RMBS/CMBS/Spain
Presale Report

Rural Hipotecario Global I, FTA

Expected Ratings*

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A	1,008.1	January 2039	AAA	6.55
B	36.3	January 2039	A	3.15
C	8.0	January 2039	BBB+	2.40
D	12.8	January 2039	BB	1.20
E	12.8	January 2039	CC	n.a.

]

Analysts
Gustavo Celi
+44 20 7862 4075
gustavo.celi@fitchratings.com

Pablo Perez
+44 20 7417 4263
pablo.perez@fitchratings.com

Performance Analytics
Charlotte Eady
+44 20 7417 3523
sf_surveillance@fitchratings.com

* Expected ratings do not reflect final ratings and are based on information provided by issuer as of 17 October 2005 and subject to final documentation.

■ Summary

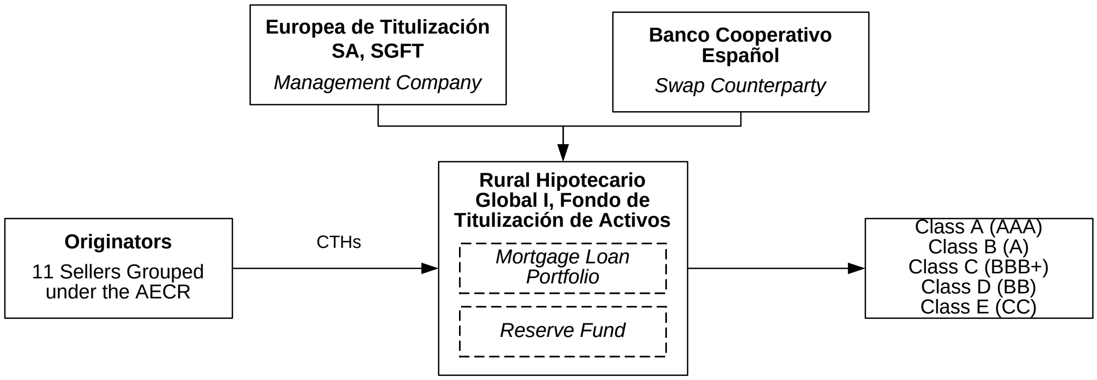
This transaction is a securitisation of first-ranking residential (75%) and commercial (25%) mortgage loans originated and secured on properties located in Spain. Fitch Ratings has assigned expected ratings to the notes to be issued by Rural Hipotecario Global I, FTA ("Rural Hipotecario Global I", "the fund") as indicated at left.

At closing, Rural Hipotecario Global I will issue notes backed by a portfolio of residential and commercial mortgage loans ("the collateral") originated by 11 sellers, which will continue to service the mortgages. The fund is regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to transform the mortgage certificates (*certificados de transmision de hipotecas* or "CTHs") acquired from the sellers into fixed income securities. The certificates will be subscribed by Europea de Titulización S.A. S.G.F.T. ("the *sociedad gestora*"), a corporation whose activities are limited to the management of asset-backed notes on behalf of the fund.

The collateral was originated by 11 sellers: Caixa Rural de Balears, S.C.C.; CajaCampo, Caja Rural, S.C.C.; Caja Rural Central, S.C.C.; Caja Rural de Albacete, S.C.C.; Caja Rural de Aragon, S.C.C.; Caja Rural de Asturias, S.C.C.; Caja Rural de Extremadura, S.C.C.; Caja Rural de Granada, S.S.C. ("CRG"); Caja Rural de Teruel, S.C.C.; Caja Rural de Zamora, C.C.; Caja Rural del Mediterráneo, Ruralcaja, S.C.C. ("RC", rated 'A-(A minus)/F2') (together "the sellers" or "the *cajas*"). These entities are grouped, with others, under the Asociación Española de Cajas Rurales ("AECR"), which offers them a wide range of wholesale and retail banking services through Banco Cooperativo Español ("Cooperativo"), among others. Cooperativo is rated 'A/F1' and its main role is as a central treasurer and financial adviser. For more information on Spanish rural banks, please see Fitch's report entitled "*Spanish Rural Co-operatives: A Small but Respectable Place in Spanish Banking*", dated 30 April 2004 and available at www.fitchresearch.com

Initial credit enhancement ("CE") for the Class A notes, totalling 6.55%, will be provided by the Class B, C and D notes and the reserve fund. Initial CE for the Class B notes, totalling 3.15%, will be provided by the Class C notes and the reserve fund. CE for the Class C notes, totalling 2.40%, will be provided by the Class D notes and the reserve fund. CE for the Class D notes, totalling 1.20%, will be provided by the reserve fund. The Class E notes issued to finance the cash reserve fund will be subscribed by the seller. The reserve fund will be fully funded at closing. The Class E notes are ultimately likely to default and the expected ratings assigned to the Class E notes are supported by the expected recovery rate for noteholders, i.e. the amounts investors are expected to receive during the life of the transaction.

