RMBS/Spain
Presale Report

Rural Hipotecario VII, FTA

Expected Ratings*

Class	Amount (m)	Final Maturity	Rating	CE (%)
A1	957.1	March 2038	AAA	4.94
A2	100.0	March 2038	AAA	4.94
B	19.2	March 2038	A+	3.19
C	23.7	March 2038	BBB-	1.04

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* Expected ratings do not reflect final ratings and are based on information provided by issuer as of 29 March 2005.

Summary

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

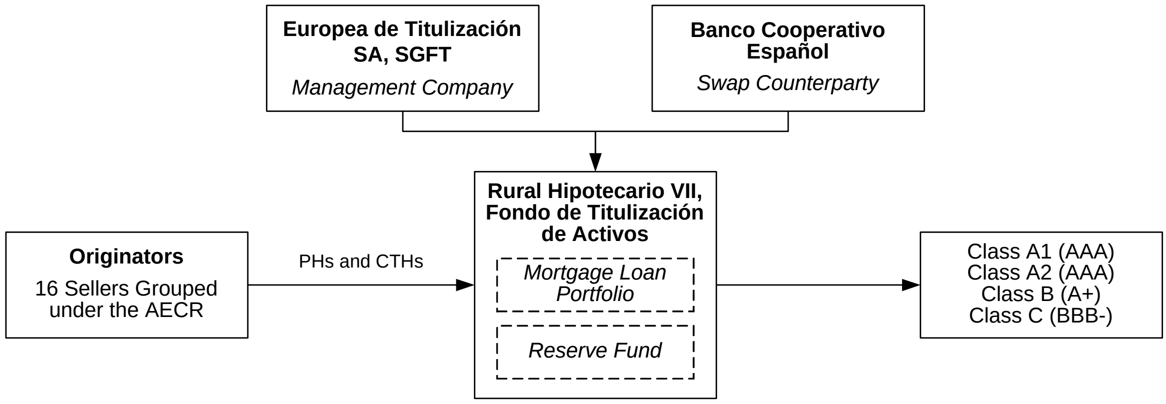
At closing, Rural Hipotecario VII will issue notes backed by a portfolio of residential mortgage loans ("the collateral") originated by 16 sellers, which will continue to service the mortgages. The fund is regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to transform the mortgage participations and mortgage certificates *("participaciones hipotecarias" or "PHs" and 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. ("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 16 sellers, Caixa Popular-Caixa Rural, S.C.C.V. Caixa Rural de Balears S.C.C., Caja Campo, 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 Burgos C.C., Caja Rural de Gijon, S.C.C., Caja Rural de Granada, S.C.C, Caja Rural de Navarra, S.C.C.('A-(A minus)/F2') Caja Rural de Tenerife, S.C.C, Caja Rural de Teruel, S.C.C., Caja Rural de Zamora, C.C., Caja Rural del Duero, S.C.C, Caja Rural del Mediterráneo, Ruralcaja, S.C.C y Caja Rural del Sur, S.C.C. ("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 the report "*Spanish Rural Cooperatives*" dated 30 April 2004 and available at www.fitchresearch.com

The expected ratings are based on the quality of the collateral, the underwriting and servicing of the mortgage loans, available credit enhancement ("CE"), the swap agreement incorporated into the transaction and the sound legal and financial structures. Initial CE for the class A1 and class A2 notes, totalling 4.94%, will be provided by the class B and C notes and the reserve fund. Initial CE for the class B notes, totalling 3.19%, will be provided by the class C and the reserve fund. CE for the class C notes, totalling 1.04%, will be provided by the reserve fund.

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 (subject to interest deferrals on the Class B and Class C notes).

Structure Diagram



Source: Transaction documents

Credit Committee Highlights

- The loans included in the portfolio bear interest referenced to different indices (six-month or 12-month European Interbank Offered Rate ("EURIBOR"), Madrid Interbank Offered Rate ("MIBOR") or the TMPH and CECA indices) while the interest on the notes is based on three-month EURIBOR. The fixing risk is mitigated by a swap agreement between Rural Hipotecario VII and Cooperativo (rated 'A/F1');

- The transaction involves 16 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 two largest sellers in the transaction by collateral value.

- 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 Andalucia (36.87%) and the Comunidad Valenciana (21.87%). 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 EUR65,495.

