

Financing Future Infrastructure

EU 2020 and Long Term Financing

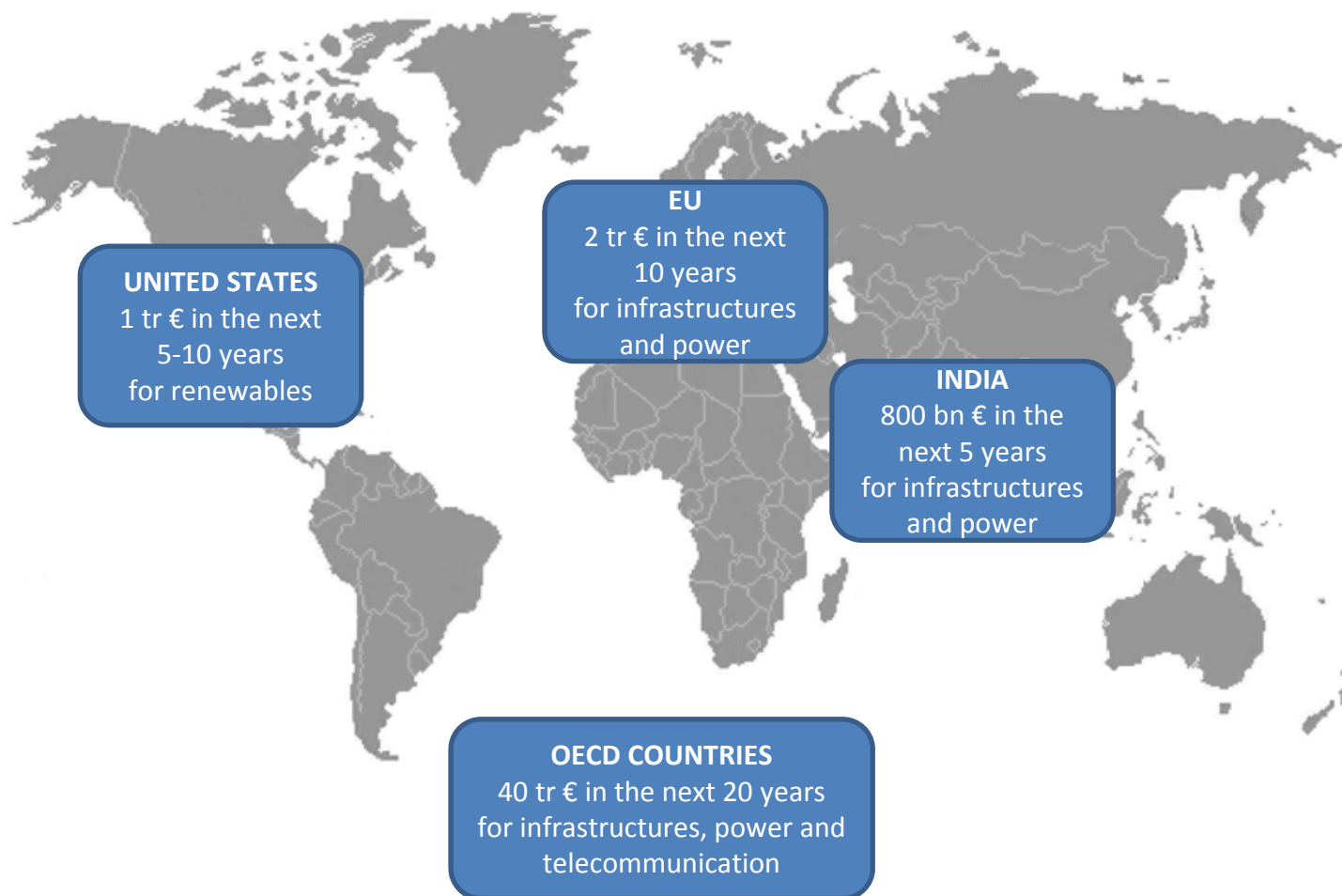
Edoardo Reviglio – Chief Economist Cassa Depositi e Prestiti

