

# BBVA Consumo 9 Fondo de Titulización



*Insight beyond the rating.*

**Alfonso Candelas**  
Global Structured Finance  
+44 (20) 7855 6624  
acandelas@dbrs.com

**Joana Seara da Costa**  
Global Structured Finance  
+44 (20) 7855 6692  
jseara@dbrs.com

**Paolo Conti**  
Global Structured Finance  
+44 (20) 7855 6627  
pconti@dbrs.com

## Ratings and Issuer's Assets

Debt	Par Amount (EUR) <sup>1</sup>	Subordination <sup>2</sup>	Coupon	Rating	Rating Action
Series A Notes	1,251,200,000	13.5%	0.7%	A (sf)	Provisional Rating – Finalised
Series B Notes	123,800,000	4.5%	1.0%	BB (sf)	Provisional Rating – Finalised

<sup>1</sup> As at the Issue Date.

<sup>2</sup> Subordination is calculated as a percentage of the underlying portfolio and includes the Cash Reserve.

	Initial Amount (EUR) <sup>1</sup>	Size
Receivables	1,374,999,462	100.0%
Cash Reserve <sup>2</sup>	61,875,000	4.5%

<sup>1</sup> As at the Issue Date.

<sup>2</sup> The Cash Reserve has been funded through a subordinated loan on the Issue Date.

## Transaction Summary

BBVA Consumo 9 FT (the Issuer or the Fund) is a cash flow securitisation fund incorporated under the Spanish securitisation law, closed on 29 March 2017 (the Transaction). The Series A and B Notes (the Notes) are backed by consumer loan receivables granted to individuals residing in Spain by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA or the Seller or the Originator).

On 29 March 2017, BBVA assigned a portfolio of approximately EUR 1.375 billion of receivables, the purchase of which was funded with the proceeds of subscription of the Notes. On or around each payment date during the initial 18 months from the Issue Date, BBVA may offer additional receivables that the Issuer will purchase with collections deriving from the amortisation of the portfolio subject to eligibility criteria, performance triggers and other provisions of the transaction documents (the revolving period). The portfolio is serviced by BBVA (the Servicer) and the transaction is managed by Europea de Titulización S.A., S.G.F.T. (the Management Company).

### Portfolio Summary (As at 27 March 2017)

<b>Total Outstanding Principal (EUR)</b>	1,374,999,462	<b>Asset Class</b>	ABS (Consumer Loans)
<b>Number of Loans</b>	142,001	<b>Asset Governing Jurisdiction</b>	Kingdom of Spain
<b>Average Outstanding Principal (EUR)</b>	9,682	<b>Sovereign Rating</b>	A (low)
<b>Weighted-Average Interest Rate</b>	6.9%		
<b>Weighted-Average Seasoning (Months)</b>	12.1		
<b>Weighted-Average Remaining Maturity (Months)</b>	65.7		

## Table of Contents

Ratings and Issuer's Assets	1
Transaction Summary	1
Transaction Parties and Relevant Dates	2
Rating Considerations	3
Transaction Structure	4
Origination and Servicing	7
Collateral Summary	9
Rating Analysis	11
Appendix	15

## Transaction Parties and Relevant Dates

### Transaction Parties

Roles	Counterparty	Rating
<b>Issuer</b>	BBVA Consumo 9 FT	n. a.
<b>Originator, Seller, Servicer</b>	Banco Bilbao Vizcaya Argentaria, S.A.	(I) A/Stb // R-1 (low)/Stb (C) A (high)/Stb // R-1 (mid)/Stb
<b>Start-Up Expenses Loan Provider</b>	Banco Bilbao Vizcaya Argentaria, S.A.	(I) A/Stb // R-1 (low)/Stb (C) A (high)/Stb // R-1 (mid)/Stb
<b>Account Bank, Paying Agent, Principal Account</b>	Banco Bilbao Vizcaya Argentaria, S.A.	(I) A/Stb // R-1 (low)/Stb (C) A (high)/Stb // R-1 (mid)/Stb
<b>Arrangers</b>	Banco Bilbao Vizcaya Argentaria, S.A. and Europea de Titulización S.A., S.G.F.T.	BBVA: (I) A/Stb // R-1 (low)/Stb (C) A (high)/Stb // R-1 (mid)/Stb
<b>Management Company</b>	Europea de Titulización S.A., S.G.F.T.	n.a.

Specifications are marked as follows:

(I): Issuer Rating;

(C): Critical Obligations Rating

### Relevant Dates

<b>Issue Date</b>	27 March 2017
<b>First Interest Payment Date</b>	21 June 2017
<b>Payment Dates</b>	21 March / June / September / December on a quarterly basis
<b>Collection Periods</b>	Daily
<b>Revolving Period Maturity Date</b>	21 September 2018
<b>Legal Maturity Date</b>	21 September 2033

## Rating Considerations

### Notable Features

- Subsequent assignments of receivables are envisaged during the 18-month revolving period.
- The amortisation of the Notes will start upon an early revolving period termination event or at the end of the revolving period.
- Of the initial portfolio, 87.6% of the outstanding balance of the receivables pays fixed rate whereas the remaining 12.4% of the receivables are floating rate.
- The Notes pay fixed-rate interest.

