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New Issue

FONDO DE TITULIZACIÓN DE ACTIVOS BBVA-2 FTPYME ICO

Ratings

Secured Floating Rate Notes due 2019

EUR 641,500,000	Series ACA	AAA
EUR 160,400,000	Series ASA	AAA
EUR 20,100,000	Series BCA	AA+
EUR 5,100,000	Series BSA	AA
EUR 14,400,000	Series CCA	AA+
EUR 14,400,000	Series CSA	A
EUR 4,000,000	Series DCA	AA+
EUR 23,000,000	Series DSA	BBB
EUR 17,100,000	Series ESA	BB

Analysts

José Morán
44 20 7417 6261
jose.moran@fitchratings.com

Mitchell Lench
44 20 7417 6324
mitchell.lench@fitchratings.com

Company Contact

Management Company (Sociedad Gestora)

Europea de Titulización, S.A., S.G.F.T.
Mario Masiá
34 91 411 8660

Arranger & Lead Manager

Banco Bilbao Vizcaya Argentaria (BBVA)
Carmen Pérez de Muniain
34 91 374 6925

Juan Gortazar
34 91 374 3022

Lead Manager

Credit Agricole-Indosuez
Santiago Ruiz-Morales
34 91 432 7421

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■ Summary

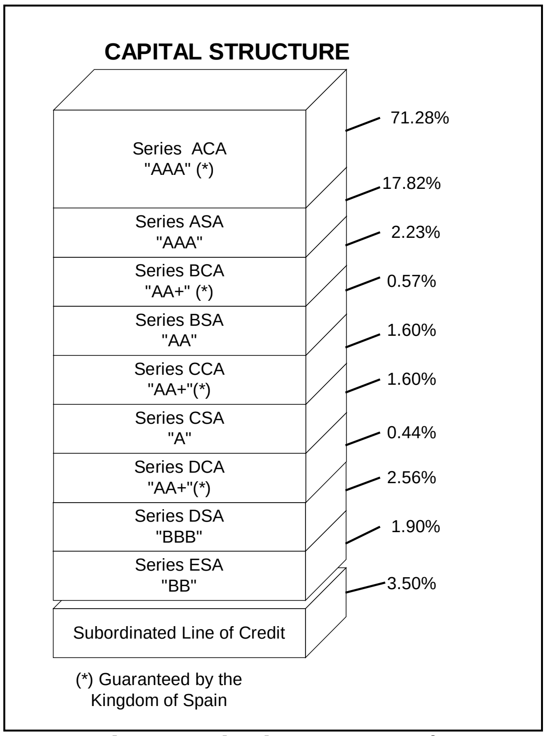
FONDO DE TITULIZACIÓN DE ACTIVOS BBVA-2 FTPYME ICO's (BBVA-2, the Fund and the Issuer) class A to E floating-rate notes are rated as indicated at left.

BBVA-2 is a special purpose vehicle incorporated under the laws of Spain with limited liability. The sole purpose of BBVA-2 is the acquisition of bilateral loans from the originator, Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, rated 'AA-/F1+'), as collateral for the issuance of fixed-income securities. BBVA is Spain's second largest banking group in terms of total assets, and the result of the merger between Banco Bilbao Vizcaya (BBV) and Argentaria, Caja Postal y Banco Hipotecario (Argentaria), effective January 2000. The assets of BBVA-2 will be subscribed to by Europea de Titulización, S.A., S.G.F.T. (the Sociedad Gestora) on its behalf. The Sociedad Gestora is a corporation whose sole purpose is the management of asset-backed funds, regulated in accordance with the provisions of the legal framework in Spain.

