

OFFERING CIRCULAR

November 25, 2004

BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS

ASSET-BACKED BONDS

EUR 1,000,000,000

Series A1	EUR	725,300,000	AAA/Aaa/AAA
Series A2(G)	EUR	215,300,000	AAA/Aaa/AAA
Series B	EUR	40,800,000	A/A2/A
Series C	EUR	18,600,000	BBB+/Baa2/BBB

SERIES A2(G) GUARANTEED BY THE SPANISH STATE

Backed by loans assigned and serviced by

BBVA

Lead Managers

BBVA



Underwriters and Placement Agents

BBVA

JPMorgan

ABN AMRO

BNP Paribas

Caixa Catalunya

Fortis Bank

Paying Agent

BBVA

Fund constituted and managed by

 **Europea de
Titulización**
Sociedad Gestora de Fondos de Titulización

Material Event concerning

BBVA-3 FTPYME Fondo de Titulización de Activos

Pursuant to section 4.1.4 of the Securities Note Building Block of the Prospectus for **BBVA-3 FTPYME Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As a result of the downgrade of the unsecured and unsubordinated debt obligations of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (“**BBVA**”) and as provided for in the Financial Swap Agreement and in the Deed of Constitution, BBVA, with the Management Company’s consent, on behalf of the Fund, has agreed with SOCIÉTÉ GÉNÉRALE, a credit institution with place of business at 29 Boulevard Haussmann, Post Code 75009 Paris, that it is to take over as Party B on the following terms:
 - On December 18, 2013, BBVA and the Management Company, on behalf of the Fund, terminated the Financial Swap Agreement signed upon the Fund being established, based on the Spanish Banking Association’s standard Master Financial Transaction Agreement (CMOF).
 - On that same date, December 18, 2013, the Management Company, on behalf of the Fund, and SOCIÉTÉ GÉNÉRALE entered into a financial swap agreement based on the standard 1992 ISDA Master Agreement (Multicurrency-Cross-Border) and the year 2006 definitions in terms similar to the Financial Swap Agreement that was terminated.

The ratings for SOCIÉTÉ GÉNÉRALE’s short- and long-term unsecured and unsubordinated debt obligations assigned to the Rating Agencies are currently as follows:

	Moody’s	Fitch	S&P
Short-term rating	P-1	F1	A-1
Long-term rating	A2	A	A

- Following the execution of the new Financial Swap Agreement with SOCIÉTÉ GÉNÉRALE referred to above, the following sections of the Fund Prospectus shall henceforth read as follows:

Section	Description
V.3.5 Interest Swap Agreement: Section 5.1 Paragraph Four	<p>Actions in the event of change in Party B’s rating.</p> <p>i) Fitch Criteria. In the event that the rating of Party B’s unsecured and unsubordinated debt obligations should cease to be rated at least as high as A and F1 by Fitch, respectively for long- and short-term debt obligations (“Fitch’s Required Ratings”), then Party B will, at its own cost:</p> <p>(A) within fourteen (14) calendar days of the date of that downgrade, post cash collateral or securities collateral as security for performance of Party B’s obligations at an amount calculated based on the Financial Swap mark-to-market value and in terms of the Credit Support Annex; or</p> <p>(B) If posting that collateral is not possible, Party B shall, within thirty (30) calendar days of the date of that occurrence, and at its own cost, do one of the following:</p>

Section	Description
	<p>(a) obtain an unconditional, irrevocable first demand guarantee from a third party having Fitch's Required Ratings, to secure its obligations with respect to the Financial Swap Agreement; or</p> <p>(b) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party having Fitch's Required Ratings.</p> <p>(ii) Fitch Criteria (continued) In the event that the rating of Party B's unsecured and unsubordinated debt obligations should cease to be rated at least as high as BBB+ and F2 by Fitch, respectively for long- and short-term debt obligations, then Party B will, at its own cost:</p> <p>(A) within fourteen (14) calendar days of the date of that downgrade, post cash collateral or securities collateral, or increase the collateral posted, if any, under i) above, as security for performance of Party B's obligations at an amount calculated based on the Financial Swap mark-to-market value and in terms of the Credit Support Annex; or</p> <p>(B) If posting that collateral is not possible, Party B shall, within thirty (30) calendar days of the date of that occurrence, and at its own cost, do one of the following:</p> <p>(a) obtain an unconditional, irrevocable first demand guarantee from a third party having Fitch's Required Ratings, to secure its obligations with respect to the Financial Swap Agreement; or</p> <p>(b) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party having Fitch's Required Ratings.</p> <p>(iii) Fitch Criteria (continued) In the event that the rating of Party B's unsecured and unsubordinated debt obligations or should cease to be rated at least as high as BBB- and F3 by Fitch, respectively for long- and short-term debt obligations, then Party B will, at its own cost:</p> <p>(A) within fourteen (14) calendar days of the date of that occurrence, post cash collateral or securities collateral, or increase the collateral posted, if any, under i) and ii) above, as security for performance of Party B's obligations at an amount calculated based on the Financial Swap mark-to-market value y and in terms of the Credit Support Annex; y</p> <p>(B) Within thirty (30) calendar days of the date of that downgrade, and at its own cost, Party B shall do one of the following:</p> <p>(a) obtain an unconditional, irrevocable first demand guarantee from a third party having Fitch's Required Ratings, to secure its obligations with respect to the Financial Swap Agreement; or</p> <p>(b) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party having Fitch's Required Ratings.</p>

Section	Description
	<p>(iv) Moody's Criteria</p> <p>Party B irrevocably agrees as follows under the Financial Swap Agreement:</p> <p>(i) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold ("First Rating Default"), then Party B shall post cash or securities collateral to the Fund with an entity having the First Required Rating Threshold, in terms of the Credit Support Annex, within thirty (30) Business Days of the occurrence of that circumstance.</p> <p>Posting cash or securities collateral to the Fund may be avoided if one of the following is done:</p> <p>a) Obtaining a replacement with at least the Second Required Rating Threshold ("Eligible Replacement").</p> <p>b) Obtaining a Credit Support Provider with the First Required Rating Threshold.</p> <p>(ii) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has at least the Second Required Rating Threshold ("Second Rating Default"), then Party B shall, on a best efforts basis and as soon as possible (A) obtain a Credit Support Provider with at least the Second Required Rating Threshold, or (B) obtain a replacement with at least the Second Required Rating Threshold ("Eligible Replacement") (or an Eligible Replacement with a Credit Support Provider having the Second Required Rating Threshold).</p> <p>While none of the actions specified above have been taken, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post cash or securities collateral to the Fund with an entity having the First Required Rating Threshold, in terms of the Credit Support Annex.</p> <p>Party B's obligations under (i) and (ii) above, and the Early Termination events thereunder, shall only apply during such time as the events respectively prompting the First Required Rating Default or the Second Required Rating Default are in place. The collateral amount posted by Party B pursuant to (i) and (ii) above will be retransferred to Party B upon cessation of the causes resulting in the First Rating Default or the Second Rating Default, respectively.</p> <p>All costs, expenses and taxes incurred in connection with complying with the preceding obligations shall be payable by Party B.</p> <p>In the above connection, "Credit Support Provider" shall mean an institution providing an Eligible Guarantee with respect to present and future obligations of Party B under the Financial Swap Agreement. "Eligible Guarantee" shall mean an unconditional and irrevocable guarantee given by a Credit Support Provider jointly and severally (as principal obligor) that may be directly called by Party A, with respect to which (i) it is established that if the guaranteed obligation cannot be carried out without certain actions being taken by Party B, the Credit Support Provider shall use its best efforts to have Party B carry out those actions, (ii) (A) a law firm provides a legal opinion confirming that none of the payments made by the Credit Support Provider to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax, and that opinion has been notified to Moody's, or (B) the Guarantee determines that, if any such payment results in any requirement for deduction or withholding for or on account of any tax, that</p>

Section	Description
	<p>Credit Support Provider shall be bound to pay such additional amount in order for the net payment ultimately received by Party A (clear of taxes) to be equal to the total amount that Party A would have received had there been no such deduction or withholding, or (C) in the event that any payment (the "Principal Payment") under the aforesaid Guarantee is made net of deductions or withholdings for or on account of any tax, then Party B shall, under the Financial Swap Agreement, make an additional payment (the "Additional Payment") in order for the net amount received by Party A from the Credit Support Provider (clear of taxes), i.e. the sum of the Principal Payment and the Additional Payment, to be equal to the total amount that Party A would have received had there been no such deduction or withholding (assuming that the Credit Support Provider may be required to make such Additional Payment under the Guarantee); and (iii) the Credit Support Provider expressly and irrevocably waives any right to compensation under that Guarantee; and "Eligible Replacement" shall mean an entity that is legally able to satisfy the obligations due to Party A under the Financial Swap Agreement or its replacement (as the case may be) (A) with the Second Required Rating Threshold, or (B) whose present and future obligations due to Party A under the Financial Swap Agreement (or its replacement, as the case may be) are guaranteed under an Eligible Guarantee provided by a Credit Support Provider having the Second Required Rating Threshold.</p> <p>An entity shall have the "First Required Rating Threshold" (A) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are rated P-1 by Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A2 by Moody's, or (B) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term unsecured and unsubordinated debt obligations are rated at least as high as A1 by Moody's.</p> <p>An entity shall have the "Second Required Rating Threshold" (A) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are rated at least as high as P-2 by Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's, or (B) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's.</p> <p>(v) S&P Criteria:</p> <p>(I) In accordance with the criteria published by S&P "Counterparty Risk Framework Methodology and Assumptions" dated November 29, 2012, in the event that the long-term unsecured and unsubordinated debt obligations of Party B (or its Credit Support Provider) should be downgraded below A (or other valid rating based on the option previously chosen by Party B in accordance with the aforementioned S&P Criteria), then Party B will:</p> <p>(A) within not more than 10 Business Days of the downgrade, and at its own cost, post cash or securities collateral to Party A, at an eligible amount, in accordance with the criteria set out in the Credit Support Annex; or</p> <p>(B) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement financial institution with long-term unsecured and unsubordinated debt obligations rated at least as high as A by S&P or other valid rating in accordance with the aforementioned S&P Criteria ("S&P's Required Rating"). The cash or securities collateral posted to the Fund shall in that case be returned to Party B.</p>

Section	Description
	<p>(II) In the event that the long-term unsecured and unsubordinated debt obligations of Party B (or its Credit Support Provider) should be downgraded below BBB+ (or other valid rating based on the option previously chosen by Party B in accordance with the aforementioned S&P Criteria), then Party B shall:</p> <p>(A) within 60 calendar days of that downgrade and at its own cost do one of the following:</p> <p>(a) transfer all of its rights and obligations with respect to the Financial Swap Agreement, to a replacement financial institution with S&P's Required Rating; or</p> <p>(b) procure a credit support provider suitable for S&P and with S&P's Required Rating to become co-obligor in respect of Party B's obligations with respect to the Financial Swap Agreement.</p> <p>While one of the above is done, Party B will keep cash or securities collateral posted to Party A, in accordance with the criteria set out in the Credit Support Annex.</p>
<p>V.3.5 Interest Swap Agreement: last paragraph but one</p>	<p>The Financial Swap Agreement shall be governed by English law and all matters, issues, disputes and claims arising in connection with the Financial Swap Agreement shall be referred to the English Courts.</p>

Madrid, December 27, 2013

Mario Masiá Vicente
General Manager

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

TABLE OF CONTENTS

CHAPTER 0	<i>Summary of the Offering Circular.</i>	3
CHAPTER I	<i>Persons taking responsibility for and bodies supervising the contents of the Offering Circular.</i>	15
CHAPTER II	<i>Information regarding the securities issued by the Fund.</i>	17
CHAPTER III	<i>General information on the Fund.</i>	59
CHAPTER IV	<i>Information on the characteristics of the assets securitised through the Fund.</i>	75
CHAPTER V	<i>Information on the economic and financial operation of the Fund.</i>	101
CHAPTER VI	<i>General information on the Fund Management Company.</i>	127
CHAPTER VII	<i>Small and medium-sized enterprise financing.</i>	131
APPENDIX 1	<i>Definitions.</i>	
APPENDIX 2	<i>Transcript of the resolution of the Executive Committee of the Board of Directors of Europea de Titulización, S.A., S.G.F.T.</i>	
APPENDIX 3	<i>Transcript of the resolutions of the Board of Directors and of the Standing Executive Committee of Banco Bilbao Vizcaya Argentaria, S.A.</i>	
APPENDIX 4	<i>Audit report on certain characteristics and attributes of the portfolio of loans selected to make up the Fund assets.</i>	
APPENDIX 5	<i>Letters notifying the ratings given to the Bond Issue by Fitch Rating España, S.A., Moody's Investors Service España, S.A. and Standard & Poor's España, S.A.</i>	
APPENDIX 6	<i>Statement by BBVA as Originator in relation to the contents of the Offering Circular.</i>	
APPENDIX 7	<i>Statement by the Lead Managers of the Bond Issue.</i>	

Appendices 2-7 mentioned in the Spanish Offering Circular have not been translated and are not included in this translation. These Appendices are available in Spanish upon request from the Management Company, and can be found in the Spanish version of the Offering Circular.

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SUMMARY OF THE OFFERING CIRCULAR

This full Offering Circular has been entered in the Official Registers of the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (“CNMV”) on November 25, 2004. Registration of the Offering Circular by the CNMV does not imply recommending subscription for or purchase of the Bonds referred to therein, nor indeed any statement whatsoever as to the solvency of the Fund or yield of the Bonds.

0.1 Name and nature of the Asset Securitisation Fund.

The name of the Fund is “**BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS**” (the “**Fund**”). The Management Company will constitute the Fund before the Bond Subscription Period begins by duly executing a public deed recording the constitution and issue of asset-backed bonds in pursuance of the provisions of the Ministerial Order of December 28, 2001, amended by Order ECO/1064/2003, April 29, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing (the “**Order of December 28, 2001**”), and the provisions of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies (“**Royal Decree 926/1998**”), Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 (“**Act 19/1992**”), failing a provision in Royal Decree 926/1998, and to the extent applicable, and other applicable laws and regulations.

The Fund shall be a separate closed-end fund, devoid of legal personality. Its assets shall comprise the Non-Mortgage Loans and the Pass-Through Certificates, the issue of which perfects the assignment of the Mortgage Loans pooled therein upon being constituted, and the start-up (constitution and issue) expenses, and its liabilities shall comprise the Bonds issued and the Start-Up Loan, and the net worth of the Fund shall be nil. Additionally, the Fund arranges the Subordinated Credit, an Interest Swap and the State Guarantee to be reported in memorandum accounts.

0.2 Representation of the Fund: Management Company.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, is the Management Company that will constitute the Fund and will be responsible for managing and representing the same in accordance with the provisions of Royal Decree 926/1998. It is also the Management Company’s duty, as the manager of third-party funds, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors.

The Management Company is responsible for the facts and figures contained in the Offering Circular, without prejudice to the responsibility of the other undertakings involved.

0.3 Bonds issued by the Fund.

Bond Issue: Face value of EUR 1,000,000,000.00 consisting of 10,000 asset-backed bonds (the “**Bonds**”) having a face value of EUR 100,000.00, represented by means of book entries and comprised of four Bond Series distributed as follows:

• Class A	• Series A1:	EUR 725,300,000.00, consisting of 7,253 Bonds
	• Series A2(G):	EUR 215,300,000.00, consisting of 2,153 Bonds
• Class B / Series B:		EUR 40,800,000.00, consisting of 408 Bonds
• Class C / Series C:		EUR 18,600,000.00, consisting of 186 Bonds

In the events provided for in this Offering Circular, Series A2(G) is the last one to begin to be amortised.

Credit risk ratings: provisional ratings have been assigned by the Rating Agencies Fitch Rating España, S.A. (“**Fitch**”), Moody’s Investors Service España, S.A. (“**Moody’s**”) and Standard & Poor’s España, S.A. (“**S&P**”).

	Fitch Ratings	Moody's Ratings	S&P Ratings
• Series A1	AAA	Aaa	AAA
• Series A2(G)	AAA	Aaa	AAA
• Series B	A	A2	A
• Series C	BBB+	Baa2	BBB

State Guarantee:

The Series A2(G) Bonds (the “**Guaranteed Series**”) shall be secured by the State Guarantee, which shall secure, waiving the benefit of discussion established in article 1830 of the Civil Code, payment of principal and interest of the Guaranteed Series A2(G) Bonds.

The Economy and Finance Ministry shall in a Ministerial Order issue the Guarantee to the Fund before it is constituted, making its enforceability conditional on (i) this Offering Circular being registered at the CNMV, (ii) execution of the Fund Deed of Constitution and registration thereof at the CNMV, (iii) confirmation by the start of the Subscription Period of the provisional ratings assigned by the Rating Agencies to each of the Series as final ratings, (iv) the Bond Issue Management, Underwriting and Placement Agreement not being terminated, and (v) submission of certain documents as set forth in section II.15.2.1 of the Offering Circular.

The Guarantee amounts to (i) EUR two hundred and fifteen million three hundred thousand (215,300,000.00), equivalent to the sum of the face amount of the Series A2(G) Bonds issued, plus (ii) interest on that face amount of this Series.

Secondary market where listing of the Bonds for trading will be applied for: AIAF FIXED-INCOME MARKET (AIAF MERCADO DE RENTA FIJA) (“**AIAF**”).

Institution in charge of the Bond accounting record: SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. (either “**Systems Company**” or “**Iberclear**”).

Bondholders shall be identified as such when entered in the accounting record kept by the members of Iberclear.

0.3.1 Issue Price: 100 percent of the face value of each Bond (EUR 100,000.00), clear of taxes and subscription costs for the subscriber through the Fund.

0.3.2 Nominal Interest Rate: variable quarterly, shall be the result of adding: (i) the Reference Rate and (ii) the following margins for each of the Series, in accordance with the provisions of section II.10.1 of the Offering Circular.

- **Series A1:** margin ranging between 0.07% and 0.19%, both inclusive.
- **Series A2(G):** margin ranging between -0.02% and 0.04%, both inclusive.
- **Series B:** margin ranging between 0.25% and 0.50%, both inclusive.
- **Series C:** margin ranging between 0.60% and 1.00%, both inclusive.

The margin applicable to each of the Series, expressed as a percentage, shall be determined with one accord among the Lead Managers by 10am (CET time) on the day of the Subscription Period (November 30, 2004). Failing an agreement, the Management Company shall fix the specific margin for the Series in respect of which no margin was agreed, as follows:

- **Series A1:** 0.13% margin.
- **Series A2(G):** 0.02% margin.
- **Series B:** 0.40% margin.
- **Series C:** 0.75% margin.

Reference Rate: three- (3-) month Euribor rate, fixed at 11am (CET time) on the Interest Rate Fixing Date (second Business Day preceding each Payment Date), or, upon the failure or impossibility to obtain the same, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between the one- (1-) month Euribor rate and the two- (2-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

Principal repayment and interest payment dates: January 21, April 21, July 21 and October 21 in each year or the following Business Day if any of those is not a Business Day. The first interest Payment Date shall be January 21, 2005 and the first principal repayment date shall be the Payment Date falling on April 21, 2006.

0.3.3 Amortisation of the Bonds.

Redemption Price: 100 percent of the face value of each Bond.

Amortisation of Series A1 Bonds.

Series A1 Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A1, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, prorated between the Bonds in Series A1 proper by reducing the face amount of each Series A1 Bond. The first partial amortisation of the Series A1 Bonds shall take place on the Payment Date falling on April 21, 2006.

The final amortisation of the Series A1 Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Amortisation of Series A2(G) Bonds.

Series A2(G) Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A2(G), in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, prorated between the Bonds in Series A2(G) proper by reducing the face amount of each Series A2(G) Bond.

The first partial amortisation of the Series A2(G) Bonds shall take place once the Series A1 Bonds have been fully amortised. However, even if Series A1 has not been fully amortised, the Series A2(G) Bonds will also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances provided for in the rules for Distribution of Available Funds for Amortisation between each Series.

The final amortisation of the Series A2(G) Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Amortisation of Series B Bonds.

Series B Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, prorated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once the Class A Bonds have been fully amortised. However, even if Class A has not been fully amortised, the Available Funds for Amortisation shall also be

applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, in such a way that the ratio of the Outstanding Principal Balance of Series B to the Outstanding Principal Balance of the Bond Issue is kept at 8.16%, or higher percentage closest thereto.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Amortisation of Series C Bonds.

Series C Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, prorated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once the Class A and the Series B Bonds have been fully amortised. However, even if Class A and Series B have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, in such a way that the ratio of the Outstanding Principal Balance of Series C to the Outstanding Principal Balance of the Bond Issue is kept at 3.72%, or higher percentage closest thereto.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

0.3.4 Bond subscription and placement procedure.

Lead Managers: BBVA and JPMORGAN

Underwriters and Placement Agents: BBVA, JPMORGAN, ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK

Investors to whom the Bonds are offered: the placement of the Bond Issue is exclusively targeted at institutional investors.

Subscription Period: shall commence at 1pm (CET time) on November 30, 2004 and end at 3pm (CET time) on the same day.

Closing Date: by 12 o'clock midday (CET time) on December 2, 2004.

0.3.5 Jurisdiction in the event of litigation.

The constitution of the Fund, the Bond issue and the agreements for transactions hedging financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund shall be subject to Spanish Law. In any event, the Deed of Constitution and the transaction agreements to be entered into on behalf of the Fund shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond Issue by the same, shall be heard by and ruled upon by the competent Spanish Courts and Tribunals.

0.4 Assets pooled in the Fund.

The Fund shall only pool credit rights owned by BBVA derived from bilateral loans granted by BBVA to non-financial small and medium-sized enterprises (legal persons and sole traders) registered in Spain (the “**Obligors**”), all of which are small and medium-sized enterprises (“**SMEs**”) as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996) (the “**Loans**”).

The Management Company, for and on behalf of the Fund, and BBVA as Originator, shall in the Deed of Constitution perfect the agreement assigning the Loans to the Fund, effective as of that date, as follows:

- (i) The assignment of loans with real estate mortgage security (Mortgage Loans) shall be perfected by means of the issue by BBVA of and subscription by the Fund for pass-through certificates (the “**Pass-Through Certificates**”).
- (ii) Loans with no real estate mortgage security (Non-Mortgage Loans) shall be assigned directly without any securities being issued.

The Loans shall be taken from a selection comprised of 15,028 BBVA portfolio loans, the outstanding principal of which amounted as of November 10, 2004 to EUR 1,267,777,017.83, with an overdue principal of EUR 1,384,883.18 (0.11% of the outstanding principal). The detailed characteristics of the mortgage loans selected are described in section IV.4 of the Offering Circular. From the selection of loans, BBVA shall choose for assignment to the Fund upon being constituted, loans that are in good standing in payments or with an arrears not in excess of one (1) month and loans with final maturity from longer to shorter term up to an amount at least equal to EUR one billion (1,000,000,000.00).

Of the 15,028 loans selected as of November 10, 2004, loans with mortgage security represent 21.54% of the loan number and 47.08% of the outstanding principal, and loans with no mortgage security represent 78.46% of the loan number and 52.92% of the outstanding principal.

0.5 Risk hedging and service transactions arranged for on behalf of the Fund.

The Management Company shall, for and on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the following financial and service provision transactions:

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Guaranteed Interest Rate Account (Amortisation Account) Agreement.
- (iii) Subordinated Credit Agreement amounting to EUR 20,600,000.00.
- (iv) Start-Up Loan Agreement amounting to EUR 1,350,000.00.
- (v) Interest Swap Agreement.
- (vi) Loan Servicing and Management and Pass-Through Certificate Custody Agreement.
- (vii) Bond Issue Management, Underwriting and Placement Agreement.
- (viii) Bond Paying Agent Agreement.
- (ix) Financial Intermediation Agreement.

In addition, the Economy and Finance Ministry shall in a Ministerial Order grant the State Guarantee to the Fund before it is constituted.

0.6 Priority rules established in Fund payments.

0.6.1 Fund Priority of Payments from the first Payment Date, inclusive, until the last Payment Date or final liquidation of the Fund, exclusive.

On each Payment Date other than the Final Maturity Date or the Payment Date on which the Early Liquidation of the Fund occurs, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in accordance with the priority of payments established hereinafter for each of them (the “**Priority of Payments**”).

0.6.1.1 Available Funds: source and application.

1. Source.

The available funds on each Payment Date (the “**Available Funds**”) to meet the payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account and, as the case may be, the Surplus Account transferred from the Treasury Account:

- a) Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Ordinary and late-payment interest received on the Loans during the Determination Period preceding the relevant Payment Date.
- c) The return received on the amounts credited to the Treasury Account.
- d) The return received on the amounts credited to the Amortisation Account and, as the case may be, the Surplus Account.
- e) Drawdowns on the Subordinated Credit, designed only to meet the payment or withholding obligations numbered 1 to 9, both inclusive, listed in section 2 below.
- f) If it is ever set up, the amount of the Cash Reserve on the Determination Date preceding the relevant Payment Date.
- g) Net amounts, if any, received by the Fund under the Interest Swap Agreement and, in the event of termination of the Agreement, the amount making up the settlement payment payable by the Fund counterparty (Party B).
- h) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of assets or rights awarded to the Fund.

Income under items a), b) and h) above received by the Fund and credited to the Treasury Account from the Determination Date, exclusive, preceding the Payment Date for the latter, shall not be included in the Available Funds on the relevant Payment Date, and that amount shall remain credited to the Treasury Account to be included in the Available Funds on the following Payment Date.

Additionally, albeit not included in the Available Funds, the Fund shall avail of and use for paying Series A2(G) interest only in the 4th priority in paragraph 2 below, the amount drawn under the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date.

2. Application.

The Available Funds shall be applied on each Payment Date, from the first Payment Date, inclusive, and until the last Payment Date or final liquidation of the Fund, exclusive, to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments, irrespective of the time of accrual, other than the application established in item number 1, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment to the Servicer of the fee established in the Servicing Agreement.
3. Payment of the net amount payable, as the case may be, by the Fund under the Financial Swap Agreement and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the amount to be settled by the Fund comprising the settlement payment.
4.
 - Payment of interest due on the Series A1 Bonds.
 - Payment of interest due on the Series A2(G) Bonds.
 - Repayment to the State of amounts paid to the Fund by drawing under the Guarantee for payment of interest on the guaranteed Series A2(G) Bonds.
5. Payment of interest due on the Series B Bonds unless this payment is deferred to 8th place in the priority of payments.

This payment shall be deferred to 8th place when on the Determination Date preceding the relevant Payment Date the amount resulting from reducing the sum of the Outstanding Principal Balance of Class A and amounts due to the State upon the Guarantee being drawn down for repayment of guaranteed Series A2(G) Bond principal by the following amounts: a) the Available Funds remaining after deducting the amounts applied to the payment obligations listed in 1st to 5th place, b) the Outstanding Balance of Non-Doubtful Loans, and c) until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, is above zero.
6. Payment of interest due on the Series C Bonds unless this payment is deferred to 9th place in the priority of payments.

This payment shall be deferred to 9th place when on the Determination Date preceding the relevant Payment Date the amount resulting from reducing the Outstanding Principal Balance of Class A, of Series B and amounts due to the State upon the Guarantee being drawn down for repayment of Series A2(G) Bond principal by the following amounts: a) the Available Funds remaining after deducting the amounts applied to the payment obligations listed in 1st to 6th place, b) the Outstanding Balance of Non-Doubtful Loans, and c) until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, is above zero.
7. Bond principal Amortisation Withholding in an amount equal to the positive difference if any as of the Determination Date preceding the relevant Payment Date between (i) the Outstanding Principal Balance of the Bond Issue, minus, until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, and increased by amounts repayable to the State upon the Guarantee being drawn down for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied to amortising Bond principal shall be included among the Available Funds for Amortisation and be applied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series established hereinafter in section V.4.2.2.
8. Payment of interest due on the Series B Bonds when this payment is deferred from 5th place in the priority of payments as established therein.
9. Payment of interest due on the Series C Bonds when this payment is deferred from 6th place in the priority of payments as established therein.

10. a) Repayment of Subordinated Credit principal drawn down.

This application shall not occur in the event that the Subordinated Credit has been fully drawn down to set up the Cash Reserve, when it shall be substituted by application b) below, and shall be deferred to 14th place in the priority of payments.

- b) Withholding of an amount sufficient for the Required Cash Reserve to be maintained, substituting application a) above. This application shall not occur on the last Payment Date or Fund liquidation date.

11. Payment of interest due on the Subordinated Credit.

This application shall not occur in the event that the Subordinated Credit has been fully drawn down to set up the Cash Reserve, when it shall be deferred to 13th place.

12. Payment of the amount payable by the Fund comprising the settlement payment under the Interest Swap Agreement other than in the events provided for in 3rd place above.

13. Payment of interest due on the Subordinated Credit when it is deferred from 11th place in the priority of payments as established therein.

14. Repayment of Subordinated Credit principal drawn down when it is deferred from 10th place in the priority of payments as established therein and in the amount of the repayment thereof.

15. Payment of interest due on the Start-Up Loan.

16. Repayment of Start-Up Loan principal in the amortised amount.

17. Payment of the variable remuneration established in the Financial Intermediation Agreement.

When accounts payable for different items exist in a same priority order number on the Payment Date and the Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

0.6.1.2 Available Funds for Amortisation: source and application.

1. Source.

The available funds for amortisation on each Payment Date (the “**Available Funds for Amortisation**”) shall be the following:

- a) The Amortisation Withholding amount applied in 7th place of the Available Funds on the relevant Payment Date.
- b) Exclusively on the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, on the preceding Determination Date.

Additionally, and not included among the Available Funds for Amortisation, the Fund shall avail of and use for repaying Series A2(G) principal only, the amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date.

2. Distribution of Available Funds for Amortisation between each Series.

The Available Funds for Amortisation shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules (“**Distribution of Available Funds for Amortisation between each Series**”):

1. Until the Payment Date falling on January 21, 2006, inclusive, the Available Funds for Amortisation shall be credited to the Amortisation Account.

2. From the Payment Date falling on April 21, 2006, inclusive, the Available Funds for Amortisation shall be sequentially applied firstly to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A2(G) until respectively fully amortised and repaid, secondly to amortising Series B until fully amortised and thirdly to amortising Series C until fully amortised, notwithstanding the provisions of rules 4 and 5 below for pro rata amortisation of the different Series.
3. The Available Funds for Amortisation applied to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A2(G), both under rule 2 above and under rules 4 and 5 below, shall be applied as follows:
 - 3.1 Ordinary application in the following order:
 1. Repayment of Series A1 Bond principal.
 2. Repayment of Series A2(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A2(G) Bond principal, once the Series A1 Bonds have been fully amortised.

Nevertheless, If there is an Amortisation Deficiency on the then-current Payment Date, the amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A2(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A2(G)) shall be applied firstly to amortising Series A2(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A2(G).
 - 3.2 Exceptional pro rata application of Class A ("**Pro Rata Amortisation of Class A**"): The application priority of paragraph 3.1 above shall be stopped on any Payment Date if on the Determination Date preceding the relevant Payment Date the ratio of (i) the Outstanding Balance of Loans in good standing in payment of amounts due and payable or, if delinquent, with an arrears of less than three (3) months, increased by the Amortisation Account and Surplus Account balance transferred from the Amortisation Account, if any, and by the amount of the Loan principal repayment income received during the preceding Determination Period, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1.

In that event, on the relevant Payment Date, the Available Funds for Amortisation shall be distributed among the items set out in paragraph 3.1 above as follows:

 - a) They shall be prorated directly in proportion to (i) the Outstanding Principal Balance of Series A1 and (ii) the Outstanding Principal Balance of Series A2(G) increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A2(G).
 - b) The amount assigned to the Series A1 Bonds as provided for in item (i) of paragraph a) above shall be applied to amortising Series A1 Bonds.
 - c) The amount assigned to the Series A2(G) Bonds and to the amounts due upon enforcing the Guarantee for amortising Series A2(G), in accordance with item (ii) of paragraph a) above, shall be applied to amortising Series A2(G) Bonds and repayment to the State of the aforesaid amounts due as provided for in 2nd place in paragraph 3.1 above.
4. However, even if Class A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and Series C on the Payment Date on which the following circumstances are all satisfied ("**Conditions for Pro Rata Amortisation**"):
 - i) that on the preceding Determination Date, the amount of the Outstanding Balance of Delinquent Loans is less than 1.5% of the Outstanding Balance of Non-Doubtful Loans,
 - ii) that the sum of the Outstanding Principal Balance of Series B and of Series C on the preceding Determination Date is equal to or greater than 11.88% of the difference between the Outstanding Principal Balance of the Bond Issue on the preceding Determination Date and the Available Funds for Amortisation on the relevant Payment Date,
 - iii) that on the preceding Payment Date, a) the available Subordinated Credit amount is not less than the Maximum Subordinated Credit Amount on that Payment Date, or b), in place of a) if it is ever set up, the Cash Reserve shall have been provisioned up to the Required Cash Reserve on that Payment Date, and

- iv) that on the preceding Determination Date, the amount of the Outstanding Balance of Non-Doubtful Loans is equal to or greater than 10 percent of the face amount of the Bond Issue.
5. In the event that the amortisation of Series B and of Series C should apply on a Payment Date as provided for in rule 4 above, the Available Funds for Amortisation shall also be applied to amortising Series B and to amortising Series C in such a way that the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively kept at 8.16% and at 3.72%, or higher percentages closest thereto.

0.6.2 Fund Liquidation Priority of Payments.

The Management Company shall proceed to liquidate the Fund upon the Fund being liquidated on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation in accordance with the provisions of section III.7 of the Offering Circular, by applying the available funds to the following items (the "**Liquidation Available Funds**"): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the remaining assets and, as the case may be, (iii) the amount drawn under the liquidity facility for final amortisation of the Bonds, in accordance with the provisions of section III.7.1, in the following priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the final tax, administrative or advertising termination and liquidation expenses.
2. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
3. Payment to the Servicer of the fee established in the Servicing Agreement.
4. Payment of amounts, if any, due upon termination of the Interest Swap and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the amount to be settled by the Fund comprising the settlement payment.
5. Payment of interest due on the Series A1 and on the Series A2(G) Bonds and repayment to the State of amounts paid to the Fund by drawing under the Guarantee, for payment of guaranteed Series A2(G) Bond interest.
6. Repayment of Series A1 and Series A2(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A2(G) Bond principal.
7. Payment of interest due on the Series B Bonds,.
8. Repayment of Series B Bond principal.
9. Payment of interest due on the Series C Bonds.
10. Repayment of Series C Bond principal.
11. Payment of the amount payable by the Fund comprising the settlement payment under the Interest Swap Agreement other than in the events provided for in 4th place above.
12. Payment of ordinary interest due and repayment of principal on the Subordinated Credit.
13. Payment of interest due and repayment of principal on the Start-Up Loan.
14. Payment of the variable remuneration established under the Financial Intermediation Agreement.

Additionally, albeit not included in the Liquidation Available Funds, the Fund shall avail of and use for respectively paying and repaying Series A2(G) interest and principal in 5th and 6th place, the amount drawn under the State Guarantee paid to the Fund.

When accounts payable for different items exist in a same priority order number on the Final Maturity Date or on the Payment Date on which the Early Liquidation occurs and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation Available

Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

0.7 Liquidation and termination of the Fund.

Termination of the Fund.

The Fund shall terminate in the following circumstances:

- (i) Upon the Loans pooled therein being fully amortised.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) Upon the Early Liquidation procedure ending, subject to the requirements and procedures contained in section III.7.1 of the Offering Circular.
- (iv) At all events, upon the Fund being finally liquidated on the Final Maturity Date, on April 21, 2028 or the following Business Day if that is not a Business Day.
- (v) Upon the Fund constitution terminating in the event that the Rating Agencies should not confirm any of the assigned provisional ratings as final ratings by the start of the Subscription Period or in the event of Termination of the Bond Issue Management, Underwriting and Placement Agreement.

0.8 Risks inherent in the Bonds.

a) Risk of default on the Loans.

The holders of the Bonds issued by the Fund shall bear the risk of default on the Loans pooled in the Fund.

b) Limited Hedging.

A high level of delinquency of the Loans might reduce or indeed exhaust the limited hedging against Loan portfolio losses that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Offering Circular. That risk of default is additionally hedged for the holders of Series A2(G) Bonds by the State Guarantee described in section II.15.2 of the Offering Circular, although the amounts requested upon every enforcement of the Guarantee shall be paid to the Fund within not more than ninety (90) days from the date of request by the Management Company and, therefore, the amounts required to satisfy interest payable and/or principal repayment might not be paid to the Series A2(G) Bondholders on the relevant Payment Date, and will in any event be paid to them on the Payment Date immediately following the day on which they are paid to the Fund by the Directorate-General of the Treasury and Financial Policy..

The degree of subordination in payment of interest and repayment of principal between the Bonds in the different Series, derived from the Priority of Payments and the Liquidation Priority of Payments of the Fund, is a mechanism for distinctly hedging the different Series.

c) Loan prepayment risk.

There will be a prepayment of the Loans pooled in the Fund when the Loan Obligors prepay the portion of principal pending repayment or in the event that BBVA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so or in any other event having the same effect.

That prepayment risk shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of the rules for Distribution of Available Funds for Amortisation between each Series.

d) Liquidity.

There is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

There is no undertaking that any institution will be involved in secondary trading, giving the Bonds liquidity by offering consideration.

Moreover, the Fund may in no event repurchase the Bonds from Bondholders. Nevertheless, the Bonds may be fully subject to early amortisation in the event of Early Liquidation of the Fund.

e) Yield.

Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' employment and economic status and the general level of economic activity, preventing their predictability.

Calculation of the internal rate of return, average life and duration of the Bonds in each Series is subject, inter alia, to assumed Loan prepayment and delinquency rates that may not be fulfilled, and to future market interest rates, given the floating Nominal Interest Rate of each Series.

f) Late-payment interest.

Late payment of interest or repayment of principal to the Bondholders shall under no circumstances result in late-payment interest accruing to their favour.

0.9 No right of action.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against Obligors who may have defaulted on their Loan payment obligations or against the Originator. Any such rights shall lie with the Management Company, representing the Fund.

The Bondholders and the remaining creditors of the Fund shall have no actions against the Management Company other than as derived from breaches of its duties and, therefore, at no event as a result of the existence of default or prepayment of the Loans, a breach by the Originator of its obligations or by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

CHAPTER I

PERSONS TAKING RESPONSIBILITY FOR AND BODIES SUPERVISING THE CONTENTS OF THE OFFERING CIRCULAR

I.1 Persons taking responsibility for the contents of the Offering Circular.

I.1.1 Individual(s) taking responsibility for the contents of the Offering Circular on behalf of the Management Company.

Mr Mario Masiá Vicente, of full age, who holds Spanish Tax Identification number 50,796,768-A, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the "**Management Company**"), the company sponsoring BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS (the "**Fund**"), takes responsibility for the contents of this Offering Circular.

Mr Mario Masiá Vicente is acting as General Manager of the Management Company using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, and expressly for constituting the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee at its meeting held on July 27, 2004.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN has its registered office at Madrid, Calle Lagasca, number 120, and VAT Reg. no. A-80514466.

I.1.2 Declaration by the above-mentioned individual(s) on the information contained in the Offering Circular.

Mr Mario Masiá Vicente declares that the facts and figures contained in this Offering Circular are truthful and that no relevant detail has been omitted nor has misleading information been included.

I.2 Supervisory Bodies.

The constitution of the Fund and issue of the Asset-Backed Bonds (hereinafter also the "**Bonds**") are subject to the condition precedent of registration in the Official Registers of the Comisión Nacional del Mercado de Valores (the "**CNMV**") of this Offering Circular and other supporting documents, in accordance with the provisions of article 5.1.e) of Royal Decree 926/1998.

This full Offering Circular regarding the constitution of the Fund and issue of the Bonds has been entered in the Official Registers of the CNMV on November 25, 2004.

Registration of this Offering Circular by the CNMV does not imply recommending subscription for or purchase of the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the Fund or yield of the issued or offered securities.

I.3 Audit report on the assets securitised through the Fund.

Appendix 4 to this Offering Circular contains the Audit Report on a selection of BBVA portfolio loans, which shall mostly be assigned to the Fund upon being constituted. That Report was drawn up by the firm Deloitte & Touche España S.L. ("**Deloitte**"), entered in the Official Register of Auditors (ROAC) under number S0692 and having its registered office in Madrid, Raimundo Fernández Villaverde number 65.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample transactions and specifically regarding: nature of the loan and obligor, title, identification of the obligor, transfer of the assets, SME nature, date of origination of the loan, date of maturity of the loan, repayment term

(at origination) not shorter than one year, initial loan amount, current balance of the loan (outstanding principal), reference index or interest rate, interest rate spread, arrears in payment, insolvency status, and additionally for loans with mortgage security, arrangement of the mortgage loan and mortgage security. Loans in respect of which errors are detected in verifying the sample shall not be assigned to the Fund by BBVA.

CHAPTER II

INFORMATION REGARDING THE SECURITIES ISSUED BY THE FUND

II.1 Information on prerequisites and resolutions necessary.

II.1.1 Issue resolutions and statutory requirements.

a) Corporate resolutions.

Resolution to assign the Loans:

At meetings respectively held on July 23 and October 20, 2004, the Board of Directors and the Standing Executive Committee of BANCO BILBAO VIZCAYA ARGENTARIA S.A. ("**BBVA**") duly adopted resolutions for the issue of pass-through certificates and the assignment of loans without mortgage security to be pooled in the Fund.

Attached as Appendix 3 to this Offering Circular is a photocopy of the transcript of the resolutions of the Board of Directors and of the Standing Executive Committee of BBVA.

Resolution to set up the Fund:

At its meeting of July 27, 2004, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN resolved that:

- i) BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS be set up in pursuance of the Ministerial Order of December 28, 2001, and in accordance with the legal system for which provision is made in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- ii) Credit rights assigned by BBVA derived from bilateral mortgage and personal loans granted by BBVA to non-financial small and medium-sized enterprises registered in Spain be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

Attached as Appendix 2 is a photocopy of a transcript of the resolutions of the Executive Committee of the Management Company's Board of Directors.

b) Agreements relating to the execution of the State Guarantee.

In accordance with the provisions of section Two of the Order of December 28, 2001, the Management Company entered into a standard Collaboration Agreement with the Industry, Tourism and Commerce Ministry to constitute the Fund for fostering business financing on October 29, 2004.

Furthermore, in accordance with the provisions of section Three of the Order of December 28, 2001, BBVA entered on October 29, 2004 into the Framework Collaboration Agreement with the Industry, Tourism and Commerce Ministry to determine the credits eligible for assignment to the Fund.

c) Registration by the CNMV.