Structure Diagram



Source: Transaction documents

To determine appropriate levels of CE, Fitch analysed the collateral using a loan-by-loan mortgage default model specific to Spain. The agency also modelled the cash flow contribution from excess interest using, as its input, the stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available CE into account, can withstand loan losses at a level corresponding to the related stress scenario according to the terms and conditions of the documentation.

Credit Committee Highlights

- The reference portfolio consists of 15,077 mortgage loans and 14,811 borrowers (of which 90.5% by value are individuals, and the rest (9.5%) are commercial entities mainly small- and medium-sized enterprises). Approximately 75% of the loans (by value) are residential and the remaining 25% are commercial, according to Fitch's calculations.

- The loans in the portfolio are secured by a variety of properties: residential properties (80.78%), retail outlets (8.74%), industrial warehouses (4.14%), farms (2.06%), office space (1.44%) and land (2.83%). Furthermore, some 18.51% of the loans in the provisional pool are secured by two or more properties (including combinations of residential and commercial properties) where, according to the Law 124/1946 governing mortgages markets in Spain, the borrower can release part of the collateral to maintain the original loan to value ratio ("LTV").

- To mitigate the incremental risk associated with certain loans and collateral, the agency conducted the following stresses:

— the default probability was increased for the following loans:

a. loans to self-employed borrowers (12.96% of the pool by loan value according to Fitch's calculations);
b. second home loans financed by residential mortgages (16.26% of the pool by loan value according to Fitch's calculations);
c. commercial mortgages granted to individuals and small- and medium-sized enterprises for the purpose of financing their business activities (25% of the pool by loan value);
d. delinquent loans included in the pool (7.29% of the pool by value);
e. loans secured on property in Andalusia and the Comunidad Valenciana (please see below);

— a recovery rate was estimated on a loan-by-loan basis, the market value decline ("MVD") factor was increased for:

f. commercial properties in accordance with Fitch's commercial mortgage-backed securities ("CMBS") methodology. No credit for property price indexation was given to such properties (19.22% of the pool by loan value according to Fitch's estimates);
g. Illiquid properties (indexed property value lower than EUR90,000 and higher than EUR450,000);
h. Adjustments for a percentage of VPO (*Viviendas de Proteccion Oficial* please also give translation) properties included in the pool (around 3.25% maximum).

Please see **Credit Analysis** for further details.

- The loans included in the portfolio bear interest referenced to different indices – the six-month or 12-month European Interbank Offered Rate ("EURIBOR"), the Madrid Interbank Offered Rate ("MIBOR") or the IRPH (Indice de Referencia de Prestamos Hipotecarios) index – while the interest on the notes is based on the three-month EURIBOR. The interest rate risk is mitigated by a swap agreement between Rural Hipotecario Global I and Cooperativo.

- The transaction involves 11 sellers, one of which is rated by Fitch. To mitigate the commingling risk that may arise, the *cajas* will transfer the amounts collected from the portfolio to an account opened in the name of the fund at Cooperativo on a daily basis. The reserve fund amount is sufficient to cover a conservative 15-day holding period that may be required to notify obligors and provide them with new payment instructions upon the insolvency of the non-rated sellers in the transaction by collateral value sizing the tranches accordingly.

- The sellers involved in the transaction have carved a small but respectable niche in their respective local regions. As a result, the provisional pool has some geographical concentration by value in Andalusia (18.32%) and the Comunidad Valenciana (51.28%). To guard against local risks, Fitch has increased the default probability of such loans by 10%. However, the pool is highly granular with an current average loan per borrower amount of EUR79,789 whilst the largest loan in the pool is EUR901,500.

- The provisional portfolio has a weighted average original loan-to-value ratio ("WA OLTV") of 69.9%. The WA seasoning of the provisional pool is 24 months. These factors drive the weighted average indexed current loan-to-value ratio ("WA Indexed CLTV") of 57.6%.

- The expected ratings address the likelihood that interest on the notes will be paid according to the terms and conditions of the documentation (subject to a deferral trigger for the Class B, C and D notes) and that principal will be repaid by legal final maturity in January 2039.

