RURALPYME 2 FTPYME, Fondo de Titulización de Activos

SME loans / Spain

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of November 2006. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The ***definitive*** *ratings may differ from the* ***provisional*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€487.00	82.12	Apr 30	3mE + [•]%
A2(G)	(P)**Aaa**	€53.70	9.06	Apr 30	3mE + [•]%
B	(P)**A2**	€29.10	4.91	Apr 30	3mE + [•]%
C	(P)**Baa3**	€23.20	3.91	Apr 30	3mE + [•]%
D	(P)**Ca**	€24.05	4.06*	Apr 30	3mE + [•]%
Total		€617.05	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par with respect to the Series A1, A2(G), B and C notes, and for ultimate payment of interest and principal at par with respect to the Series D notes, on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

* *As percentage of Series A1 to C*

OPINION

Strengths of the Transaction

– Guarantee by the Kingdom of Spain for Series A2(G).

– Excess spread-trapping mechanism through an 18-month "artificial write-off".

– High proportion of loans secured by a first-lien mortgage guarantee.

Weaknesses and Mitigants

– No historical information provided in a format satisfactory to Moody's.

– A significant amount of loans pay through semi-annual or annual instalments, creating a disruption in the regular flow of excess spread received by the *Fondo* from the securitised pool. Moody's has tested this non-regular flow of excess spread in its cash flow model and has penalised it accordingly.

– Pro-rata amortisation of Series B and C leads to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which interrupt the pro-rata amortisation of the notes should the performance of the transaction deteriorate.

– The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C themselves. The reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	RURALPYME 2 FTPYME, Fondo de Titulización de Activos	
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes	
Seller/Originator:	Caja Rural del Sur, S.C.C. (N.R.)	(21.8%)
	Caja Rural Aragonesa y de los Pirineos, S.C.C. (N.R.)	(15.6%)
	Caja Rural de Aragón, S.C.C. (N.R.)	(10.5%)
	Caja Rural de Navarra, S.C.C. (N.R.)	(10.5%)
	Caja Rural de Córdoba, S.C.C. (N.R.)	(9.5%)
	Caja Rural del Mediterráneo, Ruralcaja, S.C.C. (N.R.)	(9.1%)
	Caja Rural de Teruel, S.C.C. (N.R.)	(6.1%)
	Caja Rural de Ciudad Real, S.C.C. (N.R.)	(4.5%)
	Caja Rural de Zamora, C.C. (N.R.)	(3.5%)
	Caja Rural de Burgos, C.C. (N.R.)	(2.7%)
	Caixa Rural de Balears, S.C.C. (N.R.)	(2.4%)
	Caja Rural Central, S.C.C. (N.R.)	(1.5%)
	Caixa Popular – Caixa Rural, S.C.C.V. (N.R.)	(1.3%)
	Caja Rural de Gijón, C.C. (N.R.)	(0.9%)
Servicer:	The originators	
Interest Payments:	Quarterly in arrears on each payment date	
Principal Payments:	Pass-through on each payment date	
Payment Dates:	25 January, 25 April, 25 July, 25 October	
	First payment date: 25 April 2007	
Credit Enhancement/Reserves:	Pool spread	
	4.06% reserve fund	
	Subordination of the notes	
	Guaranteed Investment Contract (GIC) account	
	Guarantee of the Kingdom of Spain (**Aaa**/**P-1**) for Series A2(G)	
GIC Account Provider:	Banco Cooperativo (**A2**/**P-1**)	
Hedging:	Interest rate swap covering the interest rate risk	
Interest Rate Swap Counterparty:	Banco Cooperativo	
Paying Agent:	Banco Cooperativo	
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)	
Arrangers:	Europea de Titulización	
Lead Managers:	Banco Cooperativo	
	DZ Bank AG	
	The Royal Bank of Scotland Plc	
	Société Générale, Spanish Branch	

