Credit Products/Spain
Presale Report

PYME BANCAJA 5, FTA

Expected Ratings*

Class	Size of Note	Legal Final Maturity	Rating	CE (%)[1]
A1	260.0	Feb 2039	AAA	10.0
A2	185.0	Feb 2039	AAA	10.0
A3	618.2	Feb 2039	AAA	10.0
B	62.7	Feb 2039	A	4.45
C	24.1	Feb 2039	BBB	2.45
D[2]	28.2	Feb 2039	CCC	n.a.

[1] These credit enhancement ("CE") levels take into account a weighted-average excess spread in the range of zero and -21bp payable under the swap agreements: see *Swap Agreements*.

[2] Uncollateralised notes issued to finance the creation of the reserve fund at closing.

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* Expected ratings do not reflect final ratings and are based on information provided by the fund as of 12 September 2006. Final ratings are contingent on final documents conforming to information already received as well as on satisfactory legal opinion. Ratings are not a recommendation to buy, sell or hold any security. All offering material should be reviewed prior to any purchase.

Related Research

The following special reports provide additional detail on Fitch's rating approach to, and the performance of, the CDO market; all are available at www.fitchratings.com:

- "*Global Rating Criteria for Collateralised Debt Obligations*", dated 13 September 2004
- "*Pan-European SME CDO Performance Tracker*", dated 30 June 2006
- "*A Guide to Cash Flow Analysis for RMBS in Europe*", dated 20 December 2002
- "*Fitch Issuer Report Grades May 2006 Update*", dated 5 June 2006

Summary

This transaction is a cash flow securitisation of EUR1.15 billion static pool of secured and unsecured loans ("the collateral") granted to small- and medium-sized Spanish enterprises ("SMEs") by Caja de Ahorros de Valencia Castellón y Alicante ("Bancaja" or "the originator", rated 'A+/F1'). Fitch Ratings has assigned expected ratings to the notes ("the notes") to be issued by PYME BANCAJA 5, FTA ("the issuer") as indicated at left.

Bancaja is a repeat and active issuer in the Spanish securitisation industry, and it has already brought to the market several transactions, including five SME CDOs, nine RMBS, three MBS and one ABS to date. PYME BANCAJA 5, FTA shares similar structural features and collateral characteristics with its most recent predecessor, FTPYME Bancaja 4, FTA, details of which are in the new issue report entitled "*FTPYME Bancaja 4, Fondo de Titulización de Activos*" and available at www.fitchratings.com.

PYME BANCAJA 5, FTA will be a limited liability special-purpose vehicle incorporated under the laws of Spain, and will be managed and legally represented by Europea de Titulización SGFT, SA ("the *sociedad gestora*"), a special-purpose management company.

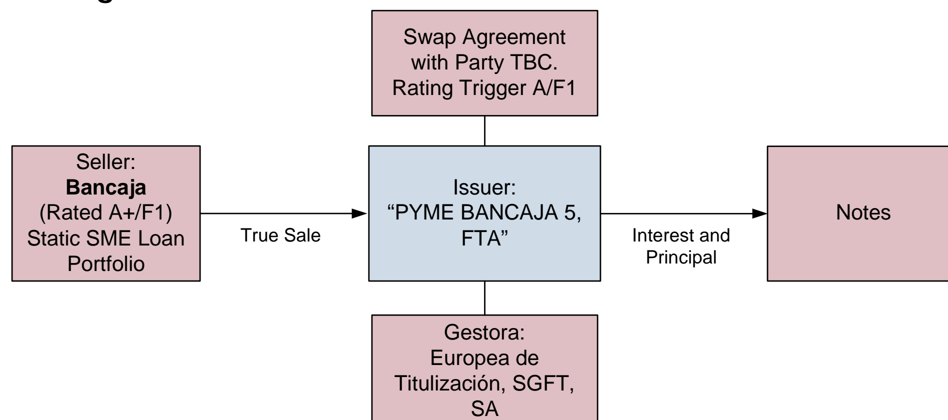
The expected ratings are based on the quality of the collateral, the available credit enhancement ("CE"), the financial structure of the deal, the underwriting and servicing of the collateral and the *sociedad gestora*'s administrative capabilities. The expected ratings address payment of interest on the notes according to the terms and conditions of the documentation, subject to a deferral trigger for the class B and C notes, as well as the repayment of principal at legal maturity.

