Bankia, S.A.

Spanish Mortgage-Covered Bonds – Performance Update

Rating rationale (summary)

The AAA rating with a Stable Outlook on the Spanish mortgage-covered bonds issued by Bankia, S.A. are fundamentally anchored at the bank's BBB+ issuer rating and benefit from up to nine notches of cover pool support.

Cut-off date	Cover pool	Cover asset type	Covered bonds*	Rating/Outlook
31 March 2019	EUR 70.7bn	Residential and commercial mortgage loans	EUR 27.7bn	AAA/Stable

*Cédulas hipotecarias (CHs) – Spanish mortgage-covered bonds

The AAA rating assigned to the cédulas hipotecarias (Spanish mortgage-covered bonds or CHs) issued by Bankia, S.A. (Bankia) are supported by the strong cover pool.

The cover pool provides the maximum credit differentiation of up to nine notches above the issuer rating, of which only seven notches are needed to achieve the highest rating. The full mortgage book provides a generous overcollateralisation of 155.7% for the covered bonds, which also fully mitigates identified credit and market risks. The pronounced cash flow mismatch remains the key driver for the rating-supporting overcollateralisation. The asset quality of collateral continues to improve. The sound BBB+/Stable issuer rating of Bankia reflects its strong retail franchise in Spain, low-risk business profile and adequate capitalisation.

Stable Outlook

The Stable Outlook on Bankia's CHs reflects: i) the continuous availability of abundant overcollateralisation, which allows us to maintain the maximum cover pool support; ii) our view that the European covered bond harmonisation will not negatively impact the fundamental support factors relevant for the CHs; and iii) Scope's Stable Outlook on Bankia. In addition, a one-notch change in the issuer rating is unlikely to affect the covered bond rating.

The covered bond rating may be downgraded if i) our bank rating on the issuer deteriorated by more than two notches; ii) the mortgage book reduced significantly in size; or iii) Bankia were to reduce available overcollateralisation below the rating-supporting level.

	Cover pool support +3	D9	(unused)
	Cover pool support +2	D8	(unused)
	Cover pool support +1	D7	AAA
Resolution regime +4	Covered Bonds Rating Floor = Fundamental Credit Support	D6	AA+
Resolution regime +3		D5	AA
Resolution regime +2		D4	AA-
Resolution regime +1		D3	A+
Legal framework +2		D2	A
Legal framework +1		D1	A-
Issuer rating		D0	BBB+

*Maximum issuer-specific uplift of nine notches (D9) as per Scope's methodology. The rated covered bonds reflect a seven-notch uplift: six notches (fundamental credit support) + one notch (cover pool analysis).

Changes since the last performance update

Since our last review the mortgage book has amortised by EUR 2.9bn and about EUR 2.5bn of covered bonds have been redeemed. The residential share of the mortgage portfolio has increased slightly and in line with the market. The share of fixed-rate mortgage assets has also increased. The asset-liability mismatch widened to 12.02 years from 11.6 years.

Ratings & Outlook

Issuer rating	**BBB+**
Outlook	Stable
Last rating action	Affirmation
Last rating action date	9 May 2019
Covered bond rating	**AAA**
Outlook	Stable
Rating action	Affirmation
Last rating action date	12 July 2019

The issuer has solicited the assigned rating and participated in the rating process.

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Related research

Scope affirms Bankia's cédulas hipotecarias at AAA/Stable – 12 July 2019

Scope updates its issuer rating report on Bankia – 17 May 2019

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The issuer

Bankia is rated by Scope at BBB+/S-2. The ratings have a Stable Outlook.

Bankia is a domestic retail and commercial bank with strong market shares

Bankia originates from the forced merger of seven Spanish savings institutions in 2010. The bank is entirely focused on its domestic market and has very considerable market shares in the regions of Madrid, the Valencian Community, La Rioja, the Canary Islands and, following the acquisition of BMN, in Murcia, Andalusia and the Balearic Islands. Bankia is focused on the central regions of Spain, while its presence is more marginal in the northern coastal regions where regional banks still dominate.

