Prime RMBS
Spain
New Issue

FTGENVAL Bancaja 1, F.T.A.

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Related Research

The following special reports provide additional detail on Fitch's rating approach to the RMBS market; all are available at www.fitchratings.com:

Applicable Criteria

- *EMEA Residential Mortgage Loss Criteria Addendum — Spain* (February 2010)
- *EMEA RMBS Cash Flow Analysis Criteria* (May 2009)
- *Counterparty Criteria for Structured Finance Transactions: Derivative Addendum - Amended* (October 2009)
- *Counterparty Criteria for Structured Finance Transactions* (October 2009)

Other Research

- *Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)* (June 2009)

Ratings

Series	Amount (EURm)	Final Maturity	Rating	LSR	CE (%)	Outlook
A1	88.30	August 2052	AAA	LS1	23.60	Stable
A2(G)	170.00	August 2052	AAA	LS1	23.60	Stable
B	26.70	August 2052	A	LS2	14.70	Stable
C	15.00	August 2052	BBB	LS3	9.70	Stable
Total Issuance	**300.00**					

Closing occurred in May 2009
Series A2(G) benefits from an interest and principal guarantee by the Autonomous Community of Valencia

Transaction Summary

This EUR300m transaction is a securitisation of Spanish mortgage loans originated by Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja or the originator, rated 'BBB+'/Stable/'F2'). It is issued under the FTGENVAL guarantee programme of the Autonomous Community of Valencia, rated 'A+'/Stable/'F1'. Fitch Ratings has assigned ratings to the notes issued by FTGENVAL Bancaja 1, Fondo de Titulización de Activos (Bancaja 1 or the fund) as indicated above.

The 'AAA' rating assigned to the series A2(G) notes does not take into account the guarantee granted by the Autonomous Community of Valencia (the guarantor) that covers the issuer's obligations with respect to series A2(G) principal and interest payments.

The ratings are based on the quality of the collateral, the underwriting and servicing capabilities of the seller, the available credit enhancement (CE), the integrity of the legal and financial structure and the sociedad gestora's administrative capabilities. The ratings address payment of interest on the notes according to the terms and conditions of the documentation — subject to a deferral trigger on the series B and C notes — as well as the repayment of principal on each note by legal final maturity. Should the deferral trigger on the series B and C notes be hit, interest on these notes will be deferred as per the priority of payments and might not be received for a time, but will be received by legal final maturity.

Key Rating Drivers

- **Collateral:** The collateral pool is 100% composed of first-ranking loans to individuals for the acquisition of first homes.
- **Seasoning of the Pool:** The seasoning of the pool is low at 16.4 months. 86.8% of the pool was originated in 2007 and 2008.
- **Autonomous Community of Valencia Guarantee:** The series A2(G) 'AAA' notes benefit from a guarantee facility provided by the Autonomous Community of Valencia (rated 'A+'/Stable/'F1'). The guarantee covers series A2(G) interest and principal. Fitch did not consider the guarantee in assigning initial ratings to the series A2(G) notes.
- **Unhedged Exposure:** While the notes are linked to three-month Euribor and reset every quarter, the loans are all variable rate, with annual, semi-annual and quarterly reset dates (90.4%, 8.4% and 1.2% of the pool by value, respectively). The reference indices of the loans are 12-month Euribor, three-month Euribor and 12-month Mibor average (98.6%, 1.3% and 0.1% of the pool by value, respectively). Since the fund has not entered into a swap agreement, it

will be exposed to basis and interest rate risk. Mitigated by: Fitch has sized for this unhedged risk in its cash flow analysis (see *Cash Flow Modelling* below).

- **Margin Reduction Possibility:** 78% of the pool may obtain margin reduction resulting from contracting additional financial products with Bancaja. 6% of the pool may reduce the margin by a maximum of 30bp to a floor of 70bp, and 70% may reduce the margin by a maximum of 30bp to a floor of 50bp. For modelling purposes, Fitch has assumed that the above margin reduction has been applied to all loans from day one.

Rating Sensitivity[1]

This section of the report provides a greater insight into Fitch's Spanish residential mortgage default model criteria. It provides implied sensitivities the transaction faces when one risk factor is stressed, while holding others constant. The results below should only be considered as one potential outcome, given that the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Defaults

The rated notes show good rating stability to increases in the portfolio's probability of default (PD).

Rating Sensitivity to Default Rates

	Series A1	Series A2(G)	Series B	Series C
Original rating	AAA	AAA	A	BBB
10% increase in default rates	AA+	AA+	A	BBB
15% increase in default rates	AA+	AA+	A	BBB
25% increase in default rates	AA	AA	A	BBB

Source: Fitch

Model results when increasing the portfolio default rate by 10% and 15% show a one-notch model-implied downgrade of the series A1 and A2(G) notes (to 'AA+' from 'AAA'). When increasing portfolio defaults by 25%, the senior notes show a two-notch downgrade to AA. The ratings of the series B and C notes remain stable, even when a 25% increase is applied to defaults.