The class D notes will be issued to finance the creation of the reserve fund (see *Reserve Fund*) at closing. The good performance of the class D notes requires very favourable conditions for the collateral backing the class A to C notes, and therefore its expected rating is supported by the recovery rate that noteholders are likely to receive during the life of the transaction, which has been calculated on the basis of principal and accrued interest amounts as a proportion of the original class D notes balance (see *Class D Notes*).

Credit Committee Highlights

- The composition of the collateral is comparable to the one securitised in the previous Bancaja deals as illustrated by the table below. In this case, PYME BANCAJA 5 is also exposed to significant industry class and geographical concentration risks. Fitch accounted for these features within its credit analysis, both in terms of default probability and recovery rate assumptions under the various stress scenarios, which are summarised in the *Credit Analysis* section.

Structure Diagram



Source: Transaction documents

- As roughly 81.0% of the secured collateral in this transaction is linked to first-ranking commercial real estate assets, Fitch's credit analysis combined elements of the collateralised debt obligations ("CDO") approach that it uses to rate standard Spanish SME CDO transactions with elements of its commercial mortgage-backed securities ("CMBS") approach. The agency noted that around 53.6% of the real estate security is linked to urban bare/ undeveloped land. As no meaningful recovery data is available for this type of asset, a conservative assumption for the market value decline ("MVD") of such security was agreed, ranging between 54.2% and 71.1% under 'BBB' and 'AAA' rating scenarios, respectively (see *Credit Analysis*).

- The interest rate hedging mechanisms in place mitigate the basis and reset frequency mismatch between the collateral and the notes. For example, while the notes will pay three-month Euribor, which is determined every quarter, the main reference indexes for the collateral are 12-month and three-month Euribor, which generally reset on a annual, semi-annual and quarterly basis. However, the hedge solution does not guarantee a minimum excess spread on the collateral, and therefore is not mitigating the potential margin compression risk, nor the higher cost of funding on the notes over time as the more senior ones amortise first (see *Swap Agreements*).

PYME BANCAJA 5, 4 and 3 Deals

	PYME BANCAJA 5	FTPYME Bancaja 4	FTPYME Bancaja 3
No. of Loans	3,177	4,277	2,801
Loans Secured by First Ranking Mortgages (%)	76.6	25.4	74
Largest 10 Obligors (%)	5.1	7.3	7.2
Concentration in the Region of Valencia (%)	47	51	60
Notes Issued at Closing (EURm)	1,000	1,500	900
WA Seasoning (Months)	12	12	18
Average Loan Size (EURm)	0.44	0.37	0.35
Weighted-Average Life (No Prepayments) at Closing (Years)	3.6	4.2	4.0

Note that collateral information for FTPYME Bancaja 4 and 3 is as of their respective closing dates in Nov 05 and Oct 03
Source: Fitch

Structure

PYME BANCAJA 5, FTA's sole purpose is to acquire credit rights from Bancaja as collateral for the issuance of the notes. The final collateral will be selected from a provisional pool of more than 3,177 loans with a total outstanding balance of EUR1,276 million as of 31 August 2006.

The issuer will issue sequentially subordinated, pass-through and floating rate notes, linked to three-month Euribor, which will amortise on a quarterly basis. The legal final maturity date for the notes will be three years after the maturity of the longest dated SME loan, this delay having been deemed adequate to ensure that collections from the loans are sufficient to redeem the obligations of the issuer in respect of any defaulted collateral.

In the structure, Bancaja will act, inter alia, as the servicer of the collateral, the account bank and the paying agent. However, for the protection of investors, if Bancaja is unable to continue to administer the collateral, the *sociedad gestora* must appoint a replacement administration company, in accordance with the Spanish securitisation law.

The cash bond administration ("CBA") function for this transaction will be carried out by the *sociedad*

Key Information

Portfolio Characteristics
As of 31 August 2006

Number and Type of Loans: 3,177 loans to SMEs in Spain, of which 76.6% by volume is secured on first-ranking mortgages

Total Amount: EUR1, 276m of which 1,000m will be selected at closing.

