BBVA 5 FTPYME, Fondo de Titulización de Activos

SME loans / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of September 2006. 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

[October 2006]

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€1,472.8	77.51	Mar. 39	3mE + [•]%
A2	(P)**Aaa**	€200.0	10.53	Mar. 39	3mE + [•]%
A3(G)	(P)**Aaa**	€130.3	6.86	Mar. 39	3mE + [•]%
B	(P)**A2**	€39.9	2.10	Mar. 39	3mE + [•]%
C	(P)**Aaa**	€57.0	3.00	Mar. 39	3mE + [•]%
Total		€1,900.0	100.00		

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

OPINION

Strengths of the Transaction

– Credit enhancement provided by the excess spread, a reserve fund and the subordination of the notes
– Guarantee of the Kingdom of Spain (**Aaa**/**P-1**) for Series A3(G)
– Payment of interest and ultimate payments of principal on Series C are guaranteed by the European Investment Fund (EIF) (**Aaa**).
– Interest Rate Swap provided by BBVA (**Aa2**/**P-1**) guaranteeing an excess spread of 0.65% + servicing fee + E IF fee
– Excess spread-trapping mechanism through a 12-month "artificial write-off"
– Relatively good seasoning and well diversified pool in terms of geography
– Granular portfolio
– At closing date the management company will elect the loans to be securitised from the current provisional pool, with the lowest debtor concentration
– Good historical information provided

Weaknesses and Mitigants

– Pro-rata amortisation of the B and C Series of notes leads to reduced credit enhancement of 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
– Some of the loans are subject to an interest rate cap, this risk being covered by the interest rate swap
– Servicing fee paid senior in the waterfall, but fully funded through the swap payments received by the Fondo
– Only 33% of the portfolio has a mortgage guarantee

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

Issuer:	BBVA 5 FTPYME, Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Servicer:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	15 March, 15 June, 15 September, 15 Dicember First payment date: 15 March 2007
Credit Enhancement/Reserves:	[0.65%] excess spread [1.55%] Reserve fund Subordination of the notes
Hedging:	Interest rate swap to cover interest rate risk provided by BBVA
Interest Rate Swap Counterparty:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Paying Agent:	Banco Bilbao Vizcaya Argentaria (BBVA) (**Aa2**/**P-1**)
Note Trustee (Management Company):	Europea de Titulización, S.G.F.T., S.A. (EdT)
Arranger:	BBVA, Dresdner Kleinwort, Europea de Titulización, S.G.F.T., S.A. (EdT)
Lead Managers:	BBVA Dresdner Kleinwort

COLLATERAL SUMMARY (AS OF 12 SEPTEMBER 2006) ***(see page 7 for more details)***

Receivables:	Loans to Spanish SMEs
Total amount:	€2,223,359,115
Number of Contracts:	15,159
Number of Borrowers:	13,043
Geographic Diversity:	Valencia (16.50%) Anadalusia (13.69%), Catalonia (13.14%)
WA Remaining Term:	6.60 years
WA Seasoning:	1.51 years
Interest Basis:	Floating 90.07%, fix 9.93%
WA Interest Rate:	3.84%
Delinquency Status:	No loans in arrears more than 30 days at the time of securitisation
Historical Loss Experience:	Default and recovery rate historical data have been provided

TRANSACTION SUMMARY

The FTPYME programme benefits from a guarantee budget for 2006, albeit much reduced compared to previous years

The legal framework for the FTPYME programme has not experienced any change with respect to 2005. The following is a summary of its principal conditions:

1. Securitised assets must be loans (a) originated by institutions that have previously signed an agreement with the Ministry of Economy, (b) granted to non-financial enterprises based in Spain and (c) with an initial maturity of more than one year.
2. At least 80% of the loans must be granted to small- and medium- sized enterprises (SMEs) (as defined by the European Commission in its recommendation of 6 May 2003).
3. The institutions transferring the loans to an FTPYME fund must in turn reinvest the proceeds of the sale in granting new loans (such loans complying with conditions (1) and (2) above): 50% of which must be reinvested within six months and the remaining 50% within one year.
4. The Kingdom of Spain will guarantee interest and principal payments on up to 80% of securities rated Aa or above. Significantly, the guarantee is fully binding for the Kingdom of Spain.

