BANCAJA – BVA VPO 1, Fondo de Titulización de Activos

RMBS / Spain

Closing Date
7 April 2009

Contacts
Mario Tarín
+34 91 702 6634
Mario.Tarin@moodys.com
Luis Mozos
+34 91 702 6615
Luis.Mozos@moodys.com

Client Service Desk
London: +44 20 7772 5454
Madrid: +34 91 414 3161
clientservices.emea@moodys.com
New York: +1 212 553 1653

Monitoring
monitor.rmbs@moodys.com

Website
www.moodys.com

DEFINITIVE RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	**Aaa**	€371.40	95.23	July 51	3mE + 0.30%
B	**A1**	€7.80	2.00	July 51	3mE + 0.70%
C	**Baa2**	€5.10	1.31	July 51	3mE + 1.20%
D	**Ba3**	€5.70	1.46	July 51	3mE + 2.00%
Total		€390.00	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. 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. 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 on Series A, B, C and D.

OPINION

Strengths of the Transaction

- 85.60% of the pool is backed by VPO (Social Housing) properties, which have historically exhibited less volatility in prices.
- Relatively good collateral characteristics in terms of weighted-average loan-to-value (LTV) (66.91%) and seasoning (4.31 years).
- 100% of the loans are paid monthly via direct debit.
- Second-lien products and second residences are not included in the pool.
- No flexible loans are included in the pool.
- At closing, no loan was in arrears for more than 30 days. Additionally, none of the loans included in the pool have been in arrears for more than 90 days during the past year.
- An excess spread-trapping mechanism through an 18-month "artificial write-off" is in place.
- Swap to hedge interest rate risk in the transaction that also secures the weighted-average interest rate on the notes plus 50 bps.
- Reserve fund fully funded up-front to cover potential shortfalls in interest and principal.

Weaknesses and Mitigants

- Geographical concentration in the Region of Valencia (79%), a natural consequence of the location of the originator, and mitigated in part by the fact that this is the region where this financial institution has its greatest expertise.
- Around 10% of high LTV loans (over 80%) in the free market sub-pool.
- The pro-rata amortisation of Series B, C and D leads to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which interrupt the pro-rata amortisation of the notes if the performance of the transaction deteriorates.
- The deferral of interest payments on each of Series B, C and D benefits the repayment of the series senior to each of them, but increases the expected loss on Series B, C and D themselves. The ratings have been assessed accordingly to

account for this deterioration on the expected loss.

- If the debtor becomes unemployed, he can request that his loan is frozen. The interest will be capitalised but the total new loan amount will never exceed the original balance. However, granting this feature is expected to be subject to the servicer's approval. At present, no borrower has requested this option. This is similar to a holiday payment (once this period has elapsed the debtor will have to face a higher instalment and that payment shock generates additional risk), and Moody's has taken an assumption on expected unemployment and added a penalty in the Aaa credit enhancement calculation.
- Various uncertainties about the VPO market:
  - A significant uncertainty in the VPO market comes from the complexity of establishing the house price which makes its evolution and volatility difficult to predict. There is also less historical information available on the historical house price evolution compared with the free market.
  - In a foreclosure situation, the affected property would not be subject to transferability limitations but any economic aid received by the debtor (plus the corresponding legal interest) may need to be returned to the Government by the financial entity according to the collaboration agreements. Moody's understands that this responsibility is not transferred to the *Fondos* and, in any case, the originators would only need to pay amounts back if recoveries were to exceed the mortgage debt.
  - The different housing plans establish a time limit on the transferability of the VPO properties to avoid any type of fraud (typically five years in plans before the 1998-2001 plan and 10 years from that plan onwards, although it can vary depending on the region). Consequently, the owner of a VPO property cannot sell it (even if complying with the maximum legal price criteria), transfer the ownership or let it before a certain number of years have elapsed. Therefore, unlike in the free market, an obligor with financial problems will be unable to sell the property to repay the mortgage. Moody's has included an adjustment in its modelling to be applied to those loans backed by VPO properties with this limitation.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	BANCAJA - BVA VPO 1, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja, **A2**/**P-1**, 85.9% of the final pool), Banco de Valencia (Banco de Valencia, **A3**/**P-2**, 14.1% of the final pool).
Servicer:	Bancaja, Banco de Valencia
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	23 January, 23 April, 23 July, 23 October
	First payment date: 23 July 2009
Credit Enhancement/Reserves:	Excess spread
	Reserve fund
	Subordination of the notes
	Guaranteed Investment Contract (GIC) account
GIC Account Provider:	Bancaja
Hedging:	Interest Rate Swap to cover interest rate risk and guaranteeing the weighted average interest rate on the notes plus 50 bps
Interest Rate Swap Counterparty:	Bancaja
Paying Agent:	Bancaja
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)
Arranger:	Bancaja

