



Fitch Affirms PYME Valencia 1 FTA

Fitch Ratings-Madrid/London-27 October 2015: Fitch Ratings has affirmed PYME Valencia FTA's notes, as follows:

EUR6.1m Class A2 (ES0372241010): affirmed at 'AA+sf'; Outlook Stable

EUR47.6m Class B (ES0372241028): affirmed at 'BBsf'; Outlook revised to Positive from Stable

EUR34m Class C (ES0372241036): affirmed at 'CCsf'; RE (Recovery Estimate) 15%

EUR13.6m Class D (ES0372241044): affirmed at 'Csf'; RE 0%

EUR15.3m Class E (ES0372241051): affirmed at 'Csf'; RE 0%

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, which merged with Caixabank (BBB/Positive/F2) in 2013.

KEY RATING DRIVERS

The class A2 notes' 'AA+sf' rating reflects the 92% available credit enhancement, excluding defaulted loans in the portfolio. The rating is the highest rating possible for Spanish structured finance transactions, as it is six notches above the Kingdom of Spain's Issuer Default Rating (BBB+/Stable/F2). The transaction maintains a dynamic commingling reserve (CR), held at Barclays Plc (A/Stable/F1), available 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 is sized at 1.5x the expected collections' notional at 10% prepayment rate. The CR's notional is EUR4.9m.

The Positive Outlook on the class B notes reflects the improvement in the transaction's performance over the past year and the build-up of credit enhancement to 26% from 15% excluding defaults. Loans more than 90 days in arrears have decreased to 0.8% of the outstanding portfolio balance as of 30 September 2015 from 2.6% as of 31 August 2014.

The swap provides an additional layer of protection, providing a guaranteed 65bp excess spread based on a notional equal to the outstanding balance of the class A to D notes. Fitch has not given credit to the transaction's swap for the class A notes because the swap provider, Banco Bilbao Vizcaya Argentaria, S.A. (A-/Stable/F2), may be difficult to replace, in our view. Accordingly, the class B notes' rating is capped at the swap provider's rating.

The 'CCsf' rating on the class C notes reflects their low available credit enhancement and their subordinated position in the capital structure. The transaction has a principal deficiency ledger balance of EUR28.1m. Credit enhancement for the class C notes is insufficient to pass Fitch's base case expected loss rate and their repayment is mainly dependent on the recoveries realised on defaulted assets.

The affirmation of the class D notes at 'Csf' reflects the deferral of interest since September 2014. Interest is being accumulated and Fitch considers that the full repayment of the notes is highly unlikely.

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

Current defaults account for 32.6% of the outstanding portfolio balance. Additionally, Fitch views the increased obligor concentration resulting from the portfolio's deleveraging as additional risk. The top 10 obligors account for 25% of the outstanding balance, while loans to the real estate and building

materials sectors account for 53% of the outstanding portfolio.

RATING SENSITIVITIES

A 20% increase of the default probability could lead to a downgrade of the class B notes of up to two notches and would have no rating impact on the other classes.

DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed in relation to this rating action.

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.

SOURCES OF INFORMATION

The information below was used in the analysis.

-Loan-by-loan data provided by Europea de Titulizacion S.G.F.T. as at 30 September 2015

-Transaction reporting provided by Europea de Titulizacion S.G.F.T. as at 30 September 2015

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)

(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158)

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May 2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175)

Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs) (pub. 06 Mar 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863220)

Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds (pub. 20 Feb 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862115)

Global Structured Finance Rating Criteria (pub. 06 Jul 2015)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=992936)

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