European Structured Finance
New Issue

FONDO DE TITULIZACIÓN DE ACTIVOS BBVA-1

Ratings
Secured Floating-Rate Notes due 2014
EUR 928,400,000 Class A ....AAA
EUR 25,600,000 Class B..............AA+
EUR 108,800,000 Class C..............A
EUR 22,000,000 Class D ....BBB
EUR 28,000,000 Class E..............BB

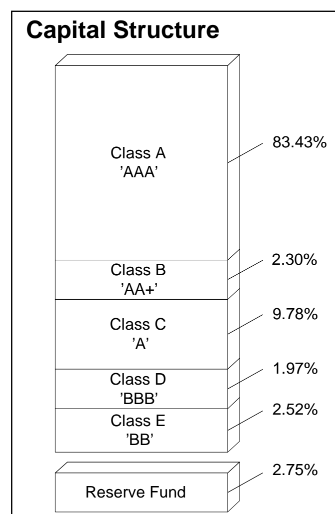
Analysts
José Morán
44 20 7417 6261
jmoran@fitchibca.com

Markus Schaber
44 20 7417 6259
mschaber@fitchibca.com

Company Contacts
Management Company (Sociedad Gestora)
BBV Titulización, S.A., S.G.F.T.
Carmen Pérez de Muniain
34 91 374 6925

Lead Managers
BBVA, S.A.
Juan Gortazar
34 91 374 3022

Goldman Sachs International
Nathalie Romang
44 20 7774 6557



■ Summary

FONDO DE TITULIZACIÓN DE ACTIVOS BBVA-1 (BBVA-1) class A to E floating-rate notes are rated as indicated at left.

BBVA-1, the issuer, is a special purpose company with limited liability and is regulated by Law 19/1992 of 7 July and the Royal Decree 926/1998 of 14 May in Spain. The sole purpose of BBVA-1, the fund, is the acquisition of the credit rights from the originator, Banco Bilbao Vizcaya Argentaria, S.A. (BBVA, rated 'AA/F1+' by Fitch IBCA), as collateral for the issuance of fixed-income securities. The assets of the fund will be subscribed by BBV Titulización, S.A., S.G.F.T. (the Sociedad Gestora) on behalf of BBVA-1. The Sociedad Gestora is a corporation whose sole purpose is the management of asset-backed funds, regulated in accordance with the provisions of the aforementioned legal framework in Spain.

BBVA is Spain's second largest banking group in terms of total assets, and is the result of the merger between Banco Bilbao Vizcaya (BBV) and Argentaria, Caja Postal y Banco Hipotecario (Argentaria), effective from 28th January 2000. BBVA's operations are concentrated in Spain, and it is involved in all main banking services. This domestic presence is complemented by a significant Latin American operation with banking subsidiaries in several countries, and an extensive network of pension fund management companies.

The notes are backed by an EUR 1,112.8 million portfolio of credit rights purchased by the issuer from the former BBV. The portfolio comprises bilateral and syndicated loans (83.98% of the pool), and lines of credit. The credit rights are backed by 42 big and medium-size corporates located in Spain (87.16% of the portfolio) and other European countries.

The ratings are based upon the quality of the collateral; the available credit enhancement; adequate underwriting; servicing of the credit rights; swap and liquidity facility agreements provided by BBVA; the Sociedad Gestora's administering capabilities; and the sound financial and legal structure of the transaction.

Credit enhancement for the class A notes, totalling 19.32%, will be provided by the subordinated class B to E notes, and the reserve fund (2.75%). Credit enhancement for the class B notes, totalling 17.02%, will be provided by the subordinated class C to E notes and the reserve fund. Credit enhancement for the class C notes, totalling 7.24%, will be provided by the subordinated class D and E notes and the reserve fund. Credit enhancement for the class D notes, totalling 5.27%, will be provided by the subordinated class E notes and the reserve fund. Credit enhancement for the class E notes, totalling 2.75%, will be provided by the reserve fund. The reserve fund is funded at closing from a subordinated loan from BBVA. 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 and principal to the class A to E notes will be paid on a quarterly basis, commencing 31 May 2000. The class A to E notes will receive interest payments based on the three-month Euro Interbank Offered Rate (EURIBOR) plus a margin. The 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 30 November 2014.

