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DBRS Upgrades Series A, Confirms Series B and C Notes Ratings Issued by Rural Hipotecario X, Fondo de Titulización de Activos

Bloomberg: DBRS Takes Rating Actions on Rural Hipotecario X FTA

Industry Group: Structured Finance

Sub-Industry: RMBS

Region: Europe

DBRS Ratings Limited (DBRS) has today taken the following rating actions on the notes issued by Rural Hipotecario X, Fondo de Titulización de Activos (FTA) (the Issuer):

- Series A notes rating is upgraded to A (high) (sf), previously A (sf)
- Series B notes rating is confirmed at BBB (sf)
- Series C notes rating is confirmed at B (sf)

The rating actions are based on the following analytical considerations as described more fully below:

- Portfolio performance, in terms of delinquencies and defaults, as of November 2015.
- Portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Current available credit enhancement to cover the expected losses at the A (high) (sf), BBB (sf), and B (sf) rating levels.

Rural Hipotecario X, FTA is a securitisation of first-ranking residential mortgage loans originated and serviced by 21 Spanish rural savings banks. The transaction follows the standard structure under the Spanish Securitisation Law and closed in June 2008.

The Series A notes are rated for timely payment of interest and ultimate payment of principal. The Series B and Series C notes are rated for ultimate payment of interest and principal as the terms and conditions for these Series allow for deferment of interest to be paid based on certain trigger conditions.

The portfolio is performing in line with DBRS's expectations. As of the November 2015 payment date, the cumulative gross default was at 3.18%. The 90+ delinquency ratio as a percentage of the outstanding collateral portfolio balance remained stable at 1.62%. The pool is geographically diversified with some concentrations in Andalusia (29.50%), Valencia (29.26%), Aragon (9.66%), and Navarre (8.65%).

The credit enhancements as a percentage of the performing portfolio for the Series A, B and C notes have increased to 14.56%, 10.43% and 4.54% respectively from 12.46%, 8.77% and 3.52% over the past 12 months. The source of credit enhancement is the subordination of the lower-ranked Series notes and a fully funded Cash Reserve Fund



(EUR 41.36 million) currently non-amortising due to a breach of delinquency trigger.

On 16 July 2015, Citibank Europe plc (Spanish Branch) replaced Barclays Bank PLC (Spanish Branch) as the Treasury Account Bank in the transaction. The DBRS private rating of Citibank Europe plc (Spanish Branch) is above the Minimum Institution Rating given the rating assigned to the Series A notes, as described in DBRS's "Legal Criteria for European Structured Finance Transactions" methodology.

The swap counterparty, Banco Cooperativo Español S.A. currently rated at BBB /R-2 (high), meets the rating requirement given the rating assigned to the Series A notes.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable is: "Master European Structured Finance Surveillance Methodology", which can be found on www.dbrs.com at <http://www.dbrs.com/about/methodologies>.

DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

A review of the account bank amendment documents were conducted in July 2015. A review of other transaction legal documents was not conducted as those documents have remained unchanged since the most recent rating action.

Other methodologies referenced in this transaction are listed at the end of this press release. This may be found on www.dbrs.com at: <http://www.dbrs.com/about/methodologies>

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to DBRS's "The Effect of Sovereign Risk on Securitisations in the Euro Area" commentary on: <http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>

The sources of information used for this rating include investor reports from Europea de Titulización S.A., S.G.F.T. and loan-by-loan data from the European DataWarehouse.

DBRS does not rely upon third-party due diligence in order to conduct its analysis.

DBRS was not supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The last rating action on this transaction took place on 27 January 2015, when the ratings on the Series A, Series

B and Series C notes were confirmed. The lead responsibilities for this transaction have been transferred to Kevin Ma.

Information regarding DBRS ratings, including definitions, policies and methodologies are available on www.dbrs.com.

To assess the impact of changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating (the Base Case):

-- DBRS expected a lifetime base case probability of default (PD) and loss given default (LGD) for the pool based on a review of the current assets. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.

-- The base case PD and LGD of the current pool of mortgages for the Issuer are 5.64% and 24.08%, respectively. At the A (high) (sf) rating level, the corresponding PD is 19.03% and the LGD is 39.01%. At the BBB (sf) rating level, the corresponding PD is 14.07% and the LGD is 32.54%. At the B (sf) rating level, the corresponding PD is 5.64% and the LGD is 24.08%.

-- The Risk Sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of the Series A notes would be expected to be at A (high) (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A notes would be expected to be at A (high) (sf), assuming no change in the LGD. Furthermore, if both PD and LGD increase by 50%, the rating would be expected to decrease to A (low) (sf).

Series A notes Risk Sensitivity:

- 25% increase in LGD, expected rating of A (high) (sf)
- 50% increase in LGD, expected rating of A (high) (sf)
- 25% increase in PD, expected rating of A (high) (sf)
- 50% increase in PD, expected rating of A (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of A (high) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of A (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of A (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of A (low) (sf)

Series B notes Risk Sensitivity:

- 25% increase in LGD, expected rating of BBB (sf)
- 50% increase in LGD, expected rating of BBB (sf)
- 25% increase in PD, expected rating of BB (high) (sf)
- 50% increase in PD, expected rating of BB (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of BB (high) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BB (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of BB (sf)



Series C notes Risk Sensitivity:

- 25% increase in LGD, expected rating of B (sf)
- 50% increase in LGD, expected rating of B (sf)
- 25% increase in PD, expected rating of B (sf)
- 50% increase in PD, expected rating of B (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of B (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of B (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of B (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of CCC (sf)

For further information on DBRS historic default rates published by the European Securities and Markets Administration (ESMA) in a central repository, see:

<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

Initial Lead Analyst: Kali Sirugudi

Initial Rating Date: 8 February 2013

Initial Rating Committee Chair: Quincy Tang

Lead Surveillance Analyst: Kevin Ma

Rating Committee Chair: Diana Turner

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The rating methodologies and criteria used in the analysis of this transaction can be found at <http://www.dbrs.com/about/methodologies>.

- Legal Criteria for European Structured Finance Transactions
- Derivative Criteria for European Structured Finance Transactions
- Master European Structured Finance Surveillance Methodology
- Operational Risk Assessment for European Structured Finance Servicers
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda
- Unified Interest Rate Model for European Securitisations

A description of how DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <http://www.dbrs.com/research/278375>.



Insight beyond the rating.

<u>Issuer</u>	<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>
Rural Hipotecario X, Fondo de Titulización de Activos	Series A	Upgraded	A (high) (sf)
Rural Hipotecario X, Fondo de Titulización de Activos	Series B	Confirmed	BBB (sf)
Rural Hipotecario X, Fondo de Titulización de Activos	Series C	Confirmed	B (sf)

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