- The provisional portfolio has a weighted average original loan-to-value ratio ("WA OLTV") of 68.1%, one of the lowest seen in any recent deal in Spain. The WA seasoning of the provisional pool is 26 months. These factors drive the weighted average indexed loan-to-value ratio ("WA Indexed CLTV") of 54%.

- Limited debt to income ("DTI") information has been received for the provisional pool. Fitch has assumed that the WA DTI ratio for the provisional pool is Fitch's Class 3 (please see *Appendix I* for details of Fitch's rating methodology).

- 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 and C notes) and that principal will be repaid by legal final maturity in March 2038.

Financial Structure

Classes A, B and C 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 *Sociedad 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

Key Information

Provisional Portfolio Characteristics

Total Amount at Closing: EUR1,179 million as of 29 March 2005, of which EUR1,100m will be retained at closing.

WA Original LTV (%): 68.1

WA Current LTV (%): 61.8

WA Indexed Current LTV (%): 54.0

WA Remaining Maturity: 20.9 years

WA Seasoning: 26 months

Concentration in Andalucia (%): 36.87

Concentration in Comunidad Valenciana (%): 21.87

Structure

Originators and Sellers: see table on page 4

Servicer: the sellers

Fund: Rural Hipotecario VII, 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: March 2038

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

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, euro-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 PHs and CTHs that will be subscribed by Rural Hipotecario VII, 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 PH and 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.

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 A1 and class A2 notes;
4. interest due on the class B notes, if not deferred;
5. interest due on the class C notes, if not deferred;
6. payment due on the amortisation fund;
7. interest due on the class B notes, if deferred;
8. interest due on the class C notes, if deferred;
9. replenishment of the reserve fund;
10. swap adjustment;
11. subordinated amounts, including servicing fees to be paid to the Sellers.

Interest due on the class C notes will be deferred if the amortisation deficit for the class C notes exceeds 50% of their initial balance. 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.

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 A1 notes. The class A2 notes will start amortising three years after closing and will have a scheduled amortisation profile. The class A1 and A2 notes will amortise *pro rata*:

- if the arrears balance is equivalent to 2% of the current outstanding balance of the portfolio)
- if the principal outstanding balance of the class A2 notes represents more than 25% of the principal outstanding on the bonds ;

Once the class A1 and class A2 notes are fully redeemed, the class B notes and, finally, the class C notes will amortise. The notes' final maturity date is 17 March 2038.

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 and C notes reach at least 3.50% and 4.30%, respectively, of the total outstanding note balance; and

- the outstanding principal balance of loans more than 90 days in arrears does not exceed 1.5% and 1%, respectively, of the outstanding principal balance of the class B and C notes.

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). Where loans are referenced to an index other than EURIBOR, the swap ensures that the margin on the loan will be calculated over EURIBOR.

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 o f at least 'A/F1'; or
- cash- or security-collateralise its obligations to an amount satisfactory to the rating agencies.

Credit Enhancement

Initial CE for the class A notes, totalling 4.94%, will be provided by the class B and C notes and the reserve fund. Initial CE for the class B notes, totalling 3.19%, will be provided by the class C and the reserve fund. CE for the class C notes, totalling 1.04%, will be provided the reserve fund (see below).

Reserve Fund

A reserve fund will be set up with a balance equal to 1.04% of the original notes balance. Subject to certain following conditions, the reserve fund will be permitted to amortise to the lesser of: a) 1.04% of the initial notes balance; or b) the greater of: i) 2.08% of the then-outstanding note balance; and ii) 0.52% 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.
- no amortisation will take place until three years after the closing date.

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 two largest 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 to, 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 29 March 2005, the reference portfolio consisted of 17,994 mortgage loans originated by the 16 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.

The portfolio's original average loan-to–value ratio ("LTV") stands at 68.1%, with a WACLTV of 61.8%. 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 current LTV of the pool is 54.0%. The percentage of loans concentrated in the above-90% original LTV bucket represents 5% of the pool by value.

The oldest loan was originated in December 1991 and the most recent in November 2004. Seasoning is 26 months and the weighted average current remaining maturity is 20.9 years. The majority of loans are linked to 12-month EURIBOR (78.50%), while the majority of the remainder are linked to the IRPH indices.

Origination and Servicing

As part of its analysis, Fitch made an on-site visit to Caja Rural de Granada, S.C.C.("CRG"), the largest contributor of collateral to the transaction, to review and analyse its origination and servicing guidelines.

