Financiación Bancaja 1, Fondo de Titulización de Activos

ABS / Spain

Closing Date

24th December 2008

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DEFINITIVE RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	**Aaa**	€456.5	83.0	Dec. 2025	3mE + 0.3%
B	**Aa3**	€22.0	4.0	Dec. 2025	3mE + 0.6%
C	**Baa3**	€71.5	13.0	Dec. 2025	3mE + 1.2%
Total		€550.0	100.0		

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 on Series A, B, and C 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

– A 12% cash reserve, funded up front, will be available to cover potential interest and/or principal shortfalls.

– The underlying portfolio is very granular, with the largest obligor representing 0.04% of the initial outstanding balance.

– There is no revolving period. This limits portfolio volatility from additional portfolio purchases.

– No loans in arrears for more than 30 days will be included in the final portfolio.

– 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

– As no hedging agreement is in place, there is exposure to interest rate risk. This feature has been taken into account in Moody's quantitative analysis, but in any case implies a higher degree of uncertainty regarding Moody's quantitative assumptions.

– There is geographical concentration in the region of Valencia. This feature has been factored into the quantitative analysis.

– Limited historical default and recovery information has been provided, which only covered portfolio performance of Consumo Bancaja 1. However, Bancaja provided information on its internal rating system.

– The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C. The size of the cash reserve and the subordination take into account this deterioration on the expected loss.

STRUCTURE SUMMARY ***(see page 5 for more details)***

Issuer:	FINANCIACION BANCAJA 1, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja (Bancaja, **A2**/**P-1**)
Servicers:	Bancaja
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	23 March, 23 June, 23 September, 23 December
	First payment date: 23 March 2009
Credit Enhancement/Reserves:	Portfolio excess spread
	12% cash reserve
	Subordination of the notes
	Guaranteed Investment Contract (GIC) account
Hedging:	No hedging agreement in place
Paying Agent:	Bancaja
Note Trustee (Management Company):	Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización (EdT)
Arranger:	EdT , J.P. Morgan Securities Limited (JP Morgan)
Lead Managers:	JP Morgan, Bancaja

COLLATERAL SUMMARY (AS OF 30 NOVEMBER 2008) ***(see page 5 for more details)***

Receivables:	Unsecured consumer loans granted to individuals resident in Spain
Total amount:	€621,451,521.11
Total amount that will be included in the final portfolio	€550,000,000.00
Number of Contracts:	74,565
Number of Borrowers:	72,453
Geographic Diversity:	Valencia (76.3%), Catalonia (5.1%), Madrid (4.5%)
WA Remaining Term:	4.3 years
WA Seasoning:	1.5 years
Interest Basis:	44.7% floating, 55.3% fixed
WA Interest Rate:	8.0%
Delinquency Status:	No loans more than 30 days in arrears at the time of securitisation
Historical Loss Experience:	Default, recovery and prepayments information on Consumo Bancaja 1, FTA
Pool Audit?	Yes

NOTES

Series	**Subordination**	**Cash Reserve**	**Total**
A	17.00%	12.00%	29.00%
B	13.00%	12.00%	25.00%
C	0.00%	12.00%	12.00%

TRANSACTION SUMMARY

Cash securitisation of loans granted to individuals resident in Spain

FINANCIACION BANCAJA 1, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a portfolio of loans granted by Bancaja to individuals resident in Spain for the purpose of financing consumer goods and services.

