



## Ratings Put On CreditWatch Negative In Three BBVA Spanish RMBS Transactions

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### OVERVIEW

- As a result of the level of defaults and a structural mechanism requiring a full provisioning for defaulted loans, the three transactions have depleted their cash reserves and weakened the credit enhancement levels of their structures.
- As a result, we have placed on CreditWatch negative the ratings on the subordinated notes in the case of BBVA RMBS 2, and all the notes in the case of BBVA RMBS 4 and 5.
- BBVA 2 RMBS FTA, BBVA 4 RMBS FTA, and BBVA 5 RMBS FTA closed in March 2007, November 2007, and June 2008, respectively.

MADRID (Standard & Poor's) Sept. 15, 2010--Standard & Poor's Ratings Services today placed on CreditWatch negative its credit ratings on all classes of notes in BBVA RMBS 4, Fondo de Titulización de Activos and BBVA RMBS 5, Fondo de Titulización de Activos, and the class B and C notes in BBVA RMBS 2, Fondo de Titulización de Activos. At the same time, we affirmed the ratings on the class A2 to A4 notes in BBVA RMBS 2 (see list below).

Today's rating actions are a consequence of the weak performance of these three transactions, in our opinion, that may adversely affect the levels of credit enhancement available.

As of July 2010, defaulted loans (defined as loans in arrears for more than 12 months in BBVA RMBS 2 and 4, and 18 months in BBVA RMBS 5) were at 1.56% of the outstanding balance of assets for BBVA RMBS 2, 1.98% for BBVA RMBS 4, and 1.16% for BBVA RMBS 5. These default levels have caused the depletion of the

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reserve funds in these transactions as follows:

- For BBVA RMBS 2 and 4, it was a considerable or full depletion of their reserve funds (to 1.46% and 0.00% of their required levels, respectively).
- For BBVA RMBS 5, the depleted amount is smaller (to 66.78% of its required level). However, given that the definition of defaulted loans for this fund is 18 months instead of the typical 12 months and that the seasoning is only 42.1 months compared with 65.4 months in BBVA RMBS 2 and 56 months in BBVA RMBS 4, we believe that there could be additional defaults that would negatively affect the performance of this transaction.

In addition, the shorter seasoning in BBVA RMBS 4 and especially in BBVA RMBS 5 has a negative effect on the current weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS), as both transactions do not benefit from the increase of the Spanish house price index before 2008. This also has a negative effect on BBVA RMBS 2's junior classes.

By contrast, senior classes in BBVA RMBS 2 continue to have sufficient credit enhancement available to maintain their 'AAA (sf)' ratings. Loans in this transaction were originated earlier than in the other two transactions. The longer seasoning and a lower pool factor also benefit the transaction.

The portfolios comprise mortgages granted to individuals for the acquisition of residential and non-residential properties and a maximum loan-to-value ratio of 100%. Banco Bilbao Vizcaya S.A originated these loans.

#### RELATED CRITERIA AND RESEARCH

- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- 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](http://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 | Rating |
|-------|--------|
| To    | From   |

Ratings Placed On CreditWatch Negative



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

|   |                    |          |
|---|--------------------|----------|
| B | A (sf)/Watch Neg   | A (sf)   |
| C | BBB (sf)/Watch Neg | BBB (sf) |

BBVA RMBS 4, Fondo de Titulización de Activos  
€4.9 Billion Mortgage-Backed Floating-Rate Notes

|    |                    |          |
|----|--------------------|----------|
| A1 | AAA (sf)/Watch Neg | AAA (sf) |
| A2 | AAA (sf)/Watch Neg | AAA (sf) |
| A3 | AAA (sf)/Watch Neg | AAA (sf) |
| B  | A (sf)/Watch Neg   | A (sf)   |
| C  | BBB (sf)/Watch Neg | BBB (sf) |

BBVA RMBS 5, Fondo de Titulización de Activos  
€5 Billion Mortgage-Backed Floating-Rate Notes

|   |                     |           |
|---|---------------------|-----------|
| A | AAA (sf)/Watch Neg  | AAA (sf)  |
| B | A (sf)/Watch Neg    | A (sf)    |
| C | BBB- (sf)/Watch Neg | BBB- (sf) |

Ratings Affirmed

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

|    |          |
|----|----------|
| A2 | AAA (sf) |
| A3 | AAA (sf) |
| A4 | AAA (sf) |

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