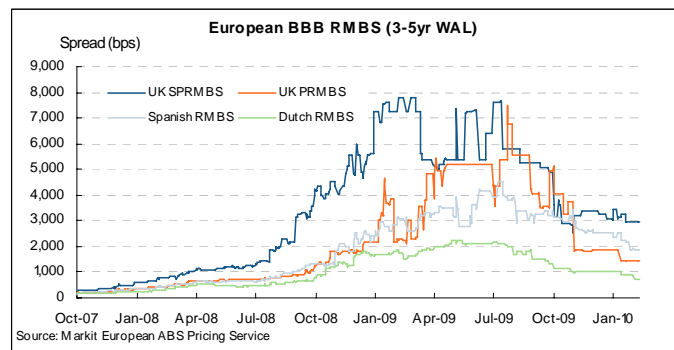
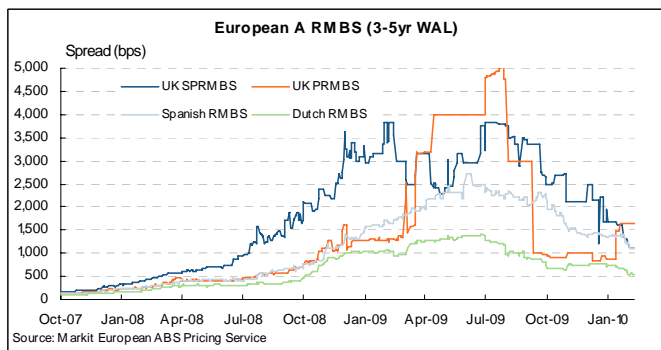
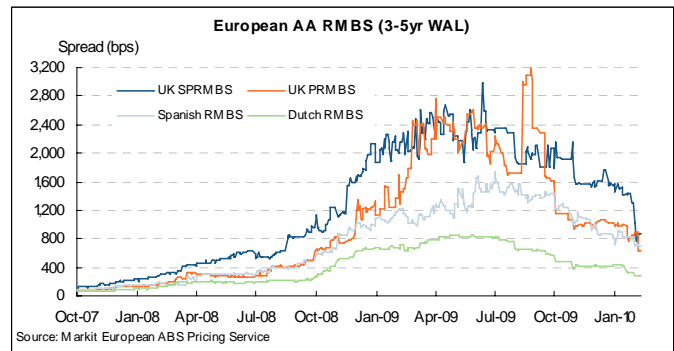
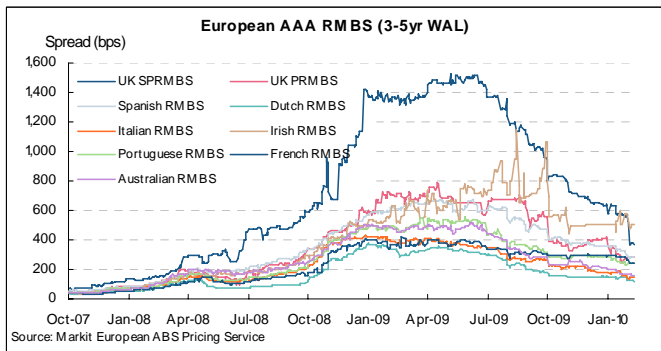


