Consumo Bancaja 1, Fondo de Titulización de Activos

ABS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of June 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

[29 June 2006]

Lead Analyst

Alberto Postigo
Assitant Vice President – Analyst
+34 91 702-6604
Alberto.Postigo@moodys.com

Backup Analyst

Luis Mozos
Associate Analyst
+34 91 702-6615
Luis.Mozos@moodys.com

Investor Liaison

London

Edward Bowden
Investor Liaison Specialist
+44 20 7772-5454
Edward.Bowden@moodys.com

New York

Brett Hemmerling
Investor Liaison Specialist
+1 212 553-4796
Brett.Hemmerling@moodys.com

Client Service Desk

London: +44 20 7772-5454
csdlondon@moodys.com
Madrid: +34 91 702-6616

Monitoring

monitor.abs@moodys.com

Website

www.moodys.com

PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	(P)**Aaa**	€566.1	94.35	May 20	3mE + [•]%
B	(P)**Aa2**	€14.7	2.45	May 20	3mE + [•]%
C	(P)**A2**	€19.2	3.20	May 20	3mE + [•]%
D	(P)**Caa2**	€12.8/13.5	2.13/2.25	May 20	3mE + [•]%
Total		€612.8/€613.5	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 with respect to the Series A, B and C notes, and for ultimate payment of interest and principal at par with respect to Series D notes, 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

- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- Granular pool
- Extensive historical default and recovery information provided by Bancaja

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 greater expertise.
- A revolving period of up to eight quarters could trigger a decline in the credit quality of the portfolio. This is mitigated by strict eligibility criteria to be complied with by any additional loan, and early amortisation triggers.
- The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C 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:	Consumo Bancaja 1, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Equity floating-rate notes plus revolving period
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 February, 26 May, 26 August, 26 November First payment date: 28 August 2006
Credit Enhancement/Reserves:	Pool spread Reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) accounts
GIC Accounts Provider:	Bancaja
Hedging:	Interest rate swap partially covering the interest rate risk
Interest Rate Swap Counterparty:	Bancaja (fixed to floating) To be determined (floating to floating)
Paying Agent:	Bancaja
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)
Arranger:	Bancaja Europea de Titulización J.P. Morgan Securities Ltd. (JP Morgan)
Lead Managers:	Bancaja JP Morgan BNP Paribas, Spanish Branch

COLLATERAL SUMMARY (AS OF 31 MAY 2006) ***(see page 6 for more details)***

Receivables:	Loans granted to individuals resident in Spain to finance consumer goods and services
Total amount:	€692,680,342
Number of Contracts:	87,541
Number of Borrowers:	84,833
Geographic Diversity:	Valencia (79%), Catalonia (5%), Madrid (4%)
WA Remaining Term:	4.0 years
WA Seasoning:	1.3 years
Interest Basis:	33.2% fixed, 66.8% floating
WA Interest Rate:	6.5%
Delinquency Status:	No loans more than 30 days in arrears at the time of securitisation
Historical Loss Experience:	Default, recovery and prepayments information provided

NOTES

Series	Subordination	Reserve Fund	Total
A	5.65%	2.13% / 2.25%	7.78% / 7.90%
B	3.20%	2.13% / 2.25%	5.33% / 5.45%
C	0.00%	2.13% / 2.25%	2.13% / 2.25%
D	0.00%	[•]	[•]

TRANSACTION SUMMARY

Cash securitisation of consumer loans granted to individuals resident in Spain

Consumo Bancaja 1, FTA (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by Bancaja to individuals resident in Spain for the purpose of financing consumer goods and services. This is the first consumer loan transaction carried out by Bancaja.

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

– A subordinated Series C, rated (P)**A2**

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

– A senior Series A, rated (P)**Aaa**

In addition, the *Fondo* will issue a (P)**Caa2**-rated Series D 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 (as well as fixed-rate loans) on the assets and on the notes sides.

