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Presale Report: ABS/SME Loans/Spain

FTPYME Bancaja 6, Fondo de Titulización de Activos

€1.028 Billion Floating-Rate Notes

Analysts: Alvaro Astarloa, Madrid (34) 91-389-6964, alvaro_astarloa@standardandpoors.com, and Jose Tora, Madrid (34) 91-389-6955,

jose_tora@standardandpoors.com

Surveillance analyst: Chiara Sardelli, Madrid (34) 91-389-6966, chiara_sardelli@standardandpoors.com

Group e-mail address: StructuredFinanceEurope@standardandpoors.com

This presale report is based on information as of Sept. 27, 2007. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of initial credit ratings that differ from the preliminary credit ratings..

Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1	AAA	229.1	9.80	Three-month EURIBOR plus a margin	Sept. 27, 2045
A2	AAA	582.0	9.80	Three-month EURIBOR plus a margin	Sept. 27, 2045
A3(G)¶	AAA	118.9	9.80	Three-month EURIBOR plus a margin	Sept. 27, 2045
B	A-	47.5	5.05	Three-month EURIBOR plus a margin	Sept. 27, 2045
C	BB	22.5	2.80	Three-month EURIBOR plus a margin	Sept. 27, 2045
D\$	CCC-	28.0	N/A	Three-month EURIBOR plus a margin	Sept. 27, 2045

*The rating on each class of securities is preliminary as of Sept. 27, 2007, and subject to change at any time. Initial credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal on the notes.

¶The A3(G) series will benefit from the guarantee of the Kingdom of Spain (AAA/Stable/A-1+).

\$The class D notes will fully fund the cash reserve account at closing. The issuance amount may be €28 million depending on the scenario in which the swap counterparty receives an amount to be determined at closing.

Transaction Participants	
Originator	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Arrangers	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Trustee	Europea de Titulización, S.G.F.T., S.A.
Collateral administrator	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Interest swap counterparty	To be determined
GIC provider	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Paying agent	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Underwriters	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) and Deutsche Bank AG
Servicer	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)

Supporting Ratings	
Institution/role	Ratings
Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) as GIC provider	A+/Stable/A-1
Interest swap counterparty	An entity rated at least 'A-1'

Transaction Key Features*	
Expected closing date	Sept. 28, 2007
Structure type	Cash
ABS asset type	Loans
Portfolio composition	Spanish SME loans
Purpose of transaction	Balance sheet
Rating approach	Actuarial
Portfolio management type	Static
Liability structure	Fully funded
Collateral description	Loans to SMEs
Weighted-average maturity of assets (months)	93.22
Weighted-average seasoning of assets (months)	14.04
Principal outstanding (Mil. €)	1,148.07
Country of origination	Spain
Concentration (%)	Largest 10 obligors: 7.55% Three major geographical concentrations: Valencia (56.75%), Cataluña (9.86%), and Madrid (9.78%). Major industrial concentration by pool balance (investment purpose): real-estate activities (51.99%), construction (13.47%), and automobile (5.93%)
Average loan size balance (€)	366,564.10
Loan size range (€)	3,124.50 to 7,000,000.00
Weighted-average interest rate (%)	5.02
Arrears	No arrears for more than 30 days at closing
Redemption profile	Amortizing
Excess spread at closing (%)	0.87
Cash reserve (Mil. €) ¶	27.00-30.00

*Pool data as of Aug. 31, 2007.

¶The size of the cash reserve will depend on the swap scenario at closing.

