PYME BANCAJA 8 FTA

ABS/SME Loans / Spain

Estimated Closing Date
31 July 2009

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Provisional (P) Ratings

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon	Subordi-nation	Reserve fund	Total Credit Enhance-ment*
A	(P)**Aaa**	€383.7	75.25	Mar 52	3mEur +0.3%	23.75%	19.0%	43.75%
B	(P)**B3**	€70.2	13.75	Mar 52	3mEur +0.5%	11.00%	19.0%	30.00%
C	(P)**Caa1**	€56.1	11.00	Mar 52	3mEur +0.7%	0.0%	19.0%	19.00%
Total		€510.0	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 rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.
** No benefit attributed to excess spread.*

Vscore for the sector:	Low/Medium/High
Vscore for the subject transaction:	Low/Medium/High

The subject transaction is a cash securitisation of small and medium enterprises (SME) extended to obligors located in Spain and is a static structure. The portfolio comprises commercial loans, some secured by real estate and some unsecured, used to fund general working capital and long term business expansion.

Asset Summary

Sellers/Originators:	Bancaja (A3/P-2/D+ negative outlook)
Servicer(s):	Bancaja (A3/P-2/D+ negative outlook)
Receivables:	Loans to spanish small and medium enterprises and self-employed individuals
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 CDOs of SMEs in Europe, February 2007 (SF90480)
Model Used:	CDOROM & ABSROM
Total Amount:	€630,405,446
Length of Revolving Period:	Static
Number of Loans:	2,501
Number of Borrowers:	2,231
Effective Number:	312 (calculated considering highest obligor's exposures)
WA Remaining Term:	11.1 years
WA Seasoning:	1.55 years
WAL Years:	4.93 years (Assuming 5% CPR)
Interest Basis:	4.42%

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of August 2008. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

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

Asset Summary (continued)

WA Current LTV:	57.81%
Delinquency Status:	No loan more than 30 days in arrears at closing
Default Rate Observed:	11%
Recovery Rate Observed:	80% after 5 years
Coefficient of Variation:	150%

Liabilities, Credit Enhancement and Liquidity

Excess Spread Range:	1.15% gross spread yield by the portfolio
Credit Enhancement/Reserves:	Spread yield by the portfolio 19% Reserve fund Subordination of the notes
Form of Liquidity:	Cash Reserve
Number of Interest Payments Covered by Liquidity:	N/A
% of Reserve Fund Dedicated to Liquidity:	N/A
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	20 March, 20 June, 20 September, 20 December First payment date: 22 December 2008
Hedging Arrangements:	N/A

Counterparties

Issuer:	PYME BANCAJA 8 FTA
Sellers/Originators:	Bancaja (A3/P-2/D- negative outlook)
Servicer:	Bancaja (A3/P-2/D- negative outlook)
Back-up Servicer:	N/A
Back-up Servicer Facilitator:	N/A
Cash Manager:	Europea de Titulización S.G.F.T; S.A
Back-up Cash Manager:	N/A
Interest Rate Swap Counterparty:	N/A
F/X Swap Counterparty:	N/A
Basis Counterparty:	N/A
Issuer Account Bank:	Caja Madrid (A1/P-1/D+ negative outlook)
Collection Account Bank:	Caja Madrid (A1/P-1/D+ negative outlook)
Paying Agent:	Caja Madrid (A1/P-1/D+ negative outlook)
Note Trustee (Management Company):	Europea de Titulización S.G.F.T; S.A (N.R)
Issuer Administrator:	Europea de Titulización S.G.F.T; S.A (N.R)
Arranger:	Bancaja (A3/P-2/D- negative outlook)
Lead Managers:	Bancaja (A3/P-2/D- negative outlook)
Other Parties:	N/A

Moody's View

Outlook for the Sector:	Negative
Unique Feature:	The transaction is not protected with swap. Asset type and structure (plain vanilla structure) have been seen previously in the market.
Degree of Linkage to Originator:	Bancaja will act as a servicer (a back-up servicer will be appointed if Bancaja is downgraded below Baa3)
Originator's Securitisation History:	
# of Precedent Transactions in Sector:	Seven precedent transactions originated by Bancaja
% of Book Securitised:	8.89% (this deal represents 2.25% of the total SME portfolio)
Behaviour of Precedent Transactions:	Notes in recent Bancaja SME deals are currently on review for possible downgrade due to worse than expected collateral performance
Key Differences between Subject and Precedent Transactions:	Lower exposure to bullet loans and lower concentration in building and real estate, however the Effective Number is lower than in its predecessors

Portfolio Relative Performance:

Default Rate Assumed/Ranking:	22.5%/ higher than peer group. Comparison on Default Rate can be found in "Benchmark Analysis"
Coefficient of Variation Assumed on Default Rate/Ranking:	47.3%/higher volatility than peer group. Comparison on Default Rate can be found in "Benchmark Analysis"
Recovery Rate Assumed/Ranking:	45%/Same as peer group. Comparison on Default Rate can be found in "Benchmark Analysis"
Delinquencies Observed in Portfolio:	There will be no loans more than 30 days at closing
Comment	

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 22.5% and even assuming a recovery rate as low as 45%, whilst the Class B and Class C would have been **Ba3** and **Caa1** respectively, in the same scenario
Factors Which Could Lead to a Downgrade:	In addition to the counterparty linkage, 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:

		Recovery Rate		
	Portfolio WA Rating Assumption[3]	**45%**	**40%**	**35%**
CLASS A	B2- (22.56%)[4]	**Aaa***	Aa2 (2)	A1 (4)
	B3+ (26.04%)[4]	Aa2 (2)	A1 (4)	A2 (5)
	B3 (27.78%)[4]	Aa3 (3)	A1 (4)	A3 (6)

