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DBRS Confirms Rating on Class A Notes of BBVA RMBS 17 FT

Industry: Sec.--RMBS

DBRS Ratings Limited (DBRS) has today confirmed the rating on the Class A notes issued by BBVA RMBS 17 FT (the Issuer) at A (high) (sf).

The confirmation of the rating on the Class A notes reflects an annual review of the transaction and is based on the following analytical considerations:

- Portfolio performance in terms of delinquencies and defaults, as of the August 2017 payment date.
- Probability of default (PD) rate, loss given default (LGD) rate and expected loss assumptions for the remaining portfolio collateral.
- The current available credit enhancement (CE) to the Class A notes to cover the expected losses at the A (high) (sf) rating level.

The Issuer is a securitisation of residential mortgage loans secured by first-lien mortgages originated by Banco Bilbao Vizcaya Argentaria S.A. (BBVA) in Spain. The Issuer used the proceeds of the Class A notes and the Loan B to fund the purchase of the mortgage portfolio from the Seller. BBVA is also the servicer of the portfolio. In addition, BBVA provided separate additional subordinated loans to fund both the initial expenses and the Reserve Fund.

PORTFOLIO PERFORMANCE

The performance of the collateral portfolio is within DBRS's expectations. As of August 2017, the loans more than 90 days in arrears are at 0.01% of the outstanding performing portfolio collateral balance. Defaults are defined as loans in arrears for more than 18 months and to date there are no defaults reported given that only three payment dates have elapsed since the closing date.

PORTFOLIO ASSUMPTIONS

DBRS has reduced its Base Case Probability of Default (PD) and Loss Given Default (LGD) assumptions on the remaining collateral pool to 9.2% and 26.3% from 10.3% and 30.7% respectively. The reductions in PD and LGD have been driven by increased seasoning and reduced loan-to-value ratios.

CREDIT ENHANCEMENT

CE to the Class A notes consists of subordination and has increased to 16.7% from 16% at transaction

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closing. The transaction also benefits from an amortising reserve fund which is available to cover senior expenses as well as interest and principal on the Class A notes until paid in full. The reserve fund is currently at its target level of EUR 72 million.

BBVA acts as the account bank for the transaction. On the basis of the DBRS public Long-Term Critical Obligations Rating of BBVA of A (high) and the mitigants outlined in the transaction documents, DBRS considers the risk arising from the exposure to the Account Bank to be consistent with the rating assigned to the Class A Notes.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the rating is: “Master European Structured Finance Surveillance Methodology.”

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 legal documents have remained unchanged since the most recent rating action.

Other methodologies referenced in this transaction are listed at the end of this press release.

These may be found on www.dbrs.com at: <http://www.dbrs.com/about/methodologies>.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to 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 data and information used for this rating include investor reports from Europea de Titulización S.A., S.G.F.T. and loan-level data from the European DataWarehouse GmbH.

DBRS did not rely upon third-party due diligence in order to conduct its analysis.

At the time of the initial rating DBRS was supplied with third-party assessments. However, this did not impact the rating analysis.

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DBRS considers the data and information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS does not audit or independently verify the data or information it receives in connection with the rating process.

The last rating action on this transaction took place on 22 November 2016, when DBRS finalised its provisional rating of A (high) (sf) on the Class A notes.

The lead analyst responsibilities for this transaction have been transferred to Andrew Lynch.

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

To assess the impact of 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 PD and 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 assumptions for the remaining portfolio collateral are 9.2% and 26.3%, respectively. At the A (high) (sf) rating level, the corresponding PD is 25.2% and the LGD is 39.2%.

-- 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 on the Class A notes would be expected to remain at A (high) (sf), assuming no change in the PD. If the PD increases by 50%, the rating on the Class A notes would be expected to remain at A (high) (sf), assuming no change in the LGD. Furthermore, if both the PD and the LGD increase by 50%, the rating on the Class A notes would be expected to remain at A (high) (sf).

Class A notes Risk Sensitivity:

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

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

For further information on DBRS historical default rates published by the European Securities and Markets Authority (“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 and US regulations only.

Lead Analyst: Andrew Lynch, Assistant Vice President
Rating Committee Chair: Gareth Levington, Managing Director
Initial Rating Date: 15 November 2016

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The rating methodologies used in the analysis of this transaction can be found at:
<http://www.dbrs.com/about/methodologies>.

- Master European Structured Finance Surveillance Methodology
- European RMBS Insight: Spanish Addendum
- Legal Criteria for European Structured Finance Transactions
- Operational Risk Assessment for European Structured Finance Servicers
- Unified Interest Rate Model for European Securitisations

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>.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
BBVA RMBS 17 FT	Class A notes (ES0305217004)	Confirmed	A (high) (sf)	--	Nov 21, 2017

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