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## Fitch Downgrades FTPYME BANCAJA 4's Class E Notes to 'CC' [Ratings](#)

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Fitch Ratings-London-12 December 2007: Fitch has today downgraded FTPYME BANCAJA 4, FONDO DE TITULIZACION DE ACTIVOS's (FTPYME BANCAJA 4) Class E notes, due July 2038, to 'CC' from 'CCC-' (CCC minus) and assigned a Distressed Recovery (DR) rating of 'DR4'. Fitch has also affirmed the remaining classes, as follows:

- Class A1 (ES0339731004 ): Paid In Full
- EUR233.1m Class A2 (ES0339731012): affirmed at 'AAA'
- EUR237.6m Class A3(G) (ES0339731020): affirmed at 'AAA'
- EUR71.3m Class B (ES0339731038): affirmed at 'A'
- EUR23.3m Class C (ES0339731046): affirmed at 'BBB+'
- EUR25.5m Class D (ES0339731053): affirmed at 'BB-' (BB minus)
- EUR24m Class E (ES0339731061): downgraded to 'CC/DR4' from 'CCC-' (CCC minus)

The downgrade of the Class E notes to 'CC'/'DR4' from 'CCC-' (CCC minus) is due to the lack of interest payments on the notes at the two most recent quarterly payment dates (24 October 2007 and 24 July 2007), indicating a state of default. The Class E notes were issued to finance the creation of the reserve fund at closing, and the reason for the lack of payment were insufficient funds due to an increase in defaults, combined with high portfolio delinquency levels. Fitch assessed a distribution of possible recovery rates. The recovery rates were calculated based on the present value of expected interest and principal payouts on the Class E notes measured as a proportion of the outstanding notes balance. Based on Fitch's calculation, the expected recovery rates were between 30% and 50%, indicating a DR rating of 'DR4'. Thus, the expectation is for average to below-average recovery levels.

The affirmation of Classes A through D reflects the high levels of credit enhancement available for these tranches. Credit enhancement has increased in comparison to levels found at previous review in November 2006, primarily due to the amortisation of the senior classes of notes. Delinquencies, however, remain high. As of the November 2007 report, delinquencies of more than 90 days were reported at 2.65%, while those over 180 days were at 2.47% of the current portfolio balance. Defaults were reported at 0.84% of the original portfolio balance. A further issue of concern is the portfolio's high level of obligor concentration, exposure to the real estate and construction sectors in excess of 70%, as well as its concentration in the region of Valencia (51%).

FTPYME BANCAJA 4 notes represent a cash flow securitisation of EUR1.5bn loans to small- and medium-sized Spanish enterprises (SMEs) granted by Caja de Ahorros de Valencia Castellon y Alicante (Bancaja, rated 'A+'/'F1'). The Class A3(G) notes are backed by a guarantee from the Kingdom of Spain (rated 'AAA'/'F1+').

FTPYME Bancaja 4 is a special-purpose vehicle incorporated under the laws of Spain with limited liability. The assets of FTPYME Bancaja 4 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.

More details on the fund's structure, counterparties involved and functioning are presented in the New Issue report, available on the agency's website, [www.derivativefitch.com](http://www.derivativefitch.com).

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