Transaction Summary

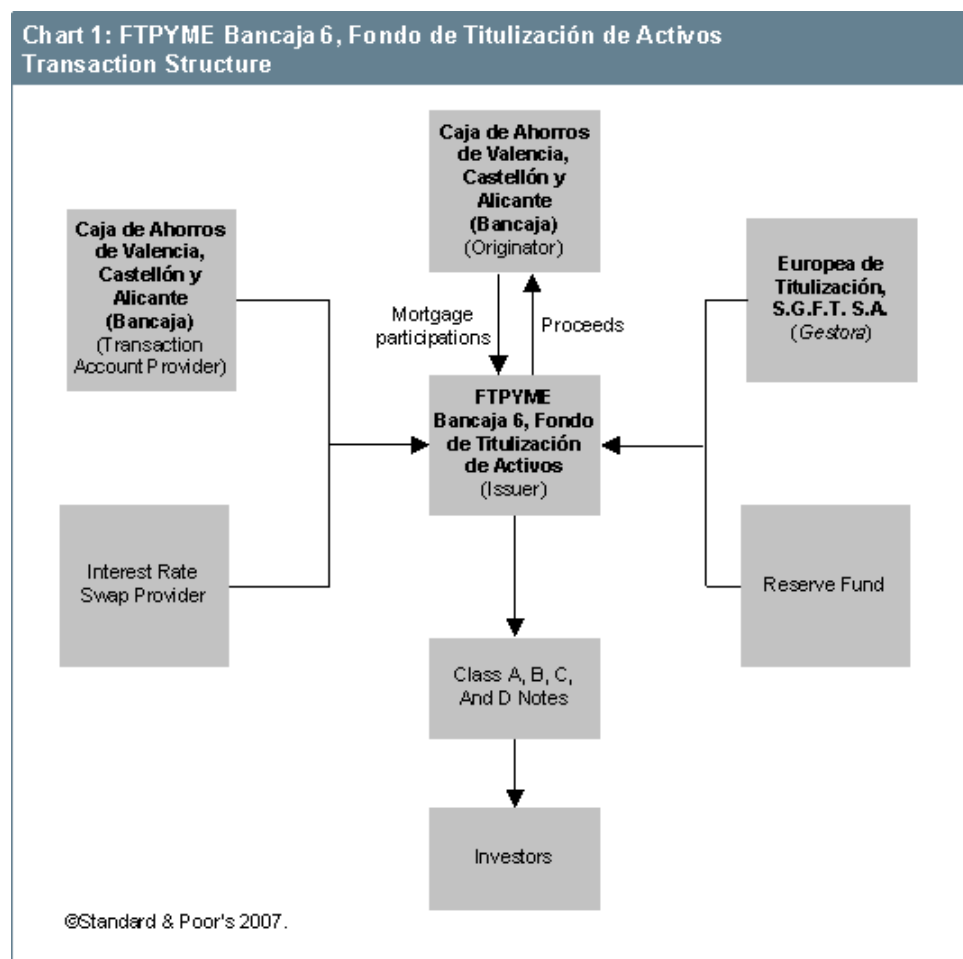
Standard & Poor's Ratings Services has assigned preliminary credit ratings to the €1.028 billion floating-rate notes to be issued by FTPYME Bancaja 6, Fondo de Titulización de Activos (FTPYME Bancaja 6).

The originator is Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), which at closing will sell to FTPYME Bancaja 6 a €1 billion closed portfolio of secured and unsecured loans granted to Spanish SMEs.

To fund this purchase, Europea de Titulización, S.G.F.T., S.A., as trustee, will issue three classes of floating-rate, quarterly paying notes on behalf of FTPYME Bancaja 6.

The preliminary ratings on the notes to be issued by FTPYME Bancaja 6 reflect the subordination of the respective classes of notes below them, the reserve fund, the presence of the interest rate swap, comfort provided by various other contracts, and the rating on Bancaja (A+/Stable/A-1).

The structure of the transaction is shown in chart 1.



The principal and interest on the notes will be paid quarterly in arrears.

Notable Features

FTPYME Bancaja 6 will be the sixth SME transaction completed by Bancaja of its loans originated to SME corporate clients. The transaction will feature some structural enhancements provided by the swap agreement, amortization of the notes, and the reserve fund.

The class A notes will be divided in three subtranches: the class A1 and A2 notes, and the A3(G) series. The amortization between them will be sequential. There will be specific pro rata rules if certain conditions are met.

As in other Spanish transactions, interest and principal from the underlying assets will be combined into a single priority of payments, with principal deficiency-based triggers and asset-liability test triggers in the payment of the interest, to protect senior noteholders.

Standard & Poor's based its analysis on the credit quality of the pool, its concentrations, and the structural features of the transaction.