		Recovery Rate		
	Portfolio WA Rating Assumption [3]	**45%**	**40%**	**35%**
CLASS B	B2- (22.56%)[4]	**B3***	B3 (0)	B3 (0)
	B3+ (26.04%)[4]	B3 (0)	B3 (0)	B3 (0)
	B3 (27.78%)[4]	B3 (0)	B3 (0)	B3 (0)

		Recovery Rate		
	Portfolio WA Rating Assumption[3]	**45%**	**40%**	**35%**
CLASS C	B2- (22.56%)[4]	**Caa1***	Caa1 (0)	Caa1 (0)
	B3+ (26.04%)[4]	Caa1 (0)	Caa1 (0)	Caa2 (1)
	B3 (27.78%)[4]	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: 4.42 years)

Composite V Score

Breakdown of the V Scores Assigned to			Sector	Transaction	Remarks
Composite Score: Low, Medium or High			M/H	M/H	
1	**Sector Historical Data Adequacy and Performance Variability**		M/H	M/H	
	1.1	Quality of Historical Data for the Sector	M/H	M/H	
	1.2	Sector's Historical Performance Variability	M/H	M/H	
	1.3	Sector's Historical Downgrade Rate	M/H	M/H	
2	**Issuer/Sponsor/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure**		M/H	H	
	2.1	Quality of Historical Data for the Issuer/Sponsor/ Originator	M/H	M/H	– Same as sector score. – Moody's has received data from 1999 through 2009 on delinquencies over 90 days and on recoveries, split by class of debtors (SME, Corporate and self-employed individuals)
	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	– Same as sector score. – Detailed loan by loan data has been provided for the analysis of the transactions. – Information on Bancaja's internal rating system
	2.4	Disclosure of Securitisation Performance	M	M	– Same as sector score. – 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.
3	**Complexity and Market Value Sensitivity**		M	M	– Same as sector score
	3.1	Transaction Complexity	M	M/H	– The transaction is not protected by swap so it is subject to interest rate risk. As a result, we made some assumptions and we substantially increase the size of the RF
	3.2	Analytic Complexity	M	M	– Same as sector score
	3.3	Market Value Sensitivity	M	M	– Same as sector score
4	**Governance**		L/M	L/M	
	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	– Bancaja 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, Regulatory, or Other Uncertainty	L/M	L/M	– Same as sector score.

Strengths:

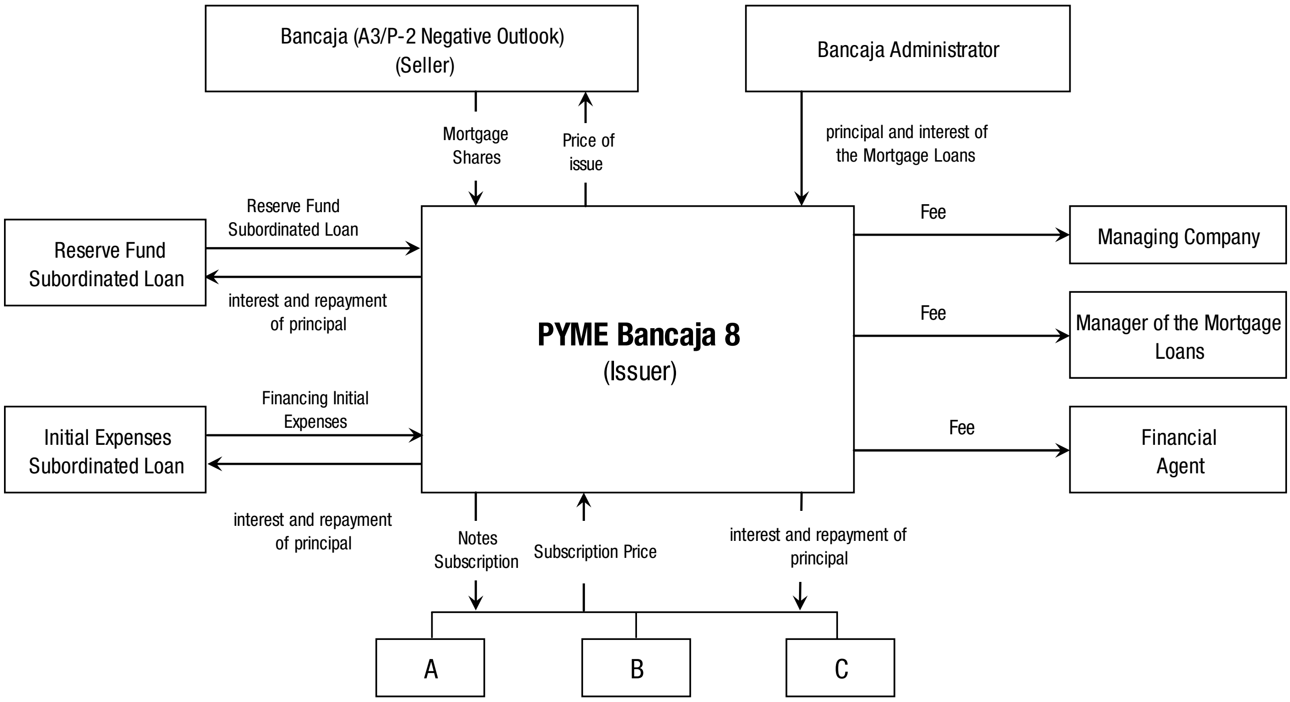
- **Portfolio security and arrears:** 80.95% of the portfolio is backed by a mortgage guarantee (weighted-average loan-to-value approximately 58.77%, 100% is first-lien mortgages). 33.18% of the portfolio corresponds to residential properties, 19.54% commercial properties 14.84% land and 11.41% warehouses. No loans in arrears for more than 30 days will be included in the final portfolio.
- **Back-up servicing:** The originator will identify a back-up servicer if Bancaja is downgraded below **Baa3**. At this stage, the back-up servicer will enter into a back up servicer agreement, who will only step in at the discretion of the management company
- **Commingling risk:** If Bancaja is downgraded below **Baa3**, it will fund a commingling reserve equal to one month of stressed collections.
- **Data quantity:** Moody's has received data by quarter of origination from Q1 1999 through Q1 2009 reflecting 90 days past due. In addition, Moody's has received meaningful information about cumulative historical info on previous Bancaja SME deals. In Moody's view, the quantity and quality of data received is quite above as compared to similar originators in the Spanish market.
- **Pro-rata amortisation:** The pro-rata amortisation of Series B will lead to reduced credit enhancement of the senior series in absolute terms. This is mitigated by some triggers, which interrupt the pro-rata amortisation of the notes if the performance of the transaction deteriorates.

