New Issue Rating Report

FONCAIXA PYMES 7, FT

SME CLOs/Structured Finance

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RATINGS

Class	Rating	Notional (EURm)	Notional (% assets)	CE (% assets)	Coupon	Final maturity
Series A	A+$_{SF}$	2150.5	85.0	19.0	3-mo Euribor + 125bp	18 December 2048
Series B	B-$_{SF}$	379.5	15.0	4.0	3-mo Euribor + 150bp	18 December 2048
Total notes		2,530.0	100.0			

Scope's quantitative analysis is based on the preliminary portfolio dated 15 September 2015, as well as subsequent updates from 09 November 2015 and 26 November 2015 provided by the originator. Scope's structured finance ratings are an opinion on the relative credit risks and reflect the expected loss associated with payments contractually promised by an instrument on a particular date or by its legal maturity. See Scope's website for the SF Rating Definitions.

Rated issuer

Purpose	Liquidity/Funding
Issuer	FONCAIXA PYMES 7, Fondo de Titulización
Originator	CaixaBank SA (NR)
Asset class	SME CLO
Assets	EUR 2,530.0m
Country of assets	Spain
Notes	EUR 2,530.0m
ISIN Series A	ES0305104004
ISIN Series B	ES0305104012
Closing date	1 December 2015
Legal final maturity	18 December 2048
Payment frequency	Quarterly
Payment dates	18 Mar., 18 Jun., 18 Sep., 18 Dec.

Transaction profile

FONCAIXA PYMES 7, FT is a EUR 2.53bn cash flow securitisation of secured and unsecured credits to small- and medium-sized enterprises (SMEs) and self-employed individuals. CaixaBank SA originated the assets to finance the regular business needs of customers in Spain. The transaction closed on 1 December 2015.

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Rating rationale (Summary)

The ratings reflect the legal and financial structure of the transaction; the quality of the underlying collateral, considering macroeconomic conditions in Spain; the capability of CaixaBank as the servicer; counterparty credit risk arising from the exposure to CaixaBank as the account bank and paying agent; and the management capabilities of Gesticaixa SGFT SA.

The 19% credit enhancement in the structure available to the class A notes significantly helps to protect the tranche against losses. Both class A and B benefit from the short-term outlook on the Spanish economy: subject to slow, but positive, growth. The weighted average life of the portfolio is short – 2.4 years under 0% prepayments – as 95.4% of the portfolio consists of unsecured loans. The class B rating, however, is driven by sensitivity and vulnerability to future downturns owing to the notes' long life: 6.3 years under 0% prepayments.

Scope derived its key quantitative assumptions by taking into account CaixaBank's internal probabilities of default, performance vintages from 2010-2014, which is a period of significant economic stress in Spain and a long-term default reference for Spanish SMEs. The collateral portfolio involved in the transaction comprises two types of assets, unsecured and secured loans, with different credit characteristics in terms of default probability and recovery, reflected in the assumptions specific to each asset type. Scope used CaixaBank's internal probabilities of default assigned to individual loans to derive lifetime default rate assumptions of 9.4% for unsecured credits and 18.5% for secured, as well as cure rates of 10% and 20%, respectively. Scope assumed a default rate volatility of 55% (coefficient of variation) inferred from vintage data analysis. The lifetime default rate assumptions are higher than the long-term reference averages that Scope has determined for this portfolio: 4.7% for unsecured and 9.3% for secured, which were considered with a 74% coefficient of variation.

Scope used base case recovery rates of 21.1% for unsecured credits and 55.1% for secured. These assumptions are subject to a rating-conditional haircut. To assess the credit risk of the Class A notes, Scope has assumed stressed recovery rates of 16.0% for unsecured and 42.7% for secured loans.

Scope has produced a private Issuer Credit-Strength Rating on CaixaBank to assess counterparty risk in the transaction.

Rating and rating-change drivers are available in the section 'Rating drivers and mitigants' on page 2.

RATING DRIVERS AND MITIGANTS

Positive rating drivers

Improving Spanish economy. The class A notes will benefit from the steadily improving Spanish economy. The impact on the class B is less certain due to its long life, exposing it more to the fragility of the economic recovery.

Simple and transparent structure. The deal features a swapless, strictly sequential, two-tranche structure with a combined priority of payments and a cash reserve available for default provisioning. The class B notes are totally subordinated to the class A notes and the cash reserve for as long as the class A are outstanding.

Static post-crisis portfolio. The portfolio contains unsecured and secured loans, which are not subject to extra drawings.

High quality data. CaixaBank has provided high quality data for the analysis, indicating the bank's high degree of transparency and sophistication of its IT systems.

Excess spread. The asset portfolio has a weighted average rate of 3.5% p.a., whereas the cost on the notes is 1.79% p.a. over Euribor. This spread reflects the substantial rates of unsecured products, which is captured in our cash flow model.

Negative rating drivers and mitigants

Unsecured portfolio. The portfolio has 95.4% of low-seasoned, unsecured loans to SMEs and self-employed individuals, which show low recovery rates on default. This element is reflected in Scope's recovery rate assumptions.

Unhedged fixed-floating mismatch. The notes receive variable interest, whereas 25.6% of the initial asset balance, with a short remaining life of 3.6 years, pays a fixed rate. This causes excess spread to reduce once fixed-rate assets amortise, which we capture in our quantitative analysis. The short life of the class A also mitigates this risk.

Counterparty concentration. CaixaBank performs all counterparty roles in this transaction. Counterparty risk is mitigated by the short expected life of the class A – 1.8 years under 0% prepayments; the level and expected stability of CaixaBank's credit quality based on our analysis; and our view on the bank's resolvability. Counterparty risk is further mitigated by replacement trigger mechanisms and the low financial exposure to CaixaBank as account bank and servicer, which holds a 4% cash reserve and periodic collections.

Positive rating-change drivers

Better-than-expected performance of the assets is one of several factors that could positively impact the ratings.

A fast recovery of employment in Spain would lower the base case default rate used in the analysis. However, we expect this recovery to be very slow, and at permanent risk of a new recession until deeper fundamental reforms are tackled in Spain: addressing public spending and fiscal pressure in general, and the labour market in particular.

Faster-than-expected portfolio amortisation, due to high pre-payments resulting in credit enhancement build-up, may positively impact the ratings.

Negative rating-change drivers

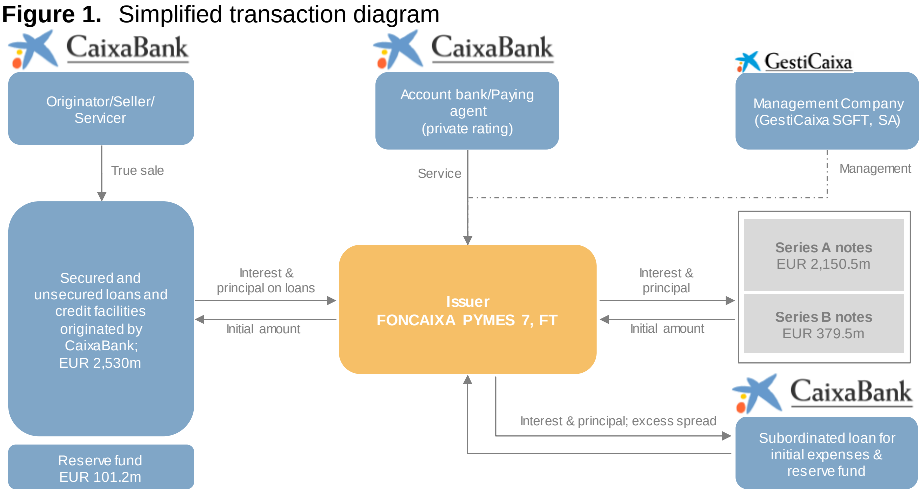
Worse-than-expected performance of the assets is one of several factors that could negatively impact the ratings.

The strengthening of the separatist movement in Catalonia would raise concerns about its hypothetical exit from the euro area. Such an exit would require profound legal changes in Spain and a restatement of international order. We believe this risk is remote given the outcome of the recent regional elections, and its crystallisation would occur beyond the expected life of the class A.

Significant deterioration of CaixaBank's credit quality or operational ability could negatively affect the ratings.

TRANSACTION SUMMARY

Figure 1. Simplified transaction diagram



Source: Transaction documents

ASSET ANALYSIS

Asset characteristics

The transaction securitises secured and unsecured loans, and secured and unsecured drafts or drawings from credit facilities called ‘flexible’ products (see Figure 2). Figure 3 summarises the portfolio’s asset and obligor types, indicating the shares in the portfolio and the credit quality, as reflected by the originator’s internal one-year probabilities of default (PD).

Figure 2. Portfolio segments by asset type

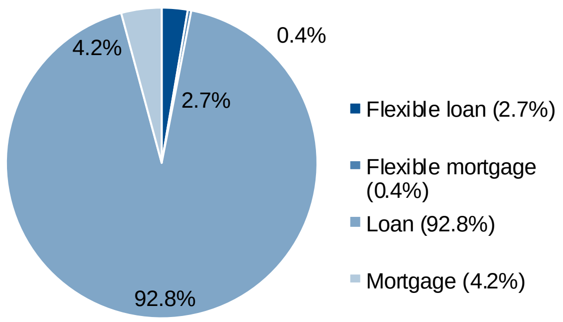


Figure 3. Portfolio segmentation and obligor types

Asset type	Obligor type	Balance %	Originator PD WA	Segment share %
Loans	Self-employed	16.7%	1.4%	18.0%
	SME	76.0%	1.9%	82.0%
	Total	**92.8%**	**1.8%**	
Mortgages	Self-employed	0.7%	1.4%	16.7%
	SME	3.5%	4.5%	83.3%
	Total	**4.2%**	**4.0%**	
Flexible loans	Self-employed	1.9%	1.0%	70.4%
	SME	0.8%	2.4%	29.6%
	Total	**2.7%**	**1.4%**	
Flexible mortgages	Self-employed	0.1%	2.3%	25.0%
	SME	0.3%	6.0%	75.0%
	Total	**0.4%**	**5.1%**	
Total		**100.0%**	**1.9%**	**100.0%**

Related reports

SME CLO Rating Methodology, dated May 2015.