COLLATERAL SUMMARY (AS OF 3 APRIL 2009) *(see page 8 for more details)*

Receivables:	Loans granted to individuals secured by a first-lien mortgage guarantee
Total amount:	€390.05 million
Number of Contracts:	6,905
Geographic Diversity:	Valencia (78.82%), Castilla La Mancha (4.96%), Murcia (4.68%)
WA Remaining Term:	18.15 years
WA Seasoning:	4.31 years
WA current loan-to-value:	66.91% (10.25% over 80%)
Interest Basis:	100% floating
WA Interest Rate:	4.91%
Delinquency Status:	No loans more than 30 days in arrears at the time of securitisation
Milan Aaa CE range:	7.35%
Moody's Expected Loss range:	1.90%

TRANSACTION SUMMARY

Cash securitisation of loans granted to individuals and secured by a first-lien mortgage guarantee (85.60% of the pool is backed by VPO properties)

The products being securitised are first-lien mortgage loans granted to individuals, all of whom are using these loans to acquire properties located in Spain. 85.60% of the pool is backed by VPO (Social Housing) properties.

All of the mortgage loans were originated by Bancaja and Banco de Valencia, which will continue to service them.

The reserve fund will be funded with the proceeds from a subordinated loan granted by the originator. Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the securitised pool excess spread. The transaction also incorporates a swap agreement that will hedge the *Fondo* against the risk derived from having different index reference rates and reset dates on the assets and on the notes.

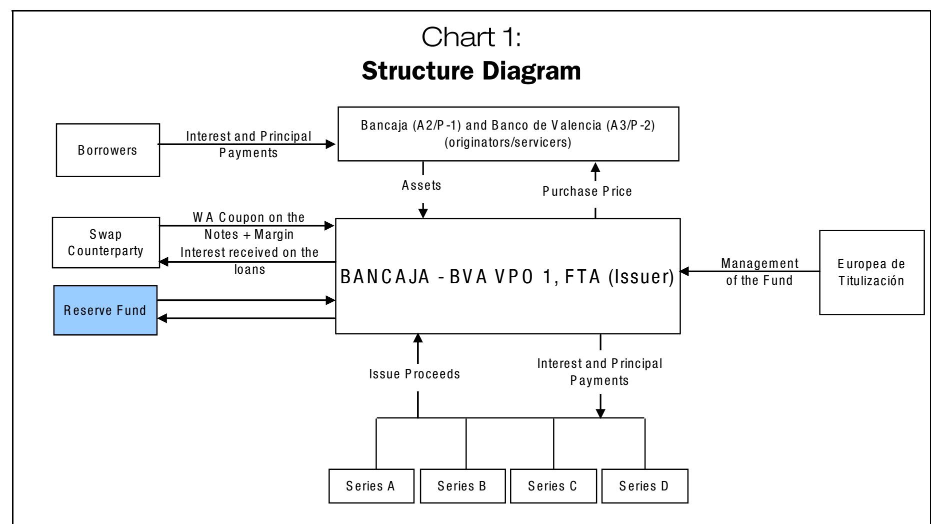
In addition, the *Fondo* will benefit from a €2.1 million subordinated loan provided by Bancaja to fund the up-front expenses, the costs of issuing the notes, and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

[The Spanish Government announced on 4 November 2008 a package of aid to assist unemployed, self employed and pensioner borrowers through a form of mortgage subsidy aid. It is unclear how this package will be implemented, and also if it is implemented, how this transaction would be affected, although both liquidity and credit implications are possible on this portfolio. However, any implications on the ratings will ultimately depend on the actual financial aid conditions which are approved.