Structure

Issuer: PYME BANCAJA 5, FTA

Total Notes Amount: EUR1.15bn

Management Company: Europea de Titulización SGFT, SA

Originator: Caja de Ahorros de Valencia Castellón y Alicante (“Bancaja”, rated ‘A+/F1’)

Paying Agent: Bancaja

Swap Counterparty: To be determined

Treasury Account (GIC Account): Bancaja

Scheduled Final Maturity: February 2036

Final Legal Maturity: February 2039

gestora, a company supervised by the Comisión Nacional del Mercado de Valores (“CNMV”) whose activities are limited to the management of securitisation funds. Europea de Titulización, SGFT SA, incorporated under the laws of Spain in 1993, has been actively involved in the pre-closing phase of the deal. After closing, the *sociedad gestora* will be responsible for cash reconciliation, waterfall calculations and their reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interest of the noteholders, such as the replacement of the servicers, account bank or swap counterparty.

Interest and principal collections are dealt with jointly through the combined priority of payments described below. A treasury account will be held in the name of the issuer at Bancaja in which all the funds received from the collateral will be deposited. The amounts credited to this account will receive a guaranteed interest rate of three-month Euribor.

With regard to this account, if Bancaja’s Short-term rating is downgraded below ‘F1’, the *sociedad gestora* will be required to take one of the following steps within 30 days:

1. find a third party rated at least ‘F1’ to guarantee Bancaja’s obligations; or

2. transfer the treasury account to another entity rated at least ‘F1’; or

3. if unable to effect either of the above, provide a guarantee in the form of financial assets rated at least on a par with the Kingdom of Spain (‘AAA/F1+’); or

4. if unable to effect the above options, invest the balance of the treasury account temporarily until the next payment date in fixed-income assets issued by entities rated at least ‘F1’ or ‘F1+’ when the remaining time to maturity is 30 days or more.

Priority of Payments

On each quarterly payment date commencing in February 2007, the combined ordinary priority of payments will be as follows:

1. expenses, taxes, and manager’s fees;
2. payment under the swap agreement;
3. class A1, A2 and A3 interest pro rata*;*
4. class B interest (if not deferred);
5. class C interest (if not deferred);
6. principal sequentially and pass-through excluding D notes (see *Amortisation of the Notes)*;
7. class B interest if deferred, which will occur if the amortisation deficit, equivalent to the principal deficiency ledger (“PDL”), exceeds 85% of the outstanding balance of these notes plus 100% of the outstanding balance of the class C notes;
8. class C interest if deferred, which will occur if the PDL exceeds 85% of the outstanding balance of these notes;
9. replenishment of reserve fund (see *Reserve Fund*);
10. class D interest and principal (see *Class D Notes*); and
11. other subordinated amounts.

A PDL is defined on every payment date as the difference between the outstanding balances on the A to C notes, minus the outstanding balance of non-defaulted loans (i.e. those that are less than 18 months in arrears). The structure will cover ordinary and extraordinary expenses using excess spread generated by the collateral. Initial expenses will be covered via a subordinated loan agreement granted to the issuer by Bancaja before closing.

Amortisation of the Notes

The first payment date on the notes will be in February 2007 and quarterly thereafter. All classes will amortise sequentially on a pass-through basis after the class A1 notes have been redeemed in full. However, the class B and C notes will commence to amortise pro rata with the class A notes (A1, A2 and

A3) when the subordination for the class A notes has increased by 100% and is subject to:

- the delinquency ratio (i.e. loans more than 90 days in arrears as a proportion of the outstanding balance of the non-defaulted collateral) being less than 1.25% and 1.0% for the B and C notes, respectively;
- the reserve fund (see *Reserve Fund*) being at its required level; and
- the outstanding balance of non-defaulted loans exceeding 10% of the original collateral balance.

However, when the ratio of the performing loan balance (loans less than 90 days in arrears) plus the amount of principal collections credited to the treasury account during the last collection period, divided by the sum of the current balance of the Class A1, A2 and A3 notes is below 1, the outstanding balances of the A1, A2 and A3 notes will amortise pro rata.