Concerns and Mitigants:

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

- **Exposure to real estate:** Approximately 46.58% of the portfolio is exposed to the building and real estate sector (according to Moody's industry classification), 2.30% correspond to loans granted to real estate developers. This feature has been taken into account in Moody's quantitative analysis as more fully explained in "Treatment of Concerns"
- **Longer tenors:** The portfolio has a relatively long weighted-average remaining term (approximately 11.21 years for SME loans). This implies a higher degree of uncertainty regarding Moody's quantitative assumptions as more fully explained in "Treatment of Concerns"
- **Concentrated portfolio:** The portfolio's effective number is 480, calculated considering the provisional portfolio. However, the definitive portfolio will be selected totalling €510 million of this €630 million portfolio and no criteria or additional comforts limiting top obligor selection are available (nor will the portfolio be available prior to issuance of the notes). Moody's has treated this in its quantitative assumptions similar to many other Spanish SME transactions by taking the most concentrated portfolio (see Moody's analysis below for more information). For comparison purposes, this further reduces the effective number to 312 in Moody's quantitative analysis.
- **Regional concentration:** There is strong concentration in Valencia region 53.96% of the portfolio, mitigated as this is the region of Bancaja's origin, where it has its strongest expertise.
- **Bullet loans and grace periods:** 15.13% of the portfolio corresponds to bullet loans (weighted-average length 1.2 years) and 12.09% of the loans are in grace periods. This risk was treated in Moody's quantitative analysis again as further explained under "Treatment of Concerns"
- **Performance on previous Bancaja deals:** Previous SME deals originated by Bancaja show weak performance, with delinquency levels over 5% (loans more than 90 days in arrears over current outstanding balance. This risk was treated in Moody's quantitative analysis again as further explained under "Treatment of Concerns"
- **Interest rates risk:** The structure is exposed to basis risk. The interest payable on the notes pays three-month EURIBOR, while the loans are mostly linked to 12-month EURIBOR and the transaction is not protected by a swap. This risk was treated in Moody's quantitative analysis again as further explained under "Treatment of Concerns"

Chart 2:
Structure Chart



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

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

The notes will be amortised pro-rata subject to the amortisation trigger 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 and the performing assets. A non-performing asset is defined as one with any amount due but unpaid for more than 18 months or one written off according to management's discretion.

The "artificial write-off" speeds up the amortisation of non-performing (NPL) loans; 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**	**Remedies/Cure**
Interest Deferral Trigger	– Written off loans exceeds 30% and 25% for Series B and C respectively	– Interest payments on Series B and/or C notes will be brought to a more junior position on the waterfall and will be paid after the more senior series principal – After Class A paid in full

Trigger	Conditions	Remedies/Cure
Pro-rata amortisation	– The arrears level (defined as the percentage of non-written off loans more than 90 days in arrears) exceeds 1.0% – The reserve fund was not at its required level on the previous payment date – The portfolio balance is less than 10% of the initial portfolio balance	Switch to sequential amortisation
Reserve Fund Amortisation	– The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1% or – The reserve fund was not at its required level on the previous payment date	The target amount of the reserve fund will not be reduced on any payment date on which these occur

Reserve Fund: The reserve fund will be funded up front with a subordinated loan, granted by the originator for an amount equal to 19% of the notes. It will provide both credit and liquidity protection to the notes.

After the first three years from closing, the reserve fund may amortise over the life of the transaction to the higher of the following amounts subject to the reserve fund trigger above:

– 38% of the outstanding balance of the Series A, B, and C notes

– 9.5% of the initial balance of the Series A, B, and C notes

It will be used to cover potential shortfalls on interest or principal on an ongoing basis

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 conditions above are met.

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. Only the management company, acting in the best interest of the noteholders, may decide to liquidate the SPV.

Claw-back risk upon default of the originator: Claw-back risk is limited to those activities performed during the two years before the declaration of the bankruptcy state, even in the absence of fraud. However, the activities performed under the regular activity of the originator cannot be cancelled as the transfer of credit rights forms part of the normal activity of Bancaja.

Interest rate mismatch: The structure is exposed to basis risk. The interest payable on the notes pays three-month EURIBOR, while the loans are mostly linked to 12-month EURIBOR and the transaction is not protected by a swap.

Mitigant: In all unhedged transactions, Moody's analysis takes into account the potential interest rate exposure in order to size the credit enhancement needed to support the ratings. The analysis is based on the observation of the historical volatility between the two rates in a given time interval defined by 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. For a mismatch between 12-month EURIBOR and three-month EURIBOR, the adjustment to the gross margin on the 12-month EURIBOR-linked loans would currently be in the range of 40 to 70 bps.

