CaixaBank Consumo 2, FT

New Issue

Inside This Report

Capital Structure

Class	Final rating	Outlook	Amount (EURm)	CE[a] (%)	Interest rate (%)	Final maturity	PLM[c] (x)
A	Asf	Stable	1,170	14.0	Euribor +1	April 2060	3.6
B	B+sf	Stable	130	4.0	Euribor +1.5	April 2060	1.0
Total issuance			1,300			**PLE[b] (%)**	3.9

Closing occurred on 28 June 2016. The transfer of the portfolio to the issuer occurred on 22 June 2016. The ratings assigned above are based on the portfolio information as of 23 May 2016 and updated as of 22 June 2016, provided by the originator(s). The portfolio information in this report is as of 23 May 2016
[a] Credit Enhancement (CE): The CE consists of overcollateralisation via the subordination of the junior tranche (10%) based on a total asset pool of EUR1,300m and the cash reserve of 4.0% of the initial portfolio balance. In addition, the structure benefits from initial excess spread of about 6% p.a.
[b] Portfolio Loss Expectation (PLE)
[c] Portfolio Loss Multiple (PLM)

Transaction Summary

Fitch Ratings has assigned ratings to the securitisation of a static EUR1,300m portfolio of loans for consumer purposes issued by CaixaBank Consumo 2, Fondo de Titulización (CaixaBank Consumo 2, FT, the issuer) as listed. The loans have been originated and serviced by CaixaBank, S.A. (CaixaBank, the seller and servicer, rated BBB/Positive/F2). The ratings address the payment of interest and the ultimate payment of principal on the class A and B notes in accordance with the terms and conditions of the documentation.

Key Rating Drivers

Mixed Risk: The collateral comprises two product types: unsecured consumer loans (around 75%) and real estate (RE) secured consumer loans (around 25%). The RE secured consumer loans have a weighted remaining life to maturity of 16 years, while the unsecured portion of the collateral has a shorter weighted remaining life to maturity of four years.

Limited Credit Losses: Fitch has analysed the unsecured portfolio's credit risks and formed a base-case default expectation of 4.5% and a recovery-rate expectation of 30% for the lifetime of the portfolio. These base cases were derived based on historical data provided by CaixaBank, dating back to 2006.

Fitch's lifetime default base-case and recovery-rate expectations for RE secured consumer loans are 10.6% and 43.8% respectively, derived from its proprietary Spanish RMBS default model (ResiGlobal), which is based on the criteria for analysing securities backed by Spanish residential mortgage loans.

Counterparty Dependence Caps Rating: CaixaBank acts as originator, servicer, bank account provider and paying agent. CaixaBank's rating sufficiently mitigates payment interruption risk for a note rating up to the 'Asf' category. CaixaBank will post a reserve upon the loss of a 'BBB' rating to address commingling risk. The rating of the notes is capped at 'A+sf', one notch higher than the initial rating of the senior notes, as the rating trigger upon which the account bank would be is set at 'BBB'.

Interest Rate Risk: The transaction is exposed to interest rate risk as a significant portion of the assets (71.84%) pay a fixed interest rate, while both class A and B notes pay a floating coupon. Fitch found that the notes were able to withstand an increasing interest rate stress commensurate with their rating derived in accordance with Fitch's criteria for interest rate stresses in structured finance transactions.

Related New Issue Appendix

CaixaBank Consumo 2, FT – Appendix

Related Criteria

Global Structured Finance Rating Criteria (June 2016)
Global Consumer ABS Rating Criteria (December 2015)
EMEA RMBS Rating Criteria (May 2016)
Criteria Addendum: Spain – Residential Mortgage Assumptions (August 2015)
Exposure Draft: Counterparty Criteria for Structured Finance and Covered Bonds (April 2016)
Criteria for Servicing Continuity Risk in Structured Finance (December 2015)
Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (May 2016)

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Transaction Comparison

Transaction Comparison

Issuer	CaixaBank Consumo 2, FT	A-Best 13	SCSA 2014-1[a]	Foncaixa Consumo 1
Closing date	28 Jun 16	27 Nov 15	26 Nov 14	24 Nov 11
Registered office	Spain	Spain	Spain	Spain
Country of assets	Spain	Spain	Spain	Spain
Seller	CaixaBank, S.A.	FCA Capital Espana	Santander Consumer EFC	CaixaBank, S.A.
Issuance volume (EURm)	1,300	315	798	3,080
Class	**Class A**	**Class A**	**Class A**	**Class A**
Rating at closing	Asf	AA+sf	Asf	AAAsf
Amount (EURm)	1,170	225.5	703	2,618
Credit enhancement (%)	14.0	29.2[b]	12.5[b]	20.0
Class	**Class B**	**Class B**	**Class B**	**Class B**
Rating	B+sf	Asf	BBBsf	BB+sf
Amount (EURm)	130.0	36.5	27.4	462.0
Credit enhancement (%)	4.0	17.6	8.9	5.0
Class		**Class M**	**Class C**	
Rating		NRsf	BB+sf	
Amount (EURm)		53.0	15.2	
Credit enhancement (%)		0	6.9	
Portfolio summary as of closing				
Type	Static	Revolving (26m)	Revolving (48m)	Static
Type of receivables	Unsecured (75%) and real estate secured (25%) consumer loans	Auto loans and leases	Auto loans	Unsecured (31%) and real estate secured (69%) consumer loans
Total principal amount (EUR)	1,300,000,000	311,868,019	760,000,001	3,080,000,000
Number of receivables	145,036	36,179	73,909	273,163
Avg. outstanding balance (EUR)	9,583	8,620	10,283	11,274
WA remaining term in months	84	41	58	162
WA seasoning in months	30	18	10	42
Type of repayment				
Fully amortising	100	82	100	100
Balloon payment	0	18	0	0
Payment method				
Direct debit	100	100	100	100
Cumulative default rate assumption	7.0	5.8	5.4	5.1
Recovery rate assumption	33.5	30.0	32.9	65.7
Prepayment-rate assumption (annually)	5	4	5	5

