

Press Releases



Insight beyond the rating.

Date of Release: March 6, 2014

DBRS Takes Rating Action on BBVA RMBS 10

DBRS Ratings Limited (“DBRS”) has reviewed BBVA RMBS 10 Fondo de Titulización De Activos (the “Issuer”) and taken the following rating actions:

- Series A, downgraded from AAA (sf) to AA (sf)
- Series B, confirmed at BBB (sf)

The Notes are backed by a portfolio of mortgage loans secured by residential properties in Spain originated and serviced by Banco Bilbao Vizcaya Argentaria (“BBVA”).

The downgrade of the Series A Notes is based on an updated analysis of the transaction exposure to the Treasury Account provider, BBVA. BBVA is currently rated ‘A’ by DBRS. The Issuer has a replacement trigger for the Treasury Account; where, in the event BBVA were to be downgraded below “BBB” by DBRS, the Management Company shall find a replacement institution, which is rated at least “BBB” by DBRS. However, the DBRS Legal Criteria for European Structured Finance Transactions as of 13 June 2013 refers to the Account Bank having the “minimum rating [of ‘A’ with respect to a transaction where the highest rating assigned is AA (low) (sf) or higher]...combined with a provision to replace within 30 calendar days of a downgrade below that level, is generally sufficient to mitigate the risk of that counterparty’s default such that risk may not need to be specifically modelled.” Given the combination of the current rating of BBVA and the replacement provision described above, additional cash flow analysis for the Series A Notes included scenarios where the transaction did not benefit from the Cash Reserve Fund. In these scenarios, the available credit enhancement to the Series A Notes was insufficient to cover DBRS expected losses at the AAA (sf) rating level, but sufficient to cover expected losses at the AA (sf) rating level.

The pool of mortgages supporting the transaction is performing within DBRS expectations and the available credit enhancement for the Series B Notes is sufficient to cover DBRS expected losses at the current rating level. The rating analysis incorporates a sovereign related stress component to address the impact of macroeconomic variables on collateral performance. Additionally, the updated cash flow analysis takes into account the removal of the interest rate swap which was terminated on 22 October 2013.

As of 31 January 2014, the current 90+ delinquency ratio as a percentage of the performing balance of the portfolio was 0.18%, while the cumulative default ratio was 0.03%.

Credit enhancement for the Series A Notes (as a percentage of the performing collateral balance) consists of subordination of the Series B Notes (15.31% as of 31 January 2013) and a Cash Reserve Fund (12.85%). Credit enhancement of the Series B Notes consists solely of the Cash Reserve Fund (12.85%), which also provides liquidity support to the Notes. The Cash Reserve Fund was equal to the target amount of EUR 192 million.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable is Legal Criteria for European Structured Finance Transactions.

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 Titulización, S.G.F.T., S.A. and data from the European DataWarehouse.

DBRS considers the information available to it for the purposes of providing this rating was 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 2 January 2013, when the ratings on the Series A Notes and Series B Notes were confirmed.

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

To assess the impact of the changing the transaction parameters on the rating, DBRS considered the following stress scenarios, as compared to the parameters used to determine the rating:

-DBRS expected a base case Probability of Default (PD) and Loss Given Default (LGD) for the pool based on a review of the current portfolio of mortgages. 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 for the current portfolio of mortgages for the Issuer are 7.09% and 44.35%, respectively. The PD of 7.09% accounts for an additional sovereign stress which has been applied to capture the current sovereign rating of the Kingdom of Spain.

-The Risk Sensitivity overview below illustrates the ratings expected for the Series A Notes and Series B Notes 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 for the Series A Notes would be expected to be lowered to A (low) (sf), all else being equal. If the PD increased by 50% the rating for the Series A Notes would be expected to be lowered to A (low) (sf), all else being equal. If both the PD and LGD increased by 50% the rating for the Series A Notes would be expected to be lowered to BB (high) (sf).

Series A Risk Sensitivity:

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

Series B Risk Sensitivity:

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

Initial Lead Analyst: Lain Gutierrez

Initial Rating Date: 6 June 2011

Initial Rating Committee Chair: Claire Mezzanotte

Last Rating Date: 2 January 2013

Lead Surveillance Analyst: Keith Gorman
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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 10 FTA Series A	Downgraded	AA (sf)	--			Mar 6, 2014	EU
BBVA RMBS 10 FTA Series B	Confirmed	BBB (sf)	--			Mar 6, 2014	EU

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

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