### Strengths

- The Series A Notes benefit from full sequential amortisation. The Series B Notes will not begin to amortise until the Series A Notes are redeemed in full.
- The Series A Notes benefit from the interest deferral of the Series B Notes to the payment of principal of Series A Notes upon breach of certain triggers explained below.
- Amortising Cash Reserve: The Cash Reserve provides liquidity and credit support to the Series A and Series B Notes. The Cash Reserve was fully funded at the close of the transaction with an amount equal to 4.5% of the Series A and Series B Notes. The Cash Reserve will amortise subject to a floor and collateral performance triggers.
- BBVA (with a Long Term Critical Obligations Rating of A (high) and a Short Term Critical Obligations Rating of R-1 (middle)) is an experienced originator and servicer in the consumer finance business and a financially strong banking institution.
- The initial collateral pool has about 12.1 months of seasoning, is granular with 142,001 loans and is geographically diversified across Spain with the highest concentration in Andalusia (19.0%).
- Yield of the portfolio is considerably higher than the average yield on the Notes, allowing the excess spread to be applied toward the offset of credit losses.

### Challenges and Mitigating Factors

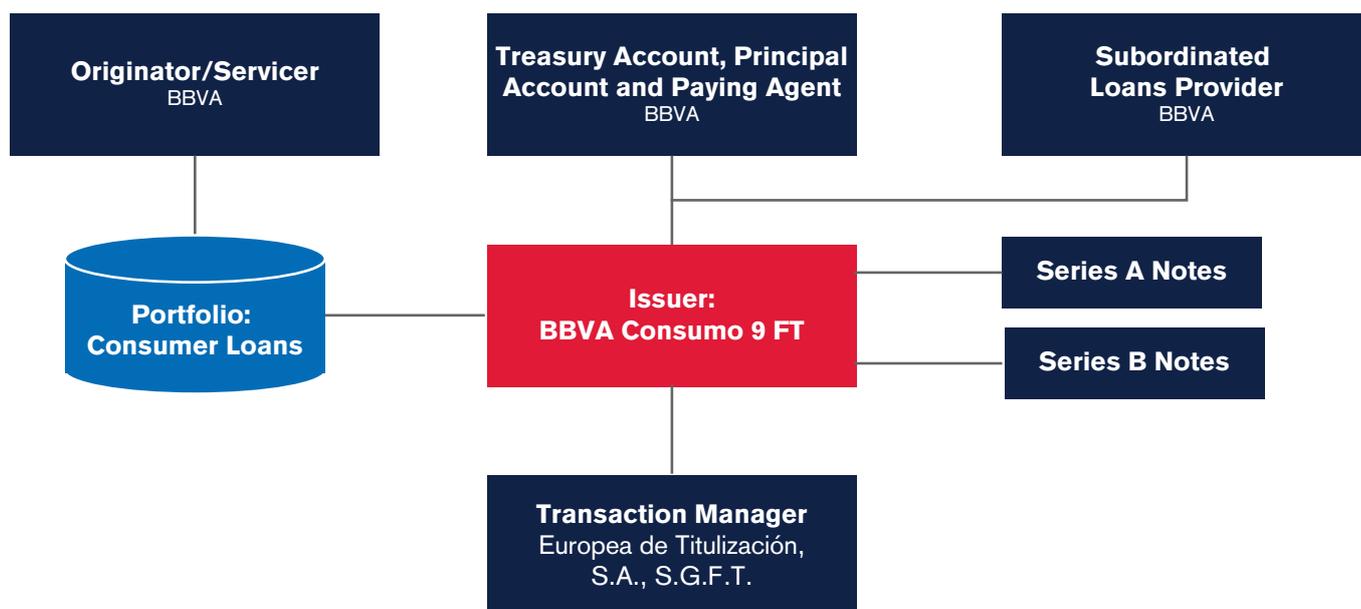
- **The additional receivables** assigned during the revolving period can alter the composition of the collateral portfolio.  
*Mitigants:* Eligibility criteria, concentration limits and performance triggers specified in the transaction documents should limit such changes. DBRS has factored a worsened portfolio composition to consider the effect of the revolving period.
- **The Series B Notes interest may be deferred** upon breach of certain performance triggers, making payment of interest of the Series B Notes subordinate to the payments of principal of the Series A Notes.  
*Mitigants:* The Cash Reserve provides credit support to the Series B Notes.
- **Interest Rate and Basis Risk:** Part of the portfolio pays interest indexed to a floating rate (12.4%), whereas the notes pay a fixed rate and there is no hedging in place, thus exposing the transaction to interest rate risk that is unhedged.  
*Mitigants:* Interest rate risk is limited since and floating-rate loans cannot represent more than 15% of the portfolio during the revolving period. Additionally, under the permitted variations, the Servicer is not allowed to switch fixed-rate loans to floating-rate contracts.
- **BBVA allows reductions in the interest rate** on its consumer products (benefits) depending on the products the borrower has arranged with the Seller (such as Payment Insurance).  
*Mitigants:* DBRS considers already at their minimum interest rate level all loans that currently allow for a lower interest rate. Loan modifications to securitised loan receivables are limited by the permitted variations explained below.

## Transaction Structure

### Transaction Summary

<b>Currencies:</b>	Issuer's assets and liabilities are denominated in euros (EUR).
<b>Relevant Jurisdictions:</b>	Loans are assigned to the Issuer as a true sale pursuant to Spanish securitisation law. The transaction documents are governed by Spanish law and the Issuer is a fund incorporated under the Spanish securitisation law.
<b>Interest Rate Hedging:</b>	N/A
<b>Basis Risk Hedging:</b>	N/A
<b>Cash Reserve:</b>	Provides liquidity and credit support to cover shortfalls on the payment of senior fees, interest and principal shortfalls on the Series A Notes and Series B Notes (once the Series A Notes are fully amortised).
Initial Amount	EUR 61,875,000 (corresponding to 4.5% of the Notes)
Target Amount	Lower of (1) EUR 61,875,000 and (2) 9.0% of the outstanding amount of the Notes
Floor	EUR 30,937,500
Trigger	The Cash Reserve will not amortise if (1) the Cash Reserve was not at the target balance at the beginning of the interest payment period; (2) loans in arrears 90+ days are greater than 1% of the non-defaulted collateral balance; or, (3) two years have not elapsed since the issue date.

