Moody's
INVESTORS SERVICE

NEW ISSUE REPORT

# BBVA EMPRESAS 4, FTA

ABS/SME Loans/Spain

**Closing Date**

21 July 2010

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## Definitive Ratings

| SERIES | RATING | AMOUNT (MILLION) | % OF NOTES | LEGAL FINAL MATURITY | COUPON | SUBORDI-NATION | RESERVE FUND | TOTAL CREDIT ENHANCEMENT* |
|---|---|---|---|---|---|---|---|---|
| Notes | **Aaa (sf)** | 1,700 | 100% | Feb-2045 | 3mEur +0.30% | 0.00% | 36.00% | 36.00% |
| **Total** | | **1,700** | **100** | | | | | |

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

* No benefit attributed to excess spread.

| | |
|---|---|
| Vscore for the sector: | Medium/High |
| Vscore for the subject transaction: | Medium/High |

The subject transaction is a cash securitisation of small- and medium-sized enterprise (SME) and corporate loans extended to obligors located in Spain, and is a static structure. The portfolio consists of standard loans, some secured by real estate and some unsecured, used to fund general working capital and long-term business expansion.

## Asset Summary

| | |
|---|---|
| Sellers/Originators: | Banco Bilbao Vizcaya Argentaria S.A. (BBVA) (Aa2/P-1/B-; Negative outlook) |
| Servicer(s): | BBVA (Aa2/P-1/B- negative outlook) |
| Receivables: | Standard loans mainly granted to Spanish companies of all sizes. |
| Methodology Used: | » Refining the ABS SME Approach: Moody's Probability of Default Assumptions In The Rating Analysis of Granular Small and Mid-sized Enterprise Portfolios in EMEA", March 2009 (SF141058)<br>» Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)<br>» Moody's Approach to Rating CDOs of SMEs in Europe, February 2007 (SF90480) |
| Model Used: | CDOROM & ABSROM |
| Total Amount: | €1,700 million |
| Length of Revolving Period: | Static |
| Number of Loans: | 4,723 |
| Number of Borrowers: | 4,432 |
| Effective Number: | 351 |
| WA Remaining Term: | 6.6 years |

*Moody's has developed a structured finance ratings indicator which takes the form of an "(sf)" and now appears after the rating wherever a rating for a specific structured instrument appears in a Moody's publication. A detailed list of Moody's-rated financial instruments to which the indicator will be added, as well as specific instruments to which it will not, along with the criteria used in building those lists, is included in an updated set of FAQs regarding Moody's compliance with changes to SEC rule 17g-5, and which is posted here.*

## Asset Summary (Continued)

| | |
|---|---|
| WA Seasoning: | 1.2 years |
| WAL Years: | 3.7 years (assuming 0% CPR) |
| Interest Basis: | 3.14% |
| WA Current LTV (First Lien): | 52% (100% of mortgage secured sub-pool is first lien) |
| Delinquency Status: | Only two small loans in arrears at closing (less than 30 days). |
| Default Rate Observed: | Specific historical information not made available for this deal. Monitoring information from previous deals made available. |
| Recovery Rate Observed: | Specific historical information not made available for this deal. Monitoring information from previous deals made available. |
| Coefficient of Variation: | Specific historical information not made available for this deal. Monitoring information from previous deals made available. |

## Liabilities, Credit Enhancement and Liquidity

| | |
|---|---|
| Excess Spread Range: | 0.50% guaranteed by the swap agreement |
| Credit Enhancement/Reserves: | 0.50% excess spread<br>36.0% reserve fund |
| Form of Liquidity: | Cash reserve and principal to pay interest |
| Number of Interest Payments Covered by Liquidity: | No liquidity line. However, at closing cash reserve covers more than 4 years of interest and senior fees even considering three-month EURIBOR equal to 4% and 0.5% of stressed senior fees |
| % of Reserve Fund Dedicated to Liquidity: | None. Cash reserve does not have a liquidity ledger. |
| Interest Payments: | Quarterly in arrears on each payment date |
| Principal Payments: | Pass-through on each payment date. |
| Payment Dates: | 23 February, 23 May, 23 August, 23 November<br>First payment date: 23 November 2010 |
| Hedging Arrangements: | Interest rate swap covering the interest rate risk |
| Excess Spread Range: | 0.50% guaranteed by the swap agreement |

## Counterparties

| | |
|---|---|
| Issuer: | BBVA EMPRESAS 4, FTA |
| Sellers/Originators: | BBVA (Aa2/P-1/B- ; negative outlook) |
| Servicer: | BBVA (Aa2/P-1/B- ; negative outlook) |
| Back-up Servicer: | None |
| Back-up Servicer Facilitator: | Europeda de Titulización plays this role as part of its functions as management company |
| Cash Manager: | Europea de Titulización S.G.F.T; S.A |
| Back-up Cash Manager: | None |
| Interest Rate Swap Counterparty: | BBVA (Aa2/P-1/B- ; negative outlook) |
| F/X Swap Counterparty: | Not applicable |
| Basis Counterparty: | Not applicable |
| Issuer Account Bank: | BBVA (Aa2/P-1/B- ; negative outlook) |
| Collection Account Bank: | BBVA (Aa2/P-1/B- ; negative outlook) |
| Paying Agent: | BBVA (Aa2/P-1/B- ; negative outlook) |
| Note Trustee (Management Company): | Europea de Titulización S.G.F.T; S.A (N.R) |
| Issuer Administrator: | Europea de Titulización S.G.F.T; S.A (N.R) |
| Arranger: | BBVA (Aa2/P-1/B- ; negative outlook) |
| Lead Managers: | BBVA (Aa2/P-1/B- ; negative outlook)<br>Europea de Titulización S.G.F.T; S.A (N.R) |
| Other Parties: | N/A |

## Moody's View

| | |
|---|---|
| **Outlook for the Sector:** | Negative |
| **Unique Feature:** | Asset type and structure previously seen in the market though not including subordinated tranches is not common. |
| **Degree of Linkage to Originator:** | BBVA will act as servicer, interest rate swap counterparty, issuer account bank (replacement eligible entity or a eligible guarantor will need to be found if BBVA is downgraded below P-1) and paying agent (replacement eligible entity or a eligible guarantor will need to be found if BBVA is downgraded below P-1). |
| **Originator's Securitisation History:** | |
| # of Precedent Transactions in Sector: | Eleven precedent SME transactions originated by BBVA (most rated by Moody's) |
| % of Book Securitised: | Around 15.4% of its total SME portfolio (this deal represents 2.8%) as of September 2010 |
| Behaviour of Precedent Transactions: | The performance of previous SME deals originated by BBVA is in line with the market average. |
| Key Differences between Subject and Precedent Transactions: | No relevant differences with most precedent transactions. |
| **Portfolio Relative Performance:** | |
| Default Rate Assumed/Ranking: | 17.1%/ In line with peer group. Comparison on Default Rate can be found in "Benchmark Analysis". |
| Coefficient of Variation Assumed on Default Rate/Ranking: | 48.5%/In line with volatility for peer group. Comparison on Default Rate can be found in "Benchmark Analysis". |
| Recovery Rate Assumed/Ranking: | 50%/In line with peer group. Comparison on Default Rate can be found in "Benchmark Analysis". |
| Delinquencies Observed in Portfolio: | Not made available. |
| Comment | |
| Potential Rating Sensitivity: | |
| Chart Interpretation: | When the rating was assigned, the model output indicated that the notes would have achieved a "Aa range" model output even if the cumulative mean DP was as high as 21.1% and even assuming a recovery rate as low as 45%. |
| Factors Which Could Lead to a Downgrade: | In addition to the counterparty linkage, the following factors may have a significant impact on the subject transaction's ratings: further deterioration in the real estate market (beyond the recovery lag and stress that was modelled) and regulatory changes either at national or regional level. |

*TABLE 1*

| | | RECOVERY RATE | | |
|---|---|---|---|---|
| | **PORTFOLIO WA PD ASSUMPTION**[3] | **50%** | **45%** | **40%** |
| **NOTES** | **17.1%** | **Aaa*** | Aa1 (1) | Aa1 (1) |
| | **19.1%** | Aa1 (1) | Aa1 (1) | Aa3 (3) |
| | **21.1%** | Aa2 (2) | Aa3 (3) | A1 (4) |

1. Results are model-indicated ratings, which are one of the many inputs considered by rating committees, which take quantitative and qualitative factors into account in determining actual ratings. The analysis assumes that the deal has not aged. The model does not intend to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if key rating input parameters were varied.

