RMBS/Spain
New Issue

Hipocat 7, Fondo de Titulización de Activos

Ratings

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A1	160.0	July 2036	AAA	8.45
A2	1,148.3	July 2036	AAA	8.45
B	21.7	July 2036	AA	6.90
C	42.0	July 2036	A	3.90
D	28.0	July 2036	BBB	1.90

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Closing Update
Closing occurred on 8 June 2004. Changes prior to closing: no changes occurred to the capital structure from the date of the presale report.

The collateral information throughout the report and on the data sheet is based on the provisional loan pool.

Summary

This EUR1,400 million transaction is a securitisation of Spanish residential *Crédito Total* ("CT") mortgage loans originated by Caixa d'Estalvis de Catalunya ("CC" or "the seller", rated 'A/F1'). Fitch Ratings ("Fitch") has assigned final ratings to the notes to be issued by Hipocat 7, Fondo de Titulización de Activos ("Hipocat 7" or "the Fund") as indicated at left. The mortgages are, and will continue to be, serviced by CC.

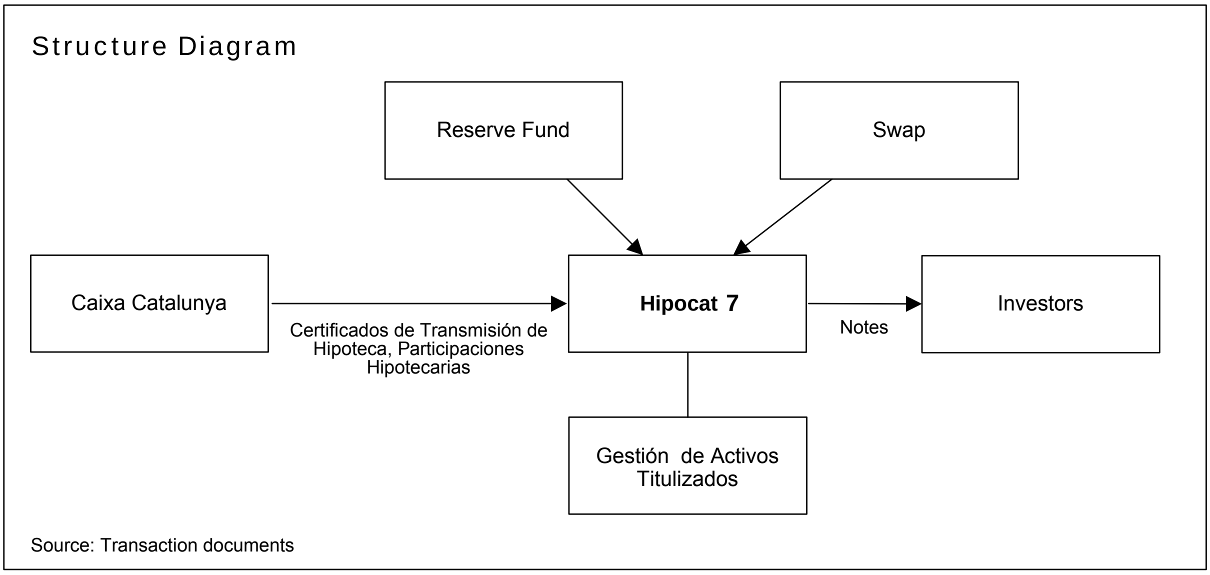
CC is Spain's third-largest savings bank by total assets on individual basis, and parent of Spain's eighth-largest banking group. The majority of its branches are located in Cataluña, where it has traditionally focused its business.

Hipocat 7 is regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to transform the mortgage loan participations and certificates acquired from the participation and certificate issuer, CC, into fixed-income securities. The participations will be subscribed on behalf of Hipocat 7 by Gestión de Activos Titulizados, S.G.F.T., S.A. ("the *Sociedad Gestora*"), whose sole function is to manage asset-backed funds.

At closing, Hipocat 7 will acquire a portfolio of residential mortgage loans from the seller as collateral for the notes. The portfolio consists of first-ranking, variable-rate mortgages secured over residential property located in Spain.