The transaction structure is summarised below:



### Counterparty Assessment

#### Account Bank

BBVA is the transaction Account Bank provider, holding the Principal Account and the Treasury Account, and is also the Paying Agent for the transaction. DBRS has a public Long-Term Critical Obligations Rating on BBVA at A (high) and a Short Term Critical Obligations Rating on BBVA at R-1 (middle), both with Stable trends. DBRS assigned an “A” Issuer Rating to BBVA, along with 42 other European banking groups, on 7 March 2017. The Issuer Rating is at the same level as the Senior Debt rating of the bank and also carries the same trend (Stable). DBRS concluded that BBVA meets its minimum criteria to act in such capacity.

The transaction contains downgrade provisions related to the Principal and Treasury Account Banks consistent with DBRS’s criteria for the initial rating of A (sf) assigned to the Series A Notes. The transaction documents require that BBVA be replaced as Account Bank if it is downgraded below BBB (high).

The Treasury Account will hold the following amounts:

- Principal and interest collections.
- Any amount derived from the pool of receivables.
- The Cash Reserve amount.

The principal account will hold the principal available funds that are not used to purchase additional receivables throughout the revolving period and it will be cancelled once the revolving period terminates. Exceptionally, the amounts of the difference between the face values of the Notes Issue principal and of the initial receivables acquired have also been credited on the Issue Date.

Neither the treasury account nor the principal account will return any interest.

### ***Hedging Counterparty***

N/A.

### **Servicing of the Portfolio and Collections**

BBVA is the Originator and the Seller and will service the portfolio on mandate by the Issuer in accordance with its customary practices. As per the ratings mentioned above, DBRS concluded that BBVA meets the minimum criteria to act as Originator and Servicer.

All borrower payments are collected by BBVA under a direct debit scheme. Payments are transferred from the servicer account to the Treasury Account in the name of the fund on the second business day after receipt of funds.

In case of termination of the servicing agreement with the servicer, the Management Company shall proceed to do one of the following (1) find a replacement servicer, (2) find a guarantor (3) fund a commingling reserve in line with DBRS criteria.

DBRS believes that the servicer's current financial condition, together with the provisions, mitigates the risk of a disruption in servicing following a servicer event of default including insolvency.

Funds available to the issuer are collections made under the securitised receivables, including interest and principal components of instalments and recoveries under defaulted receivables. Additional sources of funds available to the Issuer are represented by the Cash Reserve held by the Issuer with the Account Bank.

The available funds must be disbursed by the Issuer, as per the terms of the transaction documents, on specified dates (the payment dates). Funds processed on a given payment date are payments related to a specific quarterly period ending prior to the payment date (the collection period) and amounts collected but referred to during the following collection period should only be processed on the relevant payment date.

### **Priority of Payments**

The available funds are combined into a unique waterfall in the following order of priority:

#### ***Pre-Enforcement Priority of Payments***

1. Taxes and senior expenses;
2. Interest on the Series A Notes;
3. Interest on the Series B Notes, unless this payment is deferred (please see below) only if the cumulative Outstanding Balance of delinquent loans is lower than 5% of the Original Portfolio Balance;
4. Principal Withholding amount;
5. Interest on the Series B Notes if deferred;
6. Replenishment of the Cash Reserve up to its target amount;
7. Interest on the Subordinated Loan;
8. Principal of the Subordinated Loan;
9. Interest and principal on the Start-Up Expenses Loan (in this order);
10. Servicing fee (if BBVA is the Servicer);
11. Payment of Intermediary Financial Margin.

**Series B interest deferral**

Interest on Series B will be deferred to item 5 of the Priority of Payments if the outstanding balance of delinquent loans is higher than 5.0% of the initial balance of the Notes.

**Principal Withholding amount**

This item shall be equal to the positive difference between:

- i. the outstanding balance of the Notes;
- ii. the principal outstanding balance of the non-defaulted portfolio plus any amount standing on the Principal Account.

During the revolving period, this amount will be used to pay the purchase price of Additional Receivables. After the end of the revolving period, the Principal Withholding amount will be applied to repay the Series A Notes and, following their full redemption, the Series B Notes.

**Servicing fee**

If BBVA ceases to act as Servicer of BBVA Consumer 9 FT, the Servicing fee shall be paid under item 1 of the Priority of Payments above.

**Post-Enforcement Priority of Payments**

Following an Enforcement Event (typically an event of default of the issuer), the available funds will be distributed according to the following priority of payments:

1. Taxes and senior expenses;
2. Interest on the Series A Notes;
3. Principal on the Series A Notes;
4. Interest on the Series B Notes;
5. Principal on the Series B Notes;
6. Interest on the Subordinated Loan;
7. Principal of the Subordinated Loan;
8. Interest and principal on the Start-Up Expenses Loan (in this order);
9. Servicing fee (if BBVA is the Servicer);
10. Payment of Intermediary Financial Margin.

**Clean-Up Call Option**

When the outstanding collateral portfolio (including defaulted receivables) has reduced to less than 10.0% of the original portfolio, the Originator has the option (but not the obligation) to repurchase the entire portfolio. Such faculty is subject to the capacity of the Issuer to repay in full all of the then-outstanding Notes.