In addition, the *Fondo* will benefit from a €[3.15] 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 87,541 loans and 84,833 borrowers. Given the location of the originator, the pool is concentrated in the Region of Valencia. All the loans hold a personal guarantee. During the maximum two-year revolving period, eligibility criteria and early amortisation triggers have been put in place to ensure that (1) additional pools have similar features to the initial pool; and (2) the purchase of additional receivables ends as the performance of the transaction deteriorates.

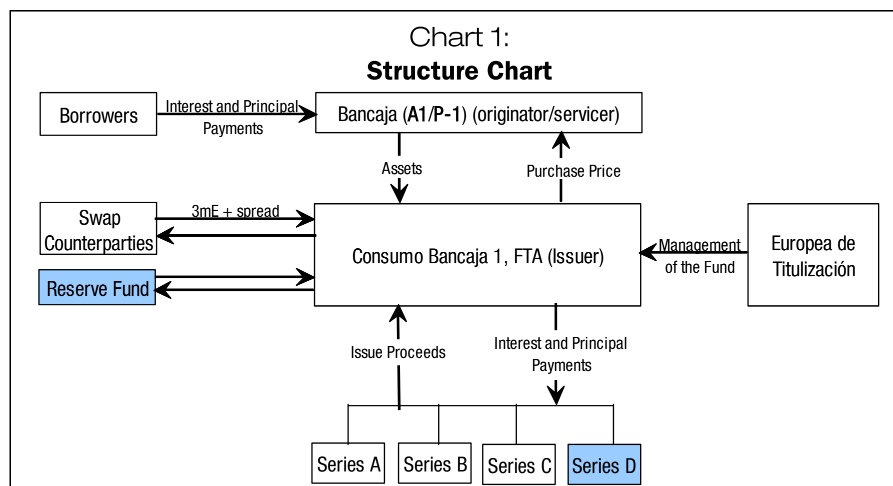
Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) compliance with strict eligibility criteria by any receivable to be included in the securitised pool; (iii) the early amortisation triggers put in place to stop the purchase of additional loans; (iv) historical performance information; (v) the swap agreement partially hedging the interest rate risk; (vi) the credit enhancement provided through the GIC accounts, the pool spread, the cash reserve and the subordination of the notes; and (vii) 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 with respect to Series A, B and C notes, and for ultimate payment of interest and principal at par with respect to Series D notes, on or before the rated final legal maturity date in May 2020.

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

Deal structure incorporating the following key features: (i) a partial hedging of the interest rate risk, (ii) an eight-quarters revolving period, (iii) deferral of interest based on the principal deficiency size, (iv) sequential amortisation of the notes and (v) funding of the reserve fund through the issuance of a series of notes

Chart 1:
Structure Chart



The transaction incorporates two swaps agreements – to hedge the Fondo against the interest rate risk derived from the fixed-rate loans and from the floating-rate loans

Two swap agreements will be used in the transaction to hedge the *Fondo* separately against the interest rate risk derived from the fixed-rate loans and from the floating-rate loans.

The interest rate risk derived from the fixed-rate loans will be hedged through a swap agreement with Bancaja. According to this swap agreement:

- The notional will be the outstanding amount of the fixed-rate loans not more than 12 months in arrears
- Over the notional, on each payment date:
  - The Fondo will pay an annual interest rate equal to 6%
  - Bancaja will pay the index reference rate of the notes plus 200 bppa

The interest rate risk derived from the floating-rate loans will be hedged through a swap agreement with a financial institution with a long-term rating of at least **A1** (the Swap Counterparty, to be determined). According to this swap agreement:

- The notional will be the outstanding amount of the floating-rate loans which have not been written-off.
- Over the notional, on each payment date:
  - The *Fondo* will pay a weighted average of the 12-month Euribor over the past months. The weights for each month are calculated on the closing date and recalculated on each payment date during the revolving period, and will remain constant from the end of this period until the extinction of the *Fondo*. This payment aims to replicate the amount of interest corresponding to the index reference rates that the *Fondo* receives from the floating-rate loans between payment dates.
  - The Swap Counterparty will pay the index reference rate of the notes plus a variable spread.

