RMBS

Rural Hipotecario XVI, FTA

Close Date
26 July 2013

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Ratings

Debt	Current Balance Euro Millions	Credit Enhancement(1)(2)	Investor Coupon (p.a.)	ISIN	DBRS Rating	DBRS Action
Series A(3)	133.50	16.00%	3mo-Euribor + 0.30%	ES0323978009	A (sf)	New Rating
Series B(4)	16.50	5.00%	3mo-Euribor + 0.50%	ES0323978017	BB (sf)	New Rating
Reserve Fund(5)	7.50					

Notes:
1. As at closing date.
2. Credit enhancement is a percentage of Series A + Series B Notes.
3. Series A credit support consists of Series B subordination (11%) and the cash Reserve Fund (5%).
4. Series B credit support consists of the cash Reserve Fund (5%).
5. Reserve Fund is equal to 5% of Series A + Series B Notes.

Transaction Summary

This transaction is a securitisation of prime residential mortgage loans originated by Caja Rural de Soria (Caja Rural de Soria, S.C.C.), Caja Rural de Zamora (Caja Rural de Zamora, S.C.C.), Caja Rural de Teruel (Caja Rural de Teruel, S.C.C.). At closing the portfolio was sold to Rural Hipotecario XVI, Fondo de Titulizacion de Activos (RHXVI) a securitisation fund constituted under Spanish securitisation law. The Series A and Series B Notes have been issued to finance the purchase of the portfolio at closing. The transaction is managed by Europea de Titulización, SGFT. The portfolio is serviced by Caja Rural de Soria, Caja Rural de Zamora, Caja Rural de Teruel.

The Series A Notes benefit from 16% credit enhancement which consists of EUR 16.50mn subordinated Series B Notes and a fully funded reserve fund of EUR 7.50mn. The Series A Notes also benefit from full sequential amortisation, with no possibility of pro-rata amortisation.

The Series B Notes credit enhancement is 5.00% which consists of EUR 7.50mn Reserve Fund. The interest payments on Series B will be deferred and cash diverted to pay Series A Notes principal if certain performance triggers are breached.

Notable Features:

- A Commingling Reserve is in place to mitigate cash flow disruptions caused by a servicer event of default and/or replacement of the servicer and/or intervention by the Bank of Spain.
- The Secondary Reserve Fund provides additional liquidity to the transaction senior fees and Series A Notes interest payments. Note that the Secondary Reserve Fund cannot be used to pay Series B Note interest.

Strengths

- The mortgage portfolio is well seasoned at 4.33 years.
- High concentration of loans originated between 2008 and 2012 (74.78%). Loans originated after 2008 were granted under stricter lending criteria.
- The current weighted average un-indexed LTV of the securitized pool stands at 58.5%.
- A secondary cash reserve provides liquidity to senior fees and Series A Notes interest payments.

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Challenges and Mitigating Factors

- Macroeconomic conditions in Spain remain weak, with uncertainty in financial markets and unemployment at 25.98% as of Q3 2013 (INE data). Recently implemented austerity measures on individuals are negatively affecting portfolio's credit performance. **Mitigant:** DBRS estimated expected loss assumptions at the relevant rating category take into account anticipated decline of the assets.
- Property values continued to decrease in 2013. This trend is not expected to reverse in the medium term, which will negatively impact recovery rates on foreclosed properties. House prices declined on average by 36.69%, from peak values according to INE data as of Q2 2013. TINSA house price decline – from peak values - stands at 39.10% as of September 2013. **Mitigant:** Spanish MVDs were stressed to reflect DBRS' outlook of the Spanish house prices.
- The transaction is exposed to un-hedged basis risk**. Mitigant:** (i) Cash flows have been stressed using standard DBRS interest rate stresses. (ii) The Reserve Fund, subordinated Series B Notes and potential excess spread can also help towards mitigating basis risk in this transaction.
- Relative to other Spanish RMBS transactions the mortgage portfolio has a high degree of geographic concentration with 60.64% of the pool concentrated in the autonomous region of Castilla y Leon and 29.41% concentrated in the autonomous region of Aragon. **Mitigant:** The business activity of Spanish Cajas Rurales focuses on their local area, with very close and long term customer relationships; refer to operational risk section for more details. DBRS did not apply additional penalties to account for geographical concentration.

Rating Rationale

The DBRS Ratings Limited ("DBRS") rating of the Series A Notes addresses the timely payment of interest and full payment of principal by the legal final maturity date. The rating of the Series B Notes addresses ultimate payment of interest and ultimate payment of principal by the legal final maturity date in accordance with the terms and conditions of the Notes. DBRS based the rating on:

- The transaction's capital structure and form and sufficiency of available credit enhancement.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to terms in which they have invested.
- The transaction parties' capabilities with respect to originations, underwriting, servicing and financial strength.
- The credit quality of the collateral
- A review of the legal structure, transaction documents and opinions.

Sovereign Assessment

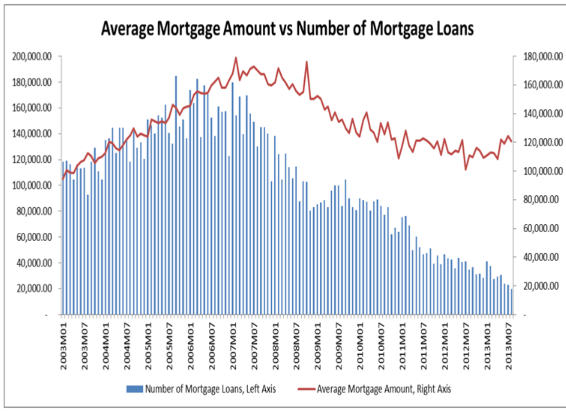
As of the date of this report, DBRS rates the Kingdom of Spain A(Low) with a Negative Trend. For more information, please refer to the most recent published press release by DBRS available from www.dbrs.com.

