STANDARD & POOR'S

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RMBS Presale Report

Bancaja 7, Fondo de Titulización de Activos

€1.9 billion mortgage-backed floating-rate notes

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Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1**	AAA	150.0	4.92	Three-month EURIBOR plus margin	Nov. 25, 2036
A2**	AAA	1,670.2	4.92	Three-month EURIBOR plus margin	Nov. 25, 2036
B	A	39.9	2.82	Three-month EURIBOR plus margin	Nov. 25, 2036
C	BBB	23.8	1.57	Three-month EURIBOR plus margin	Nov. 25, 2036
D	BB	16.1	0.72	Three-month EURIBOR plus margin	Nov. 25, 2036

**The rating on each class of securities is preliminary as of July 1, 2004 and subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal.*
***Class A1 is a soft bullet tranche, which is expected to mature on Nov. 25, 2005. The class A2 notes will start to amortize on the following payment date at the earliest.*

Transaction Profile	
Expected closing date	July 2004
Originator	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Arranger	Europea de Titulización, S.G.F.T, S.A.
Seller	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Servicer	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Trustee	Europea de Titulización, S.G.F.T, S.A.
Interest swap counterparty	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
GIC provider	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
Transaction account provider	Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)

Transaction Key Features*	
Collateral	First-lien mortgage loans on residential properties in Spain
Principal outstanding (Mil. €)	2,062
Concentration (%)	Valencia (48.4), Madrid (15.71), Canary Islands (7.02)
Weighted-average LTV ratio (%)	67.22
Average loan size balance (€)	81,770
Loan size range (€)	1,975 – 444,745
Weighted-average seasoning (months)	15.23
Weighted-average asset life remaining (years)	22.98
Weighted-average mortgage interest rate (%)	3.24
Weighted-average margin (%)	0.89
Weighted-average liability interest rate (%)	To be determined
Arrears (%)	0.88
Redemption profile	Installments (principal and interest)
Excess spread at closing (%)	0.55 from the interest-rate swap
Cash reserve (%)	0.72
Mortgage priority (%)	100 first-lien
Maximum LTV ratio (%)	94.83
Percentage of jumbo loans (> €400,000)	0.47 (23 loans)
*As of May 31, 2004.	

Transaction Summary

Preliminary credit ratings have been assigned to the €1.9 billion mortgage-backed floating-rate notes to be issued by Bancaja 7, Fondo de Titulización de Activos (FTA).

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

The ratings on the notes reflect the subordination of the respective classes of notes below them, the reserve fund, the presence of the interest-rate swap — which provides excess spread of 55 basis points (bps) — comfort provided by various other contracts, and the credit estimate performed on Bancaja.

Notable Features

This is the seventh securitization of Bancaja's residential mortgage loans.

The transaction features a soft bullet 'AAA' rated class of notes (the class A1 notes), which will amortize 18 months after closing. The class A2 notes will start to amortize on Feb. 25, 2006 at the earliest. The negative carry created will be funded through swap payments.

As in other Spanish transactions, interest and principal from the mortgages are combined into a single priority of payments, with principal deficiency-based triggers in the payment of the interest to protect senior noteholders.

Strengths, Concerns, and Mitigating Factors

Strengths

- The collateral consists of first-ranking mortgages secured over residential owner-occupied properties in Spain, with a weighted-average current LTV ratio of 67.22% and an average LTV ratio of 61.09%.
- The cash reserve is available to cover any interest or principal shortfalls.
- Principal amortization of the notes will be accelerated if there are loans more than 18 months past due, using trapped excess spread, by the amount equivalent to the outstanding balance of those overdue loans.
- The swap pays three-month EURIBOR, plus the weighted-average margin of the notes, plus a spread of 55 bps.
- Bancaja is an experienced servicer. It already manages six RMBS transactions.

Concerns

- Of the loans, 64.11% are concentrated in two regions (Valencia and Madrid).
- The soft bullet amortization creates a negative carry on the interest to be paid to the noteholders, as the pool of assets decreases faster than the notes until their expected maturity.
- Bancaja is not rated.

