

Fitch Takes Various Actions on 10 Trust Preferred CDOs

Written by Australian Business

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has upgraded seven tranches, downgraded two tranches and affirmed 62 tranches of total 71 tranches from 10 collateralized debt obligations (CDOs) backed primarily by trust preferred (TruPS) securities issued by banks and insurance companies:

The rating action report, titled 'Fitch Takes Various Rating Actions on 10 TruPS CDOs', dated July 2, 2014, details the individual rating actions and portfolio characteristics for each rated CDO. It can be found on Fitch's website at www.fitchratings.com by performing a title search or by using the link below. For further information and transaction research, please refer to www.fitchratings.com

The key rating factors for today's rating actions are highlighted below.

KEY RATING DRIVERS:

Credit Quality of Collateral: For most of the transactions, the credit quality of the collateral portfolios, as measured by a combination of Fitch's bank scores and ratings, remained stable or improved as detailed in the rating action report.

Collateral Redemptions: Since last rating action, redemptions have been minimal and only marginally increasing credit enhancement (CE) levels for rated liabilities. The magnitude of redemptions for each CDO is reported in the rating action report. Potential upgrades were weighed against the risk of adverse selection in the remaining portfolios and the likelihood of the remaining note balance to be outstanding for an extended period of time.

Excess Spread and CDO Structure: Excess spread continued to contribute to deleveraging of all CDOs except U.S. Capital Funding IV. However, across the nine deals, the additional CE from the excess spread did not provide a meaningful uplift to the passing ratings given the haircuts applied to the base line of excess spread levels for various rating

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stresses and current level of the failing coverage test. Fitch estimates future levels of excess spread as described in the criteria 'Surveillance Criteria for TruPS CDOs,' dated April 21, 2014.

Resolution and Recovery of Defaults and Deferrals: The number of cures continued to trend upward, as Fitch reports in its quarterly Fitch Bank TruPS CDO index. All transactions experienced new cures. Fitch assesses the likelihood of a cure for a current deferral based on the score history of a deferring issuer since deferral as described in the criteria. Currently deferring issuers defined as 'strong' are assigned a higher likelihood of curing than 'weak' deferrals.

RATING SENSITIVITIES

Changes in the rating drivers described above could lead to rating changes in the TruPS CDO notes.

To account for uncertainty around the pace of redemptions and cures and, consequently, magnitude of future excess spread, Fitch's rating analysis capped the levels of excess spread to the amounts projected only over the near-term future.

To address potential risks of adverse selection and increased portfolio concentration Fitch applied a sensitivity scenario, as described in the criteria.

Additional information is available at 'www.fitchratings.com'.

The information used to assess these ratings was sourced from trustee reports, collateral manager reporting Web sites and the public domain.

Applicable Criteria and Related Research:

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--'Surveillance Criteria for Trust Preferred CDOs' (April 21, 2014);

--'Global Rating Criteria for Corporate CDOs' (Aug. 8, 2013);

--'Counterparty Criteria for Structured Finance and Covered Bonds' (May 14, 2014);

--'Criteria for Rating Caps and Limitations in Global Structured Finance Transactions (May 28, 2014).

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http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=751729

Surveillance Criteria for Trust Preferred CDOs

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=745339

Global Rating Criteria for Corporate CDOs

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715492

Counterparty Criteria for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158

Criteria for Rating Caps and Limitations in Global Structured Finance Transactions

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748781

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=837664

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