Rating Sensitivity to Recovery Rates

The rated notes also show a good rating stability to decreases in recovery rates.

Rating Sensitivity to Recovery Rates

	Series A1	Series A2 (G)	Series B	Series C
Original rating	AAA	AAA	A	BBB
10% decrease in recovery rates	AA+	AA+	A	BBB
15% decrease in recovery rates	AA+	AA+	A	BBB
25% decrease in recovery rates	AA+	AA+	A	BBB-

Source: Fitch

Model results when decreasing the portfolio recovery rates by 10%, 15% and 25% show a one-notch model-implied downgrade of the series A1 and A2(G) notes (to 'AA+' from 'AAA'). The rating of the series B notes remains stable, even when a 25% decrease is applied to recoveries. The series C notes only show a one-notch downgrade under the 25% scenario (to 'BBB-' from 'BBB').

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

Rating Sensitivity to Shifts in Multiple Factors

The table below summarises rating sensitivity to the application of stresses to both default and recovery rates. A total of three scenarios are evaluated to demonstrate the sensitivity of the rating to varying degrees of stress on the assumptions (ie changes to the expected level of defaults and recoveries tested in Fitch's stress scenarios). Similar to the previous two sensitivity analyses in which the default and recovery rates were analysed separately, the combination of stresses applied to both also show modest rating migration in all series.

Rating Sensitivity to Default Rates and Recovery Rates

	Series A1	Series A2(G)	Series B	Series C
Original rating	AAA	AAA	A	BBB
Scenario 1: 10% increase in default rates, 10% decrease in recovery rates	AA	AA	A	BBB
Scenario 2: 15% increase in default rates, 15% decrease in recovery rates	AA	AA	A	BBB-
Scenario 3: 25% increase in default rates, 25% decrease in recovery rates	AA	AA	A-	BBB-

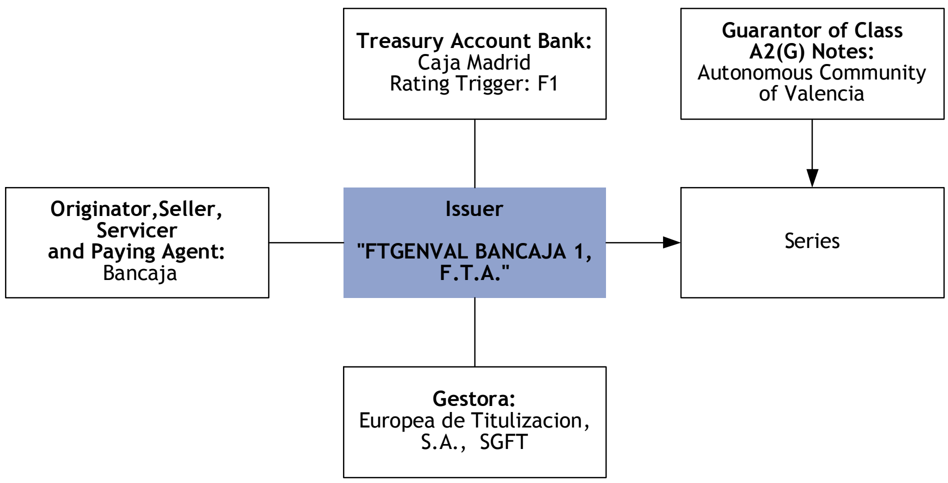
Source: Fitch

Model results for series A1 and series A2(G) show a two-notch model-implied downgrade under all three scenarios (to 'AA' from 'AAA'). The series B notes show a one-notch downgrade under scenario 3 (to 'A-' from 'A'). The series C notes show a one-notch downgrade under scenarios 2 and 3 (to 'BBB-' from 'BBB').

Model, Criteria Application and Data Adequacy

The agency has analysed the collateral portfolio on a loan-by-loan basis, taking into account the differences in the borrowers' nature and risk profiles.

Transaction and Legal Structure



Source: Transaction documents

The originator provided Fitch with data from its previous 12 RMBS deals. The data included static historical default and recovery data for 90+ day arrears, as well as 90+ day dynamic data for the initial securitised balance. The agency also considered Bancaja's origination strategy, servicing processes and historical collateral performance as part of its analysis.

Fitch has analysed the risk of obligor default using its proprietary Spanish RMBS default model (see "*Spanish Residential Mortgages Default Model Criteria*", dated December 2007). The agency's proprietary cash flow model has been used to complete the rating analysis and simulate the transaction cash flows and capital structure. Fitch's cash flow model has been customised to account for the specific features of the deal.

Legal Framework

The fund is regulated by Spanish Securitisation Law 19/1992 and Royal Decree 26/1998. Its sole purpose is to transform a portfolio of mortgage certificates (certificados de transmisión de hipoteca or CTHs) acquired from the seller into fixed-income securities. The CTHs are acquired from the seller on behalf of the fund by Ahorro y Titulizacion, S.G.F.T., S.A. (the sociedad gestora), a limited liability company incorporated under the laws of Spain, the activities of which are limited to the management of securitisation funds.

