

EUROPEAN STRUCTURED FINANCE MONITOR

- Granite talk shows 4.6-year Triple A at 3ME+11bp area
- Paragon turns to seasoned portfolio in new First Flexible RMBS
- West Immo to be the first to use German Refinancing Register in pan-Europe CMBS

EUR 3.3bn joins pipeline, Granite talk in focus

There is plenty of talk of a growing pipeline, but only EUR 3.3bn worth has made it into the public domain this week. Much of the focus had been on price guidance for the new Granite deal from Northern Rock, and on Thursday morning, levels were disclosed.

The couple of basis points that spreads backed off over the final three months of last year have been regained in most asset classes and some active trading sessions over the first week of the year have left many desks in a positive mood.

The UK market moved back to just inside 10bp on the offer side, so a few market players expressed a little surprise at the new 4.6-year EUR tranche of Granite being talked at 11bp area given that the 4.7-year Class A7 of Granite 2006-4 is quoted around 100.01/03, a mid-spread of around 10bp while the longer 5.3-year A5 note of Granite 06-3 is at 100.00/02, a touch outside 10bp.

Price guidance on the remaining tranches is roughly in line with where the last deal priced, at the end of November. The 0.9-year Triple As for example are at 3-4bp, the Double As (EUR and GBP) at high teens of Euribor and Libor respectively, the Single As at high 20s and the Triple Bs at low 50bp (although the Triple Bs on November's deal priced at 48bp). It is expected to price next week via joint leads Citigroup, Deutsche Bank and Morgan Stanley.

Also from the UK, regular securitiser Paragon is back with a GBP 265mm RMBS, although this is not of the buy-to-let variety that the originator is more recognised for in the ABS market.

The new **First Flexible 7** issue is backed 97.15% by owner-occupied mortgages, with commercial loans making up the residual 2.85%. Almost all of First Flexible's collateral has been securitised previously in various deals over the last few years, which has boosted the weighted average seasoning to over 10 years.

The previous deals the mortgages have featured in are First Flexible 1 and 3, TMC 1 and 2 and Mortgage Funding Corporation 6. The capital structure includes GBP 257mm of 2.26-year Triple A notes above 3.69-year Double A and Single A bonds for GBP 4mm each.

CMBS, which had a bumper year in 2006 with a 30% increase in issuance to around EUR 60bn, is expected to mark the start of the year in style with a few issues.

Two deals were announced this week, and more conduit trades are slated for the coming weeks. On Monday, West Immo announced a EUR 404mm pan-European CMBS, the first to use the German Refinancing Register.

WILCO 2007-1, via sole lead WestLB, roadshows until January 18, and guidance should hit the screens the day after. It is backed by a portfolio of 26 loans on 26 properties featuring in 10 different German funds.

Announcing a few days after WILCO was **Bruntwood Alpha**, a GBP 440mm UK CMBS via sole lead RBS. This issue is secured on 48 predominantly office properties in the Manchester City Centre, Greater Manchester, Liverpool, Leeds and Warrington areas.

In the asset backed arena, repeat deals have been flagged for Peugeot subsidiary Credipar and Santander Consumer Bank's Italian unit Finconsumo.

The former, **Auto ABS Compartiment 2007-1**, is a EUR 1.25bn French auto loan ABS via Calyon and Deutsche Bank. The capital structure includes a EUR 1.18125bn 4.5-year Triple A note as well as a EUR 68.75mm 6.3-year split rated Aa3/A (Moody's and S&P) piece.

The latter deal, **Golden Bar 4-2007** is a EUR 700mm consumer loan ABS from the EUR 2.5bn Golden Bar EMTN programme.

Merrill Lynch is the arranger, and is joined by Santander as joint bookrunner. An additional 125,868 loans for a total of EUR 700mm, were added to the programme portfolio for this deal. Of the additional portfolio 63% of the loans were for the purchase of new cars, 13.99% used cars, 15.01% personal and 8% described as purpose loans. Only the Triple A class, the EUR 658mm 4.75-year, will be offered publicly.

In the CDO sector, roadshows are underway for the GBP 3.5bn **Gracechurch Corporate Loans 2007-1** CLO from Barclays Bank, while final details should be disclosed soon on the **Navigator Credit Funding** CPPI trade advised by Schroder Investment Management. Led by Deutsche Bank, the deal closes on January 16.

RMBS

* Price talk is available for **Northern Rock's** latest RMBS. The GBP 5.393mm deal, **Granite 2007-1**, is expected to be priced next week via Citigroup, Deutsche Bank and Morgan Stanley. Levels include 11bp area for the EUR 4.5-year Triple As.

