

Ratings Lowered In Spanish RMBS Transaction BBVA RMBS 2

Surveillance Credit Analyst:

Paloma Mateo-Guerrero, Madrid (34) 91-788-7211; paloma_mateo-guerrero@standardandpoors.com

OVERVIEW

- Since our last review, we have observed continuing deterioration the credit quality of BBVA RMBS 2's portfolio, with default levels still increasing.
- The reserve fund has been fully depleted since September 2010, and no replenishments have taken place since then.
- Our credit and cash flow analyses support a downgrade and thus we have lowered our ratings on classes B and C.
- BBVA RMBS 2's class A2, A3, and A4 notes ratings are unchanged following our credit review, but remain on CreditWatch negative for counterparty reasons.
- Banco Bilbao Vizcaya originated and currently services the loans backing this Spanish RMBS transaction.

MADRID (Standard & Poor's) March 22, 2011--Standard & Poor's Ratings Services today lowered and removed from CreditWatch negative its credit ratings on BBVA RMBS 2, Fondo de Titulización de Activos' class B and C notes due to credit deterioration. Following our credit analysis of BBVA RMBS 2's performance, our ratings on the class A2, A3, and A4 notes are unchanged. They are therefore no longer on CreditWatch negative for credit reasons, but they remain on CreditWatch negative for counterparty reasons (see list below)

We have observed continuing deterioration in the credit quality of the underlying portfolio backing BBVA RMBS 2. The number of loans in arrears for more than 90 days, but not yet considered as defaulted, remains high but has stabilized in the past six months.

However, the stabilization of severe arrears is partly due to delinquent loans becoming defaulted (defined as 12 months in arrears in this transaction).

This has increased the level of cumulative defaults to 1.08% of the original pool balance, according to the latest investor report of December 2010, compared with 0.64% a year ago. We consider this increase to be an indication of weakening performance of the underlying pool in this transaction.

We note, though, that this level of defaults is well below the interest-deferral triggers of 12% and 10% of the initial balance of the mortgages for the class B and C notes, respectively, as set by the transaction documents. We do not expect that BBVA RMBS 2 will postpone interest on the junior classes of notes in the near future.

The reserve fund has been fully drawn since the September 2010 interest payment date and BBVA RMBS 2 has not replenished it since that date. The lack of a reserve fund has reduced the credit enhancement available to the class B and C notes. For this reason we have downgraded these notes to a rating level that we believe is commensurate with the current credit enhancement and creditworthiness of these notes.

Following the downgrade, we removed the ratings on these junior notes from CreditWatch negative, where we placed them on Sept. 15, 2010 due to their heightened exposure to credit risk.

Following our credit analysis, we also note that our ratings on the class A2, A3, and A4 notes are unchanged. They are therefore no longer on CreditWatch negative for credit reasons, but they remain on CreditWatch negative for counterparty reasons.

Specifically, on Jan. 18, 2011, we updated the CreditWatch negative status of our ratings on the class A2, A3, and A4 notes for additional counterparty reasons when our updated counterparty criteria became effective (see "Counterparty and Supporting Obligations Methodology and Assumptions," published Dec. 6, 2010, and "EMEA Structured Finance CreditWatch Actions In Connection With Revised Counterparty Criteria," published Jan. 18, 2011).

According to the criteria, if an ineligible counterparty does not replace itself with an eligible counterparty and if, in our view, there are no mitigating factors, we would likely lower the rating on the supported securities. We will review this documentation and intend to resolve the CreditWatch placements before the criteria's transition date of July 18, 2011.

BBVA RMBS 2 closed in March 2007. It securitized a portfolio of mortgages that Banco Bilbao Vizcaya S.A. granted to individuals to buy residential and non-residential properties with a maximum loan-to-value ratio of 100%.

RELATED CRITERIA AND RESEARCH

- Principles Of Credit Ratings, Feb. 16, 2011
- EMEA Structured Finance CreditWatch Actions In Connection With Revised Counterparty Criteria, Jan. 18, 2011

- Counterparty and Supporting Obligations Update, Jan. 13, 2011
- Counterparty and Supporting Obligations Methodology and Assumptions, Dec. 6, 2010
- Ratings Put On CreditWatch Negative In Three BBVA Spanish RMBS Transactions, Sept. 15, 2010
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Criteria For Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

RATINGS LIST

Class	To	Rating	From
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BBVA RMBS 2, Fondo de Titulización de Activos
€5 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered And Removed From CreditWatch Negative

B	BBB (sf)	A (sf)/Watch Neg
C	BB (sf)	BBB (sf)/Watch Neg

Ratings Remain On CreditWatch Negative

A2	AAA (sf)/Watch Neg
A3	AAA (sf)/Watch Neg
A4	AAA (sf)/Watch Neg

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

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