As part of the transaction analysis, Fitch relies on legal and/or tax opinions provided by transaction counsel. At closing, the seller transferred the mortgages to the sociedad gestora on behalf of the fund. However, under Spanish law, the mortgage loans are not actually transferred via a true sale as this would entail a lengthy process of re-registering them at the property registry. Instead, the seller issues mortgage participations (PHs) and, since the new Finance Act of December 2003, mortgage certificates (CTHs). Mortgages transferred in the form of PHs are subject to certain restrictions with which CTHs do not have to comply. In particular, PHs must be first-ranking mortgages with a current loan-to-value ratio (CLTV) below 80% and the properties underlying the mortgage must be properly insured.

Representations and Warranties

The originator has provided the issuer with specific representations and warranties concerning the features of the mortgages, as well as the general and legal circumstances of the loans and the properties in each portfolio, including those listed below:

1. Mortgage loans exist and are valid and enforceable in accordance with applicable law and in granting them, all applicable legal provisions have been fulfilled.
2. The sale of mortgage loans through the issuance of certificates is in line with Spanish law.
3. All loans have been granted for the purchase, construction and refurbishment of homes in Spain and their respective garages and storage rooms.
4. Loans have been granted both directly or through subrogation of developer loans.
5. All mortgage loans are payable in euros and are fully drawn.
6. All mortgage loans in the pool are first-lien loans.
7. All mortgage loans were formalised in a public act and all the mortgages are properly constituted and registered in the property office. The registration of the mortgaged property is enforceable and without any contradiction, and is not subject to any limitation in accordance with applicable law.
8. All properties have gone through an appraisal process via an entity accredited by the Bank of Spain.
9. The seller is not aware of any defect from the valuation of any securitised mortgaged property by more than 20% of the appraised value.
10. None of the mortgage loans have clauses that allow for interest or principal deferrals, apart from those that were in grace period at the date of issuance of the certificates.
11. All mortgage payments are made via direct debit at Bancaja.
12. At the date of issuance of the certificates, none of the mortgage loans will be more than one month in arrears.
13. All borrowers are individuals and none are employees of Bancaja.

Substitution

Substitution events allowed in the documentation, and by the Spanish Securitisation Law, will be linked only to the discovery of loans that are not in compliance with the representations and warranties listed in the offering circular. In that case, loans that have breached representations or warranties will either be amortised in total or substituted with a similar mortgage by amount and characteristics. The substitution will have to be approved by the sociedad gestora.

Permitted Variations

As stipulated in Article 25 of Royal Decree 685/1982, each seller, in administering the mortgage loans, may not, without the consent of the managing company, voluntarily cancel the mortgages of the collateral for reasons other than the full amortisation of the loan. Additionally, the servicer will not modify or restructure them, cancel them in whole or in part, or permit an extension, or in general take any action that diminishes the legal effectiveness or the economic value of the mortgage loans, except for the modifications listed below:

- contracts allowing subrogation of mortgage loans only in cases where the characteristics of the new debtor are similar to those of the original debtor and originated under the same guidelines; and
- changes in interest rates and final maturity of the mortgage loans, as described in the following paragraphs.

In particular, in relation to the final maturity of the mortgage loans, the servicer may agree to modify mortgages involving an increase in the remaining life of the mortgage loan in question (by changing the amortisation profile) as well as to allow for the renegotiation in the margin paid by the loans; in any case, subject to the limits and conditions set out in legislation and in the deal's documentation. Any extension is limited to the final maturity of the certificates. In no case will the extension exceed the final maturity of the last securitised mortgage loan. The outstanding amount of the mortgage loans on which the extension of maturity could be allowed will not exceed 10% of the initial aggregate pool principal balance transferred to the fund. With regards to the margin renegotiation, it is limited to the weighted-average margin on the outstanding loans being at least 70bp.

No specific adjustment to default or cash flow modelling has been applied, given that these are standard clauses in Spanish RMBS transactions. Historically, limited loan modifications or restructurings have been reported for existing RMBS transactions. However, given the downturn in the housing market and macro-economic conditions, many lenders have expanded their loan modification and restructuring programmes as part of loss mitigation strategies. Fitch expects that all loan modifications or restructuring will be done within the context of transaction documentation provisions.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Asset Analysis

As of closing, the portfolio had an outstanding balance of EUR300m, comprising 1,935 mortgage loans.

The aggregate portfolio had a weighted-average original loan-to-value ratio (WA OLTV) of 72.1% and a weighted-average current loan-to-value ratio (WA CLTV) of 70.5%, calculated based on each individual loan amount as a percentage of the guaranteeing asset value, as indicated by the seller. In line with Fitch's criteria, the agency gave credit to 50% of positive house price indexation and to 100% of negative house price indexation. Considering the very limited seasoning of the pool, the resulting weighted-average indexed CLTV is 70.5%.

