

Rating Action: Moody's Downgrades BCL Municipios 1 ABS Notes to Ba1 (sf) from A3 (sf)

Global Credit Research - 24 May 2013

London, 24 May 2013 -- Moody's Investors Service has today downgraded by four notches, to Ba1 (sf) from A3 (sf), the ratings of the Class B notes issued by BCL Municipios 1, FTA, a Spanish asset-backed securities (ABS) transaction backed by the loans to Spanish public entities. At the same time, the rating agency confirmed the ratings of Class A2 notes at A3 (sf). Today's rating action reflects deterioration in the credit quality of the portfolio backing the notes, following the downgrade of the Government of Spain (Baa3/(P)P-3, Not on Watch) on 13 June 2012. This rating action concludes the review for downgrade initiated by Moody's on 2 July 2012.

Issuer: BCL MUNICIPIOS I, FONDO DE TITULIZACION DE ACTIVOS

...EUR900MA2 Notes, Confirmed at A3 (sf); previously on Jul 2, 2012 Downgraded to A3 (sf) and Placed Under Review for Possible Downgrade

...EUR60MB Notes, Downgraded to Ba1 (sf); previously on Jul 2, 2012 A3 (sf) Placed Under Review for Possible Downgrade

RATINGS RATIONALE

Today's rating action reflects deterioration in the quality of the portfolio backing the Class A2 and B notes, as a result of the Spanish sovereign downgrade in June 2012. This downgrade, in turn, led to a worsening of the credit quality of Spanish sub-sovereign entities including the city councils, which are borrowers in this securitised portfolio and directly affected the credit quality of the BCL Municipios 1 transaction. While the insufficient credit enhancement of the Class B notes (33.6% as of April 2013) to offset this deterioration in portfolio quality triggered today's downgrade, the adequacy of credit enhancement for the Class A2 notes (100.6% as of April 2013) primarily drove the rating confirmation.

-- DETERIORATION OF PORTFOLIO CREDIT QUALITY

Moody's has assessed the current credit quality of the portfolio as being equivalent to a B1 rating, which corresponds to a default probability of 12.4% assuming a 3.2 year weighted average life. The rating agency derives this average credit quality from recently updated credit estimates and Q scores, as none of these borrowers are publicly rated by Moody's.

For the credit quality of the top six exposures, which individually represent more than 3% of the portfolio and together account for 24% of the current pool balance, the rating agency downgraded by two notches the credit estimates in the central scenario and performed several stress tests because credit estimates do not carry credit indicators, such as rating reviews and outlooks. For the top obligor (5.5% of the pool), its credit estimate was not available. Moody's assume a Caa2 credit quality and tested the sensitivity of ratings with various scenarios from B1 to Caa1.

For the remaining borrowers representing less than 3% of the pool (together making up 76% of the pool), the creditworthiness was assessed with Q scores. Overall, 66.8% of the pool has a Q score between Ba1 and Ba3. For the 4.5% of the pool where Q scores were not available, Moody's assumed a credit quality of Caa1 for those loans not in arrears (4.2% of the pool). For a loan already in arrears by more than 90 days (0.3% of the pool), Moody's assumed a Ca quality.

Moreover, the sub-sovereign profile for the bulk of debtors, who are all domiciled in Spain, leads to a 100% correlation assumption in Moody's model. The rating agency assumed a 45% fixed recovery rate on defaulted assets, in order to model the possible restructuring of defaulted loans. Moody's also took into consideration the fact that the borrower concentration in the portfolio has increased significantly with an effective number of 61 now, from 80 in January 2012. The top 10 borrowers account for 34% and the top 22 exposures now account for 50% of the pool in March 2013.

-- UNCERTAINTY OF PERFORMANCE

The performance of BCL Municipios 1 has been very good in terms of 90+ day delinquencies and defaults. Since the second half of 2011, Moody's has noted a deterioration in the performance and a quick increase of 90+ day delinquencies. However, the delinquency level went down at the end of 2012. Only one of 442 loans in the portfolio was 90+ days delinquent (0.3%) and the 3-month cumulative delinquency rate remained stable at 0.23% in April 2013. Moody's also took into consideration the potential impact of weakening performance due to high borrower concentration in the portfolio.

-- INCREASED COUNTERPARTY RISK

The conclusion of Moody's rating review also takes into consideration the increased exposure to commingling due to weakened counterparty creditworthiness.

This transaction was originated by Banco de Credito Local de Espana, S.A., which is now Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, Baa3/P-3). BBVA acts as servicer and collections account bank, and transfers collections daily to the treasury accounts in the name of the funds at BBVA. The reserve funds also reside at BBVA. Moody's incorporated into its analysis the potential default of BBVA as servicer and treasury account and considered the strong linkage between the rating of the notes and the rating of BBVA, which could expose the transaction to a commingling loss on the quarterly collections and a loss on the reserve fund.

BBVA acts as swap counterparty in this transaction. As part of its analysis, Moody's assessed the exposure to the swap counterparty, which does not have a negative effect on the rating levels at this time.

METHODOLOGIES

The methodologies used in this rating were "Moody's Global Approach to Rating Collateralized Loan Obligations", published in May 2013 and "The Temporary Use of Cash in Structured Finance Transactions: Eligible Investment and Bank Guidelines", published in March 2013. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

As the euro area crisis continues, the ratings of structured finance notes remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could further negatively affect the ratings of the notes.

Moody's describes additional factors that may affect the ratings in the Request for Comment, "Approach to Assessing Linkage to Swap Counterparties in Structured Finance Cashflow Transactions: Request for Comment", published on 02 July 2012.

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 1) the specifics of the default distribution of the assets, their portfolio amortisation profile, yield or recoveries; and 2) 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 CDOROM2.8™ was used to estimate the default distribution.

REGULATORY DISCLOSURES

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.

For ratings issued on a program, series or category/class of debt, this announcement provides certain 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 certain 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 certain 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.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

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

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Frederic Lautard
Analyst
Structured Finance Group
Moody's France SAS
96 Boulevard Haussmann
Paris 75008
France
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Carole Gintz
VP - Sr Credit Officer/Manager
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

MOODY'S
INVESTORS SERVICE

© 2013 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."

For Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). 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. MOODY'S 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 clients. It would be dangerous for retail clients to make any investment decision based on MOODY'S credit rating. If in doubt you should contact your financial or other professional adviser.