Mitigating Factors

- Standard & Poor's has taken into account geographical concentration in its credit analysis. The concentration in Valencia is to be expected as it is the originator's historical market.
- The swap covers the negative carry as it pays the weighted-average coupon on the notes multiplied by the amount of principal accumulating for the repayment of the 'AAA' rated soft bullet class.
- A credit estimate of the entity was carried out by Standard & Poor's. This will be monitored and the documentation contains appropriate language to take action should the maintaining of Bancaja as bank account provider or swap counterparty have a negative effect on the ratings on the notes.

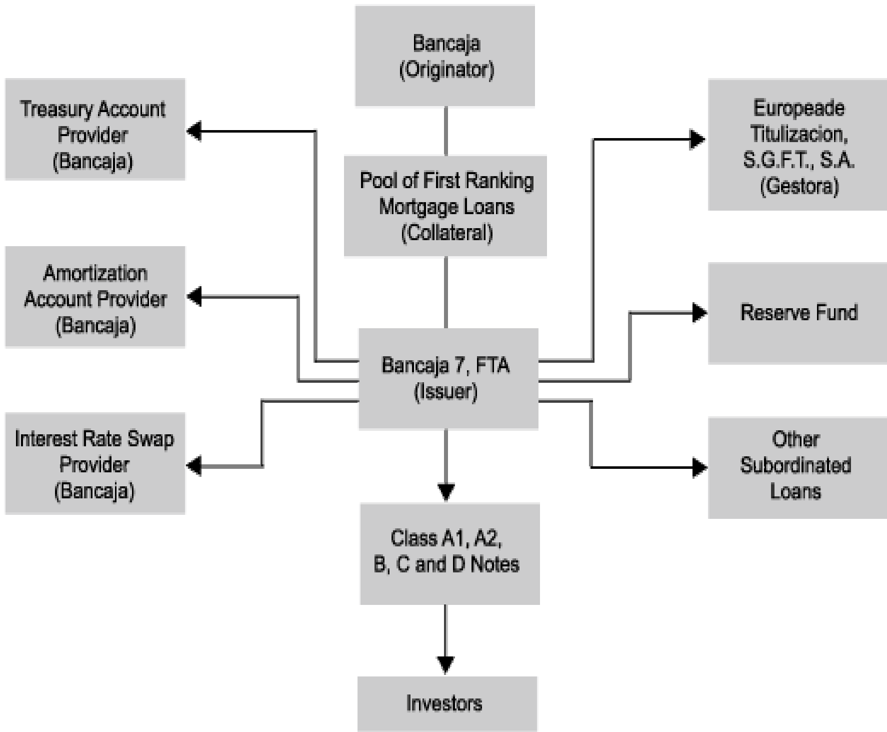
Transaction Structure

At closing, the originator will issue mortgage participations that will be purchased by Europea de Titulización, S.G.F.T, S.A., the "*sociedad gestora*" (trustee equivalent), on behalf of the issuer.

Each mortgage participation will represent, in equal amount and interest rate, the securitized mortgage loan. The mortgage participations will entitle Bancaja 7, FTA to any right and proceeds due under the mortgage loans.

Chart 1

Bancaja 7, Fondo de Titulización de Activos Structure



The total outstanding amount of mortgage loans to be purchased is expected to be €1.9 billion. To fund the purchase of collateral, Bancaja 7, FTA will issue five classes of floating-rate quarterly paying notes.

The collateral will be serviced by Bancaja, which will collect the amounts due under the mortgage loans. The servicer will transfer daily with a seven-day delay the installments collected to the treasury account of the issuer. The amounts held will receive a guaranteed interest rate equal to three-month EURIBOR.

The issuer will enter into an interest-rate swap agreement with Bancaja to counteract any basis and interest-rate risk arising from the various indices of the mortgages in the pool and the reference interest rate of the notes. The swap agreement will pay the coupon of the notes plus an additional spread of 55 bps.

