

MOODY'S

INVESTORS SERVICE

CREDIT OPINION

5 December 2018

Pre-Sale

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Closing Date

[15 December 2018]

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Rural Hipotecario XVIII FT

Pre-Sale - Rural Hipotecario XVIII FT issues RMBS notes backed by prime Spanish mortgages

Capital structure

Exhibit 1

Provisional (P) ratings

Series	Rating	Amount (Million)	% Of Notes	Legal Final Maturity	Coupon	Subordination*	Reserve Fund**	Total Credit Enhancement***
A	(P)Aa1(sf)	[•]	[91.50]%	[Sep 2057]	3mE+[•]%	[8.50]%	[4.50]%	[13.00]%
B	NR	[•]	[8.50]%	[Sep 2057]	3mE+[•]%	[0.00]%	[4.50]%	[4.50]%
Total		[•]						

* At closing.

** As a percentage of total notes.

*** No benefit attributed to excess spread.

Summary

Rural Hipotecario XVIII FT is a static cash securitisation of first-ranking prime mortgages granted to Spanish individuals. The portfolio consists of mortgage loans secured by residential properties in Spain. This transaction is the ninth transaction in the Rural Hipotecario programme rated by us. Unlike the previous transactions, Rural Hipotecario XVIII FT is originated uniquely by Caja Rural de Aragon, Sociedad Cooperativa de Credito ("Bantierra").

The portfolio consists of [3,627] loans extended to [3,556] prime borrowers, and the current pool balance is equal to around €[272.52] million. Our credit opinion is the result of our analysis of a wide array of quantitative and qualitative factors, including the pool characteristics and the originator and servicer reviews. The credit opinion of the transaction also considers the structural features such as credit enhancement and liquidity available for the notes and the mitigants to servicer disruption risk.

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 5 December 2018. Investors should be aware that certain issues concerning this transaction have yet to be finalized. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavor to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

The provisional portfolio of underlying assets consists of secured debt obligations originated in Spain for a total balance of EUR 272, from which a final pool will be selected, based on certain eligibility criteria, funded by the issued notes equal to an amount of EUR 255.

Credit strengths

The following factors were the strongest features of this transaction:

- » **Asset quality:** The portfolio is composed of prime mortgage loans to mainly Spanish individuals, secured by properties located in Spain. Particular strengths related to the portfolio include:
 - *Weighted average (WA) loan-to-value (LTV) ratio:* The current WA LTV ratio of [56.95]% (calculated taking into account the latest full property valuation) is lower than the average for Spanish transactions; however, the indexed LTV ratio is not that low because of the seasoning of the portfolio (Moody's-calculated WA indexed LTV ratio is equal to [65.10]%). More than 45% of the loans in the portfolio were originated between 2011 and 2016 and has experienced house depreciation. (See "Asset description - Pool characteristics")
 - *Seasoning:* The portfolio is well seasoned, with a WA seasoning of [5.84] years. The pool has gone through a severe economic downturn, and most of the pool has never been in arrears for more than 90 days. (See "Asset description - Pool characteristics")
 - Only [5.07]% of the borrowers in the pool are foreign nationals. In our view, nonresidents have a riskier profile than residents with a longer stay in Spain. (See "Asset description - Pool characteristics")
 - No broker origination. (See "Asset description - Pool characteristics")
- » **Interest and principal on Class B fully subordinated to Class A, sequential amortisation of the notes and the reserve fund:** The transaction has a reserve fund of 4.5% and a sequential amortisation structure. Both factors contribute to strong protection levels for Class A. (See "Securitisation structure description - Detailed description of the transaction - Credit enhancement")

Credit challenges

The transaction contains the following challenges:

- » **Geographical concentration:** The portfolio shows significant regional concentration in Aragon ([87.30]% of the pool). As a mitigant, we have observed that the Aragon region unemployment is not among the worse in Spain, also we have look at property location within the Aragon province, and detected that the majority of the properties are located in cities. (See "Asset description - Pool characteristics")
- » **Interest rate mismatch:** [93.20]% of the loans in the portfolio are floating-rate loans, mostly linked to the 12-month Euribor, whereas the notes are linked to three-month Euribor. No interest rate swap is in place to cover the basis rate risk. Additionally, [6.80]% of the loans in the portfolio are initially fixed-rate loans with future switch to floating, being May 2021 the maximum first date to reset. There is no swap in place to cover the fixed-floating mismatch. We take into account the potential interest rate exposure as part of our cash flow analysis when determining the notes' provisional ratings. Although the WA margin on the loans at closing is [1.38]%, it could decline over time because of the prepayment of higher-yielding mortgages and renegotiations. (See "Securitisation structure analysis - Additional structural analysis - Interest rate mismatch" for details and an explanation of how we have stressed the yield)
- » **Limited historical information:** Europea de Titulización S.A. S.G.F.T. ("EdT") has provided us with the proportion originated by Bantierra of each Rural Hipotecario transaction from V-XVII. The performance has been strong to date, but we have not received information regarding the total book. We have taken this into account in our expected loss analysis. (See "Asset description - Originator and servicer")

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

- » **Servicing disruption risk:** Bantierra is acting as the servicer, and there is no backup servicer appointed at closing. However, the management company will act as the backup servicer facilitator and independent cash manager. In addition, the transaction benefits from around ten payment dates (with a 0.3% Euribor assumption) as provided by the reserve fund. (See "Asset description - Originator and servicer")

Key characteristics

Exhibit 2

Asset characteristics

(Provisional pool as of 19 November 2018). The final pool balance will be equal to EUR 255 million

Issuer:	Rural Hipotecario XVIII FT
Seller/Originator:	Bantierra (NR)
Servicer:	Bantierra (NR)
Receivables:	First-lien prime mortgage loans granted mainly to Spanish residents, secured by properties located in Spain
Methodology Used:	Moody's Approach to Rating RMBS Using the MILAN Framework, September 2017
Total Amount:	EUR [272,522,465]
Number of Borrowers:	[3,556]
Borrower concentration:	Top 20 borrowers make up [2.37]% of the pool
WA Remaining Term:	[20.28] years
WA Seasoning:	[5.84] years
Interest Basis:	[93.20]% Floating, [6.80]% initially fixed-rate loans with future switch to floating, being May 2021 the maximum first date of reset
WA Current LTV:	[56.95]%
WA Original LTV:	[72.05]%
Moody's calculated WA indexed LTV:	[65.10]%
Borrower credit profile:	Prime Borrowers
Delinquency Status:	[2.46]% loans in arrears with no arrears 90 days delinquent

