New Issue: BBVA RMBS 14, Fondo de Titulizacion de Activos

€700 Million Residential Mortgage-Backed Floating-Rate Notes

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Related Criteria And Research
New Issue: BBVA RMBS 14, Fondo de Titulizacion de Activos

€700 Million Residential Mortgage-Backed Floating-Rate Notes

Ratings Detail

<table>
<thead>
<tr>
<th>Class</th>
<th>Rating*</th>
<th>Amount as of closing (mil. €)</th>
<th>Available credit enhancement (%)§</th>
<th>Interest</th>
<th>Legal final maturity</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>A- (sf)</td>
<td>637.00</td>
<td>14.00</td>
<td>Three month EURIBOR plus 0.30%</td>
<td>June 24, 2055</td>
</tr>
<tr>
<td>B</td>
<td>B- (sf)</td>
<td>63.00</td>
<td>5.00</td>
<td>Three month EURIBOR plus 0.40%</td>
<td>June 24, 2055</td>
</tr>
</tbody>
</table>

*Standard & Poor's ratings address timely interest and ultimate principal payment. §The credit enhancement figures also include the reserve fund amount. EURIBOR--Euro Interbank Offered Rate.

Transaction Participants

Issuer BBVA RMBS 14, Fondo de Titulizacion de Activos
Originator Banco Bilbao Vizcaya Argentaria S.A.
Servicer Banco Bilbao Vizcaya Argentaria S.A.
Trustee (Gestora) Europea de Titulización SGFT S.A.
Bank account provider Banco Bilbao Vizcaya Argentaria S.A.
Paying agent Banco Bilbao Vizcaya Argentaria S.A.

Supporting Ratings

<table>
<thead>
<tr>
<th>Institution/role</th>
<th>Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco Bilbao Vizcaya Argentaria S.A. as the bank account provider and servicer.</td>
<td>BBB/Stable/A-2</td>
</tr>
</tbody>
</table>

Transaction Key Features (Pool As Of Nov. 4, 2014)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing date</td>
<td>Nov. 24, 2014</td>
</tr>
<tr>
<td>Collateral as of closing (mil. €)</td>
<td>817.19</td>
</tr>
<tr>
<td>Description</td>
<td>Residential mortgage loans that BBVA S.A. originated and granted to acquire Spanish protected properties or Viviendas de Proteccion Oficial (VPO)</td>
</tr>
<tr>
<td>Country of origination</td>
<td>Spain</td>
</tr>
<tr>
<td>Synthetic/cash</td>
<td>Cash</td>
</tr>
<tr>
<td>Revolving/static</td>
<td>Static</td>
</tr>
<tr>
<td>Concentration (percentage of principal balance; %)</td>
<td>Madrid (31.51), Andalucia (17.28), Castilla la Mancha (14.27), and Valencia (10.81)</td>
</tr>
<tr>
<td>Average loan size by balance (€)</td>
<td>79,625</td>
</tr>
<tr>
<td>Weighted-average asset seasoning (months)</td>
<td>59.29</td>
</tr>
<tr>
<td>Weighted-average asset remaining term (months)</td>
<td>242.74</td>
</tr>
<tr>
<td>Weighted-average interest rate (%)</td>
<td>2.74</td>
</tr>
<tr>
<td>No. of loans</td>
<td>10,263</td>
</tr>
<tr>
<td>Weighted-average original loan-to-value ratio (%)</td>
<td>78.42</td>
</tr>
<tr>
<td>Weighted-average current loan-to-value ratio (%)</td>
<td>69.98</td>
</tr>
</tbody>
</table>
Transaction Key Features (Pool As Of Nov. 4, 2014) (cont.)

<table>
<thead>
<tr>
<th>Feature</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not full-employed borrowers (%)</td>
<td>20.54</td>
</tr>
<tr>
<td>Loans granted for second homes (%)</td>
<td>0</td>
</tr>
<tr>
<td>Broker/agent originated loans (%)</td>
<td>0</td>
</tr>
<tr>
<td>Loans with an option to have balloon payment (%)</td>
<td>0</td>
</tr>
<tr>
<td>Loans with actual balloon payments (%)</td>
<td>0</td>
</tr>
<tr>
<td>Loans with an option to change to fixed-rate interest from floating-rate</td>
<td>0</td>
</tr>
<tr>
<td>Plan de Vivienda 2005-2008 (B.O.E. publication rate) (%)</td>
<td>87.47</td>
</tr>
<tr>
<td>Plan de Vivienda 2009-2012 (EURIBOR 12-month rate) (%)</td>
<td>12.53</td>
</tr>
</tbody>
</table>

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to BBVA RMBS 14, Fondo de Titulizacion de Activos' class A and B notes.

