

RURALPYME 3, Fondo de Titulización de Activos

SME loans / Spain

Closing Date

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DEFINITIVE RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	Aaa	€720.80	90.10	Apr 41	3mE + 0.30%
B	A1	€44.80	5.60	Apr 41	3mE + 0.60%
C	Baa2	€8.00	1.00	Apr 41	3mE + 1.20%
D	Ba3	€26.40	3.30	Apr 41	3mE + 2.25%
E	C	€30.00	3.75*	Apr 41	3mE + 4.50%
Total		€830.00	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par with respect to the Series A, B, C and D notes, and for ultimate payment of interest and principal at par with respect to the Series E notes, on or before the rated final legal maturity date. 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.

* All Notes have been sized as a percentage of Series A to D only

OPINION

Strengths of the Transaction

- A reserve fund of 3.75%, fully funded at closing, will be available to cover any potential shortfall on interest or principal. The reserve fund may amortise according to preset criteria.
- None of the securitised loans will correspond to the restructuring or refinancing of debts. Neither will the pool include syndicated loans.
- Relatively high seasoning of 2.3 years.
- In comparison with other Spanish SME deals, the portfolio shows a lower concentration both in terms of borrower and industry (Pool Effective Number of 1,349): the largest borrower represents 0.39% of the total pool amount, and the two largest industry sectors (farming & agriculture and real estate) represents 22% and 21% of the same amount respectively. In particular, the exposure to the real estate sector is significantly lower than the average observed in Spanish SME deals.



Weaknesses and Mitigants

- No historical information provided in a format satisfactory to Moody's. For this reason, Moody's based its analysis on (1) statistical information from the Spanish SME market; (2) performance of similar deals including its predecessors; (3) historical information received on this deal; and (4) other qualitative and pool-derived aspects
- Lack of information to assess the pool concentration by company group rather than at individual borrower level. Moody's has treated this in its quantitative analysis by assuming relatively conservative assumptions on correlation.
- A significant amount of loans pay through semi-annual or annual instalments, creating a disruption in the regular flow of excess spread received by the *Fondo* from the securitised pool. Moody's has tested this non-regular flow of excess spread in its cash flow model and has penalised it accordingly. Besides, the time at which a default is detected in such loans is potentially delayed compared with high-frequency payment loans.
- Pro-rata amortisation of Series B, C and D leads to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which interrupt the pro-rata amortisation of the notes should the performance of the transaction deteriorate.
- The deferral of interest payments on each of Series B, C and D benefits the repayment of the respective senior series, but potentially exposes junior rated noteholders to long periods without any receipt of interest. Moody's has factored this in its quantitative analysis by assuming certain probabilities that these triggers are hit, and the reserve fund and the subordination have been sized accordingly to account for a potential increase in expected loss and the probability of hitting these triggers.

STRUCTURE SUMMARY *(see page 5 for more details)*

Issuer:	RURALPYME 3, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Caja Rural de Navarra, S.C.C. (A2/P-1/C) (21.0%)
	Caja Rural de Granada, S.C.C. (A3/P-2/C-) (14.3%)
	Caja Rural de Aragón, S.C.C. (N.R.) (12.5%)
	Caja Rural Aragonesa y de los Pirineos, S.C.C. (N.R.) (8.6%)
	Caja Rural del Sur, S.C.C. (N.R.) (8.0%)
	Caja Rural de Córdoba, S.C.C. (N.R.) (7.4%)
	Caja Rural Central, S.C.C. (N.R.) (7.4%)
	Caja Rural de Asturias, S.C.C. (N.R.) (3.1%)
	Caja Rural de Extremadura, S.C.C. (N.R.) (5.1%)
	Caja Rural de Teruel, S.C.C. (N.R.) (5.0%)
	Caja Rural de Zamora, C.C. (N.R.) (4.3%)
	Caixa Rural de Balears, S.C.C. (N.R.) (1.5%)
	Caixa Popular – Caixa Rural, S.C.C.V. (N.R.) (1.1%)
	Caja Rural de Gijón, C.C. (N.R.) (0.8%)
Servicer:	The originators
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	24 January, 24 April, 24 July, 24 October
	First payment date: 24 April 2007
Credit Enhancement/Reserves:	– Pool spread – 3.75% reserve fund – Subordination of the notes – Guaranteed Investment Contract (GIC) account
GIC Account Provider:	Banco Cooperativo (A1/P-1/C+)
Hedging:	Interest rate swap covering the interest rate risk
Interest Rate Swap Counterparty:	Banco Cooperativo
Paying Agent:	Banco Cooperativo
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)
Arranger:	Europea de Titulización
Lead Manager:	Banco Cooperativo

