Rating Report

BBVA RMBS 16 FT

María López
Vice President
Global Structured Finance
+44 207 855 6612
mlopez@dbrs.com

Belén Bulnes
Senior Financial Analyst
Global Structured Finance
+44 207 855 6699
bbulnes@dbrs.com

Keith Gorman
Senior Vice President
Global Structured Finance
+44 207 855 6671
kgorman@dbrs.com

Simon Murphy
Assistant Vice President
Global Structured Finance
+44 207 855 6676
smurphy@dbrs.com

DBRS

Insight beyond the rating.

Ratings and Issuer's Assets and Liabilities

Debt	Par Amount 1	Initial Subordination 2	Coupon	ISIN	Rating	Rating Action
Series A	€1,344,000,000	20.0%	3-month Euribor + 0.50%	ES0305132005	A (high) (sf)	Provisional Rating - Finalised
Loan B	€256,000,000	4.0%	3-month Euribor + 0.15%		NR	

Notes:
1 As at the issue date.
2 Subordination is expressed in terms of portfolio size and includes the subordinated Loan B and the Reserve Fund for the Series A notes.
3 The Reserve Fund will be fully funded through the issuance of a subordinated loan on the issue date.

	Initial Amount (€)	Size
Asset Portfolio	€1,600,000,000	100.00%
Reserve Fund 3	€64,000,000	4.00%

DBRS Ratings Limited (DBRS) has finalised its provisional rating of A (high) (sf) assigned to the Series A bonds issued by BBVA RMBS 16 FT (BBVA 16 or the Issuer), a securitisation fund issued on 9 May 2016 under Spanish Securitisation law. The Series A and a Loan B granted by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) will be issued at closing to finance the purchase of a portfolio of first-lien residential mortgage loans originated by BBVA, secured over properties located in Spain. Furthermore, BBVA issued a subordinated loan to fund the transaction's Reserve Fund. The transaction is managed by Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización (the Management Company). BBVA will be the servicer of the portfolio.

Portfolio Summary (14 April 2016)

Portfolio Balance	€1,674,145,261.44
Average Balance per Borrower	€132,114
Weighted Average Seasoning	63.6 months
Weighted Average Current LTV	66.0% 1

Asset Class	RMBS
Governing Jurisdiction	Kingdom of Spain
Sovereign Rating	A (low)

Transaction Overview

Transaction parties

Role(s)	Counterparty	Rating
Issuer	BBVA RMBS 16 FT	NR
Originator	Banco Bilbao Vizcaya Argentaria, S.A.	'A' Stable Trend / R-1 (low) Stable Trend
Seller	Banco Bilbao Vizcaya Argentaria, S.A.	'A' Stable Trend / R-1 (low) Stable Trend
Servicer	Banco Bilbao Vizcaya Argentaria, S.A.	'A' Stable Trend / R-1 (low) Stable Trend
Subordinated Loan Provider (Reserve Fund and Initial expenses)	Banco Bilbao Vizcaya Argentaria, S.A.	'A' Stable Trend / R-1 (low) Stable Trend
Treasury Account Bank	Banco Bilbao Vizcaya Argentaria, S.A.	'A' Stable Trend / R-1 (low) Stable Trend
Paying Agent	Banco Bilbao Vizcaya Argentaria, S.A.	'A' Stable Trend / R-1 (low) Stable Trend
Arranger and Management Company	Europea de Titulización, S.A., SGFT	NR

1. DBRS Calculation.

Table of Contents

Transaction Overview (CONTINUED)

Relevant dates

Issue Date	09 May 2016
First Payment Date	17 August 2016
Payment Dates	Quarterly on the 17th of February, May, August and November each year
Collection Period	Each day of any calendar month
Legal Final Maturity Date	17 August 2064

Rating Considerations

- On 8 April 2016, DBRS confirmed the Kingdom of Spain's long-term foreign and local currency issuer ratings at A (low) and changed the trend to Stable from Positive. The change in the trend reflects the uncertainty over the future direction of economic policies. However, macroeconomic conditions in Spain moderately improved in 2015. The deficit has been halved from 10.4% of GDP in 2012 to 5.1% in 2015. External adjustment is also evident in a current account balance that shifted from a deficit of 9.6% of GDP in 2007 to a surplus of 1.4% in 2015. Spain's Eurozone membership is an integral component of its credit strength, both in terms of financial support, and in preferential access for its trade, financial markets and banking. Financial conditions have improved economy-wide as a result of the ECB asset purchase program, refinancing operations and other monetary policy operations. These factors have made the economy more resilient to shocks. Real GDP growth returned to positive territory in 2013, and strengthened to 3.2% in 2015, more than double the Eurozone average. Real GDP is expected to decelerate this year to 2.7% as several of the factors driving growth – lower oil prices, the depreciation of the euro – lose momentum. Despite this deceleration, strong job growth is expected into 2017. The banking sector continues to stabilise, and new bank loans to households and firms with low debt are increasing. Exports have also shown resilience as the number of exporting firms has more than doubled since 2000. The economy has still to prove how the long-term structural reforms and potential political transition risks will influence future growth.
- Property values showed moderate signs of improvement in 2015. Home prices reached a recent trough on a national level at the beginning of 2014 according to INE. Peak-to-trough declines were -37.3% on the national level. Regional declines ranged between -29.7% in Andalusia and -47.3% in Navarre. Through Q4 2015 national home prices have increased 6.4% since bottoming out.
- Most of the securitised mortgages products benefit from flexible loan features with options to (1) reduce loan margins, (2) select grace periods, (3) change the type of interest rate, (4) extend loan maturities or (5) change the amortisation profile.

Strengths

- **Seasoning:** The mortgage portfolio has a weighted-average seasoning of 5.3 years. 10.7% and 36.1% of the portfolio's current balance was originated in 2010 and 2011 respectively, which historically has seen fewer defaults and a better performance compared to other vintages in BBVA's securitised residential mortgage loan universe.
- **Diversified Portfolio:** The portfolio has a very granular distribution, with 12,672 loans to 12,642 different borrowers. The three largest Spanish autonomous regions by outstanding portfolio balance are Madrid (22.9%), Andalusia (17.5%) and Catalonia (16.0%).

Rating Considerations (CONTINUED)

- **Sequential Amortisation:** The Series A notes will benefit from full sequential amortisation. Principal amortisation includes a provision mechanism for defaults (loans more than 18 months in arrears) through the utilisation of excess spread in the transaction waterfall.
- **Reserve Fund:** The Reserve Fund provides liquidity and credit support to the Series A notes and to loan B once the Series A is fully amortised. Given its tight requirements to allow for amortisation, it will also be available to make payments on the interest and principal of the Notes in less severe default scenarios.