CRG focuses on the borrower's ability to pay, allowing maximum debt to income 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 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. Except in the case of Caja Campo, IT systems are coordinated by and centralised at RSI.

Provisional Portfolio Summary

Pool Characteristics	
Current Principal Balance (EURm)	1,179
Average Current Loan per Borrower (EUR)	65,495
Average Original Loan per Borrower (EUR)	74,333
Oldest Loan in Portfolio	Dec 1991
Most Recent Loan in Portfolio	Nov 2004
Interest Rate Type	
Floating Rate Loans (%)	100
WA Interest Margin (%)	0.71
Interest Index	EURIBOR, Mibor,CECA, TMPH
Payments	
Payment Method	Direct Debit
Loans <30 Days in Arrears (%)	100
Regional Concentration (%)	
Andalucia	36.87
Comunidad Valenciana	21.87
Lien Position (%)	
First-Ranking	100.0

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

For more information on Cooperativo and the group, please refer to Fitch's credit analysis report on the bank dated December 2004.

Credit Analysis

Fitch analysed the collateral for the Rural Hipotecario VII 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).*

Sellers Involved in the Transaction

	% of Loans Originated in the Portfolio by	
	Number	**Value**
Caixa Popular-Caixa Rural	0.36	0.64
Caixa Rural de Balears	2.15	3.81
Caja Campo, Caja Rural	2.37	2.7
Caja Duero Caja Rural	2.11	2.64
Caja Rural Central	0.82	1.43
Caja Rural de Albacete	0.56	0.74
Caja Rural de Aragón	8.11	8.97
Caja Rural de Burgos	4.81	4.91
Caja Rural de Gijón	1.37	1.16
Caja Rural de Granada	27.59	23.48
Caja Rural de Navarra	5.61	8.4
Caja Rural de Tenerife	4.44	4.69
Caja Rural de Teruel	1.14	1.09
Caja Rural de Zamora	2.47	2.42
Caja Rural del Mediterráneo, Ruralcaja.	22.69	19.2
Caja Rural del Sur	13.4	13.74

Source: Fitch Ratings

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 VII. 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.

The securitised pool has a geographical concentration in Andalucia, with over 36.87% of mortgages located in this region, and in Comunidad Valenciana (21.87% of the portfolio).

Recovery Proceeds

To estimate recoveries on mortgage loans in Spain, Fitch examined house price movements in Spain on a regional basis from 1987-2003. The agency found significant differences, most notably between Madrid, Catalonia and the Basque Country, and the other regions in Spain. Cities in these three regions have experienced higher price increases than regions elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed slightly larger market value declines ("MVDs") for certain regions as well as 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 those of markets in other European countries. 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 27% of the reference pool is considered by Fitch to be secured on high-value ("jumbo") properties.

When calculating recovery value, the agency's model reduces each property's worth by the MVD, external foreclosure expenses and the cost to the servicer of carrying the loan from delinquency through to default. This cost depends on the time to foreclosure as well as the applied interest rate, which Fitch assumes to be 10%. Although the sellers currently report a recovery period of a year-and-a-half to two years, Fitch assumes a time to foreclosure of three years.

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 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 cost of carry until recoveries are received after 36 months. Variable 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 annual prepayments on the mortgages: 25%, 21%, and 17% under 'AAA', 'A+' and 'BBB-(BBB minus)' scenarios, respectively.

The CE levels reflect the severest stress scenario, which assumes that there are neither interest shortfalls during the life of the 'AAA' tranche nor any principal shortfall at its final maturity. However, in the case of the class B and class C notes, this will be subject to the deferral trigger and the terms and conditions of the notes. If the deferral triggers are hit, the class B and class C notes may not receive any interest for a period of time.

■ 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.

Appendix I: Rating Methodology

To determine appropriate levels of CE, 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 house 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 CE 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 show 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 debt-to-income ratios (DTI) 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.

- **Product Type:** Fitch increases default probability assumptions by 0%-10% for the index volatility experienced by variable-rate mortgage holders.
- **Repayment Type:** Fitch will increase 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 is increasing.
- **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, it will double the base default rates in both cases. If the purpose of the loan is not to acquire 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 33%-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 it 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 house price movements in Spain on a regional basis from 1987–2001. The agency found significant differences in price development among the regions, mainly between the regions of Madrid, Catalonia and the Basque Country, and the rest of the regions in Spain. 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 MVDs 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 higher-value properties. These properties are generally subject to larger market value declines 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 default. For Spain, Fitch assumes external foreclosure costs represent 10% of the loan's balance at the time of default. Loss severity also incorporates the fact that the length of time of the foreclosure process might be longer than the actual one in a recession period. To calculate carrying costs, Fitch uses a worst-case scenario analysis, one that assumes the borrower does not pay any interest and 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 weighted average interest rate of the reference mortgage portfolio throughout the life of a transaction.

