MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades ratings on the two junior notes in Spanish Unicaja Banco ABS SME transaction, while upgrading two tranches in two Spanish Banco de Valencia ABS SME transactions and confirming in total five tranches in these three Spanish ABS SME

Global Credit Research - 03 May 2013

Frankfurt am Main, May 03, 2013 -- Moody's Investors Service has today downgraded the ratings of two notes in one Spanish asset backed securities (ABS) transaction, UniCaja AyT Empresas I, FTA, backed by loan receivables granted to small and medium sized enterprises (SME) and originated by Unicaja Banco (Ba1/NP). At the same time Moody's upgraded the mezzanine note of PYME Valencia 1, FTA as well as the junior note in PYME Valencia 2, FTA, backed by loan receivables granted to small and medium sized enterprises (SME) and originated by Banco de Valencia S.A. (Ba3/NP). Finally, Moody's confirmed five additional tranches of these three ABS SME transactions. Insufficient credit enhancement to address sovereign risk and, especially for UniCaja AyT Empresas I, FTA, exposure to counterparty risk, has prompted these actions.

Please see the detailed list of all rating actions towards the end of the ratings rationale section of this press release.

RATINGS RATIONALE

Today's rating action reflects primarily the credit enhancement available to address sovereign risk. All Spanish ABS SME affected by today's rating action are impacted by the introduction of new adjustments to Moody's modelling assumptions accounting for the impact of the deterioration of the sovereign's credit condition. In case of UniCaja AyT Empresas I, FTA, the rating action reflects in addition the relatively high exposure of the rated notes (by way of credit enhancement provided via the reserve fund) to the relatively lowly rated issuer account bank.

The determination of the applicable credit enhancement that drives today's rating actions reflects the introduction of additional risk factors in Moody's analysis to better measure the impact of sovereign risk on structured finance transactions (see "Structured Finance Transactions: Assessing the Impact of Sovereign Risk", 11 March 2013).

This report is available on www.moodys.com and can be accessed via the following link. (http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF319988).

- ADDITIONAL FACTORS BETTER REFLECT INCREASED SOVEREIGN RISK

Moody's has supplemented its analysis to determine the loss distribution of securitised portfolios with two additional factors, the maximum achievable rating in a given country (the Local Currency Country Risk Ceiling, or "LCC") and the applicable portfolio credit enhancement for this rating. With the introduction of these additional factors, Moody's intends to better reflect increased sovereign risk in its quantitative analysis, in particular for mezzanine and junior tranches. See "Structured Finance Transactions: Assessing the Impact of Sovereign Risk" for a more detailed explanation of the additional parameters. This report is available on www.moodys.com and can be accessed via the following link: http://www.moodys.com/research/Structured-Finance-Transactions-Assessing-the-Impact-of-Sovereign-Risk--PBS_SF319988.

The Spanish country ceiling, and therefore the maximum rating that Moody's will assign to a domestic Spanish issuer including structured finance transactions ("SF") backed by Spanish receivables is A3. The portfolio credit enhancement represents the required credit enhancement under the senior tranche for it to achieve the country ceiling. By lowering the maximum achievable rating, the revised methodology alters the loss distribution curve and implies an increased probability of high loss scenarios.

Under the updated methodology incorporating sovereign risk on ABS SME transactions, the loss distribution volatility increases to capture the increased sovereign-related risks. Given the expected loss of a portfolio and the shape of the loss distribution, the combination of the highest achievable rating in a country for SF and the applicable credit enhancement ("CE") for this rating uniquely determine the volatility of the portfolio distribution, which is typically measured as the coefficient of variation ("COV") for ABS SME transactions. All things equal, (i) a higher applicable CE for a given rating ceiling or, alternatively, (ii) a lower rating ceiling with the same applicable

CE, translate into a higher COV according to the updated methodology

- REVISION OF KEY COLLATERAL ASSUMPTIONS

Moody's maintained its default and recovery rate assumptions for the three transactions, which it updated on 18 December 2012 (see "Moody's updates key collateral assumptions in Spanish ABS transactions backed by loans to SMEs" http://www.moodys.com/research/Moodys-updates-key-collateral-assumptions-in-Spanish-ABS-transactions-backed--PR_262512). Moody's increased its volatility assumption in accordance with the updated methodology to account for sovereign risk in SF transactions.

For PYME Valencia 1, FTA, Moody's increased its volatility (CoV) assumption to 59.4% (from 46.5%), which together with a mean DP of 25% (as percentage of current balance) and a fixed recovery rate of 45%, results into a portfolio credit enhancement of 34.4%.

For PYME Valencia 2, FTA, Moody's increased its CoV assumption to 49.8% (from 42%), which results into a portfolio credit enhancement of 33.9% taking into account the mean DP of 25% (as percentage of current balance) and a fixed recovery rate of 40%.

For UniCaja AyT Empresas I, FTA the CoV was increased to 101.9% (from 45.5%), which together with a mean DP of 12.3% (as percentage of current balance) and a fixed recovery rate of 45%, results into a portfolio credit enhancement of 24.5%.

-- EXPOSURE TO COUNTERPARTY RISK

The conclusion of Moody's rating review also takes into consideration the exposure to weakened counterparties acting either as servicer, collection agent, issuer account bank or swap counterparty in the transactions.