COLLATERAL SUMMARY *(see page 8 for more details)*

Receivables:	Loans to Spanish corporates (80%) and self-employed individuals (20%)
Total amount:	€800.1 million
Number of Contracts:	5,660
Number of Borrowers:	5,620
Pool Effective Number:	1,349
Geographic Diversity:	Andalucía (29%), Aragón (24%), Navarra (15%)
WA Seasoning:	2.3 years
WA Remaining Term:	10.3 years
Interest Basis:	100% floating
WA Interest Rate:	5.4%
Delinquency Status:	No loans more than 30 days in arrears at the time of the securitisation
Historical Experience:	No historical information provided in a format satisfactory to Moody's

NOTES

Series	Subordination ¹	Reserve Fund	Total
A	9.90%	3.75%	13.65%
B	4.30%	3.75%	8.05%
C	3.30%	3.75%	7.05%
D	0.00%	3.75%	3.75%

¹ Subject to pro-rata amortisation triggers

**Cash securitisation of loans
granted to Spanish enterprises and
self-employed individuals**

TRANSACTION SUMMARY

RURALPYME 3, FTA (the “Fondo”) is a securitisation fund created with the aim of purchasing a pool of loans granted by 14 Spanish rural savings banks to Spanish corporates and self-employed individuals. This is the third time that a group of rural savings banks by themselves have joined forces to securitise a pool of SME loans, but the first one out of the FTPYME programme.

The *Fondo* has issued four series of notes to finance the purchase of the loans (at par):

- A senior Series A, rated **Aaa**
- A mezzanine Series B, rated **A1**
- A mezzanine Series C, rated **Baa2**
- A subordinated Series D, rated **Ba3**

In addition, the *Fondo* has issued a **C**-rated Series E to fund up-front a cash reserve, which will be used to cover any potential shortfall on interest or principal payments to the other series.

Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the securitised pool excess spread. The transaction also incorporates a swap agreement that will hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates on the assets and on the notes; and (ii) the existence of caps on the loans’ interest rate.

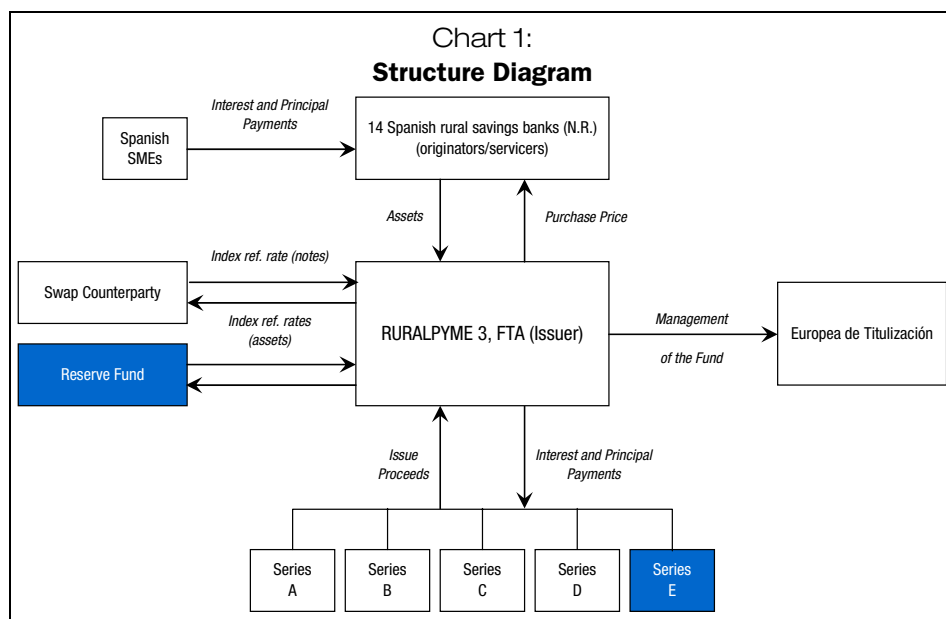
In addition, the *Fondo* will benefit from a €600,000 subordinated loan provided by the originators to fund the up-front expenses, the costs of issuing the notes and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

As of the closing date, the definitive portfolio consisted of 5,660 loans and 5,620 Spanish enterprises and self-employed individuals as borrowers, all of them SMEs according to the internal classification of the originators. The pool was well diversified in terms of geography, although, given the location of the originators, with slight concentrations in Andalucía and Aragón. According to Moody’s industry classification, around 22% was concentrated in the “farming and agriculture” sector. Of the pool, 61% was secured by a first-lien mortgage guarantee over different types of properties.

Moody’s based the ratings primarily on (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information from the Spanish SME loan market; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a basis swap agreement, pro-rata amortisation of the notes, deferral of interest based on the accumulated amount of written-off loans and funding of the reserve fund through the issuance of a subordinated series of notes



Interest rate swap hedging the interest rate risk

To hedge the *Fondo* against the interest rate risk (potential mismatch derived from having different index reference rates and reset dates on the assets and on the notes), the *Fondo* has entered into a swap agreement with Banco Cooperativo.

According to the swap agreement, on each payment date:

- The *Fondo* will pay the interest due from the non-written-off loans (as defined later on this section) from the previous payment date less the amount of interest corresponding to the margin over the index reference rate for each of the non-written-off loans.
- Banco Cooperativo will pay the index reference rate on the notes over a notional calculated as the daily average of the outstanding amount of the non-written-off loans since the last payment date.