Source: Moody's Investors Service

Exhibit 3

Securitisation structure characteristics

Issuer:	Rural Hipotecario XVIII FT
Issuer Administrator / Corporate Service Provider:	Management Company Europea de Titulizacion (NR)
Models Used:	MILAN (Spanish Settings) and ABSROM
Excess Spread at Closing:	The weighted-average interest rate of the pool is [1.38]%, which will be reduced by the weighted average interest rate of the notes, plus the senior fees and the interest-rate mismatch
Length of Revolving Period:	Static
Back-up Servicer:	Banco Cooperativo Espanol, S.A. (Baa1(cr) Baa3/P-2)
Back-up Servicer Facilitator:	Management Company Europea de Titulizacion (NR)
Cash Manager:	Management Company Europea de Titulizacion (NR)
Back-up Calculation/Computational Agent:	None at closing
Issuer Account Bank:	Societe Generale, Sucursal en España ("SGSE"), (A1/P-1/A1(cr)/P-1(cr))
Collection Account Bank:	Management Company Europea de Titulizacion (NR)
Principal Paying Agent:	Societe Generale, Sucursal en España ("SGSE"), (A1/P-1/A1(cr)/P-1(cr))
Management Company:	Europea de Titulizacion (NR)
Arranger:	Banco Cooperativo Espanol, S.A. (Baa1(cr) Baa3/P-2)
Lead Manager:	Banco Cooperativo Espanol, S.A. (Baa1(cr) Baa3/P-2)
Credit Enhancements/Reserves:	Excess spread 4.5% Reserve Fund Subordination
Form of Liquidity:	Excess spread Reserve fund Principal to pay interest mechanism
Number of Interest Payments Covered by Liquidity:	Reserve fund provides liquidity for approximately 10 payment dates
Interest Payments:	Pass-through in arrears on each payment date
Principal Payments:	Pass-through in arrears on each payment date
Payment Dates:	12th March, June, September and December
First Payment Date:	12th March 2019
Hedging Arrangements:	None

Source: Moody's Investors Service

Asset description

The assets backing the notes are first-ranking prime mortgage loans originated by Bantierra. All the loans in the pool are secured on residential properties located in Spain; Exhibits 4-7 detail additional high-level information regarding the assets in the pool.

Asset as of 19 November 2018

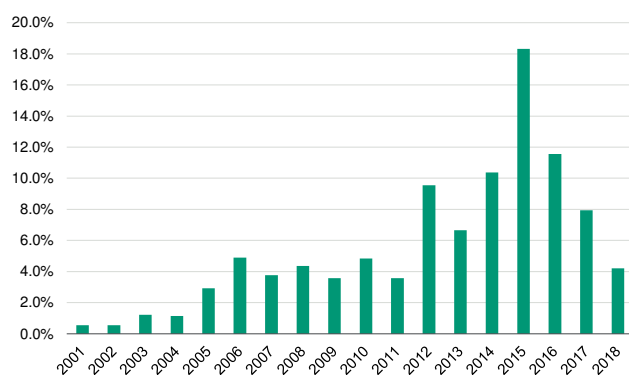
Provisional pool cut-off date is [19 November 2018].

Pool characteristics

Exhibit 4 illustrates that [18.31]% of the loans in the pool have been originated in 2015. Exhibit 5 highlights that we have received months current data, and around [2.46]% of the loans in the pool are delinquent with no loan in arrears for more than 90 days and [53.90]% of the loans in the pool have never been in arrears. The WA LTV ratio of the pool is [56.95]%, and Exhibit 6 shows that around [44.40]% of the pool has a current LTV ratio of 50%-60%. Exhibit 7 shows that around [87.30]% of the loans are concentrated in Aragon and [7.50]% of the pool is concentrated in La Rioja.

Exhibit 4

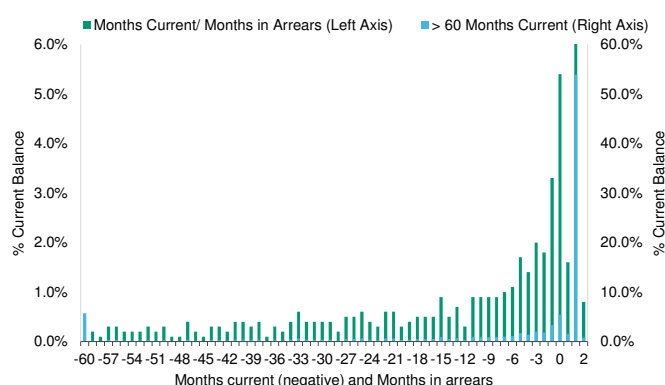
Portfolio breakdown by date of origination



Sources: EdT provided the MILAN file, computations by Moody's Investors Services

Exhibit 5

Portfolio breakdown by months current/months in arrears

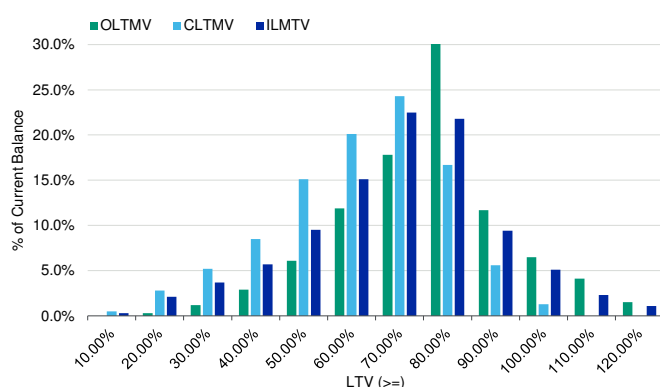


* Months in arrears are in negative area.

Sources: EdT provided the MILAN file, computations by Moody's Investors Services

Exhibit 6

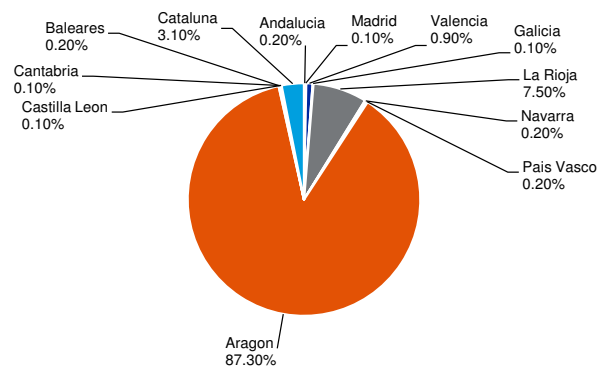
Portfolio breakdown by LTV ratio



Sources: EdT provided the MILAN file, computations by Moody's

Exhibit 7

Portfolio breakdown by geography



Sources: EdT provided the MILAN file, computations by Moody's Investors Services

Originator and servicer

Bantierra is a Spanish credit union created in 2012 from the merger of Multicaja (previously Caja Rural Aragonesa y de los Pirineos) and Cajalon (previously Caja Rural de Aragon). The group is particularly strong in Aragon, where it holds leading market shares. In terms of retail banking, Bantierra has over 121,563 clients in Spain.