The notes will be backed by a EUR 900 million loan portfolio purchased by BBVA-2 from BBVA. At the cut-off date the portfolio comprises 6,163 bilateral loans granted by the former BBV to small and medium-sized non-financial corporate entities domiciled in Spain. Of the total portfolio, 41.7% of the bilateral loans are originated under the Instituto de Crédito Oficial (ICO, rated 'AA+/F1+') programme subsidising lending to such entities. The portfolio comprises loans with personal or asset pledge guarantees (59.7%), and mortgage guarantees (40.3%). In the first 2.5 years after closing, the loans in the collateral portfolio that amortise will be substituted with other loans originated by BBVA, subject to the collateral portfolio eligibility criteria.

The ratings are based upon the quality of the collateral; the available credit enhancement; adequate underwriting and servicing of the loans; swap agreement and advance payment facility provided by BBVA; the Sociedad Gestora's administration capabilities; the guarantee provided by the kingdom of Spain, and the sound financial and legal structure of the transaction.

Credit enhancement for the class A notes, totalling 14.4%, will be provided by the subordinated class B notes (2.8%), class C notes (3.2%), class D notes (3.0%), class E notes (1.9%), and the subordinated line of credit (3.5%) provided by BBVA. The kingdom of Spain (rated 'AA+/F1+') guarantees, the timely payment of interest and principal for the series ACA, BCA, CCA and DCA notes. The ratings of the series BCA, CCA and DCA notes are linked to the Long-term rating of the kingdom of Spain. A downgrade thereof below the then-outstanding rating of the series BCA, CCA and DCA notes would result in a corresponding downgrade of these series of notes. No excess spread is available to serve as a first layer of loss protection.



In accordance with the priority of payments described in the Financial Structure (see page 3), interest on the class A to E notes will be paid on a quarterly basis, commencing 27 April 2001 based on the three-month Euro Interbank Offered Rate (EURIBOR) plus a margin. Redemption of the notes will start at the end of the replenishment period; class A to E notes will be redeemed in line with the repayment of the credit rights from the collateral. The redemption of the class B to E notes will begin when the previous class of notes has been fully repaid. The legal final maturity date for the notes will be 27 January 2019.

To determine appropriate credit enhancement levels, Fitch analysed the collateral and the financial structure and subjected them to various stress scenarios. Under the 'AAA', 'AA+', 'AA', 'A', 'BBB' and 'BB' stress scenarios, cash flows derived from the collateral will be sufficient to make full and timely payment of interest and principal for the correspondingly-rated notes.

■ Credit Issues and Stress Analysis

In determining credit enhancement levels, Fitch employed various rating criteria (see research *Rating Criteria for Cash Flow Collateralized Debt Obligations,* dated 4 November 1999, available at www.ratings.com). Fitch has derived default, recovery and loss distribution assumptions for the collateral pool. In addition, it considered factors such as obligor and industry concentrations, terms of the collateral loans, underwriting guidelines and the experience of BBVA as servicer of the portfolio.

Default assumptions for the loans in the pool have been determined using historical performance data relating to the BBV's default and loss experience over the last six years. The historical data has been selected for similar loans to the ones in the collateral portfolio (including loans under the ICO programme subsidising lending for small and medium-sized corporate entities located in Spain). The historical performance data was provided in the form of 'vintage' analysis, in other words, showing the performance of the loans originated each year separately. This analysis has been realised with the 'vintages' of loans originated from 1994 to 1999. The data shows cumulative default rates of 5.20%, 3.32%, 2.41%, 1.15%, 0.66%, 0.16% and cumulative recoveries of 66.14%, 47.66%, 44.13%, 39.12%, 52.80%, 5.41% for the loans originated during that timeframe respectively. To gain comfort with the origination guidelines, Fitch has analysed BBVA's underwriting and credit monitoring processes. The decrease in historical default rates for this type of loans is due, among other factors, to the improvement through time of BBVA's origination guidelines. The historical performance data of the loans under the ICO programme shows lower delinquency rates in comparison with the small and medium-sized corporates general lending market in Spain. The loans under this programme are partially subsidised through the originators by ICO, and the term of the credit rights five to seven years. Given the lower margin of these loans, and the risk related with their longer maturity, the credit quality of the borrowers selected by the originator in this lending programme tends to be above average. Using historical worst-case delinquency and default ratios, Fitch assumed a conservative 'BB'-case six-year cumulative default rate of approximately 5%. Default probabilities were then stressed to the respective rating category desired.