Challenges and Mitigating Factors

- **Loan modification:** Most of the securitised mortgages benefit from flexible loan features with options such as (1) reducing the loan margin, (2) applying for grace periods, (3) changing the type of interest rate, (4) extending the loan maturity or (5) changing the amortisation profile from French amortisation to French amortisation with a final balloon payment.

  Mitigants: DBRS took comfort in its analysis from the fact that BBVA has significant experience with these products and is subject to strict criteria or to BBVA's discretion (such as changing the amortisation type). In addition, DBRS took into account in its analysis the performance of these products together with the historical execution rate of past BBVA transactions.
- **Foreign Borrowers:** 3.4% of the portfolio was granted to foreign borrowers or borrowers without provided nationality.

  Mitigants: Foreign borrower loans were stressed by applying a default penalty of 1.2.
- **Self-Employed:** 13.9% of the portfolio were identified as self-employed borrowers.

  Mitigants: Self-employed borrower loans were stressed by applying a default penalty of 1.15.
- **Amortisation Type:** 10.0% of the loans (12.6% of the current portfolio's balance) have a partial French amortisation profile with a final payment at the loan maturity date. This final balloon payment represents on average 31.0% of the total outstanding loan balance for this type of loan.

  Mitigant: DBRS has treated loans with partial amortisation and final bullet redemption as pure interest-only (IO) loans in its asset model, which increased the default probability of these loans.
- **Renegotiations:** BBVA is able to renegotiate the loan maturity and margin on the loans subject to strict criteria, according the transaction documents

  Mitigants: (1) DBRS stressed the weighted-average spread generated by the mortgage portfolio to 0.65% in its cash flow model to factor in potential margin reductions. (2) In addition, DBRS extended the maturity for 10% of the mortgage loans to the longest possible maturity of the portfolio, which is 31 January 2058.
- **Basis Risk:** The basis risk in this transaction is unhedged.

  Mitigants: (1) Basis risk is limited. The collateral mostly pays 12-month Euribor (98.9% of the outstanding portfolio) while the notes pay 3-month Euribor. Historically, the 12-month Euribor rate has been significantly higher than the 3-month Euribor rate; and, (2) the Reserve Fund and subordination of the Loan B minimises the basis risk to the Series A notes.

Transaction Structure

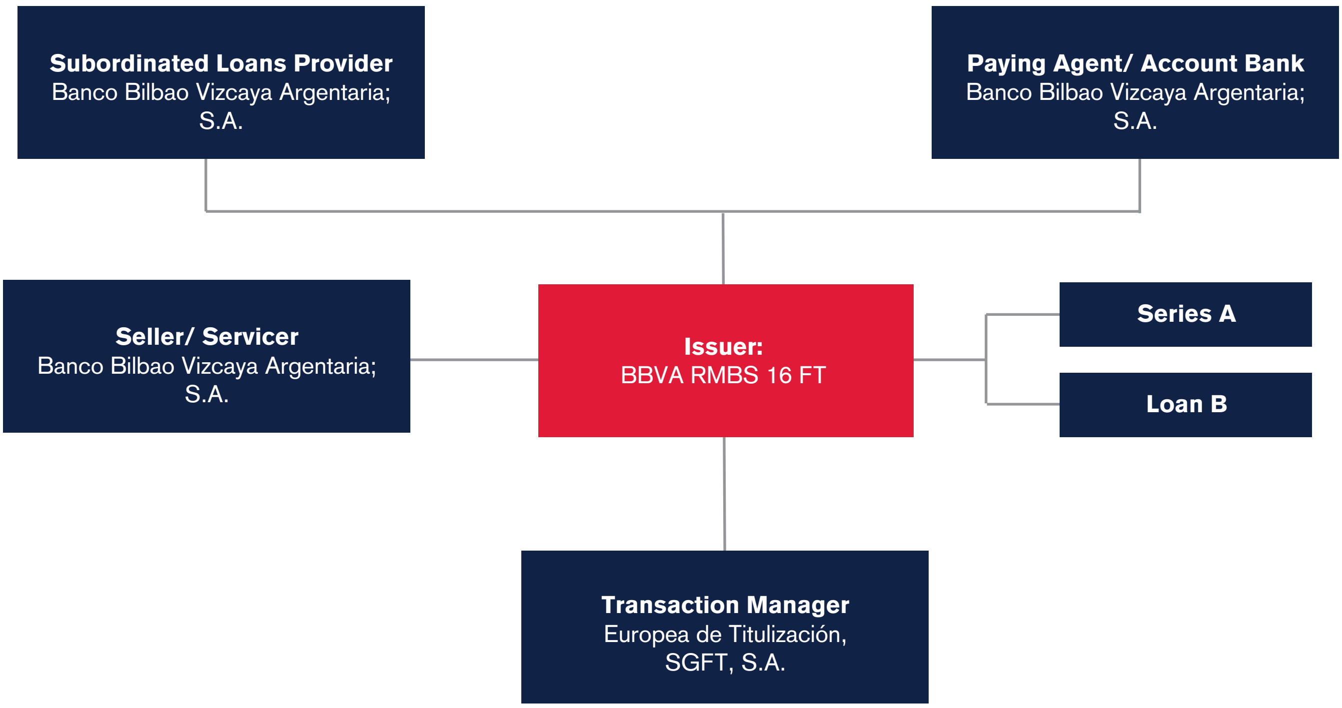
Transaction summary

Currencies	Issuer's assets and liabilities are denominated in euros (€)
Relevant Legal Jurisdictions	Mortgage loans are assigned to the Issuer as a true sale pursuant to Spanish securitisation laws. The issuer is a securitisation fund incorporated under Spanish securitisation law.
Interest Rate Hedging	none
Basis Risk Hedging	none
Cash Reserve	Provides liquidity support and credit support to cover shortfalls on the payment of senior fees, interest and principal shortfalls on the Series A notes and Loan B (once the series A fully amortised).

Initial Amount:	€64,000,000 - 4.0% of the initial balance of the Series A and Loan B
Target Amount	Lower of (i) initial amount of reserve fund and (ii) the higher amount of (1) 8% of the outstanding amount of the Series A Notes and Loan B, and (2) 2% of the Initial Balance of the Series A Notes and Loan B
Step-up	N. A.
Floor	€32,000,000
Amortisation	Reduces to zero after full repayment of the rated notes and loan B

Commingling Reserve	none

The transaction structure is summarised below.



Source: BBVA.

