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DBRS Assigns Final Ratings to Bankia PYME I FTA

Industry: Sec.--Structured Credit

DBRS Ratings Limited ("DBRS") has today assigned final ratings to the Notes issued by Bankia PYME I FTA (the "Issuer"), as follows:

EUR 451,500,000 Series of Notes: BBB (high) (sf)

The transaction is a cash flow securitisation collateralised by a portfolio of bank loans originated by Bankia S.A. ("Bankia") to self-employed individuals and small and medium-sized enterprises ("SMEs") based in Spain. As of 20 December 2013, the transaction portfolio included 8,302 loans to 7,599 obligors, totaling EUR 645 million.

The rating on the Series of Notes addresses the timely payment of interest and the ultimate payment of principal payable on or before the Legal Maturity Date in July 2053. DBRS has not rated the Loan B.

The portfolio exhibits high obligor concentration. The top obligor and the largest ten obligor groups represent 5.13% and 17.65% of the outstanding balance, respectively. The portfolio exhibits moderate industry concentration. The top three industries based on the DBRS Industry classification are "Business Equipment & Services" (19.1% of the pool balance), "Building and Development" (14.1%), and "Healthcare" (8.4%). Loans to self-employed individuals and entrepreneurs represent 15.6% of the pool balance. The top three regions are the Valencian Community, Madrid, and Catalonia, representing approximately 40.4%, 18.0%, and 9.6%, of the portfolio balance, respectively.

These ratings are based upon DBRS's review of the following items:

- The transaction structure, the form, and sufficiency of available credit enhancement, the portfolio characteristics.
- At closing, the Series of Notes benefit from a total credit enhancement of 33.5%, which DBRS considers to be sufficient to support the BBB (high) (sf) rating. Credit enhancement is provided by subordination (30%) and the Reserve Fund (3.5% of the initial portfolio balance, corresponding to EUR 22,575,000). In addition, the Series of Notes also benefits from available excess spread.



-- The Reserve Fund can start to amortise after the first two years if certain conditions, relating to the performance of the portfolio and deleveraging of the transaction, are met. The Reserve Fund cannot amortise below EUR 11,287,500.

-- Bankia will provide an additional Liquidity Line equal to 1.2% of the initial balance of the Series of Notes (EUR 5,418,000) that will be available to cover the senior fees and Series of Notes interest. Thereafter, the Liquidity Line will be equal to the minimum of EUR 5,418,000 and the sum of (i) 2.7% of the outstanding balance of the Series of Notes and (ii) accrued interest for any previously drawn Liquidity Line is less than the initial balance.

-- Amounts drawn under the Liquidity Line will be repaid to Bankia before any payments are made to the Loan B or to replenish the Reserve Fund.

- The transaction parties' financial strength and capabilities to perform their respective duties and the quality of origination, underwriting, and servicing practices.
- An assessment of the operational capabilities of key transaction participants.
- The ability of transaction to withstand stressed cash flow assumptions and repay investors according to the approved terms. Interest and principal payments on the Series of Notes will be made quarterly on the 14th day of January, April, July and October, with the first Payment Date on 14 April 2014.
- The soundness of the legal structure and the presence of legal opinions which address the true sale of the assets to the trust and the non-consolidation of the special purpose vehicle, as well as consistency with the DBRS "Legal Criteria for European Structured Finance Transactions".

DBRS determined these ratings as follows, as per the principal methodology specified below:

- The annualised probability of default ("PD") for the originator was determined using the historical performance information supplied. For this transaction DBRS assumed a PD of 4.73%.
- The assumed weighted average life ("WAL") of the portfolio was 3.50 years.
- The PD and WAL were used in the DBRS Diversity Model to generate the hurdle rate for the target ratings.
- The recovery rate was determined by considering the market value declines ("MVDs") for Spain, the security level and type of the collateral. For the Series of Notes, DBRS applied an average recovery rate of 21.79%.
- The break even rates for the interest rate stresses and default timings were determined using the DBRS cash flow model.

Notes:

All figures are in Euros unless otherwise noted.

The principal methodology applicable is "Rating CLOs Backed by Loans to European Small and Medium Sized Enterprises (SMEs)". Other methodologies and criteria referenced in this transaction



are listed at the end of this press release.

All DBRS methodologies can be found on www.dbrs.com at:
<http://www.dbrs.com/about/methodologies>.

For a more detailed discussion of sovereign risk impact on Structured Finance ratings, please refer to DBRS commentary “The Effect of Sovereign Risk on Securitisation in the EURO Area” at:
<http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>

The sources of information used for this rating include the parties involved in the rating, including but not limited to, Bankia PYME I FTA, Bankia S.A., and Europea de Titulización, S.A., S.G.F.T. DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS determined key inputs used in our analysis based on historical performance data provided for the originator and servicer as well as analysis of the current economic environment. Further information on DBRS’s analysis of this transaction will be available in a rating report on <http://www.dbrs.com> or by contacting us at info@dbrs.com.

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.

This rating concerns a newly issued financial instrument. This is the first DBRS rating on this financial instrument.

Information regarding DBRS ratings, including definitions, policies and methodologies is available on www.dbrs.com.

To assess the impact of changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating (the “Base Case”):

- Probability of Default Rates Used: Base Case PD of 4.73%, a 10% increase of the base case, and a 20% increase of the base case PD.
- Recovery Rates Used: Base Case Recovery Rates, corresponding to a recovery rate of 21.79% at the BBB (high) (sf) stress level, a 10% and 20% decrease in the base case Recovery Rates.

DBRS concluded that changing the Base Case PD and recovery rates as follows would lead to:

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- An increase in the PD by 10% would cause a downgrade to BB (high) (sf).
- A decrease in the Recovery Rate schedule by 20% would cause a downgrade to BBB (sf).
- An increase in the PD by 10% and a decrease in the Recovery Rate schedule by 10% together would cause a downgrade to BBB (low) (sf).

It should be noted that the interest rates and other parameters that would normally vary with rating level, including the recovery rates, were allowed to change as per the DBRS methodologies and criteria.

For further information on DBRS's historic default rates published by the European Securities and Markets Administration ("ESMA") in a central repository see:
<http://cerep.esma.europa.eu/cerepweb/statistics/defaults.xhtml>.

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

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Initial Rating Date: 20 December 2013
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The rating methodologies and criteria used in the analysis of this transaction can be found at:
<http://www.dbrs.com/about/methodologies>.

"Rating CLOs Backed by Loans to European Small and Medium Sized Enterprises (SMEs)"
"Legal Criteria for European Structured Finance Transactions"
"Unified Interest Rate Model for U.S. and European Structured Credit"
"Cash Flow Assumptions for Corporate Credit Securitizations"

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“Rating Methodology for CLOs and CDOs of Large Corporate Credit”
“Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda”
“Operational Risk Assessment for European Structured Finance Servicers”

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Bankia PYME I, FTA	Series of Notes	Provisional Rating - Finalized	BBB (high) (sf)	--	Dec 24, 2013

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

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