BANCAJA 4 Fondo de Titulización Hipotecaria

Bancaja
RMBS
Spain

CLOSING DATE
November – 2002

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A	**Aaa**	€970,500,000	97.05%	Jun-2034	Mar-2032
B	**A2**	€20,500,000	2.05%	Jun-2034	Mar-2032
C	**Baa2**	€9,000,000	0.90%	Jun-2034	Mar-2032
Total		€1,000,000,000	100%		

Class	Index	Margin
A	3 M EURIBOR+	0.25%
B	3 M EURIBOR+	0.53%
C	3 M EURIBOR+	1.15%

The ratings address the timely payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Interest rate swap provided by Bancaja (**A1**/**Prime-1**)
- Quality of Bancaja as originator, servicer and paying agent
- The experience of Europea de Titulización as *gestora* and the supporting guarantee of the *gestora* obligations by all of its shareholders
- Strong performance and track record on previous Bancaja deals

Weaknesses and Mitigants

- Both loan size and LTV levels are slightly higher than in the previous Bancaja deals
- Strong geographical concentration in the region of Valencia (60%)

STRUCTURE SUMMARY

Issuer:	Bancaja 4 Fondo de Titulización Hipotecaria
Structure Type:	Spanish Fondo de Titulización Hipotecaria (FTH)
Seller/Originator:	Bancaja (**A1**/**P-1**)
Servicer:	Bancaja (**A1**/**P-1**)
Interest Payments:	Quarterly on 18 March, 18 June, 18 September, 18 December
Principal Payments:	Pass-through on a quarterly basis
Credit Enhancement/Reserves:	Subordination-Line of Credit-Excess Spread
Liquidity Facility:	N/A
Hedging:	Swap counterparty will pay the weighted average coupon on the notes plus 50 bbps on a notional amount equal to the outstanding amount of the loans not more 90 days in arrears.
Principal Paying Agent:	Bancaja
Security Trustee:	Europea de Titulización S.G.F.T, S.A
Note Trustee:	Europea de Titulización S.G.F.T, S.A
Arranger/Lead Manager:	Bancaja, Dresdner Kleinwort Wasserstein

COLLATERAL SUMMARY

Assets:	Mortgage Shares (*participaciones hipotecarias*: PHs)
Number of Contracts:	17,310
Number of Borrowers:	17,310
Type of Equipment:	Residential Property
Geographic Diversity:	Valencia (60%), Madrid (12%), Catalonia (10%)
Current WALTV:	63.33%
Remaining Term:	20.9 years
Seasoning:	16 months
Delinquency Status:	No loans in arrears for more than 30 days at the closing time
Total amount:	€ 1,090,302,936 (provisional Pool)

CREDIT SUPPORT

Class	Subordination	Line of Credit	Excess Spread	Total
A	2.95%	0.80%	0.5% bppa guaranteed by Swap	4.25%
B	0.90%	0.80%	0.5% bppa guaranteed by Swap	2.20%
C	-----	0.80%	0.5% bppa guaranteed by Swap	1.30%

OVERVIEW

Recurrent plain vanilla BANCAJA transaction

The purpose of this transaction is to remove from Bancaja's balance sheet the credit risk linked to mortgages. The 'fondo' will use the proceeds from the issuance of the notes to purchase the mortgage loans portfolio, as illustrated in the structure overview section. The total initial purchase price of the mortgage loans will be equal to the proceeds received from the issue of the rated Class A, Class B and Class C notes.

This transaction marks Bancaja's fourth tapping of the market. As in previous Bancaja transactions, the mortgage shares backing the transaction consist of residential mortgage loans backed by first properties in Spain. The slight difference between this transaction and the previous Bancaja 1 and Bancaja 2 transactions is that in this case, Bancaja is securitising some loans with original LTV values exceeding 80% (approximately 11.5% of the loans have original LTVs over 80%). It is worth mentioning that neither at present nor at closing date there will be any loans with LTVs over 80%.

