STANDARD & POOR'S

STRUCTURED FINANCE

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Bancaja 12 Fondo de Titulización de Activos

€2.1 Billion Mortgage-Backed Floating-Rate Notes

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Class	Rating*	Amount (Mil. €)	Available credit support¶ (%)	Interest	Legal final maturity
A	AAA	1,979.2	7.75	Three-month EURIBOR plus 55 bps	July 22, 2051
B	A	57.8	5.00	Three-month EURIBOR plus 70 bps	July 22, 2051
C	BBB	42.0	3.00	Three-month EURIBOR plus 120 bps	July 22, 2051
D	BB	21.0	2.00	Three-month EURIBOR plus 200 bps	July 22, 2051

**Standard & Poor's ratings address timely interest and ultimate principal*
¶This credit support uses current figures.
EURIBOR—European interbank offered rate.

Transaction Participants	
Originator	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Arranger	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Seller	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Mortgage administrator/servicer	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Security trustee	Europea de Titulización S.G.F.T., S.A.
Interest swap counterparty	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
GIC provider	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Transaction account provider	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Administrator	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)
Swap counterparty	Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja)

Supporting Rating	
	Rating
Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja) as swap counterparty, GIC provider, and transaction account provider	A+/Negative/A-1

Transaction Key Features	
Closing date	April 10, 2008
Collateral	First-ranking residential mortgages
Principal outstanding (€)	2,100,115,630
Country of origination	Spain
Concentration	Valencia (42.71 %), Catalonia (10.07%), and Andalusia (10.01%)
Property occupancy (%)	100
Weighted-average LTV ratio (%)	73.97
Average loan size balance (€)	147,656.31
Loan size range (€)	3.43 to 1,000,000.00
Weighted-average seasoning (months)	14.37
Weighted-average asset life remaining (years)	32.41
Weighted-average mortgage interest rate (%)	5.29
Weighted-average margin at closing (%)	0.81
Arrears	None
Redemption profile	100% are amortizing
Excess spread at closing (%)	0.81
Cash reserve (%)	2
Mortgage priority (%)	0
Maximum LTV ratio (%)	100
Number of jumbo loans (< €400,000)	150

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to the €2.1 billion mortgage-backed floating-rate notes issued by Bancaja 12 Fondo de Titulización de Activos, a special-purpose entity (SPE).

Bancaja 12's sole purposes are to purchase the collateral from the originator, Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja), issue the notes, and carry out related activities. The issuer holds a distinct and closed pool of assets available for distribution to the noteholders. The assets are insulated from the insolvency of the originator and the trustee.

The mortgage loans representing the collateral of the transaction are transmission certificates (CTHs). These loans are mainly originated in Valencia, Andalucía, and Catalonia, have first-ranking security, and are to purchase a property.

The issuer acquired a group of mortgages loans held by Bancaja granted to individuals domiciled in Spain. Bancaja issued the notes and subscribed to the CTHs.

Notable Features

This is Bancaja's 12th residential mortgage-backed securities (RMBS) transaction.

This transaction is very similar to Bancaja's previous RMBS transactions, both in terms of the structure and the characteristics of the collateral backing the notes.

As in other Spanish transactions, interest and principal is combined into a single priority of payments, with triggers in the payment of the interest for the subordinated notes to protect the senior class.

This is the second Spanish transaction to include the option of setting up a contingent commingling reserve if the servicer is downgraded below 'A-2'.

Strengths, Concerns, and Mitigating Factors

Strengths

- The collateral is a prime mortgage loan pool. It comprises first-ranking mortgages secured over residential owner-occupied properties in Spain, with a weighted-average current loan-to-value (LTV) ratio of 73.97%.
- There is adequate credit enhancement for the target ratings. The cash reserve, fully funded at the issue date by a subordinated loan, and the excess spread of the pool are both available to cover any interest or principal shortfalls.
- Principal amortization takes into account loans more than 18 months in arrears, with these amounts being amortized in addition to scheduled amortization through the trapping of excess spread. This has the effect of accelerating the note amortization if arrears increase.
- Bancaja is an experienced servicer. It already manages 22 structured finance transactions.
- Under the terms of the swap, the "*fondo*" pays all interest received on the portfolio to the swap counterparty and receives: (i) the three-month European interbank offered rate (EURIBOR), plus the weighted-average spread of the notes, plus 0.5% on the notional amount which is equal to the balance of the performing loans and loans in arrears up to 90 days, and (ii) the administration fee if the servicer is substituted.

