FitchRatings

# FITCH UPGRADES TWO, AFFIRMS THREE TRANCHES OF FTPYME BANCAJA 1, FONDO DE TITULIZACION DE ACTIVOS

Fitch Ratings–London–23 September 2004: Fitch Ratings, the international rating agency, has today upgraded the ratings of two tranches and affirmed the ratings of three tranches of FTPYME BANCAJA 1, FONDO DE TITULIZACION DE ACTIVOS' ("FTPYME Bancaja 1") notes due 2023 as follows:

EUR264,000,000 Series A1(G) notes affirmed at 'AAA';
EUR66,000,000 Series A1 notes upgraded from 'AA' to 'AAA';
EUR194,400,000 Series A2(G) notes affirmed at 'AAA';
EUR48,600,000 Series A2 notes upgraded from 'AA' to 'AAA', and
EUR 27,000,000 Series B notes affirmed at 'BBB'.

FTPYME Bancaja 1's notes represent a cashflow securitisation of loans granted by Caja de Ahorros de Valencia Castellon y Alicante ("Bancaja") (rated 'A+'/'F1') to small- and medium-sized Spanish enterprises ("SMEs"). The Series A1(G) and A2(G) notes are backed by a guarantee from the Kingdom of Spain (rated 'AA+'/'F1+').

FTPYME Bancaja 1 is a special-purpose vehicle incorporated under the laws of Spain with limited liability. Its sole purpose is to acquire a portfolio of loans from Bancaja as collateral for the issuance of fixed income securities. The assets of FTPYME Bancaja 1 were subscribed to by Europea de Titulizacion S.G.F.T., S.A. ("the Sociedad Gestora"). The Sociedad Gestora is a special-purpose management company with limited liability, incorporated under the laws of Spain.

At closing the notes were backed by a EUR600 million static portfolio of SME loans purchased by FTPYME Bancaja 1 from Bancaja. These loans were selected from a provisional pool of 4,916 loans to 4,830 obligors with a total outstanding balance of EUR717.8m. Credit enhancement in the form of subordination for the Series A notes totalling 6.25% is provided by the Series B notes (4.5%) and the subordinated line of credit (1.75%). Available excess spread serves as a first layer of loss protection.

Fitch has carried out a review of this transaction and its performance to date. Delinquencies of over 12 months currently represent 0.50% of the original balance and those between 6 and 12 months 1.02%. These figures are lower than Fitch's initial assumptions. No losses have yet been recorded, although this is not surprising given the long workout period and the short time since closing. The current balance of the loan pool is EUR285m – 47.5% of the original balance. In 29 months, more than half the pool has been paid down. If pool amortisation continues at this rate, the clean-up call at 15% of the original balance will be exercisable in approximately 15 months. Although the nominal subordination of the notes has not increased since closing, the EUR316,876,251m of principal payments to date, which are kept in an amortisation account, represent an effective deleveraging of the notes and a significant increase in the available credit enhancement giving rise to the two upgrades.

Deal information and historical performance data for this transaction are available on the agency's subscription website, www.fitchresearch.com.

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