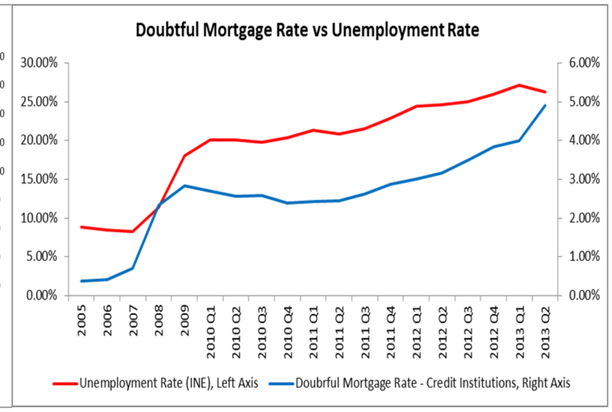
Sector Analysis

The macroeconomic situation in Spain remains weak with unemployment at historically high levels and borrowers' delinquency rates steadily rising. The austerity measures implemented by the government of Spain have also contributed towards reducing borrowers' affordability and increasing defaults.

Mortgage Market

The Bank of Spain doubtful mortgages rate for financial institutions initially reached its peak in 2009 at 2.84%, thereafter doubtful Mortgages declined to 2.38% in Q4 2010. Since then doubtful mortgages have steadily increased to reach a new peak of 4.91% as of Q2 2013. This upward trend is not expected to change in the medium term as the unemployment rate is expected to remain at high levels in the short to medium term. Although the unemployment rate fell by 28bps since the last quarter to 25.98%, it has risen on an annual basis with the unemployment level recorded at 25.02% in Q3 2012 (INE, Q3 2013). The overall level of doubtful mortgage loans appears to be correlated to unemployment albeit the gap between arrears and the level of unemployment is larger than might be expected.

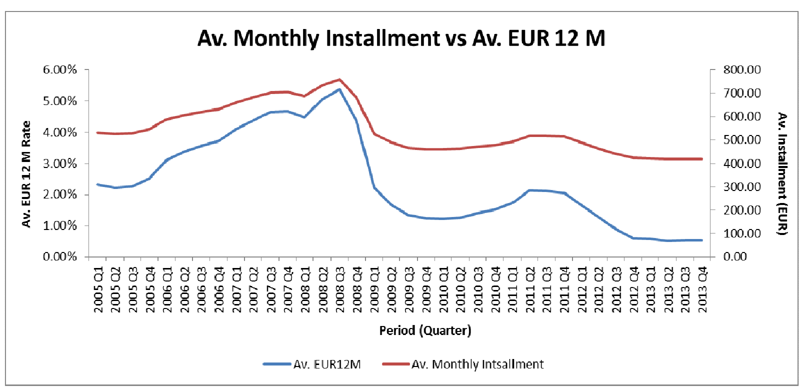




Source: Instituto Nacional de Estadistica (INE) and Bank of Spain

Housing demand and housing credit supply remains constrained. The number of mortgages originated continued to decline with 19,646 mortgages originated in August 2013 (average amount=EUR 120,900.95). This amount is significantly lower when compared against the same month in 2007 where 129,961 mortgages were originated with an average loan amount of EUR 170,606.10.

The current performance trends and future expectations are also linked to the low interest rate environment, which has allowed mortgage borrowers in Spain to remain current. The low interest rate environment is particularly relevant in Spain as mortgages are generally variable rate. These types of mortgages are typically referenced to 3, 6 or 12 month Euribor/Mibor. Spanish borrowers have benefited from approximately 44.9% decrease on their monthly instalments since Q3 2008 (assuming: Mortgage loan= EUR 125,000, Term=25 years, 12 months Euribor = 5.37% in Q3 2008 versus 0.53% in Q1 2013).



Housing Market

Following the burst of the housing bubble in Spain, house prices declined by 36.69% - at the national level - from their peak values (INE, Q2 2013). The house price declines are not homogeneous across Spain. Madrid and the north east autonomous communities are the regions where the current house price decline, from peak values, is above the national level.

House Prices in Spain - Peak to Trough Analysis

GI= General Index
Source: INE HPI Base 2007

The total number of properties in Spain is 25.21[1] million, from which second homes are 3.68 million and empty properties 3.4 million. Empty properties are deemed to be properties available for sale, rent or abandoned. Due to low housing demand and the limited supply of finance, it is expected the oversupply of properties will remain high and consequently prevent recovery of house prices in the near future.

Transaction Parties and Relevant Dates

Transaction Parties

Type	Name	Rating
Issuer	Rural Hipotecario XVI, FTA	N/A
Originator/Seller	Caja Rural de Soria, S.C.C. , Caja Rural de Zamora, S.C.C. ,Caja Rural de Teruel S.C.C.	N/A
Servicers	Caja Rural de Soria, S.C.C. , Caja Rural de Zamora, S.C.C. ,Caja Rural de Teruel S.C.C.	N/A
Ultimate Back-up Servicer	Banco Cooperativo Español	BBBH/R-1L/Negative Trend
Account Bank	Barclays Bank Plc (Spanish Branch)	DBRS Private Rating
Paying Agent	Barclays Bank Plc (Spanish Branch)	DBRS Private Rating
Arranger and Management Company	Europea de Titulización, SGFT	NR

Relevant Dates

Type	Date
Closing Date	26 July 2013
First Interest Payment Date	15 October 2013
Payment Frequency	Quarterly
Payment Dates	15th day of January, April, July and October in each year
Legal Final Maturity Date	15 April 2055

[1] 2011 Census of population and properties published by INE on April 2013

Origination and Servicing

DBRS conducted operational reviews of three regional Spanish cooperative banks - Caja Rural de Soria (CR Soria or CRS), Caja Rural de Teruel (CR Teruel or CRT) and Caja Rural de Zamora (CR Zamora or CRZ) - including mortgage loans in the Rural Hipotecario XVI (RH16) RMBS securitisation in April 2013 in Madrid, Spain.

