

NEW ISSUE REPORT

MBS Bancaja 8, Fondo de Titulización de Activos

RMBS/Spain

Closing Date

28 December 2010

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Definitive Ratings

Series	Rating	Amount (Million)	% Of [Notes/Assets]	Legal Final Maturity	Coupon	Subordi-nation*	Reserve Fund**	Total Credit Enhance-ment***
A	Aaa (sf)	€274.5	61.00	March 2064	3mE +0.3%	39.00%	5.00%	44.00%
B	Caa2 (sf)	€175.5	39.00	March 2064	3mE+0.7%	0.00%	5.00%	5.00%
Total		€450	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 principal with respect of the Class A notes by the legal final maturity and for ultimate payment of interest and principal with respect to the Class B notes, by the final 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.

* At close.

** As a % of [total/rated] notes

*** No benefit attributed to excess spread.

V Score for the sector(Spanish RMBS): *Medium*

V Score for the subject transaction: *Medium/High*

The subject transaction is a static cash securitisation of residential mortgage loans extended to obligors located in Spain. The portfolio consists of mortgage loans secured by mainly residential properties in Spain.

Asset Summary (definitive portfolio as of closing)

Seller(s)/originator(s):	Caja de ahorros de Valencia (Bancaja) (A3/P-2/negative outlook)
Servicer(s):	Bancaja (A3/P-2)
Receivables:	First lien mortgage loans to individuals secured by property located in Spain.
Methodology Used:	» Moody's Updated Methodology for Rating Spanish RMBS, October 2009 (SF133138)



Asset Summary (Continued)

Methodology Used:	» Cash Flow Analysis in EMEA RMBS: Testing Features with the MARCO Model (Moody's Analyser of Residential Cash Flows), January 2006 (SF58290) » A Framework for Stressing House Prices in RMBS Transactions in EMEA, July 2008 (SF131751) » V Scores and Parameter Sensitivities in the Major EMEA RMBS Subsectors, April 2009 (SF158654) » Moody's Enhanced Approach to Originator Assessments in EMEA RMBS Transactions, October 2009 (SF153718)
Models Used:	MILAN (Spain settings) MARCO & ABSROM
Total Amount:	€450,066,893.45
Length of Revolving Period:	Static
Number of Borrowers:	2,859
Borrower concentration:	Top 20 borrowers make up 2.59% of the pool
WA Remaining Term:	33.8 years
WA Seasoning:	2.0 years
Interest Basis:	100% floating rate loans indexed to EURIBOR
WA Current LTV:	83.5%
WA Original LTV:	85.8%
Moody's calculated WA indexed LTV:	87.7%
Borrower credit profile:	Mainly prime borrowers. However, 15.2% of loans are refinancing from previously underperforming borrowers.
Delinquency Status:	4.8% loans are up to 30 days in arrears at the cut off date. No loans more than 30 days in arrears at the time of securitisation.

Liabilities, Credit Enhancement and Liquidity

Excess Spread At Closing:	1.07% WA margin over the reference rate of the loans
Credit Enhancement/Reserves:	Excess spread Subordination of the notes 5.00% non-amortising reserve fund Guaranteed Investment Contract (GIC) account earning three-month EURIBOR on deposits
Form of Liquidity:	Excess spread, principal to pay interest mechanism, non-amortising reserve fund
Number of Interest Payments Covered by Liquidity:	Reserve Fund at initial level will cover 5.0 years of interest payments on the notes, given the current level of three-month Euribor
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	The 27th day of March, June, September, December First payment date: 28 March 2011
Hedging Arrangements:	None

Counterparties

Issuer:	MBS Bancaja 8, Fondo de Titulización de Activos
Sellers/Organizers:	Bancaja (A3/P-2, possible downgrade)
Contractual Servicer(s):	Bancaja (A3/P-2, possible downgrade)
Sub-Servicer(s):	N/A
Back-up Servicer(s):	N/A
Back-up Servicer Facilitator:	Europea de Titulización S.G.F.T.; S.A (NR)
Cash Manager:	Europea de Titulización
Back-up Cash Manager:	N/A
Calculation Agent:	Europea de Titulización
Back-up Calculation/Computational Agent:	N/A
Swap Counterparty:	N/A
Issuer Account Bank:	Banesto (Aa3, possible downgrade /P-1)
Collection Account Bank:	Bancaja (A3/P-2, possible downgrade)
Paying Agent:	Banco Cooperativo Español (A1/P-1)
Management Company:	Europea de Titulización
Issuer Administrator/Corporate Service Provider:	Europea de Titulización
Arranger:	Europea de Titulización

Moody's View

Outlook for the Sector:	Negative
Unique Feature:	Second securitisation by Bancaja of mainly high LTV loans (77.0% over 80% LTV) with 15.2% of loans corresponding to refinancing from previously underperforming borrowers.
Degree of Linkage to Originator:	Bancaja acts as servicer in the transaction. There is no back-up servicing arrangement contemplated in the documentation at closing.
Originator's Securitisation History:	
# of Precedent Transactions in Sector:	21 RMBS deals
% of Book Securitised:	61.3%
Behaviour of Precedent Transactions:	Delinquencies reported on prior transactions of this issuer are higher than the average delinquency reported in the Spain index.
Key Differences between Subject and Precedent Transactions:	Second securitisation by Bancaja of mainly high LTV loans
Portfolio Relative Performance:	
Expected Loss/Ranking:	14.5%/ higher than peer group due to adverse collateral characteristics
MILAN Aaa CE/Ranking:	36.5%/ higher than peer group due to adverse collateral characteristics
Weighted-Average Aaa Stress Rate For House Prices:	45.43%
Potential Rating Sensitivity:	
Chart Interpretation:	At the time the rating was assigned, the model output indicated that Class A would have achieved a Aaa even if the expected loss was as high as 23.2% assuming a MILAN Aaa CE of 47.5% and all other factors were constant.
Factors Which Could Lead to a Downgrade:	In addition to the counterparty issues, the following factors may have a significant impact on the subject transaction's ratings: further deterioration in the Spanish macroeconomic environment and the real estate market beyond the stress that was modelled; and potential regulatory changes

TABLE 1*

Tranche A

		Milan Aaa CE Output			
		36.5%	40.2%	43.8%	47.5%
Median Expected Loss	14.5%	Aaa*	Aaa (0)	Aaa (0)	Aaa (0)
	17.4%	Aaa (0)	Aaa (0)	Aaa (0)	Aaa (0)
	20.3%	Aaa (0)	Aaa (0)	Aaa (0)	Aaa (0)
	23.2%	Aaa (0)	Aaa (0)	Aaa (0)	Aaa (0)

* Results under base case assumptions indicated by asterisk '*'. Change in model-indicated rating (# of notches) is noted in parentheses.