Transaction Structure (CONTINUED)

Counterparty Assessment

Account Bank

BBVA, S.A. is the Account Bank and Paying Agent for the transaction. DBRS publically rates BBVA 'A' with a Stable trend and it has a Critical Obligations Rating of A (high). DBRS concluded that BBVA meets its minimum criteria to act in such capacity. The transaction contains downgrade provisions relating to the Account Bank where, if the Account Bank rating is downgraded below BBB, the Issuer will (1) replace the Account Bank or (2) find a guarantor. The downgrade provision is consistent with DBRS's criteria for the initial rating of A (high) (sf) assigned to the Series A notes.

The Account Bank applicable rating will be the higher between (1) the Senior Debt Rating of the Bank, or (2) one notch below the Long Term Critical Obligations Rating.

Servicing of the Portfolio and Collections

All mortgage borrower payments of the pool are collected by BBVA under a direct debit scheme. Payments are transferred from the servicer account to the treasury account held at the Account Bank in the name of the fund on a daily basis and no later than 48 hours after receipt of funds. In the event of insolvency of the Servicer and until notification is delivered to the relevant borrowers to redirect their payment, payment collections may be commingled with other funds belonging to Servicer.

In case of termination of the servicing agreement with BBVA, the Management Company is responsible for appointing a new servicer. If the servicer's DBRS rating is downgraded below BBB (low), the servicer would need to (1) find a replacement servicer, (2) find a back-up servicer or (3) fund a commingling reserve in line with DBRS criteria. DBRS believes that the servicer's current financial condition together with the provisions mitigates the risk of a disruption in servicing following a servicer event of default including insolvency.

The treasury account was established with the Account Bank at the close of the transaction to hold the following amount during the relevant collection period:

- Principal and interest collections.
- Any other amount derived from the collateral mortgage pool, such as the proceeds received from the sale of foreclosed properties.
- The Reserve Fund amount.
- Return on the amounts deposited in the bank account.

The treasury account bank will pay a rate of interest on the funds deposited in the account equal to the greater of 3Month Euribor-0.10% or zero. If the Account Bank's DBRS rating is downgraded below BBB, within 30 days the Management Company on behalf of the fund would need to (1) find a guarantor with the minimum DBRS rating of BBB who will guarantee unconditionally and irrevocably the obligations of the treasury account agreement or (2) find a replacement with the minimum Account Bank's DBRS rating of BBB.

Moreover, the Management Company will enter into a paying agency agreement with BBVA on behalf of the fund. The paying agency agreement will have the replacement trigger set at BBB. The paying agent is performing the calculation of the amounts due and payable and instructs the account bank to make the payments.

Priority of Payments

Pre-Enforcement Priority of Payments

The available funds will be distributed through the following combined waterfall on each payment date:

1. Payment of taxes, ordinary and extraordinary expenses and the Servicing fee (if BBVA is not the servicer);
2. Interest due on the Series A notes;
3. Amounts paid to amortise the Series A in accordance with the transaction documentation;
4. Replenishment of the reserve fund to the target level unless this payment is deferred to the 7th place in the priority of payments when the series A notes are fully amortised;
5. Interest due on the Loan B;
6. Amount required to amortise the Loan B in accordance with the transaction documentation;
7. Replenishment of the reserve fund to the target level once the Series A Notes have been fully amortised;

Transaction Structure (CONTINUED)

8. Interest due on the Subordinated Loan (reserve fund);
9. Principal due on the Subordinated Loan (reserve fund);
10. Interest due on the Subordinated Loan for initial expenses;
11. Principal due on the Subordinated Loan for initial expenses;
12. Servicing fee (if BBVA is the servicer);
13. Payment of the financial intermediary margin

Post-Enforcement Priority of Payments

Upon liquidation of the Issuer at the legal final maturity date or early termination of the Issuer, the available funds, any amounts received by the Issuer after the sale of the remaining mortgage portfolio and any loan obtained to pay down the outstanding balance of the bonds will be distributed through the Post-Enforcement Priority of Payments:

1. Expenses related to the liquidation of the Fund or liquidation of taxes, administrative or advertising costs;
2. Payment of taxes, ordinary and extraordinary expenses and the servicing fee (if BBVA is not the servicer);
3. Interest due on the Series A notes
4. Amounts paid to amortise the Series A notes;
5. Interest due on Loan B;
6. Amounts paid to amortise the Loan B;
7. Reimbursement of the financial expenses and the loan to pay down the outstanding balance of the bonds;
8. Interest due on the Subordinated Loan;
9. Principal due on the Subordinated Loan;
10. Interest due on the Subordinated Loan for initial expenses;
11. Principal due on the Subordinated Loan for initial expenses;
12. Servicing fee (as long as BBVA is the servicer);
13. Payment of the financial intermediary margin

Principal Amortisation

Available funds to amortise principal are defined as the lower of (1) amortisation amounts for the Series A notes and Loan B and (2) amounts available after payment of items 1 and 2 of the pre-enforcement waterfall.

The amortisation of the Series A notes will equate to the positive difference between (1) the outstanding amount of the Series A and the Loan B on each interest payment date and (2) the outstanding balance of the non-defaulted portfolio.

The amortisation of the Loan B on each payment date will equate to the positive difference between (1) the outstanding amount of the Series A and the Loan B on each interest payment date and (2) the sum of the outstanding balance of the non-defaulted portfolio and the amount paid to amortise the series A notes on that payment date.

According to the transaction documents, defaulted loans are defined as loans more than 18 months in arrears. The Series A notes benefit from full sequential amortisation, with principal payments on the Loan B starting once the Series A notes are redeemed in full.

The Subordinated Loan (to fund the Reserve Fund) will amortise on each payment subject to the conditions below and in line with the amortisation of the Reserve Fund. The amortisation of the Subordinated Loan will equate to the positive difference between the Subordinated loan principal outstanding balance and the Reserve Fund Target Amount.

The Subordinated Loan can only amortise if the following events are met:

1. The Reserve Fund is replenished up to its target amount
2. Loans in 90+ arrears are below or equal than 1% of the performing collateral balance
3. The seasoning of the notes is greater than three years

Origination and Servicing

DBRS conducted an operational review of BBVA's mortgage operations in March 2016 via telephone. DBRS considers the originations and servicing practices of BBVA to be consistent with those observed among other Spanish lenders.

The initial creation of the 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 mergeing in 1988 to form BBV. Furthermore in 1998, the Corporacion Bancaria de Espana, 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: Banco de Bilbao Vizcaya 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 is Spain and has operations in approximately 35 countries, particularly Latin America. Over the last several years, the bank has expanded into the United States and Asia. As of end-December 2013, BBVA had total assets of approximately €750 billion.