Moody's bases the ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information; (iii) the swap agreement partially hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Standard capital structure, incorporating the following key features: an interest rate swap hedging the interest rate risk and deferral of interest based on accumulated level of written-off loans



Interest rate swap guaranteeing the interest rate of the notes plus 50 bppa of excess spread

According to the swap agreement entered into between the Fondo and Bancaja, on each payment date:

- The Fondo will pay the interest actually received from the loans over the previous determination period
- The Swap counterparty (Bancaja) will pay the weighted-average coupon on the notes plus 50 bppa, over a notional calculated as the daily average outstanding amount of the non-written-off loans not more than 90 days in arrears during the previous determination period

If the swap counterparty's long-term rating is downgraded below A2 (or the short-term rating below P-1), it will have to (i) collateralise its obligation under the swap; and/or (ii) find a suitably rated guarantor or substitute.

Non amortising reserve fund fully funded at closing

The reserve fund (€7.6 million, 1.81% of the issuance amount) will initially be funded from the proceeds of a subordinated loan granted by Bancaja and Banco de Valencia. It will be used to cover any potential shortfall in either interest or principal during the life of the transaction.

The amount requested under the reserve fund will not be reduced under any circumstances during the life of the transaction.

GIC provides an annual interest rate equal to the index reference rate of the notes

The treasury account will be held at Bancaja. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Triggers are in place to protect the treasury account from a possible downgrade of Bancaja's short-term rating. If Bancaja's short-term rating falls below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 days:

1. Find a suitably rated guarantor or substitute.
2. Only if option 1 not available, invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Bancaja guarantees an annual yield on the amounts deposited in the treasury account equal to the index reference rate of the notes.

Limitations on the renegotiation of the loan

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Exceptionally, the management company authorises Bancaja to renegotiate the interest rate or maturity of the loans without requiring its approval. However, Bancaja will not be able to (i) renegotiate the spread of any loan if the respective weighted-average spread of the pool is below 70 bps per annum; (ii) renegotiate any loan interest rate from floating to fixed; or (iii) extend the maturity later than 15 October 2047. Moreover, the renegotiation of the maturity of the loans is subject to the following conditions:

- The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
- The frequency of payments cannot be modified.
- The amortisation system and the reset frequency cannot be modified.

Subsidy implications on VPO loans and mitigants in the structure

There is a lag in the payment of the subsidies incurred by the Housing department for both interest and principal on the VPO loans.

This has been mitigated by covering both subsidised and non-subsidised portions of interest through the interest rate swap, and by defining the outstanding balance of the securitized loans as per the amounts actually received in the treasury account. The subsidised portion of principal will not be deducted from the outstanding balance of a loan until actually cashed in the treasury account.

Payment structure allocation

On each quarterly payment date, the *Fondo's* available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1. Costs and fees, excluding the servicing fee (except in the case of Bancaja or Banco de Valencia being replaced as servicer of the loans)
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party
3. Interest payment to Series A
4. Interest payment to Series B (if not deferred)
5. Interest payment to Series C (if not deferred)
6. Interest payment to Series D (if not deferred)
7. Retention of an amount equal to the principal due under Series A to C notes
8. Interest payment to Series B (if deferred)
9. Interest payment to Series C (if deferred)
10. Interest payment to Series D (if deferred)
11. Replenishment of the reserve fund
12. Termination payment under the swap agreement (except in the cases contemplated in 2) above)
13. Junior payments

