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Western Europe

Italian RMBS

Truffle Hunting Among Poisonous Mushrooms

- **Shorter Maturity Trumps Poor Headlines and Patchy Reporting** — We advocate a core position of senior Italian RMBS within conservative portfolios based on the short WAL and adequate risk-adjusted credit enhancement of the sector.
- **Prefer RMBS Despite Sovereign Contagion** — The protection of amortizing collateral and remoteness from a weak banking sector suggest RMBS are a better choice than sovereign and bank debt despite high correlation among these markets.
- **More Aggressive Opportunities in Mezz and Loans** — We highlight many mezz RMBS with mid-to-high-single-digit risk-adjusted returns at current discount prices of €60–80. Italy also benefits from many experienced servicers that can help buyers to invest in whole-loan portfolios, offering good diversification from sovereign risks.
- **Support from Less Levered Consumers and Stable Home Prices** — Relative to many other European countries, Italian consumers have significant net assets with low LTV mortgages. There was no overbuilding, and home prices appear stable.
- **Disturbing Loan Level Data Weakens Low LTV Pitch** — High default and low recovery data of even low LTV mortgages is likely the result of a stagnant housing market, which prevents distressed borrowers from unlocking equity in their homes.
- **RMBS Less Affected by North-South Divide** — Though recession and rising unemployment are affecting the whole nation, the worse situation in the south is less important for RMBS because of fewer securitized loans in the region.
- **Clean-Up Calls in Shrinking Market** — The desire to save on ongoing costs by issuers is likely to provide upside opportunities – we provide a framework to identify the best clean-up candidates.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Italian RMBS — A Pandora's Box

Italian RMBS presents an interesting opportunity for the brave investor. We consider the sector a Pandora's box at many levels. Pandora, if you recall, was asked by Zeus not to open the box she was given as a wedding present, but curiosity won. On one hand, the poor state of Italian economy, fragmented financial sector, and instability in Italian politics warn investors to stay away from opening the box. On the other hand, mortgages and consumers that are less levered relative to many other peripheral countries sound tempting to the investment community. In a Euro-ABS world of tight yields and shrinking investment opportunities, curiosity has got the better of us too. The results follow the mythological plot. By opening the box Pandora unleashed many of the daily travails affecting humankind, such as the need for a lifetime of labor. That is true for our study on Italian RMBS. Mixed collateral pools, patchy investor reporting, scarce recovery data, and bespoke hedging arrangements do not make the assessment of individual RMBS an easy task. Conversely, low LTV and short maturity mortgages, low delinquency rates, and a healthy pick-up to even non-prime core European assets lead us to believe in the fruits of that labor. In this note, we examine both sides of the Italian RMBS coin, and, using data from the new European Data Warehouse project, seek to identify a few bright spots among senior and mezz Italian RMBS bonds.

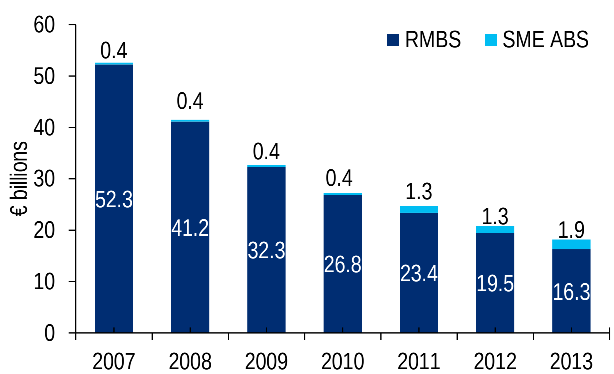
Rapidly Shrinking Investment Universe

We estimate the total outstanding volume of placed Italian RMBS and SME ABS to be around €18 billion, roughly 65% down from the peak of 2007 (Figure 1). New placed issuance in Italian RMBS and SME-loan backed ABS has been very low. Most originators have chosen to fund their collateral through issuing retained bonds that are eligible for funding by the ECB. As such, most deals available for investors are pre-financial crisis deals.

The investable universe is shrinking fast even as prepayments are at historical low levels because of originator buy-backs and lack of new market placed issuance. Only €2.9 billion of Italian bonds were placed in the primary market 2007 while roughly €2.5 billion were bought back by originators in their asset liability management exercises. The rapid run-off of the bonds is creating very positive technicals when securitized investors are looking to peripheral sectors for meeting their yield targets.

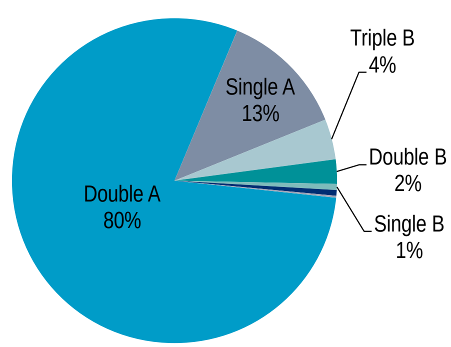
Italian RMBS is the only peripheral sector containing highly rated RMBS bonds. Approximately 80% of outstanding placed bonds are rated double-A by at least one rating agency (Figure 2). Good rating and low loan-to-value ratios make Italian RMBS one of the few €-denominated securitized assets eligible for High Quality Liquidity Assets (HQLA) under Basel III Liquidity Coverage Ratio (Quantifying the Impact of Proposed Basel III Securitization Rules).

Figure 1. Placed Italian RMBS and SME ABS, 2007 – 2013YTD (€ billion)



Source: Bloomberg, Concept ABS, IFR and Citi Research

Figure 2. Ratings* of Italian RMBS and SME ABS, as of Sep 2013 (%)



* We use best of Fitch, Moody's and S&P ratings
Source: Bloomberg, Concept ABS, IFR and Citi Research

The appetite for the rare well-priced primary issue was illustrated by Banca Popolare di Vincenza's securitization of SME loans. A substantial €980mn first-pay tranche was paid 240bp. However, we believe that the incentive for similar issuance has been reduced by the ECB's willingness to have lower rating limits on funding new securitizations (ECB Repo Move Better for Originators than for Primary Market).