DBRS considers the originations and servicing practices of the three cajas to be fairly consistent with other small, regional Spanish banks. However, given the relatively small size of the cajas the origination, underwriting and/or servicing systems as well as the overall control environment may not be as robust as those observed at larger Spanish banks.

The Caja Rural network was established in 1989 with 23 rural banks and has since expanded to include 73 banks and nearly the entire network excluding the cajas that have merged with Cajamar in 2012 to form Cajas Rurales Unidas. Banco Cooperativo Espanol (BCE) was created in 1990 to serve as a central, support bank for the rural cajas which are also BCE's shareholders. BCE provides various services to the cajas including a share IT system provided by Rural Servicios Informaticos (RSI).

The typical rural caja has less than €2bn in total assets and only a few cajas have balance sheets exceeding €5bn. The cajas included in RH16 are considered 'medium-sized 'rural banks with total assets ranging from €1.2m to €1.7m. The cajas were established over 40 years ago and over 75% of their branch networks are located within their respective home province (Soria, Teruel and Zamora). The following chart provides some key figures, as of end-2012, for the cajas participating in the RH16 transaction.

	CR Soria	CR Teruel	CR Zamora
Total Assets (EURm)	1,240	1,300	1,738
Total Loans (EURm)	850	980	1,130
Mortgage Loans (%)	64%	53%	60%
Home Region	Castilla Leon	Aragon	Castilla Leon
Provincial Population	95,000	139,000	205,000
Year Founded	1963	1965	1964
No. Branches	50	75	80
% Branches (Other Provinces)	24%	4%	18%
No. Employees	204	186	215
NPL Rate (total portfolio)	5.5%	6.9%	10.0%
NPL Rate (mortgages)	4.0%	1.9%	3.6%
Caja Rural Rank (by assets)	15	10	9

Origination & Underwriting

Origination:

All originations for the cajas are internally sourced through their respective branch networks with oversight and support from the regional or territory offices particularly for the larger cajas. The branches are responsible for managing the relationship with the borrower as well as collecting data and the required documentation and inputting the information into the respective credit scoring system and rating model, where applicable.

The cajas offer the standard mortgage products common in the Spanish market and such loans are generally capped at an 80% LTV although higher LTVs are possible with additional guarantees and approval outside the branch office. The maximum lending amount for non-owner occupied residential assets is typically below 80% including new builds and commercial properties. Variable and fixed rates are available and nearly all loans are on monthly payment schedules.

Underwriting:

The underwriting and loan approval process is generally consistent across the cajas and performed at the branch level although the credit process is somewhat more centralised across the three cajas due in part to their small size and concentration within a particular province. The overall underwriting process at all the cajas includes an analysis of financial statements, historical analysis of the debtor's exposure to each bank and the wider Spanish banking system and valuations for secured loans. As consistent with the overall Spanish market, full income verification is conducted on all customers including collection of pay stubs, review of bank accounts as well as last two years' audited financial statements, tax returns, acts of incorporation and lists of outstanding loans for self-employed borrowers.

Each caja employs credit scoring and rating models provided by RSI that incorporate credit bureau data, sector data, financial statements and qualitative elements although such models are somewhat less developed at the smaller banks and may, for instance, lack the qualitative component. The internal ratings apply mainly to SMEs and corporates and some self-employed borrowers. Ratings are based on a standard probability of default calculation and have been reviewed and approved by the Bank of Spain. The internal rating systems are also regularly back-tested and validated by RSI. The ratings (and credit scores for individual borrowers) are mainly used for assessing the borrower's creditworthiness and overall risk profile and are used as an on-going monitoring tool including some behavioural scoring functionality with monthly or quarterly updates of credit bureau data.

In the case of CRS, underwriting is more manual with the credit scoring system currently only used for consumer (personal) loans. CRS, like the other cajas, collects bureau data from the national database as well as Experian, and the caja's credit policy has no tolerance for negative credit events requiring review and approval at the head office regardless of loan amount or LTV ratio.

The cajas' approval authority limits are fairly conservative compared to the wider Spanish market. Approval levels are set according to competency and size, particularly branch level authority, as well as the risk profile of the borrower and the complexity of the loan driven by LTV and property type. The branch manager approval limit is generally capped below €200,000 for small and medium offices and lower for 'part-time' branches which typically have no more than two employees. In the case of CRT and CRZ, branch approval is very conservative and limited to just €60,000 and considerably lower for part-time offices particularly important given the sizable percentage of part-time branches for CRT (32%) and CRS (24%). While CRS has a higher approval limit for the smallest or 'micro' branches, the caja reduced its LTV limit for all branches to 70% in 2011 resulting in more loans migrating to the head office for review and approval. The part-time branches are also subject to on-going surveillance by both credit risk and internal audit.

The LTV limit for branch approval ranges from 70-80%. The approval limits for non-housing mortgages (excluded from the chart) are considerably lower both in terms of LTV requirement and loan size.

Valuations

Real estate valuations are carried out for all secured loans. All appraisals are performed by external valuers and comply with Bank of Spain regulatory guidelines. Assets are re-valued once every three years per Bank of Spain guidelines although values are checked more frequently using statistical models.

Summary strengths

- All loan activity is sourced internally with no external intermediary or broker network.
- Conservative branch approval limits across the three cajas, particularly CRT, and more centralisation of underwriting process compared to larger Spanish banks.

Summary weaknesses

- Weaker financial condition compared to larger Spanish banks.
  Mitigant: The banks have healthy presence within respective regions particularly home provinces.
- Sizeable percentage of part-time branches with only one or two employees.
  Mitigant: Good supervision of branches by head office including internal audit oversight. Approval limits for such branches is generally low. While the part-time office limit for CRS is higher than the other cajas at €100,000 the LTV limit for all branches has been set at 70% since mid-2011.
- Limited credit scoring functionality and no internal rating model for CRS.
  Mitigant: Credit scoring system provided through RSI but only used for consumer loans. While underwriting is more manual, external credit bureau data from multiple sources is used in assessing borrower's creditworthiness.

