BBVA Consumo 8, FT

New Issue

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Related New Issue Appendix

BBVA Consumo 8, FT

Related Criteria

Global Structured Finance Rating Criteria (June 2016)

Global Consumer ABS Rating Criteria (August 2016)

Counterparty Criteria for Structured Finance and Covered Bonds (July 2016)

Criteria for Servicing Continuity Risk in Structured Finance (December 2015)

Criteria for Rating Caps and Limitations in Global Structured Finance Transactions (June 2016)

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Capital Structure

Class	Rating	Outlook	Amount (EURm)	CE[a] (%)	Coupon rate (%)	Final maturity	PLM[c] (x)
A	A+sf	Stable	612.5	17.0	1.0	October 2029	4.0
B	CCCsf	n.a.	87.5	4.5	1.5	October 2029	1.0
Total issuance			**700.0**			**PLE[b] (%)**	4.3

[a] Credit enhancement (CE) consists of structural subordination plus a reserve fund of EUR31.5m. In addition, the structure benefits from initial excess spread of about 5.5% annualised
[b] Portfolio Loss Expectation (PLE): Lifetime loss rate under a base case scenario. See also *Portfolio Loss Metrics*
[c] Portfolio Loss Multiple (PLM): CE divided by PLE

Transaction Summary

This transaction is an 18-month revolving securitisation of unsecured Spanish car acquisition loans. All the loans are originated and serviced by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA), which is also the issuer's account bank provider.

Key Rating Drivers

Blended Default Rate Assumption: Fitch Ratings has assumed a blended 5.7% base case lifetime default rate on the collateral, expressed as a percentage of the initial collateral's euro balance. The portfolio at closing comprised 64% new car loans and 36% used car loans, but the blended default rate analysis is calibrated with a slightly larger share of used car loans (40%) as per the covenants established during the revolving period.

Recoveries Based on Comparable Transactions: Fitch's credit analysis captures a recovery expectation of 25% on defaulted amounts under a base case scenario, which is substantiated with observed recoveries from comparable unsecured securitisations rated by Fitch. The agency has given no credit to recovery vintage data presented by BBVA, considering the inconsistencies found, such as unexplained peaks in very late post-default periods. The lifetime credit loss rate on the collateral is therefore assumed at 4.3% under a base case scenario.

Revolving Period Exposure: The revolving period will be terminated early if the balance of loans in arrears over 90 days is greater than 2.2% of the collateral balance. Fitch views this level as being much tighter than the historical arrears ratio presented by BBVA on its auto loan book, which ranged between 5% and 8% over the past five years; we therefore believe the transaction is exposed to buybacks of non-performing loans by the originator. This risk has been captured in Fitch's default rate stresses.

High Performance Stresses: The 'A+' lifetime default rate assumption of 25% implies a default rate multiple of 4.4x from the base case, which is high compared with other recent transactions rated by Fitch. This multiple captures several risk factors, such as the revolving period exposure and the significant loan book performance volatility observed during periods of stress, particularly in the used car loan segment. The credit loss rate expectation under an 'A+' stress scenario is 21.4%.

Rating Caps: BBVA acts as originator, servicer, issuer account bank and paying agent. In accordance with Fitch's counterparty criteria, the rating of the notes is capped at 'A+sf' as the rating trigger upon which remedial actions on the account bank would be taken is set at 'BBB' and also because no structural mitigants against servicer disruption risk have been put in place. Fitch has also capped the class B notes' rating at 'CCCsf', based on market value risk exposure (see *Clean-up Call Option*).

Transaction Comparison and Transaction Parties

Transaction Comparison

Issuer	BBVA Consumo 8	A-best 13	SCSA 2014-1[a]	SCSA 2013-1[a]	Driver Espana One
Closing date	20 Jul 16	27 Nov 15	26 Nov 14	18 Oct 13	08 Apr 11
Registered office	Spain	Spain	Spain	Spain	Spain
Country of assets	Spain	Spain	Spain	Spain	Spain
Seller	BBVA	FCA Capital Espana	Santander Consumer EFC	Santander Consumer EFC	Volkswagen Finance, SA, EFC
Asset-backed issuance volume (EURm)	700	315	760	550	660
Class	**Class A**	**Class A**	**Class A**	**Class A**	**Class A**
Rating at closing	A+sf	AA+sf	Asf	A+sf	AAAsf
Amount (EURm)	612.5	225.5	703	481.2	570.5
Credit enhancement (%)	17.0 [b]	29.2[b]	12.5[b]	18.5[b]	18.5[c]
Class	**Class B**	**Class B**	**Class B**	**Loan B**	**Class B**
Rating	CCCsf	Asf	BBBsf	NRsf	A+sf
Amount (EURm)	87.5	36.5	27.4	68.8	58.4
Credit enhancement (%)	4.5	17.6	8.9	10.0[b]	10.0b
Class		**Class M**	**Class C**		**Sub-loan**
Rating		NRsf	BB+sf		NRsf
Amount (EURm)		53	15.2		31
Credit enhancement (%)		0	6.9		0
Portfolio summary as of closing					
Type	Revolving (18m)	Revolving (26m)	Revolving (48m)	Static	Static
Type of receivables	Unsecured auto loans	Auto loans and leases	Auto loans	Auto loans	Auto loans
Total principal amount (EURm)	700	315	760	550	687
Number of receivables	68,490	36,179	73,909	56,968[d]	91,576
Avg. outstanding balance (EUR)	10,218	8,620	10,283	10,177[d]	7,506
WA remaining term in months	61	41	58	60	38
WA seasoning in months	22	18	10	13	21
Max. original term in months	121	96	-	-	96
Collateral by balance (%)					
Type of vehicle					
New	64	93	77	76	88
Used	36	7	23	24	12
Type of repayment					
Fully amortising	100	82	100	100	93
Balloon payment	0	18	0	0	7
Payment method					
Direct debit	100	100	100	100	100
Credit assumptions (base case scenario)					
Lifetime default rate	5.7	5.8	5.4	7.7	5.1
Recovery rate	25.0	30.0	32.9	38.8	65.7
Prepayment-rate (annually)	5	4	5	6	5

