ABS/Spain
New Issue

BBVA AUTOS 2, Fondo de Titulización de Activos

Ratings

EUR1,000.0m floating-rate notes

Serie	Amount (EURm)	Legal Final Maturity	Rating	CE (%)
A	949.5	Nov 2019	AAA	6.62
B	20.5	Nov 2019	AA	4.57
C	30.0	Nov 2019	A	1.57
RF	15.7		NR	-

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Summary

This transaction is a securitisation of auto loan receivables ("the collateral") originated in Spain by Banco Bilbao Vizcaya Argentaria S.A. ("BBVA", "originator" and "servicer" rated 'AA- (AA minus)/F1+')). Fitch Ratings has assigned ratings to the notes issued by BBVA AUTOS 2, FTA ("the issuer") as indicated at left. The issuer will be legally represented and managed by Europea de Titulización SGFT, SA ("the *Sociedad Gestora*"), a limited liability, special-purpose management company incorporated under the laws of Spain.

This is the second auto loan securitisation originated by BBVA, following BBVA Autos 1, FTA presented to the market in October 2004. Both transactions are similar in terms of collateral composition and structure. This transaction has a two-year revolving period, after which the collateral will become static and the transaction will amortise on a sequential basis. The provisional portfolio consists of 122,342 fixed-rate loans with an outstanding principal balance of c.EUR1.36 billion and a weighted average ("WA") time to maturity of 70 months. Delinquency and cumulative default triggers will halt the purchase of additional receivables if the portfolio's credit quality fails to perform in line with expectations over time.

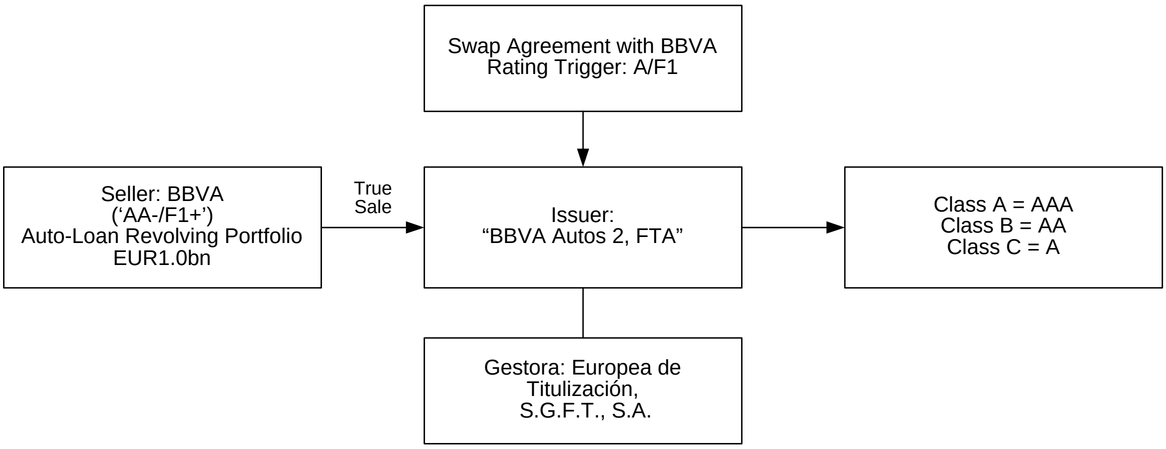
The ratings are based on the quality of the collateral, the available credit enhancement ("CE"), BBVA's underwriting and servicing capabilities, the integrity of the transaction's legal and financial structures, and the *Sociedad Gestora*'s administrative capabilities. The ratings address payment of interest on the notes according to the terms and conditions of the documentation, subject to a deferral trigger on the Series B and C notes, as well as the repayment of principal by legal final maturity in November 2019.

Initial CE for the Series A notes, equivalent to 6.62% of the original collateral balance, is provided by the subordination of the Series B and C notes (5.05%), plus a reserve fund of 1.57%. Similarly, initial CE for the Series B notes equivalent to 4.57% of the collateral is provided by the subordination of the Series C notes (3.0%) plus the reserve fund, and initial CE for the Series C notes is formed only by the reserve fund.

