FitchRatings

Fitch Revises PYME Bancaja 5's Outlook to Stable

Fitch Ratings-Madrid-21 March 2016: Fitch Ratings has revised the Outlook on PYME Bancaja 5, F.T.A. to Stable and affirmed the ratings as follows:

Class B (ISIN ES0372259038): affirmed at 'BBsf'; Outlook revised to Stable from Negative
Class C (ISIN ES0372259046): affirmed at 'CCsf'; Recovery Estimate 50%
Class D (ISIN ES0372259053): affirmed at 'Csf'; RE 0%

PYME Bancaja 5, F.T.A. is a static cash flow SME CLO originated by Caja de Ahorros de Valencia, Castellon y Alicante (Bancaja), now part of Bankia S.A. (BBB-/Stable/F3). The note proceeds were used to purchase a EUR1.15bn portfolio of secured and unsecured loans granted to Spanish small and medium.

KEY RATING DRIVERS
Performance Improving
Delinquencies have decreased markedly in the last year as 90d+ delinquencies fell to 0.7% in January 2016 from 6.5% a year earlier. Total defaults since the transaction's closing in November 2006 reached EUR71m or 6.2% of the initial portfolio balance, up from EUR58m a year ago, but still low compared with our expectations. As a result Fitch has improved the annual average expected probability of default to 6.5% from 8.7%. This improved performance is reflected in the Outlook revision to Stable today.

Increasing Concentration
As the transaction has deleveraged (the remaining portfolio as a percentage of initial portfolio balance has decreased to 6.9% from 8.3% during the last 12 months) the pool has become increasingly concentrated. The 10 largest obligors now comprise 24% of the pool, up from 21% a year ago while obligors accounting for 0.5% each represent a combined 76% of the portfolio balance compared with 75% last year.

Slight Increase in Credit Enhancement
Credit enhancement for class B notes has remained fairly stable, currently standing at 32.9% compared with 31% a year ago. The credit enhancement build-up has been limited as asset amortisation has been partially offset by an increase in the principal deficiency ledger to EUR8.4m from EUR3.9m over the same period.

Under-collateralised Junior Notes
The class C notes have been affirmed at 'CCsf' with a recovery estimate of 50% as the note is only partially backed by performing collateral and will otherwise rely on recoveries. The class D notes are affirmed at 'Csf' as these notes are backed by the reserve fund, which is fully drawn. The reserve fund has been fully drawn since November 2013 and since then the principal deficiency ledger balance has shown an increasing trend.

RATING SENSITIVITIES
A 45% increase in the obligor default probability would lead to a downgrade of up to three notches for the class B notes.

A 45% reduction in expected recovery rates would lead to a downgrade of one notch for the class B notes.

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 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 as of end-January 2016
Transaction reporting provided by Europea de Titulizacion as of end-January 2016

REPRESENTATIONS AND WARRANTIES
A comparison of the transaction's Representations, Warranties & Enforcement Mechanisms to those typical for the asset class is available by accessing the appendix that accompanies the new issue report. In addition refer to the special report "Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions" dated 12 June 2015 available on the Fitch website.

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Additional information is available at www.fitchratings.com.

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&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
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&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)

Criteria Addendum: Spain - Residential Mortgage Assumptions (pub. 24 Aug 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=869918&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (pub. 19 Dec 2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=838868&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
Criteria for Rating Caps and Limitations in Global Structured Finance Transactions (pub. 28 May 2014) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748781&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs) (pub. 03 Mar 2016) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=878445&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
Criteria for Servicing Continuity Risk in Structured Finance (pub. 17 Dec 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875586&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
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&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
EMEA RMBS Rating Criteria (pub. 16 Dec 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=875102&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)
Global Structured Finance Rating Criteria (pub. 06 Jul 2015) (https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867952&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOjE0NTg1OTkzNjIsInNlc3Npb25LZXkiOiJRM01LOEYzUzZSSVRFTzMzSTZSNENaVkNTRkhER0k1NVJFSUVMT0c4In0.hzQw0GsAy9hCVdRQwfqQYfZfHQcI9USDAds6UCZBM98)

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