

RURALPYME 1 FTPYME, Fondo de Titulización de Activos

Multioriginator SME Loans 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 October 2004. 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 **prospective** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.

CLOSING DATE:

[November 2004]

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RATINGS

Series	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A1	(P)Aaa	€134,100,000	62.71%	Dec 2035	May 2033*
A2(G)	(P)Aaa	€53,700,000	25.09%	Dec 2035	May 2033*
B	(P)A2	€14,600,000	6.80%	Dec 2035	May 2033*
C	(P)Baa3	€7,200,000	3.35%	Dec 2035	May 2033*
D	(P)Ba1	€4,400,000	2.05%	Dec 2035	May 2033*
Total		€214,000,000	100%		

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. The rating does not address full redemption of the Notes on the expected 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.

* Expected Maturity is the latest loan maturity date

OPINION

Strengths of the Transaction

- Credit enhancement provided by the excess spread, a reserve fund and the subordination of the notes
- Basis Swap provided by Banco Cooperativo (A2/P-1).
- Excess spread-trapping mechanism through a 18-month "artificial write-off"
- Guarantee of the Kingdom of Spain for the Series A2(G) notes
- 100% of the loans pay via direct debit

Weaknesses and Mitigants

- Limited historical information
- Limited excess spread in the transaction, although the reserve fund and the subordination have been sized accordingly
- Borrower concentration (the largest debtor represents 1.43% of the issuance), although the default distribution curve has been sized accordingly
- Most of the loans are subject to an interest rate CAP (this risk being mitigated by the interest rate swap)
- Pro-rata amortisation of the Series B, C and D lead to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes should the performance of the transaction deteriorate.



STRUCTURE SUMMARY

Issuer:	RURALPYME 1 FTPYME, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Servicer:	CAIXA POPULAR-CAIXA RURAL S.C.C.V., CAIXA RURAL DE BALEARS S.C.C., CAJA RURAL DE ARAGÓN C.C., CAJA RURAL DE NAVARRA S.C.C., CAJA RURAL DE TERUEL S.C.C., CAJA RURAL DE ZAMORA S.C.C. y CAJA RURAL DEL MEDITERRÁNEO, RURALCAJA, S.C.C
Interest Payments:	Quarterly on each payment date
Principal Payments:	Notes will amortise on a pass-through basis Final maturity will take place in Dec 2035
Payment Dates:	21 March, 21 June, 21 September and 21 December
Issue Price:	100%
Credit Enhancement/Reserves:	[4.90%] Reserve Fund Subordination of the notes Guarantee of the Kingdom of Spain (Aaa/P-1) for Series A2 (G)
Liquidity Facility Provider:	N/A
Hedging:	Interest rate swap to cover interest rate risk
Interest Rate Swap counterparty:	Banco Cooperativo
Paying Agent:	Banco Cooperativo
Management Company (Gestora):	Europea de Titulización S.G.F.T., S.A.
Arrangers/Lead Managers:	Banco Cooperativo, Calyon, DZ Bank

PROVISIONAL POOL (AS OF OCTOBER 2004)

Collateral:	Loans to Spanish enterprises, 100% of which are granted to small- and medium- sized enterprises (SMEs) as defined by the European Commission in Recommendation
Number of Contracts:	2,201
Number of Debtors:	1,888
Geographic Diversity:	Region of Navarra (34%), Aragón (27%), Castilla León (9%)
WA Seasoning:	2.51 Years
WA Remaining Term:	9.5 years
Average Loan Size:	€116,443
Highest Debtor:	€3,603,036
Delinquency Status:	No loans more than 30 in arrears at the time of securitisation
WA Interest Rate (current):	3.58%
Interest Basis:	100% floating
Total Amount:	€265,291,083

An SME loans transaction with a Kingdom of Spain guarantee

OVERVIEW

In light of the considerable success achieved by the FTPYME programme since it was created in 1998, the Spanish Ministry of Economy has established a budgetary endowment, amounting approximately €1.8 billion, for the current year, the fourth time the Ministry has made such an endowment. The legal framework has not experienced any change since it was last modified in April 2003. The following is a summary of its principal conditions:

- 1) Securitised assets must be loans (i) originated by institutions that have previously signed an agreement with the Ministry of Economy, (ii) granted to non-financial enterprises based in Spain and (iii) with an initial duration of more than one year.
- 2) At least 80% of the loans must be granted to SMEs (as defined by the European Commission in Recommendation).
- 3) The institutions transferring the loans to an FTPYME must in turn reinvest the proceeds of the sale in granting new loans (such loans complying with conditions (1) and (2) above). The rules specify that 50% of such amount must be reinvested within six months and the remaining 50% within one year.
- 4) The Kingdom of Spain will guarantee interest and principal payments on up to 80% of **Aa**-rated securities. Significantly, the guarantee is fully binding for the Kingdom of Spain.