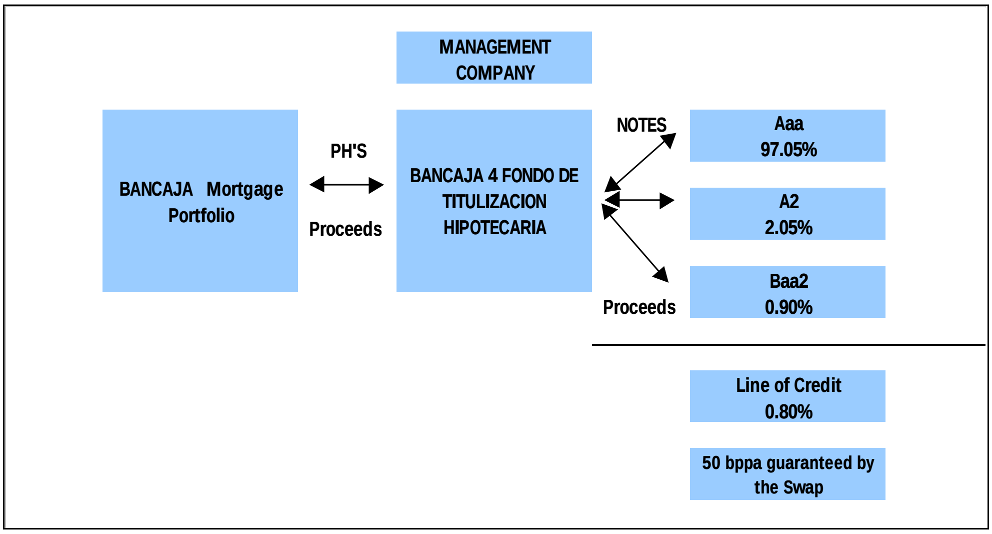
STRUCTURAL AND LEGAL ASPECTS

Transaction structured as mortgage securitisation fund (FTH)

The mortgage securitisation notes (*bonos de titulización hipotecaria* - BTHs) are issued by a mortgage securitisation fund (*fondo de titulización hipotecaria*) which to be created and managed by Europea de Titulización, S.G.F.T, S.A., the management company (*gestora*).

Under Spanish law, each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executory action against the originator. As the fondo does not possess any legal personality, any such action must be taken on its behalf by the gestora. In this transaction, all of the PHs represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs purchased by a mortgage securitisation fund are not subject to withholding tax. However, interest payments on the BTHs issued by the fund may be subject to withholding tax.

Structure Overview



Each tranche of Notes is supported by the tranches subordinated to itself, the line of credit (LOC) and the excess spread. Firstly, losses are absorbed by the excess spread. Secondly, losses are covered out of the funds in the line of credit. Finally, should the excess spread and the line of credit not absorb all the losses, the remaining losses are firstly allocated to the C Notes. Once the level of losses has reached the outstanding balance of the Class C Notes, they are allocated to the Class B Notes and thereafter to the Class A Notes.

Line of Credit

Bancaja will provide the line of credit. At each point in time the required amount to be available under the line of credit will be the lesser of the following amounts:

1. 0.80% of the initial balance of the notes
2. the higher of the following amounts:
    - 1.60% of the outstanding notional balance of the notes
    - 0.40% of the initial amount of the nominal balance of the notes

The line of credit will be used to protect the Class A, B and C bonds against interest shortfall on an ongoing basis, and against shortfalls of principal at the end of the transaction. The line of credit may start to amortise once it represents 1.60% of the outstanding amounts under all classes, the line of credit floor has been set at 0.40% of the initial issuance. Amortisation of the line of credit will cease if the following scenarios occur:

- There is a principal deficiency or
- The amount of loans more than 90 days in arrears exceed 1.00% of the current principal balance of the portfolio

In addition to these triggers, if Bancaja loses its P-1 rating, the line of credit will automatically will be drawn and deposited in a Reserve Fund.