To determine appropriate credit enhancement levels, Fitch IBCA analysed the collateral and the financial structure and subjected them to various stress scenarios. Under the 'AAA', '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 IBCA employed various rating criteria (see research on *Rating Criteria for Cash Flow Collateralized Debt Obligations*, dated 4 November 1999, available on www.fitchibca.com). Fitch IBCA derived default, recovery and loss distribution assumptions for the pool of collateral. In addition, Fitch IBCA considered factors such as obligor and industry concentrations, terms of the credit rights, underwriting guidelines and the experience of BBVA as servicer of the portfolio.

Default assumptions for each credit right in the pool were determined based on their individual external public or shadow ratings by Fitch IBCA (66.3% of the pool). In addition, Fitch IBCA determined broad rating categories for the remainder of the portfolio. Moreover, Fitch IBCA included internal credit ratings and historical performance data relating to the former BBV's default and loss experience in its analysis. To gain comfort with BBV's internal credit rating system, Fitch IBCA performed an in-depth due diligence of the bank's underwriting and credit monitoring processes, as well as ongoing surveillance efforts. The internal credit scores were subsequently matched to a Fitch IBCA rating.

In this particular transaction, the credit enhancement for the class A to E notes is sufficient to withstand varying scenarios of defaults and recovery rates for the largest obligors in the pool.

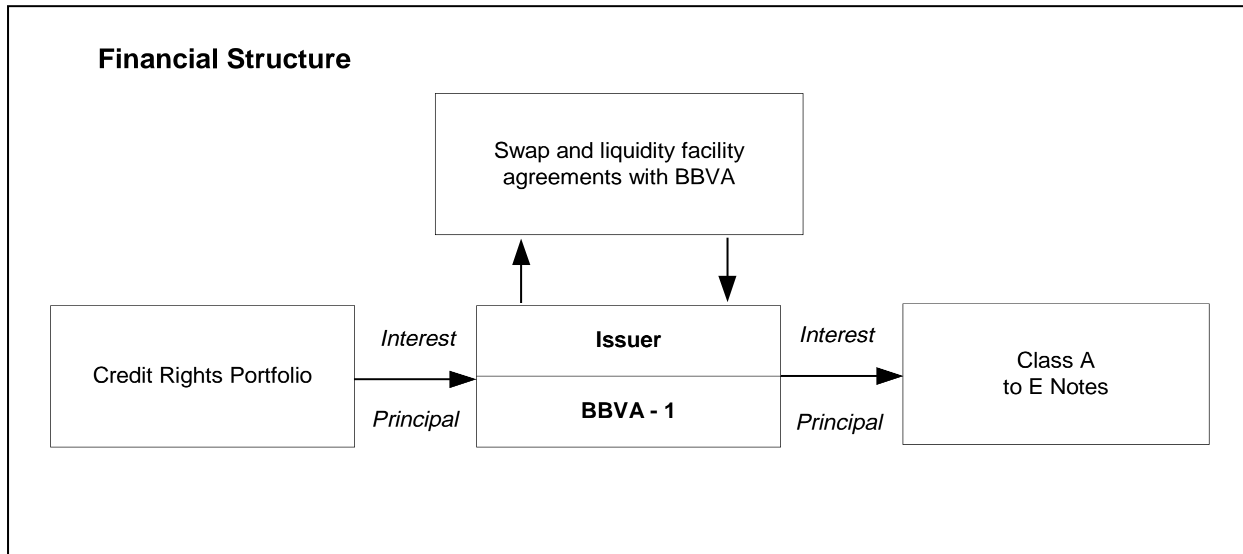
Collateral Pool/Concentration Risk

The notes are backed by an EUR 1,112.8 million portfolio of credit rights purchased by the issuer from the former BBV. The portfolio comprises bilateral and syndicated loans (83.98% of the pool), and lines of credit. The credit rights are backed by 42 big and medium-size corporates. The portfolio is geographically concentrated in Spain, with 87.16% of the portfolio from issuers domiciled in Spain, and the rest from Denmark, Sweden, Portugal, Germany and the Czech Republic. Of the lines of credit in the portfolio, 46.3% of the notional amount is undrawn at closing date. The undrawn amount is funded at closing by the issuance of the notes and deposited in an excess funding account in the name of the fund. Future disposals of the undrawn part of the lines of credit will be funded from this account.

