



axesor structured finance rating

BBVA RMBS 17 FT - RMBS

New Issue Report: 22/11/2016

Rating Analysis Director

Julián Villalba Checa

jvillalba@axesor-rating.es

Senior Analyst axesor rating

Luis Bel Codeso

lbel@axesor-rating.es


Table of Contents

1. Executive Summary	2
1.1. Rating	3
1.2. Issuance	3
1.3. Participants	4
1.4. Transaction Diagram	4
2. Rating Drivers	5
2.1. Positive Aspects	5
2.2. Negative Aspects	6
3. Main Elements of the Analysis	7
3.1. Collateral	7
3.2. Structure	14
3.3. Cash Flow Model and Sensitivity	18
3.4. Qualitative Factors	20
4. Monitoring	24
5. Methodology	24
6. Annex	25
6.1. Historical Information	25

1 Executive Summary

BBVA RMBS 17 FT is a granular securitisation fund with static pool of first ranking prime secured loans and structured under Spanish legislation. The fund's target is to obtain funding and liquidity by issuing bonds. The collateral consists of a portfolio of residential mortgage loans originated by Banco Bilbao Vizcaya Argentaria S.A ("BBVA"). The legal maturity date is August 16, 2066.

1.1 Rating

Class	Rating	Notional (Thds€)	Coupon	Credit Enhancement	Legal Maturity Date
A	 A+	1.584.000	EUR 3M + 0.30%	16.00%	16/08/2066
B Loan	NR	216.000	EUR 3M + 0.15%	4.00%	16/08/2066
RF	-	72.000			

The rating addresses the timely payment of interest and the ultimate payment of principal on the Class A notes by the legal maturity date established on the prospectus. All figures in the report refer to the pool cut as of 25 October 2016.

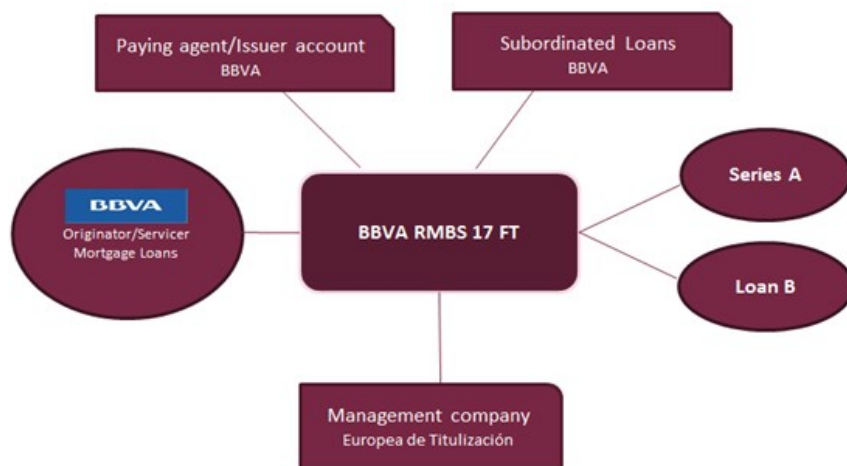
1.2 Issuance

Issuance Data	
Issuer	BBVA RMBS 17 FT
Purpose	Liquidity and Funding
Fund Type	Closed
Asset Class	Residential Mortgage Loans
Originator/Seller/Service	BBVA
Constitution Date	21/11/2016
Closing Date	23/11/2016
Assets/Liabilities (thds€)	1.800.000/ 1.800.000
Listing/Settlement	AIAF / IBERCLEAR
Call	10%
Payment Date	Quarterly (February, May, August, November)
1st Payment Date	16/02/2017
Legal Maturity Date	16/08/2066

1.3 Participants

Participants	Function
Banco Bilbao Vizcaya Argentaria S.A	Originator/Seller
Banco Bilbao Vizcaya Argentaria S.A	Servicer
BBVA and Europea de Titulización S.A.	Arranger
Europea de Titulización S.A.	Management Company
Banco Bilbao Vizcaya Argentaria S.A	Paying Agent
Banco Bilbao Vizcaya Argentaria S.A	Issuer Account
Deloitte & Touche España, S.L.	Auditor
Uría Menéndez Abogados S.L.P	Legal Adviser

1.4 Transaction Diagram



Madrid, 22 November 2016

Julián Villalba Checa
Rating Analysis Director axesor
rating

Luis Bel Codeso
Senior Analyst axesor rating

2 Rating Drivers

2.1 Positive Aspects

- The portfolio is highly granular at the debtor level and well diversified among regions with higher concentrations in Madrid, Andalucía and Cataluña.
- Asset quality is prime based on:
 - The collateral is fully secured on first ranking mortgages.
 - The portfolio has a moderate WA original LTV of 76.91% and WA current LTV of 74.22%.
 - The WA debt to income is at 21.78%.
 - 100% of the loans are paid by direct debit.
 - Most of the loans are granted to borrowers for home acquisition.
 - Most of the properties securing the loans are used as primary residences.
 - Mortgage loans are not restructured or refinanced.
- Credit enhancement for the Class A notes is provided by the subordination of the B Loan, the reserve fund and the excess spread. The structure has an excess spread trapping mechanism through an 18-month “artificial write-off”.
- The transaction has in place a reserve fund of (4.0%). An amortising reserve fund that is fully funded at closing provides credit support to cover interest and principal shortfalls on each payment date of the fund.
- The notes will pay in a strictly sequential manner. Therefore, the B Loan will not start amortising until Class A notes have been fully repaid. Additionally, interest for the B Loan will not be paid before the amortisation of the Class A notes.

2.2 Negative Aspects

- Asset characteristics:
 - A high percentage of the collateral benefits from flexible characteristics such as the ability to extend or reduce maturities, ability to take payment holidays, to change from variable interest rate to constant interest rate and vice versa, to reduce the initial margin and the ability to make a balloon payment. Axesor modelled these optionalities in its cash flow analysis.
 - Seasoning: Around 90% of the loans were originated in 2014, 2015 and 2016 and the portfolio has a WA seasoning of 19 months. Axesor increased the probability of default for the loans with lower seasoning.
 - Employment type: 30.25% of the portfolio does not have full time employment with a “fixed contract” (type of contract that is characterised by greater employment stability). Therefore, the income of such debtors tends to be more volatile in stress scenarios. Axesor increased the probability of default for these loans.
 - Non-Spanish debtors: 5.77% of the mortgage loans were granted to foreigners. Axesor increased the probability of default for these loans.
- Unhedged transaction: The structure does not use a swap. Therefore, the mismatch between the reference indexes for the collateral and the notes is unhedged. Axesor considers that the credit enhancement provided, the high correlation between the 3m Euribor and the 12m Euribor and the fact that reset dates are distributed throughout the year, mitigate the basis and reset risk. Axesor modelled different interest rate scenarios to test the materiality of the absence of a hedge on its cash flows.
- Counterparty risk: There exists a heavy reliance on BBVA to perform the majority of the tasks related to the Fund which is mitigated by BBVA's credit quality, deep experience as servicer and adequate structural protection features that includes downgrade language in cases where the issuer's account bank and paying agent fall below the BBB- threshold.