[a] Santander Consumer Spain Auto

[b] Credit enhancement is provided by structural subordination and a cash reserve. In addition, the transaction features excess spread; excess spread is not reflected in the credit enhancement figure

[c] Credit enhancement is provided by structural subordination and overcollateralisation. The transaction does not feature excess spread

[d] The transaction's portfolio stratifications are based on the EUR580m preliminary portfolio analysed by Fitch

Source: Transaction documents/Fitch

Related Research

Deposit Set-Off for EU Structured Finance and Covered Bonds (June 2013)

Auto ABS Index – Europe 3Q16 (August 2016)

ABS Compare (August 2016)

Iberian Consumer Credit Market Review (June 2016)

2016 Outlook: European Structured Finance (December 2015)

EMEA Auto ABS Primer (April 2015)

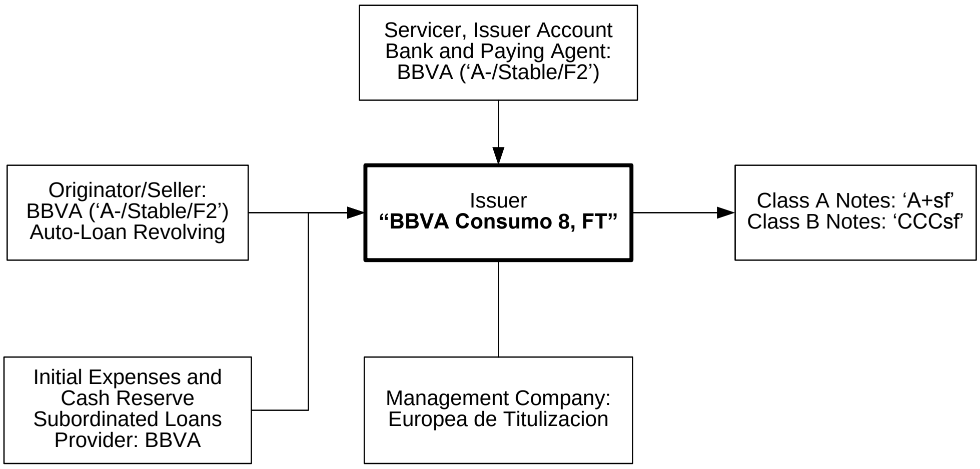
Key Transaction Parties

Issuer	BBVA Consumo 8, FT	Not Rated
Originator/seller	BBVA	A−/Stable/F2
Servicer	BBVA	A−/Stable/F2
Account bank	BBVA	A−/Stable/F2
Paying agent	BBVA	A−/Stable/F2
Management company	Europea de Titulizacion SGFT, SA (EdT)	Not rated
Subordinated loans provider	BBVA	A−/Stable/F2
Swap counterparty	NA. Unhedged	

Source: Transaction documents and Fitch

Transaction and Legal Structure

Simplified Transaction Diagram


Servicer, Issuer Account Bank and Paying Agent: BBVA (‘A-/Stable/F2’)
Originator/Seller: BBVA (‘A-/Stable/F2’) Auto-Loan Revolving
Issuer “BBVA Consumo 8, FT”
Class A Notes: ‘A+sf’
Class B Notes: ‘CCCsf’
Initial Expenses and Cash Reserve Subordinated Loans Provider: BBVA
Management Company: Europea de Titulizacion

Source: Fitch

Issuer and True Sale

The notes are issued by BBVA Consumo 8, FT, a limited-liability special purpose vehicle (SPV) incorporated under the laws of Spain, the sole purpose of which is to acquire auto loans from BBVA as collateral for the issuance of quarterly-paying notes. The loans are unsecured personal loans with no security title over the financed vehicles. The credit rights assigned by BBVA to the issuer consist of interest and principal instalments due by the borrowers under the loans, together with any recoveries obtained from them.

The trustee or management company, EdT, which is supervised by the Comision Nacional del Mercado de Valores (CNMV), is responsible for cash reconciliation, payment and waterfall calculations and their reporting, including the monitoring of applicable triggers. It is also responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer or account bank counterparties.

Capital Structure and Credit Enhancement

The SPV has issued two classes of asset-backed, quarterly paying and sequentially subordinated notes: the senior notes (class A) and the subordinated notes (class B). In addition, the structure benefits from a reserve fund funded at closing through a subordinated loan provided by BBVA.

The receivables where purchased at par at closing, dated 20 July 2016, using the proceeds from the notes’ issuance. The issuance initial expenses have been funded through a subordinated start-up loan provided by BBVA.

At closing, the class A notes benefited from a 17% CE provided by structural subordination and the reserve fund, while the class B from a 4.5% CE provided by the reserve fund only.

