Press Releases

Insight beyond the rating.

Date of Release: November 12, 2014

DBRS Confirms Ratings on BBVA RMBS 12, Fondo de Titulización de Activos

DBRS Ratings Limited (DBRS) has today taken the following rating actions on the bonds issued by BBVA RMBS 12, Fondo de Titulización de Activos (the Issuer):
-- Series A Bonds confirmed at A (low) (sf);
-- Series B Bonds confirmed at BB (sf).

The confirmation of the ratings of the Series A and Series B Bonds is based upon the following analytical considerations, as described more fully below:
-- Portfolio performance, in terms of delinquencies and defaults, as of the July 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 Bonds to cover the expected losses at the A (low) (sf) rating level, and to the Series B Bonds to cover the expected losses at the BB (sf) rating level.

BBVA RMBS 12, 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 (just over six years) and geographically diversified across Spain with some concentrations in the regions of Andalusia (20.13%), Madrid (16.55%) and Catalonia (16.02%).

The 90+ delinquency ratio has remained low since December 2013 and it is currently at 0.07%. The current cumulative default ratio (as a percentage of the original balance) is at zero.

The Series A Bonds are supported by subordination of the Series B Bonds and a reserve fund set up at transaction close with the proceeds of a subordinated loan. Credit enhancement for the Series A Bonds (as a percentage of the performing portfolio) increased steadily to 22.36% from 21.71% in December 2013. Credit enhancement for the Series B Bonds is provided by a reserve fund and increased to 4.85% from 4.65% at closing. The reserve fund is available to protect both the Series A and Series B Bonds 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 108.75 million. The current balance of the reserve fund is EUR 217.50 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 Bonds, as described in the DBRS Legal Criteria for European Structured Finance.

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.

This is the first rating action on this transaction since the Initial Rating Date, which took place on 12 December 2013 when DBRS assigned final ratings of A (low) (sf) to the Series A Bonds and BB (sf) to the Series B Bonds.

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 6.76% and 37.08%, respectively. At the A (low) (sf) rating level, the corresponding PD is 18.51% and the LGD is 48.51%.
• 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 Bonds would be expected to remain at A (low) (sf) and the rating of the Series B Bonds would be expected to remain at BB (sf), assuming no change in the PD. If the PD increases by 50%, the rating for the Series A Bonds would be expected to remain at A (low) (sf) and the rating for the Series B Bonds would be expected to remain at BB (sf), assuming no change in the LGD. Furthermore, if both the PD and LGD increase by 50%, the rating of the Series A Bonds would be expected to remain at A (low) (sf) and the rating of the Series B Bonds would be expected to remain at BB (sf).

Series A Bonds Risk Sensitivity:
• 25% increase in LGD, expected rating of A (low) (sf)
• 50% increase in LGD, expected rating of A (low) (sf)
• 25% increase in PD, expected rating of A (low) (sf)
• 50% increase in PD, expected rating of A (low) (sf)
• 25% increase in PD and 25% increase in LGD, expected rating of A (low) (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 A (low) (sf)

Series B Bonds 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 (sf)
• 50% increase in PD and 50% increase in LGD, expected rating of BB (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 12 FTA	Series A	Confirmed	A (low) (sf)	--		Nov 12, 2014	EU
BBVA RMBS 12 FTA	Series B	Confirmed	BB (sf)	--		Nov 12, 2014	EU

US = USA Issued, NRSRO
CA = Canada Issued, NRSRO
EU = EU Issued
E = EU Endorsed
Unsolicited Participating
Unsolicited Non-participating

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