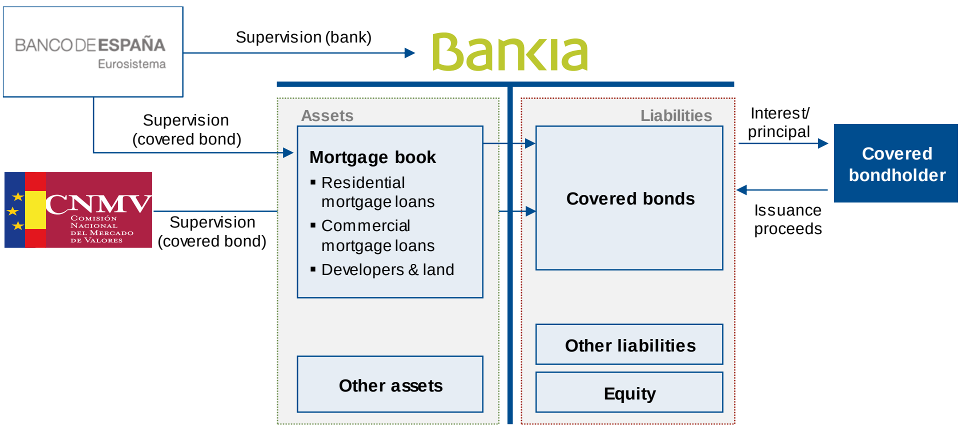
Due to Bankia's origins, its business model has roots in retail and commercial banking. Its largest segment is retail, which caters to mass-market individuals and small businesses. Larger companies are served by the business banking network. Bankia also offers private banking, asset management and bancassurance products, as well as capital markets solutions, but these remain minor compared to its retail and commercial bank products.

For our detailed credit analysis on Bankia, see the full rating report on www.scoperatings.com.

Covered bond structure

On-balance sheet framework – Spanish cover pool concept differs from other European covered bond frameworks

Figure 1: On-balance sheet issuance structure



Source: Scope Ratings

The Spanish covered bond framework (see Legal Framework Analysis for further details) does not define a dedicated cover pool. Instead, Law 2/1981 defines eligibility criteria for the cover assets against which covered bonds can be issued. Eligible mortgage assets are not registered in a cover pool which is ring-fenced upon an issuer insolvency. Instead, CH investors have full recourse to the bank's mortgage book – excluding securitised mortgage loans or mortgage loans that are potentially pledged in favour of other covered bond types (bonos hipotecarios). In practice, only securitised mortgage loans can reduce available collateral, as to date no Spanish bank has established a cover pool for bonos hipotecarios.

Covered bond rating analysis

Maximum credit differentiation of nine notches

The AAA/Stable covered bond rating is supported by a large mortgage book, which provides for the strong seven-notch cover pool-driven support. It also reflects the maximum fundamental credit support of six notches.

Our fundamental credit support analysis effectively provides a floor for the covered bond rating at AA+, assuming the issuer's credit profile remains unchanged.

The current level of overcollateralisation could also support the full three notches of cover pool support but is limited to one notch as the highest rating has already been achieved. Bankia's covered bond rating benefits from a rating buffer of up to two notches against an issuer downgrade.

Fundamental credit support

The Spanish covered bond framework and our credit-positive view on the beneficial resolution regime allows us to assign the maximum credit differentiation of six notches.

Legal framework

Maximum two-notch rating uplift reflecting supportive legal framework

The current cédulas framework meets our expectation for a two-notch legal framework-driven rating differentiation.

The current Spanish covered bond framework builds on individual acts that provide the legal basis for the issuance of covered bonds and their insolvency remoteness[1]. The framework also does not anticipate a cover pool's segregation upon issuer insolvency. Instead, CHs have a preferential right to the proceeds of the full mortgage book (not only the eligible cover assets). The framework also clearly establishes that the covered bonds do not accelerate upon the insolvency of the issuer. CHs benefit from a generous mandatory legal overcollateralisation of 25% – measured against eligible assets – and overcollateralisation generally remains available after insolvency.

The Bank of Spain generally supervises the issuance of covered bonds and their compliance with established limits and remedies. Spain's National Securities Market Commission monitors issuer compliance, with a specific focus on ensuring all conditions are met when a new covered bond is issued. In contrast to other countries, there is no independent trustee to ensure compliance with criteria. Furthermore, there is no special administrator to manage the cover pool upon insolvency; the general insolvency administrator also manages the covered bonds.

