Special Report

EMEA Structured Finance ABS Outlook - May 2009

Analysts

Philip Walsh
+44 20 7417 3556
philip.walsh@fitchratings.com

Consumer ABS
Grant England
+44 20 7070 5825
grant.england@fitchratings.com

Corporate ABS
Joanne Wong
+44 20 7417 4312
joanne.wong@fitchratings.com

Paris
Natalia Bourin
+33 1 44 29 9176
natalia.bourin@fitchratings.com

Frankfurt
Susanne Matern
+49 69 76 807 620
susanne.matern@fitchratings.com

Madrid
Rui Pereira
+34 91 702 5774
rui.pereira@fitchratings.com

Milan
Michele Cuneo
+39 2 879 087 230
michele.cuneo@fitchratings.com

Emerging Markets
Jaime Sanz
+44 20 7682 7279
jaime.sanz@fitchratings.com

South Africa
Alfons Ideler
+27 11 380 0901
alfons.ideler@fitchratings.com

Performance Analytics
Andy Brewer
+44 20 7417 3481
andy.brewer@fitchratings.com

Executive Summary

This report updates Fitch Ratings' outlook for the European ABS sector, which was published on 18 February 2009. In this issue, Fitch extended its ABS outlooks to include emerging markets and South African structured finance transactions.

In March 2009, the agency revised its forecasts for a number of economic and monetary variables in both the euro area and the UK as follows:

- Forecasts for GDP growth in the euro area were revised significantly from -0.6% in 2009 and 0.9% in 2010 to -3.2% in 2009 and 0.4% in 2010. Forecasts for UK GDP growth were reduced further from -1.4% in 2009 and 1% in 2010 to -3.4% in 2009 and 0.2% in 2010.
- Expectations for unemployment in the euro area, were increased from 8.8% in 2009 and 9.3% in 2010 to 9.4% in 2009 and 10.7% in 2010. In the UK, unemployment expectations were increased from 7.3% in 2009 and 7.9% in 2010 to 7.7% in 2009 and 9.0% in 2010.
- Inflation forecasts in the euro area were revised from 2.6% in 2009 and 1.9% in 2010 to 0.7% in 2009 and 0.9% in 2010. Forecasts for UK inflation were lowered from 2.3% in 2009 and 1.5% in 2010 to 2.0% in 2009 and 0.8% in 2010.

The impact of these changes and other factors on the agency's outlook for specific sub-sectors in Q2 is as follows:

- The asset performance outlook for auto operating leases has been revised from stable to declining due to the declining economic conditions and the decline in second-hand car values.
- The rating outlook for French ABS has been revised from stable to stable/negative to reflect the concerns over the creditworthiness of originators and servicers combined with stressed auto markets.
- The rating outlook for German ABS was changed from stable/negative to stable. A number of transactions have completed their revolving period and have started to build up credit enhancement. All transactions are performing in line with Fitch's expectations, leaving sufficient cushion for anticipated asset performance deterioration.

Fitch has introduced outlooks for emerging markets and South African ABS.

The table below summarises Fitch's outlook, in terms of asset performance and ratings for each sector and country:

EMEA ABS Outlook Table – May 2009

Asset class/country	Outlook: Asset performance	Outlook: Ratings	Areas to watch
European Consumer ABS			
Austria	Stable	Positive	Continued good performance while amortisation is supporting ratings
France	Stable/Declining	Stable/Negative	Notwithstanding expected deterioration in asset performance, defaults likely to remain within base case expectations
Germany	Stable/Declining	Stable	Some performance deterioration expected as a result of the economic slowdown. Older vintages are protected by amortisation; more recent deals and transactions still in their revolving period are more vulnerable to deteriorating performance
Greece	Stable	Stable	Low level of unsecured and secured consumer debt should protect from any deterioration in economy
Italy	Stable/Declining	Stable	Some deterioration expected as economy slows down
Portugal	Stable/Declining	Stable	Expected decline in performance likely to be offset by continued amortisation
Spain	Declining	Stable/Negative	Sharp deterioration in Spanish macro-economic conditions will pressure arrears and defaults further; recoveries will also be pressured over the near term. Seasoned transactions are protected by transaction deleveraging, while more recent transactions are more vulnerable to deteriorating performance trends and potential 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	Recent return to 2007 levels of charge-offs and increasing concerns over economy are negative for the sector. 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	Netherlands and German transactions are exposed to corporates and SMEs, with negligible defaults to date. Part of the residual value risk is covered by guarantors. 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 region’s ratings and therefore subject to region’s 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 more stressed economic environment Fitch expects for Italy in 2009
UK social housing	Stable	Stable	Payment of underlying rents remains heavily reliant on social security payments, unlikely to be threatened, even in economic slowdown

EMEA ABS Outlook Table – May 2009 (cont.)

