Rating Report

Rural Hipotecario XVIII, Fondo de Titulización

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Insight beyond the rating.

Ratings and Issuer's Assets and Liabilities

Debt	Notional Amount 1	Credit Enhancement 2	Coupon	ISIN	Rating	Rating Action
Series A Notes	EUR 233,300,000	13.0%	3-month Euribor + 0.45%	ES0305393003	AA (high) (sf)	Provisional Rating - Finalised
Series B Notes	EUR 21,700,000	4.5%	3-month Euribor + 0.60%	ES0305393011	Not Rated	N/A

Notes:
1 As at the issue date.
2 Credit enhancement is expressed in terms of portfolio size and includes the subordinated Series B and the reserve fund for the Series A Notes.

	Initial Amount (EUR)	Size
Asset Portfolio	EUR 255,000,000	100.00%
Reserve Fund 3	EUR 11,475,000	4.5%

3 The reserve fund was fully funded through the issuance of a subordinated loan on the issue date.

DBRS assigned a rating of AA (high) (sf) to the Series A Notes (the Rated Notes) issued by Rural Hipotecario XVIII, FT (Rural Hiotecario XVIII or the Issuer), a securitisation fund issued on 13 December 2018 that is incorporated under Spanish securitisation law.

At closing, the Series A and Series B Notes were issued to finance the purchase of a portfolio of first-lien residential mortgage loans originated by Caja Rural de Aragón (Bantierra). The mortgage loans are secured over finished residential properties located in Spain. The transaction is managed by Europea de Titulización (EdT or the Management Company). Bantierra will be the servicer of the portfolio.

The principal on the Notes is paid on a sequential basis, with payment of interest and principal of the Series B Notes subordinate to payment of interest and principal on the Senior A Notes. At closing, the Series A Notes benefited from 13.0% credit enhancement that consisted of the subordination of the Series B Notes and reserve fund.

The reserve fund provides liquidity as well as credit support to the Series A Notes (and to Series B Notes once the Series A Notes are fully amortised) and can be used for senior fees, interest and principal shortfalls on the Rated Notes. At closing, the reserve fund was equal to EUR 11,475,000, and on each Payment Date it will be equal to the lesser of a) the initial reserve fund and b) the higher between 1) 9% of the outstanding balance of the Series A and Series B Notes or 2) EUR 5,737,500.

Portfolio Summary (19 November 2018)

Portfolio Balance	272,522,465	**Asset Class**	RMBS
Average Balance per Borrower	76,637	**Governing Jurisdiction**	Kingdom of Spain
Weighted-Average Seasoning	5.8 years	**Sovereign Rating**	A/Stable/R-1(low)
Weighted-Average Current Indexed LTV	67.4%		

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Transaction Parties

Role	Counterparty	Rating
Issuer	Rural Hipotecario XVIII	Not Rated
Originator/Rotation Entity	Caja Rural de Aragón	Not Rated
Seller	Caja Rural de Aragón	Not Rated
Servicer	Caja Rural de Aragón	Not Rated
Subordinated Loan Provider		
(Reserve Fund and Initial Expenses)	Caja Rural de Aragón	Not Rated
Backup Servicer	Banco Cooperativo Español	BBB, Stable trend/ R-2 (high), Stable trend
Treasury Account Bank	Société Générale, Spanish Branch	DBRS Private Rating
Paying Agent	Société Générale, Spanish Branch	DBRS Private Rating
Arranger and Management Company	Europea de Titulización	Not Rated

Relevant Dates

Issue Date	13 December 2018
First Payment Date	12 March 2019
Payment Dates	Quarterly on the 12th day of March, June, September and December of each year
Collection Period	Each day of any calendar month
Legal Final Maturity Date	12 December 2057

Rating Considerations

The rating of the Series A Notes is based upon a review by DBRS of the following analytical considerations:

- The transaction capital structure, form and sufficiency of available credit enhancement, and liquidity provisions.
- The transaction parties' capabilities with respect to originations, underwriting, servicing and financial strength.
- The credit quality of the static mortgage loan portfolio and the ability of the servicer to perform collection activities. DBRS calculated portfolio default rates (PD), loss given default (LGD) and expected loss outputs on the mortgage loan portfolio.
- The structural mitigants in place to avoid potential payment disruptions caused by operational risk, such as replacement language for the Treasury Account Bank in the transaction documents.
- The ability of the transaction to withstand stressed cash flow assumptions and repay the Series A Notes according to the terms of the transaction documents. The transaction's cash flows were analysed assuming PD and LGD estimated using the *European RMBS Insight Methodology*.
- The incorporation of a sovereign-related stress component as a result of the A/Stable and R-1 (low)/Stable (as of the date of this report) rating by DBRS of the Kingdom of Spain.
- The consistency of the transaction's legal structure with DBRS's *Legal Criteria for European Structured Finance Transactions* methodology and presence of legal opinions addressing the assignment of the assets to the Issuer.

Spanish Economy

On 28 September 2018, DBRS confirmed the Kingdom of Spain's Long-Term Foreign and Local Currency Issuer Ratings at "A" with a Stable trend. The confirmation of the Stable trend reflects DBRS's view that the robust economic recovery and gradual correction of Spain's macroeconomic imbalances are offsetting the risks arising from higher uncertainty and a slower fiscal consolidation path. Although, macroeconomic conditions in Spain moderately improved in 2017, the deficit was more than halved to 4.5% in 2017 from 10.5% in 2012. External adjustment is also evident in a current account balance that shifted to a surplus of 2% of GDP in 2016 from a deficit of 9.6% in 2007.

Spain's Eurozone membership is an integral component of its credit strength, both in terms of financial support, and in preferential access for its trade, financial markets and banking. Financial conditions have improved economy-wide as a result of the European Central Bank's asset purchase program, refinancing operations and other monetary policy operations. These factors have made the economy more resilient to shocks. Real GDP growth in 2017 is expected to remain strong (2.8%), outperforming most other Eurozone countries. Growth is expected to decelerate in the following years as certain temporary factors lose momentum (energy prices, currency depreciation, and fiscal stimulus). Despite this deceleration, strong job growth is expected into 2017. It is uncertain how the long-term structural reforms and potential political transition risks will influence future growth.

Property values showed moderate signs of improvement during 2015 and 2016. Home prices reached a trough on a national level at the beginning of 2014, according to the Instituto Nacional de Estadística (INE). Peak-to-trough declines were -37.3% on the national level. Regional declines ranged between -29.7% in Andalusia and -47.3% in Navarre. Through Q4 2016, national home prices increased 7.9% since bottoming out at the beginning of 2014, according to the INE. The highest increase in house prices from Q1 2014 to Q3 2017 were experienced in Madrid (26.1%) and Catalonia (23.8%).

Strengths

- **Seasoning:** The weighted-average (WA) seasoning of the portfolio is 5.8 years.
- **Low LTVs:** The current loan-to-value (CLTV) of the portfolio is relatively low at 56.9%, as well as the original LTV of the current portfolio which is at 72.0%. The indexed CLTV is 67.4%, with only 7.9% of the portfolio having an indexed CLTV greater than 100%. This is lower than the average compared with other Spanish RMBS transactions.
- **First-Lien Mortgages:** All loans are collateralised with first-lien mortgages.
- **Portfolio Performance:** 97.7% of the portfolio is performing and 3.0% is in arrears for less than 30 days, showing a better performance compared with the overall owner-occupied market, which remains at a 90-days+ arrears level around 5% according to the Asociación Hipotecaria Española (AHE).
- **Reserve Fund:** The reserve fund provides liquidity and credit support to the Series A Notes and then to the Series B Notes once Series A has fully amortised.

