Rating Action: Moody's downgrades Class A notes in Spanish RMBS transaction BBVA RMBS 5, FTA

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Madrid, August 01, 2013 -- Moody's Investors Service has today downgraded to Baa2(sf) the rating of Class A notes in BBVA RMBS 5 FTA, a Spanish residential mortgage-backed securities (RMBS) transaction.

Issuer: BBVA RMBS 5, FTA

EUR4675M A Notes, Downgraded to Baa2 (sf); previously on Mar 27, 2013 Downgraded to Baa1 (sf)

Today's rating action follows the swap removal that took place on 29 July 2013.

RATINGS RATIONALE

Today's rating action primarily reflects the interest rate risk existing in the transaction after the swap removal, with the notes paying three-month Euribor while most of the mortgages loans are indexed to twelve-month Euribor. Additionally, most of the mortgage loans reset semi-annually while the notes reset quarterly. The former swap guaranteed an excess spread of 0.40% per year, providing additional credit support. Moody's analysis has taken into consideration that BBVA recently announced the elimination of interest rate floors in floating interest rate mortgages.

-- Other Developments May Negatively Affect the Notes

In consideration of Moody's new adjustments, any further sovereign downgrade would negatively affect structured finance ratings through the application of the country ceiling or maximum achievable rating, as well as potentially increased portfolio credit enhancement requirements for a given rating.

As the euro area crisis continues, the ratings of structured finance notes remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could further negatively affect the ratings of the notes.


In reviewing these transactions, Moody's used ABSROM to model the cash flows and determine the loss for each tranche. The cash flow model evaluates all default scenarios that are then weighted considering the probabilities of the lognormal distribution assumed for the portfolio default rate. In each default scenario, Moody's calculates the corresponding loss for each class of notes given the incoming cash flows from the assets and the outgoing payments to third parties and noteholders. Therefore, the expected loss or EL for each tranche is the sum product of (1) the probability of occurrence of each default scenario; and (2) the loss derived from the cash flow model in each default scenario for each tranche.

As such, Moody's analysis encompasses the assessment of stressed scenarios.

REGULATORY DISCLOSURES

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 this transaction in the past six months.

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.
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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.

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