COLLATERAL SUMMARY (AS OF OCTOBER 2006) *(see page 8 for more details)*

Receivables:	Loans to Spanish corporates (95.6%) and self-employed individuals (4.4%)
Total amount:	€699.2 million
Number of Contracts:	4,971
Number of Borrowers:	4,163
Geographic Diversity:	Andalucía (30.6%), Aragón (28.4%), Valencia (11%)
WA Seasoning:	2.61 years
WA Remaining Term:	10.03 years
Interest Basis:	100% floating
WA Interest Rate:	4.28%
Delinquency Status:	No loans more than 30 days in arrears at the time of the securitisation
Historical Experience:	No historical information provided in a format satisfactory to Moody's

NOTES

Series	Subordination[1]	Reserve Fund	Total
A1	17.88%	4.06%	21.94%
A2(G)	8.82%	4.06%	12.88%
B	3.91%	4.06%	7.98%
C	0.00%	4.06%	4.06%
D	0.00%	0.00%	0.00%

1 *Subject to pro-rata amortisation triggers*

INTRODUCTION

In line with the reduction observed in 2005, the 2006 guarantee for the FTPYME programme is significantly lower than in 2002, 2003 and 2004

As has become usual in recent years, the Spanish Ministry of Economy has established an annual guarantee budget for the FTPYME (SME securitisation funds) programme for 2006. In line with the reduction observed in 2005, the amount assigned by the Ministry for 2006 is, at €800 million, significantly lower than the €1.8 billion guarantee assigned in 2002, 2003 and 2004. In contrast with the reduction observed nationally, the regional government of Catalonia assigned a total of €1 billion in guarantees to securitisation funds in 2006 (as was done in 2005 but with a lower budgeted amount) aimed at promoting the financing of Catalan SMEs.

The legal framework has not changed since 2005. The following is a summary of its principal conditions:

1. Securitised assets must be loans (a) originated by institutions that have previously signed an agreement with the Ministry of Economy, (b) granted to non-financial enterprises based in Spain and (c) with an initial maturity of more than one year.
2. At least 80% of the loans must be granted to small- and medium- sized enterprises (SMEs), as defined by the European Commission in its recommendation of 6 May 2003.
3. The institutions transferring the loans to an FTPYME fund must in turn reinvest the proceeds of the sale in granting new loans (such loans complying with conditions (1) and (2) above): 50% of which must be reinvested within six months and the remaining 50% within one year.
4. The Kingdom of Spain will guarantee interest and principal payments (on a timely manner) on up to 80% of securities rated **Aa** or above. Significantly, the guarantee is fully binding for the Kingdom of Spain.

Additionally, a condition imposed in the Budget Law for 2006 limits the outstanding amount of guaranteed tranches to €5 billion; i.e. no further tranches could be guaranteed beyond this limit even if the guarantee budget has not been fully allocated.

Moody's expects that six FTPYME securitisation funds will close by year-end 2006.

TRANSACTION SUMMARY

Cash securitisation of loans granted to Spanish enterprises and self-employed individuals carried out under the FTPYME programme

RURALPYME 2 FTPYME, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by 14 Spanish rural savings banks to Spanish SMEs, in compliance with the conditions required by the FTPYME programme in order to qualify for the Spanish Treasury guarantee. This is the second time that a group of rural savings banks by themselves have joined forces to securitise a pool of SME loans benefiting from the FTPYME programme.

The *Fondo* will issue four series of notes to finance the purchase of the loans (at par):

– A subordinated Series C, rated (P)**Baa3**
– A mezzanine Series B, rated (P)**A2**
– A senior tranche composed of two (P)**Aaa**-rated series: a subordinated Series A2(G) and a senior Series A1

In addition, the *Fondo* will issue a (P)**Ca**-rated Series D to fund a cash reserve, which will be used to cover any potential shortfall on interest or principal payments to the other series.

Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the securitised pool excess spread. The transaction also incorporates a swap agreement that will hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates on the assets and on the notes; and (ii) the existence of caps on the loans' interest rate.

In addition, the *Fondo* will benefit from a €[ ] million subordinated loan provided by the originators to fund the up-front expenses, the costs of issuing the notes and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

Series A2(G) benefits from the guarantee of the Kingdom of Spain for interest and principal payments. Nevertheless, the expected loss associated with Series A2(G) notes is consistent with a **Aaa** rating regardless of the Spanish Treasury guarantee. The transaction will not incorporate a liquidity line to ensure the timeliness of the interest or principal guarantee payments.

The provisional pool consists of 4,971 loans and 4,163 Spanish enterprises and self-employed individuals as borrowers, all of them SMEs according to the European Commission definition. The pool is well diversified in terms of geography, although, given the location of the originators, with slight concentrations in Andalucía and Aragón. According to Moody's industry classification, around 26% is concentrated in the "farming and agriculture" sector. Of the pool, 69% is secured by a first-lien mortgage guarantee over different types of properties.

Moody's based the provisional ratings primarily on (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information from the Spanish SME loan market; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

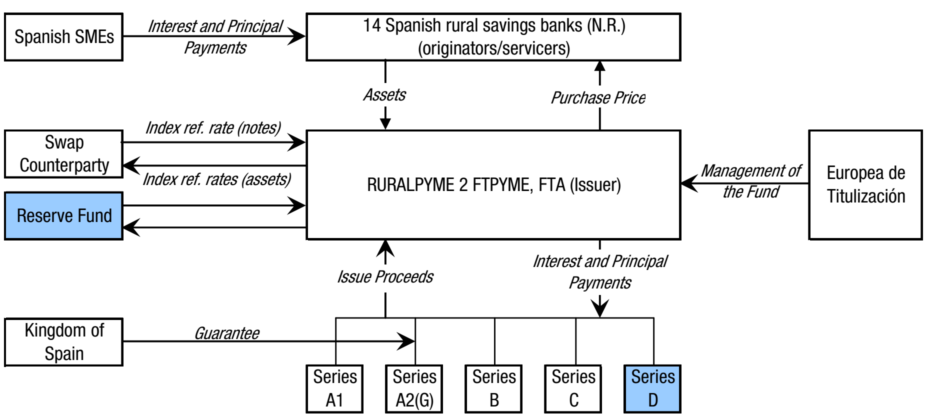
Moody's ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par with respect to the Series A1, A2(G), B and C notes, and for ultimate payment of interest and principal at par with respect to the Series D notes, on or before the rated final legal maturity date in April 2030.

The ratings do not address full redemption of the notes on the expected maturity date.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a basis swap agreement, pro-rata amortisation of the notes, deferral of interest based on the principal deficiency size and funding of the reserve fund through the issuance of a subordinated series of notes

Chart 1:
Structure Diagram



Interest rate swap hedging the interest rate risk

To hedge against interest rate risk (potential mismatch derived from having different index reference rates and reset dates on the assets and on the notes), the *Fondo* will enter into a swap agreement with Banco Cooperativo.

According to the swap agreement, on each payment date:

- The *Fondo* will pay the interest due from the non-written-off loans (as defined later on this section) from the previous payment date less the amount of interest corresponding to the margin over the index reference rate for each of the non-written-off loans.
- Banco Cooperativo will pay the index reference rate on the notes over a notional calculated as the daily average of the outstanding amount of the non-written-off loans since the last payment date.

The way in which the *Fondo*'s payment under the swap is structured protects it against the risk derived from the existence of limits on the maximum interest rate applicable under the loans. This is because, although such limitation will be transferred to the index reference rate of each loan that the *Fondo* is committed to pay under the swap, it will not affect the amount of pool spread that is retained at the *Fondo* level.

