MBS Bancaja 6 Fondo de Titulización de Activos

RMBS / Spain

Estimated Closing Date

4 February 2009

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DEFINITVE RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	**Aaa**	€904.0	90.4	May. 52	3mE + 0.30%
B	**Aa3**	€37.5	3.75	May. 52	3mE + 0.60%
C	**Baa1**	€28.5	28.5	May. 52	3mE + 1.20%
D	**B1**	€30.0	30.0	May. 52	3mE + 2.00%
Total		€1,000	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.

OPINION

Strengths of the Transaction

- No second-lien products have been included in the pool.
- At closing, no loans will carry any amounts more than 30 days past due.
- There is an excess spread-trapping mechanism through an 18-month "artificial write-off".
- The reserve fund will be fully funded upfront to cover potential shortfalls in interest and principal.
- Almost 100% of the loans are paid via direct debit on a monthly basis
- 5.65% of the portfolio corresponds to loans made to the protected lifetime employed (Spanish civil servants).
- Commingling risk is mitigated by several provisions. If Bancaja is downgraded below **P-1**, collections will be transferred daily to the SPV's account. In addition, if Bancaja is downgraded below **Baa3**, it will fund a commingling reserve equivalent to one month of stressed collections.
- Bancaja will identify a Back-up Servicer if its rating falls below **Baa3**. At this stage, the back-up Servicer will enter into a back-up servicer agreement, but it will only step in at the discretion of the management company

Weaknesses and Mitigants

- The structure is exposed to basis risk. The interest payable on the notes pays three-month EURIBOR, while the loans are linked to 12-month EURIBOR and the transaction is not protected by a swap.
- 46.88% of the loans correspond to second homes. No data available for 6.24% of the loans.
- 28.48% of the portfolio corresponds to new residents that have no data available on years of residency (classified as new residents < 3yr according to Moody's updated Methodology for Rating Spanish RMBS).

- 12.44% of the portfolio corresponds to loans made for debt consolidation (Bancaja groups all the debts in Bancaja under one loan. All the loans must be current for this to be offered).
- 29.25% of the loans correspond to loans that are currently in principal grace periods.
- 9.49% of the portfolio corresponds to loans granted to multiple borrowers (more than two).
- 30.39% is provided to self-employed borrowers; however 100% of the debtors in the portfolio are individuals.
- 6.69% of the portfolio corresponds to commercial properties, 1.72% warehouse and 0.74% land.
- There is geographical concentration in the region of Valencia (50.19%), mitigated by the fact that this is the originator's region of origin, where it has its highest expertise.
- 3.28% of the portfolio has a high (over 80%) loan-to-value (LTV) ratio.
- Around 67.92% of the debtors have the possibility of an automatic reduction in their margin in cases of cross-selling of other Bancaja products (e.g. investment funds, use of credit cards) subject to a floor of 70 bps.
- 15.55% of the portfolio corresponds to loans backed by two or more properties (commercial properties, warehouse, land). 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.
- The pro-rata amortisation of Series B, C and D leads to reduced credit enhancement of the senior series in absolute terms.
- The deferral of interest payments on each of Series B, C and D benefits the repayment of the series senior to each of them, but increases the expected loss on Series B, C and D themselves. The reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss.

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

Issuer:	MBS Bancaja 6 Fondo de Titulización de Activos
Structure Type:	Senior/Mezz/Mezz/subordination floating rate notes
Seller/Originator:	Bancaja (**A2**/**P-1**)
Servicer:	Bancaja (**A2**/**P-1**)
Back-up Servicer:	NA
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Excess spread per annum Reserve Fund Subordination
Liquidity Facility:	NA
Hedging:	No interest rate swap, transaction exposed to interest rate risk
Principal Paying Agent:	Bancaja (**A2**/**P-1**)
Management Company:	Europea de Titulización S.G.F.T ; S.A
Arranger/Lead Manager:	Bancaja (**A2**/**P-1**)

COLLATERAL SUMMARY *(see page • for more details)*

Loan Amount:	€1,301,919,696.95
Loans Count:	9,739
Pool Cut-off Date:	31 December 2008
WA Original LTV:	62.50%
WA Current LTV:	60.90%
WA Seasoning:	1.19 years
WA Remaining Term:	25.22 years
Interest Rate Type:	100% floating
Geographic Diversity:	50.19% Valencia, 10.30% Andalucia, 8.52% Catalunya
Loan Purpose:	Loans granted to individuals and secured by a first-lien mortgage guarantee, with different types of mortgage properties and loan purposes
Average Loan Size:	€133,681.04

TRANSACTION SUMMARY

MBS Bancaja 6, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of mortgage loans granted by Bancaja to individuals with different types of mortgage properties and loan purposes. This means that the deal cannot be considered as a pure RMBS transaction. All of the mortgage loans were originated by Bancaja, which will continue to service them.