The final ratings are based on the quality of the collateral, the underwriting and servicing of the mortgage loans, available credit enhancement and the sound legal and financial structure. Initial credit enhancement for the Class A notes, totalling 8.45%, will be provided by the Class B, C and D notes and the reserve fund. Initial credit enhancement for the Class B notes, totalling 6.90%, will be provided by the Class C and D notes and the reserve fund. Credit enhancement for the Class C notes, totalling 3.90 %, will be provided by the Class D notes and the reserve fund. Credit enhancement for the Class D notes, totalling 1.90%, will be provided by the reserve fund. In addition to subordination and the reserve fund, the transaction will also benefit from the 0.66% excess margin guaranteed by the swap.

This is the seventh RMBS transaction originated by CC under the Hipocat programme and the fourth rated by Fitch. The agency affirmed its ratings on Hipocat 3, 4 and 5 on 14 August 2003. Details of these transactions' performance are available at www.fitchresearch.com. To determine appropriate levels of credit enhancement, Fitch analysed the collateral using a loan-by-loan mortgage default model specific to Spain (see *"Spanish Mortgage Default Model II"*, dated 24 March 2004 and available at www.fitchratings.com). Fitch also modelled the cash flow contribution from excess interest, using as input the stress



scenarios determined by its default model. The cash flow test showed that, based on available credit enhancement, each class of rated notes can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall according to the terms and conditions of the notes.

■ Credit Committee Highlights

- The reference portfolio consists of 16,415 mortgage loans, all of which are flexible CT loans.

- These CT loans offer borrowers the following options: i) redraw, subject to a maximum limit of 80% of loan to value (“LTV”); and ii) payment holidays, whereby the borrower can defer interest and principal payments for a predetermined period. Fitch has stressed these risks in its recovery analysis.

- High-LTV pool: the pool has a weighed average original LTV (“WAOLTV”) of 86.4% and one of the highest LTV distributions securitised to date in Spain. Fitch applies higher base default probability on high-LTV loans to account for the additional credit risk.

- Unlike many other Spanish transactions, debt to income (“DTI”) information was available on a loan-by-loan basis for part of the portfolio; the vast majority of borrowers had DTI ratios in Fitch’s Classes 2 (DTI 20%-30%) and class 3 (DTI 30-40%).

- Average seasoning of 20 months contributed to a lower indexed current LTV of 76.2%.

- Some 4% of the loans in the portfolio are to self-employed borrowers. Fitch has increased the default probability on such loans to account for the additional risk arising from the uncertainty of the borrower’s income levels.

- Some 71.8% of the portfolio is located in Cataluña. Fitch has not stressed this geographical concentration since the region has historically been one of the stronger economies in Spain.

- Gross excess spread is guaranteed at 0.66% per annum by an interest rate swap.

- The final 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 July 2036.

■ Financial Structure

Classes A, B, C and D will pay interest quarterly in arrears at a floating rate based on three-month EURIBOR plus a margin.

All interest and principal payments received by the seller are passed on within two business days to the collection account held with CC in the name of Hipocat 7. Monies deposited in the collection account will receive an interest rate equal to three-month EURIBOR and will be transferred to the paying agent from the collections account one business day before the payment date.

If the collection account bank or treasury account bank is downgraded below ‘F1’, it will be required, within 10 days, to either: 1) obtain a guarantee from

Key Information

Structure

Originator & Seller: Caixa d'Estalvis de Catalunya ("CC", rated 'A/F1')

Servicer: CC

Lead Managers: CC, JP Morgan and Bear Stearns

Fund: Hipocat 7, Fondo de Titulización de Activos ("Hipocat 7")

Sociedad Gestora: Gestión de Activos Titulizados, S.G.F.T., S.A.

Swap Counterparty: CC

Paying Agent & Collection Account Bank: CC

GIC & Liquidity Facility Provider: CC

Subordinated Loan Provider: CC

Final Legal Maturity: July 2036

Portfolio Characteristics

Total Amount at Closing: EUR 1,611,122,696m (of which EURm is selected at closing)

WA Original LTV: 86.4%

WA Current LTV: 83.0%

WA Indexed Current LTV: 76.2%

WA Remaining Maturity: 28.2 Years

WA Seasoning: 20 months

Concentration in Cataluña: 71.8%

a suitably rated counterparty; 2) obtain a guarantee from a suitably rated third party; 3)collateralise the collections; or 4) find another appropriate solution acceptable to Fitch to maintain the then-outstanding rating of the notes.

The mortgage loans will be serviced by CC and the *Sociedad Gestora* will administer Hipocat 7. In the event that CC is unable to continue performing the mortgage servicing functions adequately, the *Sociedad Gestora* is required to appoint a replacement administration company in accordance with Law 19/1992, subject to rating agency confirmation.