In the event of Banco Cooperativo's long-term rating being downgraded below **A2**, it will within 10 business days have to (i) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (ii) find a suitably rated guarantor or substitute. Any failure by Banco Cooperativo to comply with this condition will constitute an event of default under the swap agreement.

Reserve fund fully funded up-front to help the Fondo meet its payment obligations

The reserve fund will be funded up-front with the benefits from the issuance of the Series D notes and will be used to cover any potential shortfall on items (1) to (8) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts:

- 4.06% of the initial balance of the notes
- The higher of:
  - 8.10% of the outstanding balance of the notes
  - 2.03% of the initial balance of the notes

However, the amount requested under the reserve fund will not be reduced:

- During the first two years following the closing date
- On any payment date on which any of the following scenarios occurs:
  - The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%
  - The reserve fund is not funded at its required level

The GIC provides an annual interest rate equal to the index reference rate of the notes less 0.06%

The treasury account will be held at Banco Cooperativo. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Moody's has set up some triggers in order to protect the treasury account from a possible downgrade of Banco Cooperativo's short-term rating. Should this rating fall below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 days:

1. Find a suitably rated guarantor or substitute.
2. Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
3. Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Banco Cooperativo guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less 0.06%.

Limitations on the renegotiation of the loans

The management company authorises each of the originators in their role as servicers to renegotiate the spread over the index reference rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). However, an originator will not be able, with respect to the loans included in the sub-pool transferred by it, (i) to renegotiate the spread of any loan if the respective weighted average spread is below 90 bppa, or (ii) to extend the maturity later than June 2026. Moreover, the renegotiation of the maturity of the loans is subject to the following conditions:

- The total initial amount of loans on which the maturity has been extended by each originator cannot be greater than 10% of the initial amount of the sub-pool transferred by it.
- The frequency of payments cannot be decreased.
- The amortisation system cannot be modified.
- Each loan to be renegotiated must not have been more than 15 days in arrears during the last 12 months.

Payment structure allocation

On each quarterly payment date, the *Fondo*'s available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the treasury account) will be applied in the following simplified order of priority:

1. Costs and fees, excluding the servicing fee (except in the case of any of the originators being replaced as servicer of the loans)
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party
3. Interest payment to Series A1 and A2(G)
4. Interest payment to Series B (if not deferred)
5. Interest payment to Series C (if not deferred)
6. Retention of an amount equal to the principal due under the notes
7. Interest payment to Series B (if deferred)
8. Interest payment to Series C (if deferred)
9. Replenishment of the reserve fund
10. Interest payment to Series D
11. Principal payment to Series D
12. Termination payment under the swap agreement (except in the cases contemplated in (2) above)
13. Junior payments

The reimbursement of the guarantee payments from the Spanish Treasury will be made through the above-mentioned order of priority, occupying the same position as the interest and principal payments on the guaranteed series.

In the event of liquidation of the *Fondo*, the payment structure would be modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the accumulated amount of written-off loans

The payment of interest on Series B and C will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

– The principal deficiency (as defined below) exceeds the sum of (i) 50% of the initial amount of the relevant series and (ii) 100% of the initial amount of the series subordinated to it.

– The series senior to it are not fully redeemed.

Principal due to the notes incorporates an 18-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (i) the outstanding amount of the notes (plus any amount due to the Spanish Treasury by reason of principal) and (ii) the outstanding amount of the non-written-off loans, the "written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus the amount of notes collateralised by non-performing loans, and consequently the negative carry, is minimised. However, the most significant benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency). The principal deficiency attributable to Series A2(G) will be covered by the guarantee from the Kingdom of Spain.

