

## NEW ISSUE REPORT

## BBVA EMPRESAS 5, FTA

ABS/SME Loans/Spain

### Closing Date

14 March 2011

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### Definitive Ratings

Series	Original Rating	Amount (€ Million)	% Of Notes	Legal Final Maturity	Coupon	Subordi- Nation	Reserve Fund	Total Credit Enhancement*
Series A	Aaa(sf)**	975	78%	Sept-2052	3mEurib+0.3%	22%	20%	42%
Series B	A3(sf)	275	22%	Sept-2052	3mEurib+0.5%	0%	20%	20%
<b>Total</b>		<b>1,250</b>	<b>100%</b>					

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.

\*\* **Current rating of Series A: Aa2(sf)**. This tranche was downgraded following the lowering of the highest achievable structured finance ratings in Spain (please see the announcement '[Moody's lowers the highest achievable structured finance ratings in Italy, Portugal and Spain following the recent sovereign rating actions](#)', published on 17 February 2012)

Vscore for the sector: Medium/High

Vscore for the subject transaction: Medium/High

The subject transaction is a cash securitisation of a €1,250 million static pool comprising loans extended to small and medium-sized enterprise (SME) and corporate obligors located in Spain. 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 (definitive pool as of closing date)

Sellers/Originators:	Banco Bilbao Vizcaya Argentaria S.A. (BBVA) (Aa3/P-1/B-; on review for possible downgrade)*
Servicer(s):	BBVA
Receivables:	Standard loans granted to Spanish SMEs and corporates
Methodology Used:	<ul style="list-style-type: none"> <li>» <a href="#">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)</a></li> <li>» <a href="#">Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)</a></li> <li>» <a href="#">Moody's Approach to Rating CDOs of SMEs in Europe, February 2007 (SF90480)</a></li> </ul>
Model Used:	CDOROM & ABSROM
Total Amount:	€1,250 million
Length of Revolving Period:	Static
Number of Loans:	6,339
Number of Borrowers:	6,106
Effective Number:	211
Weighted Average (WA)	8.1 years at closing (9 years at loan origination)
Remaining Term:	

\* as of closing BBVA's rating was Aa2 on review for possible downgrade/P-1

## Asset Summary (Continued)

WA Seasoning:	0.6 years
WAL Years:	3.8 years (assuming 0% CPR)
Interest Basis:	2.92%
WA Current LTV (First Lien):	52.8% (all mortgages in the portfolio are first-lien)
Delinquency Status:	0.6% up to 30 days in arrears

## Liabilities, Credit Enhancement and Liquidity

Excess Spread Range:	0.50% Guaranteed by the swap agreement
Credit Enhancement/Reserves:	0.50% Excess spread 20% Reserve fund Subordination of the notes
Form of Liquidity:	Cash reserve Principal-to-pay-interest mechanism (single waterfall) Excess spread
Number of Interest Payments Covered by Liquidity:	At closing cash reserve covers more than two 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:	14 March, 14 June, 14 September, 14 December First payment date: 14 June 2011
Hedging Arrangements:	Interest rate swap covering the interest rate risk (and providing guaranteed excess spread).

## Counterparties

Issuer:	BBVA EMPRESAS 5, FTA
Sellers/Originators:	BBVA
Servicer:	BBVA
Back-up Servicer:	None
Back-up Servicer Facilitator:	Europea de Titulización (N.R) plays this role as part of its function as management company
Cash Manager:	Europea de Titulización S.G.F.T; S.A
Back-up Cash Manager:	None
Interest Rate Swap Counterparty:	BBVA
F/X Swap Counterparty:	Not applicable
Basis Counterparty:	Not applicable
Issuer Account Bank:	BBVA
Collection Account Bank:	BBVA
Paying Agent:	BBVA
Note Trustee (Management Company):	Europea de Titulización S.G.F.T; S.A
Issuer Administrator:	Europea de Titulización S.G.F.T; S.A
Arranger:	BBVA
Lead Managers:	BBVA
Other Parties:	N/A

## Moody's View

<b>Outlook for the Sector:</b>	Negative
<b>Unique Feature:</b>	Asset type and structure previously seen in the market.
<b>Degree of Linkage to Originator:</b>	BBVA will act as servicer (a back-up servicer will be appointed if BBVA is downgraded below Baa3), interest rate swap counterparty, issuer account bank (a replacement eligible entity or an eligible guarantor will need to be found if BBVA is downgraded below P-1) and paying agent (a replacement eligible entity or an eligible guarantor will need to be found if BBVA is downgraded below P-1).
<b>Originator's Securitisation History:</b>	
# of Precedent Transactions in Sector:	12 precedent SME transactions originated by BBVA (most rated by Moody's).
% of Book Securitised:	Around 10.6% of its total SME portfolio (this deal represents 1.8%) as of December 2011.
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.
<b>Portfolio Relative Performance:</b>	
Default Rate Assumed/Ranking:	14.9% In line with peer group. Comparison can be found in "Benchmark Analysis".
Coefficient of Variation Assumed on Default Rate/Ranking:	42.6% In line with volatility for peer group. Comparison can be found in "Benchmark Analysis".
Recovery Rate Assumed/Ranking:	47.5% In line with peer group. Comparison can be found in "Benchmark Analysis".
Delinquencies Observed in Portfolio:	N/A
Comment	
<b>Potential Rating Sensitivity:</b>	
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 probability of default (PD) was as high as 19.4% and even assuming a recovery rate as low as 37.5%.
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.

