RMBS/Spain
Presale Report

Rural Hipotecario VIII, FTA

Expected Ratings*

Class	Amount (EUR 1,312m)	Final Maturity	Rating	CE (%)
A1	97.5	January 2044	AAA	4.75
A2a	802.4	January 2044	AAA	4.75
A2b	350.0	January 2044	AAA	4.75
B	27.3	January 2044	A+	4.20
C	15.6	January 2044	BBB	2.10
D	7.2	January 2044	BB+	0.90
E[1]	11.7	January 2044	CC	n.a.

[1] Uncollateralised note issued to fund the creation of the reserve fund at closing date (see *Reserve Fund*)

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* Expected ratings do not reflect final ratings and are based on information provided by the fund as of 16 May 2006. Final ratings are contingent on final documents conforming to information already received as well as on satisfactory legal opinion. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other offering material should be reviewed prior to any purchase.

Related Research
The following special reports provide additional detail on Fitch's rating approach to the RMBS market; all are available at www.fitchratings.com:

- "*Spanish Mortgage Default Model III*", dated 15 September 2005;
- "*Spanish Performance Bulletin 2005*", dated 14 September 2005;
- "*A Guide to Cash Flow Analysis for RMBS in Europe*", dated 20 December 2002;
- "*Fitch Issuer Report Grades*", dated 25 November 2004;
- "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004.

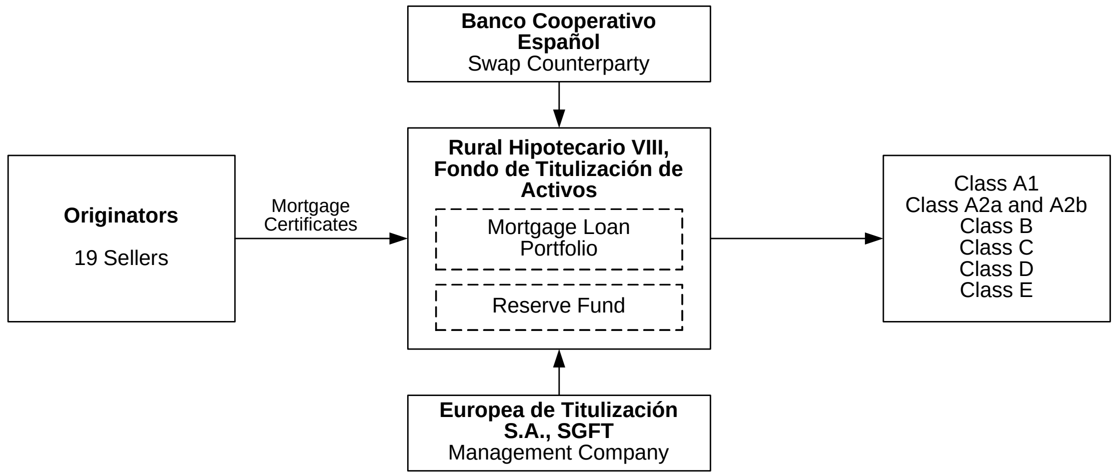
■ Summary
This EUR1,312 million transaction is a securitisation of residential mortgage loans originated in, and secured on properties located in, Spain. Fitch Ratings has assigned expected ratings to the notes issued by Rural Hipotecario VIII, FTA ("Rural Hipotecario VIII" or "the fund") as indicated at left.

This is the eighth residential mortgage securitisation conducted by rural credit cooperatives (the "*cajas rurales*") and the third rated by Fitch (see *Performance Analytics*). At closing, Rural Hipotecario VIII will issue notes backed by a portfolio of residential mortgage loans ("the collateral") originated by 19 sellers, who will continue to service the mortgages. The fund will be regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to transform the mortgage transmission certificates ("*certificados de transmisión de hipotecas*" *or* "CTHs"*)* acquired from the sellers into securities. The certificates will be subscribed by Europea de Titulización S.A. S.G.F.T. (the "*sociedad gestora*"), whose sole function is to manage asset-backed notes on behalf of the fund.

The collateral has been originated by the 19 *cajas rurales* that are listed on page 5 of this report. These *cajas rurales* belong to the Asociación Española de Cajas Rurales ("AECR"), which offers its 73 members a wide range of wholesale and retail banking services through Banco Cooperativo Español ("Cooperativo", rated 'A/F1'). Cooperativo's main role is that of a central treasurer and financial adviser.

