MOODY'S
INVESTORS SERVICE

CREDIT OPINION
14 November 2017

Pre-Sale

Closing Date

[23 November], 2017

TABLE OF CONTENTS

Contacts

Juan Miguel Martin-Abde 34-91-768-8239
Analyst
juan.martin-abde@moodys.com

Alberto Barbáchano 34-91-768-8212
VP-Sr Credit Officer
alberto.barbachano@moodys.com

Barbara Rismondo 44-20-7772-5448
Senior Vice President
barbara.rismondo@moodys.com

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100

Pre-Sale - BBVA RMBS 18 Fondo de Titulización

RMBS / Prime / Spain

Capital structure

Exhibit 1
Provisional Ratings

Series	Rating	Amount (Million)	% of Assets	Legal Final Maturity	Coupon	Subordination*	Reserve Fund**	Total Credit Enhancement***
Notes	(P)Aa2 (sf)	€ [1,458.0]	[81.0]%	[March 2064]	3mE + [0.50]%	[19.0]%	[4.9]%	[23.9]%
Loan B	NR	€ [342.0]	[19.0]%	[March 2064]	3mE + [0.10]%	[0.0]%	[4.9]%	[4.9]%
Total		€ [1,800.0]	[100.0]%					

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.
* At close.
** As a % of total notes + Loan B
*** No benefit attributed to excess spread.
Source: Moody's Investors Service

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 14 November 2017. Investors should be aware that certain issues concerning this transaction have yet to be finalized. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavor to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

Summary

The subject transaction is a static cash securitisation of first-ranking prime mortgages extended to borrowers located in Spain by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA"), Catalunya Banc, S.A. ("Catalunya Banc") and UNNIM Banc, S.A. ("UNNIM"). Both UNNIM and Catalunya Banc were absorbed by and merged with BBVA in 2013 and 2016, respectively. This transaction represents the 18th transaction in the BBVA RMBS programme. The portfolio consists of [13,093] loans extended to [13,083] prime borrowers, and the current pool balance is approximately equal to € [1,875.6] million. Our credit opinion is the result of our analysis of a wide array of quantitative and qualitative factors, including the pool characteristics and the originator and servicer reviews. The credit opinion of the transaction also considers the structural features such as credit enhancement and liquidity available for the notes and the mitigants to servicer disruption risk.

Credit strengths

The following factors were the strongest features of this transaction:

» Asset quality: Particular strengths related to the portfolio include

- [92.14]% of the pool has never been in arrears more than 30 days, only [5.73]% of the pool has been in arrears of the past. (See Assets Description - Asset Description at Preliminary Cut-off Date - Pool Characteristics - Exhibit 5)
- Seasoning: The portfolio is well seasoned, with a weighted average seasoning of [6.9] years (See Assets Description - Asset Description at Preliminary Cut-off Date - Pool Characteristics - Exhibit 4).
- No restructured, renegotiated, refinancing or debt consolidation loans

» Sequential Amortisation of the Notes and Loan B & Reserve Fund: The transaction has in place a reserve fund of ([4.9%]) and a sequential amortization structure. Both factors contribute to strong credit enhancement levels.

Credit challenges

The transaction contains the following challenges:

» Loan Characteristics:

- Weighted Average LTV: Current weighted-average LTV of [70.5]% (calculated taking into account the original appraisal value when the loan was granted) is in line with the average for Spanish transactions, however the indexed LTV is relatively high due to the seasoning of the portfolio (Moody's calculated WA indexed LTV is equal to 85.66%). [43.5]% of the portfolio was originated between 2006 and 2008 and has experienced significant house price depreciation. The current weighted- average LTV computed using updated AVM valuations is equal to [94.2]% (See Assets Description - Asset Description at Provisional Cutoff Date - Pool Characteristics - Exhibit 6).
- Broker origination: [6.4]% of the pool corresponds to loans granted through brokers. In Moody's view, broker originated loans have a riskier profile than those originated through branches. (See Securitisation Structure Analysis - Additional Structural Analysis - Broker Origination).
- [4.4]% of the pool corresponds to loans granted to non Spanish borrowers. In Moody's view, new residents have a riskier profile than residents with a longer stay in Spain. (See Securitisation Structure Analysis - Additional Structural Analysis - New Residents).
- Geographical concentration: The portfolio is concentrated in the Catalonia region, with an exposure of [49.6]% of the pool. (See Assets Description - Asset Description at Preliminary Cut-off Date - Pool Characteristics - Exhibit 7)
- Amortisation type: [19.8]% of the portfolio can request a balloon final payment, while [27.9]% can opt for increasing the final maturity. (See Securitisation Structure Analysis - Additional Structural Analysis - Options Affecting the Amortisation Profile).

» Hedging arrangements: No interest rate swap in place to cover the interest rate risk. Additionally, [81.8]% of the pool has the option of an automatic discount on the loan margin as a result of future cross selling of other products. These risks have been taken into account when assessing the subordination levels and only partial value was given to the available excess spread. In terms of permitted variations, BBVA is allowed to renegotiate the spread of the loans provided that the WA spread of the securitised pool does not fall below [65] bps. (See Securitisation Structure Analysis - Additional Structural Analysis - Interest Rate Mismatch).

» Recovery information: Moody's has taken into account when deriving the expected loss figure for this deal the recovery information reported for preceding BBVA transactions, which is weaker than similar Spanish RMBS. (See Assets Description - Asset Description at Final Cut-off Date - Originator and Servicer - Exhibit 9).

Key characteristics

Asset characteristics

Exhibit 2

Asset Characteristics

(Preliminary pool, cut-off date as of [10/24/2017])

Seller(s)/originator(s):	Banco Bilbao Vizcaya Argentaria S.A ("BBVA") (A3/P-2 and Baa1(cr)/P-2(cr)), Catalunya Banc, S.A. ("Catalunya Banc") and UNNIM Banc, S.A. ("UNNIM")
Servicer(s):	BBVA
Sub-Servicer:	N/A
Receivables:	First-lien prime conforming mortgage loans to individuals secured by property located in Spain.
Methodology Used	Moody's Approach to Rating RMBS Using the MILAN Framework (2017/09/11)
Total Amount:	[1,875,629,176]
Number of Borrowers:	[13,083]
Borrower concentration:	Top 20 borrowers make up [0.65]% of the pool
WA Remaining Term:	[27.40] years
WA Seasoning:	[6.94] years
Interest Basis:	[100]% floating rate loans indexed to 12 months EURIBOR (97.1%) or IRPH (2.9%)
	[13.1]% of the pool are mixed interest rate loans which have a fixed interest rate for a weighted average remaining term of [1.5] years. After the elapse of this term, their interest rate is reset and they become standard floating-rate loans.
WA Current LTV:	[70.52]%
WA Original LTV:	[80.62]%
Moody's calculated WA indexed LTV:	[85.66]%
Borrower credit profile:	Prime borrowers (Medium/Low income)
Delinquency Status:	[2.13]% in arrears at closing (less than 30 days)

Source: Moody's Investors Service

Securitization structure characteristics

Exhibit 3
Structure Summary

Issuer:	BBVA RMBS 18 Fondo de Titulización
Issuer Administrator/Corporate Service Provider:	N/A
Models Used:	MILAN (Spanish Settings) and ABSROM
Excess Spread At Closing:	Around [69]bps. The weighted average spread of the pool is around [116] bps which will be reduced by the weighted average interest rate of the notes and Loan B ([42] bps) plus the senior fees ([5] bps)
Length of Revolving Period:	Static
Back-up Servicer(s):	Not Available
Back-up Servicer Facilitator:	Europea de Titulización S.G.F.T., S.A ("EdT") (Not Rated)
Cash Manager:	EdT
Calculation Agent/Computational agent:	EdT
Back-up Calculation/Computational Agent:	None
Swap Counterparty:	N/A
Issuer Account Bank:	BBVA
Collection Account Bank:	BBVA
Paying Agent:	BBVA
Management Company:	EdT
Arrangers:	EdT and BBVA
Lead Manager(s):	BBVA
Credit Enhancement/Reserves:	Excess spread
	[4.9]% amortising reserve fund
	Subordination of the Loan B
	Guaranteed Investment Contract (GIC) account earning [3-month Euribor -0.10% (with a floor of 0%)] on deposits
Form of Liquidity:	Excess spread, amortising reserve fund, principal to pay interest mechanism
Number of Interest Payments Covered by Liquidity:	With closing capital structure and [4.9]% Euribor the reserve fund provides liquidity for approximately [10] quarters
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Hedging Arrangements:	No hedging agreement

Source: Moody's Investors Service

Assets description

The assets backing the notes are first-ranking prime mortgage loans originated by BBVA, Catalunya Banc and UNNIM. All the loans in the pool are secured on residential properties located in Spain; Exhibits 4-7 detail additional high-level information regarding the assets in the pool.

Asset description at preliminary cut-off date

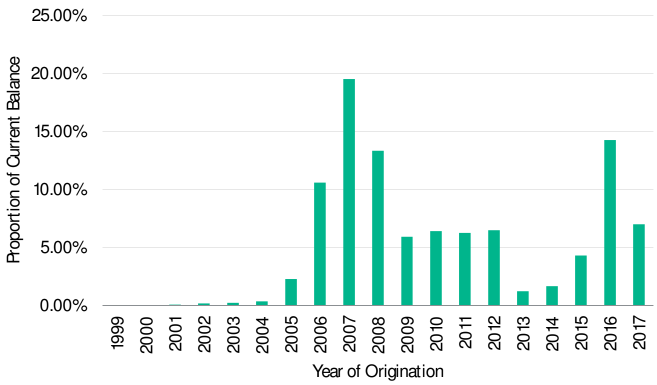
The preliminary pool cut-off date is as of [24 October 2017].

Pool characteristics

Exhibit 4 illustrates that the pool is quite seasoned, with around [19.5]% of the loans in the pool having been originated in 2007. Exhibit 5 highlights that we have received months current data and [2.1]% of the loans in the pool are currently in arrears (less than 30 days). The WA LTV in the pool is [70.5]% (calculated taking into account the original appraisal value when the loan was granted) while Moody's calculated WA indexed LTV is [85.66]%. Exhibit 6 shows that around [19.6]% of the pool has a current LTV higher than 80%. Additionally, around [49.6]% of the loans are concentrated in Catalonia (see Exhibit 7).