As of December 2017, the group managed €4.450 billion loans and had 767 employees and 230 offices. As of the end of June 2018, Bantierra's nonperforming loan ratio stood at 6.99% (down from 7.27% as of year-end 2017), which compares favourably with the system average of 8.30%. The nonperforming loan coverage ratio stood at 58.81% (up from 55.21% as of year-end 2017), which is below the system average of 60.00%. The decline in coverage is the result of higher write-offs and foreclosures.

Bantierra's retail banking division mainly offers consumer loans, mortgages, credit cards and non-banking financial products (that is, insurance services and mutual funds) to private individuals and corporates through their branch network and online platforms.

Bantierra originated the loans that will be sold to Rural Hipotecario XVIII, FT and it will continue to act as the servicer for the loans after they have been sold to the issuer.

This is the originator's 11th RMBS transaction in the Rural Hipotecario RMBS series. However, the proportion of loans originated by Bantierra in the previous transactions has not been significant.

Eligibility criteria

The key eligibility criteria are the following:

- » Each mortgage constitutes a valid first charge by way of legal mortgage in Spain.
- » Each mortgage constitutes a first legal mortgage or a first-ranking standard security.
- » Each mortgage is denominated in euros.
- » Each mortgage has been originated under the name of Bantierra.
- » All borrowers are Spanish residents.
- » All mortgage loans' outstanding balance does not exceed [80.0]% of the property valuation.
- » All , viviendas de proteccion oficial ("VPO") loans' appraisal value is legally the maximum.
- » The legal final maturity date of all loans cannot exceed [17 July 2053].
- » No loan has been restructured or renegotiated because of a situation of loan in arrears.

Asset analysis

The first step in the analysis of the credit quality of the pool is to determine a loss distribution of the mortgages to be securitised. To determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived mainly from two important sources: historical loss data and the MILAN loan-by-loan model.

Primary asset analysis

Derivation of expected Loss

We use performance data provided by the originator in addition to other relevant data to extrapolate expected losses for the loan pool. Examples of data include market- and sector-wide performance data, the performance of other securitisations, and other originators' data.

The key drivers for the portfolio's expected loss of [3.0]% are (1) a better pool composition than that of similar Spanish RMBS transactions, (2) our outlook on Spanish RMBS, (3) availability of limited historical performance data, (4) the absence of a covered bond programme for the seller, (5) the fact that [2.46]% of loans are in arrears, (6) the current WA LTV ratio of [56.95]%, and (7) the [87.30]% concentration in the Aragon region.

MILAN model

To obtain the volatility under stressed scenarios, we take into account historical data. However, historical volatility may not be significant (given insufficient data points or incomplete data) and, in addition, may not be representative of the future because it is based on the experience of the previous economic environments.

Consequently, we determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aaa under highly stressed conditions. This enhancement number (the MILAN CE number) is produced by using a loan-by-loan model, which looks at each loan in the pool individually, and based on its individual characteristics such as the LTV ratio or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery, interest rates and costs to foreclosure. The WA benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN CE number.

The key drivers for the [10.5]% MILAN CE number are (1) the current WA LTV ratio of [56.95]% (calculated taking into account the latest full property valuation, although the Moody's-calculated WA indexed LTV ratio is equal to [65.10]%), (2) the well-seasoned portfolio, which has a WA seasoning of [5.84] years; (3) the fact that only [5.07]% of the outstanding principal balance are foreigner borrowers; (4) the absence of broker-originated loans in the pool; and (5) the [87.30]% concentration in the Aragon region.

Lognormal distribution

The MILAN CE number and the expected loss number are based on Rating Committee discussions and are used to derive the lognormal distribution of the pool losses. Because of the large number of loans and supporting historical data, we use a continuous distribution to approximate the loss distribution.

The standard deviation of the distribution is found by setting the expected loss of the area of the lognormal distribution beyond the MILAN CE equal to the expected loss that is consistent with the idealised expected loss of a Aaa tranche.

Comparables

Exhibits 8-9 show the collateral characteristics of Rural Hipotecario XVIII, FT transaction compared with those of its peers that were considered by our Rating Committee.

Exhibit 8

Benchmark table with other transactions by the same originator and comparable transactions

Deal name	Rural Hipotecario XVIII FT	BBVA RMBS 18	CAIXABANK RMBS 2	CAIXABANK RMBS 1	IM BCC CAJAMAR 1	IM GBP MBS 3
Closing date	[Nov-18]	Nov-17	Mar-17	Feb-16	Jan-16	Dec-15
Information from	Preliminary pool	Closing pool	Preliminary pool	Preliminary Pool	Preliminary Pool	Preliminary Pool
Originator	Bantierra	BBVA, CX, UNNIM	CaixaBank, S.A.	CaixaBank, S.A.	Cajamar (100%)	Banco Popular (92.8%) Banco Pastor (7.2%)
Servicer	Bantierra	BBVA	CaixaBank, S.A.	CaixaBank, S.A.	Cajamar	Banco Popular and Banco
MILAN CE	[10.50]%	19.25%	12.30%	15.80%	25.00%	31.00%
Expected Loss	[3.00]%	5.50%	3.50%	4.50%	7.50%	8.00%
PORTFOLIO STRATIFICATION						
Avg. Current LTV	[56.95]%	70.28% (considering original appraisal)	0.6868	0.664	0.687	0.938
% Current LTV > 70%	[23.55]%	43.76%	43.09%	33.10%	53.30%	90.90%
% Current LTV > 80%	[6.87]%	18.80%	15.62%	15.30%	36.40%	84.90%
% Current LTV > 90%	[1.26]%	5.10%	5.43%	3.30%	19.80%	61.00%
Avg. Current LTV indexed*	[65.10]%	83.21%	75.47%	85.30%	89.80%	102.60%
% Self Employed	[21.81]%	15.53%	18.50%	19.40%	10.00%	29.60%
% Brokers	[0.00]%	6.50%	0.00%	0.00%	0.00%	0.00%
% Non Residents	[5.07]%	4.30%	2.49%	3.87%	4.10%	19.40%
% Temp Workers	N/A	N/A	N/A	N/A	N/A	N/A
% Non-owner Occupied (Includes: Partial Owner)	[15.14]%	5.59%	3.90%	4.90%	6.60%	27.00%
% Fixed interest	[6.80]%	0.00%	33.50%	8.50%	0.00%	0.00%
Max regional concentration	Aragon ([87.31]%)	Madrid (49.4%)	Andalusia (20.60%)	Cataluna (28.15%)	Andalusia (39.5%)	Andalusia (21.3%)
% in arrears at closing	[2.46]%	2.25% <30 days delinquency	2.27% <60 days delinquency	1.62% <60 days delinquency	8.45% (at closing 4.0% loans >30+)	6.16% (at closing <1% loans >30+)
% of Renegotiations	[0.00]%	0.00%	0.00%	0.00%	6.60%	0.00%
% of Second Rank Mortgages	[0.00]%	0.00%	0.00%	0.00%	0.00%	0.00%

