

BANCAJA 8 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 2005. 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 **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.

CLOSING DATE:

April 2005

Analysts:

Alberto Barbáchano
Associate Analyst
Madrid
(34) 91 702 6601

Alberto.Barbachano@moodys.com

Maria Turbica
Statistical Analyst
Madrid
(34) 91 702 6684

Maria.Turbica@moodys.com

Alberto Postigo
Analyst
Madrid
(34) 91 702 6604

Alberto.Postigo@moodys.com

EMEA Investor Liaison:

Edward Bowden
London
(44) 20 7772 5454

Edward.Bowden@moodys.com

Client Service Desk:

London: (44) 20 7772 5454
csdlondon@moodys.com

Monitoring:

London: (44) 20 7772 5399
monitor.london@moodys.com

Madrid: (34) 91 702 6684
monitor.madrid@moodys.com

WEBSITE:

www.moodys.com

RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A	(P)Aaa	€1,609,000,000]	92.95	25/10/37	21/10/34
B	(P)A1	€62,100,000]	3.59	25/10/37	21/10/34
C	(P)Baa2	€15,300,000]	0.88	25/10/37	21/10/34
D	(P)Ba2	€13,600,000]	0.79	25/10/37	21/10/34
E**	(P)Caa2	€31,000,000]	1.79	25/10/37	21/10/34
Total		€1,731,000,000]	100.0		

The ratings address the expected loss posed to investors by the legal final maturity. The structure allows for 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 have not been addressed, but may have a significant effect on yield to investors.

** Tranche E will be used to fund the initial reserve fund balance. Reserve fund will be fully funded at closing

OPINION

Strengths of the Transaction

- Credit enhancement provided by the excess spread, a reserve fund and the subordination of the notes
- Reserve fund fully funded upfront to cover potential shortfall in interest and principal
- Interest rate swap provided by Deutsche Bank (**Aa3/P-1**)
- Excess spread-trapping mechanism through an "18-month artificial write-off" mechanism
- No flexible products being securitised – just plain vanilla mortgage loans
- No second-lien products being included
- 100% of the loans are paid via direct debit
- Almost all of the loans are paid through monthly instalments

Weaknesses and Mitigants

- Geographical concentration in the region of Valencia (39%), mitigated in part by the fact that this is the region of Bancaja's origin, where it has its highest expertise. Additionally Moody's mitigates the potential increase in the volatility of losses due to the highest concentrations requiring additional credit enhancement.
- Pro-rata amortisation of the B, C and D Series of notes leads to reduced credit enhancement of the senior class in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes as the performance of the transaction deteriorates.
- High LTVs in the portfolio



STRUCTURE SUMMARY

Issuer:	BANCAJA 8 Fondo de Titulización de Activos
Structure Type:	Senior / Mezzanine / Subordinated / Reserve fund
Seller/Originator:	Bancaja (A1/P-1)
Servicer:	Bancaja (A1/P-1)
Back-up Servicer:	N/A
Interest Payments:	Quarterly on 25 th January, April, July and October
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Spread in the portfolio reserve fund Subordination of the notes
Liquidity Facility:	N/A
Hedging:	Interest rate swap to cover interest rate risk provided by Deutsche Bank (Aa3/P-1)
Principal Paying Agent:	Bancaja (A1/P-1)
Management Company:	Europea de Titulización S.G.F.T., S.A

COLLATERAL SUMMARY

Receivables:	First-lien traditional mortgages
Number of Contracts:	15,259
Number of Borrowers:	15,259
Geographic Diversity:	Valencia (39%), Madrid (14%), Catalonia (13%)
WA Average Current LTV:	75.52%
WA Remaining Term:	26.05 Years
WA Seasoning:	0.90 Years
Delinquency Status:	No loans more than 30 days in arrears at the time of securitisation
Average Loan:	114,586
Interest basis:	100% floating
WA Interest Rate:	3.26%

