FTPYME BANCAJA 1 Fondo de Titulización de Activos

Spain

Loans to Small and Medium Enterprises

EXPECTED CLOSING DATE:
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PLEASE NOTE: This pre-sale reportpre-sale report addresses part of the structure and economics of the proposed financing based on the information provided to Moody's as of 11 February 2002. Investors should be aware that Moody's has not received all transaction documents or legal opinions, with the exception of the Preliminary Offering Circular and certain transaction documents. The final rating on the transaction may differ from the preliminary rating, based on subsequent changes in information and the review of the final version of all the documents as well as the legal opinions. Moody's will disseminate any subsequent changes through its rating desk.

TRANSACTION IN BRIEF

Class	Rating	Amount (€)	Interest rate	Placement	Expected Maturity	Final Maturity
A1(G)	**(P)Aaa**	[264.0]	3M Euribor + [•]%	Public	Apr 2005	Jul 2023
A1	**(P)Aa2**	[66.0]	3M Euribor + [•]%	Public	Apr 2005	Jul 2023
A2(G)	**(P)Aaa**	[194.4]	3M Euribor + [•]%	Public	Oct 2008	Jul 2023
A2	**(P)Aa2**	[48.6]	3M Euribor + [•]%	Public	Oct 2008	Jul 2023
B	**(P)Baa2**	[27.0]	3M Euribor + [•]%	Public	Oct 2008	Jul 2023

Payments:	Every 20 January, 20 April, 20 July and 20 October First payment date: 22 July 2002 All Class A Notes are bullet, but may be amortised pro rata if certain triggers are reached. Class B Notes will start amortising once their outstanding balance represents more than [10]% of the then outstanding balances under all Classes, subject to certain triggers.
Issue Price:	100%
Clean-up call:	Collateral current balance lower than 15% of the initial balance
Listing:	AIAF Mercado de Renta Fija, Madrid
Credit Support:	Subordination of the Class B Notes Guarantee of the Kingdom of Spain for Classes A1(G) and A2(G) Line of credit in an amount of [1.75]% of the issuance [60] bppa excess margin through the swap

STRUCTURE SUMMARY

Issuer:	FTPYME BANCAJA 1 Fondo de Titulización de Activos
Seller/Servicer:	Bancaja (**A1**/**P-1**)
GIC Provider:	Bancaja (**A1**/**P-1**)
Interest Rate Swap Counterparty:	Bancaja (**A1**/**P-1**)
Management Company (Gestora):	Europea de Titulización S.G.F.T., S.A.
Depository/Paying Agent:	Bancaja (**A1**/**P-1**)
Lead Managers:	J.P. Morgan Securities Ltd. / Bancaja

PROVISIONAL PORTFOLIO SUMMARY (AS OF 30 NOVEMBER 2001):	
Type:	Loans to Spanish small and medium enterprises (SMEs)
Count:	4,916 loans
Total amount:	€717.8 million
Average loan:	Approximately €146,009
Interest Basis:	Floating (98%), Fixed (2%)
WA interest rate (Current):	5.58%
WA seasoning:	2.1 years
Maturity:	From 1.6 to 19.7 years. Weighted average 8.4 years
Geographic Concentrations:	Valencia (42.96%), Castellón (20.78%), Alicante (10.72%)

OPINION

Moody's has assigned the following prospective ratings to the five Classes of *Bonos de Titulización de Activos* (Asset-Backed Securities) issued by FTPYME BANCAJA 1 Fondo de Titulización de Activos (the "Fondo"), a Spanish securitisation fund:

(P)**Aaa** to the €[264.0] million Class A1(G) and the €[194.4] million Class A2(G)

(P)**Aa2** to the €[66.0] million Class A1 and the €[48.6] million Class A2

(P)**Baa2** to the €[27.0] million Class B

The ratings of all Class A Notes are based primarily upon:

1. The credit quality of the collateral.
2. The level of protection provided by the subordination of Class B, that represents [4.5]% of the initial value of the portfolio, the reserve fund in an initial amount of [1.75]% and the margin available through the swap.
3. The guarantee of the Kingdom of Spain (**Aaa**/**P-1**), as concerns the Classes A1(G) and A2(G).
4. The capacity of the originator as servicer.
5. The interest rate swap provided by Bancaja (**A1**/**P-1**) to hedge fixed-rate loans and different indices in the portfolio.
6. The management of the Fondo by Europea de Titulización, S.G.F.T., S.A., and the supporting guarantee of its obligations by its shareholders.
7. The legal and structural integrity of the transaction.

