

# RatingsDirect®

---

## Ratings Affirmed In Spanish SME CLO Transaction BBVA Empresas 1 Following Criteria Update

**Primary Credit Analyst:**

Vanessa Cecillon, London(44) 20-7176-3581; [vanessa.cecillon@standardandpoors.com](mailto:vanessa.cecillon@standardandpoors.com)

**Secondary Contacts:**

Prayagraj C Patel, London+44-20-7176-3664; [prayagraj.patel@standardandpoors.com](mailto:prayagraj.patel@standardandpoors.com)

Matthew Jones, London(44) 20-7176-3591; [matthew.jones@standardandpoors.com](mailto:matthew.jones@standardandpoors.com)

Virginie Couchet, Madrid(34) 91-389-6959; [virginie.couchet@standardandpoors.com](mailto:virginie.couchet@standardandpoors.com)

### OVERVIEW

- We have reviewed BBVA Empresas 1 under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating.
- We have also applied our SME CLO and counterparty criteria to perform our credit and cash flow analysis.
- Following our review, we have affirmed our ratings on the class B and C notes.
- BBVA Empresas 1 is a single jurisdiction cash flow CLO transaction backed by SME loans. It closed in November 2007 and is currently amortizing.

LONDON (Standard & Poor's) Dec. 12, 2014--Standard & Poor's Ratings Services today affirmed its credit ratings on BBVA Empresas 1, Fondo de Titulizacion de Activos' class B and C notes.

Upon publishing our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we placed those ratings that could potentially be affected "under criteria observation" (UCO) (see "EMEA Structured Finance, Covered Bond, And Multicedulas Ratings Placed Under Criteria Observation" and "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on Sept. 18, 2014 and Sept. 19, 2014, respectively).

Following our review of this transaction, our ratings that could potentially be affected by the criteria are no longer under criteria observation.

We have used data from the August 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). For the class B notes, we have also applied our RAS criteria.

BBVA Empresas 1 is a single-jurisdiction cash flow CLO transaction securitizing a portfolio of SME loans that was originated by Banco Bilbao Vizcaya Argentaria, S.A. in Spain. The transaction closed in November 2007.

#### CREDIT ANALYSIS

We have applied our European SME CLO criteria to determine the scenario default rates (SDR)--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 6, we have applied a downward adjustment of one notch to the 'b+' archetypical average credit quality (see "Banking Industry Country Risk Assessment Update: November 2014," published on Nov. 3, 2014). 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 88.35%.

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 11.00%.

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 assumptions in 'AA' and 'B+' scenarios were 26% and 40%, respectively.

#### CASH FLOW ANALYSIS

We used the reported portfolio balance that the servicer considered to be performing, the principal cash balance, the current weighted-average spread, and the weighted-average recovery rates that we considered to be appropriate. We subjected the capital structure to various cash flow stress scenarios, incorporating different default patterns and timings 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.

#### COUNTRY RISK

Our long-term rating on the Kingdom of Spain is 'BBB'. Our RAS criteria require the tranche to have sufficient credit enhancement to pass a minimum of a "severe" stress to qualify to be rated above the sovereign. Under our RAS criteria, we can rate a securitization up to four notches above our foreign currency rating on the sovereign if the tranche can withstand "severe" stresses. However, if all six of the conditions in paragraph 48 of the RAS criteria are met (including credit enhancement being sufficient to pass an extreme stress), we can assign ratings in this transaction up to a maximum of six notches (two additional notches of uplift) above the sovereign rating (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

The available credit enhancement for the class B notes withstands "extreme" stresses. We have therefore affirmed our 'AA (sf)' rating on the class B notes.

#### SUPPLEMENTAL TESTS

The application of the largest obligor default test constrained our rating on the class C notes at 'B+ (sf)'. The supplemental stress tests address event and model risk not captured in our credit and cash flow analysis.

Because the largest obligor test constrained our rating on the class C notes, we have affirmed our 'B+ (sf)' rating on the class C notes.

#### 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

- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions - October 09, 2014
- Criteria - Structured Finance - General: Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance - September 19, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions - October 14, 2013
- Criteria - Financial Institutions - Banks: Assessing Bank Branch Creditworthiness - October 14, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions - June 25, 2013
- Criteria - Structured Finance - CDOs: European SME CLO Methodology And Assumptions - January 10, 2013
- General Criteria: Understanding Standard & Poor's Rating Definitions - June 03, 2009

##### Related Research

- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- Banking Industry Country Risk Assessment Update: November 2014, Nov. 3, 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
- List Of Spanish Structured Finance Rating Actions Following Sovereign Upgrade-- June 5, 2014, June 5, 2014
- Ratings On Spain Raised To 'BBB/A-2' On Improved Economic Prospects; Outlook Stable, May 23, 2014
- European SME Mapping Model, Jan. 25, 2013

Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on Standard & Poor's public Web site at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495)

*Ratings Affirmed In Spanish SME CLO Transaction BBVA Empresas 1 Following Criteria Update*

783-4009.

**Additional Contact:**

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2014 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).