BBVA RMBS 1 Fondo de Tiulización de Activos

RMBS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of [•]. 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

19 February 2007

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PROVISIONAL (P) RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A-1	(P)**Aaa**	€ [400]	16.00	Dec. 49	3mE + [•]%
A-2	(P)**Aaa**	€ [1.400]	56.00	Dec. 49	3mE + [•]%
A-3	(P)**Aaa**	€ [495]	19.80	Dec. 49	3mE + [•]%
B	(P)**Aa3**	€ [120]	4.80	Dec. 49	3mE + [•]%
C	(P)**Baa2**	€ [85]	3.40	Dec. 49	3mE + [•]%
Total		€ [2,500]	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

- Strong Swap to hedge interest rate risk in the transaction, securing weighted interest rate of the notes plus 65 bps excess spread and covering the servicing fee
- Excess spread trapping through a 12-month "artificial write-off" mechanism
- Relatively good seasoning of 1.75 years
- 12% of the portfolio corresponds to protected life time employed (Spanish civil servant)
- Only 1.48% of the portfolio corresponds to second home
- No second-lien products being included
- 100% of the loans are paid via direct debit on a monthly basis
- All the loans paid through monthly installments
- At closing no loans will carry any amounts more than 30 days past due

Weaknesses and Mitigants

- The collateral consists of over 80% LTV loans, which leads to a higher expected default frequency and more severe losses.
- 15% of the loans correspond to temporary jobs
- Servicing fee paid senior in the waterfall, but fully funded through the swap payments received by the Fondo
- Flexible product (Payment holidays, possibility of enjoying an automatic reduction of the margin, maturity increase). Some of these peculiarities of the loans could lead to a higher default frequency; however the reserve fund and the subordination have been sized accordingly to account for these risks. Additionally the swap eliminates any risk related to the reduction of the margin and holiday payments.

- Pro-rata amortisation of B and C Series of Notes leads to reduced credit enhancement for the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes as the performance of the transaction deteriorates.
- The deferral of interest payments on Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B, and C themselves.

STRUCTURE SUMMARY

Issuer:	BBVA RMBS 1 Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Reserve Fund
Seller/Originator:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Servicer:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Back-up Servicer:	N/A
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Excess spread per annum Reserve fund Subordination
Liquidity Facility:	N/A
Hedging:	Interest rate swap to cover interest rate risk and guaranteeing 65 bppa of excess and covering the servicing fee
Principal Paying Agent:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Management Company:	Europea de Titulización S.G.F.T. S.A (EdT)
Arranger/Lead Manager:	BBVA, HSBC, RBS, Societe Generale

COLLATERAL SUMMARY

Loan Amount:	2,816,183,365
Loans Count:	17,184
Pool Cut-off Date:	23 – January - 2007
WA Original LTV:	95.51%
WA Current LTV:	92.00%
WA Seasoning:	1.75
WA Remaining Term:	28.72
Interest Rate Type:	4.23%
Geographic Diversity:	Catalonia 25.58%, Madrid 21.26%, Andalusia 12.54%
Loan Purpose:	The loans have been granted to finance the purchase, building and renovation of residential homes located in Spain. All the properties are already constructed
Average Loan Size:	163,884