Brussels 6 June 2012



Cassa depositi e prestiti

Some Estimates of Project Finance Needs in the Next Years



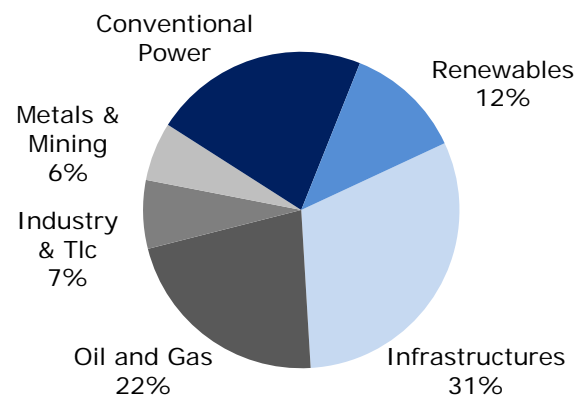
Source: Citi



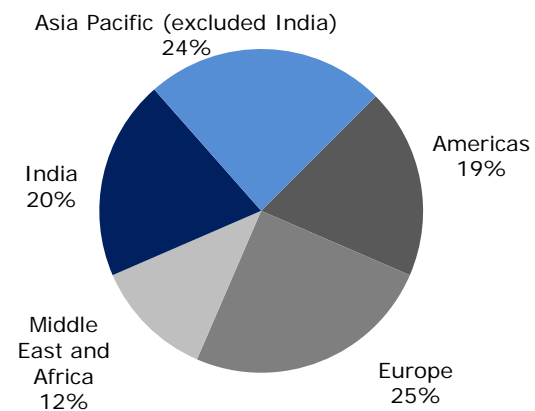
Global Project Finance Debt Market Profile



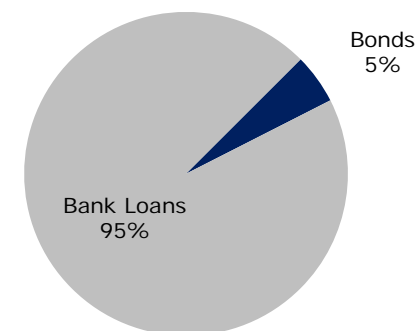
By Sector



By Region



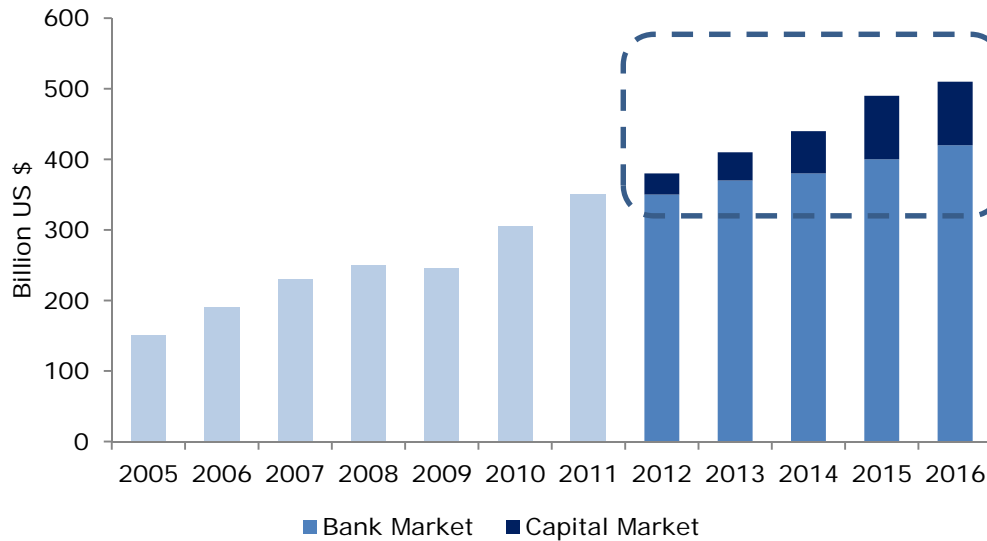
By Debt Product



Source: Dealogic



Historical Project Finance Volumes and Forward Outlook



Broader capital markets funding sources needed to keep up with the demand for project financing

Going forward, bank market capacity expected to be further constrained with the introduction of Basel III