[a] Santander Consumer Spain Auto
[b] The transaction features excess spread as an additional source of credit enhancement; excess spread is not reflected in the credit enhancement figure
Source: Transaction documents/Fitch

Transaction Parties

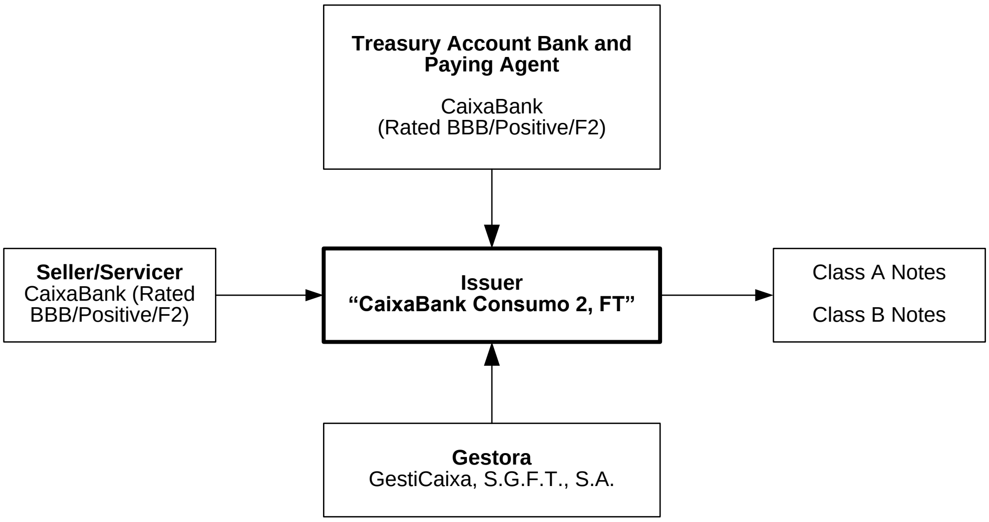
Transaction Parties

Role	Name	Rating
Issuer	CaixaBank Consumo 2, FT	NR
Originator, seller	CaixaBank, S.A.	BBB/Positive/F2
Servicer	CaixaBank, S.A.	BBB/Positive/F2
Account Bank	CaixaBank, S.A.	BBB/Positive/F2
Paying Agent	CaixaBank, S.A.	BBB/Positive/F2
Arranger, Trustee	GestiCaixa	NR

Source: Fitch

Transaction and Legal Structure

Summary of Transaction



Source: Transaction documents

Issuer & True Sale

The issuer is a limited-liability special-purpose vehicle (SPV) incorporated under the laws of Spain, the sole purpose of which is to acquire unsecured loans and RE secured consumer loans from CaixaBank as collateral for the issuance of notes. Under Spanish law, mortgage loans are not actually transferred as this would entail a lengthy process of re-registering the mortgages at the property registry. Instead, mortgage originators are permitted to issue mortgage participations (PH) and mortgage certificates (CTH).

At closing, the unsecured loans and mortgage certificates were acquired from the seller by CaixaBank Consumo 2, FT represented by GestiCaixa S.G.F.T. S.A (the *gestora*, a limited liability company incorporated under Spanish law, whose activities are limited to the management of securitisation funds).

The cash bond administration function for this transaction will be carried out by the *gestora*, which is supervised by the Comisión Nacional del Mercado de Valores (CNMV); as such, the *gestora* is responsible for cash reconciliation, waterfall calculations and their reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer or account bank. This is the second consumer securitisation originated in Spain by CaixaBank, S.A. and rated by Fitch.

Capital Structure & Credit Enhancement

The issuer has issued two tranches of floating-rate, pass-through, quarterly paying and sequentially subordinated notes based on three-month Euribor plus a margin.

Initial CE for the class A notes, equivalent to 90% of the original collateral balance, is provided by the subordination of class B (10%) plus the reserve fund (RF) of 4.0%. Initial CE for the class B notes is provided only by the RF.

Excess spread, around 6% at closing, provides the first layer of protection against losses. However, since excess spread is not guaranteed by any swap and notes pay a floating coupon while a significant portion of the assets pay a fixed interest rate, excess spread would significantly decrease if interest rates increased considerably (see *Interest Rate Risk*).

The RF has been funded on the issuance date via a fully drawn subordinated loan and will amount to 4.0% of the note balance. If defaults exceed the excess spread, the RF will be used to cover losses.

The RF will be permitted to reduce to the lower of: i) 4.0% of the original Class A and B notes' balance; and ii) the higher of: a) 8.0% of the outstanding class A and B notes' balance; and b) 2% of the original Class A and B notes' balance.

