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ABS/Spain
Presale Report

BBVA Consumo 2, Fondo de Titulización de Activos

Expected Ratings*

Series	Amount (EURm)	Legal Final Maturity	Rating	CE (%)
A	1,440.7	Dec 2020	AAA	5.51
B	16.5	Dec 2020	AA	4.41
C	42.8	Dec 2020	A-	1.56
RF[1]	23.4	NA	NR	NA

[1] Reserve Fund

Analysts

Marta Aísa
+34 91 702 5776
marta.aisa@fitchratings.com

Juan García
+34 91 702 5771
juan.garcia@fitchratings.com

Performance Analytics

Renaud Untereiner
+44 20 7664 0059
renaud.untereiner@fitchratings.com

* Expected ratings do not reflect final ratings and are based on information provided by the issuer as of 14 November 2006. Final ratings are contingent on final documents conforming to information already received as well as on satisfactory legal opinion. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other offering material should be reviewed prior to any purchase.

Related Research

The following special reports provide additional detail on Fitch's rating approach to, and the performance of, the ABS market; all are available at www.fitchratings.com:

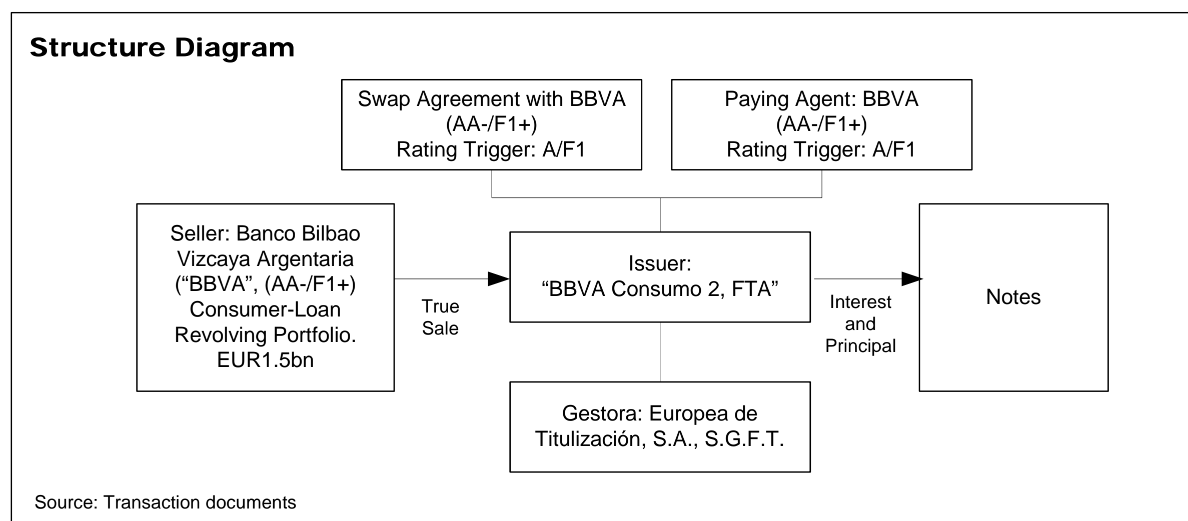
- *"European Consumer ABS Rating Criteria (Europe – ABS)"*, 11 October 2006
- *"Eye on Europe – The Fitch European Consumer ABS Performance Index 2006 (Vol II)"*, 9 October 2006

Summary

This EUR1,500 million transaction is a true sale securitisation of a pool of consumer and auto loans ("the collateral") originated in Spain by Banco Bilbao Vizcaya Argentaria S.A. ("BBVA", the "seller" and "servicer", rated 'AA-/F1+'). Fitch Ratings has assigned expected ratings to the notes to be issued by BBVA Consumo 2, FTA ("the issuer") as indicated at left. The issuer will be legally represented and managed by Europea de Titulización S.G.F.T., S.A. ("the *sociedad gestora*"), a limited liability company incorporated under the laws of Spain whose activities are limited to the management of securitisation funds.

This is the second consumer loan securitisation deal to be brought to the market by BBVA. The previous transaction closed in May 2006 and the related new issue report, entitled "*BBVA Consumo 1, Fondo de Titulización de Activos*" is available at www.fitchratings.com. These two deals also follow another two recent auto loan transactions, BBVA Autos 1, FTA in November 2004 and BBVA Autos 2, FTA in December 2005. In line with BBVA Consumo 1, FTA, this new transaction has a revolving period after which the notes will amortise sequentially, and it shares structural features such as the payment waterfall and the hedge agreement, which guarantees a stable excess spread over the life of the transaction and covers the servicing fees and the possible negative carry associated with the principals account (see *Swap Agreement*). However, in BBVA Consumo 2 a significant portion of the collateral is linked to auto loans, an item that was not included in BBVA Consumo 1.

