RMBS/Spain
Presale Report

Bancaja 6, Fondo de Titulización de Activos

Expected Ratings*

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A1	130	Feb 2036	AAA	9.9
A2	1,783.6	Feb 2036	AAA	9.9
B	119.6	Feb 2036	A	4.15
C	46.8	Feb 2036	BBB-	1.9

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* Expected ratings do not reflect final ratings and are based on information provided by issuer as of 31 October 2003.

■ Summary

This transaction is a securitisation of residential mortgage loans originated in, and secured on property located in, Spain. Fitch Ratings ("Fitch") has assigned expected ratings to the notes issued by Bancaja 6, Fondo de Titulización de Activos ("Bancaja 6" or "the fund") as indicated on the left.

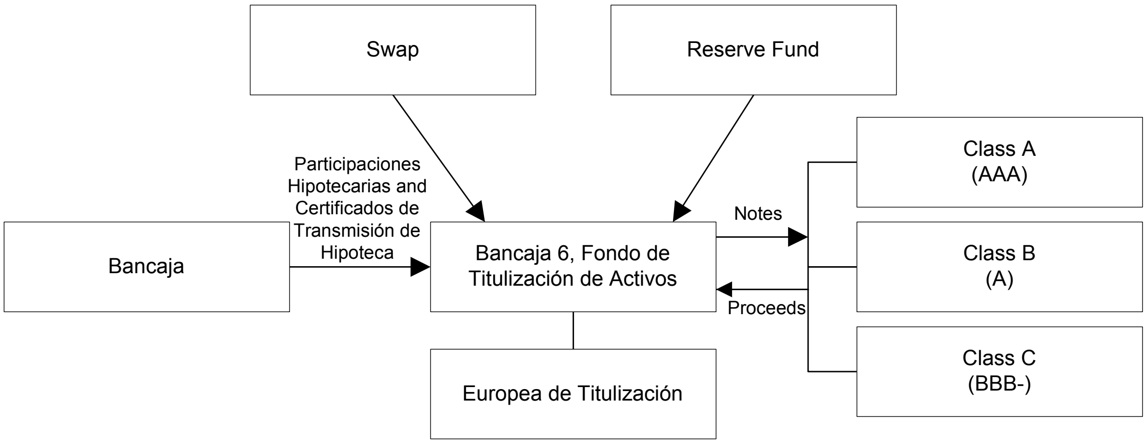
At closing, Bancaja 6 will issue notes backed by a portfolio of residential mortgage loans originated by Caja de Ahorros de Valencia, Castellón, y Alicante Bancaja ("Bancaja" or the "Seller" rated 'A+/F1' by Fitch), which will continue to service the mortgages. Bancaja 6 is regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to transform the mortgage loan participations acquired from the seller, Bancaja, into fixed-income securities. The participations will be subscribed by Europea de Titulización, S.A., S.G.F.T. ("sociedad gestora") on behalf of Bancaja 6. The sociedad gestora is a corporation whose activities are limited to the management of asset-backed notes.

Bancaja is the third-largest savings bank and the sixth-largest financial institution by assets in Spain. It has traditionally focused on the region of Valencia, and residential mortgages are one of its core businesses.

The ratings are based on the quality of the collateral, the underwriting and servicing of the mortgage loans, available credit enhancement and the sound legal and financial structures. Initial credit enhancement for the class A notes, totalling 9.9%, is provided by the class B and C notes and the reserve fund. Initial credit enhancement for the class B notes, totalling 4.15%, is provided by the class C notes and the reserve fund. Credit enhancement for the class C notes, totalling 1.90%, is provided by the reserve fund. In addition to subordination and the reserve fund, the transaction also benefits from the 0.55% excess margin guaranteed by the swap.

To determine appropriate levels of credit enhancement, Fitch analysed the collateral using a loan-by-loan mortgage default model specific to Spain. Fitch also modelled the cash flow contribution from excess interest using as input the stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Structure Diagram



Source: Transaction documents

■ Credit Committee Highlights

- Gross excess spread guaranteed at 0.55% per annum by an interest rate swap.