The class D notes amortisation profile is structured to mirror the amortisation profile of the reserve fund (see *Reserve Fund*). Because the reserve fund is subjected to an absolute floor of 1.225% of the original collateral balance, these funds will only be released to the class D investors at legal final maturity, or before, if the 10% clean-up call is exercised.

Call Option

All the notes are subject to a clean-up call option in favour of the *sociedad gestora* when the outstanding collateral balance is less than 10% of its original size. The clean-up call will only be executed if the then-outstanding balance of the class A to D notes is redeemed in full.

Swap Agreements

The notes will benefit from a hedging solution between a swap counterparty to be determined and PYME BANCAJA 5, in order to mitigate the basis and reset frequency risks within the collateral. This solution will be executed under three swap agreements, one for the loans that have a resetting frequency of 12 months, a second one for loans resetting every six months and a third for those resetting every three months.

Under this hedging solution, the issuer will pay to the swap counterparty a WA three or 12-month Euribor rate based on the distribution of the annual, semi-annual and quarterly reset dates of the collateral as of the closing date. It will, in return, receive the three-month Euribor index payable on the notes plus or minus a spread to be determined shortly before the closing date. These rates will be applied to a notional defined as the outstanding balance of non-defaulted collateral (i.e. up to 18 months in arrears).

These hedging solutions will neither mitigate the margin compression risk on the collateral nor the increasing cost of funding as the more senior notes amortise first, leaving the more junior notes outstanding with greater spreads.

If the swap counterparty is downgraded below 'A/F1', it will, within 30 days, take one of the following steps:

- find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement; or
- find a replacement counterparty with a Long/Short-term rating of at least 'A/F1'; or
- cash- or security-collateralise its obligations in an amount sufficient to comply with existing Fitch criteria.

The collateral posted should be sufficient to ensure that the potential loss would be virtually zero if the swap counterparty defaulted. For details on the method used to calculate the collateral amount see "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004 and available at www.fitchratings.com.

Reserve Fund

Depending on the final WA excess spread payable by the swap counterparty to the issuer (see above), the potential amounts of the reserve fund can be summarised as the table below indicates.

Margin Paid by the Swap to the Issuer

(%)	0, -0.07	-0.071, 0.12	-0.121, 0.16	-0.161, 0.21
Initial Reserve Fund (% of Original Collateral Balance)	2.45	2.50	2.60	2.65
Thereafter, the Higher of a Multiple of the Outstanding Collateral Balance, or	4.90	5.00	5.20	5.30
Reserve Fund Floor (% of Original Collateral Balance)	1.225	1.250	1.300	1.325

Source: Transaction documents

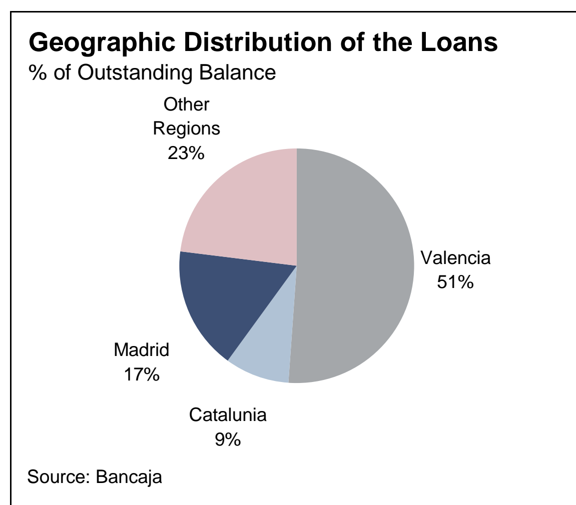
The reserve fund will be fully funded at closing, and will be held in the treasury account at Bancaja. The amortisation of the reserve fund is subject to: (i) the delinquency ratio remaining below 1.0% of non-defaulted collateral, (ii) the closing date of the transaction being more than two years earlier, and (iii) on the previous payment date, the reserve fund was replenished to its required amount.