Rating Methodology for Counterparty Risk in Structured Finance Transactions, dated August 2015.

General Structured Finance Rating Methodology, dated August 2015.

Contents

Loans: weak recovery under stress

The largest segment of the portfolio (92.8%) corresponds to unsecured loans

The portfolio's largest segment is unsecured loans at 92.8%. These are short-to-medium-term credits, which typically feature a personal guarantee (i.e. the joint and several guarantee of the business owners) or other types of real guarantees that differ to a mortgage. Yet these forms of alternative security are difficult to validate and their impact on performance is already captured in the analysis. The typical maturity is four years, and principal grace periods of up to four years are sometimes possible.

This product is only offered to higher-quality obligors because it represents the originator's pre-commitment to lend, and the severity of the loss upon default is higher than that of secured loans. The majority of obligors in this portfolio segment are SMEs at 80.5% with a weighted average internal probability of default of 1.9%; the remainder are self-employed individuals with a weighted average internal probability of default of 1.4%.

Mortgage loans: higher risk with lower severity

Standard mortgages represent 4.2% of the portfolio. These are medium-to-long-term loans with a mortgage guarantee on finished real estate properties located in Spain. The mortgages have a first or second ranking, in which case the first-ranking mortgage is also granted by CaixaBank. Underwriting is effected in a public deed, and the claim on the mortgaged property is registered on the property registry.

Mortgage loans amortise in constant annuity payments. The maturity for residential mortgages can be up to 30 years when the property is the primary residence of the obligor or business owner; up to 20 years when the collateral is commercial property. A principal grace period of up to two years is possible.

WA LTVs of mortgage loans are relatively low

The average loan-to-value ratio (LTV), weighted by segment, is relatively low at 60% for primary residences, residential properties and retail properties; is 30% for parking spaces; and 50% for other purposes or to acquire other types of collateral, including offices and industrial properties.

This segment has a higher default risk resulting from a long maturity and the obligors' lower credit quality, compensated by the low severity of defaults from low LTVs. The segment is mainly exposed to SMEs (83%), with self-employed individuals making up the rest; CaixaBank's weighted average internal probabilities of default are 1.4% for self-employed individuals and 4.5% for SMEs.

Flexible loans: high risk product

Flexible loans are high-risk products designed to support customers with a good history with the bank

Flexible loans are high-risk products designed for customers with a good credit history, for whom the bank makes the process of originating unsecured loans more efficient.

The segment represents a marginal share in the portfolio (2.7%) and corresponds to short-to-medium-term amortising drafts under unsecured, flexible credit facilities. The flexible credit facilities are contracts which enable the obligor to make additional drafts, up to a maximum-commitment limit on each contract. Each draft under a given contract has an individual, fully predetermined amortisation schedule. All payment obligations from all drafts under a given contract rank pari-passu. Like unsecured loans, they feature personal guarantees or other types of real guarantees that differ to a mortgage.

This product should not be seen as a short-term credit line. It is a flexible loan facility to make the origination of amortising loans more efficient. The maximum maturity is up to 14 years and each draft must be EUR 300 or more. Obligors can modify the amortisation by extending the maturity and adding grace periods. Up to 36 months of principal grace and up to 12 months of payment holiday can be agreed when the contract is underwritten. These periods can be distributed among all drafts and over the life of the contract – yet it is up to the originator to grant them.

Flexible loans are only offered to higher-quality obligors because it represents the originator's pre-commitment to lend, and the severity of the loss upon default is higher than that of secured loans. The majority of obligors in this portfolio segment are self-employed individuals at 69.3% with a weighted average bank internal probability of default of 1%; the remainder are SMEs with a weighted average bank internal probability of default of 2.4%.

Flexible mortgages: high-risk product with prudent underwriting

Flexible mortgages are the riskiest products in the portfolio in terms of their characteristics

Flexible mortgages are the riskiest products in the portfolio in terms of characteristics, accounting for 0.4% of the portfolio. CaixaBank's weighted average internal probability of default for flexible mortgages is 5.1%, higher than for standard mortgages (4%). Just like flexible loans, this product is designed to support customers with a good history with the bank, making the process of originating secured loans more economically and time efficient – mostly by saving on registration costs. This product allows CaixaBank to provide short-term financing under a mortgage-guaranteed product.

Flexible mortgages equate to flexible loans when the credit-facility contract benefits from the mortgaged property's security. This product allows the obligor to make additional drafts from the contract up to the limit of the maximum commitment, which is also amortising. Each draft has a pre-determined amortisation schedule. Payment obligations from all drafts rank pari-passu.

We have accounted for the maximum severity (i.e. recognising the entire pari-passu exposure) in an event of default when calculating recovery rates. This was possible because CaixaBank calculates and reports LTVs by considering the contracts' maximum commitments and the maximum balance on any higher-ranking mortgage on a given property. The recovery proceeds from the mortgaged security are distributed pro-rata among all drafts in case of a default.

The maximum maturity of a contract in this portfolio is up to 30 years on residential mortgage collateral. Each drawing has its own maturity and amortisation schedule within this limit. SMEs are typically limited to a maximum drawing maturity of 15 years for real estate acquisitions; otherwise, seven years. Additional drawings are limited by LTV covenants, which reduce every month over the last years of the contract's life, until reaching zero at maturity (i.e. additional drawings are limited by the positive difference between the reducing LTV covenant and the current LTV). The minimum drawing is EUR 3,000.

Portfolio characteristics

Final portfolio selection

CaixaBank has provided the final portfolio, selected from the preliminary portfolio which was audited, and on which we based our quantitative analysis. Scope conducted its analysis based on the preliminary portfolio dated 15 September 2015. We also analysed the final portfolio transferred to the fund at closing. Due to the limited flexibility on asset selection, the final portfolio is substantially the same as the preliminary portfolio, but has a marginally better quality (see APPENDIX I on page 18).

Fast amortisation profile

The portfolio has a weighted average life (WAL) of 2.6, which reflects the large share of the unsecured loans with a WAL of 2.4 years, and drives the fast portfolio amortisation (see Figure 4).

Figure 4. Portfolio amortisation under 0% CPR and 0% default rate

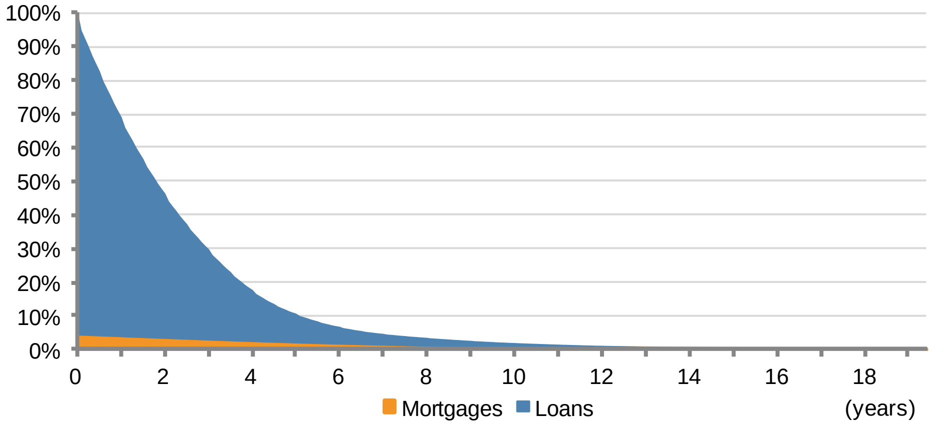
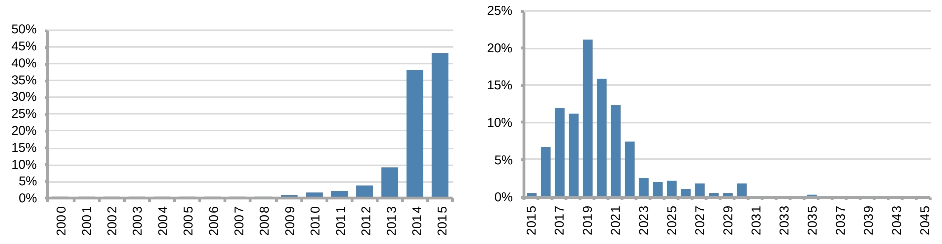


Figure 5 illustrates the seasoning of the portfolio and the maturity profile, with maturity of mortgages characterising the late transaction amortisation profile.

Figure 5. Portfolio seasoning and maturity profile



Excess spread

Sufficient excess spread for class A notes

Class A and B both benefit from sufficient excess spread in this transaction, particularly for as long as fixed-rate loans are not paid down (see Figure 6). As of closing, gross excess spread is 1.71% but will not be trapped and used to amortise notes until the first non-performing assets are classified as defaulted in the structure.

Scope's analysis included margin and interest-rate stresses to address: i) lower excess spread due to prepayments, amortisation and defaults; ii) loan-modification flexibility for servicers; and iii) interest-rate mismatches between assets and liabilities.