Recovery rates for defaulted loans relating to borrowers domiciled in Spain can vary considerably and depend on the overall size of the obligor, the industry in which it operates, and the seniority of the obligation. The proceeds from the loans under the ICO programme must be used to finance a specific type of investment up to a certain amount. Given the restrictions attached to these loans, the ICO's historical recovery rates are higher than other loans granted to small and medium-sized corporate entities in Spain. Although the portfolio comprises loans with personal or asset pledge guarantees (59.7%), and mortgage guarantees (40.3%), Fitch has given only indirect credit for this, based on the historical recovery data, as there was no complete collateral data available on loan-by-loan. The agency's assumptions on recovery rates range from 35%-50% within a two year timeframe. When calculating these, Fitch has taken into consideration the cost of carrying the payment of interest to the notes for loans from delinquency through default.

Collateral Pool/Diversification Issues

At closing, the notes will be backed by a EUR 900 million loan portfolio purchased by BBVA-2 from BBVA. At the cut-off date, 31 October 2000, the portfolio comprises 6,163 bilateral loans granted by the former BBV to small and medium-sized non-financial corporate entities domiciled in Spain. Of the total portfolio, 41.7% of the bilateral loans are originated under the ICO programme. The portfolio comprises loans with personal or asset pledge guarantees (59.7%), and mortgage guarantees (40.3%).

During the first 2.5 years after closing, the replenishment period, the loans in the collateral portfolio that amortise will be substituted quarterly with other bilateral loans originated by BBVA, subject to the collateral portfolio eligibility criteria. The new loans shall be bilateral loans granted by BBVA to non-financial small and medium-sized corporate entities domiciled in Spain. At least 40% will be made up of loans originated under the ICO programme, and a similar figure of loans with mortgage guarantees, and the rest with personal or asset pledges.

Due to the revolving nature of the portfolio, the initial composition is likely to change. To ensure sufficient diversification over time, various limits for substitutions have been set. The eligibility criteria consider single-obligor concentration risk, and geographic and industry limits. The largest borrower or the largest six borrowers together can not represent more than 1.5% and 6% of the portfolio respectively.

At the cut-off date, the portfolio had a weighted average remaining maturity and weighted average life of approximately five and 2.75 years respectively, with the latest loan maturity falling in 2015. The weighted average remaining maturity and weighted average life of the portfolio shall not exceed six and 2.75 years respectively, nor any loans with a term to maturity beyond December 2015. The replenishment of the collateral portfolio will be suspended if cumulative realised losses plus 60% of the outstanding cumulative aggregate amount defaulted at any time exceed 1% of the maximum portfolio balance. Additionally, replenishment will be suspended if BBVA is declared bankrupt or under suspension of payments, if its Long-term rating is downgraded below 'BBB' and it does not publicly register the mortgage loans in the portfolio, or if in general it cannot provide enough loans to fulfil the replenishment criteria.

In terms of geographic concentration, the borrowers of the portfolio are predominantly in the Cataluña (20.4% of the pool), Madrid (14.5%), País Vasco (12.1%) and Andalucia (10.4%) regions. At the cut-off date, the largest industry concentrations were in sectors related to construction (24.0% of the pool), equipment and services for corporate entities (7.8%) and metals (6.7%). The concentration in the largest industry sector and the aggregated three largest industry sectors in the pool shall not exceed 25% and 40% of the portfolio respectively. Fitch generally deems that for a 'well diversified' portfolio the three largest industry groups could each go over 10% as long as the aggregate nominal amount of these three is not greater than 35% of the entire portfolio. Thus, in this transaction, a severe recession in the construction sector in Spain could have a significant impact on the credit quality of the collateral portfolio. Fitch has taken into consideration this industry concentration when calculating credit enhancement levels.

