



Date of Release: 17 July 2015

DBRS Confirms Ratings on Rural Hipotecario XV, Fondo de Titulización de Activos

Bloomberg: DBRS Confirms Ratings on Rural Hipotecario XV, FTA

Industry Group: Structured Finance

Sub-Industry: RMBS

Region: Europe

DBRS Ratings Limited (DBRS) has reviewed Rural Hipotecario XV, Fondo de Titulización de Activos (the Issuer or RH XV) and has today confirmed the following ratings:

- Series A at A (sf)
- Series B at BB (sf)

The rating on the Series A notes addresses timely payment of interest and full payment of principal by the legal maturity date. The rating on the Series B notes addresses ultimate payment of interest and principal by the legal maturity date.

Confirmation of the ratings on the Series A and Series B notes (the Notes) is based on the following analytical considerations, as described more fully below:

- Portfolio performance, in terms of delinquencies and defaults, as of the May 2015 payment date.
- Updated portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Current available credit enhancement to the Notes to cover the Expected Losses at their respective rating levels.

The Notes are backed by a static portfolio of first-ranking mortgage loans secured by residential properties in Spain which were originated and continue to be serviced by three Rural Cooperative Banks: Globalcaja (Caja Rural de Albacete, Ciudad Real y Cuenca S.C.C.), representing 37.1% of the pool; Caja Rural de Asturias S.C.C. at 28.4% of the pool; and Caja Rural de Granada S.C.C. at 34.5% of the pool. The transaction closed in July 2013.

The current 90+ delinquency ratio, as a percentage of the performing balance of the portfolio, was 0.37% as of May 2015. Cumulative Defaults, defined as loans in arrears for more than 18 months, are currently at 0.05%.

The credit enhancement for the Series A notes (17.04%) consists of subordination of the Series B notes and a Reserve Fund initially funded via a subordinated loan. The credit enhancement of the Series B notes (5.68%) consists solely of a Reserve Fund. The Reserve Fund (EUR 26.45 million)

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is fully funded and, given the current level of arrears and its non-amortising nature, is expected to continue providing support to the Notes.

The transaction also benefits from an amortising Second Reserve Fund (EUR 1.73 million) that provides additional liquidity to the transaction senior fees and Series A notes interest payments. This is currently funded at its target level (0.42% of the outstanding balance of the Series A notes).

This is a multi-originator transaction. The three Rural Cooperative Banks are the originators and servicers while Banco Cooperativo Español, S.A., whose Senior Long-Term Debt & Deposit rating is BBB (high) Under Review with Negative Implications by DBRS, was appointed as backup servicer of the transaction at closing.

Effective since 16 July 2015, Citibank International Limited (Citibank) has replaced Barclays Bank PLC as the Treasury Account Bank provider. Citibank is an eligible counterparty according to DBRS's Legal Criteria for European Structured Finance Transactions methodology.

Notes:

All figures are in euros unless otherwise noted.

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

A review of the transaction legal documents was not conducted as the documents have remained unchanged since the most recent rating action.

Other methodologies and criteria referenced in this transaction are listed at the end of this press release.

For a more detailed discussion of 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 provided by Europea de Titulización S.A., S.G.F.T. and data from the European DataWarehouse GmbH.

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.

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The last rating action on this transaction took place on 23 July 2014, when the ratings on the Series A and Series B notes were confirmed.

Information regarding DBRS ratings, including definitions, policies and methodologies is 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 with 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 5.29% and 22.97%, respectively. At the A (sf) rating level, the corresponding PD is 17.80% and the LGD is 36.44% while at the BB (sf) rating level, the corresponding PD is 8.60% and the LGD is 26.33%.
- 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 remain at A (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A notes would be expected to remain at A (sf), assuming no change in the LGD. Furthermore, if both PD and LGD increase by 50%, the rating of the Series A notes would be expected to remain at A (sf).

Series A notes Risk Sensitivity:

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

Series B notes Risk Sensitivity:

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

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Insight beyond the rating.

-- 50% increase in PD and 50% increase in LGD, expected rating of BB (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: David Sanchez

Initial Rating Date: 23 July 2013

Initial Rating Committee Chair: Erin Stafford

Lead Surveillance Analyst: Alfonso Candelas

Rating Committee Chair: Quincy Tang

DBRS Ratings Limited
1 Minster Court, 10th Floor
Mincing Lane
London
EC3R 7AA
United Kingdom

Registered in England and Wales: No. 7139960.

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
- 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>.

<u>Issuer</u>	<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>	<u>Trend</u>
Rural Hipotecario XV, Fondo de Titulización de Activos	Series A	Confirmed	A (sf)	-
Rural Hipotecario XV, Fondo de Titulización de Activos	Series B	Confirmed	BB (sf)	-

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Insight beyond the rating.

Contacts

Alfonso Candelas

Javier Martinez

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