



EMEA ABS SME Securitizations

Agenda

1. Characteristics of EMEA ABS SME Transactions
2. Performance of ABS SME Pools
3. Trends Affecting ABS SME Securitizations

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Characteristics of EMEA ABS SME Transactions

SME Definition used by Moody's in EMEA ABS SME

Borrowers

- » Loans extended to microenterprises, small and medium-sized enterprises (SMEs), self-employed individuals and, to some extent, larger corporates in the course of the originator's (i.e. bank's) usual business activities.

SMEs

- » Typically, defined based on the guidelines of the European Commission (2003/361/CE and its updates), i.e. companies with less than 250 employees and a yearly turnover below EUR 50M or with total asset below EUR 43M.

Type of Loans

- » Medium- to long-term secured and/or short- to medium-term unsecured loans to SMEs for working capital or investment purposes.
- » Excluded: Loans to multi-national corporates, public or non-profit organisations, start-up companies, leveraged loans, subordinated loans, preferred stock and/or without recourse to an operating company (e.g., real estate project finance and SPVs).

Moody's SME Definition is Relatively Narrow

Refinancing SME Exposures via Structured Finance

SME Balance Sheet ABS

- » Granular portfolios with an Effective Number >100 (i.e. at least 200 borrowers; max 85,000; average in Italy and Spain around 10,000; top 1 and top 10 borrowers 1.5% and 10% of the pool)
- » High degree of transaction governance ensuring alignment of interest between originating bank and noteholders

SME Lease ABS

- » Very similar to SME balance sheet ABS, except for the underlying receivables which are equipment and/or real estate leases with SMEs being the lessees.

SME CLOs

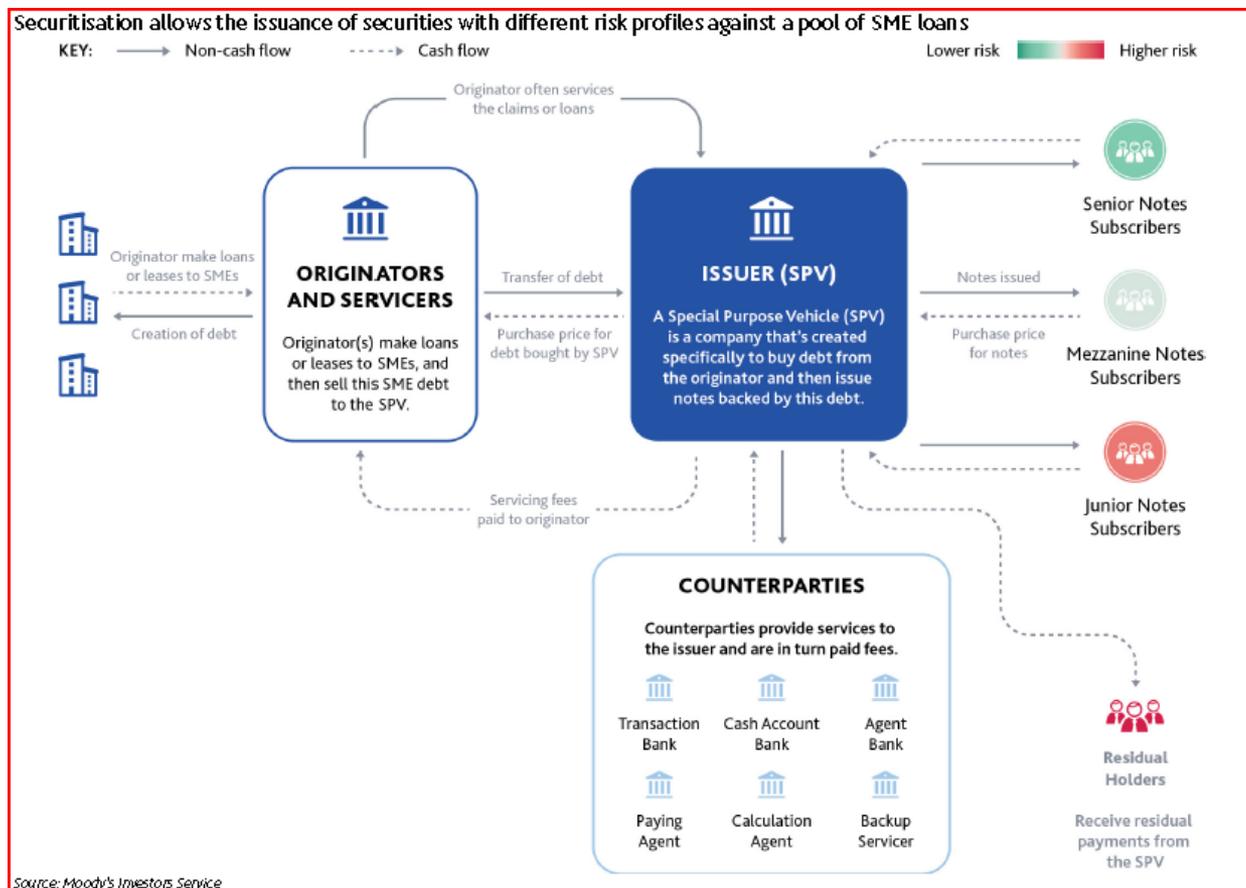
- » Less granular portfolios with more chunky exposures. They often contain loans to larger corporates (e.g. leveraged loans).

