Structured Credit
Spain
New Issue

FTPYME BANCAJA 6, Fondo de Titulización de Activos

Analysts
Olivier Vincens
+44 20 7417 4221
olivier.vincens
@derivativefitch.com

Juan García
+34 91 702 5771
juan.garcia
@fitchratings.com

Performance Analytics
Christiane Kuti
+44 20 7862 4134
christiane.kuti
@derivativefitch.com

Related Research
For further information please refer to the following (available at www.derivativefitch.com):

- "Counterparty Risk in Structured Finance Transactions: Hedge Criteria", dated 1 August 2007;
- "Credit Analysis on Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)", dated 31 July 2007;
- "Pan-European SME CDO Performance Tracker", dated 19 July 2007;
- "European SME CDO Rating Criteria", dated 27 March 2007;
- "Global Rating Criteria for Collateralised Debt Obligations", dated 4 October 2006.

Ratings

Class	Amount (EURm)	Legal Final Maturity	Rating	CE (%)
A1	229.1	Sep 2045	AAA	9.70
A2	582.0	Sep 2045	AAA	9.70
A3 (G)	118.9	Sep 2045	AAA	9.70
B	47.5	Sep 2045	A-	4.95
C	22.5	Sep 2045	BBB-	2.70
D:Reserve Fund	27.0	Sep 2045	CC	n.a.

Summary

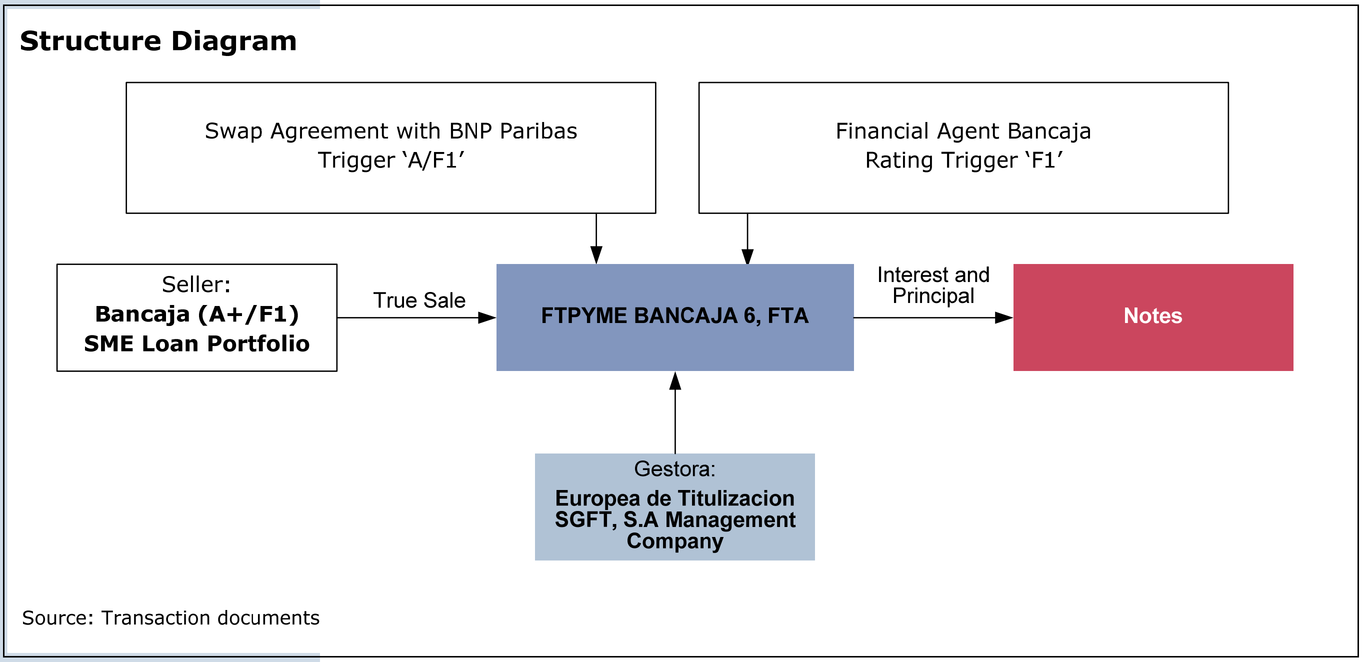
This transaction is a cash flow securitisation of EUR1,000m static pool of secured and unsecured loans (the collateral) granted to small- and medium-sized Spanish enterprises (SMEs) by Caja de Ahorros de Valencia Castellón y Alicante (Bancaja" or "the originator, rated 'A+/F1'). Fitch Ratings has assigned final ratings to the notes (the notes) issued by FTPYME BANCAJA 6, FTA (the issuer) as indicated above.

