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DBRS Confirms Ratings of Rural Hipotecario X, FTA

Bloomberg: DBRS Confirms Ratings of Rural Hipotecario X, FTA

Industry Group: Structured Finance

Sub-Industry: RMBS

DBRS Ratings Limited (DBRS) has today confirmed the following ratings of Rural Hipotecario X, Fondo de Titulización de Activos (the Issuer):

- Series A notes at A (sf);
- Series B notes at BBB (sf);
- Series C notes at B (sf).

The confirmation of the ratings of the Series A, B and C notes is based upon the following analytical considerations:

- Portfolio performance, in terms of delinquencies and defaults, as of the November 2014 payment date.
- Updated portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Incorporation of a sovereign-related stress component to address the impact of macroeconomic variables on collateral performance given the long-term foreign and local currency rating of A (low) for the Kingdom of Spain.
- Current available credit enhancement for the Series A, B and C notes to cover the expected losses at the A (sf), BBB (sf) and B (sf) rating levels, respectively.

Rural Hipotecario X, FTA is a securitisation of first-ranking residential mortgage loans originated by 21 Spanish rural savings banks and serviced by the respective originators. 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 as the terms and conditions for these Series allow for deferment of interest to be paid based on certain trigger conditions. Series B and Series C notes, are also rated for ultimate payment of principal.

The portfolio is performing in line with DBRS's initial expectations. As of the November 2014 payment date, the 90+ delinquency ratio (excluding defaulted loans) as a percentage of the performing balance of the portfolio was 1.54% and has been decreasing from 2.73% in November 2013. As per the December 2014 delinquency report, the gross cumulative default ratio increased to 2.70%, but it is still within DBRS's initial expectations.

Credit enhancement for the Series A notes is provided by subordination of the Series B and Series

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Insight beyond the rating.

C notes and an amortising Cash Reserve (currently equal to 4.03% of the outstanding principal balance of the rated notes). Credit enhancement for the Series B notes is provided by the subordination of the Series C notes and the Cash Reserve, whereas credit enhancement for the Series C notes is provided by the Cash Reserve only. The current credit enhancement for the Series A notes is 12.46%, up from 9.90% in November 2013. The current credit enhancement of the Series B notes is 8.77%, up from 6.63% in November 2013, whereas the current credit enhancement for the Series C notes is 3.52%, up from 1.96% in November 2013. The Cash Reserve is currently at the target level of €1,360,000.

Barclays Bank Plc (Spanish Branch) and Banco Cooperativo Español are the Treasury Account Bank and Swap Counterparty for the transaction, respectively. The DBRS private rating of Barclays Bank Plc (Spanish Branch) is above the Minimum Institution Rating given the rating assigned to the Series A notes, as described in the DBRS Legal Criteria for European Structured Finance Transactions. Additionally, the DBRS public rating of Banco Cooperativo Español complies with the DBRS Derivative Criteria for European Structured Finance Transactions.

Notes:

All figures are in euro unless otherwise noted.

The principal methodology applicable is the Master European Structured Finance Surveillance Methodology. Other methodologies and criteria referenced in this transaction are listed at the end of this press release.

This can be found on www.dbrs.com at:

<http://www.dbrs.com/about/methodologies>

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

The sources of information used for this rating include monthly investor reports provided by Europea de Titulización, S.A., S.G.F.T. and data from the European DataWarehouse. DBRS considers the information available to it for the purposes of providing this rating to be 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 2014, when DBRS confirmed the rating of the Series A notes at A (sf), the rating of the Series B notes at BBB (sf) and the rating of the Series C notes at B (sf).

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

To assess the impact of the 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 receivables. 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 (sf) rating level, the corresponding PD is 18.21% and the LGD is 37.46%. 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 decrease to BBB (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 decrease to BBB (low) (sf), assuming no change in the LGD. Furthermore, if both PD and LGD increase by 50%, the rating would be expected to decrease to BB (high) (sf).

Series A Notes Risk Sensitivity:

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

Series B Notes Risk Sensitivity:

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

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- 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://cerp.esma.europa.eu/cerp-web/statistics/defaults.xhtml>.

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

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 Initial Rating Date: 8 February 2013
 Initial Rating Committee Chair: Quincy Tang

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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

<u>Issuer</u>	<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>	<u>Trend</u>
Rural Hipotecario X, Fondo de	Series A	Confirmed	A (sf)	-

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Titulización de Activos 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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