As on previous occasions, the guarantee budget has been allocated in full among various Spanish financial institutions, with the respective FTPYME securitisation funds expecting to close by year-end 2006

Cash securitisation of loans granted to Spanish enterprises carried out under the FTPYME programme, incorporating an EIF guarantee for the Series C notes

BBVA 5 FTPYME, FTA (the 'Fondo') is a securitisation fund created with the aim of purchasing a pool of loans granted by BBVA to Spanish enterprises, in compliance with the conditions required by the FTPYME programme in order to qualify for the Spanish Treasury guarantee.

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

– A subordinated Series C, rated (P)**Aaa** (rating based on the EIF guarantee only)
– A mezzanine Series B, rated (P)**A2**
– A senior tranche composed of three (P)**Aaa** rated series: a subordinated Series A3(G) a mezzanine Series A2 and a senior Series A1

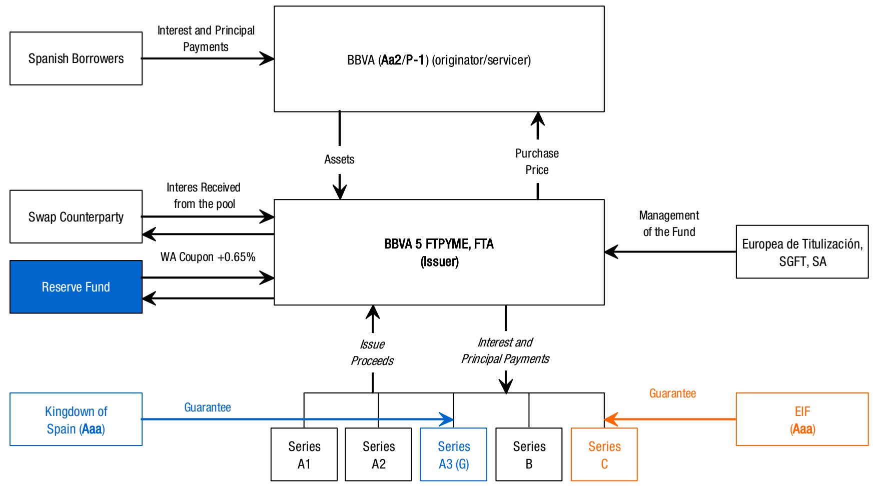
Each series of notes is supported by the series subordinated to itself, a cash reserve and the excess spread guaranteed under the swap agreement with BBVA. The swap agreement will also hedge the Fondo against the risk derived from having different index reference rates and reset dates on the assets and on the notes, any renegotiation of the loans' interest rate and the existence of caps on this interest rate.

In addition, the Fondo will benefit from a subordinated loan provided by BBVA to fund the up-front expenses, the costs of issuing the notes and the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

Series A3(G) benefits from the guarantee of the Kingdom of Spain for interest and principal payments. Nevertheless, the expected loss associated with Series A(G) notes is consistent with a **Aaa** rating regardless of the Spanish Treasury guarantee. The transaction will not incorporate a liquidity line to ensure the timeliness of the interest or principal guarantee payments.

SME transaction with guarantees from the Kingdom of Spain and the EIF

Chart 1:
Structure Diagram



The European Investment Fund Guarantee

The European Investment Fund (EIF) is part of the EIB (European Investment Bank) group. It is the dedicated risk capital arm of the EIB that finances small- and medium-sized enterprises. Its mandate is to promote the establishment and development of SMEs in the European Union member states through venture capital operations and the provision of SME guarantees

Early amortisation EIF option on Series C

The Series C Notes benefit from a guarantee given by the EIF and therefore the **Aaa** rating of this class is based solely on the guarantee. According to the terms of the Deed of Undertaking, the EIF is obliged to make up any shortfalls in either interest or principal payments. It is the duty of the management company to send the EIF a payment request when its intervention is required.

The EIF shall be entitled, but under no obligation, to pay to the Issuer, on behalf of the Series C Noteholders, the entire Series C outstanding principal amount plus due and unpaid Series C interest in the following cases:

a) Upon the occurrence of any early liquidation event
b) Should any amount be called under this guarantee
c) in the event that the Issuer, acting in the name and on behalf of the Series C Noteholders, does not request, within three months of the relevant Payment Date, payment under the EIF Guarantee despite being entitled to do so.

If the EIF amortises Series C due to any of the above mentioned events, the EIF will be fully subrogated in the rights of the Series C Noteholders

Interest rate swap

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, (2) the servicing fee due on such payment date and (3) the EIF fee

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:

- 1.55% of the initial balance of the notes
- The higher of the following amounts:
  - 3.10% of the outstanding balance of the notes
  - 0.775% 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 24 months of the life of the transaction.

