



## Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Review

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### OVERVIEW

- We have reviewed Spanish RMBS transaction BBVA RMBS 5's performance by conducting our credit and cash flow analysis and by applying our relevant criteria.
- Following our review, we have affirmed our ratings on the class A and B notes.
- At the same time, we have lowered to 'BB (sf)' from 'BBB- (sf)' our rating on the class C notes.
- BBVA RMBS 5 is a Spanish RMBS transaction, which securitizes a portfolio of first-ranking mortgage loans granted to Spanish residents.

MADRID (S&P Global Ratings) Jan. 19, 2017--S&P Global Ratings today affirmed its credit ratings on BBVA RMBS 5, Fondo de Titulizacion de Activos' class A and B notes. At the same time, we have lowered to 'BB (sf)' from 'BBB- (sf)' our rating on the class C notes (see list below).

Today's rating actions follow the application of our related criteria and our credit and cash flow analysis of the transaction (see "Related Criteria").

This transaction has interest deferral triggers based on the ratio of cumulative defaults over the initial collateral balance for the class B and C notes. If this ratio is higher than 14.00% and 10.33% of interest on the class

B and C notes, respectively, interest is paid after principal amortization. In August 2015 the trustee changed the reporting definition for cumulative defaults. Since then, in addition to defaulted loans (loans in arrears for more than 18 months), it is also including loans that were liquidated following the award of the property to the fund, prior to being considered as a defaulted loan. As a result, the reported value of cumulative defaults jumped to 6.84% in August 2015, from 4.52% of the initial balance. As of December 2016, the volume of cumulative defaults rose to 7.21% of the initial balance. Under our stressed assumptions, the transaction is now closer to breaching the cumulative interest deferral triggers.

In terms of collateral performance, our weighted-average foreclosure frequency (WAFF) assumptions slightly decreased compared with our previous full review due to the positive impact of the increase in the pool seasoning and lower arrears levels (see "Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Restructuring," published on Oct. 30, 2015). At the same time, our weighted-average loss severity (WALS) assumptions have improved at all rating levels. Additionally, the transaction has benefitted from the decrease in the weighted-average current loan-to-value (LTV) ratios.

Since our previous review, the notes have redeemed sequentially and the reserve fund has remained fully funded, which has increased the available credit enhancement for all classes of notes.

We have determined that our assigned rating on each class of notes in this transaction should be the lower of (i) the rating as capped by our current counterparty criteria, (ii) the rating that the class of notes can attain under our residential mortgage-backed securities (RMBS) criteria, and (iii) the rating as capped by our structured finance ratings above the sovereign criteria (RAS criteria; see "Related Criteria").

We consider that the transaction's documented replacement mechanisms adequately mitigate its counterparty risk exposure to Banco Bilbao Vizcaya Argentaria S.A. (BBVA), as bank account provider, up to a 'A-' rating under our current counterparty criteria. Therefore, our ratings on the notes are capped at 'A- (sf)' by our counterparty criteria.

Under our RMBS criteria, the class A, B, and C notes have sufficient credit enhancement to withstand our stresses at the 'AA+', 'A-', and 'BB' rating levels, respectively. At the same time, the class A notes have sufficient credit enhancement to withstand a severe stress scenario under our RAS criteria, and can therefore be rated up to four notches above our long-term rating on Spain (BBB+/Stable/A-2), or 'AA-'. The class B notes are unable to pass a severe stress scenario under our RAS criteria, however, so they are capped at the sovereign rating.

When we apply our cash flow stresses under our RMBS and RAS criteria, the class C interest deferral trigger is breached faster than it was in our last full review due to the higher observed cumulative defaults. As a result, the

class A notes are now able to withstand the severe stresses at a higher rating scenario, while the class C notes can do so at a lower rating (see "Spanish RMBS Senior Notes Benefit From Interest Deferral Mechanisms For 2006 And 2007 Vintage Loans," published on June 20, 2016).

We have therefore affirmed our 'A- (sf)' and 'BBB+ (sf)' ratings on the class A and B notes, respectively, based on the results of our credit and cash flow analysis and the application of our relevant criteria. At the same time, we have lowered to 'BB (sf)' from 'BBB- (sf)' our rating on the class C notes.

BBVA RMBS 5 is a Spanish 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

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Dec. 23, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 08, 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 02, 2015
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 09, 2014
- Legal Criteria: Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- 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 03, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

#### RELATED RESEARCH

- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Spanish RMBS Index Report Q3 2016, Dec. 13, 2016
- European Economic Snapshots For 4Q16 Published, Dec. 8, 2016
- Low Lending Rates Keep Europe's Housing Markets' Recovery On Track, Aug. 4, 2016
- Outlook Assumptions For The Spanish Residential Mortgage Market, June 24, 2016

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- Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Restructuring, June 20, 2016
- Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 5 Following Restructuring, Oct. 30, 2015
- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015

RATINGS LIST

Class	Rating
To	From

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

Ratings Affirmed

A	A- (sf)
B	BBB+ (sf)

Rating Lowered

C	BB (sf)	BBB- (sf)
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