The expected ratings of the notes are based on the quality of the collateral, the underwriting and servicing of the mortgage loans, available credit enhancement ("CE"), the swap agreement involved in the transaction and the sound legal and financial structures. The expected ratings on the Class A to D notes address payment of interest on the notes according to the terms and conditions of the documentation, subject to a deferral trigger on the Class B, C and D notes, as well as the repayment of principal by the legal final maturity for each note. The Class E notes will be issued to finance the cash reserve fund. The Class E notes are ultimately likely to default, and their ratings are supported by the expected recovery rate for noteholders, that is, the amounts investors are likely to receive during the life of the transaction.

Structure Diagram



Source: Transaction documents

Credit Committee Highlights

- The transaction involves 19 sellers, two of which are rated by Fitch. To mitigate the commingling risk that may arise, the *cajas rurales* will transfer on a daily basis the amounts that they will collect from the portfolio to the treasury account held at Cooperativo in the name of the fund. Moreover, the reserve fund amount has been sized to cover a conservative five-day holding period that may be required to notify the mortgage debtors and provide them with the new payment instructions upon the insolvency of the four largest sellers in the transaction by collateral value. For this purpose, a precise notification procedure and agenda have been defined within the transaction documents.

- The class A1 notes are to amortise in full in October 2007. Fitch has verified that the 'AAA' expected rating assigned to these notes is commensurate with a conservative low constant prepayment rate ("CPR") scenario (see *Cash Flow Analysis*). However, if no funds are sufficient to amortise these notes in their entirety on their respective scheduled maturity date, amortisation will continue on each subsequent payment date until they have been paid off completely.

- For 8.5% of the collateral, mortgaged properties were reappraised after the origination date of the loans. For these loans, the original property value, and thus the original loan-to-value ("OLTV") was not available; their computed OLTV is therefore based on reappraised property values. Since Fitch believes that OLTV is one of the most important indicators of willingness to repay, a 25% uplift on the default probability has been added to these loans (please see *Default Probability*). Moreover, in Fitch's recovery calculations, no property price increase was given to reappraised properties.

- Debt to income ("DTI") information was available on a loan-by-loan basis for 77% of the provisional pool balance, and Fitch assumed a conservative DTI class 3 for all the other borrowers. Hence, the weighted average ("WA") DTI of the pool stands at 26.5%.

- Portfolios securitised in previous transactions of *Cajas Rurales* are performing well, although arrears over 60 days are above those typically seen in other Spanish RMBS transactions (the former reach around 70 basis points – "bp" – whereas the latter generally range around 40bp).

Rural Hipotecario VI, VII and VIII Comparison Table

(%)	Rural VIII	Rural VII	Rural VI
WA Original LTV	66.3	62.2	66.5
WA Current LTV	61.0	60.0	62.0
Concentration in Andalucía	35.4	28.6	30.3
Current Term to Maturity (Years)	22.1	20.9	19.8
WA Seasoning (Months)	25.1	25.8	16.1

Pool information for Rural VIII based on the provisional loan pool
Source: Fitch and Europea de Titulización

Financial Structure

The fund is a limited-liability, special-purpose vehicle ("SPV") incorporated under the laws of Spain, whose sole purpose is to acquire CTHs from the *cajas rurales* as collateral for the issuance of floating rate quarterly paying securities. The *cajas rurales* will also act as the servicers of the collateral.

Key Information

Securitised Portfolio Characteristics
As of 25 April 2006
Total Amount at Closing: EUR1,490,935,658, of which EUR1,300m will be retained at closing.

WA Original LTV: 66.3%

WA Current LTV: 61.0%

WA Indexed Current LTV: 56.0%

WA Remaining Maturity: 22 years

WA Seasoning: 25 months

Concentration in Andalucía: 35.4%

Structure
Originators, Sellers and Servicers: 19 rural credit cooperatives (see *table* on *page 5)*

Fund: Rural Hipotecario VIII, 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')

Lead Managers: Cooperativo, Deutsche Bank AG (rated 'AA-(AA minus)/F1+'), Dexia Capital Markets and DZ Bank AG (rated 'A+/F1')

Final Legal Maturity: 19 January 2044

However, for the protection of investors, if any of them is unable to continue to service the collateral, the *sociedad gestora* must appoint a replacement administration company in accordance with the Spanish securitisation law. In case of such an event, the *cajas rurales* will be required to notify obligors and to provide them with new payment instructions within three days.

