

Publication Date: Jan. 8, 2007

## RMBS Presale Report

### Bancaja 10, Fondo de Titulización de Activos

#### €2.6 Billion Mortgage-Backed Floating-Rate Notes And €31.5 Million Floating-Rate Notes

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| Class | Prelim. rating* | Prelim. amount (Mil. €) | Available credit support (%) | Interest                          | Legal final maturity |
|-------|-----------------|-------------------------|------------------------------|-----------------------------------|----------------------|
| A1    | AAA             | 420.0                   | 6.71                         | Three-month EURIBOR plus a margin | May 22, 2050         |
| A2    | AAA             | 1,537.0                 | 6.71                         | Three-month EURIBOR plus a margin | May 22, 2050         |
| A3    | AAA             | 500.0                   | 6.71                         | Three-month EURIBOR plus a margin | May 22, 2050         |
| B     | A               | 65.0                    | 4.21                         | Three-month EURIBOR plus a margin | May 22, 2050         |
| C     | BBB             | 52.0                    | 2.21                         | Three-month EURIBOR plus a margin | May 22, 2050         |
| D     | BB              | 26.0                    | 1.21                         | Three-month EURIBOR plus a margin | May 22, 2050         |
| E**   | CCC-            | 31.5                    | N/A                          | Three-month EURIBOR plus a margin | May 22, 2050         |

\*The rating on each class of securities is preliminary as of Jan. 8, 2007 and subject to change at any time. Final 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.

\*\*The class E notes will be used to fund the reserve fund. However, this amount is preliminary and may change at closing.

N/A—Not applicable.

| Transaction Participants     |                                                                                                         |
|------------------------------|---------------------------------------------------------------------------------------------------------|
| Originator                   | Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)                                             |
| Arrangers                    | Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) and Europea de Titulización, S.G.F.T., S.A. |
| Seller                       | Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)                                             |
| Servicer                     | Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)                                             |
| Trustee                      | Europea de Titulización, S.G.F.T., S.A.                                                                 |
| Interest swap counterparty   | To be determined                                                                                        |
| Transaction account provider | Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)                                             |

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

| Transaction Key Features*                     |                                                                                                                                                      |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Expected closing date                         | January 2007                                                                                                                                         |
| Collateral                                    | First-lien mortgage loans for residential properties in Spain                                                                                        |
| Principal outstanding (€)                     | 3,134,353,302                                                                                                                                        |
| Country of origination                        | Spain                                                                                                                                                |
| Concentration                                 | The three major regions are Valencia (38.35%), Catalonia (14.65%), and Andalucía (14.25%)                                                            |
| Weighted-average LTV ratio (%)                | 76.50                                                                                                                                                |
| Average loan size balance (€)                 | 145,002                                                                                                                                              |
| Loan size range (€)                           | From 2,641 to 893,761                                                                                                                                |
| Weighted-average seasoning (months)           | 11.8                                                                                                                                                 |
| Weighted-average asset life remaining (years) | 29.6                                                                                                                                                 |
| Weighted-average mortgage interest rate (%)   | 4.02                                                                                                                                                 |
| Weighted-average margin at closing (%)        | 0.91                                                                                                                                                 |
| Arrears                                       | Loans are considered in default after 18 months in arrears. At closing, the final pool will not have any loans that are more than 30 days in arrears |
| Redemption profile                            | Amortizing                                                                                                                                           |
| Excess spread at closing (bps)                | 91.15                                                                                                                                                |
| Cash reserve (%)                              | 1.21 (based on a scenario in which the swap counterparty receives an amount to be determined at closing)                                             |
| Mortgage priority                             | 100% first-lien                                                                                                                                      |
| Maximum LTV ratio (%)                         | 100                                                                                                                                                  |
| Percentage of jumbo loans (> €400,000)        | 2.9                                                                                                                                                  |

\*Collateral as of Nov. 30, 2006.

## Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the €2.6 billion mortgage-backed floating-rate notes and €31.5 million floating-rate notes to be issued by Bancaja 10, Fondo de Titulización de Activos.

The originator is Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), the third-largest savings bank in Spain and the sixth leading financial institution in the country.