## EXHIBIT 1

	Portfolio WA PD Assumption		Recovery Rate		
	14.9%	17.1%	47.5%	42.5%	37.5%
Series A	14.9%	17.1%	Aaa(sf)*	Aaa(sf) (0)	Aaa(sf) (0)
	17.1%	19.4%	Aaa(sf) (0)	Aaa(sf) (0)	Aa1(sf) (1)
	19.4%		Aaa(sf) (0)	Aa1(sf) (1)	Aa1(sf) (1)
Series B	14.9%	17.1%	A3(sf)*	A3(sf) (0)	Baa1(sf) (1)
	17.1%	19.4%	Baa1(sf) (1)	Baa2(sf) (2)	Baa3(sf) (3)
	19.4%		Baa3(sf) (3)	Baa3(sf) (3)	Ba1(sf) (4)

- 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.
- Results under base case assumptions indicated by '\*'. Change in model-indicated rating (# of notches) is noted in parentheses.
- 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.
- Please note:** Series A was downgraded to Aa2(sf) from Aaa(sf) following the lowering of the highest achievable structured finance ratings in Spain (please see the announcement '[Moody's lowers the highest achievable structured finance ratings in Italy, Portugal and Spain following the recent sovereign rating actions](#)', published on 17 February 2012)

## Composite V Score

Breakdown Of The V Scores Assigned To		Sector	Transaction	Remarks
Composite Score: Low, Medium or High		M/H	M/H	
<b>1</b>	<b>Sector Historical Data Adequacy and Performance Variability</b>	<b>M/H</b>	<b>M/H</b>	
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.
<b>2</b>	<b>Issuer/Sponsor/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure</b>	<b>M/H</b>	<b>M/H</b>	
2.1	Quality of Historical Data for the Issuer/Sponsor/Originator	M/H	M/H	» Same as sector score. » Internal ratings and scoring with the corresponding probability of default (PD) and loss given default (LGD) info has been provided as well on a line by line basis. » Cumulative historical information on defaults and recoveries has been made available for previously securitised pools » 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. » 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. » As for most deals in this mature market, we have 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.
<b>3</b>	<b>Complexity and Market Value Sensitivity</b>	<b>M</b>	<b>M</b>	
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.
<b>4</b>	<b>Governance</b>	<b>L/M</b>	<b>L/M</b>	
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. The originator will identify a back-up servicer if BBVA is downgraded below Baa3.
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:

- » **Corporate obligors:** Around 22.5% of the portfolio is comprised by corporate obligors with turnover above €150 million. Corporate obligors are generally associated with lower default probabilities compared to smaller companies.
- » **Portfolio security:** 42.4% of the portfolio is secured by first-lien mortgages on real estate properties, with a weighted average loan-to-value (LTV) of 52.8%.
- » **Hedging:** There is a strong swap agreement provided by BBVA, guaranteeing an excess spread of 0.50%.
- » **Portfolio arrears:** No loan more than 30 days in arrears as of the closing date has been included in the final portfolio.
- » **Commingling risk:** Low risk, given BBVA's rating. However, if BBVA is downgraded below Baa3, it will fund a commingling reserve equal to one month of stressed collections.

### Concerns and Mitigants:

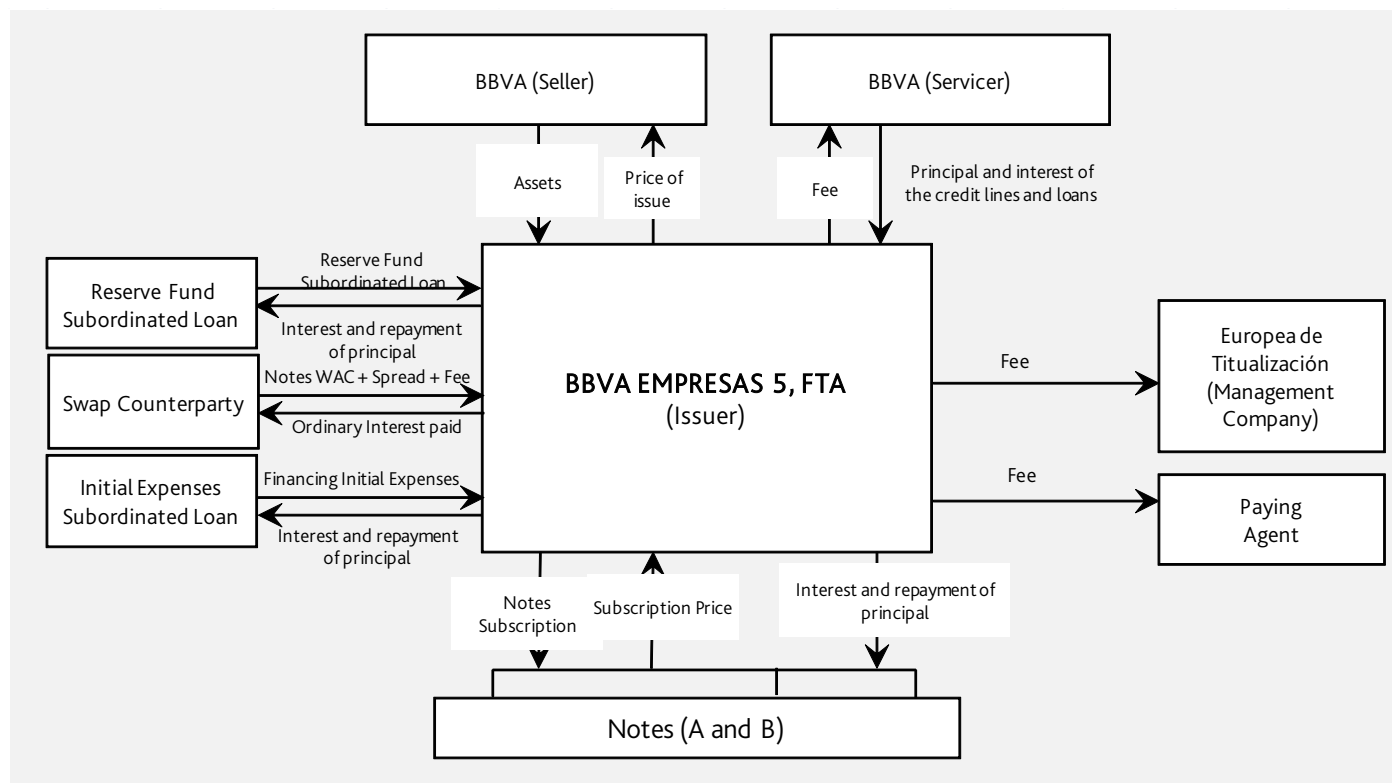
Our committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:

- » **Exposure to real estate:** 29.1% of the portfolio is exposed to the Construction and Building sector (according to our industry classification), which includes 9% corresponding to loans granted to real estate developers. This feature has been taken into account in our quantitative analysis as more fully explained in "Treatment of Concerns".
- » **Bullet loans:** Loans reported as having bullet maturities represent 14% of the securitised pool. In addition, 35.9% of the pool balance consists of loans with pre-defined amortisation calendars, some of which have balloon payments at maturity. This risk was treated in our quantitative analysis as further explained under "Treatment of Concerns".
- » **Grace periods:** 12.2% of the pool volume consists of loans currently under a principal grace period. However, the remaining WA grace period as of closing is less than one year, as most of the terms end in 2011. Additionally, some of the above loans with pre-defined amortisation calendars include grace-period payment profiles. These features were treated in our quantitative analysis as further explained under "Treatment of Concerns".
- » **Deferral of interest:** The possibility of deferring interest payments on Series B notes benefits the repayment of the senior Series, but increases the expected loss on the class being deferred. The size of the reserve fund and the subordination take into account this deterioration on the expected loss.

## Structure, Legal Aspects and Associated Risks

EXHIBIT 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. Interest on Series B (if not deferred)
5. Principal repayment
6. Interest on Series B (if deferred)
7. Reserve fund replenishment
8. Junior costs
9. The notes amortisation is fully sequential.

**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 (i) one with any amount due but unpaid for more than 18 months; (ii) one classified as such by the originator; or (iii) one written off according to management's discretion.

The "artificial write-off" speeds up the amortisation of non-performing loans (NPLs); therefore, 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
Interest deferral for Series B	The cumulative (since closing) non-performing level exceeds 20.0%	Interest payments on Series C will be brought to a more junior position (until Series A is fully redeemed) and will be paid after the principal repayment.
Termination of Reserve Fund Amortisation	The arrears level exceeds 1.0%. The reserve fund is not funded at its required level on the corresponding payment date. 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:** At close, the reserve fund was funded up front with a subordinated loan granted by the originator for an amount equal to 20% 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:

- » 20% of the initial balance of the notes

The higher of:

- » 40% of the outstanding balance of the notes
- » 10% 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 (Fondo de Titulización de Activos, FTA) 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, under no circumstances may the activities performed under the regular activity of the originator be cancelled as the transfer of credit rights forms part of the normal activity of BBVA.

**Interest Rate Mismatch:** 9.3% of the portfolio corresponds to fixed-rate loans and 90.7% to floating-rate loans (mainly 3-month, 6-month and 12-month EURIBOR), whereas the notes will be floating liabilities (linked to 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 bp 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 our 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 equal 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 to find a suitably rated guarantor or substitute.
- » BBVA's current high rating 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 held 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
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### Originator Background:

Rating:	BBVA
Financial Institution Group Outlook for Sector:	Negative
Ownership Structure:	Not made available
Asset Size:	€67.8 billion of loans and credit to SMEs and corporates, as of December 2011
% of Total Book Securitised:	Around 10.6% of the above, as of December 2011
Transaction as % of Total Book:	1.8%
% of Transaction Retained:	100%

### Servicer & Back-Up Servicer Background:

Servicer and Its Rating:	BBVA
Total Number of Receivables Serviced:	N/A
Number of Staff:	28,934 (with 3,016 branches) as of 31 December 2011
<b>Servicer Assessment:</b>	
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:	Loss of BBVA's Baa3 rating
Key Cash Manager Termination Events:	Insolvency
Notification of Obligor 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
<b>Receivable Administration:</b>	
Method of Payment:	100% by direct debit
% of Obligor with Account at Originator:	100%
Distribution of Payment Dates:	N/A



