

Hecho Relevante de RURAL HIPOTECARIO VII FONDO DE TITULIZACION DE ACTIVOS

En virtud de lo establecido en el Folleto Informativo de **RURAL HIPOTECARIO VII 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 13 de junio de 2017, comunica que ha confirmado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie A:** **AA+sf**, perspectiva estable
- **Serie C:** **BBB-sf**, perspectiva estable

Asimismo, Fitch comunica que ha bajado la calificación asignada a la restante Serie de Bonos:

- **Serie B:** **A+sf**, perspectiva estable (anterior **AA-sf**, perspectiva estable)

Se adjunta la comunicación emitida por Fitch.

Madrid, 15 de junio de 2017.

José Luis Casillas González
Apoderado

Paula Torres Esperante
Apoderada



Fitch Takes Various Rating Actions on Rural Hipotecario VI, VII and VIII

Fitch Ratings-London-13 June 2017: Fitch Ratings has downgraded the class B notes of Rural Hipotecario VI and VII, upgraded the class A2a and A2b notes of Rural Hipotecario VIII and affirmed the remaining eight tranches, as follows:

Rural Hipotecario VI, FTA

Class A (ES0374306001); affirmed at 'AA+sf'; Outlook Stable

Class B (ES0374306019); downgraded to 'A+sf' from 'AA-sf'; Outlook Stable

Class C (ES0374306027); affirmed at 'BBB+sf'; Outlook Stable

Rural Hipotecario VII, FTA

Class A1 (ES0366366005); affirmed at 'AA+sf'; Outlook Stable

Class B (ES0366366021); downgraded to 'A+sf' from 'AA-sf'; Outlook Stable

Class C (ES0366366039); affirmed at 'BBB-sf'; Outlook Stable

Rural Hipotecario VIII, FTA

Class A2a (ES0366367011); upgraded to 'AA+sf' from 'AA-sf'; Outlook Stable

Class A2b (ES0366367029); upgraded to 'AA+sf' from 'AA-sf'; Outlook Stable

Class B (ES0366367037); affirmed at 'A+sf'; Outlook Stable

Class C (ES0366367045); affirmed at 'BBBsf'; Outlook Stable

Class D (ES0366367052); affirmed at 'BB+sf'; Outlook Stable

Class E (ES0366367060); affirmed at 'CCsf'; Recovery Estimate (RE) revised to 60% from 75%

The transactions comprise residential mortgage loans originated and serviced by multiple rural saving banks in Spain, that form part of the Rural Hipotecario RMBS series.

KEY RATING DRIVERS

Interest Deferability

The downgrade of the class B notes of Rural Hipotecario VI and VII to 'A+sf' reflects the temporary interest deferability estimated by Fitch under scenarios commensurate with 'AA' category stresses, even though those deferrals are permitted under the terms of the transaction documents. In line with Fitch's Global Structured Finance Rating Criteria, deferability of interest is not compatible with 'AAsf' and higher rating categories.

Credit Enhancement (CE) Trends

All three transactions include pro-rata amortisation mechanisms so long as performance and tranche thickness (tranche size relative to total outstanding) triggers are fulfilled. While Fitch expects CE to remain stable for Rural Hipotecario VI's and VII's senior tranches as the pro-rata amortisation continues, CE ratios for Rural Hipotecario VIII's senior notes A2a and A2b should increase as the transaction is paying sequentially. This is reflected in today's upgrades.

Stable Asset Performance

The securitised mortgage portfolios have built some substantial seasoning between 12 and 14 years. As such, the weighted average current loan-to-value (LTV) ratios have dropped below 40%, compared with the weighted average original LTV of around 70%.

The transactions continue to show sound asset performance trends with three-month plus arrears (excluding defaults) ranging between 0.7% and 1.1% of the portfolio outstanding balance, and cumulative gross defaults (defined as loans in arrears for more than 18 months) ranging between 0.8% and 2% of the initial portfolio balance at the time of the review.

Portfolio Risk Attributes

All three portfolios have a significant exposure to self-employed borrowers, ranging between 19.4% for Rural VI and 24.2% for Rural VII, which are considered high-risk

borrowers and are subject to an increased foreclosure frequency of 60%. Additionally, the portfolios are exposed to some geographical concentration, with Andalucia plus Valencia representing 45.3%, 58.4% and 49.7% of Rural VI, VII and VIII collateral balance respectively.

Restructured Loans

Fitch has received additional data suggesting that between 1.6% (Rural Hipotecario VI) and 2.4% (Rural Hipotecario VIII) of the outstanding collateral balance has been subject to maturity extensions. In the absence of sufficient payment history data for such loans, Fitch has added their balance to the three months plus arrears bucket, which carry a higher default probability than standard loans as per the agency Spanish RMBS criteria.

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.

The ratings of the senior most notes are sensitive to changes in Spain's Country Ceiling of 'AA+sf' and also to changes to the highest achievable 'AA+sf' rating for Spanish structured finance notes.

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.

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.

- Issuer and servicer reports provided by Europea de Titulizacion S.G.F.T. since close of the deals and until 28 February 2017 for Rural Hipotecario VI, Rural Hipotecario VII and Rural Hipotecario VIII
- Loan level data dated 11 January 2017 for Rural Hipotecario VI, 7 December 2016 for Rural Hipotecario VII, and 12 January 2017 for Rural Hipotecario VIII sourced from the European Data Warehouse.

MODELS

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

EMEA RMBS Surveillance Model.

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

EMEA Cash Flow Model.

(<https://www.fitchratings.com/site/structuredfinance/emeacfm>)

Contacts:

Lead Surveillance Analyst

Andrea Alexandra Kopp

Analyst

+44 20 3530 1633

Fitch Ratings Limited

30 North Colonnade
London E14 5GN

Committee Chairperson
Juan David Garcia
Senior Director
+34 91 702 5774

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email:
athos.larkou@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria

Criteria Addendum: Spain Residential Mortgage Assumptions (pub. 02 Dec 2016)
(<https://www.fitchratings.com/site/re/891432>)

Criteria for Country Risk in Global Structured Finance and Covered Bonds (pub. 26
Sep 2016) (<https://www.fitchratings.com/site/re/881269>)

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. 23 May
2017) (<https://www.fitchratings.com/site/re/898537>)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative
Addendum (pub. 23 May 2017) (<https://www.fitchratings.com/site/re/898538>)

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

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(<https://www.fitchratings.com/site/dodd-frank-disclosure/1025054>)

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