Reserve Fund

The EUR31.5m reserve fund (equal to 4.5% of the issued notes' balance) was funded at closing via a subordinated loan provided by BBVA and is held at the issuer's account bank. The reserve fund may start amortising to 9% of the outstanding notes' balance once at least 50% of the notes' principal has been redeemed, subject to a floor amount of EUR15.75m (2.25% of portfolio initial balance).

The reserve fund may provide liquidity and/or credit support to the transaction by covering any interest or principal shortfalls, in accordance with the priorities of payments. In Fitch's view, the reserve fund does not effectively mitigate against the risk of interest payment disruptions in a servicer termination event, because under a stressed scenario it would have already been used up to cover for principal shortfalls.

Excess Spread

The transaction benefits from significant excess spread, as the assets will pay a fixed rate of at least 7.5% per annum (as per the revolving covenants), while the class A and class B notes receive a coupon of 1% and 1.5%, respectively. Assuming servicing fees of up to 80bps relative to the outstanding portfolio balance in a stress scenario, this leaves an annualised excess spread of about 5.5%.

Priorities of Payments

The transaction has separate interest and principal priority of payments, with an interconnection mechanism that allows principal collections to form part of the interest available funds during the amortisation period, and a re-allocation mechanism by which excess interest is used to pay note principal due amounts on a sequential basis.

Interest Priority of Payments – Simplified

(a)	Senior expenses and fees
(b)	Class A interest
(c)	Class B interest, if not deferred
(d)	Withholding amount for notes' principal redemption
(e)	Class B interest, if deferred
(f)	Reserve fund replenishment up to the required amount
(g)	Subordinated payments and released amounts to the seller

Source: Transaction documents, Fitch

Principal Priority of Payments – During Revolving Period

(a)	Purchase of additional receivables from the originator
(b)	To debit the issuer's principal retention account

Source: Transaction documents, Fitch

Principal Priority of Payments – During Amortisation Period

(a)	Class A principal until redemption
(b)	Class B principal until redemption

Source: Transaction documents, Fitch

Interest Available Funds

The interest available funds include interest and principal collections, recoveries, the yield on the issuer's accounts and any other amounts received by the SPV.

Principal Available Funds

Principal available funds include the principal withholding amount applied in accordance with item (d) of the interest waterfall and, during the revolving period, any amounts standing to the debit of the principal retention account, which will be credited to purchase additional receivables.

Principal Redemption and Provisioning

The principal withholding amount as per item (d) of the interest waterfall is calculated as the outstanding notes' balance (less any principal retained amounts forming part of the principal available funds), minus any portfolio balance that has not been written off. This implies a provisioning mechanism whereby written-off loans, defined as loans more than 18 months in arrears, are recorded as a loss and may be cleared using available excess interest on each quarterly payment date.

Class B Interest Deferral

The payment of class B interest will be deferred below principal withholding amounts (provided the class A notes have not been fully redeemed) if cumulative delinquencies, defined as 90 days of arrears, exceed 5% of the initial portfolio balance.

Eligibility Criteria

The following are the main conditions that each individual receivable must satisfy to be assigned to the issuer at closing or during the revolving period.

- The borrower is a Spanish individual.
- The borrower is not a BBVA employee.
- The receivable is denominated in euros.
- The borrower has already paid at least one instalment.
- The receivable is not delinquent by more than 30 days.
- The receivable bears a fixed interest rate and has a monthly payment frequency.
- The receivable has not been restructured nor refinanced, and it has no embedded contractual clauses allowing the deferral of interest or principal.
- The receivable has been fully drawn for the exclusive purpose of financing a new or a used vehicle.
- The remaining term to maturity of the receivable does not exceed 10 years.
- The receivable is fully amortising based on the equated monthly instalment method.
- The receivable is repaid by direct debit.

Revolving Period Covenants

Global Portfolio Covenants

The issuer shall refrain from purchasing additional receivables during the revolving period if any global portfolio covenant is in breach (see *Portfolio Summary*). In Fitch's view, the securitisation portfolio is exposed to some risk of quality deterioration during the revolving period, as the portfolio composition could deteriorate within the concentration limits determined by the global portfolio covenants. This risk has been captured within Fitch's default assumptions.

Early Termination Triggers

The transaction defines performance triggers that can terminate the revolving period if breached. These triggers are designed to protect the structure against an excessive deterioration of credit risk during the revolving period by initiating the notes' amortisation period earlier than planned, in accordance with the priorities of payments described above. The 18-month revolving period would be terminated early in the following circumstances, among others:

- if BBVA becomes insolvent or is terminated in its role as servicer of the transaction;
- if the reserve fund cannot be replenished to its required level on any interest payment date (IPD);
- if the outstanding balance of the principal retention account exceeds 20% of the notes' outstanding balance on any given IPD, or exceeds 10% of the notes' outstanding balance during two consecutive IPDs; and

- if the balance of loans in arrears over 90 days is greater than 2.2% of the collateral balance.

Fitch views the delinquency trigger of 2.2% as much tighter than the historical arrears ratio presented by BBVA on its auto loan book, which has ranged between 5% and 8% over the past five years. We therefore believe the transaction to be exposed to buybacks of non-performing loans by the originator. This risk has been captured within Fitch's asset analysis.

Representations and Warranties

In addition to the eligibility criteria listed above, the seller has provided the issuer with specific representations and warranties (R&Ws) concerning the characteristics of the performing loans, and the general and legal circumstances of the loans in the pool. For more details, see the related *New Issue Appendix* (*BBVA Consumo 8, FT − Appendix*), which includes the R&Ws given by the originator. The R&Ws are substantially comparable to those typically contained in EMEA ABS transactions, as described in Fitch's research Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions, published 31 May 2016. Fitch therefore made no adjustments to its analysis in relation to the R&Ws.