In the event of liquidation of the *Fondo*, the payment structure will be modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Principal due allocation mechanism

Until the payment date on which the initial amount of Series B, C and D exceeds 4.000%, 2.615% and 2.923%, respectively, of the outstanding amount of Series A, B, C and D, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

1. Amortisation of Series A
2. Amortisation of Series B
3. Amortisation of Series C
4. Amortisation of Series D

Amortisation of Series B, C and D will not take place on any payment date on which any of the following events occur:

- The arrears level exceeds 1.10%, 0.85% and 0.60% for Series B, C and D, respectively
- The reserve fund is not funded at the required level
- The outstanding amount of the non-written-off loans is lower than 10% of the initial amount of the pool

Interest deferral trigger based on accumulated amount of written-off loans

The payment of interest on the Series B, C and D Notes will be brought to a more junior position if, on any payment date, the following criteria are met with respect to each of the notes:

Series B:	– The accumulated amount of written-off loans is higher than 12% of the initial amount of the assets pool – Series A are not fully redeemed
Series C:	– The accumulated amount of written-off loans is higher than 10% of the initial amount of the assets pool – Series A and B are not fully redeemed
Series D:	– The accumulated amount of written-off loans is higher than 8% of the initial amount of the assets pool – Series A, B and C are not fully redeemed

Principal due to the notes incorporates an 18-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (i) the outstanding amount of the notes; and (ii) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most important 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.

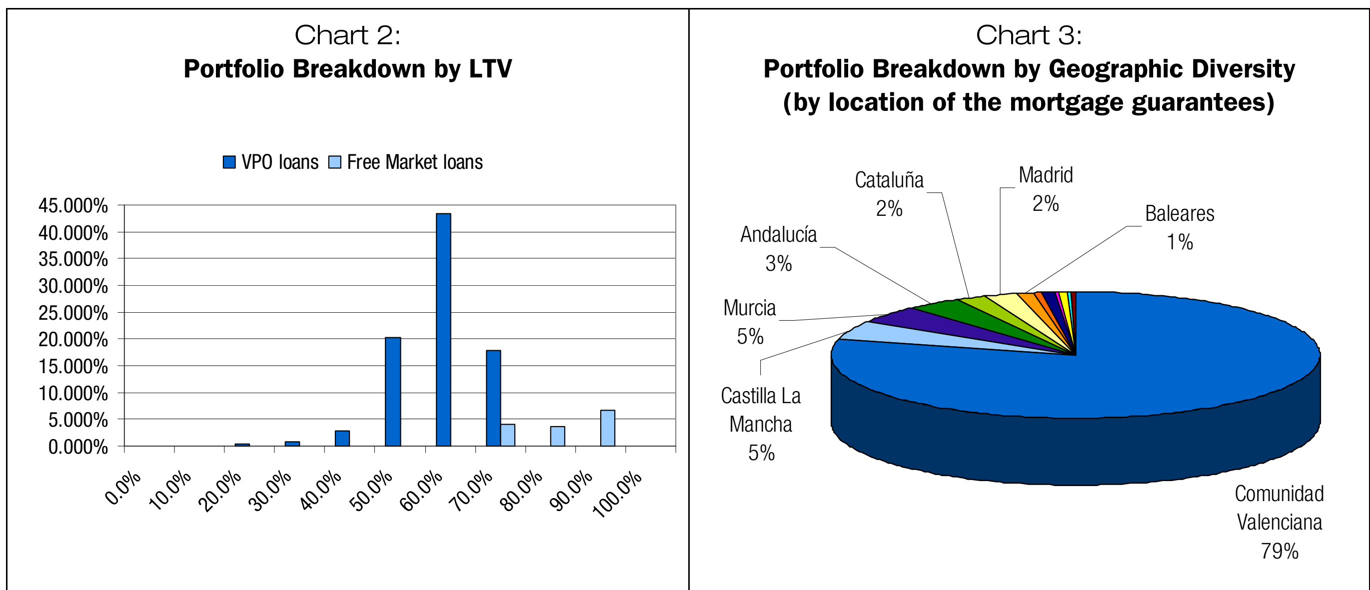
A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