	Outlook		
Asset class/country	Asset performance	Ratings	Areas to watch
Emerging Markets - ABS			
Russia auto loans	Declining	Negative	Performance broadly in line with Fitch's expectations but, looking forward, sustained negative economic conditions are likely to have a bigger impact on rated portfolios.
Ukraine auto loans	Declining	Negative	Delinquencies and defaults are likely to continue to grow at a fast pace.
Kazakhstan DPRs	Declining	Negative	Renewed weakness among Kazakh banks and in the country's trade prospects are having a very negative effect on DPR flows and should continue to put pressure on both flows and ratings
Russia DPRs	Stable	Stable/Negative	Payment flows somewhat weaker, but it is unlikely that they will drop to the point where they threaten the transaction. However, downgrade pressure on dependent ratings may result in further downgrades to the transaction
Turkey DPRs	Stable	Stable	Turkey remains relatively unaffected by the global credit crisis, and even though GDP and trade flows have slowed down, the impact on rated transactions is muted and probably will remain so in the coming quarters
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	Stable/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 receipts
Source: Fitch

Europe

Consumer ABS

During the first quarter of 2009, the economic outlook deteriorated further, with heightened expectations of increased unemployment placing further pressure on the outlook for the performance of consumer ABS transactions. Fitch continues to expect negative economic trends to place pressure on the performance of consumer ABS transactions in the near term. The impact will vary between asset class and jurisdiction, but is expected to be most pronounced in the UK, Spain and, to a lesser degree, Italy.

UK Autos

Asset Performance Outlook: Stable/Declining
Ratings Outlook: Stable/Negative

Issuance in this sector has historically been limited and both Fitch-rated transactions are performing in line with initial expectations. Given their asset-backed nature, auto loan transactions are expected to continue to show more resilience than UK credit card transactions with respect to delinquency and default performance.

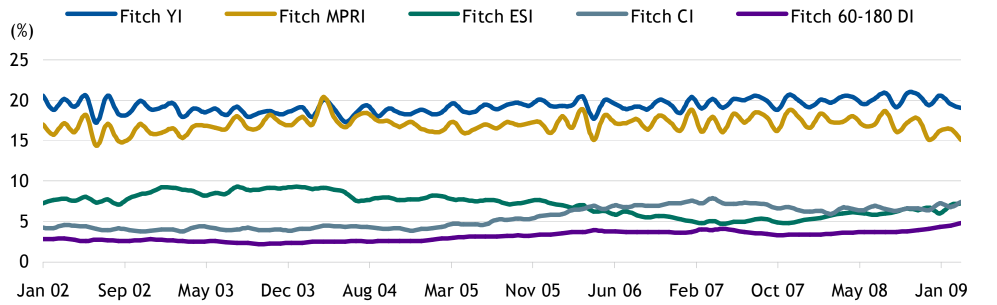
Despite reductions in fuel prices, further declines in the economic environment are negatively impacting overall used car values; this introduces the possibility of negative rating actions. UK auto loans are exposed to negative shifts in used car values as a result of voluntary termination rights afforded to debtors under the Consumer Credit Act and, for personal contract purchase contracts, where borrowers have the option to hand back a vehicle on maturity, creating a residual value risk. So far in 2009, there has been some evidence of stabilising used car prices; however, Fitch highlights that this trend remains vulnerable to broader economic factors.

UK Credit Cards

Asset Performance Outlook: Declining
Ratings Outlook: Negative

The deteriorating economic environment is being reflected in UK credit cards via delinquency, charge-offs and monthly payment rates (MPR). On a positive note, reduced Libor rates have helped to maintain excess spread levels for the majority of series that have floating-rate notes. Despite fears of increased government pressure, so far credit card interest rates have not fallen in line with the base rate, and so originators are benefiting from increased margins (see "*Credit Card Movers & Shakers – February 2009 Performance*", dated 2 April 2009).

Fitch Yield, MPR, Excess Spread, 60-180 Delinquency and Charge-Off Indices



Source: Fitch

Fitch expects future performance levels to be sensitive to the economic environment.

