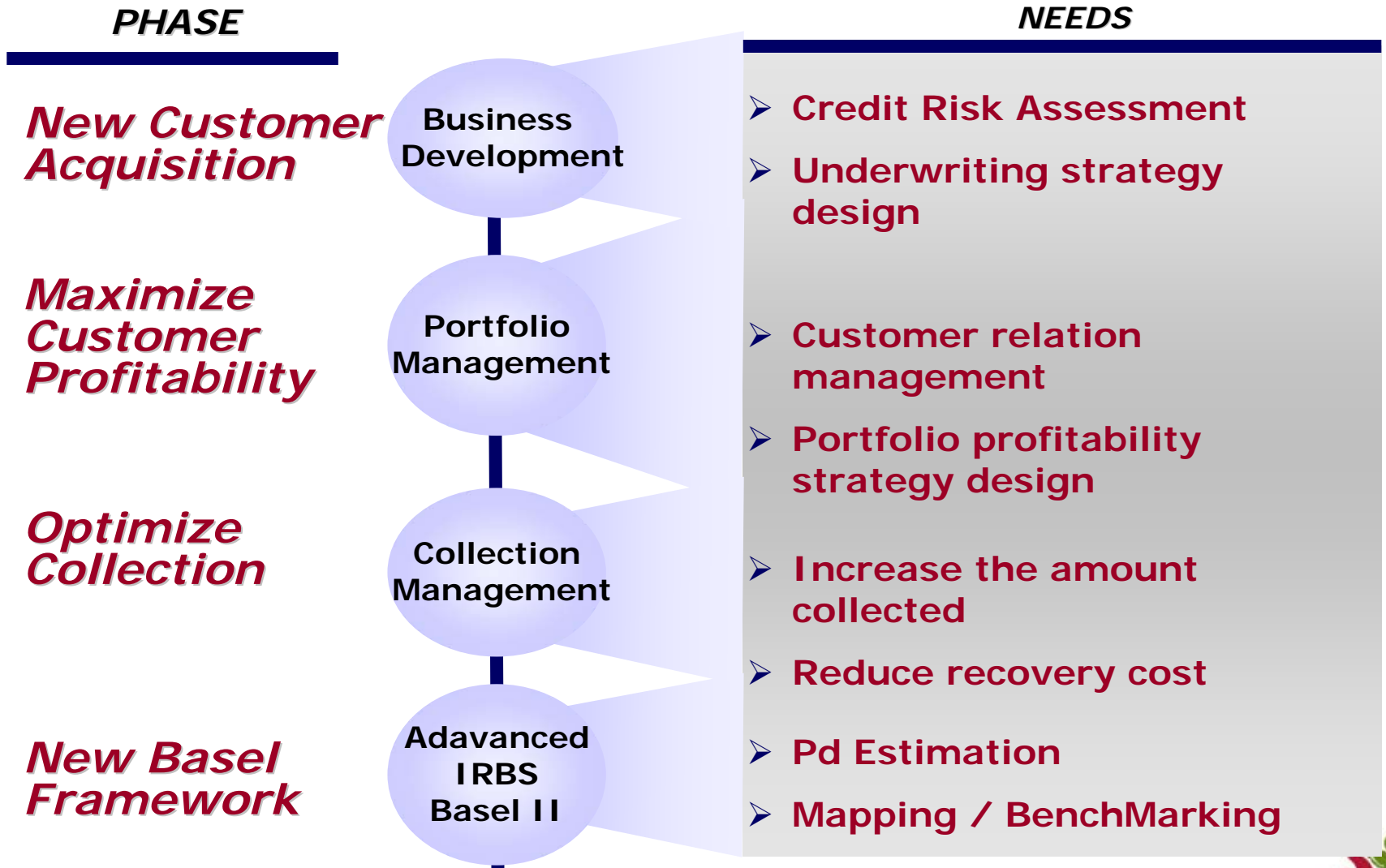
*Silvia Ghielmetti, Director
CRIF Decision Solutions*

Cape Town, 9th October 2006

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- **Introduction of CBS into the S&P rating model for the Rmbs**
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From traditional application of the Credit Bureau Score.....