COLLATERAL

Pool of loans granted to individuals and secured by a first-lien mortgage guarantee over properties situated in Spain

The final pool comprises 6,905 loans. They have been originated by Bancaja (85.9% of the provisional pool) and Banco de Valencia (14.1% of the provisional pool) in theirs normal course of business, and have the following characteristics:

- 100% of the portfolio corresponds to first home properties (owner-occupied).
- All the mortgaged properties are fully developed.
- The loans are repaid monthly by direct debit and have accrued at least one instalment.
- No loan incorporates any type of balloon payments or deferred payments of interest.
- None of the loans has been granted to an employee of the originator.
- The loans were originated between 1999 and 2007, with a weighted-average seasoning of 4.31 years and a weighted-average remaining term of 18.15 years. The longest loan matures in October 2047.
- Around 2% of loans are granted to new residents in Spain.
- 100% of the loans are linked to a floating interest rate. The weighted-average interest rate of the pool is 4.912%.
- All the loans are secured by a first-lien mortgage guarantee on residential properties with a current LTV lower than 100%. The current weighted-average LTV is 66.91% (see break down in Chart 2). 10.25% has an LTV above 80%.
- In terms of debtor concentration, the pool is quite granular: the highest exposure is 0.17% of the amount of the issuance.
- Geographically, the pool is concentrated in the Region of Valencia (78.82%), a natural consequence of the location of the originators involved in the transaction (see break down in Chart 3).



Characteristics of loans backed by VPO properties

The loans backed by VPO properties belong to National Plans 1998-2001 (29.37%) and 2002-2005 (56.23%). Table 1 shows an overview of the main characteristics of these National Plans.

Table 1:

Main characteristics:	**National Plan 1998-2001**	**National Plan 2002-2005**
New constructed houses for families with annual incomes below average	€27,045	5.5 x SMI
Transferability limitation	10 years	10 years
Declassification not before	15 years	15 years
Maximum income to enjoy the subsidy	€27,045	4.5 x SMI (€31,909)
Subsidies (%) options	5%-10%-15%-20%-30%	From 5% to 45% (by +5% steps)
Subsidies (max duration)	2-3-5-10-15 yrs (for each % above)	10yrs (except for 5%-10% -> 5 yrs)

***SMI: minimum salary established for a full-time employee in Spain. Currently named IPREM.*

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Bancaja, Spain's sixth-largest financial institution by assets, has an active presence in the Spanish securitisation market

Bancaja (**A2**/**P-1**/**C**) is the sixth-largest financial institution and the third-largest savings bank in Spain by assets, with total assets of €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.

Banco de Valencia's rating has been downgraded from A2 to A3

Moody's downgraded Banco de Valencia's long-term bank deposit and senior debt ratings to **A3** from **A2** on 4 November 2008. Its short-term debt and deposit ratings were also downgraded to Prime-2 from Prime-1. The outlook on the BFSR is now stable.

The outlook on the long-term debt and deposit ratings is negative.

The downgrades of Banco de Valencia's ratings were prompted by the combination of the following factors:

1. Ongoing liquidity constraints as the disruption in access to wholesale funding continues to put pressure on the bank's liquidity position in the form of an increased reliance on short-term funding, namely on the more volatile interbank market.
2. Its high exposure to the real estate and construction sectors, and large concentration per borrower, with the majority of the largest exposures being to real estate developers or construction companies.
3. The rapid deterioration in the bank's asset quality indicators, in terms of its exposures not only to real estate developers but also to households on the back of both the weakening operating environment and rising unemployment.

