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New Issue: BBVA RMBS 9, Fondo de Titulizacion de Activos

€1, 295 Million Mortgage-Backed Floating-Rate Notes

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New Issue: BBVA RMBS 9, Fondo de Titulizacion de Activos

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Ratings Detail

Class	Rating*	Amount (mil. €)	Available total credit support (%)¶	Interest	Legal final maturity
€1,295 million mortgage-backed floating-rate notes	AAA	1,295	20.5	Three-month EURIBOR plus 30 bps	Sept. 20, 2053

*Standard & Poor's ratings address timely interest and ultimate principal. ¶This credit support uses current figures. EURIBOR—European interbank offered rate.

Transaction Participants	
Originator	Banco Bilbao Vizcaya Argentaria S.A.
Seller	Banco Bilbao Vizcaya Argentaria S.A.
Mortgage administrator/servicer	Banco Bilbao Vizcaya Argentaria S.A.
Security trustee	Europea de Titulización, S.G.F.T., S.A.
Interest swap counterparty	Banco Bilbao Vizcaya Argentaria S.A.
Transaction account provider	Banco Bilbao Vizcaya Argentaria S.A.
Treasury account provider	Banco Bilbao Vizcaya Argentaria S.A.

Supporting Rating	
Institution/role	**Rating**
Banco Bilbao Vizcaya Argentaria S.A. (BBVA) as transaction account provider, servicer, and swap counterparty	AA/Negative/A-1+

Transaction Key Features*	
Closing date	April 20, 2010
Collateral	Flexible prime mortgage loans secured by first-ranking mortgages
Principal outstanding of the provisional pool (mil. €)	1,561
Country of origination	Kingdom of Spain
Concentration	Madrid (16.33%), Andalucia (22.23%), and Catalonia (11.66%)
Property occupancy	First homes (96.92%) and second homes (3.08%)
Weighted-average LTV ratio (%)	87.40
Average loan size balance (€)	172,359
Loan size range (€)	42,879.06 to 1,124,119.22
Weighted-average seasoning (months)	13.6
Floating interest rate (%)	99.55
Arrears	No loans in arrears for more than 30 days at closing
Redemption profile	Flexible loans
Cash reserve (%)	20.5
Mortgage priority	100% first-lien mortgages
Maximum LTV ratio (%)	100

Transaction Key Features* (cont.)	
Number of jumbo loans (higher than or equal to €400,000)	72 loans (2.29% of the provisional pool by balance)

*Collateral as of March 24, 2010. LTV—Loan-to-value.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to BBVA RMBS 9, Fondo de Titulización de Activos' €1,295 million floating-rate notes

At closing, BBVA RMBS 9 acquired credit rights backed by flexible prime mortgage loans (see "Notable Features"). To fund this purchase, it issued only one class of notes. A reserve fund (20.5% of the original principal balance) was funded at closing through a subordinated loan.

The originator of the loans backing the RMBS is Banco Bilbao Vizcaya Argentaria, S.A. (BBVA; AA/Negative/A-1+), one of the largest primary lenders in the Spanish financial arena.

Notable Features

This transaction is the ninth residential mortgage-backed securities (RMBS) transaction of BBVA's residential mortgage loan book that is has completed.

The securitized portfolio comprises secured, flexible loans to individuals resident in Spain, with loan-to-value (LTV) ratios above 80%. The loans are "flexible" loans because their maturities can be modified, installments can be deferred, the loan could have a balloon payment, or they can change from a fixed to a floating index.

In addition to originating the loans, BBVA is the servicer, paying agent, and interest swap counterparty. As with other Spanish transactions, interest and principal are combined into a single priority of payments. In this case, there are no deferral of interest triggers nor pro-rata amortization rules as there is only one tranche of notes.

Strengths, Concerns, And Mitigating Factors

Strengths

- The collateral comprises flexible first-ranking mortgage loans secured over residential owner-occupied properties in Spain.
- BBVA's strict criteria at the branch level aim to ensure the good credit quality of the collateral.
- BBVA is experienced as a servicer. It currently manages eight RMBS transactions and a number of mortgage-backed securities (MBS), collateralized debt obligations (CLOs), autos, consumer, and leasing ABS, and has participated in plain vanilla covered bond transactions. Also, BBVA has long experience in originating residential mortgages, one of its largest sources of income.
- Loans over 18 months in arrears are written off, allowing for an early excess spread trapping mechanism.
- The swap structure provides credit enhancement to the structure and aims to cover the mismatch between the reference indices on the asset pool and the reference index on the notes. We gave credit for this in our cash flow analysis.

