

# Bancaja Leasing 1, Fondo de Titulización de Activos

ABS/Leasing / Spain

## Closing Date

26 October 2009

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## Definitive Ratings

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon	Subordi- nation	Reserve fund	Total Credit Enhance- ment*
A	<b>Aaa</b>	€576.0	72.00	June 2034	3mE +0.30%	28.00%	15.5%	43.50%
B	<b>B2</b>	€96.0	12.00	June 2034	3mE +0.50%	16.00%	15.5%	31.50%
C	<b>Caa1</b>	€128.0	16.00	June 2034	3mE +0.70%	0.0%	15.5%	15.50%
Total		€800.0	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 on or before the 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.

\* No benefit attributed to excess spread.

Vscore for the sector: Medium/High

Vscore for the subject transaction: Medium/High

The subject transaction is a cash transaction of credit rights (interest and principal, excluding the purchase option) extended to obligors located in Spain and is a static structure. The portfolio consists of credit rights derived from financial lease contracts.

## Asset Summary (definitive pool as of closing)

Sellers/Originators:	Caja de Ahorros de Valencia, C y A. ("Bancaja") ( <b>A3/P-2/D+; Negative Outlook</b> )
Servicer(s):	Bancaja
Receivables:	Credit rights (interest and principal, excluding the purchase option) derived from financial lease contracts granted to Spanish enterprises.
Methodology Used:	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", March 2009 (SF141058) 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)
Model Used:	CDOROM & ABSROM
Total Amount:	€800,000,000
Length of Revolving Period:	Static
Number of Borrowers:	3,424
Number of Groups:	Not made available
Effective Number:	561
WA Remaining Term:	10.23 years
WA Seasoning:	2.96 years
Weighted Average Life (WAL) Years:	4.66 years (assuming 3% CPR)
Interest Basis:	0.4% fixed-rate loans and 99.6% floating rate loans
WA Current LTV:	82% for the Real Estate sub-pool
Delinquency Status:	No loans more than 30 day in arrears included in the final portfolio (between 0-30: 3%)

## Asset Summary (continued)

Default Rate Observed (raw data): 15.9%

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**Moody's Investors Service**

Note a table of contents for this report appears on its final page.

4 November 2009

Coefficient of Variation (CoV) (raw data):	96.6%
Recovery Rate Observed (raw data):	66% after two years

## Liabilities, Credit Enhancement and Liquidity

Excess Spread Range:	Not applicable as no swap in place
Credit Enhancement/Reserves:	15.5% reserve fund Subordination of the notes
Form of Liquidity:	Principal to pay interest and reserve fund protection
Number of Interest Payments Covered by Liquidity:	Not applicable
% of Reserve Fund Dedicated to Liquidity:	Reserve fund ledger not available
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	16 March, 16 June, 16 September, 16 December First payment date: 16 March 2010
Hedging Arrangements:	No interest rate swap to cover interest rate risk

## Counterparties

Issuer:	Bancaja Leasing 1, FTA
Sellers/Originators:	Bancaja
Servicer:	Bancaja
Back-up Servicer:	A back-up servicer will be appointed if Bancaja is downgraded below <b>Baa3</b>
Back-up Servicer Facilitator:	None
Cash Manager:	Europea de Titulización S.G.F.T. S.A. ("EdT") ( <b>Not Rated</b> )
Back-up Cash Manager:	None
Interest Rate Swap Counterparty:	Not applicable
FX Swap Counterparty:	Not applicable
Basis Counterparty:	Not applicable
Issuer Account Bank:	Banesto ( <b>Aa3/P-1</b> )
Collection Account Bank:	Bancaja
Paying Agent:	Banco Cooperativo Español, S.A. ("Banco Cooperativo") ( <b>A1/P-1</b> )
Note Trustee (Management Company):	EdT
Issuer Administrator:	EdT
Arrangers:	Bancaja
Lead Managers:	Bancaja
Other Parties:	Not applicable

## Moody's View

<b>Outlook for the Sector:</b>	Negative
<b>Unique Feature:</b>	Asset type and structure has been seen previously in the market
<b>Degree of Linkage to Originator:</b>	Bancaja will act as servicer (a back-up servicer will be appointed if Bancaja is downgraded below Baa3)
<b>Originator's Securitisation History:</b>	
Number of Precedent Transactions in Sector:	None previous leasing deal.
% of Book Securitised:	€800 millions out of €1,473 millions (55%)
Behaviour of Precedent Transactions:	Not applicable
Key Differences between Subject and Precedent Transactions:	Not applicable
<b>Portfolio Relative Performance:</b>	
Default Rate Assumed/Ranking:	17.5%. Higher than peer group. Comparison on Default Rate can be found in "Benchmark Analysis" section
Coefficient of Variation Assumed on Default Rate/Ranking:	46% / Lower volatility than with peer group. Comparison on Coefficient of Variation (CoV) can be found in "Benchmark Analysis"
Recovery Rate Assumed/Ranking:	37.5% fix. In line with peer group. Comparison on Recovery Rate can be found in "Benchmark Analysis"
Delinquencies Observed in Portfolio:	Loans more than 30 days in arrears has been excluded in the definitive portfolio

## Potential Rating Sensitivity:

Chart Interpretation:

When the rating was assigned, the model output indicated that Class A would have achieved a “Aa range” rating even if the cumulative mean DP was as high as 24.5% and assuming a fix recovery rate of 25.0%, whilst the Class B and Class C would have been Caa1 and Caa2, respectively, in the same scenario.

Factors Which Could Lead to a Downgrade:

The following factors may have a significant impact on the subject transaction’s ratings: further deterioration in the real estate market (beyond the recovery lag and stress that was modelled) and regulatory changes.

Table 1:

	Mean Default Rate <sup>3</sup>	Recovery Rate		
		37.5%	25.0%	12.5%
<b>CLASS A</b>	17.5% (B1/B2) <sup>4</sup>	<b>Aaa*</b>	Aa1 (1)	Aa3 (3)
	21.0% (B2) <sup>4</sup>	Aa1 (1)	Aa1 (1)	A1 (4)
	24.5% (B3) <sup>4</sup>	Aa1 (1)	Aa2 (2)	A2 (5)

	Mean Default Rate <sup>3</sup>	Recovery Rate		
		37.5%	25.0%	12.5%
<b>CLASS B</b>	17.5% (B1/B2) <sup>4</sup>	<b>B2*</b>	B2 (0)	B2 (0)
	21.0% (B2) <sup>4</sup>	B3 (1)	B3 (1)	B3 (1)
	24.5% (B3) <sup>4</sup>	Caa1 (2)	Caa1 (2)	Caa1 (2)

	Mean Default Rate <sup>3</sup>	Recovery Rate		
		37.5%	25.0%	12.5%
<b>CLASS C</b>	17.5% (B1/B2) <sup>4</sup>	<b>Caa1*</b>	Caa1 (0)	Caa1 (0)
	21.0% (B2) <sup>4</sup>	Caa1 (0)	Caa1 (0)	Caa2 (1)
	24.5% (B3) <sup>4</sup>	Caa1 (0)	Caa2 (1)	Caa3 (2)