Cooperativo will be the paying agent servicing the notes, the swap counterparty and the treasury account provider. All principal and interest collections from the collateral will be transferred on a daily basis by the sellers into the treasury account, held in the name of the fund at Cooperativo. Amounts standing to the credit of the treasury account will receive a guaranteed interest rate equal to three-month Euribor minus 6bp.

With regard to this treasury account, if Cooperativo's short-term rating falls below 'F1', the *sociedad gestora* will have to take one of the following steps within 30 days:

1. find a third party to guarantee Cooperativo's obligations under the treasury account agreement; or

2. transfer the treasury account to another entity rated at least 'F1';

3. if unable to effect either of the above, it will obtain from the sellers or from *Cooperativo* a guarantee of financial assets rated at least on a par with the Kingdom of Spain ('AAA/F1');

4. if unable to effect either of the above, it will invest the balance of the treasury account temporarily and until the next payment date in short-term, fixed-income assets issued by entities rated at least 'F1' for investments maturing within 30 calendar days and a rating of 'F1+' for longer investments.

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 swap agreement (if applicable);
3. interest due on Class A1, A2a and A2b notes pro-rata;
4. interest due on Class B, C and D notes sequentially, if not deferred;
5. principal due on the notes, sequentially (see *Amortisation of the Notes*);
6. deferred Class B,C and D note interest sequentially, if any;
7. replenishment of the reserve fund to its required balance;
8. Class E note interest and principal (see *Class E notes* below); and
9. other subordinated amounts including interest and principal due on the start-up loan.

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

The amortisation deficit is the difference between principal due amounts and the available funds for principal repayment. Note that the principal due amount is defined as the difference of: a) the outstanding balance of the Class A to D notes net of the outstanding balance of funds available for amortisation; minus, b) the current balance of non-defaulted loans (defined as mortgages less than 18 months in arrears).

Amortisation of the Notes

Principal redemption of the notes will be sequential, beginning with the Class A1 notes and only moving through the remaining classes down to the Class D notes once they have been redeemed in full. The Class A1 notes are to amortise in October 2007. However, if funds are not sufficient to pay off the notes on the scheduled payment date, amortisation will continue on each payment date until they have fully amortised. The legal maturity date of all the notes is January 2044.

Once Class A1 notes have been fully redeemed, the Class A2a and A2b notes will start to amortise *pro rata*. However, if mortgages more than 90 days in arrears represent more than 2% of the current balance of the loans, the Class A2a and A2b notes will amortise *pro rata* with the Class A1 notes.

The Class B, C, and D notes will amortise sequentially on a pass-trough basis after the Class A notes (including A1, A2a and A2b) have been redeemed in full. That said, if the following conditions are met, the Class B, C and D notes can be redeemed on a *pro rata* basis with the Class A1, A2a and A2b notes:

- the outstanding principal balances of the Class B, C and D notes reaches, respectively, at least 4.2%, 2.4% and 1.108% of the outstanding Class A to D note balance;
- for the Class B notes to amortise *pro rata*, mortgages more than 90 days in arrears do not exceed 1.25% of the current balance of the loans;
- for the Class C notes to amortise *pro rata*, mortgages more than 90 days in arrears do not exceed 1 % of the current balance of the loans;
- for the Class D notes to amortise *pro rata*, mortgages more than 90 days in arrears do not exceed 0.75 % of the current balance of the loans; and
- the reserve fund is at the required level.

The amortisation profile for the Class E notes has been structured to mirror the amortisation profile of the reserve fund. Principal funds available for the amortisation of the Class E notes will be limited to the cash released from the reserve fund. The reserve fund is subject to a floor of 0.45% of the initial Class A to D notes balance (see *Reserve Fund*).