Priority of Payments

Prior to enforcement, revenue payments will be allocated according to the following priority of payments on each distribution date:

1. expenses incurred by Hipocat 7, including the administration fee to the *Sociedad Gestora* and the fee to the Paying Agent;
2. amounts due under the swap agreement;
3. fees, interest due and principal due under the liquidity facility (see "*Liquidity Facility*", page 5);
4. interest due on the Class A notes;
5. interest due on the Class B notes, if not deferred;
6. interest due on the Class C notes, if not deferred;
7. interest due on the Class D notes, if not deferred;
8. capital repayment fund;
9. replenishment of the reserve fund to its required balance;
10. interest due on the Class B notes, if deferred;
11. interest due on the Class C notes, if deferred;
12. interest due on the Class D notes, if deferred;
13. any gross-up amounts due under the swap;
14. interest due on the subordinated loan (see "*Subordinated Loan*", page 5);
15. amortisation of the subordinated loan;
16. financial intermediation margin (profit remaining to the Fund after payment of all transaction expenses) to CC.

In the event that CC is replaced as servicer to the transaction, the servicing fee included in the last item will be paid as the first item and all subsequent items will be adjusted accordingly.

Interest Deferrals

Interest due on the Class B notes will be deferred if the difference between:

a. the outstanding principal of the Class A Notes;
b. the sum of: (x) the positive difference between the available funds and the amounts necessary to pay items 1 through 5 in the Priority of Payments; and (y) the outstanding principal amount of the Loans (excluding Written-off Loans); and
c. the outstanding balance in the Amortisation Account;

is greater than zero.

Interest due on the Class C notes will be deferred if the difference between:

a. the outstanding principal of the Class A Notes and Class B Notes; and
b. the sum of: (x) the positive difference between the available funds and the amounts necessary to pay items 1 through 6 in the Priority of Payments; (y) the outstanding principal amount of the Loans (excluding Written-off Loans);and
c. the outstanding balance in the Amortisation Account;

is greater than zero.

Interest due on the Class D notes will be deferred if the difference between:

a. the outstanding principal of the Class A, B and C Notes; and
b. the sum of: (x) the positive difference between the available funds and the necessary amounts to pay items 1 through 7 in the Priority of Payments; (y) the outstanding principal amount of the Loans (excluding Written-off Loans);and
c. the outstanding balance in the Amortisation Account;

is greater than zero.

Principal Redemption

Class A Notes Redemption

No principal shall be repaid on the notes until 15 July 2005. On that date, principal receipts received from debtors will be paid into the amortisation fund for redemption of the Class A1 notes.

If principal funds accumulated in the amortisation fund are insufficient to repay the A1 notes on 15 July 2005, principal receipts received after this date will be allocated solely to repayment of these notes.

After the Class A1 notes have been fully amortised, principal received will be paid into the amortisation fund for the redemption of the Class A2 notes, which will start amortising on 15 January 2006

A certain amount of negative carry is created by the fact that the note balance does not decrease, while the mortgage balance does – hence generating lower interest payments.

The final maturity date for the Class A notes is January 2036.

Class B & C & D Notes Redemption

The Class B, C and D notes will be redeemed *pro rata* subject to the following conditions being met: a) the outstanding balance of the Class B, C and D notes represents, respectively, 3.10%, 6.00% and 4.00% of the total outstanding note balance (ie double the principal outstanding balance at closing); b) the reserve fund is at its maximum level; and c) the outstanding balance of mortgages more than three months in arrears does not exceed 2.5% of the current mortgage.

The notes are subject to a clean-up call when less than 10% of the mortgage participations remain outstanding. Additional provisions allow for redemption in the event of legal changes that affect the financial equilibrium of Hipocat 7 or adverse regulatory changes related to Basel II.

Interest Rate Risk

The fund will enter into an interest hedging agreement with CC to cover the basis and margin compression risks. The swap, as described below, will guarantee a 0.66% excess margin.

The fund will pay CC interest received from the mortgages, and will receive three-month EURIBOR plus the margin on the notes plus 0.66%, calculated on the performing balance of the mortgages.

If CC's short-term rating is downgraded below 'F1', it will, within 30 days, take one of the following steps:

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

Credit Enhancement

Initial credit enhancement for the Class A notes, totalling 8.45% at closing, will be provided by the Class B, C, D notes and the reserve fund. Credit enhancement for the Class B notes, totalling 6.90%, will be provided by Class C and D notes and the reserve fund. Credit enhancement for the Class C notes, totalling 3.90%, will be provided by the Class D notes and the reserve fund. Credit enhancement for the Class D notes, totalling 1.90%, will be provided by the reserve fund (see below).

