STANDARD &POOR'S

Global Credit Portal
RatingsDirect®

August 13, 2010

New Issue: Foncaixa Hipotecario 11, Fondo de Titulización de Activos

€6. 5 Billion Mortgage-Backed Floating-Rate Notes

Primary Credit Analyst:
Isabel Plaza, Madrid (34) 91-7887203; isabel_plaza@standardandpoors.com

Surveillance Credit Analyst:
Soledad Martinez-Tercero, Madrid (34) 91-3896-954; soledad_martinez-tercero@standardandpoors.com

Table Of Contents

New Issue: Foncaixa Hipotecario 11, Fondo de Titulización de Activos

€6. 5 Billion Mortgage-Backed Floating-Rate Notes

Ratings Detail

Class	Rating*	Amount (mil. €)	Available total credit support (%)	Interest	Legal final maturity
A	AAA	6,110.00	8.00	Three-month EURIBOR plus 80 bps	Sept. 16, 2053
B	AA	97.50	6.50	Three-month EURIBOR plus 1.25 bps	Sept. 16, 2053
C	A	292.50	2.00	Three-month EURIBOR plus 1.75 bps	Sept. 16, 2053

*Standard & Poor's ratings address timely interest and ultimate principal. EURIBOR—European interbank offered rate.

Transaction Participants	
Originator	Caja de Ahorros y Pensiones de Barcelona (la Caixa)
Seller	Caja de Ahorros y Pensiones de Barcelona (la Caixa)
Mortgage administrator/servicer	Caja de Ahorros y Pensiones de Barcelona (la Caixa)
Security trustee	Gesticaixa, S.G.F.T., S.A.
Interest swap counterparty	Caja de Ahorros y Pensiones de Barcelona (la Caixa)
Transaction account provider	Caja de Ahorros y Pensiones de Barcelona (la Caixa)
Treasury account provider	Caja de Ahorros y Pensiones de Barcelona (la Caixa)

Supporting Rating	
Institution/role	**Rating**
Caja de Ahorros y Pensiones de Barcelona (la Caixa) as transaction account provider, servicer, and swap counterparty	AA-/Negative/A-1+

Transaction Key Features*	
Closing date	July 23, 2010
Collateral	First drawdowns of prime mortgage-backed credit lines ("crédito abierto") and prime mortgage-backed loans
Principal outstanding of the provisional pool (mil. €)	6,758.55
Country of origination	Kingdom of Spain
Concentration	Catalonia (37.18%), Madrid (17.37%), and Andalucia (12.67%)
Property occupancy	First homes (100%)
Weighted-average LTV ratio (%)	51.61
Average loan size balance (€)	114,713
Weighted-average seasoning (months)	58.44
Floating interest rate (%)	100
Arrears	At closing no loans in arrears for more than 30 days and loans in arrears for less than 30 days are limited to 5% of the pool
Redemption profile	Repayment
Cash reserve (%)	2
Mortgage priority	100% first-lien mortgages

Transaction Key Features* (cont.)	
Maximum LTV ratio (%)	80

*Collateral as of June 27, 2010. LTV—Loan-to-value.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to Foncaixa Hipotecario 11, Fondo de Titulización de Activos' €6.5 billion floating-rate notes.

The originator of the loans backing the residential mortgage-backed securities (RMBS) is Caja de Ahorros y Pensiones de Barcelona (la Caixa), one of the largest primary lenders in the Spanish financial market.

At closing, Foncaixa 11 acquired credit rights backed by first drawdowns of prime mortgage-backed credit lines ("crédito abierto") and prime mortgage-backed loans (see "Notable Features"). To fund this purchase, it issued three classes of notes. At closing, a subordinated loan funded the reserve fund at 2% of the original principal balance of the loan portfolio.

At closing, la Caixa issued mortgage participations that GestiCaixa S.G.F.T., S.A., the "sociedad gestora" (trustee equivalent), purchased on behalf of the issuer. Each mortgage participation represents, in an equal amount, the initial drawdown of each securitized mortgage-backed credit line and the balance of each securitized mortgage-backed loan originated by la Caixa. The mortgage participations entitle Foncaixa 11 to any rights and proceeds due under the securitized portion of the mortgage loans.

Since we assigned preliminary ratings to this transaction (July 19, 2010), the arranger has not made any material structural changes to this transaction.

Notable Features

This transaction is the eleventh RMBS transaction of la Caixa's residential mortgage loan book that it has completed.

This transaction is very similar to la Caixa's latest mortgage securitizations in terms of structure and the asset being securitized: A type of mortgage called "crédito abierto" (see "Collateral Description").

The securitized portfolio comprises secured, first drawdowns of credit lines and mortgage loans to individuals resident in Spain, with loan-to-value (LTV) ratios below 80%. The main difference with Foncaixa Hipotecario 10, Fondo de Titulización de Activos is that in this new transaction the collateral consists of first drawdowns on the credit lines instead of second drawdowns.

In addition to originating the loans, la Caixa is the servicer, paying agent, and interest swap counterparty. As with other Spanish transactions, interest and principal are combined into a single priority of payments.

Different to other Spanish RMBS transactions, the time elapsed between the final maturity and the legal maturity is 42 months.