Figure 6. Portfolio interest rates and margins

Segments	Balance	WA coupon	WA margin
Mortgages	**4.6%**	**3.1%**	**2.1%**
Fixed	*0.2%*	*5.5%*	*n/a*
Floating	*4.4%*	*3.0%*	*2.2%*
Loans	**95.4%**	**3.5%**	**1.83%**
Fixed	*25.3%*	*4.8%*	*n/a*
Floating	*70.1%*	*3.0%*	*2.5%*
Total	**100.0%**	**3.5%**	**1.8%**

Granular portfolio with no relevant concentrations

The portfolio is very granular, with no obligor representing more than 0.5%, i.e. the largest obligor makes up 0.36% of the portfolio; the ten largest combined, 2.5%.

Total exposure to real estate is low at 9%

Total exposure to real estate is low at 9.0%, of which 54.4% belongs to construction, and 5.6% is related to development activities.

The portfolio is granular and well diversified, with diversity indices (DI) for obligors at 3,789, industry at 12.78, and region at 7. Figure 7 and Figure 8 show the main industries and regions in this portfolio.

The larger exposure to the region of Catalonia (30.7%) reflects the natural footprint of CaixaBank. The separatist movement in this region did not get enough voter support in recent elections, and we do not expect it to prosper – yet, uncertainty remains.

Figure 7. Portfolio industry distribution

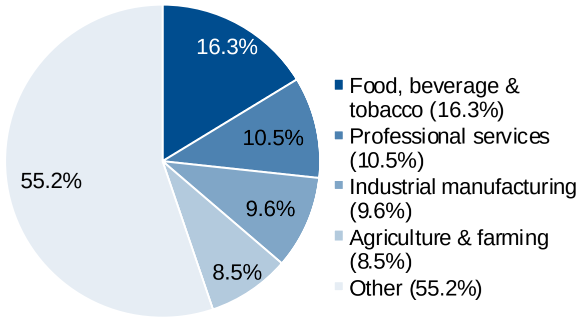
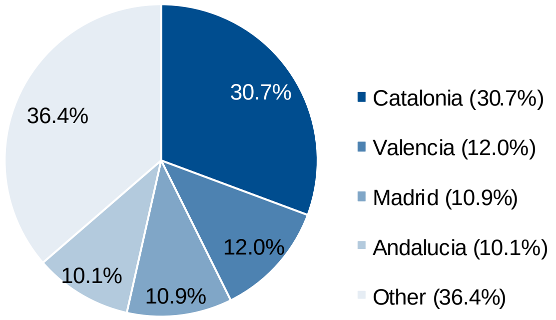


Figure 8. Portfolio regional distribution



Portfolio lifetime default rate[1]

CaixaBank's rating models have good discriminatory power

For the analysis, Scope calculated the portfolio's base case lifetime default rates using CaixaBank's internal probabilities of default. CaixaBank operates under the advanced internal rating-based approach, with the Spanish banking regulator having validated its rating models. The models have good discriminatory power, and the internal probabilities of default are in line with default frequencies observed in 2014.

Extrapolating these probabilities of default results in a conservative estimate of lifetime default rates for the portfolio (particularly for the mortgage segment) because they reflect the current performance and ignore a more positive economic outlook for Spain.

We have calculated a mean lifetime default rate on the portfolio of 9.8% with a default-rate coefficient of variation of 55%, derived from the analysis of delinquency vintage data. The lifetime default rate of the mortgage segment (18.5%) is more than two times that of the unsecured segment (9.4%), due to mortgages having a higher weighted average one-year probability of default (11.9% vs. 7.8%) and a longer WAL (5.8 years vs. 2.4 years).

Vintage data relevance

Scope only used delinquency vintage data to cross-check the results of the default analysis on internal probabilities of default

Scope only used vintage data analysis in order to cross-check results from the default analysis to the internal probabilities of default, and to derive the coefficient of variation for the inverse Gaussian probability distribution of portfolio default rates.

Vintage data represents the assets in the portfolio, but the series are too short (i.e. five years) to give a complete picture of the performance of mortgages in the portfolio. Vintage data is split by mortgage and non-mortgage, which is useful for recoveries, but does not distinguish between the differential risks of self-employed individuals and SMEs (see APPENDIX II).

Portfolio recovery rates

We calculated recovery rates derived from i) recovery vintage data for unsecured loans in the portfolio, and ii) the fundamental analysis of real estate collateral of mortgages (see Figure 9). The agency calculated a blended, base case, default-conditional recovery rate of 24% for the portfolio. Figure 9 also provides the indicative stress levels Scope has taken into account per rating category to assess this transaction.

Figure 9. Rating-conditional recovery rates

	Loans		Mortgages	
Rating stress	Haircut to base case	Recovery rate	Implicit appraisal value haircut	Recovery rate
AAA	40%	**12.7%**	93.8%	**34.4%**
AA	32%	**14.4%**	92.2%	**39.5%**
A	24%	**16.0%**	91.0%	**42.7%**
BBB	16%	**17.7%**	89.5%	**46.7%**
BB	8%	**19.4%**	87.6%	**51.6%**
B (base case)	0%	**21.1%**	85.9%	**55.1%**

[1] The base case assumptions for FONCAIXA PYMES 7 were derived from the preliminary portfolio from 15 September 2015, which is only marginally different from the final portfolio of 26 November 2015.

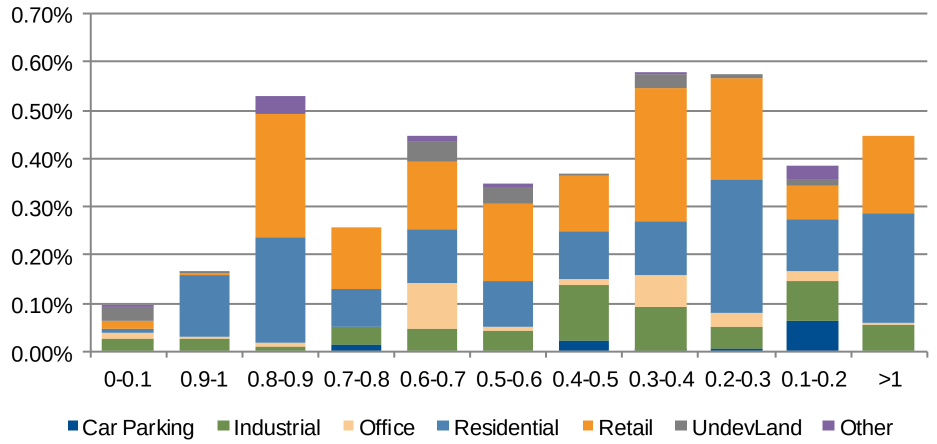
For unsecured loans, Scope estimated a weighted average recovery rate of 21% and a 15-month recovery lag using vintage data provided by CaixaBank. In our analysis, we only considered accumulated recoveries up to three years after the moment of default when we derived the base case recovery rate using the vintage data of unsecured loans. We modelled fixed recovery rate assumptions subject to rating-conditional haircuts, which result in increased rating stability.

The recovery rate on secured loans is calculated using the appraisal values of properties underlying the mortgages and provides a strong anchor to our credit-loss estimates for this portfolio segment. The Spanish real estate sector has suffered a significant correction since the real estate bubble collapsed after the 2007 financial crisis. Market prices have reduced, but some regions still show a noticeable gap between our estimation of a long-term sustainable-value trend and current prices.

Scope has calculated mortgage-loan-specific, fundamental recovery rates applying haircuts to the appraisal value of each property after indexation

Scope calculated loan-specific, fundamental recovery rates by applying haircuts to the updated appraisal value of each property after indexation. The haircuts reflect market-value losses under stress scenarios, followed by a constant fire-sale discount of 30% for residential properties and 45% for commercial properties (60% for land). To these haircuts, we have also added foreclosure costs.

Figure 10. Loan-to-value distribution and collateral types of mortgages



At current appraisal values, we believe that a residential property can be sold under current market conditions if discounted by 30% (45% if commercial). Consequently, our recovery analysis uses current conditions on the real estate market as the base case for the analysis of B_{SF} ratings, but we apply a fire-sale discount.

For example, under the highest rating stress of AAA, a property could be sold in the market at a price which: i) totally eliminates any value difference compared to a long-term sustainable reference; ii) reflects an additional value loss of 10%; and iii) also reflects a fire-sale discount of 30% (45% for commercial). This implies an average total value haircut of 93.8% (see Figure 9).

Scope considered a recovery lag of 30 months to allow full realisation of the fundamental recovery upon default.

Cure rate (CR)

Scope incorporates a cure rate of 10% for loans and 20% for mortgages to address the mismatch between default definitions – 90 days past due (dpd) for the vintage data and 360 dpd for the transaction. The cure rate for mortgages is higher and reflects the greater incentive of mortgage obligors to repay their loans. Scope calculated these cure rates from the 90 dpd recovery vintage data. CaixaBank did not provide 360 dpd default-rate vintage data to refer a true default rate to the 90 dpd base case assumption for the portfolio.

We maintain a constant cure-rate assumption in our analysis (i.e. unlike recovery rates which are conditional on the rating) to apply sufficient liquidity stress to the structure. The share of loans that become temporarily delinquent and are cured does not reduce credit losses, but rather reduces the notional of performing assets during our cash flow simulation.

Conditional prepayment rate (CPR)

Scope tested class A notes against a conservative 0% CPR assumption

Class A notes benefit from portfolio prepayments. Scope tested the class A against the most conservative CPR assumption of 0%, as we believe this is possible in a sudden downturn when SMEs are forced to make full use of liquidity.