Composite V Score

Breakdown Of The V Scores Assigned To		Spain Sector	Transaction	Remarks
Composite Score: Low (L), Low/Medium (L/M), Medium (M), Medium/High (M/H), or High (H)				
"Low" reflects lowest level of uncertainty in estimating credit risk relative to other Structured Finance instruments.				
1	Sector Historical Data Adequacy and Performance Variability	M	M/H	
1.1	Quality of Historical Data for the Sector	M	M	» Same as sector score
1.2	Sector's Historical Performance Variability	M	M	» Same as sector score
1.3	Sector's Historical Downgrade Rate	L/M	M/H	» High LTV deals have shown worse performance than the market index
2	Issuer/Sponsor/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure	M	M/H	
2.1	Quality of Historical Data for the Issuer/Sponsor/Originator	M	M/H	» The originator provided historical information on 90 day arrears, recoveries and prepayments from their book. » Moody's also received historical information on 90 day arrears, default and recoveries for the bucket of high LTV loans within the previous Bancaja transactions. » However, there is no historical information on the performance of refinancings of delinquent loans.
2.2	Issuer/Sponsor/Originator's Historical Performance Variability	M	M/H	» Previous deals show worse performance and higher volatility than the market index » Various previous Bancaja deals have been downgraded
2.3	Disclosure of Securitisation Collateral Pool Characteristics	L/M	L/M	» Moody's has received information on all the fields required in Moody's methodology, except for few missing fields in occupancy type. » Moody's has also received information on the borrower previous performance for refinanced loans
2.4	Disclosure of Securitisation Performance	L/M	L/M	» Previous transactions report arrears, defaults and recoveries and generally have a good level of data » No loan level data is received periodically, as with other lenders. » High level of historical repurchases could distort the actual underlying performance.
3	Complexity and Market Value Sensitivity	L/M	M/H	
3.1	Transaction Complexity	L/M	M/H	» High LTV deals are more exposed to house price declines. » Also this pool contains loans with adverse characteristics.
3.2	Analytic Complexity	L/M	L/M	» In line with a typical transaction in the sector. Use of Milan framework and standard cashflow models
3.3	Market Value Sensitivity	L/M	L/M	» In line with a typical transaction in the sector
4	Governance	L/M	L/M	
4.1	Experience of, Arrangements Among and Oversight of Transaction Parties	L/M	L/M	» Extensive experience in securitising mortgage loan pools
4.2	Back-up Servicer Arrangement	L	L	» A3 rated servicer. Back-up servicer to be identified at loss of Baa3.
4.3	Alignment of Interests	L/M	L/M	» In line with a typical transaction in the sector
4.4	Legal, Regulatory, or Other Uncertainty	L/M	L/M	» In line with a typical transaction in the sector

Strengths and Concerns

Strengths:

- » **Credit support and liquidity:** Reserve fund fully funded upfront equal to 5% of the notes to cover potential shortfalls in class A interest during the life of the deal and principal and interest at deal maturity.
- » **Back-up Servicing:** The management company will identify a back-up servicer if Bancaja is downgraded below Baa3. At this stage, the back-up servicer will enter into a back-up servicer arrangement but will only step in at the discretion of the management company.
- » **Artificial write-off mechanism:** Excess spread-trapping mechanism through a 18-month "artificial write-off".

Concerns and Mitigants:

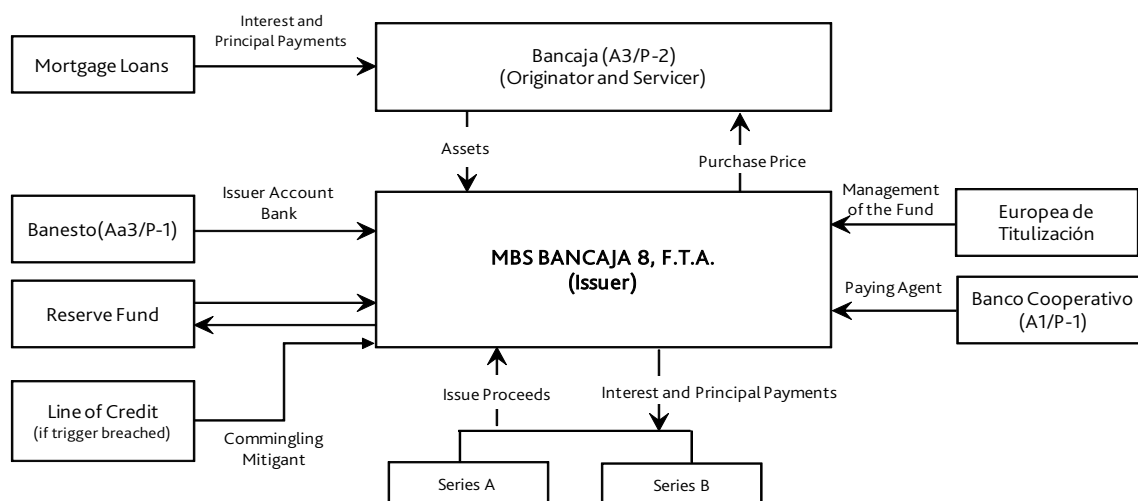
Moody's committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:

- » **High LTV pool:** 77.0% of loans in the pool are above 80% LTV. The weighted-average current LTV (based on valuation at origination) is 83.5%, which is higher than typical Spanish RMBS and in line with other Spanish high LTV transactions. Moody's MILAN framework takes into account the LTV impact on default frequency and severity.
- » **Refinancing:** 15.2% of loans are refinancings from previously underperforming borrowers. Effectively, this bucket represents non prime collateral risk. See section "Treatment of Concerns".
- » **Loans in Arrears:** 4.8% of the pool is in arrears up to 30 days as of cut-off date. The transaction does not allow loans more than 30 days arrears as of closing date. Milan adjustments have been applied.
- » **Principal grace period:** 22.7% of loans have principal grace periods (with 1.5% of the loans having a grace period above 3 years). See section "Treatment of Concerns".
- » **Interest rate risk:** There are no hedging arrangements in the transaction. See section "Assets".
- » **Origination channel:** 17.6% of the pool has been originated through brokers. See section "Treatment of Concerns".
- » **Foreign nationals:** 8.1% of the pool correspond to foreign national borrowers. See section "Treatment of Concerns".
- » **Employment characteristics:** 14.3% of borrowers are self-employed and temporary workers represent 10.7% of the pool. Milan penalties have been applied accordingly.
- » **Geographical concentration:** The pool shows geographical concentration in the region of Valencia (40.4%). Concentration risk is sized in Moody's MILAN framework.
- » **Economic conditions:** Weak economic prospects in Spain, with rising unemployment likely to drive delinquencies up in the short to medium term, specially for weaker borrowers. This is mitigated by an increased expected loss to account for this risk.