On each quarterly interest-payment date (which occur on the 25th of February, May, August, and November), the issuer pays in arrears the interest due to the noteholders.

All interest and principal received from the mortgages can be mixed to pay principal and interest due under the notes. Therefore, a trigger acting as an asset-liability test will be implemented so that in a stressful economic environment the more senior notes will be amortized before interest is paid on the subordinated notes. An asset-liability test means that should there be more liabilities than assets then interest on the more subordinated notes would be deferred (see "*Priority of Payments*" below).

Priority of Payments

The priority of payments depends the performance of the collateral, which may result in interest on the subordinated notes being postponed to lower positions within the priority of payments and/or the amortization points of the notes changing.

The transaction structure has defined four amortization collection points, namely points (vii), (ix), (xi), and (xiii) below, which will be replenished depending on the outstanding amount of the notes and on the performance of the collateral.

On each payment date, the socieded gestora will make payments to the noteholders and other participants in the transaction in the order shown below:

- (i) Pay senior fees and expenses (including servicer fees if Bancaja is replaced as servicer);
- (ii) Make payments on the swap, including liquidation costs, if the fondo defaults under the swap terms and the contract is liquidated;
- (iii) Pay interest on the class A1 and A2 notes;
- (iv) Pay interest on the class B notes, although this will be deferred to (viii) below if the difference between the sum of the outstanding amount of the class A1 and A2 notes and the sum of the assets (being the available funds after the payment of interest on the class B notes plus the balance of the amortization account and the performing balance of the notes) is greater than zero;
- (v) Pay interest on the class C notes, although this will be deferred to (x) below if the notes senior to class C equal more than the then amount of assets, defined as the sum of available funds after payment of interest on the class C notes, the balance of the amortization account, and the performing balance of assets;
- (vi) Pay interest on the class D notes, although this will be deferred to (xii) below if the notes senior to class D equal more than the then amount of assets, defined as the sum of available funds after payment of interest on the class D notes, the balance of the amortization account, and the performing balance of assets;
- (vii) Amortize or make provision for the first amortization collection point by a total amount equal to the positive difference between the class A1 and A2 notes and the sum of the balance of performing loans plus the amortization account balance;
- (viii) Pay interest on the class B notes when deferred from (iv) above;
- (ix) Amortize or make provision for the second amortization collection point by the lesser of the class B note outstanding balance and the amount equal to the positive difference between the aggregate balance of the class A1, A2, and B notes and the sum of the balance of performing loans plus the amortization account balance;
- (x) Pay interest on the class C notes when deferred from (v) above;
- (xi) Amortize or make provision for the third amortization collection point by the lesser of the class C note outstanding balance and an amount equal to the positive difference between the aggregate balance of the class A1, A2, B, and C notes and the sum of the balance of performing loans plus the amortization account balance;
- (xii) Pay interest on the class D notes when deferred from (vi) above;
- (xiii) Amortize or make provision for the fourth amortization collection point by the lesser of the class D note outstanding balance and an amount equal to the positive difference between the aggregate balance of the class A1, A2, B, C, and D notes and the sum of the balance of performing loans plus the amortization account balance;
- (xiv) Replenish the reserve fund, except on the last payment date;
- (xv) Pay the swap liquidation cost in the event of swap liquidation, except in the case of the situation outlined in (ii) above;
- (xvi) Pay interest on the start-up loan;
- (xvii) Amortize principal on the start-up loan;
- (xviii) Pay interest on the subordinated loan;
- (xix) Amortize principal on the subordinated loan;
- (xx) Pay servicer fees, although if Bancaja is replaced as servicer this will be paid at the same time as senior fees and expenses in (i) above; and
- (xxi) Pay the variable rate element on the subordinated loan funding the reserve fund.