- 1) Results are model-indicated ratings, which are one of the many inputs considered by rating committees, which take quantitative and qualitative factors into account in determining actual ratings. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if key rating input parameters were varied.
- 2) Results under base case assumptions indicated by ' \* '. Change in model-indicated rating (# of notches) is noted in parentheses.
- 3) Moody’s estimates a cumulative mean DP for the portfolio and the corresponding proxy rating applying its SME methodology, please refer to ‘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.
- 4) Weighted average portfolio proxy rating over the pool WAL corresponding to the cumulative default probability assumed (weighted average life of the portfolio - WAL: 4.66 years)

## Composite V Score

Breakdown of the V Scores Assigned to		Sector	Transaction	Remarks
Composite Score: Low, Medium or High		M/H	M/H	
<b>1</b>	<b>Sector Historical Data Adequacy and Performance Variability</b>	<b>M/H</b>	<b>M/H</b>	
1.1	Quality of Historical Data for the Sector	M/H	M/H	– Same as sector score.
1.2	Sector's Historical Performance Variability	M/H	M/H	– Same as sector score.
1.3	Sector's Historical Downgrade Rate	M/H	M/H	– Same as sector score.
<b>2</b>	<b>Issuer/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure</b>	<b>M/H</b>	<b>H</b>	
2.1	Quality of Historical Data for the Issuer/Sponsor/ Originator	M/H	M/H	<ul style="list-style-type: none"> <li>– Same as sector score.</li> <li>– The historical information is limited as historical information available does not cover a full severe stress scenario (uncertainty whether past performance adequately reflects future performance).</li> <li>– Moody's has received data from 2001 through June 2009 on delinquencies over 90 days, recoveries and prepayments.</li> </ul>
2.2	Issuer/Sponsor/Originator's Historical Performance Variability	M/H	H	– Bancaja's default rates have significantly deteriorated in recent times.
2.3	Disclosure of Securitisation Collateral Pool Characteristics	L/M	L/M	<ul style="list-style-type: none"> <li>– Same as sector score.</li> <li>– Detailed loan by loan data has been provided for the analysis of the transactions.</li> <li>– Information on Bancaja's internal rating system</li> </ul>
2.4	Disclosure of Securitisation Performance	M	M	<ul style="list-style-type: none"> <li>– Same as sector score.</li> <li>– As for most deals in this mature market, Moody's has not received a specific template for the monitoring report. Expectations are that the management company EdT will continue providing at least the same amount and quality of data as it is currently doing for previous deals.</li> </ul>
<b>3</b>	<b>Complexity and Market Value Sensitivity</b>	<b>M</b>	<b>M/H</b>	
3.1	Transaction Complexity	M	M/H	– The transaction is not protected by swap so it is subject to interest rate risk. Interest rate risk were reflected in Moody's analysis and definitive ratings, where several simulations tested the available credit enhancement and 15.5% reserve fund to cover potential shortfalls in interest or principal envisioned in the transaction structure.
3.2	Analytic Complexity	M	M	– Same as sector score.
3.3	Market Value Sensitivity	M	M	– Same as sector score.
<b>4</b>	<b>Governance</b>	<b>L/M</b>	<b>L/M</b>	
4.1	Experience of, Arrangements Among and Oversight of Transaction Parties	L/M	L/M	– Same as sector score.
4.2	Back-up Servicer Arrangement	L	L	– Same as sector score: investment grade servicer with "lost of Baa3" to appoint a new back up servicer.
4.3	Alignment of Interests	L/M	L/M	– Same as sector score.
4.4	Legal or Regulatory Uncertainty	L/M	L/M	– Same as sector score.

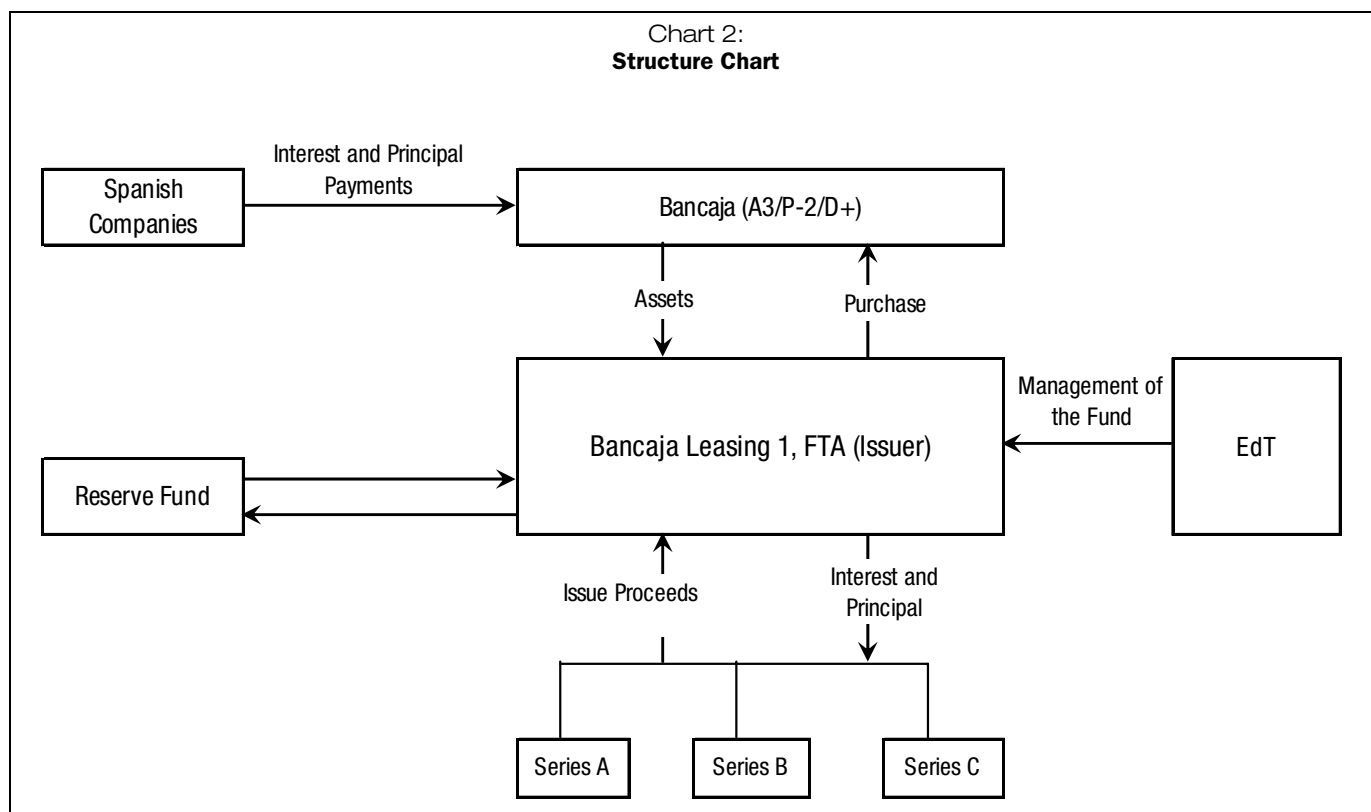
### Strengths:

- **Seasoning:** Good seasoning of the portfolio (almost three years)
- **Debtors:** self-employed individuals have been excluded of the provisional pool.
- **Granular pool:** good granularity with an effective number of obligors above 500 for the definitive pool.
- **Industries exposure** Approximately 32% of the portfolio is exposed to the Utilities: Electric sector which tends to be less pro-cyclical than other sectors.
- **Back-up Servicing:** Bancaja will identify a back-up servicer if it is downgraded below **Baa3**. At this stage, the back-up servicer will enter into a back-up servicer agreement, and will only step in at the discretion of the management company.
- **Data provided:** Bancaja has provided a good set of information for the analysis (including historical performance data and internal ratings)
- **Write-off mechanism:** The structure includes a 12-month artificial write-off mechanism.
- **Commingling Risk:** If Bancaja is downgraded below **Baa3**, it will fund a commingling reserve equivalent to one month of stressed collections.