The constitution of the Fund and issue of the Bonds are subject to the condition precedent of registration by the CNMV of an Offering Circular.

This Offering Circular regarding the constitution of the Fund and issue of the Bonds has been entered by the CNMV in its Official Registers on November 25, 2004.

d) Execution of the Fund public deed of constitution.

Upon the CNMV registering this Offering Circular, the Management Company and BBVA, Originator of the Loans, shall proceed to execute on November 29, 2004 a public deed whereby BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS will be constituted, BBVA will assign to the Fund Non-Mortgage Loans and Mortgage Loans by means of the issue of Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds (the “**Deed of Constitution**”), on the terms provided in article 6 of Royal Decree 926/1998. The Management Company undertakes that there will be no differences between the contents of the Deed of Constitution and the contents of this Offering Circular contradicting, changing, altering or invalidating the contents of this Offering Circular.

The Management Company shall submit a copy of the Deed of Constitution to the CNMV to be entered in the public registers before the Bond Subscription Period begins.

II.1.2 Information on prerequisites and resolutions for listing on the Stock Exchange or on an organised secondary market.

The Bonds issued by the Fund shall be exclusively represented by means of book entries and the Fund Deed of Constitution shall have the effects provided in article 6 of Securities Market Act 24/1988, July 28, as currently worded (the “**Securities Market Act**”). The Management Company shall, for and on behalf of the Fund, forthwith upon the execution of the Deed of Constitution, apply for the Bonds to be included in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (either “**Systems Company**” or “**Iberclear**”), and, once the Bonds have been paid up, for this Bond issue to be included on AIAF Fixed-Income Market (“**AIAF**”), which is a recognised official secondary securities market pursuant to Transitional Provision six of Securities Market Act Reform Act 37/1998, November 16, in order for the Bonds to be traded, cleared and settled in accordance with the operating rules which may be established now or henceforth by Iberclear and AIAF.

II.2 Prior administrative authorisations of the Bond Issue.

No prior administrative authorisation other than registration of the Offering Circular by the CNMV is required. The CNMV has made no warning or consideration whatsoever concerning the constitution of the Fund and the Bond Issue.

Registration of the Offering Circular by the CNMV does not imply recommending subscription for the Bonds, nor indeed any statement whatsoever as to the solvency of the Fund or yield of the Bond Issue.

II.3 Assessment of the risk inherent in the securities issued by the Fund by a rating firm recognised by the CNMV.

The Management Company has entrusted the assessment of the Bond credit risk to the rating agencies Fitch Rating España, S.A., Moody’s Investors Service España, S.A. and Standard & Poor’s España, S.A., which rating agencies (jointly the “**Rating Agencies**”) are recognised by the CNMV, for the purposes of the provisions of article 2.3.b) of Royal Decree 926/1998.

Fitch Rating España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Fitch Ratings Limited (each of them “**Fitch**” without distinction).

On November 24, 2004, Fitch Rating España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period. The Series A2(G) Bonds have a provisional AAA rating assigned prior to the Spanish State guarantee on that Series A2(G).

Bond Series	Fitch Ratings
Series A1	AAA
Series A2(G)	AAA
Series B	A

Series C **BBB+**

Moody's Investors Service España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Moody's Investors Service Limited (each of them "Moody's" without distinction).

On November 23, 2004, Moody's Investors Service España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period. The Series A2(G) Bonds have a provisional Aaa rating assigned prior to the Spanish State guarantee on that Series A2(G).

Bond Series	Moody's Ratings
Series A1	Aaa
Series A2(G)	Aaa
Series B	A2
Series C	Baa2

Standard & Poor's España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Standard & Poor's Rating Services (each of them "S&P" without distinction).

On November 23, 2004, Standard & Poor's España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period. The Series A2(G) Bonds have a provisional AAA rating assigned prior to the Spanish State guarantee on that Series A2(G).

Bond Series	S&P Ratings
Series A1	AAA
Series A2(G)	AAA
Series B	A
Series C	BBB

If the Rating Agencies should not confirm any of the assigned provisional ratings as final by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.4.2.b).2 of this Offering Circular. Furthermore, this circumstance would result in the Fund constitution, the Bond Issue and the assignment of the Loans terminating.

Appendix 5 to this Offering Circular contains a copy of the letters notifying the provisional ratings assigned by Fitch, Moody's and S&P.

Ratings given by Fitch.

The following are Fitch’s rating scales for long- and short-term debt issues:

Long-Term	Short-Term
AAA	
AA+	F1+
AA	
AA-	
A+	F1
A	
A-	F2
BBB+	
BBB	
BBB-	F3
BB+	
BB	
BB-	B
B+	
B	
B-	
CCC+	
CCC	
CCC-	C
CC	
C	
DDD	
DD	D
D	

The following is the meaning ascribed by Fitch to the long- and short-term ratings used in this Offering Circular and the intermediates between them.

Long-Term

- AAA** Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of principal and interest on financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
- AA** Very high credit quality. “AA” ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of principal and interest on financial commitments. This capacity is not significantly vulnerable to foreseeable events
- A** High credit quality. “A” ratings denote a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances and in economic conditions than is the case for higher ratings.
- BBB** Good credit quality. “BBB” ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.
- BB** This is the highest rating within the “speculative grade” category. “BB” ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time.

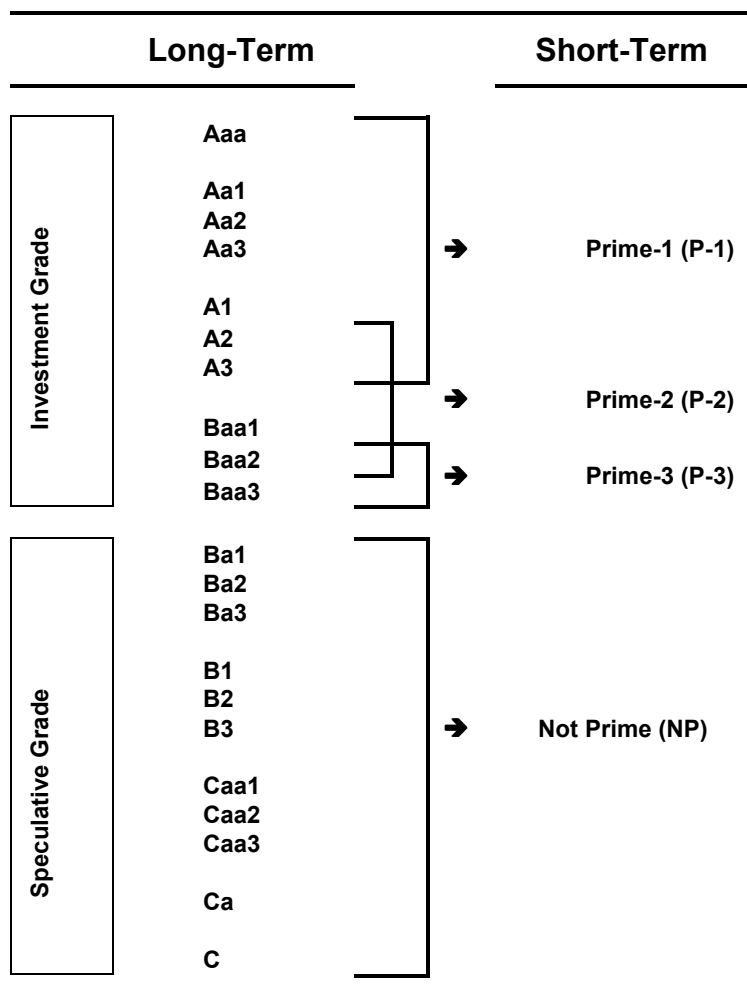
Short-Term

- F1** Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.
- F2** Good credit quality. Indicates a satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.

Fitch may append “+” or “-” to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” long-term rating category, to categories below “CCC”, or to short-term ratings other than “F1”.

Ratings given by Moody’s.

The following are Moody’s rating scales for long- and short-term debt issues:



The following is the meaning ascribed by Moody’s to the long- and short-term ratings used in this Offering Circular and the intermediates between them.

Long-Term

- Aaa** Bonds which are rated “Aaa” are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as “gilt-edged”. Interest payments are protected by a large or by an exceptionally stable margin and the principal is secure.
- Aa** Bonds which are rated “Aa” are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.
- A** Bonds which are rated “A” possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest payments are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa** Bonds which are rated “Baa” are considered as medium-grade obligations. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or

may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

- Ba** Bonds which are rated “Ba” are judged to have speculative elements; their future cannot be considered as well-assured. Often the protection of interest and principal payments may be very moderate, and thereby not well safeguarded during both good and bad times over the future.

Moody’s applies numerical modifiers 1, 2, and 3 in each long-term rating category from Aa through Caa, inclusive. Modifier 1 indicates that the security ranks in the higher end of its rating category; modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking in the lower end.

Short-Term

- P-1** Superior ability to repay short-term debt obligations.

Ratings given by S&P.

The following are S&P’s rating scales for long- and short-term debt issues:

	Long-Term		Short-Term	
Investment Grade	AAA		A -1+	
	AA+			
	AA			
	AA-			
	A+			
	A		→	A -1
	A-			
	BBB+		→	A -2
	BBB			
	BBB-		→	A -3
Speculative Grade	BB+			
	BB		B	
	BB-			
	B+			
	B			
	B-		C	
	CCC+			
	CCC			
	CCC-			
	CC			
C		D		
D				

The following is the meaning ascribed by S&P to the long- and short-term ratings used in this Offering Circular and the intermediates between them.

Long-Term:

- AAA** An obligor rated “AAA” has extremely strong capacity to meet its financial commitments. “AAA” is the highest rating assigned by S&P.
- AA** An obligor rated “AA” has very strong capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree.
- A** An obligor rated “A” has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors with higher-rated categories.
- BBB** An obligor rated “BBB” has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
- BB** An obligor rated “BB” is less vulnerable in the near term. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions.

Ratings from “AA” to “CCC”, inclusive, may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Short-Term:

A-1 An obligor rated “A-1” has strong capacity to meet its financial commitments. It is rated in the highest category by S&P. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitments is extremely strong.

A-2 An obligor rated “A-2” is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category. However, the issuer has satisfactory capacity to meet its financial commitments.

Rating considerations.

The ratings assigned to each of the Bond Series by Fitch measure the Fund’s capacity for timely payment of interest and payment of Bond principal throughout the life of the transaction and at all events before the Final Maturity Date, in accordance with the terms stipulated in the Offering Circular and in the Deed of Constitution.

The ratings assigned to each of the Bond Series by Moody’s measure the expected loss before the Final Maturity Date, the structure allowing prompt payment of interest and payment of principal during the life of the transaction and, in any event, before the Final Maturity Date.

The ratings assigned to each of the Bond Series by S&P measure the Fund’s ability to meet payments of interest as they fall due on each set Payment Date and repayment of the principal throughout the life of the transaction and, in any event, before the Final Maturity Date.

The rating takes into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the loans selected to be assigned to the Fund and the regularity and continuity of the operating flows.

The Rating Agencies’ ratings are not an assessment of the likelihood of obligors prepaying principal, nor indeed of the extent to which such prepayments differ from what was originally forecast. The ratings are not by any means a rating of the level of actuarial performance.

The ratings assigned, and any revision or suspension of the ratings:

- (i) are assigned by the Rating Agencies based on manifold information received with respect to which they give no assurance, nor even as to their accuracy or wholeness, wherefore the Rating Agencies may in no event be deemed to be responsible therefor; and
- (ii) are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

The Rating Agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section III.4.2.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BBVA, the Management Company, Lead Managers, auditors, lawyers and other experts.

Undertakings by the Management Company.

The Management Company, on behalf of the Fund, agrees to report regularly to the Rating Agencies as to the status of the Fund and the performance of the Loans in order that they can monitor the rating of the bonds. It shall also report when reasonably required to do so and in any event whenever there is a significant change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the parties concerned.

II.4 Nature and denomination of the Bonds.

The amount of the issue of Asset-Backed Bonds (the “**Bond Issue**” or generically the “**Bonds**”) totals a face value of EUR one billion (1,000,000,000.00) and consists of ten thousand (10,000) Bonds pooled in three Bond Classes distributed into four Series (Series A1, Series A2(G), Series B and Series C) as detailed in section II.6 below.

II.4.1 Legal system of the Bonds, specifying the procedures guaranteeing the certainty and effectiveness of the rights of their first and subsequent holders.

The constitution of and the Bond Issue by the Fund are subject to Spanish Law and in particular are carried out pursuant to the Order of December 28, 2001, and in accordance with the legal system provided for by (i) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system (“**Act 3/1994**”), (iv) Act 44/2000 (in particular article 18 thereof), (v) the Securities Market Act, and (vi) all other legal and statutory provisions in force and applicable from time to time.

The Bonds legally qualify as marketable fixed-income securities with an explicit yield and are subject to the system prescribed in the Securities Market Act and implementing regulations.

As provided in section II.5 of this chapter, the Bonds shall be represented by means of book entries. The Bondholders will be identified as such when entered in the accounting record kept by Iberclear, and the relevant member may issue certificates of title when so requested by the Bondholder and at the Bondholder’s expense; the provisions of the Securities Market Act and of Title I, Chapter I, section four of the Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14, (“**Royal Decree 116/1992**”) will apply in this connection.

The Bonds may be freely transferred by any means admissible at Law and in accordance with the rules of the market on which they are traded. A transfer in the accounts will convey the ownership of each Bond. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties. In this sense, no claim may be lodged against a third party acquiring the Bonds represented by book entries for valuable consideration from whoever has capacity to transfer the same, according to the book entries, unless he acted in bad faith or with gross negligence at the time of the acquisition, in accordance with article 12 of Royal Decree 116/1992.

The Bondholders are bound in respect of interest payment and principal repayment of the Bonds in each Series by the Priority of Payments and the Liquidation Priority of Payments of the Fund.

II.4.2 Servicing implications in each of the Bond Series of the compulsory connection between the schedule of principal and interest payments on those Bonds and the cash flows of the assets securitised through the Fund.

In order to cover timing differences between the scheduled flows of principal and interest on the Loans and on the Bonds in each Series, the Management Company, on behalf of the Fund, shall enter with BBVA into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby the amounts received by the Fund from the Loans, as both repayment of principal and interest, as well as the amounts referred to in section V.3.1 of this Offering Circular, will be invested until the following Bond Payment Date, and a Guaranteed Interest Rate Account (Amortisation Account) Agreement whereby the amount of the Available Funds for Amortisation will be invested and accumulate from the first Payment Date until the Payment Date falling on April 21, 2006, exclusive. Furthermore, the Fund has other financial hedging transactions covering up to a limit the risk of shortfall of the Fund’s resources to service to a different extent the Bonds in each Series and which have been deemed sufficient by the Rating Agencies to assign each Bond Series the rating referred to in section II.3 of this Offering Circular.

II.4.3 Other implications and risks that might, due to the legal and economic nature of the assets pooled in the Fund, affect servicing of the Bonds.

a) Risk of default on the Loans.

The holders of the Bonds shall bear the risk of default on the Loans pooled in the Fund.

BBVA, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Loans. Under article 348 of the Commercial Code, BBVA is liable to the Fund exclusively for the existence and lawfulness of the Loans on the terms and conditions declared in the Deed of Constitution, and for the personality with which the assignment is made. BBVA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Loans, other than the undertakings contained in section IV.1.6 of this Offering Circular regarding the substitution of Loans or Pass-Through Certificates failing to conform, upon the Fund being constituted, to the representations contained in section IV.1.4 of this Offering Circular and in the Deed of Constitution.

The Bonds issued by the Fund neither represent nor constitute an obligation of BBVA or the Management Company. Excepting the State Guarantee, no other guarantees have been granted by any public or private organisation whatsoever, including BBVA, the Management Company and any of their affiliated or associated companies.

b) Limited Hedging.

A high level of delinquency of the Loans might reduce or indeed exhaust the limited hedging against Loan portfolio losses that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Offering Circular. That risk of default is additionally hedged for the holders of Series A2(G) Bonds by the State Guarantee described in section II.5.2 of this Offering Circular, although the amounts requested upon every enforcement of the Guarantee shall be paid to the Fund within not more than ninety (90) days from the date of request by the Management Company and, therefore, the amounts required to satisfy interest payable and/or principal repayment might not be paid to the Series A2(G) Bondholders on the relevant Payment Date, and will in any event be paid to them on the Payment Date immediately following the day on which they are paid to the Fund by the Directorate-General of the Treasury and Financial Policy.

The degree of subordination in payment of interest and repayment of principal between the Bonds in the different Series derived from the Priority of Payments and the Liquidation Priority of Payments of the Fund is a mechanism for distinctly hedging the different Series.

c) Loan prepayment risk.

There will be a prepayment of the Loans pooled in the Fund when the Obligors prepay the portion of principal pending repayment or in the event that BBVA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so or in any other event having the same effect.

That prepayment risk shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.6 and V.4.2.2 of this Offering Circular.

d) Liquidity.

There is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

There is no undertaking that any institution will be involved in secondary trading, giving the Bonds liquidity by offering consideration.

Moreover, the Fund may in no event repurchase the Bonds from Bondholders. Nevertheless, the Bonds may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms established in section III.7 of this Offering Circular.

e) Yield.

Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' employment and economic status and the general level of economic activity, preventing their predictability.

Calculation of the internal rate of return, average life and duration of the Bonds in each Series is subject, inter alia, to assumed Loan prepayment rates that may not be fulfilled, and to future market interest rates, given the floating nature of the Nominal Interest Rate of each Series.

f) Late-payment interest.

Late payment of interest or repayment of principal to the Bondholders shall under no circumstances result in late-payment interest accruing to their favour.

II.5 Form of representation and name and place of business of the institution in charge of the accounting record.

The Bonds issued by the Fund will be exclusively represented by means of book entries, and will become such Bonds when entered at Iberclear, the institution in charge of the accounting record, in accordance with article 11 of Royal Decree 116/1992. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

Iberclear shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities listed on the AIAF, and represented by book entries, established now or henceforth by Iberclear or AIAF. Such designation shall be entered in the official registers of the CNMV.

Bondholders shall be identified as such when entered in the accounting record kept by the members of Iberclear.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., has its place of business at Calle Pedro Teixeira, no. 8, Madrid.

II.6 Nominal amount of the Bond Issue.

The amount of the Bond Issue totals a face value of EUR one billion (1,000,000,000.00) and consists of ten thousand (10,000) Bonds denominated in euros and comprised of three Bond Classes, distributed into four Series as follows:

- a) Class A comprising two Series having a face amount of EUR nine hundred and forty million six hundred thousand (940,600,000.00) (either "**Class A**" or the "**Class A Bonds**"):
 - i) Series A1 having a total face amount of EUR seven hundred and twenty-five million three hundred thousand (725,300,000.00) comprising seven thousand two hundred and fifty-three (7,253) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A1**" or the "**Series A1 Bonds**").
 - ii) Series A2(G) having a total face amount of EUR two hundred and fifteen million three hundred thousand (215,300,000.00) comprising two thousand one hundred and fifty-three (2,153) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A2(G)**" or the "**Series A2(G) Bonds**").
- b) Class B comprising a single Series B having a total face amount of EUR forty million eight hundred thousand (40,800,000.00) comprising four hundred and eight (408) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or the "**Series B Bonds**").
- c) Class C comprising a single Series C having a total face amount of EUR eighteen million six hundred thousand (18,600,000.00) comprising one hundred and eighty-six (186) Bonds having a unit face value of

EUR one hundred thousand (100,000), represented by means of book entries (either “**Series C**” or the “**Series C Bonds**”).

Payment of interest and repayment of principal on the Series B Bonds is deferred with respect to the Class A (Series A1 and A2(G)) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Payment of interest and repayment of principal on the Series C Bonds is deferred with respect to the Class A (Series A1 and A2(G)) and the Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Subscribing for or holding Bonds in one Series does not imply subscribing for or holding Bonds in the other Series.

II.7 Face and actual amounts of each Bond.

The Bonds are issued at 100 percent of their face value. The issue price of the Bonds in all the Series shall be EUR one hundred thousand (100,000) per Bond, clear of taxes and subscription costs for the subscriber through the Fund.

The expenses and taxes attaching to the Bond issue shall be borne by the Fund.

II.8 Fees and related expenses of every description that must be borne by the investors upon subscribing for the Bonds.

The Fund, as Bond issuer, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds. The issue price detailed in section II.7 above is clear of taxes and subscription costs for the subscriber through the Fund.

II.9 Fees borne by the Bondholders.

The expenses of including and excluding the Bond Issue in and from the accounting record of Iberclear shall be borne by the Fund and may not be shifted to the Bondholders. Iberclear has established no fee whatsoever payable by the Fund for maintaining a balance.

In accordance with the laws in force for the time being, the members of Iberclear may nevertheless establish such fees and expenses to be charged to the Bondholder, for managing, registering and amortising securities, as they may freely determine, and duly notified to the Bank of Spain or the CNMV, being their supervisory bodies.

II.10 Interest rate clause.

II.10.1 Bond nominal interest rate.

The Bonds in each Series shall accrue a yearly nominal interest, from the Closing Date until they mature fully, variable and payable quarterly, which shall be the result of applying the policies established hereinafter for each of the Series.

The resultant yearly nominal interest rate (hereinafter the “**Nominal Interest Rate**”) for each of the Series shall be payable quarterly in arrears on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series on the preceding Payment Date, provided that the Fund has sufficient liquidity in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

The withholdings, interim payments, contributions and taxes established or to be established in the future on the principal, interest or return of the Bonds, shall be borne exclusively by the Bondholders, and their amount shall be deducted, as the case may be, by the Management Company, for and on behalf of the Fund, or through the Paying Agent, as provided by law.

II.10.1.1 Interest Accrual.

For interest accrual purposes, the duration of each Bond Series shall be divided into successive interest accrual periods (“**Interest Accrual Periods**”) comprising the exact number of days elapsed between every two consecutive Payment Dates, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the exact number of days elapsed between the Closing Date, December 2, 2004, inclusive, and the first Payment Date, to wit January 21, 2005, exclusive.

The Nominal Interest Rate shall accrue on the exact number of days in each Interest Accrual Period for which it was determined, calculated based upon a 360-day year.

II.10.1.2 Nominal Interest Rate.

The Nominal Interest Rate applicable to the Bonds in each of the Series determined for each Interest Accrual Period shall be the result of adding:

- (i) the Reference Rate as established in the following paragraph, and
- (ii) a margin for each Series as follows:
 - **Series A1:** margin ranging between 0.07% and 0.19%, both inclusive.
 - **Series A2(G):** margin ranging between -0.02% and 0.04%, both inclusive.
 - **Series B:** margin ranging between 0.25% and 0.50%, both inclusive.
 - **Series C:** margin ranging between 0.60% and 1.00%, both inclusive.

The margin applicable to each of the Series, expressed as a percentage, shall be determined with one accord among the Lead Managers by 10am (CET time) on the day on which the Subscription Period begins (November 30, 2004).

Failing an agreement, the Management Company shall fix the specific margin for the Series in respect of which no margin was agreed, as follows:

- **Series A1:** 0.13% margin.
- **Series A2(G):** 0.02% margin.
- **Series B:** 0.40% margin.
- **Series C:** 0.75% margin.

The resultant Nominal Interest Rate shall be expressed as a percentage rounded to the nearest thousandth of a whole number or rounded up to the nearest one where the differences of rounding up or down to the nearest thousandths are identical.

II.10.1.3 Reference Rate and determining the same.

The reference rate (“**Reference Rate**”) for determining the Nominal Interest Rate applicable to each of the Bond Series is as follows:

- i) Other than for the first Interest Accrual Period, Euribor, “Euro Interbank Offered Rate”, calculated and distributed by the BRIDGE financial information system under an FBE (“Federation Bancaire de l’Union Europeene”) mandate, with a three- (3-) month maturity, fixed at 11am (CET time “Central European Time”) on the Interest Rate Fixing Date described below, which is currently published on electronic pages EURIBOR01 supplied by Reuters, and 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the one- (1-) month Euribor rate and the two- (2-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, bearing in mind the number of days in the first Interest Accrual Period. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

$$IR = [((D-30)/30) \times E2] + [(1-((D-30)/30)) \times E1]$$

Where:

- IR = Reference Rate for the first Interest Accrual Period.
D = Number of days in the first Interest Accrual Period.
E1 = One- (1-) month Euribor rate.
E2 = Two- (2-) month Euribor rate.

The Euribor rate is currently the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied by a panel consisting of 57 Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is fixed at 11am (CET time), accurate to three (3) decimal places.

The Euribor rate definitions approved by the FBE and the Financial Markets Association (ACI) supplementing the current Euribor rate definition shall be considered introduced for the purpose of the Euribor Reference Rate without having to amend the present terms of the Reference Rate or have the Management Company notify the Bondholders.

- ii) In the event that the Euribor rate established in paragraph (i) above should not be available or be impossible to obtain, the substitute Reference Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a three- (3-) month maturity in an amount equivalent to the Outstanding Principal Balance of the Bond Issue, declared by four (4) prime banks in the Euro zone, following a simultaneous request to the headquarters of each of them made by the Paying Agent after and around 11am (CET time) on the Interest Rate Fixing Date.

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a one- (1-) month maturity and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a two- (2-) month maturity, both in an amount equivalent to the face amount of the Bond Issue, declared by the banks in accordance with the provisions of paragraph one above, following a simultaneous request to the headquarters of each of them made by the Paying Agent after and around 11am (CET time) on the second Business Day preceding the Closing Date.

The substitute Reference Rate shall be expressed as a percentage rounded to the nearest thousandth of a percentage point or rounded up to the nearest point where the differences of rounding up or down to the nearest thousandths are identical.

In the event that it should be impossible to apply the above substitute Reference Rate, due to the failure by any or several of the banks to provide written quotations as provided for in paragraph one of this section, the interest rate resulting from applying the simple arithmetic mean of the interest rates declared by at least two of the other banks shall be applicable.

On each of the Interest Rate Fixing Dates, the Paying Agent shall notify the Management Company of the Reference Rate determined in accordance with paragraphs i) and ii) above. The Management Company shall keep the listings and supporting documents on which the Paying Agent shall notify it the Reference Rate determined.

II.10.1.4 Interest Rate Fixing Date.

The Nominal Interest Rate applicable to each of the Bond Series for every Interest Accrual Period shall be determined by the Management Company, for and on behalf of the Fund, as provided in sections II.10.1.2 and II.10.1.3 above, on the second Business Day before each Payment Date (the “**Interest Rate Fixing Date**”) and will apply for the following Interest Accrual Period.

Exceptionally, the Management Company shall determine the Nominal Interest Rate of the Bonds in each of the Series for the first Interest Accrual Period as provided in sections II.10.1.2 and II.10.1.3 above, on the second Business Day preceding the Closing Date, and shall notify the same in writing on the same day to the

Underwriters and Placement Agents in order for them to report this to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and Iberclear.

The nominal interest rates determined for each of the Bond Series for successive Interest Accrual Periods shall be communicated to the Bondholders within the time period and in the manner for which provision is made in sections III.4.2 of this Offering Circular.

II.10.1.5 Formula for calculating the interest.

Interest settlement for the Bonds in each of the Series, payable on each Payment Date for each Interest Accrual Period, shall be calculated for each Series in accordance with the following formula:

$$I = P \times \frac{R}{100} \times \frac{d}{360}$$

Where:

I = Interest payable on a given Payment Date, rounded up to the nearest eurocent.

P = Outstanding Principal Balance of the Bonds in the Series on the Determination Date preceding that Payment Date.

R = Nominal interest rate of the Series expressed as a yearly percentage.

d = Number of days actually corresponding to each Interest Accrual Period.

a) Example for fixing the Nominal Interest Rate.

As established in this section and for a better understanding by the subscriber of the system for fixing the nominal interest rate and the interest amount receivable on each Bond in each Series on the first Payment Date, the manner of calculating the same for the following event is shown below:

(Amounts in EUR)	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
1 Outstanding Principal Balance per Bond	100,000.00	100,000.00	100,000.00	100,000.00
2 Interest Accrual Period days	50	50	50	50
3 1- to 2-month interpolated Euribor rate*	2.1453	2.1453	2.1453	2.1453
4 Margin **	0.130	0.010	0.375	0.800
5 Nominal interest rate: rounded to the nearest thousandth of a percentage point	2.28	2.16	2.52	2.95
6 Calculation of interest amount payable per Bond (1)x(2)x(5)/36000	315.97	299.31	350.00	409.03

* 1-month Euribor 2.104% and 2-month Euribor 2.166%, as of November 19, 2004.

** Average margin within the range established for each Series in accordance with section II.10.1.2 of this Offering Circular.

b) Informative table on the evolution of the reference rate to be used.

For merely illustrative purposes, below are details of the three- (3-) month Euribor rates published on certain dates over the last two years, which, other than the first Payment Date, would have matched the Interest Rate Fixing Dates on the EURIBOR01 electronic page supplied by Reuters, and the Nominal Interest Rate that would have resulted if applied to each of the Bond Series, in the event that the applicable margins should be the average margins in the range established for each Series, in accordance with section II.10.1.2 (0.130% for Series A1, 0.010% for Series A2(G), 0.375% for Series B and 0.800% for Series C):

Dates	3-month Euribor	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
19 November 2004	2.176	2.306	2.186	2.551	2.976
19 October 2004	2.144	2.274	2.154	2.519	2.944
17 September 2004	2.116	2.246	2.126	2.491	2.916
19 August 2004	2.114	2.244	2.124	2.489	2.914

Dates	3-month Euribor	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
19 July 2004	2.115	2.245	2.125	2.490	2.915
17 June 2004	2.122	2.252	2.132	2.497	2.922
7 April 2004	2.038	2.168	2.048	2.413	2.838
19 April 2004	2.052	2.182	2.062	2.427	2.852
18 March 2004	2.040	2.170	2.050	2.415	2.840
19 February 2004	2.060	2.190	2.070	2.435	2.860
19 January 2004	2.077	2.207	2.087	2.452	2.877
18 December 2003	2.141	2.271	2.151	2.516	2.941
19 November 2003	2.147	2.277	2.157	2.522	2.947
17 October 2003	2.152	2.282	2.162	2.527	2.952
18 September 2003	2.150	2.280	2.160	2.525	2.950
19 August 2003	2.139	2.269	2.149	2.514	2.939
17 July 2003	2.130	2.260	2.140	2.505	2.930
19 June 2003	2.142	2.272	2.152	2.517	2.942
19 May 2003	2.381	2.511	2.391	2.756	3.181
17 April 2003	2.556	2.686	2.566	2.931	3.356
19 March 2003	2.562	2.692	2.572	2.937	3.362
19 February 2003	2.687	2.817	2.697	3.062	3.487
17 January 2003	2.830	2.960	2.840	3.205	3.630
19 December 2002	2.939	3.069	2.949	3.314	3.739

II.10.2 Dates, place, institutions and procedure for paying interest.

Interest on the Bonds in all the Series will be paid until they are finally amortised by Interest Accrual Periods in arrears on January 21, April 21, July 21 and October 21 in each year, or the following Business Day if any of those is not a Business Day (each of those dates, a “**Payment Date**”), on the terms established in section II.10.1. of this Offering Circular.

In the event that any of January 21, April 21, July 21 and October 21 in each year should not be a Business Day, the Payment Date shall be the following Business Day, and interest for the then-current Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in each of the Series shall be January 21, 2005, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, December 2, 2004, inclusive, and January 21, 2005, exclusive.

For the purposes of the Bond Issue, business days (“**Business Days**”) shall be deemed to be all days other than a:

- Saturday,
- Sunday,
- public holiday in Madrid, or
- non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

Both interest resulting for the Bondholders in each of the Series and the amount, if any, of interest accrued and not paid, shall be notified to the Bondholders as described in section III.4.2 of this Offering Circular, at least one (1) calendar day in advance of each Payment Date.

Interest accrued on the Bonds shall be paid on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of the interest accrued by the Bonds in any of the Series, in the Priority of Payments, the amounts that the Bondholders should not have received shall be accumulated on the following Payment Date to the interest on the Series proper that, as the case may be, should be paid on that same Payment Date, and will be paid in the Priority of

Payments and applied by order of maturity if it should be impossible once again not to pay the same fully due to a shortfall of Available Funds, other than as established in section II.15.2.1 of this Offering Circular for payment of interest on the guaranteed Series A2(G).

Deferred interest amounts shall accrue for the holders an interest equivalent to that applied to the Bonds in their respective Series during the Interest Accrual Period(s) until the Payment Date on which they are paid, without late-payment interest and without this entailing an increase in the Outstanding Principal Balance of the Bonds.

The Fund, through its Management Company, may not defer Bond interest payment beyond the Final Maturity Date, April 21, 2028, or the following Business Day if that is not a Business Day.

The Bond issue shall be serviced through the Paying Agent, to which end the Management Company shall, for and on behalf of the Fund, enter into a Paying Agent Agreement with BBVA.

II.10.3 Simple reference to the priority of the interest payment of the Bonds in the Fund priority of payments.

Payment of interest accrued by the Series A1 and A2(G) Bonds is (i) fourth (4th) in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2 of this Offering Circular, and (ii) fifth (5th) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.3 of this Offering Circular.

Payment of interest accrued by the Series B Bonds is (i) fifth (5th) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, other than in the event provided for in that same section for the same to be deferred, in which case it shall be eighth (8th), and (ii) seventh (7th) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.3 of this Offering Circular.

Payment of interest accrued by the Series C Bonds is (i) sixth (6th) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2 of this Offering Circular, other than in the event provided for in that same section for the same to be deferred, in which case it shall be ninth (9th), and (ii) ninth (9th) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.3 of this Offering Circular.

II.11 Amortisation of the Bonds.

II.11.1 Bond redemption price.

The redemption price of the Bonds in each of the Series shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section II.11.2 of this Chapter.

Each and every one of the Bonds in a same Series shall be amortised in an equal amount by reducing the face amount of each of the Bonds.

II.11.2 Specific characteristics of the Amortisation of each of the Bond Series.

II.11.2.1 Amortisation of Series A1 Bonds.

Series A1 Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A1, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.6 and V.4.2.2.2 of this Offering Circular, prorated between the Bonds in Series A1 proper by reducing the face amount of each Series A1 Bond. The first partial amortisation of the Series A1 Bonds shall take place on the Payment Date falling on April 21, 2006.

The final amortisation of the Series A1 Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in

accordance with the provisions of section II.11.3.2 of this Offering Circular, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.2.2 Amortisation of Series A2(G) Bonds.

Series A2(G) Bonds shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A2(G), in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.6 and V.4.2.2.2 of this Offering Circular, prorated between the Bonds in Series A2(G) proper by reducing the face amount of each Series A2(G) Bond.

The first partial amortisation of the Series A2(G) Bonds shall take place once the Series A1 Bonds have been fully amortised. However, even if Series A1 has not been fully amortised, the Series A2(G) Bonds will also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances provided for in the rules for Distribution of Available Funds for Amortisation between each Series.

The final amortisation of the Series A2(G) Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.2 of this Offering Circular, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.2.3 Amortisation of Series B Bonds.

Series B Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.6 and V.4.2.2.2 of this Offering Circular, prorated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once the Class A Bonds have been fully amortised. However, even if Class A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, in such a way that the ratio of the Outstanding Principal Balance of Series B to the Outstanding Principal Balance of the Bond Issue is kept at 8.16%, or higher percentage closest thereto.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.2 of this Offering Circular, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.2.4 Amortisation of Series C Bonds.

Series C Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.6 and V.4.2.2.2 of this Offering Circular, prorated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once the Class A and the Series B Bonds have been fully amortised. However, even if Class A and Series B have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, in such a way that the ratio of the Outstanding Principal Balance of Series C to the Outstanding Principal Balance of the Bond Issue is kept at 3.72%, or higher percentage closest thereto.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (April 21, 2028 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made in the section and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.2 of this Offering Circular, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.3 Common characteristics applicable for amortising the Bonds in each of the Bond Series.

II.11.3.1 Partial amortisation.

Irrespective of the Final Maturity Date and without prejudice to the Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to make partial amortisations of the Bonds in each Series on the Payment Dates in accordance with the specific amortisation terms for each of the Series as established in sections II.11.2.1 to II.11.2.4 of this Offering Circular and on the terms described hereinafter in this section common to the four Series.

II.11.3.1.1 Determination Dates and Determination Periods.

These will be the dates falling on the fourth (4th) Business Day preceding each of the Payment Dates on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments.

The Determination Periods shall be the periods comprising the exact number of days elapsed between every two consecutive Determination Dates, excluding in each Determination Period the initial Determination Date and including the final Determination Date. Exceptionally, the duration of the first Determination Period shall be equal to the days elapsed between the Fund constitution date, inclusive, and the first Determination Date, January 17, 2005, inclusive.

II.11.3.1.2 Outstanding Principal Balance of the Bonds.

The Outstanding Principal Balance of a Series shall be the sum of the principal pending repayment (outstanding balance) on a given date of all the Bonds in that Series.

By addition, the Outstanding Principal Balance of Class A shall be the sum of the Outstanding Principal Balance of Series A1 and A2(G) making up Class A. Moreover, the Outstanding Principal Balance of the Bond Issue shall be the sum of the Outstanding Principal Balance of the four Series making up the Bond Issue.

II.11.3.1.3 Outstanding Balance of the Loans.

The Outstanding Balance of the Loans on a given date shall be the sum of the outstanding capital and the capital due and not paid to the Fund on each and every one of the Loans on that date.

Delinquent Loans shall be deemed to be Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans.

Doubtful Loans shall be deemed to be Loans that are delinquent on a given date with a period of arrears equal to or greater than twelve (12) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment. Non-Doubtful Loans shall be deemed to be Loans that are not deemed to be Doubtful Loans on a given date.

II.11.3.1.4 Amortisation Withholding on each Payment Date and Amortisation Deficiency.

On each Payment Date, the Available Funds shall be used in 7th place in the priority of payments for withholding the amount designed for amortising the Bonds as a whole, without distinguishing between the different Series ("**Amortisation Withholding**"), in an amount equal to the positive difference, if any, on the Determination Date preceding the relevant Payment Date, between (i) the Outstanding Principal Balance of the Bond Issue, minus, until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, and increased by amounts repayable to the State upon enforcing the Guarantee for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied of the Available Funds for Amortisation shall be included among the Available Funds for Amortisation and be applied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series established hereinafter in section V.4.2.2.

The amortisation deficiency (the “**Amortisation Deficiency**”) on a Payment Date shall be the positive difference, if any, between (i) the Amortisation Withholding amount, and (ii) the amount actually applied of the Available Funds for Amortisation to the Amortisation Withholding.

II.11.3.1.5 Available Funds for Amortisation on each Payment Date.

The available funds for amortisation on each Payment Date (the “**Available Funds for Amortisation**”) shall be the following:

- a) The Amortisation Withholding amount applied in 7th place of the Available Funds on the relevant Payment Date.
- b) Exclusively on the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, on the preceding Determination Date.

Additionally, and not included among the Available Funds for Amortisation, the Fund shall avail of and use for repaying Series A2(G) principal only, the amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date.

II.11.3.1.6 Distribution of Available Funds for Amortisation between each Series.

The Available Funds for Amortisation shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules (“**Distribution of Available Funds for Amortisation between each Series**”):

1. Until the Payment Date falling on January 21, 2006, inclusive, the Available Funds for Amortisation shall be credited to the Amortisation Account.
2. From the Payment Date falling on April 21, 2006, inclusive, the Available Funds for Amortisation shall be sequentially applied firstly to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A2(G) until respectively fully amortised and repaid, secondly to amortising Series B until fully amortised and thirdly to amortising Series C until fully amortised, notwithstanding the provisions of rules 4 and 5 below for pro rata amortisation of the different Series.
3. The Available Funds for Amortisation applied to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A2(G), both under rule 2 above and under rules 4 and 5 below, shall be applied as follows:

3.1 Ordinary application in the following order:

1. Repayment of Series A1 Bond principal.
2. Repayment of Series A2(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A2(G) Bond principal, once the Series A1 Bonds have been fully amortised.

Nevertheless, If there is an Amortisation Deficiency on the then-current Payment Date, the amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A2(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A2(G)) shall be applied firstly to amortising Series A2(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A2(G).

- 3.2 Exceptional pro rata application of Class A (“**Pro Rata Amortisation of Class A**”): The application priority of paragraph 3.1 above shall be stopped on any Payment Date if on the Determination Date preceding the relevant Payment Date the ratio of (i) the Outstanding Balance of Loans in good standing in payment of amounts due and payable or, if delinquent, with an arrears of less than three (3) months,

increased by the Amortisation Account and Surplus Account balance transferred from the Amortisation Account, if any, and by the amount of the Loan principal repayment income received during the preceding Determination Period, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1.

In that event, on the relevant Payment Date, the Available Funds for Amortisation shall be distributed among the items set out in paragraph 3.1 above as follows:

- a) They shall be prorated directly in proportion to (i) the Outstanding Principal Balance of Series A1 and (ii) the Outstanding Principal Balance of Series A2(G) increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A2(G).
 - b) The amount assigned to the Series A1 Bonds as provided for in item (i) of paragraph a) above shall be applied to amortising Series A1 Bonds.
 - c) The amount assigned to the Series A2(G) Bonds and to the amounts due upon enforcing the Guarantee for amortising Series A2(G), in accordance with item (ii) of paragraph a) above, shall be applied to amortising Series A2(G) Bonds and repayment to the State of the aforesaid amounts due as provided for in 2nd place in paragraph 3.1 above.
4. However, even if Class A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and Series C on the Payment Date on which the following circumstances are all satisfied (“**Conditions for Pro Rata Amortisation**”):
- i) that on the preceding Determination Date, the amount of the Outstanding Balance of Delinquent Loans is less than 1.5% of the Outstanding Balance of Non-Doubtful Loans,
 - ii) that the sum of the Outstanding Principal Balance of Series B and of Series C on the preceding Determination Date is equal to or greater than 11.88% of the difference between the Outstanding Principal Balance of the Bond Issue on the preceding Determination Date and the Available Funds for Amortisation on the relevant Payment Date,
 - iii) that on the preceding Payment Date, a) the available Subordinated Credit amount is not less than the Maximum Subordinated Credit Amount on that Payment Date, or b), in place of a) if it is ever set up, the Cash Reserve shall have been provisioned up to the Required Cash Reserve on that Payment Date, and
 - iv) that on the preceding Determination Date, the amount of the Outstanding Balance of Non-Doubtful Loans is equal to or greater than 10 percent of the face amount of the Bond Issue.
5. In the event that the amortisation of Series B and of Series C should apply on a Payment Date as provided for in rule 4 above, the Available Funds for Amortisation shall also be applied to amortising Series B and to amortising Series C in such a way that the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively kept at 8.16% and at 3.72%, or higher percentages closest thereto.