BBVA RMBS 14 is a securitization of a pool of approximately 10,263 first-lien Spanish residential mortgage loans, which BBVA originated. The pool comprises solely mortgage loans for the acquisition of protected properties or Viviendas de Proteccion Oficial (VPO). A VPO loan is a Spanish mortgage loan granted as part of a government sponsored program aimed at assisting lower-income households. The securitized loans in this transaction are part of the "Plan Estatal de Vivienda 2005-2008" and "Plan de Vivienda y Rehabilitacion 2009-2012" programs. Approximately 39.6% of the borrowers benefit from available subsidies through monthly payments from national and local authorities. We believe the profile of these programs' borrowers is weaker than standard residential mortgage-backed securities (RMBS) borrowers, due to their lower incomes. We have considered these factors in our analysis.

BBVA RMBS 14 issued two classes of residential mortgage-backed floating-rate notes. The transaction combines interest and principal into a single priority of payments, with an interest deferral trigger for the class B notes if cumulative defaults reach 4% of the original collateral balance. A fully funded reserve, representing 5% of the notes' initial balance, provides credit enhancement during the transaction's life.

The securitized portfolio is static, as the issuer will not purchase new loans during the transaction's life. The class A and B notes amortize sequentially.

At closing, the loans had a seasoning of 59.29 months. All the loans of the pool was originated under particular housing programs, and the properties are protected or VPO. Loans under these programs are plain vanilla amortizing loans (no balloon payment, payment holidays, etc.) for the acquisition of first homes.

Since we assigned preliminary ratings to this transaction, the arranger has not made any material structural changes.
Rating Rationale

In our credit analysis, we considered the borrowers' credit characteristics. We have calculated our default and recovery rate expectations for the portfolio by determining our weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) assumptions through applying our criteria for Spanish RMBS ("RMBS criteria"; see "Italy And Spain RMBS Methodology And Assumptions," published on Sept. 18, 2014).

We have also considered our outlook on the Spanish economy and real estate sector by projecting arrears in our default calculations. In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our RMBS criteria, to reflect this view (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on Sept. 18, 2014). We base these assumptions on our expectations of modest economic growth, continuing high unemployment, and further falls in house prices for the remainder of 2014, which will then level off in 2015.

We have assessed the transaction's documented structural features by applying our RMBS criteria. Our ratings reflect the available credit enhancement (provided through the notes' subordination features and the reserve fund available to the rated notes), the notes' amortization features, and the class B notes' interest deferral trigger based on the performance of the securitized portfolio. Our analysis indicates that the available credit enhancement for the class A and B notes (14% and 5%, respectively) is sufficient to mitigate their exposure to credit and cash flow risks at 'A' and 'B-' rating levels, respectively, under our RMBS criteria.

Under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating. Criteria (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 pay timely interest and repay principal by legal final maturity.

Our RAS criteria designate the country risk sensitivity for RMBS as 'moderate'. Under our RAS criteria, transactions could be rated up to four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a "severe" stress (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

As our long-term rating on the Kingdom of Spain is 'BBB', our RAS criteria cap at 'A+ (sf)' the maximum potential ratings in this transaction.

Under our RAS criteria, the class A notes have sufficient credit enhancement to withstand, in our cash flow analysis, the severe stress scenario up to 'A- (sf)', which is up to two notches above the rating of the sovereign. Our RAS criteria therefore cap at 'A- (sf)' our rating on the class A notes.

Following the application of our RAS criteria and our RMBS criteria, we have determined that our rating on the class A notes is 'A- (sf)', which is the lower of (i) the rating as capped by our RAS criteria and (ii) the rating that the class of notes can attain under our RMBS criteria.
Our rating on the class B notes is not constrained by the rating on the sovereign. Based on our credit and cash flow analysis, we have assigned a 'B- (sf)' rating to the class B notes.

