



Fitch Upgrades Bankia PYME I

Fitch Ratings-London-11 November 2016: Fitch Ratings has upgraded Bankia PYME I, F.T.A's notes, as follows:

Class A notes (ISIN ES0313499008): upgraded to 'A-sf' from 'BBB+sf', Outlook Stable
Loan B: not rated

The transaction 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-/Stable/F3) and Caja Madrid.

The rating addresses 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

Counterparty Risk Rating Cap

The upgrade of the class A notes' rating is the result of a link to the rating of the treasury account bank BBVA (A-/Stable/F2). The account bank triggers of 'BBB-' and 'F3' in the documentation would support a maximum rating of up to 'BBB+sf', without a credit link.

If the account bank was downgraded or moved to a lower rated entity, the notes' rating would be downgraded due to the credit link. Fitch has been informed that there are currently no plans to transfer the account bank again.

Performance Above Expectations

The class A notes and loan B have been amortising pro-rata since October 2015 as the transaction complies with the pro-rata amortisation triggers. The notes repaid by EUR56.5m between October 2015 and September 2016, which increased the available credit protection for the notes to 78.8%. The current credit enhancement allows the notes to pass rating stresses above the treasury account bank's rating but the senior notes' rating is capped by the counterparty exposure.

Delinquencies decreased since the last annual review and represent 2.1% of the performing portfolio balance for loans in arrears for more than 90 days and 1.7% for loans in arrears for more than 180 days, based on the trustee report dated 30 September 2016. Defaults increased to EUR6.6m from EUR2.3m, representing 4.1% of the current portfolio balance, but the rapid amortisation of the portfolio offset the effect of increased defaults. Current defaults are below Fitch's expected annual average PD of 5.1%.

RATING SENSITIVITIES

In testing the notes' sensitivities, Fitch has found that an increase of defaults and a reduction of recoveries by 25% each had no impact on the notes' rating.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Prior to the transaction closing, Fitch reviewed the results of a third party assessment conducted on the asset portfolio information and concluded that there were no findings that affected the rating analysis.

Prior to the transaction closing, Fitch conducted a review of a small targeted sample of the originator's origination files and found the information contained in the reviewed files to be adequately consistent with the originator's policies and practices and the other information provided to the agency about the asset portfolio.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

- Loan-by-loan data provided by the European Warehouse as at 7 July 2016
- Transaction reporting provided by Europea de Titulización as at 30 September 2016

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 01 Sep 2016) (<https://www.fitchratings.com/site/re/886006>)
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 18 Jul 2016) (<https://www.fitchratings.com/site/re/884964>)
Criteria Addendum: Spain - Residential Mortgage Assumptions (pub. 28 Jul 2016) (<https://www.fitchratings.com/site/re/885440>)
Criteria for Country Risk in Global Structured Finance and Covered Bonds (pub. 26 Sep 2016) (<https://www.fitchratings.com/site/re/881269>)
Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs) (pub. 10 Oct 2016) (<https://www.fitchratings.com/site/re/888325>)
EMEA RMBS Rating Criteria (pub. 18 May 2016) (<https://www.fitchratings.com/site/re/881836>)
Global Structured Finance Rating Criteria (pub. 27 Jun 2016) (<https://www.fitchratings.com/site/re/883130>)

Additional Disclosures

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