Strengths, Concerns, And Mitigating Factors

Strengths

- The collateral is of high quality, in our opinion, comprising first-ranking mortgage loans secured over residential owner-occupied properties, with a high weighted-average seasoning and a low weighted-average loan-to-value (LTV) ratio below 80%.
- The securitized portfolio comprises secured, first drawdowns—as opposed to second drawdowns as in Foncaixa 10—of credit lines and mortgage loans to individuals resident in Spain.
- La Caixa's strict loan underwriting criteria at the branch level aim to ensure the good credit quality of the collateral.
- La Caixa has demonstrated strong servicing and origination capabilities, plus long experience as a repeat RMBS issuer.
- La Caixa writes off loans that are more than 12 months in arrears, thus allowing for an early excess spread trapping mechanism in the transaction.
- The swap structure provides credit enhancement to the structure and aims to cover the mismatch between the reference indices on the asset pool and the reference index on the notes. We gave credit for this in our cash flow analysis.

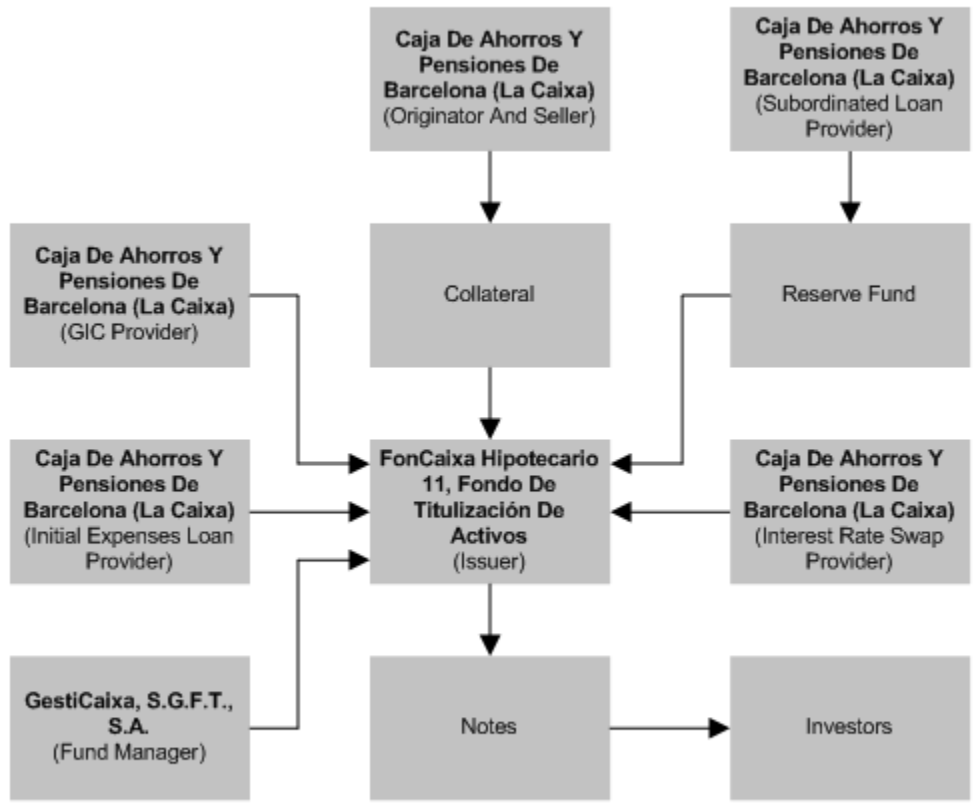
Concerns and mitigating factors

- The majority of the pool is first drawdowns of credit lines, although future draws under these facilities are allowed. We have based our credit analysis on the maximum drawable amount per credit line.
- The product features the possibility of a principal payment holiday of up to three years in some of the loans in the pool. We have incorporated the effect of a principal payment holiday into our analysis. This feature is not used much and is granted only with la Caixa's approval.
- The excess spread of the pool may decrease from its current margin as some of the loans can be renegotiated at the borrower's request. To mitigate this, a swap with adequate downgrade language is in place to help the issuer meet the cost of the notes, plus a guaranteed margin of 50 bps, and the servicing fees during the life of the transaction.
- The reserve fund can start amortizing after three years if it reaches 4% of the outstanding balance of the notes. Subject to a floor of half of its initial value, the transaction would need to meet certain conditions to amortize the reserve fund (see "Reserve fund").
- Of the provisional pool, 1.71% of the loans by balance have the option to have grace periods, where the borrower only pays interest. We have increased the foreclosure frequency of these loans in our credit analysis and taken this feature into account in our cash flow analysis.
- Part of the preliminary pool (16.11%) has the option to deferrer installments when the LTV ratio of the loan falls below 80% ("payment holidays"). We have increased the foreclosure frequency of these loans in our credit analysis.

Transaction Structure

La Caixa, the originator and servicer of the mortgage credit lines and loans, sold a closed pool of mortgage participations and credit rights to the issuer (the "fondo") at closing (see chart 1).

Chart 1: FonCaixa Hipotecario 11, Fondo de Titulización de Activos Transaction Structure



Spanish mortgage securitization law requires the notes to be issued by a "fondo," whose activities are managed by a fund manager, in this case Gesticaixa, S.G.F.T., S.A., an independent management company authorized by the Ministry of Economy and Treasury. The fund manager represents and defends the noteholders' interests and enters into various contracts for the issuer.