There is no interest hedge mechanism in the transaction. Therefore, we have stressed the basis risk between the assets and the liabilities. Consequently, we have also made assumptions for margin compression in our cash flow analysis.

We have not stressed commingling risk as a loss in this transaction because the transaction documents establish that, if we lower our ratings on the servicer below a defined trigger, certain remedies would be taken, which are in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

The transaction is exposed to counterparty risk through BBVA as bank account provider, paying agent, and servicer. Under our current counterparty criteria, the exposure to BBVA as bank account provider is classified as "bank account (limited)." Under these criteria, the transaction's documented rating requirements for BBVA under its different roles and its replacement mechanisms adequately mitigate its exposure to counterparty risk at the 'A- (sf)' rating level.

Legal risk is mitigated in this transaction. We consider the issuer to be a bankruptcy-remote entity, in line with our European legal criteria, and the assets were transferred to the issuer by a true-sale at closing (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on Sept. 13, 2013).

**Strengths, Concerns, And Mitigating Factors**

**Strengths**
- The notes are secured on first-ranking Spanish residential mortgage loans.
- The class A notes' available credit enhancement arises from the class B notes' subordination, potential excess spread, and a cash reserve. The class B notes benefit from potential excess spread and the protection of the cash reserve.
- The notes always amortize sequentially. The issuer pays the class A notes' principal before the class B notes.
- BBVA's strict underwriting criteria at the branch level aim to ensure that the collateral is of good credit quality.
- BBVA is experienced as a servicer. It has issued 14 RMBS transactions, as well as a number of commercial mortgage-backed securities, collateralized debt obligations, and asset-backed securities (including auto, consumer, and leasing transactions). It has also participated in plain vanilla covered bond transactions. Under our operational risk criteria, we consider this key participant to have low severity and portability risk.
- The servicer writes off loans that are in arrears for more than 18 months. This facilitates an early excess spread trapping mechanism.
- In order to mitigate the lag between when the borrower pays installments and when the subsidy collection (usually received with a five-month lag) is received, BBVA will pay the subsidy amount to the issuer, regardless of when it receives the monthly subsidy from the Spanish government for current loans.

**Concerns and mitigating factors**
- Available excess spread for the issuer may decrease as a result of different factors affecting the collateral. In our cash flow model, we have stressed coupon and margin compression in the collateral.
- The notes will pay three-month Euro Interbank Offered Rate (EURIBOR) with quarterly resetting, and assets will pay an index related to #?ndices de Referencia de Préstamos Hipotecarios (IRPH all credit institutions) with an uncertain resetting schedule and 12-month EURIBOR with a yearly resetting schedule. In our cash flow model, we
have stressed the collateral's exposure to basis risk.

- The reserve fund can start amortizing after three years. Subject to a floor (minimum level) of half of its initial value, the transaction would need to meet certain conditions to amortize the reserve fund, under the transaction documents (see "Cash reserve").
- All of the loans in the pool correspond to low-income households. We believe the profile of these programs' borrowers is weaker than standard RMBS borrowers. We have increased the foreclosure frequency of these loans in our credit analysis.
- Of the loans in the pool, 38.67% benefit from a subsidy through monthly payments from national authorities. We would expect these borrowers to suffer a payment shock once the subsidy period ends, given the profile of these programs' borrowers. We have increased the foreclosure frequency of these loans in our credit analysis. Additionally, as our long-term rating on Spain is BBB, we have assumed that 100% of the cash flows coming from the government to cover the subsidy portion of the installment would be lost under rating scenarios that are above the rating of the country.
- Of the loans in the pool, 20.54% represent borrowers with no permanent incomes. We have increased the foreclosure frequency of these loans in our credit analysis.

**Transaction Structure**

At closing, the originator sold a €700 million pool of residential mortgage loans to the issuer. The originator granted these loans to individuals to finance protected properties located in Spain. The securitized loans in this transaction are part of the "Plan Estatal de Vivienda 2005-2008" and "Plan de Vivienda y Rehabilitacion 2009-2012" programs.

Spanish mortgage securitization law requires the notes to be issued by a "fondo". The transaction's manager is 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 14's only functions are to buy the 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 in connection with the performance of the mortgages.

