

Hecho Relevante de RURAL HIPOTECARIO VII FONDO DE TITULIZACION DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **RURAL HIPOTECARIO VII FONDO DE TITULIZACION DE ACTIVOS** (el “Fondo”) se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Fitch Ratings** (“Fitch”), con fecha 15 de febrero de 2018, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie A1:** **AAAsf**, perspectiva estable (anterior **AA+sf**, perspectiva positiva)
- **Serie C:** **Asf**, perspectiva estable (anterior **BBB-sf**, perspectiva estable)

Asimismo, Fitch comunica que ha confirmado la calificación asignada a la restante Serie de Bonos:

- **Serie B:** **A+sf**, perspectiva estable

Se adjunta la comunicación emitida por Fitch.

Madrid, 16 de febrero de 2018.

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Apoderado

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Apoderada



Fitch Upgrades 9 Tranches of Rural Hipotecario VI, VII and VIII

Fitch Ratings-Frankfurt/London-15 February 2018: Fitch Ratings has upgraded nine tranches of Rural Hipotecario VI, VII and VIII, affirmed three tranches and removed all notes from Rating Watch Evolving (RWE), as follows:

Rural Hipotecario VI, FTA

Class A (ES0374306001); upgraded to 'AAAsf' from 'AA+sf'; off RWE; Outlook Stable

Class B (ES0374306019); upgraded to 'AAsf' from 'A+sf'; off RWE; Outlook Stable

Class C (ES0374306027); upgraded to 'Asf' from 'BBB+sf'; off RWE; Outlook Stable

Rural Hipotecario VII, FTA

Class A1 (ES0366366005); upgraded to 'AAAsf' from 'AA+sf'; off RWE; Outlook Stable

Class B (ES0366366021); affirmed at 'A+sf'; off RWE; Outlook Stable

Class C (ES0366366039); upgraded to 'Asf' from 'BBB-sf'; off RWE; Outlook Stable

Rural Hipotecario VIII, FTA

Class A2a (ES0366367011); upgraded to 'AAAsf' from 'AA+sf'; off RWE; Outlook Stable

Class A2b (ES0366367029); upgraded to 'AAAsf' from 'AA+sf'; off RWE; Outlook Stable

Class B (ES0366367037); affirmed at 'A+sf'; off RWE; Outlook Stable

Class C (ES0366367045); upgraded to 'A+sf' from 'BBBsf'; off RWE; Outlook Stable

Class D (ES0366367052); upgraded to 'Asf' from 'BB+sf'; off RWE; Outlook Stable

Class E (ES0366367060); affirmed at 'CCsf'; off RWE; Recovery Estimate (RE) revised to 0% from 60%

The transactions comprise residential mortgage loans originated and serviced by multiple rural saving banks in Spain.

KEY RATING DRIVERS

Sovereign-Related Cap Lifted

Following Fitch's upgrade of Spain's Long-Term Local-Currency Issuer Default Rating (IDR) to 'A-' on 19 January 2018, and in line with Fitch's Structured Finance

and Covered Bonds Country Risk Rating Criteria, Spanish structured finance transactions are no longer capped at 'AA+sf', but can be rated up to 'AAAsf', i.e. six notches above the sovereign's rating. This is reflected in the upgrade of the transactions' senior notes to 'AAAsf' from 'AA+sf'.

European RMBS Rating Criteria

The application of the European RMBS Rating Criteria has generally led to smaller expected losses, contributing to the upgrades.

Stable Asset Performance

All three transactions are quite seasoned. As such, the weighted average current loan-to-value (LTV) ratios have dropped below 40%, compared with the weighted average original LTV of around 70%.

The transactions continue to show sound asset performance trends with three-month plus arrears (excluding defaults) ranging between 0.6% and 1.4% of the portfolio outstanding balance, and cumulative gross defaults (defined as loans in arrears for more than 18 months) ranging between 0.8% and 2.1% of the initial portfolio balance at the time of the review.

Increasing Credit Enhancement (CE)

All three transactions include pro-rata amortisation mechanisms so long as performance and tranche thickness (tranche size relative to total outstanding) triggers are fulfilled. As the transactions amortise, we expect CE to increase for all rated notes due to the availability of a floored cash reserve. CE is expected to increase only slightly for Rural Hipotecario VI's senior tranches as the pro-rata amortisation of all classes of notes continues, but CE ratios for Rural Hipotecario VIII's senior notes should increase more as the transaction is currently paying pro-rata for both the senior class A2a and A2b notes. The other notes are paid fully sequentially. Rural Hipotecario VII's senior notes should also see only a slight increase in CE as the pro-rata currently applies to senior and mezzanine notes.

CE for the junior notes consists solely of the amounts from the floored cash reserve. As this exposure is present for more than 12 months, in line with Fitch's counterparty criteria, the junior notes' ratings are not viewed as sufficiently isolated to achieve ratings higher than the account bank's (Citibank Europe Plc) 'A' rating.

Interest Deferrability

Interest deferrals for mezzanine and junior notes are permitted under the terms of the transaction documents. In line with its Global Structured Finance Rating Criteria, Fitch will not assign ratings in the 'AAsf'-category or higher to notes that it expects would defer interest under stress scenarios associated with those rating categories.

RATING SENSITIVITIES

A worsening of the Spanish macroeconomic environment, especially employment conditions or an abrupt shift of interest rates could jeopardise the underlying borrowers' affordability. This could have negative rating implications, especially for junior tranches that are less protected by structural CE.

The ratings of the senior notes are sensitive to changes in Spain's Long-Term Foreign-Currency IDR, which affects the highest achievable rating for Spanish structured finance notes. Therefore, a downgrade of the sovereign would lead to a review of the senior notes' ratings.

The junior notes' ratings are sensitive to changes in the account bank's rating. Therefore, a change in the account bank's rating could lead to a review of the junior notes' ratings.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions' initial closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

- Servicer reports provided by Europea de Titulizacion - Sociedad Gestora de Fondos de Titulizacion since close of the deals and until January 2018 for Rural Hipotecario VI and VIII and December 2017 for Rural Hipotecario VII.
- Loan level data dated January 2018 for Rural Hipotecario VI, December 2017 for

Rural Hipotecario VII, and October 2017 for Rural Hipotecario VIII were used to run the asset model and the relevant data sources were the European Datawarehouse.
- Discussions/updates from servicer dated April 2017.

MODELS

ResiEMEA. (<https://www.fitchratings.com/site/structuredfinance/rmbs/resiemea>)
EMEA Cash Flow Model.
(<https://www.fitchratings.com/site/structuredfinance/emeacfm>)

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Additional information is available on www.fitchratings.com

Applicable Criteria

European RMBS Rating Criteria (pub. 02 Feb 2018)
(<https://www.fitchratings.com/site/re/10018676>)
Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 02 Feb 2018)
(<https://www.fitchratings.com/site/re/10018863>)
Global Structured Finance Rating Criteria (pub. 03 May 2017)
(<https://www.fitchratings.com/site/re/897411>)
Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May 2017) (<https://www.fitchratings.com/site/re/898537>)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 23 May 2017) (<https://www.fitchratings.com/site/re/898538>)
Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 18 Sep 2017) (<https://www.fitchratings.com/site/re/903496>)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria

(pub. 02 Feb 2018) (<https://www.fitchratings.com/site/re/10018549>)

Additional Disclosures

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(<https://www.fitchratings.com/site/dodd-frank-disclosure/10020590>)

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