Cash Commingling: Bancaja collects all of the payments under the loans in its portfolio under a direct debit scheme into its account and transfers them to a treasury account in the name of the SPV every 48 hours. As a result, in the event of insolvency of Bancaja, 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 every 48 hours to the treasury account in the name of the SPV held by Caja Madrid.

- Triggers are in place to protect the treasury account from a possible downgrade of the GIC provider's short-term rating. If Caja Madrid's short-term rating falls below P-1, it will have find a suitably rated guarantor or substitute.
- If Bancaja's 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. The 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 also has 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:

Originator Background:

Rating:	Bancaja (A3/P-2/D+ negative outlook)
Financial Institution Group Outlook for Sector:	Negative
Ownership Structure:	N/A
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:	0.60%
% of Transaction Retained:	100%

Servicer & Back-Up Servicer Background:

Servicer and Its Rating:	Bancaja (A3/P-1/D+)
Total Number of Receivables Serviced:	Over 1 million
Number of Staff:	8,152 (6,633 branches & 1,519 headquarter)
Servicer Assessment:	
Strength of Back-up Servicer Arrangement:	N/A
Back-up Servicer and Its Rating:	N/A
Ownership Structure:	N/A
Regulated by:	N/A
Total Number of Receivables Serviced:	N/A
Number of Staff:	

Originator Related Triggers

Key Servicer Termination Events:	Insolvency; intervention by the Bank of Spain; breach of service's obligation resulting in being substituted as servicer; or at the request of the management company (acting in the best interest of the noteholders)
Downgrade of Original Servicer's Rating to Certain Level	N/A
Appointment of Back-up Servicer Upon:	Loss of Bancaja's Baa3 rating
Key Cash Manager Termination Events:	Insolvency
Notification of Obligors of True Sale	Insolvency; intervention by the Bank of Spain; breach of service's obligation resulting in being substituted as servicer; or at the request of the management company (acting in the best interest of the noteholders)
Conversion to Daily Sweep	None (sweep is done every two days)
Notification of Redirection of Payments to SPV's Account	Insolvency; intervention by the Bank of Spain; breach of service's obligation resulting in being substituted as servicer; or at the request of the management company (acting in the best interest of the noteholders)
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: Europea de Titulización S.G.F.T; S.A (N.R)

Main Responsibilities:

- Keeping the Fund's accounts separate from the management company's
- 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 the 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 necessary, each of the Fund service providers on the terms provided for in each agreement

Calculation Timeline:	Determination Date 5 days before the payment date
Back-up Cash Manager and Its Rating:	*N/A*
Main Responsibilities of Back-up Cash Manager:	*N/A*
Other Key Counterparty	*Main responsibilities*

