



Fitch Affirms PYME Bancaja 5 F.T.A. Ratings Endorsement Policy

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Fitch Ratings-London-31 March 2015: Fitch Ratings has affirmed PYME Bancaja 5, F.T.A. as follows:

EUR40.7m Class B (ISIN ES0372259038): affirmed at 'BBsf'; Outlook Negative

EUR24.1m Class C (ISIN ES0372259046): affirmed at 'CCsf'; Recovery Estimate 50%

EUR28.8m Class D (ISIN ES0372259053): affirmed at 'Csf'; RE 0%

PYME Bancaja 5, F.T.A. is a static cash flow SME CLO originated by Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja), now part of Bankia S.A. (BBB-/Negative/F3). The note proceeds were used to purchase a EUR1.15bn portfolio of secured and unsecured loans granted to Spanish small and medium.

KEY RATING DRIVERS

The affirmation on the Class B note reflects the amortisation the transaction has seen over the last year. The A3 note paid in full in February 2014 and the B note has paid down EUR22m to EUR40.7m. As a result credit enhancement has increased to 33.1% from 27.1% over the last 12 months.

The Negative Outlook reflects a potential further rise in defaults, following an increase in defaults to 39.3% from 30.9% over the last 12 months. Although delinquencies have been falling any large obligors jumping to default could erode the increases to credit enhancement made over the last year.

The class C notes have been affirmed at 'CCsf' with a recovery estimate of 50% as the note is only partially backed by performing collateral and will otherwise rely on recoveries.

The class D notes are affirmed at 'Csf' as these notes are backed by the reserve fund, which is fully drawn. The reserve fund has been fully drawn since November 2013 and since then a principal deficiency ledger balance of EUR3.9m has built up (EUR2m a year ago).

As the transaction has deleveraged (the remaining portfolio as a percentage of initial portfolio balance has decreased to 8.2% from 9.2%) the pool has become increasingly concentrated. The 10 largest obligors now comprise 21% of the pool, up from 20% last year. The transaction's largest industry exposure is to real estate at 43.6%.

The transaction features three swaps which hedge against reset risk: one for each reset frequency at three months, six months and 12 months. The issuer pays a weighted average Euribor rate (based on the reset rate distribution in the collateral) in return for the 3m Euribor index payable on the notes minus a spread of 15bps. As 3m Euribor is below 15bps the transaction now pays on both legs of the swap, causing a further strain on the transaction.

RATING SENSITIVITIES

In its rating sensitivity analysis Fitch found that a 25% increase of the default probability (PD) would result in a single-notch downgrade of the class B notes. A 25% reduction of the recovery rate by would also result in a single-notch downgrade of the class B notes.

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Sources of Information: investor reports

Applicable criteria, Global Structured Finance Rating Criteria, dated 04 August 2014, Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs), dated 06 March 2015, and Counterparty Criteria for Structured Finance and Covered Bonds, dated 14 May 2014 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

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

Additional Disclosure

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