Structure, Legal Aspects and Associated Risks

CHART 1

Structure Chart



Allocation of payments/pre accelerated revenue waterfall

On each quarterly payment date, the issuer's available funds (i.e. interest amounts received from the portfolio, the reserve fund and interest earned on the issuer's account) will be applied in the following simplified order of priority:

1. Cost and fees, excluding servicing fee (except if Bancaja is replaced as servicer of the loans)
2. Interest on Class A
3. Replenishment of the reserve fund (except on deal maturity or liquidation)
4. Principal on Class A

5. Interest on Class B
6. Principal on Class B
7. Subordinated loan and other junior payments

Allocation of payments/PDL-like mechanism

A principal deficiency ledger (PDL) is defined as the negative difference between the principal available funds and a target principal amount. A target principal amount is the difference between the notes' outstanding principal and the performing assets. A non-performing asset is defined as one with any amount due but unpaid for more than 18 months or one written off.

Performance Triggers:

Trigger	Conditions	Remedies/Cure
None		

Reserve Fund

- » At close: 5% of original note balance

The reserve fund does not amortise. Due to its seniority in the priority of payments, the reserve fund will be only used to cover for shortfalls on the payment due for costs and class A interest during the life of the deal. It will be applied to payments of interest and principal at deal maturity or on liquidation.

Liquidity

- » Principal to pay interest mechanism.
- » Non-amortising reserve fund.

Assets:**Asset transfer:**

- » True Sale: According to the legal opinion received, the securitisation of assets will be carried out in compliance with the Spanish Securitisation Law.
- » Bankruptcy Remoteness: Under the Spanish Securitisation Law, a Spanish SPV (FTA/FTH) is not subject to the Spanish Insolvency Law. Only the management company, acting in the best interest of the noteholders, can decide to liquidate the Fondo.

Interest rate mismatch:

100% of the portfolio corresponds to floating-rate loans linked to 12-month EURIBOR resetting annually (7.0% reset semi-annually and 0.2% quarterly); whereas the three-month EURIBOR on the notes resets quarterly on the determination dates. There is no hedging in the transaction. Consequently, the Fondo will be subject to base rate mismatch risk.

Mitigant:

Moody's analysis takes into account the potential interest rate exposure in order to assess the ratings. The analysis is based on the observation of the historical volatility between the two rates in a given time interval defined on the basis of the cash-flow dynamics in the specific transaction. The exposure is then computed applying an historical VAR approach with a 99% confidence interval. In the case of a mismatch between 12-month EURIBOR and three-month EURIBOR, the adjustment to the gross margin on the 12-month EURIBOR-linked loans would currently be in the range of 40 to 70 bps.

In addition, the margin has been stressed to represent the risk of loans renegotiating the margin in the future (see Permitted Variations below).

Cash Commingling:

All of the payments under the loans in this pool are collected by the servicer under a direct debit scheme into the originator's account. Consequently, in the event of insolvency of Bancaja and until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by the servicer and may commingled with other funds belonging to Bancaja.

Mitigant:

- » Collections will be transferred daily to the issuer account.
- » If Bancaja's long-term rating falls below Baa3, it will: (i) find a P-1 rated entity to extend a line of credit; or (ii) deposit a commingling reserve in a P-1 entity. The amounts deposited in the reserve or drawn from the line of credit will be equal to one month of collections (interest and principal). The amounts will be part of the available funds if the servicer does not transfer received collections to the Fondo (draw down amounts will be equal to the amount of collections received and not transferred by Bancaja). In both cases, these amounts will be repaid junior in the waterfall.
- » In the event of insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable, the management company may demand that the servicer notifies obligors of the portfolio's transfer to the Fondo and advises obligors that payments on their loans will only be effective as a discharge if made into the treasury account in the name of the issuer. The management company also has the ability to carry out the notification.

Commingling risk has been modelled in Moody's analysis, assuming one month of collections as we do not believe that the mitigants proposed fully cover the potential risk.

Set off:

100% of obligors have accounts with the seller.

Mitigant:

Set off is very limited because only unpaid instalments that are considered as fully due and payable prior to the

declaration of insolvency might be offset against the deposits held by the originator.

Permitted loan variations:

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. The management company may authorise Bancaja to renegotiate without requiring its approval the interest rate or the maturity of loans.

Mitigant:

The renegotiation of the maturity of the loans is subject to various conditions:

- » The maturity of any loan cannot be extended beyond July 2060.
- » 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.
- » The frequency of payments cannot be decreased.
- » The amortisation profile cannot be modified.

Bancaja will be unable to renegotiate the margin of any loan once the weighted-average margin of the portfolio is below 70 bps.

Originator Profile, Servicer Profile and Operating Risks

Date of Operations Review:

Originator Background: Bancaja

Rating:	» A3/P-2, possible downgrade
Financial Institution Group Outlook for Sector:	» Negative
Ownership Structure:	» N/A
Asset Size:	» €89,300 million
% of Total Book Securitised:	» 20.9%
Transaction as % of Total Book:	» 0.5%
% of Transaction Retained:	» 100%

