BANCAJA 5 Fondo de Titulización de Activos

Bancaja
RMBS
Spain

PLEASE NOTE: *This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of March 2003. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The* ***definitive*** *ratings may differ from the* ***prospective*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

CLOSING DATE
April 2003

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A	(P)**Aaa**	€960,500,000	96.05%	April-2035	Dec-2032
B	(P)**A2**	€24,500,000	2.45%	April-2035	Dec-2032
C	(P)**Baa2**	€15,000,000	1.50%	April-2035	Dec-2032
Total		**€1,000,000,000**	**100%**		

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

- Quality of Bancaja as originator, servicing and paying agent
- Interest Rate Swap provided by Bancaja (**A1**/**P-1**)
- Proven experience of Europea de Titulización as *gestora* and the supporting guarantee of the *gestora* obligations by all of its shareholder
- Strong performance and track record on previous Bancaja deals
- 100% of the loans are paid via direct debit
- 100% of the portfolio is paid through monthly instalments

Weaknesses and Mitigants

- Strong geographical concentration in the region of Valencia (54%)
- Loans over 80% LTV limit are included within the portfolio

Moody's Investors Service

22 April, 2003

STRUCTURE SUMMARY (PROVISIONAL POOL)

Issuer:	Bancaja 5 Fondo de Titulización de Activos
Structure Type:	Spanish Fondo de Titulización de Activos
Seller/Originator:	Caja de Ahorros de Valencia, Castellón y Alicante, (**Bancaja A1**/**P-1**)
Servicer:	Bancaja (**A1**/**P-1**)
Interest Payments:	Quarterly on 18 January, 18 April, 18 July, 18 October
Principal Payments:	Pass-through on a quarterly basis
Credit Enhancement/Reserves:	Subordination, Reserve Fund (RF), Excess Spread
Liquidity Facility:	N/A
Hedging:	Swap counterparty will pay the weighted average coupon on the notes plus 55 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
Lead Manager:	J.P Morgan Securities Ltd, Bancaja
Underwriters	Crédit Foncier de France, J.P Morgan Securities Ltd

COLLATERAL SUMMARY (PROVISONAL POOL)

Receivables:	Mortgage Shares and Mortgage Certificates (*Participaciones Hipotecarias*: PHs and Certificados de Transamisión de hipotecas)
Number of Contracts:	15,998
Number of Borrowers:	15,998
Type of Equipment:	Residential Property
Geographic Diversity:	Valencia (54,6%), Madrid (17,2%), Catalonia (9.1%)
Current WALTV:	69.94%
Remaining Term:	264 months
Seasoning:	17.59 months
Delinquency Status:	No loans in arrears for more than a month at the closing time
Total amount:	€1,090,118,471 (provisional Pool)

CREDIT SUPPORT

Class	Subordination	Reserve Fund
A	3.95%	0.90%
B	1.50%	0.90%
C	----	0.90%

OVERVIEW

The Fifth RMBs Deal Launched by Bancaja

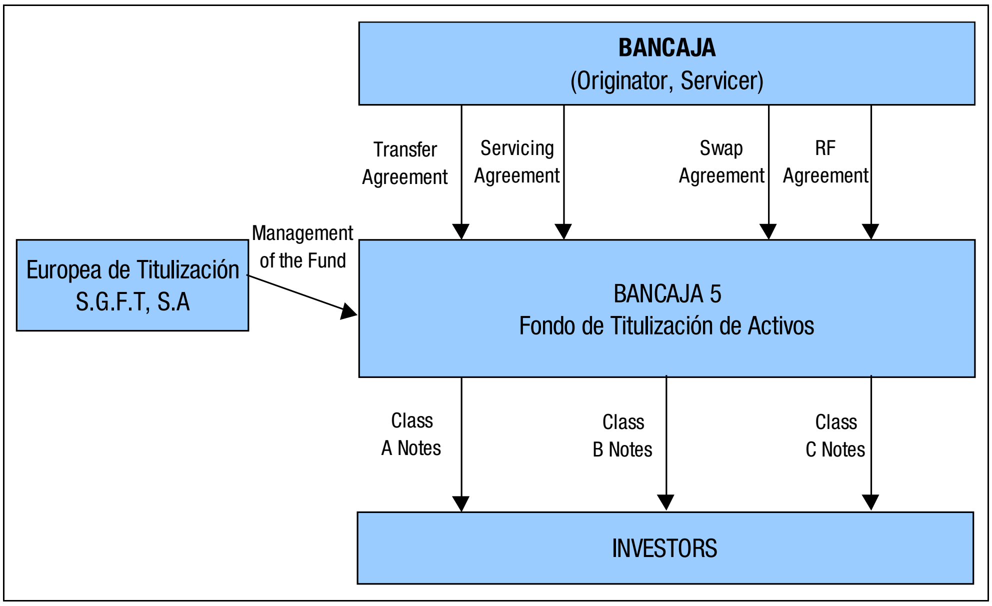
With total assets of €29 billion at end-September 2002, Bancaja is the sixth largest financial institution and the third-largest savings bank in Spain by asset. Its home market is the Valencia region, where it also has its strongest presence and where it holds a 30% market share of deposits (40% in Valencia and 30% in Castellón). Bancaja came about as the result of a merger of several savings banks in the late 1980s and early 1990s. Approximately 80% of its branch network is based in its home market.