Data Warehouse Mitigates Poor Investor Reporting

Investors face a major task in analysing Italian RMBS deals but the new European Data Warehouse (EDW) project has somewhat simplified the task. The standard of reporting through conventional Investor Reports is not consistent across all deals. Many deals have a mixed collateral pool, even if the majority of loans are residential. In several deals, for example, it is difficult to determine the current mix of type of property and borrower. There are some deals with little information on the mortgage LTVs, and the amount of non-performing loans.

Loan-level reporting through EDW has improved the picture. Post the financial crisis, the Governing Council of the ECB announced in 2010 its intentions to establish loan-by-loan data requirements for ABS in the Eurosystem collateral framework, with the aim of improving transparency and helping to restore investor confidence in the European securitisation markets (referred to as the ABS Loan-level Data Initiative). The ECB also established the need for loan-level reporting for ABS to be accepted as collateral in European credit operations. According to the ECB's website, loan-by loan information requirements for RMBS and SME ABS began on 3 January 2013 and on 1 March 2013 for CMBS. On 1 January 2014, the loan-by-loan reporting requirements will start for the remaining asset classes, i.e. for consumer ABS, auto loan ABS and leasing ABS.

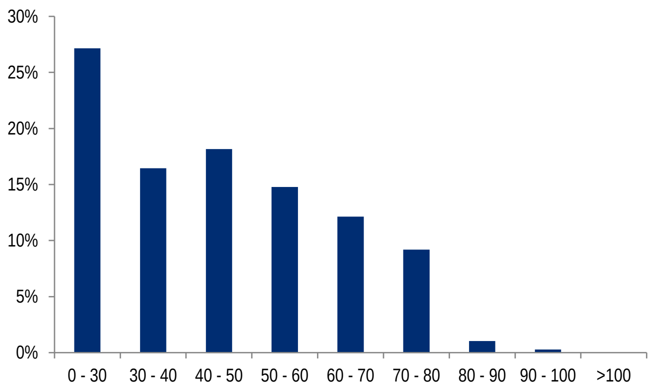
Many placed legacy bonds, such as the Italian RMBS described in our study, do not benefit from the initiative since the originators are not providing the data. Loan level data is available for only 34 out of a total of 62 investor placed deals (roughly 75% by deal balance). Despite the incompleteness in the data, we have obtained valuable insights from the bonds that do contain loan-level data and have used our findings to find value within the sector.

Best Features of Italian Mortgage Market

At first glance, there is enough to recommend Italian mortgages and Italian homeowners. Almost all Italian mortgages are paid on a repayment basis, so that mortgage average lives are short compared to countries such as Netherlands, where a majority of mortgage loans are interest only (Going Dutch RMBS - High Leverage Masks Sector Value). Moreover, Italian mortgages had relatively low LTV at closing, and their amortization has helped to mitigate the impact of falling home prices (Figure 3).

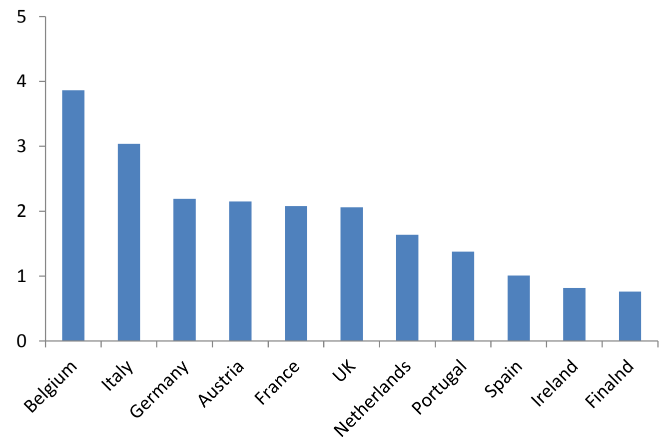
Third, the Italian housing sector did not see the extent of speculative overbuilding that blighted the Irish and Spanish markets and has depressed property prices. Finally, Italian consumer balance sheets are relatively healthy when one looks at total household debt as well as assets (Figure 4). The good consumer health is evidenced in relatively low mortgage delinquencies compared to total 14.2% NPLs in the Italian banking system, according to the Bank of Italy data. Though increasing unemployment and a weak economy will impair households' balance sheets and force them to utilize their savings to service debts and sustain consumption levels, we think that low loan-to-value ratios will undermine any disproportionate spike in losses on mortgage pools.

Figure 3. Distribution of LTV in Placed Italian RMBS from European Data Warehouse Loan-level Data



Source: Citi Research, EDW

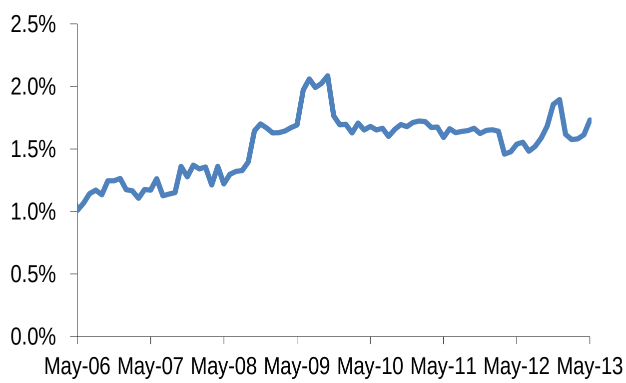
Figure 4. Household Net Assets (Assets less Liabilities) as Multiple of Liabilities of Euro-area Countries