3 Main Elements of the Analysis

3.1 Collateral

The main characteristics of the collateral as of 25/10/2016 are:

COLLATERAL				
Number of Loans	16.145	WA Margin		1.96%
Number of Debtors	16.114	WA Original LTV		76.91%
Original Balance	1.925.683.692	WA Current LTV		74.22%
Current Balance	1.854.642.248	WA Adjusted LTV		74.98%
Largest Loan	1.007.739	Amortisation Type	French plus final payment	0.65%
Average Loan	114.874		French	99.35%
Oldest Loan	29/07/1999	Delinquency Status	Performing	99.63%
Most Recent	28/06/2016		Up to 30 days	0.37%
Minimum Maturity Date	30/04/2021		Over 30 days	0.00%
Maximum Maturity Date	06/06/2056	Geografic Concentration	Top 1 - Madrid	20.77%
WA Remaining Term (months)	361	Grace Period Status		0.00%
WA Seasoning (months)	19	VPO Loans		5.60%
WA Interest Rate	1.81%	Second Homes		4.18%
Interest Rate Type	Mixed	Broker Originated Loans		0.38%
	Variable	Non Spanish Debtors		5.77%

Characteristics

First Liens

The collateral is fully secured on first ranking mortgages.

Seasoning

The WA seasoning is 19 months because the vast majority of the loans were granted in 2014, 2015 and 2016. Lower seasoning normally exhibits a higher risk of default.

Remaining Term

The portfolio has a WA remaining term of 361 months. Moreover, 92.59% of the portfolio had an original maturity longer than 25 years and currently 91.12% of the loans have a current maturity that exceeds 25 years. Axesor applied a penalty factor of 1.25 to these loans.

Repayment Type and Payment Frequency

The repayments are calculated on a French Amortisation basis with the added flexibility of a balloon instalment in some cases. Moreover, principal and interest payment frequency are made on a monthly basis with 100% of the loans paying by direct debit.

Employment Type

Around 30% of the debtors in the portfolio do not have permanent full time employment (contracts different than fixed contracts). Axesor applied a penalty factor according to the employment type.

Non-Spanish Debtors

5.77% of the mortgage loans were granted to foreigners that are considered higher risk as they generally tend to have a short domestic credit history. Axesor applied a penalty factor of 2.0 to these loans.

Second Homes

4.18% of the mortgage loans are backed by properties used as second homes or are not owner occupied. Axesor applied a penalty factor of 1.25 to these loans.

Credit Risk Quality

Axesor applied a penalty factor depending on the credit quality category based on the current status and past performance.

Flexible Features

A moderate percentage (15.68%) of the portfolio benefits from all the flexible characteristics such as the ability to reduce or extend maturities, payment holidays, ability to change from variable interest rate to constant interest rate and vice versa, to reduce the initial margin and to allow a final balloon payment.

Reduce or Extend Maturities

If the debtor is current on payments, he will be able to modify the maturity.

- Extension or reduction may not exceed sixty and may not be less than twelve monthly installments.
- In any case, the maturity date may not exceed 10 years and may not be before than 10 years from the date originally agreed.
- LTV is less than 80%.

Portfolio approach: 56.85% of the loans can be subject to a reductions or extensions of the maturities but according to the documentation, there is a trigger that limits these changes to 10% of the portfolio.

Deferred Payments

The debtor will be able to defer payment up to two installments in each calendar year and a maximum of ten installments during the total maturity of the mortgage loan.

Portfolio approach: 56.85% of the loans have the option to defer installments.

Change the Interest Rate

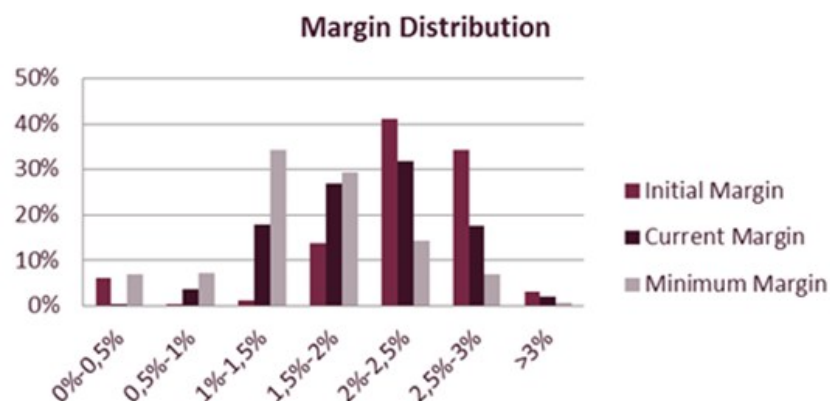
Debtors have the ability to change the interest rate after the first twelve months of the loan have elapsed. The mortgage loan can change from variable interest rate to constant interest rate (IRPH) for a period of 36 months and vice versa.

Portfolio approach: 54.78% of the loans have the option to change the interest rate type.

Margin Reductions

The margin on the mortgage loan may be reduced if the debtor is current on its payments and has contracted certain products or services from the BBVA Group that include.

- Group A: Payroll domiciliation, credit card and home insurance.
- Group B: Life insurance or payment protection.
- Group C: Pension plan.



Moreover, 93.76% of the portfolio has the option to apply for higher reductions up to 0.30%. Additionally, 2.61% of the loans can apply a reduction between 0.5% and 2.5%.

Portfolio approach: Around 60% of the loans have had their initial margin reduced as a result of the application of margin reductions. The WA margin initially agreed was 2.21%, the WA minimum margin is 1.53% and the WA current margin is 1.96%.

Final payment

The clients have the ability to modify the repayment type by including a balloon payment option provided that:

- The amount of the final installment is not less than 10% and not more than 30% of the outstanding principal at the date of the application of this amendment.
- BBVA accepts this modification.

Portfolio approach: 16.12% of the loans have a final payment option. Currently just 0.65% of the loans have activated this final payment option.

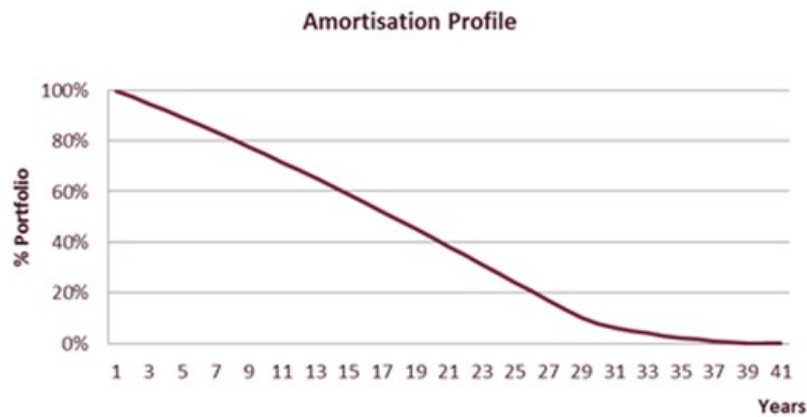
Mitigants

- Axesor increased the probability of default applying a penalty factor of 1.25 for flexible characteristics.
- Axesor treated all the mortgage loans that have already established a final payment as bullet loans and applied a penalty factor of 1.25.
- Axesor stressed the WA margin in its cash flows analysis to capture the risk of renegotiation.