It is worth pointing out that this latter type of swap does not fully hedge the transaction against the interest rate risk derived from the floating-rate loans, **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 this swap agreement.

In the event of Bancaja or the Swap Counterparty's long-term rating being downgraded below **A1**, it will within 30 days have to (1) collateralise its obligation under the respective swap in an amount sufficient to maintain the then current rating of the notes; and/or (2) find a suitably rated guarantor or substitute. Any failure by Bancaja or the Swap Counterparty to comply with this condition will constitute an event of default under the respective swap agreement.

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

Initially funded with the benefits from the issuance of the Series D notes, the reserve fund will be used to cover any potential shortfall on items (1) to (8) 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 margin of the floating to floating swap as indicated in the following table:

Table 1:

	WA SWAP MARGIN (in %)			
At any point in time, the amount requested under the reserve fund will be the lesser of the following amounts:	**(2.55) – (2.65)**	**(2.65) – (2.75)**	**(2.75) – (2.85)**	**(2.85) – (2.90)**
1) Initial reserve fund amount	€13.5 million	€13.2 million	€12.9 million	€12.8 million
2) The higher of:				
– The outstanding notional balance of Series A to C notes multiplied by	4.50%	4.40%	4.30%	4.27%
– Reserve fund floor	€6.75 million	€6.6 million	€6.45 million	€6.4 million

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

– During the first two 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 going to be funded at its required level on the current payment date.

The 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 this rating fall below **P-1**, it will within 30 days have to perform one of the following actions in the indicated order of priority:

– Find a suitably rated guarantor or substitute.

– Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.

– 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.

During the revolving period, any amount retained as principal due, which is not used on a payment date for the acquisition of loans, will be transferred to a special account held at Bancaja (namely, the principal account), subject to the same triggers than the treasury account. The yield of this account is equal to the weighted average coupon on the notes, thus covering the negative carry created by the amount not dedicated to purchase additional loans.

Limitations on the renegotiation of the loan

The management company authorises Bancaja as servicer to renegotiate the interest rate for the fixed-rate loans, the spread over the index reference rate for the floating-rate loans, 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 interest rate of any fixed-rate loan if the weighted average interest rate of such loans falls below 6%, (2) renegotiate the spread of any floating-rate loan if the weighted average spread of such loans is lower than 300 bppa, or (3) extend the maturity of any loan beyond April 2018. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

– 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 cannot be modified.

Payment structure allocation

At the closing date, the proceeds from the notes will be used to purchase the loans that will form part of the asset pool. The starting expenses and the notes issuance costs will be financed through a subordinated loan granted by Bancaja.

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
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 A
4) Interest payment to Series B (if not deferred)
5) Interest payment to Series C (if not deferred)
6) Retention of an amount equal to the principal due under the notes
7) Interest payment to Series B (if deferred)
8) Interest payment to Series C (if deferred)
9) Replenishment of the reserve fund
10) Interest payment to Series D
11) Principal payment to Series D
12) Termination payment under the swap agreement (except in the cases contemplated in 2) above)
13) 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 amount of written-off loans

The payment of interest on Series B and C 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 series subordinated to it.
– The senior series to it are not fully redeemed.

Principal due to the notes incorporates a 12-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 12 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 and the revolving period

During the revolving period, the principal available funds will be used for the purchase of additional loans to Bancaja. This period will last until the payment date of May 2008, or, if earlier, upon the breach on a payment date of any of the early amortisation triggers, mainly:

1) An insolvency, failure to pay or bankruptcy in respect of Bancaja.
2) The arrears level exceeds 2.25%.

3) The accumulated amount of written-off loans since closing exceeds a target that is derived from the straight line interpolation between 0% and 2.75%.

4) The cash reserve is not going to be funded at the required level.

5) The outstanding amount of the non-written-off loans is less than:
   - 90% of the outstanding amount of the notes after the purchase on the two previous payment dates.
   - 80% of the outstanding amount of the notes after the purchase on the previous payment date.

