

Ratings Lowered In Spanish ABS Transaction BBVA Consumo 3 Following Credit Deterioration

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OVERVIEW

- We have reviewed the performance of the transaction's underlying collateral and its structural features.
- We have observed persistent deterioration in the credit quality of the underlying portfolio, which indicates that future defaults are likely to increase, and we do not believe that the current levels of credit enhancement are commensurate with the ratings on the class A and B notes.
- We have thus lowered and removed from CreditWatch negative our rating on the class B notes.
- We have also lowered our rating on the class A notes.
- The collateral comprises a portfolio of Spanish consumer loans originated by Banco Bilbao Vizcaya Argentaria and BBVA Finanzia.

MADRID (Standard & Poor's) July 15, 2011--Standard & Poor's Ratings Services today lowered and removed from CreditWatch negative its credit rating on BBVA Consumo 3 Fondo de Titulizacion de Activos' class B notes. At the same time, we lowered our rating on the class A notes (see list below).

On May 3, 2011, we affirmed the rating on BBVA Consumo 3's class A notes, and placed the rating on the class B notes on CreditWatch negative due to deteriorating levels of credit enhancement (see "Various Rating Actions Taken In Spanish ABS Transactions BBVA Consumo 1, BBVA Consumo 2, And BBVA Consumo 3").

BBVA Consumo 3 closed in April 2008 and its revolving period ended one year ahead of the February 2010 scheduled due date, due to a breach of the 90-day

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delinquency early-amortization trigger of 2.2%.

The current outstanding balance is about 44% of the closing balance. Even though the transaction's amortization features have increased the level of credit enhancement for the class A notes, an increase in the level of defaults has resulted in a depletion of the transaction's reserve fund since August 2009, which is currently at 40% of its required level.

As of May 2011, loans more than three months in arrears and not yet defaulted accounted for 2.37% of the outstanding balance. The current level of the cash reserve is 1.84% of the notes' outstanding principal, compared with 2.30% at closing.

The cumulative level of defaults since closing (including interest), based on the original balance of the portfolio, stands at 5.28%. As a result, we have revised upwards our base case gross loss assumptions. The class B interest-deferral trigger is set at 8.80%. We have also revised downwards our recovery rate base-case assumption to 12%, as a result of lower recoveries observed in the transaction. These factors have also lowered the level of credit enhancement available to the class B notes.

Based on the review of our credit analysis assumptions in terms of default and recoveries, and taking into account the current level of support available to the class A notes in the capital structure, our cash flow analysis indicates that a 'AA (sf)' rating is appropriate for the class A notes. We have consequently lowered to 'AA (sf)' from 'AA+ (sf)' our rating on this class.

The level of credit enhancement available to the class B notes has significantly decreased since closing. Based on the insufficient credit enhancement available to support a 'BBB (sf)' rating in our cash flow analysis, we have lowered to 'BB- (sf)' from 'BBB (sf)' and removed from CreditWatch negative our rating on the class B notes. However, we believe that the notes are not vulnerable to nonpayment of interest in the short term.

The portfolio backing this Spanish asset-backed securities transaction comprises unsecured consumer loans made to Spanish residents and originated and serviced by Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Finanzia.

RELATED CRITERIA AND RESEARCH

- Various Rating Actions Taken In Spanish ABS Transactions BBVA Consumo 1, BBVA Consumo 2, And BBVA Consumo 3, May 3, 2011
- 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
- Methodology: Credit Stability Criteria, May 3, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

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- Ratings Lowered On Santander Financiacion 1's Class C, D, And E Spanish ABS, Aug. 10, 2009
- Default Modeling for European Consumer Asset-Backed Securitizations, June 23, 2003
- European Consumer Finance Criteria, March 10, 2000

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RATINGS LIST

Class	Rating	
To		From
BBVA Consumo 3, Fondo de Titulizacion de Activos €1.360 Billion Floating-Rate Notes		
Rating Lowered And Removed From CreditWatch Negative		
B	BB- (sf)	BBB (sf)/Watch Neg
Rating Lowered		
A	AA (sf)	AA+ (sf)

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