Servicing

Servicing activities within the cajas are fairly consistent with some centralisation of administrative functions in the respective bank's head office and primary borrower contact including collections and early arrears management activities managed with the local branches. Payments are primarily made through direct debit as most of the borrowers have current accounts with the respective caja.

The cajas follow standard collections and arrears management strategies including compliance with regulatory guidelines surrounding delinquency, watch list and default definitions. Automated, standard letters are generated through the servicing system and sent to the borrower around day 15 and day 30. The internal rating system within each bank is used to monitor the loan including updates to the rating and helps to set the appropriate workout strategy. Once legal proceedings are initiated generally after a loan is officially classified as a default and all previous attempts at an out-of-court resolution have been exhausted.

Like other Spanish banks, the cajas attempt to resolve impaired and non-performing loans (NPL) through extra-judicial means including loan restructurings, modifications, extensions, payment holidays and/or a combination of other strategies. Such strategies also comply with the guidance provided by the Bank of Spain and other government agencies. While re-default rates are not generally available, consistent with the overall Spanish market, the majority of mortgage loans currently in the legal enforcement stage have been restructured, modified and/or entered into a payment arrangement scheme at least once. Regardless of the strategy employed to cure the loan default, timelines and recovery rates are generally consistent with the overall Spanish banking sector.

Summary strengths

- Majority of loans on monthly payment frequency and pay via direct debit.
- Centralisation of default management activities.
- Low mortgage NPL rate for CRT and below the national average.

Summary weaknesses

- Rising level of non-performing loans across total loan portfolio and mortgage book.
  Mitigant: Similar trend observed across Spanish market and current levels appear manageable although 10% rate for CRZ is above national average. Less exposure to coastal real estate compared to other banks.

Opinion on Back-Up Servicer: In the event of a servicer event of default, the gestora ("Management Company") is responsible for identifying and engaging a suitable replacement servicer. If such a replacement is not found, BCE will assume the existing servicer's role. This back-up servicing structure exists in other RH transactions.

As BCE has existing relationships with the cajas and provides operational support and some reporting capabilities to the bank, the transfer process following a servicer default is expected to be fairly efficient and timely. BCE also owns the IT company; Rural Servicios Informaticos (RSI), which provides the systems used by the cajas resulting in numerous operational benefits.

BCE estimates the entire transfer process including data transfer and notification to borrowers of new payment instructions to range from 30-90 days. The regular quarterly meetings with the participating banks and the Management Company as well as the daily access to information contained within the RSI systems help ensure an efficient transfer process. As a result of the existing relationships with the cajas, the transfer time and the use of similar IT systems, the back-up arrangement is defined as “warm” per DBRS’s methodology.

Both BCE and RSI have been in business for over 20 years. BCE currently has over 200 employees and is currently servicing a portfolio valued at over €500m with mortgage loans representing approximately 15% of the total. RSI has over 600 employees providing servicing and software support for retail banking operations.

Collateral Analysis Details

Data Quality

Performance data provided to DBRS represents historical performance data of all the loans originated by Caja Rural de Soria, Caja Rural de Zamora, Caja Rural de Teruel and prior Rural Hipotecario securitised transactions. Based on the performance history data provided, DBRS was able to assess the benchmark two-year PD for the mortgage portfolio. In addition to historical performance data, legal documentation prepared by the issuer’s legal counsel was provided.

DBRS considered the data to be of satisfactory quality.

Collateral Analysis

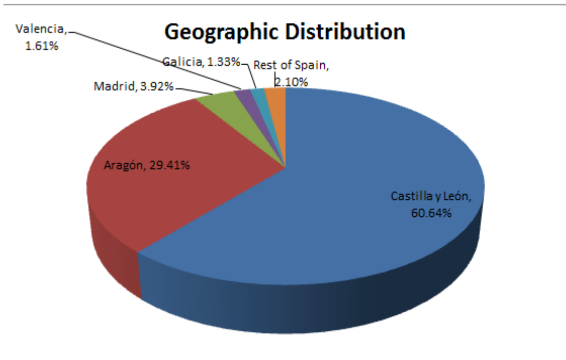
Summary characteristics for the portfolio as of 19 June 2013:

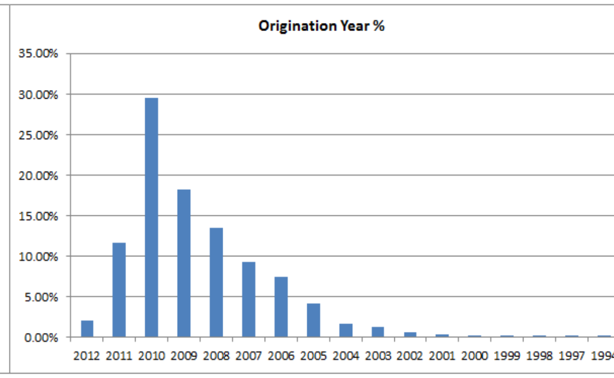
- Current Balance: EUR 189,854,608.85
- Number of Loans: 2,128
- Average Loan Balance: EUR 89,217.73
- Maximum Current Balance: EUR 479,722.69
- *Weighted Average (WA) Original Term: 22.63 years
- *WA Remaining Term: 22.32 years
- *WA Seasoning: 4.33 years
- *WA Original Un-indexed LTV: 69.1%
- *WA Current Un-indexed LTV: 58.5%
- Euribor/Mibor 12 month rate loans: 100%
- Self Employed: 22.24%
- Top 10 obligor concentration: 1.87%