**Cash Reserve**

On the Issue Date, the EUR 61,875,000 Cash Reserve was funded by BBVA with a subordinated loan. The reserve is deposited into the Treasury Account held with the Account Bank (BBVA).

The reserve initially equals 4.50% of the Notes. The target amount is set as the lower of (1) EUR 61,875,000 and (2) 9.0% of the outstanding amount of the Notes, with a floor at EUR 30,937,500.

The amount to be drawn from the Cash Reserve forms on each payment date part of the available funds and on each payment date can be used to pay senior expenses and interest on the rated notes. Any amount released from the Cash Reserve can be applied to the relevant priority of payments and, typically, may be used to offset potential credit loss caused by defaulted receivables when default occurred during the relevant period or if remained uncovered in previous periods, but will otherwise be released to junior payments; it can be fully applied toward repayment of the notes on the legal maturity. The reserve shall be replenished up to its target in accordance with the applicable priority of payments.

The Cash Reserve target will not be reduced if (1) it has not been funded to its required level on the previous payment date, (2) loans in arrears 90+ days are greater than 1% of the collateral balance (excluding any defaulted loans) or (3) two years have not elapsed since the Issue Date.

## Origination and Servicing

DBRS conducted an onsite operational review of BBVA's Consumer operations in February 2017 in Madrid, Spain. DBRS considers the originations and servicing practices of BBVA to be consistent with those observed among other Spanish Consumer lenders.

The initial creation of the BBVA group began in 1857 when the Spanish Board of Trade sponsored the creation of Banco de Bilbao, and until the 1890s this was the predominant bank in the area surrounding Bilbao. Several mergers and acquisitions throughout the 20th century, including Banco del Comercio in 1902 and Banca Catalana purchased in 1984, led to Banco de Bilbao and Banco de Vizcaya merging in 1988 to form Banco Bilbao Vizcaya (BBV). In 1998, the Corporación Bancaria de España, along with Caja Postal (created in 1909), Banco Hipotecario (formed in 1872) and Banco Exterior (created in 1929) merged to form Argentaria.

BBVA was created in 1999 by the merger of two banks: BBV and Argentaria. The final integration of the group's retail businesses in Spain in 2001 led to the creation of the large branch network under the BBVA banner.

In recent years, BBVA has played an important role in the consolidation of the Spanish banking sector. In 2013, BBVA completed the integration of Unnim Banc, S.A. and strengthened its franchise position and market shares in Catalonia. This was reinforced further after acquiring 98.4% of the shares of Catalunya Banc, S.A. in April 2015.

BBVA is a well-positioned universal bank that currently has operations in approximately 35 countries, including market leading positions in Spain and Mexico. The bank also has a strong presence in South America, the United States and Turkey. As of the end of December 2016, BBVA had a total number of assets of approximately EUR 732 billion.

The general risk policy at BBVA is compliant with BBVA Group's general risk policy, which is its benchmark, albeit with the specific features to satisfy the requirements relevant to the sector. Risks are at all times subject to monitoring and control processes enabling risk quality to be ascertained, risk evolution analysis, making such corrections, if any, as may be necessary and undesirable situations to be forecast.

For further information regarding BBVA please go to [www.dbrs.com](http://www.dbrs.com).

### Origination & Underwriting

#### **BBVA Origination and sourcing**

All loans are sourced entirely through BBVA's branch network which incorporates Business Centres for large companies and franchises for new projects. BBVA operates from a network of 3,303 branches across Spain.

BBVA offers the standard products common in the Spanish market including secured loans sometimes backed by mortgages and unsecured loans and facilities. Unsecured products are generally short term, typically less than 18 months. Some consumer loans can be pre-authorized online but require approval in a BBVA branch. Secured loans such as mortgages have a maximum term of 30 years although an additional five years can be added following review by credit risk and management approval. Variable and fixed rates are available as well as monthly, quarterly and semi-annual payment options although monthly is the most common and represents over half of all loans within each bank's portfolio.

#### **Underwriting**

Applications for credit are always originated at the Branch at which the borrower transacts or has a relationship. Upon receiving a loan application the details are entered into the credit system; this includes identity documents, proof of income and title deeds where appropriate. The system analyses all of the data and information received (scoring) and checks whether the applicant is already a BBVA customer or is included in any list of defaulters. An automatic opinion that may be positive, negative or doubtful is given at the end of this process. Negative opinions must be referred to a central unit as the branch cannot authorise such applications. Branches may decide on transactions receiving positive or doubtful opinions providing the loan amounts fall within their approval limits. Central units are able to modify branch decisions. On a quarterly basis BBVA assesses the number of deviations by each central unit from the recommended initial decision.

The current scoring model was implemented in 2014 and includes four different scoring segments: 1. Foreign applicants, 2. Non-BBVA Clients, 3. Clients with limited exposure to BBVA, and 4. Clients with high exposure to other BBVA products/services. Estimated approval rates are roughly around 15% for foreign applicants, 30% for non-BBVA clients and somewhere around 65% for the two latter segments.

The model allows BBVA to adopt a more pro-active approach to lending based on the customer's historical performance with BBVA. The scoring assigned under the pro-active approach depends on the risk limits assigned to each customer. These limits are based on the segment the client is categorised in and on the delinquency behaviour of the client on existing BBVA products.

### **Summary strengths**

- Robust governance of risk modelling and controls in place to support changes to models.
- Updated scoring model including behavioural scoring.
- Standard lending policy across all regions and centralised decision-making authority.

### **Summary weaknesses**

- Overrides to credit policy are allowed.

**Mitigants:** Clear separation of authorisation process exists with the risk management division responsible for the override process, and centralised credit division approval for all overrides.