- Bancaja is already the originator of several RMBS transactions, which are similar in structure and portfolio (Bancaja 3, 4 and 5). Loan to value ("LTV"), however, has been increasing with each new securitised pool (original LTV of 75.3% and current LTV of 69.9% in the previous transaction against 84.4% and 78.4%, respectively, in this transaction). The risk implied by higher LTVs is accounted for by Fitch in its higher default probabilities.

- Some 59.4% of the portfolio is located in the Comunidad of Valencia. To mitigate this concentration risk, Fitch has stressed default probabilities for the loans concerned.

- Portfolios originated by Bancaja and securitised in earlier transactions have all performed well, with arrears over 60 days remaining well below 30bp of outstanding loan balance.

■ Financial Structure

Classes A, B and C will pay interest quarterly in arrears at a floating rate based on three-month EURIBOR plus a margin.

The mortgages will continue to be serviced by Bancaja, acting as the administrator. Amounts received from the mortgages will be transferred by Bancaja into the fund's treasury account every 10 days or, if deemed necessary by the sociedad gestora, on a more frequent basis. If Bancaja's short-term rating falls below F1, the sociedad gestora will have to take one of the following steps within 10 days:

1. appoint a counterparty, rated at least F1, to guarantee Bancaja's obligations under the treasury account agreement;
2. transfer the treasury account to a counterparty rated at least F1;
3. if 1 and 2 are not achievable, the sociedad gestora will invest the funds in the account in EUR notes, rated at least F1, with a maximum maturity of three months.

Priority of Payments

Revenue payments will be allocated, prior to enforcement, on each distribution date in the following priority of payments:

i. the fund's senior fees and expenses;
ii. payments due under the interest rate swap agreements;
iii. interest due on the class A notes;
iv. interest due on the class B notes, if not deferred;
v. interest due on the class C notes, if not deferred;
vi. replenishment of the reserve fund;
vii. principal redemption to amortise the notes (see page 3);
viii. replenishment of the reserve fund
ix. interest due on the class B notes, if deferred;
x. interest due on the class C notes, if deferred;
xi. swap adjustment
xii. interest due on the start-up loan;
xiii. principal due on the start-up loan;
xiv. interest due on the subordinated loan;
xv. principal due on the subordinated loan;

Key Information

Provisional Portfolio Characteristics
Total Amount at Closing: EUR2,176 million (of which EUR2,080m is selected at closing)
WA Original LTV: 84.4%
WA Current LTV: 78.4%
WA Indexed Current LTV: 71.9%
WA Remaining Maturity: 22 years
WA Seasoning: 24.4 months
Concentration in Valencia: 59.4%

Structure
Originator and Seller: Caja de Ahorros de Valencia, Castellón, y Alicante, Bancaja
Servicer: Bancaja
Fund: Bancaja 6, Fondo de Titulización de Activos (Bancaja 6)
Sociedad Gestora: Europea de Titulización, S.A., S.G.F.T.
Swap Counterparty: Bancaja (rated "F1/A+")
Final Legal Maturity: 20 February 2036

xvi. administrator fee, unless Bancaja has been replaced as the administrator, in which case this fee will be paid as item number i;
xvii. financial intermediation to Bancaja.

Interest deferrals:

- interest due on the class B notes will be deferred if the outstanding balance of mortgages more than three months in arrears exceeds 19% of the total initial balance of the mortgages, and if class A notes are still outstanding; and
- interest due on the class C notes will be deferred if the outstanding balance of mortgages more than three months in arrears exceeds 11.6% of the total initial balance of the mortgages, and if class A and B notes are still outstanding

Principal Redemption

A1 Notes Redemption
Until 20 May 2005, no principal shall be paid to the notes. Principal receipts received from debtors will be paid into the amortisation fund to be used for redemption of the A1 notes on 20 May 2005. A certain amount of negative carry is created by the fact that the note balance does not decrease while the mortgage balance does – hence generating lower interest payments.

