

[Tagging Info](#)**Fitch Downgrades Junior Tranches of Spanish BBVA Consumer Transactions** [Ratings](#)

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Fitch Ratings-London/Madrid-01 July 2009: Fitch Ratings has today downgraded the junior tranches of Spanish asset-backed floating rate notes, BBVA Consumo 1, Fondo de Titulizacion de Activos (BBVA Consumo 1), BBVA Consumo 2, Fondo de Titulizacion de Activos (BBVA Consumo 2) and BBVA Autos 2, Fondo de Titulizacion de Activos (BBVA Autos 2). At the same time, Fitch has affirmed the senior and mezzanine tranches of the above BBVA consumer transactions, but revised the Outlook of the mezzanine tranche for BBVA Consumo 1 and BBVA Consumo 2 to Negative.

Fitch's full rating actions are listed as follows:

BBVA Consumo 1

EUR885.9m class A notes affirmed at 'AAA'; LS-1; Outlook Stable

EUR28.5m class B notes affirmed at 'AA'; LS-3; Outlook revised to Negative from Stable

EUR24m class C notes downgraded to 'BBB' from 'A+'; LS-3; Outlook Negative

BBVA Consumo 2

EUR1,171.42m class A notes affirmed at 'AAA'; LS-1; Outlook Stable

EUR16.5m class B notes affirmed at 'AA'; LS-3; Outlook revised to Negative from Stable

EUR42.8m class C notes downgraded to 'BBB' from 'A-'; LS-3; Outlook Negative

BBVA Autos 2

EUR518.8m class A affirmed at 'AAA'; LS-1; Outlook Stable

EUR20.5m class B affirmed at 'AA'; LS-3; Outlook Stable

EUR30m class C downgraded to 'BBB+' from 'A', LS-3; Outlook Negative

The rating action reflects a continuing deterioration in the performance of the underlying consumer loan portfolio due to rising delinquencies and doubtful debts amid difficult economic conditions in Spain.

All three transactions benefit from a guaranteed excess margin of at least 300bps through a swap. This structural feature together with sequential payment reduces the imminent risk of the senior tranches being exposed to losses compared to the mezzanine and the junior tranches, whereby subordination has been weakened following recent draws on reserves in BBVA Consumo 1 and BBVA Auto 2 to cover losses.

In April 2009, BBVA Consumo 1 drew EUR836,000 from its reserve account to provision for loan losses; in May 2009, BBVA Autos 2 also had a drawing of EUR665,000 for similar reasons. This was the first time the reserve fund has been drawn in both transactions after increased defaults have absorbed all the excess spread.

As of May 2009, total loan losses for BBVA Consumo 1 amounted to EUR36.7m, or 1.35% of the original portfolio plus new purchases during the revolving period. For BBVA Consumo 2 total loan losses were EUR33.9m, or 1.36% and for BBVA Autos 2 EUR25.8m, or 1.58%. All three transactions have experienced total losses worse than Fitch's base case expectations. The worse performance can be largely attributed to actual low recoveries on defaulted loans which as of end-May 2009 stood at 9%, 8.7% and 15% respectively for BBVA Consumo 1, BBVA Consumo 2 and BBVA Autos 2. Fitch believes future recoveries will remain challenging as all vintages have demonstrated a flattening recovery trend over the last few quarters.

In addition, late delinquencies (loans delinquent for over six months) continued their upward trend in BBVA Consumo 1 and BBVA Consumo 2 despite amortisation of the pool. However, some stabilisation has occurred in BBVA Autos 2 given its well-seasoned portfolio compared to the other two BBVA transactions. As late delinquencies are often prone to defaults, Fitch believes that defaults will most likely rise in the future.

Fitch will continue to monitor the transactions closely. Performance data can be found on the agency's subscription website, www.fitchresearch.com.

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