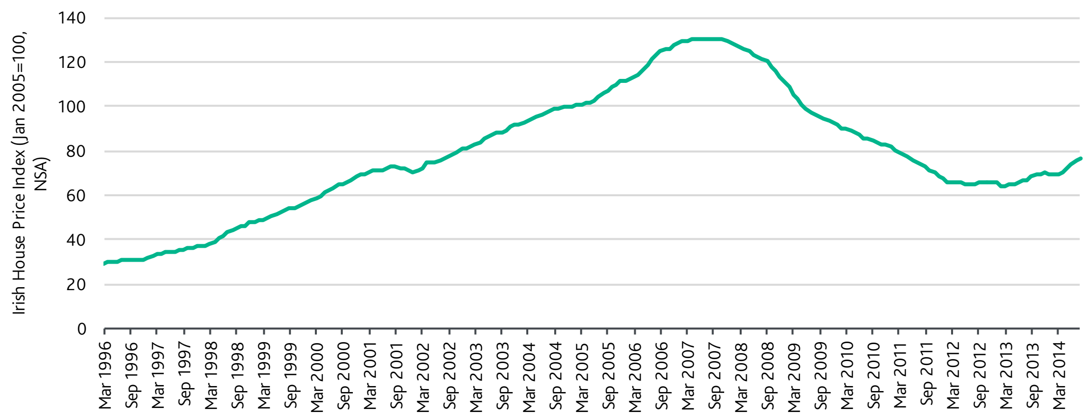
EXHIBIT 1

### House Prices Are Emerging from a Severe Seven-Year Downturn




*Source: CSO Ireland, Moody's Analytics Estimated - data prior to Jan-2005*

# ABS and RMBS

## New Government Initiatives to Support the Italian Economy Are Credit Positive for Italian Securitisations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The Italian government has recently taken a series of measures that, among other things, aim to foster a more credit-friendly environment for Italian small and medium-sized enterprises (SMEs). While the new measures will primarily be credit positive for Italian SME securitisations, via the provision of an increase in funding and a related decrease in refinancing risk, they will also benefit other types of structured finance transactions. SMEs will benefit from alternative sources of funding and will receive indirect support via government expenditure on infrastructure projects that benefit the ailing construction and real estate sectors, both of which are credit positive developments. In addition, all securitisations involving real estate-backed collateral will benefit from changes to the civil procedure rules that strengthen the creditor's position against defaulting borrowers.

**Alternative funding for Italian SMEs will decrease their refinancing risk.** With the introduction of Law Decree 24 June 2014 no. 91 (the Decree), Italian companies will now have access to an additional source of financing, which is credit positive for Italian SMEs because it mitigates refinancing risk. Against a backdrop of continuing bank disintermediation and tighter credit standards, Italian corporates have approximately $41.2 billion of bank debt and $57.4 billion of bonds maturing in 2014-16.[22] Gaining access to alternative sources of financing will prove beneficial for Italian companies and reduce default rates as SMEs that would have not been able to refinance their debt through traditional channels will now have an additional source of funding.

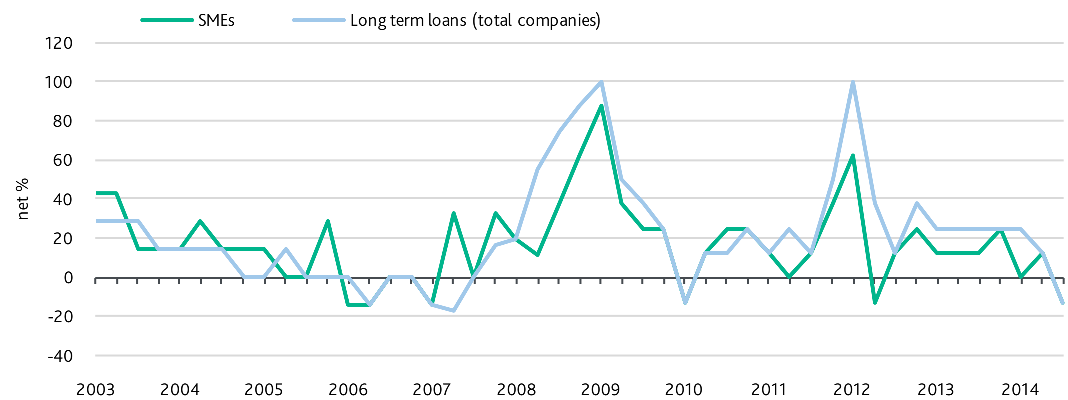
[22] For further information on refinancing risk for securitised SME loans, see Spanish and Italian SME ABS Transactions Vulnerable to Tight Credit Supply on High Refinancing Needs over the Next Five Years, 14 November 2013.

The decree allows Italian securitisation special purpose vehicles (SPVs) and insurance companies to provide finance directly to borrowers provided certain conditions are met.[23] Before the decree was converted into law on 11 August 2014, Italian SPVs could purchase SME loans originated by financial institutions, but could not grant loans directly to SMEs. The decree adds a new source of funding for SMEs, which are already taking advantage of the mini bond regulation,[24] which allows them to issue bonds under favorable conditions.