The transaction comprises four rated classes: a Series A rated **Aaa**, two mezzanines Series B and C rated **Aa3** and Baa1 and a subordinated Series D rated **B1**

There is a fully funded cash reserve that will be used to cover any potential shortfall on interest or principal payments on the notes.

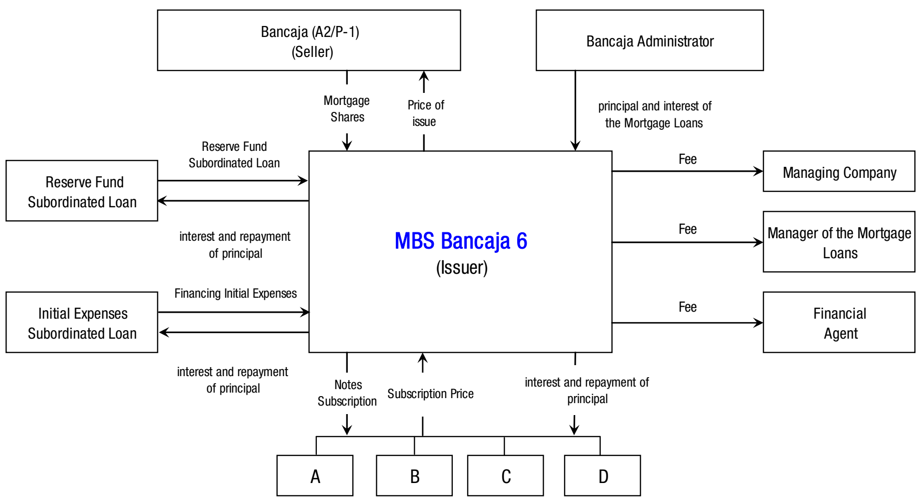
As well as the cash reserve, each series of notes is supported by the series subordinated to itself and the securitised pool excess spread.

In addition, the *Fondo* will benefit from a €4.1 million subordinated loan provided by Bancaja to fund the up-front expenses, the costs of issuing the notes, and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information; (iii) the credit enhancement provided through the GIC account, the pool spread, the cash reserve and the subordination of the notes; and (iv) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Chart 1:
Structure Diagram



Borrower payments swept into Bancaja GIC account every two days

The treasury account will be held at Bancaja (A2/P-1). The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Triggers have been put in place to protect the reinvestment account from any possible downgrade of Bancaja. If Bancaja's short-term rating falls below **P-1**, it will have to find a suitably rated guarantor or substitute itself within 30 days.

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

Triggers in place to mitigate commingling risk

The following triggers have been put in place to mitigate the risk of commingling. If Bancaja's short-term rating falls below P-1, all funds received by the servicer will be swept daily to the treasury account. If Bancaja's long-term rating falls below Baa3, the servicer will either fund a commingling reserve or obtain an unconditional, irrevocable, first-demand credit facility from a P-1 entity. The commingling reserve or the maximum amount available under the credit facility will be equal to the highest future scheduled monthly amount of principal and interest collections, at the time of the downgrade, assuming 0% delinquency rate and 10% prepayment rate.

Reserve fund fully funded at from through a subordinated loan

The second layer of protection against losses is a reserve fund provided by Bancaja. It will be used to cover potential shortfalls on interest or principal on an ongoing basis.