With this transaction Bancaja is tapping the RMBS market for the fifth time (Bancaja also launched a CLO in 2002). Bancaja 5 repeats the same structure as its predecessor Bancaja 4, but in this case, is securitising some loans whose current LTV values exceed 80% (approximately 30% of the loans have LTVs over 80%).

As in previous transactions, the purpose of the securitisation is to remove from the balance the credit risk linked to the mortgages and to obtain liquidity.

STRUCTURAL AND LEGAL ASPECTS

Repeated Standard structured of its Predecessor



Structurally, Bancaja 5 has the same format as Bancaja's most recent issuance. The transaction consists of three rated tranches: a senior tranche for an amount equal to €[960,500,000], a mezzanine tranche for an amount equal to €[24,500,000] and a subordinated tranche for an amount equal to €[15,000,000].

Transaction Structured as Asset Securitisation Fund (FTA)

According to the Spanish Law each loan with an LTV below 80%, is represented by a PH (Participacion Hipotecaria) and loans with an LTV above 80% are represented by Mortgage Certificates.

Under Spanish law, each PH or Mortgage Certificate 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 and Mortgage Certificates represent 100% of the underlying mortgage loan and pay interest at the mortgage rate.

Payment Structure Allocation

At any payment date, funds available to issuer (mortgage principal income received, ordinary and late-payment interest income received, the drawdowns under the RF only to meet payment of the fund's obligations under items 1 to 5, and the amounts received under the interest swap agreement) will be applied in the following order of priority:

1. Cost and fees
2. Swap (except termination payment when the counterparty is the defaulting or sole affected party)
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
7. Notes's Amortisation
8. Interest payment to Class B Notes (when deferred)
9. Interest payment to Class C Notes (when deferred)
10. Termination payment when the counterparty is the defaulting or sole affected party
11. Junior cost (Payment of interest accrued on and repayment of principal of the subordinated Loan; 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)

The amount to be retained as "Notes's Amortisation" will be equal to the difference (if positive) between: (1) the outstanding amount of the Notes and (2) the difference between (i) the outstanding amount of the portfolio and (ii) the outstanding amount of the loans with any amount due but unpaid for more than 18 months.

Interest Deferral Mechanism

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 [8.00]% 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 [5.00]% of the outstanding amount of the portfolio, and (ii) Class A and B Notes have not been fully amortised on such payment date.

Pro-Rata Amortisation

As in the most recent Bancaja transaction, this transaction also includes Pro-rata amortisation. Pro-rata amortisation entails risk as opposed to fully sequential transactions given that the credit enhancement decreases in absolute terms. The risks introduced by pro rata amortisation are mitigated by the following triggers:

- Class B Notes will start amortising pro rata with the Class A notes when they represent [4.90]% 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 [3.00]% of the outstanding balance under Class A, B and C notes.

However, the pro rata amortisation will cease if in any payment date:

- There is a principal deficiency (i.e. there are not enough funds available to pay the Notes's Amortisation on any payment date), or
- The outstanding amounts that are more than 90 days in arrears represent more than [2.00]% of the outstanding amount of the loans, or
- The available amount under the Reserve Fund is not equal to the then 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.

