MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Investors Service has today upgraded two tranches in Spanish consumer loans ABS of BBVA Consumo 7, FT

Global Credit Research - 24 Oct 2017

Frankfurt am Main, October 24, 2017 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of two tranches in BBVA Consumo 7, FT ("BBVA Consumo 7"). The rating action reflects (1) better than expected collateral performance and (2) the increased levels of credit enhancement for the affected notes.

Issuer: BBVA Consumo 7, FT

....EUR1239.7M Class A Notes, Upgraded to Aa2 (sf); previously on Jul 28, 2015 Definitive Rating Assigned Aa3 (sf)

....EUR210.3M Class B Notes, Upgraded to Baa3 (sf); previously on Jul 28, 2015 Definitive Rating Assigned B1 (sf)

The transaction is a revolving cash securitisation of consumer loans extended to obligors in Spain by Banco Bilbao Vizcaya Argentaria, S.A. (Baa1(cr)/P-2(cr), A3 LT Bank Deposits). The revolving period lasts 17 months and ended on the payment date falling in December 2016.

RATINGS RATIONALE

The rating action is prompted by better than expected collateral performance and deal deleveraging resulting in an increase in credit enhancement for the affected tranches.

Increase in Available Credit Enhancement

Due to the portfolio amortization the credit Enhancement level for Class A notes in BBVA Consumo 7 has increased to 26.4% from 19.0% at closing, At the same time, the credit enhancement for Class B notes have increased to 6.3% from 4.5% observed at closing.

Credit enhancement takes the form of subordination and reserve fund, which is funded at its target level. Since June 2017 the performance related trigger to stop the amortization of the target reserve fund has been breached. The non-amortization reserve fund provides the protection against further defaults and arrears in the current portfolio.

Revision of Key Collateral Assumptions

As part of the rating action, Moody's reassessed its default probability and recovery rate assumptions for the portfolio reflecting the collateral performance to date.

The performance of the transaction has continued to be stable since July 2015. As of September 2017, 90 days plus arrears stood 1.35% of current pool balance. Cumulative defaults currently stand at 0.26% of original pool balance plus replenishments.

The current default probability is 8.0% of the current portfolio balance, translating into a lower DP assumption of 4.0% as of original balance vs 8.0% at closing. Moody's left unchanged the fixed recovery rate of 20.0% and the portfolio credit enhancement of 19.0%.

The principal methodology used in these ratings was "Moody's Approach to Rating Consumer Loan-Backed ABS" published in September 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) a decrease in sovereign risk, (2) performance of the underlying collateral that is better than Moody's expected, (3) deleveraging of the capital structure and (4) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

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.

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.

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.

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