

Special Report

**EMEA Structured Finance
Sector Outlook - Too Early for
'Green Shoots'****Analysts****ABS**

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Executive Summary

- This report updates Fitch Ratings' outlook for the European structured finance sector, which was published on 21 May 2009. Since the publication of the last report there have been some early signs of global economic stabilisation. In this issue, Fitch evaluates the key macro-economic and sector specific factors that influence European structured finance asset classes. The agency identifies the factors most heavily weighing on asset performance and focuses on the leading indicators that would herald an improvement in asset performance.
- Fitch's structured finance analysts are sceptical that macroeconomic recovery will change the course of asset performance deterioration in structured finance generally in the medium term. Fitch's house view on economic recovery remains that headline economic growth may become evident during the last two quarters of 2009, but that the nature of the recovery will be weak and remain significantly below long term growth trends. This means unemployment can be expected to continue rising throughout 2010, with a concomitant impact upon the arrears performance of consumer securitisation transactions. Fitch forecasts unemployment to reach 11.7% in the euro area in 2010, remaining close to that level at 11.2% in 2011. The UK's unemployment rate is expected to hit 9.8% in 2010 and 9% in 2011. (See Fitch's report 'Global Economic Outlook', dated 30 June 2009.)
- Fitch therefore expects the overall tone of negative rating actions to continue through the rest of 2009 and 2010. However, the pace and intensity of downgrades are likely to slow as the economy stabilises and an anaemic recovery begins.
- While drastic cuts in interest rates have taken the pressure off consumers regarding the affordability of their substantial debt burden in the short term - which has seen some stabilisation of arrears performance in consumer securitisation transactions - the unemployment effect is expected to eventually outweigh this and render this stabilisation a temporary phenomenon.
- UK house price indices suggest value declines are bottoming out and may have even started to rise after a peak-to-trough decline of some 19% to date. Fitch believes this stabilisation is largely the result of improved affordability due to interest rate easing. However the weak recovery and rising unemployment mean house prices are likely to resume their downward trajectory. A 30% peak to trough house price decline expectation is the central case expectation in UK RMBS ratings. Elsewhere in Europe, house price indices may lag the true extent of value decline and overstate the recoveries that can be achieved on enforcement. As arrears and enforcements rise, loss severities are also therefore expected to rise.
- The commercial property sector remains depressed and illiquid. UK commercial property values are estimated to be up to 50% off their 2007 peaks. Weak economic recovery could see values remain low until financing conditions for commercial property improve. With notable exceptions, loan maturities tend to be some years hence, providing scope for an eventual recovery. However, in mainland Europe especially, the likelihood is for ongoing falls in value. Corporate analysts believe the impact of recovery in reversing current and

forthcoming cashflow erosion for corporates will not be felt until the course of mid-2011. This could see more tenant defaults in commercial mortgage transactions during 2010.

Outlook Revisions

Detailed country by country asset class outlooks are provided in the appendix of this report. The outlooks in the following asset classes and countries have been revised:

- **Austrian Consumer ABS - Asset Performance Stable/Declining & Rating Positive.** The asset performance was revised to stable/declining from stable.
- **German Consumer ABS - Asset Performance Declining & Rating Stable.** The asset performance was revised to declining from stable/declining.
- **Greek Consumer ABS - Asset Performance Stable/Declining & Rating Stable/Negative.** The asset performance was revised to stable/declining from stable. The rating outlook was revised to stable/negative from stable.
- **Spain Consumer ABS - Asset Performance Declining & Rating Negative.** The rating outlook was revised to negative from stable/negative.
- **South African Small-Ticket Equipment Leases - Asset Performance Declining & Rating Stable.** The asset performance was revised to declining from stable/declining.

RMBS

The major factors weighing on the European RMBS sectors are: (i) rising unemployment and employment instability, which are the major drivers of increasing arrears and defaults and (ii) further house price declines.

In the UK, according to various house price indices, prices have already dropped by around 19% in nominal terms to date. In contrast, in most Continental European countries, although prices are experiencing considerable downward pressure, the observed declines are much less pronounced. Fitch believes this could be partly due to the fact that some of these indices may lag the actual house price developments. There have been recent rises in the house price indices in the UK, but whilst this may show a degree of stabilisation, Fitch believes that rising unemployment will exert further downward pressure on house prices.

The table below summarises Fitch's expectations on peak-to-trough house prices as well as average mortgage default rates for the main four issuing European countries over an expected recessionary period.

