

Rural Hipotecario X Fondo de Titulización de Activos

RMBS / Spain

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RATINGS

Class	Rating	Amount (million)	% of Notes (*)	Legal Final Maturity	Coupon
A	Aaa	€1,788.8	95.15%	May 53	3mE + 0.30%
B	Aa3	€37.6	2.00%	May 53	3mE + 0.50%
C	Baa3	€53.6	2.85%	May 53	3mE + 0.70%
Total		€1,880.0	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date for Series A, B, and C. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- No second-lien products are included.
- At closing no loans will carry any amounts more than 30 days past due.
- Relatively good seasoning of 23.36 months.
- Basis Swap provided by Banco Cooperativo (**A1/P-1**).
- Excess spread trapping through an 18-month "artificial write-off" mechanism.

Weaknesses and Mitigants

- 8.34% of the portfolio consists of loans over 80% LTV, which leads to a higher expected default frequency and more severe losses.
- 70.65% of the pool is subject to an interest rate cap; however the risk is eliminated by the swap.
- Pro-rata amortisation of Series B, and C leads to reduced credit enhancement for the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes should the performance of the transaction deteriorate.
- The deferral of interest payments on Series B, and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B, and C.



STRUCTURE SUMMARY

Issuer:	RURAL HIPOTECARIO X Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Reserve Fund
Seller/Originator:	21 Rural savings banks (most of them unrated)
Servicer:	21 Rural savings banks (most of them unrated)
Back-up Servicer:	N/A
Interest Payments:	Quarterly in arrears on each payment date falling on August, November, February, May 25th
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Excess spread per annum Reserve Fund Subordination
Liquidity Facility:	N/A
Hedging:	Basis swap to cover interest rate risk
Principal Paying Agent:	Banco Cooperativo (A1/P-1)
Management Company:	Europea de Titulización S.G.F.T. S.A (EdT)
Arranger/Lead Manager:	Europea de Titulización / Banco Cooperativo

COLLATERAL SUMMARY

Loan Amount:	€1,880,046,236.97
Loans Count:	16,275
Pool Cut-off Date:	June 25 th 2008
WA Current LTV:	63.91%
WA Seasoning:	23.36 months
WA Remaining Term:	25.83 years
Interest Rate Type:	5.384%
Geographic Diversity:	Valencia 29%, Andalucía 28%
Loan Purpose:	The loans have been granted to finance the purchase, building and renovation of residential homes located in Spain. All the properties have already been constructed
Average Loan Size:	€115,504

TRANSACTION SUMMARY

No new product being securitised

This transaction consists of the securitisation of a pool of first-lien mortgages originated and serviced by 21 Spanish Rural Savings Banks. The collateral includes loans exceeding 80% LTV.

The purpose of the transaction is to obtain liquidity. In this transaction, the originators will sell a portfolio of mortgage loans to the *Fondo*, a special purpose vehicle (SPV). The *Fondo* will in turn issue three Series of notes to fund the purchase of the mortgage loan portfolio.

The *Fondo* will issue three series of notes to finance the purchase of the loans (at par):

- A subordinated Series C, rated **Baa3**
- A mezzanine Series B, rated **Aa3**
- A senior tranche rated **Aaa** rated series.

STRUCTURAL AND LEGAL ASPECTS

Borrower payments swept into Banco Cooperativo GIC account on daily basis

The proceeds from the loans are collected by the originators under a direct debit scheme and transferred to the Guaranteed Interest Contract (GIC) Account held by Banco Cooperativo (**A1/P-1**) on a daily basis.

Some triggers have been put in place to protect the treasury account from a possible downgrade of Banco Cooperativo's short-term rating. Should Banco Cooperativo's short-term rating fall below **P-1**, it will have to perform one of the following actions, in the indicated order of priority, within 30 days:

- Find a suitably rated guarantor or substitute.
- Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
- Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Banco Cooperativo guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less 6 bpps.

Basis swap to hedge interest rate risk

According to the swap agreement entered into between the *Fondo* and Banco Cooperativo, on each payment date:

- The *Fondo* will pay the amount of interest accrued (excluding margins over the reference index) on the underlying mortgage loans up to 18 months past due; and
- Banco Cooperativo will pay the weighted average index reference rate on the notes over a notional calculated as the daily average outstanding amount of loans up to 18 months in arrears.

In the event of Banco Cooperativo's deposit ratings being downgraded below **A2** or **P-1**, Banco Cooperativo will have to (1) collateralise its obligations under the swap in an amount sufficient to maintain the then current rating of the notes or (2) find a suitably rated guarantor or substitute, within 30 days.