Bancaja is an experienced issuer in the Spanish securitisation industry, and it has already brought to the market several transactions, including five SMEs, eleven RMBS, four MBS and one ABS to date. FTPYME BANCAJA 6, FTA shares similar structural features and collateral characteristics with its most recent predecessor, PYME BANCAJA 5, FTA, (details of which are in the new issue report entitled *PYME BANCAJA 5, FTA* and available at www.fitchratings.com).

FTPYME BANCAJA 6, FTA is a limited liability SPV incorporated under the laws of Spain, and will be managed and legally represented by Europea de Titulización SGFT, SA (the sociedad gestora), and a special-purpose management company.

The final ratings are based on the quality of the collateral, the available credit enhancement (CE), the financial structure of the deal, the underwriting and servicing of the collateral and the sociedad gestora's administrative capabilities. The final ratings address payment of interest on the notes according to the terms and conditions of the documentation, subject to a deferral trigger for the class B and C notes, as well as the repayment of principal at legal maturity. The A3(G) tranche is guaranteed by the Kingdom of Spain for the ultimate repayment of principal and interest.

The class D notes are issued to finance the creation of the reserve fund (see *Reserve Fund*) at closing. The good performance of the class D notes requires very favourable conditions for the collateral backing the class A to C notes, and therefore its final rating is supported by the recovery rate that noteholders are likely to receive during the life of the transaction. This has been calculated on the basis of principal and accrued interest amounts as a proportion of the original class D notes' balance (see *Class D Notes*).



Credit Committee Highlights

- The composition of the collateral is comparable to the one securitised in the previous Bancaja deals as illustrated by the table below. In this case, FTPYME BANCAJA 6 is also exposed to significant industry class and geographical concentration risks. Fitch accounted for these features within its credit analysis, both in terms of default probability and recovery rate assumptions under the various stress scenarios, which are summarised in the *Credit Analysis* section.

- As roughly 80.33% of the secured collateral in this transaction is linked to first-ranking commercial real estate assets, Fitch's credit analysis combined elements of the collateralised debt obligations (CDO) approach (used to rate standard Spanish SME CDO transactions) with elements of its CMBS approach. The agency noted that around 35% of the real estate security is linked to urban bare/undeveloped land. As no meaningful recovery data is available for this type of asset, a conservative assumption for the market value decline (MVD) of such security was agreed, ranging between 42.88% and 68.62% under 'BBB' and 'AAA' rating scenarios, respectively (see *Credit Analysis*).

- Although no single obligor will represent more than 1.0% of the collateral original balance as of the closing date, the top 1% obligors by number (ie 31 obligors) concentrate 17.7% of the outstanding amount. While VECTOR SME takes into consideration the concentration risk within the simulation exercise, the credit committee considered appropriated to adjust upwards the base case default rate on these largest obligors by 1.25x within the VECTOR SME model in order to simulate such obligors under additional stress.

- Of the outstanding collateral balance, 36.2% refers to bullet payment loans. Similar to the rationale illustrated above, VECTOR SME already accounts for the amortisation profile of the collateral. However, the credit committee considered it appropriate to adjust the base case default rate of these loans by 1.5x within VECTOR SME to recognise the potential payment shock that these obligors may suffer on their respective scheduled maturity date, as no regular amortisation schedule is accommodated.

Key Information

Provisional Collateral Portfolio Characteristics

Underlying Securities: 3,132 loans granted to SMEs in Spain

Total Amount: EUR1,148m of which EUR1,000m has been selected at closing

Structure

Issuer: FTPYME Bancaja 6, Fondo de Titulización de Activos

Total Amount Issued: EUR1,027m

Management Company: Europea de Titulización, S.A., S.G.F.T.

Originator: Bancaja (rated 'A+/F1')

Paying Agent: Bancaja

Swap Counterparty: BNP Paribas (rated AA/ F1+)

Treasury Account (GIC Account): Bancaja

Closing Date: 28 September 2007

Scheduled Maturity Date: July 2041

Legal Maturity Date: September 2045

- The interest rate hedging mechanisms in place mitigate the basis and reset frequency mismatch between the collateral and the notes. For example, while the notes will pay three-month Euribor, which is determined every quarter, the main reference indexes for the collateral are 12-month and three-month Euribor, which generally reset on a annual, semi-annual and quarterly basis. However, the hedge solution does not guarantee a minimum excess spread on the collateral, and therefore does not reduce the potential margin compression risk, or the higher cost of funding on the notes over time, as the more senior ones amortise first (see *Swap Agreements*).

Structure

FTPYME BANCAJA 6, FTA's sole purpose is to acquire credit rights from Bancaja as collateral for the issuance of the notes. The final collateral is selected from a provisional pool of more than 3,132 loans, with a total outstanding balance of EUR1,148m as of 31 August 2007.

The issuer issues sequentially subordinated, pass-through and floating rate notes, linked to three-month Euribor, which will amortise on a quarterly basis. The legal final maturity date for the notes will be more than three years after the maturity of the longest dated SME loan (this delay having been deemed adequate to ensure that collections from the loans are sufficient to redeem the obligations of the issuer in respect of any defaulted collateral).