Collateral Description

Chart 3:
Portfolio Breakdown by Year of Origination

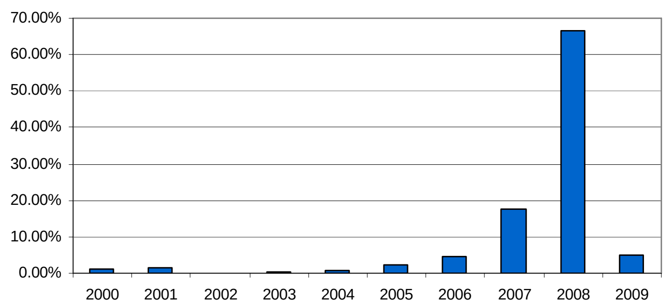


Chart 4:
Portfolio Breakdown by Year of Maturity

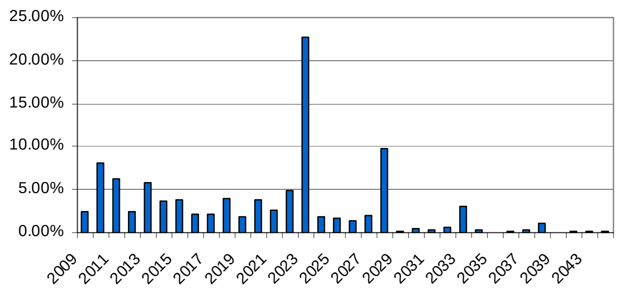


Chart 5:
Portfolio Breakdown by Industry Diversification

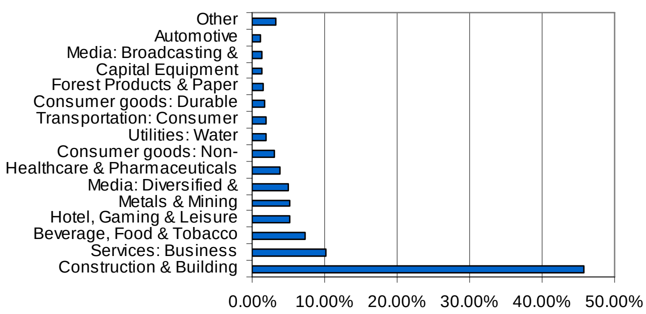


Chart 6:
Portfolio Breakdown by Frequency of Payments

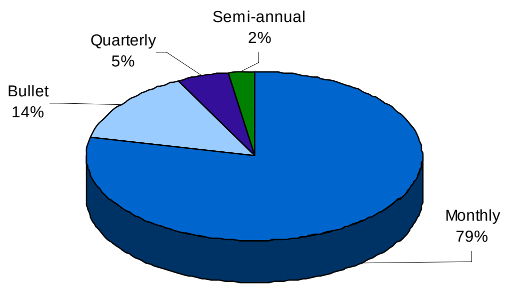


Chart 6:
Portfolio Breakdown by Regional Concentration

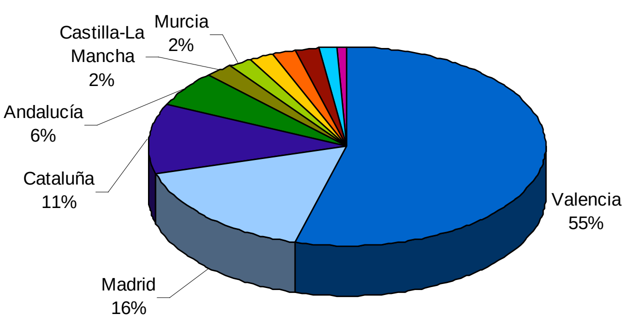
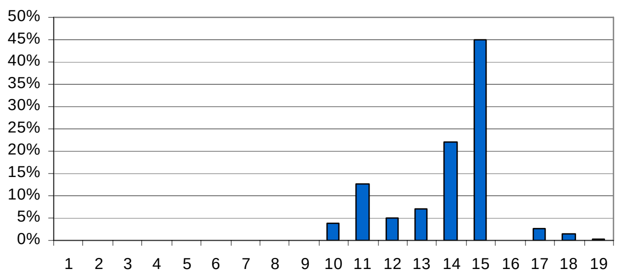


Chart 7:
Portfolio Breakdown by Internal rating



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

Product Description: The portfolio consists of commercial loans extended to Spanish SMEs, some secured by real estate mortgage and some unsecured, to fund general working capital and long term business expansion. The portfolio breakdown by company size is 51.98% micro-enterprises (turnover less than €1 million), 21.46% small enterprises (turnover between €1 million and €5 million), 19.86% medium enterprises (turnover between €5 million and €500 million). For 6.70% no classification was available. The tenor of the product varies (from 1 to 30 years) depending on the purpose of the loans. Loans are either bullet (around 15% of the portfolio) or standard amortising loans (French amortisation).

Eligibility Criteria: Eligibility Criteria:

The key eligibility criteria are as follows:

- All the loans have been formalised under public deed.
- The loans have repaid at least one instalment.
- All the loans are euro-denominated.
- No loan incorporates deferred payments of interest.
- 100% of the principal of the loans has been drawn.
- All the mortgaged properties are fully developed, in Spain and are covered with an insurance policy.

The pool will not include lease contracts or real estate developer loans.

Additional Information on Borrowers:

Top Debtor Concentration:	1.00% of portfolio
Top 5 Debtors:	4.39% of portfolio
Top 10 Debtors:	7.89% of portfolio
Top 25 Debtors:	18.18% of portfolio
Industry Concentration:	46.58% building and real estate; 10.29% Servicer, Business; 6.09% Beverage, Food and Tobacco
Geographic Diversity:	Valencia (53.43%), Madrid (16.14%), Catalonia (11.10%)

Additional Information on Portfolio:

Number of Contracts:	2,501
Type of Contracts:	100% term
Contract Amortisation Style:	84.02% French, 14.17% bullet
% Large Corporates:	0%
% Bullet Loans:	14.17%
% Real Estate Developers:	2.3%
WA Interest Rate:	4.41%
WA Internal Rating:	15
LTV:	57.81%
Guarantees:	Mortgage guarantees: 79.84%; personal guarantees: 14.92%
Mortgage Guarantees:	Commercial: 41.61%; Residential properties: 40.43%; Land: 17.11%

Credit Analysis

Precedent Transactions' Performance: The performance of the originator's precedent transactions in this sector are worse Moody's expectations. The reasons for historical rating actions are due to worse performance than expected. Rating actions downgrades on PYME Bancaja 5 and FTPYME Bancaja 4 were prompted by a higher-than-expected level of delinquencies.

In PYME Bancaja 5 senior notes A3 was downgraded to Aa3 from Aaa.

In FTPYME Bancaja senior notes A2 and A3(G) and subordinated B Notes were affirmed at Aaa, Aaa and A2 respectively

As of September 2008, the cumulative 90+ delinquencies (i.e. delinquencies equal or greater than 90 days) were equal to 2.68% and 2.54% of the current portfolio balance, respectively. As part of the review, Moody's considered the exposure of the transaction to the real estate sector (either through security in the form of a mortgage or debtors operating in the real estate sector) and the recent deterioration of the Spanish economy which has been reflected in Moody's negative asset performance outlook for the Spanish SME securitisation sector.

Chart 8:

Delinquencies 90 - 360 Bancaja transactions vs Spanish Index

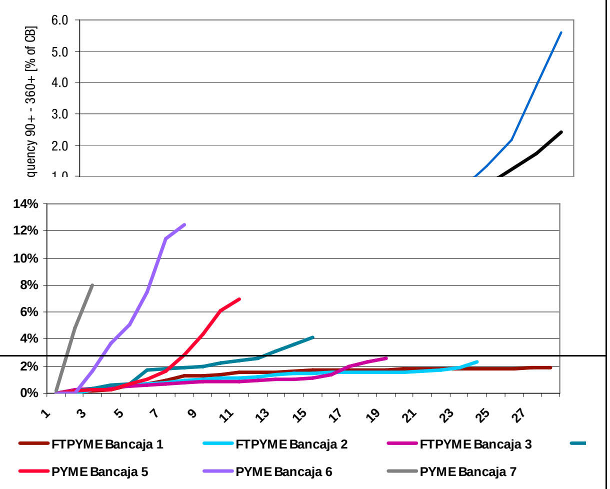


Chart: 10

Cumulative Recoveries for loans more than 90 days in arrears in previous Bancaja transactions

