



Announcement: Moody's confirms notes guaranteed by EIF in Spanish ABS transactions

Global Credit Research - 23 Oct 2012

Action follows confirmation of Spanish government rating

Frankfurt am Main, October 23, 2012 -- Moody's has today confirmed the A3 (sf) ratings on the following structured finance securities that are guaranteed by the European Investment Fund (EIF, Aaa stable) and issued by BBVA 5 FTPYME FTA and by EdT FTPYME PASTOR 3, FTA:

- Issuer: BBVA 5 FTPYME Fondo de Titulización de Activos

C Notes, confirmed at A3 (sf); previously on 2 August 2012 Moody's had downgraded the issuer to A3 (sf), with the rating on review for possible further downgrade

- Issuer: EdT FTPYME PASTOR 3 Fondo de Titulización de Activos

B Notes, confirmed at A3 (sf); previously on 2 August 2012 Moody's had downgraded to A3 (sf), with the rating on review for possible further downgrade

Today's rating confirmations follow Moody's confirmation of the Spanish government bond rating at Baa3/(P)P-3 (assigned negative outlook) on 16 October 2012, and the announcement that Spain's country ceilings would remain unchanged at A3 (see "Moody's confirms Spain's government bond rating at Baa3/(P)P-3, assigns negative outlook." http://www.moody.com/research/Moodys-confirms-Spains-government-bond-rating-at-Baa3PP-3-assigns--PR_257500).

The confirmed securities benefit from the unconditional and irrevocable guarantee of the EIF to pay any shortfall of interest or principal due, on their respective due dates. Moody's ratings on these securities is subject to the Spanish country ceiling (see "Moody's downgrades certain structured finance securities guaranteed by EIF", 2 August 2012 http://www.moody.com/research/Moodys-downgrades-certain-structured-finance-securities-guaranteed-by-EIF--PR_251876).

For additional information on structured finance ratings, please refer to the webpage containing Moody's related announcements <http://www.moody.com/eusovereign>.

RATINGS RATIONALE

Today's actions reflect the confirmation of the Spanish government's rating and the fact that the local country ceiling will remain unchanged at A3 (see "Moody's confirms Spain's government bond rating at Baa3/(P)P-3, assigns negative outlook." http://www.moody.com/research/Moodys-confirms-Spains-government-bond-rating-at-Baa3PP-3-assigns--PR_257500). Moody's had placed the ratings of the EIF guaranteed notes in both Spanish transactions on review for downgrade on 2 August 2012 to reflect the review for downgrade on Spain's sovereign rating. Moody's considers the EIF guaranteed securities in Spanish ABS transactions to be exposed to the country risks that the local country ceiling addresses.

In particular, Moody's believes that the EIF guarantee does not cover the risk of a currency redenomination or from capital controls being placed on external payments. Moody's is concerned that such an event could result in either the euro equivalent of redenominated securities being worth less than the rated promise or that guarantee payments would be trapped in a local account. In such a scenario, full performance by the EIF on its payment obligations under the guarantee may not be sufficient to repay the euro amount of the rated securities, resulting in a payment default under Moody's definitions.

Country ceilings address risks in a given country that arise from political, institutional, financial and economic factors within or which affect that country, including risks such as political instability, civil unrest, regulatory and legal uncertainty, enforceability of contracts, the risk of government intervention, expropriation/nationalisation of local assets, the risk of systemic economic disruption, crystallisation of severe financial stability risks, currency redenomination and devaluation, among others.

--Assumption and sensitivity

Because this rating action has been primarily driven by Moody's analysis of the guarantee coverage and the application of Moody's country ceiling for Spain, Moody's has not updated key modelling assumptions, sensitivities, cash-flow analysis and stress scenarios for the transactions. Any change in the Spanish country ceiling would have a strong influence on the ratings of these securities.

--Rating Methodologies

Sovereign credit quality impacts structured finance and covered bonds ratings primarily through the performance of underlying collateral and the credit quality of counterparties, as detailed in the Rating Implementation Guidance "How Sovereign Credit Quality May Affect Other Ratings" (http://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_139495). Structured finance and covered bond securities benefit from revenue diversification, credit enhancement and other structural features. As a result they can achieve higher ratings than other non-structured issuers and may, where certain conditions are met, exceed the sovereign by a limited number of notches, subject to the constraint of the relevant country ceiling.

The country ceiling (or 'guideline') is described in the Special Comment "Local Currency Guidelines " (http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_32373). Moody's is considering reintroducing individual country ceilings for other euro area members, which could affect further the maximum structured finance rating achievable in those countries, as discussed in Moody's special report "Rating Euro Area Governments Through Extraordinary Times -- An Updated Summary" (http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_136315).

The rating considerations described in this press release complement the principal rating methodology. The principal methodology used in these ratings was Moody's Approach to Rating CDOs of SMEs in Europe published in February 2007. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

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The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare each of the ratings are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's did not receive or take into account a third party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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