



Fitch Upgrades BBVA-3 FTPYME Ratings Endorsement Policy

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Fitch Ratings-London-04 July 2013: Fitch Ratings has upgraded BBVA-3 FTPYME FTA's class B and C notes, and affirmed the class A2 notes as follows:

Class A2 notes (ES0310110012): affirmed at 'AA-sf', Outlook Negative
Class B notes (ES0310110020): upgraded to 'AA-sf' from 'A+sf', Outlook Negative
Class C notes (ES0310110038): upgraded to 'BBBsf' from 'BBsf', Outlook Stable

KEY RATING DRIVERS

The upgrade of the class B and C notes reflects the increased levels of available credit enhancement (CE) due to the transaction's deleveraging, which has offset the deterioration of the portfolio since the last annual review in July 2012, and allows the notes to withstand higher stresses.

Although the transaction features an interest deferral mechanism for classes B and C, Fitch believes that the deferral of interest is unlikely to occur and therefore the rating of the class B notes addresses the timely payment of interest on the notes.

The class A2 notes' rating and Outlook are limited by the rating of the Kingdom of Spain (BBB/Negative/F2). The highest achievable rating for Spanish structured finance transactions is 'AA-sf/Negative', which is five notches above the rating of Spain (see: "Fitch: SF Impact of Spanish, Italian & Irish Sovereign Rating Actions", dated 1 February 2012, at www.fitchratings.com)

The class A2 notes stand at 4.4% of their initial balance and are expected to be redeemed in full on the next payment dates. After the payment in full of the senior class, the class B and C notes will start amortising sequentially as one of the triggers for the pro-rata amortisation is breached: the outstanding balance of the pool is below 10% of the initial pool balance.

The transaction's portfolio has further deleveraged since the last review and currently stands at 3.3% of the balance at closing. One consequence of deleverage has been higher volatility in the performance due to the concentration of the pool, with a spike in delinquencies since March 2013. As of May 2013, 4.4% of the pool was delinquent for more than 90 days compared with 1.7% as of May 2012, and 1.7% was delinquent for more than 180 days compared with 0.5% in 2012. Defaults currently represent 13.4% of the outstanding portfolio or 0.5% of the maximum portfolio balance as of closing. The largest borrower represents 4.4% and 45 borrowers accounted for more than 0.5% as of May 2013.

BBVA 3 FTPYME is a cash flow securitisation of loans to small- and medium-sized Spanish enterprises (SMEs) granted by Banco Bilbao Vizcaya Argentaria.

RATING SENSITIVITIES

As part of its analysis, Fitch considered the sensitivity of the notes' ratings to the stresses on defaults and recovery rates. These stresses had no material negative impact on the ratings.

The impact of an increase of defaults of 25% was assessed, and no negative impact on the rating of the notes resulted from the analysis. The recovery rates were also stressed, applying a haircut of 25% with no negative impact on the rating of the notes.

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Sources of information: transaction trustee reports.

Applicable criteria: 'Global Structured Finance Rating Criteria', dated 24 May 2013; 'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated 28 March 2013; 'Counterparty Criteria for Structured Finance Transactions', dated 13 May 2013; 'Counterparty Criteria for Structured Finance Transactions: Derivative Addendum', dated 13 May 2013, are available at www.fitchratings.com.

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
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum

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