Amortisation Profile

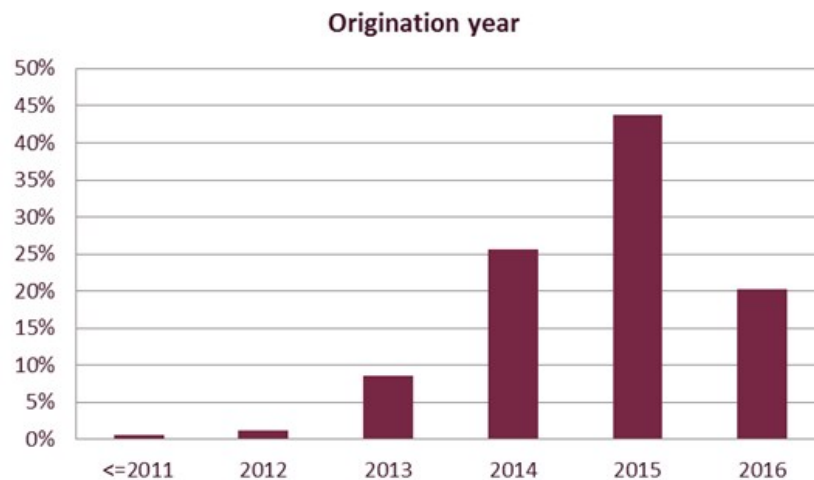
The portfolio amortisation profile has been analysed assuming the following parameters:

- CPR 0%
- Arrears and Defaults 0%
- Call 0%



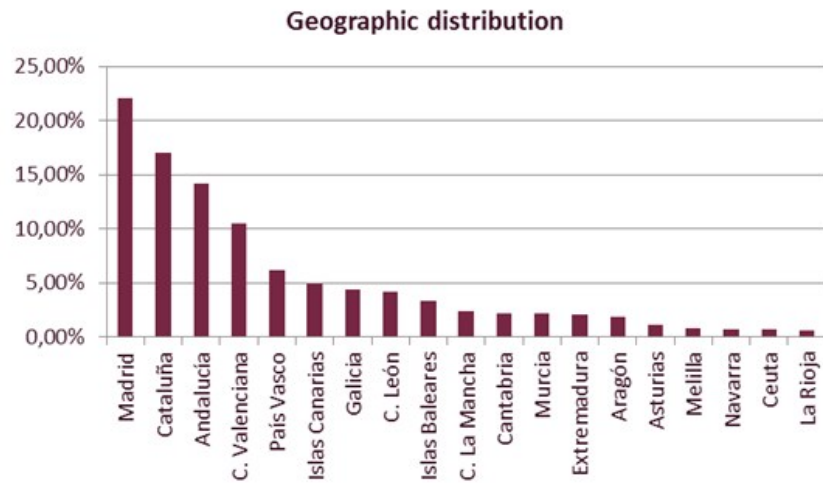
Axesor believes that the Class A notes will not be exposed to tail concentrations because most of the loans are amortising on a monthly basis and notes pay in a strictly sequential manner. Although the flexible features of the loans can increase the exposure, in the event of deterioration of the portfolio. French amortisation basis, low interest rates and long maturities result in a portfolio WAL of 16.64 years and a WA remaining term of 30 years.

Distribution of Loans Originated

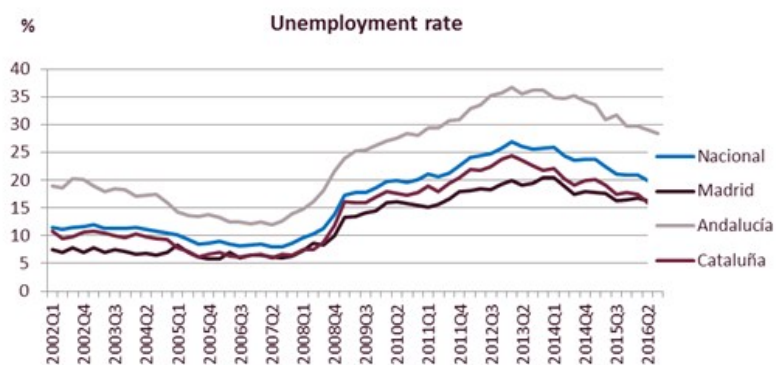


The portfolio (89.74%) is mainly concentrated in 2014, 2015 and 2016.

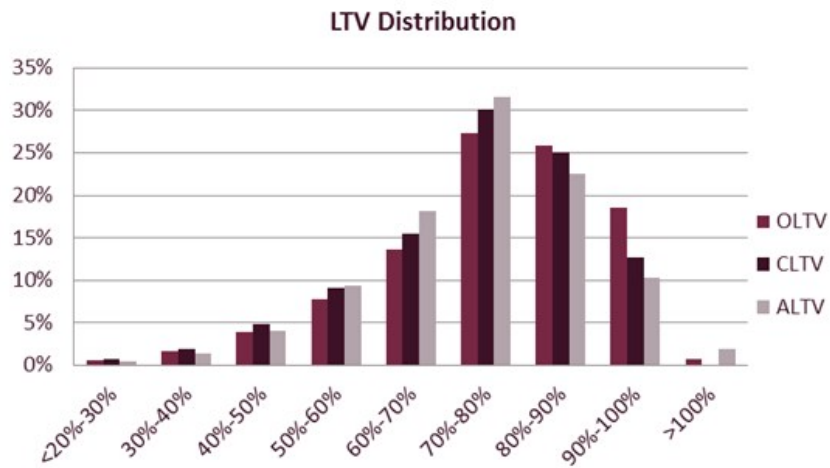
Geographic Distribution



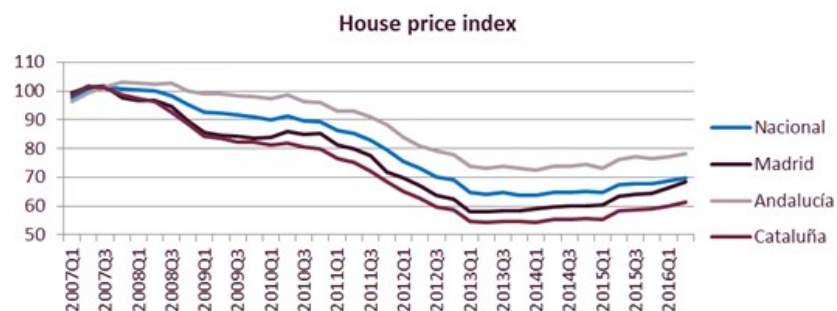
The portfolio is well diversified across the Spanish regions with higher concentrations in Madrid (20.77%), Cataluña (17.04%) and Andalucía (14.18%). According to INE (Instituto Nacional de Estadística) unemployment rates at a national level continue to improve, and is currently down to 18.91% (Q32016) from a peak of 26.94% in (Q12013). Andalucía exhibits higher unemployment rate (28.52%) than the average.



Loan to Value Distribution (LTV)



The WA original LTV ratio was 76.91%, the WA current LTV ratio is 74.22% and the WA adjusted LTV is 74.98%. To estimate the recovery value, Axesor relies on the house price index (INE) to adjust the original appraisal value to the current value (Q22016). Additionally, a market value decline is applied to the adjusted appraisal value for each rating level.



