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## Rating Raised On Spanish SME CLO Transaction BBVA-7 FTGENCAT's Class B Notes Following Review

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### OVERVIEW

- We have reviewed BBVA-7 FTGENCAT under our SME CLO and our current counterparty criteria.
- Following our review, we have raised to 'BBB (sf)' from 'BB (sf)' our rating on the class B notes.
- At the same time, we have affirmed our 'D (sf)' rating on the class C notes.
- BBVA-7 FTGENCAT is a single-jurisdiction cash flow CLO transaction backed by an amortizing portfolio of SME loans. It closed in February 2008.

LONDON (Standard & Poor's) Feb. 5, 2015--Standard & Poor's Ratings Services today raised to 'BBB (sf)' from 'BB (sf)' its credit rating on BBVA-7 FTGENCAT Fondo de Titulizacion de Activos' class B notes. At the same time, we have affirmed our 'D (sf)' rating on the class C notes (see list below).

We have used data from the November 2014 investor report to perform our analysis and have applied our European small and midsize enterprise (SME) collateralized loan obligation (CLO) criteria and our current counterparty criteria (see "European SME CLO Methodology And Assumptions," published on Jan. 10, 2013, and "Counterparty Risk Framework Methodology And Assumptions,"

published on June 25, 2013).

BBVA-7 FTGENCAT is a single-jurisdiction cash flow CLO transaction securitizing a portfolio of SME loans that Banco Bilbao Vizcaya Argentaria S.A. (BBVA) originated in Catalonia (Spain). The transaction closed in February 2008.

#### CREDIT ANALYSIS

We have applied our European SME CLO criteria to determine the scenario default rates (SDRs)--the minimum level of portfolio defaults that we expect each tranche to be able to withstand at a specific rating level using CDO Evaluator.

To determine the SDR, we adjusted the archetypical European SME average 'b+' credit quality to reflect the following factors: Country, originator, and portfolio selection.

We ranked the originator into the moderate category (see tables 1, 2, and 3 in our European SME CLO criteria). Taking into account Spain's Banking Industry Country Risk Assessment (BICRA) score of 5, we have applied a downward adjustment of one notch to the 'b+' archetypical average credit quality (see "Banking Industry Country Risk Assessment Update: January 2015," published on Jan. 12, 2015). Due to the absence of information on the creditworthiness of the securitized portfolio compared with the originator's entire loan book, we further adjusted the average credit quality by three notches (see table 4 in our European SME CLO criteria).

As a result of these adjustments, our average credit quality assessment of the portfolio was 'ccc', which we used to generate our 'AAA' SDR of 90%.

We have calculated the 'B' SDR, based primarily on our analysis of historical SME performance data and our projections of the transaction's future performance. We have reviewed the portfolio's historical default data, and assessed market developments, macroeconomic factors, changes in country risk, and the way these factors are likely to affect the loan portfolio's creditworthiness. As a result of this analysis, our 'B' SDR is 10%.

We interpolated the SDRs for rating levels between 'B' and 'AAA' in accordance with our European SME CLO criteria.

#### RECOVERY RATE ANALYSIS

At each liability rating level, we applied a weighted-average recovery rate (WARR) by considering observed historical recoveries. As a result of this analysis, our WARR assumption in the 'BBB' scenario was 31%.

#### CASH FLOW ANALYSIS

We used the portfolio balance that the servicer considered to be performing,

the current weighted-average spread, and the above weighted-average recovery rates. We subjected the capital structure to various cash flow stress scenarios, incorporating different default patterns and interest rate curves, to determine the rating level, based on the available credit enhancement for each class of notes under our European SME CLO criteria.

As the available credit enhancement for the class B notes has increased since our Nov. 4, 2013 review, the results of our cash flow analysis show that the class B notes can now achieve a 'BBB (sf)' rating (see "Rating Lowered To 'D (sf)' On Spanish SME CLO Transaction BBVA-7 FTGENCAT's Class C Notes After Missed Interest Payment").

#### COUNTERPARTY RISK

Banco Bilbao Vizcaya Argentaria (BBB/Stable/A-2) is the account bank for the transaction. According to the transaction documents, BBVA promised that within 60 days of having a short-term rating below 'A-1', it would either find a guarantor or transfer the bank account to a suitably rated entity.

We first lowered our short-term rating on BBVA to 'A-2' in April 2012. The trustee has confirmed that no remedy action has been taken or is currently envisaged. Therefore, in accordance with our current counterparty criteria, our rating on the notes in this transaction is capped at our 'BBB' long-term issuer credit rating on BBVA. Therefore, taking into account the results of our credit and cash flow analysis, and the application of our current counterparty criteria, we have raised our rating on the class B notes to 'BBB (sf)' from 'BB (sf)'.

We have affirmed our 'D (sf)' rating on the class C notes because this class has previously defaulted on the full and timely payment of interest.

#### STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard and Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Global Framework For Assessing Operational Risk In Structured Finance

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Transactions, Oct. 9, 2014

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- European SME CLO Methodology And Assumptions, Jan. 10, 2013
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

### Related Research

- Banking Industry Country Risk Assessment Update: January 2015, Jan. 12, 2015
- Credit Conditions: The Eurozone Crawls Into 2015 With Weak Momentum, Dec. 4, 2014
- Spanish Bank BBVA 'BBB/A-2' Ratings Affirmed On Intention To Increase Stake In Turkiye Garanti Bankasi; Outlook Stable, Nov. 27, 2014
- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- CDO Evaluator Version 6.3 Released, Oct. 20, 2014
- EMEA Structured Finance, Covered Bond, And Multicedulas Ratings Placed Under Criteria Observation, Sept. 18, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Rating Lowered To 'D (sf)' On Spanish SME CLO Transaction BBVA-7 FTGENCAT's Class C Notes After Missed Interest Payment, Nov. 4, 2013
- European SME Mapping Model, Jan. 25, 2013
- New Issue: BBVA-7 FTGENCAT Fondo de Titulizacion de Activos, March 3, 2008

### RATINGS LIST

Class	Rating	
	To	From

BBVA-7 FTGENCAT Fondo de Titulizacion de Activos  
€250 Million Floating-Rate Notes

#### Rating Raised

B	BBB (sf)	BB (sf)
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#### Rating Affirmed

C	D (sf)	
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### Additional Contact:

*Rating Raised On Spanish SME CLO Transaction BBVA-7 FTGENCAT's Class B Notes Following Review*

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