Credit enhancement for the class A to E notes is sufficient to withstand varying scenarios of defaults and recovery rates for the largest borrowers, as well as a severe recession in the largest industry concentrations in the collateral pool, under Fitch's 'AAA', 'AA+', 'AA', 'A', 'BBB' and 'BB' stress scenarios.

■ Financial Structure

The loans in the portfolio are serviced by BBVA. The Sociedad Gestora will administrate BBVA-2.

All payments received by BBVA from the collateral and the swap agreements are passed daily to the collections account, which is maintained at BBVA in the name of BBVA-2, as is the reserve fund account.

The amounts deposited in the collections account will be kept in cash. Both these sums and those placed in the reserve fund account will receive a guaranteed interest rate equal to three-month EURIBOR minus 0.10%. The amounts deposited in the reserve fund will be invested in short-term euro-denominated financial instruments with at least a 'F1+' Short-term rating, or deposit accounts held at an institution with at least a 'F1+' Short-term rating.

The paying agent will be BBVA. Quarterly payments of interest and principal will be passed through to the paying agent from the collections and reserve fund accounts.

In accordance with the priority of payments, interest on the class A to E notes will be paid on a quarterly basis, commencing 27 April 2001 based on the three-month EURIBOR plus a margin. Redemption of the notes will start at the end of the replenishment period; class A to E notes will be redeemed in line with the repayment of the credit rights from the collateral. The redemption of the class B to E notes will begin when the previous class of notes has been fully repaid. The legal final maturity date for the notes will be 27 January 2019.

On each distribution date, the priority of payments will be as follows:

Interest cash-flow waterfall

1. Expenses of BBVA-2, including Sociedad Gestora and paying agent fees.
2. Servicer fee.
3. Interest and principal due to the advance payment facility.
4. Interest of the set-up expenses loan, up to the amount provided specifically by the swap agreement.

5. to 9. Sequentially, interest of class A to E notes.

10. Remainder goes to the Principal cash-flow waterfall.

Principal cash-flow waterfall

1. Principal of the set-up expenses loan, up to the amount provided specifically by the swap agreements.
2. Acquisition of new loans for the portfolio during the replenishment period.
3. Defaulted principal allocated to the class A notes. If applicable, repayment with available recoveries of the amounts provided by the kingdom of Spain's guarantee.
4. Principal of the class A notes.

5. to 10. As in 3. and 4. above, sequentially, for class B to D notes.

11. Principal of the class E notes.
12. Redemption, at the liquidation of BBVA-2, of the subordinated LOC (see below) and payment of the financial margin.

Recoveries cash-flow waterfall

1. Interest from the defaulted principal allocated to the class A notes.

2.to 5. As in 1 above, sequentially, interest from the defaulted principal allocated to the class B to E notes.

6. Remainder goes to the Interest cash-flow waterfall.

To the extent that funds in the collection and reserve fund accounts are not sufficient to cover a defaulted loan, such uncovered portion of the defaulted credit right claim shall be considered a loss and allocated to the subordinated class of notes.

Extinction/Optional Redemption

Extinction of BBVA-2 will occur after the amortisation of its assets and/or liabilities. Under the Spanish Royal Decree 926/1998, in particular article 11 letters b) and d), additional provisions allow for extinguishing upon the occurrence of exceptional circumstances affecting the financial equilibrium of BBVA-2 or a non-payment indicative of a serious imbalance in relation to any of the securities. These provisions are limited to the availability of resources to fully pay the outstanding notes and the orderly liquidation established in BBVA-2's public deed of constitution. Fitch has required including these provisions to ensure that the notes will not be directly exposed to liquidation risk.

The notes are subject to a clean-up call, limited to the availability of resources to fully repay the outstanding notes, in the following cases: if less than 20% of the collateral remains outstanding, or upon the occurrence of legal changes negatively affecting the efficiency of the transaction for BBVA, or in the event of a downgrade of BBVA below 'F1+'.