Call Option

All notes are subject to a clean-up call in favour of the *sociedad gestora* when less than 10% of the initial collateral balance remains outstanding. The clean-up call will only be executed if the then-outstanding balance of the Class A to D notes is redeemed in full. The clean-up call does not guarantee the full or partial redemption of the Class E notes.

Interest Rate Risk

An interest rate hedging mechanism will be concluded between the fund and Cooperativo to mitigate the basis and reset risks arising from the mismatch between the reference indices and reset frequencies for the mortgages (mainly 12-month Euribor with annual reset frequencies) and the notes, which are indexed to three-month Euribor and reset quarterly.

The fund will pay the swap counterparty the index rate on the performing and delinquent loans (up to 18 months of arrears). The swap counterparty will pay three-month Euribor on the balance of performing and delinquent loans. This notional balance also includes, until October 2007, an amount ,, an amount that would cover the difference between the coupon paid by the notes and the interest yielded by the amortisation account.

If Cooperativo is downgraded below ‘A/F1’, it will, within 10 days, take one of the following steps: (i) find an entity rated at least ‘A/F1’ to guarantee its obligations under the swap agreement; (ii) find a replacement counterparty rated at least ‘A/F1’; or (iii) cash- or security-collateralise its obligations in an amount sufficient to satisfy existing Fitch criteria. More information on Fitch’s standards for swaps can be found in the special report “*Counterparty Risk in Structured Finance Transactions: Swap Criteria*” dated 13 September 2004 and available at www.fitchratings.com.

Credit Enhancement

The transaction will benefit from initial CE provided by subordination and a reserve fund. This will total 4.75% for the Class A1, A2a and A2b notes, 4.20% for the Class B notes and 2.10% for the Class C notes. CE for the Class D notes, totalling 0.90%, is provided the reserve fund.

Reserve Fund

A reserve fund will be funded using the proceeds of the Class E notes issuance. The initial reserve fund amount will be sized at 0.90% of the initial Class A to D notes balance. Three years after closing and subject to the following conditions, the reserve fund will be permitted to amortise to the lesser of: a) 0.90% of the initial notes balance; or b) the greater of: i) 1.80% of the then-outstanding Class A to D note balance; and ii) 0.45% of the initial notes balance:

- 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; and
- the WA spread of the collateral is above 0.65%.

The reserve fund amount is sufficient to cover a conservative five-day holding period that may be required to notify obligors and provide them with the new payment instructions upon the insolvency of the four 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;
- all properties are located in Spain and have undergone a valuation process, as required by law;
- the sellers are unaware that any of the underlying properties have been subject to a reduction in value of more than 20%;
- each mortgage finances the purchase, refurbishment or construction of a residential property: however, for those loans granted for construction, the property must be fully built;
- all loans have been fully disbursed;
- none of the mortgage loans will be more than 30 days delinquent at closing;
- the sellers have full right and title to, and the power to sell and transfer, the mortgages; and
- if the loans are financing the acquisition of subsidised properties (*viviendas de protección official* "VPO"), these have been valued at their maximum legal value.

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 mortgage loans will be transferred by the sellers 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.

Provisional Portfolio Summary

Pool Characteristics	
Current Principal Balance (EURm)	1,490
Average Current Loan per Borrower (EUR)	77,982
Average Original Loan per Borrower (EUR)	87,515
Oldest Loan in Portfolio	November 1994
Most Recent Loan in Portfolio	November 2005
WA Seasoning (Months)	25.1
WA Remaining Maturity (Years)	22.1
Interest Rate Type	
Floating Rate Loans (%)	100
WA Interest (%)	3.48
WA Interest Margin (%)	0.80
Payments	
Payment Frequency (%)	Monthly: 98.8 Other: 1.2
Payment Method	Direct Debit
Regional Concentration (%)	
Andalucía	35.4
Comunidad Valenciana	16.7
Lien Position (%)	
First-Ranking	100.0

Source: Fitch

Cooperativo will act as a back-up servicer. Upon 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.

Collateral

As of 24 April 2006, the reference portfolio consists of 19,199 mortgage loans originated by the 19 sellers in the normal course of their business. All are amortising, first-ranking mortgages secured by residential properties in Spain and registered in the Registro de la Propiedad (the official register).