Servicer Permitted Variations

Fitch does not regard potential contractual variations on the receivables as a matter of concern, as the ability of the servicer to modify the collateral profile is very limited.

Permitted variations are limited to interest rate reductions and maturity extensions with the limitations listed below, among others, and must be authorised by the management company, on behalf of the noteholders.

- A reduction of interest rates may only be granted if requested by the borrower and must be at market conditions.
- The minimum portfolio weighted average interest rate must be 7.5%, in accordance with the global portfolio covenants.
- The outstanding amount of loans with maturity extensions may not exceed 10% of the notes' initial balance.
- The amortisation method, the payment frequency and the interest rate type (ie fixed) may not be modified.
- No maturity may be extended beyond February 2026, ie less than 3.5 years before the notes' legal maturity date.

Clean-up Call Option

The seller has the ability to exercise a clean-up call when the portfolio balance is less than 10% of its initial amount, which would liquidate the transaction early even if available funds were insufficient to fully amortise the class B notes. In such a scenario, the repayment of the class B notes is exposed to the price at which the SPV would sell the assets to the seller, among other factors. Therefore, Fitch has capped the class B notes' rating at 'CCCsf' and has not assigned a recovery estimate. The class B notes would have reached a high speculative-grade or low investment-grade rating without this risk.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Asset Analysis

Originator Overview

The agency met BBVA senior management at their premises in Madrid in May 2016 to assess BBVA's underwriting and servicing capabilities. According to data from the Asociacion Nacional de Establecimientos Financieros (ASNEF), BBVA is the fourth Spanish auto loan originator and the second largest non-captive originator by outstanding risk, with an outstanding loan balance of EUR1.8bn as of March 2016.

The agency regards as key strengths of the originator its long standing experience as an auto loan originator and its moderate credit growth relative to recent market trends.

Fitch identified some underwriting weaknesses, such a very high maximum permitted borrower debt-to-income (DTI) ratio of 60% (16% on average), a relatively low accuracy ratio for the scoring models, and a deterioration of the average borrower credit score since 2014. Fitch believes these factors contribute to the transaction's exposure to negative portfolio migration risk during the 18-months revolving period, which has been addressed through relatively high default rate multiples within the agency's analysis.

As opposed to typical auto loan securitisations rated by Fitch, BBVA's portfolio consists of unsecured personal loans with no reservation of title over the financed vehicles. Consequently, Fitch has assumed a below average base case recovery rate of 25%, which is substantiated with observed recoveries from comparable unsecured securitisations rated by Fitch.

Refinanced and Restructured Loans

Default vintage data provided by BBVA (see below) does not record refinanced or restructured loans as distressed assets; therefore, Fitch has sized for a reasonable buffer in our default assumptions to address this limitation, based on the 6% current stock of auto loan refinancings reported by BBVA. It should be noted that refinanced loans have been excluded from the securitisation pool, as per the eligibly criteria.

Insurance Policies

BBVA may finance ancillary insurance products, such as death or disability insurance. Most insurance policies are offered by Mapfre (BBB+/Stable), which charges an upfront premium financed by BBVA, which is repaid during the life of the loan on a pro rata basis. The amount of insurance premiums included in the securitisation pool represents approximately 7% of its outstanding balance at closing.

In case of a default of the insurer or an early cancelation of the insurance policy by the borrower, insurance set-off risk cannot be entirely ruled out. However, we are confident that insurance set-off risk is not a material risk driver based on additional mitigants, such as: BBVA's representations and warranties to compensate the SPV if any set off loss were to occur; the financial strength of Mapfre; and the low historical number of early insurance policy cancelations. In addition, we tested the sensitivity of the ratings to potential set-off losses and determined that a full loss of insurance premium financed amounts would only result in a one-notch downgrade of the class A notes.

Portfolio Summary

Some of the portfolio features can vary during the 18-month revolving period, within the boundaries set by the revolving covenants. The table below compares the main characteristics of the initial portfolio as of cut-off date of July 2016 to the worst possible portfolio composition, as per the revolving covenants.

Global Portfolio Covenants

	Worst case portfolio (end of revolving period)	Initial portfolio (July 2016 cut-off)
Weighted average (WA) interest rate (%)	7.5	8.2
WA remaining term to maturity (months)	84	61
WA seasoning (months)	6	21
Single region (%)	25	22
Largest three regions (%)	60	51
Used car loans (%)	40	36
New car loans (%)	60	64
Non-passenger cars (%)	10	6.0
Single borrowers (%)	0.015	0.013
Top 10 borrowers (%)	0.103	0.101
Civil servants, pensioners and permanent employees (%)	50	70

Sources: BBVA, transaction documents

Borrower Default Risk

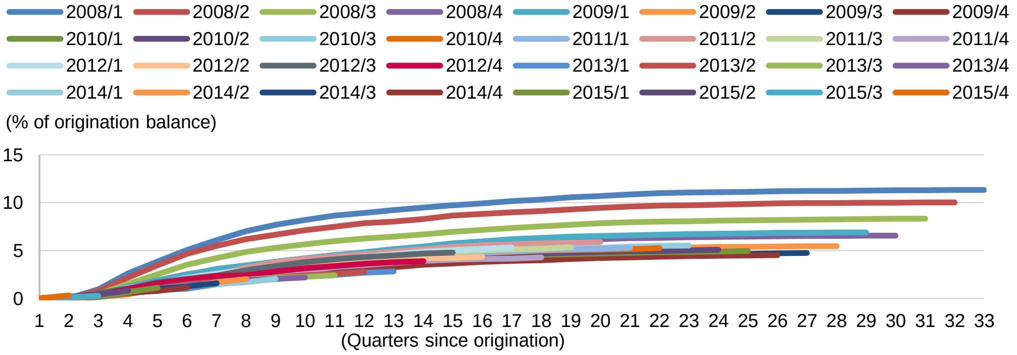
The originator has provided Fitch with historical default data since 2008 (shown below) on new car loans and used car loans, based on which the agency determined blended lifetime default rate assumptions as shown below. Defaults are defined as 180 days of arrears.