3.2 Structure

Class	Notional Amt.	Coupon	%	CE	% RF	% Sub
A	1.584.000	EUR 3M + 0.30%	88.00%	16.00%	4.00%	12.00%
B Loan	216.000	EUR 3M + 0.15%	12.00%	4.00%	4.00%	0.00%
RF	72.000					

The fund structure consists of Class A notes and a B Loan issued for the acquisition of the mortgage loans. The initial expenses and reserve fund are funded by subordinated loans granted by BBVA on the closing date.

Priority of Payments (Waterfall)

The priority of payments established in the prospectus is combined, it allows all available resources (interest and principal collections plus the available amount of the reserve fund among others) can be used to pay timely interest of the Class A notes and mitigate liquidity risk.

On each regular payment date	On the liquidation date
1. Expenses and taxes	1. Reserve to pay extinction expenses and taxes
2. Class A interest	2. Expenses and taxes
3. Principal for Class A	3. Class A interest
4. Replenishment of the RF (If Class A is not amortised)	4. Principal for Class A
5. B Loan interest	5. Principal for loan - liquidation purpose
6. Principal for B Loan	6. B Loan interest
7. Replenishment of the RF (If Class A is amortised)	7. Principal for B Loan
8. Interest of subordinated loan	8. Interest of subordinated loan
9. Principal of subordinated loan	9. Principal of subordinated loan
10. Interest of subordinated loan for initial expenses	10. Interest of subordinated loan for initial expenses
11. Principal of subordinated loan for initial expenses	11. Principal of subordinated loan for initial expenses
12. Servicing Fee	12. Servicing Fee
13. Variable commission	13. Variable commission

Amortisation Rules and Artificial Write-Off Mechanism

Amortisation is strictly sequential. Class A notes will accumulate more protection because they receive preferential allocation of available resources. The amount of principal to be amortised at each payment date will be the positive difference between (i) the outstanding balance of Class A notes and the B Loan, less (ii) the outstanding balance of the non-defaulted loans. Loans will be considered as defaulted when they are in arrears for a period equal or greater than 18 months or when they are classified by the management company.

The transaction structure benefits from a provisioning mechanism whereby loans that are equal or more than 18 months in arrears will be amortised using the excess spread and the reserve fund, if available. This provision allows for the accelerated amortisation of the Class A notes.

From this point of view, Axesor considers that the artificial “write off” mechanism put in place is efficient and useful to anticipate the potential deterioration of the portfolio.

Interest

Class A notes and the B Loan pay a quarterly coupon referenced to the 3-month Euribor plus a margin of 30 bps for the Class A notes and 15 bps for the B Loan.

There is no deferral trigger in place due to the fact that Class A notes will always be amortised before the B Loan.

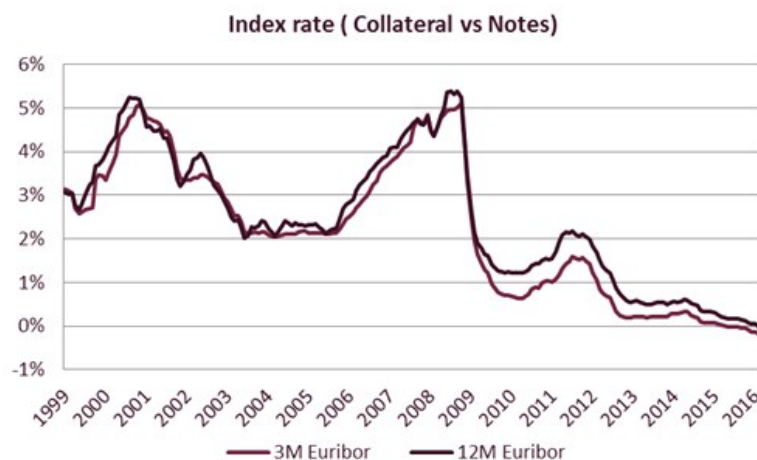
Hedge Instrument (No Swap)

The structure does not have in place any hedging instrument to mitigate interest rate risk, the reset risk or the basis risk between the assets and liabilities.

Basis risk represents the yield curve risk that arises as a result of the difference between the reference index of the asset and the index of the Class A notes and the B Loan. The transaction is exposed to the risk of slope of the curve of interest rates although Axesor considers the impact is not material in the current interest rate environment. Historically, there is a high correlation between the 3-month Euribor and the 12-month Euribor.

Index Rate (Collateral)

EUR 12M	99.99%
IRPHCE	0.01%



The graph indicates the monthly average for both indexes. Historically, the maximum monthly spread between the 12-month Euribor vs. the 3-month Euribor has been around 75 bps and the minimum -25 bps.

The reset risk arises as a result of the mismatch between the frequency of the resetting of the interest rate on the floating rate collateral and the frequency of resetting of the coupon rate on the notes. This risk increases in a rising interest rate environment causing higher liabilities costs, while the collateral does not captures this rise, until some months later. However, reset dates are fully distributed over the year.

Reset Frequency (Collateral)	
Semi-annual	97.44%
Annual	2.55%
Tri-annual	0.01%

Due to the flexible characteristics, 54.78% of the portfolio can change from variable interest rate to constant interest rate increasing the mismatch in a rising scenario.

Analysing the risks discussed above, Axesor believes that the interest rate risk is mitigated due to presence of excess spread, reserve fund and the combined waterfall. Three interest rate scenarios have been modelled to test the impact in the cash flows.

Reserve Fund (RF)

The RF will be fully funded at closing by a subordinated loan provided by BBVA. The RF is one of the mechanisms to cover potential losses in the portfolio. It represents 4% of the balance of the Class A notes and B Loan.

- The required reserve fund level shall be the lower of (1; 2):
 - (1) 72.000.000 Euros
 - (2) The higher of the following amounts:
 - 36.000.000 Euros
 - 8% of the outstanding balance of the Class A notes and B Loan.
- To reduce the level initially required, the following conditions must be met:
 - The elapsing of three years since the closing date
 - The delinquency ratio must remain below 1% of the non-defaulted loans
 - On the current payment date, the RF level is at its required level

The RF is the main protection to mitigate the credit risk and allows the acceleration of the amortisation of the Class A notes when the assets are classified as default.

3.3 Cash Flow Model and Sensitivity

Axesor modelled the cash flows of the collateral applying the default rate and recovery rate obtained for each rating level combined with different default distributions, prepayment levels and interest rate scenarios, to test the ability of the structure to pay interest and principal of the notes according to the prospectus. A combination of 18 scenarios has been run for each rating level.

Default Rate (DR) and Default Distribution

The probability of default was estimated on a loan by loan basis, based on the historical default information provided and the individual characteristics of the mortgage loans. The starting PD used for the portfolio was 0.65% which has been adjusted on a case by case basis applying penalty factors to reflect the individual risk characteristics.

The default distribution assumed for this transaction has been 5 years front-loaded and back-loaded from month 18.

Recovery Rates (RR) and Recovery Lag

Recovery rates were estimated on a loan by loan basis using the historical recovery information provided and the individual characteristics of the mortgage loans. Axesor relies on the information published by INE to adjust the appraisal value of the properties. Additionally, the market value decline applied for the Class A notes was 62%.

