

**Hecho Relevante de RURAL HIPOTECARIO X FONDO DE TITULIZACION DE ACTIVOS**

En virtud de lo establecido en el Folleto Informativo de **RURAL HIPOTECARIO X FONDO DE TITULIZACION DE ACTIVOS** (el “Fondo”) se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Fitch Ratings** (“**Fitch**”), con fecha 30 de septiembre de 2019, comunica que ha confirmado las siguientes calificaciones asignadas a las Series de Bonos emitidos por el Fondo:
  - **Serie A:** **A+sf**, perspectiva estable
  - **Serie B:** **A+sf**, perspectiva estable

Se adjunta la comunicación emitida por Fitch.

Madrid, 1 de octubre de 2019.

30 Sep 2019 | Downgrade

## Fitch Downgrades Seven Tranches, Upgrades One, of Six Rural Hipotecario RMBS Transactions

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Fitch Ratings-Madrid-30 September 2019:

Fitch Ratings has downgraded seven tranches of two Rural Hipotecario transactions and upgraded one and affirmed 17 other tranches of six Rural RMBS transactions. The Outlooks are Stable. A full list of the rating actions is detailed below.

### Transaction Summary

The transactions comprise residential mortgages originated and serviced by multiple rural savings banks in Spain with a back-up servicer arrangement with Banco Cooperativo Español, S.A. (BBB/Stable/F2).

### KEY RATING DRIVERS

#### Credit Enhancement and Excess Spread Reduction

The downgrades of Rural VIII and Rural IX tranches reflect the credit enhancement (CE) reductions anticipated driven by the pro-rata paydown mechanism that activate a reverse sequential amortisation of the notes, and further reserve fund amortisations. The downgrades also reflect the smaller amounts of excess spread available within the transactions anticipated for the coming years, as the portfolio margins remain low but the cost of the liabilities is increasing.

For all the transactions, the prevailing pro-rata amortisation of the notes will switch to sequential when the outstanding portfolio balance represents less than 10% of their original amount (currently between 10.4% and 30.8%) or sooner if certain performance triggers are breached. For Rural Global I, Rural VI-VII, and X, current and projected levels of CE of the notes are sufficient to mitigate the credit and cash flow stresses under their rating scenario, as reflected by today's upgrade and affirmations.

#### Counterparty Arrangements Cap Ratings

Rural X notes' ratings are capped at 'A+sf' due to the account bank minimum eligibility rating

thresholds of 'BBB+' and 'F2', which are not compatible with 'AA' or 'AAA' rating categories as per Fitch's Counterparty Criteria. Rural IX's notes are capped at 'A+' as Fitch views this transaction exposed to payment interruption risk in the event of a servicer disruption considering the available liquidity remains insufficient to cover stressed senior fees, net swap payments and stressed senior note interests during a servicer replacement period.

Rural VI's and Rural VII's class C and Rural X's class B ratings are capped at the SPV account bank provider deposit rating of 'A+' (Societe Generale S.A.) as the transactions cash reserves held at this entity represent the only source of credit enhancement for these classes of notes. The rating cap reflects the excessive counterparty dependence on the SPV account bank holding the cash reserves, in accordance with Fitch's Structure Finance and Covered Bonds Counterparty Rating Criteria.

#### Sound Asset Performance

The rating actions reflect Fitch's expectation of stable credit trends given the significant seasoning of the securitised portfolios of 11-15 years, the prevailing low-interest-rate environment and the Spanish macroeconomic outlook. The transactions have a three-month plus arrears (excluding defaults) as a percentage of current pool balance of less than 1.0% as of the latest reporting date and cumulative gross defaults that range between 0.9% for Rural VI and 5.3% for Rural IX relative to portfolio initial balances.

The transactions are exposed to substantial geographic concentration risk. For example, Rural Global I and Rural X have about 53% and 37%, respectively, of their portfolio balance linked to properties in the region of Valencia. Fitch has applied a higher set of rating multiples to the base foreclosure frequency assumption to the portion of the portfolio that exceeds 2.5x the population within this region.