Main Participants

Europea de Titulización, Sociedad Gestora de Fondos de Titulización, S.A. (Trustee)

The creation of the sociedad gestora was authorized by the Ministry of Economy and Treasury on Jan. 19, 1993. Under the legislation for mortgage securitizations in Spain, the day-to-day operations of the issuer are managed by the sociedad gestora, which represents and defends the interests of the noteholders. The sociedad gestora, on behalf of the issuer, entered into certain contracts (such as a GIC, a swap agreement, and subordinated loans) needed to protect it against certain credit losses and liquidity shortfalls that are assumed to arise in connection with the holding of the mortgage participations. In this transaction, the main responsibilities of the sociedad gestora are to create the issuer, issue the notes on behalf of the issuer, calculate the interest rate on the notes, notify noteholders of any relevant information applicable to the notes and mortgage participations, and organize the annual audit.

Bancaja 7, Fondo de Titulización de Activos (Issuer)

Bancaja 7, FTA is a fondo de titulización, whose sole purpose is to acquire the collateral from Bancaja, to issue the notes, and carry on related activities. The issuer holds a distinct and closed pool of assets available for distribution to the noteholders. The assets are insulated from the insolvency of the originator and the sociedad gestora.

Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja; Originator and Servicer)

Bancaja is the leading financial services company in the Valencia region, where it is based and has most of its market share. It is also the third largest savings bank nationwide and is among the top six leading financial institutions in Spain.

The Bancaja group was created out of a merger with three other savings banks (Caja de Ahorros de Valencia, Castellón, and Alicante). Bancaja is also a shareholder in Banco de Valencia and Banco de Murcia. Bancaja has subsidiaries operating in areas such as financial intermediation, insurance, and real estate.

The Bancaja group currently has more than two million clients nationwide, served by a strong network of approximately 1,100 branches and 1,200 ATMs.

Collateral Description

As of May 31, 2004, the provisional pool of mortgage loans consisted of 25,225 amortizing loans secured by first-ranking mortgages over residential properties in Spain. The pool was originated between 1991 and 2004.

Features of the mortgage pool include the following:

- Of the pool, 80.2% is concentrated in Valencia, Madrid and, to a lesser extent, Catalonia and the Canary Islands.
- Some 0.88% of the pool is in arrears.
- The weighted-average seasoning is 15.7 months, with 14.14% of the pool having been originated over 18 months ago. The weighted-average LTV ratio is 67.22% and the average LTV ratio is 61.09%.

Charts 2, 3, and 4 below contain additional information on the collateral.