II.11.3.2 Early Amortisation of the Bond Issue.

Without prejudice to the Fund’s obligation, through its Management Company, to proceed to the final amortisation the Bonds on the Final Maturity Date or the amortisations of each Series before the Final Maturity Date, the Management Company shall, after first notifying the CNMV, be authorised to proceed, as the case may be, to an Early Liquidation of the Fund and hence an Early Amortisation, on a Payment Date, of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section III.7.1 of this Offering Circular and subject to the Liquidation Priority of Payments.

II.11.3.3 Final Maturity Date.

The Final Maturity Date and consequently the final amortisation of the Bonds is April 21, 2028 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections II.11.3.1 et seq. of this Offering Circular, proceeding to amortise the Bond Issue before the Final Maturity Date. Final amortisation of the Bonds on the Final Maturity Date shall be made subject to the Liquidation Priority of Payments.

II.11.4 Simple reference to the priority of Bond principal payments in the Fund priority of payments.

The Amortisation Withholding amount designed for amortising the Bonds as a whole, and without distinction between Series, is seventh 7th in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2 of this Offering Circular.

Repayment of Series A1, A2(G), B and C Bond principal shall take place in accordance with the rules for Distribution of Available Funds for Amortisation between each Series in the application of Available Funds for Amortisation contained in sections II.11.3.1.6 and V.4.2.2.2 of this Offering Circular.

Repayment of Series A1 and A2(G) Bond principal is sixth (6th) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.3 of this Offering Circular.

Repayment of Series B Bond principal is eighth (8th) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.3 of this Offering Circular.

Repayment of Series C Bond principal is tenth (10th) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section V.4.3 of this Offering Circular.

II.12 Debt securities servicing table, including both interest payments and principal repayments, for each of the Bonds Series to be issued by the Fund.

The Bond Issue will be serviced through BBVA as the Paying Agent. Payment of interest and amortisations shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.4.2 of this Offering Circular. Interest and amortisations shall be paid to the Bondholders by the relevant members of Iberclear and to the latter in turn by Iberclear, the institution responsible for the accounting record.

a) Bond Issue servicing tables.

The main characteristic of the Bonds in this Issue is that their periodic amortisation depends on the aggregate performance of Loan repayment.

The average life, yield, term and final maturity of the Bonds in each Series depend on several factors, most significant among which are the following:

- i) The repayment schedule and system of each of the Loans established in the relevant contracts.
- ii) The Obligors' capacity to prepay the Loans in whole or in part and the aggregate repayment pace throughout the life of the Fund.
- iii) The floating interest rates which shall apply to each of the Loans, which shall result in the amount repaid on every instalment differing.
- iv) The Obligors' delinquency in payment of Loan instalments.

In this sense, Loan prepayments by Obligors, subject to continual changes, and estimated in this Offering Circular using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter also "CPR"), are very significant and shall directly affect the pace at which the Bonds are amortised, and therefore their average life and duration.

The following assumed values have been used for the above-mentioned factors in calculating the tables contained in this section:

- Loan interest rate: 3.17% weighted average interest rate as of November 10, 2004 of the portfolio of selected loans which has been used for calculating the repayment instalments and interest of each of the selected loans;
- of the loans selected as of November 10, 2004 with an outstanding principal amounting to EUR 1,267,777,017.83, the loans chosen were those in good standing in payments or with an arrears not in excess of one month and loans with final maturity from longer to shorter term up to an amount adjusted to a principal of EUR one billion (1,000,000,000.00)
- Loan portfolio delinquency: 0.10% of the Outstanding Balance of the Loans, with 100% recoveries within 15 months of becoming delinquent;
- Loan portfolio defaults rated as bad debts: 0%;

- that the Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is December 2, 2004;
- that there is no Amortisation Deficiency, and
- that there is no extension of the term of any of the Loans as provided for in section IV.2.1.6.b) of this Offering Circular.

Finally, the actual adjusted life of the Bonds will also depend on their floating interest rate. The following nominal interest rates are assumed for each Series for the first Interest Accrual Period:

	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	2.275%	2.155%	2.520%	2.945%

For successive Interest Accrual Periods, the floating interest rate of the Bonds in each Series is assumed to be constant as follows for each Series:

	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	2.306%	2.186%	2.551%	2.976%

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section III.7.1 of this Offering Circular when the Outstanding Balance of the Loans is less than 10% of their initial amount upon the Fund being constituted, the average life, return (IRR), duration and final maturity of the Bonds for different CPRs, based on the historic performance of loans granted to SMEs securitised by BBVA in recent years, shall be as follows:

% CPR:	2.00%	4.00%	6.00%	8.00%	10.00%
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	Series A1 Bonds				
Average life (years)	2.57	2.44	2.32	2.22	2.12
IRR	2.357%	2.357%	2.357%	2.357%	2.357%
Duration (years)	2.43	2.31	2.20	2.11	2.02
Final maturity	21 04 2010	21 01 2010	21 07 2009	21 04 2009	21 01 2009
(in years)	5.39	5.14	4.64	4.39	4.14

	Series A2(G) Bonds				
Average life (years)	6.91	6.61	6.32	5.93	5.66
IRR	2.234%	2.234%	2.234%	2.234%	2.234%
Duration (years)	6.28	6.02	5.77	5.44	5.21
Final maturity	23 07 2012	23 04 2012	23 01 2012	21 07 2011	21 04 2011
(in years)	7.64	7.39	7.15	6.64	6.39

	Series B Bonds				
Average life (years)	5.49	5.21	4.98	4.68	4.45
IRR	2.611%	2.611%	2.611%	2.611%	2.611%
Duration (years)	4.98	4.74	4.54	4.29	4.09
Final maturity	23 07 2012	23 04 2012	23 01 2012	21 07 2011	21 04 2011
(in years)	7.64	7.39	7.15	6.64	6.39

	Series C Bonds				
Average life (years)	5.49	5.21	4.98	4.68	4.45
IRR	3.051%	3.051%	3.051%	3.051%	3.051%
Duration (years)	4.90	4.67	4.47	4.23	4.03
Final maturity	23 07 2012	23 04 2012	23 01 2012	21 07 2011	21 04 2011
(in years)	7.64	7.39	7.15	6.64	6.39

These figures have been calculated using the following formula:

Average life of the Bonds: for each of the Series, average of the time periods between the Closing Date and each of the Payment Dates, using for weighting purposes the weights the principal to be repaid on each Payment Date has on the total face amount of the Series, in accordance with the following expression:

$$V = \frac{\sum (P \times d)}{T} \times \frac{1}{365}$$

Where:

- V = Average life in each Bond Series issued expressed in years.
- P = Principal to be repaid in each Bond Series on each Payment Date, in accordance with the amount to be amortised in each Bond Series, as described in section II.11.3.2 of this Offering Circular.
- d = Number of days elapsed between the Closing Date and the Payment Date at issue.
- T = Total face amount in EUR in each Bond Series.

Internal rate of return (IRR): for each of the Series, interest rate equalling the restatement at present value of the total amortisation and interest amounts received on each Payment Date with the face value of the Bond.

$$N = \sum_{i=1}^n A_i (1+r)^{-(nd/365)}$$

Where:

- N = face value of the Bond in each Series.
- r = IRR expressed as an annual rate, per unit.
- A_i = (A₁ A_n). Total amortisation and interest amounts to be received by investors.
- nd = Number of days comprised between the Closing Date of the issue and each of the n Payment Dates, not inclusive, during the life of the Bond.

Duration of the Bonds (adjusted Macaulay formula): for each of the Series, measure of Bond price sensitivity with respect to changes in yield.

$$D = \frac{\sum_{j=1}^n (a_j \times VA_j)}{PE} \times \frac{1}{(1+i)}$$

Where:

- D = Duration in each Bond Series expressed in years.
- a_j = Time elapsed (in years) between the Closing Date and each of the n Payment Dates at issue.
- VA_j = Present value of each of the amounts comprising principal and gross interest, payable on each of the n Payment Dates discounted at the actual interest rate (IRR) in every Series.
- PE = Issue price in every Bond Series.
- i = Actual interest rate (IRR) in every Series, per unit.

Finally, the Management Company expressly states that the debt securities servicing tables described hereinafter are merely theoretical and given for illustrative purposes, and represent no payment obligation whatsoever, on the basis that:

- The CPRs are assumed to be constant respectively at 6% and 8% throughout the life of the debt securities and, as noted, actual prepayment rates change continually.

- The Outstanding Principal Balance of the Bonds on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment rate of and delinquency and default on the Loans.
- The Bond interest rates are assumed to be constant for each Series, from the second Interest Accrual Period, whereas the interest rate of all the Series is variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company, acting on the Fund's behalf, will exercise the early liquidation of the Fund and thereby the early amortisation of the Bond Issue option when the Outstanding Balance of the Loans is less than 10% of their initial amount upon the Fund being constituted, as provided in section III.8.1 of this Offering Circular.

**FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUR)
CPR = 6%**

Payment Date	Series A1 Bonds			Series A2(G) Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS:	100,000.00	5,418.46	105,418.46	100,000.00	13,991.99	113,991.99	100,000.00	12,865.57	112,865.57	100,000.00	15,009.73	115,009.73
21 Jan 2005	0.00	315.97	315.97	0.00	299.31	299.31	0.00	350.00	350.00	0.00	409.03	409.03
21 Apr 2005	0.00	576.50	576.50	0.00	546.50	546.50	0.00	637.75	637.75	0.00	744.00	744.00
21 Jul 2005	0.00	582.91	582.91	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
21 Oct 2005	0.00	589.31	589.31	0.00	558.64	558.64	0.00	651.92	651.92	0.00	760.53	760.53
23 Jan 2006	0.00	602.12	602.12	0.00	570.79	570.79	0.00	666.09	666.09	0.00	777.07	777.07
21 Apr 2006	37,956.26	563.69	38,519.95	0.00	534.36	534.36	0.00	623.58	623.58	0.00	727.47	727.47
21 Jul 2006	6,471.13	361.66	6,832.79	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
23 Oct 2006	6,348.75	334.62	6,683.37	0.00	570.79	570.79	0.00	666.09	666.09	0.00	777.07	777.07
22 Jan 2007	6,211.55	286.93	6,498.48	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
23 Apr 2007	6,050.78	250.72	6,301.50	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
23 Jul 2007	5,783.40	215.45	5,998.85	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
22 Oct 2007	5,333.82	181.74	5,515.56	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
21 Jan 2008	3,928.68	150.65	4,079.33	0.00	552.57	552.57	15,058.11	644.84	15,702.95	15,058.11	752.27	15,810.38
21 Apr 2008	4,440.55	127.75	4,568.30	0.00	552.57	552.57	7,309.88	547.74	7,857.62	7,309.88	638.99	7,948.87
21 Jul 2008	4,322.91	101.86	4,424.77	0.00	552.57	552.57	500.60	500.60	7,616.82	7,116.22	584.00	7,700.22
21 Oct 2008	3,962.43	77.51	4,039.94	0.00	558.64	558.64	459.71	459.71	6,982.52	6,522.81	536.30	7,059.11
21 Jan 2009	3,661.18	54.16	3,715.34	0.00	558.64	558.64	417.18	417.18	6,444.09	6,026.91	486.69	6,513.60
21 Apr 2009	3,292.05	31.87	3,323.92	0.00	546.50	546.50	369.68	369.68	5,788.94	5,419.26	431.27	5,850.53
21 Jul 2009	2,236.51	13.04	2,249.55	1,513.07	552.57	2,065.64	4,420.99	338.84	4,759.83	4,420.99	395.29	4,816.28
21 Oct 2009	0.00	0.00	0.00	8,125.30	550.19	8,675.49	3,970.44	313.74	4,284.18	3,970.44	366.01	4,336.45
21 Jan 2010	0.00	0.00	0.00	7,813.25	504.80	8,318.05	3,817.96	287.86	4,105.82	3,817.96	335.82	4,153.78
21 Apr 2010	0.00	0.00	0.00	7,411.25	451.13	7,862.38	3,621.52	257.25	3,878.77	3,621.52	300.11	3,921.63
21 Jul 2010	0.00	0.00	0.00	6,857.59	415.19	7,272.78	3,350.98	236.76	3,587.74	3,350.98	276.20	3,627.18
21 Oct 2010	0.00	0.00	0.00	6,345.15	381.44	6,726.59	3,100.57	217.51	3,318.08	3,100.57	253.75	3,354.32
21 Jan 2011	0.00	0.00	0.00	5,992.69	345.99	6,338.68	2,928.34	197.30	3,125.64	2,928.34	230.17	3,158.51
21 Apr 2011	0.00	0.00	0.00	5,543.82	305.72	5,849.54	2,709.00	174.34	2,883.34	2,709.00	203.38	2,912.38
21 Jul 2011	0.00	0.00	0.00	4,856.33	278.48	5,134.81	2,373.05	158.80	2,531.85	2,373.05	185.26	2,558.31
21 Oct 2011	0.00	0.00	0.00	4,412.00	254.42	4,666.42	2,155.93	145.08	2,301.01	2,155.93	169.25	2,325.18
23 Jan 2012	0.00	0.00	0.00	41,129.55	234.76	41,364.31	20,098.03	133.87	20,231.90	20,098.03	156.18	20,254.21

**FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUR)
CPR = 8%**

Payment Date	Series A1 Bonds			Series A2(G) Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS:	100,000.00	5,174.67	105,174.67	100,000.00	13,133.00	113,133.00	100,000.00	12,096.06	112,096.06	100,000.00	14,112.02	114,112.02
21 Jan 2005	0.00	315.97	315.97	0.00	299.31	299.31	0.00	350.00	350.00	0.00	409.03	409.03
21 Apr 2005	0.00	576.50	576.50	0.00	546.50	546.50	0.00	637.75	637.75	0.00	744.00	744.00
21 Jul 2005	0.00	582.91	582.91	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
21 Oct 2005	0.00	589.31	589.31	0.00	558.64	558.64	0.00	651.92	651.92	0.00	760.53	760.53
23 Jan 2006	0.00	602.12	602.12	0.00	570.79	570.79	0.00	666.09	666.09	0.00	777.07	777.07
21 Apr 2006	40,823.40	563.69	41,387.09	0.00	534.36	534.36	0.00	623.58	623.58	0.00	727.47	727.47
21 Jul 2006	6,779.20	344.94	7,124.14	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
23 Oct 2006	6,596.25	315.50	6,911.75	0.00	570.79	570.79	0.00	666.09	666.09	0.00	777.07	777.07
22 Jan 2007	6,395.79	266.98	6,662.77	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
23 Apr 2007	6,167.06	229.70	6,396.76	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
23 Jul 2007	5,854.21	193.75	6,047.96	0.00	552.57	552.57	0.00	644.84	644.84	0.00	752.27	752.27
22 Oct 2007	4,297.98	159.62	4,457.60	0.00	552.57	552.57	13,131.27	644.84	13,776.11	13,131.27	752.27	13,883.54
21 Jan 2008	4,543.25	134.57	4,677.82	0.00	552.57	552.57	7,478.93	560.16	8,039.09	7,478.93	653.48	8,132.41
21 Apr 2008	4,391.93	108.09	4,500.02	0.00	552.57	552.57	7,229.83	511.93	7,741.76	7,229.83	597.22	7,827.05
21 Jul 2008	4,236.91	82.49	4,319.40	0.00	552.57	552.57	6,974.66	465.31	7,439.97	6,974.66	542.84	7,517.50
21 Oct 2008	3,862.51	58.42	3,920.93	0.00	558.64	558.64	6,358.32	424.96	6,783.28	6,358.32	495.76	6,854.08
21 Jan 2009	3,545.54	35.66	3,581.20	0.00	558.64	558.64	5,836.54	383.51	6,220.05	5,836.54	447.40	6,283.94
21 Apr 2009	2,505.97	14.45	2,520.42	2,230.61	546.50	2,777.11	5,215.25	337.95	5,553.20	5,215.25	394.25	5,609.50
21 Jul 2009	0.00	0.00	0.00	8,716.28	540.25	9,256.53	4,259.22	308.07	4,567.29	4,259.22	359.40	4,618.62
21 Oct 2009	0.00	0.00	0.00	7,799.19	497.49	8,296.68	3,811.09	283.69	4,094.78	3,811.09	330.95	4,142.04
21 Jan 2010	0.00	0.00	0.00	7,437.14	453.92	7,891.06	3,634.17	258.84	3,893.01	3,634.17	301.97	3,936.14
21 Apr 2010	0.00	0.00	0.00	6,992.13	403.41	7,395.54	3,416.71	230.04	3,646.75	3,416.71	268.37	3,685.08
21 Jul 2010	0.00	0.00	0.00	6,432.45	369.25	6,801.70	3,143.23	210.56	3,353.79	3,143.23	245.65	3,388.88
21 Oct 2010	0.00	0.00	0.00	5,916.52	337.38	6,253.90	2,891.12	192.39	3,083.51	2,891.12	224.44	3,115.56
21 Jan 2011	0.00	0.00	0.00	5,544.74	304.33	5,849.07	2,709.45	173.54	2,882.99	2,709.45	202.45	2,911.90
21 Apr 2011	0.00	0.00	0.00	5,089.22	267.41	5,356.63	2,486.86	152.49	2,639.35	2,486.86	177.89	2,664.75
21 Jul 2011	0.00	0.00	0.00	43,841.72	242.26	44,083.98	21,423.35	138.15	21,561.50	21,423.35	161.16	21,584.51

b) Example for applying dates and time periods defined in sections II.10 and II.11 of this Offering Circular for determining and paying Bond interest and amortisation.

For a better understanding by the subscriber of the definitions and rules for the application of dates and periods described in sections II.10 and II.11 of this Offering Circular relating to Bond interest and amortisation, the following example is given hereinafter, dividing it into characteristics for the first Payment Date (given its atypical nature) and for the second and successive Payment Dates:

1. First Payment Date: January 21, 2005.

(Execution of the Deed of Constitution: November 29, 2004)

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
 - 11am (CET time) on the second Business Day immediately preceding the Closing Date: November 30, 2004.
- b) Notices:
 - Extraordinary notice of constitution of the Fund and of the Bond Issue -press announcement, as per section III.4.2.c).2 of this Offering Circular: November 30, 2004.
 - Ordinary notice of the final margins applicable for determining the Nominal Interest Rate for the Bonds in each Series and the resultant Nominal Interest Rate for the first Interest Accrual Period of each of the Series: November 30, 2004. The Management Company shall notify this in writing by the start of the Subscription Period to the Underwriters and Placement Agents, for investors interested in subscribing for the Bonds to be notified thereof.
- c) First Interest Accrual Period:
 - From December 2, 2004 (Closing Date), inclusive, until January 21, 2005, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds and Available Funds for Amortisation): January 17, 2005.
- e) Ordinary periodic notices (communication as per sections III.4.2.a).2 and III.4.2.c).1) of this Offering Circular:
 - Of all other periodic information: until January 20, 2005, inclusive.

2. Second Payment Date: April 21, 2005.

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
 - 11am (CET time) on the second Business Day preceding the first Payment Date: January 19, 2005.
- b) Ordinary periodic notices (communication as per sections III.4.2.a).1 and III.4.2.c).1 of this Offering Circular):
 - Of the resultant Nominal Interest Rate for the second Interest Accrual Period: until January 23, 2005, inclusive.
- c) Second Interest Accrual Period:
 - From January 21, 2005 (first Payment Date), inclusive, until April 21, 2005, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): April 15, 2005.
- e) Ordinary periodic notices (communication as per sections III.4.2.a).2 and III.4.2.c).1 of this Offering Circular):
 - Of all other periodic information: until April 20, 2005, inclusive.

II.13 Actual interest forecast for the Bond subscriber.

In the event that the nominal interest rates applicable to each of the Series, variable quarterly, should be maintained throughout the life of the Bond Issue, as established on the tables contained in section II.12.a) of this Offering Circular, these rates would result in Internal Rates of Return (“IRR”) for the subscriber in each of the Series as shown on the following table, given the effect of quarterly interest payment, calculated without considering the tax effect, and assuming at all events the values and assumptions contained in said section for constant CPRs of 6% and 8%.

	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
Actual interest forecast (IRR)	2.357%	2.234%	2.611%	3.051%

II.14 Actual interest forecast for the Fund at the time of Bond Issue, considering all the structuring and placement expenses incurred by the Fund, specifying the calculation method.

The actual interest has been calculated using the internal rate of return (IRR) formula described in section II.12.a) above, making the following assumptions:

- that the floating nominal interest rate of the Bonds should remain constant throughout the life of the debt securities at the rates of the table contained in section II.12.a) above;
- that the assumptions mentioned in section II.12.a) above are made; and
- that the expected Fund constitution and Bond issue expenses are deducted from the face value of the Bond Issue.

The actual interest forecast for the Fund would be 2.384% and 2.386% for CPRs respectively of 6% and 8%, making the assumptions contained in the preceding paragraph.

The following are the expected Fund constitution and Bond issue expenses:

	EUR
• Management Company Fee	90,000.00
• Notary’s fees, audit*, rating and legal advice	460,246.66
• CNMV fees (issue and listing)	68,267.93
• AIAF and Iberclear fees	53,789.20
• Bond Issue underwriting and placement fees	529,700.00
• Issue advertising, printing and other expenses	94,388.79
Total expenses	1,296,392.58

(* The audit fees for the selected loans shall be paid by BBVA)

II.15 Existence or not of special guarantees on the Loans pooled in the Fund or on the Bonds issued by the Fund.

II.15.1 No guarantees by the Originator.

There are no guarantees given by BBVA as Originator covering the Bonds issued by or on the Loans pooled in the Fund, beyond the undertakings by BBVA contained in section IV.1.6 of this Offering Circular in relation to the substitution of Loans and Pass-Through Certificates failing upon the constitution of the Fund to conform to the representations contained in section IV.1.4 of this Offering Circular.

II.15.2 State Guarantee.

In a Ministerial Order, the Economy and Finance Ministry shall provide the Fund before it is constituted with a guarantee (the “**Guarantee**” or “**State Guarantee**”) whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A2(G) Bonds (the “**Guaranteed Series**”) for a face amount of EUR two hundred and fifteen million three hundred thousand (215,300,000.00).

II.15.2.1 General characteristics of the Guarantee.

- The Guarantee shall extend to both repayment of principal and payment of interest on the Bonds in the Guaranteed Series.
- The Guarantee shall remain in force and be fully effective until full repayment of the payment obligations derived from the Bonds in the Guaranteed Series. In any event, the Guarantee shall expire on April 21, 2028, or the following Business Day if that is not a Business Day.
- The enforceability of the Guarantee shall be conditional on (i) this Offering Circular being registered at the CNMV, (ii) execution of the Fund Deed of Constitution and registration thereof at the CNMV, (iii) confirmation by the start of the Bond Subscription Period of the provisional ratings assigned by the Rating Agencies to each of the Bond Series as final ratings, and (iv) the Bond Issue Management, Underwriting and Placement Agreement not being terminated, and (v) submission of the documents mentioned in the following paragraph.

The Management Company shall send the Directorate-General of the Treasury and Financial Policy: (i) a copy of the Offering Circular, (ii) a certified copy of the Fund Deed of Constitution entered in the register of the CNMV, (iii) a certificate by BBVA representing that the Loans satisfy the requirements of the Framework Agreement attached to the Order of December 28, 2001, as amended by Order ECO/1064/2003, April 29, and that they are all loans granted to small and medium-sized enterprises (legal persons and sole traders) as defined by the European Commission (Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996 recommendation), (iv) a copy of the letters from the Rating Agencies notifying the ratings assigned to each of the Bond Series, and (v) a certified copy of the notarial certificate recording payment of the Bond subscription executed by the Management Company.

- No fee shall accrue upon the Guarantee being perfected and given.
- The Management Company shall report to the Directorate-General of the Treasury and Financial Policy on each Guaranteed Series Bond Payment Date, the Outstanding Principal Balance of the Guaranteed Series and, at the end of each fiscal year, in addition to said Outstanding Principal Balance, an estimate of the financial burden of the Guaranteed Series for the following fiscal year.

II.15.2.2 Drawdown under the Guarantee.

- i) The Guarantee may be partially enforced without any limitation as to number of enforcements.

The Guarantee shall be enforced in the following events in the amounts determined for each one:

1. On any Payment Date or on the Final Maturity Date or on the date of Early Liquidation of the Fund, when the Available Funds or the Liquidation Available Funds, as the case may be, are not sufficient to pay interest due on the guaranteed Series A2(G), after making the payments in the preceding priority of payments in accordance with the application in the Priority of Payments or the Liquidation Priority of Payments.

In that event, the Guarantee shall be enforced in an amount equivalent to the Series A2(G) Bond interest amount payable and the amount applied to payment thereof, as the case may be, of the Available Funds on the relevant Payment Date or the Liquidation Available Funds on the date of liquidation of the Fund.

The amounts received by the Fund upon enforcing the Guarantee to meet payment of interest payable on the guaranteed Series A2(G) shall be allocated to payment of that interest.

2. On any Payment Date other than the Final Maturity Date or the Fund Early Liquidation date when the Available Funds are not sufficient to repay the Outstanding Principal Balance of guaranteed Series A2(G) in the relevant amount in accordance with the rules for Distribution of Available Funds for Amortisation between each Series because there is an Amortisation Deficiency.

In that event, the Guarantee shall be enforced in an amount equal to the difference between the Series A2(G) Bond principal amount to be amortised should no such Amortisation Deficiency occur and the amount of the Available Funds for Amortisation actually applied to amortisation thereof on the relevant Payment Date.

The amounts received by the Fund upon enforcing the Guarantee to meet payment of the guaranteed Series A2(G) amount to be amortised shall be allocated to payment of that amortisation.

3. On the Final Maturity Date or the Fund Early Liquidation date when the Liquidation Available Funds are not sufficient to fully amortise the guaranteed Series A2(G).

In that event, the Guarantee shall be enforced in an amount equal to the difference between the Outstanding Principal Balance of Series A2(G) and the amount actually applied of the Liquidation Available Funds to amortisation thereof on the relevant date.

The amounts received by the Fund upon enforcing the Guarantee to meet payment of the guaranteed Series A2(G) Bond amount to be amortised shall be allocated to payment of that amortisation.

- ii) Each enforcement of the Guarantee shall be effected by a written notice from the Management Company to the Directorate-General of the Treasury and Financial Policy, declaring the occurrence of the events described of shortfall of Available Funds or Available Funds for Amortisation or Liquidation Available Funds in accordance with the provisions of the preceding paragraph, specifying the amounts claimed, as the case may be, for each of such items.
- iii) Payment of the required amounts under each enforcement of the Guarantee, shall be made, after being checked, by the Directorate-General of the Treasury and Financial Policy within not more than ninety (90) days, reckoned from the date of receipt of the written request from the Management Company, by crediting the Treasury Account.

Having regard to this period for payment to the Fund of the amounts requested upon every enforcement of the Guarantee to satisfy Series A2(G) interest payable and/or principal repayment in accordance with the provisions of paragraph i) of this section, those amounts might not be paid to the Series A2(G) Bondholders on the relevant Payment Date, and will in any event be paid to them on the Payment Date immediately following the day on which they are paid to the Fund by the Directorate-General of the Treasury and Financial Policy.

- iv) The amounts paid by the State under the Guarantee shall constitute an obligation for the Fund in favour of the State. The amounts drawn on the Guarantee, whether drawn for paying interest or for repaying principal on the guaranteed Series A2(G) Bonds, shall be repaid on each of the following Payment Dates, until fully repaid, respectively using the Available Funds and the Available Funds for Amortisation, or using the Liquidation Available Funds, in the same places in the priority of payments as payment of accrued interest and repayment of principal of the guaranteed Series A2(G) in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.

In the event that, in accordance with the preceding rules, on a Payment Date, in addition to repaying the amount drawn under the Guarantee, the Fund should need to draw a new amount for paying interest or repaying principal on the guaranteed Series A2(G) Bonds, the Management Company shall calculate and apply the net amount which, as the case may be, should be requested from or repaid to the State.

II.16 Bond circulation law, particularly noting whether there are restrictions on the free transfer of the securities or mentioning that no such restrictions exist.

The Bonds are not subject to specific restrictions on their free conveyance. They shall be conveyed subject to the statutory provisions applicable thereto and to the existing rules of the secondary market on which the Bonds are traded, as established in sections II.4.1, II.5 and II.17 of this Chapter.

In accordance with the provisions of sections II.4.1 and II.5 of this Chapter, the ownership of each Bond will be conveyed by means of a transfer in the accounts. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties, in accordance with article 12 of Royal Decree 116/1992.

II.17 Organised secondary markets for which there is an undertaking to apply for listing of the Bonds and specific deadline by which that application shall be filed and all other documents required for listing to be achieved.

In fulfilment of the provisions of article 2.3 of Royal Decree 926/1998, the Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on the AIAF, which is a qualified official secondary securities market pursuant to transitional provision six of Act 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date and shall at all events take place by the First Payment Date (January 21, 2005).

The Management Company expressly represents that it is aware of the requirements and terms that must be observed for the securities to be eligible to be listed, remain listed and be excluded from listing on the AIAF, in accordance with the laws in force and the requirements of its governing bodies, and the Fund agrees through its Management Company to observe the same.

In the event that, by the end of the period until the first Payment Date defined in the first paragraph of this section, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons resulting in such breach, using the extraordinary notice procedure provided for in section III.5.2 of this Offering Circular. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be.

II.18 Bond subscription or acquisition proposals.

II.18.1 Potential investors to whom the securities are offered, and reasons for electing them.

Placement of the Bonds in all the Series is targeted at institutional investors, both legal persons or entities devoid of legal personality, such as pension funds, collective-investment undertakings, insurers, credit institutions, firms of broker-dealers or undertakings qualified under articles 64 and 65 of the Securities Market Act to manage third-party portfolios, in the business of regularly and professionally investing in marketable securities

In the case of undertakings qualified to manage securities portfolios, subscription or acquisition proposals shall be made by those undertakings on behalf of investors having previously signed with such undertakings an appropriate securities portfolio management agreement.

In addition to its own analysis as to the quality of the securities offered to be subscribed in this Offering Circular, the potential investor also has the rating assigned by the Rating Agencies set forth in section II.3 of this Chapter.

Once the issue has been fully placed and the Bonds are listed on the official AIAF secondary securities market, the Bonds may be freely purchased on that market in accordance with its own trading rules.

Effects of the subscription for Bondholders.

Subscription for the Bonds in any of the Series implies for each Bondholder an acceptance of the terms of the Deed of Constitution.

Tranches.

Each of the Series consists of one tranche only.

II.18.2 Legal status of the Bonds.

The following legal considerations apply to the Bonds subject of this issue in connection with their ownership by certain investors and once the Bonds are listed on the AIAF:

- (i) The Series A1 and A2(G) Bonds meet the selection policies to be admitted as assets securing transactions with the European Central Bank (European Central Bank regulation of August 31, 2000).
- (ii) They are eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50.5 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20, amended by Royal Decree 297/2004, February 20.
- (iii) They are eligible for investment by the Mutual Guarantee Company Technical Provision Fund, in accordance with Act 1/1994, March 11, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, November 8, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.
- (iv) They are eligible for investment by Pension Funds in accordance with the provisions of article 70 of Royal Decree 304/2004, February 20, approving the Pension Plans and Funds Regulations.
- (v) They are eligible for investing the assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 23 and 30 of Collective-Investment Undertakings Act 35/2003, November 4, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.
- (vi) The Series A2(G) Bonds are eligible for investment by the “Fondtesoro Renta FIM” Government Debt Investment Trusts, “Fondtesoro Renta FIAMM” Government Debt Money Market Asset Investment Trusts and “Fondtesoro Plus FIM” Government Debt Investment Trusts, the foregoing on the terms for which provision is made in the Order of May 28, 1999, amending the Order of June 7, 1990, relating to rules for subscribing Collaboration Agreements relating to Government Debt Investment Trusts.

II.18.3 Subscription or acquisition date or period.

The subscription period for the Bonds in every Series (the “**Subscription Period**”) shall begin at 1pm (CET time) on November 30, 2004 and end at 3pm (CET time) on the same day.

II.18.4 Where and with whom may subscription or acquisition be processed?

In order to be taken into account, subscription proposals shall be made during the Subscription Period established in the preceding section, with BBVA, JPMORGAN, ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK, as underwriters and placement agents of the Bond Issue (the “**Underwriters and Placement Agents**”), and observing the procedures established hereinafter in the following sections.

Subscribing for or holding Bonds in one Series does not imply subscribing for or holding Bonds in any of the other Series.

II.18.5 Placement and allocation of the Bonds.

The Underwriters and Placement Agents shall freely proceed to accept or turn down the subscription proposals received, making sure in any event that there is no discriminatory treatment between similarly characterised proposals. The Underwriters and Placement Agents may nevertheless give priority to proposals of those of their customers as they shall deem fit or appropriate and indeed subscribe on their own account, for themselves or group companies, for all or part of each Bond Series.

Each Underwriter and Placement Agent agrees to subscribe in its own name, at the close of the Subscription Period, for such amount of Bonds as may be necessary to complete the figure of their underwriting commitment as determined in section II.19.1 of this Chapter.

II.18.6 Pro rata placement and method.

Not applicable.

II.18.7 Payment method and dates.

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on December 2, 2004 (the “**Closing Date**”), for same day value, the relevant issue price (100% of the face amount) for each Bond allocated for subscription.

II.18.8 Method and deadline for delivery to the subscribers of copies of the subscription certificates or provisional slips, specifying the chances of their being traded and their maximum term of validity.

Unless the Bonds are previously entered in the accounting record of Iberclear in the actual subscriber’s name, the Underwriters and Placement Agents shall provide the Bond subscribers, within not more than fifteen (15) days after the Closing Date, with a document proving their subscription for the Bonds allocated and the actual amount paid for such subscription, though title to the Bonds taken shall be established by means of the appropriate entry in the accounting record.

This document shall not be marketable and will only be valid to justify subscription for the relevant Bonds, until and unless an entry is made in the accounting record as determined in section II.5 of this Offering Circular.

II.19 Institutions involved in the placement or marketing, giving their respective roles, describing the same specifically. Overall amount of the fees agreed between the various placement agents and the Management Company.

II.19.1 Bond Issue Underwriters and Placement Agents.

Placement of the Bonds in each Series shall be undertaken by BBVA, JPMORGAN, ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK, as Underwriters and Placement Agents, on the terms contained in section II.19.3 and in this section under the Bond Issue Management, Underwriting and Placement Agreement.

The following is the commitment by each Underwriter and Placement Agent in regard to their involvement in underwriting the placement of the Bonds in each Series:

Underwriter and Placement Agent	Face amount underwritten for each Series (EUR)			
	Series A1	Series A2(G)	Series B	Series C
BBVA	352,700,000.00	107,700,000.00	20,400,000.00	9,300,000.00
JPMORGAN	352,600,000.00	107,600,000.00	20,400,000.00	9,300,000.00
ABN AMRO	5,000,000.00	---	---	---
BNP PARIBAS	5,000,000.00	---	---	---
CAIXA CATALUNYA	5,000,000.00	---	---	---
FORTIS BANK	5,000,000.00	---	---	---
Total	725,300,000.00	215,300,000.00	40,800,000.00	18,600,000.00

The Underwriters and Placement Agents of each Series shall altogether receive from the Fund the following underwriting and placement fees on the face amount of the Bonds in the relevant Series:

- **Series A1:** 0.05%.
- **Series A2(G):**0.05%.
- **Series B:** 0.10%.
- **Series C:** 0.10%.

II.19.2 Lead Managers of the Bond Issue.

BBVA AND JPMORGAN shall be involved as Lead Managers of the Bond Issue.

The following is the statement given by each of the Lead Managers signed by a duly authorised individual, in fulfilment of the provisions of article 31.2 of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992:

Statement by BBVA.

We, Messrs Juan Gortázar Sánchez-Torres and César Goyache País, acting for and on behalf of Banco Bilbao Vizcaya Argentaria, S.A., with place of business for these purposes at Calle Alcalá, 16, Madrid, duly authorised for these presents, and in connection with the constitution of BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS and the issue of securities by the same amounting to EUR one billion (1,000,000,000.00), prior notice of which for registration at the Comisión Nacional del Mercado de Valores was given by Europea de Titulización Sociedad Gestora de Fondos de Titulización on October 26, 2004, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as currently worded,

HEREBY DECLARE

• That the necessary checks have been made to verify that the information contained in the Offering Circular is truthful and complete.

• That those checks have not revealed any circumstances contradicting or altering the information contained in the Offering Circular, or that the latter has omitted any material facts or figures which might be relevant to the investor.

In witness whereof, to serve and avail as and where appropriate, this statement is given at Madrid, on November 22, 2004.

Statement by JPMORGAN.

I, Mr Arturo Miranda Martín, acting for and on behalf of J.P. Morgan Securities, Ltd., with place of business at 125 London Wall, London EC2Y 5AJ UK, duly authorised for these presents, and in connection with the constitution of BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS and the issue of asset-backed bonds amounting to EUR one billion (1,000,000,000.00), prior notice of which for registration at the Comisión Nacional del Mercado de Valores was given by Europea de Titulización Sociedad Gestora de Fondos de Titulización on October 26, 2004, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as currently worded,

HEREBY DECLARE

That the necessary checks have been made to verify that the information contained in the Offering Circular is truthful and complete.

That those checks have not revealed any circumstances contradicting or altering the information contained in the Offering Circular, or that the latter has omitted any material facts or figures which might be relevant to the investor.

That the above representations neither extend nor refer to the audit report attached as an appendix to the Offering Circular in regard to the selected loans.

In witness whereof, to serve and avail as and where appropriate, this statement is given at London, on November 23, 2004.

Attached as Appendix 7 to this Offering Circular are photocopies of the letters from BBVA and JPMORGAN making that statement.

The Lead Managers shall not be remunerated for managing the Bond Issue.

II.19.3 Institutions underwriting the Bond Issue, describing the characteristics of the relationship or Management, Underwriting and Placement Agreement, guarantees required of the issuer or offeror, types of risks taken, type of consideration agreed by the underwriter in the event of breach, and other relevant elements.

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with BBVA and J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”), as Lead Managers and Underwriters and Placement Agents, and with AMRO BANK N.V. Sucursal en España, BNP PARIBAS Sucursal en España (“**BNP PARIBAS**”), CAIXA D’ESTALVIS DE CATALUNYA (“**CAIXA CATALUNYA**”) and FORTIS BANK NV-SA (“**FORTIS BANK**”) as Underwriters and Placement Agents.

The Bond Issue Underwriters and Placement Agents take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) securing placement by a third-party subscription for the Bond Issue; 2) an undertaking to subscribe on their own account for the Bonds not subscribed for by third parties during the Subscription Period, up to the amounts of their respective underwriting commitments; 3) payment by the Underwriters and Placement Agents JPMORGAN, ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK to the Paying Agent, by 2pm (CET time) on the Closing Date, for same day value, of the face amount of the Bonds placed by each of them and, as the case may be, subscribed for on their own account up to the face amount of their respective underwriting commitment, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm (CET time) on the same day, for same day value, the amount received from the remaining Underwriters and Placement Agents, plus the face amount of the Bonds it shall have placed as Underwriter and Placement Agent; 4) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 5) providing subscribers with a document proving subscription; 6) providing the Paying Agent with Bond Issue placement dissemination control information and 7) all other aspects governing the underwriting and placement.

The underwriting commitments of each Underwriter and Placement Agent and the underwriting and Placement fee are specified in section II.19.1 of this Offering Circular. The Paying Agent shall pay each of the Underwriters and Payment Agents on the Closing Date the amount of the underwriting and placement fee accrued for each of them, after they have in turn paid the face amount of the Bonds placed by each of them and, as the case may be, subscribed for on their own account up to their respective underwriting commitments.

BBVA AND JPMORGAN shall be involved as Lead Managers in the Bond Issue. They shall not be howsoever remunerated for managing the Bond Issue.

The Management, Underwriting and Placement Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period.

II.20 Entry and registration of the subscription for the Bonds.

The Bonds, represented by means of book entries, shall become such bonds upon being entered in the relevant accounting record, as provided in Royal Decree 116/1992, with the usual timing and procedures of the institution in charge of so doing, to wit Iberclear.

II.21 National laws governing the Bonds and jurisdiction in the event of litigation.

The constitution of the Fund and Bond Issue are subject to Spanish Law, and are specifically carried out in accordance with the provisions of the Order of December 28, 2001 and the provisions of (i) the Deed of Constitution; (ii) Royal Decree 926/1998 and implementing regulations; (iii) Act 19/1992, failing a provision in Royal Decree 926/1998, and to the extent applicable; (iv) Act 3/1994; (v) Act 44/2002 (in particular article 18 thereof); (vi) Securities Market Act 24/1988, as currently worded, and (vii) all other legal and statutory provisions in force and applicable from time to time.

The Deed of Constitution and the agreements for transactions covering financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund shall be governed by and construed in accordance with Spanish laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same, shall be heard and ruled upon by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against Loan Obligors who may have defaulted on their payment obligations or against the Originator. Any such rights shall lie with the Management Company, representing the Fund.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company, in the event of non-payment of amounts due by the Fund resulting from the existence of default or prepayment of the Loans, a breach by the Originator of its obligations or by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

The Bondholders and the remaining creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

II.22 Tax system derived from the securities offered.

A brief account is given hereinafter of the tax system applicable to the investments derived from this offering, in which connection only State laws in force for the time being and general aspects that might affect investors are taken into account; investors must bear in mind both their possible special tax circumstances and the rules applied territorially to a limited extent and contained in the laws in force at the time when the relevant income is obtained and returned.

Because the Bonds in this offering will be represented by book entries and an application will be made for the securities to be listed and traded on an official Spanish secondary securities market, which circumstances are relevant to determining taxation, the assumption made is that these requirements shall be met. It has moreover been considered that, upon being issued, the Bonds will be considered financial assets with an explicit yield, when this qualification is relevant for tax purposes.

The withholdings, interim payments and taxes established now or in the future on the Bond principal, interest or income shall be payable by the Bondholders, and their amount shall be deducted, as the case may be, in the manner statutorily prescribed.

It should finally be noted that the tax treatment described herein is general and has not therefore included the taxation applicable to income obtained through entities under an imputed income system, or the system applicable to all categories of investors, some of which (such as, for instance, financial institutions, Undertakings for Collective Investment, Co-operatives, etc.) may be subject to special rules.

