

# Fitch Ratings

## Fitch Affirms FTPYME Bancaja 3, FTA

Fitch Ratings-London-03 May 2016: Fitch Ratings has affirmed FTPYME Bancaja 3, FTA as follows:

EUR11.1m class C (ISIN ES0304501044): affirmed at 'Bsf'; Outlook Stable

EUR8.2m class D (ISIN ES0304501051): affirmed at 'CCsf'; Recovery Estimate 0%

FTPYME Bancaja 3, FTA is a granular cash flow securitisation of a static portfolio of secured and unsecured loans granted to Spanish small- and medium-sized enterprises by Bankia S.A..

### KEY RATING DRIVERS

The affirmations reflect an increase in credit enhancement due to amortisation over the last 12 months, which balance out the accompanying increase in portfolio concentration and the extended recovery process. During this period the class C notes have amortised by EUR7.2m, resulting in an increase in credit enhancement to 39.9% from 28.5%. The class D notes remain under-collateralised.

The portfolio's concentration has increased as the transaction continues to deleverage; the largest obligor and top 10 obligor exposure increased over the past 12 months to 6% and 34.1% from 5% and 30.7%, respectively. The largest industry exposure is real estate at 41.2% of the portfolio.

The reserve fund is fully depleted and the principal deficiency ledger (PDL) has a balance of EUR851,000 (down from EUR949,000 12 months ago). No funds are available that can be used to mitigate the interruption of payments to the noteholders in the event of a default of the servicer Bankia, S.A. (BBB-/Stable/F3).

The current default amount has remained stable at EUR10.2m over the past 12 months. Recoveries remain slow during the same period, at EUR300,000 while the recovery rate rose only by 0.5% to 43.3%. Fitch has raised its recovery lag assumption to 10 years from five years to reflect the slow recovery process over the past 24 months.

Interest on the class D notes could be deferred if the PDL exceeds the outstanding balance of the class C notes multiplied by a factor of 0.44 plus the outstanding balance of the class D notes. In Fitch's view, this is unlikely to occur and interest will continue to be paid on the under-collateralised class D notes, reducing the class C notes' repayment.

The class D notes' rating indicates that a default is highly probable.

### RATING SENSITIVITIES

A faster recovery process will result in an upgrade of the class C notes by one category but leave the rating on the class D notes unchanged.

### DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed 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 were material to this 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.

Fitch did not undertake a review of the information provided about the underlying asset pool ahead of the transaction's initial closing. The subsequent performance of the transaction over the years is

consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

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 Europea de Titulizacion S.G.F.T. as at 31 January 2016

-Transaction reporting provided by Europea de Titulizacion S.G.F.T. as at 31 March 2016

#### Contacts:

Lead Surveillance Analyst

Yushuang Hao

Associate Director

+44 20 3530 1717

Fitch Ratings Limited

30 North Colonnade

London E14 5GN

Committee Chairperson

Laurent Chane-Kon

Senior Director

+44 20 3530 1401

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email:

athos.larkou@fitchratings.com.

Additional information is available at [www.fitchratings.com](http://www.fitchratings.com).

#### Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)

([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiJlE0NjZMjY5MjcsInNlc3Npb25LZXkiOiJPUjZwK9CT0tBNVFFWFHWE9QUdVSUFMRUNHRUdMVFdZUTdYTTBEIn0.k6IKR9tPlhr3LGVb6l1x5GDWLBKvjBxRFPOteFq5Sos)

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Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May 2014)

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Criteria Addendum: Spain - Residential Mortgage Assumptions (pub. 24 Aug 2015)

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Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 19 Dec 2014)

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Criteria for Rating Caps and Limitations in Global Structured Finance Transactions (pub. 28 May 2014)

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