At cut-off date, Feb. 2000, the loans have a weighted average remaining maturity of approximately four years, with the last debt security maturity falling in September 2012. The repayment type of the collateral is bullet repayment (51.92%) and fixed amortisation (48.08%).

In the portfolio, 66.3% of the credit rights has been publicly or shadow rated by Fitch IBCA, with the reminder internally rated by BBVA. The weighted average credit quality of the entire portfolio is 'BBB+/BBB' using Fitch IBCA rating factors, with 9.2% of the obligors in the sub-investment grade rating category. All credit rights in the pool are fully performing. The pool contains credit rights with BBVA's risk ratings from 'A' to 'C' on a scale from 'A' to 'F' (with 'A' being the strongest); one structured credit right is qualified as 'D'. The credit quality composition of the portfolio, based upon BBVA's internal ratings, is 'A' (3.98% of the pool), 'B' (69.44%), 'C' (25.64%) and 'D' (0.94%).

The three largest obligors in the portfolio represent 56.7% of the pool balance. One company publicly rated 'AA-' by Fitch IBCA represents 29.6% of the portfolio, including subsidiary companies, another company publicly rated 'AA-' by Fitch IBCA represents 16.6%, including subsidiary companies, and another company shadow rated by Fitch IBCA represents 11.4%. In terms of industry sectors, the portfolio is concentrated in utilities (31.06%), telecommunications (20.95%), and motorway companies (15.12%).



Fitch IBCA generally establishes that a 'well diversified' portfolio would limit the single obligor concentration to approximately 3-4% of the total pool and the industry concentration to approximately 10%. In this particular case, a severe recession in the Spanish utility, telecommunication, or motorway sectors could have a significant impact on the credit quality of the portfolio. On the basis of its asset concentration matrix, Fitch IBCA has assumed defaults for large credit obligors in the pool under varying stress scenarios.

Fitch IBCA has consulted with its Spanish corporate analysts to determine the appropriate recovery levels for the Spanish credit rights. The assumed recovery levels reflect the dynamics of the Spanish utility, telecommunication and motorway industries, the past actions of the Spanish Government, and the contribution of these corporates to the overall Spanish economy. Although 6.86 % of the portfolio benefits from some collateral and 14.28% of the pool benefits from some guarantees provided for these credit obligations, Fitch IBCA gave only limited credit for the collateral and guarantees. Fitch IBCA's assumptions on recovery rates range from 35% to 65%. When calculating recovery value, Fitch IBCA has taken into consideration the cost of carrying the payment of interest to the notes for credit rights from delinquency through default. To calculate carrying costs, Fitch IBCA uses a worst-case scenario analysis, which assumes that the largest obligors do not pay interest for a period up to two years.

Fitch IBCA has not given credit for portions of lines of credit that are not drawn. Fitch IBCA has assumed that the total amount of a line of credit is fully drawn once a default occurs, which is conservative given that only 53.7% of the portfolio is fully or partially drawn down at closing.

The credit enhancement for the class A notes is sufficient to withstand varying scenarios of defaults and recovery rates for the largest obligors in the pool (see Fitch IBCA's 'Asset Concentration Matrix' on *Rating Criteria for Cash Flow Collateralized Debt Obligations*, dated 4 November 1999, available on www.fitchibca.com). The credit enhancement for the class B to E is also sufficient to withstand Fitch IBCA's 'AA+', 'A', 'BBB' and 'BB' asset concentration stress scenarios. While the transaction is not directly linked to the rating of these large obligors, the rating of the issued notes and in particular the class C, D and E notes might be sensitive to a significant deterioration of the rating of these large obligors.

■ Financial Structure

The credit rights will be serviced by BBVA. The Sociedad Gestora will administrate BBVA-1.

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-1. The reserve fund and excess funding accounts are maintained at BBVA, also in the name of BBVA-1.

The amounts deposited in the collections account will be kept in cash. The amounts deposited in the collection, reserve fund and excess funding accounts will receive a guaranteed interest rate equal to three-month EURIBOR minus 0.10%. The amounts

deposited in the reserve fund and excess funding accounts 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 and principal to the class A to E notes will be paid on a quarterly basis, commencing 31 May 2000. The class A to E notes will receive interest payment based on the three-month Euro Interbank Offered Rate (EURIBOR) plus a margin. The 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 November 2014.