The way in which the *Fondo*'s payment under the swap is structured protects it against the risk derived from the existence of limits on the maximum interest rate applicable under the loans. This is because, although such limitation will be transferred to the index reference rate of each loan that the *Fondo* is committed to pay under the swap, it will not affect the amount of pool spread that is retained at the *Fondo* level.

In the event of Banco Cooperativo's long-term rating being downgraded below **A2** or its short-term rating being downgraded below **P-1**, it will within 30 business days have to (i) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (ii) find a suitably rated guarantor or substitute. Any failure by Banco Cooperativo to comply with this condition will constitute an event of default under the swap agreement.

Reserve fund fully funded up-front to help the Fondo meet its payment obligations

The reserve fund has been funded up-front with the benefits from the issuance of the Series E notes and will be used to cover any potential shortfall on items (1) to (10) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts:

- 3.75% of the initial balance of the notes
- The higher of:
 - 7.50% of the outstanding balance of the notes
 - €15,000,000

However, the amount requested under the reserve fund will not be reduced:

- During the first three years following the closing date
- On any payment date on which any of the following scenarios occurs:
 - The Arrears Level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%
 - The reserve fund is not funded at its required level

The GIC provides an annual interest rate equal to the index reference rate of the notes less 0.06%

The treasury account is held at Banco Cooperativo. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

The transaction includes some triggers in order to protect the treasury account from a possible downgrade of Banco Cooperativo's short-term rating. Should this rating fall below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 days:

1. Find a suitably rated guarantor or substitute.
2. Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
3. Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Banco Cooperativo guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less 0.06%.

Limitations on the renegotiation of the loans

The management company authorises each of the originators in their role as servicers to renegotiate the spread over the index reference rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). However, an originator will not be able, with respect to the loans included in the sub-pool transferred by it, (i) to renegotiate the spread of any loan if the respective weighted average spread is below 85 bpsa, or (ii) to extend the maturity later than July 2037. Moreover, the renegotiation of the maturity of the loans is subject to the following conditions:

- The total initial amount of loans on which the maturity has been extended by each originator cannot be greater than 10% of the initial amount of the sub-pool transferred by it.
- The frequency of payments cannot be decreased.
- The amortisation system cannot be modified.
- Each loan to be renegotiated must not have been more than 15 days in arrears during the last 12 months.

Payment structure allocation

On each quarterly payment date, the *Fondo*'s available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the treasury account) will be applied in the following simplified order of priority:

1. Costs and fees, excluding the servicing fee (except in the case of any of the originators being replaced as servicer of the loans)
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party
3. Interest payment to Series A
4. Interest payment to Series B (if not deferred)
5. Interest payment to Series C (if not deferred)
6. Interest payment to Series D (if not deferred)
7. Retention of an amount equal to the principal due under the notes
8. Interest payment to Series B (if deferred)
9. Interest payment to Series C (if deferred)
10. Interest payment to Series D (if deferred)
11. Replenishment of the reserve fund
12. Interest payment to Series E
13. Principal payment to Series E
14. Termination payment under the swap agreement (except in the cases contemplated in (2) above)
15. Junior payments

In the event of liquidation of the *Fondo*, the payment structure would be modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the accumulated amount of written-off loans

The payment of interest on Series B, C and D will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

- The accumulated amount of written-off loans since closing is higher than 13%, 11% and 6.25% of the initial amount of the pool for Series B, C and D respectively; and
- The series senior to it are not fully redeemed.

Principal due to the notes incorporates an 18-month "artificial write-off" mechanism, which is weaker than the typical 12-month write-off mechanism observed in many Spanish SME deals

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (i) the outstanding amount of Series A to D notes and (ii) the outstanding amount of the non-written-off loans, the "written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan).

The "artificial write-off" is envisioned to speed up the off-balance sheet of a non-performing loan; thus the amount of notes collateralised by non-performing loans, and consequently the negative carry, is minimised. However, the most significant benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

Principal due allocation mechanism

The amount retained as principal due on item (7) of the order of priority will be allocated to the amortisation of Series A, B, C and D according to the following rules:

1. Sequentially to the amortisation of Series A, B, C and D (in the indicated order).
2. From the payment date on which the initial amount of Series B, C and D exceeds 11.2%, 2.0% and 6.6%, respectively, of the outstanding amount under Series A to D, pro-rata between Series A to D, so that the percentages indicated above are maintained on any payment date thereafter
3. Nevertheless, amortisation of Series B to D will not take place on the payment date on which any of the following events occurs:
 - The arrears level exceeds 1.25%, 1.00% and 0.75% for Series B, C and D respectively.
 - The cash reserve is not going to be funded at its required level.
 - The outstanding amount of the non-written-off loans is lower than 10% of the pool's initial amount.