Foncaixa 11's only duties are to buy these mortgage participations and credit rights, issue the notes, and conduct related activities. As servicer, la Caixa is responsible for the day-to-day administration and ongoing servicing of the underlying loan portfolio. Gesticaixa, S.G.F.T., is responsible for producing all reports and accounts for the fund, and for us in connection with the performance of the mortgages.

The fund manager, on behalf of the issuer, entered into contracts, including a bank account agreement and an interest rate swap, to cover for the mismatch between the interest base for the asset pool and that for the notes issued.

The swap agreement pays the reference rate and the weighted-average margin on the notes, plus an additional

spread of 0.5% and the servicer fees in case of the servicer is replaced.

On each quarterly interest payment date, the issuer pays in arrears the interest due to the noteholders. For these payments, the issuer can use the asset swap proceeds, interest earned on the GIC, the reserve fund, and, if necessary, principal received under the mortgage loans and any other proceeds received in connection with the mortgage loans.

Priority of payments

On each quarterly interest payment date, Foncaixa 11 pays in arrears the interest due to the noteholders. To make the payments, Foncaixa 11's available funds include interest received under the assets, the proceeds of the swap, interest earned on the reinvestment account, the reserve fund, principal received under the loans, and any other proceeds received in connection with the loans.

Foncaixa 11 can mix all interest and principal received to pay principal and interest due under the notes in the following sequence:

- Fees and expenses;
- Net payments due under the interest rate swap and swap termination payments due to the fund;
- Interest on the class A notes;
- Interest on the class B notes (when not deferred);
- Interest on the class C notes (when not deferred);
- Principal on the class A notes;
- Principal on the class B notes;
- Principal on the class C notes;
- Interest on the class B notes if deferred;
- Interest on the class C notes if deferred;
- Replenishment or amortization of the reserve fund up or down to its required level;
- Net swap termination payments, where that termination resulted from a default by the swap counterparty;
- Interest on the subordinated loan;
- Principal on the subordinated loan; and
- Cash back to la Caixa.

The interest on the class B and C notes is subject to a deferral on a given payment date to a lower position in the waterfall. Foncaixa 11 defers interest on:

- The class B notes if the cumulative gross default rate, as a percentage of the initial balance of the pool, exceeds 11%.
- The class C notes if the cumulative gross default rate, as a percentage of the initial balance of the pool, exceeds 7%.

Defaulted loans are defined in the transaction documents as loans in arrears for more than 12 months, if the trustee hasn't already classified them as defaulted loans.

Redemption of the notes

Foncaixa 11 amortizes the notes using the available funds. The amount of note principal it pays is calculated as the outstanding note balance minus the outstanding loan balance in arrears for less than 12 months on the last day of the month prior to the payment date. The transaction documents consider loans in arrears for 12 months or more as

defaulted.

Unless redeemed earlier, Foncaixa 11 will redeem the notes at their maturity, which is 42 months after the maturity of the longest-term loan in the pool. The notes may fully redeem early if:

- The balance of the collateral falls below 10% of its original balance; or
- The fund manager becomes insolvent, or its authorization is revoked and no replacement is found.

Conditions for pro rata amortization:
The notes redeem sequentially unless:

- The proportion of the class B and C notes has doubled since closing;
- The reserve fund is at its required level;
- The outstanding balance of the loans in arrears for more than 90 days is lower than 1.25% of the outstanding balance of the pool for the class B notes or lower than 1.00% for the class C notes; or
- The outstanding balance of the loans is greater than 10% of the original balance of the transaction.

Reserve fund
The structure benefits from a cash reserve fund, which was fully funded on the closing date via a subordinated loan. The reserve fund is fixed for the first three years and Foncaixa 11 uses it on each payment date to pay the different items in the priority of payments described above.

The reserve fund required on each payment date is the minimum of:

- The initial balance of the reserve fund (€130 million); and
- 4% of the outstanding principal balance of notes.

After three years have elapsed, the cash reserve account amortizes if:

- The outstanding balance of the loans in the pool with any payment in arrears for more than 90 days is higher than 1% of the outstanding balance of the nondefaulted loans (for the cash reserve, loans in arrears for more than 90 days) in the pool; or
- The reserve fund was not at the required level on the previous payment date.

According to the transaction documents, the minimum reserve fund level can never be lower than 1% of the initial balance of the notes.

Flow of funds
All borrowers pay monthly into the collection account held at la Caixa. Every day, la Caixa transfers all collected amounts belonging to Foncaixa 11 into a treasury account it holds in the issuer's name. Of the pool, 97.58% by balance have the same monthly payment date, the first of each month. If la Caixa is no longer rated 'A-1', we would expect it to take the remedy actions according to our criteria (see "Revised Framework For Applying Counterparty And Supporting Party Criteria," published May 8, 2007).

Commingling reserve
To protect against commingling risk, the documents require that if la Caixa is downgraded below a short-term rating of 'A-2', then:

- Within 30 calendar days, la Caixa (as servicer) should find an eligible guarantor with at least a short-term rating

of 'A-1'. The guarantor should provide Foncaixa 11 with a first-demand, unconditional, and irrevocable guarantee equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay to Foncaixa 11 for the loans. This amount, if required to be paid, would be deposited in an issuer bank account in accordance with the bank account and cash management agreements; or
- Within 10 calendar days, la Caixa (as servicer) should deposit in the issuer's bank account an amount equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay Foncaixa 11 for the loans.