Principal due allocation mechanism

The amount retained as principal due on item (6) of the order of priority will be allocated to the amortisation of Series A1, A2(G), B and C according to the following rules:

1. Sequentially to the amortisation of Series A1, A2(G), B and C (in the indicated order).
2. Pro-rata between Series A1 and A2(G), if the aggregated outstanding amount of these two series is equal to or greater than the outstanding amount of performing loans (including loans up to 90 days in arrears).
3. Notwithstanding rule (1), from the payment date on which the initial amount of Series B and C exceeds 9.81% and 7.82%, respectively, of the outstanding amount under Series A1 to C (plus any amount due to the Spanish Treasury by reason of principal), pro-rata between the following items:
   a) Amortisation of Series A1 and A2(G) in accordance with rule (1)
   b) Amortisation of Series B
   c) Amortisation of Series C

Ensuring that the following conditions are met:

– The arrears level is below 1.25% and 1.00% for Series B and C respectively.
– The cash reserve is funded at its required level.
– The outstanding amount of the non-written-off loans is higher than 10% of the pool's initial amount.
– The conditions to amortise pro-rata Series A1 and A2(G) are not met.

The reimbursement of the guarantee payments from the Spanish Treasury by reason of principal will occupy the same position as the amortisation of Series A2(G) in the principal due allocation mechanism stated above.

COLLATERAL

Pool of loans granted to Spanish SMEs with a significant concentration in the farming and agriculture sector

As of October 2006, the provisional portfolio comprised 4,971 loans and 4,163 borrowers. The loans have been granted to enterprises (95.6%) and self-employed individuals (4.4%) by the originators in its normal course of business, and comply with the following criteria:

– The loans have been granted to non-financial enterprises and self-employed individuals based in Spain, 100% of which are SMEs according to the European Commission definition.
– None of the debtors is employed by the originators or is a company belonging to any of the originators' financial group.
– All the loans have been formalised under public document.
– The loans are repaid by direct debit and have paid at least one instalment.
– No loan incorporates any type of balloon payments or deferred payments of interest.
– 100% of the principal of the loans has been drawn.
– Obligors are committed to sign an insurance contract for the mortgaged property at the time of the loan's origination.
– All the mortgaged properties are fully developed and situated in Spain.
– The pool will not include loans granted to real estate developers or lease contracts.
– No loan will be more than 30 days in arrears at the time of securitisation.

The loans have been originated between 1992 and March 2006, with a weighted average seasoning of 2.61 years and a weighted average remaining term of 10.03 years. The longest loan matures in June 2026.

The majority of the loans (69%) pay through monthly instalments of interest and principal, although 6% of the pool enjoys a grace period on principal payments (the average length of the grace period being 0.75 years).

The fact that a significant portion of the pool pays semi-annually or annually while the interest on the notes is due on a quarterly basis does not have a negative impact in terms of the index reference rate, as this risk is covered by the swap (to the extent that the *Fondo* is committed to pay the swap counterparty just the interest due from the loans). However, it does create a disruption in the regular flow of excess spread received by the *Fondo* from the securitised pool. Moody's has tested this non-regular flow of excess spread in its cash flow model and has penalised it accordingly.

The interest rate is floating for all the loans, 92% being referenced to Euribor/Mibor and the remaining 8% being referenced to IRPH or CECA. The weighted average interest rate of the pool is 4.28% and the weighted average margin over each loan's reference rate is 1.07%.

Of the outstanding portfolio, 69% is secured by a first-lien mortgage guarantee over different types of properties. The total weighted average loan-to-value is 52%:

Table 1:

Type of Property	%	Weighted Average Loan-to-Value
Residential	10%	55%
Commercial	11%	58%
Industrial	22%	52%
Rural land	11%	47%
Other land	6%	54%
Other	8%	54%

The remaining 31% of the portfolio is secured by personal guarantee (23%), guarantor (5%) and other types of real guarantees (3%).

Geographically, given the location of the originators, the pool is concentrated in Andalucía (30.6%), Aragón (28.4%) and Valencia (11%). Around 26% of the portfolio is concentrated in the "farming and agriculture" sector, according to Moody's industry classification.