2. Results under base case assumptions indicated by ' * '. Change in model-indicated rating (# of notches) is noted in parentheses.

3. Moody's estimates a cumulative mean DP for the portfolio and the corresponding proxy rating applying its SME methodology, please refer to 'Refining the ABS SME Approach: Moody's Probability of Default Assumptions in the Rating Analysis of Granular Small and Mid-sized Enterprise Portfolios in EMEA' published in March 2009.

## Composite V Score

| BREAKDOWN OF THE V SCORES ASSIGNED TO | | | SECTOR | TRANSACTION | REMARKS |
|---|---|---|---|---|---|
| Composite Score: Low, Medium or High | | | M/H | M/H | |
| **1** | **Sector Historical Data Adequacy and Performance Variability** | | **M/H** | **M/H** | |
| | 1.1 | Quality of Historical Data for the Sector | M/H | M/H | » Same as sector score. |
| | 1.2 | Sector's Historical Performance Variability | M/H | M/H | » Same as sector score. |
| | 1.3 | Sector's Historical Downgrade Rate | M/H | M/H | » Same as sector score. |
| **2** | **Issuer/Sponsor/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure** | | **M/H** | **M/H** | |
| | 2.1 | Quality of Historical Data for the Issuer/Sponsor/ Originator | M/H | M/H | » Same as sector score.<br>» Internal ratings and scoring with the corresponding PD and LGD info has been provided as well on a line by line basis.<br>» Cumulative historical information on defaults and recoveries has been made available for previously securitized pools<br>» The information received on prepayments refers to the securitised portfolios as well. |
| | 2.2 | Issuer/Sponsor/Originator's Historical Performance Variability | M/H | M/H | » Same as sector score. |
| | 2.3 | Disclosure of Securitisation Collateral Pool Characteristics | L/M | L | » Detailed loan-by-loan data on an extensive list of fields has been provided for the analysis of the transaction.<br>» Information on BBVA's internal rating system (two models out of four already certified by the Bank of Spain) has been provided line by line: scoring, DPs, LGD, risk segments. |
| | 2.4 | Disclosure of Securitisation Performance | M | M | » Same as sector score.<br>» As for most deals in this mature market, Moody's has not received a specific template for the monitoring report. Expectations are that the management company Europea de Titulización will continue providing at least the same amount and quality of data as it is currently doing for previous deals. |
| **3** | **Complexity and Market Value Sensitivity** | | **M** | **M** | **» Same as sector score.** |
| | 3.1 | Transaction Complexity | M | M | » Same as sector score. |
| | 3.2 | Analytic Complexity | M | M | » Same as sector score. |
| | 3.3 | Market Value Sensitivity | M | M | » Same as sector score. |
| **4** | **Governance** | | **L/M** | **L/M** | |
| | 4.1 | Experience of, Arrangements Among and Oversight of Transaction Parties | L/M | L/M | » Same as sector score. |
| | 4.2 | Back-up Servicer Arrangement | L | L | » Same as sector score. No agreement in place due to the high rating of BBVA. |
| | 4.3 | Alignment of Interests | L/M | L/M | » Same as sector score. |
| | 4.4 | Legal, Regulatory, or Other Uncertainty | L/M | L/M | » Same as sector score. |

## Strengths and Concerns

### Strengths:

» **Companies size:** Around 26% of the portfolio are corporate (turnover > €50 million)

» **Short WAL:** the pool has a relatively short weighted-average remaining term (approximately 6.6 years) and weighted-average life (3.7 years) for SME deals. This implies a lower degree of uncertainty regarding Moody's quantitative assumptions.

» **Portfolio Security:** 43% of the portfolio is secured over first-lien Real Estate properties. Weighted Average Loan-to-Value (LTV) is 52%.

» **Hedging:** There is a strong swap agreement provided by BBVA (Aa2/-1) guaranteeing an excess spread of 0.50%.

» **Portfolio Arrears:** only two small loans in arrears (less than 30 days) have been included in the final portfolio.

» **Waterfall:** Very simple structure

» **Commingling risk:** If BBVA is downgraded below Baa3, it will fund a commingling reserve equal to one month of stressed collections.

» **Write-off mechanism:** The structure includes a 18-month artificial write-off mechanism.

### Concerns and Mitigants:

Moody's committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:

» **Exposure to real estate:** 40.6% of the portfolio is exposed to the Construction and Building sector (according to Moody's industry classification), and 14% correspond to loans granted to Real Estate developers. This feature has been taken into account in Moody's quantitative analysis as more fully explained in "Treatment of Concerns".

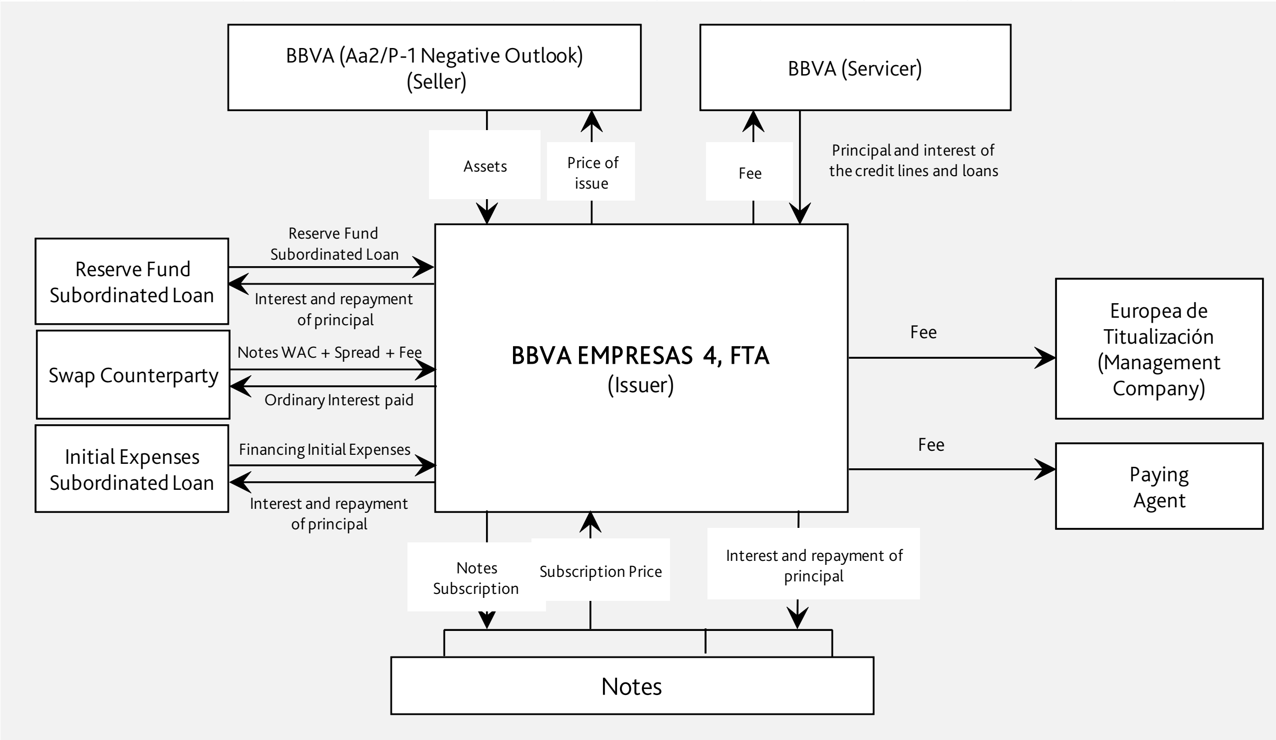
» **Bullet loans:** Bullet loans represent 8.5% of the securitised pool. This risk was treated in Moody's quantitative analysis as further explained under "Treatment of Concerns".

