



Fitch Upgrades BBVA Leasing 1's Class B Notes

Fitch Ratings-Madrid/London-16 November 2018: Fitch Ratings has upgraded BBVA Leasing 1, FTA's class B notes and affirmed the class C notes, as follows:

EUR11.3 million Class B notes upgraded to 'A-sf' from 'BB+sf'; Outlook Stable
EUR61.3 million Class C notes affirmed at 'Cs'; Recovery Estimate 20%

BBVA Leasing 1 FTA is a securitisation of a pool of leasing contracts originated by Banco Bilbao Vizcaya Argentaria S.A. (BBVA; A-/Stable/F2). The leasing contracts are extended to non-financial small- and medium-sized enterprises domiciled in Spain. BBVA is also servicer, account bank and swap provider for the transaction.

KEY RATING DRIVERS

Increasing Class B Credit Enhancement (CE)

CE for the class B notes has continued to increase to 66.4% from 42% since the last annual review. The class A notes have been paid in full and the class B notes are now the most senior class outstanding. The balance of the class B notes has decreased to EUR 11.3 million from EUR 28.1 million over the last 12 months.

Large Principal Deficiency Ledger (PDL)

The class C notes are under-collateralised as the transaction maintains a large PDL of EUR38.3 million as of 31 August 2018 due to the weak past collateral performance. Consequently, Fitch believes the class C notes' default is inevitable, as reflected by their 'Cs' rating. We have maintained the Recovery Estimate at 20% as the PDL has remained stable.

Highly Concentrated Portfolio

The portfolio has high levels of concentration due to the amortisation of the collateral. Only 1.4% of the original collateral remains outstanding and the top 10 obligor concentration has increased to 20.8% from 17.9% of the outstanding collateral balance. The largest industry and geographical concentrations are to real estate and Catalonia, which represent 31.9% and 34.8% of the portfolio, respectively.

Stable Performance

Cumulative loss rates have remained stable at around 2.8% since the last annual review due to the limited defaults and recoveries in the transaction over the last year. 90dpd delinquencies increased to 1.3% from 0.5% and appear volatile but this is due to the low granularity of the portfolio as small number of receivables can result in sharp movements of delinquency ratios.

RATING SENSITIVITIES

The class B notes' rating is relatively robust to asset assumptions due to the high CE and low remaining balance. However, the transaction could be exposed to significant performance volatility due to the high concentration levels of the portfolio. The class C notes' rating would be unaffected because it is already at a distressed level.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pool and the transaction. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pool ahead of the transactions initial closing. The subsequent performance of the transaction over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall and together with the assumptions referred to above, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The information below was used in the analysis.

- Loan-by-loan data provided by Europea de Titulizacion S.A., S.G.F.T. as at 31 August 2018
- Transaction reporting provided by Europea de Titulizacion S.A., S.G.F.T. as at 31 August 2018

MODELS

Portfolio Credit Model. (<https://www.fitchratings.com/site/structuredfinance/clo/pcm>)

EMEA Cash Flow Model. (<https://www.fitchratings.com/site/structuredfinance/emeacfm>)

Contacts:

Lead Surveillance Analyst

Juan Saenz, CFA

Associate Director

+34 91 702 4625

Fitch Ratings Espana S.A.U.

Plaza de Colon 2, Torre II

28046 Madrid

Committee Chairperson

Andy Brewer

Senior Director

+44 20 3530 1005

Media Relations: Athos Larkou, London, Tel: +44 20 3530 1549, Email: athos.larkou@thefitchgroup.com

Additional information is available on www.fitchratings.com

Applicable Criteria

Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 02 Feb 2018) (<https://www.fitchratings.com/site/re/10018863>)

Global Structured Finance Rating Criteria (pub. 15 May 2018)

(<https://www.fitchratings.com/site/re/10029600>)

SME Balance Sheet Securitisation Rating Criteria (pub. 23 Feb 2018)

(<https://www.fitchratings.com/site/re/10020825>)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 01 Aug 2018)

(<https://www.fitchratings.com/site/re/10039504>)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 01 Aug 2018) (<https://www.fitchratings.com/site/re/10039505>)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Oct 2018)

(<https://www.fitchratings.com/site/re/10047041>)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 02 Feb 2018)

(<https://www.fitchratings.com/site/re/10018549>)

Additional Disclosures

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