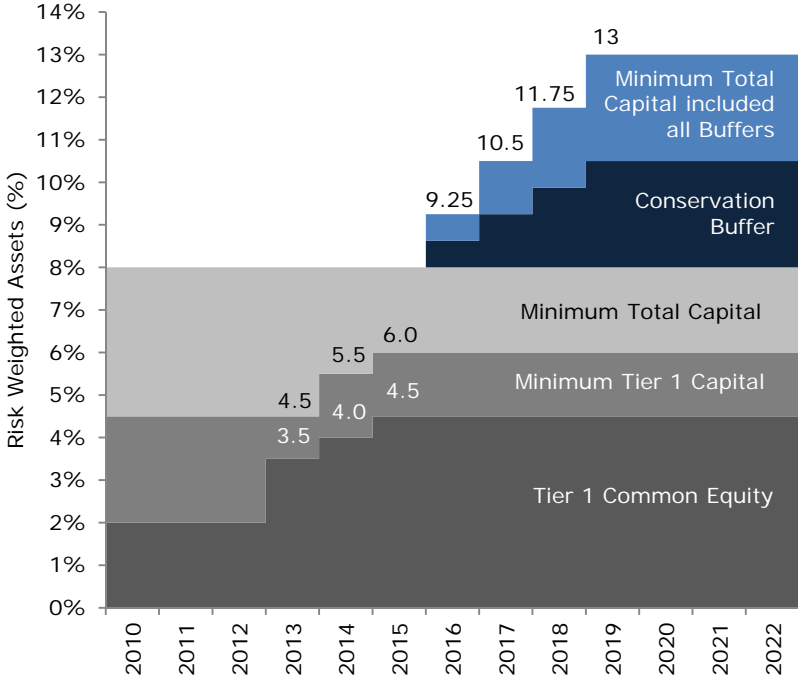
Source: Dealogic and Citi



Basel III Capital Ratios



	2013	2014	2015	2016	2017	2018	2019
Tier 1 Common Equity	3.50%	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%
Capital Conservation Buffer				0.63%	1.25%	1.88%	2.50%
Minimum Tier 1 Capital	4.50%	5.50%	6.00%	6.00%	6.00%	6.00%	6.00%
Minimum Total Capital	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Minimum Total Capital included Conservation Buffer	8.00%	8.00%	8.00%	8.63%	9.25%	9.88%	10.50%
Countercyclical Buffer				0.63%	1.25%	1.88%	2.50%
Minimum Total Capital incl. Buffers	8.00%	8.00%	8.00%	9.25%	10.50%	11.75%	13.00%