» **Grace periods:** 30.3% of the portfolio corresponds to loans currently in principal grace periods. This risk was treated in Moody's quantitative analysis again as further explained under "Treatment of Concerns"

## Structure, Legal Aspects and Associated Risks

*CHART 1*

**Structure Chart**




**Allocation of Payments/Waterfall:** On each quarterly payment date, the *Fondo's* available funds (i.e. amounts received from the portfolio, the reserve fund, amounts received under the swap agreement, and interest earned on the treasury account) will be applied in the following simplified order of priority:

1. Senior expenses
2. Swap payment : amount due under the swap agreement and swap termination payment if the Fondo is the defaulting or affected party
3. Interest on Series A
4. Principal repayment on Series A
5. Reserve fund replenishment
6. Junior costs

**Allocation of Payments/PDL mechanism:** A principal deficiency ledger (PDL) is defined as the negative difference between the principal available funds and a target principal amount. A target principal amount is the difference between the notes' outstanding principal (taking into account any amount withdrawn from the guarantee for principal payments) and the performing assets. A non-performing asset is defined as one with any amount due but unpaid for more than 18 months, one classified as such by the originator or one written off according to management's discretion.

The "artificial write-off" speeds up the amortisation of non-performing loans (NPLs); thus, the amount of notes collateralised by NPLs is minimised, and, consequently, the negative carry. However, the most significant benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

**Performance Triggers:**

| TRIGGER | CONDITIONS | CONSEQUENCE |
|---|---|---|
| Termination of Reserve Fund Amortisation | The arrears level exceeds 1.0%; or<br>The reserve fund is not funded at its required level on the corresponding payment date; or<br>Less than three years have elapsed since closing. | The target amount of the reserve fund will not be reduced on any payment date on which these occur |

**Reserve Fund:** The reserve fund has been funded up front with a subordinated loan granted by the originator for an amount equal to 36% of the notes. It provides both credit and liquidity protection to the notes.

After the first three years of the transaction, the reserve fund may amortise over the life of the transaction so that it amounts to the lower of the following amounts:

» 36% of the initial balance of the notes

The higher of:

» 72% of the outstanding balance of the notes

» 18% of the initial balance of the notes

It will be used to cover potential shortfalls on interest or principal on an ongoing basis.

## Assets:

### Asset transfer:

**True Sale:** According to the legal opinion received, the sale of credit rights has been carried out in compliance with Spanish securitisation law.

**Bankruptcy Remoteness**: Under Spanish securitisation law, a Spanish SPV (FTA/FTH) is not subject to the Spanish Insolvency Act. Only the management company, acting in the best interest of the noteholders, can decide to liquidate the *Fondo*.

**Claw-back risk upon default of the Originator:** Claw-back risk is limited to those activities performed during a period of two years prior to the declaration of the bankruptcy state, even in the absence of fraud. However, in no case the activities performed under the regular activity of the originator may be cancelled as the transfer of credit rights forms part of the normal activity of BBVA.

**Interest Rate Mismatch:** 23.4% of the portfolio corresponds to fixed-rate loans and 76.6% to floating-rate loans (mainly 3-month, 6-months and 12-months EURIBOR), whereas the notes will be floating liabilities (3-month EURIBOR). As a result, the *Fondo* will be subject to base rate mismatch risk on the floating portion of the portfolio (i.e. the risk that the reference rate used to compute the interest amount payable on the notes will differ from the interest rate payable on the underlying SME loans) and fixed-floating risk (i.e. the risk that the reference rate of the notes will differ from the interest rates payable on this portion of the portfolio).

**Mitigant:** The *Fondo* will enter into a swap agreement with BBVA to mitigate these risks and obtain a minimum level of excess spread. Under the swap agreement:

» The Fondo will pay BBVA the **ordinary interest** actually received from the loans.

» BBVA will pay the weighted-average interest rate on the notes plus **50 bppa** over a notional equal to the outstanding amount of non-delinquent loans and the servicer fee due on that payment date.

The *Fondo* will be exposed to reductions in the notional due to loans rolling into arrears over 90 days. If these loans become current again, the arrears amount, corresponding to ordinary interest, received from borrowers would be passed on to the swap counterparty.

The excess spread provided through the swap agreement constitutes the first layer of protection for investors.

The swap documentation complies with Moody's criteria for swap counterparties de-linkage.

**Cash Commingling:** BBVA collects all of the payments under the loans in its portfolio under a direct debit scheme into its account and transfers them weekly to a treasury account in the name of the SPV. As a result, in the event of insolvency of BBVA, until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by BBVA and may be commingled with other funds belonging to BBVA.

**Mitigant**: The following mechanisms have been put in place to mitigate this risk:

» Trigger in place to increase the sweeping frequency. If BBVA's short-term rating falls below P-1, it will transfer collections daily into the treasury account.

» If BBVA's long-term credit rating falls below Baa3, the originator will make a cash deposit for the benefit of the Fondo with an institution rated P-1, or arrange an first demand credit facility with a P-1 rated institution, in an amount equals to the estimated aggregate amount of loan repayment and interest instalments during the month with the highest collection of repayment and interest instalments from the downgrade date, assuming a loan delinquency rate equal to 0% and a CPR equal to 10%.

» Triggers are in place to protect the treasury account from a possible downgrade of the GIC provider's short-term rating. If BBVA's short-term rating falls below P-1, it will have find a suitably rated guarantor or substitute.

» BBVA's current high rating (Aa2/P-1, negative outlook) is a significant mitigant of the insolvency risk.

» BBVA may notify the debtors of the transfer of the loans and the new account to pay in. The management company also has the ability to carry out the notification.

**Set-off:** 100% of obligors have accounts with the seller.

**Mitigant:** Set-off is very limited because only unpaid instalments prior to the declaration of insolvency might be offset against the deposits hold by the debtors (considered as fully due and payable prior to the insolvency).

