ABS/Spain
Presale Report

BBVA Leasing 1, Fondo de Titulización de Activos

Expected Ratings[1]

Class	Amount (EURm)	Legal Final Maturity	Rating[2]	CE (%)
A1	750.0	May 2031	AAA	7.40
A2	1,606.2	May 2031	AAA	7.40
B	82.5	May 2031	AA-	4.10
C	61.3	May 2031	BBB	1.65
RF[1]	41.25	n.a.	NR	n.a.

[1] Reserve Fund
[2] The rated classes in this transaction have a Stable Outlook

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* Expected ratings do not reflect final ratings and are based on information provided by the issuer as of 15 June 2007. 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.

Summary

This EUR2,500m transaction is a true sale securitisation of a pool of leasing contracts (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 Leasing 1, 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 first leasing securitisation originated by BBVA, following two consumer loan transactions, BBVA Consumo 1 FTA in May 2006 and BBVA Consumo 2 FTA in November 2006, as well as two auto loan transactions, BBVA Autos 1 FTA in November 2004 and BBVA Autos 2 FTA in December 2005.

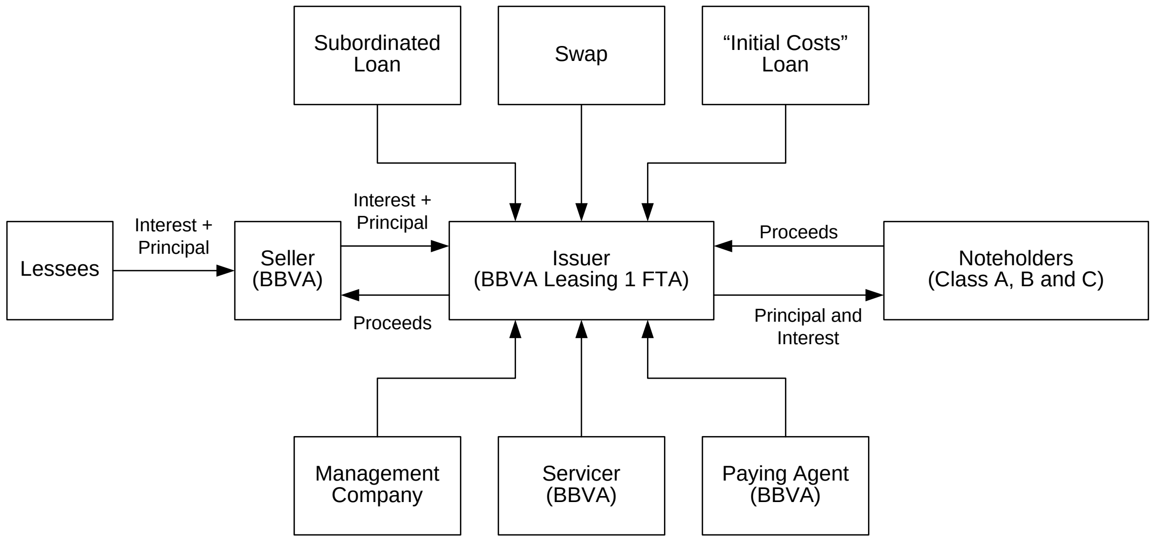
In line with these previous transactions, BBVA Leasing 1 has a two-year revolving period after which the notes will amortise sequentially, and it shares structural features with the aforementioned ABS deals such as the payment waterfall and the hedge agreement, which guarantees a stable excess spread over the life of the transaction. The collateral consists of a pool of leasing contracts granted by BBVA to non-financial small- and medium-sized enterprises (SMEs) domiciled in Spain.

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 class B and C notes, as well as the repayment of principal by legal final maturity. Initial CE for the class A notes will be provided by the subordination of the class B and C notes (5.75%), plus a reserve fund of 1.65%. Similarly, initial CE for the class B notes will be provided by the subordination of the class C notes (2.45%) plus the reserve fund, and initial CE for the class C notes will be formed only by the reserve fund.

Credit Committee Highlights

- The leased assets will remain under BBVA's ownership and only the cash flows generated by the leasing contracts will be securitised, excluding the residual value, which will stay under BBVA's possession. However, these cannot be separated from the leasing contract, and proceeds from their sale upon a debtor's default will be used to satisfy the securitised payment obligations under the contracts, with the exception of monies corresponding to the residual value.

Structure Diagram



Source: Transaction documents

- Under the operating lease, the legal title of the asset remains with the lessor and the lessee has the option to purchase the asset at maturity by paying the last instalment equivalent to the residual value of the asset. The leasing contracts are related to all kinds of assets used by the lessees for their economic, industrial or professional use.