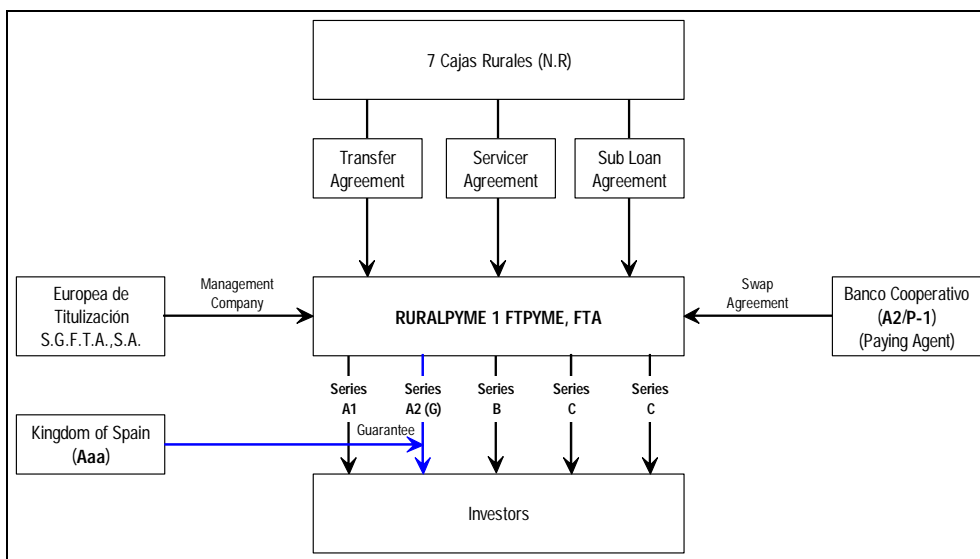
As on previous occasions, the budgetary endowment has been allocated in full among various Spanish financial institutions, with the respective FTPYME securitisation funds expecting to close by the end of the year.

First SME transaction launch by Rural Group

This is the first transaction backed by loans granted to Small and Medium Enterprises (SME) launch by Rurales. However Rurales saving banks have already originated six RMBS transactions in the past. This deal has been originated with loans from small credit co-operatives whose main activities comprise lending to the agricultural sector. Originally, the Rural group's main activity focused on covering the needs of the agricultural sector. However, the development and the expansion of the financial sector due to the growth of the Spanish economy and low interest rates has facilitated the group to grow beyond its initial client base.

STRUCTURAL AND LEGAL ASPECTS

Transaction diagram



Structure that incorporates the guarantee of the Kingdom of Spain with a neutral effect for the subordinated series

Through this deal, 7 unrated originators are selling a portfolio of loans to RUALPYME 1 FTPYME (the “Fondo”), which in turn will issue five series of notes to finance the purchase of the loans (at par). The capital structure consists of:

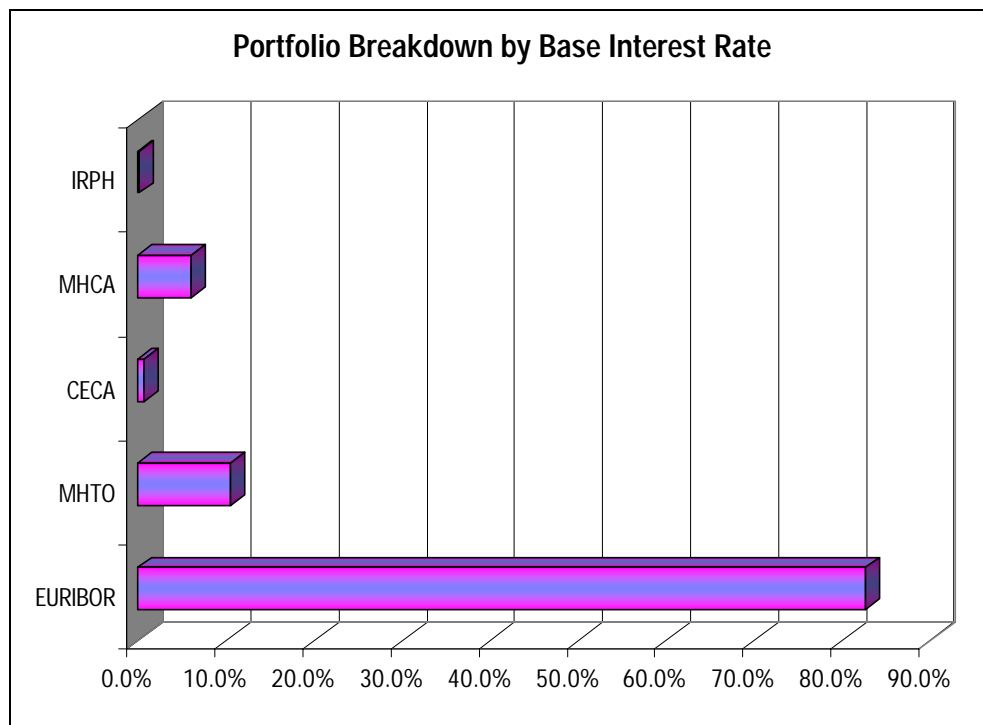
- A subordinated Series D rated (P)**Ba1**
- A subordinated Series C rated (P)**Baa3**
- A mezzanine Series B rated (P)**A2**
- A senior tranche 1 composed of two (P)**Aaa**-rated series: (1) a senior Series A1, and (2) a senior Series A2(G).

Each series of notes is supported by the series subordinated to itself, a cash reserve and the excess spread. The swap agreement will hedge the *Fondo* against the risk derived from having different index reference rates on the assets and notes.

In addition, the *Fondo* will benefit from a subordinated loan provided by the originators to fund the starting expenses and the notes issuance costs.

Basis Swap

To hedge the potential mismatch risk derived from the different index reference rates on the assets side and the notes side, the Fondo will enter into a swap agreement with Banco Cooperativo (**A2/P1**). Under the agreement, the index reference rates on the underlying loans are exchanged against the index reference rate on the notes.



In the event of Banco Cooperativo’s long-term rating being downgraded below **A1**, it will have 30 days to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes or (2) find a suitably rated guarantor or substitute.

Reserve fund to help the Fondo meet its payment obligations

The reserve fund will be used to cover potential shortfalls on interest or principal on an ongoing basis.

At every point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

1. [4.90%] of the initial balance of the notes
2. The higher of the following amounts:
 - [9.80%] of the outstanding balance of the notes
 - [2.45%] of the initial balance of the notes

The amortisation of the reserve fund will cease if either of the following scenarios occur:

- The amount of loans more than 90 days but less than 18 months in arrears exceeds [1.00%] of the outstanding principal balance of the portfolio.
- The reserve fund is not funded at its required level on the previous payment date.

In addition, the reserve fund will not amortise during the first 3 years of the transaction.

Treasury Account will be held at Banco Cooperativo

The proceeds from the loans, any amount received under the swap agreement, the reserve fund and any amount received from the Spanish Treasury will be deposited in the treasury account. All of the payments under the loans in the portfolio are collected by the originators under a direct debit scheme and are paid directly to each originator. The originators must transfer all the amounts received from the loans to the issuer's treasury account held by Banco Cooperativo (**A2/P-1**) on a daily basis.

Moody's has set up some triggers in order to protect the treasury account from the possible downgrade of the short-term rating of Banco Cooperativo. Should Banco Cooperativo's short-term rating fall below **P-1**, it will have to perform any of the following actions in the indicated order of priority within 10 business days:

- 1) Find a suitably rated guarantor or substitute.
- 2) Invest the outstanding amount of the treasury account in securities issued by a **P-1** rated entity.

Banco Cooperativo guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less [6]b.p.p.a.

Payment structure incorporates the reimbursement of the guarantee 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 treasury account) will be applied in the following simplified order of priority:

1. Cost and fees, excluding servicing fee
2. Any amount due under the swap agreement (except termination payments if Banco Cooperativo defaults under the swap agreement)
3. Interest payment to Series A1, and A2(G) notes and reimbursement of any amount obtained from the Kingdom of Spain on previous payment dates to cover the potential shortfall on interest payment to Series A2(G) notes
4. Interest payment to Series B notes
5. Interest payment to Series C notes
6. Interest payment to Series D notes
7. Retention of an amount equal to the principal due under the notes
8. Replenishment of the reserve fund
9. Termination payments under the swap agreement following Banco Cooperativo default.
10. Junior expenses

The principal due to the notes incorporates a 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 principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes and (2) the difference between (i) the outstanding amount of the portfolio and (ii) the outstanding amount of the loans with any amount due but unpaid for more than 18 months (or before if the debtor is declared bankrupt or the management company considers that there are no reasonable expectations of recovery under such loan).

