

Rating Action: Moody's upgrades two tranches and affirms two tranches in 2 Spanish ABS deals

24 May 2018

Madrid, May 24, 2018 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of two tranches and affirmed two tranches in two Spanish ABS-SME deals.

Issuer: BBVA 6 FTPYME, FTA

...EUR50.3M (Current outstanding amount EUR 1.1M) Class B Notes, Upgraded to Aa1 (sf); previously on Apr 24, 2018 Ba1 (sf) Placed Under Review for Possible Upgrade

...EUR32.3M Class C Notes, Affirmed Ca (sf); previously on Mar 24, 2011 Confirmed at Ca (sf)

Issuer: BBVA Leasing 1, FTA

...EUR82.5M (Current outstanding amount EUR 21.8M) Class B Notes, Upgraded to Baa2 (sf); previously on Apr 24, 2018 Ba1 (sf) Placed Under Review for Possible Upgrade

...EUR61.3M Class C Notes, Affirmed C (sf); previously on Dec 18, 2017 Affirmed C (sf)

RATINGS RATIONALE

Today's upgrades conclude Moody's review, dated 24 April 2018, following the upgrade of the Government of Spain's sovereign rating to Baa1 from Baa2 and the raising of the country ceiling of Spain to Aa1 from Aa2(see http://www.moodys.com/viewresearchdoc.aspx?docid=PR_381868 published on 13 April 2018).

The ratings are also prompted by the increase in the credit enhancement available for the affected tranches due to portfolio amortization, which allows for ample coverage of the top obligor concentrations and mitigates strongly any concentration risk that could arise due to the low pool factor.

Credit Enhancement levels for Class B notes in BBVA 6 FTPYME, FTA have increased to 52% from 36.7% over the last 6 months as a percentage of the notes. In the case of Class B notes in BBVA Leasing 1, Credit Enhancement levels have increased to 26.5% from 22.85% in the same period.

The rating of the Class B notes in BBVA Leasing 1, FTA takes into account the very small shortfall due to lack of accrued interest on interest resulting from the notes not receiving interest for three years following interest deferral trigger breach.

Revision of key collateral assumptions

As part of the review, Moody's reassessed its default probabilities (DP) as well as recovery rate (RR) assumptions based on updated loan by loan data on the underlying pools and delinquency, default and recovery ratio update.

Moody's maintained its DP on current balance and recovery rate assumptions as well as portfolio credit enhancement (PCE) due to observed pool performance in line with expectations on both BBVA 6 FTPYME, FTA and BBVA Leasing 1, FTA.

Exposure to counterparties

Today's rating action took into consideration the notes' exposure to relevant counterparties, such as servicer, account banks or swap providers.

Moody's considered how the liquidity available in the transactions and other mitigants support continuity of notes payments, in case of servicer default, using the CR Assessment as a reference point for servicers.

Moody's also matches banks' exposure in structured finance transactions to the CR Assessment for

commingling risk, with a recovery rate assumption of 45%.

Moody's also assessed the default probability of the account bank providers by referencing the bank's deposit rating.

Moody's assessed the exposure to the swap counterparties. Moody's considered the risks of additional losses on the notes if they were to become unhedged following a swap counterparty default by using CR Assessment as reference point for swap counterparties.

Principal Methodologies:

The principal methodology used in rating BBVA 6 FTPYME, FTA, Cl. B and Cl. C was "Moody's Global Approach to Rating SME Balance Sheet Securitizations" published in August 2017. The principal methodology used in rating BBVA Leasing 1, FTA, Cl. B and Cl. C was "Moody's Approach to Rating ABS Backed by Equipment Leases and Loans" published in December 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include: (1) performance of the underlying collateral that is better than Moody's expected, (2) deleveraging of the capital structure, (3) improvements in the credit quality of the transaction counterparties, and (4) reduction in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include: (1) performance of the underlying collateral that is worse than Moody's expected, (2) deterioration in the notes' available credit enhancement, (3) deterioration in the credit quality of the transaction counterparties, and (4) an increase in sovereign risk.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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Angel Jimenez
Analyst
Structured Finance Group
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Mehdi Ababou
VP - Senior Credit Officer
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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