The ratings on the notes reflect the class subordination, the reserve fund, the presence of the interest rate swap, comfort provided by various other contracts, and the rating on Bancaja.

## Notable Features

This is Bancaja's 10th RMBS securitization.

This transaction is similar to previous Bancaja RMBS transactions, both in terms of the structure and the characteristics of the collateral backing the notes.

As in other Spanish transactions, interest and principal are combined into a single priority of payments, with triggers in the payment of the interest of subordinated notes to protect the senior class.

## Strengths, Concerns, And Mitigating Factors

### Strengths

- The collateral consists of first-ranking mortgages secured over residential owner-occupied properties in Spain, with a weighted-average current LTV ratio of 76.50% and an average LTV ratio of 74.04%.
- The cash reserve will be available to cover any interest or principal shortfalls.
- Principal amortization will take into account loans more than 18 months in arrears, with those amounts being amortized in addition to scheduled amortization through the trapping of excess spread. This has the effect of accelerating the amortization of the notes if arrears increase.
- The swap pays three-month EURIBOR minus/plus a spread to be determined at closing. Standard & Poor's has taken this into account in its analysis.
- Bancaja is an experienced servicer. It already manages 19 structured finance transactions.

### Concerns

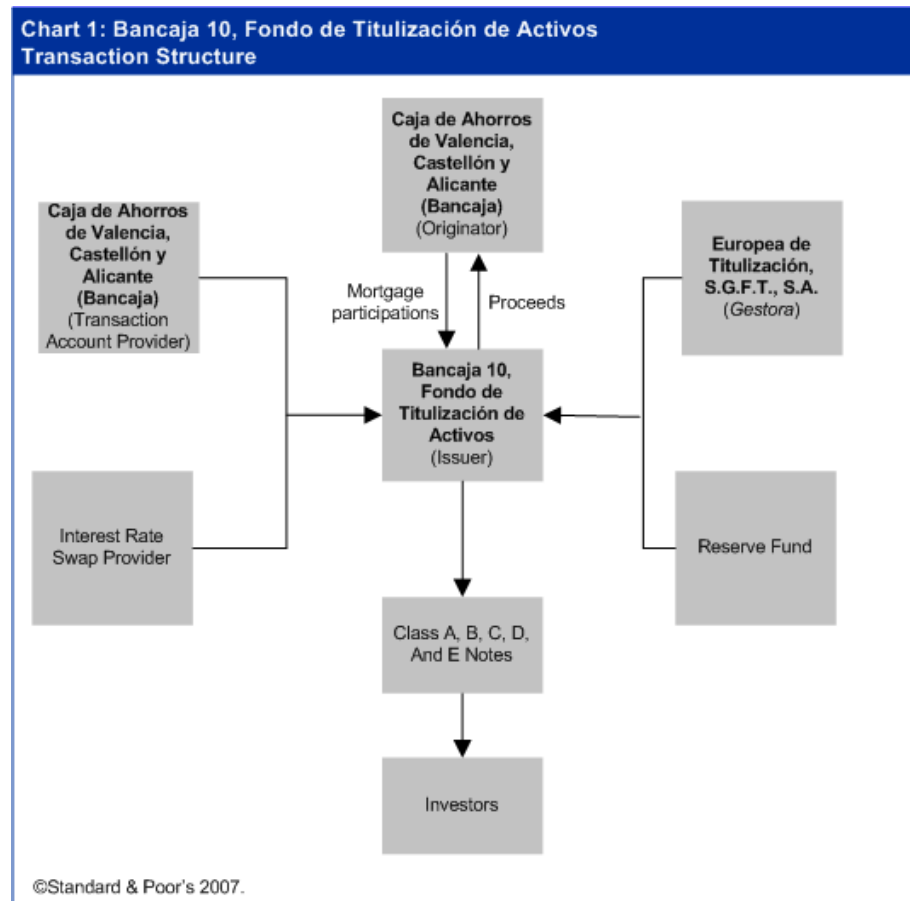
- Of the loans in the pool, 35.44% can benefit from margin reductions down to a floor of 0.70%. The margin on these loans could be reduced if borrowers pay their salaries by direct debit into the bank account held at Bancaja, or if they take out life insurance or a pension fund through Bancaja. This could potentially cause an imbalance in the cash flows of the SPE.
- Of the collateral, 67.24% is concentrated in three regions (Valencia, Catalonia, and Andalucia).
- Mortgage collections will be sent to the GIC seven days after they arrive in the collection account, thus increasing the commingling risk.