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

– A senior Series A, rated **Aaa**

– A mezzanine Series B, rated **Aa3**

– A mezzanine Series C, rated **Baa3**

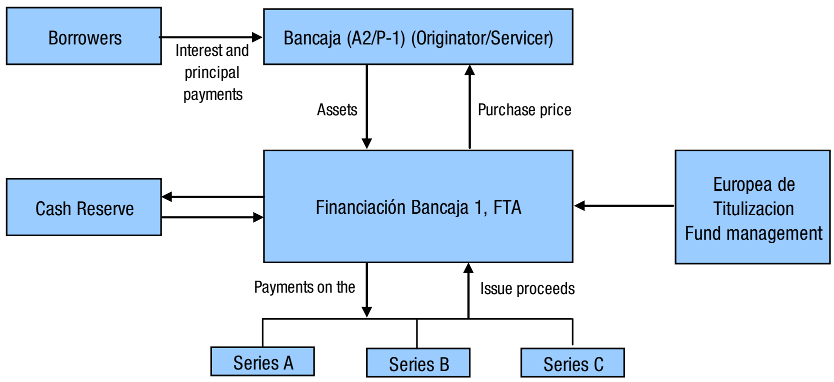
Each series of notes is supported by subordination, a cash reserve and the excess spread of the portfolio.

Moody's initially analysed and monitors this transaction using the rating methodology described in the Rating Methodology report "The Lognormal Method Applied to ABS Analysis", June 2000. The ratings take into account, among other things, (i) an evaluation of the underlying portfolio of loans; (ii) historical performance and bank's internal ratings information; (iii) the (un-hedged) interest rate risk; (iv) the credit enhancement provided by the cash reserve, the subordination of the notes, and the excess spread; and (v) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Structure similar to that of FTPYME transactions

Chart 1:
Structure Chart



Unhedged interest rate risk

There is no hedging agreement in place. Therefore, the transaction is subject to interest rate risk. The portfolio composition is as follows:

Table 1:
Portfolio Breakdown by Interest Rate Type

Interest rate type	**% of portfolio**
Fixed-interest rate loans	54.2%
Floating-rate loans linked to 12-month EURIBOR	45.2%
Floating-rate loans linked to three-month EURIBOR	0.5%

As regards the basis risk and reset date mismatch risk, the analysis of the potential mismatch between the reference rate of the notes and the interest rate payable on the underlying floating-rate loans was based on the historical volatility observed between the two rates from 1998 to 2008. The exposure was computed applying the historical mean plus three standard deviations, which yields similar results to applying a VAR approach with a 99% confidence interval.

In the case of fixed-floating exposure, the available excess spread in the transactions was computed considering an increasing three-month EURIBOR. Sensitivity analysis was performed with different assumptions in order to test the robustness of the notes ratings.

Cash reserve fully funded upfront with a subordinated loan granted by the originator

A cash reserve has been funded up front with a subordinated loan, granted by Bancaja for an amount equal to 12% of the notes. It will provide both credit and liquidity protection to the notes. After the first two years from closing, the cash reserve may amortise over the life of the transaction to the higher of the following amounts:

– 24% of the outstanding balance of the series A, B, and C notes
– 6% of the initial balance of the series A, B, and C notes

However, the target amount of the cash reserve 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[1] loans that are more than 90 days in arrears) exceeds 1%
– The cash reserve is not funded at its required level on the previous payment date

Funds will be weekly swept to an account in the name of the Fondo

Collections from the portfolio, received by the servicer, will be transferred every seven days to the treasury account in the name of the Fondo. The cash reserve will also be held in the treasury account. The annual yield guaranteed for the amounts deposited in the treasury account is equal to the index reference rate of the notes.

If the short-term rating of the treasury account provider falls below **P-1**, the management company will perform one of the following actions, in the indicated order of priority, within 30 business days:

– Find a suitably rated guarantor or substitute.
– Collateralise the payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
– If these two options are not feasible, obtain from a treasury account provider or a third party collateral security in favour of the Fondo on financial assets with a credit quality of not less than that of Spanish State Government Debt, or
– If none of these options are possible, invest the outstanding amount of the relevant cash account in euro denominated securities issued by a P-1-rated entity.

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.

Limitations on the renegotiation of the loan

The management company authorises Bancaja in its role as servicer to renegotiate the interest rate or the maturity of any loan without requiring prior approval (although this authorisation can be revoked at any point in time during the life of the transaction). Some limitations have been put in place, the most significant of which are:

– The maturity of any loan cannot be extended beyond October 2023.
– The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
– The frequency of payments cannot be decreased.
– The amortisation profile cannot be modified.
– The new interest rate of the loan cannot decrease below 7%, for fixed interest rate loans.
– The new margin of the loan cannot decrease below 3%, for floating interest rate loans.