Exhibit 4

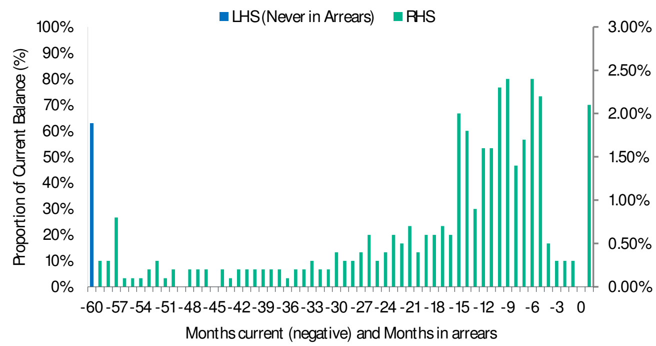
Portfolio breakdown by Year of Origination



Source: Moody's Investors Service

Exhibit 5

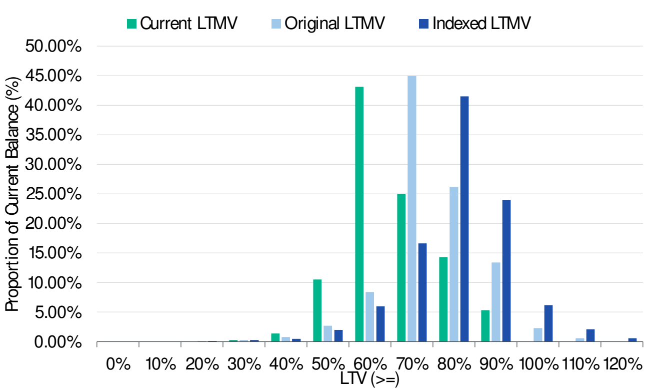
Arrears / Months Current



Source: Moody's Investors Service

Exhibit 6

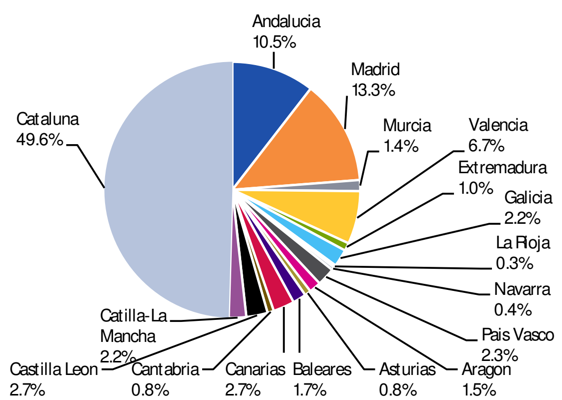
Portfolio Breakdown by LTV (current/indexed/original)



Source: Moody's Investors Service

Exhibit 7

Portfolio Breakdown by Geography



Source: Moody's Investors Service

Originator and servicer

The originator of [50.3]% of the pool and servicer of the entire pool, BBVA (A3/P-2 and Baa1(cr)/P-2(cr)), was founded in Spain in 1857 with the establishment of Banco de Bilbao. Currently, BBVA is one of the market leaders of the Spanish market. Its global assets are c. €750 bn and it operates through 9,145 branches with c. 138,000 employees.

Catalunya Banc originated [34.7]% of the pool, while UNNIM originated the remaining [15.0]%. Both were absorbed by and merged with BBVA.

In particular, the banking business of Caixa d'Estalvis de Catalunya, Tarragona i Manresa (the result of the merger of three saving banks Caixa Catalunya, Caixa Tarragona and Caixa Manresa) was transferred as a whole to Catalunya Banc by virtue of a spin-off on 27 September 2011. On 24 April 2015, BBVA acquired 98.4% of the share capital of Catalunya Banc and, as of 9 September 2016, Catalunya Banc was absorbed by and merged with BBVA.

Furthermore, the banking business of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa (the result of the merger of three saving banks Caixa Manlleu, Caixa Sabadell and Caixa Terrassa) was transferred to UNNIM Banc on July 2011. On July 2012, BBVA completed the acquisition of 100% of the share capital of UNNIM, and on March 2013 UNNIM was absorbed by and merged with BBVA.

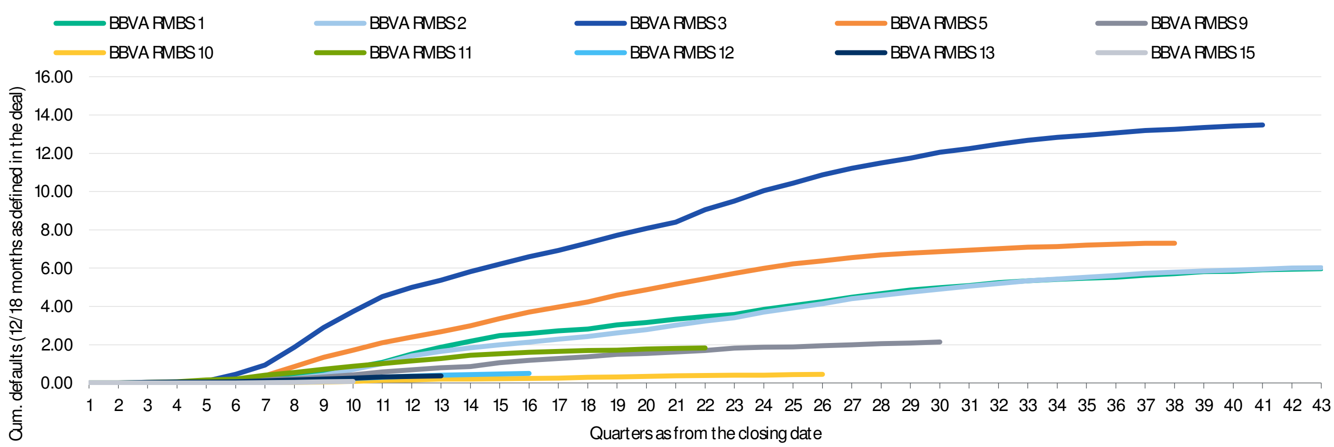
BBVA will continue to act as servicer for the entire pool of loans after they have been sold to the Issuer. Further information regarding the servicer and originator, including the summary of our originator and servicer reviews can be found in Appendix 3.

This is the originator's eighteenth RMBS transaction. As can be seen in Exhibit 8 the cumulative defaults over original balance of preceding BBVA transactions are lower in the most recent transactions than in older transactions (in particular BBVA RMBS 3, which shows a weaker performance).

However, monetary recoveries of preceding transactions only exceed 30% in some deals while they are even lower in some other deals (Exhibit 9).

Exhibit 8

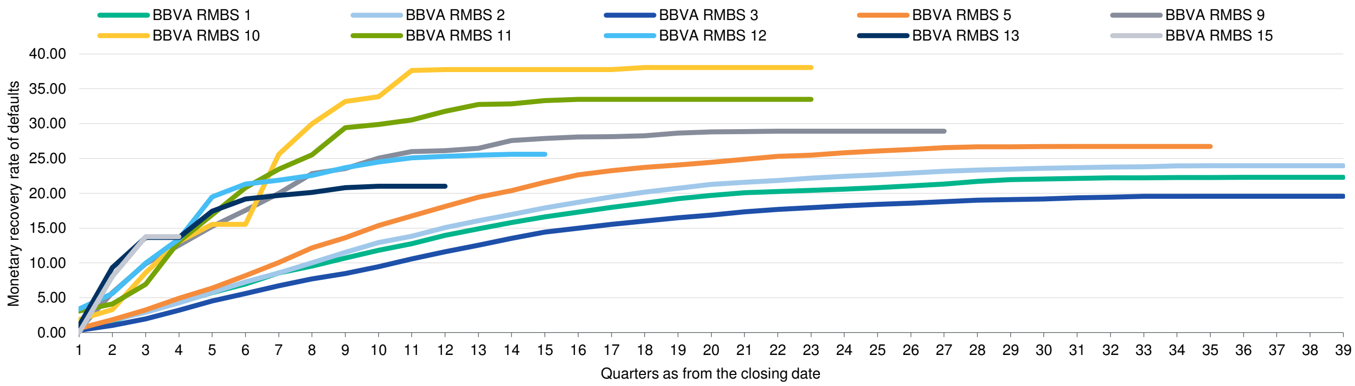
Cumulative defaults (over original balance) for previous BBVA RMBS transactions



Source: Europea de Titulización, S.G.F.T., S.A.

Exhibit 9

Monetary recoveries for previous BBVA RMBS transactions



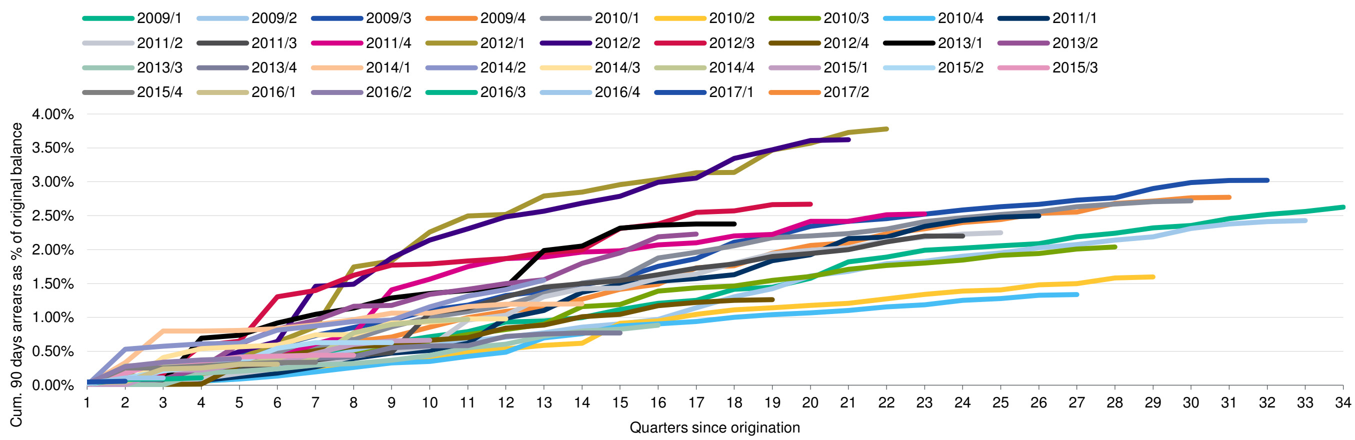
Source: Europea de Titulización, S.G.F.T., S.A.