DBRS rates BBVA's Issuer & Senior Debt 'A' with a Positive trend.

1. Origination and Underwriting

Origination

All loans are sourced entirely through BBVA's branch network which incorporates Business Centres for large companies and franchises for new projects. BBVA operates from a network of over 3,800 branches across Spain.

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 term, 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 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.

Underwriting

Applications for credit are always originated at the Branch at which the borrower transacts or has a relationship. In order to assess an application, BBVA must review a series of statements to include an application form, identity documents, proof of income and title deeds where appropriate. The data collected is input into the credit system to check whether the applicant is already a customer of BBVA or is included on any list of defaulters. The resulting decision will either be Positive, Negative or Doubtful. Negative loans must be referred to a central unit as the branch cannot authorise such applications.

The credit system decision is used in conjunction with an independent view of the lending policy and rules of BBVA to ensure acceptability. The credit system sets out to assess the data with proactive scoring or reactive scoring, and the risk parameters of each individual application decide which route the loan application will take. The Methodology Unit of BBVA Group's Risks Area is responsible for monitoring the scoring model.

Summary strengths

- 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.

2. Servicing

The operational loan management department, centralised in Madrid, is responsible for all loan management and servicing activities of all BBVA loans. Primary borrower contact is managed at the branch level including early arrears management activities.

Origination and Servicing (CONTINUED)

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 which are in line with the overall Spanish market.

The bank follows standard collections and arrears management strategies including compliance with regulatory guidelines surrounding delinquency, watch list 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 around day 10 and day 45. 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 generally initiated 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.

Summary strengths
- Standard Spanish servicing practices.
- Timelines and recovery rates are consistent with BBVA's peers.

Summary weaknesses
- N/A.

Opinion on Back-Up Servicer: No back-up servicer at closing of the current BBVA securitisation. DBRS believes that BBVA's current financial condition mitigates the risk of a disruption in servicing following a servicer event of default including insolvency.

Collateral Summary

DBRS received a loan tape to conduct the credit analysis of the portfolio (as of 14 April 2016). In addition, DBRS was provided with historical performance data by origination quarter for arrears and recoveries from Q1 2008 to Q4 2015. The sources of information used for these ratings were provided by BBVA and their representatives. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

The assets in the portfolio are primarily floating-rate first lien mortgages secured by properties located in Spain originated by BBVA. 99.0% of the loans' current balance pays a floating interest rate indexed to 12-month Euribor, and all the loans pay monthly. 87.4% of the loans' current balance is fully amortising while 12.6% has a partial French amortisation profile with a final balloon payment at the end of the loans' maturity date.

The main characteristics of the portfolio are summarised below. All calculations are based on the portfolio as of 14 April 2016. The reps and warranties per the prospectus include the following:

- None of the mortgage loans have a final maturity date after the 31st January 2058.
- At the closing date none of the loans will be more than 30 days in arrears.
- None of the borrowers will be employees of BBVA.

The final portfolio sold to the issuer will be static. However, the Seller will be able to substitute any loans which are found to have breached the reps and warranties with loans of similar credit characteristics.

Collateral Summary (CONTINUED)

Table 1: Summary Statistics

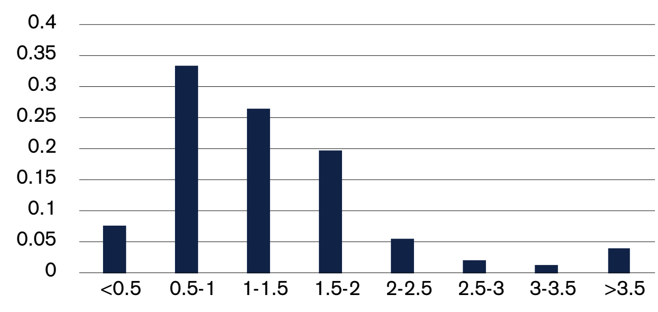
Number of Mortgage Loans	12,672
Number of Properties	14,907
Number of Borrowers	12,642
Total Original Balance (€)	1,889,859,730
Total Current Balance (€)	1,674,145,261
Total Maximum Balance (€)	1,932,538,362
Average Original Balance per Borrower(€)	149,137
Average Current Balance per Borrower(€)	132,114
Maximum Original Balance (€)	1,243,000
Maximum Current Balance (€)	913,649
WA Original LTV	75.5%
% >=80% OLTV	19.7%
WA Current LTV	66.0%
% >=80% Current LTV	5.7%
WA Current Indexed LTV [2]	81.8%
% >=80 Current Indexed LTV	58.7%
% >=100 Current Indexed LTV	7.1%
WA Seasoning (years)	5.3
WA Residual Term (years)	27.4
WA Interest Rate	1.363%
WA Margin	1.176%
Self-Employed	13.9%
Owner Occupied	95.5%
Purchase Loans	100.0%
Foreign Nationals	3.4%
Second Liens	0.0%
French amortisation with partial bullet payment	12.6%

Source: BBVA RMBS 16 FT loan tape.

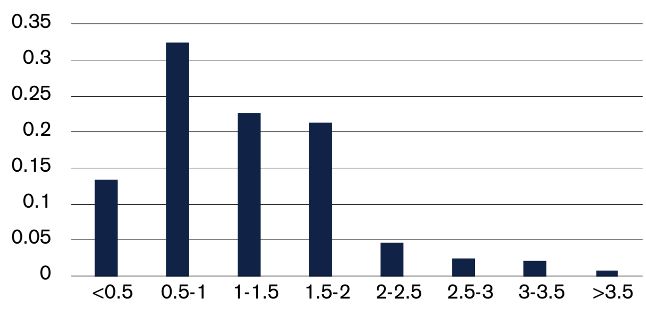
Margin and Interest Rate

The weighted-average margin of the portfolio is 1.2% while the weighted-average interest rate of the portfolio is 1.4%. The weighted-average spread could be reduced to 1.1% due to flexible loan features (described in more detail below)[3].

Current Interest Rate (%)



Margin Distribution (%)



Source: BBVA RMBS 16 FT loan tape.