For PYME Valencia 1, FTA and PYME Valencia 2, FTA, today's rating action incorporates the very limited exposure to commingling risk. As servicer, Banco de Valencia (Ba3/NP) transfers the collections from the portfolios daily from the collection account to the issuer account bank, i.e. Barclays Bank plc (A2/P-1).

For UniCaja AyT Empresas I, FTA, today's rating action incorporates the high exposure to commingling risk because of weakened counterparty credit worthiness. Unicaja Banco (rated Ba1 / NP, under review for possible downgrade) acts as servicer and issuer's account bank. The high exposure results from: (i) collections currently transferred every second day from the servicer's (Unicaja Banco) collection account to the issuer's treasury account held at the issuer account bank, where the amount is accumulated until next quarterly payment date, and (ii) the reserve fund representing 20.6% of current pool balance being also held by Unicaja Banco as issuer account bank.

As part of its analysis, Moody's also assessed the exposure to (i) Banco Bilbao Vizcaya Argentaria S.A. (Baa3 / P-3) acting as swap counterparty in PYME Valencia 1, FTA and (ii) to Unicaja Banco (Ba1 / NP, under review for possible downgrade) acting as swap counterparty in UniCaja AyT Empresas I, FTA, which does not have a negative effect on the rating levels. There is no swap in PYME Valencia 2, FTA.

--OTHER DEVELOPMENTS MAY NEGATIVELY AFFECT THE NOTES

In consideration of Moody's new adjustments, any further sovereign downgrade would negatively affect structured finance ratings through the application of the country ceiling or maximum achievable rating, as well as potentially increase portfolio credit enhancement requirements for a given rating level.

As the euro area crisis continues, the ratings of structured finance notes remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could further negatively affect the ratings of the notes.

In reviewing these transactions, Moody's used ABSROM to model the cash flows and determine the loss for each tranche. The cash flow model evaluates all default scenarios that are then weighted considering the probabilities of the normal inverse distribution assumed for the portfolio default rate. In each default scenario, the corresponding loss for each class of notes is calculated given the incoming cash flows from the assets and the outgoing payments to third parties and noteholders. Therefore, the expected loss or EL for each tranche is the sum product of (i) the probability of occurrence of each default scenario; and (ii) the loss derived from the cash flow model in each default scenario for each tranche.

As such, Moody's analysis encompasses the assessment of stressed scenarios.

In the context of the rating review, the transactions have been remodelled and some inputs have been adjusted to reflect the new approach described above.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were "Moody's Approach to Rating CDOs of SMEs in Europe", published in February 2007 and "The Temporary Use of Cash in Structured Finance Transactions: Eligible Investment and Bank Guidelines", published in March 2013. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

The revised approach to incorporating country risk changes into structured finance ratings forms part of the relevant asset class methodologies, which Moody's updated and republished or supplemented on 11 March 2013 ("Incorporating Sovereign risk to Moody's Approach to Rating CDOs of SMEs in Europe"), along with the publication of its Special Comment "Structured Finance Transactions: Assessing the Impact of Sovereign Risk".

Moody's describes additional factors that may affect the ratings in its Request for Comment, "Approach to Assessing Linkage to Swap Counterparties in Structured Finance Cashflow Transactions: Request for Comment", 02 July 2012.

Issuer: PYME VALENCIA 1, FTA

....EUR574.8M A2 Notes, Confirmed at A3 (sf); previously on Jul 2, 2012 Downgraded to A3 (sf) and Placed Under Review for Possible Downgrade

....EUR47.6M B Notes, Upgraded to Baa3 (sf); previously on Jul 2, 2012 Ba3 (sf) Placed Under Review for Possible Downgrade

....EUR34M C Notes, Confirmed at Caa3 (sf); previously on Jul 2, 2012 Caa3 (sf) Placed Under Review for Possible Downgrade

Issuer: PYME VALENCIA 2, FONDO DE TITULIZACIÓN DE ACTIVOS

....EUR407.5M A Notes, Confirmed at A3 (sf); previously on Jul 2, 2012 Downgraded to A3 (sf) and Remained On Review for Possible Downgrade

....EUR17.5M B Notes, Confirmed at A3 (sf); previously on Jul 2, 2012 Downgraded to A3 (sf) and Placed Under Review for Possible Downgrade

....EUR75M C Notes, Upgraded to A3 (sf); previously on Jul 2, 2012 Baa3 (sf) Placed Under Review for Possible Downgrade

Issuer: Unicaja AyT Empresas 1, Fondo de Titulización de Activos

....EUR213.7M A Notes, Confirmed at A3 (sf); previously on Jul 2, 2012 Downgraded to A3 (sf) and Placed Under Review for Possible Downgrade

....EUR17.5M B Notes, Downgraded to Baa3 (sf); previously on Jul 2, 2012 A3 (sf) Placed Under Review for Possible Downgrade

....EUR18.8M C Notes, Downgraded to Ba2 (sf); previously on Jul 2, 2012 Baa3 (sf) Placed Under Review for Possible Downgrade

REGULATORY DISCLOSURES

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.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

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.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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