On the date this commingling reserve is required, the initial amount should, in our opinion, be a sufficient proportion of the principal amount outstanding to avoid affecting the rating on the notes.

Swap agreement

On behalf of Foncaixa 11, the trustee entered into a swap agreement with la Caixa. This swap provides protection against adverse interest rate resetting and movements.

Foncaixa 11 pays the swap counterparty the total of interest actually received from the loans.

Foncaixa 11 receives from the swap counterparty an amount equivalent to three-month European interbank offered rate (EURIBOR) plus the weighted-average coupon on the notes, plus 50 bps per year on the outstanding balance of the performing loans (up to three months in arrears), and the servicing fee amount during the life of the transaction.

Under the transaction documents, in line with our criteria, the minimum rating required to be the swap counterparty is 'A-1', so if la Caixa is downgraded below 'A-1', we would expect la Caixa to take the remedy actions that follow our criteria.

Collateral Description

As of June 27, 2010, the provisional pool comprised 58,917 first-ranking mortgages secured over residential owner-occupied properties in Spain.

At the sale date of the notes, none of the loans was in arrears by more than 30 days and loans in arrears for less than 30 days are limited to 5% of the pool. 97.56% of the preliminary pool were the first draws made under credito abierto. The main characteristics are:

- Some borrowers can take up to 36 months of principal payment holidays.
- Additional draws are granted at the la Caixa's discretion. There is no obligation to grant new draws.
- The maximum LTV ratio after subsequent redraws is 80%.
- There can be several draws secured by the same property.
- Additional draws are not permitted during the last four years of the mortgage term.
- Subsequent redraws can be made only once the LTV ratio is below 70%.

The main features of the collateral include:

- The weighted-average LTV ratio is 51.61%.
- La Caixa originated the loans in the pool between 1993 and 2010. The weighted-average seasoning is 58.44 months and la Caixa originated 98.07% of the pool more than 12 months ago (see chart 3).
- Of the pool, 37.18% is concentrated in Catalonia, 17.37% in Madrid, and 12.67% in Andalucía (see chart 4).
- The weighted-average loan size is €114,713.

- 1.17% of the preliminary pool has grace periods.

