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Dirección General de Mercados e Inversores  
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Madrid

## **COMUNICACIÓN DE OTRA INFORMACIÓN RELEVANTE**

### **PROGRAMA CÉDULAS TDA, FONDO DE TITULIZACIÓN DE ACTIVOS Actuaciones sobre las calificaciones de los bonos por parte de Fitch Ratings.**

Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A. comunica la siguiente información relevante:

I. Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Fitch Ratings, con fecha 7 de Diciembre de 2022, donde se lleva a cabo la siguiente actuación:

- Serie A5 ISIN: ES0371622046, desde **A- (sf) / perspectiva de revisión pendiente de evolución en criterio de observación** a **A+ (sf) / perspectiva estable**.
- Serie A6 ISIN: ES0371622020, desde **A- (sf) / perspectiva de revisión pendiente de evolución en criterio de observación** a **A+ (sf) / perspectiva estable**.

En Madrid a 9 de Diciembre de 2022

Ramón Pérez Hernández  
Consejero Delegado

**RATING ACTION COMMENTARY**

# Fitch Upgrades 3 Spanish MICH Ratings; Affirms 4

Wed 07 Dec, 2022 - 10:16 ET

Fitch Ratings - Madrid - 07 Dec 2022: Fitch Ratings has upgraded three Spanish multi-issuer Cédulas Hipotecarias (MICH) transactions and affirmed four. At the same time, Fitch has removed the entire MICH sector from Rating Watch Evolving (RWE) and Under Criteria Observation (UCO). The Outlooks are Stable. A full list of rating actions is below.

## **KEY RATING DRIVERS**

**Weakest CH Profile:** The rating actions reflect the risk profile of the weakest CHs (Cédulas Hipotecarias, Spanish mortgage covered bonds) identified for each MICH transaction in accordance with Fitch's Covered Bonds Rating Criteria. The weakest CHs have been identified following individual analysis on each participating CH considering the issuer profile, rating uplifts above the issuer, payment continuity assessment, over-collateralisation (OC) protection from cover assets and recoveries given default. The Stable Outlook on the MICH ratings mirrors that on the weakest participating CHs.

The resolution and the removal from RWE and UCO status on each MICH rating reflects the application of Fitch's new analytical approach, and accounts for the recent developments in the CH legal framework driven by the implementation of the EU Covered Bonds Directive in Spain (see "Fitch Places 7 MICH Ratings Under Criteria Observation; Revises Rating Watch to Evolving" dated 10 August 2022).

**CH Privileged Position:** The rating analysis on each participating CH recognises the first-ranking rights of CH holders against the segregated mortgage cover pool of each

bank, the CH exemption from bail-in under an issuer resolution scenario, the payment continuity expectation if and when recourse to the cover pool is enforced, and the solid recovery prospects in the event of CH defaulting.

Fitch has granted a resolution uplift ranging between one and two notches to the participating CH issuers, a payment continuity uplift (PCU) of three notches to all CHs recognising the mandatory 180-day liquidity protection as per the updated regime and the hard bullet amortisation profile of CHs, and two notches of recovery uplifts as Fitch has not identified any material downside risk to recoveries given default.

**Reduced and Compatible OC:** The relied-upon OC ratios established by Fitch for the eight participating CH issuers range between 20.0% and 25.5%. This is based on the agency's OC projections, which account for information received from the banks instead of the lowest OC of the past 12 months. This is because we consider the benchmark OC of the past 12 months is not indicative of future levels due to the significant changes to the CH framework driven by the implementation of the EU Directive.

The relied upon OC ratios fully mitigate the stresses under the 'A+' scenario commensurate with the MICH ratings. The average nominal OC ratio across the participating CH issuers reduced to 52% as of September 2022 from 426% in June 2022, reflecting the implementation of the EU Directive, as issuers register selected mortgages to form the cover pools. Previously the entire non-securitised mortgage book served as collateral for CH.

**High Quality Cover Pool:** The credit quality of the cover pools has improved materially versus the old CH regime. For instance, the share of residential mortgages relative to the total cover pool balance increased to 93% in average as of September 2022 (versus 85% in June 2022), and Fitch's 'B' scenario portfolio loss rate reduced to 2.3% (3.9% before). Fitch's credit analysis assumes a normalised level of non-performing loans (NPLs), reflecting the macroeconomic outlook in Spain and that NPLs can remain within the cover pools as per the new legal regime.

**Criteria Variation:** When assessing the credit risk of the SME and real estate developer sub-pools of two participating CHs, Fitch used its MICH model instead of Portfolio Credit Model (PCM) despite the combined exposure to these assets being larger than the 10% limit relative to the total cover pool balance as defined by the Covered Bonds Rating Criteria. The variation is justified as the combined exposure is marginally above the defined threshold (11% and 12%) and is not expected to grow.

The variation has no rating impact.

**Rating Cap for Timely Payments:** Fitch's analysis applied a timely payment rating level cap to four CH issuers considering that the liquidity arrangements chosen by the issuers are exposed to significant concentration risk in very few high-quality liquid assets (HQLA) and no minimum ratings or replacement provisions are in place. In these cases, out of the three notches of PCU assigned only one notch is being used.