Covered Bonds

- » Strictly speaking not securitizations, but rather bank debt secured over a specific portfolio of assets on balance sheet, typically mortgages or public assets, and rarely SME loans (Turkish SME Covered Bonds)

Different Ways to Refinance SME Exposures via Securitization and Covered Bonds

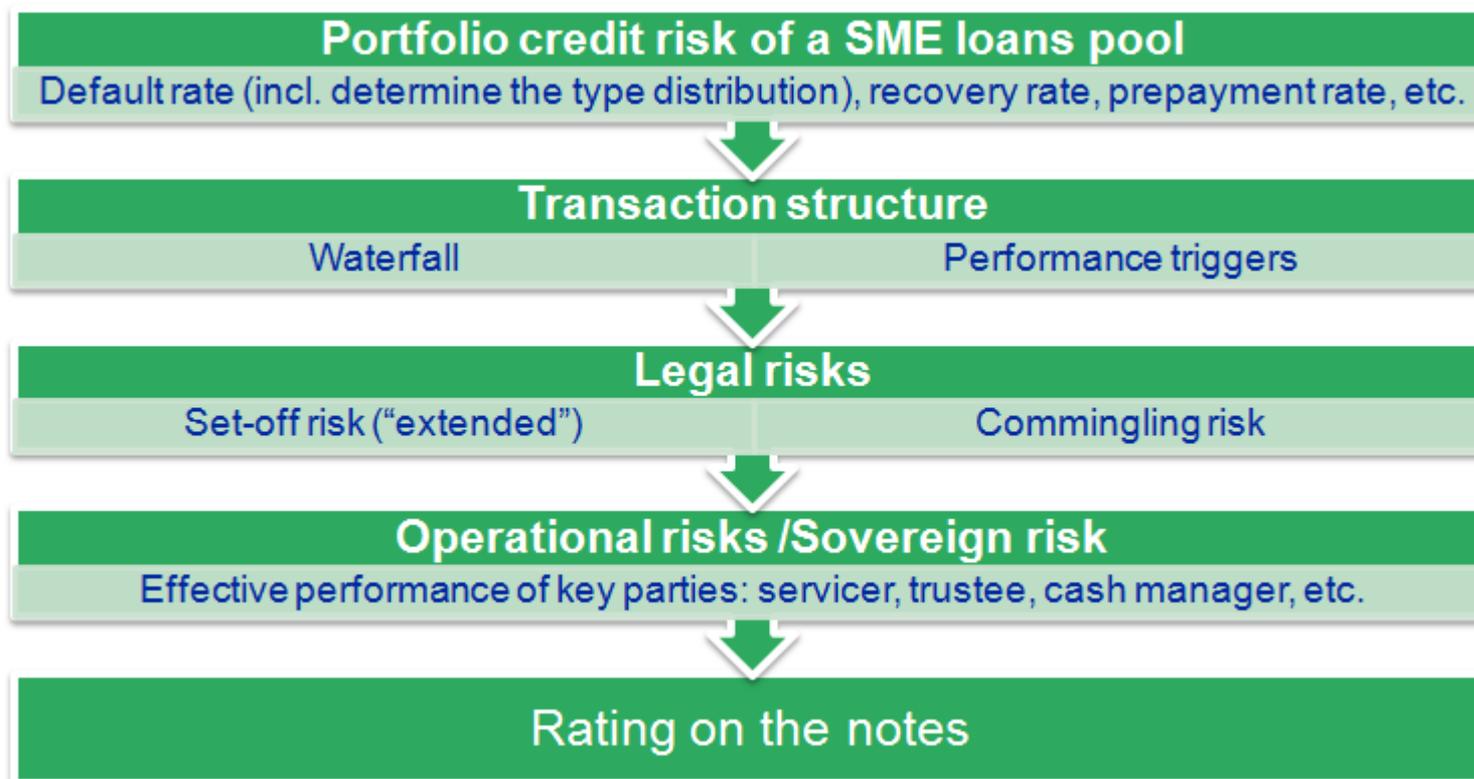
Structural Chart of a Typical ABS SME Transaction