Originator Assessment	Main Strengths (+) And Challenges(-)
Overall Assessment:	Average
Originator Ability	
Sales & Marketing Practices	<ul style="list-style-type: none"> + Most loans are currently originated through the branch network. + Origination to foreign nationals has been very limited from 2008 and broker origination has also been reduced significantly. + Overall, Bancaja has been in line with the rest of the market in restricting lending to riskier borrowers since 2008 onwards as a result of the economic downturn. - However, historically very active in the foreign national segment of the market and around 20% of loans were originated via broker. This affects mainly loans originated before 2008. - Limited review of third-parties (brokers).
Underwriting Policies & Procedures	<ul style="list-style-type: none"> + Good scoring system updated in 2009 to differentiate risk by borrower residency and EU/non-EU country of origin + Use of electronic filing through the underwriting process + Credit history checks in line with Spanish standards. Borrowers are checked thoroughly with all relevant credit bureaus. + Loan with LTV > 80% usually require additional guarantees + Income verification is adequate. Last tax return plus the 3 last payslips for employees. VAT billing report for self-employed. For workers in temporary contracts their job history is checked through the government national insurance organisation. + DTI calculation takes into account the net income in excess of estimated expenses to cover the loan payments. All variable income (e.g. property rent, agricultural, etc.) need to be documented to be taken into account and a haircut applies. - Scoring system has not yet been validated by Bank of Spain - No automatic credit history check on foreign residents - Interest rate is not stressed in the DTI calculation
Property Valuation Policies & Procedures	<ul style="list-style-type: none"> + Quality of valuations in Spain is standardised by the Bank of Spain, who certifies valuers or Sociedades de Tasación. All properties get full internal valuation which can be no older than 6 months as of origination. + No contact between the sales staff at the branch level and the appraisal company. + Appraisal company is assigned randomly. + Bancaja actively monitors de valuation companies annually.
Closing Policies & Procedures	<ul style="list-style-type: none"> +/- In line with Spanish market. Third-party notary performs the checks on property registry and searches. + Borrower is called in to finalise the sign up and set the transfer to the seller. - No information was given on any other additional closing controls in place
Credit Risk Management	<ul style="list-style-type: none"> + A risk department of 33 people is in charge of assessing the performance of the mortgage loan book by characteristics such as product type, area, branch, broker originated or appraisal company. + Independence of the team.
Originator Stability	
Quality Control & Audit	<ul style="list-style-type: none"> + Audit performed by internal team and in line with rest of the market. + On a monthly basis there is a check and verification of underwriting practices on the branches. Feedback is provided or the process adjusted as required. - Frequency of audit on branches is up to 3 years.
Management Strength & Staff Quality	<ul style="list-style-type: none"> + All new hires go through a formalised training program + Directors and managers have on average long experience in the market. + Clear definition of responsibilities. For small branches only the director performs origination tasks. In bigger branches normally the director and a sub-director will share responsibilities. +/- Turnover of junior staff in line with rest of the market
Technology	<ul style="list-style-type: none"> + Adequate legacy system, back up and contingency plan + Documents are available electronically

Servicer Background: Bancaja

Rating:	» A3/P-2, possible downgrade
Total Number of Mortgages Serviced:	» 303,205
Number of Staff:	» Data not provided
Servicer Assessment: Main Strengths And Challenges	
Overall Assessment:	Average
Servicer Ability	
Loan Administration	+ In line with Spanish standard. All payments by direct debit from a borrower account held by the lender. + Active alert generation on potential risky borrowers by a monitoring team. Preventive actions are taken to avoid delinquency.
Early Arrears Management	+ Branch contacts borrower. Letters are automatically sent to the borrower and the guarantors. +/- Third party special servicer takes charge from 30 day arrears up to start foreclosure. Compensated based on performance targets. + Automatic work load prioritisation based on roll rate expectation and number of months in arrears. + Renegotiation of delinquent loans can be offered after assessing the borrower's affordability. - No information on the tracking of the promise to pay.
Loss Mitigation and Asset Management	+/- Bancaja works with internal and external lawyers. + There is an estate agent entity owned by Bancaja in charge of the administration and marketing of acquired properties. +/- Historical recovery rates are in line with the market.
Servicer Stability	
Management Strength & Staff Quality	+ Experienced staff - No information on any formalised training for collectors - No information on compensation of internal collectors relative to performance
IT & Reporting	+ There is a central system for management and reporting of servicing activities that is accessible though the firm.
Quality control & Audit	+/- In line with the market. Generally, there is not much information from lenders on whether appropriate servicing controls are in place.

Back-up Servicer Background: None appointed

Receivable Administration:	
Method of Payment of borrowers in the pool:	100% Direct debit
% of Obligor with Account at Originator:	100%
Distribution of Payment Dates:	Evenly distributed throughout the month

Cash Manager Background: Europea de Titulización

Rating:	NR
Main Responsibilities:	Preparation of investor report Obligation to calculate the payments according to waterfall Draw on reserve fund Request a commingling reserve or line of credit, if applicable
Calculation Timeline:	Calculation date

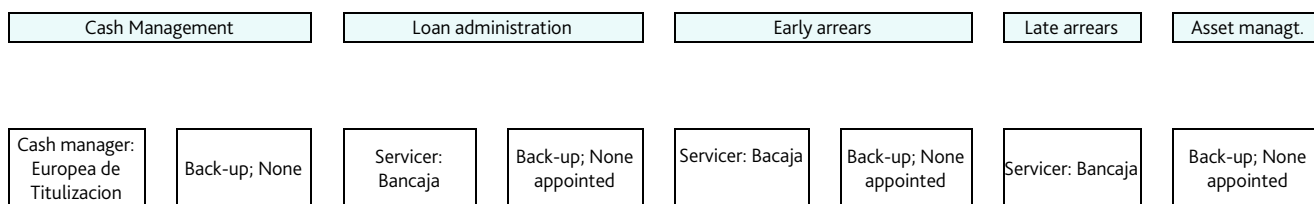
Back-up Cash Manager Background: None appointed

Originator/Servicer/Cash Manager Related Triggers

Key Servicer Termination Events:	Insolvency, Administration by Bank of Spain, Failure to perform under servicing contract
Appointment of Back-up Servicer Upon:	On servicer loss of Baa3
Key Cash Manager Termination Events:	Insolvency
Appointment of Back-up Cash Manager Upon:	N/A
Notification of Obligor of True Sale	On servicer default
Conversion to Daily Sweep (if original sweep is not daily)	Daily sweeping from day one
Notification of Redirection of Payments to SPV's Account	On servicer default
Accumulation of Set Off Reserve	N/A
Accumulation of Liquidity Reserve	N/A
Set up Liquidity Facility	N/A

CHART 2

Entities involved for Cash Management and Servicing



Collateral Description (definitive pool as of closing)

CHART 3

Portfolio Breakdown by Year of Origination

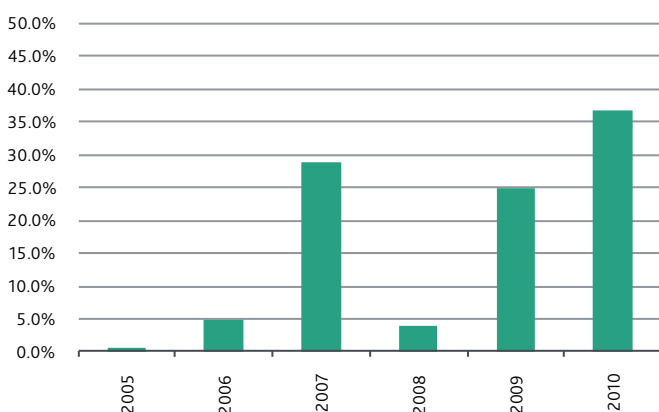
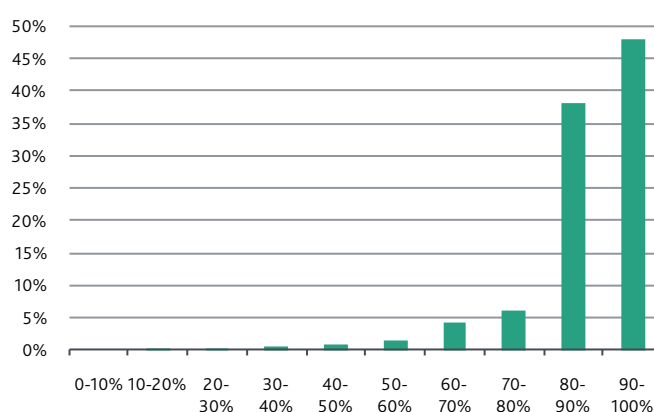