Collateral

At closing, the final portfolio will have an outstanding balance of EUR1.15bn and will consist of loans selected from a provisional portfolio of 3,177 loans. As of 31 August 2006, the provisional portfolio's main characteristics, in volume terms, were:

1. the top obligor represented 0.6%, the top five 2.9% and the top 10 5.1%;
2. some 76.6% was secured on first-ranking mortgages of which approximately 81.0% corresponded to commercial properties;
3. approximately 53.6% of the real estate security refers to bare/undeveloped urban land;
4. some 47.0% was located in the region of Valencia, 10.0% in Madrid, 11% in Cataluña and 10% in Andalucía;
5. some 55.0% was linked to companies performing real estate activities, which can include "buy-to-let" businesses, property management and the real estate marketing of office locations, industrial warehouses, hotels, shopping centres and residential units. Some 12% of the portfolio was linked to companies within the construction sector, although no real estate developer financing is included
6. the WA seasoning was 12 months;
7. some 65.6% was linked to 12-month Euribor and the remaining 34.4% to three-month Euribor;
8. almost 50.0% has an annual interest rate reset frequency, while the other half resets either quarterly or semi-annually;
9. the WA coupon was 3.9%;
10. the original and current loan-to-value ratios ("LTV") were 65.3% and 63.7%; and
11. The earliest maturity was Jan 2007 and the latest December 2035.

Geographic Distribution of the Loans
% of Outstanding Balance



Source: Bancaja

Credit Analysis

The key sections of Fitch's analysis are the calculation of the default probabilities, mainly derived from vintage data provided by the originator, and the definition of tiered recovery rates for the various stress scenarios. These results were combined with the structural features of the transaction and analysed in a cash flow model. Fitch verified that the CE level of each one of the series of notes would ensure that the payment of interest is met according to the terms and conditions of the documentation, and that ultimate repayment of principal is materialised before and until the legal final maturity date under the respective stress scenario.

Since the obligation to repay all the loans lies solely with the borrowers themselves rather than being reliant on the real estate assets or any tenancy agreement linked to the properties that secure the collateral, Fitch based its default probability analysis on the credit quality of the borrowers rather than the income-generating capacity of the underlying properties. As indicated below, the specific characteristics of the commercial and residential properties securing the loans were studied as part of the recovery analysis.

The class A notes (series A1, A2 and A3) will benefit from initial CE totalling 9.75% that will be provided by the subordination of the B (5.05%) and C (2.25%) notes plus a 2.45% reserve fund that will be funded through the issuance of the class D notes. Similarly, the class B notes will also benefit from CE provided by the lower-ranking notes and the reserve fund, while the class C notes will benefit from CE provided by the reserve fund only.

Default Probability

Using default data provided by the originator that dates back to 1999 and extrapolating value after seven years of origination based on the SME Tracker methodology, Fitch was able to derive a WA default rate.

Default Probability and Recovery Rates

Rating	DP (%)	Multiple (x)	RR (%)
AAA	11.5	5	47.5
A	6.90	3	58.7
BBB	4.60	2	63.6
Base Case	2.30	1	71.6

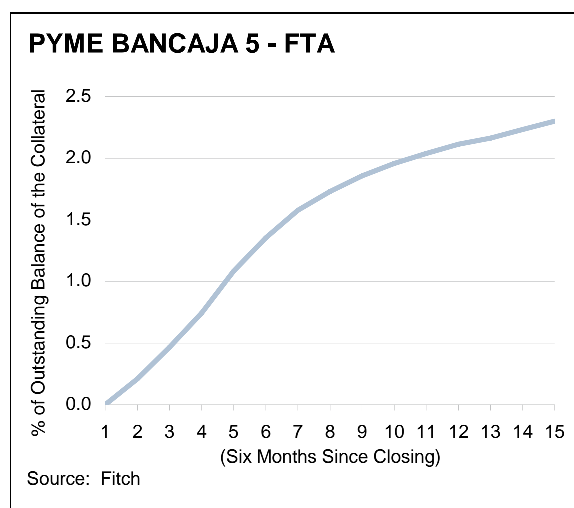
Source: Fitch

To protect the structure against industrial and geographical concentration risks of the collateral, as 55.0% and 47.0% of it is linked to the real estate

business segment and the region of Valencia, respectively, the agency applied 1.15x and 1.05x hits to the initial calculation and derived a final base case default probability of 2.3%.