Source: Moody's Investors Service

ABS SME Transactions Involve Several Stakeholders

Rating an ABS SME Transaction



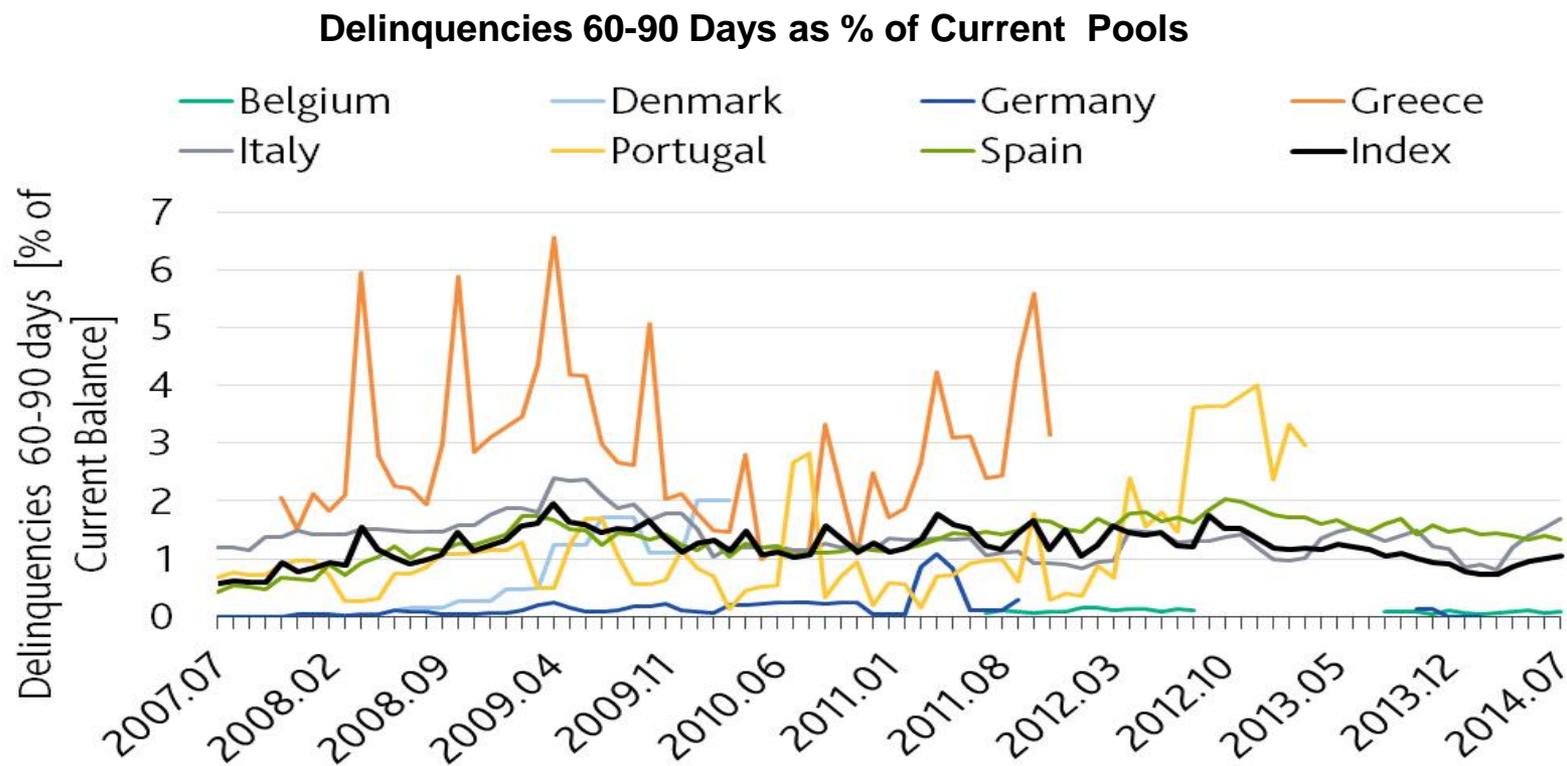
Source: Moody's Investors Service

Our Analysis Focuses on Credit, Structural, Legal and Operational Risks