Interest Rate Risk

To hedge the mismatch between the different interest rate fixed to the loans and the three-month Euribor reference rate of the notes, the management company, on behalf of the *Fondo*, will enter into a swap agreement with Bancaja (**A1**/**P-1**). The *Fondo* will pay Bancaja, on each payment date, the interest actually received from the loans, and will receive the weighted average coupon on the notes, plus 55 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.

Reserve Fund

Bancaja will provide the Reserve Fund. The Reserve Fund will be fully funded up front. At each point in time the required amount to be available under the Reserve Fund will be the lesser of the following amounts:

1. [0.90%] of the initial balance of the notes
2. the higher of the following amounts:
3. [1.80%] of the outstanding notional balance of the notes
4. [0.50%] of the initial amount of the nominal balance of the notes

The Reserve Fund will be used to protect the Class A, B and C bond against interest shortfall on an ongoing basis, and against shortfalls of principal at the end of the transaction. The Reserve Fund may start to amortise once it represents [1.80]% of the outstanding amounts under all classes; the Reserve Fund floor has been set at [0.50]% of the initial issuance. Amortisation of the Reserve Fund will cease if the following scenarios occur:

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

COLLATERAL – REFERENCE PORTFOLIO

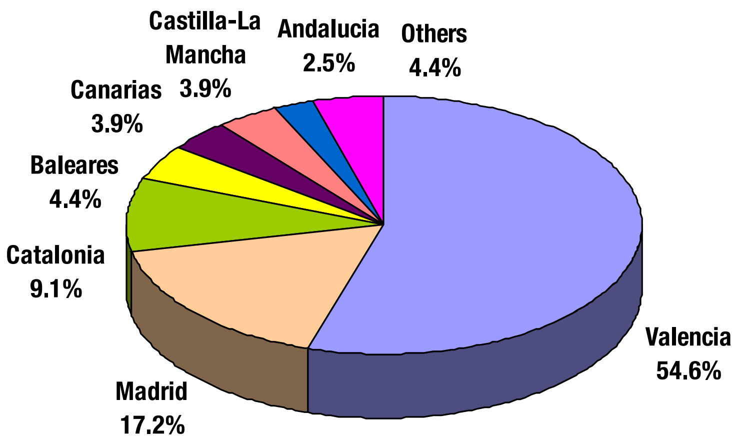
First Bancaja Transactions with Mortgages Loans with Current High LTVs

As of April 2003, the provisional portfolio is made up of 15,998 loans for a total amount of €1,090,118,471. The collateral backing the note issuance is entirely made up of first property mortgage loans. The loans are originated between 1999 and 2002 with a weighted average seasoning of 17 months. The original WALTV is 75.34%. The current weighted average LTV is 69.94% – 30% of the loans have current LTV over 80%. It is worth mentioning that the introduction of loans with current LTVs over 80% is becoming increasingly common in the Spanish securitisation market. The average loan size is €68,130 and the highest size is €295.360.

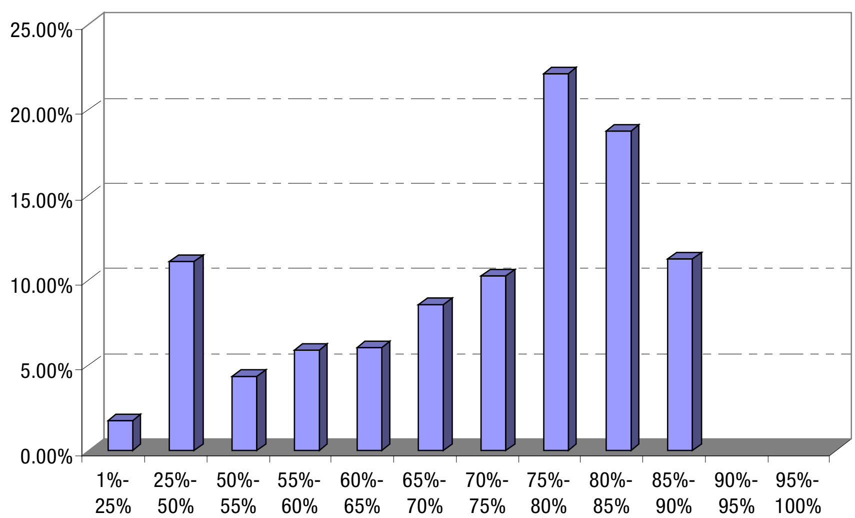
The loans are linked to several indexes, the weighted average rate is 4,347%. All the loans are payable via direct debit and pay through monthly instalments. All the properties on which the mortgage security has been granted are covered by property damage insurance and fire insurance. Although the pool of mortgage loans has a strong concentration in Valencia, 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. At the closing date there will be no loans with more than a month in arrears.