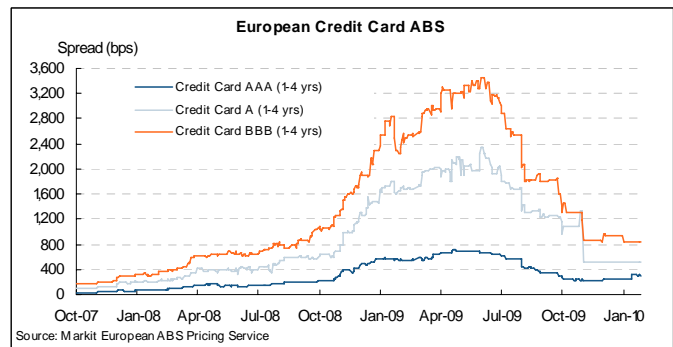
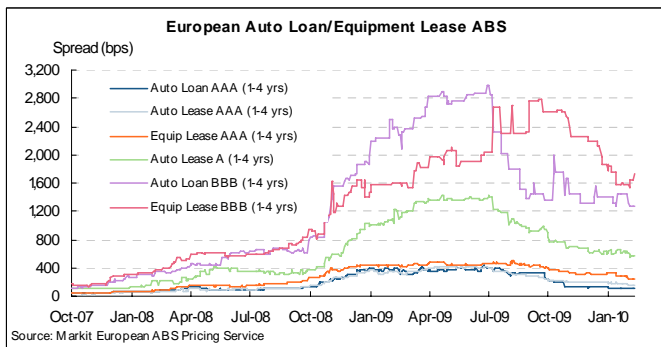
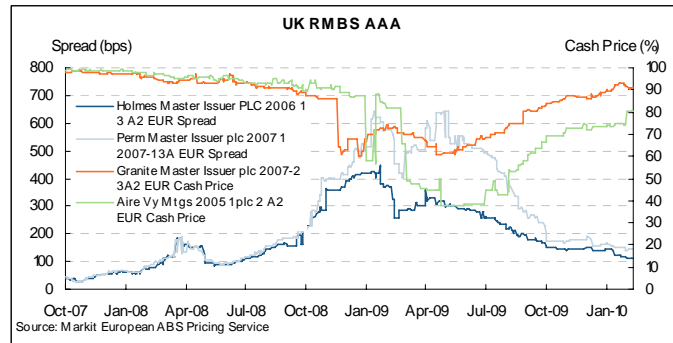
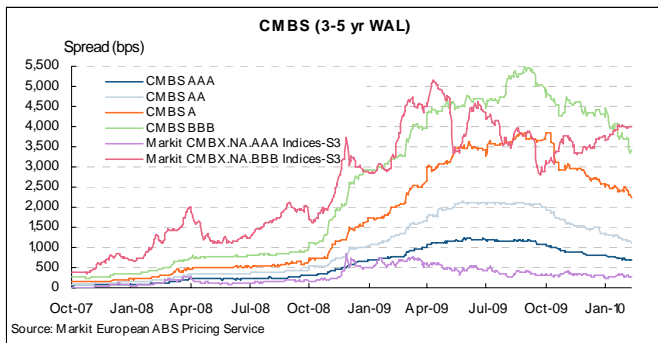
The European ABS Market

A Week in Review: 29 January – 11 February 2010

European ABS Pricing and Sectors

The most liquid sectors of the European ABS market widened slightly over the past two weeks. It is clear that investors have little confidence in maintaining the 100 basis spread level on UK Prime and Dutch AAA RMBS as both segments widened by 15 basis points. Granite AAAs saw its cash price decrease by 2.5 points to 90 from 92.5, despite a technical readjustment which doubled the CPR to 30% and could have positively impacted the price. Generally, the pricing of the AAA, AA, A and BBB of Granite are traded at 90, 72, 62 and 33, respectively.





In the secondary market, the new Permanent 2010-1, VCL 11 and the new Bavarian Sky 2 have not followed the same tightening trend as the deals issued in the last quarter of 2009. These three deals are now marked at the following levels:

Deal Name	Serie	Class	Class	Isin	Price Bid	Price Ask	Spread Bid	Spread Ask	WAL	Sector	Rating
Permanent Master Issuer Plc Series 2010-1	2010-1	1A	USD	US71419GAP54	99.998	100.05	115	112	2.941	PRMBS	AAA
Permanent Master Issuer Plc Series 2010-1	2010-1	2A1	GBP	XS0484703359	100	100.07	130	129	5.181	PRMBS	AAA
Permanent Master Issuer Plc Series 2010-1	2010-1	2A2	EUR	XS0484703516	99.999	100.093	125	123	5.18	PRMBS	AAA
Volkswagen Car Leasing No. 11 (VCL No. 11) S.A.	11	A	EUR	XS0454535708	100.155	100.393	97	78	1.223	Auto Lease	AAA
Volkswagen Car Leasing No. 11 (VCL No. 11) S.A.	11	B	EUR	XS0454535963	99.931	100.799	255	195	2.775	Auto Lease	A
Bavarian Sky SA Compartment 2	2	A	EUR	XS0479275017	100.25	100.38				Auto Lease	AAA

In the primary market Hermes XIV A2, which was originally a retained deal, was sold to the public market. The security was re-priced at 115 basis points, 1 basis point wider than the original step up margin which was due in February 2013 and up from its original pricing of 38. It is now trading at 120 basis points.