Swap Agreement

BBVA-2 has entered into a swap agreement with BBVA to hedge the interest and basis risk between the notes and the underlying loans in the portfolio, to pay the different expenses and fees in the transaction, and to pay the principal and interest of the set-up expenses loan.

The swap agreement provides for the swap counterparty to pay to BBVA-2 the interest applicable to the class A to E notes, the different expenses and fees in the transaction, and the principal and interest of the set-up expenses loan. BBVA-2 will pay to the swap counterparty an amount equal to interest collected in the previous quarter from the loans, and interest from the collections and reserve fund accounts.

The swap agreements do not follow the international standards of the I.S.D.A. (International Swaps & Derivatives Association), but rather the Spanish standards of C.M.O.F. (Contrato Marco de las Operaciones Financieras). Fitch has reviewed and approved the swap agreement.

Advance Payment Facility

At closing, BBVA has provided an advance payment facility equal to 4% of the total outstanding amount for the series BCA, CCA and DCA notes at each payment date that will be used to cover potential delays in interest and principal payments due to the guarantee from the kingdom of Spain for these notes.

The advance payment facility will fall due on liquidation of BBVA-2. It will receive quarterly interest payments equal to three-month EURIBOR plus 0.10%.

Replacement of counterparties

In the event of a downgrade of BBVA to below 'F1+', a required guarantee or a replacement company meeting the rating agency requirements must be appointed by the Sociedad Gestora - within 30 days - to cover BBVA's obligations with respect to the collections and reserve fund accounts, the advance payment facility and the swap agreement. As regards the LOC (see below) and the advance payment facility, in the event that a guarantee or a replacement company are not provided, the correspondingly-undrawn part will be totally withdrawn and transferred within 30 days to the reserve account.

Loan for Set-up Expenses

Additionally, BBVA has granted a loan for a maximum of approximately EUR 4 million, to be used to pay the constitution expenses of BBVA-2. The loan for set-up expenses will be redeemed within three years of closing in constant quarterly payments. It will receive quarterly interest payments equal to three-month EURIBOR plus 0.10%.

■ Credit Enhancement

Credit enhancement for the class A notes, totalling 14.4%, will be provided by the subordinated class B notes (2.8%), class C notes (3.2%), class D notes (3.0%), class E notes (1.9%), and the subordinated line of credit (3.5%) provided by BBVA. The size of the subordinated line of credit can decrease over time (see *Subordinated LOC* below). No excess spread is available to serve as a first layer of loss protection.

The kingdom of Spain (rated 'AA+/F1+') guarantees, unconditionally and irrevocably, the timely payment of interest and principal for the series ACA, BCA, CCA and DCA notes. The ratings of the series BCA, CCA and DCA notes are linked to the Long-term rating of the kingdom of Spain. A downgrade thereof below the then-outstanding rating of the series BCA, CCA and DCA notes would result in their corresponding downgrade. Said guarantee was established by the ministerial order of 29 November 2000. The amounts due to the guarantee will be paid within three months and considered an obligation of BBVA-2. The guarantee will be due 27 January 2019 or at the liquidation of BBVA-2 if it occurs prior to that date.

Subordinated Line of Credit (LOC)

At closing, BBVA has provided a subordinated LOC that will be used to cover interest and principal defaults, and to provide liquidity support to pay the interest on the notes in the event borrowers fall into arrears.

In the first 2.5 years after closing (the replenishment period) the nominal amount of the subordinated LOC will be limited to 3.5% of the maximum collateral amount.

After the replenishment period, for the following 2.5 years, or before if the undrawn part of the subordinated LOC equals 5% of the outstanding aggregate amount of the collateral loans, the subordinated LOC will be equal to 2.5% of the maximum collateral amount plus 60% of the remaining cumulative defaulted amount from the collateral pool during the replenishment period. The maximum notional amount of the subordinated LOC could be reduced at any payment date, after approval from Fitch, if the annual prepayment rate of the collateral exceeds 10%.