Concerns

- Principal is used to pay interest and may divert funds from the senior notes to subsidize the junior notes.
- Of the loans, 62.79% are concentrated in three regions, Valencia, Catalonia, and Andalusia. Valencia is the bank's historical market and Andalusia and Catalonia are among the most populated regions in Spain.
- Mortgage collections are sent to the GIC seven days after their arrival in the collection account, increasing the commingling risk.

Mitigating factors

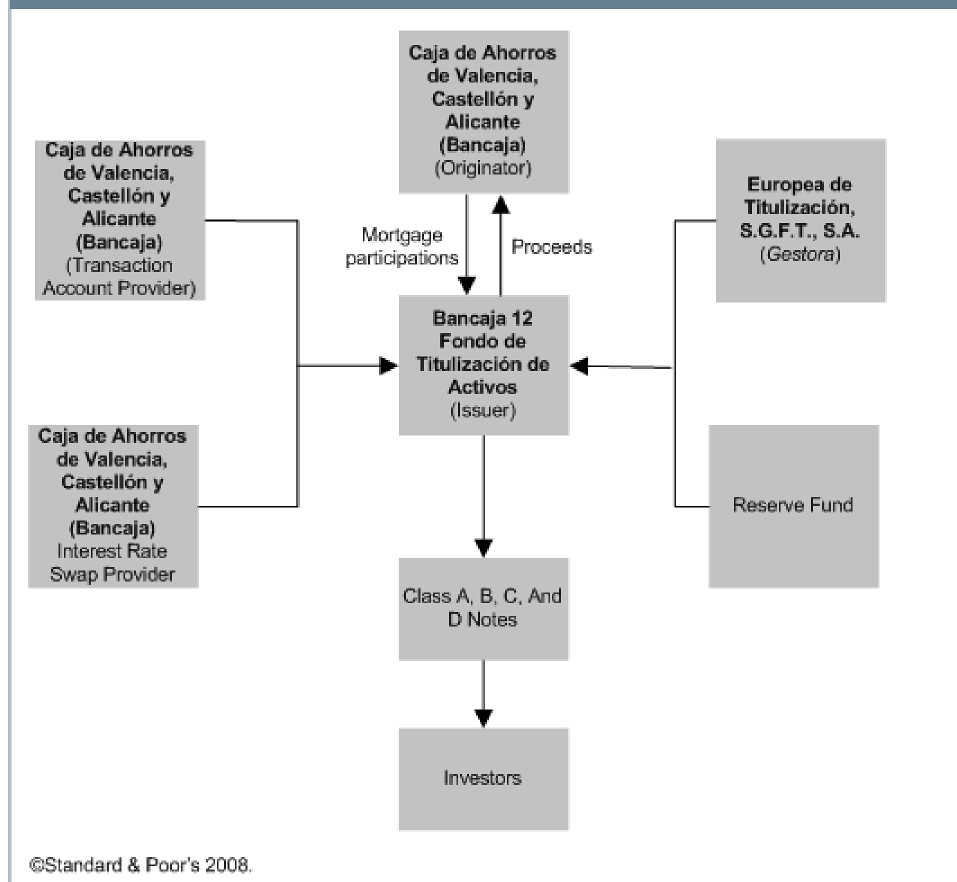
- A trigger in the priority of payments protects the senior noteholders if there is a stressful pool performance environment.
- In its credit analysis, Standard & Poor's has taken geographical concentration into account.
- Standard & Poor's included the potential cash flow imbalance in its analysis. The interest swap mitigates any concerns about interest rates in this transaction.

Transaction Structure

Each mortgage participation and transmission certificate represents a securitized mortgage loan. The CTHs entitle Bancaja 12 to any rights and proceeds due under principal and interest on the mortgage loans.

The total outstanding amount of the purchased mortgage loans is €2.1 billion. To fund the purchase of collateral, Bancaja 12 issued four classes of notes (see chart 1).

Bancaja collects the amounts due under the mortgages and services the collateral.



Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)

Bancaja is Spain's third-largest savings bank and sixth-largest financial institution. Although it maintains a dominant position in its home market of the Valencia region, expansion into other Spanish regions gives the savings bank increasing geographic diversification. Bancaja's business profile is mainly focused on commercial banking, which represented 70% of net income at year-end 2005, with an increasing contribution from a wider variety of business such as bancassurance (7%), private banking (7%), and real estate activities (16%)

Bancaja has maintained its stronghold in its home market, with a 23% market share by loans and 30% by deposits in the past few years. This strong market position results from the series of mergers among savings banks in the Valencia region that created Bancaja in the early 1990s, and has been maintained since then. Bancaja's presence in the Valencia region is reinforced by its 38%-owned subsidiary, Banco de Valencia, a regional bank that accounts for approximately 20% of the Bancaja group's loan book.