Swap Agreement

In order to protect the transaction from interest risk, the Fondo will enter into a swap agreement with Bancaja (**A1**/**P-1**). According to the swap agreement:

- The Fondo will pay all interest received from the portfolio; and
- Bancaja will pay the weighted average coupon on the notes, plus 50 bpps on a notional amount equal to the outstanding amount of the loans not more than 90 days in arrears.

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

Waterfall

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

1. Cost and fees
2. Swap payments
3. Interest payment to Class A Notes
4. Interest payment to Class B Notes
5. Interest payment to Class C Notes
6. Reserve Fund replenishment (only if the Reserve Fund needs to be constituted)
7. Withholding for principal
8. Interest payment to Class B Notes (when deferred)
9. Interest payment to Class C Notes (when deferred)
10. Junior cost (Payment of interest accrued on and repayment of principal of the subordinated Credit, Payment of interest accrued on and repayment of the principal of the Start-Up Loan, payment to the servicer of amounts due under the servicing agreement and payment of variable remuneration under the financial intermediation agreement)

Class B and C interest Payments Deferral

Class B interest payments will be brought to a more junior position in order of priority if (i) the aggregate outstanding amount of loans more than 90 days in arrears represents more than 8.0% of the outstanding amount of the portfolio, and (ii) Class A Notes have not been fully amortised on such payment date.

Class C interest payments will be brought to a more junior position in order of priority if (i) the aggregate outstanding amount of loans more than 90 days in arrears represents more than 5.45% of the outstanding amount of the portfolio, and (ii) Class A and B Notes have not been fully amortised on such payment date.

Notes Amortisation

Notes will be amortised Pro rata. Pro rata introduces risk compare with to fully sequential transactions given that the credit enhancement decreases in absolute term. The risks introduced by pro rata are mitigated by the following triggers:

- Class B Notes will start amortising pro-rata with the Class A notes when they represent 4.10% of the outstanding balance under the Class A, B and C notes.
- Class C Notes will start amortising pro-rata with the Class A and B notes when they represent 1.80% of the outstanding balance under Class A, B and C notes.

However, the pro-rata amortisation will cease if:

  - There is a principal deficiency (i.e. there are not enough funds available to pay the principal withholding on any payment date), or
  - The outstanding amounts that are more than 90 days in arrears represent more than 2.0% outstanding amount of the loans, or
  - The available amount under the line of credit is less to the them current required amount

In addition to these triggers, the pro-rata amortisation will cease when the loan balance is less than 10.0% of the initial loan balance.

Clean-up Call Option

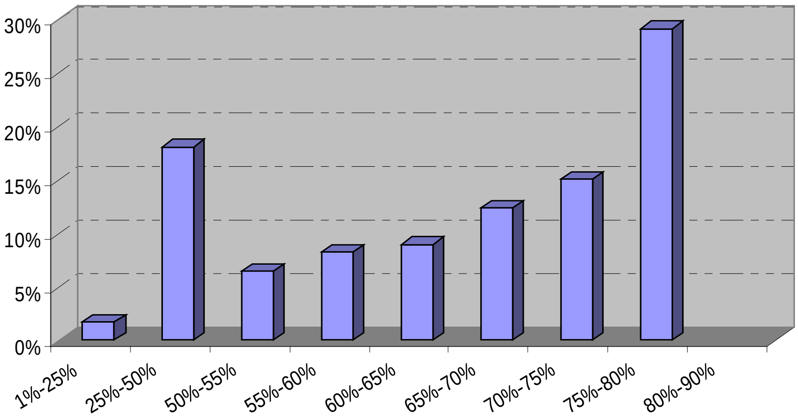
The issuer has a clean-up call option: it can purchase the loans back when the current portfolio balance is less than 10.0% of the initial portfolio balance.

