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## **DBRS Upgrades Series A Notes Rating Issued by Rural Hipotecario XI, Fondo de Titulización de Activos**

**Bloomberg: DBRS Takes Rating Actions on Rural Hipotecario XI FTA**

**Industry Group: Structured Finance**

**Sub-Industry: RMBS**

**Region: Europe**

DBRS Ratings Limited (DBRS) has today taken the following rating actions on the notes issued by Rural Hipotecario XI, Fondo de Titulización de Activos (FTA) (the Issuer):

-- Series A notes rating is upgraded to A (high) (sf), previously A (low) (sf)

The rating action is based on the following analytical considerations as described more fully below:

- Portfolio performance, in terms of delinquencies and defaults, as of September 2015.
- Portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Current available credit enhancement to cover the expected losses at the A (high) (sf), rating levels.

Rural Hipotecario XI, FTA is a securitisation of first-ranking residential mortgage loans originated and serviced by 30 Spanish rural savings banks. The transaction follows the standard structure under the Spanish Securitisation Law and closed in February 2009.

The Series A notes are rated for timely payment of interest and ultimate payment of principal.

The portfolio is performing in line with DBRS's expectations. As of the September 2015 payment date, the cumulative gross default was at 3.02%. The 90+ delinquency ratio as a percentage of the outstanding collateral portfolio balance remained stable at 1.27%. The pool is geographically diversified with some concentrations in Valencia (29.96%), Andalucía (20.03%), Aragón (12.01%), and Navarra (8.55%).

The credit enhancement as a percentage of the performing portfolio for the Series A notes has increased to 13.38%, from 9.76%, over the past 12 months. The source of credit enhancement is the subordination of the lower ranked Series notes and a Cash Reserve Fund. As of December 2015 payment date, the Cash Reserve Fund is slightly below the target amount by EUR 91,636.05.

On 16 July 2015, Citibank Europe plc (Spanish Branch) replaced Barclays Bank PLC (Spanish Branch) as the Treasury Account Bank in the transaction. The DBRS private rating of Citibank Europe plc (Spanish Branch) is above the Minimum Institution Rating given the rating assigned to the Series A notes, as described in DBRS's



“Legal Criteria for European Structured Finance Transactions” methodology.

The swap counterparty, Banco Cooperativo Español S.A. currently rated at BBB/R-2 (high), meets the rating requirement given the rating assigned to the Series A notes.

**Notes:**

All figures are in euros unless otherwise noted.

The principal methodology applicable is: “Master European Structured Finance Surveillance Methodology”, which can be found on [www.dbrs.com](http://www.dbrs.com) at <http://www.dbrs.com/about/methodologies>.

DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

A review of the account bank amendment documents were conducted in July 2015. A review of other transaction legal documents was not conducted as those documents have remained unchanged since the most recent rating action.

Other methodologies referenced in this transaction are listed at the end of this press release. This may be found on [www.dbrs.com](http://www.dbrs.com) at: <http://www.dbrs.com/about/methodologies>

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to DBRS’s “The Effect of Sovereign Risk on Securitizations in the Euro Area” commentary on: <http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>

The sources of information used for this rating include investor reports from Europea de Titulización S.A., S.G.F.T. and loan by loan data from the European DataWarehouse.

DBRS does not rely upon third-party due diligence in order to conduct its analysis.

DBRS was not supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The last rating action on this transaction took place on 27 January 2015, when the rating on the Series A notes was confirmed. The lead responsibilities for this transaction have been transferred to Kevin Ma.

Information regarding DBRS ratings, including definitions, policies and methodologies are available on [www.dbrs.com](http://www.dbrs.com).



To assess the impact of changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating (the Base Case):

-- DBRS expected a lifetime base case probability of default (PD) and loss given default (LGD) for the pool based on a review of the current assets. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.

-- The base case PD and LGD of the current pool of mortgages for the Issuer are 6.18% and 26.88%, respectively. At the A (high) (sf) rating level, the corresponding PD is 19.72% and the LGD is 41.27%.

-- The Risk Sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of the Series A notes would be expected to be A (high) (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A notes would be expected to be A (high) (sf), assuming no change in the LGD. Furthermore, if both PD and LGD increase by 50%, the rating would be expected to decrease to BBB (high) (sf).

Series A notes Risk Sensitivity:

- 25% increase in LGD, expected rating of A (high) (sf)
- 50% increase in LGD, expected rating of A (high) (sf)
- 25% increase in PD, expected rating of A (high) (sf)
- 50% increase in PD, expected rating of A (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of A(high) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of A (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of A (low) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of BBB (high) (sf)

For further information on DBRS historic default rates published by the European Securities and Markets Administration (ESMA) in a central repository, see:

<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

Initial Lead Analyst: Kali Sirugudi  
Initial Rating Date: 8 February 2013  
Initial Rating Committee Chair: Quincy Tang

Lead Surveillance Analyst: Kevin Ma  
Rating Committee Chair: Diana Turner

DBRS Ratings Limited  
1 Minster Court, 10th Floor  
Mincing Lane  
London  
EC3R 7AA



United Kingdom  
Registered in England and Wales: No. 7139960.

The rating methodologies and criteria used in the analysis of this transaction can be found at <http://www.dbrs.com/about/methodologies>.

- Legal Criteria for European Structured Finance Transactions
- Derivative Criteria for European Structured Finance Transactions
- Master European Structured Finance Surveillance Methodology
- Operational Risk Assessment for European Structured Finance Servicers
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda
- Unified Interest Rate Model for European Securitisations

A description of how DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <http://www.dbrs.com/research/278375>.

<u>Issuer</u>	<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>
Rural Hipotecario XI, Fondo de Titulización de Activos	Series A	Upgraded	A (high) (sf)

## Contacts

Kevin Ma  
Assistant Vice President  
+44 20 7855 6681  
[kma@dbrs.com](mailto:kma@dbrs.com)

Javier Martinez  
Financial Analyst  
+44 20 7855 6639  
[jmartinez@dbrs.com](mailto:jmartinez@dbrs.com)

Kali Sirugudi  
Vice President, EU RMBS  
+44 20 7855 6609  
[ksirugudi@dbrs.com](mailto:ksirugudi@dbrs.com)

Vito Natale  
Senior Vice President, EU CBs & Surveillance  
+44 20 7855 6649



*Insight beyond the rating.*

vnatale@dbrs.com

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