CHART 4

Portfolio Breakdown by current LTV

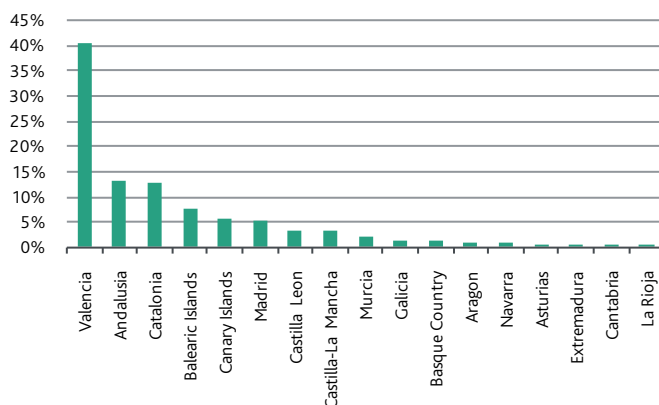


Source: Definitive pool

Source: Definitive pool

CHART 5

Portfolio Breakdown by Geography



Source: Definitive pool

Product Description: The assets backing the notes are first-ranking mortgage loans originated by Bancaja. 15.2% of loans are refinancing from previously underperforming borrowers. Almost all the loans in the pool are secured on residential properties located in Spain (4.5% are commercial or land lend to individuals).

Eligibility Criteria: The key eligibility criteria are as follows:

- » The final maturity date is not later than July 2060.

- » The mortgage certificates exist and are valid and enforceable.
- » The mortgage certificates are all denominated and payable exclusively in Euros.
- » The mortgaged properties are all finished and located in Spain and have been appraised by duly qualified institutions approved by the Bank of Spain.

- » None of the mortgage certificates have any payments more than one month overdue at the transaction closing date.
- » The Originator has strictly adhered to the policies in force for granting credit at the time in granting each and every one of the mortgage certificates.
- » Each mortgage certificate must be registered in the relevant property registry.
- » All borrowers are individuals (no companies)
- » Loans cannot be granted further payment grace periods (only those reported as of deal closing date apply).

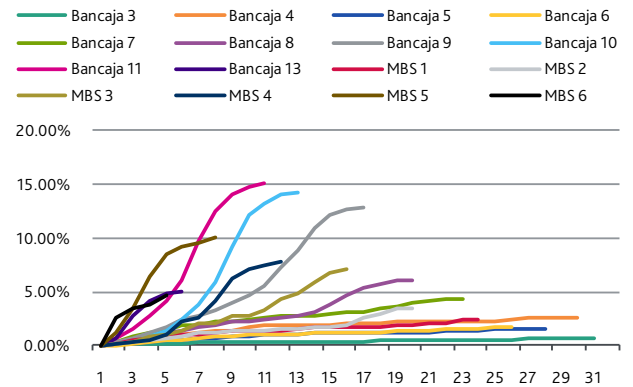
Credit Analysis

Precedent Transactions' Performance:

The performance of the originator's previous transactions in this sector are below Moody's expectations and worse than the sector average.

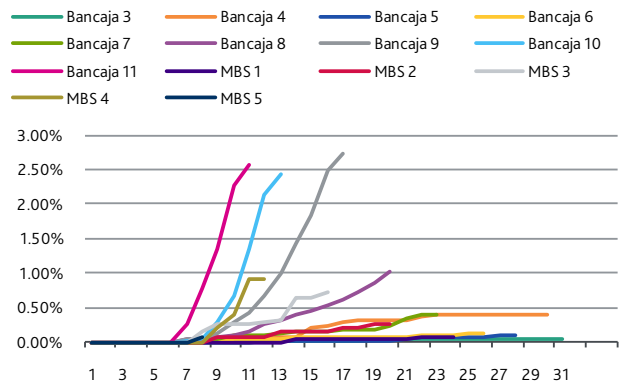
Charts below show the cumulative arrears 90 day, cumulative default by seasoning quarter for the current 20 Bancaja transactions. The recovery rate from arrears 90 day is also indicated.

CHART 6
Cumulative 90 day arrears of High LTV loans in Bancaja transactions



Source: Europea de Titulizacion

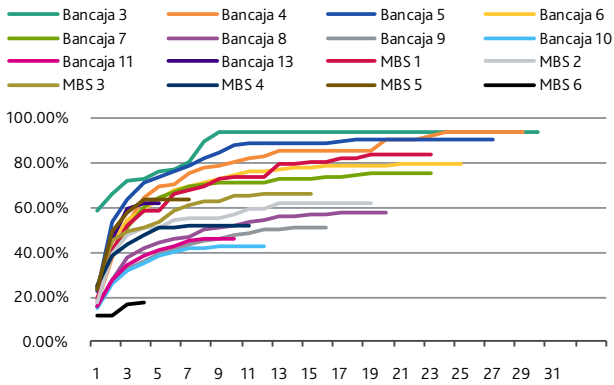
CHART 7
Cumulative default of High LTV loans in Bancaja transactions



Source: Europea de Titulizacion

CHART 8

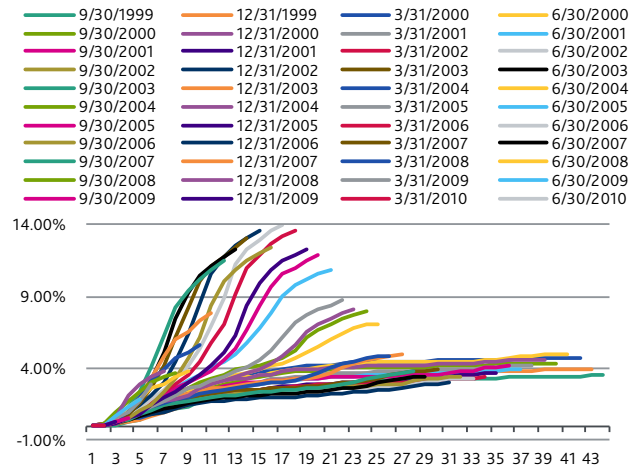
Recovery of 90 day arrears for high LTV loans in Bancaja transactions



