

Securitized Products

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European Securitized Products Weekly

Recognizing Value by Contrasting GIIPS Foreclosure Processes

- **Political Risk Rises** — The risk is building that regional governments will implement housing measures that could negatively impact securitizations. Negative political sentiment resulting from growing foreclosures promotes actions such as potential debt forgiveness. We compare and contrast foreclosure rules among European RMBS markets, facilitating some value judgments.
- **Slow Recovery Times Pervade** — Slow court processing within the peripheral regions results in long recovery lags ranging from 36–74 months. Ireland recently agreed to a 12-month foreclosure moratorium, which should extend the lag period. Its current recovery lag period ranges from 36–42 months. In contrast, UK recovery lags range from 18–24 months.
- **Northern Italian Appeal** — We recommend Italian RMBS with a northern regional bias because the recovery lags in north Italy are half of those in the south. Recovery differences within Italy vary greatly, with lag times ranging from 44–97 months.
- **Spanish Process Is Most Efficient** — The recovery process is the most lender-friendly in Spain, with low recovery lag times and a supportive auction process. Spanish recovery lags are 36–48 months and foreclosures use an iterative auction process with minimum bid levels.

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

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GIIPS Foreclosure Comparisons Reveal Value

Foreclosure processes in Spain and northern Italy are relatively efficient, resulting in moderate recovery lags compared to other GIIPS countries we examined in this report. Moreover, the Spanish foreclosure process enforces a minimum bid level during auctions, facilitating low loss severities. As peripheral European economies continue to shrink and unemployment remains high, consumers struggle to repay their debts. Elevated delinquency levels increase the political pressures among GIIPS countries to enact more debtor-friendly legislation, and we think this is a rising risk in RMBS markets. However, there does appear to be some responsiveness to court bottlenecks, exemplified by new rules enacted in Italy.

Ireland, Italy, and Spain have already enacted some debtor-friendly changes, and we expect further legal changes in these countries to deal with increasing non-performing mortgages. As we discuss in detail later in this report, these changes range from debt forgiveness to simplification of recovery procedures. Individual US states administer differing mortgage rules, and similarly, the European court systems vary from region to region. In the US, states use either a judicial or non-judicial process to foreclose on a defaulted mortgage. Loosely, judicial states require the courts to approve foreclosure actions, while in non-judicial states the lenders may proceed without court confirmation.

However, the processes within peripheral Europe are all judiciary systems overseeing foreclosures with some offering an option to those willing to negotiate outside of the courts. In this report, we take a look at the foreclosure process in each of the GIIPS markets, and the results allow us to make some value calls based on the contrasting expected lag periods. We summarize our findings as follows:

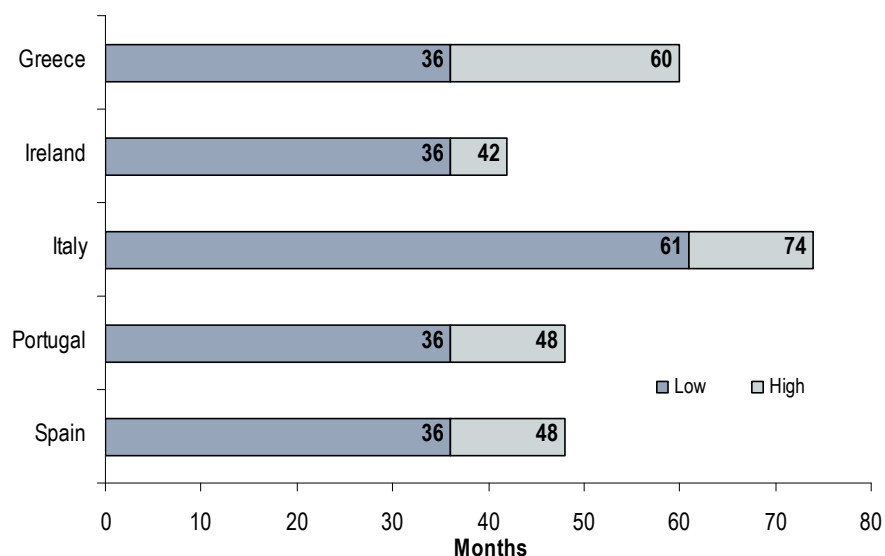
- **Slow Courts.** In the peripheral regions, the foreclosure and recovery process takes anywhere from 36–74 months. In contrast, the UK foreclosure process takes only 18–24 months.
- **Political Risk.** Loss severities could increase as current regulation proposals incorporate the potential for debt forgiveness. The political climate is becoming increasingly debtor-friendly. Potential bankruptcy legal changes in Ireland, recent help for distressed borrowers in Spain, and similar discussions in Portugal are all designed to assist distressed borrowers. Several unique debt forgiveness legal cases have also been upheld in the courts of Portugal.
- **Irish Recovery Times to Lengthen.** The mortgage foreclosure moratorium in Ireland agreed to as a part of the Code of Conduct will increase recovery lags that are currently among the shortest in GIIPS countries. Also, Irish bankruptcy law changes are likely to increase foreclosures and bankruptcies, creating a log-jam in the courts
- **Government Action Expected.** We anticipate government action to adjust foreclosure processes within GIIPS countries. This can either speed up the processing of claims, as in Italy's recent reforms, or lengthen with foreclosure moratoriums, as is occurring in Ireland.
- **Further Italian Reform Needed.** The Italian court system is in urgent need of reform to improve the recovery of collateral in a timely manner. A surge in defaulted loans has the potential to result in cash flow issues for securitization structures.

- **Italian Regional Variability.** Italy has the most pronounced intra-country recovery variability. The process varies from 3.7 years in Valle d'Aosta to 8.1 years in Sicilia. We draw a rough divide between faster processing in northern Italy versus southern Italy, where the recovery process is lengthy, owing to the slow movement of the courts.

Recovery Lag Variation

- **Italy Longest.** Italian recovery lag is the longest among the GIIPS countries, at 61–74 months, according to Fitch modeling assumptions (Figure 1). The court process is very lengthy, constituting a large percentage of this time. However, recent changes in the preliminary stages of discussion between lender and borrower should help to marginally improve recovery times.
- **Spain and Ireland Shortest.** Recovery lags are the shortest among the GIIPS countries in Spain and Ireland. Irish recovery lags range from 36–42 months, while recovery takes from 36–48 months in Spain, according to the rating agencies. We would suggest using the more conservative 48-month lag as a prudent approach to modeling.
- **Irish Lags to Increase.** We anticipate Irish recovery lags to increase as the foreclosure moratorium continues and the court system becomes overwhelmed. The mortgage foreclosure moratorium increases recoveries by at least 12 months. Newly proposed bankruptcy regulations are likely to mean a surge in personal insolvencies, placing the court system under duress.

