

RatingsDirect®

Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 10 Following Restructuring

Surveillance Credit Analyst:

Rocio Romero, Madrid (34) 91-389-6968; rocio.romero@standardandpoors.com

OVERVIEW

- As part of BBVA RMBS 10's restructuring, the issuer lowered the required reserve fund balance to €80 million.
- Following our credit and cash flow analysis of the new structure, we have taken various rating actions in the transaction to reflect the decrease in available credit enhancement.
- BBVA RMBS 10 is a Spanish RMBS transaction, which securitizes a portfolio of first-ranking mortgage loans granted to Spanish residents.

MADRID (Standard & Poor's) Oct. 30, 2015--Standard & Poor's Ratings Services today affirmed its 'A- (sf)' credit rating on BBVA RMBS 10, Fondo de Titulizacion de Activos' class A notes. At the same time, we have lowered to 'BB (sf)' from 'BB+ (sf)' our rating on the class B notes (see list below).

Today's rating actions follow a restructuring of the transaction whereby the issuer lowered the required reserve fund balance to €80 million from €192 million. Consequently, the available credit enhancement the reserve fund provides has been reduced to 5.84% from 14.02% of the notes' balance. Before the restructuring took place, the reserve fund was at its required level.

As with other Spanish transactions, interest and principal are combined into a single priority of payments.

As a result of the decrease in available credit enhancement, the class B notes are unable to support their current rating. We have therefore lowered to 'BB

(sf)' from 'BB+ (sf)' our rating on the class B notes. The results of our credit and cash flow analysis show that the available credit enhancement for the senior notes is still commensurate with a 'A- (sf)' rating. Therefore, we have affirmed our 'A- (sf)' rating on the class A notes.

Delinquency levels in the portfolio backing this transaction are very low and stable. Arrears of 90+ days represent only 0.22% of the outstanding balance of the pool and total arrears represent 0.52% of the outstanding collateral balance, which is well below the Spanish residential mortgage-backed securities (RMBS) index (see "Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly," published on Sept. 11, 2015).

Counterparty Risk

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 level under our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). The transaction is exposed to the risk of cash collections becoming commingled in BBVA's account. Under the documentation, if our long-term rating on BBVA falls below 'BB+', within 10 calendar days, BBVA should deposit in the issuer's bank account an amount equal to the commingling reserve amount to be applied to pay any amounts the servicer fails to pay the issuer for the loans. According to our current counterpart criteria, setting up this commingling reserve fully mitigates commingling risk. The rating on the class A notes is capped at 'A- (sf)' by our counterparty criteria.

Sovereign Risk

Under our criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so repay timely interest and principal by legal final maturity (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015). The class A notes have sufficient credit enhancement to withstand our "severe" stresses (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009 for our definitions of severe levels of economic stress). However, they do not pass all of the conditions under paragraph 44 of the RAS criteria. Consequently, our RAS criteria permit a maximum four-notch ratings uplift above the sovereign rating for the class A notes. However, in light of the cap under our current counterparty criteria, we have affirmed our 'A- (sf)' rating on the class A notes. The results of our cash flow analysis indicate that available credit enhancement for the class B notes is commensurate with a 'BB (sf)' rating. Therefore, we have lowered to 'BB (sf)' from 'BB+ (sf)' our rating on the class B notes.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Italy And Spain RMBS Methodology And Assumptions, Sept. 18, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Eurozone Economic Outlook: Steady For Now, Despite Slower World Trade, Sept. 30, 2015
- Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly, Sept. 11, 2015
- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Low Lending Rates And Stronger Economic Growth Are Reviving Europe's Housing Markets, July 30, 2015
- Despite The Turmoil In Greece, Europe's Fragile Growth Continues, July 14 2015
- Eurozone Economic Outlook: Will The Catch-Up Lead To A Let-Down?, July 1, 2015
- Various Rating Actions Taken In BBVA RMBS 5, 9, 10, And 11 Following Application Of Updated Criteria, Dec. 22, 2014
- Outlook Assumptions For The Spanish Residential Mortgage Market, Sept. 18, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

RATINGS LIST

Class	Rating
To	From

BBVA RMBS 10, Fondo de Titulización de Activos
€1.6 Billion Mortgage-Backed Floating-Rate Notes

Various Rating Actions Taken In Spanish RMBS Transaction BBVA RMBS 10 Following Restructuring

Rating Affirmed

A A- (sf)

Rating Lowered

B BB (sf) BB+ (sf)

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.