

RURAL HIPOTECARIO II, Fondo de Titulización Hipotecaria, Bonos de Titulización Hipotecaria

Spain

CLOSING DATE:

May 30, 2001

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TRANSACTION IN BRIEF

	Senior Series A	Subordinated Series B
Rating:	Aaa	A2
Amount:	€ 222,000,000	€ 13,000,000
Coupon:	Euribor 3M + 0.24%	Euribor 3M + 0.50%
Payment Dates:	February 12th, May 12th, August 12th, November 12th	
Final Maturity:	August 12th, 2026	
Issuer:	RURAL Hipotecario II, Fondo de Titulizacion Hipotecaria	

Originators/Administrators

Caja Rural de Almería y Málaga
Caja Rural de Credicoop
Caja Rural del Jalón
Caja Rural de Navarra
Caja Rural del Sur
Caja Rural de Zamora
Caja Rural de Zaragoza

Management Company (Gestora)

Lead Managers: Europea de Titulizacion, SGFT, S.A.
Banco Cooperativo
Credit Agricole Indosuez
DG Bank

Paying Agent: Banco Cooperativo Español

Treasurer: Bankinter (A1/P-1)

Collateral Characteristics (as of April 23rd, 2001)

Type: Mortgage shares (Participaciones Hipotecarias: PHs)

Coupon: Underlying mortgage rate

Count: 5505

Total Amount (Approx.): € 259,169,974.59

Provisional Pool of Underlying Mortgage Loans

Type: Primary residential mortgage loans

WALTV: 59.77%

Average Loans: € 45,444

WAC (Current): 5.97 %

Interest Basis: Variable

Indices: EURIBOR/MIBOR (52.26%), MH BANCOS (5.79%), MH CAJAS DE AHORRO (20.14%) & ENTIDADES (21.81%)

Orig. Loan Purpose: Purchase, Construction and Renovation

Geog. Concentrations: Andalucía (30.92%), Aragón (25.35%), Navarra (12.14%)

Structure: Senior/Mezzanine/RF

Credit Enhancement: 5.50% B Bond, 2.50% RF, spread

Issue Date: June 5th, 2001



RATING OPINION

Moody's has assigned an **Aaa** rating to the Series A Bonos and an **A2** rating to the Series B Bonos de Titulizacion Hipotecaria (BTH's mortgage securitisation bonds) issued by Rural Hipotecario II FTH.

These ratings are based on:

- The legal characteristics of the mortgage shares (participaciones hipotecarias — "PHs");
- A loan by loan analysis of the quality of the mortgage loans underlying the mortgage shares;
- The analysis of other types of risk, including operational risk, prepayment, interest rate, and liquidity risk, as well as legal risk, adequate credit enhancement;
- The strength of the cash flows, including the reserve fund and any excess spread available to cover losses;
- The experience of the Gestora Europea de Titulizacion, SGFT, S.A. and the supporting guarantee of the gestora obligations by all of its shareholders; and
- The contractual obligations and credit strength of the parties to the transaction.

Moody's evaluation included the legal and regulatory context of the primary mortgage market and of structured transactions in Spain.

The ratings assigned to the BTHs address the timely payment of interest and payment of principal on or before the final maturity of the transaction in August 12th, 2026.

RATING SUMMARY

Collateral

Second Transaction Originated by Cajas Rurales — Higher Enhancement Levels than the Previous Deal

Rural Hipotecario II is the second transaction launched in Spain where the originators are credit cooperatives whose main activities concentrate in lending to the agricultural sector.

The pool of loans (*Figure 1*) consists of good quality loans with LTV levels averaging 59.77%, and a geographical concentration of loans concentrated in Andalucia (30.92%), Aragon (25.35%) and Navarra (12.14%). As compared with the previous deal, Rural Hipotecario II has higher enhancement levels overall. The difference, although not very apparent lies in the slightly higher LTV ratios and on the fact that this transaction is originated by seven unrated savings institutions. Moody's has evaluated each originator's strengths by assessing each originator's credit risks, and by assigning them internal shadow ratings.