Default Assumptions (%)

	Worst case portfolio	Default base case	A+sf multiple (x)	A+sf default rate
New car loans	60	5.5	4.2x	23.3
Used car loans	40	6.0	4.6x	27.7
Blended portfolio		**5.7**	**4.4**	**25.0**

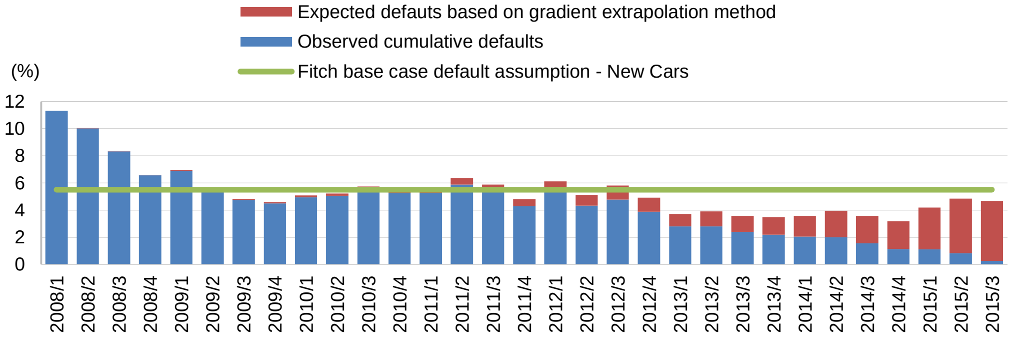
Source: Fitch

New Cars - 180 Days Cumulative Arrears by Quarterly Origination Vintage



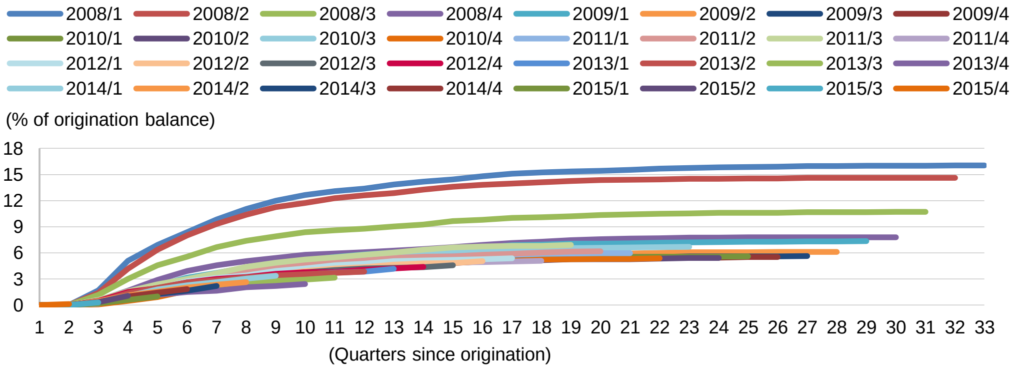
Source: EdT/BBVA

New Cars - 180 Days Cumulative Arrears by Vintage



Source: Fitch, based on EdT/BBVA data

Used Cars - 180 Days Cumulative Arrears by Quarterly Origination Vintage



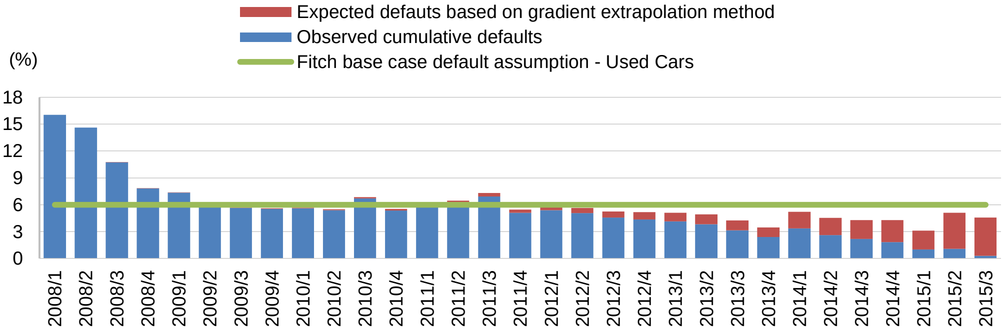
Source: EdT/BBVA

Prepayment Assumptions

Scenario	Low (%)	High (%)
A+sf	3.3	6.7
Asf	3.5	6.5
Base case	5.0	5.0

Source: Fitch

Used Cars - 180 Days Cumulative Arrears by Vintage



Source: Fitch, based on EdT/BBVA data

Recovery Rates

Fitch's credit analysis captures a base case recovery expectation of 25% on defaulted amounts, a figure mainly based on comparable Spanish and European unsecured ABS transactions. Fitch did not give credit to recovery vintages provided by BBVA, due to data inconsistencies. To address these limitations, high recovery haircuts were applied, as shown below.

