

# FTPYME BANCAJA 1

## FONDO DE TITULIZACIÓN DE ACTIVOS

### ASSET-BACKED BONDS

EUR 600,000,000

Series A1(G)	EUR	264,000,000	Aaa/AAA	3-M Euribor + 0.015%
Series A1	EUR	66,000,000	Aa2/AA	3-M Euribor + 0.380%
Series A2(G)	EUR	194,400,000	Aaa/AAA	3-M Euribor + 0.060%
Series A2	EUR	48,600,000	Aa2/AA	3-M Euribor + 0.480%
Series B	EUR	27,000,000	Baa2/BBB	3-M Euribor + 1.800%

(G) GUARANTEED BY THE SPANISH STATE

*Backed by loans assigned and serviced by*

**BANCAJA**

**Domestic Tranche Lead Manager**

**International Tranche Lead Manager**

**BANCAJA**

**JPMorgan**

**Domestic Tranche Underwriters and  
Placement Agents**

**International Tranche Underwriters and  
Placement Agents**

**BANCAJA**  
  
CRÉDIT AGRICOLE INDOSUEZ

**JPMorgan**

**Paying Agent  
Bancaja**

**Fund constituted and managed by**

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



*This document is an English-language translation of the Spanish Offering Circular. No document other than the Spanish Offering Circular which has been verified and entered in the official registers of the Comisión Nacional del Mercado de Valores may be considered as having any legal effect whatsoever in respect to the Bonds.*

*This translation has been prepared for information purposes only. In the event of any discrepancy between the Spanish Offering Circular and the translation, the Spanish Offering Circular shall prevail.*

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<b>SUMMARY OF THE OFFERING CIRCULAR</b>
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**0.1 Summary of the characteristics of the issued or offered securities covered by this full offering circular and of the procedure for their placement and allocation among investors.**

The securities subject of this Issue are Asset-Backed Bonds (the “**Bond Issue**” or generically the “**Bonds**”) which are being issued by FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**”). The Bond Issue totals a face value of EUR six hundred million (600,000,000) and consists of 6,000 Bonds pooled in two Classes comprising five Series, on the terms described in the Offering Circular.

The following are the main terms and conditions of this Bond Issue:

**Class of Security:** Asset-Backed Bonds represented by means of book entries.

**Issuer:** FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS

**Issue Amount:** Face value of EUR 600,000,000 consisting of 6,000 Bonds represented by means of book entries, pooled in two Classes comprising five Series distributed as follows:

	Face Value per Bond (EUR)	Number of Bonds	Series Total Face Value (EUR)
<b>Series A1(G)</b>	100,000.00	2,640	264,000,000
<b>Series A1</b>	100,000.00	660	66,000,000
<b>Series A2(G)</b>	100,000.00	1,944	194,400,000
<b>Series A2</b>	100,000.00	486	48,600,000
<b>Series B</b>	100,000.00	270	27,000,000

**Issue Price:** 100 percent of the face value of each Bond, clear of taxes and subscription expenses for the subscriber through the Fund.

**Ratings:** Provisional ratings have been assigned by the Rating Agencies Moody’s Investors Service España, S.A. (“**Moody’s**”) and Fitch Rating España, S.A.U. (“**Fitch**”) for each of the Bond Series issued by the Fund, as follows.

Bond Series	Moody's Rating	Fitch's Rating
Series A1(G)	Aaa	AAA
Series A1	Aa2	AA
Series A2(G)	Aaa	AAA
Series A2	Aa2	AA
Series B	Baa2	BBB

The Rating Agencies expect to assign those provisional ratings as final ratings by the start of the Bond Subscription Period. The Fund constitution, Bond Issue and assignment of the Assigned Assets would otherwise terminate.

The final ratings may be revised, suspended or withdrawn at any time by the Rating Agencies, which would not constitute an early amortisation event of the Fund.

#### **State Guarantee.**

The Series A1(G) and A2(G) Bonds (the “**Guaranteed Series**”) are secured by the State Guarantee, which shall secure, waiving the benefit of discussion, payment of principal and interest of the Guaranteed Series Bonds. The Economy Ministry has issued the guarantee in an Order, making its enforceability conditional on the Fund being ultimately organised and registered by the Comisión Nacional del Mercado de Valores.

#### **Secondary Bond-Trading Market:**

AIAF FIXED-INCOME MARKET (*AIAF MERCADO DE RENTA FIJA*).

The Management Company agrees that final listing of the Bonds in that market shall take place no later than one month after the Closing Date.

#### **Institution in charge of the Bond accounting record:**

SERVICIO DE COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. (“SCLV”)

Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the SCLV or any institution taking its stead.

#### **0.1.1 Interest Rate.**

The Bonds in each Series will accrue a nominal annual interest variable quarterly and payable quarterly in arrears on each Payment Date, being the result of applying to the Bonds in each Series the corresponding nominal interest rate to the Outstanding Principal Balance on each Bond.

#### **Accrual of Interest.**

Interest will accrue by Interest Accrual Periods. Every Interest Accrual Period will comprise the exact number of days elapsed between each Payment Date (January 20, April 20, July 20 and October 20 in every year), 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 days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit April 22, 2002, exclusive.

The nominal interest rate shall be accrued on the actual number of days which have elapsed in each Interest Accrual Period for which it was determined, on the basis of a 360-day year.

**Nominal interest rate.**

The nominal interest rate shall be the result of adding: (i) the Reference Rate or its substitute and (ii) the following margins for each of the Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A1(G):** 0.015% margin until April 20, 2005 or the next Business Day if that date is not a Business Day, and a 0.215% margin thereafter.
- **Series A1:** 0.380% margin until April 20, 2005 or the next Business Day if that date is not a Business Day, and a 0.760% margin thereafter.
- **Series A2(G):** 0.060% margin until October 20, 2008 or the next Business Day if that date is not a Business Day, and a 0.260% margin thereafter.
- **Series A2:** 0.480% margin until October 20, 2008 or the next Business Day if that date is not a Business Day, and a 0.960% margin thereafter.
- **Series B:** 1.800% margin.

The Reference Rate for determining the nominal interest rate applicable to each of the Bond Series is three- (3-) month Euribor rate, other than for the first Interest Accrual Period, fixed at 11am (CET time).

The nominal interest rate for each Series shall be set the second Business Day preceding each Payment Date and shall apply for the following Interest Accrual Period.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the one- (1-) month and the three- (3-) month Euribor rates bearing in mind the number of days in the first Interest Accrual Period, and shall be set on the second Business Day preceding the Closing Date, to be notified in writing by the Management Company by the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents, 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 the SCLV.

**Payment of interest and repayment of principal.**

Payment of interest and repayment of principal on the Bonds in each Series shall be made quarterly in arrears on each of the Payment Dates, which shall fall on January 20, April 20, July 20 and October 20 in each year or the following Business Day, as the case may be. The first Payment Date shall be April 22, 2002, because April 20, 2002 is not a Business Day.

In this Bond issue, Business Day shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar.

Payment of amounts due on each Series shall be made on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments described hereinafter.

**0.1.2 Amortisation of the Bonds.**

**Redemption price:** 100 percent of the face value of each Bond.

**Expected amortisation for the Bonds in each Series.**

- **Series A1(G) and A1 Bonds:** shall consist of a single payment for their aggregate face value on April 20, 2005.
- **Series A2(G) and A2 Bonds:** shall consist of a single payment for their aggregate face value on October 20, 2008.
- **Class B Bonds:** the first amortisation of the Class B Bonds shall fall due on the Payment Date after the Determination Date on which the Outstanding Principal Balance of the Class B Bonds is equal to or greater than 10.00% of the difference between (i) the Outstanding Principal Balance of the Bonds in all Series and (ii) the balance on the Amortisation Account.

Nevertheless, the expected amortisation of the Bonds in each Series may be changed as established in sections II.11.3 and III.8.1 of the Offering Circular.

**Final Bond Maturity Date:** July 20, 2023, without prejudice to the Management Company proceeding to the expected amortisation of the Bonds in each Series before the Final Maturity Date, or, as the case may be, to an Early Amortisation of the Bonds or an early maturity of the Bond Issue as established in section III.8.1 of the Offering Circular.

**0.1.3 Bond Issue subscription and placement procedure.****Lead Managers:**

- J.P. MORGAN SECURITIES LTD. (“JPMORGAN”) for the International Tranche.
- CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“BANCAJA”) for the Domestic Tranche.

**Domestic Tranche Underwriters and Placement Agents:**

- CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“BANCAJA”)
- CRÉDIT AGRICOLE INDOSUEZ Sucursal en España (“CAI”)

**International Tranche Underwriters and Placement Agents:**

- J.P. MORGAN SECURITIES LTD. (“JPMORGAN”)

**Investors to whom the Bonds are offered.**

The placement of the Bond Issue is targeted to institutional investors.

**Subscription Period.**

The Subscription Period shall commence at 12 o'clock noon (CET time) on March 5, 2002, and end at 5pm on March 6, 2002.

**Manner and date of paying up.**

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 12 o'clock noon (CET time) on March 7, 2002, same day value, the relevant issue price for each Bond allocated for subscription.



#### **0.1.4 National laws governing the securities and jurisdiction in the event of litigation.**

The constitution of the Fund and Bond issue are subject to Spanish Law, as established in the Order of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, and in accordance with the legal system prescribed in Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, Act 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, failing a provision in Royal Decree 926/1998 and to the extent applicable, and Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.

The constitution of the Fund, the Bond issue 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 are subject to Spanish Law, though the International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*) is subject to English Law. In any event, the Deed of Constitution 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 FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Debtors of the Assigned Assets, who may have defaulted on their payment obligations of the Assigned Assets, for that action shall lie with the Management Company, representing the Fund owning the Assigned Assets.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from the default of the Assigned Assets by the relevant Debtors or breach by the other parties to the transactions arranged for and on behalf of the Fund. The Bondholders and the remaining creditors of the Fund shall have no actions against the Management Company other than as derived from a breach of its duties. Those actions shall be heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

### **0.2 Considerations regarding activities, financial position and most relevant circumstances of the Fund.**

#### **0.2.1 Nature of the Fund.**

The constitution of and the Bond issue by the Fund shall be carried out in accordance with the provisions of the Order of the Economy Ministry of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, and shall be subject to (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) Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and (v) all other legal and statutory provisions in force and applicable from time to time.

The Fund is constituted in order to serve as a vehicle for acquiring the Assigned Assets transferred by CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA and have it issue the Bonds.

In accordance with article 1 of Royal Decree 926/1998, the Fund is a separate estate, devoid of legal personality, and shall have a closed-end structure, in accordance with article 3 of Royal Decree 926/1998, its assets comprising the Assigned Assets pooled upon being constituted, and its liabilities comprising the Bonds issued and the Start-Up Loan, thereby for the net worth of the Fund to be nil. Additionally, the Fund has

arranged for the Subordinated Credit, the Interest Swap, the State Guarantee and the Liquidity Facilities, which shall be reported in memorandum accounts.

The Fund shall be in existence until July 20, 2023, the Final Maturity Date of the Bond issue.

### **0.2.2 Representation of the Fund: The Management Company.**

The constitution, management and legal representation of the Fund lies 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 and other applicable laws, without prejudice to the provisions of the Deed of Constitution.

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

It is similarly the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all the other ordinary creditors thereof. Consequently, the Management Company shall safeguard at all times the interests of the Bondholders and all other creditors of the Fund, making its actions conditional on their defence and observing the provisions statutorily prescribed for that purpose. The Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution.

The Management Company shall notify the Bondholders of all and any circumstances they may be interested in by publishing the appropriate notices on the terms established in sections III.5.1 and III.5.2 of the Offering Circular.

The Management Company may be substituted on the terms and in the events for which provision is made in the Offering Circular.

### **0.2.3 Assets pooled in the Fund.**

The Assigned Assets assigned by BANCAJA to the Fund, represented by the Management Company, upon being constituted, are rights owned by BANCAJA derived from bilateral loans granted to non-financial companies registered in Spain (the "**Loans**") of which at least 50 percent, of both the loans and their capital, correspond to small and medium-sized enterprises as defined by the European Commission (Recommendation of April 3, 1996).

The total capital of the Assigned Assets shall amount to a value at least equal to the amount of the Bond Issue and shall be assigned to the Fund, represented by the Management Company, under the Asset Assignment Agreements established hereinafter in this section.

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

- (i) Loans with real estate mortgage security, originated in a public deed.
- (ii) Loans with third-party personal bond (surety), originated in a public document.
- (iii) Unsecured loans, originated in a public document.

On the date of constitution of the Fund, the Management Company shall, for and on behalf of the Fund, enter with BANCAJA into the following credit right assignment agreements (the "**Asset Assignment Agreements**"):

- (i) A mortgage certificate issue and subscription agreement, originated in a public deed, whereby the Fund will subscribe for an as yet indeterminate number of Mortgage Certificates issued by BANCAJA (the “**Mortgage Certificates**”) implementing the assignment of the Mortgage Loans with real estate mortgage security satisfying the requirements established in Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Act 19/1992 and other applicable regulations (the “**Participated Mortgage Loans**”).
- (ii) A credit right sale agreement originated in a private document, whereby the Fund shall acquire from BANCAJA an as yet indeterminate number of loans with real estate mortgage security which do not satisfy the requirements established in Act 2/1981 and concordant regulations (the “**Mortgage Loans**”).
- (iii) A credit right sale agreement originated in a public deed, whereby the Fund shall acquire from BANCAJA an as yet indeterminate number of Non-Mortgage Loans with or without personal bonds -surety- (the “**Non-Mortgage Loans**”).

The Mortgage Certificates or the Participated Mortgage Loans related thereto, the Mortgage Loans and the Non-Mortgage Loans, shall be jointly referred to as the “**Assigned Assets**” and/or “**Loans**”.

Conveyance to the Fund of the Assigned Assets will be full and unconditional, and for the entire period remaining until their maturity, and shall be made for all the capital outstanding pending repayment on the assignment date and for all the ordinary and late-payment interest on each of the Loans assigned, and any other amounts, assets or rights derived from the Loans, excluding the fees established for each of the Loans.

The sale or assignment price of the Assigned Assets shall be at par with the capital or principal of each of the Assigned Assets and the total capital shall be at least equivalent to the face value of the Bond Issue.

The Fund’s rights resulting from the Assigned Assets shall be linked to the payments made by the Debtors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.

In accordance with article 348 of the Commercial Code, BANCAJA will be liable to the Fund for the existence and lawfulness of the Assigned Assets, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Debtor. BANCAJA shall not bear with the risk of default on the Assigned Assets and shall therefore have no liability whatsoever for the Debtors’ default of principal, interest or any other amount they may owe under the Assigned Assets, and shall not be answerable for the enforceability of the securities ancillary thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the transaction will be duly performed, nor give any guarantees or securities, nor indeed agree to repurchase or substitute the Assigned Assets, with the exception of the provisions of section IV.1.2.c) of the Offering Circular relating to the substitution of Assigned Assets failing to conform to the representations contained in section IV.1.1 or the specific characteristics of the Assigned Assets notified by BANCAJA to the Management Company, and the provisions of section IV.1.2.d) in relation to the Call Right over all of the remaining Assigned Assets in certain events.

The provisional portfolio of selected loans which shall mostly be assigned to the Fund upon being constituted comprises 4,556 loans, the principal value of which as of January 31, 2002 amounted to EUR 682,195,591.51.

#### **0.2.4 Risk hedging and service transactions arranged for on behalf of the Fund.**

In order to consolidate the financial structure of the Fund, enhance the safety of or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Assigned Assets and the Bonds, or, generally, transform the financial characteristics of the Bonds issued, 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 agreements established hereinafter:

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Guaranteed Interest Rate Account (Amortisation Account) Agreement.
- (iii) Subordinated Credit Agreement.
- (iv) State Guarantee.
- (v) Start-Up Loan Agreement.
- (vi) Interest Swap Agreement.
- (vii) Liquidity Facility Agreements.
- (viii) Servicing Agreement.
- (ix) Domestic Tranche Management, Underwriting and Placement Agreement.
- (x) International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*).
- (xi) Paying Agent Agreement.
- (xii) Financial Intermediation Agreement.