At any point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

– 7.20 % of the initial balance of the notes

The higher of the following amounts:

- 14.40% of the outstanding balance of the notes
- 3.60% of the initial balance of the notes

The amount requested under the reserve fund will not be reduced on any payment date on which either of the following scenarios occurs:

– The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.00%

– The reserve fund will not be funded at its required level on the current payment date

– The weighted-average margin of the loans falls below 65 bps

Additionally, the reserve fund will not amortise during the first three years of the transaction

Pro-rata amortisation

The notes are subject to pro-rata amortisation:

– Class B Notes will start amortising pro rata with the Class A notes when they represent 7.50% of the outstanding balance under Classes A, B, C and D notes

– Class C Notes will start amortising pro rata with the Class A and B notes when they represent 5.70% of the outstanding balance under Classes A, B, C and D notes

– Class D Notes will start amortising pro rata with the Class A, B and D notes when they represent 6.0% of the outstanding balance under Classes A, B, C and D notes

However, each note will not amortise pro-rata if any of the following conditions apply:

Table 1:

Series B	Series C	Series D
The loans more than 90 days arrears level exceeds 1.25% The RF is not funded at the required level The loan balance is less than 10% of the initial loan balance	The loans more than 90 days in arrears level exceeds 1.00%	The loans more than 90 days in arrears level exceeds 0.75%

The pre-enforcement waterfall

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

1. Cost and fees, excluding servicing fee
2. Interest payment to Class A
3. Interest payment to Class B (if not deferred)
4. Interest payment to Class C (if not deferred)
5. Interest payment to Class D (if not deferred)

6. Principal Payment to A, B, C, and D
7. Interest payment to Class B notes (if deferred)
8. Interest payment to Class C notes (if deferred)
9. Interest payment to Class D (if deferred)
10. Replenishment of the reserve fund
11. Junior expenses

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

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (i) the outstanding amount of the notes; and (ii) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months, or earlier if the loan is in foreclosure).

Interest deferral trigger

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

Table 2:

Class B:	The accumulated amount of written-off loans is higher than 25.00% of the initial amount of the assets pool Class A is not fully redeemed
Class C:	The accumulated amount of written-off loans is higher than 18.00% of the initial amount of the assets pool Classes A and B are not fully redeemed
Class D:	The accumulated amount of written-off loans is higher than 15.00% of the initial amount of the assets pool Classes A, B and C are not fully redeemed

COLLATERAL

As of 31 December 2008, the provisional portfolio comprised 9,739 loans. The loans were originated by Bancaja in its normal course of business.

– 100% first-lien mortgages
– 12.44% of the portfolio corresponds loans made for the purpose of debt consolidation (Bancaja group all the debts in Bancaja under one loan. All the loans must be current).
– 6.69% of the portfolio corresponds to commercial properties, 1.72% to warehouses and 0.74% to land.
– The loans were originated between 2003 and 2008, with a weighted-average seasoning of 1.19 years and a weighted-average remaining term of 25.22 years. The longest loan matures in September 2048.
– The original WALTV was 62.50% (68.38% not giving full value to several properties backing a loan). The current weighted-average LTV is 60.90% (66.50% not giving full value to several properties backing a loan). 3.28% has an LTV above 80% (14.21% not giving full value to several properties backing a loan).

Chart 2:

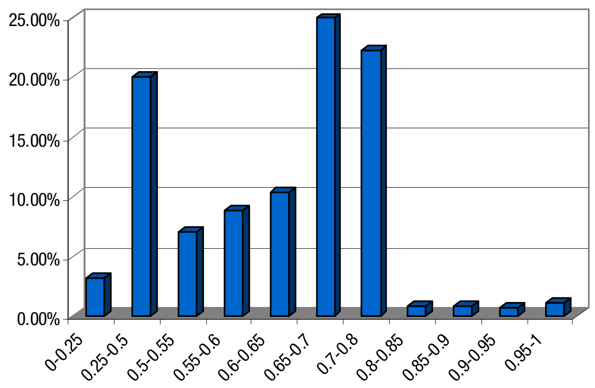


Chart 3:

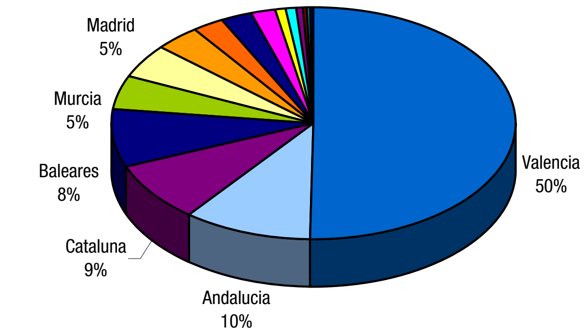


Chart 4:

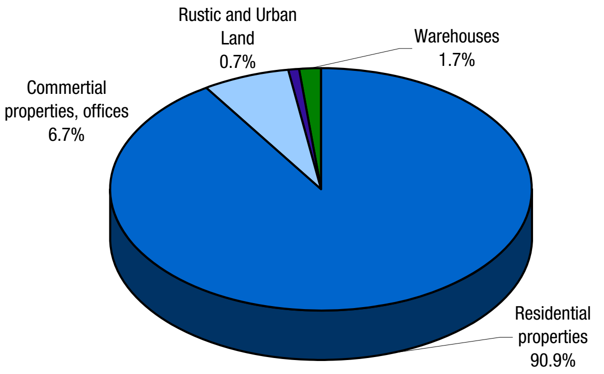
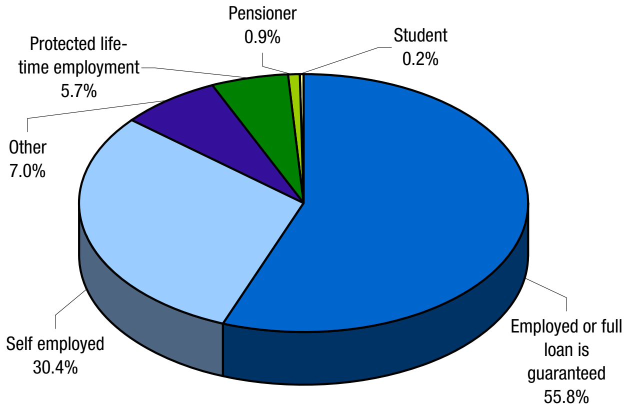


Chart 5:



- 100% of the loans are linked to a floating interest rate.
- 5.66% of the portfolio corresponds to the protected lifetime employed (Spanish civil servants).
- 46.88% of the portfolio corresponds to second homes. No data was available for 6.24%.
- 28.48% of the portfolio correspond to new residents that have no data available on years of residency (classified as new residents < 3yr according to Moody's Updated Methodology for Rating Spanish RMBS)
- 29.25% of the portfolio corresponds to loans in principal grace periods.
- 100% of the loans are paid monthly via direct debit.
- 30.39% of the portfolio corresponds to loans made to the self-employed.
- 9.49% of the portfolio corresponds to loans granted to multiple borrowers (more than two).

Risk associated to loans backed by more than one property

15.55% of the pool corresponds to loans backed by several properties. Moody's identifies two risks associated with these loans:

- The recourse to each property is limited to a certain percentage (the legal responsibility of each loan). Assume a mortgage loan of €100 (legal responsibilities). This loan is backed by a first property with an appraisal value of €100, the legal responsibility over this property is 80%; and by a second property with an appraisal value of €100 and a legal responsibility of 20%. After the auction, the bank recovers €60 in the first property and €40 in the second property. The total recovery is a 60 + 20 cap with the legal responsibilities. The rest of the money belongs to the debtor, therefore the bank will have to pursue the debtor for the rest of the debt (in Spain the banks have full recourse against the debtors). To mitigate this, Moody's calculates the appraisal value weighted by the legal responsibility of each property.

Therefore, the appraisal value introduced in the Moody's Individual Loan Analysis (MILAN) model is €100 * 80% + €100 * 20% = €100, instead of €200 (the sum of each appraisal value). However, due to the lack of information on the legal responsibility of each of the properties, Moody's took a conservative approach and considered that the appraisal value for loans backed by several properties was equal to the original loan balance (thus assuming a 100% original LTV).

– As the mortgage loans amortise, the debtor may liberate the mortgage over the second home, meaning that the LTV may revert to its initial level. However, the cancellation of the second property is not automatic; the debtors have to ask for the cancellation of the additional legal responsibility

Renegotiation

Any renegotiation of the terms and conditions of the loans is subject to the *Gestora's* approval. In exceptional circumstances, the *Gestora* may authorise Bancaja to renegotiate the interest rate or maturity of the loans without requiring its approval. Moreover, the renegotiation of the maturity of the loans is subject to the following conditions:

1. The maturity of any loan cannot be extended beyond September 2048
2. 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
3. The frequency of payments cannot be decreased.
4. The repayment system cannot be modified.