Credit Committee Highlights

- Fitch has estimated a base case default rate drawn from 180-day delinquency vintage data provided by BBVA, as no default statistics (ie. accounts in arrears over 12 months) were available. In addition, the agency approximated a base case recovery rate after studying the historical recovery data presented by BBVA since 1999. The agency stressed these rates to account for the relatively benign recent economic environment in Spain, applying multiples for the various rating scenarios (see *Credit Analysis*).

Structure Diagram



Source: Transaction documents

- The agency accommodated within its cash flow model the guaranteed excess spread of 300bps payable under a swap to the issuer, in addition to the costs of servicing the collateral. However, since BBVA will act as both the servicer of the collateral and the swap counterparty, Fitch's cash flow analysis did not model for servicing fees to be paid by the swap in 'AA' or 'AAA' stress scenarios but assumed these costs to be borne by the issuer (see *Swap Agreement*).

- Multiple performance triggers have been defined in the structure during the revolving period, which could accelerate amortisation in the event any trigger is breached. As there was no historic dynamic delinquency data available on the seller's auto-loan portfolio, Fitch formed a set of conservative assumptions with regard to delinquency levels in order to validate the performance triggers applicable during the revolving phase (see *Revolving Period* and *Early Amortisation Events*).

Structure

The issuer is a limited-liability, special-purpose vehicle incorporated under the laws of Spain whose sole purpose is to acquire auto-loans from BBVA as collateral for the issuance of quarterly-paying notes. BBVA will act as the servicer of the collateral, account bank provider, swap counterparty, paying agent and provider of the reserve fund. However, for the protection of investors, if BBVA is unable at some future point to continue to service the collateral, the *Sociedad Gestora* would appoint a replacement administrator in accordance with Spanish securitisation law.

Principal proceeds from the underlying collateral will be used to purchase additional auto-loan receivables until the payment date falling in 20 November 2007 inclusive, after which the revolving period is scheduled to end and amortisation on the notes is due to commence.

At closing, and during the revolving period, the issuer has/will purchase the loan receivables and associated rights from the seller. Although the issuer will not hold legal ownership of the financed vehicles, each loan in the pool benefits from and will receive a personal guarantee from the respective borrower, providing security over the debtor's present and future assets and income.

A treasury account, held in the name of the issuer at BBVA, will channel all the transaction cash flows. Principal and interest collections from the collateral will be transferred into the treasury account no later than seven days after receipt. The treasury account will also be used to maintain the reserve fund (see *Reserve Fund*) and to cover the ongoing expenses of the issuer. Amounts standing to the credit of this account will receive a guaranteed interest rate equal to three-month EURIBOR minus 10bp.

As account bank, if BBVA's Short-term rating is downgraded below 'F1', the *Sociedad Gestora* will take one of the following steps within 30 calendar days:

1. find a third party with a satisfactory rating to guarantee its obligations;
2. transfer the treasury account to another entity rated at least 'F1'; or
3. if neither of the above are possible, provide a guarantee of financial assets rated at least on a par with the Kingdom of Spain ('AAA/F1+'). If option 2 above is not possible, the *Sociedad Gestora* could also invest the balance of the treasury account temporarily, and until the next payment date, in fixed-income assets ("qualified

Key Information

Portfolio Characteristics
As of 21 November 2005

Number and Type of Loans: 122,342 auto loans

Total Collateral Amount: EUR1.36bn

WA Seasoning: 17 Months

WA Remaining Maturity: 70 Months

Structure
Issuer: BBVA AUTOS 2 Fondo de Titulización de Activos

Total Issued Amount: EUR1.0bn

Management Company: Europea de Titulización SGFT, SA

Seller: Banco Bilbao Vizcaya Argentaria S.A. ("BBVA"), rated 'AA-(AA minus)/F1+'

Structurers: BBVA, Europea de Titulización SGFT, SA, JP Morgan Securities Ltd.

Financial Agent: BBVA

Swap Counterparty: BBVA

Treasury and Principal Accounts: BBVA

Closing date: 15 December 2005

Scheduled Final Maturity: 20 November 2017

Final Legal Maturity: 20 November 2019

investments"). An 'F1' rating is sought for qualified investments maturing within 30 days, and a rating of 'F1+' for longer periods.