* As per Moody's calculations.

Source: Moody's Investors Service

Exhibit 9

Benchmark table with other transactions by the same originator and comparable transactions

Deal name	Rural Hipotecario XVIII FT	BBVA RMBS 18	CAIXABANK RMBS 2	CAIXABANK RMBS 1	IM BCC CAJAMAR 1	IM GBP MBS 3
Current Balance	€[272.52] million	€ 1,800 million	€ 2,742 million	€14,415 million	€815 million	€917 million
Average Loan (Borrower)	€[76,637]	€ 149,203	€ 95,196	€ 121,247	€ 103,405	€ 152,130
Borrower top 20 (as % of pool)	[2.37]%	0.68%	0.86%	0.20%	1.50%	2.40%
WA interest rate	[1.38]%	1.03%	1.70%	1.50%	2.00%	1.80%
Average seasoning in years	[5.84]	7.0	4.2	7.5	5.3	3.2
Average time to maturity in years	[20.28]	27.41	25.1	24.1	25.7	29.2
Maximum maturity date	[17/Jul/2053]	Aug-60	20972	58319	58135	56705
Average House Price stress rate	[35.00]%	35.00%	35.00%	35.00%	35.00%	35.00%
Average House Price change	[-10.83]%	-14.72%	-10.59%	-20.90%	-16.50%	-7.80%

Source: Moody's Investors Service

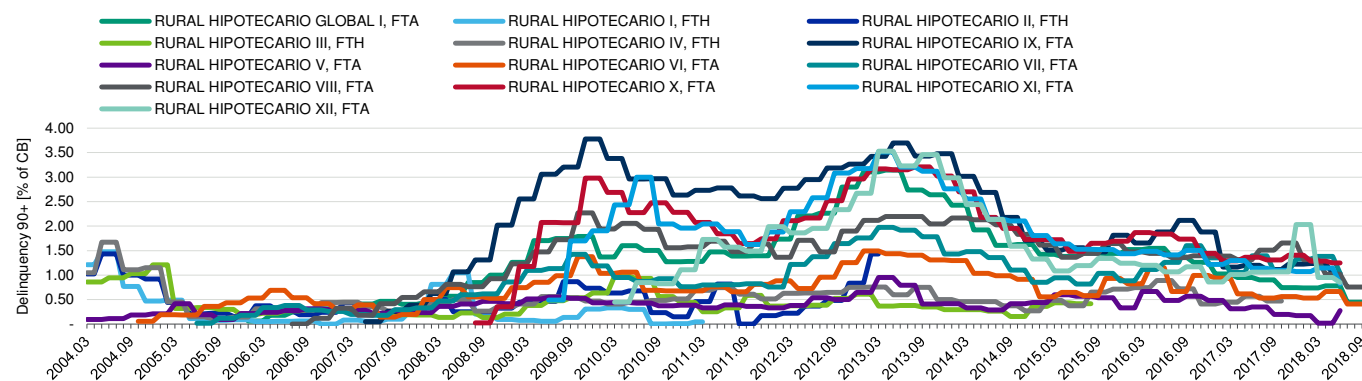
Performance of Rural Hipotecario Prime RMBS deal

The delinquency for Rural Hipotecario's preceding transactions is better than the average reported in the Spanish RMBS indices.

Exhibit 10 shows the historical performance of 90+ delinquencies of all Rural Hipotecario deals rated by us, and Exhibit 11 shows the cumulative losses trend.

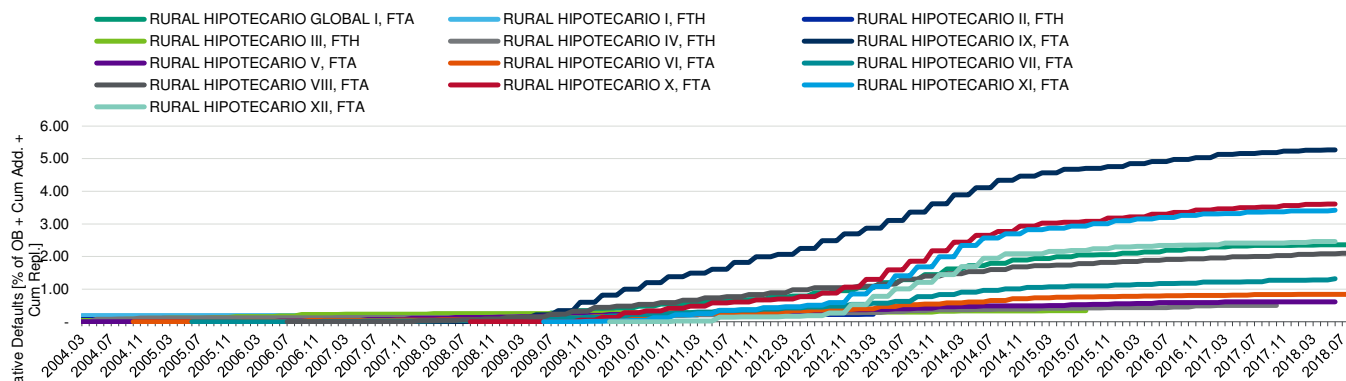
Exhibit 10

90+ days delinquency trend for Rural Hipotecario transactions



Sources: Moody's Investors Service, periodic investor/servicer reports

Exhibit 11

Cumulative losses trend for the Rural Hipotecario transactions*

* Numerator: Cumulative defaults since closing date. Denominator: Original pool balance plus cumulative replenishments for standalone deals.