Bancaja will not be able to renegotiate the interest rate of any loan if the weighted average interest rate of the pool falls below the index reference rate of the notes plus 0.70%. Moody's has taken into consideration this limit in the margin compression assumption within its cash flow analysis.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

On 4 August 2008, Moody's downgraded Bancaja

Bancaja was recently downgraded to A2/C from A1/C+. This rating action refleced the high credit risk concentration to the real estate sector in geographical areas where Moody's expects a more pronounced adjustment of the market. The stable outlook already incorporates the expected deterioration in Bancaja's asset quality indicators resulting from the continued underperformance of the real estate sector and rising household delinquencies. Moody's expects that the entity should have sufficient capacity to withstand even a higher than the system's average increase in problem loans for the current year while maintaining a financial position comparable to that of its C rated peers. Nonetheless, Moody's will continue to closely monitor Bancaja's risk exposures and the pace of growth in problem loans so as to detect any deterioration in the savings bank's credit profile.

Bancaja is the sixth-largest financial institution and the third-largest savings bank in Spain by assets, with total assets of €104 billion at the end of June 2008. It enjoys a strong presence in its home market, the Valencia region, where it held a 32% market share in deposits and 24% in lending in 2007. Within the Valencia region, the savings bank is particularly strong in the provinces of Valencia and Castellón, with combined market shares in lending and resources from clients of 37% and 28%, respectively. Bancaja's nationwide market share in 2007 stood at 4%. Despite its nationwide presence, its domestic market share is comparatively low because of the dominance of the top two players.

In terms of geographical diversification, 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

We consider that Bancaja overall has a good risk positioning. Nevertheless, it has a high credit risk concentration in the real estate/construction sectors and exposure to a single region (53% of its Spanish residents loan book is located in the Valencia region), which, in the current weakening operating environment and more pronounced downturn in the real estate market, is a rating constraint.

However, according to the information submitted to Bank of Spain, Bancaja's mortgage lending to individuals for the inherently riskier segment of second homes totalled €1.8 billion (including undrawn amounts) at June 2008, which is only 2.3% of the loan book (or 6% of lending to individuals).

Another risk-mitigating factor is that on the back of Bancaja's expansionary strategy over the last few years, loan growth has been sharper outside Valencia, with Andalusia being the region whose weight in Bancaja's loan composition has increased at the fastest rate (from 4% in 2004 to 8% in June 2008).

We note that Bancaja also has exposure to some large risks despite being less concentrated than the average of Spanish savings banks. In July 2008, Martinsa-Fadesa, one of Spain's largest real estate developers, presented a request to be placed under court-supervised administration. Bancaja's exposure to the company is already incorporated in our rating analysis and we have considered both the risks linked to the savings bank's equity stake in the company (5.97%, and whose capital losses have already been reflected in June 2008 financial statements) and those to its credit exposure (already provided as required by Bank of Spain).

Duties as servicer and originator

Bancaja will act as servicer of the securitised portfolio, and will transfer the borrower payments to the treasury account every two days (subject to triggers transfer will be done daily).

If the servicer fails to perform its obligations; is subject to Bank of Spain intervention, affected by an insolvency process; or if the management company considers it appropriate, the servicer will be substituted or guaranteed in its role as servicer by a suitable institution.

Back-up servicer arrangements

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

If Bancaja’s long-term rating falls below **Baa3**, it will, within 60 days, identify a Back-up Servicer. At this stage the Back-up Servicer will enter into a back-up servicer agreement, but it will only step in at discretion of the management company.

Paying Agent

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

Management Company

EdT is a management company established in 1993, whose main shareholder is Banco Bilbao Vizcaya Argentaria, SA (86%). EdT currently carries out the management of 99 securitisation funds.

MOODY’S ANALYSIS

Moody’s used a lognormal approach

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

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

In order to extrapolate expected losses for the loan pool, Moody’s has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

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

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.

Modelling assumptions for the transaction

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

The key parameters used to calibrate the loss distribution for this portfolio include a MILAN Aaa CE of 11.32 % and an Expected Loss of 2.50%

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

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

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

RATING SENSITIVITIES AND MONITORING

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

The ratings are sensitive to a number of parameters, the most important ones being the performance of the pool of loans and Bancaja's credit, due to its role as originator, servicer, paying agent and swap counterparty.

Europea de Titulización S.G.F.T; S.A 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.

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk

RELATED RESEARCH

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Special Reports

- 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)

Performance Review

- Spanish RMBS Q3 2008 Performance Review, December 2008 (SF149455)

Rating Methodologies

- Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005 (SF49068)
- Moody's Updated Methodology for rating Spanish RMBS, July 2008 (SF133138)

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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