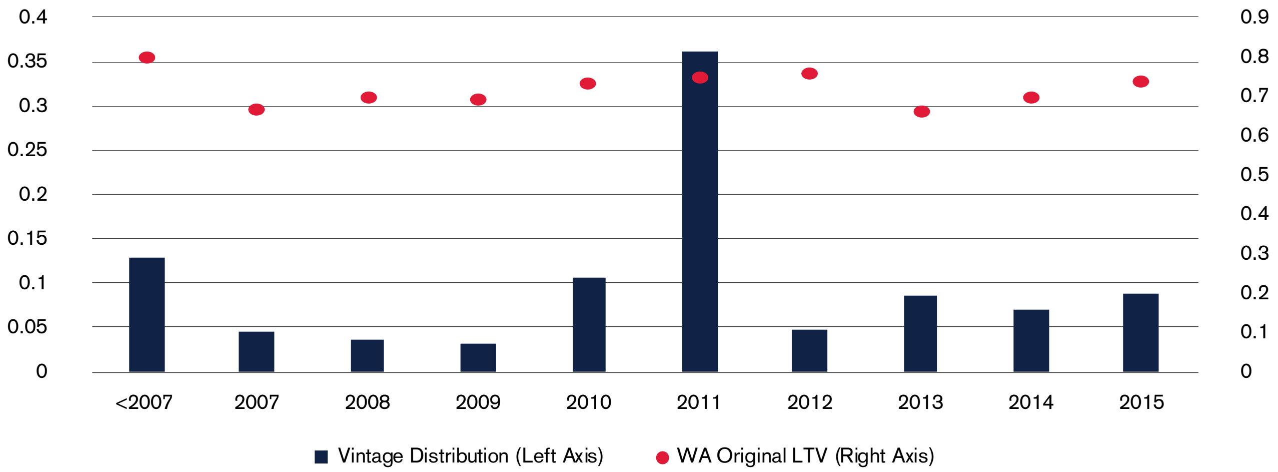
2. Source: Indexed property values based on own calculation and INE data. For valuations before 2007 DBRS assumed the earliest data point of the data series. The indexation is as of Q2 2015.
3. The permitted variations allow for margin reduction as long as the weighted-average portfolio spread is at least 0.65%. Regardless of this limit, DBRS considered rating scenarios at or above the minimum spread possible from a perspective of the borrowers at origination.

Collateral Summary (CONTINUED)

Origination Vintages

The portfolio is well seasoned at 5.3 years. 82.8% of the current balance was originated post-crisis between 2008 and 2015 with a high concentration of loans originated in 2011 (35.1% of the loans, 36.1% of the current loan balance).

Origination Vintages/Original LTV

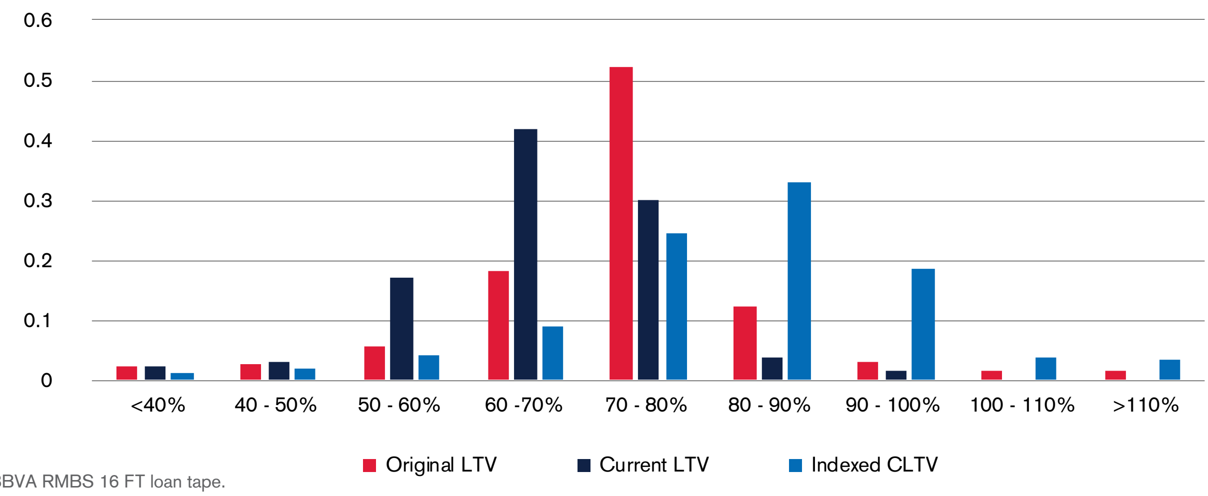


Source: BBVA RMBS 16 FT loan tape.

LTV Distributions

The weighted-average unindexed current loan-to-value (CLTV) stands at 66.0% while the indexed CLTV (INE Q4 2015) is 81.8%. Loans with an indexed CLTV higher than 100% are 7.1% of the loan portfolio.

LTV Distributions



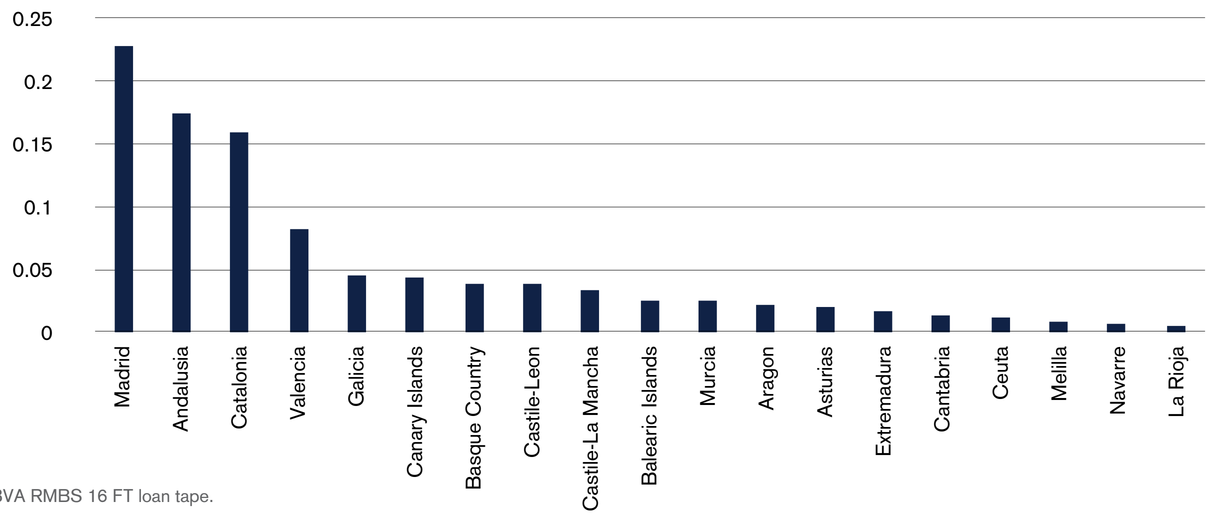
Source: BBVA RMBS 16 FT loan tape.