GIC provides an annual interest rate equal to the index reference rate of the notes

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.

Payment structure allocation

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

1) Costs and fees
2) Servicing fee
3) Any amount due under the swap agreement and swap termination payment if the Fondo is the defaulting or the sole affected party
4) Interest payment to Series A1, A2 and A3 (G)
5) Interest payment to Series B (if not deferred)
6) Interest payment to Series C (if not deferred)
7) Repaying the EIF for any amounts that it has paid to the fund for paying interest on Series C (if not deferred)
8) Payment of fees and cost on the EIF Guarantee (if not deferred)
9) Retention of an amount equal to the principal due under the notes
10) Interest payment to Series B (if deferred)
11) Interest payment to Series C (if deferred)
12) Repaying the EIF for any amounts that it has paid to the fund for paying interest on Series C (if deferred)
13) Payment of fees and cost on the EIF Guarantee (if deferred)
14) Replenishment of the reserve fund
15) Termination payment under the swap agreement (except in the cases contemplated in (2) above)
16) Junior payments

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

Interest deferral mechanism based on the size of the principal deficiency

The payment of interest on Series B and C will be brought to a more junior position upon the occurrence of the following criteria:

Table 1:

Series B	Series C
– The accumulated amount of written-off loans is higher than 6.50% of the initial amount of the assets pool	– The accumulated amount of written-off loans is higher than 5.00% of the initial amount of the assets pool
– Series A1,A2 and A(3) are not fully redeemed	– Series A1, A2, A3(G) and B are not fully redeemed

The deferral will no longer be in effect for Series B once Series A1, A2 and A3 (G) are fully amortised, and for Series C once Series B is fully amortised

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

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes 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 management company considers that there are no reasonable expectations of recovery under each such loan)).

Principal due allocation mechanism

Until the payment date on which the initial amount of Series B and C exceeds 4.20% and 6.00%, 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 A2 according to a pre-determined amortisation schedule (as long as sufficient funds are sufficient)
2) Amortisation of Series A1
3) Amortisation of Series A3 (G)

Nevertheless, the amount retained as principal due will be allocated pro-rata between Series A1, Series A2 and Series A3 (G), (1) should the outstanding amount of loans more than 90 days past due will exceed 1.50% or (2) should the outstanding balance of class A2 represent more than 25% of the total outstanding balance of the notes on any payment date, the available fund will be distributed to maintain the A2 class at a level of 25% of the outstanding principal balance or at the nearest lower percentage.

Once amortisation commences for the Series B, and C, the amount retained as principal due will be distributed pro-rata between the following:

– Amortisation of Series A1, A2 and A3 (G). This amount will be distributed according to the order of priority and pro-rata amortisation trigger mentioned above.
– Amortisation of Series B
– Amortisation of Series C

so that the percentages indicated above for Series B, and C are maintained at any payment date thereafter. Nevertheless, amortisation of Series B, and C will not take place on the payment date on which any of the following events occurs:

– The arrears level exceeds 1.25%, and 1.00% for Series B, and C, respectively.
– The reserve fund is not funded at the required level.
– The outstanding amount of the pool is lower than 10% of its initial amount.
– The conditions to amortise pro-rata Series A1, A2 and A3 (G) are met.

COLLATERAL

Relatively good seasoning and well diversified pool in terms of geography

As of September 2006, the provisional portfolio comprised 15,159 loans and 13,043 debtors. The loans have been originated by BBVA in its normal course of business, and comply with the following criteria:

- All the loans have been formalised under public deed
- The loans have been granted to non-financial SMEs domiciled in Spain with a initial term above one year
- The loans are repaid by direct debit and have accrued at least two instalments.
- No loan incorporates any type of balloon payments or deferred payments of interest
- 100% of the principal of the loans has been drawn
- Obligors are committed to sign an insurance contract for the mortgaged property
- None of the loans provides a cap on the applicable interest rate
- All the mortgaged properties are fully constructed and located in Spain
- The pool will not include loans granted to real estate developers or lease contracts
- All the loans have been reset at least once during the past year

The loans have been originated between 1999 and June 2006, with a weighted average seasoning of 1.51 years and a weighted average remaining term of 6.60 years. The longest loan matures in February 2036.