Finally, in terms of debtor concentration, the pool includes exposures up to 1.1% of the amount of the issuance, with the top ten debtors accounting for 7.85% of the same amount.

Chart 2:
Portfolio Breakdown
by Year of Origination

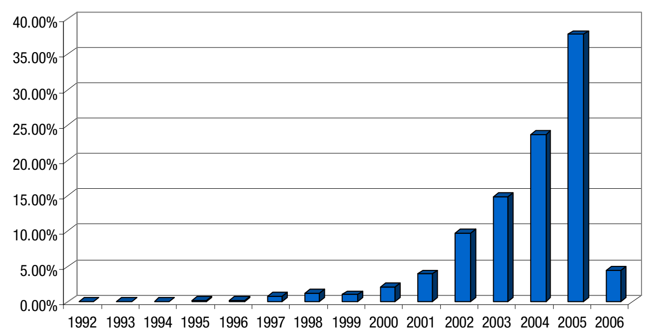


Chart 3:
Portfolio Breakdown
by Year of Maturity

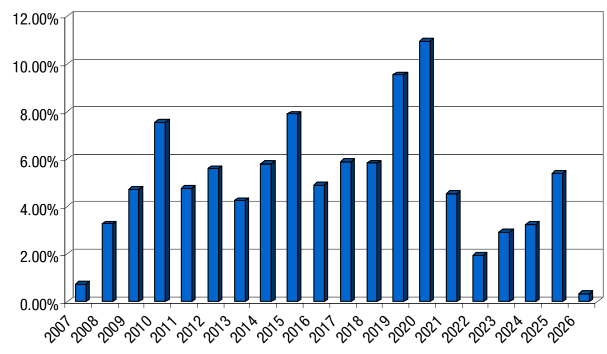


Chart 4:
Portfolio Breakdown
by Geographic Diversity

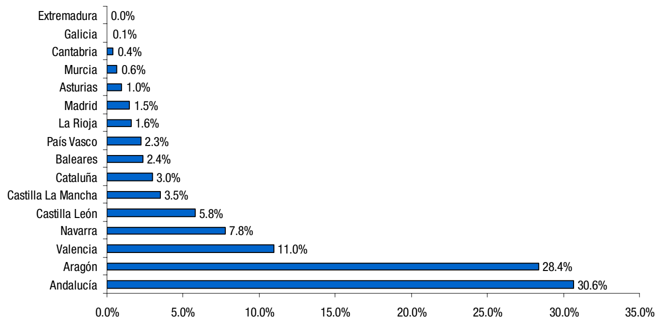


Chart 5:
Ten most represented industry sectors

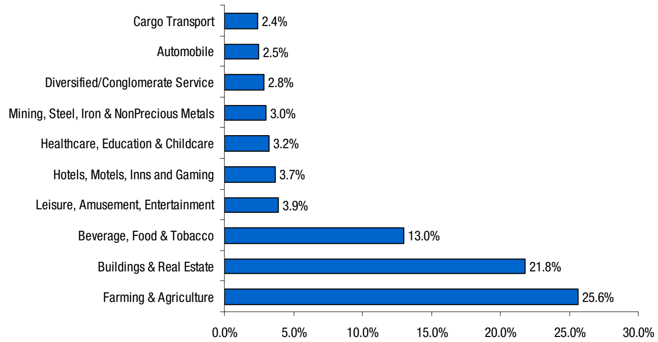


Chart 6:
Portfolio Breakdown
by Frequency of Payments

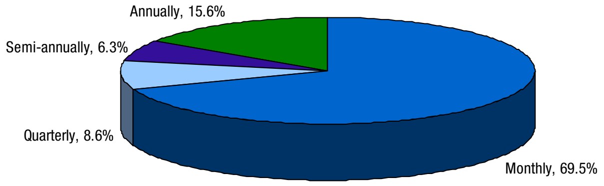
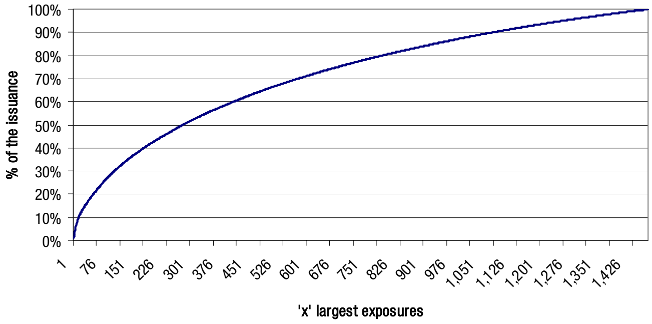


Chart 7:
Debtor Concentration



ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Fourteen Spanish rural savings banks are the originators and servicers of the asset pool

The originators of the securitised loans are 14 of the 78 Spanish rural savings banks.

The rural savings banks are a form of credit co-operative that account for approximately 5% of the balance sheet of Spain's banking system. Credit co-operatives are themselves a type of financial institution created to satisfy the financial needs of its members and customers, under the same conditions as other financial institutions such as commercial or savings banks. Originally, the rural banks mainly focused on covering the needs of the agricultural sector. However, the development and expansion of the financial sector, driven by the growth of the Spanish economy and low interest rates, has facilitated their expansion beyond the original client base.

Rural banks are regulated and supervised by the Bank of Spain, as is the case for commercial and savings banks. Importantly, they are obliged to comply with the pillars of Spanish regulation for financial institutions. Nonetheless, they enjoy a specific legal status which may be further restricted by each credit co-operative's own by-laws. Moody's notes that there is a key difference with respect to their capital base, which consists of non-listed nominative shares. These can be acquired only by: (i) any co-operative, irrespective of its type and size; or (ii) any other individual or entity (public or private, national or international) whose entry is permitted or not prohibited by the institution's current by-laws and whose activities are not in competition with those of the credit co-operative.