This amortisation is subject to the following conditions:

- the balance of loans more than 90 days in arrears is less than 1.5% of the outstanding non-defaulted collateral (defined as performing loans and loans in arrears up to 12 months);
- on the preceding payment date, the RF was at its required amount; and
- more than two years have passed since the closing date of the transaction.

Interest Rate Risk

The transaction is exposed to interest rate risk as a significant portion of the assets (71.84%) pay fixed interest rate, while both Class A and B pay a floating coupon. Fitch captured this risk in its analysis so that notes were able to withstand an increasing interest rate stress commensurate with their rating derived in accordance with Fitch's criteria.

The impact of increasing interest rates is mitigated by the high interest rate of fixed paying loans (c.9%), which makes excess spread available at the beginning of the life of the transaction even under an increasing interest rate scenario, and the fact that RE secured loans (the ones with the longest time to maturity) are mainly floating, thereby reducing the potential negative carry at the end of the life of the deal.

Eligibility Criteria

In accordance with the representations and warranties provided by the seller, the following are the main conditions that each loan must satisfy in order to be assigned to the issuer at closing:

- originated by CaixaBank in the ordinary course of its business;
- governed by Spanish law;
- denominated in euros;
- legally and beneficially owned by CaixaBank;
- always serviced by CaixaBank;
- final maturity before September 2056;
- there are no loans more than 90 days delinquent, loans delinquent between 30 and 90 days represent less than 0.05% of the total pool, and loans delinquent less than 30 days represent less than 5%;
- repaid by direct debit;
- collateral guarantees are valid and enforceable;
- borrowers are Spanish residents;
- borrowers are not employees of CaixaBank;
- not classified as refinanced or restructured; and
- the seller is not aware of the existence of any potential set-off claim from the borrowers.

Priority of Payments

The transaction uses a combined waterfall for principal and interest collections. Additionally, the available distribution amount includes the balance of the reserve fund. Payments will be made from the available distribution amount, on each quarterly payment date, in the following order of priority:

Priority of Payments

1	Senior expenses
2	Class A interest
3	Class A principal
4	Reserve fund replenishment (as long as class A remains outstanding)
5	Class B interest
6	Class B principal
7	Reserve fund replenishment (once class A has been paid in full)
8	Junior items

Source: Transaction documents, Fitch

The structure is strictly sequential, and class B interest is junior to class A notes principal and the RF replenishment as long as class A notes remain outstanding, thereby providing protection to the class A notes.

Principal due for the amortisation of the notes on any payment date will be capped at the difference between the outstanding balance on the A and B notes and the balance of non-defaulted collateral (ie, performing and up to 12 months in arrears). Payments will be made subject to the availability of funds, according to the priority of payments.

All the notes are subject to a clean-up call option in favour of the *gestora* when less than 10% of the initial collateral remains outstanding and the notes can be redeemed according to the established priority of payments. The clean-up call can only be exercised if all the notes are redeemed in their entirety.

Disclaimer

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Asset Analysis

Originator Overview

As part of its rating process, Fitch conducted an operational review of CaixaBank's origination and servicing procedures on 19 April 2016. Please note that review visits do not constitute due diligence and that Fitch does not perform due diligence but relies upon the accuracy of data provided. Fitch considers the underwriting and servicing capabilities to be in line with market standards among the top Spanish banks. Furthermore, CaixaBank has a proven track record in its securitisation activity.

CaixaBank is 57% owned by CriteriaCaixa and includes all of the group's financial activities. These include retail banking in Spain, the group's insurance business and equity stakes in international banks as well as in some industrial corporates. It is the market leader in Spain, with 15.3% and 16.4% deposit and loan market shares at end-2015.

CaixaBank originates unsecured consumer loans and RE secured consumer loans through its 5,183 branches in Spain. RE secured consumer loans include both credit lines and term loans with a term to maturity as long as 30 years, while unsecured consumer loans are regular consumer loans with a maximum term typically of six years.

CaixaBank is growing significantly in consumer lending. This is in line with other originators, as explained in the *Iberian Consumer Credit Market Review* report published in June 2016, according to which consumer lending will keep growing at similar rates in the short term, given the higher profitability of this segment relative to others such as mortgage lending. New consumer credit has grown at an annualised rate of 20% in Iberia since 2014, fostered, among other factors, by increasing competition.

The growth in CaixaBank's consumer lending loan book has been achieved through unsecured consumer lending, annual originated volume of which has increased to more than EUR1bn in 2015 from around EUR0.2bn in 2007, while the volume of RE secured consumer lending has remained stable. Other than the higher representation of unsecured consumer loans in the total loan book, the main loan characteristics of each product type, such as average size, term and interest rate, have remained fairly stable.

Loan Products

Unsecured Consumer Loans (75% of the Portfolio)

The unsecured consumer loans are mostly fixed-rate assets with average and maximum terms (except in exceptional cases) of 4.5 and six years respectively. They benefit from different guarantees than real estate property, which could be a security or a personal guarantee. These loans amortise on a monthly basis following a French amortisation profile.

RE Secured Consumer Loans (25% of the Portfolio)

The RE secured pool is divided between term loans (15% of the pool) and credit drawdowns (10% of the pool). These loans have typical and maximum terms of 20 and 30 years respectively. Moreover, these are consumer loans with a medium- or long-term maturity and property collateral located in Spain. In the majority of cases (79.77%), the collateral is ranked second, with the mortgage also held by CaixaBank being ranked first.