Covered bond harmonisation positive but uncertainties remain

With the upcoming EU directive to harmonise European covered bond frameworks, the Spanish covered bond law will be modified materially. We generally consider the European Commission's proposed changes to be credit-positive, as they would increase transparency for investors and require issuers to actively manage their cover pools in order to maintain sound credit quality and reduce cash flow risk. Cover pools may become better-defined and issuers would be required to enhance liquidity and risk management to align them better with requirements under other European frameworks.

Resolution regime and systemic importance

Resolution regime analysis supports maximum credit elevation

Bankia's covered bonds can benefit from an extra credit differentiation of four notches based on our positive impact of the resolution regime and systemic importance of Spanish covered bonds in general and Bankia as a covered bond issuer in particular.. The differentiation reflects: i) the preferential treatment of covered bonds in the event of regulatory intervention in the issuer (no bail-in); ii) our view that Bankia has a viable

[1] The main legal provisions can be found in Law 2/1981 (regulating the mortgage market) and the complementary secondary regulation (Decree 716/2009). The insolvency laws are also relevant: Law 26/1988 – Discipline and Intervention on Credit Institutions; Law 22/2003 – Spanish Insolvency act; Law 6/2005 – Reorganisation and Winding up of Credit Institutions; and Law 9/ 2012 – the Restructuring and Resolution of Credit Institutions.

business model, a sound refinancing structure and sufficient levels of bail-inable debt which would allow regulators to restructure Bankia without affecting its ability to maintain covered bonds as a going concern; iii) the high systemic importance of covered bonds in Spain, supported by covered bonds representing around 20% of the country's GDP at year-end 2017, as well as the visibility of Bankia as a covered bond issuer; and iv) the strong incentives of stakeholders to support covered bonds, as they provided a liquidity lifeline during the financial crisis and none of the bank rescue operations impacted Spanish covered bonds.

Cover pool support analysis

Cover pool provides additional rating uplift to support the highest rating

Bankia's cover pool substantially enhances the credit quality of the covered bonds, translating into an additional credit uplift of up to three notches, totalling nine notches. Currently only seven notches are needed to support the highest rating. Reflecting the current credit quality of the cover pool, we have calculated a rating-supporting overcollateralisation of about 37.5%[2].

The cover pool composition demonstrates a low volatility (despite the 2017/18 BMN merger), reflecting the recourse to the full mortgage book.

Cover pool composition

Lower share of developer loans reflects balance sheet clean-up following nationalisation

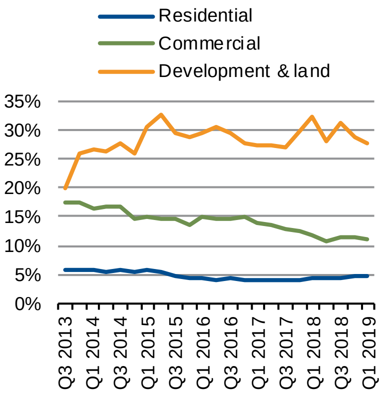
Bankia's cover pool composition reflects its strong focus on residential mortgage lending and moderate market share in commercial lending. We view as positive the low share of developer loans compared to that of other Spanish issuers, effectively reflecting the 2012 clean-up and support received after the bank was nationalised.

Figure 2: Cover pool composition

Cover pool composition	31.03.2018	31.03.2019
Residential (%)	86.6%	87.2%
Commercial (%)	11.0%	10.8%
Developer and land (%)	2.4%	2.0%
Size (in EUR bn)	73.7	70.7

Source: Bankia and Scope

Delinquencies by segment (90+dpd)



Source: Bankia and Scope

The ongoing reduction in Bankia's stock of non-performing loans reflects its active work-out management and the current benign credit environment. The share of non-performing loans, however, does vary significantly between individual segments of the mortgage book. To reflect the very weak performance during the crisis we have, in the most stressful scenarios in our analysis, conservatively assumed loans to be in default and to provide no recoveries.