Fitch RMBS Expectations

(%)	House price decline ^a : peak-to-trough	Average mortgage default rates
UK conforming	30	6
UK non-conforming	30	17 to 26
Ireland	30 to 35	2.5
Spain	25 to 30	3 to 6
The Netherlands	15	2.5

Expectations for other European countries will be rolled out in subsequent outlook issues

^a Nominal terms

Source: Fitch

In the UK, the decline in house prices has started to feed through into higher loss severities on transactions. In other European countries actual losses have not yet been realised as the foreclosure procedures are not yet completed, however, default provisioning mechanisms are mitigating the effect of carry costs associated with the potentially long recovery timing.

The lack of re-financing opportunities especially in the UK is also weighing negatively on the sector. This has resulted in low level of mortgage prepayments in the UK, but also in other European countries, and has slowed down the build up of credit enhancement.

A stabilisation or recovery in unemployment rates would support the stabilisation of delinquency and default rates (for example as measured by 90+ arrears). New defaults remain a major concern for Spain, Portugal and Italy and an easing in new default rates would help to mitigate rating downgrades.

Further signs heralding an improvement in asset performance, would include a levelling off of house price declines and the number of house sale completions and housing turnover to pick-up, with good recovery rates on foreclosed properties, especially from those countries with lengthy recovery timing. In Southern European RMBS there have been limited recoveries coming in so far and limited evidence to compare actual recoveries with Fitch's initial assumptions. As a result, if recoveries turn out to be better than initial expectations this would be an indicator of improved performance and a mitigating factor against rating downgrades.

Meanwhile an improvement in the availability of credit amongst the private and corporate sectors will translate in to a pick-up in demand for new mortgages.

There are several important supportive factors currently in place for the RMBS market:

- Low interest rates have temporarily eased pressure on borrower affordability across European RMBS. Borrowers on floating rate mortgages have been benefitting from reduced debt servicing costs. However Fitch believes the positive effect of low interest rates will be off-set by rising unemployment in both the euro area and the UK. A number of transactions have seen revenue collections improve as a result of the low interest rates, however, this leaves the transactions vulnerable to potential sudden rises in interest rates which could result in affordability dropping very quickly;
- Actual repossessions remain low for most jurisdictions and remain within Fitch's initial expectations;
- The high home ownership culture in many European countries is also helping to support house prices;
- Recent government and bank sponsored measures supporting mortgage borrowers having difficulty repaying their mortgage loans and preventing repossessions may also help to diminish loan defaults in the near to medium term.

A stabilisation in employment and improvement in consumer confidence as well as an improvement in the availability of credit to the consumer sector will be strong signs that the sector is in a recovery phase. However, Fitch does not expect any meaningful recovery in the sector until 2011. The improved performance of transactions will significantly lag behind any economic recovery, as an increase in employment is likely to take a minimum of 6-12 months before translating into lower arrears.

CMBS

Uncertainty surrounding future rental income i.e. the risk of tenant administration, falling market rents and rising vacancy, continues to weigh heavily on CMBS markets. This uncertainty forces investors to appraise individual properties in a conservative manner, and demand extraordinarily high running yield premiums over benchmark "risk-free" yields in the UK. A further problem is the capital-intensity of investments, which is pinching demand in an environment with restricted debt availability.

However, good quality income secured on long leases can allow investors to set aside some uncertainty and will eventually enable select high quality property yields to fall. This should improve general sentiment in due course. The transparency of property value information in the UK has contributed to the speed of the recent "correction" in values, allowing investors to gauge the appropriateness of general measures of risk in the commercial real estate sector more easily than in others. This may boost sentiment earlier in the recovery phase than would otherwise be the case.

An early sign of a stabilisation or improvement in CMBS asset performance would be a moderation in the rate at which rental yields are rising; but with downward pressure on rents likely to persist for some time, it might take actual falls in yields to signal an improvement in sentiment. A leading indicator would be greater willingness on the part of banks to lend in volumes, including in so-called club deals; more generally, Fitch reports an "increasing ability of banks in recent weeks to access term funding without sovereign guarantees", which might be the faintest glimmer of recovery in asset values.

