

Rating Action: BBVA 5 FTPYME, FTA

Moody's downgrades junior notes of Spanish SME ABS BBVA 5 FTPYME, FTA, Aaa notes confirmed

Approx. EUR 794.5mm of rated securities affected.

London, 31 July 2009 -- Moody's Investors Service has today taken the following rating actions on the notes issued by BBVA 5 FTPYME, FTA:

- Class A1 notes, confirmed at Aaa; previously, on February 9, 2009 Aaa and placed under review for possible downgrade;

- Class A2 notes, confirmed at Aaa; previously, on February 9, 2009 Aaa and placed under review for possible downgrade;

- Class B notes, downgraded to Baa2; previously, on February 9, 2009 A2 and placed under review for possible downgrade.

Class A3(G) and Class C Aaa ratings are unaffected given their respective guarantees from the Kingdom of Spain (Aaa) and European Investment Fund(Aaa),

Today's rating action has been prompted by a higher-than-expected level of delinquencies. As of June 2009, the cumulative 90+ delinquencies (i.e. delinquencies equal or greater than 90 days) were equal to 3.75% of the original portfolio balance compared to 2.69% as of the December 2008 reporting date. In addition the reserve fund was drawn in June 2009 reaching Eur 18.19 million whereas the target reserve fund equals Eur 29.45 million. As part of the review, Moody's has considered the exposure of the transaction to the real estate sector (either through security in the form of a mortgage or debtors operating in the real estate sector). The deterioration of the Spanish economy has been reflected in the negative sector outlook Moody's published on the Spanish SMEs securitisation transactions.

As a result of the above, Moody's has revised its assumption of the default probability of the SME debtors to an equivalent rating in the single B-range for the debtors operating in the real estate sector and in the low Ba-range for the non-real-estate debtors. Credit was given in the analysis for the perceived 'above average' servicing quality of BBVA. At the same time, Moody's estimated the remaining weighted average life of the portfolio to equal 2.65 years. As a consequence, the revised cumulative mean default assumption for this transaction has increased to 10.8% as a percentage of the current portfolio balance (corresponding to 6.5% of original portfolio balance). Moody's original mean default assumption was 2.50% (as a percentage of original balance), with a coefficient of variation of 55%. Because of the pool granularity and hence relatively high effective number of loans in the portfolio (1025), we applied an inverse normal probability function to derive the default distribution with a coefficient of variation of 45%. The recovery rate assumption is now 45% while values in the 35% to 55% range were tested at closing. The revised CPR assumption is now 5%, comparable to the volatile levels observed throughout the last reporting periods, while the original CPR assumption was 13%.

The increased credit enhancement available in the structure due to the amortisation of the portfolio (as of May 2009, the pool factor was equal to 45%) was not sufficient to offset the impact of worse than expected performance and revised performance assumptions for the class B note rating. However, the rating of the class A1 and A2 notes remains Aaa as it is expected to benefit both from the increased credit enhancement and the interest deferral triggers on class B to the detriment of its rating.

BBVA 5 FTPYME, FTA is a securitisation fund which purchased a pool of loans granted by Banco Bilbao Vizcaya Argentaria (BBVA, Aa2/P-1) to Spanish SMEs. At closing, the portfolio consisted of 12,521 loans. The loans were originated between 1999 and 2006, with a weighted average seasoning of 1.51 years and a weighted average remaining term of 6.60 years. Geographically the top three pool exposures were Valencia (16.63%), Andalucia (13.97%) and Catalonia (13.14%). At closing the pool exposure to real estate and related sectors was 32.6%.

As of May 2009, the number of loans in the portfolio was equal to 7,183 and the weighted average remaining term was equal to 5.6 years. The concentration levels per industry and regions are similar to their levels at closing, exposure to the building and real estate sector is relatively constant at 33%.

Moody's ratings address the expected loss posed to investors by the legal final maturity of the notes. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

Moody's initially analysed and currently monitors this transaction using the rating methodology for granular SME transactions in EMEA as described in the following Rating Methodology reports: "Refining the ABS SME Approach: Moody's Probability of Default Assumptions in the rating analysis of granular Small and Mid-sized Enterprise portfolios in EMEA", March 2009; and "Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa", June 2007.

Moody's is closely monitoring the transaction. To obtain a copy of Moody's New Issue Report or periodic Performance Overviews, please visit Moody's website at www.moody's.com or contact our Client Service Desk in London (+44-20-7772 5454).

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