CL	Size	S/M/F	WAL	Guidance
1A1\		AAA/Aaa/AAA	0.9y	1MUSD+3-4bp
1A2	GBP 1,145.8mm	AAA/Aaa/AAA	0.9y	3ME+3-4bp
1A3/		AAA/Aaa/AAA	0.9y	3MGBP+3-4bp
1B1	USD 84.0mm	AA/Aa3/AA	1.9y	3MUSD+8bp area
1M1	USD 84.0mm	A/A2/ A	1.9y	3MUSD+17bp area
1C1	USD 94.6mm	BBB/Baa2/BBB	1.9y	3MUSD+low 30s
2A1	USD 1,450.0mm	AAA/Aaa /AAA	2.8y	3MUSD+6bp area
2B1	USD 80.0mm	AA/Aa3/AA	3.4y	3MUSD+lo/mid teens
2M1	USD 80.0mm	A/ A2/A	3.4y	3MUSD+lo/mid 20s
2C1\		BBB/Baa2/BBB	3.4y	3MUSD+lo/mid 40s
2C2	GBP 35.0mm	BBB/Baa2/BBB	3.4y	3ME+low/mid 40s
2C3/		BBB/Baa2/BBB	3.4y	3MGBP+lo/mid 40s
3A1	USD 1,500.0mm	AAA/Aaa/AAA	4.6y	3MUSD+9-10bp
3A2	EUR 1,000.0mm	AAA/Aaa/AAA	4.6y	3ME+11bp area

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3B1\EUR\	AA/Aa3/AA	5.4y	3ME+high teens
3B2 GBP 110.0mm	AA/Aa3/AA	5.4y	3MGBP+high teens
3M1\ EUR\	A/A2/ A	5.4y	3ME+high 20s
3M2-- GBP 110.0mm	A/A2/A	5.4y	3MGBP+hi 20s
3C1\EUR\	BBB/Baa2/BBB	5.4y	3ME+low 50s
3C2-- GBP 90.0mm	BBB/Baa2/BBB	5.4y	3MGBP+low 50s
4A1 USD 1,000.0mm	AAA/Aaa/AAA	5.1y	Private
5A1 GBP 500.0mm	AAA/Aaa/AAA	5.4y	3MGBP+12bp area
6A1 GBP 500.0mm	AAA/Aaa/AAA	6.9y	UKT5 '14+ low 50s

- Controlled amortisation classes: 1A1, 1A3, 2A1, 3A1, 3A2, 4A1, 1B1, 1M1, 1C1. Rest are pass through after respective call dates. Call dates: Jun 2010 for 1A1, 1A2, 1A3, 1B1, 1M1, 1C1, 2A1, 2B1, 2M1, 2C1, 2C2, 2C3, Dec 2013 for 6A1 and Jun 2012 for the rest. Seasoning 24.77 months, WA LTV 71.24%.

* **First Flexible 7**, a new EUR 265mm UK RMBS has been announced by sole lead Barclays Capital. It is backed by owner occupied (97.15%) and commercial mortgages (2.85%) originated or acquired by **Paragon**. Roadshows run on January 11 and 12, as the week of January 15 as needed. Launch is expected late the week of January 15 or early the week of January 22. The capital structure is as follows:

CI S/F	Size	%	WAL	Final	Index	
A	AAA/AAA	GBP 257.0mm	97.00%	2.26y	Mar 2033	3ML
B	AA/AA	GBP 4.0mm	1.50%	3.69y	Mar 2033	3ML
C	A/A	GBP 4.0mm	1.50%	3.69y	Mar 2033	3ML

- WAL assumed 30% CPR, no defaults, call at earlier of 20% clean-up or March 2012 step up date when margins double. 57.4% WALTV and 10.6-years seasoning. WA loan size GBP 47,500. Majority of mortgage collateral previously securitised in FF1, FF3, TMC1, TMC2 and MFC6 which have been called. Excess spread 1.96%.

* Russian housing agency **AHML**, the Agency for Housing Mortgage Lending, is planning a residential mortgage securitisation. Citigroup is rumoured to be involved in the deal. The planned MBS will refinance residential mortgages bought by AHML which, similar to Fannie Mae in the US, is a key secondary buyer of mortgages in Russia. The EBRD is expected to buy any mezzanine bonds from the transaction.

* **Rabobank** has established an asset backed commercial paper conduit to invest in highly rated European structured finance securities. The majority of collateral for **Tempo Finance**, which has been assigned a A-1+ rating by S&P, comprises RMBS, CMBS, CDOs, CLOs, credit cards, auto loan and student loan ABS. Rabobank Investment Vehicle Management is Tempo Finance's investment advisor.