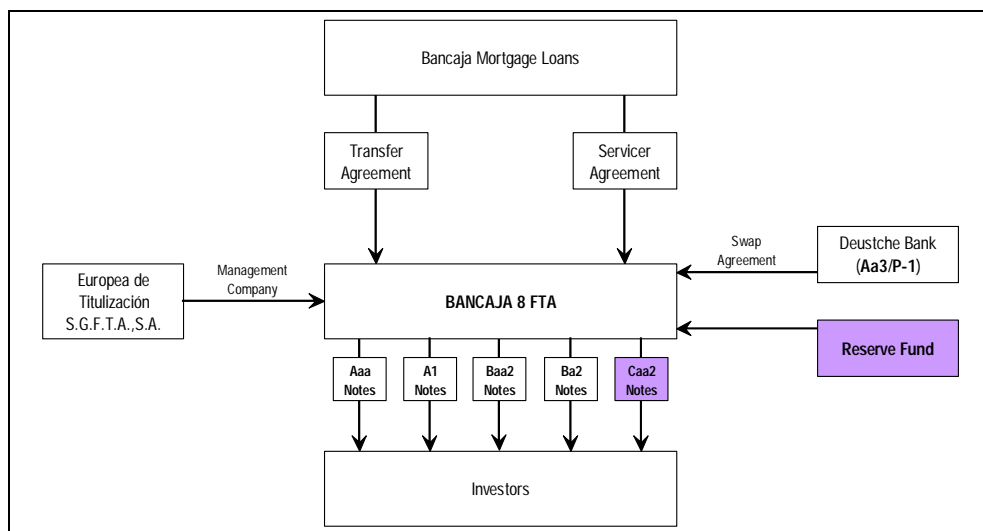
For the first time in the Spanish market, Bancaja will issue a rated tranche to finance the reserve fund in the transaction

Structural and Legal Aspects

This transaction marks the eighth time that Bancaja has tapped the RMBS market. The products being securitised are first-lien mortgage loans granted to individuals resident in Spain, all of whom will use these loans to acquire or refurbish a first home. All of the mortgage loans were originated by Bancaja, which will continue to service them.

This transaction differs moderately from the previous Bancaja transaction in that:

- Bancaja will issue a Series E of notes rated [**Caa2**] to finance the reserve fund.
- Bancaja has put in place a interest rate swap to hedge the interest rate risk, as opposed to a swap that guarantees an excess spread in the transaction.



Reserve fund fully funded upfront with proceeds from the issuance of the Series E notes to cover potential shortfall in interest and principal

The reserve fund is designed to help the fund meet its payment obligations. Initially funded with the benefits from the issuance of the Series E notes, it will be held at Bancaja. The reserve fund will be used to protect the Series A, B, C and D Notes against interest and principal shortfall on an ongoing basis and to protect the Series E Notes against interest on an ongoing basis and principal only at the end of the transaction. The initial required reserve fund will be determined by the management company before closing, taking into account the weighted average margin of the swap as indicated in the following table:

The reserve fund will be the lesser of the following amounts: 1) Initial reserve fund amount 2) The higher of: Outstanding notional balance of the notes multiply by Reserve fund floor	WA Swap margin		
	0% - -2.5%	0%	Higher than 0%
	31,000,000	29,800,000	28,900,000
	3.64%	3.50%	3.40%
	15,470,000	14,875,000	14,450,000

However, amortisation of the reserve fund will cease if either of the following scenarios occurs:

- The amount of loans more than 3 months and less than 18 months in arrears exceeds 1.00% of the outstanding balance of the portfolio.
- The available amount under the reserve fund is not equal to the then required amount.
- In addition, the reserve fund will not amortise during the first 36 months of the life of the transaction.

Bancaja will transfer the Borrower payments on a weekly basis

The treasury account will be held at Bancaja. The proceeds from the loans, the amounts received under the swap agreement and the cash reserve will be deposited in the treasury account.

Bancaja guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference on the notes.

Moody's has set up some triggers in order to protect the treasury account from any possible downgrade of Bancaja. Should Bancaja's short-term rating fall below **P-1**, the management company will have 30 days within which to find a suitably rated guarantor or substitute as holder of the treasury account.

To hedge the risk derived from the interest rate risk (potential mismatch risk derived from the different index reference rates and reset dates on the assets and on the notes), the *Fondo* will enter into two swap agreements.