Located along the eastern Mediterranean coast and with 4.7 million inhabitants at year-end 2005, the Valencia region has a well-diversified economy, with tourism, construction, transport, and trade being its main sectors. Apart from its position in the Valencia region, 40% of Bancaja's network (587 branches) and 35% of its business was located outside its home market as of Sept. 30, 2006, which increases its geographic diversification. This network has been built through the combination of gradual expansion before 2001, which positioned Bancaja in many Spanish regions, and the opening of 246 branches in 2004-2005 to strengthen its position in areas already covered and extend its presence to all Spanish provinces.

Bancaja's core business targets individuals and SMEs. Companies and real estate developers are serviced through a specialized branch network. Bancaja is engaged in asset management, private banking, and brokerage activities. Bancassurance is well developed through a joint venture with Aviva PLC (A+/Stable/—) that resulted from the sale of a 50% stake in its insurance subsidiary to the U.K. group in 2000.

The collateral is serviced by Bancaja, which collects the amounts due under the mortgage loans. The servicer transfers these amounts to the issuer's transaction account seven days later. The amounts held receive a guaranteed interest rate equal to three-month EURIBOR.

All interest and principal received can be mixed to pay principal and interest due under the notes. A trigger is implemented so that in a stressful economic environment the more senior notes are amortized before interest on the subordinated classes of notes is paid (see "*Priority of payments*").

Europea de Titulización S.G.F.T., S.A. (Fund Manager Or Trustee Equivalent)

The trustee is Europea de Titulización. The creation of the trustee was authorized by the Ministry of Economy and Treasury on Dec. 17, 1992. Under the legislation for mortgage securitization in Spain, the day-to-day operations of the SPE are managed by the trustee, which represents and defends the interests of the noteholders. The trustee, on behalf of the SPE, entered into certain contracts (financial services agreements, one swap agreement, a subordinated loan to finance the initial expenses, and a subordinated loan to finance the cash reserve) needed to protect it against credit losses and liquidity shortfalls that are assumed to arise in connection with the holding of the CTHs. In this transaction, the main responsibilities of the trustee are to create the SPE, issue the notes on behalf of the fund, calculate the interest rate on the notes, notify noteholders of any relevant information applicable to the notes, and organize the annual audit.

Collateral Description

As of April 9, 2008, the final pool comprised 14,223 amortizing first-ranking mortgages secured over residential properties in Spain.

Mortgage loan interest rates

The pool comprises floating-rate mortgage loans that are indexed to one-year EURIBOR. The mortgages in the pool have a weighted-average margin of 81 bps. The weighted-average interest rate is 5.29%.

Main features

At the sale date of the notes, none of the loans were in arrears by more than 30 days.

The main features of the collateral include:

- Of the pool, 64.13% is concentrated in Valencia, Catalonia, and Andalusia (see chart 2).
- The pool was originated between 1996 and 2007. The weighted-average seasoning is 14.37 months, with almost 30% of the pool was being originated more than 12 months ago (see chart 3).
- The weighted-average LTV ratio is 73.97%, the minimum 0.01%, and the maximum 100.00% (see chart 4).
- There are no caps or floors in the pool.