6) Bancaja ceases to be the servicer of the loans.

7) There is a termination under the swap agreement and no replacement, guarantor or alternative solution is found within 15 days.

8) A change in the Spanish fiscal regulation which makes the sale of additional assets too cumbersome for Bancaja.

Loans to be acquired during the revolving period will be purchased at par and will have to comply with the eligibility criteria (see “Collateral” section). At any point in time, the outstanding amount of loans cannot be greater than €600 million

Following the termination of the revolving period, the principal available funds will be used for the amortisation of the notes on a fully sequential basis and by order of seniority.

COLLATERAL

Portfolio of loans granted to individuals to finance consumer goods and services, highly concentrated in the Region of Valencia

The portfolio will consist of loans granted to individuals resident in Spain for the purpose of financing consumer goods and services, and will have been originated by Bancaja in its normal course of business. The loans (both the initial and the additional loans) will have to comply with the following criteria:

- Debtors are not Bancaja employees.
- The loans have paid at least one instalment.
- The loans will amortise through monthly instalments, paid by direct debit.
- No loan incorporates any type of balloon payments or deferred payments of interest or principal.
- The outstanding amount of any loan is less than €90,000.
- No loan will mature later than April 2018 (2 years before the Legal Final Maturity date).
- The pool will not include lease contracts
- All the floating-rate loans are referenced to 12-month Euribor or 12-month Mibor, have a revision period equal to 12 months and do not have a limit in the maximum interest rate applicable
- 100% of the principal of the loans has been drawn
- All the loans hold a personal guarantee

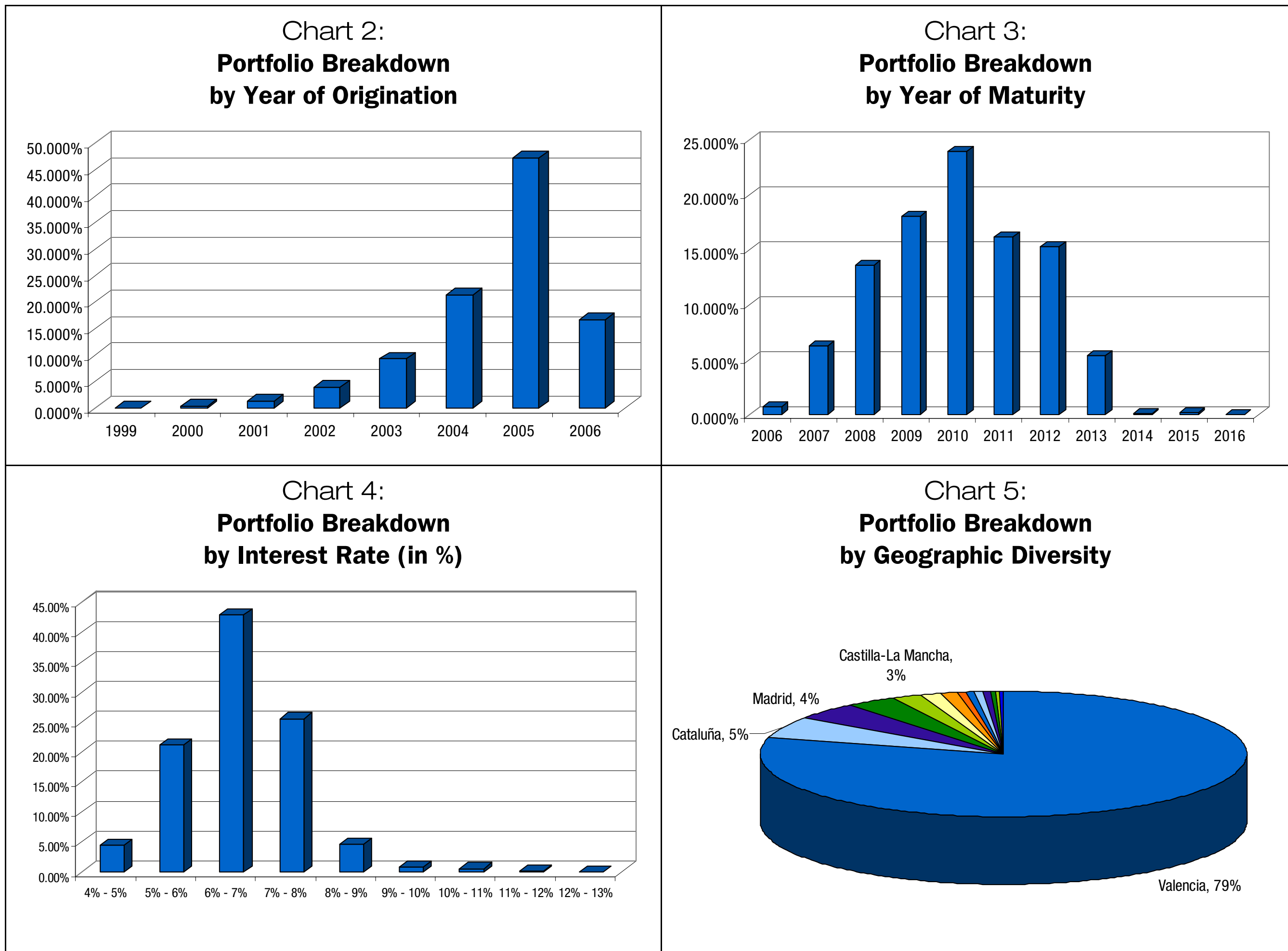
Additionally, the loan purpose for the additional loans has to be the same than those corresponding to the loans initially securitised.