Revolving Period
During the 24-month revolving period, BBVA will retain the right to sell additional loan receivables to the issuer on a quarterly basis. The issuer will only purchase additional receivables that meet the eligibility criteria outlined in the *Collateral* section below.

Principal due for receivables purchases on any payment date will be equivalent to the sum of principal collections on the performing collateral plus the provisions for defaulted accounts (i.e. the balance of those loans that are over 12 months in arrears).

In the event that no new receivables are available for purchase on any payment date, un-used funds will be credited to the principal account held at BBVA in the name of the issuer, which will yield three-month EURIBOR minus 10bp. A rating trigger of 'F1' is also applicable on this account, and therefore, in the event of BBVA's Short-term rating being downgraded below this, the *Sociedad Gestora* would take one of the actions defined above in *Structure*.

The revolving period will end on the earlier of the payment date falling in November 2007 inclusive, and the date on which an early amortisation event has occurred.

Early Amortisation Events
Key early amortisation events include:

- non-payment of interest on Series A notes that is ongoing for two business days;
- delinquencies (amounts more than 90 days past due) are greater than 2.2% of the outstanding collateral balance;
- cumulative defaults (loans more than 12 months in arrears) are greater than 3.0% of the original collateral balance;
- the reserve fund is not at its required level;
- a servicer replacement event; or
- a BBVA insolvency.

Given the incorporation of these triggers and available excess spread payable under the swap, the agency expects the quality of the collateral and the overall financial strength of the issuer to be maintained through to the amortisation phase.

Amortisation of the Notes
Principal due for the amortisation of the notes on any payment date will be capped at the difference between the outstanding balance on the notes and the balance of non-defaulted collateral. Payments will be made subject to the availability of funds, according to the priority of payments.

The first principal payment date on the notes is expected to be February 2008 and quarterly thereafter. Series B and C will amortise sequentially on a pass-through basis after the A notes have been redeemed in full.

Priority of Payments
On each payment date, commencing 20 February 2006, the combined ordinary priority of payments will be as follows:

1. expenses, taxes, and servicing fees;
2. net swap payment (if applicable);
3. Series A interest;
4. Series B interest (if not deferred);
5. Series C interest (if not deferred);
6. purchase of new auto-loans prior to the expiry of the revolving period, and principal due on the notes during the amortisation phase in order of seniority (see *Amortisation of the Notes*);
7. Series B interest if deferred, which will occur if the cumulative defaults exceed 12.5% of the original collateral balance;

8. Series C interest if deferred, which will occur if the cumulative defaults exceed 10.0% of the original collateral balance;
9. replenishment of the reserve fund (see *Reserve Fund*); and
10. subordinated amounts including the reimbursement and remuneration of the subordinated loan granted to fund the reserve fund, and reimbursement of the subordinated loan, which will cover the initial expenses.

The structure will cover ordinary and extraordinary expenses through the excess spread guaranteed by the swap agreement (see *Swap Agreement*).

Reserve Fund

A reserve fund equivalent to 1.57% of the original balance of the notes has been funded at closing through a subordinated loan granted by the seller, and has been credited to the treasury account. Subject to the following conditions, the reserve fund will be permitted to amortise to the greater of 0.785% of the original collateral balance and 3.14% of the outstanding balance of the notes:

- the balance of loans more than 90 days in arrears is less than 1.0% of the outstanding non-defaulted collateral;
- on the preceding payment date, the reserve fund was at its required amount; and
- more than three years have lapsed since the closing date of the transaction.

Swap Agreement

The issuer entered into a swap agreement with BBVA (the "swap counterparty"), and will pay to the swap counterparty the equivalent of all interest collected on the performing collateral. In return, it will receive three-month EURIBOR plus the WA spread on the notes plus 300bps on the notional amount, which is equal to: i) the balance of the performing and delinquent assets with less than 90 days in arrears, plus, until the end of the revolving period, ii) an amount that would cover the difference between the coupon paid by the notes and the interest yielded by the principal account.

The swap agreement has the following main effects:

1. hedging the interest rate mismatch caused by the collateral that pays a fixed interest rate while the notes pay a floating rate indexed to three-month EURIBOR;
2. paying a guaranteed spread of 300bps on the notional amount over the life of the transaction, thereby neutralising any compression in the WA margin on the collateral and offsetting any increase in note funding costs;
3. compensating for the potential negative carry of accumulating cash in the principal account during the revolving period, which only yields three-month EURIBOR minus 10bp, while still servicing the notes; and
4. paying all the servicing costs on the collateral.