Based on Fitch's Pan-European SME CDO Performance Tracker methodology (see report "*Pan-European SME CDO Performance Tracker*", dated 30 June 2006 and available at www.fitchratings.com), the chart below illustrates the expected cumulative base-case defaults for this transaction.

The agency then applied multiples to this base rate to obtain the default probabilities for the higher rating categories, as the table above indicates.



Source: Fitch

Recovery Rate

Fitch's recovery model employs a loan-by-loan review taking into consideration the type of security, the geographical location and the characteristics of the loan that may influence default probability and recoveries. Key to the agency's analysis is the estimated stressed value of the assets under the different rating scenarios, which is determined by identifying MVD ratios for the different property types.

Mortgages on commercial property were factored using the analytical approach used for CMBS transactions, through the implementation of rental value decline ("RVD") ratios and income capitalisation rates for specific property types. RVDs are based on historical volatility observations for the real estate market in Europe: the greater the volatility of a particular property type, the lower the potential stressed rent achieved in the future and, therefore, the higher its RVD.

The income capitalisation rate of a property can be expressed as the yield generated in the market by properties with similar features and use (e.g. hotels will normally return a different yield from retail units). More information on Fitch's CMBS methodology can be found in the special report "*European Property Income Model – "The Logic"*", dated 9 June 2004 and available at www.fitchratings.com. The resulting MVDs were calibrated to reflect the geographical concentration of the collateral in this portfolio.

In connection with the security available on bare/undeveloped land assets, and as no historical evidence on MVD indicators is available for the analysis, Fitch adopted a conservative assumption by stressing the existing indicators normally assigned to traditional commercial real estate assets such as offices, retail outlets, hotels or warehouses. As a result, MVDs assigned to bare/undeveloped land assets were in the range between 54.2% and 71.1% for 'BBB' and 'AAA' rating stresses, respectively.

For the residential mortgages, the standard Spanish RMBS MVDs were factored. Finally, with regard to the unsecured loans, the agency assigned the senior unsecured recovery assumption that is defined by VECTOR for Spanish exposures (see "*Global Rating Criteria for Collateralised Debt Obligations*", dated 13 September 2004 and available at www.fitchratings.com). The final WA recovery rates were calculated by blending those rates of the secured and unsecured sub-portfolios considering their respective sizes in volume terms and a base case WA recovery rate of 71.6 was achieved.

Cash Flow Modelling

Fitch modelled the cash flow mechanics of this transaction using the default probabilities and recovery rates detailed above.

The cash flow model assumed that defaults can occur in front- and back-loaded sequences. Although it depends on the specific amortisation profile of the collateral, a back-loaded sequence is generally more stressful, as most of the defaults would peak well into the life of the transaction. Therefore, substantial amounts of excess spread would already have been paid out by the structure before any provisioning mechanism was triggered. In this case, in a front-loaded stress scenario nearly 60% of the defaults would occur in the first 24 months after closing.

The analysis calculated the cost of carrying defaulted loans as the difference between the performing balance of the collateral and the notional note balance until all the recovery proceeds are collected. Excess spread, the reserve fund and principal collections must be sufficient to cover the carrying cost until all recoveries are received. Interest rates were stressed upwards over time as per the criteria

definitions included in the report "*Global Rating Criteria for Collateralised Debt Obligations*", dated 13 September 2004 and available at www.fitchratings.com.

CE analysis also took into account the interest deferral mechanism in place for the class B and C notes, which will redirect funds away from the junior notes and towards the more senior notes if the size of the PDL exceeds the triggers defined for each class of notes. Should the triggers be hit, interest on the class B and C notes may not be received for a certain period of time, but will, in any case, be received prior to the maturity date.

In addition, the agency modelled prepayments, which can affect certain components of a transaction. Primarily, they lower the absolute amount of excess spread, which is an important component of the structure's total credit enhancement. On the other hand, since the principal repayment is directed to the senior classes, those notes benefit from higher credit enhancement as a result of the increase in subordination.