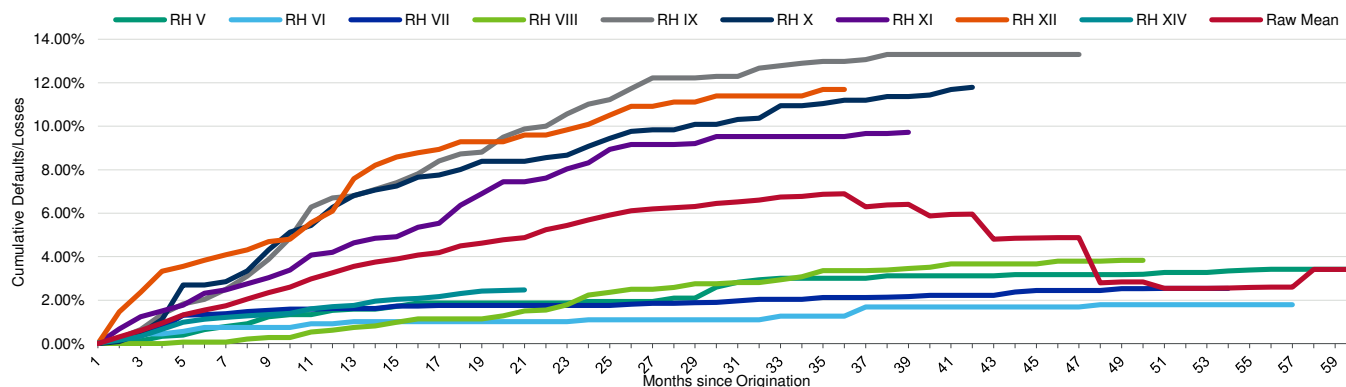
Sources: Moody's Investors Service, periodic investor/servicer reports

Additional asset analysis**Data quality and content**

EdT has provided the static vintage data on three-months and 18-month arrears for the proportion originated by Bantierra on each of the Rural Hipotecario deals from V-XIV. The performance of the mortgage book is quite stable with three-month delinquencies of around 7.0% and 18-month delinquencies of around 1.0%, with Rural Hipotecario IX being an outlier with 14.0% three-month delinquent and 3.6% 18-month delinquent.

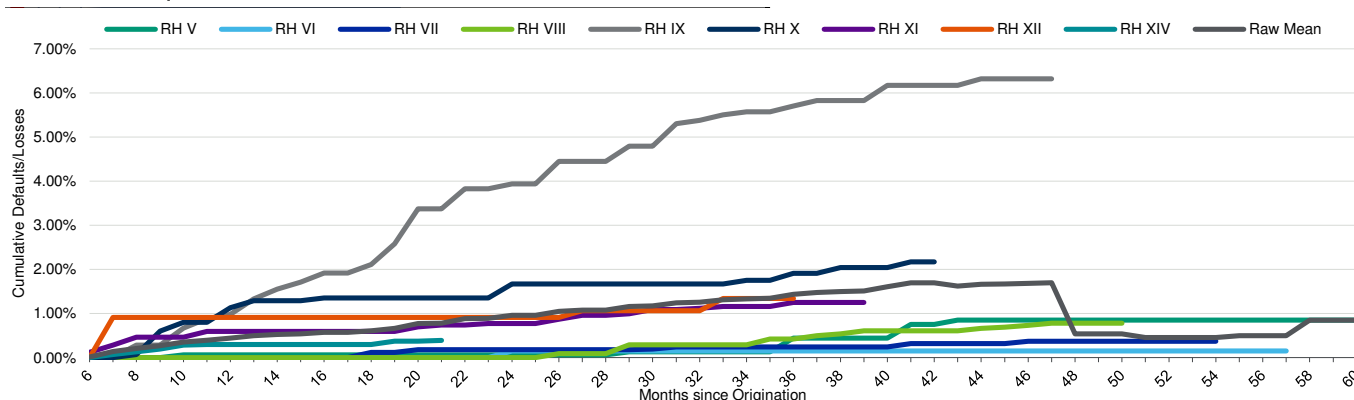
In our view, the quantity of data received from the former securitisation deals is average for the transactions that have achieved high-investment-grade ratings in the Spanish RMBS sector. Our expected loss considers the availability and quality of the historical information received.

Exhibit 12

Three-month delinquencies

Sources: EdT

Exhibit 13

18-month delinquencies

Sources: EdT

Origination quality

We believe Bantierra has adequate controls and procedures in place to generate high-quality loans, and according to our originator review, the overall origination ability and stability of Bantierra have been classified as average. For more information, see Appendix 3, which contains a summary of the originator review.

Bantierra had, as of the end of September 2018, a strong commercial network €4.45 million of asset under management, with 121,563 clients and 767 employees in Spain. A reactive scoring system supports the decision, which is taken by a manager/analyst with sufficient delegated powers.

Servicing quality

We have reviewed Bantierra's procedures and practices and found Bantierra acceptable in its role as the servicer. According to our servicer review, its overall servicing ability and stability has been classified as average. For more information, see Appendix 3, which contains a summary of the servicer review.

Early arrears are monitored at the branch level on a daily basis, while late arrears management is carried out by a dedicated Bantierra central functions team. Bantierra also has a different team for recoveries of written-off loans, and its strategies range from outsourcing to third parties to a case-by-case approach.

Set-off

100% of obligors have accounts with the seller. However, set off is very limited as only unpaid installments that are considered as fully due and payable prior to the declaration of insolvency might be offset against the deposits held by the originator.

