

**Otra Información Relevante de**                      **RURAL HIPOTECARIO XI FONDO DE TITULIZACION**  
**DE ACTIVOS**

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

- La Agencia de Calificación **Fitch Ratings** (“Fitch”), con fecha 30 de julio de 2020, comunica que ha afirmado 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
  - **Serie C:**            **Asf**, perspectiva estable

Se adjunta la comunicación emitida por Fitch.

Madrid, 20 de agosto de 2020.

30 Jul 2020 | Affirmation

## Fitch Affirms 3 Rural Hipotecario Spanish RMBS Transactions

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Fitch Ratings-Madrid-30 July 2020:

Fitch Ratings has affirmed eight tranches of three Rural Hipotecario Spanish RMBS transactions and removed four tranches from Rating Watch Negative (RWN). The Outlooks are Stable. A full list of rating actions is below.

Rural Hipotecario XIV, FTA

----A ES0374268003; Long Term Rating; Affirmed; A+sf; RO:Sta

----B ES0374268011; Long Term Rating; Affirmed; Asf; RO:Sta

Rural Hipotecario XI, FTA

----Class A ES0323975005; Long Term Rating; Affirmed; A+sf; RO:Sta

----Class B ES0323975013; Long Term Rating; Affirmed; A+sf; RO:Sta

----Class C ES0323975021; Long Term Rating; Affirmed; Asf; RO:Sta

Rural Hipotecario XII, FTA

----Class A ES0323976003; Long Term Rating; Affirmed; A+sf; RO:Sta

----Class B ES0323976011; Long Term Rating; Affirmed; A+sf; RO:Sta

----Class C ES0323976029; Long Term Rating; Affirmed; Asf; RO:Sta

### 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 Espanol S.A. (BBB/Negative/F2).

### KEY RATING DRIVERS

#### COVID-19 Additional Stress Assumptions

Fitch has identified additional stress scenarios to be applied in conjunction with its European RMBS Rating Criteria in response to the coronavirus outbreak and the recent legislative developments in

Catalonia (see: EMEA RMBS: Criteria Assumptions Updated due to Impact of the Coronavirus Pandemic and Spain RMBS: Criteria Assumptions Updated Due to Decree Law in Catalonia). The agency applied these additional stresses for the rating analysis, including the resolution of any notes on RWN.

In order to capture the possible build-up of arrears in the following months due to the COVID-19 crisis, we have performed an arrears sensitivity, which consists of increasing the default rate by 10%. Despite our expectation of a deterioration in asset performance, the transactions have some mitigants, such as the very high portfolio seasoning (around 11- 13 years). We have not made an additional adjustment for payment holidays given that the level in the Spanish market stands at around 9%, which is low compared with other European countries such as the UK or Italy. The reserve funds are also sufficient to cover transaction costs, net swap payments and interest due on the senior notes for several periods.

#### Notes off RWN

The review removes Rural XI's class C notes, Rural XII's class B and C notes and Rural XIV's class B notes from RWN. The affirmations and Stable Outlooks reflect that in our view credit enhancement (CE) is sufficient to mitigate the risks associated with the COVID-19 crisis and the longer recovery timings on properties located in Catalonia. We expect CE ratios for Rural XI and Rural XII to remain broadly stable given the pro-rata amortisation of the transactions, while we expect the CE ratios of Rural XIV to continue increasing given the strictly sequential amortisation.

#### Rating Caps due to Counterparty Arrangements

The notes' ratings are capped at 'A+sf' due to the account bank minimum rating thresholds of 'BBB+' and 'F2', which are not compatible with 'AA' or 'AAA' rating categories as per Fitch's counterparty criteria. Moreover, the junior notes of all three transactions are capped at the SPV account bank's (Banco Santander S.A - Rural XII and XIV, Societe Generale S.A. - Rural XI) deposit rating of 'A' as the transactions' cash reserves held at these entities represent a material source of credit enhancement for these classes.

#### Performance Trends

The transactions continue to show sound asset performance with three-month plus arrears (excluding defaults) as a percentage of the current pool balance being less than 1% as of the latest reporting date and excess spread sufficient to cover defaulted amounts. The performance adjustment factor parameter within Fitch's analysis of Rural XIV's portfolio has been kept at 100% as per the agency's European RMBS Rating Criteria, as we consider the reported default data insufficiently reliable due to possible asset buy backs by the originators in the past linked to

interest rate floor clauses.

## Regional Concentration

The three portfolios are exposed to substantial geographic concentration risk, mainly to the regions of Comunidad Valenciana (around 35% of Rural XI's portfolio balance), Castilla La Mancha (around 36% of Rural XII's portfolio balance) and Aragon (around 88% of Rural XIV's portfolio balance). 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 these regions.

## ESG Considerations - Governance

Rural XI, XII and XIV have an Environmental, Social and Governance (ESG) Relevance Score of 5 for Transaction Parties & Operational Risk due to excessive counterparty risk, which has a negative impact on the credit profile, and is highly relevant to the ratings, resulting in a change to the ratings of more than one category.

## RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Rural XIV's class B and Rural XI and XII's class C ratings are capped at the SPV account bank provider's deposit rating. An upgrade to the account bank rating could trigger an upgrade of these notes' ratings.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

Liquidity positions weaken due to large take ups on mortgage payment moratoriums and new defaults, eg as a consequence of the coronavirus crisis.

A longer-than-expected coronavirus crisis that deteriorates macroeconomic fundamentals and the mortgage market in Spain beyond Fitch's current base case. CE cannot fully compensate the credit losses and cash flow stresses associated with the higher stresses, all else being equal.

As outlined in "Fitch Ratings Coronavirus Scenarios: Baseline and Downside Cases", we consider a more severe downside coronavirus scenario for sensitivity purposes whereby a more severe and prolonged period of stress is assumed with a halting recovery from 2Q21. Under this scenario, Fitch's analysis uses a 15% weighted average foreclosure frequency (WAFF) increase and a 15% decrease in the weighted average recovery rate (WARR). This scenario could lead to the class C notes of Rural XI being downgraded to 'A-sf' while other notes are unchanged.

## Best/Worst Case Rating Scenario

International scale credit ratings of Structured Finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

## USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC 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. 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 pool ahead of the transactions' initial closing. The subsequent performance of the transaction 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.

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Junior notes are capped at the deposit ratings of the account banks (Societe Generale - Rural XI,

Banco Santander - Rural XII and XIV) due to excessive counterparty exposure.

## ESG Considerations

Rural XI, XII and XIV have an Environmental, Social and Governance (ESG) Relevance Score of 5 for Transaction Parties & Operational Risk due to excessive counterparty risk, which has a negative impact on the credit profile, and is highly relevant to the ratings, resulting in a change to the ratings of more than one category.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on the transactions, either due to their nature or the way in which they are being managed. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg).

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## **Applicable Criteria**

[European RMBS Rating Criteria \(pub. 22 May 2020\) \(including rating assumption sensitivity\)](#)

[Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds \(Excel\)](#)

[\(pub. 06 Dec 2019\)](#)

[Global Structured Finance Rating Criteria \(pub. 17 Jun 2020\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum \(pub. 29 Jan 2020\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 06 Feb 2020\)](#)

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 06 Dec 2019\)](#)

### **Applicable Model**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Multi-Asset Cash Flow Model, v2.8.0 (1)

ResiGlobal Model: Europe, v1.6.3 (1)

### **Additional Disclosures**

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