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

Interest cash-flow waterfall

1. Expenses of the fund, Sociedad Gestora and paying agent fees.
2. Servicer fee.
3. Interest of the set-up expenses loan, up to the amount provided specifically by the swap agreements.
4. Interest of class A notes.
5. Defaulted interest amount not covered by the reserve fund (if applicable).
6. Interest of class B notes.
7. Interest of class C notes.
8. Interest of class D notes.
9. Interest of class E notes.

Principal cash-flow waterfall

1. Principal of the set-up expenses loan, up to the amount provided specifically by the swap agreements.
2. Defaulted principal allocated to the class A notes.
3. Principal to the class A notes.
4. Defaulted interest amount not covered by the reserve fund (if applicable).
5. Defaulted principal allocated to the class B notes.
6. Principal to the class B notes.
7. Defaulted principal allocated to the class C notes.
8. Principal to the class C notes.
9. Defaulted principal allocated to the class D notes.
10. Principal to the class D notes.
11. Defaulted principal allocated to the class E notes.
12. Principal to the class E notes.
13. Principal of the set-up expenses loan, in case the payment is not covered by the swaps payments.
14. Interest and principal to the subordinated loan, in line with the decrease in the reserve fund requirements.

Recoveries cash-flow waterfall

1. Interest from the defaulted principal allocated to the class A notes.
2. Interest from the defaulted principal allocated to the class B notes.
3. Interest from the defaulted principal allocated to the class C notes.
4. Interest from the defaulted principal allocated to the class D notes.
5. Interest from the defaulted principal allocated to the class E notes.
6. Replenishing the reserve fund to its required balance.

To the extent that funds in the collection and reserve fund accounts are not sufficient to cover a defaulted credit right claim, 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

The extinction of the fund will be produced after the amortisation of its assets and/or liabilities. Under the Spanish Royal Decree 926/1998, in particular in the article 11 letters b) and d), additional provisions allow for extinguishing upon the occurrence of exceptional circumstances affecting the financial equilibrium of the fund 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 the fund's public deed of constitution. Fitch IBCA has required to include 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 pay 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 Agreements

BBVA-1 will enter into three swap agreements with BBVA. These agreements will be used to hedge the basis and currency risks between the notes and the credit rights, to cover the foreign exchange differences between new disposals of undrawn credit rights and the Euro denominated excess funding account, 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 agreements provide for the swap counterparty to pay to the notes issuer the interest and principal 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. The notes issuer will pay to the swap counterparty an amount equal to the previous quarter collected principal and interest from the credit rights, and the interest from the collections, reserve fund and excess funding accounts.

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

Liquidity Facility

BBVA will also provide an amount equal to 4% of the outstanding credit rights as liquidity support to pay the interest of the notes in case borrowers fall into arrears. The liquidity facility will not cover any losses incurred by defaulted credit rights.

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 collections, reserve fund and excess funding accounts, the liquidity facility and swaps agreements.

Loan for Set-up Expenses/Subordinated Loan

Additionally, BBVA has granted two loans. The loan for set-up expenses, approximately EUR 5.2 million, will be used to pay the constitution expenses of BBVA-1. The loan for set-up expenses, will be redeemed within three years in constant quarterly payments. This loan will receive interest payments equal to three-month EURIBOR plus 0.10%.

The subordinated loan, approximately EUR 30.7 million, will be used to fund at closing the reserve fund and will be redeemed in line with the decrease of the reserve fund requirements. The subordinated loan will receive interest payments equal to the financial margin of the fund, if available.

■ Credit Enhancement

Credit enhancement for the class A notes, totalling 19.32%, will be provided by the subordinated class B to E notes, and the reserve fund (2.75%). Credit enhancement for the class B notes, totalling 17.02%, will be provided by the subordinated class C to E notes and the reserve fund. Credit enhancement for the class C notes, totalling 7.24%, will be provided by the subordinated class D and E notes and the reserve fund. Credit enhancement for the class D notes, totalling 5.27%, will be provided by the subordinated class E notes and the reserve fund. Credit enhancement for the class E notes, totalling 2.75%, will be provided by the reserve fund. The reserve fund is funded at closing from a subordinated loan from BBVA. The size of the reserve fund can decrease, at any payment date, in accordance with the minimum credit enhancement required at that time by Fitch IBCA. No excess spread is available to serve as a first layer of loss protection.