For 8.5% of the collateral, mortgaged properties were reappraised after the origination of the loans. All the loans were originated with properties valued by external, certified appraisers. However, some properties were subsequently re-valued, for example in the case of extensions of loan balances following the completion of a property. For these loans, the original property value, and thus the OLTV, was not available; their computed OLTV is therefore based on reappraised property values. As a result, the portfolio's WA OLTV stands at 66.3%, with a WA CLTV of 61.0%. The percentage of loans concentrated in the above-90% original LTV bucket is 5.2% of the pool.

In its recovery calculation, Fitch uses an indexed valuation of the underlying properties based on regional residential indices. The value of a property is either raised by 50% of any increase or reduced by

Sellers Involved in the Transaction

	Rating	% of Portfolio Balance
Caja Rural Del Sur, S.C.C	NR	23.25
Caja Rural Del Mediterraneo, Ruralcaja, S.C.C.	A-(A minus) /F2	11.59
Caja Rural De Granada, S.C.C.	NR	11.64
Caja Rural De Aragon, S.C.C.	NR	8.90
Caja Rural De Navarra, S.C.C.	A-(A minus) /F2	8.23
Caja Rural De Canarias, S.C.C.	NR	4.28
Caixa Rural De Balears, S.C.C.	NR	4.21
Caja Rural Del Duero, S.C.C.L.	NR	4.02
Caja Campo, Caja Rural, S.C.C.	NR	3.84
Caja Rural Central, S.C.C.	NR	3.25
Caja Rural De Burgos, S.C.C.	NR	3.17
Caja Rural De Ciudad Real, S.C.C.	NR	3.15
Caja Rural De Zamora, C.C.	NR	2.57
Caja Rural De Extremadura, S.C.C.	NR	2.10
Caja Rural De Tenerife, S.C.C.	NR	1.81
Caja Rural De Albacete, S.C.C.	NR	1.50
Caja Rural De Teruel, S.C.C.	NR	1.11
Caixa Popular-Caixa Rural, S.C.C.V.	NR	0.71
Caixa Rural de Cordoba, S.C.C.	NR	0.68

NR – Non Rated
Source: Fitch

any drop in regional average property prices since origination. However, the expected recovery value was not raised for the properties already re-appraised after origination. Hence, the WA indexed current LTV of the pool is 56.0%.

At closing, none of the mortgage loans will be more than 30 days in arrears.

■ Origination and Servicing

As part of its analysis, in April 2006, Fitch made an on-site visit to Caja Rural del Sur, S.C.C. ("CRS"), the largest contributor of collateral to the transaction, to review and analyse its origination and servicing guidelines. Within the scope of previous transactions, Fitch also made on-site visits and documented the origination and servicing strategies of Caja Rural de Granada, Caja Rural de Navarra, Caja Rural del Mediterraneo, Ruralcaja (please see Fitch's "*Rural Hipotecario VII, FTA*" new issue report, dated 6 July 2005 and its "*Rural Hipotecario VI*" new issue report, dated 8 July 2004, both of which are available at www.fitchratings.com).

CRS focuses on the borrower's ability to pay, which is evaluated by contrasting income levels and DTI. For incomes under EUR12,000, DTI should be between 10%-25%. Only customers with an annual income above EUR24,000 may be extended a DTI of 40%. Maximum OLTV is set at 80% but third-party guarantees are usually required for loans above the maximum recommended level of 70%.

CRS originates 80% of its residential mortgage book at its 282 branches; the remaining 20% is created through brokers, which are usually real estate agents. Lending decisions are made on a hierarchical basis. Depending on their size, loans are granted at the branch level, by a local credit risk committee or by the central credit risk committee. Overall, only 25% of the branches may grant loans above EUR63,000 alone and none may grant alone loans above EUR100,000. Information used in the credit analysis consists of data provided by the borrower as well as data from credit bureaus or CIRBE (a Bank of Spain database that gathers information on borrower exposure and non-payment from all Spanish entities). Arrears management and recovery procedures are very satisfactory, with rapid reactions from the entity centralised recovery department.

