



**Rating Action: Moody's takes actions on multiple Spanish RMBS notes' ratings in eight transactions**

---

Global Credit Research - 21 Oct 2015

London, 21 October 2015 -- Moody's Investors Service has today taken rating actions on eight Spanish residential mortgage-backed securities (RMBS) transactions.

Specifically, Moody's has upgraded fourteen notes, downgraded one note and affirmed five notes.

Please refer to the end of the Ratings Rationale section for a list of affected ratings.

**RATINGS RATIONALE**

Today's rating upgrades reflect (1) deleveraging of the transactions and (2) the improvement of key collateral assumptions for four transactions.

Today's rating downgrade reflects a deterioration in the credit enhancement available since the last review.

Today's rating affirmations reflect that the current credit enhancement available is commensurate with the current ratings.

**--DELEVERAGING OF TRANSACTIONS**

Repayment of principal collections has contributed to increase credit enhancement. In addition increased excess spread has contributed to reduce the level of the principal deficiency ledger (PDL) in FTA Santander Hipotecario 2 and BBVA RMBS 1, FTA or to replenish gradually the reserve fund in Valencia Hipotecario 2, FTH.

**--- CHANGES IN KEY COLLATERAL ASSUMPTIONS**

We have reduced our lifetime loss expectations as a percentage of the original pool balance in UCI 5, FTH to 0.15% from 0.20%, in UCI 6, FTA to 0.20% from 0.26%, in TdA Ibercaja ICO-FTVPO, FTH to 1.14% from 2.4% and in FTA Santander Hipotecario 2 to 3.39% from 4%.

Additionally we have decreased the MILAN CE assumptions in TdA Ibercaja ICO-FTVPO, FTH to 7.5% from 12.5% and in FTA Santander Hipotecario 2 to 20% from 25%.

Our collateral performance outlook for Spanish RMBS remains stable. The recent favorable economic conditions are being reflected in a general improvement in terms of delinquencies among the Spanish borrowers.

Due to reduced uncertainty in the sector, we have removed the additional stress analysis of key collateral assumptions.

**--DETERIORATION IN THE CREDIT ENHANCEMENT**

In the case of GC Pastor Hipotecario 5, FTH there has been a deterioration in the credit enhancement available since April 2013, when the last rating action took place. With the cumulative defaults still increasing and with current level of excess spread, the PDL has built up to EUR28.39 Million as of July 2015 from EUR15.67 Million in the reporting date of March 2013. The transaction historically performed worse than the average Spanish RMBS rated by Moody's, partially explained by the presence in the underlying pool at close of loans granted to small and medium enterprises.

**Principal methodology:**

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in January 2015. Please see the Credit Policy page on [www.moody's.com](http://www.moody's.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 are (1) performance of the underlying collateral that exceeds Moody's expectations; (2) deleveraging of the capital structure; and (3) improvements in the credit quality of the transaction counterparties.

Factors or circumstances that could lead to a downgrade of the ratings are (1) an increased probability of high loss scenarios owing to a downgrade of the country ceiling; (2) performance of the underlying collateral that does not meet Moody's expectations; (3) deterioration in the notes' available CE; and (4) deterioration in the credit quality of the transaction counterparties.

#### LIST OF AFFECTED RATINGS

Issuer: BBVA RMBS 1, FTA

....EUR1400M A2 Notes, Affirmed Aa2 (sf); previously on Feb 12, 2015 Upgraded to Aa2 (sf)

....EUR495M A3 Notes, Upgraded to Aa2 (sf); previously on Feb 12, 2015 Upgraded to Aa3 (sf)

....EUR120M B Notes, Upgraded to Ba1 (sf); previously on Feb 12, 2015 Upgraded to Ba2 (sf)

....EUR85M C Notes, Affirmed Caa3 (sf); previously on Sep 24, 2014 Affirmed Caa3 (sf)

Issuer: FTA SANTANDER HIPOTECARIO 2

....EUR1801.5M A Notes, Upgraded to Aa2 (sf); previously on Jan 23, 2015 Upgraded to A1 (sf)

....EUR51.8M B Notes, Upgraded to A3 (sf); previously on Jan 23, 2015 Upgraded to Baa3 (sf)

....EUR32.3M C Notes, Upgraded to Ba1 (sf); previously on Jan 23, 2015 Affirmed B2 (sf)

....EUR49.8M D Notes, Affirmed Caa2 (sf); previously on Oct 20, 2014 Affirmed Caa2 (sf)

Issuer: GC PASTOR HIPOTECARIO 5, FTH

....EUR492.8M A2 Notes, Downgraded to B1 (sf); previously on Apr 5, 2013 Downgraded to Ba2 (sf)

Issuer: TDA IBERCAJA ICO-FTVPO, FTH

....EUR409.5M A (G) Notes, Upgraded to Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa3 (sf)

Issuer: RURAL HIPOTECARIO XI, FTA

....EUR2113.1M A Notes, Upgraded to A1 (sf); previously on Jan 23, 2015 Affirmed Baa1 (sf)

....EUR25.3M B Notes, Upgraded to Baa2 (sf); previously on Jan 23, 2015 Upgraded to Ba3 (sf)

....EUR61.6M C Notes, Upgraded to B1 (sf); previously on Jan 23, 2015 Affirmed Caa1 (sf)

Issuer: UCI 5, FTH

....EUR253M A Notes, Affirmed Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa2 (sf)

....EUR12M B Notes, Upgraded to Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa3 (sf)

Issuer: UCI 6, FTA

....EUR436.4M A Notes, Affirmed Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa2 (sf)

....EUR20.6M B Notes, Upgraded to Aa3 (sf); previously on Jan 23, 2015 Upgraded to A2 (sf)

Issuer: VALENCIA HIPOTECARIO 2, FTH

...EUR909.5M A Notes, Upgraded to Aa2 (sf); previously on Jan 23, 2015 Upgraded to Aa3 (sf)

...EUR21.2M B Notes, Upgraded to A3 (sf); previously on Jan 23, 2015 Upgraded to Baa3 (sf)

...EUR9.4M C Notes, Upgraded to Ba2 (sf); previously on Jan 23, 2015 Affirmed B3 (sf)

## 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.

The ratings of rated entity RURAL HIPOTECARIO XI, FTA were not initiated or not maintained at the request of the rated entity.

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on [www.moodys.com](http://www.moodys.com).

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the Website.

The below contact information is provided for information purposes only. Please see the ratings tab of the issuer page at [www.moodys.com](http://www.moodys.com), for each of the ratings covered, Moody's disclosures on the lead analyst and the Moody's legal entity that has issued the ratings.

Please see [www.moodys.com](http://www.moodys.com) for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on [www.moodys.com](http://www.moodys.com) for additional regulatory disclosures for each credit rating.

Cristina Quintana  
Associate Analyst  
Structured Finance Group

Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Masako Oshima  
Senior Vice President  
Structured Finance Group  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

## Moody's INVESTORS SERVICE

© 2015 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS FOR RETAIL INVESTORS TO CONSIDER MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN

WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for "retail clients" to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.

For Japan only: MOODY'S Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of MOODY'S Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ

are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKB or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKB or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKB or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKB and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.