Out of the 78 rural saving banks, 73 are associated under the Asociación Española de Cajas Rurales (AECR). This association was created in 1989 with the aim of increasing collaboration and interaction between the associated entities, and strengthening their credit fundamentals. Banco Cooperativo was founded in 1990 with the purpose of acting as central bank and main service provider of the associated entities.

So far the rural group has carried out 12 securitisation transactions, eight RMBS, two SME deals and one MBS with a mixture of enterprises and individuals as debtors.

Duties as servicers and originators

Each of the originators will act as servicer of its own sub-pool, and will transfer the proceeds from the loans to the treasury account on the business day after they were received from the borrowers.

In the event of any of the servicers failing to perform its obligations; being subjected to Bank of Spain intervention or affected by an insolvency process; or because the management company considers it appropriate, it will have to be substituted in its role as servicer by a suitable institution. If it is permitted by law, Banco Cooperativo will be designated as the new servicer.

Moody's believes that the originators are capable of fulfilling their servicing obligations in the transaction.

Likewise, the management company may require the originators, upon an insolvency process or Bank of Spain intervention, or because the management company considers it appropriate, to notify the relevant debtors of the transfer of the loans to the *Fondo*. Should the relevant originator fail to comply with this obligation within five business days, the notification would then be carried out by the management company.

Paying Agent

Banco Cooperativo will act as paying agent of the *Fondo*. In the event of Banco Cooperativo's short-term rating falling below **P-1**, it will within 30 days have to be replaced in its role of paying agent by a suitably rated institution.

Management Company

Europea de Titulización, a company with substantial experience in the Spanish securitisation market, will act as the management company. Its obligations within the structure are guaranteed by its shareholders, in line with their proportion of the holding. BBVA accounts for 83% of the capital of the *gestora* (trustee). The remainder is owned by 15 institutions, including JP Morgan (4%), Caja de Ahorros del Mediterráneo (1.54%), Bankinter (1.53%), Barclays Bank (1.53%) and Citibank España (1.53%). Europea de Titulización currently manages 59 securitisation funds.