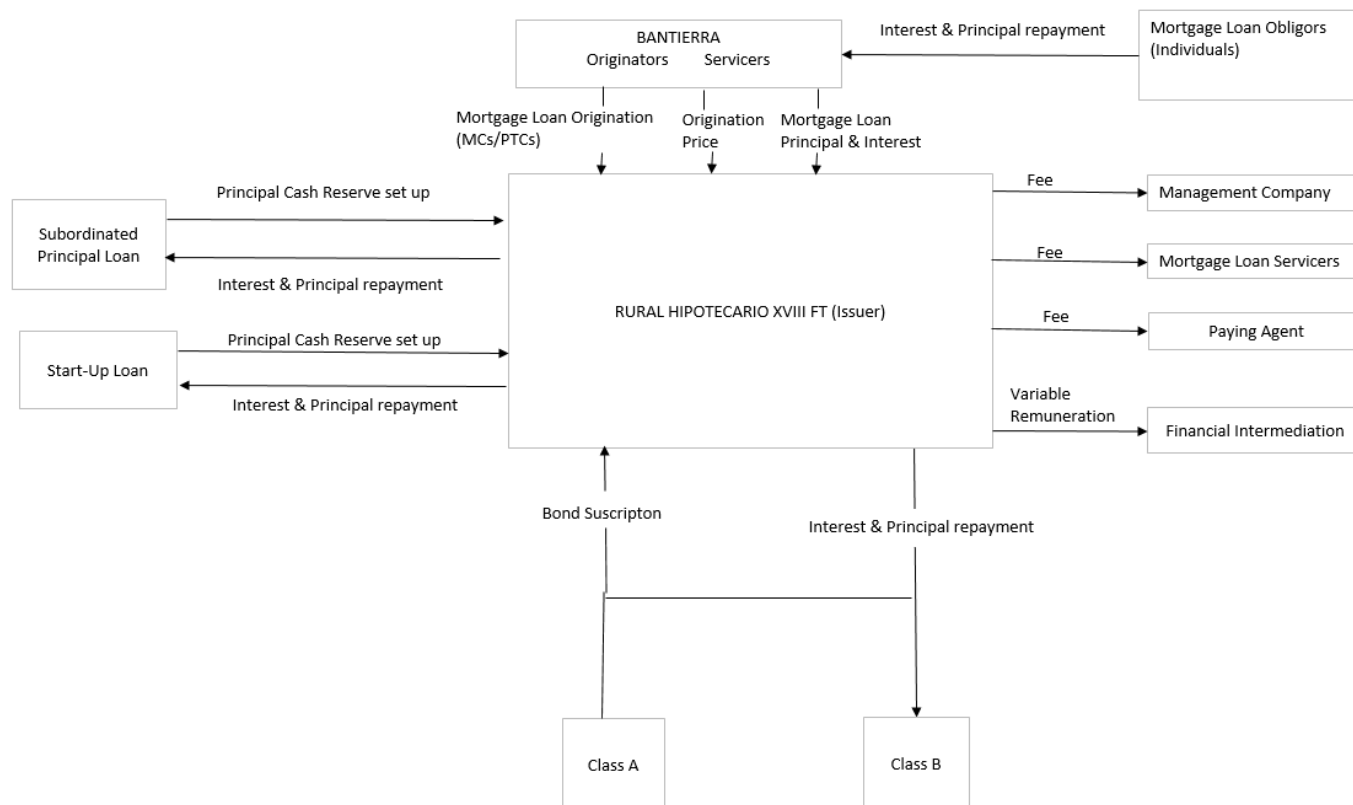
Securitisation structure description

The originator/seller, Bantierra, sells a portfolio of residential mortgage loans to the issuer, Rural Hipotecario XVIII, FT, who issues the RMBS notes to finance the purchase of the asset pool. The servicer, Bantierra, will continue to service the assets sold to Rural Hipotecario XVIII, FT. Exhibit 14 also illustrates other parties and their respective roles.

Structural diagram

Exhibit 14

Rural Hipotecario XVIII FT



Source: Rural Hipotecario XVIII, FT prospectus

Detailed description of the transaction

Credit enhancement

The transaction structure includes a subordinated tranche and an amortising reserve fund of 4.5% fully funded at closing.

At closing, the WA unstressed spread of the pool is around [138] basis points (bps).

Flow of funds

Allocation of payments/pre-accelerated waterfall: On each quarterly payment date, the issuer's available funds (that is, amounts received from the portfolio, the reserve fund and interest earned on the issuer account) will be applied in the following simplified order of priority:

- Cost and fees, including servicing fee in case of replacement of the servicer
- Interest payment to the Class A
- Principal payment on Class A

- d. Replenishment of the reserve fund
- e. Interest payment to the Class B
- f. Principal payment on Class B
- g. Replenishment of the reserve fund, which deferred when Class A is fully amortised
- h. Interest and principal payments to the subordinated loans
- i. Junior fees and costs

Allocation of payments/PDL-like mechanism

PDL is based on defaults. A defaulted loan is defined as one with any amount due but unpaid for more than 18 months or one written off at management's discretion.

Performance triggers

As of closing, the reserve fund may stop amortising over the life of the transaction subject to the reserve fund amortisation trigger, as specified below:

- If delinquencies over outstanding principal balance excluding doubtful mortgage loans are higher than [1.00]%, then the reserve fund will stop amortising.

Reserve funds

The reserve fund amounting to [4.50]% of the initial balance of Classes A and B is fully funded upfront with a subordinated loan provided by Bantierra. The reserve fund will be available for shortfalls in interest and principal for Class A during the life of the deal and for interest and principal shortfalls for Class B, when Class A is fully amortised.

Liquidity

Through the principal-to-pay-interest mechanism, principal is always available to pay interest on the notes. The reserve fund is a further source of liquidity, covering 10 payment dates. Given its senior position in the waterfall, payable just after the principal of the Class A notes, the reserve fund should be available as a source of liquidity in all but the most extreme loss scenarios for the Class A.

Asset transfer

True sale: According to the legal opinion received, the securitisation of assets will be carried out in compliance with the Spanish securitisation law.

Bankruptcy remoteness: Under the Spanish securitisation law, a Spanish special-purpose vehicle (Fondo de Titulización) is not subject to the Spanish insolvency law. It is only the management company, acting in the best interest of the noteholders, which can decide to liquidate the Fondo de Titulización.

Cash manager

The cash manager is the management company EdT. Its main responsibilities are:

- » complying with its formal, documentary and reporting duties to the Spanish stock market regulator (Comisión Nacional del Mercado de Valores or CNMV), the rating agencies and any other supervisory body
- » complying with the calculation duties (including calculation of available funds, withholding obligations) provided for, and taking the actions laid down in the Deed of Constitution and the Prospectus
- » calculating and determining on each determination date the principal to be amortised and repaid on the Notes on the relevant payment date
- » instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions
- » the management company may extend or amend the agreements entered into on behalf of the issuer and substitute, as the case may be, with each of the issuer service providers on the terms provided for in each agreement

The management company EdT also acts as the backup servicer facilitator, and has committed to use its best efforts to appoint a backup servicer in the event of breach of the servicer's obligations, or should the servicer's financial condition be affected in a manner that is detrimental or poses a risk to the financial condition of the issuer or the noteholder's interests and rights.

Securitisation structure analysis

Our ratings are based upon the quality of the asset pool, the levels of credit enhancement and liquidity furnished by the Class B and the reserve fund, and also the structural and legal integrity of the transaction. The ratings on the notes address the likelihood of receipt by noteholders of timely payment of interest and of all distributions of principal by the final legal maturity date. Our ratings address only the credit risks associated with the transaction.