A slowdown in corporate defaults and increased consumer confidence would support the sector. However, this may prove short-lived and more generally across the EMEA region it will take some time for signs of recovery to translate into actual recovery. The delay between an improvement in bank financing conditions, on the one hand, and commercial property values, on the other, is difficult to estimate since it relies on a transmission mechanism involving first an easing in lending terms and finally a reduction in the property income risk premium. This is further clouded by the natural lag in occupational markets (owing to conventions for lease lengths), which will continue to deteriorate. However, the speed and severity of property declines already posted in the UK will shorten this lag. The best sign of impending improvement would be a pick-up in property turnover, as stock first clears from the books of distressed sellers at the largest discounts, setting a floor in value.

Consumer ABS

The macro-economic environment continues to severely inhibit consumer ABS performance in Europe. Consumer credit performance is closely correlated to unemployment trends and confidence-linked factors such as house prices and new car sales. Fitch expects these influences to continue to trend lower into 2010 and therefore the agency expects further deterioration of consumer ABS asset performance throughout 2010.

Low interest rates are benefitting certain consumers through lower monthly mortgage payments. Fitch sees some reductions in credit card balances, which indicates that prudent people are using the money to overpay their unsecured debt obligations. However for people who are losing jobs/income, and going delinquent, the lower interest rates are irrelevant. Overall the positive impact of low interest rates is not compensating for the broader economic factors.

Early signs of consumer ABS asset performance recovery would be signalled by factors including:

- Increase in manufacturing orders;
- Stabilisation of unemployment levels;
- Stabilisation of GDP;
- Increase in credit availability, especially point of sale finance (i.e. to finance specific purchases) that indicates increased confidence & consumption;
- Stabilisation of house prices;
- Increase in levels of new car sales, excluding impact of subsidy schemes;
- Falling early stage consumer credit delinquency levels.

However, it will take a sustained rally in these factors to translate to a stabilisation or improvement in asset performance. Fitch typically would expect performance measures such as early stage delinquency to respond to changes in unemployment within three-six months.

Corporate ABS

Weak consumer confidence and subdued foreign trade (SMEs are often export-oriented) are exerting significant negative pressure on corporate ABS assets. Subsequently, rising delinquencies are feeding into increasing defaults, while falling asset values are squeezing recovery proceeds. Declining recoveries are a particular challenge for transactions where credit is given to recoveries (and for transactions exposed to residual value risk, mean a greater risk of residual value losses).

Access to financing for SMEs is another driving force - at the moment this is extremely limited due to more conservative lending policies by the banking sector, despite the European governments' attempts to ease the funding shortage.

Low interest rates are the single most supportive factor for the sector, supporting consumer spending, which in turn supports many SMEs and corporates. This helps such companies meet their obligations (even where those obligations are fixed rate). Furthermore floating-rate debt is cheaper to service, helping firms to meet their obligations despite tight cash-flow and leaving more cash available to cover fixed rate obligations such as leases.

In the auto operating lease and mix lease segment a persistent trend of stabilising delinquencies and defaults would indicate recovery, whilst rising commercial aviation traffic and improving financial results for airlines would signify a stabilisation in aircraft lease performance. Leading indicators for auto and mixed leasing ABS include a significant improvement in business confidence, a pick up in foreign trade and in general, GDP increases. The Fitch Excess Spread Index also gives a reliable indication of the healthiness of transactions and the likelihood of negative rating actions.

However, Fitch would need to see a persistently improving trend before a recovery could be deemed to be underway - this is likely to mean at least six months of improving performance data.

Securitisations backed by social housing and receivables linked to government policy are generally unaffected by the recession and so performance has not deteriorated.

Structured Credit

CDO performance depends on a wide range of economic factors depending on the nature of the underlying portfolio composition. For example, European CLO performance is highly dependent on the recovery prospects for underlying issuer defaults. The recovery prospects for corporate debt have been driven down by reduced equity valuations, access to funding for debt restructurings, and high leverage levels in credits (often from 2006/2007 vintages) in cyclical sectors or credits with a weak business model. While the average Fitch rated European CLOs exposure to defaulted loans is only 2.9%, further defaults are expected and recoveries would need to demonstrate significant improvement for European CLO asset performance to stabilise.

Other CDO sectors such as SME CDOs are much more dependent on regional economic pressure. Spanish SME CDOs are often heavily exposed to real estate and construction related enterprises. In addition, SMEs across Europe are likely to experience difficulty securing alternative sources of credit. Smaller businesses usually have less funding flexibility and this is exacerbated by the general contraction in available credit lines across Europe. For the SME sector to improve, both broader economic fundamentals as well as access to credit would need to

strengthen. While seasoning and deleveraging will benefit some SME CDOs, the majority of transactions are expected to remain on uncertain footing for the foreseeable future.