Exhibit 10 shows the loans that have ever been more than 90 days in arrears since origination as a percentage of original balance of each origination cohort. This is a cumulative number and is not a measure of current level of arrears for the originator's book as it does not reflect loans that have cured or moved to lower delinquency buckets.

Finally, Exhibit 11 shows the recovery rate for the above loans which have been more than 90 days in arrears.

Exhibit 10

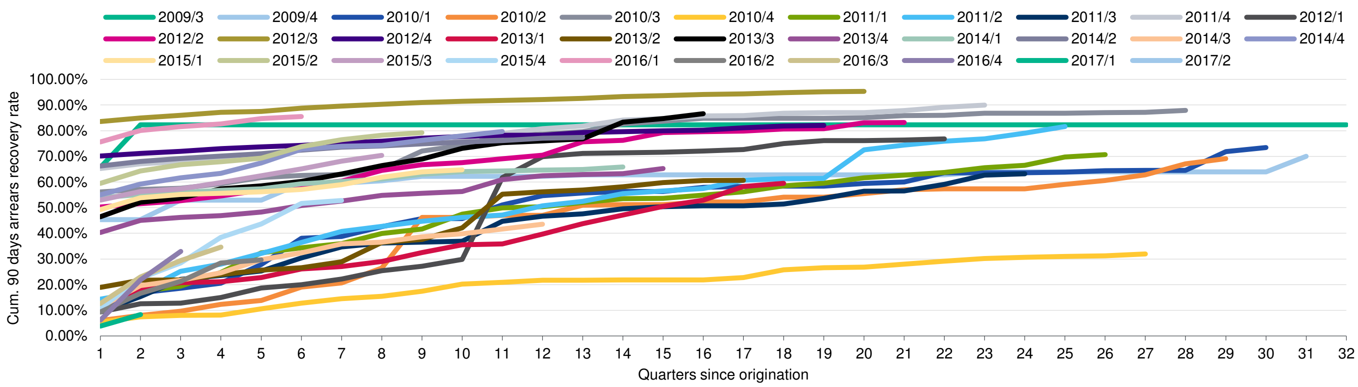
Cumulative +90 days vintage data from BBVA's book



Source: BBVA

Exhibit 11

Cumulative +90 days recovery rates on the BBVA's book



Source: BBVA

Changes to the asset pool after issuance

Although the pool is generally fixed, some changes can occur after issuance that affect pool composition.

Eligibility criteria

The key asset acquisition guidelines, which apply at issuance and after the closing date, are as follows:

The final maturity date is not later than [31 August 2060].

The first two monthly payments due have been paid by the borrower.

The mortgage certificates exist and are valid and enforceable.

The mortgage certificates are secured with a first-ranking real estate mortgage granted to individuals.

The mortgage certificates are all denominated and payable exclusively in Euros.

The mortgaged properties are all finished and located in Spain and have been appraised by duly qualified institutions approved by the Bank of Spain.

None of the mortgage certificates had any payments more than one month overdue at the date the mortgage certificate was issued.

The originators have strictly adhered to the policies in force for granting credit at the time of granting each and every one of the mortgage certificates.

The loans securing the mortgage certificates are not a result of renegotiations on former loans.

Loan substitution

The originator is required to remediate or otherwise either repurchase or substitute loans to replace those in breach of representations and warranties (“R&W”). No other substitution is allowed.

Permitted variations

Any renegotiation of the terms and conditions of the loans is subject to the management company’s approval. The management company may authorise BBVA to renegotiate the interest rate or maturity of the loans without requiring its approval.

Mitigant:

BBVA is allowed to renegotiate the spread of the loans provided that the WA spread of the securitised pool does not fall below [65] bps.

BBVA will not be able to extend the maturity of any loan beyond [31 August 2060]. The renegotiation of the maturity of the loans is also subject to various conditions, of which the following are the most significant:

» The total amount of loans on which the maturity has been extended cannot be greater than 10% of the initial balance of the notes and Loan B.

» The frequency of payments cannot be decreased and the amortization profile cannot be modified.

Payment holidays

[27.9]% of the portfolio can enjoy a payment holiday. The maximum period for a payment holiday is only two months in a year (and only ten months in total during the life of the loan).

Mitigant:

» The liquidity risk due to this optionality is mitigated by the Reserve Fund amount, as well as principal to pay interest mechanism

» The maximum period (two months) is shorter than the frequency of payment dates (quarterly).

Prolonging the loan tenor

The client can automatically prolong the tenor for the mortgage loan in [27.9]% of the portfolio. Vice versa, they are also allowed to shorten such loan tenor. In total, they can extend/shorten the loan tenor for 10 years (but only 5 years on each reset). Currently, [84.7]% of the portfolio is already at the maximum tenor allowed by the mortgage loan conditions.

Mitigant:

The maximum final due date for the loan after prolonging the tenor has to fall at least 60 months before the final legal maturity date for the Notes.

Final balloon payment

[19.8]% of the portfolio can modify the amortisation profile and request a final balloon payment at maturity which can vary between 10% and 30% of the principal amount outstanding at the date on which the change was requested.

Mitigant:

Borrowers exercised this option only in [4.6]% of the loans in the portfolio at the time the relevant loans were granted. None of the borrowers have exercised this option after the relevant loan was granted.

Asset analysis

Primary asset analysis

The first step in the analysis of the credit quality of the pool is to determine a loss distribution of the mortgages to be securitised. In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived from two important sources: historical loss data and the MILAN loan-by-loan model.

Expected loss

We use performance data provided by the originator in addition to other relevant data in order to extrapolate expected losses for the loan pool. Examples of data include market and sector wide performance data, the performance of other securitisations, and other originators' data.

The key drivers for the portfolio's expected loss of [5.5]% are (i) performance of the originators' preceding transactions, (ii) benchmarking with comparable transactions in the Spanish RMBS market, (iii) analysis of the static information on delinquencies and recoveries received from BBVA; (iv) recovery information reported for preceding BBVA transactions, which is weaker than similar Spanish RMBS; and (v) current economic environment in Spain.

MILAN model

To obtain the volatility under "stressed" scenarios, we take into account historical data. However, historical volatility may not be significant (given insufficient data points, or incomplete data), and in addition may not be representative for the future as it is based on the previous economic environments experienced.

Consequently, we determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aa2 under highly stressed conditions. This enhancement number (the "MILAN CE" number) is produced by using a loan-by-loan model, which looks at each loan in the pool individually and based on its individual characteristics such as LTV or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery, interest rates and costs to foreclosure. The weighted-average benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN CE number.

The key drivers for the [19.25]% MILAN CE number, which is above the average for Spanish RMBS, are (i) current weighted-average loan-to-value ("LTV") ratio of [70.5]% calculated taking into account the original full property valuations as well as the high weighted average indexed LTV equal to [85.66]%; (ii) high seasoning of around [6.9] years, with [43.5]% exposure to years 2006-2008; (iii) the fact that [4.4]% of the borrowers in the pool are not Spanish nationals; (iv) exposure to broker-originated loans ([6.4]%); (v) the proportion of loans with balloon payments ranging between 10% and 30% of the initial loan balance depending on the portion of the portfolio that will exercise the option to modify the amortization profile; (vi) [2.13]% of the loans in the pool are in arrears less than 30 days and [92.1]% have never been in arrears more than 30 days; (vii) regional concentration in Catalonia region (around [49.6]% of the pool); and (vii) the absence of restructured, renegotiated, refinancing or debt consolidation loans in the pool.

The MILAN CE number has been qualitatively adjusted in order to generate a loss distribution with a certain level of volatility, or to account for a higher probability of "fat tail" events with respect to the expected loss.

Lognormal distribution

The MILAN CE number and the expected loss number are based on Rating Committee discussions and are used to derive the lognormal distribution of the pool losses. Due to the large number of loans and supporting historical data, we use a continuous distribution to approximate the loss distribution.

The standard deviation of the distribution is found by setting the expected loss of the area of the lognormal distribution beyond the MILAN CE equal to the expected loss that is consistent with the idealised expected loss of an Aa2 tranche.

Risk of interest rate mismatch

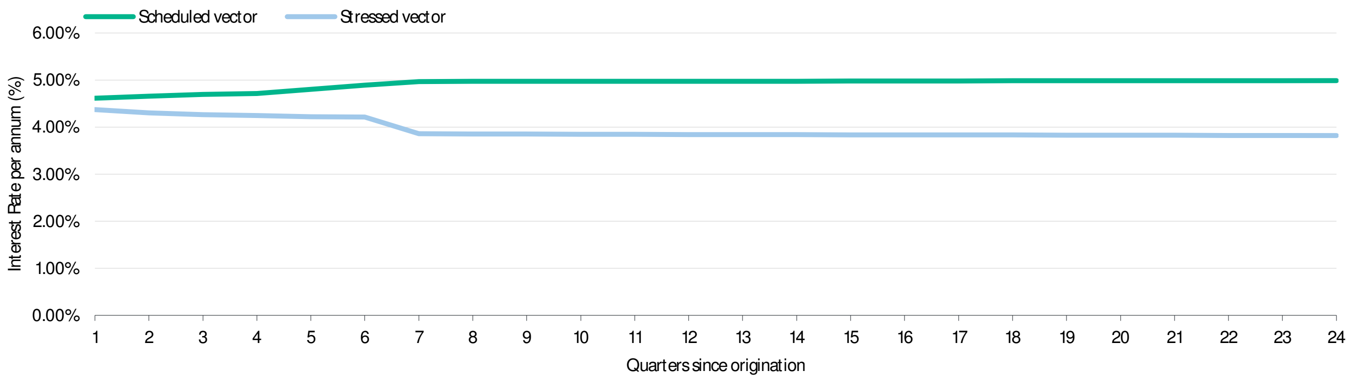
Loans in the portfolio are floating-rate loans mostly linked to 12-month EURIBOR and mostly resetting semi-annually; whereas the notes are linked to 3-month EURIBOR and reset every quarter on the determination dates. Moody's has haircut the spread by 50 bps to take into account this interest rate mismatch.