### **Servicing**

The operational loan management department, centralised in Madrid, is responsible for all loan management and servicing activities of all BBVA loans.

The recovery philosophy at BBVA for unpaid loans consists of defining a working system allowing irregular situations to be swiftly and efficiently corrected. This is based on highly personalised management in which the recovery agent plays a key role and liaises permanently with the debtor.

Primary borrower contact is managed at the branch level including early arrears management activities. It is the branch's responsibility at all times to monitor and try to collect payment on delinquent loans.

There are currently 197 collection agents across eight main recovery points (*Direcciones Territoriales* or "DTs") that are distributed geographically among the most relevant branches, covering and tracking recoveries in a centralised way for all of them.

BBVA has an arrears management tool called *Alerta de Riesgos* which allows collection agents to prioritise the arrears management depending on the type of product. In addition to that, the *Gestión de Inversión Vencida* measures in parallel the performance of the different DTs based on the amount of arrears falling under each bucket: 0-30, 30-60 and 60-90 days past due.

Furthermore, BBVA also works with three external agencies which are allocated clients who do not require such a personalised approach.

The bank follows standard collections and arrears management strategies including compliance with regulatory guidelines surrounding delinquency, watch list and default definitions. Borrower contact is managed through the local branch. Automated, standard letters are generated through the servicing system and sent to the borrower at three different times (around 20, 40 and 80 days), based on the type of borrower, to try to clear the arrears or to discuss restructuring the loan. In all cases, the first letter is sent only to the borrower, the second one is also sent to the guarantor and the third and final one is sent to all the parties involved.

The bank's internal rating system is used to monitor the loan including updates to the rating and helps to set the appropriate workout strategy.

If the arrears are not cleared and the loan becomes a default, it is moved to the *Unidad de Gestión de Fallidos*, a specialised department focused exclusively in management and recoveries of defaulted loans.

BBVA still tends to conduct a friendly, regional strategy in the management of recoveries. Legal proceedings are generally only initiated after a loan is officially classified as a default and all previous attempts at an out-of-court resolution have been exhausted. Since March 2016 all legal proceedings have been initiated and managed through a pool of ten external recovery agencies. Prior to March 2016 these external agencies were only being used for larger debts.

BBVA is currently reviewing the performance of the ten agencies and will rank them with the intention of selecting only the top performers to work with from July 2017 onwards. As a result of the increased use of external agencies, BBVA recovery centres called *Centros de Recuperaciones* (CERES) have been considerably reduced, including around two-thirds of their employees being reallocated. CERES are now purely focused on managing recoveries for early delinquencies after 90 days.

All 10 agencies have access to “Heracles” which is a management tool used to send information and data regarding recovery activity. This enables centralised tracking by BBVA.

Like most Spanish banks, payments are primarily made through direct debit although borrowers can submit payments via bank transfer or pay directly at the branch. The majority of loans are on monthly payment schedules although the portfolio does include some quarterly, semi-annual and annual schedules which are in line with the overall Spanish market.

**Opinion on Back-Up Servicer:** No back-up servicer at closing of the current BBVA securitisation. DBRS believes that BBVA's current financial condition mitigates the risk of a disruption in servicing following a servicer event of default including insolvency. Europea de Titulización S.A., S.G.F.T., as the Management Company, is the back-up servicer facilitator for this transaction and, when required, shall use its best effort to nominate a back-up servicer within 60 days since notification of the decision of finding a new back-up servicer.

DBRS's Long-Term Critical Obligations rating of BBVA was confirmed at A (high) with its trend changed to Stable from Positive in April 2016. BBVA's Issuer Rating is at “A”, Stable trend. More information on BBVA's ratings can be found at [www.dbrs.com](http://www.dbrs.com).

## Collateral Summary

On each portfolio assignment date, the issuer acquires from BBVA all rights, title and claims deriving from consumer loan receivables granted by BBVA to individuals residing in Spain (the receivables). The receivables are monetary claims including the right to receive loan instalment payments including interest, principal and recovery in respect to the securitised loan contracts.

BBVA initially sold a portfolio of approximately EUR 1.375 billion against payment of the initial purchase price of the portfolio (the initial portfolio) and may acquire on each payment date additional receivables subject to provisions of the transaction documents.

The initial portfolio consists of receivables from loans granted by BBVA to individuals residing in Spain to finance general expenses of the debtor, including the purchases of consumer goods and services (78.1%) and purchase of vehicles (22.0%).

Initial portfolio characteristics:

### Initial Portfolio (as of 27 March 2017)

Outstanding Balance	1,374,999,462
# of loans	142,001
# of borrowers	133,614
Average Original Loan Size	11,650
Average Current Size	9,682
WA Remaining Maturity (months)	65.7
WA Initial Tenor (months)	77.8
WA Seasoning (months)	12.1
WA Spread (Floating Rate Loans)	4.0%
WA Coupon (Fixed Rate loans)	7.3%

### Loan Renegotiations

- The Servicer is entitled to renegotiate the terms and conditions of the securitised loans, subject to the following conditions:

#### Interest rate renegotiations:

- The interest rate on a loan shall not decrease if the overall portfolio WA interest rate is below 5.5%;
- Floating-rate loans shall be indexed to 12-month Euribor;
- Switch from floating to fixed rate and vice versa is not allowed.

**Maturity Extensions:**

- The maturity of the loan can be extended up to 30 September 2028;
- The aggregate outstanding balance of renegotiated loans as of the Fund assigning date shall not exceed 10.0% of the initial notes balance.