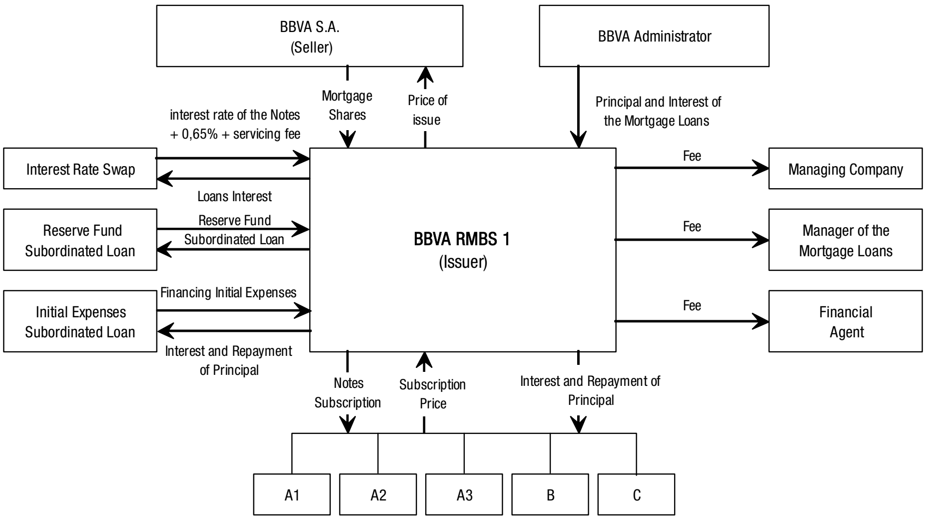
TRANSACTION SUMMARY

Plain vanilla structure

This transaction consists of the securitisation of a pool of first-lien mortgages originated and serviced by BBVA, one of the biggest Spanish banks with a proven track record in the securitisation market. The collateral is made up of loans exceeding 80% LTV. BBVA 1 Fondo de Titulización de Activos (hereafter referred to as the *"Fondo"*) is the third RMBS securitisation by BBVA.

The purpose of the transaction is to obtain liquidity and remove the credit risk linked to mortgages on BBVA's balance sheet. In this transaction, BBVA will sell a portfolio of mortgage loans to the *Fondo*, a special purpose vehicle (SPV). The *Fondo* will in turn issue five Series of notes to fund the purchase of the mortgage loan portfolio.

Chart 1:
Structure Diagram



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

- A subordinated Series C, rated (P)**Baa2**
- A mezzanine Series B, rated (P)**Aa3**
- A senior tranche composed of three (P)**Aaa** rated series: a subordinated Series A3 a mezzanine Series A2 and a senior Series A1

STRUCTURAL AND LEGAL ASPECTS

Borrower payments swept into BBVA GIC account every week

The treasury account will be held at BBVA. The proceeds from the loans, 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 BBVA's short-term rating fall below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 days:

- Find a suitably rated guarantor or substitute.
- Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
- 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 10 bppa

Interest rate swap guaranteeing the interest rate of the notes plus 65 bppa of excess spread and covering the servicing fee

According to the swap agreement entered into between the Fondo and BBVA, on each payment date:

- The Fondo will pay the amount of interest actually received from the loans; and
- 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 outstanding amount of the loans not more than 90 days in arrears and (2) the servicing fee due on such payment date

The excess spread thus provided through the swap agreement constitutes the first layer of protection for investors.

In the event of BBVA's long-term rating being downgraded below A1, within 30 days BBVA will have to (1) collateralise its obligations under the swap in an amount sufficient to maintain the then current rating of the notes or (2) find a suitably rated guarantor or substitute.

Reserve fund to help the Fondo meet its payment obligations

The second layer of protection against losses is a reserve fund provided by BBVA. It will be used to cover potential shortfalls on interest or principal on an ongoing basis.

At every point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

- 1.50% of the initial balance of the notes

The higher of the following amounts:

- 3.00% of the outstanding balance of the notes
- 0.90% of the initial balance of the notes

The amount requested under the reserve fund will not be reduced 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 1.00%.
- The reserve fund is not funded at its required level on the previous payment date.

Additionally the reserve fund will not amortise during the first 36 months of the life of the transaction.

Class A amortisation

Until the payment date on which the initial amount of Series B, and C exceeds 9.60%, and 6.80%, respectively, of the outstanding amount under all series, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

1) Amortisation of Series A1
2) Amortisation of Series A2
3) Amortisation of Series A3

Nevertheless, the amount retained as principal due will be allocated pro-rata between Series A1, Series A2 and Series A3, if the aggregated outstanding amount of Series A1, A2 and A3 is equal to or greater than the outstanding amount of performing loans (including loans up to 90 days in arrears).