Credit drawdowns are made under revolving loans whereby the borrower makes an initial drawdown and subsequently can ask for further draws. These further draws remain subject to the credit analysis and approval of the seller. In addition, these are subject, among other things, to the borrower not being in arrears in any of the existing drawdowns and the adjusted loan/value ratio (LTV) remaining at a maximum of 60%. This adjusted LTV takes into account all debtors' debt positions within CaixaBank as well as all possible further drawdowns up to the limit of the credit line, thereby providing an adequate measure of the collateral value with respect to borrowers' total debt.

Underwriting

The underwriting process combines a scoring system and different authorisation levels for underwriting. The experience of the person responsible for approving each loan depends on several variables such as the size of the loan, the scoring output, the LTV and the loan term.

CaixaBank analyses loan applications at the branch level, where a representative gathers all relevant information and processes the loan through a scoring system. The information that must be provided includes: i) personal borrower data such as ID; ii) economic information; iii) borrower job status; iv) loan characteristics; and v) behavioural information.

The scoring models are calibrated for two types of borrowers: borrowers linked to the bank (existing customers of CaixaBank); and borrowers that are new to CaixaBank. These models estimate the probability that a borrower or transaction will fall into default within 12 months. The variables of the models such as type of employment, age and existence of prior payment incidents are relatively standard for the asset class.

The final outcome of the scoring system is approved, denied or subject to further review, in which case the branch would have to justify why the application is not being denied. The models currently being applied were developed in 2008/2009 and resulted in a significant improvement in observed performance. All models have been back-tested with satisfactory results, with higher discriminatory power achieved for existing clients.

Servicing & Collections

CaixaBank has a large internal recovery team, which has grown dramatically since the global financial crisis started in 2007. In recent years, the team has been downsized as a result of lower delinquency levels and increased know-how resulting in greater efficiency.

CaixaBank's monitoring system includes both early arrears detection and the recovery process. The detection of risky situations is monitored on a daily basis. Once a loan is one day in arrears, it is managed at the branch level from day 1 to day 55, and is considered delinquent.

Additionally, external recovery agencies are used for unsecured loans:

- Days 15-25 (Warning): Telephone contact is made, informing of the delinquency status and asking the debtor to regularise.
- Days 30-55 (Collection). Continuous, more frequent calls are made to the borrower.
- Days 55-110: The external collection agencies try to collect as much as they can in accordance with their procedures. CaixaBank usually rotates them and incentivises high recoveries. Teleaviso acts for RE secured loans and unsecured loans.

For non-performing loans (over 90 days in arrears), internal and external recovery procedures are implemented. In the case of unsecured consumer loans, branches still try to collect payments and, residually, they agree to refinance or restructure the loan. For RE secured loans, recovery management is centralised. The internal team intensifies the calls and explains the potential consequences of non-payment of a secured loan and also calls personal guarantors.

Legal proceedings are started around day 120. They take on average 500 days with a large variation between districts. In some cases (unsecured consumer loans) in which the loan amount is relatively low and the position of the obligor is weak, legal proceedings may not be initiated. In these cases collection efforts continue from 110 to 365 days in arrears and the originator may reach friendly agreements with delinquent debtors.

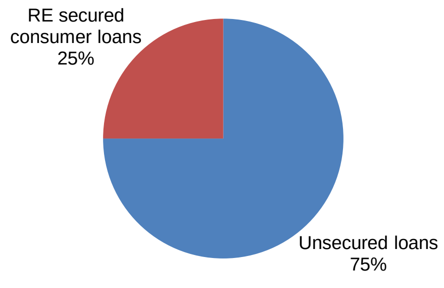
Lastly, for written-off loans (365 days in arrears), legal proceedings continue and, in some cases, non-performing portfolios are sold.

Portfolio Summary

As of 23 May 2016, the portfolio had an outstanding balance of EUR1,390m comprising 145,036 loans for consumer purposes. The unsecured consumer loans correspond to EUR1,043m and comprise 126,845 loans, while the RE secured consumer loans represent EUR347m and cover 18,191 loans. Of the loans, 78% were originated between 2013 and 2016 and have an average seasoning of three years and a remaining term of seven years.

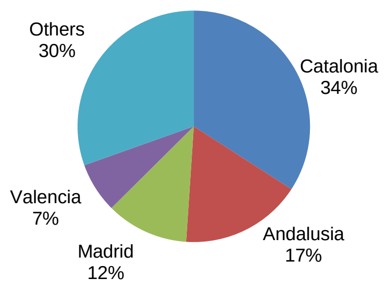
RE secured loans have a remaining time to maturity of about 16 years, while the unsecured portion of the collateral has a shorter remaining time to maturity of four years. The majority of the RE secured consumer portfolio (73%) and 13% of the unsecured portfolio bear a floating rate, while the remaining portfolio has a fixed rate. In accordance with the seller's geographical concentration, 34% of borrowers are located in Catalonia, followed by Andalusia and Madrid with 17% and 12% respectively. Almost the entire portfolio pays principal and interest on a monthly basis and follows a French amortisation profile

Type of Consumer Loans



Source: CaixaBank

Geographical Concentration



Source: CaixaBank

Portfolio Credit Analysis

Fitch used a dual approach in its portfolio credit analysis. Unsecured consumer loans granted to individuals were analysed in accordance with the agency's *Global Consumer ABS Criteria*, while the RE secured consumer loans were analysed using its *EMEA RMBS Rating Criteria* complemented by *Criteria Addendum: Spain – Residential Mortgage Assumptions*.