**Eligibility Criteria**

- In order to be assigned to the Fund, the Additional Receivables shall on the respective assignment date satisfy all the Individual and Global Requirements.

**Individual Requirements**

1. The Obligor is an individual residing in Spain other than an employee, officer or director of the Originator;
2. The Loan is denominated in euros;
3. The Loan has not matured before or on the date of assignment to the Fund and that there are at least 2 months between the date of assignment to the Fund and the date of final maturity of the Loan;
4. The Loan principal has already been fully drawn down;
5. The outstanding principal balance of the Loan is between EUR 500 and EUR 100,000;
6. The Loan is established at a fixed interest rate or 12-month Euribor referenced floating rate;
7. The minimum coupon for fixed-rate Loans is 3.5%;
8. The minimum spread for floating-rate Loans is 3.5%;
9. At least one instalment has fallen due on the Loan and is not overdue;
10. The Loan has no payments more than 30 days overdue;
11. The final maturity date of the Loan does not extend beyond 30 September 2028;
12. The Loan has monthly payment frequency;
13. The Loan has French amortisation;
14. The Loan is not in an interest or principal grace period;
15. The Loan does not include clauses allowing the deferral of interest or principal payments.

**Global Requirements – Concentration Limits**

1. Minimum weighted-average interest rate: 5.5%.
2. Maximum amount of floating-rate loans: 15.0%.
3. Maximum WA remaining term: seven years.
4. Maximum concentration in the Top Autonomous Community: 22.5%.
5. Maximum concentration in the Top Three Autonomous Communities: 60.0%.
6. Minimum WA seasoning: six months.
7. Maximum Top Borrower and Top Ten Borrowers concentrations: 0.008% and 0.07%, respectively.
8. Maximum concentration on foreign Borrowers: 4.0%.
9. Minimum Borrowers who are civil servants, pensioners or salaried workers with a permanent contract: 60.0%.

Exclusively with regards to the Additional Receivables:

10. Minimum WA seasoning: three months.
11. Maximum WAL: Four years.

### Revolving Period Early Termination Events

The transaction documents envisage that upon occurrence of certain events the revolving period will immediately terminate to allow the amortisation of the Notes. Such events are summarised below:

- Gross cumulative defaults exceed 0.375%, multiplied by the number of Determination Dates occurred since closing, of the initial portfolio balance;
- The outstanding balance of delinquent loans exceeds 2.2% of the principal outstanding balance of the non-defaulted portfolio;
- In the two preceding payment dates, the outstanding balance of the non-defaulted portfolio is less than 90.0% of the aggregate notes balance;
- Interest shortfall on the Series A or Series B Notes;
- Non-replenishment of the Cash Reserve up to its target level;
- BBVA is declared insolvent or in liquidation;
- BBVA is replaced as Servicer;
- Modification of Spanish tax laws to such extent that the assignment of Additional Receivables is exceedingly burdensome for the Originator;
- On the preceding payment date, the outstanding balance of the non-defaulted portfolio is less than 80.0% of the aggregate notes balance.

**Delinquent loans:** loans not classified as defaulted with three or more months in arrears.

**Defaulted loans:** loans eighteen or more months in arrears or classified as such by the Management Company.

---

## Rating Analysis

The ratings are based on a review by DBRS of the following analytical considerations:

- Transaction capital structure, proposed ratings and form and sufficiency of available credit enhancement.
- Credit enhancement levels are sufficient to support DBRS-projected expected cumulative net losses under various stress scenarios.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms under which they have invested. The ratings address the timely payment of interest and the ultimate repayment of principal by the legal final maturity date with respect to the Series A Notes and the ultimate repayment of principal and interest by the legal final maturity date with respect to the Series B Notes.
- BBVA's capabilities with regard to originations, underwriting, servicing and their financial strength.
- DBRS conducted an on-site operational risk review of BBVA and deems it to be an acceptable servicer.
- The credit quality and industry diversification of the collateral and historical and projected performance of the Seller's portfolio.
- The Long-Term Foreign Currency – Issuer Rating of the Kingdom of Spain, currently at A (low).
- A review of the legal structure, transaction document and opinions.

### Portfolio Performance Data

DBRS received historical data on the entire consumer loan portfolio originated by BBVA and with a set of stratification tables related to the Initial Portfolio (as defined below).

The set of historical data analysed by DBRS is detailed below:

- Quarterly 90+ and 180+ static cumulative default data from Q1 2009 to Q4 2016.
- Quarterly 90+ and 180+ static cumulative recovery data from Q1 2009 to Q4 2016.
- Monthly Dynamic delinquency data (90+) from January 2003 to December 2016.

DBRS also received a set of stratification tables in relation to the loan pool as of 6 March 2017 and its related contractual amortisation profile.

