BBVA Leasing 1, Fondo de Titulización de Activos

ABS - Leasing / Spain

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of June 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The ***definitive*** *ratings may differ from the* ***provisional*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

29 June 2007

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€750.0	30.00	May 31	3mE + [•]%
A2	(P)**Aaa**	€1,606.2	64.25	May 31	3mE + [•]%
B	(P)**A3**	€82.5	3.30	May 31	3mE + [•]%
C	(P)**Baa3**	€61.3	2.45	May 31	3mE + [•]%
Total		€2,500.0	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Granular portfolio, with the largest exposure comprising 0.24% of the issuance amount and eligibility criteria that limit this largest exposure to 0.30% during the revolving period
- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- Strong swap agreement guaranteeing an excess spread of 0.65% and covering the servicing fee
- The residual value component of lease contracts is not securitised. As a consequence, investors are not exposed to any risk that the obligors will not exercise the residual option and that the residual value may be lost upon the originator's liquidation
- The originator will rank junior with respect to the *Fondo* by the amount due to the purchase option should the relevant lessee default
- Strict early amortisation triggers, which may stop the revolving period as soon as the percentage of non-written-off loans that are more than 90 days in arrears exceeds 1.20%, or there is not sufficient cash in the structure to fully fund the cash reserve

Weaknesses and Mitigants

- Low amount of credit rights derived from real estate lease contracts compared with the amount of mortgage loans in a typical Spanish SME loan pool
- A revolving period of up to seven payment dates could trigger a decline in the credit quality of the portfolio. This is mitigated by strict eligibility criteria with which any additional credit right must comply and by early amortisation triggers.
- The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but potentially exposes junior rated noteholders to long periods of receiving no interest. Moody's has factored this into its quantitative analysis, and the reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss and the probability of default.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	BBVA Leasing 1, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA", **Aa1**/**P-1**/**B**)
Servicer:	BBVA
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	26 February, 26 May, 26 August, 26 November First payment date: 26 November 2007
Credit Enhancement/Reserves:	0.65% excess spread 1.65% reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) account
GIC Account Provider:	BBVA
Hedging:	Interest rate swap covering the interest rate risk
Interest Rate Swap Counterparty:	BBVA
Paying Agent:	BBVA
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (Europea de Titulización)
Arrangers:	BBVA Europea de Titulización
Lead Managers:	BBVA BNP Paribas, Spanish Branch The Royal Bank of Scotland Société Générale, Spanish Branch

COLLATERAL SUMMARY (AS OF JUNE 2007) *(see page 8 for more details)*

Receivables:	Credit rights derived from leasing contracts granted to Spanish corporates
Total amount:	€3.0 billion
Number of Contracts:	84,618
Number of Borrowers:	50,743
Geographic Diversity:	Catalonia (25.6%), Madrid (16%), Andalusia (14.2%)
WA Seasoning:	1.8 years
WA Remaining Term:	5.3 years
Interest Basis:	91% floating, 9% fixed
WA Interest Rate:	4.68%
Delinquency Status:	No receivables more than 30 days in arrears at the time of the securitisation
Historical Experience:	Historical default, recovery and prepayment information provided

NOTES

Series	Subordination	Reserve Fund	Total
A1	70.00%(1))	1.65%	71.65%
A2	5.75%(1)	1.65%	7.40%
B	2.45%	1.65%	4.10%
C	0%	1.65%	1.65%

(1) Subject to pro-rata amortisation triggers

TRANSACTION SUMMARY

Cash securitisation of credit rights derived from leasing contracts granted to Spanish enterprises

BBVA Leasing 1, FTA ("the *Fondo*") is a securitisation fund created with the aim of purchasing a pool of credit rights (interest and principal, excluding the purchase option) derived from financial lease agreements, granted by BBVA to Spanish enterprises. Although the securitisation of loans granted to Spanish enterprises is relatively common within the Spanish market, this is one of the first transactions in Spain in which credit rights derived from lease agreements are being securitised.

The *Fondo* will issue four series of notes to finance the purchase of the loans (at par):

– A subordinated Series C, rated (P)**Baa3**

– A mezzanine Series B, rated (P)**A3**

– A senior tranche composed of two (P)**Aaa**-rated series: a subordinated Series A2 and a senior Series A1

Each series of notes is supported by the series subordinated to itself, a cash reserve and the excess spread guaranteed under the swap agreement. The swap agreement will also hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates on the contracts (as well as fixed-rate contracts) and on the notes and (ii) any renegotiation of the interest rate on the contracts.