- Based on Fitch's scenario analysis, default is probable for the Class E notes due to its structural characteristics. The expected rating on the Class E notes is supported by the expected recovery rate of outstanding principal and accrued interest, i.e. the amounts noteholders are expected to receive during the life of the transaction.

■ Financial Structure

The Class A, B C and D notes will pay interest quarterly in arrears based on the three-month EURIBOR rate plus a margin. Cooperativo will act as the paying agent, servicing the notes.

The mortgages will continue to be serviced by the sellers, acting as the administrators. The sellers will transfer amounts received from the mortgages on a daily basis by into the fund's treasury account. Amounts standing to the credit of the treasury account will receive a guaranteed interest rate equal to three-month EURIBOR minus a spread. If Cooperativo's Short-term rating falls below 'F1', the s*ociedad gestora* must take one of the following steps within 30 working days:

1. appoint a counterparty, rated at least 'F1', to guarantee Cooperativo's obligations under the treasury account agreement; or
2. transfer the treasury account to a counterparty rated at least 'F1';
3. if neither of the previous two options are achievable, it will pledge assets to the fund with a rating equal to that of the Kingdom of Spain ('AAA/F1+');
4. if none of the previous options are achievable, it will invest the existing funds of the treasury account in fixed-rate, EUR-denominated notes rated at least 'F1', with a maximum maturity matching the next payment date of the notes.

Servicing of the Securitised Portfolio

The sellers will also act as servicers of the collateral. RD 685/82, which governs the issuance of the CTHs that will be subscribed by Rural Hipotecario Global I, indicates that the issuer of the mortgage certificates must service the mortgage loans (which in turn back the notes); it does not envisage the possibility of replacing the CTH issuer as servicer of these loans. However, the transaction has certain mechanisms in place (i.e litigation arising from a breach in the contractual agreement regulating the servicing of the loans) that may allow the *sociedad gestora* to appoint a replacement servicer.

Should this unlikely event occur, the transaction documents stipulate that Cooperativo may be appointed as replacement servicer.

Key Information

Provisional Portfolio Characteristics

Total Amount at Closing: EUR1,160.1 million as of 17 October 2005, of which EUR1,065.2m will be retained at closing.

WA Original LTV (%): 69.9

WA Current LTV (%): 64.2

WA Indexed Current LTV (%): 57.6

WA Remaining Maturity: 242 months

WA Seasoning: 24 months

Concentration in Andalusia (%): 18.32

Concentration in Comunidad Valenciana (%): 51.28

Structure

Originators and Sellers: Please see table on page 5 (Sellers involved in the transaction)

Servicer: the sellers

Fund: Rural Hipotecario Global I, Fondo de Titulización de Activos

Sociedad Gestora: Europea de Titulización, S.A., S.G.F.T.

Swap Counterparty: Banco Cooperativo Español ("Cooperativo", rated 'A/F1')

Final Legal Maturity: January 2039

Source: Fitch Ratings. The information above may differ from the information included in the transaction documents

Priority of Payments ("Waterfall")

Revenue payments will be allocated on each distribution date as follows:

1. senior fees and expenses;
2. payments due under the interest rate swap agreements;
3. interest due on the Class A notes;
4. interest due on the Class B notes, if not deferred;
5. interest due on the Class C notes, if not deferred;
6. interest due on the Class D notes, if not deferred;
7. payment due on the amortisation fund;
8. interest due on the Class B notes, if deferred;
9. interest due on the Class C notes, if deferred;
10. interest due on the Class D notes, if deferred;
11. replenishment of the reserve fund;
12. interest due on the Class E notes;
13. principal due on the Class E notes;
14. swap termination payments;
15. subordinated amounts, including interest and principal due on the start-up loan granted by the seller to the fund at closing; and
16. Deferred consideration to the originator, including the servicing fee.

Interest due on the Class D notes will be deferred if the amortisation deficit for the Class D notes exceeds 50% of their initial balance. Interest due on the Class C notes will be deferred if the amortisation deficit for the Class C notes exceeds the sum of 50% of the initial balance of the Class C notes and 100% of the initial balance of the Class D notes. Interest due on the Class B notes will be deferred if the amortisation deficit for the Class B notes exceeds the sum of 50% of the initial balance of the Class B notes and 100% of the initial balance of the Class C notes and 100% of the initial balance of the Class D notes.

The amortisation deficit is the difference between: a) the outstanding balance of the notes; b) the current balance of the loans excluding losses (defined as mortgages more than 18 months in arrears).

Principal Redemption

- Payments due under the amortisation fund will be the positive difference between the notes principal outstanding and the outstanding balance of loans less than 18 months in arrears. Principal will first be used to pay Class A notes.

