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## Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Restructuring

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### OVERVIEW

- As part of BBVA RMBS 5's restructuring, the issuer lowered the required reserve fund balance to €250 million.
- Following our credit and cash flow analysis of the new structure, we have taken various rating actions in the transaction to reflect the decrease in available credit enhancement.
- BBVA RMBS 5 is a Spanish RMBS transaction, which securitizes a portfolio of first-ranking mortgage loans granted to Spanish residents.

MADRID (Standard & Poor's) Oct. 30, 2015--Standard & Poor's Ratings Services today took various credit rating actions in BBVA RMBS 5, Fondo de Titulizacion de Activos.

Specifically, we have:

- Affirmed our 'A- (sf)' rating on the class A notes; and
- Lowered our ratings on the class B and C notes (see list below).

Today's rating actions follow a restructuring of the transaction whereby the issuer lowered the required reserve fund balance to €250 million from €296.549 million. Consequently, the available credit enhancement the reserve fund provides has been reduced to 8.66% from 10.28% of the notes' balance. Before the restructuring took place, the reserve fund was below its required level of €413.91 million because it was used to provision for defaults.

As with other Spanish transactions, interest and principal are combined into a

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single priority of payments.

As a result of the decrease in available credit enhancement, the class B and C notes are unable to support their current ratings. We have therefore lowered to 'BBB+ (sf)' from 'A- (sf)' and to 'BBB- (sf)' from 'BBB (sf)' our ratings on the class B and C notes, respectively. The results of our credit and cash flow analysis show that the available credit enhancement for the senior notes is still commensurate with a 'A- (sf)' rating. Therefore, we have affirmed our 'A- (sf)' rating on the class A notes.

Delinquency levels in the portfolio backing this transaction have stabilized over the past two years. Arrears of 90+ days represent only 0.56% of the outstanding balance of the pool and total arrears represent 2.19% of the outstanding collateral balance, which is below the Spanish residential mortgage-backed securities (RMBS) index (see "Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly," published on Sept. 11, 2015). There are interest deferral triggers based on the ratio of cumulative defaults over the initial collateral balance of the class B and C notes. If this ratio is higher than 14.00% and 10.33% interest on the class B and C notes, respectively, interest will be paid after principal amortization. Cumulative defaults currently represent 6.86% of the initial collateral balance. In our view, the class C trigger is far from breaching.

Our credit analysis results show a decrease in the weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) since our Dec. 22, 2014 review (see "Various Rating Actions Taken In BBVA RMBS 5, 9, 10, And 11 Following Application Of Updated Criteria").

Rating level	WAFF (%)	WALS (%)	CC (%)
	--BBVA RMBS 5-- Current review		
AAA	22.38	53.64	12.00
AA	16.62	50.27	8.35
A	13.61	43.52	5.92
BBB	9.88	39.65	3.92
BB	6.29	36.82	2.32
B	5.23	34.10	1.78
	--BBVA RMBS 5-- December 2014		
AAA	24.12	58.23	14.05
AA	17.69	54.45	9.63
A	14.48	47.33	6.85
BBB	10.45	43.11	4.50
BB	6.43	39.98	2.57
B	5.36	36.98	1.98

CC--Credit coverage.

The decrease in the WAFF is mainly due to the adjustment that we apply to seasoned loans, the decrease of interest-only loans in the pool, and the

decrease in total arrears. The decrease in the WALs is mainly due to the decrease in the weighted-average current loan-to-value ratio and the decrease in market value decline assumptions since our previous review. The overall effect is a decrease in the required credit coverage for each rating level since our previous review.

#### Counterparty Risk

We consider that the transaction's documented replacement mechanisms adequately mitigate its counterparty risk exposure to Banco Bilbao Vizcaya Argentaria S.A. (BBVA), as bank account provider, up to a 'A-' rating level under our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). The transaction is exposed to the risk of cash collections becoming commingled in BBVA's account. If our long-term rating on BBVA falls below 'BBB-', within 10 calendar days, BBVA should deposit in the issuer's bank account an amount equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay the issuer for the loans. According to our current counterparty criteria, setting up this commingling reserve fully mitigates commingling risk. The rating on the class A notes is capped at 'A- (sf)' by our counterparty criteria.

#### Sovereign Risk

Under our criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so repay timely interest and principal by legal final maturity (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015). The class A notes have sufficient credit enhancement to withstand our "severe" stresses (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe levels of economic stress). However, they do not pass all of the conditions under paragraph 44 of the RAS criteria. Consequently, our RAS criteria permit a maximum four-notch rating uplift above the sovereign rating for the class A notes.

However, in light of the cap under our current counterparty criteria, we have affirmed our 'A- (sf)' rating on the class A notes. Although our credit and cash flow results indicate that the available credit enhancement for the class B notes is commensurate with a higher rating, the tranche does not pass our cash flow stresses under our RAS criteria. These criteria therefore constrain our rating on the class B notes at the level of the foreign currency long-term sovereign rating on Spain, which is 'BBB+'. We have therefore lowered to 'BBB+ (sf)' from 'A- (sf)' our rating on the class B notes. The results of our cash flow analysis indicate that available credit enhancement for the class C notes is commensurate with a 'BBB- (sf)' rating. Therefore, we have lowered to 'BBB- (sf)' from 'BBB (sf)' our rating on the class C notes.

#### RELATED CRITERIA AND RESEARCH

## *Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Restructuring*

### Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Italy And Spain RMBS Methodology And Assumptions, Sept. 18, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

### Related Research

- Eurozone Economic Outlook: Steady For Now, Despite Slower World Trade, Sept. 30, 2015
- Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly, Sept. 11, 2015
- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Low Lending Rates And Stronger Economic Growth Are Reviving Europe's Housing Markets, July 30, 2015
- Despite The Turmoil In Greece, Europe's Fragile Growth Continues, July 14 2015
- Eurozone Economic Outlook: Will The Catch-Up Lead To A Let-Down?, July 1, 2015
- Various Rating Actions Taken In BBVA RMBS 5, 9, 10, And 11 Following Application Of Updated Criteria, Dec. 22, 2014
- Outlook Assumptions For The Spanish Residential Mortgage Market, Sept. 18, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

### RATINGS LIST

Class	Rating
To	From

BBVA RMBS 5, Fondo de Titulización de Activos  
€5 Billion Residential Mortgage-Backed Floating-Rate Notes

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Rating Affirmed

A A- (sf)

Ratings Lowered

B BBB+ (sf) A- (sf)  
C BBB- (sf) BBB (sf)

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