

**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.

The methodologies used in this rating were "Moody's Approach to Rating RMBS Using the MILAN Framework", published in May 2013 and "The Temporary Use of Cash in Structured Finance Transactions: Eligible Investment and Bank Guidelines", published in March 2013. Please see the Credit Policy page on [www.moody.com](http://www.moody.com) for a copy of these methodologies.

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.

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