



## Various Rating Actions Taken On BBVA RMBS 14's Spanish RMBS Notes Following Review

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### 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 rating on BBVA RMBS 14's class B notes, since 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 raised our rating on the class B notes and removed the CreditWatch placement. At the same time, we affirmed our rating on the class A notes.
- BBVA RMBS 14, Fondo de Titulizacion de Activos is a Spanish RMBS transaction, which closed in November 2014.

MADRID (S&P Global Ratings) June 29, 2018--S&P Global Ratings today raised to 'BB (sf)' from 'B- (sf)' and removed from CreditWatch positive its credit rating on BBVA RMBS 14, Fondo de Titulizacion de Activos' class B notes. At the same time, we affirmed our 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 received, and reflect the transaction's current structural features (see "Related Criteria"). We 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 sovereign rating on Spain, 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 issuer account bank 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 (%) |
|--------------|----------|----------|
| AAA          | 12.79    | 25.47    |
| AA           | 8.58     | 18.43    |
| A            | 6.44     | 6.84     |
| BBB          | 4.73     | 2.05     |
| BB           | 3.04     | 2.00     |

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B 1.76 2.00

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

The class A notes' credit enhancement (considering current loans and up to six month in arrears) has increased to 18.8%, from 15.8% at our previous full review in October 2015, owing to the amortization of the notes, which is sequential. Similarly, the class B notes' credit enhancement has increased to 6.7% from 5.7%. In line with other "Viviendas de Protección Oficial" (VPO) transactions, delinquencies and defaults have remained low, stable since our last full review.

Following the application of our criteria, we 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 can support 'AAA' stresses. Also, when we apply our stresses under our RAS criteria, the class A notes are able to withstand the extreme stresses. In addition, the class A notes meet all conditions listed in our criteria to achieve up to six notches above the rating on Spain. As a result, we could rate the A notes up to six notches above the long-term sovereign rating (or 'AAA'). However, in this transaction, our rating on the class A notes is constrained at 'A (sf)' by our current counterparty criteria. As such, we have affirmed our 'A (sf)' rating on the class A notes.

Under our cash flow analysis, the class B notes could only withstand our stresses at lower rating levels than those we assigned today. This is mainly driven to the limited credit we give to the spread between the notes and the collateral resulting in negative carry in most of our runs. However, in our opinion, additional factors, such as the level of credit enhancement and the impeccable track record of VPO related transactions, supports the rating on this class of notes. Taking all of these factors into consideration, we have raised the rating on the class B notes to 'BB (sf)' from 'B- (sf)' and removed it from CreditWatch positive.

BBVA RMBS 14 is a Spanish residential mortgage-backed securities (RMBS) transaction, which closed in November 2014. The pool comprises solely mortgage loans for the acquisition of protected properties or VPOs originated by BBVA. A VPO loan is a Spanish mortgage loan granted as part of a government sponsored program aimed at assisting lower-income households. The securitized loans in this transaction are part of the "Plan Estatal de Vivienda 2005-2008" and "Plan de Vivienda y Rehabilitación 2009-2012" programs. At closing, approximately 40.7% of the borrowers benefit from available subsidies through monthly payments from national and local authorities; as of March 2018 only

five loans benefited from a subsidy.

#### RELATED CRITERIA

- 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

- Spanish RMBS Index Report Q1 2018, May 24, 2018
- 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
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 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
- Rating Raised On Spanish RMBS Transaction BBVA RMBS 14's Class A Notes Following Sovereign Upgrade, Feb 08, 2016

#### RATINGS LIST

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| Class  | Rating  |                   |
|--|---------|-------------------|
|  | To      | From              |
| BBVA RMBS 14, Fondo de Titulización de Activos<br>€700 Million Residential Mortgage-Backed Floating-Rate Notes |         |                   |
| Rating Raised And Removed From CreditWatch Positive  |         |                   |
| B  | BB (sf) | B- (sf)/Watch Pos |
| Rating Affirmed  |         |                   |
| A  | A (sf)  |                   |

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