Europea de Titulización
Sociedad Gestora de Fondos de Titulización

<u>Hecho Relevante de</u> **<u>BBVA HIPOTECARIO 3 FONDO DE TITULIZACION DE ACTIVOS</u>**

En virtud de lo establecido en el Folleto Informativo de **BBVA HIPOTECARIO 3 FONDO DE TITULIZACION DE ACTIVOS** (el "**Fondo**") se comunica a la COMISIÓN NACIONAL DEL MERCADO DE VALORES el presente hecho relevante:

- La Agencia de Calificación **Moody's Investors Service (Moody's)**, con fecha 5 de diciembre de 2012, comunica que ha bajado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:
  - **Serie B**: **Baa3 (sf)** (anterior **A3 (sf)**, bajo revisión)
  - **Serie C**: **B3 (sf)** (anterior **Ba3 (sf)**, bajo revisión)

  Asimismo, Moody's ha confirmado la calificación asignada a la restante Serie de Bonos:
  - **Serie A2**: **A3 (sf)** (anterior **A3 (sf)**, bajo revisión)

  Se adjunta la comunicación emitida por Moody's.

Madrid, 7 de diciembre de 2012.

Mario Masiá Vicente
Director General

Lagasca, 120 (1º) -28006 MADRID- Telf.: (34) 91 411 84 67 – Fax: (34) 91 411 84 68 – www.edt-sg.com
Registro Mercantil de Madrid. Tomo 5461, Folio 49, Sección 8, Hoja M-89355, Inscripción 1ª Fecha 11/03/93 NIF A-80514466

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades two classes of BBVA Hipotecario 3 Spanish SME ABS notes

Global Credit Research - 05 Dec 2012

Frankfurt am Main, December 05, 2012 -- Moody's Investors Service has today downgraded the ratings of two classes of notes in BBVA Hipotecario 3, FTA, primarily due to insufficient levels of credit enhancement given increased uncertainties in the current negative economic environment of Spain and expected performance deterioration. At the same time, Moody's confirmed the ratings of one class of notes. The transaction consists of Spanish small and medium-sized enterprise asset-backed securities (SME ABS) originated by Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, rated Baa3/P-3). This rating action concludes the downgrade review initiated by Moody's in July 2012 on the various rated tranches. A detailed list of affected ratings is available towards the end of this press release.

RATINGS RATIONALE

"Today's rating action reflects the low levels of credit enhancement for the mezzanine and junior tranche of this transaction, given our negative forecast and severe downside scenarios for Spanish SME performance," says Gaston Wieder, a Moody's analyst for the transaction.

-- PERFORMANCE

BBVA Hipotecario 3 has generally performed better than Moody's Spanish SME index in terms of delinquency. However, arrear performance shows a steady deterioration. Based on the latest issuer report of 13 November, 90- to 360-day delinquencies in BBVA Hipotecario 3 represent 3.3% of the outstanding pool balance compared to a level of 1.3% one year earlier (see "Performance overview of BBVA Hipotecario 3, FTA", 26 November 2012).

Meanwhile, as of September 2012, Moody's Spanish SME 90- to 360-day delinquencies index stood at 4.6% (see "Spanish SME ABS Indices -- September 2012 ", 21 November 2012), compared to 2.8% a year earlier.

-- KEY REVISED ASSUMPTIONS: CUMULATIVE DEFAULT, VOLATILITY AND RECOVERY

Given the recent deterioration of performance, the transaction has now reached the level of defaults (using a proxy of 90-day delinquencies) assumed for the life of the deal. At the end of October 2012, cumulative 90+ day delinquencies stood at 3.6% of the original balance, compared to a current default assumption of 3.5% over the life of the transaction. Meanwhile, the pool factor of total securitised assets was 12% and the reserve fund was drawn.

Moody's has increased the mean default assumption to 11% of the current portfolio, corresponding to an average rating proxy of B1 for the portfolio quality with an estimation of remaining weighted-average life (WAL) of 2.8 years. When converting this number into a cumulative mean default rate of the original balance, the revised expected cumulative default rate is 5%.

The pool, which consists entirely of mortgage loans granted to corporates and individuals, has an effective number of 442 borrowers with the top 10 obligors representing 8.9%. The recovery rate assumption is now 55% (fixed recovery rate), compared to the currently assumed 60% stochastic recovery rate, reflecting ongoing and increasing difficulty in liquidating the real estate collateral of the loans. Moody's has also increased its volatility assumption (coefficient of variation, CoV) to 101.5%, considering the increased uncertainties for further performance deterioration in the current economic cycle. Despite the revised assumptions, Moody's confirmed the ratings of the Class A2 notes as their credit enhancement level of 43% (as of latest payment date) was sufficient to off-set the lower recovery rate and higher volatility assumptions, while the class B and C notes were downgraded to Baa3(sf) and B3(sf) from A3(sf) and Ba3(sf), respectively.

-- COUNTERPARTY RISK

Following the downgrade of Spanish banks, some remedies have been put in place in order to mitigate the increased counterparty risk in BBVA Hipotecario 3. The issuer account bank is held at BBVA while a guarantee has been provided by the Spanish branch of Societe Generale (SocGen, A2/P-1). Besides, BBVA acts as swap counterparty of an interest rate hedging arrangement. Based on the provided information, BBVA has been posting cash collateral on a weekly basis and this cash is held at an account with SocGen (Spanish branch). In addition, SocGen has taken over the role of paying agent.

On 21 August 2012, Moody's released a Request for Comment seeking market feedback on proposed adjustments to its modelling assumptions. These adjustments are designed to account for the impact of rapid and significant country credit deterioration on structured finance transactions. If the adjusted approach is implemented as proposed, the rating of the notes affected by today's rating action should not be negatively affected. See "Approach to Assessing the Impact of a Rapid Country Credit Deterioration on Structured Finance Transactions", (http://www.moodys.com/research/Approach-to-Assessing-the-Impact-of-a-Rapid-Country-Credit--PBS_SF294880) for further details regarding the implications of the proposed methodology changes on Moody's ratings.

PRINCIPAL METHODOLOGIES

The methodologies used in this rating were "Moody's Approach to Rating CDOs of SMEs in Europe", published in February 2007, "Refining the ABS SME Approach: Moody's Probability of Default assumptions in the rating analysis of granular Small and Mid-sized Enterprise portfolios in EMEA", published in March 2009, and "Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa", published in June 2007. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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.

-- SENSITIVITY ANALYSIS

Moody's analysed various sensitivities of default rate, recovery rates and volatility levels to test the robustness of its revised ratings. In particular, if the revised levels of volatility were to be increased further to 111.3%, the rating of the senior and junior tranches would remain unchanged while the rating of the Class B notes would fall by one notch. As such, Moody's analysis encompasses the assessment of stressed scenarios.

LIST OF AFFECTED RATINGS

Issuer: BBVA Hipotecario 3, FTA

....EUR55.9M B Notes, Downgraded to Baa3 (sf); previously on Jul 2, 2012 A3 (sf) Placed Under Review for Possible Downgrade

....EUR18.9M C Notes, Downgraded to B3 (sf); previously on Jul 2, 2012 Ba3 (sf) Placed Under Review for Possible Downgrade

....EUR925.7M A2 Notes, Confirmed at A3 (sf); previously on Jul 2, 2012 Downgraded to A3 (sf) and Placed Under Review for Possible Downgrade

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.

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

Please see the ratings disclosure page on www.moodys.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.moodys.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.moodys.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.moodys.com for further information.

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.

Yuezhen Wang
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

Gaston Wieder
Analyst

Structured Finance Group
Moody's Investors Service Espana, S.A.
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