Source: Europa de Titulizacion

CHART 9

Cumulative 90 day arrears for Bancaja book



Source: Europa de Titulizacion

Data Quantity and Content:

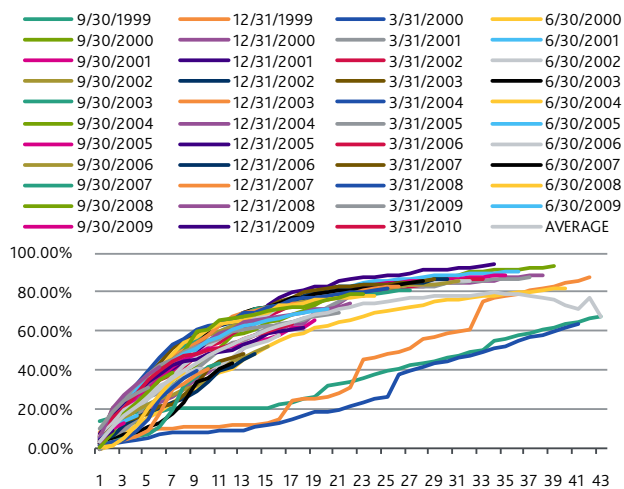
Bancaja has provided historical information on delinquencies, prepayments and recoveries with respect to high LTV loans in former securitisation transactions (Charts 6, 7 and 8). Historical information on 90 day arrears and recoveries has also been provided with respect to Bancaja's total book (Charts 9 and 10). Finally, Bancaja has provided specific information on delinquencies for refinancing loans (Chart 11).

In Moody's view, the quantity and quality of data received is adequate compared to transactions which have achieved high investment grade ratings in this sector.

Please see below our treatment of refinanced loans regarding Expected Loss and MILAN Aaa CE

CHART 10

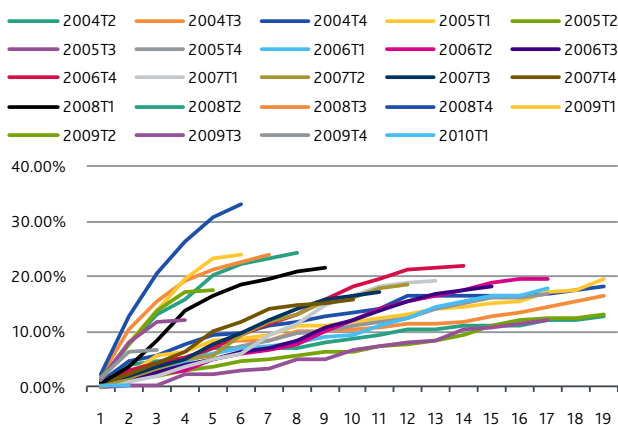
Recovery of 90 day arrears for Bancaja book



Source: Europea de Titulizacion

CHART 11

Cumulative 90 day arrears for refinancing loans in Bancaja book



Source: Europea de Titulizacion

Assumptions and definitions: Other values within a range of the notional amount listed below may result in achieving the same ratings.

Assumptions

Spread compression / margin analysis 50% of the assumed CPR comes from repayment of high interest rate loans. The other 50% is from repayment of loans with average interest rates.

Stressed Fees 0.30% p.a.

Definitions

WA asset margin at closing 1.07% p.a.

Asset reset date N/A

Liabilities reset date Quarterly

Interest on cash Three-month Euribor

Actual Fees Data not provided

PDL Definition On default

Default Definition 18 month arrears

The spread in the deal will depend on the actual average margin paid from the portfolio. Moody's has applied a

margin compression taking into consideration the current margins paid by each mortgage loan, and assuming the effect that prepayments and renegotiations will have on the portfolio margin along the life of the deal. Bancaja is allowed to renegotiate the margin of any loan as long as the weighted-average margin of the portfolio is above 70 bps.

Expected Loss:

Expected loss for this transaction was obtained by projecting the historical delinquency trends of high LTV loans originated by Bancaja, and also through benchmarking with previous Bancaja transactions and other peer Spanish RMBS transactions taking into account the differences in the characteristics of the pool.

For the refinanced loans bucket, a 70% default probability was assumed.

Modelling Approach:

Loss Distribution: The first step in the analysis is to determine a loss distribution of the pool of mortgages to be securitised. Due to the large number of loans and supporting historical data, Moody's uses a continuous distribution to approximate the loss distribution: the lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived from two important sources: historical loss data and the loan-by-loan model.

Moody's uses performance data provided by the originator in addition to other relevant data in order to extrapolate expected losses for the loan pool. Examples of data include market and sector wide performance data, the performance of other securitisations, and other originators' data.

To obtain the volatility under "stressed" scenarios, Moody's takes into account historical data. However observed historical volatility may not be significant (given insufficient data points, or incomplete data), and in addition may not be representative for the future as it is based on the previous economic environments experienced.

Consequently, Moody's determines a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aaa under highly stressed conditions. This enhancement number (the "MILAN Aaa CE" number) is produced by using a loan-by-loan model, which looks at each loan in the pool individually and based on its individual characteristics such as LTV or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery, interest rates and costs to foreclosure. The weighted-average

benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN Aaa CE number.

Modelling assumption: The MILAN 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 expected loss of the area of the lognormal distribution beyond the MILAN Aaa CE equal to the expected loss that is consistent with the idealised expected loss of a Aaa tranche.

Tranching of the Notes: Once the loss distribution of the pool under consideration has been computed, a cash flow model is used to assess the impact of structural features of the transaction. It calculates the average lives and the losses experienced by the notes for every loss scenario for the portfolio. Based on these numbers, the expected loss and the weighted-average lives for the notes are calculated as weighted averages based on the probabilities of the respective scenarios. The expected loss on each tranche together with the notes' weighted-average life determines the rating, which is consistent with Moody's target losses for each rating category.

The rating of the notes is therefore based on an analysis of:

- » The characteristics of the mortgage pool backing the notes
- » The relative roll-rate levels and arrears in this type of lending compared to conventional lending
- » Sector-wide and originator specific performance data
- » Protection provided by credit enhancement and liquidity support against defaults and arrears in the mortgage pool
- » The roles of the swap and hedging providers
- » The legal and structural integrity of the issue

The final MILAN Aaa CE was obtained by overriding the refinanced loans with an assumption of 100% default in the model. Our underlying assumption is that in a Aaa stress scenario, none of these loans would survive.