Over the past few years, Italian banks have, for the most part, reported a tightening of credit standards, especially for long-term loans. Only in the second quarter of 2014 did supply conditions for loans to firms become slightly less restrictive, owing to the improvement in economic activity expectations and the increase in competitive pressure from other banks or sources of funds. Exhibit 1 captures Italian senior loan officers' responses to the Italian central bank's lending survey questionnaire on its changes in credit standards for lending to Italian companies. Positive values indicate a net tightening of credit standards.

EXHIBIT 1

**Changes in Banks' Credit Standards for Approving Loans to SMEs and Long-Term Loans to Companies Have Mostly Tightened since January 2003**




*Source: Bank of Italy's Banking Lending Survey*

**New funds for the building and construction sectors are credit positive for Italian SME securitisations.** The law decree "Sblocca Italia"[25] will be credit positive for Italian lease and SME transactions as it will, among other things, unlock €10 billion's worth of funds for infrastructure projects. It also contains measures supporting the construction and building sector, which the economic crisis has severely hit. In a context of a weak real-estate market, measures that support public works, for instance, help construction-related companies to maintain their activity and income. Such measures include the provision of new resources, the unlocking[26] of available resources, or the acceleration of the construction schedule for 27 Italian infrastructure programs such as motorways, airports, and railway and underground systems. This package of measures represents around €10.0 billion of funding over the next 12 months, out of which €3.8

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23 The Decree requires these new types of securitisations to meet the following conditions: (1) Borrowers cannot be individuals or microentities; (2) a bank or financial intermediary must be responsible for the selection of the borrowers; (3) a bank or financial intermediary shall keep an interest in the transaction as required by Bank of Italy; and (4) a bank or financial intermediary shall act as servicer.

24 Approved in 2012 with the "Decreto Sviluppo" and in late 2013 with Law Decree "Destinazione Italia". For more details on mini-bonds, see p.6. *of* Improving Macroeconomic Conditions, Low Interest Rates and Ongoing Bank Disintermediation Will Fuel Issuance for Next 12-18 Months, June 2014.

25 Law Decree of 29 August 2014 was published in the Official Gazzette on 12 September 2014 and came into force on 13 September 2014. However, the Italian Parliament needs to vote on the decree within 60 days and might decide to amend certain elements.

26 Some infrastructure projects were blocked in the bureaucratic process, as the new law decree aims to expedite the works.

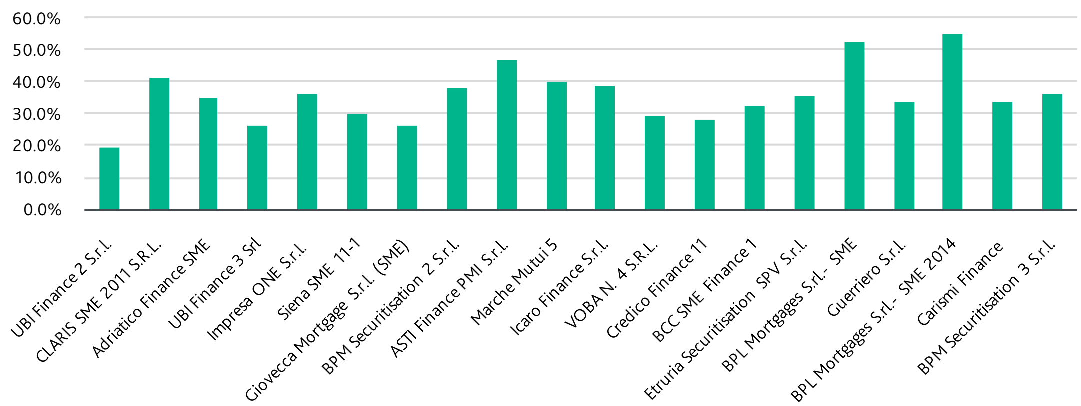
billion is earmarked for big infrastructure projects on the condition that they start within the next 10 months. The measures, as well as the incentive they provide to speed up the building programs, are credit positive for the SMEs in the construction and real estate sectors, as these SMEs will benefit from higher demand over the next 12 months.

Provisions to simplify and reduce the administrative burden for construction-related activities (e.g., when real estate units are combined or split) will reduce administrative costs and allow speedier processes.

All measures that support the building and construction sector are positive for the Italian lease and SME transactions because around 30%-40% of underlying borrowers are active in this sector (see Exhibit 2).[27]

EXHIBIT 2

**A Large Proportion of Borrowers Are Active in the Construction and Building Industry in Italian SME Transactions Closed Since 2011 (information as of closing of the transaction):**




*Source: Moody's Investors Service*

**Law changes regulating the foreclosure process[28] will strengthen the creditor's position against defaulted mortgagees, despite a limited immediate impact on recoveries in a weak real estate market.** Changes to the laws are speeding up the recovery procedure against defaulted mortgagees and making the process more transparent. As a result, foreclosed properties will become more appealing to potential buyers, and recoveries on such properties could increase. Amongst other changes, the court can now order borrowers to leave the property when the executive sale procedure starts. Under the previous rules, the court could only require the borrowers to do so once the property had been sold.

