



Tagging Info

Fitch Affirms PYME Valencia 1, F.T.A. Ratings Endorsement Policy

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Fitch Ratings-London-17 December 2012: Fitch Ratings has affirmed PYME Valencia 1, F.T.A.'s ratings and removed the senior class A2 notes from Rating Watch Negative (RWN), as follows:

EUR90.0m Class A2 (ISIN ES0372241010): affirmed at 'Asf'; off RWN; Outlook Stable
 EUR47.6m Class B (ISIN ES0372241028): affirmed at 'BBsf'; Outlook Negative
 EUR34.0m Class C (ISIN ES0372241036): affirmed at 'CCsf'; RE 25%
 EUR13.6m Class D (ISIN ES0372241044): affirmed at 'CCsf'; RE 0%
 EUR15.3m Class E (ISIN ES0372241051): affirmed at 'Csf'; RE 0%

The removal of the senior class A2 notes from RWN follows the implementation of remedial actions by Banco de Valencia ('BB-/Rating Watch Positive/'B') following the downgrade of Banco Popular Espanol ('BB+/Stable/'B'), which held the roles of account bank and paying agent. These roles were moved to Barclays Plc ('A'/Stable/'F1'), in accordance with the transaction's documentation. Fitch considers Barclays Plc an eligible counterparty, according to the agency's counterparty criteria, to support a rating up to the rating cap of 'AA-sf' for Spanish structured finance transactions.

Banco de Valencia maintains a dynamic commingling reserve (CR), held at Barclays Plc, which will be utilised to redeem the items in the priority of payments in case of a commingling loss or a servicer's disruption event. The CR is updated monthly and it is sized for 1.5x the expected collections' notional at 10% prepayment rate. As of November 2012, the CR's notional was EUR8.9m.

The affirmation of the class A2 notes reflects the notes' available credit enhancement (CE) in relation to the performance of the underlying loan portfolio. Despite the deterioration in the portfolio's performance, the structural CE of 42.5% is sufficient to withstand the agency's 'Asf' rating stress scenario. Current defaults and loans more than 90 days in arrears account for 16.2% and 4.8% of the outstanding portfolio balance, respectively. The principal deficiency ledger (PDL) balance has increased to EUR16.4m compared to EUR6.5m as of the last review.

The affirmation of the class B notes reflects the structural CE of 16.8%, which enables them to withstand Fitch's 'BBsf' rating stress scenario. The Negative Outlook reflects the agency's concerns that any further deterioration in the portfolio's performance may lead to a downgrade of the notes. Additionally, Fitch views as additional risks for the transaction the increased obligor concentration due to the portfolio's deleveraging and the high portfolio exposure to the troubled Spanish real estate sector. As of the October 2012 investor report, the top 20 obligors accounted for 29.5% of the outstanding balance, while loans to the real estate and building & materials sectors account for 47.8% of the outstanding portfolio.

The 'CCsf' rating on the class C and D notes reflects the low CE available to the notes and their subordinated position in the capital structure. CE for the Class C and D notes is not sufficient to pass Fitch's base case expected loss rate and their repayment is solely dependent on the recoveries realised on defaulted assets.

The 'Csf' rating on the class E notes indicates that a default appears inevitable. The notional of the reserve fund (RF) will be applied to redeem the notes. Fitch views that it is unlikely that the RF, which has been fully depleted since September 2009, will be replenished to its required amount of EUR13.5m before the notes' maturity.

PYME Valencia 1, F.T.A. is a cash-flow securitisation of loans granted to Spanish small and medium enterprises (SMEs) by Banco de Valencia. The transaction is substantially collateralised with 94% of the loans secured by real estate properties.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information: transaction trustee reports.

Applicable criteria 'Criteria for Rating Granular Corporate Balance-Sheet Securitisations - SME CLO', dated 27 November 2012; 'Global Rating Criteria for Corporate CDOs', dated 8 August 2012; 'Global Criteria for Cash Flow Analysis in CDOs', dated 13 September 2012; 'Criteria for Rating Caps in Global Structured Finance Transactions', dated 2 August 2012; and 'Counterparty Criteria for Structured Finance Transactions', dated 30 May 2012, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)
Global Rating Criteria for Corporate CDOs
Global Criteria for Cash Flow Analysis in CDOs
Criteria for Rating Caps in Global Structured Finance Transactions
Counterparty Criteria for Structured Finance Transactions

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