Chart 2: Geographical Concentration

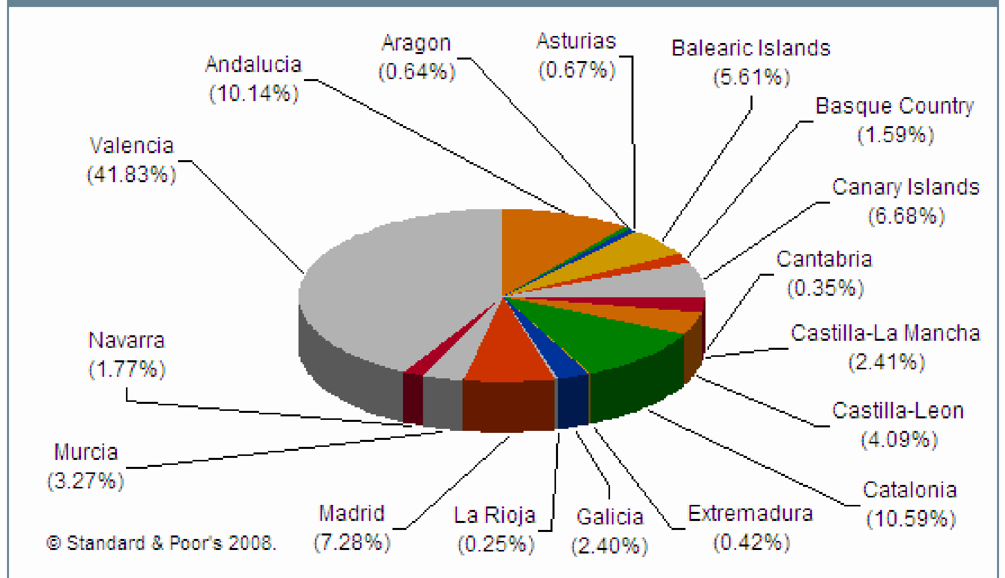
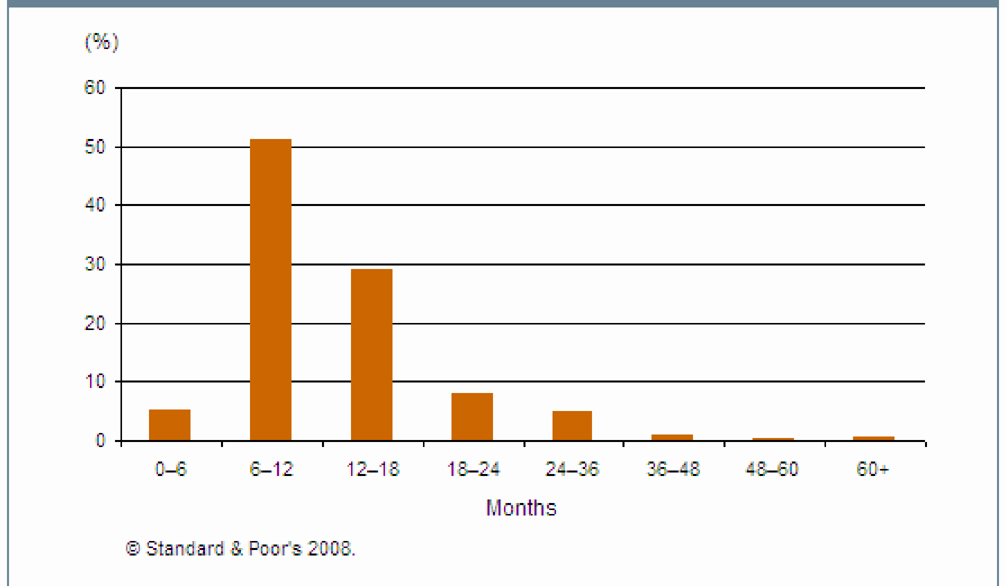
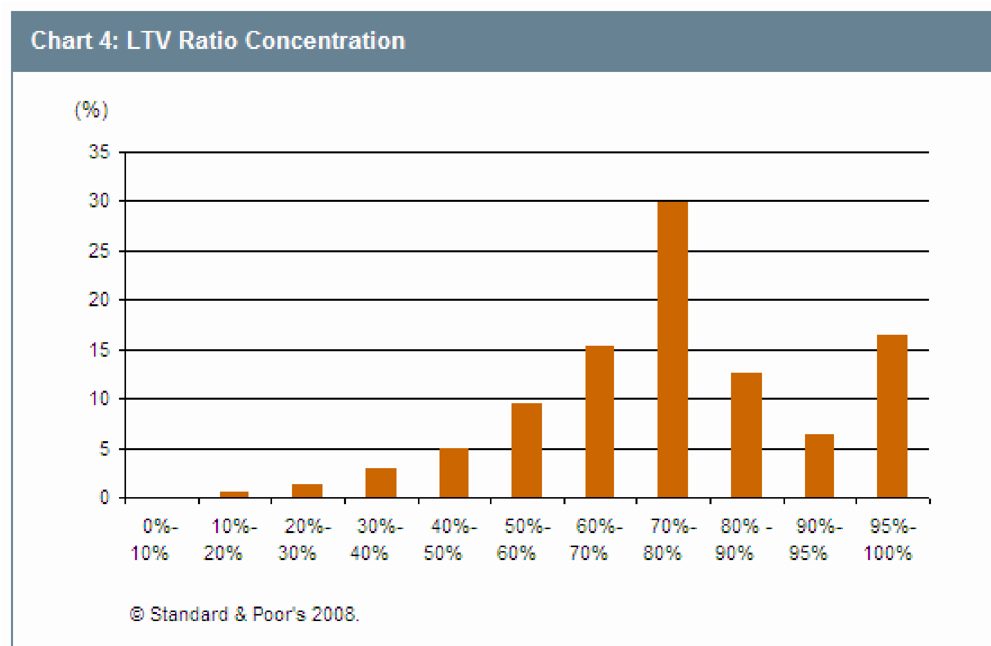