* calculated by DBRS

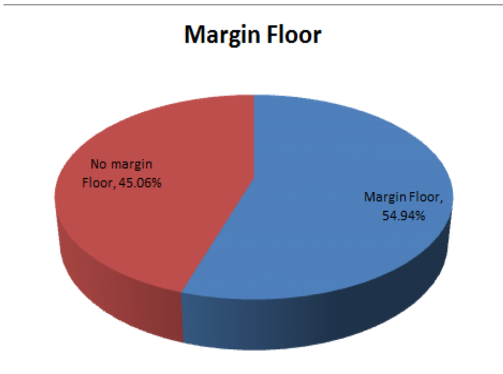
The Portfolio is 4.33 years seasoned. The seasoning of the portfolio is considered positive for the transaction as historical trends indicate the majority of borrower defaults occur within the first 5 years of the mortgage. Approximately 74.78% of the mortgage pool originated in 2008 and after. Post 2007 mortgage providers have implemented stricter underwriting criteria when issuing a loan, which is considered a positive for the transaction, however these loans have been originated in a lower interest rate environment and have the potential risk of payment shocks for future interest rate rises.

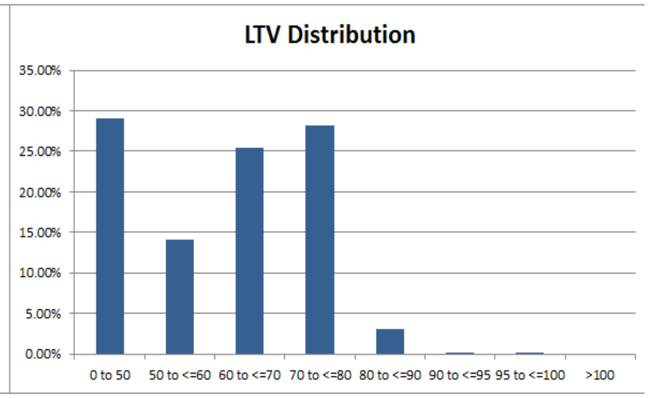
The portfolio is 60.64% geographically concentrated in the autonomous community of Castilla y Leon and 29.41% in Aragon. The significant level of geographic concentration is viewed negatively as the transaction is heavily exposed to house price fluctuations and overall economic performance of a particular region.





Weighted average current un-indexed LTV for the Portfolio is 58.5%, which is relatively low when compared to recent RMBS deals issued by other originators in Spain. 31.47% of the mortgage loans have an un-indexed LTV higher than 70.00%. 59.94% of the portfolio is exposed to loans with margin floors. Margin floors were not considered for the cash flow analysis of this transaction.





The Portfolio is primarily for the purchase of first homes and is almost entirely exposed to Spanish nationals (98.41%).

Historical Performance

The following chart plots 90+ dynamic delinquencies of all existing Rural Hipotecario securitisations. The average 90+ delinquency stands at 2.98% of the current balance as of April 2013. The data indicates credit deterioration in RHIX, RHX and RHXI. These deals were originated between 2007 and 2009 and as result have significant exposure to loans originated at the peak of the housing market.

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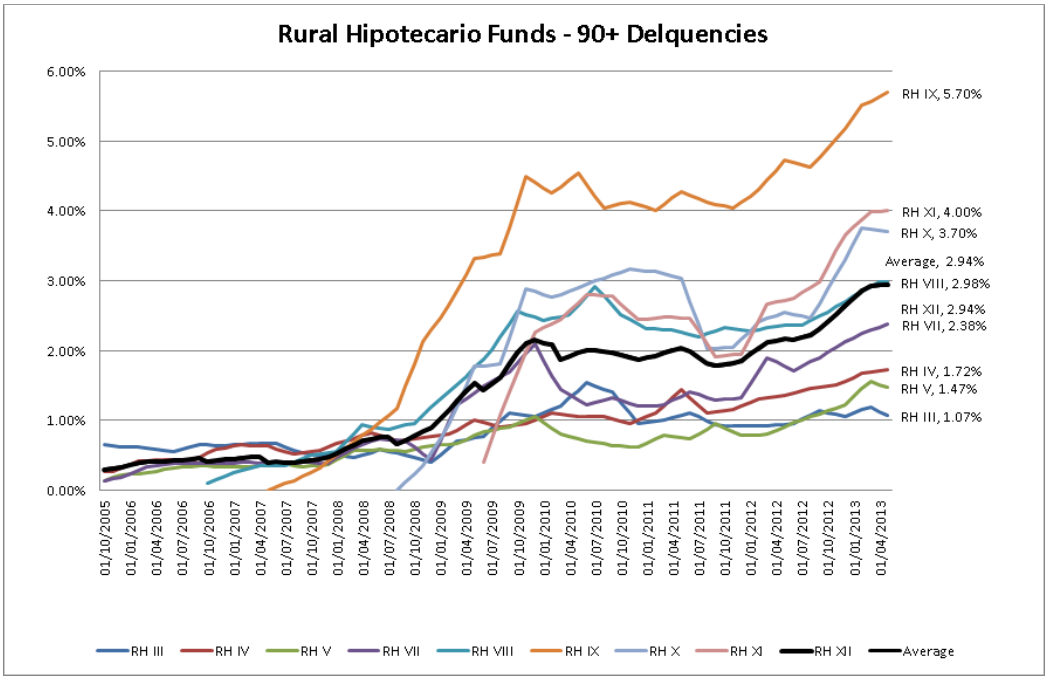
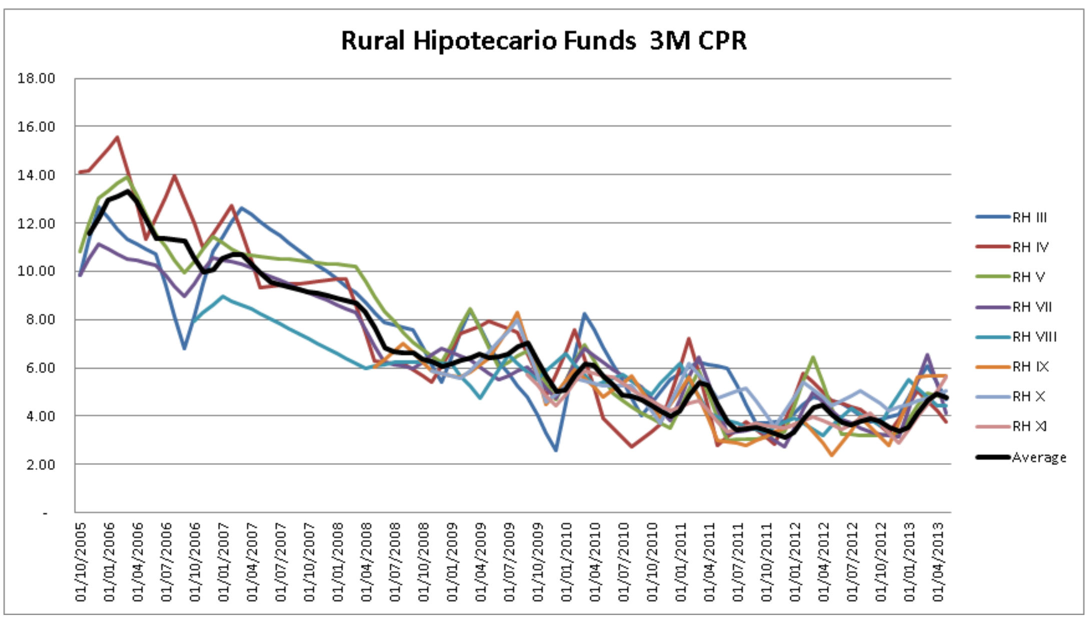


