

Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 FTA

Primary Credit Analyst:

Ignacio T Estruga, Madrid (34) 91-389-6964; ignacio.estruga@spglobal.com

Secondary Contact:

Tripti Gawankar, Mumbai; tripti.gawankar@spglobal.com

OVERVIEW

- On March 23, 2018, we raised our unsolicited long-term sovereign rating on Spain to 'A-' from 'BBB+'.
- On April 17, 2018, we revised our outlook assumptions for the Spanish residential mortgage market to benign to reflect the improved Spanish residential mortgage and real estate market, and lowered our projected losses at the 'B' rating level for the archetypal Spanish pool.
- On April 24, 2018, we placed on CreditWatch positive our ratings on BBVA RMBS 5, Fondo de Titulizacion de Activos' class B and C notes, as we needed to conduct a full analysis to determine the impact of these recent events.
- Following our review of this transaction under our relevant criteria, we have raised our ratings on the class B and C notes and resolved our CreditWatch placements. At the same time, we have affirmed our rating on the class A notes.
- BBVA RMBS 5, Fondo de Titulizacion de Activos is a Spanish RMBS transaction, which securitizes a portfolio of first-ranking mortgage loans granted to Spanish residents.

MADRID (S&P Global Ratings) May 17, 2018--S&P Global Ratings today raised and removed from CreditWatch positive its credit ratings on BBVA RMBS 5, Fondo de

Titulizacion de Activos' class B and C notes. At the same time, we affirmed our 'A- (sf)' rating on the class A notes (see list below).

Today's rating actions follow the application of our relevant criteria and our full analysis of the most recent transaction information that we have received, and reflect the transaction's current structural features (see "Related Criteria"). We have also considered our updated outlook assumptions for the Spanish residential mortgage market (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on April 17, 2018, on RatingsDirect).

Our structured finance ratings above the sovereign (RAS) criteria classify the sensitivity of this transaction as moderate (see "Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016). Therefore, after our March 23, 2018, upgrade of Spain to 'A-' from 'BBB+', the highest rating that we can assign to the senior-most tranche in this transaction is six notches above the Spanish sovereign rating, or 'AAA (sf)', if certain conditions are met (see "Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive"). For all the other tranches, the highest rating that we can assign is four notches above the sovereign rating.

We consider that the transaction's documented replacement mechanisms adequately mitigate its counterparty risk exposure to Banco Bilbao Vizcaya Argentaria S.A. (BBVA; A-/Stable/A-2), as bank account provider, up to an 'A-' rating under our current counterparty criteria. Therefore, our ratings on the notes are capped at 'A- (sf)' by our counterparty criteria (see "Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

Our European residential loans criteria, as applicable to Spanish residential loans, establish how our loan-level analysis incorporates our current opinion of the local market outlook (see "Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017). Our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain, is benign. Therefore, we revised our expected level of losses for an archetypal Spanish residential pool at the 'B' rating level to 0.9% from 1.6%, in line with table 87 of our European residential loans criteria, by lowering our foreclosure frequency assumption to 2.00% from 3.33% for the archetypal pool at the 'B' rating level (see "Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on April 17, 2018).

After applying our European residential loans criteria to this transaction, the overall effect in our credit analysis results is a decrease in the required credit coverage for each rating level compared with our previous review, mainly driven by our revised foreclosure frequency assumptions.

Rating level	WAFF (%)	WALS (%)
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AAA	19.63	52.00
AA	13.50	47.20
A	10.18	38.69
BBB	7.57	33.67
BB	5.03	29.99
B	3.04	26.53

WAFF--Weighted-average foreclosure frequency. WALs--Weighted-average loss severity.

BBVA RMBS 5's class A, B, and C notes' credit enhancement has increased to 25.2%, 15.38%, and 12.42%, respectively, from 23.9%, 14.96%, and 12.29%, owing to the amortization of the notes, which is sequential. The reserve fund is at target and meets all required conditions to amortize.

Following the application of our criteria, we have determined that our assigned ratings on the classes of notes in this transaction should be the lower of (i) the rating that the class of notes can attain under our European residential loans criteria, (ii) the rating as capped by our RAS criteria, or (iii) the rating as capped by our counterparty criteria.

Under our European residential loans criteria, the class A notes have sufficient credit enhancement to withstand our stresses at the 'AA+' rating level. This is also supported under our RAS criteria. Nevertheless, our rating is capped under our current counterparty criteria by the issuer bank account agreement downgrade language at the 'A-' rating level. We have therefore affirmed our 'A- (sf)' rating on the class A notes.

Under our European residential loans and RAS criteria, the class B notes have sufficient credit enhancement to withstand our stresses at the 'AA+' rating level. Nevertheless, our rating is capped under our current counterparty criteria by the issuer bank account agreement downgrade language at the 'A-' rating level. We have therefore raised to 'A- (sf)' from 'BBB+ (sf)/Watch Pos' our rating on the class B notes and removed it from CreditWatch positive.

Finally, our rating on the class C notes is not capped by our RAS analysis as the application of our European residential loans criteria, including our updated credit figures, determine our rating on the notes at 'BBB (sf)'. We have therefore raised our rating on the class C notes to 'BBB (sf)' from 'BB (sf)/Watch Pos' and removed it from CreditWatch positive.

BBVA RMBS 5 is a Spanish residential mortgage-backed securities (RMBS) transaction, which closed in May 2008. The transaction securitizes a pool of first-ranking mortgage loans granted to prime borrowers, which BBVA originated. The portfolio is mainly located in Catalonia, Andalucía, and Madrid.

RELATED CRITERIA

Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 FTA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Ratings On 213 Tranches In 82 Spanish RMBS Transactions Placed On CreditWatch Positive, April 24, 2018
- Outlook Assumptions For The Spanish Residential Mortgage Market, April 17, 2018
- Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans, April 17, 2018
- Reduced Funding Risks Lead To Upgrades At Several Spanish Banks, April 6, 2018
- Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive, March 23, 2018
- Spanish RMBS Index Report Q4 2017, March 1, 2018
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Review, Jan. 19, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

RATINGS LIST

Class	Rating
	To From
BBVA RMBS 5, Fondo de Titulizacion de Activos €5 Billion Residential Mortgage-Backed Floating-Rate Notes	

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Ratings Raised And Removed From CreditWatch Positive

B	A-(sf)	BBB+ (sf)/Watch Pos
C	BBB (sf)	BB (sf)/Watch Pos

Rating Affirmed

A	A- (sf)
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Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@spglobal.com

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