Chart 3: Seasoning Concentration





Collateral risk assessment

Standard & Poor's conducted a loan-level analysis to assess the credit risk of the pool of mortgages. The collateral risk assessment analyzed the foreclosure frequency and loss severity of each loan in the collateral pool. These depend on the characteristics of the borrower, the loan, and the rating on the notes. The potential loss associated with a loan can be calculated by multiplying the foreclosure frequency by the loss severity.

To quantify the potential losses associated with the entire pool, Standard & Poor's calculates a weighted-average foreclosure frequency (WAFF) and a weighted-average loss severity (WALS) at each rating level. The product of the WAFF and WALS variables estimates the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level.

Credit Structure

Credit support for the notes is provided by a combination of subordination, the reserve fund, and excess spread on the mortgages (see table 1).

Table 1: Credit Support For The Notes

Class	Rating	Size of class (%)	Mil. £ (equivalent)	Credit support (%)	Reserve fund (%)	Total (%)
A	AAA	94.25	1,979.2	5.75	2.00	7.75
B	A	2.75	57.8	3.00	2.00	5.00
C	BBB	2.00	42.0	1.00	2.00	3.00
D	BB	1.00	21.0	—	2.00	2.00
Total	—	100.00	—	—	—	—

Cash collection arrangements and transaction account

Borrowers pay monthly into an account in Bancaja's name. The funds are then moved to the treasury account in the name of the securitization fund held at Bancaja seven days after the receipt of the cash flows.

Bank accounts downgrade language

According to Standard & Poor's "*Revised Framework For Applying Counterparty And Supporting Party Criteria*" (see "*Related Articles*"), if the bank account provider is downgraded below 'A-1', it has 60 days until it becomes an ineligible counterparty and it must:

- Find a replacement with a short-term rating of at least 'A-1', or
- Find an adequate Standard & Poor's guarantor with a short-term rating of at least 'A-1'.

Any counterparty replacement or guarantee is subject to rating confirmation. All the costs of the remedies are borne by the downgraded counterparty

Reserve funds

A reserve fund was fully funded at closing using a subordinated loan. The reserve fund amount is fixed for the first three years. Thereafter, the required amount is the minimum of:

- Half the original amount held in the reserve fund (initial outstanding balance); or
- The outstanding principal on the class A, B, C, and D notes multiplied by twice the percentage represented originally by the reserve fund.

The reserve fund does not decrease if:

- The ratio of: (i) the balance of loans in arrears for more than 90 days; to (ii) the outstanding balance of the mortgages, is greater than 1%;
- The required reserve fund amount was not fully funded on the previous payment date; or
- The weighted-average margin of the pool is less than 66 bps.

Commingling reserve

If at any time the servicer is downgraded below a short-term Standard & Poor's rating of 'A-2', then:

- As soon as reasonably practicable, and in any event within 30 calendar days, the servicer, at its own cost, procures an eligible and suitably rated guarantor with at least a short-term rating of 'A-1'. The guarantor provides the issuer with a first-demand unconditional, irrevocable guarantee equal to the commingling reserve amount to be applied toward payment to the issuer of any amounts the servicer must pay or remit to the issuer for the loans, but fails to pay or remit. This amount, if required to be paid, is deposited in an issuer bank account to be opened and maintained in accordance with the bank account agreement and the cash management agreement. The guarantee is subject to Standard & Poor's review and approval at the time the downgrade occurs; or
- As soon as reasonably practicable, and in any event within 10 calendar days, the servicer deposits in an issuer bank account (to be opened in the issuer's name and maintained in accordance with the bank account agreement and the cash management agreement, respectively) an amount equal to the commingling reserve amount to be applied toward payment to the issuer of any amounts the servicer must pay or remit to the issuer for the loans, but fails to pay or remit due to the servicer's insolvency.

Alternatively, the servicer requests Standard & Poor's written confirmation that the ratings on the notes will not be adversely affected.