Reserve Account

The reserve fund, funded by a subordinated loan and provided by CC, will initially equate to 1.90% of the original note balance at closing.

In the event that the three-month average of mortgage loans over 90 days in arrears exceeds 3% of the then-current balance, the reserve fund will increase to the lesser of: (a) the maximum reserve level of 2.10% of the initial note balance; or (b) the higher of: (i) 5.00% of the then-current note balance outstanding; and (ii) 1.40% of the original issue at closing.

However, if the three-month average of mortgage loans outstanding over 90 days in arrears is below 3.00% for a period of at least four consecutive months, the reserve fund will be the lesser of: a) the maximum reserve level of 1.90% of the initial note balance; or b) the higher of: (i) 4.00% of the current note balance outstanding; and (ii) 1.30% of the original note issuance at closing.

The reserve fund will cease to amortise if: 1) the outstanding balance of mortgages in arrears over 90 days; plus 2) the outstanding balance of all mortgage loans on which the borrowers have exercised their option for a payment holiday (during which they are not required to make either principal or interest payments on their loan) is greater than 2.5%.

Liquidity Facility

A liquidity facility will be provided by CC to meet any shortfalls in interest payments from borrowers that have exercised their payment holiday option. The facility will equal the lesser of: i) 7.0% of the original note balance at closing; ii) 12.0% of the outstanding note balance; and iii) an amount equivalent to the deferred interest arising from payment holidays.

On a given payment date, the amounts drawn on the liquidity facility, if any, will be repaid using the available funds subject to the following conditions: i) the difference between the available funds and the amounts necessary to pay items 1 through 11 in the priority of payments is larger than zero; and ii) the difference between the outstanding balance of the Class A notes and the outstanding balance of the mortgages is less than zero.

In the event that CC is downgraded below ‘F1’, it will, within 30 days, either be replaced as liquidity facility provider by, or obtain a guarantee from, a third party with a suitable rating, provide collateral to guarantee its obligations, or find another appropriate solution acceptable to Fitch to maintain the then-outstanding ratings of the notes.

Subordinated Loan

Additionally, CC has advanced a subordinated loan to Hipocat 7 which will be used to: i) pay the start-up and underwriting expenses of Hipocat 7; ii) at closing, cover the interest due on the mortgages between acquisition and payment of the mortgage participations and certificates; and iii) fund the reserve fund up to its initial amount.

The subordinated loan will be redeemed using available funds on each payment date, following the priority of payments for the total amount used in ‘iii’ above and according to standard accountancy procedures for the remainder. The loan will receive interest payments equal to three-month EURIBOR plus a margin.

■ Legal Structure

At closing, the mortgage loans will be transferred by the sellers to the *Sociedad Gestora* on behalf of the fund. The seller has transferred the purchased rights (the first initial drawdowns under the CTPV and the collateral securing the mortgages), and will also transfer or pledge all present or future claims and/or rights under the various transaction documents to the fund.

The *Sociedad Gestora* is a special-purpose company with limited liability incorporated under the laws of Spain, whose activities are limited to the management of asset-backed notes. The fund is owned by three entities:

- CC: (54%)
- FACTORCAT, Establecimiento Financiero de Crédito, S.A.: (23%)
- LEASING CATALUNYA, Establecimiento Financiero de Crédito, S.A.: (23%)

Mortgages with current LTVs below 80% are transferred to the Fund as mortgage participations (*Participaciones Hipotecarias*, or “PH”), while those with current LTVs above 80% are transferred to the Fund as certificates of mortgage transfers (*Certificados de Transmisión Hipotecaria,* or “CTH”).

Representations and Warranties

No search of title will be conducted by the fund or other transaction parties; instead, they will rely on the representations and warranties provided by CC in relation to the pool of mortgage loans, as detailed below. If there is an irretrievable breach of any of these representations or warranties, CC will be required to repurchase the loan(s) in question.

