

Rating Action: Moody's downgrades BCL Municipios 1, ABS of Spanish public sector loans

Global Credit Research - 17 Jan 2012

EUR60 million of debt securities affected

Frankfurt am Main, January 17, 2012 -- Moody's Investors Service has today downgraded the rating on the class B notes issued by BCL Municipios 1, FTA, following the recent deterioration of the issuer's portfolio quality.

...EUR60M B Certificate, Downgraded to A3 (sf); previously on Jun 22, 2000 Definitive Rating Assigned A2 (sf)

RATINGS RATIONALE

Today's rating action reflects the recent deterioration of BCL Municipios 1's portfolio quality. BCL Municipios 1's performance has been strong since closing, expressed in terms of 90+ day delinquencies and cumulative artificial write-offs (loans more than 24 months in arrears). However, it quickly deteriorated in the second half of 2011. As of November 2011, 90-360 day delinquencies represented about 2.7% of the portfolio (9 of the 593 loans in the portfolio were 90+ days delinquent). By comparison, from closing and up to June 2011, 90+ day delinquencies rarely exceeded 1% of the portfolio. Moody's notes that this deterioration coincides with the financial difficulties faced by some Spanish municipalities.

--PORTFOLIO CREDIT QUALITY AND ANALYSIS

Concentrations have increased significantly since closing, in BCL Municipios's portfolio of loans to 502 Spanish city councils. The top obligor now contributes 4% of the pool; the top 10 obligors, 28%; and the top 20 obligors, 42%. This breakdown translates into an effective number of borrowers of 80. None of these borrowers are publicly rated by Moody's.

Moody's assessed the creditworthiness of the borrowers representing less than 3% of the pool (together making up 83% of the pool) to be equivalent to an average credit quality of Ba2 using Q scores. Q Scores are scorecard generated, unpublished, point-in-time estimated opinions of the approximate credit quality of individual local governments. Q scores were created to allow a granular assessment of each individual loan exposure within a pooled transaction. Overall, 67% of the pool has a Q score between A2 and Baa1. For the 7.4% of the pool where Q scores were not available, Moody's assumed a credit quality of B2. Furthermore, Moody's assumed a Ca quality for the loans already in arrears by more than 90 days, and used a 1 notch down adjustment for loans in arrears by 60 days.

For the credit quality of the top 5 exposures, which individually represent more than 3% of the pool and together account for 17% of the pool, Moody's tested the sensitivity of ratings to two extreme cases: (i) assuming a Caa2 equivalent rating and (ii) assuming a Baa1 equivalent rating.

Moody's assumed a range of recovery rates between 40% and 50%. It calculated a weighted average life (WAL) of 3.4 years for the pool.

Considering the current credit enhancement level of 70.1% and 23.4% below the class A2 and B, respectively, the sensitivity analysis described above resulted in a downgrade of the class B to A3(sf) from A2(sf) and no change to the Aaa(sf) rating of the class A notes.

--STRUCTURE

This transaction is a revolving securitisation of a portfolio of loans to Spanish public entities, which closed in June 2000. The loans were originated by Banco de Credito Local de Espana, S.A. (now Banco Bilbao Vizcaya Argentaria, S.A.-BBVA). The closing loan portfolio of EUR1,205 million has substantially amortised to its current size of EUR128.2 million (i.e. a 10.6% pool factor) on the last Interest Payment Date.

--SENSITIVITY ANALYSIS

The ratings of class B are sensitive to a change in portfolio credit quality, as assessed by the Q scores. These in turn, could be affected by a change in the credit quality of the Kingdom of Spain, currently rated A1. The other major source of uncertainty comes from the amount that could be recovered on the loans to Spanish City Councils upon default. As described above, Moody's has run a series of sensitivity run on both the credit quality of the top borrowers and on recovery rates which concluded in a A3 rating on the class B notes. As such, Moody's analysis encompasses the assessment of stressed scenarios.

In addition, the risk of sovereign default or the exit of countries from the euro area is rising (see "Rising Severity of Euro Area Sovereign Crisis Threatens Credit Standing of All EU Sovereigns", published 28 November 2011). As a result, Moody's could lower the maximum achievable rating for structured finance transactions in some countries, which could result in rating downgrades.

--PRINCIPAL METHODOLOGIES

The principal methodology used in this rating was Moody's Approach to Rating Collateralized Loan Obligations, published in June 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Moody's used its excel-based cash flow model, Moody's ABSROM™, as part of its quantitative analysis of the transaction. Moody's ABSROM™ model enables users to model various features of a standard European ABS transaction including: (i) the specifics of the default distribution of the assets, their portfolio amortisation profile, yield or recoveries; and (ii) the specific priority of payments, triggers, swaps and reserve funds on the liability side of the ABS structure. Moody's ABSROM™ User Guide is available on Moody's website and covers the model's functionality as well as providing a comprehensive index of the user inputs and outputs. MOODY'S CDOROMv2.8™ was used to estimate the default distribution.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare the rating are the following: parties involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of this transaction in the past six months.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the three years preceding the credit rating action. Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's EU credit rating agencies" on the ratings disclosure page on our website www.moody.com for further information.

Please see the ratings disclosure page on www.moody.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moody.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moody.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moody.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moody.com for further information.

Please see www.moody.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Ludovic Thebault
Associate Analyst
Structured Finance Group
Moody's Deutschland GmbH
An der Welle 5
Frankfurt am Main 60322
Germany
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Carole Gintz
VP - Senior Credit Officer
Structured Finance Group
JOURNALISTS: 44 20 7772 5456

SUBSCRIBERS: 44 20 7772 5454

Releasing Office:

Moody's Deutschland GmbH

An der Welle 5

Frankfurt am Main 60322

Germany

JOURNALISTS: 44 20 7772 5456

SUBSCRIBERS: 44 20 7772 5454



© 2012 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. ("MIS") AND ITS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any

of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.