

**Hecho Relevante de BBVA HIPOTECARIO 3 FONDO DE TITULIZACION DE ACTIVOS**

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 **Standard & Poor’s Rating Services** (“S&P”), con fecha 30 de enero de 2015, comunica que ha elevado las calificaciones asignadas a las siguientes Series de Bonos emitidos por el Fondo:

- **Serie B: A+ (sf)** (anterior **BBB+ (sf)**)
- **Serie C: BBB (sf)** (anterior **BB+ (sf)**)

Asimismo, S&P ha confirmado la calificación asignada a la restante Serie de Bonos:

- **Serie A2: AA (sf)**

Se adjunta la comunicación emitida por S&P.

Madrid, 2 de febrero de 2015.

Mario Masiá Vicente  
Director General

# RatingsDirect®

---

## Various Rating Actions Taken In Spanish SME CLO Transaction BBVA Hipotecario 3 Following Criteria Update

**Surveillance Credit Analyst:**

Vanessa Cecillon, London (44) 20-7176-3581; [vanessa.cecillon@standardandpoors.com](mailto:vanessa.cecillon@standardandpoors.com)

**Secondary Contacts:**

Virginie Couchet, Madrid (34) 91-389-6959; [virginie.couchet@standardandpoors.com](mailto:virginie.couchet@standardandpoors.com)

Matthew Jones, London (44) 20-7176-3591; [matthew.jones@standardandpoors.com](mailto:matthew.jones@standardandpoors.com)

### OVERVIEW

- We have reviewed BBVA Hipotecario 3 under our SME CLO criteria and our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating.
- Following our review, we have taken various rating actions in the transaction.
- BBVA Hipotecario 3 is a single-jurisdiction cash flow CLO transaction backed by an amortizing portfolio of SME loans. It closed in June 2005.

LONDON (Standard & Poor's) Jan. 30, 2015--Standard & Poor's Ratings Services today affirmed its 'AA (sf)' credit rating on BBVA Hipotecario 3, Fondo de Titulizacion de Activos' class A2 notes. At the same time, we have raised to 'A+ (sf)' from 'BBB+ (sf)' and to 'BBB (sf)' from 'BB+ (sf)' our ratings on the class B and C notes, respectively (see list below).

Upon publishing our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we placed those ratings that could potentially be affected "under criteria observation" (see "EMEA Structured Finance, Covered Bond, And Multicedulas Ratings Placed Under Criteria Observation" and "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on Sept. 18, 2014 and Sept. 19, 2014, respectively).

## *Various Rating Actions Taken In Spanish SME CLO Transaction BBVA Hipotecario 3 Following Criteria Update*

Following our review of this transaction, our ratings that could potentially be affected by the criteria are no longer under criteria observation.

We have used data from the December 2014 investor report to perform our analysis and have applied our European small and midsize enterprise (SME) collateralized loan obligation (CLO) criteria and our current counterparty criteria (see "European SME CLO Methodology And Assumptions," published on Jan. 10, 2013, and "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). We have also applied our RAS criteria.

BBVA Hipotecario 3 is a single-jurisdiction cash flow CLO transaction securitizing a portfolio of SME loans that Banco Bilbao Vizcaya Argentaria S.A. originated in Spain. The transaction closed in June 2005.

### CREDIT ANALYSIS

We have applied our European SME CLO criteria to determine the scenario default rates (SDRs)--the minimum level of portfolio defaults that we expect each tranche to be able to withstand at a specific rating level using CDO Evaluator.

To determine the SDR, we adjusted the archetypical European SME average 'b+' credit quality to reflect the following factors: Country, originator, and portfolio selection.

We ranked the originator into the moderate category (see tables 1, 2, and 3 in our European SME CLO criteria). Taking into account Spain's Banking Industry Country Risk Assessment (BICRA) score of 5, we have applied a downward adjustment of one notch to the 'b+' archetypical average credit quality (see "Banking Industry Country Risk Assessment Update: January 2015," published on Jan. 12, 2015). Due to the absence of information on the creditworthiness of the securitized portfolio compared with the originator's entire loan book, we further adjusted the average credit quality by three notches (see table 4 in our European SME CLO criteria).

As a result of these adjustments, our average credit quality assessment of the portfolio was 'ccc', which we used to generate our 'AAA' SDR of 79.69%.

We have calculated the 'B' SDR, based primarily on our analysis of historical SME performance data and our projections of the transaction's future performance. We have reviewed the portfolio's historical default data, and assessed market developments, macroeconomic factors, changes in country risk, and the way these factors are likely to affect the loan portfolio's creditworthiness. As a result of this analysis, our 'B' SDR is 8.00%.