Rising delinquencies and falling MPRs reflect the economic pressure on households. These metrics are expected to deteriorate further in light of the worsening UK economic outlook – notably increased unemployment, continued declines in house prices and restricted credit availability. Increased charge-offs - leading to reductions in excess spread - are expected to lag the record high delinquency levels currently being reported, given the six- or 12-month default definitions applied by credit card originators.

Further pressure on charge-off levels may result from the introduction of debt relief orders in April 2009. However, as outlined in the press release, "*Fitch: Debt Relief Orders Unlikely to Have Major Impact on UK Credit Card ABS Ratings*", dated 8 April 2009, Fitch does not currently expect this new form of insolvency to have a significant impact upon UK credit card ABS ratings.

Despite the deteriorating economic outlook, Fitch is of the view that any further negative rating actions in the credit card sector are likely to be confined to the junior notes of the trusts. This is because the senior notes are able to withstand significant stresses versus current performance levels. All class C notes for all trusts rated by the agency are currently assigned a Negative Outlook.

Germany

Asset Performance Outlook: Stable/Declining
Ratings Outlook: Stable
The German consumer ABS sector is dominated by auto finance transactions.

The transactions have performed in line with, and in most instances better than, Fitch's expectations. From 2005 until 2008, Germany went through a period of improved macroeconomic conditions, characterised by a continuously improving labour market up to November 2008.

As a result of the global economic crisis and the rapid slowdown of Germany's export-driven economy, unemployment has increased since November 2008, albeit at moderate levels. However, a more significant impact is expected for the second half of 2009 and for 2010 where Fitch expects the unemployment rate to increase to 9.9%, up from 7.8% in 2008. The moderate increase in unemployment so far explains why increasing delinquencies have generally not yet been observed. Although the agency expects to see some performance deterioration in the transactions it rates during the second half of 2009, a stable rating performance is expected overall, based on the relatively low current level of delinquencies and the continued de-leveraging of transactions.

Nevertheless, Fitch remains cautious as regards auto residual values, as car manufacturers have come under increasing pressure due to lower vehicle sales volumes, notwithstanding the temporary sales increases caused by government subsidies (auto scrap premium). Reduced secondary car values may especially impact transactions that directly securitise residual values from auto lease contracts, but may also impact the recovery proceeds from standard instalment-backed auto loan and lease transactions.

Spain

Asset Performance Outlook: Declining
Ratings Outlook: Stable/Negative
Fitch expects that 2009 will see continued deterioration in Spanish consumer ABS transactions, with arrears and defaults increasing as a result of the worsening macroeconomic conditions. The ongoing correction in the housing market, rising unemployment, more limited credit availability and a sharply weakening economy are all expected to weigh heavily on consumer ABS performance. Likewise, recoveries are also expected to come under pressure, with fewer borrowers displaying the ability to cure arrears and auto values continuing to suffer from

deteriorating economic conditions and weak demand. Positively, however, Spanish banks have increased their servicing platforms in response to weakening performance metrics, and implemented more active collection strategies.

While Spanish consumer ABS performance has deteriorated significantly over the past 12 months, in general, most transactions continue to perform within their initial base case expectations. Nevertheless, Fitch expects further weakening in collateral performance over the near term, as the economic recession and credit crisis continues. The agency believes that the affordability benefits derived from lower interest rates are likely to be more than offset by sharply deteriorating labour conditions. Continued deterioration in credit metrics may result in additional rating actions, particularly for more recent vintage transactions with more aggressive collateral profiles.

Italy

Asset Performance Outlook: Stable/Declining
Ratings Outlook: Stable

After a relatively stable trend over the past two years, the performance of Italian consumer loan deals rated by Fitch showed some deterioration in 2008 compared to 2007, although the agency's indexes showed a stable trend in the past three quarters of the year. This deteriorating market trend is reflected in the performance of Fitch rated-deals. The Fitch Net Loss Index ranged between 1.1% and 1.5% in 2008, suggesting that Italian consumer loan servicers are actively addressing their bad-loan portfolios; the Fitch Excess Spread Index stood at 1.7% at the end of 2008. Apart from a few exceptions, Italian consumer transactions are still performing within Fitch net default expectations.