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution and in the laws in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV, or competent administrative body and to notice thereof being given on the Rating Agencies, provided that those actions do not detract from Bondholders' interests.

#### **0.2.5 Ordinary priority rules in payments by the Fund.**

##### **Applicable from the Closing Date until final liquidation of the Fund.**

On each Payment Date, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in the priority of payments established hereinafter for each of them (the "Priority of Payments").

##### **Available Funds: source and application.**

###### **1. Source.**

The Available Funds on each Payment Date (the "Available Funds") shall be as follows:

- a) Income received from repayment of principal of the Assigned Assets between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.

- b) Ordinary and late-payment interest received on the Assigned Assets between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- c) The return received on the amounts paid into the Treasury Account.
- d) The return received on the amounts paid into the Amortisation Account which shall have been paid into the Treasury Account.
- e) The drawdowns on the Subordinated Credit, designed only to meet payment of the obligations numbered 1 to 4, both inclusive, in the Fund Priority of Payments established in section 2 below, or, on the last Payment Date or date of liquidation of the Fund, the obligations numbered 1 to 8, both inclusive.
- f) If the Cash Reserve is ever set up, the amount transferred to that fund which shall have been paid into the Treasury Account.
- g) The amounts received under the Interest Swap Agreement.
- h) Amounts, if any, drawn on the State Guarantee designed only for paying interest on the Guaranteed Series, or if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in those amounts.
- i) Any other amounts received by the Fund between the preceding Payment Date and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

## **2. Application.**

The Available Funds shall be applied on each Payment Date 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 application 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 same, and all other expenses and service fees, including those derived from the Payment Agency 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 in favour of the Servicer and in relation to the Servicing Agreement in this order.
- 2. Payment of the Swap amount and in the event of termination of that Agreement following a breach by the Fund, the amount comprising the settlement payment.
- 3.
  - Payment of interest due on the Series A1(G) Bonds.
  - Payment of interest due on the Series A1 Bonds.
  - Payment of interest due on the Series A2(G) Bonds.
  - Payment of interest due on the Series A2 Bonds.

- Repayment to the State of such amounts as shall have been paid to the Fund under the Guarantee, for payment of interest on the Bonds in any of the Guaranteed Series, as established in section V.3.4.2.(i) of the Offering Circular.
  - Payment of interest due on the Liquidity Facilities if they are ever drawn down.
4. Payment of interest due on the Class B Bonds unless this payment is moved to item number 7 in the priority of payments as established in section V.4.2.3.
  5. a) Repayment of principal drawn on the Subordinated Credit; or  
b) Withholding of an amount sufficient for the Required Cash Reserve to be maintained.  
  
Application b) which shall be made in lieu of application a) will only be effected if the Cash Reserve is ever established upon the Subordinated Credit being fully drawn down. In this event or on the last Payment Date or Fund liquidation date, application a) shall be moved to item 10 in the priority of payments.
  6. Provisioning of the Primary Amortisation Fund.
  7. Payment of interest due on the Class B Bonds when this payment is moved item number 4 in the priority of payments as established in section V.4.2.3.
  8. Provisioning of the Secondary Amortisation Fund.
  9. Payment of interest due on the Subordinated Credit.
  10. Repayment of principal drawn on the Subordinated Credit when this payment is moved from item number 5.a) in the priority of payments.
  11. Payment of interest due on the Start-Up Loan.
  12. Repayment of principal of the Start-Up Loan in the amortised amount.
  13. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Assigned Assets.
  14. Payment of the variable remuneration under the Financial Intermediation Agreement.

When in a same priority of payments amounts are due for different items and the Available Funds are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

#### **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 as follows:

- a) The balance on the Amortisation Account on the Determination Date preceding the ongoing Payment Date.

- b) The amount applied for Provisioning of the Primary Amortisation Fund on the ongoing Payment Date.
- c) The amount applied for Provisioning of the Secondary Amortisation Fund on the ongoing Payment Date.
- d) Amounts, if any, drawn upon enforcing the State Guarantee designed exclusively for amortising the Guaranteed Series or, if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in such amounts.
- e) Amounts, if any, drawn on the credit facility the Management Company is entitled to arrange for in order to proceed to an Early Liquidation of the Fund, in accordance with section III.8.1 of the Offering Circular.

## **2. Application.**

The Available Funds for Amortisation on each Payment Date shall be applied, independently of the time of accrual, to fulfilling the Fund's payment or withholding obligations in the following order:

1.
  - Repayment of the principal of the Series A1(G) and A1 Bonds on their Maturity Date or in the event of Early Amortisation.
  - Repayment of the principal of the Series A2(G) and A2 Bonds on their Maturity Date or in the event of Early Amortisation.
  - Repayment to the State of such amounts as shall have been paid to the Fund under the Guarantee, for repayment of principal of the Bonds in any of the Guaranteed Series, as established in section V.3.4.2.(ii) of the Offering Circular.
2. Repayment of the principal of the Class B Bonds, as established in section II.11.3.3, from the next Payment Date, inclusive, and subsequent Payment Dates, on which the ratio between the Outstanding Principal Balance of the Class B Bonds and the difference between (i) the Outstanding Principal Balance of the Bonds in all the Series and (ii) the balance on the Amortisation Account, is equal to or greater than 10.00%, and in an amount allowing the ratio to be kept at 10.00%, or the nearest possible higher percentage. Nevertheless, the amortisation of the Class B Bonds may be stopped in certain circumstances for which provision is made in that section.
3. The remaining Available Funds for Amortisation not applied in the preceding priority shall remain on the Amortisation Account.

When in a same priority of payments amounts are due for different items and the Available Funds for Amortisation are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds for Amortisation shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

## **Exceptional payment priority rules.**

1. Payment of interest accrued by the Class B Bonds on a Payment Date will move from priority 4 to 7 in the priority of payments for the application of the Available Funds when any of the following circumstances occur on a Payment Date:
  - a) That the amount resulting from deducting from the Outstanding Class A Principal Balance the following amounts: (a) the balance on the Amortisation Account on the preceding Determination Date, (b) the positive difference between the Available Funds on the Payment Date and the amounts necessary to meet payment obligations numbered 1 to 5, and (c) the Outstanding Balance of the Assigned Assets on the preceding Determination Date, is above or equal to zero.

- b) That the Outstanding Balance of the Assigned Assets in arrears for ninety (90) days or more on the preceding Determination Date is greater than 6.00% of the Outstanding Balance of Assigned Assets on that Payment Date.
- 2. Should BANCAJA be substituted in its activity as Servicer of the Assigned Assets by another institution, payment of the fee accrued to the third party, the new servicer, shall be included in the place contained in item number 1 of the application of the Available Funds, along with the remaining payments included in that item.

## **0.2.6 Liquidation and termination of the Fund.**

### **Early Liquidation of the Fund.**

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue, when (i) on October 20, 2008, or thereafter, when the amount of the Outstanding Balance of the Assigned Assets is less than 15 per cent of the initial principal upon the constitution of the Fund, or (ii) if the Originator should exercise the Call Right over all of the remaining Assigned Assets held by the Fund, or (iii) in the other Early Liquidation Events contained in section III.8.1 of the Offering Circular, and subject to the requirements and procedure set forth in said section.

In order to proceed to that early liquidation of the Fund, it shall be necessary for all the payment obligations derived from the Bonds issued by the Fund to be met and settled fully or otherwise that, before proceeding to an early liquidation of the Fund, the Management Company call the Bondholders purely for informative purposes. 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, deducting the tax withholding, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

### **Termination of the Fund.**

The Fund shall terminate in any of the following events:

- (i) Upon the full amortisation of the Assigned Assets pooled therein.
- (ii) By the Early Liquidation procedure established in section III.8.1.
- (iii) At all events, on the Final Maturity Date established for final Bond amortisation.

## **0.3 Risks inherent in the Bonds.**

### **a) Risk of default on the Assigned Assets.**

Bondholders shall bear with the risk of default on the Assigned Assets pooled in the Fund once the limited hedging afforded by the amount of the Subordinated Credit has been exhausted, and the degree of subordination of the Class B Bonds derived from their position in the Fund Priority of Payments. Nevertheless, that risk of default is covered for holders of Bonds in the Guaranteed Series backed by the State Guarantee.

BANCAJA, the Originator, shall have no liability whatsoever for default by the Debtors, whether of principal, interest or any other amount whatsoever they may owe under the Assigned Assets, and shall not be answerable either for the enforceability of the guarantees collateral thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be duly performed, nor



give any guarantees or securities, nor indeed agree to repurchase the Assigned Assets, other than those contemplated in section IV.1.2.

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

**b) Prepayment risk of the Assigned Assets.**

The Assigned Assets pooled in the Fund shall be prepaid when the Assigned Debtors proceed to an early repayment, on the terms provided in each of the deeds and contracts underlying those assets, of the portion of principal pending repayment.

That prepayment risk shall pass quarterly, in certain circumstances, on each Payment Date to the Bondholders upon the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.4.5 of this Offering Circular.

**c) Limited 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.

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund.

**d) Yield.**

Calculation of the internal rate of return, average life and duration of the Bonds is based, inter alia, on assumed prepayment rates of the Assigned Assets that may not be fulfilled, and on future market interest rates, given the floating nature of the nominal interest rate.

**e) Late-payment interest.**

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



## 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 as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “**Management Company**”), and using the authorities conferred by the Board of Directors and the Board’s Executive Committee at their meetings respectively held on January 19, 1993, January 28, 2000 and December 20, 2001, takes responsibility for the contents of this Offering Circular.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Lagasca number 120, having VAT Reg. no. A-80514466, sponsors FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**”), and shall be responsible for managing and legally representing the same.

##### I.1.2 Specification that the above-mentioned individual(s) believe(s) that the information contained in the Offering Circular is truthful and that no fact has been omitted that might alter its scope.

Mr MARIO MASIÁ VICENTE confirms that the facts and figures contained in the Offering Circular are truthful and that no relevant detail has been omitted nor has misleading information been included.

#### I.2 Supervisory Bodies.

This full Offering Circular regarding the constitution of the Fund and issue of the Asset-Backed Bonds (hereinafter also the “**Bonds**”) has been verified and entered in the official registers of the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (“**CNMV**”).

The constitution of the Fund and issue of the Bonds is made under an Order of December 28, 2001 on Agreements for Sponsoring Asset Securitisation Funds to foster business financing (hereinafter “*Order of December 28, 2001*”), and are subject to the legal system provided by Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies (“**Royal Decree 926/1998**”), Act 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds (“**Act 19/1992**”), failing a provision in Royal Decree 926/1998 and to the extent applicable, Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, all other legal and statutory provisions in force and applicable from time to time:

Registration of the 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 issuer or yield of the issued or offered securities.

In accordance with the provisions of section Three and Appendix II to the Order of December 28, 2001, the Management Company has entered into a collaboration Agreement with the Directorate-General for Small and Medium-Sized Enterprise Policy on February 25, 2002.

**I.3 Name, address and qualifications of the auditors who have verified the number, amount and characteristics or features of the assets securitised through the Fund.**

Appendix 4 to this Offering Circular contains the Audit Report on a selection of loan transactions in the portfolio of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, part of which are the loans to be assigned to the Fund upon being constituted (the “**Loans**”). That Report was prepared by the firm Arthur Andersen y Cía., S. Com., entered in the Official Register of Auditors (ROAC) under number S0692 and having its registered office in Madrid, calle Raimundo Fernández Villaverde number 65.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer than (sample) the full selection of transactions (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative features regarding the sample transactions and specifically regarding: nature of the transaction, identification of the debtor (VAT Reg. No.), conveyance, SME nature of the debtor, transaction date, date of maturity, terms of repayment for the Loans at origination not shorter than one year in duration, interest rate and benchmark index, margin or spread, current balance, arrears, and additionally for loans on which mortgage certificates will be issued, insolvency status, address of the mortgaged property, mortgage security, ratio current balance/appraisal value and damage insurance cover.

## CHAPTER II

### INFORMATION REGARDING THE SECURITIES ISSUED BY THE ASSET SECURITISATION FUND

#### II.1 Information on prerequisites and resolutions necessary for the Fund to be constituted and on the securities issued by the Fund, and also on the terms for the Fund to acquire the assets subject of the securitisation process.

##### II.1.1 Issue resolutions and statutory requirements.

###### a) Corporate resolutions.

###### *Resolution to assign the Assets:*

The Board of Directors of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, (“BANCAJA”), held on January 30, 2002, resolved to authorise the assignment of credits owned by BANCAJA deriving from bilateral loans granted to non-financial companies registered in Spain in order to be acquired by the Fund (the “**Assigned Assets**”). The real estate mortgage-backed loans satisfying the requirements established in Act 2/1981, Royal Decree 685/1982 and Royal Decree 1289/1991, shall be assigned to the Fund by subscribing for mortgage certificates issued by BANCAJA (the “**Mortgage Certificates**”). Attached as Appendix 3 to this Offering Circular is a photocopy of a Transcript of the Resolutions of the Board of Directors of BANCAJA.

The real estate mortgage-backed loans satisfying the requirements to be assigned through the issue of mortgage certificates as of 31.01.2002, in accordance with the provisions of Act 2/1981, Royal Decree 685/1982 and Royal Decree 1289/1991, are 1,607 loans.

###### *Resolution to constitute the Fund:*

At its meeting dated December 20, 2001, the Executive Committee of the Board of Directors de EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, resolved:

- i) That FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS be constituted in pursuance of the Order on Agreements for Sponsoring Asset Securitisation Funds to foster business financing 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, Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.
- ii) That the Fund acquire loans assigned by BANCAJA, both directly and by subscribing for Mortgage Certificates issued by BANCAJA.
- iii) And that the Asset-Backed Bonds be issued by the Fund.

Attached as Appendix 2 hereto is a photocopy of a Transcript of the Resolutions of the Executive Committee of the Management Company's Board of Directors.

**b) Verification and Registration by the CNMV.**

The constitution of the Fund and issue of the Bonds are subject to the condition precedent of their verification and registration in the Official Registers of the CNMV. This Offering Circular concerning the constitution of the Fund and issue of the Bonds was verified by the CNMV and entered in its official registers on March 4, 2002.

**c) Execution of the Fund public deed of constitution.**

Upon the CNMV verifying and registering this Offering Circular and by March 5, 2002, without the Bond subscription period having yet begun, the Management Company along with BANCAJA shall proceed to execute a public deed whereby FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS will be constituted, and the Asset-Backed Bonds will be issued (the **"Deed of Constitution"**), on the terms provided in Royal Decree 926/1998.

Said Deed of Constitution shall be submitted to the CNMV to be entered in the public registers before the Bond Subscription Period begins.

**d) Agreements relating to the execution of the guarantee.**

In accordance with the provisions of section Two of the Order of December 28, 2001, the Management Company entered into a collaboration Agreement with the Directorate-General for Small and Medium-Sized Enterprise Policy on February 25, 2002.

Furthermore, in accordance with the provisions of section Three of said Order, BANCAJA entered on February 25, 2002 into the Master Collaboration Agreement with the Directorate-General for Small and Medium-Sized Enterprise Policy in order to specify the requirements to be met by the loans capable of being assigned to the Fund.

**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 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 issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. ("**SCLV**") or any other institution hereafter taking its stead, and, once the Bonds have been paid up, for this Bond issue to be included in AIAF Fixed-Income Market ("**AIAF**"), which is a recognised official secondary securities market, in order for the Bonds to be marketed, cleared and settled in accordance with the operating rules which may be established to that end or henceforth approved by the SCLV and AIAF, or any other institution taking their stead. It is expected that definitive AIAF listing will be achieved not later than one month after the date of registration of the Offering Circular.

## II.2 Administrative authorisations prior to the issue or offering.

No prior administrative authorisation other than the prior verification and registration of the Offering Circular by the CNMV is required.

The CNMV has made no warning or consideration concerning the constitution of the Fund and issue of the Bonds.

## II.3 Assessment of the risk inherent in the securities issued by the Fund by a rating firm recognised by the Comisión Nacional del Mercado de Valores.

The Management Company has entrusted the assessment of the credit risk of the Bonds to the rating agencies Moody's Investors Service España, S.A. ("**Moody's**") and Fitch Rating España, S.A.U. ("**Fitch**"), which rating agencies (hereinafter 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.