In addition, the *Fondo* will benefit from a €[ ] million subordinated loan provided by BBVA to fund the up-front expenses and the costs of issuing the notes.

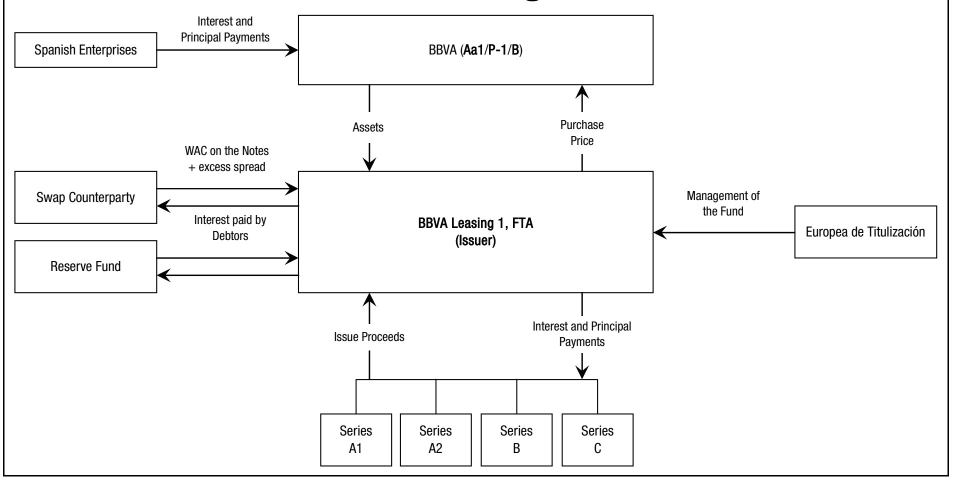
The provisional pool consists of credit rights derived from 84,618 lease contracts and 50,743 Spanish enterprises as borrowers. Given the nationwide presence of the originator, the pool is well diversified across Spain. According to Moody's industry classification, it is around 37% concentrated in the "buildings and real estate" sector. 31.2% of the pool (by amount) corresponds to real estate lease contracts, with a weighted average loan-to-value equal to 71%.

Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance information; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a two-year revolving period, a swap agreement guaranteeing 0.65% of annual excess spread, sequential amortisation of the notes and deferral of interest based on the accumulated amount of written-off credit rights

Chart 1:
Structure Diagram



The credit rights being securitised

The periodic instalments paid by the lessee under a financial lease contract comprise three components: interest, principal and taxes. However, the credit rights acquired by the *Fondo* will constitute solely the interest and principal components, but excluding the principal associated with the purchase option (equal to the principal of the final instalment), which will remain on BBVA's balance sheet. A legal concern arises with respect to the securitisation of the purchase option, given that this would make the *Fondo* the owner of the asset that is the object of the lease contract, and this would be in contradiction with the Spanish Securitisation Law, which only considers the ownership by an FTA of credit rights.

In the event of a default of a lessee, an order of priority with respect to partial recoveries has been established between the *Fondo* and BBVA, whereby the credit rights acquired by the *Fondo* will rank senior with respect to the purchase option. Although the purchase option represents a marginal value at the inception of the contract – especially for higher-term contracts such as real estate leases – the potential benefit derived from this order of priority would increase as the contract draws closer to its term.

Finally, it is worth mentioning that, in the case where the leasing contracts are formalised under public deed and real estate leases are recorded with the Property Registry, the Spanish Insolvency Law confers a privileged character to those credit rights due and unpaid before the adjudication of the bankruptcy, in the sense that they will rank senior with respect to the proceeds arising from the execution of the underlying asset (in other words, the underlying asset plays a role similar to a real guarantee). The instalments that become due after the adjudication of the bankruptcy will be considered as credits against the insolvency estate.

Interest rate swap hedging the interest rate risk and guaranteeing 65 bppa of annual excess spread

To hedge the *Fondo* against the interest rate risk (the potential mismatch derived from having different index reference rates and reset dates on the contracts (as well as fixed-rate contracts) and on the notes), it will enter into a swap agreement with BBVA.