Emerging Markets

European emerging markets' asset performance is heavily dependent on the macro outlook. Sharp falls in GDP across the region have led to higher unemployment and tightened credit conditions. The restricted access to credit has affected many borrowers who cannot refinance their loans or access new ones, causing prepayment rates to fall significantly in recent months.

For many markets (particularly Russia, UAE, Saudi, GCC, Kazakhstan) the fall in GDP is strongly linked to deterioration in commodity prices. So, in terms of economic recovery and by extension a recovery in general financial conditions for borrowers and rated transactions, Fitch views commodity prices (mainly oil and gas) as a key leading indicator for EM structured finance assets.

Weak domestic currencies are weighing heaviest on EM consumer ABS assets. Most consumer loans in EMs are denominated in hard currencies, mainly US dollar, so depreciation in the domestic currency against the dollar increases the burden on the borrower. This is the main factor behind increased delinquencies since Q308.

A stabilisation and eventual recovery of FX rates in emerging markets, coupled with a recovery in the local credit markets and bank lending, would be a good indicator that performance deterioration will slow and eventually be reversed.

Overall, default levels remain relatively low in the European emerging markets region, offering some support to asset performance. Although delinquencies have risen and continue to rise, most transactions have deleveraged significantly and credit enhancement is generally higher than it was at issue.

In South Africa the 2010 FIFA World Cup should see an influx of tourism and a related boost to consumer confidence and spending, supporting in particular CMBS exposed to retail and hotel assets in 2010.

Low base rates offer some support to South African RMBS and ABS assets under pressure from rising unemployment and consumer over indebtedness. Meanwhile, South African car sales are expected to stabilise this year after a period of decline as a strong Rand results in stable rather than rising car prices.

Appendix

EMEA RMBS Outlook Table - July 2009

Europe Asset class/country	Outlook		Areas to watch
	Asset performance	Ratings	
Belgium	Stable/declining	Stable	Defaults remain well within base cases; unemployment and consumer indebtedness remain low.
France	Declining	Stable	Decreasing house prices now evident but highly seasoned portfolios and dominance of fixed-rate loans should protect ratings.
Germany non-conforming	Declining	Negative	High early stage delinquencies and low recoveries have already led to negative rating actions; more likely to follow.
Germany prime	Stable/declining	Stable/negative	Adjustments were made to market value decline (MVD) assumptions as observed foreclosure proceeds have been significantly lower than previous base case assumptions. Foreclosure frequency assumptions are currently under review. Negative rating actions could impact all rating classes as new criteria are implemented, with synthetic deals less vulnerable at the senior levels.
Greece	Declining	Stable	Higher prepayments have magnified the levels of arrears in transactions and house prices have shown signs of falling. However, ratings are expected to be resilient.
Ireland	Declining	Stable	The sharp fall in house prices since the spring of 2007, combined with an economy in the midst of a deep recession, have not yet been manifested in significantly higher arrears but this may not continue if unemployment rises. Asset performance has deteriorated in the non-conforming transactions and the transaction performance is at risk from the worsening macro-economic outlook. Official house price decline is recorded to date as approximately 18%, although there is anecdotal evidence that actual falls have already surpassed this.
Italy	Stable/declining	Stable/negative	High LTV lending is rare in Italy and arrears and losses are within expectations. Reduced Euribor has improved borrower affordability, but the impact of the current economic crisis on unemployment could feed through to defaults and negatively affect RMBS ratings.
Netherlands	Stable/declining	Stable	Arrears and losses are likely to see a moderate increase as a result of the deteriorating economic environment and housing market but no negative impact on RMBS ratings is expected.
Portugal	Declining	Stable/negative	Deteriorating economic conditions and increasing arrears trends likely to impact both performance and ratings, particularly at the junior level.
Spain	Declining	Stable/negative	Performance differentiation across Spanish RMBS transactions has become more pronounced in recent quarters. <ul style="list-style-type: none"> • Transactions originated by specialist lenders, most high LTV collateral pools and transactions comprising “affordability” products, which offer borrowers payment holidays, discounted margins or adjustable maturities, are exhibiting the weakest credit performance and are subject to additional rating actions. • Older (pre-2006), seasoned, transactions have benefited from prepayments and transaction deleveraging and, for the most part, continue to maintain sufficient credit enhancement to support current ratings.
UK non-conforming	Declining	Negative	Borrowers’ options for refinancing elsewhere at the end of teaser rates have disappeared, arrears are expected to rise and counterparty risk is expected to be a significant factor in negative rating actions, especially when coupled with peak-to-trough house price declines, already at approximately 19% and expected to increase to 30%. Prepayment rates have dropped sharply in the first half of the year preventing transactions from de-levering. The low interest rate environment is assisting some borrowers, but for those borrowers who are struggling to make payments now concern must exist as to their ability to pay in a higher interest rate environment.
UK prime	Declining	Stable/negative	Increases in arrears, coupled with peak-to-trough house price declines, already at approximately 19% and expected to increase to 30%. Negative rating actions remain possible on junior tranches of transactions where credit enhancement has not built up.