Chart 2

Portfolio by Seasoning Distribution

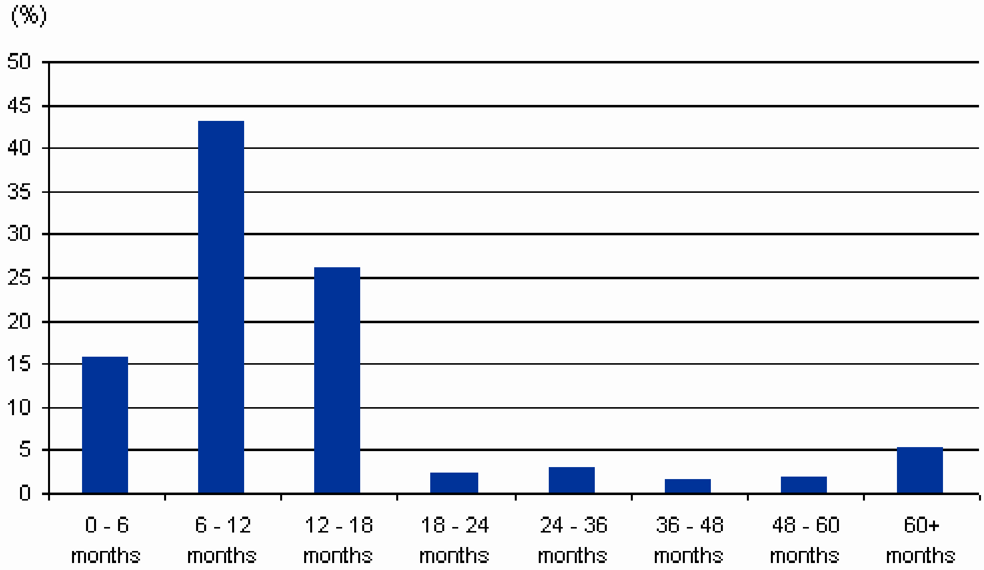
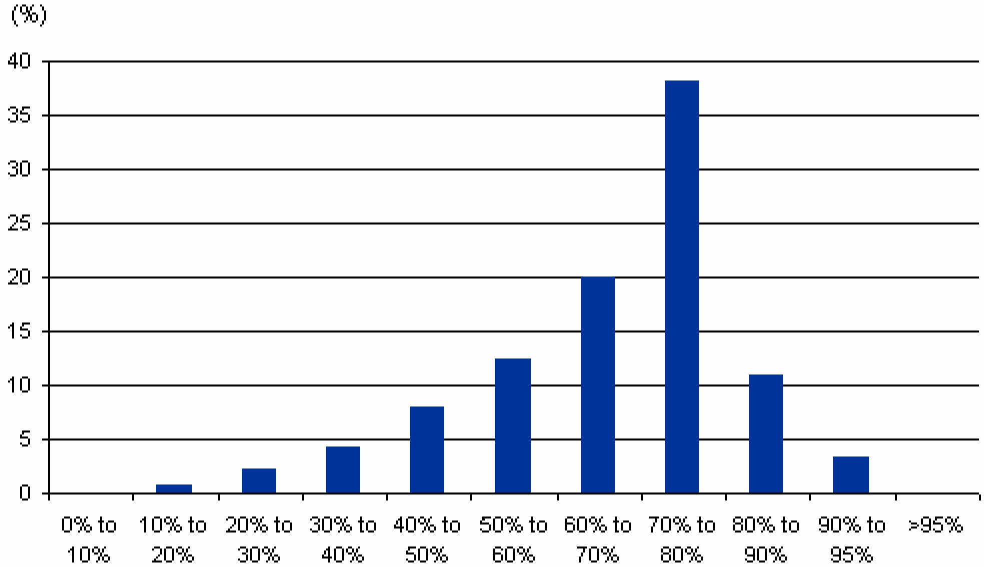
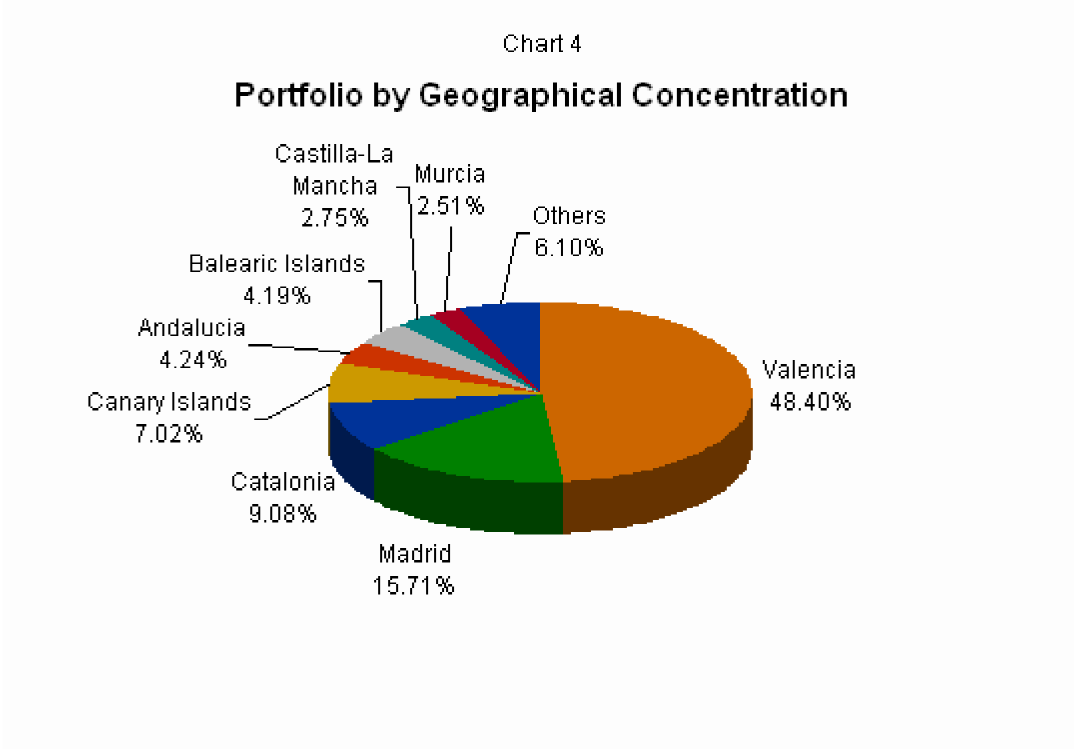