Scope used a CPR assumption of 15% to analyse the class B notes. The historical CPR values reported by CaixaBank for previous funds are volatile and range from 3% to 12%. Extremely high prepayments generally have a refinancing component and can be ruled out as a long-term assumption for assigning B category ratings.

FINANCIAL STRUCTURE

Capital structure

Two classes of sequentially subordinated notes were issued. The proceeds from the class A and B notes were used to purchase the initial portfolio of assets. CaixaBank provides a subordinated loan to fully fund a cash reserve fund on the closing date.

The notes pay quarterly interest referenced to 3-month Euribor plus a margin. Class B is deeply subordinated: it will not receive any principal until class A has fully amortised, and will not receive interest in the event of cash shortfalls.

The issuer's initial expenses were covered by the proceeds from a dedicated subordinated loan. This loan will be amortised from excess spread in the early stages of the transaction.

Reserve fund

The structure features a fully funded cash reserve fund (RF) of EUR 101.2m, or 5% of the initial portfolio balance, provided by CaixaBank. This RF is not only the primary source of credit enhancement for the class B notes, but also provides liquidity support for the structure.

The RF enables the structure to accelerate amortisation of class A notes whenever assets are classified as defaulted, until the RF is fully depleted. It subsequently replenishes by capturing excess spread available in the transaction.

The RF is a source of negative carry for the transaction as the cash is held in an account of the issuer that yields 3-month Euribor flat. Negative carry impacts the subordinated loan, but not the notes.

The RF will amortise under certain conditions. The amortisation will however be unlikely under most portfolio default scenarios. The RF follows the standard mechanism of most Spanish securitisations in which the required balance can be reduced subject to: i) non-defaulted assets more than 90 days past due representing less than 1.5% of the non-defaulted assets; ii) more than two years having elapsed since closing; and iii) the RF being fully funded at its required level on the previous payment date.

Amortisation and provisioning

Repayment of class A principal is supported by the subordination of class B interest

Amortisation is strictly sequential. The provisioning mechanism somewhat accelerates the amortisation of the senior class by provisioning defaulted loans with both excess spread and class B interest available on every payment date. This is positive as it prevents the loss of excess spread when recoveries are uncertain. Nevertheless, excess spread cannot be trapped during the first 12 months of the transaction's lifetime, except for subjective defaults, because only assets more than 12 months in payment arrears are classified as defaulted in the structure. However, the servicer can also subjectively classify loans as defaulted.

The mechanism seeks to reduce the total outstanding balance of the notes so that they are collateralised by non-defaulted loans. The amount accrued for principal amortisation is the lesser of: i) the positive difference of the outstanding notes and the outstanding balance of non-defaulted loans; and ii) the cash available in the priority of payments after senior expenses and tax, and senior-class interest.

Priority of payments

Combined priority of payments is the main protection against payment interruption

The structure features a combined priority of payments, providing substantial protection against payment interruption. Principal collections from assets can be used to pay timely interest on the senior-class notes. Furthermore, only a few days' worth of collections is enough to pay senior-class interest and other more senior items, minimising the fund's liquidity risk in an (unlikely) servicer-disruption event. The combined priority of payments also effectively allows credit enhancement to cover losses from negative carry or interest rate mismatches (see Figure 11).

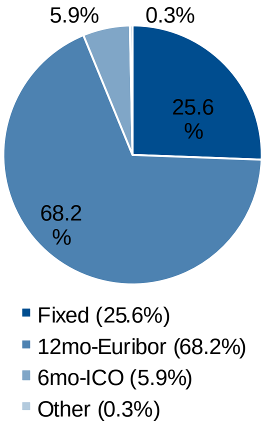
The reserve fund does not support interest payments on class B as long as class A is outstanding. The rating of class B notes captures any loss from the time value of missed interest for scenarios in which class B interest payments are deferred. Missed interest payments do not accrue interest for any class in this structure.

Figure 11. Priority of payments and available funds

Pre-enforcement priority of payments	Post-enforcement priority of payments
Available funds Collections from assets; proceeds from interest and treasury accounts and full RF amount.	**Available funds** All SPV moneys, including funds from liquidation of assets and full RF amount.
Application of funds 1) Taxes and expenses (ordinary and extraordinary, including servicer fee if CaixaBank were replaced) **2) Class A interest (no interest on interest)** **3) Principal for class A** 4) Reserve fund replenishment (falls after item 6 if class A has amortised in full) **5) Class B interest** **6) Principal for class B** 7) Interest on loan for initial expenses 8) Principal of loan for initial expenses 9) Interest on loan for reserve fund 10) Principal of loan for reserve fund 11) Servicer fee 12) Variable commission (paid to CaixaBank)	**Application of funds** 1) Reserve to pay extinction expenses and liquidation of taxes, administration expenses and publicity 2) Taxes and expenses (ordinary and extraordinary, including servicer fee if CaixaBank were replaced) **3) Class A interest (no interest on interest)** **4) Principal for class A** **5) Class B interest** **6) Principal for class B** 7) Interest on loan for initial expenses 8) Principal of loan for initial expenses 9) Interest on loan for reserve fund 10) Principal of loan for reserve fund 11) Variable commission (paid to CaixaBank)

Unhedged interest rate risk: limited

Interest rates in the portfolio



Unhedged interest rate risk is limited due to the currently low interest rate environment, and because floating rate assets are referenced to indices highly correlated with the 3-month Euribor index of the notes. Potential losses from negative carry are factored into the analysis.

We have analysed the transaction by taking into account our expectation about the macroeconomic environment in the eurozone and, particularly, GDP growth prospects. Although we believe interest rates will remain low during the class A notes' lifetime, we still analysed the impact of an unexpected hypothetical scenario of rising interest rates in which the 3-month Euribor reached 8% over six years.

The transaction is exposed to interest-related risks as there is no hedging agreement in place, and 25.6% of the assets pay a fixed-interest rate, whereas 100% of the issuer's liabilities are referenced to 3-month Euribor. Furthermore, the distribution of reset-frequencies and reset-dates of interest indices for floating-rate loans creates an interest-rate mismatch between assets and liabilities.

Interest-related risks are covered by the structure's credit enhancement and liquidity mechanisms such as the reserve fund and combined priority of payments. These mechanisms effectively transfer any losses from interest-rate mismatches to the structure's most subordinated liabilities (i.e. subordinated loan first, then the class B notes).

Accounts

The SPV account represents a commingling exposure to CaixaBank and is a source of negative carry

The issuer has a treasury account that represents a commingling exposure to CaixaBank as the account bank (see Counterparty Risk, page 15) and is a source of negative carry as the yield is lower than the weighted average (WA) coupon on the notes. Any loss from negative carry is covered by available excess spread and credit enhancement.

The reinvestment account holds the reserve fund and all collections on assets (including the recovered amounts and proceeds from asset liquidation upon early termination of the transaction), as well as interest earned on this account at a rate of 1-month Euribor – this rate is floored at 0%.

Clean-up call

The issuer can exercise a call option, which is discretionary and would require the notes be fully repaid.

ORIGINATOR AND SELLER

CaixaBank is an experienced originator of SME CLOs

CaixaBank is an experienced originator of SME CLOs. It is the largest domestic bank in Spain with EUR 344bn of assets and EUR 205bn of loans, with a focused retail and commercial banking strategy supported by insurance and asset management services. CaixaBank had the highest market share in domestic deposits (15.4%) and loans (16.3%) as of September 2015. CaixaBank successfully integrated troubled banks like Banca Civica in Q3 2012 and Banco de Valencia in Q1 2013, and the retail business of Barclays Spain in Q1 2015.

CaixaBank has the largest branch network in Spain with over 5,200 branches, which enables it to reach a large base of retail and SME clients in Spain – still highly driven by proximity when choosing their bank.

CaixaBank's loan book in 2014 was geared towards mortgages (44%), and business loans (28%). Consumer lending (15%), and public sector loans and legacy real estate (13%) complete the loan book. This static view of the loan book contrasts with the new loan production focused on business loans (65%); whereas mortgages only weigh 15%, consumer lending is at 15%, and public-sector loans has 5%.

The strategy of CaixaBank is focused on maintaining adequate margins on lending, rather than increasing volume. Nevertheless, we expect CaixaBank to also increase lending, mainly to SMEs, for which lending was cut significantly during the crisis; but competition is now back and intensifying.

Scope's analysis includes operational review material from CaixaBank, which provides information on the bank's strategy, systems, processes, staff, and its general standing in the Spanish SME loan market.

Underwriting

We believe CaixaBank's underwriting is generally prudent

We believe CaixaBank's underwriting is generally prudent. The bank's risk appetite is medium to low and is managed at all levels of the organisation via a well-established risk framework. This results in the explicit consideration of risk and the involvement of the risk department during the lending process. CaixaBank considers the identity of the obligor, the purpose, the terms and the capacity to repay during its risk analysis, and will not generally sanction a loan unless all four factors are consistent. Loans are not generally granted on the payment capacity or solvency of the guarantor alone.

Servicing and recovery

CaixaBank's interests are strongly aligned with the noteholders

Scope believes CaixaBank's interests are strongly aligned with the noteholders. As the provider of the 4% reserve fund and holder of the whole capital structure, CaixaBank has a significant, subordinate interest in the transaction. In addition, the Spanish securitisation framework does not allow securitised assets to be treated differently from non-securitised assets on the bank's balance sheet, and the servicing is blind to securitised status.

