

Rating Action: Moody's upgrades the rating of twelve notes and confirms the rating of two notes in five Spanish RMBS transactions

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Madrid, March 03, 2015 -- Moody's Investors Service has today upgraded the rating of twelve notes, confirmed the rating of two notes and affirmed the rating of one note in the five Spanish residential mortgage-backed securities (RMBS) transactions: IM CAJAMAR 1, FTA, RURAL HIPOTECARIO IX, FTA, RURAL HIPOTECARIO X, FTA, TDA CAM 8, FTA and TDA CAM 9, FTA.

Today's rating action concludes the review of fourteen notes initiated on 23 January 2015, following the upgrade of the Spanish country ceiling to Aa2 from A1 (https://www.moody's.com/research/Moodys-takes-rating-actions-on-Irish-Italian-Portuguese-Spanish-ABSRMBS--PR_316959).

Please refer to the end of the Ratings Rationale section for a list of affected ratings.

RATINGS RATIONALE

Today's rating upgrades reflect (1) the increase in the Spanish local-currency country ceiling to Aa2, (2) sufficiency of credit enhancement in the affected transactions for the revised rating levels and, (3) in the case of IM CAJAMAR 1, FTA, TDA CAM 8, FTA and TDA CAM 9, FTA, the reduction in the portfolio credit enhancement (MILAN CE).

Today's confirmations and affirmation reflect that the current credit enhancement levels commensurate with the current ratings.

-- Reduced Sovereign Risk

The country ceilings reflect a range of risks that issuers in any jurisdiction are exposed to, including economic, legal and political risks. On 20 January 2015, Moody's announced a six-notch uplift between a government bond rating and its country risk ceiling for Spain. As a result, the maximum achievable rating for structured finance and covered bond transactions was increased to Aa2 from A1 for Spain.

-- Key collateral assumptions

The expected loss assumption has not been changed in any of these five transactions as the performance is in line with Moody's expectations.

On 20 January, Moody's announced that the minimum portfolio credit enhancement (CE) is no longer applicable for most EMEA markets following the updates to its ABS and RMBS rating methodologies (http://www.moody's.com/viewresearchdoc.aspx?docid=PR_316183). As a result, the MILAN CE in IM Cajamar 1, FTA has been decreased to 7.5% from 10%.

In the other four transactions the removal of the minimum portfolio CE has not had any impact, as the MILAN CE assumption is driven by the expected loss multiple. The MILAN CE has been decreased in TDA CAM 8, FTA to 17% from 20% and in TDA CAM 9, FTA to 20% from 23% due mainly to the decrease in the Expected Loss over current pool balance after the realization of defaults since the last review. The MILAN CE assumption has been kept at 15% for Rural Hipotecario IX, FTA and Rural Hipotecario X, FTA.

-- Sequential to Pro rata trigger

In our analysis of Rural Hipotecario IX, FTA, we have taken into consideration a performance trigger which could switch the amortization of the Class A notes to pro rata if the outstanding balance of the non delinquent mortgage loans, increased by the mortgage loan principal repayment income amount received during the Determination Period preceding the relevant Payment Date, is lower than the sum of the outstanding principal balance of Class A notes.

-- Exposure to Counterparties

Moody's rating analysis also took into consideration the exposure to key transaction counterparties including the roles of servicer, account bank and swap provider.

In IM Cajamar 1, FTA today's rating actions takes into account the servicer commingling exposure to Caja Rurales Unidas (NR) and the swap counterparty exposure to Banco Cooperativo Espanol, S.A. (Ba2/NP).

In Rural Hipotecario IX, FTA and Rural Hipotecario X, FTA today's rating consider the exposure to Banco Cooperativo Espanol, S.A. (Ba2/NP) as the swap counterparty, and the commingling exposure to multiple servicers, most of them small entities non rated by Moody's.

In TDA CAM 8, FTA and TDA CAM 9, FTA today's rating actions take into consideration the servicer commingling exposure to Banco Sabadell S.A. (Ba2/NP).

--Principal Methodology

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in January 2015. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) further reduction in sovereign risk, (2) performance of the underlying collateral that is better than Moody's expected, (3) deleveraging of the capital structure and (4) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expects, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

LIST OF AFFECTED RATINGS

Issuer: IM CAJAMAR 1, FTA

....EUR353.3M A Notes, Upgraded to Aa2 (sf); previously on Jan 23, 2015 A1 (sf) Placed Under Review for Possible Upgrade

....EUR9.3M B Notes, Upgraded to A3 (sf); previously on Jan 23, 2015 Baa3 (sf) Placed Under Review for Possible Upgrade

....EUR4.1M C Notes, Upgraded to Ba1 (sf); previously on Jan 23, 2015 Ba3 (sf) Placed Under Review for Possible Upgrade

....EUR3.3M D Notes, Confirmed at B3 (sf); previously on Jan 23, 2015 B3 (sf) Placed Under Review for Possible Upgrade

Issuer: RURAL HIPOTECARIO IX, FTA

....EUR1021.7M A2 Notes, Upgraded to A1 (sf); previously on Jan 23, 2015 Baa1 (sf) Placed Under Review for Possible Upgrade

....EUR210M A3 Notes, Upgraded to A2 (sf); previously on Jan 23, 2015 Baa3 (sf) Placed Under Review for Possible Upgrade

....EUR29.3M B Notes, Upgraded to B1 (sf); previously on Jan 23, 2015 B3 (sf) Placed Under Review for Possible Upgrade

....EUR28.5M C Notes, Affirmed Caa3 (sf); previously on Apr 29, 2013 Downgraded to Caa3 (sf)

Issuer: RURAL HIPOTECARIO X, FTA

....EUR1788.8M A Notes, Upgraded to A1 (sf); previously on Jan 23, 2015 Baa2 (sf) Placed Under Review for Possible Upgrade

....EUR37.6M B Notes, Upgraded to Ba1 (sf); previously on Jan 23, 2015 B1 (sf) Placed Under Review for

Possible Upgrade

...EUR53.6M C Notes, Confirmed at Caa1 (sf); previously on Jan 23, 2015 Caa1 (sf) Placed Under Review for Possible Upgrade

Issuer: TDA CAM 8, FTA

...EUR1635.4M A Notes, Upgraded to Baa3 (sf); previously on Jan 23, 2015 Ba2 (sf) Placed Under Review for Possible Upgrade

Issuer: TDA CAM 9, FTA

...EUR250M A1 Notes, Upgraded to Ba1 (sf); previously on Jan 23, 2015 Ba3 (sf) Placed Under Review for Possible Upgrade

...EUR943.5M A2 Notes, Upgraded to Ba1 (sf); previously on Jan 23, 2015 Ba3 (sf) Placed Under Review for Possible Upgrade

...EUR230M A3 Notes, Upgraded to Ba1 (sf); previously on Jan 23, 2015 Ba3 (sf) Placed Under Review for Possible Upgrade

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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