The floating-rate loans (all referenced to 12 m Euribor) have been divided into two groups according to its reset frequency (annual, or semi-annual), resulting in two different swap agreements. For each of these swap agreements:

- The notional will be the outstanding amount of the loans included in each of the two groups not more than 18 months in arrears.

Interest rate swap to cover interest rate risk

- Over the notional:
 - Deutsche Bank will pay the index reference rate of the notes plus a variable spread.
 - The *Fondo* will pay a weighted average of the 12-month Euribor over the past months for each group, which tries to replicate the amount of interest corresponding to the index reference rates of each of the groups.

Pro-rata amortisation

As in the previous Bancaja transaction, this transaction also includes pro-rata amortisation. Pro-rata amortisation entails greater risk for the senior class than fully sequential transactions given that the credit enhancement decreases in absolute terms. The Series B, C, and D notes will start amortising pro rata with the Series A notes when they represent [10.70]% of the outstanding balance under the Series A, B, C and D Notes.

Nevertheless, amortisation of Series B, C or D will not take place on the payment date on which any of the following events occurs:

Series B	Series C	Series D
• The arrears level exceeds 1.25%	• The arrears level exceeds 1.00 %	• The arrears level exceeds 0.75%
• The cash reserve is not funded at the required level		
• The loan balance is less than 10% of the initial loan balance		

Series E amortisation

The benefit from the issuance on the notes will be used to fund the reserve fund. The money will be deposited in the treasury account that will be held at Bancaja. The Series E Notes will amortise for an amount equal to the difference between the reserve fund required amount on the previous payment date and the reserve fund required amount on the current payment date.

Priority of payments

On each quarterly payment date, the Fondo’s available funds (principal and interest received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1. Cost and fees, excluding servicing fee (except in the case of Bancaja being replaced as servicer of the loans)
2. Any amount due under the swap agreement
3. Interest payment to Series A
4. Interest payment to Series B (if not deferred)
5. Interest payment to Series C (if not deferred)
6. Interest payment to Series D (if not deferred)
7. Amortisation fund
8. Interest payment to Series B notes (if deferred)
9. Interest payment to Series C notes (if deferred)
10. Interest payment to Series D notes (if deferred)
11. Interest payment to Series E
12. Replenishment of the reserve fund
13. Principal payment on Series E
14. Termination payment under the swap agreement (except if the Fondo is the defaulting or the sole affected party)
15. Junior expenses

Interest Deferral trigger

The payment of interest on the Series B, C and D Notes will be brought to a more junior position if, on any payment date, the following criteria are met:

Series B:	The principal deficiency exceeds the sum of 50% of the initial outstanding amount of Series B + the initial outstanding amount of Series C + the initial outstanding amount of Series D and Series A is not fully redeemed
Series C:	The principal deficiency exceeds the sum of 50% of the initial outstanding amount of Series C + the initial outstanding amount of Series D + the initial outstanding amount of Series D and Series A and B are not fully redeemed
Series D:	The principal deficiency exceeds the sum of 50% of the initial outstanding amount of Series D and Series A, B and C are not fully redeemed