The (P)**Baa2** rating of the Class B Notes is based on the above and on an assessment of the Notes' subordinated position in respect of Class A Notes.

SEVENTH FTPYME TRANSACTION

In 1998 and 1999, the Spanish government established the legal framework for FTPYMES. FTPYMES are securitisation funds whose assets are compliant with a certain list of conditions (see Table 1) and whose liabilities are partially guaranteed by the Kingdom of Spain.

Table 1: The main conditions governing the assets of a FTPYME:

- They must be originated by institutions that have previously signed an agreement with the Ministry of Finance.
- They can only be granted to non-financial enterprises based in Spain.
- The initial duration of the loans must exceed one year.
- At least 50% of the loans must be granted to SMEs, as defined by the European Commission in its recommendation of 3 April 1996.
- The institutions transferring the loans to a securitisation fund must in turn reinvest at least 40% of the proceeds of the sale in granting new loans to SMEs. 50% of such amount must be reinvested within six months and the remaining 50% within one year.

FTPYME Bancaja 1 is the seventh transaction of its kind, but the first since the Spanish sovereign rating was upgraded to **Aaa**. Credit enhancement has been sized so that Class

A1 and A2 reach an original rating of **(P)Aa2**. In accordance with the above-mentioned law, 80% of each of these Classes has obtained the guarantee from the Kingdom of Spain (Class A1(G) and A2(G)), thus reaching a **(P)Aaa** rating.

GOOD QUALITY COLLATERAL ALBEIT CONCENTRATED

On the issue date, the Fondo will use the €600 million received from the issuance of the Notes to purchase a portfolio of loans to SMEs with an outstanding balance of €600 million selected randomly from the provisional portfolio. As of 30 November 2001, the provisional portfolio was made up of 4,916 loans to 4,830 debtors meeting the above criteria.

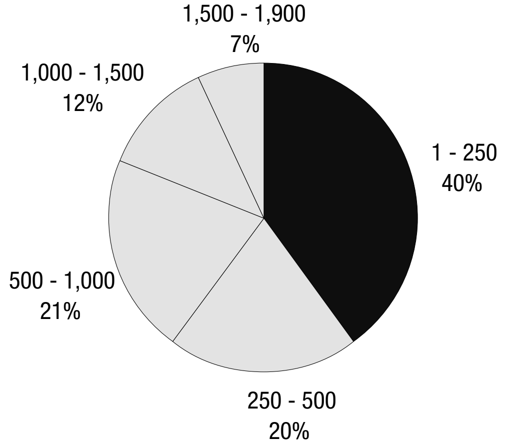
The provisional portfolio is concentrated on both a geographical and a sector basis, with Valencia, Castellón and Alicante accounting for 74.5% of the pool (these are the regions where Bancaja is best established) and almost one third of the portfolio concentrated in the real estate sector. Moody's analysis and rating of the structure factors in these characteristics of the portfolio.

In terms of maturities, on average, the loans have been originated 2.1 years ago and will mature in 8.4 years. 98% of the loans bear variable interest rates and 90% have a standard constant instalment repayment profile.

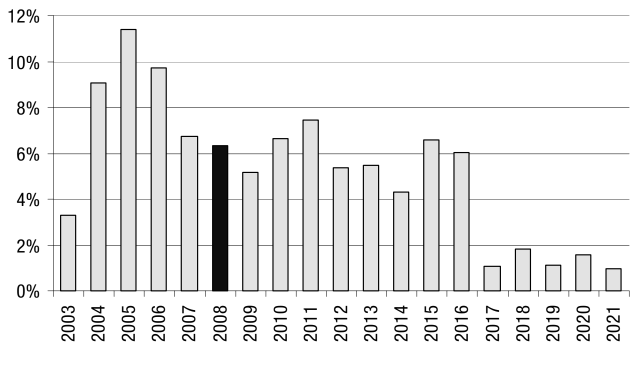
Around 66% of the loans in terms of outstanding are secured by a mortgage, the security interest being transferred directly or indirectly to FTPYME Bancaja 1. The average original loan to value for the secured loan was 65% and the average current loan to value is now 55%. However, most of the unsecured loans benefit from other forms of guarantees.

