BANCAJA 3 Fondo de Titulización de Activos

SPAIN

EXPECTED CLOSING DATE:
[July 2002]

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PLEASE NOTE: This pre-sale report addresses part of the structure and economics of the proposed financing based on the information provided to Moody's as of 24 July 2002. Investors should be aware that Moody's has not received all transaction documents or legal opinions, with the exception of the Preliminary Offering Circular and certain transaction documents. The final rating of the transaction may differ from the preliminary rating, based on subsequent changes in information and the review of the final version of all the documents as well as the legal opinions. Moody's will disseminate any subsequent changes through its rating desk.

TRANSACTION IN BRIEF

Class	Rating	Amount (€)	In %	Interest Rate	Placement	Final Maturity
A	(P)**Aaa**	[500,100,000]	[96.00]	3M Euribor + [0.26]%	Public	June 2034
B	(P)**A1**	[10,400,000]	[2.00]	3M Euribor + [0.50]%	Public	June 2034
C	(P)**Baa2**	[10,400,000]	[2.00]	[6.75]%	Public	June 2034

Payments:	Every 23 of March, June, September and December First payment date: 23 September 2002 Class A Notes will start amortising two years after the end of the revolving period subject to certain triggers. Class B Notes will start amortising once their outstanding balance represents more than [4]% of the then outstanding balances under Classe A Notes net of amounts available in the principal account, subject to certain trigger. Class C Notes will start amortising once Class A and B have been fully repaid.
Issue Price:	100%
Clean-up call:	Collateral current balance lower than 10% of the initial balance
Listing:	AIAF Mercado de Renta Fija, Madrid
Credit Support:	Subordination of the Class B and C Notes Line of credit in an amount of [0.50]% of the issuance [60] bppa excess margin through the swap

STRUCTURE SUMMARY

Issuer:	BANCAJA 3 Fondo de Titulización de Activos
Seller/Servicer:	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) (**A1/P-1**)
GIC Provider:	Bancaja
Interest Rate Swap Counterparty:	Bancaja
Management Company (Gestora):	Europea de Titulización S.G.F.T., S.A.
Depository/Paying Agent:	Bancaja
Lead Managers:	Bancaja, Credit Suisse First Boston

PROVISIONAL PORTFOLIO SUMMARY (AS OF 30 JUNE 2002):

Type:	Mortgage loans to individuals in the form of mortgage shares (*participaciones hipotecarias*)
Count:	14,952 loans
Total amount:	€584.6 million, of which €520.9 million will be selected for the securitisation
Average loan:	Approximately €39,097
WA Original LTV:	68.70%
WA Current LTV:	57.98%
WA interest rate (Current):	5.07%
WA seasoning:	3 years
WA Remaining Maturity:	15.3 years
Geographic Concentrations:	87.04% in the Valencia region

OPINION

Moody's has assigned the following prospective ratings to the three classes of *Bonos de Titulización de Activos* (Asset-Backed Securities) issued by BANCAJA 3 Fondo de Titulización de Activos (the "Fondo"), a Spanish Securitisation Fund:

(P)**Aaa** to the €500.1 million Class A floating rate Notes due in 2034.

(P)**A1** to the €10.4 million Class B floating rate Notes due in 2034.

(P)**Baa2** to the €10.4 million Class C fixed rate Notes due in 2034.

Positive Features

- Credit enhancement provided by (a) subordination of the Notes, (b) the [0.50]% line of credit and (c) the [60] bppa excess spread and the extra liquidity provided by the swap.
- Credit quality of the initial portfolio and tight list of revolving criteria to be met by additional loans to be introduced during the revolving period.
- Multiple years of static vintage analysis supporting Moody's in determining the expected loss for this transaction and refining volatility assumptions for the loss distribution.
- Interest swap provided by Bancaja (**A1**/**P-1**).
- Management of the *Fondo* by Europea de Titulización, S.G.F.T., S.A., a Spanish management company with a proven track record and whose obligations under this transaction are guaranteed by its shareholders (83.0% owned by Banco Bilbao Vizcaya Argentaria, S.A.)

