Rating Report

BBVA-10 PYME FT

Lead Analyst
María López
Vice President European Structured Credit
+44 (0)20 7855 6612
mlopez@dbrs.com

Backup Analyst
Carlos Silva
Senior Vice President
European Structured Credit
+44 (0)20 7855 6604
carlos.silva@dbrs.com

Group Head
Jerry van Koolbergen
Managing Director
Structured Credit
+1 212 806 3260
jvankoolbergen@dbrs.com

Operational Risk Group
Mark Wilder
Senior Vice President
European Operational Risk
+44 20 7855 6638
mwilder@dbrs.com

DBRS
Insight beyond the rating.

Ratings

Debt	Par Amount (EUR)	Initial Credit Enhancement (%)	Investor Coupon (p.a.)	ISIN	DBRS Rating	Rating Action
Series A Notes	596,700,000	28.5%	3-Month Euribor + 0.30%	ES0305110001	A (low) (sf)	Provisional Rating – Finalised
Series B Notes	183,300,000	5%	3-Month Euribor + 0.50%	ES0305110019	CCC (low) (sf)	Provisional Rating – Finalised

Kingdom of Spain, Sovereign Rating:	A (low), Stable trend
Closing Date:	16 December 2015

Transaction Summary

BBVA-10 PYME FT (the Issuer or SPV), a Fondo de Titulización, is a special-purpose vehicle (SPV) incorporated in accordance with Spanish legislation for the purpose of issuing asset-backed securities and acquiring term loans. The SPV issued two series of asset-backed notes to finance the purchase of a EUR 780.0 million portfolio of term loans granted by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA or the Originator) to small and medium-sized enterprises (SMEs) and self-employed individuals in Spain. In addition, the SPV entered into a Subordinated Loan Facility to finance the initial expenses of the SPV and a Subordinated Loan to finance the Reserve Fund. Interest and principal income received by the SPV will be distributed quarterly according to the Priority of Payments established under the transaction documents.

The securitized pool contains 3,880 loans granted to 3,571 borrower groups totalling EUR 780.0 million.

DBRS Ratings Limited (DBRS) has finalised its provisional ratings on the BBVA-10 PYME FT notes as listed in the table above. This securitisation has been structured as a public transaction with Series A Notes and Series B Notes (collectively, the Notes). The Series A Notes are senior and supported by 28.5% subordination provided by the Series B Notes and the Reserve Fund. The Series B Notes are supported by 5.0% subordination provided by the Reserve Fund.

Methodologies Applied

The following are the primary methodologies that DBRS applied to assign a rating to this transaction, which can be found on www.dbrs.com under Methodologies. Alternatively, please contact info@dbrs.com or contact the primary analysts whose contact information is listed in this report.

- *Rating CLOs Backed by Loans to European Small and Medium-Sized Enterprises (SMEs)* (December 2014, subsequently updated in January 2016)
- *Legal Criteria for European Structured Finance Transactions* (September 2015, subsequently updated in February 2016)
- *Operational Risk Assessment for European Structured Finance Servicers* (January 2015, subsequently updated in December 2015)
- *Cash Flow Assumptions for Corporate Credit Securitizations* (April 2015, subsequently updated in February 2016)
- *Rating CLOs and CDOs of Large Corporate Credit* (April 2015, subsequently updated in February 2016)
- *Unified Interest Rate Model for European Securitisations* (October 2015)
- *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda* (September 2015, subsequently updated in January 2016)

Table of Contents

Rating Rationale

The ratings are based on a review by DBRS of the following analytical considerations:

- The transaction's capital structure and the form and sufficiency of available credit enhancement.
- Relevant credit enhancement in the form of subordination, Reserve Fund and excess spread.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to the terms of the transaction documents.
- The Originator's capabilities with respect to origination, underwriting, servicing and financial strength.
- The credit quality of the collateral and the ability of the Servicer to perform collection activities on the collateral.
- The structure of the Priorities of Payments.
- The legal structure and presence of legal opinions addressing the assignment of the assets to the Issuer and the consistency with the DBRS *Legal Criteria for European Structured Finance Transactions* methodology.

Strengths

- The EUR 39.0 million Reserve Fund, which corresponds to 5.0% of the initial aggregate balance of the portfolio and is available as additional credit enhancement for the Notes.
- Relatively low obligor concentration, with the largest one, ten and twenty obligors representing 1.0%, 8.5% and 14.4% of the portfolio balance, respectively.
- Relatively low regional concentration, with the largest three regions accounting for 24.2% (Catalonia), 16.6% (Andalusia) and 9.8% (Valencian Community) of the portfolio.

Challenges

- The reliance on BBVA to perform most of the relevant ancillary roles in the transaction. BBVA is the Originator of the loans and will act as Servicer and financial agent where all of the Issuer's bank accounts (including collections and Reserve Fund cash) will be held.
- The absence of any hedging agreements to mitigate the interest rate risk in the transaction.
- High industry concentration in Building and Development which represents 27.3% of the outstanding balance of the portfolio, Business Equipment and Services (7.7%) and Retailers (except food and drug) (6.3%) complete the top three industries, based on DBRS industry classification.

Rating Rationale (CONTINUED)

Mitigating Factors

- DBRS maintains public ratings, private ratings or private internal assessments to evaluate and monitor the potential risk that counterparties pose to the performance of the Notes. At the time of assigning these ratings, all transaction participants either meet or exceed DBRS counterparty requirements, which are publicly available in the published legal criteria referenced on page one of this report.
- The exposure to interest rate risk is addressed in DBRS's analysis by incorporating stressed spread assumptions in its cash flow modelling. In addition, the Reserve Fund can be used to pay the interest on the Series A Notes in case of a shortfall in the available proceeds.
- DBRS considers and models the industry concentration with the Diversity Model.

