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DBRS Confirms Ratings on BBVA RMBS 10 FTA

DBRS Ratings Limited (DBRS) has today taken the following rating actions on the bonds issued by BBVA RMBS 10, Fondo de Titulización de Activos (the Issuer):

- Series A notes confirmed at AA (sf);
- Series B notes confirmed at BBB (sf).

The confirmation of the ratings of the Series A and Series B notes is based upon the following analytical considerations, as described more fully below:

- Portfolio performance, in terms of delinquencies and defaults, as of the October 2014 payment date.
- Updated portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Incorporation of a sovereign-related stress component in the rating analysis 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.
- Current available credit enhancement to the Series A notes to cover the expected losses at the AA (sf) rating level, and to the Series B notes to cover the expected losses at the BBB (sf) rating level.

BBVA RMBS 10, Fondo de Titulización de Activos is a securitisation of a portfolio of first lien mortgage loans originated and serviced by Banco Bilbao Vizcaya Argentaria S.A. (BBVA).

The portfolio is well-seasoned (approximately four-and-a-half years) and geographically diversified across Spain with some concentrations in the regions of Andalusia (18.60%), Madrid (19.87%) and Catalonia (9.80%).

The 90+ delinquency ratio has remained low since June 2011 and it is currently at 0.13%. The current cumulative default ratio (as a percentage of the original balance) is also low at 0.10%.

The Series A notes are supported by subordination of the Series B notes and a reserve fund set up at transaction close with the proceeds of a subordinated loan. Credit enhancement for the Series A notes (as a percentage of the performing portfolio) increased steadily to 28.94% from 26.00% in June 2011. Credit enhancement for the Series B notes is provided by a reserve fund and increased

to 13.18% from 12.00% at closing. The reserve fund is available to protect both the Series A and Series B notes against interest and principal shortfall on an ongoing basis and is only allowed to amortise under certain conditions. Additionally, the reserve fund is subject to a floor of EUR 96.00 million. The current balance of the reserve fund is EUR 192.00 million and it is at the current target level.

BBVA acts as Account Bank (as holder of the Treasury Account) and Paying Agent for this transaction. BBVA Issuer and Senior Debt public rating by DBRS is currently at “A”, which complies with the Minimum Institution Rating given the rating assigned to the Series A notes, as described in the DBRS Legal Criteria for European Structured Finance.

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 31 December 2014 refers to the Account Bank having the “minimum rating [of ”A” with respect to a AAA or AA transaction]...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 reserve fund. In these scenarios, the available credit enhancement to the Series A notes was sufficient to cover DBRS expected losses at the AA (sf) rating level.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable is the Master European Structured Finance Surveillance Methodology. 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 the DBRS commentary “The Effect of Sovereign Risk on Securitisations in the Euro Area” at: <http://www.dbrs.com/industries/bucket/id/10036/name/commentaries/>.

The sources of information used for this rating include payment reports provided by Europea de Titulización, S.A., S.G.F.T. 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 6 March 2014 when DBRS downgraded the Series A notes from AAA (sf) to AA (sf) and confirmed the rating of BBB (sf) to the Series B notes.

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 (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 assets. 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 6.09% and 42.67%, respectively. At the AA (sf) rating level, the corresponding PD is 22.49% and the LGD is 58.45%.
- 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 the Series A notes would be expected to fall to A (high) (sf) and the rating of the Series B notes would be expected to remain at BBB (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A notes would be expected to fall to A (high) (sf) and the rating for the Series B notes would be expected to remain at BBB (sf), assuming no change in the LGD. Furthermore, if both the PD and LGD increase by 50%, the rating of the Series A notes would be expected to fall to BBB (sf) and the rating of the Series B notes would be expected to fall to BB (high) (sf).

Series A notes Risk Sensitivity:

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

- 25% increase in PD and 50% increase in LGD, expected rating of BBB (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BBB (sf)
- 50% increase in PD and 50% increase in LGD, 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://cerp.esma.europa.eu/cerp-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 10 FTA	Series A	Confirmed	AA (sf)	--			Jan 26, 2015	EU
BBVA RMBS 10 FTA	Series B	Confirmed	BBB (sf)	--			Jan 26, 2015	EU

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