..to an innovative application of the Credit Bureau Score: The Italian RMBS Market

PHASE

*Optimize Life
Time Default
Estimate on
Securitized
Asset Pool*

Structured
Finance:
Securitization
Covered Bonds

NEEDS

- In 2005 CRIF CBS has been introduced into the S&P Rmbs Rating model as a key driver of life time default.
- The use of CRIF CBS allows for a more refined and predictive approach to the loans default estimation with clear advantages to all participants in the Securitization market.

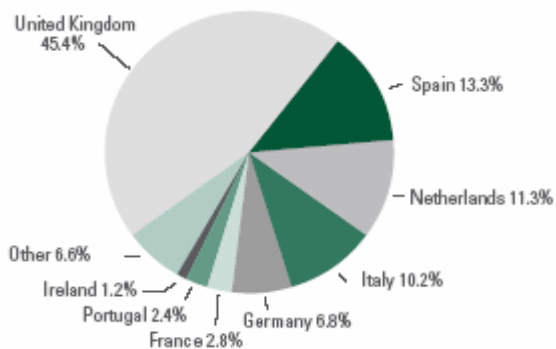
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European Securitization Market Trend

European Securitisation Issuance

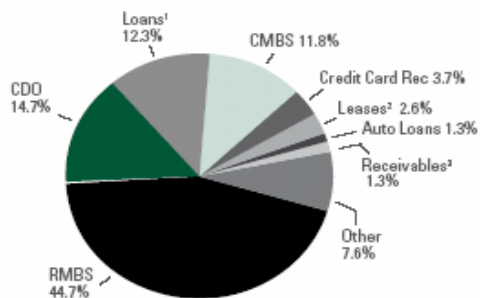
2005 by Country of Collateral



Sources: Dealogic, Thomson Financial, J.P. Morgan Securities Structured Finance International

European Securitised Issuance

by Collateral Type 2005



Sources: Dealogic, Thomson Financial, J.P. Morgan Securities Inc., Structured Finance International

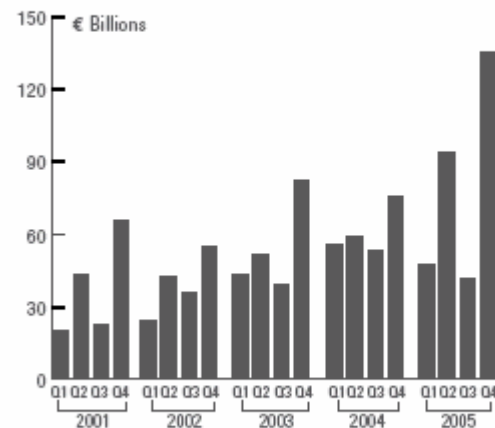
¹ Includes leveraged, commercial, consumer, corporate, SBL, and other loans

² Includes equipment and other leases

³ Includes account, health care, insurance, utility and other receivables

European Securitisation Issuance

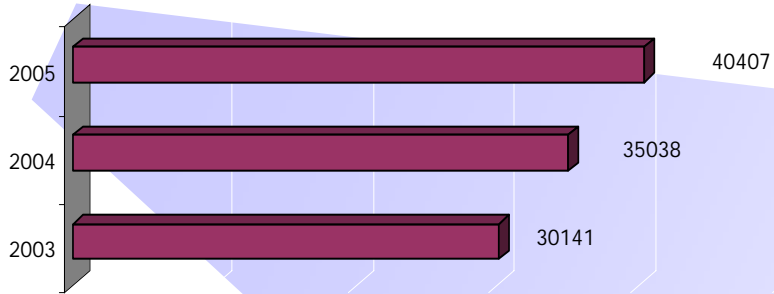
2001:Q1-2005:Q4



Sources: Dealogic, Thomson Financial, J.P. Morgan Securities Inc., Structured Finance International