Source: Eurostat

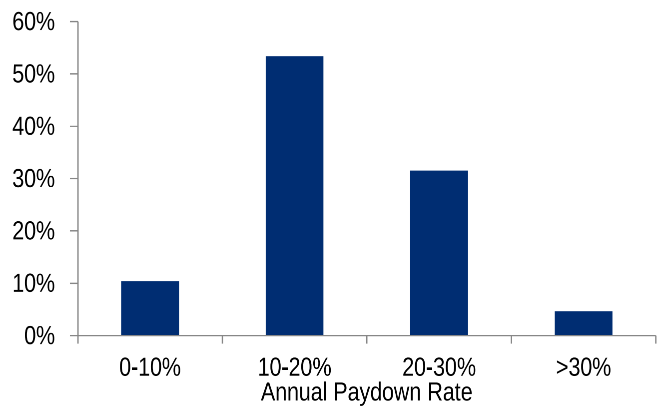
Serious delinquencies on the *overall* universe of RMBS deals (new retained deals and legacy Italian RMBS) currently register only around 1.7%, (Figure 5). The rise in delinquencies from around 1.3% in 2007 has been relatively modest given that the unemployment rate has more than doubled during the same period. Low rates have helped in reducing the debt service burden of Italian households and have prevented them from falling behind their mortgage payments. In addition, the spread of payment holiday schemes and flexible contractual agreements to reduce the size of installments also contributed in preventing RMBS performance from deteriorating significantly. One of such payment holiday schemes, *Fondo Soliderieta* started March 2013 though it has only resources of around €20 million. It succeeded another scheme, *Piano Famiglie*, which provided help to qualified people who had lost their job or suffered from a similar financial hardship. Bank of Italy estimated mortgage default rates in 2012 would have been 15–23% higher without the payment holiday scheme. Overall, borrowers have been repaying their mortgages as scheduled as is evident in the amortization rate of all placed deals (which are generally legacy RMBS). Eighty per cent of first pay bonds are amortizing at an annual rate of 10-30% (Figure 6).

Figure 5. Italian RMBS Average 90D+ Delinquencies, May 06 – May 13 (%)



Source: Moody's and Citi Research

Figure 6. Breakdown of Placed Senior RMBS by Annual Pay Down Rates (%)



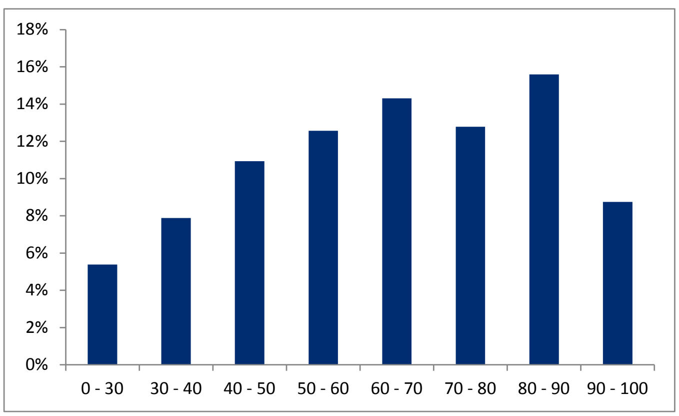
Source: Moody's and Citi Research

Negative Selection Evident in Legacy RMBS

Unfortunately, the amortization of deals has also led to some measure of adverse selection in the pools. Moreover, the impact of a long workout period within a pool that is shrinking means that the percentage of non-performing loans starts to increase. The loan-level analysis throws up some further surprises. Italian mortgages show appreciable levels of delinquency even at relatively low LTV levels (Figure 7). This observation goes against the conventional wisdom that borrowers with substantial equity in their homes do not tend to default.

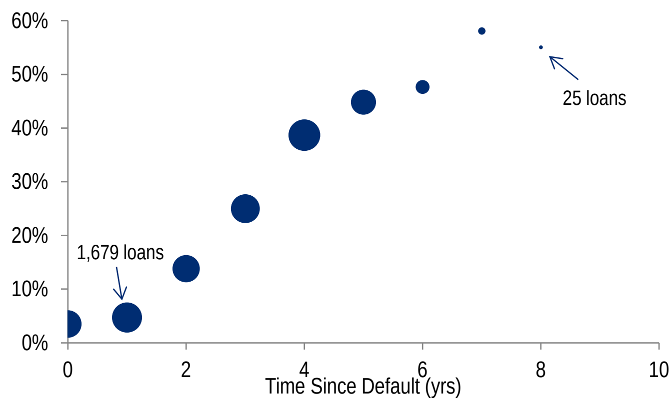
The recovery data is also a surprise, given the significant equity Italian borrowers own in their property. An analysis of EDW loan-level data shows modest recovery, quite removed from the high recovery levels one would expect for low LTV mortgages (Figure 8). Part of the reason may be that, despite relatively low headline house price index falls, the achieved values are much lower. As the next section shows, housing turnover is very low, which would imply that only distressed prices are achievable for quick sales. The second reason is a slow-moving and extremely bureaucratic judicial process which is expensive and erodes recovery values from foreclosed properties. A report from the Council of Europe said Italy could "ill-afford" such an inefficient system, which is estimated to waste the equivalent of 1% of GDP. In the south of the country (see next section) recovery times have been known to take seven years and longer.

Figure 7. Proportion of Delinquent and Defaulted Mortgages by LTV Buckets from European Data Warehouse Loan-level Data



Source: Citi Research, EDW

Figure 8. Distribution of Recovery of Defaulting Mortgages Within Placed RMBS from European Data Warehouse Loan-level Data*



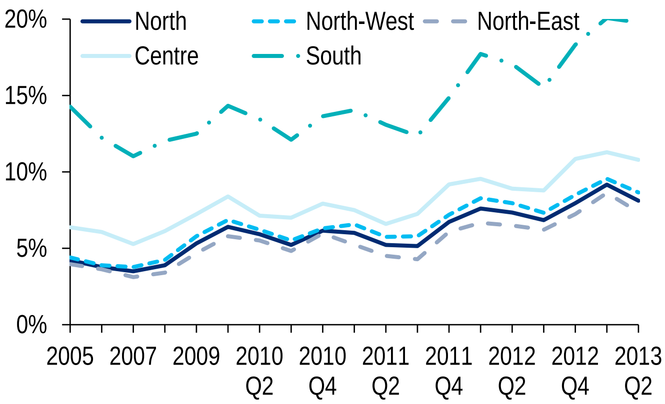
*Sample size = 9,500 defaulted loans
Source: Citi Research, EDW

Poor Macro but RMBS Insulated from Distressed South

Italy is dealing with its longest recession in 20 years, with the economy having contracted for the last six consecutive quarters. Unemployment is at more than 11%; for under-25s, it is more than 36%. The south has been specially hit and the unemployment rate there is more than double of the same in the north (Figure 9). . The economic disparity between wealthy north and poorer south is a well-known issue in Italy. The per capita GDP in the south is more than 40% lower than the north, according to the Bank of Italy data.