II.22.1 Natural or legal persons resident in Spain.

Personal Income Tax.

Income obtained by Bondholders who are Personal Income Tax (IRPF) payers, both as interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered income on investments obtained from the assignment of own capital to third parties, as defined in article 23.2 of Legislative Royal Decree 3/2004, March 5, approving the Consolidation of the Personal Income Tax Act.

In this sense, in the event of revenues derived from receipt of Bond coupons (interest), the aggregate income shall be determined by the amount of interest received, including the IRPF withholding made, as the case may be.

Furthermore, in the event of transfer, redemption or amortisation of the Bonds, the income on investments shall be deemed to be the difference between the transfer, redemption or amortisation value (less properly

supported ancillary disposal expenses) and the acquisition or subscription value (plus properly supported ancillary acquisition expenses). When the taxpayer has acquired other homogeneous financial assets within two months before or after that transfer, negative income from the Bonds shall nevertheless be integrated as the homogenous Bonds remaining on the taxpayer's assets are transferred.

The net income on investments shall be found deducting the Bond servicing and custody expenses from the aggregate income, provided that those expenses do not derive from a discretionary and individualised management of the portfolio of investments. The net income from the transfer, redemption or amortisation of Bonds generated over a time-period in excess of two years shall be reduced by 40%.

Interest income received shall be subject to a 15% withholding tax on account of the beneficiary's IRPF.

There is however no withholding tax obligation on income derived from the transfer or repayment of the Bonds, because these are represented by means of book entries and are traded on an official Spanish securities market, other than for the part of the price equivalent to the matured coupon in transfers made within thirty days immediately preceding coupon maturity where (i) the transferee is a person or undertaking not resident in Spanish territory or a Corporation Tax obligor, and (ii) this explicit income is exempt from the obligation to withhold in relation to the transferee.

Corporation Tax.

Both interest income and income derived from the transfer, repayment or amortisation of the Bonds obtained by undertakings considered to be Corporation Tax payers, shall be added to the tax base as prescribed under Title IV of Legislative Royal Decree 4/2004, March 5, approving the Consolidation of the Corporation Tax Act.

The aforesaid income shall not be subject to a Corporation Tax withholding as provided by article 59.q) of Royal Decree 1777/2004, June 30, approving the Corporation Tax Regulations ("**Royal Decree 1777/2004**"), considering that the Bonds satisfy the following requirements -as this Bond Issue is expected to do:

1. That they are represented by means of book entries.
2. That they are traded on a Spanish official secondary securities market.

The procedure for the exclusion of withholding tax or prepayment on the Bond interest to be effective, in accordance with the Ministerial Order of 22nd December 1999, shall be subject to the following requirements:

1. The Management Company, for and on behalf of the Fund as the issuer, shall pay the custodians, through the Paying Agent, the liquid amount resulting from applying the general withholding rate in force on that date (currently 15%) to all the interest.
2. By the 10th of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent with an itemised list of the holders who must pay Corporation Tax, along with their identification particulars, ISIN code for the securities, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.
3. Bondholders who are Corporation Tax obligors shall certify that circumstance with the custodians of the securities by the 10th of the month after coupon maturity in order that the custodians may draw up the list specified in the preceding paragraph.
4. Forthwith upon receiving that list, the Management Company shall promptly pay the custodians through the Paying Agent the amount withheld from those obligors.
5. The custodians shall forthwith pay the amount withheld to the obligor holders.

For the purpose of establishing that they are Corporation Tax obligors, Bondholders may use any means of proof admissible at Law and must produce appropriate supporting documents which shall remain with the Bond custodian, at the disposal of the issuer (the Management Company on the Fund's behalf) to be checked and of the State Agency for Taxation Administration. In this connection, supporting documents shall be taken to mean a photocopy of the card establishing the Tax Identification Number.

II.22.2 **Natural or legal persons not resident in Spain.**

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered to be income obtained in Spain, with or without a permanent establishment, on the terms of articles 12 and 13 of Legislative Royal Decree 5/2004, March 5, approving the Consolidation of the Non-Resident Income Tax Act (the “**IRNR Act**”).

Income obtained through a permanent establishment.

Bond income obtained by a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the above-mentioned IRNR Act, notwithstanding the provisions of double-taxation Agreements of which Spain is a signatory, which might determine that the relevant income pays no tax or that reduced tax rates apply. The aforesaid income shall be subject to Non-Resident Income Tax withholding on the terms set out above for Spanish Corporation Tax obligors.

Income obtained other than through a permanent establishment.

Bond income obtained by persons or undertakings not resident in Spain acting for these purposes without a permanent establishment within Spanish territory shall pay tax in accordance with the rules of Chapter IV of the aforesaid IRNR Act, the following elements of the system of that Act being noteworthy, without prejudice to the provisions of double-taxation Agreements signed by Spain determining that the relevant income need pay no tax or, as the case may be, that reduced rates apply:

- The tax base shall be quantified as the full amount of the income obtained, calculated with reference to the rules of the IRPF Act, whereas the reductions of that Act will not apply.
- In the event of transfer, repayment or amortisation, expenses attaching to acquisition and disposition shall be taken into account for calculating the income, provided that they are properly supported. Taxation shall be separately effected for each total or partial taxable accrual of income, which may under no circumstances be set off against one another.
- Bond income obtained both as interest and in connection with transfer, repayment or amortisation of the Bonds shall be exempt when obtained without a permanent establishment by residents of another European Union Member State or by permanent establishments of those residents located in another European Union Member State (article 14.1.c) of the IRNR Act).
- Income derived from the transfer of such securities made on any of the official Spanish secondary securities markets obtained by non-resident natural persons or undertakings other than through a permanent establishment in Spanish territory, resident in a State having signed a double-taxation agreement with Spain with an information-exchange clause, will also be exempt.
- The two exemptions referred to shall by no means apply where the income is obtained through countries or territories statutorily qualified as tax havens.
- The Tax will be calculated applying a 15 percent rate to the tax base comprising Bond interest and other income unless an exemption or a lower rate applies in pursuance of the provisions of the internal law or in an Agreement signed by Spain. Where on account of the investor's residence a Double Taxation Agreement signed by Spain is applicable, the reduced tax rate or the exemption provided for in said Agreement for income of this kind shall be applied, as the case may be.
- The application of any exemption or reduced rate for which provision is made in the internal laws or in an Agreement signed by Spain shall require satisfactory proof of the investor's tax residence in the manners for which provision is made in Spanish laws.
- On the other hand, Bond coupons are in principle liable to a withholding, unless evidence is produced of Tax exemption or payment. The amount withheld is equivalent to the final Tax.
- In accordance with the Ministerial Order of April 13, 2000, where financial institutions domiciled, resident or represented in Spain that are custodians or manage collection of the income on those securities are involved in the Bond interest payment procedure, the exclusion from withholding tax or withholding at a

reduced rate by applying the taxation limits established in double-taxation Agreements shall be put in place as described hereinafter:

1. The Management Company shall, for and on behalf of the Fund as the issuer, through the Paying Agent, pay to the custodians the net amount resulting from applying the general withholding rate in force on that date to all the interest.
2. By the 10th of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent by value/issue code and maturity/distribution date with an itemised list of the holders who are Non-Resident Income Tax obligors for obtaining income in Spanish territory without a permanent establishment with the ISIN code for the securities, type of income, type of person, tax residence country code, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the excess percentage withheld from each holder.
3. Bondholders who are Non-Resident Income Tax payers without a permanent establishment in Spain shall have established to the custodians that they are entitled to have the taxation limits of an Agreement applied or to be excused from withholding. The custodians shall draw up the list referred to in the preceding paragraph including the holders of the securities who have established that right upon the list being issued to the Management Company.
4. Forthwith upon receiving the list referred to in paragraph 2 above, the Management Company shall promptly pay all the custodians through the Paying Agent the amount withheld from those obligors or taxpayers.
5. The custodians shall forthwith pay the excess amount withheld from holders who are Non-Resident Income Tax payers.
6. For the purpose of establishing the right to have the withholding made applying the taxation limits of an Agreement or to be excused therefrom, taxpayers shall prove their tax residence by means of the following documents:
 - When the withholding exclusion results from the application of internal Spanish regulations, by means of a residence certificate issued by the tax authorities of the country of residence.
 - When the withholding exclusion or the withholding is made at a reduced rate, under an Agreement with a certificate issued by the respective tax authority, expressly recording that the taxpayer is a resident within the meaning of the Agreement. Nevertheless, when a withholding is made applying a taxation limit laid down in an Agreement implemented by means of an Order establishing the use of a specific form, this shall be established therewith in lieu of the certificate.

The residence certificates referred to in the preceding paragraphs shall in principle be valid for one year after the date of issue.

In the event that tax residence may not be established, Bond income obtained both as interest and in connection with the transfer, repayment or amortisation of the Bonds, by non-resident holders shall be subject to taxation under the general system aforesaid, although a refund of the excess withholding or taxation may be applied for by means of the procedure for which provision is made in the laws in force for the time being.

- Furthermore, and whether or not they pay the Tax, Bond transfer or repayment income shall not be liable to withholding because the financial assets have an explicit yield, are represented by book entries and are traded on an official Spanish secondary securities market, on the terms and conditions for which provision is made in article 73.3.f) of Royal Decree 1775/2004, July 30, approving the Personal Income Tax Regulations, under an express renvoi made in article 10.3.b) of Royal Decree 1776/2004, July 30, approving the Non-Resident Personal Income Tax Regulations. The reference in the aforesaid article to the rule of the Personal Income Tax Regulations shall not expressly excuse the application of the so-called anti-coupon laundering rule where the investor is a non-resident without a permanent establishment in

Spain¹. The foregoing shall be without prejudice to the joint and several liability of the Bond custodian or manager, and the actual non-resident holder's duties to return and pay the Tax in due course.

II.22.3 Indirect taxation on the transfer of the Bonds.

The issue, subscription for and transfer of the Bonds is exempt from paying Capital Transfer and Documents Under Seal Tax and Value Added Tax.

II.22.4 Wealth Tax.

Natural persons whose personal obligation it is to pay this Tax and have to submit a return on this Tax and who are Bondholders at December 31 of each year, shall include the Bonds in that Tax Base at their average trading value in the fourth quarter of each year.

Non-resident natural persons who are Bondholders at December 31 of each year shall be payers of the Tax by real obligation and will also have to pay Wealth Tax, other than as provided in the double-taxation Agreements. Nevertheless, residents in other European Union countries (other than those holding their financial assets through a tax haven) in regard to Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above, shall be exempt.

II.22.5 Inheritance and Gift Tax.

The transfer of the Bonds to natural persons by inheritance or donation shall be subject to the general rules of Inheritance and Gift Tax without prejudice to the provisions of double-taxation Agreements signed by Spain. In the event that the beneficiary should be a legal person, the income obtained would be taxed in accordance with the Corporation Tax or Non-Resident Personal Income Tax rules, in the event that the beneficiary is a non-resident entity for tax purposes in Spain, as the case may be, and without prejudice in the latter event to the provisions of double-taxation Agreements that may apply.

II.23 Purpose of the transaction.

The net amount of the Bond Issue will be fully allocated to paying to BBVA the price for the acquisition of the Non-Mortgage Loans and the Pass-Through Certificates pooled in the Fund assets.

II.24 Institutions that have agreed, as the case may be, to be involved in secondary trading, providing liquidity by offering consideration, specifying the extent and manner of their involvement.

There are no commitments for any institution to be involved in the secondary market of the Bonds, providing liquidity by offering consideration.

II.25 Natural or legal persons with a relevant involvement in structuring or providing advice for the constitution of the Fund or in connection with any item of the significant information contained in the offering circular, including, as the case may be, underwriting the placement.

II.25.1 Specification of natural and legal persons.

- a) EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is the Fund Management Company.
- b) The Fund and the Bond Issue were financially structured by BBVA, JPMORGAN and the Management Company.
- c) BBVA is the Originator of the Loans pooled in the Fund, represented by the Management Company.

¹ The application of this rule would result in a withholding being made on the part of the price equivalent to the coupon accrued on transfers made within thirty days immediately preceding coupon maturity where (i) the purchaser is a person or an entity not resident in Spanish territory, or a Corporation Tax payer, and (ii) this return is excused from the obligation to withhold for the purchaser.

- d) BBVA and JPMORGAN are involved as Lead Managers and Underwriters and Placement Agents of the Bond Issue and shall be the placement agents in charge of keeping the Bond subscription orders book (*joint book runners*).
- e) ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK are involved as Underwriters and Placement Agents of the Bond Issue.
- f) CLIFFORD CHANCE are involved as independent legal advisers and have provided legal advice on the transaction and reviewed its tax implications.
- g) BBVA is involved as Paying Agent of the Bond Issue.
- h) Deloitte are involved as auditor checking a number of attributes of the selection of loans owned by BBVA from which the Loans to be assigned to the Fund upon being constituted, shall be taken.

II.25.2 Statement by the person responsible for the Offering Circular on behalf of the Management Company, specifying whether he is aware of the existence of any relationship whatsoever (political rights, employment, family, etc.) or economic interest of those experts, advisers, and of other institutions involved, with both the Management Company and the former holders of the assets (Loans) acquired by the Fund.

"I, Mr Mario Masiá Vicente, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca number 120, and in connection with the constitution of the Fund BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same amounting to EUR one billion (1,000,000,000.00), notice of which for registration at the Comisión Nacional del Mercado de Valores was filed on October 26, 2004, and in compliance with the provisions of section II.25.2 of CNMV Circular 2/94, March 16, (implementing the Order dated July 12, 1993, in turn implementing Royal Decree 291/92, March 27),

HEREBY DECLARE

That BANCO BILBAO VIZCAYA ARGENTARIA, S.A. has an 82.3% interest in the Management Company's share capital.

That J.P. MORGAN SECURITIES LTD. is part of the same Group as J.P. MORGAN ESPAÑA, S.A., and the latter in turn has a 4% interest in the Management Company's share capital.

That DELOITTE & TOUCHE ESPAÑA S.L. are currently auditors of the annual accounts of the Management Company and of BANCO BILBAO VIZCAYA ARGENTARIA S.A.

That I am not aware of the existence of any other relationship or economic interest whatsoever between the Management Company proper and/or BANCO BILBAO VIZCAYA ARGENTARIA, S.A. and the experts, advisers and/or other undertakings involved in structuring or providing advice for the constitution of the Fund, or certain significant information contained in the Offering Circular beyond a strictly professional relationship."

II.25.3 Statement by the Originator of the Credit Rights.

We, Ms Ana Fernández Manrique, who hold Spanish Identity Document no. 812151K, and Mr José Luis Domínguez de Pasada de Miguel, who hold Spanish Identity Document no. 1494105W, acting for and on behalf of BANCO BILBAO VIZCAYA ARGENTARIA S.A., with place of business for these purposes at Paseo de la Castellana number 81, Madrid, duly authorised for these presents, and in connection with the constitution of BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS,

HEREBY DECLARE

• That the representations regarding the Loans and the Pass-Through Certificates and Mortgage Loans contained in section IV.1.4 of the Offering Circular are truthful.

• That the foregoing representations shall be warranted to the Management Company, acting for the Fund, in the Deed of Constitution of the Fund.

• That the necessary checks have been made to verify that the information contained in the Offering Circular, as to the portfolio of selected loans which shall be mostly assigned in the Deed of Constitution to the Fund, making up the Mortgage Loans backing the issue of the Pass-Through Certificates and the Non-Mortgage Loans directly assigned, is truthful and complete.

• That those checks have not revealed any circumstances contradicting or altering the information contained in the Offering Circular, or that the latter has omitted any material facts or figures which might be relevant to the investor.

In witness whereof, to serve and avail as and where appropriate, this statement has been made at Madrid, on November 22, 2004.

Attached as Appendix 6 to this Offering Circular is a photocopy of the letter from the Originator making that statement.

CHAPTER III

GENERAL INFORMATION ON THE FUND

III.1 Governing system, name and purpose of the Fund.

The Fund is constituted and the Bonds are issued in accordance with the provisions of the Order of the Economy Ministry of December 28, 2001, and shall be subject to the provisions of (i) the Deed of Constitution; (ii) Royal Decree 926/1998 and implementing regulations; (iii) Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable; (iv) Act 3/1994; (v) Act 44/2002 (in particular article 18 thereof); (vi) the Securities Market Act, and (vii) all other legal and statutory provisions in force and applicable from time to time.

The name of the Fund is "BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- BBVA-3 FTPYME FTA
- BBVA-3 FTPYME F.T.A.

The Fund is organised in order to generally serve as a vehicle for acquiring the Loans assigned by BBVA and have the same issue the Bonds, and, in particular, to foster the financing of small and medium-sized enterprises.

Companies Register.

For the record, neither the constitution of the Fund nor the Bonds issued backed by its assets shall be entered in the Companies Register, in pursuance of the facultative authority for which provision is made in article 5.4 of Royal Decree 926/1998.

III.2 Legal nature of the Fund.

In accordance with article 1 of Royal Decree 926/1998, the Fund shall be a separate closed-end fund, devoid of legal personality, in accordance with article 3 of Royal Decree 926/1998. Its assets shall comprise the Non-Mortgage Loans and the Pass-Through Certificates, the issue of which perfects the assignment of the Mortgage Loans pooled upon being constituted and the start-up (constitution and issue) expenses, and its liabilities shall comprise the Bonds issued and the Start-Up Loan, and the net worth of the Fund shall be nil. Additionally, the Fund arranges the Subordinated Credit, an Interest Swap and the State Guarantee to be reported in memorandum accounts.

The Management Company, for and on behalf of the Fund, and BBVA as Originator, shall in the Deed of Constitution perfect the agreement assigning the Loans to the Fund, effective from that date, as follows:

- (i) The assignment of the Mortgage Loans shall be perfected by means of the issue by BBVA of and the subscription by the Fund for Pass-Through Certificates as established by Act 2/1981 and by additional provision five of Act 3/1994, as worded by article 18 of Financial System Reform Measures Act 44/2002, November 22.
- (ii) The Non-Mortgage Loans shall be assigned directly without any securities being issued.

The assignment of each Loan shall be made for all the outstanding principal pending repayment on the assignment date and for all the ordinary and late-payment interest on each Loan assigned. Moreover, the assignment of each Loan shall confer on the Fund the right to receive all possible rights or compensations on the Loans accruing for the Originator and derived therefrom, including those derived from any right attached to the Loans, excluding the fees if any established for each of the Loans, which shall remain to the benefit of the Originator.

The above-mentioned rights will all accrue for the Fund from the date of assignment of the Loans. Interest will also include interest accrued and not due from the last interest settlement date of each of the Loans, before or on the date of assignment, and interest due and not paid on that same date.

The sale or assignment price of the Loans shall be at par. The aggregate price payable by the Fund represented by the Management Company to BBVA for the assignment of the Loans shall be an amount equivalent to the sum of:

- (i) The face value of the capital or principal outstanding on each of the Loans, which shall be paid by the Fund on the Closing Date. The Originator shall not receive interest on deferment of payment until the Closing Date.
- (ii) Ordinary interest accrued and not due and overdue interest, if any, on each of the Loans on the assignment date (the accrued interest), which shall be paid by the Fund on the collection date falling on the earlier of the first interest settlement date for each of the Loans or the date on which they are paid by the Obligor, and shall not be subject to the Priority of Payments.

The Fund shall be in existence until April 21, 2028 or the following Business Day if that is not a Business Day, the Final Maturity Date of the Bond Issue, unless there should previously have been an Early Liquidation as set forth in section III.7.1 of this Offering Circular or any of the events laid down in section III.7.2 of this Offering Circular should occur.

The net worth elements making up the Fund assets and liabilities and the risk hedge transactions and services arranged for on the Fund's behalf are determined hereinafter in this section.

III.2.1 Fund Assets.

The Fund assets shall consist of the following:

a) At source (until the Closing Date, inclusive).

- (i) The Non-Mortgage Loans and the Pass-Through Certificates, the issue of which perfects the assignment of the Mortgage Loans, assigned by BBVA and pooled in the Fund, the total capital or principal of which shall be slightly in excess of EUR one billion (1,000,000,000.00), the amount of the face value of the Bond Issue.

Section IV.1 of this Offering Circular describes the general characteristics of the Loans and the terms and conditions for their assignment to the Fund.

The characteristics of the loans selected from BBVA's portfolio, from which the Loans to be assigned to the Fund shall be taken are detailed in section IV.4 of this Offering Circular.

- (ii) The amount receivable upon the payment of the subscription underwritten for each Bond Series.
- (iii) The initial expenses for constituting the Fund and issuing the Bonds booked as assets.
- (iv) The existing Treasury Account balance under the Guaranteed Interest Rate Account (Treasury Account) Agreement, as established in section V.3.1 of this Offering Circular, and interest thereon.

b) During the life of the Fund.

- (i) The Outstanding Balance of the Loans resulting from the principal repaid.
- (ii) Ordinary and late-payment interest on the Loans.
- (iii) Any amounts, goods or assets received as payment of Loan principal, interest or expenses derived from both the auction sale price or amount determined by a court decision or notarial procedure in enforcing mortgage or non-mortgage securities and the sale or utilisation of the properties awarded to the Fund upon foreclosing the mortgage securities, or, upon foreclosing, in connection with the administration or interim possession of the properties in foreclosure proceedings. Similarly, all other rights conferred to the Fund upon the assignment of the Loans.

- (iv) Amounts receivable under the Interest Swap established in section V.3.5 of this Offering Circular.
- (v) Amounts, if any, received upon enforcing the State Guarantee established in section II.15.2 of this Offering Circular.
- (vi) All other balances existing on the Treasury Account and interest thereon.
- (vii) The existing Amortisation Account balance under the Guaranteed Interest Rate Account (Amortisation Account) Agreement, as established in section V.3.2 of this Offering Circular, and interest thereon.
- (viii) The existing Surplus Account balance, if any, transferred from the Treasury Account and from the Amortisation Account, and interest thereon, as established in sections V.3.1 and V.3.2 of this Offering Circular.
- (ix) The balance pending amortisation of the expenses for constituting the Fund and issuing the Bonds booked as assets.
- (x) Any other amount received in relation to other agreements concluded by the Management Company on behalf of the Fund.

III.2.2 Fund Liabilities.

The Fund liabilities shall consist of the following:

a) At source (until the Closing Date, inclusive).

- (i) The Bond Issue amounting to a face value of EUR one billion (1,000,000,000.00), consisting of ten thousand (10,000) Bonds denominated in euros and comprising three Bond Classes distributed into four Series as follows:
 - a) Class A comprising two Series having a face amount of EUR nine hundred and forty million six hundred thousand (940,600,000.00):
 - i) Series A1 having a total face amount of EUR seven hundred and twenty-five million three hundred thousand (725,300,000.00) comprising seven thousand two hundred and fifty-three (7,253) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
 - ii) Series A2(G) having a total face amount of EUR two hundred and fifteen million three hundred thousand (215,300,000.00) comprising two thousand one hundred and fifty-three (2,153) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
 - b) Class B comprising a single Series B having a total face amount of EUR forty million eight hundred thousand (40,800,000.00) comprising four hundred and eight (408) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
 - c) Class C comprising a single Series C having a total face amount of EUR eighteen million six hundred thousand (18,600,000.00) comprising one hundred and eighty-six (186) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

The characteristics of the Bond Issue are established in Chapter II of this Offering Circular.

- (ii) The amount payable to BBVA for acquiring the Non-Mortgage Loans and subscribing for the Pass-Through Certificates.
- (iii) The Start-Up Loan amount established in section V.3.3 of this Offering Circular.

b) During the life of the Fund.

- (i) The Outstanding Principal Balance of the Bonds in each of the Series and interest thereon.
- (ii) Principal pending repayment and interest on the Start-Up Loan.
- (iii) Principal pending repayment and interest on the Subordinated Credit if drawn down.
- (iv) Amounts payable under the Interest Swap.
- (v) The amount drawn, if any, under the State Guarantee pending repayment.
- (vi) Fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

III.2.3 Cash Reserve.

The Management Company shall set up a Cash Reserve by drawing fully the available Subordinated Credit amount on the drawdown date, in the event of the rating of the non-subordinated and unsecured short-term debt of BBVA falling below F1, P-1 or A-1+ respectively in Fitch’s, Moody’s and S&P’s rating scales, within not more than ten (10) Business Days from the occurrence of any such circumstances, unless BBVA should provide at its expense and for the Fund a first demand security or guarantee from an institution whose short-term debt has a rating of at least F1, P-1 and A-1+ respectively in the above-mentioned rating scales, securing for the Fund, merely upon the Management Company so requesting, the amount of the drawdowns requested from BBVA up to the Maximum Subordinated Credit Amount available on the relevant drawdown date, subject to such terms and conditions as may be approved by the Management Company, first notifying the Rating Agencies, in order for the ratings assigned to each of the Series by the Rating Agencies to be maintained.

The ratings of the non-subordinated and unsecured short-term debt of BBVA assigned by the Rating Agencies are currently as follows:

	Fitch ratings	Moody's ratings	S&P ratings
Short-term	F1+	P-1	A-1+
Long-term	AA-	Aa2	AA-

If it should be set up, the characteristics of the Cash Reserve shall be as follows:

III.2.3.1 Required Cash Reserve.

1. Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned up to the Required Cash Reserve established hereinafter with the Available Funds in the Fund Priority of Payments.

The required Cash Reserve on each Payment Date (the “**Required Cash Reserve**”) shall be the lower of the following amounts:

- i) EUR twenty million six hundred thousand (20,600,000.00).
 - ii) The higher of:
 - a) 4.00% of the Outstanding Principal Balance of the Bond Issue.
 - b) 1.00% of the initial face amount of the Bond Issue.
2. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:
 - i) That, on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Delinquent Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Loans.

- ii) That on the preceding Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve on that Payment Date.
- iii) That not more than three (3) years have elapsed from the Fund constitution date.

III.2.3.2 Yield.

The Cash Reserve amount shall remain credited to the Treasury Account, and will be remunerated on the terms of the Guaranteed Interest Rate Account (Treasury Account) Agreement.

III.2.3.3 Application.

The Cash Reserve shall be applied on each Payment Date to satisfying Fund payment obligations in accordance with the Priority of Payments and the Liquidation Priority of Payments.

III.2.4. Risk hedging and services transactions.

The Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the following financial and service provision transactions:

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Guaranteed Interest Rate Account (Amortisation Account) Agreement.
- (iii) Subordinated Credit Agreement.
- (iv) Start-Up Loan Agreement.
- (v) Interest Swap Agreement.
- (vi) Loan Servicing and Management and Pass-Through Certificate Custody Agreement.
- (vii) Bond Issue Management, Underwriting and Placement Agreement.
- (viii) Bond Paying Agent Agreement.
- (ix) Financial Intermediation Agreement.

In addition, the Economy and Finance Ministry shall in a Ministerial Order grant the State Guarantee to the Fund before it is constituted.

The Management Company may extend or amend the agreements entered into on the Fund's behalf, substitute, as the case may be, each of the service providers to the Fund, on the terms provided for in each of the agreements, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, provided that the circumstances preventing the foregoing in accordance with the laws and regulations in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies.

The individual description of the most relevant terms of the Bond Issue Management, Underwriting and Placement Agreement and of the Loan Servicing and Management and Pass-Through Certificate Custody Agreement may be respectively found in sections II.19.3 and IV.2 of this Offering Circular, in addition to the more thorough description of the State Guarantee that may be found in section II.15.2 of this Offering Circular. The description of the rest of the above agreements may be found in section V.3 of this Offering Circular.

The arrangement of these transactions for hedging risks and provision of services with BBVA and with the other counterparties can under no circumstances be construed as a security by these undertakings in regard to repayment of principal and payment of interest on the Bonds.

III.2.5 Fund Income.

The Fund shall have the following income, credited to the Treasury Account, which shall be allocated for satisfying the Fund's payment or withholding obligations.

- a) Loan principal repayment amounts received.

- b) Ordinary and late-payment interest on the Loans.
- c) The Start-Up Loan amount.
- d) Subordinated Credit amounts, if any, drawn down.
- e) Amounts received on the terms of the Interest Swap.
- f) The yield obtained by investing amounts credited to the Treasury Account, the Amortisation Account and, as the case may be, the Surplus Account.
- g) Amounts received upon enforcing the State Guarantee, as the case may be, which shall be allocated only to payment of interest and repayment of principal of the guaranteed Series A2(G).
- h) Any other amounts received by the Fund, including Fund receivables under the Loans both resulting from the sale of properties or assets awarded to the Fund or from their utilisation, and from all other rights conferred to the Fund upon the assignment of the Loans.

III.2.6 Expenses payable by the Fund.

The Management Company shall settle on the Fund's behalf all such expenses as may be necessary for the Fund to operate, being both initial expenses and ordinary periodic and extraordinary expenses accrued throughout its life.

Value Added Tax (VAT) payable by the Fund shall be deemed to be a deductible expense for Corporation Tax purposes.

Initial expenses.

The estimated initial expenses for setting up the Fund and issuing the Bonds are itemised in section II.14 of this Offering Circular. Payment of the initial expenses shall be made with the amount drawn on the Start-Up Loan and shall not be subject to the Fund Priority of Payments.

Expenses throughout the life of the Fund.

The Management Company shall pay on behalf of the Fund all expenses necessary for the Fund to operate, being both ordinary periodic and extraordinary expenses accruing throughout its life, which shall be settled in the Priority of Payments or the Liquidation Priority of Payments and in their respective order number. For illustrative purposes only, the Management Company shall satisfy the following expenses:

- a) The balance, if any, of the initial expenses for setting up the Fund and issuing the Bonds exceeding the Start-Up Loan amount.
- b) Any expenses arising from mandatory verifications, registrations and administrative authorisations.
- c) Expenses, if any, derived from drafting and executing the amended Deed of Constitution and the agreements, and from entering into additional agreements.
- d) Financial expenses of the Bond issue and of each of the financial borrowing and cover transactions.
- e) Rating Agency fees for monitoring and maintaining the Bond rating.
- f) Bond amortisation expenses.
- g) Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on secondary securities markets and maintenance of all of the foregoing.
- h) Any expenses derived from the sale of the Loans and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.
- i) Expenses required derived from Loan recovery actions.
- j) Expenses derived from managing the Fund.
- k) Expenses derived from servicing of the Loans and custody of the Pass-Through Certificates.
- l) Fees and expenses payable by the Fund under the service and financial transaction agreements made.
- m) Amounts payable on the terms of the Interest Swap.

- n) Expenses derived from announcements and notices relating to the Fund and/or the Bonds.
- o) Expenses of audits and legal advice.
- p) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

III.3 Drawing up, auditing and approving annual accounts and other accounting documents of the Fund.

The Fund's annual accounts shall be audited and reviewed every year by auditors.

The Management Company shall submit to the CNMV the Fund's annual accounts, along with an audit report on the accounts, within four (4) months of the close of the Fund's fiscal year, which shall match the calendar year. The annual accounts of the Fund and the audit report thereon shall be filed with the Companies Register.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the auditor who is for that period of time to audit the Fund's annual accounts, reporting that appointment to the CNMV. The designation of an auditor for a given period shall not preclude the designation of that auditor for subsequent periods, observing in any event the laws in force on the subject.

III.4 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.

III.4.1 As part of its Fund management and administration duty, the Management Company agrees to submit to the CNMV and the Rating Agencies, as promptly as possible, quarterly after each Payment Date the information described hereinafter, with the exception of that contained in section d) which shall be annual, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.4.2 of this Offering Circular, and of such additional information as may be reasonably required of it.

a) In relation to each of the Bond Series on each Payment Date:

1. Outstanding Principal Balance and percentages they each represent on the initial face amount of each Series.
2. Interest accrued and paid.
3. Interest, if any, accrued and not paid.
4. Amortisation accrued and paid.
5. The amount of the Amortisation Deficiency, if any.
6. Estimated average life of the Bonds in each of the Series if the Loan prepayment rate is maintained, as determined in paragraph b) below.

b) In relation to the Loans on each Payment Date:

1. Outstanding Balance.
2. Interest accrued and not collected.
3. Amount of the Loan instalments in arrears.
4. Printout establishing the average principal prepayment rate by Obligors during the three calendar months preceding the month corresponding to each Payment Date.

c) In relation to the economic and financial status of the Fund on each Payment Date:

Report on the amount of the Available Funds and the Available Funds for Amortisation, and their application in the Fund Priority of Payments.

d) Annually, in relation to the Fund's Annual Accounts:

Balance sheet, profit & loss account, management report and audit report within four (4) months of the close of each fiscal year.

III.4.2 Other ordinary, extraordinary and relevant event notification obligations.

The Management Company agrees to give the notices detailed below, observing the recurrence provided in each case.

a) Ordinary periodic notices.

1. Within the period comprised between the Interest Rate Fixing Date and not more than two (2) Business Days after each Payment Date, it shall proceed to notify Bondholders of the Nominal Interest Rate resulting for each of the Bond Series, and for the Interest Accrual Period after that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify Bondholders of the following information:
 - i) Interest resulting from the Bonds in each of the Series, along with the amortisation of the Bonds.
 - ii) Furthermore, and if appropriate, interest and amortisation amounts accrued thereby and not settled due to a shortfall of Available Funds, in accordance with the rules of the Fund Priority of Payments.
 - iii) The Outstanding Principal Balances of the Bonds in each of the Series, after the amortisation to be settled on each Payment Date, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
 - iv) The Loan principal prepayment rate by Obligors during the calendar quarter preceding the Payment Date.
 - v) The average residual life of the Bonds in each of the Series estimated assuming that such Loan principal prepayment rate shall be maintained and making all other assumptions as provided in section II.12.a) of this Offering Circular.

The foregoing notices shall be made in accordance with the provisions of section c) below and will also be notified to the CNMV, the Paying Agent, AIAF and Iberclear, within not more than one (1) Business Day before each Payment Date.

b) Extraordinary notices.

The following shall be the subject of an extraordinary notice:

1. The constitution of the Fund and the Bond Issue, and the final margins applicable for determining the Nominal Interest Rate for each Series and the Nominal Interest Rate determined for each of the Bond Series for the first Interest Accrual Period.
2. Other:

Any relevant event occurring in relation to the Loans, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, or in the event of termination of the constitution of the Fund or a decision in due course to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in any of the events provided in this Offering Circular. In the latter event, the Management Company shall send to the CNMV the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section III.7.2 of this Offering Circular.

c) Procedure to notify Bondholders.

Notices to Bondholders to be made by the Management Company in accordance with the above, in regard to the Fund, shall be given as follows:

1. Ordinary notices.

Ordinary notices shall be given by a publication in the daily bulletin of the AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by means of a publication in an extensively circulated business and financial or general newspaper in Spain. The Management Company or the Paying Agent may additionally disseminate that information or other information of

interest to Bondholders through dissemination channels and systems typical of financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other similarly characterised means.

2. Extraordinary notices.

Extraordinary notices shall be given by publication in an extensively circulated business and financial or general newspaper in Spain, and those notices shall be deemed to be given on the date of that publication, any Business or other calendar day (as established in this Offering Circular) being valid for such notices.

Exceptionally, the final margins applicable for determining the Nominal Interest Rate for each Series and the Nominal Interest Rate determined for the Bonds in each Series for the first Interest Accrual Period shall be notified in writing by the Management Company by the start of the Subscription Period to the Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and Iberclear.

3. Notices and other information.

The Management Company may provide Bondholders with notices and other information of interest to them through its own Internet pages or other similarly characterised teletransmission means.

d) Information to the CNMV and the Rating Agencies.

The Management Company shall proceed to advise the CNMV and the Rating Agencies of both ordinary periodic and extraordinary publications made in accordance with the provisions of the preceding sections, and of such other information as may be required of it, irrespective of the above.

III.5 Tax system of the Fund.

A brief abstract follows of the tax system applicable to the Fund, in accordance with the provisions of article 1.2 of Royal Decree 926/1998; article 5.10 of Act 19/1992; article 7.1.h) of Legislative Royal Decree 4/2004, March 5, approving the Consolidation of the Corporation Tax Act (Corporation Tax Act); article 20.One.18 of Value Added Tax Act 37/1992, December 28, and article 59.k of Royal Decree 1777/2004, July 30, approving the Corporation Tax Regulations; article 45.I.B).15 of Royal Decree 1/1993, September 24, approving the Consolidation of the Capital Transfer and Documents Under Seal Tax; article 16 of Royal Decree 3/1993, and Additional Provision Five of Act 3/1994.

- (i) The constitution of the Fund is exempt from the item "corporate transactions" of the Capital Transfer and Documents Under Seal Tax.
- (ii) The Bond issue is exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund is liable to pay Corporation Tax, determining the taxable income in accordance with the provisions of Title IV of the Corporation Tax Act, applying the general rate in force from time to time, which currently stands at 35%.
- (iv) As for returns on the Loans, including the Pass-Through Certificates, loans or other credit rights constituting Fund income, there shall be no Corporation Tax withholding or advance payment obligation.
- (v) The Fund management and custody services shall be exempt from Value Added Tax.

III.6 Amendment of the Fund Deed of Constitution.

The Fund Deed of Constitution may not be altered other than in exceptional events, and whenever that is permitted under the laws in force and subject to such statutory requirements as may be established. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The

amendment of the Deed of Constitution shall be notified by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution can also be corrected as requested by the CNMV.

III.7 Liquidation and termination of the Fund.

III.7.1 Early Liquidation of the Fund.

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation (“**Early Liquidation**”) of the Fund and thereby an early amortisation (“**Early Amortisation**”), on a Payment Date, of the entire Bond Issue, in any of the following events (“**Early Liquidation Events**”):

- (i) When the amount of the Outstanding Balance of the Loans is less than 10 percent of the initial capital of the Loans on the Fund constitution date, and provided that the payment obligations derived from the Bonds in each Series may be honoured and settled in full in the Liquidation Priority of Payments.

Payment obligations derived from the Bonds on the date of Early Liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance on that date plus interest accrued and not paid until that date, deducting withholding tax, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) Where, in any event or circumstance whatsoever beyond the Fund’s control or own operations, a substantial alteration occurs or the financial balance of the Fund required by article 11.b) of Royal Decree 926/1998 is permanently invalidated. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iii) In the event that the Management Company should be adjudged insolvent, or the statutory term to do so, or failing that term four months, should elapse without a new management company being designated in accordance with the provisions of section III.8.2 of this Offering Circular.
- (iv) When a default occurs indicating a major permanent imbalance in relation to any of the Bonds issued or any non-subordinated credit or is expected to occur.
- (v) Upon the lapse of forty-two (42) months from the date of the last maturity of the Loans, even if amounts are still due and payable.

The following requirements shall be necessary to proceed to that Early Liquidation of the Fund:

- (i) That Bondholders be given fifteen (15) Business Days’ notice, as prescribed in section III.4.2 of this Offering Circular, of the Management Company’s resolution to proceed to an early liquidation of the Fund.
- (ii) That the Management Company previously advise the CNMV and the Rating Agencies of that notice.
- (iii) The notice of the Management Company’s resolution to proceed to an Early Liquidation of the Fund shall contain a description (i) of the event or events for which an Early Liquidation of the Fund is effected, (ii) of the liquidation procedure, and (iii) of the manner in which the payment obligations derived from the Bonds are to be met and settled in the Liquidation Priority of Payments.

In order for the Fund, through its Management Company, to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue, the Management Company, for and on behalf of the Fund,:

- (i) Notwithstanding the provisions of paragraph (iv) below, shall proceed to sell the Loans, including the Pass-Through Certificates, remaining in the Fund for a price not below the sum of the value of the principal plus the interest accrued and not paid on the Loans pending repayment.
- (ii) Shall proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.

- (iii) It will be entitled to arrange for a credit facility which shall be fully and forthwith allocated to the early amortisation of the Bond Issue. Repayment of that credit facility shall be guaranteed solely with the interest and principal flows derived from the Loans pending repayment and the proceeds from the sale of the other properties remaining on the assets of the Fund.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of Loans or other remaining assets of the Fund, the Management Company shall proceed to sell them and shall therefore invite a bid from at least five (5) entities from among the most active in the purchase and sale of those assets who may, in its view, give a market value. The Management Company shall be bound to accept the best bid received for the assets on offer.

In events (i), (iii) and (iv) above, the Originator shall have a pre-emptive right and will therefore have priority over third parties to acquire the Loans or other properties derived therefrom remaining on the assets of the Fund, or to grant to the Fund the credit facility designed for the early amortisation of the Bond Issue. The Management Company shall therefore send the Originator a list of the assets and of third-party bids received, and the latter may use that right for all of the assets offered by the Management Company or the credit facility within five (5) Business Days of receiving said notice, and provided that their bid is at least equal to the best of the third-party bids.

Upon provisioning the reserve referred to in section III.7.2 below, the Management Company shall immediately apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Priority of Payments, other than the amounts, if any, drawn under the credit facility arranged, which shall be fully allocated to the Early Amortisation of the Bond Issue.

III.7.2 Termination of the Fund.

The Fund shall terminate in any of the following events:

- (i) Upon the Loans pooled therein being fully repaid.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation procedure established in section III.7.1 above is over.
- (iv) At all events, upon the final liquidation of the Fund on the Final Maturity Date, April 21, 2028 or the following Business Day if that is not a Business Day.
- (v) Upon the Fund constitution terminating in the event that the Rating Agencies should not confirm any of the assigned provisional ratings as final ratings by the start of the Subscription Period or in the event of termination of the Bond Issue Management, Underwriting and Placement Agreement. In those events, the Management Company shall terminate the constitution of the Fund, the assignment of the Loans to the Fund and the Bond Issue.

Termination of the constitution of the Fund shall be notified to the CNMV as soon as such termination is confirmed, and shall be publicised by means of the procedure specified in section III.4.2.b) and c) of this Offering Circular. Within not more than one month after the occurrence of the event of termination, the Management Company shall execute a Statutory Declaration before a Notary Public declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. Notwithstanding the above, the Fund Management Company shall defray the Fund constitution expenses payable and specified in section II.14 of this Offering Circular with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, the repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors by distributing the Liquidation Available Funds in the set Liquidation Priority of Payments, that remainder shall be for the Originator on the terms established by the Management Company for liquidation.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Fund's remaining assets have been

liquidated and the Fund's Liquidation Available Funds have been distributed, in the Fund Liquidation Priority of Payments.

Upon a period of six (6) months elapsing from liquidation of the Fund's remaining assets and distribution of the Liquidation Available Funds, the Management Company shall execute a Statutory Declaration before a Notary Public declaring (i) that the Fund has terminated, and the events prompting its termination, (ii) how the Bondholders and the CNMV were given notice, and (iii) how the Fund's Liquidation Available Funds were distributed, in the Fund Liquidation Priority of Payments; notice of this shall be given in a nation-wide newspaper and all other appropriate administrative procedures will be observed. The Management Company will submit that statutory declaration to the CNMV.

