

FITCH TAKES RATING ACTIONS ON 4 SPANISH RMBS DEALS

Fitch Ratings-London-18 August 2014: Fitch Ratings has upgraded six and affirmed ten tranches of AyT Hipotecario BBK I (BBK I), AyT Hipotecario BBK II (BBK II), MBS Bancaja 1 and MBS Bancaja 2. A full list of rating actions is at the end of this commentary.

KEY RATING DRIVERS

Upgrades Driven by Rating Cap Revision

Fitch placed the class A notes of all four transactions and the class B notes of MBS Bancaja 1 and 2 on Rating Watch Positive (RWP) following the revision of Spain's Country Ceiling to 'AA+', six notches above its sovereign Issuer Default Rating (IDR) of 'BBB+'.

With the publication of its updated criteria assumptions for Spanish RMBS on 5 June 2014, Fitch set its assumptions for 'AA+sf' rating stresses used to analyse the ability of some senior tranches to withstand higher rating stresses. The analysis showed that the credit enhancement (CE) available to the six notes on RWP is sufficient to warrant a two-notch upgrade.

Solid Asset Performance

The affirmation of the remaining tranches reflects the asset performance of the transactions. As of the latest reporting periods, three-months plus arrears (excluding defaults) ranged from 0.78% (BBK II) to 2.2% (MBS Bancaja 2) of the current pool balances. Cumulative gross defaults (defined as loans in arrears for more than 18 months) ranged between 0.6% (BBK I) and 2.1% (MBS Bancaja 2) of the initial portfolio balance, all of which have been fully provisioned by using excess spread in BBK I and BBK II, leaving their reserve funds fully funded. Meanwhile, gross excess spread in MBS Bancaja 1 and MBS Bancaja 2 has been insufficient to fully cover period defaults, leading to draws on the reserve funds. The reserve funds were at 96% (MBS Bancaja 1) and 90% (MBS Bancaja 2) of their target amounts.

The Negative Outlook on the junior tranche in MBS Bancaja 2 reflects Fitch's expectation of future reserve draws, and the subsequent reduction in available credit enhancement for this tranche.

Swap Counterparty Risk Mitigated

Under Fitch's structured finance counterparty criteria, the ratings of the interest rate swap counterparty in BBK I and BBK II, Kutxabank (BBB/Positive/F3), are not eligible to support the highest-rated notes (AA+sf) in the transactions. To mitigate counterparty risk, the swap provider opened a swap collateral account with Barclays Bank plc (A/Stable/F1). The latest investor report shows that collateral posted is EUR4.5m for BBK I and EUR8.7m for BBK II.

RATING SENSITIVITIES

Deterioration in asset performance may result from economic factors, in particular the increasing effect of unemployment. A corresponding increase in new defaults and associated pressure on excess spread and reserve funds, beyond Fitch's assumptions, could lead to negative rating actions.

The rating actions are as follows:

AyT Hipotecario BBK I

Class A (ISIN ES0312364005): upgraded to 'AA+sf' from 'AA-sf'; off RWP, Outlook Stable

Class B (ISIN ES0312364013): affirmed at 'Asf'; Outlook Stable

Class C (ISIN ES0312364021): affirmed at 'BBsf'; Outlook Stable

AyT Hipotecario BBK II

Class A (ISIN ES0312251004): upgraded to 'AA+sf' from 'AA-sf'; off RWP, Outlook Stable

Class B (ISIN ES0312251012): affirmed at 'Asf'; Outlook Stable
Class C (ISIN ES0312251020): affirmed at 'BBsf'; Outlook Stable

MBS Bancaja 1

Class A (ISIN ES0361794003): upgraded to 'AA+sf' from 'AA-sf'; off RWP, Outlook Stable
Class B (ISIN ES0361794011): upgraded to 'AA+sf' from 'AA-sf'; off RWP, Outlook Stable
Class C (ISIN ES0361794029): affirmed at 'AA-sf'; Outlook Stable
Class D (ISIN ES0361794037): affirmed at 'A-sf'; Outlook Stable

MBS Bancaja 2

Class A (ISIN ES0361795000): upgraded to 'AA+sf' from 'AA-sf'; off RWP, Outlook Stable
Class B (ISIN ES0361795018): upgraded to 'AA+sf' from 'AA-sf'; off RWP, Outlook Stable
Class C (ISIN ES0361795026): affirmed at 'AA-sf'; Outlook Stable
Class D (ISIN ES0361795034): affirmed 'A-sf'; Outlook Stable
Class E (ISIN ES0361795042): affirmed at 'BB+sf'; Outlook Negative
Class F (ISIN ES0361795059): affirmed at 'CCsf'; Recovery Estimate 90%

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Additional information is available at www.fitchratings.com.

Sources of information - in addition to those mentioned in the applicable criteria, the sources of information used to assess the ratings were Investor and Servicer reports and loan-by-loan data provided by Ahorro y Titulizacion SGFT, SA and Europea de Titulizacion SGFT.

Applicable criteria 'Global Structured Finance Rating Criteria', dated 20 May 2014; 'EMEA RMBS Master Rating Criteria' dated 28 May 2014; 'EMEA Residential Mortgage Loss Criteria', dated 28 May 2014; 'EMEA RMBS Cash Flow Analysis Criteria' dated 28 May 2014; 'Criteria Addendum: Spain- Residential Mortgage Loss and Cash Flow Assumptions Criteria Addendum', dated 4 June 2014; 'Counterparty Criteria for Structured Finance Structured Finance and Covered Bonds' and 'Counterparty Criteria for Structured Finance Structured Finance and Covered Bonds: Derivative Addendum', dated 13 May 2014; 'Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds', dated 11 April 2014 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=754389

EMEA RMBS Master Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749271

EMEA Residential Mortgage Loss Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749272

EMEA RMBS Cash Flow Analysis Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749273

Criteria Addendum: Spain - Residential Mortgage Loss and Cash Flow Assumptions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=736756

Counterparty Criteria for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175

Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=741479

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