Challenges and Mitigating Factors

- **Geographical Concentration:** 87.3% of the portfolio is concentrated in the autonomous region of Aragón. This is atypical for Spanish RMBS portfolios, which tend to have the highest concentrations in Andalucía, Catalonia and Madrid. As the originator and servicer of this portfolio is Bantierra, which is a very small, local and rural bank in Aragón, DBRS expects a high concentration within its based region and in rural areas instead of bigger cities and considers this high concentration therefore as normal.

  Mitigants: Aragón is a stable region in Spain and the economic performance of the region over the past years has been quite positive. Given the high concentration in Aragón, DBRS considers the transaction has a high level of correlation that could affect the arrears and mainly the recoveries and recovery lags. Because of this reason, DBRS applied a stress in the valuation to increase the LGD.

- **Borrowers Not Employed:** Self-employed borrowers represent 21.9% of the portfolio, 0.6% are unemployed, 3.1% are pensioners, 0.3% students, and 5.0% as other. This represents 30.9% of the portfolio. The remaining 69.1% are employed borrowers.

  Mitigants: To score the loans under its European RMBS Insight Model, DBRS treats 27.8% (self-employed, unemployed, students and other) of the portfolio as "Borrowers Not Employed". Each parameter of the Spanish Mortgage Scoring Model is considered to measure the relative risk of each loan.

- **Interest Rate Risk and Basis Risk:** The interest rate risk and basis risk in this transaction are unhedged. The liabilities are indexed to three-month Euribor and reset quarterly. All of the portfolio is or will be floating-rate loans linked to Euribor 12-month. Currently, 6.80% of the portfolio pay fixed-rate loans, with a maximum reset period of three years.

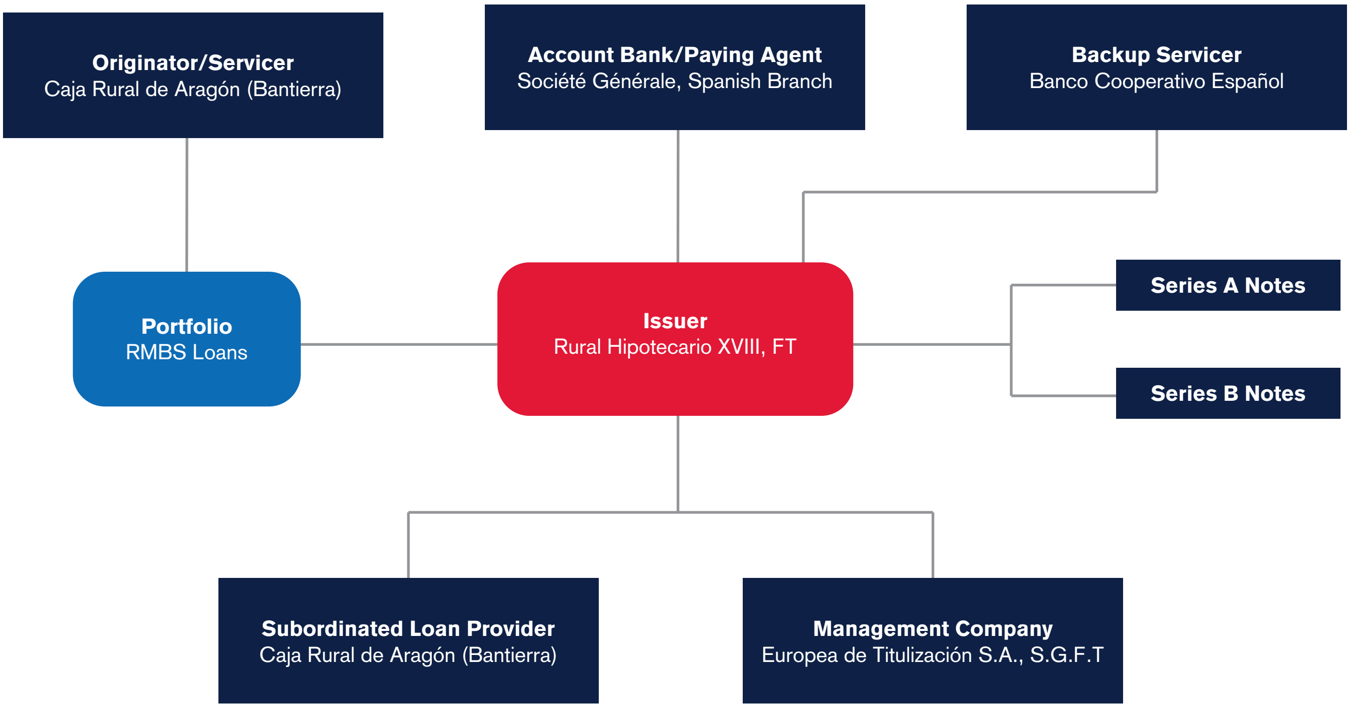
  Mitigants: (1) Interest rate risk and basis risk for the Series A Notes are partially mitigated by the subordination of the Series B interest payments in the priority of payments, (2) the reserve fund is available to cover interest payments to the Series A Notes, and additional stress in the 12m-Euribor curves was used for the portfolio assets in the cash flow tool.

Transaction Structure

Transaction Summary

Currencies	Issuer's assets and liabilities are denominated in euros.	
Relevant Legal Jurisdictions	Mortgage loans are assigned to the Issuer as a true sale pursuant to Spanish securitisation laws. The issuer is a securitisation fund incorporated under Spanish securitisation law.	
Interest Rate Hedging	None	
Basis Risk Hedging	None	
Cash Reserve	Provides liquidity support and credit support to cover shortfalls on the payment of senior fees, interest and principal shortfalls on the Series A Notes and Series B (once the Series A Notes fully amortise).	
	Initial Amount:	EUR 11,475,00.00 - 4.5% of the initial balance of the Series A and Series B Notes.
	Target Amount	The lesser of: • The Initial Reserve Fund (11,475,000) • The higher between: a) 9% of the outstanding balance of the Notes or b) 5,737,500
	Step-Up	N.A.
	Floor	5,737,500
	Amortisation	It will amortise to its target level, on each payment date except: (1) When the current balance of delinquent loans is > 1% of the outstanding balance of the performing loans. (2) When on any IPD the reserve fund is not at its required target amount. (3) During the first three years of the life of the fund.
Commingling Reserve	None	

The transaction structure is summarised below:



Counterparty Assessment

Account Bank

Société Générale, Spanish Branch, is the Account Bank and Paying Agent for the transaction and is rated privately by DBRS. DBRS concluded that Société Générale meets DBRS's minimum criteria to act in such capacity. As per the transaction documentation, in case of a withdrawal of the rating or a downgrade of the Account Bank's applicable rating below A (low), the Account Bank must either (1) be replaced within 30 days by a financial institution with a DBRS rating of at least A (low), or (2) find a guarantor with a DBRS rating of at least A (low).

The Account Bank applicable rating will be the higher between (1) the Senior Debt Rating of the Bank or (2) one notch below the Long-Term COR.

