MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive rating to BBVA RMBS 18 FONDO DE TITULIZACION's Spanish RMBS notes

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Approximately EUR 1.46 billion of rated debt securities affected

Madrid, November 21, 2017 -- Moody's Investors Service ("Moody's") has assigned definitive rating to one class of notes issued by BBVA RMBS 18 FONDO DE TITULIZACION:

....EUR1,458M Notes due March 2064, Definitive Rating Assigned Aa2 (sf)

BBVA RMBS 18 FONDO DE TITULIZACION is a securitisation of first-ranking mortgage loans that Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") (A3/P-2/Baa1(cr)/P-2(cr)), Catalunya Banc SA ("Catalunya Banc") and UNNIM Banc, S.A. ("UNNIM") granted to borrowers located in Spain. Both UNNIM and Catalunya Banc were absorbed by and merged with BBVA in 2013 and 2016, respectively. BBVA will be acting as the servicer of the loans, while Europea de Titulizacion, S.G.F.T., S.A. will be acting as the management company.

RATINGS RATIONALE

The definitive rating takes into account the credit quality of the underlying mortgage loan pool, from which Moody's determined the Moody's Individual Loan Analysis Credit Enhancement ("MILAN CE") assumption and the portfolio's expected loss.

The key drivers for the portfolio's expected loss of 5.5% are (i) performance of the originators' preceding transactions, (ii) benchmarking with comparable transactions in the Spanish RMBS market, (iii) analysis of the static information on delinquencies and recoveries received from BBVA; (iv) recovery information reported for preceding BBVA transactions, which is weaker than similar Spanish RMBS; and (v) current economic environment in Spain.

The key drivers for the 19.25% MILAN CE number, which is above the average for Spanish RMBS, are (i) the current weighted-average loan-to-value ("LTV") ratio of 70.5% calculated taking into account the original full property valuations; (ii) high seasoning of around 6.9 years, with 43.5% exposure to years 2006-2008; (iii) the fact that 4.4% of the borrowers in the pool are not Spanish nationals; (iv) exposure to broker-originated loans (6.4%); (v) the proportion of loans with balloon payments ranging between 10% and 30% of the initial loan balance depending on the portion of the portfolio that will exercise the option to modify the amortization profile; (vi) 2.13% of the loans in the pool are in arrears less than 30 days and 92.1% have never been in arrears more than 30 days; (vii) regional concentration in Catalonia region (around 49.6% of the pool); and (viii) the absence of restructured, renegotiated, refinancing or debt consolidation loans in the pool. Pool characteristics refer to the cut-off date as of 24 October 2017.

Moody's considers that the deal has the following credit strengths: (i) the full subordination of the Loan B (sized EUR 342M, equivalent to 19.0% of the original balance of the Notes and Loan B) to the Notes; and (ii) a reserve fund, which will be funded at closing and will be equal to 4.9% of the original balance of the Notes and Loan B; the reserve fund covers potential shortfalls in the Notes' interest and principal during transaction's life (and subsequently, once the Notes have fully amortised, covers the principal and interest of the Loan B).

The portfolio contains mostly floating-rate loans linked to 12-month Euribor and most of them reset semi-annually, whereas the notes are linked to 3-month Euribor and reset every quarter. This leads to an interest-rate mismatch in the transaction. Given that there is no interest-rate swap in place to cover interest-rate risk, Moody's takes into account the potential exposure to the interest rate mismatch as part of its cash flow analysis when determining the notes' definitive rating.

13.1% of the pool are mixed interest rate loans which have a fixed interest rate for a weighted average remaining term of 1.5 years. After the elapse of this term, their interest rate is reset and they become standard floating-rate loans.

BBVA will continue servicing the securitised loans. Even if there is no back-up servicer in the transaction, the management company acts as back-up servicer facilitator and independent cash manager. Europea de Titulizacion, S.G.F.T., S.A has committed to use its best efforts to appoint a back-up servicer within 60 days after a servicer default event.

The reserve fund provides liquidity support and is sufficient to cover almost 10 quarters of interest payments and senior expenses.

FACTORS THAT WOULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING:

Factors that may lead to an upgrade of the rating include a significantly better-than-expected performance of the pool combined with an increase of the Spanish Local Currency Country Risk Ceiling.

Factors that may cause a downgrade of the rating include significantly different loss assumptions compared with our expectations at closing due to either (i) a change in economic conditions from our central forecast scenario; or (ii) idiosyncratic performance factors that would lead to rating actions.

Finally, a change in Spain's sovereign risk may also result in subsequent rating actions on the notes.

Stress Scenarios:

At the time the definitive ratings were assigned, the model output indicated that the notes would have achieved an Aa2 (sf) if the expected loss was as high as 6.875%, if the MILAN CE was 19.25%, and all other factors were constant.

Moody's Parameter Sensitivities provide a quantitative/model-indicated calculation of the number of rating notches that a Moody's structured finance security may vary if certain input parameters used in the initial rating process differed.

The analysis assumes that the deal has not aged and is not intended to measure how the rating of the security might migrate over time, but rather how the initial rating of the security might have differed if key rating input parameters were varied. Parameter Sensitivities for typical EMEA RMBS transaction are calculated by stressing key variable inputs in Moody's primary rating model.

The principal methodology used in this rating was "Moody's Approach to Rating RMBS Using the MILAN Framework," published in September 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The analysis undertaken by Moody's at the initial assignment of a rating for an RMBS security 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.

The definitive rating addresses the expected loss posed to investors by legal final maturity. In Moody's opinion, the structure allows for the timely payment of interest and the ultimate payment of principal for the notes by legal final maturity. Moody's definitive rating only addresses the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

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.

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 describes the stress scenarios it has considered for this rating action in the section "Ratings Rationale" of this press release.

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.

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

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