CMBS, UK Sub Prime and Spanish RMBS are still tightening. The UK CMBS market was impacted by more bad news as all properties under Epic (Industrious) plc have been sold off and all junior tranches now valueless (priced at 0). The A tranche is affected by this significant default as it is priced at a significant discount of 65.00.

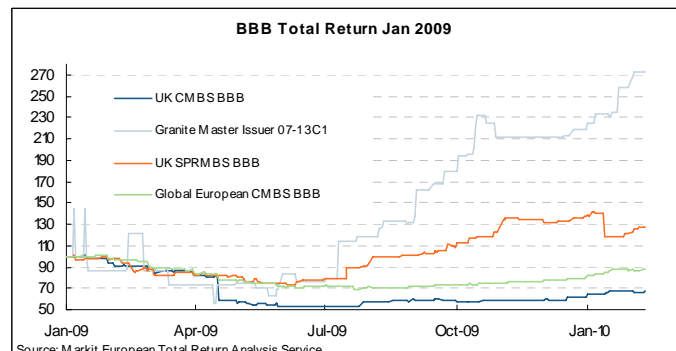
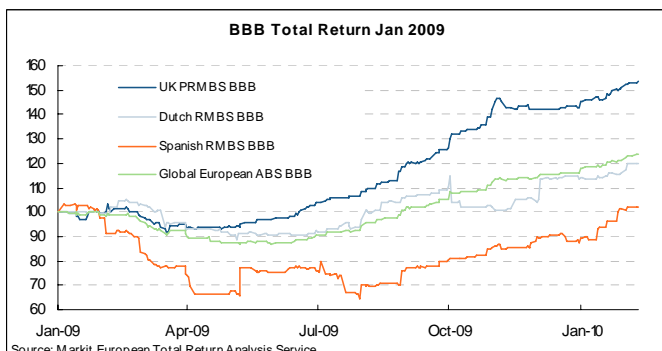
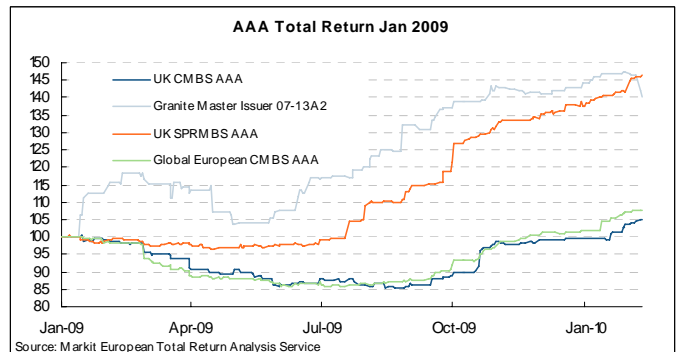
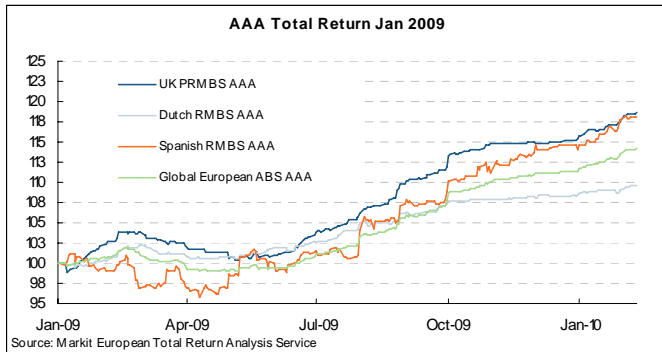
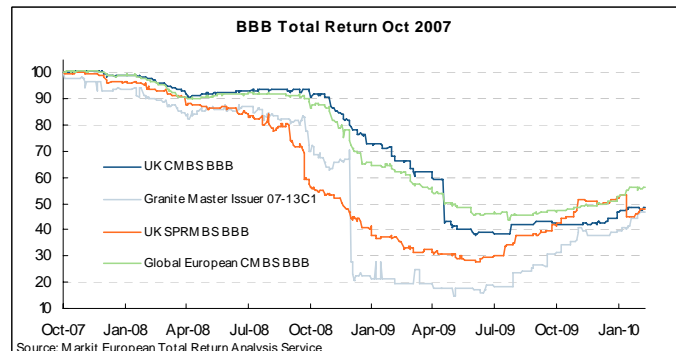
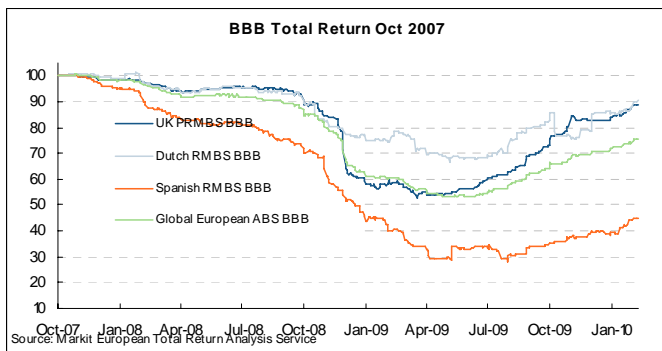
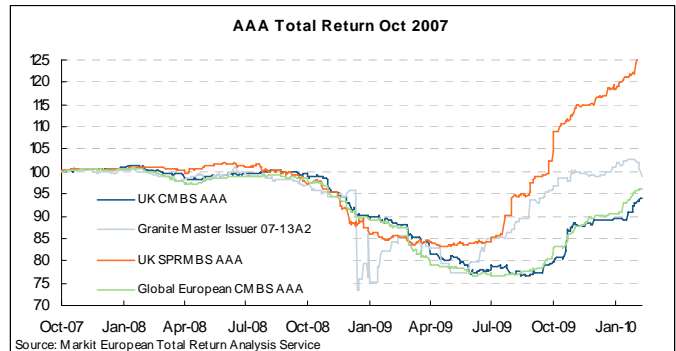
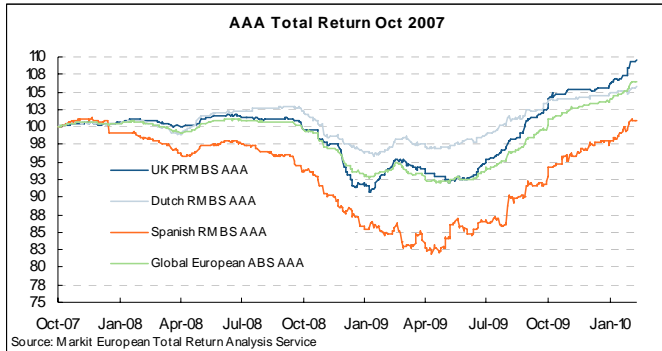
Top 5 Price Movers