## Originator Profile, Servicer Profile and Operating Risks

| | |
|---|---|
| Date of Operations Review: | 24 July 2010 |

### Originator Background:

| | |
|---|---|
| Rating: | BBVA (Aa2/P-1/B- negative outlook) |
| Financial Institution Group Outlook for Sector: | Negative |
| Ownership Structure: | Not made available |
| Asset Size: | 60.2 billion of loans and credit to SMEs |
| % of Total Book Securitised: | Around 15.4% as of July 2010 |
| Transaction as % of Total Book: | 2.8% |
| % of Transaction Retained: | 100% |

### Servicer & Back-Up Servicer Background:

| | |
|---|---|
| Servicer and Its Rating: | BBVA (Aa2/P-1/B- negative outlook) |
| Total Number of Receivables Serviced: | N/A |
| Number of Staff: | Over 29,000 ( with over 5,000 branches) as of 31 December 2009 |
| **Servicer Assessment:** | |
| Strength of Back-up Servicer Arrangement: | N/A |
| Back-up Servicer and Its Rating: | N/A |
| Ownership Structure: | N/A |
| Regulated by: | N/A |
| Total Number of Receivables Serviced: | N/A |
| Number of Staff: | N/A |

### Originator Related Triggers

| | |
|---|---|
| Key Servicer Termination Events: | Insolvency; intervention by the Bank of Spain; breach of service's obligation resulting in being substituted as servicer; or at the request of the management company (acting in the best interest of the noteholders) |
| Downgrade of Original Servicer's Rating to Certain Level | N/A |
| Appointment of Back-up Servicer Upon: | N/A |
| Key Cash Manager Termination Events: | Insolvency |
| Notification of Obligors of True Sale | Insolvency; intervention by the Bank of Spain; breach of service's obligation resulting in being substituted as servicer; or at the request of the management company (acting in the best interest of the noteholders). |
| Conversion to Daily Sweep | Loss of BBVA's P-1 rating |
| Notification of Redirection of Payments to SPV's Account | Insolvency; intervention by the Bank of Spain; breach of service's obligation resulting in being substituted as servicer; or at the request of the management company (acting in the best interest of the noteholders). |
| Accumulation of Set Off Reserve | N/A |

| | |
|---|---|
| **Receivable Administration:** | |
| Method of Payment: | 100% by direct debit |
| % of Obligors with Account at Originator: | 100% |
| Distribution of Payment Dates: | Not made available. |

### Cash Manager:

| | |
|---|---|
| Cash Manager and Its Rating: | Europea de Titulización S.G.F.T; S.A (N.R) |
| Main Responsibilities: | » Keeping the Fund's accounts separate from the management company's.<br>» Complying with its formal, documentary and reporting duties to the CNMV, the rating agencies and any other supervisory body.<br>» Appointing and, if necessary, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.<br>» Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in the Prospectus.<br>» Checking that the mortgage credit income amount actually received by the Fund matches the amounts that must be received by the Fund, on the terms of issue of the pass-through certificates and on the terms of the relevant mortgage credits.<br>» Calculating and determining on each determination date the principal to be amortised and repaid on each bond series on the relevant payment date.<br>» Watching that the amounts credited to the treasury account return the yield set in the agreement.<br>» Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the bonds.<br>» Calculating the available funds, the available funds for the notes amortisation, the liquidation available funds and the payment or withholding obligations to be complied with, and applying the same in the priority of payments or, as the case may be, in the liquidation priority of payments.<br>» The management company may extend or amend the agreements entered into on behalf of the Fund, and substitute, as necessary, each of the Fund service providers on the terms provided for in each agreement. |

| | |
|---|---|
| Calculation Timeline: | Determination Date: Three days before the payment date. |
| Back-up Cash Manager and Its Rating: | Europea de Titulización is majority owned (over 80%) by BBVA |
| Main Responsibilities of Back-up Cash Manager: | *N/A* |

## Collateral Description

*CHART 2*

### Portfolio Breakdown by Year of Origination

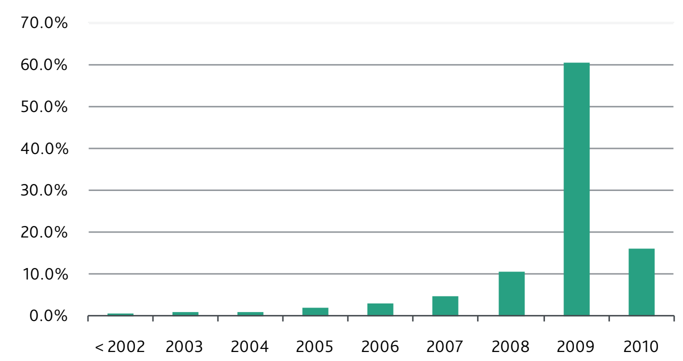



*CHART 3*

### Portfolio Breakdown by Year of Maturity

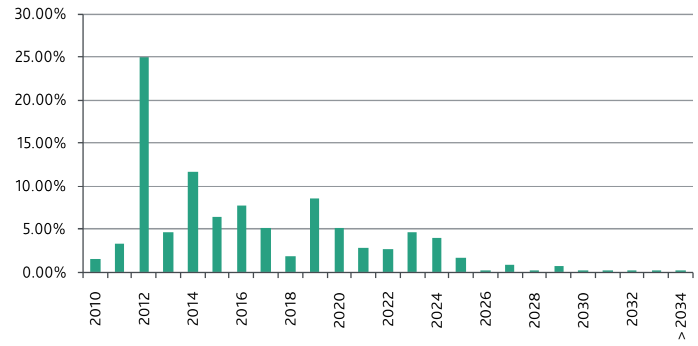



*CHART 4*

### Portfolio Breakdown by Industry Diversification

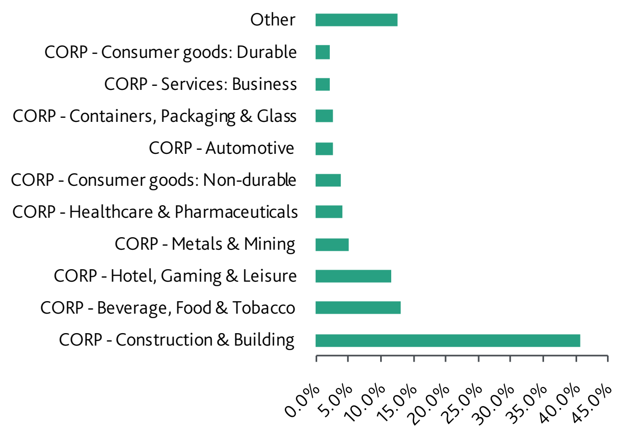



*CHART 5*

### Portfolio Breakdown by Guarantee Type

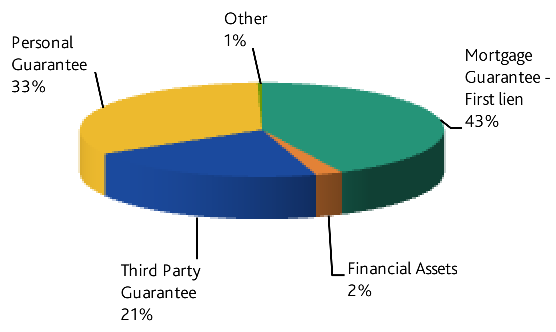



*CHART 6*

### Mortgage Guarantee breakdown by Property Type

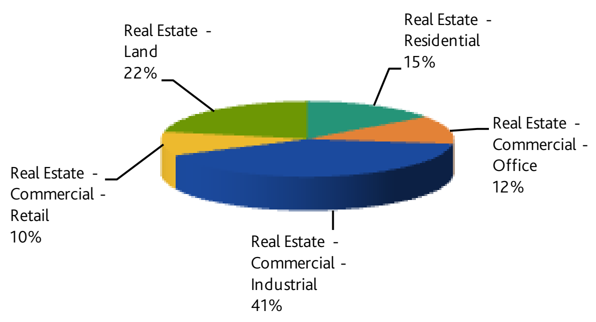
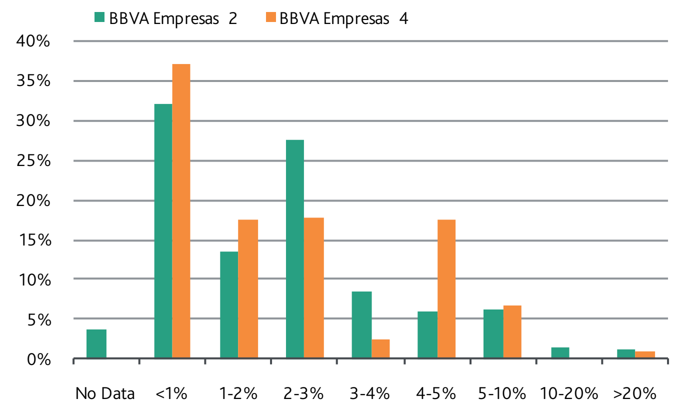