Series E amortisation

The Series E notes will amortise, on each payment date, for an amount equal to the difference between the outstanding amount of Series E and the reserve fund's required amount on the current payment date.

COLLATERAL

Pool of loans granted to Spanish SMEs with a significant concentration in the farming and agriculture sector

As of the closing date, the definitive portfolio comprised 5,660 loans and 5,620 borrowers. The loans have been granted to enterprises (80%) and self-employed individuals (20%) by the originators in its normal course of business, and comply with the following criteria:

- The loans have been granted to non-financial enterprises and self-employed individuals based in Spain, 100% of which are SMEs according to the originators' definition (turnover below €50 million).
- None of the debtors is employed by the originators or is a company belonging to any of the originators' financial group.
- All the loans have been formalised under public document.
- The loans are repaid by direct debit and have paid at least one instalment.
- No loan incorporates any type of balloon payments or deferred payments of interest.
- 100% of the principal of the loans has been drawn.
- Obligors are committed to sign an insurance contract for the mortgaged property at the time of the loan's origination.
- All the mortgaged properties are fully developed and situated in Spain.
- The pool does not include loans granted to real estate developers or lease contracts.
- No loan has been more than 30 days in arrears at the time of securitisation.
- The pool does not include syndicated loans or loans corresponding to the refinancing or restructuring of debts

The loans have been originated between 1994 and April 2007, with a weighted average seasoning of 2.3 years and a weighted average remaining term of 10.3 years. The longest loan matures in October 2032.

The majority of the loans (70%) pay through monthly instalments of interest and principal, although 10.2% of the pool, as of closing date, enjoyed a grace period on principal payments (the average length of the grace period being 11 months).

The fact that a significant portion of the pool pays semi-annually or annually while the interest on the notes is due on a quarterly basis does not have a negative impact in terms of the index reference rate, as this risk is covered by the swap (to the extent that the *Fondo* is committed to pay the swap counterparty just the interest due from the loans). However, it does create a disruption in the regular flow of excess spread received by the *Fondo* from the securitised pool. Moody's has tested this non-regular flow of excess spread in its cash flow model and has penalised it accordingly.

The interest rate is floating for all the loans, 93.5% being referenced to Euribor/Mibor and the remaining 6.5% being referenced to IRPH or CECA. The weighted average interest rate of the pool is 5.4% and the weighted average margin over each loan's reference rate is 0.96%.

Of the outstanding portfolio, 61% is secured by a first-lien mortgage guarantee over different types of properties, although this percentage diminishes to 53% considering only mortgages with a loan-to-value lower than 100%. Within this pool, the total weighted average loan-to-value is 41%:

Table 1:

Type of Property	%
Residential	15%
Commercial	23%
Industrial	34%
Rural land	13%
Other land	6%
Other	9%

The remaining 39% of the portfolio is secured by personal guarantee (31%), guarantor (7%) and other types of real guarantees (1%).

Geographically, given the location of the originators, the pool is concentrated in Andalucía (29%), Aragón (24%) and Navarra (15%). Around 22% of the portfolio is concentrated in the “farming and agriculture” sector, according to Moody’s industry classification.

Finally, in terms of debtor concentration, the pool included exposures up to 0.39% of the amount of the issuance, with the top 20 debtors accounting for 4.6% of the same amount.