Once the Class A notes are fully redeemed, the Class B notes and then the Class C notes will amortise. Once the Class C notes are fully amortised, amortisation of the Class D notes will commence. The notes' final maturity date is January 2039.

Nevertheless, notes can be redeemed on a *pro rata* basis as long as the following conditions are met:

- the outstanding principal balances of the Class B, C and D notes reach at least 6.30%, 1.50% and 2.40% respectively of the total outstanding note balance (i.e. doubled the percentage at closing date); and

- the outstanding balance of mortgages more than three months in arrears is less than 2.0% for the Class A and B notes to amortise *pro rata*, 1.0% for the Class A, B and C notes to amortise *pro rata* and 0.75% for the Class A, B, C and D notes to amortise *pro rata*.

  Any amortisation of the Class B, C and D notes will be capped until their balances reach 6.80%, 1.50%, and 2.40% respectively of the outstanding balance of the notes excluding the Class E notes.

- The Class B, C and D notes may be redeemed *pro rata* only if: a) the reserve fund is at its required level; and b) the outstanding balance of mortgage loans is greater than 10% of the notes issued.

- All the notes (excluding the Class E notes) are subject to a clean-up call when less than 10% of the initial collateral remains outstanding.

Interest Rate Risk

The fund will enter into an interest hedging agreement with Cooperativo to cover the mismatch between interest received from the loans and interest payable on the notes. The fund will pay the swap counterparty the index rate received from the loans, and will receive three-month EURIBOR on the swap notional. This latter is defined as the portfolio's performing and delinquent balances (18 months in arrears).

If Cooperativo's Short-term rating is downgraded below 'A/F1', it will, within 30 days, take one of the following steps:

- find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement; or
- find a replacement counterparty with a Short-term rating of at least 'A/F1'; or
- cash- or security-collateralise its obligations to an amount satisfactory to the rating agencies.

Reserve Fund

A reserve fund will be set up with a balance equal to 1.20% of the original notes balance. Subject to certain following conditions, the reserve fund will be permitted to amortise to the lesser of: a) 1.20% of the initial notes balance; or b) the greater of: i) 2.40% of the then-outstanding note balance; and ii) 0.60% of the initial notes balance. These conditions are:

- the balance of loans more than 90 days in arrears remains below 1.0% of the outstanding mortgage balance;
- on the previous payment date, the reserve fund was replenished to its required amount.

The reserve fund incorporates an amount sufficient to cover a conservative 15-day holding period that may be required to notify obligors and provide them with new payment instructions upon the insolvency of the sellers providing the non-rated sellers in the transaction, by collateral value.

Representations and Warranties

The sellers will provide representations and warranties in relation to the collateral, including:

- each mortgage loan is registered in the relevant property registry and represents a first-ranking claim on the corresponding property;
- the sellers have full right and title (and the power) to, sell and transfer the mortgages;
- the sellers is unaware that any of the underlying properties have been subject to a reduction in value of more than 20%;
- all properties are located in Spain;
- none of the mortgage loans will be more than 30 days delinquent at closing; and
- all properties have undergone a valuation process, as required by law.

No search of title will be conducted by the fund or other transaction parties; instead, they will rely on the representations and warranties mentioned above and provided by the sellers in relation to the collateral. If there is an irretrievable breach of any of the representations or warranties, the sellers will be required to replace or repurchase the loan(s) in question.

Legal Structure and Collateral

At closing, the sellers will transfer the mortgage loans to the *sociedad gestora* on behalf of the fund. The *sociedad gestora* is a special-purpose company with limited liability incorporated under the laws of Spain. Its activities are limited to the management of asset-backed notes.

Cooperativo will act as a back-up servicer. At the request of the *sociedad gestora*, the bank will step in and replace the relevant seller in its loan management and administration responsibilities, as stipulated in the transaction administration contracts.

Provisional Collateral

As of 17 October 2005, the reference portfolio consisted of 15,077 mortgage loans originated by the 11 sellers in the normal course of their business. All the loans are secured by residential properties in Spain. Security for the loans is in the form of mortgages registered in the *Registro de la Propiedad* (the official register) and all are first-ranking.