Range (Euros)	Outstanding (Euros)	% Outstanding	N. of Loans
0-11,999	5,753,021	0.53%	763
12,000-23,999	18,393,457	1.69%	980
24,000-35,999	52,721,833	4.84%	1,718
36,000-47,999	81,586,767	7.49%	1,931
48,000-59,999	119,589,632	10.97%	2,198
60,000-71,999	140,423,869	12.88%	2,120
72,000-83,999	134,810,400	12.37%	1,724
84,000-95,999	121,441,243	11.14%	1,352
96,000-107,999	97,745,649	8.97%	960
108,000-119,999	79,890,786	7.33%	698
120,000-131,999	61,171,748	5.61%	486
132,000-143,999	43,067,502	3.95%	312
144,000-155,999	39,287,599	3.60%	263
156,000-167,999	23,598,867	2.17%	146
168,000-179,999	20,598,371	1.89%	118
180,000-191,999	9,709,815	0.89%	52
192,000-203,999	9,090,335	0.83%	46
204,000-215,999	7,549,888	0.69%	36
216,000-227,999	4,873,427	0.45%	22
228,000-239,999	4,687,672	0.43%	20
240,000-251,999	4,170,052	0.38%	17
252,000-263,999	3,349,048	0.31%	13
264,000-275,999	2,421,626	0.22%	9
276,000-287,999	1,982,755	0.18%	7
288,000-299,999	2,042,432	0.19%	7
	1,089,957,794	**100.0%**	**15,998**

Distribution by Geographic Diversification



Distribution By Current LTV



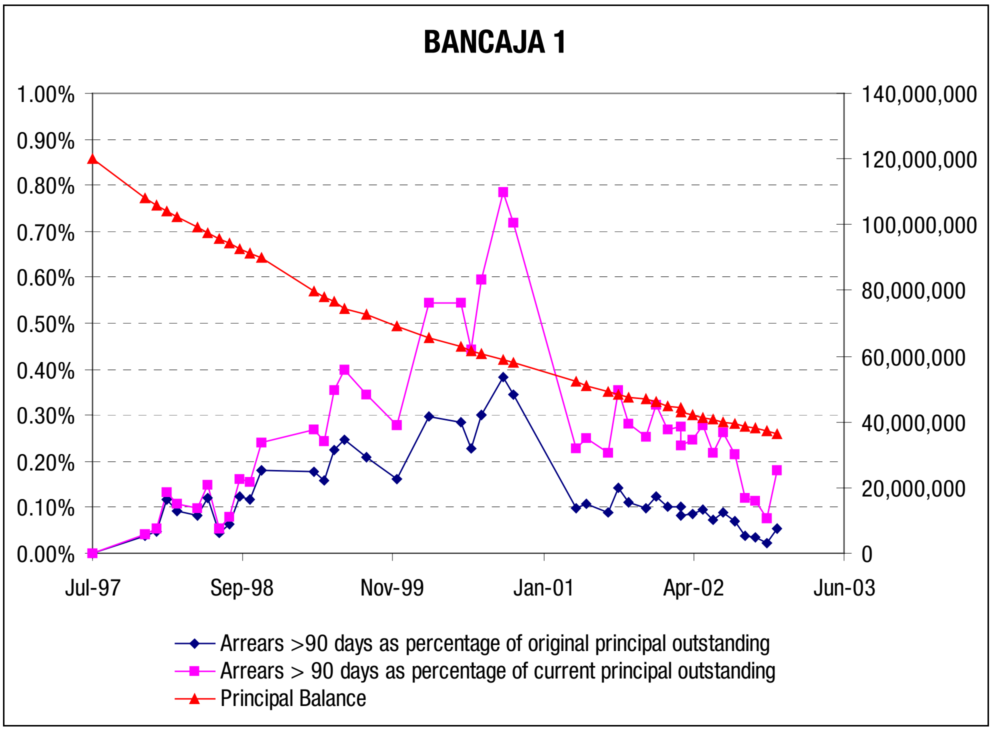
As Compared with Previous Bancaja Transactions….