COLLATERAL – PROVISIONAL PORTFOLIO

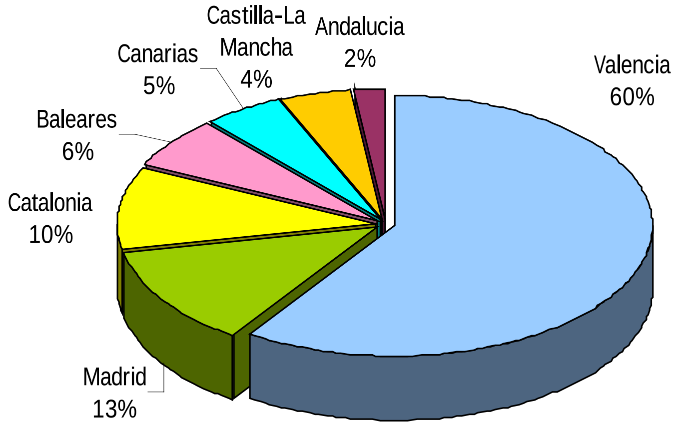
Good Quality Collateral

The notes are backed by residential first mortgage loans in Spain. Although the pool of mortgage loans underlying the PHs has a strong concentration in the Valencia region, the pool benefits from a relatively good collateral. Moody's views the strong concentration in this region to be a natural concentration in the sense that Bancaja's main headquarters are in this region. As of 30 September 2002 , the provisional mortgage portfolio is made up of 17,310 loans originated from 1999 to 2002. The original WALTV is 74.7%. The current weighted average LTV is 63.33% – only 11.5% of the loans have original LTV over 80%. It is worth mentioning that the introduction of loans with original LTVs over 80% is become increasingly common in the Spanish securitisation market. The pool benefits from a seasoning of almost 1.3 years. The highest loan size is €298,233 and the average loan size is around €63,240. Another positive feature is that at the closing date there will be no more loans with more than 30 days in arrears.

Distribution By Original LTVs



Geographical Distribution



Comparison with previous Bancaja transactions

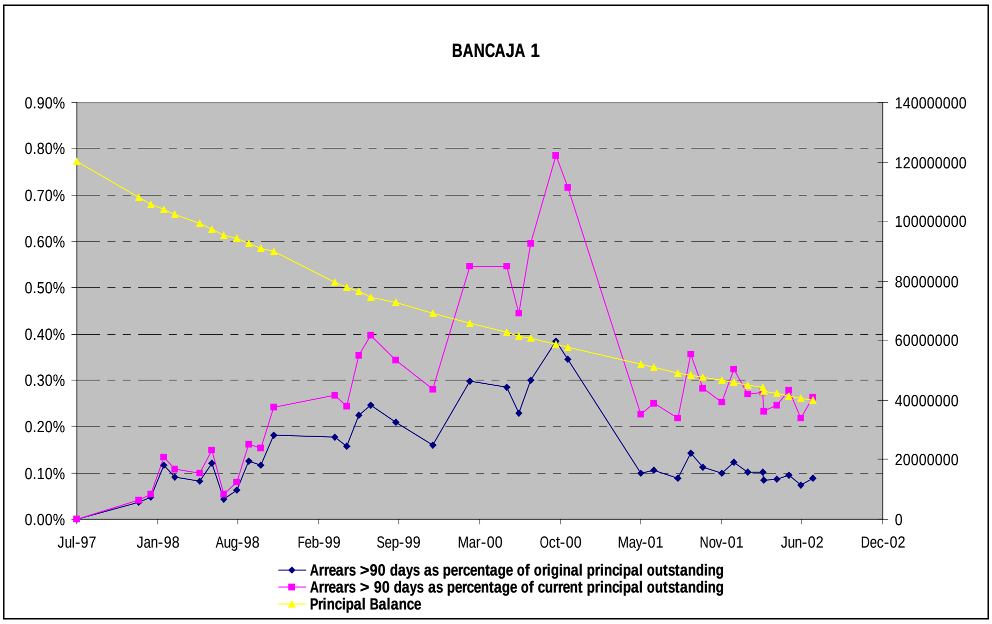
Although Bancaja 4 is in line with previous transactions in terms of LTVs, geographical concentration and product type, the credit enhancement appears lower than in previous transactions because this transaction benefits from a revised newly calibrated Loan-by-Loan Model. The changes that the new model has brought are: (i) new market-wide information on house prices, appraisal values and delinquency levels and (ii) revised current severity of loss assumptions. In addition, the track record performance on previous MBS transactions has helped bring credit enhancement levels down.