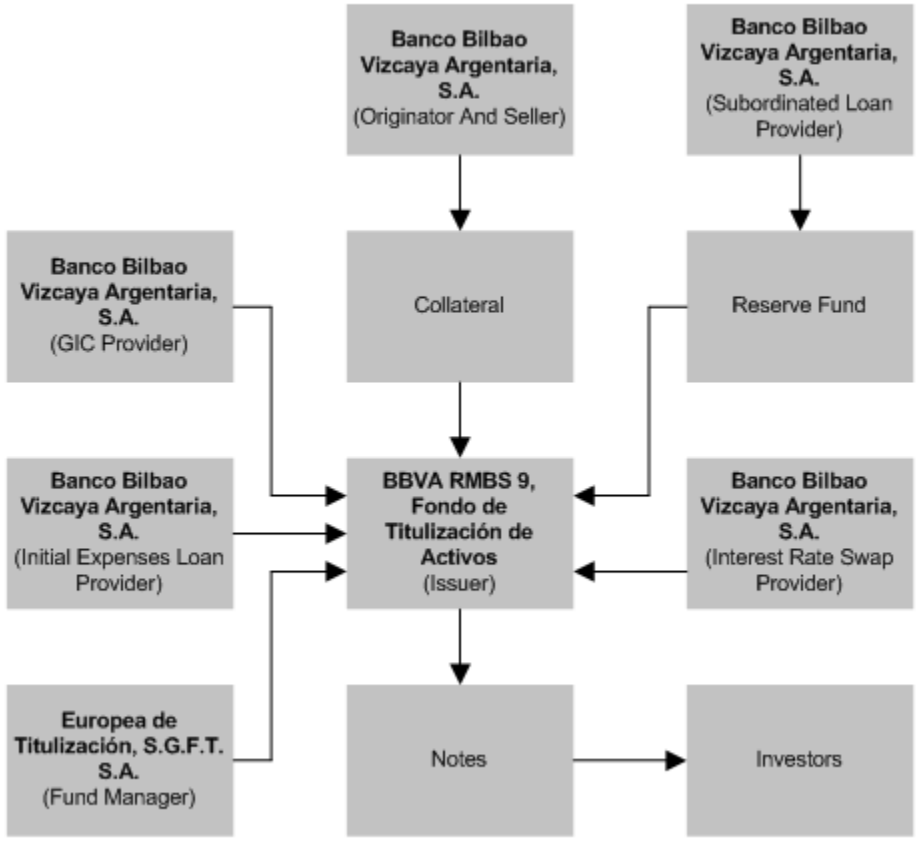
Concerns and mitigating factors

- The excess spread of the pool may decrease from its current margin as some of the loans can be renegotiated at the borrower's request. To mitigate this, a swap with adequate downgrade language is in place to ensure the cost of the notes (plus 40 bps) and the servicing fees during the life of the transaction.
- BBVA holds up to seven days' of collections, thereby increasing the commingling risk. As a precaution, there is an option of setting up a contingent commingling reserve if the short-term rating on BBVA is lowered below 'A-2'.
- The reserve fund can start amortizing after three years if it reaches 41% of the outstanding balance of the notes. Subject to a floor of half of its initial value, the transaction would need to meet certain conditions to amortize the reserve fund (see "Reserve fund").
- The weighted-average LTV ratio is 87.01% and all the loans have an LTV ratio higher than 80%. We have taken this into consideration, as the LTV ratio is a key factor in our credit analysis.
- Of the provisional pool, 3.64% of the loans by balance have an initial grace period, where only interest is paid. We have increased the foreclosure frequency of these loans in our credit analysis and take this feature into account in our cash flow analysis.
- Most of the loans in the pool (99.35%) have the option to deferrer installments when the LTV ratio of the loan goes below 80% ("payment holidays"). We have increased the foreclosure frequency of these loans in our credit analysis.
- Loans with balloon payments comprise 11.61% of the pool. In addition, 85.35% of the pool have the option to have a final balloon payment. We have increased the foreclosure frequency of these loans in our credit analysis and take this feature into account in our cash flow analysis.
- Of the provisional pool, 99.35% of the loans by balance have the option, from the second resetting date, to extend or shorten their maturities by a maximum of five years on each resetting date and a for a maximum period of 10 years. We have increased the foreclosure frequency of these loans in our credit analysis and take this feature into account in our cash flow analysis.

Transaction Structure

BBVA, the originator and servicer of the mortgage loans, sold a closed pool of mortgage certifications (certificados de transamisión de hipoteca; CTHs) to the issuer (fondo) at closing (see chart 1).

Chart 1: BBVA RMBS, Fondo de Titulización de Activos Transaction Structure



Spanish mortgage securitization law requires the notes to be issued by a "fondo", whose activities are managed by a fund manager, in this case Europea de Titulización, S.G.F.T., S.A., an independent management company authorized by the Ministry of Economy and Treasury. The fund manager represents and defends the noteholders' interests and enters into various contracts for the issuer.

BBVA RMBS 9's only duties are to buy these mortgage participations and credit rights, issue the notes, and conduct related activities. As servicer, BBVA is responsible for the day-to-day administration and ongoing servicing of the underlying loan portfolio. Europea de Titulización, S.G.F.T., is responsible for producing all reports and accounts for the fund, and for us in connection with the performance of the mortgages.

Priority of payments

On each quarterly interest payment date, BBVA RMBS 9 pays in arrears the interest due to the noteholders. To make the payments, BBVA RMBS 9's available funds include interest received under the mortgage loans, the proceeds of the swap, interest earned on the reinvestment account, the reserve fund, principal received under the loans, and any other proceeds received in connection with the loans.

BBVA RMBS 9 can mix all interest and principal received, to pay principal and interest due under the notes in the following sequence:

- Fees and expenses;
- Net payments due under the interest rate swap and swap termination payments due to the fund;
- Interest on the notes;
- Principal on the notes;
- Replenishment or amortization of the reserve fund up or down to its required level;
- Net swap termination payments, where that termination resulted from a default by the swap counterparty;
- Interest on the subordinated loan;
- Principal on the subordinated loan; and
- Cash back to BBVA.

Redemption of the notes

BBVA RMBS 9 pays the amortization amount with the available funds. This amount is the outstanding note balance, minus the outstanding loan balance in arrears for less than 18 months on the last day of the month previous to the payment date. Loans in arrears for 18 months or more are considered as "defaulted" in the transaction documentation.

Unless redeemed earlier, the notes will redeem at their maturity, 36 months after the maturity of the longest-term loan in the pool. The notes may fully redeem if:

- The balance of the collateral falls below 10% of its original balance; or
- The fund manager becomes insolvent, or its authorization is revoked and no replacement is found.

Reserve fund

The structure benefits from a cash reserve fund, which was fully funded on the closing date via a subordinated loan. The reserve fund is fixed for the first three years and BBVA RMBS 9 uses it on each payment date to pay the different items in the priority of payments described above.

The reserve fund required on each payment date is the minimum of:

- €265,475,000; and
- The maximum of (i) 41% of the outstanding principal balance of notes and (ii) €132,737,500.

After three years have elapsed, the cash reserve account amortizes if the following conditions are met:

- The outstanding balance of the loans in the pool with any payment in arrears for more than 90 days is higher than 1% of the outstanding balance of the nondefaulted loans (for the cash reserve, loans in arrears for more than 90 days) in the pool; or
- The reserve fund was not at the required level on the previous payment date.

