



**Rating Action: Moody's upgrades 169 tranches in 96 Spanish RMBS deals**

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Madrid, June 29, 2018 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of 169 tranches, affirmed the ratings of 146 tranches and confirmed the ratings of 12 tranches in 99 Spanish RMBS.

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF472507](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF472507) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

**RATINGS RATIONALE**

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF472507](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF472507) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

- Principal Methodology Used
- Key Rationale for Action
- Constraining factors on the ratings

Increase in the local-currency country ceiling

Today's rating action on various Spanish RMBS transactions concludes the review process for 99 transactions that was initiated on 25 April 2018 (see [http://www.moodys.com/viewresearchdoc.aspx?docid=PR\\_382740](http://www.moodys.com/viewresearchdoc.aspx?docid=PR_382740) ) following Moody's upgrade of the Government of Spain's ("Spain") local-currency bond ceiling to Aa1 from Aa2. This local-currency bond ceiling upgrade followed the upgrade of the Government of Spain's issuer and bond ratings to Baa1 with a stable outlook from Baa2. As a result of this upgrade, the Spanish structured finance ratings are now capped at Spain's local currency bond ceiling of Aa1.

For full details, please refer to the sovereign press release: [http://www.moodys.com/viewresearchdoc.aspx?docid=PR\\_381868](http://www.moodys.com/viewresearchdoc.aspx?docid=PR_381868).

Increased levels of credit enhancement

Sequential amortization and/or a non-amortising reserve fund has led to the increase in the credit enhancement available in some transactions.

Counterparty exposure

Following the upgrade of Spain's sovereign rating, some Spanish Banks Long Term deposit bank ratings and Counterparty Risk Assessments (CR assessments) were also upgraded (see "Moody's takes rating actions on Spanish banks", published on 17 April 2018). Full details of the banks' ratings upgrades can be found at [http://www.moodys.com/viewresearchdoc.aspx?docid=PR\\_382149](http://www.moodys.com/viewresearchdoc.aspx?docid=PR_382149).

Today's rating actions took into consideration the notes' exposure to relevant counterparties, such as servicers, account banks or swap providers.

Moody's considered how the liquidity available in the transactions and other mitigants support continuity of notes payments, in case of servicer default, using the CR assessment as a reference point for servicers.

Moody's assessed commingling risk in the transactions, taking CR assessment as reference point. Moody's does not incorporate expected commingling loss if the risk is deemed immaterial such as cases where the servicer is rated at or above Baa2 and the exposure is limited to one month of lost collection.

Moody's assessed the rating cap to apply to the structured finance transactions in relation to account bank exposure by referencing the bank's deposit rating.

Moody's assessed the exposure to the swap counterparties. Moody's considered the risks of additional losses

on the notes if they were to become unhedged following a swap counterparty default by using CR assessment as reference point for swap counterparties.

The analysis undertaken by Moody's at the initial assignment of ratings for RMBS securities 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.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than Moody's expected, (2) deleveraging of the capital structure, (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk (2) performance of the underlying collateral that is worse than Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

## REGULATORY DISCLOSURES

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- Releasing Office
- Lead Analyst
- Person Approving the Credit Rating

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

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The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at [www.moody's.com](http://www.moody's.com), for each of the ratings covered, Moody's disclosures on the lead rating analyst and the Moody's legal entity that has issued the ratings.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

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