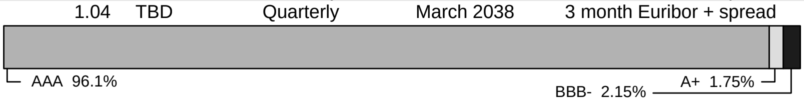
Appendix II: Summary

Rural Hipotecario VII, Fondo de Titulización de Activos — RMBS/Spain

Capital Structure

Class	Rating	Size (%)	Size (EURm)	CE (%)	Spread (Expected)	I/P PMT Freq	Maturity	Coupon
A1	AAA	87.01	957.1	4.94	TBD	Quarterly	March 2038	3 month Euribor + spread
A2	AAA	9.09	100.0	4.94	TBD	Quarterly	March 2038	Capped at 3 month Euribor + 0.13%
B	A+	1.75	19.2	3.19	TBD	Quarterly	March 2038	3 month Euribor + spread
C	BBB-	2.15	23.7	1.04	TBD	Quarterly	March 2038	3 month Euribor + spread

	Size (%)	Size (EURm)
Initial Reserve Fund	1.04	11.44



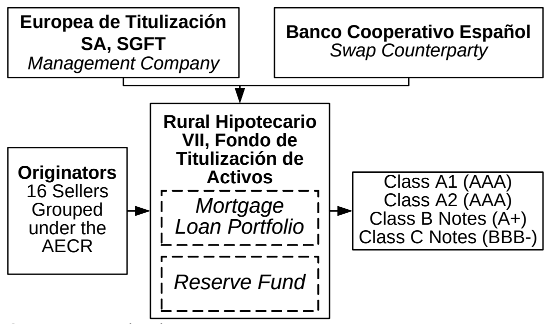
Key Information

		Role	Party (Trigger)
Expected Closing Date		**Seller/Originator**	16 sellers, see page 4
Country of Assets	Spain	**Structurer**	Europea de Titulización SA, SGFT
Structure	Pass through, sequential (*pro rata* subject to conditions)	**Issuer**	Rural Hipotecario VII, FTA
Type of Assets	Residential mortgages	**Lead Manager**	Banco Cooperativo Español, Banco Bilbao Vizcaya Argentaria ('AA-/F1+') DZ Bank (A/F1) and Société Générale (AA-/F1+)
Currency of Assets	EUR	**Management Company**	Europea de Titulización SA, SGFT
Currency of Notes	EUR	**Swap Provider**	Banco Cooperativo Español (A/F1)
Primary Analyst	gustavo.celi@fitchratings.com	**Financial Agent**	Banco Cooperativo Español (F1)
Secondary Analyst	lara.patrignani@fitchratings.com		
Performance Analyst	sf_surveillance@fitchratings.com		

Fitch Default Model Outputs

Rating Level	AAA	AA	A	BBB	BB
WAFF (%)	13.1	10.5	7.9	5.2	2.6
WARR (%)	87.8	92.7	97.3	100.2	102.9
WALS (%)	27.2	22.3	17.7	14.8	12.1
WAMVD (%)	41.3	37.0	32.5	29.4	26.3

Simplified Structure Diagram



Source: Transaction documents

Collateral

Pool Characteristics			
Current Principal Balance (EUR)	1,178,501,363	**Regional Concentration (%)**	
Average Current Loan per Borrower (EUR)	65,495	Andalucia	36.87
Average Original Loan per Borrower (EUR)	74,333	C. Valenciana	21.87
Number of Loans	17,994		
WA Seasoning (Months)	26		
Oldest Loan in Portfolio	December 1991	**Mortgage Characteristics (%)**	
Most Recent Loan in Portfolio	November 2004	First Ranking	100
		Second Homes	8.60
Interest Rate Type (%)		**Loan to Value (LTV) (%)**	
Variable	100	WA Original LTV	68.1
Fixed	0	WA Indexed Current LTV	54.0
WA Margin	0.71	WA Current LTV	61.8
Interest Index	12-month EURIBOR (78.5%), MIBOR, TMPH, CECA		

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