Banco Cooperativo will help the Issuer actively to take the remedial actions mentioned in DBRS *Legal Criteria for European Structure Finance Transactions.*

Servicing of the Portfolio and Collections

All borrower payments are collected by Bantierra under a direct debit scheme and deposited into the servicer's account with Bantierra. Payments are transferred from the collection accounts to the treasury account at the Account Bank in the name of the fund on the following business day after receipt of funds.

In case of termination of the servicing agreement with the servicer, the Management Company and Banco Cooperativo are responsible for appointing a new servicer, if none it is found Banco Cooperativo will act as Servicer. Commingling risk is mitigated by the daily transfer of collections from the servicer to the treasury account as well as by the participation of Banco Cooperativo as possible backup servicer. Banco Cooperativo is publicly rated by DBRS at BBB and R-2 (high) with a Stable trend.

The treasury account was established with the Account Bank at the close of the transaction to hold the following amounts during the relevant collection period:

- Principal and interest collections on the mortgage loans.
- Any other amount derived from the collateral mortgage pool, such as the proceeds received from the sale of foreclosed properties.
- The Reserve Fund amount.
- At closing, amounts from the Subordinated loan for initial expenses
- Return on the amounts deposited in the bank account.

Moreover, the Management Company will enter into a paying agency agreement with Société Générale on behalf of the fund. The paying agency agreement will have the replacement trigger set at A (low). The paying agent is performing the calculation of the amounts due and payable and instructs the Account Bank to make the payments.

Priority of Payments

Pre-Enforcement Priority of Payments

The available funds will be distributed through the following combined waterfall on each payment date:

1. Ordinary and extraordinary expenses and the administration fee;
2. Interest due on the Series A Notes;
3. Amounts paid to amortise the Series A Notes;
4. Replenishment of the Reserve Fund to the target level;
5. Interest due on the Series B Notes;
6. Amounts paid to amortise the Series B Notes;
7. After the full repayment of the Series A Notes, replenishment of the Reserve Fund to the target level;
8. Interest on the Subordinated Loan for the Reserve Fund;
9. Principal on the Subordinated Loan for the Reserve Fund;
10. Interest on the Subordinated Loan for initial expenses;
11. Principal on the Subordinated Loan for initial expenses;
12. Servicer fees (unless the servicer is substituted by another company different than Banco Cooperativo, then it will be in the first position); and
13. Intermediation financial margin.

Post-Enforcement Priority of Payments

Upon liquidation of the Issuer at the legal final maturity date or early termination of the Issuer, the available funds and any amounts received by the Issuer after the sale of the remaining mortgage portfolio will be distributed as follows:

1. Reserve to pay the final extinction and liquidation expenses;
2. Ordinary and extraordinary expenses as well as the administration fee;
3. Interest due on the Series A Notes;
4. Amounts paid to amortise the Series A Notes;
5. Interest due on the Series B Notes;
6. Amounts paid to amortise the Series B Notes;
7. Interest on the Subordinated Loan for the Reserve Fund;
8. Principal on the Subordinated Loan for the Reserve Fund;
9. Interest on the Subordinated Loan for initial expenses;
10. Principal on the Subordinated Loan for initial expenses;
11. Servicer fees (unless the servicer is substituted by another company different than Banco Cooperativo, then it will be in the first position); and
12. Intermediation financial margin.

Principal Amortisation

On each payment day, available funds to amortise principal are defined as the lower of (1) amortisation amounts for the Notes and (2) amounts available after payment of items 1 to 2 of the pre-enforcement waterfall for the Series A Notes and amounts available after payments of the items 1 to 5 of the pre-enforcement waterfall for the Series B Notes.

The amortisation of the Notes will follow theoretical amortisation approach, it will be equal to the positive difference between:(1) the amount outstanding of the Notes on each interest payment date and (2) the outstanding balance of the non-defaulted portfolio.

According to the transaction documents, defaulted loans are defined as loans with more than 18 months in arrears.

The Series A Notes benefit from full sequential amortisation with principal payments on the Series B Notes starting once the Series A Notes are redeemed in full. Additionally, principal payments on the Series A Notes are senior to interest payments on the Series B Notes.

Permitted Variations for the Servicer:

The servicer will be allowed to do some variations in loan conditions regarding:

Origination and Servicing

DBRS conducted an operational review of Caja Rural de Aragón, commercially branded as Bantierra, in Zaragoza, Spain in November 2018. DBRS considers the originations and servicing practices of Bantierra to be generally consistent with other small, rural Spanish savings banks (Caja Rural).

Bantierra was established in January 2012 following the merger of Multicaja and Cajalón in the end of 2011. Multicaja was originally created in 1948 as the Caja Rural de Zaragoza while Cajalón was established 45 years ago in Calatayud in the province of Zaragoza. As of November 2018, Bantierra had approximately 230 branches primarily in the Aragón, La Rioja and Catalán regions.

DBRS does not rate Bantierra but assigns a public rating to Banco Cooperativo Español (BCE) which acts as a central, supporting bank for the caja rural network and provides various services to the savings banks including a shared IT system provided by Rural Servicios Informáticos (RSI) as well as a backup servicing role for the Rural Hipotecario (RH) RMBS program in which Bantierra participates. BCE's long-term senior debt rating was confirmed by DBRS at BBB with a Stable trend in January 2018.

1. Origination & Underwriting

Origination and Sourcing

All of Bantierra's loans are internally sourced through the branch networks with oversight and support from the regional or local offices. The branches are responsible for the relationship management with the borrowers as well as collecting data and the required documentation in order to input the information into the respective credit scoring systems and rating models, where applicable.

Bantierra offers the standard mortgage products common in the Spanish market. These mortgage loans are generally capped at an LTV of 70%, when originated via the branch network, although higher LTVs are possible with additional guarantees and following approval of the head office. Variable and fixed rates are available and nearly 100% of the loans have monthly payment schedules.

Underwriting

The underwriting and loan approval process is performed at branch level with loan closing and funding controlled centrally in Zaragoza. While historically the credit policies of the original banks were separate, the policies and lending processes were quickly realigned taking the best practices and were incorporated into Bantierra's guidelines.

The overall underwriting process includes an analysis of the financial statements, an 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 slips, review of bank accounts as well as the review of the last two years audited financial statements, tax returns, acts of incorporation and lists of outstanding loans for self-employed borrowers.

Bantierra employs credit scoring and rating models, developed by RSI, that incorporate credit bureau data, sector data, financial statements and qualitative elements. The internal ratings typically apply to SMEs and corporates and some self-employed borrowers. The ratings (and credit scores for individual borrowers) are 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. The system identifies a scoring range from 1-8 with 8 being the best borrower profile based on specific variables.

Bantierra's approval authority limits are generally consistent with the wider Spanish market. Approval levels are set according to the type and size of the loan and limits are based on total borrower or economic group exposure. Branch level approval limits range from EUR 100,000 to EUR 250,000 depending on the delegated powers granted to the branch manager. The limits are determined by the size of branch, experience and default performance. All loans resulting in exposure over EUR 250,000 require approval by the regional manager and then head office. Given average loan sizes of less than EUR 150,000, most mortgage loans are approved directly within the branch.

Valuations

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

2. Servicing

Bantierra's servicing activities are fairly consistent with the overall Spanish market having some centralisation of administrative functions in the respective bank's head office and primary borrower contact including collections and early arrears management activities managed within the local branches. Like most Spanish banks, payments are primarily made through direct as most of the borrowers have their current accounts with the bank.