On February 27, 2002 Moody's 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.

Bond Series	Moody's Rating
Series A1(G)	Aaa
Series A1	Aa2
Series A2(G)	Aaa
Series A2	Aa2
Series B	Baa2

On February 27, 2002 Fitch 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.

Bond Series	Fitch's Rating
Series A1(G)	AAA
Series A1	AA
Series A2(G)	AAA
Series A2	AA
Series B	BBB

If the Rating Agencies should not confirm the assigned provisional ratings as final ratings 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.5.3.b).2. Furthermore, this circumstance would result in the Fund constitution, Bond issue and assignment of the Assigned Assets being terminated.

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

*Ratings given by Moody's.*

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

	Long-Term		Short-Term
Investment Grade	Aaa	➔	Prime-1 (P-1)
	Aa1		
	Aa2		
	Aa3		
	A1	➔	Prime-2 (P-2)
	A2		
	A3		
	Baa1	➔	Prime-3 (P-3)
	Baa2		
	Baa3		
Speculative grade	Ba1	➔	Not Prime (NP)
	Ba2		
	Ba3		
	B1		
	B2		
	B3		
	Caa1		
	Caa2		
	Caa3		
	Ca		
	C		

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

#### 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.

#### Short-Term

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

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.

*Ratings given by Fitch.*

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

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

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

#### 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** Speculative. “BB” ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

#### 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.

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”.

#### Rating considerations.

The rating is the Rating Agencies’ opinion about the level of credit risk, the Fund’s capacity to meet payments of interest as they fall due on each set Payment Date and of the principal of the issue throughout the life of the transaction. The rating takes into account the structure of the Bond issue, its legal aspects and 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 at 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 final ratings assigned may be revised, suspended or withdrawn at any time by the Rating Agencies, based on any information they may come to know. 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.5.3.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BANCAJA, the Management Company, JPMORGAN, the auditors, the 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 Assigned Assets. It shall also report when reasonably required to do so and in any event whenever there is a 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 securities offered specifying the issue or series number.**

The amount of the issue of Asset-Backed Bonds (the “**Bond Issue**” or generically the “**Bonds**”) totals a face value of EUR six hundred million (600,000,000) and consists of 6,000 Bonds pooled in two Classes comprising five Series, as described in section II.6 hereinafter.

##### **II.4.1 Legal system of the securities, specifying the procedures guaranteeing the certainty and effectiveness of the rights of their first and subsequent holders. Servicing implications in each of the series of securities issued by the Fund of the compulsory connection between the schedule of principal and interest payments on those securities and the cash flows of the assets securitised through the Fund.**

The constitution of the Fund and the Bond Issue against the same are carried out pursuant to Royal Decree 926/1998 and Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable.

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.

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 the SCLV or any other organisation taking its stead, and the relevant clearing member may issue Certificates of Title when so requested by the Bondholder and at the Bondholder’s expense; the provisions of Title I, Chapter I, section four of the Book Entries Royal Decree will apply in this connection.

The Bonds may be freely conveyed by any means admissible at Law. 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.

The Bondholders are bound in respect of Bond interest payment and principal repayment by the Fund Priority of Payments contained in section V.4.2.1 of this Offering Circular.

In order to mitigate the risk of a loss in yield of the Fund due to timing differences between the Fund's receipts of principal and interest of the Assigned Assets with different periodicities, and the amortisation and interest payment from the Bonds, the Management Company, on behalf of the Fund, shall enter into (i) a Guaranteed Interest Rate Account (Treasury Account) Agreement with BANCAJA whereby amounts received by the Fund from the Assigned Assets, both as repayment of principal and interest, inter alia, shall be invested, (ii) a Guaranteed Interest Rate Account (Amortisation Account) Agreement with BANCAJA whereby the amounts with which the Amortisation Fund is provisioned shall be invested and accumulated on each Payment Date, (iii) an Interest Swap Agreement with BANCAJA, whereby BANCAJA shall make payments to the Fund calculated based on the Bond interest rate and the Fund shall make payments to BANCAJA taking the interest on the Assigned Assets as benchmark. Furthermore, the Fund has other financial hedging transactions covering up to a limit the risk of shortfall of the Fund's resources to service the Bonds 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.4.2 Other implications and risks that might, due to the legal and economic nature of the assets pooled in the Fund, affect servicing of the securities issued by the Fund as a result of the process for securitising those assets.**

##### **a) Risk of default on the Assigned Assets.**

Bondholders shall bear with the risk of default on the Assigned Assets pooled in the Fund once the limited hedging afforded by the amount of the Subordinated Credit described in section V.3.3 of this Offering Circular has been exhausted, and the degree of subordination of each of the Class B Bonds derived from their position in the Fund Priority of Payments.

Nevertheless, that risk of default is covered for holders of Bonds in the Guaranteed Series backed by the State Guarantee described in section V.3.4 of this Offering Circular.

BANCAJA, the Originator, shall have no liability whatsoever for default by the Debtors, whether of principal, interest or any other amount whatsoever they may owe under the Assigned Assets, and shall not be answerable either for the enforceability of the guarantees collateral thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be duly performed, nor give any guarantees or securities, nor indeed agree to repurchase the Assigned Assets, irrespective of the provisions of section IV.1.2.c) to the extent that any of the Assigned Assets might not conform to the representations contained in section IV.1.1 of this Offering Circular, or the specific characteristics of the Assigned Assets BANCAJA may have notified to the Management Company and the provisions in section IV.1.2.d) in regard to the Call Right over all of the remaining Assigned Assets in certain events.

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

##### **b) Prepayment risk of the Assigned Assets.**

The Assigned Assets pooled in the Fund shall be prepaid when the Debtors proceed to an early repayment, on the terms provided in each of the deeds and contracts underlying those Assets, of the portion of principal pending repayment.

That prepayment risk shall, in certain circumstances, pass quarterly on each Payment Date to the Bondholders upon the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.4.5 of this Offering Circular.

**c) Limited 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.

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund on the terms established in section III.8 of this Offering Circular.

**d) Yield.**

Calculation of the internal rate of return, average life and duration of the Bonds is based, inter alia, on assumed prepayment rates of the Assigned Assets that may not be fulfilled, and on future market interest rates, given the floating nature of the nominal interest rate.

**e) Late-payment interest.**

The 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 in the appropriate accounting record. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

The SCLV 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, now established or approved in the future by the SCLV or any other institution taking its stead. Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the SCLV or any other institution taking its stead. Such designation shall be entered in the official registers of the CNMV.

SCLV has its place of business at calle Orense, no. 34, Madrid.

**II.6 Face amount of the securities altogether issued by the Fund, number of securities comprised and their numbering, as the case may be, itemised by the various constituent series.**

The amount of the Bond Issue totals a face value of EUR six hundred million (600,000,000), and consists of 6,000 Bonds represented by means of book entries, pooled in two Classes comprising five Series distributed as follows:

- a) Class A comprising four Series having a total face amount of EUR five hundred and seventy-three million (573,000,000) (hereinafter also the “**Class A Bonds**”).

- i) Series A1(G), having a total face amount of EUR two hundred and sixty-four million (264,000,000) consisting of two thousand six hundred and forty (2,640) Bonds with a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series A1(G) Bonds**”).
- ii) Series A1, having a total face amount of EUR sixty-six million (66,000,000) consisting of six hundred and sixty (660) Bonds with a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series A1 Bonds**”).
- iii) Series A2(G), having a total face amount of EUR one hundred and ninety-four million four hundred thousand (194,400,000) consisting of one thousand nine hundred and forty-four (1,944) Bonds with a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series A2(G) Bonds**”).
- iv) Series A2, having a total face amount of EUR forty-eight million six hundred thousand (48,600,000) consisting of four hundred and eighty-six (486) Bonds with a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series A2 Bonds**”).
- b) Class B comprising a single Series B, having a total face amount of EUR twenty-seven million (27,000,000) consisting of two hundred and seventy (270) Bonds with a unit face value of EUR one hundred thousand (100,000) (hereinafter also the “**Series B Bonds**” or “**Class B Bonds**”).

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 security, specifying, where it exists, the issue premium expressed in proportion to the face value and in monetary units per security. Currency in which each of the Series of securities issued by the Fund is denominated.**

The Bonds are issued at 100 percent of their face value. The Bond issue price in each of 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 securities issued by the Fund.**

The Bond issue price shall be clear of taxes and subscription costs for the subscriber through the Fund which, as issuer of the Bonds, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds.

**II.9 Specification, as appropriate, of the existence, as the case may be, of fees to be borne by the holders of the securities issued by the Fund, mandatorily represented as book entries, for entering and maintaining a balance.**

The expenses of including the Bond issue in the accounting record of the SCLV shall be borne by the Fund and may not be shifted to the Bondholders. This institution has established no fee whatsoever for maintaining a balance.

In accordance with the laws in force for the time being, the members of the SCLV may nevertheless establish such fees and expenses to be charged to the Bondholder, for managing 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 Nominal interest rate.**

The Bonds in each Series shall accrue a yearly nominal interest, variable and payable quarterly, which shall be the result of applying the policies established hereinafter.

Said resultant yearly nominal interest rate (hereinafter “nominal interest rate”) shall be payable quarterly in arrears on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series, provided that the Fund has sufficient liquidity in the Priority of Payments.

The withholdings, 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, as provided by law.

**a) Interest accrual.**

The duration of this issue shall be divided into successive interest accrual periods comprising the exact number of days elapsed between each Payment Date, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date (hereinafter “**Interest Accrual Periods**”). Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit April 22, 2002, 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.

**b) Nominal interest rate.**

The nominal interest rate applicable to the Bonds in each of the Series and determined for each Interest Accrual Period shall be the result of adding: (i) the Reference Rate, as established in section c) below, and (ii) the following margins for each Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A1(G):** 0.015% margin until April 20, 2005 or the next Business Day if that date is not a Business Day, and a 0.215% margin thereafter.
- **Series A1:** 0.380% margin until April 20, 2005 or the next Business Day if that date is not a Business Day, and a 0.760% margin thereafter.

- **Series A2(G):** 0.060% margin until October 20, 2008 or the next Business Day if that date is not a Business Day, and a 0.260% margin thereafter.
- **Series A2:** 0.480% margin until October 20, 2008 or the next Business Day if that date is not a Business Day, and a .960% margin thereafter.
- **Series B:** 1.800% margin.

**c) Reference Rate and determining the same.**

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

- 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, other than for the first Interest Accrual Period, 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 and the three- (3-) month Euribor rates 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:

$$IR = ((D-30)/60) \times E3 + (1-((D-30)/60)) \times E1$$

Where:

IR = Reference Rate for the first Interest Accrual Period.

D = Number of days in the first Interest Accrual Period.

E3 = Three- (3-) month Euribor rate.

E1 = One- (1-) month Euribor rate.

Said 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 decimal places.

- In the event that the 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, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Banco Bilbao Vizcaya Argentaria S.A.
- Barclays Bank plc.
- Deutsche Bank AG.
- Société Générale S.A.
- UBS AG.

In the event that it should be impossible to apply the above substitute Reference Rate, due to the failure by any or several of said banks to provide a statement of quotations, 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.



iii) If the rates established in paragraphs i) and ii) above should not be available or be impossible to obtain, the last Reference Rate applied to the last Interest Accrual Period shall apply, and so on for successive Interest Accrual Periods whilst matters remain the same.

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 printouts of the contents of the Reuters or Bridge Telerate screens or, as the case may be, of the statements of quotations of the above banks, as documents supporting the Reference Rate determined.

**d) 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 b) and c) above, based upon the Reference Rate or its substitute, 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 nominal interest rate of the Bonds in each of the Series for the first Interest Accrual Period shall be determined as provided in sections b) and c) above, based upon the Reference Rate (straight-line interpolation of one- (1-) and three- (3-) month Euribor rate), albeit referred to the second Business Day preceding the Closing Date, and shall be notified in writing by the Management Company by the start of the Subscription Period to the Lead Managers and 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 the SCLV.

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.5.2.

**e) Formula for calculating the interest.**

Calculation of the interest settlement for each of the Series, payable on each Payment Date for each Interest Accrual Period, shall be made 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 euro cent.*

*P = Outstanding Principal Balance of the Bonds in the Series at the beginning of the Interest Accrual Period falling on 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.*

**f) Example for fixing the nominal interest rate.**

As established in this section and for an easier understanding by the subscriber of the system for fixing the nominal interest rate and the amount of the interest to be received for each Bond in each Series on each Payment Date, the manner of calculating the same for the following event is shown below:

(Amounts in EUR)		Series A1(G) Bonds	Series A1 Bonds	Series A2(G) Bonds	Series A2 Bonds	Series B Bonds
1	Outstanding Principal Balance per Bond	100,000	100,000	100,000	100,000	100,000
2	Interest Accrual Period Days	46	46	46	46	46
3	1- to 3-month interpolated Euribor Rate	3.33073	3.33073	3.33073	3.33073	3.33073
4	Margin	0.015	0.380	0.060	0.480	1.800
5	Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	3.346	3.711	3.391	3.811	5.131
6	Calculation of the interest accrued per Bond (1)×(2)×(5)/36000	427.5444	474.1833	433.2944	486.9611	655.6278
7	Amount of interest payable per Bond: rounded up to the nearest euro cent	427.54	474.18	433.29	486.96	655.63

1-month Euribor: 3.323%

**g) 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 on the EURIBOR01 electronic page supplied by Reuters, and the nominal interest rates that would result if applied to each of the Bond Series:

Dates	3-month Euribor	Series A1(G) Bonds	Series A1 Bonds	Series A2(G) Bonds	Series A2 Bonds	Series B Bonds
February 20, 2002	3.352	3.367	3.732	3.412	3.832	5.152
January 21, 2002	3.346	3.361	3.726	3.406	3.826	5.146
December 20, 2001	3.343	3.358	3.723	3.403	3.823	5.143
November 20, 2001	3.349	3.364	3.729	3.409	3.829	5.149
October 22, 2001	3.580	3.595	3.960	3.640	4.060	5.380
September 20, 2001	3.701	3.716	4.081	3.761	4.181	5.501
August 20, 2001	4.335	4.350	4.715	4.395	4.815	6.135
July 20, 2001	4.475	4.490	4.855	4.535	4.955	6.275
June 20, 2001	4.452	4.467	4.832	4.512	4.932	6.252
May 21, 2001	4.557	4.572	4.937	4.617	5.037	6.357
April 20, 2001	4.765	4.780	5.145	4.825	5.245	6.565
March 20, 2001	4.766	4.781	5.146	4.826	5.246	6.566
February 20, 2001	4.779	4.794	5.159	4.839	5.259	6.579
January 22, 2001	4.757	4.772	5.137	4.817	5.237	6.557
December 20, 2000	4.905	4.920	5.285	4.965	5.385	6.705
November 20, 2000	5.061	5.076	5.441	5.121	5.541	6.861

<b>Dates</b>	<b>3-month Euribor</b>	<b>Series A1(G) Bonds</b>	<b>Series A1 Bonds</b>	<b>Series A2(G) Bonds</b>	<b>Series A2 Bonds</b>	<b>Series B Bonds</b>
October 20, 2000	5.039	5.054	5.419	5.099	5.519	6.839
September 20, 2000	4.818	4.833	5.198	4.878	5.298	6.618
August 21, 2000	4.844	4.859	5.224	4.904	5.324	6.644
July 20, 2000	4.636	4.651	5.016	4.696	5.116	6.436
June 20, 2000	4.486	4.501	4.866	4.546	4.966	6.286
May 22, 2000	4.481	4.496	4.861	4.541	4.961	6.281
April 25, 2000	3.998	4.013	4.378	4.058	4.478	5.798
March 20, 2000	3.769	3.784	4.149	3.829	4.249	5.569
February 21, 2000	3.612	3.627	3.992	3.672	4.092	5.412

**II.10.2 Simple confirmation of the priority of the interest payment of the securities issued by the Fund in the Fund priority of payments, and specification of the section and pages of this Offering Circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting interest payments on those securities.**

Payment of interest accrued by the Series A1(G), A1, A2(G) and A2 Bonds is third (3<sup>rd</sup>) in the Priority of Payments established in section V.4.2.1 of this Offering Circular.

