

Bancaja 10 Fondo de Titulización de Activos

RMBS / Spain

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of November 30th 2006. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

Estimated Closing Date

January 2007

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PROVISIONAL (P) RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)Aaa	€[420]	16.15	[·]	3mE + [·]%
A2	(P)Aaa	€[1537]	59.12	[·]	3mE + [·]%
A3	(P)Aaa	€[500]	19.23	[·]	3mE + [·]%
B	(P)A1	€[65]	2.50	[·]	3mE + [·]%
C	(P)Baa3	€[52]	2.00	[·]	3mE + [·]%
D	(P)Ba3	€[26]	1.00	[·]	3mE + [·]%
E	(P)Ca	€[31.5]	1.21*	[·]	3mE + [·]%
Total		€[2631.5]	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

* Depending on which spread range is guaranteed through the swap

OPINION

Strengths of the Transaction

- Strength and know-how of the originator in its lending and servicing practices
- Credit enhancement provided by the excess spread, a reserve fund and the subordination of the notes
- Reserve fund fully funded upfront to cover potential shortfall in interest and principal
- Interest rate swaps partially covering the interest rate risk
- Excess spread-trapping mechanism through an “18-month artificial write-off” mechanism
- No flexible products being securitised – just plain vanilla mortgage loans
- No second-lien products being included
- 100% of the loans are paid via direct debit
- 100% the loans are paid through monthly instalments



Weaknesses and Mitigants

- 35% of the debtors have the possibility of enjoying an automatic reduction in their margin in cases of cross-selling of other Bancaja products up to a lower boundary (floor 70 bps)*.
- Geographical concentration in the region of Valencia (38.35%), mitigated in part by the fact that this is the region of Bancaja's origin, where it has its highest expertise
- "High LTVs" in the portfolio (around 35.52% of the portfolio has high LTVs)
- Pro-rata amortisation of the B, C and D Series of notes leads to reduced credit enhancement of the senior class in absolute terms
- The deferral of interest payments on Series B, C and D benefits the repayment of the series senior to each of them, but increases the expected loss on class B, C and D themselves
 - *0.10% margin reduction if the debtor receives additional income at his/her account*
 - *0.10% margin reduction if debtor hires a Pension Plan*
 - *0.10% margin reduction if debtor hires a life insurance policy*

STRUCTURE SUMMARY

Issuer:	BANCAJA 10 Fondo de Titulización de Activos
Structure Type:	Senior / Mezzanine / Subordinated / Reserve fund
Seller/Originator:	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja, A1/P-1)
Servicer:	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja, A1/P-1)
Back-up Servicer:	N/A
Interest Payments:	Quarterly on February 22 nd , May 22 nd , August 22 nd , and November 22 nd
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Spread in the portfolio Reserve fund Subordination of the notes
Liquidity Facility:	N/A
Hedging:	Interest rate swaps partially covering the interest rate risk
Principal Paying Agent:	Bancaja, A1/P-1
Management company:	Europea de Titulización S.G.F.T ; S.A (EdT)
Arranger:	Bancaja, Barclays, CALYON, JP Morgan

COLLATERAL SUMMARY

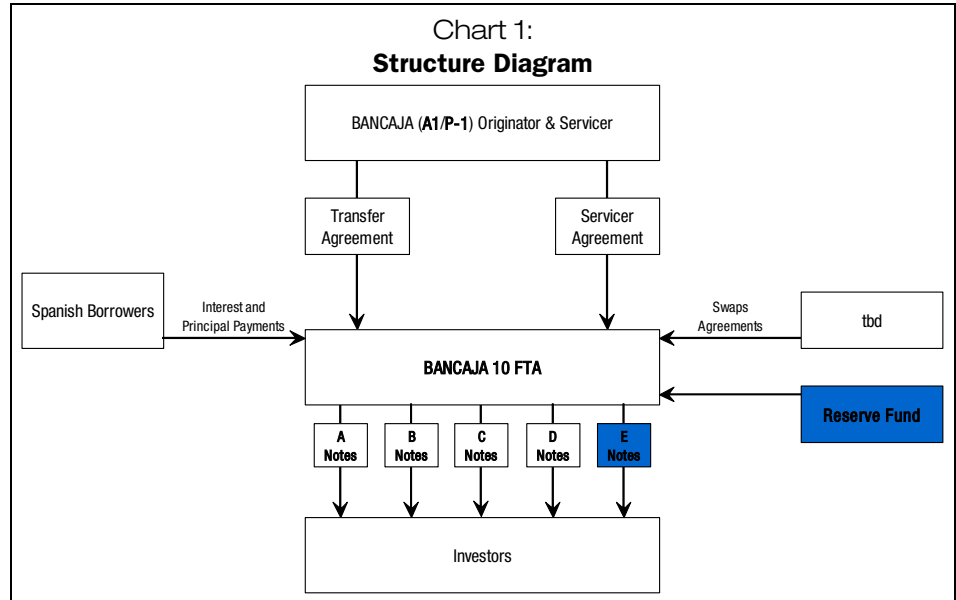
Loan Amount:	3,134,353,302.93
Loans Count:	21,616
Pool Cut-off Date:	30/11/2006
WA Original LTV:	78.43%
WA Current LTV:	76.50%
WA Seasoning:	11.8 months
WA Remaining Term:	29.6 yrs
Interest Rate Type:	Floating (100%)
WA Interest Rate:	4.02%
Geographic Diversity:	Comunidad Valenciana (38.35%), Catalonia (14.65%), Andalucía (14.25%)
Loan Purpose:	Acquisition, Construction and Rehabilitation of property
Loan Size:	Approximately 145,000 euros