Bantierra follows standard collections and arrears management strategies including compliance with regulatory guidelines surrounding delinquency, watch list and default definitions. Borrower contact is managed through the local branch until 30 days past due. Once an account is greater than 30 days past due it is transferred to Bantierra's recovery department. 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. 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.

Timelines and recovery rates are generally consistent with the overall Spanish banking sector. However, given Bantierra's focus in Aragón and other non-coastal regions, recoveries are somewhat higher, and timelines may be longer particularly in more rural areas.

Summary Strengths

- All loan activities are sourced internally with no external intermediary or broker network.
- Bantierra is one of the largest banks in the caja rural network and has a healthy presence in the home region (Aragón) and some geographic diversity compared to other caja rurals.
- Majority of the loans pay on a monthly payment frequency and via direct debit.
- Centralisation of default management activities.

Summary Weaknesses

- Majority of the loans are approved at the branch level.

  Mitigants: Branch approval limits are conservative, and the actual delegated authority varies by branch. Centralised review and approval by credit risk department at head office for loans over EUR 250,000.

Opinion on Backup Servicer

In the event of a servicer event of default, the management company (gestora) 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 Bantierra 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 quick. BCE also owns the IT company, RSI, which provides the systems used by Bantierra resulting in numerous operational benefits.

BCE estimates the entire transfer process including data transfer and notification to borrowers of new payment instructions to range between 30-90 days. The regular quarterly meetings with the participating banks and the gestora 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 Bantierra, the transfer time and the use of similar IT systems, the back-up arrangement is defined as "warm" per DBRS's methodology.

Collateral Summary

DBRS received a loan tape to conduct the credit analysis of the portfolio (as of 19 November 2018). In addition, DBRS was provided with historical performance data by origination year for arrears and recoveries from 1992 to 2013. The sources of information used for these ratings were provided by Europea de Titulización. Europea de Titulización holds all historical information from all securitization transactions where Bantierra takes part as originator discriminating the Bantierra loans. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

Additionally, the representations and warranties per the prospectus include the following:

- No loans in arrears for more than 30 days will be incorporated to FT.
- None of the loans to be part of the transaction are refinance loans.
- None of the loans have a maturity date later than 17 July 2053.
- All loans make payments via direct debit.
- All loans are granted to individuals who are residents in Spain.
- None of the loans are granted to real estate developers.
- All loans are backed by finished properties and are first-lien loans.

The analysis incorporates data and information provided by the debtor and its agents. The data and information were subject to a reasonableness test, as described in the Information Review Global Policy, and determined to be satisfactory. To determine the reliability of the sources of data and information, DBRS evaluated the results of an Operational Risk Review, reviewed ratings issued by DBRS and other registered credit rating agencies and the results of a reasonableness review.

The final portfolio sold to the issuer will be static. However, the Seller will be able to substitute any loans which are found to have breached the reps and warranties with loans of similar credit characteristics.

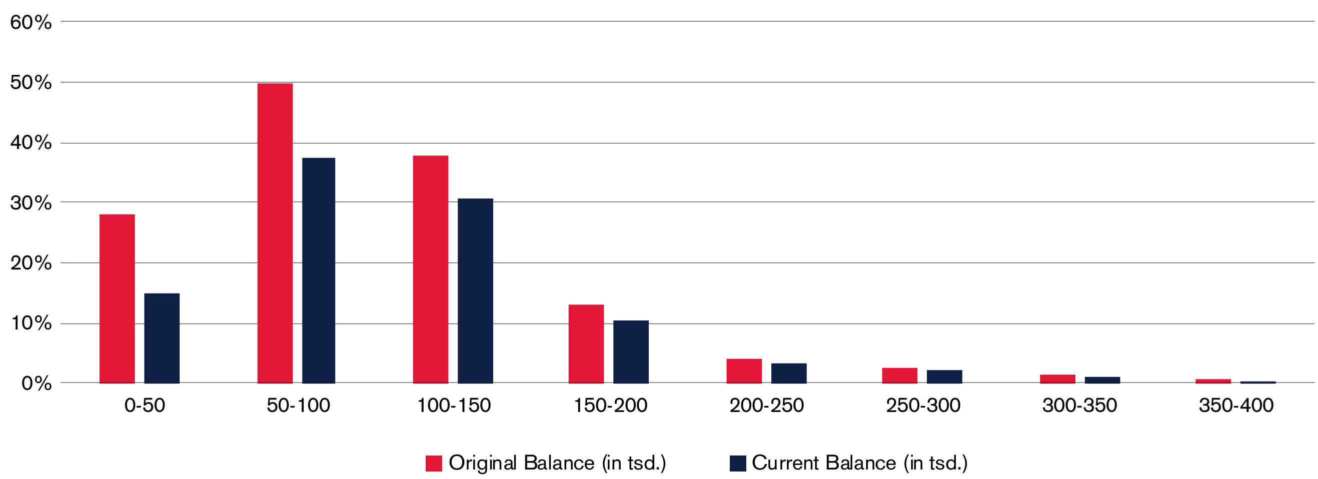
Table 1: Summary Statistics (data from provisional portfolio dated 19 Nov 2018)

	Rural Hipotecario XVIII, FT
Number of Mortgage Loans	3,627
Total Original Balance (EUR)	373,007,533
Total Current Balance (EUR)	272,522,465
Average Original Balance per Borrower (EUR)	104,895
Average Current Balance per Borrower (EUR)	76,637
Maximum Original Balance (EUR)	630,000
Maximum Current Balance (EUR)	395,563
WA Original LTV	72.0%
% >=80% OLTV	28.4%
WA Current Indexed LTV	67.4%
% >=80 Current Indexed LTV	22.1%
% >=100 Current Indexed LTV	7.9%
WA Seasoning (years)	5.8
WA Residual Term (years)	20.2
WA Interest Rate	1.23
WA Margin	1.38
Self-Employed	21.9%
Second Homes	15.2%
Purchase Loans	94.8%
Foreign Nationals	5.1%
Second Liens	0.0%
French Amortisation with Partial Bullet Payment	0.0%

Distribution by Balance

The current balance of the provisional pool is EUR 272,522,465. The pool is granular with 3,627 loans and an average loan size of EUR 75,137.

Exhibit 1: Original vs Current Balance



Original Term and Maturity Vintages

The portfolio has a WA seasoning of 5.8 years. Between 2001 and 2013 47.6% of the current balance was originated, with a relatively high concentration of loans originated in 2012 (9.6% of the current loan balance) and 2013 (6.7%).