Collateral values in the bank's LTV calculations are as of the origination date, with the exception of refinanced loans, for which updated valuations were used. We generally index collateral to calculate recovery values (see Appendix I).

The cover pool's high seasoning of about 9.2 years is credit-positive. Existing borrowers have demonstrated the ability to service loans, even in a stressed environment. Newly originated mortgage loans have been underwritten using prudent criteria. The LTV for the residential sub-portfolio is 57.8%, which compares to 61.4% for the commercial segment (excluding developers and land). Performance for both segments has improved since our last full monitoring.

[2] Defined as 'adjusted cover pool assets' over outstanding covered bonds; for the adjusted cover pool balance we have not given credit to the segment comprising mortgage loans granted to developers and secured by land.

Figure 3: Residential LTV

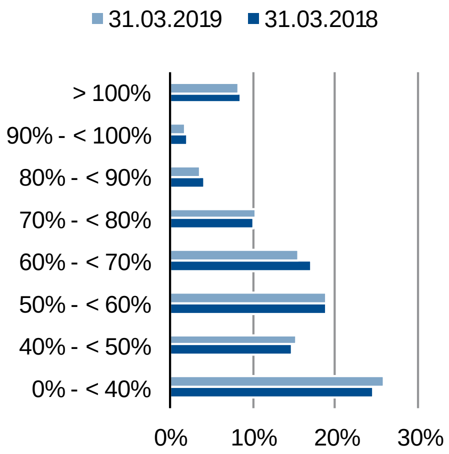
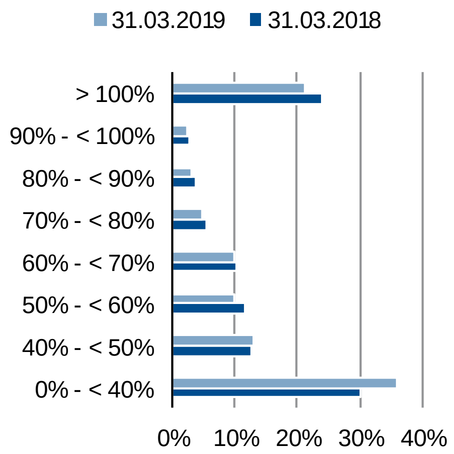


Figure 4: Commercial LTV



Source: Bankia, Scope

High LTV commercial mortgages are not eligible but provide additional proceeds for CHs

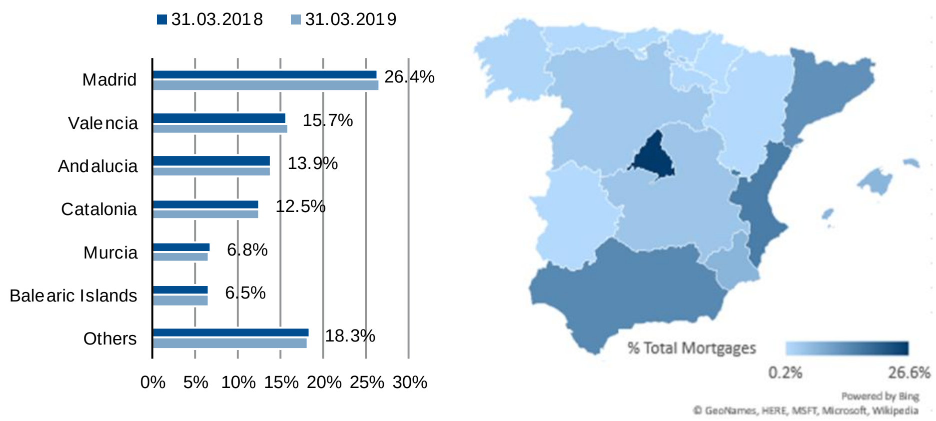
Asset eligibility definitions for CHs only allow issuance against commercial mortgage loans with an LTV of up to 60%. In this context it is noteworthy that the commercial segment comprises 58.7% of mortgages with a current LTV of below 60%. These are the only mortgages against which CHs can be issued. However, CHs also have recourse to the remaining 41.3% of collateral, which can provide additional proceeds to service the covered bonds.