■ Legal Structure

The notes are issued by BBVA-1. The issuer is a special purpose company incorporated under the laws of Spain with limited liability. The issuer is structured as a bankruptcy remote entity and its activities are limited to those directly related to its primary purpose, the acquisition of credit rights and the issuance of the notes. The notes are governed by Spanish law.

At closing, the credit rights have been sold by BBVA to the Sociedad Gestora, on behalf of BBVA-1. BBV Titulización, S.A., S.G.F.T., the Sociedad Gestora, is a special purpose management company with limited liability, incorporated under the laws of Spain. The Sociedad Gestora is owned by: BBVA, S.A. (30%), Banca Catalana, S.A. (20%), Banco del Comercio, S.A. (20%), Euroseguros, S.A. (20%), and Privanza Banco Personal, S.A. (10%). The Sociedad Gestora's activities are limited to the management of asset-backed securities.

The originator, the former BBV, has transferred the purchased credit rights claims (including the collateral and guarantees securing the credits) to BBVA-1. BBVA has also transferred all present or future claims or rights under the various transaction documents to BBVA-1. The credit rights are originated under Spanish, English and German law,

and subject to the bankrupcy procedures of each of the borrowers' legal jurisdictions.

■ Origination and Servicing

The credit rights in the portfolio have been originated by the former BBV's Spanish and London branches.

Fitch IBCA has reviewed and analysed the origination procedures of BBV. BBV's general policy is to lend to customers with good credit standing. BBV has long lending relations with all the borrowers in the portfolio and with the main companies in the Spanish market. BBV's lending division uses a credit risk scoring system, which, among other criteria, places emphasis on the company's financial strength and ability to repay from operating cash flows, the company's prospects for the future, market position in its respective industry, and the 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.

For all the credit rights included in the transaction, internal credit reports have been drafted by the risk committee of each branch and a centralised analysis department, specialised by industrial sectors. A second credit opinion is required, depending on the size of the lending transaction, from the functional analysis department. This department also participates in the developing of lending criteria guidelines.

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 the lending decision has been 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 monthly and may occur more frequently after any alarm signal.

In the event of a payment being in arrears, during the first 10 days, the borrower will be contacted by BBVA's customer service. 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 current account of the borrower. After 90 days in arrears, the legal department will study the options to work out the credit right and will take the appropriate actions. 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.

Copyright © 1999 by Fitch IBCA, Inc., One State Street Plaza, NY, NY 10004
Telephone: New York, 1-800-753-4824, (212) 908-0500, Fax (212) 480-4435; Chicago, IL, 1-800-483-4824, (312) 214-3434, Fax (312) 214-3110;
London, 011 44 20 7417 4222, Fax 011 44 20 7417 4242; San Francisco, CA, 1-800-953-4824, (415) 732-5770, Fax (415) 732-5610
John Forde, Publisher; Madeline O'Connell, Director, Subscriber Services; Nicholas T. Tresniowski, Senior Managing Editor; Diane Lupi, Managing Editor; Paula M. Sirard, Production Manager; Jennifer Hickey, Igor Zaslavsky, Editors; Martin E. Guzman, Senior Publishing Specialist; Harvey Aronson, Publishing Specialist; Colin Grubb, Robert Rivadeneira, Julie Taub, Publishing Assistants. Printed by American Direct Mail Co., Inc. NY, NY 10014. Reproduction in whole or in part prohibited except by permission.
Fitch IBCA ratings are based on information obtained from issuers, other obligors, underwriters, their experts, and other sources Fitch IBCA believes to be reliable. Fitch IBCA does not audit or verify the truth or accuracy of such information. Ratings may be changed, suspended, or withdrawn as a result of changes in, or the unavailability of, information or for other reasons. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch IBCA receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from $1,000 to $750,000 per issue. In certain cases, Fitch IBCA will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from $10,000 to $1,500,000. The assignment, publication, or dissemination of a rating by Fitch IBCA shall not constitute a consent by Fitch IBCA to use its name as an expert in connection with any registration statement filed under the federal securities laws. Due to the relative efficiency of electronic publishing and distribution, Fitch IBCA Research may be available to electronic subscribers up to three days earlier than print subscribers.