The representations and warranties include, among others:

- all the mortgage loans are legally valid and enforceable;
- CC has full title to the mortgage loans;
- each loan is secured by a first-ranking mortgage over a residential property in Spain;
- none of the properties is subject to any ownership limitations;
- all the securitised mortgage loans are formalised in a public deed and are not subject to any senior-ranking right;
- all the properties have been appraised by entities on the Bank of Spain’s official register;
- all the properties are fully insured against fire and other damage for at least their reconstruction value;
- CC is not aware of any circumstance that may impede foreclosure of any of the mortgages;
- CC has passed all the necessary resolutions to approve the issue of the PHs and CTHs.
- all the PHs and CTHs have been issued in accordance with Spanish law.

Collateral

The reference portfolio consists of 16,415 mortgage loans originated by CC in the normal course of its business. All the loans are secured by residential properties in Spain, the security being the mortgages registered in the *"Registro de la Propiedad"* (the official register), and are provided for the acquisition of a first residence.

The total portfolio comprises CT mortgages, which are flexible products that offer borrowers a redraw and payment holiday option, subject to certain stringent criteria including: a) approval of the lender; and b) no arrears in the past 12 months.

The pool forming the collateral for the Hipocat 7 notes consists entirely of CT first drawdowns. Despite its particular legal format, the first initial drawdown of CTs can also be transferred through PHs under Law 19/1992 because it shares some of the characteristics of traditional mortgage loans.

Redraws

During the life of the CT, the borrower may apply for further redraws for various purposes, which CC will approve subject to the borrower passing a new credit analysis, independently of previous redraws. Subsequent redraws are limited to the lesser of: 1) the original line of credit limit; or 2) an 80% LTV ratio. Therefore, a borrower granted a loan on an LTV in excess of 80% may only redraw after the LTV falls below 80%, and then only up to a maximum of 80% of the property value.

This maximum balance will decrease for the redraw during the last four years to maturity. The maximum time to maturity for the line of credit, including all redraws, is 35 years (30 years for the first drawdown).

CC's software allows it to control each redraw separately, servicing them as a series of separate loans.

Further redraws will rank *pari passu* with the first initial drawdown in claims over the collateral, but will not form part of the pool of loans supporting Hipocat 7.

Payment Holidays

Another feature of the CT product is the option of taking one or more payment holidays under the initial drawdown, subject to the approval of CC and compliance with certain criteria.

The number of forbearance periods on any CT is limited to a maximum of five involving a total of 36 months during the life of the mortgage. No single forbearance period may be longer than 12 months.

The length of the payment holiday is further limited by the amount of capitalised interest, which, together with the current outstanding balance, may never exceed the original line of credit limit.

Portfolio Summary

Pool Characteristics	
Current Principal Balance (EURm)	1,611,122,696
WA Original LTV (%)	86.4
WA Current LTV (%)	83.0
WA Indexed* Current LTV (%)	76.2
Average Current Loan per Borrower (EUR)	117,992
Average Original Loan per Borrower (EUR)	122,714
Oldest Loan in Portfolio	June 1996
Most Recent Loan in Portfolio	December 2003
Interest Rate Type	
Floating-Rate Loans (%)	100.0
WA Interest Rate (%)	3.9
WA Interest Margin (%)	0.5
Interest Index	EURIBOR, MIBOR, IRPH
Payments	
Payment Frequency (%)	Monthly
Payment Method	Direct Debit
Loans <30 Days in Arrears (%)	100
Regional Concentration (%)	
Madrid	9.32
Comunidad Valenciana	6.01
Cataluña	71.84
Lien Position (%)	
First-Ranking	100.0

* Based on Fitch's Indexation methodology, whereby 50% credit is given for property price appreciation.
Source: Fitch

Origination and Servicing

As part of its analysis, Fitch has reviewed and analysed CC's origination and servicing guidelines. It made an on-site visit to CC and met the originator and servicer managers responsible for the mortgage loan department as well as members of the risk department.

CC places a strong emphasis on a borrower's ability to pay and creditworthiness. A borrower's ability to pay is determined primarily by their credit profile, the risk profile of the property and the purpose and LTV ratio of the transaction. Credit approval is subject to the usual CIRBE, RAI and other checks, as well as valuations by valuation companies registered with the Bank of Spain.

The loans in the portfolio have been originated by CC's local branch network. The residential mortgage business is regionally organised, with approximately 936 branches (75% of them in the Cataluña region). A branch manager is authorised to approve mortgage loans up to certain amounts and depending on the credit analysis. If the amount of the mortgage loan exceeds the maximum, approval by one of the eight regional committees is mandatory. Exceeding this level of authorisation, approval must be given by a centralised committee.