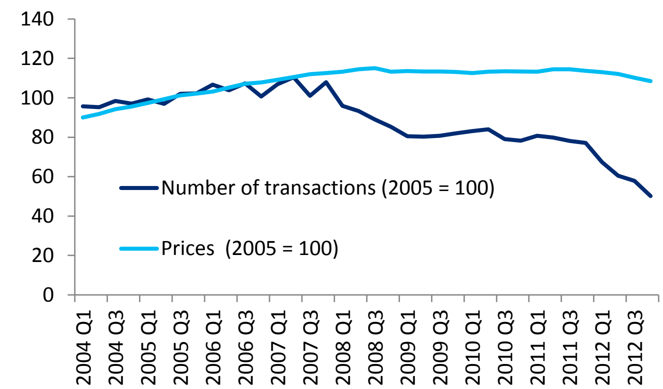
The recession is also having an impact on the housing market. On one hand, Italian housing markets have weathered the European sovereign debt crisis better than housing markets in other peripheral countries like Spain and Ireland. Average house prices in Italy are roughly 12% down from the peak of 2008, while Ireland and Spain have experienced much larger falls of 51% and 35%, respectively. These are, however, national numbers and no reliable regional indices are available. More worryingly, though, home sales have been declining for the past six years and are currently more than 50% below 2007 levels (Figure 10). Subdued mortgage supply and low household demand are weighing on housing turnover. The situation is likely to persist in the medium term as the weak economic outlook forces banks and households to deleverage. In our opinion, the quoted LTV may not account for the difficulty a seller would face in selling a property and realizing fair value.

Figure 9. Italy Unemployment Rate by Geography, 2005 – 2013 Q2 (%)



Source: ISTAT and Citi Research

Figure 10. Home Sales Suffer Despite Low Headline Price Drop

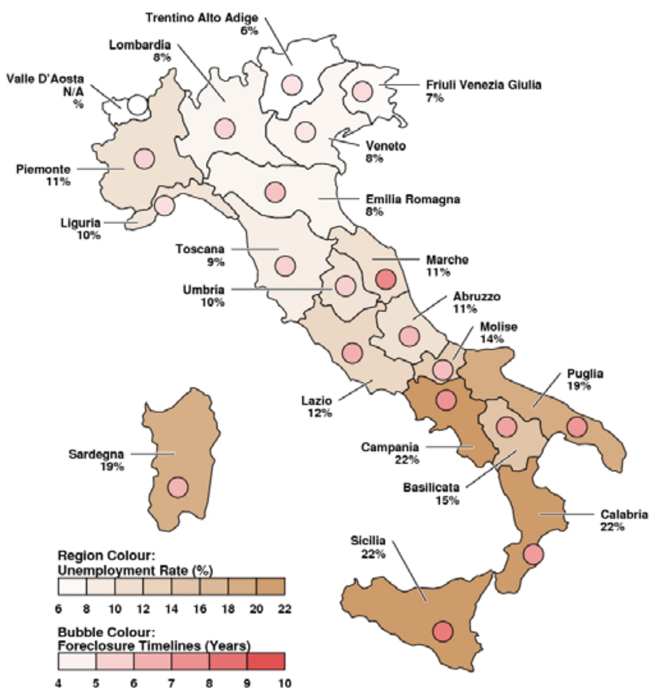


Source: Bank of Italy and Citi Research

The north-south divide is not limited only to economic prospects but is also evident in inefficiencies within the bureaucratic and judicial system. Italy has the most pronounced intra-country variability in foreclosure timeline (Recognizing Value by Contrasting GIIPS Foreclosure Processes). Foreclosure timelines in south Italy range from six to eight years, which is more than twice the timeline in north Italy (Figure 11). The combined effect is that the higher unemployment in the south is likely to lead to higher mortgage delinquencies and the longer foreclosure process will erode the recoveries on defaulted loans.

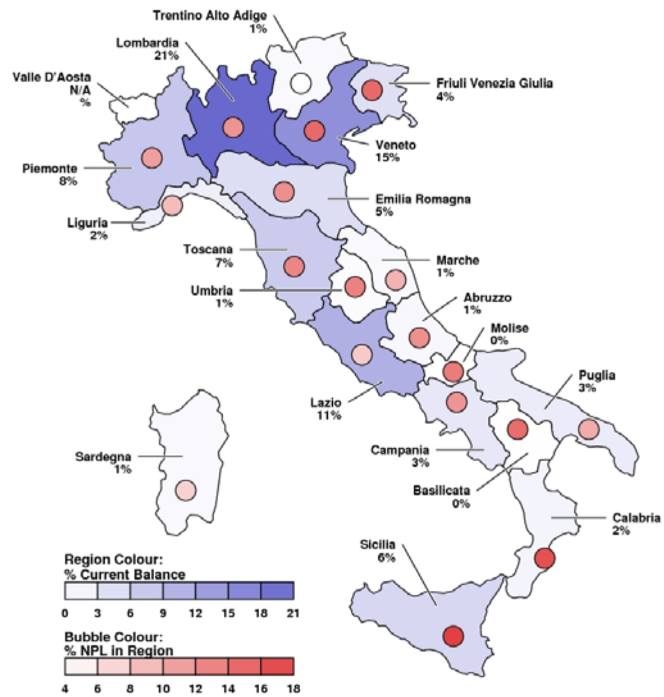
Fortunately, RMBS is somewhat insulated from the worst of southern Italy, the region with the highest mortgage NPLs. The exposure of the placed RMBS universe to the south is only 15% (Figure 12). Conversely, the northern regions have the least unemployment as well as the maximum share of mortgage loans within placed RMBS.

Figure 11. Unemployment Rate and Foreclosure Timeline by Region in Italy – the South Is More Distressed



Source: Fitch, Moody's, ISTAT and Citi Research

Figure 12. Percentage of Total, and Non-performing, Mortgages within Placed RMBS by Region in Italy – Most Loans Are Outside the South



Source: EDW, Investor Reports, Offering Circulars, Moody's and Citi Research

Hunting for Truffles Among Poisonous Mushrooms

We start our hunt for the best (and the not-so-pristine) assets by identifying the largest RMBS shelves. Appendix 1 lists the shelves along with collateral and regional diversification. We also show the percentage of impaired loans. Where possible we have used EDW loan-level data; in other cases we have extracted information from Investor Reports, and, in a very few cases, offering materials. Given our knowledge of the collateral pool, we next searched for the tranches offering attractive risk-adjusted returns. We calculated our own tranche credit enhancement to overcome inconsistencies in the way that the enhancement numbers were presented in different platforms such as Intex and Bloomberg.