The Reserve Fund, provided by the originators, will be used to cover potential shortfalls on interest or principal on an ongoing basis.

Reserve Fund to help the Fondo meet its payment obligations

At every point in time, the amount requested under the Reserve Fund will be the lesser of the following amounts:

- 2.20% of the initial balance of Class A and Series B and C.
- The higher of the following amounts:
 - 4.40% of the outstanding balance of Class A and Series B, and C.
 - 1.10% of the initial balance of Class A and Series B, and C.

The amount requested under the Reserve Fund will not be reduced on any payment date on which either of the following scenarios occurs:

- The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.00%. "Written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months, or earlier if the loan is in a foreclosure procedure.
- The Reserve Fund was not funded at its required level on the previous payment date.
- The weighted average margin of the pool is lower than or equal to 60 bps.

Additionally the Reserve Fund will not amortise during the first 36 months of the life of the transaction.

Commingling Reserve

The transaction has a commingling reserve in place since the majority of the originators in the deal are not rated by Moodys. This reserve consists of a line of credit for an amount equal to the minimum of: (1) 10,528,000, or (2) 0.56% of the loans initial balance. Should Banco Cooperativo rating be downgraded below P1, it will deposit in the treasury account an amount equal to the commingling reserve.

Series B, and C amortisation

- The Series B notes will start amortising pro rata with the Class A notes when they represent 4% of the outstanding balance under Class A and Series B, and Series C.
- The Series C notes will start amortising pro rata with the Class A and Series B notes when they represent 5.70% of the outstanding balance under Class A and Series B, and Series C.

Pro-rata amortisation entails greater risk than fully sequential transactions, given that the credit enhancement decreases in absolute terms. The risks introduced by pro-rata amortisation are mitigated by the following triggers:

Table 1:
Pro Rata Amortisation Triggers

Delinquency Trigger definition: non-written-off loans more than 90 days in arrears as a percentage of non-written-off loans.
Series B: delinquency trigger exceeds 1.25%.
Series C: delinquency trigger exceeds 1.00%.
The Reserve Fund is not funded at the required level
The loan balance is less than 10% of the initial loan balance

The Pre-enforcement Waterfall

On each quarterly payment date, the *Fondo's* available funds (principal received from the asset pool, the Reserve Fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

- 1) Costs
- 2) Servicing fees
- 3) Any amount due under the swap agreement (except termination payments if Banco Cooperativo defaults under the swap agreement)
- 4) Interest payment to Series A notes
- 5) Interest payment to Series B notes (if not deferred)
- 6) Interest payment to Series C notes (if not deferred)
- 7) Retention of an amount equal to the principal due under the notes
- 8) Interest payment to Series B notes (if deferred)
- 9) Interest payment to Series C notes (if deferred)
- 10) Replenishment of the Reserve Fund
- 11) Termination payments under the swap agreement upon default of Banco Cooperativo
- 12) Junior expenses

Principal due to the notes incorporates an 18-month "artificial write-off"

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes and (2) the outstanding amount of the non-written-off loans.

Interest Deferral trigger based on default

The payment of interest on Series B, and Series C notes will be brought to a more junior position if, on any payment date, the following criteria are met:

Table 2:
Interest Deferral Trigger

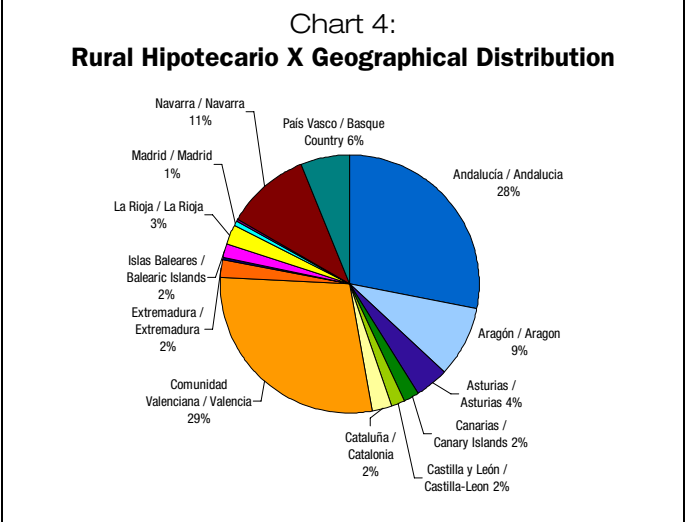
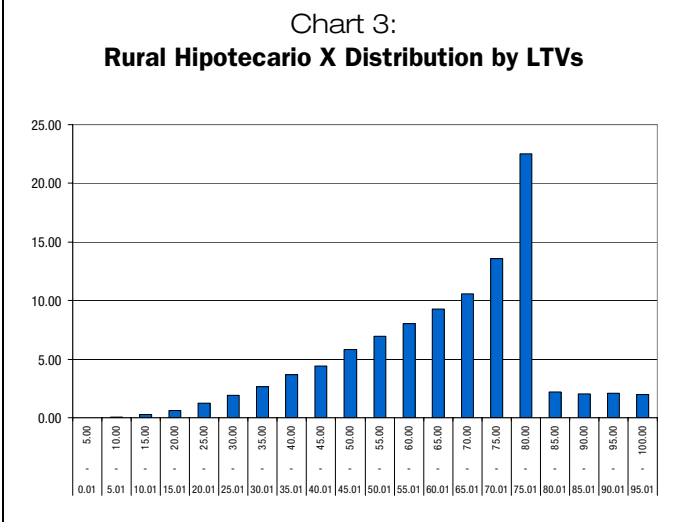
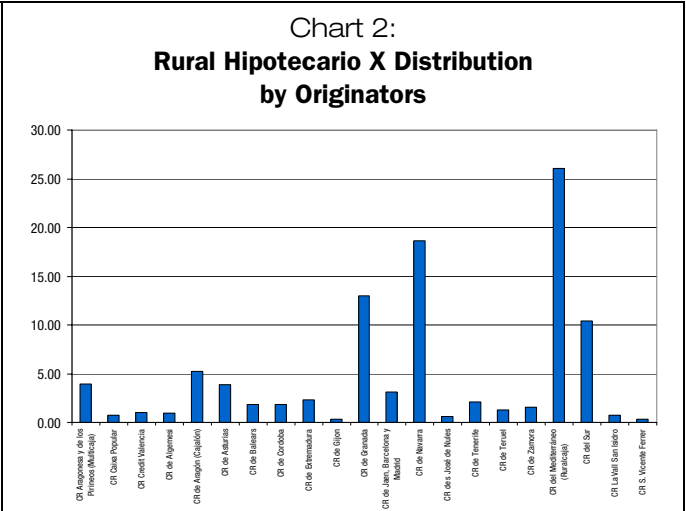
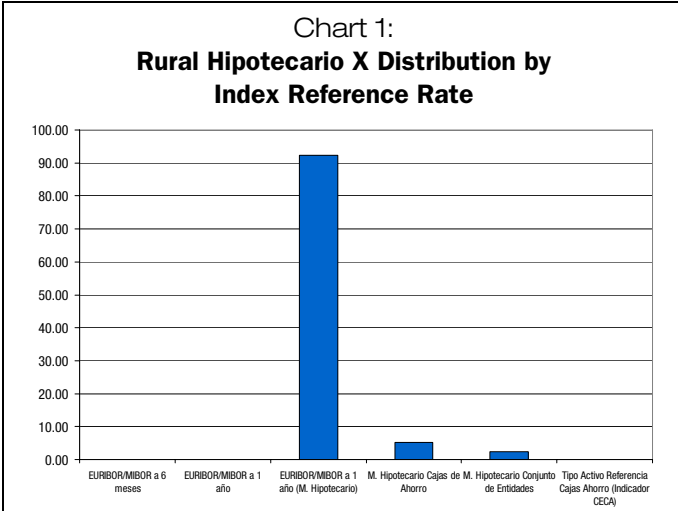
Series B:	The accumulated amount of written-off loans is higher than 10% of the initial amount of the assets pool Series A are not fully redeemed
Series C:	The accumulated amount of written-off loans is higher than 6% of the initial amount of the assets pool Series A and B are not fully redeemed

COLLATERAL

Rural X comes to market with quite a good a portfolio of loans. It is worth emphasizing the relatively low LTV levels, with a WALTV of 63.90% (max LTV = 100%), and average seasoning of almost 2 years, an average current outstanding balance of €115,504. Geographically, the pool is also quite diversified with just relative exposures in Andalucía (28%), and Valencia (29%).