The bank has sophisticated IT systems to manage the complete lifetime of a contract, from early-warning alert systems to extranets that support external lawyers working in the last stages of mortgage foreclosure.

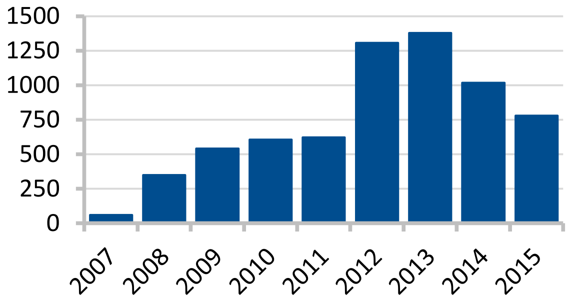
Delinquency management is proactive and responsible, yet not aggressive

The approach to delinquency management is proactive and responsible, yet not aggressive as CaixaBank seeks to support its viable customers when they are under genuine stress. We believe this strategy makes sense in the Spanish context after the last crisis, and is reflected in our portfolio-modelling inputs for this transaction (i.e. low delinquencies, low recoveries).

CaixaBank has adhered to the code on good banking practice (law 1/2013) which limits the servicer's ability to enforce security rights over mortgaged collateral. Nevertheless, the information provided by the originator supported a relatively short recovery lag of 20 months for mortgages, which we stressed to 30 months to include the risk of protracted recoveries resulting from the good banking practice code.

The special servicing and recovery function of CaixaBank developed throughout the economic crisis, with the team's size growing from 59 in 2007 to 1,308 in 2013. Today the bank has scaled down staff allocated to delinquency and recovery management (see Figure 12) after delinquencies were contained and processes became more efficient. CaixaBank dynamically adjusted to events like the takeover of problem loan books, or the deterioration of the real estate sector.

Figure 12. Evolution of staff dedicated to delinquency and recovery management



QUANTITATIVE ANALYSIS

Scope assigned an A+$_{SF}$ rating to the class A notes by taking into account results of a cash flow analysis under the assumptions explained in this section including Figure 15. We expect a WAL of 1.3 years for this class. This robust result is further supported by improving macroeconomic conditions, at least over the short run.

The B-$_{SF}$ rating assigned to class B notes is driven by the class's vulnerability to future downturns beyond our outlook, owing to the long life of the class (6.3 years under 0% prepayments) and the fundamental imbalances of the Spanish economy.

The model's results are shown in Figure 13 and Figure 14, which show the losses on the class A notes under all portfolio default rates and 'A' recovery rate assumptions, and the losses on the class B notes under 'B' recovery rate assumptions. Figure 13 also displays the interaction of amortisation, default timing, excess spread and recovery, i.e. 100% defaults do not result in 100% tranche loss due to timing effects.

Figure 13. Tranche losses and portfolio default rates (DR)

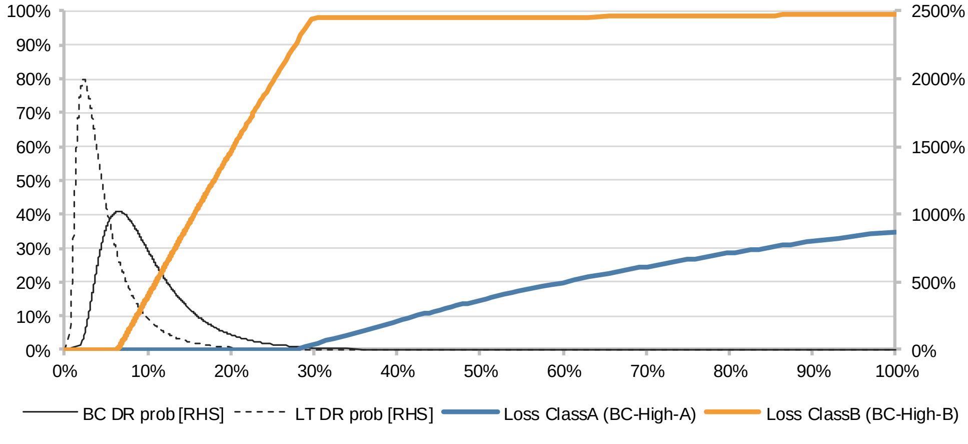


Figure 14. Expected tranche WAL and break-even default rates

	Class A	Class B
Expected WAL	**1.3 yrs**	**4.7 yrs**
Loss break-even DR (B recovery rate)	29.7%	0.0%
Loss break-even DR (rating recovery rate)	27.4%	0.0%
Loss break-even DR (zero recovery rate)	22.9%	0.0%

Scope used a bespoke cash flow tool to analyse this transaction

Scope used a bespoke cash flow (CF) tool to analyse the transaction. The tool incorporates key properties of the two main underlying asset segments (i.e. unsecured loans and mortgages). Our analysis takes into account the characteristic fixed-floating mismatch, the amortisation profile, and the term structure of the main interest rate indices of each asset segment and fund's liabilities.

The CF tool was combined with the portfolio default distribution (Inverse Gaussian) to calculate the probability-weighted loss of each of the rated tranches under rating-conditional recovery rate assumptions. The CF tool also produces the expected WAL of each rated tranche.

Figure 15 shows the base case portfolio assumptions we have used in our analysis, as presented in earlier sections. The base case assumptions for FONCAIXA PYMES 7 were derived from the preliminary portfolio from 15 September 2015, which is only marginally different from the final portfolio of 26 November 2015.

Figure 15. Main portfolio assumptions

	Ratings	Unsecured	Secured
Base case	**Default rate**	9.4%	18.5%
	Coefficient of variation	55.0%	50.0%
	Cure rate	10.0%	20.0%
	Recovery rate B	21.1%	55.1%
	Recovery rate AAA	12.7%	42.7%
	Recovery lag (months)	15	30
	CPR low	0.0%	0.0%
	CPR high	15.0%	15.0%
Long-term	**Default rate**	4.7%	9.3%
	Coefficient of variation	74.0%	74.0%

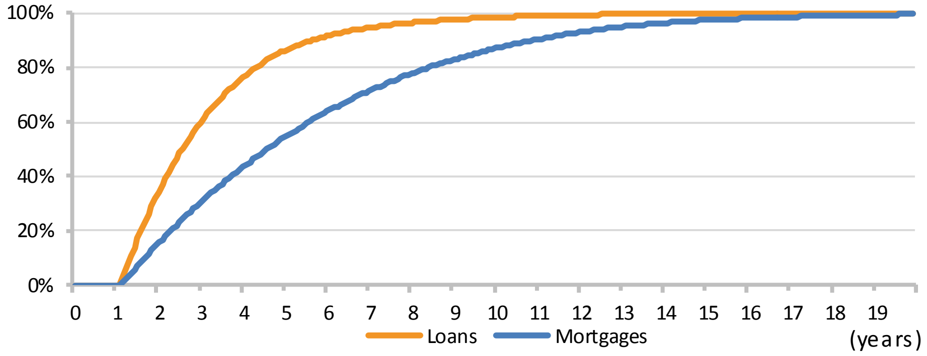
Besides the base case, Scope analysed the transaction by taking a long-term view on portfolio performance, as described in its SME CLO Rating Methodology. Our long-term, mean, portfolio-default-rate assumption is lower than the base case derived from the performance references available for the analysis. This is because of two different effects: i) vintage data reflects the period with the highest SME delinquencies observed in Spain during the last economic cycle, and ii) the through-the-cycle probabilities of default produced by CaixaBank are very conservative due to the extrapolation guidelines of the Bank of Spain[2]. Indeed, observed default frequencies in 2014, the year when SME delinquencies peaked, match the internal probabilities of default produced by the originator. APPENDIX III describes how we performed this adjustment in the context of the Spanish economic cycle, and the period for which performance data was available.

Scope considered a front-loaded default timing structure

Scope considered a front-loaded, default-timing term structure. We have modelled the portfolio by accounting for the heterogeneous nature of the assets. However, due to the large share of unsecured loans, the default timing of this segment mainly determines the portfolio's default timing. The unsecured loan segment will result in a naturally front-loaded time distribution of defaults from this segment; whereas the mortgage loans will exhibit a default pattern which is more distributed over the life of the segment. Figure 16 shows defaults classed in line with the documentation. The structure classifies loans more than 12 months past due as defaulted.

[2] Spanish banks do not have homogeneous series of delinquency data spanning to the last crisis peak in 1993. The Bank of Spain provided guidelines for deriving 'through the cycle' delinquency averages which involve extrapolating market delinquency data on the basis of its correlation with macroeconomic variables. Market data is biased by the underperformance of smaller financial institutions (mainly 'cajas' now extinct). The extrapolation results in conservative 'through the cycle' averages for stronger banks which bias the calibration of their internal models.

Figure 16. Normalised, cumulative default timings modelled in our analysis



RATING STABILITY

Rating sensitivity

Scope tested the sensitivity of the rating for deviations of main input parameters: the mean default rate, default-rate volatility (coefficient of variation) and recovery rate assumptions. This analysis illustrates the sensitivity of the rating to input assumptions but it is not indicative of expected or likely scenarios.

For the class A, if the default rate assumption increases by 25% and 50%, the rating would be BBB+ and BBB-, respectively. If the recovery rate reduces by 50%, the class A rating declines to A. A combined adverse change of the mean default rate and the recovery rate assumption by 25% negatively affects the rating to BBB. If default-rate volatility increases by 25% and 50%, the class A rating declines to BBB+ and BBB respectively.

The class B rating only has limited sensitivity to the considered assumption changes. It is only negatively affected by one notch upon an increase by 50% of the default rate assumption.

