

## FITCH DOWNGRADES 2 & AFFIRMS 30 TRANCHES OF RURAL HIPOTECARIO SERIES

Link to Fitch Ratings' Report: Fitch Downgrades 2 & Affirms 30 Tranches of Rural Hipotecario Series; Off RWN - Amended

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=680430](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=680430)

Fitch Ratings-London/Madrid-25 May 2012: Fitch Ratings has downgraded two and affirmed 30 tranches of the Rural Hipotecario (Rural Global and VI-XII) Spanish RMBS series, and removed all the ratings from Rating Watch Negative (RWN). A full list of rating actions is available at [www.fitchratings.com](http://www.fitchratings.com) or by clicking on the link above.

The Rural Hipotecario series comprises residential mortgage loans originated and serviced by various saving banks across Spain. All the originators belong to the Asociacion Espanola de Caja Rurales banking service through Banco Cooperativo Espanol (BCE, 'BBB+/'Negative/'F2'). BCE is an active counterparty in the series as it acts as the swap counterparty for all transactions and account bank for Rural Global and Rural Hipotecario X-XII.

All the tranches rated above 'BBB+sf' were placed on RWN on 3 April 2012, due to the downgrade of BCE, which at the time acted as the account bank for the whole series (see "Fitch Places 7 Spanish SF Transactions On RWN; Downgrades 1 Due To Counterparty Risk to BCE" dated 3 April 2012 at [www.fitchratings.com](http://www.fitchratings.com)). Fitch has been informed that Banco Santander ('A/'Negative/'F1') taken over the roles of account bank and swap collateral account bank in Rural Global and VI-IX. The completion of the remedial actions adequately mitigates the counterparty risk exposure and led to the resolution of the RWN.

For Rural X, XI and XII, BCE lowered the account bank and hedging agent rating trigger to 'BBB+/'F2' from 'A/'F1'. As Fitch's current counterparty criteria indicates a minimum counterparty rating threshold of 'A/'F1' for SF notes rated above 'A+sf', the revised triggers resulted in a rating cap of 'A+sf' on the senior tranches of these transactions.

The earlier transactions (Global, VI, VII and VIII) continue to outperform the rest of the series in terms of arrears levels. In the majority of the transactions, arrears between three and 18 months are less than 2.1% of the current outstanding pool balance as of April 2012. Fitch believes the main reason for the strong performance of these deals is that the mortgages in the pools benefits from current high seasoning and was primarily originated before the peak of the Spanish mortgage market in 2006 and 2007. The transactions continue to generate sufficient amounts of gross excess spread to help provision for defaults (defined as loans in arrears by more than 18 months). In the most deleveraged deals (Rural VI and VII), the strong performance has led to the pro-rata amortisation of the notes. The lower arrears and period defaults, along with sufficient credit enhancement levels are the reasons for the affirmations.

In contrast, the later vintage deals (Rural IX, X, XI and XII) with assets that were primarily originated after 2005 continue to perform poorly. The mortgage loans in these deals are less seasoned compared to the earlier series, with a majority of them originated during the peak of the Spanish mortgage market in 2006 and 2007. Fitch believes the quality of these loans originated during this period is less favourable and may imply a higher borrower default rate, which can be explained by the higher arrears level. However, in Fitch's view, the credit enhancement (CE) levels for the rated tranches remain sufficient to withstand the respective stress scenarios in Rural X, XI and XII.

For Rural Hipotecario IX, the reserve fund has been utilised towards provisioning for defaults (currently 85% of its target amount), and Fitch expects this to be the case in the upcoming payment dates. The highest three to 18 months arrears level (3.19%) and cumulative gross defaults (2.01%)

as of April 2012 within the series plus below target reserve funds have resulted in downgrades of the class A notes as the agency considers the CE levels insufficient for the 'AAAsf' stresses.

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Additional information is available at [www.fitchratings.com](http://www.fitchratings.com). The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information- in addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were Investor Reports.