Sellers Involved in the Transaction

	Loans Originated in the Portfolio by	
Caja Rural	**Oustanding Balance (EURm)**	**Value (%)**
CAIXA RURAL DE BALEARS	25.3	2.2%
CAJACAMPO, CAJA RURAL	29.4	2.5%
CAJA RURAL CENTRAL	25.4	2.2%
CAJA RURAL DE ALBACETE	27.5	2.4%
CAJA RURAL DE ARAGON	81	7.0%
CAJA RURAL DE ASTURIAS	78.6	6.8%
CAJA RURAL DE EXTREMADURA	33.2	2.9%
CAJA RURAL DE GRANADA	213.5	18.4%
CAJA RURAL DE TERUEL	27.1	2.3%
CAJA RURAL DE ZAMORA	40.0	3.4%
CAJA RURAL DEL MEDITERRANEO, RURALCAJA	580.0	50.0%

Source: Fitch Ratings. The information above may differ from the information included in the transaction documents

The portfolio's original average LTV stands at 69.9%, with a WACLTV of 64.2%. In its recovery calculation, Fitch used an indexed valuation of the underlying properties based on regional residential indices and giving 50% credit to increases in property prices; the WA indexed CLTV of the pool is 57.6%. The percentage of loans concentrated in the above-90% OLTV bucket represents 7.3% of the pool by value.

The oldest loan was originated in March 1992 and the most recent in May 2005. Seasoning is 24 months and the WA current remaining maturity is 242 months.

Origination and Servicing

Fitch recently visited RC and CRG, the largest contributors of collateral to the transaction, to review and analyse whose origination and servicing guidelines. Fitch is not aware of any changes in the underwriting and servicing guidelines of such originators.

RC and CRG focuses on the borrower's ability to pay, allowing maximum debt to income ("DTI") of 35%. It adopts a relatively conservative approach on the LTV side, requiring third-party guarantees or additional collateral for loans with LTVs of over 80%. Information used in the credit analysis consists of data provided by the borrower as well as data from CIRBE (a Bank of Spain database that gathers information on borrower exposure and non-payment from all Spanish entities), or RAI (Registro Aceptación Impagados). Arrears management and recovery procedures are very satisfactory, and rapid response is coordinated at Rural Servicios Informáticos ("RSI"), the IT services company of the AECR group and a centralised recovery department.

Overall, Fitch believes that RC's and CRG's origination and servicing procedures are well in line with standards in Spain.

The sellers in this transaction benefit from the integration and development tools provided by Cooperativo and AECR. In particular, Cooperativo coordinates financial policy, acts as agent and develops a variety of financial services, as well as managing clearing and payment systems and providing international banking services.

Cooperativo further promotes the homogenisation of commercial and pricing policies, product standardisation, the search for cost efficiency and the centralisation of risk control throughout the group.

Provisional Portfolio Summary

Pool Characteristics	
Current Principal Balance (EURm)	1,160.6
Average Current Loan per Borrower (EUR)	79,789
Average Original Loan per Borrower (EUR)	89,259
Oldest Loan in Portfolio	March 1992
Most Recent Loan in Portfolio	May 2005
Interest Rate Type	
Floating Rate Loans (%)	100
WA Interest Margin (%)	3.4
Interest Index	IRPH, EURIBOR, MIBOR
Payments	
Payment Method	Direct Debit
Loans <30 Days in Arrears (%)	97.33
Regional Concentration (%)	
Andalusia	18.32
Comunidad Valenciana	51.28
Lien Position (%)	
First-Ranking	100

Source: Fitch, the information above may differ from the information included in the transaction documents

Except in the case of CajaCampo, IT systems are coordinated by and centralised at RSI.

For more information on Cooperativo and the group, please refer to Fitch's credit analysis on the bank dated 17 December 2004 and available at www.fitchratings.com.

Credit Analysis

Fitch analysed the collateral for the Rural Hipotecario Global I transaction by subjecting the mortgage loans to stresses resulting from its assessment of historical home price movements and defaults in Spain. The analysis is based on the probability of default and expected recoveries determined by the individual loans in the portfolio (see **Appendix 1**).

Default Probability

Generally, the two key determinants of default probability are the willingness and ability of a borrower to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch assumed higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason for this is that, in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, thereby eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. As is the case with many Spanish originators, this information was limited on a loan-by-loan basis for Rural Hipotecario Global I. However, the sellers have a strong focus on borrowers' ability to pay, implement comparatively strict origination guidelines in this direction and allow a maximum DTI of between 33% and 40%, depending on the seller. This is in line with Fitch's DTI Class 3 assumption.

Fitch takes into consideration the specific characteristics of the product in its default probability analysis of the portfolio. The LTV based on the original balance of the initial drawdown is used as the main measure of a borrower's willingness to pay.