Borrowers pay into the collection account, which is held with the originator. The collection account provider periodically transfers any funds from the collection account to the bank account in the fund's name, which is held with BBVA.
Payment Structure And Cash Flow Analysis

Priority of payments
Provided that an enforcement notice has not occurred, BBVA RMBS 14 distributes the available funds in the following order:

- Taxes (if any), senior fees, and expenses;
- The servicer's fee, if BBVA is replaced as the servicer;
- The class A notes' interest;
- The class B notes' interest, if not deferred;
- The class A notes' principal amortization;
- The class B notes' principal amortization;
- The class B notes' interest, if deferred;
- The cash reserve's replenishment to its required balance under the transaction documents;
- The subordinated loan's interest;
• The subordinated loan's principal;
• The subordinated loan's interest for initial expenses;
• The subordinated loan's principal for initial expenses;
• The servicer’s fee;
• Financial margin.

The class A and B notes amortize sequentially.

**Interest deferral trigger**
Under the transaction documents, the issuer can defer the class B notes' interest on an interest payment date if:

• The class A notes are still outstanding;
• The cumulative default balance is more than 4% of the initial collateral balance.

**Amortization amount**
The amount of principal due under the notes amounts to the difference between the outstanding balance of the notes and that of the assets (excluding loans in arrears for more than 18 months).

**Cash reserve**
At closing, the account provider held the cash reserve account in the issuer's name. The cash reserve's initial amount was €35 million, funded through a subordinated loan. Three years after closing, under the documentation, the reserve's required balance can decrease to the minimum of:

• The initial reserve fund amount; and
• The higher of 5% of the notes' outstanding balance and €17.5 million.

Under the transaction documents, the issuer cannot reduce the required reserve if:

• The reserve amount is either at, or above its required balance under the documentation on the previous payment date;
• Arrears exceed 1% of the outstanding collateral balance (excluding defaults).
• Three years have not elapsed since closing.

**Collateral Description**
The pool comprises Spanish residential mortgage loans, which BBVA granted to Spanish residents to purchase first homes protected properties (VPO) in Spain. The transaction documents require all loans and borrowers in the securitized pool to comply with their documented criteria. The assets' main representations are as follows:

• The borrowers are Spanish residents.
• The borrowers are not the originator's employees.
• The underlying properties are not in construction, are located in Spain, and have appraisals in line with mortgage market legislation.
• Borrowers pay installments by direct debit.
• The loans are fully payable before March 16, 2051.
• That loans are all euro-denominated, and the originator has fully disbursed the capital.
• At closing, at least two interest installments have fallen due on each loan.
The loans are not an extension, or restructuring, of previous loans in arrears. None of the loans at closing has unpaid amounts for more than one month.

As of Nov. 4, 2014, the collateral amounted to €817.19 million, with 10,263 loans. The aggregated weighted-average loan-to-value (LTV) ratio was 66.65%, and the loans' weighted-average seasoning was 59.29 months.

Chart 2

© Standard & Poor's 2014.
Chart 3

LTV Ratio Distribution

Percentage of the pool by balance

LTV--Loan-to-value.
© Standard & Poor's 2014.
The transaction's average loan size is €79,625. About 87.47% was originated under "Plan de Vivienda 2005-2008" and pays a variable interest rate, which resets every year, whenever the authorities publish the update on the official gazette, Boletin Oficial del Estado (B.O.E.). The Cabinet defines the rate as the average of the last three IRPH (mortgage lending reference rates) reduced by a 0.9175 factor. The rest of the pool was originated under the "Plan de Vivienda 2009-2012". It pays a rate equivalent to 12-month EURIBOR plus a margin, which resets every year.

None of the loans in the pool benefit from the features observed in other BBVA RMBS transactions, which are exposed to loans that have the option to have balloon payments, changes from floating-rate to fixed-rate interest, and can request payment holidays. The Real Decree for each housing program defines the loans' terms and conditions.

Of the pool's borrowers, 20.54% are self-employed. This category includes temporarily employed borrowers, unemployed, housewives, trainees, and students, among others.

**Credit Analysis**
Collateral risk assessment
In our credit analysis of the portfolio, we took into account the assets' and borrowers' features. We have determined our default and recovery rate expectations for the portfolio, based on our weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) assumptions by applying our RMBS criteria (see "Related Criteria"). We have also taken into account our economic outlook for Spain by projecting arrears in our portfolio default calculation.