Less Favourable Features and Mitigants

- Five-year revolving period during which Bancaja will have the ability to substitute the amortised portion of the portfolio with new loans. However, the revolving period is subject to certain triggers which ensure that the securitised portfolio performance is in line with what has been historically observed.
- 87.04% of the initial portfolio (in value) is concentrated in the Valencia region and the revolving criteria do not stipulate a limit (i.e. this figure could potentially increase to 100% during the revolving period). This feature is consistent with (i) the strong presence of Bancaja in the region, (ii) Bancaja's own balance sheet and (iii) Bancaja's previous securitisations.
- Due to system migration, some historical data was lost, particularly delinquency observations between 1995 and 1997. However, Moody's recognises that certain positive developments could arise from the introduction of new and more efficient information systems, which could, to some extent, benefit the transaction.

FIRST SPANISH RMBS WITH A REVOLVING PORTFOLIO

On the closing date, the *Fondo* will issue Notes for a total amount of €520.9 million and simultaneously purchase the original pool for the same amount.

Waterfall

On each quarterly payment date, all available funds (including any proceeds from the portfolio, amounts available under the line of credit and the swap payments received) will be distributed in the following sequential order:

1. Costs and fees (excluding servicing fee)
2. Swap payments
3. Interest payment to Class A Notes
4. Interest payment to Class B Notes (subject to deferral)
5. Interest payment to Class C Notes (subject to deferral)
6. Withholding for principal
7. Interest payment to Class B Notes (when deferred)
8. Interest payment to Class C Notes (when deferred)
9. Repayment of amounts withdrawn under the line of credit
10. Junior costs (including servicing fee)

The withholding for principal (item 7 in the waterfall) will, on each payment date, be an amount equal to the difference between (i) the outstanding amount of the Notes and (ii) the sum of the outstanding amount of the portfolio and the outstanding amount of the principal account (see Notes Amortisation section). This mechanism ensures that no excess spread will leak out of the structure as long as the outstanding amount of the Notes is not fully covered by the outstanding amount of the portfolio and the balance of the principal account.

Amounts collected in the waterfall as “withholding for principal”, will then be allocated (i) to purchase new loans during the revolving period and (ii) to repay the Notes during the amortisation period.

Class B and C Interest Payments Deferral

Class C interest payments will be brought to a more junior position in the order of priority if (i) the aggregate outstanding amount of loans more than 90 days in arrears represents more than [9.60]% of the outstanding amount of the portfolio, and (ii) Class B Notes have not been fully amortised.

Class B interest payments will be brought to a more junior position in the order of priority if (i) the aggregate outstanding amount of loans more than 90 days in arrears represents more than [5.60]% of the outstanding amount of the portfolio, and (ii) Class A Notes have not been fully amortised.

Notes Amortisation

Once the amortisation period starts (at the earliest of July 2007 or when the revolving trigger is breached), principal payments will be made to the noteholders according to the following rules.

1. Principal payments to be made to Class A Notes during the first two years of the amortisation period will be accumulated in a principal account. On the second anniversary, all amounts available in the principal account will be paid down to Class A Notes, and the then remaining Class A Notes outstanding amount will be repaid on a pass-through basis.
2. Class B Notes will start amortising pro-rata with Class A Notes when they represent [4]% of the then outstanding balance under Classe A Notes. However, the pro-rata amortisation will stop if:
   - there is a principal deficiency (i.e. there are not enough funds available to pay the withholding for principal on any payment date), or
   - the outstanding amount of loans that are more than 90 days in arrears represents more than [3]%
3. Class C Notes will start amortising when Class A and B Notes are fully redeemed.

Revolving Period

On each payment date included in the revolving period, the *Fondo* will purchase new loans from Bancaja for a maximum amount equal to the amount allocated to the withholding for principal according to the waterfall.

The revolving period will be terminated at the earliest of:

- July 2007;
- on any payment date of the first year of the transaction when the accumulated outstanding amount of loans having had amounts unpaid for more than 180 days exceeds 0.75%;
- on any payment date of the second year of the transaction when the accumulated outstanding amount of loans having had amounts unpaid for more than 180 days exceeds 1.50%; or
- on any payment date when the accumulated outstanding amount of having had amounts unpaid for more than 180 days exceeds 2.00%

In addition, no substitution will occur on any payment date when the outstanding amount of loans that are more than 90 days in arrears represents more than [1%] of the current outstanding amount of the portfolio.