All the borrowers in the pool make their mortgage payments via direct debit. Generally, on the first day a payment falls into arrears, an employee of the originating branch will contact the borrower in an attempt to resolve the situation. The system generates periodic reminders after the due date. Up until the 35th day, arrears are dealt with at local office level. After this point, or earlier if necessary, loans will be managed by an external, centralised, telephone recovery centre, while letters continue to be sent. If the situation remains unresolved after the centre has been handling it for 90 days, an external recovery company will contact the debtor personally to agree a new payment date. On or before the loan is 120 days in arrears, the client account will be transferred to CC's legal department. Legal proceedings will then be prepared but are generally not started until five months after the loan falls into arrears. Over the past few years, legal proceedings launched by CC have lasted eight months on average and it has taken an additional 10 months to sell the property.

On the basis of its recent operational review, Fitch believes CC to be a satisfactory originator and an effective servicer of Spanish residential mortgages.

Credit Analysis

Fitch's methodology for assigning credit ratings to Spanish residential mortgage transactions in general is described in Appendix 1. The following section details the agency's particular areas of focus and concern regarding Hipocat 7, as well as factors it incorporated into its analysis to deal with them.

Fitch Default Model Output

Rating Level	WAFF* (%)	WARR** (%)	Loss Severity (%)	MVD
AAA	21.6	61.5	53.9	43.3
AA	17.3	67.3	48.3	38.7
A	13.0	73.0	42.8	34.1
BBB	8.6	77.1	38.8	30.7

Recovery time (years): interest accrued on the contractual rate for three years
Foreclosure cost: 10%
* Weighted Average Foreclosure Frequency
** Weighted Average Recovery Rate
Source: Fitch

To evaluate the contribution of structural elements such as excess spread, subordination and other factors, Fitch modelled the cash flows based on the WARR and the WAFF provided by the loan-by-loan collateral analysis (see "*A Guide to European RMBS Cash Flow Analysis*" dated 20 December 2002 and available at www.fitchratings.com).

Default Probability

Generally, the two key determinants of default probability are a borrower's willingness and ability to make the mortgage payments. Willingness to pay is usually measured by the LTV: Fitch assumes 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 to 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. CC has a strong focus on a borrower's ability to pay, implements comparatively strict origination guidelines in this area and allows a maximum DTI of only 40%. By contrast with many other Spanish transactions, DTI information was available on a loan-by-loan basis for part of the portfolio; the vast majority of borrowers had DTI ratios in Fitch's Classes 2 and 3. Where no information was available, Fitch assumed an average (Class 3) ability to pay.

Fitch took the specific characteristics of the loans into consideration in its default probability analysis of the portfolio. The agency increased the default probability for self-employed borrowers and loans with quarterly and semi-annual payment frequency to reflect the additional risk implicit in this transaction.

Recoveries

Market Value Decline

To estimate recoveries on the mortgage loans, Fitch examined house price movements in Spain on a regional basis from 1987-2003 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 those elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed marginally larger market value declines ("MVDs") for certain regions, as well as for some large urban areas. Although price growth was stable in the period examined, it was slower in the regions of Valencia and Murcia. However, MVDs for these regions have tended to be lower than for the more highly populated areas of Spain.

High-Value Properties
Approximately 16% of the reference pool is considered by Fitch to be secured on high-value ("jumbo") properties, which face a risk of greater MVDs because liquidity is lower at this end of the market. The agency increased the MVDs of these loans by 10%-25% based on the indexed value of the property.

Recovery Rate
To determine the recovery rate for each loan, Fitch employed the calculation described below.

The minimum of:

a. the indexed property value net of foreclosure costs (based on Fitch's indexation methodology, whereby 50% credit is given for property price appreciation and foreclosure costs, assumed to be 10% of the value of the underlying property) reduced by the MVD factor; less: (i) accrued interest relating to the mortgage receivable based on the contractual rate for a period of three years; and (ii) the principal balance of the mortgage receivable; or
b. the current balance plus accrued interest for a period of three years.

When calculating recoveries, Fitch took into account the amount each borrower could redraw, since recovery proceeds would be paid on a *pro rata* basis. Higher priority is given to longer-outstanding debts, which means that the first withdrawal has priority over subsequent withdrawals.

The risk of redraw remains low in the early years of the transaction, since LTVs remain high and above the maximum 80% redraw ceiling.

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 WARR and the WAFF provided by the loan-by-loan collateral analysis. Recoveries included both interest and principal.