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

The WAFF and WALS estimates increase as the required rating level increases. This is because the higher the rating required on the notes, the higher the level of mortgage default and loss severity the borrower should be able to withstand. We base our credit analysis on the characteristics of the loans and the associated borrowers. Table 1 shows our WAFF and WALS assumptions for this transaction

<table>
<thead>
<tr>
<th>Rating level</th>
<th>WAFF (%)</th>
<th>WALS (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>21.36</td>
<td>37.71</td>
</tr>
<tr>
<td>AA</td>
<td>15.79</td>
<td>32.24</td>
</tr>
<tr>
<td>A</td>
<td>12.80</td>
<td>21.87</td>
</tr>
<tr>
<td>BBB</td>
<td>9.32</td>
<td>15.71</td>
</tr>
<tr>
<td>BB</td>
<td>5.83</td>
<td>11.32</td>
</tr>
</tbody>
</table>

Cash flow analysis
We ran our credit analysis results and applied additional transaction-specific stresses in our cash flow model, to reflect the capital structure. We conducted our cash flow analysis by applying standard stresses in line with our RMBS criteria.

Our analysis indicates that the available credit enhancement for the class A and B notes (14% and 5%, respectively) is sufficient to mitigate their exposure to credit and cash flow risks at 'A' and 'B-' rating levels, respectively.

Default patterns and timing of defaults
The WAFF at each rating level specifies the total balance of the mortgage loans that we assume to default during the transaction's life. Our RMBS criteria assume that defaults occur periodically to match the payment profile of the mortgage loans. The timing of defaults follows two paths, referred to as "front-loaded" (i.e., concentrated toward the earlier stage of a transaction) and "back-loaded" (i.e., concentrated toward the later stage of a transaction), with the defaults occurring over a three-year recession period.

To simulate the effects of varying recession timings, the criteria envisage two different starting points for the recession
period in the first column of table 2: (i) at inception, and (ii) at the end of the third year.

Table 2
Default Timing For Front-Loaded And Back-Loaded Default Curves

<table>
<thead>
<tr>
<th>Recession periods (months)</th>
<th>Front-loaded defaults (percentage of WAFF applied in each month)</th>
<th>Back-loaded default (percentage of WAFF applied in each month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 6</td>
<td>5</td>
<td>0.8</td>
</tr>
<tr>
<td>7 to 12</td>
<td>5</td>
<td>0.8</td>
</tr>
<tr>
<td>13 to 18</td>
<td>3.3</td>
<td>1.7</td>
</tr>
<tr>
<td>19 to 24</td>
<td>1.7</td>
<td>3.3</td>
</tr>
<tr>
<td>25 to 30</td>
<td>0.8</td>
<td>5.0</td>
</tr>
<tr>
<td>31 to 36</td>
<td>0.8</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Recovery timing
We have assumed that the issuer regains any recoveries 42 months after a payment default in Spanish RMBS transactions.

We always base the WALS that we use in a cash flow model on principal loss, including costs. We 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 of the liabilities (a notable exception is when a transaction relies on overcollateralization). Other structural mechanisms in the transaction address the interest reduction created by the defaulted mortgages during the foreclosure period.

Delinquencies
To model the liquidity stress that results from short-term delinquencies, the criteria include a hypothetical delay of a proportion of scheduled interest and principal receipts equal to one-third of the WAFF. Modeling applies this delay in each month of the first 18 months of a hypothetical recession and sets full recovery of the arrears to take place 36 months after the delinquency occurs. The cash flow stress for delinquencies is independent of the arrears adjustment to the WAFF.

Interest, basis risk, and prepayment rates
Our RMBS criteria apply a wide range of different interest rate curves, and our modeling uses five different interest rate paths: (i) up, (ii) down, (iii) up/down, (iv) down/up, and (v) forward. These curves vary by stress scenario.

We assume prepayment rates in accordance with our RMBS criteria.

The combination of default timings, interest rates, and prepayment rates described above gives rise to different scenarios. Our ratings reflect the notes’ timely payment of interest and ultimate principal under each of these scenarios at the assigned rating level.