Source: BIS

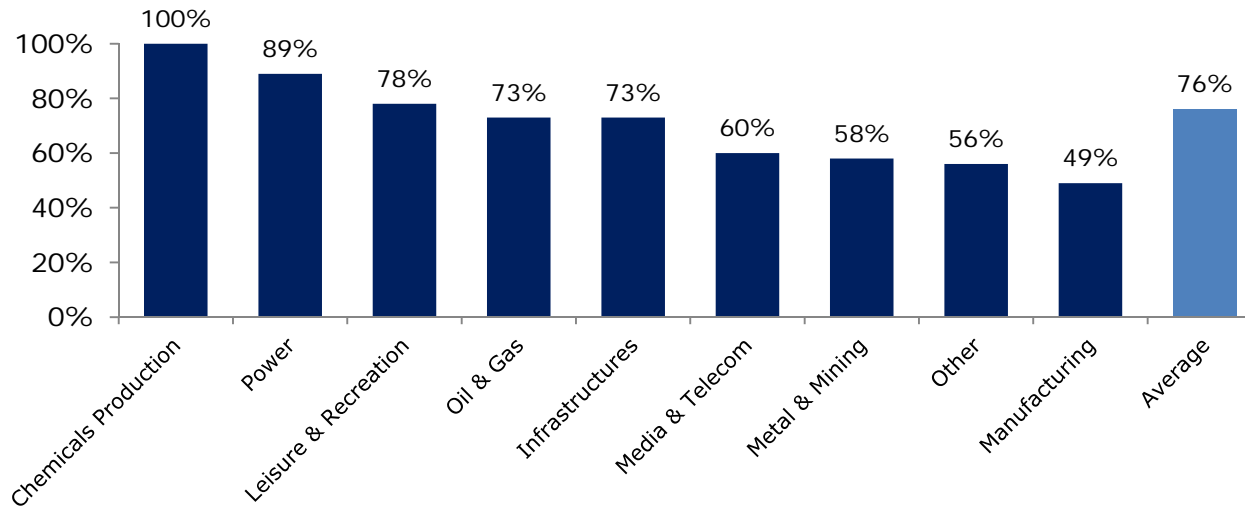
Relative Default and Recovery Rates



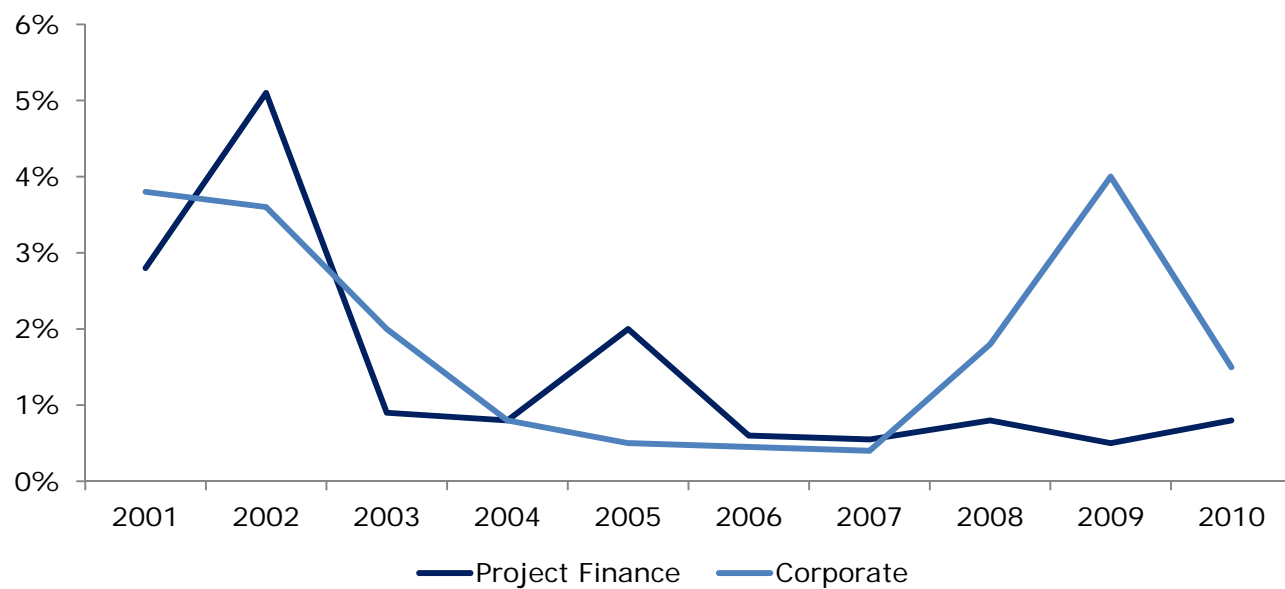
Relative Default and Recovery Rates

	Project Finance Debt (Secured)	Senior Unsecured Corporate Bonds (BBB)	Senior Unsecured Corporate Bonds (BB)
Default Rate (P_D)	11.5%	11.3%	34.8%
Recovery Rate (r)	76.4%	43.7%	42.9%
Portfolio Loss [$PD * (1-r)$]	2.7%	6.4%	19.9%

Ultimate Project Finance Recovery Rates by Sector - *Project Finance Bank Loans 1983 - 2008*