In Moody's view, the triggers described above ensure that Bancaja will be able to add new loans in the structure only if the securitised portfolio performance is in line with historical performance.

Swap

The *Fondo* will enter into a swap agreement with Bancaja (A1/P-1). Under the swap:

- the *Fondo* will pay all interest received from the portfolio; and
- Bancaja will pay (i) the weighted average coupon on the Notes, plus 60 bppa on a notional amount equal to the outstanding amount of the loans not more than 90 days in arrears, and (ii) plus the weighted average margin on the Notes (considering the implicit margin of the Class C Notes fixed rate), plus 60 bppa on a notional amount equal to the outstanding amount of the principal account.

According to this mechanism, the swap covers the negative carry generated by the principal account (Euribor on amounts standing on the principal account is not paid under the swap as it will be provided under a GIC). In addition the non-payment of interest by debtors of loans that are in arrears for less than 90 days is also covered by the swap as the notional of Bancaja's payment includes these loans.

If Bancaja, as swap provider, were to be downgraded below **A1**, then it will have to either (i) cash-collateralise its obligation under the swap to an amount satisfactory to Moody's, or (ii) it would have to find a suitably rated guarantor, or (iii) it would have to find a substitute.

Line of Credit

The line of credit will be provided by Bancaja with an amount of [0.50]% of the issuance. The line of credit may start to be amortised once it represents [1.60]% of the difference between the outstanding amounts under all Classes minus the monies available in the principal account, until it accounts for [0.40]% of the initial issuance. However, the amortisation can occur only in a limited number of favourable scenarios in which the amount of performing loans (loans that are not more than 90 days in arrears) plus the outstanding balance of the principal account is higher than [99]% of all the total outstanding of the Notes.

A GOOD QUALITY COLLATERAL ALTHOUGH CONCENTRATED IN THE VALENCIA REGION

Initial Portfolio

On the issue date, the Fondo will use the €520.9 million received from the issuance of the Notes to purchase a portfolio of loans secured by a first mortgage on residential properties granted to individuals with a total outstanding amount of €520.9 million. The sale will be materialised by the issuance from Bancaja to the *Fondo* of mortgage shares (*participaciones hipotecarias*), a concept introduced by the Spanish law 2/1981, which ensures the perfection of the transfer of all rights and obligations related to the loans, including the security interest (although the mortgages have not been re-registered at the name of the *Fondo*).

Bancaja represents inter alia that all the securitised loans were originated in the course of its ordinary lending activities and they comply with the bank's credit risk policy. On the transfer date, no loan will be in arrears.

The initial portfolio will be selected from the provisional portfolio on closing date. As of 30 June 2002, the provisional portfolio included almost 15,000 loans, amounting to €584.6 million of outstanding principal. Provisional portfolio main features are depicted in the following charts:

Chart 1
Provisional Portfolio Breakdown by Seasoning

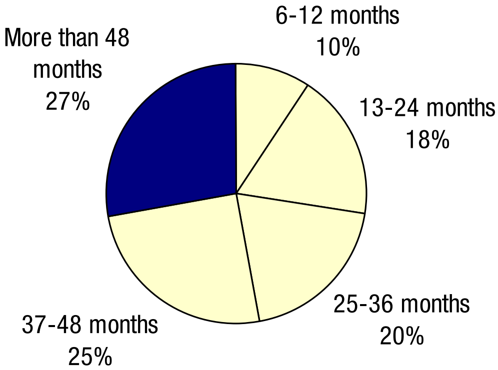


Chart 2
Breakdown by Regions

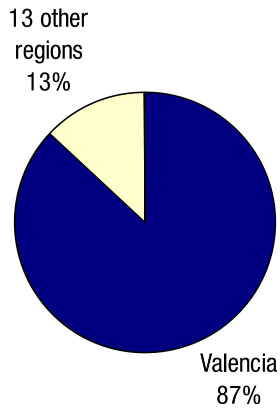


Chart 3
Provisional Portfolio Breakdown by Original LTV

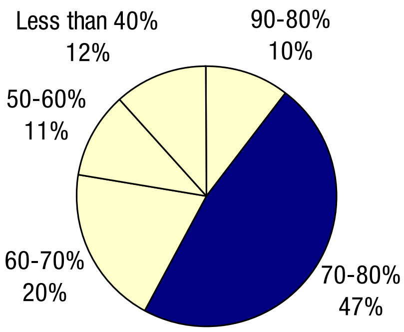
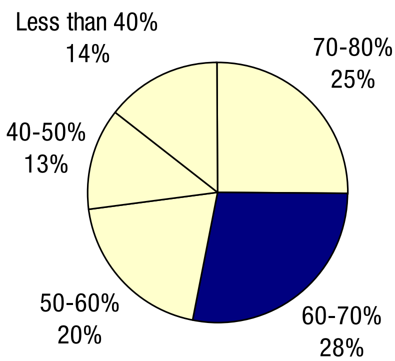


Chart 4
Provisional Portfolio Breakdown by Current LTV



However, the provisional portfolio features may change during the life of the transaction as new loans are added.

Subsequent Portfolios

New loans purchased during the revolving period will have to comply (individually or collectively) with the following criteria:

1. Each new loan must be a mortgage Loan, originated by Bancaja, denominated in euro, to an individual.
2. Each new loan must not be in arrears at the time of securitisation.
3. Each new loan must have been formalised at least [six] month prior to securitisation.
4. Each new loan must mature two years before the legal final maturity.
5. Each new loan must be amortising.
6. Each subsequent pool must have a weighted average life shorter than [110] months.
7. Each new loan must have an original LTV lower than [80]%.
8. The whole portfolio at each point in time must have a WA original LTV lower than [68.7]%.
9. Each new loan must have a current LTV lower than [65%] (the original pool does not meet this criteria).

10.The whole portfolio at each point in time must have a WA current LTV lower than [60]%.
11.The whole portfolio at each point in time must have a minimum nominal interest rate of Euribor + [0.5%].
12.The aggregate amount of loans granted to a same debtor cannot represent more than [0.25]% of the outstanding amount of the whole portfolio.
13.Loans for second residence acquisition cannot represent more than [5]% of the whole portfolio at any time.

Moody's considers that the revolving criteria ensures that the quality of the portfolio will be maintained throughout the revolving period.

CREDIT RISK METHODOLOGY

In order to analyse the credit risk of the portfolio and to assess the size of the credit enhancement consistent with the expected loss of the ratings assigned, Moody's utilised its Lognormal Approach, which assumes that the cumulative default distribution follows the shape of the theoretical "lognormal" probability distribution. This approach is particularly suitable to analysing this kind of portfolio, which is granular and thus does not present a "discrete" risk profile.

Historical Data Analysis

Bancaja provided us with static pool data on historic default rates (i.e. loans that have been more than 180 days in arrears). Moody's considered this very positive and helpful as it allowed the accurate analysis of the portfolio's risk profile. Based on this information, Moody's has assumed a mean cumulative default rates of approximately 4%. In terms of the volatility of the default rate, Moody's assumed a standard deviation over mean ratio of about 40%.

On the recovery side, Moody's has assumed a fixed recovery rate of approximately 83% and 90% for the initial portfolio and the subsequent portfolios, respectively. This assumption is in line with the maximum individual current LTV of the loans included or to be included in the portfolio (80% for loans included in the initial portfolio and 65% for loans to be added during the revolving period).

Calculation of the Expected Loss on the Notes

Moody's ran a cash flow model (which replicates the portfolio revolving nature, incorporates the transaction allocation of losses mechanism and its revolving triggers) for a sufficient number of default rate scenarios so as to cover all possible scenarios with a non-negligible probability of occurrence.

In each default scenario, Moody's calculated the severity of loss (if any) for each Class of Notes. The expected loss on the Notes has been calculated by adding the losses for each class of Notes on each scenario weighted by the probability of occurrence of each given scenario. These probabilities are calculated thanks to the lognormal distribution.

MONITORING

Europea de Titulización, S.G.F.T, S.A., in its capacity as management company, will prepare quarterly monitoring reports with respect to the portfolio and payments to the Notes. These reports will detail the amounts received by the Issuer during each collection period and will provide portfolio data. Moody's will monitor this transaction on an ongoing basis. For updated monitoring information, please contact monitor.madrid@moodys.com.

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