Bancaja 13, Fondo de Titulización de Activos

RMBS / Spain

Closing Date

11 December 2008

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DEFINITIVE RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	**Aaa**	€2,583.70	89.25	April 52	3mE + 0.30%
B	**A2**	€152.00	5.25	April 52	3mE + 0.60%
C	**Baa3**	€159.30	5.50	April 52	3mE + 1.20%
Total		€2,895.00	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 and C.

OPINION

Strengths of the Transaction

- No flexible products being securitised – only plain vanilla mortgage loans
- No second-lien products and no second residence being included
- 100% of the loans are paid via direct debit
- All the loans are paid through monthly instalments
- Excess spread-trapping mechanism through an 18-month “artificial write-off”
- Reserve fund fully funded up-front to cover potential shortfall in interest and principal

Weaknesses and Mitigants

- High LTV loans included in the portfolio (35.22% over 80% LTV). The reserve fund and the subordination have been sized to account for this fact.
- Over 50% of the pool is in its initial grace period (average length over 5 years)
- Low seasoning (1.40 years).
- A significant percentage of the loans are granted to new residents in Spain (8.5%).
- Information on broker originated loans is not available. Moody's has taken this into account when calculating the credit enhancement.
- Partial hedging of the interest rate risk. Moody's has established a penalty based on the amount of spread needed on each payment date to hedge the transaction against the interest rate risk not covered through the swap agreement as well as other collateral risks derived from the swap structure.
- Geographical concentration in the Region of Valencia (37%), 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 8.5% of the portfolio corresponds to loans backed by two or more properties (commercial properties, warehouse, land, etc.). These type of loans entail two risks: (i) as the mortgage loans amortise, the debtor may liberate the mortgage over the second property, so the LTV may revert to its original level; and (ii) recourse to each property is limited to a certain percentage; so to calculate the true LTV of the loan, Moody's used the appraisal value of each property weighted by the legal responsibility of each loan.

- Pro-rata amortisation of Series B and C 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 should the performance of the transaction deteriorate.
- The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C themselves. The reserve fund and the subordination have been sized to account for this deterioration on the expected loss.

STRUCTURE SUMMARY *(see page 3 for more details)*

Issuer:	Bancaja 13, 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**)
Servicer:	Bancaja
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 April 2009
Credit Enhancement/Reserves:	Pool spread
	Reserve fund
	Subordination of the notes
	Guaranteed Investment Contract (GIC) account
GIC Account Provider:	Bancaja
Hedging:	Interest rate swap partially covering the interest rate risk
Interest Rate Swap Counterparty:	J.P. MORGAN CHASE (**Aaa**/**P-1**)
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 CLOSING) *(see page 6 for more details)*

Receivables:	Loans granted to individuals secured by a first-lien mortgage guarantee
Total amount:	€2,895 million
Number of Contracts:	16,973
Geographic Diversity:	Valencia (37%), Catalonia (15%), Andalucia (14%)
WA Remaining Term:	34.11 years
WA Seasoning:	1.40 years
WA current loan-to-value:	76.78% (35.22% over 80%)
Interest Basis:	100% floating
WA Interest Rate:	5.76%
Delinquency Status:	No loans more than 30 days in arrears at the time of securitisation
Milan Aaa CE range:	12.5% - 12.9%
Moody’s Expected Loss range:	2.40% - 2.60%

TRANSACTION SUMMARY

Cash securitisation of loans granted to individuals and secured by a first-lien mortgage guarantee

This transaction marks the thirteenth time that Bancaja has tapped the RMBS market. 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. All of the mortgage loans were originated by Bancaja, which will continue to service them.

The *Fondo* has issued three series of notes to finance the purchase of the loans (at par):

– A subordinated Series C, rated **Baa3**
– A mezzanine Series B, rated **A2**
– A senior tranche Series A, rated **Aaa**

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 partially 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 €8.5 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.