Collateral Summary (CONTINUED)

Geographical Distribution

The pool is primarily concentrated in Madrid (22.9%), Andalusia (17.5%) and Catalonia (16.0%). The distribution is reflective of BBVA's retail presence in Spain.

Regional Distribution



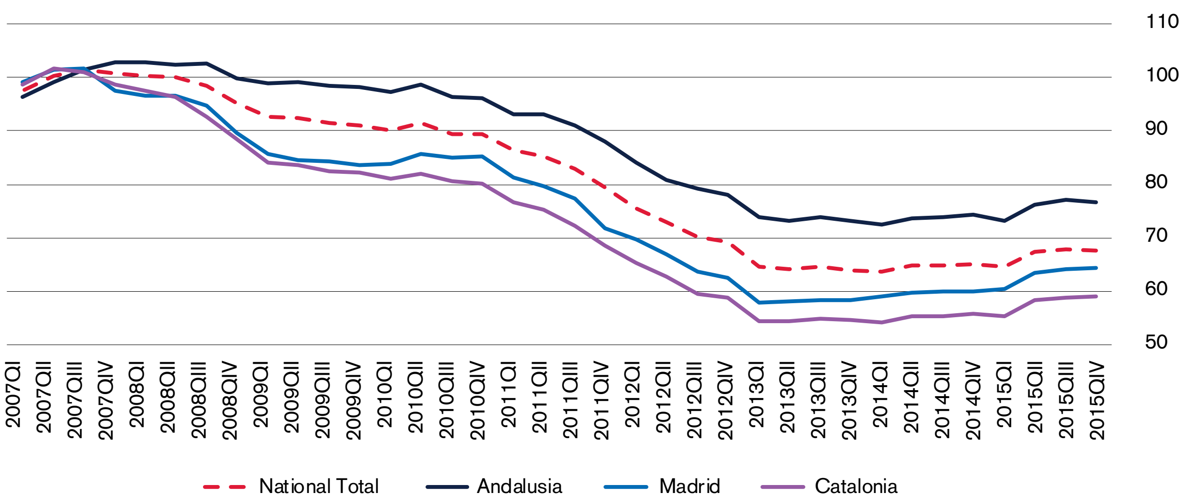
Source: BBVA RMBS 16 FT loan tape.

Spanish house prices have rebounded 6.4% on a national level since Q1 2014 following the peak-to-trough drop of -37.3%. House price declines in the most populous regions of Spain (Madrid, Andalusia and Catalonia) were very severe during the crisis, with only Andalusia experiencing a peak-to-date decline (-29.7%) lower than the national average observed for Spain (-37.3%). However, these regions have had sharper rebounds as we can see in the table and chart below:

Region	BBVA RMBS 16	Peak to Trough	Change Since Q1 2014
National	100.00%	-37.30%	6.40%
Madrid	22.80%	-43.10%	9.10%
Andalucía	17.40%	-29.70%	5.80%
Catalonia	16.00%	-46.60%	8.80%

Source: INE (Base 2007).

House Price Index Evolution



Source: INE (Base 2007).

Collateral Summary (CONTINUED)

Mitigant: DBRS's market value decline assumption at the respective rating level considers a house price stress that is in line with the historic experience observed recently in Spain.

Non-Nationals

3.4% of the portfolio are foreign borrowers resident in Spain. Mitigant: DBRS has stressed foreign borrowers by applying a default multiple of 1.2.

Flexible Loan Features

Most mortgage loans of the securitised portfolio allow for loan modifications subject to some criteria depending on the type of mortgage product. DBRS received historical information with regard to loan modifications for 365,707 loans on twelve BBVA RMBS transactions (BBVA 1 to BBVA 15, excluding BBVA 8 and BBVA 14).

Table 5: Historic Frequency of Occurrence of Loan Options

Deal Name	Closing Date	# of loans	Maturity Extension	Payment Holidays	Switch Index	Margin Reduction	Balloon Payment (amortisation profile)
BBVA RMBS 1	19/02/2007	15,470	2.9%	6.0%	0.2%	8.2%	0.0%
BBVA RMBS 2	26/03/2007	35,077	3.4%	8.5%	0.3%	14.6%	0.1%
BBVA RMBS 3	23/07/2007	16,933	5.7%	11.4%	0.6%	30.4%	0.2%
BBVA RMBS 4	19/11/2007	33,222	2.7%	13.5%	1.0%	18.9%	0.0%
BBVA RMBS 5	26/05/2008	28,601	4.2%	23.3%	1.0%	31.1%	0.4%
BBVA RMBS 6	10/11/2008	33,554	2.6%	13.0%	0.9%	13.7%	0.1%
BBVA RMBS 7	24/11/2008	89,393	2.6%	6.2%	0.6%	10.4%	0.1%
BBVA RMBS 9	19/04/2010	7,549	2.7%	14.6%	0.8%	43.8%	0.0%
BBVA RMBS 10	20/06/2011	9,021	1.4%	6.0%	0.3%	66.6%	0.0%
BBVA RMBS 11	11/06/2012	7,958	1.0%	6.5%	0.3%	29.4%	0.1%
BBVA RMBS 12	09/12/2013	30,823	0.6%	3.4%	0.4%	12.1%	0.0%
BBVA RMBS 13	14/07/2014	28,261	0.4%	3.6%	0.1%	7.8%	0.0%
BBVA RMBS 15	13/05/2015	29,845	0.1%	1.2%	0.0%	4.0%	0.0%
Weighted Average		365,707	2.4%	8.6%	0.5%	16.2%	0.1%

Source: Europea de Titulización.

The types of loan modification are (1) change of maturity date, (2) application for payment holidays, (3) change of the type of interest, (4) reduction in margin and (5) change of the amortisation profile. These loan modifications are integrated into the loan contracts and are to be seen as complementary to the permitted variation under the transaction's documents.

Change of the maturity date: Of the outstanding balance of the mortgage portfolio, 92.1% of the loans have the option to extend or reduce the maturity of the loans. The borrower can opt to change the maturity only if the borrower is current in respect of any loan payment and fulfils the following requirements:

- Extension must not exceed 60 months and not be shorter than 12 months.
- That the date of the last instalment payment following the maturity extension cannot be greater than ten years of the maturity date initially stated.
- LTV must be lower than 80%.