Fitch did not take this last feature into account in its credit analysis under 'AA' and 'AAA' stress scenarios, since the swap counterparty and the servicer of the collateral will be the same entity. The agency assumed that these costs would be borne by the issuer. Moreover, if BBVA is downgraded below 'A/F1', it will, within 30 calendar days, take one of the following steps:

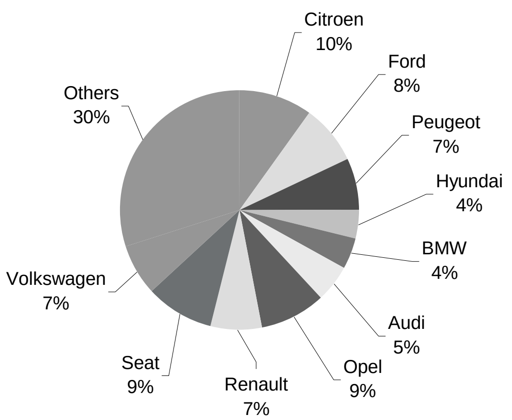
- find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement;
- find a replacement counterparty rated at least 'A/F1'; or
- adequately cash- or security-collateralise its obligations.

The collateral posted should be sufficient to ensure that the potential loss would be virtually zero if the swap counterparty defaulted. For details on the method used to calculate the collateral amount see "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004 and available at www.fitchratings.com.

Collateral

At closing, the final portfolio had an outstanding balance of EUR1.0bn, comprised of auto loans granted to individuals in Spain for the purchase of new vehicles.

Vehicle Brands



Source: BBVA

These loans have been selected from the provisional portfolio, which as of 21 November 2005 had the following main characteristics:

1. average original balance of EUR14,225;
2. average outstanding balance of EUR11,091;
3. 100% fixed-rates with monthly amortisation calendars;
4. WA interest of 6.7%;
5. WA seasoning of 17 months;
6. WA time to maturity of 70 months;
7. 22.3% was concentrated in the region of Andalucia, followed by Catalonia with 16.5% and Valencia with 11.8%; and
8. earliest maturity in January 2007 and latest September 2015.

Key Eligibility Criteria

During the revolving period, the eligibility criteria stipulate, *inter alia*, that:

- the loans must have been originated by BBVA, and must have been granted to individuals in Spain;
- up to 30 days delinquent loans can be purchased;
- the loan agreements do not allow for interest deferral options, are denominated in euro with a maximum and minimum outstanding balances of EUR 60,000 and EUR 500 respectively, and are fixed rate;
- the loans amortise on a monthly basis and have a maximum maturity date of 30 September 2017;
- each loan has made at least one payment through an automatic direct debit system; and
- at a portfolio level the WA time to maturity is less than seven years. Moreover, with regards to the new accounts purchased during the revolving phase the WA seasoning is greater than three months, and loans with 10 years maturities represent less than 16.0% of the total purchased amount.

In the event of any auto-loan not meeting the eligibility criteria, the seller will have 15 days in which to substitute or repurchase the receivables concerned, at a price equal to the sum of principal outstanding plus any interest accrued on the particular loans.

Set Off Risk

The issuer could be affected by the set-off rights of borrowers with deposits in accounts held with BBVA. However, this risk is mitigated as the seller commits in the documentation to remedy such circumstance if it arises at any point during the life of the transaction or, if it cannot be remedied, to pay to the issuer the amount set-off plus the accrued interest.

According to the Spanish law, the set-off risk should cease to be valid following the notification of assignment of the receivable to the other party, or the bankruptcy of one of the parties.

■ Origination and Servicing

BBVA is the parent of Spain's second-largest banking group (among the 15 largest in Europe ranked by assets and equity) and resulted from the 1999 merger of Banco Bilbao Vizcaya and Argentaria, Caja Postal y Banco Hipotecario. As in Spain, its business in Latin America is focused on core retail and corporate banking activities, as well as asset and pension fund management.

