



STANDARD & POOR'S RATINGS SERVICES

McGRAW HILL FINANCIAL

Rating Affirmed On BANCAJA - BVA VPO 1's Class A Spanish RMBS Notes Following Sovereign Upgrade

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OVERVIEW

On Oct. 2, 2015, we raised to 'BBB+' from 'BBB' our long-term rating on Spain.

On Oct. 30, 2015, we placed on CreditWatch positive our ratings on certain classes of Spanish RMBS and ABS notes that could be affected by this upgrade, including our rating on BANCAJA - BVA VPO I's class A notes. Following the application of our criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating, we have affirmed and removed from CreditWatch positive our 'A (sf)' rating on the class A notes.

BANCAJA - BVA VPO 1 is a Spanish RMBS transaction, which closed in April 2009 and we first rated in March 2011.

MOSCOW (Standard & Poor's) Jan. 22, 2016--Standard & Poor's Ratings Services today affirmed and removed from CreditWatch positive its 'A (sf)' credit rating on BANCAJA - BVA VPO 1 FONDO DE TITULIZACION DE ACTIVOS' class A notes.

Today's affirmation follows our Oct. 2, 2015 raising to 'BBB+' from 'BBB' of our long-term sovereign rating on Spain and the application of our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria; see "[Kingdom of Spain Upgraded To 'BBB+' On Reforms; Outlook Stable](#)," published on Oct. 2, 2015, and "[Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance](#)," published on May 29, 2015).

On Oct. 30, 2015, we placed on CreditWatch positive our ratings on certain classes of Spanish residential mortgage-backed securities (RMBS) and asset-backed securities (ABS) notes that could be affected by our upgrade of Spain, including our rating on BANCAJA - BVA VPO I's class A notes (see "[Ratings On 88 Spanish RMBS And ABS Tranches Placed On CreditWatch Positive Following Sovereign And Bank Rating Actions](#)").

We have also applied our Spanish RMBS criteria and current counterparty criteria as part of our analysis (see "[Italy And Spain RMBS Methodology And Assumptions](#)," published on Sept. 18, 2014, and "[Counterparty Risk Framework Methodology And Assumptions](#)," published on June 25, 2013).

Under our RAS criteria, we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so repay timely interest and principal by legal final maturity.

Our RAS criteria designate the country risk sensitivity for RMBS as moderate. Under our RAS criteria, this transaction's notes can therefore be rated four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a severe stress. However, if all six of the conditions in paragraph 44 of the RAS criteria are met, we can assign ratings to the

senior-most classes of notes in this transaction up to a maximum of six notches (two additional notches of uplift) above the sovereign rating, subject to credit enhancement being sufficient to pass an extreme stress (see "[Understanding Standard & Poor's Ratings Definitions](#)," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

Following the application of our RAS criteria, our current counterparty criteria, and our RMBS criteria, we have determined that our assigned rating on each class 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 current counterparty criteria, and (iii) the rating that the class of notes can attain under our RMBS criteria. The application of our current counterparty criteria constrains our rating on the class A notes.

Severe delinquencies of more than 90 days, at 1.09%, are on average lower for this transaction than our Spanish RMBS index (see "[Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly](#)," published on Sept. 11, 2015). Defaults are defined as mortgage loans in arrears for more than 18 months in this transaction. Cumulative defaults represent 0.9%. This transaction features a non-amortizing reserve fund, which currently represents 10.47% of the outstanding balance of the mortgage assets.

Our credit and cash flow analysis indicates that the available credit enhancement for the class A notes is sufficient to withstand our stresses at the 'AA (sf)' rating level under our RMBS criteria. However, the application of our RAS criteria caps our rating on this class of notes at 'AA- (sf)', four notches above our long-term rating on the sovereign.

Banco Santander S.A. (A-/Stable/A-2) is the bank account provider in this transaction. Under our current counterparty criteria, the replacement language in the transaction documents relating to the bank account provider, caps the maximum potential rating on the class A notes at 'A (sf)'. We have therefore affirmed and removed from CreditWatch positive our 'A (sf)' rating on the class A notes.

We also consider credit stability in our analysis (see "[Methodology: Credit Stability Criteria](#)," published on May 3, 2010). To reflect moderate stress conditions, we adjusted our weighted-average foreclosure frequency (WAFF) assumptions by assuming additional arrears of 8% for one- and three-year horizons, for 30-90 days arrears, and 90+ days arrears. This did not result in our ratings deteriorating below the maximum projected deterioration that we would associate with each relevant rating level, as outlined in our credit stability criteria.

In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our RMBS criteria, to reflect this view (see "[Outlook Assumptions For The Spanish Residential Mortgage Market](#)," published on Sept. 18, 2014). We base these assumptions on our expectation of continuing high unemployment in 2016.

Spain's economic recovery is gaining momentum, but is currently only supporting a marginal improvement in the collateral performance of transactions in our Spanish RMBS index. Despite positive macroeconomic indicators and low interest rates, persistent high unemployment and low household income ratios continue to constrain the RMBS sector's nascent recovery, in our view.

We expect severe arrears in the portfolios to remain vulnerable to downside risks. These include high unemployment and fiscal tightening. On the positive side, we expect interest rates to remain low for the foreseeable future and

stronger economic growth.

BANCAJA - BVA VPO 1 is a Spanish RMBS transaction, which closed in April 2009 and we first rated in March 2011. It securitizes a pool of Spanish state-subsidized and non-subsidized mortgage loans that Caja de Ahorros de Valencia Castellón y Alicante (Bancaja; now Bankia S.A.) and Banco de Valencia S.A. (now CaixaBank S.A.) originated, mainly in the Valencia region.

RELATED CRITERIA AND RESEARCH

Related Criteria

[Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance](#), May 29, 2015

[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

[Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds](#), Dec. 7, 2014

[Global Framework For Assessing Operational Risk In Structured Finance Transactions](#), Oct. 9, 2014

[Italy And Spain RMBS Methodology And Assumptions](#), Sept. 18, 2014

[Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance](#), Sept. 13, 2013

[Counterparty Risk Framework Methodology And Assumptions](#), June 25, 2013

[Global Derivative Agreement Criteria](#), June 24, 2013

[Criteria Methodology Applied To Fees, Expenses, And Indemnifications](#), July 12, 2012

[Global Investment Criteria For Temporary Investments In Transaction Accounts](#), May 31, 2012

[Methodology: Credit Stability Criteria](#), May 3, 2010

[Use Of CreditWatch And Outlooks](#), Sept. 14, 2009

[Understanding Standard & Poor's Ratings Definitions](#), June, 3, 2009

Related Research

[Eurozone Recovery: Hangin' In There Despite Weak Foreign Demand](#), Nov. 25, 2015

[Ratings On 88 Spanish RMBS And ABS Tranches Placed On CreditWatch Positive Following Sovereign And Bank Rating Actions](#), Oct. 30, 2015

[Kingdom of Spain Upgraded To 'BBB+' On Reforms; Outlook Stable](#), Oct. 2, 2015

[Eurozone Economic Outlook: Steady For Now, Despite Slower World Trade](#), Sept. 30, 2015

[Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly](#), Sept. 11, 2015

[Low Lending Rates And Stronger Economic Growth Are Reviving Europe's Housing Markets](#), July 30, 2015

[2015 EMEA RMBS Scenario And Sensitivity Analysis](#), Aug. 6, 2015

[Outlook Assumptions For The Spanish Residential Mortgage Market](#), 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

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