### Mitigating factors

- The potential cash flow imbalance has been included in Standard & Poor's analysis. Moreover, the interest swap mitigates any concerns about interest rate mismatches in this transaction.
- Standard & Poor's has taken into account the regional concentration in its credit analysis. Some regional concentration is to be expected, especially in Valencia, as this region is the bank's historical market; while Andalucia and Catalonia are among the most populated regions in Spain.
- Standard & Poor's has incorporated the commingling risk into its analysis. Moreover, if the rating on Bancaja is lowered below 'A-1', any collections will be swept more frequently (up to daily) to the account held in the name of Bancaja 10 so as to reduce the commingling risk exposure.

## Transaction Structure

The structure of the transaction is shown in chart 1.



### ***Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), (the originator)***

Bancaja is Spain's third-largest savings bank and sixth-largest financial institution. Although it maintains a dominant position in its home market of the Valencia region, expansion into other Spanish regions gives the savings bank increasing geographic diversification. Bancaja's business profile is mainly focused on commercial banking, which represented 70% of net income at year-end 2005, with an increasing contribution from a wider variety of business such as bancassurance (7%), private banking (7%), and real estate activities (16%).

Bancaja has maintained its stronghold in its home market, with a 23% market share by loans and 30% by deposits in the past few years. This strong market position results from the series of mergers among savings banks in the Valencia region that created Bancaja in the early 1990s, and has been maintained since then. Bancaja's presence in Valencia is reinforced by its 38%-owned subsidiary, Banco de Valencia S.A., a regional bank that accounts for about 20% of the Bancaja group's loan book.

Located along the eastern Mediterranean coast and with 4.7 million inhabitants at year-end 2005, the Valencia region has a well-diversified economy, with tourism, construction, transport, and trade being its strongest sectors. Good regional growth prospects for the coming years will benefit Bancaja's banking business.

Apart from Bancaja's position in the Valencia region, 40% of its network (587 branches) and 35% of its business was located outside its home market at Sept. 30, 2006, which increases its geographic diversification. This network was built up through gradual expansion before 2001, placing Bancaja in many Spanish regions. This was then followed in 2004-2005 by the opening of 246 branches, which strengthened its position in those areas already covered and extended its presence to all Spanish provinces.

Bancaja's core business targets individuals and SMEs. Companies and real estate developers are serviced through a specialized branch network. Bancaja is engaged in asset

management, private banking, and brokerage activities. Bancassurance is well developed through a joint venture with Aviva PLC (A+/Stable/--) that resulted from the sale of a 50% stake in Bancaja's insurance subsidiary to the U.K. group in 2000.

### **Issuance date**

At closing, the originator will issue mortgage transmission certificates that Europea de Titulización, S.G.F.T., S.A.—the "*sociedad gestora*" (trustee equivalent)—will purchase on the issuer's behalf. Each transmission certificate will represent, in equal amount and rate, the securitized mortgage loan. The transmission certificates will entitle Bancaja 10 to any right and proceeds due under the principal and interest due on the mortgage loans. Bancaja 10 is a "*fondo de titulización de activos*". Its sole purposes are to buy the collateral from Bancaja, issue the notes, and carry on related activities. The issuer holds a distinct and closed pool of assets available for distribution to the noteholders. The assets are insulated from the insolvency of the originator and the *gestora*.

The total outstanding amount of the mortgage loans to be purchased is expected to be €2.6 billion. To fund the purchase of collateral, Bancaja 10 will issue four classes of notes.

The collateral will be serviced by Bancaja, which will collect the amounts due under the mortgage loans. The servicer will transfer these amounts to the issuer's transaction account seven days later. The amounts held will receive a guaranteed interest rate equal to three-month EURIBOR.

The issuer will enter into two interest swap agreements with a counterparty rated at least 'A-1' to hedge any basis and interest risk due to the difference between the index of the pool and the reference interest rate on the notes.

