Fitch Ratings-London-20 April 2018: Fitch Ratings has upgraded eight tranches of the BBVA RMBS series and affirmed five other tranches. All tranches have been removed from Rating Watch Evolving.

The series are three Spanish prime RMBS originated and serviced by Banco Bilbao Vizcaya Argentaria (BBVA; A-/Stable/F2). A full list of rating actions is below.

BBVA RMBS 1, FTA:
Class A2 (ISIN ES0314147010): upgraded to 'BBB+sf' from 'BBsf'; removed from RWE; Outlook Stable
Class A3 (ISIN ES0314147028): upgraded to 'BBB+sf' from 'BBsf'; removed from RWE; Outlook Stable
Class B (ISIN ES0314147036): upgraded to 'B+sf' from 'CCCsf'; removed from RWE; Outlook Stable
Class C (ISIN ES0314147044): upgraded to 'CCCsf' from 'CCsf'; removed from RWE; Recovery Estimate maintained at 30%

BBVA RMBS 2, FTA:
Class A2 (ISIN ES0314148018): upgraded to 'BBBsf' from 'Bsf'; removed from RWE; Outlook Stable
Class A3 (ISIN ES0314148026): upgraded to 'BBBsf' from 'Bsf'; removed from RWE; Outlook Stable
Class A4 (ISIN ES0314148034): upgraded to 'BBBsf' from 'Bsf'; removed from RWE; Outlook Stable
Class B (ISIN ES0314148042): upgraded to 'BB-sf' from 'CCCsf'; removed from RWE; Outlook Stable
Class C (ISIN ES0314148059): affirmed at 'CCsf'; removed from RWE; Recovery Estimate revised to 60% from 0%

BBVA RMBS 3, FTA:
Class A1 (ISIN ES0314149008): affirmed at 'CCCsf'; removed from RWE; Recovery Estimate maintained at 100%
Class A2 (ISIN ES0314149016): affirmed at 'CCCsf'; removed from RWE; Recovery Estimate maintained at 100%
Class B (ISIN ES0314149032): affirmed at 'CCsf'; removed from RWE; Recovery
Estimate maintained at 0%
Class C (ISIN ES0314149040): affirmed at 'CCsf'; removed from RWE; Recovery Estimate maintained at 0%

KEY RATING DRIVERS
European RMBS Rating Criteria
The rating actions reflect the application of Fitch's new European RMBS Rating Criteria. The upgrades and affirmations reflect the levels of credit enhancement (CE) relative to Fitch's asset performance expectations as per the agency's latest rating criteria.

Stable Asset Performance
As of the respective cut-off dates the transactions reported total delinquent loan balances were broadly stable at 8.1%, 7.4% and 5.7% for BBVA RMBS 1, BBVA RMBS 2 and BBVA RMBS 3 respectively, as a percentage of the total balance of performing and delinquent loans. The balances of loans with more than three payments in arrears were also little changed at 0.4%, 0.5% and 0.6% for BBVA RMBS 1, BBVA RMBS 2 and BBVA RMBS 3 respectively.

Performance Adjustment Factor
The calculated performance adjustment factor for each transaction was lower than 100%. However, Fitch applied a floor at 100% to take into account the lack of detailed data regarding loan restructuring and payment loans extensions and the potential effect that these may have had upon historical default rates.

Credit Enhancement (CE)
For BBVA RMBS 1, the class A, B and C notes are amortising on a sequential basis and Fitch expects this to continue given that the reserve fund remains under target. Among the class A notes, the A2 and A3 continue to amortise on a sequential basis. In a stress scenario the class A2 and A3 notes will amortise pro-rata, therefore Fitch has treated the A1 and A2 notes as pari-passu for the purpose of calculating CE of 20%. Fitch has calculated CE of 8.9% and 1% for the class B and C notes respectively.