Class B and C amortisation

- The Class B notes will start amortising pro rata with the Class A notes when they represent 9.60% of the outstanding balance under Classes A, B and C.
- The Class C notes will start amortising pro rata with the Class A and B notes when they represent 6.80% of the outstanding balance under Classes A, B and C.

Pro-rata amortisation entails greater risk than fully sequential transactions, given that the credit enhancement decreases in absolute terms. The risks introduced by pro-rata amortisation are mitigated by the following triggers:

Series B	**Series C**
The arrears level (loans more than 90 days in arrears) exceeds 1.25%	The arrears level (loans more than 90 days in arrears) exceeds 1.00%
The reserve fund is not funded at the required level	
The loan balance is less than 10% of the initial loan balance	

The Pre-enforcement Waterfall

On each quarterly payment date, the *Fondo's* available funds (principal 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) Cost
2) Servicing fees
3) Any amount due under the swap agreement (except termination payments if BBVA defaults under the swap agreement)
4) Interest payment to Series A1, A2 and A3 notes
5) Interest payment to Series B notes (if not deferred)
6) Interest payment to Series C notes (if not deferred)
7) Retention of an amount equal to the principal due under the notes
8) Interest payment to Series B notes (if deferred)
9) Interest payment to Series C notes (if deferred)
10) Replenishment of the reserve fund
11) Termination payments under the swap agreement upon default of BBVA
12) Junior expenses

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

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 and (2) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 12 months, or earlier if the loan is in a foreclosure procedure).

Interest Deferral trigger based on default

The payment of interest on the class B and C notes will be brought to a more junior position if, on any payment date, the following criteria are met:

Class B:	The accumulated amount of written-off loans is higher than 12.5% of the initial amount of the assets pool Class A is not fully redeemed
Class C:	The accumulated amount of written-off loans is higher than 10% of the initial amount of the assets pool Classes A and B are not fully redeemed

COLLATERAL

As of January 2007, the portfolio comprised 17,184 loans, representing a provisional portfolio of €2,816,183,365. The loans have been contracted by individuals located in Spain. The loans consist of first-lien mortgages on residential properties. All the properties on which the mortgage security has been granted are covered by property damage and fire insurance. At closing date there are no loans more than 30 days in arrears. The average loan is €163,884.