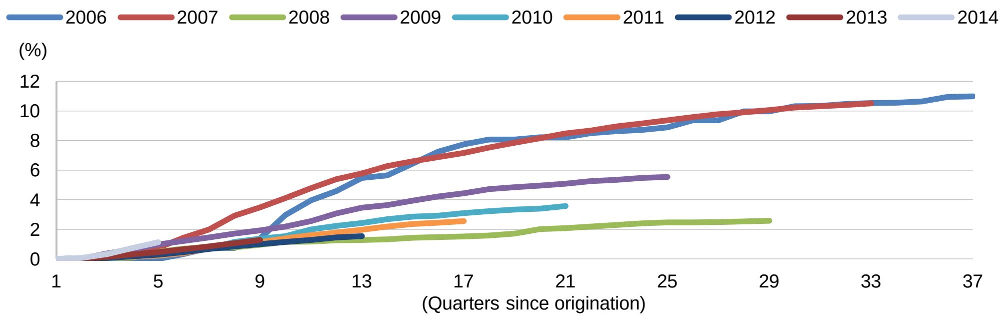
Unsecured Consumer Loans

Fitch was provided with 90 days delinquency data in vintage form, covering January 2006 to December 2015; Fitch analysed the vintage data in line with its *Global Consumer ABS Criteria*. The agency used this data to determine the base-case default and recovery rates for the unsecured consumer loan portion of the pool.

The 2007 and 2008 vintages exhibit higher cumulative three-months-plus arrears in volume terms than other vintages. This is mainly explained by: (i) the sharp deterioration in the macroeconomic environment right after the origination of these vintages, which had a high impact on unemployment levels; and (ii) the weaker underwriting standards that prevailed during these years.

Fitch has set the cumulative default rate in its base case at 4.5%, which is in line with most recent vintages' performance seen on this product. In deriving this assumption, Fitch gives credit to a tightening in the originator's lending criteria that has taken place since 2009, which is explained by the development of the scoring models and also takes into account the agency's macroeconomic expectations over the medium term.

Unsecured Consumer Loans
Cumulative 90 days+ arrears by volume



Source: CaixaBank

In line with Fitch's criteria, to account for the impact of economic deterioration on the transaction's cash flows, Fitch applies multiples to the base case for the respective rating scenarios. In this case, for deriving the stressed default assumptions Fitch has applied median default multipliers (3.2x for an 'Asf' scenario). The most relevant qualitative factor that weights towards higher multiples is the observed significant increase in origination volumes in recent years, which was compensated with the stable collateral characteristics and the short default definition used to derive the base case (90d+).

In Fitch's experience, recoveries under unsecured financing are usually relatively low. This has also been confirmed for CaixaBank's unsecured consumer loan book. Based on the data provided, Fitch decided to apply an overall base-case recovery rate of 30%. Recovery haircuts applied for stressed scenarios have also been median (32% for an 'Asf' scenario) as some qualitative factors point to higher haircuts, such as the short default definition or the unsecured nature of the loans, while others point to lower haircuts, for instance the quantity of available data (close to 10 years of vintage data) and the stability of the recovery process.

RE Secured Consumer Loans

Fitch derived its default and recovery expectations for RE secured consumer loans from its proprietary Spanish RMBS default model (ResiGlobal), which incorporates the base-case foreclosure frequency, adjustments for non-standard loans, scenario multipliers and market value decline assumptions explained in *Criteria Addendum: Spain – Residential Mortgage Assumptions*.

Fitch considered the origination practices of CaixaBank to be aligned with its Spanish peers and therefore applied no lender adjustment. The positive vintage data and strong performance observed of the prior deal, Foncaixa Consumo 1, were offset by the fact that CaixaBank applies a stressed Euribor for the purpose of calculating the debt/income ratio (DTI) of floating loans lower than Fitch's expectations.

Furthermore, all loans in the portfolio have been originated through CaixaBank's own branch network, indicating a good profile for borrowers using this channel. Consequently, Fitch has not applied any default rate adjustment to the loans because of non-traditional origination channels.

CaixaBank was unable to provide loan-by-loan information on adjusted DTI and original loan/value ratios (OLTV) by all obligors' debt positions. CaixaBank provided the information at the loan-by-loan level, but consolidated borrower information at the moment of loan origination was unavailable; that is to say, the DTI and OLTV were not adjusted by remaining borrowers' debt positions that rank prior or pari passu to the securitised loans. CaixaBank did provide a current LTV, which included all debt positions of the borrower, thereby taking into account all loans ranked prior and pari passu to the securitised loan.

Fitch derived its OLTV and DTI assumptions based on CaixaBank's underwriting practices documented in the operational visit. CaixaBank follows an underwriting policy (which is only overridden in exceptional cases) according to which RE secured consumer loans are granted with an OLTV of 70% or lower while DTI should not exceed 40%. Consequently, Fitch assumed that RE secured consumer loans had an OLTV of 70% and a DTI of 40%-50%.

Fitch took into consideration prior claims of loans ranked second in deriving recovery assumptions in accordance with the methodology described in *EMEA RMBS Rating Criteria*. This methodology is based on an assumed house price evolution in accordance with an indexation derived from public home price sources and a market value decline, which represents Fitch's assumption of the drop in the value of a house when it has been taken into possession by the seller.