Payment structure allocation

On each quarterly payment date, the *Fondo's* available funds (i.e. amounts received from the portfolio, the cash reserve, interest earned on the accounts, and amounts drawn from the credit facility/commingling reserve, if applicable) will be applied in the following simplified order of priority:

[1] Written-off loans are those loans that are more than 12 months in arrears.

1) Costs and fees (including servicing fees only if Bancaja is replaced as servicer)
2) Interest payment to Series A
3) Interest payment to Series B (if not deferred)
4) Interest payment to Series C (if not deferred)
5) Retention of an amount equal to the principal due under the notes
6) Interest payment to Series B (if deferred)
7) Interest payment to Series C (if deferred)
8) Replenishment of the cash reserve
9) Junior payments

If the *Fondo* is liquidated, the payment structure will be modified with the sole aim of ensuring that both interest and principal are repaid strictly sequentially.

Interest deferral mechanism based on the amount of written-off loans

The payment of interest on Series B and C will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

– The accumulated amount of written-off loans since closing is higher than 22%, 16% for Series B and C, respectively
– The series senior to it is not fully redeemed.

Principal due to the notes incorporates a 12-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (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 12 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan (NPL); thus, the amount of notes collateralised by NPLs is minimised, and, consequently, the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

Principal due allocation mechanism

Amortisation of the notes will be done sequentially in the following order of priority:

– Series A
– Series B
– Series C

COLLATERAL (AS OF NOVEMBER 2008)

Pool of unsecured consumer loans granted to individuals resident in Spain

As of November 2008, the provisional pool of underlying assets comprised a portfolio of 74,565 unsecured consumer loans granted to 72,453 borrowers resident in Spain for the purpose of financing consumer goods and services. The portfolio has a weighted-average seasoning of 1.5 years and a weighted-average remaining life of 4.3 years. The weighted-average interest rate is 7.96%. 55% of the loans have a fixed interest rate and the remaining 45% are floating-rate loans. 100% of the loans hold a personal guarantee. Geographically, the pool is concentrated in the region of Valencia (76%), Catalonia (5%) and Madrid (4%).

The receivables were granted by the originator in its normal course of business, and comply with the following criteria:

– Debtors are individuals, resident in Spain and are not employees of Bancaja.
– The loans have paid at least one instalment.
– The loans will amortise through monthly instalments, paid by direct debit.

– No loan incorporates any type of balloon payments or deferred payments of interest or principal.
– No loan will mature later than December 2023 (two years before the Legal Final Maturity
– Date).
– The pool will not include lease contracts.
– Floating-rate loans do not benefit from an interest rate cap.