According to the transaction documentation, the minimum reserve fund level can never be lower than 10.25% of the initial balance of the notes.

Flow of funds

All borrowers pay monthly into the collection account held at BBVA. All collected amounts belonging to BBVA RMBS 9 are transferred daily with a seven-day delay into a treasury account held at BBVA in the issuer's name. If

BBVA is no longer rated 'A-1', we would expect BBVA to take the remedy actions according to our criteria (see "Revised Framework For Applying Counterparty And Supporting Party Criteria" in "Related Criteria And Research").

Commingling reserve

To protect against commingling risk, if BBVA is downgraded below a short-term rating of 'A-2', then:

- Within 30 calendar days, BBVA (as servicer) should find an eligible guarantor with at least a short-term rating of 'A-1'. The guarantor should provide BBVA RMBS 9 with a first-demand, unconditional, and irrevocable guarantee equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay to BBVA RMBS 9 for the loans. This amount, if required to be paid, would be deposited in an issuer bank account in accordance with the bank account and cash management agreements; or
- Within 10 calendar days, BBVA (as servicer) 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 BBVA RMBS 9 for the loans.

On the date this commingling reserve is required, the initial amount should, in our opinion, be a sufficient proportion of the principal amount outstanding to avoid affecting the rating on the notes.

Swap agreement

On behalf of BBVA RMBS 9, the trustee entered into a swap agreement with BBVA. This swap provides protection against adverse interest rate resetting and movements.

BBVA RMBS 9 pays the swap counterparty the total of interest actually received from the loans.

BBVA RMBS 9 receives from the swap counterparty an amount equivalent to three-month European interbank offered rate (EURIBOR) plus the weighted-average coupon on the notes, plus 40 bps per year on the outstanding balance of the performing loans (up to three months in arrears), and the servicing fee amount during the life of the transaction.

Under the transaction documentation, the minimum rating required to be the swap counterparty is 'A-1', so if BBVA is downgraded below 'A-1', we would expect BBVA to take the remedy actions that follow our criteria.

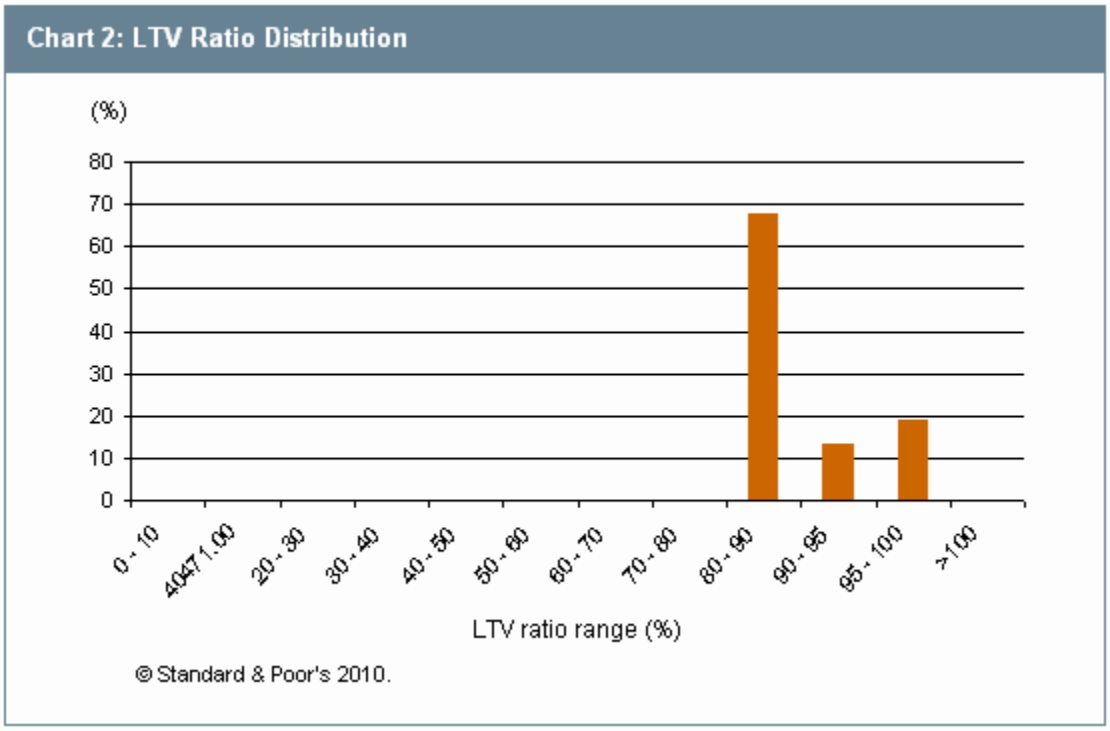
Collateral Description

As of March 24, 2010, the provisional pool comprised 9,057 first-ranking mortgages secured over residential properties in Spain.

The pool comprises floating-rate mortgage loans that are indexed to one-year EURIBOR and, IRPH conjunto de bancos ("Indice de Referencia de los Préstamos Hipotecarios", the average rate of Spanish lending institutions and banks, respectively, calculated by the Bank of Spain).