Lender Adjustment

Fitch's base default probabilities assume that origination, underwriting and servicing practices and procedures are in line with those of a standard Spanish lender with market expertise, financial stability and relevant management experience. As part of its analysis, the agency performs an operational review of the originator to assess the origination, underwriting and servicing capabilities of the seller. As a result of this review, if Fitch believes that origination, underwriting and servicing procedures are below market standards, an adjustment to the base default probabilities or recoveries is made to the entire portfolio or specific sub-segments. The relevance of this adjustment is further sized by considering certain elements not factored into the loan-by-loan analysis, either because they are not available or because they are only applicable on an aggregate basis, such as: (i) historical performance of the residential mortgage loans originated by the lenders; (ii) length of historical performance observation period; (iii) maturity of the relevant market or segment; and (iv) extent of undisclosed information.

Fitch conducted an on-site operational meeting and conference call with senior management from Bancaja.

Taking into consideration the seller's origination procedures, the performance data provided and the relatively short seasoning of these loans (86.9% of loans by volume were originated in 2007 and 2008), an underwriting adjustment was applied to the securitised pool.

Affordability

Fitch was provided with loan-by-loan debt-to-income (DTI) information for 82.3% of the pool in a consistent manner for this transaction. For those loans for which no DTI data was provided, Fitch applied the conservative assumption of a DTI of Class 4, between 40% and 50%. The resulting WA DTI for the overall pool was 35.5%.

Employment Type

The seller provided employment data on a loan-by-loan basis for 94.5% of the pool. 18.6% of the pool represented borrowers reported to be self-employed; however, no information on their temporary contract was provided. Fitch assumed that 34% of all borrowers were under a temporary employment contract, which is in line with the Spanish average of temporary contracts, which is now below 33%. The agency increased the base default probabilities on loans granted to self-employed and temporary workers by 10%.

Fiscal Residence

All loans in the pool have been granted to borrowers with fiscal residence in Spain. However, 6.1% of loans have been granted to non-Spaniards. Given the weak social links of the immigrant population and their different historical performance, a 20% incremental PD hit was applied to these loans.

Loans in Arrears

At closing, 2.2% of loans in the pool was in arrears by up to one month, to which an incremental PD hit of 20% was applied. Fitch also applied an incremental PD hit of 25% to all loans that had been historically more than 30 days in arrears: this equated to 1.9% of the pool.

Borrowers From More Than One Family Unit

Data regarding the number of borrowers signing each loan contract was not provided on a loan-by-loan basis. In line with Fitch's criteria, the agency applied a random 20% incremental PD hit to 3% of the pool.

Geographical Concentration

The pool benefits from moderate geographical diversification; however, Fitch has noted an element of regional concentration in the Autonomous Community of Valencia representing 53.75% of the pool. In accordance with its criteria, Fitch applied a regional concentration increased PD hit of 15% on all loans backed by assets located in the Autonomous Community of Valencia.

Property Type

The pool comprises loans backed by mortgages on first homes. Based on the information provided by the originator, 20.4% of the securitised loans was backed by more than one asset, in most cases the main asset being the borrower's first home and the secondary assets their respective garages and storage rooms.

For 5.3% of the pool, the main asset guaranteeing the loan was a residential asset and the secondary assets included commercial assets and land. The originator did not provide Fitch with a breakdown of the value of each individual asset backing the loans.

Product Origination

The originator did not provide Fitch with a loan-by-loan breakdown of the origination channel under which the securitised loans were sourced. According to the information provided by the originator, up to 25% of its mortgage originations had traditionally been sourced via brokers and other intermediaries. Fitch applied a 1.25 incremental PD hit to 25% of the securitised portfolio.

Product Adjustment

Grace Period

At closing, 6.2% of the pool by volume benefited from a principal grace period. Taking into consideration the possible payment shock to the borrowers at the completion of this grace period, Fitch applied an incremental PD hit of 5% to this portion of the portfolio.

Quarterly and Semi-Annual Debt Service Payment Frequency

2.2% and 1.1% of the pool by volume benefited from a quarterly and semi-annual debt-payment frequency, respectively. In line with Fitch's criteria, incremental PD hits of 5% and 10% were applied to these loans, respectively.

Loan Purpose

While most securitised loans were originated for the purpose of the purchase, construction or refurbishment of first homes, the data provided indicates that 2.3% of the pool comprised re-mortgages. Fitch applied an incremental PD hit of 20% to these loans.

Margin Reduction

78% of the pool may obtain margin reduction resulting from contracting additional financial products with Bancaja. 6% of the pool may reduce their margin by a maximum of 30bp to a floor of 70bp, and 70% may reduce the margin by a maximum of 30bp to a floor of 50bp. Fitch has not applied an additional PD hit to these loans but the possible effect of the significant margin reduction has been considered in its cash flow modelling, where Fitch has assumed that the margin reduction has been applied to all loans from day one.

Fitch Default Model Output

Rating level (%)	WAFF[a]	WARR[b]
AAA	27.30	52.65
A	19.51	63.18
BBB	15.07	67.17

[a] Weighted-average foreclosure frequency
[b] Weighted-average recovery rate
Source: Fitch

Default Model Output

The adjacent table illustrates the asset analysis results across different rating scenarios for the fund. Fitch used these weighted-average foreclosure frequency (WAFF) and weighted-average recovery rate (WARR) levels when modelling the transaction cash flows.

