MBS Bancaja 3, Fondo de Titulización de Activos

MBS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of March 2006. 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. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

[6 April 2006]

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€ 100.0	12.50	Sep. 07	3mE + [·]%
A2	(P)**Aaa**	€ 668.0	83.50	Dec. 43	3mE + [·]%
B	(P)**Aa2**	€ 13.2	1.65	Dec. 43	3mE + [·]%
C	(P)**A2**	€ 11.6	1.45	Dec. 43	3mE + [·]%
D	(P)**Baa3**	€ 7.2	0.90	Dec. 43	3mE + [·]%
E	(P)**Ca**	€ 9.8/11.2	1.225/1.40	Dec. 43	3mE + [·]%
Total		€ 809.8/€811.2	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, 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.

OPINION

Strengths of the Transaction

- All the loans are secured by a first-lien mortgage guarantee
- Excess spread-trapping mechanism through an 18-month "artificial write-off"
- Granular pool
- Good performance of Bancaja's previous MBS deals

Weaknesses and Mitigants

- Partial hedging of the interest rate risk. Moody's has established a penalty based on the amount of spread needed on each payment date to hedge the transaction against the interest rate risk not covered through the swap agreement as well as other collateral risks derived from the swap structure
- Geographical concentration in the Region of Valencia, a natural consequence of the location of the originator, and mitigated in part by the fact that this is the region where this financial institution has its greatest expertise.
- Pro-rata amortisation of Series B, C and D leads to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which interrupt the pro-rata amortisation of the notes should the performance of the transaction deteriorate.
- The deferral of interest payments on each of Series B, C and D benefits the repayment of the series senior to each of them, but increases the expected loss on Series B, C and D themselves. The reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss.

STRUCTURE SUMMARY *(see page 3 for more details)*

Issuer:	MBS Bancaja 3, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Caja de Ahorros de Valencia, Castellón, y Alicante (Bancaja, **A1**/**P-1**)
Servicer:	Bancaja
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	26 March, 26 June, 26 September, 26 December
	First payment date: 26 June 2006
Credit Enhancement/Reserves:	Pool spread
	Reserve fund
	Subordination of the notes
	Guaranteed Investment Contract (GIC) account
	€25.6 million liquidity facility for Series A1 notes
GIC Account Provider:	Bancaja
Liquidity Facility Provider:	[•]
Hedging:	Interest rate swap partially covering the interest rate risk
Interest Rate Swap Counterparty:	[•]
Paying Agent:	Bancaja
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)
Arranger:	Bancaja
	Europea de Titulización
Lead Managers:	Bancaja
	Deutsche Bank AG
	Société Générale, Spanish Branch

COLLATERAL SUMMARY (AS OF 28 FEBRUARY 2006) *(see page 6 for more details)*

Receivables:	Loans granted to individuals secured by a first-lien mortgage guarantee
Total amount:	€897,586,518
Number of Contracts:	7,669
Geographic Diversity:	Valencia (48.2%), Madrid (10.4%), Catalonia (8.5%)
WA Remaining Term:	22.8 years
WA Seasoning:	1 year
WA loan-to-value:	64.7%
Interest Basis:	100% floating
WA Interest Rate:	3.34%
Delinquency Status:	No loans more than 30 days in arrears at the time of securitisation

NOTES

Series	Subordination	Reserve Fund	Total
A1	87.50%*	1.15% / 1.40%	88.65% / 88.90%
A2	4.00%*	1.15% / 1.40%	5.15% / 5.40%
B	2.35%*	1.15% / 1.40%	3.50% / 3.75%
C	0.90%*	1.15% / 1.40%	2.05% / 2.30%
D	0.00%	1.15% / 1.40%	1.15% / 1.40%
E	0.00%		

*Subject to pro-rata amortisation triggers

TRANSACTION SUMMARY

Cash securitisation of loans granted to individuals and secured by a first-lien mortgage guarantee

MBS Bancaja 3, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of mortgage loans granted by Bancaja to individuals, with different types of mortgage properties and loan purposes. In this sense, the deal cannot be considered as a pure RMBS transaction.

The *Fondo* will issue four series of notes to finance the purchase of the loans (at par):

– A subordinated Series D, rated (P)**Baa3**

– A mezzanine Series C, rated (P)A**2**

– A mezzanine Series B, rated (P)**Aa2**

– A senior tranche composed of two **Aaa**-rated series: a subordinated Series A2 and a senior Series A1

In addition, the *Fondo* will issue a (P)**Ca**-rated Series E to fund a cash reserve, that will be used to cover any potential shortfall on interest or principal payments to the other series.

Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the securitised pool excess spread. The transaction also incorporates a swap agreement that will partially hedge the *Fondo* against the risk derived from having different index reference rates and reset dates on the assets and on the notes.

In addition, the *Fondo* will benefit from a €[ ] million subordinated loan provided by Bancaja to fund the up-front expenses, the costs of issuing the notes, and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

The provisional pool consists of 7,669 loans. Given the location of the originator, the pool is concentrated in the Region of Valencia. All the loans are secured by a first-lien mortgage guarantee over different types of properties (mainly residential). The weighted average loan-to-value is 64.7%.

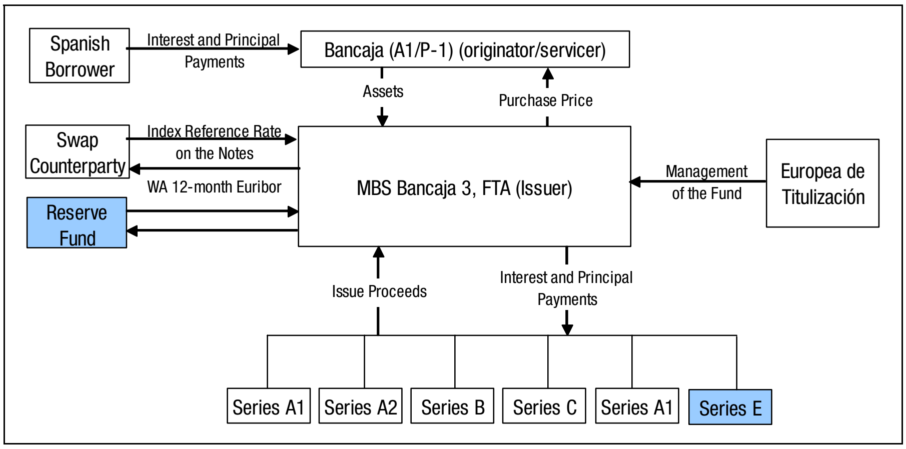
Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information; (iii) the swap agreement partially hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the pool spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

Moody's ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date in December 2043.

The ratings do not address full redemption of the notes on the expected maturity date.

STRUCTURAL AND LEGAL ASPECTS

Standard capital structure, incorporating the following key features: a partial hedging of the interest rate risk, deferral of interest based on the principal deficiency size and funding of the reserve fund through the issuance of a series of notes



Interest rate swap partially hedging the interest rate risk

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 with a financial institution with a long-term rating at least of **A1** (the swap counterparty, to be determined).

The floating-rate loans (all referenced to 12-month Euribor or 12-month Mibor) have been divided into two groups according to their 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.
– Over the notional, on each payment date:
    - The swap counterparty 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 of the groups, where the weights are fixed for each month on the closing date. This payment is aimed at replicating the amount of interest corresponding to the index reference rates that the *Fondo* receives for each of the groups between payment dates.

It is worth pointing out that this type of swap does not fully hedge the transaction against the interest rate risk, to the extent that the weighted average 12-month Euribor that the *Fondo* is committed to pay is not an exact replica of the index reference rates of the pool. Moody's has considered this partial hedging in its analysis by assuming that part of the transaction spread is used to hedge the transaction against the interest rate risk not covered through the swap agreement.

In the event of the swap counterparty's long-term rating being downgraded below **A1**, it will have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (2) find a suitably rated guarantor or substitute.

Reserve fund fully funded upfront with the proceeds from the issuance of the Series E notes

Initially funded with the benefits from the issuance of the Series E notes, the reserve fund will be used to cover any potential shortfall on items (1) to (12) of the order of priority (detailed below) on an ongoing basis.