Cash Manager:

Cash Manager and Its Rating:	Europea de Titulización S.G.F.T; S.A (N.R)
Main Responsibilities:	<ul style="list-style-type: none"> <li>» Keeping the SPV's accounts separate from the management company's.</li> <li>» Complying with its formal, documentary and reporting duties to the CNMV, the rating agencies and any other supervisory body.</li> <li>» Appointing and, if necessary, replacing and dismissing the auditor who is to review and audit the SPV's annual accounts.</li> <li>» Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in the Prospectus.</li> <li>» Checking that the mortgage credit income amount actually received by the SPV matches the amounts that must be received, on the terms of issue of the pass-through certificates and on the terms of the relevant mortgage credits.</li> <li>» Calculating and determining on each determination date the principal to be amortised and repaid on each bond series on the relevant payment date.</li> <li>» Watching that the amounts credited to the treasury account return the yield set in the agreement.</li> <li>» Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the bonds.</li> <li>» 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.</li> <li>» The management company may extend or amend the agreements entered into on behalf of the SPV, and substitute, as necessary, each of the SPV service providers on the terms provided for in each agreement.</li> </ul>
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

EXHIBIT 2

Portfolio Breakdown by Year of Origination

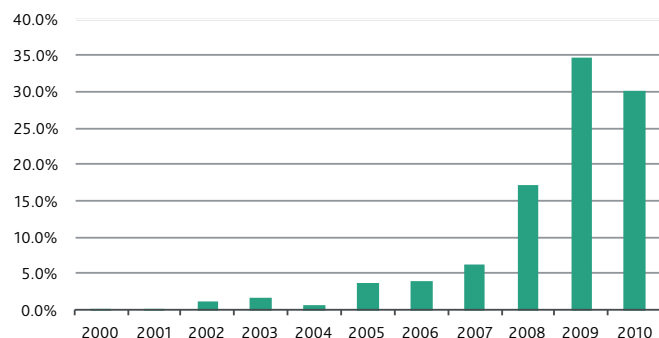


EXHIBIT 3

Portfolio Breakdown by Year of Maturity

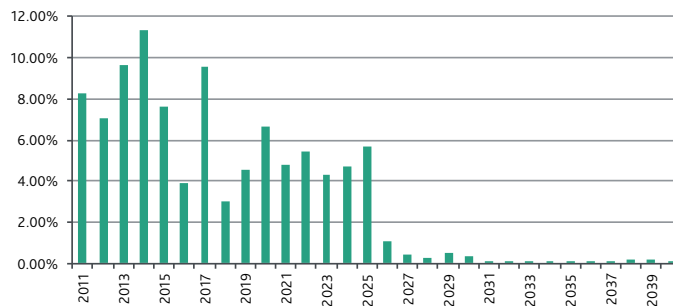


EXHIBIT 4

Portfolio Breakdown by Industry Diversification

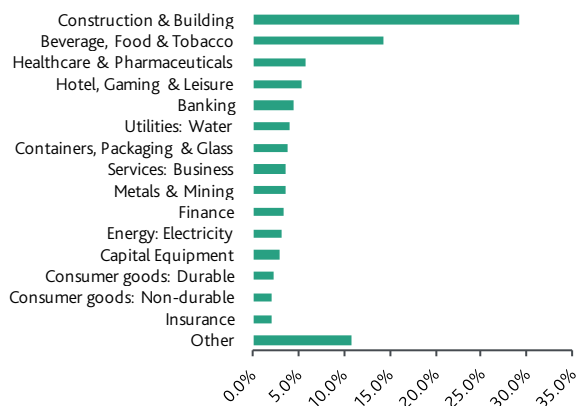
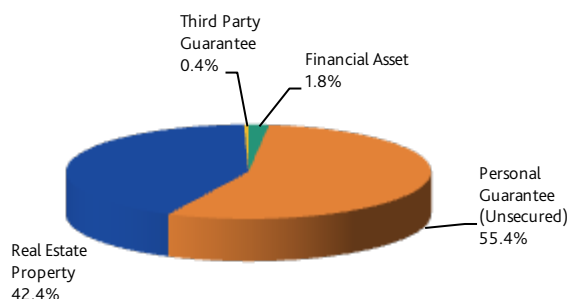


EXHIBIT 5

Portfolio Breakdown by Guarantee Type



**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, some unsecured and all are used to fund general working capital or long-term business expansion. The portfolio breakdown by company size, is 28.9% companies with turnover less than €2 million, 15.5% turnover between €2 million and €5 million, 26.5% turnover between €5 million and €150 million and 22.5% turnover over €150 million (turnover classification was not informed for 6.6% of the pool volume, for which size was inferred from obligor-by-obligor turnover figures). The loans were originated between 2000-10 and have a weighted-average seasoning of less than one year and a weighted-average remaining term of 8.1 years. The longest-term loan matures in July 2040. Geographically, the pool is concentrated in Catalonia (26.3%), Madrid (17.9%) and Andalusia (12.8%). Loans are either subject to a pre-defined amortisation calendar (35.9%), French amortisation (50.1%) and bullet or balloon payment amortisation schedules (14%). The WA remaining term of the bullet/balloon payment loans is 2 years.