If principal funds accumulated in the amortisation fund are insufficient to repay the A1 notes in their totality on 20 May 2005, principal receipts received after this date will be allocated solely to repayment of these notes. The final maturity date for the A1 notes is 20 February 2036.

A2 Notes Redemption
Redemption of the A2 notes will start on the later of the following two payment dates:

- the payment date on which the A1 notes are entirely amortised; and
- August 2005.

All principal receipts received thereafter will be allocated to the redemption of the A2 notes until its final legal maturity date on 20 February 2036, subject to the *pro rata* amortisation described below (at which point they will be amortised *pro rata* with the other notes).

B & C Notes Redemption
B and C notes will be redeemed *pro rata* with the other notes as soon as their outstanding balance represents, respectively, 11.5% and 4.5% (double the credit enhancement as of closing) of the total outstanding notes balance. They will continue to be amortised *pro rata* with the other notes as long as their balance does not fall below 11.5% and 4.5%, respectively, of the total notes' current balance.

Other Redemption Rules
Two further redemption rules apply:

- if mortgages more than three months past due exceed 2% of the current mortgage balance, the A1 and A2 notes will be amortised pro rata, regardless of the above paragraphs. If principal amounts exist in the amortisation fund, these will be paid, in a pro rata manner, to the A1 and A2 notes.
- B and C notes will only be redeemed pro rata with the A notes if: a) the reserve fund is at its maximum level; and b) the outstanding balance of mortgages more than three months in arrears exceeds 1.5% of the current mortgage balance in the case of the B notes and 1% in the case of the C notes.

Interest Rate Risk
The fund will enter into an interest hedging agreement with Bancaja to cover the basis and margin compression risks. The swap, as described below, will guarantee a 0.55% excess margin.

The fund will pay Bancaja interest received from the mortgages, and will receive three-month EURIBOR plus the margin on the notes and 0.55% calculated on the performing balance of the mortgages.

If Bancaja's long-term rating is downgraded to below 'A+', it will, within 10 days, take one of the following steps:

- cash- or security-collateralise in an amount satisfactory to the rating agencies;
- find a replacement counterparty with a long–term rating of at least 'A+'; or
- find an entity rated at least 'A+' to guarantee its obligations under the swap.

Credit Enhancement

Initial credit enhancement at closing for the class A notes, totalling 9.9%, is provided by the class B and C notes and the reserve fund. Credit enhancement for the class B notes, totalling 4.15%, is provided by class C and the reserve fund. Credit enhancement for the class C notes totalling 1.9% will consist of the reserve fund (see below).

Reserve Fund

A reserve fund will be provided at closing by Bancaja, equivalent to 1.9% of the original principal balance, which will thereafter be the higher of:

a. 3.8% of the outstanding note balance; or
b. 1% of the original principal balance.

However, the required amount will remain the same as on the previous payment date if the outstanding balance of mortgages more than three months in arrears exceeds 1% of the outstanding mortgage balance. Moreover, no reduction in the reserve fund will occur if a principal deficiency exists.

Representations and Warranties

No search of title will be conducted by the fund or other transaction parties; instead, they will rely on the representations and warranties mentioned below and provided by Bancaja in relation to the pool of mortgage loans. If there is an irretrievable breach of any of the representations or warranties, Bancaja will be required to repurchase the loan(s) in question.

Specifically, the representations and warranties include the following:

- Bancaja has full right and title to the mortgage loans and the power to sell and transfer the mortgage loans;
- each mortgage loan was originated by Bancaja in accordance with its standard underwriting criteria and procedures;
- each mortgage loan is registered in the relevant property registry and is first-ranking on its corresponding property;
- Bancaja is not aware of any dispute on any of the mortgage loans;
- Bancaja is not aware that any of the underlying properties have been subject to more than a 20% reduction in value;
- Bancaja has full title to all mortgage loans;
- each property under the underlying mortgage loan has been the subject of a valuation as required by law; and,
- each mortgage loan constitutes a legal, valid, binding and enforceable obligation on the relevant borrower.