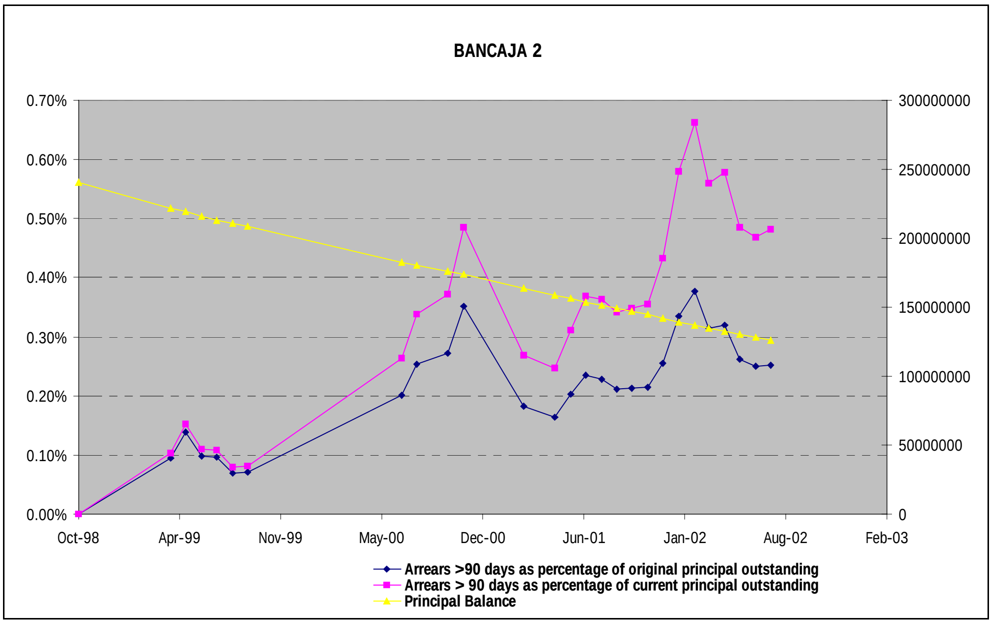
BANCAJA 1		BANCAJA 2		REVOLVING BANCAJA 3		BANCAJA 4	
Class		Class		Class		Class	
Aaa	96.25%	Aaa	96.44%	Aaa	96.00%	Aaa	97.05%
A2	3.75%	A2	3.56%	A1	2.00%	A2	2.05%
				Baa2	2.00%	Baa2	0.90%
Geog	Valen. 99%	Geog	Valen. 92.8%	Geog	Valen. 87%	Geog	Valen. 60%
WALTV	59,99%	WALTV	61,38%	WALTV	57.98%	WALTV	63.33%
SPREAD	0.75%	SPREAD	0.65%	SPREAD	0.60%	SPREAD	0.50%
SWAP	YES	SWAP	YES	SWAP	YES	SWAP	YES

R F A	1.70%	RF	2.08%	LOC	0.50%	LOC	0.80%
R F B	0.35%						

Performance data for previous Bancaja transactions

The previous Bancaja transactions have so far been performing very well with 90+ days' arrears levels not exceeding 0.8%. In order to obtain additional performance data for previous deals, Moody's is committed to publishing on www.moodys.com performance overviews that contain deal-specific information, analysis and performance of the transactions.