Chart 3

Portfolio by Current LTV Ratio





Collateral Risk Assessment
Standard & Poor's conducted a loan-level analysis to assess the credit risk of a pool of mortgages. The collateral risk assessment analyzed the foreclosure frequency and loss severity of each loan in the collateral pool. These depend on the characteristics of the borrower, the loan, and the ratings on the notes.

The potential loss associated with a loan can be calculated by multiplying the foreclosure frequency by the loss severity.

To quantify the potential losses associated with the entire pool, Standard & Poor's calculates a weighted-average foreclosure frequency (WAFF) and a weighted-average loss severity (WALS) at each rating level.

The product of 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 is the required enhancement level.

Credit Structure

Mortgage Loan Interest Rates
Of the mortgages in the pool, 97.41% are indexed to MIBOR (Madrid Interbank Offer Rate) and EURIBOR. One-year EURIBOR represents 96.36% of the pool, and the remaining 2.59% is split between other various mortgage interest rates.

A minimum weighted-average margin of 50 bps over three-month EURIBOR has been set, below which the trustee will not accept renegotiated margins. The current weighted-average margin is 0.89%.

Cash Collection Arrangements
Bancaja, as servicer, will collect the amounts due under the mortgages and transfer weekly its collections to the account held on behalf of the issuer with Bancaja. The pace of sweep may be accelerated if Bancaja's creditworthiness decreases.

At closing, the sociedad gestora will open two bank accounts with Bancaja on behalf of the issuer:

- The treasury account, which will hold the reserve fund, all the collections made during the three months before a note payment date, and any other amounts in connection with the mortgage loans; and

- The amortization account, which will aggregate the funds available for the amortization of the class A1 notes. Amounts will be transferred to this account, held in the name of the fondo at Bancaja, on every note payment date.

The class A1 notes are expected to be redeemed on Nov. 25, 2005. On Feb. 25, 2006, the amortization account will be cancelled and funds will accumulate directly in the treasury account.

Both the treasury and amortization accounts have a guaranteed contractual interest rate of three-month EURIBOR.

Downgrade Language to Treasury and Amortization Accounts (GIC Accounts)

In the event that maintaining Bancaja as GIC provider would adversely affect the ratings on the notes, the socieded gestora will have 30 days to:

- Obtain a guarantee from another entity rated at least 'A-1'; or
- Transfer the account to an 'A-1' rated institution.

If neither of the above options is available, the socieded gestora may invest funds quarterly in 'A-1' rated euro-denominated securities.

Excess Funds Account

If the sociedad gestora expects funds held in the treasury and amortization accounts to exceed 20% of the outstanding balance of the notes, it will notify Standard & Poor's 30 working days before it expects this event to occur. In the meantime, the sociedad gestora will open a new account, the excess funds account, with an 'A-1+' rated entity and will sweep into it the excess funds from the treasury and/or amortization accounts.