As of closing, around 12.2% of the portfolio corresponds to loans currently in principal grace period and the average remaining time to finish it is around 8.4 months.

In terms of debtor concentration, the pool is relatively granular and includes exposures up to 1.6% of the issuance amount. Around 29.1% of the portfolio is concentrated in the "Construction and Building" sector according to our industry classification. Loans to real estate developers represent 9% of the total pool volume.

#### Eligibility Criteria:

*The key eligibility criteria are as follows:*

- » The loans have been granted to enterprises (including self-employed individuals) located in Spain.
- » The pool will not include lease contracts or syndicated loans.
- » The mortgaged real estate assets are finished properties and are located in Spain.
- » The loans are repaid by direct debit.
- » All the loans are euro-denominated and have repaid at least one instalment.
- » 100% of the principal of the loans has been drawn.
- » None of the loans are a refinancing of existing loans in an arrear situation.

#### Additional Information on Borrowers:

Top Debtor Concentration:	1.6%	
Top 5 Debtors:	7.6%	
Top 10 Debtors:	14.1%	
Top 25 Debtors:	28.3%	
Industry Concentration:	Construction & Building	29.1%
	Beverage, Food & Tobacco	14.3%
	Healthcare & Pharmaceuticals	5.6%
Geographic Diversity:	Catalonia (26.3%), Madrid (17.9%) and Andalusia (12.8%)	

#### Additional Information on Portfolio:

Number of Contracts:	6,339	
Type of Contracts:	100% standard loans.	
Contract Amortisation Style:	50.1% French, 35.9% Predefined amortisation schedule, 14% Bullet	
% Large Corporates:	22.5% (annual turnover > €150 million)	
% Bullet Loans:	14 (pure bullet)%	
% Real Estate Developers:	9%	
WA Interest Rate:	2.92%	
LTV(first-lien)*:	52.8%	
Guarantees:	Mortgage - First lien	42.4%
	Financial Asset	1.8%
	Third party	0.4%
	Personal (unsecured)	55.4%
Mortgage collateral:	Real Estate - Residential	9.9%
	Real Estate - Commercial - Office	9.3%
	Real Estate - Commercial - Industry	18.0%
	Real Estate - Commercial - Retail	24.2%
	Real Estate - Land - Urban	25.5%
	Real Estate - Multiple prop. types	13.1%

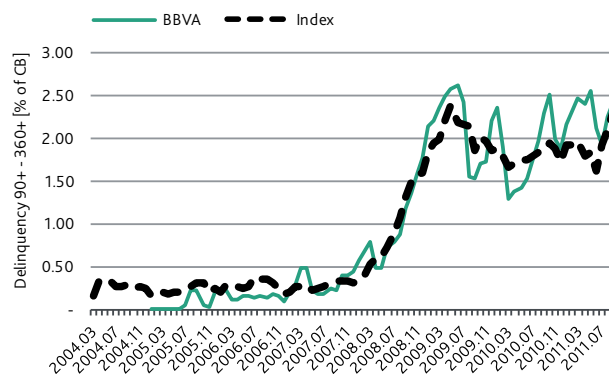
## Credit Analysis

**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 with that of the remaining Spanish originators in the SME segment.

As of September 2011, the 90-360 day delinquencies for BBVA's deals were around 2.5% (very much in line with the market index).

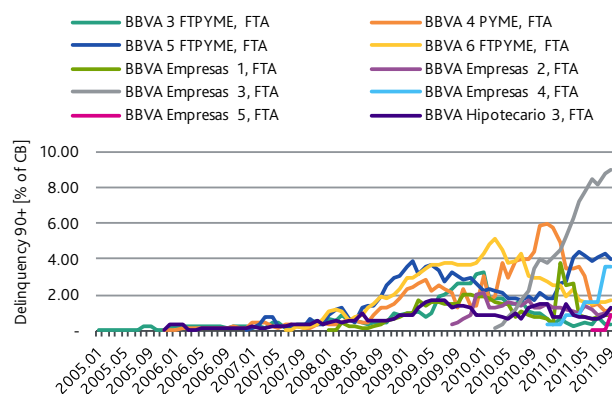
EXHIBIT 6

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



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

EXHIBIT 7

**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:** We have not received specific historical data (by quarter of origination) to perform a vintage analysis. However, we have 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 LGD, according to BBVA's internal analysis, are equal to 4% and 27.7%, respectively.

In our view, the quantity of data received is in line with transactions other 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 the same ratings.

Assumptions	
CPR:	8%
Distribution:	Montecarlo
Default rate:	14.9%
Stdev/mean:	42.6%
Timing of default:	Flat over first 4 years
Recoveries:	Mean 47.5% (stochastic recoveries)
Recovery lag:	50% (in second year after default) and 50% (in third year)
Correlation Default/ Recoveries:	10%
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:** We analysed the performance monitoring data on previous deals as well as

other sources of information (like macroeconomic data) to determine the default assumption.

We have complemented the monitoring data analysis with a top-down approach, as detailed below.

We 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 (iii) all other industries. Our rating proxies assumed are shown in the table below.

Borrower's Main Sector Of Activity	Rating Proxy
Construction & building	B2
Real Estate Development	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 are average compared with those of the Spanish market (see Exhibit 8), therefore we have taken into consideration the current performance of BBVA's SME deals in its assumptions.