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Performance of ABS SME Pools

Performance of ABS SME Pools (1) Highlighted



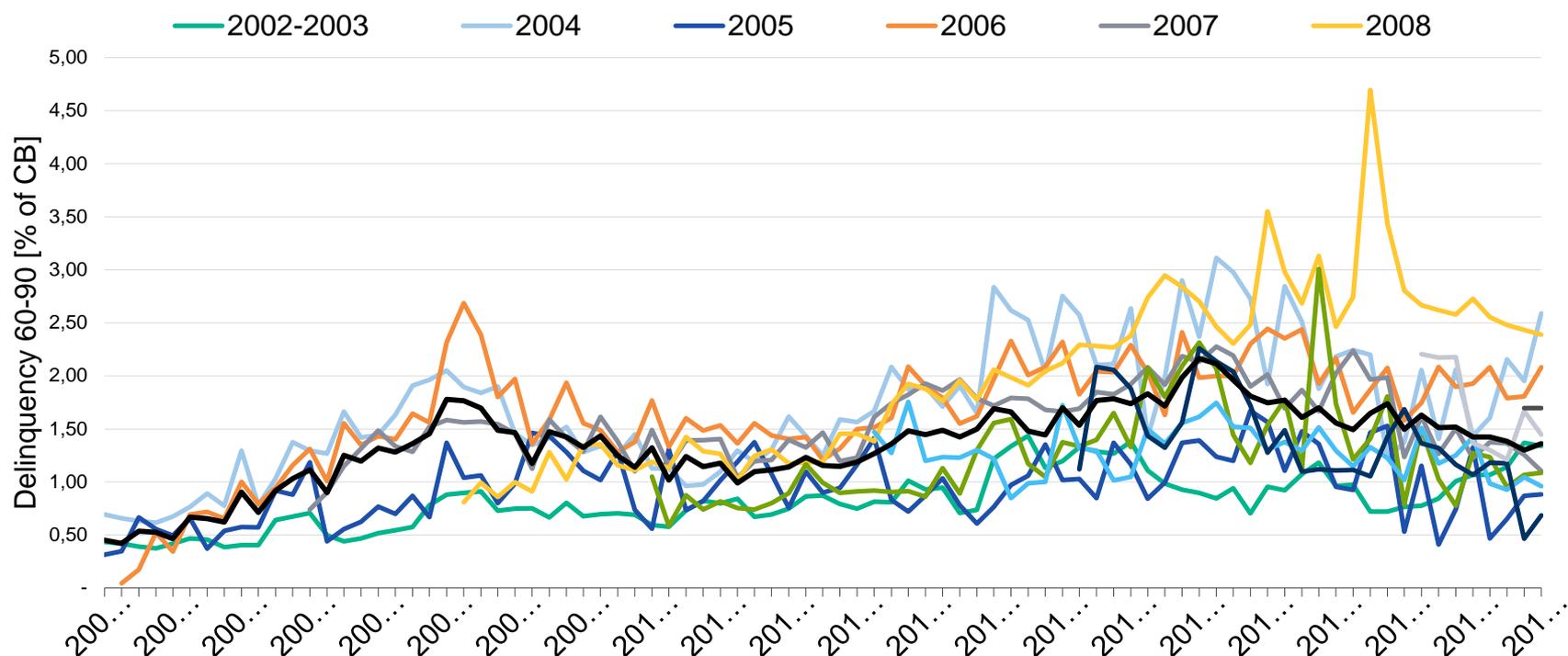
Source: Moody's Investors Service, Investor Reports