### Concerns and Mitigants:

Moody's committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:

- **Portfolio Security:** Only 42% of the portfolio is secured over Real Estate properties (Weighted Average Loan-to-Value (LTV) is around 80%). This feature has been taken into account in Moody's quantitative analysis, especially in the recovery rate assumption.
- **Obligors' exposure to Real Estate:** Approximately 23.4% of the portfolio is exposed to the Construction and Building sector. Opposite to standard SME loans, the good object of the lease contract must be affected to the main economic activity of the lessee. The exposure to the Real Estate sector has been taken into account in Moody's quantitative analysis, as further explained under "Treatment of Concerns."
- **Regional Concentration:** Strong concentration in Valencia region (around 51.4% of the portfolio), mitigated in part because this is the region of Bancaja's origin, where it has its stronger expertise.
- **Longer Tenors:** The portfolio has a relatively long weighted-average remaining term (approximately 10.23 years for SME loans). This implies a higher degree of uncertainty regarding Moody's quantitative assumptions.
- **Recovery and Residual Value:** The residual value component has not been securitised so investors are not exposed to the risk of obligors not exercising the residual purchase option. Additionally, the originator will rank junior with respect to Bancaja Leasing 1, FTA (the *Fondo*) for any amount due to the purchase option should the relevant lessee default. However, there are a legal uncertainty associated with recoveries on leased assets following potential bankruptcy of the originator. This has been taken into account in Moody's quantitative analysis, as further explained under "Treatment of Concerns."
- **Performance on previous SME Bancaja deals:** previous SME deal originated by Bancaja show weak performance, with delinquency levels over 5% (loans more than 90 days in arrears over current outstanding balance)
- **Interest Rates Risk:** There is no swap in place so the deal is exposed to basic risk and fix-floating risk. This feature has been taken into account in Moody's quantitative analysis.
- **Deferral of interest:** The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C. Moody's has tested this structural feature by comparing the size of the reserve fund and the relative subordination in its quantitative analysis.



**Allocation of Payments/Waterfall:** On each quarterly payment date, the *Fondo*'s available funds (i.e. amounts received from the portfolio, the reserve fund, the commingling reserve (if applicable) and interest earned on the treasury account) will be applied in the following simplified order of priority:

1. Senior expenses;
2. Interest on Series A;
3. Interest on Series B (if not deferred);
4. Interest on Series C (if not deferred);
5. Principal repayment
6. Interest on Series B (if deferred);
7. Interest on Series C (if deferred);
8. Reserve fund replenishment

The notes will initially amortise sequentially. Once half of the portfolio has amortised the amortisation will switch to pro-rata but could switch back to sequential subject to certain triggers described below.

**Allocation of Payments/PDL like mechanism:** A Principal Deficiency Ledger (PDL) is defined as the negative difference between the principal available funds and a target principal amount. A target principal amount is the difference between the notes' outstanding principal (taking into account any amount withdrawn from the guarantee for principal payments) and the performing assets. A non-performing asset is defined as one with any amount due but unpaid for more than 12 months or one written off according to management's discretion.

The "artificial write-off" speeds up the amortisation of non-performing loans (NPL); thus, the amount of notes collateralised by NPLs is minimised, and, consequently, the negative carry. 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.

## Performance Triggers:

Trigger	Conditions	Consequence
Interest deferral	– The cumulative written-off level exceeds 14% and 9% for Series B and C, respectively	Interest payments on Series B and/or C Notes will be brought to be more junior in the waterfall (until the Series senior to it is fully redeemed) and will be paid after principal is repaid.
Stop pro-rata amortisation	– The arrears level (defined as the percentage of non-written off loans more than 90 days in arrears) exceeds 1.25% and 1.0% for Series B and C respectively; or – The reserve fund is not funded at its required level on the corresponding payment date; or – The portfolio balance is less than 10% of the initial portfolio balance	Switch back to sequential amortisation
Stop Reserve Fund Amortisation	– The arrears level exceeds 1.0%; or – The reserve fund is not funded at its required level on the corresponding payment date or – Less than two years have elapsed since closing	The target amount of the reserve fund will not be reduced on any payment date on which these occur

**Liquidity:** The reserve fund has been funded up front with a subordinated loan, granted by the originator for an amount equal to 15.5% of the notes. It provides both credit and liquidity protection to the notes.

After the first two years of the transaction, the reserve fund may amortise over the life of the transaction so that it amounts to the lower of the following amounts:

- 15.5% of the initial balance of the Series A, B and C notes

The higher of:

- 31% of the outstanding balance of the Series A, B and C notes
- 7.75% of the initial balance of the Series A, B and C notes

**Subordination of Interest:** The payment of interest on Series B and C will be brought to a more junior position if, on any payment date, and for each of these series the cumulative written-off level exceeds 14% and 9% for Series B and C, respectively

## Assets:

### Asset transfer:

- **True Sale:** According to the legal opinion received, a true sale securitisation of assets will be carried out in compliance with the Spanish securitisation law.
- **Bankruptcy remoteness:** Under the Spanish Securitisation Law, a Spanish SPV (Fondo FTA/FTH) is not subject to the Spanish Insolvency Law. It is just the management Company, acting in the best interest of the noteholders, who may decide to liquidate the SPV.
- **Claw-back risk upon default of the Originator:** Claw-back risk is limited to those activities performed during a period of 2 years previous to the declaration of the bankruptcy state, even in the absence of fraud. However, in no case the activities performed under the regular activity of the originator may be cancelled as the transfer of credit rights forms part of the normal activity of Bancaja.

**Interest Rate Mismatch:** Around 0.4% of the portfolio corresponds to fixed-rate loans and 99.6% to floating-rate loans (3m Euribor 16.43%, 6m Euribor 0.92% and 12m Euribor 82.24%), whereas the notes will be floating liabilities (3m Euribor). As a result the *Fondo* will be subject to, on the one hand, base rate mismatch risk on the floating portion of the portfolio (i.e. the risk that the reference rate used to compute the interest amount payable on the notes will differ from the interest rate payable on the underlying SME loans; and on the other hand, fix-floating risk (i.e. the risk that the reference rate of the notes will differ from the interest rates payable on this portion of the portfolio).

