



Fitch Affirms BBVA-4 PYME Ratings Endorsement Policy

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Fitch Ratings-London-04 July 2013: Fitch Ratings has affirmed BBVA-4 PYME FTA's notes as follows:

Class A2 notes (ES0370458012): affirmed at 'AA-sf', Outlook Negative

Class B notes (ES0370458020): affirmed at 'AA-sf', Outlook Negative

Class C notes (ES0370458038): affirmed at 'CCCs', assigned Recover Estimate (RE) of 90%

KEY RATING DRIVERS

The affirmation of the ratings reflects the increased levels of available credit enhancement (CE) due to the transaction's further deleveraging that has offset the performance deterioration observed over the past year. The class A2 notes are likely to be redeemed in full at the next payment date as only 0.4% of their initial balance remains outstanding.

The class A2 and B 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 Outlook, 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 portfolio has amortised to 4% of its original balance as of May 2013, and the largest borrower represents 5.1%, while the 10 largest obligors are 31.3% of the balance. The transaction is also exposed to a considerable industry exposure to the real estate and building and material sectors, which stands at 28%.

Since the previous annual review, the transaction's performance has deteriorated with an increase in the arrears over 90 days to 1.1% from 0.4%, and an increase in the arrears over 180 days to 0.7% from 0.2%. Defaulted assets represent 25.4% of the outstanding pool or 1.1% of the portfolio at closing date.

79% of the portfolio is backed by mortgages, however the observed weighted average recovery rate has been historically low over the life of the transaction. Nevertheless over the past year more recoveries have been observed and the weighted average recovery rate has increased from 17% at the last annual review to 34%. The increased recoveries are reflected in the RE of 90% assigned to the class C notes.

BBVA-4 PYME 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, the agency considered the sensitivity of the notes' ratings to the stresses on defaults and recovery rates but such 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 notes' rating resulted from such analysis.

Also the recovery rates were stressed, applying a haircut of 25% and no negative impact was derived on the notes' rating.

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Additional information is available on www.fitchratings.com.

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

Additional Disclosure

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