For commercial mortgages granted to self-employed borrowers and commercial entities, Fitch recognises that originators will likely (and appropriately) focus more on property values than cash flow analysis, obtain recourse and use individual borrower income statements and credit histories as a measure of ability and willingness to repay their loans . All loans in the pool benefit from a first-ranking mortgage on the collateral. As a result, Fitch has used its standard residential mortgage-backed securities ("RMBS") methodology for the analysis of the default probabilities (stressed Class 5 assumptions have been used) of such loans.

The securitised pool has a geographical concentration in Andalusia, with over 18.32% of mortgages located in this region, and in Comunidad Valenciana (51.28% of the portfolio). In addition, it increased the default probability for self-employed borrowers with residential loans, loans used for second homes.

Recovery Proceeds

To estimate recoveries on the mortgage loans, Fitch examined house price movements in Spain on a regional basis from 1987-2004 and found significant differences – most notably between Madrid, Cataluña and País Vasco and the other regions. Cities in these three regions have experienced higher price increases than elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed marginally larger MVDs for certain regions and for some large urban areas. Although price growth was stable in the period examined, it has recently increased in the regions of Comunidad Valenciana, Andalusia and Murcia.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with those of markets in other European countries.

Based on its CMBS rating methodology, Fitch used commercial MVDs reflecting the property type, and the region-specific market and asset value volatility to calculate the recovery rate for the commercial properties of the pool. No credit was given for property price appreciation on the commercial properties.

As with its other European mortgage default models, the agency has increased MVDs for higher-value properties. These are generally subject to higher declines in a deteriorating market than homes with average or below-average market values because of limited demand for them. Approximately 7.58% of the reference pool is considered by Fitch to be secured on high-value ("jumbo") properties.

Cash Flow Analysis

To evaluate the contribution of structural elements, such as excess spread, the reserve fund and other factors, Fitch modelled the cash flows from the mortgages based on the WA recovery rate and WA frequency of foreclosure provided by the loan-by-loan collateral analysis. Recoveries included both interest and principal.

The cash flow model assumes that defaults are spread over the first seven years of origination immediately after closing. The analysis simulates the cost of carrying defaulted loans as the difference between the performing balance of the mortgages and the notional note balance. Excess spread, the reserve fund and principal must be sufficient to cover the carrying cost until recoveries are received after the assumed 36 months. Interest rates are stressed upwards over time; however, the effect of this factor is limited by the swap.

The cash flow analysis assumes a high level of prepayments on the mortgages – which stresses available excess spread – of 25%, 20%, 19% and 15% under 'AAA', 'A', 'BBB+' and 'BB' scenarios respectively.

Under these stresses, repayment of principal will be received before the final legal maturity date. Payment of interest will be received without interruption.

Class E Notes

The Class E notes will be issued to finance the reserve fund, which will be fully funded at closing.

The amortisation of the Class E notes mirrors the amortisation profile of the reserve fund. Principal funds available to amortise the Class E notes will be limited to the cash released from the reserve fund. Furthermore, as typically seen in other RMBS deals, the reserve fund is subject to a floor (0.60% of the initial Class A to Class D note balance), and will be released to the Class E noteholders on the legal final maturity date, and such amount will be used to service accrued and unpaid interest, which will rank senior to principal of the Class E notes.

The Class E notes' performance relies on very favourable conditions with regards to the collateral backing the Class A to Class D notes. Fitch calculated an expected recovery rate after testing several cash flow scenarios commensurate with speculative grade rating levels. The sensitivity analysis performed consisted in testing several variables that affect the release of the reserve fund and consequently the availability of interest and principal payments on the Class E notes. Fitch ran multiple stress scenario assumptions including:

- alternative timing of default assumptions – back-loaded, front-loaded as well as evenly spread defaults;
- alternative interest rates – increasing, low and constant interest rate scenarios;
- prepayment speeds – high, low and average historical prepayment rates;
- different WA margin compression rates on the mortgage loans – the agency modelled high and low margin compression rates assuming the percentage of prepayments are allocated to the higher margin loans in the portfolio;
- exercise of the clean-up call by the originator.

The 'CC' expected rating on the Class E notes is supported by the expected recovery rates. As default on the Class E notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the Class E notes' expected interest and principal payouts. In all simulations, the expected recovery rate was 30%-50% of the initial note balance.

■ Performance Analytics

Fitch will monitor the transaction on a regular basis and as warranted by events. Its structured finance surveillance team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk.

Details of the transaction's performance are available to subscribers at www.fitchresearch.com. Further information on this service is accessible at www.fitchratings.com.