Chart 2:
Portfolio Breakdown by Year of Origination

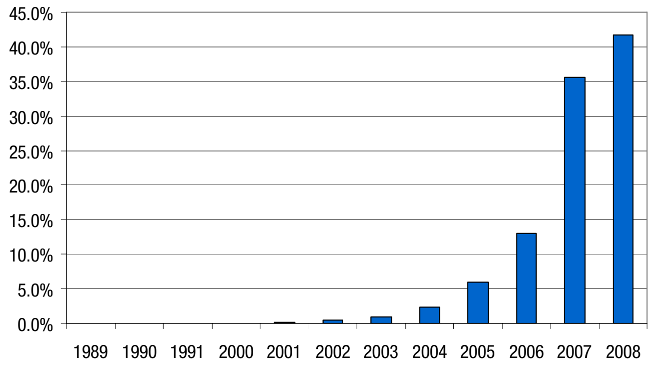


Chart 3:
Portfolio Breakdown by Year of Maturity

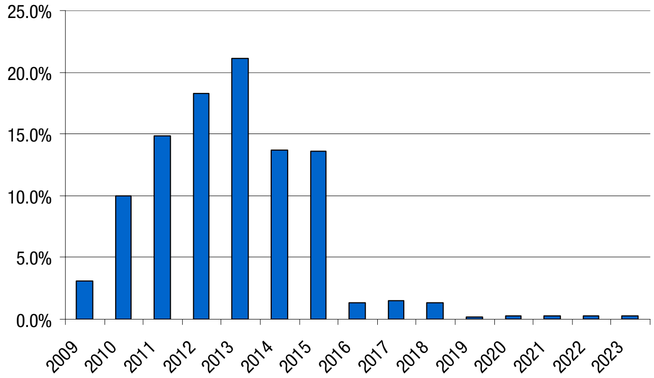


Chart 4:
Portfolio Breakdown by loan purpose

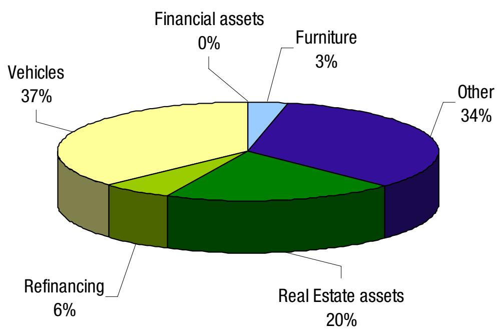
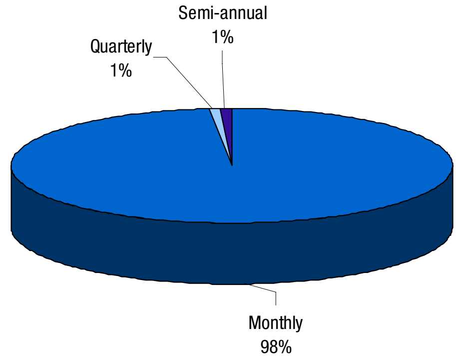


Chart 5:
Portfolio Breakdown by Frequency of Payments



Bancaja represents and guarantees that:
– The loans have been granted according to its current credit policies.
– As of the date of the transfer, there will be no amounts more than 30 days past due under any of the loans.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Bancaja is the sixth-largest financial institution in Spain

[2]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%.

[2] Extract of Moody’s credit opinion (8 August 2008)

In terms of geographical diversification, we acknowledge that Bancaja operates in the dynamic Valencia region and more than 25% of its profits are obtained in the areas of expansion. In terms of earnings stability, Bancaja has a high proportion of recurring earnings from retail banking but large SMEs, insurance, real estate developers, asset management and equity participations also contribute to earnings

We consider that Bancaja has a good risk positioning overall. 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).

Duties as servicer and originator

Bancaja will act as servicer of the securitised portfolio, and will transfer the borrower payments to the treasury account weekly (subject to triggers transfer will be done daily; please see section "Structural and Legal Aspects" for more details).

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.

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.

Back-up servicer arrangements

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 97 securitisation funds.

MOODY'S ANALYSIS

Table 2:
Quantitative Ranges Tested

Mean default rate	9% - 10%
CoV	30% - 40%
Recovery rate	20% - 30%
CPR	7% - 9%

Given the granularity of the portfolio (see section entitled Collateral), Moody's has assumed that the default distribution of the portfolio followed a log-normal distribution.

As regards the two parameters of the gross default distribution, Moody's has based its analysis on the historical performance of Consumo Bancaja 1, as well as on the information provided by Bancaja on its internal rating system, which however, has not been yet validated by the Bank of Spain. The historical analysis was complemented with (i) the general Spanish market trend (ii) the performance of similar deals; and (iii) other qualitative considerations. The value tested as **mean default** was in the range of 9% -

10%, whereas the range for the **coefficient of variation** was between 30% and 40%

Recoveries were estimated based on (i) historical information received for this transaction; (ii) statistical information on the Spanish consumer loan market; and (iii) other qualitative and pool-derived aspects. Moody's used fixed **recoveries** in the range of 20%- 30%.