The recovery lag assumed for Spanish mortgage loans has been set at 60 months from the date that the loan defaults.

Prepayments (CPR)

Three annualised constant prepayment rates have been assumed (0%, 5% and 20%) throughout the life of the transaction.

Interest Rate Trend and Spread Compression

Three interest rate scenarios have been assumed (increasing, flat and decreasing). Due to the current interest rate environment, decreasing and flat stresses are combined into one scenario. Axesor relies on the historical evolution of the Euribor index. In a stable scenario, the 12-month Euribor is expected to be higher than 3-month Euribor.

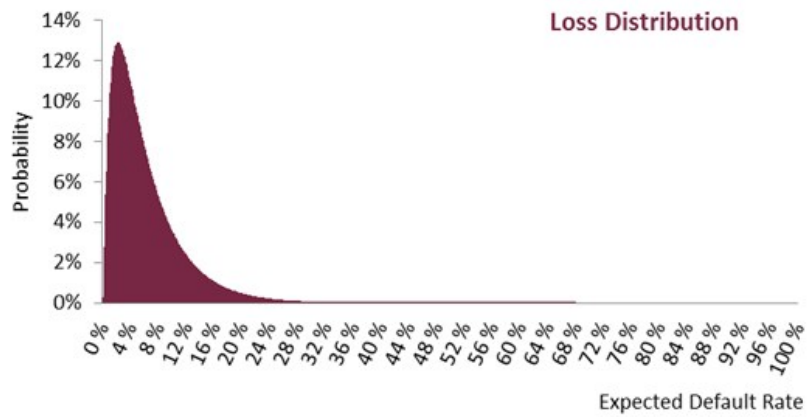
To stress the yield curve in an increasing rate scenario, we assumed that the 3-month Euribor increases by 75 bps on a monthly basis from month 13. Moreover, the maximum difference assumed between the 12-month Euribor and the 3-month Euribor was 20 bps.

The WA interest rate of the portfolio is around 181 bps which will be reduced by the weighted average interest rate of the Class A notes and the B Loan, plus the senior fees and the interest rate mismatch. In accordance with the potential renegotiations allowed in the prospectus, Axesor stressed the WA margin to 65 bps.

Call 10%

Axesor has not incorporated this assumption in its model, because to liquidate the fund before the legal maturity date is a discretionary choice when the outstanding balance of the mortgage loans is less than 10% of the initial balance of the mortgage loans.

Loss Distribution and Rating Outputs



Rating Level	Default Rate	Recovery Rate	Default Distribution	Recovery Lag	CPR	Interest Trend
A+ (sf)	20.80%	47.99%	Front Loaded	60	0%	Increasing
			Back Loaded	months	5%	Decreasing
Base case	6.19%	70.24%			20%	Flat

The cash flow analysis showed that the credit enhancement provided for the Class A notes would be sufficient to withstand the combination of stresses and are commensurate with an A+ (sf) rating.

Sensitivity Analysis

This section describes the impact on the rating of changes in the expected default rate and the recovery rate individually or combined over the base case assumptions.

Class A	
DR +20%	A (sf)
DR +40%	BBB+ (sf)
RR -20%	A (sf)
RR -40%	A- (sf)
DR +20% & RR -20%	BBB (sf)
DR +40% & RR -40%	BBB- (sf)

3.4 Qualitative Factors

Origination and Underwriting Policies, Monitoring and Recovery Process

BBVA is the second largest financial group in Spain and one of the most important financial groups in Europe. Axesor relies on BBVA's very relevant experience as originator for RMBS securitisations that have historically had a very high standard with better performance than the market average.

Origination and Underwriting

Residential mortgage loans selected for the portfolio have been originated by BBVA directly or through real estate agents (API's) acting as mediators. BBVA originates loans through more than 3.000 branches nationwide, assigned to 7 territorial management offices.

Processes are in line with the highest market standards required and include a scoring model that is based on internal data and monitored by internal teams. The scoring system used is reactive and assesses different factors such as socio-demographic characteristics, employment history and financial information.

Reactive scoring variables:

- Transaction: Use of funds, percentage of funding (LTV) and term.
- Personal: Age, marital status, persons that depend on applicants earnings.
- Social and demographic: Country of residence, usual residence and post code.
- Professional: Earnings, employment type, financial situation.

Other characteristics analysed are: repayment capacity, residual income is calculated as the difference between monthly income and expenditures, leverage ratio, declared and estimated income and percentage of equity (LTV).

Once the transaction has been analysed a final automatic opinion is issued.

There are three possible outcomes: positive, doubtful and negative.

- Positive: satisfies risk acceptance requirements and it's authorized.
- Doubtful: Application can be overruled by the branch after further evaluation.
- Negative: Application can only be overruled by the territorial management office.

BBVA requests some of the following documents for mortgage loans application:

- Identification.
- Employment history.
- Employment contract.
- Last two payslips.
- Personal income tax return and/or income and withholding certificates.
- Other bank account movements (non-customers).
- Wealth tax return.
- Registry extract of the home to be purchased.
- Last three mortgage receipts in the event of substitution.
- Proof of other income (rental, etc.).

Monitoring

The monitoring of default risk is analysed in three phases: customer, real estate agents and branches.

Customer: The branch communicates to the customer its delinquent status. Delinquency notices are sent and installments due and not paid are claimed by telephone.

Real estate agents: Agents with high delinquency rates are reviewed on a monthly basis.

Branches: The branch director monitors delinquencies on a daily basis using different analytical tools. On a monthly basis, branches are evaluated on the evolution of non-performing loans, LTV ratios and delinquency characteristics as well as an evaluation of the reliability of the data inputs of the scoring model.

The results and action plans are discussed monthly in Committees that are specialized in monitoring these risks.

Recovery

Recovery actions at BBVA are managed, on a case-by-case basis, through IT applications and specialised centers. The process is divided into two main areas: Pre-litigation and litigation.

The pre-litigation phase is very personalised, in that there is very close contact with the debtor and comprises of the following stages:

- Delinquency (four installments unpaid) – remedy: the application sends all borrowers and reported guarantors a delinquency letter as well as a specific ultimatum letter.
- After one month of becoming delinquent (five installments unpaid) - remedy: If at least one installment has been paid, the customer receives a proposed payment scheme otherwise all the borrowers and guarantors are notified of the continued delinquency.
- After two months of becoming delinquent (six installments unpaid) - remedy: If at least one installment has been paid, the customer receives a proposed payment scheme otherwise the beginning of the legal process takes place.
- After three months of becoming delinquent (seven installments unpaid) - remedy: If at least one installment has been paid, the customer receives a proposed payment scheme otherwise the legal process begins as well as other necessary tasks and procedures related to the legal proceeding.

In case that the debt is not recovered at this stage, the recovery process will not be considered to be concluded as BBVA has a unit that specialises in the recovery of loans that are classified as defaulted by the Group.

Counterparties

From counterparty risk point of view, there is a heavy reliance on BBVA. BBVA acts as originator, seller, servicer, paying agent, collection account bank holder and issuer account bank holder.

