

## CaixaBank RMBS 3, FT



**Maria Lopez**  
Vice President Analyst  
Global Structured Finance  
+44 (20) 7855 6612  
mlopez@dbrs.com

**Juan Jose Mendez Iwers**  
Senior Financial Analyst  
Global Structured Finance  
+44 (20) 3356 1550  
jmendez@dbrs.com

**Vito Natale**  
Head of EU RMBS & CBs  
Global Structured Finance  
+44 (20) 7855 6649  
VNatale@dbrs.com

*Insight beyond the rating.*

## Ratings and Issuer's Assets and Liabilities

Debt	Par Amount <sup>1</sup>	Initial Subordination <sup>2</sup>	Coupon	ISIN	Rating	Rating Action
Series A Notes	EUR 2,295,000,000	14.5%	3-month Euribor + 0.50%	ES0305308001	A (low) (sf)	Provisional Rating - Finalised
Series B Notes	EUR 255,000,000	4.5%	3-month Euribor + 0.65%	ES0305308019	CC (sf)	Provisional Rating - Finalised

Notes:

<sup>1</sup> As at the issue date.

<sup>2</sup> Subordination is expressed in terms of portfolio size and includes the subordinated Series B Notes and the Reserve Fund for the Series A Notes.

<sup>3</sup> The Reserve Fund will be fully funded through the issuance of a subordinated loan on the issue date.

	Initial Amount (EUR)	Size
Asset Portfolio	EUR 2,811,992,209	100.00%
Reserve Fund <sup>3</sup>	EUR 114,750,000	4.50%

<sup>3</sup> The Reserve Fund will be fully funded through the issuance of a subordinated loan on the issue date.

DBRS Ratings Limited (DBRS) finalised its rating of A (low) (sf) on the Series A Notes and CC (sf) on the Series B Notes (the Rated Notes) issued by CaixaBank RMBS 3, FT (CaixaBank RMBS 3 or the Issuer), a securitisation fund incorporated under Spanish securitisation law.

At closing, the Series A and Series B Notes were issued to finance the purchase of a portfolio of first and second lien residential mortgage loans and drawdowns of mortgage lines of credit originated by CaixaBank. The mortgage loans and drawdowns are secured over residential properties located in Spain. The transaction is managed by CaixaBank Titulización, SGFT, S.A. (the Management Company). CaixaBank will be the servicer of the portfolio.

Principal on the Rated Notes is paid sequentially, with payment of interest and principal of the Series B Notes subordinated to payment of interest principal on the Senior A Notes at all times. At closing, the Series A Notes benefited from 14.5% credit enhancement that consisted of the subordination of the Series B Notes and the reserve fund.

The reserve fund provides liquidity as well as credit support to the Series A Notes (and to the Series B Notes once the Series A Notes are fully amortised) and can be used for senior fees, expenses, interest and principal payments on the Rated Notes. At closing, the reserve fund was equal to EUR 114,750,000, and on each Payment Date, it will be equal to 4.0% of the outstanding balance of the Series A and Series B Notes.

No swaps are in place to hedge the basis and fixed-to-floating interest rate risk.

## Portfolio Summary (20 November 2017)

Portfolio Balance	2,811,992,209	Asset Class	RMBS
Average Balance per Borrower	46,782	Governing Jurisdiction	Kingdom of Spain
Weighted-Average Seasoning	7.2 years	Sovereign Rating	A (low)
Weighted-Average Current Indexed Loan-To-Value	93.2%		

## Table of Contents

Ratings and Issuer's Assets and Liabilities	1
Transaction Overview	2
Rating Considerations	3
Transaction Structure	5
Origination and Servicing	7
Collateral Summary	9
Historical Performance Data	12
Appendix	18

## Transaction Overview

### Transaction parties

Roles	Counterparty	Rating
<b>Issuer</b>	CaixaBank RMBS 3, FT	Not Rated
<b>Originator</b>	CaixaBank, S.A.	A (low) Stable Trend / R-1 (low) Stable Trend / Long Term Critical Obligations Rating A (high)
<b>Seller</b>	CaixaBank, S.A.	A (low) Stable Trend / R-1 (low) Stable Trend / Long Term Critical Obligations Rating A (high)
<b>Servicer</b>	CaixaBank, S.A.	A (low) Stable Trend / R-1 (low) Stable Trend / Long Term Critical Obligations Rating A (high)
<b>Subordinated Loan Provider (Reserve Fund and Initial expenses)</b>	CaixaBank, S.A.	A (low) Stable Trend / R-1 (low) Stable Trend / Long Term Critical Obligations Rating A (high)
<b>Treasury Account Bank</b>	CaixaBank, S.A.	A (low) Stable Trend / R-1 (low) Stable Trend / Long Term Critical Obligations Rating A (high)
<b>Paying Agent</b>	CaixaBank, S.A.	A (low) Stable Trend / R-1 (low) Stable Trend / Long Term Critical Obligations Rating A (high)
<b>Arranger and Management Company</b>	CaixaBank Titulización, SGFT, S.A.	Not Rated

### Relevant dates

<b>Issue Date</b>	13 December 2017
<b>First Payment Date</b>	20 March 2018
<b>Payment Dates</b>	Quarterly on the 20th day of March, June, September and December of each year
<b>Collection Period</b>	Each day of any calendar month
<b>Legal Final Maturity Date</b>	20 September 2062

## Rating Considerations

The ratings of the notes address and are based upon a review by DBRS of the following analytical considerations:

- The transaction capital structure, form and sufficiency of available credit enhancement, and liquidity provisions.
- The transaction parties' capabilities with respect to originations, underwriting, servicing and financial strength.
- The credit quality of the static mortgage loan portfolio and the ability of the servicer to perform collection activities. DBRS calculated portfolio default rates (PDR), loss given default (LGD) and expected loss (EL) outputs on the mortgage loan portfolio.
- The structural mitigants in place to avoid potential payment disruptions caused by operational risk, such as replacement language for the Treasury Account Bank in the transaction documents.
- The ability of the transaction to withstand stressed cash flow assumptions and repay the Series A and Series B Notes according to the terms of the transaction documents. The transaction cash flows were modelled assuming PDR and LGD estimated via the *European RMBS Insight Methodology*.
- Incorporation of a sovereign-related stress component as a result of the A (low)/Stable and R-1 (low)/Stable (as of the date of this report) rating by DBRS of the Kingdom of Spain.
- The legal structure and presence of legal opinions addressing the assignment of the assets to the Issuer and consistency with DBRS's *Legal Criteria for European Structured Finance Transactions* methodology.

**Spanish Economy:** On 6 October 2017, DBRS confirmed the Kingdom of Spain's Long-Term Foreign and Local Currency Issuer Ratings at A (low) with a Stable trend. The confirmation of the Stable trend reflects DBRS's view that the robust economic recovery and gradual correction of Spain's macroeconomic imbalances are offsetting the risks arising from higher uncertainty and a slower fiscal consolidation path. However, macroeconomic conditions in Spain moderately improved in 2017. The deficit was more than halved to 4.5% in 2017 from 10.5% in 2012. External adjustment is also evident in a current account balance that shifted to a surplus of 2% of GDP in 2016 from a deficit of 9.6% in 2007.

Spain's Eurozone membership is an integral component of its credit strength, both in terms of financial support, and in preferential access for its trade, financial markets and banking. Financial conditions have improved economy-wide because of the European Central Bank's asset purchase programme, refinancing operations and other monetary policy operations. These factors have made the economy more resilient to shocks. Real gross domestic product (GDP) growth in 2017 is expected to remain strong (2.8%), outperforming most other Eurozone countries. Growth is expected to decelerate in future years as certain temporary factors lose momentum (energy prices, currency depreciation, and fiscal stimulus). Despite this deceleration, strong job growth is expected into 2017. It is uncertain how the long-term structural reforms and potential political transition risks will influence future growth.

