

Rating Raised On Auto ABS BBVA Autos 2's Class C Spanish ABS Notes Due To Increased Credit Enhancement

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OVERVIEW

- Following our review of BBVA Autos 2's performance, we have raised to 'AA (sf)' from 'BBB+ (sf)' our rating on the class C notes.
- BBVA Autos 2's collateral comprises auto loans that BBVA Bank granted to borrowers resident in Spain.

FRANKFURT (Standard & Poor's) Dec. 18, 2014--Standard & Poor's Ratings Services today raised to 'AA (sf)' from 'BBB+ (sf)' its credit rating on BBVA Autos 2, Fondo de Titulizacion de Activos' class C notes.

Today's rating action follows our review of the transaction's performance. As part of our analysis, we considered the following factors.

Our base-case scenario for Spain forecasts that GDP growth will increase to 1.3% in 2015, and 1.8% in 2016. We expect unemployment to decrease to 23.0% in 2015 and 22.0% in 2016 (see "[Credit Conditions: Europe Decelerates \(Again\) Amid Rising Geopolitical Risks](#)," published on Sept. 16, 2014). In our view, changes in GDP growth and unemployment can determine portfolio performance. We set our base-case gross loss assumption to reflect our economic outlook.

We have applied our analysis in line with our operational risk criteria (see "[Global Framework For Assessing Operational Risk In Structured Finance Transactions](#)," published on Oct. 9, 2014). The pool's collateral comprises prime auto loans. Under our criteria, auto loans have low severity risk (the effect of servicer disruption) and portability risk (the inability to replace the servicer), and as such, our criteria do not cap the maximum achievable rating.

In our view, the collateral's performance since our previous review is in line with our expectations (see "[Ratings Affirmed On All Classes Of Notes In Spanish ABS Transaction BBVA Autos 2](#)," published on Nov. 17, 2011). We have therefore kept our base-case default rate for the performing outstanding portfolio unchanged. We have analyzed credit risk under our criteria (see "[European Consumer Finance Criteria](#)," published on March 10, 2000).

Our rating on the outstanding class C notes reflects our assessment of the transaction's payment structure implemented in the transaction documents. Subordination, a cash reserve, and excess spread provide the available credit enhancement for the class C notes. The notes have been paying down sequentially since amortization and credit enhancement has thereafter increased significantly to 83.6% from 27.5% in our previous review. Our analysis indicates that the available credit enhancement for the class C notes is sufficient to withstand the stresses that we apply at a 'AA' rating level.

Our updated RAS criteria designate the country risk sensitivity for asset-backed securities as 'moderate'. Under our RAS criteria this transaction's notes can therefore be rated four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a

"severe" stress. However, as all six of the conditions in paragraph 48 of the RAS criteria are met, we can assign ratings in this transaction up to a maximum of six notches (two additional notches of uplift) above the sovereign rating, subject to credit enhancement being sufficient to pass an "extreme" stress (see "[Understanding Standard & Poor's Rating Definitions](#)," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress). As our long-term rating on the Kingdom of Spain is 'BBB', our RAS criteria cap at 'AA (sf)' the maximum potential rating in this transaction for the class C notes.

As we reduced our base-case default assumption and due to the transaction's increased credit enhancement, we have raised to 'AA (sf)' from 'BBB+ (sf)' our rating on the class C notes.

BBVA Autos 2's collateral comprises auto loans that Banco Bilbao Vizcaya Argentaria S.A. granted to borrowers resident in Spain.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>.

RELATED CRITERIA AND RESEARCH

Related Criteria

- [Global Framework For Assessing Operational Risk In Structured Finance Transactions](#), Oct. 9, 2014
- [Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance](#), Sept. 19, 2014
- [Counterparty Risk Framework Methodology And Assumptions](#), June 25, 2013
- [Principles Of Credit Ratings](#), Feb. 16, 2011
- [Methodology: Credit Stability Criteria](#), May 3, 2010
- [European Consumer Finance Criteria](#), March 10, 2000

Related Research

- [Credit Conditions: Europe Decelerates \(Again\) Amid Rising Geopolitical Risks](#), Sept. 16, 2014
- [European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors](#), July 8, 2014
- [Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality](#), July 2, 2014
- [Default, Transition, and Recovery: 2012 Annual Global Corporate Default Study And Rating Transitions](#), March 18, 2013
- [Ratings Affirmed On All Classes Of Notes In Spanish ABS Transaction BBVA Autos 2](#), Nov. 17, 2011
- European Auto ABS Index Report, published quarterly

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