The expected 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 expected 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. Initial CE for the series A notes will be provided by the subordination of the series B and C notes (3.95), plus a reserve fund of 1.56%. Similarly, initial CE for the series B notes will be provided by the subordination of the series C notes (2.85%) plus the reserve fund, and initial CE for the series C notes will be formed only by the reserve fund.



Credit Committee Highlights

- Fitch has estimated a base case default rate of 3.47% drawn from 180-day delinquency data provided by BBVA covering the period January 1999 to March 2006, and linked to a portfolio sample similar to the one to be securitised. Note that some 44% of the collateral in volume terms is made up of loans granted to acquire vehicles with the rest granted for different purposes such as home refurbishment or other family expenses (see section entitled *Collateral*).

- Based on the analysis of the historical data presented by the originator, the agency derived a base case recovery rate of 72% for consumer loans and 53% for auto loans, consistent with the statistics of previous transactions BBVA Consumo 1 and BBVA Autos 2 respectively. Both consumer and auto exposures are considered to be unsecured loans, yet historical data for consumer loans tend to reveal higher recoveries after defaults than for auto loans. This is mostly due to the fact that outstanding amounts for consumer loans are usually lower and debtors are therefore more likely to clear their arrears along the recovery process (see *Credit Analysis*).

- The agency has used its newly released VECTOR ABS model as a primarily quantitative tool to approximate rating default rates ("RDR") and rating recovery rates ("RRR") for the various stress scenarios. This model is the cornerstone of Fitch's new *European Consumer ABS Rating Criteria* to evaluate credit risk in consumer loans. VECTOR ABS is freely available at the agency's website at www.fitchratings.com (see *Credit Analysis*).

- The collateral has been modelled differentiating between the consumer and the auto loan sub-pools. As a result, the portfolio correlation level ("PCL"), which is at 7.34%, benefits from the diversification of the collateral.

- Breach of certain default and delinquency triggers during the revolving period will lead to early amortisation of the notes. Based on the performance of BBVA's previous transactions, Fitch verified that the triggers applicable during the revolving phase should allow the transaction to maintain the credit profile and financial quality of the collateral until the beginning of the amortisation period (see *Revolving Period and Early Amortisation Events*). Moreover, given the incorporation of eligibility criteria applicable to the purchase of new receivables during the revolving period, the agency expects the quality of the collateral to be maintained through the revolving.

- To mitigate the interest rate risk arising form the fact that 100% of the collateral bears fixed interest rates while the notes will be linked to the three-month Euribor rate, the special-purpose vehicle ("SPV") will enter into a hedging agreement with BBVA. The agency accommodated within its cash flow model the guaranteed excess spread of 325bp payable by the swap counterparty to the issuer, in addition to the costs of servicing the collateral. Fitch's cash flow analysis modelled for servicing fees to be paid by the swap in all stress scenarios, considering the rating downgrade language incorporated in the documentation (see *Swap Agreement*).

- The payment of interest for the series B and C notes is subject to deferral triggers defined on the cumulative level of defaults being greater

Key Information

Portfolio Characteristics
As of 4 November 2006

Number and Type of Loans: 221,057 consumer loans

Total Collateral Amount: EUR1.79bn

WA Seasoning: 12 months

WA Remaining Maturity: 71 months

Structure

Issuer: BBVA Consumo 2, Fondo de Titulización de Activos

Total Issued Amount: EUR1.5bn

Management Company: Europea de Titulización S.G.F.T., S.A.

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

Paying Agent: BBVA

Swap Counterparty: BBVA

GIC Provider: BBVA

Closing date: 27 November 2006

Scheduled Maturity: December 2018

Legal Final Maturity: December 2020

than 12.25% or 10.0% of the outstanding balance of the notes, respectively. As Fitch's 'AAA' default rate assumption is 11.86%, the 12.25% trigger will not be breached in such scenario of economic stress, and consequently the agency's cash flow model does not expect series B interest deferral to support the series A noteholder.