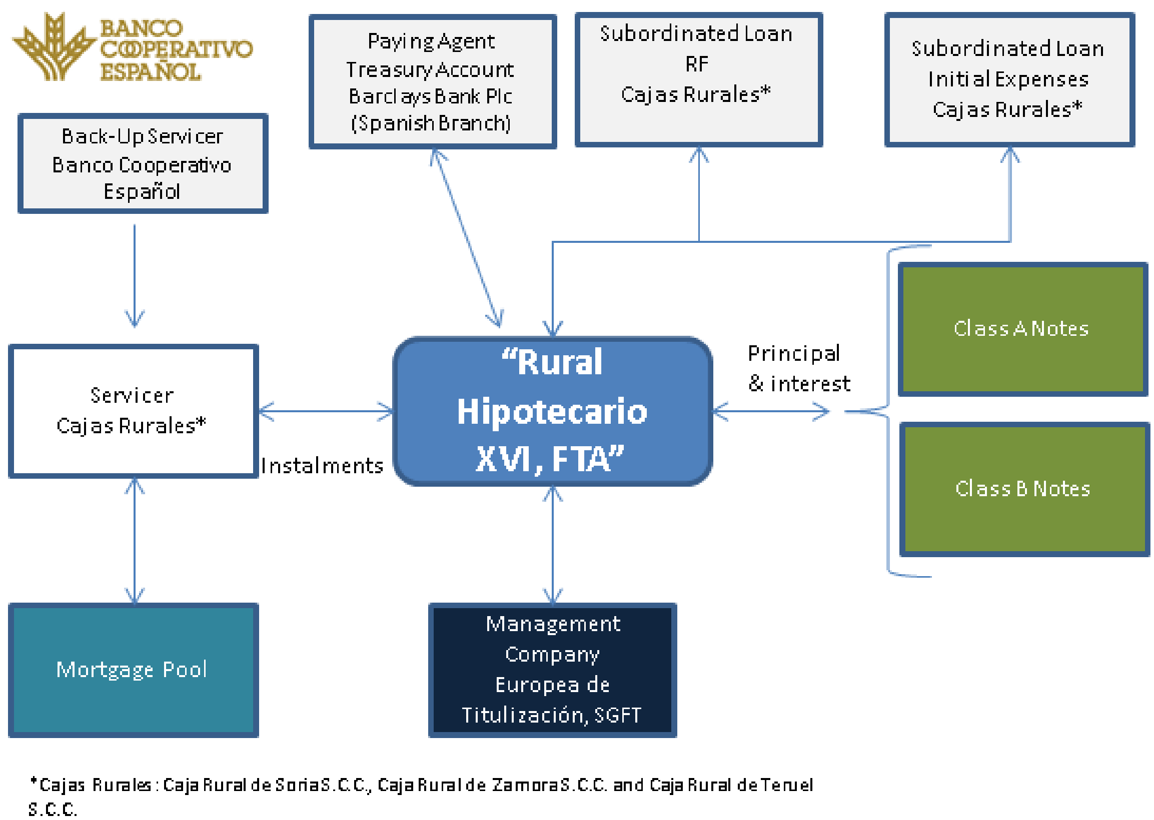
Unscheduled prepayments trend (3 month Constant Prepayment Rate ("CPR")) declined from an average of 11.00% in 2005 to 4.77% on April 2013.



The three month CPR has followed a downward trend which is in-line with market observations and the current economic environment in Spain. The declining level of prepayment will mean that credit enhancement will, all other things being equal, take longer to build up that in prior transactions.

Transaction Structure

Transaction Diagram



Structural Features

Transaction Overview

Notes of RHXVI were issued to finance the acquisition of the portfolio at close. In addition, two subordinated loan will fund the Reserve Funds and the loan for initial expenses. A deposit will be established at close to fund the commingling reserve.

Available Funds

The transaction has a combined waterfall structure, where the available funds can be summarised as: (a) interest and principal collections (including recoveries), (b) investment income on the treasury account (c) balance of the Reserve Fund and (d) all other collections.

