



Tagging Info

Fitch Affirms BBVA 3 and BBVA 4 SME CDOs Ratings

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Fitch Ratings-London-07 October 2011: Fitch Ratings has affirmed BBVA-3 FTPYME and BBVA-4 PYME as follows:

BBVA-3 FTPYME

EUR55m Series A2(G) (ES0310110012) affirmed at 'AAAsf'; Outlook Stable

EUR18m Series B (ES0310110020) affirmed at 'A+sf', Outlook revised to Stable from Negative

EUR8m Series C (ES0310110038) affirmed at 'BBSf'; Outlook Negative

BBVA-4 PYME

EUR46m Class A2 (ISIN ES0370458012) affirmed at 'AAAsf'; Outlook Stable

EUR18m Class B (ISIN ES0370458020) affirmed at 'AAsf', Outlook revised to Stable from Negative

EUR27m Class C (ISIN ES0370458038) affirmed at 'CCC', 'RR5'

The affirmation of BBVA-3 reflects its stable performance and increased levels of credit enhancement (CE) due to structural deleveraging. The current level of CE for the notes stands at 42%, 20% and 10%, respectively. Defaults have declined to EUR7m currently versus EUR8.3m a year ago. Long dated delinquencies have also decreased and are at low levels. The reserve fund has increased over the past year to EUR8m currently but is still below the required minimum of EUR10.8m.

The affirmation of BVA-4 PYME reflects sufficient levels of CE to support the ratings of the notes. The long dated delinquency buckets have reduced due to impairments rolling into default. The transaction reserve fund has declined to EUR3.4m from EUR7.7m over the past year as a result of provisioning for rising defaults. However, the Class A2(G) and B notes have built up strong CE, 53% and 33% respectively, and could withstand a number of loans defaulting, including the largest borrowers. In addition, the Class A2 notes are expected to pay down within a year as their current balances represent only 5% of the original value.

Fitch notes that as the transactions have almost amortised, exposure to tail risk as well as real estate and construction sectors is a concern. Additionally, obligor concentration is rising as the portfolios continue to delever. The top 10 obligors account for 16% of BBVA-3 and 21% of BBVA-4 outstanding balance. However, the current levels of CE are sufficient to withstand Fitch's obligor concentration stresses with conservative recovery assumptions.

Fitch has revised the Issuer Report Grade (IRG) for BBVA-4 PYME to "Poor" (one star) the issuer, based on the provided reports. The reports do not meet several standards for a higher grade including information on portfolio stratification and counterparties triggers.

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Additional information is available at www.fitchratings.com. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information: transaction trustee reports.

Applicable criteria, 'Global Structured Finance Rating Criteria', dated 13 August 2010, 'Criteria for Rating European Granular Corporate Balance-Sheet Securitisations', dated 06 June 2011, 'Criteria for European Structured Credit Issuer Report Grades', dated 16 February 2010, 'Criteria for Structured Finance Recovery Ratings', dated 12 July 2011, 'Servicer Continuity Risk Criteria for Structured Finance Transactions', dated 17 March 2010, and 'Counterparty Criteria for Structured Finance Transactions', dated 14 March 2011 are available at www.fitchratings.com.

Applicable Criteria and Related Research:

Criteria for Servicing Continuity Risk in Structured Finance
Counterparty Criteria for Structured Finance Transactions
Global Structured Finance Rating Criteria
Criteria for Rating European Granular Corporate Balance-Sheet Securitisations (SME CLOs)
Criteria for European Structured Credit Issuer Report Grades (EMEA CDO)
Criteria for Structured Finance Recovery Ratings

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