Property values showed moderate signs of improvement during 2015 and 2016. Home prices reached a trough on a national level at the beginning of 2014, according to the Instituto Nacional de Estadística (the INE). Peak-to-trough declines were -37.3% on the national level. Regional declines ranged between -29.7% in Andalusia and -47.3% in Navarre. Through Q4 2016, national home prices increased 7.9% since bottoming out at the beginning of 2014, according to the INE. The highest house price increases from Q1 2014 to Q4 2016 were experienced in Madrid (18.9%) and Catalonia (16.8%).

### Strengths

- **Seasoning:** The weighted-average (WA) seasoning of the portfolio is 7.2 years.
- **Portfolio Performance:** 98.3% of the portfolio is current or in arrears for less than 30 days, showing a better performance compared with the overall owner-occupied market, which remains at a 90-day+ arrears level around 5% (AHE (Asociación Hipotecaria Española)).
- **Reserve Fund:** Given its tight amortisation requirements, the Reserve Fund also is expected to be available to make payments on the interest and principal of the Rated Notes in less severe default scenarios.
- **Historical Performance of CaixaBank:** Historical performance of CaixaBank mortgage loans and drawdowns of lines of credit has been improving since the peak of the financial crisis because of tighter underwriting guidelines and lower origination volumes. 47.57% of the portfolio's current balance was originated between 2006 and 2010, which historically has seen higher defaults and a worse performance compared with other vintages in CaixaBank's securitised residential mortgage loan universe.

## Challenges and Mitigating Factors

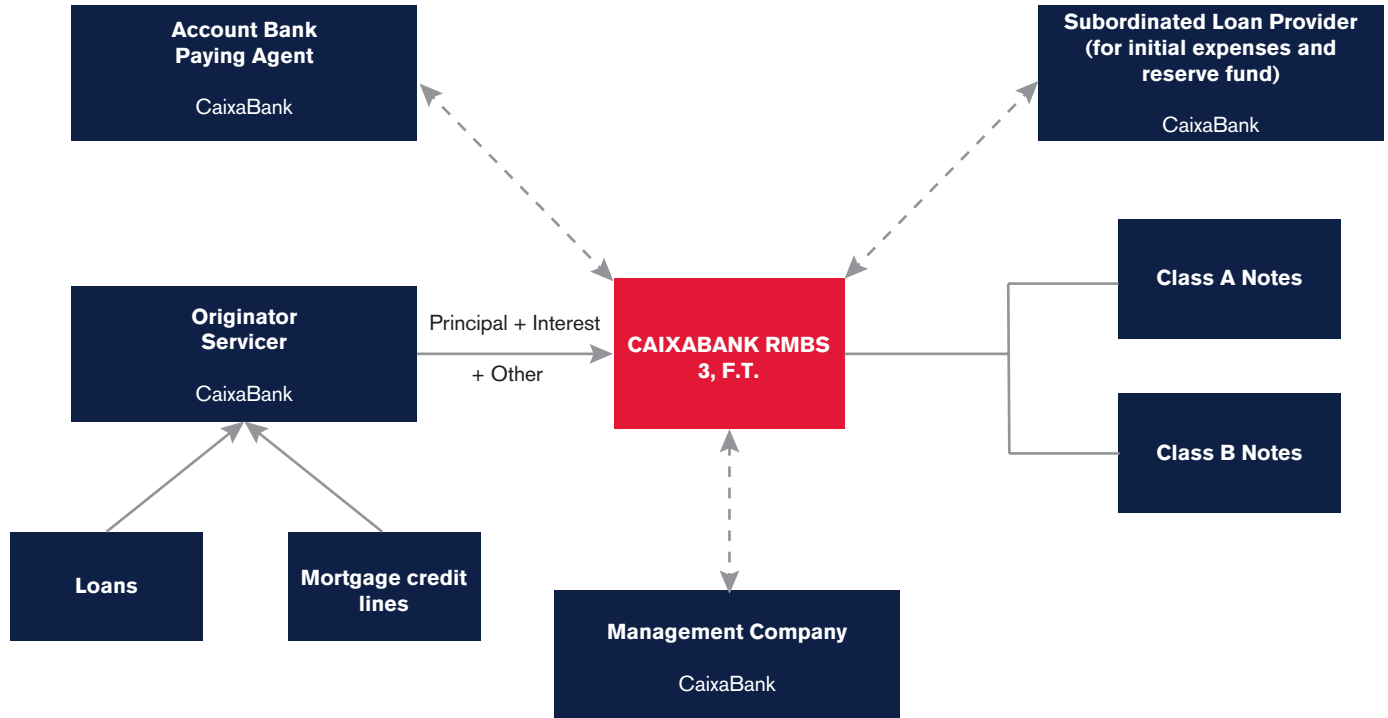
- **Geographical Concentration:** 37% of the portfolio is located in the autonomous region of Catalonia. This is atypical of Spanish RMBS portfolios which normally have the highest concentration spread between Andalusia, Madrid and Catalonia.  
**Mitigant:** Although the Catalonia region has experienced political instability recently, its economic performance has been quite positive. Although the peak-to-trough house price decline observed in Catalonia was higher than the national average of 46.63%, prices have recovered 23.8% (Q3 2017). GDP and unemployment have also shown improvement, with estimated GDP figures for 2017 demonstrating an increase of 2.3% compared with a growth rate of 1.8% at the end of 2014. Unemployment has fallen to 12.5% as of Q3 2017 from 24.5% in Q1 2013.
- **Borrowers Not Employed:** Self-employed borrowers represent 18.4% of the portfolio, 2.8% are unemployed, 1.4% are pensioners, 0.1% students, 6.8% civil servants and 17.4% as other. This represents 46.8% of the portfolio. The remaining are employed borrowers.  
**Mitigant:** To score the loans under its European RMBS Insight Model, DBRS treats 40% of the portfolio as Borrowers Not Employed. Each parameter of the Spanish Mortgage Scoring Model is considered to measure the relative risk of each loan.
- **Current Loan-to-Value (CLTV).** The indexed CLTV is 93.2%, with 25.6% of the portfolio having an indexed CLTV greater than 100%. This is higher than average compared with other Spanish RMBS transactions.  
**Mitigant:** Property values are indexed using the INE house price index (Q4 2015), consistent with DBRS's European RMBS Insight Model.
- **Interest Rate Risk and Basis Risk:** The interest rate risk and basis risk in this transaction are unhedged. The liabilities are indexed to three-month Euribor and reset quarterly. 18% of the portfolio is fixed-rate loans, with the remaining 82% being floating-rate loans linked to 12-month Euribor or the IRPH mortgage price reference index.  
**Mitigant:** (1) Interest rate risk and basis risk for the Series A Notes are partially mitigated by the subordination of the Series B interest payments in the priority of payments, (2) the Reserve Fund is available to cover interest payments to the Series A Notes.
- **Drawdowns of Lines of Credit Loans:** 52.28% of the portfolio are drawdown of lines of credit, where borrowers can draw further advances, subject to borrower performance and eligibility criteria. Further draws will be funded outside of the special-purpose vehicle, but repayment of such advances will rank pari passu with amounts securitised.  
**Mitigant:** DBRS assumed that the drawdowns of lines of credit mortgage credit lines amount was fully drawn to calculate the loan-to-value (LTV) in the probability of default (PD) analysis when running the European RMBS Insight Model.
- **Second-Lien Loans:** 45.65% of the portfolio are second-lien loans and drawdowns of lines of credit. These mortgages are subordinated loans taken on a property already used as a security for an existing mortgage. Following repossession proceedings, the prior-ranking balance is always settled in full before funds are available to repay subsequent charges. Consequently, second-lien loans are potentially exposed to higher losses compared with first lien loans.  
**Mitigant:** DBRS has considered the losses on the second lien when calculating loss given default (LGD). Additionally, all the corresponding first-lien are granted by CaixaBank.