Chart 2:
Portfolio Breakdown
by Year of Origination

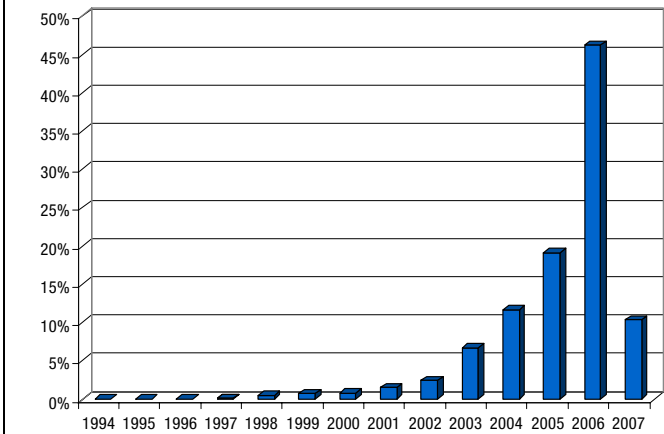


Chart 3:
Portfolio Breakdown
by Year of Maturity

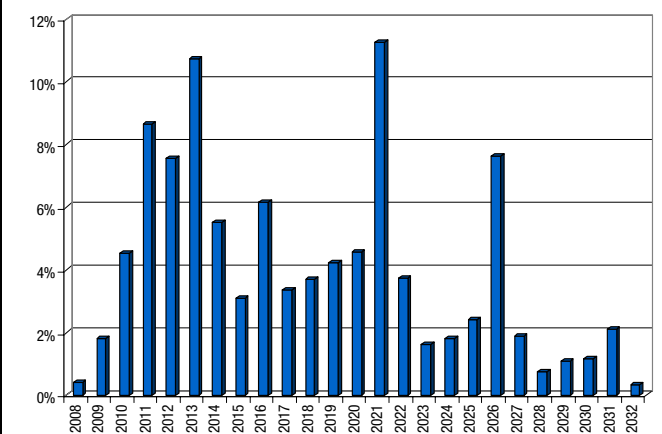


Chart 4:
Portfolio Breakdown
by Geographic Diversity

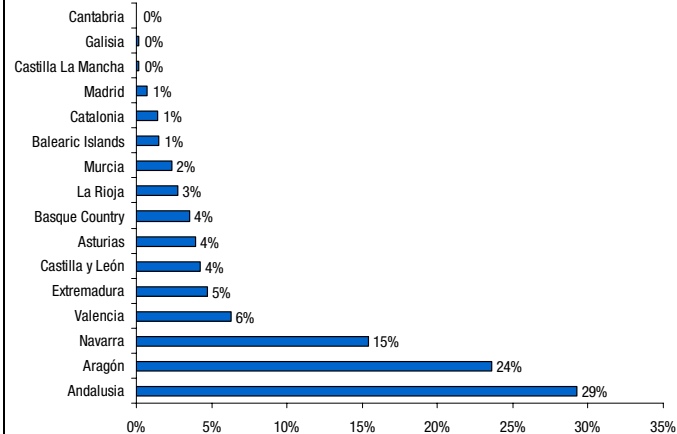
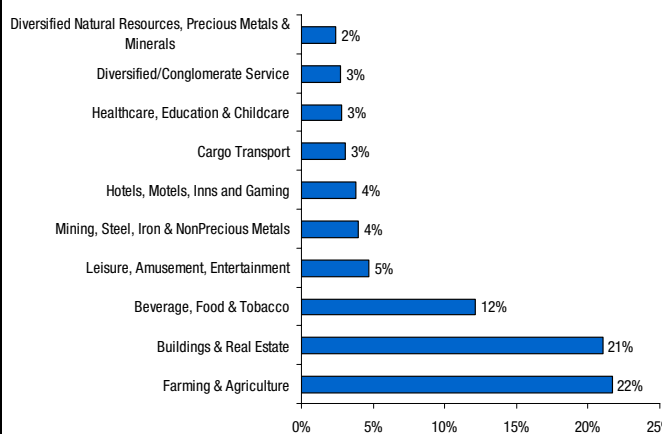
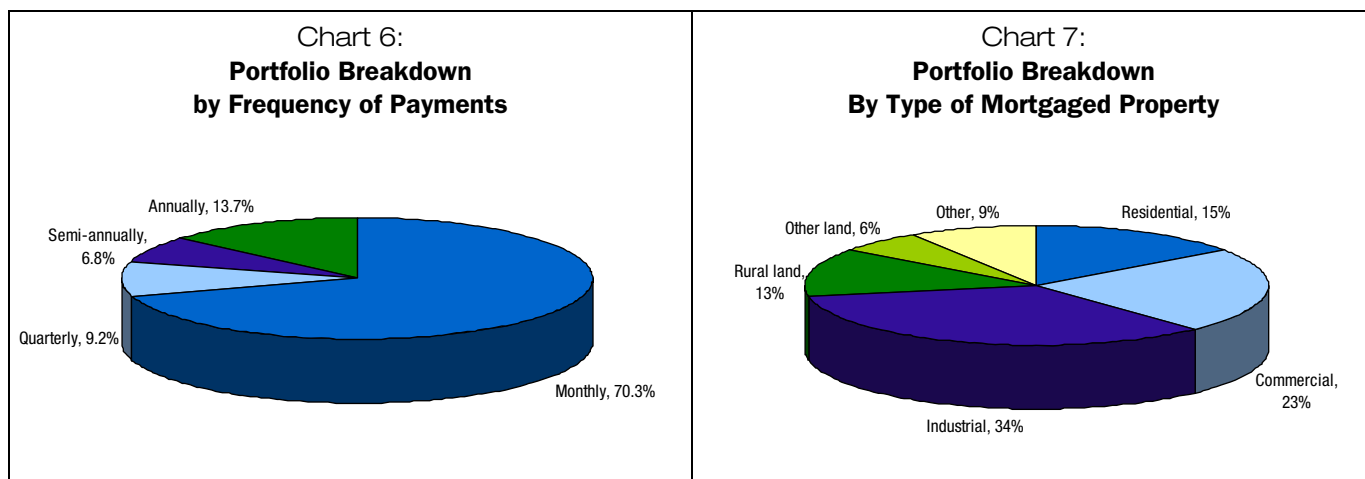


Chart 5:
Ten Most Represented
Industry Sectors





ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Fourteen Spanish rural savings banks are the originators and servicers of the asset pool

The originators of the securitised loans are 14 of the 78 Spanish rural savings banks.