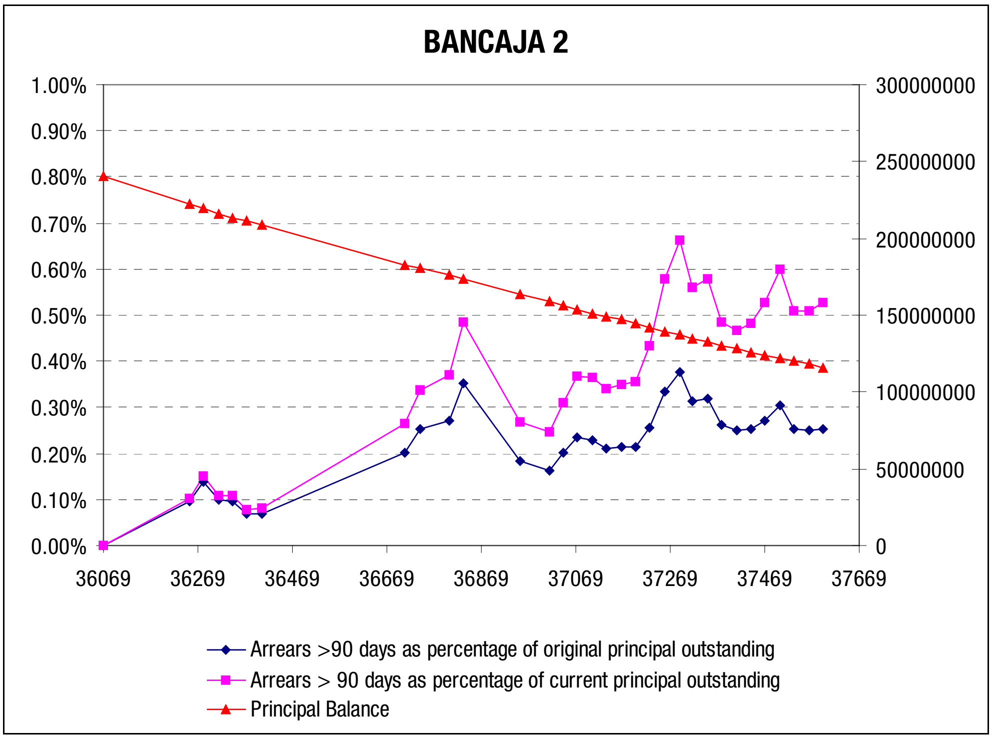
Although this transaction also benefited from the re-calibrated Loan-by-Loan model the total credit enhancement is rather higher than that of its predecessor due to the introduction of loans with Current High LTV. In addition, Bancaja 5 has lower seasoning than the previous transaction and higher loan size (average loan in Bancaja 5 is €68,130 while in Bancaja 4 was €62,986). However, this time the portfolio mortgages enjoy better geographical distribution.

