



Fitch Affirms Six Spanish RMBS; Revises Outlook to Stable on 16

Tranches Ratings Endorsement Policy

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Fitch Ratings-London-17 April 2014: Fitch Ratings has revised the Outlooks on 16 Spanish RMBS tranches to Stable from Negative. It is also maintaining two tranches on Rating Watch Positive and affirmed the rest. The transactions reviewed are AyT Colaterales Caixa Galicia I (Galicia I), AyT Colaterales Caixa Galicia II (Galicia II), AyT Colaterales Global Hipotecario, FTA Serie AyT Colaterales Global Hipotecario Caja Cantabria I (Cantabria), Ayt Colaterales Global Hipotecario, FTA Serie Ayt Colaterales Global Hipotecario Caja Vital 1 (Vital), AyT Colaterales Global Hipotecario CCM 1 (CCM) and VAL Bancaja 1 FTA (Val Bancaja).

A full list of rating actions is available at the end of this commentary.

KEY RATING DRIVERS

Divergence in Asset Performance

As of the latest interest payment date (IPD), three month plus arrears (excluding defaults) ranged from 0.6% (Vital) to 2.8% (Galicia II) of the current collateral balances, comparable with Fitch's Spanish RMBS index (2.5%). The higher level of arrears in Galicia II can be attributed to the high portion of negative amortisation loans (97% of the initial pool) and non-resident borrowers (22% of the initial pool). The agency expects late stage arrears to translate into defaults on the upcoming payment dates, which will most likely lead to reserve fund draws given the low excess spread generated by the structure (annualised gross excess spread excluding recovery is at 0.13% of current pool balance). For this reason, the Outlook remains Negative on the most junior notes for Galicia II.

Higher Payment Rates

Annualised principal payment rate (PPR) were much higher for Galicia I (17%) and Galicia II (15%), compared with the market average (3.9%) while cumulative defaults remain low at 0.2% and 0.4% of initial pool balance for Galicia I and II respectively. Given the low cumulative defaults and high PPR, Fitch cannot rule out the possibility that some prepayments are the result of the originator (NCG Banco, rated BB+/Negative) refinancing troubled borrowers. The practice of refinancing troubled borrowers may not be sustainable indefinitely and therefore Fitch has applied conservative assumptions in its analysis and has not relied on the strong past performance of the transactions being maintained.

Resilient Structures

In the absence of hedging in CCM and Val Bancaja, in the analysis of the transactions Fitch applied stresses to account for the mismatch between the portion of loans paying 12 month Euribor (99%) and the interest payable on the notes. As the swap counterpart in Vital is not deemed to be eligible (Caja Vital) to perform this role, in its analysis of the transaction Fitch did not give any credit to the basis swap agreement. Fitch found that the resulting reduction in excess spread has no impact on the ratings and the available credit enhancement (CE) is sufficient to withstand the resulting stresses for CCM, Val Bancaja and Vital.

Reserve Fund below Target

Reserve fund for Cantabria currently stands at 73% of target, and Fitch expects further defaults and low excess spread (annualised stable at 4bp) to cause further reserve fund draws in the next 18 months. This is reflected in the Negative Outlook on Cantabria's class C and D notes.

Val Bancaja's reserve fund currently stands at 93% of target, as a consequence of recent draws caused by large period defaults that could not be fully provisioned using excess spread. Fitch expects further reserve draws to be limited, given the low pipeline of late stage arrears and the large size of the reserve fund (currently at EUR27m). For this reason, Fitch revised the Outlook to Stable from Negative for all rated tranches of this transaction.

Reserve funds of Vital and CCM are at 93% and 16% of their respective targets, and are replenishing. Fitch expects these reserve funds to be replenished slowly to their targets given limited arrears and defaults, which is reflected in the Stable Outlooks for both transactions. The revision of Outlook on 16 tranches is due to the CE available having built up to comfortably withstand the respective rating stresses.

Rating Cap

The role of account bank in Cantabria, CCM and Val Bancaja is performed by Banco Santander, whose 'BBB+/'Stable rating can support a maximum rating of 'A+' according to Fitch's counterparty criteria.