The agency expects that the credit quality of Italian consumer portfolios will continue to suffer some deterioration in 2009, on the back of the expected worsening of the Italian economy. Fitch expects the Italian economy to weaken in line with the other countries in the euro area, with real GDP decreasing by 3.4% in 2009 (-1.9% in 2008), while the unemployment rate is expected to increase from the current 7% to 8.9% in 2010. However, these factors are mitigated by the relatively low levels of indebtedness of Italian households, which have so far limited the impact of these economic trends. The household debt to disposable household income ratio stands at 49% - which is approximately half that of the euro area average.

In addition, Italian consumer deals benefit from provisioning mechanisms that allow them to cover for defaulted loans using available excess spread to amortise the notes in respect of the provisioned amount, and the relatively high excess spread available has contributed to maintain stable ratings on these deals.

Overall, Fitch expects the ratings of Italian consumer loan transactions to remain broadly Stable in 2009, with a possible impact on the most junior classes of transactions, currently on Negative Outlook.

Austria

Asset Performance Outlook: Stable
Ratings Outlook: Positive

The Austrian consumer ABS sector is dominated by auto finance transactions.

The agency's outlook on ratings is positive, in light of the expected stable performance of underlying assets, combined with the deleveraging of the transactions (which are now fairly seasoned and have consistently performed well against Fitch's expectations).

France

Asset Performance Outlook: Stable/Declining

Ratings Outlook: Stable/Negative

French consumer ABS transactions backed by consumer, auto or credit card-style loans have performed well to date, in line with Fitch's base cases. This performance reflects the relatively low levels of defaults experienced by consumer lenders, itself a reflection of low indebtedness levels compared to other European markets. Nevertheless, the recession and expected increased unemployment are expected to lead to a declining performance. The stable/declining asset performance outlook reflects this trend.

The change from stable to stable/negative on the rating outlook is less a reflection of the above than a consequence of recent downgrades of French auto manufacturers. Transactions with assets from the latter are performing well, nevertheless the lower creditworthiness of originators and servicers combined with stressed auto markets are clearly a concern.

Greece

Asset Performance Outlook: Stable

Ratings Outlook: Stable

Fitch rates two Greek consumer loan transactions, Karta 2005-1 (credit cards) and Revolver 2008-1 (loans and credit cards). Despite high growth rates of non-mortgage consumer debt over the past five years, overall total consumer debt levels have remained low compared to other European countries. The high levels of home ownership and low levels of consumer indebtedness are expected to provide a cushion against the general European economic environment; hence the stable outlook for both asset performance and ratings.

Corporate ABS

This area covers a variety of asset groups with few repeat deals, the major sectors being corporate trade receivables, UK social housing, Italian leasing, Italian healthcare receivables, aircraft leases/loans and government-related issues. Each sub-sector has individual characteristics that influence likely future performance (with the more significant issues addressed below). One general theme, however, is that most transactions are exposed to a degree of seller/servicer risk, so rating actions generally tend to be linked to individual situations.

Aircraft ABS

Asset Performance: Declining

Ratings Outlook: Negative

The aviation industry faces another set of challenges in 2009. The global economic downturn has resulted in a significant reduction in demand for air travel. Many airlines are facing the issue of excess capacity and some aircraft that are used on unprofitable routes are grounded. Hence, aircraft values are under pressure.

The downward pressure on aircraft values led Fitch to downgrade Iberbond 2004.

The performance of this asset class will remain largely dependent on the ratings of the airlines and the value of the aircraft included in the securitisation portfolios.

Auto Operating Leases

Asset Performance Outlook: Declining

Ratings Outlook: Stable/Negative

Issuance in this sector is dominated by the Netherlands and Germany. Auto operating leases are extended to corporate and SME obligors. Despite signs of economic slowdown and companies facing pressure as a result of worsening credit conditions, operating lease transactions have shown negligible levels of default to date.

The Dutch transactions include not only the lease instalments but also residual value, the residual value risk being covered by warranties from third parties. Any future decline in vehicle values will not have a direct impact on the transactions as long as the warranties perform as expected. However, Fitch remains cautious as regards residual values and will monitor developments in the used car markets accordingly.

The ratings are further protected by the deleveraging of some transactions.

Government Securitisations

Ratings Outlook: Stable

Asset Performance Outlook: Stable

Fitch rates Italian, Portuguese and Belgian transactions involving the securitisation of historical "delinquent" tax or social security receivables. Since its issuance in 2004, the Portuguese Sagres Explorer transaction has underperformed its original Fitch base case. However, over the past three years, collections on a monthly basis have maintained an almost linear pattern, contrary to the initial expectation of a flattening cumulative collection curve. The result is that cumulative collections were sufficient to pay down all senior classes of notes. Should future collections follow the expected trend, the junior notes (class O and class T) will be fully repaid. The class O and class T notes are on Rating Watch Positive and Outlook Positive, respectively.