*CHART 7*

### 1 Year DP according to BBVA's Internal ratings (provisional pools)



**Audits:** Performed by Deloitte S.L. in compliance with the Spanish regulatory framework.

**Product Description:** The portfolio consists of standard loans extended to Spanish companies. Some are secured by real estate and some unsecured and all are used to fund general working capital and/or long-term business expansion. The portfolio breakdown by company size, is 24% Micro-enterprises (turnover less than €2 million), 50% SMEs (turnover between €2 million and €50 million) and 26% Corporate (turnover over €50 million). The loans were originated between 1996 and 2010, with a weighted-average seasoning of 1.2 years and a weighted-average remaining term of 6.6 years. The longest loan matures in January 2040. Geographically, the pool is concentrated in Catalonia (19%), Madrid (17.5%) and Valencia (11.6%). Loans are either subject to pre-defined amortisation calendar (28.4%), French amortisation (63.1%) and bullet amortisation (8.5%). The WA remaining term of the bullet loans is 1.8 yrs.

Around 30.3% of the portfolio corresponds to loans currently in principal grace periods and the average time to finish it is 7 months.

In terms of debtor concentration, the pool includes exposures up to 1.18% of the target issuance amount. Around 40% of the portfolio is concentrated in the "Construction and Builing" sector according to Moody's industry classification. The Real Estate Developer sector represents 14% of the total pool.

**Eligibility Criteria:**

*The key eligibility criteria are as follows:*

» The loans have been granted to non-financial enterprises located in Spain.

» The pool will not include lease contracts or syndicated loans

» The mortgaged real estate properties have been built and they are located in Spain

» The loans are repaid by direct debit.

» All loans are denominated in euros.

» 100% of the principal of the loans has been drawn.

» Refinancing loans as consequence of delinquency state are excluded

» All the loans are euro-denominated and have repaid at least one instalment.

| Additional Information on Borrowers: | | |
|---|---|---|
| Top Debtor Concentration: | 1.18% | |
| Top 5 Debtors: | 4.98% | |
| Top 10 Debtors: | 9.21% | |
| Top 25 Debtors: | 20.26% | |
| Industry Concentration: | Construction & Building<br>Beverage, Food & Tobacco<br>Hotel, Gaming & Leisure | 40.6%<br>13.0%<br>11.6% |
| Geographic Diversity: | Catalonia (19%), Madrid (17.5%) and Valencia (11.6%) | |

| Additional Information on Portfolio: | |
|---|---|
| Number of Contracts: | 4,723 |
| Type of Contracts: | 100% standard loans. |
| Contract Amortisation Style: | 63.1% French, 28.4% PACs, 8.5% Bullet |
| % Large Corporates: | 26% (annual turnover > €50 million) |
| % Bullet Loans: | 8.5% |
| % Real Estate Developers: | 14% |
| WA Interest Rate: | 3.14% |
| LTV(first-lien) (2): | 52% |
| Guarantees: | Mortgage - First lien 43%<br>Financial Asset 2%<br>Third party 21%<br>Personal 33%<br>Other 1% |
| Mortgage Guarantees: | Real Estate - Residential 15%<br>Real Estate - Commercial - Office 12%<br>Real Estate - Commercial - Industry 41%<br>Real Estate - Commercial - Retail 10%<br>Real Estate - Land - Urban 22% |

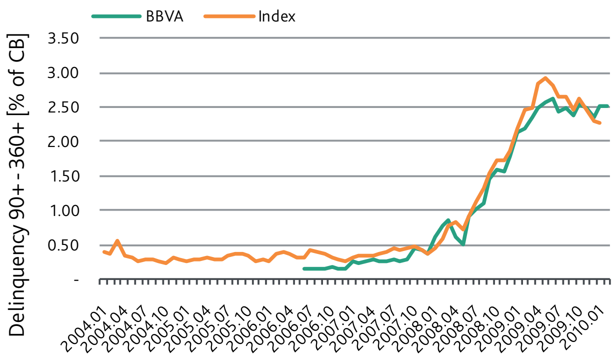
## Credit Analysis

**Precedent Transactions' Performance:** BBVA is one of the most active originators in the securitisation of SME loans in Spain. The performance of the originator's precedent transactions is average compared to the rest of Spanish originators in the SME segment.

As of April 2010, the 90-360 delinquencies for BBVA's deals were around 2.5% (very much in line with the market index).

*CHART 8*

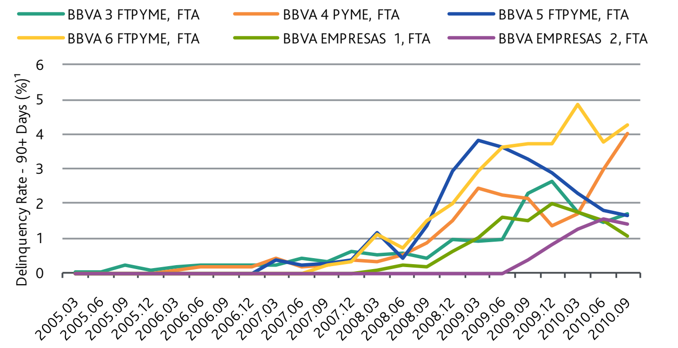
**Delinquencies 90 - 360 BBVA transactions vs. market index**




*Source: Moody's Investors Service, Moody's Performance Data Service (periodic investor/servicer reports)*

CHART 9

**Delinquencies 90+ in previous BBVA transactions**




Source: Moody's Investors Service, Moody's Performance Data Service (periodic investor/servicer reports)

**Default Definition:** The definition of a defaulted asset in this transaction is one which is more than 18 months in arrears or where the obligor is bankrupt.

**Data Quantity and Content:** Moody's has not received specific historical data (by quarter of origination) to perform a vintage analysis. However, Moody's has received historical information from the previous deals and line-by-line information on default probabilities according to BBVA's internal ratings/scorings for the provisional pool. The average Default Probability (over one year) and the Loss Given Default, according to BBVA's internal analysis, are equal to 4.6% and 32.7%, respectively.

In Moody's view, the quantity of data received is in line compared to transactions which have achieved high investment grade ratings in this sector.

**Assumptions:** Note other values within a range of the notional amount listed below may result in achieving the same ratings.

| Assumptions | |
|---|---|
| CPR: | 8% |
| Distribution: | Montecarlo |
| Default rate: | 17.1% |
| Stdev/mean: | 48.5% |
| Timing of default: | Flat over first 3.75 years |
| Recoveries: | Mean 50% (stochastic recoveries) |
| Recovery lag: | 50% (in 2nd year after default) and 50% (in 3rd year) |
| Correlation Default/ Recoveries: | 20% |
| Amortisation profile: | Actual pool amortisation |
| Fees: | 0.50% |
| Fees floor: | €25,000 |
| Euribor (three-month): | 4% |
| PDL definition: | 18 months |
| Write-off: | 18 months |

**Derivation of default rate assumption:** Moody's analysed the performance monitoring data on previous deals as well as other sources of information (like macroeconomic data) to determine the default assumption.