## Transaction Structure

### Transaction summary

<b>Currencies</b>	The issuer's assets and liabilities are denominated in euros (EUR)
<b>Relevant Legal Jurisdictions</b>	Mortgage loans are assigned to the Issuer as a true sale pursuant to Spanish securitisation laws. The issuer is a securitisation fund incorporated under Spanish securitisation law.
<b>Interest Rate Hedging</b>	None
<b>Basis Risk Hedging</b>	None
<b>Cash Reserve</b>	Provides liquidity support and credit support to cover shortfalls on the payment of senior fees, interest and principal shortfalls on the Series A Notes and Series B Notes (once the Series A Notes fully amortise). Initial Amount: EUR 114,750,000 - 4.5% of the initial balance of the Series A Notes and Series B Notes. Target Amount: 4% of the outstanding amount of the Series A and Series B Notes, after two years. Step-Up: N.A. Floor: N.A. Amortisation: It will amortise to its target level.
<b>Commingling Reserve</b>	None

The transaction structure is summarised below:



## Counterparty Assessment

### **Account Bank**

CaixaBank is the Account Bank and Paying Agent for the transaction. DBRS publicly rates CaixaBank at A (low) with a Stable trend and a Critical Obligations Rating of A (high). DBRS concluded that it meets DBRS's minimum criteria to act in such capacity. The transaction contains downgrade provisions relating to the Account Bank where, if downgraded below BBB, the Issuer will replace the Account Bank. The downgrade provision is consistent with DBRS's criteria for the initial rating of A (low) (sf) assigned to the Series A Notes.

### **Servicing of the Portfolio and Collections**

All borrower payments are collected by CaixaBank under a direct debit scheme and deposited into the servicer account with CaixaBank. Payments are transferred from the servicer account to the treasury account at the Account Bank in the name of the fund on the following business day after receipt of funds.

In case of termination of the servicing agreement with the servicer, the Management Company is responsible for appointing a new servicer. Commingling risk is mitigated by the daily transfer of collections from the servicer to the treasury account as well as the current servicer rating (CaixaBank is rated A (low)/R-1 (low) with Stable trends).

The treasury account was established with the Account Bank at the close of the transaction to hold the following amounts during the relevant collection period:

- Principal and interest collections on the mortgage loans and the credit lines.
- Any other amount derived from the collateral mortgage pool, such as the proceeds received from the sale of foreclosed properties.
- The Reserve Fund amount.

### **Principal and Interest Collections on the Mortgage Loans and the Credit Lines**

Any other amount derived from the collateral mortgage pool, such as the proceeds received from the sale of foreclosed properties. This includes the Reserve Fund amount.

The treasury account will pay a rate of interest on the funds deposited into the account equal to the greater of three-month Euribor or zero. If the DBRS Long Term Issuer Rating of the Account Bank is downgraded below BBB, the Management Company, on behalf of the fund, shall, within 30 days (1) find a guarantor with the minimum DBRS rating of BBB that will unconditionally and irrevocably guarantee the obligations of the treasury account agreement or (2) find a replacement with a minimum rating of BBB.

Moreover, the Management Company has entered into a paying agency agreement with CaixaBank on behalf of the fund. The paying agency agreement includes a replacement trigger set at BBB. The paying agent is performing the calculation of the amounts due and payable and instructs the Account Bank to make the payments.

## Priority of Payments

### **Pre-Enforcement Priority of Payments**

The available funds will be distributed through the following combined waterfall on each payment date:

1. Ordinary and extraordinary expenses and the administration fee;
2. Interest due on the Series A Notes;
3. Amounts paid to amortise the Series A Notes;
4. Replenishment of the Reserve Fund to the target level;
5. Interest due on the Series B Notes;
6. Amounts paid to amortise the Series B Notes;
7. After the full repayment of the Series A Notes, replenishment of the Reserve Fund to the target level;
8. Interest on the Subordinated Loan for initial expenses;
9. Principal on the Subordinated Loan for initial expenses;
10. Interest on the Subordinated Loan for the Reserve Fund;
11. Principal on the Subordinated Loan for the Reserve Fund;
12. Servicer fees (unless the servicer is substituted);
13. Intermediation financial margin.

**Post-Enforcement Priority of Payments**

Upon liquidation of the Issuer at the legal final maturity date or early termination of the Issuer, the available funds and any amounts received by the Issuer after the sale of the remaining mortgage portfolio will be distributed as follows:

1. Reserve to pay the final extinction and liquidation expenses;
2. Ordinary and extraordinary expenses as well as the administration fee;
3. Interest due on the Series A Notes;
4. Amounts paid to amortise the Series A Notes;
5. Interest due on the Series B Notes;
6. Amounts paid to amortise the Series B Notes;
7. Interest on the Subordinated Loan for initial expenses;
8. Principal on the Subordinated Loan for initial expenses;
9. Interest on the Subordinated Loan for the Reserve Fund;
10. Principal on the Subordinated Loan for the Reserve Fund;
11. Payment of variable commission to the Seller;
12. Intermediation financial margin.

**Principal Amortisation**

On each payment day, available funds to amortise principal are defined as the lower of (1) amortisation amounts for the Notes and (2) amounts available after payment of items 1 to 2 of the pre-enforcement waterfall for the Series A Notes and amounts available after payments of the items 1 to 5 of the pre-enforcement waterfall for the Series B Notes.

The amortisation of the Notes will equate to the positive difference between (1) the amount outstanding of the Notes on each interest payment date and (2) the outstanding balance of the non-defaulted portfolio. According to the transaction documents, defaulted loans are defined as loans more than 18 months in arrears. The Series A Notes benefit from full sequential amortisation with principal payments on the Series B Notes starting once the Series A Notes are redeemed in full. Additionally, principal payments on the Series A Notes are senior to interest payments on the Series B Notes.

---

**Origination and Servicing**

DBRS conducted an operational review of CaixaBank S.A.'s residential mortgage operations in November 2017 following a previous visit to the bank's office in May 2017. DBRS considers CaixaBank's origination and servicing practices to be consistent with those observed among other Spanish lenders.

CaixaBank and its subsidiaries compose the CaixaBank Group. CaixaBank was created through the transformation of Criteria CaixaCorp, SA, a publicly traded vehicle for La Caixa's shareholdings and investments in both industrial and financial services companies. CaixaBank has been listed on the Madrid stock exchange since July 2011.

From 30 September 2015, Criteria CaixaHolding, SAU (Criteria) was CaixaBank's majority shareholder with a stake of 56.71% (58.96% at 31 December 2014) reducing to 40% with effect from February 2017. Criteria is 100% owned by La Caixa Banking Foundation.

CaixaBank follows a banking business model geared toward promoting savings and investments. This model has positioned it as a leader in Spain's retail banking market. The acquisitions and subsequent business combinations with Banca Cívica in 2012, Banco de Valencia in 2013 and Barclays Bank SAU in H1 2015 have made CaixaBank a leading entity in the Spanish financial system. CaixaBank is Spain's third-largest bank by total assets. It is headquartered in Barcelona and has a nationwide footprint for universal banking services. In Portugal, CaixaBank owns an 84.5% stake in Banco BPI, S.A.

The CaixaBank Group has reinforced its status as the Spanish leader and at the end of September-2017, had 13.8 million customers and a network of 5,397 branches in Spain and Portugal, of which 4,697 are retail branches in Spain. As of the end of June 2017, CaixaBank's mortgage portfolio totalled EUR 125 billion, which represents 61% of the bank's total loan portfolio. Out of the total, loans backing covered bonds totalled EUR 99 billion at the end of Q2 2017, 76% of which were related to residential purposes while 24% was related to commercial purposes. The bank is also the largest lender in Spain with a 15.8% market share.

CaixaBank's long-term debt rating was confirmed by DBRS at A (low) with a Stable trend in July 2017. For more information on CaixaBank, please see the most recent rating report and press release available on DBRS's website: <http://www.dbrs.com>.

## Origination & Underwriting

### **Origination and Sourcing**

All loans are sourced through CaixaBank's branch network with relationship managers responsible for liaising with borrowers, collection data and the required documentation and inputting the relevant information into the appropriate credit scoring system and rating model.