Pool breakdown by current balance

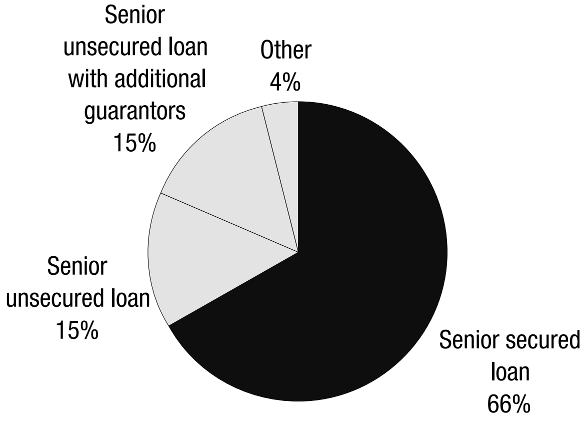
(EUR '000)



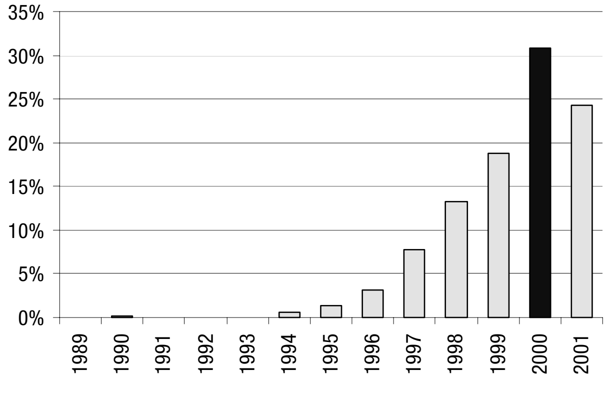
Pool breakdown by maturity



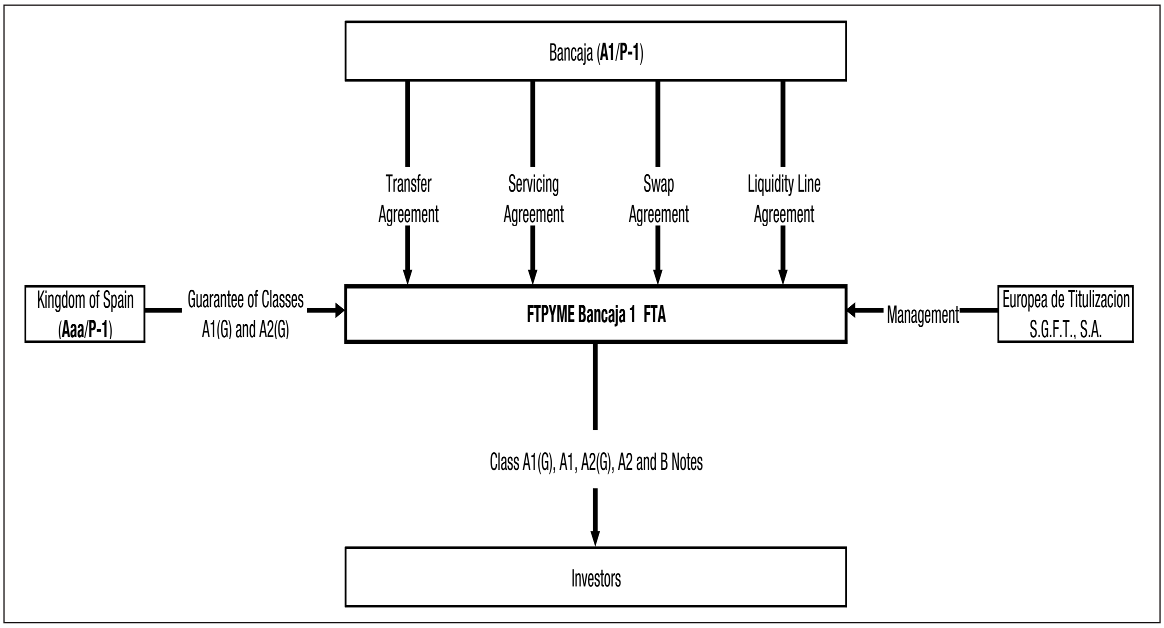
Pool breakdown by guarantee type



Pool breakdown by year of origination



AN ALMOST STANDARD STRUCTURE



On the issue date, Bancaja will sell the loans portfolio to the Fondo. However, Bancaja will still act as servicer, collecting the funds from the loans and being in charge of the recovery process on the delinquent loans. Moody's inspected the operations of Bancaja in Valencia and considers that their collection procedures and their IT systems should make Bancaja a suitable servicer for this transaction.