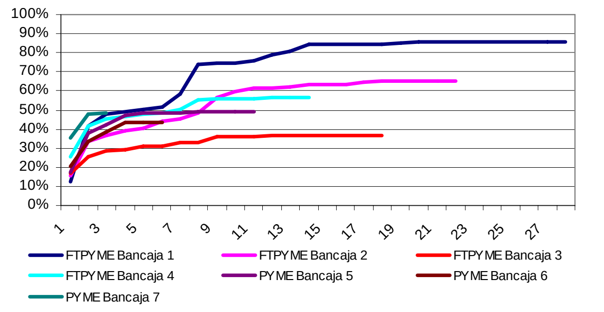
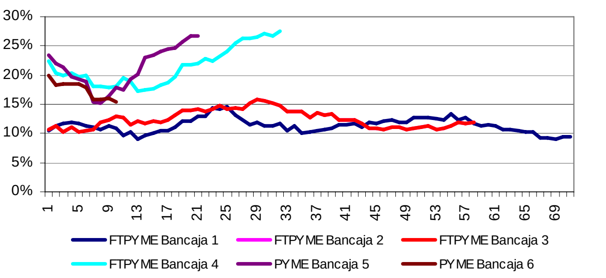


Chart: 11

CPR in previous Bancaja transactions



Default Definition: The definition of a defaulted asset in this transaction is one which is more than 18 months in arrears or where the obligor is bankrupt.

Data Quantity and Content: Moody's has received data by quarter of origination from Q1 1999 through Q1 2009 reflecting 90 days past due. In addition, Moody's has received meaningful information about cumulative historical info on previous Bancaja SME deals. In Moody's view, the quantity and quality of data received is better than compared to transactions which have achieved high investment grade ratings in this sector. Moody's has received extensive information for the last 10 years including 2007 and 2008. In addition, Moody's has received meaningful information about cumulative historical info on previous Bancaja SME deals.

Assumptions Note other values within a range of the notional amount listed below may result in achieving the same ratings.

Note assumptions & actual amount

CPR	10% (actual = 15%)
Distribution	Monte Carlo simulation, CDOROM
Default rate:	20.83% (actual = 7.94%)
Stdev/mean:	39.64% (actual = 156%)
Timing of default:	Flat over first three years
Recoveries:	45% (fix)
Recovery lag:	5% (in 1st year) 40% (in 2nd year) 55% (in 3rd year)
Correlation Default/ Recoveries	N/A
Amortisation profile:	Actual pool amortisation
Fees:	0.025%
Fees floor:	€ 25,000
EURIBOR:	Forward curves
PDL definition	18 months
Write-off:	18 months

Derivation of default rate assumption: Moody's analysed historical performance data as well as other sources of information (i.e. performance monitoring data on previous deals, macroeconomic data) to determine the default assumption. The historical data provided by Bancaja does not capture an entire stressed economic cycle given that the last economic crises was in the early 1990s and vintages prior to 2007 reflect positive conditions. New vintages show higher default rates, reflecting a deterioration of the performance under the current stressed economic conditions. In some cases, the high increase in the quarterly vintages is due to the lack of granularity of some quarterly vintage; as a result, Moody's has annualised the historical information, as shown in the Chart 9. However, those vintages are still too young to allow a meaningful extrapolation analysis.

Moody's has complemented historical data analysis with a top-down approach, as detailed below.

Moody's split the portfolio into three sub-pools based on the economic sector in which the debtor was active: (i) construction and building, (ii) real estate developers; and (iii) all other industries. Moody's rating proxies assumed are shown in the table below.

Borrower's main sector of activity	Rating Proxy
Construction & building	B3-
Real estate developers	B3-
Other industries	B2-

The above assumptions include some adjustments that take into account the current macro-economic environment (generally in the range 1-2 notches) as well as the originator's underwriting ability. Bancaja´s default rates have significantly deteriorated in recent times therefore Moody's has taken into consideration in the assumptions the current performance of Bancaja SME deals

Moody's further adjusted the assumptions to account for the size of the companies (one notch down for micro and small enterprises). Finally, we also adjusted the PD assumptions according to the loan characteristics: for bullet loans the PD was increased considering an additional one year exposure to default at the time of refinancing. For loans with a grace period an additional 10% PD stress was applied.

The standard deviation of the default distribution was determined by 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%.

Chart 12:
Cumulative 90 days past due by quarter of origination

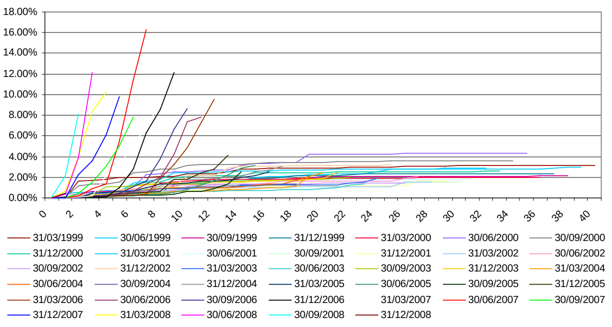


Chart 13:
Cumulative 90 days past due by year of origination

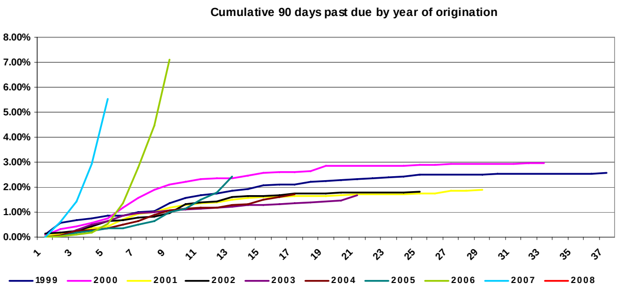
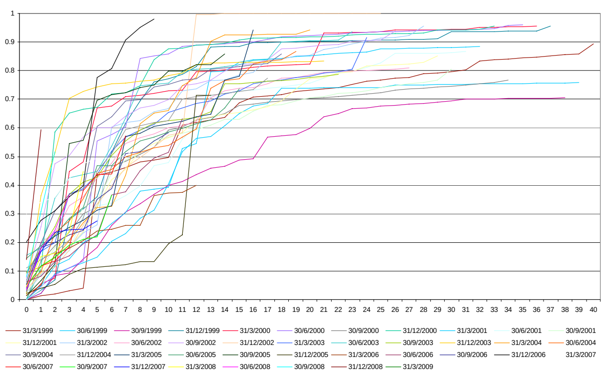


Chart 14:
Recovery 90 days past due by quarter



Derivation of Recovery Rate Assumption*:* Moody's considers that as the recovery data was compiled during good economic cycles, observed data might overestimate recovery rates during a stressed economic environment.