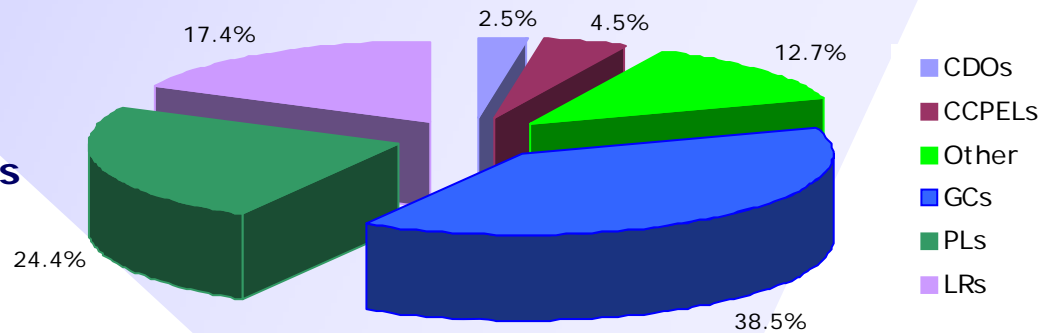
Source: ESF Securitization

Italian Securitization Market Trend



**Securitization Issuances
2003/2005 - Million€**

**Securitization Issuances
2005 – Asset Class**



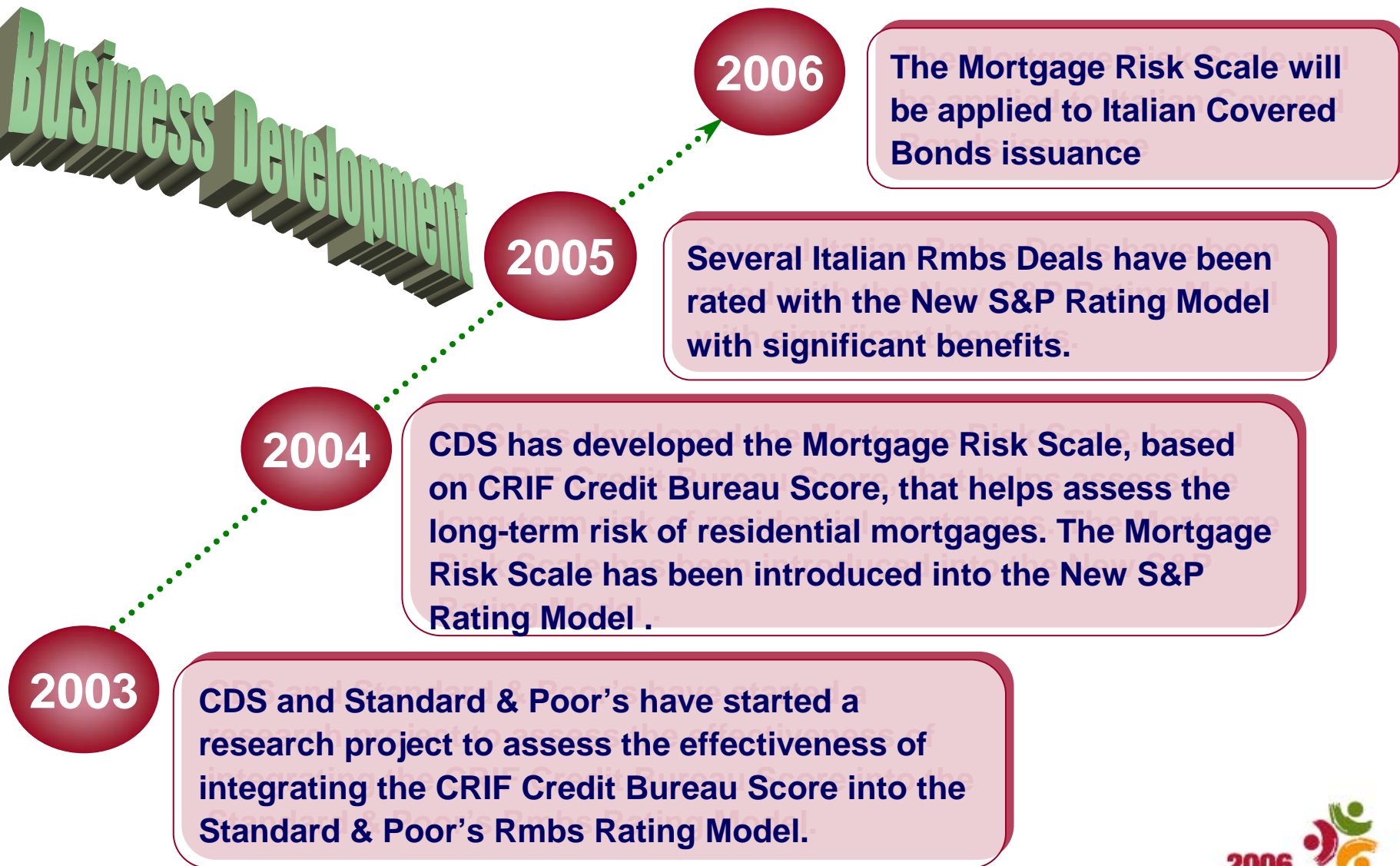
Source: Securitization.it Taletè
Creative Finance