PYME BANCAJA Deals

	FTPYME Bancaja 6	PYME Bancaja 5	FTPYME Bancaja 4	FTPYME Bancaja 3
No. of loans	3,132	3,177	4,277	2,801
Loans secured by first ranking mortgages (%)	80.3	76.6	25.4	74
Largest 10 obligors (%)	7.55	5.1	7.3	7.2
Concentration in the region of Valencia (%)	56.7	47	51	60
Notes issued at closing (EURm)	1,000	1,178.8	1,500	900
WA seasoning (months)	14.23	12	12	18
Initial average loan size (EURm)	0.393	0.44	0.37	0.35
Weighted-average life (no prepayments) at closing (years)	4.7	3.6	4.2	4.0

Note that collateral information for PYME Bancaja 5, FTPYME Bancaja 4 and 3 is as of their respective closing dates in October 06, November 05 and October 03
Source: Fitch

In the structure, Bancaja acts, inter alia, as the servicer of the collateral, the account bank and the paying agent. However, for the protection of investors, if Bancaja is unable to continue to administer the collateral, the sociedad gestora must appoint a replacement administration company, in accordance with the Spanish securitisation law and Fitch's commingling risk criteria (see "*Commingling Risk in Structured Finance Transactions*", dated 9 June 2004 and available at www.derivativefitch.com). The latter report indicates that if the counterparty Short-Term Rating is downgraded below 'F2', the exposure at risk should be covered by credit enhancement.

The cash bond administration (CBA) function for this transaction will be carried out by the sociedad gestora, a company supervised by the Comisión Nacional del Mercado de Valores (CNMV) whose activities are limited to the management of securitisation funds. Europea de Titulización, SGFT SA, incorporated under the laws of Spain in 1993, has been actively involved in the pre-closing phase of the deal. After closing, the sociedad gestora will be responsible for cash reconciliation, waterfall calculations and their reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interest of the noteholders, such as the replacement of the servicers, account bank or swap counterparty.

Interest and principal collections are dealt with jointly through the combined priority of payments described below. A treasury account will be held in the name of the issuer at Bancaja in which all the funds received from the collateral will be deposited every seven days. The amounts credited to this account will receive a guaranteed interest rate of three-month Euribor.

With regard to this account, if Bancaja's Short-Term Rating is downgraded below 'F1', the sociedad gestora will be required to take one of the following steps within 30 calendar days:

1. find a third party rated at least 'F1' to guarantee Bancaja's obligations; or
2. transfer the treasury account to another entity rated at least 'F1'; or
3. if unable to effect either of the above, provide a guarantee in the form of financial assets rated at least on a par with the Kingdom of Spain ('AAA/F1+') (prior notification that such action will not have a negative effect on the ratings of the notes is required); or
4. if unable to effect the above options, invest the balance of the treasury account temporarily until the next payment date in fixed-income assets issued by entities rated at least 'F1' or 'F1+' where the remaining time to maturity is 30 calendar days or more.

Representation and Warranties

The seller has provided representations and warranties in relation to the collateral, including the following:

- every loan agreement has been formalised in public deed;
- only loans that are fully performing and up to 30 days in arrears will be selected at closing;
- each loan is denominated in euro;
- the seller has full right and title to, and the power to sell and transfer, the loans;
- all loans have been fully disbursed and granted to non-financial SMEs;
- all loans are payable through direct debit on Bancaja accounts;
- no loan is linked to real estate development projects;
- with regards to secured loans on mortgages:

- each mortgage is registered in the relevant property registry and represents a first-ranking claim on the corresponding property; and
- all properties are located in Spain and have undergone a valuation process, as required by law.

Priority of Payments

On each quarterly payment date, commencing in December 2007, the combined ordinary priority of payments will be as follows:

1. ordinary and extraordinary expenses of the fund;
2. net payments under the swap agreements (if applicable), and any swap termination payment solely in the event of the issuer not meeting its obligations under the swap agreements;
3. A1, A2 and A3 (G) interests pro-rata, and reimbursement (if any) of amounts drawn, under the guarantee available from the Kingdom of Spain, from the guarantee for the payment of interests on the A3(G) notes;
4. B interests (if not deferred);
5. C interests (if not deferred);
6. principal amortisation on the A to C notes, and reimbursement of amounts drawn under the Kingdom of Spain guarantee (if any) to amortise the A3(G) notes;
7. B interest if deferred, when the cumulative balance of defaulted loans (ie accounts in arrears equal to or greater than 18 months) is equal or greater than 5.75% of the collateral original balance;
8. C interests if deferred, when the cumulative balance of defaulted loans is equal or greater than 3.75% of the collateral original balance;
9. replenishment of the reserve fund;
10. interest and principal payments on the class D notes;
11. subordinated amounts, including interest and principal on the start-up loan..