Source: Moody's Investors Service

ABS SME Perform Significantly Better in the North Than in the South of Europe

Performance of ABS SME Pools (2) Highlighted

Spain: Delinquencies 60-90 Days as % of Current Pools

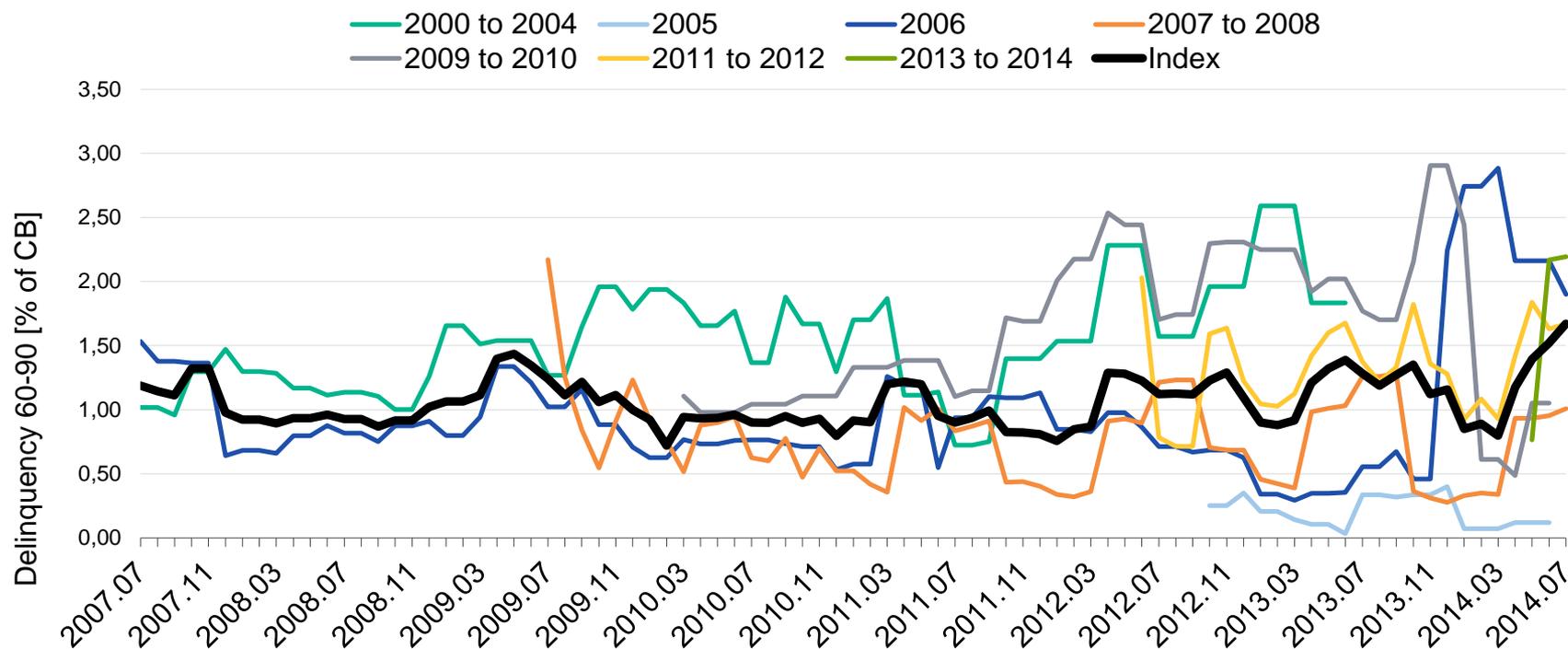


Source: Moody's Investors Service

Despite Severe Economic Stress, Delinquencies in Spanish ABS SME are Moderate

Performance of ABS SME Pools (3) Highlighted

Italy: Delinquencies 60-90 Days as % of Current Pools