■ Legal Structure

At closing, the mortgage loans will be sold by Bancaja to the sociedad gestora on behalf of the fund. The sociedad gestora is a special-purpose company with limited liability incorporated under the laws of Spain. It is owned by 16 entities, including:

- Banco Bilbao Vizcaya Argentaria, S.A. (83%)
- J.P. Morgan España, S.A. (4%)
- Caja de Ahorros del Mediterráneo (1.5%)
- Bankinter, S.A. (1.5%)
- Barclays Bank (1.5%)
- Citibank España, S.A. (1.5%)

The sociedad gestora's activities are limited to the management of asset-backed notes.

Bancaja, the seller, will transfer the rights (the loan claims and collateral securing the loans) to the fund. Bancaja will also transfer or pledge all present or future claims and/or rights under the various transaction documents to the fund.

Collateral

The reference portfolio consists of 29,103 mortgage loans originated by Bancaja in the normal course of its business. All the loans are secured by residential properties in Spain. Security for the loans is in the form of mortgages registered in the '*Registro de la Propiedad*' (the official register) and all are first-ranking.

The portfolio's original weighted average LTV stands at 84.4%, with a weighted average current LTV of 78.4%. In its recovery calculation, Fitch used an indexed valuation of the underlying properties using regional residential indices and giving 50% credit to increases in property prices; the weighted average indexed current LTV of the pool is 71.9%.

LTVs in this portfolio are higher than those of other RMBS transactions issued by Bancaja. The percentage of loans concentrated in the above-80% original LTV bucket has increased to 69.3%, while original LTV loans above 90% exceed 47.5% of the pool. However, this additional risk was taken into account in the agency's analysis.

The oldest loan was originated in October 1991 and the most recent in July of this year. Seasoning remains on the low side at 24.2 months and the weighted average current remaining maturity is 22 years.

Less than 0.6% of the pool pays on a quarterly basis while the remainder pays monthly; more than 96% corresponds to primary residential properties. All the loans are variable rate. The majority are linked to EURIBOR, while the remainder are linked to MIBOR and the average mortgage interest rate for saving banks in Spain. As of the closing date, no mortgage loan had any payments in arrears for more than one month.

Origination and Servicing

As part of its analysis, Fitch has reviewed and analysed Bancaja's origination and servicing guidelines. It made an on-site visit to Bancaja and met the originator and servicer managers responsible for the mortgage loan department.

Bancaja is the fourth-largest savings bank and the sixth-largest financial institution by total assets in Spain. It is rated 'A+/F1' by Fitch. For historical reasons, a large proportion of its business is generated in the Valencia region, which is reflected in the entity's mortgage portfolio.

Until March 2001, credit approval was carried out at office level. Since then it has been provided by CAT ("*Centro de Autorizaciones Telefónicas*"), a centralised department for the approval of mortgage applications. Credit analysis is based on a credit scoring system Bancaja began developing 10 years ago, which yields a positive, negative or doubtful score. In the latter case, a loan may still be approved if additional guarantees and/or conditions are provided and/or complied with. At least two analysts approve each loan request. Although branch directors have a right of veto in such conditions, this action remains relatively uncommon.

Provisional Portfolio Summary

Pool Characteristics	
Current Principal Balance (EURm)	2,176
Average Current Loan per Borrower (EUR)	76,279
Average Original Loan per Borrower (EUR)	84,101
Oldest Loan in Portfolio	Oct 1991
Most Recent Loan in Portfolio	July 2003
Interest Rate Type	
Floating Rate Loans (%)	100
WA Interest Margin (%)	3.6
Interest Index	Euribor, CECA
Payments	
Payment Frequency (%)	Monthly: 99.4 Quarterly: 0.6
Payment Method	Direct Debit
Loans <30 Days in Arrears (%)	100
Regional Concentration (%)	
Madrid	14.9
Comunidad Valenciana	59.4
Cataluña	8.7
Lien Position (%)	
First-Ranking	100.0

Source: Fitch Ratings

Information analysed by the scoring system includes debt-to-income ratios ("DTI", — a maximum of 40% is allowed), negative information from CIRBE (a Bank of Spain database that gathers information on borrower exposure and non-payment from all Spanish entities), RAI (*Registro Acceptación Impagados*) or Experian, in addition to other credit parameters on the financial volatility of the applicant. The credit scoring focuses on the ability of the borrower to honour his or her debt payments in a timely fashion. The majority of the properties are valued by TINSA, Tasaciones Inmobiliarias S.A., Spain's largest valuation company, which is registered with and regulated by the Bank of Spain.