MOODY'S ANALYSIS

Moody's used a Monte Carlo simulation to derive the default distribution in the portfolio, based on mean default estimations

Given the number of assets and the size of the exposures in the portfolio (see section entitled *Collateral*), Moody's decided to derive the gross loss distribution curve through a two-factor Monte Carlo approach, rather than assuming that it follows a given general density law.

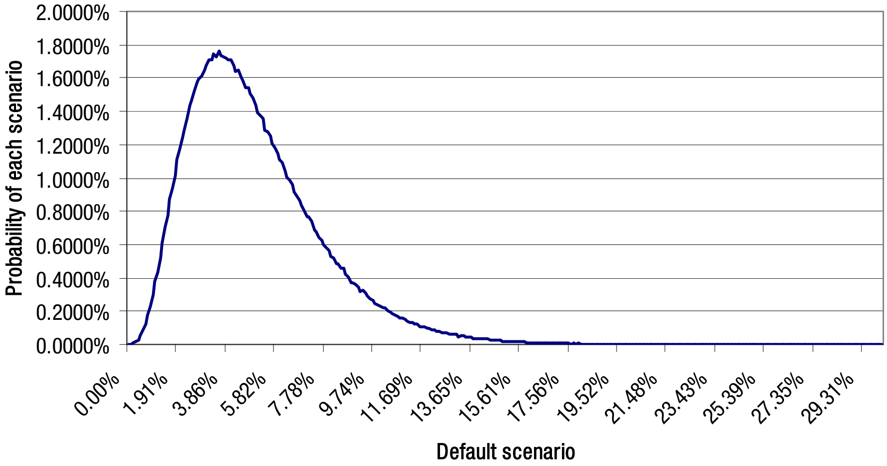
Two basic parameters needed to be assessed as main inputs for the model:

- The gross loss contribution of each single entity
- The correlation structure among the different industries represented in the portfolio

As regards the first parameter, given that the originators did not provide Moody's with historical information satisfactory for our analysis, it was obtained based on (i) statistical information from the Spanish SME loan market; (ii) performance of various SME deals; and (iii) other qualitative aspects. The final value retained was around a mean of 5%. Assumptions for recoveries, delinquency and prepayments were also derived using the same sources of information.

As regards the correlation structure that takes into account the portfolio's characteristics, Moody's split the portfolio into 31 groups, and, with the purpose of reflecting the diversity shown by the exposures in the securitised portfolio, Moody's made different assumptions, both for the asset correlation within one group and for that between assets in different groups (the two factors in the Monte Carlo model).

Chart 8:
Default Distribution



The Monte Carlo simulation was then run, incorporating each exposure's size, default probability and implied asset correlation, thereby giving an outcome equal to the default probability distribution for the portfolio.

To determine the rating for each series of notes, Moody's used an expected loss methodology that reflects the probability of default for each series of notes multiplied by the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduces all deal-specific characteristics.

The main input parameters were the gross loss distribution and the assumptions for recoveries, delinquency and prepayments. Sensitivity to a variation in the initial assumptions was also tested. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes which, combined with each series' expected average life, is consistent with the provisional ratings assigned.

Structural Analysis

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

Legal Analysis

Moody's verified that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Visit moodys.com for further details

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Analysis

– Banco Cooperativo, S.A., December 2005 (95807)

Issuer Profile

– Banco Cooperativo, S.A., January 2006

Credit Opinion

– Banco Cooperativo, S.A., August 2006

Performance Overview

– RURALPYME 1 FTPYME, January 2006 (SF67966)

Pre-Sale Report

– RURALPYME 1 FTPYME, Fondo de Titulización de Activos, November 2004 (SF46387)

Special Report

– Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
– Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
– Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

Rating Methodology

– FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme, October 2003 (SF27063)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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