Payment of interest on the Class B Bonds is fourth (4<sup>th</sup>) in the Priority of Payments established in section V.4.2.1 of this Offering Circular, unless the requirements set in section V.4.2.3 of the Offering Circular for deferment are satisfied, in which case it shall be seventh (7<sup>th</sup>) in the Priority of Payments established in that section.

**II.10.3 Dates, place, institutions and procedure for paying interest.**

The interest on the Bonds in all the Series will be paid in arrears on January 20, April 20, July 20 and October 20 of each year until they are fully amortised (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 the dates established in the preceding paragraph should not be a Business Day, the Payment Date shall be the following Business Day, and interest for the ongoing Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in all the Series shall be April 22, 2002, because April 20, 2002 is not a Business Day, and interest will accrue at the relevant nominal interest rate between the Closing Date, inclusive, and April 22, 2002, exclusive.

For the purposes of this Bond Issue, 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 the interest resulting for the Bondholders in each of the Series and the amount of the interest accrued and not paid shall be notified to the Bondholders as described in section III.5.2 of this Offering Circular, at least one (1) calendar day in advance of each Payment Date.

The 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.

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 relevant Priority of Payments, the amounts that the Bondholders should not have received shall be accumulated on the next Payment Date to the interest on the actual Series 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 shortage of Available Funds, other than as established in section V.3.4 for payment of interest on the Guaranteed Series.

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

The Fund, through its Management Company, may not defer Bond interest payment beyond July 20, 2023, the Final Maturity Date, or the next Business Day if that date 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 BANCAJA.

In order for the subscriber to understand the system for fixing the nominal interest rate applicable and the amount of the interest to be received for each Bond on each Payment Date, section II.12 of the Offering Circular provides an illustrative example and the Theoretical Loan Servicing Tables.

## **II.11 Amortisation of the securities.**

### **II.11.1 Redemption price, specifying the existence of premiums, rewards, lots or any other financial advantage.**

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.11.3 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 Simple specification of the order number the payment of principal on the securities issued by the Fund has in the Fund payment priority, and specification of the section and pages of this Offering Circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting principal payments on those securities.**

Withholdings of the amounts required for Provisioning the Primary Amortisation Fund and Provisioning the Secondary Amortisation Fund are respectively sixth (6<sup>th</sup>) and eighth (8<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section V.4.2.1 of this Offering Circular.

In turn, repayment of principal in the Series A1, A1(G), A2 and A2(G) Bonds is first (1<sup>st</sup>) in the application of the Available Funds for Amortisation in the Priority of Payments established in section V.4.2.2 of this Offering Circular.

Furthermore, repayment of principal in the Class B Bonds is second (2<sup>nd</sup>) in the application of Available Funds for Amortisation in the Priority of Payments.

### **II.11.3 Amortisation modes specifying dates, place, institutions, procedure and advertising for the same.**

#### **II.11.3.1 Amortisation of Series A1(G) and A1 Bonds.**

Repayment of the principal of the Series A1(G) and A1 Bonds shall consist of a single payment for their aggregate face value on April 20, 2005 (“**Series A1(G) and A1 Maturity Date**”) or the next Business Day if that date is not a Business Day, using the Available Funds for Amortisation on that Payment Date.

Nevertheless, the single amortisation on the Series A1(G) and A1 Maturity Date may be modified in the following circumstances:

- a) As established in section II.11.3.4.5, if the Early Amortisation of the Bonds should apply in certain circumstances for which provision is made in that section.
- b) In the event that the Available Funds for Amortisation on the Series A1(G) and A1 Maturity Date should not be sufficient to amortise the aggregate face value of the Series A1(G) and A1 Bonds.

In both circumstances the amortisation of the Bonds in each Series shall take place on each Payment Date pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, in an amount equal to the Available Funds for Amortisation distributed for the actual Series.

#### **II.11.3.2 Amortisation of Series A2(G) and A2 Bonds.**

Repayment of the principal of the Series A2(G) and A2 Bonds shall consist of a single payment for their aggregate face value on October 20, 2008 (“**Series A2(G) and A2 Maturity Date**”) or the next Business Day if that date is not a Business Day, using the Available Funds for Amortisation on that Payment Date.

Nevertheless, the single amortisation on the Series A2(G) and A2 Maturity Date may be modified in the following circumstances:

- a) As established in section II.11.3.4.5, if the Early Amortisation of the Bonds should apply in certain circumstances for which provision is made in that section.
- b) In the event that the Available Funds for Amortisation on the Series A2(G) and A2 Maturity Date should not be sufficient to amortise the aggregate face value of the Series A2(G) and A2 Bonds.

In both circumstances the amortisation of the Bonds in each Series shall take place on each Payment Date pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, in an amount equal to the Available Funds for Amortisation distributed for the actual Series.

### **II.11.3.3 Amortisation of Class B Bonds.**

Repayment of the principal of the Class B Bonds shall consist of several part payments using the Available Funds for Amortisation and in accordance with the following rules:

- (i) The first amortisation of the Class B Bonds shall fall due on the Payment Date immediately after the Determination Date on which the Outstanding Principal Balance of the Class B Bonds is equal to or greater than the amount being 10.00% of the difference between (i) the Outstanding Principal Balance of the Bonds in all the Series and (ii) the balance on the Amortisation Account.
- (ii) From that Payment Date, inclusive, and thereafter, the Class B Bonds shall be amortised in such amount as shall, on each Payment Date, maintain the ratio at 10.00%, or nearest possible percentage, between the Outstanding Principal Balance of the Class B Bonds and the difference between (i) the Outstanding Principal Balance of the Bonds in all the Series and (ii) the balance on the Amortisation Account.
- (iii) Notwithstanding the provisions of the preceding paragraph, the amortisation of the Class B Bonds shall be stopped for the time being on Payment Dates on which there is (i) a Secondary Principal Deficiency or (ii) that the sum of the Outstanding Balance of the Assigned Assets with an arrears in excess of ninety (90) days in payment of amounts due on the Determination Date as of the ongoing Payment Date is greater than 5.00% of the Outstanding Balance of Assigned Assets on that same date.
- (iv) Furthermore, if, as established in section II.11.3.4.5, the Early Amortisation of the Bonds should apply, the amortisation of the Class B Bonds shall be stopped and once the Class A Bonds have been fully amortised the amortisation of the Class B Bonds shall be resumed until they are fully amortised.

### **II.11.3.4 Common rules for the amortisation of the Bonds in each of the Series.**

#### **II.11.3.4.1 Determination Dates.**

These will be the dates falling on the third 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.

#### **II.11.3.4.2 Outstanding Principal Balance of the Bonds.**

The Outstanding Principal Balance of the Bonds in a Series shall be the sum of the outstanding principal balance pending amortisation of the Bonds making up that Series, such balances to include the principal amounts that should have been repaid, as the case may be, and were not paid due to a shortage of Available Funds for Amortisation, in the Fund Priority of Payments.

Moreover, the Outstanding Principal Balance of the Bonds in one Class shall be the sum of the Outstanding Principal Balance of the Bonds in each of the Series making up that Class.

#### **II.11.3.4.3 Outstanding Balance of the Assigned Assets.**

The Outstanding Balance of the Assigned Assets shall be the sum of the capital not yet due and the capital due and not paid on each of the Assigned Assets, deducting the balance on the Recovery Shortfall Account.

The Recovery Shortfall Account shall from time to time contain the differences between the principal amounts due on the Assigned Assets on their enforcement dates and the principal amount recovered upon such enforcement.

#### **II.11.3.4.4 Provisioning of an Amortisation Fund on each Payment Date and Primary and Secondary Principal Deficiency.**

On each Payment Date, a provisioning (“**Provisioning**”) shall be made of an amortisation fund (“**Amortisation Fund**”) for the Bonds using the Available Funds and in the Fund Priority of Payments. Provisioning of the Amortisation Fund on a Payment Date shall be equal to the sum of the amounts of the Primary Amortisation Fund and the Secondary Amortisation Fund withheld on that Payment Date according to the liquidity of the Fund in the Priority of Payments.

The required Provisioning of the Primary Amortisation Fund on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Class A Bonds plus the amount, if any, drawn against the State Guarantee for payment of Guaranteed Series principal pending repayment, deducting the balance on the Amortisation Account on the immediately preceding Determination Date, and (ii) the Outstanding Balance of the Assigned Assets, on the Determination Date immediately preceding the ongoing Payment Date.

The Primary Principal Deficiency on a Payment Date shall be the positive difference, if any, between the required Provisioning of the Primary Amortisation Fund and the amount actually applied upon distributing the Available Funds in the Priority of Payments, according to the liquidity of the Fund on that Payment Date.

The required Provisioning of the Secondary Amortisation Fund on a Payment Date shall be equal to the lower of (i) the Outstanding Principal Balance of the Class B Bonds on the immediately preceding Determination Date and (ii) the positive difference between the Outstanding Principal Balance of the Bonds in all the series plus the amount, if any, drawn against the State Guarantee for payment of Guaranteed Series principal pending repayment, deducting the balance on the Amortisation Account, and the Outstanding Balance of the Assigned Assets, on the Determination Date immediately preceding the ongoing Payment Date.

The Secondary Principal Deficiency on a Payment Date shall be the positive difference, if any, between the required Provisioning of the Secondary Amortisation Fund and the amount actually applied upon distributing the Available Funds in the Priority of Payments, according to the liquidity of the Fund on that Payment Date.

#### **II.11.3.4.5 Early Amortisation of the Bonds.**

Exceptionally, the Fund, represented by the Management Company, shall proceed to an early amortisation of the Bonds (the “**Early Amortisation of the Bonds**”) after an ongoing Payment Date, inclusive, on which any of the following circumstances occur:

- (i) Before the Series A1(G) and A1 Maturity Date (April 20, 2005) or the Series A2(G) and A2 Maturity Date (October 20, 2008), if on the Determination Date preceding the ongoing Payment Date, the Historical Constant Prepayment Rate (“**HCPR**”) is greater than a percentage equal to  $(33\% - 0.75\% \times N)$ , where N is the number of Payment Dates elapsed since the Closing Date.

The HCPR on a Determination Date is equal to 1 minus the result of the following expression: 1 minus the rate resulting from dividing (i) the cumulative sum of all the principals of the Assigned Assets prepaid since the date of constitution of the Fund until the ongoing Determination Date by (ii) the initial capital of all the Assigned Assets on the date of constitution of the Fund, and (iii) such expression raised

to 12 divided by the number of months, rounded to one hundredth of a point, elapsed from the date of constitution of the Fund.

- (ii) On any Payment Date, if on the Determination Date immediately preceding the ongoing Payment Date the ratio of (i) the Outstanding Balance of the Assigned Assets with an arrears of less than ninety (90) days, plus the balance on the Amortisation Account, and (ii) the Outstanding Principal Balance of the Class A Bonds is less than or equal to 1.

In the event that there should be an Early Amortisation of the Bonds, the Available Funds for Amortisation on a Payment Date shall be applied as follows:

- (i) They shall first of all be applied to repayment of the principal of the Class A Bonds without distinction among the Series and, as the case may be, to repayment to the State of such amounts as shall have been paid to the Fund under the Guarantee for payment of Guaranteed Series principal.
- (ii) When the Class A Bonds have been fully amortised, they shall be applied to the amortisation of the Class B Bonds.

#### **II.11.3.4.6 Composition and application of the Available Funds for Amortisation on each Payment Date.**

##### *Composition.*

The Available Funds for Amortisation on a Payment Date comprise the following amounts:

- a) The balance on the Amortisation Account on the Determination Date preceding the ongoing Payment Date.
- b) The amount applied for Provisioning of the Primary Amortisation Fund on the ongoing Payment Date.
- c) The amount applied for Provisioning of the Secondary Amortisation Fund on the ongoing Payment Date.
- d) Amounts, if any, drawn upon enforcing the State Guarantee designed solely for the amortisation of principal of the Guaranteed Series or, if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in such amounts.
- e) Amounts, if any, drawn on the credit facility the Management Company is entitled to arrange for in order to proceed to an Early Liquidation of the Fund, in accordance with section III.8.1 of this Offering Circular.

##### *Application.*

The Available Funds for Amortisation on each Payment Date shall be applied, independently of the time of accrual, to fulfilling the Fund's payment or withholding obligations in the following order:

1.
  - Repayment of the principal of the Series A1(G) and A1 Bonds on their Maturity Date or in the event of Early Amortisation.
  - Repayment of the principal of the Series A2(G) and A2 Bonds on their Maturity Date or in the event of Early Amortisation.
  - Repayment to the State of such amounts as shall have been paid to the Fund under the Guarantee, for repayment of principal of the Bonds in any of the Guaranteed Series.
2. Repayment of the principal of the Class B Bonds, as established in section II.11.3.3, from the next Payment Date, inclusive, and subsequent Payment Dates, on the Determination Date on which the ratio between the Outstanding Principal Balance of the Class B Bonds and the difference between (i) the Outstanding Principal Balance of the Bonds in all the Series and (ii) the balance on the Amortisation



Account, is equal to or greater than 10.00%, and in an amount allowing the ratio to be kept at 10.00%, or the nearest possible higher percentage. Nevertheless, the amortisation of the Class B Bonds may be stopped in certain circumstances for which provision is made in that section.

3. The remaining Available Funds for Amortisation not applied in the preceding priority shall remain on the Amortisation Account.

When in a same priority of payments amounts are due for different items and the Available Funds for Amortisation are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds for Amortisation shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

#### **II.11.3.4.7 Early maturity of the Bond Issue.**

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds in each Series in accordance with the respective amortisation rules or in the event of Early Amortisation, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the CNMV, to proceed to an early liquidation of the Fund and hence an early maturity of the Bond issue on a Payment Date, in the Early Liquidation Events in accordance with and subject to the requirements established in section III.8.1 of this Offering Circular.

#### **II.11.3.4.8 Final Maturity Date.**

The Final Maturity Date and consequently the final amortisation of the Bonds is July 20, 2023 or the next Business Day if that date 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., proceeding to an early amortisation of the Bond issue before the Final Maturity Date.

### **II.12 Servicing table of the loan, including both interest payments and principal amortisation, for each of the Bond Series to be issued on the Fund.**

The issue will be serviced through BANCAJA, 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.5.2. Interest and amortisations shall be paid to the lawful Bondholders by the relevant clearing members and to the latter in turn by the SCLV or any other institution taking its stead, being the institution responsible for the accounting record.

#### **a) Loan servicing tables.**

The main characteristic of the Asset-Backed Bonds of this issue lies in that their regular repayment and hence their average life and duration depend on the following factors:

- i) The repayment schedule established in each of the Assigned Asset agreements.
- ii) The Debtors' capacity to a fully or partially prepay the Assigned Assets and the pace at which such prepayment occurs on aggregate throughout the life of the Fund.

In this sense, as established in section II.11.3, both Series A1(G) and A1 Bonds and the Series A2(G) and A2 Bonds have unique Maturity Dates which must be fulfilled other than in exceptional events in the performance of the prepayment of the Assigned Assets resulting in an Early Amortisation event of the Bonds as established in section II.11.3.4.5. In that exceptional event, the prepayments of the Assigned

Assets resolved by the Debtors, subject to continual changes, and estimated in this Offering Circular by using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter “CPR”), shall directly affect the pace at which Bonds are repaid, and therefore the average life and duration of the Bonds.