Recovery Assumptions (%)

	Recovery rate base case	'A+sf' haircut	'A+sf' recovery rate
Defaulted amounts	**25**	**42**	**14.4**

Source: Fitch

Loss Rates

The default and recovery rate assumptions imply an expected lifetime portfolio loss rate of 4.3% under a base case and 21.4% under an 'A+' scenario.

Loss Rate Assumptions[a] (%)

Rating level	Default rate[a]	Recovery rate	Loss rate[a]
A+sf	25.0	14.4	21.4
Base case	5.7	25	4.3

[a] Based on worst-portfolio composition
Source: Fitch

Prepayment Risk

Prepayment assumptions have been derived based on comparable transactions rated by Fitch. The prepayment base case has been assumed as 5% and tiered as per criteria. The transaction is influenced by prepayment behaviour because this is the main driver of the speed of deleveraging for the rated notes. Fitch has therefore tested the resilience of the structure to different prepayment assumptions (see *Financial Structure and Cash Flow Modelling*).

Asset Outlook

Spain's economic recovery fundamentals continue to be robust. Fitch expects stable performance on auto loan receivables, supported by decreasing unemployment, stable wage adjustments and a significant reduction in household mortgage debt.

The cyclical recovery of the Spanish economy will slow as spare capacity in the economy is gradually absorbed. Growth will continue to outpace the eurozone average over the forecast horizon despite the slowdown, thanks to previous structural reforms, resilient confidence and progress with balance sheet repairs. On the downside, increasing competition may lead to a progressive easing of underwriting standards, exposing lenders to more vulnerable borrowers.

Financial Structure and Cash Flow Modelling

Fitch analysed the structure using a proprietary cash flow model customised for the transaction features. Different default timing distributions were tested (front/even/back), combined with different prepayments (high/low) and interest rate environments (rising/stable/decreasing), in accordance with Fitch's criteria.

The agency modelled a pool based on the worst-case portfolio composition at the end of the revolving period, taking into account the scheduled amortisation profile of the initial portfolio as well as stressed default and recovery assumptions. Fitch also applied a stressed servicing fee assumption of 0.8% over the portfolio outstanding balance, in accordance with criteria.

The liability structure was modelled to reflect the transaction features, specifically the capital structure, note interest coupon payments and priority of payments. Fitch used the default timing vectors as per a 30-month weighted average life portfolio, as specified in its criteria.

The structure is not sensitive to interest rate scenarios since interest rate risk is naturally hedged and the issuer's accounts earn a fixed annual interest of 0.1%. The structure is fairly robust against different default timing and prepayment assumptions. According to Fitch's modelling results, sufficient cash flows will be generated in the relevant rating scenarios to make timely payment of interest and payment of principal to the rated notes by the final maturity date. However, the class B notes' rating has been capped at 'CCCsf' based on market value risk considerations (see *Clean-Up Call Option*).

Rating Sensitivity[1]

This section of the report provides greater insight into the model-implied sensitivities the transaction faces when one or two risk factors are stressed, while holding others equal. The modelling process first uses the estimation and stress of base-case assumptions to reflect asset performance in a stressed environment. Second, structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure and Cash Flow Modelling* above). The results below should only be considered as one potential outcome as the transaction is exposed to multiple risk factors that are all dynamic variables.

[1] These sensitivities only describe the model-implied impact of a change in the selected input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance.

Rating Sensitivity to Default Rates

The change in rating if the base case default rates are adjusted is demonstrated in the *Rating Sensitivity to Increased Defaults* table below. For example, increasing the base case default rate by 50% could result in a three-notch downgrade of the class A notes, from 'A+sf' to 'BBB+sf'.

Rating Sensitivity to Increased Defaults

	Class A	Class B
Original rating	A+sf	CCCsf
Increase default by 25%	Asf	CCCsf
Increase default by 50%	BBB+sf	CCCsf

Source: Fitch

Rating Sensitivity to Recovery Rates

The change in rating if the base case recovery rates are adjusted is demonstrated in the *Rating Sensitivity to Reduced Recovery Rates* table below. Given the low absolute level of recoveries, the ratings are relatively insensitive to a change in the base case assumptions.

Rating Sensitivity to Reduced Recovery Rates

	Class A	Class B
Original rating	A+sf	CCCsf
Decrease recovery rate by 25%	A+sf	CCCsf
Decrease recovery rate by 50%	A+sf	CCCsf

Source: Fitch

Rating Sensitivity to Shifts in Multiple Factors

The *Rating Sensitivity to Increased Defaults and Reduced Recovery Rates* table below summarises the rating sensitivity to stressing defaults and recoveries concurrently.

Rating Sensitivity to Increased Defaults and Reduced Recovery Rates

	Class A	Class B
Original rating	AA+sf	CCCsf
Increase defaults by 25% and decrease recoveries by 25%	A−sf	CCCsf
Increase defaults by 50% and decrease recoveries by 50%	BBBsf	CCCsf

Source: Fitch

Criteria Application, Model and Data Adequacy

Criteria Application

Fitch has analysed the risk of borrower default – and has set its default, recovery and prepayment assumptions – in accordance with its Global Consumer ABS Rating Criteria.