Adjusting Credit-enhancement for Risk

We calculate the tranche credit enhancement for the placed Italian RMBS universe by adding the subordination below the tranche, cash reserve, and any net overcollateralization remaining after deducting non-performing (defaulted and delinquent) loan balances. A positive credit enhancement essentially means that there are sufficient assets in the pool including cash to cover the tranche notional. Using this method, nearly all first-pay bonds have positive credit enhancement. Most mezz bonds, conversely, have negative enhancement.

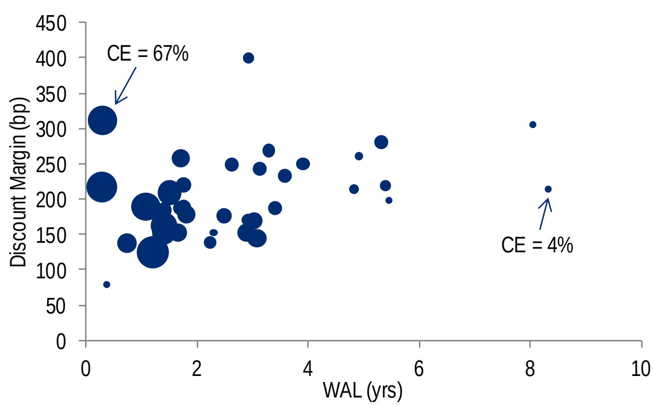
While we understand that assuming zero recovery for non-performing loans is a very conservative assumption given that Italian LTVs are low, we think that investors in low-yielding first pay tranches should not assign much value to recoveries. As discovered in the loan level data, it takes up to ten years to recover around half of the defaulted balance (Figure 8). Conservative first-pay bond investors will likely want to see their investment preserved even in the most distressed conditions; hence we assume zero recovery. However, for mezzanine and subordinate bonds, we assign a more realistic 50% recovery rate for the non-performing loans.

Seniors Attractive for Short Dated Risk

At 3–5% yield for 3–6YR WAL, Italian RMBS first pay notes offer the most attractive return among European securitized assets for their relatively shorter WALs. A vast majority of Italian RMBS senior notes have positive credit protection under our conservative assumptions (Figure 13). We think these tranches have negligible principal writedown risk and their short WAL will protect investors from big mark-to-market swings if credit spreads widen. Moreover, all peripheral sectors, including Italian RMBS, are likely to benefit from any Euro-area recovery since spreads in these sectors are still very wide compared with pre-crisis levels. Italian RMBS seniors offer attractive pick-up of 150–200bp over UK and Dutch prime RMBS and are a sensible alternative for conservative investors to diversify their core securitized investments, in our view.

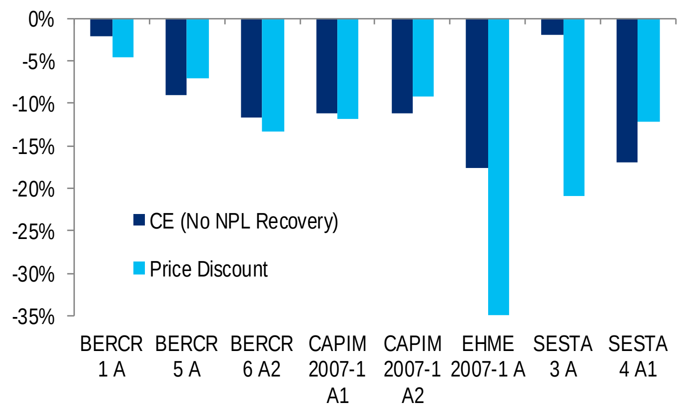
Apart from the low principal-risk bonds, we also identify more aggressive senior opportunities where we think prices justify the significant likelihood of principal writedown (Figure 14). Our calculated credit enhancement for these bonds is negative, implying the performing collateral is not sufficient to pay down these notes. While the cash price discount for most of these bonds is commensurate with their implied writedowns, a few bonds like EHME 2007-1 A and SESTA 3 A look cheap to us based on the same metric. We encourage more aggressive investors to consider such low cash price opportunities to benefit from potentially good recovery upside.

Figure 13. Discount Margin and WAL of First Pay Bonds Having Positive Credit Enhancement



Source: Markit, INTEX, Bloomberg, Investor Reports and Citi Research

Figure 14. Implied Write-down and Discount Price of Underwater First Pay Bonds



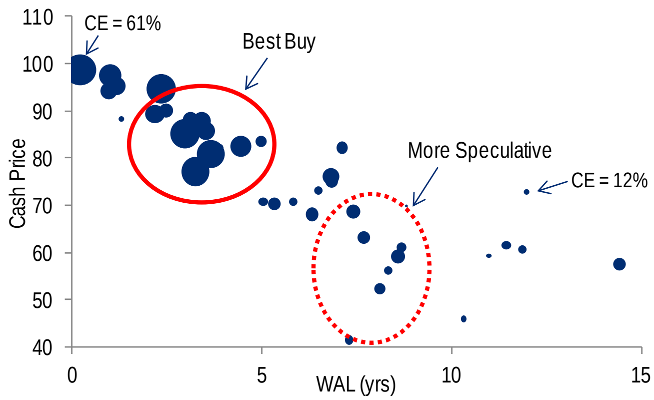
Source: Markit, INTEX, Bloomberg, Investor Reports and Citi Research

Shortlisting Mezz that Offer Good Reward for Risk

We appreciate that low-to-mid-single-digit yields offered by first pay notes are too low for many investors with a greater appetite for risk. In this section, we present a simple framework to identify mezzanine and subordinate bonds that offer good risk reward combination at current prices. We calculate tranche credit enhancement using the methodology described above but assume a 50% recovery for all non-performing loans. We see good value in second pay bonds trading at 70–85 cash price for 3–5YR WAL (termed as 'Best Buy' in Figure 15) and also like slightly longer 5–10YR bonds trading below 60 cash price ('More Speculative'). In both these cases, we look for bonds that have high credit enhancement relative to the discount in cash price.