Structure

The issuer will be a limited-liability SPV incorporated under the laws of Spain whose sole purpose is to acquire consumer 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 and Fitch's commingling criteria (see "*Commingling Risk in Structured Finance Transactions*", dated 9 June 2004 and available at www.fitchratings.com).

The cash bond administration ("CBA") function for this transaction will be carried out by the *sociedad gestora*, a company supervised by the Comisión Nacional del Mercado de Valores ("CNMV") whose activities are limited to the management of securitisation funds. After closing, the *sociedad gestora* is responsible for cash reconciliation, waterfall calculations and their reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer, account bank or swap counterparty.

Principal proceeds from the underlying collateral will be used to purchase additional consumer-loan receivables until the payment date falling in September 2008 inclusive, after which the revolving period is scheduled to end and amortisation of the notes is due to commence.

A treasury account (GIC 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*). 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 lowered 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 investments"). An 'F1' rating is sought for qualified investments maturing within 30 days, and a rating of 'F1+' for longer periods.

If after such a downgrade scenario, BBVA´s Short-term rating returned to the required 'F1' level, the entity could regain the responsibilities for the account bank.

Revolving Period

During the 22-month revolving period, BBVA will retain the right to sell additional consumer 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, unused funds will be credited to a transaction account (GIC account) held at BBVA in the name of the issuer (called "principal account"), 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 lowered 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 September 2008 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 the notes;
- delinquencies (amounts more than 90 days past due) are greater than 1.5% of the outstanding collateral balance;
- cumulative defaults (loans more than 12 months in arrears) are greater than 2.0% or the percentages detailed below for each one of the payment dates, with regards to the original collateral balance:

Cumulative Default Trigger

Payment Date	Cumulative Defaults (%)
March 2007	0.333
June 2007	0.666
September 2007	0.999
December 2007	1.332
March 2008	1.665
June 2008	1.998
September 2008	2.000

Source: Transaction documents

- the reserve fund will not be at its required level on the current payment date;
- a servicer replacement event;
- early termination of the swap agreement with no substitute being found after 15 days;
- BBVA's insolvency;
- changes in the fiscal rules that make the purchase of new receivables burdensome;
- an outstanding balance of non-defaulted collateral that is less than 90% of the outstanding balance of the notes for two consecutive payment dates; or
- an outstanding balance of non-defaulted collateral that is less than 80% of the outstanding balance of the notes for one payment date.

The latter two triggers will prevent the SPV from running a revolving period with insufficient purchases of auto or consumer loans as well as the negative carry risk associated.

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 December 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.

Clean-up Call

All the notes are subject to a clean-up call when less than 10% of the initial collateral remains outstanding, and the notes can be redeemed according to the established priority of payments. The clean-up call can only be exercised by the *sociedad gestora* if all the notes are redeemed in their entirety.

Priority of Payments

On each payment date, commencing in March 2007, the combined priority of payments will be as follows:

1. expenses, taxes and servicing fees;
2. net payments under the swap agreement (if applicable);
3. series A interest;
4. series B interest (if not deferred);
5. series C interest (if not deferred);
6. purchase of new consumer 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 12.25% 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 due under sub loans used to fund the reserve fund and cover start-up 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 1.56% of the original note balance will be funded at closing through a subordinated loan granted by the seller, and will be credited to the treasury account. Subject to the following conditions, the reserve fund will be permitted to amortise to the greater of 0.78% of the original collateral balance and 3.12% of the outstanding collateral balance:

- 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 two years have passed since the closing date of the transaction.

Swap Agreement

The issuer will enter 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 and up to 90 days in arrears. In return, it will receive three-month Euribor plus the weighted-average ("WA") spread on the notes plus 325bp on the notional amount, which is equal to: i) the balance of the performing and up to 90 days in arrears loans, 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. Note that the issuer will also receive the costs of servicing the collateral.

In summary, the swap agreement covers the following:

1. 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. a guaranteed spread of 325bp 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. the potential negative carry of accumulating cash in the principal account during the revolving period, which only yields three-month Euribor minus 10bp; and
4. all the servicing costs on the collateral, regardless of the fee amount required by any substitute servicer.

If the swap counterparty 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.