**Mitigant:** The transaction is not protected by a swap. In all unhedged transactions, Moody's analysis takes into account the potential interest rate risk exposure in order to size the credit enhancement needed to support the ratings. The base risk analysis is based on the observation of the historical volatility between rates in a given time interval defined on the basis of the cash-flow dynamics in the specific transaction. The exposure is then computed applying an historical VAR approach with a 99% confidence interval. The adjustment to the gross margin on the 12m Euribor and on the 6m Euribor linked loans would currently be in the range of 60 to 80 bps and 50 to 70, respectively. The fix-floating risk is quantified by making conservative assumptions on the evolution of the 3mEuribor over a period equivalent to the weighted average remaining term of the fix rate loans.

**Cash Commingling:** All the payments under the loans in Bancaja portfolio are collected by them under a direct debit scheme into its account and the will be transferred to treasury account in the name of the SPV every 48 hour. As a result, in the event of insolvency of Bancaja and until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by Bancaja and may be commingled with other funds belonging to Bancaja.



**Mitigant:** Payments are transferred on every 48 hours basis to the treasury account in the name of the SPV held by Banesto (Aa3/P-1):

- Triggers are in place to protect the treasury account from a possible downgrade of the GIC provider's short-term rating. If Banesto's short-term rating falls below P-1, it will have find a suitably rated guarantor or substitute
- If Bancaja long term rating falls below **Baa3**, it will fund a commingling reserve. This reserve will be equal to the highest future scheduled monthly amount of principal and the interest collections, at the time of the downgrade, assuming a 0% delinquency rate and 10 % prepayment rate. This reserve will be part of the

available funds if the servicer does not transfer received collections to the fondo (drawn amounts will be equal to the amount of collections received and not transferred by Bancaja)

- Bancaja may notify the debtors of the transfer of the loans in order to perfect the sale. The management company has also the ability to carry out the notification.

**Set off:** 100% of obligors have accounts with the seller.

**Mitigant:** Set off is very limited because only unpaid installments prior to the declaration of insolvency might be offset against the deposits hold by the debtors (considered as fully due and payable prior to the insolvency).

## Originator Profile, Servicer Profile and Operating Risks

Date of Operations Review: 23 June 2009

### Originator Background:

Rating:	A3/P-2/D+; Negative outlook
Financial Institution Group Outlook for Sector:	Negative
Ownership Structure:	Not available
Asset Size:	109 bn of which loans and credit to customers are 84 bn
% of Total Book Securitised:	Around 25%
Transaction as % of Total Book:	0.90%
% of Transaction Retained:	100%

### Servicer & Back-Up Servicer Background:

Servicer and Its Rating:	Bancaja (A3/P-2/D+ negative outlook)
Total Number of Receivables Serviced:	Over 1 million
Number of Staff:	8,152 (6,633 branches & 1,519 headquarter)
Servicer Assessment:	N/A
Strength of Back-up Servicer Arrangement:	N/A
Back-up Servicer and Its Rating:	None appointed
Ownership Structure:	N/A
Regulated by:	N/A
Total Number of Receivables Serviced:	N/A
Number of Staff:	N/A

### Originator Related Triggers

Key Servicer Termination Events:	Insolvency, an administration order enforced by the Bank of Spain, breach of servicer's obligations, or servicer's financial condition being detrimental to the Fund or noteholders' interests (always at discretion of the management company)
Downgrade of Original Servicer's Rating to Certain Level	N/A
Appointment of Back-up Servicer Upon:	Servicer's loss of Baa3 rating
Key Cash Manager Termination Events:	Insolvency
Notification of Obligors of True Sale	Insolvency, an administration order enforced by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable (always at discretion of the management company)
Conversion to Daily Sweep	None (sweep is done every two days)
Notification of Redirection of Payments to <i>Fondo's</i> Account	Insolvency, an administration order enforced by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable (always at discretion of the management company)
Accumulation of Set Off Reserve	N/A

### Receivable Administration:

Method of Payment:	100% by direct debit
% of Obligors with Account at Originator:	100%
Distribution of Payment Dates:	Spread over the month



**Cash Manager:**

Cash Manager and Its Rating:

Main Responsibilities:

Europea de Titulización S.G.F.T; S.A (**Not Rated**)

- Keeping the Fund's accounts duly separate from the Management Company's own
- Complying with its formal, documentary and reporting duties to the CNMV, the Rating Agencies and any other supervisory body.
- Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts
- Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in this Prospectus
- Checking that the Mortgage Credit income amount actually received by the Fund matches the amounts that must be received by the Fund, on the terms of issue of the Pass-Through Certificates and on the terms of the relevant Mortgage Credits
- Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date
- Watching that the amounts credited to the Treasury Account return the yield set in the Agreement
- Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds
- Calculating the Available Funds, the Available Funds for Amortisation of Series A, B, and C, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.
- The Management Company may extend or amend the agreements entered into on behalf of the Fund, and substitute, as the case may be, each of the Fund service providers on the terms provided for in each agreement

Calculation Timeline:

Back-up Cash Manager and Its Rating:

Main Responsibilities of Back-up Cash Manager:

Determination date

None

N/A

Chart 3:  
Portfolio Breakdown by Year of Origination

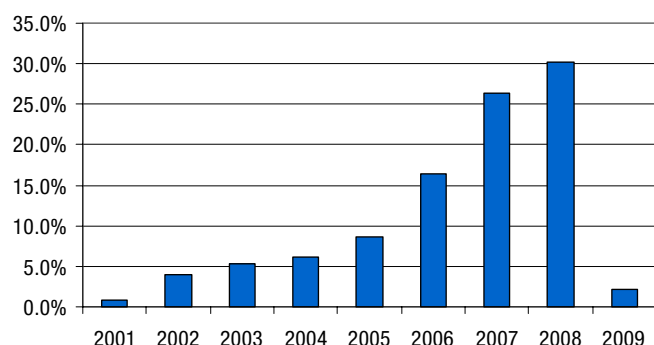


Chart 4:  
Portfolio Breakdown by Year of Maturity

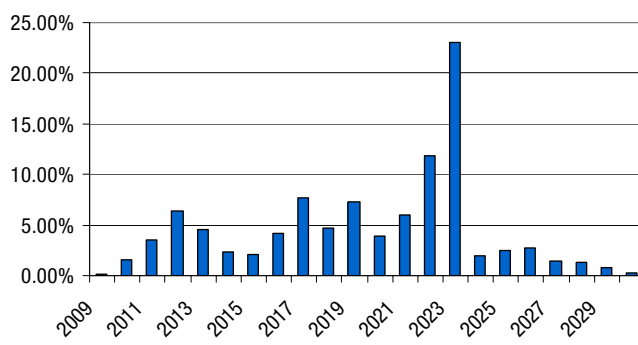


Chart 5:  
Portfolio Breakdown by Industry Diversification

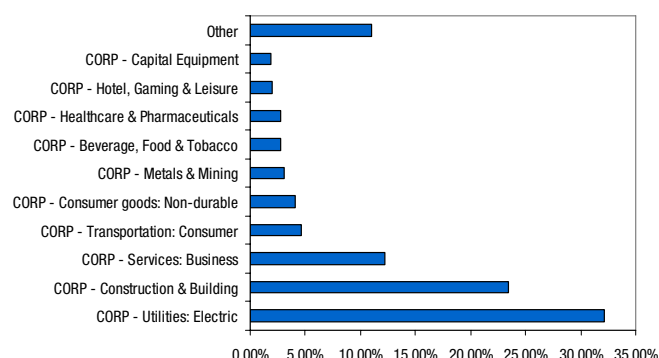
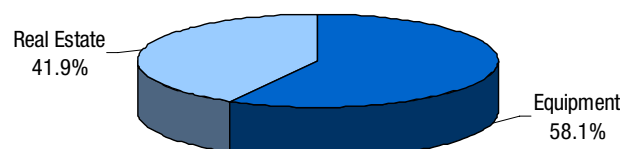


Chart 6:  
Portfolio Breakdown by Asset Type



**Audits:** Performed by Deloitte S.L., in compliance with the Spanish regulatory framework.

**Product Description:** The portfolio consists of credit rights (interest and principal, excluding the purchase option and the taxes) derived from financial lease contracts granted by Bancaja to Spanish enterprises. The tenor of the products varies from 1 year to 20 years approximately depending on the type of leased asset, and the portfolio securitised includes fixed- and floating-rate loans. Almost all the loans are standard amortising loans (French amortisation).