Transaction Parties and Relevant Dates

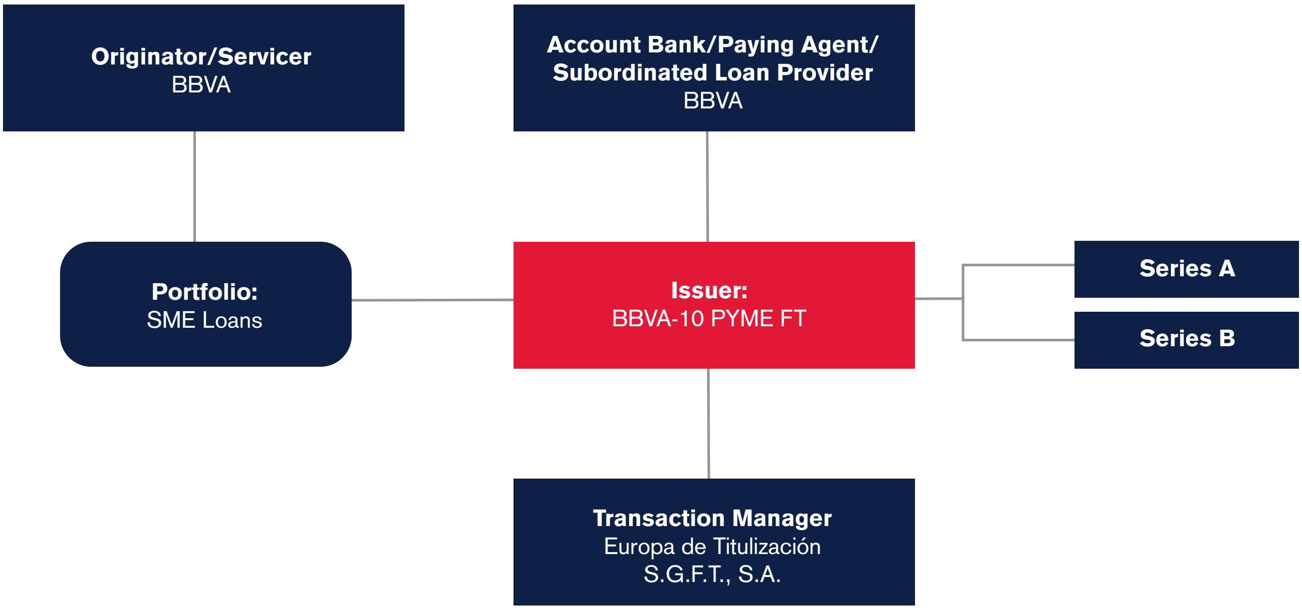
Transaction Parties

Type	Name	Current Rating (Long-Term/Short-Term)
Issuer	BBVA-10 PYME FT	N/A
Originator	Banco Bilbao Vizcaya Argentaria, S.A	A/R-1 (low)
Seller/Servicer	Banco Bilbao Vizcaya Argentaria, S.A	A/R-1 (low)
Account Bank/Paying Agent	Banco Bilbao Vizcaya Argentaria, S.A	A/R-1 (low)
Reserve Fund Account Bank	Banco Bilbao Vizcaya Argentaria, S.A	A/R-1 (low)
Transaction/Fund Manager	Europea de Titulización, S.G.F.T., S.A.	N/A
Arrangers	Banco Bilbao Vizcaya Argentaria, S.A	A/R-1 (low)

Relevant Dates

Type	Date
Issue Date	16 December 2015
DBRS Initial Rating Date	10 December 2015
First Interest Payment Date	20 April 2016
Payment Frequency	Quarterly, on the 20th day of January, April, July and October
Call Date	When the asset balance is less than the 10% of the original portfolio
Early Amortisation Date	N/A
Legal Final Maturity Date	20 January 2048

Transaction Structure



Transaction and Counterparty Overview

DBRS evaluates the potential credit impact on its ratings based on the performance of counterparties that face issuers in the capacity of derivative counterparties, account banks, custodian or other roles. To minimise the impact that the failure of such counterparties would have on the DBRS-rated debt, each counterparty is required to satisfy minimum rating, collateral posting or other requirements as outlined in the publicly available and current DBRS *Legal Criteria for European Structured Finance Transactions* methodology. For this transaction, each counterparty satisfies such criteria based on DBRS public ratings.

Role	Counterparty Name	Minimum Rating	Actual Rating
Issuer Account Bank/Paying Agent	BBVA	BBB	A/R-1 (low)
Servicer	BBVA	BBB (low)	A/R-1 (low)

Issuer

BBVA-10 PYME FT is a special-purpose vehicle (SPV) created in accordance with Spanish securitisation law and regulated by Law 5/2015. Under the securitisation laws, the SPV is a separate and independent patrimony from the Originator (Patrimonio Separado), but does not have any legal personality or capacity. The Issuer is represented by Europea de Titulización, S.G.F.T., S.A. (the Management Company or Sociedad Gestora). All acts performed and all contracts, transactions or agreements executed by the Management Company on behalf of the Issuer are considered, under Spanish law, acts performed and transactions, agreements or contracts executed by the Issuer.

Originator and Servicer

BBVA will be responsible for collecting all payments due from the borrowers on the assets, managing relationships with borrowers, monitoring the performance of the credit rights and initiating recovery processes against defaulted or non-performing borrowers. BBVA will transfer all collections received from the loan portfolio to the Treasury Account within two days.

Management Company

Europea de Titulización, S.G.F.T., S.A. acts as the Management Company and legal representative of the Issuer. It will be responsible for all administrative functions, including calculating the Priority of Payments, instructing payments to and from the accounts, maintaining the financial accounting of the Issuer, preparing performance reports and providing information to regulators and rating agencies. The Management Company is also responsible for representing the noteholders' interests in the Issuer and determining whether counterparties should be replaced under certain circumstances.

Banco Bilbao Vizcaya Argentaria, S.A. owns 87.86% of the Management Company.

Transaction and Counterparty Overview (CONTINUED)

Collections Account

BBVA will act as the Collection Account Bank. All payments received on the loans will initially be domiciled in the Collections Account. All collections of principal and interest are then transferred to the Treasury Account within a maximum of two business days.

Account Bank, Reserve Fund Account Bank and Paying Agent

BBVA will act as the Account Bank and maintain the Treasury Account. The Treasury Account will hold interest and principal collections as well as interest earned on the Treasury Account and the Reserve Fund and on the amounts from the Subordinated Loan for initial expenses.

As per the transaction documentation, in case of a withdrawal of the rating or downgrade of the Account Bank's long-term rating below BBB, the Account Bank must either (1) be replaced within 30 calendar days by a financial institution with a DBRS public rating, private rating or internal assessment of at least BBB or (2) find a guarantor with a DBRS public rating, private rating or internal assessment of at least BBB. If there are any costs incurred by these options, they will be at the expense of the original Account Bank or guaranteed Account Bank.

Origination and Servicing

DBRS conducted an operational review of BBVA's SME operations in November 2015 in Madrid, Spain. DBRS considers the originations and servicing practices of BBVA to be consistent with those observed among other Spanish SME lenders.

