

Various Rating Actions Taken In Spanish SME CLO Transaction FTPYME Bancaja 6 Following Criteria Update

Publication date: 10-Nov-2014 08:42:24 EST

[View Analyst Contact Information](#)

OVERVIEW

- We have reviewed FTPYME Bancaja 6 under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating.
- We have also applied our SME CLO and current counterparty criteria to perform our credit and cash flow analysis.
- Following our review, we have raised to 'A+ (sf)' from 'A (sf)' our rating on the class A3(G) notes and have affirmed our 'D (sf)' ratings on the class B, C, and D notes.
- FTPYME Bancaja 6 is a single-jurisdiction cash flow CLO transaction backed by SME loans. It closed in September 2007 and is currently amortizing.

LONDON (Standard & Poor's) Nov. 10, 2014--Standard & Poor's Ratings Services today raised to 'A+ (sf)' from 'A (sf)' its credit rating on FTPYME Bancaja 6, Fondo de Titulizacion de Activos' class A3(G) notes. At the same time, we have affirmed our 'D (sf)' ratings on the class B, C, and D notes (see list below).

Upon publishing our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we placed those ratings that could potentially be affected "under criteria observation" (see "[EMEA Structured Finance, Covered Bond, And Multicedulas Ratings Placed Under Criteria Observation](#)" and "[Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance](#)," published on Sept. 18, 2014 and Sept. 19, 2014, respectively).

Following our review of this transaction, our ratings that could potentially be affected by the criteria are no longer under criteria observation.

We have used data from the September 2014 investor report to perform our credit and cash flow analysis and have applied our European small and midsize enterprise (SME) collateralized loan obligation (CLO) criteria and our current counterparty criteria (see "[European SME CLO Methodology And Assumptions](#)," published on Jan. 10, 2013, and "[Counterparty Risk Framework Methodology And Assumptions](#)," published on June 25, 2013). For ratings in this transaction that are above our rating on the sovereign, we have also applied our RAS criteria.

CREDIT ANALYSIS

FTPYME Bancaja 6 is a single-jurisdiction cash flow CLO transaction securitizing a portfolio of SME loans that was originated by Bankia S.A. in Spain. The transaction closed in September 2007.

We have applied our European SME CLO criteria to determine the scenario default rate (SDR)--the minimum level of portfolio defaults that we expect each tranche to be able to withstand at a specific rating level using CDO Evaluator.

To determine the SDR, we adjusted the archetypical European SME average 'b+' credit quality to reflect two factors (country and originator and portfolio selection adjustments).

We ranked the originator into the moderate category (see tables 1, 2, and 3 in our European SME CLO criteria). Taking into account Spain's Banking Industry Country Risk Assessment (BICRA) score of 6 and the originator's average annual observed default frequency, we have applied a downward adjustment of one notch to the 'b+' archetypical average credit quality (see "[Banking Industry Country Risk Assessment Update: November 2014](#)," published on Nov. 3, 2014). To address differences in the creditworthiness of the securitized portfolio compared with the originator's entire loan book, we further adjusted the average credit quality by three notches (see table 4 in our European SME CLO criteria).

As a result of these adjustments, our average credit quality assessment of the portfolio was 'ccc', which we used to generate our 'AAA' SDR of 88.52%.

We have calculated the 'B' SDR, based primarily on our analysis of historical SME performance data and our projections of the transaction's future performance. We have reviewed the originator's historical default data, and assessed market developments, macroeconomic factors, changes in country risk, and the way these factors are likely to affect the loan portfolio's creditworthiness. As a result of this analysis, our 'B' SDR is 22%.

We interpolated the SDRs for rating levels between 'B' and 'AAA' in accordance with our European SME CLO criteria.

RECOVERY RATE ANALYSIS

We applied a weighted-average recovery rate (WARR) at each liability rating level by considering the asset type and its seniority, the country recovery grouping, and the observed historical recoveries in this transaction (see table 7 in our European SME CLO criteria).

COUNTRY RISK

Our long-term rating on the Kingdom of Spain is 'BBB'. Our RAS criteria require the tranche to have sufficient credit enhancement to pass a minimum of a "severe" stress to qualify to be rated above the sovereign (see "[Understanding Standard & Poor's Rating Definitions](#)," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

CASH FLOW ANALYSIS

We used the reported portfolio balance that we considered to be performing, the principal cash balance, the current weighted-average spread, and the weighted-average recovery rates that we considered to be appropriate. We subjected the capital structure to various cash flow stress scenarios, incorporating different default patterns and timings and interest rate curves, to determine the rating level, based on the available credit enhancement for each class of notes under our European SME CLO criteria.

