



Rating_Action: Moody's upgrades three Notes in RURAL HIPOTECARIO X, FTA

04Apr2023

Madrid, April 04, 2023 – Moody's Investors Service ("Moody's") has today upgraded the ratings of three notes in RURAL HIPOTECARIO X, FTA. The rating action reflects the increased levels of credit enhancement and stronger than expected performance of the collateral.

....EUR1788.8M Class A Notes, Upgraded to **Aa1 (sf)**; previously on Feb 17, 2020 Downgraded to **Aa3 (sf)**

....EUR37.6M Class B Notes, Upgraded to **A2 (sf)**; previously on Feb 17, 2020 Downgraded to **Baa2 (sf)**

....EUR53.6M Class C Notes, Upgraded to **Ba1 (sf)**; previously on Feb 17, 2020 Affirmed **B2 (sf)**

Maximum achievable rating is Aa1 (sf) for structured finance transactions in Spain, driven by the corresponding local currency country ceiling of the country.

RATINGS RATIONALE

The rating action is prompted by decreased key collateral assumptions, namely the portfolio Expected Loss (EL) and MILAN CE assumptions due to better than expected collateral performance, and an increase in credit enhancement for the affected tranches.

Revision of Key Collateral Assumptions:

As part of the rating action, Moody's reassessed its lifetime loss expectation for the portfolio and MILAN CE reflecting the collateral performance to date.

The performance of the transaction has continued to be strong since the last rating action. Total delinquencies have remained stable in the past year, with 90 days plus arrears currently standing at 0.67% of current pool balance. Cumulative defaults currently stand at 3.76% of original pool balance marginally up from 3.71% a year earlier.

Moody's decreased the expected loss assumption to 2.71% as a percentage of current pool balance, which corresponds to 2.30% expressed as a percentage of original pool balance down from the prior assumption of 2.60%.

Moody's also assessed loan-by-loan information as part of its detailed transaction review to determine the credit support consistent with target rating levels and the volatility of future losses. As a result, Moody's has decreased the MILAN CE assumption to 11.8% from 13.5%.

Increase in Available Credit Enhancement

The non-amortizing reserve fund led to the increase in the credit enhancement available in the transaction. For instance, the credit enhancement for the most senior tranche affected by today's rating action increased to 15.58% from 14.10% since the last rating action.

While the notes are currently paid pro rata, upon the pool factor decreasing below 10% of original pool balance, this will trigger sequential amortization.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in July 2022 and available at <https://ratings.moodys.com/api/rmc-documents/390481>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

A Request for Comment was published in which Moody's requested market feedback on potential revisions to its RMBS methodology framework. However, at this time no associated country-specific supplement has been published which would be relevant for the Credit Ratings referenced in this press release.

Request for Comments can be found on the rating methodologies page on <https://ratings.moodys.com>.

The analysis undertaken by Moody's at the initial assignment of ratings for RMBS securities may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see "Moody's Approach to Rating RMBS Using the MILAN Framework" for further information on Moody's analysis at the initial rating assignment and the on-going surveillance in RMBS.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than Moody's expected, (2) an increase in available credit enhancement and (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are unsolicited.

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b. With Access to Internal Documents: NO

c. With Access to Management: NO

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

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