Banco de Valencia's non-performing loan ratio stood at 1.85% in September 2008 and the coverage ratio was 120.13%, compared to 0.6% and 317.5% respectively in December 2007. Although its asset quality indicators compare favourably with those of similarly rated peers, Moody's views the rapid increase in problem loans registered during the first three quarters of the year 2008 with concern and cautions that a further deterioration could have a negative impact on Banco de Valencia's risk absorption capacity, chiefly in terms of profitability and capitalisation ratios.

The negative outlook on the debt and deposit ratings reflects Moody's concerns that Banco de Valencia's liquidity position will continue to be under pressure – with a strong bias on short-term funding – as long as access to long-term wholesale funding remains closed and that its asset quality is likely to deteriorate further given the weakening operating environment and negative economic prospects in Spain.

In addition, Banco de Valencia appears more vulnerable than other Spanish rated banks to a sharper downturn than anticipated to date in the real estate market. According to Moody's assessment of the bank's various risk drivers of its loan portfolio, the bank has a high credit risk profile, deriving from its exposure to non-mortgage guaranteed loans to real estate developers, high borrower concentration and exposure to geographical areas with a greater expected deterioration in asset quality, namely the Mediterranean region.

Bancaja's and Banco de Valencia´s duties as originators and servicers

Bancaja and Banco de Valencia originated the loans in theirs normal course of business according to their internal underwriting policies at the time of origination. Moody´s considers that these policies were in line with the standard market practice in the Spanish mortgage market.

Bancaja and Banco de Valencia will act as servicers of the loans, and will transfer the proceeds from the loans to the treasury account within the following 48 hours and 24 hours, respectively, upon payment from the borrowers. Moody´s considers both Bancaja and Banco de Valencia capable servicers of the loans.

However, if Bancaja´s or Banco de Valencia´s long-term rating falls below Baa3, they will have to either make a deposit or put in place a liquidity line to partially cover one month's commingling risk.

If one servicer is declared bankrupt, fails to perform its obligations as servicer or is affected by a deterioration in its financial situation, either it or the management company will have to designate a suitable institution as guarantor of Bancaja's/Banco de Valencia´s obligations under the servicing agreement, or even as new servicer.

Likewise, the management company may require the servicers, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. If the relevant servicer fails to comply with this obligation within five business days, the notification would then be carried out by the management company.

Paying Agent

Bancaja will act as paying agent of the *Fondo*. If Bancaja's short-term rating falls below **P-1**, it will within 30 days have to be replaced in its role as paying agent by a suitably rated institution.

Management Company

Europea de Titulización is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. Banco Bilbao Vizcaya Argentaria (BBVA) accounts for 86% of the capital of the gestora (trustee). Currently Europea de Titulización carries out the management of 103 securitisation funds.

MOODY'S ANALYSIS

Moody's Updated Methodology for Rating Spanish Government Sponsored Housing (VPO) RMBS

Moody's initially analysed and monitors this transaction using the rating methodology for EMEA RMBS transactions as described in the Rating Methodology reports "Moody's Updated Methodology For Rating Spanish Government Sponsored Housing (VPO) RMBS", January 2009 and "Cash Flow Analysis in EMEA RMBS: Testing Structural Features With the MARCO model", January 2006.

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the MILAN model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain. The sum of the loss experienced per note Class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

The Aaa CE number is determined by using MILAN, Moody's loan-by-loan model for rating RMBS transactions

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This credit enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

The MILAN model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted-average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

Modelling assumptions for the transaction

The "Aaa CE" number and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE" number.