Chart 2

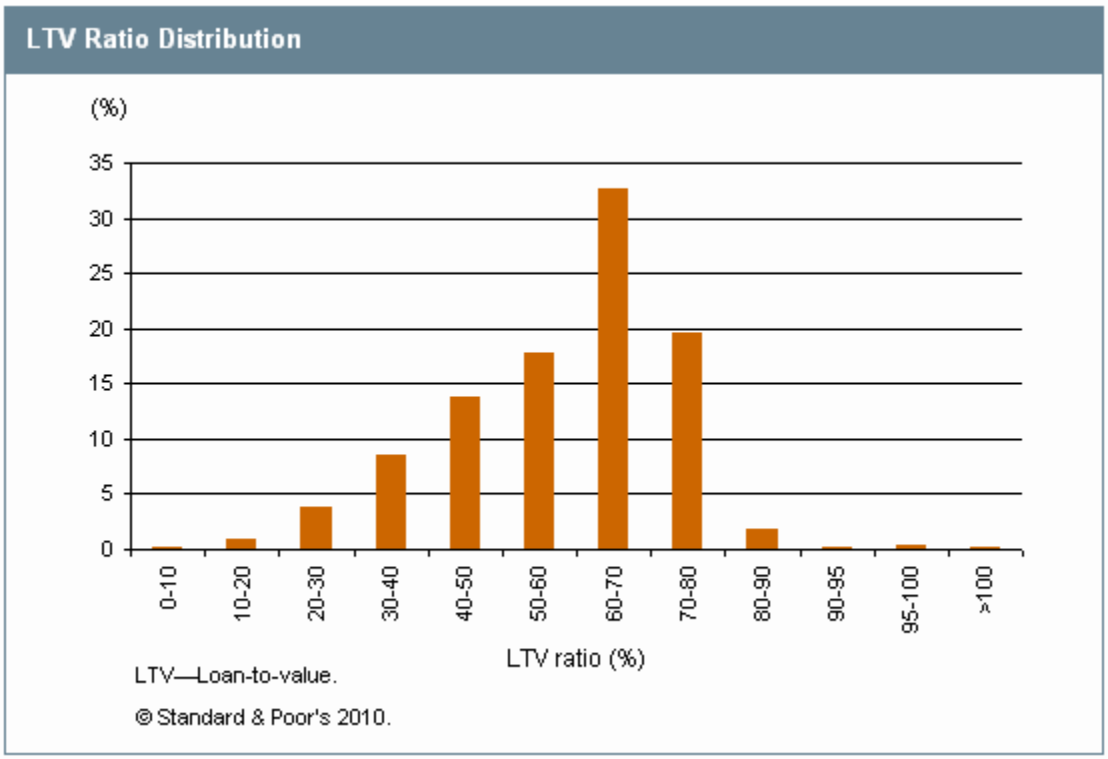


Chart 3

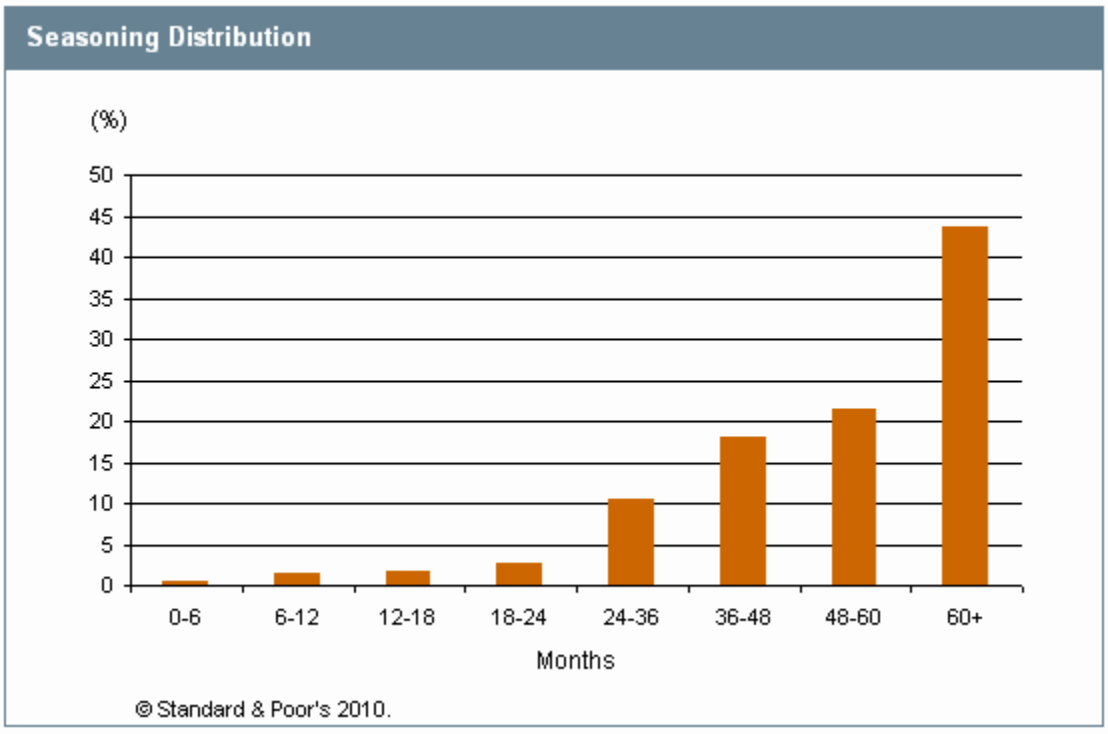
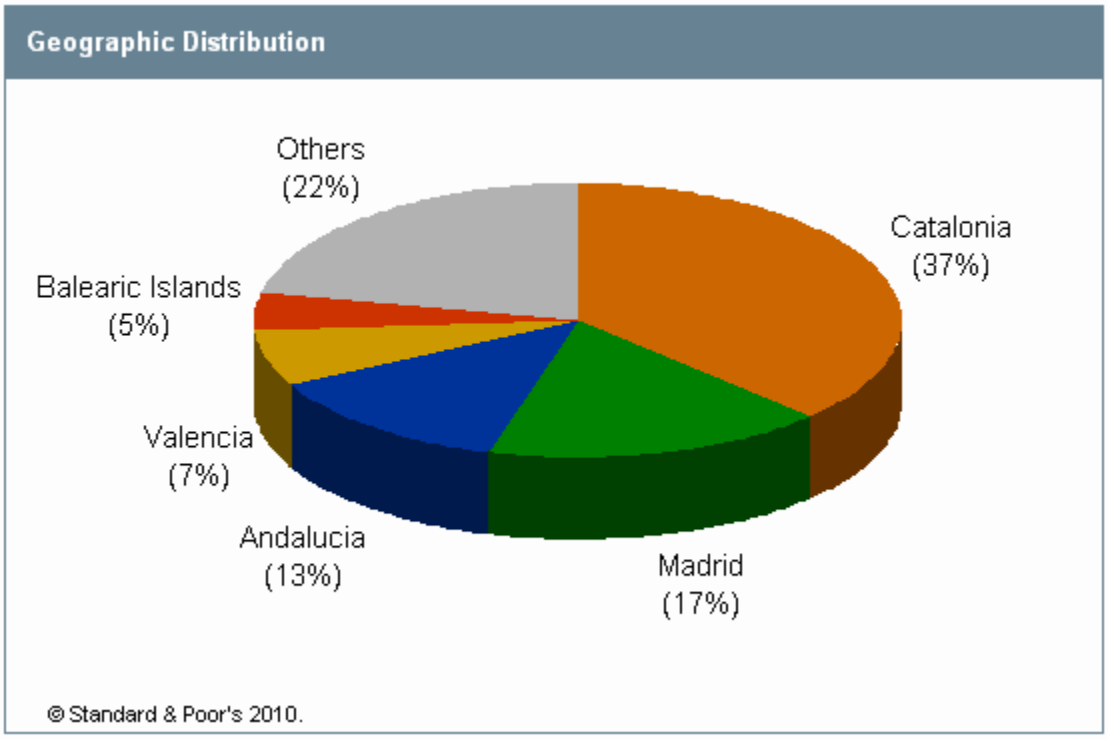


Chart 4



Collateral risk assessment

We conducted a loan-level analysis to assess the credit risk of the mortgage pool. Our collateral risk assessment analyzed the foreclosure frequency and loss severity of each loan. These depend on the borrower characteristics, the loan features, and the ratings on the notes.