TRANSACTION SUMMARY

This transaction marks the tenth time that Bancaja has tapped the RMBS market. The products being securitised are first-lien mortgage loans granted to individuals resident in Spain, all of whom will use these loans to acquire or refurbish properties in Spain. All of the mortgage loans were originated by Bancaja, which will continue to service them.

STRUCTURAL AND LEGAL ASPECTS

Structure incorporating the following key features: partial hedging of the interest rate risk, deferral of interest based on default, and funding of the reserve fund through the issuance of a series of notes



Reserve fund fully funded upfront with proceeds from the issuance of the Series E notes to cover potential shortfall in interest and principal

The reserve fund is designed to help the fund meet its payment obligations. Initially funded with the proceeds from the issuance of the Series E Notes, it will be held at Bancaja. The reserve fund will be used to protect the Series A1, A2, A3, B, C and D Notes against interest and principal shortfall on an ongoing basis. The initial required reserve fund will be determined by the management company before closing, taking into account the weighted average margin of the swap as indicated in the following table:

Table 1:

The reserve fund will be the lesser of the following amounts:	WA Swap margin		
	-0.10% - -0.06%	-0.06% - -0.02%	-0.02% - +0.02%
1) Initial reserve fund amount	[1.27%]	[1.19%]	[1.10%]
2) The higher of:			
Outstanding notional balance of the notes multiplied by	[2.54%]	[2.38%]	[2.20%]
Reserve fund floor	[0.64%]	[0.60%]	[0.55%]

However, amortisation of the reserve fund will cease if any of the following scenarios occurs:

- The amount of loans more than 3 months and less than 18 months in arrears exceeds 1.00% of the outstanding balance of the portfolio.
- The available amount under the reserve fund is not equal to the then required amount.
- The weighted average interest rate under the loans is lower than 0.60%.

In addition, the reserve fund will not amortise during the first 36 months of the life of the transaction.

Bancaja will transfer the borrower payments on a weekly basis

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

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

Moody's has set up some triggers in order to protect the treasury account from any possible downgrade of Bancaja. Should Bancaja's short-term rating fall below **P-1**, the management company will have 30 days within which to find a suitably rated guarantor or substitute as holder of the treasury account.

Interest rate swap to cover interest rate risk

To hedge the risk derived from the interest rate risk (potential mismatch derived from the different index reference rates and reset dates on the assets and on the notes), the *Fondo* will enter into two swap agreements.

The floating-rate loans have been divided into two groups according to their reset frequency (annual, or semi-annual), resulting in two different swap agreements. For each of these swap agreements:

The notional will be the outstanding amount of the loans included in each of the two groups no more than 18 months in arrears. Over the notional:

- Swap counterparty will pay the index reference rate of the notes plus a variable spread (as seen in the RF established value)
- The *Fondo* will pay a weighted average of the 12-month Euribor over the past months for each group, which is designed to replicate the amount of interest corresponding to the index reference rates of each of the groups.

Pro-rata amortisation

As in the previous Bancaja transactions, this transaction also includes pro-rata amortisation, which entails greater risk for the senior class than fully sequential transactions given that the credit enhancement decreases in absolute terms. The Series B, C, and D Notes will start amortising pro rata with the Series A Notes when they represent [5]%, [4%] and [2%] respectively of the outstanding balance under the Series A1, A2, A3, B, C and D Notes.

