

**Rating Action: Moody's confirms ratings in 4 BBVA Spanish ABS transactions**

---

Global Credit Research - 29 Jan 2014

Madrid, January 29, 2014 -- Moody's Investors Service has today confirmed the ratings of two junior notes and one senior note in three Spanish asset-backed securities (ABS) transactions backed by loans to small and medium-sized enterprises (SME ABS) transactions: BBVA Empresas 3, FTA; BBVA Empresas 4, FTA and BBVA Empresas 5, FTA. Moody's Investors Service has also confirmed the ratings of the junior notes in one Spanish ABS transaction backed by consumer loans: BBVA Consumo 4, FTA. A detailed analysis of swap counterparty exposure has prompted today's confirmations.

The other ratings in these deals, which were not on review for downgrade, have been affirmed.

The affected notes rating already incorporated a strong level of credit linkage to BBVA as sole provider of the credit enhancement. Despite this, the additional exposure to BBVA acting as swap counterparty had no impact on the ratings given the massive credit enhancement that the reserve funds provide to the junior notes in the four deals (ranging from 46% to 140% of the notes' balances).

Today's rating action concludes the review of the ratings in these four Spanish ABS transactions, which Moody's placed on review on 14 November 2013. The review reflected the swap counterparty exposure following Moody's introduction of its updated approach to assessing swap counterparties in structured finance cash flow transactions ("Approach to Assessing Swap Counterparties in Structured Finance Cash Flow Transactions" published on the 12 November 2013: [https://www.moodys.com/research/Approach-to-Assessing-Swap-Counterparties-in-Structured-Finance-Cash-Flow--PBS\\_SF344857](https://www.moodys.com/research/Approach-to-Assessing-Swap-Counterparties-in-Structured-Finance-Cash-Flow--PBS_SF344857)).

Refer to the end of the ratings rationale section of this press release for a detailed list of affected ratings.

**RATINGS RATIONALE**

Today's rating action reflects the availability of sufficient credit enhancement to address the notes' exposure to the issuer account bank and swap counterparty Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, deposits Baa3/P-3, negative outlook, standalone bank financial strength rating D+/baseline credit assessment baa3). Moody's assessment follows the introduction of its updated approach to assessing swap counterparties in structured finance cash flow transactions.

As part of its review, Moody's has incorporated the risk of additional losses on the notes in the event of them becoming unhedged following a swap counterparty default. Assets backing the notes in the three SME ABS deals are mainly referenced to Euro Interbank Offered Rate (EURIBOR), with small buckets of fixed-interest rate loans in each portfolio representing less than 10% of the respective pool. Of the assets backing the notes in BBVA Consumo 4, 100% are fixed-rate loans (8.55% of weighted-average interest). Notes are referenced to three-month EURIBOR in the four deals. The four transactions include a swap agreement with BBVA to hedge this risk. The swaps in the three SME ABS deals are mainly basis-risk swaps, while the swap in BBVA Consumo 4 deal is a fixed-floating rate swap. All the swaps provide excess spread to the transactions, 50 basis points (bps) for the SME ABS deals and 175 bps in BBVA Consumo 4. Net swap payments in recent periods were in favour of the swap counterparty in the four transactions, given the current interest-rate environment. No collateral needs to be posted according to the most recent collateral posting computations made by the valuation agent.

The principal methodology used in rating BBVA Consumo 4, FTA was Moody's Approach to Rating Consumer Loan ABS Transactions published in May 2013. The principal methodology used in rating BBVA Empresas 3, FTA, BBVA Empresas 4, FTA, and BBVA Empresas 5, FTA was Moody's Approach to Rating EMEA SME Balance Sheet Securitizations published in May 2013. Please see the Credit Policy page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

**FACTORS THAT WOULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS**

Factors or circumstances that could lead to a downgrade of the ratings affected by today's action would be (1) the worse-than-expected performance of the underlying collateral; (2) deterioration in the credit quality of the counterparties; and (3) an increase in Spain's sovereign risk.

Factors or circumstances that could lead to an upgrade of the ratings affected by today's action would be (1) the better-than-expected performance of the underlying assets; and (2) a decline in both counterparty and Spain's sovereign risk.

#### THE LIST OF AFFECTED RATINGS

Issuer: BBVA Empresas 3, FTA

...EUR2210M Class A Notes, Affirmed A3 (sf); previously on Jun 20, 2013 Confirmed at A3 (sf)

...EUR260M Class B Notes, Affirmed A3 (sf); previously on Jun 20, 2013 Confirmed at A3 (sf)

...EUR130M Class C Notes, Confirmed at Baa1 (sf); previously on Nov 14, 2013 Baa1 (sf) Placed Under Review for Possible Downgrade

Issuer: BBVA Empresas 4, FTA

...EUR1700M Class A Notes, Confirmed at A3 (sf); previously on Nov 14, 2013 A3 (sf) Placed Under Review for Possible Downgrade

Issuer: BBVA Empresas 5, FTA

...EUR975M Class A Notes, Affirmed A3 (sf); previously on Jun 20, 2013 Confirmed at A3 (sf)

...EUR275M Class B Notes, Confirmed at Baa1 (sf); previously on Nov 14, 2013 Baa1 (sf) Placed Under Review for Possible Downgrade

Issuer: BBVA Consumo 4, FTA

...EUR937.7M Class A Notes, Affirmed A3 (sf); previously on Mar 27, 2013 Confirmed at A3 (sf)

...EUR162.3M Class B Notes, Confirmed at Baa2 (sf); previously on Nov 14, 2013 Baa2 (sf) Placed Under Review for Possible Downgrade

#### REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

As the section on loss and cash flow analysis describes, Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where

the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moody's.com](http://www.moody's.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see [www.moody's.com](http://www.moody's.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for additional regulatory disclosures for each credit rating.

Antonio Tena  
Asst Vice President - Analyst  
Structured Finance Group  
Moody's Investors Service Espana, S.A.  
Calle Principe de Vergara, 131, 6 Planta  
Madrid 28002  
Spain  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Carole Gintz  
Senior Vice President/Manager  
Structured Finance Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Espana, S.A.  
Calle Principe de Vergara, 131, 6 Planta  
Madrid 28002  
Spain  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

**MOODY'S**  
INVESTORS SERVICE

© 2014 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATION") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY**

**ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moodys.com](http://www.moodys.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.