



«In field experience» for Reverse Mortgages in Italy

Paris, 17 December 2012

Italian framework at Reverse Mortgages (RM) first steps



Initial Global Framework didn't help:

- A (pour) regulation introduced RM in Italy (l. 248/05)
- First mover has been a Financial Company (Euvis) held by a Financial Group, followed 2 years later by DB and MPS, while ML/JPM entered the equity of Euvis
- Some political position «against» the RM made the commercial development through banks more critical

RM commercial Targeting and Distribution were «pour»:

- RM were initially distributed through single brokers (2006-2007); structured networks and banks followed starting in 2008.
- Initial targeting was focused on lower tier; Initial payout was «Your Pension isn't enough ?»

Market leader conservative choices preserved RM image over the market



Euvis invested in process excellence, «importing» from UK experience most relevant SHIP Criteria:

- Fixed Rate (from 2007)
- Non Negative Equity Guarantee
- During the whole process employees checked awareness of clients at the beginning (first activity was a direct call), documents filing and at underwriting (with a specialized employee at notary's premises)
- Mandatory Joint subscription in case of a couple
- Detailed financial plan of the mortgage, including all costs, sent at least 2 days before the underwriting
- No profit taking on collateral insurance
- Real Estate estimates made by independent companies (with limited and selected access from Euvis' employees)
- Distributors behavior monitoring through clients survey

Euvis had several positive reviews/due diligence (S&P, ML, JPM, ECPI, ...)

In field experience proved positive feed-back



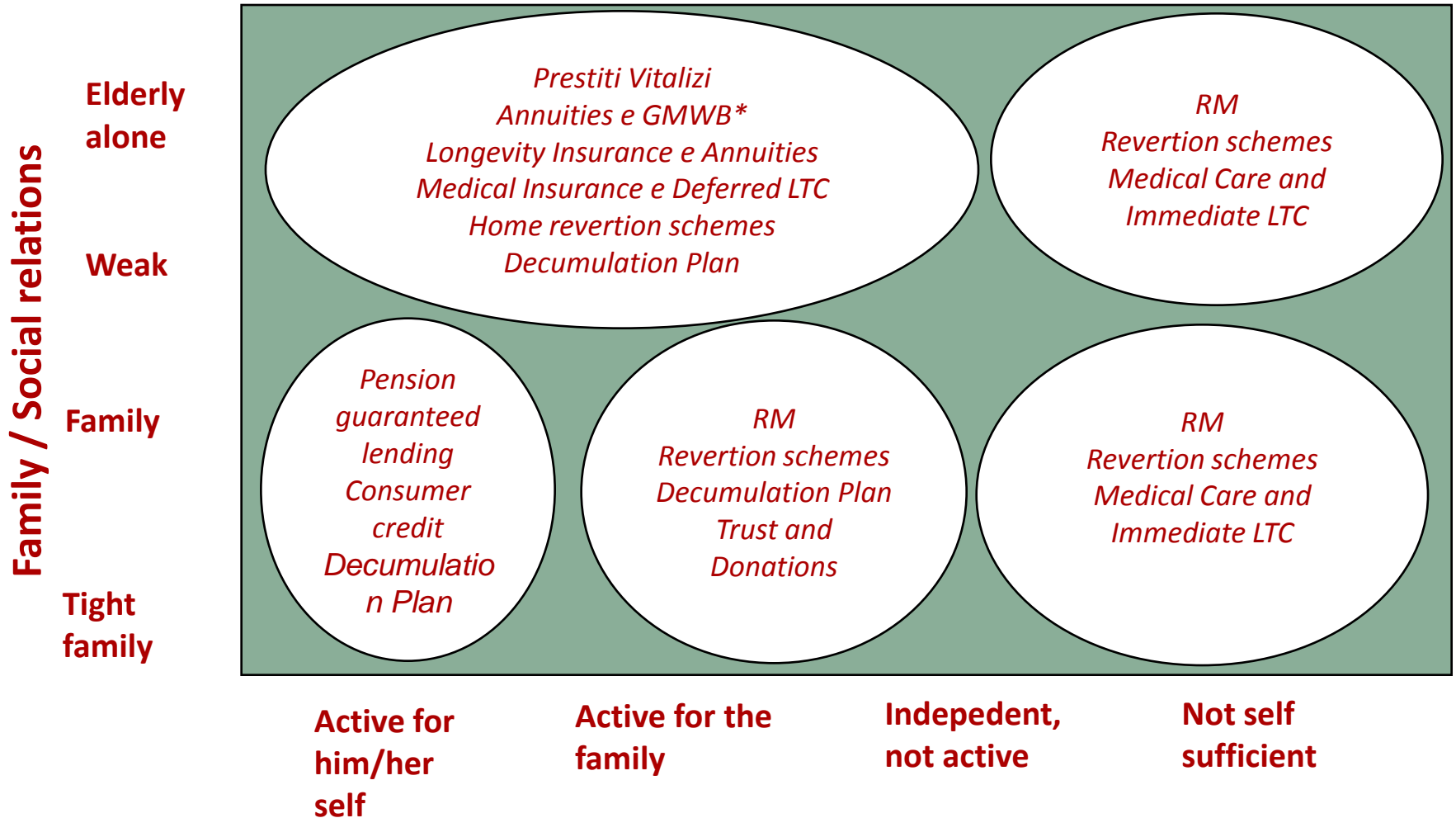
RM proved to be a consistent financial product:

- 5,000 files processed (and families analysed)
- 150 M.ni RM underwritten
- Steady annual growth **+35% a +50%** (2006 – 2011)
- Tight selection criteria (**33-50% approval rate**)
- Hundreds of training classes, over **1,000 banking branches** trained in field (also on the job); collaboration with elderly associations
- **No complaints, no lawsuit, no credit losses** over the whole portfolio originated

Commercial approach highlighted distribution relevance:

- Distribution shifted to banks and exclusive agents
- Target shifted to «affluent» clients; average ticket increased from 80,000 to 100,000 euro in 3 years
- Less advertising, more information

Over 65 approach requires more information and clustering: 65Plus Observatory start-up


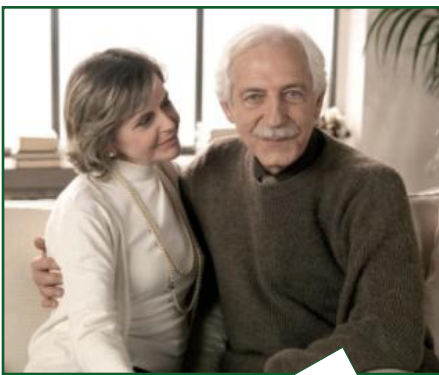



Activity level / independence / age

** Guaranteed Minimum Withdrawal Benefit*

RM have been the solution not only for «over 65», but also for their families



I helped sons and family	I fulfilled my needs	
	“Mass” Target	“Affluent” Target
		
<p>I ADVANCED A PORTION OF INHERITANCE ...</p>	<p>I FULFILLED MY FINANCIAL NEEDS ...</p>	<p>I’M DEFENDING MY LIFESTYLE...</p>
<p>integrating my son’s mortgage</p>	<p>Integrating pension for daily needs</p>	<p>Cashing part of my real estate</p>
<p>Helping my son in starting/defending his activity</p>	<p>Paying extraordinary expenses</p>	<p>Being active in my social framework</p>
<p>Helping sons in debt consolidation</p>	<p>Debt consolidation</p>	<p>Implementing my projects</p>
<p>Not asking sons for financial support</p>	<p>Getting a cash buffer</p>	<p>Planning my insurance coverage(es. ltc, annuities)</p>
	<p>Paying for health assistance</p>	<p>Preventing from other asset selling at the wrong moment</p>

RM are now out of Italian market... to come back soon



In 2012 RM Italian players interrupted underwriting ...

- JPM for a change of strategy on retail lending business in Europe
- DB to reduce its exposition over Italy
- MPS because of a general tightening of lending products



... But the Best is Yet to Come:

- On July 27, 2012, Italian Banking Association underwrote with consumers association a project for developing some products, including RM
- Some banks have developed an internal project to include RM in its own offer
- Some other banks are evaluating 65Plus servicing offer for RM

RM can help current financial Italian framework as «flywheel» for families' investments and pensions integration, unlocking part of the value concentrated in elderly people real estate (79% house owner)