The sellers in this transaction benefit from the integration and development tools provided by Cooperativo. The bank coordinates financial policy, acts as agent and develops a variety of financial services, manages clearing and payment systems and provides international banking services. Cooperativo further promotes homogenisation of commercial and pricing policies and product standardisation, and seeks to improve cost efficiency and centralisation of risk control throughout the group. Equally important is the upgrading of the IT system used by most of the *cajas rurales*, which is developed and maintained by Cooperativo. For more information on Cooperativo and the group, see Fitch's credit analysis report on the bank, dated 2 December 2005 and available at www.fitchratings.com.

■ Credit Analysis

To verify that the CE available for each class of notes is in line with its respective rating, Fitch analysed the collateral for Rural Hipotecario VIII using a loan-by-loan default model specific to Spain. The agency also modelled the cash flow contribution from excess interest using the stress scenarios determined by its default model.

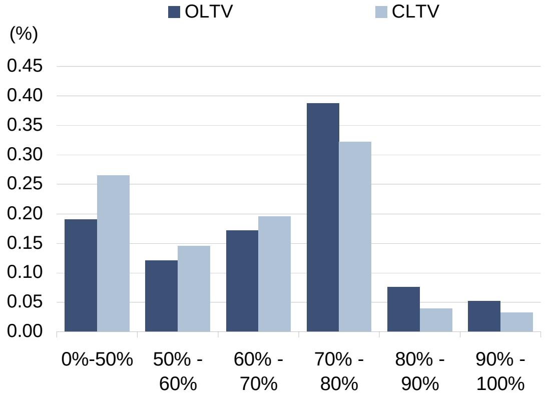
Fitch analysed the collateral by subjecting the mortgage loans to stresses resulting from its assessments of historical home price movements and defaults in Spain. The analysis is based on the probability of default and expected recoveries determined on the portfolio's individual loans (see *Appendix 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 who are in financial distress but who have 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 LTV based on the original balance of the initial drawdown is used as the main measure of a borrower's willingness to pay. Fitch believes that a borrower is more willing to pay if a substantial down payment is made at origination. For 8.5% of the collateral, mortgaged properties were reappraised after the origination date of the loans. For these loans, the original property value, and thus the original loan-to-value ("OLTV") was not available; their computed OLTV is therefore based on reappraised property values. Hence, a 25% uplift on the default probability has been added to these loans.

Loan to Value Distribution

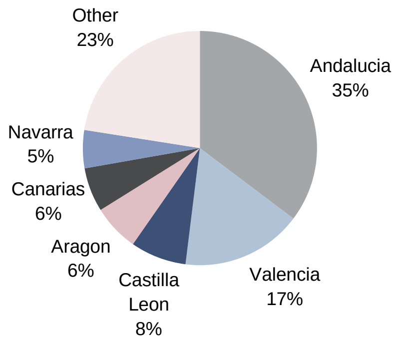


Source: Fitch

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. DTI information was available on a loan-by-loan basis for 77% of the provisional pool balance, and Fitch assumed a conservative DTI class 3 for all the other borrowers. Hence, the WA DTI of the pool stands at 26.5%.

The geographical diversification of the pool is consistent with the sellers' respective local regions where they have usually carved a small but respectable niche. As a result, the pool has some geographical concentration by value in Andalucía (35.37%). To account for such concentration risk, Fitch has increased the default probability of these loans by 15%. Additional stresses were also applied

Geographical Distribution



Source: Fitch

for loans with quarterly, semi-annual or annual payment frequencies (1.20%) and for second homes (18.67%).

Recovery Proceeds

To estimate recoveries on mortgage loans in Spain, Fitch examined house price movements in Spain on a regional basis from 1987-2005. The agency found significant differences, most notably between Madrid, Cataluña and País Vasco, and the other regions in Spain. Cities in these three regions have experienced higher price increases than other regions 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 3.8% of the reference pool is considered by Fitch to be secured on high value ("jumbo") properties and 1.27% on low value 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 although the effect of the latter is limited since all loans pay variable interest rates.

CE analysis accounted for the interest deferral mechanism in place on the Class B, C and D notes, which will redirect funds away from the junior notes and towards the more senior notes. Should the triggers be hit, while interest on these notes may be deferred for a period, it will ultimately be paid prior to legal maturity date.

The agency also modelled prepayments, which can affect certain components of a transaction. Primarily, they lower the absolute amount of excess spread, which is vital to the total CE in this structure. On the other hand, since the principal repayment is directed to the senior notes, these notes benefit from higher CE as a result of the increase in subordination. Prepayments may also cause adverse selection as the strongest obligors are likely to be the most inclined to prepay, which would leave the pool dominated by weaker obligors as the collateral ages.