The updated code also makes the foreclosure procedure more transparent, as prospective buyers will be able to visit the property more easily. This measure will eventually contribute to creating a demand for foreclosed properties, which today is virtually non-existent, and thereby reduce the number of auctions needed to sell the property, a credit positive both in terms of timing and price obtained.[29]

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[27] According to our definition of 'building and construction', this sector includes construction, real estate activities, architectural activities, as well as the manufacturing and wholesale of construction products such as bricks, tiles and sanitary equipment.

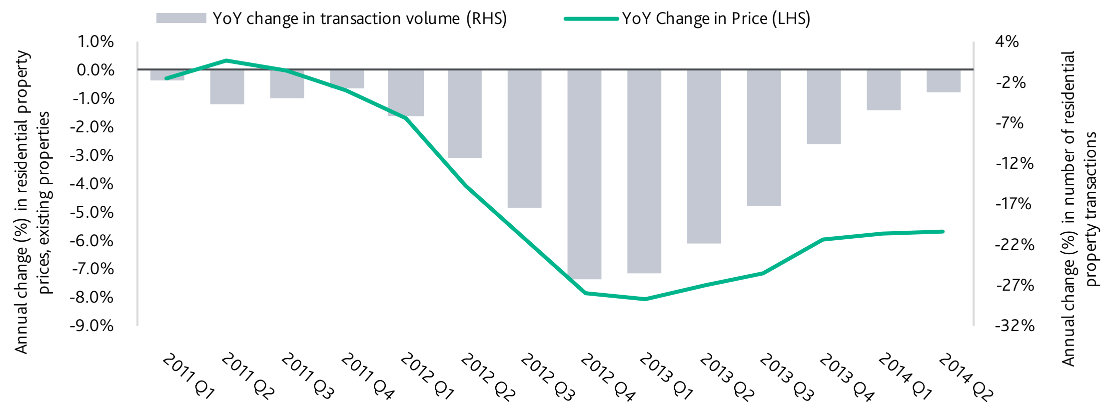
[28] The changes have been made through Decreto Legge 12 September 2014, n 132, published in the Official Gazzette on 12 September 2014.

[29] The normal procedure in Italy is that the asking price for the property is reduced by 20% for each additional auction that is needed to sell the property.

However, these measures will, by themselves, not have a large immediate impact on defaulted borrowers' behavior or on recovery rates, as they continue to primarily depend on the Italian residential real-estate market, which is still weak (see Exhibit 3).

EXHIBIT 3

**Both Prices and Transaction Volumes for Residential Real Estate Have Been Falling During the Last Few Years**




*Sources: ISTAT for prices, Agenzia delle Entrate for the transaction volumes*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## Understanding the Risks of Synthetic Transactions

Synthetic structures[30] transfer the credit risk of a portfolio of assets without transferring the assets themselves. They were first widely employed in collateralised debt obligation transactions, but have since spread to a number of asset-backed securities sectors. Synthetic structures generally have lower administrative costs than cash transactions, as well as less legal and operational complexity. Synthetic transactions do not differ substantially from cash transactions in terms of risk, because they are usually designed to replicate the exposure of cash deals. However, synthetic structures have some characteristics that need to be considered.

**Synthetic transactions are typically structured as a credit default swap (CDS) or guarantee.** The originator enters into a CDS or guarantee with a special purpose vehicle (SPV), and the SPV sells credit protection[31] on a reference portfolio of assets to the originator. The SPV usually invests the proceeds from the sale of the notes in cash or highly rated eligible investments (with proper protection[32] against market and liquidity risks) that serve only to compensate the originator from losses in the portfolio and to ensure repayment of the notes. These proceeds cannot, therefore, be used as a long-term funding[33] source for the originator, which limits the scope of synthetic securitisations. This type of synthetic structure, in which the payment obligation of the protection seller is discharged in full at the start of the transaction, is a "funded" structure.

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30 Credit default swaps.

31 A party guarantees (protects) itself against credit risk on a portfolio of assets (i.e., it will pay an ongoing premium, and upon the occurrence of certain contingencies, generally losses on the reference portfolio, it will receive a payment from the SPV for an amount equal to the loss experienced according to the loss definition).

32 Such as a repurchase agreement with a highly rated counterparty, including a fixed price of par and rating triggers to replace the counterparty in case of downgrade at the cost of the counterparty.

33 Cash is not available as a long-term funding source as the SPV may need to make protection payments or amortise notes at any time; however, in scenarios where losses are very low and reference portfolio amortisation is very long, cash will remain at the disposal of the cash deposit bank for a long time.