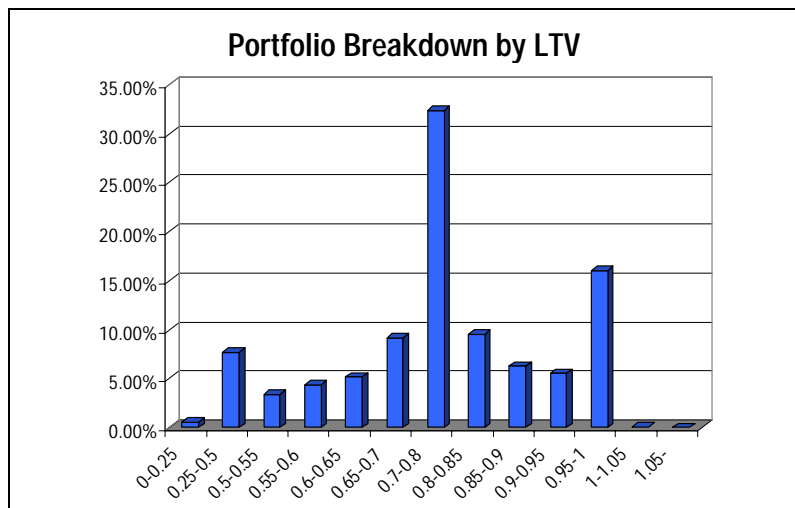
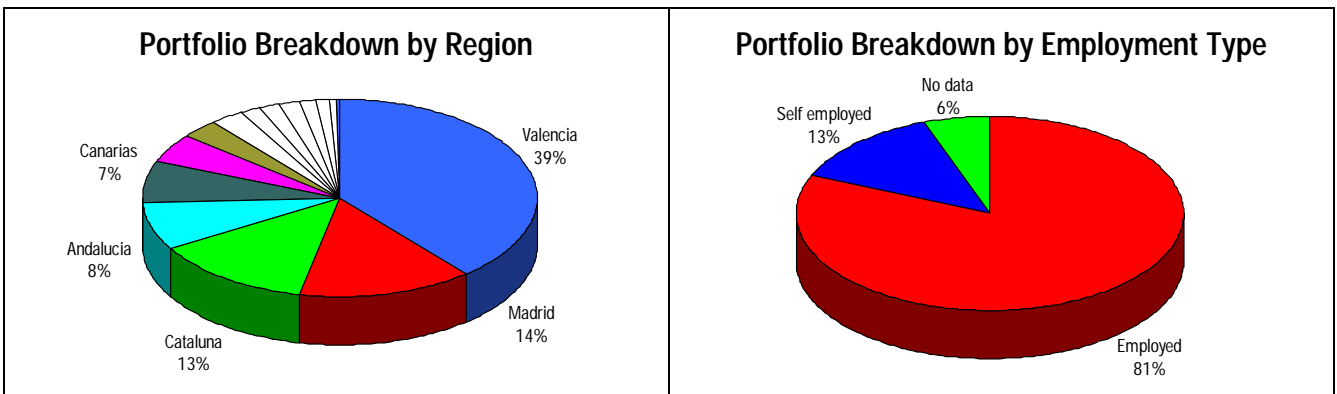
18-month "artificial write-off" mechanism

The transaction structure for Series A, B, C and D benefits from an "artificial write-off", which traps available excess spread to cover losses (if any). This type of "artificial write-off" is hidden in the definition of Principal Due, which is the difference between the notes outstanding and the outstanding performing loans (loans less than 18 months in arrears).

COLLATERAL - REFERENCE PORTFOLIO

As of March 2005, the provisional portfolio comprises 15,259 loans for a total amount of €1,748,468,443. The collateral backing the notes' issuance is entirely composed of first-lien mortgage loans granted for the purpose of acquiring, constructing or refurbishing a first residential property for individuals resident in Spain.

The original weighted average LTV (WALTV) is 78.17%. The current WALTV is 75.52%. The average loan size is €114,586 and the largest loan is €770,815. The loans are originated between 1994 and 2004 with a weighted average seasoning of 0.90 years. Almost all the loans are paid through monthly instalments, which are debited to accounts held by the debtors at Bancaja.