III.8 Management and representation of the Fund and of the Bondholders.

III.8.1 Description of the duties and responsibilities taken on by the Management Company in managing and legally representing the Fund and the Bondholders.

The management and legal representation of the Fund shall lie with the Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, on the terms set in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and other applicable laws, and on the terms of the Deed of Constitution.

The Economy and Finance Ministry authorised the incorporation of the Management Company as a Mortgage Securitisation Fund Management Company on December 17, 1992 and, subsequently, on October 4, 1999 authorised its re-registration as a Securitisation Fund Management Company. It is moreover entered in the special register purposely kept by the CNMV under number 2. The information on the Management Company is contained in Chapter VI of this Offering Circular.

The Management Company shall discharge for the Fund the functions attached to it under Royal Decree 926/1998.

It is also the Management Company's duty, as the manager of third-party portfolios, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time. The Bondholders and all other ordinary creditors of the Fund shall have no recourse against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution and the Offering Circular.

The Management Company shall notify the Bondholders of all and any circumstances that may be relevant to them, by publishing appropriate notices on the terms established in section III.4.2 of this Chapter.

III.8.1.1 Administration and representation of the Fund.

The Management Company's obligations and actions in fulfilment of its duty to manage and legally represent the Fund are the following, for illustrative purposes only and without prejudice to any other actions provided in the Deed of Constitution and/or in this Offering Circular:

- (i) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.
- (ii) Making such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to an Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Offering Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.
- (iii) Complying with its formal, documentary and reporting duties to the CNMV, the Directorate-General of the Treasury and Financial Policy, the Rating Agencies and any other supervisory body.
- (iv) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.

- (v) Providing the Bondholders, the CNMV and the Rating Agencies with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Offering Circular.
- (vi) Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in this Offering Circular and in the various Fund transaction agreements or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vii) The Management Company may extend or amend the agreements entered into on behalf of the Fund, substitute, as the case may be, each of the Fund service providers, on the terms provided for in each of the agreements, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that circumstances preventing the foregoing in accordance with the laws and regulations in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such actions are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution, of amendment of the agreements or of the execution of new agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (viii) Exercising the rights attaching to the ownership of the Non-Mortgage Loans and the Pass-Through Certificates acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.
- (ix) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, on the terms of the assignment of the Loans and on the terms of their relevant agreements, and that the amounts receivable on the Loans are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.
- (x) Determining on each Interest Rate Fixing Date and for each Interest Accrual Period thereafter, the Nominal Interest Rate to be applied for each Bond Series and calculating and settling the amounts payable on each Payment Date for interest accrued.
- (xi) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.
- (xii) Determining the amount payable by the State for amounts due to the Bondholders on the guaranteed Series A2(G) Bonds and, if necessary, enforcing the Guarantee.
- (xiii) Determining the interest rate applicable to each of the relevant borrowing, lending and hedge transactions and calculating and settling the interest and fee amounts receivable and payable by the Fund under the same, and the fees payable for the various financial services arranged for.
- (xiv) Taking the actions for which provision is made in relation to the debt ratings or the financial position of the Fund counterparties in the financial and service provision agreements listed in section III.2.4 of this Chapter.
- (xv) Watching that the amounts credited to the Treasury Account, the Amortisation Account and the Surplus Account, as the case may be, return the yield set in the respective agreements.
- (xvi) Calculating the Available Funds, the Available Funds for Amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.
- (xvii) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.

III.8.2 Resignation and substitution of the Management Company.

The Management Company shall be substituted in managing and representing the Fund, in accordance with articles 18 and 19 of Royal Decree 926/1998 set forth hereinafter and with subsequent rules statutorily established in that connection.

Resignation.

- (i) The Management Company may resign its management and legal representation function with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted in a letter addressed to the CNMV, including a designation of the substitute management company. That letter shall enclose a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.
- (ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:
 - (a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the CNMV.
 - (b) In the event that the securities issued by the funds managed by the substituted Management Company have been rated by a rating agency, the rating accorded to the securities should not fall as a result of the proposed substitution.
- (iii) The Management Company may in no event resign its duties until and unless all the requirements and formalities have been complied with in order for its substitute to take over its duties.
- (iv) The substitution expenses originated shall be borne by the resigning Management Company and may in no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the bulletin of the organised secondary market on which the Bonds issued by the Fund are listed. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

Forced substitution.

- (i) In the event that the Management Company should be adjudged insolvent, it shall find a substitute management company, in accordance with the provisions of the foregoing section.
- (ii) In the event for which provision is made in the preceding section, if four months should have elapsed from the occurrence determining the substitution and no new management company should have been found willing to take over management, there shall be an early liquidation of the Fund and an amortisation of the Bonds issued by the same, and of the loans, in accordance with the provisions of the public deed of constitution.

The Management Company agrees to execute such public and private documents as may be necessary for it to be substituted by another management company, in accordance with the system for which provision is made in the preceding paragraphs of this section. The substitute management company shall be substituted in the Management Company's rights and duties under the Deed of Constitution and this Offering Circular. Furthermore, the Management Company shall hand to the substitute management company such accounting records and data files as it may have to hand in connection with the Fund.

III.8.3 Subcontracting.

The Management Company shall be entitled to subcontract or delegate to solvent and reputable third parties the provision of any of the services it has to provide as the manager and authorised representative of the Fund, as established in the Deed of Constitution, provided that the subcontractor or delegated party waives the right to take any action holding the Fund liable. In any event, subcontracting or delegating any service (i) may not result in an additional cost or expense for the Fund, (ii) shall have to be legally possible, (iii) shall not result in the rating accorded to each of the Bond Series being adversely revised, and (iv) shall be notified to

the CNMV and, where statutorily required, will first be authorised by the CNMV. Notwithstanding any subcontracting or delegation, the Management Company shall not be exonerated or released, under that subcontract or delegation, from any of the liabilities undertaken in the Deed of Constitution which may legally be attributed or ascribed to it.

III.8.4 The Management Company's remuneration for discharging its functions.

In consideration of the functions to be discharged by the Management Company, the Fund will pay it a management fee consisting of:

- (i) An initial fee amounting to EUR ninety thousand (90,000.00) which shall accrue upon the constitution of the Fund and be payable on the Closing Date.
- (ii) Periodic fee: equal to 0.0195% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of constitution of the Fund until it terminates, and payable quarterly in arrears on each of the Payment Dates, calculated on the Outstanding Principal Balance of the Bond Issue on the Payment Date preceding the relevant Payment Date. The periodic fee for the first Payment Date shall accrue from the date of constitution of the Fund and shall be calculated on the face amount of the Bond Issue.

The fee payable on a given Payment Date shall be calculated in accordance with the following formula:

$$C = B \times \frac{0.0195}{100} \times \frac{d}{360}$$

where :

C = Fee payable on a given Payment Date.

B = Outstanding Principal Balance of the Bond Issue, on the preceding Payment Date.

d = Number of days elapsed during the relevant Interest Accrual Period.

In any event, the annual amount of this periodic fee may not be respectively greater or lower than the following maximum and minimum amounts, or their proportional equivalent to the exact number of days elapsed in each of the Interest Accrual Periods.

- a) Maximum annual amount of EUR one hundred and fifty thousand (150,000.00).
- b) Minimum annual amount of EUR thirty thousand (30,000.00). In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount shall be cumulatively reviewed in the same proportion, from the year 2006, inclusive, and effective as of January 1 of each year.

If on a Payment Date the Fund should not have sufficient liquidity to settle the above-mentioned fee, the amount due shall accrue an interest equal to the Reference Rate of the Bonds, payable on the following Payment Date, in the Priority of Payments.

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of assets pooled in the Fund.

The credit rights to be pooled in the Fund, represented by the Management Company, upon being constituted, shall exclusively consist of credit rights owned by BBVA derived from bilateral loans granted by BBVA to non-financial small and medium-sized enterprises (legal persons and sole traders) registered in Spain (the “**Obligors**”), all of which are small and medium-sized enterprises (“**SMEs**”) as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996) (the “**Loans**”).

The Loans may be classified according to the underlying securities into:

- (i) Loans with real estate mortgage security, originated in a public deed (the “**Mortgage Loans**”).
- (ii) Loans without real estate mortgage security, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the “**Non-Mortgage Loans**”).

IV.1.1 Number and amount of the Loans to be pooled in the Fund.

The Loans that BBVA will assign to the Fund upon being constituted will make up a number that is as yet indeterminate and their total principal or capital shall be at least equal to EUR one billion (1,000,000,000.00), the amount of the face value of this Bond Issue.

The Loans shall be taken from a selection comprised of 15,028 BBVA portfolio loans, the outstanding principal of which amounted as of November 10, 2004 to EUR 1,267,777,017.83, with an overdue principal of EUR 1,384,883.18. From the selection of loans, BBVA shall choose for assignment to the Fund upon being constituted, loans that are in good standing in payments or with an arrears not in excess of one (1) month, as represented in section IV.1.4.2.(10) of this Offering Circular, and loans with final maturity from longer to shorter term up to an amount at least equal to EUR one billion (1,000,000,000.00).

IV.1.2 Perfecting the assignment of the Loans.

The Management Company, for and on behalf of the Fund, and BBVA as Originator, shall in the Deed of Constitution perfect the agreement assigning the Loans to the Fund, effective from that same date, as follows:

- (i) The assignment of the Mortgage Loans shall be perfected by means of the issue by BBVA of and the subscription by the Fund for pass-through certificates (the “**Pass-Through Certificates**”) as established by Act 2/1981 and by additional provision five of Act 3/1994, as worded by article 18 of Financial System Reform Measures Act 44/2002, November 22 (“**Act 44/2002**”).

The Pass-Through Certificates shall be represented by means of a registered multiple certificate which shall contain the minimum data provided in article 64 of Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981 (“**Royal Decree 685/1982**”), and specifically the registration particulars of the mortgaged properties securing the Mortgage Loans.

The Pass-Through Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. The transfer of the Pass-Through Certificate and the new holder’s address shall be notified by the transferee to the issuer. They may only be acquired or held by institutional investors or professionals, and may not be acquired by the unspecialised public.

Both in the event that any Pass-Through Certificate should be substituted, as prescribed in section IV.1.6 of this Offering Circular, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Loan, as prescribed in section IV.1.8 of this Offering Circular, and moreover if there should be an Early Liquidation of the Fund, in the events

and on the terms of section III.7.1 of this Offering Circular, and said Pass-Through Certificates have to be sold, BBVA agrees to split, as the case may be, any multiple certificate into such individual or multiple certificates as may be necessary, or to substitute or exchange the same for the above purposes.

BBVA, as the issuer, shall keep a special book in which it shall enter the Pass-Through Certificates issued and the changes of address notified by the Pass-Through Certificate holders, moreover including therein (i) the date of origination and maturity of the Mortgage Loan, the amount thereof and the settlement method; and (ii) the registration particulars of the mortgage securing the Mortgage Loan.

Given that the Fund is an institutional investor and that the Fund has subscribed for the Pass-Through Certificates, for the purposes of paragraph two of article 64.6 of Royal Decree 685/1982, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Loans in the Land Registry.

- (ii) The Non-Mortgage Loans shall be assigned directly without any underlying security being issued.

In this Chapter and elsewhere in the Offering Circular the term “Loans” shall be used to refer jointly to the Non-Mortgage Loans and the Mortgage Loans or the Pass-Through Certificates perfecting the assignment of the latter.

The terms and conditions of the assignment of the Loans are detailed hereinafter in the following subsections.

IV.1.3 Loan assignment terms.

1. The Loans will be fully and unconditionally assigned for the entire term remaining until maturity of each Loan.

In accordance with article 348 of the Commercial Code and 1529 of the Civil Code, the Originator will be liable to the Fund for the existence and lawfulness of the Loans, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Obligors.

The Originator shall not bear the risk of default on the Loans and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will not be howsoever liable either to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or securities, nor indeed agree to repurchase or substitute the Loans, saving the provisions of section IV.1.6 of this Offering Circular.

2. The assignment of each Loan shall be made for all the outstanding principal pending repayment on the assignment date and for all the ordinary and late-payment interest on each Loan assigned.

Specifically, without limitation and for illustrative purposes only, the assignment shall confer on the Fund the following rights in relation to each of the Loans:

- a) To receive all Loan capital or principal repayment amounts accrued.
- b) To receive all Loan principal ordinary interest amounts accrued.
- c) To receive all Loan late-payment interest amounts accrued.
- d) To receive any other amounts, assets or rights received as payment of Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in enforcing the mortgage or non-mortgage securities, on the sale or utilisation of properties or assets awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings.
- e) To receive all possible rights or compensations on the Loans accruing for the Originator and derived therefrom, including those derived from the insurance contracts, if any, attached to the Mortgage Loans which are also assigned to the Fund, and those derived from any right collateral to the Loans, excluding the fees established for each of the Loans, which shall remain to the benefit of the Originator.

The above-mentioned rights will all accrue for the Fund from the date of assignment of the Loans. Interest will also include interest accrued and not due from the last interest settlement date of each of the Loans, before or on the date of assignment, and interest due and not paid on that same date.

Returns on the Loans, including the Pass-Through Certificates, constituting Fund income shall not be subject to a Corporation Tax withholding as established in Royal Decree 1777/2004, July 30, approving the Corporation Tax Regulations.

3. In the event of prepayment of the Loans upon a full or partial repayment of the principal, there will be no direct substitution of the affected Loans.
4. The rights of the Fund resulting from the Loans shall be linked to the payments made by the Obligors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
5. The Fund shall defray any and all expenses or costs resulting for the Originator derived from recovery actions in the event of a breach by the Obligors of their obligations, including enforcement proceedings against the same.
6. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Loans, or their due dates, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2.d), of Bank of Spain Circular 4/91, June 16.

IV.1.4 Representations by the Originator.

BBVA, as holder of the Loans until assigned to the Fund and issuer of the Pass-Through Certificates, shall represent to the Management Company, on behalf of the Fund, and the Bond Issue Underwriters and Placement Agents, as follows:

1. In relation to BBVA.

- (1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being, entered in the Companies Register and in the Register of Credit Institutions of the Bank of Spain, and is authorised to grant loans to SMEs and operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has it been decreed insolvent, in bankruptcy or in suspension of payments, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That it has obtained all necessary authorisations, including those required of its corporate bodies, to assign the Loans to the Fund and to validly execute the Fund Deed of Constitution, the undertakings made and the agreements relating to the constitution of the Fund.
- (4) That it has audited accounts for the last three years with at least a favourable opinion and without any notes from the Auditors in the last year. Those audited annual accounts have been filed with the CNMV and with the Companies Register.
- (5) That it has signed a Framework Collaboration Agreement with the Industry, Tourism and Commerce Ministry in accordance with schedule II to the Order dated December 28, 2001, in order to determine the loans and credits eligible for assignment to the Fund.

2. In relation to the Loans.

- (1) That all the Loans have been duly originated in a public document, being either a public deed or a loan document, and that BBVA keeps a first copy of the public deed or the valid loan document at the Management Company's disposal, as the case may be.
- (2) That all the Loans exist and are valid and enforceable in accordance with the applicable laws.
- (3) That it holds legal and beneficial title to all the Loans, clear of any liens and claims, and there is no obstacle whatsoever for the Loans to be assigned.

- (4) That the Loans are written off the assets of BBVA on the date of assignment to the Fund upon being constituted, in the assigned amount, in accordance with the provisions of Bank of Spain Circular 4/91, without prejudice to the effects that partial or full subscription for the Bond Issue may have for BBVA pursuant to that Circular.
- (5) That all the Loans are denominated in euros and are payable exclusively in euros.
- (6) That the initial term of the Loans is not less than one year.
- (7) That all the obligors under the Loans are non-financial companies (legal persons and sole traders) registered in Spain and they are all small and medium-sized enterprises as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996).
- (8) That it has strictly adhered to the policies for granting credit in force from time to time in granting each and every one of the Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and a memorandum on policies for granting credits and loans to companies currently in force, shall be attached as a schedule to the Deed of Constitution in that respect.
- (9) That it is not aware of the existence of any lawsuits whatsoever in relation to the Loans that might be detrimental to their validity and enforceability.
- (10) That, on the date of constitution of the Fund, none of the Loans shall have any payments that are more than one (1) month overdue.
- (11) That, upon the Fund being constituted, the outstanding principal balance of each of the Loans is equivalent to the figure of principal for which it is assigned to the Fund, and that, in turn, the total Loan principal shall be at least equivalent to the face value of the Bond Issue.
- (12) That the Loans are clearly identified in the information system of BBVA as from being granted, and are serviced, analysed and monitored by BBVA in accordance with the usual set procedures.
- (13) That, upon the Fund being constituted, it has not come to its notice that any of the Loan Obligors has been ruled to be insolvent, in bankruptcy or suspension of payments.
- (14) That, upon the Fund being constituted, the sum of the Outstanding Balance of the Loans of a same Obligor is not in excess of 0.65% of the Outstanding Balance of the Loans.
- (15) That the securities underlying the Loans are valid and enforceable in accordance with the applicable laws, and BBVA is not aware of the existence of any circumstance which might prevent the securities from being enforced.
- (16) That, upon the Fund being constituted, it has received no notice whatsoever of total prepayment of the Loans.
- (17) That none of the Loans has a final maturity date extending beyond April 1, 2024.
- (18) That the respective agreements, public deed or public document underlying the Loans contain no clauses preventing their assignment or requiring any authorisation or notice for such assignment to take place.
- (19) That it is not aware that the Obligors may howsoever object to paying any amount relating to the Loans.
- (20) That, upon being assigned to the Fund, at least two instalments have matured on each of the Loans.
- (21) That nobody has a pre-emptive right over the Fund, as holder of the Loans.

- (22) That both the grant of the Loans and their assignment to the Fund and all aspects related thereto are ordinary actions in the course of business of BBVA and are at arm's length.
- (23) That after being granted, the Loans have been serviced and are still being serviced by BBVA in accordance with set customary procedures.
- (24) That the facts and figures relating to the Loans selected to be assigned to the Fund and the statistical information of BBVA respectively set forth in sections IV.4 and IV.3.2 of this Offering Circular, fairly present the status on the date thereof and are accurate.
- (25) That the capital or principal of all the Loans has been fully drawn down.
- (26) That based on its internal records none of the Loans are in the nature of financing granted to real estate developers for building or renovating homes and/or business or industrial properties designed to be sold.

3. In relation to the Pass-Through Certificates and the Mortgage Loans.

- (1) That its corporate bodies have validly adopted all necessary resolutions for the Pass-Through Certificates to be issued.
- (2) That the particulars of the Mortgage Loans and the Pass-Through Certificates, represented in a multiple registered certificate, accurately reflect their current situation and are true and complete.
- (3) That the Pass-Through Certificates are issued in accordance with Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991, the contents of additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, and other applicable laws, and therefore satisfy all the requirements established for the issue of pass-through certificates.
- (4) That the Mortgage Loans are all secured with a real estate mortgage on the fee absolute of each and every one of the mortgaged properties, which are not encumbered with any restrictions on their disposal, conditions subsequent or any other limitation as to title.
- (5) That the Mortgage Loans are all originated in a public deed, and the mortgages are all duly granted and entered in the relevant Land Registries. The registration of the mortgaged properties is in force and has not been howsoever opposed and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable laws.
- (6) That the Mortgage Loans do not have any of the characteristics of credits excluded or restricted by article 32 of Royal Decree 685/1982, other than for the provisions of article 32.1.b) to the extent that the Loans might, upon the Fund being constituted, have overdue payments with an arrears not in excess of one (1) month.
- (7) That the mortgages are granted on properties wholly owned in fee absolute by the respective mortgagor, and BBVA is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (8) That the mortgaged properties underlying the Mortgage Loans are not ineligible as assets excluded for standing as security under article 31.1.d) of Royal Decree 685/1982.
- (9) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates hereby issued for subscription by the Fund.
- (10) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds, mortgage certificates or pass-through certificates, other than the issue of the Pass-Through Certificates, and after their issue the Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage certificates or other pass-through certificates.
- (11) That it is not aware of any circumstance which might prevent foreclosure of the mortgage security.

IV.1.5 Loan sale or assignment price.

The sale or assignment price of the Loans shall be at par. The aggregate price payable by the Fund represented by the Management Company to BBVA for the assignment of the Loans shall be an amount equivalent to the sum of (i) the face value of the capital or principal outstanding on each Loan, and (ii) ordinary interest accrued and not due and overdue interest, if any, on each of the Loans on the assignment date (the “**accrued interest**”).

The Management Company shall pay the total Loan assignment price on behalf of the Fund as follows:

1. The part of the assignment price consisting of the face value of the capital of all the Loans, item (i) of the preceding paragraph, shall be paid on the Closing Date, for same day value, upon the subscription for the Bond Issue being paid up, by means of an instruction given by the Management Company to BBVA to proceed to debit the Treasury Account opened on behalf of the Fund. BBVA shall receive no interest on the deferment of payment until the Closing Date.
2. The part of the price consisting of interest accrued on each of the Loans, item (ii) of the preceding paragraph, shall be paid on the earlier of the collection date falling on the first interest settlement date of each of the Loans or the date on which they are paid by the Obligor, and will not be subject to the Fund Priority of Payments.

If the Fund constitution and hence the sale of the Loans should terminate, (i) the Fund’s obligation to pay the total Loan acquisition price shall terminate, (ii) the Management Company shall be obliged to restore to BBVA any rights whatsoever accrued for the Fund upon acquiring the Loans, and (iii) BBVA shall once again enter the Loans among its balance-sheet assets and cancel the Pass-Through Certificates.

IV.1.6 Set rules for substituting Loans or the Pass-Through Certificates or otherwise repayment to the Fund.

1. In the event of early amortisation of the Loans due to prepayment of the relevant Loan capital, there will be no substitution of the Loans or, as the case may be, of the relevant Pass-Through Certificates.
2. In the event that latent defects should appear in any of the Loans because it is found during their life that any of them or of the Pass-Through Certificates fail upon the constitution of the Fund to conform to the representations contained in section IV.1.4 of this Offering Circular, the Originator agrees, subject to the Management Company’s consent, to proceed to substitute the Loans and the Pass-Through Certificates in that situation, subject to the following rules:

1. The party becoming acquainted with the existence of a latent defect, be it the Originator or the Management Company, shall advise the other party of that circumstance in writing. The Originator shall have a period of not more than fifteen (15) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a substitution of the affected Loans or Pass-Through Certificates, notifying the Management Company of the characteristics of the loans and of the pass-through certificates intended to be assigned to take their stead, which shall fulfil the representations contained in section IV.1.4 of this Offering Circular and be of the same kind as the Loans and the Pass-Through Certificates to be replaced, in order for the financial balance of the Fund not to be affected by such substitution, nor indeed the rating of the Bonds in relation to the provisions of section II.3 of this Offering Circular. Once the Management Company has checked the appropriateness of the substitute loan and pass-through certificate, as the case may be, and after advising the Originator expressly of loans and pass-through certificates suitable for such substitution, such substitution shall be made by terminating the assignment of the affected Loans and, as the case may be, cancelling the relevant Pass-Through Certificate, and simultaneously assigning the new substitute loans and, as the case may be, issuing the new substitute pass-through certificates.

The substitution shall be recorded in a public deed subject to the same formalities established for the acquisition of the Loans upon the Fund being constituted, in accordance with the specific characteristics of the new loans assigned. The Management Company shall provide the CNMV, the undertaking in charge of the Bond accounting record, the AIAF Governing Body and the Rating Agencies with a copy of that agreement.

2. Secondly to the obligation undertaken under rule 1 above, in the event that there should be no substitution of all the affected Loans, the assignment of the affected Loans not substituted shall be terminated and, as the case may be, the relevant Pass-Through Certificate will be cancelled. That termination shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Loans not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Loans.
3. In the event of termination of the assignment of the affected and, as the case may be, cancellation of the relevant Pass-Through Certificates due to both substitution and repayment, BBVA shall once again record the relevant Loans among its balance sheet assets on the date of substitution or repayment of the affected Loans, and shall be vested in all the rights attaching to those Loans accruing from the substitution or repayment date or accrued and not due, and overdue amounts on that same date.

IV.1.7 Pass-Through Certificate representation and custody.

The Pass-Through Certificates shall be represented by multiple or individual registered certificates, which shall contain at least the particulars prescribed for mortgage certificates in article 64 of Royal Decree 685/1982, along with the registration particulars of the properties securing the Mortgage Loans. The Pass-Through Certificates which shall be issued to be pooled in the Fund upon being constituted shall be represented in a multiple registered certificate.

Both in the event that the Management Company should, for and on behalf of the Fund, proceed to foreclose a Mortgage Loan, as provided for in section IV.1.8, and because of an Early Liquidation of the Fund, in the events and on the terms of section III.7.1, there is to be a sale of Pass-Through Certificates, or in the event that the Pass-Through Certificates should be replaced as provided for in section IV.1.6, and in any other event so requiring, BBVA agrees to split any multiple certificate issued representing Pass-Through Certificates into such unit or multiple certificates as may be required, replacing or exchanging the same for the attainment of the above purposes.

The multiple document representing the Pass-Through Certificates and, as the case may be, the unit certificates into which the same is split, shall be deposited at BBVA, and the relations between the Fund and BBVA shall be governed by the Loan Servicing and Pass-Through Certificate Custody Agreement to be entered into between BBVA and the Management Company for and on behalf of the Fund. That deposit shall be established for the benefit of the Fund and BBVA shall therefore safe-keep the documents representing the Pass-Through Certificates deposited following the Management Company's instructions.

IV.1.8 Remedies in the event of default on the Loans.

The Fund shall have right of action, through the Management Company, and the latter directly through the Servicer, against Obligors failing to meet their payment obligations derived from the Loans. Such action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act, satisfying, as the case may be, the requirements as to capacity enabling it to do so.

The Servicer shall take the actions provided for in the Servicing Agreement, described in section IV.2.1.7 of this Offering Circular, and shall use the same diligence and procedures for recovering amounts due and payable on the Loans it would in regard to its portfolio loans, and in particular shall institute all relevant recovery actions if, upon the expiration of the periods set down for actions designed for securing payment satisfactory to the Fund's interests, those actions should fail to have the required effect, and shall in any event proceed to file for recovery as aforesaid if the Management Company, on behalf of the Fund, after analysing the specific circumstances of the matter, should deem this fit.

Additionally, the Servicer agrees to promptly advise of payment requests, legal actions and such other circumstances as may affect collection of amounts due and payable on the Loans. Moreover, the Servicer shall provide the Management Company with all such documents as the latter may request in relation to those Loans and, in particular, the documents required for the Management Company to institute legal actions, as the case may be.

1. In the event of default on the principal or interest of a Mortgage Loan following default by an Obligor, the Management Company, acting on behalf of the Fund, shall have the following remedies prescribed in article 66 of Royal Decree 685/1982:

- (i) To demand BBVA as Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with BBVA, as issuer of the Pass-Through Certificates, in the foreclosure the latter shall have instituted against the obligor, intervening to that end in any foreclosure proceedings commenced by the former.
- (iii) If BBVA should fail to take that action within sixty (60) calendar days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the action foreclosing the Mortgage Loan, claiming both principal and interest.
- (iv) In the event that the proceedings instituted by BBVA should come to a standstill, the Fund, duly represented by the Management Company, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

In the cases provided in paragraphs (iii) and (iv), the Management Company, on behalf of the Fund, may apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Pass-Through Certificate, the notice served through a Notary Public provided for in section (iii) above and an office certificate as to the registration and subsistence of the mortgage. BBVA shall be bound to issue a certification of the balance outstanding on the Mortgage Loan.

The Management Company, for and on behalf of the Fund as holder of the Pass-Through Certificates, may also take part with equal rights with BBVA in the foreclosure proceedings and may in this sense, on the terms for which provision is made in the Civil Procedure Act, request the award of the mortgaged property as payment of the Mortgage Loan. The Management Company shall proceed to sell the properties awarded within the shortest possible space of time and at arm's length.

- 2. In the event of a breach of the payment obligations derived from the Non-Mortgage Loans by the Obligor, the Management Company, acting on behalf of the Fund, shall have a recovery action against those Obligors, observing the formalities prescribed for that procedure in the Civil Procedure Act.
- 3. In the event that this should be required by law, and for the purposes of the provisions of the Civil Procedure Act, BBVA shall confer in the Deed of Constitution an irrevocable and as extensive and sufficient a power of attorney as may be required by Law in order for the Management Company, acting for and on behalf of BBVA, to demand through a Notary Public payment of the debt by the Obligor under any of the Loans.

Neither Bondholders nor any other creditor of the Fund shall have any right of action whatsoever against the Obligors who shall have failed to meet their payment obligations; that action shall rest with the Management Company, as the representative of the Fund, who shall have that action on the terms described in this section.

IV.2 **Servicing and custody of the Loans and custody of the Pass-Through Certificates.**

BBVA, Originator of the Loans to be assigned to the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Pass-Through Certificates as established in article 61.3 of Royal Decree 685/1982, shall continue as attorney for the Management Company to be responsible for servicing and managing the Loans, the relations between BBVA and the Fund, represented by the Management Company, being governed by the Loan Servicing and Management and Pass-Through Certificate Custody Agreement (the "**Servicing Agreement**") in relation to custody and servicing of the Loans and custody of the Pass-Through Certificates.

BBVA (the "**Servicer**" in that Agreement) shall accept the appointment received from the Management Company and thereby agrees as follows:

- (i) To service and manage the Loans acquired by the Fund subject to the system terms and ordinary servicing and management procedures established in the Servicing Agreement.

- (ii) To continue servicing the Loans, devoting the same time and effort to them as it would devote and use to service its own loans and in any event on the terms for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and manage the Loans are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company.
- (v) To pay the Fund damages resulting from a breach of the obligations undertaken, although the Servicer shall not be liable for actions put in place on the Management Company's instructions.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund and as servicer of the Loans, and custodian of the relevant agreements, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

The most outstanding terms of the Servicing Agreement are set out hereinafter in the following subparagraphs of this section.

IV.2.1 Ordinary system and procedures for servicing and managing the Loans.

The following is the succinct and short description of the ordinary system and procedures (hereinafter the "services") for service and custody of the Mortgage Loans governed by said Servicing Agreement:

1. Custody of deeds, agreements, documents and files.

The Servicer shall keep all deeds, agreements, documents and data files relating to the Loans and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to claim a Loan, or any other competent authority should so require informing the Management Company.

The Servicer shall allow the Management Company or the auditors of the Fund duly authorised thereby reasonable access at all times to said deeds, agreements, documents and records. Furthermore, whenever it is required to do so by the Management Company, it shall provide within two (2) Business Days of that request and clear of expenses, a copy or photocopy of any of such deeds, agreements and documents.

2. Collection management.

The Servicer shall continue managing collection of all amounts payable by the Obligors under the Loans, and any other item including under the insurance contracts of the mortgaged properties securing the Mortgage Loans. The Servicer shall act due diligently for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Loans.

The amounts received by the Servicer derived from the Loans shall be paid by the Servicer in full into the Fund's Treasury Account not later than the second business day after the tenth calendar day after the date on which they were received by the Servicer, and with value date not beyond the seventh calendar day after the day on which they are received by the Servicer, in accordance with the set terms and conditions. In this connection, business days shall be taken to be all those that are business days in the banking sector. Nevertheless, in the event that the rating of the Servicer's non-subordinated and unsecured short-term debt should fall below F2, P-1 or A-2 respectively in Fitch's, Moody's and S&P's rating scales or that the Servicer's credit quality could result in the ratings given by the Rating Agencies to each of the Bond Series falling, the Management Company shall, in a written notice to the Servicer, issue instructions for those amounts to be previously paid into the Treasury Account which may indeed be on the day immediately after the day on which they were received by the Servicer.

The Servicer may at no event pay any amount whatsoever to the Fund not previously received from the Obligors as payment for the Loans.

3. Fixing the interest rate.

Because the Loans are floating-rate Loans, notwithstanding a possible renegotiation to a fixed rate, the Servicer shall continue fixing the interest rates applicable in each of the interest periods as established in the relevant Loan agreements, submitting such communications and notices as may be established therein.

4. Information.

The Servicer shall regularly communicate to the Management Company the information relating to the individual characteristics of each of the Loans, to fulfilment by the Obligors of their obligations under the Loans, to delinquency status and ensuing changes in the characteristics of the Loans, and to actions to demand payment in the event of late payment and court actions, the foregoing using the procedures and timing established in the Servicing Agreement.

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information relating to the Loans or the rights attaching thereto as the Management Company may reasonably request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

5. Loan subrogation.

The Servicer shall be authorised to permit substitutions in the position of the Obligor under the Loan agreements, exclusively where the characteristics of the new Obligor are similar to those of the former Obligor and those characteristics observe the policies for granting loans described in the memorandum on policies for granting credits and loans to companies attached as a schedule to the Fund Deed of Constitution, and moreover provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may fully or partially limit this authority of the Servicer or lay down conditions therefor, in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

Furthermore, in relation to the Mortgage Loans, the mortgagor may apply for subrogation to the Servicer in connection with the Mortgage Loans pursuant to Act 2/1994. Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall result in a prepayment, as the case may be, of the Mortgage Loan and the respective Pass-Through Certificate.

6. Authorities and actions in relation to Loan renegotiation procedures.

The Servicer may not voluntarily cancel the Loans or their securities for any reason other than payment of the Loan, relinquish or settle in regard thereto, forgive the Loans in full or in part or extend the same, or in general do anything that may diminish the status, legal effectiveness or economic value of the Loans or of the securities, without prejudice to its heeding requests by the Obligors with the same diligence and procedure as if they were own loans.

Notwithstanding the above, the Management Company, as manager of third-party portfolios and bearing in mind the Obligors' requests to the Servicer directly or under Act 2/1994, may previously issue instructions to or authorise the Servicer to agree with the Obligor, subject to the terms and conditions for which provision is made in this section, for a novation changing the relevant Loan, either by an interest rate renegotiation or by an extension of the maturity period, and provided that those novations are not detrimental to the Mortgage Loans ranking as a first mortgage.

a) Renegotiating the interest rate.

The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Loan.

Without prejudice to the provisions hereinafter, any interest rate renegotiation subscribed by the Servicer shall be made exclusively with the prior written consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that an Obligor has requested a renegotiation. The Management Company may nevertheless authorise the Servicer to entertain and accept renegotiations of the interest rate

applicable to the Loans, requested by the Obligors, without requiring the prior consent of the Management Company, subject to the following general enabling requirements:

1. Without prejudice to the provisions of paragraph 2 below, the Servicer may renegotiate the interest rate clause of the Loans on conditions that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its floating- and fixed-rate credits and loans. For these purposes, the market interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for loans or credits granted to SMEs in an amount and other terms substantially similar to the Loan.
2. Renegotiation of the interest rate applicable to a Loan may occur in due course in the event that (i) the change is to a floating interest rate with a benchmark index for determination other than the Euribor rate or the mortgage market rates or indices, established in section 3 of rule six bis of Bank of Spain Circular no. 8/1990, September 7, or Euribor index, and (ii) that the average margin or spread weighted by the outstanding principal of outstanding Loans (including the margin if any resulting from a fixed-rate renegotiation as provided for in section 3 below) is not in excess of 50 basic percentage points above the Euribor or Mibor benchmark rates or index. For the purposes prescribed in this section, the provisions of section 3 below shall govern in the case of Mortgage Loans having benchmark indices other than the Euribor or Mibor benchmark rates or indices or renegotiated to fixed-rate loans in regard to homogenisation in regard to margin over a Euribor or Mibor benchmark index.
3. For the purposes of paragraph 2 above:
 - (i) The margin or spread of a floating-rate Loan with a benchmark index other than Euribor or Mibor rates or indices shall be considered to be the result of increasing or reducing the margin applicable to the Loan by the difference between the simple averages of the values of the last three (3) months, published by the Bank of Spain, of (a) the Loan benchmark index and (b) the one-year EURIBOR index (one-year Interbank reference).
 - (ii) The novated fixed-rate Loan margin shall be deemed to be the difference between the fixed rate applicable to the Loan and the EURIBOR BASIS fixed rate on Reuters' ISDAFIX2 screen, or any other replacement screen, at 11:00AM CET on the effective date of the new fixed rate for the term of the average life of the Loan based on its new repayment schedule. In the absence of a EURIBOR BASIS, the latter shall be calculated by a straight-line interpolation between the EURIBOR BASIS fixed rates for the lower and higher terms closest to the average life of the Loan.

Calculation of the average life of a novated fixed-rate Loan: *average of the time periods from the effective date of the novation until each of the Loan settlement dates, using for weighting purposes the weights the principal to be repaid on each settlement date has, in accordance with the applicable repayment system, on the outstanding principal amount, in accordance with the following expression:*

$$V = \frac{\sum(P \times d)}{T} \times \frac{1}{365}$$

Where:

V = Average life of the novated fixed-rate Loan expressed in years.

P = Principal to be repaid on each settlement date in accordance with the applicable repayment system.

d = Number of days elapsed between the effective date of the novation and the relevant settlement date.

T = Outstanding principal on the effective date of the novation.

b) Extending the period of maturity.

The final maturity or final amortisation date of the Mortgage Loans may be deferred (“**extending the term**”) subject to the following rules and limitations:

- (i) The Servicer may in no case entertain on its own account, i.e. without it being so requested by the Obligor, a change in the final maturity date of the Loan which may result in an extension of that date. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund’s interests.
- (ii) The aggregate of the capital or principal assigned to the Funds of the Loans with respect to which the maturity date is extended may not exceed 10% of the face amount of the Bond Issue.
- (iii) The term of a specific Loan may be extended provided that the following requirements are met:
 - a) That the annual number of periodic repayment instalments of the capital or principal of the Loan is at all events maintained or increased, albeit keeping the same repayment system in place.
 - b) That the new final maturity or final amortisation date does not extend beyond April 1, 2024.

The Management Company may at any time, on behalf of the Fund, cancel, suspend or change the eligibility and requirements for renegotiation by the Servicer established in this section or, in the event of a change, which it may previously have authorised the Servicer. In any event, whether or not it was generically authorised, any Loan interest rate renegotiation shall be taken on and settled bearing in mind the interests of the Fund.

If there should be any renegotiation of the interest rate of a Loan or its due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such notice shall be made through the software or data file provided for the terms of the Loans to be updated.

In the event of a renegotiation of the Loans, or their due dates, consented to by the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2.d) of Bank of Spain Circular 4/91, June 16.

The contractual documents supporting the novation of the renegotiated Loans will be kept by the Servicer, in accordance with the provisions of paragraph 1 of this section.

7. Action against Obligors in the event of default on the Loans.

Actions in the event of late payment.

The Servicer shall apply an identical diligence and procedure for claiming overdue amounts on the Loans as with the rest of its portfolio loans.

In the event of default by the Obligor of the payment obligations, the Servicer shall take the actions described in the Servicing Agreement, taking for that purpose the steps it would ordinarily take if they were its own portfolio loans and in accordance with standard banking usage and practice for collecting overdue amounts, and shall be bound to advance such expenses as may be necessary for those actions to be taken, without prejudice to its right to be reimbursed by the Fund. Needless to say, these actions include all such legal actions as the Servicer may deem necessary to claim and collect the amounts due by the Obligors.

Legal actions.

The Servicer, using its fiduciary title to the Loans or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their payment obligations derived from the Loans. Such an action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act.

In the above connection and for the purposes prescribed in articles 581.2 and 686.2 of the Civil Procedure Act, and in the event that this should be necessary, the Management Company grants in the Deed of Constitution as full and extensive a power of attorney as may be required at Law to BBVA in order that the latter may, acting through any of its attorneys properly empowered for those purposes, for and on behalf of

the Management Company, as the authorised representative of the Fund, demand by any judicial or other means the Obligor of any of the Loans to pay his debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer. These authorities may be extended or amended in another deed where appropriate.

In relation to the credit rights derived from the Loans, the Servicer shall generally file a recovery action, if, for a period of six (6) months, a Loan Obligor having failed to honour his payment obligations should not resume payments to the Servicer and the latter, with the Management Company's consent, should not obtain a payment commitment satisfactory to the Fund's interests. The Servicer shall in any event forthwith proceed to file a recovery action if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

If six (6) months should elapse from the oldest default without the Obligor having resumed payments or arranged for a restructuring, and the Servicer should fail to file the recovery action without there being proper reasons therefor, the Management Company may, on behalf of the Fund, proceed directly to commence the appropriate legal proceedings to fully claim the debt.

In the event that the proceedings commenced by the Servicer should be stopped without there being proper reasons therefor, the Management Company may, as the case may be, on behalf of the Fund, take over from the latter and continue with the legal proceedings.

The Servicer agrees to promptly advise of payment demands, legal actions and any other circumstances affecting collection of overdue amounts on the Loans. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Loans and in particular the documents required for the Management Company to take legal actions, as the case may be.

8. Damage insurance for properties mortgaged under the Mortgage Loans.

The Servicer shall not take or fail to take any action resulting in the cancellation of any property damage insurance policy covering the properties mortgaged under the Mortgage Loans or reducing the amount payable in any claim thereunder. The Servicer shall act due diligently and in any event use the rights conferred under the insurance policies or the Mortgage Loans in order to keep those policies in full force and effect in relation to the Mortgage Loan and the respective property.

The Servicer shall be bound to advance payment of policy premiums not paid by the Obligors whenever it is fully acquainted with this circumstance, without prejudice to its right to be reimbursed by the Fund for amounts so paid.

In the event of a claim, each Servicer shall coordinate actions for collecting compensations derived from the property damage insurance policies on the terms and conditions of the Mortgage Loans and the actual policies, paying the amounts received, if any, to the Fund.

9. Set-off.

In the event that any of the Obligors under the Loans should have a liquid credit right, due and payable vis-à-vis the Servicer, and any of the Loans should therefore be fully or partially set-off against that credit, the Servicer shall remedy such circumstance or, if it cannot be remedied, the Servicer shall proceed to pay to the Fund the amount set off plus accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Loan.

10. Subcontracting.

The Servicer may subcontract any of the services it may have agreed to provide under the Servicing Agreement other than those that may not be so delegated in accordance with the laws in force for the time being. That subcontracting may in no event result in an additional cost or expense for the Fund or the Management Company, and may not result in the rating assigned to each of the Bond Series by the Rating Agencies being adversely revised. Notwithstanding any subcontracting or delegation, the Servicer shall not be excused or released under that subcontract or delegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.

IV.2.2 Term and substitution.