Model

Fitch has modelled the transaction cash flows using its proprietary *Multi Asset Cash Flow* model, as described in our *Global Consumer ABS Rating Criteria*. The primary variables feeding the cash flow models are the portfolio's scheduled amortisation profile, default and recovery assumptions, prepayment assumptions, portfolio yield, capital structure and interest rates.

The cash flows were modelled under different asset performance stress assumptions, taking into account the deal structure outlined in this report. The assumptions used under individual scenarios were in accordance with Fitch's cash flow modelling criteria.

Data Adequacy

In Fitch's view, the overall level of data available was adequate to support the rating analysis.

Fitch derived base case default rate assumptions from historical performance and portfolio data provided by BBVA, incorporating different stresses for the respective rating levels. Fitch derived recovery assumptions based on comparable ABS securitisations. Fitch also reviewed an agreed-upon-procedures (AUP) report. As the AUP report did not highlight any errors, Fitch did not make any adjustment to the analysis.

The following information was taken into account by Fitch to support the overall rating analysis.

Data Sources

Data	Period	Observations	Frequency	Type	Notes
Defaults	2008-2015	8 years	Quarterly	Static	By product type: new and used cars
Recoveries	2011-2015	5 years	Various	Static	Based on comparable transactions rated by Fitch
Arrears	2006-2015	10 years	Quarterly	Dynamic	All products, including corporate borrowers
Refinancings	2015	1 year	Point-in-time	Stock	Complemented with dynamic refinancing data on BBVA's total loan book
Origination volumes	2008-2015	8 years	Quarterly	Static	By product type: new and used cars
Prepayments	2015	1 year	Point-in-time	Stock	Complemented with dynamic prepayments from comparable transactions
Loan book stratifications	2016-2015	10 years	Annual	Dynamic	New/used, average loan size
Securitisation portfolio	18 July 2016	-	-	Static	Loan-by-loan template
Portfolio stratifications	18 July 2016	-	-	Static	Detailed key attributes

Source: EdT/BBVA, Fitch

Counterparty Risk

Originator and Servicer

BBVA acts as servicer for the transaction in relation to the initial pool sold, as well as the subsequent assets to be sold to the issuer. To this extent, the issuer relies on the servicer's performance under the servicing agreement. Overall, Fitch is satisfied with BBVA's policies and procedures as outlined above.

BBVA may be terminated as servicer upon the occurrence of a servicer termination event, which could include, among others, a servicer insolvency and a failure to transfer the funds according to the servicing agreement.

Payment Interruption Risk

In Fitch's view, the structure does not provide sufficient structural mitigants to collection disruptions in a servicer termination event, for example in the form of a dedicated liquidity facility or the appointment of a back-up servicer. Although the reserve fund may provide liquidity support under certain scenarios, it does not effectively mitigate against payment interruption risk because it could be used up to cover for principal losses under stress scenarios.

The rating of the Class A notes has been capped at 'A+sf', in accordance with Fitch's counterparty criteria. Notwithstanding, at the notes' rating scenario, we see payment interruption risk as immaterial, given the financial strength of the servicer and that BBVA is a regulated bank under Spanish law.

Commingling Risk

In case of an insolvency of the servicer, amounts collected on the receivables and held by the servicer at the time of such insolvency could be lost. In accordance with Fitch's counterparty criteria, we consider commingling risk as immaterial because there is no clustering of collections. Furthermore, servicer collections are swept to the issuer's accounts every two business days and all payments are direct debits; the management company also has legal powers to step in and stop direct debits to the collection account bank.

No Deposit Set-Off Risk

Fitch views the likelihood of structured finance investors incurring losses as a result of set-off on insured domestic deposits by obligors as highly remote, based primarily on the high level of political support for protecting such deposits (see *Deposit Set-Off for EU Structured Finance and Covered Bonds*). In addition, Fitch understands that under Spanish law, no set-off could be exercised against the issuer upon the insolvency of the seller as a result of deposits held with BBVA, or with companies belonging to the BBVA group. Consequently, Fitch has not applied additional stresses to account for this risk.

Account Bank

In addition to servicing the loans, BBVA acts as account bank and paying agent. The transaction documentation provides that if the account bank is downgraded below 'BBB', the account bank is required at its own cost to find a replacement within 30 calendar days. This provision sets a cap to the rating of the Class A notes at 'A+sf', in accordance with Fitch's counterparty criteria.

The account bank holds the following two SPV accounts: the treasury account; and a dedicated principal retention account. The treasury account will be credited with all cash flows received by the SPV, with the exception of any principal collections not applied to acquiring additional receivables during the revolving period, which will be held in the dedicated principal retention account.

If no new receivables are available for purchase during the revolving period, the SPV may accumulate up to 20% of principal redemptions in the principal retention account during a single IPD, or up to 10% if held during two consecutive IPDs. This trigger is comparable to the Spanish market standard. Fitch believes the class A note rating is not subject to excessive exposure to the account bank, as the account bank does not constitute its main source of support. This is because the notes also benefit from significant credit enhancement and excess spread.

Performance Analytics

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes.

Fitch will receive quarterly servicer reports prepared by the management company, EdT, detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the performance of the transaction against both base case expectations and the performance of the industry as a whole. Where appropriate, Fitch may ask for further data from EdT.

The ratings on the transaction will be reviewed by a committee at least once every 12 months, or when considered appropriate (ie in the event of a deterioration in performance, an industry-wide development, or a change at BBVA that may influence the transaction), with any affirmation or change in the ratings disseminated publicly. Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base case assumptions.

Fitch's structured finance team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance will be available to subscribers at www.fitchratings.com.