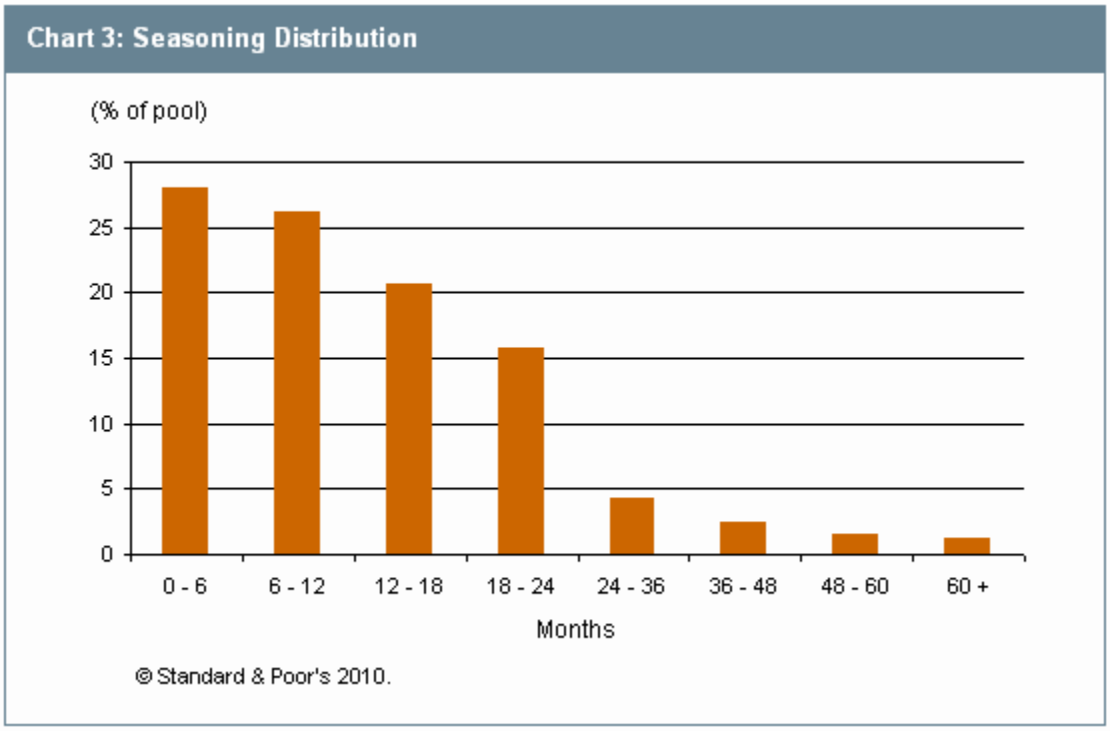
Below are the main features of the collateral pool. Compared with BBVA RMBS 5 (the previous BBVA RMBS transaction we rated [see "Related Criteria And Research"]), the collateral securitized in this transaction comprises the same type of products, although in this pool the maximum LTV ratio is higher, as in BBVA RMBS 9 only loans with a LTV ratio above 80% are included (see chart 2).

Chart 2



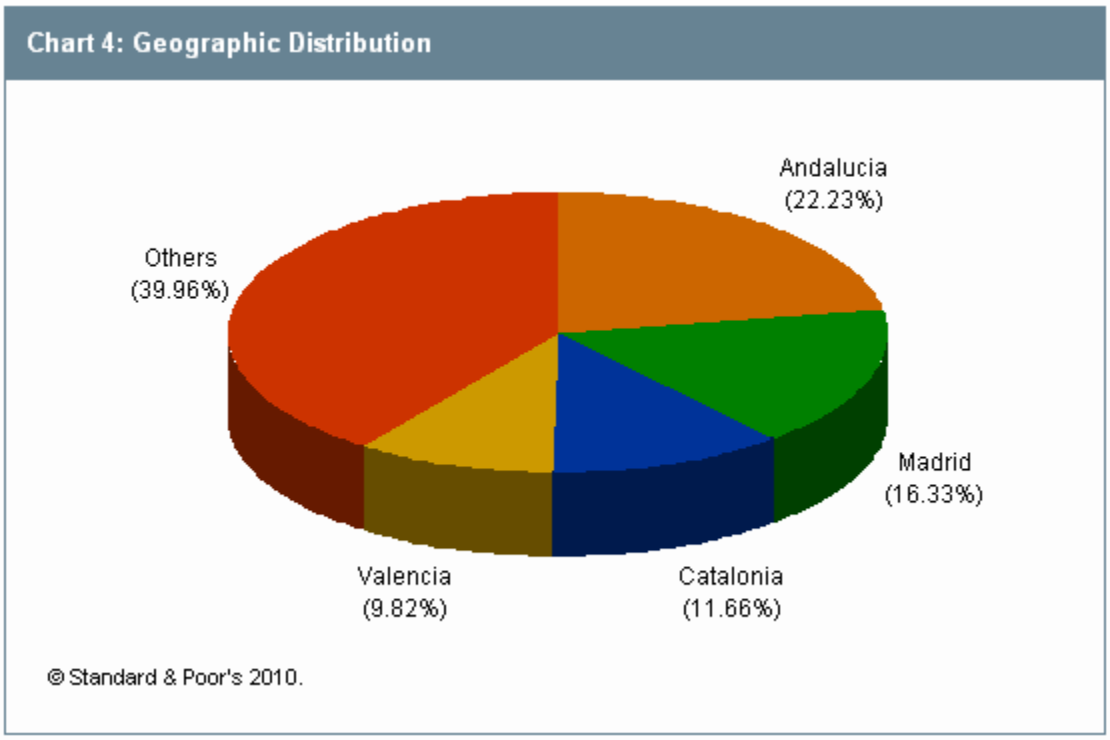
Of the pool, BBVA originated 54.14% of the mortgage loans more than 12 months ago (see chart 3).

Chart 3



Of the pool, more than 50.22% are concentrated in Andalucia, Madrid, and Catalonia (see chart 4).

Chart 4



The weighted-average loan size is €172,359.45.