Issuer Report Grades

Fitch has published the second edition of the Issuer Report Grades (see Fitch's report entitled "*Rising Stars? Fitch Issuer Report Grades H1 2005 Update*", dated 7 June 2005 and available at www.fitchratings.com). This is part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding).

Appendix I: Rating Methodology

To determine appropriate levels of credit enhancement, Fitch analyses the collateral for Spanish residential transactions using a loan-by-loan mortgage default model. The model subjects the mortgage loans to stresses resulting from its assessments of historical home price movements and defaults. Fitch's study showed that the LTV, reflecting the size of the borrower's down payment, and the borrower's income multiple (original loan advanced divided by income) are the primary indicators of default risk in Spain. Fitch also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason is that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Historical data available for Spain shows low levels of default. Base default probabilities are determined using a matrix which considers each loan's affordability factor and LTV. The matrix classifies affordability into five classes, the lowest of which (Class 1) encompasses loans with DTIs of less than 20% and the highest of which (Class 5) encompasses all loans with DTIs exceeding 50%. The average DTI for the mortgage market in Spain is c. 27%-33%.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for the individual loan characteristics of the collateral across all rating levels. In the absence of case-by-case specific mitigants, Fitch conducts the following adjustments:

- **Product Type:** Fitch may increase default probability assumptions by 0%-20% for loans that have riskier profile (i.e. flexible products) *vis à vis* standard variable rate amortising loans.
- **Repayment Type:** Mortgage payments by Spanish borrowers are generally made monthly by direct debit. Fitch will increase base default rates by 5% for quarterly payments and 10% for biannual or annual payment frequencies. Interest-only mortgages may be included in Spanish transactions at some point in the future. Fitch increases the default assumptions for these loans by up to 25% to take into account the balloon risk to the borrower and the strong reliance on the borrower's equity in the property.
- **Loan Purpose:** Fitch believes that a financially distressed borrower is more likely to default on a second home or investment property than on a primary residence. Accordingly, Fitch will increase by 15% to 50%. If the purpose of the loan is not the acquisition of a property in Spain, Fitch will increase the default probability by 50%-100%.
- **Borrower Profile:** Fitch increases the default probability on loans to self-employed borrowers by 20%-50% to account for their lack of a fixed annual salary and for non-Spanish residents as presumably such population may have less incentive to repay a mortgage loan in periods of stress.
- **Arrears Status:** when rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by 1-30, 31-60, and 61-90 days by 25%, 50% and 70% respectively. Fitch assumes that mortgages over 91 days in arrears (non-performing status) will have a 100% probability of default.

Underwriting Quality: Fitch's review and analysis of the origination process determines whether the agency decreases default rates by up to 25% or increases them by 0%-200%.

Loss Severity

To estimate loss severity on mortgage loans in Spain, Fitch examined home price movements in Spain on a regional basis from 1987–2004. The agency found significant differences in price development among the regions – mainly between the regions of Madrid, Cataluña, País Vasco and the rest of the regions in Spain. More recently, prices have increased significantly in certain coastal areas (including Cantabria, Valencia, Andalusia and Murcia). The cities of these regions have experienced higher price increases than other cities in Spain. As in most other countries, rural areas tend to develop on a more stable basis. Based on its analysis of the real estate market, Fitch assumed slightly higher MVD for certain regions and for some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with markets in other European countries. As with its other European mortgage default models, Fitch has increased MVDs for lower and higher-value properties. These properties are generally subject to larger MVDs in a deteriorating market than homes with average market values owing to limited demand for such properties.

When calculating recovery value, Fitch's model reduces each property value by the MVD, external foreclosure expenses, and the cost to the servicer of carrying the loan from delinquency through to default. For Spain, Fitch assumes that external foreclosure costs represent EUR6,500 plus 4% of the realised value of the collateral at the time of default. Loss severity also incorporates the fact that in a recession period, the length of time to foreclosure may be longer than is currently the case. To calculate carrying costs, Fitch uses a worst-case scenario analysis which assumes that the borrower does not pay any interest and the collateral is not realised for a period of three years.

Additional stresses to property values may be conducted *vis à vis* residential properties, on a case by case basis, if the mortgage loans are backed by commercial properties or subsidised properties (i.e *Viviendas de Proteccion Oficial*) or in transactions where relatively strong geographical concentration and large proportion of second home properties are observed.

