



Tagging Info

Fitch Revises Outlook on FTPYME Bancaja 3 to Stable; Affirms Ratings Ratings

Endorsement Policy
18 May 2015 5:36 AM (EDT)

Fitch Ratings-London-18 May 2015: Fitch Ratings has revised the Outlook on FTPYME Bancaja 3, FTA to Stable and affirmed the ratings, as follows:

Class C (ISIN ES0304501044): affirmed at 'Bsf'; Outlook Revised to Stable from Negative
Class D (ISIN ES0304501051): affirmed at 'CCsf'; Recovery Estimate 0%

FTPYME Bancaja 3, FTA, is a granular cash flow securitisation of a static portfolio of secured and unsecured loans granted to Spanish small- and medium-sized enterprises by Bancaja.

KEY RATING DRIVERS

The affirmation and the Outlook revision on the notes reflect the stable performance of the transaction over the past one year. The class B notes paid in full on December 2014 and the class C notes have since amortised by EUR1.7m. This has increased credit enhancement on the class C notes to 28.5% from 15.9%.

The reserve fund is fully depleted and there is a principal deficiency ledger (PDL) balance of EUR949,000 (down from EUR2.6m 12 months ago). There are no funds which could be used to mitigate the interruption of payments to the noteholders caused by a default of the servicer Bankia (BBB-/Negative/F3).

The portfolio is highly concentrated with top 10 obligors accounting for 30.6% of the portfolio and the largest industry, real estate, comprising 39.2% of the portfolio. It is also unlikely that the interest deferral trigger, which defers interest on the class D notes once the PDL reaches a certain level, will be triggered. This means that the class C notes will have to carry the interest on the uncollateralised portion of the class D notes.

The class D notes are under collateralised and the rating indicates it is highly probable that the notes will default due to the concentrated portfolio and the fairly high PDL level.

Delinquencies have decreased over the last 12 months with 90+ arrears decreasing to 1.5% from 1.9% and 180+ arrears decreasing to 1.3% from 1.5%. This decrease is in part due to loans rolling over into default, with total defaults increasing to EUR20.3m from EUR20m. Recoveries have slowed over the past 12 months and the current recovery rate is low at 42.8%.

RATING SENSITIVITIES

Increasing the default rate of the assets in the portfolio by 1.25x or reducing the recovery rate of the assets in the portfolio by 0.75x would not result in a downgrade to the notes.

The class D notes' rating is unaffected by either of the above sensitivities.

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email: athos.larkou@fitchratings.com.

Contacts:

Lead Surveillance Analyst
Alexander Blishen
Analyst
+44 20 3530 1354
Fitch Ratings Limited

30 North Colonnade
London E14 5GN

Committee Chairperson
Laurent Chane-Kon
Senior Director
+44 20 3530 1401

Additional information is available at www.fitchratings.com.

Sources of Information:
Transaction reporting provided by EDT as of 31 March 2015

Applicable criteria 'Global Structured Finance Rating Criteria', dated 31 March 2015, 'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated 06 March 2015, 'Counterparty Criteria for Structured Finance and Covered Bonds', dated 14 May 2014, and 'Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds', dated 20 February 2015 are available at www.fitchratings.com.

Data Adequacy

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. There were no findings that were material to this analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pool ahead of the transaction's initial closing. The subsequent performance of the transaction over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

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
Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds

Additional Disclosure

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