MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades six notes in four Spanish SME ABS Transactions originated by Bancaja

Global Credit Research - 30 Sep 2014

Madrid, September 30, 2014 -- Moody's Investors Service has today upgraded the ratings of six notes and affirmed the ratings of three notes in four Spanish asset-backed security (ABS) transactions: BANCAJA LEASING 1, FTA; FTPYME BANCAJA 2, FTA; FTPYME BANCAJA 3, FTA; PYME BANCAJA 5, FTA.

Today's rating action reflects (1) the increase in the Spanish local-currency country ceiling to A1 and (2) sufficiency of credit enhancement in the affected transactions which has increased significantly over the last 12 months.

Today's rating action concludes the review of the notes placed on review on 17 March 2014, following the upgrade of the Spanish sovereign rating to Baa2 from Baa3 and the resulting increase of the local currency country ceiling to A1 from A3 (http://www.moodys.com/viewresearchdoc.aspx?docid=PR_292078). The sovereign rating upgrade reflected improvements in institutional strength and reduced susceptibility to event risk associated with lower government liquidity and banking sector risks.

BANCAJA LEASING 1, FTA is a transaction originated by Caja de Ahorros de Valencia, C y A; (Bancaja), now Bankia S.A. (B1 / NP), in 2009 and backed by leases to small and medium size enterprises in Spain, while the FTPYME BANCAJA 2, FTA; FTPYME BANCAJA 3, FTA and PYME BANCAJA 5, FTA transactions were originated in 2003, 2004 and 2006 respectively and are backed by loans to small and medium sized enterprises.

Please refer to the end of the Ratings Rationale section for a list of affected ratings.

RATINGS RATIONALE

-- Reduced Sovereign Risk

The Spanish sovereign rating was upgraded to Baa2 in February 2014, which resulted in an increase in the local currency country ceiling to A1. The Spanish country ceiling, and therefore the maximum rating that Moody's will assign to a domestic Spanish issuer including structured finance transactions backed by Spanish receivables, is A1 (sf).

The increase of credit enhancement combined with stable performance and the reduction in sovereign risk has prompted the upgrade of the notes.

-- Key collateral assumptions

Some of the key collateral assumptions have been updated as part of this review. The performance of the underlying asset portfolios remain broadly in line with Moody's assumptions. Moody's also has a stable outlook (http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF373727) for Spanish ABS and RMBS transactions.

In BANCAJA LEASING 1, FTA the unchanged Default Probability (DP) on current balance of 20% (corresponding to a DP on the original balance of 21.4%) together with a unchanged recovery rate of 35% and an updated volatility of 44.8% correspond to an unchanged portfolio credit enhancement of 29.5%.

In FTPYME BANCAJA 2, FTA the unchanged DP on current balance of 20% (corresponding to a DP on the original balance of 5.1%) together with a unchanged recovery rate of 60% and a updated volatility of 71.6% correspond to an updated portfolio credit enhancement of 27.4%.

In FTPYME BANCAJA 3, FTA the unchanged DP on current balance of 23.9% (corresponding to a DP on the original balance of 5.4%) together with a unchanged recovery rate of 45% and a updated volatility of 43.6% correspond to an unchanged portfolio credit enhancement of 30.9%.

In PYME BANCAJA 5, FTA, continued poor performance and high outstanding stock of delinquent loans (60+

standing at 17.7% of current balance and 90+ standing at 15.4%) led Moody's to increase its DP assumption. The updated DP on current balance of 30.0% (corresponding to a DP on original balance of 14.5%) together with a unchanged recovery rate of 45% and a updated volatility of 43.3% correspond to an updated portfolio credit enhancement of 37.2%.

-- Exposure to Counterparties

Moody's rating analysis also took into consideration the exposure to key transaction counterparties. In all four transactions Bankia acts as Servicer. Banco Santander S.A (Spain) (Baa1 / P-2) acts as issuer account bank in BANCAJA LEASING 1, FTA while Barclays Bank PLC (A2 / P-1) acts as issuer account bank in the 3 other transactions. Royal Bank of Scotland plc (Baa1 / P-2) acts as swap counterparty in FTPYME BANCAJA 2, FTA and FTPYME BANCAJA 3, FTA and JPMorgan Chase Bank, N.A., London Branch (Aa3 / (P)P-1) acts as swap counterparty in PYME BANCAJA 5, FTA.

Today's rating action takes into account the linkage to those counterparties. In particular the rating of class C notes of BANCAJA LEASING 1, FTA is strongly linked to the account bank's rating given that a significant part of the credit enhancement available to this tranche is comprised of cash held at the account bank. Therefore, a rating change of the account bank could potentially induce a rating change for this tranche.

The principal methodology used in rating FTPYME BANCAJA 2, FTA; FTPYME BANCAJA 3, FTA and PYME BANCAJA 5, FTA was "Moody's Global Approach to Rating SME Balance Sheet Securitizations" published in January 2014. The principal methodology used in rating BANCAJA LEASING 1, FTA was "Moody's Approach to Rating ABS Backed by Equipment Leases and Loans" published in December 2013 . Please see the Credit Policy page on www.moodys.com for a copy of those methodologies.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) further reduction in sovereign risk, (2) performance of the underlying collateral that is better than Moody's expected, (3) deleveraging of the capital structure and (4) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expects, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

LIST OF AFFECTED RATINGS

Issuer: BANCAJA LEASING 1, FTA

....EUR576M A Notes, Affirmed A1 (sf); previously on Mar 17, 2014 Upgraded to A1 (sf)

....EUR96M B Notes, Affirmed A1 (sf); previously on Mar 17, 2014 Upgraded to A1 (sf)

....EUR128M C Notes, Upgraded to Baa2 (sf); previously on Mar 17, 2014 Ba2 (sf) Placed Under Review for Possible Upgrade

Issuer: FTPYME BANCAJA 2, FTA

....EUR199.5M A3(G) Notes, Affirmed A1 (sf); previously on Mar 17, 2014 Upgraded to A1 (sf)

....EUR32M B Notes, Upgraded to Baa1 (sf); previously on Mar 17, 2014 Baa3 (sf) Placed Under Review for Possible Upgrade

....EUR11.8M C Notes, Upgraded to B2 (sf); previously on Mar 22, 2013 Downgraded to Caa2 (sf)

Issuer: FTPYME BANCAJA 3, FTA

....EUR28.9M B Notes, Upgraded to A1 (sf); previously on Mar 17, 2014 A3 (sf) Placed Under Review for Possible Upgrade

....EUR46.7M C Notes, Upgraded to B2 (sf); previously on Mar 22, 2013 Affirmed Caa2 (sf)

Issuer: PYME BANCAJA 5, FTA

....EUR62.7M B Notes, Upgraded to Ba1 (sf); previously on Mar 17, 2014 Ba3 (sf) Placed Under Review for Possible Upgrade

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

The analysis includes an assessment of collateral characteristics and performance to determine the expected collateral loss or a range of expected collateral losses or cash flows to the rated instruments. As a second step, Moody's estimates expected collateral losses or cash flows using a quantitative tool that takes into account credit enhancement, loss allocation and other structural features, to derive the expected loss for each rated instrument.

As the section on loss and cash flow analysis describes, Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

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