The history of BBVA group began in 1857 when the Spanish Board of Trade sponsored the creation of Banco de Bilbao and, until the 1890s, this was the only bank in the area surrounding Bilbao. Several mergers and acquisitions throughout the 20th century with the likes of Banco del Comercio, Banca Catalana led to Banco de Bilbao and Banco de Vizcaya merging in 1988 to form Banco de Bilbao Vizcaya (BBV). Furthermore in 1998, the Corporacion Bancaria de España, S.A. along with Caja Postal (created in 1909), Banco Hipotecario (formed in 1972) and Banco Exterior (created in 1929) merged to form Argentaria. BBVA was created in 1999 by the merger of two banks: BBV and Argentaria. The final integration of the group's retail businesses in Spain in 2001 led to the creation of the large branch network under the BBVA banner.

BBVA is currently the second-largest bank in Spain and has operations in approximately 40 countries, particularly in Latin America, with expansion into the United States and Asia since 2010.

DBRS's long-term rating of BBVA was confirmed at "A" with a Positive trend in December 2015. More information on BBVA's ratings can be found at www.dbrs.com.

1. Origination & Underwriting

Origination and Sourcing

All loans are sourced entirely through BBVA's branch network, which incorporates business centres for large companies and franchises for new projects. The network has 3,369 offices as at the end of September 2015.

BBVA offers the standard products common in the Spanish market, including secured loans sometimes backed by mortgages and unsecured loans and facilities. Unsecured products are generally short terms typically less than 18 months. Secured loans such as mortgages have a maximum term of 30 years, although an additional five years can be added following a review by credit risk and management approval. Variable and fixed rates are available as well as monthly, quarterly and semi-annual payment options, although monthly is the most common and represents over half of all loans within each bank's portfolio.

Borrowers are grouped into categories based on annual turnover and are subsequently reviewed on this basis. Branches review smaller SME's with an annual turnover up to EUR 5.0 million and other SMEs with an annual turnover up to EUR 50.0 million are reviewed by the Corporate Banking Department at regional, territorial and national levels.

Underwriting

While the origination process and loan approval is generally performed at the branch level, all applications are submitted to a regional team for review and approval. The review includes an analysis of financial statements, historical analysis of the debtor's exposure to BBVA and the wider Spanish banking system as well as valuations for secured loans.

Origination and Servicing (CONTINUED)

As consistent with the overall Spanish market, full income verification is conducted on all SME borrowers, including collection of last two years' audited financial statements, tax returns, acts of incorporation and lists of outstanding loans.

Each SME client is given a specific rating and the rating, together with the level of authority, determines who will approve or decline the loan. There is a possibility that a loan application will be passed to a more senior level, depending on the risk or exposure, and this will be at the holding risk team. Each rating is a backup for assessing risk and is not the driver for accepting or declining a loan. The experience of the analyst assessing all the data provided determines the acceptability of the loan.

BBVA uses internal rating models for its SME and corporate clients. The models were developed in 2002 and are IRB approved. The models are used for assessing the borrower's creditworthiness and overall risk profile and are used as ongoing monitoring tools. The models are reviewed every year and, in 2015, two new parameters were included – business sector and seasonality – although, given the recent implementation of the system, it is currently used in a support capacity pending future validation and back-testing. For SMEs, the rating is reviewed monthly or whenever a new application is received for a loan while corporate ratings are reviewed annually or following a corporate reorganisation or restructure.

All models and parameters are validated by BBVA's internal validation department as well as by the bank's internal audit department. The majority of models have been approved by the central bank and are subject to ongoing supervision. Models to be reviewed are selected annually by the validation department and are triggered by changes in economic cycle, policy changes and/or the model's age regardless of the predictive capacity of the model. Credit risk parameters are recalibrated annually and must be validated internally and by Bank of Spain.

Valuations

BBVA uses Bank of Spain-approved external appraisers who are responsible for carrying out valuations of select properties based on BBVA guidelines. All appraisals are valid for six months and are performed according to BBVA guidelines. Standard valuation templates are used.

Assets are re-valued once every three years per Bank of Spain guidelines, although values are checked more frequently using statistical models.

2. Servicing

The operational loan management department, centralised in Madrid, is responsible for all loan management and servicing activities. Primary borrower contact is managed at the branch level, including early arrears management activities, where the branch manager is allocated a portfolio of delinquent loans. The allocation of a portfolio enables the branch manager to have control and oversight of the portfolio performance on a daily basis. The branch manager is also able to use a new tool that allocates the delinquent loan to a specific risk category – low risk, medium or high risk – based on the predicted probability of default (PD).

As part of the operational assessment, DBRS reviewed the bank's systems relating to origination and servicing and believes them to be sufficient to meet BBVA's operational needs.

Like most Spanish banks, payments are primarily made through direct debit, although borrowers can submit payments via bank transfer or pay directly at the branch. The majority of loans are on monthly payment schedules, although the portfolio does include some quarterly, semi-annual and annual schedules or customised schedules which are in line with the overall Spanish market for SMEs loans.

The bank follows standard collections and arrears management strategies, including compliance with regulatory guidelines surrounding delinquency, watchlist and default definitions. Borrower contact is managed through the local branch. Automated, standard letters are generated through the servicing system and sent to the borrower from day one to 90 days in arrears. The bank's internal rating system is used to monitor the loan, including updates to the rating, and helps to set the appropriate workout strategy. Legal proceedings are initiated generally after a loan is officially classified as a default and all previous attempts at an out-of-court resolution have been exhausted.

Timelines and recovery rates are consistent with BBVA's peers.

Origination and Servicing (CONTINUED)

Summary Strengths

- Standard Spanish servicing practices.
- Timelines and recovery rates are consistent with BBVA's peers.
- No external sourcing channels for new originations.
- Standard lending policy across all regions and centralised decision-making authority.

Summary Weaknesses

- Overrides to credit policy are allowed.
- **Mitigant(s):** Clear separation of authorisation process exists with the risk management division responsible for the override process and centralised credit division approval for all overrides.

Legal Structure

Laws Affecting Transaction

The Issuer is incorporated and regulated under Spanish laws. The key Spanish securitisation law regulating this transaction is the Ley 5/2015 governing Asset-Backed Securitisation Funds and Securitisation Funds Managing Companies.

The securitisation laws do not include a full and complete legal framework for securitisations and, in many respects, the legal analysis relies on general law, including laws regarding commingling, tax, transfer of assets and risks related to the counterparties of the Issuer. In addition, the general law of the mortgage market, Law 2/1981 and Royal Decree 716/2009 (the Mortgage Market Laws) are key considerations in mortgage-backed securities transactions and any rating analysis by DBRS also takes these laws into consideration.

More details on the legal framework in Spain can be found in DBRS's *Legal Criteria for European Structured Finance Transactions* published in September 2015.