We interpolated the SDRs for rating levels between 'B' and 'AAA' in accordance with our European SME CLO criteria.

### RECOVERY RATE ANALYSIS



*Various Rating Actions Taken In Spanish SME CLO Transaction BBVA Hipotecario 3 Following Criteria Update*

At each liability rating level, we applied a weighted-average recovery rate (WARR) by considering observed historical recoveries. As a result of this analysis, our WARR assumptions in 'AA', 'A', and 'BBB' scenarios were 30%, 33%, and 35%, respectively.

CASH FLOW ANALYSIS

We used the portfolio balance that the servicer considered to be performing, the current weighted-average spread, and the above weighted-average recovery rates. We subjected the capital structure to various cash flow stress scenarios, incorporating different default patterns and interest rate curves, to determine the rating level, based on the available credit enhancement for each class of notes under our European SME CLO criteria.

COUNTRY RISK

Our long-term rating on the Kingdom of Spain is 'BBB'.

In our opinion, the class C notes do not have sufficient credit enhancement to withstand the sovereign default stress test. This hypothetical scenario is derived from our observation of macroeconomic conditions that occurred after several sovereign defaults where we characterize the degree of stress as "severe" in our rating definitions criteria (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009). Therefore, under our RAS criteria, the class C notes cannot be rated above the sovereign. Taking into account the results of our credit and cash flow analysis and the application of our RAS criteria, we have raised to 'BBB (sf)' from 'BB+ (sf)' our rating on the class C notes.

In our opinion, the class A2 and B notes have sufficient credit enhancement to withstand the sovereign default stress test. Therefore, under our RAS criteria, the class A2 and B notes can be rated above the sovereign.

Since, according to our RAS criteria, SMEs have a 'moderate' sensitivity to country risk, the class A2 and B notes can be rated up to four notches above the rating on the sovereign. Taking into account the results of our credit and cash flow analysis and the application of our RAS criteria, we have raised to 'A+ (sf)' from 'BBB+ (sf)' our rating on the class B notes.

In addition, the class A2 notes meet all six of the conditions in paragraph 48 of the RAS criteria. We can therefore assign a rating up to a maximum of six notches (two additional notches of uplift) above the sovereign rating. Taking into account the results of our credit and cash flow analysis and the application of our RAS criteria, we have affirmed our 'AA (sf)' rating on the class A2 notes.

STANDARD & POOR'S 17G-7 DISCLOSURE REPORT

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating

*Various Rating Actions Taken In Spanish SME CLO Transaction BBVA Hipotecario 3 Following Criteria Update*

relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties, and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard and Poor's 17g-7 Disclosure Report included in this credit rating report is available at <http://standardandpoorsdisclosure-17g7.com>.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- European SME CLO Methodology And Assumptions, Jan. 10, 2013
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Banking Industry Country Risk Assessment Update: January 2015, Jan. 12, 2015
- Credit Conditions: The Eurozone Crawls Into 2015 With Weak Momentum, Dec. 4, 2014
- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- Ratings On Spain Affirmed At 'BBB/A-2'; Outlook Stable, Nov. 14, 2014
- CDO Evaluator Version 6.3 Released, Oct. 20, 2014
- EMEA Structured Finance, Covered Bond, And Multicedulas Ratings Placed Under Criteria Observation, Sept. 18, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Various Rating Actions Taken On All Classes Of Notes In BBVA Hipotecario 3 Following European SME CLO Criteria Update, April 9, 2013
- European SME Mapping Model, Jan. 25, 2013
- New Issue: BBVA Hipotecario 3, Fondo de Titulizacion de Activos, Nov. 9, 2005

RATINGS LIST

| Class | Rating |
|-------|--------|
|-------|--------|

*Various Rating Actions Taken In Spanish SME CLO Transaction BBVA Hipotecario 3 Following Criteria Update*

|    | To  | From      |
|----|---|-----------|
|    | BBVA Hipotecario 3, Fondo de Titulizacion de Activos<br>€1.45 Billion Mortgage-Backed Floating-Rate Notes |           |
|    | Rating Affirmed   |           |
| A2 | AA (sf)   |           |
|    | Ratings Raised  |           |
| B  | A+ (sf)   | BBB+ (sf) |
| C  | BBB (sf)  | BB+ (sf)  |

**Additional Contact:**

Structured Finance Europe; [StructuredFinanceEurope@standardandpoors.com](mailto:StructuredFinanceEurope@standardandpoors.com)



Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription) and [www.spcapitaliq.com](http://www.spcapitaliq.com) (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).