The commingling reserve amount is initially equal to one month of interest and principal collections, having stressed the historical conditional prepayment rate of the mortgage loans

Priority of payments

There is a single priority of payments, mixing interest and principal. The pre-enforcement priority of payments is:

- Senior fees;
- Net swap payments and any swap settlement amount, when the cause is attributable to the issuer;
- Class A interest;
- Class B interest (if not deferred);
- Class C interest (if not deferred);
- Class D interest (if not deferred);
- Withholding for amortization of the class A, B, C, and D notes;
- Class B interest, if deferred;
- Class C interest, if deferred;
- Class D interest, if deferred;
- Replenishment of the reserve fund;
- Subordinated loan interest;
- Subordinated loan principal;
- Swap termination payments;
- Interest due on the start-up loan;
- Principal due on the start-up loan; and
- Payment of the financial intermediation margin.

All interest and principal received can be mixed to pay principal and interest due under the notes. A trigger is implemented so that in a stressful economic environment the more senior notes are amortized before interest on the subordinated classes of notes is paid.

Interest deferral triggers

Triggers are implemented to subordinate interest on the more junior notes for the benefit of payment of principal on the more senior notes. The triggers are activated if defaults reach certain levels depending on the rating on the relevant class.

The triggers are:

- The accumulated level of defaults being more than 10.74% of the initial amount of the pool, in which case interest on the class B notes is postponed;
- The accumulated level of defaults being more than 7.49% of the initial amount of the pool, in which case interest on the class C notes is postponed; and
- The accumulated level of defaults being more than 5.86% of the initial amount of the pool, in which case interest on the class D notes is postponed.

Redemption of the notes

Unless early redemption occurs, the notes will be redeemed on July 22, 2051 at the latest, which is more than 30 months after the maturity of the longest-term mortgage in the pool.

At any payment date, the amount of principal due under the notes (the amortization amount) is calculated as the difference between the outstanding balance of the notes and the performing balance of the assets, which excludes loans more than 18 months past due and arrears (considered as defaulted in this transaction). The notes redeem sequentially.

Class B, C, and D notes pro rata amortization conditions

The class B, C, and D notes redeem sequentially until the pro rata conditions are met. At this point, the notes redeem pro rata if:

- The proportion of subordinated notes to the total outstanding level of the notes has been multiplied by 2.0x since closing;
- The reserve fund is at its required level;
- The outstanding balance of loans more than 90 days delinquent over the balance of the notes is less than 1.10% for the class B notes, 0.85% for the class C notes, and 0.60% for the class D notes; and
- The outstanding balance of the notes is greater than 10% of the original balance of the transaction.

Hedging Risk

Under the terms of the swap, the *fondo* pays all interest received on the portfolio to the swap counterparty and receives: (i) the three-month EURIBOR rate, plus the weighted-average spread of the notes, plus 0.5% on the notional amount which is equal to the balance of the performing loans and loans in arrears up to 90 days, and (ii) the administration fee if the servicer is substituted.

Downgrade language for the swap counterparty

If the swap provider is downgraded below 'A-1', it becomes an ineligible counterparty and within 10 days it must collateralize 125% of the contract's mark to market complying with Standard & Poor's requirements, and it has 60 days to:

- Find a replacement with a short-term rating of at least 'A-1',
- Find an adequate guarantor with a Standard & Poor's short-term rating of at least 'A-1' complying with Standard & Poor's criteria.

Any guarantee is subject to rating confirmation. All the costs of the remedies are borne by the downgraded counterparty.

Credit Analysis

We stressed the transaction cash flows to test both the credit and liquidity support provided by the assets, subordinated tranches, cash reserve, and any external sources (such as a liquidity facility). We implemented these stresses to the cash flows at all relevant rating levels.

For example, we subject a transaction that incorporates 'AAA', 'A', and 'BBB' rated tranches of notes to three separate sets of cash flow stresses. In the 'AAA' stresses, all 'AAA' rated notes must pay full and timely principal and interest, but this is not necessarily the case for the 'A' or 'BBB' rated tranches, as they are subordinated in the priority of payments. In the 'A' case, all 'AAA' and 'A' rated notes must receive full and timely principal and interest, but not necessarily so for the 'BBB' rated tranche, as it is subordinated to both 'AAA' and 'A'.

Amount of defaults and recoveries

For each loan in the pool, we estimated the likelihood that the borrower will default on its mortgage payments (the foreclosure frequency), and the amount of loss upon the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assume the total mortgage balance to default. We determine the total amount of this defaulted balance that is not recovered for the entire pool by calculating the WAFF and the WALS.

The WAFF and WALS estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage default and loss severity they should be capable of withstanding. This credit analysis is based on the characteristics of the loans and the associated borrowers. We have applied market-specific criteria in our assessment of the WAFF and the WALS for this portfolio, which are shown in table 2.