Granular residential mortgage segment reduces idiosyncratic credit risk

Most of the cover pool is highly granular, with only 2.1% of the residential segment exhibiting loan sizes of above EUR 450,000. The commercial portfolio (12.8% of the cover pool) is less granular, with the top 20 exposures accounting for 12.2% of the commercial sub-portfolio. However, in an international context this remains a moderate concentration.

The lower granularity and higher concentration of the commercial segment combined with the bar-belled LTV distribution supports our relatively high coefficient of variation of 50% for the segment. Geographic concentrations have not changed materially and the cover pool is well distributed across Spain.

Figure 5: Regional diversity



Source: Bankia, Scope

Bankia's cover pool reflects its domestic retail focus. Its distribution mirrors the regional focuses of its largest pre-merger institutions, Madrid and Valencia. The geographic split in the portfolio is relevant to our credit analysis, as region-specific house price developments are used to index property values. The indexed values also form the basis for our region-specific and rating distance-dependent market value declines.

Credit risk assessment

Moderate credit risk

We consider the quality of cover pool assets to be moderate in an international context. Based on the current cover pool composition, we have calculated a stressed credit risk contribution to rating-supporting overcollateralisation of about 8.35% of the performing mortgage book. This primarily reflects the high but decreasing share of overdue and delinquent loans as well as the less defined cover pool. However, for covered bond investors, these factors are compensated for by recourse to the full mortgage book and the much higher minimum overcollateralisation stipulated in the covered bond framework.

The performance of Bankia's mortgage book, which supports the covered bonds, continues to improve. The macro environment and property markets have rebalanced since the crisis. Improved and tightened underwriting standards, enhanced monitoring aimed at identifying weakening borrowers early on, and workout processes aimed at restructuring mortgages rather than foreclosing them should also help to avoid negative impacts arising from an economic deterioration.

Bankia's mortgage credit performance benchmarked against market and comparable securitisations

The characteristics of individual assets in the cover pool were used to benchmark specific segments to general performance data on similar assets. Market performance information is regularly provided by the Bank of Spain, and we have also benchmarked against Scope-rated securitisation transactions that comprise similar asset types.

Recovery expectations improved since the last analysis

Scope's recovery assumptions have improved, mainly reflecting the decrease in the mortgage book's average indexed LTV, to 58.2% from 58.8%. For residential mortgages, the base case (D0) recovery assumption increased to 76.3% from 75.2%, whereas the recovery assumption for the commercial segment increased to 68.5% from 67.2% a year ago. We have calculated a stressed weighted average recovery rate of 45.8% for residential loans and 41.1% for commercial loans.

Figure 6: Credit assumptions

	Residential	Commercial	Weighted average
Segment share	87.2%	12.8%	
DR	15.0%	30.0%	16.9%
CoV	70.0%	50.0%	66.3%
D9 RR	45.8%	41.1%	45.2%
D0 RR	76.3%	68.5%	75.3%

DR - Lifetime default rate; CoV - Coefficient of variation
D9 RR - Recovery rate assumption to support the max uplift

Source: Bankia, Scope

This leads to a credit loss of 8.35%[3] under a D9 recovery rate and 4.2% under a D0 recovery rate.

Market risks

Maturity mismatches contribute the most to rating-supporting overcollateralisation. As seen for most CH issuers, scheduled asset redemptions are insufficient to service maturing covered bonds in a standalone scenario.

No dedicated cover pool market and liquidity risk management

The issuer manages the covered bonds' market risk only in the course of normal bank risk management. This is because the framework does not stipulate specific risk management requirements. Further, no derivatives are registered in the cover pool. This means that in the event of regulatory intervention, the cover pool would be exposed to both interest rate risk and foreign-exchange risk (for any foreign-currency issuances).