- Breach of certain default and delinquency triggers during the revolving period will lead to early amortisation of the notes. Fitch validates these performance triggers applicable during the revolving phase by analysing historical dynamic delinquency data and historical static default data available on the seller's leasing portfolio (see *Early Amortisation Events*).

- The portfolio has demonstrated low historical losses. These low levels are explained by the fact that the leases and related assets are essential for the SMEs' operations. Even under financial distress, a leasing contract is less likely to suffer payment interruptions compared to a standard unsecured SME loan, as generally the assets under lease play an important role in the day–to-day business operations.

- Fitch has estimated a base case default rate of 2.0% drawn from 180-day delinquency vintage data provided by BBVA on a sample similar to the portfolio to be securitised (see *Credit Analysis*). Moreover, Fitch derived a base case for recoveries of 50% after analysing the historical data presented by BBVA since 1999, also on a sample similar to the leases within the portfolio.

- Principal proceeds from the underlying collateral will be used to purchase additional leasing contracts until the payment date falling in May 2009 inclusive, after which the revolving period is scheduled to end and amortisation of the notes is due to commence.

- The agency accommodated within its cash flow model the guaranteed excess spread of 65bp 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*).

■ Structure

The issuer will be a limited-liability, special-purpose vehicle (SPV) incorporated under the laws of Spain whose sole purpose is to acquire leasing contracts 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 subordinated loan. 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.

Key Information

Provisional Portfolio Characteristics
(As of 06 June 2007)

Number of Leasing Contracts: 83,372

Total Collateral Amount: EUR3.0bn

WA Seasoning: 22.18 months

WA Remaining Maturity: 63.37 months

Structure

Issuer: BBVA Leasing 1, Fondo de Titulización de Activos

Total Issued Amount: EUR2.5bn

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

Treasury Account (GIC Account): BBVA

Closing date: 29 June 2007

Amortisation Date: May 2009

Legal Final Maturity: May 2031

Principal proceeds from the underlying collateral will be used to purchase additional leasing contracts until the payment date falling in May 2009 inclusive, after which the revolving period is scheduled to end and amortisation of the notes is due to commence.

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 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. 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.

Revolving Period

During the 22-month revolving period, BBVA will retain the right to sell additional leasing contracts 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 (ie 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 held at BBVA in the name of the issuer (called the "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 May 2009 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 1.2% of the outstanding collateral balance;
- cumulative defaults (loans more than 12 months in arrears) are greater than 2% of the original collateral balance;
- 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;
- collateral outstanding is lower than 90% of the initial collateral at closing for two consecutive payment periods; or
- BBVA's insolvency.

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 August 2009 and quarterly thereafter. Class B and C will amortise sequentially on a pass-through basis after the A notes have been redeemed in full.

Call Option

All notes are subject to a clean-up call option in favour of the sociedad gestora when less than 10% of the initial collateral balance remains outstanding.

Priority of Payments

On each payment date, commencing in November 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. class A interest;
4. class B interest (if not deferred);
5. class C interest (if not deferred);
6. purchase of new leases 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. class B interest if deferred, which will occur if the cumulative defaults exceed 6.5% of the original collateral balance;
8. class C interest if deferred, which will occur if the cumulative defaults exceed 5.0% of the original collateral balance;
9. replenishment of the reserve fund (see *Reserve Fund*); and
10. 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*).

Commingling Risk

BBVA manages the leasing contracts and collects the instalments accordingly. 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. Upon downgrade of BBVA to 'F2', the monies will have to be transferred no later than two days after receipt. If further downgrades happen, BBVA will fund a deposit according to Fitch's criteria (see "*Commingling Risk in Structured Finance Transactions: Servicer and Account Bank Criteria*" published on 9 June 2004).

Reserve Fund

A reserve fund equivalent to 1.65% 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 0.825% of the original collateral balance and 3.30% 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 lapsed 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. In return, it will receive three-month Euribor plus the weighted-average (WA) spread on the notes plus 65bp 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. Note that the issuer will also receive the costs of servicing the collateral.

In summary, the swap agreement covers:

1. the interest rate mismatch caused by the collateral, part of which pays a fixed interest rate and the other part that pays a floating interest rate indexed to three-, six- and 12-month Euribor, while the notes pay a floating rate indexed to three-month Euribor;
2. a guaranteed spread of 65bp 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, while still servicing the notes; 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.

Collateral

At closing, the final portfolio will have an outstanding balance of EUR2.5bn, comprising leasing contracts granted to SMEs in Spain for different corporate purposes.

