

RURAL HIPOTECARIO XI Fondo de Titulización de Activos

RMBS / Spain

Closing Date

27 February 2009

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DEFINITIVE RATINGS

Class	Rating	Amount (million)	% of Pool	Legal Final Maturity	Coupon
A	Aaa	€2,113.1	96.05	March 53	3mE + 0.30%
B	Aa3	€25.3	1.15	March 53	3mE + 0.50%
C	Baa3	€61.6	2.80	March 53	3mE + 0.70%
Total		€2,200.0			

The ratings address the expected loss posed to investors by the legal final maturity of each class. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal on Classes A, B and C at par on or before the rated final legal maturity date. 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

- Relatively good seasoning of almost 2.4 years.
- Two basis swaps whereby the different index reference rates on the assets are exchanged for the index reference rate on the notes.
- A reserve fund that is fully funded upfront to cover a potential shortfall in interest and principal.
- 100% of the loans are secured by first-lien residential mortgages.

Weaknesses and Mitigants

- 21% of the pool comprises self-employed borrowers and there is no employment data for 43% of the pool.
- 10.42% of the pool corresponds to second residences.
- 9.05% of the pool is in arrears less than 30 days as of closing date
- Around 0.75% of the pool is in an initial principal grace period.
- 4.1% of the loans have been granted to new residents in Spain, and 3.1% of the loans were granted to three or more debtors.
- There is moderate geographical concentration in the region of Valencia (28.9%), mitigated by the fact that several originators have their origins in this region, where they also have their greatest expertise.
- The pro-rata amortisation of the Class B and C notes leads to reduced credit enhancement of the senior class in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes if the transaction's performance deteriorates.
- The deferral of interest payments on each of the Class B and C notes benefits the repayment of the class senior to each of them, but increases the expected loss on Classes B and C themselves. The reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss.



STRUCTURE SUMMARY

Issuer:	RURAL HIPOTECARIO XI Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Reserve fund
Seller/Originator:	30 Spanish rural saving banks (most of them unrated)
Servicer:	30 Spanish rural saving banks (most of them unrated)
Interest and Principal Payments:	Quarterly on 25 March, 25 June, 25 September and 25 December. First payment date 25 June 2009
Credit Enhancement/Reserves:	Reserve fund Subordination Excess spread Guarantee Investment Contract (GIC) account Line of credit to mitigate commingling risk
Hedging:	Interest rate swap providing hedging to cover interest rate risk
Principal Paying Agent:	Banco Cooperativo (A1/Prime-1)
Management Company:	Europea de Titulización S.G.F.T., S.A
Arranger / Lead Manager:	Europea de Titulización / Banco Cooperativo