Financial Structure and Cash Flow Modelling

The notes issued by the fund are floating-rate and quarterly-paying securities, based on three-month Euribor plus a margin.

Interest and principal collections are handled jointly through a combined priority of payments, as described below. A treasury account, held in the name of the fund at Caja Madrid, receives all incoming cash flows from the mortgage two days after being received by the servicer. Amounts held at the treasury account receive a guaranteed interest rate equal to three-month Euribor. The reserve fund is also held at the treasury account at Caja Madrid (see *Reserve Fund*).

Credit Enhancement (CE)

The CE levels reflect the most severe stress assumptions under the terms and conditions of the transaction. CE analysis accounted for the interest deferral mechanism in place on the series B and C notes, which will redirect funds away from the junior notes and towards the more senior notes. Should the trigger be hit, interest on these notes might not be received for a time and Fitch's ratings address payment of interest by final maturity.

Subordination

Initial CE for the series A to C notes is provided by subordination and a reserve fund, which has been fully funded at closing using a subordinated loan. CE on the series A notes comes from the subordination of the series B notes (8.9%), series C notes (5.0%) and the reserve fund (9.7%). The series B notes' CE is derived from series C and the reserve fund, while series C CE comes only from the reserve fund.

Reserve Fund

A reserve fund, in an amount equivalent to 9.7% of the original note balance, was created at closing through a subordinated loan granted by the seller, which is held in the treasury account at Caja Madrid. On each payment date, the required reserve fund will be the lesser of 9.7% of the original note balance, or the greater of: (i) 19.4% of the remaining principal of the notes; and (ii) 4.85% of the initial balance of the notes, subject to the following conditions:

- the balance of loans more than 90 days in arrears remains below or equal to 1.00% of the outstanding performing collateral;
- on the current payment date, the reserve fund was replenished to its required amount;
- that the weighted-average margin of the loans be more than 0.65%; and
- the deal is at least three years seasoned.

Unhedged Exposure

The notes issued by the fund are linked to three-month Euribor and reset every quarter, while the underlying loans are all variable rate, with annual, semi-annual and quarterly reset dates (90.4%, 8.4% and 1.2% of the pool by value, respectively). The reference indices of the loans are 12-month Euribor, three-month Euribor and 12-month Mibor average (98.6%, 1.3% and 0.1% of the pool by value, respectively). As the fund did not enter into a swap agreement, it is exposed to the resulting basis and interest-rate risk. Fitch considered both the interest-rate mismatches of the base indexes as well as the reset risk resulting from the different reset frequencies in its cash flow modelling.

Excess Spread

Additionally, further excess spread would be generated by the positive differential between the margin received by the loans and that paid by the notes. At closing, the weighted-average margin of the loans after applying the maximum margin reduction was 72bp, the margin at closing without the reduction was 80bp. The weighted-average margin payable by the notes at closing was 35bp.

In addition, further excess spread may be generated by the guaranteed investment contract (GIC) account at Caja Madrid, where monies are accumulated until the next payment date.

Excess spread will be used on a combined basis to pay the different items in the waterfall. Excess spread, after replenishment of the reserve fund and payment of the junior expenses, will flow back to the originator, as explained in the *Note Amortisation* section below.

Note Amortisation

On each quarterly payment date commencing 26 August 2009, the combined ordinary priority of payments will be:

1. expenses, taxes and servicing fees;
2. interest due on the series A1 and series A2(G) notes and reimbursement of interest amounts due on the FTGENVAL guarantee;
3. interest due on the series B notes (if not deferred);
4. interest due on the series C notes (if not deferred);
5. principal redemption on the notes and reimbursement of principal amounts due on the FTGENVAL guarantee in order of seniority (see *Principal Redemption*);
6. interest on the series B notes if deferred, which occurs if the cumulative level of defaults (ie defined as loans in arrears of over 18 months) exceeds 22% of the original collateral balance;
7. interest on the series C notes if deferred, which occurs if the cumulative level of defaults exceeds 12% of the original collateral balance;
8. replenishment of the reserve fund (see *Reserve Fund*); and
9. subordinated amounts, such as the remuneration and reimbursement of the loans to cover start-up expenses and subordinated loans, including interest and principal due.

Principal Redemption

Principal redemption of the notes will be allocated sequentially, beginning with series A1. Once the series A1 notes have been fully redeemed, if there is a series A2(G) principal amortisation deficit, all amounts available will be firstly used to redeem series A2(G) and then to return principal amounts drawn from the FTGENVAL guarantee. If there is no amortisation deficit, amounts will be used firstly to return principal amounts drawn from the FTGENVAL guarantee and then to redeem series A2(G). Once the senior notes have been fully amortised, the B and C series will start to amortise. The documents allow the series A1 and A2(G) notes to amortise pro rata among themselves, and the B and C notes to amortise pro rata with the series A notes if the following conditions are met:

- The series A1 and A2(G) notes will amortise pro rata if the outstanding amount of loans more than 90 days in arrears is above 3.0%. They will amortise pro rata proportionally based on the series A1 outstanding amount, and the series A2(G) outstanding amount plus any monies owed under the FTGENVAL guarantee.
- The required reserve fund is fully funded on the previous payment date.