Chart 2:
Portfolio Breakdown by LTV

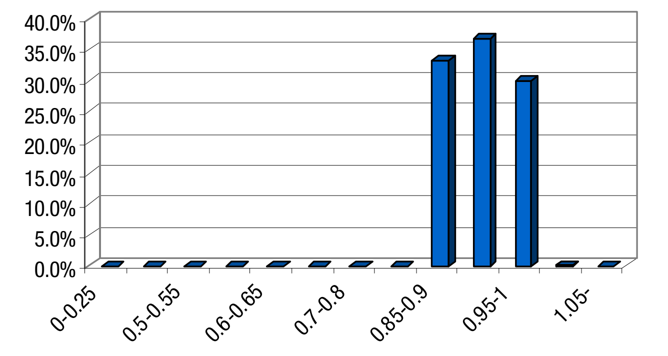


Chart 3:
Portfolio Breakdown by Region

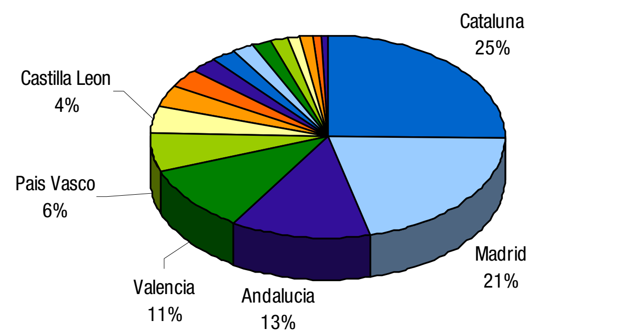


Chart 4:
Portfolio Breakdown by Occupancy Type

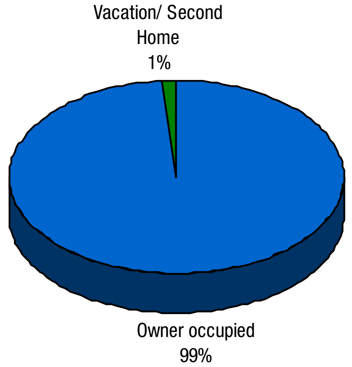
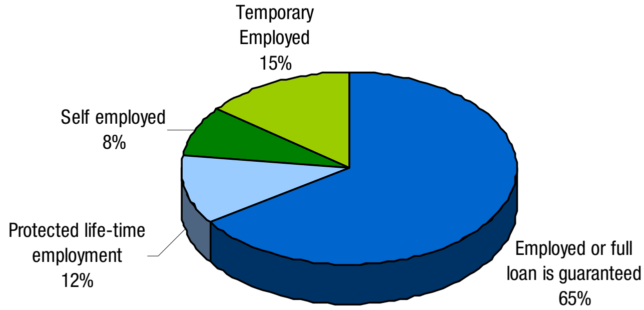


Chart 5:
Portfolio Breakdown by Employment Data



- The purpose of the mortgage loans are the acquisition or refurbishment of residential properties.
- 100% first lien mortgages
- The loans have been originated between 2003 and June 2006, with a weighted average seasoning of 1.75 years and a weighted average remaining term of 28.72 years. The longest loan matures in September 2046.
- The original WALTV is 95.51%. The current weighted average LTV is 92.00%. Maximum LTV in portfolio 100%
- 92.7% of the loans are linked to floating interest rate. The rest of the portfolio is linked to fix interest rate.
- Only 1.48% of the portfolio corresponds to second home properties.
- 12% of the portfolio corresponds to protected life time employed, and 15% to temporary employed
- 8.65% of the portfolio corresponds to foreign people who are resident in Spain
- The top 20 debtors represent 0.34% of the portfolio
- 100% of the loans are paid via direct debit on a monthly basis
- Largest maturity 30-September-2046

Particular Characteristic of the Loans

- 33% of the debtors have the possibility of enjoying an automatic reduction in their margin or to change to a fix interest rate or viceversa (fixed to variable) in cases where they have been cross-sold other BBVA products (e.g. investment funds, credit cards).
- 68% of the debtors will have the option of enjoying holiday payments, during which neither principal nor interest are paid. Unpaid interest is capitalized at the end of the grace period.
  - No more than 2 instalment can be granted in a year
  - No more than 10 instalment can be granted during the life of the loan
- 7.2% of the debtors - the last instalment of the loan represent 10%/30% of loan.
- Although 68% of the portfolio can increase the maturity of the loans, it is important to mention that (1) For 62% of the loans maturity was increased to the maximum allowed when they were originated or (2) maturity can not be extended due to the age limitation (age + loan term < 70 years). Therefore, the maturity of these loans is lower than 35 years.
- Payment holidays or maturity extension can only be granted if the following conditions are met:
  1) There are no arrears
  2) previous notification to the originator by the debtor
  3) Payment holidays and maturity extension are always granted subject to BBVA's approval, it is not automatic, BBVA will re-analyse the situation of the debtor to enjoy these characteristics.
  4) The maximum maturity of the loan can be 35 years or lower if the debtor is closer to 70 years old (age + loan term < 70 years). Example:

- Debtor is 30 year old maximum maturity is 35 (30 + 35 < 70)
- Debtor is 50 years old maximum maturity is 20 (50 + 20 < 70)
- Debtor is 60 years old maximum maturity is 10 (50 + 10 < 70)

Limitations on the renegotiation of the loan

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Exceptionally, the management company authorises BBVA to renegotiate the interest rate or maturity of the loans without requiring its approval. However, BBVA will not be able to extend the maturity of any loan beyond 31/10/2046. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

1) The frequency of payments cannot be decreased.
2) The amortisation profile cannot be modified.