RATING SENSITIVITIES

A change in Spain's Issuer Default Rating and Country Ceiling or the rating of direct support counterparties may result in a revision of the highest achievable rating.

An increase in defaults and associated pressure on excess spread levels and reserve funds beyond Fitch's expectations could result in negative rating actions.

The rating actions are as follows:

AyT Colaterales Caixa Galicia I (Galicia I):

Class A (ES0312273289) 'AA-sf'; remain on RWP

Class B (ES0312273297) affirmed at 'Asf'; Outlook revised to Stable from Negative

Class C (ES0312273305) affirmed at 'BB+sf'; Outlook revised to Stable from Negative

Class D (ES0312273313) affirmed at 'B+'; Outlook revised to Stable from Negative

AyT Colaterales Caixa Galicia II (Galicia II):

Class A (ES0312273404) affirmed at 'AA-sf'; Outlook Stable

Class B (ES0312273412) affirmed at 'Asf'; Outlook revised to Stable from Negative

Class C (ES0312273420) affirmed at 'BB-sf'; Outlook revised to Stable from Negative

Class D (ES0312273438) affirmed at 'Bsf'; Outlook Negative

AyT Colaterales Global Hipotecario, FTA Serie AyT Colaterales Global Hipotecario Caja Cantabria I (Cantabria):

Class A (ISIN ESO312273446): affirmed at 'A+sf'; Outlook revised to Stable from Negative

Class B (ISIN ESO312273453): affirmed at 'BBB+sf'; Outlook revised to Stable from Negative

Class C (ISIN ESO312273461): affirmed at 'BBsf'; Outlook Negative

Class D (ISIN ESO312273479): affirmed at 'Bsf'; Outlook Negative

AyT Colaterales Global Hipotecario, FTA Serie AyT Colaterales Global Hipotecario Caja Vital 1 (Vital):

Class A (ES0312273081) 'AA-sf'; remain on RWP

Class B (ES0312273099) affirmed at 'Asf'; Outlook revised to Stable from Negative

Class C (ES0312273107) affirmed at 'BBsf'; Outlook revised to Stable from Negative

Class D (ES0312273115) affirmed at 'Bsf'; Outlook revised to Stable from Negative

AyT Colaterales Global Hipotecario CCM 1 (CCM):

Class A (ISIN ESO312273248): affirmed at 'A-sf'; Outlook revised to Stable from Negative

Class B (ISIN ESO312273255): affirmed at 'BBsf'; Outlook revised to Stable from Negative

Class C (ISIN ESO312273263): affirmed at 'CCCs'; Recovery Estimate 75%

Class D (ISIN ESO312273271): affirmed at 'CCs'; Recovery Estimate 0%

VAL Bancaja 1 FTA

Class A1 (ISIN ES0339721005): affirmed at 'A+sf'; Outlook revised to Stable from Negative

Class A2 (ISIN ES0339721013): affirmed at 'A+sf'; Outlook revised to Stable from Negative

Class B (ISIN ES0339721021): affirmed at 'Asf'; Outlook revised to Stable from Negative

Class C (ISIN ES0339721039): affirmed at 'BBBsf'; Outlook revised to Stable from Negative

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In addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were Investor and Servicer Reports and loan-by-loan level data.

Applicable criteria, 'Global Structured Finance Rating Criteria' dated 24 May 2013, 'Counterparty Criteria for Structured Finance and Covered Bonds' dated 13 May 2013, 'Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum' dated 13 May 2013, 'EMEA Criteria Addendum - Spain- Amended' dated 20 March 2013, 'EMEA Residential Mortgage Loss Criteria' dated 6 June 2013, 'EMEA RMBS Cash Flow Analysis Criteria' dated 6 June 2013, 'EMEA RMBS Master Rating Criteria' dated 6 June 2013 and 'Global Criteria for Lenders' Mortgage Insurance in RMBS' dated 31 July 2013 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

Counterparty Criteria for Structured Finance and Covered Bonds
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum
EMEA Criteria Addendum - Spain - Amended
EMEA Residential Mortgage Loss Criteria
EMEA RMBS Cash Flow Analysis Criteria
EMEA RMBS Master Rating Criteria
Global Criteria for Lenders' Mortgage Insurance in RMBS

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