<u>Hecho Relevante de</u> **<u>BBVA CONSUMO 9 FONDO DE TITULIZACIÓN</u>**

En virtud de lo establecido en el Folleto Informativo de **BBVA CONSUMO 9 FONDO DE TITULIZACIÓN** (el "**Fondo**") se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Scope Ratings A.G. ("Scope")**, con fecha 31 de enero de 2019, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

  - **Serie A**: **AA (sf)** (anterior **AA- (sf)**)
  - **Serie B**: **B (sf)** (anterior **B- (sf)**)

  Se adjunta la comunicación emitida por Scope.

Madrid, 1 de febrero de 2019.

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Scope upgrades to AA (SF) Serie A of BBVA CONSUMO 9 – Spanish Consumer ABS

Scope Ratings has taken the following actions on the notes issued by BBVA CONSUMO 9 FT:

Serie A: EUR 1,132.8m : upgrade to AA_{SF} from $AA-_{SF}$

Serie B: EUR 123.8m : upgrade to B_{SF} from $B-_{SF}$

The rating actions incorporate information available from historical transaction reports through December 2018.

Transaction overview

BBVA CONSUMO 9 FT is a securitisation of fully amortising consumer loans. The notes have entered the amortisation period following the conclusion of the 18-month revolving period in September 2018. The transaction's legal maturity is 21 September 2033. The priority of payments is sequential and note amortisation references the non-defaulted balance of the portfolio, as well as accelerated amortisation from default provisioning using excess spread.

Rating rationale

The rating actions are primarily driven by structural deleveraging, the shortening of the transaction's risk horizon following the conclusion of the revolving period and better than expected asset performance. The serie A notes have amortised to EUR 1,132.8m (91% of closing balance) and credit enhancement available to protect both series of notes has increased since closing.

The ratings also reflect the legal and financial structure of the transaction; the counterparty exposure to Banco Bilbao Vizcaya Argentaria SA (BBVA, A+/S-1+/Stable Outlook) as servicer, account bank and paying agent, and the management ability of Europea de Titulización SGFT SA (not rated). Counterparty risk from financial exposures to BBVA as account bank and paying agent is mitigated by a replacement mechanism should its issuer rating fall below BBB.

Key rating drivers

Increased credit enhancement (positive). The level of credit enhancement has increased to 14.8% from 13.5% at closing for serie A, and to 4.9% from 4.5% for serie B, driven by transaction amortisation following the end of the revolving period and positive asset performance.

Static portfolio (positive). The portfolio is now static, discontinuing the risk of negative asset quality migration. Available excess spread is currently 5.5%, higher than our closing expectations of 3.8% at the conclusion of the 18-month revolving period.

Obligor performance (positive). As a percentage of assets at closing, observed cumulative defaults (0.28%) are better than Scope's expectations at closing (0.84%). As percentage of outstanding balance, observed 90+ delinquencies (1.60%) are better than Scope's expectation (3.92%).

Lifetime default rate (negative). Scope's expected point-in-time portfolio default rate of 10.9% is high, based on BBVA's vintage data. The serie B rating reflects the tranche's exposure to uncertainties in the Spanish economy beyond Scope's outlook.

Long default definition (negative). The transaction's 18-month default definition prevents the structure from trapping excess spread on non-performing assets that have not been written-off.

Market risk from clean-up call (negative). The terms of the serie B clean-up call option result in market value risk for the series B notes. This risk is mitigated by BBVA's incentives in this transaction.

Rating-change drivers

Positive. Further transaction deleveraging may result in further upgrades if credit enhancement builds up before credit losses crystallise.

Negative. Higher-than-expected default rates or lower-than-expected recoveries upon asset defaults may negatively impact the ratings. Deteriorating market conditions beyond Scope's economic outlook may also negatively affect the ratings.

