Fitch Rates Bankia PYME I 'BBBsf'

Ratings Endorsement Policy

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Fitch Ratings-Madrid/London-23 December 2013: Fitch Ratings has assigned Bankia PYME I, F.T.A's asset backed floating notes, a final rating as follows:

EUR451.5m class A notes (ISIN ES0313499008): 'BBBsf', Outlook Stable
EUR 193.5m 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

Default Risk
Fitch applied forward-looking annual probabilities of default (PDs) of 6% as the bank benchmark and applied discrimination in SME loans according to bank internal ratings. In the case of Micro and SEI, the agency applied indistinctively a 6% annual PD. The weighted average annual PD of the portfolio is 7.5%, higher than the bank benchmark, as the portfolio is negatively affected by loans already classified as 'D' (1.3%) and loans of the real estate and building and material sectors (12.3% combined).

Relevant Obligor Concentration
The asset pool includes two obligors that represent more than 2% of the portfolio. These obligors account for 5.0% and 3.7% respectively. Additionally, obligors that account for more than 50 bps represent altogether 18.5% 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.

Counterparty Risk Rating Cap
The rating is limited by the rating triggers on the treasury account bank, currently Bankia, set at 'BBB-/F3'. The treasury account bank provides credit support to the transaction and is therefore a direct support counterparty. Hence, according to Fitch's Counterparty Criteria, the rating is to be capped at 'BBB+sf'.

Low Recoveries
Fitch considered 81.4% of the portfolio as unsecured as the agency only gave credit to property collateral ranked 1st. For the 18.6% of the portfolio considered as secured the agency applied a MVD (Market Value Decline) framework. This approach resulted in a recovery rate of 27.2% for the 'BBB' rating.

Unhedged Transaction
The notes are especially exposed to interest rates risk since all liabilities are floating and close to 17.9% of the assets pay fixed coupons. This makes class A notes vulnerable to a scenario of increasing interest rates.

RATING SENSITIVITIES
A 15% increase in the expected obligor default probability would lead to a downgrade of class A notes to 'BBB-sf'. A 45% reduction in the expected recovery rates would lead to a downgrade of the class A notes to 'BBB-sf'.

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Additional information is available on www.fitchratings.com

Source of information: The information used to assess these ratings was sourced from the originator.

Applicable criteria,
'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)' dated March 2013, 'Counterparty Criteria for Structured Finance Transactions' dated May 2013, 'Criteria for Servicing Continuity Risk in Structured Finance' dated July 2013, 'EMEA Criteria Addendum - Spain - Mortgage and Cash Flow Assumptions' dated March 2013 and 'Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds' dated January 2013 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
Criteria for Servicing Continuity Risk in Structured Finance
EMEA Criteria Addendum - Spain - Amended
Criteria for Interest Rate Stresses in Structured Finance Transactions

Additional Disclosure
Solicitation Status