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as Originator of the Loans terminate, once all the Loans acquired by the Fund have been repaid, or when the liquidation of the Fund concludes after it terminates, without prejudice to the possible early revocation of its appointment under the Servicing Agreement.

In the event of a breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement or in the event of the Servicer's credit rating falling or being lost to an extent that may be detrimental to or place the financial structure of the Fund or the Bondholders' rights and interests at risk, the Management Company shall, in addition to demanding the Servicer to fulfil the obligations laid down in the Servicing Agreement, proceed to put in place, where this is legally possible, inter alia and after notifying the Rating Agencies, any of the following actions in order for the rating assigned to the Bonds by the Rating Agencies not to be adversely affected: (i) demanding the Servicer to subcontract or delegate to another undertaking the performance of the obligations and undertakings made in the Servicing Agreement; (ii) having another undertaking with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) terminating the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer having a sufficient credit quality and accepting the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement; (iv) in the event that none of actions (i) to (iii) are possible, then the Management Company directly take over the performance of the services provided for in the Servicing Agreement.

Furthermore, in the event of insolvency, administration by the Bank of Spain, liquidation or substitution of the Servicer or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer to notify Obligors of the transfer to the Fund of the outstanding Loans, and that the payments derived therefrom will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors within five (5) Business Days of receiving the request and in the event of insolvency of the Servicer, the Management Company itself shall directly or, as the case may be, through a new Servicer it shall have designated, notify the Obligors.

Upon the early termination of the Servicing Agreement, the outgoing Servicer shall provide the new Servicer, on demand by the Management Company and as determined thereby, with the necessary documents and data files it may have in order for the new Servicer to carry on the relevant activities.

The Servicing Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series by the start of the Subscription Period or in the event of termination of the Bond Issue Management, Underwriting and Placement Agreement.

IV.2.3 Liability of the Servicer and indemnity.

The Servicer shall at no time have any liability whatsoever in relation to the obligations of the Management Company as manager of the Fund and manager of Bondholders' interests, nor in relation to the obligations of the Obligors derived from the Loans, without prejudice to the liabilities undertaken thereby in the Deed of Constitution as Originator of the Loans acquired by the Fund.

The Servicer takes on the obligation to indemnify the Fund or its Management Company for any damage, loss or expense resulting for the same on account of any breach by the Servicer of its obligations to service, manage and report on the Loans and custody the Pass-Through Certificates, established under the Servicing Agreement .

The Management Company shall, for and on behalf of the Fund, have a recovery action against the Servicer to enforce the principal and interest falling due under the Pass-Through Certificates, where the breach of the obligation to pay those amounts does not result from default by the Obligors of the Mortgage Loans, as well as the relevant actions for ordinary proceedings or oral proceedings, depending on the amount, in the case of the Non-Mortgage Loans.

Upon the Loans terminating, the Fund shall, through its Management Company, retain a right of action against the Servicer until fulfilment of its obligations.

Neither Bondholders nor any other creditor of the Fund shall have any direct right of action whatsoever against the Servicer; that action shall rest with the Management Company, as the representative of the Fund, who shall have that action on the terms described in this section.

IV.2.4 Servicer's remuneration.

In consideration of the custody, servicing and management of the Loans and custody of the documents representing the Pass-Through Certificates, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the mean daily Outstanding Balance of the Loans serviced during each Determination Period. If BBVA should be replaced in that servicing task, the Management Company will be entitled to change the above percentage fee in favour of the new Servicer, which may not be in excess of that agreed with BBVA hereunder. Furthermore, in the event that the Management Company should be directly responsible for servicing and managing the Loans, the Loan servicing fee, modified as the case may be, shall accrue for the Management Company during all the time in which it actually discharges those functions. The servicing fee will be paid on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

If the Fund should, through its Management Company, due to a shortage of liquidity in the Fund Priority of Payments, fail to pay on a Payment Date all the fee due to the Servicer, the amounts overdue shall accumulate without any penalty whatsoever on the fee payable on the next Payment Dates, until fully paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all Loan servicing and management expenses of an exceptional nature incurred, such as in connection with recovery actions, including procedural expenses and costs, or managing the sale of the assets or properties awarded to the Fund, and after first justifying the same in relation to the servicing of the Loans. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

IV.3 General policies for granting and terms for perfecting established in regard to the assets pooled in the Fund by the Originator of those assets.

IV.3.1 Procedures established by the Originator of the Loans for analysing risks and granting the Loans.

The loans selected to be assigned to the Fund have been granted by BBVA in accordance with its usual procedures for analysing and assessing the credit risk for granting loans to small and medium-sized enterprises (legal persons and sole traders). The procedures currently in place at BBVA are described in the schedule to the Deed of Constitution entitled "BBVA memorandum on the policies for granting credits and loans to small and medium-sized enterprises (legal persons and sole traders)".

IV.3.2 Statistical information on the evolution of the Originator's credit activity in relation to the assets pooled in the Fund.

The following table shows the evolution in recent years of a segment of BBVA's credit investment representing the loans granted to small and medium-sized enterprises (legal persons and sole traders) selected to be assigned to the Fund.

Credit investment and delinquency.

Date	Net credit investment		Doubtful asset (balance)	Gross Credit Investment (balance)	Delinquency Rate %
	Loans	Outstanding Principal			
1	2	3	4	5	6
31/05/2004	44,989	5,047,021,977.33	44,417,124.32	5,091,439,101.65	0.8724%
31/12/2003	40,664	4,425,970,455.12	43,766,442.31	4,469,736,897.43	0.9792%
31/12/2002	35,325	3,331,682,276.13	41,693,767.07	3,373,376,043.20	1.2360%
31/12/2001	32,535	2,734,956,280.93	35,374,692.70	2,770,330,973.63	1.2769%
31/12/2000	29,329	2,207,099,183.55	31,647,822.75	2,238,747,006.30	1.4136%
31/12/1999	28,062	2,051,511,774.93	32,575,116.98	2,084,086,891.91	1.5630%
Balances in EUR.					
4: Asset qualifying as doubtful in accordance with Bank of Spain Circular 4/1991.					
5: 3 + 4					
6: 4/5 x 100					

IV.4 Description of the portfolio of loans selected to be pooled in the Fund upon being constituted.

a) Number of loans and present outstanding amount or balance thereon.

The selected loan portfolio from which the Loans to be assigned to the Fund upon being constituted will be taken comprises 15,028 loans, the outstanding principal value of which as of November 10, 2004 amounted to EUR 1,267,777,017.83 and the overdue principal amounted to EUR 1,384,883.18. From the selection of loans, BBVA shall choose for assignment to the Fund upon being constituted, loans that are in good standing in payments or with an arrears not in excess of one (1) month, as represented in section IV.1.4.2.(10) of this Offering Circular, and loans with final maturity from longer to shorter term up to an amount at least equal to EUR one billion (1,000,000,000.00).

These selected loans were audited as specified in section I.3 of this Offering Circular, and the audit made by Deloitte is attached as Appendix 4 hereto.

b) Information as to distribution by type of security.

The following table shows the distribution by type of security of the loans.

The provisional portfolio loans are all bilateral loans granted by BBVA to non-financial small and medium-sized enterprises (legal persons and sole traders) registered in Spain.

The selected Loans may be classified according to underlying securities into:

- (i) Loans with real estate mortgage security, originated in a public deed.
- (ii) Loans without real estate mortgage security, originated in a public document.

The following table shows the distribution of the loans according to that classification having regard to their underlying securities.

Loan portfolio as of 10/11/2004 Classification by type of security				
	Loans		Outstanding Balance	
		%	(EUR)	%
Loans with mortgage security	3,237	21.54	596,865,375.46	47.08
Unsecured Loans	11,791	78.46	670,911,642.37	52.92
Total	15,028	100.00	1,267,777,017.83	100.00

c) Origination date.

The following table shows the distribution of the loans according to the origination date by six-monthly intervals, and the average, minimum and maximum age.

Loan portfolio as of 10/11/2004				
Classification by loan origination date				
Date interval	Loans		Outstanding Balance	
		%	(EUR)	%
01/01/1993 to 30/06/1993	2	0.01	64,535.26	0.01
01/07/1993 to 31/12/1993	2	0.01	19,151.45	0.00
01/01/1994 to 30/06/1994	3	0.02	70,664.52	0.01
01/07/1994 to 31/12/1994	9	0.06	125,544.66	0.01
01/01/1995 to 30/06/1995	14	0.09	282,841.04	0.02
01/07/1995 to 31/12/1995	26	0.17	404,054.90	0.03
01/01/1996 to 30/06/1996	23	0.15	442,475.48	0.03
01/07/1996 to 31/12/1996	23	0.15	307,013.87	0.02
01/01/1997 to 30/06/1997	53	0.35	1,512,248.44	0.12
01/07/1997 to 31/12/1997	98	0.65	2,612,262.80	0.21
01/01/1998 to 30/06/1998	98	0.65	3,248,674.76	0.26
01/07/1998 to 31/12/1998	135	0.90	6,572,593.12	0.52
01/01/1999 to 30/06/1999	196	1.30	7,885,805.49	0.62
01/07/1999 to 31/12/1999	206	1.37	9,956,150.85	0.79
01/01/2000 to 30/06/2000	273	1.82	18,388,627.25	1.45
01/07/2000 to 31/12/2000	418	2.78	21,203,659.45	1.68
01/01/2001 to 30/06/2001	957	6.37	74,103,114.67	5.84
01/07/2001 to 31/12/2001	1,118	7.44	80,113,995.52	6.32
01/01/2002 to 30/06/2002	1,524	10.14	108,260,476.12	8.54
01/07/2002 to 31/12/2002	1,316	8.76	128,231,698.47	10.11
01/01/2003 to 30/06/2003	2,763	18.39	232,673,351.85	
01/07/2003 to 31/12/2003	1,951	12.98	246,419,003.07	19.44
01/01/2004 to 30/06/2004	3,820	25.42	324,879,074.79	25.63
Total	15,028	100.00	1,267,777,017.83	100.00
	21.61	Months	Weighted average age	
	141.11	Months	Maximum age	
	5.42	Months	Minimum age	

d) Maximum, minimum and average mortgage loan principal values.

The following table shows the distribution of the outstanding principal balance of the loans as of November 10, 2004 in EUR 100,000 intervals, and their average, minimum and maximum amount.

Loan portfolio as of 10/11/2004					
Classification by outstanding principal					
Principal interval (in EUR)		Loans		Outstanding Principal (EUR)	
		No.	%		%
0.00	99,999.99	12,264	81.61	353,522,194.79	27.89
100,000.00	199,999.99	1,482	9.86	205,797,694.35	16.23
200,000.00	299,999.99	508	3.38	123,159,249.03	9.71
300,000.00	399,999.99	228	1.52	78,587,142.31	6.20
400,000.00	499,999.99	153	1.02	67,965,996.18	5.36
500,000.00	599,999.99	83	0.55	45,198,348.19	3.57
600,000.00	699,999.99	57	0.38	37,014,831.63	2.92
700,000.00	799,999.99	38	0.25	28,356,856.30	2.24
800,000.00	899,999.99	38	0.25	32,114,163.93	2.53
900,000.00	999,999.99	36	0.24	34,160,572.77	2.69
1,000,000.00	1,099,999.99	13	0.09	13,645,136.17	1.08
1,100,000.00	1,199,999.99	15	0.10	17,088,863.76	1.35
1,200,000.00	1,299,999.99	19	0.13	23,488,893.14	1.85
1,300,000.00	1,399,999.99	13	0.09	17,577,061.43	1.39
1,400,000.00	1,499,999.99	12	0.08	17,481,817.64	1.38
1,500,000.00	1,599,999.99	13	0.09	20,084,865.51	1.58
1,600,000.00	1,699,999.99	5	0.03	8,306,504.80	0.66
1,700,000.00	1,799,999.99	6	0.04	10,460,977.40	0.83
1,900,000.00	1,999,999.99	4	0.03	7,662,413.24	0.60
2,000,000.00	2,099,999.99	5	0.03	10,283,993.86	0.81
2,100,000.00	2,199,999.99	2	0.01	4,300,120.43	0.34
2,200,000.00	2,299,999.99	4	0.03	9,010,768.43	0.71
2,300,000.00	2,399,999.99	2	0.01	4,627,090.65	0.36
2,400,000.00	2,499,999.99	4	0.03	9,761,845.52	0.77
2,500,000.00	2,599,999.99	5	0.03	12,686,675.49	1.00
2,600,000.00	2,699,999.99	3	0.02	7,920,310.91	0.62
2,700,000.00	2,799,999.99	1	0.01	2,783,199.46	0.22
2,800,000.00	2,899,999.99	1	0.01	2,890,181.72	0.23
2,900,000.00	2,999,999.99	2	0.01	5,890,848.24	0.46
3,100,000.00	3,199,999.99	1	0.01	3,122,494.36	0.25
3,300,000.00	3,399,999.99	1	0.01	3,324,559.38	0.26
3,700,000.00	3,799,999.99	1	0.01	3,724,808.22	0.29
4,200,000.00	4,299,999.99	1	0.01	4,234,806.65	0.33
4,600,000.00	4,699,999.99	1	0.01	4,605,227.92	0.36
4,800,000.00	4,899,999.99	1	0.01	4,805,697.94	0.38
5,000,000.00	5,099,999.99	2	0.01	10,159,327.13	0.80
5,100,000.00	5,199,999.99	2	0.01	10,288,476.82	0.81
5,500,000.00	5,599,999.99	1	0.01	5,544,691.44	0.44
6,100,000.00	6,199,999.99	1	0.01	6,138,310.69	0.48
Total		15,028	100.00	1,267,777,017.83	100.00
Average principal:				84,360.99	
Minimum principal:				505.00	
Maximum principal:				6,138,310.69	

e) Nature of the interest rate and benchmark indices applicable for determining the floating interest rates applicable to the loans.

The selected loans all have a floating interest rate. The following table shows the distribution of the loans according to the benchmark indices applicable to the loans for determining the nominal interest rate, specifying the average margin, weighted by the outstanding principal, added to the benchmark index that is relevant for such determination.

Loan portfolio as of 10/11/2004					
Classification by Interest rate benchmark index					
Benchmark index	Loans		Outstanding Balance		%Margin * o/index
		%	(EUR)	%	
1-YEAR EURIBOR/MIBOR	4,950	32.94	382,725,990.14	30.19	1.03
3-MONTH EURIBOR/MIBOR	2,615	17.40	360,113,620.21	28.41	0.87
6-MONTH EURIBOR/MIBOR	6,480	43.12	477,595,665.20	37.67	0.70
BANK MLBI	711	4.73	32,577,934.99	2.57	0.28
ALL INSTITUTIONS MLBI	272	1.81	14,763,807.29	1.16	0.24
Total	15,028	100.00	1,267,777,017.83	100.00	0.83

* Margin over the average benchmark index weighted by the outstanding principal.

f) Applicable nominal interest rates: maximum, minimum and average rates of the loans.

The following table shows the distribution of the loans in 0.50% nominal interest rate intervals, and their average, minimum and maximum values.

Loan portfolio as of 10/11/2004						
Classification by Nominal Interest Rates						
Interest Rate % Interval		Loans		Outstanding Balance		% Interest Rate*
			%	(EUR)	%	
2.00	2.49	102	0.68	11,750,763.89	0.93	2.39
2.50	2.99	5,077	33.78	519,484,654.69	40.98	2.70
3.00	3.49	2,405	16.00	350,833,316.15	27.67	3.15
3.50	3.99	3,491	23.23	255,042,482.36	20.12	3.60
4.00	4.49	2,325	15.47	89,783,984.33	7.08	4.08
4.50	4.99	956	6.36	23,846,182.55	1.88	4.60
5.00	5.49	556	3.70	14,738,544.56	1.16	5.07
5.50	5.99	80	0.53	1,501,098.02	0.12	5.58
6.00	6.49	25	0.17	643,065.58	0.05	6.05
6.50	6.99	6	0.04	89,668.10	0.01	6.63
7.00	7.49	4	0.03	40,339.31	0.00	7.06
7.50	7.99	1	0.01	22,918.29	0.00	7.64
Total		15,028	100.00	1,267,777,017.83	100.00	
Weighted average:						3.17 %
Simple average:						3.43 %
Minimum:						2.03 %
Maximum:						7.64 %

* Average nominal interest rate of the interval weighted by the outstanding principal.

g) Minimum nominal interest rates applicable to the loans.

The minimum nominal interest rates applicable to the loans as of November 10, 2004 range between 0.75% and 12.00%.

The following table shows the distribution of the loans in 0.50% minimum nominal interest rate intervals applicable for determining the nominal interest rate of the loans. Intervals with no contents are not detailed.

Loan portfolio as of 10/11/2004					
Classification by applicable minimum Nominal Interest Rates					
Minimum % Interest Rate Interval	Loans		Outstanding Principal (EUR)		Minimum % Int. Rate*
		%		%	
0.50 - 0.99	2	0.01	1,059,210.46	0.08	0,75
1.00 - 1.49	21	0.14	10,224,355.03	0.81	1,02
1.50 - 1.99	9	0.06	6,621,456.08	0.52	1,68
2.00 - 2.49	1,024	6.81	136,843,793.70	10.79	2,01
2.50 - 2.99	259	1.72	53,913,525.11	4.25	2,54
3.00 - 3.49	1,127	7.50	128,705,954.81	10.15	3,03
3.50 - 3.99	1,648	10.97	159,919,579.72	12.61	3,51
4.00 - 4.49	654	4.35	39,165,143.57	3.09	4,00
4.50 - 4.99	64	0.43	3,393,259.10	0.27	4,50
5.00 - 5.49	176	1.17	6,100,187.76	0.48	5,00
5.50 - 5.99	4	0.03	79,391.04	0.01	5,50
6.00 - 6.49	5	0.03	94,460.23	0.01	6,00
6.50 - 6.99	2	0.01	26,800.55	0.00	6,50
7.00 - 7.49	2	0.01	23,891.79	0.00	7,00
12.00 - 12.49	1	0.01	15,870.59	0.00	12,00
With no min. applicable NIR	10,030	66.74	721,590,138.29	56.92	
Total	15,028	100.00	1,267,777,017.83	100.00	

* Average nominal interest rate of the interval weighted by the outstanding principal.

h) Maximum nominal interest rates applicable to the loans.

The maximum nominal interest rates applicable to the loans as of November 10, 2004 range between 5.00% and 35.99%.

The following table shows the distribution of the loans in 0.50% maximum nominal interest rate intervals applicable for determining the nominal interest rate of the loans. No details are given of intervals with no contents.

Loan portfolio as of 10/11/2004					
Classification by applicable maximum Nominal Interest Rates					
Maximum % Interest Rate Interval	Loans		Outstanding Principal (EUR)		Maximum % Int. Rate*
		%		%	
5.00 - 5.49	1	0.01	6,304.95	0.00	5,00
6.00 - 6.49	1	0.01	5,180,850.29	0.41	6,00
6.50 - 6.99	1	0.01	792,705.62	0.06	6,63
7.00 - 7.49	2	0.01	330,625.39	0.03	7,00
8.00 - 8.49	17	0.11	4,107,028.49	0.32	8,00
8.50 - 8.99	3	0.02	44,808.31	0.00	8,50
9.00 - 9.49	11	0.07	5,207,176.46	0.41	9,00
10.00 - 10.49	142	0.94	12,810,918.38	1.01	10,00
11.00 - 11.49	14	0.09	1,276,269.37	0.10	11,00
11.50 - 11.99	2	0.01	298,310.55	0.02	11,50
12.00 - 12.49	2,490	16.57	325,085,053.25	25.64	12,00
12.50 - 12.99	23	0.15	1,717,551.68	0.14	12,55
13.00 - 13.49	41	0.27	2,061,188.45	0.16	13,00
13.50 - 13.99	7	0.05	768,705.97	0.06	13,51
14.00 - 14.49	94	0.63	14,470,172.12	1.14	14,00
15.00 - 15.49	1,582	10.53	134,224,506.74	10.59	15,00
15.50 - 15.99	2	0.01	11,112.61	0.00	15,50
16.00 - 16.49	483	3.21	24,452,426.63	1.93	16,00
17.00 - 17.49	43	0.29	4,957,500.24	0.39	17,03
18.00 - 18.49	282	1.88	43,781,083.89	3.45	18,00
19.00 - 19.49	7	0.05	293,746.79	0.02	19,00
19.50 - 19.99	1	0.01	1,978.03	0.00	19,99
20.00 - 20.49	27	0.18	5,365,800.08	0.42	20,00
20.50 - 20.99	1	0.01	110,017.92	0.01	20,99
21.00 - 21.49	2	0.01	39,005.93	0.00	21,00
22.00 - 22.49	47	0.31	12,003,156.84	0.95	22,00
24.00 - 24.49	8	0.05	2,310,220.04	0.18	24,00
25.00 - 25.49	7	0.05	445,328.52	0.04	25,00
26.00 - 26.49	4	0.03	227,916.36	0.02	26,00
29.00 - 29.49	43	0.29	10,412,139.31	0.82	29,01
30.00 - 30.49	9	0.06	394,102.85	0.03	30,00
35.00 - 35.49	2	0.01	310,483.05	0.02	35,00
35.50 - 35.99	3	0.02	1,005,685.60	0.08	35,99
With no max. applicable NIR	9,626	64.05	653,273,137.12	51.53	
Total	15,028	100.00	1,267,777,017.83	100.00	

* Average nominal interest rate of the interval weighted by the outstanding principal.

i) Initial repayment term.

The following table shows the distribution of loans by twelve-monthly initial repayment term intervals between the origination and the final maturity dates of each loan. The initial repayment term of all the loans is in excess of one year.

Loan portfolio as of 10/11/2004				
Classification by initial loan repayment term				
Monthly intervals	Loans		Outstanding Principal	
		%	(EUR)	%
12.01 - 24.00	29	0.19	834,422.50	0.07
24.01 - 36.00	314	2.09	8,363,459.08	0.66
36.01 - 48.00	2,708	18.02	96,183,943.97	7.59
48.01 - 60.00	845	5.62	35,885,561.27	2.83
60.01 - 72.00	5,858	38.98	339,519,772.49	26.78
72.01 - 84.00	307	2.04	23,090,849.43	1.82
84.01 - 96.00	1,337	8.90	158,464,008.30	12.50
96.01 - 108.00	500	3.33	46,798,973.15	3.69
108.01 - 120.00	93	0.62	15,916,166.39	1.26
120.01 - 132.00	1,682	11.19	278,977,815.01	22.01
132.01 - 144.00	36	0.24	13,567,321.37	1.07
144.01 - 156.00	600	3.99	111,835,833.59	8.82
156.01 - 168.00	19	0.13	6,678,576.21	0.53
168.01 - 180.00	32	0.21	9,400,507.22	0.74
180.01 - 192.00	575	3.83	106,275,049.19	8.38
192.01 - 204.00	5	0.03	546,142.43	0.04
204.01 - 216.00	5	0.03	2,285,840.96	0.18
216.01 - 228.00	5	0.03	909,601.60	0.07
228.01 - 240.00	3	0.02	368,265.83	0.03
240.01 - 252.00	70	0.47	11,602,063.03	0.92
252.01 - 264.00	3	0.02	192,236.80	0.02
264.01 - 276.00	1	0.01	18,661.30	0.00
300.01 - 312.00	1	0.01	61,946.71	0.00
Total	15,028	100.00	1,267,777,017.83	100.00
	Weighted average:		98.24	Months
	Simple average:		74.75	Months
	Minimum:		17.98	Months
	Maximum:		300.79	Months

j) Final maturity date and residual life.

Loans are repaid throughout the life remaining until full repayment, during which period mortgagors must pay monthly instalments comprising capital repayment and interest.

At any time during the life of the loans, mortgagors may prepay all or part of the outstanding capital, in which case the accrual of interest on the part prepaid will cease as of the date on which the repayment occurs.

The following table shows the distribution of the loans according to final maturity date in annual intervals, and the weighted average residual life and the minimum and maximum final maturity dates.

Loan portfolio as of 10/11/2004						
Classification by final repayment date						
Final Repayment Year	Loans		Outstanding principal		Total Residual Life*	
		%	(EUR)	%	Months	Date
2005	1,097	7.30	20,245,339.22	1.60	10.59	28/09/2005
2006	2,981	19.83	94,206,242.45	7.43	20.29	21/07/2006
2007	2,696	17.94	118,296,927.42	9.33	30.68	2/06/2007
2008	2,189	14.56	168,353,086.09	13.28	43.90	8/07/2008
2009	2,250	14.97	174,164,417.69	13.74	53.47	25/04/2009
2010	704	4.68	91,739,970.18	7.24	67.48	26/06/2010
2011	937	6.24	117,335,867.32	9.26	78.59	30/05/2011
2012	508	3.38	95,918,083.96	7.57	92.39	23/07/2012
2013	550	3.66	129,284,499.07	10.20	105.10	14/08/2013
2014	321	2.14	63,728,998.27	5.03	114.05	13/05/2014
2015	218	1.45	51,830,384.32	4.09	128.42	25/07/2015
2016	155	1.03	37,989,305.16	3.00	137.64	30/04/2016
2017	110	0.73	31,855,492.04	2.51	151.75	4/07/2017
2018	148	0.98	36,997,205.08	2.92	164.51	27/07/2018
2019	96	0.64	21,515,144.70	1.70	172.47	27/03/2019
2020	19	0.13	4,199,905.74	0.33	189.63	30/08/2020
2021	12	0.08	3,715,554.89	0.29	198.36	22/05/2021
2022	15	0.10	1,627,167.16	0.13	212.15	16/07/2022
2023	12	0.08	1,811,114.70	0.14	224.04	13/07/2023
2024	10	0.07	2,962,312.37	0.23	231.86	7/03/2024
Total	15,028	100.00	1,267,777,017.83	100.00		
	Weighted average:				76.57	30/03/2011
	Simple average:				49.81	4/01/2009
	Minimum:				6.67	1/06/2005
	Maximum:				232.67	1/04/2024

* Residual life (months and date) stands for averages weighted by the outstanding principal.

k) Information on the distribution by economic activity sectors in accordance with the Spanish Business Activity Code (CNAE).

The following table shows the distribution based on the CNAE of the corporate obligors according to their business.

Loan portfolio as of 10/11/2004				
Classification by sectors				
CNAE	Loans		Outstanding Balance	
		%	(EUR)	%
AA Agriculture, Stockbreeding, Hunting and Silviculture.	484	3.22	32,873,885.72	2.59
BB Fishing.	41	0.27	2,693,182.39	0.21
CA Extracting Energy Products.	16	0.11	743,353.41	0.06
CB Extracting other minerals except Energy Products.	113	0.75	12,303,818.84	0.97
DA Food products, drinks and tobacco industry.	488	3.25	57,445,181.01	4.53
DB Textile and textile manufacture industry.	284	1.89	28,944,519.20	2.28
DC Leather and footwear industry.	114	0.76	5,951,788.99	0.47
DD Wood and cork industry.	262	1.74	16,383,101.30	1.29
DE Paper industry; Publishing, graphic arts and reproduction of recorded media.	308	2.05	32,968,205.46	2.60
DF Oil refinery and Nuclear Fuel processing	3	0.02	23,084.35	0.00
DG Chemical industry.	141	0.94	16,941,244.30	1.34
DH Manufacture of rubber products and plastic materials industry.	182	1.21	27,240,717.61	2.15
DI Other non-metallic mineral products industries.	285	1.90	32,571,356.83	2.57
DJ Metallurgy and Manufacture of Metallic Products.	581	3.87	58,489,275.12	4.61
DK Building of machinery and mechanical equipment industry.	204	1.36	16,324,194.27	1.29
DL Electrical, Electronic and Optical Material and Equipment Industry.	160	1.06	15,383,647.85	1.21
DM Manufacture of Transport Material.	48	0.32	6,574,654.53	0.52
DN Other manufacturing industries.	345	2.30	32,307,674.32	2.55
EE Production and distribution of electric power, gas and water.	44	0.29	1,815,936.82	0.14
FF Building.	1,480	9.85	106,164,717.86	8.37
GG Retail trade; repair of motor vehicles, motorcycles and mopeds and personal and household items.	4,121	27.42	323,615,455.86	25.53
HH Catering trade.	872	5.80	73,529,440.54	5.80
II Transport, Storage and Communications.	1,778	11.83	94,171,355.70	7.43
JJ Financial brokering auxiliary activities.	22	0.15	812,401.83	0.06
KK Real Estate and Rental Activities; Business Services.	1,703	11.33	213,594,436.19	16.85
LL Public Administration, Defence and Social Security	17	0.11	1,265,012.69	0.10
MM Education.	103	0.69	3,933,798.39	0.31
NN Health and Veterinary Activities, Social Services.	288	1.92	16,222,495.00	1.28
OO Other social activities and services provided to the Community; Personal Services.	541	3.60	36,489,081.45	2.88
Total	15,028	100.00	1,267,777,017.83	100.00

The business sectors carrying most weight are retail trade, repair of motor vehicles, motorcycles and mopeds and personal and household items (25.53%), wholesale trade and trade intermediaries, other than motor vehicles and motorcycles, standing at 12.66%, and the remaining activities standing at 12.87%), and real estate and rental activities and business services (16.85%, real estate activities standing at 9.87% and the remaining activities standing at 6.98%).

l) Information on geographical distribution by Autonomous Communities.

The following table shows loan distribution by Autonomous Communities, according to where the place of business of the obligor companies (legal persons and sole traders) is located.

Loan portfolio as of 10/11/2004				
Classification by Autonomous Communities				
	Loans		Outstanding principal	
		%	(EUR)	%
Andalusia	2,139	14.23	168,267,028.39	13.27
Aragón	530	3.53	31,312,266.24	2.47
Asturies	407	2.71	30,441,964.68	2.40
Balearic Isles	256	1.70	16,813,333.13	1.33
Canary Islands	883	5.88	110,808,250.73	8.74
Cantabria	210	1.40	9,188,637.42	0.72
Catalonia	2,503	16.66	265,696,470.58	20.96
Ceuta	36	0.24	4,043,905.32	0.32
Basque Country	914	6.08	76,179,891.67	6.01
Extremadura	243	1.62	13,521,597.45	1.07
Galicia	580	3.86	37,707,921.96	2.97
Castile-León	878	5.84	61,958,289.94	4.89
Madrid	1,345	8.95	180,891,745.84	14.27
Castile La Mancha	884	5.88	47,020,083.77	3.71
Melilla	16	0.11	1,429,697.00	0.11
Murcia	349	2.32	22,843,388.76	1.80
Navarre	125	0.83	8,930,693.01	0.70
La Rioja	195	1.30	9,908,492.09	0.78
Valencian Community	2,535	16.87	170,813,359.85	13.47
Total	15,028	100.00	1,267,777,017.83	100.00

m) Information as to whether there are delays in collecting loan interest or principal instalments and, as the case may be, amount of the current principal of loans delayed in excess of 30, 60 and 90 days.

The following table shows the number of loans, the outstanding principal and the overdue principal on provisional portfolio loans in regard to which there was any delay in payment of amounts due as of November 10, 2004.

Arrears in payment of instalments due as of 10/11/2004				
Day Interval	Loans	Outstanding Principal	Overdue Principal	% o/ Total Outstanding Principal
1 to 15 days	551	37,439,549.77	853,241.11	0.067%
16 to 30 days	93	2,688,803.36	65,147.89	0.005%
31 to 60 days	181	9,362,993.97	343,543.67	0.027%
61 to 90 days	60	2,530,430.74	122,950.51	0.010%
Total	885	52,021,777.84	1,384,883.18	0.109%

As declared by BBVA in section IV.1.4.2 (10) of this Offering Circular, none of the Loans that will finally be assigned to the Fund upon being constituted shall have payments that are more than one (1) month overdue on the date of assignment.

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

CHAPTER V

INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATION OF THE ASSET SECURITISATION FUND

V.1 Synoptic chart describing the various assumptions and most likely estimated performance of the economic and financial flows of the Fund.

Initial balance sheet of the Fund.

The balance sheet of the Fund on the Closing Date will be as follows assuming that all set-up and Bond issuance expenses are met that day:

ASSETS		LIABILITIES	
Fixed Assets	1,001,350,000.00	Bond Issue	1,000,000,000.00
Loans (adjustment excess to 53,607.42)	1,000,053,607.42	Series A1 Bonds	725,300,000.00
Constitution and issue expenses	1.296,392.58	Series A2(G) Bonds	215,300,000.00
		Series B Bonds	40,800,000.00
		Series C Bonds	18,600,000.00
Current assets	to be determined	Other long-term liabilities	1,350,000.00
Treasury Account *	0.00	Start-Up Loan	1,350,000.00
Amortisation Account	0.00		
Accrued interest receivable **	to be determined		
		Short-term creditors	to be determined
		Loan interest accrued **	to be determined
Total assets	1,001,350,000.00	Total liabilities	1,001,350,000.00
MEMORANDUM ACCOUNTS			
Subordinated Credit available	20,600,000.00		
Interest Swap collections	to be determined		
Interest Swap payments	to be determined		

(Amounts in EUR)

* Assuming that all Set-up and Bond issuance expenses are met on the Closing Date and that they amount to 1.296,392.58.

** As set forth in section IV.1.5.2 of this Offering Circular.

V.1.1 Assumptions made in relation to the main or likely rates of such factors as early amortisation, late payments and defaults, with respect to the Loans pooled in the Fund, the Bond Issue and all other financial and service provision transactions to be arranged for on the Fund's behalf.

The tables shown in section V.1.3 of this Offering Circular relate to one of the possible scenarios that could, in relation to the income and payments made and received by the Fund, arise during the term of the Fund and this Bond Issue.

The following assumptions have been made in preparing these Bond servicing and Fund cash flow tables:

a) Loans (Non-Mortgage Loans and Pass-Through Certificates).

- (i) Outstanding principal of the selected loan portfolio as of November 10, 2004 from which the Loans assigned to the Fund will be taken: EUR 1,267,777,017.83 (outstanding principal).
- (ii) Interest Rate: 3.17% (weighted average interest rate of the selected loan portfolio as of November 10, 2004), assumed constant throughout the life of the transaction.
- (iii) CPR: 6% per annum and 8% per annum.

- (iv) Delinquency rate: 0.10% of the Outstanding Balance of the Loans, with 100% recoveries within 15 months of becoming delinquent.
- (v) Defaults: 0%.

b) Bonds.

- (i) Total amount: EUR 1,000,000,000.00.

	Face Amount (EUR)
Series A1 Bonds	725,300,000.00
Series A2(G) Bonds	215,300,000.00
Series B Bonds	40,800,000.00
Series C Bonds	18,600,000.00
Total	1,000,000,000.00

- (ii) Interest Rate: floating interest rate for the outstanding balances of each of the Series.

The following are the interest rates in each Series assumed for the first Interest Accrual Period, as specified in sections II.10.1.5.a) and II.12.a) of this Offering Circular:

	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
Nominal Interest Rate	2.275%	2.155%	2.520%	2.945%

For successive Interest Accrual Periods, the following are the floating interest rates for the Bonds in each Series, which are assumed constant, as specified in section II.12.a) of this Offering Circular:

	Series A1 Bonds	Series A2(G) Bonds	Series B Bonds	Series C Bonds
Nominal Interest Rate	2.306%	2.186%	2.551%	2.976%

- (ii) It is assumed that the principal in each of the Bond Series will be repaid in accordance with the rules established in section II.11.3 of this Offering Circular and that the Management Company will exercise the early amortisation option of the Bonds in each of the Series when the Outstanding Balance of the Loans is less than 10% of their initial amount.

c) Ancillary agreements.

- (i) **Treasury Account.**

It is assumed that the Treasury Account shall be maintained at BBVA.

Interest rate: it is assumed to remain constant at 2.076% for remunerating all amounts credited to the Treasury Account.

- (ii) **Amortisation Account.**

It is assumed that the Amortisation Account shall be maintained at BBVA.

Interest rate: it is assumed to remain constant at 2.076% for remunerating all amounts credited to the Amortisation Account.

- (iii) **Start-Up Loan Agreement.**

- Amount: EUR 1,350,000.00 which shall be allocated to financing the expenses of setting up the Fund and issuing the Bonds (approximately EUR 1.296,392.58) and to partially financing the acquisition of the Loans (up to EUR 53,607.42).
- Interest rate: it is assumed to remain constant at 4.176%.

- Repayment: the principal will be repaid in twelve (12) equal, consecutive quarterly instalments on each Payment Date, from the first and the following Payment Dates until the Payment Date falling on October 22, 2007, inclusive.

(iv) Subordinated Credit Agreement.

- Amount: EUR 20,600,000.00.
- Interest rate: it is assumed to remain constant at 4.176%.
- It is assumed that the rating of the non-subordinated and unsecured short-term debt of BBVA shall not fall below F1, P-1 or A-1+ respectively in Fitch's, Moody's and S&P's rating scales during the life of the Fund and that the Maximum Subordinated Credit Amount will not therefore be drawn down as a result of this to set up the Cash Reserve.

(v) State Guarantee.

The assumption made is that it will not be necessary to enforce the State Guarantee based on the assumed performance of the Loans set forth in subparagraphs (iv) and (v) of paragraph a) above.

d) Cash Reserve.

It is assumed that the rating of the non-subordinated and unsecured short-term debt of BBVA shall not fall below F1, P-1 or A-1+ respectively in Fitch's, Moody's and S&P's rating scales during the life of the Fund and that the Cash Reserve will not therefore be set up.

e) Expenses, fees and margin.

- i) Loan Servicing fee: 0.01% per annum on the average daily Outstanding Balance of the Loans during each relevant Interest Accrual Period, inclusive of VAT if there is no exemption.
- ii) Management Company Fee: variable amount equal to 0.0195% per annum on the Outstanding Principal Balance of the Bond Issue, with a maximum annual amount of EUR 150,000.00 and a minimum annual amount of EUR 30,000.00 and an assumed yearly Retail Price Index of 2.5%.
- iii) Annual expenses of the Fund for auditing annual accounts and monitoring the rating of the Bonds: EUR 24,244.00 and an assumed yearly Retail Price Index of 2.5%.
- iv) Bond Paying Agent Fee: EUR 12,000.00 on each Bond Payment Date.
- v) Financial Intermediation Margin: variable remuneration settled quarterly on each Payment Date, and accruing upon the expiration of each quarterly period in an amount equal to the positive difference, if any, between the Fund's income and expenditure in the Interest Accrual Period.

V.1.2 Analysis of and comments on the impact that potential changes in the assumptions described in the preceding point would have on the financial balance of the Fund.

In order to hedge the contingent credit risk due to delinquency and default on the Loans, it has been resolved to arrange the Subordinated Credit in order to fulfil on each Payment Date, upon a shortfall of Available Funds or Liquidation Available Funds, certain of the Fund's payment or withholding obligations, which include payment of interest and principal on the Bonds. Nevertheless, the State Guarantee (section 12.5.2 of this Offering Circular) covers that credit risk for the Bonds in the guaranteed Series A2(G) Bonds. Moreover, the 0.65% margin excess contributed by the Interest Swap and the deferred interest payment and principal repayment between the Bonds in the different Series derived from their position in the application of the Available Funds and from the rules for Distribution of Available Funds for Amortisation between each Series in the Priority of Payments or in the application of the Liquidation Available Funds in the Liquidation Priority of Payments, is a mechanism for distinctly hedging the Series.

The base interest risk resulting in the Fund between Loan interest, floating with different benchmark indices, or fixed, as the case may be, as a result of subsequent renegotiations, and different revision periods and instalment settlement date, and the floating interest on the Bond Issue based on 3-month Euribor and with quarterly accrual and settlement periods, is mitigated by means of the Interest Swap.

As for the incidence the prepayment of Loans might have on the Bonds, section II.12.a) of this Offering Circular contains a table showing the performance as to average life and duration of the Bonds for different effective constant annual early amortisation or prepayment rates (CPRs).

In general, the quality of the Loans and the mechanisms and financial hedge transactions in place for maintaining the financial balance of the Fund are such that they have been considered sufficient by the Rating Agencies to assign the ratings to each of the Bond Series contained in section II.3 of this Offering Circular. These ratings express the Rating Agencies' opinion about the Fund's capacity to meet interest payments as they fall due on each set Payment Date and principal repayment during the life of the Fund and, in any event, by the Final Maturity Date of the Fund.

V.1.3 Number outline of the cash flows of funds.

The number outline set forth hereinafter relates to collections and payments derived from the application of a cash policy, for ease of understanding of the investor, though in accordance with the provisions of section V.2 of this Offering Circular, the Fund will apportion income and expenditure in time in accordance with the accruals principle.

This outline is based not only on the assumptions referred to in section V.1.1 above but also on those assumptions remaining constant throughout the life of the Fund, whereas it is well-known that the relevant variables, particularly interest rates of the Bonds in all Series, and actual prepayment rates of the Loans are subject to continual changes.

Now, therefore, the value of that number outline is merely illustrative.