Historical Annual Project Finance Default Rate



Source: S&P



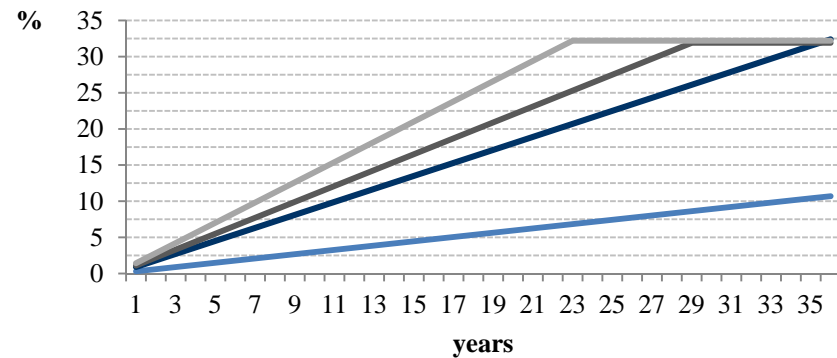
Solvency II



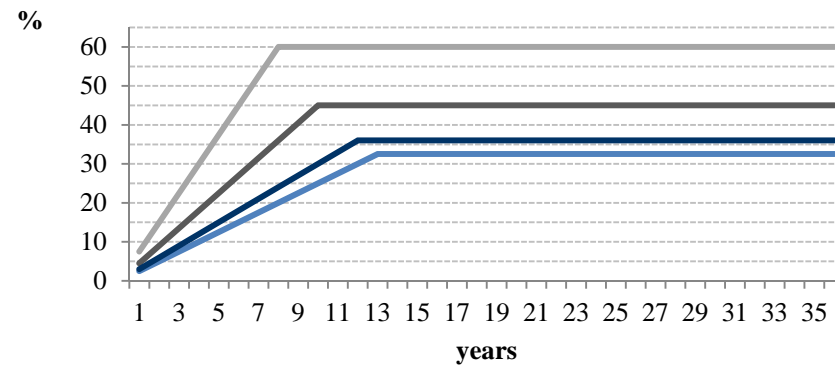
Capital Charges for Corporate under the Standard Formula

F(rating)	Fup	Duration Floor	Duration Cap
AAA	0.90%	1	36
AA	1.10%	1	29
A	1.40%	1	23
BBB	2.50%	1	13
BB	4.50%	1	10
B or lower	7.50%	1	8
Unrated	3.00%	1	12

