

Rating Action: PYME VALENCIA 1, FTA

Moody's downgrades 3 classes of notes issued by PYME VALENCIA 1, FTA.

Approx. EUR 95.2 Mln of debt securities affected.

London, 16 July 2009 -- Moody's Investors Service has today downgraded the long-term credit ratings of the following notes issued by PYME VALENCIA 1 FTA:

- EUR 47.6 million class B notes, downgraded to Baa2, under review for possible downgrade; previously, on February 23, 2009 placed under review for possible downgrade;
- EUR 34.0 million class C notes, downgraded to Caa1, under review for possible downgrade; previously, on February 23, 2009 placed under review for possible downgrade; and
- EUR 13.6 million class D notes, downgraded to Ca, under review for possible downgrade; previously, on February 23, 2009 placed under review for possible downgrade.

Moody's initially assigned definitive ratings in July 2007.

The rating of the EUR 574.8 million class A2 notes, Aaa, remains under review for possible downgrade (previously, on February 23, 2009 Placed Under Review for Possible Downgrade).

Today's rating action has been prompted by a higher-than-expected level of delinquencies. As of June 2009, the cumulative 90+ delinquencies (i.e. delinquencies equal or greater than 90 days) were equal to 7.8% of the original portfolio balance, compared to 6.7% as of the previous quarterly reporting date. As part of the review, Moody's has considered the exposure of the transaction to the real estate sector (either through security in the form of a mortgage or debtors operating in the real estate sector). The deterioration of the Spanish economy has been reflected in the negative sector outlook Moody's published on the Spanish SMEs securitisation transactions.

As a result of the above, Moody's has revised its assumption of the default probability of the SME debtors to an equivalent rating in the single B-range for the debtors operating in the real estate sector and in the low Ba-range for the non-real-estate debtors. At the same time, Moody's estimated the remaining weighted average life of the portfolio to equal 4.7 years. As a consequence, these revised assumptions have translated into an increase of the cumulative mean default assumption for this transaction to 18.5% as a percentage of the current portfolio balance (corresponding to 15.2% of original portfolio balance). Moody's original mean default assumption was 5% (as a percentage of original balance), with a coefficient of variation of 64%. Because of the relatively low effective number of loans in the portfolio (217), we used a Monte-Carlo simulation to determine the probability function of the defaults, with a resulting coefficient of variation is 50.4%. The recovery rate assumption is now 45% while values in the 35% to 55% range were tested at closing. The revised CPR assumption is now 5%, comparable to values observed throughout the last reporting periods, while the original CPR assumption was 10%.

The increased credit enhancement available in the structure due to the amortisation of the portfolio (as of June 2009, the pool factor was equal to 52%) was not sufficient to offset the impact of worse than expected performance and revised performance assumptions on the class B, C and D notes rating. However, the rating of the class A2 notes remains Aaa as it is expected to benefit next to increased credit enhancement also from interest deferral triggers on the subordinated classes.

The ratings of class A2, B, C and D notes remain under review for possible downgrade as Moody's is still assessing the impact of the downgrade of Banco de Valencia S.A., acting as swap counterparty in the transaction. Following the downgrade from A3/P2 to Baa1/P2 on 15 June 2009, Banco de Valencia is seeking a replacement or guarantor for the swap. Banco de Valencia is continuing to post collateral as per documentation.

PYME VALENCIA 1 FTA (the "Fondo") is a securitisation fund which purchased a pool of loans granted by Banco de Valencia to Spanish SMEs. At closing, the portfolio consisted of 3,625 loans. The loans were originated between 2003 and 2006, with a weighted average seasoning of 1.73 years and a weighted average remaining term of 7.86 years. Geographically the pool was exposed to Valencia (62%), Murcia (15%) and Madrid (7%). At closing the pool was primarily exposed to the real estate sector (59%) and to the

beverage, food and tobacco sector (7.7%).

As of May 2009, the number of loans in the portfolio was equal to 2,059 and the weighted average remaining term was equal to 9 years. The concentration levels per industry and regions are similar to their levels at closing, but we note that exposure to the real estate sector has decreased to 56%.

Moody's ratings address the expected loss posed to investors by the legal final maturity of the notes. 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.

Moody's initially analysed and currently monitors this transaction using the rating methodology for granular SME transactions in EMEA as described in the following Rating Methodology reports: "Refining the ABS SME Approach: Moody's Probability of Default Assumptions in the rating analysis of granular Small and Mid-sized Enterprise portfolios in EMEA", March 2009; and "Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa", June 2007.

Moody's is closely monitoring the transaction. To obtain a copy of Moody's New Issue Report or periodic Performance Overviews, please visit Moody's website at www.moody's.com or contact our Client Service Desk in London (+44-20-7772 5454).

Frankfurt
Marie-Jeanne Kerschkamp
Managing Director
Structured Finance Group
Moody's Deutschland GmbH
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

London
Michel Savoye
Analyst
Structured Finance Group
Moody's Investors Service Ltd.
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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