For the first time since October, we are seeing both improvers and deteriorators this week. However, the amplitude of the movements seen is limited.

Top 5 ABS Improvers (Source: Markit European ABS Pricing Service)										
Deal Name	Series	Class	Ccy	Isin	Spread (bp)	Change (bp)	Rating	Sector	Avg Life(yr)	
Cordusio RMBS Secn Srl	2592	A3	EUR	IT0004231244	102	-24.53	AAA	RMBS	8.6	
SAECURE 5 BV	1	A	EUR	XS0217032738	113	-22.88	AAA	RMBS	2.2	
Arena 2006 I BV	2006-1	A	EUR	XS0246672355	114	-22.44	AAA	RMBS	2.6	
Holmes Master Issuer PLC 2007 2	2007-2	3A2	EUR	XS0302983068	111	-22.00	AAA	PRMBS	1.4	
Auto ABS Compartment 2006 1	2006-1	A	EUR	FR0010356865	112	-19.02	AAA	Auto Lease	1.1	
Top 5 ABS Deteriorators (Source: Markit)										
Deal Name	Series	Class	Ccy	Isin	Spread (bp)	Change (bp)	Rating	Sector	Avg Life(yr)	
Granite Master Issuer plc 2006 2	2006-2	A6	GBP	XS0252427009	288	46.93	AAA	PRMBS	3.4	
Granite Master Issuer plc 2006 4	2006-4	A7	EUR	XS0275944766	339	37.16	AAA	PRMBS	2.8	
Paragon Mtgs No 8 PLC	1	A2a	GBP	XS0203410922	361	15.76	AAA	PRMBS	6.7	
Granite Master Issuer plc 2005 1	2005-1	A6	GBP	XS0210925847	346	4.63	AAA	PRMBS	2.9	
Perm Fing No 8 PLC	8	5A3	GBP	XS0221976904	170	3.75	AAA	PRMBS	1.9	