Strengths, Concerns, And Mitigating Factors

Strengths
• Credit enhancement provided by subordination, the available excess spread, and the fully funded reserve fund is adequate to cover the various stresses applied to the transaction. • Bancaja is an experienced originator and servicer, with five SME loan transactions, 11 RMBS transactions, and four MBS transactions to date. • Of the outstanding amount, 80.34% comprises mortgage loans. • There is currently a low weighted-average LTV ratio of 62.91%, and the weighted-average seasoning is 14.04 months. • A swap agreement will hedge the interest rate risk. • The A3(G) series will benefit from the guarantee of the Kingdom of Spain (AAA/Stable/A-1+).
Concerns
• There is commingling risk when borrower payments are deposited into the account held at Bancaja. • Of the loans, 76.39% are concentrated in three regions, and Valencia has the highest exposure at 56.75% (<i>Comunidades Autónomas</i>). • Of the loans, 51.99% are concentrated in one industry (real estate). • Of the loans, 36.16% are interest-only loans with a bullet payment at maturity. Standard & Poor's considers this type of loan to be riskier, as borrowers suffer a payment shock.
Mitigating factors
• Commingling risk was sized in the transaction as credit enhancement. • Standard & Poor's has taken into account the exposure to industrial concentration. The sector concentrations are in line with Bancaja's SME portfolios. • Standard & Poor's has taken the above concern regarding interest-only loans into account in the credit and cash flow analysis.

Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja); Originator And Servicer

The rating on Bancaja is supported by the Spanish savings bank's dominant position in its home market, well-executed diversification strategy, good operating efficiency, and sound asset quality. It also takes into account Bancaja's gradually weakening capital measures and its meaningful exposure to the real estate sector.

Bancaja focuses on commercial banking, in which it has a dominant position in the Autonomous Community of Valencia (CV; AA-/Stable/A-1+). The bank has successfully maintained its stronghold in its core market while expanding its geographic and business diversification. With 41% of its network already outside CV, Bancaja is increasing its presence in other areas of Spain. The bank also has a rising contribution from a wider variety of businesses, namely bancassurance, private banking, and real estate.

Bancaja has a relatively low credit risk profile, thanks to a fairly diversified loan portfolio by individual client, comprising mainly residential mortgages and loans to small businesses. It has sound asset quality indicators, including a low ratio of NPLs to total loans of 0.57% and high provision coverage of 329% at June 30, 2007. Standard & Poor's Ratings Services expects these measures to remain favorable, based on good economic prospects and Bancaja's adequate monitoring and approval processes. Nevertheless, meaningful exposure to the real estate sector adds some latent risk to Bancaja's profile and exposes the bank to any unexpected sharp downturn in the sector in Spain.

Bancaja has adequate profitability, driven mainly by outstanding efficiency levels that compensate for fairly narrow spreads. A wide range of efficiency measures implemented in the past few years has successfully offset both the higher cost of expanding the network and margin pressure from low interest rates and increasing reliance on costlier wholesale funding. Profitability is likely to improve in the future as the bank benefits from rising profitability at its newer branches and a rebound in market rates.

Bancaja's solvency has gradually declined over the past few years, due to rapid loan growth. Capital measures are now tight, particularly when taking into account the risk retained through securitizations and the bank's high equity risk exposure following the recent acquisition of a stake in Spanish utility Iberdrola S.A. (A/Watch Neg/A-1).

Europea de Titulización, S.G.F.T., S.A., Trustee Or "*Sociedad Gestora*"

The *sociedad gestora* is Europea de Titulización. The Ministry of Economy and Treasury authorized the creation of the *sociedad gestora* in December 1992. Under the legislation for mortgage securitization in Spain, the day-to-day operations of the issuer are managed by the *sociedad gestora*, which represents and defends the interests of the noteholders. The *sociedad gestora*, on behalf of the issuer, will enter into certain contracts (a GIC, three swaps, and a subordinated loan to cover upfront expenses) needed to protect it against certain credit losses and liquidity shortfalls that are assumed to arise in connection with holding the mortgage participations.

In this transaction, the main responsibilities of the *sociedad gestora* are to create the issuer, issue the notes, calculate the interest rate on the notes, notify noteholders of information applicable to the notes and mortgage participations, manage the reserve funds, pay the issuer's fees and expenses, and arrange for the annual audit.