Table 1 shows the composition of the pool by type of product and its potential flexibilities:

Table 1

Pool Composition

Product	% of the provisional pool	Interest only period since the beginning of the life of the loan	Installments deferrable when the LTV ratio of the loans go below 80%	Remuneration due to cross-selling	Balloon loans (optional)	Possibility of changing from fixed to floating rate	Extend or reduce maturity
Group 1 (Facil Básica, Fácil Basica Blue Joven, and Facil APIs)	2.12% (183 loans)	Max during the first 36 months (if the LTV ratio is <80% for first residence and the LTV ratio is <70% for second homes)	Max two per year. Max 10 during the whole life of the loan. Only when the LTV ratio is <80% for first residence and when the LTV ratio is <70% for second homes	N/A	N/A	N/A	From the second resetting date. Max five years on each resetting date. Max reduction and max extension 10 years

Table 1

Pool Composition (cont.)							
Group 2 (Fácil Plus, Fácil Plus Blue, Fácil Plus APIs, and Fácil Plus)	61.63% (5,459 loans)	Max during the first 36 months (if the LTV ratio is <80% for first residence and the LTV ratio is <70% for second homes)	Max two per year. Max 10 during the whole life of the loan. Only when the LTV ratio is <90% for first residence and the LTV ratio is <70% for second homes	Yes	Between 10%-30%, at any time of the transaction, when the LTV ratio is >90% for first residence and the LTV ratio is >70% for second homes	Yes, once per year the borrower can ask for a variable rate every six months or fixed for three years	From the second resetting date. Max five years on each resetting date. Max reduction and max extension 10 years
Group 3 (Variable APIs)	0.15% (14 loans)	Max 24 months	N/A	N/A	N/A	N/A	N/A
Group 4 (Blue Joven and, Joven APIs)	0.30% (25 loans)	Max during the first 36 months (if the LTV ratio is <80% for first residence)	N/A	N/A	N/A	N/A	N/A
Group 5 (Fácil con vinculación)	0.41% (37 loans)	Max during the first 36 months (if the LTV ratio is <80% for first residence and the LTV ratio is <70% for second homes)	Max two per year. Max 10 during the whole life of the loan. Only when the LTV ratio is <80% for first residence and the LTV ratio is <70% for second homes	Yes	N/A	N/A	From the second resetting date. Max five years on each resetting date. Max reduction and max extension 10 years
Group 6 (Cuota Final)	0.20% (25 loans)	Max 36 months	N/A	Yes	Between 10%-30%, at any time of the transaction, when the LTV ratio is >80% for first residence and the LTV ratio is >70% for second homes	Yes, once per year the borrower can ask for a variable rate every six months or fixed for three years	N/A
Group 7 (Blue BBVA)	35.19% (3,314 loans)	Max 60 months	Max two per year. Max 10 during the whole life of the loan. Only when the LTV ratio is <80% for first residence and the LTV ratio is <70% for second homes	Yes	Between 10%-30%, at any time of the transaction, when the LTV ratio is >80% for first residence and the LTV ratio is >70% for second homes	Yes, once per year the borrower can ask for a variable rate every six months or fixed for three years	From the second resetting date. Max five years on each resetting date. Max reduction and max extension 10 years

N/A—Not applicable.

Collateral risk assessment

We conducted a loan-level analysis to assess the credit risk of the mortgage pool. Our collateral risk assessment analyzed the foreclosure frequency and loss severity of each loan. These depend on the borrower characteristics, the loan features, and the ratings on the notes.

We can calculate the potential loss associated with a loan by multiplying the foreclosure frequency by the loss severity. To quantify the potential losses associated with the entire pool, we calculated a weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) at each rating level.

The product of the WAFF and WALS variables estimates the required loss protection during the life of the collateral

in the absence of additional mitigating factors; the higher the targeted rating, the higher the required enhancement level.

Credit Structure

Credit support for the notes is provided by a combination of the reserve fund, the reinvestment account return, and the excess spread left by the swap (see table 2).

Table 2

Credit Support For The Notes

Rating	Size of class (%)	Mil. €	Reserve fund (%)
AAA	100.00	1,295	20.50

Credit Analysis

We have stressed the transaction cash flows to test the credit and liquidity support provided by the assets, subordinated tranches, and cash reserve. We have implemented these stresses to the cash flows at all relevant rating levels.

For example, we subject a transaction that incorporates 'AAA', 'A', and 'BBB' rated tranches of notes to three separate sets of cash flow stresses. In the 'AAA' stresses, all 'AAA' rated notes must pay full and timely principal and interest, but this is not necessarily the case for the 'A' or 'BBB' rated tranches, as they are subordinated in the priority of payments. In the 'A' case, all 'AAA' and 'A' rated notes must receive full and timely principal and interest, but not necessarily so for the 'BBB' rated tranches, as they are subordinated to both 'AAA' and 'A'. Finally, in the 'BBB' case, all 'AAA', 'A', and 'BBB' rated notes must receive full and timely principal and interest.

Amount of defaults and recoveries

For each loan in the pool, we have estimated the likelihood that the borrower will default on its mortgage payments (the foreclosure frequency), and the amount of loss on the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assume the total mortgage balance to default. We determine the total amount of this defaulted balance that is not recovered for the entire pool by calculating the WAFF and the WALS.

The WAFF and WALS estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage default and loss severity they should be able to withstand. This credit analysis is based on the characteristics of the loans and the associated borrowers. We have applied market-specific criteria in our assessment of the WAFF and the WALS for this portfolio, which are shown in table 3.

Table 3

Portfolio WAFF And WALS

Rating level	WAFF (%)	WALS (%)
AAA	34.03	41.22
AA	22.92	35.78
A	17.19	31.42
BBB	11.46	27.07

Table 3

Portfolio WAFF And WALS (cont.)		
BB	5.73	24.89

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans we assume to default over the life of the transaction. For the Spanish RMBS market, we assume that these defaults occur over a three-year recession. Further, we assess the effect of the timing of this recession on the ability to repay the liabilities, and we choose the recession start period based on this assessment.

Although the recession normally starts in the first month of the transaction, we usually delay the 'AAA' recession by 12 months. We apply the WAFF to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, we apply the WAFF to the balance at the beginning of month 13). We assume defaults occur periodically in amounts calculated as a percentage of the WAFF (see table 4).

Table 4

Default Timings For Equal Default Curves		
Recession month	**'AAA' scenario**	**Rest of the rating scenarios**
1	—	1/3
13	1/3	1/3
25	1/3	1/3
37	1/3	—

Timing of recoveries

We have assumed that the issuer would regain any recoveries 30 months after a payment default under this transaction. The value of recoveries at the 'AAA' level in this transaction is 61.16%.