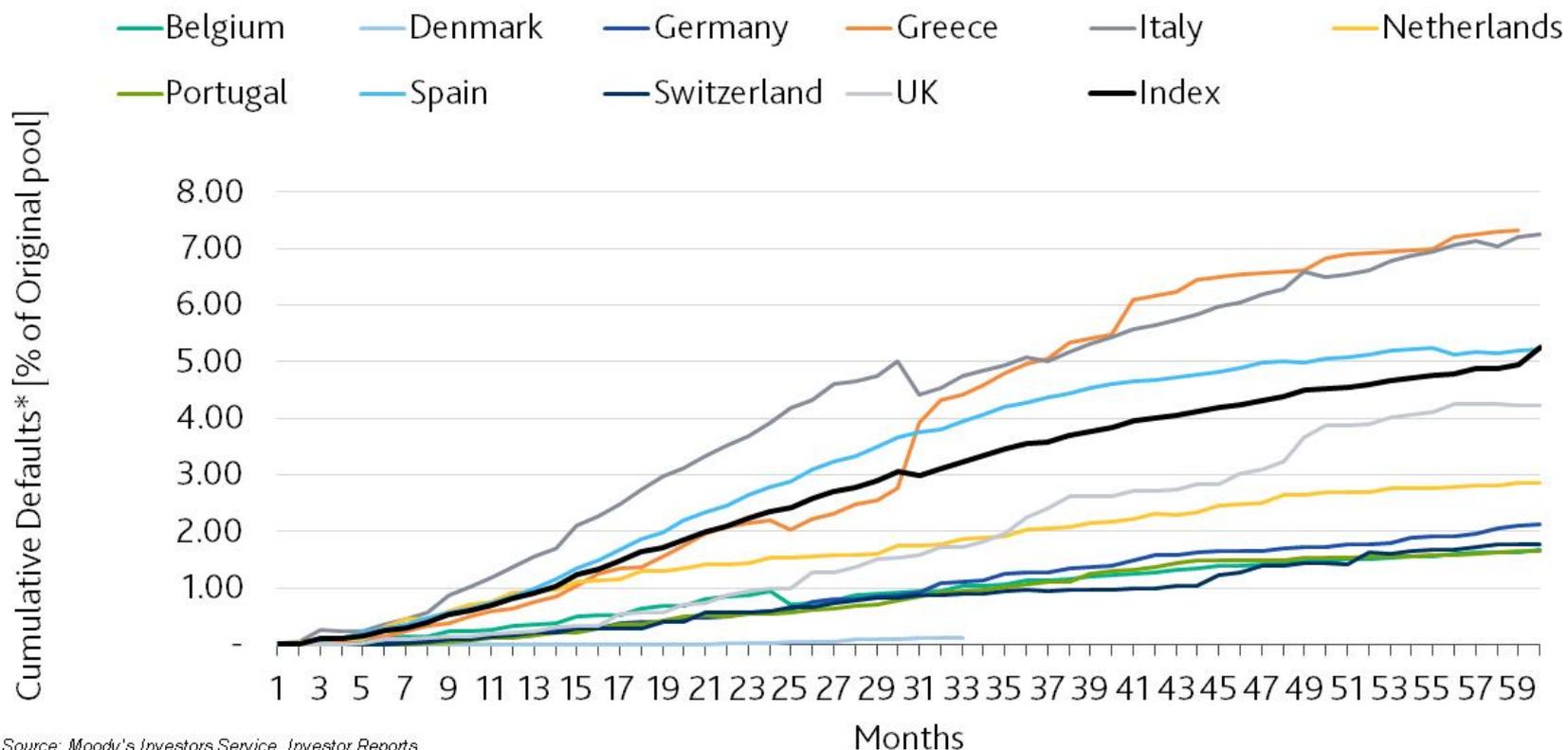


Source: Moody's Investors Service

Delinquencies in Italian ABS SME are Similar to Those Observed in Spain

Performance of ABS SME Pools (4) Highlighted

Cumulative Defaults as % of Original Pool Balance



Source: Moody's Investors Service, Investor Reports

On Average, Cumulative Defaults Reach 5% after Five Years

Losses on SME Tranches Highlighted

Cumulative Losses for ABS SME Tranches (January 2007 to March 2014)

