Fitch Downgrades BBVA Leasing 1's Class B; Affirms Others

Policy
10 Apr 2014 10:00 AM (EDT)

Fitch Ratings-London-10 April 2014: Fitch Ratings has downgraded BBVA Leasing 1, FTA's class B notes and affirmed the rest as follows;

EUR46.3m Class A1 notes affirmed at 'BB+sf'; Outlook Stable
EUR99.2m Class A2 notes affirmed at 'BB+sf'; Outlook Stable
EUR82.5m Class B notes downgraded to 'CCsf' from 'CCCsf'; Recovery Estimate revised to 60% from 80%
EUR61.3m Class C notes affirmed at 'Csf'; Recovery Estimate 0%

BBVA Leasing 1 FTA is a securitisation of a pool of leasing contracts (real estate leases and chattel finance leases) originated by Banco Bilbao Vizcaya Argentaria S.A. (BBVA; BBB+/Outlook Stable/F2) and extended to non-financial small- and medium-enterprises (SMEs) domiciled in Spain. BBVA is also servicer, account bank, paying agent and swap provider for the transaction.

KEY RATING DRIVERS

The ratings reflect the transaction's historically poor performance, although it has shown some signs of stabilisation and improvement over the last year. The outstanding principal deficiency ledger (PDL), which is significant at EUR82.8m, has stabilised over the last three quarters, growing at much smaller increments. With limited excess spread and depleted reserves, coupled with newly occurring defaults and slow incoming recoveries it is unlikely that PDL will be reduced or cleared in the near term to support any upgrade. The downgrade reflects the losses currently incurred under the class B given the extent of the PDL.

Delinquency rates remained high; as per the latest reporting date (February 2014), 6.7% of the outstanding non-defaulted portfolio was in arrears by one month or more. Cumulative defaults amounted to 4.6%. The cumulative recovery rate on defaulted loans stood at 22.4%.

RATING SENSITIVITIES

In Fitch's rating sensitivity analysis, expected remaining defaults were assumed at 7% per annum with a weighted average life of three years, in line with Fitch's negative view on the Spanish SME sector. Based on the original principal balance plus new purchases, this would result in an updated lifetime expectation of 6.2%.

Expected impact upon the note ratings of increased defaults (class A/B/C):
Current Rating: 'BB+sf'/ 'CCsf'/ 'Csf'
Increase base case defaults by 25%: 'BB+sf'/ 'CCsf'/ 'Csf'

Expected impact upon the note ratings of reduced recoveries (class A/B/C):
Current Rating: 'BB+sf'/ 'CCsf'/ 'Csf'
Reduce base case recovery by 25%: 'BB+sf'/ 'CCsf'/ 'Csf'

Expected impact upon the note ratings of increased defaults and reduced recoveries (class A/B/C):
Current Rating: 'BB+sf'/ 'CCsf'/ 'Csf'
Increase default base case by 25%; reduce recovery base case by 25%:
'BB+sf'/ 'CCsf'/ 'Csf'

Contacts:
Surveillance Analyst
Guili Yu
Associate Director
+44 20 3530 1259
30 North Colonnade
London
E14 5GN