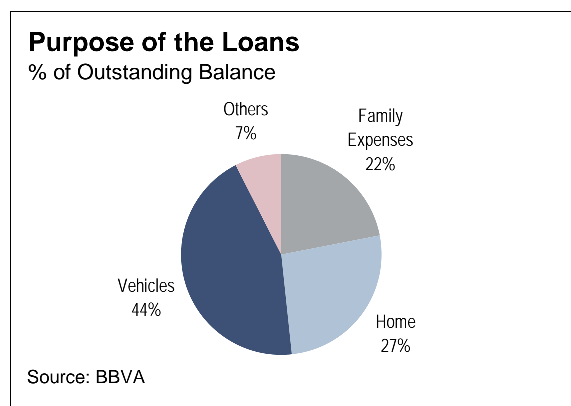
Fitch's cash flow analysis modelled for servicing fees to be paid by the swap in all stress scenarios, considering the rating downgrade language incorporated. Indeed, if BBVA is downgraded below 'A/F1' and when posting of collateral is the action of choice, it will, within 15 calendar days, report to Fitch the formula to calculate the mark-to-market of the swap and therefore the amount to be posted as collateral. If the formula was not in line with Fitch's criteria, the mark-to-market formula would have to account for an additional 100bp per year with regards to this servicing replacement cost feature.

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 will have an outstanding balance of EUR1.5bn, comprising consumer loans granted to individuals in Spain for different personal/family purposes. Note that 44% of the loans are granted to acquire vehicles with the rest granted for different purposes such as home refurbishment or other family expenses (see chart below).

Purpose of the Loans
% of Outstanding Balance



Source: BBVA

These loans will be selected from the provisional portfolio, which as of 4 November 2006 had the following main characteristics:

1. average original balance of EUR10,647;
2. average outstanding balance of EUR8,113;
3. 100% fixed rates with monthly amortisation;
4. WA interest of 7.22%;
5. WA seasoning of 12 months;
6. WA time to maturity of 71 months; and
7. 21% concentrated in the region of Andalucia, followed by Catalonia with 16% and Comunidad Valenciana with 12%.

Key Eligibility Criteria

During the revolving period, the eligibility criteria stipulates, among other things, that the following:

- The loans must have been originated by BBVA and granted to individuals in Spain (no employees).
- Up to 30 days delinquent loans can be purchased.
- The loans do not allow for interest deferral options, are denominated in euros with an outstanding balance between EUR500 and EUR65,000 and bear fixed rates.
- The loans amortise on a monthly basis, have a latest maturity date of October 2018 and have a minimum remaining life of 12 months.
- Each loan has been fully drawn and has made at least one payment through an automatic direct debit system.
- At a portfolio level:
- the WA time to maturity is less than seven years;
- the maximum concentration in a single region does not exceed 25%, nor do the three largest exceed 60%;
- the WA seasoning is more than six months;
- the WA interest rate is greater than 5.0%;
- the single largest obligor is lower than 0.01% of the outstanding balance of the collateral;
- auto loans are lower than 50% of the outstanding balance of the collateral at each payment date;
- the bucket of loans with remaining term to maturity greater than 108 months is lower than 22% of the outstanding balance of the collateral at each payment date.
- With regards to the new accounts purchased during the revolving phase, the WA seasoning is greater than three months and the WA life is equal to or lower than 3.85 years assuming 0% of prepayments.

In the event of any 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.

Origination and Servicing

BBVA is the parent of Spain's second-largest banking group and resulted from the 1999 merger of Banco Bilbao Vizcaya and Argentaria, Caja Postal y Banco Hipotecario. Its business is focused on core retail and corporate banking activities, as well as asset and pension fund management. BBVA is the market leader in the consumer credit segment, with an estimated market share of 12.5% as of June 2005.

The characteristics of its current portfolio of consumer loans include the following:

- current total exposure of approximately EUR6.7bn with more than 1.5m clients and 885,000-plus loans;
- EUR7,500 average original amount;
- 7.1% average annual fixed interest rate;
- WA time to maturity of four years (maximum of 10 years); and
- approximately 90% of the borrowers classified as not self-employed, while the remaining 10% as self-employed.

Fitch reviewed BBVA's origination and servicing procedures during an on-site visit in March 2006 prior to its previous consumer ABS transaction, BBVA Consumo 1. Fitch has received an updated version of BBVA`s consumer-loan underwriting and servicing criteria that is summarised below.