Mortgage Insurance

Mortgage insurance will typically cover losses up to a maximum cover amount incurred by a lender on loans that are advanced in excess of a certain LTV threshold attachment point. Lenders can insure borrowers who meet certain eligibility criteria and, in the event of a default on the loan, the insurers will cover a pre-agreed amount (not typically 100%) – generally covering principal, unpaid accrued interest and repossession costs in the event of a loss by the lender. However, the insurance is not fully guaranteed and is subject to an assessment to determine the validity of the claim. Failure to comply with the agreed policy can lead to a reduction or denial of the claim. An efficient and timely servicer that minimises claims errors – and, therefore, the potential for claims to be rejected – is essential in this process.

Fitch gives credit to mortgage insurance in its analysis on a case-by-case basis as no two mortgage insurance policies are the same. The analysis will focus on the following aspects, among others: (i) the credit ratings of the mortgage insurance provider; (ii) an assessment of the servicer's ability to claim loss amounts under the policy; (iii) the terms and conditions of the insurance policy; and (iv) the history of claim payouts by the mortgage insurance provider.

■ Appendix II: Summary

Rural Hipotecario Global I, Fondo de Titulización de Activos — RMBS/CMBS/Spain

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)	Spread (Expected)	I/P PMT Freq	Maturity	Coupon
Class A	AAA	93.5	1,008.1	6.55	TBD	Quarterly	January 2039	TBD
Class B	A	3.4	36.3	3.15	TBD	Quarterly	January 2039	TBD
Class C	BBB+	0.7	8.0	2.40	TBD	Quarterly	January 2039	TBD
Class D	BB	1.2	12.8	1.20	TBD	Quarterly	January 2039	TBD
Class E	CC	1.2	12.8	n.a.	TBD	Quarterly	January 2039	TBD

	Size (%)	Size (EURm)
Initial Reserve Fund	1.20	12.8

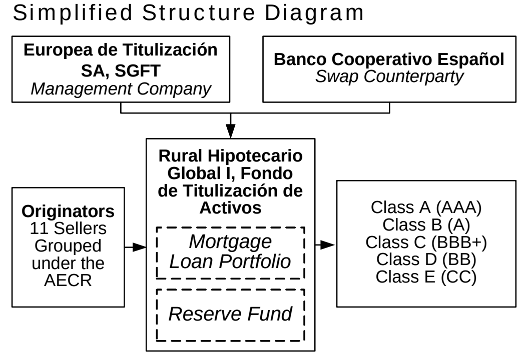
Key Information

		Role	Party (Trigger)
Expected Closing Date		**Seller/Originator**	11 sellers, see page 5
Country of Assets	Spain	**Structurer**	Europea de Titulización SA, SGFT
Structure	Pass through, sequential (*pro rata* subject to conditions)	**Issuer**	Rural Hipotecario Global I, FTA
Type of Assets	Residential mortgages	**Lead Manager**	Banco Cooperativo Español (‘A/F1’), Banco Bilbao Vizcaya Argentaria (‘AA-(AA minus)/F1+’) DZ Bank (‘A+/F1’) and Calyon (‘AA-/F1+’)
Currency of Assets	EUR	**Management Company**	Europea de Titulización SA, SGFT
Currency of Notes	EUR	**Swap Provider**	Banco Cooperativo Español
Primary Analyst	gustavo.celi@fitchratings.com	**Financial Agent**	Banco Cooperativo Español
Secondary Analyst	lara.patrignani@fitchratings.com		
Performance Analyst	sf_surveillance@fitchratings.com		

Fitch Default Model Outputs

Rating Level	AAA	AA	A	BBB	BB
WAFF (%)	13.47	10.78	8.08	5.39	2.69
WARR (%)	74.14	80.14	85.63	89.81	94.21
WALS (%)	40.86	34.79	29.29	25.11	20.70
WAMVD (%)	48.50	43.66	38.87	35.08	30.96

Simplified Structure Diagram



Source: Transaction documents

Collateral

Pool Characteristics			
Current Principal Balance (EURm)	1,160.1	**Regional Concentration (%)**	
Average Current Loan per Borrower (EUR)	79,789	Andalucia	18.32
Average Original Loan per Borrower (EUR)	89,259	C. Valenciana	51.28
Number of Loans	15,077		
WA Seasoning (Months)	24		
Oldest Loan in Portfolio	March 1992	**Mortgage Characteristics (%)**	
Most Recent Loan in Portfolio	May 2005	First-Ranking	100
		Second Homes	16.26
Interest Rate Type (%)		**Loan to Value (LTV) (%)**	
Variable	100	WA OLTV	69.9
Fixed	0	WA Indexed CLTV	64.2
WA Margin	3.4	WA CLTV	57.6
Interest Index	EURIBOR, IRPH,MIBOR		

Source: Fitch, the information above may differ from the information included in the transaction documents