Additionally, considering the revolving nature of the RE secured consumer credit lines, the agency assumed on the recovery side that credit lines are drawn up to their limit. Upon a borrower's default, recovery proceeds will be split pro rata between the different drawings. Hence, Fitch calculated recovery percentages accounting for potential further draws.

Adjustments for non-standard loans have been applied as explained in *Criteria Addendum: Spain – Residential Mortgage Assumptions*. The ones that have a significant impact on the asset assumptions are the following:

- 100% of the loans have a consumer purpose, so for this reason a 50% hit has been applied to the default rate expectation.
- The RE secured consumer portion of the pool shows a geographical concentration in Catalonia (37%). Fitch applied a regional concentration default rate expectation hit of 15% for all loans backed by assets located in this region.
- The seller provided employment data on a loan-by-loan basis for close to 86% of the RE secured consumer loan portfolio. Of the borrowers, 59% benefited from a fixed contract. For all loans without information (14%), or where the borrower is self-employed, has a temporary contract or has any job status other than a fixed contract (27%), the base default rate expectation was increased by 60%.

Asset Outlook

The outlook for the performance of a portfolio of unsecured consumer loans and RE secured consumer loans to Spanish consumers is stable over the near to medium term.

Fitch's GDP growth expectations for Spain are 2.8% in 2016 and 2.2% in 2017, as shown in its Global Economic Outlook as of May 2016. This compares with average GDP growth of −0.1% in 2011-2015. The recovery is broad-based, with both household consumption and private investment having made substantial contributions. The main drivers of consumption are improving labour market conditions and increasing confidence.

The Spanish labour market has seen improvements after a prolonged period of record-high unemployment rates, which Fitch considers one of the main performance drivers for ABS transactions.

Expectations

	Default rate expectations (%)	Recovery rate expectations (%)	Loss rate expectations (%)
Unsecured	4.5	30	3.2
RE secured	10.6	43.8	6.0
Weighted average	6.1	36.2	3.9

Source: Fitch

Stressed Assumptions

	Rating default rate (%)	Rating recovery rate (%)	Rating loss rate (%)
AA+	24.3	19.7	19.5
A	16.9	24.8	12.7
BBB	12.5	27.6	9.0

Source: Fitch

Prepayment Risk

For the unsecured consumer pool, Fitch derived its base-case prepayment assumptions using data from the previously rated deal, Foncaixa Consumo 1. Fitch applied a base-case annual prepayment rate of 5%, which was stressed in line with Fitch's *Global ABS Criteria*. For the RE secured consumer loans, Fitch used the prepayment assumptions described in *Criteria Addendum: Spain – Residential Mortgage Assumptions*.

Financial Structure and Cashflow Modelling

The agency's cash flow model was used to simulate the impact of defaults, recoveries and prepayments on the issuer's income, based on the assets acquired. We tested three different default timings (front, evenly and back-loaded) while assuming that recovery timings would occur in line with the historical evidence provided by CaixaBank. Default timings were also back-tested against historical evidence concluding that historical timings fall within the scenarios tested.

The cash flows were tested in relevant rating scenarios to ascertain if they were sufficient to pay interest and principal on the different classes of notes when due. The model therefore took into account the different structural elements of the transaction. The results were used to assess the adequacy of credit enhancement levels for the respective classes of rated notes.

Fitch performed various sensitivity runs to assess the impact of certain combinations of input factors on the ultimate results, such as different default timings (front and back‐loaded) and prepayment stresses (high and low).The agency tested increasing, stable and decreasing interest rates in accordance with its stresses (see *Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds dated May 2016*)

The analysis showed that the CE levels provided for each of the tranches would be sufficient to withstand the default hurdles and losses determined by the agency for the individual ratings.

Rating Sensitivity1

This section of the report provides greater insight into the model-implied sensitivities the transaction faces when one risk factor is stressed, while holding others equal. The modelling process first uses the estimation and stress of base-case assumptions to reflect asset performance in a stressed environment, and second, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure & Cashflow Modelling*). The results below should only be considered as one potential outcome given that the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default Rates

The change in rating (ie ratings migration) resulting from a relative increase in the base-case joint probability of default for each receivable is demonstrated below. For example, increasing the base-case default rate by 15% may result in a one-notch downgrade of the class A notes, from 'Asf' to 'A−sf'.

Rating Sensitivity to Increased Defaults

	A	B
Original Rating	Asf	B+sf
Increase in default rate by 15%	A−sf	B−sf
Increase in default rate by 30%	BBB+sf	CCCsf
Increase in default rate by 45%	BBBsf	CCsf or below

Source: Fitch

Rating Sensitivity to Recovery Rates

The change in rating if the base-case recovery rates are adjusted is shown in the *Rating Sensitivity to Reduced Recovery Rates* table. The notes' rating is relatively insensitive to changes in the base-case assumptions due to the relatively low level of recoveries, the recovery time lag and the median haircuts assumed under stressed scenarios.

[1] These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance.

Rating Sensitivity to Reduced Recovery Rates

	A	B
Original Rating	Asf	B+sf
Decrease in recovery rate by 15%	Asf	Bsf
Decrease in recovery rate by 30%	A−sf	B−sf
Decrease in recovery rate by 45%	A−sf	CCCsf

Source: Fitch

Rating Sensitivity to Shifts in Multiple Factors

The *Rating Sensitivity to Multiple Factors* table summarises the rating sensitivity to stressing defaults and recoveries concurrently. Three scenarios are evaluated to demonstrate the sensitivity of the rating to varying degrees of stress, ie mild, moderate and severe changes to the expected level of defaults and recoveries.