### Eligibility Criteria:

The key eligibility criteria are as follows:

- Lease contracts granted to enterprises domiciled in Spain. Self-employed individuals have been excluded.
- No lease contracts granted to the public sector
- No lease contracts granted to companies belonging to the originator's financial group or employees of the group
- Fully drawn down contracts. Bilateral. Payment frequency higher than annually.
- 100% direct debit.
- No contracts more than 30 days in arrears
- No refinancing lease contracts

### Additional Information on Borrowers:

Top Debtor Concentration:	1%
Top 5 Debtors:	4.4%
Top 10 Debtors:	7.8%
Top 25 Debtors:	14.8%
Industry Concentration*:	Utilities: Electric 32.1%
	Construction & Building 23.4%
	Services: Business 12.1%
	Transportation: Consumer 4.6%
Geographic Diversity:	Valencia 51.4%; Madrid 11.3%;
	Castilla-La Mancha 10.40%

\* According to Moody's industry classification

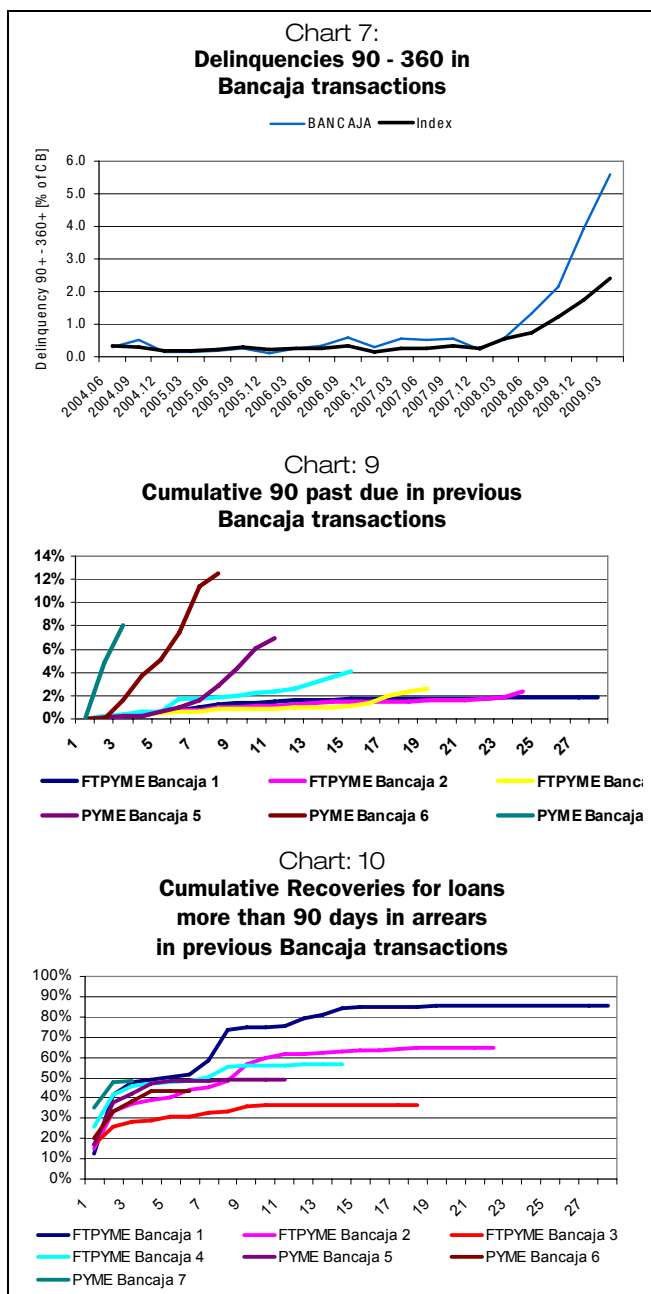
### Additional Information on Portfolio:

Number of Contracts:	5,317
Type of Contracts:	Lease
Contract Amortisation Style:	99.2% French and 0.8% Constant
% Large Corporates:	5.15% (annual turnover > €50 million)
% Bullet Loans:	0.0%
% Real Estate Developers*:	6.56%
WA Interest Rate:	4.11%
WA Internal Rating:	NA
LTV:	82% for the Real Estate properties
Type of assets:	Equipment: 58.1%;
	Real Estate: 41.9%
Real Estate assets:	Commercial Use: 19.6%; Industrial Use 8.8%;

\*No contracts granted to Real Estate Developers for the construction of properties and syndicated loans

## Credit Analysis

**Precedent Transactions' Performance:** This transaction it is the first leasing deal from Bancaja. However, Moody's has rated several SME deals from this originator. Please note the product is very different so performance conclusions can not be directly extrapolated. See Charts 7, 8 and 9 below for information on its performance.



**Default Definition:** The definition of a defaulted asset in this transaction is one with any amount due but unpaid for more than 12 months or one written off according to management's discretion.

**Data Quantity and Content:** Moody's has received data from 2001 to 2Q2009 reflecting gross defaults, recoveries and prepayments. Additionally, internal rating data has been provided. In Moody's view, the quantity and quality of data received is slightly better than average compared to

transactions which have achieved high investment grade ratings in this sector.

**Assumptions** Note that other values within a range of the stated figures listed below may result in achieving the same ratings.

### Note assumptions & actual amount

CPR	5%
Distribution	Inverse Normal
Default rate:	17.5%
Stdev/mean:	46%
Timing of default:	Flat over 4.75 years (with 12 months lag)
Recoveries:	37.5% Fix
Recovery lag:	50% during the first year and 50% during the second year (after default)
Correlation Default/Recoveries	None
Amortisation profile:	Actual pool amortisation
Fees:	0.5%
Fees floor:	€ 25,000
Euribor:	4%
PDL definition	12 months
Write-off:	12 months

**Derivation of default rate assumption:** Moody's analysed historical performance data and internal ratings as well as other sources of information (for instance, macroeconomic data) to determine its default assumption. It should be noted that historical data provided by Bancaja does not capture an entire stressed economic cycle given that the last economic crisis was in the early 1990s and vintages prior to 2007 reflect positive economic conditions. New vintages show higher default rates, reflecting a deterioration of the performance under the current stressed economic conditions. However, those vintages are still too young to allow a meaningful extrapolation analysis.