There is also the risk of spread compression over time due to higher yielding loans prepaying, which would lead to the average spread of the loans decreasing over time in the absence of a swap. Also, [81.8]% of the pool has the option of an automatic discount on the loan spread as a result of the future cross selling of other products. In addition a portion of the pool ([19.8]%) can switch from floating to fixed rate for a period of three years. As a result Moody's gave only partial value to excess spread.

Exhibit 12 shows the actual interest vector in the pool at close assuming no decline compared with our assumed interest vector after having applied the above-mentioned adjustments and assuming that Euribor is fixed at a level of 4% over the whole time.

Exhibit 12

Actual yield vector versus Moody's stressed yield vector under a 4% EURIBOR assumption



Source: Moody's Investors Service

Comparables

Other originators' transactions compared with the BBVA transactions

Exhibits 13 and 14 show the collateral characteristics of the current BBVA transaction (BBVA RMBS 18) and previous BBVA transactions deals compared with those of its peers that were considered in our rating committee.

Exhibit 13

Benchmark table with other transactions by the same originator and comparable transactions

Deal Name	BBVA RMBS 18 FT	CAIXABANK RMBS 2, FT	BBVA RMBS 17 FT	BBVA RMBS 16 FT	CAIXABANK RMBS 1, FT	IM BCC CAJAMAR 1, FT	RMBS Santander 5	IM EVO RMBS 1, FT	BBVA RMBS 15, FTA
Closing date	[22-Nov-17]	24-Mar-17	22-Nov-16	11-May-16	29-Feb-16	22-Jan-16	15-Dec-15	20-Jul-15	13-May-15
Cut-off date	[24-10-2017]	24-Feb-17	25-Oct-16	9-May-16	24-Feb-16	14-Jan-16	23-Nov-15	21-May-15	11-May-15
Information from	Draft Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool
Originator(s)	BBVA, CX, UNNIM	CaixaBank	BBVA	BBVA	CaixaBank	Cajamar	Banesto, Banif, Santander	Caixa Galicia, Caixa Nova & EVO	BBVA
Servicer(s)	BBVA	CaixaBank	BBVA	BBVA	CaixaBank	Cajamar	Santander	EVO	BBVA
MILAN CE	[19.25]%	12.30%	13.30%	16.50%	15.80%	25.00%	27.00%	8.75%	18.60%
Expected Loss	[5.5]%	3.50%	3.80%	4.70%	4.50%	7.50%	10.50%	2.60%	5.30%
Portfolio Stratification									
Avg. Current LTV	[70.52]% (considering original appraisal)	66.52%	74.22%	66.20%	66.85%	77.33%	72.23%	57.67%	64.18%
Avg. Original LTV	[80.62]%	74.99%	76.94%	75.28%	80.92%	90.12%	81.78%	68.84%	74.23%
Avg. Current LTV indexed	[85.66]%	75.47%	75.12%	77.40%	84.84%	94.36%	85.43%	68.29%	82.60%
% Current LTV >= 70%	[44.62]%	43.09%	67.92%	35.41%	33.16%	57.76%	47.66%	24.32%	27.83%
% Current LTV >= 80%	[19.63]%	15.62%	37.75%	5.50%	15.38%	40.85%	32.97%	3.30%	3.26%
% Current LTV >= 90%	[5.29]%	5.43%	12.73%	1.70%	3.37%	22.97%	19.24%	1.29%	0.81%
% Self Employed	[15.47]%	18.50%	14.58%	16.20%	19.41%	9.89%	12.63%	4.05%	13.59%
% Non-Owner Occupied (Includes: Partial Owner, Vacation or Second Homes)	[5.65]%	3.90%	4.18%	3.92%	4.81%	5.28%	3.62%	5.59%	2.24%
% Fixed interest	[0.00]%	33.50%	0.00%	0.00%	8.49%	0.00%	0.30%	0.00%	0.00%
% IO without collateral	[0.00]%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Moody's Investors Service

Exhibit 14

Benchmark table with other transactions by the same originator and comparable transactions (2)

Deal Name	BBVA RMBS 18 FT	CAIXABANK RMBS 2, FT	BBVA RMBS 17 FT	BBVA RMBS 16 FT	CAIXABANK RMBS 1, FT	IM BCC CAJAMAR 1, FT	RMBS Santander 5	IM EVO RMBS 1, FT	BBVA RMBS 15, FTA
Total arrears	[2.13]%	2.27%	0.37%	3.24%	1.75%	9.23%	31.41%	0.14%	0.00%
% in arrears (> 1 month)	[0.00]%	0.52%	0.00%	0.00%	0.22%	5.56%	29.53%	0.11%	0.00%
% in arrears (> 3 months)	[0.00]%	0.00%	0.00%	0.00%	0.00%	5.56%	29.53%	0.00%	0.00%
Grace Period	[0.00]%	18.93%	0.00%	0.00%	44.71%	0.00%	11.22%	0.00%	0.00%
% Renegotiations	[0.00]%	0.00%	0.00%	0.00%	0.00%	0.00%	29.50%	0.00%	0.00%
Max regional concentration	[Cataluna (49.62%)]	Andalucia (20.6%)	Madrid (20.77%)	Madrid (23.52%)	Cataluna (28.02%)	Andalucia (39.47%)	Madrid (24.44%)	Madrid (22.21%)	Andalucia (19.53%)
Max vintage concentration	[2007] (19.53%)	2016 (42.98%)	2015 (43.78%)	2011 (36.96%)	2006 (24.62%)	2014 (14.86%)	2015 (18.29%)	2014 (21.87%)	2010 (41.30%)
% Brokers	[6.4]%	0.00%	0.38%	4.80%	0.00%	0.00%	1.20%	0.00%	8.44%
% Remortgage	[0.00]%	N/A	0.00%	0.00%	N/A	0.00%	0.00%	0.00%	0.00%
% Non-Resident	[4.4]%	7.40%	5.77%	3.40%	3.74%	4.17%	4.35%	2.50%	2.26%
Portfolio Data									
Current Balance	[1,875,629,176]	2,741,923,292	1,854,642,248	1,599,825,881	14,200,317,356	750,000,000	1,369,316,911	518,020,263	3,999,849,029
Avg. Loan per borrower	[143,363]	95,354	115,095	141,439	120,951	107,204	146,232	102,863	134,205
Borrower top 20 (as % of pool bal)	[0.65]%	0.86%	0.78%	0.95%	0.21%	1.56%	2.49%	2.09%	0.19%
WA interest rate	[1.05]%	1.70%	1.82%	1.32%	1.44%	1.98%	1.40%	1.46%	1.19%
WA seasoning in years	[6.94]	4.2	1.58	5.3	7.61	5.34	6.28	4.95	5.88
WA time to maturity in years	[27.40]	25.1	30.06	27.51	24.03	25.67	25.27	24.35	26.73
Maximum maturity date	[31/08/2060]	1/6/2057	6/6/2056	31/10/2055	1/9/2059	10/7/2055	1/8/2061	30/01/2058	31/10/2054
Avg. House Price stress rate	[35.00]%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%	35.02%
Avg. House Price change since origination	-[16.83]%	-10.59%	-1.10%	-13.49%	-19.92%	-16.40%	-13.95%	-13.15%	-21.94%

Source: Moody's Investors Service

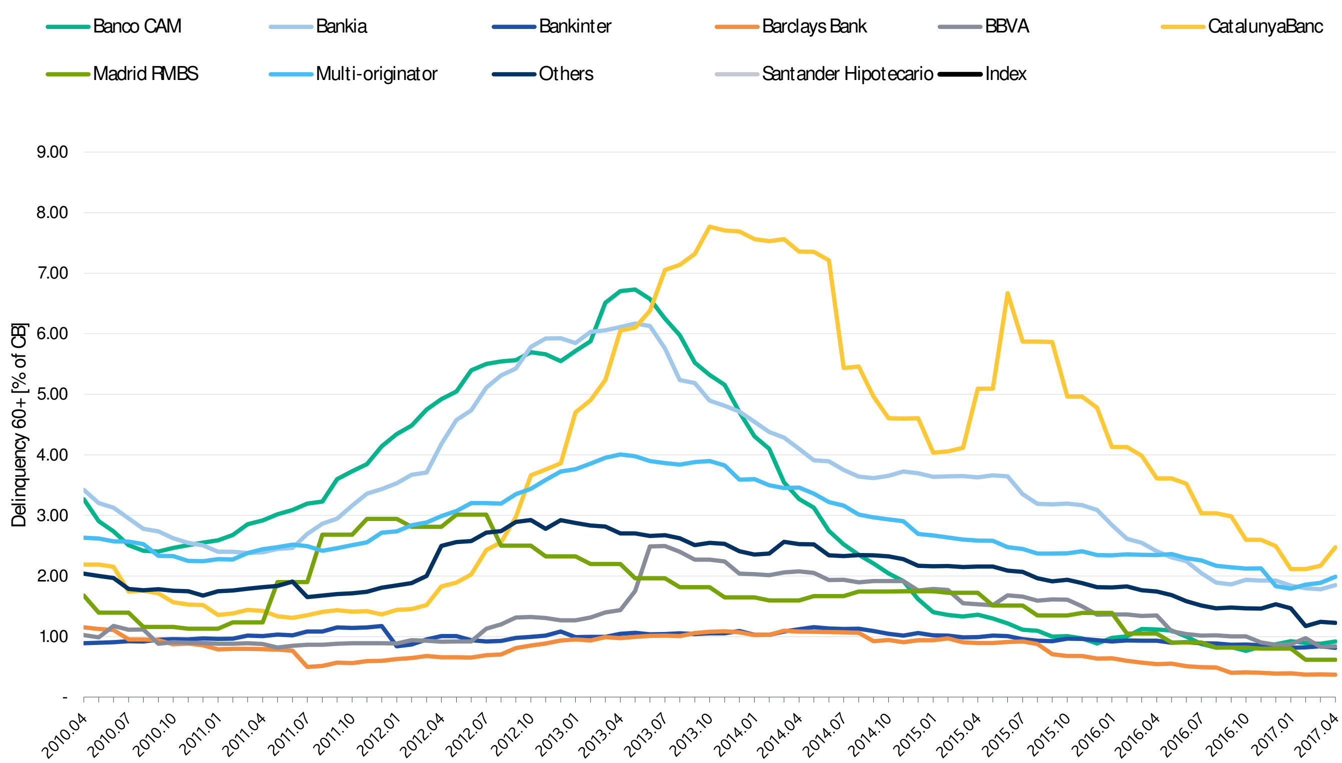
Performance of prior transactions of BBVA and other originators

Delinquency for BBVA preceding transactions is better than the average reported in the Spanish RMBS indices.