Additionally, the changes to the Spanish insolvency law introduced by the Royal Decree Law 4/2014 introduce additional risks and uncertainties, which could have an adverse effect on the performance of SME collateralised loan obligation (CLO) transactions. The key risks that could have an impact on SME CLO transactions include:

1. Potential extension in the asset maturities.
2. Uncertainty as to how the voting rights will be used in the approval of restructuring plans.
3. Uncertainty about how certain loss or default triggers will be calculated following the implementation of restructuring plans, which may include changes to the debt instruments held by the SPV (such as debt conversion).

Further details on how the Royal Decree Law 4/2014 may affect SME CLO transactions can be found in the DBRS commentary *Spanish Insolvency Law Changes: The Good, the Bad and the Uncertain for SME CLOs* published on 14 April 2014 and available at www.dbrs.com.

Current Transfer/Assignment of Receivables

In Spanish securitisations, the transfer of receivables must be made in writing, but the consent of the underlying obligor is not necessary. Neither Law 5/2015 nor the Mortgage Market Laws requires the formalisation of the transfer in a public deed; however, the transfer of receivables either through the issuance of mortgage securities *(Participaciones Hipotecarias or Certificados de Transmisión de Hipoteca)* or through the ordinary transfer of non-mortgage receivables is usually documented in a public deed or a transfer agreement for a record of the date of execution for the purposes of its effect vis-à-vis third parties and, therefore, to be recognised by regulators or insolvency officers.

In this transaction, the transfer of the loans and the credit lines on the mortgaged collateral from BBVA to the Issuer is done directly in the public deed on the date of incorporation of the Issuer. The transfer of the assets from the mortgage loans is also transferred on the incorporation date through the issuance of mortgage transfer certificates and pass-through certificates (Certificados de Transmisión de Hipoteca and Participaciones Hipotecarias) and their subscription by the Issuer.

Legal Structure (CONTINUED)

Asset Eligibility Criteria

The following is a selection of the representations given to the Issuer relating to the collateral. For a full list, please see the Prospectus:

- All loans are duly documented and formalised, and the corresponding agreements are available to the Management Company.
- All credit rights exist and are valid and enforceable.
- BBVA rightfully holds all credit rights and there are no restrictions on their sale to the Issuer.
- All assets were originated by BBVA in its normal course of business and using its normal criteria and policies.
- All loans are serviced by BBVA in accordance with its procedures.
- All credit rights derive from loans granted to SMEs that comply with Recommendation 2003/361/CE of the European Commission.
- There are no legal claims against the credit rights that may adversely affect their validity.
- At the date of transfer, BBVA has no knowledge of any bankruptcy of any of the borrowers included in this portfolio.
- None of the loans have been made to employees of, or companies related to, BBVA.
- All credit rights have a final payment date before 30 June 2044.
- None of the loans were granted to Real Estate companies to finance the construction or rehabilitation of residential or commercial properties destined for sale or rent.
- No credit rights result from the renegotiation of loans that were in arrears.
- No loans are syndicated loans, structured loans or lease transaction.
- At the transfer date, there are no credit rights in arrears for more than 30 days.

Buyback/Indemnity Mechanics for the Breach

In case it is detected that any mortgage loans have hidden defects or breached any of the representations, the seller will agree to repair the hidden defect within 15 days following its identification or notification. In case the above is not possible, the seller will replace the corresponding mortgage loans with another with similar characteristics with respect to maturity profile, interest rate, notional and loan-to-value level if approved by Europea de Titulización S.G.F.T., S.A.

Any expenses incurred with the repair or replacement of such loans will be paid by the seller. In the event that the seller is not able to replace or repair the affected loans within ten business days of notification, the Management Company will request that the seller buy back the affected loans, including accrued and unpaid interest, and deposit such amounts in the fund's Treasury Account.

For unsecured loans, if any hidden defects or breach of any of the representations occurs and is identified, the seller will agree to repurchase the loan (together with any accrued and unpaid interest) within 15 days following its identification or notification and deposit such amounts in the fund's Treasury Account.

Financial Structure

Transaction Cash Flow

The Servicer will collect all payments received on interest and principal (including recoveries) from the portfolio on an ongoing basis. On each payment date, the amounts available in the Treasury and Interest Accounts will be distributed in accordance with the Priority of Payments as summarised below.

Priority of Payments

1. Taxes and senior expenses;
2. Interest on the Series A Notes;
3. Interest on the Series B Notes, only if the cumulative outstanding balance of delinquent loans is below 10.0% of the original portfolio balance;
4. Series A and Series B Notes principal redemption (according to the notes redemption rules);
5. Interest on the Series B Notes if deferred from point (3) above;
6. Top-Up Reserve Fund to the required level;

Financial Structure (CONTINUED)

7. Interest and principal on the Subordinated Loan (in this order);
8. Interest and principal on the Subordinated Loan for Initial Expenses (in this order);
9. Servicer fees; and
10. Financial Intermediation Margin.

Note Redemption Rules

- The Series A Notes will start amortising on the first payment date in April 2016.
- The Series B Notes will amortise once the Series A Notes have been fully redeemed.
- Delinquent loans are loans in arrears for more than 90 days

Early Liquidation Events

- Once the outstanding balance of the assets is less than 10% of the initial balance and the proceeds from the sale of the assets are sufficient to pay down all the Notes outstanding.
- If there are circumstances that permanently affect the financial stability of the SPV.
- If the Management Company is declared bankrupt and a substitute is not appointed within four months.
- In case of a non-payment indicating a serious and permanent imbalance that affects the transaction.
- The first payment date that falls 36 months after the maturity of the last outstanding loan.
- Once the Noteholders and all the Issuer's creditors consent the liquidation.

Liquidation Priority of Payments

1. Reserve to pay liquidation expenses;
2. Taxes and expenses;
3. Interest on the Series A Notes;
4. Principal on the Series A Notes;
5. Interest on the Series B Notes;
6. Principal on the Series B Notes;
7. Interest and principal on the Subordinated Loan (in this order);
8. Interest and principal on the Subordinated Loan for Initial Expenses (in this order);
9. Servicer fees; and
10. Financial Intermediation Margin.

Payment Timing

Interest due on the Notes for each subsequent period is determined two days before the applicable payment date. The transaction pays interest and principal on a quarterly basis on the 20th day of January, April, July and October of each year. Interest on the Notes is based on three-month Euribor.

Security

Receivables

The portfolio consists of loans and credit lines granted by BBVA to SMEs and self-employed individuals in Spain. Approximately 51.9% of the outstanding balance of the securitized pool was secured by mortgages on residential and commercial properties situated in Spain.