Around 33% of the outstanding of the portfolio is secured by a mortgage guarantee over different types of properties. The weighted average loan-to-value (LtV) distribution, according to the mortgage rank (taking into account only the main guarantee if the loan is secured by more than one mortgage) is as follows:

Table 2:

	%	**WA LtV**
First-lien mortgages	100%	54.49%

The remaining 77% is secured by personal guarantee.

Geographically the pool is concentrated in Valencia (16.50%), Andalusia (13.69%), Madrid (12.92%) and Catalonia (13.14%). Around 41% of the portfolio is concentrated in the “buildings and real estate” sector according to Moody’s industry classification.

In terms of debtor concentration, the pool includes exposures up to 0.56% of the issuance amount. However, it is important to note that, at closing, the management company will elect the loans from the provisional portfolio that will result in the least concentrated securitised pool.

Chart 2:
Portfolio Breakdown by Year of Origination

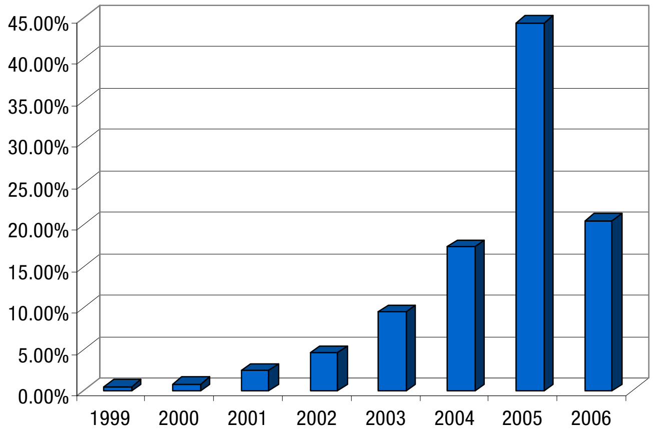


Chart 3:
Portfolio Breakdown by Year of Maturity

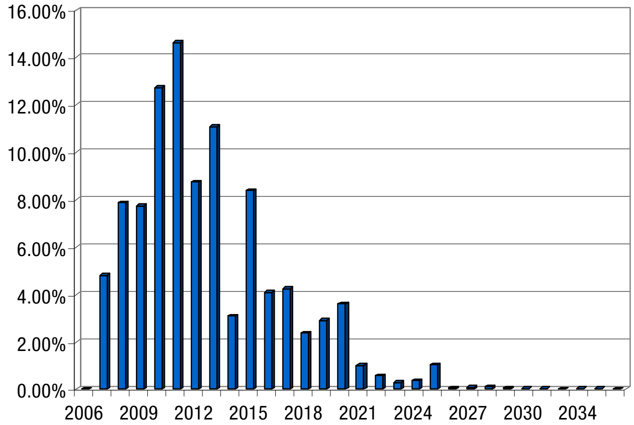


Chart 4:
Portfolio Breakdown by Geographic Diversity

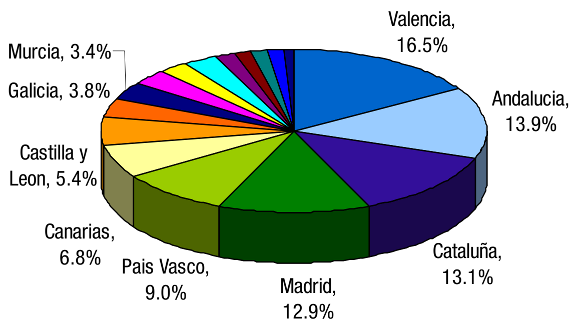