According to the swap agreement, on each payment date:

– The *Fondo* will pay the interest received from the credit rights since the previous payment date.
– BBVA will pay the sum of (1) the weighted average coupon on the notes plus 65 bppa, over a notional calculated as the daily average of the outstanding amount of loans not more than 90 days in arrears since the last payment date; and (2) the servicer fee due on that payment date.

This swap structure additionally hedges the *Fondo* against any potential renegotiation of the interest rate on the credit rights, and covers the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

In the event of BBVA's long-term rating being downgraded below **A2**, or its short-term rating being downgraded below **P-1**, it will within 30 business days have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (2) find a suitably rated guarantor or substitute. Any failure by BBVA to comply with this condition will constitute an event of default under the swap agreement.

Reserve fund fully funded up-front to help the Fondo meet its payment obligations

Funded up-front through a subordinated loan provided by BBVA, the reserve fund will be used to cover any potential shortfall on items (1) to (8) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts:

– 1.65% of the initial balance of the notes
– The higher of:
    - 3.30% of the outstanding balance of the notes
    - 0.825% of the initial balance of the notes

However, the amount requested under the reserve fund will not be reduced:

– During the first two years following the closing date
– On any payment date on which either of the following scenarios occurs:
    - The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%
    - The reserve fund is not funded at its required level

The GIC provides an annual interest rate equal to the index reference rate of the notes less 0.10%

The treasury account will be held at BBVA. The proceeds from the credit rights, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Moody's has set up some triggers in order to protect the treasury account from a possible downgrade of BBVA's short-term rating. Should this rating fall below **P-1**, BBVA will have to perform one of the following actions in the indicated order of priority within 30 business days:

1. Find a suitably rated guarantor or substitute.
2. Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
3. Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

BBVA guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less 0.10%.

During the revolving period, any amount retained as principal due that is not used on a payment date for the acquisition of credit rights will be transferred to a special account held at BBVA (namely, the principal account), subject to the same triggers and remuneration as the treasury account, and will be automatically cancelled on the payment date following the end of the revolving period.

Limitations on the renegotiation of the credit rights

The management company authorises BBVA – in its role as servicer – to renegotiate the interest rate or the maturity of any credit right without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). Regarding this last issue, some limitations have been put in place:

– BBVA will not be able to extend the maturity of any credit right later than April 2029.
– The total initial amount of credit rights on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
– The frequency of payments cannot be decreased.
– The amortisation system cannot be modified.

Payment structure allocation

On each quarterly payment date, the *Fondo*'s available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1) Costs and fees, excluding the servicing fee (except in the case of BBVA being replaced as servicer of the asset pool)
2) Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the affected party
3) Interest payment to Series A1 and A2
4) Interest payment to Series B (if not deferred)
5) Interest payment to Series C (if not deferred)
6) Retention of an amount equal to the principal due under the notes
7) Interest payment to Series B (if deferred)
8) Interest payment to Series C (if deferred)
9) Replenishment of the reserve fund
10) Termination payment under the swap agreement (except in the cases contemplated in 2) above)
11) Junior payments

In the event of liquidation of the *Fondo*, the payment structure is modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the accumulated amount of written-off credit rights

The payment of interest on Series B and C will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

- The accumulated amount of written-off credit rights since closing is higher than 6.5% and 5% of the initial amount of the pool for Series B and C, respectively.
- The series senior to it are not fully redeemed.

Principal due to the notes incorporates a 12-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes (plus any amount due to the Spanish Treasury by reason of principal) and (2) the outstanding amount of the non-written-off credit rights (the "written-off credit rights" being defined as those credit rights with any amount due but unpaid for more than 12 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such credit rights)).