Rtg Cat \ Horizon	#	1 Yr	2 Yr	3 Yr	4 Yr	5 Yr
Aaa	175	0.00%	0.00%	0.00%	0.00%	0.00%
Aa	75	0.00%	0.00%	0.00%	0.00%	0.00%
A	115	0.14%	0.35%	0.53%	0.53%	0.53%
Baa	93	0.70%	1.56%	2.14%	2.60%	3.77%
Ba	58	0.54%	1.25%	1.53%	1.53%	1.91%
B	31	0.53%	1.33%	1.81%	1.81%	1.81%
Caa	24	2.18%	5.12%	8.91%	13.68%	20.72%
Ca_C	16	13.04%	24.44%	32.87%	36.19%	39.79%

Source: *European SME Asset-Backed Securities: A Guide (October 2014)*

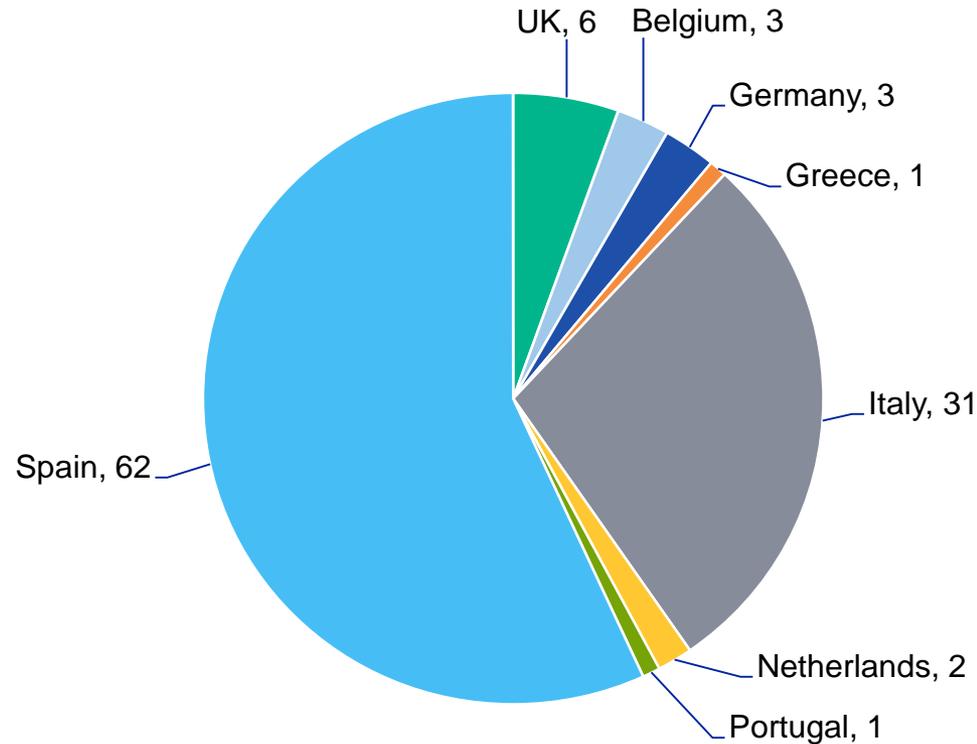
Losses Will Take Time to Materialise for the Weakest Tranches