- The outstanding balance of the B and C notes has increased to 17.8% and 10% from 8.9% and 5% of the outstanding balance of the series A1, A2(G), B and C notes, respectively.
- The total outstanding note balance is equal to or higher than 10% of the initial note balance.
- The current balance of loans more than 90 days in arrears, excluding losses, is less than 1.25% of the outstanding balance of the collateral for series B and 1% for series C.

The final maturity date for the notes is August 2052, the final scheduled maturity date for all loans in the collateral pool.

Call Option

All 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.

Scenario Testing

Fitch has tested the structure under the default distributions described in its criteria report, "*EMEA RMBS Cash Flow Analysis Criteria*", published on 6 May 2009. Different default vectors have been tested, combined with different prepayments (high/low) and different interest-rate environments (rising/stable/decreasing). Assumptions utilised under individual scenarios were in accordance with Fitch's cash flow analysis criteria for RMBS.

To evaluate the contribution of structural elements, such as excess spread, the reserve fund and other factors, Fitch modelled the cash flows from the mortgages based on the WARR and WAFF provided by the loan-by-loan collateral analysis. Recoveries included both interest and principal.

The cash flow model assumes that defaults are spread over the first seven years following origination, starting straight after closing. The analysis simulates the cost of carrying defaulted loans as the difference between the performing balance of the mortgages and the notional note balance. Excess spread, the reserve fund, principal and the benefit of deferring junior interest must be sufficient to cover the cost of carry until recoveries are received after 36 months.

Fitch ran various stress tests on the key variables affecting the cash flows generated by each mortgage portfolio, including prepayment speed, interest rates, default and recovery rates, the timing of recession, weighted-average margin compression and delinquencies. The agency also modelled prepayments, which can affect certain components of a transaction (primarily, they lower the absolute amount of excess spread, which provides an important contribution to the total CE in the structure). However, since the principal repayment is directed towards the senior series, these notes benefit from higher CE as a result of the increase in subordination. Prepayments 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 ages. The high level of prepayments peak at 25.0%, 20.0% and 18.0% under 'AAA', 'A' and 'BBB' scenarios, respectively. The low level of prepayments is modelled at 5.0% per year in all rating scenarios.

Key Parties

- **Originator, Seller and Service of the Collateral:** Bancaja 'BBB+'/'F2'.
- **Fund:** FTGENVAL Bancaja 1, Fondo de Titulización de Activos
- **Sociedad Gestora:** Europea de Titulización, S.A., S.G.F.T.
- **Final Legal Maturity:** August 2052

Counterparty Risk

Seller

Commingling Risk

The seller will transfer collection amounts two days after being received to the fund's account at Caja Madrid to mitigate possible commingling of deposits in the event of a servicer default.

Set-Off Risk

In the event of a default of the seller, the respective series could be affected by the set-off rights of borrowers with deposits in an account held with the seller. According to Spanish law, the set-off risk should cease to be valid following the notification of assignment of the receivable to the other party (ie borrowers), or the bankruptcy of one of the parties. The documents indicate that any amounts set off between the borrowers and the originator will be owed by the originator to the fund, and these will be paid to the fund with any resulting accrued interest.

Servicer

The seller will also perform the role of servicer of the loans, as is the case for all Spanish RMBS transactions. For the protection of investors, if a seller is unable to continue servicing the collateral, the sociedad gestora must appoint a replacement servicing company in accordance with Spanish securitisation law. The situations envisaged for servicer replacement are bankruptcy of the servicer, intervention by the Bank of Spain or liquidation of the servicer.

Cash Bond Administrator

The cash bond administration (CBA) function for this transaction will be carried out by Europea de Titulización, S.A., S.G.F.T., a company regulated and supervised by the Comisión Nacional del Mercado de Valores (CNMV) whose activities are limited to the management of securitisation funds.

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 interests of the noteholders, such as the replacement of the servicer or account bank, according to the terms and conditions of the documentation.

Account Bank

In the structure, Caja Madrid acts as account bank. Concerning the treasury account, if Caja Madrid's short-term rating is lowered below 'F1', the sociedad gestora will be required to take one of the following steps within 30 days: (i) obtain from an entity rated at least 'F1' a first demand guarantee as security for the amounts deposited in the treasury accounts; or (ii) transfer the treasury accounts to an entity rated at least 'F1'.

On 22 October 2009, Fitch published "*Counterparty Criteria for Structured Finance Transactions*" under which Fitch-compliant remedial actions with regards to the account bank and treasury account are governed. The report is available at www.fitchratings.com.