The class A and B ratings are not sensitive to an increase in interest rates up to 8% over the next six years. We tested the structure for severe interest rate increases in the euro area, which amplify the interest rate evolution as expected by Scope.

Break-even analysis

The class A can withstand up to 22.9% of the portfolio defaulting under zero recoveries

The resilience of the class A rating is also illustrated by the break-even default rate analysis. The class A would not suffer any loss in portfolio default rate scenarios of 27.4% or lower if the A recovery assumption is realised. Furthermore, the class A would not suffer any loss, even under a zero-recovery assumption, if the portfolio default rate is below 22.9%. The class A can withstand up to 29.7% of the portfolio defaulting, if base case recoveries are achieved.

The class B has a break-even default rate of 0%, indicating it is always expected to lose value, even if only negligible such as the time value of money. This loss is reflected in the assigned rating.

Figure 17. Break-even default rates as a function of prepayments and recovery rates

Break-even DR				
Prepayments	0% CPR		15% CPR	
Portfolio RR	18% (A RR)	24% (B RR)	18% (A RR)	24% (B RR)
Class A	27.0%	28.4%	**27.4%**	29.7%
Class B	0%	0%	0%	**0%**

SOVEREIGN RISK

Sovereign risk does not limit the transaction's ratings

Scope determines that sovereign risk does not negatively affect the ratings. The risks of an institutional framework meltdown, legal insecurity or currency convertibility problems due to a hypothetical exit of Spain from the eurozone, are immaterial for the rating of the class A notes, and less so given the 1.3-year expected WAL of this tranche.

We believe the risk of Catalonia separating from Spain is remote, given the outcome of the recent regional elections, and does not limit the class A rating. The crystallisation of this risk would occur beyond the expected life of the class A. This transaction needs to especially mention the risk of a strengthening separatist movement because CaixaBank has its headquarters in Barcelona, the heart of Catalonia. We have this risk as the main negative rating-change driver.

Scope factors the positive economic outlook into its rating analysis. We expect the credit and financial performance of Spanish SMEs to improve further in 2016, boosted by growing domestic demand and increased credit availability as Spain's GDP grows.

Macroeconomic imbalances and materialisation of political risk could dilute the positive impact of this trend on class B notes. These imbalances are the high level of public and private debt; the still-large budget deficit; negative net investment position; and very high unemployment. The class A notes are nevertheless protected against these challenges due to the short expected WAL of the tranche.

COUNTERPARTY RISK

CaixaBank performs all money-related counterparty roles and Scope's ratings capture the transaction's exposure to the bank. The exposure is not excessive: crystallisation of counterparty risk would not prompt a downgrade of more than six notches, as defined in Scope's 'Rating Methodology for Counterparty Risk in Structured Finance Transactions' (August 2015, available on www.scoperatings.com).

Operational risk from servicer

We do not consider the replacement of CaixaBank as servicer of the portfolio

Scope considers it highly unlikely that CaixaBank will be replaced as the portfolio's servicer. We believe replacing the servicer would be more disruptive than the (probable) continuation of the bank operating as a going concern in a hypothetical resolution process. This view is supported by CaixaBank's relevance to the Spanish economy and the framework for orderly bank restructuring in Europe. Additionally, the management company has the power to appoint a new servicer if timely collection from the assets is at risk.

Comingling risk from exposure to the servicer is not material because of the short-term exposure and the bank's credit strength. Collections from assets are generally transferred intraday to the issuer's account, but no later than 24 hours.

Commingling risk from the account bank and paying agent

The exposure to CaixaBank as the account bank does not limit the rating of this transaction

The exposure to CaixaBank as the account bank does not limit the rating of this transaction. The commingling exposure is material but not excessive. The account bank will hold the reserve fund's cash over the life of the transaction, as well as all collections from the assets over the quarterly payment periods.

Losses from the commingling exposure to the account bank are mitigated by a combination of factors: i) the short expected life of the class A (1.3 years); ii) the credit strength of CaixaBank as evaluated by Scope; iii) the effective de-linkage of counterparty risk provided by the structure; iv) the limited exposure; and v) our positive macroeconomic outlook on Spain over the expected lifespan of the class A notes.

The documentation establishes, among other criteria, that the risk of CaixaBank will be substituted if Scope considered the bank to be ineligible to support the ratings of the notes.

The risk of commingling losses from the exposure to CaixaBank as paying agent is negligible for the class A. Furthermore, this risk is mitigated by the sufficient credit quality of the bank as assessed by Scope, and the intraday fund-holding period.

Setoff risk from originator

Scope believes setoff risk from the originator is immaterial

Setoff risk from the originator is limited in the context of Spanish law and under the terms of the documentation. The structure includes an undertaking by the seller to compensate the issuer for any setoff loss resulting from rights existing prior to the assets' transfer. Furthermore, setoff rights would cease to exist after the obligor is notified of a servicer event or insolvency of either the obligor or seller.

LEGAL STRUCTURE

Legal framework

The transaction conforms to Spanish securitisation standards, effective since 28 April 2015

This securitisation is governed by Spanish law and represents the true sale of the assets to a bankruptcy-remote vehicle without legal personality, represented by Gesticaixa SGFT SA, the management company. The SPV is essentially governed by the terms in the documentation, as no government body has been defined at closing. Changes to the documentation require the unanimous agreement of all stakeholders to the transaction (i.e. noteholders and creditors).

This securitisation has been incorporated under the new, more flexible legal form called 'Fondo de Titulización' ('FT', securitisation fund). This choice of legal form is credit-neutral. The FT legal form was introduced by the new Spanish law to promote corporate financing (Ley 5/2015), effective since published on 28 April 2015. Law 5/2015 reformed the Spanish securitisation framework and replaced 'Fondo de Titulización de Activos' ('FTA', asset securitisation funds) and 'Fondos de Titulización Hipotecaria' ('FTH', mortgage securitisation funds).

Asset replacement

The servicers undertake to replace or repurchase any asset transferred to the portfolio which does not comply with the eligibility criteria in the documentation (such as arrears status at closing, unsecured types of loan contract or inexistence of prior set-off rights). Up to 5% of the initial balance can be more than 30 and up to 60 days in arrears. The portfolio had 1.04% of delinquent assets more than 30 days past due. Our portfolio mean default-rate assumption included the risk of weak assets transferred to the final portfolio.

Permitted portfolio variations

We believe loan-modification flexibility helps the transaction

The ratings account for the risk of changes to the portfolio characteristics, especially interest rates and margins. Documentation includes covenants to prevent the economic imbalance of the transaction as a result of permitted variations. Maturity extension is only possible on 5% of the initial portfolio balance; and reductions on margins of floating-rate loans are not permitted if the portfolio weighted average rate is lower than 3-month Euribor plus 1.25% after the modification. Fixed-rate loans cannot be reduced. Scope has haircut the margin of floating-rate loans by 50 bps to address the risk of portfolio changes.

Flexibility to modify loans is addressed in the portfolio modelling

CaixaBank has plenty of servicing flexibility in this transaction. In addition to loan modifications, additional grace periods are possible under the terms of flexible products (i.e. interest-only periods and/or payment holidays of up to 10 months on weighted average are possible on 2% of the portfolio). In all cases, negotiations would be initiated by the obligors and follow the originator's standard procedures and approval processes.

We believe this flexibility helps the transaction as it allows CaixaBank to reduce credit losses by adjusting the terms and conditions on the loans to fit the payment capacity of the obligors, though at the cost of losing excess spread in the structure. We have haircut available excess spread in our analysis to account for this flexibility. The management company oversees loan modifications.

Court rulings could impose grace periods and haircuts during the resolution of insolvency proceedings, which we believe are special cases covered by the recovery data incorporated to our analysis.

Use of legal opinions

Scope reviewed the legal opinions produced by Cuatrecasas Gonçalves Pereira SLP for the issuer and trusts the oversight of Spanish regulator, CNMV, which provides comfort on the issuer's legal structure. The transaction conforms to securitisation standards in Spain, effective since 28 April 2015, and supports the general legal analytical assumptions of Scope.

MONITORING

Scope will monitor this transaction using performance reports produced by the management company and any other information received from the originator. The ratings will be monitored continuously and reviewed at least once a year or earlier if warranted by events.

Scope analysts are available to discuss all the details surrounding the rating analysis

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

APPLIED METHODOLOGY AND DATA ADEQUACY

For the analysis of this transaction Scope applied its 'SME CLO Rating Methodology', dated 6 May 2015, available on our website www.scoperatings.com.

APPENDIX I. SUMMARY OF PORTFOLIO CHARACTERISTICS

The following table shows the summary of preliminary portfolio's characteristics as considered in Scope's analysis and the portfolio at closing.