There are also other variables, also subject to continual changes, affecting said average life and duration of the Bonds. These variables and their assumed values in all the tables contained in this section are:

- interest rate of the portfolio of Assigned Assets: 5.56%;
- delinquency on the portfolio of Assigned Assets: 0% per annum;
- defaults on the portfolio of Assigned Assets: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- and that the Bond Closing Date is March 7, 2002;

Finally, the true adjusted duration of the Bonds will also depend on their floating interest rate, which is assumed to be constant for the First Interest Accrual Period in all the tables contained in this section, as follows for each Series:

	<b>Series A1(G) Bonds</b>	<b>Series A1 Bonds</b>	<b>Series A2(G) Bonds</b>	<b>Series A2 Bonds</b>	<b>Series B Bonds</b>
<b>Nominal interest rate</b>	<b>3.346%</b>	<b>3.711%</b>	<b>3.391%</b>	<b>3.811%</b>	<b>5.131%</b>

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

	<b>Series A1(G) Bonds</b>	<b>Series A1 Bonds</b>	<b>Series A2(G) Bonds</b>	<b>Series A2 Bonds</b>	<b>Series B Bonds</b>
<b>Nominal interest rate</b>	<b>3.367%</b>	<b>3.732%</b>	<b>3.412%</b>	<b>3.832%</b>	<b>5.152%</b>

Assuming that the Management Company shall exercise the early amortisation option provided in section III.8.1 of this Offering Circular, when the Outstanding Balance of the Assigned Assets is less than 15% of their initial amount, the average life and duration of the Bonds for different CPRs shall be as follows:

<b>% CPR:</b>	<b>0.00%</b>	<b>4.00%</b>	<b>8.00%</b>	<b>12.00%</b>	<b>16.00%</b>
	<b>Series A1(G) Bonds</b>				
<b>Average life (years)</b>	3.18	3.13	3.12	3.12	3.12
<b>IRR</b>	3.457%	3.457%	3.457%	3.457%	3.457%
<b>Duration (years)</b>	3.05	3.00	2.99	2.99	2.99
<b>Final life (years)</b>	3.88	3.37	3.12	3.12	3.12

	Series A1 Bonds				
<b>Average life (years)</b>	3.18	3.13	3.12	3.12	3.12
<b>IRR</b>	3.837%	3.837%	3.837%	3.837%	3.837%
<b>Duration (years)</b>	3.03	2.98	2.97	2.97	2.97
<b>Final life (years)</b>	3.88	3.37	3.12	3.12	3.12

	Series A2(G) Bonds				
<b>Average life (years)</b>	7.74	7.16	6.63	6.63	6.63
<b>IRR</b>	3.504%	3.504%	3.504%	3.504%	3.504%
<b>Duration (years)</b>	6.84	6.40	5.98	5.98	5.98
<b>Final life (years)</b>	8.88	7.63	6.63	6.63	6.63

	Series A2 Bonds				
<b>Average life (years)</b>	7.74	7.16	6.63	6.63	6.63
<b>IRR</b>	3.942%	3.942%	3.942%	3.942%	3.942%
<b>Duration (years)</b>	6.73	6.31	5.90	5.90	5.90
<b>Final life (years)</b>	8.88	7.63	6.63	6.63	6.63

	Class B Bonds				
<b>Average life (years)</b>	7.01	5.97	5.16	4.75	4.36
<b>IRR</b>	5.327%	5.327%	5.327%	5.327%	5.327%
<b>Duration (years)</b>	5.86	5.12	4.52	4.19	3.89
<b>Final life (years)</b>	8.88	7.63	6.63	6.63	6.63

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 euros 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.

$A_i$  = ( $A_1$  .....  $A_n$ ). Total amortisation and interest amounts to be received by the 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 loan servicing tables described hereinafter are merely theoretical and given for illustrative purposes, and represent no payment obligation whatsoever, recalling that:

- The CPRs are assumed to be constant respectively at 8% and 16% throughout the life of the issue and, as noted, actual prepayment rates change continually.
- The Outstanding Principal Payment Balance on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment rate in the portfolio of Assigned Assets.
- The Bond interest rates are assumed to be constant for each Series whereas the interest rate of all the Series is known to be 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 will exercise the early liquidation option of the Fund and thereby the early maturity of the Bond issue when the Outstanding Balance of the Assigned Assets is less than 15% of the initial amount, as provided in the first paragraph of section III.8.1.

# **FLows for every bond without withholding for the holder**

(AMOUNT IN EUR)

**CPR = 8%**

Payment Date	Series A1 (G) Bonds			Series A1 Bonds			Series A2 (G) Bonds			Series A2 Bonds			Class B Bonds		
	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow
07-Mar-2002															
22-Apr-2002		427.54	427.54		474.18	474.18		433.29	433.29		486.96	486.96		655.63	655.63
22-Jul-2002		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
21-Oct-2002		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Jan-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
21-Apr-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
21-Jul-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Oct-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Jan-2004		860.46	860.46		953.73	953.73		871.96	871.96		979.29	979.29		1,316.62	1,316.62
20-Apr-2004		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Jul-2004		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Oct-2004		860.46	860.46		953.73	953.73		871.96	871.96		979.29	979.29		1,316.62	1,316.62
20-Jan-2005		860.46	860.46		953.73	953.73		871.96	871.96		979.29	979.29	3,264.71	1,316.62	4,581.33
20-Apr-2005	100,000.00	841.75	100,841.75	100,000.00	933.00	100,933.00		853.00	853.00		958.00	958.00	7,101.99	1,245.95	8,347.94
20-Jul-2005								862.48	862.48		968.64	968.64	6,485.36	1,167.30	7,652.66
20-Oct-2005								871.96	871.96		979.29	979.29	5,966.38	1,094.74	7,061.13
20-Jan-2006								871.96	871.96		979.29	979.29	5,514.65	1,016.19	6,530.84
20-Apr-2006								853.00	853.00		958.00	958.00	5,025.62	923.07	5,948.69
20-Jul-2006								862.48	862.48		968.64	968.64	4,483.10	867.88	5,350.97
20-Oct-2006								871.96	871.96		979.29	979.29	4,206.53	818.39	5,024.92
22-Jan-2007								890.91	890.91		1,000.58	1,000.58	3,990.39	779.59	4,769.98
20-Apr-2007								834.04	834.04		936.71	936.71	3,725.14	679.58	4,404.72
20-Jul-2007								862.48	862.48		968.64	968.64	3,492.53	654.23	4,146.76
22-Oct-2007								890.91	890.91		1,000.58	1,000.58	3,334.77	628.82	3,963.59
21-Jan-2008								862.48	862.48		968.64	968.64	3,108.74	565.32	3,674.06
21-Apr-2008								862.48	862.48		968.64	968.64	2,893.82	524.83	3,418.65
21-Jul-2008								862.48	862.48		968.64	968.64	2,653.88	487.15	3,141.02
20-Oct-2008							100,000.00	862.48	100,862.48	100,000.00	968.64	100,968.64	34,752.39	452.58	35,204.98
	100,000.00	10,659.47	110,659.47	100,000.00	11,815.33	111,815.33	100,000.00	22,924.11	122,924.11	100,000.00	25,746.17	125,746.17	100,000.00	26,929.59	126,929.59

# **FLows for every bond without withholding for the holder**

(AMOUNT IN EUR)

**CPR = 16%**

Payment Date	Series A1 (G) Bonds			Series A1 Bonds			Series A2 (G) Bonds			Series A2 Bonds			Class B Bonds		
	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow	Principal Repayment	Interest (gross)	Total flow
07-Mar-2002															
22-Apr-2002		427.54	427.54		474.18	474.18		433.29	433.29		486.96	486.96		655.63	655.63
22-Jul-2002		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
21-Oct-2002		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Jan-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
21-Apr-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
21-Jul-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Oct-2003		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Jan-2004		860.46	860.46		953.73	953.73		871.96	871.96		979.29	979.29		1,316.62	1,316.62
20-Apr-2004		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64		1,302.31	1,302.31
20-Jul-2004		851.10	851.10		943.37	943.37		862.48	862.48		968.64	968.64	8,758.14	1,302.31	10,060.45
20-Oct-2004		860.46	860.46		953.73	953.73		871.96	871.96		979.29	979.29	8,673.01	1,201.31	9,874.32
20-Jan-2005		860.46	860.46		953.73	953.73		871.96	871.96		979.29	979.29	7,865.96	1,087.12	8,953.08
20-Apr-2005	100,000.00	841.75	100,841.75	100,000.00	933.00	100,933.00		853.00	853.00		958.00	958.00	7,019.82	962.17	7,982.00
20-Jul-2005								862.48	862.48		968.64	968.64	6,305.16	881.44	7,186.60
20-Oct-2005								871.96	871.96		979.29	979.29	5,695.78	808.12	6,503.90
20-Jan-2006								871.96	871.96		979.29	979.29	5,150.58	733.12	5,883.70
20-Apr-2006								853.00	853.00		958.00	958.00	4,585.78	650.85	5,236.63
20-Jul-2006								862.48	862.48		968.64	968.64	4,051.90	598.36	4,650.26
20-Oct-2006								871.96	871.96		979.29	979.29	3,720.57	551.58	4,272.16
22-Jan-2007								890.91	890.91		1,000.58	1,000.58	3,434.27	513.52	3,947.79
20-Apr-2007								834.04	834.04		936.71	936.71	3,115.53	437.50	3,553.03
20-Jul-2007								862.48	862.48		968.64	968.64	2,858.40	411.84	3,270.24
22-Oct-2007								890.91	890.91		1,000.58	1,000.58	2,657.71	386.96	3,044.67
21-Jan-2008								862.48	862.48		968.64	968.64	2,419.13	340.00	2,759.13
21-Apr-2008								862.48	862.48		968.64	968.64	2,194.05	308.49	2,502.55
21-Jul-2008								862.48	862.48		968.64	968.64	1,972.78	279.92	2,252.69
20-Oct-2008							100,000.00	862.48	100,862.48	100,000.00	968.64	100,968.64	19,521.43	254.23	19,775.64
	100,000.00	10,659.47	110,659.47	100,000.00	11,815.33	111,815.33	100,000.00	22,924.11	122,924.11	100,000.00	25,746.17	125,746.17	100,000.00	22,797.26	122,797.26

**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 an easier understanding by the subscriber of the definitions and rules for the application of dates and periods described in sections II.10 and II.11 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: April 22, 2002 because April 20, 2002 is not a Business Day.  
(Execution of the Deed of Constitution: March 4, 2002)**

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
  - 11am on the second Business Day immediately preceding the Closing Date: March 5, 2002.
- b) Notices:
  - Extraordinary notice of constitution of the Fund and Bond Issue -press insert, as per section III.5.2: March 5, 2002.
  - Ordinary notice of the resultant nominal interest rate for the first Interest Accrual Period: March 5, 2002. The Management Company shall notify this in writing prior to the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds.
- c) First Interest Accrual Period:
  - From March 7, 2002 (Closing Date), inclusive, until April 22, 2002, exclusive.
- d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Available Funds): April 17, 2002.
- e) Ordinary periodic notices (inserts in the AIAF bulletin, as per section III.5.2):
  - Of all other periodic information: until April 21, 2002.

**2. Second Payment Date: July 22, 2002 because July 20, 2002 is not a Business Day.**

- a) Interest Rate Fixing Date applicable for the Interest Accrual Period:
  - 11am on the second Business Day preceding the first Payment Date: April 18, 2002.
- b) Ordinary periodic notices (inserts in the AIAF bulletin, as per section III.5.2):
  - Of the resultant interest rate for the Interest Accrual Period: until April 24, 2002, inclusive.
- c) Second Interest Accrual Period:
  - From April 22, 2002 (first Payment Date), inclusive, until July 22, 2002, exclusive.
- d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Available Funds): July 17, 2002.
- e) Ordinary periodic notices (inserts in the AIAF bulletin, as per section III.5.2):
  - Of all other periodic information: until July 21, 2002.

**II.13 Actual interest forecast for the holder, bearing in mind the characteristics of the issue, specifying the calculation method used and the expenses expected by items having regard to its true nature.**

In the event that the nominal interest rates applicable to each of the Series, variable quarterly, should be maintained throughout the life of the issue, as established in the tables contained in section II.12.a) of the Offering Circular, these rates would result in internal rates of return (“IRR”) for the holder in each of the Series as shown in 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.

	Series A1(G) Bonds	Series A1 Bonds	Series A2(G) Bonds	Series A2 Bonds	Series B Bonds
<b>IRR</b>	<b>3.457%</b>	<b>3.837%</b>	<b>3.504%</b>	<b>3.942%</b>	<b>5.327%</b>

**II.14 Actual interest forecast for the Fund at the time of issue of the securities, 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 issue at the rates of the table contained in section II.12.a)
- that the assumptions mentioned in section II.12.a) are made, and
- that the expected organisation and issue expenses are deducted from the face value of the Bond issue.

The actual interest forecast for the Fund would be 3.728% for CPRs respectively of 8.00% and 16.00%, in the assumptions contained in the preceding paragraph.

The expected expenses are as follows:

<b>Fund constitution and Bond issue expenses.</b>	<b>EUR</b>
• Management Company fee	72,100.00
• Notary's, audit, rating and legal advice fees	289,086.12
• CNMV fees (issue and listing)	42,444.00
• AIAF and SCLV fees	36,389.20
• Bond issue lead management, underwriting and placement fees	1,331,100.00
• Issue advertising, printing and other expenses	16,060.60
<b>Total expenses</b>	<b>1,787,179.92</b>



**II.15 Existence or not of special guarantees on the Assigned Assets pooled in the Fund or on the securities issued by the Fund, which may have been given by any of the institutions involved in the securitisation process covered by this Offering Circular.**

**II.15.1 No guarantees given by the Originator.**

There are no guarantees given by BANCAJA as Originator on the Bonds issued by the Fund or on the Assigned Assets pooled in the Fund, beyond the undertakings by BANCAJA contained in section IV.1.2.c of this Offering Circular in relation to the substitution of the Assigned Assets failing to conform to the representations contained in section IV.1.1 of this Offering Circular and the specific characteristics of the Assigned Assets notified by the Originator to the Management Company.

**II.15.2 State Guarantee.**

The Economy Ministry has issued in an Order a guarantee which shall secure, waiving the benefit of discussion, payment of the principal and interest of Series A1(G) and A2(G) (the “**Guaranteed Series**”), making its enforceability conditional on the Fund being ultimately organised and registered by the CNMV.

The amount of the guarantee is (i) EUR 458,400,000, equivalent to the sum of the issued face amount of the Series A1(G) Bonds and of the Series A2(G) Bonds, plus (ii) the interest on that amount in those Series.

The terms of the State Guarantee are detailed in section V.3.4 of this Offering Circular.

**II.16 Securities circulation law, particularly noting whether there are restrictions on the free conveyance of the securities or mentioning that such exist.**

The Bonds subject of this issue are not subject to restrictions on their free conveyance, and may be freely conveyed subject to the statutory provisions applicable thereto and to the provisions of sections II.4.1, II.5 and II.17 of this Chapter.

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

The Management Company shall, forthwith upon the Bonds having been paid up, apply for this Bond issue to be listed on the AIAF Fixed-Income Market, 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.

The Management Company expressly declares that it is acquainted with 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 above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify the Bondholders thereof, moreover advising of the reasons for such inobservance, all in accordance with the provisions of section III.5.2 of the Offering Circular. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be.

## **II.18 Subscription or acquisition proposals.**

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

The placement of the Bond issue in all the Series is targeted to institutional investors, both legal persons or estates devoid of legal personality, such as Pension Funds, Collective-Investment Undertakings, insurance companies or such institutions as credit institutions or undertakings qualified under articles 64 and 65 of the Securities Market Act (as worded by Act 37/1998) 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 his 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 organised 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 implies for each Bondholder an acceptance of the terms of the Deed of Constitution

### **II.18.2 Legal status of the Bonds.**

The following legal considerations apply to the Bonds subject of this issue in connection with their holding by certain investors:

- (i) The Series A1(G), A1, A2(G) and A2 Bonds in Class A satisfy the selection policies to be admitted as assets securing transactions with the European Central Bank.
- (ii) They must be 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.
- (iii) They must be 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 must be eligible for investment by Pension Funds in accordance with the provisions of article 34 of Royal Decree 1307/1988, September 30, approving the Pension Plans and Funds Regulations.
- (v) They must be eligible for investing the assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 4, 10, 18 and 25 of Act 46/1984, December 26, regulating Collective-Investment Undertakings, and its subsequent implementing regulations, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.
- (vi) They must be 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 Purchase Date or Period.

The Subscription Period in all the Series (the “**Subscription Period**”) shall begin at 12 o’clock noon (CET time) on March 5, 2002, and end at 5pm on March 6, 2002.

### 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 by any means admissible at Law during the Subscription Period established in the preceding section, with JPMORGAN, BANCAJA, and CAI, who are the Bond issue Underwriters and Placement Agents (the “**Underwriters and Placement Agents**”), observing the procedures established hereinafter in this section.