The rural savings banks are a form of credit co-operative that account for approximately 5% of the balance sheet of Spain's banking system. Credit co-operatives are themselves a type of financial institution created to satisfy the financial needs of its members and customers, under the same conditions as other financial institutions such as commercial or savings banks. Originally, the rural banks mainly focused on covering the needs of the agricultural sector. However, the development and expansion of the financial sector, driven by the growth of the Spanish economy and low interest rates, has facilitated their expansion beyond the original client base.

Rural banks are regulated and supervised by the Bank of Spain, as is the case for commercial and savings banks. Importantly, they are obliged to comply with the pillars of Spanish regulation for financial institutions. Nonetheless, they enjoy a specific legal status which may be further restricted by each credit co-operative's own by-laws. Moody's notes that there is a key difference with respect to their capital base, which consists of non-listed nominative shares. These can be acquired only by: (i) any co-operative, irrespective of its type and size; or (ii) any other individual or entity (public or private, national or international) whose entry is permitted or not prohibited by the institution's current by-laws and whose activities are not in competition with those of the credit co-operative.

Out of the 78 rural saving banks, 73 are associated under the Asociación Española de Cajas Rurales (AECR). This association was created in 1989 with the aim of increasing collaboration and interaction between the associated entities, and strengthening their credit fundamentals. Banco Cooperativo was founded in 1990 with the purpose of acting as central bank and main service provider of the associated entities.

So far the rural group has carried out 13 securitisation transactions, nine RMBS, two SME deals and one MBS with a mixture of enterprises and individuals as debtors.

Duties as servicers and originators

Each of the originators will act as servicer of its own sub-pool, and will transfer the proceeds from the loans to the treasury account on the business day after they were received from the borrowers.

In the event of any of the servicers failing to perform its obligations; being subjected to Bank of Spain intervention or affected by an insolvency process; or because the management company considers it appropriate, it will have to be substituted in its role as servicer by a suitable institution. If it is permitted by law, Banco Cooperativo will be designated as the new servicer.

Moody's believes that the originators are capable of fulfilling their servicing obligations in the transaction.

Likewise, the management company may require the originators, upon an insolvency process or Bank of Spain intervention, or because the management company considers it appropriate, to notify the relevant debtors of the transfer of the loans to the *Fondo*. Should the relevant originator fail to comply with this obligation within five business days, the notification would then be carried out by the management company.

Despite the fact that the largest part of the pool will be administered by unrated originators, Moody's has not penalised the transaction for commingling risk, given the diversity of originators, Moody's opinion on the overall credit strength of the rural savings banks, and the presence of structural protections such as the daily transfer of pool proceeds to the SPV's treasury account.

Paying Agent

Banco Cooperativo will act as paying agent of the *Fondo*. In the event of Banco Cooperativo's short-term rating falling below **P-1**, it will within 30 days have to be replaced in its role of paying agent by a suitably rated institution.

Management Company

Europea de Titulización, a company with substantial experience in the Spanish securitisation market, will act as the management company. Its obligations within the structure are guaranteed by its shareholders, in line with their proportion of the holding. BBVA accounts for 83% of the capital of the *gestora* (trustee). The remainder is owned by 15 institutions, including JP Morgan (4%), Caja de Ahorros del Mediterráneo (1.54%), Bankinter (1.53%), Barclays Bank (1.53%) and Citibank España (1.53%). Europea de Titulización currently manages 87 securitisation funds.

MOODY'S ANALYSIS

Moody's used a Monte Carlo simulation to derive the default distribution in the portfolio, based on mean default estimations

Table 2:

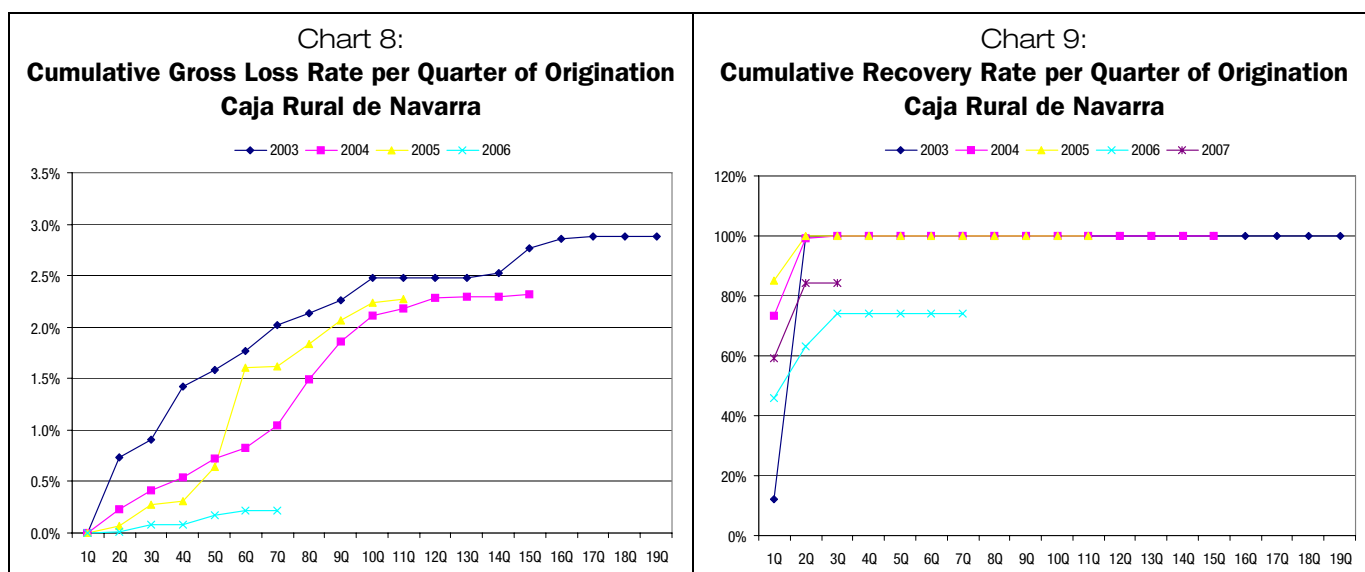
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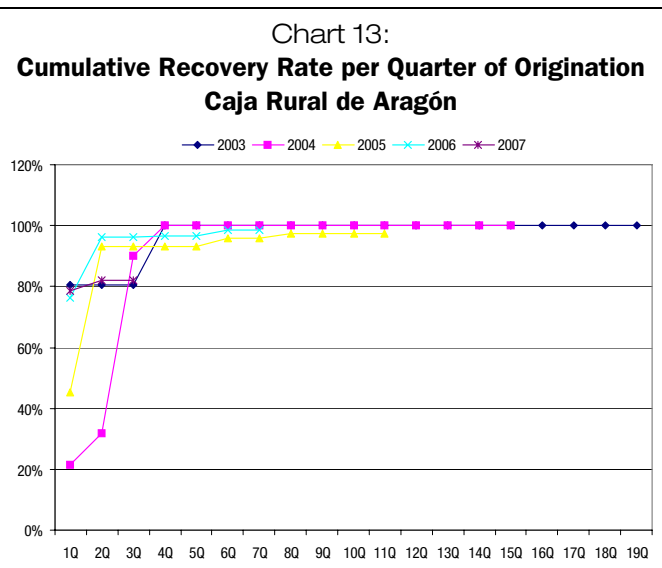
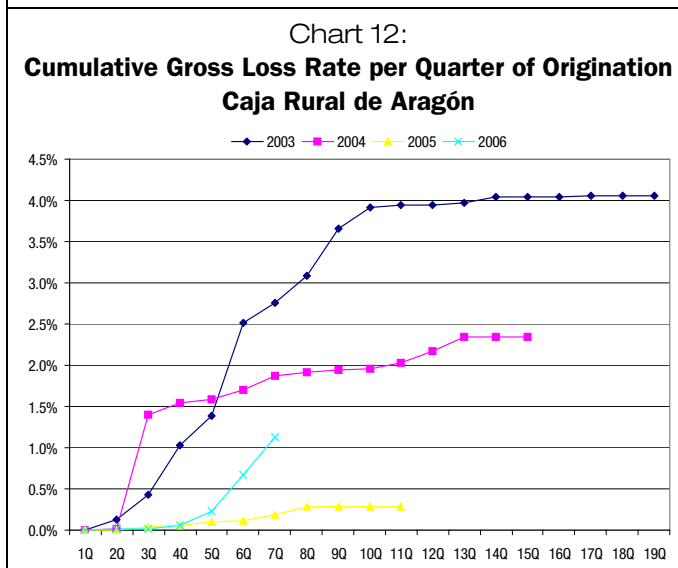
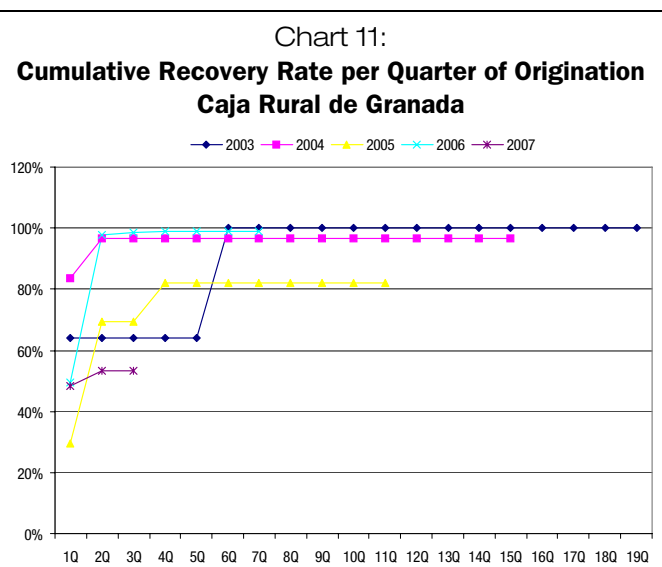
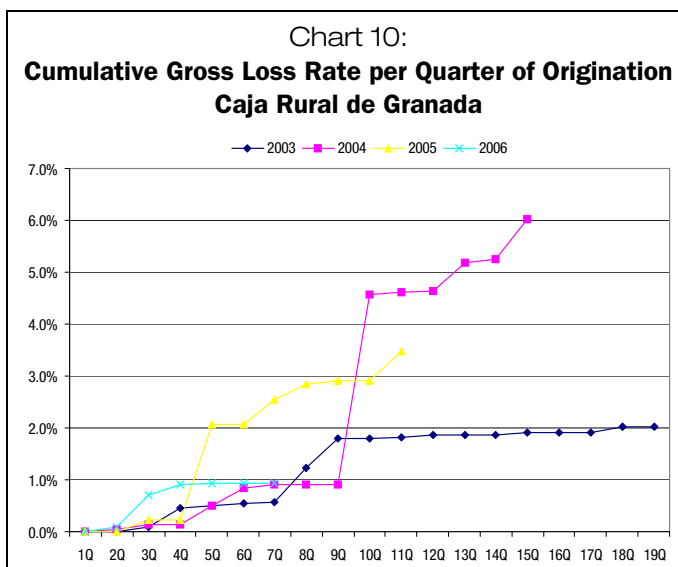
	Quantitative ranges tested
Mean default	6.5% - 6.75%
COV	40% - 45%
Recoveries	45% - 55%
Recoveries SD	15% - 25%
CPR	5% - 10%