We can calculate the potential loss associated with a loan by multiplying the foreclosure frequency by the loss severity. To quantify the potential losses associated with the entire pool, we calculated a weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (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

Credit support for the notes is provided by a combination of the reserve fund, the reinvestment account return, and the excess spread left by the swap (see table 1).

Table 1

Credit Support For The Notes

Rating	Size of class (%)	Subordination (%)	Reserve fund (%)	Total credit enhancement (%)
AAA	94.00	6.00	2.00	8.00
AA	1.50	4.50	2.00	6.50

Table 1

Credit Support For The Notes (cont.)				
A	4.50	-	2.00	2.00

Credit Analysis

We stressed the transaction cash flows to test the credit and liquidity support provided by the assets, subordinated tranches, and cash reserve. We implemented these stresses to the cash flows at all relevant rating levels.

For example, we subject a transaction that incorporates 'AAA', 'A', and 'BBB' rated tranches of notes to three separate sets of cash flow stresses. In the 'AAA' stresses, all 'AAA' rated notes must pay full and timely principal and interest, but this is not necessarily the case for the 'A' or 'BBB' rated tranches, as they are subordinated in the priority of payments. In the 'A' case, all 'AAA' and 'A' rated notes must receive full and timely principal and interest, but not necessarily so for the 'BBB' rated tranches, as they are subordinated to both 'AAA' and 'A'. Finally, in the 'BBB' case, all 'AAA', 'A', and 'BBB' rated notes must receive full and timely principal and interest.

Amount of defaults and recoveries

For each loan in the pool, we estimated the likelihood that the borrower will default on its mortgage payments (the foreclosure frequency), and the amount of loss on the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assumed the total mortgage balance will default. We determined the total amount of this defaulted balance that is not recovered for the entire pool by calculating the WAFF and the WALS.

The WAFF and WALS estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage default and loss severity they should be able to withstand. This credit analysis is based on the characteristics of the loans and the associated borrowers. We applied market-specific criteria in our assessment of the WAFF and the WALS for this portfolio, which are shown in table 2.

Table 2

Portfolio WAFF And WALS		
Rating level	**WAFF (%)**	**WALS (%)**
AAA	12.26	10.20
AA	8.18	6.77
A	6.13	4.71
BBB	4.09	3.16
BB	2.04	2.54

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans we assume to default over the life of the transaction. For the Spanish RMBS market, we assumed that these defaults occur over a three-year recession. Further, we assessed the effect of the timing of this recession on the ability to repay the liabilities, and we chose the recession start period based on this assessment.

Although the recession normally starts in the first month of the transaction, we usually delay the 'AAA' recession by 12 months. We applied the WAFF to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, we apply the WAFF to the balance at the beginning of month 13). We assumed defaults occur periodically in amounts calculated as a percentage of the WAFF (see table 3).

Table 3

Default Timings For Equal Default Curves

Recession month	'AAA' scenario	Rest of the rating scenarios
1	—	1/3
13	1/3	1/3
25	1/3	1/3
37	1/3	—

Timing of recoveries

We assumed that the issuer would regain any recoveries 30 months after a payment default under this transaction. The value of recoveries at the 'AAA' level in this transaction is 86.19%.

Note that the WALS we used in our cash flow model is always based on principal loss, including costs. We have assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After we apply the WAFF to the balance of the mortgages, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgages during the foreclosure period should be covered by other structural mechanisms in the transaction.

Delinquencies

We modeled the liquidity stress that results from short-term delinquencies, i.e., those mortgages that cease to pay for a period of time but then recover and become current for both interest and principal. To simulate the effect of delinquencies, we assumed a proportion of interest receipts equal to one-third of the WAFF will be delayed. We applied this in each month of the recession and assumed that full recovery of delinquent interest will occur 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is €1 million and the WAFF is 30%, €100,000 of interest (one-third of the WAFF) will be delayed until month 23.

Interest and prepayment rates

We modeled three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. Interest rates were about 1% at the time of modeling, and we modeled them to rise or fall by 2% a month to a high of 12% for EURIBOR, or a low of 0%. For stable interest rates, we held the interest rate at the current rate throughout the life of the transaction. In the 'AAA' scenario, we modeled the interest rate increase not to begin until month 13. Also note that we revise interest rate scenarios if there is sufficient evidence to warrant it.

We stressed this transaction according to two prepayment assumptions, high (24%) and low (0.5%). We assumed prepayment rates to be static throughout the life of the transaction and applied them monthly to the decreasing mortgage balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels, or if the transaction is particularly sensitive to high prepayments (e.g., if the transaction relies heavily on excess spread).

In combination, the default timings, interest rates, and prepayment rates described above give rise to six different scenarios (see table 4). The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the six scenarios at the proposed rating level.