Nevertheless, amortisation of Series B, C or D will not take place on the payment date on which any of the following events occurs:

Table 2:

Series B	Series C	Series D
The arrears level exceeds 1.25%	The arrears level exceeds 1.00%	The arrears level exceeds 0.75%
The cash reserve is not funded at the required level		
The loan balance is less than 10% of the initial loan balance		

Series A Prorata Amortisation

- A new feature that has been incorporated in this deal is the possibility to have the Senior notes amortise prorata as well. In this sense, Class A1, A2 and A3 will be amortised pro-rata if on the Determination Date preceding the relevant Payment Date, the ratio between: (i) the balance of Outstanding Loans (excluding Delinquent Loans), plus the Available Amortisation Funds, and (ii) the Outstanding Principal Balance of Class A1, A2 and A3, is below or equal to 1.

Series A Amortisation and subsequent classes amortisation

The Available Amortisation Funds will be applied in each Payment Date according to the following sequence:

Class A1 will begin to be amortised first. If by August 22nd 2008, Class A1 has already been fully amortised, then all proceeds will be deposited within an Amortisation Account whose purpose will be to use these proceeds to amortise the rest of the senior notes. Once A1 notes are completely amortised, and after August 22nd 2008, Class A2 will be amortised. Finally once A1 and A2 are completely amortised, then Class A3 will begin to be amortised.

Once the Class A Notes have been fully redeemed, Class B will start to amortise until its full redemption, followed by Class C and D.

Series E amortisation

The proceeds from the issuance of the Series E notes will be used to fund the reserve fund. The money will be deposited in the treasury account that will be held at Bancaja. The Series E Notes will amortise for an amount equal to the difference between the reserve fund required amount on the previous payment date and the reserve fund required amount on the current payment date.

Priority of payments

On each quarterly payment date, the Fondo's available funds (principal and interest 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) Cost and fees, excluding servicing fee (except in the case of Bancaja being replaced as servicer of the loans)
- 2) Any amount due under the swap agreement
- 3) Interest payment to Series A1, A2, and A3
- 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) Amortisation fund
- 8) Interest payment to Series B notes (if deferred)
- 9) Interest payment to Series C notes (if deferred)
- 10) Interest payment to Series D notes (if deferred)
- 11) Replenishment of the reserve fund
- 12) Interest payment to Series E
- 13) Principal payment on Series E
- 14) Termination payment under the swap agreement (except if the Fondo is the defaulting or the sole affected party)
- 15) Junior expenses

Interest deferral trigger

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:

Table 3:

Series B:	If the cumulative outstanding balance of loans > 18 months in arrears is over 10.90% of the outstanding balance of the notes at closing Series A1, A2, and A3 are not fully redeemed
Series C:	If the cumulative outstanding balance of loans > 18 months in arrears is over 7.40% of the outstanding balance of the notes at closing Series A1, A2 and A3 and B are not fully redeemed
Series D:	If the cumulative outstanding balance of loans > 18 months in arrears is over 5.70% of the outstanding balance of the notes at closing Series A1, A2, and A3, B and C are not fully redeemed