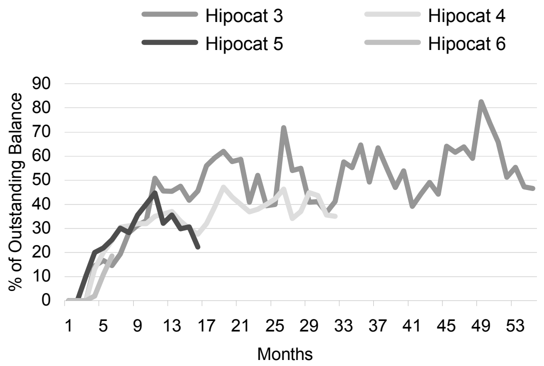
The cash flow model assumes that defaults are spread over the first five years of origination, starting straight after closing. The analysis simulates the cost of carrying defaulted loans as the difference between the performing balance of the mortgages and the notional note balance. Excess spread, the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

The cash flow analysis assumes a high level of annual prepayments on the mortgages (which stresses available excess spread) of 25%, 21% and 18% under 'AAA', 'A' and 'BBB' scenarios, respectively.

Under these stresses, the repayment of principal will be received before the final legal maturity date and Interest payments will be received without interruption for the Class A notes. However, in the case of the Class B, Class C and Class D notes, this will be subject to the deferral trigger and the terms and conditions of the notes. The Class B, Class C and D notes may not receive any interest, for a certain period, if the deferral triggers are hit.

Performance Analytics
This is the seventh publicly rated residential mortgage backed transaction originated by CC and the fourth rated by Fitch (the agency affirmed the ratings for Hipocat 3, 4 and 5 on 14 August 2003 and assigned ratings to Hipocat 6 in September 2003).

Delinquencies: 90+ Days
(Hipocat 3-6)



Source: Fitch + CC Catalunya

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.

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 around 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.

- **Product Type:** Fitch increases default probability assumptions by 0%-10% for the index volatility experienced by variable-rate mortgage holders.
- **Repayment Type:** the agency increases base default rates by 5%-10% for loans to be paid by *cuota creciente*, whereby the amortisation of capital is always the same and the interest payment increases.
- **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, the agency will double the base default rates in both cases. If the purpose of the loan is not the acquisition of a property in Spain, Fitch will increase the default probability by 10%-100%.
- **Borrower Profile:** the agency increases the default probability on loans to self-employed borrowers by 10%-50% to account for their lack of a fixed annual salary.
- **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 10%, 35% and 70%, respectively, and mortgages over 91 days in arrears (non-performing status) by 100%.
- **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%.

Recovery Rate

To estimate recovery rates on mortgage loans in Spain, Fitch examined home price movements there on a regional basis from 1987-2001. The agency found significant differences in price development across regions, mainly between Madrid, Cataluña, País Vasco, and the other regions in Spain. The cities in 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 MVDs for certain regions and 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 higher-value properties. These are generally subject to larger MVDs in a deteriorating market than homes with average or below-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 10% of the loan's balance at the time of default. The agency also incorporates the fact that the length of time the foreclosure process takes may be longer than the current assumption in a recession period. To calculate carrying costs, Fitch uses a worst-case scenario analysis, which assumes that the borrower pays no pay interest and that the collateral is not realised for a period of three years.

Excess Spread

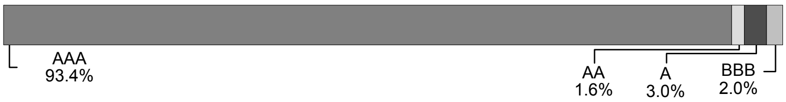
Excess spread represents the monetary difference between the income received by the issuer from the borrowers, and the interest on the notes and other expenses paid by the issuer. Any reserve fund will be replenished from available excess spread, if it is drawn. The actual value of excess spread depends on levels of delinquencies, defaults and prepayments, as well as the WA interest rate of the reference mortgage portfolio throughout the life of a transaction. The threshold rate calculation is designed to guarantee the issuer a minimum level of excess spread. Given the swap agreement between Hipocat 7 and CC, it does not apply to this transaction