Servicer

BBVA will act as servicer of the residential mortgage loans. Axesor estimates that the payment interruption risk and the commingling risk are very low due to the expertise and strong financial condition of BBVA.

Mitigants: The strength and experience of BBVA and the participation of the management company as back up servicer facilitator by monitoring and controlling the assets performance on a monthly basis provides additional support to the transaction. Collections are domiciled and transferred to the issuer's bank account bank of the fund no later than 48 hours, reducing to a minimum the volume of collections that could be commingled.

Paying Agent and Issuer Account Bank

BBVA will act as issuer account bank holder and paying agent. The risk exposure would occur in case of an unexpected bankruptcy, that could result in the possibility that the available resources received but not yet transferred to the fund could be trapped in a bankruptcy process and not be available for the fund.

Mitigants: If the rating of BBVA was lowered below BBB- in the long term, the management company will be obligated to take one of the following steps within 30 working days: obtain a first demand and unconditional guarantee from a third party entity rated at least BBB- covering the obligations held under the bank account agreement or replace the bank by a third party entity rated at least BBB-.

Axesor considers that established mechanisms and remedial actions in place are sufficient to mitigate the commingling risk.

Set Off Risk

Axesor believes set off risk from the originator is very limited and does not have an impact since only unpaid installments viewed as fully due and payable prior to the declaration of insolvency might be offset against deposits held by the originator.

Legal Structure

The transaction was structured under the Spanish legislation securitisation. The Spanish Parliament approved and published on 28 April the Law 5/2015 providing more flexibility, including:

- Use of a SPV that has no legal personality entrusting to the management company its constitution, administration and legal representation.
- Bankruptcy remoteness: Isolation in case of bankruptcy of the originator or any other counterparty.
- True sale: There has been a full and unconditional transfer of assets to the Fund.

According to the legal opinion received, the securitisation of assets will be carried out in compliance with the Spanish Securitisation Law. The fund has the standard tax neutrality of other jurisdictions and may not go into bankruptcy because the available resources at all times shall be used only in the priority of payments established on the prospectus.

Representation and Warranties

- The mortgage loans exist and are valid and enforceable in accordance with its own terms and conditions and with the applicable laws.
- There is no litigation whatsoever in relation to the mortgage loans.
- The details of the mortgage loans are full, accurate and reflect the current status.
- The mortgage loans are all denominated and payable exclusively in euros.
- The mortgage loans are secured with a senior ranked real estate mortgage on 100% of the loans.
- All the mortgage loan payment obligations are satisfied by directly debiting an account at BBVA.
- The mortgage loans have been granted to individuals residing in Spain (who are not employees) for the purpose of financing the purchase of homes.
- The properties are all finished homes located in Spain and have been appraised by qualified institutions that are regulated by Bank of Spain.
- The outstanding principal balance of each mortgage loan is not higher than the 100% of the appraisal value of the properties.
- On the constitution date the mortgage loans will not have any payments with one month overdue.
- On the constitution date at least two installments have been collected on each mortgage loan.
- The latest final maturity date of the mortgage loans is not after June 30, 2061.

Permitted Modifications

Interest rate modification:

- The WA spread of the outstanding principal of the mortgage loans may not fall below 65 bps.

Modification to extend the maturity life:

- The outstanding principal amount may not exceed 10% of the Class A notes and B Loan balance. The final maturity date will be prior to June 30, 2061. Additionally, in any event, the payment frequency and the repayment system remain equal.

4 Monitoring

From the time of issuance of the rating, the information provided by the management company, the originator or any other participant in the transaction will be reviewed and monitored as follows:

- The quality of the Collateral
- The level of the credit enhancement
- Counterparties
- Fund's Triggers

As a rule, the frequency of review the rating will be annually but might be subject to a prior review if events that may affect the credit quality of the notes arise.

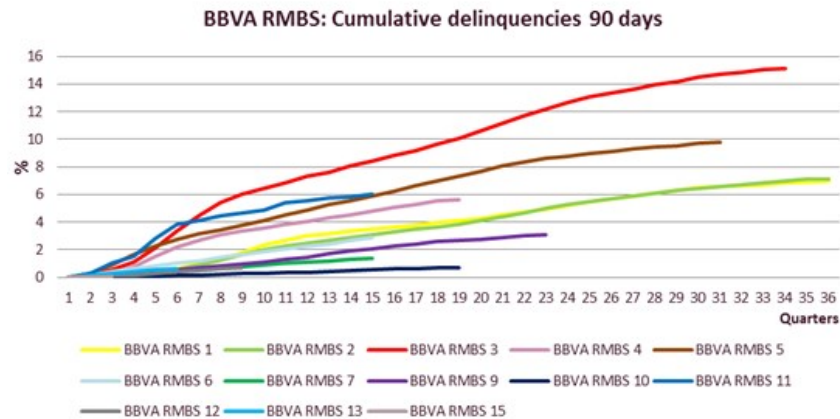
5 Methodology

Axesior applied the following methodology to conduct the analysis of the transaction: STRUCTURED FINANCE CRITERIA.

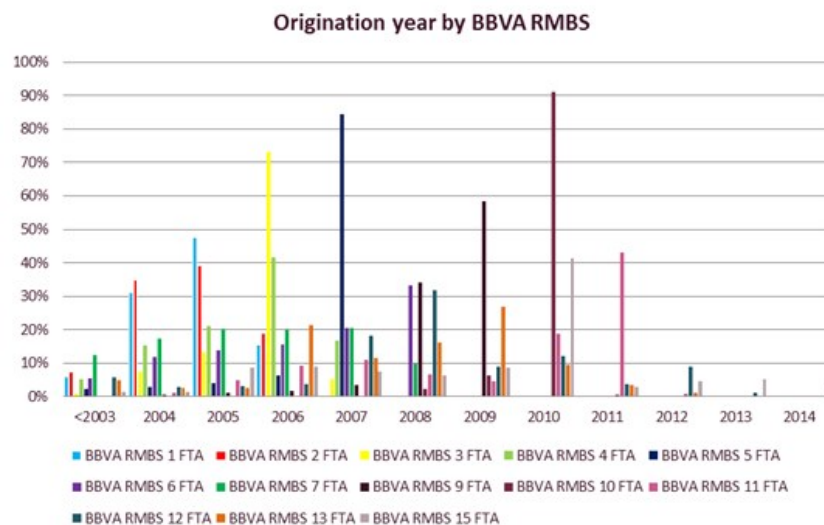
6 Annex

6.1 Historical Information

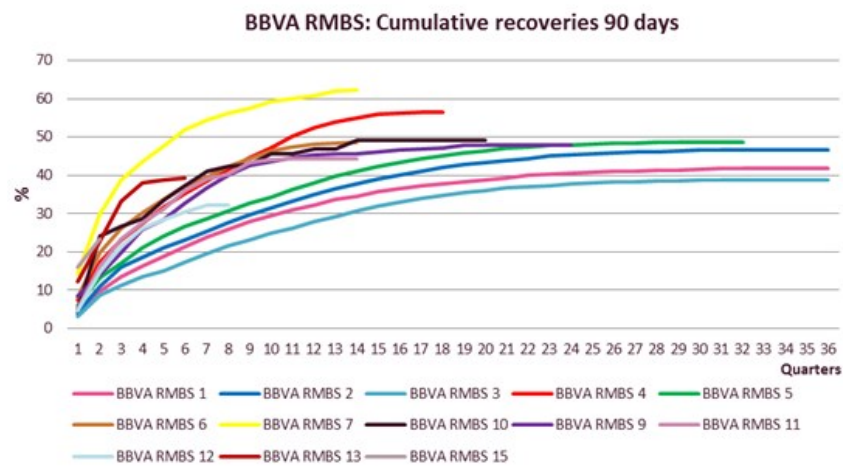
Europea de titulizacion provided historical information for previous BBVA RMBS transactions. The historical data cover cumulative delinquencies (3 months and 12 /18 months), dynamic delinquencies (3 months and 12/18 months), cumulative recoveries (3 months and 12/18 months) and prepayment rates.