Moody's has complemented the monitoring data analysis with a top-down approach, as detailed below.

Moody's split the portfolio into three sub-pools based on the economic sector in which the debtor was active: (i) construction and building; (ii) Real Estate Developer (iii) all other industries. Moody's rating proxies assumed are shown in the table below.

| BORROWER'S MAIN SECTOR OF ACTIVITY | RATING PROXY |
|---|---|
| Construction & building | B2 |
| Real Estate Developer | Caa1 |
| Other industries | Ba3 |

The above assumptions include some adjustments that take into account the current macro-economic environment (generally in the range of one-two notches) as well as the originator's underwriting ability. BBVA´s default rates is average the Spanish markets (see Chart 8), therefore Moody's has taken into consideration the current performance of BBVA's SME deals in its assumptions.

Moody's further adjusted the assumptions to account for the size of the companies (one notch down for micro and small enterprises). Finally, we also adjusted the PD assumptions according to the loan characteristics. For bullet loans the PD was increased considering an additional one year exposure to default at the time of refinancing. For loans with current or potential principal grace period or potential holiday payment an additional 10% PD stress was applied.

The standard deviation of the default distribution was determined (using CDOROM) by splitting the portfolio into 35 sectors of activity and assuming a fixed pair-wise correlation parameter where the inter-industry correlation was stressed to 5%.

**Timing of defaults:** Moody's tested several timing of default curves to assess the robustness of the ratings. In the base-case scenario, the timing of defaults curve assumed is flat over 3.75 years (with a 18-month lag).

**Derivation of Recovery Rate Assumption***:* Assumptions for recoveries were made on the basis of (i) historical recovery information available from previous deals of BBVA: (ii) statistical information on the Spanish SME market; (iii) feedback from Moody's corporate team; and (iv) other quantitative and pool derived aspects. Regarding the last point, Moody's estimated the recovery rate on the secured portion of the portfolio based on the property valuation data, applying conservative haircuts to take into account property price deflation and associated costs to the recovery process. Moody's has taken into consideration the proportion of loans backed by first-lien mortgage loans (43%), the low WALTV (52%) and the type of properties.

**Modelling Approach:** Given the number of assets and the size of the largest exposures in the portfolio, Moody's derived the gross default distribution curve through a two-factor Monte-Carlo approach using CDOROM tool, rather than assuming that it follows a given general density law.

Two basic parameters needed to be assessed as main inputs for the model as follows:

- The default probability contribution of each single entity
- The correlation structure among the different industries represented in the portfolio

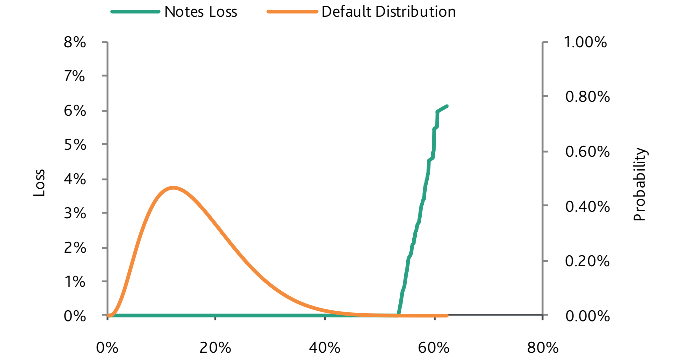
Moody's tested the credit enhancement levels by using ABSROM cash flow model, which has been adjusted to take into account a number of structural features.

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's analysed the strength of triggers to reduce the exposure of the portfolio to originator or servicer bankruptcy.

To determine the rating assigned to each series of notes, Moody's used an expected loss methodology that reflected the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cashflow model that reproduced many deal-specific characteristics: the main input parameters of the model have been described above. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes as well as the expected average life. Moody's then compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings assigned to each series of notes.

*CHART 10*

**Defaults Distribution and Loss Sensitivity**




## Treatment of Concerns:

» **Exposure to real estate:** Approximately 40.6% of the portfolio is exposed to the Construction and Building sector (according to Moody's industry classification) and 14% correspond to loans granted to Real Estate developers. Moody's assumed a higher default probability for obligors operating in this industry (rating proxy equal to B2 and Caa1 respectively) than for the rest of obligors (rating proxy equal to Ba3). BBVA´s default rates have recently deteriorated, although they remain in line with the market average.

» **Bullet loans and grace periods:** The portfolio has a high exposure to bullet loans and loans with principal grace periods (approximately 8.5% of the pool correspond bullet and 30.3% benefits from a grace periods). Moody's has adjusted the PD assumptions according to these loan characteristics. For bullet loans the PD was increased considering an additional one year exposure to default at the time of refinancing and for loans in grace period an additional 10% PD stress was applied.

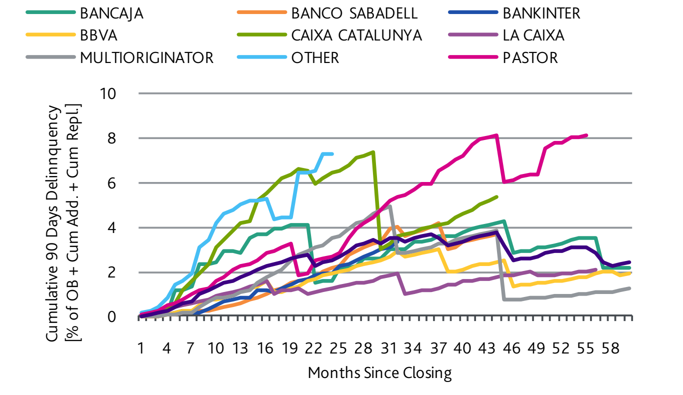
## Benchmark Analysis

**Performance Relative to Sector:** Chart 12 shows the outstanding proportion of cumulative delinquencies in Moody's rated Spanish SME transactions grouped by originator. Please note that performance shown is affected by several factors, such as the age of the transaction, the pool specifics characteristics, the presence of a revolving period, etc. The performance of BBVA's transactions is better than the index even though its default rates have recently deteriorated.

*CHART 11*

**Spanish SME 90+ Cumulative delinquencies**

(by Originator)