As a result, Moody's has complemented historical data analysis with a top-down approach<sup>1</sup>, as detailed below. Moody's split the portfolio into four sub-pools based on the economic sector where the debtor was active: (1) Construction and Building; (2) Real Estate Developers; (3) Utilities – Electric (only including electricity production companies); and (4) all other industries. Around 15% of the pool would correspond to lease contracts over small solar factories. This type of factories became very popular, especially in the mid-south of Spain, in the last years due to the strong support received by the government (through aids for initial investment). The income of these factories is guaranteed as any electricity production must be purchased by Law by the electricity network system at regulated prices. More specifically, the distribution companies of each region have to purchase the electricity at the official price for the first 25 years after an installation start running. Then the price will be set by the market demand.

Moody's average rating proxies assumed are shown in the table below

Borrower's main sector of activity	Rating proxy
Construction & Building	B3
Real Estate Developer	B1/B2
Utilities – Electric *	Ba3
Other industries	Ba3/B1

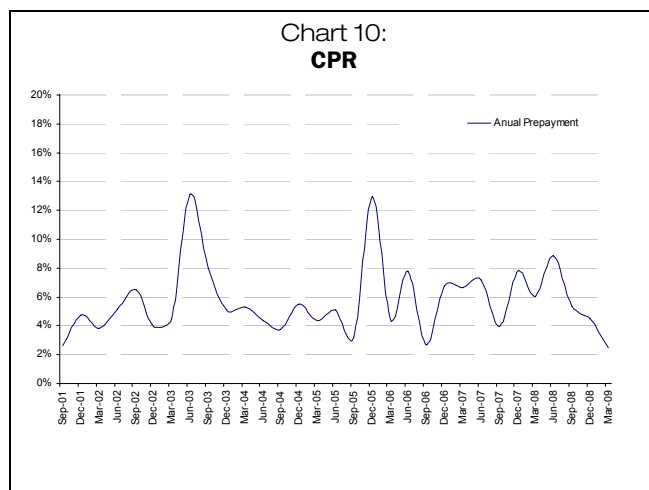
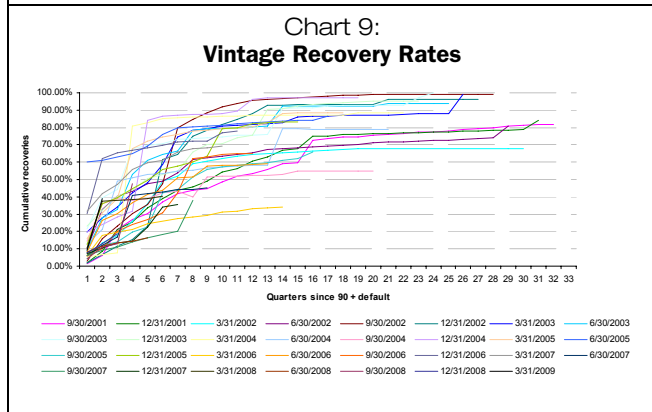
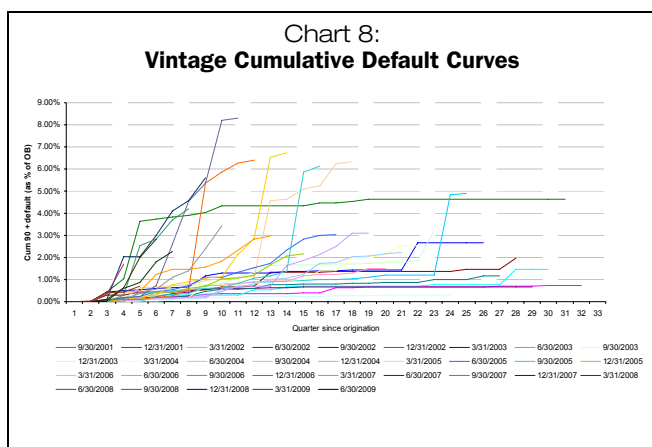
\* Only including electricity production companies

Please note that the above-mentioned assumptions include adjustments that take into account the current macro-economic environment (generally in the range of 1-2 notches) as well as the originator underwriting ability.

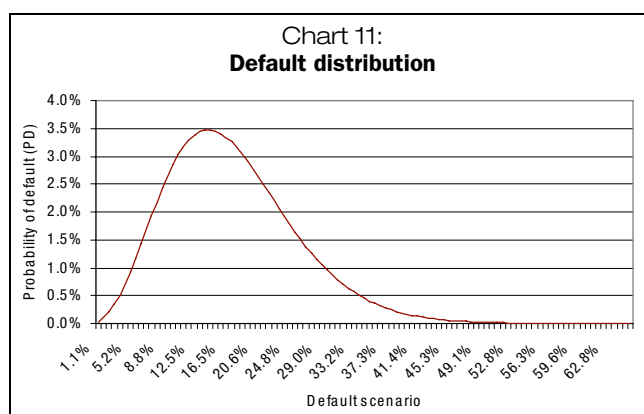
Moody's further adjusted the assumptions presented in the table above to account for the size of the companies (one notch up for large corporate and one a notch down micro-SMEs). Moreover, Moody's also adjusted the probability of default (PD) assumptions according to the loan characteristics (for instance, for loans with a grace period an additional 10% PD stress was applied).

The standard deviation of the default distribution was determined splitting the portfolio into 35 sectors of activity and assuming a fixed pair-wise correlation parameter (where the inter-industry correlation was stressed to 5%).

The charts below show the default, recovery and prepayment data provided by Bancaja (from a sample with similar characteristics than the portfolio being securitised).



**Timing of defaults:** Moody's tested several timing of default curves to assess the robustness of the ratings. In the base-case scenario, the timing of defaults curve assumed is flat over 4.75 years (with a 12-month lag)



**Derivation of Recovery Rate Assumption:** Moody's considers that the recovery data was compiled during favourable economic cycles; therefore, observed data might overestimate recovery rates during a stressed economic environment. Assumptions for recoveries were made on the basis of (i) historical information received for this deal; (ii) statistical information on the Spanish SME and leasing market; (iii) feedback from Moody's corporate team; and (iv) other qualitative and pool-derived aspects. Regarding the last point, Moody's estimated the recovery rate on the portion of the portfolio secured by Real Estate properties based on property valuation data, applying conservative haircuts to take into account house price deflation and associated costs to the recovery process.

Regarding the leasing contract on the Utilities – Electric sector (only including electricity production companies), Moody's has given benefit to the fact that typically it is included, as an additional guarantee, a pledge on the contract signed between the debtor and the electricity company purchasing the electricity production.

Moody's also took into consideration the legal uncertainty associated with recoveries on leased assets following potential bankruptcy of the originator, by running simulations where it further stressed the recoveries on defaults.

**Modelling Approach:** Given the number of assets and the size of the exposures in the portfolio (see section entitled Collateral Description), Moody's derived the default distribution curves by using the inverse normal density law. To determine such distribution, two main input parameters needed to be assessed: (i) the mean default probability of the portfolio, and (ii) the standard deviation of the default distribution

Moody's tested the credit enhancement levels by using a cash flow model, which has been adjusted to take into account a number of structural features.

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 analysed the strength of triggers to reduce the exposure of the portfolio to originator or servicer bankruptcy.