Treatment of Concerns:

- » **Refinancings:** 15.2% of the portfolio are refinanced loans previously held by Bancaja . Many of the refinancing occurred during 2008 and 2009. Most of the refinancings were offered to previously delinquent borrowers and the rest to borrowers flagged as high risk on which preventive action was taken to avoid delinquency. Thus, effectively, this reflects a non prime collateral risk. A number of these loans were granted grace periods during the refinancing, raising concerns about payment shock once the period expires. Presumably, the capacity to pay for these borrowers have not improved.

Given all the concerns above and that there is not historical data yet for these adverse characteristics in the Spanish market, Moody's has in its MILAN analysis assumed 100% default rate for the refinanced loans and has given only benefit for the recovery, which has been calculated using the standard MILAN stresses.

- » **Grace Periods:** The high proportion of grace periods in this pool is mainly due to the refinanced loans that introduced this feature, as per above. Standard MILAN adjustments have been applied.
- » **Origination channel:** 17.6% of the portfolio corresponds to mortgage loans initiated by brokers that introduced the clients to Bancaja. Once that the branch receives the mortgage application, the rest of the underwriting criteria are exactly the same as for Bancaja-originated loans. Moody's observes that the performance of broker-originated loans is worse than that of branch-originated loans in Spain. Moody's has introduced a MILAN adjustment of 50% to the credit enhancement to account for the greater risk-profile of loans initially introduced by brokers or intermediaries.

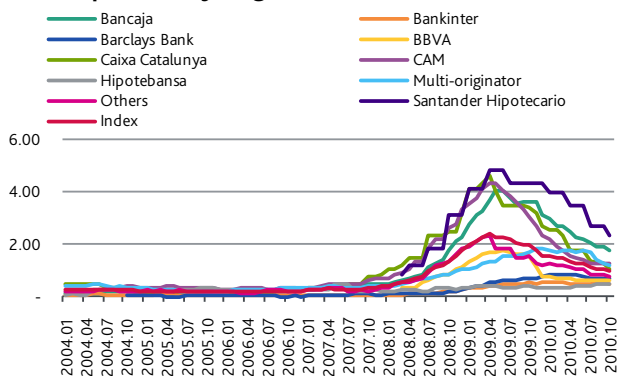
Borrower Residency: 8.1% of the portfolio corresponds to new residents non-Spanish nationals. For this kind of borrower, credit history checks are less standard and more complex, as Spanish banks may not easy access to all information relating to these borrowers. Moody's has introduced a MILAN adjustment of 200% to the credit enhancement to account for the greater risk profile of these borrowers.

Benchmark Analysis

Performance Relative to Sector: In Moody's view, the historical performance of 90+ delinquencies of Bancaja transactions is worse than other standard RMBS transactions in this sector (Chart 11), although levels of cumulative default have so far been maintained relatively low compared to delinquencies (Chart 12).

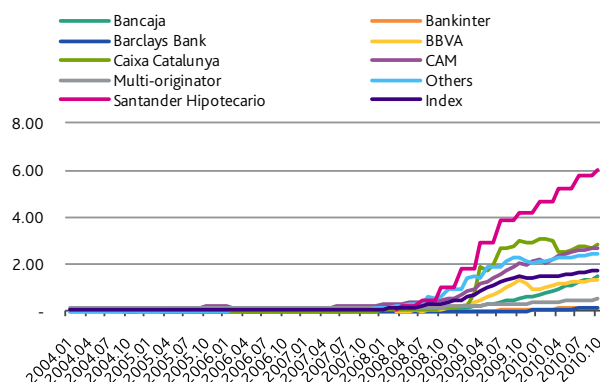
Since this is the first High LTV Bancaja deal, the performance of high LTV loans from Bancaja versus high LTV loans from other originators cannot be directly compared. However, Chart 13 shows that high LTV loans have much higher levels of 90+ delinquencies than the average loan in the market (Chart 13).

CHART 12
90+Delinquencies by originator



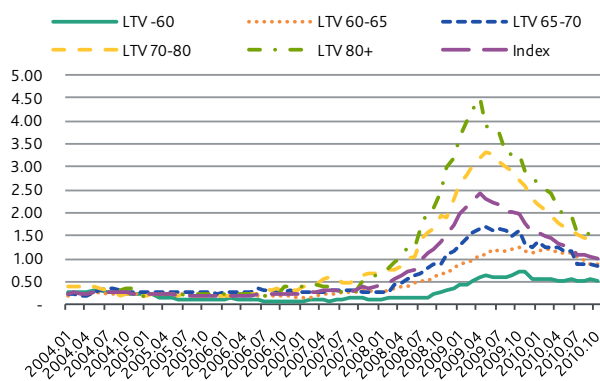
Source: Moody's Investors Service, Moody's Performance Data Service

CHART 13
Cumulative default by originator



Source: Moody's Investors Service, Moody's Performance Data Service

CHART 14
90+Delinquencies by LTV



Source: Moody's Investors Service, Moody's Performance Data Service

Benchmark Table Best practice:

Deal Name	MBS Bancaja 8	MBS Bancaja 7	Hipocat 20	FTA Santander Hipotecario 6
Closing date	28 December 2010	23 July 2010	01 June 2010	24 May 2010
Information from	Definitive pool as of 28 December 2010	Definitive pool as of 23 July 2010	Preliminary pool	Provisional pool as of 15 February 2009
Originator	Bancaja	Bancaja	Caixa Catalunya	Banco Santander
Servicer	Bancaja	Bancaja	Caixa Catalunya	Banco Santander
MILAN Aaa CE	36.5%	38.0%	22.9%	30.0%
EL	14.5%	16.0%	7.5%	12.0%
PORTFOLIO STRATIFICATION				
Avg. Current LTV	83.5%	86.5%	68.4%	89.1%
% Current LTV > 70%	87.7%	90.8%	55.8%	99.9%
% Current LTV > 80%	77.0%	83.6%	39.3%	96.8%
% Current LTV > 90%	32.0%	44.8%	19.4%	38.9%
Avg. Current LTV indexed*	87.7%	92.8%	65.4%	90.8%
% Self Employed	14.3%	13.0%	16.7%	0.0%
% Non-owner Occupied (Includes: Partial Owner)	8.7%	9.0%	9.6%	2.3%
% in Arrears	4.8%	3.8%		6.7%
Max regional concentration	40.4%	42%	74%	21%
Foreign nationals	8.1%	8.9%		
Broker originated	17.6%	23.7%		
Refinancing loans	15.2%	25.0%		
PORTFOLIO DATA				
Current Balance	€ 450,066,893	€ 875,009,975	€ 900,000,119	€1,148 million
Average Loan (Borrower)	€ 157,400	€ 168,660	€ 103,998	€ 183,800
Borrower top 20 (as % of pool bal)	2.6%	1.4%	2.1%	2.1%
WA interest rate at cut-off	2.51%	2.49%	2.78%	2.7%
Average seasoning in years	2.0	2.1	4.3	2.3
Average time to maturity in years	33.8	34.4	24.3	30.2
Maximum maturity date	Jul-60	Nov-59	Jun-50	Dec-54
Average House Price stress rate***	45.43%	45.77%	45.60%	45.2%
Average House Price change*	-0.95%	-6.74%	6.50%	-1.9%
STRUCTURAL FEATURES				
Notes Payment Frequency	Quarterly	Quarterly	Monthly	Quarterly
Total Aaa size	61.00%	54.00%	71.00%	83.00%
RF at Closing§	5.00%	5.00%	6.10%	20.00%
RF Fully Funded at Closing?	Yes	Yes	Yes	Yes
RF Floor§	5.00%	5.00%	6.10%	10.00%
Hedge in place	No	No	No	Yes
Swap rate or guaranteed XS (if applicable)	N/A (no swap)	N/A (no swap)	N/A (no swap)	80 bps
Principal to pay interest?	Yes	Yes	Yes	Yes