Servicer Agreement

BBVA will act as the Servicer of the portfolio of SME loans. The Servicer will employ standard due diligence to ensure that the payments are collected in accordance with the terms and contractual conditions of the credit rights.

Mechanics of Servicing

The Servicer is expected to monitor and manage the credit rights sold to the Issuer with the same care and diligence as it does with its own loans. The Servicer will be responsible for collecting all payments due from the borrowers on the credit rights, managing relationships with borrowers, monitoring the performance of the loans and initiating recovery procedures against defaulted or non-performing borrowers.

The Servicer is allowed to negotiate changes to existing credit rights within the permitted variations foreseen in the Servicing Agreement. The permitted variations are mainly limited to changes in the interest rate and maturity of the credit rights.

Commingling Risk

The Servicer will pay all amounts received from loans within a maximum of two business days of collection to the Issuer's Treasury Account opened with the Accounts Bank; however, as the Account Bank is BBVA, there is a significant exposure of the Issuer to BBVA. Nevertheless, DBRS gains comfort from BBVA's rating of "A"/R-1 (low) with a Positive trend and from provisions established in the transaction documentation to take certain remedial actions if the long-term rating of BBVA falls below BBB (low).

The remedial actions upon a rating downgrade of the Servicer below BBB (low) by DBRS include one of the following options: appoint a Backup Servicer, appoint a replacement Servicer or constitute a deposit to mitigate the commingling risk.

Servicer Termination

The Servicer Agreement can be terminated under certain conditions by the Management Company. The primary reasons for which a Servicer could be terminated include a breach of the obligations of the Servicer under the Servicer Agreement, the insolvency or bankruptcy of the Servicer or if the Servicer ceases to have the necessary authorisation by the Bank of Spain to provide such services. In cases where a Servicer Agreement is terminated, the Management Company will appoint a replacement Servicer.

The Servicer Agreement can also be voluntarily terminated by the Servicer only when the Servicer has proposed a new replacement Servicer, which does not add additional costs to the Issuer and does not negatively affect the ratings of the Notes. Any event of the Servicer replacement needs to be communicated to the Comisión Nacional del Mercado de Valores, the Spanish financial securities markets regulator, and to the rating agencies.

Credit Enhancement

The Series A Notes benefit from credit enhancement in the form of the excess of the balance of the portfolio above the notional of the outstanding balance of the Series A Notes. Additionally, credit enhancement is provided by the Reserve Fund. The transaction also benefits from excess spread that can be used to replenish the Reserve Fund in the case of defaults of the credit rights.

Reserve Fund

As of the Closing Date, the balance in the Reserve Fund is EUR 39.0 million, equivalent to 5.0% of the Notes.

The Reserve Fund is available to cover senior expenses as well as missed interest and principal payments on the Notes throughout the life of the transaction.

The Reserve Fund balance must be maintained at the Minimum Level, defined as the lower of:

- EUR 39.0 million; and
- The higher of:
  - 10.0% of the outstanding principal balance of the Notes;
  - 2.5% of the original balance of the Notes.

However, no reduction of the required Reserve Fund level will be allowed (1) in the first three years, (2) if the Reserve Fund was not funded to the Minimum Level on the previous payment date or (3) if the outstanding principal balance of the portfolio in arrears between 90 days and 540 days is higher than 1.0% of the outstanding principal balance of the performing portfolio.

Interest Rate Risk

The Issuer has not entered into any interest rate hedging agreements and is therefore exposed to basis risk and potential liquidity risks because of the timing mismatches between payments on the Notes (quarterly) and payments collected on the asset portfolio (a mixture of monthly, quarterly, semi-annual and annual paying loans).

The basis risk could affect the performance of the transaction, potentially leading to an interest shortfall resulting from adverse movements in the interest rate index on the Notes versus the interest rate indices on the loan portfolio. This risk is partially mitigated by the excess spread that the loan portfolio generates, which can be used to cover this potential shortfall to a certain extent. As such, the benefit normally given to available excess spread needs to be adjusted to take these potential negative effects of the basis risk into consideration.

DBRS has analysed the historical relationship between different Euribor indices to determine stressed basis risk between the different indices pairs. Based on the interest rate distribution of the portfolio, DBRS assumed a stressed basis of 0.43% per annum. This basis risk is addressed in DBRS's cash flow model analysis by reducing the spread paid by the floating portfolio by 43 basis points.

Data Quality

BBVA has provided a complete data set regarding the information on the loan portfolio that is consistent with the DBRS data template. The historical data was organised by vintage, with information on the amounts of the loans over 90 days in arrears as well as recovery data. In addition, DBRS also received performance information on previous BBVA SME CLOs containing default data for loans originated between 2003 and 2012.

DBRS considers preferable information based on number of loans rather than amounts; however, DBRS used the data as provided and did not apply any additional stresses as the PD calculated was considered to be conservative when observing other comparable transactions recently rated.

No information on historical loan amortisation was provided as requested by DBRS's new data template; therefore, the DBRS analysis performed incorporates its views on the loan amortisation based on the average loan tenor profile of similar BBVA portfolios. The loan amortisation assumption is required to calculate the base-case PD under the *Rating CLOs Backed by Loans to European Small and Medium-Sized Enterprises (SMEs)* methodology.

DBRS determined key inputs used in its analysis based on historical performance data provided for the Originator and Servicer as well as analysis of the current economic environment.

The sources of information used for this rating include parties involved in the rating, including but not limited to BBVA.

DBRS considers that the information available to it for the purposes of providing this rating was of satisfactory quality.

Collateral Analysis

Collateral Summary

		Provisional Pool (used for analysis)	Final Portfolio (as of 14 December 2015)
Asset Type (% of securitized portfolio notional)	Term Loans (secured) Term Loans (unsecured)	51.1% 48.9%	51.9% 48.1%
Borrower Type (% of portfolio notional)	Medium Companies Small Companies Micro Companies Self-Employed Individuals	35.2% 33.8% 17.1% 14.0%	36.5% 32.3% 17.3% 14.0%
Portfolio Balance (EUR million)	Performing Principal Overdue (<30 days in arrears)*	98.6% 1.4%	100.0% 0.0%
Number of assets		4,943	3,880
Number of Borrower Groups		4,511	3,571
Floating/Fixed (% of portfolio notional)	Floating Fixed	85.0% 15.0%	85.6% 14.4%
Average Loan Size (EUR)		178,031	201,032
Average Borrower Exposure (EUR)		195,080	218,427
Weighted-Average Floating Spread (per annum)		2.06%	2,01%
Weighted-Average Fixed Interest Rate (per annum)		3.73%	3.73%
Mortgage Guarantee (% of portfolio notional)	Secured Unsecured	51.1% 48.9%	51.9% 48.1%
Mortgage Guarantee type			
(% of portfolio notional)	Residential Commercial	8.4% 42.7%	8.6% 43.3%
Weighted-Average Maturity		6.8 years	6.9 years
Weighted-Average Life		3.8 years	3.8 years
Obligor Group Concentration (% of portfolio notional)	Largest Top Ten Largest Top 20 Largest	0.94% 8.23% 13.99%	0.98% 8.53% 14.42%
Credit Rights Origination Dates		2000-2015	2000-2015
Delinquency (% of portfolio notional)	Loans in Arrears (1 to 30 days) Loans in Arrears (>30 days)	1.4% 0.0%	0.0% 0.0%

* The Final portfolio only could include loans in arrears up to 30 days.
Note: Because of rounding, the items in the columns might not add up to the stated totals.
Sources: BBVA, DBRS.