The originator guarantees that, as of the transfer date, none of the loan agreements will have been breached. Additionally, on that date, there will be no amounts more than 30 days past due under any of the transferred loans.

Initial portfolio

As of May 2006, the provisional pool comprises 87,541 loans and 84,833 borrowers, for a total amount of €693 million. The loans were originated between 1999 and March 2006, with a weighted average seasoning of 1.3 years and a weighted average remaining life of 4.0 years. The loan of longest duration matures in April 2016. 33% of the loans bear a fixed interest rate (with a weighted average interest rate of 6.9%), while the remaining 67% are floating-rate loans (with a weighted average interest rate of 6.4%).

In terms of debtor concentration, the pool is very granular: the largest debtor represents 0.015% of the issuance amount.



Global eligibility criteria for the additional pools

In addition to the individual criteria mentioned above, the combination of the existing loans and the new loans will have to comply with the following criteria after each purchase date:

- The weighted average interest rate for the fixed-rate loans is at least equal to 6%.
- The weighted average margin for the floating-rate loans is at least equal to 3%
- Fixed-rate loans shall not represent more than 40% or less than 20% of the outstanding amount of the pool
- The weighted average remaining term is less than 5.5 years
- The sum of all the debt corresponding to the same borrower shall be less than €100,000.
- The sum of all the debt corresponding to borrowers with a representation in the pool higher than €40,000 does not exceed 6% of the outstanding amount of the pool.

Just for the loans included in each additional pool, an eligibility criterion has been set to guarantee a minimum weighted average seasoning of two months.

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 4% (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 23% in lending in 2005. 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 March 2006, 43% 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 the other 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 March 2006, the NPL ratio of 0.57% outside the Valencia region was not materially different from the 0.53% within the Valencia region. On global terms, the 0.55% NPL ratio in March 2006 was down by 1.5% from 0.56% in March 2005. 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, the tourism sector, 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.

In terms of the Spanish securitisation market, Bancaja was one of the most active players during 2005, with a total issuance amount of €4.5 billion through four transaction. This is the third transaction launched by Bancaja in 2006 so far.

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 new 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, intervention by the Bank of Spain or simply because the management company considers it appropriate – to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should the relevant originator 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.