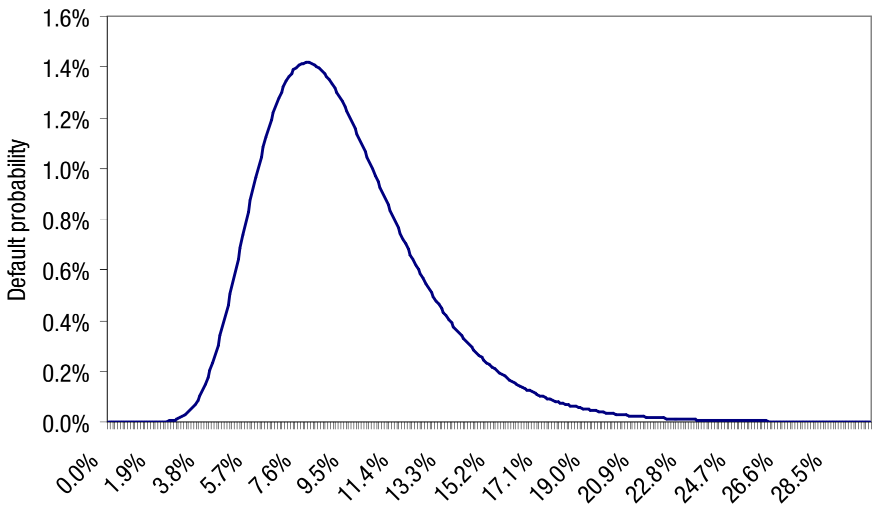
Moody's quantitative analysis also tested assumptions for **prepayments** and were partly derived from historical and statistical information, as well as qualitative assessments. The values tested were in the range of 6% - 10%.

Moody's tested the credit enhancement levels by using a cash flow model, which has been adjusted to take into account a number of structural features.

A log-normal probability distribution (based on the values derived for the mean default and standard deviation) was applied to numerous default scenarios on the asset side to derive the level of losses on the notes.

Expected loss and average life levels relative to the ratings assigned to each tranche were computed, by weighting each scenario's severity and average life result on the notes, with its probability of occurrence. Below is an example of the application of the log-normal distribution of defaults with their relative probability.

Chart 6:
Default Distribution



RATING SENSITIVITIES AND MONITORING

The rating of the notes depends on the portfolio performance and counterparties ratings

The transaction retains some linkage to the ratings of Bancaja acting as:

- Servicer. At loss of Baa3, a back-up servicer will be appointed, and a commingling reserve will be funded (or equivalently a credit facility will be obtained);
- Paying agent. At loss of P-1, it will have to be replaced or guaranteed in its role of paying agent by a suitably rated institution within 30 days.
- Treasury account bank. At loss of P-1, it will have to be replaced or guaranteed in its role of paying agent by a suitably rated institution within 30 days (please see section Structural and Legal Aspects for more details).

In addition to counterparty risk, the transaction's ratings will be sensitive to the status of the Spanish economy. Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

EdT, in its capacity as management company, has committed to provide Moody's with data from which certain pool level performance data can be obtained. Moody's considers the amount of data currently available on the reports to be acceptable for monitoring collateral performance. If Moody's access to the reports is curtailed or adequate performance information is not otherwise made available to Moody's, Moody's ability to monitor the ratings may be impaired. This could negatively impact the ratings or, in some cases, Moody's ability to continue to rate the notes.

RELATED RESEARCH

Visit moodys.com for further details

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:

Credit Opinion

– Bancaja, August 2008

Rating Methodology

– The Lognormal Method Applied to ABS Analysis, July 2000 (SF8827)

Performance Overview

– Consumo Bancaja 1, FTA, October 2008 (SF144674)

Pre-Sale Report

– Consumo Bancaja 1, FTA, June 2006 (SF76258)

– BBVA Consumo 3, FTA, March 2008 (SF125123)

New Issue Report

– Santander Financiacion 3, FTA, Septemeber 2008 (SF138849)

Special Report

– Interest Rate Risks in UK RMBS – Moody's Approach, October 2007 (SF110489)

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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