Table 4

RMBS Stress Scenarios

Scenario	Prepayment rate	Interest rate	Default timing
1	Low	Flat	Equal
2	Low	Up	Equal
3	Low	Down	Equal
4	High	Flat	Equal
5	High	Up	Equal
6	High	Down	Equal

Rating Stability

The purpose of this analysis is to address rating stability in the context of RMBS transactions. The rating stability concept is explained in "Criteria Updates: The Ongoing Response To Deteriorating Credit Conditions," in "Related Criteria And Research." For this specific transaction we ran an additional scenario where we applied a 10% haircut on the valuations of the properties. The WAFF and WALS of table 5 increase to the following levels:

Table 5

Portfolio WAFF And WALS

Rating level	WAFF (%)	WALS (%)
AAA	12.26	13.81
AA	8.18	10.20
A	6.13	7.81
BBB	4.09	5.84
BB	2.04	4.99

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain key rating assumptions and the potential effect of positive or negative events on the ratings (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process" in "Related Criteria And Research").

This scenario analysis incorporates two aspects:

- A house price decline analysis; and
- A sensitivity analysis.

House price decline analysis

Various factors could cause downgrades on rated RMBS notes, such as increasing foreclosure rates in the securitized pools, house price declines, and changes in the pool composition. We have chosen to analyze the effect of house price declines by testing the sensitivity of the transaction to two different levels of movements.

Declining house prices generally lead to increasing LTV ratios and more borrowers entering negative equity. This may increase the default probability of a securitized pool and its associated loss severity. Consequently, depending

on its effect, declining house prices could be a contributing factor in the downgrade of rated notes.

In our analysis, assumptions for house price declines are reflected in the calculation of both the WAFF and WALS. The house price decline analysis assumes house price declines that are specific to a jurisdiction—rather than being uniform across all European transactions. The levels do not reflect any views of whether these house price declines will materialize in the future. So, for example, the additional haircuts for a country that has experienced significant house price growth over the past few years may be different from those we assume for a country that has experienced stable house prices.

We perform our analysis on a loan-by-loan basis. Hence, the effect of applying different levels of house price declines differs between transactions, given the different concentrations in LTV ratio bands. Note that even in these house price decline scenarios, structural features in securitizations might mitigate these declines.

Further house price declines of 10% and 15%

In the first scenario, in addition to the different stress assumptions, we apply a further 10% decrease in house prices. In the second scenario, we apply a further 15% decrease in house prices.

We based the analysis above on a simplified assumption, i.e., that the 10% or 15% house price decline materializes immediately on the day after closing. In reality, house price declines materialize over a period of time. Therefore, other factors, such as seasoning or scheduled repayments under the loans, could mitigate the effect of the house price decline.

Table 6 summarizes the results of the house price decline analysis.

Table 6

Results Of The House Price Decline Analysis

Results of the house price decline on the class A notes			
House price environment	**WAFF (%)**	**WALS (%)**	**Rating on the notes**
'AAA' market value decline of 37% (stability run)	12.26	13.81	AAA
Additional 10% house price decline (10% haircut on valuations)	15.51	15.39	AAA
Additional 15% house price decline (15% haircut on valuations)	29.14	18.50	A (in only one scenario) all the rest AA rated.
Results of the house price decline on the class B notes			
House price environment	**WAFF (%)**	**WALS (%)**	**Rating on the notes**
'AA' market value decline of 32% (stability run)	8.18	10.20	AA
Additional 10% house price decline (10% haircut on valuations)	10.36	11.22	AA
Additional 15% house price decline (15% haircut on valuations)	19.67	14.07	BBB
Results of the house price decline on the class C notes			
House price environment	**WAFF (%)**	**WALS (%)**	**Rating on the notes**
'A' market value decline of 28% (stability run)	6.13	7.81	A
Additional 10% house price decline (10% haircut on valuations)	7.77	8.47	BBB
Additional 15% house price decline (15% haircut on valuations)	14.75	11.03	BB

Sensitivity analysis

As house price movements are only one factor that may affect a transaction's foreclosure rate and loss severity, in this section we assess whether the rated notes would continue to pay timely interest and repay full principal by the legal final maturity of the rated bonds, under different combinations of WAFF and WALS and prepayment rates. We

have constructed the various sensitivities in such a way as to test the transaction's sensitivity to different combinations that may be more or less severe than the 'AAA' stress assumptions. As a number of reasons may lead to an increase in WAFF or WALS, we attempt to show the sensitivity of the 'AAA' rating to movements in these factors.

If the notes fail any of these scenarios, we examine the level of interest and principal shortfalls and calculate the present value of the cash flows (after taking into consideration any shortfalls that may arise) using the cost of the rated notes as the discount factor and a combination of other different discount factors, i.e., the cost of the rated notes plus 100 bps, the cost of the rated notes plus 200 bps, and the cost of the rated notes plus 300 bps.

We further provide the expected weighted-average life for each note in these scenarios. Note that in this part of the analysis, the stresses we apply are hypothetical and may differ from future default rates, loss probabilities, or prepayment rates in the pool.

The scenarios in our sensitivity analysis

In this sensitivity analysis we provide different combinations of WAFF and WALS. Combination 1 assumes 12.10% WAFF and 11.19% WALS. Combination 2 assumes 15.00% WAFF and 15.00% WALS. Combination 3 assumes 30.00% WAFF and 20.00% WALS. The results obtained from the different combinations may also be affected by some features included in the structure like the deferral of interest based in cumulative default triggers, which may produce temporary shortfalls if certain levels of defaults are hit.

We further assume two constant prepayment rate levels: 20% and 10%. Lastly, these tests assume a forward interest rate curve and we present sensitivities assuming four different discount factors, i.e., the cost of the rated notes, the cost of the rated notes plus 100 bps, the cost of the rated notes plus 200 bps, and the cost of the rated notes plus 300 bps.