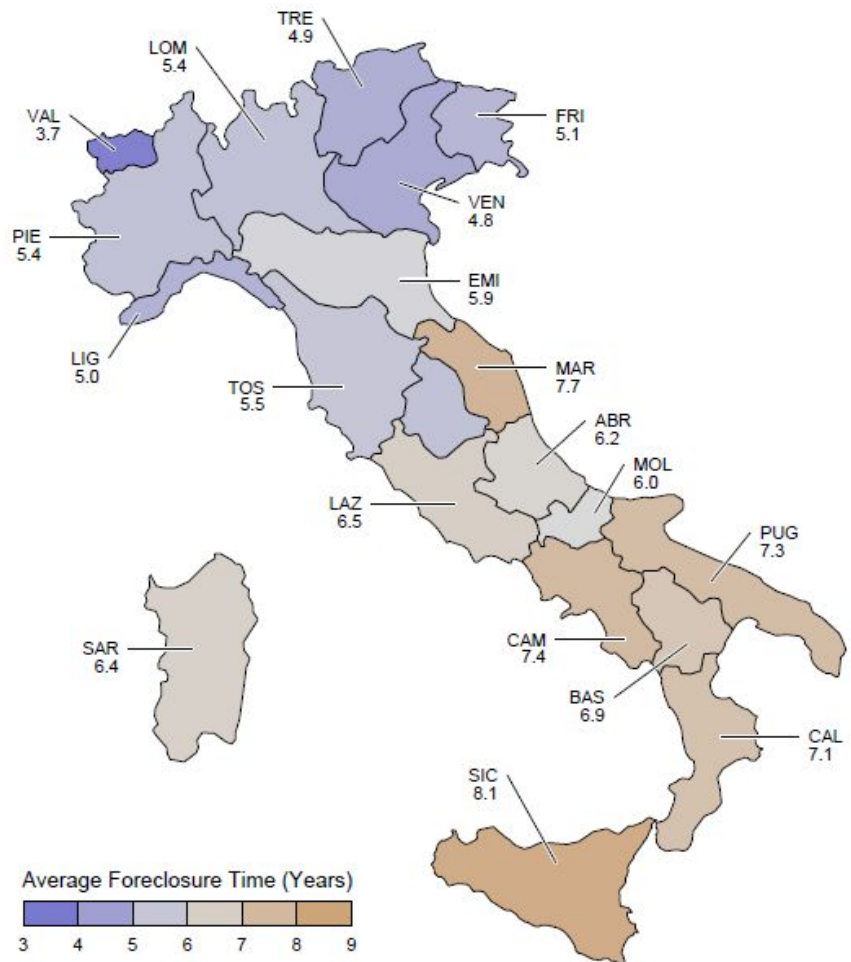
Figure 1. Fitch Recovery Lag Range (in months)



Source: Fitch

- **Large Italian Variation.** Italian foreclosure times vary dramatically across regions. Differences in the regional courts are due to differences in workload, storage of records, staffing levels, etc. Recovery lags can largely be differentiated along a northern versus southern divide. Southern Italian regional recovery lags range from 6.0 to 8.1 YR. Recovery processes in northern Italy are much shorter, ranging from 3.7 to 5.9 YR (Figure 2).

Figure 2. Italian Average Foreclosure Time by Regions (in Years)

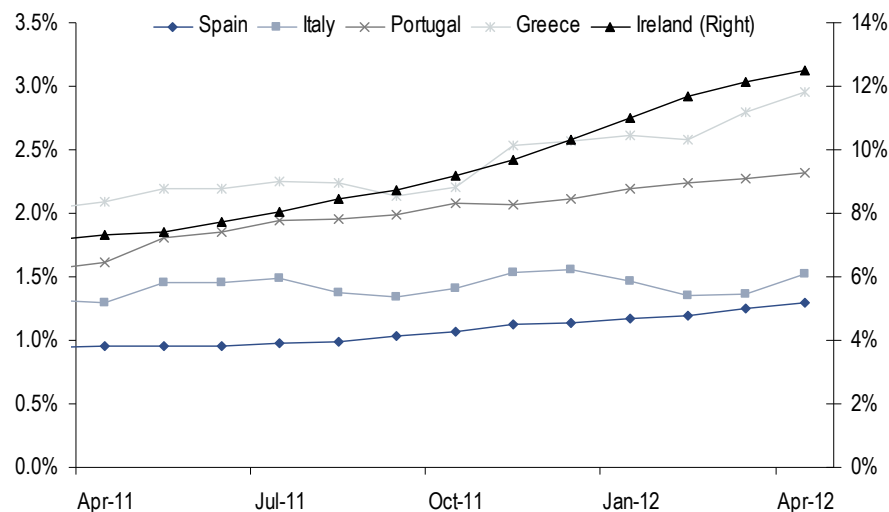


Source: Moodys and Citi Investment Research and Analysis

Pressure on the System

- **Severe Delinquencies Increasing.** The proportion of loans more than 3 months in arrears increased by 0.23–5.18 percentage points across GIIPS countries during the past year (Figure 3). This demonstrates the inefficiency of European courts in handling the foreclosure processes in a timely manner.
- **Huge Backlog Potential.** Current severe delinquencies among GIIPS countries range from 1.3–12.5%. There is a high probability that these loans will eventually transition to default, threatening immense pressure on the legal framework handling the foreclosure processes.

Figure 3. Severe (90D+) Delinquencies by Region, Apr 2011 – Apr 2012



Source: ABSNet and Citi Investment Research and Analysis

Policy Changes to Continue

- **Irish Foreclosure Moratorium.** Revision of the Irish Mortgage Arrears Code in January 2011 protects borrowers in arrears. The Code provides a 12 month moratorium of foreclosure on a borrower's primary residence. Lenders must first use "every reasonable effort" to agree to alternative repayment terms before foreclosure. Extension of the moratorium "clock" can occur through borrower appeal and positive adherence to alternative arrangements.
- **Irish Bankruptcy Law Change.** A draft proposal to implement dramatic changes in Irish insolvency law has been delayed until June 2012. Proposals include a personal insolvency arrangement that would allow an insolvent debtor who has liabilities between €20,000 and €3,000,000 not to be forced to vacate their principal private residence. A range of repayment options would be available to the Insolvency Trustee to propose to the parties, including debt forgiveness and deferred payment.
- **Italian Recovery Lag Improvement.** A new Italian law proposal will help to simplify recovery procedures and improve restructuring timelines. The law regulates the restructuring of consumer debts, simplifying the procedures for recovering defaulted debt proceeds. Changes include setting a timeline for restructuring and a binding repayment process.
- **Spanish Debt Forgiveness.** Borrowers meeting very restrictive criteria can have their debts partially forgiven. Banks consenting to a Code of Best Practice must first offer mortgage restructuring to the borrower. (This provision is available only for extremely stressed borrowers.) If this restructuring does not reduce the payment below 60% of income, the borrower can then ask for debt forgiveness.
- **Portuguese Change Potential.** Portugal is considering the creation of a law similar to that recently implemented in Spain. The law would allow for borrowers under severe distress to surrender the property and if the proceeds of the property cannot fully repay the mortgage, the remainder is forgiven. In order to prevent the borrower returning the keys without further recourse to them, the borrowers would have to demonstrate extreme distress.

Lengthy Recoveries Increase Losses

Long foreclosure timelines could impact RMBS performance. As the courts slowly process the enforcement of mortgages, losses can build.

- **Lengthy Processes Increase Loss Levels.** Loss levels can increase as recovery times lengthen. There are several reasons for this:
 - **Falling House Prices.** In current times with flat or declining house prices, as the time to auction increases, the potential is high for the property to lose further value.
 - **Increasing Debt.** Ongoing lack of interest payment builds debt obligations to be recovered.
 - **Lack of Maintenance.** A distressed borrower remaining in the home will be less likely to maintain the upkeep of the home. Any deterioration in the condition of the property will lower recovery prices.
- **Court Bottlenecks Increase Lag.** An increase of enforcement actions will increase recovery lag times. As courts are unable to make large adjustments to accommodate foreclosure volume increases, bottlenecks will occur.
- **Auctions Suppress Recoveries.** Increasing numbers of homes auctioned at distressed prices will pressure house prices. This will further lower recovery levels.
- **Process Can Lower Severity.** Some processes, such as the Spanish foreclosure process, can minimize severity. By providing a minimum required bid price, loss severities are minimized. The Italian process also avoids extreme severities with iterative auctions.