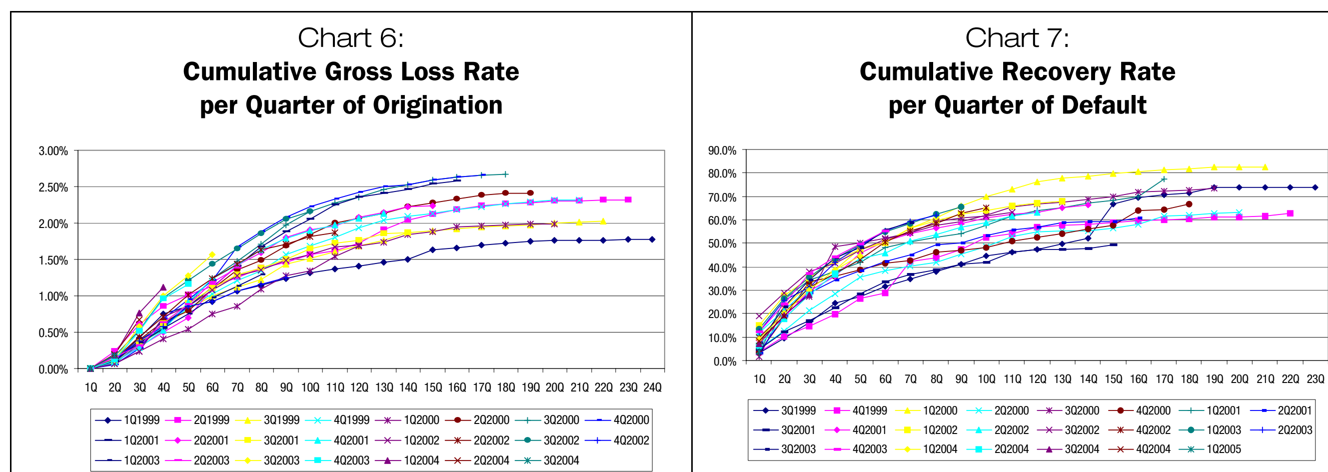
Management Company

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, S.A. (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 53 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach based on mean default and recovery rate estimations

Moody's based its analysis on the historical performance of sample pools similar to the pool being securitised. The main parameters for the default rate (mean and standard deviation) were derived from historical data, and later adjusted for (1) the seasoning of the portfolio (with different assumptions for the initial and additional pools), (2) an expected less favourable macro-economic environment and (3) other qualitative aspects. It is important to note that a loan has been considered as 'defaulted' after 180 days past due. Assumptions for recoveries, delinquency and prepayments were also derived from historical information.



Moody's used an expected loss methodology that reflects the probability of default for each series of notes times the severity of the loss expected for each series of notes. For the purposes of this analysis, gross losses were assumed to be lognormally distributed, with a mean of 2.71% and a standard deviation of 0.68% for the initial pool, and a mean of 2.96% and a standard deviation of 0.74% for the additional pools.

On the basis of this distribution as well as other assumptions for recoveries, delinquency and prepayments, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduces all deal-specific characteristics. The sensitivity to a variation in the initial assumptions was also tested. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes which, combined with each series' expected average life, is consistent with the provisional ratings assigned.

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 rating of the notes depends 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 its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

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:

- **Special Report**: "Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread", January 2004
- **Rating Methodology**: "The Lognormal Method Applied to ABS Analysis", July 2000

SF76258isf

© Copyright 2006, Moody's Investors Service, Inc. and/or its licensors and affiliates including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved. **ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.** All information contained herein is obtained by **MOODY'S** from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and **MOODY'S**, in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall **MOODY'S** have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of **MOODY'S** or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if **MOODY'S** is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by **MOODY'S** have, prior to assignment of any rating, agreed to pay to **MOODY'S** for appraisal and rating services rendered by it fees ranging from $1,500 to $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Moody's Investors Service Pty Limited does not hold an Australian financial services licence under the Corporations Act. This credit rating opinion has been prepared without taking into account any of your objectives, financial situation or needs. You should, before acting on the opinion, consider the appropriateness of the opinion having regard to your own objectives, financial situation and needs.