

Rating On Spanish RMBS Transaction Bancaja 6's Class C Notes Raised Following Review; Other Ratings Affirmed

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OVERVIEW

- We have reviewed Bancaja 6 by conducting our credit and cash flow analysis under our European residential loans criteria, our structured finance RAS criteria, and our current counterparty criteria.
- Following our review, we have raised our rating on the class C notes.
- At the same time, we have affirmed our ratings on the class A2 and B notes.
- 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.

MADRID (S&P Global Ratings) Nov. 27, 2017--S&P Global Ratings today raised its credit rating in Bancaja 6 Fondo de Titulizacion de Activos' class C notes. At the same time, we have affirmed our ratings on the class A2 and B notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received and the August 2017 investor report. Our analysis reflects the application of our European residential loans criteria, our structured finance ratings above the sovereign

(RAS) criteria, and our current counterparty criteria (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017, "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

The transaction features an interest deferral trigger for the class B and C notes. If triggered, the interest payments are subordinated below principal in the priority of payments. These triggers are based on the outstanding balance of 90+ day arrears as a percentage of the closing collateral balance. Given the low level of 90+ day arrears, currently around 0.40%, and the low pool factor (below 12%), we do not expect these triggers to be breached during the transaction's life.

Available credit enhancement for the class A2, B, and C notes has increased since our previous review (see "Various Rating Actions Taken In Spanish RMBS Transactions Bancaja 5-7, And 10 After Sovereign And Counterparty Actions," published on Dec. 1, 2015). This is mainly due to the reserve fund being at its floor level, which is 1% of the closing collateral balance (€20.8 million). Additionally, the reserve fund cannot amortize.

Class	Available credit enhancement, excluding defaulted loans (%)
A2	24.57
B	13.07
C	8.57

Severe delinquencies of more than 90 days, excluding defaults, are 0.41%, which is below our Spanish residential mortgage-backed securities (RMBS) index, (see "Spanish RMBS Index Report Q3 2017," published on Nov. 22, 2017).

Mortgage loans in arrears for more than 18 months are classified as defaulted in this transaction, and, consequently, artificially written off. The outstanding balance of defaulted assets is significantly lower than in other Spanish RMBS transactions that we rate, at 1.77%. Cumulative defaults only represent 0.62% of the closing balance.

About 53% of the collateral pool is concentrated in the Valencia region, which was the home region of the originator. As per our European residential loans criteria, we have factored this in our credit analysis by applying adjustment factors to the foreclosure frequency.

After applying our European residential loans criteria to this transaction, our credit analysis results show a decrease in the weighted-average foreclosure frequency (WAFF) and a decrease in the weighted-average loss severity (WALS) for all rating levels.

The current WAFF level reflects the low level of arrears in the transaction as

well as the benefit from the increased seasoning. We have reflected the recent performance data, in combination with improved macroeconomic conditions, and more specifically the decrease in the unemployment rate, by not projecting arrears in addition to the existing arrears in the pool in our credit analysis. The decreased WALs factors in the decrease in the current loan-to-value ratio, due to the pool's amortization, coupled with the application of our revised market value decline assumptions. The overall effect is a decrease in the required credit coverage for all rating levels.

Rating level	WAFf (%)	WALS (%)
AAA	23.43	2.00
AA	17.33	2.00
A	14.16	2.00
BBB	10.28	2.00
BB	6.46	2.00
B	5.39	2.00

Our European residential loans criteria set the minimum projected losses at 4.00% at the 'AAA' rating level and 0.35% at the 'B' rating level. The WALs maintained their pool-level floor. However, as the pool attributes indicate better credit quality than the archetype, we considered these features when calculating the projected loss that we modeled to meet the minimum floor under our criteria.

Our credit and cash flow analysis indicates that the class A2, B, and C notes pass our stresses at the 'AAA', 'AA+', and 'AA' rating levels, excluding the support from the swap. Our RAS criteria designate the country risk sensitivity for RMBS as moderate. Our credit and cash flow analysis indicates that the notes have sufficient credit enhancement to withstand our stresses at the 'AA+' rating level for the class A2 notes, and at the 'AA-' rating level for the class B and C notes. Additionally, our RAS criteria cap our ratings in this transaction at six notches above our 'BBB+' foreign currency long-term sovereign rating on Spain for the class A2 notes and at four notches above our rating on Spain for the class B and C notes. We have therefore affirmed our 'AA+ (sf)' and 'AA- (sf)' ratings on the class A2 and B notes, respectively. At the same time, we have raised to 'AA- (sf)' from 'A+ (sf)' our rating on the class C notes.

Citibank Europe PLC (Madrid Branch) is the transaction account provider. Therefore, in accordance with our bank branch criteria, we rely on the rating on the parent company, Citibank Europe PLC (A+/Stable/A-1) and the sovereign rating on the Kingdom of Spain to derive our rating on the counterparty (see "Methodology Applied To Bank Branch-Supported Transactions," published on Oct. 14, 2013). The downgrade language in the transaction account agreement is in line with our current counterparty criteria. Therefore, this counterparty does not cap our ratings on the notes.

The collection account is held with Bankia S.A. in the servicer's name. The

documents reflect that no later than two days after the reception of the collections, the available funds are transferred to the transaction account in the name of the fund. As a consequence, the transaction is exposed to commingling risk. We have therefore stressed commingling risk as a loss of one month of interest and principal collections on day one.

Credit Suisse International (A/Stable/A-1) is the swap counterparty. 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.

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 European residential loans criteria, to reflect this view (see "Outlook Assumptions For the Spanish Residential Mortgage Market," published on June 24, 2016). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house price stabilization during 2017.

Bancaja 6 is a Spanish 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
- 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: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Spanish RMBS Index Report Q3 2017, Nov. 22, 2017
- As The Political Fog Shifts To The U.K., Prospects Are Improving In The Rest Of EMEA, Oct. 2, 2017
- Economic Research: This Time Is Different: The Eurozone Recovery Is Alive And Kicking, Oct. 2, 2017
- Kingdom Of Spain 'BBB+/A-2' Ratings Affirmed; Outlook Positive, Sept. 29, 2017
- Low Lending Rates Continue To Fuel Europe's Housing Market Recovery, Aug. 1, 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
- Outlook Assumptions For the Spanish Residential Mortgage Market, June 24, 2016
- Various Rating Actions Taken In Spanish RMBS Transactions Bancaja 5-7, And 10 After Sovereign And Counterparty Actions, Dec. 1, 2015

RATINGS LIST

Class	Rating
To	From

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

Rating Raised

C	AA- (sf)	A+ (sf)
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Ratings Affirmed

A	AA+ (sf)
B	AA- (sf)

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