The base case prepayment rate used in the cash flow model is 12% and Fitch applied rates of 25% under the ‘AAA’ scenario, 21% at the ‘A+’, 18% at the ‘BBB’ and 16% at the ‘BB+’ scenarios. With regard to the low prepayments stress that is in line with a ‘AAA’ rating scenario, Fitch applied an annual level that adjusts downwards from a base case ratio to 5% six months after closing.

The agency accommodated in the cash flow model the potential margin compression risk of the collateral, as the pool consists of variable rate amortising loans, and the hedge agreement does not guarantee a minimum level of spread. For each rating scenario, Fitch has assumed that 75% of the prepayments refer to loans with spreads on the higher range of the distribution.

The analysis showed that CE levels provided for each of the tranches would be sufficient to withstand the default hurdles and losses determined by the agency for the individual ratings.

Class E Notes

The performance of the Class E notes requires very favourable conditions for the collateral backing the Class A to 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 of 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;
- prepayments speeds: high, low and average historical prepayments rates;
- different WA margin compression rates on the mortgage loans: the agency modelled high and low margin compression; and exercise of the clean up call by the originator.

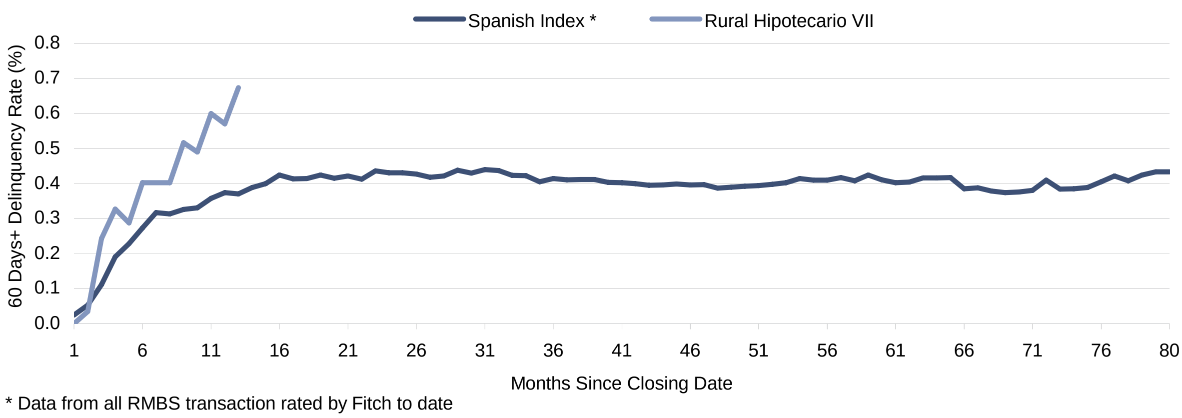
The ‘CC’ expected rating assigned to the Class E notes is supported by the expected recovery rates. As default on the Class E notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the Class E notes’ expected interest and principal payouts. Base on Fitch’s calculation, the expected recovery rate was 45%-65% 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.

Fitch affirmed its ratings on Rural Hipotecario VI, FTA and Rural Hipotecario VII, FTA in April 2006. The securitised portfolios are performing well, although, as shown in the Dynamic 60 Days+ Delinquency chart, arrears are above those typically seen in other Spanish RMBS transactions, as measured by Fitch’s Spanish RMBS index. This index measures the average rate of 60+ days loan delinquencies (inclusive of defaulted loans) adjusted for deal seasoning and normalised for any differences in measurement.

Dynamic 60 Days+ Delinquencies



* Data from all RMBS transaction rated by Fitch to date
Source: Fitch and transaction reports

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 Grade

Fitch has recently introduced Issuer Report Scores as 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). For further information on the agency's Issuer Report Scores, please see the reports "*Fitch Issuer Report Grades*", dated 25 November 2004 and "*Rising Stars? Fitch Issuer Report Grades H1 2005 Update*", dated 7 June 2005, both of which are available 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 between 27%-33%.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for 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, Fitch 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 default probability on loans to self-employed borrowers by 33%-50% to account for their lack of 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 Fitch decreases default rates by up to 25% or increases them by 0%-200%.