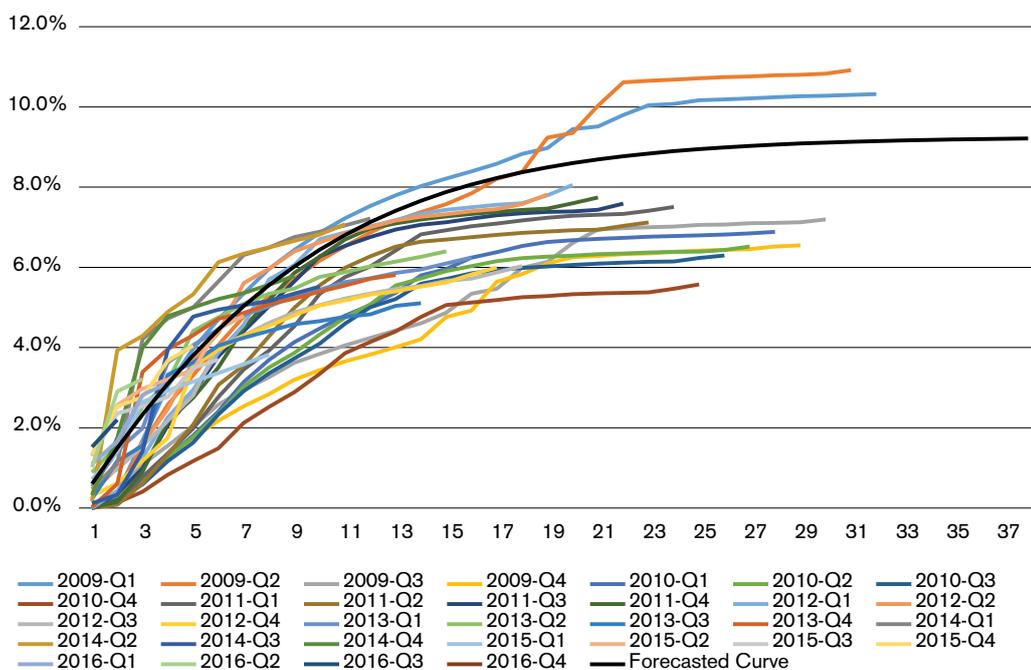
DBRS considers that the information available to it for the purposes of providing this rating was of satisfactory quality.

**Gross Defaults**

The quarterly static default data is grouped into vintages by the date of origination of the loan.

DBRS understands that the default definition used in the data is more conservative than the definition in the transaction documents.

**Exhibit 1: Defaults (+180 dpd)**



	Maximum Projected Cumulative Gross Loss Rate	Cumulative Gross Loss Rate After 4 Periods
2009-Q1	10.40%	2009-Q1 3.05%
2009-Q2	11.03%	2009-Q2 2.58%
2009-Q3	7.28%	2009-Q3 1.55%
2009-Q4	6.65%	2009-Q4 1.31%
2010-Q1	7.01%	2010-Q1 1.27%
2010-Q2	6.66%	2010-Q2 1.28%
2010-Q3	6.46%	2010-Q3 1.17%
2010-Q4	5.75%	2010-Q4 0.83%
2011-Q1	7.78%	2011-Q1 1.36%
2011-Q2	7.43%	2011-Q2 1.34%
2011-Q3	7.98%	2011-Q3 2.06%
2011-Q4	8.22%	2011-Q4 2.16%
2012-Q1	8.64%	2012-Q1 2.26%
2012-Q2	8.49%	2012-Q2 2.46%
2012-Q3	6.64%	2012-Q3 2.17%
2012-Q4	6.72%	2012-Q4 1.75%
2013-Q1	7.14%	2013-Q1 3.63%
2013-Q2	7.49%	2013-Q2 3.15%
2013-Q3	6.15%	2013-Q3 3.32%
2013-Q4	7.23%	2013-Q4 3.96%
2014-Q1	9.34%	2014-Q1 4.73%
2014-Q2	9.59%	2014-Q2 4.89%
2014-Q3	7.91%	2014-Q3 3.95%
2014-Q4	8.86%	2014-Q4 4.78%
2015-Q1	6.35%	2015-Q1 2.92%
2015-Q2	8.78%	2015-Q2 3.21%
2015-Q3	7.66%	2015-Q3 2.77%
2015-Q4	9.80%	2015-Q4 3.68%
2016-Q1	9.28%	2016-Q1 3.12%

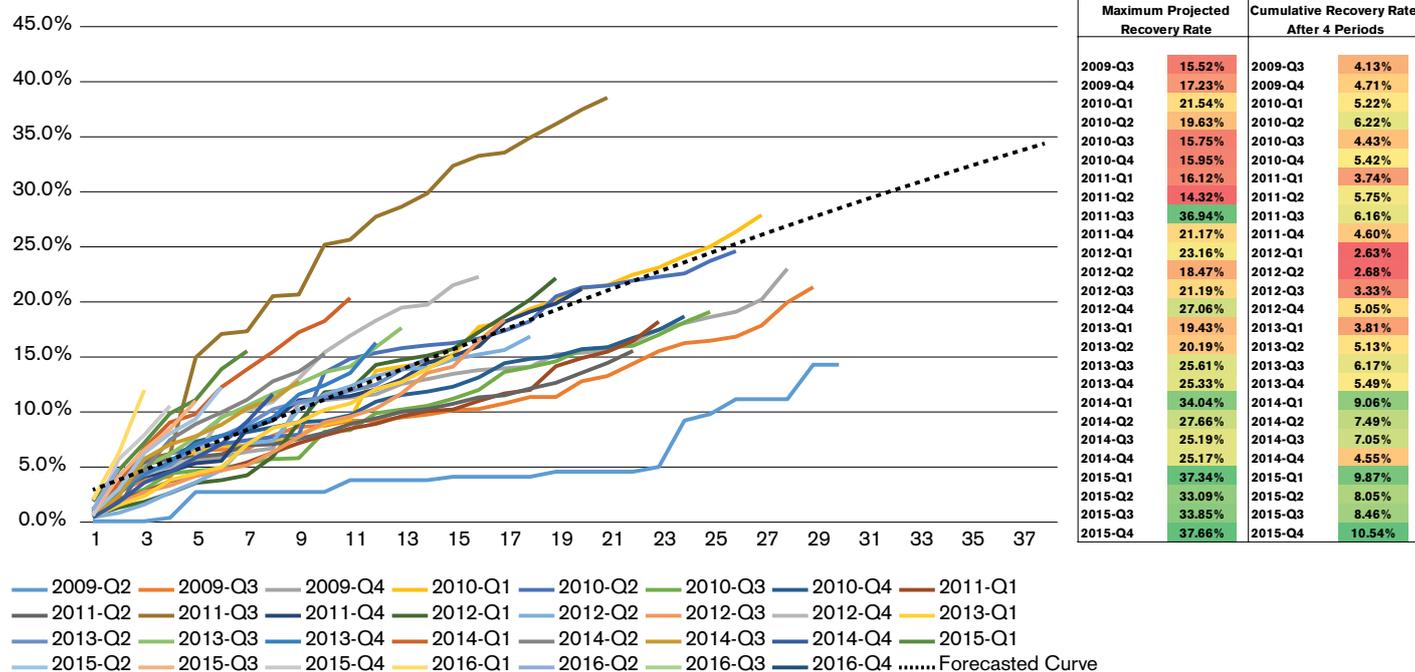
All provided vintages are used to extrapolate the base case default rate. As a result of the revolving period, no seasoning credit was given in the base case default rate projection as the degree of seasoning is expected to evolve over time.