FUND CASH FLOWS
(AMOUNTS IN EUR)

CPR = 6.00%

2-Dec-2004 1,000,000,000.00 Bond Issue
1,350,000.00 Start-Up Loan

Subord. Credit Available	Loan Outstanding Balance	Date	COLLECTIONS							Subord. Credit Drawdown	Total
			Loan Principal Repayment	Loan & Swap Interest	Amortisation Account Reduction	Reinvestment Interest	Guarantee				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
20,600,000.00	974,939,710.88	21-Apr-2005	25,060,289.12	4,014,404.57	0.00	47,976.23	0.00	0.00	29,122,669.93		
20,600,000.00	922,916,282.80	21-Apr-2005	52,023,428.00	6,940,602.41	0.00	319,776.37	0.00	0.00	59,283,806.86		
20,600,000.00	871,811,320.92	21-Jul-2005	51,104,961.88	6,634,014.37	0.00	604,945.57	0.00	0.00	58,343,921.81		
20,600,000.00	821,632,344.61	21-Oct-2005	50,178,976.31	6,325,584.74	0.00	889,946.73	0.00	0.00	57,394,507.79		
20,600,000.00	772,519,182.42	23-Jan-2006	49,113,162.19	6,082,090.71	0.00	1,193,553.91	0.00	0.00	56,388,806.81		
20,600,000.00	724,703,238.17	21-Apr-2006	47,815,944.26	5,345,657.08	227,480,817.58	1,375,913.29	0.00	0.00	282,018,332.20		
20,600,000.00	677,768,144.98	21-Jul-2006	46,935,093.18	5,173,156.39	0.00	163,163.89	0.00	0.00	52,271,412.46		
20,600,000.00	631,720,640.24	23-Oct-2006	46,047,504.74	4,985,723.17	0.00	165,679.01	0.00	0.00	51,198,906.92		
20,600,000.00	586,668,244.01	22-Jan-2007	45,052,396.23	4,487,791.19	0.00	159,062.06	0.00	0.00	49,699,249.48		
20,600,000.00	542,781,923.83	23-Apr-2007	43,886,320.18	4,157,000.48	0.00	155,149.39	0.00	0.00	48,198,470.06		
20,033,397.84	500,834,945.97	23-Jul-2007	41,946,977.86	3,837,008.09	0.00	150,113.22	0.00	0.00	45,934,099.17		
18,485,949.18	462,148,729.56	22-Oct-2007	38,686,216.41	3,540,774.59	0.00	135,274.76	0.00	0.00	42,362,265.75		
16,988,378.83	424,709,470.71	21-Jan-2008	37,439,258.86	3,258,693.91	0.00	128,133.95	0.00	0.00	40,826,086.72		
15,526,403.44	388,160,086.03	21-Apr-2008	36,549,384.68	2,975,356.13	0.00	123,610.47	0.00	0.00	39,648,351.28		
14,103,159.79	352,578,994.79	21-Jul-2008	35,581,091.23	2,702,829.77	0.00	110,063.07	0.00	0.00	38,403,984.07		
12,798,597.16	319,964,929.12	21-Oct-2008	32,614,065.67	2,473,987.73	0.00	110,650.52	0.00	0.00	35,198,703.92		
11,593,214.95	289,830,373.87	21-Jan-2009	30,134,555.25	2,236,779.28	0.00	102,690.13	0.00	0.00	32,474,024.66		
10,509,363.17	262,734,079.25	21-Apr-2009	27,066,294.62	1,976,311.22	0.00	91,931.79	0.00	0.00	29,164,537.63		
10,000,000.00	240,629,109.00	21-Jul-2009	22,104,970.25	1,816,551.18	0.00	77,241.58	0.00	0.00	23,998,763.01		
10,000,000.00	220,776,901.97	21-Oct-2009	19,852,207.03	1,681,488.29	0.00	68,145.77	0.00	0.00	21,601,841.09		
10,000,000.00	201,687,102.53	21-Jan-2010	19,089,799.44	1,538,255.91	0.00	65,783.20	0.00	0.00	20,693,838.56		
10,000,000.00	183,579,495.71	21-Apr-2010	18,107,606.82	1,371,100.35	0.00	61,623.53	0.00	0.00	19,540,330.70		
10,000,000.00	166,824,614.06	21-Jul-2010	16,754,881.65	1,260,826.48	0.00	57,121.78	0.00	0.00	18,072,829.91		
10,000,000.00	151,321,765.38	21-Oct-2010	15,502,848.68	1,157,185.68	0.00	52,610.38	0.00	0.00	16,712,644.74		
10,000,000.00	136,680,066.78	21-Jan-2011	14,641,698.60	1,046,752.62	0.00	49,859.39	0.00	0.00	15,738,310.61		
10,000,000.00	123,135,069.69	21-Apr-2011	13,544,997.09	923,181.42	0.00	45,565.50	0.00	0.00	14,513,744.01		
10,000,000.00	111,289,800.38	21-Jul-2011	11,865,269.31	842,236.53	0.00	40,554.09	0.00	0.00	12,748,059.93		
10,000,000.00	100,490,144.36	21-Oct-2011	10,779,656.02	769,645.23	0.00	36,461.43	0.00	0.00	11,585,762.68		
0.00	0.00	23-Jan-2012	100,490,144.36	708,005.60	0.00	35,809.35	0.00	0.00	101,233,959.31		
TOTALS:			1,000,000,000.00	90,262,994.12	227,480,817.58	6,628,410.36	0.00	0.00	1,324,572,222.05		

FUND CASH FLOWS
(AMOUNTS IN EUR)

CPR = 6.00%

2-Dec-2004
1,000,000,000.00 Loan acquisition payment
1,296,392.58 Initial Expenses

Date	PAYMENTS										Total
	Current Expenses	Amortisation Account Increase	Bond Interest	Bond Principal Repayment	Sub. Credit & Start-Up Loan Interest	Sub. Credit & Start-Up Loan Repayment	ML Servicing Fee	Finan. Intern. Variable Remuneration	Guarantee Repayment		
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	
TOTALS:	1,045,516.33	227,480,817.58	77,465,715.69	1,000,000,000.00	83,296.47	1,350,000.00	303,748.69	16,643,127.30	0.00	1,324,372,222.05	
21-Jan-2005	58,024.82	25,060,289.12	3,155,030.56	0.00	7,830.00	161,640.14	14,365.23	665,490.06	0.00	29,122,669.93	
21-Apr-2005	48,059.41	52,023,428.08	5,756,555.00	0.00	12,406.48	108,032.72	23,184.56	1,312,140.61	0.00	59,283,806.86	
21-Jul-2005	46,514.54	51,104,961.88	5,820,516.72	0.00	11,403.93	108,032.72	22,160.43	1,230,331.60	0.00	58,343,921.81	
21-Oct-2005	44,961.63	50,178,976.31	5,884,478.44	0.00	10,376.33	108,032.72	21,130.14	1,146,552.21	0.00	57,394,507.79	
23-Jan-2006	69,383.36	49,113,162.19	6,012,401.89	0.00	9,423.91	108,032.72	20,316.77	1,056,085.97	0.00	56,388,806.81	
21-Apr-2006	39,937.68	0.00	5,628,631.56	275,296,761.83	7,719.59	108,032.72	17,856.77	919,392.06	0.00	282,018,332.20	
21-Jul-2006	39,101.92	0.00	4,215,796.60	46,935,093.18	6,842.36	108,032.72	17,288.05	949,257.63	0.00	52,271,412.46	
23-Oct-2006	38,182.28	0.00	4,072,172.28	46,047,504.74	5,889.94	108,032.72	16,663.50	910,461.46	0.00	51,198,906.92	
22-Jan-2007	61,686.59	0.00	3,673,795.87	45,052,396.23	4,561.57	108,032.72	15,001.14	783,775.37	0.00	49,699,249.48	
23-Apr-2007	33,939.79	0.00	3,411,182.95	43,886,320.18	3,421.18	108,032.72	13,897.35	741,675.89	0.00	48,198,470.06	
23-Jul-2007	32,298.56	0.00	3,155,367.16	41,946,977.86	2,280.79	108,032.72	12,829.60	676,312.49	0.00	45,934,093.17	
22-Oct-2007	30,729.85	0.00	2,910,855.89	38,686,216.41	1,140.39	108,032.72	11,841.20	613,449.29	0.00	42,362,266.75	
21-Jan-2008	55,823.31	0.00	2,685,351.79	37,439,258.86	0.00	0.00	10,899.94	634,752.83	0.00	40,826,086.72	
21-Apr-2008	27,882.97	0.00	2,458,567.96	36,549,384.68	0.00	0.00	9,981.34	602,534.34	0.00	39,648,351.28	
21-Jul-2008	26,516.12	0.00	2,241,369.83	35,581,091.23	0.00	0.00	9,084.80	545,922.07	0.00	38,403,984.07	
21-Oct-2008	25,330.38	0.00	2,052,232.76	32,614,065.67	0.00	0.00	8,334.69	498,740.41	0.00	35,198,703.92	
21-Jan-2009	51,160.58	0.00	1,856,290.83	30,134,555.25	0.00	0.00	7,554.83	424,463.18	0.00	32,474,024.66	
21-Apr-2009	22,719.75	0.00	1,638,827.16	27,096,294.62	0.00	0.00	6,694.33	400,001.77	0.00	29,164,537.63	
21-Jul-2009	21,825.53	0.00	1,496,014.09	22,104,970.25	0.00	0.00	6,172.67	369,780.47	0.00	23,998,763.01	
21-Oct-2009	21,097.76	0.00	1,380,648.44	19,852,207.03	0.00	0.00	5,728.34	342,159.52	0.00	21,601,841.09	
21-Jan-2010	48,127.56	0.00	1,266,743.19	19,089,799.44	0.00	0.00	5,240.39	283,927.97	0.00	20,693,838.56	
21-Apr-2010	20,697.70	0.00	1,132,055.59	18,107,606.82	0.00	0.00	4,670.94	275,299.65	0.00	19,540,330.70	
21-Jul-2010	20,697.70	0.00	1,041,867.96	16,754,881.65	0.00	0.00	4,295.27	251,087.33	0.00	18,072,829.91	
21-Oct-2010	20,697.70	0.00	957,183.21	15,502,848.68	0.00	0.00	3,942.20	227,972.95	0.00	16,712,644.74	
21-Jan-2011	49,030.75	0.00	868,233.11	14,641,698.60	0.00	0.00	3,565.98	175,782.17	0.00	15,738,310.61	
21-Apr-2011	20,915.14	0.00	767,175.65	13,544,997.09	0.00	0.00	3,145.01	177,511.12	0.00	14,513,744.01	
21-Jul-2011	20,915.14	0.00	698,827.95	11,865,269.31	0.00	0.00	2,869.26	160,178.26	0.00	12,748,059.93	
21-Oct-2011	20,915.14	0.00	638,428.48	10,779,656.02	0.00	0.00	2,621.96	144,141.08	0.00	11,585,762.68	
23-Jan-2012	28,342.65	0.00	589,112.77	100,490,144.36	0.00	0.00	2,411.97	123,947.56	0.00	101,233,959.31	

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

FUND CASH FLOWS
(AMOUNTS IN EUR)

CPR = 8.00%

2-Dec-2004 1,000,000,000.00 Bond Issue
1,350,000.00 Start-Up Loan

Subord. Credit Available (1)	Loan Outstanding Balance (2)	Date (3)	COLLECTIONS							Subord. Credit Drawdown (9)	Total (10)
			Loan Principal Repayment (4)	Loan & Swap Interest (5)	Amortisation Account Reduction (6)	Reinvestment Interest (7)	Guarantee (8)				
20,600,000.00	973,079,415.33	21-Jan-2005	26,920,584.67	4,011,808.65	0.00	50,447.78	0.00	0.00	30,982,841.10		
20,600,000.00	916,218,749.03	21-Apr-2005	56,860,666.30	6,902,745.83	0.00	344,960.46	0.00	0.00	64,108,372.59		
20,600,000.00	860,792,101.80	21-Jul-2005	55,426,647.23	6,562,207.66	0.00	655,240.84	0.00	0.00	62,644,095.73		
20,600,000.00	806,797,512.05	21-Oct-2005	53,994,589.75	6,222,808.86	0.00	963,090.71	0.00	0.00	61,180,489.32		
20,600,000.00	754,406,888.65	23-Jan-2006	52,390,623.40	5,950,559.08	0.00	1,288,300.16	0.00	0.00	59,629,482.64		
20,600,000.00	703,907,913.42	21-Apr-2006	50,498,975.23	5,201,739.68	245,593.11	1,480,271.43	0.00	0.00	302,774,097.69		
20,600,000.00	654,738,410.53	21-Jul-2006	49,169,502.89	5,006,385.07	0.00	169,783.73	0.00	0.00	54,345,671.68		
20,600,000.00	606,895,821.20	23-Oct-2006	47,842,589.34	4,798,386.62	0.00	171,136.93	0.00	0.00	52,812,112.88		
20,600,000.00	560,507,123.44	22-Jan-2007	46,388,697.76	4,295,395.70	0.00	162,885.55	0.00	0.00	50,846,979.01		
20,600,000.00	515,777,446.73	23-Apr-2007	44,729,676.71	3,957,086.78	0.00	157,366.18	0.00	0.00	48,844,129.68		
18,932,673.23	473,316,830.66	23-Jul-2007	42,460,616.07	3,632,536.76	0.00	151,194.51	0.00	0.00	46,244,347.34		
17,373,745.59	434,343,639.73	22-Oct-2007	38,973,190.93	3,333,499.50	0.00	135,679.57	0.00	0.00	42,442,370.00		
15,877,959.38	396,948,984.47	21-Jan-2008	37,394,655.26	3,043,933.01	0.00	127,471.60	0.00	0.00	40,566,059.87		
14,431,992.89	360,799,822.32	21-Apr-2008	36,149,162.15	2,766,802.19	0.00	121,844.17	0.00	0.00	39,037,808.51		
13,037,061.53	325,926,538.33	21-Jul-2008	34,873,283.99	2,498,905.76	0.00	117,326.64	0.00	0.00	37,489,516.39		
11,765,397.87	294,134,946.75	21-Oct-2008	31,791,591.59	2,273,879.73	0.00	109,144.43	0.00	0.00	34,173,019.27		
10,598,088.88	264,952,222.03	21-Jan-2009	29,182,724.72	2,043,695.21	0.00	99,144.39	0.00	0.00	31,325,564.36		
10,000,000.00	238,875,956.08	21-Apr-2009	26,076,265.95	1,795,011.82	0.00	88,164.39	0.00	0.00	27,959,442.16		
10,000,000.00	217,579,832.03	21-Jul-2009	21,296,124.05	1,641,413.48	0.00	74,029.69	0.00	0.00	23,011,567.22		
10,000,000.00	198,524,397.33	21-Oct-2009	19,056,434.70	1,514,832.01	0.00	65,145.89	0.00	0.00	20,635,412.60		
10,000,000.00	180,353,526.38	21-Jan-2010	18,170,870.96	1,378,148.62	0.00	62,365.40	0.00	0.00	19,611,384.97		
10,000,000.00	163,269,951.63	21-Apr-2010	17,083,574.75	1,221,674.95	0.00	57,916.91	0.00	0.00	18,363,166.60		
10,000,000.00	147,563,803.16	21-Jul-2010	15,716,148.47	1,117,275.64	0.00	53,393.57	0.00	0.00	16,886,817.67		
10,000,000.00	133,098,219.81	21-Oct-2010	14,456,583.36	1,019,740.51	0.00	48,914.56	0.00	0.00	15,524,238.43		
10,000,000.00	119,550,985.25	21-Jan-2011	13,547,234.56	917,314.98	0.00	45,999.07	0.00	0.00	14,510,548.61		
10,000,000.00	107,116,707.52	21-Apr-2011	12,434,277.73	804,584.76	0.00	41,711.26	0.00	0.00	13,280,573.75		
0.00	0.00	21-Jul-2011	107,116,707.52	730,012.03	0.00	36,974.55	0.00	0.00	107,883,694.09		
TOTALS:	TOTALS:	TOTALS:	1,000,000,000.00	84,642,384.88	245,593,114.35	6,878,307.94	0.00	0.00	1,337,113,804.18		

FUND CASH FLOWS
(AMOUNTS IN EUR)

CPR = 8.00%

2-Dec-2004 1,000,000,000.00 Loan acquisition payment
1,296,392.58 Initial Expenses

Date	Current Expenses	Amortisation Account Increase	Bond Interest	Bond Principal Repayment	PAYMENTS				ML Servicing Fee	Finan. Intern. Variable Remuneration	Guaranteee Repayment	Total
					Sub. Credit & Start-Up Loan Interest	Sub. Credit & Start-Up Loan Repayment	Sub. Credit & Start-Up Loan Repayment	ML Servicing Fee				
(1)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(21)	
TOTALS:	988,112.41	245,593,111.35	73,367,219.42	1,000,000,000.00	83,296.47	1,350,000.00	284,882.39	15,447,182.14	0.00	1,337,113,804.18		
21-Jan-2005	58,024.82	26,920,584.67	3,155,030.56	0.00	7,830.00	161,640.14	14,359.94	665,374.98	0.00	30,982,841.10		
21-Apr-2005	47,990.61	56,860,666.30	5,756,555.00	0.00	12,406.48	108,032.72	23,058.11	1,299,663.38	0.00	64,108,372.59		
21-Jul-2005	46,264.07	55,426,647.23	5,820,516.72	0.00	11,403.93	108,032.72	21,920.57	1,209,310.49	0.00	62,644,095.73		
21-Oct-2005	44,545.02	53,994,589.75	5,884,478.44	0.00	10,376.33	108,032.72	20,786.83	1,117,680.24	0.00	61,180,489.32		
23-Jan-2006	68,795.97	52,390,623.40	6,012,401.89	0.00	9,423.91	108,032.72	19,877.40	1,020,327.36	0.00	59,629,482.64		
21-Apr-2006	39,282.66	0.00	5,628,631.56	296,092,086.58	7,719.59	108,032.72	17,376.02	880,968.58	0.00	302,774,097.69		
21-Jul-2006	38,324.23	0.00	4,094,579.50	49,169,502.89	6,842.36	108,032.72	16,731.51	911,658.48	0.00	54,345,671.68		
23-Oct-2006	37,292.63	0.00	3,933,505.13	47,842,589.34	5,889.94	108,032.72	16,038.33	868,764.79	0.00	52,812,112.88		
22-Jan-2007	60,735.00	0.00	3,529,090.62	46,388,697.76	4,561.57	108,032.72	14,359.09	741,502.25	0.00	50,846,979.01		
23-Apr-2007	32,961.43	0.00	3,258,688.33	44,729,676.71	3,421.18	108,032.72	13,230.22	698,119.09	0.00	48,844,129.68		
23-Jul-2007	31,288.66	0.00	2,997,956.56	42,460,616.07	2,280.79	108,032.72	12,147.27	632,025.28	0.00	46,244,347.34		
22-Oct-2007	29,700.75	0.00	2,750,451.27	38,973,190.93	1,140.39	108,032.72	11,149.50	568,704.44	0.00	42,442,370.00		
21-Jan-2008	54,757.48	0.00	2,515,819.90	37,394,655.26	0.00	0.00	10,206.71	590,620.52	0.00	40,566,059.87		
21-Apr-2008	26,844.80	0.00	2,293,598.68	36,149,162.15	0.00	0.00	9,295.16	558,907.72	0.00	39,037,808.51		
21-Jul-2008	25,492.92	0.00	2,078,778.91	34,873,283.99	0.00	0.00	8,413.84	503,546.72	0.00	37,489,516.39		
21-Oct-2008	24,322.70	0.00	1,892,107.56	31,791,591.59	0.00	0.00	7,676.26	457,321.17	0.00	34,173,019.27		
21-Jan-2009	50,159.58	0.00	1,701,106.97	29,182,724.72	0.00	0.00	6,919.48	384,653.62	0.00	31,325,564.36		
21-Apr-2009	21,799.60	0.00	1,492,611.05	26,076,265.95	0.00	0.00	6,097.75	362,667.81	0.00	27,959,442.16		
21-Jul-2009	20,933.31	0.00	1,355,691.73	21,296,124.05	0.00	0.00	5,591.82	333,226.31	0.00	23,011,567.22		
21-Oct-2009	20,485.56	0.00	1,248,399.49	19,055,434.70	0.00	0.00	5,160.59	305,932.26	0.00	20,635,412.60		
21-Jan-2010	48,127.56	0.00	1,139,065.85	18,170,870.96	0.00	0.00	4,694.95	248,625.65	0.00	19,611,384.97		
21-Apr-2010	20,697.70	0.00	1,012,311.72	17,083,574.75	0.00	0.00	4,161.89	242,420.54	0.00	18,363,166.60		
21-Jul-2010	20,697.70	0.00	926,605.29	15,716,148.47	0.00	0.00	3,806.23	219,559.98	0.00	16,886,817.67		
21-Oct-2010	20,697.70	0.00	846,613.82	14,455,583.36	0.00	0.00	3,473.96	197,869.59	0.00	15,524,238.43		
21-Jan-2011	49,030.75	0.00	763,672.57	13,547,234.56	0.00	0.00	3,125.03	147,485.70	0.00	14,510,548.61		
21-Apr-2011	20,915.14	0.00	671,031.31	12,434,277.73	0.00	0.00	2,740.99	151,608.58	0.00	13,280,573.75		
21-Jul-2011	27,944.04	0.00	607,919.01	10,716,707.52	0.00	0.00	2,486.94	128,636.58	0.00	10,788,369.40		

Key to the number outline.

- (1) Maximum Subordinated Credit Amount or Cap.
- (2) Outstanding Balance of the Loans on each quarterly Payment Date, upon the principal being repaid (4).
- (3) Quarterly Payment Dates.

a) Collections.

- (4) Loan principal amount repaid from the immediately preceding quarterly date until the date given.
- (5) Interest received on the Loans and on the net Interest Swap amounts.
- (6) Amortisation Account reduction.
- (7) Treasury Account and Amortisation Account interest.
- (8) Drawdown under the State Guarantee.
- (9) Subordinated Credit drawdown.
- (10) Total income on each Payment Date, being the sum of amounts (4) to (9).

b) Payments.

- (11) Quarterly Payment Dates.
- (12) Amounts for the Fund's current expenses.
- (13) Amortisation Account increase.
- (14) Bond interest amount payable.
- (15) Bond principal repayment amount.
- (16) Start-Up Loan and Subordinated Credit interest payment amounts.
- (17) Periodic Start-Up Loan and Subordinated Credit principal repayment.
- (18) Loan servicing fee.
- (19) Variable remuneration under the Financial Intermediation Agreement.
- (20) Repayment of drawdowns under the State Guarantee.
- (21) Total payments on each Payment Date, being the sum of amounts (12) to (20).

V.2 Accounting policies used by the fund.

The income and expenditure will be accounted for by the Fund in accordance with the accruals principle, i.e. when the actual flow of the goods and services they represent occurs, irrespective of the time when they are collected and paid.

The expenses of setting up the Fund and issuing the Bonds detailed in section II.4 of this Offering Circular will be subject to a straight-line depreciation during the months elapsing since the constitution of the Fund until September 30, 2007, inclusive.

The Fund's fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of constitution of the Fund and the last fiscal year will end on the date on which the Fund terminates.

V.3 Description of the financial and service transactions arranged by the Management Company on behalf of the Fund.

In order to consolidate the financial structure of the Fund, enhance the safety or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Loans and the Bonds, or, generally, transform the financial characteristics of the Loans, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the financial and service provision transactions established hereinafter, in accordance with the provisions of article 6.1 of Royal Decree 926/1998.

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Guaranteed Interest Rate Account (Amortisation Account) Agreement.
- (iii) Subordinated Credit Agreement.
- (iv) Start-Up Loan Agreement.
- (v) Interest Swap Agreement.
- (vi) Loan Servicing and Management and Pass-Through Certificate Custody Agreement.
- (vii) Bond Issue Management, Underwriting and Placement Agreement.
- (viii) Bond Paying Agent Agreement.
- (ix) Financial Intermediation Agreement.

In addition, the Economy and Finance Ministry shall in a Ministerial Order grant the State Guarantee to the Fund before it is constituted.

The Management Company, acting for and on behalf of the Fund, may extend or amend the agreements entered into on the Fund's behalf, substitute, as the case may be, each of the service providers to the Fund, on the terms provided for in each of the agreements, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, provided that the circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The amendment of the Deed of Constitution or of the agreements or the entry into additional agreements shall be notified by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

The individual description of the most relevant terms of the Bond Issue Management, Underwriting and Placement Agreement and of the Loan Servicing and Management and Pass-Through Certificate Custody Agreement may be respectively found in sections II.19.3 and IV.2 of this Offering Circular, in addition to the more thorough description of the State Guarantee that may be found in section II.15.2 of this Offering Circular. The description of the rest of the agreements may be found in this section V.3.

V.3.1 Guaranteed Interest Rate Account (Treasury Account) Agreement.

The Management Company, acting for and on behalf of the Fund, and BBVA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BBVA will guarantee a variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by

the Fund will be paid into a financial account in euros (the “**Treasury Account**”) opened at BBVA, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) cash amount received upon subscription for the Bond Issue being paid up;
- (ii) Loan principal repayment and interest collected;
- (iii) any other amounts relating to the Loans and from the sale or utilisation of the properties or assets awarded or under administration or interim possession in foreclosure proceedings;
- (iv) Subordinated Credit principal drawn down, if any, and amounts making up the Cash Reserve from time to time if it is set up;
- (v) Start-Up Loan principal drawn down;
- (vi) Interest Swap amounts paid to the Fund;
- (vii) amounts, if any, drawn upon enforcing the State Guarantee;
- (viii) the amounts of the returns obtained on the Treasury Account and Amortisation Account balances actually existing; and
- (ix) the amounts of withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

BBVA shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which shall be based on the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Period established for the Bonds) to the positive daily balances if any on the Treasury Account, equal to the interest rate resulting from decreasing (i) the Reference Rate determined for each Bond Interest Accrual Period, (ii) by a 0.10% margin, translated to an interest rate based on calendar years (i.e. multiplied by 365, or 366 in leap years, and divided by 360). Interest shall be settled on the date of expiration of each interest accrual period on each of the Fund Determination Dates (the fourth (4th) Business Day preceding each Payment Date), and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty-five (365-) day year or a three-hundred-and-sixty-six (366-) day year if it is a leap year. The first interest settlement date shall be January 17, 2005, the first Determination Date.

In the event that the rating of the non-subordinated and unsecured short-term debt of BBVA should, at any time during the life of the Bond Issue, fall below F1, P-1 or A-1 respectively in Fitch's, Moody's and S&P's rating scales, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstances put in place, after notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, and subject at all times to the prior communication to the Rating Agencies, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BBVA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the F1, P-1 or A-1 ratings is maintained by BBVA.
- b) Transferring the Fund's Treasury Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, arranging the highest possible yield for its balances, which may differ from that arranged with BBVA under this Agreement.
- c) If options a) and b) above are not possible, obtaining from BBVA or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in this Agreement.
- d) Moreover, if it should not be possible to transfer the Treasury Account on the terms set forth above, the Management Company may invest the balances for periods not extending beyond the following Payment

Date, in short-term fixed-income assets in euros issued by institutions having ratings of at least F1, P-1 and A-1 for non-subordinated and unsecured short-term debt respectively in Fitch's, Moody's and S&P's rating scales, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BBVA under this Agreement.

- e) In events b) or d), the Management Company may subsequently transfer the balances back to BBVA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that BBVA's non-subordinated and unsecured short-term debt should again attain the F1, P-1 and A-1 ratings respectively in Fitch's, Moody's and S&P's rating scales.

Moreover, notwithstanding the provisions of the preceding paragraphs of this section, should at any time during the term of this Agreement the sum of the Treasury Account and Amortisation Account balance exceed twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue and in the event that the rating of the non-subordinated and unsecured short-term debt of BBVA should, at any time during the life of the Agreement, fall to A-1 in S&P's rating scale, the Management Company may, upon a request by S&P, put in place any of the options described hereinafter for the time during which the position of BBVA's rating haven fallen to A-1 is maintained, and subject to notice being first given to the Rating Agencies in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least F-1, P-1 and A-1+ respectively in Fitch's, Moody's and S&P's rating scales, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BBVA of the amount by which the sum of the Treasury Account and Amortisation Account balance exceeds the amount equivalent to twenty percent (20.00%) of the Principal Balance of the Bond Issue.
- b) Transferring and crediting the amount of the excess of the sum of the Treasury Account and Amortisation Account balance of the amount equivalent to twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue to a financial account (the "**Surplus Account**") opened by the Management Company in an institution whose non-subordinated and unsecured short-term debt has a rating of at least F-1, P-1 and A-1+ respectively in Fitch's, Moody's and S&P's rating scales, and arranging the highest possible yield for its balances, which shall at least match that arranged with BBVA under the Treasury Account and Amortisation Account.
- c) In either of events a) or b), in the event that the rating of the non-subordinated and unsecured short-term debt of the guarantor institution or institution where the Surplus Account shall have been opened should fall below A-1+ in S&P's rating scale, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstance, once again put in place either of options a) or b) described above.

The Guaranteed Interest Rate Account (Treasury Account) Agreement partly mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Loans, the periodicity of which differs from the quarterly amortisation and interest payment on the Bonds.

V.3.2 **Guaranteed Interest Rate Account (Amortisation Account) Agreement.**

The Management Company, acting for and on behalf of the Fund, and BBVA shall enter into a Guaranteed Interest Rate Account (Amortisation Account) Agreement whereby BBVA will guarantee a variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Amortisation Account) Agreement shall specifically determine that the amounts of the Available Funds for Amortisation not applied to Bond amortisation from the first Payment Date (January 21, 2005) until the Payment Date falling on January 21, 2006, inclusive, will be paid into a financial account in euros (the "**Amortisation Account**") opened at BBVA in the name of the Fund by the Management Company.

BBVA shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which shall be based on the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Period established for the Bonds) to the positive daily balances if any on the Amortisation Account, equal to the interest rate resulting from decreasing (i) the Reference Rate determined for each Bond Interest Accrual Period, (ii) by a 0.10% margin, translated to an interest rate based on calendar years (i.e. multiplied by 365, or 366 in leap years, and divided by 360). Interest shall be settled on the date of expiration of each interest accrual period on each of the Fund Determination Dates (the fourth (4th) Business Day preceding each Payment Date), and shall

be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty-five (365-) day year or a three-hundred-and-sixty-six (366-) day year if it is a leap year. The first interest settlement date shall be January 17, 2005, the first Determination Date.

In the event that the rating of the non-subordinated and unsecured short-term debt of BBVA should, at any time during the term of this Agreement, fall below F1, P-1 or A-1 respectively in Fitch's, Moody's and S&P's rating scales, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstances put in place, after notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, and subject at all times to the prior communication to the Rating Agencies, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BBVA of its obligation to repay the amounts deposited in the Amortisation Account, during the time over which the loss of the F1, P-1 or A-1 ratings is maintained by BBVA.
- b) Transferring the Fund's Amortisation Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, arranging the highest possible yield for its balances, which may differ from that arranged with BBVA under this Agreement.
- c) If options a) and b) above are not possible, obtaining from BBVA or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in this Agreement.
- d) Moreover, if it should not be possible to transfer the Amortisation Account on the terms set forth above, the Management Company may invest the balances for periods not extending beyond the following Payment Date, in short-term fixed-income assets in euros issued by institutions having ratings of at least F1, P-1 and A-1 for non-subordinated and unsecured short-term debt respectively in Fitch's, Moody's and S&P's rating scales, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BBVA under this Agreement.
- e) In events b) or d), the Management Company may subsequently transfer the balances back to BBVA under the Guaranteed Interest Rate Account (Amortisation Account) Agreement, in the event that BBVA's non-subordinated and unsecured short-term debt should again attain the F1, P-1 and A-1 ratings respectively in Fitch's, Moody's and S&P's rating scales.

Moreover, notwithstanding the provisions of the preceding paragraphs of this section, should at any time during the term of this Agreement the sum of the Treasury Account and Amortisation Account balance exceed twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue and in the event that the rating of the non-subordinated and unsecured short-term debt of BBVA should fall to A-1 in S&P's rating scale, the Management Company may, upon a request by S&P, put in place any of the options described hereinafter for the time during which the position of BBVA's rating have fallen to A-1 is maintained, and subject to notice being first given to the Rating Agencies in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least F-1, P-1 and A-1+ respectively in Fitch's, Moody's and S&P's rating scales, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BBVA of the amount by which the sum of the Treasury Account and Amortisation Account balance exceeds the amount equivalent to twenty percent (20.00%) of the Principal Balance of the Bond Issue.
- b) Transferring and crediting the amount of the excess of the sum of the Treasury Account and Amortisation Account balance of the amount equivalent to twenty percent (20.00%) of the Outstanding Principal Balance of the Bond Issue to a financial account (the "**Surplus Account**") opened by the Management Company in an institution whose non-subordinated and unsecured short-term debt has a rating of at least

F-1, P-1 and A-1+ respectively in Fitch's, Moody's and S&P's rating scales, and arranging the highest possible yield for its balances, which shall at least match that arranged with BBVA under the Treasury Account and Amortisation Account.

- c) In either of events a) or b), in the event that the rating of the non-subordinated and unsecured short-term debt of the guarantor institution or institution where the Surplus Account shall have been opened should fall below A-1+ in S&P's rating scale, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstance, once again put in place either of options a) or b) described above.

The Guaranteed Interest Rate Account (Amortisation Account) Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period or in the event of termination of the Bond Issue Management, Underwriting and Placement Agreement. Moreover, the Amortisation Account shall be closed from the Payment Date falling on April 21, 2006, once it is settled by the Management Company.

V.3.3 Subordinated Credit Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a commercial Subordinated Credit Agreement (the "**Subordinated Credit Agreement**") which shall be applied on each Payment Date, along with the other Available Funds, to meeting fulfilment of certain payment or withholding obligations of the Fund, in the Priority of Payments, due to a shortfall of the remaining Available Funds, although granting of that Subordinated Credit shall in no event guarantee that the Credit Rights will be duly performed.

Maximum Subordinated Credit Amount.

The maximum Subordinated Credit amount ("**Maximum Subordinated Credit Amount**") shall from time to time be equal to the sum of:

- a) The lower of the following amounts:
- (i) EUR twenty million six hundred thousand (20,600,000.00), equivalent to 2.06% of the face amount of the Bond Issue.
 - (ii) The higher of:
 - a) 4.00% of the Outstanding Principal Balance of the Bond Issue.
 - b) 1.00% of the initial face amount of the Bond Issue.
- b) As the case may be, the amount of Subordinated Credit interest due and not paid by the Fund.

Notwithstanding the above, the Maximum Subordinated Credit Amount shall not be reduced and shall remain at the level established on the preceding Payment Date whenever any of the following circumstances occur on the relevant Payment Date:

- i) That, on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Delinquent Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Loans.
- ii) That on the previous Payment Date the available Subordinated Credit amount is less than the Maximum Credit Right Amount on that Payment Date.
- iii) That not more than three (3) years have elapsed from the Fund constitution date.

Drawdown.

The Management Company, acting for and on behalf of the Fund, shall draw under the Subordinated Credit limited to the Maximum Subordinated Credit Amount, provided that the Available Funds on a Payment Date, excluding the available amounts under the Subordinated Credit, do not allow the payment or withholding obligations in 1st to 9th place, both inclusive, in the application of Available Funds in the Priority of Payments to be satisfied.

In accordance with section III.2.3 of this Offering Circular, in the event of the rating of the non-subordinated and unsecured short-term debt of BBVA falling below F-1, P-1 or A-1+ respectively in Fitch's, Moody's and S&P's rating scales, the Management Company shall draw down the full amount available up to the relevant Maximum Subordinated Credit Amount on the date on which that drawdown occurs, allocating it to setting up a Cash Reserve, within not more than ten (10) Business Days from the occurrence of that circumstance, unless BBVA should provide at its expense and for the Fund a first demand security or guarantee from an institution whose non-subordinated and unsecured short-term debt has a rating of at least F-1, P-1 and A-1+ respectively in the above-mentioned rating scales, securing for the Fund, merely upon the Management Company so requesting, the amount of the drawdowns requested from BBVA up to the Maximum Subordinated Credit Amount available on the relevant drawdown date, subject to such terms and conditions as may be approved by the Management Company, in order for the ratings assigned to each of the Series by the Rating Agencies to be maintained.

Repayment.

The Fund will repay any drawdown on the Subordinated Credit on any Payment Date on which the Available Funds, not including the amounts available on the Subordinated Credit, allow such payment in the application priority established in accordance with the application of Available Funds in the Priority of Payments.

Nevertheless, in the event that the Maximum Subordinated Credit Amount should be fully drawn down, as a result of the rating of BBVA falling and the Cash Reserve being set up, repayment shall be made on each of the Payment Dates in an amount equal to the positive difference existing between the Required Cash Reserve on the preceding Payment Date and the Required Cash Reserve on the relevant Payment Date, and in the application priority established for that event in accordance with the application of Available Funds in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to proceed to the relevant repayment of the Subordinated Credit on a Payment Date, in the Priority of Payments, the portion of the principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid, as the case may be, on that same Payment Date, until it is fully repaid.

The Subordinated Credit shall at all events be repaid on the Final Maturity Date subject to the Liquidation Priority of Payments of the Fund.

Financial yield.

The outstanding Subordinated Credit principal drawn down shall accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments or the Liquidation Priority of Payments, as the case may be. Interest shall be settled and will be payable on the date of expiration of each Interest Accrual Period on each of the Payment Dates, and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall be January 21, 2005. Interest will be paid on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

Interest accrued and not paid on a Payment Date shall be accumulated to the Subordinated Credit principal, earning late-payment interest at the same interest rate applicable to the Subordinated Credit for the Interest Accrual Period at issue, and shall be paid, provided that the Fund has sufficient liquidity and in the Priority of Payments, in the same place provided for payment of interest accrued on the Subordinated Credit in the Priority of Payments, on the following Payment Date.

The Subordinated Credit Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period or in the event of termination of the Bond Issue Management, Underwriting and Placement Agreement.

V.3.4 Start-Up Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a commercial loan agreement amounting to EUR one million three hundred and fifty thousand (1,350,000.00) (the "**Start-Up Loan Agreement**"). The Start-Up Loan amount shall be delivered on the Closing Date and be allocated to

financing the expenses of setting up the Fund and issuing the Bonds and finance partially the acquisition of the Non-Mortgage Loans and subscription for the Pass-Through Certificates, covering the difference between the total face capital of the acquisition and subscription and the face amount of the Bond Issue.

The outstanding Start-Up Loan principal will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or the Liquidation Priority of Payments, as the case may be. Interest accrued shall be settled and payable on the date of expiration of each Interest Accrual Period on each of the Payment Dates, and shall be calculated based on: (i) the exact number of days in each interest accrual period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall be January 21, 2005.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same ordinary interest rate as the Start-Up Loan interest and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date and in the same place provided for payment of ordinary interest on the Start-Up Loan in accordance with the Priority of Payments.

Start-Up Loan principal repayment will be effected quarterly on each of the Payment Dates as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund constitution and Bond issue expenses shall be repaid in twelve (12) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, January 21, 2005, and the following until the Payment Date falling on October 21, 2007 inclusive.
- (ii) The portion of Start-Up Loan principal used to partially finance the acquisition of the Loans and the portion, if any, not used, shall be repaid on the first Payment Date, January 21, 2005.

In the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the partial repayment falling due on the Start-Up Loan, then the portion of principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.

Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments.

V.3.5 Interest Swap Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BBVA, into an interest swap agreement (the “**Interest Swap Agreement**” or the “**Interest Swap**”) based on the standard Master Financial Transaction Agreement (CMOF) of the Spanish Banking Association, the most relevant characteristics of which are described below.

Under the Interest Swap Agreement, the Fund will make payments to BBVA calculated on the Loan rate, and in consideration BBVA will make payments to the Fund calculated on the weighted average Nominal Interest Rate of the Bond Series, the foregoing as described hereinafter.

Party A : The Fund, represented by the Management Company.

Party B : BBVA.

1. Settlement dates.

The settlement dates shall fall on the Bond Payment Dates, i.e. on January 21, April 21, July 21 and October 21 in every year, or the following Business Day if any of these dates is not a Business Day. The first settlement date shall be January 21, 2005.

2. Settlement periods.

Party A:

The settlement periods for Party A shall be the exact number of days elapsed between two consecutive Determination Dates, not including the first but including the last date. Exceptionally, the length of the first settlement period for Party A shall be equivalent to the exact number of days elapsed between the date of constitution of the Fund, inclusive, and January 17, 2005, the first Determination Date, inclusive.

Party B:

The settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, the length of the first settlement period for Party B shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date, inclusive, and January 21, 2005, exclusive.

3. Face Amount.

This shall be the daily average during the Party A settlement period falling due of the Outstanding Balance of Loans with no arrears in payment of amounts due in excess of three (3) months, increased, until the settlement date falling on April 21, 2006, by the result of multiplying a) the daily average during the settlement period of Party A falling due of the balance of the Amortisation Account and, as the case may be, the Surplus Account transferred from the Amortisation Account, and b) the average margin applicable for determining the Nominal Interest Rate of the Bond Series weighted by the Outstanding Principal Balance of each Series during the then-current Interest Accrual Period plus 0.10%, and c) the result of dividing one (1) by the Party B Interest Rate.

4. Party A amounts payable.

This shall be the result of applying the Party A Interest Rate to the Face Amount according to the number of days in the settlement period of Party A.

4.1 Party A Interest Rate.

On each settlement date this shall be the annual interest rate resulting from dividing (i) the sum of total interest amount received on the Loans and paid into the Fund during the settlement period of Party A falling due, decreased by the amount of interest accrued on the Loans assigned paid by the Fund, as the case may be, during the same Party A settlement period, by (ii) the Face Amount, multiplied by the result of dividing 360 by the number of days in the settlement period of Party A.

5. Party B amounts payable.

This shall be the result of adding (i) the amount resulting from applying the Party B Interest Rate to the Face Amount according to the number of days in the Party B settlement period, and (ii) the amount on the relevant settlement date of the fee accrued under the Servicing Agreement or under a new servicing agreement in the event of substitution.

5.1 Party B Interest Rate.

For each settlement period of Party B this shall be the annual interest rate resulting from adding (i) the Nominal Interest Rate applicable to each Bond Series determined for the then-current Interest Accrual Period coinciding with each Party B settlement period, weighted by the Outstanding Principal Balance in each Series during the then-current Interest Accrual Period and (ii) 0.65%.

If it should occur on two consecutive settlement dates that the Fund (Party A) does not have sufficient liquidity to make payment of the aggregate net amount payable to Party B, the Financial Swap Agreement shall be terminated. The amount not paid by Party A on the first settlement date on which the event of non-payment occurs shall be settled on the following settlement date provided that the Fund has sufficient liquidity in the Priority of Payments.

Without prejudice to the foregoing, other than in an extreme event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement.

Party B shall irrevocably agree that, if at any time throughout the life of the Bond Issue, the rating of the non-subordinated and unsecured debt of Party B should fall below A or A1 for long-term debt respectively in Fitch's and Moody's rating scales or A-1 for short-term debt in S&P's rating scale, it shall take any of the following

options within not more than thirty (30) days from the date of the occurrence of any such circumstances, on such terms and conditions as the Management Company shall see fit, after notifying the Rating Agencies, in order for the ratings assigned to each of the Series by the Rating Agencies to be maintained: (i) that a third-party institution with a rating for its non-subordinated and unsecured debt equal to or in excess of A and A1 for its long-term debt respectively in Fitch's and Moody's rating scales and A-1 for its short-term debt in S&P's rating scale, will secure fulfilment of its contractual obligations under the Interest Swap Agreement, (ii) that a third-party institution with the same ratings required for option (i) above will take over its contractual position and substitute it under the Interest Swap Agreement, or, as the case may be, that a new interest swap agreement be entered into with that third-party institution on the same terms and conditions as the Interest Swap Agreement; or (iii) that a deposit in cash or securities will be made pledged in favour of the Fund, if Party B has a non-subordinated and unsecured debt rating of at least P1 and F2 for its short-term debt respectively in Moody's and Fitch's rating scales, and of BBB for its long-term debt in S&P's rating scale, securing fulfilment of the contractual obligations of Party B in an amount calculated based on the Interest Swap market value in order for the ratings given to the Bonds by the Rating Agencies not to be impaired and, as the case may be and based on the rating assigned by Party B, putting in place either of options (i) and (ii) above. All and any costs, expenses and taxes incurred in connection with the compliance with the foregoing obligations shall be borne by Party B.

