Moody's
INVESTORS SERVICE
Rating Action: Moody's upgrades 7 notes in 4 Spanish BBVA RMBS Transactions

Global Credit Research - 06 Oct 2014

Madrid, October 06, 2014 -- Moody’s Investors Service has today upgraded the ratings of 7 notes in 4 Spanish RMBS: BBVA RMBS 5, FTA; BBVA RMBS 9, FTA; BBVA RMBS 10, FTA and BBVA RMBS 11, FTA.

Today's rating action concludes the review of the notes placed on review on 17 March 2014, following the upgrade of the Spanish sovereign rating to Baa2 from Baa3 and the resulting increase of the local-currency country ceiling to A1 from A3 (http://www.moodys.com/viewresearchdoc.aspx?docid=PR_292078). The sovereign rating upgrade reflected improvements in institutional strength and reduced susceptibility to event risk associated with lower government liquidity and banking sector risks.

Please refer to the end of the Ratings Rationale section for a list of affected ratings.

RATINGS RATIONALE

Today's rating action reflects (1) the increase in the Spanish local-currency country ceiling to A1 and (2) sufficiency of credit enhancement in the affected transactions.

Today's rating action also reflects the correction of a model input error. In prior rating actions, the recovery rate input in the model was inconsistent with the MILAN input, therefore the tail of the asset loss distribution was generated incorrectly. The model has now been adjusted, and today's rating action reflects this change.

-- Reduced Sovereign Risk

The Spanish sovereign rating was upgraded to Baa2 in February 2014, which resulted in an increase in the local-currency country ceiling to A1. The Spanish country ceiling, and therefore the maximum rating that Moody’s will assign to a domestic Spanish issuer including structured finance transactions backed by Spanish receivables, is A1 (sf).

The increase of credit enhancement combined with stable performance and the reduction in sovereign risk has prompted the upgrade of the notes.

-- Key collateral assumptions

The key collateral assumptions have not been updated as part of this review. The performance of the underlying asset portfolios remain in line with Moody's assumptions. Moody’s also has a stable outlook (http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF373727) for Spanish ABS and RMBS transactions.

Sensitivity of the ratings to increases in key collateral assumptions has been incorporated into the quantitative analysis. The increases included stresses of 1.3x Expected Loss and 1.2x Milan. Sensitivity analysis would typically expect to see the ratings reduce by no more than two to three notches using these stressed assumptions.

-- Exposure to Counterparties

Moody’s rating analysis also took into consideration the exposure to Banco Bilbao Vizcaya Argentaria, S.A. (Baa2/P-2) acting as servicer and issuer account bank in the four transactions.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in March 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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) further reduction in sovereign risk, (2) performance of the underlying collateral that is better than Moody’s expected, (3) deleveraging of the capital structure and (4) improvements in the credit quality of the transaction counterparties.

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 expects, (3) deterioration in the notes’ available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

LIST OF AFFECTED RATINGS

Issuer: BBVA RMBS 5, FTA

- EUR4675M A Notes, Upgraded to A2 (sf); previously on Mar 17, 2014 Baa2 (sf) Placed Under Review for Possible Upgrade

Issuer: BBVA RMBS 9, FTA

- EUR1295M A Notes, Upgraded to A1 (sf); previously on Mar 17, 2014 A3 (sf) Placed Under Review for Possible Upgrade

Issuer: BBVA RMBS 10, FTA

- EUR1376M A Notes, Upgraded to A1 (sf); previously on Mar 17, 2014 A3 (sf) Placed Under Review for Possible Upgrade
- EUR224M B Notes, Upgraded to Baa3 (sf); previously on Mar 17, 2014 B1 (sf) Placed Under Review for Possible Upgrade

Issuer: BBVA RMBS 11, FTA

- EUR1204M A Notes, Upgraded to A1 (sf); previously on Mar 17, 2014 Baa1 (sf) Placed Under Review for Possible Upgrade
- EUR119M B Notes, Upgraded to Ba1 (sf); previously on Mar 17, 2014 Ba2 (sf) Placed Under Review for Possible Upgrade
- EUR77M C Notes, Upgraded to Ba3 (sf); previously on Mar 17, 2014 B3 (sf) Placed Under Review for Possible Upgrade

REGULATORY DISCLOSURES

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.

Moody’s did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

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.

As the section on loss and cash flow analysis describes, 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 rating action on the support provider and in relation to each particular 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.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody’s legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Maria Turbica Manrique
Asst Vice President - Analyst
Structured Finance Group
Moody’s Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Annabel Schaafsma
Associate Managing Director
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Carole Bernard
VP - Senior Analyst
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody’s Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454
To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use such information, even if MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY’S.

To the extent permitted by law, MOODY’S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY’S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY’S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody’s Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS’s ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY’S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY’S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY’S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY’S credit rating. If in doubt you should contact your financial or other professional adviser.