Table 2: Portfolio WAFF And WALS			
Rating level	WAFF (%)	WALS (%)	Market value declines (%)
AAA	20.46	22.70	37
AA	13.96	17.66	32
A	10.72	13.98	28
BBB	7.42	10.70	24
BB	5.84	9.20	22

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans assumed to default over the life of the transaction. We assume that these defaults occur over a three-year recession. Further, we assess the effect of the timing of this recession on the ability to repay the liabilities, and choose the recession start period based on this assessment.

Although the recession normally starts in the first month of the transaction, the 'AAA' recession is usually delayed by 12 months. The WAFF is applied to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, the WAFF is applied to the balance at the beginning of month 13). We assume defaults occur periodically in amounts calculated as a percentage of the WAFF. The timing of defaults generally follows those shown in table 3.

Table 3 : Default Timings		
	'AAA' scenario	Other rating scenarios
Equal default (percentage of the WAFF)	Recession month	Recession month
1/3	13	1
1/3	25	13
1/3	37	25

Timing of recoveries

We assumed that the issuer would regain any recoveries 30 months after a payment default in Spanish transactions. The value of recoveries at the 'AAA' level is 100% minus the WALS given above.

Note that the WALS used in a cash flow model is always based on principal loss, including costs. We assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After the WAFF is applied to the balance of the mortgages, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgages during the foreclosure period needs to be covered by other structural mechanisms in the transaction

Delinquencies

We model the liquidity stress that results from short-term delinquencies, i.e., those mortgages that cease to pay for a period of time but then recover and become current regarding both interest and principal. To simulate the effect of delinquencies, we assume a proportion of interest receipts equal to one-third of the WAFF to be delayed. We apply this in each month of the recession and assume full recovery of delinquent interest occurs 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is £1 million and the WAFF is 30%, £100,000 of interest (one-third of the WAFF) is delayed until month 23.

Interest and prepayment rates

We modeled three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. Interest rates were 4.75% at the time of modeling and were modeled to rise or fall by 2% a month to a high of 12% for EURIBOR amounts or a low of 2%. For stable interest rates, the interest rate was held at the current rate throughout the life of the transaction. In the 'AAA' scenario, the interest rate increase was not modeled to begin until month 13. Also note that interest rate scenarios will be revised if there is sufficient evidence to warrant it.

Transactions are stressed according to two prepayment assumptions, high and low (0.5%). In a 'AAA' scenario, a prepayment rate of 12% is modeled before the recession for the first year of the transaction for both the high and low prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13, when the recession is assumed to start in the 'AAA' scenario.

We assume prepayment rates to be static throughout the life of the transaction and apply them monthly to the decreasing mortgage balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels, or the transaction is particularly sensitive to high prepayments (e.g., the transaction relies heavily on excess spread).

It should be noted that in a 'AAA' scenario we model an expected prepayment rate of approximately 15% before the recession for the first year of the transaction. This is applied for both the low and high prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13 (the 'AAA' scenario recession start month).

In combination, the default timings, interest rates, and prepayment rates described above give rise to 12 different scenarios (see table 4). The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the 12 scenarios at the proposed rating level.

Table 4: RMBS Stress Scenarios

Scenario	Prepayment rate	Interest rate	Default timing
1	Low	Flat	Equal
2	Low	Up	Equal
3	Low	Down	Equal
4	Low	Flat	Equal
5	Low	Up	Equal
6	Low	Down	Equal
7	High	Flat	Equal
8	High	Up	Equal
9	High	Down	Equal
10	High	Flat	Equal
11	High	Up	Equal
12	High	Down	Equal

Sectoral Credit Highlights

It's a difficult time for the economies of Europe. But while the environment is difficult for the region as a whole, the ability of individual economies to withstand the conditions will depend on their current health in terms of household debt and savings, corporate debt, and international competitiveness. Against these yardsticks, Standard & Poor's considers that Spain looks to be one of the most exposed to a pronounced slowdown.

This slowdown would be hardly surprising given the systemic economic shocks that are rocking the region: The U.S. is on the brink of recession; the market turmoil triggered by the subprime situation has dried up liquidity and made financial institutions far more reluctant to lend to households and corporates; and housing markets across Europe are easing back after years of spectacular growth, raising concerns for the construction sector and the jobs it has steadily generated in the past 10 years. Consumer price inflation is accelerating, curtailing real income growth. In addition, the euro exchange rate has risen to its highest level against the dollar since its launch in 1999.

