

## **CORRECTION: FITCH PLACES THREE BBVA RMBS TRANSACTIONS ON RWN**

Fitch Ratings-London/Madrid-02 December 2011: This announcement corrects the version published on 25 November 2011 which incorrectly stated the entity performing the sale of the properties and the stated principal deficiency amount in BBVA RMBS 2.

Fitch Ratings has placed 11 tranches of three BBVA RMBS transactions on Rating Watch Negative (RWN). The agency has also affirmed the 'CCCs' rating on the three deals' junior tranches. A full list of rating actions is at the end of the commentary.

The RWN reflects Fitch's concern over the high volume of losses realised on foreclosed properties over the past two years. In its attempt to decrease the volume of properties currently on the balance sheet of the special purpose vehicle, Europea de Titulizacion (EdT) has achieved the sale of properties, at sometimes reduced market prices due to current low demand. Fitch understands that the properties are being sold to third parties, unlike a few other originators who have been buying the properties and placing them on their own balance sheets. In a declining house price environment, the timely sale of properties is typically viewed as a positive, as it reduces the cost to the securitisations of carrying defaulted loans. The limited mortgage availability and demand for properties has led to assets being sold at reduced prices compared to their original valuations, limiting the amount of recoveries.

At present, two of the three deals have technical principal deficiency balances outstanding, equivalent to 0.3% and 5.2% of the outstanding note amount of BBVA RMBS 2 and 3 respectively. Meanwhile the reserve fund of BBVA RMBS 1 stands at 6.8% of its target amount.

The pools comprise high loan-to-value ratio loans and include some mortgages granted to foreign borrowers and those employed on temporary contracts. Fitch recognises there is a divergence between the performances of the three pools. BBVA RMBS 1 and 2 mainly comprise loans originated before 2006, which have performed better than the 2006 vintage loans that dominate the BBVA RMBS 3 pool. This is also reflected in the level of cumulative defaults across the three deals, which as of September 2011 stood at 2.4% and 2.9% of initial pool balance in BBVA RMBS 1 and 2, respectively, compared to 6.8% (August 2011) in BBVA RMBS 3.

The agency will aim to resolve the RWN by January 2012. It will request further information from the management company (gestora Europea de Titulizacion) to determine whether the past performance of these transactions is indicative of the future performance of the remaining loans in the portfolios.

The rating actions are as follows:

BBVA RMBS 1, Fondo de Titulizacion de Activos:

Class A2 (ISIN ES0314147010) 'AA-sf'; on RWN;

Class A3 (ISIN ES0314147028) 'AA-sf'; on RWN;

Class B (ISIN ES0314147036) 'BBBsf'; on RWN;

Class C (ISIN ES0314147044) affirmed at 'CCCs'; Recovery Estimate 0%

BBVA RMBS 2, Fondo de Titulizacion de Activos:

Class A2 (ISIN ES0314148018) 'AAsf'; on RWN;

Class A3 (ISIN ES0314148026) 'AAsf'; on RWN;

Class A4 (ISIN ES0314148034) 'AAsf'; on RWN'

Class B (ISIN ES0314148042) 'BBBsf'; on RWN;

Class C (ISIN ES0314148059) affirmed at 'CCCs'; Recovery Estimate 0%

BBVA RMBS 3, Fondo de Titulization de Activos  
Class A1 (ISIN ES0314149008) 'Asf'; on RWN;  
Class A2 (ISIN ES0314149016) 'Asf'; on RWN;  
Class A3 (ISIN ES0314149024) 'Asf'; on RWN;  
Class B (ISIN ES0314149032) 'Bsf'; on RWN;  
Class C (ISIN ES0314149040) affirmed at 'CCCsf'; Recovery Estimate 0%

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com). The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Sources of information - in addition to those mentioned in the applicable criteria, the sources of information used to assess the ratings were investor reports.

Applicable criteria, 'EMEA Residential Mortgage Loss Criteria' dated 16 August 2011, and 'EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions', dated 11 August 2011 are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

EMEA Residential Mortgage Loss Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=649450](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649450)

EMEA Criteria Addendum - Spain - Mortgage Loss and Cash Flow Assumptions

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