Mitigants: From the total amount of loans analysed (365,707), only 2.4% had a maturity extension in the past. Due to the small number of loans that had this change and since this measure can only be applied to performing borrowers, no stresses on the collateral pool were applied in respect to maturity extension.

Collateral Summary (CONTINUED)

Payment holiday: Borrowers can request to defer up to two instalment payments on each year but not more than ten throughout the term of the loan. Of the outstanding mortgage portfolio, 92.1% of the loans have the option to apply for payment deferrals. Payment deferrals are subject to the conditions below being satisfied:

- 12 months have elapsed since the last payment deferral made by the borrower.
- The borrower has not been delinquent in the last 12 months preceding the current payment deferral.
- LTV must be lower than 80%.

Mitigants: From the total amount of loans analysed (365,707), 8.6% applied for payment holidays. Given the criteria, and in particular the fact that the borrower has to have been 12 months current before asking for a two-month payment holiday, this will make it operationally difficult for a borrower in distress to delay an ultimate default for a long period of time. From the table it appears that the payment holiday option was used much more often in transactions issued prior to 2010. After that the execution rate is below half the average.

Type of interest rate change: Borrowers can opt to change the type of reference interest rate once the loan is 12 months seasoned. Of the mortgage loan portfolio, 90.5% of the loans have the option to change the reference interest rate. In order to apply for such a change the borrowers has to be current in its payments. The changes of rate are:

- Constant interest rate: This option locks the interest rate of the loan for 36 months and references to IRPH Financial Institutions interest rate.
- Variable interest rate: This option resets the interest rate each six months and references to Euribor 12 months.

Mitigants: DBRS did not further stress these features as (1) from a total of 365,707 loans analysed, 0.5% of the borrowers requested a change on the reference interest rate due to the lowering interest rate environment and (2) IRPH has been historically higher than Euribor rates, thus borrowers exposed to Euribor rates are unlikely to request a change of the reference rate to IRPH. Nevertheless, DBRS modelled the current percentage of 1.1% of mortgage loans with IRPH rates in its cash flow model.

Change the amortisation profile: Of the mortgage pool, 87.5% can opt to change the amortisation profile of the loan from French amortising to French amortising with a balloon payment. A borrower can request this change if:

- The balloon payment is not lower than 10% or higher than 30% the current balance of the loan.
- BBVA agrees.

Mitigants: From a total of 365,707 loans analysed, 0.1% of the borrowers changed their loan amortisation profile to French amortising with a balloon payment. The securitised mortgage pool contains 12.6% of loans that were originally granted with balloon payments. DBRS has stressed the loss number in its asset model by treating these loans as pure interest-only loans and cash flow modelled the balloon payments of the securitised mortgage pool.

Margin reduction: Of the borrowers in the mortgage collateral pool, 82.9% could request a margin reduction provided that such borrower is current on their payment and has acquired the following BBVA products:

- Group A: Direct salary payment, credit card and household insurance. Up to 0.20% margin reduction.
- Group B: Life insurance or current loan repayment insurance. Up to 0.25% margin reduction.
- Group C: Individual social insurance or pension plan. Up to 0.30% margin reduction.

Mitigants: From a total of 365,707 loans analysed, 16.2% of the borrowers had a margin reduction on their loans. The purpose of margin reductions is not to mitigate borrowers defaulting on their payment but more as a commercial marketing tool to sell other BBVA financial products. In any case, the borrower must be current on their payment in order for such borrower to apply for a margin reduction. Margin reductions were applied to all eligible borrowers of the securitised portfolio in DBRS cash flow modelling, reflecting a minimum weighted-average spread of 0.65% compared to 1.177% currently.

Rating Analysis

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

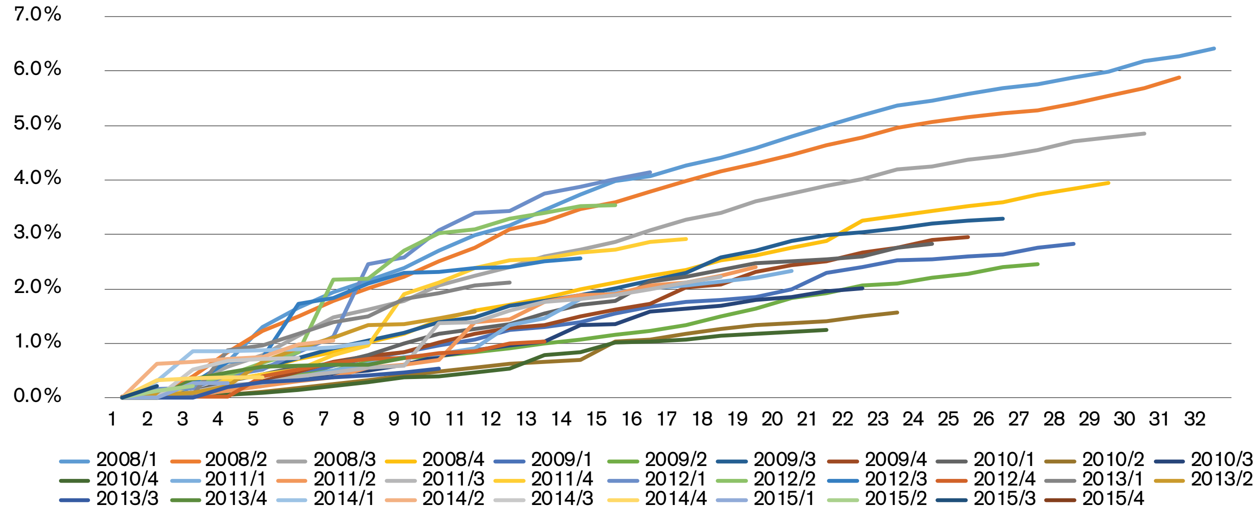
- The transaction's capital structure, form and sufficiency of available credit enhancement.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to terms in which they have invested.
- The transaction parties' capabilities with respect to originations, underwriting, servicing and financial strength.
- The credit quality of the collateral
- A review of the legal structure, transaction documents and opinions.