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

### II.18.5 Placement and allocation of the securities.

Placement of the Bond Issue is divided into two tranches, Domestic Tranche and International Tranche, in accordance with the following details:

		Domestic Tranche	International Tranche
• <b>Series A1(G)</b>	Face value (EUR)	92,400,000	171,600,000
	Bonds	924	1,716
• <b>Series A1</b>	Face value (EUR)	6,600,000	59,400,000
	Bonds	66	594
• <b>Series A2 (G)</b>	Face value (EUR)	68,000,000	126,400,000
	Bonds	680	1,264
• <b>Series A2</b>	Face value (EUR)	4,900,000	43,700,000
	Bonds	49	437
• <b>Series B</b>	Face value (EUR)	2,700,000	24,300,000
	Bonds	27	243
<b>Total</b>			
	<b>Face value (EUR)</b>	<b>174,600,000</b>	<b>425,400,000</b>
	<b>Bonds</b>	<b>1,746</b>	<b>4,254</b>

The Underwriters and Placement Agents shall freely proceed to accept or turn down subscription proposals received, making sure at all events that there is no discriminatory treatment between similarly characterised proposals. The Underwriters and Placement Agents may nevertheless give priority to proposals of those of its customers as they shall deem fittest. Those proposals shall not be final subscription orders until they are confirmed by the investor or customer and accepted by the relevant Underwriter and Placement Agent, during the Subscription Period.

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.

Without prejudice to obligations established for the Underwriters and Placement Agents in section II.19.1 of this Chapter and in the preceding paragraph, and the obligation of the Fund, represented by the Management Company, to pay the underwriting and placement fees set down in said section II.19.1, the number of Bonds and the face amount of the International Tranche and the Domestic Tranche of the Bond Issue may be changed following an agreement between the Lead Manager of the International Tranche and the Lead Manager of the Domestic Tranche. In that case, as established in the International Tranche Underwriting and Placement Agreement (*International Subscription Agreement*), the Lead Manager of the International Tranche shall notify the Management Company of any change before the close of the Subscription Period.

**II.18.6 Method and dates for paying up.**

The investors to whom the Bonds shall have been allocated shall pay the relevant Underwriter and Placement Agent by 12 noon (CET time) on March 7, 2002 (the “**Closing Date**”), same day value, the issue price for each Bond allocated for subscription.

**II.18.7 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.**

The Underwriters and Placement Agents shall provide subscribers 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.

That confirmation 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 J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”), CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”), and CRÉDIT AGRICOLE INDOSUEZ Sucursal en España (“**CAI**”) as Underwriters and Placement Agents.

The following amounts are underwritten for each Series in the Bond Issue by each of the Underwriters and Placement Agents:

<b>Domestic Tranche</b>		<b>Face amount underwritten for the Bonds in each Series (in EUR)</b>			
<b>Underwriter and Placement Agent</b>	<b>Series A1(G)</b>	<b>Series A1</b>	<b>Series A2(G)</b>	<b>Series A2</b>	<b>Series B</b>
BANCAJA	59,400,000	6,600,000	43,700,000	4,900,000	2,700,000
CAI	33,000,000	--	24,300,000	--	--
<b>Total</b>	<b>92,400,000</b>	<b>6,600,000</b>	<b>68,000,000</b>	<b>4,900,000</b>	<b>2,700,000</b>

<b>International Tranche</b>		<b>Face amount underwritten for the Bonds in each Series (in EUR)</b>			
<b>Underwriter and Placement Agent</b>	<b>Series A1(G)</b>	<b>Series A1</b>	<b>Series A2(G)</b>	<b>Series A2</b>	<b>Series B</b>
JPMORGAN	171,600,000	59,400,000	126,400,000	43,700,000	24,300,000
<b>Total</b>	<b>171,600,000</b>	<b>59,400,000</b>	<b>126,400,000</b>	<b>43,700,000</b>	<b>24,300,000</b>

Under the Management, Underwriting and Placement Agreements, the Underwriters and Placement Agents shall receive from the Fund an underwriting and placement fee on the face amount underwritten of the Bonds in each Series, as follows:

- Series A1(G) Bonds: 0.075%.
- Series A1 Bonds: 0.225%.
- Series A2(G) Bonds: 0.20%.
- Series A2 Bonds: 0.30%.
- Class B Bonds: 0.60%.

## **II.19.2 Lead Managers of the Bond Issue.**

J.P. MORGAN SECURITIES LTD. shall be involved as Lead Manager of the International Tranche and BANCAJA shall be involved as Lead Manager of the Domestic Tranche.

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

*I Mr Colin Charles Evans, acting for and on behalf of J.P. MORGAN SECURITIES LTD., with place of business for these purposes at 60 Victoria Embankment, London EC4Y 0JP, United Kingdom, duly authorised for these presents, and in connection with the organisation of FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue against the same, for an amount of EUR six hundred million (600,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on January 25, 2002, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7,*

**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 has been made at London, on February 26, 2002.*

*I Mr José Enrique Sotos Ebstein, acting for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, with place of business for these purposes at calle Pintor Sorolla, 8 de Valencia, duly authorised for these presents, and in connection with the organisation of FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue against the same, for an amount of EUR six hundred million (600,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on January 25, 2002, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7,*

**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 has been made at Valencia, on February 26, 2002.*

Attached as Appendix 7 to this Offering Circular is a photocopy of the letters from J.P. MORGAN SECURITIES LTD and from CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, making that statement.

**II.19.3 Institutions underwriting the 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 two Bond Issue Management, Underwriting and Placement Agreements for each of the placement tranches:

- (i) Management, Underwriting and Placement Agreement for the Domestic Tranche of the Bond Issue with CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”) as Lead Manager and Underwriter and Placement Agent of the Domestic Tranche, and with CRÉDIT AGRICOLE INDOSUEZ Sucursal en España (“**CAI**”) as Underwriter and Placement Agent.
- (ii) Management, Underwriting and Placement Agreement for the International Tranche of the Bond Issue (*International Subscription Agreement*), subject to English Law, with J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”) as Lead Manager and Underwriter and Placement Agent of the International Tranche.

The Bond Issue Underwriters and Placement Agents take on the obligations contained in the respective Management, Underwriting and Placement Agreements, which are basically the following: 1) an undertaking to subscribe for the Bonds not subscribed when the subscription period is closed, up to the set amounts; 2) securing placement by a third-party subscription for the Bond Issue; 3) paying to the Paying Agent by 1pm (CET time) on the Closing Date, same day value, the face amount underwritten by each of them, deducting the portion of the underwriting and placement fee accrued by them, whereupon the Paying Agent shall pay the Fund by 2pm on that same day, same day value, the total amount for subscribing for the Bond Issue, deducting the sum of the total underwriting and placement fee; 4) undertaking to pay late-payment interest as covenanted in the agreement in the event of late payment of the amounts due; and 5) providing the subscribers with a document proving subscription.

BANCAJA, who shall be involved as Lead Manager of the Domestic Tranche, shall receive no remuneration whatsoever for managing the Domestic Tranche. JPMORGAN, who shall be involved as Lead Manager of the International Tranche, shall receive from the Fund a lead management fee of EUR two hundred and eighty-eight thousand (288,000). Payment of the amount of the lead management fee shall be made by the Management Company, on behalf of the Fund, to the Lead Manager of the International Tranche on the Closing Date, same day value, by means of transfer instructions to the Paying Agent.

The Management, Underwriting and Placement Agreements 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.

**II.19.4 Pro rata placement, method and date, manner of publicising the results and, as the case may be, returning to the requestors the amounts settled in excess of the securities allocated, along with such interest payments as may be appropriate.**

Not applicable.

**II.20 Term and method for providing the subscribers with certificates or documents establishing the subscription for the securities.**

The Bonds, represented by means of book entries, shall become such bonds upon being entered in the relevant accounting record, as provided in the Book Entries Royal Decree, with the usual timing and procedures of the institution in charge of so doing, to wit the SCLV or any other institution taking its stead.

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

The constitution of the Fund and Bond issue are subject to Spanish Law, as established in the Order of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, and in accordance with the legal system prescribed in Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, Act 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, failing a provision in Royal Decree 926/1998 and to the extent applicable, and Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.

The constitution of the Fund, the Bond issue 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 are subject to Spanish Law, though the International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*) is subject to English Law. In any event, the Deed of Constitution shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company's organisation, administration and legal representation of FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Debtors who may have defaulted on their payment obligations, for that action shall lie with the Management Company, representing the Fund owning the Assigned Assets.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from the default of the Assigned Assets by the relevant Debtors or breach by the other parties to the transactions arranged for and on behalf of the Fund. The Bondholders and the remaining creditors of the Fund shall have no actions against the Management Company other than as derived from a breach of its duties. Those actions shall be heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

**II.22 Personal taxation of income from the securities offered, distinguishing between resident and non-resident subscribers.**

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 and contained in the laws in force at the time when the relevant income is obtained and returned.

Because 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, contributions 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, by the Management Company in the manner statutorily prescribed.

During the life of the Bonds, their tax system shall be as derived from the laws in force from time to time.

## **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 the Personal Income Tax and Other Tax Rules Act 40/1998, December 9.

Interest income received shall be subject to an 18% withholding tax on account of the beneficiary's IRPF, as prescribed by Royal Decree 214/1999, February 5, approving the Personal Income Tax Regulations (RIRPF).

There is 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 income is exempt from the obligation to withhold from 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 obligors, shall be added to the tax base as prescribed under Title IV of Corporation Tax Act 43/1995, December 27.

The aforesaid income shall be excluded from withholding tax as provided by article 57.q) of Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations, amended by the wording provided in Royal Decree 2717/1998, December 18. Nevertheless, in accordance with the Ministerial Order of December 22, 1999, the procedure for the exclusion of withholding tax or prepayment to be effective 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 to all the interest.
2. By the 10<sup>th</sup> 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 Tax, 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 amount withheld.
3. Bondholders shall certify that circumstance with the custodians by the 10<sup>th</sup> 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 all the custodians through the Paying Agent the amount withheld from those obligors or taxpayers.
5. The custodians shall forthwith pay the amount withheld to the obligor or taxpaying holders.

#### **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 article 11 of Act 41/1998, December 9, on Non-Resident Income and Tax Rules.

##### *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 aforesaid Act 41/1998, without prejudice to the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply. The aforesaid income shall be subject to a Non-Resident Income Tax withholding in the same events and on the same terms mentioned for Corporation Tax payers resident in Spain.

##### *Income obtained other than through a permanent establishment.*

Bond income obtained by persons or undertakings not resident in Spain acting without a permanent establishment shall pay tax in accordance with the rules of Chapter IV of the aforesaid Act 41/1998, the following elements of the system of that Act being noteworthy, without prejudice to the double-taxation Agreements signed by Spain, which may determine 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 Act 40/1998, 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.
- The Tax will be calculated applying an 18 per 100 rate to the tax base comprising Bond interest and income.
- The above-mentioned income shall be subject to a Non-Resident Income Tax withholding, other than where evidence is produced of Tax payment or that an exemption is appropriate.

The amount of the withholding will be equivalent to the Tax payable based upon the above standards.

Income obtained on the Bond issue, both as interest and in connection with the transfer, repayment or amortisation of the Bonds, by persons or undertakings not resident in Spain acting in this connection without a permanent establishment shall be exempt when the beneficiary is a resident of another European Union Member State.

This exemption shall by no means apply where the income is obtained through countries or territories statutorily qualified as tax havens.

Income derived from the transfer of such securities in 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.

In accordance with the Ministerial Order of April 13, 2000, in connection with the application of the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in double-taxation Agreements, the custodians shall provide the Paying Agent or the Management Company, by day 10 of the month after the month of coupon maturity, with a detailed list of the Bondholders not residing in Spanish territory having no permanent establishment, with details of the Series and maturity, identification of the holder, number of securities held on the coupon maturity date, relevant gross income and withholding to be applied. Non-resident Bondholders shall have in turn certified to the custodians their tax residence by submitting a residence certificate issued by the tax authorities of the country of residence, bearing in mind that said certificate is valid for one (1) year after being issued.

Upon the failure to certify tax residence for these purposes, the income obtained on the Bonds both as interest and upon their transfer, repayment or amortisation by non-resident holders shall be taxable under the general system aforesaid, though they may apply for the excess withholding or taxation to be returned availing of the procedure established in the laws in force for the time being.

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

The conveyance of transferable securities 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 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 whose real obligation it is to pay this Tax will also have to pay Wealth Tax, other than as provided in the double-taxation Agreements. Nevertheless, residents in other European Union countries shall be exempt in connection with Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above.

#### **II.22.5 Inheritance and Gift Tax.**

The conveyance of the Bonds to natural persons by inheritance or donation shall be subject to the general rules of Inheritance and Gift Tax. In the event that the beneficiary should be a body corporate, the income obtained would be taxed in accordance with the Corporation Tax rules.

#### **II.23 Purpose of the transaction.**

The net amount of the Bond issue will be fully allocated to paying BANCAJA the price for acquiring the Assigned Assets pooled in the assets of the Fund.

#### **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) BANCAJA is the Originator of the Assigned Assets pooled in the Fund.
- c) JPMORGAN is involved as adviser for the financial structure of the Fund, and as Lead Manager of the International Tranche and Bond Issue Underwriter and Placement Agent.
- d) BANCAJA is involved as Lead Manager of the Domestic Tranche and Bond Issue Underwriter and Placement Agent.
- e) CUATRECASAS ABOGADOS, who are involved as independent legal advisers, have provided the Management Company with legal advice for the legal structure of the transaction, the Lead Manager of the Domestic Tranche with legal advice on Spanish law aspects relating to the Domestic Tranche Management, Underwriting and Placement Agreement and the Lead Manager of the International Tranche with legal advice on Spanish law aspects relating to the International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*).
- f) CAI is involved as Bond Issue Underwriter and Placement Agent.
- g) BANCAJA is involved as Bond Issue Paying Agent.
- h) ARTHUR ANDERSEN AND CÍA. is involved as auditor checking a number of features of the selection of loans which shall be assigned to the Fund upon being constituted.
- i) LINKLATERS & ALLIANCE are involved as legal advisers to the Lead Manager of the International Tranche on English law aspects relating to the International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*).

**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 assets (Assigned Assets) 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 FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue against the same, for an amount of EUR six hundred million (600,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on January 25, 2002, in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, March 16, approving the standard Offering Circular for organising Mortgage Securitisation Funds (implementing the Order dated July 12, 1993, in turn implementing Royal Decree 291/92, March 27),*

*HEREBY DECLARE*

*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 an investment of 4.00% in the Management Company's share capital.*

*That there is no other relationship or economic interest whatsoever between the experts who were involved in structuring or providing advice for the constitution of the Fund, and other undertakings involved, or certain significant information contained in the Offering Circular, either with the actual Management Company or with BANCAJA., Originator of the Assets pooled in the Fund, or with the former owners of the Assigned Assets acquired by the Fund."*



## CHAPTER III

### GENERAL INFORMATION ON THE ASSET SECURITISATION FUND

#### **III.1 Governing system, full name of the Fund and, as the case may be, short trade or name designed to identify the same or its securities on secondary markets, and purpose of the Fund.**

The constitution of the Fund and Bond issue by the same shall be carried out in accordance with the provisions of the Order of the Economy Ministry of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, and shall be subject to (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) Securities Market Act 24/1988, July 28, in regard to supervision, inspection and penalties, and all other legal and statutory provisions in force and applicable from time to time.

The name of the Fund is “FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS” and the following short names may also be used without distinction to identify the Fund:

- FTPYME BANCAJA 1 FTA
- FTPYME BANCAJA 1 F.T.A.

The Fund is organised in order to serve as a vehicle for acquiring the Assigned Assets transferred by BANCAJA and issue the Bonds against the same.

#### **Verification and registration.**

The constitution of the Fund and Bond issue by the same are subject to the prior requirement of verification by and registration at the official registers of the CNMV, in accordance with the provisions of article 5.1.a) of Royal Decree 926/1998 and articles 26 et seq. of the Securities Market Act.

There is no exemption of requirements for the purposes of article 10 of Royal Decree 926/1998.

