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## Fitch downgrades 1 tranche of FTPYME Bancaja 2, FTA

Fitch Ratings, London, 03 June 2013: Fitch has affirmed 2 and downgraded 1 tranche of FTPYME Bancaja 2, FTA's notes, as follows:

EUR 12.3m Class A3(G) notes (ISIN ES0339751028): affirmed at 'AA-sf', Outlook Negative  
EUR 12.1m Class B notes (ISIN ES0336751036): affirmed at 'Asf', Outlook Negative  
EUR 4.4m Class C notes (ISIN ES0339751044): downgraded to 'Bsf' from 'BBsf', maintained Outlook Negative

### KEY RATING DRIVERS

The rating actions reflect the portfolio's performance since the last annual review in July 2012. Since then, delinquencies over 180 days increased to 6.4% of the outstanding portfolio balance from 5%. However, this was partially offset by increases in credit enhancement on senior notes due to natural amortisation. Class A3(G)'s balance was reduced by EUR 10.6m and the overall outstanding balance now represents 5.8% of the initial balance. Credit enhancement for class A3(G) is currently 68% and 26% for class B.

The downgrade of class C notes is related to increased delinquencies, as well as current defaults, which have increased by EUR 1.3m to EUR 3.3m since the last review in July 2012. Additionally, the reserve fund has been reduced by another EUR 1m and remains underfunded.

The ratings of class A3(G) are subject to a rating cap on Spanish structured finance of 'AA-sf' and a Negative Outlook due to the Outlook on the Kingdom of Spain ('BBB'/Negative/'F2'). Concerns regarding increased obligor concentration and delinquencies have led to the Negative Outlook on class B and C's notes being maintained.

As of April 2013, the swap counterparty was replaced by Royal Bank of Scotland (A/Stable/F1) and therefore all counterparties are eligible.

### RATING SENSITIVITIES

The agency incorporated two additional stress tests in their analysis to determine the ratings sensitivity. The first addressed a reduction of recovery expectations, whereas the second simulated an increased default probability. In both stress tests, the ratings of class A3(G) are stable. However, in both scenarios a rating action on classes B and C would be likely.

FTPYME Bancaja 2, FTA, is a cash-flow securitisation of loans granted to Spanish small and medium enterprises (SME) by Caja de Ahorros de Valencia, Castellon y Alicante.

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Related Research:

'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated 27 November 2012; 'Counterparty Criteria for Structured Finance Transactions and Covered Bonds', dated 13 May 2013; and 'EMEA Criteria Addendum - Spain - Mortgage and Cashflow Assumptions', dated 24 July 2012 are available at [www.fitchratings.com](http://www.fitchratings.com).