COLLATERAL SUMMARY *(Based on the definitive pool as of 25 February 2009)*

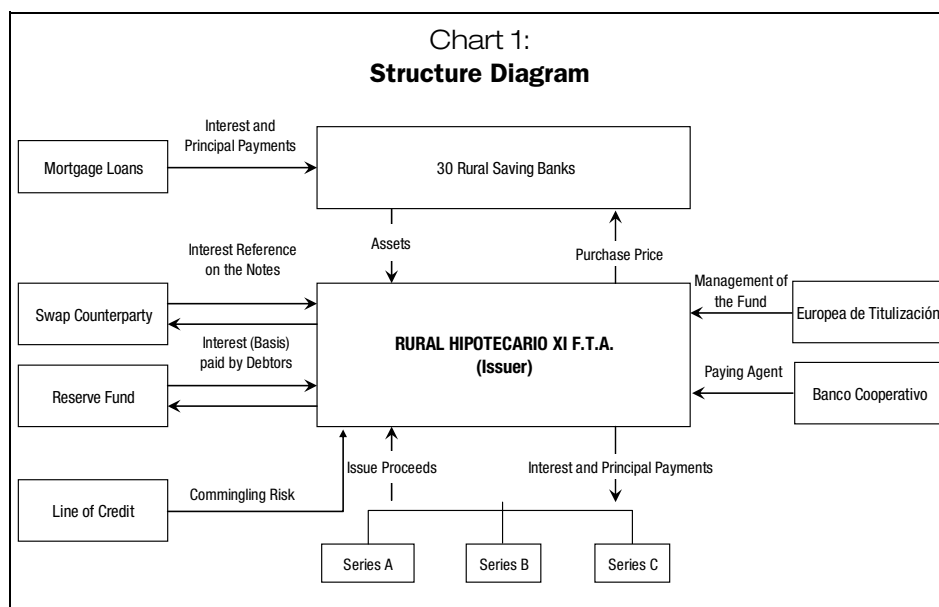
Loan Amount:	€2,200,118,800.81
Loan Count:	19,341
Borrowers:	19,215
WA Original LTV:	67.51%
WA Current LTV:	62.78%
WA Seasoning:	28.5 months
WA Remaining Term:	25.4 years
Interest Rate:	5.543%
Interest Rate Type:	100% Floating: 94.23% EURIBOR, 5.77% IRPH
Geographic Diversity:	28.9% Valencia; 20.4% Andalusia; Aragon 11.4%
Product types:	Traditional mortgage loan products
Origination:	Not available
Arrears as of closing:	90.95% Performing 9.05% Less than 30 days in arrears
Loan Purpose:	Purchase, renovation and remortgage
Average Loan Size (per borrower):	€114,500
Milan Aaa CE:	5.40%
Moody's Expected Loss:	1.50%

TRANSACTION SUMMARY

100% mortgage loans secured by first-lien loans on residential properties

The transaction represents the securitisation of Spanish residential mortgage loans originated by 30 rural saving banks. The assets supporting the Notes are first-lien mortgage loans secured by residential properties located in Spain, both primary and second residences.

The Rural Hipotecario deals are recurrent RMBS transactions in Spain, in which a significant number of rural saving banks come to the securitisation market. The rural saving banks participating vary between deals. In all these deals, Banco Cooperativo (**A1/P-1**) performs different roles in the transactions, in line with its condition of providing general services to the rural saving banks in its platform.



The transaction consists of three rated classes of notes: a senior tranche, Class A rated **Aaa**; a mezzanine tranche Class B rated **Aa3**; and a subordinated Class C rated **Baa3**. The SPV will use the proceeds from the issuance of the notes to purchase the portfolio of mortgage loans. The reserve fund will be funded with the proceeds from a €71.5 million subordinated loan granted by the originator.

In addition, the *Fondo* will benefit from a second €5.5 million subordinated loan to fund up-front expenses and the costs of issuing the notes.

The Spanish Government announced on 4 November 2008 a package of aid to assist unemployed, self employed and pensioner borrowers through a form of mortgage subsidy aid. It is unclear how this package will be implemented, and also if it is implemented, how this transaction would be affected, although both liquidity and credit implications are possible on this portfolio. However, any implications on the ratings will ultimately depend on the actual financial aid conditions which are approved.

Reserve fund fully funded at closing from the proceeds of a subordinated loan granted by the originators

The reserve fund will initially be funded with a subordinated loan. It will be used to cover any potential shortfall in either interest or principal during the life of the transaction.

After the first three years of the life of the transaction, the reserve fund may amortise so that it amounts to the lesser of the following amounts:

- 1) 3.25% of the initial balance of the Class A, B and C Notes
- 2) The higher of the following amounts:
 - 6.50% of the outstanding notional balance of the Class A, B and C Notes
 - 1.625% of the initial balance of the Class A, B and C Notes

However, amortisation of the reserve fund will cease if either of the following scenarios occurs:

- The amount of loans in arrears – by more than three months and by less than 18 months – exceeds 1.00% of the outstanding balance of the portfolio.

- The available amount under the reserve fund is not equal to the then required amount.
- The weighted-average margin of the portfolio is lower than 0.65%.