The structure will cover ordinary and extraordinary expenses using excess spread generated by the collateral. Initial expenses have been covered via a subordinated loan agreement granted to the issuer by Bancaja before closing, which will also provide cover for the temporary mismatch between interest collections from the collateral and interest due amounts on the notes on the first payment date.

Amortisation of the Notes

The first payment date on the notes will be in December 2007 and quarterly thereafter. All classes will amortise sequentially on a pass-through basis after the class A1 notes have been redeemed in full. However, even if series A1, A2 and A3 have not been fully amortised, the class B and C notes will commence to amortise pro rata when the subordination for the class A notes has increased by 100% and is subject to:

- the delinquency ratio (ie loans more than 90 days in arrears as a proportion of the outstanding balance of the non-defaulted collateral) being less than 1.25% and 1.0% for the B and C notes, respectively;
- the outstanding principal balance of series B and series C being equal to or greater then 9.5% and 4.5% respectively of the outstanding principal balance of the collateral balance;
- the reserve fund (see *Reserve Fund*) being at its required level on the current payment date;
- the class A notes not amortising pro rata; and

- the outstanding balance of non-defaulted loans exceeding 15% of the original collateral balance.

In addition, when the ratio of the performing loan balance (loans less than 90 days in arrears) plus the amount of principal collections credited to the treasury account during the last collection period, divided by the sum of the current balance of the class A1, A2 and A3 notes is below 1.05, the outstanding balances of the A1, A2 and A3 notes will amortise pro rata.

The class D notes' amortisation profile is structured to mirror the amortisation profile of the reserve fund (see *Reserve Fund*). Because the reserve fund is subjected to an absolute floor of 1.35% of the original collateral balance (ie. the reserve fund original amount is equivalent to 2.70% of the collateral original balance), these funds will only be released to the class D investors at legal final maturity. Bancaja has subscribed the entire class D notes at closing, and is allowed by the transaction documents to modify the definition of available funds for amortisation, effectively incorporating any excess spread remaining in the waterfall after replenishing the reserve fund (if any). This option will become effective if the seller is not the sole holder of such notes, or if it decides to exercise the above mentioned option, in both cases after informing the sociedad gestora. Within the cash flow analysis conducted by Fitch, only the most conservative amortisation scenario has been considered, which restricts the principal amortisation to the funds released by the reserve fund.

Class A to C notes are subject to a clean-up call option in favour of the sociedad gestora when less than 10% of the initial collateral balance remains outstanding. The clean-up call will only be executed if the then-outstanding balance of the class A to C notes is redeemed in full. The clean up call does not guarantee partial nor full redemption of the class D notes.

Swap Agreements

The notes will benefit from a hedging solution between BNP Paribas (rated AA/F1+, the swap counterparty) and FTPYME BANCAJA 6 in order to reduce the basis and reset frequency risks within the collateral. This solution is executed under three swap agreements, one for the loans that have a resetting frequency of 12 months, a second one for loans resetting every six months, and a third for those resetting every three months.

Under this hedging solution, the issuer will pay to the swap counterparty a rate calculated as the weighted average (WA) 3, 6 or 12-month EURIBOR rate that accounts for the reset distribution of the loans in the various months of the year. It will, in return, receive the three-month EURIBOR index payable on the notes minus a spread of -0.0365%. This rate will be applied to a notional defined as the outstanding balance of non-defaulted collateral (ie performing and up to 18 months in arrears).

This hedging solution will not reduce any margin compression risk on the collateral, and the additional liquidity risk that is created, as the more senior notes amortise first and, consequently, the WA cost of funding increases over time.

If the swap counterparty is downgraded below 'A/F1', it will, within 30 days, take one of the following steps:

- find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement; or
- find a replacement counterparty with a Long/Short-Term Rating of at least 'A/F1';
- cash- or security-collateralise its obligations in an amount sufficient to comply with existing Fitch criteria.

The collateral posted should be sufficient to ensure that the potential loss would be virtually zero if the swap counterparty defaulted. For details on the method used to calculate the collateral amount see "*Counterparty Risk in Structured Finance Transactions: Hedge Criteria*", dated 1 August 2007 and available at www.fitchratings.com.

Reserve Fund

The reserve fund has been created at closing in an amount of EUR 27.0m, and it will be held in the treasury account at Bancaja.

Subject to the following conditions, the reserve fund will be permitted to amortise to the greater of: i) 1.35% of the original collateral balance; or ii) 5.4% of the outstanding balance of the Class A to C notes. i) the delinquency ratio remaining below 1.0% of non-defaulted collateral; ii) the closing date of the transaction being more than three years earlier; and iii) on the previous payment date, the reserve fund was replenished to its required amount.