Quantitative analysis and assumptions

Scope determined the expected loss and weighted average life of the rated notes considering the portfolio characteristics and the transaction's main structural features, such as the notes' priorities of payments, note size, the notes' respective coupon, senior costs and servicing fees.

Scope applied its large homogenous portfolio approximation approach when analysing the collateral pool and projecting cash flows over the expected amortisation period. The cash flow analysis considers the probability distribution of the portfolio's default rate, using an inverse Gaussian distribution. Scope assumed a point-in-time portfolio mean default rate of 10.9% and coefficient of variation of 27.6%. Scope also considered a long-term economic cycle adjustment with a default distribution reflecting a long-term portfolio mean default rate of 7.3% and a coefficient of variation of 45.0%.

Defaulted loans are provisioned for once they reach the 18 months-past-due mark, in accordance with the transaction structure. Scope assumed a cure rate of 10% between the default date and the provisioning date. Scope also assumed rating-conditional recovery rates on non-cured exposures of 10.4% for the serie A notes and 15.3% for the serie B notes.

Scope analysed the transaction under high (15%) and low (0%) prepayment scenarios.

Sensitivity analysis

Scope tested the resilience of the assigned ratings against deviations of the main input parameters: the portfolio mean-default rate and the portfolio recovery rate. This analysis has the sole purpose of illustrating the sensitivity of the assigned ratings to input assumptions and is not indicative of expected or likely scenarios.

The following shows how the results for each rated instrument change compared to the assigned rating when the portfolio's expected default rate increases by 50%, or the portfolio's expected recovery rate decreases by 50%, respectively:

- Serie A: sensitivity to default rate assumption, six notches; sensitivity to recovery rates, one notch.
- Serie B: sensitivity to default rate assumption, four notches; sensitivity to recovery rates, two notches.

Stress testing

Stress testing was performed by applying rating-conditional recovery rate assumptions.

Cash flow analysis

Scope performed a cash flow analysis of the transaction with the use of Scope's cash flow model (Scope CFM v.1) incorporating default and recovery rate assumptions over the portfolio's amortisation period, taking into account the transaction's main structural features, such as the notes' priorities of payment, the notes' size and coupons. The outcome of the analysis is an expected loss and an expected weighted average life for the notes.

Methodology

The methodologies applied for these ratings are the 'Consumer ABS Rating Methodology', the 'General Structured Finance Methodology' and the 'Methodology for Counterparty Risk in Structured Finance'. All documents are available on www.scoperatings.com.
Historical default rates of the entities rated by Scope Ratings can be viewed in the rating performance report on https://www.scoperatings.com/#governance-and-policies/regulatory-ESMA. Please also refer to the central platform (CEREP) of the European Securities and Markets Authority (ESMA): http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml. A comprehensive clarification of Scope's definition of default as well as definitions of rating notations can be found in Scope's public credit rating methodologies on www.scoperatings.com.

Solicitation, key sources and quality of information

The rated instruments' issuer and/or its agents participated in the rating process.
The following substantially material sources of information were used to prepare the credit rating: public domain, the rated entity, the rated entities' agents, third parties and Scope internal sources.
Scope considers the quality of information available to Scope on the instruments to be satisfactory. The information and data supporting Scope's ratings originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data.
Scope Ratings GmbH has relied on a third-party asset due diligence/asset audit provided at closing of the transaction upon initial assignment of the ratings. The analysis has no negative impact on the credit rating.
Prior to the issuance of the rating action, the issuer and/or its agents were given the opportunity to review the rating and the principal grounds on which the credit rating is based. Following that review, the rating was not amended before being issued.

Regulatory disclosures

These credit ratings are issued by Scope Ratings GmbH.
Lead analyst: Iris Sie, Senior Analyst
Person responsible for approval of the rating: Antonio Casado, Executive Director
The final ratings were first released by Scope on 28.03.2017.

Potential conflicts

Please see www.scoperatings.com for a list of potential conflicts of interest related to the issuance of credit ratings.

Conditions of use / exclusion of liability

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