Figure 18. Main characteristics of the portfolio

Main characteristics	FONCAIXA PYMES 7	FONCAIXA PYMES 7
Originator	**CaixaBank**	**CaixaBank**
Pool cut date	**Closing**	15.09.2015
Number of loans	57,792	64,606
Number of obligors	51,460	57,061
Original amount (EURm)	3,624	3,962
Outstanding amount (EURm)	**2,529**	**2,937**
Average outstanding amount (EUR)	43,761	45,464
Maximum loan amount (EUR)	7,661,623	8,111,686
WA time to maturity (years)	4.7	4.6
WAL with no prepayments (years)	2.4	2.4
WA seasoning (years)	1.4	1.3
WA coupon	3.5%	3.5%
Fixed-rate assets (% vol)	25.6%	25.8%
WA rate of fixed-rate loans	4.8%	4.8%
Floating-rate assets (% vol)	74.4%	74.2%
WA current coupon of floating-rate assets	2.99%	3.08%
WA margin of floating-rate assets	2.47%	2.48%
Longest maturity	May-45	May-45
Bullet assets (% vol)	0.0%	0.0%
Mortgages, any rank (% vol)	4.6%	4.4%
Loans collateralised by residential (% vol pro-rata)	1.5%	1.8%
Loans collateralised by non-resi (% vol pro-rata)	2.7%	2.7%
Loans collateralised by land (non-resi) (% vol pro-rata)	0.2%	0.2%
WA original LTV	62.3%	64.5%
WA current LTV	56.8%	59.6%
Industry concentration	**Closing**	**15 Sep. 2015**
All real estate and construction	9.0%	9.0%
of which: development related	60.0%	61.9%
Top #1 industry (% vol)	16.3%	16.3%
	Food, beverage and tobacco	Food, beverage and tobacco
Top #2 industry (% vol)	10.5%	10.7%
	Professional services	Professional services
Top #3 industry (% vol)	9.6%	9.5%
	Industrial manufacturing	Industrial manufacturing
Top #4 industry (% vol)	8.5%	9.0%
	Agriculture and farming	Agriculture and farming
Obligor types	**Closing**	**15 Sep. 2015**
SME (% vol)	80.6%	80.0%
Self-employed (% vol)	19.4%	20.0%
Other (% vol)	0.0%	0.0%
Obligor concentration	**Closing**	**15 Sep. 2015**
Top #1 (% vol)	0.4%	0.3%
Top 10 combined (% vol)	1.0%	0.9%
Top 10 WAL (years)	3.8	3.8
Bullet loans among top 10	0%	0%
Defaulted obligors among top 10	0%	0%
Obligors >50 bps (count)	NONE	NONE
Top 10% of obligors combined (currently equal to 5,146 obligors) (% vol)	62.7%	61.8%

Figure 19. Main characteristics of the portfolio (cont.)

Geographic distribution of obligors	Closing	15 Sep 2015
Top #1 obligor region (% vol)	30.7% Catalonia	30.8% Catalonia
Top #2 obligor region (% vol)	12.0% Valencia	11.4% Valencia

Portfolio arrears	Closing	15 Sep 2015
30 to 90 days (% vol)	1.04%	1.52%

Diversity indices	Closing	15 Sep 2015
Loan diversity (^{2}D number)	4,498.1	4,997.7
Obligor diversity (^{2}D number)	3,789.7	4,228.3
Industry diversity (^{2}D number)	12.8	12.7
Obligor geographic diversity (^{2}D number)	7.0	7.0
Asset geographic diversity (^{2}D number)	5.2	5.2
Property type diversity (^{2}D number)	3.6	3.4

Source: Originator

APPENDIX II. VINTAGE DATA

The following figures show the granularity of the vintage data used to derive modelling assumptions and the historical performance of the assets portfolio. Figure 22 to Figure 25 show the consolidated annual curves summarising the delinquency and recovery performance of comparable mortgages and unsecured loans originated by CaixaBank.

Figure 20. Coverage and granularity of vintage data for 90 dpd delinquencies

	Mortgages	Unsecured loans
Total volume (EURm)	4,084	9,706
Total number of contracts	71,848	266,143
Series	20	22
Series period (months)	3	3
Period covered	2010-2014	2010-2015

Figure 21. Coverage and granularity of vintage data for 90 dpd delinquency recoveries

	Mortgages	Unsecured loans
Total defaulted volume (EURm)	119	299
Total number of defaulted contracts	1,949	14,180
Series	21	21
Series period (months)	3	3
Period covered	2010-2015	2010-2015

Figure 22. Mortgage delinquency data consolidated by year (90 dpd)

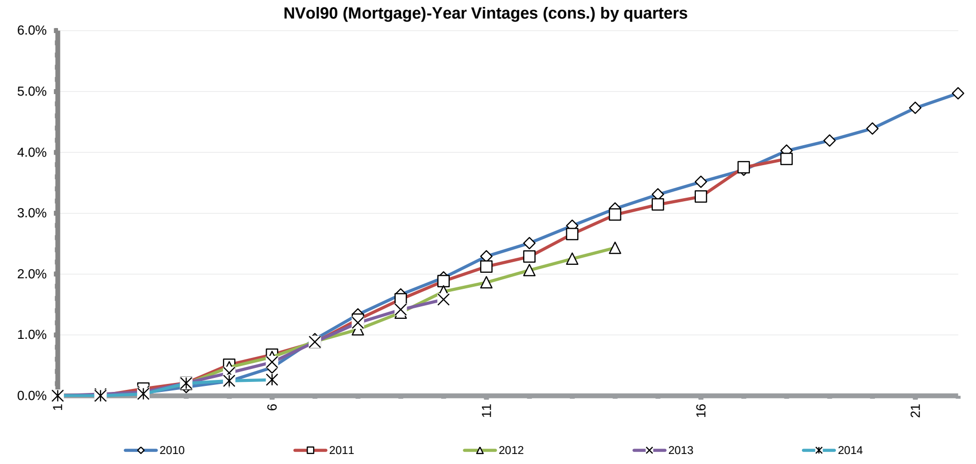


Figure 23. Mortgage recovery data consolidated by year (90 dpd)

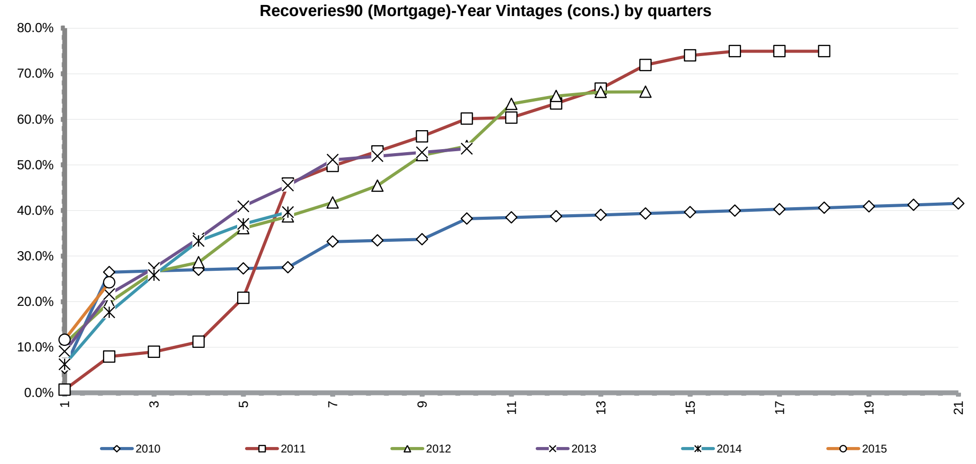


Figure 24. Unsecured delinquency data consolidated by year (90 dpd)

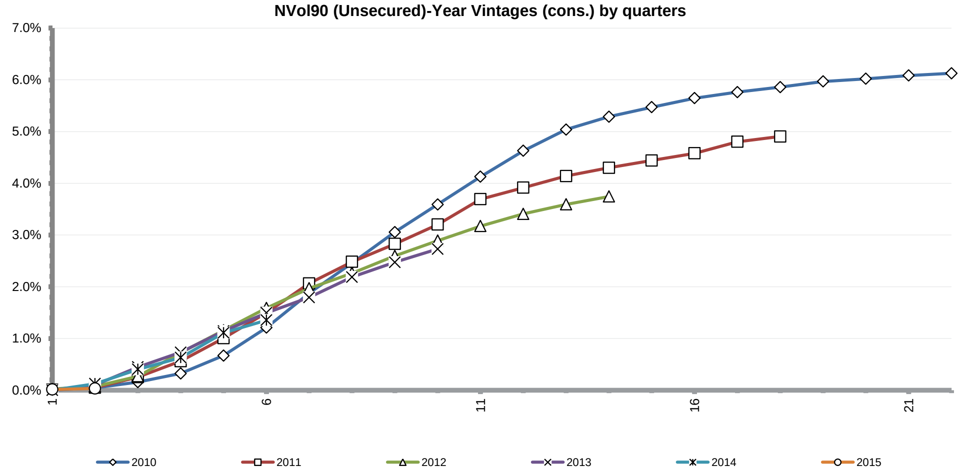
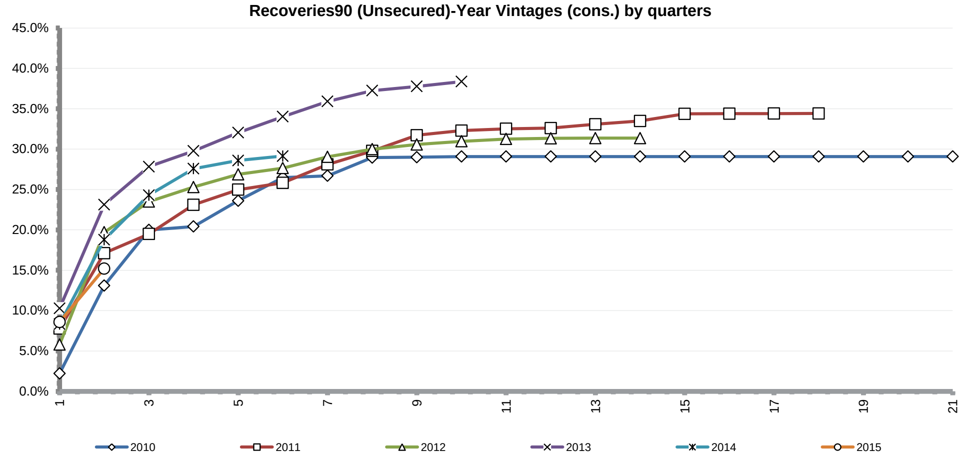