Line of credit

The transaction mitigates the commingling risk through a line of credit provided by Banco Cooperativo (**A1/P-1**). This reserve avoids losing certain amounts paid by the borrowers to the originators, and not received by the *Fondo* due to insolvency of any of the originators, for a maximum amount equal to the size of the line of credit.

The maximum amount of this line of credit will be the lesser of:

- €31.9 million
- The higher of:
 - i) 1.45% of the outstanding amount of the non written-off loans
 - ii) The highest monthly collection of principal and interest during the previous 12 months

If Banco Cooperativo is downgraded below **Prime-1**, the *Fondo* will make a drawdown up to the maximum amount of the line of credit and will deposit this amount in the Treasury Account.

Interest rates swaps providing hedging against interest risk

The *Fondo* has entered into two swap agreements, the first provided by Caja Navarra to cover the interest risk in the part of the portfolio assigned by the entity, and the second provided by Banco Cooperativo to cover the interest risk in the rest of the portfolio. Both swaps are identical in terms of financial conditions and downgrade language.

According to the swap agreement entered into between the *Fondo* and each swap counterparty, and over a notional equal to the outstanding amount of non-written-off loans at the beginning of each calculation period, on each payment date:

- The swap counterparty will pay the index reference rate of the notes over a notional equal to the daily average of the outstanding amount of non-written-off loans.
- The *Fondo* will pay the basis (index rate) of the interest accrued on the non-written-off loans, including the amounts due but unpaid by the borrower

If a swap counterparty's long-term rating is downgraded below **A2** (or the short-term rating below **Prime-1**), within 30 days it will have to (i) collateralise its obligation under the swap; or (ii) find a suitably rated guarantor or substitute.

The swap agreement will be governed by CMOF ("*Contrato Marco de Operaciones Financieras*"), a swap framework developed by the Spanish Banking Association.

Priority of payment

On each quarterly payment date, the *Fondo's* available funds (principal and interest 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) Cost and fees, excluding servicing fee (except in the case of an originator being replaced as servicer of the loans by a servicer other than Banco Cooperativo)
- 2) Any amount due under the swap agreement (other than swap termination payments due to a default or breach of contract by the swap counterparty)
- 3) Interest payment to Class A
- 4) Interest payment to Class B (if not deferred)
- 5) Interest payment to Class C (if not deferred)
- 6) Retention of an amount equal to the principal due under the notes to amortise Classes A, B and C
- 7) Interest payment to Class B notes (if deferred)
- 8) Interest payment to Class C notes (if deferred)
- 9) Replenishment of the reserve fund
- 10) Termination payment under the swap agreement (except if the *Fondo* is the defaulting or the only affected party)
- 11) Interest payment on amounts drawn under the line of credit
- 12) Principal payment on amounts drawn under the line of credit
- 13) Repayment of subordinated loans
- 14) Originator consideration

Interest deferral trigger based on defaults

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

Table 1:
Interest Deferral Triggers

Class B:	The cumulative amount of written-off loans is higher than 12.0% of the initial amount of the asset pool and Class A is not fully redeemed
Class C:	The cumulative amount of written-off loans is higher than 8.0% of the initial amount of the asset pool and Classes A and B are not fully redeemed

18-month “artificial write-off” mechanism

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 (i) the outstanding amount of the notes; and (ii) the outstanding amount of the non-written-off loans.

The “written-off loans” are defined as those loans with any amount due but unpaid for more than 18 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under any such loan).

The “artificial write-off” speeds up the off-balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most significant benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the “artificial write-off” time and the “natural write-off” time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer’s available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

Principal due allocation mechanism

Until the payment date on which the initial amount of Classes B and C exceeds 2.30% and 5.60%, respectively, of the outstanding amount of Classes A, B and C, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

- 1) Amortisation of Class A
- 2) Amortisation of Class B
- 3) Amortisation of Class C

After the payment date when the condition above was met, the amount retained as principal will be paid pro-rata among Classes A, B and C. However, pro-rata amortisation of Classes B and C will not take place on the payment date on which any of the following events occur:

- The arrears level exceeds 1.50% and 1.00% for Classes B and C, respectively
- The reserve fund is not funded at the required level
- The outstanding amount of the non-written-off loans is lower than 10% of the initial amount of the pool

COLLATERAL

The collateral comprises first-lien mortgages loans granted to individuals by 30 rural saving banks in their normal course of business to finance the purchase, renovation or construction of residential homes in Spain. At the time of securitisation, all of the properties in question were completed.