The origination strategy of BBVA is supported by a network of more than 3,400 branches across Spain, which is complemented by a network of 44 broker centres that centralise the loans originated by different third parties, such as commercial stores. This latter network generates approximately 3% of the consumer-loan business of the bank, although any loan application that it creates must be evaluated and approved by BBVA personnel at a branch level. Applications may also be made via telephone or online with subsequent underwriting and approval in 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:

- a scoring mechanism based on BBVA's own data such as accounts and credit card history, movements, average balance and overall performance if the applicant is an existing client;

- a profiling scoring mechanism based on the information submitted by the client, identifying, for example, the applicant's job status (i.e., employee, self-employed), his or her financial strength, family situation and location as well as available third-party guarantees;
- product type; and
- external delinquency checks, through databases such as CIRBE (a Bank of Spain database that provides information on borrower exposure and non-payment) or the RAI (*Registro Aceptación Impagados*).

The credit approval process involves different levels of credit authority, as every account manager in 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 (i.e. either positively or negatively), subject to their individual mandate level/authority. BBVA indicated to Fitch that on average less than 20%-25% of the initially declined applications are finally approved.

Collections and Surveillance

Each of BBVA's regional units, which are located in various autonomous communities across the country, 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 on performance broken down by different loan characteristics such as region, branch and products;
- BBVA's internal recoveries/legal teams;
- external telephone recovery agents;
- a specific team of analysts that monitor the performance of the brokers' centres; and
- BBVA's internal auditors.

In general, borrowers pay back the loan amounts via direct debits coming from their respective current accounts with BBVA. Any account delinquent for more than 110 days would be outsourced to external recovery agencies. Depending on the delinquent balance, the maximum time allowed for any recovery actions is limited to two 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 for legal and workout procedures. Each of these teams is responsible for managing defaulted accounts and defining the appropriate recovery strategy, which may involve the outsourcing of certain functions. Legal action will be instigated and recovery strategies drawn up, depending on the amount outstanding.

In case of a borrower defaulting, BBVA has the ability and the powers to initiate legal actions that could result in a stay or ultimately auctioning of the debtor's assets. 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 quicker and easier when the debtors' bank accounts can be embargoed, which would automatically redirect any incoming funds towards clearing any arrears.

On average, 40% of the recoveries occur before any formal legal action is initiated, which takes place between six to 12 months after initial delinquency. Of those defaulted accounts that require formal legal action, more than half would be recovered before an auctioning procedure takes place. In many cases, when a borrower has defaulted and is being informed about the imminent actions to be taken by the bank, including the auction procedure, the borrower in question finds alternative means to clear the negative balance of the account. This is because borrowers often recognise the financial benefits of liquidating their assets themselves instead of allowing the court to auction to any bidder.

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

Credit Analysis

When rating this transaction Fitch applied its new consumer ABS methodology, entitled "*European Consumer ABS Rating Criteria*" and available at www.fitchratings.com. The main quantitative tool for this new approach is the Fitch Default VECTOR ABS model ("VECTOR ABS"), which is used in conjunction with the traditional cash flow model. 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 seller, and the base case recovery rate also derived from historical data analysis.

Default Probabilities and Recovery Rates

The base cases assumptions for default probability and recovery rates have been made after studying historical data presented by BBVA covering the period January 1999 to March 2006.

With regards to the cumulative static delinquency data provided by the originator, Fitch has assumed that borrowers who have not made a payment 180 days after the due date should be considered defaulted. This is a conservative assumption since some of them may become performing again before write-offs materialise after loans are 365 days overdue. After evaluating the abovementioned vintage data 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 3.47%. Note that this base case accounts for a hit of 1.05x, which mitigates the concentration risk within the collateral on loans with remaining maturities greater than 100 months, which represent 22% of the collateral balance. This is also considering that it is likely that the vintage data does not capture these exposures for the whole period, as long-dated consumer and auto loans are a recent practice of the market.

On the recovery side, Fitch assumed base case recovery rates of 72% and 53% for the consumer and auto loans included in the collateral, respectively. The agency specified different recovery rate base cases for the sub-pools of loans to account for the differences observed in historical recovery data between auto loans and consumer loans. This difference, which is consistent with assumptions made for previous consumer and auto loan securitisations originated by BBVA, is due to the fact that consumer tend to achieve greater recoveries after defaults. According to data provided by the originator, 85% of consumer debtors are existing BBVA clients and 97% of the loans granted come from BBVA branches. The latter, together with the structural features of consumer loans, such as lower outstanding amounts, explain the abovementioned higher recovery rates.

Fitch has taken the view that a 36-month foreclosure period is appropriate after observing historical recovery data, and recognising that although the largest portion of historical recoveries comes from friendly or non-legal actions against the debtor, BBVA is entitled to commence legal action against the debtor. As this legal process may take longer than two years on average, additional recoveries can be received until the third year after default.