The occurrence, as the case may be, of an early termination of the Interest Swap Agreement will not in itself be an Early Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections II.11.3.7 and III.7.1 of this Offering Circular, unless in conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

All matters, discrepancies, lawsuits and claims deriving from the Interest Swap Agreement shall be referred for arbitration to the Chamber of Commerce of Madrid.

The Swap Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period or in the event of termination of the Bond Management, Underwriting and Placement Agreement.

The execution of the Interest Swap Agreement derives from the need to eliminate or mitigate the interest rate risk occurring in the Fund because the Loans are subject to floating interest with different benchmark indices and different review and settlement periods at the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods, and the risk deriving from potential Loan interest rate renegotiation resulting in the reference rate being changed or novated to a fixed interest.

V.3.6 Bond Paying Agent Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a paying agent agreement to service the Bonds issued by the Fund (the "**Paying Agent Agreement**").

The obligations to be taken on by BBVA (the "**Paying Agent**") under this Paying Agent Agreement are summarily as follows:

- (i) Paying the Fund by 3pm (CET time) on the Closing Date, by crediting the Treasury Account, for same day value, the aggregate amount of the subscription for the Bond Issue received from the remaining Underwriters and Placement Agents in accordance with the provisions of the Bond Issue Management, Underwriting and Placement Agreement plus the face amount of the Bonds placed and, as the case may be, subscribed for on its own account, as Underwriter and Placement Agent.
- (ii) Paying each of the Underwriters and Payment Agents on the Closing Date the amount of the underwriting and placement fee amount accrued in favour of each one, after they have in turn paid it the face amount of the Bonds they shall each have placed and, as the case may be, subscribed for on their own account up to their respective underwriting commitment.
- (iii) Handing to the Management Company Bond Issue placement dissemination control information based on the information provided in that connection by the Underwriters and Placement Agents, using for that purpose the form duly established by the CNMV.
- (iv) On each of the Bond Payment Dates, paying interest and repaying principal on the Bonds, through Iberclear as the institution in charge of the Bond accounting record, after deducting the total amount of

the interim tax withholding for return on investments to be made by the Management Company, on behalf of the Fund, in accordance with applicable tax laws.

- (v) On each of the Interest Rate Fixing Dates, notifying the Management Company of the Reference Rate determined to be used as the basis for calculating the nominal interest rate applicable to each of the Bond Series.

In the event that the rating of the non-subordinated and unsecured short-term debt of BBVA should, at any time during the life of the Bond Issue, fall below F1, P-1 or A-1 respectively in Fitch's, Moody's and S&P's rating scales, the Management Company shall within not more than thirty (30) Business Days from the time of the occurrence of any such circumstances revoke the appointment of BBVA as Paying Agent, and shall thereupon designate another institution having a credit rating for its non-subordinated and unsecured short-term debt of at least F1, P-1 and A-1 respectively in Fitch's, Moody's and S&P's rating scales, to take its place before terminating the Paying Agent Agreement or, as the case may be, under a new paying agent agreement, and subject to prior notice being given to the Rating Agencies. Should BBVA be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BBVA under the Paying Agent Agreement.

In consideration of the services provided by the Paying Agent, the Fund shall pay it on each Payment Date during the term of the agreement, a fee of EUR twelve thousand (12,000.00), inclusive of taxes as the case may be. This fee shall be paid provided that the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, the Liquidation Priority of Payments.

In the event that the Fund should not have sufficient liquidity on a Payment Date to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which they are settled.

The Paying Agent Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period or in the event of termination of the Bond Management, Underwriting and Placement Agreement.

V.3.7 Financial Intermediation Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a Financial Intermediation Agreement designed to remunerate the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, the assignment to the Fund of the Non-Mortgage Loans and of the Mortgage Loans by means of the issue of the Pass-Through Certificates and the rating assigned to each of the Bond Series.

BBVA shall be entitled to receive from the Fund a variable subordinated remuneration which shall be determined and shall accrue upon the expiration of every quarterly accrual period comprised between every two consecutive Determination Dates, in an amount equal to the positive difference, if any, between the income and expenditure, including losses, if any, brought forward from previous years, accrued by the Fund with reference to its accounts and before the close of the day immediately preceding every Determination Date. The variable remuneration accrued at the close of the day preceding every Determination Date shall be settled on the next immediate Payment Date, provided that the Fund has sufficient liquidity in the Fund Priority of Payments.

Exceptionally, the first accrual period shall be comprised between the Fund constitution date, inclusive, and the first Determination Date, January 17, 2005, exclusive, which is the Determination Date preceding the first Payment Date. The first settlement date shall be the first Payment Date, January 21, 2005.

The variable remuneration amount accrued not paid on a Payment Date shall be accumulated without any penalty whatsoever to the variable remuneration amount accrued, as the case may be, in the following quarterly period and shall be paid, provided that the Fund has sufficient liquidity in the Priority of Payments, on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up successively until the Payment Date on which they are settled.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription

Period.

V.4 Priority rules established in Fund payments.

V.4.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

1. **Source:** the Fund shall have the following funds:
 - a) Bond subscription payment.
 - b) Drawdown of the Start-Up Loan principal.
2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
 - a) Payment of the part of the price for acquiring the Non-Mortgage Loans and subscribing for the Pass-Through Certificates at their face value.
 - b) Payment of the Fund constitution and Bond issue expenses.

V.4.2 Source and application of funds from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive.

On each Payment Date, other than the Final Maturity Date or the Payment Date on which the Early Liquidation of the Fund occurs, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in accordance with the priority of payments established hereinafter for each of them (the "**Priority of Payments**").

V.4.2.1 Available Funds: source and application.

1. Source.

The available funds on each Payment Date (the "**Available Funds**") to meet the payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account and, as the case may be, the Surplus Account transferred from the Treasury Account:

- a) Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Ordinary and late-payment interest income received on the Loans during the Determination Period preceding the relevant Payment Date.
- c) The return received on the amounts credited to the Treasury Account.
- d) The return received on the amounts credited to the Amortisation Account and, as the case may be, the Surplus Account.
- e) Drawdowns on the Subordinated Credit, designed only to meet the payment or withholding obligations numbered 1 to 9, both inclusive, listed in section 2 below.
- f) If it is ever set up, the amount of the Cash Reserve on the Determination Date preceding the relevant Payment Date.
- g) Net amounts, if any, received by the Fund under the Interest Swap Agreement and, in the event of termination of the Agreement, the amount making up the settlement payment payable by the Fund counterparty (Party B).
- h) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of assets or rights awarded to the Fund.

Income under items a), b) and h) above received by the Fund and credited to the Treasury Account from the Determination Date, exclusive, preceding the Payment Date for the latter, shall not be included in the

Available Funds on the relevant Payment Date, and that amount shall remain credited to the Treasury Account to be included in the Available Funds on the following Payment Date.

Additionally, albeit not included in the Available Funds, the Fund shall avail of and use for paying Series A2(G) interest only in the 4th priority in paragraph 2 below, the amount drawn under the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date.

2. Application.

The Available Funds shall be applied on each Payment Date, from the first Payment Date, inclusive, and until the last Payment Date or final liquidation of the Fund, exclusive, to meeting payment or withholding obligations falling due on each Payment Date in the following priority of payments, irrespective of the time of accrual, other than the application established in item number 1, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment to the Servicer of the fee established in the Servicing Agreement.
3. Payment of the net amount payable, as the case may be, by the Fund under the Financial Swap Agreement and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the amount to be settled by the Fund comprising the settlement payment.
4.
 - Payment of interest due on the Series A1 Bonds.
 - Payment of interest due on the Series A2(G) Bonds.
 - Repayment to the State of amounts paid to the Fund by drawing under the Guarantee for payment of interest on the guaranteed Series A2(G) Bonds.
5. Payment of interest due on the Series B Bonds unless this payment is deferred to 8th place in the priority of payments.

This payment shall be deferred to 8th place when on the Determination Date preceding the relevant Payment Date the amount resulting from reducing the Outstanding Principal Balance of Class A and amounts paid to the Fund by drawing under the Guarantee for repayment of guaranteed Series A2(G) Bond principal by the following amounts: a) the Available Funds remaining after deducting the amounts applied to the payment obligations listed in 1st to 5th place, b) the Outstanding Balance of Non-Doubtful Loans, and c) until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, is above zero.
6. Payment of interest due on the Series C Bonds unless this payment is deferred to 9th place in the priority of payments.

This payment shall be deferred to 9th place when on the Determination Date preceding the relevant Payment Date the amount resulting from reducing the Outstanding Principal Balance of Class A, of Series B and amounts due to the State upon the Guarantee being drawn down for repayment of Series A2(G) Bond principal by the following amounts: a) the Available Funds remaining after deducting the amounts applied to the payment obligations listed in 1st to 6th place, b) the Outstanding Balance of Non-Doubtful Loans, and c) until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, is above zero.
7. Bond principal Amortisation Withholding in an amount equal to the positive difference if any as of the Determination Date preceding the relevant Payment Date between (i) the Outstanding Principal

Balance of the Bond Issue, minus, until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, and increased by amounts repayable to the State upon the Guarantee being drawn down for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied to amortising Bond principal shall be included among the Available Funds for Amortisation and be applied in accordance with the rules for Distribution of Available Funds for Amortisation between each Series established hereinafter in section V.4.2.2.

8. Payment of interest due on the Series B Bonds when this payment is deferred from 5th place in the priority of payments as established therein.
9. Payment of interest due on the Series C Bonds when this payment is deferred from 6th place in the priority of payments as established therein.
10. a) Repayment of Subordinated Credit principal drawn down.
This application shall not occur in the event that the Subordinated Credit has been fully drawn down to set up the Cash Reserve, when it shall be substituted by application b) below, and shall be deferred to 14th place in the priority of payments.
b) Withholding of an amount sufficient for the Required Cash Reserve to be maintained, substituting application a) above. This application shall not occur on the last Payment Date or Fund liquidation date.
11. Payment of interest due on the Subordinated Credit.
This application shall not occur in the event that the Subordinated Credit has been fully drawn down to set up the Cash Reserve, when it shall be deferred to 13th place.
12. Payment of the amount payable by the Fund comprising the settlement payment under the Interest Swap Agreement other than in the events provided for in 3rd place above.
13. Payment of interest due on the Subordinated Credit when it is deferred from 11th place in the priority of payments as established therein.
14. Repayment of Subordinated Credit principal drawn down when it is deferred from 10th place in the priority of payments as established therein and in the amount of the repayment thereof.
15. Payment of interest due on the Start-Up Loan.
16. Repayment of Start-Up Loan principal in the amortised amount.
17. Payment of the variable remuneration established in the Financial Intermediation Agreement.

When accounts payable for different items exist in a same priority order number on the Payment Date and the Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

V.4.2.2 Available Funds for Amortisation: source and application.

1. Source.

The available funds for amortisation on each Payment Date (the “**Available Funds for Amortisation**”) shall be the following:

- a) The Amortisation Withholding amount applied in 7th place of the Available Funds on the relevant Payment Date.
- b) Exclusively on the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, on the preceding Determination Date.

Additionally, and not included among the Available Funds for Amortisation, the Fund shall avail of and use for repaying Series A2(G) principal only, the amount drawn upon enforcing the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date.

2. Distribution of Available Funds for Amortisation between each Series.

The Available Funds for Amortisation shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules (“**Distribution of Available Funds for Amortisation between each Series**”):

1. Until the Payment Date falling on January 21, 2006, inclusive, the Available Funds for Amortisation shall be credited to the Amortisation Account.
2. From the Payment Date falling on April 21, 2006, inclusive, the Available Funds for Amortisation shall be sequentially applied firstly to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A2(G) until respectively fully amortised and repaid, secondly to amortising Series B until fully amortised and thirdly to amortising Series C until fully amortised, notwithstanding the provisions of rules 4 and 5 below for pro rata amortisation of the different Series.
3. The Available Funds for Amortisation applied to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A2(G), both under rule 2 above and under rules 4 and 5 below, shall be applied as follows:

3.1 Ordinary application in the following order:

1. Repayment of Series A1 Bond principal.
2. Repayment of Series A2(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A2(G) Bond principal, once the Series A1 Bonds have been fully amortised.

Nevertheless, If there is an Amortisation Deficiency on the then-current Payment Date, the amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A2(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A2(G)) shall be applied firstly to amortising Series A2(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A2(G).

- 3.2 Exceptional pro rata application of Class A (“**Pro Rata Amortisation of Class A**”): The application priority of paragraph 3.1 above shall be stopped on any Payment Date if on the Determination Date preceding the relevant Payment Date the ratio of (i) the Outstanding Balance of Loans in good standing in payment of amounts due and payable or, if delinquent, with an arrears of less than three (3) months, increased by the Amortisation Account and Surplus Account balance transferred from the Amortisation Account, if any, and by the amount of the Loan principal repayment income received during the preceding Determination Period, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1.

In that event, on the relevant Payment Date, the Available Funds for Amortisation shall be distributed among the items set out in paragraph 3.1 above as follows:

- a) They shall be prorated directly in proportion to (i) the Outstanding Principal Balance of Series A1 and (ii) the Outstanding Principal Balance of Series A2(G) increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A2(G).
- b) The amount assigned to the Series A1 Bonds as provided for in item (i) of paragraph a) above shall be applied to amortising Series A1 Bonds.
- c) The amount assigned to the Series A2(G) Bonds and to the amounts due upon enforcing the Guarantee for amortising Series A2(G), in accordance with item (ii) of paragraph a) above, shall be applied to amortising Series A2(G) Bonds and repayment to the State of the aforesaid amounts due as provided for in 2nd place in paragraph 3.1 above.

4. However, even if Class A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and Series C on the Payment Date on which the following circumstances are all satisfied (“**Conditions for Pro Rata Amortisation**”):
 - i) that on the preceding Determination Date, the amount of the Outstanding Balance of Delinquent Loans is less than 1.5% of the Outstanding Balance of Non-Doubtful Loans,
 - ii) that the sum of the Outstanding Principal Balance of Series B and of Series C on the preceding Determination Date is equal to or greater than 11.88% of the difference between the Outstanding Principal Balance of the Bond Issue on the preceding Determination Date and the Available Funds for Amortisation on the relevant Payment Date,
 - iii) that on the preceding Payment Date, a) the available Subordinated Credit amount is not less than the Maximum Subordinated Credit Amount on that Payment Date, or b), in place of a) if it is ever set up, the Cash Reserve shall have been provisioned up to the Required Cash Reserve on that Payment Date, and
 - iv) that on the preceding Determination Date, the amount of the Outstanding Balance of Non-Doubtful Loans is equal to or greater than 10 percent of the face amount of the Bond Issue.
5. In the event that the amortisation of Series B and of Series C should apply on a Payment Date as provided for in rule 4 above, the Available Funds for Amortisation shall also be applied to amortising Series B and to amortising Series C in such a way that the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively kept at 8.16% and at 3.72%, or higher percentages closest thereto.

V.4.3 Fund Liquidation Priority of Payments.

The Management Company shall proceed to liquidate the Fund upon the Fund being liquidated on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation in accordance with the provisions of section III.7 of the Offering Circular, by applying the available funds to the following items (the “**Liquidation Available Funds**”): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the remaining assets and, as the case may be, (iii) the amount drawn under the liquidity facility for final amortisation of the Bonds, in accordance with the provisions of section III.7.1, in the following priority of payments (the “**Liquidation Priority of Payments**”):

1. Reserve to meet the final tax, administrative or advertising termination and liquidation expenses.
2. Payment of the Fund’s properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund’s behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
3. Payment to the Servicer of the fee established in the Servicing Agreement.
4. Payment of amounts, if any, due upon termination of the Interest Swap and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the amount to be settled by the Fund comprising the settlement payment.
5. Payment of interest due on the Series A1 and on the Series A2(G) Bonds and repayment to the State of amounts paid to the Fund by drawing under the Guarantee, for payment of guaranteed Series A2(G) Bond interest .
6. Repayment of Series A1 and Series A2(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A2(G) Bond principal.
7. Payment of interest due on the Series B Bonds.
8. Repayment of Series B Bond principal.
9. Payment of interest due on the Series C Bonds.
10. Repayment of Series C Bond principal.

11. Payment of the amount payable by the Fund comprising the settlement payment under the Interest Swap Agreement other than in the events provided for in 4th place above.
12. Payment of ordinary interest due and repayment of principal on the Subordinated Credit.
13. Payment of interest due and repayment of principal on the Start-Up Loan.
14. Payment of the variable remuneration established under the Financial Intermediation Agreement.

Additionally, albeit not included in the Liquidation Available Funds, the Fund shall avail of and use for respectively paying and repaying Series A2(G) interest and principal in 5th and 6th place, the amount drawn under the State Guarantee paid to the Fund.

When accounts payable for different items exist in a same priority order number and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

CHAPTER VI

GENERAL INFORMATION ON THE SECURITISATION FUND MANAGEMENT COMPANY

In accordance with of Royal Decree 926/1998 and Act 19/1992, Asset Securitisation Funds have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted with constituting, managing and legally representing those funds, and, as managers of third-party funds, representing and defending the interests of the holders of the securities issued by the Funds they manage and of all other ordinary creditors thereof.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company constituting, managing and representing BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS.

VI.1 In relation to the company, other than its share capital..

VI.1.1 Name and registered office.

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, calle Lagasca, number 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 6713

VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before a Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the CNMV's special register under number 2.

The Management Company has perpetual existence, other than upon the occurrence of any of the events of dissolution provided by the laws and the articles of association.

VI.1.3 Objects.

In accordance with statutory requirements, article two of its Articles of Association establishes that: "The Company's exclusive objects shall be to constitute, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors."

VI.1.4 Place where the documents referred to in the Offering Circular or the existence of which may be inferred from its contents may be found.

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this Offering Circular, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company's registered office at Calle Lagasca number 120, Madrid.

This Offering Circular was entered in the official registers of the CNMV on November 25, 2004. It is publicly available, free of charge, at the Management Company's registered office and at the Underwriters' registered office. It may also be found at the CNMV in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Deed of Constitution being executed and before the Bond subscription period begins, the Management Company shall deliver a certified copy of the Deed of Constitution to the CNMV. Furthermore, the Management Company, Iberclear, or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Deed of Constitution available to the Bondholders and the public at issue in order that they may be examined.

VI.2 In relation to the share capital.

VI.2.1 Face amount subscribed for and paid up.

The wholly subscribed for, paid up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty cents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

VI.2.2 Classes of shares.

The shares are all in the same class and confer identical political and economic rights.

VI.2.3 Evolution of the share capital over the last three years.

During the last three years there has been no change in the share capital of the Management Company, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the shares in Series B, to the nearest euro cent upon the redenomination of the share capital in euros pursuant to a resolution of the Board of Directors at a meeting held on March 27, 2001 in accordance with the provisions of article 21 of Act 46/1998, December 17, on the changeover to the euro.

VI.3 Information relating to shareholdings.

VI.3.1 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

VI.3.2 Group of companies in which the company has membership.

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

VI.3.3 Significant shareholders.

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

Name of shareholder company	Holding * (%)
Banco Bilbao Vizcaya Argentaria, S.A.	82.9703
J.P. Morgan España, S.A.	4.0000
Caja de Ahorros del Mediterráneo	1.5420
Bankinter, S.A	1.5317
Barclays Bank, S.A.	1.5317
Citibank España, S.A.	1.5317
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E	0.7658
Banco Atlántico, S.A	0.7658
Banco Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	100.0000

* Rounded to 4 decimal places

VI.4 Corporate bodies.

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Royal Decree 926/1998, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

VI.4.1 Officers.

Board of Directors.

The Board of Directors has the following membership:

Chairman:	Mr Roberto Vicario Montoya
Vice-Chairman:	Mr Carlos Pertejo Muñoz
Directors*:	Mr Ignacio Aldonza Goicoechea*
	Mr Luis Bach Gómez*
	Mr José M ^a . Castellón Leal
	on behalf of Barclays Bank, S.A.
	Mr José Luis Domínguez de Posada*
	Ms Ana Fernández Manrique
	Mr Juan Gortázar Sánchez-Torres*
	Mr Mario Masiá Vicente
	Ms Carmen Pérez de Muniaín
	Mr David Pérez Renovales
	on behalf of Bankinter, S. A.
	Mr Jesús del Pino Durán

Mr Jorge Sáenz de Miera,
on behalf of Deutsche Bank Credit, S.A.
Mr José Miguel Raboso Díaz
on behalf of Citibank España, S.A
Mr José Manuel Tamayo Pérez
Mr Pedro M^a. Urresti Laca,
on behalf of J.P. Morgan España, S.A.
Banco Urquijo S.A.*

Non-Director Secretary: Ms Belén Rico Arévalo

* These appointments made by the Ordinary General Shareholders' Meeting held on June 23, 2004 and the removals of Mr José Manuel Aguirre Larizgoitia, Mr Vicente Esparza Olcina, Mr Juan Ortueta Monfort and Banco de la Pequeña y Mediana Empresa S.A are yet to be entered in the Companies Register and duly notified to the CNMV.

VI.4.2 General Manager.

The General Manager of the Management Company is Mr Mario Masiá Vicente.

VI.5 Aggregate interests in the Management Company by the persons referred to in section VI.4.

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

VI.6 Lenders of the Management Company in excess of 10 percent.

The Management Company has received no loan or credit from any person or institution whatsoever.

VI.7 Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the Fund management and administration functions for which provision is made in this Offering Circular.

There are none.

CHAPTER VII

SMALL AND MEDIUM-SIZED ENTERPRISE FINANCING

VII.1 Small and Medium-Sized Enterprise Financing.

The Loans assigned by BBVA to the Fund upon being constituted are rights owned by BBVA derived from bilateral loans granted to non-financial small and medium-sized enterprises (legal persons and sole traders) registered in Spain, originated in a public deed or public document, as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996), i.e. enterprises having fewer than 250 employees, an annual turnover not exceeding EUR 50 million or an annual balance-sheet total not exceeding EUR 43 million, and conforming to the criterion of independence from one large enterprise: 25% or more of its capital or voting rights cannot belong to another enterprise, or jointly to several enterprises falling outside the definition of SME or small enterprise.

The characteristics of the loans selected from the portfolio of BBVA, which shall be mostly assigned to the Fund, are detailed in section IV.4 of this Offering Circular.

VII.2 The State Guarantee under the Order of December 28, 2001.

The Order dated December 28, 2001 lays down the requirements to benefit from the State guarantee for securing fixed-interest securities issued by Asset Securitisation Funds in order to promote the organisation of Asset Securitisation Funds to foster business financing, as prescribed in article 52 of 2004 General State Budget Act 61/2003, December 30.

Having verified the requirements referred to in the preceding paragraph, including registration of this Offering Circular by the CNMV and constitution of the Fund, the Economy and Finance Ministry shall issue a guarantee for the Series A2(G) Bonds, which shall extend to both the principal and interest of the Bonds in those Series.

VII.3 Implications that might derive from the performance of the Loans.

In order to eliminate or mitigate the interest rate risk occurring in the Fund because the Loans assigned by the Originator are subject to floating interest rates with different benchmark indices and different review and settlement periods or fixed interest rates, the Fund has agreed an Interest Swap with BBVA.

The Loans have a floating interest rate, based on the information contained in section IV.4.e) of this Offering Circular, and are adjusted from time to time to market interest rate variations. Because of this, a high prepayment rate of the Loans is not to be expected. The provisions established for the renegotiation for determining the interest rate of Loans that might be in upper ranges in relation to the market level from time to time should also be borne in mind.

As for the obligors' creditworthiness, as set forth in section IV.4.m), some of the provisional portfolio loans which shall be the basis for the Loans to be assigned to the Fund, were liable as of November 10, 2004 for arrears in payment of amounts due, which situation was checked, as explained in the audit report attached as Appendix 4 to this Offering Circular. The Loans that will finally be assigned to the Fund shall have no overdue amounts on the date of issue for a period in excess of one (1) month, pursuant to the representation by BBVA contained in section IV.1.4.2 (10) of this Offering Circular.

Signature: Mario Masiá Vicente
General Manager
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

APPENDIX 1

DEFINITIONS

This is a Certified Translation into English of the Spanish Offering Circular. No document other than the Spanish Offering Circular approved by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

APPENDIX 1

DEFINITIONS

“**ABN ANRO**” shall mean ABN ANRO BANK N.V. Sucursal en España.

“**Act 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

“**Act 2/1981**” shall mean Mortgage Market Regulation Act 2/1981, March 25.

“**Act 2/1994**” shall mean Loan Subrogation and Amendment Act 2/1994, March 30.

“**Act 3/1994**” shall mean Act 3/1994, April 14, adapting Spanish laws in the matter of credit institutions to the Second Banking Coordination Directive and introducing other changes in relation to the financial system.

“**Act 44/2002**” shall mean Financial System Reform Measures Act 44/2002, November 22.

“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Account**” shall mean the financial account opened in the name of the Fund at BBVA under the Guaranteed Interest Rate Account (Amortisation Account) Agreement into which the Management Company shall, for and on behalf of the Fund, pay the amounts of the Available Funds for Amortisation from the first Payment Date (January 21, 2005) until the Payment Date falling on January 21, 2006, inclusive.

“**Amortisation Deficiency**” shall mean, on a Payment Date the positive difference, if any, between (i) the Amortisation Withholding amount, and (ii) the amount actually applied of the Available Funds to the Amortisation Withholding.

“**Amortisation Withholding**” shall mean, on a Payment Date, the positive difference if any as of the Determination Date preceding the relevant Payment Date between (i) the Outstanding Principal Balance of the Bond Issue, minus, until the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, and increased by amounts repayable to the State upon enforcing the Guarantee for amortising Series A2(G), and (ii) the Outstanding Balance of Non-Doubtful Loans.

“**Available Funds for Amortisation**” shall mean, on each Payment Date, a) the Amortisation Withholding amount applied of the Available Funds on the Payment Date, and b) exclusively on the Payment Date falling on April 21, 2006, the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account on the preceding Determination Date.

“**Available Funds**” shall mean, in relation to the Priority of Payments and on each Payment Date, the amounts to be allocated to meeting the Fund’s payment or withholding obligations which shall have been credited to the Treasury Account, as established in section V.4.2.1.1 of the Offering Circular.

“**BBVA**” shall mean BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

“**Bankruptcy Act**” shall mean Bankruptcy Act 22/2003, July 9.

“**BNP PARIBAS**” shall mean BNP PARIBAS Sucursal en España.

“**Bond Issue Management, Underwriting and Placement Agreement**” shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA and JPMORGAN as Lead Managers and Underwriters and Placement Agents, and ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK as Underwriters and Placement Agents.

DEFINITIONS

“Bond Issue” shall mean the issue of asset-backed bonds issued by the Fund having a face value of EUR one billion (1,000,000,000.00) consisting of ten thousand 10,000 Bonds comprised of four Series (Series A1, Series A2(G), Series B, and Series C).

“Bond Paying Agent Agreement” shall mean the Bond paying agent agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA, as Paying Agent.

“Bonds” shall mean the Series A1, A2(G), B and C Bonds issued by the Fund.

“Business Day” shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar.

“CAIXA DE CATALUNYA” shall mean CAIXA D’ESTALVIS DE CATALUNYA.

“Cash Reserve” shall mean, in the event that it is set up, the Cash Reserve provisioned by drawing down fully the available Subordinated Credit amount and subsequently provisioned up to the Required Cash Reserve.

“CET” shall mean “Central European Time”.

“Class A” shall mean the Series A1 Bonds and the Series A2(G) Bonds issued by the Fund.

“Class B” shall mean the Series B Bonds issued by the Fund.

“Class C” shall mean the Series C Bonds issued by the Fund.

“Closing Date” shall mean the date on which the Bond subscription amount is paid up and the face price of the Loans is paid, i.e. December 2, 2004.

“CNMV” shall mean the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“Conditions for Pro Rata Amortisation” shall mean the conditions for amortisation of the Class A and/or of the Class B and C Bonds contained in sections II.11.3.1.6 and V.4.2.2.2 of this Offering Circular.

“CPR” shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Offering Circular.

“Deed of Constitution” shall mean the public deed recording the constitution of BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS, assignment by BBVA to the Fund of Non-Mortgage Loans and Mortgage Loans by means of the issue of Pass-Through Certificates, and issue by the Fund of the Asset-Backed Bonds, on the terms provided for in Royal Decree 926/1998.

“Delinquent Loans” shall mean Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans.

“Deloitte” shall mean Deloitte & Touche España S.L.

“Determination Date” shall mean the date falling on the fourth (4th) Business Day preceding each Payment Date.

“Determination Period” shall mean the days elapsed between every two consecutive Determination Dates, excluding in each Determination Period the initial Determination Date and including the final Determination Date. Exceptionally, the duration of the first Determination Period shall be equal to the days elapsed between the Fund constitution date, inclusive, and the first Determination Date, January 17, 2005, inclusive.

DEFINITIONS

“Distribution of Available Funds for Amortisation between each Series” shall mean the rules for applying the Available Funds for Amortisation on each Payment Date established in sections II.11.3.1.6 and V.4.2.2.2 of the Offering Circular.

“Doubtful Loans” shall mean Loans that are delinquent on a given date with a period of arrears equal to or greater than twelve (12) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment.

“Early Amortisation” shall mean the amortisation of the Bonds on a date preceding the Final Maturity Date given the Management Company’s power to proceed to an Early Liquidation of the Fund in the Early Liquidation Events and subject to the requirements established in section III.7.1 of this Offering Circular.

“Early Liquidation Events” shall mean the events contained in section III.7.1 where the Management Company, following notice duly served on the CNMV, is entitled to proceed to an Early Liquidation of the Fund on a Payment Date and, therefore, to the Early Amortisation of the Bond Issue.

“Early Liquidation of the Fund” shall mean the liquidation of the Fund and thereby an Early Amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the Early Liquidation Events and subject to the procedure established in section III.8.1.

“Euribor” shall mean the Euro Interbank Offered Rate which is the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied for thirteen maturity terms by a panel consisting of 57 Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is fixed at 11am (CET time), accurate to three decimal places.

“Face Amount” shall mean in relation to the Interest Swap Agreement the daily average during the Party A settlement period falling due of the Outstanding Balance of Loans having no arrears in payment of overdue amounts in excess of three (3) months, increased, until the settlement date falling on April 21, 2006, by the result of multiplying a) the daily average during the Party A settlement period falling due of the Amortisation Account balance and, as the case may be, the Surplus Account balance transferred from the Amortisation Account, and b) the average margin applicable for determining the Nominal Interest Rate of the Bond Series weighted by the Outstanding Principal Balance of each Series during the then-current Interest Accrual Period, plus 0.10%, and c) the result of dividing one (1) by the Party B Interest Rate.

“Final Maturity Date” shall mean April 21, 2028 or the following Business Day if that is not a Business Day.

“Financial Intermediation Agreement” shall mean the agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA, designed for remunerating BBVA for the financial intermediation process carried on.

“Fitch” shall mean both Fitch Rating España, S.A. and Fitch Ratings Limited, the holding company to which Fitch Rating España, S.A. is affiliated.

“FORTIS BANK” shall mean FORTIS BANK NV-SA.

“Fund” shall mean BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS.

“Guaranteed Interest Rate Account (Treasury Account) Agreement” shall mean the guaranteed interest rate account (Treasury Account) agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA.

“Guaranteed Interest Rate Account (Amortisation Account) Agreement” shall mean the guaranteed interest rate account (Amortisation Account) agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA.

“Guaranteed Series” shall mean Series A2(G) or the Series A2(G) Bonds.

DEFINITIONS

“Iberclear” shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.

“Interest Accrual Period” shall mean the days elapsed between every two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. The length of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, exclusive.

“Interest Rate Fixing Date” shall mean the date falling on the second Business Day preceding each Payment Date.

“Interest Swap Agreement” or **“Swap Agreement”** shall mean the financial interest swap agreement based on the standard Master Financial Transaction Agreement (CMOF) entered into between the Management Company, for and on behalf of the Fund, and BBVA.

“IRNR Act” shall mean Legislative Royal Decree 5/2004, March 5, approving the Consolidation of the Non-Resident Income Tax Act.

“IRPF Act” shall mean Legislative Royal Decree 3/2004, March 5, approving the Consolidation of the Personal Income Tax Act.

“IRR” shall mean the internal rate of return.

“JPMORGAN” shall mean J.P. MORGAN SECURITIES LTD..

“Lead Manager” shall mean BBVA and JPMORGAN (jointly the **“Lead Managers”**).

“Legislative Royal Decree 3/2004” shall mean Royal Decree 3/2004, March 5, approving the Consolidation of the Personal Income Tax Act.

“Legislative Royal Decree 5/2004” shall mean Royal Decree 5/2004, March 5, approving the Consolidation of the Non-Resident Personal Income Tax Act.

“Liquidation Available Funds” shall mean, in relation to the Liquidation Priority of Payments on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation of the Fund, the amounts to be allocated to meeting the Fund’s payment obligations in regard to the following items: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the remaining assets and, as the case may be, (iii) the amount drawn under the liquidity facility for final amortisation of the Bonds, in accordance with the provisions of section III.7.1 of the Offering Circular.

“Liquidation Priority of Payments” shall mean the priority for applying the Fund’s payment or withholding obligations where they are listed, applicable on the Final Maturity Date or on the Fund Early Liquidation date.

“Loan Servicing and Management and Pass-Through Certificate Custody Agreement” or **“Servicing Agreement”** shall mean the Loan servicing and management and Pass-Through Certificate custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA as Servicer.

“Loans” shall mean the credit rights owned by BBVA, derived from bilateral loans granted to non-financial small and medium-sized enterprises (legal persons and sole traders) registered in Spain, as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996), to be acquired by the Fund upon being constituted. The Loans are divided according to the underlying securities into Mortgage Loans and Non-Mortgage Loans.

“Management Company” shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

DEFINITIONS

“Maximum Subordinated Credit Amount” shall mean, from time to time, the sum of a) the lower of the following amounts: (i) EUR twenty million six hundred thousand (20,600,000.00), and (ii) the higher of a) 4.00% of the Outstanding Principal Balance of the Bond Issue on the Payment Date, b) 1.00% of the face amount of the Bond Issue, and, as the case may be, c) the amount of Subordinated Credit interest due and not paid by the Fund.

“Moody’s” shall mean both Moody’s Investors Service España, S.A. and Moody’s Investors Service Ltd., the holding company to which Moody’s Investors Service España, S.A. is affiliated.

“Mortgage Loans” shall mean the Loans with real estate mortgage security assigned by BBVA to the Fund by means of the issue of the Pass-Through Certificates.

“Nominal Interest Rate” shall mean the nominal interest rate applicable to the Bonds in each Series and determined for each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate, and (ii) a margin for each Series. The resultant Nominal Interest Rate shall be expressed as a percentage rounded up to the nearest thousandth where the differences of rounding up or down to the nearest thousandths are identical.

“Non-Doubtful Loans” shall mean Loans that are not deemed to be Doubtful Loans on a given date.

“Non-Mortgage Loans” shall mean the Loans without real estate mortgage security assigned by BBVA to the Fund.

“Obligors” shall mean the Loan borrowers.

“Order of December 28, 2001” shall mean the Order of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, amended by Order ECO/1064/2003, April 29.

“Originator” shall mean BBVA as issuer of the Pass-Through Certificates and assignor of the Non-Mortgage Loans pooled in the Fund.

“Outstanding Balance of the Loans” shall mean the sum of the outstanding capital and the capital due and not paid to the Fund on all the Loans on a given date. Furthermore, this definition may be applied to a Loan, the Outstanding Balance being the sum of the outstanding capital and the capital due and not paid to the Fund on that Loan on a given Date.

“Outstanding Principal Balance of a Class” shall mean the sum of the Outstanding Principal Balance of the Series making up the Class.

“Outstanding Principal Balance of a Series” shall mean the sum of the principal yet to be amortised (outstanding balance) on all the Bonds in the Series.

“Outstanding Principal Balance of the Bond Issue” shall mean the sum of the Outstanding Principal Balance of the Bonds in all the Series.

“Pass-Through Certificates” shall mean the pass-through certificates issued by the Originator and subscribed for by the Fund, which issue perfects the assignment of the Mortgage Loans under article 18 of Act 44/2002.

“Paying Agent” shall mean the firm servicing the Bonds under the Bond Paying Agent Agreement. The Paying Agent shall be BBVA.

“Payment Date” shall mean January 21, April 21, July 21 and October 21 in each year or, as the case may be, the following Business Day. The first Payment Date shall be January 21, 2005.

DEFINITIONS

“Priority of Payments” shall mean the priority for applying the Fund’s payment or withholding obligations where they are listed in the order for the application of Available Funds and Available Funds for Amortisation, applicable from the first Payment Date, inclusive, until the last Payment Date or Fund liquidation date, exclusive.

“Pro Rata Amortisation of Class A” shall mean the exceptional application on a Payment Date of the Available Funds for Amortisation between the Class A Bonds, the sequential amortisation of the Series A1 and A2(G) Bonds being stopped in certain circumstances for which provision is made in the Distribution of Available Funds for Amortisation between each Series in the Priority of Payments.

“Rating Agencies” shall mean Moody’s Investors Service España, S.A., Fitch Rating España, S.A. and Standard & Pools España, S.A.

“Reference Rate” shall mean, other than for the first Interest Accrual Period, the three- (3-) month Euribor rate fixed at 11am (CET time) on the Interest Rate Fixing Date, or, if the three- (3-) month Euribor rate should not be available or be impossible to obtain, then the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular. The Reference Rate for the first Interest Accrual Period shall mean the rate resulting from a straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between the one- (1-) month Euribor rate and the two- (2-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

“Required Cash Reserve” shall mean the lower of the following amounts on each Payment Date: (i) EUR twenty million six hundred thousand (20,600,000.00) and (ii) the higher of: a) 4.00% of the Outstanding Principal Balance of the Bond Issue, and b) 1.00% of the face amount of the Bond Issue.

“Royal Decree 116/1992” shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14.

“Royal Decree 1777/2004” shall mean Royal Decree 1777/2004, July 30, approving the Corporation Tax Regulations.

“Royal Decree 291/1992” shall mean Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities, as reworded by Royal Decree 2590/1998, December 7, and the Order of July 12, 1993 implementing the same.

“Royal Decree 685/1982” shall mean Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

“Royal Decree 926/1998” shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies.

“S&P” shall mean both Standard & Poor’s España, S.A. and Standard & Poor’s Rating Services, the holding company to which Standard & Poor’s España, S.A. is affiliated.

“Securities Market Act” shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, any by Financial System Reform Measures Act 44/2002, November 22.

“Series A1 Bonds” shall mean the Series A1 Bonds issued by the Fund having a total face amount of EUR seven hundred and twenty-five million three hundred thousand (725,300,000.00) comprising seven thousand two hundred and fifty-three (7,253) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series A1” shall mean the Series A1 Bonds issued by the Fund.

DEFINITIONS

“Series A2(G) Bonds” shall mean the Series A2(G) Bonds issued by the Fund having a total face amount of EUR two hundred and fifteen million three hundred thousand (215,300,000.00) comprising two thousand one hundred and fifty-three (2,153) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series A2(G)” shall mean the guaranteed Series A2(G) Bonds issued by the Fund.

“Series B Bonds” shall mean the Series C Bonds issued by the Fund having a total face amount of EUR forty million eight hundred thousand (40,800,000.00) comprising four hundred and eight (408) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series B” shall mean the Series B Bonds issued by the Fund.

“Series C Bonds” shall mean the Series C Bonds issued by the Fund having a total face amount of EUR eighteen million six hundred thousand (18,600,000.00) comprising one hundred and eighty-six (186) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series C” shall mean the Series C Bonds issued by the Fund.

“Servicer” shall mean BBVA, under the Loan Servicing and Management and Pass-Through Certificate Custody Agreement.

“SMEs” shall mean small and medium-sized enterprises as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996).

“Start-Up Loan Agreement” shall mean the start-up loan agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA.

“Start-Up Loan” shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

“State Guarantee” or **“Guarantee”** shall mean the guarantee which the Spanish Economy and Finance Ministry shall give to the Fund before it is constituted in a Ministerial Order amounting to (i) EUR two hundred and fifteen million three hundred thousand (215,300,000.00), equivalent to the sum of the face amount of the Series A2(G) Bonds, and (ii) the financial charges corresponding to that amount in said Series. That guarantee secures, waiving the benefit of discussion established in Civil Code article 1830, payment of the economic obligations payable by the Fund, derived from the Series A2(G) Bonds.

“Subordinated Credit Agreement” shall mean the subordinated credit agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA.

“Subordinated Credit” shall mean the subordinated credit granted by BBVA to the Fund, in accordance with the provisions of the Subordinated Credit Agreement.

“Subscription Period” shall mean the period comprised between 1pm (CET time) on November 30, 2004 and 3pm (CET time) on the same day.

“Treasury Account” shall mean the account opened on the Fund’s behalf initially at BBVA which shall guarantee a variable yield on amounts paid in by the Fund through its Management Company under the Guaranteed Interest Rate Account (Treasury Account) Agreement and through which all the Fund’s receipts and payments are made.

“Underwriter and Placement Agent” shall mean BBVA, JPMORGAN, ABN AMRO, BNP PARIBAS, CAIXA CATALUNYA and FORTIS BANK for underwriting and placing the Bond Issue (jointly the **“Underwriters and Placement Agents”**).

I, **DAVID LEELAND**, a British citizen, of Princesa 25-27, 20^a 8D, 28008 Madrid, certified translator appointed by the Spanish Ministry of Foreign Affairs and fully conversant with both the Spanish and English languages, **DO HEREBY CERTIFY** that this is a full, true and faithful translation into English of a document (*Offering Circular dated November 18, 2004 for BBVA-3 FTPYME FONDO DE TITULIZACIÓN DE ACTIVOS*) written in Spanish.

In witness whereof, I have hereunto set my name and stamp.

Madrid, the TWENTY-FIFTH of NOVEMBER TWO THOUSAND AND FOUR.

DAVID LEELAND, intérprete jurado de inglés, con domicilio en Princesa 25-27, 20^a 8D, 28008 MADRID, CERTIFICA que la que antecede es traducción fiel y completa al inglés de un documento redactado en español.

Y para que conste, firmo y rubrico la presente en Madrid, a día VEINTICINCO de NOVIEMBRE de DOS MIL CUATRO.