Collateral Analysis (CONTINUED)

Portfolio Distribution – Largest Exposures

The portfolio is well diversified across borrowers. The largest borrower exposure represents 0.98% of the portfolio. The top ten obligors represent 8.53 % of the outstanding balance of the portfolio.

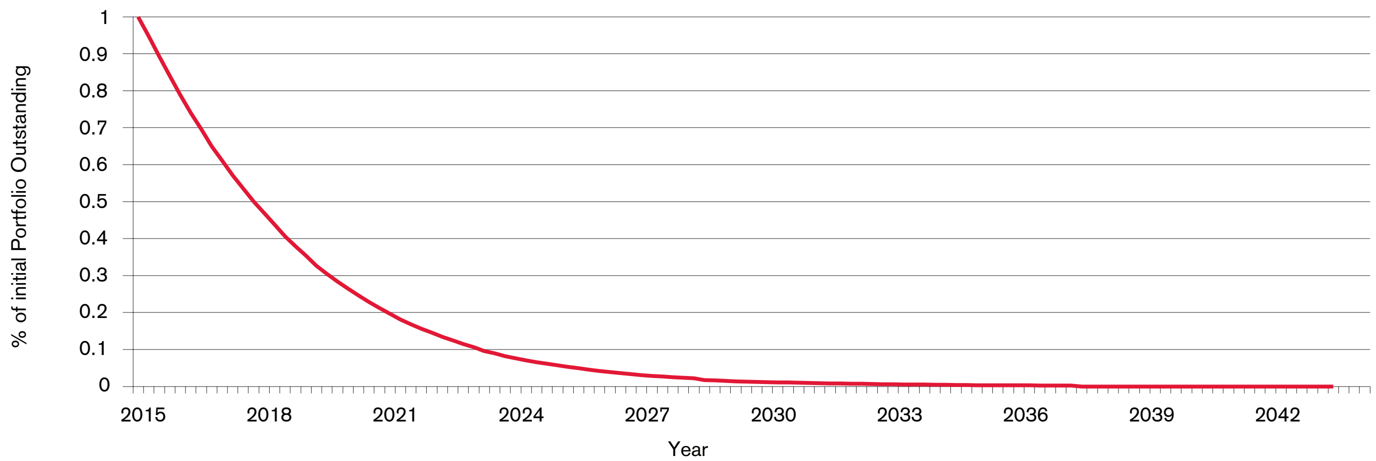
Rank	Balance (EUR)	Percentage of Portfolio	Region	Industry
1	7,646,121	0.98%	Catalonia	Business Equipment & Services
2	6,893,808	0.88%	Andalusia	Building & Development
3	6,785,123	0.87%	Catalonia	Drugs
4	6,784,000	0.87%	Basque Country	Health Care
5	6,745,000	0.86%	Catalonia	Building & Development
6	6,652,321	0.85%	Catalonia	Lodging & Casinos
7	6,578,823	0.84%	Madrid	Business Equipment & Services
8	6,388,961	0.82%	Basque Country	Health Care
9	6,158,203	0.79%	Catalonia	Business Equipment & Services
10	5,931,272	0.76%	Castille León	Beverage & Tobacco
Total	**66,563,632**	**8.53%**		

Note: Because of rounding, the items in the columns might not add up to the stated totals.
Sources: BBVA, DBRS.

Amortisation Profile

The provisional portfolio used for the analysis had a weighted-average (WA) life of 3.8 years; for the purpose of the analysis, DBRS assumed 4.0 years to account for selection and permitted variations (which allows up to 10% of the portfolio maturity to be extended). The Series A Notes are expected to begin amortising from the first payment date, given the scheduled amortisation profile (assuming 0% constant prepayment rate) of the underlying loans (please see chart below).

Portfolio Amortisation Profile (0% CPR)



Source: BBVA, DBRS.

Portfolio Distribution – Borrower Industry Sector Classification

The portfolio is highly concentrated in the Building & Development industry, which represents 27.26% of the portfolio balance, which is much higher than other Spanish SME CLOs originated recently and rated by DBRS. The remaining portfolio is well diversified across industries with Business Equipment & Services and Retailers (except food and drug) completing the top three industries, representing 7.69% and 6.25% of the portfolio balance, respectively.

Collateral Analysis (CONTINUED)

DBRS Industry (as of the Closing Date)	Percentage of Balance
Building & Development	27.26%
Business Equipment & Services	7.69%
Retailers (except food & drug)	6.25%
Food Products	5.81%
Lodging & Casinos	5.46%
Surface Transport	4.69%
Health Care	4.43%
Farming/Agriculture	3.66%
Utilities	3.40%
Food/Drug Retailers	2.79%
Beverage & Tobacco	2.72%
Chemicals & Plastics	2.70%
Automotive	2.53%
Food Service	2.36%
Nonferrous Metals/Minerals	2.30%
Leisure Goods/Activities/Movies	1.77%
Industrial Equipment	1.59%
Publishing	1.51%
Clothing/Textiles	1.50%
Steel	1.09%
Drugs	1.07%
Financial Intermediaries	0.95%
Home Furnishings	0.79%
Miscellaneous	0.69%
Containers & Glass Products	0.65%
Forest Products	0.61%
Ecological Services & Equipment	0.60%
Telecommunications	0.58%
Equipment Leasing	0.54%
Electronics/Electrical	0.50%
Remaining Industries	1.51%
Total	**100.00%**

Note: Because of rounding, the items in the columns might not add up to the stated totals.
Sources: BBVA, DBRS.