From the consumers' standpoint, the new economic environment is characterized by falling asset prices (stocks and houses in most countries), accelerating retail price inflation, and more uncertainty regarding the employment outlook. Consumers' ability to spend in this new context depends in turn on their current level of indebtedness, the savings cushion they can draw on, and their real income growth prospects. Spain has seen a sharp increase in household debt over the past seven years, to 81% of GDP.

The second fundamental point to consider is the level of savings. When asset prices fall, households tend to raise their precautionary savings. The negative effects on consumer spending are likely to be stronger in economies where the overall level of personal savings was already historically low. Spain is interesting because the household savings rate, while trending down, still appears relatively high, at 9.9% in the third quarter of 2007 (10.2% a year earlier). This is because Spanish households continued to benefit from rapid growth in their overall disposable incomes (3.8%) last year, thanks to robust gains in pay (7.2%) on the back of strong employment and wage growth. But over the same 12 months to September 2007, the considerable volume of investment made by the household sector (up 4.5%) increased its overall financing needs to 6.8% of GDP—another sign of the current overleveraging of the Spanish personal sector.

We have revised our forecast for GDP growth in Spain this year to 1.8% from 2.3% (3.8% in 2007) and expect GDP growth to average 1.6% in 2009. The most recent data from the Spanish statistical office show that in 2007, 61,500 jobs were lost in the construction sector and 46,400 in the service sector—the two main pillars of the Spanish economy. As a result, the unemployment rate surged to 8.6%. We expect housing starts to drop to about 400,000 this year from 600,000 in 2007, a trend that is likely to cause more job losses. The temptation to use part of the fiscal surplus (about 2.3% of GDP) will be strong and could provide a temporary boost aimed at avoiding a rise in unemployment on the back of a stumbling construction sector. The government just announced that 35,895 new jobs would be created in the public sector this year, an 8% increase over 2007.

Surveillance

Table 5 shows the key features of Bancaja 12 compared with those of Bancaja 11.

Table 5: Transaction Key Features		
	Bancaja 12	Bancaja 11
Pool features		
Principal outstanding (Mil. €)	2,100.1	2,315.2
Weighted-average seasoning (months)	14.37	12.12
Weighted-average LTV ratio (%)	73.97	75.85
Percentage with LTV ratios below 50% (%)	77.18	67.07
Percentage with LTV ratios above 80% (%)	22.82	32.99
Number of loans	14,223	15,128
Largest (€)	1,000.0	547,111
Average (€)	147,656	153,046
Weighted-average margin on the floating portfolio* (%)	0.811	0.890
Percentage of commercial loans (%)	0	0
Percentage of residential loans (%)	100	100
Second home (%)	0	0
Self employed (%)	14.41	12.90
Number of jumbo loans	150	182
Percentage of floating-rate loans (%)	100	100
Weighted-average foreclosure period (months)	30	30
Geographic distribution (%)		
Valencia	42.71	34.47
Catalonia	10.07	14.59
Andalusia	10.01	11.99
Structural features (%)		
AAA	94.25	94.65
A	2.75	3.15
BBB	2.00	1.20
BB	1.00	1.00
Cash reserve	2.00	1.15
Commingling sized as credit loss/liquidity loss (%)	No commingling assumed	1.37
**Includes the optional loans that currently pay floating interest rates.*		

Criteria Referenced

- "*Revised Framework For Applying Counterparty And Supporting Party Criteria*" (published on May 8, 2007).
- "*Cash Flow Criteria for European RMBS Transactions*" (published on Nov. 20, 2003).
- "*Methodology Behind European RMBS Indices*" (published on Nov. 8, 2004).
- "*European Legal Criteria for Structured Finance Transactions*" (published on March 23, 2005).
- "*Rating Affirmations And Their Impact On Investors*" (published on April 20, 2005).

Related Articles

- "*European RMBS Outlook 2008—Market Disruptions May Overshadow Collateral Performance*" (published on Jan. 31, 2008).
- "*Transition Study: European Structured Finance Ratings Stable In 2007, But Pockets Of Weakness Emerged*" (published on Jan. 25, 2008).
- "*European Structured Finance Performance Outlook 2008—Economic Weakening And Credit Squeeze Could Hurt Asset Performance*" (published on Jan. 25, 2008).
- "*Assessment Of The Basel II Framework: Residential Mortgages*"(published on Sept. 28, 2006).
- "*European Banks Manage Capital Through Recent Mortgage Risk Transfers*" (published on Dec. 9, 2005).
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All criteria and related articles are available on RatingsDirect, the real-time Web-based source for our credit ratings, research, and risk analysis, at www.ratingsdirect.com. The criteria can also be found on our Web site at www.standardandpoors.com.

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