The issuer will pay weighted-average 12-month EURIBOR over:

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

The counterparty will pay the index reference of the notes minus/plus a spread that will be determined at closing.

### **Priority of payments**

All interest and principal received can be mixed to pay principal and interest due under the notes in the following priority of payments:

- Senior fees;
- Net swap payments and any swap settlement amount, when the cause is attributable to the issuer;
- Class A note interest (A1, A2, and A3);
- Class B note interest, unless deferred;
- Class C note interest, unless deferred;
- Class D note interest, unless deferred;
- Class A note principal;
- Class B note principal;
- Class C note principal;
- Class D note principal;
- Class B note interest, if deferred;
- Class C note interest, if deferred;
- Class D note interest, if deferred;
- Replenishment of the reserve fund;
- Class E note interest;
- Class E note principal;
- Swap termination payment from a cause attributable to the swap counterparty;
- Initial expenses loan interest and principal; and
- Payment of the financial intermediation margin.

All interest and principal received can be mixed to pay principal and interest due under the notes.

The following triggers will be implemented so that in a stressful economic environment the more senior notes will be amortized before interest on the subordinated classes of notes is paid:

- Interest on the class B notes is deferred if loans in default comprise more than 10.9% of the initial balance of the mortgages.
- Interest on the class C notes is deferred if loans in default comprise more than 7.4% of the initial balance of the mortgages.
- Interest on the class D notes is deferred if loans in default comprise more than 5.7% of the initial balance of the mortgages.

#### ***Redemption of the notes***

Unless redeemed earlier, the notes will be redeemed on May 22, 2050 at the latest, which is more than 30 months after the maturity of the longest-term mortgage loan in the pool.

On any payment date, the amount of principal due under the notes (the amortization amount) will be calculated as the difference between the outstanding balance of the notes and the outstanding balance of the assets (excluding the loans that are more than 18 months past due).

If the class A1 notes have fully amortized, the class A2 notes will start amortizing on Aug. 22, 2008. The notes will redeem sequentially unless:

- The proportion of subordinated notes to the total outstanding level of the notes has doubled since closing;
- The reserve fund is at its required level;
- The outstanding balance of loans more than 90 days delinquent over the balance of the notes is less than 1.25% for the class B notes, 1.00% for the class C notes, and 0.75% for the class D notes; and
- The outstanding balance of the notes is greater than or equal to 10% of the original balance of the transaction.

### **Collateral Description**

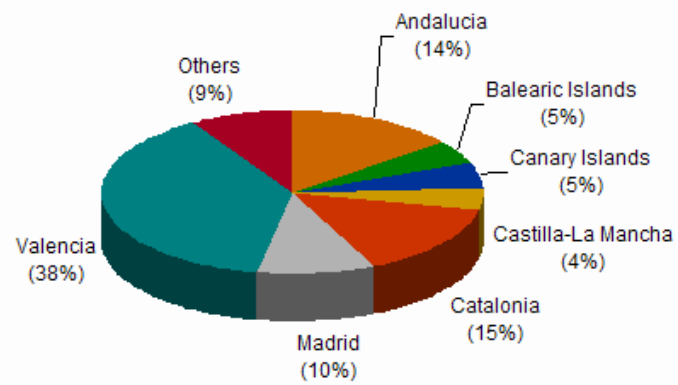
As of Nov. 30, 2006, the provisional pool of mortgage loans consisted of 21,616 amortizing loans secured by first-ranking mortgages over residential properties in Spain. All the loans in the pool are indexed to one-year EURIBOR. Table 1 shows the interest rates and spreads.

| Table 1: Interest Rates And Spreads                |      |
|----------------------------------------------------|------|
|                                                    | (%)  |
| Current weighted-average interest-rate of the pool | 4.02 |
| Current weighted-average spread of the pool        | 0.91 |
| Maximum spread of the pool                         | 2.00 |
| Minimum spread of the pool                         | 0.25 |
| Maximum interest rate of the pool                  | 5.56 |
| Minimum interest rate of the pool                  | 2.17 |

Other features of the collateral include the following:

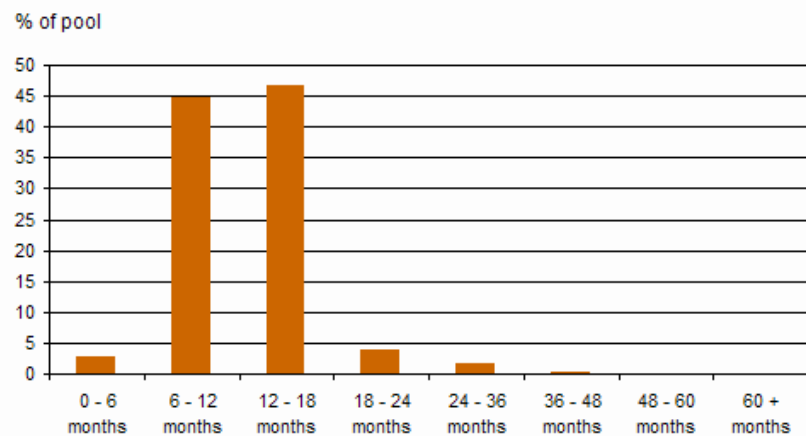
- Of the pool, 67.24% is concentrated in Valencia, Catalonia, and Andalucia (see chart 2).
- The pool was originated between November 1999 and September 2006. The weighted-average seasoning is 11.8 months, with most of the pool being originated under 18 months ago (see chart 3).
- The weighted-average LTV ratio is 76.50% and the average LTV ratio is 74.04% (see chart 4).

Chart 2: Geographic Distribution



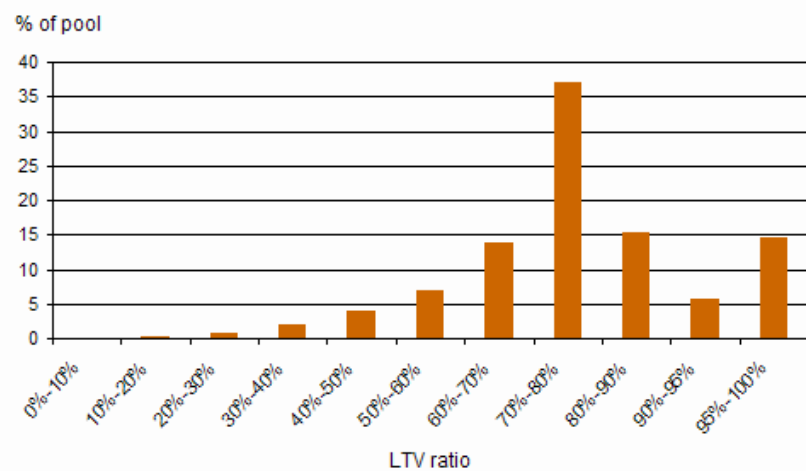
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Chart 3: Seasoning Distribution



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Chart 4: LTV Ratio Distribution



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### ***Collateral risk assessment***

Standard & Poor's conducted a loan-level analysis to assess the credit risk of a pool of mortgages. The collateral risk assessment analyzed the foreclosure frequency and loss severity of each loan in the pool. These depend on the characteristics of the borrower, the loan, and the rating on the notes. The potential loss associated with a loan can be calculated by multiplying the foreclosure frequency by the loss severity. To quantify the potential losses associated with the entire pool, Standard & Poor's calculates a WAFF and a WALs at each rating level. The product of the WAFF and WALs variables estimates the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level.

## **Credit Structure**

### ***Cash collection arrangements***

Borrowers pay monthly into an account in the name of the originator, Bancaja. Seven days later, the funds are then moved to the treasury account in the name of the issuer held at Bancaja. However, interest and principal will be transferred to the treasury account more frequently if the short-term rating on Bancaja is lowered below 'A-1'.

### ***Treasury account***

At closing, the *gestora* will open a bank account on behalf of the issuer 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 is calculated on all the collections deposited in the GIC.

On a downgrade of the treasury account provider below 'A-1', the *gestora* will have 30 days to either substitute the account provider with an 'A-1' rated financial entity, find a guarantee from an 'A-1' rated financial entity, obtain a pledge on collateral with a rating of not less than 'A-1+', or invest in 'A-1' rated securities maturing before the next interest payment date.