Summary — Differences in Mortgage Enforcement Reveal Opportunities

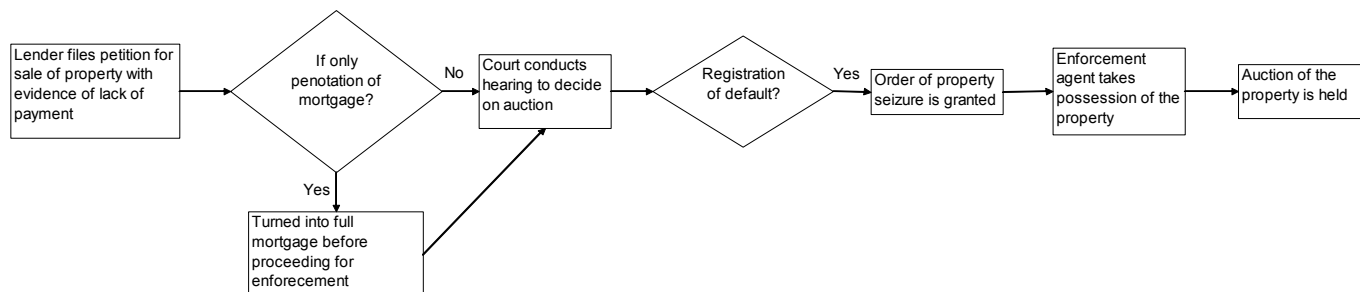
An analysis of foreclosure processes in GIIPS suggests value in northern Italian and Spanish RMBS, in our view. Modest Spanish recovery lag and a supportive foreclosure process help to minimize loss levels. Foreclosure timeline in north Italy is significantly lower than in south Italy, providing an opportunity to differentiate. Monitoring changes to the foreclosure process will be important in the near term as political pressure adjusts processes to the benefit of mortgage borrowers.

We outline the details of foreclosure processes for each of the GIIPS countries below (Figure 4 — Figure 8).

GIIPS Foreclosure Processes

Foreclosure Process in Greece

Figure 4. Greece Foreclosure Process



Source: Citi Investment Research and Analysis

There are two types of mortgages in Greece.

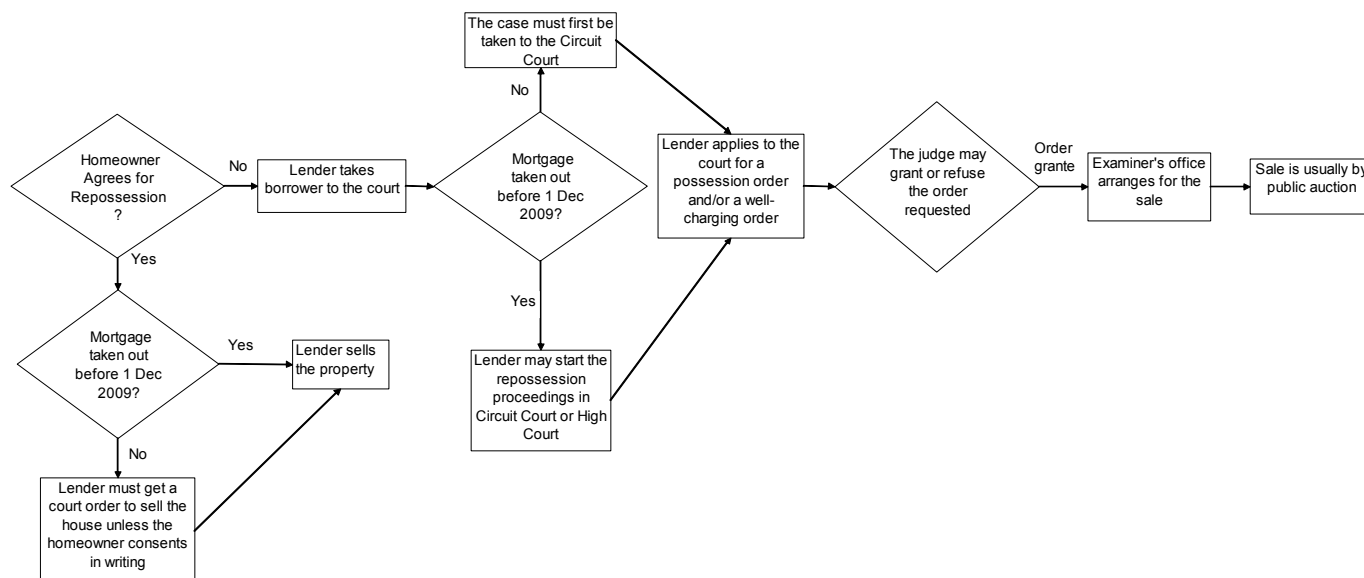
Mortgage – A registered mortgage over a specific property for a specified amount. This must be indicated at the Land Registry/Cadastre.

Prenotation of Mortgage – Recognition by the court of a preferential right to acquire a full mortgage thereafter. This may be turned into a full mortgage only if and when the debtor of the secured claim defaults.

- **Petition for Sale of Property Is Filed.** The lender provides the court with registration data of the mortgaged property and evidence of lack of payment. If only a prenotation of mortgage, this must be turned into a full mortgage before enforcement takes place.
- **Court Hearing.** The court conducts hearing to decide on auction
- **Registration of Default.** The borrower is found to be in default of the loan.
- **Order of Property Seizure.** Once registration of the default has occurred, the court procedure is to progress to the seizure of the property. This takes place via an enforceable title ordering the satisfaction of the claim.
- **Enforcement of Possession.** An enforcement title of the property grants the creditor the right to the seizure of the property and repayment through auction proceeds.
- **Auction.** An auction of the property is held. The mortgage is then repaid with the proceeds of the sale via the judicial process.

Foreclosure Process in Ireland

Figure 5. Ireland Repossession Process



Source: Citi Investment Research and Analysis

The mortgage debt in Ireland can be recovered by repossessing the house. Even if there is no mortgage on a house, it is repossessed if the borrower is unable to pay other debts. We focus on the house repossession process for recovering a mortgage debt. The legal process involved in house repossession can take two possible paths:

1. Homeowner Agrees to Repossession

- Homeowner agrees to the terms of the lender for the sale of the house
- If the mortgage is taken out on or after 1 December 2009¹, the lender must get a court order to sell the house unless the homeowner consents in writing 7 days before the repossession or sale
- However, in some cases the lender may find it difficult to find a buyer for the house without a “well-charging order,” which is a court order allowing for the sale of the property

2. Homeowner Does Not Agree to Repossession

- There is no repayment plan with the lender in place, or the borrower is unable to meet the payment arranged by a repayment plan
- The lender takes the borrower to court and the borrower must engage in a legal process to prevent house repossession
- If the mortgage is originated before 1 December 2009, the lender may start the repossession proceedings in either the Circuit Court or the High Court. Otherwise, the case must be first taken to the Circuit Court

¹ [Land and Conveyancing Law Reform Act 2009](#) came into effect on 1 December 2009

- The lender applies to the court for a possession order and/or a well-charging order

Circuit Court Procedure

- The mortgage provider issues the borrower with a civil bill which is usually accompanied by an affidavit setting out the claim
- The civil bill must be served to the borrower 21 days before its “return date,” which is when the bill comes before the County Registrar
- The borrower must then file an affidavit replying to the lender’s claim and serve that on the lender at least 4 days before the return date
- The case will be decided on the basis of this affidavit when it comes to the County Registrar
- Neither side has the right to give oral evidence except in specific circumstances
- The County Registrar may make an order for repossession and/or well-charging order, if either:
 1. The borrower has not entered an appearance, or
 2. The borrower has entered an appearance and filed a replying affidavit, but the affidavit does not show any obvious defence
- If the borrower has entered an appearance and filed a replying affidavit disclosing a prima facie defense, the County Registrar sends the case for hearing by a judge
- The judge may grant or refuse the order requested