Allocation mechanism of the principal due

Until the payment date on which the outstanding amount of Series B, Series C and D notes exceeds [13.60%], [6.70%] and [4.10%] of the outstanding amount under all series, respectively, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

1. Amortisation of Series A1 notes
2. Amortisation of Series A2(G) notes once Series A1 notes are fully amortised
3. Reimbursement to the Spanish Treasury of any amount used to cover any potential shortfall on Series A2(G) principal payments

Nevertheless, the amount retained as principal due will be, pro-rata, distributed among these three items on the payment dates on which the outstanding amount of Series A notes is equal to or greater than the sum of (1) the accumulated amount of notes amortisation retained on previous payment date (2) the outstanding amount of performing loans (including loans up to 90 days in arrears).

Once Series B, C and D start to be amortised, the amount retained as principal due will be pro-rata distributed between:

1. Amortisation of Series A (A1 and A2(G) notes jointly) and reimbursement of any amount due to the Spanish Treasury which has been used to cover any potential shortfall on principal payment to Series A2(G). This amount will be distributed according to the above order of priority
2. Amortisation of Series B
3. Amortisation of Series C
4. Amortisation of Series D

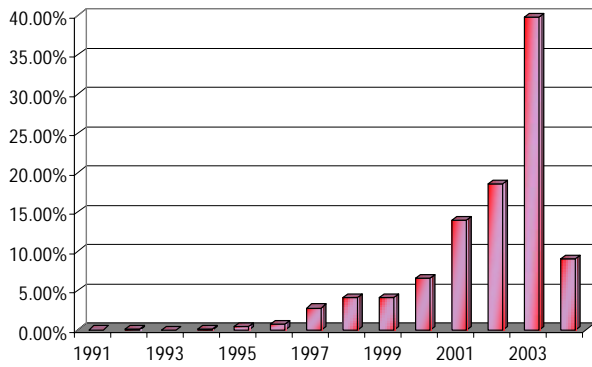
Thus, the percentages indicated above for Series B, C and D are kept at any payment date thereafter. Nevertheless, amortisation of Series B, C or D will cease if any of the following events occur:

Series B	Series C	Series D
The outstanding amount of loans more than 90 days but less than 18 months past due is higher than 1.5% of the outstanding amount of the asset pool	The outstanding amount of loans more than 90 days but less than 18 months past due is higher than 1% of the outstanding amount of the asset pool	The outstanding amount of loans more than 90 days but less than 18 months past due is higher than 1% of the outstanding amount of the asset pool
The cash reserve is not funded at its required The outstanding amount of the pool is lower than 10% of its initial amount The pro-rata amortisation of tranche A		

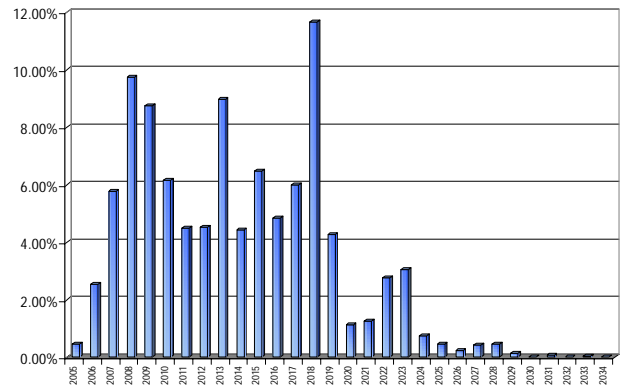
COLLATERAL – REFERENCE PORTFOLIO

As of October 2004, the provisional portfolio will comprise 2,201 loans totalling €256,291,083. The loans have been originated between 1991 and 2004, with a weighted average seasoning of 2.5 years and a weighted average remaining life of 9.5 years.