Note that the WALS we use in a cash flow model is always based on principal loss, including costs. We have assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After we apply the WAFF to the balance of the mortgages, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgages during the foreclosure period needs to be covered by other structural mechanisms in the transaction.

Delinquencies

We model the liquidity stress that results from short-term delinquencies, i.e., those mortgages that cease to pay for a period of time but then recover and become current for both interest and principal. To simulate the effect of delinquencies, we assume a proportion of interest receipts equal to one-third of the WAFF to be delayed. We apply this in each month of the recession and assume that full recovery of delinquent interest will occur 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is €1 million and the WAFF is 30%, €100,000 of interest (one-third of the WAFF) will be delayed until month 23.

Interest and prepayment rates

We model three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. Interest rates were about 1% at the time of modeling, and we modeled them to rise or fall by 2% a month to a high of 12% for EURIBOR, or a low of 0%. For stable interest rates, we held the interest rate at the

current rate throughout the life of the transaction. In the 'AAA' scenario, we modeled the interest rate increase not to begin until month 13. Also note that we revise interest rate scenarios if there is sufficient evidence to warrant it.

We stress transactions according to two prepayment assumptions, high (24%) and low (0.5%). We assume prepayment rates to be static throughout the life of the transaction and apply them monthly to the decreasing mortgage balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels, or if the transaction is particularly sensitive to high prepayments (e.g., if the transaction relies heavily on excess spread).

In combination, the default timings, interest rates, and prepayment rates described above give rise to six different scenarios (see table 5). The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the six scenarios at the proposed rating level.

Table 5

RMBS Stress Scenarios

Scenario	Prepayment rate	Interest rate	Default timing
1	Low	Flat	Equal
2	Low	Up	Equal
3	Low	Down	Equal
4	High	Flat	Equal
5	High	Up	Equal
6	High	Down	Equal

Rating stability

The purpose of this analysis is to address rating stability in the context of RMBS transactions. The rating stability concept is explained in "Criteria Updates: The Ongoing Response To Deteriorating Credit Conditions," in "Related Criteria And Research." For this specific transaction we ran an additional scenario where we applied a 10% haircut on the valuations of the properties. The WAFF and WALS of table 6 increase to the following levels:

Table 6

Portfolio WAFF And WALS

Rating level	WAFF (%)	WALS (%)
AAA	34.03	47.67
AA	22.92	42.76
A	17.19	38.84
BBB	11.46	34.91
BB	5.73	32.95

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain key rating assumptions and the potential effect of positive or negative events on the ratings (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process" in "Related Criteria And Research").

This scenario analysis incorporates two aspects:

- A house price decline analysis; and
- A sensitivity analysis.

House price decline analysis

Various factors could cause downgrades on rated RMBS notes, such as increasing foreclosure rates in the securitized pools, house price declines, and changes in the pool composition. We have chosen to analyze the effect of house price declines by testing the sensitivity of the transaction to two different levels of movements.

Declining house prices generally lead to increasing LTV ratios and more borrowers entering negative equity. This may increase the default probability of a securitized pool and its associated loss severity. Consequently, depending on its effect, declining house prices could be a contributing factor in the downgrade of rated notes.

In our analysis, assumptions for house price declines are reflected in the calculation of both the WAFF and WALS. The house price decline analysis assumes house price declines that are specific to a jurisdiction—rather than being uniform across all European transactions. The levels do not reflect any views of whether these house price declines will materialize in the future. So, for example, the additional haircuts for a country that has experienced significant house price growth over the past few years may be different from those we assume for a country that has experienced stable house prices.

We perform our analysis on a loan-by-loan basis. Hence, the effect of applying different levels of house price declines differs between transactions, given the different concentrations in LTV ratio bands. Note that even in these house price decline scenarios, structural features in securitizations might mitigate these declines.

Further house price declines of 10% and 15%

Before closing, we calculated the 'AAA' WAFF for the pool as 34.03% and the WALS at the 'AAA' level as 41.22%.

Note that we have already based these calculations on a market value decline assumption of 37% for properties at a 'AAA' rating level.

In the first scenario, in addition to the different stress assumptions, we apply a further 10% decrease in house prices. All else being equal, this would cause the 'AAA' WAFF to increase to 53.82% and the WALS to increase to 47.78%. In this scenario, the 'AA+' rating on the notes in the transaction would withstand the effect of the further 10% house price decline with no adverse rating effect.

In the second scenario, we apply a further 15% decrease in house prices. All else being equal, this would cause: the 'AAA' WAFF to increase to 64.54% and the WALS to increase to 56.66%. In this scenario, the 'A+' rating on the notes in the transaction would withstand the effect of the further 15% house price decline with no adverse rating effect;.

We based the analysis above on a simplified assumption, i.e., that the 10% or 15% house price decline materializes immediately on the day after closing. In reality, house price declines materialize over a period of time. Therefore, other factors, such as seasoning or scheduled repayments under the loans, could mitigate the effect of the house price decline.

Table 7 summarizes the results of the house price decline analysis.

Table 7

Results Of The House Price Decline Analysis

House price environment	WAFF (%)	WALS (%)	Rating on the notes
'AAA' market value decline of 37%	34.03	41.22	AAA
—Additional 10% house price decline	53.82	47.78	AA+
—Additional 15% house price decline	64.54	56.66	A+

Sensitivity analysis

As house price movements are only one factor that may affect a transaction's foreclosure rate and loss severity, in this section we assess whether the rated notes would continue to pay timely interest and repay full principal by the legal final maturity of the rated bonds, under different combinations of WAFF and WALS and prepayment rates. We have constructed the various sensitivities in such a way as to test the transaction's sensitivity to different combinations that may be more or less severe than the 'AAA' stress assumptions. As a number of reasons may lead to an increase in WAFF or WALS, we attempt to show the sensitivity of the 'AAA' rating to movements in these factors.