Prepayments will more likely lead to a decline in the WA margin ("WAM") on the underlying collateral, as high margin loans would be more motivated to prepay than those with low margins. This may also cause adverse selection, as the strongest obligors are likely to be most inclined to prepay, which would leave the pool dominated by weaker obligors as the collateral aged. Fitch accounted for margin compression risk by allocating a high percentage of prepayments in the upper spread bucket.

Fitch's recovery calculation assumed foreclosure costs to be 10% of the outstanding loan amount; it also assumed a three-year lapse between the date of default and the recovery date.

Class D Notes

As class D is likely to default, Fitch conducted a sensitivity analysis using its cash flow model to stress the variables that affect the cash available to pay down the class D notes and, in turn, to calculate their expected recovery rate based on the present value of interest and principal payments.

Because funds available for the amortisation of the class D notes will be limited to those released from the reserve fund (if any), the good performance of these notes will be highly dependent on favourable conditions for the collateral backing the class A to C notes. Fitch calculated an expected recovery rate for the class D notes after testing several cash flow scenarios commensurate with the speculative rating levels. In its sensitivity analysis, it tested several variables that affect the release of the reserve fund, and, consequently, the availability of funds for interest and principal payments on the class D notes. These are the key modelling factors:

- alternative timing of default assumptions: back-loaded and front-loaded, as well as evenly spread defaults;
- alternative interest rates: increasing, low and constant interest rate scenarios;
- prepayment speeds: high, low and average historical prepayment rates;
- different WA margin compression rates on the mortgage loans: the agency modelled high and low margin compression rates assuming the percentage of prepayments are allocated to the higher margin loans in the portfolio; and
- exercise of the clean-up call by the originator.

The 'CCC' expected rating on the class D notes is supported by the expected recovery rates. As default on the class D notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the class D notes' expected interest and principal payouts using a discount factor of 8.0%. Based on Fitch's calculation, the expected recovery rate was in the range of 50%-70% of the initial note balance.

Origination and Servicing

Bancaja is the parent bank of Spain's sixth-largest banking group and the third-largest savings bank (by total assets at end-2005). The group's operations are centred in the region of Valencia, where it enjoyed a market share of 26% at end-2005 and where 60.6% of its 1,420 branches are located. The group is increasingly diversifying its operations outside its home region. Its focus is retail (primarily residential mortgages) and SME lending, funded largely by deposits. It has also strengthened its real estate and insurance businesses.

Bancaja's centralised credit approval mechanism is implemented through an IT platform that allows credit officers located at the bank's headquarters to reach a decision on any credit application. In total, up to six different approval levels are in place to deal with the various credit applications, depending on the size and other specific characteristics of borrower or transaction. Nevertheless, approximately 80% of SME loans are still approved at the branch level because of the smaller amounts involved.

Credit analysis is based on a credit-scoring system Bancaja began developing more than 10 years ago, which uses a scale ranging from A to E (A being the best score). Financial and non-financial information is analysed and input into the credit-scoring system.

The rating is reviewed by Bancaja's credit analysts on an annual basis or, more frequently, depending on the nature of the business or the emergence of additional relevant information. Bancaja is currently recalibrating its rating system for compliance with Basel II guidelines.

Bancaja's analytical approach is based on the repayment capacity of the borrower rather than the nature of the securities pledged (if applicable). Customers are grouped into risk units that bring different companies considered to be financially interlinked under a single umbrella. Additional data checks are performed through databases such as CIRBE (a Bank of Spain system that provides information on borrower exposure and non-payment by all Spanish entities and individuals) or RAI (*Registro de Aceptación de Impagados*). Most of the pledged real estate securities are valued by TINSA, Tasaciones Inmobiliarias S.A., Spain's largest valuation company, which is formally registered with and regulated by the Bank of Spain.