BANCAJA

The **A1**/**P-1**/**C+** ratings of Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja) reflect its strong retail franchise in Spain's Valencia region and its sound financial fundamentals with good profitability, solid asset quality and strong efficiency. Bancaja is the eight largest financial institution in Spain and the fourth largest savings bank. Its home market is the Valencia region, where it also has its strongest presence. Bancaja is the result of the merger of several savings banks in late 1980s and early 1990s, and about 75% of its branch network is based in its home market. For this reason, the mortgage portfolio is naturally concentrated in Valencia.

Loan portfolio quality has improved to very good levels during the past couple of years. This is mainly due to a conservative credit policy and a traditional low-risk credit portfolio highly weighted in mortgages.

As regards technology, Bancaja benefits from the implementation of a new technological platform in 2000. Moreover, Bancaja has implemented a scoring model for its individual customers, further enhancing its conservative credit underwriting standards.

MOODY'S ANALYSIS

Moody's rating process involves a Collateral, Structural and Legal Analysis

In order to analyse the risk of the transaction and to assess the size of the credit enhancement consistent with the rating assigned, Moody's adopts a three-part focus to its analysis:

- **Collateral Analysis** - Although *Moody's does not believe that any predetermined model can accurately reflect all of the possible risk factors and combinations* within the Spanish mortgage market, a quantitative-based model (Loan-by-Loan) has been developed to assist in the analysis of mortgage loans under various conditions.

  Under the loan-by-loan approach, Moody's calculates an enhancement level for each loan in the pool to be securitised in the following three ways:

  - Deriving a *benchmark credit enhancement numbe*r based on its loan-to-property value ratio (LTV). This number assumes that all of the characteristics of the loan (other than LTV) are identical with those of a good quality *benchmark loan*.
  - Assumptions: In the loan-by-loan model, a benchmark credit enhancement figure is obtained by taking into account each loan's current LTV level, and by penalising or benefiting any parameter that on aggregate may shift from our benchmark loan assumption. The model takes into account the following severity of loss assumptions: (1) house price decline is 30%, (2) interest rates going up to 8%, (3) 27 months to sell a property, and (4) 7% costs associated with the sale of the property. High interest rates affect the affordability, but also increase the severity over the period in which repossession takes place. This period has been assumed to be 27 months, which is approximately twice as long as currently experienced. We also assumed the cost of the sale to be 7%.
  - *Modifying* the resultant *benchmark credit enhancement number* for each loan so as to reflect how the individual characteristics of that loan differ from those of a benchmark loan. These adjustments can be both qualitative and quantitative.
  - Adding the enhancement levels for each loan in the pool together, and then adjusting this result based on the overall *concentrations of certain loan characteristics* in the pool.

    The result of this Loan-by-Loan model is then reviewed by the rating committee along with performance data that has been provided by the originator, and information available to Moody's from previously securitised pools.

- **Structural Analysis**: This considers how the cash flows generated by the mortgage collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.

- **Legal Analysis:** Moody's considers whether the legal documents ensure that the cash flows are allocated to the assumptions made in its structural analysis.

For more information regarding Spanish MBS rating methodology refer to Moodys.com – "Spanish Residential Mortgage Backed Securities, An Introduction to Moody's Rating Approach".

RATING SENSITIVITIES AND MONITORING

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 to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. For updated monitoring information, please contact monitor.madrid@moodys.com.

RELATED RESEARCH

Previous transactions

For more details of Moody's approach to this type of transactions as well as similar transactions, please refer to the following reports:

BANCAJA 1 NIR + PERFORMANCE OVERVIEW

BANCAJA 2 NIR + PERFORMANCE OVERVIEW

BANCAJA 3 NIR + PERFORMANCE OVERVIEW

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