#### **Constitution.**

After the CNMV has verified and registered the present Offering Circular and by March 5, 2002, with the Bond Subscription Period not yet open, the Management Company shall, along with BANCAJA, as Originator of the Assigned Assets to be acquired by the Fund, proceed to execute a public deed constituting FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS, acquiring Loans and issuing the Asset-Backed Bonds (the “**Deed of Constitution**”), on the terms for which provision is made in Royal Decree 926/1998.

The Deed of Constitution shall have the effects provided by article 6 of the Securities Market Act and shall therefore be the Bond issue deed and the deed recording the representation of the Bonds by means of book entries.

### **Companies Register.**

For the record, neither the constitution of the Fund nor the securities issued backed by its assets shall be entered in the Companies Register..

## **III.2 Legal nature of the Fund.**

In accordance with article 1 of Royal Decree 926/1998, the Fund is a separate estate, devoid of legal personality, and shall have a closed-end structure, in accordance with article 3 of Royal Decree 926/1998, its assets comprising the Assigned Assets pooled upon being constituted, and its liabilities comprising the Bonds issued and the Start-Up Loan, thereby for the net worth of the Fund to be nil. Additionally, the Fund has arranged for a Subordinated Credit, an Interest Swap, the State Guarantee and the Liquidity Facilities, which shall be reported in memorandum accounts.

In accordance with section four of additional provision five of 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, in the event of bankruptcy or insolvency of the Originator, the business of assigning the Assigned Assets to the Fund may only be contested in the event of fraud, whereas the Fund shall have an absolute right of separation on the terms established in articles 908 and 909 of the Commercial Code.

The Fund shall be in existence until July 20, 2023, the Final Maturity Date of the Bond issue.

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

### **III.2.1 Fund Assets.**

The Fund assets shall consist of the following:

#### **a) At source.**

- (i) The Assigned Assets assigned by BANCAJA and pooled in the Fund as detailed in Chapter IV of this Offering Circular.

The characteristics of the loans selected from the portfolio of BANCAJA, which shall be mostly assigned to the Fund, 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 balance existing on the Treasury Account under the Guaranteed Interest Rate Account (Treasury Account) Agreement comprising the amounts obtained under the Start-Up Loan, as detailed in section V.3.1 of this Offering Circular.

#### **b) During the life of the Fund.**

- (i) The outstanding principal balance of the Assigned Assets resulting from the amortised amounts.



- (ii) The ordinary and late-payment interest on the Assigned Assets matching those applicable to the Loans.
- (iii) Furthermore, in relation to the Assigned Assets, any amounts, goods or assets received as payment for principal, interest or expenses of the Assigned Assets, upon the extrajudicial foreclosure of the mortgage securities, or from the sale or operation of the real estate awarded to the Fund upon foreclosing the mortgage securities, or in connection with the administration or interim possession of the property (in foreclosure proceedings), purchase for the auction sale price or amount determined by a court decision. Similarly, all other rights conferred to the Fund upon the assignment of the Loans.
- (iv) The amounts receivable on the Interest Swap established in section V.3.6 of this Offering Circular.
- (v) Amounts, if any, drawn on the Subordinated Credit and on the Liquidity Facilities.
- (vi) Amounts, if any, received upon enforcing the State Guarantee established in section V.3.4 of this Offering Circular, and upon drawing on the Liquidity Facilities.
- (vii) All other balances existing on the Treasury Account under the Guaranteed Interest Rate Account (Treasury Account) Agreement and interest thereon.
- (viii) The balance existing on the Amortisation Account under the Guaranteed Interest Rate Account (Amortisation Account) Agreement and interest thereon, as established in section 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.**

- (i) The aggregate of the Bond Issue amounting to a face value of EUR six hundred million (600,000,000), consisting of 6,000 Bonds represented by means of book entries, pooled in two Classes comprising five Series distributed as follows:
  - a) Class A comprising four Series having a total face amount of EUR five hundred and seventy-three million (573,000,000).
    - Series A1(G), having a total face amount of EUR two hundred and sixty-four million (264,000,000) consisting of two thousand six hundred and forty (2,640) Bonds with a unit face value of EUR one hundred thousand (100,000).
    - Series A1, having a total face amount of EUR sixty-six million (66,000,000) consisting of six hundred and sixty (660) Bonds with a unit face value of EUR one hundred thousand (100,000).

- Series A2(G), having a total face amount of EUR one hundred and ninety-four million four hundred thousand (194,400,000) consisting of one thousand nine hundred and forty-four (1,944) Bonds with a unit face value of EUR one hundred thousand (100,000).
  - Series A2, having a total face amount of EUR forty-eight million six hundred thousand (48,600,000) consisting of four hundred and eight-six (486) Bonds with a unit face value of EUR one hundred thousand (100,000).
- b) Class B comprising a single Series B, having a total face amount of EUR twenty-seven million (27,000,000) consisting of two hundred and seventy (270) Bonds with a unit face value of EUR one hundred thousand (100,000).

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

- (ii) The amount payable to BANCAJA for acquiring the Assigned Assets.
- (iii) The amount of the Start-Up Loan established in section V.3.5 of this Offering Circular.
- (iv) The Subordinated Credit, as a memorandum account for the undrawn 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 time-apportioned interest accrued and not due.
- (ii) The principal pending repayment and time-apportioned interest accrued and not due on the Start-Up Loan.
- (iii) The principal pending repayment and time-apportioned interest accrued and not due on the Subordinated Credit, if drawn down.
- (iv) The amounts payable for the Interest Swap established in section V.3.6 of this Offering Circular.
- (v) The amount drawn, if any, on the State Guarantee pending repayment.
- (vi) The principal pending repayment and time-apportioned interest accrued and not due on the Liquidity Facility established in section V.3.7, if drawn down.
- (vii) The balances over time for fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

### **III.2.3 Provisioning of an Amortisation Fund on each Payment Date.**

On each Payment Date, a provisioning (“**Provisioning**”) shall be made of an amortisation fund (“**Amortisation Fund**”) for the Bonds using the Available Funds and in the Fund Priority of Payments. Provisioning of the Amortisation Fund on a Payment Date shall be equal to the sum of the amounts of the Primary Amortisation Fund and the Secondary Amortisation Fund withheld on that Payment Date according to the liquidity of the Fund in the Priority of Payments.

The required Provisioning of the Primary Amortisation Fund on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Class A Bonds plus the amount, if any, drawn against the State Guarantee for payment of principal of the Guaranteed Series pending repayment, deducting the balance on the Amortisation Account on the immediately preceding Determination Date, and (ii) the Outstanding Balance of the Assigned Assets, on the Determination Date immediately preceding the ongoing Payment Date.

The required Provisioning of Secondary Amortisation Fund on a Payment Date shall be equal to the lower of (i) the Outstanding Principal Balance of the Class B Bonds on the immediately preceding Determination Date and (ii) the positive difference between the Outstanding Principal Balance of the Bonds plus the amount, if any, drawn against the State Guarantee for payment of principal of the Guaranteed Series pending repayment, deducting the balance on the Amortisation Account, and the Outstanding Balance of the Assigned Assets, on the Determination Date immediately preceding the ongoing Payment Date.

### III.2.4 Cash Reserve.

The Management Company shall set up a Cash Reserve by drawing fully the amount available under the Subordinated Credit on the date on which that drawdown is made, in any of the following circumstances:

- (i) On a Payment Date on which the Early Amortisation of the Bonds should apply, as provided in section II.11.3.4.5, if there should be a Primary Principal Deficiency because the amount applied upon distributing the Available Funds should not be sufficient in the Priority of Payments, according to the liquidity of the Fund on the Payment Date.
- (ii) In the event of the rating of the non-subordinated and unsecured short-term debt of BANCAJA falling below P-1 or F1 respectively in Moody's and Fitch's rating scales, within not more than ten (10) days of that occurrence, unless BANCAJA should provide for the benefit of the Fund and at its cost a first demand security or guarantee of an institution whose short-term debt has a rating of at least P-1 and F1 respectively in the above-mentioned rating scales, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawings requested from BANCAJA up to the Maximum Subordinated Credit Amount available on the relevant drawdown date, all of which shall be subject to the terms and conditions approved by the Rating Agencies for the ratings assigned to each of the Series in the Bond issue to be maintained.

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

(i) Amount:

Subsequently to being set up, on each Payment Date, it shall be provisioned up to the amount established hereinafter with the Available Funds in the Priority of Payments.

The amount (the “**Amount**”) of the Cash Reserve shall on each Payment Date be equal to the lower of the following amounts: (i) EUR ten million five hundred thousand (10,500,000) equivalent to 1.75% of the face amount of the Bond Issue, and (ii) the higher of: a) 3.50% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Amortisation Account on the Payment Date, and b) 1.00% of the face amount of the Bond Issue.

Furthermore, the Amount of the Cash Reserve may be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

(ii) Yield:

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

(iii) Application:

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

### **III.2.5 Risk hedging and service transactions.**

In order to consolidate the financial structure of the Fund, enhance the safety of or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Assigned Assets and the Bonds, or, generally, transform the financial characteristics of the Bonds issued, 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 agreements established hereinafter.

In order for the operation of the Fund to meet the terms set in the Deed of Constitution and in the laws in force from time to time, the Management Company, acting for and on behalf of the Fund, may extend or amend the agreements entered into on behalf of the Fund, substitute each of the Fund service providers under those agreements and indeed, if necessary, enter into additional agreements; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV or competent administrative body, and to notice being served on the Rating Agencies, and provided that such actions do not detract from the interests of Bondholders.

The following transactions are to be arranged on behalf of the Fund for hedging financial risks and provision of services:

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Guaranteed Interest Rate Account (Amortisation Account) Agreement.
- (iii) Subordinated Credit Agreement.
- (iv) State Guarantee.
- (v) Start-Up Loan Agreement.
- (vi) Interest Swap Agreement.
- (vii) Liquidity Facility Agreements.
- (viii) Servicing Agreement.
- (ix) Domestic Tranche Management, Underwriting and Placement Agreement.

- (x) International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*).
- (xi) Paying Agent Agreement.
- (xii) Financial Intermediation Agreement.

An itemised description of the most relevant terms of each of said agreements is made in section V.3 of this Offering Circular, in addition to the more thorough description of the Assigned Asset Servicing and Management Agreement made in section IV.2, and with the exception of the Asset Assignment Agreements made in section IV.1.2.

### **III.2.6 Fund Income.**

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

- a) The amounts received as repayment of the principal of the Assigned Assets.
- b) Ordinary and late-payment interest on the Assigned Assets.
- c) The amount of the Start-Up Loan.
- d) Amounts, if any, drawn on the Subordinated Credit.
- e) The amounts received under the terms of the Interest Swap.
- f) The yield obtained by investing the amounts credited to the Treasury Account and to the Amortisation Account.
- g) Amounts, if any, received upon enforcing the State Guarantee. Those amounts shall be allocated only to payment of interest and repayment of principal of the Guaranteed Series, or, as the case may be, repayment of amounts advanced for those items drawn on the Credit Facilities.
- h) Drawdowns, if any, on the Liquidity Facility.
- i) Any other amounts received by the Fund, including Fund receivables under the Assigned Assets both resulting from the sale of properties or assets awarded to the Fund or from their operation, and from all other rights conferred to the Fund upon the assignment of the Loans.

Furthermore, the Fund shall draw on the deposits in the Amortisation Account, which shall be allocated to Bond Issue amortisation, in the Priority of Payments established in section V.4.2.2 of this Offering Circular.

### **III.2.7 Expenses payable by the Fund.**

The Management Company shall settle on the Fund's behalf 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 the 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 their relevant Fund Priority of Payments. For illustrative purposes only, the Management Company shall satisfy the following expenses:

- a) The balance, if any, of the initial expenses for constituting the Fund and issuing the Bonds exceeding the amount of the Start-Up Loan.
- 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, and listing maintenance on secondary stock markets.
- h) Any expenses derived from the sale of the Assigned Assets and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.
- i) Expenses derived from actions for recovery of the Assigned Assets.
- j) Expenses derived from managing the Fund and the Assigned Assets.
- k) Fees and expenses payable by the Fund under the service agreements made.
- l) Amounts payable under the Interest Swap.
- m) Expenses derived from inserts and notices relating to the Fund and/or the Bonds.
- n) Expenses of audits and legal advice.

- o) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

### **III.3 Management and representation of the Fund and of the holders of the securities issued by the same.**

#### **III.3.1 Description of the duties and responsibilities taken on by the Management Company in managing and legally representing the Fund and the holders of securities issued by the same.**

The constitution, management and legal representation of the Fund lies 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 and other applicable laws, without prejudice to the provisions 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 purposefully opened 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 similarly the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the holders of the Bonds issued on the Fund and of all the other ordinary creditors thereof. Consequently, the Management Company shall safeguard at all times the interests of the Bondholders and all other creditors of the Fund, making its actions conditional on their defence and observing the provisions statutorily prescribed for that purpose. The Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution.

The Management Company shall notify the Bondholders of all and any circumstances they may be interested in by publishing the appropriate notices on the terms established in section III.5.2 of this Chapter.

#### **III.3.1.1 Administration and representation of the Fund.**

The Management Company's policies 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:

##### **The Management Company's action policies.**

##### **1. Due diligence.**

The Management Company shall perform its activity due diligently, as prescribed by Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the Fund's other ordinary creditors as if they were its own interests, stepping up the standards of diligence, reporting and defence of their interests and avoiding situations which might result in conflicts of interest, giving the interests of the Bondholders and all other ordinary creditors of the Fund priority over third-party and its own interests.

## **2. Availability of means.**

The Management Company has the necessary means, including suitable information systems, to discharge the Fund management functions prescribed by Royal Decree 926/1998.

## **3. Code of Conduct.**

The Management Company shall comply with the code of conduct applicable to it. The Management Company has established an Internal Code of Conduct in pursuance of the provisions of Chapter II of Royal Decree 629/1993, May 3, regarding the rules of conduct in securities markets and mandatory registrations, which has been communicated to the CNMV.

## **4. Confidentiality.**

The Management Company shall not, during the life of the Fund or after it terminates, disclose to individuals, firms or companies (unless that is necessary to properly comply with its duties or to enforce its rights, or that is required by law or any Stock Exchange or organised secondary market or ordered by a competent court or authority, or the information is usual in Bondholders' legitimate interest, or is required by the CNMV or by the Rating Agencies) information relating to the Assigned Assets or the Debtors or the transactions for covering financial risks and provision of services arranged on behalf of the Fund, which the Management Company may have obtained in discharging its functions in relation to the Fund.

## **Obligations and actions of the Management Company for administering the Fund.**

### **1. Fund Management.**

- (i) Managing the Fund in order that its net asset value is nil at all times.
- (ii) 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.
- (iii) Doing no things that might impair the ratings assigned by the Rating Agencies to each Series in the Bond Issue, and endeavouring to take such steps as may reasonably be in its hand for said ratings not to be adversely affected at any time.
- (iv) Entering into such agreements as are provided in the Deed of Constitution, or as may be necessary in the future, on behalf of the Fund, in relation to its assets and liabilities, bearing in mind, however, that the execution on behalf of the Fund of any agreement not provided in the Deed of Constitution shall require a change of the Fund Priority of Payments, with the prior consent of the Rating Agencies, and a prior notice to the CNMV in order to be made publicly available, as the case may be, being a relevant fact, or by means of a verification and registration of a supplement to the Offering Circular.
- (v) 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 maturity 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.
- (vi) 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.



- (vii) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (viii) Preparing and submitting to the CNMV and any other competent administrative body all documents and information to be submitted as established in the laws in force for the time being, in the Deed of Constitution and in this Offering Circular, or which may be required of it, and preparing and submitting to the Rating Agencies such information as may reasonably be required of it.
- (ix) Providing the holders of Bonds issued by the Fund, the CNMV and the public at large 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.
- (x) Complying with the calculation duties laid down in the Deed of Constitution and in this Offering Circular and in the various Fund transaction agreements described in section V.3 of the Offering Circular, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (xi) In order to allow the Fund to operate on the terms provided in the Deed of Constitution, in this Offering Circular and in the regulations in force from time to time, extending or amending the agreements entered into on behalf of the Fund, substituting, as the case may be, each of the Fund service providers thereunder and, indeed, if necessary, entering into additional agreements, including new credit facility agreements, all of which shall be subject to the prior authorisation, if necessary, of the CNMV or competent administrative body and to notice thereof being served on the Rating Agencies, and provided that those actions do not detract from Bondholders' interests.

