FITCH UPGRADES BBVA HIPOTECARIO 3, F.T.A.

Fitch Ratings-Madrid/London-24 April 2015: Fitch Ratings has upgraded BBVA Hipotecario 3, F.T.A's notes, as follows:

EUR8.5m Class A2 (ISIN ES0314227010): affirmed at 'AA+sf'; Outlook Stable
EUR46.5m Class B (ISIN ES0314227028): upgraded to 'AA+sf' from 'A+sf'; Outlook Stable
EUR15.7m Class C (ISIN ES0314227036): upgraded to 'A-sf' from 'BBBsf'; Outlook Stable

BBVA Hipotecario 3, F.T.A. is a static securitisation of a EUR1.45bn initial portfolio of Spanish SME loans originated and serviced by Banco Bilbao Vizcaya Argentaria (A-/Stable/F2).

KEY RATING DRIVERS
The upgrades reflect the increase in credit enhancement over the past 12 months following the transaction's deleveraging. Credit enhancement for the class B notes had increased to 49.7% in March 2015 from 31.6% in March 2014. Credit enhancement for the class C notes had increased to 27.5% in March 2015 from 16.4% in March 2014.

The class C notes rating is currently capped at 'A-sf'. This is driven by the 'F1' rating trigger on the account bank, which holds a cash reserve of EUR19.4m providing the only source of protection for the class C notes. This trigger is commensurate with a Long-term rating trigger of 'A-'. The class A2 and B notes' ratings are capped at 'AA+sf', based on Fitch's Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds.

The portfolio had amortised to 5.22% of its original balance in March 2015 from 7.5% in March 2014. The portfolio has exhibited improved performance over the past 12 months. Loans in arrears of more than 90 days account for 0.7% of non-defaulted assets, down from 1.7% a year ago. The balance of defaulted assets in the portfolio fell to EUR9.6m from EUR11.2m during the same period. The transaction benefits from high realised recoveries. The achieved weighted average recovery rate is currently 70.8%, which compares favourably with recoveries in other Spanish SME transactions.

The portfolio remains highly exposed to the Spanish real estate sector. However, Fitch accounted for this in its analysis by stressing the probability of default associated with loans in this sector.

RATING SENSITIVITIES
Applying a 1.25x default rate multiplier or a 0.75x recovery rate multiplier to all assets in the portfolio would not result in a downgrade of the notes.

Contacts:
Primary Analyst
Antonio Casado
Director
+34 91 702 57 76
Fitch Ratings Espana SAU
Plaza de Colon, 2 Torre II
28046 Madrid

Committee Chairperson
Matthias Neugebauer
Managing Director
+44 20 3530 1099

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email: athos.larkou@fitchratings.com.

Additional information is available on www.fitchratings.com

Source of information: The information used to assess these ratings was sourced from the arranger and the asset manager.

Applicable criteria 'Global Structured Finance Rating Criteria', dated 31 March 2015; 'Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)', dated 06 March 2015; 'Counterparty Criteria for Structured Finance and Covered Bonds'; 'Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum', dated 14 May 2014; and 'Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds', dated 20 February 2015, are available at www.fitchratings.com.

Applicable Criteria and Related Research:
Global Structured Finance Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864268
Criteria for Rating Granular Corporate Balance-Sheet Securitisations (SME CLOs)
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=863220
Counterparty Criteria for Structured Finance and Covered Bonds
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158
Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175
Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862115