



## Fitch Takes Rating Actions on 4 Spanish RMBS Deals Ratings Endorsement Policy

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Fitch Ratings-London-22 July 2014: Fitch Ratings has upgraded two and affirmed nine tranches of AyT Caja Murcia Hipotecario I (Caja Murcia), AyT Goya Hipotecario III (Goya III), AyT Goya Hipotecario V (Goya V) and MBS Bancaja 3. A full list of rating actions is at the end of this commentary.

### KEY RATING DRIVERS

#### Upgrades Driven by Sovereign Ceiling Revision

Fitch placed the class A notes (A2 in MBS Bancaja 3) of all four transactions 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 05 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 class A notes of Goya III and V is sufficient to warrant a two-notch upgrade, while Caja Murcia's class A notes and MBS Bancaja 3's A2 notes are not able to support rating stresses higher than those of 'AA+sf' and so have been affirmed.

#### Solid Asset Performance

The affirmation of the remaining tranches reflects the performance of the transactions. As of the latest reporting periods, three-months plus arrears (excluding defaults) ranged from 2.7% (MBS Bancaja 3) to 1.0% (Goya V) of the current pool balances. The cumulative gross defaults (defined as loans in arrears for more than 18 months) ranged between 0.1% (Caja Murcia) and 3.1% (MBS Bancaja 3) of the initial portfolio balance, all of which have been fully provisioned by using excess spread in Caja Murcia and Goya V, leaving their reserve funds fully funded. Meanwhile, gross excess spread in Goya III and MBS Bancaja 3 has been insufficient to fully cover period defaults and consequently there have been drawings on the reserve funds. The reserve fund levels were 97% and 74% in Goya III and MBS Bancaja 3, respectively.

#### Partial Credit Given to Strong Performance in Caja Murcia

Fitch believes that the originator of Caja Murcia has been offering financial support to troubled borrowers by refinancing securitised loans with new loans outside the pool. This support is visible in the performance, with only four loans having been recognised as defaulted to date since the transaction closed in December 2005. As a result Fitch has not given full credit to the strong past performance because it believes this support is not sustainable, particularly in times of stress and has consequently applied standard default and recovery assumptions.

#### Material Counterparty Dependency in Goya Deals

Goya III and V are highly exposed to a single counterparty, as Barclays Bank S.A. acts as originator, servicer, swap provider and financial agent. This dependency is mitigated by downgrade language linked to its parent company Barclays Bank plc's rating (A/Stable/F1). The transaction documents require Barclays Bank plc to maintain at least 90% of all existing shares of Barclays Bank S.A., or the ratings of the parent company will not be eligible for its Spanish subsidiary. Fitch is aware Barclays Bank plc is currently seeking buyers for its Spanish retail bank and will monitor the effect of any sale on the transactions' credit quality.

### 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 levels and reserve funds could result in negative rating action.

The rating actions are as follows:

AyT Caja Murcia Hipotecario I

Class A (ISIN ES0312282009): affirmed at 'AA-sf'; off RWP, Outlook Stable

Class B (ISIN ES0312282017): affirmed at 'Asf'; Outlook Stable

Class C (ISIN ES0312282025): affirmed at 'BB+sf'; Outlook Stable

AyT Goya Hipotecario III

Class A (ISIN ES0312274006): upgraded to 'AA+sf'; off RWP, Outlook Stable

Class B (ISIN ES0312274014): affirmed at 'BBB+sf'; Outlook Stable

AyT Goya Hipotecario V

Class A (ISIN ES0312276001): upgraded to 'AA+sf'; off RWP, Outlook Stable

MBS Bancaja 3

Class A2 (ISIN ES0361796016): affirmed at 'AA-sf'; off RWP, Outlook Stable

Class B (ISIN ES0361796024): affirmed at 'AA-sf'; Outlook Stable

Class C (ISIN ES0361796032): affirmed at 'Asf'; Outlook Stable

Class D (ISIN ES0361796040): affirmed at 'BB+sf'; Outlook Negative

Class E (ISIN ES0361796057): affirmed at 'CCsf'; Recovery Estimate 85%

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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.

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](http://www.fitchratings.com).

**Applicable Criteria and Related Research:**

EMEA Residential Mortgage Loss Criteria

EMEA RMBS Cash Flow Analysis Criteria

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

Counterparty Criteria for Structured Finance and Covered Bonds

Global Structured Finance Rating Criteria

EMEA RMBS Master Rating Criteria

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum

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