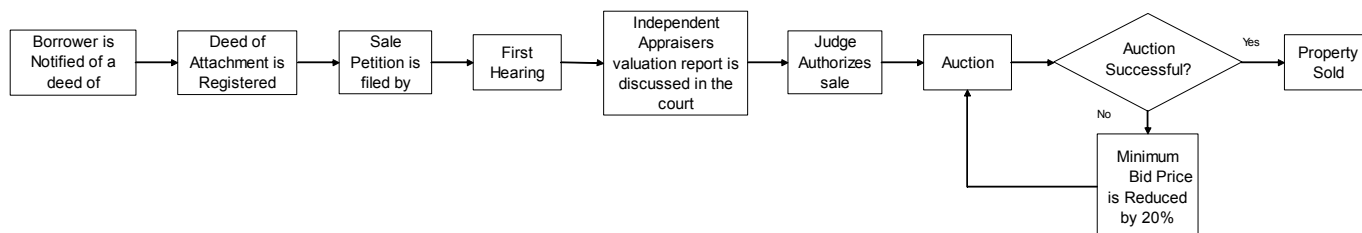
High Court Procedure

- The lender applies to the High Court for a possession order and, if necessary, a well-charging order
 - The process involves the lender issuing a special summons, which is first dealt by the Master of the High Court, who has a similar role as the County Registrar in the Circuit Court
 - The Master sets a return date which may not be less than 7 days after the summons is issued
 - The borrower must then serve the summons at least 4 days before the return date
 - The lender must file an affidavit setting out the facts of the claim in the Central Office of the High Court
 - The hearing may be on affidavit only or oral evidence may be given
 - The Master may grant or refuse the orders requested or may forward the case for hearing by a High Court judge
- The arrangements for the sale of the property are generally agreed through the Examiner’s Office

- The sale is usually by public auction
- If the sale price is greater than the amount owed by the borrower, the excess is paid over to them. If it is less, the borrower is liable to repay the shortfall

Foreclosure Process in Italy

Figure 6. Italy Foreclosure Process



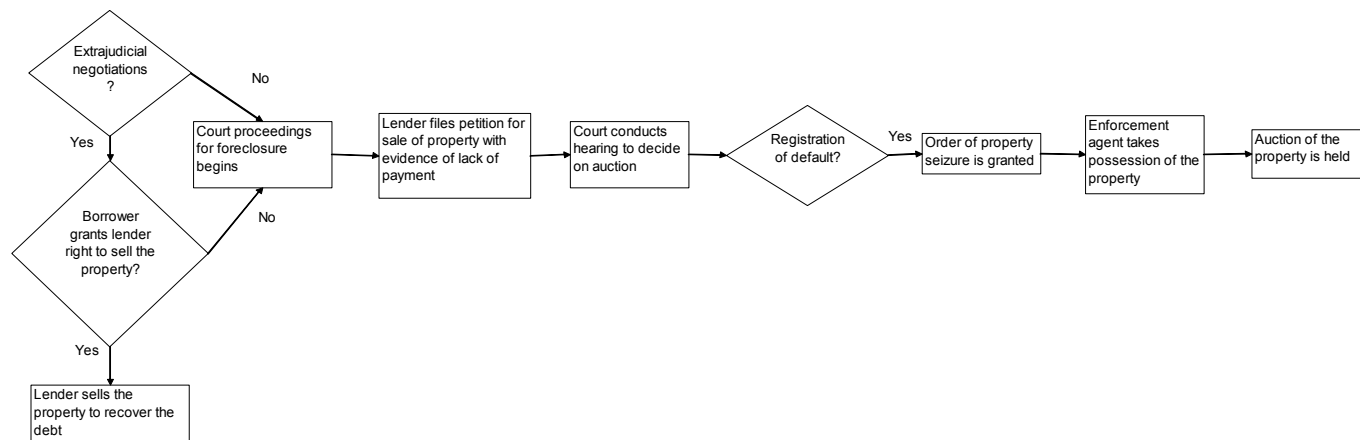
Source: Citi Investment Research and Analysis

The lender commences foreclosure proceedings by seeking a court order for payment called the enforcement order from the court of jurisdiction of the mortgaged property. This court order must be served to the borrower. The process is as follows:

- **Borrower is Notified of a Deed of Attachment.** Within 10 days of filing, but no later than 90 days of serving the court order directing execution (*atto di precetto*), the lender requests the attachment of the mortgaged property
- **Deed of Attachment to be Registered.** The property is attached by a court order. Following attachment, the property must be filed with the appropriate land registry (*Conservatoria dei Registri Immobiliari*)
- **Sale Petition is Filed by Lender.** The mortgage lender requests the court to sell the mortgaged property. The court may delay its decision about selling the property in order to hear any challenge by the borrower to the attachment
- **First Hearing.** Court conducts hearing to decide on auction
- **Appraisers Valuation Report Discussed.** If the court decides to go forward with an auction (*vendita con incanto*), it appoints an independent expert to appraise the property
- **Judge Authorizes Auction.** The court orders an auction and stipulates the minimum auction price based on the expert's opinion
- **First Auction.** An auction is conducted with expert's appraisal as the minimum bid for the property
- **Second Auction.** If the first auction fails, the court arranges a new auction with a bid price that is reduced by one-fifth of the original minimum bid. If this auction fails the lender may apply for the acquisition of the property itself. It is common for courts to hold multiple auctions until the property is sold.
- **Finally.** The sale proceeds, after deduction of the expenses, are applied to satisfy the claims of the mortgage lender in priority to the claims of any other creditor of the borrower.

Foreclosure Process in Portugal

Figure 7. Portugal Foreclosure Process



Source: Citi Investment Research and Analysis

The mortgage must be registered with the land registry via a notarial deed and is not valid without this registration. Once a borrower defaults on the mortgage the lender can proceed in two ways.

- **1 – Extrajudicial negotiations with the borrower.** An agreement of repayment of the mortgage through the transfer of the home to the bank can be made in this process to cover the mortgage. However, the lender cannot force the sale of the property outside of the judicial process. An outright sale directly to the lender is prohibited under the Civil Code. This process can be avoided if an agreement is reached between the parties to grant the lender the power to sell the real estate to a third party.
- **2 – Court procedure to foreclose on the loan.** In this instance, there is a process followed in order to force the repayment of the loan.
 - **Petition for sale of property is filed.** As the borrower will have registered the mortgage with the land registry upon the initial execution of the mortgage, the lender will already have a registration of deed. The lender provides the court with registration data of the mortgaged property and evidence of lack of payment.
 - **Court Hearing.** The court conducts hearing to decide on auction
 - **Registration of Default.** The borrower is found to be in default of the loan.
 - **Order of Property Seizure.** Once registration of the default has occurred, the court procedure is to progress to the seizure of the asset. This takes place via a judicial process and is implemented via an enforcement agent.
 - **Enforcement Agent takes possession.** A seizure of the property grants the creditor the right to be paid out of the proceeds of the sale of the asset, and not possession of the property itself.
 - **Auction.** An auction of the property is held. The lender can bid in this auction if it wishes to take possession of the property. The mortgage is then repaid with the proceeds of the sale via the judicial process.