The definitive portfolio comprises 19,341 loans for a total amount of €2,200,118,800.8. The original WA LTV was 67.51%. The current WA LTV is 62.78%. The average loan size is approximately €114,000. The loans were originated between 1994 and September 2008, with a weighted-average seasoning of 2.37 years. The pool is mainly concentrated in the Valencia (28.9%) and Andalusia regions (20.4%). The ten highest exposures

represent 0.25% of the definitive pool.

The majority of the portfolio (99.76%) pays through monthly instalments.

0.75% of the portfolio enjoys initial grace periods (interest payment only).

The weighted-average interest rate in the portfolio as of closing was 5.54%, with a weighted-average margin over the interest rate indexes of 74 bps.

Table 2:

Index Reference Rates

12-month EURIBOR	94.23%
IRPH	5.77%

Second residences represent 10.4% of the portfolio.

3.12% of the loans in portfolio were granted to three or more debtors.

Moody's has not received the breakdown information by origination channel. The employment type for 43.26% of the portfolio has not been received.

4.1% of the portfolio is loans granted to foreign residents in Spain. There is no data available on years of residency.

Approximately 3.8% of the loans in the portfolio are backed against more than one residential property. From a legal point of view, the originator's recourse against each property is capped by the legal liability over each of those assets. This could slightly vary the meaning of the LTV ratio. However, Moody's has received detailed information on each separate appraisal value for the different properties backing the same loan, as well as the legal liabilities for 75% of the outstanding amount affected by this peculiarity.

See the charts in the Appendix for more detailed information on the collateral.

Limitations on the renegotiations of the loans

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. In exceptional circumstances, 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 24 July 2049.

The renegotiation of the maturity of the loans is also 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

Thirteen Spanish rural savings banks are the originators and servicers of the asset pool

The originators of the securitised loans are 30 of the 73 Spanish rural savings banks.

A rural savings bank is a form of credit co-operative that accounts for approximately 5% of the balance sheet of Spain's banking system. Credit co-operatives are a type of financial institution created to satisfy the financial needs of its members and customers, under the same conditions as other financial institutions such as commercial or savings banks.

Like commercial and savings banks, these financial institutions are regulated and supervised by the Bank of Spain. Importantly, they are obliged to comply with the pillars of Spanish regulation for financial institutions. Nonetheless, they have a specific legal status which may be further restricted by each credit co-operative's own by-laws. Moody's notes that there is a key difference with respect to their capital base, which consists of non-listed nominative shares. These can be acquired only by: (i) any co-operative, irrespective of its type and size; or, (ii) any other individual or entity (public or private, national or international) whose entry is permitted or not prohibited by the institution's current by-laws and whose activities are not in competition with those of the credit co-operative.

The percentage of the portfolio originated by entities rated by Moody's:

- Caja Rural de Navarra (**A2/P-1**), 15.5%
- Caja Rural de Granada (**A3/P-2**), 4.6%

Servicing

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

If any of the servicers are declared bankrupt, fail to perform its obligations as servicer or are 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 30 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. If the relevant originator fails to comply with this obligation within three business days, the notification would then be carried out by the management company.

Paying Agent

Banco Cooperativo (**A1/P-1**), a financial institution created with the aim of being an all-round service provider to most of the Spanish rural savings banks, will act as paying agent of the *Fondo*. If Banco Cooperativo's short-term rating falls below **P-1**, it will within 30 days have to be replaced in its role of paying agent by a suitably rated institution.

Banco Cooperativo plays an additional role in this transaction. In the event of insolvency of any of the originators, Banco Cooperativo will act as back-up servicer from the part of the portfolio formerly serviced by the defaulted rural saving bank.