[3] Credit loss = default rate x (1 – recovery rate)

Figure 7: Cash flow characteristics

Date	Total assets EUR bn	NPV EUR bn	WAM years	Duration years	Fixed rate % share	Floating rate % share
31 March 2018	73.68	89.09	20.16	17.63	4.72%	95.28%
31 March 2019	70.71	86.21	19.87	17.94	6.96%	93.04%

Date	Total liabilities EUR bn	NPV EUR bn	WAM years	Duration years	Fixed rate % share	Floating rate % share
31 March 2018	30.16	35.01	6.20	6.07	70.66%	29.34%
31 March 2019	27.66	32.17	5.95	5.91	64.48%	35.52%

Current OC	155.65%
NPV OC	167.97%

WAM gap	13.92
Duration gap	12.02

Source: Bankia, Scope

Mismatch can be cured by selling cover assets – but disposals would probably be at well below par, consuming significant amounts of overcollateralisation

The duration gap of Bankia's CH programme is significant at 12.02 years. The mortgage book duration of 17.9 years is much higher than the 5.9 years for the covered bonds. Consequently, if the cover pool were to become the sole resource for covered bond servicing, the general insolvency administrator would need to ensure ongoing sales of cover assets to meet payments due during the first decade of the remaining life of the cover pool structure (see Figure 10 for the cumulative net cash flows of a 'standalone' cover pool[4]).

We modelled asset sales by applying, on average, an additional liquidity premium of 250 bps for the discounting of Spanish residential mortgage assets and 300 bps for Spanish commercial mortgages. Liquidity premiums were based on our analysis of historical trading spreads of other Spanish covered bonds. The premiums also account for regular asset sales, making investors comfortable on the cover assets' credit quality.

Figure 8: Redemption profile

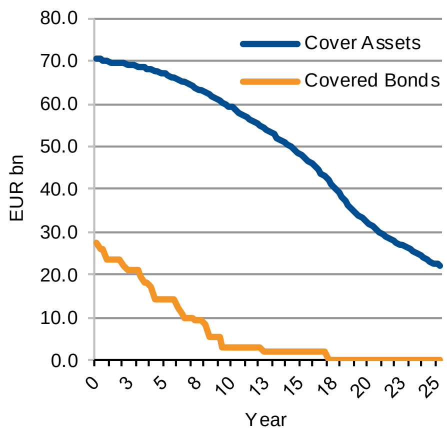
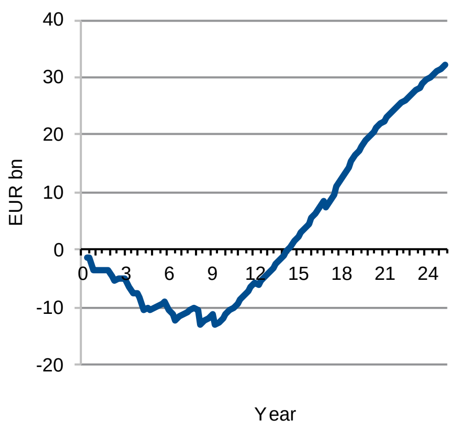


Figure 9: Cumulative net cash flow



Source: Bankia, Scope

We take comfort from the provisions in the legal framework, which stipulate that the insolvency administrator has first recourse to proceeds from the mortgage book and is required to ensure liquidity can meet covered bond payments when due. The availability of a highly granular cover pool comprised mainly of residential mortgage loans should

[4] The cash flows in this figure reflect the net proceeds per quarter from maturing assets, as well as covered bonds and interest due. Any previous quarter's balances are carried forward and added to the respective quarter's net position. This profile does not incorporate any of the rating-relevant stresses which we apply to the cash flows to reflect credit, market and refinancing risks, nor does it reflect the impact of asset sales.

facilitate a relatively swift sale of cover pool assets – even if they had to be sold at high discounts to their par value.

Interest rate risk

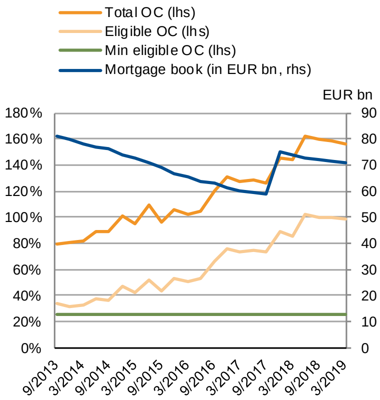
Interest rate risk is moderate, in our view, reflecting both the currently low interest rates and the higher share of floating-rate assets (93.0% of cover assets) than covered bonds issued as floaters (35.5% of covered bonds). Due to the ongoing requirements for asset sales, the cover pool is most sensitive to an interest rate scenario where rates first decrease until they revert to the historical mean after four years.