Foreclosure Process in Spain

Figure 8. Foreclosure Process in Spain

COURT ENFORCEMENT	EXTRAJUDICIAL ENFORCEMENT
<p>Pre-auction</p> <ul style="list-style-type: none"> – Lender presents the legal case to the Judge – If the case is admitted, legal requests for payment are sent to parties involved - the obligor, guarantor, property owner, etc. – If no response, auction process for the property is initiated. – Time-line: 12-18 months from admission of the legal case to auctioning. Additional 6 months for occupant to vacate 	<p>Pre-auction</p> <ul style="list-style-type: none"> – Lender requests initiation of the process to a Notary. – Notary requests outstanding debt from the parties involved - obligor, guarantor, property owner etc. – If the obligors fail to oblige, the property is auctioned – Lenders prefer court enforcement but this procedure has become popular in coastal areas.
<p>Auction Process</p> <ul style="list-style-type: none"> – Auction value is equal to the property value agreed in the mortgage title deed. – If the highest bid is >70% of auction value, highest bidder receives the property at the bid price – If the bidder proposes to pay in installments, the lender has the option to demand the property at 70% of the auction value. – If the highest bid is <70%, the debtor has 10 days to find a bidder. If unable, the lender is awarded the property for 70% of the auction value. – If the highest bid is <50% of auction value and <outstanding debt, the lender has the option to reject. – The auction is declared ineffective. – If the auction is declared ineffective, the lender can acquire the property at 50% of the auction value or full repayment of the debt (whichever is best for the lender). – In the case where the property is awarded to the highest bidder at >70% of auction value, but <outstanding debt, the lender can seek recourse to debtor's personal assets. 	<p>Auction Process</p> <ul style="list-style-type: none"> – Maximum of 3 auctions. – Property is put up for sale at auction value (property value) agreed in the mortgage title deed). No offer is admitted below this value. – If nobody bids, the lender may ask notary to award it the property at the auction value. – If the lender is denied, there is a second auction at a minimum price of 75% of the auction value. – If nobody bids, the lender requests being awarded the property at 75% of the auction value. – If the two auctions fail, a final auction is held. – This is the only situation in Spanish auctions where there is no minimum price. – If the highest bid is less than 75% of the auction value, the lender and borrower have the right to a "last look" bid. – If the lender and borrower decline, the property is awarded to the highest bidder.

Source: Moody's

The Week Ahead

The market will be watching for the following releases:

- **UK Housing Data.** Nationwide will release its May house price index sometime between 28 and 31 May and Bank of England will release April mortgage approvals data on 30 May. On 22 May, ONS reported that average UK house prices declined 0.4% year-over-year in March 2012 and BBA reported on 24 May that mortgage approvals increased 1.6% month-over-month in April 2012.
- **Spanish Housing Permits.** The Spanish housing ministry will release the total housing permits for March on 31 May. Total housing permits in Spain declined 36.2% year-over-year and rose 1.0% month-over-month in February 2012.
- **German, Irish and Italian Unemployment.** Germany and Ireland will release their unemployment rate for May 2012 on 31 May and 30 May, respectively. Also, Italy will release its April unemployment rate on 1 June. Citi economists expect average 2012 unemployment rate in Germany, Ireland and Italy to register 5.4%, 15.1% and 9.8%, respectively.

Critical Events Calendar

Figure 9. Critical Events Calendar, Week of 28 May

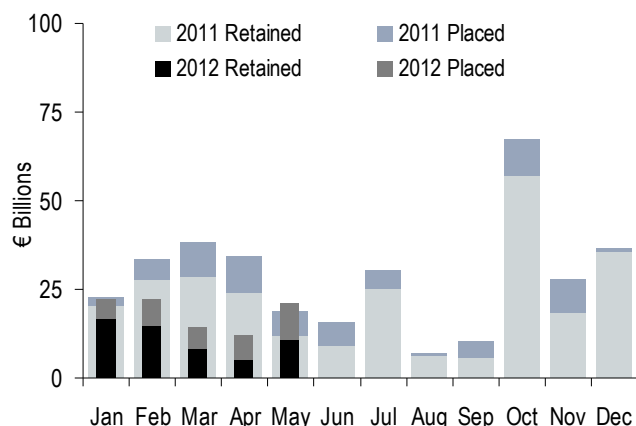
Date	Region	Description	Period	Prior	Estimate ^a
28-May	Italy	Business Confidence	MAY	89.5	89.1
28-31 May	UK	Nationwide House Prices (MoM)	MAY	-0.20%	-0.10%
		Nationwide House Prices (YoY)	MAY	-0.90%	-1.40%
29-May	Germany	Consumer Price Index (MoM)	MAY P	0.20%	0.00%
		Consumer Price Index (YoY)	MAY P	2.10%	2.10%
30-May	Spain	Consumer Price Index (YoY)	MAY P	2.10%	--
	UK	Net Consumer Credit	APR	0.4B	0.3B
		Net Lending Secured on Dwellings	APR	1.0B	1.0B
		Mortgage Approvals	APR	49.9K	50.0K
		GfK Consumer Confidence Survey	MAY	-31	-33
	Portugal	Consumer Confidence	MAY	-53.3	--
		Economic Climate Indicator	MAY	-4.7	--
	Ireland	Unemployment Rate	MAY	14.30%	--
		Consumer Confidence	MAY	62.5	--
	US	MBA Mortgage Applications		3.80%	--
		Pending Home Sales (MoM)	APR	4.10%	-0.10%
		Pending Home Sales (YoY)	APR	10.80%	--
31-May	France	Consumer Spending (MoM)	APR	-2.90%	0.40%
		Consumer Spending (YoY)	APR	-2.00%	--
	Spain	Total Housing Permits (MoM)	MAR	1.00%	--
		Total Housing Permits (YoY)	MAR	-36.20%	--
	Germany	Unemployment Rate	MAY	6.80%	6.80%
	Italy	CPI - EU Harmonized (MoM)	MAY P	0.90%	0.10%
		CPI - EU Harmonized (YoY)	MAY P	3.70%	3.60%
	US	GDP (QoQ, Annualized)	1Q S	2.20%	1.90%
		Initial Jobless Claims		370K	--
		Continuing Claims		3260K	--
1-Jun	Italy	Unemployment Rate (SA)	APR P	9.80%	--
		New Car Registrations (YoY)	MAY	-17.99%	--
	US	Unemployment Rate	MAY	8.10%	8.10%

^a Bloomberg Survey Estimate

Source: Bloomberg and Citi Investment Research and Analysis

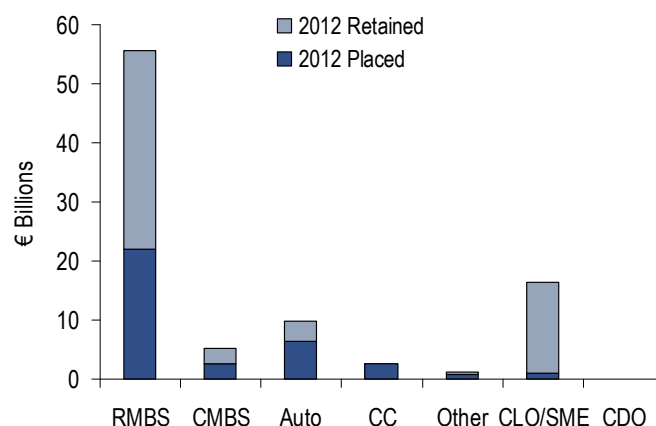
New Issuance

Figure 10. Placed and Retained Issuance by Month, 2011–2012 YTD (€ billions)



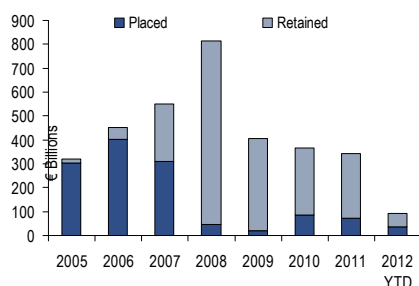
Source: Concept ABS, IFR, Informa, and CIRA