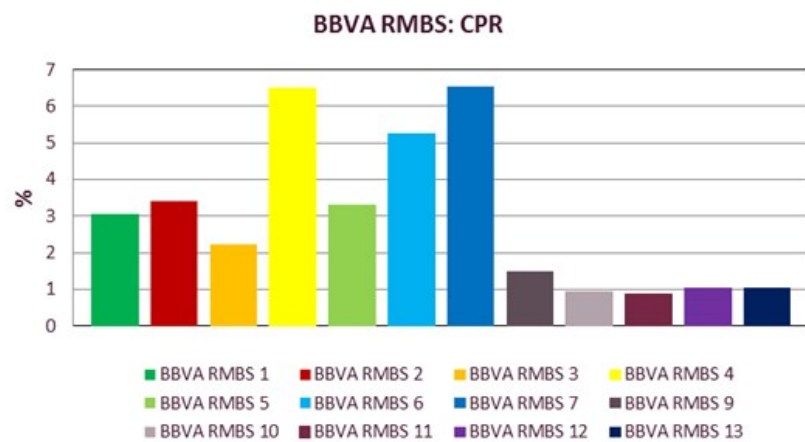
On average cumulative delinquency data (90 days) indicates over 2% of the portfolio is in arrears after 8 quarters since the closing date.



BBVA RMBS 3 and BBVA RMBS 5 have a cumulative delinquency level around 15% and 10% respectively. Those deals exhibit a high concentration of loans originated in 2006 (over 70% of the portfolio for RMBS 3) and loans originated in 2007 (over 80% of the portfolio for RMBS 5) that coincided with the peak of the Spanish housing market.

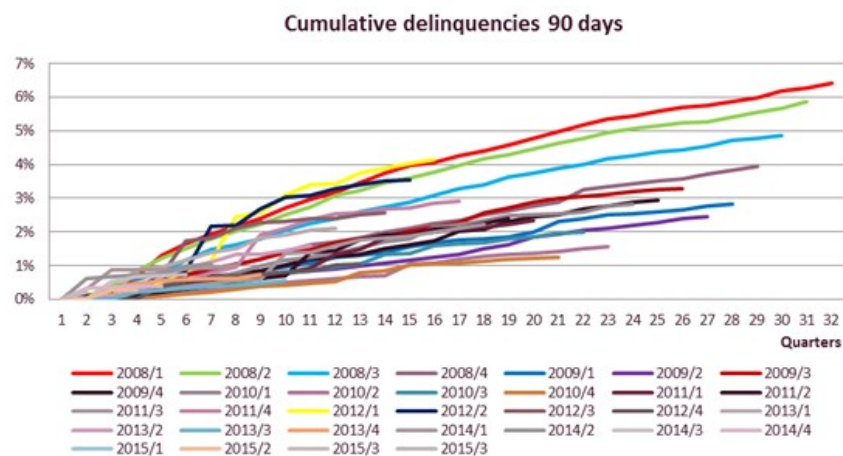


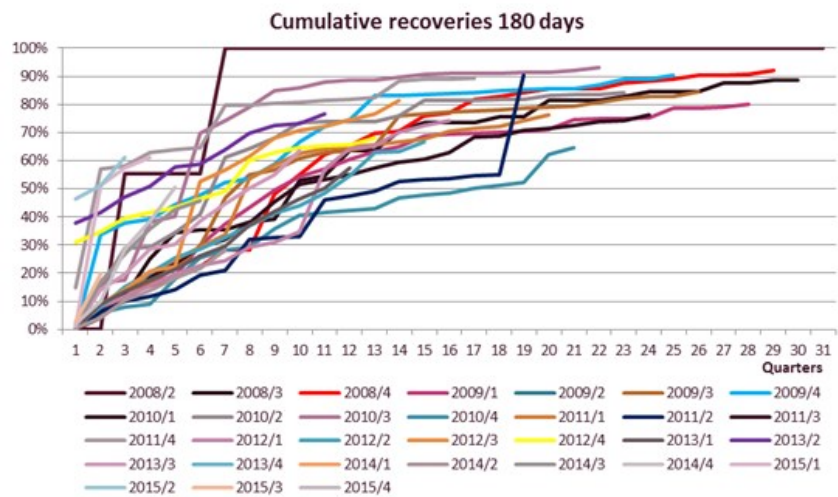
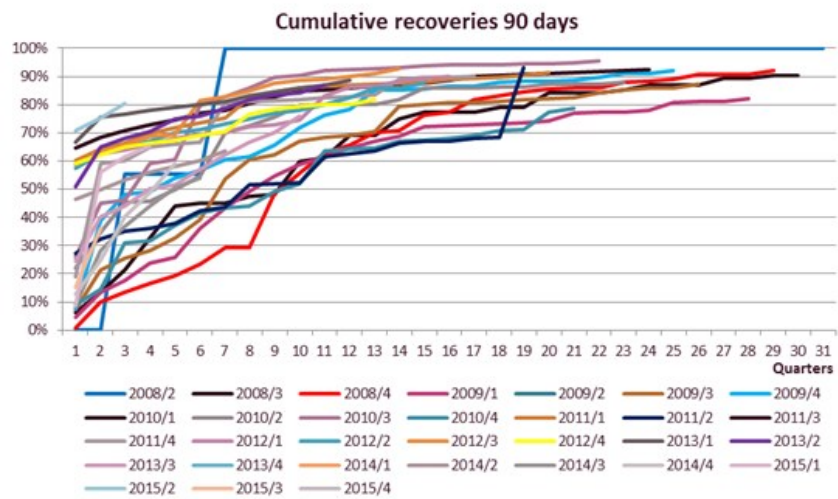
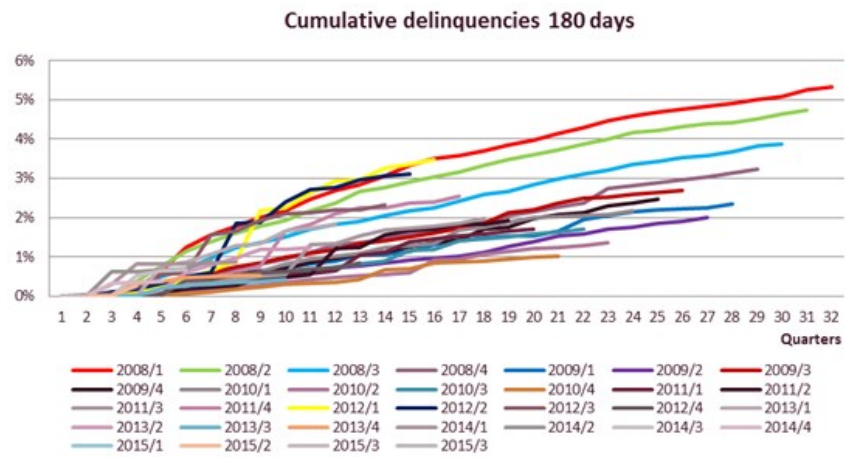
On average recovery data indicates that over 35% of delinquent loan (90 days) amounts are recovered after 8 quarters since closing.