To determine the rating assigned to each series of notes, Moody's used an expected loss methodology that reflected the probability of default for each series of notes times 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.

### Treatment of Concerns:

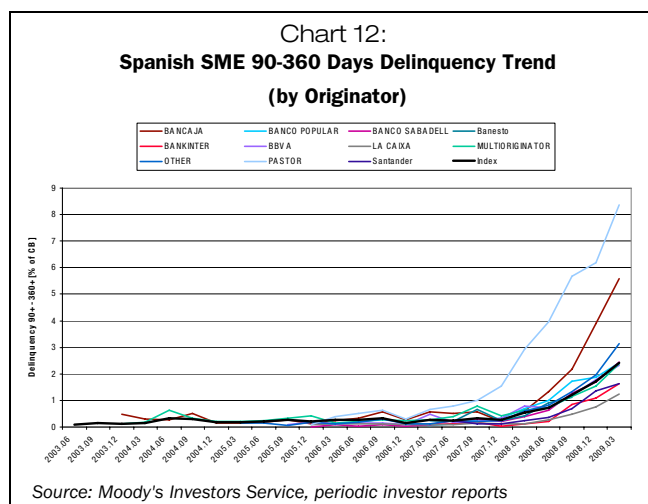
- **Exposure to real estate:** Approximately 23.4% of the portfolio is exposed to the Construction and Building sector (according to Moody's industry classification). Moody's assumed a higher default probability for Real Estate Developers (rating proxy equal to B3) and for obligors operating in the Real Estate industry (rating proxy equal to B1/B2), as opposed to for all other obligors (Ba3/B1).
- **Regional Concentration:** strong concentration in Valencia region 51.4% of the portfolio, mitigated in part because this is the region of Bancaja's origin, where it has its stronger expertise. This feature has been taken into account stressing the inter-industry correlation up to 5%. Additionally the ratings sensitivity has been tested for higher correlation values.
- **Residual Value:** The residual value component has not been securitised so investors are not exposed to the risk of obligors not exercising the residual purchase option. However, and even though under normal circumstances the originator will rank junior with respect to the *Fondo* for any amount due to the purchase option should the relevant lessee default,

exist legal uncertainty associated with recoveries on leased assets following potential bankruptcy of the originator. Moody's took this fact into consideration by running simulations where it further stressed the recoveries on defaults.

## Benchmark Analysis

**Performance Relative to Sector:** In Moody's view, the present transaction's historical performance data provided on gross defaults compares slightly negatively to other recent transaction in the leasing sector.

Just as an additional point of reference, due to the reduce number of recent leasing deals in the market with which to produce an equivalent chart, we show in Chart 12 the outstanding proportion of delinquencies in Moody's rated Spanish SME transactions grouped by originator. Please note that performance shown is affected by several factors, such as the age of the transaction, the pool specific characteristics, the presence of a revolving period, etc. Performance of Bancaja's SME transactions is worse than the average.



## Benchmark Table

Deal name	Bancaja Leasing 1, FTA (Leasing deal)	GC Sabadell Empresas 4, FTA (Leasing deal)	PYME BANCAJA 8, FTAIM Empresas Pastor 7, (SME deal)	FTA (SME/Leasing deal)
Country	Spain	Spain	Spain	Spain
Other countries	No	No	No	No
Closing date	October 2009	June 2009	July 2009	April 2009
Originator	Bancaja	Banco Sabadell	Bancaja	Banco Pastor
Originator's rating	A3/P-2; Negative Outlook	A2/P-1; Negative Outlook	A3/P-2; Negative Outlook	A2/P-1; Negative Outlook
% Fully amortising	100%	100%	73%	91.4%
% In grace period	9.9%	6.08%	12.1%	8.00%
% Bullet Loans	0.00%	0.00%	15.1%	8.56%
% Revolving Credit Facilities	No	No	No	No
Top region %	51%	50.20%	54.00%	25.00%
Top industry %	32%	31.90%	46.60%	48.00%
Industry	Utilities: Electric	Construction & Building	Construction & Building	Construction & Building
WAL	4.7	4.4	4.5	3.7
Amount in arrears > 30 days total	0% at closing	0% at closing	0% at closing	0% at closing
Spread guaranteed by the Swap	No swap	0.25% over notes balance	No swap	0.25% over notes balance
Mean	17.5%	12.5%	22.5%	28.5%
CoV	46%	55%	47.5%	38.5%
RR Mean	37.5%	40%	45%	35%
RR Stdev	Fix recovery rate	Fix recovery rate	Fix recovery rate	Fix recovery rate
Correlation Default - Severities	NA	NA	NA	NA
Correlation Severities - Severities	NA	NA	NA	NA
LGD	10.9%	7.5%	12.4%	18.5%
Equivalent credit quality of total portfolio	B2+	Ba3-	B2-	Caa1+

## Parameter Sensitivities<sup>ii</sup>

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed 9 scenarios derived from the combination of Mean Default Rate: 17.5% (base case), 21.0% (base + 3.5%) and 24.5% (base + 7%) and Recovery Rate: 37.5% (base case), 25.0% (base – 12.5%) and 12.5% (base – 25%). The 17.5% - 37.5% scenario would represent the base case assumptions used in the initial rating process.

The charts below show the parameter sensitivities for this transaction with respect to all Moody's rated tranches\*.

		Recovery Rate		
	Mean default rate	37.5%	25.0%	12.5%
CLASS A	17.5% (B1/B2)	Aaa*	Aa1 (1)	Aa3 (3)
	21.0% (B2)	Aa1 (1)	Aa1 (1)	A1 (4)
	24.5% (B3)	Aa1 (1)	Aa2 (2)	A2 (5)

		Recovery Rate		
	Mean default rate	37.5%	25.0%	12.5%
CLASS B	17.5% (B1/B2)	B2*	B2 (0)	B2 (0)
	21% (B2)	B3 (1)	B3 (1)	B3 (1)
	24.5% (B3)	Caa1 (2)	Caa1 (2)	Caa1 (2)

		Recovery Rate		
	Mean default rate	37.5%	25.0%	12.5%
CLASS C	17.5% (B1/B2)	Caa1*	Caa1 (0)	Caa1 (0)
	21% (B2)	Caa1 (0)	Caa1 (0)	Caa2 (1)
	24.5% (B3)	Caa1 (0)	Caa1 (1)	Caa3 (2)

\* Results under base case assumptions indicated by asterix '\*'. Change in model-indicated rating (# of notches) is noted in parentheses.

**Worse case scenarios:** At the time the rating was assigned, the model output indicated that Class A would have achieved a "Aa1" rating even if the cumulative mean DP was as high as 23.5% and even assuming a recovery rate as low as 27.5%, whilst the Class B and Class C would have been B3 and Caa1, respectively, in the same scenario.

## Monitoring

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 rating will be publicly announced and disseminated through Moody's Client Service Desk.

**Originator Linkage:** Bancaja will act as servicer (a back up servicer will be appointed if Bancaja is downgraded below Baa3)

**Significant Influences:** In addition to the counterparty issues noted, the following factors may have a significant impact on the subject transaction's ratings: further deterioration in the real estate market beyond the recovery lag and stress which was modelled.