Portfolio Performance Data

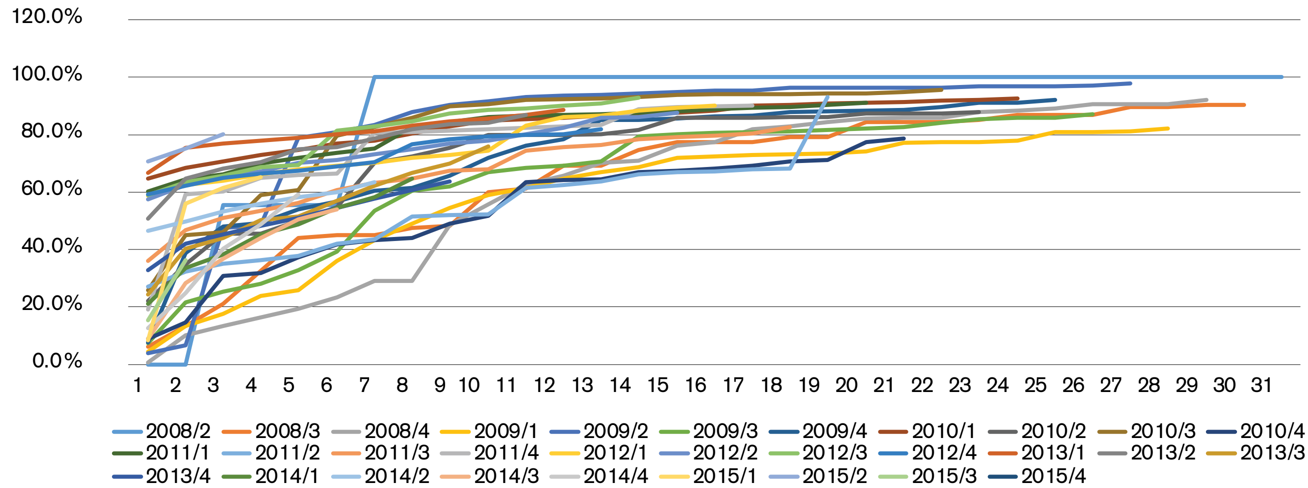
DBRS received historical static delinquency and recovery data from previous transactions. In addition, DBRS received the following set on BBVA's whole mortgage book:

- Cumulative 90+ days arrears on a quarterly basis for the period Q1 2008 to Q4 2015.
- Cumulative 90+ days recoveries on a quarterly basis for the period Q1 2008 to Q4 2015.

Cumulative 90+ in arrears by vintage BBVA book



Cumulative 90+ recoveries by vintage BBVA book



Rating Analysis (CONTINUED)

PD, LGD and EL

The lifetime probability of default (PD), loss given default (LGD) and expected loss (EL) were estimated using the DBRS EU Credit Model. The 2-year PD for the portfolio using the 90+ arrears data provided by BBVA as a proxy was estimated to be 2.0%, including an adjustment for the sovereign rating of Spain. The results of the model were used as the inputs into the cash flow analysis of the structure. The results of the model at the A (high) (sf) rating scenario and base case are listed below:

Rating Scenario	PD	LGD	EL
A (high) (sf)	17.71%	46.04%	8.15%
Base Case	4.49%	30.86%	1.39%

Cash Flow Scenarios

To assess the timely payment of interest on the notes and the ultimate payment of principal on the Series A notes, DBRS applied two default timing curves (front-ended and back-ended), its prepayment curves (low, medium and high CPR assumptions) and interest rate stresses as per its *Unified Interest Rate Model for European Securitisations* methodology. Due to the low prepayment rates observed in the Spanish mortgage market, DBRS also applied a 0% conditional prepayment rate (CPR) assumption.

Based on a combination of these assumptions, a total of 16 cash flow scenarios were applied to test the performance of the rated notes (see table below).

Scenario	Pre-payments	Default timing	Interest Rate
1	0%	Front	Upward
2	0%	Front	Downward
3	0%	Back	Upward
4	0%	Back	Downward
5	5%	Front	Upward
6	5%	Front	Downward
7	5%	Back	Upward
8	5%	Back	Downward
9	10%	Front	Upward
10	10%	Front	Downward
11	10%	Back	Upward
12	10%	Back	Downward
13	20%	Front	Upward
14	20%	Front	Downward
15	20%	Back	Upward
16	20%	Back	Downward

Interest Rate Stresses

DBRS applied its standard interest rate stresses as detailed in its *Unified Interest Rate Model for European Securitisations* methodology.

Loan Modifications

According to the Fund's permitted variations and in addition to the flexible loan features, BBVA will be able to grant borrowers within the securitised portfolio certain loan modifications without the consent of the Management Company. The main forms of loan modifications take the form of interest rate renegotiations and maturity extensions and are subject to the following limit concentrations:

1. No changes of the index unless the index is Euribor or IRPH
2. No modification of the payment frequency of the instalments, except if compliant with (4)
3. No renegotiation of the interest rate margin if the average margin of the mortgage portfolio over the interest index is below 65 basis points.
4. Extension of maturity if certain criteria are met, such as a) the maximum outstanding amount of loans with maturity extension must not exceed 10% of the original pool balance as of closing, b) the payment frequency between instalments must be equal or higher and c) the final maturity date of a loan must not exceed the final payment date of 31 January 2058.

Rating Analysis (CONTINUED)

Mitigant: DBRS extended the weighted-average maturity for 10% of the portfolio up to January 2058 and stressed the weighted-average spread generated by the mortgage portfolio to 0.65% in its cash flow model to factor in potential margin reductions.

Timing of Defaults and Recovery Lag
DBRS applied front- and back-loaded default timing curves. A recovery lag of 48 months was used in the cash flow analysis per the DBRS EU RMBS methodology.

Risk Sensitivity
DBRS estimated the PD and LGD for each pool based on a review of historical data and an assessment of the mortgage pool characteristics. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative impact on credit ratings. The tables below illustrate the sensitivity of the rating to various changes in the based case PD and LGD assumptions in the respective rating scenarios:

Class A

		Increase in Default Rate (%)		
		0	25	50
Increase in LGD (%)	0	A (high)	A (high)	A (high)
	25	A (high)	A (high)	A (high)
	50	A (high)	A (high)	A (high)

Appendix

Methodologies Applied

The principal methodology applicable to assign ratings to the above referenced transaction is "Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda" (4 January 2016).

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions* (19 February 2016);
- *Operational Risk Assessment for European Structured Finance Servicers* (31 December 2015);
- *Operational Risk Assessment for European Structured Finance Originators* (15 December 2015);
- *Unified Interest Rate Model for European Securitisations* (12 October 2015).

The rating methodologies and criteria used in the analysis of this transaction can be found at: http://www.dbrs.com/about/methodologies. Alternatively, please contact info@dbrs.com.

Surveillance Methodology

The transaction is monitored by DBRS in accordance with its "Master European Structured Finance Surveillance Methodology" (6 April 2015), and available at www.dbrs.com under the heading Methodologies; alternatively, please contact info@dbrs.com.

Notes:
All figures are euros unless otherwise noted.

This report is based on information as of 13 May 2016, unless otherwise noted. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.