

Rating Action: TDA Pastor Consumo 1, FTA

Moody's downgrades notes issued by TDA Pastor Consumo 1, FTA

London, 12 December 2008 -- Moody's Investors Service has downgraded the notes issued by TDA Pastor Consumo 1, Fondo de Titulización de Activos:

- Series A notes, Current Rating: Aaa, downgraded to Aa2;
- Series B notes, Current Rating: A1, downgraded to Baa2;
- Series C notes, Current Rating: Baa3, downgraded to B3.

Date of last rating action: April 2007 - no action since closing.

The rating action was prompted by the worse-than-expected portfolio performance and the expectation of a less favourable macro economic environment in Spain. Today's rating action takes into account Moody's revised assumptions for the mean default rate, standard deviation and recovery rate. TDA Pastor Consumo 1, FTA is the first consumer loan-backed securitisation transaction carried out by Banco Pastor, S.A. (A2/P-1/C).

In October, the Issuer reported the early termination of the revolving period. This event was triggered by the fact that the principal outstanding balance of delinquent loans for more than 90 days reached 2.45%, exceeding the trigger level set at 2.25%. The regular amortisation was expected to start in April 2009. As of 28 October 2008, the cumulative amount of written-off loans remained small due to the limited seasoning of the transaction at 0.14% of the original portfolio balance. The reserve fund was fully funded. A loan is written-off once it has been more than 18 months delinquent or loans which are considered not collectible.

Moody's rating action is primarily based on the information made available through investor reports. Taking into account the current amount of 90+ days delinquencies and completing a roll-rate and severity analysis for the non-delinquent portion of the portfolio, Moody's has adjusted its initial default rate expectations to 5.4% of original balance and standard deviation of 1.62%. This compares to a 2.5% mean default and 0.75% standard deviation at closing. Moody's has also lowered its expected recovery rate on defaulted loans to 30% from 35% at closing. The constant prepayment rate assumed in the cash flow model was reduced to 10%. Additionally, Moody's has lowered its assumption relating to the excess spread available to cover losses, as a result of the higher than originally expected total delinquencies level.

Indeed, in this transaction, the excess spread is provided through the swap between the Issuer and the swap counterparty (Banco Pastor). Under the swap agreement, the Issuer pays to the swap counterparty the interest received from the portfolio of loans since the previous payment date, whereas the Swap counterparty pays to the Issuer the sum of the weighted average coupon on the notes plus 250 bppa over a notional calculated as the daily average of the outstanding amount of non delinquent loans (more than 1 day in arrears) since the last payment date. The available excess spread is therefore very sensitive to the total arrears level reported. Should the total arrears reported increase significantly, the level of excess spread would be negatively impacted which may result in further pressure on the rating of the Notes.

In Moody's opinion, the revised assumptions are in line with the expected performance of the portfolio.

The principal methodology used in rating and monitoring the transaction was "The Lognormal Method applied to ABS Analysis" published in July 2000, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating and monitoring this issue can also be found in the Credit Policy & Methodologies directory.

The ratings address the expected loss posed to investors by the legal final maturity (28 January 2021). Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Moody's will continue to monitor the transaction on an ongoing basis. For further information on this transaction, please see Moody's website at www.moodys.com or contact Moody's Client Service Desk on

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