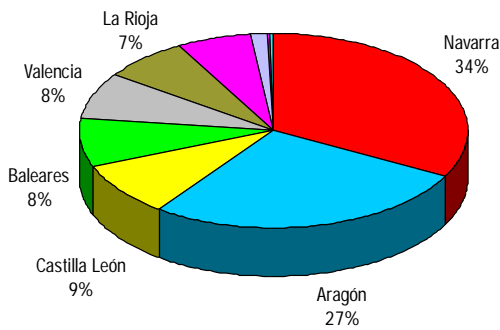
Portfolio Breakdown by Origination



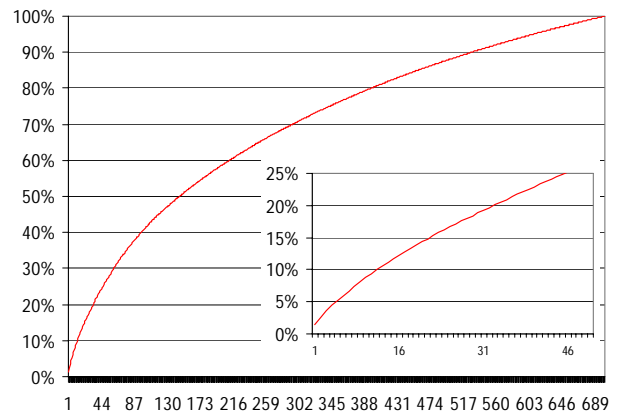
Portfolio Breakdown by Maturity



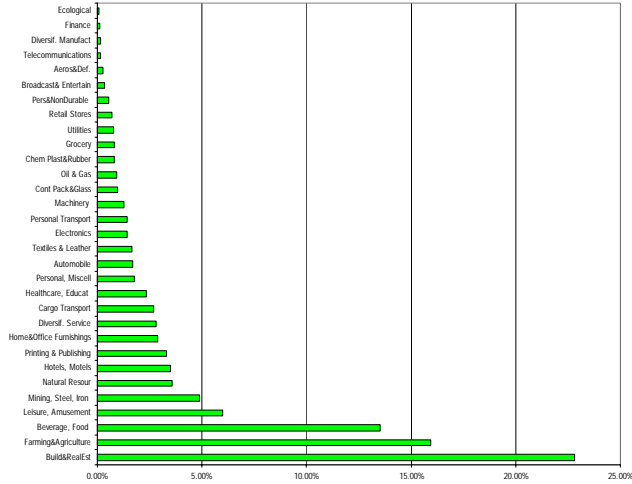
Portfolio Breakdown by Region



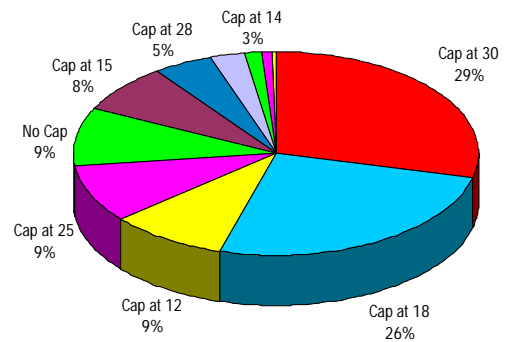
Pool Concentration



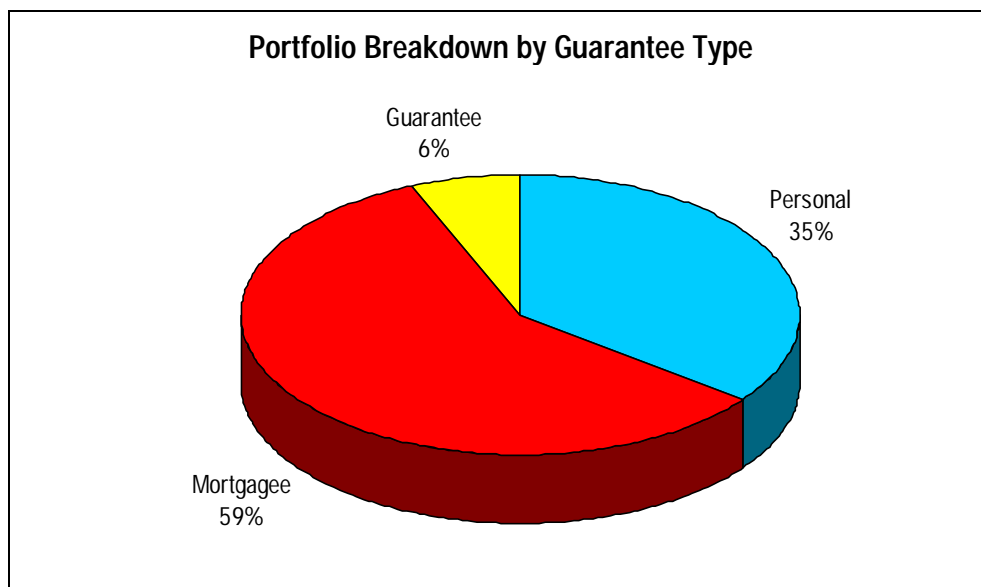
Portfolio Breakdown by Industry



Portfolio Breakdown by Interest Rate Cap



Geographically the pool is concentrated in the region of Navarra (34%), Aragón (27%) and Castilla León (8%). Around 23% of the portfolio is concentrated in the real estate sector according with Moody's industry classification.



The loans are referenced to Euribor/Mibor (80%), and MTHO (10%). The weighted average current interest rate is 3.58%. Around 59% of the portfolio is composed of loans secured by a mortgage and 35% of the portfolio secured by personal guarantees.

Renegotiations subject to Gestora's approval

Any renegotiation of the terms and conditions of the loans is subject to the *gestora's* approval. Exceptionally, the *gestora* may authorise the originators to renegotiate the interest rate or the maturity of the loans subject to the following conditions:

1. If the weighted average margin of the loans is less than 0.80% calculated over each index rate.
2. 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.
3. The maturity of any loan cannot be postponed later than 15 May 2033.
4. The frequency of payments cannot be decreased.
5. The Amortisation profile cannot be modified..

ORIGINATOR, SERVICER AND MANAGEMENT COMPANY

Originators

The Cajas Rurales group is present in almost every region in Spain and has assets totalling €16 billion. The group currently comprises 75 savings institutions and co-operative institutions. Moody's believes each originator is capable of fulfilling its servicing obligations in the transaction

Banco Cooperativo Español (A2/P-1)

Banco Cooperativo's main objective is not to maximise profits but to be an all-round service provider to the Cajas Rurales, with the aim of strengthening the competitive advantages of this sector which accounts approximately for 5% of Spain's financial system. The bank is currently owned by [•] Cajas Rurales in Spain, which are associated under a federal model. German co-operative central bank DZ Bank (A2/P-1/D) also has a 15% ownership stake in Banco Cooperativo.

Management Company

The management company (*gestora*), Europea de Titulización, is an experienced company in the Spanish securitisation market. BBVA accounts for 83% of the *gestora's* capital. 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%).

