

Rating Action: Moody's upgrades eight tranches in three Spanish RMBS transactions

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Madrid, February 10, 2020 -- Moody's Investors Service, ("Moody's") has today upgraded the ratings of eight notes in three Spanish RMBS transactions. The rating action reflects:

- Better than expected collateral performance for BBVA RMBS 1, FTA and BBVA RMBS 11, FTA.
- The increased levels of credit enhancement for the affected notes for BBVA RMBS 1, FTA, BBVA RMBS 11, FTA and BBVA RMBS 2, FTA

Moody's affirmed the ratings of the notes that had sufficient credit enhancement to maintain the current rating on the affected notes.

Issuer: BBVA RMBS 1, FTA

....EUR1400M Class A2 Notes, Affirmed Aa1 (sf); previously on Apr 17, 2019 Affirmed Aa1 (sf)

....EUR495M Class A3 Notes, Affirmed Aa1 (sf); previously on Apr 17, 2019 Affirmed Aa1 (sf)

....EUR120M Class B Notes, Upgraded to A1 (sf); previously on Apr 17, 2019 Upgraded to A3 (sf)

....EUR85M Class C Notes, Upgraded to B2 (sf); previously on Apr 17, 2019 Upgraded to Caa1 (sf)

Issuer: BBVA RMBS 2, FTA

....EUR2400M Class A2 Notes, Upgraded to Aa1 (sf); previously on Apr 17, 2019 Upgraded to Aa3 (sf)

....EUR387.5M Class A3 Notes, Upgraded to Aa1 (sf); previously on Apr 17, 2019 Upgraded to Aa3 (sf)

....EUR1050M Class A4 Notes, Upgraded to Aa1 (sf); previously on Apr 17, 2019 Upgraded to Aa3 (sf)

....EUR112.5M Class B Notes, Upgraded to Baa3 (sf); previously on Apr 17, 2019 Upgraded to Ba2 (sf)

....EUR100M Class C Notes, Affirmed Caa2 (sf); previously on Apr 17, 2019 Upgraded to Caa2 (sf)

Issuer: BBVA RMBS 11, FTA

....EUR1204M Class A Notes, Affirmed Aa1 (sf); previously on Jun 29, 2018 Affirmed Aa1 (sf)

....EUR119M Class B Notes, Upgraded to Aa3 (sf); previously on Jun 29, 2018 Upgraded to A2 (sf)

....EUR77M Class C Notes, Upgraded to Ba1 (sf); previously on Jun 29, 2018 Upgraded to Ba2 (sf)

Maximum achievable rating is Aa1 (sf) for structured finance transactions in Spain, driven by the corresponding local currency country ceiling of the country.

RATINGS RATIONALE

The rating action is prompted by:

- Decreased key collateral assumptions, namely the portfolio Expected Loss assumptions due to better than expected collateral performance on BBVA RMBS 1, FTA and BBVA RMBS 11, FTA.
- An increase in credit enhancement for the affected tranches on BBVA RMBS 1, FTA, BBVA RMBS 11, FTA and BBVA RMBS 2, FTA.

Revision of Key Collateral Assumptions:

As part of the rating action, Moody's reassessed its lifetime loss expectation for the portfolio reflecting the collateral performance to date.

The performance of BBVA RMBS 1, FTA has continued to improve since the last rating action. Total delinquencies have decreased since the last rating action, with 90 days plus arrears currently standing at 0.32% of current pool balance. Cumulative defaults currently stand at 6.25% of original pool balance, only marginally up from 6.18% since the last rating action.

The performance of BBVA RMBS 11, FTA has continued to improve since the last rating action. Outstanding defaults have decreased in the past year, with 90 days plus arrears currently standing at 0.18% of current pool balance. Cumulative defaults currently stand at 2.09% of original pool balance, only marginally up from 1.99% a year ago.

Moody's decreased the expected loss assumption to 5.52% as a percentage of original pool balance from 5.79% due to improving performance for BBVA RMBS 1, FTA. The expected loss assumption for BBVA RMBS 11, FTA was changed to 3.77% from 4.58% as a percentage of original pool balance. Moody's has also decreased the MILAN to 15.0% from 17.0% in BBVA RMBS 11, FTA.

Moody's updated the MILAN CE due to the Minimum Expected Loss Multiple, a floor defined in Moody's methodology for rating EMEA RMBS transactions.

Increase/Decrease in Available Credit Enhancement

Sequential amortization and Improvement of reserve funds led to the increase in the credit enhancement available in BBVA RMBS 1, FTA, BBVA RMBS 11, FTA and BBVA RMBS 2, FTA.

For instance, the credit enhancement for tranche affected by today's rating action increased as follows since the last rating action:

-BBVA RMBS 1, FTA Class B Notes to 12.38% from 10.90% and Class C Notes to 2.90% from 2.41%.

-BBVA RMBS 11, FTA Class B Notes to 15.71% from 14.00% and Class C Notes to 7.48% from 6.67%.

-BBVA RMBS 2, FTA Class A2 Notes, Class A3 Notes and Class A4 Notes to 14.41% from 12.52%; Class B Notes to 7.66% from 6.28%.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in July 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

The analysis undertaken by Moody's at the initial assignment of ratings for RMBS securities may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see Moody's Approach to Rating RMBS Using the MILAN Framework for further information on Moody's analysis at the initial rating assignment and the on-going surveillance in RMBS.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) performance of the underlying collateral that is better than Moody's expected, (2) an increase in available credit enhancement, (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk, (2) performance of the underlying collateral that is worse than Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential

losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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