European Total Return

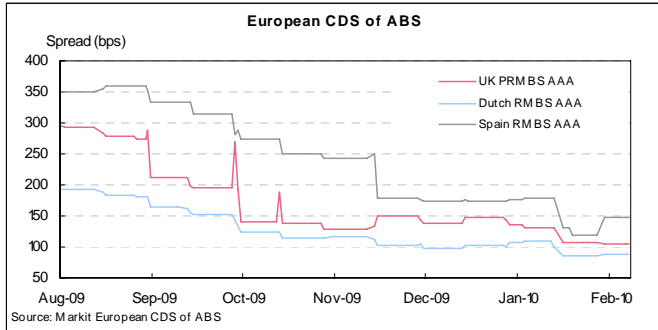
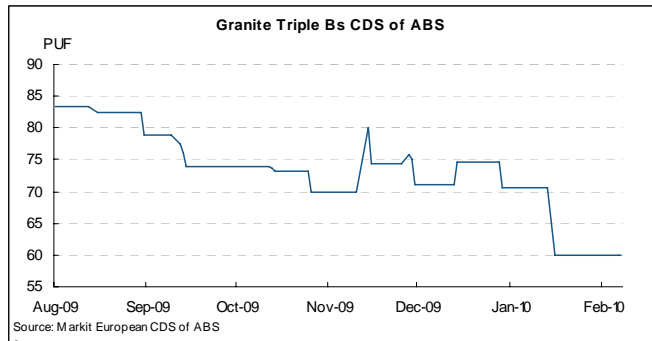
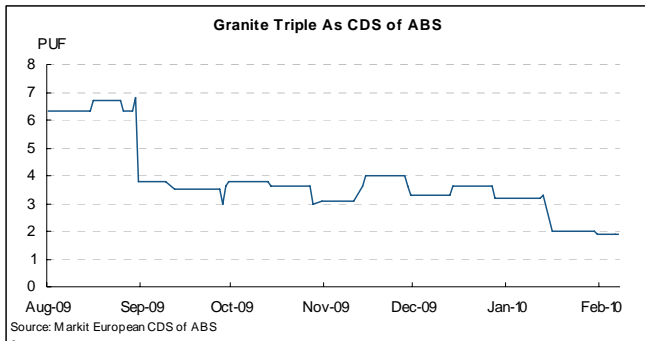
Total return curves have generally all been affected by the widening trend of the last two weeks. It is the first time we've seen such a decrease regarding Granite since July 2009 while the other curves are remaining constant.



European CDS of ABS

CDS of ABS levels widened but a constant negative basis remains between synthetic and cash securities.

European CDS of ABS AAA (Source: Markit European CDS of ABS Service)								
Deal Name	Series	Class	Currency	Isin	Levels (27Jan10)	Levels (10Feb10)	Cash Levels	Basis
Arkle Master Issuer plc Series 2006-2	2006-2	3A2	EUR	XS0277508692	50	65	105	-40
Delphinus 2006-I B.V.	2006-1	A	EUR	XS0256323972	60	75	110	-35
Permanent Master Issuer plc Series 2007-1	2007-1	3A	EUR	XS0288090342	90	100	130	-30
Gracechurch Mortgage Financing plc 2007-1	2007-1	3A2	EUR	XS0302999064	70	85	110	-25
Holmes Master Issuer PLC Series 2007-1	2007-1	3A2	EUR	XS0292750253	50	60	100	-40
Granite Master Issuer plc Series 2007-2 Notes	2007-2	3A2	EUR	XS0298974840	2.5 (%) + 50dm	2 (%) + 50dm	90 (%)	-7.0(%)
Bankinter 14, Fondo de Titulizacion Hipotecaria	14	A2	EUR	ES0313271019	140	160	220	-60



Primary Market and Rating Actions

Except the Hermes XIV A2 tranche no other deal was publicly priced. Spanish RMBS and CMBS are the sectors the most affected by recent downgrades.