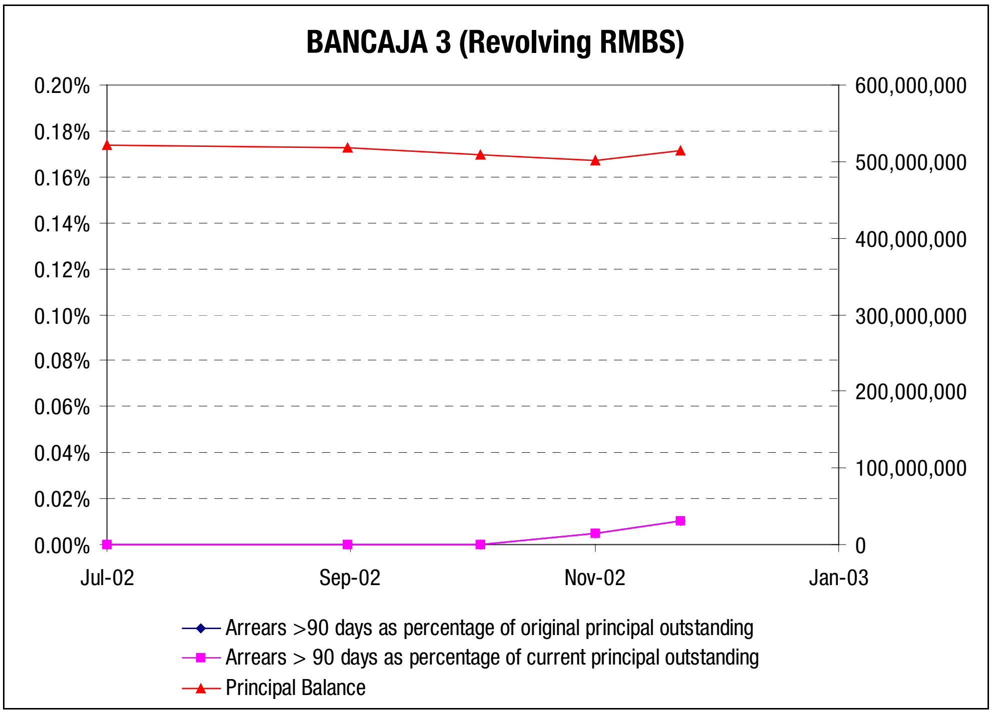
BANCAJA 1		BANCAJA 2		REVOLVING BANCAJA 3		BANCAJA 4		BANCAJA 5	
Class		**Class**		**Class**		**Class**		**Class**	
Aaa	96.25%	**Aaa**	96.44%	**Aaa**	96.00%	**Aaa**	97.05%	**Aaa**	96.05%
A2	3.75%	**A2**	3.56%	**A1**	2.00%	**A2**	2.05%	**A2**	2.45%
				Baa2	2.00%	**Baa2**	0.90%	**Baa2**	1.50%
Geog	Valen. 99%	Geog	Valen. 92.8%	Geog	Valen. 87%	Geog	Valen. 60%	Geog	Valen. 54%
WALTV	59,99%	WALTV	61,38%	WALTV	57.98%	WALTV	63.33%	WALTV	69.94%
SPREAD	0.75%	SPREAD	0.65%	SPREAD	0.60%	SPREAD	0.50%	SPREAD	0.55%
SWAP	YES	SWAP	YES	SWAP	YES	SWAP	YES	SWAP	YES
R F A	**1.70%**	**RF**	**2.08%**	**LOC**	**0.50%**	**LOC**	**0.80%**	**RF**	**0.90%**
R F B	**0.35%**								
	5.80%		**5.64%**		**4.50%**		**3.75%**		**4.85%**

Performance Data on Previous Bancaja Deals

The previous Bancaja transactions have so far been performing well with 90+ days' arrears levels not exceeding 0.8%.







ORIGINATOR, SERVICER AND DUE DILIGENCE

BANCAJA

The **A1/P-1/C+** ratings of Bancaja reflect the bank's strong retail franchise in Spain's Valencia region and its sound financial fundamentals, which include good profitability, solid asset quality, and strong operational efficiency. The ratings also take into account Bancaja's efforts to diversify its revenue sources as well as its low risk profile, but recognise the possibility that this risk profile could be raised as a result of the bank's expansion into higher-risk activities.

Bancaja operates through a network of 1,227 ATMs and 1,104 branches of which about 80% are located in its home market. In addition, the bank offers its clients telephone and Internet banking services.

Bancaja runs a traditional low-risk franchise with a focus on mortgage lending and local SMEs. Asset quality has improved to very good levels during the past few years on the back of a favourable economic environment with low interest rates. Bancaja's conservative credit standards and its traditional low-risk credit portfolio, which is highly weighted in mortgages, have also played a role in this turnaround. At the end of September 2002, non-performing loans as a percentage of total loans increased slightly to 0.88% from 0.79% in the same period the previous year.

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 four 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 he 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

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

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

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

- BANCAJA 1 NEW ISSUE REPORT + PERFORMANCE OVERVIEW
- BANCAJA 2 NEW ISSUE REPORT + PERFORMANCE OVERVIEW
- BANCAJA 3 NEW ISSUE REPORT + PERFORMANCE OVERVIEW
- BANCAJA 4 NEW ISSUE REPORT + PERFORMANCE OVERVIEW

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