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DBRS Upgrades Ratings on BBVA Consumo 6 F.T.A.

Bloomberg: DBRS Upgrades Ratings on BBVA Consumo 6 F.T.A.

Industry Group: Structured Finance

Sub-Industry: Credit Card & Consumer Lending

Region: Europe

DBRS Ratings Limited (DBRS) took the following rating actions on the bonds issued by BBVA Consumo 6 F.T.A. (the Issuer):

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

The rating actions on the Series A and Series B notes (together, the Notes) follow an annual review of the transaction and are based on the following analytical considerations as described more fully below:

- Portfolio performance, in terms of delinquencies and defaults.
- Updated default, recovery and loss assumptions on the remaining receivables.
- Current available credit enhancement to the Notes to cover the expected losses at the A (high) (sf) and BBB (sf) rating levels, respectively.

The Issuer is a securitisation of Spanish consumer loan receivables originated and serviced by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). The transaction closed in October 2014.

PORTFOLIO PERFORMANCE

As of July 2017, the 90+ delinquency ratio (excluding defaulted loans) was 2.01%. The current cumulative default ratio is low at 0.55%.

PORTFOLIO ASSUMPTIONS

DBRS has conducted a loan-level analysis of the collateral pool and decreased its cumulative net loss assumption to 7.80% from 8.94% at the DBRS initial rating. The main drivers for the decreased loss assumption are updated default and recovery data provided by BBVA.

CREDIT ENHANCEMENT

As of the July 2017 payment date, credit enhancement to the Series A notes was 46.7%, up from 22.0% at the October 2015 restructure. Credit enhancement to the Series B notes was 11.7%, up from 5.0% at the October 2015 restructure. Credit enhancement is provided by subordination of junior classes of notes and the Cash Reserve.

The transaction benefits from a Cash Reserve, currently at the target level of EUR 15 million. The Cash Reserve covers senior fees, interest and principal on the Notes.

BBVA is the account bank for the transaction. The account bank reference rating of "A" – being one notch below DBRS's public Long-Term Critical Obligations Rating of BBVA at A (high) – complies with the



Minimum Institution Rating given the rating assigned to the Series A Notes, as described in DBRS's "Legal Criteria for European Structured Finance Transactions" methodology.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the rating is the "Master European Structured Finance Surveillance Methodology". DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

A review of the transaction's legal documents was not conducted as the documents have remained unchanged since the most recent rating action.

Other methodologies referenced in this transaction are listed at the end of this press release. These may be found on www.dbrs.com at: <http://www.dbrs.com/about/methodologies>

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to the DBRS commentary "The Effect of Sovereign Risk on Securitisations in the Euro Area" at: <http://www.dbrs.com/industries/bucket/id/10036/name/commentaries>.

The sources of data and information used for these ratings include reports provided by Europea de Titulizacion S.A., S.G.F.T. and loan-level data from European DataWarehouse GmbH.

DBRS did not rely upon third-party due diligence in order to conduct its analysis. At the time of the initial rating, DBRS was not supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality.

DBRS does not audit or independently verify the data or information it receives in connection with the rating process.

The last rating action on this transaction took place on 18 October 2016, when DBRS upgraded the rating on the Series A notes to A (sf) from A (low) (sf) and confirmed the rating of the Series B notes at B (high) (sf).

Information regarding DBRS ratings, including definitions, policies and methodologies is available at www.dbrs.com.

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

-- DBRS expected a lifetime Base Case probability of default (PD) and loss given default (LGD) for the pool based on a review of the current assets. 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 loans for the Issuer are 9.51% and 82.03%, respectively.



-- The Risk Sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base-case assumption. For example, if the LGD increases by 50%, the rating of the Series A notes would be expected to remain at A (high) (sf), assuming no change in the PD. If the PD increases by 50%, the rating of the Series A notes would be expected to remain at A (high) (sf), assuming no change in the LGD. Furthermore, if both the PD and LGD increase by 50%, the rating of the Series A notes would be expected to fall to A (low) (sf).

Series A Notes Risk Sensitivity:

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

Series B Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of BB (high) (sf).
- 50% increase in LGD, expected rating of BB (low) (sf).
- 25% increase in PD, expected rating of BB (high) (sf).
- 50% increase in PD, expected rating of BB (low) (sf).
- 25% increase in PD and 25% increase in LGD, expected rating of BB (low) (sf).
- 25% increase in PD and 50% increase in LGD, expected rating of B (high) (sf).
- 50% increase in PD and 25% increase in LGD, expected rating of B (high) (sf).
- 50% increase in PD and 50% increase in LGD, expected rating of B (sf).

For further information on DBRS historic default rates published by the European Securities and Markets Authority ("ESMA") in a central repository, see:

<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

Ratings assigned by DBRS Ratings Limited are subject to EU and US regulations only.

Lead Analyst: Andrew Lynch, Assistant Vice President
Rating Committee Chair: Christian Aufsatz, Managing Director
Initial Rating Date: 9 October 2014

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

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

A description of how DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <http://www.dbrs.com/research/278375>

| <u>Issuer</u> | <u>Debt Rated</u> | <u>Rating Action</u> | <u>Rating</u> | <u>Trend</u> |
|-----------------------|-------------------|----------------------|---------------|--------------|
| BBVA Consumo 6 F.T.A. | Series A | Upgraded | A (high) (sf) | -- |
| BBVA Consumo 6 F.T.A. | Series B | Upgraded | BBB (sf) | -- |

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