Rating Sensitivity to Multiple Factors

	A	B
Original Rating	Asf	B+sf
Increase in default rate by 15%, decrease in recovery rate by 15%	BBB+sf	CCCsf
Decrease in recovery rate base case by 30%	BBBsf	CCsf or below
Decrease in recovery rate base case by 45%	BBB−sf	CCsf or below

Source: Fitch

Criteria Application, Model and Data Adequacy

Criteria Application

The agency used its *Global Consumer ABS Criteria* to analyse unsecured consumer loans granted to individuals and its *EMEA RMBS Rating Criteria* complemented by *Criteria Addendum: Spain – Residential Mortgage Assumptions* to analyse the remaining portfolio.

Model

Fitch used its proprietary cash flow model to analyse the defaults and recoveries and the respective timing assumptions on the issuer's ability to meet its debt service obligations under the rated notes. In addition, the agency used its proprietary Spanish RMBS default model (ResiGlobal) to determine the asset assumptions of the RE secured consumer loans portion of the portfolio.

Data Adequacy

CaixaBank provided loan-by-loan information on the collateral (including internal one-year probability of default estimates), vintage data for RE secured consumer and unsecured consumer loan receivables on defaults and recoveries, and dynamic delinquency data covering close to 10 years of history.

The agency received loan-by-loan information for nearly all fields under its RMBS data requirements. For missing or incomplete fields, Fitch applied conservative assumptions and assumptions based on the underwriting policies explained by CaixaBank. Based on a review of the information provided by CaixaBank, Fitch considered the data as adequate in deriving the base-case cumulative defaults and recoveries for CaixaBank Consumo 2, FT.

The agency's proprietary cash flow model has been used to complete the rating analysis and simulate the transaction cash flows and capital structure. Fitch simulated the cash flows from the assets as two representative pools (unsecured consumer loans and RE secured consumer loans) since the bank provided a scheduled amortisation profile of the portfolio by sub-pool.

Fitch reviewed the Agreed Upon Procedures (AUP) report regarding the data provided by GestiCaixa, S.A., S.G.F.T. (the *gestora*, a limited-liability company incorporated under Spanish law, whose activities are limited to the management of securitisation funds). An internationally recognised accounting firm conducted the audit report, which included a detailed review of 461 loans from 145,036 loan files. Fitch believes the sample size, the scope of the AUP report and the presence of one unique error finding suggest the originator provided an acceptable quality of data.

This one error was related to the loan formalisation information. This finding was immaterial to this analysis. In addition, the loan affected by the finding was excluded from the securitised pool as described in the transaction prospectus.

As a result, Fitch made no adjustments to its analysis with respect to the data provided, and in Fitch's view, the overall level of data available was adequate to support the rating analysis.

Counterparty Risk

Servicing

CaixaBank, as seller, will continue acting as servicer of the collateral. For the protection of investors, if CaixaBank is unable at some future point to continue to service the collateral or for any other reason the *gestora* believes it is appropriate, the *gestora* would dismiss the existing servicer and appoint a replacement administrator in accordance with Spanish securitisation law.

In this sense, the *gestora* can request the servicer to notify within five business days all borrowers that loans have been transferred and that payment should be made to an account of the SPV held in the account bank. In case the servicer fails to do so, the *gestora* would step in and notify directly all borrowers.

Furthermore, apart from the duty of implementing the servicer substitution if appropriate, other relevant duties of the *gestora* are: (i) the surveillance of the correct servicing of each loan; and (ii) ensuring the availability of information so that a servicer substitution could be implemented.

Account Bank

The treasury account will be held in the name of the issuer at CaixaBank, which also acts a Paying Agent in the transaction. The treasury account will channel all the transaction's cash flows. It will receive the principal and interest collections from the collateral and will also be used to maintain the reserve fund.

If the Long-Term IDR of CaixaBank, as account bank, is lowered below 'BBB', the *gestora* will take one of the following steps within 30 calendar days: (i) obtain from a third-party entity rated at least 'BBB' a first-demand guarantee security for the amounts deposited in the account; or (ii) transfer the account to another entity rated at least 'BBB'. If, after such a downgrade scenario, CaixaBank's ratings returned to at least 'BBB', the entity could regain responsibility as the account bank.

Commingling Risk

Collections are clustered in the first day of the month, leading to potential commingling losses even if the originator transfers the monies received from the loans to the issuer account held at CaixaBank on a daily basis. This risk is mitigated thanks to a commingling reserve equal to scheduled monthly collections plus voluntary prepayments (assumed equivalent to an annual prepayment rate of 5%), which will be funded in 14 calendar days if CaixaBank is lowered below 'BBB'.

Set-Off

Fitch derives comfort from Spanish law, whereby upon the insolvency of the seller (or the borrower), or upon notification to the borrower of the assignment of the receivable, set-off is not valid. Hence, the only remaining risk is that of set-off being invoked and claimed prior to insolvency but where the seller became insolvent before compensating the issuer. Note that amounts that can be set off do not relate to the entire consumer loan amount, but to the payments in arrears, liquid and fungible. The risk therefore remains limited and presents a very mild liquidity stress.

