

**Rating Action: Moody's upgrades Class B notes and affirms Class C notes of BBVA Leasing 1, FTA**

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Global Credit Research - 18 Dec 2017

Madrid, December 18, 2017 -- Moody's Investors Service ("Moody's") has today upgraded Class B notes and affirmed Class C notes of BBVA Leasing 1, FTA.

...EUR82.5M (Current outstanding amount of EUR38M) Class B Notes, Upgraded to Ba1 (sf); previously on Mar 10, 2017 Upgraded to Caa1 (sf)

...EUR61.3M Class C Notes, Affirmed C (sf); previously on Apr 23, 2013 Affirmed C (sf)

BBVA Leasing 1, FTA is a securitisation of credit rights (interest and principal, excluding the purchase option) derived from financial lease contracts granted by Banco Bilbao Vizcaya Argentaria, S.A. (A3/P-2) to Spanish enterprises. This was one of the first transactions in Spain in which credit rights derived from lease agreements were securitised.

#### RATINGS RATIONALE

The ratings are prompted by the increase in the credit enhancement available for the affected tranches due to portfolio amortization. Credit Enhancement levels on Class B notes, which is now the most senior note outstanding, have increased to 29.5% from 14.8% since last rating action in March 2017.

#### Revision of key collateral assumptions

The performance of BBVA Leasing 1, FTA has been stable with overall cumulative defaults at 4.73% and 90+ delinquencies at 0.18%.

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.

#### 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 Methodology:

The principal methodology used in these ratings 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.moody.com](http://www.moody.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

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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