Assumptions for recoveries were made on the basis of (i) historical information on the Spanish SME market received for this deal, (ii) statistical information on the Spanish SME market; (iii) feedback from Moody's corporate team; and (iv) other quantitative and pool derived aspects. Regarding the last point, Moody's estimated the recovery rate on the secured portion of the portfolio based on the property valuation data, applying conservative haircuts to take into account house price deflation and associated costs to the recovery process. Moody's has taken into consideration the high proportion of loans backed by mortgage loans (79.84%) with the relatively low WALTV (57.81%) and the quality of the mortgages (Residential properties 40.43% an commercial 41.61%) .

Modelling Approach: Given the number of assets, the relatively low effective number and the size of the largest exposures in the portfolio, Moody's decided to derive the gross default distribution curve through a two-factor Monte Carlo approach with CDOROM, rather than assuming that it follows a given general density law.

Two basic parameters needed to be assessed as main inputs for the model as follows:

– The default probability contribution of each single entity, and
– The correlation structure among the different industries represented in the portfolio

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

Moody's considered how the cash flow generated by the collateral was allocated to the parties within the transaction, and the extent to which various structural feature of the transaction might 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. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payments and relatively size, Moody's built a cash flow model that reproduce many deal-specific characteristics (the main input parameter of the model is described in the table above). Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss average for each series of the 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 the notes.

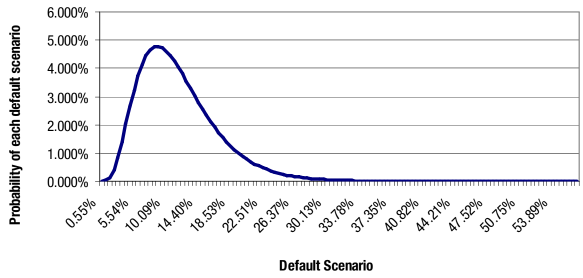
Treatment of Concerns:

- **Exposure to real estate***:* Approximately 46.58% of the portfolio is exposed to the building and real estate 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 B3-), than all other obligors (rating proxy equal to B2-). Bancaja´s default rates have significantly deteriorated in recent times therefore Moody's has taken into consideration in the assumptions the current performance of Bancaja SME deals

– **Longer tenors:** The portfolio has a relatively long weighted-average remaining term (approximately 11.21 years for SME loans). This implies a higher degree of uncertainty regarding Moody's quantitative assumptions. The longer amortisation profile of the pool was modelled and penalties were assessed for any loan where payments are only made annually or semi-annually.

– **Concentrated portfolio**: The portfolio's effective number is 480, calculated considering the provisional portfolio. However, the definitive portfolio will be selected totalling €510 million of this €630 million portfolio and no criteria or additional comforts limiting top obligor selection are available (nor will the portfolio be available prior to issuance of the notes). Moody's has treated this in its quantitative assumptions similar to many other Spanish SME transactions by taking the most concentrated portfolio (see Moody's analysis for more information). For comparison purposes, this further reduces the effective number to 312 in Moody's quantitative analysis.
– **Regional concentration:** 53.96% of the portfolio is concentrated in the Valencia region. Moody's assumed a higher correlation for pools concentrated in one region of Spain (correlation was stressed to 5%), as opposed to portfolios with lower regional concentration (4% correlation).
– **Bullet loans and grace periods:** The portfolio has a relatively high exposure to bullet loans and loans with principal grace periods (approximately 15.13% of the pool correspond bullet and 12.09% benefits from a grace periods). Moody's has adjusted the PD assumptions according to the loan characteristics: for bullet loans the PD was increased considering an additional one year exposure to default at the time of refinancing..
– **Interest Rates Risk:** The structure is exposed to basis risk. The interest payable on the notes pays three-month EURIBOR, while the loans are mostly linked to 12-month EURIBOR and the transaction is not protected by a swap. In all unhedged transactions, Moody's analysis takes into account the potential interest rate exposure in order to size the credit enhancement needed to support the ratings. The analysis is based on the observation of the historical volatility between the two 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. In the case of a mismatch between 12-month EURIBOR and three-month EURIBOR, the adjustment to the gross margin on the 12-month EURIBOR-linked loans would currently be in the range of 40 to 70 bps.

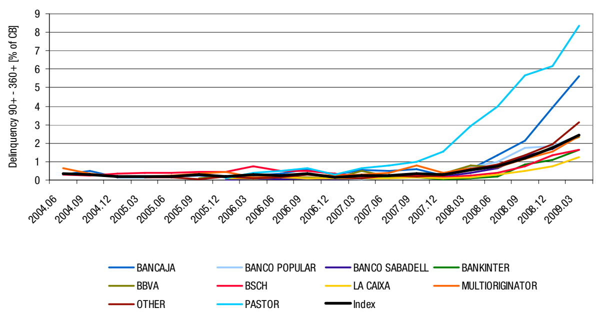
Chart 15:
Timing of Defaults



Benchmark Analysis

Performance Relative to Sector: In Moody's view, the historical performance of 90 days past due compares negatively to other recent transactions in this sector". Chart 16 shows 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 specifics characteristics, the presence of a revolving period, etc. The performance of Bancaja's transactions (cumulative defaults) is slightly higher than the index. Bancaja´s default rates have significantly deteriorated in recent times.