Guarantee

The Kingdom of Spain will guarantee the ultimate payment of interest and principal on the class A3(G) notes until the final legal maturity of the notes. Any amounts paid through the guarantee, either to cover interest or principal obligations on the A3(G) notes, will be considered an obligation of the fund. Reimbursement amounts under the guarantee will be effective through the priority of payments, ranking equally with interest payments on the class A3(G) notes (see *Priority of Payments* above). No interest will be due on the guarantee, although an upfront fee is payable by the fund equivalent to 0.15% of the guaranteed amount. This fee will be covered via a subordinated loan agreement granted by Bancaja to the fund as of the closing date.

If called, the guarantee payment from the Kingdom of Spain will become effective within three months of its claim date, creating a potential timing mismatch between the date on which the guarantee is required and the date on which the Kingdom of Spain pays it. However, Fitch did not analyse this risk as it has verified that enough CE will be provided at closing to allow the timely payment of interest and ultimate repayment of principal on the notes under a 'AAA' rating scenario, prior to the benefit of the guarantee. Hence, the final rating on the class A3(G) notes is not reliant on the guarantee and no liquidity facility is needed.

Collateral

As of 31 August 2007, the provisional portfolio's main characteristics, in volume terms, were:

1. the top obligor represented 0.98%, the top five 4.41% and the top ten 7.55%;
2. some 80.3% was secured on first-ranking mortgages, mainly corresponding to commercial properties;
3. approximately 35% of the real estate security refers to bare/undeveloped urban land;
4. some 56.8% was located in the region of Valencia, 9.9% in Cataluña, 9.8% in Madrid and 5.0% in Andalucía;
5. the WA seasoning was 14.23 months;
6. some 70% was linked to 12-month Euribor and the remaining 30% to three-month Euribor;
7. the WA coupon was 5.02%.

Credit Analysis

The key sections of Fitch's analysis are the calculation of the default probabilities, mainly derived from vintage data provided by the originator and VECTOR SME simulations, and the definition of tiered recovery rates for the various stress scenarios. These results were combined with the structural features of the transaction and analysed in a cash flow model. Fitch verified that the CE level of each one of the series of notes would ensure that the payment of interest is met according to the terms and conditions of the documentation, and that ultimate repayment of principal is materialised before and until the legal final maturity date under the respective stress scenario.

Since the obligation to repay all the loans lies solely with the borrowers themselves rather than being reliant on the real estate assets or any tenancy agreement linked to the properties that secure the collateral, Fitch based its default probability analysis on the credit quality of the borrowers rather than the income-generating capacity of the underlying properties. As indicated below, the specific characteristics of the commercial and residential properties securing the loans were studied as part of the recovery analysis.

The class A notes (series A1, A2 and A3(G)) will benefit from initial CE totalling 9.70% that will be provided by the subordination of the B (4.75%) and C (2.25%) notes plus a 2.70% reserve fund that has been funded through the issuance of the class D notes. Similarly, the class B notes will also benefit from CE provided by the lower-ranking notes and the reserve fund, while the class C notes will benefit from CE provided by the reserve fund only.

Default Probability

Using default data provided by the originator that dates back to 1999, and extrapolating value after seven years of origination based on the SME Tracker methodology, Fitch was able to derive rating default rates (RDR), rating recovery rates (RRR) and rating loss rates (RLR).

VECTOR SME Results (%)

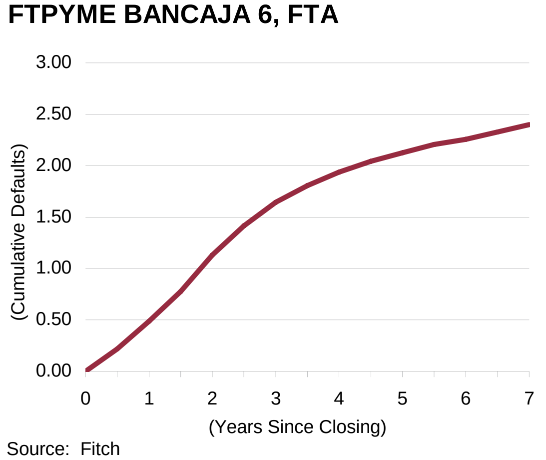
Rating	RDR	RRR	RLR
AAA	12.86	51.66	6.22
A-	7.23	55.81	3.19
BBB-	5.12	57.36	2.18
Base case			

Source: Fitch

Fitch has derived a final base case default probability of 2.4% through a vintage analysis. A hit on the default probability has been applied on a loan-by-loan basis, differentiating the biggest obligors, loans with grace periods and bullet loans.

To protect the structure against the industrial and geographical concentration risks of the collateral - as 56.9% and 56.8% of it is linked to the real estate, construction and building business segment and the region of Valencia respectively - the agency applied a 200% hit to the base correlation assumption that is 4.2% and 3.0% for the loans identified under Real Estate industry class and Valencia region respectively. More details on VECTOR SME and the European SME CDO criteria please see Criteria Report entitled "European SME CDO Rating Criteria" and dated 27 March 2007 available at www.derivativefitch.com.

