



Date of Release: June 18, 2014

## **DBRS Takes Rating Actions on BBVA Consumo 4 F.T.A.**

**Industry: Sec.--Other**

DBRS Ratings Limited (“DBRS”) has reviewed BBVA Consumo 4 F.T.A. (the “Issuer”) and taken the following rating actions:

- Series A Notes upgraded to AAA (sf) from A (sf)
- Series B Notes upgraded to A (sf) from BBB (high) (sf)

The rating actions for the Series A and Series B Notes are based upon the following analytical consideration, as described more fully below:

- Portfolio performance, in terms of level of delinquencies and defaults, as of the 24 March 2014 payment date.
- Updated default, recovery and loss assumptions on the remaining balance of the collateral portfolio.
- Incorporation of a sovereign related stress component in the rating analysis to address the impact of macroeconomic variables on collateral performance given the long-term foreign and local currency rating of ‘A’ (low) for the Kingdom of Spain.
- Additional cash flow analysis of each Series of Notes without the benefit of the Cash Reserve and the interest rate swap due to replacement triggers being defined at the ‘BBB’ level.

The Issuer is a securitisation of Spanish consumer loan receivables originated by Banco Bolbao Vizcaya Argentaria (“BBVA”) and BBVA Finanzia. BBVA also holds the Treasury Account and is the swap counterparty for the transaction. As of the 24 March 2014 payment date, the 90+ delinquency ratio was 5.18%. The cumulative default ratio (loans greater than 18 months in arrears) was 4.28% of the original balance.

Credit enhancement for the Series A Notes consists of subordination of the Series B Notes and a Cash Reserve. Credit enhancement for the Series B Notes consists of the Cash Reserve. Amounts in the Cash Reserve are held in the Treasury Account with BBVA. Current credit enhancement (as a percentage of the non-defaulted balance) is equal to 168.06% (Series A Notes) and 96.02% (Series B Notes). The current balance of the Cash Reserve is EUR 216,316,768, below the target level of EUR 231,000,000.



The Issuer has entered into an interest rate swap with BBVA to hedge the interest rate risk between the fixed rate assets and floating rate liabilities. On each payment date the Issuer pays BBVA all interest received on the loans since the previous determination date, and receives the weighted average coupon of the Notes plus 1.75% on the balance of the loans less than 90 days in arrears.

BBVA is currently rated 'A' by DBRS. The Issuer has a replacement trigger for both the Treasury Account and the swap counterparty; where, in the event BBVA were downgraded below "BBB" by DBRS, the Management Company shall find a replacement institution for each, which is rated at least "BBB" by DBRS. The combination of an 'A' rated institution and a 'BBB' replacement trigger would allow the highest rating assigned to a rated security to be 'A' (sf) per the DBRS Legal Criteria for European Structured Finance Transactions. Additionally, the DBRS Derivative Criteria for European Structured Finance Transactions contemplates for the highest rating assigned at AA (low) (sf) to include a trigger to post collateral, obtain a guarantee or replace itself below a counterparty rating of 'A'. Given the combination of the current rating of BBVA and the replacement triggers, additional cash flow analysis for the Series A Notes and Series B Notes included scenarios where the transaction did not benefit from the Cash Reserve Fund. In these scenarios, the available credit enhancement to the Series A Notes was sufficient to cover the DBRS expected losses at the AAA (sf) rating level, while the available credit enhancement to the Series B Notes was sufficient to cover the DBRS expected losses below the 'A' (sf) level.

#### Notes:

All figures are in Euro unless otherwise noted.

The principal methodology applicable is Master European structured Finance Surveillance Methodology.

Other methodologies and criteria referenced in this transaction are listed at the end of this press release.

This can be found on [www.dbrs.com](http://www.dbrs.com) at:

<http://www.dbrs.com/about/methodologies>

For a more detailed discussion of sovereign risk impact on Structured Finance ratings, please refer to DBRS commentary "The Effect of Sovereign Risk on Securitizations in the Euro Area" on:

<http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>

The sources of information used for this rating include investor reports provided by Europea de Titulizacion, S.G.F.T, S.A. DBRS considers the information available to it for the purposes of

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providing this rating was of satisfactory quality.

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This is the first rating action since the Initial Rating Date.

Information regarding DBRS ratings, including definitions, policies and methodologies are available on [www.dbrs.com](http://www.dbrs.com).

To assess the impact of the changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating (the "Base Case"):

- DBRS expected a Base Case Probability of Default (PD) and Loss Given Default (LGD) for the pool based on a review of the transaction performance. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.
- The Base Case PD and LGD of the current pool of receivables are 6.81% and 95.97%, respectively.
- The Risk Sensitivity overview below illustrates the ratings expected for the Series A Notes if the PD and LGD increase by a certain percentage over the Base Case assumption. For example, if the LGD increase by 50% the rating for the Series A Notes would be expected to remain at AAA (sf), all else being equal. If the PD increase by 50% the rating for the Series A Notes would be expected to remain at AAA (sf), all else equal. If both the LGD and PD increase by 50%, the rating of the Series A Notes would be expected to remain at AAA (sf), all else equal.

#### Series A Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of AAA (sf).
- 50% increase in LGD, expected rating of AAA (sf).
- 25% increase in PD, expected rating of AAA (sf).
- 50% increase in PD, expected rating of AAA (sf).
- 25% increase in LGD and 25% increase in PD, expected rating of AAA (sf).
- 25% increase in LGD and 50% increase in PD, expected rating of AAA (sf).
- 50% increase in LGD and 25% increase in PD, expected rating of AAA (sf).
- 50% increase in LGD and 50% increase in PD, expected rating of AAA (sf).

#### Series B Notes Risk Sensitivity:

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- 25% increase in LGD, expected rating of A (sf).
- 50% increase in LGD, expected rating of A (sf).
- 25% increase in PD, expected rating of A (sf).
- 50% increase in PD, expected rating of A (sf).
- 25% increase in LGD and 25% increase in PD, expected rating of A (sf).
- 25% increase in LGD and 50% increase in PD, expected rating of A (sf).
- 50% increase in LGD and 25% increase in PD, expected rating of A (sf).
- 50% increase in LGD and 50% increase in PD, expected rating of A (sf).

For further information on DBRS historic default rates published by the European Securities and Markets Administration (“ESMA”) in a central repository, see:  
<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

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The rating methodologies and criteria used in the analysis of this transaction can be found at:  
<http://www.dbrs.com/about/methodologies>

- Legal Criteria for European Structured Finance Transactions.
- Derivative Criteria for European Structured Finance Transactions.

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- Master European Structured Finance Surveillance Methodology.
- Operational Risk Assessment for European Structured Finance Servicers.
- Unified Interest Rate Model for European Securitisations.
- Rating European Consumer and Commercial Asset-Backed Securitisations.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
BBVA Consumo 4 F.T.A.	Series A	Upgraded	AAA (sf)	--	Jun 18, 2014
BBVA Consumo 4 F.T.A.	Series B	Upgraded	A (sf)	--	Jun 18, 2014

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