Performance Analytics

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes.

Fitch will receive quarterly servicer reports detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the performance of the transaction against both base-case expectations and the performance of the industry as a whole. Where appropriate, Fitch may ask for further data. The ratings on the transaction will be reviewed by a committee at least once every 12 months, or where considered appropriate (ie, in the event of a deterioration in performance, an industry-wide development, or a change at CaixaBank that may influence the transaction), with any affirmation or change in the ratings disseminated publicly.

Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base-case assumptions.

Fitch's structured finance team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' and commingling reserve facility's credit risk. Details of the transaction's performance will be available to subscribers at www.fitchratings.com.

Appendix: Transaction Overview

CaixaBank Consumo 2, FT — Spain/ABS

Capital Structure

Class	Final ratings[a]	Final rating outlook	Size (%)	Size (EURm)	CE[a] (%)	Payment frequency	Final maturity	TT[b] (%)	TTLM[c] (x)	PLM[e] (x)
A	Asf	Stable	90.0	1,170	14.0	Quarterly	April 2060	90	23.1	3.6
B	B+sf	Stable	10.0	130	4.0	Quarterly	April 2060	10	2.6	1.0
Total				**1,300**					**PLE[d] (%)**	**3.9**
Cash reserve			**Initial** 4.0		**Credit enhancement**				**Overcollateralisation**	10.0
			Target 8.0						**Cash reserve**	4.0
			Floor 2.0						**Excess spread**	6.0
Scheduled revolving period			None		**Swaps**					None

[a] Credit Enhancement (CE): The CE consists of overcollateralisation (10%) based on a total asset pool of EUR 1,300m and the amortising cash reserve of 4% of the initial portfolio balance. In addition, the structure benefits from initial excess spread of about 6% p.a.
[b] Tranche Thickness (TT): Ratio of class size to collateral balance. See also *Structured Finance Tranche Thickness Metrics*
[c] Tranche Thickness Loss Multiple (TTLM): TT divided by PLE
[d] Portfolio Loss Expectation (PLE): outstanding principal balance of the portfolio that Fitch expects will be lost over the life of the transaction. See also *Portfolio Loss Metrics*
[e] Portfolio Loss Multiple (PLM): CE divided by PLE
Source: Fitch

Key Information

Details		Parties	
Closing date	22 June 2016	**Seller/originator**	CaixaBank
Country of assets and type	Spain – Consumer Loans	**Servicer**	CaixaBank
Country of SPV	Spain	**Issuer**	CaixaBank Consumo 2, FT
Analyst	Manuel Conthe	**Issuer account bank provider**	CaixaBank
	Christian Gomez	**Gestora**	GestiCaixa
Performance analyst	Manuel Conthe	**Frequency**	Quarterly

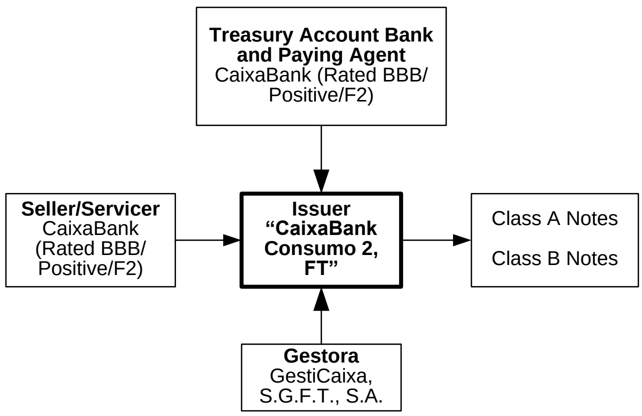
Source: Fitch

Key Rating Drivers

- **Mixed Risk:** The collateral comprises two product types: unsecured consumer loans (around 75%) and real estate (RE) secured consumer loans (around 25%). The RE secured consumer loans have a weighted remaining life to maturity of 16 years, while the unsecured portion of the collateral has a shorter weighted remaining life to maturity of four years.
- **Limited Credit Losses:** Fitch has analysed the unsecured portfolio's credit risks and formed a base-case default expectation of 4.5% and a recovery-rate expectation of 30% for the lifetime of the portfolio. These base cases were derived based on historical data provided by CaixaBank, dating back to 2006.
- Fitch's lifetime default base-case and recovery-rate expectations for RE secured consumer loans are 10.6% and 43.8% respectively, derived from its proprietary Spanish RMBS default model (ResiGlobal), which is based on the criteria for analysing securities backed by Spanish residential mortgage loans.
- **Counterparty Dependence Caps Rating:** CaixaBank acts as originator, servicer, bank account provider and paying agent. CaixaBank's rating sufficiently mitigates payment interruption risk for a note rating up to the 'Asf' category. CaixaBank will post a reserve upon the loss of a 'BBB' rating to address commingling risk. The rating of the notes is capped at 'A+sf', one notch higher than the initial rating of the senior notes, as the rating trigger upon which the account bank would be is set at 'BBB'.
- **Interest Rate Risk:** The transaction is exposed to interest rate risk as a significant portion of the assets (71.84%) pay a fixed interest rate, while both class A and B notes pay a floating coupon. Fitch found that the notes were able to withstand an increasing interest rate stress commensurate with their rating derived in accordance with Fitch's criteria for interest rate stresses in structured finance transactions.

Source: Fitch

Simplified Structure Diagram



Source: Transaction documents

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.