Collateral Analysis (CONTINUED)

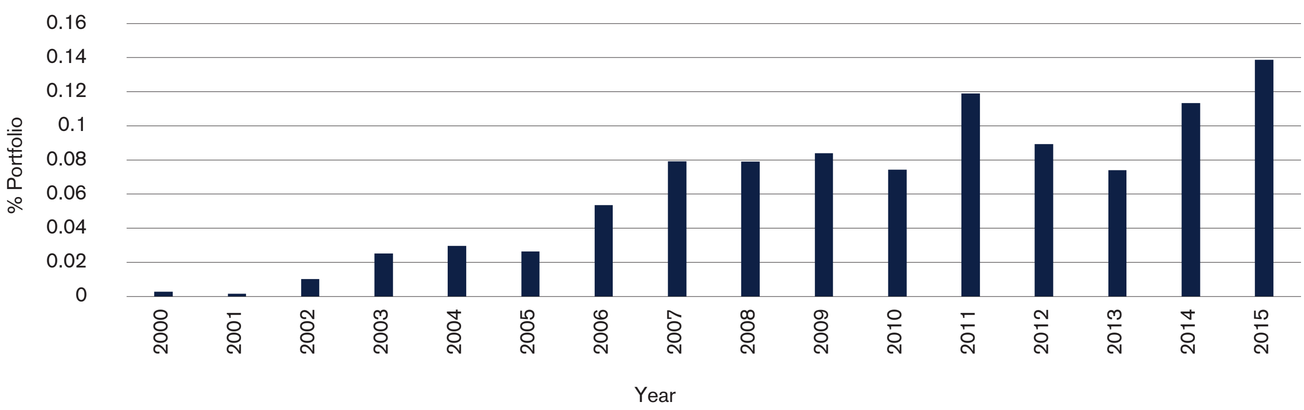
Portfolio Distribution – Borrower Location by Region

Region Classification (as of the Closing Date)	Percentage of Balance
Catalonia	24.18%
Andalusia	16.64%
Valencian Community	9.83%
Madrid	9.47%
Basque Country	8.43%
Canary Island	5.59%
Castille-León	4.95%
Aragon	2.95%
Extremadura	2.70%
Murcia	2.62%
Galicia	2.39%
Castille La Mancha	2.35%
Navarre	2.26%
Balearic Island	1.82%
Cantabria	1.44%
La Rioja	1.00%
Asturias	0.94%
Ceuta and Melilla	0.46%
Total	**100.0%**

Note: Because of rounding, the items in the column might not add up to the stated totals.
Sources: BBVA, DBRS.

Portfolio Distribution – Loans Origination by Year

Portfolio Distribution – Loans Origination by Year



Source: BBVA, DBRS.

DBRS Analysis

Asset Analysis

DBRS used its Diversity Model to determine a lifetime default rate at the required rating levels. The Diversity Model takes key loan-by-loan information of the securitised portfolio (such as borrower identification (ID), borrower notional amount and industry ID for each loan), the expected WA life of the portfolio and the annualised PD assumption estimated by DBRS based on the historical data provided. The Diversity Model employs a Monte Carlo simulation to determine cumulative default rates (or hurdle rates) at each rating stress level.

Break-even default rates (BDRs) on the Notes were determined using the DBRS CDO Cash Flow Model. The minimum BDR is computed over nine combinations of default timing and interest rate stresses. At the A (low) (sf) and CCC (low) (sf) rating levels, the BDRs for the average of the nine scenarios must exceed the respective hurdle rate calculated by the Diversity Model.

Average Annualised Default Rate

The average annualised default rate is determined from the historical data supplied by the Originator. BBVA supplied historical default data based in amounts of loans over 90 days in arrears. DBRS considers preferable information based on number of loans rather than amounts; however, DBRS used the data as provided and did not apply any additional stresses as the PD calculated was considered to be conservative when comparing with similar transactions recently reviewed and when analysing default evolution for previous BBVA SME CLO transactions to date.

For this transaction, DBRS considered a base-case PD of 4.4%. The DBRS base-case PDs was based on the historical performing data of the last seven years.

Granularity Default Risk

Borrower concentration is taken into account in the DBRS Diversity Model. In exceptional cases, DBRS may require additional analysis to be conducted to ensure that the risk associated with specific borrowers is accounted for appropriately. The single borrower exposure in the portfolio was considered acceptable and DBRS determined that there were no borrowers requiring additional analysis for this transaction.

Correlation

DBRS employs a two-factor correlation model as the basis for the SME default modelling. This correlation structure is implemented in the DBRS Diversity Model, allowing for explicit concentration in obligor and industries while using a Monte Carlo process to generate the stressed default rates. To account for the increased concentration risk inherent in SME pools caused by obligor and industry, DBRS applies a rating level-based correlation stress using the DBRS Diversity Model.

Recovery Rates and Recovery Delay

For assets that are unsecured or that are secured by collateral other than real estate, DBRS applies recoveries for the applicable proposed rating and country tier in line with its *Rating Methodology for CLOs and CDOs of Large Corporate Credit*.

For assets secured by residential or commercial real estate, market value decline (MVD) assumptions are applied to the collateral value, with the resulting stressed value available for loan repayment. In the case of multiple loans or liens, DBRS considers all available data and computes the appropriate recovery. The resulting recovery rate is floored at the senior unsecured recovery rate for the applicable proposed rating and country tier. The MVD assumptions for assets secured by residential real estate can be found in DBRS's *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*. MVD assumptions for assets secured by commercial real estate are based on residential real estate MVDs, with additional stress applied. DBRS MVDs for commercial real estate are contained in the commentary Real Estate *MVDs in CLOs Backed by Loans to European SMEs* (October 2013).

DBRS treated loans that benefit from a mortgage on a collateral classified as Real Estate Promotions and as Residential and Commercial land as unsecured. Collateral classified as Real Estate Promotions and as Residential and Commercial land represented 6.8% of the provisional pool.

Recovery timing is assumed to vary according to the domicile of the obligor. In general, recovery delay assumptions have been determined by examining the average timing to resolve insolvencies as well as the legal framework regarding relative debtor/creditor friendliness in a particular jurisdiction. For Spain, DBRS assumes a recovery delay of 2.25 years for unsecured loans and 4.0 years for secured loans.

DBRS Analysis (CONTINUED)

Please refer to DBRS's *Rating Methodology for CLOs and CDOs of Large Corporate Credit* (April 2015), for country tiers and delays for commercial real estate and unsecured recoveries as well as DBRS's *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda* for recovery delays by country for residential real estate.