If the notes fail any of these scenarios, we examine the level of interest and principal shortfalls and calculate the present value of the cash flows (after taking into consideration any shortfalls that may arise) using the cost of the rated notes as the discount factor and a combination of other different discount factors, i.e., the cost of the rated notes plus 100 bps, the cost of the rated notes plus 200 bps, and the cost of the rated notes plus 300 bps.

We further provide the expected weighted-average life for each note in these scenarios. Note that in this part of the analysis, the stresses we apply are hypothetical and may differ from future default rates, loss probabilities, or prepayment rates in the pool.

The scenarios in our sensitivity analysis

In this sensitivity analysis we provide different combinations of WAFF and WALS. Combination 1 assumes 50% WAFF and 45% WALS. Combination 2 assumes 34.03% WAFF and 47.67% WALS. Combination 3 assumes 60% WAFF and 55% WALS. The results obtained from the different combinations may also be affected by some features included in the structure like the deferral of interest based in cumulative default triggers, which may produce temporary shortfalls if certain levels of defaults are hit.

We further assume two constant prepayment rate levels: 20% and 10%. Lastly, these tests assume a forward interest rate curve and we present sensitivities assuming four different discount factors, i.e., the cost of the rated notes, the cost of the rated notes plus 100 bps, the cost of the rated notes plus 200 bps, and the cost of the rated notes plus 300 bps.

In all these scenarios, the analysis would imply that the notes would be able to pay timely interest and repay full principal on or before the notes' legal final maturity date if the present value of cash flows discounted with the cost of the notes is 100%. Nevertheless, if this ratio is below 100% and there are no principal or interest losses, this means that there are some temporary shortfalls that are cured on the following payment dates.

Table 8

Sensitivity Analysis

Parameter 1: WAFF/WALS (%)	Parameter 2: Prepayment levels (%)	Parameter 3: Interest rate levels	Principal loss (mil. €)	Interest loss (mil. €)	WAL (years)	PV of cash flows (%)*	PV of cash flows (%)¶	PV of cash flows (%)§	PV of cash flows (%)**
WAFF/WALS combination 1									
50%/45%	20	Forward interest rate	9.74	0.00	3.674	99.95	96.79	93.80	90.95
50%/45%	10	Forward interest rate	3.08	0.00	5.204	100.15	95.82	91.81	88.07
WAFF/WALS combination 2									
34.03%/47.67%	20	Forward interest rate	0.00	0.00	3.659	100.14	96.87	93.78	90.86
34.03%/47.67%	10	Forward interest rate	0.00	0.00	5.838	100.24	95.47	91.10	87.07
WAFF/WALS combination 3									
60%/55%	20	Forward interest rate	128.53	0.00	6.735	97.78	94.09	90.71	87.61
60%/55%	10	Forward interest rate	123.14	0.00	7.978	97.94	93.27	89.04	85.18

*Discounted with the cost of the notes. If the present value of cash flows discounted with the cost of the notes ratio is below 100% and there are no principal or interest losses, this means that there are some temporary shortfalls that are cured on following payment dates. ¶Discounted with the cost of the notes plus 100 bps. §Discounted with the cost of the notes plus 200 bps. **Discounted with the cost of the notes plus 300 bps. WAL—Weighted average life. PV—Present value.

In reality, where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee may call an event of default. This could lead to multiple events, such as the senior fees of the transaction stepping up, the swap terminating (with the issuer needing to make termination payments), and the post-enforcement priority of payments being applied. All of these events may affect the transaction cash flows.

For the purposes of the analysis above, we made a simplified assumption that the trustee would not call an event of default and that the swap would not terminate. As we continue to refine our scenario analysis, we will provide further analysis to assess the sensitivity of other risk factors that may affect the ratings on RMBS transactions.

Surveillance

The key performance indicators in the surveillance of this transaction are:

- Total and 90-day delinquencies;
- Cumulative realized losses;
- LTV ratios and seasoning;
- Constant prepayment rates;
- Supporting parties' credit risk evolution; and
- Increases in credit enhancement for the notes.

Delinquencies and severe delinquencies for BBVA transactions are below the Spanish RMBS index (see charts 5 and 6).