Thanks to the "artificial write-off" mechanism, the amount of notes collateralised by non-performing loans is minimised, as is, consequently, the negative carry. However, the most significant benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

Principal due allocation mechanism and revolving period

During the revolving period, the principal available funds will be used for the purchase of additional credit rights to BBVA. This period will last until the payment date of 26 May 2009, or, if earlier, upon the breach on a payment date of any of the early amortisation triggers, mainly:

i. An insolvency, failure to pay or bankruptcy in respect of BBVA.

ii. The arrears level exceeds 1.2%.

iii. The accumulated amount of written-off credit rights since closing exceeds a target that is derived from the straight line interpolation between 0% and 2.0% of the initial amount of the pool.

iv. The cash reserve is not funded at the required level.

v. The outstanding amount of the non-written-off credit rights is less than:

   a) 90% of the outstanding amount of the notes after the purchase on the two previous payment dates.

   b) 80% of the outstanding amount of the notes after the purchase on the previous payment date.

vi. BBVA ceases to be the servicer of the asset pool.

vii. There is a termination under the swap agreement and no replacement, guarantor or alternative solution is found within 15 days.

viii. A change in the Spanish fiscal regulation which makes the sale of additional assets too cumbersome for BBVA.

Credit rights to be acquired during the revolving period will be purchased at par and will have to comply with the eligibility criteria (see "Collateral" section). At any point in time, the outstanding amount of credit rights cannot be greater than €2.5 billion

Following the termination of the revolving period, the principal available funds will be used for the amortisation of the notes on a fully sequential basis and by order of seniority. Nevertheless, should Series A1 remain outstanding, the amount retained as principal due will be allocated pro-rata between Series A1 and A2, in the case that the arrears level exceeds 1.20%.

COLLATERAL

Pool of credit rights derived from financial lease contracts granted to Spanish enterprises

As of June 2007, the provisional portfolio comprised credit rights derived from 84,618 lease contracts and 50,743 borrowers, for a total amount of €3.0 billion. The contracts (both the initial and the additional contracts) have been originated by BBVA in its normal course of business, and comply with the following criteria:

- Debtos are not BBVA employees or companies belonging to BBVA's financial group
- All the contracts are formalised under public document.
- The amount financed is equal to or lower than the asset purchase price (for movable assets) or the appraisal value (for real estate assets).
- The contracts have been granted to enterprises and self-employed individuals based in Spain.
- The contracts are repaid by direct debit and have paid at least one instalment.
- The contracts remaining life at the purchase date is over one year (just for the additional contracts)
- No contract will mature later than April 2029 (at least two years before the Legal Final Maturity Date)
- No contract incorporates deferred payments of interest or principal
- Obligors are committed to sign an insurance contract for the underlying asset at the time of the contract's origination.
- All the real estate leases relate to properties fully developed and situated in Spain.
- None of the contracts correspond to lease-back agreements

BBVA guarantees that, as of the transfer date, none of the lease agreements will have been breached. Additionally, on that date, there will be no amounts more than 30 days past due under any of the transferred credit rights.

Initial portfolio

The lease contracts have been originated between 1999 and May 2007, with a weighted average seasoning of 1.8 years and a weighted average remaining term of 5.3 years. The longest loan matures in April 2027.

The interest rate is floating for 91% of the pool and fixed for the rest, with a weighted average interest rate of 4.77% for the fixed-rate loans and a weighted average margin of 0.82% for the floating-rate loans. All the floating-rate loans are referenced to Euribor at different time horizons.

All of the contracts pay through monthly (98%) or quarterly (2%) instalments, and practically all of them (99.97%) follow the French amortisation style.

In terms of underlying assets, 31% of the contracts (by amount) finance real estate properties, with a current weighted average loan-to-value of 71%. The rest of the contracts relate to equipment lease, with a weighted average loan-to-value of 64% and the following split:

Table 1:

Type of equipment	%
Other machinery	28%
Transportation	25%
Vehicles	22%
Construction machinery	15%
Other	10%

No information on the split between new and used assets is available.

Geographically, the pool is concentrated in Catalonia (25.6%), Madrid (16%) and Andalusia (15.3%). Around 37% of the portfolio is concentrated in the "buildings and real estate" sector according to Moody's industry classification (obtained through a mapping between the Spanish industry codes (CNAE) provided by the Spanish National Statistics Institute and the Moody's industry codes).

In terms of debtor concentration, although a proportion of the lease contracts have been granted to large enterprises, the pool is quite granular in comparison with a typical Spanish SME loan pool: the largest exposure is 0.24% of the issuance amount, and the sum of the 10 largest debtors represents 2.1% of the issuance amount. Furthermore, at closing the management company will elect the contracts from the provisional portfolio that will result in the least concentrated securitised pool.