Primary structural analysis

We consider the probability of default under the notes, as well as the estimated severity of loss when assigning a rating.

Tranching of the notes

Once the loss distribution of the pool under consideration has been computed, a cash flow model is used to assess the impact of the structural features of the transaction. It calculates the average lives and the losses experienced by the notes for every loss scenario for the portfolio. Based on these numbers, the expected loss and the WA lives for the notes are calculated as WAs based on the probabilities of the respective scenarios. The expected loss on each tranche, together with the notes' WA life, determines the rating, which is consistent with our target losses for each rating category.

Assumptions and definitions

We use the following main assumptions and definitions in our cash flow modelling:

» Assumptions:

- Stressed fees are 0.30% per annum + €50,000 fixed fees
- Spread compression/margin analysis: See "Additional structural analysis - Interest rate mismatch" for a description of how this has been treated.

Comparables

Exhibit 15 shows the main structural features of the most recent Spanish RMBS transactions.

Exhibit 15

Deal name	Rural Hipotecario XVIII FT	BBVA RMBS 18	CAIXABANK RMBS 2, FT2	CAIXABANK RMBS 1	IM BCC CAJAMAR 1	IM GBP MBS 3
Notes Payment Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Replenishment Periods	No	No	No	No	No	No
Total senior notes size	[91.50]%	81.00%	90.00%	90.50%	82.00%	78.00%
RF at Closing ^{\$}	[4.50]%	4.90%	4.75%	4.00%	3.00%	3.00%
RF Fully Funded at Closing? ^{\$}	Yes	Yes	Yes	Yes	Yes	Yes
RF Floor ^{\$}	[2.25]%	2.45%	0.00%	2.00%	3.00%	3.00%
Hedge in place	No	No	No	No	No	No
Principal to pay interest?	Yes	Yes	Yes	Yes	Yes	Yes

Source: Moody's Investors Service

Additional structural analysis

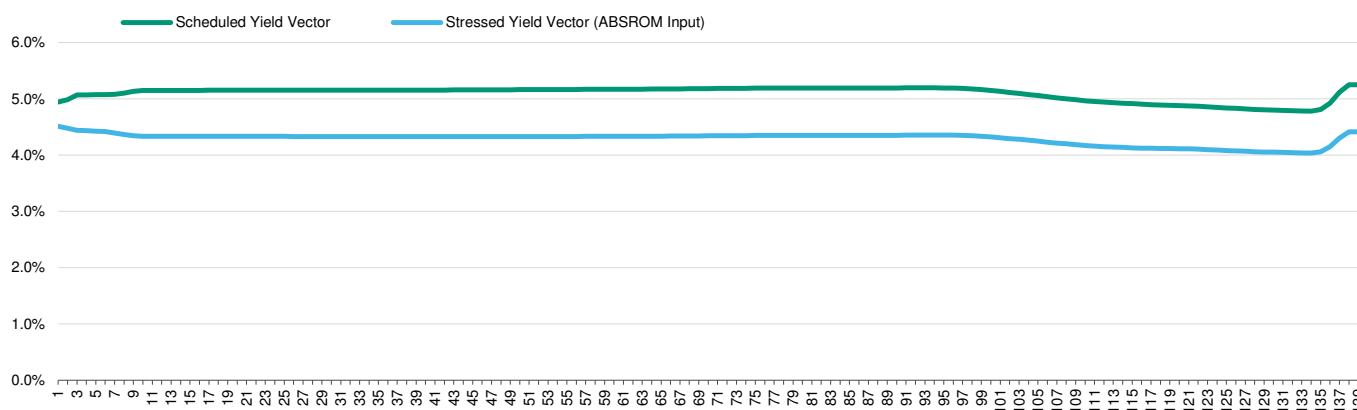
Interest rate mismatch

[6.80]% of the loans in the pool are initially fixed-rate loans with future switch to floating, being May 2021 the maximum first date of reset and the remainder are floating-rate loans linked to 12-month Euribor mainly. The notes are linked to three-month Euribor. We have haircut the spread by 50 bps to take into account this interest rate mismatch.

There is also the risk of spread compression over time because of higher-yielding loans prepaying, which would lead to the average spread of the loans decreasing over time in the absence of a swap.

Exhibit 16

Actual spread vector versus our stressed spread vector



Sources: EdT provided the MILAN file, computations by Moody's Investors Services

Renegotiations

EdT will retain the right to renegotiate the interest rate and term of the loans subject to the limits described below both in terms of loan maturity and the loan's minimum interest rate, as well as the affected portfolio amount. These restrictions will limit the potential difference between the resulting portfolio and the portfolio originally analysed.

- » EdT is not allowed to renegotiate any interest rate of the loans if, previously or as a result of the renegotiation, the WA margin of the outstanding principal balance of the mortgage loans falls below [80] bps, plus [·] %.
- » EdT will not be able to extend the maturity of any loan beyond [17 July 2053]. The renegotiation of the maturity of the loans is also subject to various conditions, of which the following are the most significant:
 - The total amount of loans on which the maturity has been extended cannot be greater than [·] % of the initial pool balance.
 - The frequency of payments cannot be decreased (unless this is made in compliance with the Code of Good Practices approved by Law 1/2013).
 - The amortisation profile cannot be modified (unless this is made in compliance with the Code of Good Practices approved by Law 1/2013).

We have accounted for a decrease in the portfolio yield as a result from the potential renegotiations described above.

Commingling and account bank

All of the payments under the loans in this pool are collected by the servicer under a direct debit scheme into the collection account. Consequently, in the event of insolvency of Bantierra and until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by the servicer and may become commingled with other funds belonging to Bantierra.

Payments are transferred on a daily basis to the issuer account bank in the name of the special-purpose vehicle held by [Societe Generale, Sucursal en España](#) (SGSE) (A1/P-1/A1(cr)/P-1(cr)).

SGSE will be replaced as the issuer account bank if its deposit rating falls below Baa3.

However, in our opinion, the aforementioned mitigants of commingling risk are not enough. Therefore, commingling has been modelled as 0.55 months' loss after considering the standard 45.0% recovery rate and the counterparty risk rating falling below B3.

Mitigating servicing disruptions

The fact that the management company acts as the backup servicer facilitator is a positive feature. EdT has committed to use its best efforts to appoint a backup servicer in the event of breach of the servicer's obligations, or should the rating of the servicer be downgraded or withdrawn, or the servicer's financial condition affected in a manner that is detrimental or poses a risk to the financial condition of the issuer or the noteholder's interests and rights.

