



Fitch Affirms ICO Mediacion I; Outlook Negative Ratings

20 May 2011 12:25 PM (EDT) Fitch Ratings-Madrid/London-20 May 2011: Fitch Ratings has affirmed ICO Mediacion I AyT, FTA's class A notes and syndicated loan as follows:

EUR1,640.0m Class A (ISIN: ES0347524003): affirmed at 'AAAsf'; Outlook Negative; Loss Severity Rating 'LS1'
EUR249.4m syndicated loan: affirmed at 'BBB-sf'; Outlook Negative; Loss Severity Rating 'LS1'

ICO Mediacion I AyT, FTA is a cash flow securitisation of a static pool of senior unsecured loans to Spanish financial institutions originated by Instituto de Credito Oficial (ICO; 'AA+/Negative/F1+'). The receiving financial institutions use the proceeds of the loans to lend to mainly small- and medium-sized enterprises (SMEs) at below-market rates, in accordance with ICO's policy objectives.

The affirmation of ICO Mediacion I AyT, FTA's class A notes and syndicated loan reflects the increasing credit enhancement (CE) provided by the subordinate line of credit (SLC), that represents 4.5% of the capital structure. Additionally, Fitch expects the CE provided by the syndicated loan (SL) to increase as the portfolio factor will likely be reduced below 10% on the next payment date, triggering sequential amortisation of the notes and the syndicated loan.

The agency acknowledges that the structure has not been able to benefit from deleveraging as the SL was amortising pro-rata with the Class A notes, and the SLC was amortising down to its absolute minimum amount.

Fitch assigned a Negative Outlook to the class A notes and the syndicated loan to reflect the risk of high obligor concentrations as the portfolio continues to amortise. Obligor concentrations pose a challenge to the thin CE available (ie 17.7% for the class A notes). The Negative Outlook captures the risks that potential further consolidation in the Spanish financial system could entail for this transaction.

Fitch assigned an issuer report grade (IRG) of two stars ("Basic") to the transaction's investor reports. This reflects the sporadic availability of deal information, as investor reports are published only every six months, and lack some basic information like counterparty triggers.

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Additional information is available on www.fitchratings.com

The information used to assess these ratings was sourced from portfolio data provided by the originator, periodic investor reports and the public domain.

Applicable criteria 'Global Rating Criteria for Corporate CDOs', dated 5 July 2010; 'Counterparty Criteria for Structured Finance Transactions', dated 14 March 2011; 'Criteria for European Structured Credit Issuer Report Grades (EMEA CDO)', dated 16 February 2010; 'Criteria for Structured Finance Loss Severity Ratings', dated 17 February 2009; and 'Criteria for Rating Caps in Global Structured Finance Transactions', dated 23 June 2010, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Global Rating Criteria for Corporate CDOs
Counterparty Criteria for Structured Finance Transactions
Criteria for European Structured Credit Issuer Report Grades (EMEA CDO)

Criteria for Structured Finance Loss Severity Ratings
Criteria for Rating Caps in Global Structured Finance Transactions

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