EMEA RMBS Outlook Table - July 2009 (Cont.)

Emerging markets Asset class/country	Outlook		Areas to watch
	Asset performance	Ratings	
Russia	Declining	Negative	Asset performance is expected to continue to deteriorate, likely leading to further rating downgrades for Russian RMBS.
Kazakhstan	Declining	Negative	Weak economic conditions and financial crisis should impact delinquencies and defaults in future, while falling house prices and a very weak property market will affect recoveries.
United Arab Emirates	Stable	Stable	Stable performance though an increase in delinquencies cannot be excluded due to deteriorating economic conditions in Dubai.
Ukraine	Declining	Negative	The rapid depreciation of the Ukrainian hryvnia (UAH) will start to put a lot of pressure on borrowers and lead to performance deterioration.
South Africa	Declining	Stable/negative	Deteriorating economic conditions and declining house prices are starting to put pressure on households. Delinquencies and losses are on a rising trend. Performance is expected to come under some pressure. Fitch anticipates potential rating actions, especially on speculative-grade rated notes.

Source: Fitch

EMEA CMBS Outlook Table - July 2009

Asset class/country	Outlook		Areas to watch
	Asset performance	Ratings	
UK	Declining	Negative	Pricing points on liquidated stock as servicers resolve a number of distressed loans. The effect of falling rents on yields, which are now at very elevated levels and may begin to stabilise for prime assets.
Pan-European	Declining	Negative	Values are falling in important CMBS regions such as Germany and France, with the number of loan defaults filtering through rising.
South Africa	Declining	Stable	Commercial property market is under strain due to worsening economic situation. Rated transactions include quality portfolios and perform in line with expectations.

Source: Fitch

EMEA ABS Outlook Table - July 2009

Asset class/country	Outlook		Areas to watch
	Asset performance	Ratings	
European consumer ABS			
Austria	Stable/declining	Positive	Amortisation is supporting ratings as transactions are substantially seasoned
France	Stable/declining	Stable/negative	Notwithstanding expected deterioration in asset performance, defaults likely to remain within base case expectations.
Germany	Declining	Stable	Performance deterioration expected, in particular in 2010, as a result of increasing unemployment. Older vintages are protected by amortisation; more recent deals and transactions still in their revolving period are more vulnerable to deteriorating performance.
Greece	Stable/declining	Stable/negative	Despite low levels of unsecured and secured consumer debt performance stress is apparent in certain transactions, driven both by general economic factors and specific operational factors.
Italy	Stable/declining	Stable	Some deterioration expected on the back of the expected impact of the economic crisis on unemployment.
Portugal	Stable/declining	Stable	Expected decline in performance likely to be offset by continued amortisation.
Spain	Declining	Negative	Further deterioration in Spanish macro-economic conditions will pressure arrears and defaults and further; recoveries will also be pressured over the near term. Senior tranches of seasoned transactions are protected by deleveraging. However junior and mezzanine tranches of relatively seasoned transactions, and all tranches of less seasoned transactions, are increasingly exposed to performance deterioration and vulnerable to rating actions.
UK auto loans	Stable/declining	Stable/negative	Limited issuance in this sector. Pressure on residual values could affect more recent deals but underlying vehicles are not "gas-guzzlers" so impact likely to be muted.
UK credit cards	Declining	Negative	Transactions are reporting historical peaks for delinquency and charge-off levels. No signs of performance abatement, however performance remains well within 'AAA' stresses. Junior notes most at risk of negative action.
Corporate ABS			
Aircraft ABS	Declining	Negative	Deteriorating economic conditions likely to have an impact on both airline profitability and aircraft values.
Auto operating leases	Declining	Stable/negative	UK, Netherlands and German transactions are exposed to corporates and SMEs, with low defaults to date. In the Netherlands and Germany part of the residual value risk is covered by guarantors (but not in UK). Negative rating actions are likely if second-hand hand car values deteriorate further.
Government securitisations	Stable	Stable	Collections continue to follow expected patterns but economic deterioration could throw them off course in certain transactions.
Italian healthcare receivables	Stable	Stable	All transactions linked to regions' ratings and therefore subject to regions' economic conditions.
Italian lease receivables	Declining	Stable/negative	Historical out-performance of SME leases relative to SME lending, but this may not continue in the difficult economic environment Fitch expects for Italy in 2009 and 2010.
UK social housing	Stable	Stable	Payment of underlying rents remains heavily reliant on social security payments, unlikely to be threatened, even in economic slowdown.