Chart 5:
Portfolio Breakdown by Industry Diversification

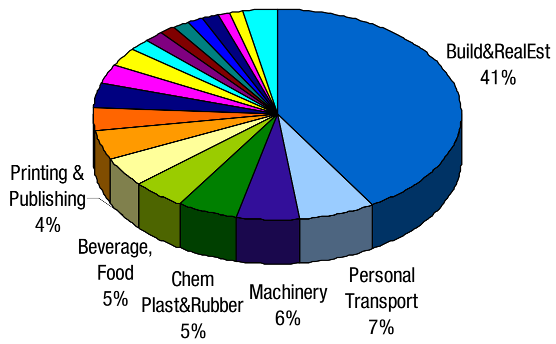


Chart 6:
Portfolio Breakdown by LTVs

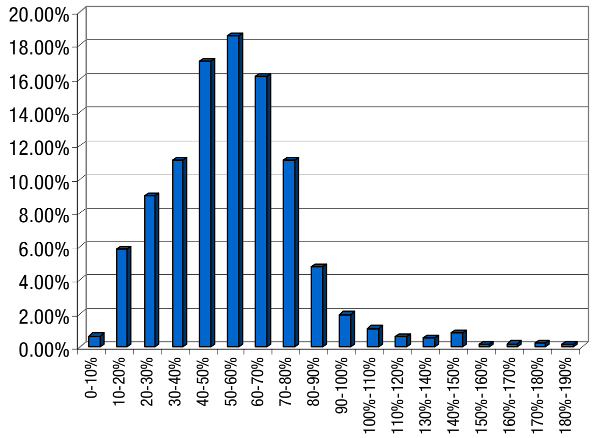
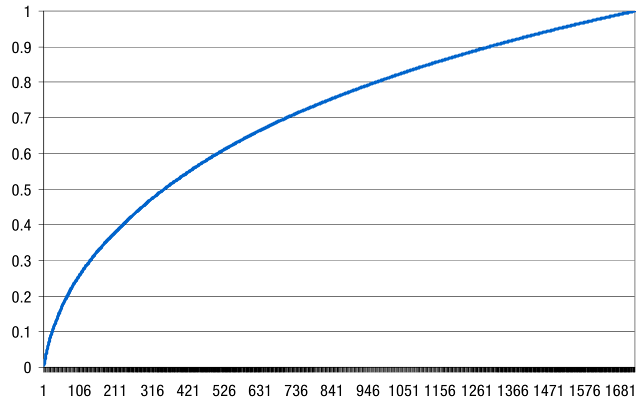


Chart 7:
Debtor Concentration per Debtor



The originator represents and guarantees that:

The loans have been granted according to its current credit policies.

The pool of loans complies with the conditions to qualify for the guarantee of the Kingdom of Spain.

As of the date of the transfer:

– There will be no amounts in arrears more than 30 days under any of the loans.
– There has been no breach of any of the loan agreements.

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 29/02/2036. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

1. The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
2. The frequency of payments cannot be decreased.
3. The amortisation profile cannot be modified.

Additionally BBVA is not allowed to renegotiate any interest rate of the loan if the weighted average interest rate on the floating rates loans is below 50 bppa.

Performance data in previous SME deals

Chart 8:
BBVA 3 FTPYME

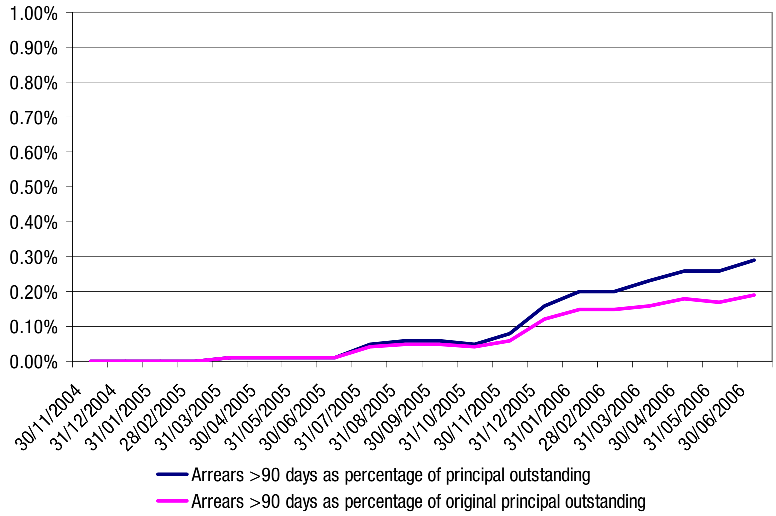
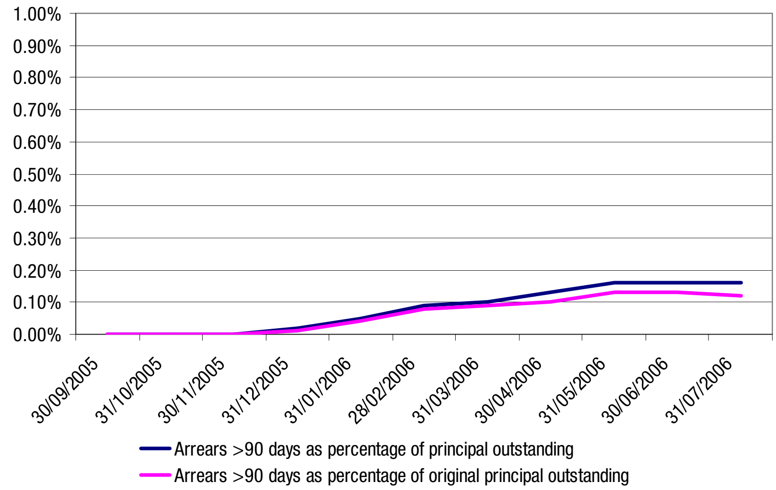