Funds collected will be allocated through an almost standard order of priority: first, interest is paid, then the reserve fund is replenished and finally principal is repaid. However, three peculiarities should be mentioned: (i) principal payments to Class A Notes are accumulated in an amortisation account until their bullet maturity date, (ii) Class B Notes may be repaid simultaneously to Class A Notes and (iii) payments of Class B interest can be deferred.

Class A Amortisation

Class A Notes are soft bullet. At each payment date, all funds available to the principal repayment of these Classes will be transferred to the amortisation account, held by Bancaja. Actual payments of principal at maturity of each Class will be made out of the funds available in the amortisation account. Should the amount available on this account not be sufficient to fully redeem the relevant Notes, the outstanding principal remaining after such partial repayment will be repaid on a pass-through basis on the following payment dates. Class A Notes can also be redeemed on a pass-through basis if early amortisation triggers are hit (see Early Amortisation Triggers section).

Moody's rating addresses the timely payment of interest and redemption of principal on or before the final legal maturity date (July 2023). The rating does not address full redemption of the Notes on the expected maturity date.

Class B Amortisation

Class B Notes may start to be amortised once their outstanding amount exceeds [10]% of the difference between the outstanding amounts under all Classes minus the monies standing in the amortisation account, so that they represent [10]% of the above difference at any payment date thereafter. Class B amortisation will be interrupted on any payment date if:

1. there is a principal payment shortfall, i.e. funds available are not sufficient to amortise the Notes down to an amount equal to the aggregate outstanding of the loans
2. the aggregate outstanding of the loans more than 90 days past due exceeds [5]% of the then current outstanding amounts under the loans
3. any early amortisation trigger is hit (see Early Amortisation Triggers section)

Class B Interest Deferral

Under particularly stressed scenarios, payment of Class B interest can be brought to a more junior position in the order of priority. Essentially, in the case of (i) the outstanding amounts under loans more than 90 days past due exceeding [6]% of the total outstanding amounts under the loans, or (ii) the outstanding of the loans being lower than the outstanding of Class A Notes (net of the outstanding of the amortisation account), then Class B interest would be paid after partial payment of the principal due.

Early Amortisation Triggers

Should the following triggers be hit, Class A and B Notes will be redeemed on a pass through and a fully sequential basis:

1. the yearly historical prepayment rate exceeds (40%-0.75%*N), N being the number of payment dates since the closing of the transaction; or
2. the ratio of (i) outstanding amounts of performing assets (not more than 90 days in arrears) plus amounts outstanding under the amortisation account to (ii) the Class A Notes outstanding amounts is below [1].

Interest Rate Risk

To hedge the potential mismatch risk between fixed rate and the different floating reference rates of the loans, on the one hand, and the 3-month Euribor reference rate of the Notes, on the other hand, the Fondo will enter into an interest rate swap agreement with Bancaja (**A1**/**P-1**).

The Fondo will pay to Bancaja all the interest received from the portfolio and will receive the maximum of:

1. the sum of (i) a rate equal to 3-month Euribor plus the average interest rate of the Notes as of each payment date plus an additional margin of [60] bppa on a notional equal to the performing loans in the portfolio, plus (ii) the cost of the negative carry due to the cash accumulation mechanism; and
2. the minimum of (a) all the interest received from the portfolio and (b) a rate equal to 3-month Euribor plus the average interest rate on the Notes plus an additional margin of [60] bppa on a notional equal to the outstanding of the loans in the portfolio, plus the cost of the negative carry due to the cash accumulation mechanism.