MOODY'S ANALYSIS

Determination of lognormal loss distribution

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.

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 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 structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyzer 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.

Modelling assumptions for the transaction

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.

The key parameters used to calculate the loss distribution curve for this portfolio include:

- A MILAN **Aaa CE** of 5.40%, and
- An **Expected Loss** of 1.50%

RATING SENSITIVITIES AND MONITORING

The management company, Europea de Titulización, has committed to provide Moody's with access to a website from which a report containing at least quarterly pool-level performance and payments to the notes data can be obtained. Moody's considers the amount of data currently available on the website to be acceptable for monitoring collateral performance, although further improvements will be encouraged. If Moody's access to the website is curtailed or 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 this 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 to the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.rmbs@moodys.com.

RELATED RESEARCH

For a more detailed explanation of Moody's rating approach to this type of transaction, similar transactions and performance data, please refer to the following reports:

Special Reports

- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
- Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002 (SF12700)

Performance Review

- Spanish RMBS Q4 2008 Indices, March 2009 (SF158204)

Rating Methodologies

- Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model (Moody's Analyser of Residential Cash Flows), January 2006 (SF58290)
- Moody's Approach to Rating Spanish RMBS: The "MILAN" Model, March 2005 (SF49068)
- Moody's Updated Methodology for Rating Spanish RMBS, July 2008 (SF133138)