The Pre-Enforcement Waterfall

The available funds are distributed through a combine waterfall described below:

1. Senior fees including taxes. Servicing fees to the replaced servicer, if applicable, other than Banco Cooperativo Español;
2. Series A Notes Interest payments;
3. An amount to maintain the required secondary cash reserve amount;
4. Series B Notes Interest payment unless payment is deferred to 6th place in the Priority of payments See trigger condition below;

5. For the most senior Notes outstanding at any time, the principal amount equal to the positive difference between the outstanding principal balance of the bond issue and the outstanding balance of the non-defaulted mortgage loans;
6. Payment of Interest due on the Series B Notes when this payment is deferred from the 4th place in the priority of payments;
7. An amount to maintain the required cash reserve amount;
8. Interest on loan for initial expenses;
9. Principal on loan for initial expenses;
10. Interest on subordinated loan;
11. Principal repayment of subordinated loan;
12. Servicer management fee;
13. Payment of the Financial Intermediate Margin.

The Post-Enforcement Waterfall

The Management Company will liquidate the Funds at legal maturity date of the Fund or in case of an early amortisation of the Fund. The funds are then distributed through a combine waterfall described below:

1. Amounts to pay liquidation expenses of the Fund;
2. Payment of taxes, ordinary and extraordinary expenses of the Fund. Servicing fees to the replaced servicer, if applicable, other than Banco Cooperativo Español;
3. Series A Notes Interest payments;
4. Principal amortisation of Series A Notes;
5. Series B Notes Interest payments;
6. Principal amortisation of Series B Notes;
7. Payments to amortise any loan arranged for the early amortisation of the Notes;
8. Interest on loan for initial expenses;
9. Principal on loan for initial expenses;
10. Interest on subordinated loan;
11. Principal repayment of subordinated loan;
12. Payment to the servicer;
13. Payment of the financial intermediation margin.

Principal amortisation

The amortisation amount of the Notes is determined as the outstanding principal balance of the Notes, minus the outstanding balance of non-doubtful mortgage loans. The amortisation of Series A Notes are made on each payment date starting on 15 October 2013.

The amortisation amount will be equal to the available funds for the amortisation on each payment date for the Series A Notes and according to the waterfall.

The amortisation of Series B Notes shall be made on each payment date starting when Series A Notes are fully amortised.

The amortisation amount shall be equal to the available funds for the amortisation on each payment date for the Series B Notes and according to Distribution of Available Fund rules.

The amortisation amount to be paid on each interest payment date on step 5 of the Pre-Enforcement Waterfall will be the positive difference of:

1. Remaining amount of the Notes and
2. Current collateral mortgage pool less doubtful mortgage loans

Interest Deferral Triggers
Provided Series A notes have not amortised and are not scheduled to be fully amortised on the relevant payment date, the payment of interest on the series B notes will be deferred if the following trigger is breached:

On the determination date - before the relevant payment date - the cumulative outstanding balance of the doubtful mortgage loans exceeds 10% of the outstanding mortgage balance when the fund was established.

Reserve Fund
A subordinated loan will be issued at closing in an amount equal to EUR 7.5mn to fund the Reserve Fund. The Reserve Fund covers senior fees shortfalls and Interest shortfalls on Series A and Series B and any principal losses.

After closing, on each payment date the Reserve Fund will form part of the Available Funds and will be maintained at EUR 7.5mn (or 5% the initial sum of the notional amount of Series A and Series B Notes) throughout the life of the transaction.

Secondary Reserve Fund
A Secondary Reserve Fund will be issued at closing of EUR 1.2mn to provide additional support to Series A Notes. The Secondary Reserve Fund covers any shortfall of step 1 and step 2 of the waterfall (senior fees and Series A Notes interest payments). The Secondary Reserve Fund is not available to cover principal losses.

The Secondary Reserve Fund target amortisation amount will be equal to 0.9% the outstanding balance of Series A Notes.

There are no performance triggers present which prevent the amortisation of the Secondary Reserve Fund. Therefore it is possible for the target amount to be at its lowest when it is most required.

Commingling Reserve Fund
At closing the transaction will have a Commingling Reserve Fund in place to cover for any lost interest and principal receipts as a result of servicer insolvency. The Commingling Reserve will be set at an amount equal to EUR 1.875mn.

The required Commingling Reserve Fund amount on each payment date shall be equal to the lesser of:
1. EUR 1.875mn
2. The higher of:
   a) 1.25% of the current mortgage balance excluding doubtful loans
   b) The highest aggregated amount of principal and interest paid in any of the interest payment dates in the last 12 months

The commingling risk in this transaction is mitigated by the fact that borrowers do not pay their instalments on the same day of each calendar month.

Definitions
Doubtful loans/Default loans: 18 months in arrears
Delinquent loans: 90+ days in arrears

Transaction Accounts

Cash Collection
The Management Company on behalf of the fund will engage in a treasury account agreement with Banco Cooperativo Español and Barclays Bank Plc. (Spanish Branch). The treasury account is held with Barclays Bank Plc (Spanish Branch) under the name of the fund.

Barclays Bank Plc. (Spanish Branch) has committed to guaranteeing to the Fund a return of 3 month Euribor for a period of two years starting from the closing date. Barclays Bank Plc. (Spanish Branch) will offer the Management Company a new guaranteed interest rate 60 business days before the end of two years period. From that point on, the Management Company will have 60 days to agree on the new terms, subject to Banco's Coorperativo Español consent. In the event an agreement is not reached, the Management Company will appoint a new eligible treasury account provider. All cash collections will then transfer from Barclays Plc. (Spanish Branch) account to the new eligible treasury account provider.

Commingling
All mortgage borrower payments of the pool are collected by the servicer under direct debit scheme on the Cajas Rurales account. Payments are transferred from the servicer account to the treasury account in the name of the fund 24 hours after receipt of funds. In the event of insolvency of Caja Rurales (Caja Rural de Soria, Caja Rural de Teruel and Caja Rural de Zamora) and until notification is delivered to the relevant borrowers to redirect their payment, payment collections may be commingled with other funds belonging to Caja Rurales.