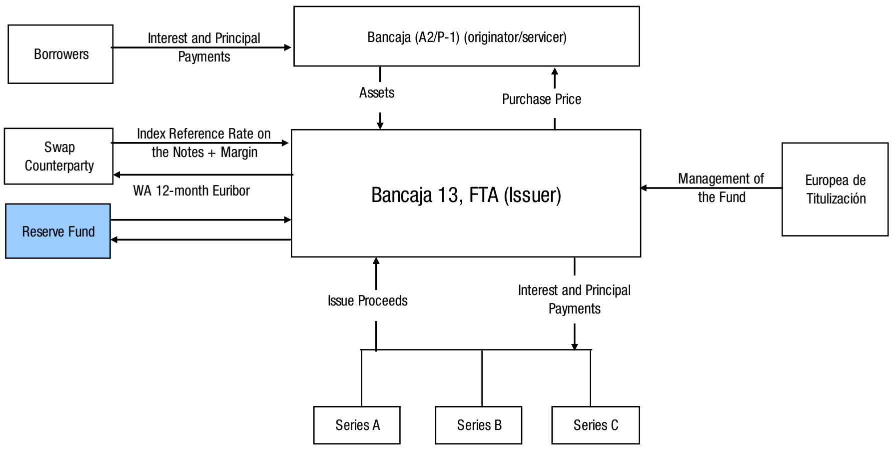
The Spanish Government announced on 4 November 2008 a package of aid to assist unemployed, self employed and pensioner borrowers through a form of mortgage subsidy aid. It is unclear how this package will be implemented, and also if it is implemented, how this transaction would be affected, although 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 pool 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: a partial hedging of the interest rate risk and deferral of interest based on accumulated level of written-off loans

Chart 1:
Structure Diagram



Interest rate swaps partially hedging the interest rate risk

To hedge the risk derived from the interest rate risk (potential mismatch risk derived from the different index reference rates and reset dates on the assets and on the notes), the *Fondo* has entered into two swap agreements with J.P. MORGAN CHASE (**Aaa**/**P-1**).

The floating-rate loans (all referenced to 12-month Euribor) 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 not more than 18 months in arrears.
– Over the notional, on each payment date:
    - The swap counterparty will pay the index reference rate of the notes plus a spread (0,1296%).
    - The *Fondo* will pay a weighted average of the 12-month Euribor over the past months for each of the groups, whereby the weights are fixed for each month on the closing date. This payment is aimed at replicating the amount of interest corresponding to the index reference rates that the *Fondo* receives for each of the groups between payment dates.

It is worth pointing out that this type of swap does not fully hedge the transaction against the interest rate risk, to the extent that the weighted average 12-month Euribor that the *Fondo* is committed to pay is not an exact replica of the index reference rates of the pool. Moody's has considered this partial hedging in its analysis by assuming that part of the transaction spread is used to hedge the transaction against the interest rate risk not covered through the swap agreement.

In the event of the swap counterparty's long-term rating being downgraded below **A2** (or the short-term rating below **P-1**), it will have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes and/or (2) find a suitably rated guarantor or substitute.

Reserve fund fully funded at closing from the proceeds of a subordinated loan granted by Bancaja

The reserve fund will initially be funded with a subordinated loan. It will be used to cover any potential shortfall in either interest or principal during the life of the transaction.

After the first three years of the life of the transaction, the reserve fund may amortise so that it amounts to the lesser of the following amounts:

1. 5.4% of the initial balance of the Series A, B and C Notes
2. The higher of the following amounts:
    - 10.8% of the outstanding notional balance of the Series A, B and C Notes
    - 2.7% of the initial balance of the Series A, B and C Notes

The amount requested under the reserve fund will not be reduced:

– If the arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%
– If the reserve fund is not funded at its required level
– If the weighted average margin of the pool falls below 0.65%.

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.

Moody's has set up some triggers in order to protect the treasury account from a possible downgrade of Bancaja's short-term rating. Should Bancaja's short-term rating fall 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. Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
3. Invest the outstanding amount of the treasury account in securities issued by a **A1**/**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 (1) renegotiate the spread of any loan if the respective weighted average spread of the pool is below 70 bppa, (2) renegotiate any loan interest rate from floating to fixed or (3) extend the maturity later than September 2048. 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.

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 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. Retention of an amount equal to the principal due under Series A to C notes
7. Interest payment to Series B (if deferred)
8. Interest payment to Series C (if deferred)
9. Replenishment of the reserve fund
10. Termination payment under the swap agreement (except in the cases contemplated in 2) above)
11. Junior payments

In the event of liquidation of the *Fondo*, the payment structure is 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.

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

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

Series B:	- The accumulated amount of written-off loans is higher than 19% 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 17% of the initial amount of the assets pool - Series A and B 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 (1) the outstanding amount of the notes and (2) 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).

Principal due allocation mechanism

Until the payment date on which the initial amount of Series B and C exceeds 10.5% and 11%, respectively, of the outstanding amount of Series A, B and C, 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

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

– The arrears level exceeds 1.25% and 1.00% for Series B and C, 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

COLLATERAL

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

As of closing, the definitive portfolio comprised 16,973 loans. They have been originated by Bancaja in its normal course of business, and comply with the following criteria:

– All the mortgaged properties are fully developed.
– The loans are repaid by direct debit and have accrued at least one instalments.
– No loan incorporates any type of balloon payments or deferred payments of interest.
– None of the loan agreements provides a limit on the maximum interest rate applicable.
– 100% of the principal of the loans has been drawn.
– Obligors are committed to sign an insurance contract for the mortgaged property.
– The pool will not include loans granted to real estate developers or lease contracts. None of the loans has been granted to Bancaja employees.