VECTOR ABS

VECTOR ABS is a quantitative simulation tool that assists the analysis in determining the portfolio RDR and RRR levels for the various stress scenarios. It takes as inputs, default probabilities and recovery rate base cases obtained from traditional vintage analysis, the remaining term to maturity as well as correlation structure within the portfolio based on the country and sector of the collateral, and a global factor to take into account the general economic scenario.

Using a single step Monte Carlo simulation, this tool generates a minimum of 1,000,000 different scenarios and registers the amount defaulted on a loan by loan basis to generate the distribution of the portfolio losses.

To determine whether an asset defaults, its asset value is compared against a threshold, which is determined exclusively by the asset's probability of default. In addition, for each defaulted asset, the model records the recovered amount from which the average recovery rate and ultimately the cumulative loss amount are calculated.

The table below summarises VECTOR ABS outputs:

VECTOR ABS Results

Rating	Default Rate (%)	Recovery Rate (%)
AAA	11.86	35.42
AA	10.38	42.22
A-	7.46	50.85
Base Case	3.47	72 and 53

Source: Fitch

Cash Flow Modelling

Fitch modelled the cash flow mechanics of this transaction using the default probabilities and recovery rates detailed above for the different stress scenarios. The cash flow model assumed that defaults and recoveries would occur in line with the historical evidence provided by BBVA, which suggests that c.86% of defaults in volume terms occur within three years of origination and c.93% of recoveries before the second year after default.

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 recovery proceeds were collected. Excess spread, the reserve fund and principal collections must be sufficient to cover the carrying cost until 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 C notes. Should the trigger be hit, while interest on the C notes may be deferred for a period, it will ultimately be paid prior to the legal maturity date under the respective stress scenario. Note that as the trigger definition for the series B notes is above the estimated default probability for the 'AAA' stress, Fitch´s cash flow model does not account for the deferral to take place. This lack of structural support is therefore compensated by pure subordination and excess spread mainly.

The agency also modelled different levels 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. However, 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 and based on historical prepayment information reported by BBVA is 15%, and Fitch applied rates of 20.50% under 'AAA', 21.00% at 'AA' and 18.45% 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 regularly 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 Consumo 2, F.T.A.

Spain/Consumer ABS

Capital Structure

Series	Rating	Size (%)	Size (EURm)	CE (%)	PMT Freq	Final Legal Maturity	Coupon
A	AAA	96.05	1,440.70	5.51	Quarterly	December 2020	Floating
B	AA	1.10	16.50	4.41	Quarterly	December 2020	Floating
C	A-	2.85	42.80	1.56	Quarterly	December 2020	Floating
Reserve Fund	N.R.	1.56	23.40	-	-		

Key Information

Closing Date	27 November 2006 (Expected)	**Role**	**Party (Trigger)**
Country of Assets	Spain	Issuer	BBVA Consumo 2, F.T.A.
Structure	22-month revolving period, then amortising sequentially	Seller/Servicer of the Loans	BBVA (‘F1’)
Type of Assets	Consumer loans and auto loans	Servicer of the Notes	Europea de Titulización S.G.F.T., S.A.
Currency of Assets	EUR	Financial Agent	BBVA (‘F1’)
Currency of Notes	EUR	Swap Counterparty	BBVA (‘A/F1’)
Primary Analyst	marta.aisa@fitchratings.com	Line of Credit Provider	n.a.
Secondary Analyst	juan.garcia@fitchratings.com		
Performance Analyst	renaud.untereiner@fitchratings.com		

Collateral: Pool Characteristics

As of 4 November 2006

Current Principal Balance (EUR)	1,793,587,417	Top One Geographical Concentration (%)	21
Loans (No.)	221,057	Top Three Geographical Concentrations (%)	49
Original Average Principal Balance (EUR)	8,113	Linked to Individuals Resident in Spain (%)	100.0
Linked to Fixed Interest Rates (%)	100.0	Monthly Amortising (%)	100.0
WA Coupon (%)	7.22	Top 1 Loan Purpose: Vehicles (%)	44.21
WA Seasoning (Months)	12	Top 2 Loan Purpose: Home (%)	26.58
WA Time to Maturity (Months)	71	Top 3 Loan Purpose: Family Expenses (%)	21.81

All percentages are expressed as a proportion of current collateral balance
Source: Transaction documents

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