The management company EdT is also an independent cash manager.

Methodology and monitoring

Overview

The principal methodology used in this rating was [Moody's Approach to Rating RMBS Using the MILAN Framework](#), republished in September 2017.

The credit rating for Rural Hipotecario XVIII, FT was assigned in accordance with the above-mentioned methodology. On 14 November 2018, we released a Request for Comment, in which we have requested market feedback on potential revisions to our methodology for RMBS. If the revised methodology is implemented as proposed, the credit rating on Rural Hipotecario XVIII, FT is not expected to be affected. Please refer to our Request for Comment titled [Proposed Update to Moody's Approach to Rating RMBS Using the MILAN Framework](#), for further details regarding the implications of the proposed methodology revisions on certain credit ratings.

We will monitor the transaction on an ongoing basis to ensure it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

Servicer disruption: Bantierra acts as the servicer, collection account bank and subordinated loan provider. We would expect EdT to be the backup servicer facilitator in the transaction.

Because of the fact that there is a backup servicer facilitator and an independent cash manager (the management company EdT) and particularly because of the high transferability of the securitised assets, the transaction is compliant with our recently published guidelines on operational risk.

Factors which could lead to a downgrade or upgrade

- » Worse-than-expected collateral performance in terms of delinquency and loss rates
- » Significant deterioration in Bantierra's credit quality
- » Sovereign risk, which might increase performance volatility

Monitoring triggers

*For issuer account bank triggers:*¹

- » Loss of Baa3, remedy is to replace the account bank

Collections account bank:

- » Remedy for loss of Baa3 is to replace the collection account bank

Monitoring report

Data quality:

- » Investor report format finalised and discussed with our analyst
- » The report includes all necessary information for us to monitor the transaction
- » Loan modifications for arrears management: not specifically reported

Data availability:

- » Report provided by: EdT.
- » The timeline for investor report is provided in the transaction documentation. The priority of payment section is published on the Interest Payment Date ("IPD").

- » The frequency of the publication of the investor report is quarterly and the frequency of the IPD is quarterly. Portfolio information is provided monthly.
- » The frequency of the publication of the investor report is monthly and the frequency of the IPD is quarterly.
- » Investor reports will be publicly available on a website.

The analysis that we undertook at the initial assignment of a rating for an RMBS security may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see [Moody's Approach to Rating RMBS Using the MILAN Framework](#) for further information on our analysis for the initial rating assignment and the ongoing surveillance in RMBS.

Moody's related publications

For a more detailed explanation of our approach to this type of transactions, as well as similar transactions, please refer to the following reports:

Methodologies used:

- » [Moody's Approach to Rating RMBS Using the MILAN Framework, September 2017 \(1073832\)](#)
- » [Moody's Approach to Assessing Counterparty Risks in Structured, November 2018](#)

New issue reports:

- » [CAIXABANK RMBS 3, Fondo de Titulizacion - New Issue Report, December 2017 \(SF1096853\)](#)
- » [BBVA RMBS 18 Fondo de Titulizacion - New Issue Report, November 2017 \(SF1100661\)](#)
- » [CAIXABANK RMBS 2, FONDO DE TITULIZACIÓN - New Issue Report, March 2017 \(SF1063183\)](#)
- » [CAIXABANK RMBS 1, FT - New Issue Report, February 2016 \(SF428244\)](#)
- » [IM BCC CAJAMAR 1 - Pre-Sale Report, January 2016 \(SF424364\)](#)

Industry outlook:

- » [2019 Outlook - New entrants and stable performance, amid increasing risks in the UK, November 2018 \(1143071\)](#)

Special reports:

- » [Spain's housing sales hit a 10-year high, a credit positive for RMBS \(SF1113192\)](#)
- » [Housing Market Improvement Benefits Bank's Asset Quality and Structure Deal Performance \(SF1070916\)](#)

Index:

- » [Prime RMBS - Spain - Performance Update - September 2018 \(SF1143421\)](#)

Credit insight:

- » [Credit Insight: European RMBS & ABS: September 2018 \(1140535\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix 1: Summary of originator's underwriting policies and procedures

Originator Review	Main Strengths and Challenges
Sales & Marketing Practices	N/A
Underwriting Policies & Procedures	N/A
Property Valuation Policies & Procedures	N/A
Closing Policies & Procedures	N/A
Originator Review	Main Strengths and Challenges
Credit Risk Management	N/A
Originator Stability	N/A
Quality Control & Audit	N/A
Management Strength & Staff Quality	N/A
Technology	N/A

Appendix 2: Summary of servicer's collection procedures

Servicer Review	Main Strengths And Challenges
Loan Administration	N/A
Early Arrears Management	N/A
Loss Mitigation and Asset Management	N/A
Servicer Stability	
Management Strength & Staff Quality	N/A
IT & Reporting	N/A
Quality control & Audit	N/A

Appendix 3: Originator assessment

Originator Assessment	Main Strengths (+) and Challenges(-)
Overall Assessment:	Average
Originator Ability	
	- Sales and underwriting function could be in branch, depending on certain conditions
	+ Origination channels: 100% in branches
Underwriting Policies & Procedures	+ Prudent income and interest rate stresses in line with the market average
Property Valuation Policies & Procedures	+ Full valuation performed by qualified surveyors.
Closing Policies & Procedures	+ All checks are performed through notary with all documents being imaged
Credit Risk Management	+ Experienced staff and Independent reporting lines.
Originator Stability	
Quality Control & Audit	+ Oversight at group level
Management Strength & Staff Quality	+ At the time of origination, significant experience with low turnover rates
Technology	+ Full document scanning
Servicer Background: Fleet Mortgages Limited	
Rating:	» Not rated
Number of Staff:	» 767

Appendix 4: Servicer assessment

Servicer Assessment:	Main Strengths (+) and Challenges (-)
Overall Assessment:	Average
Servicer Ability	
Loan Administration	- Some functions performed in branch
Early Arrears Management	+ Proactive and early contacting of the borrowers. + Active early arrears management.
Loss Mitigation and Asset Management	- Sell of property, some delays could be expected in some jurisdictions
Servicer Stability	
Management Strength & Staff Quality	+ Experienced management in the industry
IT & Reporting	+ Frequent back up testing.
Quality control & Audit	+ Overall robust quality control framework + Oversight at group level

Endnotes

- 1 [Moody's Approach to Assessing Counterparty Risks in Structured, November 2018](#)

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