Primary Market (Source: Markit European ABS Performance)					
Deal	Country/Sector	Class	Av Rating	Spread (bp)	Amount (€ mn)
Bavarian Sky Compartment	German/Auto ABS	A	AAA	85	742
		B	A	105	58
Goldfish Master Issuer 2010-1	Dutch/RMBS	A1	AAA		29
		A2	AAA	13	70
		A3	AAA	16	50
		A4	AAA	60	3,575
		B	AA	100	157
		C	A	200	371
Hermes XIV	Dutch/RMBS	A1	AAA		192
		A2	AAA	115	1,400
		B	AA		16
		C	A		54
		D	BBB		14
Permanent 2010-1	UK/PRMBS	E	BB		18
		1A	AAA	115	721
		2A1	AAA	130	231
		2A2	AAA	125	750
		3A	AAA		694
Stichting SME Lion I	Dutch/SME CLO	4A	AAA	130	463
		A	AAA	180	7,066
		B	na		2,993

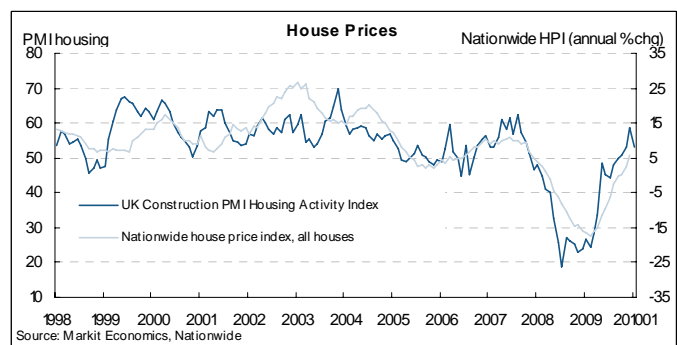
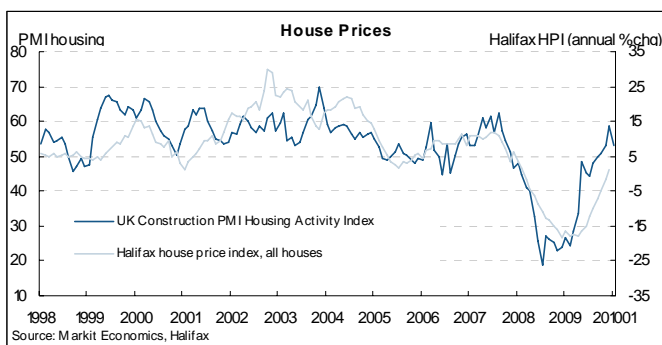
Deals Affected by Rating Actions (Source: Markit European ABS Performance)		
Deal	Country/Sector	Action
Business Mortgage Finance 2	UK/CMBS	Upgraded
Dutch MBS XII, XIV	Dutch/RMBS	Upgraded
ECLIPSE 2005-4, 2007-2	UK/CMBS	Downgraded
EPIC Brodie, Caspar, Culzean, More London	UK/CMBS	Downgraded
Graphite Mtge 2006-1	UK/PRMBS	Downgraded
Hipototta 4	Portuguese/RMBS	Upgraded
IM Pastor 3, 4	Spanish/RMBS	Downgraded
Kensington Mtge 2007-1	UK/SPRMBS	Downgraded
Lusitano SME 1	Portuguese/SME CLO	Downgraded
Marble Arche Residential 3	UK/SPRMBS	Upgraded
Taurus 2006-3	UK/CMBS	Downgraded
TDA CAM 7, 8, 9, 10	Spanish/RMBS	Downgraded
Titan Europe 2007-2, 2006-3	UK/CMBS	Downgraded
Windermere VII, VIII, XIV	UK/CMBS	Downgraded

Economics Data

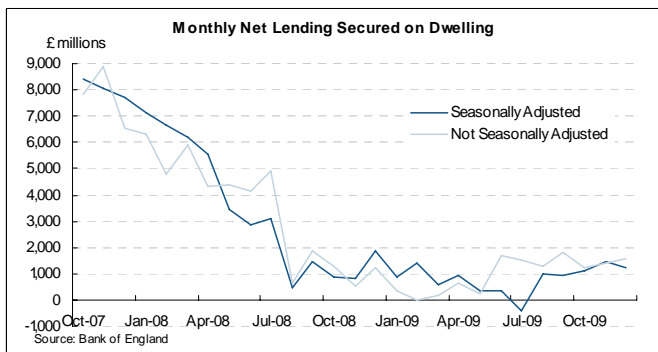
The Nationwide year-on-year House Price Index is now showing a rise of 8.6% as the month-on-month House Price Index reached 1.2% in January. According to Nationwide, the index should show year-on-year double digit growth in February, which would be the first time since May 2007 this has happened.

