

Press Releases



Insight beyond the rating.

Date of Release: August 5, 2014

DBRS Confirms Ratings on BBVA RMBS 5 Fondo de Titulizacion de Activos

DBRS Ratings Limited (“DBRS”) has reviewed BBVA RMBS 5, Fondo de Titulizacion de Activos (the “Issuer”) and has confirmed the following ratings:

- Series A at ‘A’ (sf)
- Series B at ‘BB (high)’ (sf)
- Series C at ‘BB’ (sf)

The rating on the Series A Notes addresses timely payment of interest and full payment of principal by the legal maturity date. The rating on Series B and C Notes addresses ultimate payment of interest and principal by legal maturity date.

The rating action is based on the following analytical considerations:

- Portfolio performance, in terms of delinquencies and defaults, as of June 2014.
- Updated portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool. Legal framework and current transaction capital structure.
- Originator’s capabilities with respect to origination and servicing of the underlying assets.

The Notes are backed by a static portfolio of loans secured by residential properties in Spain with a weighted average unindexed current loan-to-value of 73%. The portfolio has roughly 7 years of seasoning and was mainly originated in 2007 (87%). The assets weighted average coupon has reduced from 1.81% to 1.26% during the last year, as loans are linked to floating rates without interest rates floors since June-2013. A high proportion of the borrowers have the option to modify some characteristics of the mortgages (for example, deferral of some instalments, switch from fix to tracker, or rescheduling of the maturity date). The risk attributes of the underlying assets have been accounted for in DBRS asset analysis and is reflected in DBRS expected loss assumptions.

The current 90+ delinquency ratio, as a percentage of the performing balance of the portfolio, was 2.73% and cumulative defaults, defined as loans in arrears for more than 18 months over original balance, was 4.09%. The default ratio net of recoveries stands at 1.04%, as EUR91.5mln have been

recovered since closing. The portfolio is performing within DBRS expectations and the available credit enhancement for the Series A, B and C Notes is sufficient to cover DBRS expected losses assumed in line with the current rating levels. The rating analysis incorporates a sovereign related stress component to address the impact of macroeconomic variables on collateral performance given the long-term foreign and local currency rating of 'A' (low) for the Kingdom of Spain.

Credit enhancement for the Series A Notes consists of subordination of the Series B Notes (8.02%), Series C Notes (2.41%) and the reserve fund (9.30%). Credit enhancement for the Series B Notes consists of subordination of the Series C Notes and the reserve fund, and credit enhancement of the Series C Notes consists solely of a reserve fund. The reserve fund stands at 70% of its required level. The tight excess spread in the transaction compared to the volume of defaults experienced has caused the reserve fund draw-downs and, given the current arrears volumes, arrears and defaults are expected to keep on growing and reserve fund being depleted.

BBVA, whose Senior Long-Term Debt & Deposit rating by DBRS is A (low), is the originator, servicer, treasury account provider and paying agent and an eligible counterparty according to DBRS Legal Criteria for European Structured Finance Transactions.

Notes:

All figures are in Euro unless otherwise noted.

The principal methodology applicable is the Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda. Other methodologies and criteria referenced in this transaction are listed at the end of this press release.

This can be found on www.dbrs.com at:
<http://www.dbrs.com/about/methodologies>.

For a more detailed discussion of sovereign risk impact on Structured Finance ratings, please refer to DBRS commentary "The Effect of Sovereign Risk on Securitisations in the Euro Area" on:
<http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>.

The sources of information used for this rating include investor reports provided by Europea de Titulizacion S.G.F.T., S.A. and data from the European Data Warehouse. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

The last rating action on this transaction took place on 17 August 2013, when DBRS confirmed the

ratings on the Series A, B and C notes.

Information regarding DBRS ratings, including definitions, policies and methodologies are available on www.dbrs.com

To assess the impact of changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating (the “Base Case”):

- DBRS expected a lifetime base case Probability of Default (PD) and Loss Given Default (LGD) for the pool based on a review of the current receivables. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.
- The base case PD and LGD of the current pool of mortgages for the Issuer are 8.24% and 37.77%, respectively. The corresponding levels at the AAA (sf) rating level are 31.77% and 63.38%.
- The Risk Sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of Series A Notes would be expected to remain at ‘A’ (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A Notes would be expected to remain at ‘A’ (sf), assuming no change in the LGD. Furthermore, if both PD and LGD increase by 50%, the rating would be expected to fall to ‘BBB’ (sf).

Series A Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of ‘A’ (sf)
- 50% increase in LGD, expected rating of ‘A’ (sf)
- 25% increase in PD, expected rating of ‘A’ (sf)
- 50% increase in PD, expected rating of ‘A’ (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of ‘A’ (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of ‘A (low)’ (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of ‘A (low)’ (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of ‘BBB’ (sf)

Series B Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in LGD, expected rating of BB (high) (sf)
- 25% increase in PD, expected rating of BB (high) (sf)
- 50% increase in PD, expected rating of BB (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of BB (high) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of BB (sf)

Series C Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of BB (sf)
- 50% increase in LGD, expected rating of BB (sf)
- 25% increase in PD, expected rating of BB (sf)
- 50% increase in PD, expected rating of BB (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of BB (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of BB (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BB (low) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of B (high) (sf)

For further information on DBRS historic default rates published by the European Securities and Markets Administration (“ESMA”) in a central repository, see:
<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU regulations only.

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The rating methodologies and criteria used in the analysis of this transaction can be found at
<http://www.dbrs.com/about/methodologies>

- Legal Criteria for European Structured Finance Transactions
- Master European Structured Finance Surveillance Methodology
- Operational Risk Assessment for European Structured Finance Servicers
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional

Addenda

- Unified Interest Rate Model for European Securitisations

Ratings

Issuer	Debt Rated	Rating	Action	Rating	Trend	Notes	Published	Issued
BBVA RMBS 5 FTA	Class A	Confirmed		A (sf)	--		Aug 5, 2014	EU
BBVA RMBS 5 FTA	Class B	Confirmed		BB (high) (sf)	--		Aug 5, 2014	EU
BBVA RMBS 5 FTA	Class C	Confirmed		BB (sf)	--		Aug 5, 2014	EU

US = USA Issued, NRSRO
 CA = Canada Issued, NRSRO
 EU = EU Issued
 E = [EU Endorsed](#)

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