### ***Excess funds account***

As long as Bancaja maintains a short-term rating of 'A-1', the balance of the amounts held at Bancaja should not be more than 20% of the outstanding balance of the notes. If the balance is higher than this 20% the *gestora* will immediately communicate this to Standard & Poor's, which will have 30 working days to assess the impact on the ratings on the notes.

If the ratings on the notes are affected, the *gestora* will open, on the issuer's behalf, an account at an entity with a short-term rating of 'A-1+', in which all excess amounts higher than 20% of the outstanding balance of the notes will be deposited, or the *gestora* will obtain a guarantee from an 'A-1+' rated entity. In both cases, the *gestora* will give notice to Standard & Poor's 30 days before the transfer.

### ***Interest swap agreement***

The *gestora* will enter into two swap agreements with an entity rated at least 'A-1' on behalf of Bancaja 10. These swaps will provide protection against adverse interest rate resetting and movements.

The issuer will pay 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.

The 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, it then has 30 days to either find a substitute with a minimum short-term rating of 'A-1', find a guarantor with a minimum short-term rating of 'A-1', or post collateral subject to Standard & Poor's confirmation. If collateral is deposited and the swap counterparty is downgraded below 'BBB-', it has 10 business days to either find a replacement or a guarantor with a short-term rating of at least 'A-1' and continue posting collateral until this replacement or guarantor is found.

**Reserve fund**

A reserve fund will be fully funded at closing using the proceeds of the class E notes. The final amount of the fund will depend on the cost of the swap counterparty. The reserve fund amount will be fixed for the first three years but thereafter the required amount will be the lower of:

- The initial reserve fund amount; or
- The higher of (i) half the original amount of the reserve fund and (ii) the outstanding notional balance of the notes multiplied by twice the percentage represented originally by the reserve fund.

The reserve fund will not decrease if:

- The ratio of the balance of loans more than 90 days in arrears to the outstanding balance of the mortgages is greater than 1%;
- The required reserve fund amount was not fully funded on the previous payment date; or
- The weighted-average margin of the pool is less than 60 bps.

**Standard & Poor's Stress Test**

Standard & Poor's analysis included a conservative assessment of the credit risk inherent in the transaction. The credit enhancement levels were sized after analyzing the impact that severe stress scenarios would have on the mortgage loan collateral. As a result of this analysis, Standard & Poor's estimated the largest amount of potential losses that could occur as a result of these stress scenarios and set the amount of loss protection required on the bonds.

Specific penalties were applied regarding the levels of aggregate defaults expected on the pool to reflect the foreclosure frequency attached to specific assets and/or assets' location, and any terms and conditions that might increase or decrease credit risk. Standard & Poor's analysis fully reflects the specific features of the Spanish market regarding loss severity, foreclosure costs, and foreclosure periods.

A cash flow model simulating the portfolio's performance within the transaction's documented structure was run under certain rating scenarios to stress liquidity and the level of excess spread in the transaction. Prepayment levels, fees and expenses paid by the issuer, and delinquencies were the most important parameters stressed in all the runs.

**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.

Some of the key indicators will be:

- Arrears levels, especially the cumulative ratio of loans that are three months past due; and
- The amount of principal deficiency.

## Criteria Referenced

- "*Cash Flow Criteria for European RMBS Transactions*" (published on Nov. 20, 2003).
- "*Methodology Behind European RMBS Indices*" (published on Nov. 8, 2004).
- "*European Legal Criteria for Structured Finance Transactions*" (published on March 23, 2005).
- "*Criteria for Rating Spanish Residential Mortgage-Backed Securities*" (published on March 1, 2002).

## Related Articles

- "*European RMBS H2 2006 Outlook Report: RMBS Continues To Dominate Funded Securitization Market*" (published on July 26, 2006).
- "*Rating Transitions 2005: Activity More Muted, But Upgrades Still Dominate In European Structured Finance*" (published on Jan. 11, 2006).
- "*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](http://www.ratingsdirect.com). The criteria can also be found on Standard & Poor's Web site at [www.standardandpoors.com](http://www.standardandpoors.com).

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