Applicable criteria, 'EMEA Residential Mortgage Loss Criteria' dated 7 June 2011, and 'EMEA Residential Mortgage Loss Criteria Addendum - Spain' dated 11 August 2011 'Counterparty Criteria for Structured Finance Transactions' and 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', dated 12 March 2012 are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

EMEA Residential Mortgage Loss Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=649450](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649450)

EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=647295](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=647295)

Counterparty Criteria for Structured Finance Transactions

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=667929](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=667929)

Counterparty Criteria for Structured Finance Transactions: Derivative Addendum

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=667930](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=667930)

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Deal Legal Name	Class	ISIN	Prior Rating	Prior Loss Severity/ Recovery Rating	Prior Rating Watch/Outlook	Rating Action	New Rating	Severity/ Recovery	Rating Watch / Outlook	Rating Action Effective Date	Loss Coverage Ratios (LCR)*	Expected Loss (XL) Current Bal.	Recovery Estimate (RE)
Rural Hipotecario Global I, FTA	Class A	ES0374273003	AAAsf		Rating Watch Negative	Affirmed	AAAsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario Global I, FTA	Class B	ES0374273011	Asf		Rating Watch Negative	Affirmed	Asf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario Global I, FTA	Class C	ES0374273029	BBB+sf	WD	Rating Outlook Stable	Affirmed	BBB+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario Global I, FTA	Class D	ES0374273037	BBsf	WD	Rating Outlook Stable	Affirmed	BBsf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario Global I, FTA	Class E	ES0374273045	CCsf	WD		Affirmed	CCsf			25 may 2012			RE 10%
Rural Hipotecario IX, FTA	Class A2	ES0374274019	AAAsf		Rating Watch Negative	Downgrade	AAsf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario IX, FTA	Class A3	ES0374274027	AAAsf		Rating Watch Negative	Downgrade	AAsf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario IX, FTA	Class B	ES0374274035	Asf		Rating Watch Negative	Affirmed	Asf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario IX, FTA	Class C	ES0374274043	BBsf	WD	Rating Outlook Negative	Affirmed	BBsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario IX, FTA	Class D	ES0374274050	Bsf	WD	Rating Outlook Negative	Affirmed	Bsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario IX, FTA	Class E (RF)	ES0374274068	CCsf	WD		Affirmed	CCsf			25 may 2012			RE 10%
Rural Hipotecario VI, FTA	Class A	ES0374306001	AAAsf		Rating Watch Negative	Affirmed	AAAsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario VI, FTA	Class B	ES0374306019	AAsf		Rating Watch Negative	Affirmed	AAsf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario VI, FTA	Class C	ES0374306027	BBB+sf	WD	Rating Outlook Stable	Affirmed	BBB+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario VII, FTA	Class A1	ES0366366005	AAAsf		Rating Watch Negative	Affirmed	AAAsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario VII, FTA	Class A2	ES0366366013	AAAsf		Rating Watch Negative	Affirmed	AAAsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario VII, FTA	Class B	ES0366366021	AAsf		Rating Watch Negative	Affirmed	AAsf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario VIII, FTA	Class C	ES0366366039	BBB-sf	WD	Rating Outlook Stable	Affirmed	BBB-sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario VIII, FTA	Class A2a	ES0366367011	AAAsf		Rating Watch Negative	Affirmed	AAAsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario VIII, FTA	Class A2b	ES0366367029	AAAsf		Rating Watch Negative	Affirmed	AAAsf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario VIII, FTA	Class B	ES0366367037	A+sf		Rating Watch Negative	Affirmed	A+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario VIII, FTA	Class C	ES0366367045	BBBsf	WD	Rating Outlook Stable	Affirmed	BBBsf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario VIII, FTA	Class D	ES0366367052	BB+sf	WD	Rating Outlook Negative	Affirmed	BB+sf		Rating Outlook Negative	25 may 2012			
Rural Hipotecario VIII, FTA	Class E	ES0366367060	CCsf	WD		Affirmed	CCsf			25 may 2012			RE 10%
Rural Hipotecario X, FTA	Class A	ES0374275008	A+sf	WD	Rating Outlook Stable	Affirmed	A+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario X, FTA	Class B	ES0374275016	BBB+sf	WD	Rating Outlook Stable	Affirmed	BBB+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario XI, FTA	Class A	ES0323975005	A+sf	WD	Rating Outlook Stable	Affirmed	A+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario XI, FTA	Class B	ES0323975013	A-sf	WD	Rating Outlook Stable	Affirmed	A-sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario XI, FTA	Class C	ES0323975021	BB-sf	WD	Rating Outlook Stable	Affirmed	BB-sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario XII, FTA	Class A	ES0323976003	A+sf		Rating Outlook Stable	Affirmed	A+sf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario XII, FTA	Class B	ES0323976011	Asf	WD	Rating Outlook Stable	Affirmed	Asf		Rating Outlook Stable	25 may 2012			
Rural Hipotecario XII, FTA	Class C	ES0323976029	BBB-sf	WD	Rating Outlook Stable	Affirmed	BBB-sf		Rating Outlook Stable	25 may 2012			

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