Chart 2:
Portfolio Breakdown by Year of Origination

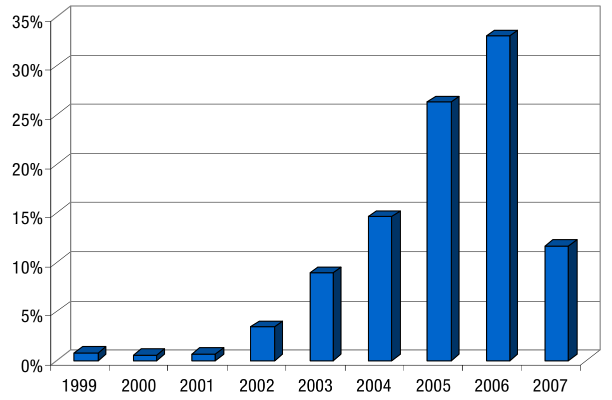


Chart 3:
Portfolio Breakdown by Year of Maturity

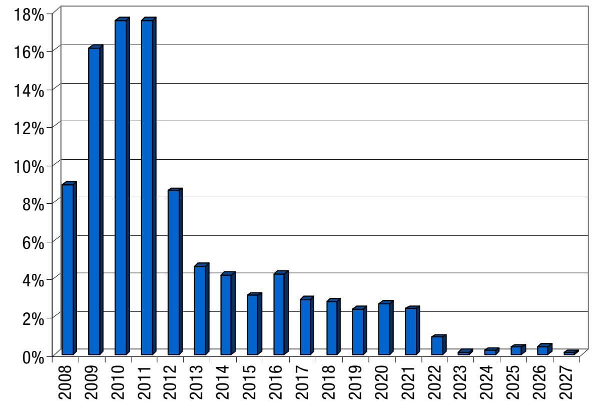


Chart 4:
Portfolio Breakdown by Geographic Diversity

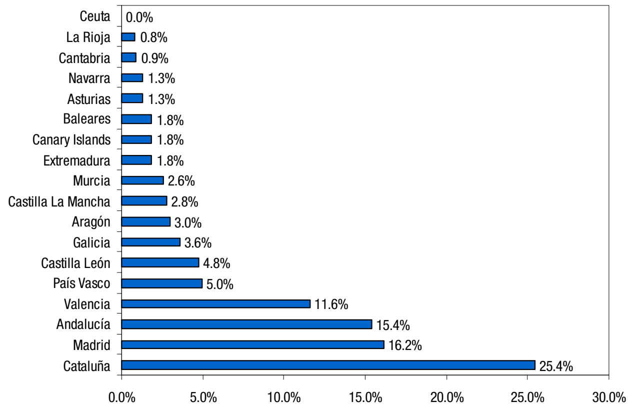
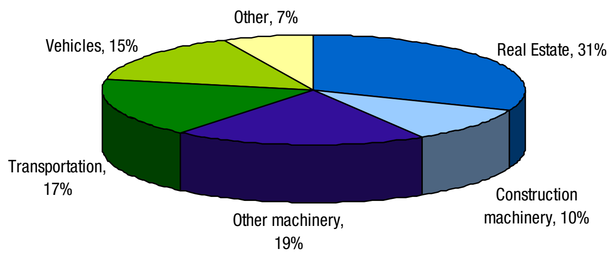


Chart 5:
Portfolio Breakdown by Type of leasing



Eligibility criteria for the additional pools

In addition to the individual criteria mentioned above, the combination of the existing credit rights and the new credit rights will have to comply with the following criteria after each purchase date:

– A maximum debtor concentration of 0.30%

– Self-employed individuals must not represent more than 15% of the total outstanding balance.