Moody's used a Monte-Carlo simulation to derive the default distribution of the portfolio

MOODY'S ANALYSIS

Given the number of assets and size of the exposures in the portfolio (see Collateral – Reference Portfolio section), Moody's derived the gross loss distribution curve through a two-factor Monte-Carlo approach, rather than assuming that it follows a given general density law.

Two basic parameters needed to be assessed as main inputs for the model are as follows:

- The default probability of each single entity
- The correlation structure among the different industries represented in the portfolio

As regards the default probability assumed for the underlying obligors, and due to the lack of historical information, Moody's used other sources of data and qualitative aspects, retaining a final value around a mean of 5.10%.

As regards the correlation structure that takes into account the portfolio specificities, Moody's split the portfolio into 33 different industries and, with the purpose of reflecting the diversity shown by the exposures in the securitised portfolio, Moody's made different assumptions, both for the asset correlation within one industry and between assets in different industries (the two factors in the Monte-Carlo model).

The Monte-Carlo simulation was then run, incorporating each exposure's size, default probability and implied asset correlation, thus giving an outcome equal to the default probability distribution for the portfolio.

On the base of this distribution as well as other assumptions for recoveries, delinquency and prepayments, and 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 ratings assigned.

Structural Analysis

As part of Moody's structural analysis, we consider how the cash flows generated by the collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.

The excess spread, together with the line of credit and the subordination of the various classes, provides a credit enhancement that is sufficient to achieve expected losses that, combined with each class's expected average life, are consistent with the range of the prospective ratings of the notes.

Legal Analysis

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

RATING SENSITIVITIES AND MONITORING

Europea de Titulización, S.G.F.T, S.A, in its capacity as management company, will prepare quarterly 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

Visit Moody's.com for more 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: "Moody's Spanish SME Loan-Backed Securities Index", April 2004
- RATING METHODOLOGY: "FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme", October 2003

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