With growth of 3.6% the Halifax year-on-year House Price Index still trails the Nationwide index as we saw an improvement of 0.6% for the Halifax month-on-month index in January.

In January, the Markit Construction PMI Index fell to 48.6. The commercial construction sub index is at 47.8; while the housing construction sub index showed an improvement rising to 52.9, which is the fifth consecutive month over the neutral level of 50.



Finally, according to the BoE Monetary and Financial Statistics report, the total net monthly lending secured on dwelling for December 2009 was £1.55 billion while the seasonally adjusted figure reached £1.2billion.



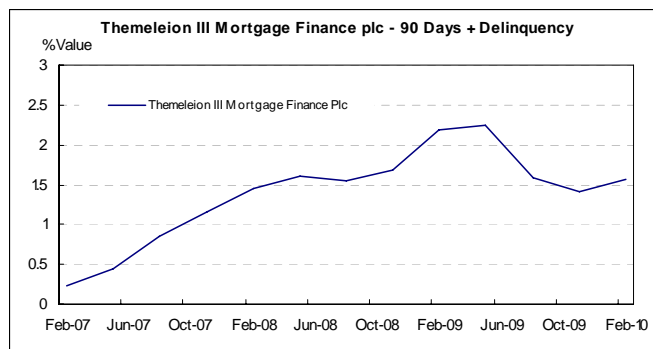
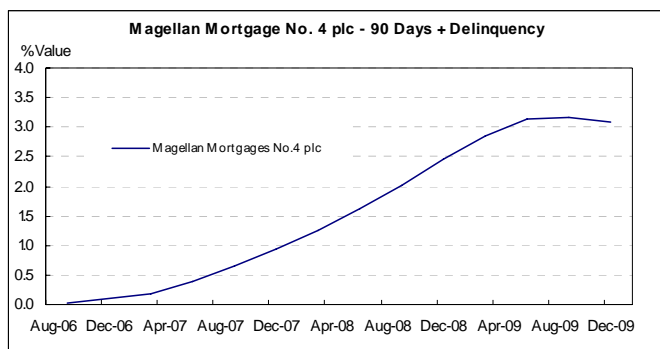
ABS Performance Highlight: Portugal and Greece

Woes in the Sovereign world have not abated. With attention now turning to Europe, we wait to see what action will be taken regarding Greece and what the possibility is Portugal will require help as well.

Recent credit spreads for the two countries have widened over the last few weeks. However, with news of an ECB bailout on the horizon spreads have come back. So has this increasingly large government public deficit translated into pressure within the general economy? The two countries have barely come out of a recession and neighbouring Spain is still currently in a downturn. With this in mind, we look at the performance of two previously reviewed deals to check their progress and examine what is coming around the corner.

Magellan Mortgages No. 4 Plc, issued in July 2006, had an initial number of 23,006 mortgage loans for a value of €1.59bn and an LTV ratio of 76.48%.

Themeleion III Mortgage Finance Plc was originated in June 2006 for a value of €1 Billion of first ranking Greek mortgage loans.



From our last review the delinquency levels for Magellan have risen slightly topping out at 3.16% and now currently at 3.10% as of the December 2009. Themeleion over the last couple of years has hovered between the 1.50%-2.50% range and as now at 1.56% as of the February 2010.

Looking at other relevant key performance indicators, we see that Magellan has a cumulative principal loss of €697,365, with around 190 for a value of €13.7 million currently going through a repossession process. The deal also has a full reserve fund valued at €13,500,000 which accounts for 1.63% of the outstanding collateral balance.

Themeleion has reached its required balance of the reserve fund at 2.00% of the outstanding collateral balance with a value of €5,225,231. The deal also has around €3.5 million of unsold/unrecovered properties currently repossessed.

The performance review suggests that both deals are performing with no major issues, both still have good support from the reserve funds with the credit support for the most senior outstanding bonds looking sturdy with these bonds already partly paid down. So far the quality of the assets has not been hindered by the outside economic pressure surrounding the deals.

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