Chart 16:
Spanish SME Cumulative Defaults
(by Originator)



Source: Moody's Investors Service, periodic investor reports

Benchmark Table Best practice:

Deal name	PYME Bancaja 8	BBVA Empresas 2	Foncaixa Empresas 1	IM Empresas Pastor 7	Sabadell Empresas 4
Country	Spain	Spain	Spain	Spain	Spain
Other countries	No	No	No	No	No
Closing date		March 2009	March 2009	April 2009	June 2009
Originator	Bancaja	BBVA	La Caixa	Banco Pastor	Banco Sabadell
% Fully amortising	72.78%	90.80%	80.90%	91.44%	100%
% Grace Period	12.09%	9.2%	14%	8.0%	6.0%
Residual Grace Period (months)					
% Bullet Loans	15.13%	0%	4.10%	8.56%	0%
% Revolving Credit Facilities	No	No	No	No	No
Top region %	53.96%	24.5%	26.0%	25.0%	50.2%
Top industry %	46.58%	23.7%	28.0%	48.0%	31.9%
Industry	Construction & Buiding	Construction & Buiding	Construction & Buiding	Construction & Buiding	Construction & Buiding
WAL	4.9	3.5	4.4	3.7	4.4
Amount in arrears > 30 days total		0% at closing	0% at closing	0% at closing	0% at closing
WA Margin (above swap rate)	No swap	0.50%	0.75%	0.25% over notes balance	0.25% over notes balance
% Owner Occupied	N/A	NA	NA	NA	NA
Mean	22.5%	12%	13%	28.5%	12.5%
LGD		6.6%	5.4%	18.5%	7.5%
Equivalent Rating total	B2-	B1	B1+	Caa1+	Ba3-
Equivalent Rho (single asset correlation)					
RR Mean total	45%	45%	58%	35%	40%
RR Stdev	Fix RR	20%	20%	Fix RR	Fix RR
Corr Default - Severities	N/A	10%	10%	NA	NA
Corr Severities - Severities	N/A	10%	10%	NA	NA
Rating assumed for non-RE					

Parameter Sensitivities

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.

Chart 17:

Tranche A

	Portfolio WA Rating Assumption[3]	Recovery Rate 45%	40%	35%
CLASS A	B2- (22.56%)[4]	**Aaa***	Aa2 (2)	A1 (4)
	B3+ (26.04%)[4]	Aa2 (2)	A1 (4)	A2 (5)
	B3 (27.78%)[4]	Aa3 (3)	A1 (4)	A3 (6)

Chart 18:

Tranche B

	Portfolio WA Rating Assumption[3]	Recovery Rate 45%	40%	35%
CLASS B	B2- (22.56%)[4]	**B3***	B3 (0)	B3 (0)
	B3+ (26.04%)[4]	B3 (0)	B3 (0)	B3 (0)
	B3 (27.78%)[4]	B3 (0)	B3 (0)	B3 (0)

Chart 19:

Tranche C

	Portfolio WA Rating Assumption[3]	Recovery Rate 45%	40%	35%
CLASS C	B2- (22.56%)[4]	**Caa1***	Caa1 (0)	Caa1 (0)
	B3+ (26.04%)[4]	Caa1 (0)	Caa1 (0)	Caa2 (1)
	B3 (27.78%)[4]	Caa1 (0)	Caa2 (1)	Caa3 (2)

Worse case scenarios: At the time the rating was assigned, the model output indicated that Class A would have achieved the Aaa rating if means DP was as high as 22.56% and assuming a recovery rate was as 45%, whilst the Class B and Class B would have been B3 and Caa3, 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	Replace
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 template for the monitoring report and would like to receive the following important data in addition to the information reflected on the report:

- Gross cumulative default date (default definition 90 days in arrears)
- Cumulative write off data (gross and net recoveries)
- Prepaid principal amount

Related Research

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

Methdology Used:

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

Issuer Profile

- Bancaja

Credit Opinion

- Bancaja

Performance Overview

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Pre-Sale Report

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

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)

Rating actions

- Moody's downgrades 3 classes of Notes issued by PYME BANCAJA 5, FTA, December 2008
- Moody's downgrades 2 classes of notes issued by FTPYME BANCAJA 4, FTA. December 2008

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 104 billion at the end of June 2008. It enjoys a strong presence in its home market, the Valencia region, where it held a 32% market share in deposits and 24% in lending in 2007. 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 in 2007 stood at 4%. Despite its nationwide presence, its domestic market share is comparatively low because of the dominance of the top two players. In terms of geographical diversification, we acknowledge that Bancaja operates in the dynamic Valencia region and more than 25% of its profits are obtained in the areas of expansion. In terms of earnings stability, Bancaja has a high proportion of recurring earnings from retail banking but large SMEs, insurance, real estate developers, asset management and equity participations also contribute to earnings
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 valuators
Closing Policies and Procedures:	– For every loan analysis, two files are created: an electronical 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 – Compensation structure i.e. incentive for collections achieved: The external colletors get paid on a success basis.
Early Stage Arrears Practices:	– Automated dial centre? Yes – Several letters sent and calls made during the first 90 days.
Late Stage Arrears Practices:	– When passed to litigation team? Around 100 days – Involvement of external collectors or law firms: Yes, although many lawyers participating in the process are employees of Bancaja – Sales of past due accounts: Not made available
Average Time to Repossess:	
Loan Modifications:	– What constitutes a loan modification? Any modification of the initial loan contract conditions such as the maturity date, margin, etc. – 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. – Approval process for modifications? Yes, in all cases. – Income verification as part of modification? Yes, in all cases. – Performance of modified loans: Not made available

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