In particular, Exhibit 15 shows that the historical performance of 60+ delinquencies of BBVA transactions compare positively to other recent transactions in the Spanish RMBS market.

Exhibit 15

Spanish RMBS 60+ days delinquency trend by originator

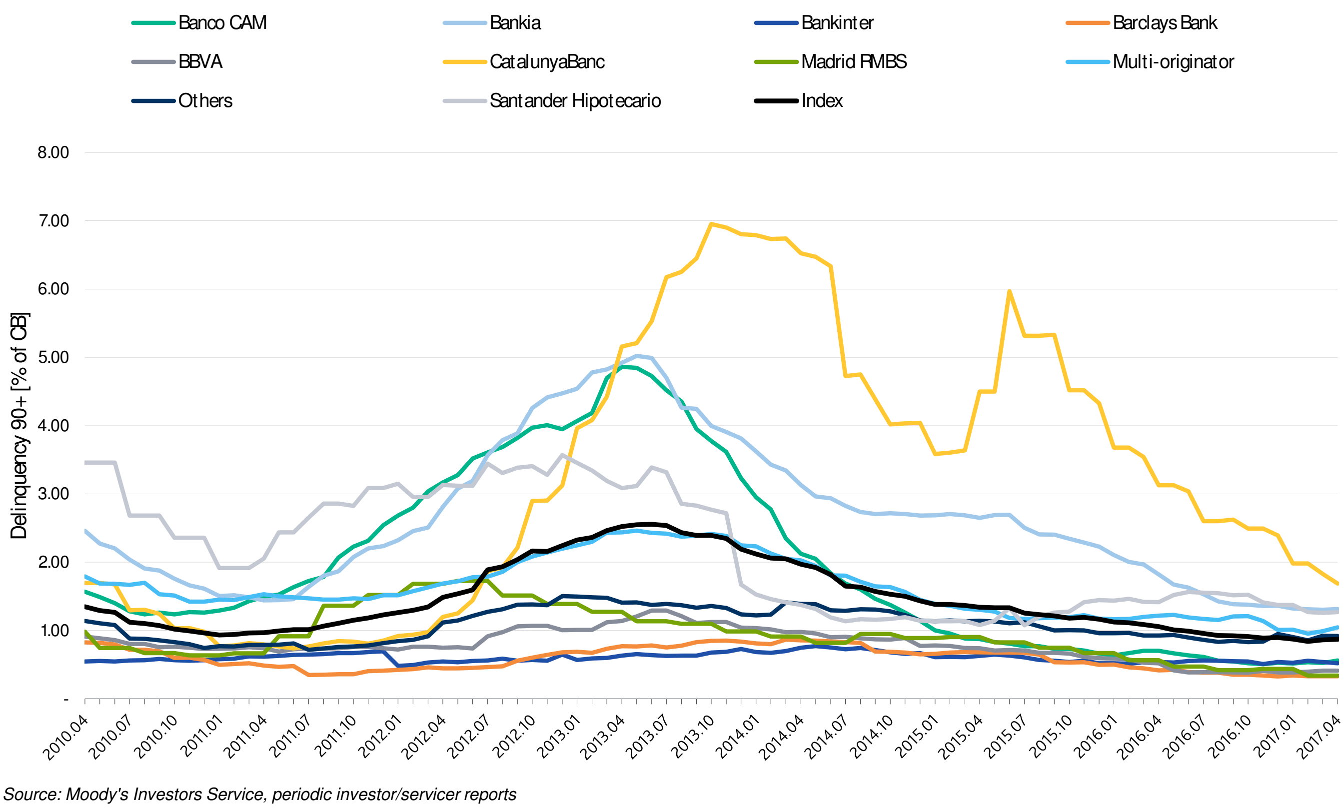


Source: Moody's Investors Service, periodic investor/servicer reports

Source: Moody's Investors Service, Moody's Performance Data Service, periodic investor/servicer reports

Exhibit 16 shows that the BBVA preceding transactions are also performing better than the Spanish Prime Index in terms of 90+ days delinquencies.

Exhibit 16
Spanish RMBS 90+ days delinquency trend by originator



Source: Moody's Investors Service, Moody's Performance Data Service, periodic investor/servicer reports

Additional analysis

Data quantity and content

BBVA has provided historical information on delinquencies and prepayments with respect to former securitisation funds. BBVA also provided static vintage data on the performance of its book of mortgage loans. In particular, we have received data from 2009 to 2017 on cumulative delinquencies over 90 days and 180 days for BBVA´s mortgage book. In addition we have received information on recoveries.

In our view, the quantity and quality of data received is in line with other transactions which have achieved high investment grade ratings in this sector.

Originator quality

The originator of [50.3]% of the pool, BBVA (A3/P-2 and Baa1(cr)/P-2(cr)), was founded in Spain in 1857 with the establishment of Banco de Bilbao. Currently, BBVA is one of the market leaders of the Spanish market. Its global assets are c. €750 bn and it operates through 9,145 branches with c. 138,000 employees.

We believe that BBVA has adequate controls and procedures in place to generate high quality loans and according to our Originator Review the overall origination ability and stability of BBVA has been classified as average. For more information, see Appendix 3 which contains a summary of the Originator Review.

BBVA has a strong commercial network with more than 3,000 branches in Spain and broker origination has been largely reduced in the last few years. Reactive scoring system supports the decision, which is taken by a manager/analyst with sufficient delegated powers.

Catalunya Banc originated [34.7]% of the pool, while UNNIM originated the remaining [15.0]%. Both were absorbed by and merged with BBVA.

In particular, the banking business of Caixa d'Estalvis de Catalunya, Tarragona i Manresa (the result of the merger of three saving banks Caixa Catalunya, Caixa Tarragona and Caixa Manresa) was transferred as a whole to Catalunya Banc by virtue of a spin-off on 27 September 2011. On 24 April 2015, BBVA acquired 98.4% of the share capital of Catalunya Banc and, as of 9 September 2016, Catalunya Banc was absorbed by and merged with BBVA.

Furthermore, the banking business of Caixa d'Estalvis Unió de Caixes de Manlleu, Sabadell i Terrassa (the result of the merger of three saving banks Caixa Manlleu, Caixa Sabadell and Caixa Terrassa) was transferred to UNNIM Banc on July 2011. On July 2012, BBVA completed the acquisition of 100% of the share capital of UNNIM, and on March 2013 UNNIM was absorbed by and merged with BBVA.

Servicer quality

We have reviewed BBVA's procedures and practices and found BBVA acceptable in the role as servicer of the entire pool. According to our Servicer Review the overall servicing ability and stability has been classified as average. For more information, see Appendix 3 which contains a summary of the Servicer Review.

Early arrears is monitored at branch level on a daily basis while late arrears management is carried out by a dedicated BBVA central functions team. BBVA also has a different team for recoveries of written-off loans and its strategies range from outsourcing to third parties to a case-by-case approach.

Set-off

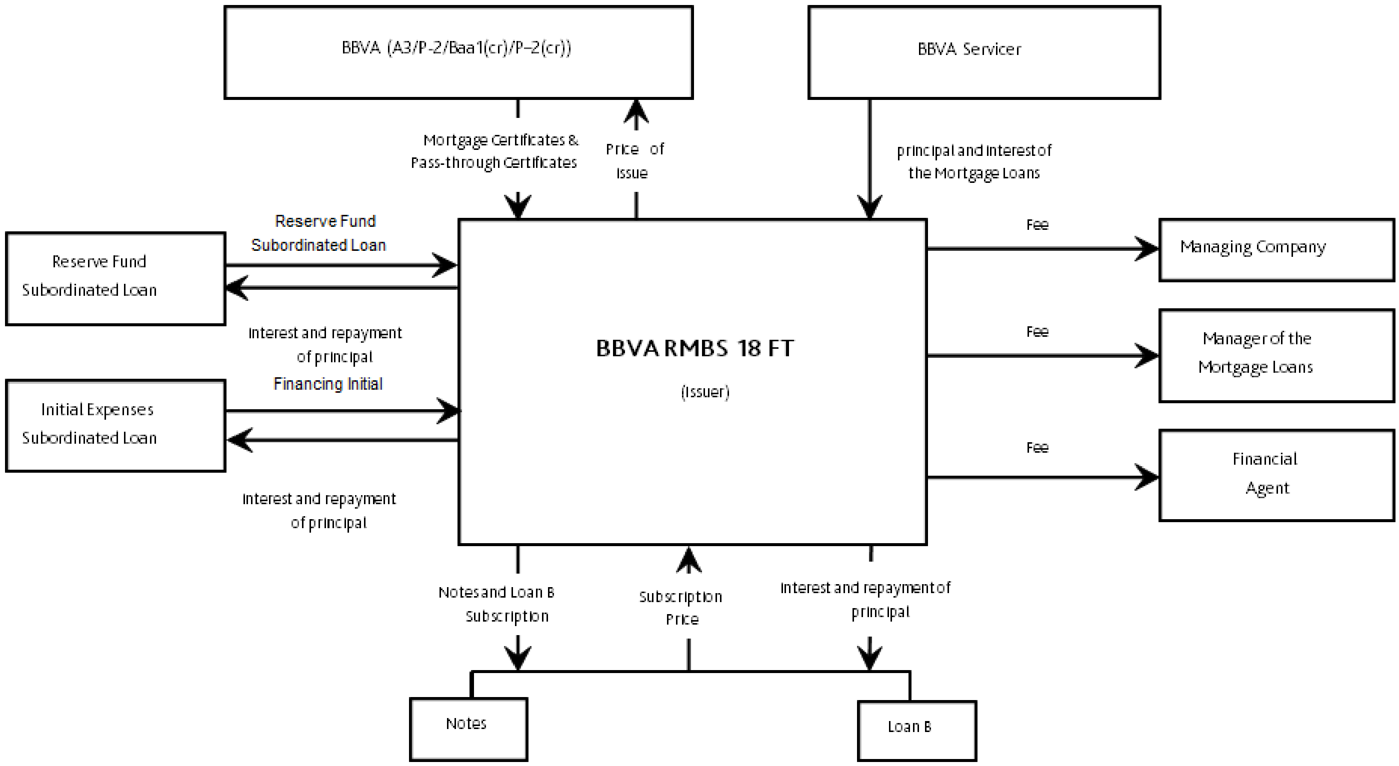
100% of obligors have accounts with the seller (BBVA). However, set off is very limited as only unpaid installments that are considered as fully due and payable prior to the declaration of insolvency might be offset against the deposits held by the originator.