* As per Moody's calculation.

** Margin after all loans reset. Equals current margin if there is no reset period.

*** As per Moody's Milan methodology for Aaa scenario

§ Of original note balance

Parameter Sensitivities

Parameter Sensitivities provide a quantitative, model-indicated calculation of the number of notches that a Moody's-rated structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary. For more information on V Score and Parameter sensitivity methodology for RMBS, please refer to "[V Scores and Parameter Sensitivities in the Major EMEA RMBS Sectors](#)" published in April 2009.

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed 16 loss distributions derived from the combinations of MILAN Aaa Credit Enhancement: 36.5% (base case), 40.2% (base x 1.1), 43.8% (base x 1.2) and 47.5% (base x 1.3) and expected loss: 14.5% (base case), 17.4% (base x 1.2), 20.3% (base x 1.4) and 23.2% (base x 1.6). The 36.5% /14.5% scenario would represent the base case assumptions used in the initial rating process.

The tables below show the parameter sensitivities for this transaction with respect to all Moody's rated tranches.

TABLE 2*

Tranche A

		Milan Aaa CE Output			
		36.5%	40.2%	43.8%	47.5%
Median Expected Loss	14.5%	Aaa*	Aaa (0)	Aaa (0)	Aaa (0)
	17.4%	Aaa (0)	Aaa (0)	Aaa (0)	Aaa (0)
	20.3%	Aaa (0)	Aaa (0)	Aaa (0)	Aaa (0)
	23.2%	Aaa (0)	Aaa (0)	Aaa (0)	Aaa (0)

TABLE 3*

Tranche B

		Milan Aaa CE Output			
		36.5%	40.2%	43.8%	47.5%
Median Expected Loss	14.5%	Caa2*	Caa2 (0)	Caa2 (0)	Caa2 (0)
	17.4%	Caa3 (1)	Caa3 (1)	Caa3 (1)	Caa3 (1)
	20.3%	Ca (2)	Ca (2)	Ca (2)	Ca (2)
	23.2%	Ca (2)	Ca (2)	Ca (2)	Ca (2)

* Results under base case assumptions indicated by asterisk '*'. Change in model-indicated rating (# of notches) is noted in parentheses.

Worse case scenarios: At the time the rating was assigned, the model output indicated that Class A would have achieved the Aaa even if expected loss was as high as 23.2% with MILAN Aaa CE of 47.5%.

Monitoring

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 rating will be publicly announced and disseminated through Moody's Client Service Desk.

Originator Linkage: The originator will act as servicer, swap counterparty, issuer account bank and paying agent. There are triggers in place related to the replacement for all the functions above.

Significant Influences: In addition to the counterparty issues noted, the following factors may have a significant impact on the subject transaction's ratings:

- » Further deterioration in the real estate market beyond the recovery lag and stress which was modelled.
- » Higher than expected increase in unemployment rates
- » A reversion to a high interest rate environment, that would put further pressure to borrower affordability

Counterparty Rating Triggers	Condition	Remedies
Issuer Account Bank	Loss of P-1	Replace or obtain guarantor
Collection Account Bank	Loss of P-1 Loss of Baa3	Daily sweeping Commingling reserve or credit line will be established
Paying Agent	Loss of P-1	Replace or obtain guarantor
Servicer	Loss of Baa3	Appointment of back-up servicer

Loan repurchase following breach of representations & warranties (R&W):

- » No check on default

Monitoring Report:

Data Quality:

- » Investor report format finalised and discussed with Moody's analyst.
- » The report includes all necessary information for Moody's to monitor the transaction.
- » Undertaking to periodically provide Moody's with updated pool cut.
- » Loan conversions are not reported in the investor reports.

Data Availability:

- » Report provided by: Europea de Titulización S.G.F.T
- » The timeline for investor report is provided in the transaction documentation. The frequency of the publication is monthly.
- » Investor reports are publicly available on the management company website.
- » As of today there is no commitment by the management company to periodically provide Moody's with an updated pool cut.
- » In addition, Moody's will receive on each investor payment date information on the evolution of the sub-pool of refinanced loans, regarding current principal balance and delinquencies.

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:

Methodologies Used:

- » [Moody's Updated Methodology for Rating Spanish RMBS, October 2009 \(SF133138\)](#)
- » [Cash Flow Analysis in EMEA RMBS: Testing Features with the MARCO Model \(Moody's Analyser of Residential Cash Flows\), January 2006 \(SF58290\)](#)
- » [Cash Flow Analysis of Synthetic ABS/RMBS Transactions, September 2009 \(SF143743\)](#)
- » [A Framework for Stressing House Prices in RMBS Transactions in EMEA, July 2008 \(SF131751\)](#)
- » [V Scores and Parameter Sensitivities in the Major EMEA RMBS Subsectors, April 2009 \(SF158654\)](#)

Originator Profile:

- » [Bancaja](#)

Credit Opinion:

- » [Bancaja](#)

Performance Overviews of previous deals from the same originator:

- » [MBS Bancaja 6, September 2010 \(SF220027\)](#)
- » [Bancaja 13, November 2010 \(SF226225\)](#)

Special Reports:

- » [Investor/Service Reports: Important Considerations for Moody's Surveillance of EMEA ABS and RMBS Transactions, June 2009 \(SF154502\)](#)
- » [Recovery Trends in Spanish RMBS, March 2010 \(SF190107\)](#)
- » [Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 \(SF29881\)](#)

Index Report:

- » [Spanish Prime RMBS Indices, October 2010 \(SF229489\)](#)

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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Report Number: SF233344

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