3

Trends Affecting ABS SME Securitisations

Origination per Country – Rated Transactions Highlighted

Number of our Rated Transactions

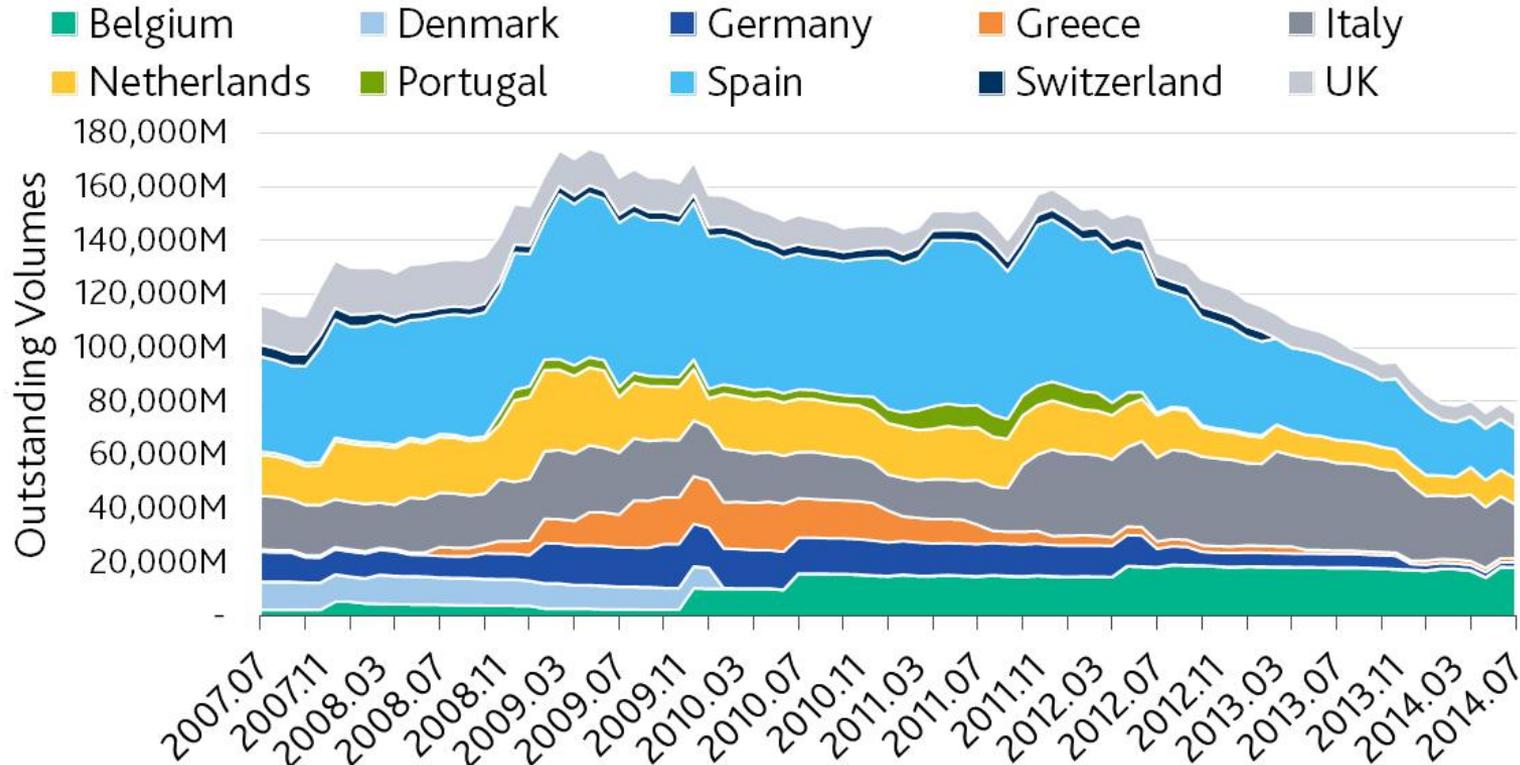


Source: Moody's Investors Service

Spain and Italy Have Become the Most Important Markets

Origination per Country – Outstanding Volumes Reflected

Evolution of Outstanding Volumes



Source: Moody's Investors Service

Spain and Italy Have Become the Most Important Markets

Expectations for the SME Segment in 2015

Existing deals

- » We expect performance to stabilise
 - The mild improvement of the European economy will have little effect on the 2015 performance
 - Even the weakest Vintages 2007 and 2008 show signs of improvement

Future Issuance

- » The tightening of bank lending criteria and the improvement of the economic environment will lead to better performance for future transactions
- » Structures likely to change (e.g. more credit support to help mezzanine tranches to qualify as ECB collateral)
- » Trend towards disintermediation will generate more activity with regards to concentrated SME CLOs

We Expect Stable Performance for 2015 in the SME Segment

Questions?

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