Chart 5

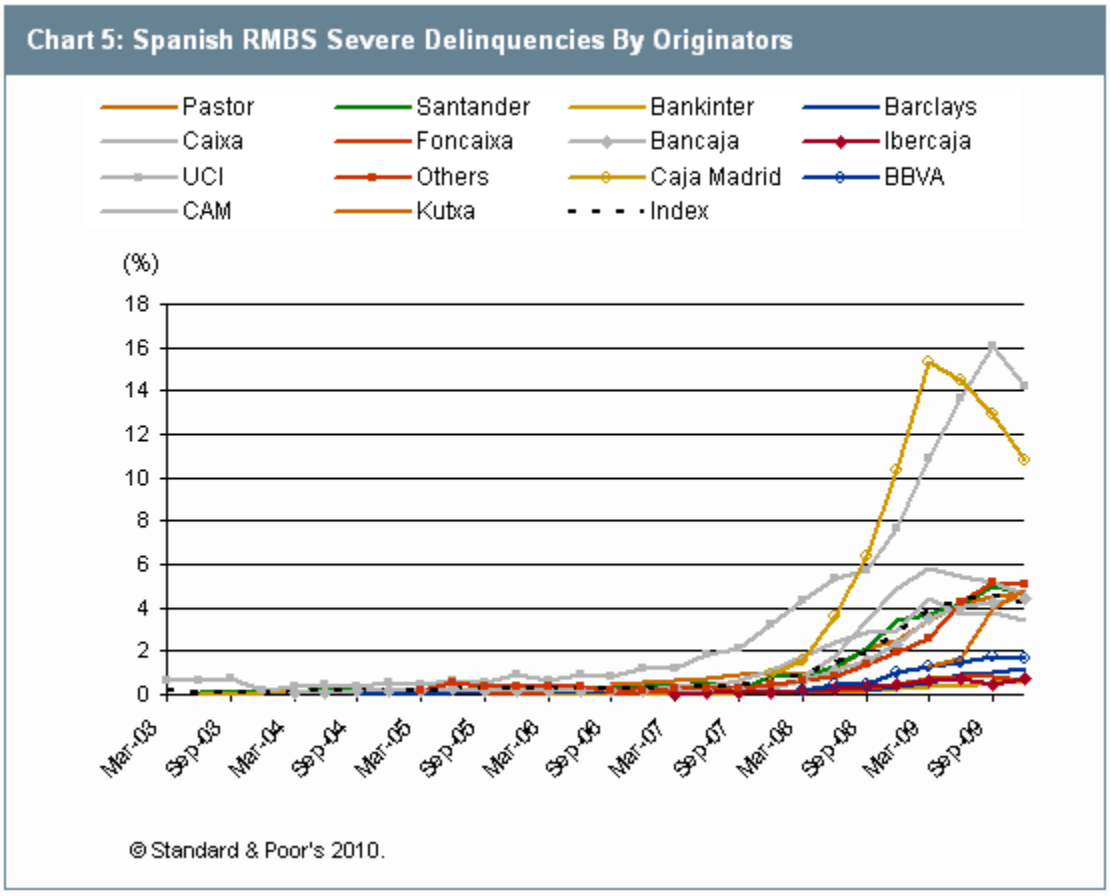


Chart 5: Spanish RMBS Severe Delinquencies By Originators
Pastor
Santander
Bankinter
Barclays
Caixa
Foncaixa
Bancaja
Ibercaja
UCI
Others
Caja Madrid
BBVA
CAM
Kutxa
Index
(%)
18
16
14
12
10
8
6
4
2
0
Mar-03
Sep-03
Mar-04
Sep-04
Mar-05
Sep-05
Mar-06
Sep-06
Mar-07
Sep-07
Mar-08
Sep-08
Mar-09
Sep-09
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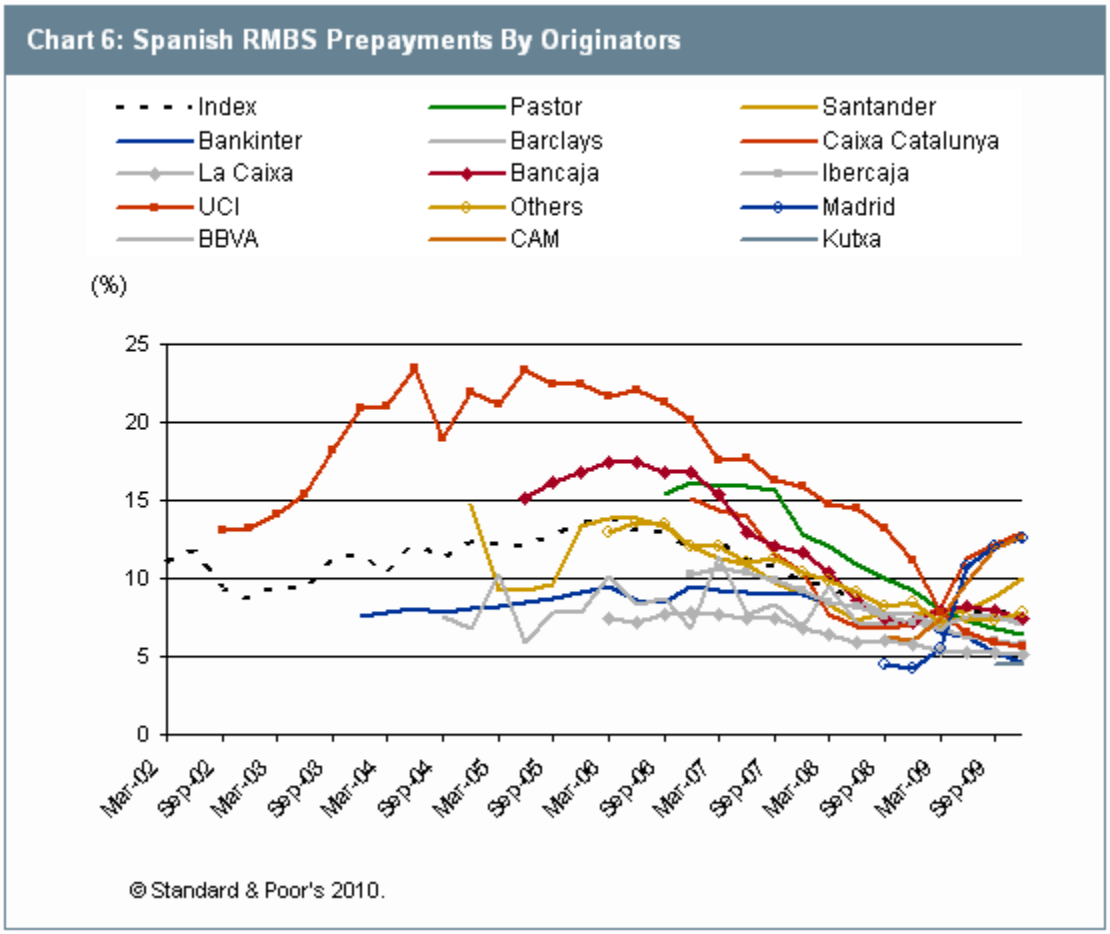
Chart 6



Related Criteria And Research

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- Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology: Updated Counterparty Criteria For Derivatives: Eligibility of 'A-2' Counterparties Removed in 'AAA' transactions, Oct. 22, 2008
- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- Preliminary Ratings Assigned In BBVA RMBS 9 FTA, Spanish RMBS Deal, April 13, 2010
- New Issue: BBVA RMBS 5 Fondo de Titulizacion de Activos, June 16, 2008
- Spanish RMBS Index Reports (published quarterly)

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