Upon a downgrade of the excess funds account provider, the sociedad gestora will have 30 days to replace it with an 'A-1+' rated entity or find a replacement, which must also be rated 'A-1+'.

Interest Swap Agreement

On behalf of Bancaja 7, FTA, the sociedad gestora will enter into a swap agreement with Bancaja. This swap will provide protection against adverse interest-rate resetting and movements.

The issuer will pay to the swap counterparty the total of interest received during the period.

The issuer will receive from the swap counterparty an amount equivalent to the weighted-average coupon of the notes plus 55 bps on the performing balance of the collateral (up to 90 days arrears included) and the weighted-average coupon of the notes on the daily average outstanding amount on the amortization account. The swap consequently covers the negative carry created by the soft-bullet notes.

In the event that maintaining Bancaja as swap counterparty adversely affects the ratings on the notes, Bancaja will have 30 days either to find a substitute with a short-term rating of at least 'A-1', to find a guarantor with a short-term rating of at least 'A-1', or to post collateral according to Standard & Poor's criteria.

Reserve Fund

The originator will provide a subordinated loan, which will fund the reserve fund. The reserve fund will be fixed for the first three years of the transaction. It will then amortize and be set as the minimum of 1.2% of the outstanding balance of the notes, and 0.72% of the issuance amount.

The reserve fund will not amortize below 0.35% of the original balance of the notes. Also, it will not amortize if it was not at its required minimum level on a previous payment date, nor if the arrears ratio (three months past due) is greater than 1%.

The fund will be used to pay non-deferred interest and principal on the notes, and it will not be used to pay interest deferred in the priority of payments.

Redemption of the Notes

Unless redeemed earlier, the notes will be redeemed on Nov. 25, 2036, which is 30 months after the maturity of the longest-term mortgage loan in the pool.

At any payment date, the amount of principal due under the notes (the amortization amount) will be calculated as the sum of the amortization account and the four collection points for amortization described in "*Priority of Payments*" above.

The class A1 and A2 notes are structured with a partial soft-bullet payment, and start amortizing in the 18th month of the transaction.

The class A1 notes will be redeemed on Nov. 25, 2005. Therefore, for the first six payment dates, the amortization amounts will accumulate in the amortization account.

The class A2 notes will start paying at the later of the date when the class A1 notes have fully amortized and Feb. 25, 2006.

However, the amortization of the class A1 and A2 notes will be altered if the proportion of loans more than 90 days in arrears is greater than 2% of the outstanding amount of the notes. In this case, the class A1 and A2 notes will be amortized pro rata or, during the lockout period, provision will be made for this amortization.

Until the class B, C, and D notes reach at least 4.200%, 2.505%, and 1.695%, respectively, of the outstanding amount of the notes (i.e., double the proportion at their issuance), the notes will pay sequentially. When the threshold percentage is reached, they may amortize pro rata to the then current ratio, as long as the reserve fund is fully topped up to its required level and so long as the loans more than 90 days in arrears represent no more than 1.5% of the outstanding balance of the pool for the class B notes and 1.0% for the class C and D notes. If not, the notes will amortize sequentially.

The amortization amount is determined by the amortization fund presented in "*Priority of Payments*" above.

Standard & Poor's Stress Test

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

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

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

Key Performance Indicators

Continual surveillance is maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral are analyzed, supporting ratings are monitored, pool cuts are assessed, and regular contact is made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

Criteria Referenced

- "Legal Criteria for Structured Finance Transactions" (published in April 2002).
- "Criteria for Rating Spanish Residential Mortgage-Backed Securities" (published in March 2002).

Related Articles

- "Ratings Transitions 2003: Upgrades on the Rise as European Structured Finance Ratings' Stability Continues" (published on Jan. 15, 2004).
- "Stellar Growth in Spanish Securitization to Help it Maintain Europe's Number Two Slot" (published in June 2004).

All criteria and related articles are available on RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

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