Source: Fitch

EMEA ABS Outlook Table - July 2009 (Cont.)

Asset class/country	Outlook		Areas to watch
	Asset performance	Ratings	
Emerging markets - ABS			
Russia auto loans	Declining	Negative	Performance in the ABS sector remains weak, with transactions falling into early amortisation. Delinquencies have increased in the publicly rated ROOF transaction, and the outlook remains negative
Ukraine auto loans	Declining	Negative	Delinquencies remain on the rise, but they are not resulting in sharp increases in defaults yet. CPR rates remain high and the transaction benefits from the beginning of the amortisation period.
Kazakhstan DPRs	Declining	Negative	Rated DPR transaction has deteriorated sharply, bringing into question whether noteholders will be paid in full. Outlook remains very negative.
Russia DPRs	Stable	Stable/negative	Originator rating downgrades may still affect the outlook of rated transactions, which otherwise are performing relatively well.
Turkey DPRs	Stable	Stable	Turkish DPRs remain generally strong, despite a considerable decrease in flows. Banks remain relatively strong and well capitalised and they are not affected by a confidence crisis, so flows should remain subpar but sufficient to support current ratings.
South African auto loans	Declining	Stable/negative	High delinquencies. However, performance on majority of rated transactions in line with expectations. Speculative-grade rated notes to be watched closely.
South African small-ticket equipment leases	Declining	Stable	Rising delinquencies. Performance of all rated transactions in line with expectations. Significant levels of excess spread available in all transactions.

DPRs - Diversified payment rights
Source: Fitch

European Structured Credit Outlook Table - July 2009

Asset class/country	Outlook		Areas to watch
	Asset performance	Ratings	
Synthetic CDOs of corporates	Declining	Negative	Continued clustering of corporate defaults with lower than expected CDS recovery rates. For a significant portion of this sector, CDO defaults are becoming increasingly likely. Although many transactions in this sector have only 1-3 years of life remaining, the credit support continues to erode. Near term performance recovery is not expected until the overall macro-economic conditions improve.
CLOs of European leveraged loans	Declining	Negative	Declining asset environment and negative corporate sector outlooks. There is continued pressure on ratings of CLO junior tranches. CLOs are highly sensitive to senior secured recovery rates (See Fitch's European CLO Stress Test 08 July 2009). If default clustering continues and recovery rates materialise below Fitch's expectations, further CLO downgrades higher in the capital structures are expected. The underlying corporate leverage profiles would need to improve before the sector can demonstrate stability.
CDOs of European SMEs	Stable/declining	Negative	Spanish SME CDOs have significant exposure to poorly performing real estate and construction related sectors. Other jurisdictions remain stable but could deteriorate. Many ratings likely to be affected by changes in SME CDO ratings criteria. Arrears levels would need to slow before the sector before Fitch's outlook would stabilise.
Germany mezzanine CLOs	Declining	Stable	Although further asset-level deterioration expected, transactions heavily downgraded, reflecting both poor performance and higher loss expectations.
European structured finance CDOs	Declining	Stable	Declining performance is expected in a number of asset classes and countries, (eg UK and Spanish RMBS, UK CMBS). Existing CDO ratings have already been adjusted to reflect Fitch's revised Structured Finance CDO criteria. With the exception of distressed transactions which are already rated 'CCC' and below, further CDO downgrades are not expected in the near term.

Source: Fitch

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