Performance Analytics

The ratings reflect the current risks to the transaction, while performance outside of expectations or the occurrence of certain events may trigger positive or negative rating actions. For more details, please refer to "*EMEA RMBS Surveillance Criteria*", published on 9 April 2009. To ensure that the structure is adequately protected, Fitch will also monitor the credit ratings of the various counterparties.

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. Details of the transaction's performance are available to subscribers at www.fitchresearch.com.

Appendix A: Transaction Comparison

Comparison Table

	AyT ICO-FTVPO III, F.T.A., Series CAI	AyT ICO-FTVPO III, F.T.A., Series Caja Rioja	AyT VPO II. F.T.A.	FTGENVAL Bancaja 1, F.T.A.
Closing date	**July 2009**	**July 2009**	**October 2009**	**May 2009**
Total issuance (EUR)	**133,200,000**	**110,800,000**	**153,000,000**	**300,000,000**
Ratings (%)				
AAA	90.84	90.25	89.97	86.10
AA-	5.48	5.23		
A			5.29	8.9
A-				
BBB				5.0
BBB-	3.68	4.51	4.74	
Initial reserve (% of initial balance)	4.35	7.40	7.4	9.70
Target reserve (% of current balance)	4.35	7.40	7.4	9.70
WAFF (%)				
AAA	20.56	23.28	25.58	27.30
AA	16.93	19.17	21.07	23.23
A	14.51	16.43	18.06	19.51
BBB	9.67	10.96	12.04	15.07
BB	4.84	5.48	60.02	10.99
WARR (%)				
AAA	56.17	53.86	65.72	52.65
AA	65.48	62.36	73.66	59.17
A	71.14	67.75	78.35	63.18
BBB	77.56	73.59	83.21	67.17
BB	84.98	80.81	88.88	71.94
Portfolio selected at closing				
Collateral balance (EUR)	133,802,464	111,290,070	154,432,991	300,013,825
Number of borrowers	2,197	1,692	3,481	1,935
Average current balance per borrower (EUR)	60,902	65,774	44,365	155,046
WA seasoning (months)	49.7	50.2	64.2	11.6
WA remaining term to maturity (years)	17.6	17.9	15.6	31.9
(%)				
WA interest margin	0.15	0.13	0.04	0.80
WA OLTV	78.2	79.9	74.7	72.2
WA DTI	38	45	40	35.5
Self-employed	36	25	39	19
Second homes	2.1	0.6	0	0
WACLTV (%)	66.5	68.2	59.0	70.0
WACLTV (indexed values) (%)	66.5	68.4	59.1	71.2
WAOLTV >80%	26.5	27	14.3	17.0

Source: Transaction documents and Fitch

Appendix B: Servicing and Origination

Bancaja

Bancaja is the parent bank of Spain's sixth-largest banking group. It is the result of the mergers of four savings banks from the Autonomous Community of Valencia (Valencia) between 1989 and 1993. It holds a 38.4% stake in a predominantly regional bank, Banco de Valencia (rated 'BBB+'/Outlook Stable), which is fully consolidated into Bancaja. Its activities are centred in the Valencia region, but expansion has led to 42% of the group's 1,591 branches at end-2008 being situated outside Valencia.

Origination — Business Sources, Key Origination Points

Mortgages are originated mostly via Bancaja's branch network and via subrogations of developer loans, representing approximately 53% and 22% of origination, respectively. The remaining 25% has been originated via brokers and other intermediaries. Bancaja has indicated that it has reduced broker originations in recent years.

Underwriting

Mortgage loans to individuals are underwritten either via Bancaja's centralised approval unit called "Centro Hipotecario" or by the branches, which have a maximum approval limit of EUR600,000.

Credit analysis of mortgage loans to individuals is based on a credit scoring system that Bancaja started to develop 25 years ago; the system has been mandatory since 2001. The underwriting process uses a single electronic template, which is uniform for all applications; data is input directly into the scoring system, which generates three possible outcomes. If the scoring result is "approve", the loan is automatically approved. If the result is either "doubtful" or "reject", then the branches cannot approve the loan and it is manually processed by Centro Hipotecario. Bancaja has a separate behavioural scoring system for existing clients.

Underwriting Process and Systems

Bancaja has a general maximum DTI of 45%, based on debt service for all outstanding debts over net income (minus ordinary household expenses). However, Fitch has been informed that the DTI is normally capped at 40%. In the case of non-residents, this ceiling has been reduced as remittances are taken into account among ordinary expenses.

The maximum general original loan-to-value (OLTV) is limited to 80% for first homes and 70% for second homes.

All mortgage loans are subject to a full appraisal. The bank's preferred appraisal firms are TINSA, which accounts for 90% of Bancaja's valuations, and Sociedad de Tasacion, which does the remaining 10%. In principle, valuations by third parties are not accepted.

Loan terms are limited to a maximum of 40 years provided the loan tenor plus the borrower's age is less than 75 years.

Grace periods at origination are normally limited to three years.

With regards to credit checks prior to loan approval, Bancaja relies on CIRBE, RAI and Experian. These are carried out automatically by the scoring application.

