

Fitch Takes Various Actions on BBVA 5 & BBVA 6 SME CDOs [Ratings](#)

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Fitch Ratings-London-17 October 2011: Fitch Ratings has taken various actions on BBVA-5 FTPYME and BBVA-6 FTPYME as follows:

BBVA-5 FTPYME, FTA

EUR150m Class A1 (ES0370459002) affirmed at 'Asf', Outlook revised to Stable from Negative
EUR41m Class A2 (ES0370459010) affirmed at 'Asf', Outlook revised to Stable from Negative
EUR27m Class A3(G) (ES0370459028) downgraded to 'AA-sf' from 'AA+sf', Outlook Negative
EUR40m Class B (ES0370459036) affirmed at 'BBsf'; Outlook Negative
EUR57m Class C (ES0370459044) affirmed at 'AAAAsf'; Outlook Stable

BBVA-6 FTPYME, FTA

EUR199m Class A1 (ES0370460000) affirmed at 'BBB-sf'; Outlook Negative
EUR94m Class A2(G) (ES0370460018) downgraded to 'AA-sf' from 'AA+sf', Outlook Negative
EUR50m Class B (ES0370460026) downgraded to 'CCsf' from 'CCCsf' Recovery Rating 'RR4'
EUR32m Class C (ES0370460034) downgraded to 'Csf' from 'CCsf'; Recovery Rating 'RR6'

The downgrades of BBVA-5 class A3(G) and BBVA-6 FTPYME class A2(G) reflect the dependence of the notes' ratings on the guarantee provided by the Kingdom of Spain ('AA-/Negative/'F1+'). The affirmation of BBVA-5's class C notes reflects its linkage to the rating of the guarantor, the European Investment Fund ('AAA'/Stable/'F1+')

The affirmations of the remaining classes of BBVA-5 reflect the increased level of credit enhancement and notes' ability to withstand credit scenarios commensurate with their current ratings. In addition, the principal deficiency ledger (PDL) balance has declined by EUR3.5m to EUR1.5m, mainly driven by the increased volume of recoveries which have more than doubled year on year. Cumulative defaults, defined as loans in arrears over 12 months, have decreased by EUR7m over the year and currently represent 14% of the outstanding balance. However, they are likely to increase as the delinquencies over 90 days stand at 4.2%.

Fitch has been provided with recent portfolio information on a loan-by-loan basis, which the agency used to simulate the various rating stresses within its Portfolio Credit Model (PCM), Fitch's primary tool in assessing the default and loss rates for SME CLO portfolios. Of the current portfolio balance, 61% is secured on real estate assets. The current portfolio has moderate obligor concentration exposure with the top one, 10 and 20 obligors representing 2%, 10% and 17% of current portfolio balance, respectively. The estimated mean default rate on the portfolio is 31% and the mean recovery rate 71%. BBVA 5's portfolio had amortised to EUR296m as of August 2011 or 16% of the initial balance. Series A1 has amortised to 10% of its initial balance.

The affirmation of BBVA-6's class A1 reflects sufficient levels of CE to support the ratings of the notes. The downgrades of BBVA-6's class B and C are due to a combination of weakening performance trends and insufficient levels of structural CE of the classes. Cumulative defaults have risen by EUR7m year on year and now represent 18% of the outstanding balance. The increase in defaults has led to a decline of CE for the class B and C to 0.8% and -7.8%, respectively, versus 2.2% and -4.4% a year ago. Also, while the delinquency pipeline has stabilised during the year, the current exposure to delinquencies between 30 and 90 days is still relatively high at 3.7% of the current balance. In addition, the principal deficiency ledger balance has increased by EUR8m while recoveries are relatively low at 20%.

BBVA-6's portfolio, 63% of which is secured on real estate assets, has amortised to EUR345m or 23% of the initial balance. Series A1 has amortised down to 17% of its original value. The estimated mean default rate on the portfolio is 32% and the mean recovery rate is 68%. Obligor concentration of the portfolio is moderate with the top one, 10 and 20 obligors representing 1%, 8% and 13%, respectively.

Fitch notes that as the transactions have significantly amortised, exposure to tail risk as well as real estate and construction sectors is a concern.

Fitch has revised the Issuer Report Grade (IRG) for BBVA-5 and 6 to "Poor" (one star) based on the provided reports. The reports do not meet several standards for a higher grade including information on portfolio stratification and counterparties triggers, reposessions and recovery details.

Contact:

Lead Surveillance Analyst
Polina Kocharina
Analyst
+44 20 3530 1471
Fitch Ratings Limited

30 North Colonnade
London E14 5GN

Secondary Surveillance Analyst
Selena Dewitya
Director
+44 20 3530 1135

Committee Chairperson
Juan David Garcia
Senior Director
+34 91 702 5774

Media Relations: Mark Morley, London, Tel: +44 0203 530 1526, Email: mark.morley@fitchratings.com;
Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.

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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