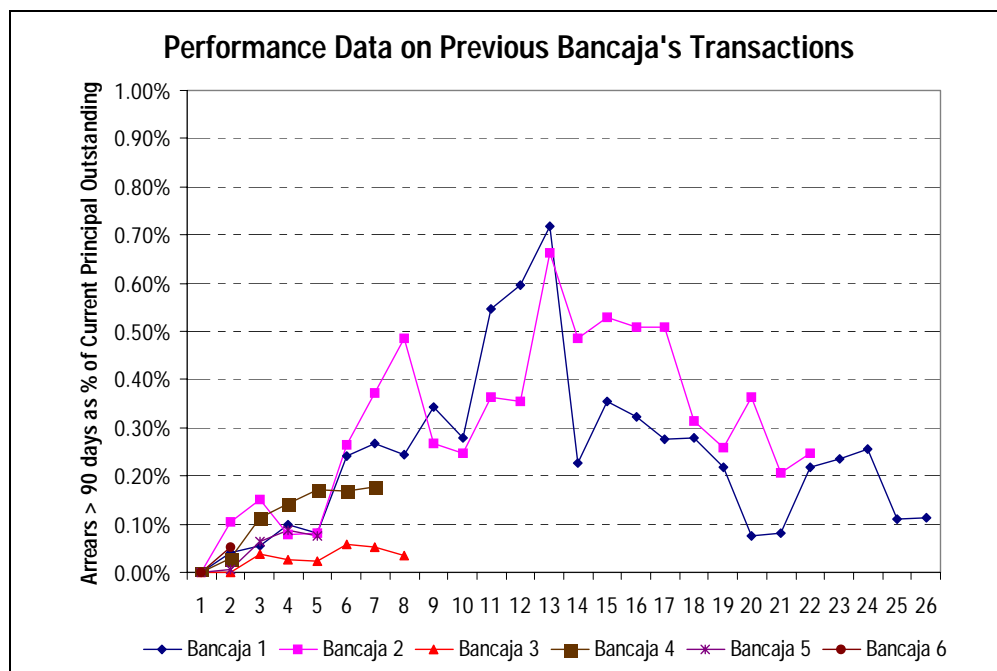
Limitations on renegotiation of both the interest rate and the maturity of the loans

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Exceptionally, the management company authorises Bancaja to renegotiate the interest rate or maturity of the loans without requiring its approval. However, Bancaja will not be able to extend the maturity of any loan beyond 31/10/2034. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

1. The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
2. The frequency of payments cannot be decreased.
3. The amortisation profile cannot be modified.

Additionally Bancaja is not allowed to renegotiate any interest rate of the loan if the weighted average interest rate on the floating rates loans is below 70 bppa.

Performance Data on previous Bancaja Transactions



Bancaja, the sixth largest financial institution in Spain by assets and with an active presence in the Spanish securitisation market, is the originator of the asset pool

ORIGINATOR, SERVICER AND DUE DILIGENCE

Moody's **A1/P-1/C+** ratings for Bancaja reflects the bank's strong retail franchise in the region of Valencia and its sound financial fundamentals, which include good profitability, solid asset quality and strong operating 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. The current ratings are well positioned with a stable outlook.

Bancaja's financial profile is typical of those savings banks that have focused on their core business within their local region (approximately 69% of its branch network is based in its home market). Bancaja is not aiming for a nation-wide presence and is focusing its expansion efforts in Catalonia, Madrid and the Balearic Islands.

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 have also played a role in this turnaround. The bank's loan portfolio shows a good level of diversification, although with large exposures concentrated in the real estate sector. Moody's recognises the risk of the real estate development (especially due to the exposure to the hotel and tourism industries in the region of Valencia), but views Bancaja's conservative underwriting standards as reassuring.

MOODY'S ANALYSIS

Determination of lognormal loss distribution

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the Moody's Individual Loan Analysis ("MILAN") model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

The "Aaa CE" number is determined by using "MILAN", Moody's loan-by-loan model for rating RMBS transactions

The "MILAN" model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

The "Aaa CE number" and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE number".

"MARCO", Moody's cash-flow model, is used to assess the impact of structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyzer of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced per note Series in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

RATING SENSITIVITIES AND MONITORING

Europa de Titulización S.G.F.T, S.A, in its capacity as management company, will prepare monthly 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. Any subsequent changes to the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.madrid@moodys.com

RELATED RESEARCH

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For a more detailed explanation of Moody's rating approach to this type of transaction, similar transactions and performance data, please refer to the following reports:

- SPECIAL REPORT: Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005
- SPECIAL REPORT: Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002.
- SPECIAL REPORT: Moody's Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners' Indebtedness, May 2003.
- SPECIAL REPORT: Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004.
- SPECIAL REPORT: Spanish RMBS Q3 2004 Performance Review, February 2005
- BANCAJA 1 Pre-sale report + Performance Overview
- BANCAJA 2 Pre-sale report + Performance Overview
- BANCAJA 3 Pre-sale report + Performance Overview
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