These loans will be selected from the provisional portfolio, which as of 06 June 2007 had the following main characteristics:

1. current average outstanding balance of EUR35,963;
2. 91.2% floating-rate contracts and 8.8% fixed rate contracts;
3. WA interest rate of 3.74%;
4. WA seasoning of 23.2 months;
5. WA time to maturity of 63.1 months; and
6. 25.6% concentrated in the region of Catalonia, followed by Madrid with 16.2% and Andalucia with 15.4%.

Key Eligibility Criteria

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

- the loans must have been originated by BBVA and granted to a non-financial SME domiciled in Spain;
- up to 30 days delinquent loans can be purchased;
- the loans do not allow for interest and principal deferral options, are denominated in euros with a minimum outstanding balance of EUR500, and pay fixed or floating (three-, six- or 12-month Euribor) interest rates;
- the loans amortise on a monthly or quarterly basis, have a latest maturity date of April 2029, and have a minimum remaining life of 12 months;
- each loan has made at least one payment through an automatic direct debit system;
- the maximum concentration in a single obligor does not exceed 0.30% of the portfolio. Also, the obligors that have a concentration of 0.10% or more, cannot represent more than 8% of the total portfolio;
- the maximum concentration in individual businessmen does not exceed 15% of the portfolio;
- the maximum concentration in a single region does not exceed 30% of the portfolio, nor do the three largest exceed 65%;
- the maximum concentration in a single industry does not exceed 20% of the portfolio, nor do the three largest exceed 45%;
- the maximum concentration in real estate leasing does not exceed 25% of the portfolio; and
- at a portfolio level, the WA time to maturity is less than seven years and the WA seasoning is more than six months. Moreover, 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, four years, assuming a prepayment rate of 0%.

Origination and Servicing

As part of the rating process, Fitch has reviewed and analysed BBVA's origination and servicing guidelines. An operational visit to BBVA conducted by Fitch's analysts took place in December 2006.

BBVA is the parent of Spain's second-largest banking group and also among the largest international banking groups, with assets dominated by retail banking activities. It is the result of the merger between Banco Bilbao Vizcaya and Argentaria, Caja Postal y Banco Hipotecario, in 2000. The group has a well diversified business mix in all regions where it operates, with strong retail franchises in Spain and Latin America.

BBVA's credit approval practices and business model for mortgage and SME exposures draw a distinction between the more industrial types of obligors, internally classified as those with more than 10 but fewer than 250 employees (ie SME and corporate types), and those with fewer than 10 employees, including self-employed obligors (ie retail type). The first group (ie SMEs and corporates) represents approximately 10% of BBVA's current loan book by number of obligors. Consequently, the majority of the bank's SME clients belong to the retail group, which is much more fragmented and requires more intensive contact and greater individual efforts at a branch level.

BBVA coordinates and manages its retail portfolio through a network of branches organised into seven regional units, each of which has its own credit risk and surveillance teams. These teams are responsible, among other duties, for maintaining the credit quality of the loan book and assisting in day-to-day business operations. Every regional unit reports to a central retail banking department, which also consists of credit risk, surveillance and business development teams. The credit approval process involves the following four levels of credit authority: relationship manager (limit assigned on a case-by-case basis); branches (up to EUR200,000); regional units (up to EUR3.0m or EUR4.0m); and central services. The specific approval limit assigned to each unit depends on its size, geographical coverage and business potential, among other factors.

Similarly, origination and lending processes for the SME- and corporate-type exposures are managed through a group of 213 branches that are organised into seven regional business units, each of which has credit risk, surveillance and business development departments that offer support to the branches beneath. The credit approval process involves five different sanction levels: relationship managers; branches (between EUR90,000 and EUR1.6m); regional units (up to EUR5.0m); SME directors (up to EUR7.0m); and the board of directors for Spain and Portugal. Almost 70% of all credit applications by number and 18% by volume are evaluated at the branch level.

BBVA uses an internally developed credit scoring system for obligors with sales larger than EUR0.9m, which was adjusted for SME obligors in September 2002. Financial and non-financial information is analysed and input into the credit-scoring system, which is based on a scale from 0 to 100 points (100 being the best score).

The rating is generally reviewed by BBVA's credit analysts on an annual basis, although reviews can occur more frequently, depending on the nature of the business or the addition of relevant information.

BBVA's analytical approach is based on the borrower's repayment capacity rather than the nature of the securities pledged (if applicable). Customers are grouped into risk units that bring different companies, seen as financially interlinked, under a single umbrella. Additional data checks are performed 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).