Under our RAS criteria, we can rate a securitization up to four notches above our foreign currency rating on the sovereign if the tranche can withstand "severe" stresses. However, if all six of the conditions in paragraph 48 of the RAS criteria are met (including credit enhancement being sufficient to pass an extreme stress), we can assign ratings in this transaction up to a maximum of six notches (two additional notches of uplift) above the sovereign rating. The available credit enhancement for the class A3(G) notes withstands "severe" stresses. We have therefore raised to 'A+ (sf)' from 'A (sf)' our rating on the class A3(G) notes.

Given that the rating levels for the class B, C, and D notes are lower than

the sovereign ratings, we have not applied our RAS criteria. Following their payment default at the time of our Feb. 19, 2013 review, we have affirmed our 'D (sf)' ratings on the class B, C, and D notes (see "[Ratings Lowered To 'D \(sf\)' On SME CLO Transaction FTPYME Bancaja 6's Class B And C Notes Due To Interest Shortfall](#)").

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>.

RELATED CRITERIA AND RESEARCH

Related Criteria

- [Global Framework For Assessing Operational Risk In Structured Finance Transactions](#), Oct. 9, 2014
- [Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance](#), Sept. 19, 2014
- [Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs](#), Aug. 1, 2014
- [Counterparty Risk Framework Methodology And Assumptions](#), June 25, 2013
- [European SME CLO Methodology And Assumptions](#), Jan. 10, 2013

Related Research

- [Banking Industry Country Risk Assessment Update: November 2014](#), Nov. 3, 2014
- [Standard & Poor's Ratings Definitions](#), Sept. 22, 2014
- [EMEA Structured Finance, Covered Bond, And Multicedulas Ratings Placed Under Criteria Observation](#), Sept. 18, 2014
- [European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors](#), July 8, 2014
- [Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality](#), July 2, 2014
- [Various Rating Actions Taken In Spanish SME CLO Transaction FTPYME Bancaja 6 Following European SME CLO Criteria Update](#), April 25, 2013
- [Ratings Lowered To 'D \(sf\)' On SME CLO Transaction FTPYME Bancaja 6's Class B And C Notes Due To Interest Shortfall](#), Feb. 19, 2013
- [European SME Mapping Model](#), Jan. 25, 2013
- [S&P Announcement: CDO Evaluator Version 6.0.1 Released](#), Aug. 7, 2012

RATINGS LIST

Class	Rating	Rating
	To	From
FTPYME Bancaja 6, Fondo de Titulizacion de Activos €1.028 Billion Mortgage-Backed Floating-Rate Notes		

Rating Raised

A3(G)	A+ (sf)	A (sf)
-------	---------	--------

Ratings Affirmed

B	D (sf)
C	D (sf)
D	D (sf)

Primary Credit Analyst: Sandeep Chana, London (44) 20-7176-3923;
sandeep.chana@standardandpoors.com

Secondary Contacts: Aleem I Akhtar, London +44 (0) 207 176 8532;
aleem.akhtar@standardandpoors.com

Matthew Jones, London (44) 20-7176-3591;
matthew.jones@standardandpoors.com

Virginie Couchet, Madrid (34) 91-389-6959;
virginie.couchet@standardandpoors.com

Additional Contact: Structured Finance Europe;
StructuredFinanceEurope@standardandpoors.com

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P. The Content shall not be used for any unlawful or unauthorized purposes. S&P, its affiliates, and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P's opinions and analyses do not address the suitability of any security. S&P does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1) 212-438-7280 or by e-mail to: research_request@standardandpoors.com.

[Legal Disclaimers](#) | [Terms of Use](#) | [Privacy and Cookie Notice](#) | [Contact Us](#)

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

Reproduction and distribution of this information in any form is prohibited except with the prior written permission of Standard & Poor's. Standard & Poor's does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. STANDARD & POOR'S GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. STANDARD & POOR'S shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

(including lost income or profits and opportunity costs) in connection with any use of this information, including ratings. Standard & Poor's ratings are statements of opinion or recommendations to purchase, hold or sell securities. They do not address the market value of securities or the suitability of securities for investment purposes. Please read our complete disclaimer [here](#).