– Any debtors with the following characteristics must not exceed the indicated percentages over the total outstanding balance:

  - Representing more than 0.10% of the outstanding balance of the pool: 12.5%
  - Based in the same Spanish region: 30%.
  - Based in the three most represented Spanish regions: 65%
  - Belonging to the same industry sector (two first digits of the CNAE classification): 20%
  - Belonging to the three most represented industry sectors: 45%

In addition, for the loans included in each additional pool, eligibility criteria have been set to guarantee: (1) a minimum weighted average seasoning of three months; (2) a maximum remaining weighted average term of six years; (3) a minimum amount or real estate leases equal to 25% of the outstanding balance; (4) a minimum amount of credit rights paying through monthly instalments equal to 95% of the outstanding balance; and (5) a minimum amount of fixed-rate contracts equal to 7.5% of the outstanding balance.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

BBVA, the second-largest financial group in Spain and with a strong focus in the Spanish retail segment, is the originator and servicer of the asset pool

With total assets amounting to €447 billion in March 2007, BBVA is the second largest financial group in Spain after Banco Santander Central Hispano, S.A. (BSCH). Excluding international operations, however, BBVA is Spain's largest financial group with market shares of loans and deposits at around 13% each, followed closely by BSCH and La Caixa with nationwide market shares of about 10% each.

In Spain, BBVA operates through a network of 3,631 branches and 31,230 employees and 5,000 ATMs – as at September 2006.

BBVA has built up a solid franchise in Latin America, holding a 14% share of loans and 16% of deposits at September 2006. It has a strong presence in Argentina, Colombia and Mexico. It is also in the process of building a franchise in the USA and entering the Chinese market: in November 2006, BBVA announced it had reached an agreement with the Chinese banking group CITIC to develop a strategic alliance in this market.

Moody's views BBVA's earnings profile as well balanced. The main contributor to BBVA's profits is retail banking, at close to 80% of total profits, a factor that adds solidity and stability to its franchise.

The group's asset quality continues to improve on a quarterly basis, with NPLs accounting for 0.82% of total loans in the year ended September 2006 compared to 0.98% in the prior year, and 0.94% at year-end 2005. The coverage ratio stands at a very comfortable 275.8%. All main franchises showed a positive performance. Domestically, asset quality is performing better than anticipated. However, deterioration is likely, especially if interest rates rise sharply, given individuals' higher vulnerability to already high levels of indebtedness and heavier debt burden.

In terms of the Spanish securitisation market, BBVA has become one of the most active players since 2005, with €3.95 billion and €4.9 billion launched in 2005 and 2006, respectively, and an impressive €11.5 billion issued so far (including BBVA Leasing 1) in 2007.

BBVA's duties as servicer and originator

BBVA will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account seven days after they have been paid by the borrowers. Nevertheless, if BBVA's long-term rating falls below **Baa3**, it will have to transfer the borrower payments within a maximum period of one business day, with the purpose of minimising the amount of the pool proceeds that fall into the servicer's bankruptcy estate (i.e. commingling risk).

In the event of BBVA failing to perform its obligations as servicer, being subjected to Bank of Spain intervention or affected by an insolvency process, or because the management company considers it appropriate, it will have to be substituted or guaranteed in its role as servicer by a suitable institution.

Moody's believes that BBVA is currently a capable servicer.

Likewise, the management company may require BBVA, upon an insolvency process or Bank of Spain intervention, or because the management company considers it appropriate, to notify the relevant debtors of the transfer of the loans to the *Fondo*. Should BBVA fail to comply with this obligation within five business days, the notification would then be carried out by the management company.

Paying Agent

BBVA will act as paying agent of the *Fondo*. In the event of BBVA's short-term rating falling below **P-1**, it will within 30 days have to be replaced in its role of paying agent by a suitably rated institution.

Management Company

Europea de Titulización is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. BBVA accounts for 83% of the capital of the *gestora* (trustee). The remainder is owned by 15 institutions, including JP Morgan (4%), Caja de Ahorros del Mediterráneo (1.54%), Bankinter (1.53%), Barclays Bank (1.53%) and Citibank España (1.53%). Currently Europea de Titulización carries out the management of 70 securitisation funds.

Moody's used a lognormal approach based on mean default and recovery rate estimations

Given the large number of assets and the small size of the exposures, Moody's derived the gross loss distribution curve by using the lognormal density law.

Moody's based its analysis on the historical performance of sample pools similar to the pool being securitised. The lognormal parameters (mean default and standard deviation) were derived from these historical data, and later adjusted for (1) the seasoning of the portfolio (with different assumptions for the initial and additional pools), (2) expectations of a less favourable macro-economic environment and (3) other qualitative aspects. It is important to note that a loan has been considered as 'defaulted' after 90 days past due. The lognormal parameters assumed were around a mean of 2% and a standard deviation of 0.90%. Assumptions for recoveries, delinquency and prepayments were also derived from historical information.