We further adjusted our 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 a 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:** We 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 4 years (with an 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 our corporate team; and (iv) other quantitative and pool-derived aspects. Regarding the last point, we 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.

We have taken into consideration the high proportion of first-lien mortgage loans (42.4%) and the relatively low WA LTV of 52.8%.

**Modelling Approach:** We derived the gross default distribution curve through a two-factor Monte-Carlo approach using a CDOROM tool.

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.

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

We 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, we 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, we 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, we 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, we calculated the expected loss level for each series of notes as well as the expected average life. We then compared the quantitative values to our Idealised Expected Loss table to determine the ratings assigned to each series of notes.

### Treatment of Concerns:

- » **Exposure to real estate:** Approximately 29.1% of the portfolio is exposed to the Construction and Building sector (according to our industry classification) and 9% corresponds to loans granted to real estate developers. In line with its top down-approach, we assumed a

higher default probability for obligors operating in this industry (rating proxy of B2 and Caa1 respectively) than for the rest of obligors (rating proxy of Ba3). BBVA's default rates have recently deteriorated, although they remain in line with the market average.

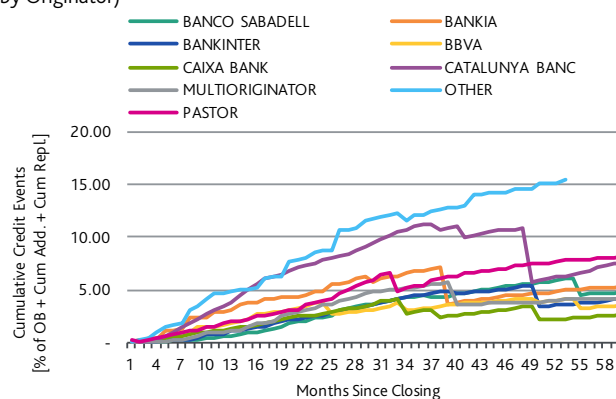
- » **Bullet loans and grace periods:** The portfolio has a high exposure to bullet loans and to loans under a principal grace period (approximately 14% of the pool correspond to bullet or "soft bullet" structures and 12.2% benefits from a grace period). We have adjusted the PD assumptions according 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:** Exhibit 8 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 specific 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.

EXHIBIT 8

#### Spanish SME 90+ Cumulative delinquencies (by Originator)



Source: Moody's Investors Service, periodic investor reports

## Benchmark Table

Deal Name	BBVA Empresas 6, FTA	BBVA Empresas 5, FTA	BBVA Empresas 4, FTA	Foncaixa FTGENCAT 7, FTA
Country	Spain	Spain	Spain	Spain
Closing Date	19/12/2011	14/03/2011	21/07/2010	01/10/2009
Currency of Rated Issuance	Euro	Euro	Euro	Euro
Rated Notes Volume (excluding NR and Equity)	1,200,000,000	1,250,050,000	1,700,000,000	1,000,000,000
Originator	BBVA	BBVA	BBVA	"la Caixa"
Long-term Rating(1)	Aa3	Aa2 (on review for possible downgrade)	Aa2	Aa2
Short-term Rating(1)	P-1	P-1	P-1	P-1
Servicer	BBVA	BBVA	BBVA	"la Caixa"
Long-term Rating(1)	Aa3	Aa2 (on review for possible downgrade)	Aa2	Aa2
Short-term Rating(1)	P-1	P-1	P-1	P-1
<b>Contract Information (as % Total Pool)</b>				
(Fully) amortising contracts %	87.7%	86.0%	91.5%	98.40%
Bullet / balloon contracts %	12.3%	14.0%	8.5%	1.60%
Monthly paying contracts %	44.4%	33.6%	51.6%	92.00%
Quarterly paying contracts %	9.7%	11.2%	39.1%	4.00%
Semi-annually paying contracts %	2.6%	2.3%	9.30%	1.00%
Annually paying contracts %	1.9%	3.1%	0.00%	1.00%
Predefined amortisation profile%	29.1%	35.9%	N/A	
Method of payment - Direct Debit (minimum payment)	100%	100%	100%	100%
Floating rate contracts %	91.7%	90.7%	76.60%	85.70%
Fixed rate contracts %	8.3%	9.3%	23.40%	14.30%
WA initial yield (Total Pool)	3.99%	2.92%	3.14%	4.55%
WAL of Total Pool (in years)	4.3	3.8	3.7	3.5
WA seasoning (in years)	2.0	0.6	1.2	2.1
WA remaining term (in years)	7.6	8.1	6.6	7.8
Portfolio share in arrears > 30 days %	1.2%	0.6%	0.00%	0.00%
No. of contracts	3,644	6,339	4,723	29,901
<b>Obligor Information (as % Total Pool)</b>				
No. of obligors	3,397	6,106	4,432	16,105
Name 1st largest industry	Construction & Building	Construction & Building	Construction & Building	Construction & Building
2nd largest industry	Beverage, Food & Tobacco	Beverage, Food & Tobacco	Beverage, Food & Tobacco	Beverage, Food & Tobacco
3rd largest industry	Hotel, Gaming & Leisure	Healthcare & Pharmaceuticals	Hotel, Gaming & Leisure	Consumer goods: Non-durable
Size % 1st largest industry	40.5%	29.1%	40.6%	32.80%
2nd largest industry	15.5%	14.3%	13.0 %	7.00%
3rd largest industry	9.4%	5.6%	11.6%	6.80%
Effective Number (obligor group level)	222	211	351	2,010
Single obligor (group) concentration %	1.8%	1.6%	1.18%	0.59%
Top 10 obligor (group) concentration %	15.5%	14.1%	9.21%	3.85%
<b>Collateral Information (as % Total Pool)</b>				
WA RE collateralisation level (WA LTV)	52.8%	52.8%	52%	61.60%
Collateralised by first lien mortgage	64.3%	42.4%	43%	8.80%
<b>Geographical Stratification (as % Total Pool)</b>				
Name 1st largest region	Catalonia	Catalonia	Catalonia	Catalonia
2nd largest region	Madrid	Madrid	Madrid	
3rd largest region	Andalusia	Andalusia	Valencia	
Size % 1st largest region	23.7%	26.3%	19%	100.00%
2nd largest region	18.0%	17.9%	17.5%	
3rd largest region	14.5%	12.8%	11.6%	
<b>Asset Assumptions</b>				
Gross default / Net loss definition in this deal	18 months	18 months	18 months	12 months
Type of default / loss distribution	User Defined	User Defined	User Defined	Inverse Normal
Moody's equivalent rating for Non-RE subpool	Ba3	Ba3	Ba3	Ba2
Moody's equivalent rating for RE subpool	B2	B2	B2	Ba3
Mean gross default rate - initial pool	20.2%	14.9%	17.10%	17.30%
Stdev.	8.1%	6.8%	8.3%	7.80%
CoV	40.1%	42.6%	48.5%	45.11%
Stochastic Recoveries modelled?	Yes	Yes	Yes	Yes
Mean recovery rate	51.5%	47.5%	50%	58.00%