CMBS

* **Bruntwood Alpha**, a GBP 440mm UK CMBS, has been announced via sole bookrunner RBS. The deal is backed by 48 properties, predominantly offices, let to over 570 tenants. The capital structure is as follows:

CI Size	S&P/F	WAL	LTV	C/E	Exp	Index		
A	GBP 350mm	AAA/AAA	6.94y	52.3%	20.5%	2014	3ML	
C	GBP 37mm	AA/AA	6.94y	57.8%	12.0%	2014	3ML	
B	GBP 53mm	A/A	6.94y	65.8%	-	2014	2017	3ML

- 48 predominantly office properties (c.3.5m sq ft) in Manchester City Centre (58%), Greater Manchester (25%), Liverpool (3%), Leeds (11%) and Warrington (3%) - 570 tenants over a range of industry sectors.

* **WILCO 2007-1**, a EUR 404mm pan-European CMBS, has been announced for **West IMMO** via sole lead WestLB. It is backed by 26 loans to German open ended real estate funds and is the first deal to use the German Refinancing Register. Roadshows run from January 15 to 18 with launch expected around January 24/25 and settlement on February 6. The capital structure is as follows:

Class	Size	F/M	WAL	LTV	Coupon
A	EUR 361.9mm	AAA/Aaa	4.8y	35.43%	3ME
B	EUR 42.45mm	AA/A2	6.5y	39.58%	3ME
X	EUR 0.1mm	AAA/-			n/a

- Backed by 26 loans on 26 properties from 10 different funds. 104 tenants. 95.7% office and 4.3% mixed retail.

- 31% France, 24% Netherlands, 21% UK, 10% Belgium, 10% Spain and 4% Portugal.

- Largest loans EUR 79.6mm (19.7%). WA LTV 39.58% and 3.88-years seasoning.

ABS

* **Golden Bar 4-2007**, a EUR 700mm Italian consumer loan ABS from Santander Consumer Bank subsidiary **Finconsumo**, has been announced via joint bookrunners Merrill Lynch (sole arranger) and Santander. Roadshows commence next week. The capital structure is as follows:

CI	Size	M/S	WAL	Exp	Final	Index
A	EUR 658mm	Aaa/AAA	4.75y	May 2013	Nov 2023	3ME
B	EUR 28mm	A2/A	6.25y	May 2013	Nov 2023	n/a
C	EUR 10.5mm	Baa2/BBB	6.25y	May 2013	Nov 2023	n/a
D	EUR 3.5mm	nr/nr	n/a	May 2013	Nov 2023	n/a

- Issued from a EUR 2.5bln EMTN programme. Cash reserve of EUR 21mm, or 3% of the total for these Series 4 notes, and EUR 63mm for the whole programme. - Of the newly added EUR 700mm portfolio, 63% used for the purchase of new cars, 13.99% used cars, 15.01% personal loans and 8% purpose loans. 9.6-months seasoning. 125,868 additional loans. 38.64% Northern Italy, 28.89% Central and 32.47% South.

* **Auto ABS Compartiment 2007-1**, a EUR 1.25bln French auto loan ABS for Banque PSA Finance subsidiary **Credipar**, has been announced via joint bookrunners Calyon and Deutsche Bank. The capital structure is as follows:

CL	SIZE	WAL	PRIN	WIN	M/S	Index
A	EUR 1,181.25mm	4.5y	05/10-05/13		Aaa/AAA	3ME+
B	EUR 68.75mm	6.3y	05/13-05/13		Aa3/A	3ME+

- Credipar is 99.9% owned by Banque PSA Finance (A2/A- by Moody's and S&P).



Near-term ABS/MBS/CDO pipeline

Type	Deal description
ABS	Arran Funding Series 2006-A GBP 57.9mm sub issue from RBS credit card trust
ABS	Auto ABS Compartment 07-1 EUR 1.25bln French auto ABS for PSA via Cal/DB
ABS	Golden Bar 4 2007 EUR 700mm Italian consumer ABS for Finconsumo via ML/BSCH
CMBS	Bruntwood Alpha GBP 440mm UK CMBS for Bruntwood via RBS
CMBS	Wilco 2007-1 EUR 400mm deal pooling loans to German real estate funds via WestLB
RMBS	Bancaja 10 FTA EUR 2.6bln Spanish RMBS from Bancaja via Bcja/BC/Cal/JPM
RMBS	Challenger 2007-1E AUD 2bln eq Aussie RMBS for Challenger (Interstar) via DB/RBS
RMBS	First Flexible 7 GBP 265mm UK RMBS for Paragon via Barclays Capital
RMBS	Granite 2007-1 Northern Rock UK RMBS of GBP 5.393mm via Citi/DB/MS
CDO	Astir (Isara) EUR 1.5bln synthetic high grade ABS CDO for Fortis Bank readies
CDO	Chess II USD100mm CPDO for ABN Amro
CDO	Gracechurch Corp Loans 2007-1 GBP 3.5bln UK corporate loan CDO from Barclays
CDO	Investec GBP 200mm CRE CDO via Bear Stearns
CDO	Navigator Credit Funding CPPI advised by Schroder IM via Deutsche Bank

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