

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

En virtud de lo establecido en el Folleto Informativo de **RURAL HIPOTECARIO XVII 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 16 de mayo de 2017, comunica que ha confirmado la calificación asignada a los Bonos emitidos por el Fondo:
  - **Bonos:** **A+sf**, perspectiva estable

Se adjunta la comunicación emitida por Fitch.

Madrid, 17 de mayo de 2017.

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## Fitch Upgrades Rural Hipotecario XVI's Junior Notes; Affirms Rural XVII

Fitch Ratings-London-16 May 2017: Fitch Ratings has upgraded Rural Hipotecario XVI, FTA's class B notes and affirmed the class A notes. Fitch has also affirmed Rural Hipotecario XVII, as follows:

Rural Hipotecario XVI, FTA

Class A (ES0323978009); affirmed at 'A+sf'; Outlook Stable

Class B (ES0323978017); upgraded to 'BBsf' from 'CCCSf'; Outlook Stable

Rural Hipotecario XVII, FTA

Bond A (ES0305033005): affirmed at 'A+sf'; Outlook Stable

The transactions comprise residential mortgage loans originated and serviced by multiple rural saving banks in Spain, including Caja Rural de Navarra (BBB+) and Caja Rural de Soria. The transactions are the most recent in the Rural Hipotecario RMBS series rated by Fitch, closed in 2013 and 2014, with weighted average seasoning of approximately nine years for both portfolios.

### KEY RATING DRIVERS

#### Rating Cap

The class A notes' ratings in both transactions are capped at 'A+sf' as the account bank replacement trigger is set at 'BBB+/'F2'. In line with Fitch's counterparty criteria, according to which direct support counterparties rated 'BBB+/'F2' can support a note rating up to the 'Asf' category.

#### Credit Enhancement (CE) Trends

Both class A tranches are protected with significant CE, at 21.9% at the last payment date for Rural Hipotecario XVI (Rural XVI) and 32.7% for Rural Hipotecario XVII (Rural XVII).

#### Stable Asset Performance

The transactions' asset performance remains sound compared with the average Fitch-rated Spanish RMBS. Three-month plus arrears (excluding defaults) as a percentage of the current pool balance are at 1.2% for both transactions, broadly in line with Fitch's index of three-months-plus arrears of 0.9%.

Gross cumulative defaults remain significantly below the average for Spain of 5.6%, at 0.20%, for Rural XVI and 0% for Rural XVII.

The stable asset performance and CE drove the upgrade of Rural XVI's class B notes.

### Portfolio Risky Attributes

Both portfolios are exposed to substantial geographical concentration. Rural XVI is exposed 60% to properties located in Castilla Leon and 30% in Aragon, while Rural XVII is exposed 50% to Aragon and 20% to Andalucia.

Fitch has applied a 15% increase to the base foreclosure frequency assumption for loans located in regions that represent each more than 35% of the portfolio balance. Additionally, both transactions have a significant exposure to self-employed borrowers, which are deemed to be risky and are thus subject to an increased foreclosure frequency of 60%.

### Unhedged Transactions

These transactions are exposed to basis and reset risk, as all assets pay 12-month EURIBOR and reset annually, while the notes pay three-month EURIBOR with a quarterly reset frequency. Fitch's analysis has accommodated cash flow stress sensitivities and concluded that the current and projected levels of CE are sufficient to absorb these stresses.

### Interest Rate Floors

Around 20% of the borrowers in both transactions have interest rate floor clauses on their mortgage loans, which could be nullified following recent court rulings (see 'Spanish Mortgage Floor Decree Will Aid RMBS Assessment' at [www.fitchratings.com](http://www.fitchratings.com)). Fitch has not given any credit to the interest rate floors in the cash flow modelling.

### RATING SENSITIVITIES

The class A notes' ratings in both transactions could be upgraded to the maximum achievable rating for Spanish structured finance transactions of 'AA+sf' if the account bank replacement triggers were defined at the 'A- or F1' level as specified in Fitch's counterparty criteria, all else being equal.

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.

### USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10

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 ongoing monitoring.

Prior to the transactions closing, Fitch reviewed the results of a third party assessment conducted on the asset portfolio information and concluded that there were no findings that affected the rating analysis.

Prior to the transactions closing, Fitch conducted a review of a small targeted sample of the originators' origination files and found inconsistencies or missing data related to the borrowers' net income information. These findings were not considered in this analysis as they are no longer deemed relevant.

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.

Issuer and servicer reports provided by Europea de Titulizacion SGFT since close of the deals and until 31 March 2017 for Rural XVI and Rural XVII.

Loan level data sourced from the European Data Warehouse and dated 9 January 2017 for Rural XVI and Rural XVII.

Communications from trustee during April and May 2017.

#### MODELS

ResiEMEA. (<https://www.fitchratings.com/site/structuredfinance/rmbs/resiemia>)

EMEA RMBS Surveillance Model. (<https://www.fitchratings.com/site/structuredfinance/rmbs/emearsm>)

EMEA Cash Flow Model. (<https://www.fitchratings.com/site/structuredfinance/emeacfm>)

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

### **Applicable Criteria**

Criteria Addendum: Spain Residential Mortgage Assumptions (pub. 02 Dec 2016)

(<https://www.fitchratings.com/site/re/891432>)

EMEA RMBS Rating Criteria (pub. 29 Nov 2016) (<https://www.fitchratings.com/site/re/891276>)

Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/894478>)

Global Structured Finance Rating Criteria (pub. 03 May 2017)

(<https://www.fitchratings.com/site/re/897411>)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 20 Mar 2017) (<https://www.fitchratings.com/site/re/894432>)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 20 Mar 2017) (<https://www.fitchratings.com/site/re/894433>)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/893890>)

### **Additional Disclosures**

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