Given the number of assets and the size of the exposures in the portfolio, as shown by the Effective Number of 1,349, Moody's derived the default distribution curve by using the inverse normal density law. To determine such distribution, two main input parameters needed to be assessed:

- The mean default probability of the portfolio, and
- The standard deviation of the default distribution

As regards the first item, and given available data, Moody's based its analysis on (1) statistical information from the Spanish SME market; (2) the historical information received for this deal itself; (3) performance of similar deals including its predecessors; and (4) other qualitative and pool-derived aspects, such as potential worst performance expectations on real estate companies.





The resulting value tested as **mean default** was in the range of 6.5% - 6.75%. The assumed probability of default corresponds to a mid to low Ba rating over the pool's assumed weighted average life.

The **standard deviation of the default distribution** was determined assuming a fixed pairwise correlation parameter (inter-correlation of 4% and intra-correlation of 15%); the resulting coefficient of variation was in the range of 40% - 45%.

The timing of default was assumed to be front-loaded and adjusted to the weighted average life of the pool. Sensitivity scenarios were run to check the strength of ratings with less likely back-loaded timing of default scenarios.

Recoveries were assumed to be normally distributed and correlated with default scenarios. Again, given available data, the distribution parameters were estimated based on (1) historical information received for this deal; (2) statistical information from the Spanish SME market; (3) Moody's statistical information for the EMEA SME and corporate market; (4) mortgages and other type of guarantees in the portfolio – in particular, Moody's used a standard house price stress for residential properties, a 20% additional house price stress for non-residential properties, and a 25% additional stress for rural land; a 25% recovery rate was assumed for loans secured over personal guarantees; and (5) other qualitative and pool-derived aspects. The mean value assumed for the recovery distribution was in the range of 45% - 55%, while the standard deviation was in the range of 15% - 25%.

Assumptions for **prepayments** were also tested in Moody's quantitative analysis and were partly derived from historical and statistical information as well as qualitative assessments. The values tested were in the range of 5% - 10%.

Cash-flow modelling in order to determine the rating of the notes

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

To determine the rating for each series of notes, Moody's used an expected loss methodology that reflects the probability of default for each series of notes multiplied by the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduced many deal-specific characteristics: the main input parameters of the model have been described above. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes as well as the expected average life. Moody's then compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings assigned to each series of notes.

It is also worthy mentioning that Moody's did not take into consideration the clean-up call in its quantitative modelling. This has a significant effect on the more junior notes. In particular, Series D notes had an average life close to 20 years according to Moody's quantitative analysis.

The ratings of the notes depend on the portfolio performance and counterparty ratings

RATING SENSITIVITIES AND MONITORING

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

Visit moodys.com for further details

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Analysis

- Banco Cooperativo, S.A., November 2006

Issuer Profile

- Banco Cooperativo, S.A., November 2006

Credit Opinion

- Banco Cooperativo, S.A., March 2008

Performance Overview

- RURALPYME 1 FTPYME, January 2008
- RURALPYME 2 FTPYME, January 2008

Pre-Sale Report

- RURALPYME 1 FTPYME, Fondo de Titulización de Activos, November 2004 (SF46387)
- RURALPYME 2 FTPYME, Fondo de Titulización de Activos, November 2006

Special Report

- Information on EMEA SME Securitisations: Moody's view on granular SME loan receivable transactions and information guidelines, March 2007 (SF92748)
- Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
- Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Rating Methodologies

- Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)
- Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 (SF90480)
- FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme, October 2003 (SF27063)
- Moody's Approach to Rating Ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

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