For the remaining period up to the legal maturity of BBVA-2, the maximum nominal amount of the subordinated LOC will be equal to 60% of the remaining cumulative defaulted amount from the collateral pool plus the larger of (i) 2.5% of the outstanding collateral amount, or (ii) the aggregate outstanding amount for the largest three borrowers at any single payment date.

The maximum nominal amount of the subordinated LOC for each quarter cannot be greater than the maximum amount for the previous quarter.

The subordinated line of credit will be due on the liquidation of BBVA-2. The subordinated LOC will receive annual interest equal to the financial margin of BBVA-2, if available, payable on liquidation of the Fund.

■ Legal Structure

The notes are issued by BBVA-2, a special purpose vehicle with limited liability regulated by Law 19/1992 of 7 July, Royal Decree 926/1998 of 14 May and the Ministerial Order of 28 May 1999 in

Spain. BBVA-2 is structured as a bankruptcy remote entity and its activities are limited to those directly related to its sole purpose, the acquisition of credit rights and issuance of the notes, which are governed by Spanish law.

At closing, the credit rights will be sold by BBVA to the Europea de Titulización, S.A., S.G.F.T., the Sociedad Gestora, on behalf of BBVA-2. The Sociedad Gestora is a special purpose management company with limited liability, incorporated under the laws of Spain, owned by: BBVA, S.A. (82.97%), J.P.Morgan España, S.A. (4%), Abbey National, S.A.E. (1.54%), Bankinter, S.A., Barclays Bank, S.A., and Citibank España, S.A. (1.53% each), Deutsche Bank Credit, S.A, Banco Atlántico, S.A, Banco Cooperativo Español, S.A., Banco Pastor, S.A., Banco de la Pequeña y Mediana Empresa, S.A., Banco Urquijo, S.A., and BNP España, S.A. (0.77% respectively), Banca Jover, S.A. and Credit Lyonnais España, S.A. (0.38% respectively). The Sociedad Gestora's activities are limited to management of asset-backed securities.

BBVA has transferred the purchased bilateral loans (including the collateral and guarantees securing them) to BBVA-2, and all present and future claims and rights under the various transaction documents.

■ Origination and Servicing

At closing, the loans in the portfolio have been originated by the former BBV's Spanish branches. The new loans to be included in the portfolio, due to replenishment, will be originated by BBVA's Spanish branches. The current origination and servicing guidelines of BBVA were carried over from the former BBV, and drawn up in 1994.

Fitch has reviewed and analysed the origination procedures of BBVA. The lending proposal is originated by BBVA's local branch network after the customer application. BBVA's branches use a credit analysis established by a centralised credit analysis department, specialised by industrial sectors and regions. The credit analysis, which, among other criteria, places emphasis on the company's financial strength and ability to repay from operating cash flows, prospects for the future, market position in its respective industry, and quality of its management. In addition, any collateral securing a loan, such as a mortgage, pledge of a moveable asset, or other guarantee, is appraised to determine its value.

Approval authority with respect to the credit is required according to the size and risk profile of the transaction. The credit could require the approval up to three different credit committees, within different authority levels.

Once approved, the credits will be monitored on an ongoing basis to ensure that the risk exposure to the respective borrowing entity is within acceptable limits and original credit term guidelines. Reviews are conducted periodically and may occur more frequently after any alarm is raised.

In the event of a payment being in arrears during the first 10 days, the borrower will be contacted by the correspondent BBVA's branch. After 10 days and up to 90 days of the payment being overdue, the contacts with the borrower at branch level will be intensified. During this stage, if possible, the amount overdue will be offset by other amounts in the borrower's current account. After 90 days in arrears, the legal department will study the options to work out the credit and will take the appropriate action. The credit obligation will be declared defaulted with the information provided by the legal department or if after 36 months a payment is still overdue or if the debtor is bankrupt or in suspension of payments.