Chart 6:
Cumulative Gross Loss Rate per Quarter of Origination

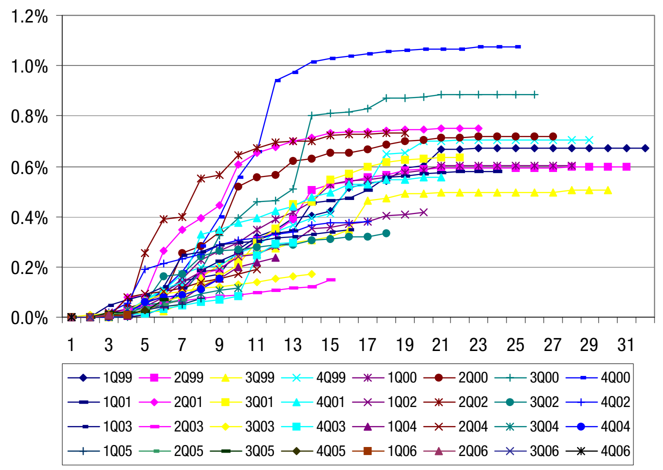
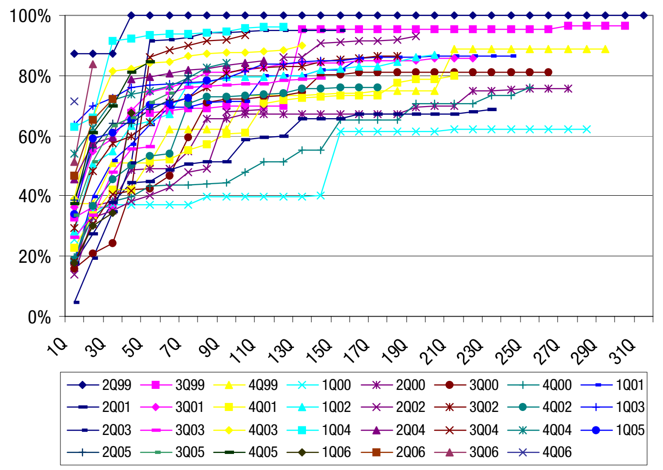
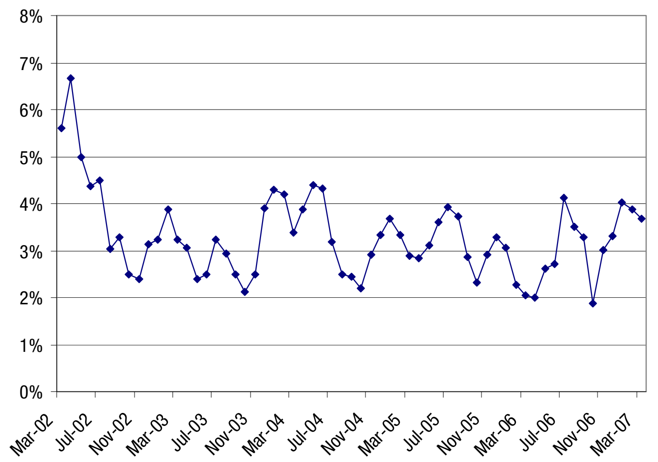


Chart 7:
Cumulative Recovery Rate per Quarter of Default



Char 8:
Historical CPR



To determine the rating associated to each series of notes, Moody's used an expected loss methodology that reflects the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduces all deal-specific characteristics. The main input parameters were the gross loss distribution and the assumptions for recoveries, delinquency and prepayments. The sensitivity to a variation in the initial assumptions was also tested. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes which, combined with each series' expected average life, is consistent with the provisional ratings assigned.

Structural Analysis

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Visit moodys.com for further details

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions, please refer to the following reports:

Analysis

– Banco Bilbao Vizcaya Argentaria, S.A., December 2006 (101258)

Issuer Profile

– Banco Bilbao Vizcaya Argentaria, S.A., October 2005

Credit Opinion

– Banco Bilbao Vizcaya Argentaria, S.A. , April 2007

Special Report

– Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
– Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread", January 2004 (SF29881)

Rating Methodology

– The Lognormal Method Applied to ABS Analysis, July 2000 (SF8827)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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