



## Ratings Raised In Spanish RMBS Transaction Bancaja 6 Fondo de Titulizacion de Activos

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### OVERVIEW

- On March 23, 2018, we raised our unsolicited long-term sovereign rating on Spain to 'A-' from 'BBB+'.
- On April 17, 2018, we revised our outlook assumptions for the Spanish residential mortgage market to benign to reflect the improved Spanish residential mortgage and real estate market, and lowered our projected losses at the 'B' rating level for the archetypal Spanish pool.
- On April 24, 2018, we placed on CreditWatch positive our ratings on Bancaja 6's class A2, B, and C notes, as we needed to conduct a full analysis to determine the impact of these recent events.
- Following our review of this transaction under our relevant criteria, we have raised our ratings on these tranches and resolved our CreditWatch placements.
- Bancaja 6 is a Spanish RMBS transaction that closed in December 2003 and securitizes first-ranking mortgage loans. Caja de Ahorros de Valencia Castellón y Alicante (now Bankia) originated the underlying collateral, mainly in the Valencia region.

LONDON (S&P Global Ratings) June 4, 2018--S&P Global Ratings today raised and removed from CreditWatch positive its credit ratings on Bancaja 6 Fondo de Titulizacion de Activos' class A2, B, and C notes.

Today's rating actions follow the application of our relevant criteria and our full analysis of the most recent transaction information that we have received, and reflect the transaction's current structural features (see "Related Criteria"). We have also considered our updated outlook assumptions for the Spanish residential mortgage market (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on April 17, 2018).

Our structured finance ratings above the sovereign (RAS) criteria classify the sensitivity of this transaction as moderate (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016). Therefore, after our March 23, 2018 upgrade of Spain to 'A-' from 'BBB+', the highest rating that we can assign to the senior-most tranche in this transaction is six notches above the Spanish sovereign rating, or 'AAA (sf)', if certain conditions are met (see "Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive"). For all the other tranches, the highest rating that we can assign is four notches above the sovereign rating.

Credit Suisse International (A/Stable/A-1) is the swap counterparty in the deal. We do not consider the replacement language in the swap agreement to be in line with our current counterparty criteria, although it does feature a replacement framework that we give some credit to in our analysis. Under our current counterparty criteria, our ratings are capped at our long-term issuer credit rating (ICR) on the corresponding swap counterparty, plus one notch, 'A+'. We have therefore analyzed the transaction without giving benefit to the swap agreement. Our ratings on all of the notes are subsequently delinked from the long-term ICR on the swap counterparty.

Our European residential loans criteria, as applicable to Spanish residential loans, establish how our loan-level analysis incorporates our current opinion of the local market outlook (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017). Our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain, is benign. Therefore, we revised our expected level of losses for an archetypal Spanish residential pool at the 'B' rating level to 0.9% from 1.6%, in line with table 87 of our European residential loans criteria, by lowering our foreclosure frequency assumption to 2.00% from 3.33% for the archetypal pool at the 'B' rating level (see "Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on April 17, 2018).

After applying our European residential loans criteria to this transaction, the overall effect in our credit analysis results is a decrease in the required credit coverage for each rating level compared with our previous review, mainly driven by our revised foreclosure frequency assumptions.

Rating level	WAFF (%)	WALS (%)
AAA	23.25	2.35
AA	15.79	2.00

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A	11.95	2.00
BBB	8.84	2.00
BB	5.79	2.00
B	3.46	2.00

WAFF--Weighted average foreclosure frequency. WALs--Weighted average loss severity.

Since our previous review, Bancaja 6's class A2, B, and C notes' credit enhancement has increased to 25.7%, 14.2%, and 9.8%, respectively, from 24.9%, 13.4%, and 9.0%. The amortization of the notes is currently pro rata.

Following the application of our criteria, we have determined that our assigned ratings on the classes of notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of notes can attain under our European residential loans criteria.

The application of our European residential loans criteria and related credit and cash flow analysis indicates that the available credit enhancement for the class A2 notes is commensurate with a 'AAA (sf)' rating. Furthermore, under our RAS criteria, this class of notes can be rated up to six notches above our unsolicited 'A-' long-term sovereign rating on Spain. We have therefore raised to 'AAA (sf)' from 'AA+ (sf)' and removed from CreditWatch positive our rating on the class A2 notes.

The application of our European residential loans criteria and related credit and cash flow analysis indicate that the class B and C notes can achieve a 'AA+ (sf)' rating. However, the application of our RAS criteria caps our rating on these classes of notes at four notches above our unsolicited 'A-' long-term sovereign rating on Spain. We have therefore raised to 'AA (sf)' from 'AA- (sf)' and removed from CreditWatch positive our ratings on the class B and C notes.

Bancaja 6 is a Spanish residential mortgage-backed securities (RMBS) transaction that closed December 2003 and securitizes first-ranking mortgage Loans. Caja de Ahorros de Valencia Castellón y Alicante (Bancaja; now Bankia) originated the underlying collateral, mainly in the Valencia region.

RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016

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- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

### RELATED RESEARCH

- Spanish RMBS Index Report Q1 2018, May 24, 2018
- Ratings On 213 Tranches In 82 Spanish RMBS Transactions Placed On CreditWatch Positive, April 24, 2018
- Outlook Assumptions For The Spanish Residential Mortgage Market, April 17, 2018
- Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans, April 17, 2018
- Reduced Funding Risks Lead To Upgrades At Several Spanish Banks, April 6, 2018
- Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive, March 23, 2018
- Rating On Spanish RMBS Transaction Bancaja 6's Class C Notes Raised Following Review; Other Ratings Affirmed, Nov. 27, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

### RATINGS LIST

Class	Rating
To	From

Bancaja 6, Fondo de Titulizacion de Activos  
€2.08 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised And Removed From CreditWatch Positive

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A2	AAA (sf)	AA+ (sf) Watch Pos
B	AA (sf)	AA- (sf) Watch Pos
C	AA (sf)	AA- (sf) Watch Pos

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