Exhibit 2: Vintage of Origination

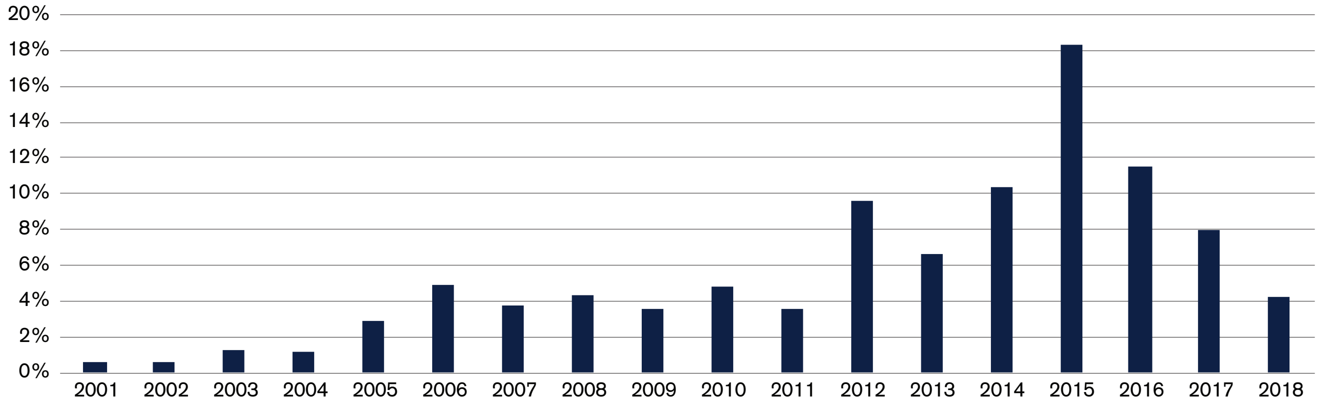
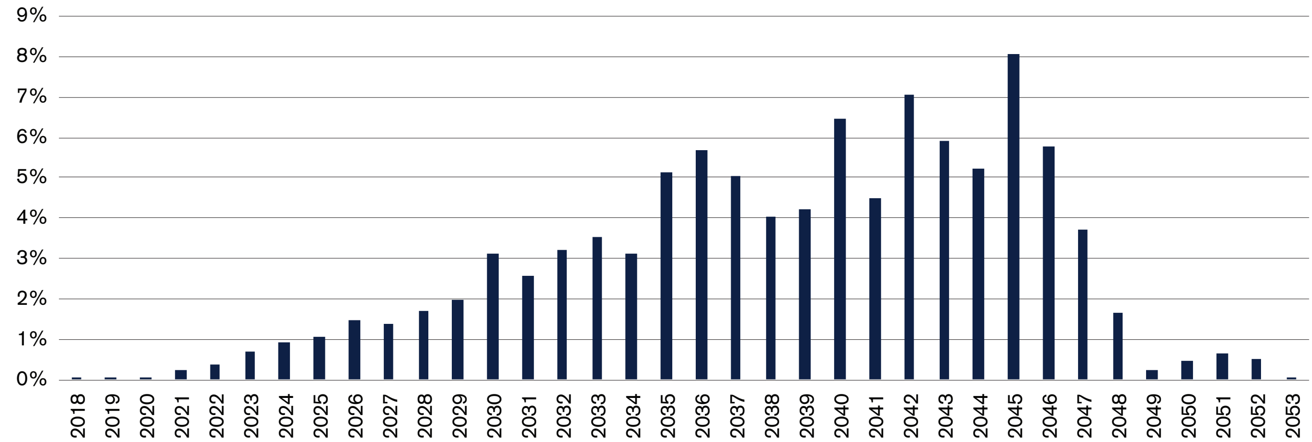


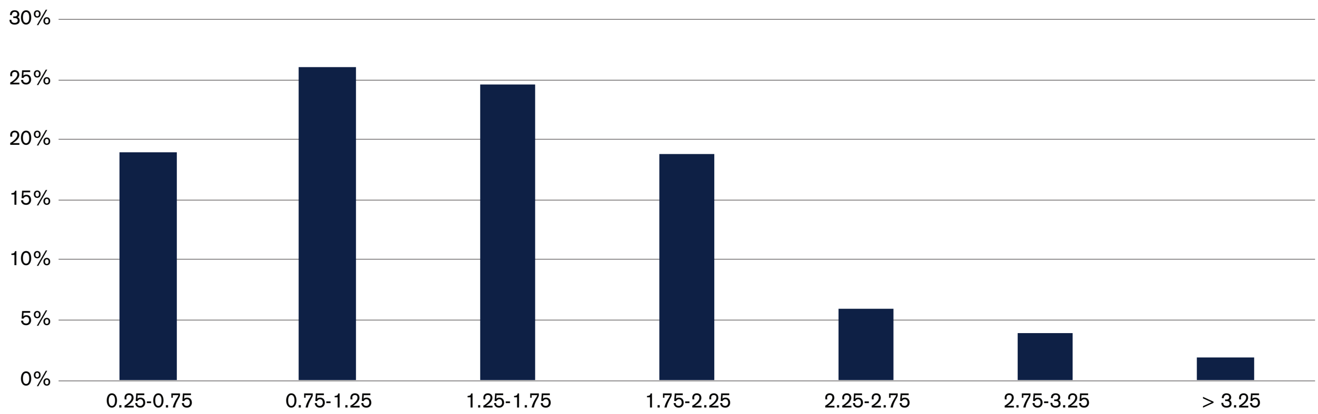
Exhibit 3: Vintage of Maturity



Margin and Interest Rate

The weighted-average margin of the portfolio is 1.4%, while the weighted-average interest rate of the portfolio is 1.2%.

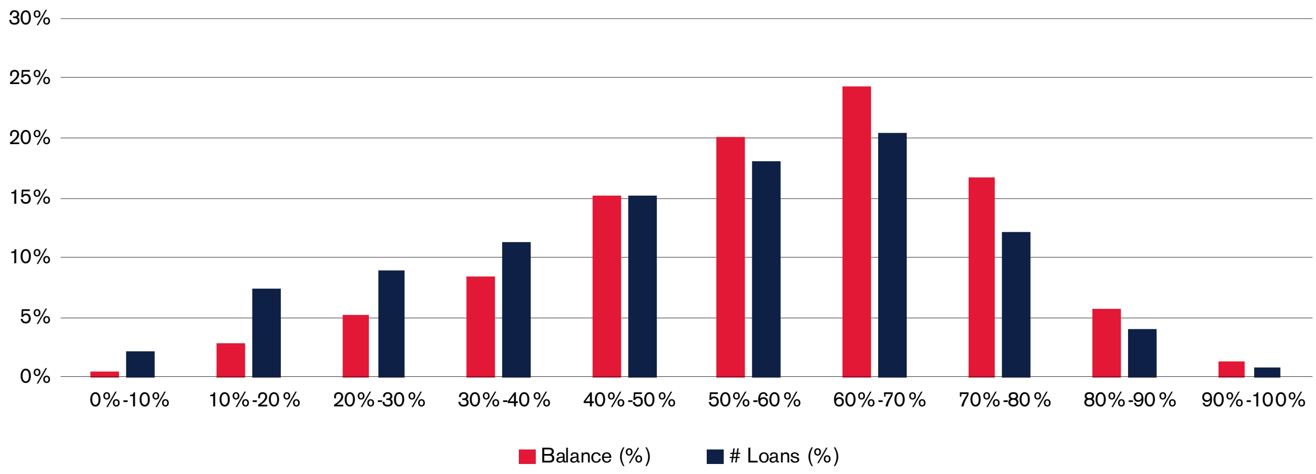
Exhibit 4: Current Margin Distribution (%)



LTV Distributions

The weighted-average combined loan-to-value (LTV) stands at 56.9% while the indexed CLTV is 67.4%. Loans with an indexed CLTV higher than 100% are 7.9% of the loan portfolio.