CaixaBank offers the standard mortgage products common in the Spanish market. Mortgage loans generally have a maximum term of 30 years although additional years can be added following review by credit risk and management approval. Variable and fixed rates are available as well as monthly, quarterly and semi-annual payment options although monthly is the most common and represents the vast majority of all loans within each bank's portfolio.

### **Underwriting**

While the origination process and loan approval is generally performed at the branch level, some applications are submitted electronically to CaixaBank's headquarters in Barcelona and reviewed by the credit department. In any case, CaixaBank's analytical approach is primarily based on the borrower's repayment capacity rather than the nature of the securities pledged. The review includes an analysis of financial statements, historical analysis of the debtor's exposure to CaixaBank and the wider Spanish banking system, property valuations, full income verification and tax returns.

CaixaBank uses an internally developed credit scoring model for all mortgage loans which is IRB-approved and authorised by the Bank of Spain. The system determines the probabilities of default (PDs) which are then mapped to a traditional "traffic light" system classifying loans as green, yellow or red. The bank's automatic approval rate for green cases as well as monthly rejection rate is consistent with the overall market. An internal rating model is also used for its SME and large corporate clients.

All models and parameters (PD, LGD and Credit Conversion Factor) are validated by CaixaBank's internal validation department as well as by the bank's internal audit department. The majority of models have been approved by the central bank and are subject to ongoing supervision. Models to be reviewed are selected annually by the validation department and are triggered by changes in economic cycle, policy changes and/or the model's age regardless of the predictive capacity of the model. Credit risk parameters are recalibrated annually and must be validated internally and by the European Central Bank.

Approval authority is based on the level assigned to the various approving bodies from branch level through to senior management, executive committees and the board. The approval limits also take into account the borrower type, client and loan risk profile (including EL) as well as the total exposure to an economic group. For individual mortgages, branch approval is generally limited to EUR 400,000 and may be lower based on an adjusted risk balance calculation. Loans and facilities which can be reviewed by the respective business units require dual sign-off. For larger and/or riskier positions, dual approval still applies with credit risk provides the secondary approval.

### **Valuations**

CaixaBank has set up a validation and benchmarking process to ensure the adequate valuation of the collateral assets, based on independent valuations from appraisal firms registered with Bank of Spain.

CaixaBank S.A. has currently seven appraisal companies (TINSA, ST, VTH, CATSA, VALTECNIC, GESTVALT, JLL VALORACIONES, IBERTASA, CBRE, TECNITASA, UVE VALORACIONES and KRATA).

### **Servicing**

The operational loan management department, centralised in Barcelona, is responsible for all loan management and servicing activities. Primary borrower contact is managed at the branch level including early arrears management activities.

As part of the operational assessment, DBRS reviewed the bank's systems relating to origination and servicing and believes them to be sufficient to meet CaixaBank's operational needs.

Like most Spanish banks, payments are primarily made through direct debit although borrowers can submit payments via the post office using pre-printed statements produced by CaixaBank or pay directly at the branch. The majority of loans are on monthly payment schedules although the portfolio does include some quarterly, semi-annual and annual schedules which are in line with the overall Spanish market.



The bank follows standard collections and arrears management strategies including compliance with regulatory guidelines surrounding delinquency, watch list and default definitions. Borrower contact is managed through the local branch. Automated, standard letters are generated through the servicing system and sent to the borrower around day 15 and day 30. The bank's internal rating system is used to monitor the loan including updates to the rating and helps to set the appropriate workout strategy. Legal proceedings are initiated generally after a loan is officially classified as a default and all previous attempts at an out-of-court resolution have been exhausted. CaixaBank estimates the average resolution timeline at under three years which is generally consistent with the overall market.

Timelines and recovery rates are consistent with CaixaBank's peers.

## Collateral Summary

DBRS received a loan tape to conduct the credit analysis of the portfolio (as of 20 November 2017). In addition, DBRS was provided with historical performance data by origination quarter for arrears and recoveries from 2010 to 2017. The sources of information used for these ratings were provided by CaixaBank and their representatives. DBRS considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

The analysis incorporates data and information provided by the debtor and its agents. The data and information were subject to a reasonableness test, as described in the Information Review Global Policy, and determined to be satisfactory. To determine the reliability of the sources of data and information, DBRS evaluated the results of an Operational Risk Review, reviewed ratings issued by DBRS and other registered credit rating agencies and the results of a reasonableness review.

Additionally, the representations and warranties per the prospectus include the following:

- At the closing date, up to 5.0% of the initial balance of the portfolio may be up to 30 days in arrears, no more than 1% of the initial balance of the portfolio may be between 30 and 90 days in arrears and none of the loans may be more than 90 days in arrears.
- None of the loans have a maturity date later than 1 January 2059.
- All loans make payments via direct debit.
- All of the loans are granted to individuals who are both residents and non-residents in Spain.
- None of the loans are granted to real estate developers.
- None of the borrowers are employees of the Seller.
- All loans are backed by finished properties and are first- or second-lien loans.

The final portfolio sold to the issuer will be static. However, the Seller will be able to substitute any loans which are found to have breached the reps and warranties with loans of similar credit characteristics.

**Table 1: Summary Statistics**

	<b>CAIXABANK 3</b>
Number of Mortgage Loans	88,895
Total Original Balance (EUR)	3,798,717,423
Total Current Balance (EUR)	2,811,992,209
Average Original Balance per Borrower (EUR)	61,231
Average Current Balance per Borrower (EUR)	46,753
Maximum Original Balance (EUR)	3,100,000
Maximum Current Balance (EUR)	2,634,980
WA Original LTV	74.1%
% >=80% OLTV	24.9%
WA Current Indexed LTV	93.2%
% >=80 Current Indexed LTV	52.8%
% >=100 Current Indexed LTV	25.6%
WA Seasoning (years)	7.4
WA Residual Term (years)	12.7
WA Interest Rate	1.756%

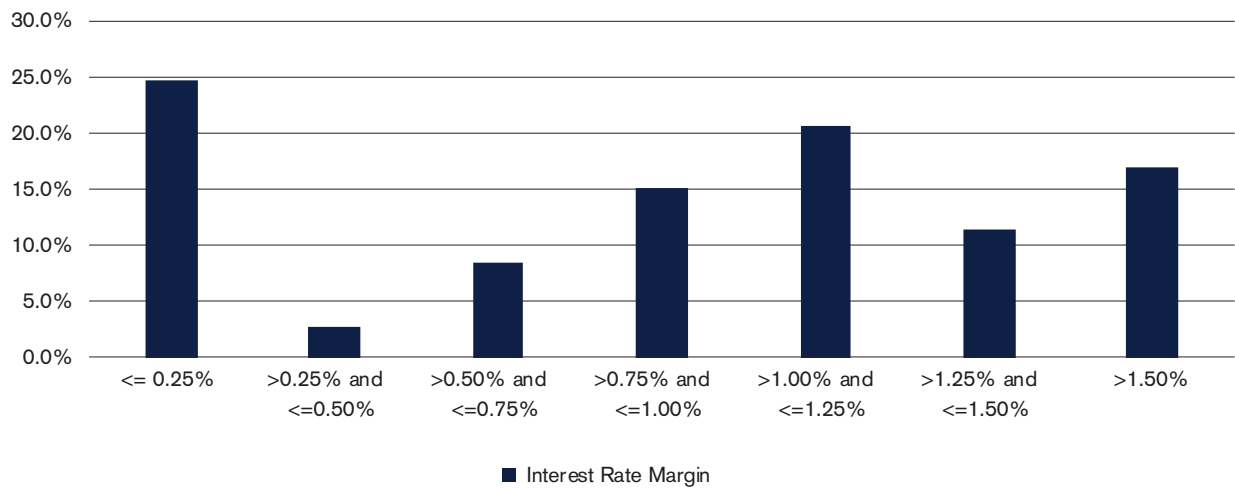
**Table 1: Summary Statistics**

	CAIXABANK 3
WA Margin	1.1%
Self-Employed	18.4%
Second Homes	6.1%
Purchase Loans	73.2%
Foreign Nationals	3.7%
Second Liens	45.4%
French amortisation with partial bullet payment	0%

**Margin and Interest Rate**

The weighted-average margin of the portfolio is 1.1%, while the weighted-average interest rate of the portfolio is 1.756%.