Mortgages in arrears are managed by the branches for the first 90 days, and subsequently by the risk department. A certain number of letters, automatically originated by the bank's system, and calls (through an external specialised call centre) are made, their frequency and content depending on the level of exposure to the borrower. Documentation and procedures required for the foreclosure process are prepared as soon as is deemed necessary (even before 90 days of delinquency) to enable lawyers to start proceedings within the 24 hours after the decision to commence foreclosure is made. On average, such court proceedings tend to begin after four to six months and last around a year-and-a-half, although the time to recovery has fallen in recent years. Bancaja does not favour negotiating over or refinancing the repayment of amounts in arrears, and such arrangements remain negligible.

Credit Analysis

Fitch analysed the collateral for the Bancaja 6 transaction by subjecting the mortgage loans to stresses resulting from its assessments of historical home price movements and defaults in Spain. The analysis is based on the probability of default and expected recoveries determined on the portfolio's individual loans *(see Appendix 1)*.

Default Probability

Generally, the two key determinants of default probability are the willingness and ability of a borrower to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch assumed higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason for this is that in a severe negative equity situation, borrowers in financial distress, but with equity in their homes (low-LTV loans), have an incentive to sell and maintain/protect their equity, thereby eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. As is the case with many Spanish originators, this information was not available on a loan-by-loan basis for Bancaja 6. However, it has a strong focus on a borrower's ability to pay, has comparatively strict origination guidelines in this direction and allows a maximum DTI of only 40%. Therefore, Fitch assumed that borrowers generally have an average ability to pay.

Fitch takes into consideration the specific characteristics of the product in the default probability analysis of the portfolio. The LTV based on the original balance of the initial drawdown is used as the main measure of a borrower's willingness to pay.

The securitised pool has a geographical concentration in the *Comunidad* of Valencia, with over 59.4% of mortgages located in this region. Fitch increased the default probabilities for these loans by 10% to reflect the risk implicit in this concentration.

Recovery Proceeds

To estimate recoveries on mortgage loans in Spain, Fitch examined house price movements in Spain on a regional basis from 1987-2001. The agency found significant differences, most notably between Madrid, Cataluña and País Vasco, and the other regions in Spain. Cities in these three regions have experienced higher price increases than regions elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed slightly larger market value declines ("MVDs") for certain regions as well as for some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with those of markets in other European countries. As with its other European mortgage default models, the agency has increased MVDs for higher-value properties. These are generally subject to higher declines in a deteriorating market than homes with average or below-average market values because of limited demand for them. Approximately 16.7% of the reference pool is considered by Fitch to be secured on high-value ('jumbo') properties.

When calculating recovery value, the agency's model reduces each property's worth by the MVD, external foreclosure expenses and the cost to the servicer of carrying the loan from delinquency through to default. This cost depends on the time to foreclosure as well as the applied interest rate, which Fitch assumes to be 5%. Although Bancaja currently reports a recovery period of a year-and-a-half, Fitch assumes a time to foreclosure of three years.

Cash Flow Analysis

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 WA recovery rate and WA frequency of foreclosure 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 five years of 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 and principal must be sufficient to cover the cost of carry until recoveries are received after 36 months. Variable interest rates are stressed upwards over time; however, the effect of the latter is limited because of the swap.

The cash flow analysis assumes a high level of annual prepayments on the mortgages, which stresses available excess spread of 25%, 21% and 18% under 'AAA', 'A' and 'BBB' scenarios, respectively.