*Source: Moody's Investors Service, periodic investor reports*

## Benchmark Table Best practice:

| DEAL NAME | BBVA EMPRESAS 4, FTA | FONCAIXA FTGENCAT 7, FTA | FTGENVAL TDA CAM 1, FTA | FONCAIXA EMPRESAS 1, FTA |
|---|---|---|---|---|
| COUNTRY | SPAIN | SPAIN | SPAIN | SPAIN |
| Closing Date | 21/07/2010 | 01/10/2009 | 08/07/2009 | 23/03/2009 |
| Currency of Rated Issuance | Euro | Euro | Euros | Euros |
| Rated Notes Volume (excluding NR and Equity) | 1,700,000,000 | 1,000,000,000 | 200,000,000 | 6,000,000,000 |
| Originator | BBVA | "la Caixa" | Caja de Ahorros del Mediterráneo ("CAM") | "la Caixa" |
| Long-term Rating1 | Aa2 | Aa2 | A3 | Aa1 |
| Short-term Rating1 | P-1 | P-1 | P-2 | P-1 |
| Servicer1 | BBVA | "la Caixa" | CAM | "la Caixa" |
| Long-term Rating1 | Aa2 | Aa2 | A3 | Aa1 |
| Short-term Rating1 | P-1 | P-1 | P-2 | P-1 |
| Contract Information (as % Total Pool) | | | | |
| (Fully) amortising contracts % | 91.5% | 98.40% | 100.00% | 95.90% |
| Bullet / balloon contracts % | 8.5% | 1.60% | 0.00% | 4.10% |
| Monthly paying contracts % | 51.6% | 92.00% | 82.30% | 94.00% |
| Quarterly paying contracts % | 39.1% | 4.00% | 15.10% | 3.70% |
| Semi-annually paying contracts % | 9.30% | 1.00% | 1.30% | 1.00% |
| Annually paying contracts % | 0.00% | 1.00% | 0.60% | 1.40% |
| Method of payment - Direct Debit (minimum payment) | 100% | 100% | 100% | 100% |
| Floating rate contracts % | 76.60% | 85.70% | 96.20% | 97.00% |
| Fixed rate contracts % | 23.40% | 14.30% | 3.80% | 3.00% |
| WA initial yield (Total Pool) | 3.14% | 4.55% | 3.87% | 5.31% |
| WAL of Total Pool (in years) | 3.7 | 3.5 | 5.2 | 4.4 |
| WA seasoning (in years) | 1.2 | 2.1 | 1.4 | 2.7 |
| WA remaining term (in years) | 6.6 | 7.8 | 9.5 | 11.8 |
| Portfolio share in arrears > 30 days % | 0.00% | 0.00% | 0.00% | 0.00% |
| No. of contracts | 4,723 | 29,901 | 1,827 | 33,742 |
| Obligor Information (as % Total Pool) | | | | |
| No. of obligors | 4,432 | 16,105 | 3,689 | 25,855 |
| Name 1st largest industry | Construction & Building | Construction & Building | Services: Business | Construction & Building |
| 2nd largest industry | Beverage, Food & Tobacco | Beverage, Food & Tobacco | Construction & Building | Diversified/Conglomorated Sector |
| 3rd largest industry | Hotel, Gaming & Leisure | Consumer goods: Non-durable | Hotel, Gaming & Leisure | Hotel, Gaming & Leisure |
| Size % 1st largest industry | 40.6% | 32.80% | 16.40% | 27.89% |
| 2nd largest industry | 13.0 % | 7.00% | 15.70% | 17.39% |
| 3rd largest industry | 11.6% | 6.80% | 9.90% | 7.91% |
| Effective Number (obligor group level) | 351 | 2,010 | 564 | 928 |
| Single obligor (group) concentration % | 1.18% | 0.59% | 1.08% | 2.03% |
| Top 10 obligor (group) concentration % | 9.21% | 3.85% | 6.60% | 10.60% |
| Collateral Information (as % Total Pool) | | | | |
| WA RE collateralisation level (WA LTV) | 43% | 61.60% | 59.30% | 53.00% |
| Collateralised by first lien mortgage | 43% | 8.80% | 31.00% | 62.30% |
| Geographical Stratification (as % Total Pool) | | | | |
| Name 1st largest region | Catalonia | Catalonia | Alicante | Madrid |
| 2nd largest region | Madrid | | Valencia | Catalonia |
| 3rd largest region | Valencia | | Murcia | Andalusia |
| Size % 1st largest region | 19% | 100.00% | 30.20% | 27.01% |
| 2nd largest region | 17.5% | | 11.51% | 30.30% |
| 3rd largest region | 11.6% | | 10.61% | 15.28% |
| Asset Assumptions | | | | |
| Gross default / Net loss definition in this deal | 18 months | 12 months | 12 months | 12 months |
| Type of default / loss distribution | User Defined | Inverse Normal | User Defined | Inverse Normal |

| DEAL NAME | | BBVA EMPRESAS 4, FTA | FONCAIXA FTGENCAT 7, FTA | FTGENVAL TDA CAM 1, FTA | FONCAIXA EMPRESAS 1, FTA |
|---|---|---|---|---|---|
| COUNTRY | | SPAIN | SPAIN | SPAIN | SPAIN |
| Moody's equivalent rating for Non-RE subpool | | Ba3 | Ba2 | B1 | Ba3 |
| Moody's equivalent rating for RE subpool | | B2 | Ba3 | NA | B1 |
| Mean gross default rate - initial pool | | 17.10% | 17.30% | 23.00% | 13.00% |
| Stdev. | | 8.3% | 7.80% | 8.63% | 5.85% |
| CoV | | 48.5% | 45.11% | 37.50% | 45.00% |
| Stochastic Recoveries modelled? | | Yes | Yes | No | Yes |
| Mean recovery rate | | 50% | 58.00% | 50.00% | 58.00% |
| Stdev. recovery rate (if any) | | 20.00% | 20.00% | NA | 20.00% |
| Recovery lag (in months) | | - | 21.38 | 21.38 | 90.00 |
| Correlation severity / default | | 10.00% | 10.00% | NA | 10.00% |
| Correlation severity | | 10.00% | 10.00% | NA | 10.00% |
| Prepayment Rate(s) | | 8% | 5% | 5% | 7% |
| Fees | | 0.50% outstanding balance / 25,000 floor | 0.50% outstanding balance / 25,000 floor | 0.50% outstanding balance / 25,000 floor | 0.50% outstanding balance / 25,000 floor |
| Capital structure (as % Total Pool) | | | | | |
| Size of | Aaa rated class | 100.00% | 87.00% | 80.00% | 87.25% |
| | Aa3 rated class | | | | |
| | A3 rated class | | 2.50% | | |
| | Baa3 rated class | | 10.50% | | 4.75% |
| | Ba3 rated class | | | | 8.00% |
| | B2 rated class | | | 20.00% | |
| | Equity | | | | 10.50% |
| Reserve fund | | 36.00% | 15.50% | 15.30% | 10.50% |

## Parameter Sensitivities

Parameter Sensitivities provide a quantitative, model-indicated calculation of the number of notches that a Moody's-rated structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary.

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed nine scenarios derived from the combination of mean default rate: 17.1% (base case), 19.1% (base + 2%) and 21.1% (base + 4%) and recovery rate: 50% (base case), 45% (base – 5%) and 40% (base – 10%). The 19.1% - 50% scenario represents the base case assumptions used in the initial rating process.

The charts below show the parameter sensitivities for this transaction with respect to all Moody's rated tranches*.

*TABLE 2*

| | | RECOVERY RATE | | |
|---|---|---|---|---|
| | Portfolio WA PD Assumption[3] | 50% | 45% | 40% |
| NOTES | 17.1% | **Aaa*** | Aa1 (1) | Aa1 (1) |
| | 19.1% | Aa1 (1) | Aa1 (1) | Aa3 (3) |
| | 21.1% | Aa2 (2) | Aa3 (3) | A1 (4) |

* Results under base case assumptions indicated by asterisk ' * '.

Change in model-indicated rating (# of notches) is noted in parentheses.

Results are model-indicated ratings, which are one of the many inputs considered by rating committees, which take quantitative and qualitative factors into account in determining actual ratings. The analysis assumes that the deal has not aged. The model does not intend to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if key rating input parameters were varied.

**Worst-case scenarios:** When the rating was assigned, the model output indicated that the notes would have achieved a "Aa range" model output even if the cumulative mean DP was as high as 21.1% and even assuming a recovery rate as low as 45%.