#### RATING SENSITIVITIES

A worsening of the Spanish macroeconomic environment, especially employment conditions, or an abrupt shift of interest rates could jeopardise the underlying borrowers' affordability. This could have negative rating implications, especially for junior tranches that are less protected by structural CE. Rural VI's and Rural VII's class C and Rural X's class B ratings are capped at the special-purpose vehicle (SPV) account bank provider deposit rating. A change to the account bank rating could trigger a corresponding change to these notes' ratings.

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

#### DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its monitoring. Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions' initial closing.

The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable. Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

#### SOURCES OF INFORMATION

The information below was used in the analysis:

- Loan-by-loan data provided by European Data Warehouse as at April 2019 for Rural IX and Rural X, May 2019 for Rural VII, and June 2019 for Rural Global I, Rural VI and Rural VIII.
- Issuer and servicer reports provided by Europea de Titulizacion SGFT, S.A as at June 2019 for Rural VII, July 2019 for Rural Global I, Rural VI and Rural VIII, and August 2019 for Rural IX and Rural X.

#### MODELS

The models below were used in the analysis. Click on the link for a description of the model.

[ResiGlobal.](#)

[EMEA Cash Flow Model.](#)

Rural Hipotecario VIII, FTA

- Class A2a ES0366367011; Long Term Rating; Downgrade; AAsf; RO:Sta
- Class A2b ES0366367029; Long Term Rating; Downgrade; AAsf; RO:Sta
- Class B ES0366367037; Long Term Rating; Downgrade; Asf; RO:Sta
- Class C ES0366367045; Long Term Rating; Downgrade; A-sf; RO:Sta
- Class D ES0366367052; Long Term Rating; Downgrade; BBB+sf; RO:Sta
- Class E ES0366367060; Long Term Rating; Affirmed; CCsf

Rural Hipotecario Global I, FTA

- Class A ES0374273003; Long Term Rating; Affirmed; AA+sf; RO:Sta
- Class B ES0374273011; Long Term Rating; Affirmed; A+sf; RO:Sta
- Class C ES0374273029; Long Term Rating; Affirmed; Asf; RO:Sta
- Class D ES0374273037; Long Term Rating; Affirmed; BBB+sf; RO:Sta
- Class E ES0374273045; Long Term Rating; Affirmed; CCCsf

Rural Hipotecario VII, FTA

- Class A1 ES0366366005; Long Term Rating; Affirmed; AAAsf; RO:Sta
- Class B ES0366366021; Long Term Rating; Affirmed; AA-sf; RO:Sta
- Class C ES0366366039; Long Term Rating; Affirmed; A+sf; RO:Sta

Rural Hipotecario IX, FTA

- Class A2 ES0374274019; Long Term Rating; Affirmed; A+sf; RO:Sta
- Class A3 ES0374274027; Long Term Rating; Affirmed; A+sf; RO:Sta
- Class B ES0374274035; Long Term Rating; Affirmed; A+sf; RO:Sta
- Class C ES0374274043; Long Term Rating; Downgrade; BBB+sf; RO:Sta
- Class D ES0374274050; Long Term Rating; Downgrade; BB+sf; RO:Sta
- Class E (RF) ES0374274068; Long Term Rating; Affirmed; CCsf

Rural Hipotecario VI, FTA

- Class A ES0374306001; Long Term Rating; Affirmed; AAAsf; RO:Sta
- Class B ES0374306019; Long Term Rating; Upgrade; AA+sf; RO:Sta
- Class C ES0374306027; Long Term Rating; Affirmed; A+sf; RO:Sta

Rural Hipotecario X, FTA

- Class A ES0374275008; Long Term Rating; Affirmed; A+sf; RO:Sta
- Class B ES0374275016; Long Term Rating; Affirmed; A+sf; RO:Sta

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### **Applicable Criteria**

[European RMBS Rating Criteria \(pub. 16 Aug 2019\)](#)

[Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds \(pub. 08 Mar 2019\)](#)

[Global Structured Finance Rating Criteria \(pub. 02 May 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 18 Apr 2019\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 18 Apr 2019\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 23 Oct 2018\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 27 Jun 2019\)](#)

### **Additional Disclosures**

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