MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns new ratings, and takes rating actions on notes issued by BBVA RMBS 3

Global Credit Research - 16 Apr 2012

Total of EUR908.0 million securities rated

Madrid, April 16, 2012 -- Moody's Investors Service has today downgraded by one notch to Ba2 (sf) from Ba1 (sf) the class A1, A2 and A3 notes issued by BBVA RMBS 3, Fondo de Titulización de Activos. This rating action concludes the review for downgrade initiated by Moody's on 21 December 2011 due to the worse-than-expected performance of the collateral. Concurrently, Moody's has today also withdrawn the ratings of the class A3 notes that were downgraded today, and assigned definitive ratings to three new classes of notes issued by BBVA RMBS 3.

The following ratings were downgraded today:

....EUR1200M A1 Certificate, Downgraded to Ba2 (sf); previously on Dec 21, 2011 Ba1 (sf) Placed Under Review for Possible Downgrade

....EUR595.5M A2 Certificate, Downgraded to Ba2 (sf); previously on Dec 21, 2011 Ba1 (sf) Placed Under Review for Possible Downgrade

....EUR960M A3 Certificate, Downgraded to Ba2 (sf); previously on Dec 21, 2011 Ba1 (sf) Placed Under Review for Possible Downgrade

The following new ratings have been assigned today:

....EUR681.0M Serie A3a Note, Assigned A1 (sf)

....EUR136,2M Serie A3b Note, Assigned Baa1 (sf)

EUR63,5M Serie A3c Note, Assigned Ba1 (sf)

EUR27,2M Serie A3d Note, Assigned Ba3 (sf)

RATINGS RATIONALE

Today's downgrades reflect the worse-than-expected performance of the collateral and take into consideration updated reporting information on recovery rates. The downgrades also reflect Moody's negative sector outlook for Spanish RMBS and the weakening of the macroeconomic environment in Spain, including high unemployment rates.

Today's withdrawal of the rating of the class A3 notes and the assignment of new ratings to the new classes of notes issued by BBVA RMBS 3 follows Moody's review of the recent structural changes to the class A3 notes. The class A3 notes are replaced by a senior (75%), mezzanine (15%), mezzanine (7%) and junior (3%) structure comprised of the A3a, A3b, A3c, A3d notes. The class A1, A2, B and C notes remain equal and are not affected by the changes to the class A3 notes. Structural amendments to the terms and conditions of the A3 notes have created four sub-series (A3a, A3b, A3c and A3d, or the A3 tranches), which on a combined basis would receive the same cash flows as the original class A3 notes. However, the amortisation of these notes will be on a sequential basis amongst these notes for the repayment of principal.

As for the payment of interest, the A3 tranches would carry the same coupon as the current class A3 notes. However, the interest is paid pari passu on the class A1, A2 notes and on the sum of the outstanding balances of the A3 tranches, which on a combined basis would receive the same cash flows as the current A3 does. However, the A3a notes would be senior to the A3b, A3c and A3d notes. Therefore, interest payable to the A3a notes is paid first out of the interest cash flows destined for the A3 tranches, followed consecutively by the A3b, A3c and A3d notes.

--TRANSACTION PERFORMANCE

BBVA RMBS 3 closed in July 2007. The transactions are backed by a portfolio of first-ranking mortgage loans originated by BBVA (Aa3/P-1 on Review for Possible Downgrade) and secured on residential properties located in Spain. The loans were originated between 2003 and 2007, with the current weighted average loan-to-value (LTV) ratio standing at 80.65%. A significant share of the securitised mortgage loans was originated via brokers (30.8%) and loans to non-Spanish nationals (1.50%). BBVA acts as servicer, paying agent and swap counterparty to the transactions.

Reserve fund and principal deficiency (PDL): Rising levels of defaulted loans have ultimately caused the full depletion of the reserve fund and are currently triggering an unpaid PDL. The unpaid PDL has increased to EUR135 million, which corresponds to 100% of the most junior notes and 30% of the class B notes, from EUR104 million in March 2011.