The initial required reserve fund and the amount requested under it throughout the life of the transaction will be determined by the management company immediately prior to the closing date, taking into account the weighted average margin of the swap as indicated in the following table:

	WA SWAP MARGIN (in bppa)		
At any point in time, the amount requested under the reserve fund will be the lesser of the following amounts:	**(-13) – (-8)**	**(-8) – (-3)**	**(-3) – (2)**
1) Initial reserve fund amount	€11,200,000	€10,000,000	€9,800,000
2) The higher of:			
– The outstanding notional balance of Series A1 to D notes multiplied by	2.80%	2.50%	2.45%
– Reserve fund floor	€5,600,000	€5,000,000	€5,000,000

The amount requested under the reserve fund will not be reduced:

– During the first three years following the closing date
– If the arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%.
– If the reserve fund is not funded at its required level on the previous payment date.
– If the weighted average margin of the pool falls below 0.60%

GIC provides an annual interest rate equal to the index reference rate of the notes

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

Moody's has set up some triggers in order to protect the treasury account from a possible downgrade of Bancaja's short-term rating. Should Bancaja's short-term rating fall below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 days:

1) Find a suitably rated guarantor or substitute.
2) Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
3) Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

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

Limitations on the renegotiation of the loan

The management company authorises Bancaja to renegotiate the spread over the index reference rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). However, Bancaja will not be able to (1) renegotiate the spread of any loan if the respective weighted average spread of the pool is below 80 bppa, or (2) to extend the maturity later than October 2040. Moreover, the renegotiation of the maturity of the loans is subject to the following conditions:

- The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the sub-pool.
- The frequency of payments cannot be decreased.
- The amortisation system and the reset frequency cannot be modified.

Payment structure allocation

On each quarterly payment date, the *Fondo's* available funds (amounts 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) Costs and fees, excluding the servicing fee (except in the case of Bancaja being replaced as servicer of the loans)
2) Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party
3) Interest payment to Series A1
4) Interest payment to Series A2
5) Interest payment to Series B (if not deferred)
6) Interest payment to Series C (if not deferred)
7) Interest payment to Series D (if not deferred)
8) Retention of an amount equal to the principal due under the notes
9) Interest payment to Series B (if deferred)
10) Interest payment to Series C (if deferred)
11) Interest payment to Series D (if deferred)
12) Replenishment of the reserve fund
13) Interest payment to Series E
14) Principal payment to Series E
15) Termination payment under the swap agreement (except in the cases contemplated in 2) above)
16) Junior payments

In the event of liquidation of the *Fondo*, the payment structure is modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the size of the principal deficiency

The payment of interest on Series B, C and D will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

– The principal deficiency (as defined below) exceeds the sum of (1) 85% of the outstanding amount of the relevant series and (2) 100% of the outstanding amount of the subordinated series to it.

– The senior series to it are not fully redeemed.

Principal due to the notes incorporates an 18-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes and (2) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

Principal due allocation mechanism

The amount retained as principal due on item (8) of the order of priority will be dedicated to the amortisation of Series A1, A2, B, C and D, according to the following rules:

1) Until the payment date on which the outstanding amount of Series B, C and D exceeds 3.30%, 2.90% and 1.80% of the outstanding amount under Series A1 to D, respectively, the amount retained as principal due will be used for the amortisation of Series A.

2) Once Series B, C and D start to be amortised, the amount retained as principal due will be pro-rata distributed between Series A to D, so that the percentages indicated above for Series B to D are maintained on any payment date thereafter.

3) Nevertheless, amortisation of Series B to D will not take place on the payment date on which any of the following events occurs:
   - The arrears level exceeds 1.50%, 1.25% and 1.00% for Series B, C and D, respectively.
   - The cash reserve is not funded at its required level.
   - The outstanding amount of the non-written-off loans is lower than 10% of the pool's initial amount

Series A1 legal final maturity

The Series A1 notes will amortise pass-through until their legal final maturity set at 26 September 2007. To cover the case where the amortisation funds available until that date are not sufficient to fully redeem Series A1, the management company has entered into a liquidity facility agreement with [ ]. Under this agreement [ ] will, if necessary, immediately advance up to €25.6 million. Amounts drawn from the liquidity line will subrogate in the position of Series A1 in the order of priority of payments. It is worth pointing out that the liquidity line's financial cost is capped to that for the Series A1 notes.

The liquidity line will amortise so that, on any payment date, the amount available will be the minimum of (1) €25.6 million and (2) the outstanding amount of Series A1.

Should [ ]'s short-term rating fall below P-1, it will have to find a suitably rated guarantor or substitute within 30 business days as provider of the liquidity line.

Otherwise, the amount available under the liquidity line will be used to constitute an amortisation fund, which will be used, subject to the same conditions that those applicable to the liquidity line, to redeem Series A1 notes.

Series E amortisation

The Series E notes will amortise, on each payment date, for an amount equal to the difference between the outstanding amount of the Series E notes and the reserve fund's required amount on the current payment date.