Figure 11. Placed and Retained Issuance by Sector, 2012 YTD (€ billions)



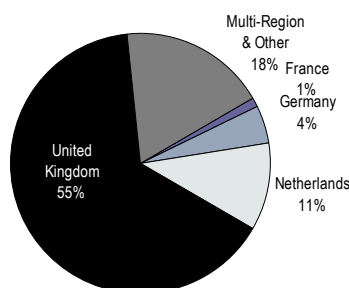
Source: Concept ABS, IFR, Informa, and CIRA

Figure 12. Annual Historical Placed and Retained Issuance, 2005–2012 YTD (€ billions)



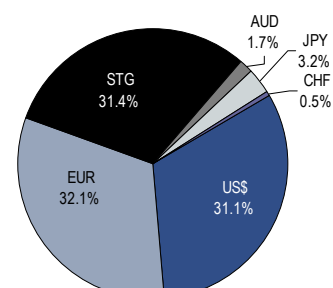
Source: Concept ABS, IFR, Informa, and CIRA

Figure 13. Placed Issuance by Region, 2012 YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa, and CIRA

Figure 14. Placed Issuance by Currency, 2012 YTD (% of Total, € Equivalent)



Source: Concept ABS, IFR, Informa, and CIRA

Figure 15. Recent New Issuance, 14 May– 21 May

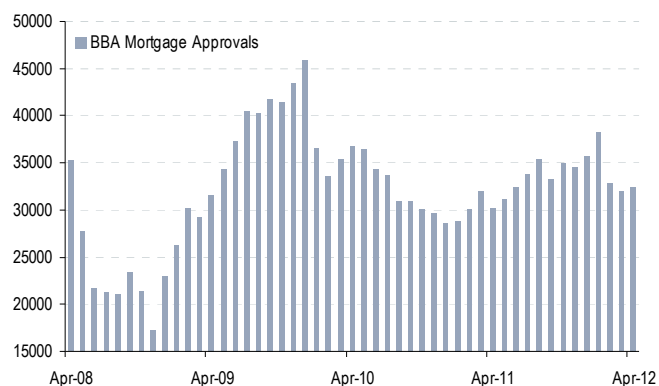
Deal Name	Transaction Type	Tranche	Currency	Size	Fitch / Moodys / S&P / DBRS	WAL	Index	Margin	CE	Status
REDS EHP 2012-1E	Auto ABS Australia	A-1	AUD	112	F1+/P-1/-	0.22	1mBBSW	65	16%	Marketed
		A-2A	AUD	313.04	AAA/Aaa/-	1.58	1mBBSW	170	16%	Marketed
		A-2G	STG	100	AAA/Aaa/-	1.97	1mL	130	16%	Marketed
		B	AUD	26.25	AA/Aa2/-	1.97	1mBBSW	250	13%	Marketed
		C	AUD	21	A/A2/-	1.97	1mBBSW	N/A	10%	Retained
		D	AUD	20.12	BBB/Baa2/-	1.97	1mBBSW	N/A	7%	Retained
Malatesta Finance Srl (Series 2012)	RMBS - Prime Italy	E	AUD	18.38	BB/Baa1/-	1.97	1mBBSW	N/A	4%	Retained
		A	EUR	179.1	-/A1/-	5.38	6mE	35	19%	Retained
Gracechurch Card Funding 2012-3	Credit Card ABS UK	B	EUR	38.3	-/-/-		6mE	75	3%	Retained
		A1	US\$	600	-/Aaa/AAA/-	4.97	1m\$L	85	15	Placed

Source: Concept ABS, IFR, Informa, and Citi Investment Research and Analysis

Collateral Summary

UK

Figure 16. BBA Mortgage Approvals, Apr 08 – Apr 12



Source: British Banker's Association

- Mortgage approvals rose to 32,438 in April from 31,931 in the previous month
- Mortgage approvals have increased 87% since the post crisis bottom

Netherlands

Figure 17. House Price Index, Jan 08 – Jan 12

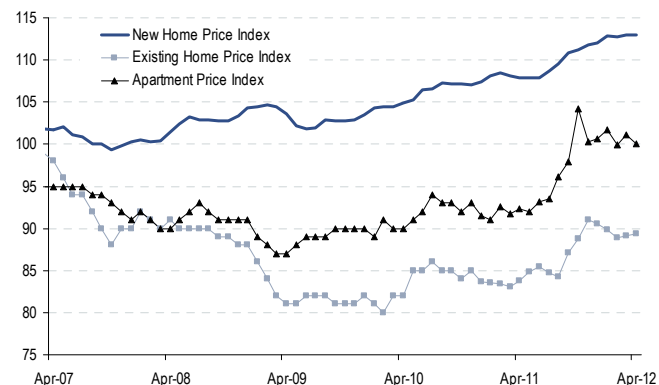


Source: Dutch Statistics Office

- House price Index rose to 101.7 in January compared to 101.1 in the previous month
- House prices have declined 10.3% since the pre crisis peak of 2008

Germany

Figure 18. Hypoport House Price Indexes, Apr 07 – Apr 12

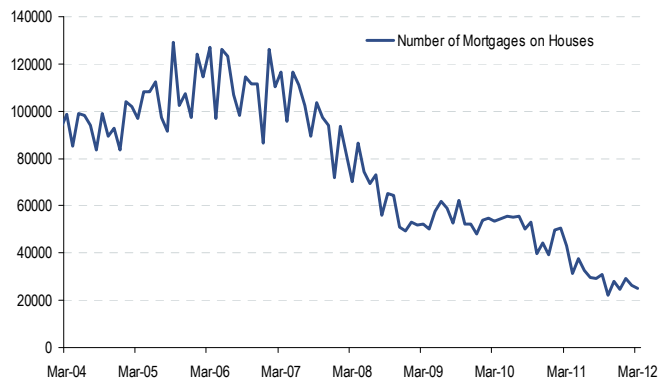


Source: Hypoport AG

- New home price index rose to 113.01 in April compared to 112.94 in the previous month
- Apartment price Index fell to 100.06 in April compared to 101.15 in the previous month

Spain

Figure 19. Mortgage Lending, Mar 04 – Mar 12

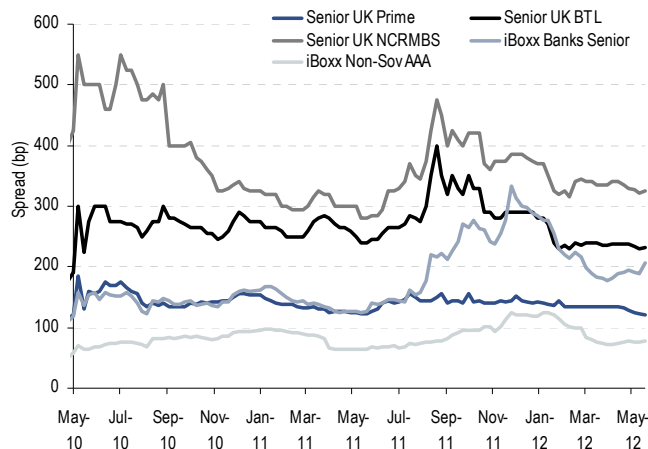


Source: INE

- Mortgages on homes declined to 24,918 in March compared to 26,415 in the previous month
- Number of mortgages on homes has declined 81% since the pre crisis peak of 2005