The loans were originated between 2000 and August 2008, with a weighted average seasoning of 1.40 years and a weighted average remaining term of 34.11 years. The longest loan matures in August 2048. Over 50% of the pool is in its initial grace period with an average length over 5 years and around 9% of loans are granted to new residents in Spain. Information on broker originated loans is not available.

The interest rate is floating for all the loans, all of them being referenced to Euribor/Mibor. The weighted average interest rate of the pool is 5.76% and the weighted average margin over the reference rate is 0.81%.

All the loans are secured by a first-lien mortgage guarantee on residential properties with a current loan-to-value lower than 100%. The current weighted-average LTV is 76.78% (35.22% not giving full value to several properties backing a loan – see break down in Chart 1). 35.22% has an LTV above 80% (43.21% not giving full value to several properties backing a loan).

In terms of debtor concentration, the pool is quite granular: the highest exposure is 0.031% of the amount of the issuance. Geographically, the pool is concentrated in the Region of Valencia, a natural consequence of the location of some of the originators involved in the transaction.

Chart 1:
Portfolio Breakdown by LtV

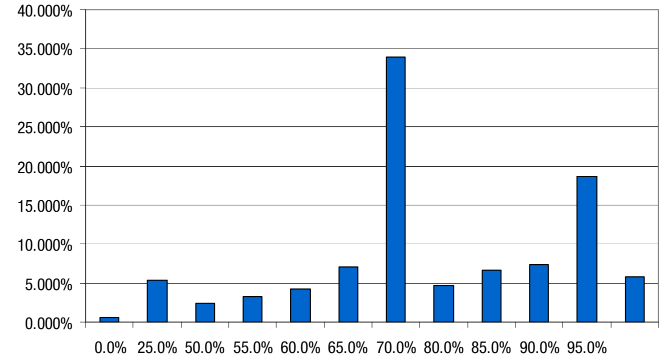
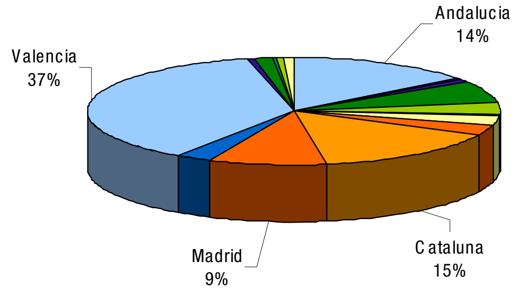


Chart 2:
Portfolio Breakdown by Geographic Diversity (by location of the mortgage guarantees)



The originator represents and guarantees that, as of the date of the transfer:

- There will be no amounts more than 30 days past due under any of the loans.
- There has been no breach of any of the loan agreements.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

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

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 EUR 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.

Bancaja's duties as servicer and originator

Bancaja will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account on a weekly basis. Nevertheless, if Bancajas's short-term rating falls below **P-1**, it will have to transfer the borrower payments within a maximum period of one day, with the purpose of minimising the amount of the pool proceeds that fall into the servicer's bankruptcy estate (i.e. commingling risk).

In the event of Bancaja being declared bankrupt, failing to perform its obligations as servicer or being 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 obligations under the servicing agreement, or even as new servicer.

Moody's believes that Bancaja is capable of fulfilling its servicing obligations in the transaction.

Likewise, the management company may require Bancaja, upon an insolvency process of Bancaja or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should Bancaja fail 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*. In the event of Bancaja's short-term rating falling 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 96 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach, where the default distribution was derived from a loan-by-loan analysis

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 mortgage credits 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 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.

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 Analyzer 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.

Modelling assumptions for the transaction

The key parameters used to calculate the loss distribution curve for this portfolio include:

- A MILAN **Aaa CE** range of 12.5% - 12.9%%, and
- An **Expected Loss** range of 2.40% - 2.60%

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.

Legal Analysis

Moody's verified that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

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 and C (based on cumulative amount of written-off credit rights)

– Trigger to switch pro-rata amortization of Series A, B and C to sequential (based on delinquencies)

– Trigger to stop the reserve fund release (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, though 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 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)

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)
– BANCAJA 7 Fondo de Titulización de Activos, June 2004 (SF39498)
– BANCAJA 9 Fondo de Titulización de Activos, January 2006 (SF67907)
– BANCAJA 10 Fondo de Titulización de Activos, January 2007 (SF89229)
– BANCAJA 11 Fondo de Titulización de Activos, June 2007 (SF101560)

Performance Overviews

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

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 report and that more recent reports may be available. All research may not be available to all clients.

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