In more detail, also worth mentioning the following:

- 92% of loans referenced to 12m Euribor
- remaining 8% divided among IRPH, CECA, etc
- 99.9% of loans are originated through branches directly
- 3.5% are foreigners but resident in Spain
- 100% are first liens
- 0.02% of loans are backed by more than 1 property (488 loans)
- wam of the pool = 0.75%
- 0.47% loans have a grace period
- maximum loan granted = 600,000 euros
- 94.9% of the loans are current in their payment (no loans is in arrears over 30 days)
- 7.17% are secondary residences
- 84% of loans are originated since 2004, with aprox 53% originated since 2006



Limitations on the renegotiation of the loan

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Exceptionally, the management company authorises originators to renegotiate the interest rate or maturity of the loans without requiring its approval. They will be able to extend the maturity of up to 10% of the original pool, but not beyond 8 Nov 2049. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

- 1) The frequency of payments cannot be decreased.
- 2) The amortisation profile cannot be modified.

Additionally, originators are not allowed to renegotiate any interest rate of a loan if previously or after margin re-negotiation, the weighted average margin of the pool is lower than 65 bps.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Originators

The loans backing the notes issuance have been granted by 21 unrated rural savings banks except for one of them which is in fact rated (– that is, small credit co-operatives – whose main activities comprise lending to the agricultural sector. Originally, the group's main activity focused on covering the needs of the agricultural sector. However, the group has grown beyond its initial client base aided by the development and the expansion of the financial sector resulting from domestic economic growth and low interest rates.

Servicers

The proceeds from the loans are collected by the originators under a direct debit scheme and transferred to the GIC Account held by Banco Cooperativo (**A1/P-1**) on a daily basis.

In the event of any of the servicers being declared bankrupt, failing to perform its obligations as servicer or being affected by a deterioration in its financial situation, either the relevant entity or the management company will have to designate a new suitable institution as guarantor of the distressed servicer's obligations under the servicing agreement or even as new servicer.

Moody's considers the 21 Rural savings banks to be capable of fulfilling their servicing obligations in the transaction.

Likewise, the management company may require originators, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should the relevant originator fail to comply with this obligation within three business days, the notification would then be carried out by the management company.

Paying Agent

Banco Cooperativo, who was created with the aim of being a service provider to most of the Spanish rural savings banks, will act as paying agent of the *Fondo*. In the event of Banco Cooperativo's short-term rating falling below **P-1**, it will have to be replaced in its role of paying agent by a suitably rated institution within 30 days.

EdT

Europea de Titulización (EdT) is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding.

Table 3:

Europea de Titulización Shareholders

Name of shareholder company	Holding (%)
Banco Bilbao Vizcaya Argentaria, S.A.	84.8456
J.P. Morgan España, S.A.	4.0000
Bankinter, S.A.	1.5623
Caja de Ahorros del Mediterraneo	1.542
Banco Sabadell, S.A.	1.5317
Citibank España, S.A.	0.7812
Banco Cooperativo Español, S.A.	0.7658
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
BNP Paribas España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829

Currently Europea de Titulización carries out the management of 90 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the Moody's Individual Loan Analysis ("MILAN") model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This credit enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

The Aaa CE number is determined by using MILAN, Moody's loan-by-loan model for rating RMBS transactions

The "MILAN" model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

The "Aaa CE" number and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE" number.

MARCO, Moody's cash-flow model, is used to assess the impact of the structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyser of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced per note class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

RATING SENSITIVITIES AND MONITORING

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

The deal's management company has committed to provide Moody's with access to a website from which certain [monthly/quarterly] [pool/loan] level performance data can be obtained. Moody's considers the amount of data currently available on the website to be acceptable for monitoring collateral performance. In the event that Moody's access to the website is curtailed or that adequate performance information is not otherwise made available to Moody's, Moody's ability to monitor the ratings may be impaired. This could negatively impact the ratings or, in some cases, Moody's ability to continue to rate the Notes.

Moody's will monitor the transaction on an ongoing basis to ensure that 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. For updated monitoring information, please contact monitor.rmbs@moody.com.

RELATED RESEARCH

Special Reports

- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
- Moody's Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners' Indebtedness, May 2003 (SF21607)
- Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002 (SF12700)

Performance Review

- Spanish RMBS Q3 2006 Indices, February 2007 (SF91595)

Rating Methodologies

- Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005 (SF49068)

Pre-Sale Reports

- Rural Hipotecario VIII, Fondo de Titulización de Activos, May 2006 (SF75197).
- Rural Hipotecario Global I, Fondo de Titulización de Activos, November 2005 (SF64982).
- Rural Hipotecario VII, Fondo de Titulización de Activos, April 2005 (SF54619).
- Rural Hipotecario VI, Fondo de Titulización de Activos, June 2004 (SF39461).

Performance Overviews

- Rural Hipotecario VIII.
- Rural Hipotecario VII.
- Rural Hipotecario VI.

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.

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