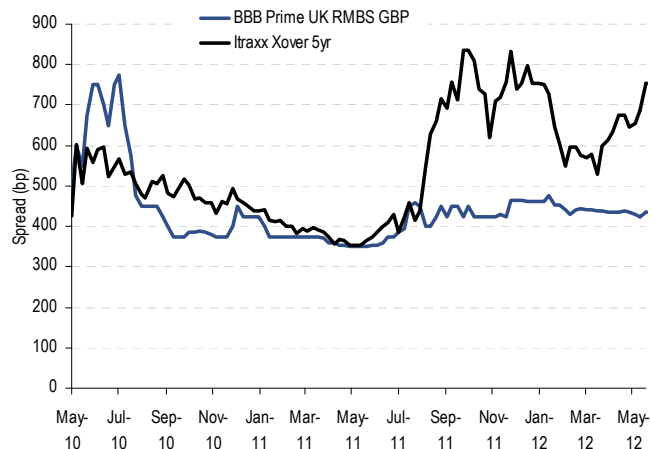
Relative Value Charts

Figure 20. UK RMBS Generic Spreads Versus Indexes, May 10–May 12



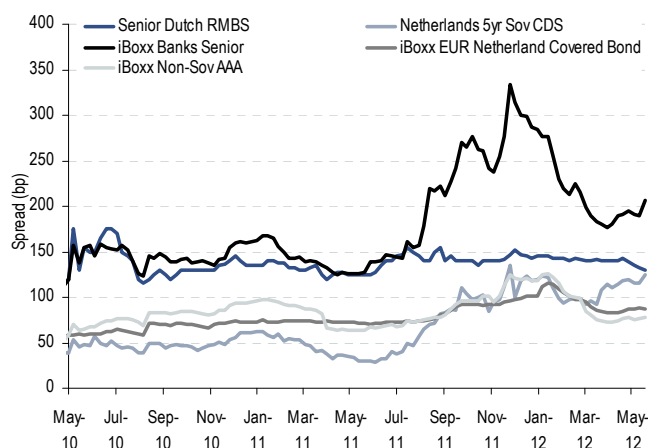
Source: Markit and Citi Investment Research and Analysis

Figure 21. UK BBB RMBS Generic Spreads Versus Index, May 10–May 12



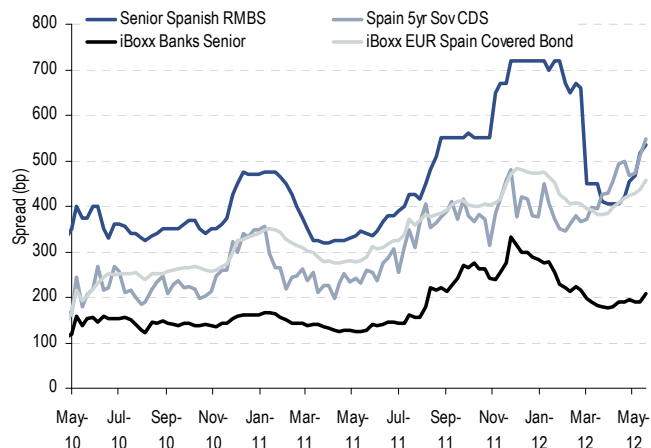
Source: Markit and Citi Investment Research and Analysis

Figure 22. Dutch RMBS Generic Spreads Versus Indexes, May 10–May 12



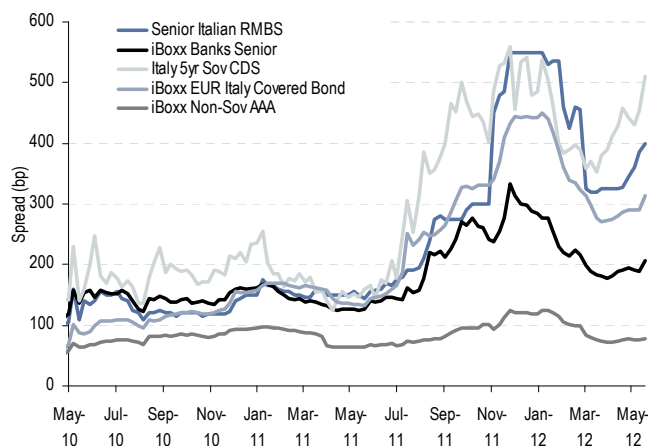
Source: Markit and Citi Investment Research and Analysis

Figure 23. Spain RMBS Generic Spreads Versus Indexes, May 10–May 12



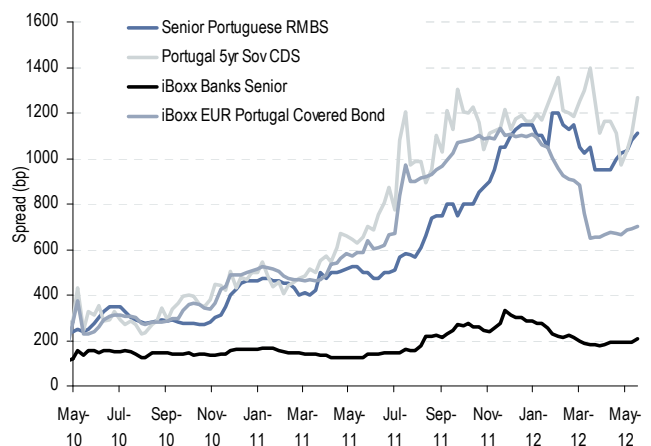
Source: Markit and Citi Investment Research and Analysis

Figure 24. Italy RMBS Generic Spreads Versus Indexes, May 10–May 12



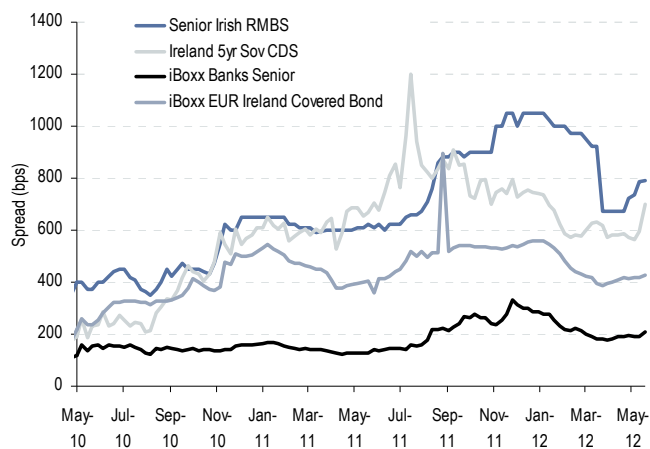
Source: Markit and Citi Investment Research and Analysis

Figure 25. Portugal RMBS Spreads Versus Indexes, May 10–May 12



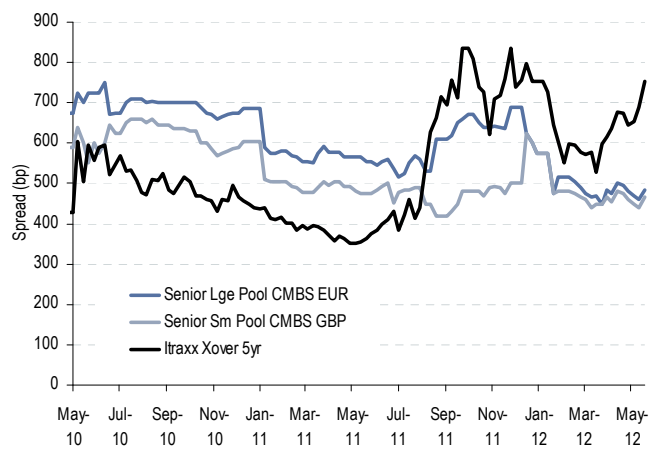
Source: Markit and Citi Investment Research and Analysis