Collateral Pool Characteristics

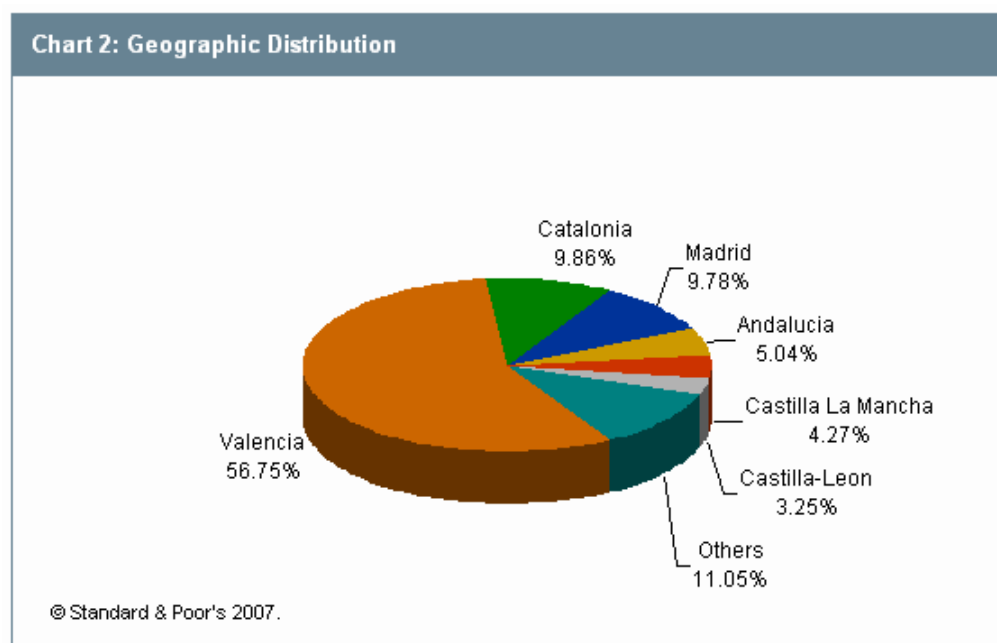
The preliminary portfolio comprises €1,148.07 million (3,132 loans) of performing SME loans to private companies in Spain. The weighted-average seasoning is 14.04 months.

Of the outstanding amount of the pool, 80.34% is secured by a mortgage over properties and commercial premises in Spain and the remainder is being treated as unsecured loans. The weighted-average LTV ratio of the secured pool is 62.91%.

The largest obligor represents 0.98% of the provisional pool and the largest 10 obligors represent 7.65%.

Defaults are those loans with amounts in arrears of a period equal to or greater than 18 months. In the final pool there will be no loans in arrears for more than 30 days.

Chart 2 shows the portfolio of SME loans by region.



The obligors are spread across Spain, but three regions (*Comunidades Autónomas*) cover 76.39% of the pool.

The table below shows the portfolio breakdown by interest rates.

Portfolio Breakdown By Interest Rates				
Interest rates	Loans		Outstanding principal	
	Number	%	Amount (€)	%
12-month EURIBOR	2,748	87.74	800,782,939.40	69.75
Three-month EURIBOR	384	12.26	347,295,826.13	30.25
Total pool	3,132	100.00	1,148,078,765.53	100.00

The assets have a weighted-average interest rate of 5.02% and a weighted-average margin of 87 bps over the various indices. The interest rates range from 3.85% to 9.18%.

The weighted-maturity of the pool is 93.22 months.

The largest industry concentration is in real estate, representing 51.99% of the pool. The second-highest concentration is in the construction sector (13.47%). The largest 10 industries account for 71.89% of the pool.

36.16% of the pool has a bullet amortization amount.

Collateral Risk Assessment

Standard & Poor's conducted an actuarial analysis on historical data provided by the originator to assess the credit risk of the pool, following the methodology explained in "*Securitizing Spanish-Originated Loans to Small and Midsize Enterprises*" (see "*Related Articles*").

With the historical data provided by the originator, Standard & Poor's can determine a foreclosure probability and a loss rate at each rating level. The product of these two variables gives an estimate of the necessary loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the necessary enhancement level.

Cash Collection Arrangements

Borrowers pay into an account in the name of the originator, Bancaja. Seven days later, the funds are moved to the treasury account in the issuer's name held at Bancaja.