## **RATING SENSITIVITIES**

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

- For the weakest CHs a liquidity protection mechanism comprising diversified HQLA, or the introduction of minimum ratings and replacement provisions on HQLAs, offering greater protection in scenarios of higher stress, subject to OC sufficiency.
- An upgrade of the Issuer Default Rating (IDR) of the weakest participating CH issuers could lead to an upgrade of the MICH ratings, subject to OC sufficiency and structural features.
- If Fitch's Exposure Draft: Iberian Recovery Rate Assumptions Rating Criteria is approved as currently presented, no changes to the MICH ratings are expected because the timely payment rating level cap on the weakest CHs would remain in place.

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

- The relied upon OC ratios are lower than the break-even OC for the respective rating scenario. Break-even OC ratios for a given rating can be affected by the profile of the cover assets relative to outstanding CHs, and can change over time.
- If the nominal OC of any of the weakest CHs falls to the legal minimum of 5%, a one-notch downgrade would take place.
- A downgrade of the IDR of the participating CH issuers could lead to a downgrade of the MICH ratings.

## **BEST/WORST CASE RATING SCENARIO**

International scale credit ratings of Financial Institutions and Covered Bond issuers

have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three 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 four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. 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>

## **CRITERIA VARIATION**

When assessing the credit risk of the SME and real estate developer sub-pools of two participating CHs, Fitch used its MICH model instead of the PCM, despite the combined exposure to these assets being larger than the 10% limit relative to the total cover pool balance as defined by the Covered Bonds Rating Criteria. The variation is justified as the combined exposure is marginally above the defined threshold (11% and 12%) and is not expected to grow. The variation has no rating impact.

## **SOURCES OF INFORMATION**

The rating analysis used cover pool and CH information received from each CH issuer or the transaction trustees as of 30 September 2022.

## **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.

For one of the weakest CH issuers, Fitch's analysis took into account the expected developments of certain cover pool features instead of the actual ratios reported as of September 2022, particularly a higher interest rate payable by fixed rate mortgages. This reflects the strategy of the Spanish mortgage sector to originate new mortgages at higher interest rates in an inflationary environment. Moreover, the analysis assumed lower exposure to broker-originated loans than the reported figure justified by our data validation assessment against peers, and an exposure to self-employed borrowers in line with the market average in the absence of the specific ratio.

## **PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS**

MICH ratings reflect the risk profile of the weakest CH(s) within the portfolio. The creditworthiness of each CH is primarily driven by the credit risk of the issuing entity, as measured by its IDR.

## ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit [www.fitchratings.com/esg](http://www.fitchratings.com/esg)

## RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
AyT Cedulas Cajas Global, FTA		
senior secured, Mortgage Covered Bonds, MICH Series X	LT A+ Rating Outlook Stable Affirmed	A+
senior secured, Mortgage Covered Bonds, MICH Series III	LT A+ Rating Outlook Stable Affirmed	A+
senior secured, Mortgage Covered Bonds, MICH Series XIII	LT A+ Rating Outlook Stable Affirmed	A+
AyT Cedulas Cajas X, FTA		
senior secured, Mortgage Covered Bonds, MICH Series B	LT A+ Rating Outlook Stable Affirmed	A+

Programa Cedulas

TDA, FTA

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senior secured, Mortgage Covered Bonds, MICH Series A5	LT	A+ Rating Outlook Stable	A-
		Upgrade	

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senior secured, Mortgage Covered Bonds, MICH Series A6	LT	A+ Rating Outlook Stable	A-
		Upgrade	

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CEDULAS TDA 6, FTA

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senior secured, Mortgage Covered Bonds, MICH	LT	A+ Rating Outlook Stable	A-
		Upgrade	

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[VIEW ADDITIONAL RATING DETAILS](#)

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## **PARTICIPATION STATUS**

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

## **APPLICABLE CRITERIA**

[Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria \(pub. 20 Sep 2021\)](#)

[Global Structured Finance Rating Criteria \(pub. 26 Oct 2021\) \(including rating assumption sensitivity\)](#)

[Structured Finance and Covered Bonds Country Risk Rating Criteria \(pub. 15 Jul 2022\)](#)

[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 29 Jul 2022\)](#)

[Covered Bonds Ratings Criteria \(pub. 22 Nov 2022\) \(including rating assumption sensitivity\)](#)

## **APPLICABLE MODELS**

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

[Covered Bonds Cash Flow Model, v2.1.1 \(1\)](#)

[MICH Model, v4.37.0 \(1\)](#)



Portfolio Credit Model, v2.15.1 ([19 Oct 2021](#), [08 Sep 2022](#), [17 Sep 2021](#), [21 Sep 2022](#))

ResiGlobal Model: Europe, v1.8.3 ([11 Nov 2022](#), [11 Nov 2022](#))

## **ADDITIONAL DISCLOSURES**

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

## **ENDORSEMENT STATUS**

AyT Cédulas Cajas Global, FTA	EU Issued, UK Endorsed
AyT Cédulas Cajas X, FTA	EU Issued, UK Endorsed
CEDULAS TDA 6, FTA	EU Issued, UK Endorsed
Programa Cédulas TDA, FTA	EU Issued, UK Endorsed

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Structured Finance: Covered Bonds    Non-Bank Financial Institutions

Structured Finance    Banks    Europe    Spain

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