Based on Fitch's Pan-European SME CDO Performance Tracker methodology (see report "*Pan-European SME CDO Performance Tracker*", dated 30 June 2006 and available at www.fitchratings.com), the chart below illustrates the cumulative base-case defaults for this transaction.



Source: Fitch

Recovery Rate

Fitch's recovery model employs a loan-by-loan review, taking into consideration the type of security, the geographical location and the characteristics of the loan that may influence default probability and recoveries. Key to the agency's analysis is the estimated stressed value of the assets under the different rating scenarios, which is determined by identifying MVD ratios for the different property types.

Mortgages on commercial property were factored using the analytical approach used for CMBS transactions, through the implementation of rental value decline (RVD) ratios and income capitalisation rates for specific property types. RVDs are based on historical volatility observations for the real estate market in Europe: the greater the volatility of a particular property type, the lower the potential stressed rent achieved in the future and, therefore, the higher its RVD.

The income capitalisation rate of a property can be expressed as the yield generated in the market by properties with similar features and use (eg hotels will normally return a different yield from retail units). More information on Fitch's CMBS methodology can be found in the special report "*European Property Income Model – "The Logic"*", dated 9 June 2004 and available at www.fitchratings.com. The resulting MVDs were calibrated to reflect the geographical concentration of the collateral in this portfolio.

In connection with the security available on bare/undeveloped land assets, and as no historical evidence on MVD indicators is available for the analysis, Fitch adopted a conservative assumption by stressing the existing indicators normally assigned to traditional commercial real estate assets such as offices, retail outlets, hotels or warehouses. As a result, MVDs assigned to bare/undeveloped land assets were in the range between 42.86% and 68.62% for 'BBB' and 'AAA' rating stresses, respectively.

For the residential mortgages, the standard Spanish RMBS MVDs were factored. Finally, with regard to the unsecured loans, the agency assigned the senior unsecured recovery assumption that is defined by VECTOR for Spanish exposures (see "*Global Rating Criteria for Collateralised Debt Obligations*", dated 4 October 2006 and available at www.fitchratings.com). The final WA recovery rates were calculated by blending the rates of the secured and unsecured sub-portfolios, considering their respective sizes in volume terms.

Cash Flow Modelling

Fitch modelled the cash flow mechanics of this transaction using the default probabilities and recovery rates detailed above.

The cash flow model assumed that defaults can occur in front- and back-loaded sequences. Although it depends on the specific amortisation profile of the collateral, a back-loaded sequence is generally more stressful, as most of the defaults would peak well into the life of the transaction. Therefore, substantial amounts of excess spread would already have been paid out by the structure before any provisioning mechanism was triggered. In this case, in a front-loaded stress scenario 58% of the defaults would occur in the first 24 months after closing.

The analysis calculated the cost of carrying defaulted loans as the difference between the performing balance of the collateral and the notional note balance until all the recovery proceeds are collected. Excess spread, the reserve fund and principal collections must be sufficient to cover the carrying cost until all recoveries are received. Interest rates were stressed upwards over time as per the criteria definitions included in the report "*Criteria for Cash Flow Collateralised Debt Obligations*", dated 11 October 2006 and available at www.fitchratings.com.

CE analysis also took into account the interest deferral mechanism in place for the class B and C notes, which will redirect funds away from the junior notes and towards the more senior notes if the size of cumulative defaults exceeds the triggers defined for each class of notes. Should the triggers be hit, interest on the class B and C notes may not be received for a certain period of time, but will, in any case, be received prior to the maturity date.

In addition, the agency modelled prepayments, which can affect certain components of a transaction. Primarily, they lower the absolute amount of excess spread, which is an important component of the structure's total credit enhancement. On the other hand, since the principal repayment is directed to the senior classes, those notes benefit from higher credit enhancement as a result of the increase in subordination.

Prepayments will more likely lead to a decline in the WA margin (WAM) on the underlying collateral, as high margin loans would be more motivated to prepay than those with low margins. This may also cause adverse selection, as the strongest obligors are likely to be most inclined to prepay, which would leave the pool dominated by weaker obligors as the collateral aged. Fitch accounted for margin compression risk by allocating a high percentage of prepayments in the upper spread bucket.

Fitch's recovery calculation assumed foreclosure costs to be 10% of the outstanding loan amount; it also assumed a three-year lapse between the date of default and the recovery date.

Class D Notes

As class D notes are likely to default, Fitch conducted a sensitivity analysis using its cash flow model to stress the variables that affect the cash available to pay down the class D notes and, in turn, to calculate their recovery rate based on the present value of interest and principal payments.