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Introduction of CBS into the S&P rating model for the Rmbs

Business Development



Introduction of CBS into the S&P rating model for the Rmbs

EURISC: Italian Leading Credit Bureau

EURISC[®]

It's a positive database containing detailed information about **the financial exposure of individuals and small businesses**, voluntarily provided and updated both online and on a monthly basis by subscribers.

- All information relative to **personal loans, mortgages, leasing contracts, credit and debit cards, overdraft facilities and discount receivables**, are stored and combined into a Credit Report.
- Subscribers are more over **460 banks and financial institutions**.
- **87% of Italian branches** are connected daily online to benefit from our services.
- **National Hit Rate is 88%.**

Out of the database, several Credit Bureau Scores have been developed for optimal decision processes and Portfolio Management.

Introduction of CBS into the S&P rating model for the Rmbs

CRIF Credit Credit Bureau Score

The CRIF Credit Bureau Score (CBS) is the industry standard risk score that allows to measure and compare customers' risk across different credit portfolios.

The model is updated periodically according to the evolution of credit products on the Italian market and to the changes in the Retail payment behaviours.

The CRIF Credit Bureau Score is based on borrower's past and current behaviour on the whole portfolio of credits recorded in Eurisc® and is developed through powerful predictive variables and deep segmentation.

Most of the Financial Institutions in Italy are integrating the CBS as a key driver into their decision support systems.