Both the Belgian and Italian transactions continue to perform in line with expectations and the outlook remains stable for both asset performance and ratings.

Italian Healthcare Receivables

Asset Performance Outlook: Stable

Ratings Outlook: Stable

These transactions are securitisations of receivables due from local health authorities (Aziende Sanitarie Locali - ASL). ASLs are very reliant on their local regional government for funding and, therefore, ultimate payment of the receivables. Any rating actions on the regions will likely have a direct impact on the ratings of such transactions. Following the affirmation of the Region of Lazio's rating with Stable Outlook all the securitisation transactions backed by the irrevocable payment undertaking of the Italian regions now have a Stable Outlook.

Italian Lease Receivables

Asset Performance Outlook: Declining

Ratings Outlook: Stable/Negative

The performance of lease receivables transactions is showing some signs of deterioration on the back of the worsening Italian economy and the credit conditions faced by Italian SMEs, the typical obligors of financial leases. The Fitch Delinquency Index increased from 2.7% in Q208 to 3.7% in Q408 (1.9% in Q407), while the Gross Default Index reached 2.4% at the end of 2008, after having ranged between 1.6% and 2.0% in the first three quarters of the year (from 1.3% in Q407). Net defaults followed the same trend as gross defaults, with the Net Default Index at 1.8% in Q408 (between 0.7% and 1.5% in the first three quarters of 2008). Despite this trend, Italian leasing deals are still performing within the agency's net default expectations, with a limited number of exceptions. In addition, these transactions continue to benefit from relatively high excess spread (on average, in the 3.0% area since Q307). This element, combined with provisioning mechanisms that cover for defaulted loans using available excess spread to amortise the notes in respect of the provisioned amount, has helped to maintain stable ratings on Italian leasing deals.

The agency expects the performance of financial leasing deals to suffer more pressure in 2009, as a consequence of the slowdown of the Italian economy. Fitch expects the Italian economy to deteriorate in line with the other countries of the euro area, with real GDP decreasing by 3.4% in 2009 (-1.9% in 2008) as a result of falling exports (-11.5%) and investments (-11.9%), which will have some impact on Italian SMEs. However, the performance of financial leases is generally less sensitive to a declining trend in the macroeconomic environment than other unsecured SME lending (as leased assets are used by borrowers in their production process and a default on the contract would cause the assets to be lost, with a direct impact on the production process). Ratings in this sub-sector should remain broadly stable for the most seasoned transactions, while some pressure could be experienced by transactions that are currently on Negative Outlook.

UK Social Housing

Asset Performance Outlook: Stable
Ratings Outlook: Stable

Although the household budgets of typical UK social housing tenants are likely to come under pressure as a result of macroeconomic factors, a high proportion of rents in this sector are paid directly from benefits. In any event, the individual transactions typically benefit from considerable overcollateralisation in terms of rent receivables being in excess of debt service requirements. As such, even an increase in delinquencies, of which little evidence has been seen to date, should be capable of being absorbed.

Emerging Markets

Russia/Ukraine Auto Loans

Asset Performance Outlook: Declining
Ratings Outlook: Negative

All consumer loans included in Russian and Ukrainian auto securitisations are denominated in USD. As such, the performance of consumer ABS collateral is exposed to sudden depreciations in the local currency. The deteriorating economic conditions in Russia and Ukraine have triggered a rapid depreciation of both the Russian rouble (RUB) and the Ukrainian hryvnia (UAH) by more than 44% and 61%, respectively, from the levels observed in Q1 2008. As a result, borrowers have been forced to allocate a higher proportion of their incomes to meet loan payments. The reduced affordability has resulted in a rapid increase in delinquencies for the rated transactions since the start of the year.

Currency pressure is not over yet, and given the modest income levels seen in some of the securitised portfolios, the central expectation is that long-term delinquencies will continue to mount. Furthermore, negative outlooks on Ukrainian and Russian servicers, as well as on the sovereign ratings of both countries, indicate possible further pressure that would lead to higher stresses on rated transactions and possible downgrades.