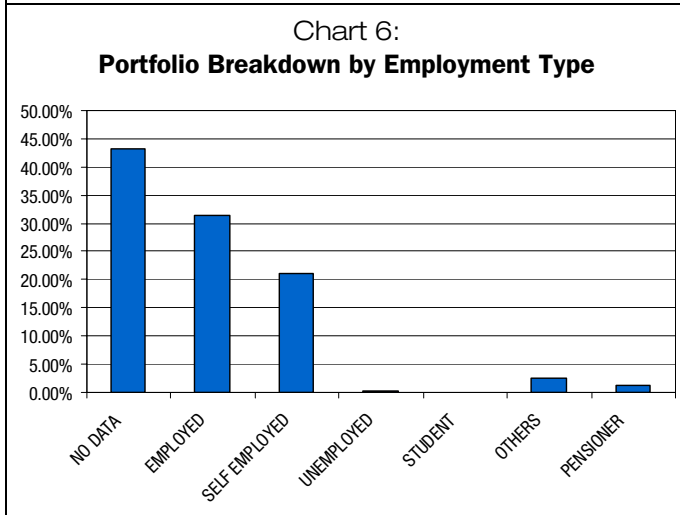
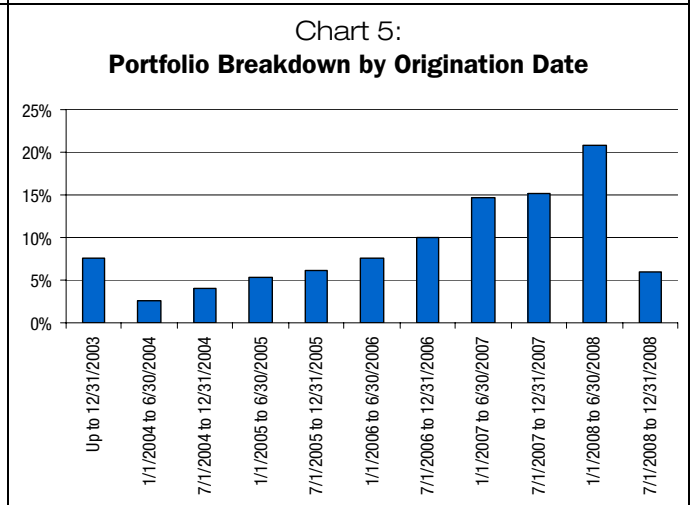
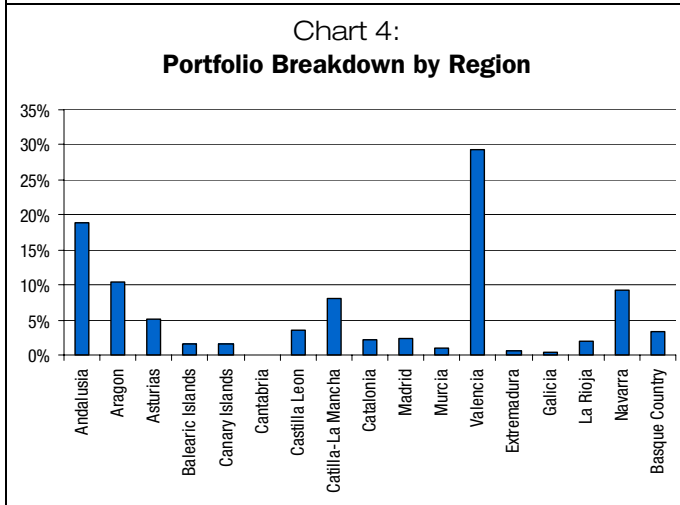
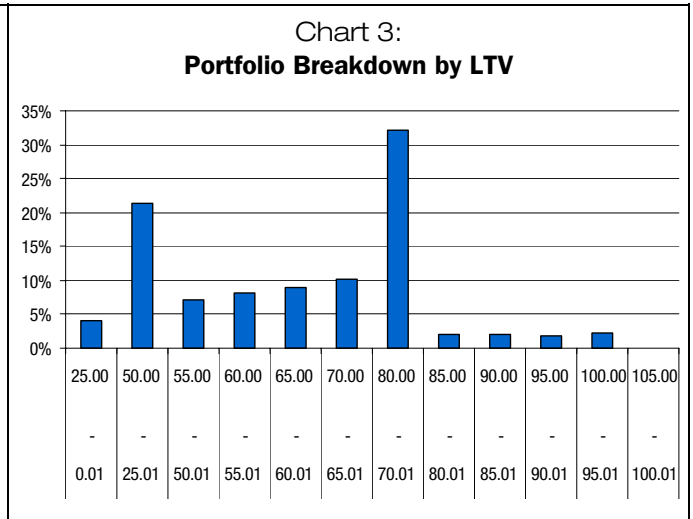
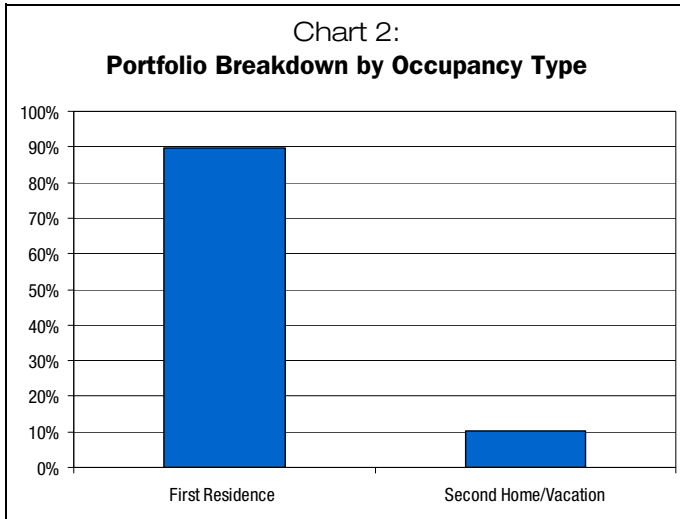
Pre-Sale and New Issue Reports

- Rural Hipotecario X, Fondo de Titulización de Activos, July 2008 (SF137035)
- Rural Hipotecario IX, Fondo de Titulización de Activos, March 2007 (SF94387)
- 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 X, Fondo de Titulización de Activos, March 2009 (SF161326)
- Rural Hipotecario IX, Fondo de Titulización de Activos, March 2009 (SF160122)
- Rural Hipotecario VIII, Fondo de Titulización de Activos, March 2009 (SF158797)

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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