Counterparty Rating Triggers	Condition	Remedies
Interest Rate Swap Counterparty	NA	
Issuer Account Bank	Loss of P-1	Replace
Servicer	Loss of Baa3	Appoint
Liquidity Facility Provider	NA	
Other		

\* See Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Transactions Moody's Methodology, May 15 2006

**Monitoring Report:** Moody's has reviewed the standard monitoring report (available at the management company website for previous similar deals) and would like to receive the following important data in addition to the information reflected on the report:

- All the transaction's triggers details
- The amount of gross excess spread before write offs
- The Principal Deficiency Ledger (PDL) size
- Information of the properties acquired by the Fondo, if any
- Pool-cuts on a quarterly basis
- Details on principal grace periods granted



## Related Research

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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:

### Methodology Used:

- 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", March 2009 (SF141058)
- 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)
- Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Cashflow Transactions Moody's Methodology, May 2006 (SF73248)

### Company Profile

- Bancaja, July 2009

### Credit Opinion

- Bancaja, July 2009

### Performance Overview

- FTPYME Bancaja 7 FTA
- PYME Bancaja 5 FTA
- FTPYME Bancaja 4 FTA
- FTPYME Bancaja 3 FTA

### Pre-Sale Report

- FTPYME Bancaja 7 FTA, January 2009 (SF154714)
- PYME Bancaja 5 FTA, November 2008 (SF147567)
- FTPYME Bancaja 4 FTA, October 2008 (SF146324)
- FTPYME Bancaja 3 FTA, December 2008 (SF151539)

### New Issue Report

- BANKINTER LEASING 1, Fondo de Titulización de Activos, Jan 2009 (SF154737)
- GC SABADELL EMPRESAS 4, Fondo de Titulización de Activos, July 2009 (SF173921)

### Special Report

- 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)
- Moody's Approach to Rating Ith-to-Default Basket Credit-Linked Notes", April 2002 (SF13090)
- Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 (SF90480)
- Cash Commingling Risk in EMEA ABS and RMBS Transactions: Moody's Approach, November 2006 (SF85241)

*To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.*

## Appendix 1: Originator's Underwriting and Collection Practices

### Originator Ability:

Bancaja is the sixth-largest financial institution and the third-largest savings bank in Spain by assets, with total assets of EUR 109 billion at the end of March 2009. It enjoys a strong presence in its home market, the Valencia region, where it held a 31% market share in deposits and 25% in lending. Within the Valencia region, the savings bank is particularly strong in the provinces of Valencia and Castellón, with combined market shares in lending and resources from clients of 37% and 28%, respectively. Bancaja's nationwide market share is around 4%. Despite its national presence, its market share in Spain is comparatively low because of the dominance of the largest players.

Due to its aggressive expansion plan carried out over the past several years, Bancaja has reduced its geographical concentration. As of March 2009, 43% of its loan book and 21% of its deposit base came from outside its home region. The savings bank also displays a large retail network, with 1,584 branches as at March 2009, of which 674 (42.6%) were located in the areas of expansion. In terms of earnings stability, Bancaja has a high proportion of recurring earnings from retail banking and insurance. In addition, real estate developers (participated by the savings bank), asset management and equity participations also contribute to earnings, conferring some volatility to Bancaja's profit and loss account.

### Sales and Marketing Practices:

- Number employees: Not made available
- Origination channels: Not made available
- Incentive based compensation: Yes

### Underwriting Policies and Procedures:

- Automatic underwriting: Approval is never fully automatic, which means that 100% of the loans can be considered manually underwritten. 100% of the loans are granted at the central office. Due to its centralised structure, all of the loans are originated through branch offices, however they are granted at the next level
- % Approval rate: Not made available
- % loans manually underwritten: Not made available
- % of loans underwritten at branch level (as opposed to central office) 100% of the loans are granted at the central office. Centralised structure, all of the loans are originated through branch offices, however they are granted at the next level.
- % exceptions to underwriting policy: Not made available
- Income and credit history verification. Yes, in all the cases
- Internal credit scoring and use of external bureaus: At the time of origination, several external data sources are checked: CIRBE (credit registry of the Bank of Spain); Informa (external supplier of financial information and commercial credit opinions for SMEs); Experian (external supplier of information on commercial credit events); RAI (registry of commercial credit defaults).

### Collateral Valuation Policies and Procedures:

- Advance rate against purchase price: Yes.
- Valuation process: Done in compliance with market standards and legal requirements. In Spain the quality of valuations is standardised by the Bank of Spain who certifies the valuers

### Closing Policies and Procedures:

- For every loan analysis, two files are created: an electronic one and one with the original documents. For each analysis Bancaja requires at least one income tax verification and the last two audited balance sheets. All data are used for granting and monitoring, as well as for internal ratings and other risk management applications

### Credit Risk Management:

- Strategic target market and product type: Not made available.

### Originator Stability:

#### A3/P-1/D+

### Quality Controls and Audits:

- Frequency of external and internal audits, particularly underwriting practices to policy and collection practices: Regular external audits and loan book audits at the branch and central risk department levels are performed. In each review, transactions are selected randomly and there is a review of scoring system inputs and supporting documentation. Reviews can be performed on site or remote (via phone, electronic access). Audit reports are distributed quarterly internally.
- Fraud prevention process: Bancaja has a specialised department for fraud prevention such as money laundering. Fraud prevention process

### Regulated by:

### Management Strength and Staff Quality

- Average tenure with company: average length of service is 14.7 years as of March 2009.
- Average Turnover of underwriting staff: Not made available
- Length of tenor for head of credit risk management: Over 20 years.
- Compensation structure i.e. incentive for receivables growth: Not made available

### Arrears Management:

### # of Receivables per Collector:

- Not made available

### Staff Description:

- Average tenure with company: Not made available
- Turnover: Not made available

Early Stage Arrears Practices:	<ul style="list-style-type: none"> <li>– Compensation structure i.e. incentive for collections achieved: The external collectors get paid on a success basis.</li> <li>– Automated dial centre? Yes</li> <li>– Several letters sent and calls made during the first 90 days.</li> </ul>
Late Stage Arrears Practices:	<ul style="list-style-type: none"> <li>– When passed to litigation team? Around 100 days</li> <li>– Involvement of external collectors or law firms: Yes, although many lawyers participating in the process are employees of Bancaja</li> <li>– Sales of past due accounts: Not made available</li> </ul>
Average Time to Repossess:	
Loan Modifications:	<ul style="list-style-type: none"> <li>– What constitutes a loan modification? Any modification of the initial loan contract conditions such as the maturity date, margin, etc.</li> <li>– Who can loan modifications be offered to? To any client of which Bancaja considers that, with the corresponding modification, the debtor will be able to continue meeting its payments. Additional guarantees might be requested.</li> <li>– Approval process for modifications? Yes, in all cases.</li> <li>– Income verification as part of modification? Yes, in all cases.</li> <li>– Performance of modified loans: Not made available</li> </ul>

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- <sup>i</sup> For more details, please see “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”, March 2009.
- <sup>ii</sup> Parameter Sensitivities provide a quantitative, model-indicated calculation of the number of notches that a Moody’s-rated structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary. For more information on V Score and Parameter sensitivity methodology for ABS, please refer ‘V Scores and Parameter Sensitivities in the EMEA Small-to-Medium Enterprise ABS Sector’ published in June 2009.

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