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CDS Mortgage Risk Scale

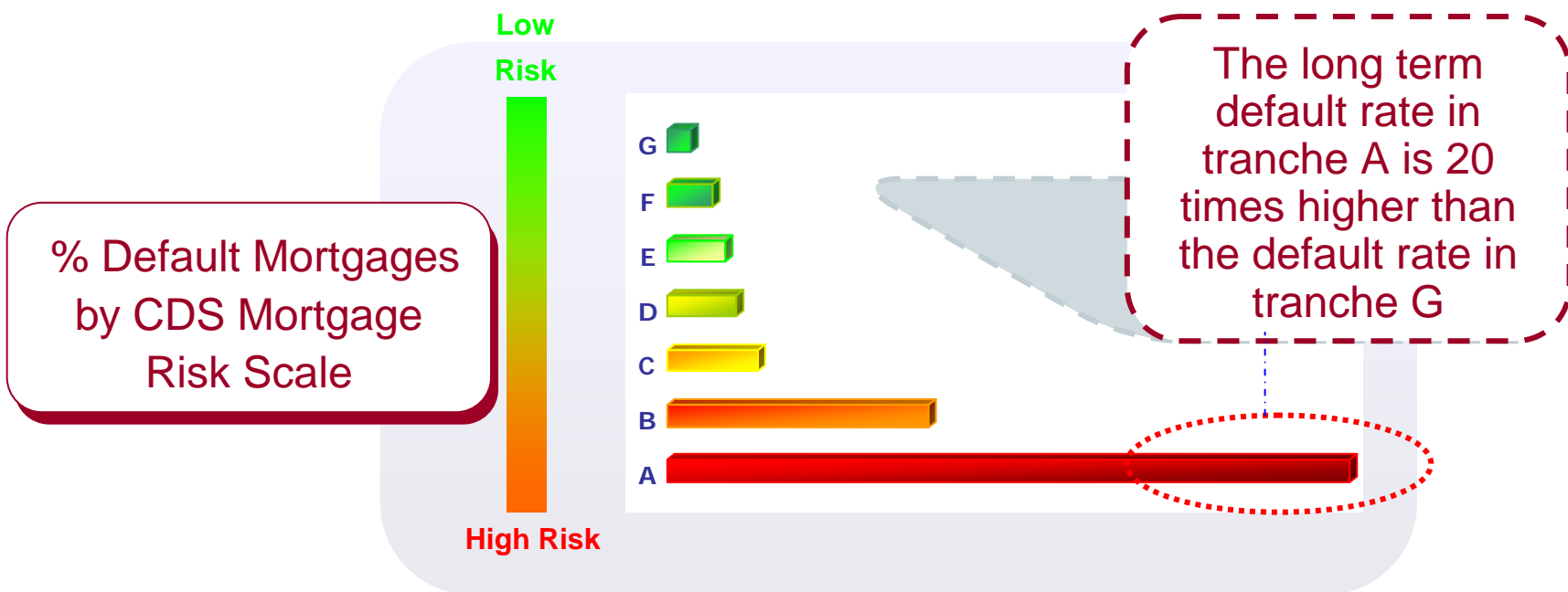
CDS Mortgage Risk Scale Results

Portfolio: Seasoned Residential Mortgages

Clean (no previous delinquency)