Securitization structure description

The seller, BBVA, sells a portfolio of residential mortgage loans to the Issuer, BBVA RMBS 18, Fondo de Titulización, who issues the RMBS notes in order to finance the purchase of the asset pool. The servicer, BBVA, will continue to service the assets sold to BBVA RMBS 18, Fondo de Titulización. Exhibit 17 also illustrate other parties and their respective roles.

Structural diagram

Exhibit 17
BBVA RMBS 18 Fondo de Titulización



Source: Moody's Investors Service

Detailed description of the transaction

Credit enhancement

The transaction structure includes a subordinated Loan B and an amortising reserve fund of [4.9]% at closing. Excess spread at closing is around [163] bps: the weighted average spread of the pool is around [69] bps which will be reduced by the weighted average interest rate of the notes and Loan B ([42] bps) plus the senior fees ([5] bps).

Flow of funds

Allocation of payments/pre accelerated waterfall: On each quarterly payment date, the Issuer's available funds (i.e. amounts received from the portfolio, the reserve fund, and interest earned on the Issuer account) will be applied in the following simplified order of priority:

1. Cost and fees, including servicing fee in case of replacement of the servicer

2. Interest payment to the Notes

3. Payment of the target principal amount of Notes

4. Replenishment of the reserve fund (deferred to point 7 when Notes are fully repaid)

5. Interest payment to the Loan B

6. Payment of the target principal amount of Loan B

7. Replenishment of the reserve fund (if deferred, once the Notes are fully repaid)

8. Junior fees and cost

Allocation of payments/PDL-like mechanism
PDL is based on defaults. A defaulted loan is defined as one with any amount due but unpaid for more than 18 months or one written off according to management's discretion.

Amortisation of principal of the Notes and Loan B is fully sequential:

The target principal amount of Notes to be amortised on each IPD is the difference between (i) the Notes and Loan B' outstanding principal and (ii) the non-defaulted loans' outstanding principal.

The target principal amount of Loan B to be amortised on each IPD is the difference between (i) the Notes and Loan B' outstanding principal and (ii) the non-defaulted loans' outstanding principal plus the principal amount of Notes repaid under item 3 in the order priority.

Triggers

» *Reserve Fund Amortisation*: starting on the IPD at least 3 years after the closing date the reserve fund will amortise as long as none of the below trigger levels have been breached:

  – 90 day arrears are higher than 1% of the outstanding balance of non-defaulted mortgage loans.

  – Reserve fund is not funded at its required level on the previous IPD.

Reserve fund
Reserve fund can be used to make payments of principal and interest for the Notes, and once these are fully repaid for principal and interest of Loan B

» At closing: [4.9]% of original balance of the Notes & Loan B

After the first three years from closing, the reserve fund may amortise over the life of the transaction subject to the reserve fund amortisation triggers.

» Three years after closing the reserve fund will be the lesser between:

  – €[88,200,000] equivalent to [4.9%] of the original balance of the Notes & Loan B

  – The maximum between:

    › [9.8]% of the current balance of the Notes & Loan B

    › €[44,100,000] equivalent to [2.45]% of the original balance of the Notes & Loan B

The reserve fund will be replenished after the principal repayment of the Notes and, once these are fully repaid, after the principal repayment of Loan B.

Liquidity
Through the Principal to pay interest mechanism principal is always available to pay interest on the Notes. The reserve fund is a further source of liquidity. Given its senior position in the waterfall, payable just after the principal of the notes, the reserve fund should be available as a source of liquidity in all but the most extreme loss scenarios.

Asset transfer

True Sale: According to the legal opinion received, the securitisation of assets will be carried out in compliance with the Spanish Securitisation Law.

Notification to borrowers of true sale: in the event of insolvency, liquidation or substitution of the Servicer, if the Originator is subject to the resolution process provided in Law 11/2015 or because the management company deems it reasonable.

Bankruptcy Remoteness: Under the Spanish Securitisation Law, a Spanish SPV (Fondo de Titulización) is not subject to the Spanish Insolvency Law. It is only the management company, acting in the best interest of the noteholders, which can decide to liquidate the Fondo.

Cash manager

The cash manager is the management company Europea de Titulización, S.G.F.T., S.A., which is not rated. Its main responsibilities are:

» Complying with its formal, documentary and reporting duties to the Spanish stock market regulator (Comisión Nacional del Mercado de Valores or CNMV), the rating agencies and any other supervisory body.

» Complying with the calculation duties (including calculation of available funds, withholding obligations) provided for, and taking the actions laid down in the Deed of Constitution and the Prospectus.

» Calculating and determining on each determination date the principal to be amortised and repaid on the Notes on the relevant payment date.

» Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions.

» The management company may extend or amend the agreements entered into on behalf of the Issuer, and substitute, as the case may be, each of the Issuer service providers on the terms provided for in each agreement.

The management company Europea de Titulización also acts as Back-up Servicer Facilitator, and has committed to use its best efforts to appoint a back-up Servicer within 60 days in the event of breach of the Servicer's obligations, or should the rating of the Servicer be downgraded or withdrawn or the Servicer's financial condition being affected in a manner which is detrimental or causes a risk to the financial condition of the Issuer or the noteholder's interests and rights.

Enforcement of reps & warranties

In the event of breaches of R&W, if these are not remedied within 15 business days, BBVA is required to either purchase the loans from the Issuer or substitute an equivalent loan.

Securitisation structure analysis

Our ratings are based upon the quality of the asset pool, the levels of credit enhancement and liquidity furnished by the subordinated Loan B and the reserve fund, and also the structural and legal integrity of the transaction. The ratings on the notes address the likelihood of receipt by note holders of timely payment of interest and of all distributions of principal by the final legal maturity date. Our ratings address only the credit risks associated with the transaction.

Primary structural analysis

We consider the probability of default under the notes as well as the estimated severity of loss when assigning a rating.

Tranching of the notes

Once the loss distribution of the pool under consideration has been computed, a cash flow model is used to assess the impact of structural features of the transaction. It calculates the average lives and the losses experienced by the notes for every loss scenario for the portfolio. Based on these numbers, the expected loss and the weighted-average lives for the notes are calculated as weighted averages based on the probabilities of the respective scenarios. The expected loss on each tranche together with the notes' weighted-average life determines the rating, which is consistent with our target losses for each rating category.

Spread compression

In our cash flow modelling, we took into account the decline in the average coupon on the pool over time, described in Asset Analysis – Primary Asset Analysis - Risk of Interest Rate Mismatch, above.

Reserve fund

We consider that the reserve fund in this transaction is in line with other comparable Spanish RMBS transactions.

Assumptions and definitions

We use the following main assumptions and definitions in our cash flow modelling:

» Assumptions:

- Spread compression / margin analysis: 50% of the CPR (assumed to be 15% annually) is applied to the loans with highest interest rate.
- Stressed Fees are 0.30% p.a. + €50,000 fixed fees.
- Recovery rate: 50%

» Definitions:

- WA asset margin at closing: [1.16]%
- WA asset margin after reset: N/A
- Asset reset date: Mostly semi-annually spread over the year
- Liabilities reset date: Quarterly on the determination date
- Interest on cash: Euribor - 10bps
- Actual fees: 0.05%
- Default Definition: 18 months

Comparables

Exhibit 18 shows the main structural features of the current and previous BBVA RMBS transactions compared with peers.

Exhibit 18

Benchmark Table for Structural Features

Deal Name	BBVA RMBS 18 FT	CAIXABANK RMBS 2, FT	BBVA RMBS 17 FT	BBVA RMBS 16 FT	CAIXABANK RMBS 1, FT	IM BCC CAJAMAR 1, FT	RMBS Santander 5	IM EVO RMBS 1, FT	BBVA RMBS 15, FTA
Notes Payment Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Replenishment periods	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total senior note size	[81.00]%	90.00%	88.00%	84.00%	90.50%	82.00%	79.50%	93.74%	83.50%
Reserve Fund (Closing)	4.90%	4.75%	4.00%	4.00%	4.00%	3.00%	5.00%	7.50%	4.00%
Reserve Fund Fully Funded at Closing?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reserve Fund floor	2.45%	0.00%	2.00%	2.00%	2.00%	Non-amortizing	2.50%	3.75%	2.00%
Hedge in place	No	No	No	No	No	No	No	No	No
Principal to pay interest?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Moody's Investors Service

Additional structural analysis

Interest rate mismatch

No interest rate swap in place to cover the interest rate risk. In particular there is a mismatch between the 12 months EURIBOR of most of the loans and the 3 months EURIBOR on the notes. Moody's has haircut the excess spread by 50 bps to account for this risk.

Stressed excess spread

Additionally, only partial value is given to the excess spread. There is the risk of spread compression over time due to higher yield loans prepaying, which would lead to the average spread of the loans decreasing over time in the absence of a swap. Also, [81.8]% of the pool has the option of an automatic discount on the loan spread as a result of future cross selling of other products. In terms of permitted variations, BBVA is allowed to renegotiate the spread of the loans provided that the WA spread of the securitised pool does not fall below [65] bps. Limited spread resulting from all these factors has been taken into account in our analysis.

Broker origination

BBVA has reported [6.4]% of broker origination. The higher credit risk for loans originated via broker has been taken into account in our analysis by applying a 50% default penalty on such loans.

New residents

BBVA has reported [4.4]% of new residents in the portfolio. The higher credit risk for loans granted to new residents has been taken into account in our analysis by applying a 200% default penalty on such loans.