Corporate Bonds Charge by Rating and Duration under the Standard Formula



— AAA Covered — AAA — AA — A



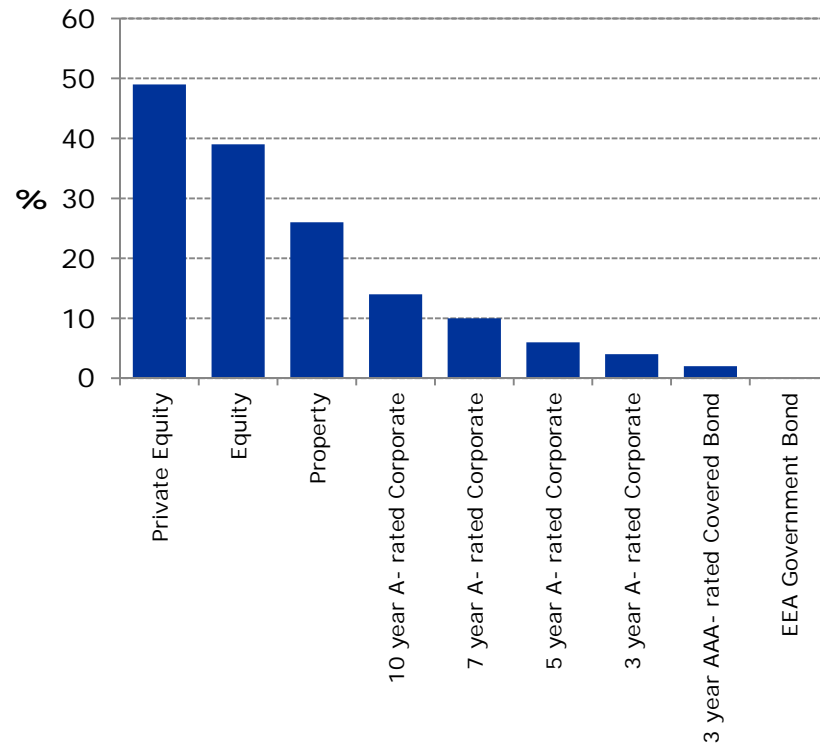
— BBB — BB — B or lower — Unrated



Market Risk and Return on Capital under Solvency II

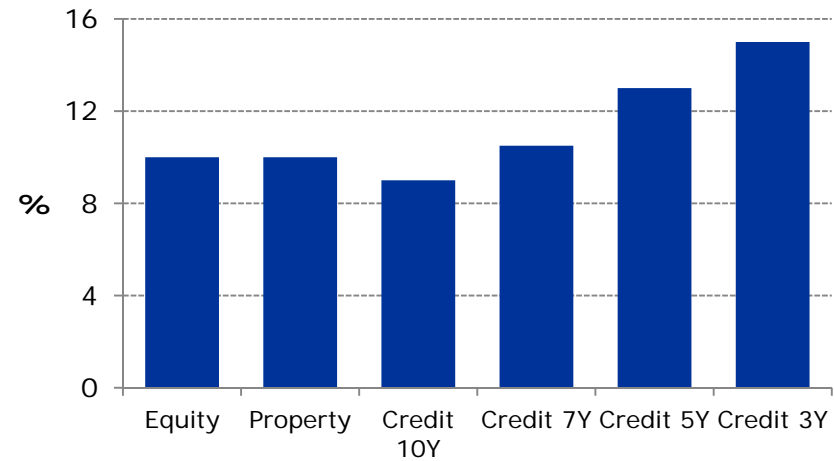


Market Risk for Insurance Sector
Under New Capital Rules
Standalone standard capital charges by asset class under Solvency II



Source: EIOPA and Fitch

Risk Adjusted Return on Capital (Under Standard Formula)
Assuming duration matching via swaps



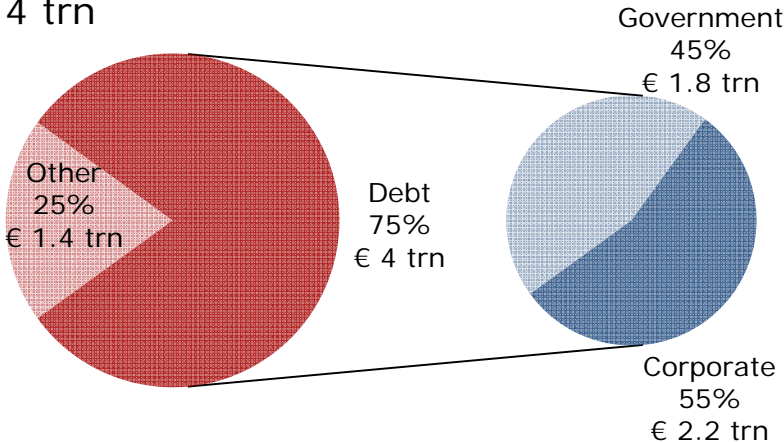
Source: Mercer Oliver Wyman and Fitch



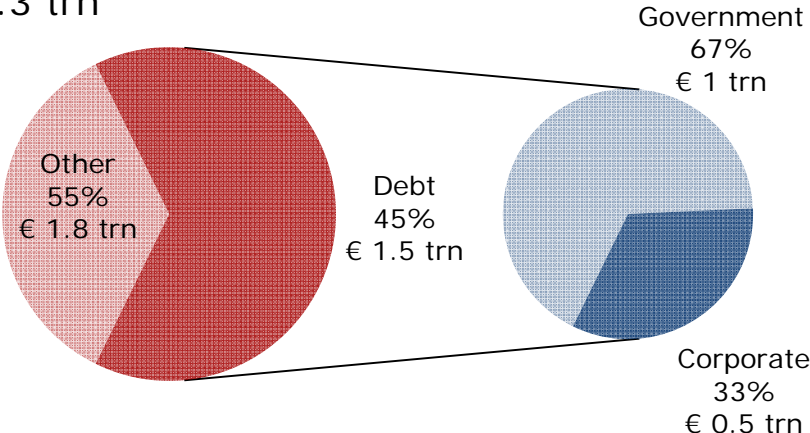
Life Insurance and Mutual Funds Asset Allocation



Life Insurance Asset Allocation:
€ 5.4 trn



Pension Fund Asset Allocation:
€ 3.3 trn



Source: BIS