## Monitoring

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

**Originator Linkage:** BBVA will act as servicer, interest rate swap counterparty, issuer account bank (replacement eligible entity or a eligible guarantor will need to be found if BBVA is downgraded below P-1) and paying agent (replacement eligible entity or a eligible guarantor will need to be found if BBVA is downgraded below P-1).

**Significant Influences:** In addition to the counterparty issues noted, the following factors may have a significant impact on the subject transaction's ratings: further deterioration in the real estate market beyond the recovery lag and stress which was modelled.

| COUNTERPARTY RATING TRIGGERS | CONDITION | REMEDIES |
|---|---|---|
| Interest Rate Swap Counterparty | In accordance with Moody's swap guidelines* | |
| Issuer Account Bank | Loss of P-1 | Replace/Eligible guarantor |
| Servicer | NA | |
| Liquidity Facility Provider | NA | |
| Other | | |

* See Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Transactions Moody's Methodology, 15 May 2006.

**Monitoring Report:** Moody's has reviewed the standard monitoring report (publicly available at the management company website for previous similar deals) and would like to receive the following important data in addition to the information reflected on the report:

» All the transaction's triggers details

» The amount of gross excess spread before write offs

» Quarterly loan-by-loan pool evolution reports (including recovery data)

## Moody's Related Research

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

### Methodologies

- Refining the ABS SME Approach: Moody's Probability of Default assumptions in the rating analysis of granular Small and Mid-sized Enterprise portfolios in EMEA", March 2009 (SF141058)
- Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)
- Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Cashflow Transactions Moody's Methodology, May 2006 (SF73248)

### Performance Overviews

- BBVA Empresas 2, Fondo de Titulización de Activos
- BBVA Empresas 1, Fondo de Titulización de Activos
- BBVA-6 FTPYME, Fondo de Titulización de Activos
- BBVA-5 FTPYME, Fondo de Titulización de Activos
- BBVA-4 PYME, Fondo de Titulización de Activos
- BBVA-3 FTPYME, Fondo de Titulización de Activos

### Pre-Sale Reports

- BBVA Empresas 2, Fondo de Titulización de Activos, March 2009 (SF165010)
- BBVA Empresas 1, Fondo de Titulización de Activos, October 2007 (SF112316)
- BBVA-6 FTPYME, Fondo de Titulización de Activos, June 2007 (SF99887)
- BBVA-5 FTPYME, Fondo de Titulización de Activos, October 2006 (SF83565)
- BBVA-4 PYME, Fondo de Titulización de Activos, September 2005 (SF61111)
- BBVA-3 FTPYME, Fondo de Titulización de Activos, November 2004 (SF47008)

### Special Reports

- Spanish SME Performance Indeces – July 2010, (SF218559)
- Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread", January 2004 (SF29881)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

## Appendix 1: Originator's Underwriting and Collection Practices

| | |
|---|---|
| **Originator Ability:** | With total assets of EUR 543 billion at the end of 2008, BBVA is the second-largest banking group in Spain. Excluding international operations, however, BBVA is Spain's leading domestic bank with market shares around 12.5% in loans and 14% in deposits, positioned closely behind Banco Santander and Caja de Ahorros y Pensiones de Barcelona (La Caixa) with nationwide market shares of about 10% each. The Iberian franchise contributes to around 52% of net income. BBVA has also built up a solid franchise in Latin America, holding a 15% share of both loans and deposits as at December 2008, and a leading position in the pension fund business, with a market share of 23.1% in the region. BBVA's market positioning is particularly strong in Mexico through its subsidiary BBVA Bancomer; it has the largest banking franchise in Mexico with an undisputed leadership in retail. These leading positions in Spain and Mexico - where about 85% of the group's profits are generated - translate into very high scores for market share and sustainability as well as for geographic diversification |
| Sales and Marketing Practices: | » Number employees: Around 29,000<br>» Origination channels (on average for total bank's portfolio): Branch (100%) as broker origination was stopped by the end of 2007<br>» Incentive-based compensation: yes |
| Underwriting Policies and Procedures: | » Underwriting function is provided by 3,300 branches organised in 69 regional sub-areas, which are coordinated by seven regional areas.<br>» Authorisation level is based on the loan amount and scoring/rating result, and varies by branch type and employee level. There are six employee levels that represent the degrees of experience.<br>» Exceptions are very infrequent.<br>» Loan credit is analysed based on borrower payment capacity and borrower profile. All loans go through the rating/scoring system and there are a number of filters.<br>» Credit history and indebtedness checks are performed through CIRBE and ASNEF. Internal information on BBVA customer accounts is also searched. |
| Collateral Valuation Policies and Procedures: | » Valuation process: In line with standard practise in the market (valuators certified by the Bank of Spain) |
| Closing Policies and Procedures: | » BBVA has a specialised centre that handles all the paperwork and takes care of reconciliation of system data and origination files. |
| Credit Risk Management: | » Bad loan performance is assessed relative to the characteristics of the loans in the branch in order to detect actual servicing weaknesses; the issue is passed onto the area servicing head.<br>» BBVA has a proactive approach towards risk throughout the whole life of the loan during the surveillance and origination process. Risk control is carried out by an experienced team using specialised, internally developed tools. |
| **Originator Stability:** | – |
| Quality Controls and Audits: | » Regular loan book audits at branch level and central risk department level.<br>» Audits of underwriting practices to policy compliance are performed on a regular basis by internal and external auditors as well as the Bank of Spain.<br>» The servicing collection activities are under the same code of conduct, internal and external auditing procedures as the rest of the activities of the bank.<br>» BBVA has a fraud prevention department. There is an internal code of conduct whereby, in case of suspicion, all employees know how to proceed and transfer the deal to the fraud prevention department for its analysis. |
| Regulated by: | » Bank of Spain |
| Management Strength and Staff Quality | » Staff has access to policies via the intranet.<br>» BBVA has 225 direct employees to help with underwriting. Otherwise, the bank works closely with various external companies that help with some mechanical parts of the process, such as telephone calls.<br>» Employees are trained on a continuous basis to meet area and market needs. |
| Technology | » Centralised system to list borrowers in arrears and new arrears daily, notify the branches and manage letters.<br>» Integrated system for arrears management and reporting.<br>» A back-up system is in place and there is currently work in progress on an improved system to reduce disaster recovery times.<br>» Back-up servers are in a different location.<br>» There is a contingency plan in place and quarterly tests on the back up system. |
| **Arrears Management:** | |
| Number of Receivables per Collector: | » No data available |
| Staff Description: | » 225 employees in central offices dedicated to servicing.<br>» Staff turnover varies depending on the phase. In the early stage of the arrears, the branch network and specialised employees are involved. The average tenure within the company in these departments is 3-4 years. For the late-stage arrears, there is a more specialised workforce with an experience of 15-20 years within the company, since more judicial and banking knowledge is needed.<br>» Compensation is linked to collection performance through a bonus scheme. |
| Early Stage Arrears Practices: | » Automated alert and messaging system. Separate process for clients (six or more months of open account history) and no clients.<br>» Branch employees are assigned delinquent borrowers to manage the arrears and foreclosure process.<br>» Arrangement of face-to-face meetings in the early arrears.<br>» Workload prioritisation by the higher loan principal balance. |
| Late Stage Arrears Practices: | » Loan is passed to the late arrears and foreclosure team after 90 days.<br>» Creation of a late arrears and foreclosure department as a separate centralised business unit (early 2008).<br>» In-house legal team<br>» Late-arrears management provided by central services after 90 days and until the case is filed to court. This is in addition to the arrears management activities of the branch. |
| Average Time to Repossess: | » Not available |
| Loan Modifications: | » In line with market general practises. |

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