COLLATERAL

Pool of loans granted to individuals and secured by a first-lien mortgage guarantee over properties situated in Spain

As of January 2006, the provisional portfolio comprised 7,669 loans. They have been originated by Bancaja in its normal course of business, and comply with the following criteria:

- All the loans have been formalised under public deed.
- All the mortgaged properties are fully developed.
- The loans are repaid by direct debit through monthly instalments and have accrued at least two instalments.
- No loan incorporates any type of balloon payments or deferred payments of interest.
- None of the loan agreements provides a limit in the maximum interest rate applicable.
- 100% of the principal of the loans has been drawn.
- Obligors are committed to sign an insurance contract for the mortgaged property.
- The pool will not include loans granted to real estate developers or lease contracts.
- None of the loans have been granted to Bancaja's employees.

The loans have been originated between 1995 and November 2005, with a weighted average seasoning of 1 year and a weighted average remaining term of 22.8 years. The longest loan matures in October 2040.

The interest rate is floating for all the loans, all of them being referenced to Euribor/Mibor. The weighted average interest rate of the pool is 3.34% and the weighted average margin over the reference rate is 0.97%.

All the loans are secured by a first-lien mortgage guarantee with a current loan-to-value lower than 100%, mainly based on residential properties. The total weighted average loan-to-value is 64.7%:

Type of Property	%	Weighted Average Loan-to-Value
Residential	86%	65.6%
Commercial	13%	61.2%
Other	1%	46.7%

In terms of debtor concentration, the pool is quite granular: the highest exposure is 0.11% of the amount of the issuance, and the sum of the 20 highest debtors represents only 2.02% of the same amount.

Geographically, the pool is concentrated in the Region of Valencia, a natural consequence of the location of some of the originators involved in the transaction.

Chart 1:
Portfolio Breakdown by Year of Origination

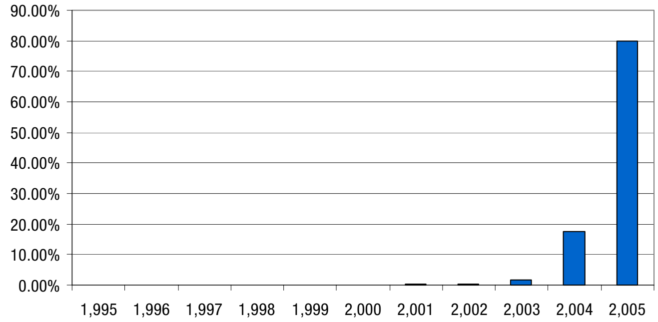


Chart 2:
Portfolio Breakdown by Year of Maturity

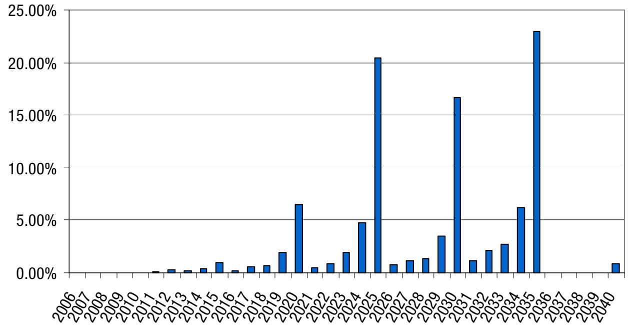


Chart 3:
Portfolio Breakdown by LtV

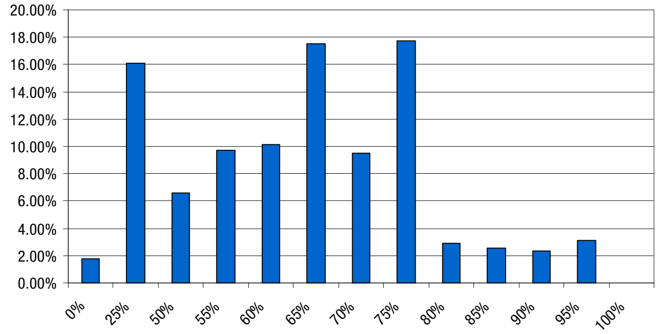
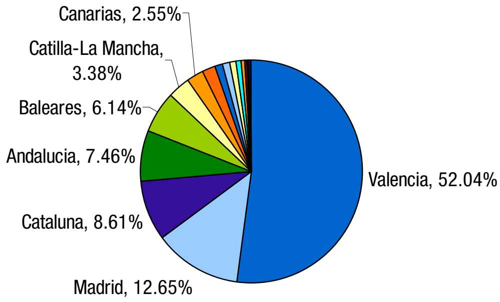


Chart 4:
Portfolio Breakdown by Geographic Diversity
(by location of the mortgage guarantees)



The originator represents and guarantees that, as of the date of the transfer:

– There will be no amounts more than 30 days past due under any of the loans.

