



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

Fitch Ratings-London-13 December 2017: This commentary replaces the version published on 7 December 2017 to include more information on data adequacy.

Fitch Ratings has upgraded BBVA Leasing 1, FTA's class B notes and affirmed the class C notes as follows:

EUR28.1 million Class B notes upgraded to 'BB+sf' from 'Bsf'; Outlook Stable

EUR61.3 million Class C notes affirmed at 'Csf'; Recovery Estimate Increased to 20% from 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). The leasing contracts are extended to non-financial small- and medium-sized enterprises domiciled in Spain. BBVA (A-/Stable/F2) is also servicer, account bank and swap provider for the transaction.

KEY RATING DRIVERS

Improved Asset Performance

Delinquencies are on a downward trajectory. Leases more than 90 days past due represented 0.5% of the outstanding balance as of end-October 2017, compared with 2.4% one year earlier. Cumulative defaults have remained stable at 7% of the initial asset balance. This improved performance has had a positive impact on principal-available funds, and has reduced principal deficiencies in the transaction.

Increased Credit Enhancement

Credit enhancement for the class B notes is on a sharp upward trend, increasing to 42.1% from -4.4% between August 2015 and November 2017. This is the result of the class A notes being paid in full, and the subsequent amortisation of the class B notes.

Highly Concentrated Pool

The pool has become highly concentrated as a result of the amortisation of the assets. Non-defaulted assets as of the November 2017 payment date represented 1.9% of the initial portfolio. In Fitch's view, the risk of performance volatility is greater in more concentrated pools. Fitch accounted for these risks by deriving asset assumptions using its Portfolio Credit Model, which applies additional stresses to more concentrated pools of assets.

Class C Notes Under-Collateralised

Credit enhancement for the class C notes stands at -84.1%. In Fitch's view, the extent to which the class C notes are under-collateralised makes a default inevitable. This is reflected in its 'Csf' rating.

RATING SENSITIVITIES

The rating of the class B notes would likely be downgraded if Fitch's default assumptions increase by 15%. Such a scenario may materialise should the concentration risks associated with the pool of assets be realised. The rating of the class C notes 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.

Fitch noted a reporting peculiarity in which negative defaults were reported in some periods. It has received clarification from the management company that this represents a correction to previously over-stated default data.

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 30 September 2017
- Transaction reporting provided by Europea de Titulizacion S.A., S.G.F.T. as at 27 November 2017

MODELS

The models below were used in the analysis. Click on the link for a description of the model.

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

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

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Applicable Criteria

Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 17 Feb 2017)

(<https://www.fitchratings.com/site/re/894478>)

Global Structured Finance Rating Criteria (pub. 03 May 2017) (<https://www.fitchratings.com/site/re/897411>)

SME Balance Sheet Securitisation Rating Criteria (pub. 03 Mar 2017) (<https://www.fitchratings.com/site/re/894773>)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May 2017)

(<https://www.fitchratings.com/site/re/898537>)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 18 Sep 2017)

(<https://www.fitchratings.com/site/re/903496>)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17 Feb 2017)

(<https://www.fitchratings.com/site/re/893890>)

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