Foreign exchange risk

Foreign exchange risk is negligible as most assets and liabilities are euro-denominated.

Overcollateralisation

Development of overcollateralisation



Source: Bankia, Scope

Bankia's covered bond rating is cover pool-supported and therefore hinges on the issuer's ability and willingness to provide overcollateralisation that is above the legal minimum.

Available overcollateralisation considered due to Bankia's credit quality

Bankia's issuer rating of BBB+ allows us to fully consider available overcollateralisation in our analysis. Upon a two-notch downgrade, we would seek to identify whether the issuer's capital market communication on intended overcollateralisation is sufficiently robust to continue taking the available level into account. Failing this, we would establish a sustainable overcollateralisation against which we would compare the rating-supporting level to determine whether we can maintain the ratings.

We have monitored the development of available overcollateralisation. We also discussed overcollateralisation management and issuance strategy with the issuer. As the CHs do not just have recourse to a dedicated cover pool but rather to the full mortgage book, the most significant change in the volume of available cover assets would be affected by either cover asset sales or the issuance of mortgage securitisations. Overcollateralisation could also be significantly reduced by new CH issuances.

Available overcollateralisation may reduce when the European covered bond directive is transposed into national law. Consequently, we may also reassess cover pool support if it is constrained by overcollateralisation.

Other risk considerations

Covered bonds have significant counterparty exposure to Bankia, which is reflected in the link to the issuer

Counterparty risk: The covered bonds are significantly exposed to Bankia as the originator, servicer, bank account provider and paying agent.

In our view, the strong alignment of interests between the bank and CH holders ensures bank accounts would be replaced well before any regulatory intervention might prove necessary. Further, the legal covered bond framework establishes that covered bond holders have preferential rights to the mortgage book's cash flows upon an issuer insolvency, largely mitigating bank account risk. However, bank accounts relevant for the covered bonds do not benefit from structural mitigation that ensures the replacement of an account bank if its credit quality deteriorates.

We expect a potential regulatory intervention in Bankia to result in the maintenance of the issuer using available resolution tools. Although exposure to Bankia as the key agent is significant, we do not expect this to severely impact the active management and servicing of the mortgage book.

Risk of institutional meltdown, legal insecurity or currency problems not material

Sovereign risk: Sovereign risk does not limit the ratings on Bankia's CHs. The risks of an institutional framework meltdown, legal insecurity or currency convertibility problems (due to a hypothetical exit of Spain from the eurozone) are currently not material for the CH rating.

Despite Spain's current positive GDP growth trend, the credit performance of both the issuer and the CHs will ultimately depend on the effective resolution of fundamental imbalances over the longer term. These imbalances are the high level of public and private debt, the still-large budget deficit, the negative net investment position and the high unemployment rate (of 14.8% in May 2019).

Sensitivity analysis

We also check rating stability regarding current overcollateralisation, the issuer's credit migration and planned issuances.

Strength of the cover pool provides a buffer against a change in our credit assessment of the issuer

Changes to the issuer assessment: Based on our fundamental assessment of the Spanish covered bond framework, Bankia's cover pool is, in principle, able to support a credit differentiation for the covered bonds of up to nine notches above our issuer rating on Bankia (see Overcollateralisation section above). Given the available overcollateralisation and current composition of the cover pool, the current covered bond rating can withstand a two-notch downgrade on Bankia's issuer rating.

Changes to overcollateralisation: The rating is based on the support provided by the cover pool, thus relying on overcollateralisation. An issuer downgrade or negative change in its Outlook would likely increase rating-supporting overcollateralisation to 42.5%.

If the issuer rating was upgraded, the covered bond rating would not change, but the rating-supporting overcollateralisation may reduce to 31.0%, reflecting the issuer's improved ability to shield the covered bonds from higher losses.

Data adequacy

Cover pool data only available on a stratified basis – sufficient for Bankia's highly granular cover pool

We consider the data quality to be adequate considering the high granularity of the cover pool. If detailed information on some credit aspects was not available, we benchmarked the bank's information with market information and made conservative assumptions to compensate. We ensured as far as possible that sources were reliable before drawing upon them but did not verify each item of information independently.