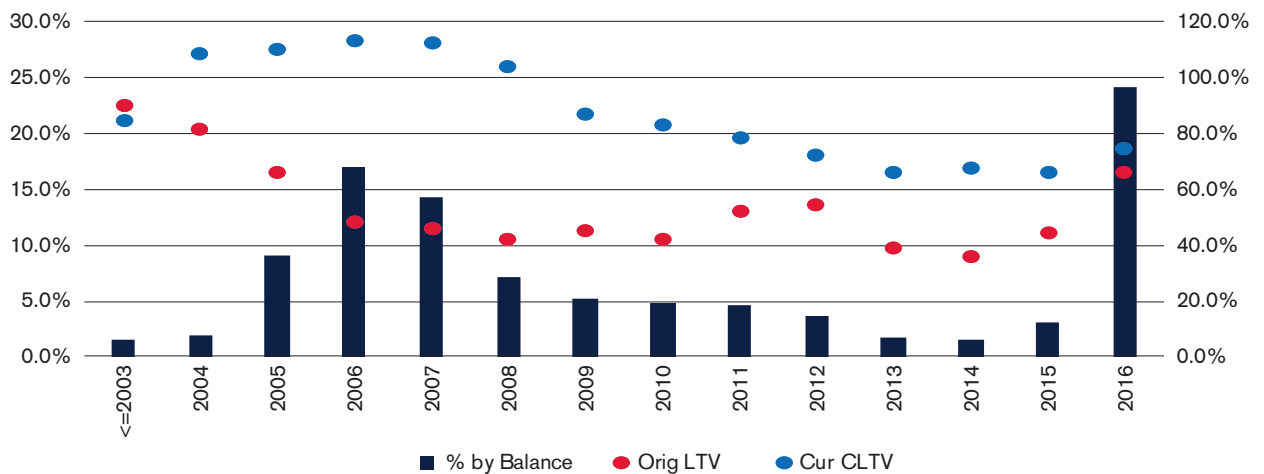
**Exhibit 1: Interest Rate Margin**



**Origination Vintages**

The portfolio has a WA seasoning equivalent to 7.2 years. 48.4% of the current balance was originated between 2006 and 2010, with a high concentration of loans originated in 2006 and 2007 (17% and 14.3% of the current loan balance respectively).

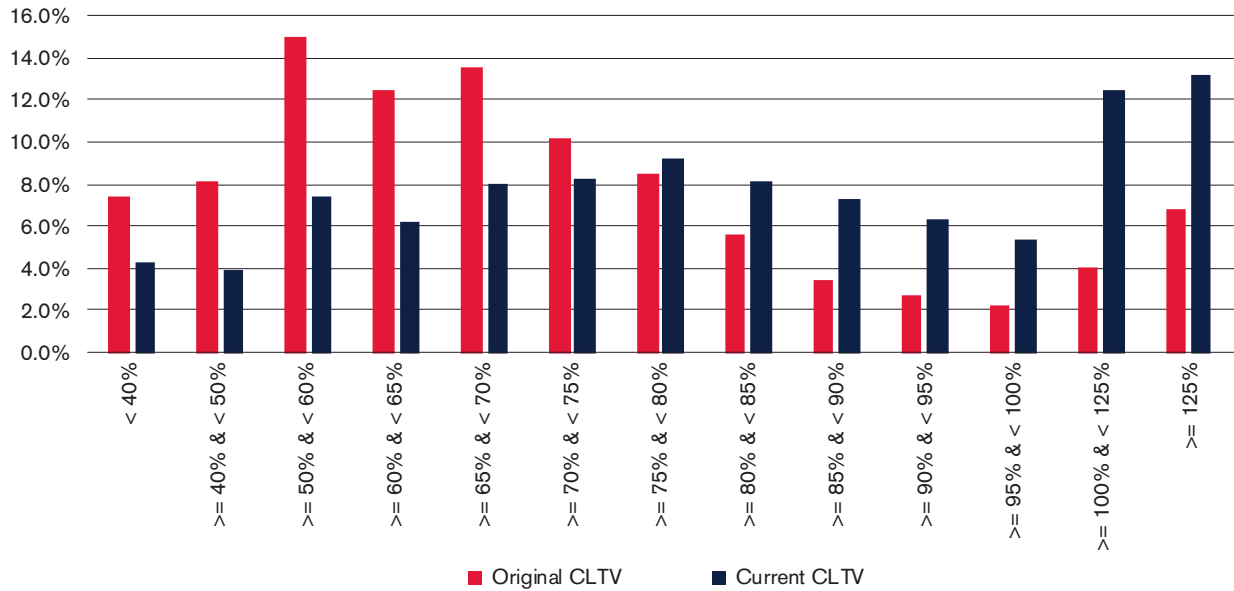
**Exhibit 2: Vintages and LTVs**



**LTV Distributions**

The weighted-average combined LTV stands at 74.1%, while the indexed CLTV (INE Q4 2015) is 93.2%. Loans with an indexed CLTV higher than 100% are 25.6% of the loan portfolio.

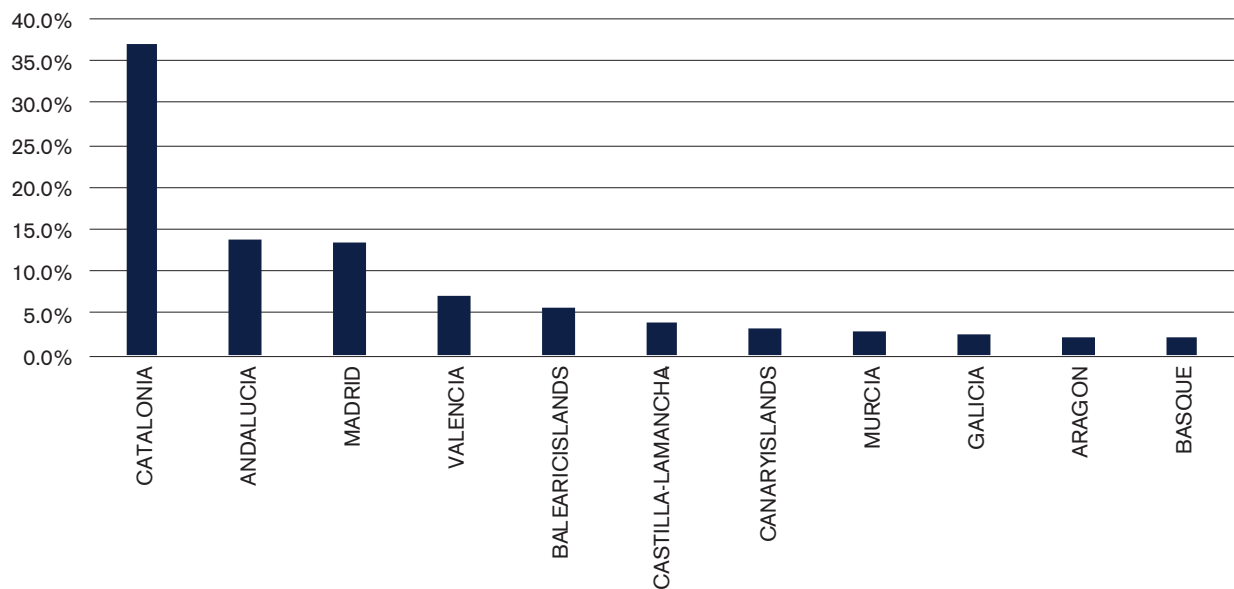
**Exhibit 3: Original & Current CLTV**



**Geographical Distribution**

The pool is primarily concentrated in Catalonia (37.0%), Madrid (13.5%) and Andalusia (13.7%).