For BBVA RMBS 2, the class, A, B and C notes are amortising on a sequential basis and Fitch expects this to continue given that the reserve fund remains under target. Among the class A notes, the A2, A3 and A4 notes continue to amortise on a sequential basis. In a stress scenario the class A2, A3 and A4 notes will amortise pro-rata therefore Fitch has treated the class A1, A2 and A3 notes as pari-passu for the purpose of calculating CE of 9.7%. Fitch has calculated CE of 4% and negative 1% for the class B and C notes respectively.

For BBVA RMBS 3, the class, A, B and C notes are amortising on a sequential
basis and Fitch expects this to continue given that the reserve fund remains under target. Among the class A notes, the A1, A2 and A3 notes are amortising in a pro-rata basis since the performance trigger has been breached. Fitch has treated the A1, A2 and A3 notes as pari-passu for the purpose of calculating CE of 3.4%. Fitch has calculated CE of a negative 7.1% and a negative 13.1% for the class B and C notes respectively.

Counterparty Risk
The note ratings are not constrained by counterparty arrangements.

VARIATIONS FROM CRITERIA
The transaction loan-level data shows low historical recovery rates on defaulted loans where the property sale proceeds have been received (i.e. closed loans). As of the latest cut-off dates, the calculated average recovery rates on closed loans was 36%, 43% and 34% for BBVA RMBS 1, BBVA RMBS 2, and BBVA RMBS 3 respectively. Increased average recovery rates are calculated for loans defaulted in 2014 and afterwards, and such cases are relatively small in number. It is also to be noted that future recovery rates would likely be higher than historical recovery rates due to the improved macroeconomic and housing market conditions in Spain. To take into account the low historical recovery rates Fitch applied a loan-level manual valuation adjustment of 20% to all loans in the portfolios for the three transactions.

RATING SENSITIVITIES
A better-than-expected resolution of existing pool of defaulted receivables and an increase in the observed recovery rate could have a positive impact on the note ratings.

A worsening of the Spanish macroeconomic environment, especially employment conditions, or an abrupt shift of interest rates could jeopardise the underlying borrowers' affordability. This could have negative effects on asset performance and negative rating implications.

USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO RULE 17G-10
Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY
Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.
Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions’ initial closing. The subsequent performance of the transactions over the years is consistent with the agency’s expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall, Fitch’s assessment of the information relied upon for the agency’s rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

**SOURCES OF INFORMATION**
The information below was used in the analysis.
- Loan-by-loan data provided by European Data Warehouse as at February 2018
- Investor reporting provided by Europea de Titulizacion as at March 2018
- Updates from EDT dated April 2018

**MODELS**
EMEA Cash Flow Model.
(https://www.fitchratings.com/site/structuredfinance/emeacfm)

EMEA RMBS Surveillance Model.
(https://www.fitchratings.com/site/structuredfinance/rmbs/emearsms)

**Contacts:**
Lead Surveillance Analyst
Laurent Bernhard
Analyst
+44 20 3530 1487
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Committee Chairperson
Grant England
Co-Head EMEA RMBS
Senior Director
+44 203 530 1130

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

Additional information is available on www.fitchratings.com
Applicable Criteria
European RMBS Rating Criteria (pub. 02 Feb 2018) (https://www.fitchratings.com/site/re/10018676)
Global Structured Finance Rating Criteria (pub. 03 May 2017) (https://www.fitchratings.com/site/re/897411)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 02 Feb 2018) (https://www.fitchratings.com/site/re/10018549)

Additional Disclosures
Dodd-Frank Rating Information Disclosure Form (https://www.fitchratings.com/site/dodd-frank-disclosure/10027773)
Solicitation Status (https://www.fitchratings.com/site/pr/10027773#solicitation)
Endorsement Policy (https://www.fitchratings.com/regulatory)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY’S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH’S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2018 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax:
(212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch’s factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch’s ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named
for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers. For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO’s credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

Solicitation Status

Fitch Ratings was paid to determine each credit rating announced in this Rating Action Commentary (RAC) by the obligatory being rated or the issuer, underwriter, depositor, or sponsor of the security or money market instrument being rated, except for the following:

https://www.fitchratings.com/site/pr/10027773
Endorsement Policy - Fitch’s approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (https://www.fitchratings.com/regulatory) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.