Chart 9:
BBVA 4 PYME



ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

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

With total assets amounting €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.

Management Company

Europea de Titulización is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. 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 59 securitisation funds.

MOODY'S ANALYSIS

Moody's used a Monte-Carlo simulation to derive the default distribution in the portfolio, based on mean default estimations

Given the number of assets and the size of the exposures in the portfolio (see section entitled *Collateral*), Moody's decided to derive the gross loss distribution curve through a two-factor Monte-Carlo approach, rather than assuming that it follows a given general density law.

The following two basic parameters needed to be assessed as main inputs for the model:

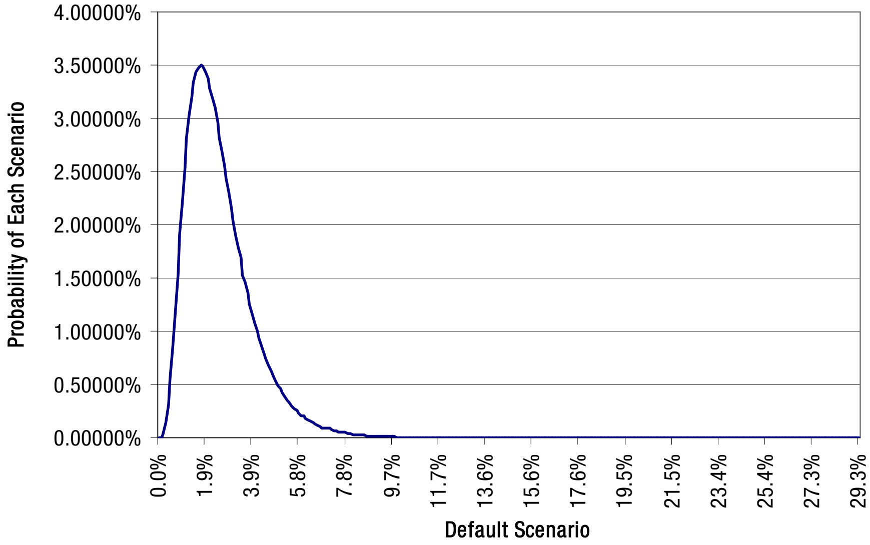
- The gross loss contribution of each single entity
- The correlation structure among the different industries represented in the portfolio

As regards the gross loss assumption, Moody's decided to base its analysis on historical information received from the originator for the previous FTPYME transaction carried out by BBVA. The historical data were adjusted for (1) the seasoning of the portfolio, (2) the expectation of a less favourable macro-economic environment and (3) other qualitative aspects. It is important to note that a loan has been considered as 'defaulted' after 90 days past due. Assumptions for recoveries, delinquency and prepayments were also derived from the historical information that Moody's received.

As regards the correlation structure that takes into account the portfolio specificities, Moody's split the portfolio into 33 groups, and, with the purpose of reflecting the diversity shown by the exposures in the securitised portfolio, Moody's made different assumptions, both for the asset correlation within one group and for that between assets in different groups (the two factors in the Monte-Carlo model).

The Monte-Carlo simulation was then run, incorporating each exposure's size, default probability and implied asset correlation, thereby giving an outcome equal to the default probability distribution for the portfolio.

Chart 10:
Default Distribution



On the basis of this distribution as well as other assumptions for recoveries, delinquency and prepayments, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduces all deal-specific characteristics. The sensitivity to a variation in the initial assumptions was also tested. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes which, combined with each series' expected average life, is consistent with the provisional ratings assigned.

Structural Analysis

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

Legal Analysis

Moody's verifies that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The rating of the notes depends on the portfolio performance and counterparty ratings

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

Moody's will monitor the transaction on an ongoing basis to ensure that 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.

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