

## **FITCH UPGRADES 2 TRANCHES FROM RURAL HIPOTECARIO DEALS; REVISES OUTLOOKS**

Fitch Ratings-London-24 June 2009: Fitch Ratings has today upgraded two and affirmed 22 tranches of Rural Hipotecario series Spanish RMBS transactions.

The rating actions reflect strong credit enhancement levels within these transactions and the overall steady performance of the underlying collateral portfolios. Especially for older vintage transactions within the series where the upgrades have taken place, arrears levels as volume and as a percentage of the current outstanding collateral have stabilised. However, for recent vintage transactions, such as the Rural Hipotecario VIII, IX and Global I deals, a continuous increase in arrears levels has been observed. This increase is expected to cause loans in arrears to move towards higher arrears buckets and become defaulted once they reach 18 months plus in arrears. At this point, these loans will be provisioned by the transaction and absorbed by available excess spread.

All transactions within the series feature an amortising reserve fund; however, due to the current arrears levels the reserve funds are not expected to amortise over the next six quarters, providing an additional support for junior notes against possible losses. It should be noted that these transaction have reported significantly low levels of defaults to date in comparison to other transactions within the Spanish RMBS market. However, given the current economic climate - with house price declines, rising unemployment and limited refinancing opportunities - defaults are expected to trend upwards. Although older vintage transaction have experienced a strong build up of credit enhancement to cope with higher defaults, support provided by the credit enhancement levels for more recent vintage transactions are highly dependent on the performance of their respective collateral portfolios.

Rating actions are listed below.

Rural Hipotecario VI, Fondo de Titulizacion de Activos;

Class A (ISIN ES0374306001): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class B (ISIN ES0374306019): upgraded to 'AA' from 'A+'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class C (ISIN ES0374306027): affirmed at 'BBB+'; Outlook Stable; assigned a Loss Severity Rating of 'LS-2'

Rural Hipotecario VII, Fondo de Titulizacion de Activos;

Class A1 (ISIN ES0366366005): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class A2 (ISIN ES0366366013 ): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class B (ISIN ES0366366021): upgraded to 'AA' from 'AA-'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class C (ISIN ES0366366039): affirmed at 'BBB-'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Rural Hipotecario VIII, Fondo de Titulizacion de Activos;

Class A2a (ISIN ES0366367011): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class A2b (ISIN ES0366367029): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class B (ISIN ES0366367037): affirmed at 'A+'; Outlook Stable; assigned a Loss Severity Rating of 'LS-2'

Class C (ISIN ES0366367045): affirmed at 'BBB'; Outlook Stable; assigned a Loss Severity Rating of 'LS-2'

Class D (ISIN ES0366367052): affirmed at 'BB+'; Outlook Stable; assigned a Loss Severity Rating of 'LS-2'

Class E (ISIN ES0366367060): affirmed at 'CC'; assigned a Recovery Rating of 'RR3'

Rural Hipotecario Global I, Fondo de Titulizacion de Activos;

Class A (ISIN ES0374273003): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class B (ISIN ES0374273011): affirmed at 'A'; Outlook revised to Stable from Positive; assigned a Loss Severity Rating of 'LS-1'

Class C (ISIN ES0374273029): affirmed at 'BBB+'; Outlook revised to Stable from Positive; assigned a Loss Severity Rating of 'LS-3'

Class D (ISIN ES0374273037): affirmed at 'BB'; Outlook revised to Stable from Positive; assigned a Loss Severity Rating of 'LS-3'

Class E (ISIN ES0374273045): affirmed at 'CC'; assigned a Recovery Rating of 'RR3'

Rural Hipotecario IX, Fondo de Titulizacion de Activos;

Class A2 (ISIN ES0374274019): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class A3 (ISIN ES0374274027): affirmed at 'AAA'; Outlook Stable; assigned a Loss Severity Rating of 'LS-1'

Class B (ISIN ES0374274035): affirmed at 'A+'; Outlook Stable; assigned a Loss Severity Rating of 'LS-3'

Class C (ISIN ES0374274043): affirmed at 'BBB'; Outlook revised to Negative from Stable; assigned a Loss Severity Rating of 'LS-3'

Class D (ISIN ES0374274050): affirmed at 'BB+'; Outlook revised to Negative from Stable; assigned a Loss Severity Rating of 'LS-4'

Class E (ISIN ES0374274068): affirmed at 'CCC'; assigned a Recovery Rating of 'RR2'

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Fitch's Recovery Ratings (RR), introduced in 2005, are a relative indicator of creditor recovery on a given obligation in the event of a default. A broad overview of Fitch's RR methodology as it relates to specific sectors, including a Case Study webcast, can be found at [www.fitchratings.com/recovery](http://www.fitchratings.com/recovery).