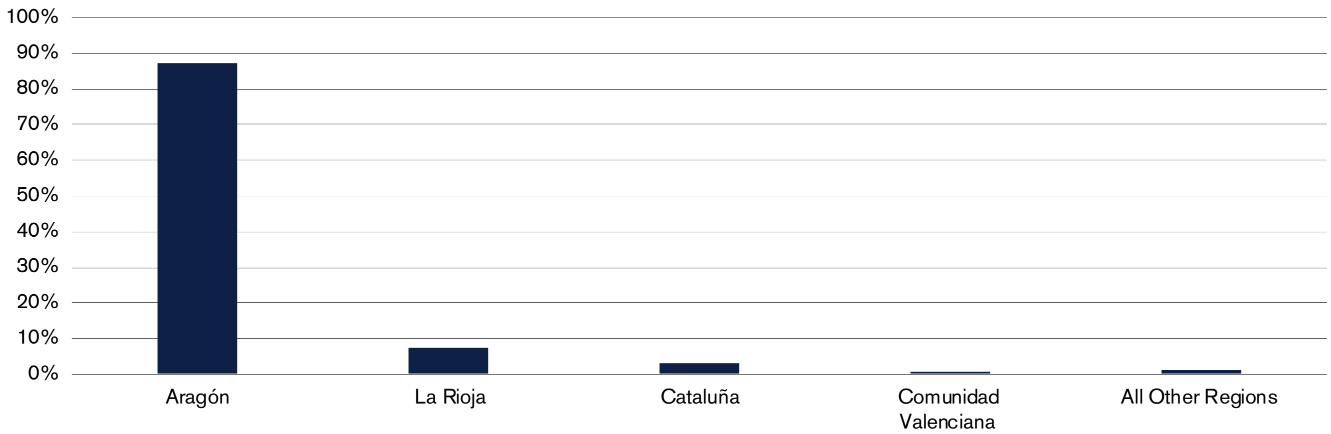
Exhibit 5: Current LTV Distribution



Geographical Distribution

The pool is primarily concentrated in Aragón (87.3%), la Rioja (7.7%) and Catalonia (3.0%).

Exhibit 6: Regional Concentration



Self-Employed and Second Homes

The portfolio is 20.4% concentrated to self-employed borrowers, and 17.3% to mortgage loans financing the purchase of second-home properties. These factors have been considered in DBRS's analysis.

Mortgage Loan Purpose

The purpose of 94.8% of the mortgage loans is for purchase and 4.2% for the refurbishment of properties.

Historical Performance Data

Europea de Titulización provided DBRS with data on the cumulative 90+ days past due (dpd) delinquencies from 1992 to 2013. DBRS also received historical delinquency data for loans originated from Bantierra that have been part of previous securitisations between 2003 and 2014. The same applies respectively for the recovery and dynamic delinquency data.

Exhibit 7: Cumulative 90+dpd delinquencies (%)

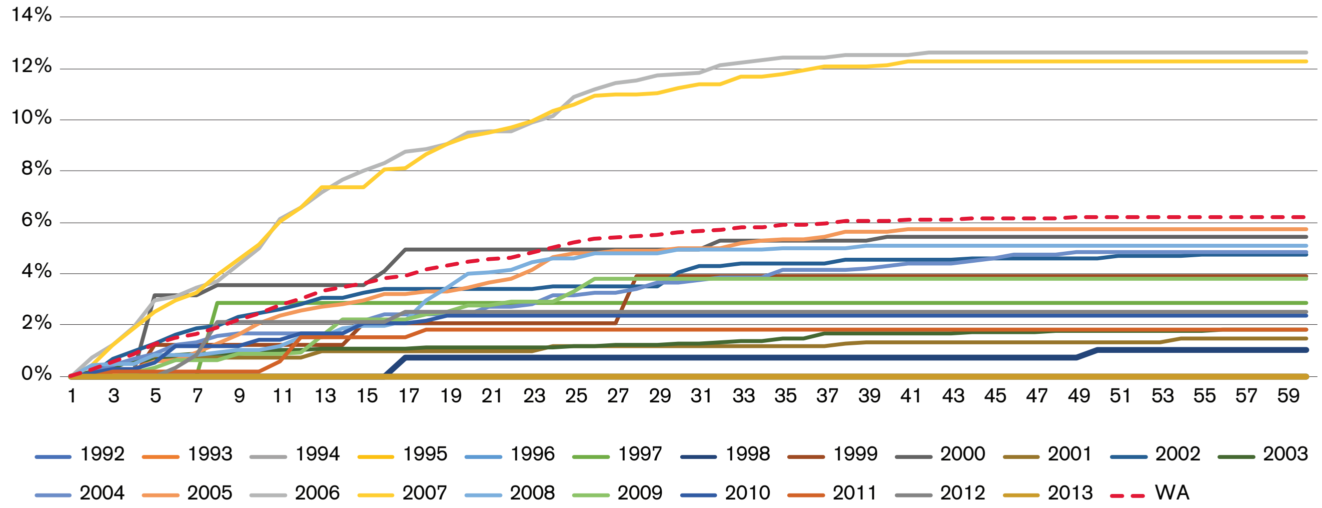


Exhibit 8: Cumulative 90+dpd delinquencies (%, by deals)

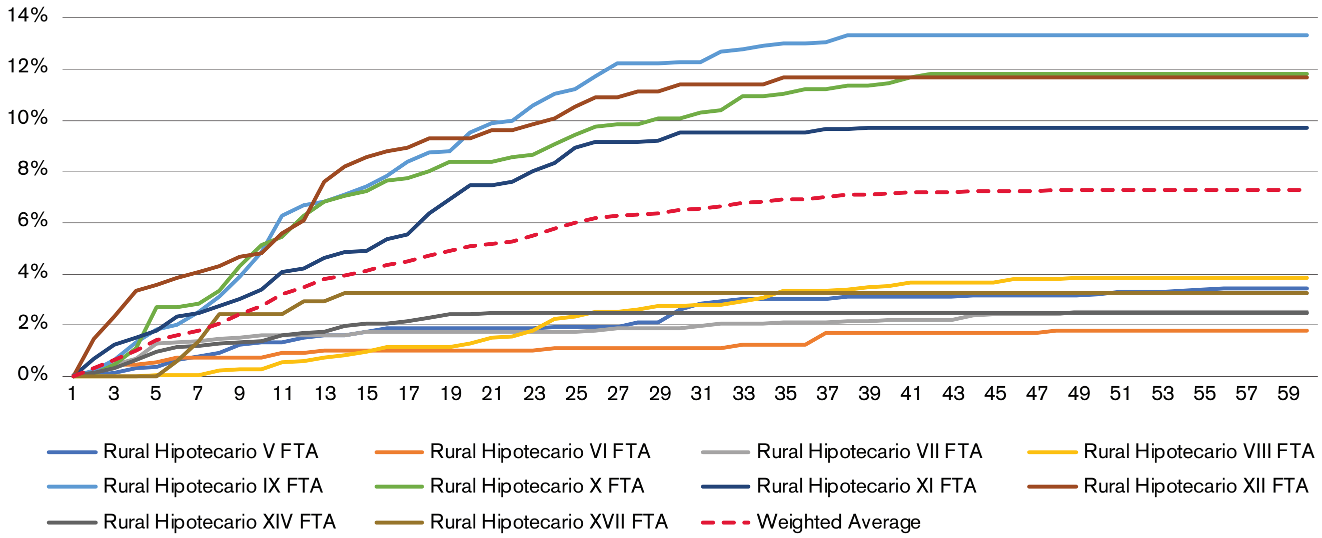


Exhibit 9: Recoveries (%)