Mortgage Risk Scale up date: at Evaluation Time

Default Definition: 180dpd



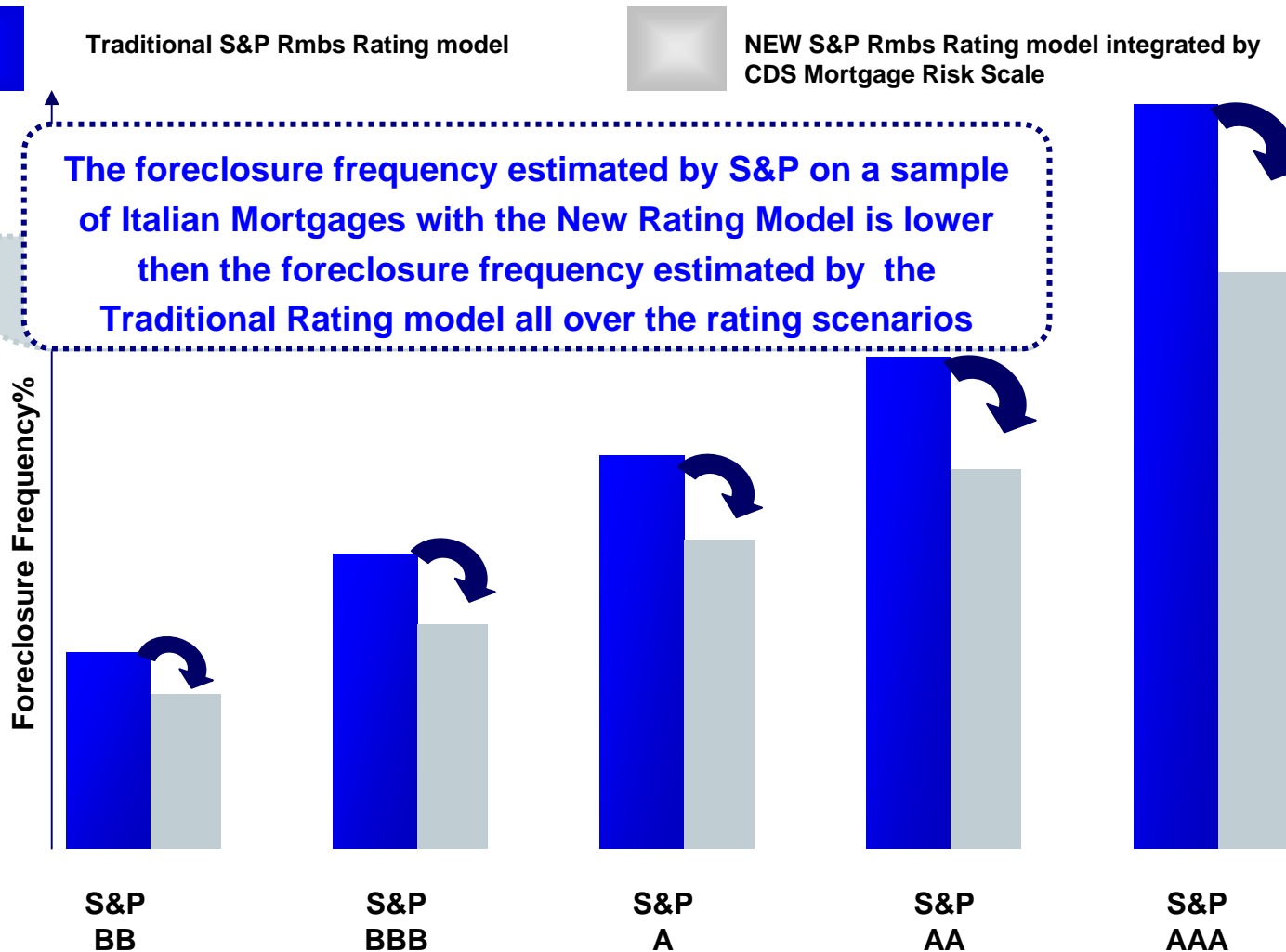
Source: EURISC®



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Business Benefit (1/3)



Source: Standard&Poor's

On February 1, 2006 Standard & Poor's announced that:

“ The credit information provided by the CRIF scale allows for a superior assessment of the credit risk of an Italian mortgage portfolio, and hence allows us to make more accurate and predictive loss estimations. This improvement has resulted in lower estimates of portfolio loss in all transactions where the CRIF scale is made available. When the CRIF scale is not made available, we must continue to make cautious assumptions about future loan credit performance.

When the CRIF scale was included in the analysis the loss estimates at each rating level were substantially lower than when it was excluded.

The decrease ranged between 10% and 35% over the five transactions, with an average reduction of 20%. On each transaction, the decrease in the loss estimate, following the inclusion of the CRIF scale, lowered our credit enhancement requirements. In some cases, we were able to assign higher ratings because the CRIF scale was available. ”

Business Benefit (3/3)

The average enhancement levels from 1996 to 2001 for the US prime and sub-prime markets were strongly decreasing mainly due to the introduction of the Bureau Score:

Average 'AAA' Enhancement Levels (%)						
	1996	1997	1998	1999	2000	2001
Prime	6.25	5.25	4.25	4.30	4.12	3.31
Sub-prime	23.46	23.06	22.81	21.53	18.77	16.96

The CRIF's Credit Bureau Score (CBS) is going to lead to a similar trend into the Italian RMBS market.

The introduction of the CBS into the Standard&Poor's Rating Process is an innovative approach for the European Securitisation & Covered Bond Market.

Source: Standard&Poor's

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Thanks!

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