Figure 1
The Collateral
(As of 23/4/2001)

AVG LTV	59.77% (max. 80%)
Regional Concentration	
Andalucia	30.92%
Aragon	25.35%
Navarra	12.14%
Valencia	11.1%
Avg Seasoning	2.1 years
Number Of Mortgages	5505
Outstanding Balance	41624.8million PTAS
Avg Loan	7.5 million PTAS
Last Maturity	2025

STRUCTURE SUMMARY

The (BTHs) are issued by a mortgage securitisation fund (Fondo de Titulización Hipotecaria) which was created and is managed by Europea de Titulizacion, SGFT, S.A., the Management Company. The BTH's are secured by PHs.

Under Spanish law each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executory action against the mortgage borrower/debtor. As the Fondo does not possess juridic personality any such action must be taken on its behalf by the Gestora. In this transaction all of the PH's represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs purchased by a mortgage securitisation fund are

not subject to withholding tax. However, interest payments on the BTHs issued by the fund are subject to withholding tax under certain circumstances.

All of the mortgage loan securing the PH's were originated by Caja Rural de Almería y Málaga, Caja Rural Credicoop, Caja Rural del Jalón, Caja Rural de Navarra, Caja Rural del Sur, Caja Rural de Zamora, and Caja Rural de Zaragoza who will continue to service the loans and will substitute or repurchase any PH that is found to be backed by a loan that fails to meet various criteria.

Credit Enhancement

Typical Senior-Subordinated Structure

The certificate holders are protected from losses primarily with a traditional senior/ subordinated structure with a Reserve Fund.

- The first layer of protection is spread in the transaction, which is the difference between (1) the interest earned on the PH's (2) and the coupons paid on the BTH's and other obligations plus the Gestora fee. The value of the ongoing spread was assessed under a variety of adverse conditions which would minimise its availability, including high prepayment speeds, various loss distributions, and high arrears levels.
- The second layer of protection for investors is the Reserve Fund. At any moment the maximum credit amount will be, equal to the minimum of the following quantities: 2.50% of the initial PH balance or 7.50% of the outstanding principal balance of the PHs.
- The third layer of protection is the Series B Bonos which initially amount to 5.53% of the PH original balance. Amortisation of the Series B Bonos will take place when the A Bonds are fully amortized.

Basis and Liquidity Risk

The structure is exposed to a degree of interest rate risks. The interest payable on the Series A and Series B BTHs pay 3 month Euribor, while the PHs are mostly linked to Mibor, IRPH, and other indices. This transaction is not protected by a swap.

Although Moody's believes that any substantial interest rate mismatches between Euribor and Mibor are likely to be relatively short lived, they could expose the structure to some liquidity risks. This risk is mitigated by the size of the spread, the reserve fund and of the class B notes. These enhancement factors provide protection against the risk that the average interest reset on 3 month Euribor might exceed that of 12 month Mibor and other indices over the life of the deal.

Origination/Servicing

Moody's reviewed the facilities, underwriting and collections procedures, and servicing systems of the originators and compared them with the overall lending practices of banks and mortgage lenders in Spain.

Moody's believes each originator is capable of fulfilling its servicing obligations in the transaction.

Management Company (Gestora)

The Management Company (Sociedad Gestora) has broad powers under the Spanish securitisation law.

Europea de Titulización is an experienced company. The obligations of the Gestora within the structure are guaranteed by its shareholders in proportion to their holdings. BBVA accounts for 83% of the Gestora's capital. The remainder is owned by 15 institutions including JP Morgan 4%, Caja de Ahorros del Mediterraneo 1.54%, Bankinter 1.53%, Barclays Bank 1.53%, Citibank España 1.53%.

Doc ID# SF10663isf

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