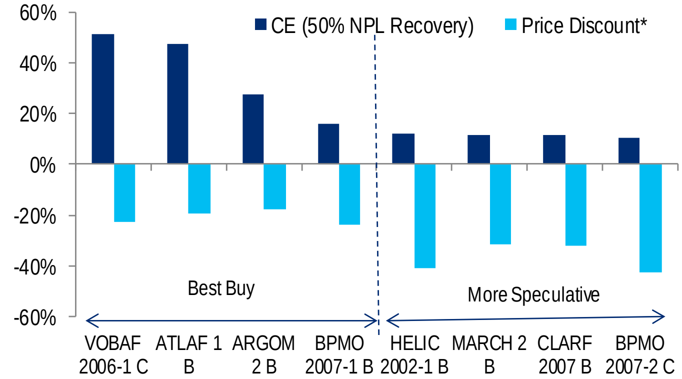
Using the above approach, we identify four 'Best Buy' and four 'More Speculative' bonds that seem to offer good value at current cash prices (Figure 16). All these bonds have good asset coverage, as manifested in positive credit enhancement, but are trading at low cash prices. Although we do not advocate picking bonds solely on the basis of this framework, we strongly believe that this a sensible approach to filter for bonds that are worth a closer look.

Figure 15. Subordinate Cash Prices and WALs by Calculated Credit Enhancement



We use Markit prices and WALs
Source: Markit, INTEX, Bloomberg, Investor Reports and Citi Research

Figure 16. Attractive Opportunities in Subordinates Based on Calculated Credit Enhancement and Price Discount



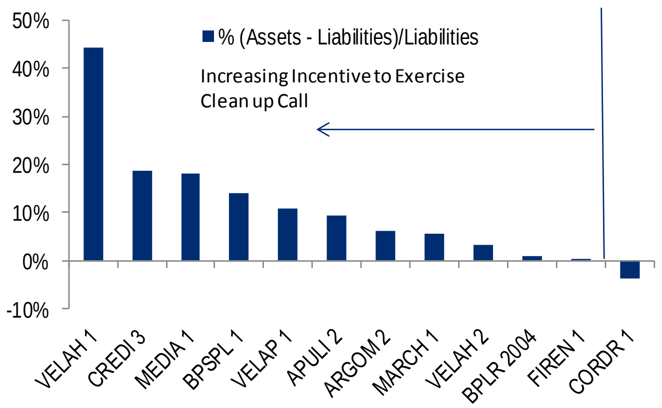
*Price discount is based on Markit prices
Source: Markit, INTEX, Bloomberg, Investor Reports and Citi Research

Upside Potential through Clean-up Calls

As a vast majority of the placed Italian RMBS universe comprises of legacy deals originated before 2008, many deals have undergone significant deleveraging and are near their clean-up call thresholds. Generally speaking, Italian RMBS originators have the right to call all the outstanding notes at par if the current deal balance is below 10% of the original balance. Such clean-up calls, if exercised, could lead to good upside in bonds trading at discounted prices. In this section, we identify deals that are more likely to be cleaned up by originators because of attractive asset-liability economics.

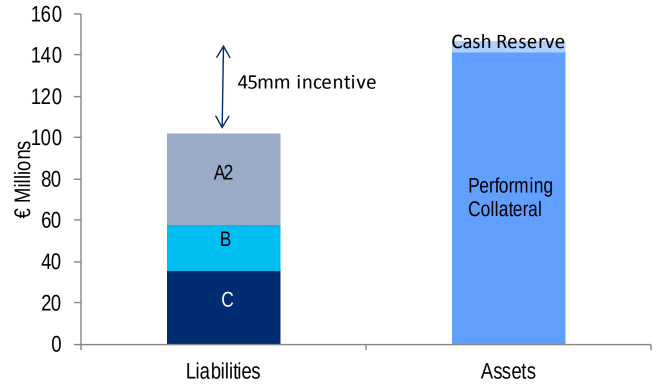
We shortlist 12 deals having current balances within a ten percentage point range of the respective clean-up call thresholds. These deals could soon be eligible for a clean-up call. To gauge the likelihood of the call being exercised, we compare the total performing collateral plus cash reserve balance (assets) to total note outstanding (liabilities). Higher net assets relative to liabilities lead to bigger incentives for originators to wind down a transaction and realize the gain. However, a lack of cash to call the deals could prevent originators from exercising the calls even though economics are attractive. Nonetheless, we think that the desire to save on the fixed costs of running a securitization structure will likely motivate at least the bigger originators to exercise their clean-up calls if the economics are attractive. We list deals close to their clean-up call thresholds in decreasing order of originator incentive in Figure 17. Also, as an example, we demonstrate the total assets and liabilities of VELAH 1 deal, which is currently eligible for a clean-up call, in Figure 18.

Figure 17. Originator Incentive for Exercising Clean-up Calls



Assets = Outstanding collateral balance minus non-performing loans plus cash reserve
Liabilities = Total tranche balance
Source: Investor Reports, INTEX, Bloomberg and Citi Research