– The key parameters used to calibrate the loss distribution curve for this portfolio include a MILAN **Aaa CE** of 7.35%, and an **Expected Loss** of 1.90%

MARCO, Moody's cash-flow model, is used to assess the impact of the structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyser of Residential Cash-Flows (MARCO), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced by each note Class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

Structural Analysis

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

RATING SENSITIVITIES AND MONITORING

Moody's publishes periodic updates: performance overviews for each transaction

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

The ratings of the notes depend on the portfolio performance and the ratings of the main counterparties. The **main performance triggers** in the transaction are the following:

– Interest deferral triggers on Series B, C and D (based on cumulative amount of written-off credit rights)
– Trigger to switch pro-rata amortization of Series A, B, C and D to sequential (based on delinquencies)

Europea de Titulización has committed to provide Moody's with access to a website from which a report containing at least annual pool level performance and payments to the notes data can be obtained. Moody's considers the amount of data currently available on the website to be acceptable for monitoring collateral performance, although further improvements will be encouraged. If Moody's access to the website is curtailed or adequate performance information is not otherwise made available to Moody's, Moody's ability to monitor the ratings may be impaired. This could negatively impact the ratings or, in some cases, Moody's ability to continue to rate the Notes.

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

For updated monitoring information, please contact monitor.RMBS@moodys.com

RELATED RESEARCH

Visit moodys.com for further details

For a more detailed explanation of Moody's rating approach to this type of transaction, similar transactions and performance data, please refer to the following reports:

Rating Methodology

- Moody's Updated Methodology For Rating Spanish Government Sponsored Housing (VPO) RMBS, January 2009 (SF151453)
- Moody's Updated Methodology for Rating Spanish RMBS, July 2008, (SF133138)
- Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model (Moody's Analyser of Residential Cash Flows), January 2006 (SF58290)
- Moody's Approach to Rating Spanish RMBS: The "MILAN" Model, March 2005 (SF49068)

Special Report

- Spanish RMBS Q1 2008 Indices, May 2008 (SF133019)
- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
- Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities,March 2002 (SF12700)

Pre-Sale Reports

- BANCAJA 3 Fondo de Titulización de Activos, July 2002 (SF15342)
- BANCAJA 4 Fondo de Titulización Hipotecaria, October 2002 (SF17013)
- BANCAJA 5 Fondo de Titulización de Activos, April 2003 (SF20977)
- BANCAJA 6 Fondo de Titulización de Activos, November 2003 (SF27860)
- Valencia Hipotecario 1, Fondo de Titulización de Activos, April 2004 (SF35750)
- BANCAJA 7 Fondo de Titulización de Activos, June 2004 (SF39498)
- Valencia Hipotecario 2, Fondo de Titulización de Activos, November 2005 (SF65627)
- BANCAJA 9 Fondo de Titulización de Activos, January 2006 (SF67907)
- Valencia Hipotecario 3, Fondo de Titulización de Activos, November 2006 (SF85542)
- BANCAJA 10 Fondo de Titulización de Activos, January 2007 (SF89229)
- BANCAJA 11 Fondo de Titulización de Activos, June 2007 (SF101560)
- Valencia Hipotecario 4, Fondo de Titulización de Activos, December 2007 (SF118076)
- BANCAJA 13 Fondo de Titulización de Activos, December 2008 (SF155102)
- Valencia Hipotecario 5, Fondo de Titulización de Activos, December 2008 (SF155755)

Performance Overviews

– BANCAJA 1
– BANCAJA 2
– BANCAJA 3
– BANCAJA 4
– BANCAJA 5
– BANCAJA 6
– BANCAJA 7
– BANCAJA 9
– BANCAJA 10
– BANCAJA 11
– Valencia Hipotecario 1
– Valencia Hipotecario 2
– Valencia Hipotecario 3
– Valencia Hipotecario 4
– Valencia Hipotecario 5

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 available. All research may not be available to all clients.

SF163731isf

CREDIT RATINGS ARE MIS'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors and affiliates (together, "**MOODY'S**"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT**. All information contained herein is obtained by **MOODY'S** from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and **MOODY'S**, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall **MOODY'S** have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of **MOODY'S** or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if **MOODY'S** is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER**. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by **MOODY'S** have, prior to assignment of any rating, agreed to pay to **MOODY'S** for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations – Corporate Governance – Director and Shareholder Affiliation Policy."