Loans more than 90 days in arrears represented 3.42% of the current portfolio balance as of March 2012, while cumulative defaults amounted to 6.77% of the original portfolio balance. The last figure does not include loans repossessed before being 12 months in arrears. Outstanding repossessions represented 5.83% of original pool balance as of March 2012. The pool factor was 72.27% as of March 2011. For the recovery rates previously reported, they considered repossession (either payment in kind or properties allocated to the fondo after the auction) as being equivalent to a 100% recovery. The cumulative monetary recovery rate in this transaction as of March 2012 was 6.44%. The cumulative recovery rate taking into consideration the monetary recovery and the acquisition value of unsold properties and assets awarded or paid in kind to the fund by securitised assets is 48.99%.

Moody's analysis focused primarily on (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information and other statistical information; (iii) the credit enhancement provided via excess-spread, the cash reserve and the subordination of the notes. As the Euro area crisis continues, the rating of the structured finance notes remain exposed to the uncertainties of credit conditions in the general economy. The deteriorating creditworthiness of euro area sovereigns as well as the weakening credit profile of the global banking sector could negatively impact the ratings of the notes. For more information please refer to the Rating Implementation Guidance published on 13 February 2012 "How Sovereign Credit Quality May Affect Other Ratings". Please also refer to the recent rating actions on banks published on 15 February 2012, (please see "Moody's Reviews Ratings for European Banks" and "Moody's Reviews Ratings for Banks and Securities Firms with Global Capital Markets Operations" for more information).

--PORTFOLIO EXPECTED LOSS

Moody's has reassessed its lifetime loss expectation taking into account the collateral performance to date, as well as the current macroeconomic environment in Spain. In March 2012, cumulative monetary recovery rose to 6.44%. Moody's has concerns over the timing and degree of future recoveries in a weaker Spanish housing market. On the basis of Moody's negative sector outlook for Spanish RMBS, the rating agency has updated the portfolio expected loss assumption to 7.7% of original pool balance up from 5.65% at April 2011.

--MILAN Aaa CE

Moody's has assessed the loan-by-loan information to determine the MILAN Aaa CE. The rating agency has increased its MILAN Aaa CE assumptions to 21.7%, up from 16.0% as at April 2011. Moody's has considered that there could be other characteristics of the pool that have not been properly captured in the MILAN model. Therefore, the MILAN number has been qualitatively adjusted in order to generate a loss distribution with a certain level of volatility or to account for a higher probability of "fat tail" events with respect to the expected loss.

The methodologies used in this rating were Moody's Approach to Rating RMBS in Europe, Middle East, and Africa published in October 2009, Moody's Updated Methodology for Rating Spanish RMBS published in October 2009, Cash Flow Analysis in EMEA RMBS: Testing Structural Features with the MARCO Model (Moody's Analyser of Residential Cash Flows) published in January 2006, and Revising Default/Loss Assumptions Over the Life of an ABS/RMBS Transaction published in December 2008. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

In rating this transaction, Moody's used ABSROM to model the cash flows and determine the loss for each tranche.

The cash flow model evaluates all default scenarios, which are then weighted considering the probabilities of the lognormal distribution assumed for the portfolio default rate. In each default scenario, the corresponding loss for each class of notes is calculated given the incoming cash flows from the assets and the outgoing payments to third parties and noteholders. Therefore, the expected loss or EL for each tranche is the sum product of (i) the probability of occurrence of each default scenario; and (ii) the loss derived from the cash flow model in each default scenario for each tranche. As such, Moody's analysis encompasses the assessment of stressed scenarios.

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.

Further information on the representations and warranties and enforcement mechanisms available to investors are available on http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF281817 .

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.

Moody's Investors Service may have provided Ancillary or Other Permissible Service(s) to the rated entity or its related third parties within the two years preceding the credit rating action. Please see the special report "Ancillary or other permissible services provided to entities rated by MIS's EU credit rating agencies" on the ratings disclosure page on our website www.moodys.com for further information.

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.

Alberto Barbachano
Vice President - Senior Analyst
Structured Finance Group
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Neal Shah
MD - Structured Finance
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Espana, S.A.
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

commitments, or debt or debt-like securities. In such a case, “MIS” in the foregoing statements shall be deemed to be replaced with “MJKK”. MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.