18-month "artificial write-off" mechanism

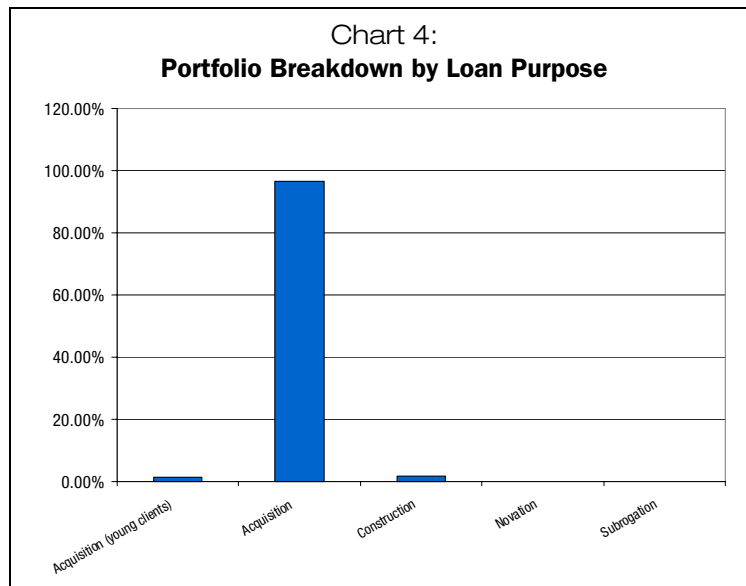
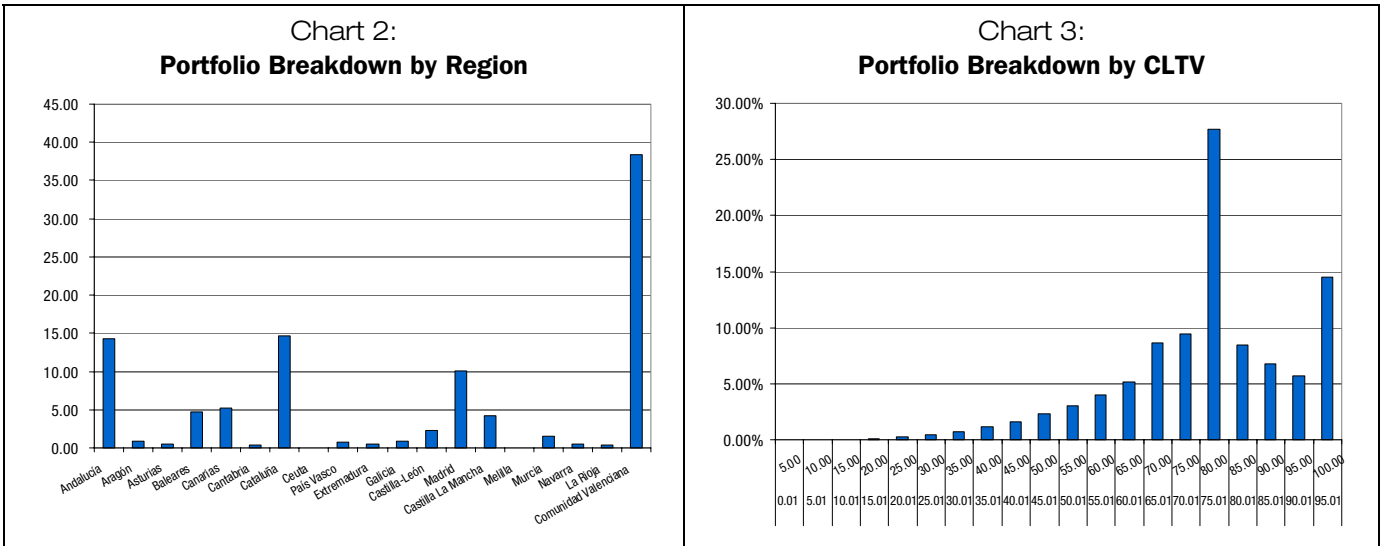
The transaction structure for Series A1, A2, A3, B, C and D benefits from an "artificial write-off", which traps available excess spread to cover losses (if any). This type of "artificial write-off" is hidden in the definition of Principal Due, which is the difference between the notes outstanding and the outstanding performing loans (loans less than 18 months in arrears).

COLLATERAL

The collateral backing the notes' issuance is entirely composed of first-lien traditional mortgage loans granted for the purpose of acquiring, constructing or refurbishing residential property for individuals resident in Spain.

On the positive side, the current poolcut has aggregate average LTV levels, good seasoning, and average loan size. On the more negative side, the pool is strongly concentrated in the region of Valencia (although this is a natural result of Bancaja's natural market activity) and the fact that almost 35% of the pool consists of high LTV loans i.e. loans over 80% LTV level (although this is something that is starting to become quite standard within the Spanish market these days).

Detailed charts on collateral can be seen as follows:



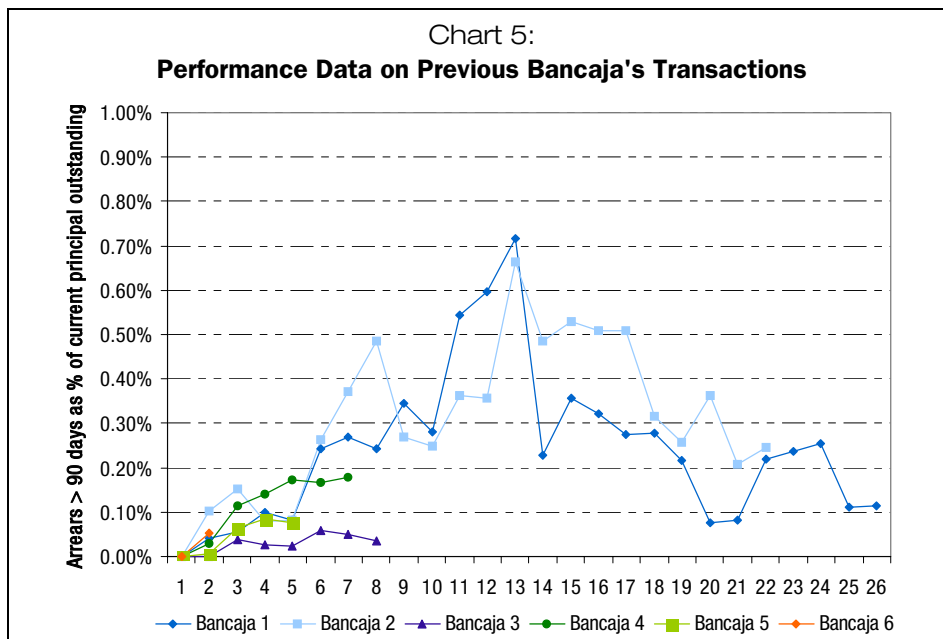
Limitations on renegotiation of both the interest rate and the maturity of the loans

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 extend the maturity of any loan beyond 05/10/2046. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

1. The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
2. The frequency of payments cannot be modified.
3. The amortisation profile cannot be modified.

Additionally Bancaja is not allowed to renegotiate any interest rate of the loan if the weighted average interest rate on the floating-rate loans is below 70 bpa.

Performance data on previous Bancaja transactions



ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Bancaja, the sixth largest financial institution in Spain by assets and with an active presence in the Spanish securitisation market, is the originator of the asset pool

The **A1/P-1** ratings of Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) reflect its strong retail franchise in the autonomous Spanish region of Valencia. Bancaja enjoys a solid franchise with impressive brand recognition and strong market shares in its home market, the relatively prosperous autonomous region of Valencia, which it has managed to defend well despite increasingly fierce competition. Following a strategic decision to become a player with a nationwide implementation, Bancaja has gradually increased its presence in other regions, being currently present in all Spanish provinces.

The ratings also take into account the bank's sound financial fundamentals, including good profitability, solid asset quality, strong operating efficiency, low risk profile and its efforts to diversify its revenue sources, as stated in the bank's strategic plan for 2004-2007. In line with the plan, Bancaja has continued to gain market share outside its home region, with limited impact on costs and without material credit deterioration so far.

MOODY'S ANALYSIS

Determination of lognormal loss distribution.

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 Moody's Individual Loan Analysis ("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.

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 “Aaa CE” number is determined by using “MILAN”, Moody’s loan-by-loan model for rating RMBS transactions

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

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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.

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.

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 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.

RATING SENSITIVITIES AND MONITORING

In its capacity as management company, Europea de Titulización S.G.F.T, S.A will prepare quarterly monitoring reports with respect to the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody’s will monitor this 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 to the rating will be publicly announced and disseminated through Moody’s Client Service Desk. For updated monitoring information, please contact monitor.madrid@moody.com

RELATED RESEARCH

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 Approach to Rating Spanish RMBS: The “MILAN” model, March 2005 (SF49068)

Special Report

- Introducing Moody’s Arrears Index for Spanish Mortgage-Backed Securities, March 2002 (SF12700)
- Moody’s Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners’ Indebtedness, May 2003 (SF21607)
- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Index Report

- Spanish RMBS Q3 2004 Performance Review, February 2005 (SF50365)

New Issue Report

- BANCAJA 1, July 1997 (SF5641)
- BANCAJA 2, November 1998 (SF7039)

Pre-Sale Report

- 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)
- Bancaja 7 Fondo de Titulización de Activos, June 2004 (SF39498)
- BANCAJA 9 Fondo de Titulización de Activos, January 2006 (SF67907)
- MBS Bancaja 1 Fondo de Titulización de Activos, May 2004 (SF35896)
- FTPYME BANCAJA 1, Fondo de Titulización de Activos, February 2002 (SF12091)
- FTPYME BANCAJA 2, Fondo de Titulización de Activos, September 2003 (SF26301)
- FTPYME BANCAJA 3, Fondo de Titulización de Activos, October 2003 (SF44313)
- FTPYME BANCAJA 4, Fondo de Titulización de Activos, November 2005 (SF66596)
- FTPYME BANCAJA 5, Fondo de Titulización de Activos, September 2006 (SF82393)
- Consumo BANCAJA 1, Fondo de Titulización de Activos, June 2006 (SF76258)

Performance Overview

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- FTPYME BANCAJA 3
- FTPYME BANCAJA 4

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