MOODY'S
INVESTORS SERVICE

Announcement: Moody's confirms ratings on BBVA 6 FTPYME, Spanish SME ABS

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EUR 409.3 million of rated securities affected

Frankfurt am Main, March 24, 2011 -- Moody's Investors Service has today confirmed the long-term credit ratings of the following notes issued by BBVA 6 FTPYME, FTA (BBVA 6 FTPYME), Spanish SME ABS:

....EUR1,201.9 million A1 bond, confirmed at Aa3 (sf); previously on 10 November 2010 Aa3 (sf), placed under review for possible downgrade

....EUR50.3 million B bond, confirmed at B1 (sf); previously on 10 November 2010 B1(sf), placed under review for possible downgrade

....EUR32.3 million C bond, confirmed at Ca (sf); previously on 10 November 2010 Ca (sf), placed under review for possible downgrade

The rating of the class A2(G) notes, Aa2 (sf), was not on review for possible downgrade as it benefits from the guarantee of the Government of Spain (Aa2) for interest and principal payments. However, Moody's has determined that the expected loss associated with class A2(G) notes without the Spanish Government guarantee is consistent with a Aa3(sf) rating.

RATINGS RATIONALE

In November 2010, Moody's placed on review for possible downgrade the ratings of the A1, B and C notes because of performance concerns. As of February 2011, the reserve fund is fully depleted, cumulative write offs have reached 4.5% of the original pool balance and the amortisation deficit stands at EUR25 million, representing 6.2% of the rated notes balance. The state guarantee has been used for several payment dates to make some principal payments on the A2(G) notes.

Despite these performance concerns, recent decline in delinquencies, increasing inflows of recoveries on written off loans and increase in credit enhancement resulted in today's confirmation of the notes ratings. The interest deferral on class C notes, which is likely to occur this year, will also be beneficial to the senior tranches.

Moody's analysis also took into account the credit quality of the underlying SME loan portfolio. Based on this, the rating agency determined: (i) its cumulative default and recovery rate; and (ii) its volatility assumption. The analysis also took into account the transaction structure, as assessed under Moody's cash flow analysis. The expected cumulative default-rate and volatility assumptions are the two key parameters that the rating agency uses to calibrate its default distribution curve, which in turn is included in the cash flow model used to rate European ABS transactions.

PERFORMANCE

Historically, this transaction has under-performed Moody's Spanish SME delinquency index ("Spanish SME January 2011 Indices", March 2011). As of January 2011, 90- to 360-day delinquencies represented 2.5% of the current pool balance, compared with an index average of 1.9%. However, performance has improved markedly over the past year with 90-360 day delinquencies dropping to 1.9% in February 2011 compared with 4.9% in February 2010. Since closing in 2007, cumulative write-offs for the transaction have reached 4.5% of the original pool balance, close to the class C 5.0% interest deferral trigger level.

KEY REVISED ASSUMPTIONS: CUMULATIVE DEFAULT AND VOLATILITY

Moody's has reassessed its lifetime default expectation for BBVA 6 FTPYME's collateral pool. This factored in the weak collateral performance to date and any likely performance deterioration of the pool in the current down cycle. In doing so, the rating agency took into account the transaction's exposure to the real-estate market (28.9% of the current pool).

Moody's assumes a default probability for SME debtors operating in the real-estate sector to be equivalent to a rating in the single-B range. This takes into account the rating agency's outlook for the Spanish real-estate sector. Moody's also assumes the default probability of non-real-estate debtors to be in the low Ba range and estimates the remaining weighted-average life of the portfolio to be 2.4 years. Consequently, these revised assumptions have translated into a rise in the cumulative mean default assumption for the current portfolio, equal to 12.2% of the current portfolio balance. This default assumption corresponds to an equivalent rating of B2 over the portfolio weighted average life. This implies a revised cumulative mean default for the entire transaction (since closing) equal to 10.0% of the original portfolio balance, compared with 8.4% revised in July 2009 and 2.5% at closing.

Given the pool's relative granularity (with an effective number of 507), Moody's used a Monte Carlo simulation to derive the gross default distribution. As a result of the simulation, the coefficient of variation has been left unchanged at 45%, compared to its last revision in July 2009. The prepayment rate was also left unchanged at 5%.

Moody's increased the average recovery-rate assumption to 50% (a stochastic recovery rate), compared with 45% assumed in July 2009. This revised assumption takes into consideration the fact that 55% of the portfolio benefits from a mortgage guarantee and factors in an analysis of the real-estate collateral's nature and value. In addition, in its analysis, Moody's assumes that at least EUR9.3 million out of 55.4 million of outstanding defaults as of February 2011 would be recovered.

In its modelling of the transaction, Moody's took into consideration the anticipated capital structure following the March 2011 payment date, including the amortisation of the A1 notes and updated credit enhancement levels.

Overall, deleveraging and increasing recoveries have offset the increase in default probability. The senior notes also benefit from the transaction's structural features, such as the excess spread guaranteed through the swap and the interest deferral triggers on class B and C notes.

Moody's analysed various sensitivities of cumulative default rates to test the robustness of the current ratings. For instance, the rating agency observed that the quantitative/model-indicated rating outcome for all the classes would remain consistent with the confirmed ratings if the mean default rate were to increase by 33% at 16.2% while the recovery rate would be reduced by 10% at 45%.

As a result of this analysis, Moody's confirmed the ratings of all classes of notes of BBVA 6 FTPYME.

TRANSACTION

BBVA 6 FTPYME is a securitisation of loans granted to small and medium size companies (SME) in Spain, closed in June 2007. BBVA (Aa2/P-1) is the originator of the loans. In January 2011, the portfolio comprised 3,361 loans. Most of the loans were originated between 2005 and 2007.

The principal methodologies used in this rating were "Refining the ABS SME Approach: Moody's Probability of Defaults Assumptions in the Rating Analysis of Granular Small and Mid Sized Enterprise Portfolios in EMEA", published in March 2009 and "Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa", published in June 2007.

Moody's used its excel based cash flow model, Moody's ABSROM™, as part of its quantitative analysis of the transaction. Moody's ABSROM™ model enables users to model various features of a standard European ABS transaction including: (i) the specifics of the default distribution of the assets, their portfolio amortization profile, yield or recoveries; and (ii) the specific priority of payments, triggers, swaps and reserve funds on the liability side of the ABS structure. Moody's ABSROM™ User Guide is available on Moody's website and covers the model's functionality as well as providing a comprehensive index of the user inputs and outputs. MOODY'S CDOROMv2.8™ was used to estimate the default distribution.

Moody's ratings address the expected loss posed to investors by the legal final maturity of the notes. The rating agency'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.

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