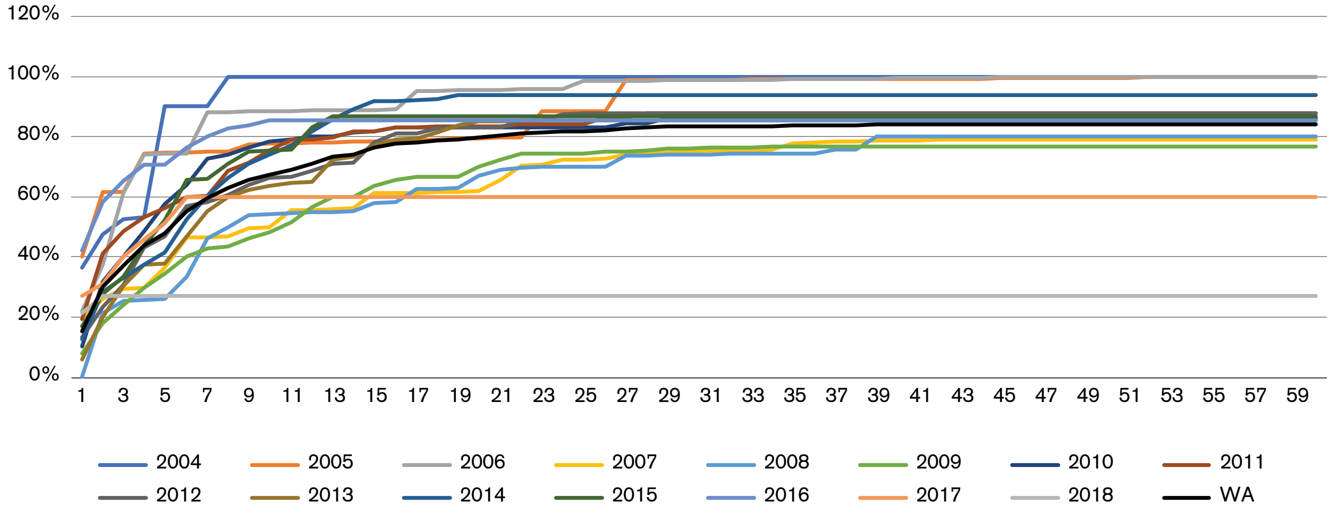


Exhibit 10: Recoveries (%, by deal)

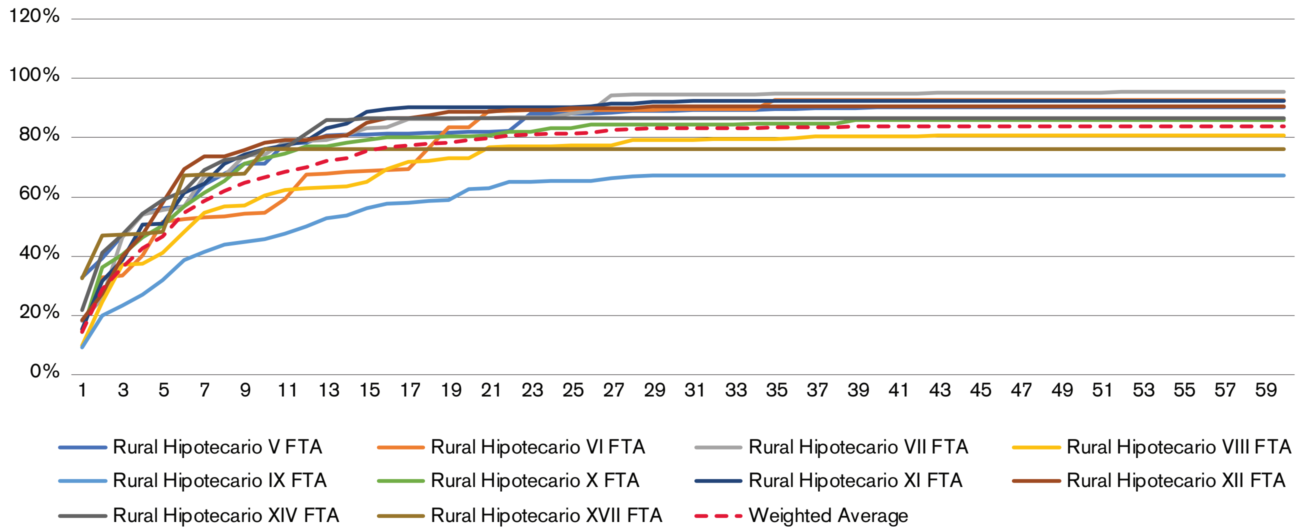


Exhibit 11: Dynamic Delinquencies (Mortgage Book)

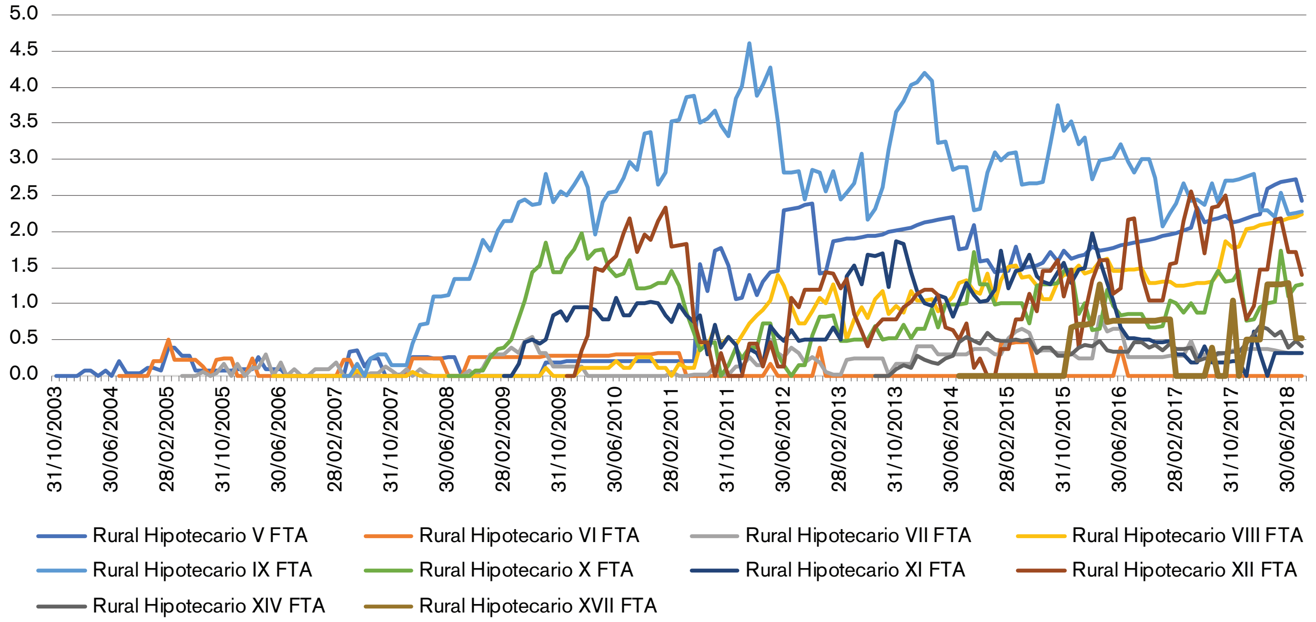
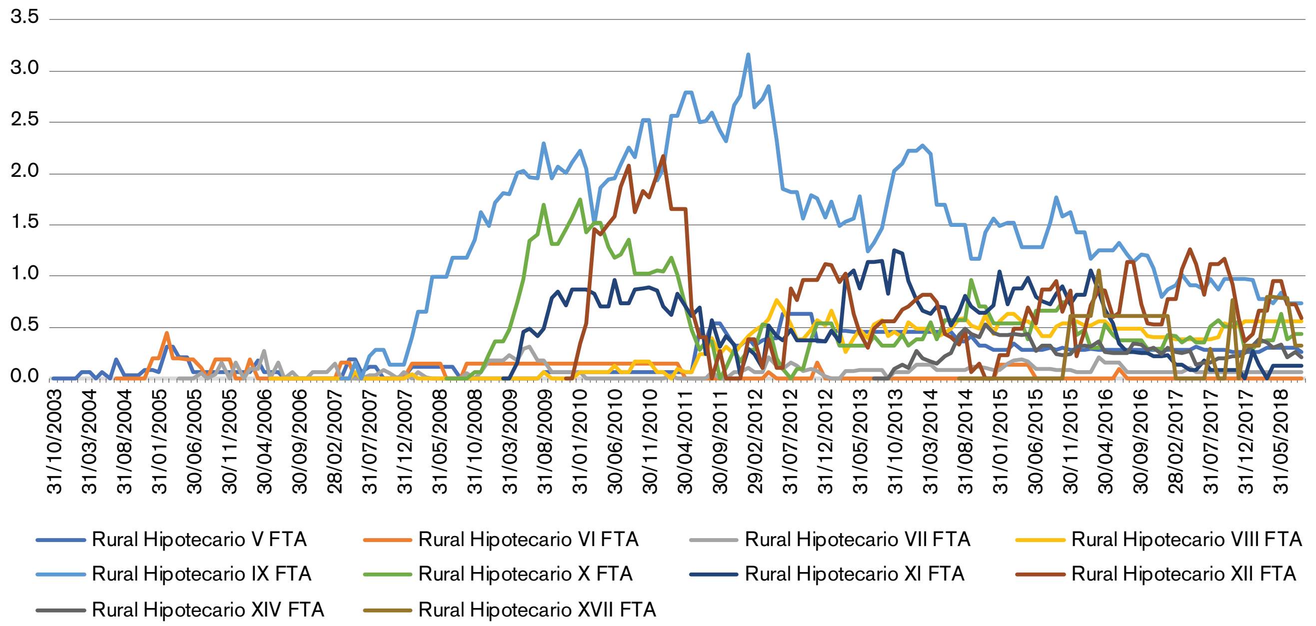