Figure 26. Ireland RMBS Spreads Versus Indexes, May 10–May 12



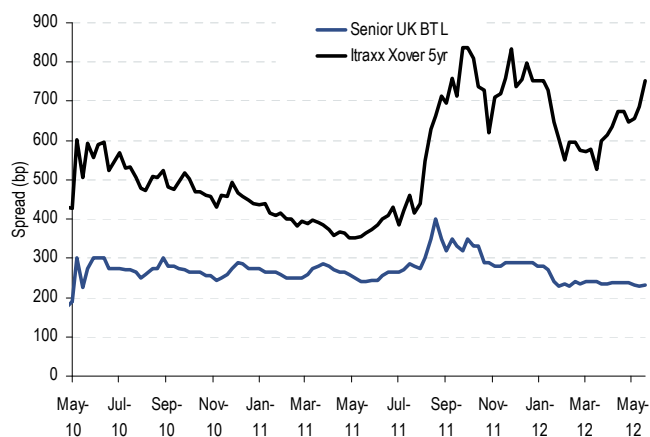
Source: Markit and Citi Investment Research and Analysis

Figure 27. CMBS Generic Spreads Versus Indexes, May 10–May 12



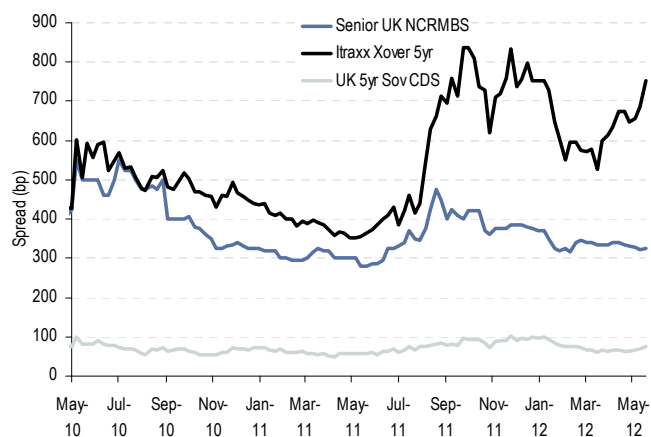
Source: Markit and Citi Investment Research and Analysis

Figure 28. UK BTL Generic Spreads Versus Indexes, May 10–May 12



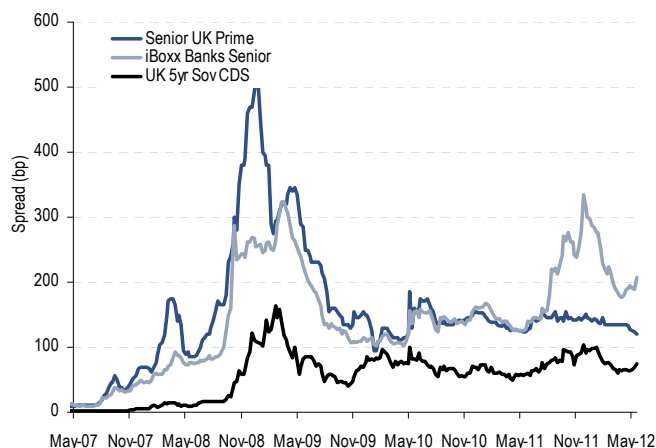
Source: Markit and Citi Investment Research and Analysis

Figure 29. UK Non-Conforming Spreads Versus Indexes, May 10–May 12



Source: Markit and Citi Investment Research and Analysis

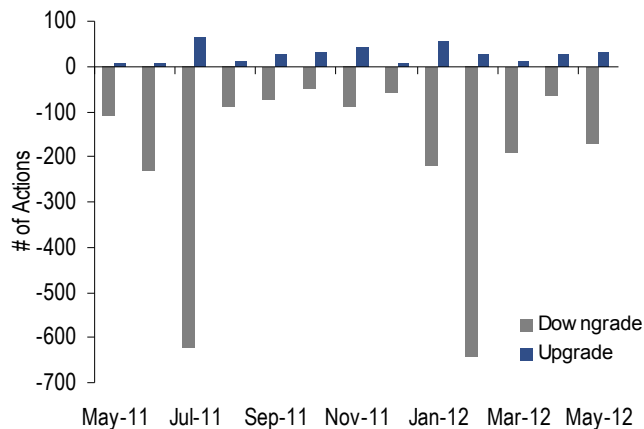
Figure 30. UK RMBS Generic Spreads Versus Indexes, May 07–May 12



Source: Markit and Citi Investment Research and Analysis

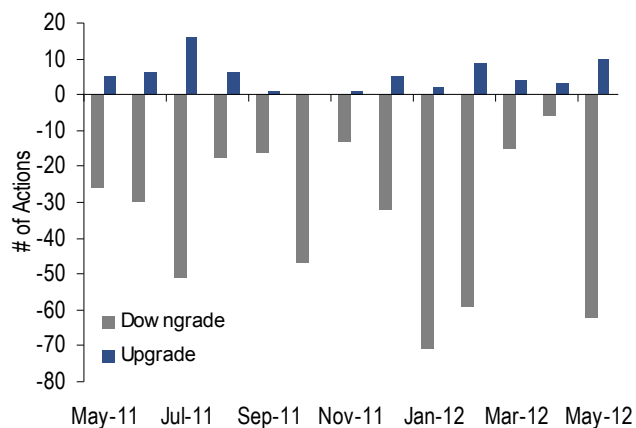
Rating Actions and Trends

Figure 31. European RMBS Rating Actions, May 11-May 12



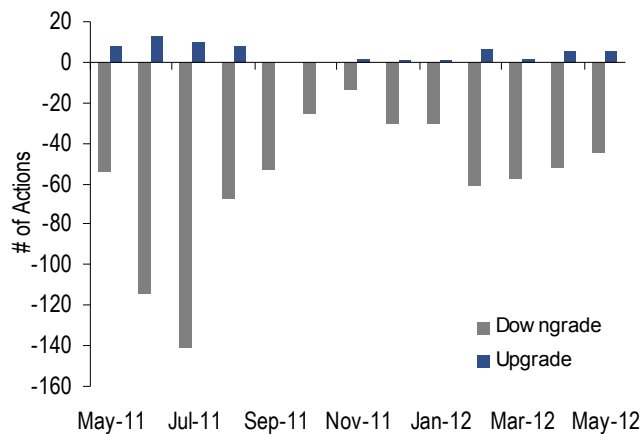
Source: Moody's, S&P and Fitch

Figure 33. European ABS Rating Actions, May 11-May 12



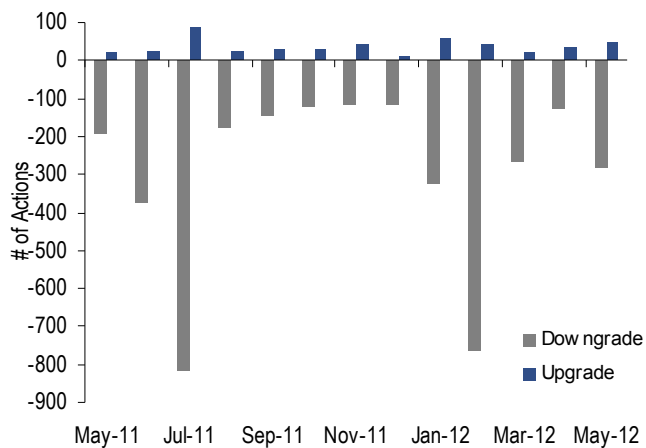
Source: Moody's, S&P and Fitch

Figure 32. European CMBS Rating Actions, May 11-May 12



Source: Moody's, S&P and Fitch

Figure 34. European Total Securitized Products Rating Actions, May 11-May 12



Source: Moody's, S&P and Fitch

Notes

Appendix A-1

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