Bankia provided us with public and confidential information on cover pool composition, mortgage asset performance and relevant cash flow details. We received aggregated cover pool information, including detailed stratification tables for relevant credit characteristics, divided into the relevant segments on a quarterly basis. Information on the issuer-specific development of delinquency status and recovery by segment was complemented with public information from the Bank of Spain for the relevant asset segments.

For the cash flow analysis, we generated asset redemption profiles based on the stratification tables. Relevant information on the outstanding CHs allowed us to create the corresponding liability cash flows.

Scope analysts have visited Bankia and conducted interviews with key personnel to understand the bank's origination, monitoring and workout processes. We also discussed key trends relevant for the development of the cash flow profile, including issuance plans.

Appendix I: Summary of characteristics

Reporting date	31 March 2018	31 March 2019
Issuer name	Bankia, S.A.	Bankia, S.A.
Country	Spain	Spain
Covered bond name	Cedulas Hipotecarias (CH) Spanish mortgage covered bonds	Cedulas Hipotecarias (CH) Spanish mortgage covered bonds
Covered bond legal framework	Spanish legal covered bond framework	Spanish legal covered bond framework
Cover pool type	Mortgage	Mortgage
Composition	Residential = 86.6% Commercial = 13.4%	Residential = 87.2% Commercial = 12.8%
Issuer rating	BBB+/Stable	BBB+/Stable
Current covered bond rating	AAA/Stable	AAA/Stable
Covered bond maturity type	Hard bullets	Hard bullets
Cover pool currency	EUR (99.8%)	EUR (99.8%)
Covered bond currency	EUR (100%)	EUR (100%)
Fundamental cover pool support (notches)	6	6
Max. achievable covered bond uplift (notches)	9	9
Potential covered bond rating buffer	2	2
Cover pool / Eligible assets (EUR bn)	73.7 / 56.0	70.7 / 54.9
Covered bonds (EUR bn)	30.2	27.7
Overcollateralisation: current / legal minimum	144.3% / 25%	155.6% / 25%
Overcollateralisation supporting current uplift	34.0%	37.5%
Overcollateralisation withstanding one-notch downgrade of the issuer rating	37.0%	42.5%
Weighted average seasoning	8.7 years	9.2 years
Duration / WAM of assets (years)	17.6 / 20.2	17.9 / 19.9
Duration / WAM of liabilities (years)	6.1 / 6.2	5.9 / 6.0
Duration gap / WAM gap (years)	11.6 / 14.0	12.0 / 13.9
Number of loans (total)	876,843	865,265
Average loan size (in EUR of total)	84,029	81,719
Top-10 exposures	0.99%	0.97%
Top-20 exposures	1.35%	1.32%
Interest rate type: assets (fixed-rate / floating-rate)	4.7% / 95.3%	7.0% / 93.0%
Interest rate type: liabilities (fixed-rate / floating-rate)	71.7% / 29.3%	64.5% / 35.5%
WA LTV (whole loan LTV: residential / commercial)	58.4% / 62.0%	57.8% / 61.4%
Geographic split (top 3)	Madrid (26.4%) Valencia (15.7%) Andalucia (13.9%)	Madrid (26.6%) Valencia (15.8%) Andalucia (13.9%)
Default measure	Inverse Gaussian	Inverse Gaussian
Weighted average default rate	17.0%	16.9%
Weighted average coefficient of variation	67.6%	65.5%
Weighted average recovery assumption (D0/D9)[1]	75.2% / 45.1%	75.3% / 45.2%
Current share of loans (total) > 6 months in arrears	6.40%	6.14%
Interest rate stresses (max./min.; currency-dependent)	-1 to 10%	-1 to 10%
Forex stresses (max./min.; currency-dependent)	N/A	N/A
D9[1] liquidity premium	257	256
Servicing fee (mortgage)	28bps	28bps

[1] D0 or D9 denote the stresses commensurate with the rating distance between the issuer rating and the covered bond ratings

[2] For the rating analysis and the calculation of the supporting overcollateralisation we have only taken into account the 'performing balance'

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