



Fitch Upgrades Bankia PYME I Ratings Endorsement Policy

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Fitch Ratings-Madrid/London-05 December 2014: Fitch Ratings has upgraded Bankia PYME I, F.T.A's asset backed floating notes, follows:

EUR310.1m class A notes (ISIN ES0313499008): upgraded to 'BBB+sf' from 'BBBsf', Outlook Stable
EUR193.5m loan B: non-rated

Bankia PYME I, F.T.A. is a granular cash flow securitisation of a EUR645m static portfolio of secured and unsecured loans granted to Spanish small and medium-sized enterprises (SMEs), micro companies (micro) and self-employed individuals (SEIs). The loans were originated by Bancaja, Bankia (BBB-/Negative/F3) and Caja Madrid.

The ratings address the likelihood of investors receiving interest payments in accordance with the terms of the transaction documentation and full repayment of principal by legal final maturity in July 2053.

KEY RATING DRIVERS

Credit Enhancement Build-up

The upgrade reflects an increase in credit enhancement to 42.9% as of end- September 2014 from 33.5% at closing in December 2013, as a result of amortisation of the class A notes. Furthermore, performance of the underlying assets during the first 10 month of the transaction life has been above our expectations, with 90 days delinquencies representing 1.7% of the portfolio, compared with the assumed annual average of 6%. Nevertheless, it should be noted that performance data is limited as it only covers 10 months since the transaction's closing.

Unhedged Transaction

The notes are especially exposed to interest rates risk as all liabilities are floating while 17.2% of the assets pay a fixed interest. This makes the class A notes vulnerable to an increase of interest rates. Fitch has taken into account in its analysis this risk together with commingling and set-off risks, which are mitigated by the increased credit enhancement. The transaction does not feature specific mitigants.

Counterparty Risk Rating Cap

The rating is capped at 'BBB+sf' in accordance with Fitch's Counterparty Criteria. The rating is limited by the 'BBB-/F3' rating triggers on the treasury account bank Bankia. The treasury account bank provides credit support to the transaction and is therefore a direct support counterparty.

Relevant Obligor Concentration

The asset pool has significant concentration. The largest obligor and top 10 obligors represent 5.3% and 22.8% respectively of the pool. Additionally, obligors that account for more than 50bps represent a combined 27% of the portfolio. Fitch addressed this risk by stressing all obligor groups that represent more than 50bp of the portfolio notional by a 50% correlation uplift and a 25% recovery haircut.

Low Recoveries

Fitch considers 77% of the portfolio as unsecured as the agency only gives credit to first-ranking commercial and residential property collateral. For the 23% of the portfolio considered as secured the agency applied a market value decline framework. This approach resulted in a recovery rate of 27.2% for the 'BBB+' rating. The transaction does not have recovery data yet given that it only closed in December 2013.

RATING SENSITIVITIES

A 15% increase in the obligor default probability would lead to a downgrade of the class A notes to 'BBBsf'. A 25% reduction in the expected recovery rates would not impact the class A notes.

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Additional information is available at www.fitchratings.com.

Sources of Information: Investor reports

Applicable criteria 'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated 05 March 2014; and 'Counterparty Criteria for Structured Finance Transactions', dated 14 May 2014; are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)
Counterparty Criteria for Structured Finance and Covered Bonds

Additional Disclosure
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