Delinquent borrowers are identified through a system of automatic alerts, which branch managers and analysts can receive as often as on a daily basis. Loans in arrears are managed by the branches for the first 60 to 90 days, and are subsequently handled by the risk department. A number of automatically generated letters are sent, their frequency and content depending on the level of Bancaja's exposure to the borrower. Documentation and procedures required for the foreclosure process are prepared as soon as is deemed necessary (usually after 60 days of delinquency) to enable lawyers to start proceedings within 24 hours of a decision to do so.

The legal process can begin at any time and, in any event, no later than 90 days after a missed payment. In Bancaja's experience, the process lasts an average of 12 months for secured loans and 20 months for unsecured loans.

■ Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Fitch will report the performance of this transaction against the base case default curve outlined in the report "*Pan European SME CDO Performance Tracker*". Along with this new tool, other details of the transaction's performance will be available to subscribers at www.fitchresearch.com.

Please call the Fitch analysts listed on the first page of this report for any queries regarding the initial analysis or the ongoing performance.

■ Issuer Report Grade

Fitch has recently introduced Issuer Report Scores as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding).

For further information on the agency's Issuer Report Scores, please see the reports "*Fitch Issuer Report Grades*", dated 25 November 2004 and "*Fitch Issuer Report Grades May 2006 Update*", dated 5 June 2006, both of which are available at www.fitchratings.com.

The Bancaja transactions have a current score of 4, which equate to "Good" according to Fitch's published reporting standards.

■ PYME BANCAJA 5, F.T.A. — Spain/CDO

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)[2]	PMT Freq	Final Legal Maturity	Coupon
A1	AAA	22.60	260.0	10.0	Quarterly	February 2039	3m-Euribor
A2	AAA	16.09	185.0	10.0	Quarterly	February 2039	3m-Euribor
A3	AAA	53.76	618.2	10.0	Quarterly	February 2039	3m-Euribor
B	A	5.45	62.7	4.45	Quarterly	February 2039	3m-Euribor
C	BBB	2.10	24.1	2.45	Quarterly	February 2039	3m-Euribor
D[1] = RF	CCC	2.45	28.2	NA	Quarterly	February 2039	3m-Euribor

[1] Uncollateralised notes issued to finance the creation of the reserve fund at closing.
[2] These CE levels are assuming a WA excess spread of -21bp payable under the swap agreements. See *Swap Agreements.*

Key Information

		Role	Party (Trigger)
Closing Date	2 October 2006 (expected)		
Country of Assets	Spain		
Structure	Pass-through, sequential, pro rata under certain conditions	Originator/ Servicer of the Loans	Bancaja ('F1')
Type of Assets	SME secured and unsecured loans	Issuer	PYME BANCAJA 5, F.T.A.
Currency of Assets	EUR	Servicer of the Notes	Europea de Titulización SGFT SA
Currency of Notes	EUR	Paying Agent	Bancaja ('F1')
Primary Analyst	juan.garcia@fitchratings.com	Swap Counterparty	TBD ('A/F1')
Secondary Analyst	laura.franco@fitchratings.com		
Performance Analyst	constantinos.tavlas@fitchratings.com		

Collateral: Pool Characteristics as of 31 August 2006

Current Principal Balance (EUR)	1,276.2	Region of Valencia (%)	47.0
Loans (No.)	3,177	Top Four Geographical Concentrations (%)[1]	78.3
Current WAL (Zero Prepayments, Years)	3.6	Linked to Obligors in Real Estate Business (%)	55.0
WA Coupon (%)	3.9	Top Four Industry Sectors (%)	81.5
WA Spread (%)	0.93	Backed by First-Ranking Mortgages (%)	76.6
% Fixed Interest Rate	0.0	WA Original LTV (for Mortgages) (%)	65.3
% Floating Rate	100.0	WA Current LTV (for Mortgages) (%)	63.7
Top 1 Obligor (%)*	0.6	Longest Maturity	Dec 2035
Top 5 Obligors (%)	2.9	Shortest Maturity	Jan 2007
Top 10 Obligors (%)	5.1	WA Seasoning (Months)	12.0
Obligors (No.)	2,716	WA Time to Maturity (Months)	81

* All percentages as a proportion of the provisional collateral outstanding balance.
[1] This percentage refers to Autonomous Communities in Spain.
Source: Transaction documents, the seller and Fitch

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