Loss Severity

To estimate loss severity on the mortgage loans in Spain, Fitch examined house price movements in Spain on a regional basis from 1987–2005. Fitch found significant differences in price development among the regions, mainly between the regions of Madrid, Cataluña, the Basque Country, and the other 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 market value declines for certain regions and for some large urban areas.

To derive market value declines 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 market value declines 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 due to limited demand for such properties.

When calculating recovery value, Fitch's model reduces each property value by the market value decline, 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. The Threshold Rate calculation is designed to guarantee the issuer a minimum level of excess spread.

Appendix II: Summary

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

Capital Structure

Class	Rating	Size (%)*	Size (EURm)	Credit Enhancement (%)	Spread (%) (Expected)	I/P PMT Freq	Maturity	Coupon
A1	AAA	7.50	97.5	4.75	0.07	Quarterly	January 2044	3-month Euribor + spread
A2a	AAA	61.72	802.4	4.75	0.15	Quarterly	January 2044	3-month Euribor + spread
A2b	AAA	26.92	350.0	4.75	0.15	Quarterly	January 2044	3-month Euribor + spread
B	A+	2.10	27.3	4.20	0.35	Quarterly	January 2044	3-month Euribor + spread
C	BBB	1.20	15.6	2.10	0.70	Quarterly	January 2044	3-month Euribor + spread
D	BB+	0.55	7.2	0.90	2.50	Quarterly	January 2044	3-month Euribor + spread
E	CC**	0.90	11.7	n.a.	4.00	Quarterly	January 2044	3-month Euribor + spread

* These percentages are expressed as a proportion of the initial collateral balance
** Un-collateralised note issued to fund the creation of the reserve fund at closing date

Key Information

		Role	Party (Trigger)
Expected Closing Date	May 2006 (expected)	**Seller/Originator**	19 sellers, see p. 5
Country of Assets	Spain	**Structurer**	Europea de Titulización SA, SGFT
Structure	Pass through, sequential (pro rata subject to conditions)	**Fund**	Rural Hipotecario VIII, FTA
Type of Assets	Residential mortgages	**Lead Managers**	Banco Cooperativo Español, Deutsche Bank AG, Dexia Capital Markets and DZ Bank AG
Currency of Assets	EUR	**Management Company**	Europea de Titulización SA, SGFT
Currency of Notes	EUR	**Swap Provider**	Banco Cooperativo Español (F1)
Primary Analyst	marina.alcalde@fitchratings.com	**Financial Agent**	Banco Cooperativo Español (F1)
Secondary Analyst	henry.gallego@fitchratings.com		
Performance Analyst	sf_surveillance@fitchratings.com		

Fitch Default Model Outputs

Rating Level	AAA	AA	A	BBB	BB
WAFF (%)	9.9	8.0	6.0	4.0	2.0
WARR (%)	80.2	85.7	90.9	94.6	98.0
WALS (%)	34.8	29.3	24.1	20.4	17.0
WAMVD (%)	45.0	40.3	35.5	31.9	28.3

Collateral

As of 24 April 2006

Pool Characteristics

Current Principal Balance (EURm)	1,490
Average Current Loan per Borrower (EUR)	77,982
Average Original Loan per Borrower (EUR)	87,515
Number of Loans	19,119
WA Seasoning (Months)	25.1
Oldest Loan in Portfolio	04/11/1994
Most Recent Loan in Portfolio	11/11/2005
Interest Rate Type (%)	
Variable	100
Fixed	0
WA Margin	0.80
Interest Index (%)	
12-month Euribor	88.6
Mercado Hipotecario Cajas Ahorros	6.0
Other	5.4
Principal Payment Frequency (%)	
Monthly	98.8
Quarterly	0.4
Semi annual	0.3
Annual	0.5

Regional Concentration (%)	
Andalucía	35.4
C. Valenciana	16.7
Castilla Leon	7.8
Mortgage Characteristics (%)	
First Ranking	100
Second homes	18.7
Home improvement	14.2
Loan to Value (LTV) (%)	
WA Original LTV	66.3
WA Indexed Current LTV	56.0
WA Current LTV	61.0