BBVA is one of the market leaders in auto lending in Spain. The characteristics of its current portfolio include the following:

- current total auto-loan exposure of c.EUR3.1bn;
- EUR13,827 average original amount;
- average loan-to-value of 81% (maximum of 100%);
- WA time to maturity of six years (maximum of 10 years);
- approximately 90.1% of the borrowers are classified as employees, and the remaining 9.9% as self-employed.

Origination and Underwriting

The origination strategy of BBVA is supported by a network of more than 3,200 branches across Spain, which is complemented by a network of 44 car brokers' centres. The latter group generates approximately 50% of the auto-loan business of the seller, although any loan application that it creates must be evaluated and approved by BBVA.

Applications may also be made via telephone or on-line with subsequent underwriting and approval in a BBVA branches.

As part of its underwriting process, BBVA uses an in-house credit scoring tool that was developed in 1993, which takes into consideration the following key data sections among others:

- BBVA accounts and credit card history, movements, average balance and overall performance if the applicant is an existing client of the bank;
- client profile, identifying for example the applicant's job status (i.e. employee, self-employed), his or her financial strength, family situation and location;

- product type;
- external delinquency checks, through databases such as CIRBE (a Bank of Spain database that provides information on borrower exposure and non-payment for all Spanish entities and individuals) or the RAI (*Registro Aceptación Impagados*).

The credit approval process involves different levels of credit authority, as every account manager within the bank has a specific approval limit that is agreed after considering his/her relevant professional capabilities and experience. Account managers have the ability to override the credit score results, subject to their individual mandate level/authority.

Collections

Each of BBVA's regional units has a team of approximately 10 people who are responsible for managing the delinquent accounts. These teams are supported, among others, by:

- IT platform generating, reports some daily;
- BBVA's internal recoveries/legal teams;
- external telephone recovery agents;
- a specific team of analysts that monitor the performance of the car dealers and brokers' centres;
- BBVA's internal auditors.

In general, any account delinquent for more than 20 days would be outsourced to external recovery agencies. Depending on the delinquent balance, the maximum time allowed for any recovery actions is limited to 2 or three months, after which legal procedures are initiated.

To realise recoveries, BBVA has set up a recoveries team (*Centro Especial de Recuperaciones*) for each regional business unit, which offers support in terms of legal and workout procedures. Each of these teams is responsible for managing defaulted accounts and defining the appropriate recovery strategy, which may involve the externalisation/outsourcing of certain functions. Legal action will be instigated and recovery strategies drawn up, depending on the amount outstanding.

In BBVA's experience, formal legal proceedings can take between nine and 18 months, depending on whether it is seeking access to the debtor's assets. It is generally easier and quicker when the debtors' bank accounts can be embargoed, which would automatically redirect any incoming funds towards clearing any arrears.

■ Credit Analysis

Fitch applied its standard consumer ABS methodology when rating this transaction, as detailed in "*Kicking the Tyres: An Overview of European Auto ABS*", available at www.fitchratings.com. Fitch's key inputs in the analysis were a base case cumulative default probability for the collateral, taken from the 180-day delinquency vintage data provided by the originator, and the recovery rates for each rating category.

Default Probabilities and Recovery Rates

Fitch has assumed that borrowers who have not made a payment 180 days after the due date should be considered defaulted. After evaluating the static delinquency data presented by the seller, and considering both the WA time to maturity and the minimum WA seasoning of the collateral, Fitch formed the base case cumulative default probability of 3.4%. The agency then applied multiples to this to obtain the default probabilities for the higher rating categories, as detailed below.

Default Probabilities

	Cumulative WA Default Probability (%)	Multiple of base case
AAA	17.0	5.0
AA	13.6	4.0
A	10.2	3.0
Base case	3.4	n.a.

Source: Fitch

With regards to recoveries, Fitch derived a base case recovery rate of 53.0% for this transaction by analysing the historical recovery data presented by BBVA since 1999. It then applied recovery rate haircuts as detailed below.

Recoveries

(%)	Cumulative WA Recovery Rate	Recovery Rate Haircut
AAA	31.8	40.0
AA	37.1	30.0
A	42.4	20.0
Base case	53.0	n.a.

Source: Fitch

Fitch has taken the view that a 24-month foreclosure period is appropriate after observing historical recovery data, and considering that the issuer will not hold title ownership of the financed vehicles under the loan agreements. Therefore, most of the recoveries are expected to come from surveillance or legal action against the borrowers rather than from the sale of financed vehicles.