Hipocat 7, Fondo de Titulización de Activos — RMBS/Spain

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)	Spread (%)	Structure	Maturity	Coupon	ISIN
A1	AAA	11.4	1,600	8.45	n.a.	Soft Bullet	July 2036	Euro Floater	ESO345783049
A2	AAA	82.0	1,148.3	8.45	0.17	Pass Through	July 2036	Euro Floater	ESO345783049
B	AA	1.6	21.7	6.90	0.25	Pass Through	July 2036	Euro Floater	ESO345783049
C	A	3.0	42.0	3.90	0.40	Pass Through	July 2036	Euro Floater	ESO345783049
D	BBB	2.0	28.0	1.90	0.80	Pass Through	July 2036	Euro Floater	ESO345783049

	Size (%)	Size (EURm)
Cash Reserve	1.9	26.6
Liquidity	7	98.0
Step Up Date	Class A	
Swap	Total return, 66bps guaranteed margin, paying WA margin notes	
Excess Spread (Closing)	n.a.	



Key Information

Closing Date	[8 June 2004]	**Parties**	
Country of Assets	Spain	Seller/Originator	Caixa d'Estalvis de Catalunya
Issuance Date	May 2004	Servicer	Caixa d'Estalvis de Catalunya
Structure	Pass through (except Class A1)	Joint Lead Managers	CC, JPMorgan, Bear Stearns
Bloomberg	[•]	Fund	Hipocat 7, Fondo de Titulización de Activos
Settlement	IBERCLEAR	Sociedad Gestora	Europea de Titulización
Listing	AIAF	Swap Counterparty/Account Bank	Caixa d'Estalvis de Catalunya
Analyst	Christian Moor		
	Christian.moor@fitchratings.com		
	+44 20 7862 4054		

Others (Summary)

Short Term Rating Triggers (Minimum)

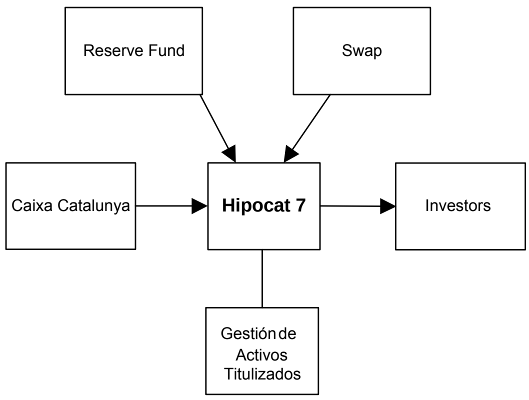
Account Bank	F1
Swap Counterparty	F1

Credit Enhancement
Excess Spread, Reserve Fund, Subordination

PDL Mechanism
100% principal outstanding debited for loans 18 months in arrears

Credit Committee Highlights
Established and experienced underwriter
100% of flexible loans with redraw and payment holiday option in pool
71.8% concentration in Catalunya
4% of self employed are included in the pool
Gross excess spread guarantees 65bps per annum
Seasoning is 20 months
Pro rata amortisation of notes subject to certain conditions
Liquidity facility to cover for interest shortfalls due to payment holidays

Simplified Structure Diagram



Source: Transaction documents

Fitch Default Model Output

Rating Level	AAA	AA	A	BBB
WAFF (%)	21.6	17.3	13.0	8.6
WARR (%)	61.5	67.3	73.0	77.1
Loss Severity (%)	53.9	48.3	42.8	38.8
MVD	43.3	38.7	34.1	30.7

Collateral

Pool Characteristics

Original Principal Balance (EUR)	1,689,859,913	**Regional Concentration (%)**	
Current Principal Balance (EUR)	1,611,122,696	Madrid	9.3
Average Original Loan per Borrower (EUR)	122,714	Comunidad Valenciana	6.0
Average Current Loan per Borrower (EUR)	117,992	Cataluña	71.8
Number of Loans	16,415		
Seasoning (Months)	20.0	**Lien Position (%)**	
Loan to Value (LTV) (%)		First Ranking	100
WA OLTV	86.4		
WA CLTV	83.0	Jumbo (%)	16.0
WA Indexed CLTV	76.2	Payments	
Mortgage Characteristics		Payment Frequency	Monthly
Flexible Loans (%)	100	Payment Method	Direct Debit
Residential Loans (%)	100	Performing Loans (%)	100
		Self Employed (%)	4.0
Interest Rate Type			
Floating Rate Loans (%)	100	**DTI Distribution (%)**	
WA Interest Rate (%)	3.9	Class 1	0.0
WA Interest Margin (%)	0.5	Class 2	45.0
Interest Index (EURIBOR)	EURIBOR/others	Class 3	55.0
		Class 4	0.0
		Class 5	0.0

Source: Fitch, CC