Treasury Account

At closing, the *gestora* will open a bank account on the issuer's behalf at Bancaja. The *gestora* will enter into a GIC agreement with Bancaja, under which Bancaja will guarantee a rate of interest equal to the reference rate of the notes. The interest rate will be reset and paid quarterly. Interest will be paid quarterly into the account and calculated on all the collections deposited in the GIC.

If Bancaja, as treasury account provider, is downgraded below 'A-1' the *gestora* will, within 60 calendar days:

- Obtain a guarantee from another entity whose short-term debt rating is (at least) 'A-1';
- Find an entity with a minimum short-term rating of 'A-1' to assume the role of GIC provider under the same conditions; or
- Make eligible investments.

All the costs of the remedies will be borne by the downgraded counterparty.

Redemption Of The Notes

Amortization will occur for:

- The class A1 notes, from the first payment date after its full amortization;
- The class A2 notes, once A1 is fully amortized until its full redemption;
- The A3(G) series, once A2 is fully amortized until its full redemption;
- The class B notes, once the A3(G) series is fully redeemed; and
- The class C notes, once the class B notes are fully redeemed;

The available amortization fund on each payment date will be equal to the difference between:

- The principal outstanding balance under the class A1, A2, A3(G), B, and C notes; and
- The principal outstanding balance of all outstanding loans no more than 18 months in arrears.

The conditions for pro rata amortization of the class A notes are that if the proportion of (i) the outstanding balance of non-delinquent loans plus the amounts received from the assets during that period, and (ii) the outstanding balance of the class A1 and A2 notes and the A3(G) series, is less than or equal to 1.05%, the class A1 and A2 notes and the A3(G) series will amortize pro rata.

The conditions for pro rata amortization of the junior tranches are that the class B and C notes will amortize pro rata with the class A1 and A2 notes, and the A3(G) series if:

- The ratio of the aggregate balance of delinquent loans to the aggregate balance of non-doubtful loans is below 1.25% for the class B notes, or below 1.00% for the class C notes;
- The total outstanding principal balance of the class B and C notes represents at least twice the original percentage of the outstanding principal balance of all the notes;
- Conditions for pro rata amortization for class A were not met;
- The cash reserve was at the required amount on the previous payment date; and
- The total outstanding balance of the loans is equal to or higher than 15% of the initial balance.

Payment Priorities

On each quarterly interest payment date, the issuer will pay in arrears the interest due to the noteholders. To make the payments, the issuer's available funds will include the proceeds of the interest swap, the reserve fund, and, if necessary, principal received under the loans and any other proceeds received in connection with the loans.

All interest and principal received can be mixed to pay principal and interest due under the notes. A trigger will ensure that in a stressful economic environment, the more senior notes are amortized before interest on the subordinated classes of notes is paid. The priority of payments will be:

- Fees;
- Net payments under the swap agreement and swap termination payments due to a default or breach of contract by fund;
- Interest on the class A1 and A2 notes and the A3(G) series, and reimbursement of the treasury guarantee (if applicable);
- Interest on the class B notes, if not deferred;
- Interest on the class C notes, if not deferred;
- Amortization amount;
- Deferred class B note interest;
- Deferred class C note interest;
- Replenishment of the cash reserve;
- Interest and principal payments on the class D notes;
- Swap termination payments due to a default or breach of contract by the swap counterparty;
- Interest payments and principal repayments under the subordinated startup loan; and
- Cash back to Bancaja.

Interest payments on the class B notes will be deferred when on a payment date the cumulative outstanding balance of defaulted loans (with amounts in arrears greater than 18 months) represents more than 5.75% of the outstanding balance of the pool at closing.

Interest payments on the class C notes will be deferred when on a payment date the cumulative outstanding balance of written-off loans represents more than 3.75% of the outstanding balance of the pool at closing.

Reserve Fund

The structure will benefit from a cash reserve fund, fully funded by the class D notes granted by the originator at closing. The initial required amount will be €28 million, equivalent to 2.8% of the initial balance of the securitized assets. The final amount of the reserve fund will depend on the cost of the swap counterparty. The reserve fund will be used to pay interest and principal on the notes if insufficient funds are available.