Collateral Seniority (DBRS definition)	Collateral Type (DBRS definition)	Percentage of Provisional Portfolio
Secured	Residential	8.4%
	Commercial	35.9%
Unsecured	Unsecured	55.7%

While 51.1% of the provisional pool is backed by mortgages, DBRS assumed for its analysis only 44.3% of secured loans as it excludes collateral classified as Real Estate Promotions as explained on the previous page. The securitised portfolio has a 51.9 % of the loan balance being backed by mortgages (not considering any Real Estate Promotions adjustment). Approximately 16.6% of the secured loans were backed by residential property and 83.4% were backed by commercial property.

A summary of the recovery rates and recovery delays assumptions used for this transaction is shown in the table below.

Parameters	Values (at A (low) (sf) Rating Stress)	Values (at CCC (low) (sf) Rating Stress)
WA Unsecured Recovery Rate	16.3%	21.5%
Unsecured Recovery Delay for Spain	2.25 years	2.25 years
WA Secured Recovery Rate	56.2%	69.6%
Secured Recovery Delay for Spain	4.0 years	4.0 years

Overall Rating Parameter Inputs for the DBRS Diversity Model

The inputs used to calculate the portfolio default rates are:

Parameters	Values (at A (low) (sf) Rating Stress)	Values (at CCC (low) (sf) Rating Stress)
Weighted-Average Life of SME Portfolio (years)	4.0	
Assumed One-Year Default Rate	4.44%	
Inter-Industry Correlation	10.00%	8.25%
Intra-Industry Correlation	25.00%	20.63%

The WA life of the pool was 3.8 years; DBRS stresses to 3.98 years to adjust for the permitted variations that allow up to 10% of the portfolio to extend until January 2044.

The expected portfolio Lifetime Total Default Rates for the required ratings (based on the inputs described in the table above) are indicated below:

Target Rating	Lifetime Total Default Rate
A (low) (sf)	45.4%
CCC (low) (sf)	10.6%

Interest Rate Scenarios

The purpose of the interest rate stress scenarios is to determine whether the transaction has any systemic interest rate risk exposure, such as having all floating-rate liabilities and at least some fixed-rate assets without an adequate hedge. DBRS uses its cash flow model to test the impact on the Notes' BDRs for three interest rate scenarios: a forward interest rate curve, stressed increasing rate scenarios and stressed decreasing interest rate scenarios.

The higher the target rating, the more extreme the level of interest rate stress that is used. For example, the interest rates assumed under the increasing interest rate stress scenario are higher for a target rating of A (low) (sf) than they are for a target rating of CCC (low) (sf). The interest rate stresses are discussed in the DBRS *Unified Interest Rate Model for European Securitisations* methodology (October 2015).

DBRS Analysis (CONTINUED)

Default Timing Vectors Scenarios

In addition to the interest rate scenarios, DBRS also varies the timing of when the defaults occur. There are three scenarios that are used for all target ratings:

Default Vector	Year 1	Year 2	Year 3	Year 4
Front	40%	30%	20%	10%
Back	20%	30%	40%	10%
Smooth	30%	30%	30%	10%

Overall Cash Flow Model Summary

The Lifetime Total Default Rate is the cumulative default rate (or hurdle rate) that the transaction must survive if the specified Notes are assigned the target rating under the nine interest rate and default timing vector scenarios described above.

Specifically, to pass the A (low) (sf) rating level, the Series A Notes must not have any losses when 45.4% of the portfolio is defaulted, as per the default timing vectors above, under the average of the nine scenarios. To pass the CCC (low) (sf) rating level, the Series B Notes must not have any losses when 10.6% of the portfolio is defaulted, as per the default timing vectors above, under the average of the nine scenarios

Cash Flow Model Results

Factor / Result	Series A Notes	Series B Notes
Rating Stress	A (low) (sf)	CCC (low) (sf)
Expected Lifetime Default Rate (at relevant rating stress)	45.4%	10.6%
Average Cash Flow Model Break-even Default Rate (BDR)	46.2%	13.4%
Cushion	0.8%	2.8%

The results of the cash flow model analysis indicate that:

- The average BDRs for the Series A Notes is higher than the A (low) (sf) stress lifetime default rate, supporting the decision to assign an A (low) (sf) rating to the Series A Notes.
- The average BDRs for the Series B Notes is higher than the CCC (low) (sf) stress lifetime default rate, supporting the decision to assign a CCC (low) (sf) rating to the Series B Notes.

Sensitivity Analysis

The sensitivity analysis conducted highlights the likely impact on the ratings when one key risk parameter is stressed while holding all others constant. In addition, the sensitivity analysis also demonstrates the impact on the ratings where two risk parameters stresses are combined.

DBRS considered the following stress scenarios as compared with the parameters used to determine the rating (the base case):

- PD rates: base-case PD of 4.4%, a 10% increase of the base case and a 20% increase of the base-case PD.
- Recovery rates: base-case recovery rate, a 10% and 20% decrease in the base-case recovery rates at each rating level.

Series A Notes - Rating Sensitivity to Changes in Key Risk Parameters

	Relative Changes to Recovery Rate		
Relative Changes to PD	Original (Base Case)	-10%	-20%
Original (Base Case)	A (low)	BBB (high)	BBB (high)
+10%	BBB (high)	BBB (high)	BBB
+20%	BBB	BBB	BBB (low)

Sensitivity Analysis (CONTINUED)

Series B Notes - Rating Sensitivity to Changes in Key Risk Parameters

	Relative Changes to Recovery Rate		
Relative Changes to PD	**Original (Base Case)**	**-10%**	**-20%**
Original (Base Case)	CCC (low)	CCC (low)	CCC (low)
+10%	CCC (low)	CCC (low)	CC
+20%	CCC (low)	CC	CC

Assessment of the Sovereign

At the Issue Date, the Kingdom of Spain's Long-Term Foreign and Local Currency Issuer Ratings were A (low) with Positive trends. The Positive trend underlines DBRS's view that the strengthening economic recovery outweighs uncertainty over governance in the next administration following general elections later that year.

For more information, please refer to the most recently published press release by DBRS entitled "DBRS Revises Trend on Spain to Positive, Confirms A (low)," dated 9 October 2015.

Monitoring and Surveillance

The ratings of the Notes depend on the portfolio performance and counterparties' ratings. The main triggers that DBRS will rely on for monitoring are:

- Evolution of the Reserve Fund level;
- Updated SME default data from BBVA;
- Changes in the DBRS public or private credit ratings or private internal assessments of the counterparties engaged in the transaction and implementation of the remedial actions foreseen in the transaction agreements; and
- Any event of default by the Issuer.

DBRS will monitor the transaction on an ongoing basis to ensure that it continues to perform as expected. Any subsequent changes in the rating will be publicly announced.

Note:
All figures are euros unless otherwise noted.

This report is based on information as of 22 March 2016, unless otherwise noted. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.