

**Rating Action: Moody's reviews for downgrade 7 Spanish ABS notes following the downgrade of the Kingdom of Spain**

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Global Credit Research - 04 Nov 2011

**112 tranches in 77 Spanish RMBS also placed on downgrade review as part of wider sector review**

Frankfurt am Main, November 04, 2011 – Moody's Investors Service has today placed on review for downgrade the ratings of seven tranches in six Spanish asset-backed securities (ABS) due to low credit enhancement. Today's action follows Moody's two-notch downgrade of the rating of the government of the Kingdom of Spain to A1 with a negative outlook, from Aa2. For full details, please refer to "Moody's downgrades Spain's government bond rating to A1 with a negative outlook, " and "Moody's assesses the impact on Spanish structured finance transactions following sovereign downgrade," both published on 18 October 2011.

The full list of affected ABS ratings by tranche is detailed before the Regulatory Disclosure section.

112 tranches in 77 Spanish RMBS have also been placed on downgrade review as part of wider sector review; for full details please refer to "Moody's reviews for downgrade 112 Spanish RMBS notes following the downgrade of the Kingdom of Spain", published on 4 November 2011.

Moody's expects that it will conclude the rating reviews within six months and will update the market of its findings and conclusions soon thereafter. Additionally, Moody's anticipates that it will confirm a number of ratings it has today placed on review for downgrade because of credit enhancement build up or other structural aspects. Additionally, Moody's expects that Aaa (sf) notes will suffer a limited rating migration within the Aa (sf) category.

As previously stated on 18 October 2011, Moody's believes that a Aaa(sf) rating remains achievable for Spanish structured finance transactions that (i) benefit from sufficient credit enhancement; and (ii) have highly rated transaction parties or appropriate mitigants in place. Structural features and credit enhancement will continue to help mitigate the effects of deteriorating collateral risk and potential performance disruption in a severe event and the level of uncertainty around them. The rating agency discusses the relationship between sovereign ratings and structured finance ratings in Moody's Special Report "Assessing the Impact of the Eurozone Sovereign Debt Crisis on Structured Finance Transactions," published in April 2011.

**RATINGS RATIONALE**

Today's action primarily reflects the increased risk that the factors driving the downgrade of the Spanish sovereign may lead to a significant and uniform deterioration in Spanish ABS asset performance. Whilst the probability of such deterioration remains very low, it has reached a point where current levels of credit enhancement and structural protection for highly rated senior notes are, in some cases, insufficient to support the highest rating levels of Aaa(sf) and Aa(sf) categories.

Moody's believes that for Spanish ABS to achieve a Aaa(sf) rating the minimum level of credit enhancement should be in the range of 20% to 25% for Auto ABS, 25% to 30% for consumer ABS and 30% to 40% for SME/lease ABS. These ranges are dependent on (i) pool characteristics; (ii) collateral; and (iii) sector concentration. Prior to today's action, Moody's assessed the Aaa(sf) ratings of Spanish ABS tranches with credit enhancement levels in or below the minimum ranges listed above. In addition, Moody's focused on tranches rated in the Aa(sf) category that have credit enhancement below 70% of the minimum ranges listed above.

Moody's is maintaining its Aaa(sf) rating on a number of ABS transactions with credit enhancement levels lower than the above ranges because of the significant differences in the performance of the Spanish portfolios of different originators. In its assessment of ABS transactions, Moody's considered the seasoning of the transaction and the expected increase in credit enhancement over the next two interest payment dates. In addition, Moody's did not place on review for downgrade senior notes with very short remaining life.

In relation to ABS transactions originated on or before 2005, Moody's is maintaining the Aaa(sf) ratings for notes with a credit enhancement equal to or greater than (i) 20% for Auto ABS; (ii) 25% for Consumer ABS; and (iii) 30% for SME/Lease ABS %. Moody's is also maintaining the ratings in the Aa(sf) category for notes with a credit enhancement equal to or greater than 14%, 17.5% and 21% for the respective asset classes. Moody's has placed on review for downgrade notes in two SME ABS transactions that did not meet these criteria, taking into consideration the expected increase in credit enhancement over the next two interest payment dates.

In the case of transactions closed on or after 2006, Moody's has placed on review for downgrade the Aaa(sf) ratings for four SME ABS notes with average collateral quality and credit enhancement levels below 35%. Moody's does not expect the credit enhancement levels in these transactions to reach 35% within the next two interest payment dates.

Key modelling assumptions, sensitivities, cash-flow analysis and stress scenarios have not been updated as today's action has been primarily driven by (i) credit enhancement tests; and (ii) Moody's assessment of the collateral performance and pool characteristics.

Uncertainty mainly stems from the negative outlook on the Spanish government's debt rating that reflects ongoing economic and financial risks in Spain. For full details, please refer to "Moody's downgrades Spain's government bond rating to A1 with a negative outlook " The highest achievable structured finance rating for Spanish structured finance transactions may be revised progressively downwards if the likelihood of those events were to increase.

**PRINCIPAL METHODOLOGIES**

The methodologies used in these ratings were Moody's Approach to Rating CDOs of SMEs in Europe published in February 2007, 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 published in March 2009 and Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa published in June 2007. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

## AFFECTED TRANCHES

Issuer: Bankinter 2 PYME, FTA

....EUR682MA2 Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 7, 2009 Confirmed at Aaa (sf)

Issuer: BBVA-6 FTPYME, Fondo de Titulización de Activos

....EUR1201.9MA1 Notes, Aa3 (sf) Placed Under Review for Possible Downgrade; previously on Mar 24, 2011 Confirmed at Aa3 (sf)

Issuer: FONCAIXAFTGENCAT 3 Fondo de Titulización de Activos

....EUR449.3MA(G) Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Feb 1, 2010 Confirmed at Aaa (sf)

....EUR10.7MB Notes, Aa3 (sf) Placed Under Review for Possible Downgrade; previously on Feb 1, 2010 Upgraded to Aa3 (sf)

Issuer: FONCAIXAFTGENCAT 5 Fondo de Titulización de Activos

....EUR513.1MA(S) Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Dec 22, 2009 Confirmed at Aaa (sf)

Issuer: GC FTPYME Sabadell 5, Fondo de Titulización de Activos

....EUR82.8MA3(G) Notes, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Aug 2, 2011 Confirmed at Aaa (sf)

Issuer: IM FTPYME SABADELL 3 Fondo de Titulización de Activos

....EUR124.1M Series 1CA Bond, Aaa (sf) Placed Under Review for Possible Downgrade; previously on Nov 23, 2004 Definitive Rating Assigned Aaa (sf)

## REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant 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 relevant 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 relevant 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.moody.com](http://www.moody.com).

The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare each of the ratings are the following: parties involved in the ratings, public information, confidential and proprietary Moody's Investors Service information.

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.

Moody's considers the quality of information available on the rated entities, obligations or credit satisfactory for the purposes of issuing this review.

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