– There has been no breach of any of the loan agreements.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

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

Bancaja is the sixth-largest financial institution and the third-largest savings bank in Spain by assets (€62.2 billion at the end of December 2005). While Bancaja's national market share remains limited at 3% (not taking into account securitised loans), the bank enjoys a strong presence in its home market, the Valencia region, where it held a 30% market share in deposits and 21% in lending in 2004. Valencia is a key economic region in Spain, accounting for around 10% of the population and 10% of domestic GDP.

With opportunities for growth in Valencia limited, one of the key objectives of the bank's 2004-2007 strategic plan is organic growth outside its regional market. During 2005, Bancaja opened 118 new branches, of which 110 were outside the Valencia region, notably in Barcelona, Madrid and Málaga. As of June 2005, 34% of Bancaja's lending and deposits volume within Spain was originated outside the Valencia region (41% for lending only). Bancaja has also made progress on other of the main objectives of the above mentioned plan: increasing cross-selling and revenue diversification, maintaining client orientation and improving efficiency.

Moody's views favourably the prudent approach of the management team when granting loans in new regions: as of the end of June 2005, the NPL ratio of 0.54% outside the Valencia region was not materially different from the 0.52% within the Valencia region. On global terms, the NPL ratio at year-end 2004 was down by 10% from 0.60% at year-end 2003. The bank's loan portfolio appears to be well diversified, with the exception of some large exposures in the real estate and, to a lesser extent, tourism sectors, which are inherently riskier. However, Moody's views Bancaja's conservative underwriting standards as reassuring.

The effort to diversify revenue sources, the strong retail franchise in the region of Valencia and the solid asset quality are some of the credit strengths reflected in Bancaja's **A1**/**P-1**/**B-** ratings, together with good profitability, strong operating efficiency, adequate capitalisation and low risk profile. A negative aspect, as a consequence of the growth in lending, is the increase in liquidity needs from its branch network. The bank is becoming more reliant on market funds to finance the gap between assets and deposits, which consists mainly of Medium-Term Notes and Asset-Backed Securities. Securitisation constitutes a good liquidity tool for Bancaja, allowing the bank to diversify its investor base and to match assets and liabilities in terms of maturity.

Bancaja's duties as servicer and originator

Bancaja will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account on a weekly basis.

In the event of Bancaja being declared bankrupt, failing to perform its obligations as servicer or being affected by a deterioration in its financial situation, either it or the management company will have to designate a suitable institution as guarantor of Bancaja's obligations under the servicing agreement, or even as new servicer.

Moody's believes that Bancaja is capable of fulfilling its servicing obligations in the transaction.

Likewise, the management company may require Bancaja, upon an insolvency process of Bancaja or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should Bancaja fail to comply with this obligation within 5 business days, the notification would then be carried out by the management company.

Paying Agent

Bancaja will act as paying agent of the *Fondo*. In the event of Bancaja's short-term rating falling below **P-1**, it will within 30 days have to be replaced in its role of paying agent by a suitably rated institution.

Management Company

Europea de Titulización is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. Banco Bilbao Vizcaya Argentaria (BBVA) accounts for 83% of the capital of the *gestora* (trustee). The remainder is owned by 15 institutions, including JP Morgan (4%), Caja de Ahorros del Mediterráneo (1.54%), Bankinter (1.53%), Barclays Bank (1.53%) and Citibank España (1.53%). Currently Europea de Titulización carries out the management of 52 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach, where the default distribution was derived from a loan-by-loan analysis

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 mortgage credits 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 an 'Aaa' rating under highly stressed conditions. This enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

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".

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 Class 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.

Structural Analysis

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

Legal Analysis

Moody's verified that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on 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 the 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 in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Visit moodys.com for further details

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

- **BANCAJA** Analysis, Issuer Profile and Credit Opinion
- **MBS BANCAJA 1 & MBS BANCAJA 2** Pre-Sale Reports and Performance Overviews
- **PERFORMANCE REVIEW**: Spanish RMBS Q3 2005 Performance Review, February 2006
- **SPECIAL REPORT**: "Moody's Approach to Rating Spanish RMBS: The "MILAN" model", March 2005
- **SPECIAL REPORT**: "Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread", January 2004
- **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.
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