Figure 18. Total Performing Assets and Liabilities of VELAH 1

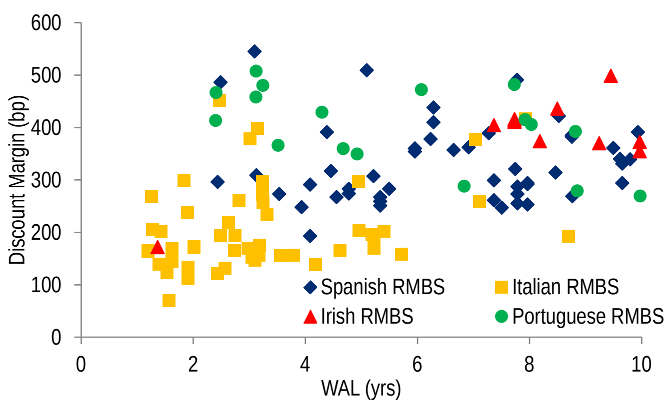


Source: Investor Reports, Citi Research

Short WAL Underscores Cross Sector Relative Value

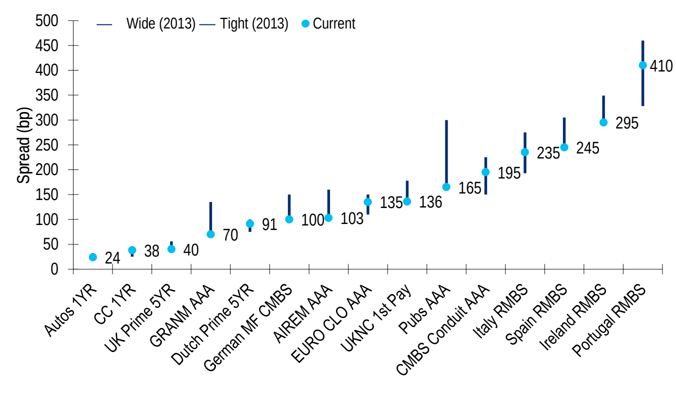
- **Abundant Short Duration Opportunities.** Italian RMBS offers most short-dated (< 5YR WAL) opportunities among peripheral securitized sectors (Figure 19). As discussed earlier in the note, approximately 36% of senior notes are amortizing at an annual pay down rate of greater than 20% in spite of very low prepayment rates. The amortizing nature and relatively short (15–20YR) maturity of underlying mortgages result in shorter WAL of Italian RMBS notes.
- **Upside Contingent on Euro-area Recovery.** We think that Italian RMBS offers most upside potential if credit spreads tighten on the back of Euro-area recovery story. Italian RMBS is lagging the rally witnessed by other comparable sectors like Spanish RMBS. Moreover, most European RMBS sectors are trading near their 2013 year-to-date tights except Italian and Portuguese RMBS (Figure 20). Italian RMBS is trading roughly 40bp wide to its year-to-date tights of 195bp in February 2013.

Figure 19. Peripheral RMBS Spreads and WALs by Country, as of Sep 2013 (bp and yrs)



Source: Markit, INTEX, Bloomberg and Citi Research

Figure 20. Senior Securitized Current Spreads Compared to 2013 Wide and Tight Levels, 2013YTD (bp)



Source: Citi Research

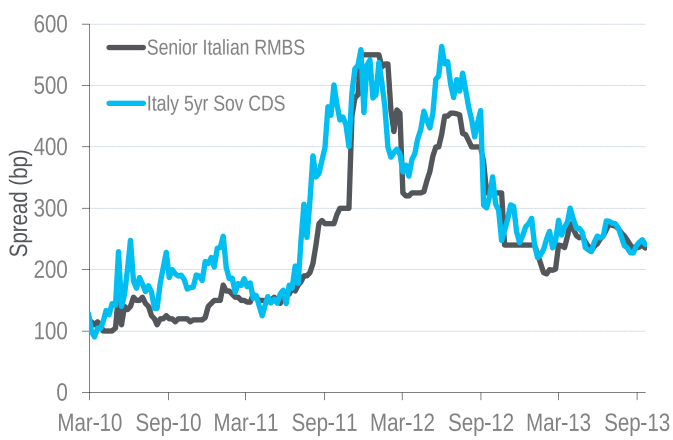
Invest in Whole Loans to Avoid Sovereign Volatility

Despite the structural protection from tranche subordination, and the support of secured mortgage collateral, investors do not seem to favour senior RMBS to sovereign bonds. RMBS not only trades on top of sovereign spreads, but is also highly correlated with the sovereign and subject to similar volatility (Figure 21). Many investors prefer the liquidity of the larger government bond market. Others have also expressed a preference to invest in bank debt even though that asset class also shows high correlation with sovereigns but may give spread pick-up.

Our view is that, while investing in sovereign debt can benefit from greater liquidity, investing in Italian brings idiosyncratic risks without any diversification from sovereign risk. Italian bank holdings of domestic government securities and bonds issued by other domestic banks make them highly vulnerable to sovereign spread widening and overall macroeconomic risks. We think a better way to participate in Italian banking and mortgage story without sovereign exposure is through whole loans, which further avoid the volatility that investing in RMBS brings.

As it turns out, banks are starting to provide investment opportunities by selectively disposing of residential and commercial legacy assets (as well as unsecured loans) on their balance sheets. A report by PWC indicates that Italy is especially well-placed for the servicing of non-performing loans as major servicers have considerable experience in dealing with both secured and unsecured loans. Moreover, their approach is also specialized with different entities using different blends of outright sales versus judicial and out-of-court processes. Though many banks have captive servicers, such as Unicredit Credit Management and SGC Banco Popolare, there are also some large independent servicers (Figure 22). Investors could consider engaging such servicers and buying whole loan portfolios from banks.

Figure 21. Senior Italian RMBS and 5YR Sovereign CDS Spreads, Mar 10 – Sep 13 (bp)



Source: Markit and Citi Research

Figure 22. Main NPL Non Captive Special Servicers

Company	Turnover, mn	AUM, bn	Employees	Out-of-court or sale workout	S&P / Fitch Rating
Italfondiario	51.5	34.2	599	73%	Strong / RSS2
Guber	25.7	2.8	155	21%	/RSS2
Prelios	11	7.7	120	25%	Above Average / RSS2
Archon	10.5	2.1	106	49%	Strong / RSS2+
FBS	5.2	3.6	95	78%	Above Average / RSS2 IT
Jupiter	3.9	3.1	80	30%	
CAF	3.9	2.3	85	72%	
NPL	0.6	0.8	25	40%	

Source: PWC

Conclusion — Worth the Walk in the Forest

In light of the several attractive RMBS opportunities at various price points that we have identified in this note, together with the burgeoning availability of loans and properties as banks slowly unfreeze their legacy books, we feel there is enough reason to put on our boots and go mushroom picking. There are plenty of obstacles that make our task difficult such as poor investor reports and even a few outright 'poisonous mushrooms' such as surprisingly high loss severities. Nonetheless, we take inspiration from the national truffle hog to find the spread and rating pick-up that Italian RMBS selectively offers to even non-prime core country assets.