Options affecting the amortisation profile

Some loans in the portfolio can enjoy different options with an impact on the portfolio amortisation profile, such as the option to modify the maturity ([27.9]%) or to make a final balloon payment ([19.8]%). We have applied a penalty of 25% to the loans with this option of a final balloon payment. Given these two characteristics, the pass-through amortisation of the Notes can be materially affected: a significant demand of such options will delay the scheduled principal payment, while riskier borrowers may force back loaded scenarios of losses. We have assessed the impact of such scenarios on the rating of the Notes.

Option to switch from floating to fixed-rate loans (or vice versa)

[19.8]% of the loans in the portfolio can enjoy this flexibility. Note that rate will be fixed for a period of time of three years (the fixed interest rate will be equal to the IRPH (*Índice de Referencia de Préstamos Hipotecarios -Conjunto de Entidades de Crédito-*) published at the time of the switch plus the spread over the loan). After three years, the fixed rate might switch again to floating rate or, otherwise, it will be recalculated. From a collateral analysis perspective, these loans have not been considered riskier than pure floating-rate loans. In the MILAN analysis, these loans have been treated as floating-rate loans.

Mixed interest rate loans

[13.1]% of the pool are mixed interest rate loans which have a fixed interest rate for a WA remaining term of [1.5] years. After the elapse of this term, their interest rate is reset and they become standard floating-rate loans. Again, from a collateral analysis perspective, these loans have not been considered riskier than pure floating-rate loans. In the MILAN analysis, these loans have been treated as floating-rate loans.

Payment holiday

[27.9]% of the portfolio can enjoy a payment holiday. The maximum period for a payment holiday is 2 months. Accordingly, the liquidity risk due to this optionality is not significant.

Cash commingling

All of the payments under the loans in this pool are collected by the Servicer under a direct debit scheme into the Issuer Account Bank. Consequently, in the event of insolvency of BBVA (Baa1(cr)/P-2(cr)) and until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by the Servicer and may be commingled with other funds belonging to BBVA.

Payments are transferred every 48 hours to the Issuer Account Bank in the name of the Issuer held by BBVA. Issuer Account Bank trigger is set at the loss of Baa3 (deposit rating), the remedy being to replace the Issuer Account Bank or find a guarantor.

The commingling risk has not been modelled in our cash flow analysis, given the daily sweep and the high CRA of BBVA (Baa1).

Mitigating servicing disruptions

The fact that the management company acts as back-up servicer facilitator is a positive feature. Europea de Titulización has committed to use its best efforts to appoint a back-up Servicer within 60 days in the event of breach of the Servicer's obligations, or should the rating of the Servicer be downgraded or withdrawn or the Servicer's financial condition being affected in a manner which is detrimental or causes a risk to the financial condition of the Issuer or the noteholder's interests and rights.

Liquidity equal to almost [10] quarters of interest payments and items senior thereto in the waterfall is provided by the reserve fund.

The management company Europea de Titulización is also an independent cash manager.

Methodology and monitoring

Overview

The principal methodology used in this rating was “Moody's Approach to Rating RMBS Using the MILAN Framework” published in September 2016: Moody's Approach to Rating RMBS Using the MILAN Framework, September 2017 (1073832).

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody’s Client Service Desk.

Servicer Disruption: BBVA acts as originator, servicer, Issuer account bank, paying agent and subordinated loans provider. There is no back-up servicing agreement, but there are triggers in place for both Issuer Account Bank and paying agent functions.

However, due the fact that there is a back-up servicer facilitator and an independent cash manager (the management company Europea de Titulización) and particularly due to the Baa level of the counterparty risk assessment for BBVA and the high transferability of the securitised assets, it is compliant with Moody’s recently published guidelines on operational risk.

Significant Influences: In addition to the counterparty issues noted, further deterioration in the housing market beyond that modelled may have an impact on the subject transaction’s ratings.

Factors which could lead to a downgrade

» Worse than expected collateral performance in terms of delinquency and loss rates

» Significant deterioration of BBVA's credit quality

» Sovereign risk might increase performance volatility

Monitoring triggers

Issuer account bank triggers:[1]

Moody’s approach

» Loss of Baa3 (deposit rating), remedy is to Replace or find a Guarantor.

Monitoring report

Data quality:

» Investor report format finalised and discussed with Moody’s analyst.

» The report includes all necessary information for Moody’s to monitor the transaction.

» Loan modifications for arrears management: not specifically reported.

Data availability:

» Report provided by: Europea de Titulización

» The timeline for investor report is provided in the transaction documentation. The priority of payment section is published on the IPD.

» The completed report is published during the first 15 days of each month.

» The frequency of the publication of the investor report is monthly and the frequency of the IPD is quarterly. Portfolio information is provided monthly.

The analysis undertaken by Moody's at the initial assignment of a rating for an RMBS security may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see Moody's Approach to Rating RMBS Using the MILAN Framework for further information on Moody's analysis at the initial rating assignment and the on-going surveillance in RMBS.

Parameter sensitivities

Parameter Sensitivities provide a quantitative, model-indicated calculation of the number of notches that a Moody's-rated structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary.

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed 16 loss distributions derived from the combinations of MILAN CE: 19.25% (base case), 23.10% (base x 1.2), 26.95% (base x 1.4) and 30.80% (base x 1.6) and expected loss: 5.5% (base case), 6.875% (base x 1.25), 8.25% (base x 1.5) and 9.625% (base x 1.75). The 5.5% / 19.25% scenario would represent the base case assumptions used in the initial rating process.

Exhibit 19 below shows the parameter sensitivities for this transaction with respect to the Moody's rated tranche.

Exhibit 19

Single class Notes EL/Milan CE sensitivity

		MILAN CE Output			
		19.25%	23.10%	26.95%	30.80%
Median Expected Loss	5.500%	Aa2*	Aa3 (1)	Aa3 (1)	A1 (2)
	6.875%	Aa2(0)	Aa3 (1)	A1 (2)	A1 (2)
	8.250%	Aa2(0)	Aa3 (1)	A1 (2)	A2 (3)
	9.625%	Aa2(0)	Aa3 (1)	A1 (2)	A2 (3)

Notes: Results under base case assumptions indicated by asterisk. Change in model-output (# of notches) is noted in parentheses.
Source: Moody's Investors Service

Moody's related publications

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Methodologies used:

» Moody's Approach to Rating RMBS Using the MILAN Framework, September 2017 (1073832)

» Moody's Approach to Assessing Counterparty Risks in Structured Finance, July 2017 (1038135)

Pre-Sale reports:

» BBVA RMBS 1, January 2007 (SF90874)

» BBVA RMBS 2, March 2007 (SF93981)

» BBVA RMBS 3, July 2007 (SF101877)

» BBVA RMBS 17, November 2016 (1045768)

New issue reports:

» BBVA RMBS 4, November 2007 (SF116178)

» BBVA RMBS 5, March 2011 (SF237338)

» BBVA RMBS 6, November 2008 (SF147136)

» BBVA RMBS 7, November 2008 (SF148427)

» BBVA RMBS 8, July 2009 (SF173205)

» BBVA RMBS 9, July 2010 (SF208102)

» BBVA RMBS 10, July 2011 (SF256009)

» BBVA RMBS 11, July 2012 (SF289898)

» BBVA RMBS 15, May 2015 (SF407459)

» BBVA RMBS 16, June 2016 (1024390)

Special reports:

» Catalan independence would be credit negative for structured finance transactions, November 2017 (1096363)

» Catalan independence, while unlikely, would have broadly negative credit impact, October 2017 (1094753)

» Housing Market Improvement Benefits Banks' Asset Quality and Structured Deal Performance, May 2017 (1070916)

» Mortgage Moratorium Extension in Spain Is Credit Negative for RMBS, March 2017 (SF449603)

» Slower, but Solid Economic Growth to Underpin Robust Spanish Securitisation and Covered Bond Performance in 2017, February 2017 (1053774)

» Recovery Rates Remain Within our Assumptions, Amid Weakened Repossessed Property Prices, February 2017 (1052711)

» Rulings on Spanish Mortgage Interest Floors Will Likely Have a Limited Negative Effect on RMBS Transactions, January 2017 (SF447048)

- Full Recourse to Mortgage Borrowers Remains Robust Despite Recent Policy Changes, July 2016 (1021624)
- Credit Impact of Ruling Against Rate Floors on RMBS Likely Limited, May 2016 (1023530)
- Recent Catalonian Consumer Law Will Be Credit Negative for New RMBS with Mortgage Assets Transferred Below Par Value, February 2016 (1012745)
- Recoveries on Repossessed Spanish Properties Will Continue to Improve for Properties Sold Post 2013, November 2015 (1009862)
- Spanish RMBS Performance Will Benefit From the Stabilisation in Mortgage Foreclosures, June 2015 (1003929)
- Spain's New Securitisation Law Gives Originators More Flexibility and Improves the Management of Some Credit Risks, April 2015 (1003227)
- The Increase in Mortgage Origination Could Push Up Spanish House Prices, April 2015 (1003302)
- Spanish RMBS Performance Is Improving Despite the Still Challenging Economic Landscape, February 2015 (1002552)

Index:

- Spanish Prime RMBS Indices - July 2017, October 2017 (SF460712)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix 1: Summary of originator's underwriting policies and procedures

Originator Ability	At Closing
Sales and Marketing Practices	
Origination channels:	
Underwriting Procedures	
Underwriting composition	
Ratio of loans underwritten per FTE* per day:	
Average experience in underwriting:	
Criteria for compensation of underwriters	
Approval rate:	
Percentage of exceptions to underwriting policies:	
Underwriting Policies	
Source of credit history checks:	
Methods used to assess borrowers' repayment capabilities:	
Income taken into account in affordability calculations:	
Other borrower's exposures (i.e. other debts) t taken into account in affordability calculations:	
Is interest rate stressed to calculate affordability?	
Affordability for I/O/balloon loans:	See Appendix 3 below for part of the information the originator allowed Moody's to disclose
Method used for income verification:	
Criteria for non income verified:	
Max age at maturity:	
Maximum loan size:	
Valuation types used for purchase & LTV limits:	
Valuation types used for remortgage & LTV limits:	
Valuation types used for further advances & LTV limits:	
Valuation types & procedure for construction loans & LTV limits:	
Valuation types & procedure for new built properties & LTV limits:	
LTV limit for first-time-buyers:	
Collateral Valuation Policies and Procedures	
Value in the LTV calculation/ in the IT system:	
Type, qualification and appointment of valuers:	
Closing Policies and Procedures	
Quality check before releasing funds:	
Credit Risk Management	
Reporting line of Chief Risk Officer :	
Track loan performance by loan characteristics?	