Turkey/Russia Diversified Payment Rights (DPRs) Flow

Asset Performance Outlook: Stable
Ratings Outlook: Turkey Stable; Russia Stable/Negative

DPR transactions are generally showing the kind of resilience that characterises this type of securitisation during difficult times. Flows are largely stable and Fitch expects them to remain well above the trigger levels in most cases. Flows have been affected moderately by declines in export activity and curtailed cross-border financial transactions. These forces will continue to operate in coming quarters, but the impact on overall flows is likely to be minimal. If market conditions do not change in a meaningful way in coming months, Fitch expects declines in flows of between 10-20%, which would not represent a material deterioration in the coverage ratios of transactions in Turkey and likely Russia.

Kazakhstan Diversified Payment Rights (DPRs) Flow

Asset Performance Outlook: Declining

Ratings Outlook: Negative

A very different picture has emerged, however, in Kazakhstan, where Fitch rates a DPR securitisation for Alliance Bank. In this case, flows have virtually disappeared, as the originator bank has been affected by a profound confidence crisis. As a result of this sudden deterioration, Fitch downgraded the transaction's rating to 'CC' in April, indicating that the flows are unlikely to be sufficient to secure the repayment of the issued notes in full. An additional series guaranteed by the Asian Development Bank remains at 'AAA'.

South Africa

Disposable household income in South Africa came under considerable pressure during 2008. The consumer price index (CPI) peaked at about 13.7% in August 2008, with the reserve bank's repo interest rate having risen to 12%. The global economic crisis also started to materially affect the South African economy, with GDP falling by an annualised 1.8% during Q408.

Although consumer debt had grown significantly in recent years, the introduction of the National Credit Act in June 2007 put a limit on excessive borrowing by consumers. More recently, South African banks have reduced the availability of types of consumer credit, such as mortgage loans, by requesting higher deposits.

CPI fell rapidly to 8.6% in February 2009, however, and moderate relief for consumers has come via the reserve bank cutting interest rates in recent months. Further interest rate cuts are expected in 2009, which should bring more relief for consumers.

However, the slowdown in global growth has affected the economy. Job losses continue, mainly in the manufacturing and mining sectors, while, although in a better financial position than their European counterparts, South African banks have been experiencing rising bad debts. Company liquidations climbed significantly over the 12 months to January 2009.

Auto Loans

Asset Performance Outlook: Declining

Ratings Outlook: Stable/Negative

The South African auto loan market is under pressure. Reduced affordability and credit extension have led to significantly lower car sales volumes. Insolvencies among local auto dealers are increasing and car manufacturers are feeling the heat of the global economic crisis. With used car prices also declining, banks and finance providers are repossessing a significantly higher number of vehicles. Also, the impact of the debt counselling process available under the National Credit Act (that was introduced in 2007) will start to be seen on the recovery process. This is important to monitor, in particular, in respect of cars because during debt counselling the borrower can keep using the car, which will depreciate further in value.

There was a significant increase in delinquencies in the eight rated auto loan transactions during 2008. However, this did not lead to rating actions in 2008, except in one transaction. This is because although delinquency levels are rising, apart from in one transaction, all the rated transactions still performed in line with base case expectations. Most of the auto loan transactions are amortising, resulting in higher credit enhancement for the senior notes. In Octane ABS 1 (PTY) Limited, the excess spread was trapped, leading to higher credit enhancement levels.

Small-Ticket Equipment Leases

Asset Performance Outlook: Stable/Declining
Ratings Outlook: Stable

This sector is linked to the financial performance of corporates and SMEs. Although the impact of the economic downturn has had an overall negative effect on these companies, they will try to avoid defaulting on leased equipment obligations, as general leased equipment forms an essential part of a company's business. Defaulting on the leased equipment obligations would adversely affect the company's ability to run its operations smoothly.

During 2008, the performance of the three Fitch-rated equipment lease transactions was in line with expectations. As in the other asset classes, delinquencies are rising among small-ticket equipment leases, however at a slower pace than the other asset classes (RMBS and auto loans).

The equipment lease transactions the agency rates still benefit from substantial levels of excess spread.

Fitch expects rating actions in the equipment lease asset class to be minimal and confined to junior classes.

Copyright © 2009 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries. One State Street Plaza, NY, NY 10004.Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. All of the information contained herein is based on information obtained from issuers, other obligors, underwriters, and other sources which Fitch believes to be reliable. Fitch does not audit or verify the truth or accuracy of any such information. As a result, the information in this report is provided "as is" without any representation or warranty of any kind. A Fitch rating is an opinion as to the creditworthiness of a security. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed, suspended, or withdrawn at anytime for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of Great Britain, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.