Appendix 1 — Overview of Placed Shelves

Figure 23. Overview of Placed Italian RMBS and Other ABS Deals, as of Sep 2013

Deal Name	Deal Balance	Originator	Loan Level Data?	Arrears + Defaults	North Italy	Central Italy	South Italy	Residential	Non-Residential
APULI 2	30,063,328	Banca Apulia	No	5%	1%	12%	87%	100%	0%
APULM 3	56,622,486	Banca Apulia	No	8%	4%	19%	77%	95%	5%
APULM 4	164,753,643	Banca Apulia	Yes	14%	2%	7%	88%	92%	8%
ARGOM 2	153,023,541	Banca Carige	Yes	9%	81%	12%	7%	99%	1%
ASTIF 1	122,872,345	Cassa di Risparmio di Asti	No	15%	100%	0%	0%	71%	29%
ASTIF 2008-1	254,170,510	Cassa di Risparmio di Asti	Yes	13%	100%	0%	0%	100%	0%
BCCM 1	293,529,819	Multiple	No	4%	87%	12%	1%	N.A.	N.A.
BERAB 2011-1	1,175,384,648	Multiple	Yes	18%	60%	26%	14%	100%	0%
BERCR 1	144,573,820	Multiple	Yes	33%	61%	20%	6%	78%	22%
BERCR 5	241,945,154	Multiple	Yes	39%	60%	14%	11%	78%	22%
BERCR 6	572,063,722	Multiple	Yes	26%	68%	13%	16%	91%	9%
BERCR 8	883,008,022	Multiple	Yes	20%	48%	20%	29%	93%	7%
BERCR 9	895,344,911	Multiple	Yes	10%	62%	21%	16%	92%	8%
BPLR 2004	168,427,545	Multiple	Yes	13%	58%	40%	2%	96%	4%
BPM 2	476,422,796	Banca Popolare di Milano Scarl	Yes	2%	80%	15%	5%	97%	3%
BPMO 2007-1	517,319,831	Banco Popolare d Verona Novara	Yes	12%	95%	5%	0%	93%	7%
BPMO 2007-2	722,031,229	Multiple	Yes	13%	81%	9%	8%	100%	0%
BPSPL 1	25,616,591	Banca Popolare di Spoleto	No	5%	0%	100%	0%	78%	22%
CAPIM 2007-1	1,277,001,994	Banca di Roma	Yes	18%	43%	40%	13%	100%	0%
CASTO 1	170,818,208	Multiple	No	13%	51%	32%	17%	100%	0%
CLARF 2005	132,150,669	Multiple	Yes	17%	99%	1%	0%	85%	15%
CLARF 2006	136,844,833	Veneto Banca	No	19%	98%	2%	0%	77%	23%
CLARF 2007	238,144,822	Veneto Banca	No	10%	77%	2%	21%	100%	0%
CLARF 2011-1	2,315,038,099	Veneto Banca	Yes	6%	63%	15%	21%	95%	5%
CORDR 1	606,684,819	UniCredit Banca	Yes	6%	21%	13%	8%	100%	0%
CORDR 2	829,447,970	UniCredit Banca	Yes	6%	44%	24%	12%	100%	0%
CORDR 3	1,023,343,657	UniCredit Banca	Yes	12%	39%	20%	14%	100%	0%
CORDR 4	1,832,312,652	UniCredit Banca	Yes	10%	50%	26%	10%	100%	0%
CREDI 3	35,226,174	Multiple	No	10%	90%	10%	0%	65%	35%
CREDI 4	81,085,418	Multiple	No	8%	83%	13%	4%	72%	28%
CREDI 5	113,766,652	Multiple	No	8%	82%	19%	0%	85%	15%
CREDI 7	162,638,000	Multiple	No	11%	71%	29%	0%	83%	17%
DOMIC 2007-1X	608,774,608	BHW Bausparkasse	No	12%	89%	4%	7%	99%	1%
EHME 2007-1	219,199,313	Multiple	No	37%	28%	9%	23%	97%	3%
FEMO 05	342,417,924	FinecoBank SpA	Yes	15%	63%	19%	15%	100%	0%
FEMO 1	225,272,598	Banca Fin Eco	Yes	15%	62%	20%	16%	100%	0%
FIREN 1	58,177,518	Banca CR Firenze SpA	No	14%	1%	99%	0%	100%	0%
HELIC 2002-1	114,018,172	Banca Fin Eco	Yes	12%	56%	25%	15%	100%	0%
INTS 3	919,184,904	Intesa Sanpaolo	Yes	7%	72%	16%	12%	100%	0%
MARCH 1	64,613,419	Banca delle Marche	Yes	6%	4%	96%	0%	100%	0%
MARCH 2	162,968,716	Banca delle Marche	No	12%	4%	96%	0%	100%	0%
MARSS 2005-1	70,163,184	Banca Sella	Yes	5%	80%	18%	2%	100%	0%
MECEN 2	216,054,345	Banco Etruria	Yes	12%	1%	97%	2%	100%	0%
MEDIA 1	60,628,512	Banca Popolare d Puglia Basilicata	No	7%	3%	3%	94%	100%	0%
MERCU 2003-2	312,284,358	Barclays Bank	No	11%	45%	29%	26%	100%	0%
SESTA 1	146,911,538	Meliorbanca	No	17%	82%	16%	2%	100%	0%
SESTA 2	254,020,391	Meliorbanca	No	18%	71%	26%	4%	100%	0%
SESTA 3	399,196,064	Meliorbanca	No	18%	65%	23%	12%	100%	0%
SESTA 4	369,465,929	Meliorbanca	No	22%	63%	18%	19%	100%	0%
SIENA 2010-7	2,865,666,712	Banca Monte dei Paschi di Siena	Yes	4%	22%	50%	29%	100%	0%
VELAA 2006-1	222,832,717	Banca Nazionale del Lavoro	Yes	8%	1%	13%	86%	100%	0%
VELAH 1	148,453,157	Banca Nazionale del Lavoro	Yes	5%	30%	50%	14%	100%	0%
VELAH 2	181,623,238	Banca Nazionale del Lavoro	Yes	7%	29%	45%	24%	100%	0%
VELAH 3	448,318,294	Banca Nazionale del Lavoro	Yes	9%	42%	35%	21%	100%	0%
VELAH 4	984,418,714	Banca Nazionale del Lavoro	Yes	13%	40%	35%	24%	100%	0%
VOBAF 2006-1	130,075,230	Banca Popolare dell'Alto Adige	Yes	0%	100%	0%	0%	94%	6%

* Numbers in red indicate data as of origination date; N.A. means data not available
Source: Investor Reports, Offering Circular, INTEX, Bloomberg, Moody's and Citi Research

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Appendix A-1

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