**Exhibit 4: Regional Distribution**



Spanish house prices have rebounded 6.4% on a national level since Q1 2014 following the peak-to-trough drop of -37.3%. House price declines in the most populous regions of Spain (Madrid, Andalusia and Catalonia) were very severe during the crisis, with only Andalusia experiencing a peak-to-date decline (-29.7%) lower than the national average observed for Spain (-37.3%). However, these regions have had sharper rebounds, as seen in the table and chart below:

Region	CaixaBank RMBS 3, FT	Peak to Trough	Change from Q1 2014 to Q3 2017
National	100.0%	-37.3%	9.3%
Madrid	13.5%	-43.1%	26.1%
Catalonia	37%	-46.6%	23.8%
Andalucía	13.7%	-29.7%	10%

Source: CaixaBank Titulización, TINSA.

## Historical Performance Data

DBRS received historical static delinquency and recovery data from previous transactions. In addition, DBRS received the following set on CaixaBank’s whole mortgage book:

- Cumulative 90+ days arrears on a quarterly basis for the period 2010 to 2017.
- Cumulative 90+ days recoveries on a quarterly basis for the period 2010 to 2017.

Drawdowns of lines of credit show a better overall performance as compared with loans, with cumulative arrears around 0.70% and 1% for first and second liens, respectively, as compared with loans which have 1.5% and 4%. This performance was used as an input when determining the underwriting score to be applied to each subset of the portfolio.

