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DBRS Downgrades One Class of BBVA RMBS 5 and Confirms Remaining Classes

Industry: Sec.--RMBS

DBRS Ratings Limited (DBRS) has today taken the following rating actions on the bonds issued by BBVA RMBS 5 FTA (the Issuer):

- Series A notes confirmed at A (sf)
- Series B notes confirmed at BB (high) (sf)
- Series C notes downgraded to B (sf) from BB (sf)

The above rating actions reflect the following analytical considerations, as described more fully below:

- An amendment to the transaction signed on 23 October 2015.
- Portfolio performance, in terms of delinquencies and defaults, as of the September 2015 payment date.
- Updated portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Current available credit enhancement to the Series A, B and C notes to cover the expected losses at the A (sf), BB (high) (sf) and B (sf) rating levels, respectively.

BBVA RMBS 5 FTA is a securitisation of Spanish prime residential mortgages originated and serviced by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA).

The structural amendment consists of a reduction in the reserve fund and the introduction of a floor at 0% on the interest rate of the notes. The reserve fund has been reduced to EUR 250.00 million (compared to EUR 348.51 million at the DBRS initial rating), and the new target balance will be set at the lower of EUR 250.00 million or 10.00% of the outstanding principal of the notes, subject to a floor of EUR 125.00 million.

As of the September 2015 payment date, two- to three-month arrears are at 1.11%, down slightly from 1.27% in September 2014. The 90+ delinquency ratio was at 0.88%. The current gross cumulative default ratio is at 6.84%.

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Post-restructure, credit enhancement to the Series A notes is 19.92%, compared to 19.03% at the DBRS initial rating. Credit enhancement to the Series A notes consists of subordination of the Series B and Series C notes as well as the reserve fund. Credit enhancement to the Series B notes is 11.26%, compared to 11.97% at the DBRS initial rating. Credit enhancement to the Series B notes consists of subordination of the Series C notes and the reserve fund. Credit enhancement to the Series C notes is 8.66%, compared to 9.85% at the DBRS initial rating. Credit enhancement to the Series C notes consists solely of the reserve fund.

BBVA is the account bank for the transaction. The DBRS “A” rating of BBVA complies with the Minimum Institution Rating given the rating assigned to the Series A notes, as described in DBRS’s “Legal Criteria for European Structured Finance Transactions” methodology.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable is the “Master European Structured Finance Surveillance Methodology,” which can be found on www.dbrs.com at <http://www.dbrs.com/about/methodologies>. Other methodologies and criteria referenced in this transaction are listed at the end of this press release.

DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology. DBRS conducted a review of the amendments to the deed of constitution of the fund, which spells out the amendments under consideration, along with the relative notification to CNMV. The other transaction legal documents have remained unchanged since the most recent rating action, and were not reviewed.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to DBRS’s “The Effect of Sovereign Risk on Securitisations in the Euro Area” commentary on <http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>.

The sources of information used for this rating include information provided by Europea de Titulizacion S.A., S.G.F.T. and data from the European DataWarehouse.

DBRS does not rely upon third-party due diligence in order to conduct its analysis. DBRS was not supplied with third-party assessments; however, this did not impact the rating analysis.

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DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The last rating action on this transaction took place on 5 August 2014, when DBRS confirmed the ratings on the Series A, Series B and Series C notes.

Information regarding DBRS ratings, including definitions, policies and methodologies is available at www.dbrs.com.

To assess the impact of changing the transaction parameters on the rating, DBRS considered the following stress scenarios as compared with the parameters used to determine the rating (the base case):

- DBRS expected a lifetime base case probability of default (PD) and loss given default (LGD) for the pool based on a review of the current assets. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.
- The base case PD and LGD of the current pool of mortgages for the Issuer are 9.19% and 40.54%, respectively. At the A (sf) rating level, the corresponding PD is 24.22% and the LGD is 52.57%.
- The Risk Sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of the Series A notes would be expected to remain at A (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A notes would be expected to remain at A (sf), assuming no change in the LGD. Furthermore, if both the PD and LGD increase by 50%, the rating of the Series A notes would be expected to fall to BBB (low) (sf).

Series A Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of A (sf)
- 50% increase in LGD, expected rating of A (sf)
- 25% increase in PD, expected rating of A (sf)
- 50% increase in PD, expected rating of A (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of A (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of BBB (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BBB (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of BBB (low) (sf)

Series B Notes Risk Sensitivity:

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- 25% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in LGD, expected rating of BB (high) (sf)
- 25% increase in PD, expected rating of BB (low) (sf)
- 50% increase in PD, expected rating of B (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of BB (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of B (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of B (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of B (sf)

Series C Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of B (sf)
- 50% increase in LGD, expected rating of B (sf)
- 25% increase in PD, expected rating below B (sf)
- 50% increase in PD, expected rating below B (sf)
- 25% increase in PD and 25% increase in LGD, expected rating below B (sf)
- 25% increase in PD and 50% increase in LGD, expected rating below B (sf)
- 50% increase in PD and 25% increase in LGD, expected rating below B (sf)
- 50% increase in PD and 50% increase in LGD, expected rating below B (sf)

For further information on DBRS historic default rates published by the European Securities and Markets Administration in a central repository, see <http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

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The rating methodologies and criteria used in the analysis of this transaction can be found at <http://www.dbrs.com/about/methodologies>.

- Legal Criteria for European Structured Finance Transactions (September 2015)
- Master European Structured Finance Surveillance Methodology (April 2015)
- Operational Risk Assessment for European Structured Finance Servicers (January 2015)
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda (September 2015)
- Unified Interest Rate Model for European Securitisations (October 2015)

A description of how DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at <http://www.dbrs.com/research/278375>.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
BBVA RMBS 5 FTA	Series A	Confirmed	A (sf)	--	Oct 27, 2015
BBVA RMBS 5 FTA	Series B	Confirmed	BB (high) (sf)	--	Oct 27, 2015
BBVA RMBS 5 FTA	Series C	Downgraded	B (sf)	--	Oct 27, 2015

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

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