On average annual CPR observed for all BBVA RMBS transactions analysed is 2.98%.

Additionally, Europea de Titulización provided static vintages (2008-2015) generated by BBVA on delinquencies and recoveries (cumulative 90 and 180 days) of the BBVA's mortgage book.





In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months axesor has provided ancillary services to the rated entity and its related third parties. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.

Condiciones de uso de este documento y su contenido:

Toda la información contenida en este Documento relativa a un Rating emitido bajo la modalidad de Preliminar o Privado tiene la consideración de confidencial. El uso permitido por la AGENCIA queda conferido única y exclusivamente dentro del ámbito personal, privado e interno y no comercial del Usuario.

Bajo las modalidades de Rating Privado o Preliminar, el Usuario no podrá hacer uso del Documento ni de su contenido con fines publicitarios, por lo que en ningún caso podrá divulgar a terceros, total o parcialmente el contenido, bajo soporte alguno, ni facilitar dicha información, ni trasladar, comunicar o transferir el Documento o su contenido. A título informativo pero no limitativo, no se podrá dar publicidad del Documento en su página web corporativa, o en cualquier medio de comunicación.

Esta limitación de no publicidad y confidencialidad, no serán aplicables en el caso de que el rating contenido en este Documento se hubiese emitido bajo la modalidad de "Público". Igualmente, las limitaciones y prohibiciones establecidas en el anterior apartado no serán aplicables a la información que oficialmente ya sea pública con anterioridad a la elaboración del Documento.

No obstante, para todas las modalidades de Rating que la AGENCIA emita, ya sea Preliminar, Privado o Público, el Usuario no podrá, por sí mismo o a través de terceros, ceder, subarrendar, sublicenciar, vender, extraer, reutilizar o realizar cualquier otro acto de disposición de los datos contenidos en este Documento a tercero alguno, ya sea de forma gratuita u onerosa, ni alterar, transformar o tergiversar de cualquier forma, la información facilitada; así mismo, tampoco podrá copiar y/o duplicar la información ni crear ficheros que contengan total o parcialmente la información contenida en el Documento. El Documento y su código fuente, en cualquiera de sus modalidades, tendrá la consideración de elaboración, creación, u obra de la AGENCIA sujeto a la protección de la normativa reguladora de los derechos de propiedad intelectual.

Para los usos permitidos de este Documento, el Usuario se obliga a no retirar el copyright de la AGENCIA, la fecha de emisión del Documento, la denominación comercial establecida por la AGENCIA sobre el mismo, así como el logotipo, marcas y cualquier otro signo distintivo y representativo de la AGENCIA y de sus derechos sobre el Documento.

El Documento y su contenido no se utilizarán para ningún propósito ilegal o no autorizado por la AGENCIA. El Usuario pondrá en conocimiento de la AGENCIA cualquier uso no autorizado del Documento y/o su contenido del que hubiera tenido conocimiento.

El Usuario responderá por sí y por sus empleados y/o cualquier otro tercero al que se haya facilitado o haya tenido acceso al Documento y/o a su contenido frente a la AGENCIA de los daños y perjuicios que se le causen en caso de incumplimiento de las obligaciones que el Usuario declara haber leído, aceptado y entendido a la entrega del Documento, sin perjuicio de cualesquiera otras acciones legales que la AGENCIA pudiera ejercitar en defensa de sus derechos e intereses legítimos.

El Documento se proporciona bajo la aceptación de que la AGENCIA no es responsable de la interpretación que el Usuario haga de la información contenida en el mismo. Los análisis crediticios incluidos en el Documento así como las calificaciones y declaraciones tienen únicamente la consideración de opiniones realizadas con validez a la fecha de su emisión y no son declaraciones de hechos o recomendaciones para comprar, retener o vender título alguno, o para tomar cualquier decisión de inversión. Las calificaciones crediticias y perspectivas de calificación crediticia emitidas por la AGENCIA tienen la consideración de dictamen propio, por lo que se recomienda que el Usuario se base en ellas de forma limitada para cualquiera de las finalidades que pretenda dar a dicha información. Los análisis no se refieren a la idoneidad de cualquier valor. La AGENCIA no actúa como fiduciario o como asesor de inversiones, por lo que el contenido del Documento no debe ser utilizado como sustitutivo del conocimiento, criterio o del juicio o la experiencia del Usuario, de su Dirección, empleados, asesores y/o los clientes con el objeto de tomar decisiones de inversión.

La AGENCIA dedica el mayor esfuerzo y cuidado para tratar que la información suministrada sea correcta y fiable. No obstante, debido al hecho de que la información se elabora a partir de los datos suministrados por fuentes sobre las que la AGENCIA no siempre tiene control y cuya verificación y cotejo no siempre es posible, la AGENCIA, sus filiales, así como sus directores, accionistas, empleados, analistas o agentes no asumirán responsabilidad alguna (incluyendo, sin limitación, pérdidas de ingresos o ganancias y costes de oportunidad, pérdidas de negocio o daño reputacional ni otros costes derivados) por las inexactitudes, incorrecciones, falta de correspondencia, carácter incompleto u omisiones de los datos e información utilizada para la elaboración del Documento o en relación con cualquier uso del contenido del Documento incluso si se advirtió de la posibilidad de tales daños. La AGENCIA no realiza una auditoría ni asume la obligación de verificación independiente de las fuentes de información de las que se vale para la elaboración de sus calificaciones.

Por tanto el Usuario está de acuerdo en que la información suministrada por la AGENCIA podrá ser un elemento más a tener en cuenta en la adopción de sus decisiones empresariales pero no podrá tomar las mismas exclusivamente en base a ella, y de hacerlo libera a la AGENCIA de toda la responsabilidad por la falta de adecuación. Igualmente, queda bajo la discreción del Usuario y por ello libera a la AGENCIA de toda responsabilidad por la posible falta de adecuación del contenido de la Información, el uso de la misma para hacerla valer ante tribunales y/o juzgados, administraciones públicas o cualquier otro organismo público o tercero particular para cualquier motivo de su interés.

La calificación de crédito contenida en este documento, ha sido realizada de acuerdo al Reglamento (CE) N° 1060/2009 del Parlamento Europeo y del Consejo de 16 de septiembre de 2009 sobre las agencias de calificación crediticia y en concordancia con la metodología a tal efecto desarrollada por la AGENCIA. El detalle de esta metodología puede consultarse desde la web corporativa www.axesor-rating.es.

Copyright © 2016 por AXESOR CONOCER PARA DECIDIR S.A. Todos los derechos reservados.