Delinquent borrowers are identified through an automated system, which delivers alerts to branch managers on a regular basis. Loans that remain delinquent after 60 days and have outstanding balances in excess of EUR30,000 are presented to a committee headed by the director of the relevant regional unit's credit department. The committee will decide upon the most appropriate course of action, which may be to transfer the file to the recoveries team for the launch of legal proceedings.

Only when the bank can take no further action internally or when the credit quality of the borrowers appears to be very low will BBVA outsource recoveries to external agencies. However, all legal action will always be conducted by BBVA internally.

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. Currently, more than 275 employees are working in these centres.

Set-Off Risk

BBVA guarantees that it does not know of any set-off rights from the lessees of the leasing contracts being sold to the SPV. In the event that a set-off right arises, BBVA 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 (ie borrowers), or the bankruptcy of one of the parties.

Credit Analysis

Fitch analysed this transaction using a combination of Fitch Default VECTOR SME model and the agency's proprietary cash flow model.

Default Probabilities and Recovery Rates

Fitch was able to derive a base case default rate of 2% using extrapolated historical delinquency data and taking the current benign Spanish economic environment into consideration. To approximate the rating default rate (RDR) of the collateral under the various stress scenarios, Fitch used VECTOR SME detailing individual loan-by-loan characteristics such as industry class, outstanding amounts, obligor ID and amortisation profile.

Default Probabilities

	Cumulative WA Default Probability (%)
AAA	7.95
A	4.79
BBB	3.34
Base Case	2.00

Source: Fitch

The simulation has accounted for geographical and industry class distribution of the collateral. VECTOR SME has estimated a portfolio correlation level

(PCL) of 2.67% for the collateral, based on 150,000 scenario runs.

On the recovery side, Fitch derived a base case of 50.0% by analysing the historical data presented by BBVA since 1999. To guard against potential volatility risks, the agency has reduced the base recovery rate by 20%, 30% and 50% in the more stressful scenarios, commensurate with the ‘BBB’, ‘A’ and ‘AAA’ expected ratings of the notes, respectively.

Recovery Rates

(%)	Cumulative WA Recovery Rate	Recovery Rate Haircut
AAA	25.0	50.0
A	35.0	30.0
BBB	40.0	20.0
Base Case	50.0	n.a.

Source: Fitch

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 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 class 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 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 classes, those notes benefit from higher CE as a result of the increase in subordination.

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 Leasing 1, F.T.A. — Spain/ ABS

Capital Structure

Classes	Expected Rating*	Size (%)	Size (EURm)	CE (%)	PMT Freq	Final Legal Maturity	Coupon
A1	AAA	30.00	750.0	7.40	Quarterly	May 2031	Floating
A2	AAA	64.25	1,606.2	7.40	Quarterly	May 2031	Floating
B	AA-	3.30	82.5	4.10	Quarterly	May 2031	Floating
C	BBB	2.45	61.3	1.65	Quarterly	May 2031	Floating
Reserve Fund	N.R.	1.65	39.0	-	-		

* The rated classes in this transaction have a Stable Outlook

Key Information

Closing Date	29 June 2007 (Expected)	**Role**	Party (Trigger)
Country of Assets	Spain	**Issuer**	BBVA Leasing 1, F.T.A.
Structure	Two-year revolving period, then amortising sequentially	**Seller/Servicer of the Loans**	BBVA (‘F1’)
Type of Assets	Leasing contracts (excluding residual value)	**Servicer of the Notes**	Europea de Titulización S.G.F.T., S.A.
Currency of Assets	EUR	**Paying Agent**	BBVA (‘F1’)
Currency of Notes	EUR	**Swap Counterparty**	BBVA (‘A/F1’)
Primary Analyst	jose.lourenco@fitchratings.com	**Line of Credit Provider**	n.a.
Secondary Analyst	lynnette.withfield@fitchratings.com		
Performance Analyst	ockert.doyer@fitchratings.com		

Collateral: Pool Characteristics

As of 06 June 2007

Current Principal Balance (EURm)	3,000	Top One Geographical Concentration (%)	25.6
Loans (No.)	83,372	Top Three Geographical Concentrations (%)	57.2
		Linked to Obligors Resident in Spain (%)	100.0
Current Average Principal Balance (EUR)	35,963	Monthly Amortising (%)	100.0
Linked to Fixed Interest Rates (%)	8.8		
WA Coupon (%)	3.74		
WA Seasoning (Months)	23.2		
WA Time to Maturity (Months)	63.4		

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