Exhibit 12: Dynamic Delinquencies (Securitised Assets)



European RMBS Insight Analysis

The portfolio was analysed using the European RMBS Insight Model with the parameters for the Spanish Mortgage Scoring Model (MSM) used to score the credit risk of the loans and forecast portfolio default rate (PD) and expected loss (EL) in the base case and stressed rating scenarios. The European RMBS Insight Model also takes into account the underwriting guidelines of the Issuer, product types, relative quality of historical performance, and other factors, by assigning an underwriting score to the portfolio. For RURAL HIPOTECARIO XVIII, DBRS assigned a Spanish Underwriting Score of 4, because of the originator characteristics as a small local bank.

Given the concentration in a specific region (Aragon), DBRS considers delays in the recoveries have a higher likelihood, for many reasons, and therefore considers applying a 5% haircut at the valuations, which increases the LGD.

Second-home loans were modelled considering the purpose of the loan was no purchase and loans were considered as “investment”.

The calculated weighted-average life (WAL) of the portfolio assuming a 2% conditional prepayment rate (CPR) is 9.7 years. DBRS criteria considers foreclosure costs when calculating loss given defaults.

The results were used as the inputs into the cash flow analysis of the structure. The results at the AA (high) (sf) rating scenario and base case are listed below:

Rating Scenario	PD	LGD	EL
AA (high) (sf)	22.05%	35.67%	7.86%
Base Case	4.89%	20.53%	1.00%

Cash Flow Scenarios

To assess the timely payment of interest and the ultimate payment of principal on the Series A Notes, DBRS applied two default timing curves (front-loaded and back-loaded), its prepayment curves (low, medium and high CPR assumptions) and interest rate stresses as per the DBRS *Interest Rate Stresses for European Structured Finance Transactions* methodology. Because of the low prepayment rates observed in the Spanish mortgage market, DBRS also applied a 0% conditional prepayment rate (CPR) assumption.

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	Pre-Payments	Default Timing	Interest Rate
1	0%	Front	Upward
2	0%	Front	Downward
3	0%	Back	Upward
4	0%	Back	Downward
5	5%	Front	Upward
6	5%	Front	Downward
7	5%	Back	Upward
8	5%	Back	Downward
9	10%	Front	Upward
10	10%	Front	Downward
11	10%	Back	Upward
12	10%	Back	Downward
13	20%	Front	Upward
14	20%	Front	Downward
15	20%	Back	Upward
16	20%	Back	Downward

Interest Rate Stresses

DBRS applied its standard interest rate stresses as detailed in its Interest Rate Stresses for European Structured Finance Transactions methodology.

As per the servicing agreement, the servicer is allowed to modify loans within the portfolio aside from the good servicing practices defined by the Bank of Spain. These modifications can be made without the Management Company's consent and are subject to the following concentrations:

- ***Interest Rate:***
  - Loans are not allowed to have a fixed interest rate.
  - Index reference can only be Euribor.
  - WA margin of the portfolio must be equal to or higher than 0.80%.

- ***Maturity Extension:***
  - Maximum extension up to 10.0% of the initial portfolio balance may be extended up to 17 July 2053 and loans extended must keep or increase the payment frequency of the renegotiating loans.

DBRS stresses the cash flows considering the permitted variation of the loans by applying a margin compression and loan maturity extensions.

As the transaction is exposed to basis risk due to Loans paying 12-month Euribor and Notes paying 3-months Euribor, DBRS applies additional stresses to the 12-month Euribor curve for assets used in the cashflow analysis.

Timing of Defaults and Recovery Lag

DBRS applied front- and back-loaded default timing curves. A recovery lag of 48 months was used in the cash flow analysis, which is in line with DBRS's European RMBS Insight Methodology.

Risk Sensitivity

DBRS estimated the PD and LGD for each pool based on a review of historical data and an assessment of the mortgage pool characteristics. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative impact on credit ratings. The tables below illustrate the sensitivity of the rating to various changes in the base case PD and LGD assumptions in the respective rating scenarios:

Series A

Increase in LGD (%)	Increase in Default Rate (%)		
	0	25	50
0	AA (high)	A (high)	A (high)
25	AA	A (high)	A (low)
50	A (high)	A	BBB (high)

Appendix

Methodologies Applied

The principal methodologies applicable to assign ratings to this transaction are *European RMBS Insight Methodology and European RMBS Insight: Spanish Addendum* (5 May 2017).

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions* (11 September 2018)
- *Interest Rate Stresses for European Structured Finance Transactions* (10 October 2018)
- *Operational Risk Assessment for European Structured Finance Servicers* (8 November 2018)
- *Operational Risk Assessment for European Structured Finance Originators* (8 November 2018)

The rating methodologies and criteria used in the analysis of this transaction can be found at: http://www.dbrs.com/about/methodologies. Alternatively, please contact info@dbrs.com.

Surveillance Methodology

The transaction is monitored by DBRS in accordance with its *Master European Structured Finance Surveillance Methodology* (27 March 2018), which is available at www.dbrs.com under the heading Methodologies; alternatively, please contact info@dbrs.com.

Notes:
All figures are euros unless otherwise noted.