Because funds available for the amortisation of the class D notes will be limited to those released from the reserve fund (if any), the good performance of these notes will be highly dependent on favourable conditions for the collateral backing the class A to C notes. Fitch calculated a recovery rate for the class D notes after testing several cash flow scenarios commensurate with the speculative rating levels. In its sensitivity analysis, it tested several variables that affect the release of the reserve fund, and, consequently, the availability of funds for interest and principal payments on the class D notes. These are the key modelling factors:

- alternative timing of default assumptions: back-loaded and front-loaded, as well as evenly spread defaults;
- alternative interest rates: increasing, low and constant interest rate scenarios;
- prepayment speeds: high, low and average historical prepayment rates;

- different WA margin compression rates on the mortgage loans: the agency modelled high and low margin compression rates, assuming percentage of prepayments are allocated to the higher margin loans in the portfolio; and
- exercise of the clean-up call by the originator.

The 'CC' final rating on the class D notes is supported by the recovery rates. As default on the class D notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the class D notes' interest and principal payouts using a discount factor of 8.0%. Based on Fitch's calculation, the recovery rate was in the range of 20%-30% of the initial note balance.

Origination and Servicing

Bancaja is the parent bank of Spain's sixth-largest banking group (third largest savings bank) by assets at end-2006. It holds a controlling 38.3% stake in Banco de Valencia (rated 'A'). Its activities are centred in the Autonomous Community of Valencia but expansion has led to 40% of the group's 1,482 branches at end-2006 being situated outside Valencia. Its main activities are retail commercial banking.

Bancaja's centralised credit approval mechanism is implemented through an IT platform that allows credit officers located at the bank's headquarters to reach a decision on any credit application. In total, up to six different approval levels are in place to deal with the various credit applications, depending on the size and other specific characteristics of the borrower or transaction. Nevertheless, approximately 80% of SME loans are still approved at the branch level because of the smaller amounts involved.

Credit analysis is based on a credit-scoring system Bancaja began developing more than 10 years ago, which uses a scale ranging from A to E (A being the best score). Financial and non-financial information is analysed and input into the credit-scoring system. The rating is reviewed by Bancaja's credit analysts on an annual basis or more frequently, depending on the nature of the business or the emergence of additional relevant information. Bancaja is currently recalibrating its rating system for compliance with Basel II guidelines.

Bancaja's analytical approach is based on the repayment capacity of the borrower rather than the nature of the securities pledged (if applicable). Customers are grouped into risk units that bring different companies, considered to be financially interlinked, under a single umbrella. Additional data checks are performed through databases such as CIRBE (a Bank of Spain system that provides information on borrower exposure and non-payment by all Spanish entities and individuals) or Registro de Aceptación de Impagados (RAI). Most of the pledged real estate securities are valued by TINSA, Tasaciones Inmobiliarias S.A., Spain's largest valuation company, which is formally registered with and regulated by the Bank of Spain.

Delinquent borrowers are identified through a system of automatic alerts, which branch managers and analysts can receive as often as on a daily basis. Loans in arrears are managed by the branches for the first 60 to 90 days, and are subsequently handled by the risk department. A number of automatically generated letters are sent, their frequency and content depending on the level of Bancaja's exposure to the borrower. Documentation and procedures required for the foreclosure process are prepared as soon as is deemed necessary (usually after 60 days of delinquency) to enable lawyers to start proceedings within 24 hours of a decision to do so.

The legal process can begin at any time and, in any event, no later than 90 days after a missed payment. In Bancaja's experience, the process lasts an average of 12 months for secured loans and 20 months for unsecured loans.

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Fitch will report the performance of this transaction against the base case default curve outlined in the report entitled, "*Pan European SME CDO Performance Tracker*".

The charts below illustrate the performance of the delinquencies for Bancaja SME CDOs previously issued. The agency has upgraded Bancaja 1, 2, 3 and 5 in 2006. Bancaja 4 has been affirmed last November. The delinquencies ratio represents all 90 days (180days) or more in arrears plus the outstanding default over the outstanding balance of the deals.

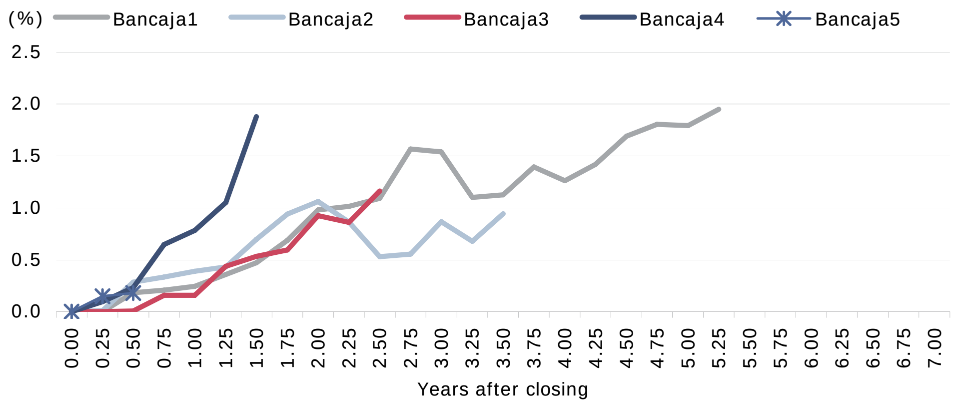
Along with this tool, other details of the transaction's performance will be available to subscribers at www.derivativefitch.com.