Commingling stress
If the servicer becomes insolvent, commingling risk could arise. There is one month’s exposure to the originator. In Spanish RMBS transactions, we address this risk through a loss stress of one month of interest, principal, and prepayment collections. We consider the transaction’s commingling risk exposure to be minimal, being mitigated through the downgrade language in the servicing agreement. If the long-term rating on BBVA falls below ‘BBB-', the
issuer will either find a guarantor with a minimum rating of 'BBB-', or establish a commingling reserve. The commingling reserve's amount will equal one month of interest and scheduled principal collections plus prepayments based on the maximum of a 12% constant prepayment rate (CPR), and the collateral's historical CPR.

Minimum servicing fee
We modeled a minimum servicing fee of 50 basis points because, if the servicer were to default or cease to perform its obligations, we assume that the issuer would need to replace the servicer and pay the back-up servicer at a standard market rate.

Yield compression
For the portion of the pool reference to "Plan de Vivienda 2008-2012" we have also considered default risk for some of the highest paying loans in the portfolio due to a vast range of spread levels that the securitized assets pay. This asset spread distribution could affect the issuer's ability to service the rated notes over time, as it could lead to a yield decrease if the highest-yielding assets were to default first. We therefore tested these scenarios with asset yield compression over time.

Basis risk
There is no swap contract in the transaction to hedge the mismatch between the interest received under the securitized assets and the interest paid under the notes. In our analysis, we considered the effect of fluctuating interest rates on the rated notes. The underlying mortgage loans incur interest based on 12-month EURIBOR resetting yearly and reference rate for "Plan de Vivienda 2005-2008" resetting whenever the authorities published the updated value (mostly annually), but the securities pay interest based on three-month EURIBOR. We have considered the distribution of the historical differences between these rates, calculated by taking the highest three-month EURIBOR over the previous three-month period and the lowest 12-month EURIBOR and "Plan de Vivienda 2005-2008" rate value for each point in the data set.

Subsidy
Currently Spain, as subsidy provider, and BBVA as liquidity facility provider of the subsidy amounts, have a 'BBB' long-term rating. We assume that 100% of the cash flows coming from the government or BBVA to cover the subsidy portion of the borrower installment would be lost under rating scenarios above our rating on Spain and BBVA.

Sovereign Risk
Under our 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 pay timely interest and repay principal by legal final maturity.

Our RAS criteria designate the country risk sensitivity for RMBS as 'moderate'. Under our RAS criteria, transactions could be rated up to four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a "severe" stress (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe and extreme levels of economic stress).

As our long-term rating on the Kingdom of Spain is 'BBB', our RAS criteria cap at 'A+ (sf)' the maximum potential
ratings in this transaction.

Under our RAS criteria, the class A notes have sufficient credit enhancement to withstand, in our cash flow analysis, the severe stress scenario up to 'A- (sf)', which is up to two notches above the rating of the sovereign. Our RAS criteria therefore cap at 'A- (sf)' our rating on the class A notes.

Following the application of our RAS criteria and our RMBS criteria, we have determined that our assigned rating on the class A notes is 'A- (sf)', which is the lower of (i) the rating as capped by our RAS criteria and (ii) the rating that the class of notes can attain under our RMBS criteria.

Our rating on the class B notes is not constrained by the rating on the sovereign. Based on our credit and cash flow analysis, we have assigned a 'B- (sf)' rating to the class B notes.

**Monitoring And Surveillance**

We will surveil the transaction periodically until the rated notes mature or are otherwise retired. To do this, we will review servicer reports detailing the performance of the underlying collateral pool and evolution of the structural features of the transaction, monitor supporting ratings, and make regular contact with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

**Standard & Poor's 17g-7 Disclosure Report**

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities.

The Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com.

**Related Criteria And Research**

**Related Criteria**

- 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 For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
• Methodology: Credit Stability Criteria, May 3, 2010
• Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research
• Ratings Assigned To BBVA RMBS 14’s Class A And B Spanish RMBS Notes, Nov. 25, 2014
• Ratings On Spain Affirmed At ‘BBB/A-2’; Outlook Stable, Nov. 14, 2014
• Standard & Poor's Ratings Definitions, Sept. 22, 2014
• Outlook Assumptions For The Spanish Residential Mortgage Market, Sept. 18, 2014
• Credit Conditions: Europe Decelerates (Again) Amid Rising Geopolitical Risks, Sept. 16, 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
• Spanish RMBS Index Report Q1 2014: Collateral Performance Continues To Deteriorate Despite Signs Of Economic Recovery, June 6, 2014

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