

Rating Action: Moody's upgrades ratings in 10 Spanish ABS SME deals

Global Credit Research - 13 Jun 2016

Madrid, June 13, 2016 -- Moody's Investors Service has today upgraded the ratings of 18 subordinated tranches in 10 Spanish asset-backed securities (ABS) transactions. All of the transactions are backed by loans to small and medium-sized enterprises (ABS SMEs) loans located in Spain.

Please click on this link http://www.moody's.com/viewresearchdoc.aspx?docid=PBS_SF433954 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

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•Key Rationale for Action and Constraining Factor(s)

Today's upgrades reflect (1) the affected tranches' increased credit enhancement following the deals' deleveraging; and (2) the stable performance observed.

Moody's has incorporated the results of its sensitivity analysis regarding borrower concentration in the affected deals. In the cases of SANTANDER EMPRESAS 2, FTA, PYME VALENCIA 1, FTA and GC FTPYME SABADELL 6, FTA an increase on credit enhancement since last rating review provides a higher coverage of largest debtors, however, these are still having some tranches constrained by borrower concentration.

Key Collateral Assumptions

Default probabilities (DP) as well as recovery rate (RR) assumptions have remained unchanged given the stable performance of the transactions with the exception of RR being decreased in IM Grupo Banco Popular Empresas VI, FTA to 30% from 35%.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was "Moody's Global Approach to Rating SME Balance Sheet Securitizations", published in October 2015. Please see the Ratings Methodologies page on www.moody's.com for a copy of this methodology.

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

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- Lead Analyst
- Releasing Office

- Person Approving the Credit Rating

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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The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the Website.

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