Given that 2.(b) will always be greater than 1., three situations are therefore possible under the swap:

1. The yield on the entire portfolio 2.(a) is greater than 2.(b): all the interest actually received from the portfolio 2.(a) is higher than 2.(b). Bancaja then pays 2.(b) to the Fondo.
2. The yield on the entire portfolio 2.(a) is lower than 2.(b) but higher than 1. Bancaja leaves all the actual excess spread in the structure by returning to the fund all of the interest it has actually received from the portfolio (2.(a)).
3. The yield on the entire portfolio 2.(a) is lower 1.: all interest received from the portfolio are lower than 3 month Euribor, plus the average margin on the notes plus [60] bppa applied to a notional equal to the outstanding of the performing loans plus the cost of the negative carry due to the cash accumulation mechanism. Bancaja pays 1.

Should Bancaja, as swap provider, be downgraded below **A1,** it will have to cash collateralise its obligation under the swap in an amount satisfactory to Moody's. At loss of **P-1**, Bancaja will have to find a suitably rated guarantor or substitute within 10 business days.

Line of credit

The line of credit will be provided by Bancaja with an amount of [1.75]% of the issuance. The line of credit may start to be amortised once it represents [3.5]% of the difference between the outstanding amounts under all Classes minus the monies standing in the amortisation account, until it accounts for [1]% of the initial issuance. However, the amortisation can occur only in a limited number of favourable scenarios where the amount of performing loans (loans which are not more than 90 days past due) plus the outstanding balance of the amortisation account is higher than [99]% of all the total outstanding of the Notes.

Amounts available on the line of credit will only be used for interest payments during the life of the transaction. The undrawn portion of the line of credit will be available for principal repayment only on the last payment date.

Guarantee of the Kingdom of Spain / Liquidity lines

The Kingdom of Spain will guarantee principal of, and interest on, Classes A1(G) and A2(G). G stands for Guaranteed and refers to the 80% portion guaranteed for originally Aa-rated Notes pursuant to the aforementioned Order. Should the available funds not be sufficient at any payment date to pay interest on Classes A1(G) and A2(G), the Spanish Treasury must cover the shortfall. For principal, the guarantee only covers payment shortfalls to Class A1(G) and A2(G) when the structure is in early amortisation; given the early amortisation triggers described above, no principal payment shortfalls can occur on Class A1(G) and A2(G) prior to the early amortisation of the Notes.

Given that, under the guarantee, the Spanish Treasury may take up to three months to make the funds available to the Fondo, the management company has entered into two Liquidity Agreements with Bancaja (**A1**/**P-1**). Under these agreements, Bancaja will, if necessary, immediately advance up to €[25] million in respect of Class A1(G) and €[18] million in respect of Class A2(G) at each payment date to cover any potential shortfall.

These advances will be repaid out of the funds received from the Spanish Treasury under the guarantee, and the corresponding interest will be paid out from the Fondo's available funds (pari-passu with Class A Notes).

Management company (gestora)

The management company (Sociedad Gestora) has broad powers under the Spanish Securitisation Law. Europea de Titulización SGFT, S.A. has a proven experience in this area, managing a large number of securitisation funds. In addition, the obligations of the management company within the structure are guaranteed by its shareholders .

CREDIT RISK METHODOLOGY

Moody's analysed static pool data provided by Bancaja and derived an average cumulative default rate over 7 years. Moody's assumed that the cumulative default rate follows a lognormal distribution[1]. To determine the credit enhancement needed, Moody's ran a cash-flow model for 500 scenarios of cumulative default rates, tracking the losses and average lives of Classes A and B Notes. Expected losses under each Class of Notes were calculated by weighting the above losses by the probability of each scenario, derived from the above-referred lognormal distribution.

In its analysis, Moody's assumed that 50% of the defaults occur during the first year, and 10% in each of the five subsequent years. Data on recoveries provided by Bancaja were used to derive a recovery rate for defaulted underlying loans. Recoveries are expected to be received by the Fondo two years after the occurrence of a default.

The Kingdom of Spain requires that Notes to be guaranteed up to 80% of its nominal value pursuant to the Order issued in May 1999 be rated Aa. Moody's seized the credit enhancement for this transaction with the aim of reaching an original **(P)Aa2** rating for the Class A Notes and **(P)Baa2** for the Class B Notes.

1 See "The Lognormal Method Applied to ABS Analysis", Special Report, Moody's Investors Service, July 2000

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