Additionally BBVA is not allowed to renegotiate any interest rate of a loan to a margin below 40 bppa

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

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

With total assets amounting €392 billion as at December 2005, BBVA is the second-largest financial group in Spain and one of the major financial institutions incorporated in Europe, with 94,681 employees and 7,410 branches worldwide. The group enjoys impressive market shares and a strong competitive position in Spain across all business segments, as well as in Latin America, where BBVA is also the second major financial group and the market leader in Mexico.

Retail banking is the main contributor to BBVA's profits, representing close to 80% of its profits – a factor that adds solidity and stability to its franchise. Spain and Portugal remain BBVA's main contributor to profits, accounting for approximately 40% of net attributable income at year-end 2005. Additionally, the group has a good geographical diversification of its credit risk, with (at year-end 2004) 83% of the loan book concentrated in Spain, 14% in Latin America and 3% in the rest of Europe.

In Spain, where the bank's domestic retail banking franchise accounts for the bulk of the Iberian business, BBVA has 4,028 branches and employs 31,334 staff (at year-end 2004). Mortgage lending is the main growth driver, although it is unlikely to remain at current growth rates, and other business segments are catching up, underpinned by the implementation of focused strategies on both the individual and SME segments.

The group's asset quality continues to improve on a quarterly basis, with non-performing loans accounting for 0.94% of total loans at the end of 2005 compared to 1.15% at year-end 2004. All main franchises showed a positive performance. Domestic asset quality is performing better than anticipated; however, deterioration remains a possibility, especially if interest rates pick up sharply, given that the bulk of the system's lending is at variable rates. At the end of September 2005, the non-performing loan ratio for the retail banking business in Spain and Portugal was 0.67%.

In terms of the Spanish securitisation market, BBVA was one of the most active players during 2005, with a total issuance amount of 3.95 billion through three single-originator transactions and one multi-originator transaction.

Servicer

BBVA will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account on a weekly basis.

In the event of BBVA being declared bankrupt, failing to perform its obligations as servicer or being affected by a deterioration in its financial situation, either it or the management company will have to designate a new suitable institution as guarantor of BBVA's obligations under the servicing agreement or even as new servicer.

Moody's believes that BBVA is capable of fulfilling its servicing obligations in the transaction.

Likewise, the management company may require BBVA, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the Fondo to the relevant debtors. Should the relevant originator fail to comply with this obligation within 5 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.

EdT

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. Banco Bilbao Vizcaya Argentaria (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 43 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the Moody's Individual Loan Analysis ("MILAN") model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This credit enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

The Aaa CE number is determined by using MILAN, Moody's loan-by-loan model for rating RMBS transactions

The "MILAN" model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

The "Aaa CE" number and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE" number.

MARCO, Moody's cash-flow model, is used to assess the impact of the structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyser of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced per note Class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

RATING SENSITIVITIES AND MONITORING

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 its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Special Reports

- Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002 (SF12700)
- Moody's Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners' Indebtedness, May 2003 (SF21607)
- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Performance Review

- Spanish RMBS Q3 2005 Performance Review, February 2006 (SF68992)

Rating Methodologies

- Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005 (SF49068)

Pre-Sale Reports

- BBVA Consumo 1, April 2006 (SF73189)
- BBVA Consumo 2, November 2006 (SF86960)
- BBVA Autos 1, September 2004 (SF44612)
- BBVA Autos 2, December 2005, (SF65988)
- BBVA Hipotecario 3, May 2005 (SF56207)
- BBVA 3 FTPYME, November 2004 (SF47008)
- BBVA 4 PYME, September 2005 (SF61111)
- BBVA 5 FTPYME, October 2006 (SF83565)

Performance Overviews

- BBVA Consumo 1
- BBVA Consumo 2
- BBVA Autos 1
- BBVA Autos 2
- BBVA Hipotecario 3
- BBVA 3 FTPYME
- BBVA 4 PYME
- BBVA 5 FTPYME

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