

**Rating Action: PYME BANCAJA 5, FTA**

**Moody's downgrades 3 classes of Notes issued by PYME BANCAJA 5, FTA.**

London, 01 December 2008 -- Moody's Investors Service has today announced that it has downgraded the long-term credit ratings of the following notes issued by PYME BANCAJA 5, FTA:

- Euro 618,200,000 Series A3 Notes, downgraded to Aa3 from Aaa;
- Euro 62,700,000 Series B Notes; downgraded to Ba3 from A2;
- Euro 24,100,000 Series C Notes; downgraded to Caa1 from Baa3.

Class A1 and A2 Notes were fully redeemed on August 2007 and November 2007 respectively.

Date of previous rating action: no previous rating action since initial rating assignment in October 2006.

The above rating action was prompted by a higher-than-expected level of delinquencies. As of September 2008, the cumulative 90+ delinquencies (i.e. delinquencies equal or greater than 90 days) were equal to 2.68% of the current portfolio balance. 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) and the recent deterioration of the Spanish economy which has been reflected in the negative asset performance outlook Moody's published on the Spanish SMEs securitisation sector.

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 B-range for the non real-estate debtors. At the same time, Moody's estimated the remaining weighted average life of the portfolio was 3.7 years. As a consequence, these revised assumptions have translated into an increase of the cumulative mean default assumption for this transaction to 8.8% as a percentage of the original portfolio balance, with a coefficient of variation of 45%. Moody's has also lowered its recovery rate assumption to 45%, with a standard deviation of 20%. Moody's original mean default assumption was 2.25% (as a percentage of original balance).

In summary, the increased credit enhancement available in the structure due to the amortisation of the portfolio was not sufficient to offset the impact of worse than expected performance and revised performance assumptions on the Class A3, B and C Notes rating.

PYME BANCAJA 5, FTA is a securitisation fund created with the aim of purchasing a pool of loans granted by Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) to Spanish small- and medium-sized enterprises (SMEs). The pool of underlying assets was made up of a portfolio of 3,177 loans granted to Spanish companies. The loans have been originated between 2001 and April 2006, with a weighted average seasoning of 1 year and a weighted average remaining term of 6.68 years. Around 76.6% of the outstanding of the portfolio was secured by a mortgage guarantee over different type of properties (mainly urban land, commercial and residential), with a weighted average loan to value equal to 64%. Geographically, the pool was concentrated in Valencia (50.86%), Madrid (16.81%) and Catalonia (9.08%). The concentration in the "buildings and real estate" sector according to Moody's industry classification was approximately 73.8% as of closing.

Moody's assigned definitive ratings in October 2006. 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 monitors this transaction using the rating methodology for granular SME transactions in EMEA as described in the following Rating Methodology reports: "FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme", October 2003 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](http://www.moody's.com) or contact our Client Service Desk in London (+44-20-7772 5454).

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