After considering the quality and trend of data, DBRS assumes a base case life time default of 9.22%.

### Recoveries (Loss Severities)

All provided vintages were used to determine the base-case recovery rate according to the DBRS methodology.

**Exhibit 2: Recoveries**



After considering the quality and trend of data, DBRS assumes a base case of 20.15% for ultimate recovery.

### Prepayments

DBRS has not been provided with prepayment data for Banco BBVA. Considering other Spanish ABS transactions with similar collateral as well as from the same and similar originators, DBRS has stressed the prepayment rate from 0.0% to 20.0%.

### Cash Flow Analysis

The DBRS cash flow model assumptions focused on the amount and timing of defaults and recoveries, prepayment speeds and interest rates.

### Interest Rate Risk

Interest rate risk is partially mitigated as the Notes have a fixed-rate coupon and floating-rate loans cannot represent more than 15% of the portfolio during the revolving period. Additionally, under the permitted variations, the Servicer is not allowed to switch fixed-rate loans to floating-rate contracts.

In order to consider to address interest rate risk, we assumed in our analysis 15% of the pool to be indexed to 12-month Euribor.

### Basis Risk

N/A.

### Base Case Default and Recoveries

The DBRS cumulative default expectation for the transaction is 9.22% (excluding sovereign stress and other additional losses specifically listed) based on the vintage data and the static composition of the portfolio. Similarly, DBRS assumed a recovery rate of 20.15% (excluding sovereign stress and other additional losses specifically listed).

### Interest Rate Stresses

DBRS applied its standard interest rate stresses as detailed in its *Unified Interest Rate Model for European Securitizations* methodology.

**Timing of Defaults**

DBRS estimated the default timing patterns and created base, front- and back-loaded default curves. The WA life of the collateral portfolio is expected to be about 1.2 years and the three-year front-loaded, base and back-loaded default distributions are listed below. DBRS also applies a 12-month lag of recoveries.

Month	Base Losses	Front-Loaded Losses	Back-Loaded Losses
6	10.00%	20.00%	10.00%
12	25.00%	30.00%	15.00%
18	25.00%	20.00%	15.00%
24	20.00%	10.00%	25.00%
30	10.00%	10.00%	20.00%
36	10.00%	10.00%	15.00%

**Summary of the Cash Flow Scenarios**

Based on a combination of the above assumptions, a total of 24 cash flow scenarios (a combination of three default timing scenarios, four prepayment speed scenarios and two interest rate scenarios) were tested. The cash flow results are commensurate with the assigned ratings.

**Risk Sensitivity**

The tables below illustrate the sensitivity of the rating to various changes in the base-case default rates and loss severity assumptions relative to the base-case assumptions used by DBRS in assigning the ratings.

**Series A Notes****Increase in Default Rate %**

		0	25	50
Increase in LGD (%)	0	A	BBB (high)	BBB (low)
	25	BBB (high)	BBB (low)	BB
	50	BBB (high)	BBB (low)	BB

**Series B Notes****Increase in Default Rate %**

		0	25	50
Increase in LGD (%)	0	BB	B (high)	Below B
	25	B (high)	Below B	Below B
	50	B (high)	Below B	Below B

## Appendix

### Methodologies Applied

The principal methodology applicable to assign ratings to this transaction is *Rating European Consumer and Commercial Asset-Backed Securitizations*.

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions*
- *Operational Risk Assessment for European Structured Finance Servicers*
- *Operational Risk Assessment for European Structured Finance Originators*
- *Unified Interest Rate Model for European Securitizations*

The rating methodologies and criteria used in the analysis of this transaction can be found at:

<http://www.dbrs.com/about/methodologies>. Alternatively, please contact [info@dbrs.com](mailto:info@dbrs.com).

### Surveillance Methodology

The transaction is monitored by DBRS in accordance with its *Master European Structured Finance Surveillance Methodology*, which is available at [www.dbrs.com](http://www.dbrs.com) under Methodologies. Alternatively, please contact [info@dbrs.com](mailto:info@dbrs.com).

#### Notes:

All figures are euros unless otherwise noted.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited is not an NRSRO and ratings assigned by it are non-NRSRO ratings. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2017, DBRS. All rights reserved. The information upon which DBRS ratings and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report providing a DBRS rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS receives compensation for its rating activities from issuers, insurers, guarantors and/or underwriters of debt securities for assigning ratings and from subscribers to its website. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON <http://www.dbrs.com>.