* FTE: Full Time Equivalent

Originator Stability:	At Closing
Quality Controls and Audits	
Responsibility of quality assurance:	
Number of files per underwriter per month being monitored:	
Management Strength and Staff Quality	See Appendix 3 below for part of the information the originator allowed Moody's to disclose
Training of new hires and existing staff:	
Technology	
Tools/infrastructure available:	

Appendix 2: Summary of servicer's collection procedures

Servicer Ability	At Closing
Loan Administration	
Entities involved in loan administration:	
Operating hours:	
Early Arrears Management	
Entities involved in early stage arrears:	
Ratio of loans per collector (FTE) in early arrears stage:	
Arrears strategy for 1-29 days delinquent	
Arrears strategy for 30 to 59 days delinquent	
Arrears strategy for 60 to 89 days delinquent	
Arrears strategy for 90 days and more delinquent to late stage	
Prioritisation rules for delinquent accounts:	See Appendix 3 below for part of the information the servicer allowed Moody's to disclose
Use of updated information in the collection strategy:	
Loss Mitigation and Asset Management Practices:	
Transfer of a loan to the late stage arrears team/stage:	
Entities involved in late stage arrears:	
Ratio of loans per collector (FTE) in late arrears stage:	
Analysis performed to assess/propose loss mitigation solutions:	
Time from first default to litigation and from litigation to sale:	
Average recovery rate (including accrued interest & costs):	

Servicer Stability	At Closing
Management and Staff	
Average experience in servicing or tenure with company:	
Training of new hires specific to the servicing function (i.e. excluding the company induction training)	
Quality control and audit	
Responsibility of quality assurance:	See Appendix 3 below for part of the information the servicer allowed Moody's to disclose
Number of files (and calls) per agent per month being monitored:	
IT and Reporting	
Tools/infrastructure available:	
Automatic tracking and reporting of specific characteristics:	

Appendix 3: Summary of originator and servicer reviews

Originator Review	Main Strengths (+) and Challenges (-)
Sales & Marketing Practices	+ BBVA holds a market share of 12.4% of the Spanish mortgage market (as of 2011).
	+ Strong commercial network (more than 3,000 branches)
	- Some broker origination in recent years (4.7% in this securitised portfolio), though lately reduced to 2.7% of the total origination during 2011.
	- The origination of HLTV loans over total origination has not been reduced (29% in 2006 versus 28% in 2011)
Underwriting Policies & Procedures	+ The prompt response given by BBVA to the current crisis made a reinforcement of underwriting criteria and tool developments possible in 2008. The 95% of the current portfolio originated since 2008 may benefit from these improved practises.
	+ The scoring model is based on internal data and is audited and reviewed periodically (including back-testing, fit of predictive model and readjustment of risk factors) by internal teams and the external regulator. Processes seem to be in line with the high standard required from a big institution.
	+ The scoring discriminates non clients versus clients with account history. A borrower is considered a bank client if it has an account with the lender for more than six month with relevant insightful activity (payslip, direct debits, pension contributions, etc.).
	+ The scoring also discriminates the borrower's labour stability. Parameters as tenure, type of contract (see next point) or industry among others are considered in the tool. All self-employed borrowers go through an specific analysis.
	+ BBVA discriminates borrowers with temporary contract versus permanent contracts, and files this field in their IT systems. The stricter criteria for temporary workers are reflected in a performance in line with permanent workers.
	+/- Approvals are only authorised at the Central Risk Unit level for certain characteristics (LTV>80%, or > €200-250,000, or Negative Scoring). Central Risk Unit: created in 2008 and based in Madrid. Before 2008, underwriting teams were distributed on a regional basis. The country is split in different regional areas with a coordinator per area (six), and 39 analysts. Different underwriting criteria per region. Ratio: 230 monthly applications/analyst.
	- Since 2008, BBVA requires a personal guarantor for most of mortgages with LTV>80%. Guarantors have a key importance in the HLTV underwriting. There is certain risk of overestimating the positive effect of guarantors, in lowering the probability of default and mainly on severity upon default.
	- Affordability: Interest rate is not stressed in the DTI calculation. Full income verification, in line with Spanish standards. Average DTI: 35%. Maximum DTI: 45%.
Property Valuation Policies & Procedures	+/- Full valuation used for all house purchases. BBVA works with a list of 9 valuators. Quality of valuations in Spain is standardised by the Bank of Spain, who certifies valuators.
	+/- Before 2008, each branch might choose one out of three valuators (from the total list of 14). Since 2008, it can choose one out of two.
	+ Every new valuation received is checked by Opplus, a company fully owned by BBVA
	- Brokers worked with a lower number of valuators (five).
Closing Policies & Procedures	+/- Standard proceedings checking documents (two most recent payslips, national identity card, employment contract, recent loan statement, proof of additional assets or tax return for self-employed) and managing the closing process (i.e. ensuring that mortgage deeds are registered)
	+ Specific company (Opplus, fully owned by BBVA) in charge of managing the closing process, i.e. administrative and documental tasks, in order to assure homogeneity across the network.
	+/- It usually takes 13 days in total from application to closing.
Credit Risk Management	+/- The current Credit Risk Department, created in 2006, performs the control and monitoring of tools, models, stats and data (Risk Analysis Unit, 14 people) and supports the regional network providing specific solutions (Network Risk Unit, 10 people).
	+ The department receives inputs from the regional managers in monthly meetings, and reports to the senior management different analysis, based on monthly information, discriminating origination channel, borrower profile, LTV, regions.
	+ They also monitor the performance per area and branch, sizing the efficiency on recoveries. All this information is used to assess corrective actions. Currently working in a reviewed framework for scoring and underwriting criteria.- No direct reporting line to CEO

Originator Stability	
Quality Control & Audit	+ Quality controls (staff: 30) managed through the line and include regular competence checks on each underwriter, monitoring the accuracy of data on each mortgage file, the documents proving such data and the breach of scoring outputs.
	+ Monthly controls are applied to a random selection of mortgage loans (around 3,200 mortgages controlled per month).
	+ More than 15% of incidences in a particular branch penalises all the salaries from the branch staff.
	+ External audit reviews performed periodically.
Management Strength & Staff Quality	+ Separate risk functions
	+ Good hierarchy for decision-making and access to intranet resources.
	+ Underwriters also give advice to branches and data processing team
Technology	+ Adequate legacy system, back-up and contingency plan.

Servicer Review	Main Strengths And Challenges
Loan Administration	+/- BBVA does not out-source any of its residential mortgages servicing activities.
Early Arrears Management	+ Collections approach modified according to borrower's risk category.
	+ BBVA has been fairly quick at noticing and adjusting its servicing criteria to the downturn. During late 2007 and first half 2008, new processes for early arrears management were implemented and deployed across branches and central departments: assignment of a counsellor to the borrower for the life of the special servicing period, branches always own the risk of originated loans, increased bonus linked to servicing performance, more staff at the servicing central resources, servicing responsibilities per geographic area (currently 69 areas in Spain) plus about two area coordinators within each region. A total of 83 people were added in 2008.
	+ Central resources are focused on helping the weakest performing branches. 80 Analysts based at the branch level to support them with early arrears management.
	+ Preventative Alerts: a significant number of preventative alerts in place, i.e. delinquencies in other credit products, unpaid receivables, credit cards drawn to face mortgage payments etc.
	+ Automatic process depends on whether the borrower is a client or no-client (see Underwriting Policy section for client definition).
	+ BBVA prioritizes face-to-face meetings with the client at a very early stage (even for positions from 1 to 30 days in arrears).
	+/- Most common allowed renegotiation is an increase of maturity.
	+ 97.4% of loans 30 days in arrears cures before 90 days in arrears.
	- Partial payments (that reach principal) update the loan into a new arrears bucket. Priority of payments is arrears penalty interest first, unpaid nominal interest second and principal third. Arrears penalty interest is 19%. This is typically a disincentive to cure positions.
	+ Clients that cannot be located (e.g. foreigners leaving the country) are accelerated into foreclosure process.
Loss Mitigation and Asset Management	+/- 17,000 foreclosure proceedings currently open. No significant changes in the policy since the reorganization in 2008-2009.
	+/- Late arrears management carried out by central services. They are added to the cure effort during the period after 90 days until the case is filed with court. On average about 87 days (i.e. from 90 days arrears to 180 days arrears) (Staff: 10 people)
	+/- Based on the lender's recent experience, foreclosure process takes 18 months from arrears 90 days to end of auction. If the property is not sold in the auction, then another 2 to 3 years are needed to execute. Foreclosure costs are on average 8% (sale related) plus all the costs by the court.
	- During the last three years, repossessions represented 40% of total foreclosure proceedings
	- 6,600 repossessions in 2011 vs 2,700 in 2009 and 50 in 2006.
Servicer Stability	
Management Strength & Staff Quality	+ Large collections staff with a mix of experienced and junior employees.
	+ Significant experience within management team.
	+ It strengthened its legal team with external lawyers during 2009 to improve its servicing capacity.
IT & Reporting	+ Well established systems and reporting. Existing system for daily tracking and reporting.
	+ Management system: Alerts, track borrower arrears account, classifies arrears, records negotiation follow ups, automatic letters, record sales activity, property management. Tracking foreclosure costs, work load and progress for each lawyer.
	+ Reporting system: Combines the data from management system above with court action information to allow the generation of daily and monthly statistics on the tracking of the recovery process. Allows set up of alerts to highlight delays in the process for a loan.
	+ A back-up system is in place and there is current work on an improved system to reduce disaster recovery times. Back-up servers are in a different location. There is a contingency plan in place and quarterly test on the back-up system.
Quality control & Audit	+ Regular external audits and loan book audits at the branch and central risk department levels. In each review, transactions are randomly selected and there is a review of scoring system inputs and supporting documentation.

Endnotes

1 See Moody's Approach to Assessing Counterparty Risks in Structured Finance, 26 July 2017.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

REPORT NUMBER 1094097

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S INVESTORS SERVICE