Deal Name	BBVA Empresas 6, FTA	BBVA Empresas 5, FTA	BBVA Empresas 4, FTA	Foncaixa FTGENCAT 7, FTA
Country	Spain	Spain	Spain	Spain
Stdev. recovery rate (if any)	20%	20%	20.00%	20.00%
Correlation severity / default	10%	10%	10.00%	10.00%
Correlation severity	10%	10%	10.00%	10.00%
Prepayment Rate(s)	8%	8%	8%	5%
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
<b>Capital structure (as % Total Pool)</b>				
Size of				
Aaa rated class	67.0%	78.0%	100.00%	87.00%
Aa3 rated class				
A3 rated class		22.0%		2.50%
Baa3 rated class				10.50%
Ba3 rated class	20.0%			
B3 rated class	13.0%			
Equity				
Reserve fund	12.0%	20.0%	36.00%	15.50%

(1) rating of the bank as of closing

## 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: We assumed nine scenarios derived from the combination of mean default rate: 14.9% (base case), 17.1% (base + 2.2%) and 19.4% (base + 4.5%) and recovery rate: 47.5% (base case), 42.5% (base – 5%) and 47.5% (base – 10%). The 14.9% - 47.5% scenario represents the base case assumptions used in the initial rating process.

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

EXHIBIT 9

		Recovery Rate		
Portfolio WA PD Assumption		47.5%	42.5%	37.5%
Series A	14.9%	<b>Aaa(sf)*</b>	Aaa(sf) (0)	Aaa(sf) (0)
	17.1%	Aaa(sf) (0)	Aaa(sf) (0)	Aa1(sf) (1)
	19.4%	Aaa(sf) (0)	Aa1(sf) (1)	Aa1(sf) (1)
Series B	14.9%	<b>A3(sf)*</b>	A3(sf) (0)	Baa1(sf) (1)
	17.1%	Baa1(sf) (1)	Baa2(sf) (2)	Baa3(sf) (3)
	19.4%	Baa3(sf) (3)	Baa3(sf) (3)	Ba1(sf) (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.

**Please note:** Series A was downgraded to Aa2(sf) from Aaa(sf) following the lowering of the highest achievable structured finance ratings in Spain (please see the announcement ['Moody's lowers the highest achievable structured finance ratings in Italy, Portugal and Spain following the recent sovereign rating actions'](#), published on 17 February 2012)

**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 19.4% and even assuming a recovery rate as low as 37.5%.

## Monitoring

We 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 (a back-up servicer will be appointed if BBVA is downgraded below Baa3), 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	Loss of Baa3	Appointment of back up servicer

\* See ["Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Transactions Moody's Methodology"](#), published in October 2010.