The credit enhancement levels reflect the severest stress assumptions, under which there is no interest shortfall during the life of the transaction or principal shortfall at final maturity. The reserve fund has been sized in order that all note interest payments are made on a timely basis under the relevant stress assumptions

■ Performance Analytics

Fitch will monitor the transaction on a regular basis and as warranted by events. Its structured finance surveillance 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. Further information on this service is accessible at www.fitchratings.com.

Appendix I: Rating Methodology

To determine appropriate levels of credit enhancement, Fitch analyses the collateral for Spanish residential transactions using a loan-by-loan mortgage default model. The model subjects the mortgage loans to stresses resulting from its assessments of historical home price movements and defaults. Fitch's study showed that the LTV, reflecting the size of the borrower's down payment, and the borrower's income multiple (original loan advanced divided by income) are the primary indicators of default risk in Spain. Fitch also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking into account available credit enhancement, can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason is that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Historical data available for Spain shows low levels of default. Base default probabilities are determined using a matrix which considers each loan's affordability factor and LTV. The matrix classifies affordability into five classes, the lowest of which (class 1) encompasses loans with debt-to-income ratios (DTI) of less than 20% and the highest of which (class 5) encompasses all loans with DTIs exceeding 50%. The average DTI for the mortgage market in Spain is 27-33%.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for individual loan characteristics of the collateral across all rating levels.

- **Product Type:** Fitch increases default probability assumptions by 0%-10% for the index volatility experienced by variable-rate mortgage holders.
- **Repayment Type:** Fitch will increase base default rates by 5%-10% for loans to be paid by *cuota creciente*, whereby the amortisation of capital is always the same and the interest payment increases.
- **Loan Purpose:** Fitch believes that a financially distressed borrower is more likely to default on a second home or investment property than on a primary residence. Accordingly, it will double the base default rates in both cases. If the purpose of the loan is not the acquisition of a property in Spain, Fitch will increase the default probability by 50%-100%.
- **Borrower Profile:** Fitch increases default probability on loans to self-employed borrowers by 33%-50% to reflect their lack of fixed annual salary.
- **Arrears Status:** when rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by 1-30, 31-60, and 61-90 days by 10%, 35% and 70%, respectively, and mortgages over 91 days in arrears (non-performing status) by 100%.
- **Underwriting Quality:** Fitch's review and analysis of the origination process determines whether the agency decreases default rates by up to 25% or increases them by 0%-200%.

Loss Severity

To estimate loss severity on the mortgage loans in Spain, Fitch examined home price movements in Spain on a regional basis from 1987-2001. Fitch found significant differences in price development among regions, mainly between the regions of Madrid, Cataluña, País Vasco, and the rest of the regions in Spain. The cities of these regions have experienced higher price increases than other cities in Spain. As in most other countries, rural areas tend to develop on a more stable basis. Based on its analysis of the real estate market, Fitch assumed slightly higher MVDs for certain regions and some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with markets in other European countries. As with its other European mortgage default models, Fitch has increased MVDs for higher-value properties. These properties are generally subject to larger MVDs in a deteriorating market than homes with average or below-average market values due to limited demand for such properties.

When calculating recovery value, Fitch's model reduces each property value by the MVD, external foreclosure expenses and the cost to the servicer of carrying the loan from delinquency through default. For Spain, Fitch assumes external foreclosure costs to represent 10% of the loan's balance at the time of default. Loss severity also incorporates the fact that the length of time of the foreclosure process might be longer than the current duration in a recession period. To calculate carrying costs, Fitch uses a worst-case scenario analysis which assumes that the borrower does not pay any interest and the collateral is not realised for a period of three years.

Excess Spread

Excess spread represents the monetary difference between the income received by the issuer from the borrowers and the interest on the notes and other expenses paid by the issuer. Any reserve fund will be replenished from available excess spread, if it is drawn. The actual value of excess spread depends on levels of delinquencies, defaults, and prepayments, as well as the weighted average interest rate of the reference mortgage portfolio throughout the life of a transaction.