The reserve fund will be fixed for the first three years, and it will be able to amortize after this initial period. Its minimum required levels will be established at the minimum amount of:

- The initial required amount, 2.8% of the initial balance of the notes; and
- The maximum amount of (i) 5.6% of the outstanding principal balance of the notes, and (ii) 1.4% of the initial balance of the notes.

It will not amortize if, on a previous payment date, it was not at its required minimum level, or if the arrears ratio (three months past due) is greater than 1%.

Hedging

Interest swap agreement

On FTPYME Bancaja 6's behalf, the trustee will enter into three different swap agreements with Bancaja. These swaps will provide protection against adverse interest-rate resetting and movements.

FTPYME Bancaja 6 will pay to the swap counterparty a weighted-average of 12-month EURIBOR over:

- The past 12 months, for loans that reset annually; and
- The past six months, for loans that reset semiannually.

FTPYME Bancaja 6 will pay to the swap counterparty a weighted-average of three-month EURIBOR over the past three months, for loans that reset quarterly.

The swap counterparty will pay the index reference rate of the notes plus a spread, depending on the amount determined for the reserve fund.

If the swap counterparty is downgraded to 'A-2', it will still be an eligible counterparty if within 10 days of the downgrade it agrees to collateralize 100% of the contract's mark-to-market in compliance with Standard & Poor's guidelines.

If this option is not taken, then the swap counterparty would become ineligible and one of the following two options should be taken:

- Within 60 days, find a replacement with a short-term rating of at least 'A-1'; or
- Within 60 days, find a guarantor with a short-term rating of at least 'A-1'.

If the swap counterparty is downgraded to 'A-3', it will become an ineligible counterparty and have to agree within 10 days to deliver additional collateral, no lower than 25% of the mark-to-market obligation, in compliance with Standard & Poor's guidelines.

In the meantime, and after having complied with the previous steps, one of the following two options should be taken:

- Within 60 days, find a replacement with a short-term rating of at least 'A-1'; or
- Within 60 days, find an adequate Standard & Poor's guarantor with a short-term rating of at least 'A-1'.

If the swap counterparty is not replaced within the remedy period, the rating on the notes may be lowered to levels that could be supported by the counterparty's then-current rating. The amount of collateral will be taken into consideration in analyzing the transaction after the counterparty is downgraded.

A counterparty can be replaced or guaranteed with Standard & Poor's confirmation. All the costs of the remedies will be borne by the downgraded counterparty.

Key Performance Indicators

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed, supporting ratings will be monitored, pool cuts will be assessed, and regular contact will be made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

Key performance indicators for this transaction will include:

- Rating migration of the collateral and default levels;
- Collateral prepayment levels;
- The different concentrations of the pool; and
- The ratings on the supporting parties.

Criteria Referenced

- "Global Interest Rate and Currency Swaps: Calculating the Collateral Required Amount" (published on Feb. 26, 2004).
- "Standard & Poor's Global Interest Rate and Swap Counterparty Rating Criteria Expanded" (published on Dec. 17, 2003).
- "Global Cash Flow and Synthetic Criteria" (published on March 21, 2002).
- "Global CBO/CLO Criteria" (published on June 1, 1999).
- "Standard & Poor's Rating Methodology for CLOs Backed by European Small- and Midsize-Enterprise Loans" (published on Jan. 30, 2003).

Related Articles

- "CDO Spotlight: Credit Risk Tracker Strengthens Rating Analysis of CLOs of European SME Loans" (published on June 10, 2004).
- "Securitizing Spanish-Originated Loans to Small and Midsize Enterprises" (published on April 7, 2003).
- "Stellar Growth in Spanish Securitization to Help it Maintain Europe's Number Two Slot" (published on June 2, 2004).

All criteria and related articles are available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

Key Contacts	
SF Investor Hotline	(44) 20-7176-3223
Client Support Europe	(44) 20-7176-7176
Press Office Hotline	(44) 20-7176-3605 or media_europe@standardandpoors.com
Local media contact numbers	
Paris	(33) 1-4420-6657
Frankfurt	(49) 69-33-999-225
Stockholm	(46) 8-440-5914
Moscow	(7) 495-783-4017

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