**Monitoring Report:** We have 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:

- » [Historical Default Data Analysis for ABS Transactions in EMEA, November 2005 \(SF64042\)](#)
- » [Updated Approach to the Usage of Credit Estimates in Rated Transactions \(120461\)](#)
- » [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 \(SF90890\)](#)
- » [Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 \(SF90480\)](#)
- » [Moody's Approach to Monitoring Spanish Granular SME Portfolios – Implementing the Refined Probability of Default Methodology, February 2011 \(SF202581\)](#)
- » [Portfolio analysis: Moody's Industry Allocation of Borrowers, December 2009 \(SF169435\)](#)
- » [Investor/Service Reports: Important Considerations for Moody's Surveillance of EMEA ABS and RMBS Transactions, June 2009 \(SF154502\)](#)
- » [V Score and Parameter Sensitivities in the EMEA Small to Medium-Enterprise ABS Sector, June 2009 \(SF155092\)](#)
- » [Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Cashflow Transactions Moody's Methodology, May 2006 \(SF73248\)](#)

### Performance Overviews:

- » [BBVA Empresas 5, Fondo de Titulización de Activos, January 2012 \(SF274065\)](#)
- » [BBVA Empresas 4, Fondo de Titulización de Activos, December 2011 \(SF271489\)](#)
- » [BBVA Empresas 3, Fondo de Titulización de Activos, January 2012 \(SF274164\)](#)
- » [BBVA Empresas 2, Fondo de Titulización de Activos, January 2012 \(SF273955\)](#)
- » [BBVA Empresas 1, Fondo de Titulización de Activos, January 2012 \(SF273949\)](#)

### New Issue Reports:

- » [BBVA Empresas 4, Fondo de Titulización de Activos, September 2010 \(SF218731\)](#)
- » [BBVA Empresas 3, Fondo de Titulización de Activos, August 2011 \(SF256643\)](#)
- » [BBVA Empresas 2, Fondo de Titulización de Activos, May 2009 \(SF165010\)](#)

### Special Reports:

- » [Spanish SME Performance Index – September 2011, November 2011 \(SF268322\)](#)
- » [Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread”, January 2004 \(SF29881\)](#)

### Credit Analysis:

- » [Banco Bilbao Vizcaya Argentaria, S.A. \(BBVA\), May 2011 \(133142\)](#)

### Credit Opinion:

- » [Banco Bilbao Vizcaya Argentaria, S.A.](#)

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](http://www.moodys.com/SFQuickCheck).



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

<b>Originator Ability:</b>	With total assets of EUR 598 billion at the end of 2011, BBVA is Spain's second-largest domestic bank with market shares around 13% in loans and 10% in deposits, positioned closely behind Bankia with nationwide market shares of 14% and 13%, respectively. The Iberian franchise contributes to around 45% of net income. BBVA has also built up a solid franchise in Latin America, holding a 33% share of loans and 27% share of deposits in Mexico and a 10% share of both loans and deposits in South America, and a leading position in the pension fund business, with a market share of around 23% in the region.
Sales and Marketing Practices:	<ul style="list-style-type: none"> <li>» Number of employees: 28,934 as of 31 December 2011</li> <li>» Origination channels (on average for total bank's portfolio): Branch (100%) as broker origination was stopped by the end of 2007</li> <li>» Incentive-based compensation: yes</li> </ul>
Underwriting Policies and Procedures:	<ul style="list-style-type: none"> <li>» Underwriting function is provided by 3,016 branches organised in regional sub-areas, which are in turn coordinated by regional areas.</li> <li>» 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.</li> <li>» Exceptions are very infrequent.</li> <li>» 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.</li> <li>» Credit history and indebtedness checks are performed through CIRBE and ASNEF. Internal information on BBVA customer accounts is also searched.</li> </ul>
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:	<ul style="list-style-type: none"> <li>» 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.</li> <li>» 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.</li> </ul>
<b>Originator Stability:</b>	—
Quality Controls and Audits:	<ul style="list-style-type: none"> <li>» Regular loan book audits at branch level and central risk department level.</li> <li>» 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.</li> <li>» 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.</li> <li>» 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.</li> </ul>
Regulated by:	» Bank of Spain
Management Strength and Staff Quality	<ul style="list-style-type: none"> <li>» Staff have access to policies via the intranet.</li> <li>» 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.</li> <li>» Employees are trained on a continuous basis to meet area and market needs.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>» Centralised system to list borrowers in arrears and new arrears daily, notify the branches and manage letters.</li> <li>» Integrated system for arrears management and reporting.</li> <li>» A back-up system is in place and there is currently work in progress on an improved system to reduce disaster recovery times.</li> <li>» Back-up servers are in a different location.</li> <li>» There is a contingency plan in place and quarterly tests on the back-up system.</li> </ul>
<b>Arrears Management:</b>	
Number of Receivables per Collector:	» No data available
Staff Description:	<ul style="list-style-type: none"> <li>» 225 employees in central offices dedicated to servicing.</li> <li>» 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.</li> <li>» Compensation is linked to collection performance through a bonus scheme.</li> </ul>
Early Stage Arrears Practices:	<ul style="list-style-type: none"> <li>» Automated alert and messaging system. Separate process for clients (six or more months of open account history) and no clients.</li> <li>» Branch employees are assigned delinquent borrowers to manage the arrears and foreclosure process.</li> <li>» Arrangement of face-to-face meetings in the early arrears.</li> <li>» Workload prioritisation by the higher loan principal balance.</li> </ul>
Late Stage Arrears Practices:	<ul style="list-style-type: none"> <li>» Loan is passed to the late arrears and foreclosure team after 90 days.</li> <li>» Creation of a late arrears and foreclosure department as a separate centralised business unit (early 2008).</li> <li>» In-house legal team</li> <li>» 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.</li> </ul>
Average Time to Repossess:	» Not available
Loan Modifications:	» In line with market general practises.

Report Number: SF282755

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