# Ratings Assigned To BBVA RMBS 14's Class A And B Spanish RMBS Notes

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OVERVIEW

- We have assigned ratings to BBVA RMBS 14's class A and B notes.
- The collateral comprises Spanish first-lien VPO mortgage loans originated under two government-sponsored programs, for which BBVA is the originator and servicer.

MADRID (Standard & Poor's) Nov. 25, 2014--Standard & Poor's Ratings Services today assigned credit ratings to BBVA RMBS 14, Fondo de Titulizacion de Activos' class A and B notes (see list below).

Since we assigned preliminary ratings to this transaction, the arranger has not made any material structural changes.

We have based our ratings on our assessment of the portfolio's credit quality, the underlying asset pool's cash flow characteristics, the transaction's structural features, as well as an analysis of the transaction's counterparty, legal and operational risks. We have also assessed the transaction's exposure to sovereign risk. Our ratings on the notes reflect our analysis of Banco Bilbao Vizcaya Argentaria S.A. (BBVA), acting as the servicer of the underlying assets under the transaction documents. In our opinion, BBVA has well-established origination and servicing procedures.

BBVA RMBS 14 is a securitization of a pool of approximately 10,263 first-lien Spanish residential mortgage loans, which BBVA originated. The pool comprises solely mortgage loans for the acquisition of protected properties or Viviendas de Proteccion Oficial (VPO). A VPO loan is a Spanish mortgage loan granted as part of a government sponsored program aimed at assisting lower-income households. The securitized loans in this transaction are part of the "Plan Estatal de Vivienda 2005-2008" and "Plan de Vivienda y Rehabilitacion 2009-2012" programs. Approximately 39.6% of the borrowers benefit from available subsidies through monthly payments from national and local authorities. We believe the profile of these programs' borrowers is weaker than standard residential mortgage-backed securities (RMBS) borrowers, due to their lower incomes. We have considered these factors in our analysis.

BBVA RMBS 14 issued two classes of residential mortgage-backed floating-rate notes. The transaction combines interest and principal into a single priority of payments, with an interest deferral trigger for the class B notes if cumulative defaults reach 4% of the original collateral balance. A fully funded reserve, representing 5% of the notes' initial balance, provides credit enhancement during the transaction's life.

The securitized portfolio is static, as the issuer does not purchase new loans during the transaction's life. The class A and B notes amortize sequentially.

In our credit analysis, we considered the borrowers' credit characteristics. We have calculated our default and recovery rate expectations for the portfolio by determining our weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) assumptions through applying our criteria for Spanish RMBS (see "Italy And Spain RMBS Methodology And Assumptions," published on Sept. 18, 2014).

We have also considered our outlook on the Spanish economy and real estate sector by projecting arrears in our default calculations. In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our RMBS criteria, to reflect this view (see "Outlook Assumptions For The Spanish Residential Mortgage Market ," published on Sept. 18, 2014). We base these assumptions on our expectations of modest economic growth, continuing high unemployment, and further falls in house prices for the remainder of 2014, which will then level off in 2015.

We have assessed the transaction's documented structural features by applying our Spanish RMBS criteria. Our ratings reflect the available credit enhancement (provided through the notes' subordination features and the reserve fund available to the rated notes), the notes' amortization features, and the class B notes' interest deferral trigger based on the performance of the securitized portfolio. Our analysis indicates that the available credit enhancement for the class A and B notes (14% and 5%, respectively) is sufficient to mitigate their exposure to credit and cash flow risks at 'A' and 'B-' rating levels, respectively, under our RMBS criteria.

Under our our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so pay timely interest and repay principal by legal final maturity.

Our RAS criteria designate the country risk sensitivity for RMBS as 'moderate'. Under our RAS criteria, transactions could be rated up to four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a "severe" stress (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

As our long-term rating on the Kingdom of Spain is 'BBB', our RAS criteria cap at 'A+ (sf)' the maximum potential ratings in this transaction.

Under our RAS criteria, the class A notes have sufficient credit enhancement to withstand, in our cash flow analysis, the severe stress scenario up to 'A- (sf)', which is up to two notches above the rating of the sovereign. Our RAS criteria therefore cap at 'A- (sf)' our rating on the class A notes.

Following the application of our RAS criteria and our RMBS criteria, we have determined that our rating on the class A notes is 'A- (sf)', which is the lower of (i) the rating as capped by our RAS criteria and (ii) the rating that the class of notes can attain under our RMBS criteria.

Our rating on the class B notes is not constrained by the rating on the sovereign. Based on our credit and cash flow analysis, we have assigned a 'B- (sf)' rating to the class B notes.

There is no interest hedge mechanism in the transaction. Therefore, we have stressed the basis risk between the assets and the liabilities. Consequently, we have also made assumptions for margin compression in our cash flow analysis.

We have not stressed commingling risk as a loss in this transaction because the transaction documents establish that, if we lower our ratings on the servicer below a defined trigger, certain remedies would be taken, which are in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

The transaction is exposed to counterparty risk through BBVA as bank account provider, paying agent, and servicer. Under our current counterparty criteria, the exposure to BBVA as bank account provider is classified as "bank account (limited)." Under these criteria, the transaction's documented rating requirements for BBVA under its different roles and its replacement mechanisms adequately mitigate its exposure to counterparty risk at the 'A- (sf)' rating level.

Legal risk is mitigated in this transaction. We consider the issuer to be a bankruptcy-remote entity, in line with our European legal criteria, and the assets were transferred to the issuer by a true-sale at closing (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on Sept. 13, 2013).

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities.

The Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Italy And Spain RMBS Methodology And Assumptions, Sept. 18, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Ratings On Spain Affirmed At 'BBB/A-2'; Outlook Stable, Nov. 14, 2014
- Standard & Poor's Ratings Definitions, Sept. 22, 2014
- Outlook Assumptions For The Spanish Residential Mortgage Market, Sept. 18, 2014
- Credit Conditions: Europe Decelerates (Again) Amid Rising Geopolitical Risks, Sept. 16, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Spanish RMBS Index Report Q1 2014: Collateral Performance Continues To Deteriorate Despite Signs Of Economic Recovery, June 6, 2014

RATINGS LIST

BBVA RMBS 14, Fondo de Titulizacion de Activos
€700 Million Residential Mortgage-Backed Floating-Rate Notes

| Class | Rating | Amount (mil. €) |
|---|---|---|
| A | A- (sf) | 637.00 |
| B | B- (sf) | 63.00 |

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