Appendix: Transaction Overview

BBVA Consumo 8, FT — Auto-Loan (non-US)/Spain

Capital Structure

Class	Rating	Outlook	Size (%)	Size (EURm)	CE[a] (%)	PMT frequency	Final maturity	TT[b] (%)	TTLM[c] (x)
A	A+sf	Stable	87.5	612.5	17.0	Quarterly	October 2029	87.5	20.3
B	CCCsf	n.a.	12.5	87.5	4.5	Quarterly	October 2019	12.5	2.9
Total			**100.0**	**700.0**					

Cash reserve (EURm)	**Initial**	31.5	**Overcollateralisation**	Yes
	Floor	15.75	**Cash reserve**	Yes
Scheduled revolving period	18 months		**Excess spread**	Yes

[a] Credit enhancement (CE) consists of structural subordination plus a reserve fund of EUR31.5m. In addition, the structure benefits from initial excess spread of about 5.5% annualised

[b] Tranche thickness percentage – ratio of class size to closing portfolio balance

[c] The tranche thickness loss multiple (TTLM) is calculated by dividing the tranche thickness (TT) by Fitch's base case loss expectation, which is 4.3% for this transaction. Please refer to Fitch's special report *Structured Finance Tranche Thickness Metrics*, dated 29 July 2011, for additional information

Source: Fitch

Key Information

Details		Key parties	Details
Closing date	20 July 2016	Issuer	BBVA Consumo 8, FT
Country of assets and type	Spain/auto loans	Originator and servicer	BBVA
Country of issuer	Spain	Account bank	BBVA
Analysts	Antonio Casado	Paying agent	BBVA
	Alberto Faraco	Management company	Europea de Titulizacion
Surveillance analyst	Alberto Faraco	Subordinated loans provider	BBVA
		Swap provider	NA. Unhedged

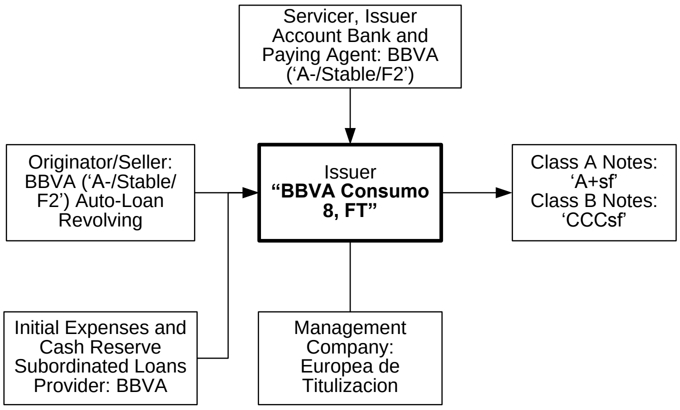
Source: Fitch

Key Rating Drivers

- **Blended Default Rate Assumption:** Fitch Ratings has assumed a blended 5.7% base case lifetime default rate on the collateral, expressed as a percentage of the initial collateral's euro balance. The portfolio at closing comprised 64% new car loans and 36% used car loans, but the blended default rate analysis is calibrated with a slightly larger share of used car loans (40%) as per the covenants established during the revolving period.
- **Recoveries Based on Comparable Transactions:** Fitch's credit analysis captures a recovery expectation of 25% on defaulted amounts under a base case scenario, which is substantiated with observed recoveries from comparable unsecured securitisations rated by Fitch. The agency has given no credit to recovery vintage data presented by BBVA, considering the inconsistencies found, such as unexplained peaks in very late post-default periods. The lifetime credit loss rate on the collateral is therefore assumed at 4.3% under a base case scenario.
- **Revolving Period Exposure:** The revolving period will be terminated early if the balance of loans in arrears over 90 days is greater than 2.2% of the collateral balance. Fitch views this level as being much tighter than the historical arrears ratio presented by BBVA on its auto loan book, which ranged between 5% and 8% over the past five years: we therefore believe the transaction is exposed to buybacks of non-performing loans by the originator. This risk has been captured in Fitch's default rate stresses.
- **High Performance Stresses:** The 'A+' lifetime default rate assumption of 25% implies a default rate multiple of 4.4x from the base case, which is high compared with other recent transactions rated by Fitch. This multiple captures several risk factors, such as the revolving period exposure and the significant loan book performance volatility observed during periods of stress, particularly in the used car loan segment. The credit loss rate expectation under an 'A+' stress scenario is 21.4%.
- **Rating Caps:** BBVA acts as originator, servicer, issuer's account bank and paying agent. In accordance with Fitch's counterparty criteria, the rating of the notes is capped at 'A+sf' as the rating trigger upon which remedial actions on the account bank would be taken is set at 'BBB' and also because no structural mitigants against servicer disruption risk have been put in place. Fitch has also capped the class B notes' rating at 'CCCsf', based on market value risk exposure (see *Clean-up Call Option*).

Source: Fitch

Simplified Transaction Diagram


Servicer, Issuer Account Bank and Paying Agent: BBVA ('A-/Stable/F2')
Originator/Seller: BBVA ('A-/Stable/ F2') Auto-Loan Revolving
Issuer "BBVA Consumo 8, FT"
Class A Notes: 'A+sf' Class B Notes: 'CCCsf'
Initial Expenses and Cash Reserve Subordinated Loans Provider: BBVA
Management Company: Europea de Titulizacion

Source: Fitch

The ratings above were solicited by, or on behalf of, the issuer, and therefore,
Fitch has been compensated for the provision of the ratings.

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