Figure 25. Unsecured recovery data consolidated by year (90 dpd)



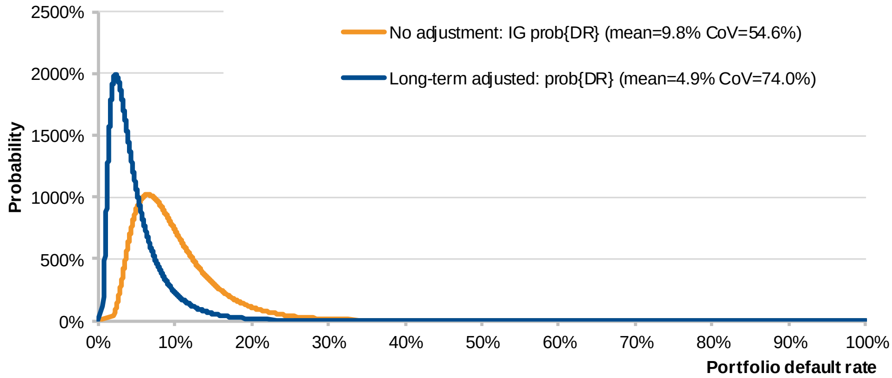
APPENDIX III.LONG-TERM DEFAULT ANALYSIS

This appendix shows the application of the long-term analysis of this transaction as described in the SME CLO Rating Methodology. This analysis is designed to improve the stability of AAA_{SF} credit enhancement levels and reduce procyclicality of ratings.

The analysis considers modified portfolio-default-rate modelling assumptions which reflect our view of the portfolio's long-term performance, under average full-cycle stresses. The modified assumptions are used to assess the adequacy of protection levels for AAA rated tranches, whereas lower rating categories gradually take a more forward-looking view. The B_{SF} level is analysed exclusively under the forward-looking view.

Figure 26 shows the distribution of the portfolio's long-term-adjusted default rates compared to the unadjusted distribution (i.e. base case). The following sections explain how the long-term adjustment was derived.

Figure 26. Long-term-adjusted portfolio-default-rate distribution compared to base case



Adjustment of the portfolio mean default rate

Scope assigned a long-term-adjusted mean default rate for this portfolio of 4.9% (after applying a reduction factor of 0.5 to the unadjusted mean default rate 9.76%), and a default-rate coefficient of variation of 74% (which results from full-cycle volatility analysis, higher than the unadjusted 54.6%).

The reduction factor results from the high relative stress of the period covered by vintage data when compared to the full cycle. The adjustment is summarised in Figure 27.

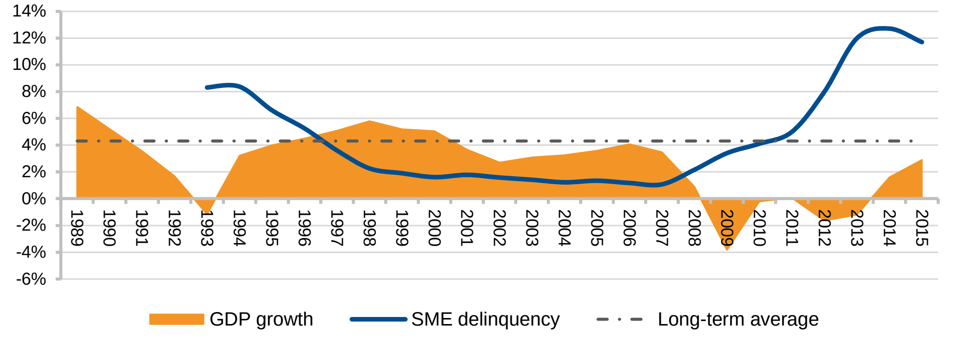
Figure 27. Long-term adjustment of the portfolio mean default rate

Vintage period	Full cycle
2010 to Q2 2015 (5.5 years)	1993 to 2014 (a full cycle)
Portfolio mean DR = 9.76%	
Average market cumulative performance after three years (i.e. approx. WAL of deal) during the vintage window (i.e. average of the values of all synthetic cohorts corresponding to the years covered in vintage data) = 20.3%	Average market cumulative performance after four years (i.e. WAL of deal) during the full cycle (i.e. average of the values of all synthetic cohorts corresponding to the years of the full cycle) = 9.6%
The multiplier is obtained by dividing the average for the cycle by the average for the vintage period: $\textbf{Adjustment factor} = \frac{\text{(Average market performance through-the-cycle)}}{\text{(Average market performance over vintage period)}} = \frac{9.6\%}{20.3\%} = \mathbf{0.47 \approx 0.5}$	
Long-term adjusted portfolio mean DR = 4.9% (≈ 9.76% x 0.5)	

We consider the 1993-2014 period to represent a complete economic cycle in Spain (see Figure 28). The average market would have a long-term cumulative default rate of 9.6% over a full cycle for portfolios with WAL of three years; whereas the performance over the period analysed with vintage data, 2010 to Q2 2015, yields a higher cumulative default rate of 20.3%.

The following chart shows the Spanish cycle and the average credit performance of the market, as well as the long-term average.

Figure 28. The economic cycle and the long-term average 90 dpd performance of SMEs



Source: Bank of Spain and Scope.

Adjustment of the portfolio's default-rate coefficient of variation

The long-term adjustment overrides volatility derived from default vintage data with the volatility estimated for the entire market over a full economic cycle. Scope has derived an adjusted portfolio-default-rate coefficient of variation of 74% for portfolios with WAL of four years.

Figure 29. Long-term adjustment of the portfolio-default-rate coefficient of variation

Vintage period	Full cycle
2010 to Q2 2015 (5.5 years)	1993 to 2014 (a full cycle)
Unadjusted coefficient of variation = 54.6%	
	Coefficient of variation of average market default rates for three years WAL ≈ 74.0%
Adjusted coefficient of variation = 74%	

APPENDIX IV. REGULATORY AND LEGAL DISCLOSURES

Important information

Information pursuant to Regulation (EC) No 1060/2009 on credit rating agencies, as amended by Regulations (EU) No. 513/2011 and (EU) No. 462/2013

Responsibility

The party responsible for the dissemination of the financial analysis is Scope Ratings AG, Berlin, District Court for Berlin (Charlottenburg) HRB 161306 B, Executive Board: Torsten Hinrichs (CEO), Dr. Stefan Bund.

The rating analysis has been prepared by Sebastian Dietzsch, Lead Analyst. Guillaume Jolivet, Committee Chair, is the analyst responsible for approving the rating.

Rating history

The rating concerns newly-issued financial instruments, which were evaluated for the first time by Scope Ratings AG. Scope had already performed preliminary ratings for the same rated instruments in accordance with Regulation (EC) No 1060/2009 on rating agencies, as amended by Regulations (EU) No 513/2011 and (EU) No 462/2013.

Instrument ISIN	Date	Rating action	Rating
ES0305104004	27 November 2015	new	(P) A+$_{SF}$
ES0305104012	27 November 2015	new	(P) B-$_{SF}$

Information on interests and conflicts of interest

The rating was prepared independently by Scope Ratings but for a fee based on a mandate of the issuer of the investment, represented by the management company.

As at the time of the analysis, neither Scope Ratings AG nor companies affiliated with it hold any interests in the rated entity or in companies directly or indirectly affiliated to it. Likewise, neither the rated entity nor companies directly or indirectly affiliated with it hold any interests in Scope Ratings AG or any companies affiliated to it. Neither the rating agency, the rating analysts who participated in this rating, nor any other persons who participated in the provision of the rating and/or its approval hold, either directly or indirectly, any shares in the rated entity or in third parties affiliated to it. Notwithstanding this, it is permitted for the above-mentioned persons to hold interests through shares in diversified undertakings for collective investment, including managed funds such as pension funds or life insurance companies, pursuant to EU Rating Regulation (EC) No 1060/2009. Neither Scope Ratings nor companies affiliated with it are involved in the brokering or distribution of capital investment products. In principle, there is a possibility that family relationships may exist between the personnel of Scope Ratings and that of the rated entity. However, no persons for whom a conflict of interests could exist due to family relationships or other close relationships will participate in the preparation or approval of a rating.

Key sources of information for the rating

Offering circular and transaction-related contracts; operational review presentation of the originator; delinquency and recovery vintage data; loan-by-loan final portfolio information; documentation of internal rating systems; legal opinions; and portfolio audit report.

Scope Ratings considers the quality of the available information on the evaluated entity to be satisfactory. Scope ensured as far as possible that the sources are reliable before drawing upon them, but did not verify each item of information specified in the sources independently.

Examination of the rating by the rated entity prior to publication

Prior to publication, the rated entity was given the opportunity to examine the rating and the rating drivers, including the principal grounds on which the credit rating or rating outlook is based. The rated entity was subsequently provided with at least one full working day, to point out any factual errors, or to appeal the rating decision and deliver additional material information. Following that examination, the rating was not modified.

Methodology

The methodology applicable for this rating is “SME CLO Rating Methodology”, dated May 2015. Scope also applied the principles contained in the call-for-comments paper “Rating Methodology for Counterparty Risk in Structured Finance Transactions”, dated August 2015. Both files are available on www.scoperatings.com. The historical default rates of Scope Ratings can be viewed on the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope’s default rating, definitions of rating notations and further information on the analysis components of a rating can be found in the documents on methodologies on the rating agency’s website.

Conditions of use / exclusion of liability

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