Exhibit 5: Cumulative Arrears Mortgage Credit Lines

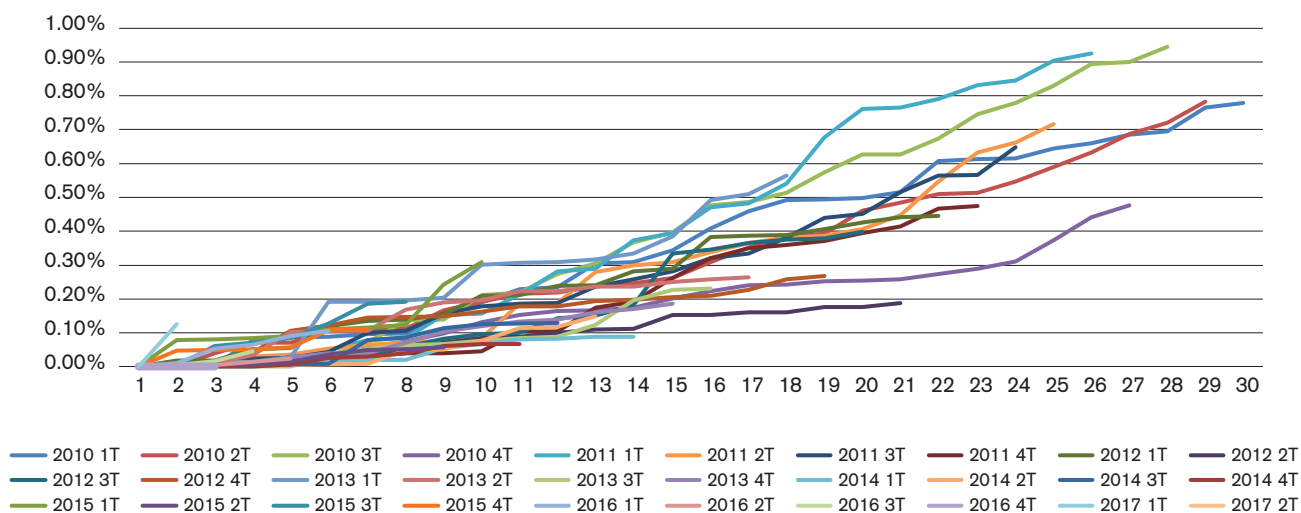


Exhibit 6: Cumulative Arrears Mortgage Credit Lines Second Lien

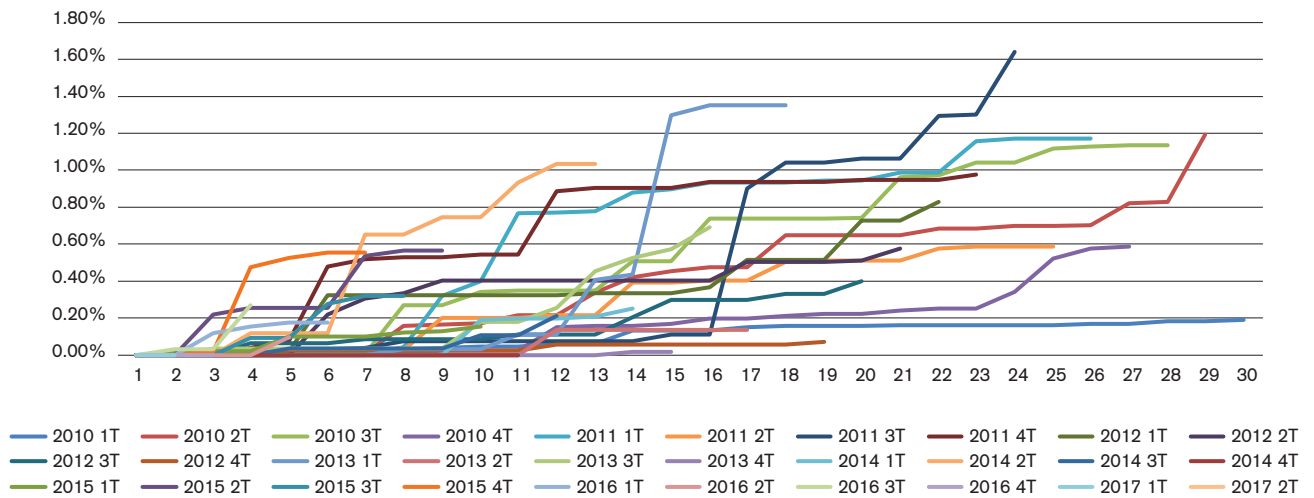


Exhibit 7: Cumulative Arrears Loans

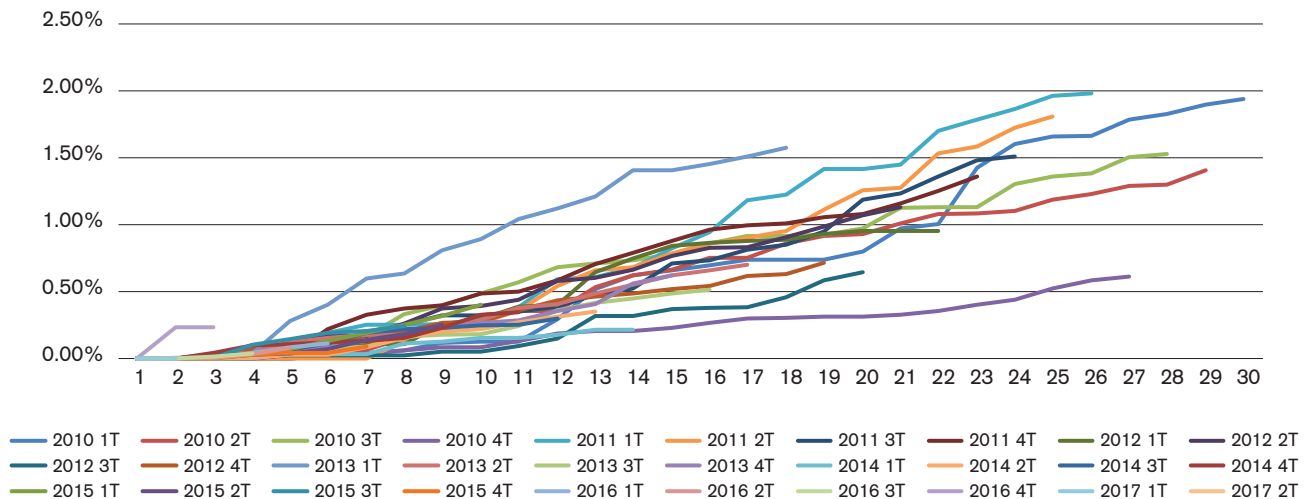
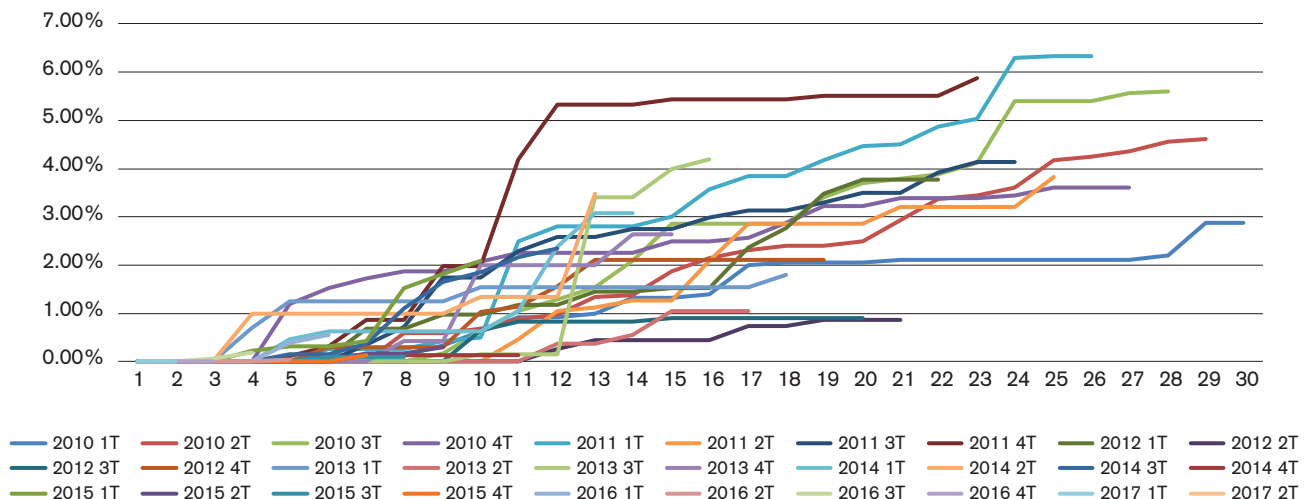


Exhibit 8: Cumulative Arrears Loans Second lien



Cumulative Recoveries by Vintage:

Exhibit 9: Mortgage Credit Lines Recoveries

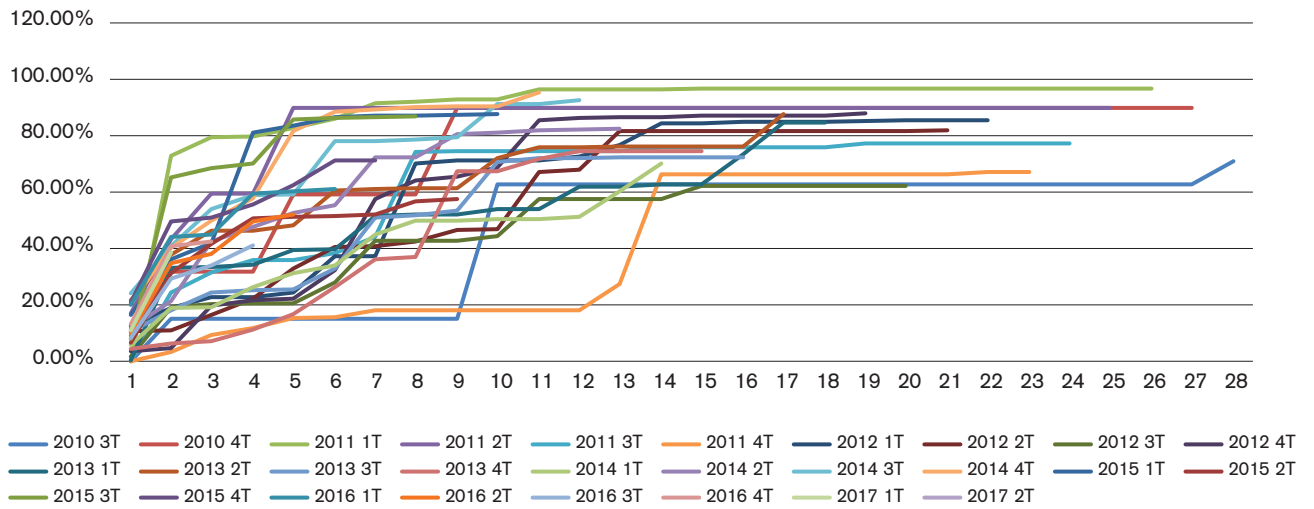


Exhibit 10: Mortgage Credit Lines Second Lien Recoveries

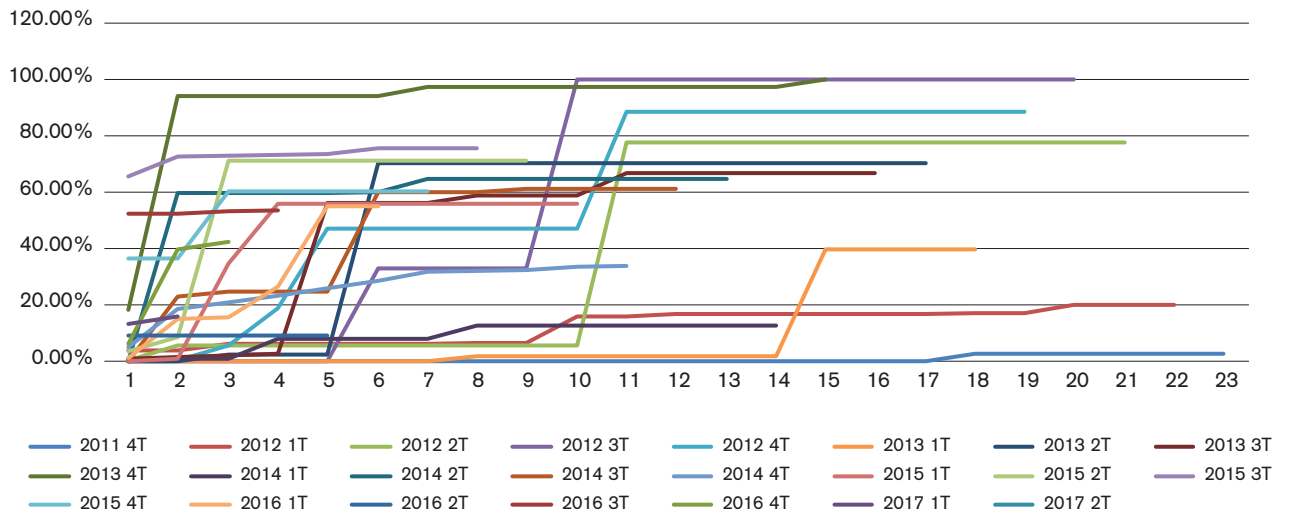


Exhibit 11: Recoveries loans

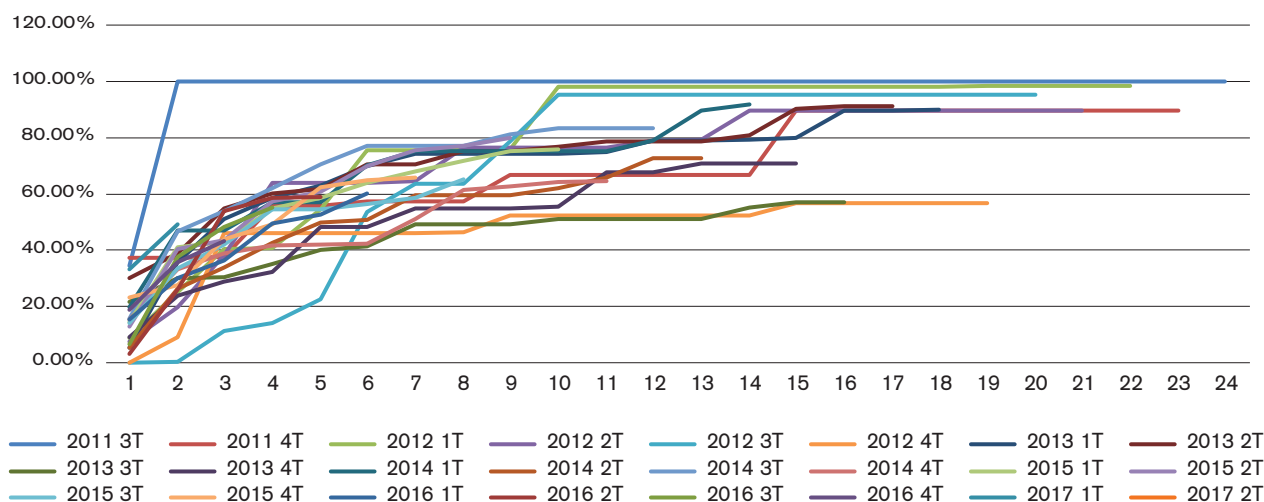
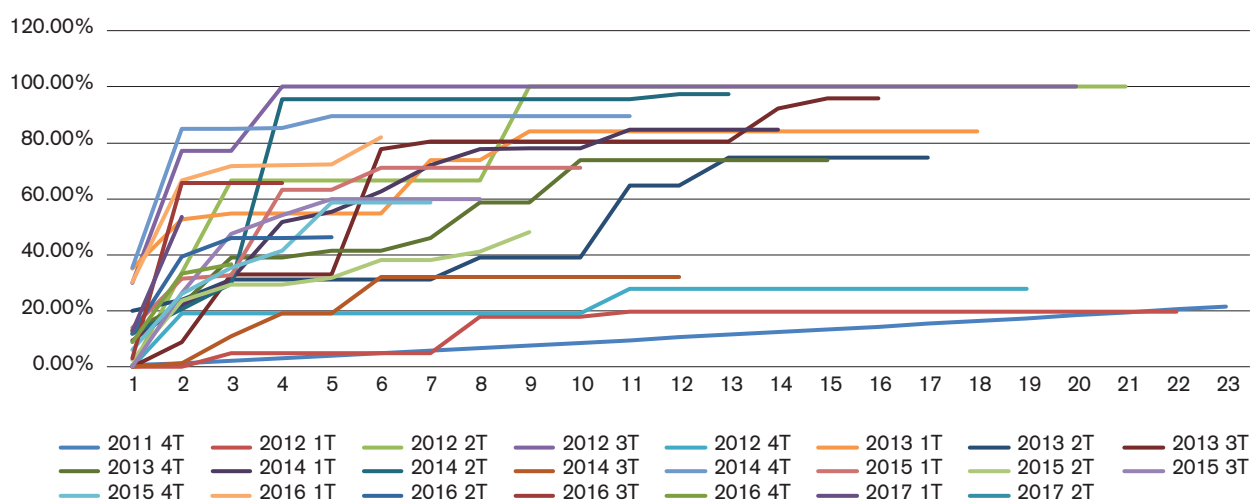


Exhibit 12: Recoveries Loans Second Lien



**European RMBS Insight Analysis**

The portfolio was analysed using the European RMBS Insight Model with the parameters for the Spanish Mortgage Scoring Model (MSM) used to score the credit risk of the loans and forecast PDR and EL in the base case and stressed rating scenarios. The European RMBS Insight Model also takes into account the underwriting guidelines of the Issuer, product types, relative quality of historical performance, etc. by assigning an underwriting score to the portfolio. For CaixaBank RMBS 3, FT DBRS assigned a Spanish Underwriting Score of 2 (for first-lien drawdowns of lines of credit) and 3 (for second liens and loans), as for all other CaixaBank originated transactions rated by DBRS. The calculated weighted-average life (WAL) of the portfolio assuming a 2% conditional prepayment rate (CPR) is 7.2 years. DBRS criteria considers foreclosure costs when calculating loss given defaults.

Second liens were assigned an underwriting score of 3, as the performance was worse than that of the first lien drawdowns of lines of credit, but in line with the average performance of other Spanish pools.

The results of the model were used as the inputs into the cash flow analysis of the structure. The results of the model at the A (low) (sf) rating scenario and base case are listed below:

Rating Scenario	PD	LGD	EL
A (low) (sf)	20.50%	55.58%	11.39%
Base Case	6.75%	39.92%	2.69%

### Cash Flow Scenarios

To assess the timely payment of interest on the Rated Notes and the ultimate payment of principal on the Series A Notes, DBRS applied two default timing curves (front-ended and back-ended), its prepayment curves (low, medium and high CPR assumptions) and interest rate stresses as per the DBRS *Unified Interest Rate Model for European Securitisations* methodology. Because of the low prepayment rates observed in the Spanish mortgage market, DBRS also applied a 0% conditional prepayment rate (CPR) assumption.

Based on a combination of these assumptions, a total of 16 cash flow scenarios were applied to test the performance of the rated notes (see table below).

Scenario	Pre-payments	Default timing	Interest Rate
1	0%	Front	Upward
2	0%	Front	Downward
3	0%	Back	Upward
4	0%	Back	Downward
5	5%	Front	Upward
6	5%	Front	Downward
7	5%	Back	Upward
8	5%	Back	Downward
9	10%	Front	Upward
10	10%	Front	Downward
11	10%	Back	Upward
12	10%	Back	Downward
13	20%	Front	Upward
14	20%	Front	Downward
15	20%	Back	Upward
16	20%	Back	Downward

### Interest Rate Stresses

DBRS applied its standard interest rate stresses as detailed in its *Unified Interest Rate Model for European Securitisations* methodology.

As per the servicing agreement, the servicer is allowed to modify loans within the portfolio aside from the good servicing practices defined by the Bank of Spain. These modifications can be made without the Management Company's consent and are subject to the following concentrations:

- 5% of the portfolio may have maturity extended up until 1 January 2059; and
- Interest rate on the loans can be renegotiated downward as long as the WA interest rate of the portfolio never falls below three-month Euribor (floor of 0%) + 1%.

### Timing of Defaults and Recovery Lag

DBRS applied front- and back-loaded default timing curves. A recovery lag of 48 months was used in the cash flow analysis, in line with the standard applicable as per the DBRS European RMBS Insight Methodology.



**Risk Sensitivity**

DBRS estimated the PD and LGD for each pool based on a review of historical data and an assessment of the mortgage pool characteristics. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative impact on credit ratings. The tables below illustrate the sensitivity of the rating to various changes in the base case PD and LGD assumptions in the respective rating scenarios:

**Series A**

		Increase in Default Rate (%)		
		0	25	50
Increase in LGD (%)	0	AL	BBBH	BBB
	25	BBBH	BBBL	BBH
	50	BBBL	BBH	BBH

## Appendix

### Methodologies Applied

The principal methodologies applicable to assign ratings to the above referenced transaction are *European RMBS Insight Methodology and European RMBS Insight: Spanish Addendum* (5 May 2017).

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions* (28 September 2017)
- *Unified Interest Rate Model for European Securitisations* (2 November 2016)
- *Operational Risk Assessment for European Structured Finance Servicers* (12 October 2017)
- *Operational Risk Assessment for European Structured Finance Originators* (12 October 2017)

The rating methodologies and criteria used in the analysis of this transaction can be found at: <http://www.dbrs.com/about/methodologies>. Alternatively, please contact [info@dbrs.com](mailto:info@dbrs.com).

### Surveillance Methodology

The transaction is monitored by DBRS in accordance with its *Master European Structured Finance Surveillance Methodology* (31 March 2017), which is available at [www.dbrs.com](http://www.dbrs.com) under the heading Methodologies; alternatively, please contact [info@dbrs.com](mailto:info@dbrs.com).

#### Notes:

All figures are in euros unless otherwise noted.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2017, DBRS. All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.