



Fitch Upgrades BBVA Leasing 1, FTA's Class B Notes; Affirms Class C

Fitch Ratings-Madrid-29 December 2016: Fitch Ratings has upgraded BBVA Leasing 1, FTA's class B notes and affirmed class C notes as follows:

EUR65.5m Class B notes upgraded to 'Bsf' from 'CCsf'; Outlook Stable
EUR61.3m Class C notes affirmed at 'Cs'; Recovery Estimate 0%

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) extended to non-financial small- and medium-enterprises domiciled in Spain. BBVA (A-/Stable/F2) is also servicer, account bank and swap provider for the transaction.

KEY RATING DRIVERS

Stable Performance

Transaction delinquency levels have remained low as leases more than 90 days past due represented 2.4% of the outstanding balance as of end-October 2016. Although this amount was 0.6% as of end-October 2015, 34% of the outstanding amount of non-defaulted assets have amortised since then. Cumulative defaults have remained stable at 7% of the initial portfolio.

Reduced Outstanding Balance

Non-defaulted assets amounted to EUR76.9m as of the last payment date in November 2016 and represent 3.1% of the initial portfolio. This results in higher portfolio concentration than in a typical granular deal. Fitch incorporated the risk of higher defaults at the end of the transaction life and irregular recoveries by increasing the default multiple to 6x and increasing the recovery stress to 60% in a AAAsf scenario. Furthermore, Fitch assumed a remaining life default base case of 15% to account for a potential scenario of back-loaded defaults as the deal is close to the end of its life.

Credit Enhancement Increase

The upgrade of the class B notes reflects increased credit enhancement (CE) due to asset amortisation, increased recoveries and the low defaults over the last year. As of end-November 2016, the class B notes' CE, provided entirely by overcollateralisation, was 14.8% compared with negative CE a year ago as the class B notes were not supported by sufficient performing collateral balance.

Class C Under-collateralised

The affirmation of class C notes at 'Cs' reflects an outstanding principal deficiency ledger (PDL) of EUR49.9m. With limited excess spread, coupled with slow incoming recoveries, it is highly unlikely that the PDL would be reduced to zero. Therefore, the default of the class C notes is deemed inevitable. Furthermore, the payment in full of the class C notes is subject to repayment of its interest, which is currently being deferred and its cumulative amount stands at EUR3.2m.

RATING SENSITIVITIES

The rating of the class B notes would be downgraded if the default base case increases by 10% or the recovery base case decreases by 30%. The rating on the class C notes would not be affected by stressed base case assumptions as it already is 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 transaction's 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.

- Transaction reporting provided by Europea de Titulizacion S.A., S.G.F.T. as at 30 November 2016

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Applicable Criteria

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 01 Sep 2016)

(<https://www.fitchratings.com/site/re/886006>)

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 18 Jul 2016)

(<https://www.fitchratings.com/site/re/884964>)

Global Consumer ABS Rating Criteria (pub. 01 Dec 2016) (<https://www.fitchratings.com/site/re/891069>)

Global Structured Finance Rating Criteria (pub. 27 Jun 2016) (<https://www.fitchratings.com/site/re/883130>)

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Dodd-Frank Rating Information Disclosure Form

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