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DBRS Confirms Ratings on BBVA RMBS 12 FTA

Bloomberg: DBRS Confirms Ratings on BBVA RMBS 12 FTA

Industry Group: Structured Finance

Sub-Industry: RMBS

Region: Europe

DBRS Ratings Limited (DBRS) has today confirmed the ratings on the following bonds issued by BBVA RMBS 12 FTA (the Issuer):

- Series A Notes at A (low) (sf)
- Series B Notes at BB (sf)

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

- Portfolio performance, in terms of delinquencies and defaults, as of July 2015.
- Updated portfolio default rate, loss given default and expected loss assumptions for the remaining collateral pool.
- Current available credit enhancement to the Series A and Series B Notes to cover the expected losses at the A (low) (sf) and BB (sf) rating levels, respectively.

BBVA RMBS 12 FTA is a securitisation of Spanish prime residential mortgages originated and serviced by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA). The transaction closed in December 2013.

As of July 2015, two- to three-month arrears are at 0.38%, up slightly from 0.22% in July 2014. The 90+ delinquency ratio was at 0.36%. The current cumulative default ratio is low at 0.09%.

As of July 2015, credit enhancement to the Series A Notes was 23.81%, up from 22.59% in July 2014. Credit enhancement to the Series A Notes consists of subordination of the Series B Notes and the Cash Reserve. Credit enhancement to the Series B Notes was 5.42%, up from 5.13% in July 2014, and is provided solely by the Cash Reserve.

The transaction benefits from a Cash Reserve that is available to cover senior fees as well as interest and principal shortfall on the Series A and Series B Notes. The Cash Reserve is currently at the target level of EUR 217.50 million and is only permitted to amortise under certain conditions.

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Insight beyond the rating.

BBVA acts as account bank for this transaction. The DBRS public rating of BBVA at “A” complies with the Minimum Institution Rating, given the rating assigned to the Series A Notes, as described in DBRS’s “Legal Criteria for European Structured Finance Transactions” methodology.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable is the Master European Structured Finance Surveillance Methodology, which can be found on www.dbrs.com at <http://www.dbrs.com/about/methodologies>. Other methodologies and criteria referenced in this transaction are listed at the end of this press release.

DBRS has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology. A review of the transaction legal documents was not conducted as the documents have remained unchanged since the most recent rating action.

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

The sources of information used for this rating include reports provided by Europa de Titulización, S.A., S.G.F.T. and data from the European DataWarehouse.

DBRS does not rely upon third-party due diligence in order to conduct its analysis; DBRS was not supplied with third-party assessments; however, this did not impact the rating analysis.

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 12 November 2014, when DBRS confirmed the ratings on the Series A and Series B Notes.

Information regarding DBRS ratings, including definitions, policies and methodologies is available at www.dbrs.com.

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

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Insight beyond the rating.

- 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 Notes would be expected to remain at A (low) (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 (low) (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 remain at A (low) (sf).

Series A Notes 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 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 B (high) (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 B (high) (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 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: David Sanchez Rodriguez

Initial Rating Date: 5 December 2013

Initial Rating Committee Chair: Quincy Tang

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Insight beyond the rating.

Lead Surveillance Analyst: Andrew Lynch
Rating Committee Chair: Diana Turner

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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 (September 2015)
- Master European Structured Finance Surveillance Methodology (April 2015)
- Operational Risk Assessment for European Structured Finance Servicers (January 2015)
- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda (September 2015)
- Unified Interest Rate Model for European Securitisations (October 2015)

A description of how DBRS analyses structured finance transactions and how the methodologies are collectively applied can be found at: <http://www.dbrs.com/research/278375>.

<u>Issuer</u>	<u>Debt Rated</u>	<u>Rating Action</u>	<u>Rating</u>	<u>Trend</u>
BBVA RMBS 12 FTA	Series A	Confirmed	A (low) (sf)	-
BBVA RMBS 12 FTA	Series B	Confirmed	BB (sf)	-

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