Servicing

Bancaja has automatic alert systems in place to monitor the credit performance of its mortgage book. Regular checks are carried out and these include: current amounts reported in Experian; issued and received cheques rejected in the last 60 days; average quarterly overdraft amount; and CIRBE increases in total risk position and guarantees.

Servicing procedures are as follows: loans one to 30 days in arrears are managed at the branch level with calls and letters to the borrower at days 10 and 30. Additionally, an SMS is sent on day 20.

From days 30 to 90, the process is externalised to ACINSA, a specialist recovery company 23% owned by Bancaja that will carry out phone calls and visits as well as send letters to reach an agreement. SMS are further sent at days 35 and 45.

In cases where borrowers have been previously delinquent, the process is accelerated and by day 60 the legal process may begin and the arrears department becomes involved in the recovery process.

At day 75, it is decided to either start legal proceeding or to try to reach an agreement with the borrower. Only in cases where it is not economically worthwhile to start legal proceedings will the loan be considered as defaulted at this point.

At this point, Bancaja's legal department takes over the responsibility of managing the recovery process of the loans in arrears. When preparing the legal documentation, ACINSA will continue to try to reach an agreement with the borrower.

By day 120, legal proceedings start for all delinquent loans. The legal process up to final recovery takes up to 12 months.

From the end of this process, once the asset has been repossessed and sold, the arrears department takes over the responsibility of managing the recovery process of any debt outstanding.

Appendix C: Transaction Overview

FTGENVAL Bancaja 1, Fondo de Titulizacion de Activos — Spanish/RMBS

Series	Rating	Size (%)	Size (EURm)	CE (%)	Interest rate	PMT freq.	Final legal maturity	Margin (%)	ISIN
A1	AAA	29.43	88.30	23.60	3m Euribor	3 months	August 2052	0.32	ES0339721005
A2(G)	AAA	56.67	170.0	23.60	3m Euribor	3 months	August 2052	0.30	ES0339721013
B	A	8.9	26.70	14.70	3m Euribor	3 months	August 2052	0.50	ES0339721021
C	BBB	5.00	15.00	9.70	3m Euribor	3 months	August 2052	0.80	ES0339701039
Cash reserve		9.70	29.10						
First interest payment date		26 August 2009							

Source: Fitch

Key Information

Closing date	28 May 2009	**Parties**	
Country of assets	Spain	Seller/originator	Bancaja
Country of SPV	Spain	Servicer	Bancaja
Structure	Pass-through, combined waterfall	Arranger	Europea de Titulización
Analysts	Carlos Masip, carlos.masip@fitchratings.com	Lead manager	Europea de Titulización
	Gaston Wieder, gaston.wieder@fitchratings.com	Principal paying agent	Bancaja
		Cash collection accounts provider	Caja Madrid
		Swaps counterparty	n.a.

Source: Transaction documents

Summary

Rating drivers

- Unhedged structure
- High geographical concentration in the Community of Valencia
- Recent vintage pool with limited seasoning

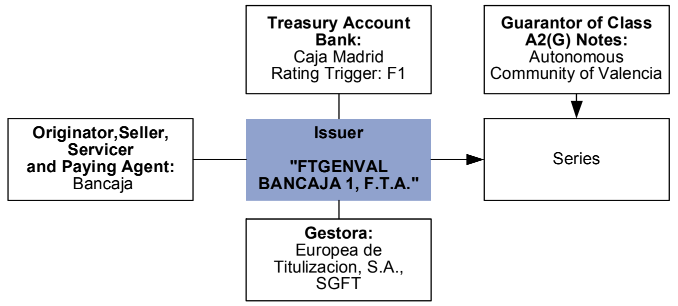
Source: Transaction documents

Fitch Default Model Output

Rating level (%)	AAA	A	BBB
WAFF	27.30	19.51	15.07
WARR	52.65	63.18	67.17

Source: Fitch

Simplified Structure Diagram



Source: Transaction documents

Collateral Summary

Provisional pool characteristics (as of closing)

Original principal balance (EUR)	315,463,272	**Regional concentration (%)**	
Current principal balance (EUR)	300,013,825	Community of Valencia	53.8
Average current loan per borrower (EUR)	155,046		
Number of borrowers	1,935		
Number of loans	1,935	**Mortgage characteristics**	
Seasoning (months)	16.4	Loans in principal grace period (%)	6.2
Current loan-to-value (LTV) (%)	70.0	First-ranking Loans	100
WA OLTV (%)	72.2	Jumbo	12.0
		Re-mortgages	2.3
		Payments	
		Payment frequency	Monthly, quarterly and semi-annual
		Payment method	Direct debit
Interest-rate type	12-month Euribor, 3-month Euribor	Loans 0-30 days in arrears (%)	2.2
Floating-rate loans (%)	100	WA DTI (%)	35.5 (estimated)
		Employment status (% of self-employed)	18.6 (estimated)
WA interest margin (%)	0.80		
Interest rate (%)	5.82		

Source: Transaction documents