Cash Flow Modelling

Fitch modelled the cash flow mechanics of this transaction using the default probabilities and recovery rates detailed above. The cash flow model assumed that defaults and recoveries would occur in line with the historical evidence provided by BBVA.

The analysis calculated the cost of carrying defaulted loans as the difference between the performing balance of the collateral and the notional note balance until all recovery proceeds were collected. Excess spread, the reserve fund and principal collections must be sufficient to cover the carrying cost until all recoveries are received. Interest rates were stressed upwards over time as per the criteria definitions.

The agency took into account in its analysis the interest deferral mechanism in place on the Series B and C notes. Should the triggers be hit, while interest on the B and C notes may be deferred for a period, it will ultimately be paid prior to the legal maturity date under the respective stress scenario.

The agency also modelled different level of prepayments, which can have differing impacts on the transaction. Primarily, they lower the absolute amount of excess spread, which is key to the total CE in this structure. On the other hand, since the principal repayment is directed to the senior series, those notes benefit from higher CE as a result of the increase in subordination. The base case prepayment rate used in the cash flow model is 12.0%, and Fitch applied rates of 18.0% under a ‘AAA’, 16.8% at ‘AA’ and 15.6% at ‘A’ scenarios.

The analysis showed that the CE levels provided for each of the tranches would be sufficient to withstand the default hurdles and losses determined by the agency for the individual ratings.

■ Performance Analytics

Fitch will monitor the transaction on a regular basis and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency’s view, an appropriate reflection of the issued notes’ credit risk.

Details of the transaction’s performance are available to subscribers at www.fitchresearch.com. Further information on this service is available at www.fitchratings.com.

Please call the Fitch analysts listed on the first page of this report for any queries regarding the initial analysis or the ongoing performance.

BBVA AUTOS 2, F.T.A. — Spain/Consumer ABS

Capital Structure

Series	Rating	Size (%)	Size (EURm)	CE (%)	PMT Freq	Final Legal Maturity	Coupon
A	AAA	94.95	949.5	6.62	Quarterly	20 November 2019	Floating
B	AA	2.05	20.5	4.57	Quarterly	20 November 2019	Floating
C	A	3.00	30.0	1.57	Quarterly	20 November 2019	Floating
Reserve Fund	N.R.	1.57	15.7	-	-		

Key Information

Closing Date	15 December 2005	**Role**	Party (Trigger)
Country of Assets	Spain	**Structurers**	BBVA, Europea de Titulización SGFT SA, JP Morgan Securities Ltd.
Structure	Two-year revolving period, then amortising sequentially	**Originator/Servicer of the Loans**	BBVA ('F1')
Type of Assets	Auto Loans	**Issuer**	BBVA AUTOS 2, F.T.A.
Currency of Assets	EUR	**Servicer of the Notes**	Europea de Titulización SGFT SA
Currency of Notes	EUR	**Financial Agent**	BBVA ('F1')
Primary Analyst	juan.garcia@fitchratings.com	**Swap Counterparty**	BBVA ('A/F1')
Secondary Analyst	janet.oram@fitchratings.com	**Line of Credit Provider**	n.a.
Performance Analyst	lynnette.withfield@fitchratings.com		

Collateral: Pool Characteristics

As of 21 November 2005

(%)

Current Principal Balance (EUR)	1,356,945,331	Top One Geographic Concentration	22.3
Loans (#)	122,342	Top Three Geographic Concentrations	50.6
Original Average Principal Balance (EUR)	14,225	Linked to New Cars	100.0
Current Average Principal Balance (EUR)	11,091	Linked to Individuals Residents in Spain	100.0
Linked to Fixed Interest Rates	100.0	Monthly Amortising	100.0
WA Coupon	6.7	Top One Vehicle Manufacturer, Citroen	9.6
WA Seasoning (Months)	17.0	Top Second Vehicle Manufacturer, Seat	9.3
WA Time to Maturity (Months)	70.2	Top Third Vehicle Manufacturer, Opel	8.5
		Top Four Vehicle Manufacturer, Ford	7.5

All % are expressed as a proportion of current pool balance
Source: Transaction documents