In all these scenarios, the analysis would imply that the notes would be able to pay timely interest and repay full principal on or before the notes' legal final maturity date if the present value of cash flows discounted with the cost of the notes is 100%. Nevertheless, if this ratio is below 100% and there are no principal or interest losses, this means that there are some temporary shortfalls that are cured on the following payment dates.

Table 7

Sensitivity Analysis

Sensitivity analysis class A									
Parameter 1: WAFF/WALS (%)	**Parameter 2: Prepayment levels (%)**	**Parameter 3: Interest rate levels**	**Principal loss (mil. €)**	**Interest loss (mil. €)**	**WAL (years)**	**PV of cash flows (%)***	**PV of cash flows (%)¶**	**PV of cash flows (%)§**	**PV of cash flows (%)****
WAFF/WALS combination 1									
12.10%/11.19%	20	Forward interest rate	-	-	3.309	100.00	97.04	94.22	91.54
12.10%/11.19%	10	Forward interest rate	-	-	6.056	100.00	95.21	90.82	86.79
WAFF/WALS combination 2									
15.00%/15.00%	20	Forward interest rate	-	-	3.329	100.00	97.02	94.18	91.48
15.00%/15.00%	10	Forward interest rate	-	-	5.686	100.00	95.36	91.08	87.13

Table 7

Sensitivity Analysis (cont.)

WAFF/WALS combination 3									
30%/20%	20	Forward interest rate	-	-	3.765	100.00	96.70	93.59	90.65
30%/20%	10	Forward interest rate	-	-	5.817	100.00	95.28	90.92	86.89

Sensitivity analysis class B

Parameter 1: WAFF/WALS (%)	Parameter 2: Prepayment levels (%)	Parameter 3: Interest rate levels	Principal loss (mil. €)	Interest loss (mil. €)	WAL (years)	PV of cash flows (%)*	PV of cash flows (%)¶	PV of cash flows (%)§	PV of cash flows (%)**
WAFF/WALS combination 1									
12.10%/11.19%	20	Forward interest rate	-	-	11.292	98.87	90.21	82.41	75.37
12.10%/11.19%	10	Forward interest rate	-	-	17.332	98.91	88.02	78.64	70.52
WAFF/WALS combination 2									
15.00%/15.00%	20	Forward interest rate			11.087	98.20	89.57	81.77	74.73
15.00%/15.00%	10	Forward interest rate	-	-	19.393	98.35	86.40	76.20	67.47
WAFF/WALS combination 3									
30%/20%	20	Forward interest rate	94.058	1.396	28.216	34.53	29.19	24.77	21.10
30%/20%	10	Forward interest rate	-	-	23.044	71.82	58.38	47.59	38.91

Sensitivity analysis class C

Parameter 1: WAFF/WALS (%)	Parameter 2: Prepayment levels (%)	Parameter 3: Interest rate levels	Principal loss (mil. €)	Interest loss (mil. €)	WAL (years)	PV of cash flows (%)*	PV of cash flows (%)¶	PV of cash flows (%)§	PV of cash flows (%)**
WAFF/WALS combination 1									
12.10%/11.19%	20	Forward interest rate	-	-	15.464	97.71	87.49	78.55	70.69
12.10%/11.19%	10	Forward interest rate	-	-	18.424	97.86	87.04	77.74	69.70
WAFF/WALS combination 2									
15.00%/15.00%	20	Forward interest rate	67.438	1.087	18.092	89.41	79.62	71.07	63.58
15.00%/15.00%	10	Forward interest rate	-	-	23.568	97.24	84.67	74.14	65.27
WAFF/WALS combination 3									
30%/20%	20	Forward interest rate	292.500	4.717	28.664	1.59	1.58	1.58	1.57
30%/20%	10	Forward interest rate	287.129	4.631	28.594	7.37	6.04	5.02	4.23

*Discounted with the cost of the notes. If the present value of cash flows discounted with the cost of the notes ratio is below 100% and there are no principal or interest losses, this means that there are some temporary shortfalls that are cured on following payment dates. ¶Discounted with the cost of the notes plus 100 bps. §Discounted with the cost of the notes plus 200 bps. **Discounted with the cost of the notes plus 300 bps. WAL—Weighted average life. PV—Present value.

In reality, where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee may call an event of default. This could lead to multiple events, such as the senior fees of the transaction stepping up, the swap terminating (with the issuer needing to make termination payments), and the post-enforcement priority of payments being applied. All of these events may affect the transaction cash flows.

For the purposes of the analysis above, we made a simplified assumption that the trustee would not call an event of default and that the swap would not terminate. As we continue to refine our scenario analysis, we will provide further analysis to assess the sensitivity of other risk factors that may affect the ratings on RMBS transactions.

Surveillance

The key performance indicators in the surveillance of this transaction are:

- Total and 90-day delinquencies;
- Cumulative realized losses;
- LTV ratios and seasoning;
- Constant prepayment rates;
- Supporting parties' credit risk evolution; and
- Increases in credit enhancement for the notes.

Related Criteria And Research

- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology: Updated Counterparty Criteria For Derivatives: Eligibility Of 'A-2' Counterparties Removed In 'AAA' Transactions, Oct. 22, 2008
- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- Spanish RMBS Index Report (published quarterly)

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.