Please contact the Fitch analysts listed on the first page of this report with any queries regarding the initial analysis or the ongoing performance.

Issuer Report Grade

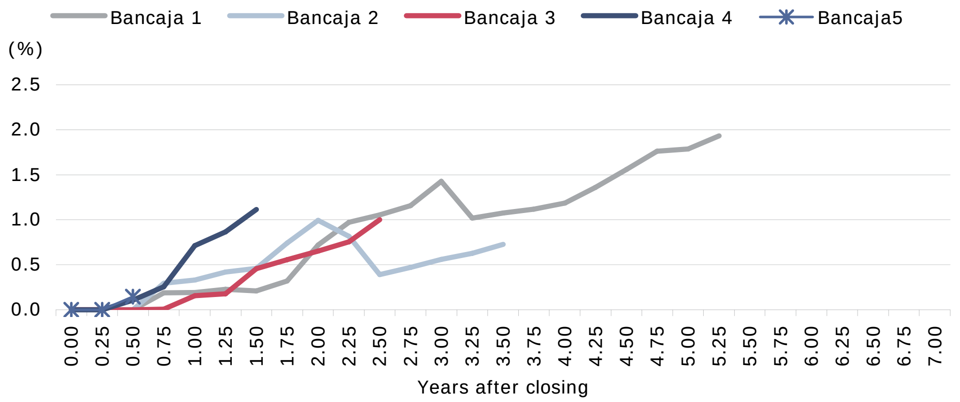
Fitch updates Issuer Report Grades as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). For further information on the agency's Issuer Report Grades, please see the report "*Fitch Issuer Report Grades May 2007 Update*", dated 31May 2007, available at www.fitchratings.com.

Performance Summary: Bancaja SME CDOs, 90d+ arrears



Source: Fitch - SME Tracker

Performance Summary: Bancaja SME CDOs, 180d+ arrears



Source: Fitch - SME Tracker

FTPYME Bancaja 6, F.T.A. – Spain / CDO

Capital Structure

Class	Final rating	Size (%)	Size (EURm)	CE (%)[b]	PMT freq	Final legal maturity	Coupon
A1	AAA	22.91	229.1	9.70	Quarterly	September 2045	3M Euribor + 0.20%
A2	AAA	58.20	582.0	9.70	Quarterly	September 2045	3M Euribor + 0.30%
A3	AAA	11.89	118.9	9.70	Quarterly	September 2045	3M Euribor + 0.03%
B	A-	4.75	47.5	4.95	Quarterly	September 2045	3M Euribor + 0.60%
C	BBB-	2.25	22.5	2.70	Quarterly	September 2045	3M Euribor + 1.20%
D:[c] reserve fund	CC	2.70	27.0	n.a.	Quarterly	September 2045	3M Euribor + spread

Source: Transaction documents, the seller and Fitch

Key Information

		Role	Party (trigger)
Closing date	28 September 2007	Originator	Bancaja
Country of assets	Spain	Structurer	Europea de Titulización SGFT, SA
Structure	Pass-through, sequential, pro rata under certain conditions	Issuer	FTPYME Bancaja 6, FTA
Type of assets	SME secured and unsecured loans	Trustee	Europea de Titulización SGFT, SA
Currency of assets	EUR	Originator/ servicer of the collateral	Bancaja ('F1')
Currency of notes	EUR	Financial agent	Bancaja ('F1')
Primary analyst	olivier.vincens@derivativefitch.com	Swap counterparty	BNP Paribas (A/F1)
Secondary analyst	juan.garcia@fitchratings.com		
Performance analyst	christiane.kuti@derivativefitch.com		

Source: Transaction documents, the seller and Fitch

Collateral: Pool Characteristics as of 31 August 2007[a]

Current principal balance (EURm)	1,148	Largest region – Region of Valencia (%)	56.8
Loans (no.)	3132	Top five regions (%)	85.71
Current WAL (zero prepayments, years)	4.7	Linked to obligors in real estate, construction and building and materials sector (%)	56.91
WA coupon (%)	5.02	Top four industry sectors (%)	71.19
WA spread (%)	0.87	Backed by first-ranking mortgages (%)	80.3
Fixed interest rate (%)	0	WA original LTV (for mortgages) (%)	65.8
Floating rate (%)	100	WA current LTV (for mortgages) (%)	62.9
Top one obligor (%)	0.98	Bullet loans (%)	36.1
Top 10 obligors (%)	7.55	Principal grace period loans (%)	47
Obligors (no.)	2,703	Loans up to 30 days in arrears (%)	
WA seasoning (months)	14.23	Longest maturity	Jul-41
WA remaining term (months)	94.58	Shortest maturity	Oct-07

[a] All percentages as a proportion of the provisional collateral outstanding balance
Source: transaction documents, the seller and Fitch