To mitigate possible cash flow disruptions caused by a servicer event of default and/or replacement of the servicer and/or intervention by the Bank of Spain, the transaction has a Commingling Reserve in place of EUR 1.875mn to cover any shortfalls in payments to the Series A Notes following termination of the servicer. In case of termination of the servicing agreement with Caja Rurales, the Management Company is responsible for appointing a new servicer. In case a replacement servicer is not designated, Banco Cooperativo Español will be appointed as the new servicer subject to the same provisions outlined in the current servicing agreement.

Interest Rate Risk

The transaction does not have a swap in place and as a result is exposed to un-hedged basis risk. The interest receipts from the mortgages and the interest payments due on the notes are referenced to floating rate indexes of 12 month Euribor (Mortgages) and 3 month Euribor (Notes. In a normal and stable sloping interest rate curve 12 month Euribor is expected to be higher than the 3 month Euribor payable on the notes. In such a scenario there is limited basis risk. However, in a rising rate environment there is risk the 3 month Euribor rate will rise sharply with the issuer having to wait as long as 12 months to pass this rise on to a proportion of its borrowers. DBRS accounts for this risk in its cash flow modelling using its Unified Interest Rate Methodology for European Securitisations.

Cash Flow Analysis

Summary of Cash Flow Analysis
The DBRS cash flow model assumptions focused on prepayment speeds, interest rates and the amount and timing of defaults and recoveries. Based on a combination of these assumptions, a total of 16 cash flow scenarios were applied to test the performance of the rated Notes (see table below).

Scenario	Prepayments	Default Timing	Interest Rate
1	0%	Front	Upwards
2	0%	Front	Flat/Down
3	0%	Back	Upwards
4	0%	Back	Flat/Down
5	5%	Front	Upwards
6	5%	Front	Flat/Down
7	5%	Back	Upwards
8	5%	Back	Flat/Down
9	10%	Front	Upwards
10	10%	Front	Flat/Down
11	10%	Back	Upwards
12	10%	Back	Flat/Down
13	20%	Front	Upwards
14	20%	Front	Flat/Down
15	20%	Back	Upwards
16	20%	Back	Flat/Down

Asset Analysis Results

Base on the performance data provided DBRS determined the benchmark 2 year PD of 2.77%.

Using the benchmark 2 year PD, DBRS calculated the lifetime PD and loss given default by applying individual risk characteristics associated with each loan as discussed in the DBRS Master European Residential Mortgage-Backed Securities Rating Methodology. The table below details the lifetime PD, loss given default and expected loss at A, BB(low) and Base case stresses;

	Rating	PD	LGD	Expected Loss
Class A	A (sf)	18.12%	40.66%	7.37%
Class B	BB (sf)	8.97%	30.87%	2.77%
Base Case	B (sf)	5.56%	27.55%	1.53%

Prepayment Speeds

Four prepayments stresses applied are 0%, 5%, 10% and 20% CPR.

Timing of Defaults and Recoveries

DBRS applied a front- and back-loaded default timing curve.

DBRS assumed recovery proceeds will not be available for the deal until 48 months from the date a loan becomes 90 days past due. This is consistent with our understanding of the Spanish market and also consistent with the treatment of other transactions in other jurisdictions.

Interest Rate Stresses

DBRS applied it standard interest rate stresses as detailed in the Unified Interest Rate Model for European Securitisations.

Legal Structure

Law(s) Impacting Transaction

The mortgage loans comprising the Portfolio have been assigned to the Issuer pursuant to the Escritura de Constitución (Issuer Deed of IncorporationFormation) in a True Sale transaction in accordance with Spanish securitization regulations, Law 19/1992 and Royal Decree 926/1998. In order to avoid re-registering the mortgage loans in the name of the Issuer and incurring a stamp tax, the loans are conveyed by way of Certificados de Transmisión de Hipoteca (CTH) or "Mortgage Transfer Certificates" and Participaciones Hipotecarioas (PH) "Participation Certificates". The CTH and PH represent an undivided interest in the underlying mortgage loans and convey to the Issuer all ownership rights as if the mortgage loans were re-registered in the Issuer's name, in accordance with Law 2/1981 and Royal Decree 716/2009. The Noteholders are unsecured creditors of the Issuer. In Spain there is no nationwide registry where creditors can record their security interest in assets other than in the Land Registry (Registro de la Propiedad) for real estate assets property and the Registry on Movable Property (Registro de Bienes Muebles) for among others, vehicles/equipment, certain credit rights and other type of assets. Thus, a security interest in favor of the Noteholders is not possible. In any event, given the limitation on the Issuer's activities, the lack of a security interest in the Portfolio is not a concern.

Originator's counsel provided an opinion with respect to (a) corporate good standing of Originator, Issuer and Management Company, (b) enforceability of documents against Originator and Issuer, (c) "True Sale" of assets from Originator to Issuer and (d) tax regime of the Issuer and the Notes.

Set-Off Risk

Upon an insolvency of the Originator, borrowers may invoke the right to set-off the amount they owe the Originator at any given time, by any amounts due and payable to them from the Originator. The potential set-off amount is limited to amounts due and payable in both directions at the time the set-off occurs.

Transaction Counterparty Risk

Caja Rural de Soria, Caja Rural de Teruel and Caja Rural de Zamora are both the originators and servicers for the transaction. Caja Rural de Soria, Caja Rural de Teruel and Caja Rural de Zamora may be replaced as servicer upon insolvency and/or intervention by the Bank of Spain. See also the Transaction Accounts section.

Methodologies Applied

The following are the primary methodologies DBRS applied in order to assign the given ratings to Rural Hipotecario XVI, FTA:

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

The methodologies are available from www.dbrs.com under the methodologies section. Alternatively please contact info@dbrs.com or the primary analyst.

Monitoring and Surveillance

The transaction will be monitored in accordance with the Master European Structured Finance Surveillance Methodology, available at www.dbrs.com.

Note:
All figures are in EUR unless otherwise noted.

This report is based on information as of June 2013, unless otherwise noted. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.