## **2. In relation to the Assigned Assets.**

- (i) Exercising the rights attaching to the ownership of the Assigned Assets 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.
- (ii) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of assignment of each Loan and on the terms of their relevant agreements.
- (iii) Validating and controlling the information received from the Servicer on the Assigned Assets, both as regards collection of ordinary instalments, early redemptions of principal, payments received on unpaid instalments and delinquency status and control.
- (iv) Ensuring that the Servicer renegotiates the terms of the Loans, as the case may be, in accordance with the general or specific instructions communicated by the Management Company.
- (v) Monitoring the actions agreed with the Servicer for recovering defaults, issuing instructions, where appropriate, for an action for recovery to be brought as established in the Servicing Agreement.

## **3. In relation to the Bond Issue.**

- (i) Preparing and notifying the Bondholders of the information established in this Offering Circular, and all other statutorily required information.

- (ii) Determining on each Interest Rate Fixing Date and for every subsequent Interest Accrual Period, the nominal interest rate to be applied for each Bond Series, resulting from the determination made in accordance with the provisions of section II.10, to be published as provided in sections III.5.2a) and c).
- (iii) Calculating and settling the amounts payable on each Payment Date for interest accrued on each of the Bond Series in accordance with the provisions of section II.10, to be published as provided in sections III.5.2.a) and c).
- (iv) Calculating and determining on each Determination Date the principal to be amortised and paid on each Bond Series on the relevant Payment Date in accordance with the provisions of section II.11.3, to be published as provided in sections III.5.2.a) and c).
- (v) Determining the amount payable by the State for amounts due to the Bondholders on the Guaranteed Series and, if necessary, enforcing the Guarantee.

**4. In relation to the remaining financial or service transactions.**

- (i) Determining the interest rate applicable to each asset, liability and cover transaction.
- (ii) Calculating and settling the interest amounts and fees receivable and payable by the Fund on each of the asset, liability and cover transactions, and the fees payable for the various financial services arranged for.
- (iii) Opening on behalf of the Fund two financial accounts, namely the Treasury Account and the Amortisation Account, initially at BANCAJA.
- (iv) In the event of the debt ratings of BANCAJA assigned by Moody's and Fitch falling, at any time during the life of the Bonds, below the ratings established in the Mortgage Loan Assignment, Guaranteed Interest Rate Account (Treasury Account), Guaranteed Interest Rate Account (Amortisation Account), Subordinated Credit, Interest Swap, Liquidity Facility and Bond Payment Agreements, taking the actions for which provision is made in relation to those Agreements respectively described in sections IV.1.2.e)3, V.3.1, V.3.2, V.3.3, V.3.6, V.3.7 and V.3.10.
- (v) Paying into the Treasury Account the amounts received from the Assigned Asset Servicer as both principal and interest and otherwise howsoever owing to the Fund on account of the same.
- (vi) Paying into the Amortisation Account all relevant amounts on the terms and conditions of the Bond Issue and in the Fund Priority of Payments.
- (vii) Watching that the amounts credited to the Treasury Account and the Amortisation Account return the yield set in the respective Agreements.

**5. In relation to managing the Fund's collections and payments.**

- (i) Calculating the Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments.
- (ii) Instructing transfers of funds between the various asset and liability accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.

### **III.3.2 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 at 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 at 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 managed by the Management Company 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 a bankrupt or 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.3.3 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.3.4 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 seventy-two thousand one hundred (72,100) payable on the Closing Date.
- (ii) A periodic fee: equal to 0.024% 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 Bonds on the Payment Date preceding the ongoing Payment Date. The fee for the first Interest Accrual Period shall accrue from the date of constitution of the Fund until the first Payment Date and shall be adjusted in proportion to the days elapsed between both dates, calculated on the face amount of the Bonds issued.

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

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

Where:

$C$  = Fee payable on a given Payment Date.

$B$  = Outstanding Principal Balance of the Bonds, on the preceding Payment Date.

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

In any event, the annual amount of this periodic fee may not be lower than EUR twenty-seven thousand and fifty (27,050) or the proportional equivalent to the actual days elapsed in each of the Interest Accrual Periods. 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 would be reviewed cumulatively in the same proportion, from the year 2004, 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 next Payment Date, in the Priority of Payments.

### **III.4 Drawing up, auditing and approving annual accounts and other accounting documents of the Fund.**

The Fund's annual accounts shall be checked 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 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.

### **III.5 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.**

**III.5.1** As part of its Fund management and administration duty, the Management Company agrees to submit quarterly to the CNMV, as promptly as possible, the information described hereinafter, with the exception of that contained in section d) which shall be annual, in relation to each of the Bond Series, the performance of the Assigned Assets, prepayments, and economic and financial status of the Fund, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.2 of this Offering Circular, and of such additional information as may be required of it. The Management Company shall also send the Rating Agencies the information contained in paragraphs a) and b) below.

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

1. Outstanding principal balance and percentages represented by each of them on the initial face amount of each Series.
2. Interest accrued and paid.
3. Interest accrued and not paid.
4. Amortisation accrued and paid.
5. Estimated average life of the Bonds in each of the Series if the Assigned Asset prepayment rate is maintained, as determined in section b) below.

#### **b) In relation to the Assigned Assets:**

1. Outstanding balance.
2. Interest accrued and not collected.
3. Amount of the instalments in arrears on the reporting date.
4. Printout establishing the average prepayment rates.

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

Report on source and subsequent application of the Available Funds in the Fund Priority of Payments and the amounts, if any, of the Primary Principal Deficiency and Secondary Principal Deficiency.

**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.5.2 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 rates resulting for each of the Bond Series, for the Interest Accrual Period following that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, the Fund shall, through its Management Company, proceed to notify the Bondholders of the interest resulting from the Bonds in each of the Series, along with their amortisation, as appropriate, and moreover of:
  - i) The actual Assigned Asset prepayment rate during the calendar quarter preceding the Payment Date.
  - ii) The average residual life of the Bonds estimated assuming that such actual prepayment rate shall be maintained as provided in sections II.11.3.3 and III.8.1.(i) and (ii) of this Offering Circular.
  - iii) The Outstanding Principal Balances of the Bonds in each of the Series, after the amortisation to be settled on each Payment Date, as the case may be, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
  - iv) Furthermore, and if appropriate, the Bondholders shall be advised of the interest and amortisation amounts accrued thereby and not settled due to a shortage of Available Funds, in accordance with the rules governing the Fund Priority of Payments.

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 Fixed-Income Market and the SCLV, 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 nominal interest rates in each of the Bond Series determined for the first Interest Accrual period.
2. Other:

Any relevant event occurring in relation to the Assigned Assets, 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 amortisation of the Bonds in any of the events provided in this Offering Circular, in which case the CNMV will be sent the Notarial

Certificate of Liquidation and the procedure followed will be as referred to in section III.8.1 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 official bulletin of the AIAF Fixed-Income Market or any other taking its stead or similarly characterised, 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.

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 online means.

**d) Information to the CNMV:**

The Management Company shall proceed to advise the CNMV 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.6 Tax system of the Fund.**

In accordance with the provisions of article 5.10 of Act 19/1992, article 7.1.g) of Corporation Tax Act 43/1995, December 27, and Royal Decree 537/1997, April 14, amended by Royal Decree 2717/1998, December 18, approving the Regulations of that Tax, the following are the characteristics peculiar to the tax system of the Fund:

- (i) The constitution of the Fund is exempt from the item “corporate transactions” of the Capital Transfer and Documents Under Seal Tax.
- (ii) The Fund is liable to pay Corporation Tax and is subject in regard to taxation to the general system for determining the taxable income, and to the general rate in force from time to time, which currently stands at 35%, and to the common rules on relief, set-off of losses, and other substantial elements making up the Tax.
- (iii) As for returns on the Assigned Assets, loans or other credit rights constituting Fund income, there shall be no tax withholding or advance payment obligation.
- (iv) The management of the Fund by the Management Company shall be exempt from Value Added Tax.

- (v) Considerations paid to the holders of the securities issued by the Fund are deemed to be return on investments.

### **III.7 Amendment of the Fund Deed of Constitution.**

The Deed of Constitution may not be howsoever amended other than in exceptional events, and, as the case may be, in accordance with the terms established by the laws in force for the time being, and provided that the amendment does not impair the rating assigned to the Bonds by the Rating Agencies, and has previously been notified to the Rating Agencies and the CNMV or competent administrative body. The Deed of Constitution can also be corrected as requested by the CNMV.

### **III.8 Termination and Liquidation of the Fund.**

#### **III.8.1 Early liquidation of the Fund.**

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

- (i) On October 20, 2008 or the next Business Day if that date is not a Business Day or thereafter when the Outstanding Balance of the Assigned Assets amounts to less than 15 percent of the initial capital of the Assigned Assets on the Date of constitution of the Fund.
- (ii) Notwithstanding the provisions in paragraph (i) above and before October 20, 2008, when the amount of the Outstanding Balance of the Assigned Assets is less than 15 percent of the initial principal of the Assigned Assets upon the constitution of the Fund in the event that the circumstances for which provision is made in section II.11.3.4.5 relating to the Early Amortisation of the Bonds occur.
- (iii) Mandatorily, when the Bonds issued are fully amortised.
- (iv) Mandatorily, if the Originator should exercise the Call Right over all of the remaining Assigned Assets held by the Fund, as prescribed in section IV.1.2.d) of this Offering Circular.
- (v) 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 5.6 of Act 19/1992 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. This event of Early Liquidation does not however include the fact that the Fund does not have on the Maturity Dates or on any of the Payment Dates sufficient liquidity for repaying the principal of the Bonds both under the ordinary amortisation system and under the exceptional Early Bond Amortisation system.
- (vi) Mandatorily, in the event that the Management Company should be declared insolvent or bankrupt, 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.3.2 of this Offering Circular.

The following requirements shall be necessary to proceed to that early liquidation of the Fund:

- (i) That all the payment obligations derived from the Bonds issued by the Fund may be met and settled or otherwise that, before proceeding to an Early Liquidation of the Fund, the Management Company calls the Bondholders purely for informative purposes.



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, deducting the tax withholding, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

- (ii) That the Bondholders are notified, as prescribed in section III.5.2 of this Offering Circular and thirty (30) Business Days in advance, of the resolution by the Management Company to proceed to an early liquidation of the Fund.

That notice, previously made available to the CNMV and the Rating Agencies, 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 Priority of Payments.

In order for the Fund, through its Management Company, to proceed to an Early Liquidation of the Fund and an early maturity of the Bond issue, the Management Company, for and on behalf of the Fund, shall proceed to:

- (i) Sell the Assigned Assets for a price not below the sum of the value of the principal plus the interest accrued and not paid on the Assigned Assets pending amortisation.

Nevertheless, in the event that the Call Right should be exercised by the Originator, the sale of the remaining Assigned Assets held by the Fund shall take place on the terms established for exercising the Call Right.

- (ii) 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 with the interest and principal flows derived from the Assigned Assets pending amortisation and the proceeds from the sale of the other assets remaining on the assets of the Fund.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of remaining assets, it shall proceed to sell the assets and goods remaining on the assets of the Fund. The Management Company shall be authorised to accept such offers as shall in its opinion cover the market value of the goods at issue and which are paid in cash and on the spot. In order for the market value to be fixed, the Management Company may commission such valuation reports as it shall see fit.

In events (i) and (iv) above, the Originator shall have a pre-emptive right and may therefore have priority over third parties to acquire the Assigned Assets assigned thereby or any other assets 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 third-party bids received, and the latter may use that right for all the assets offered by the Management Company being the Assigned Assets it may have assigned to the Fund within ten days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

Upon provisioning the reserve referred to in section III.8.2 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 Priority of Payments, other than the obligation to provision the Cash Reserve, if

set up, and other than the amounts, if any, drawn on the credit facility arranged, which shall be fully allocated to the early amortisation of the Bond Issue.

### **III.8.2 Termination of the Fund.**

The Fund shall terminate at all events as a result of any of the following circumstances:

- (i) Upon the full amortisation of the Assigned Assets pooled therein.
- (ii) By the early liquidation procedure established in section III.8.1 above.
- (iii) At all events, on the Final Maturity Date established for final Bond amortisation.

In events (i) and (iii) above, 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 Priority of Payments, other than the obligation to provision the Cash Reserve, if set up, and other than the amounts, if any, drawn on the credit facility arranged, which shall be fully allocated to the early amortisation of the Bond Issue.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments by distributing the Available Funds in the set Priority of Payments, that remainder shall be paid to the Originator. In the event that the remainder should not be cash amounts since deriving from Assigned Assets pending resolution in recovery proceedings commenced following a default by the Loan Debtors, both their continuation and the product of their resolution shall be for the Originator.

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 Available Funds have been distributed, in the Fund Priority of Payments, with the exception of the appropriate reserve to meet final termination expenses.

Upon a period of six (6) months elapsing from the liquidation of the Fund's remaining assets and the distribution of the 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 Available Funds were distributed, in the Fund 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.

The Fund shall also terminate upon the constitution of the Fund terminating following a termination of the Bond Management, Underwriting and Placement Agreements 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. In that event, the Management Company shall terminate the constitution of the Fund, Bond Issue and assignment of the Assigned Assets to the Fund.

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.5.2.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 Notarial Certificate 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 with the Start-Up Loan, which agreement 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.

## CHAPTER IV

### INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

#### IV.1 Description of assets pooled in the Fund.

The purpose for which the Fund is organised is to securitise the credit rights that shall be assigned by BANCAJA and acquired by the Fund, which are defined as Assigned Assets, which shall be struck off the balance sheet of BANCAJA.

The Assigned Assets assigned by BANCAJA to the Fund, represented by the Management Company, upon being constituted, are rights owned by BANCAJA derived from bilateral loans granted to non-financial companies registered in Spain (the “**Loans**”) of which at least 50 percent of both the loans and their capital correspond to small and medium-sized enterprises (“**SMEs**”) as defined by the European Commission (Recommendation of April 3, 1996). The characteristics of the loans selected from the portfolio of BANCAJA, which shall mostly be assigned to the Fund, are detailed in section IV.4 of this Offering Circular.

The total principal of the Assigned Assets shall amount to a value at least equal to the amount of the Bond Issue and shall be assigned to the Fund, represented by the Management Company, under the Asset Assignment Agreements established hereinafter in this section.

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

- (i) Loans with real estate mortgage security, originated in a public deed.
- (ii) Loans with personal third-party bond (surety), originated in a public document, which are enforceable (Civil Procedure Act article 517).
- (iii) Unsecured loans, originated in a public document, which are enforceable (Civil Procedure Act article 517).

#### IV.1.1 Originator’s representations on the characteristics of the Assigned Assets.

BANCAJA, holder of the Loans, represents and warrants to the Management Company, acting for the Fund, and to the Bond Issue Underwriters and Placement Agents, as follows:

##### 1. In relation to BANCAJA.

- (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 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 insolvent, under receivership or bankrupt, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.

- (3) That it has audited accounts for the last three years with at least a favourable opinion and without any negative notes from the Auditors in the last year and that it has filed last year's annual accounts with the CNMV.
- (4) That it has signed a Framework Collaboration Agreement with the Economy Ministry observing the provisions of the Order dated December 28, 2001.

## **2. In relation to the Loans.**

- (1) That its corporate bodies have validly adopted all resolutions required for the Loans to be assigned, to validly execute the Fund Deed of Constitution, the agreements and the additional undertakings made.
- (2) That all the Loans have been duly originated either in a public deed or in a public document and are filed at the registered office of BANCAJA available to the Management Company.
- (3) That all the Loans exist and are valid and enforceable in accordance with Spanish laws, and that all statutory provisions applicable to them were observed in perfecting the same.
- (4) That BANCAJA holds absolute title to all the Loans, clear of any liens and claims, and there is no obstacle whatsoever for the Loans to be assigned.
- (5) That the Loans are struck off the assets of BANCAJA on the date of assignment to the Fund upon being constituted and in the amount of their assignment, in accordance with the provisions of Bank of Spain Circular 4/91, without prejudice to the effects, as the case may be, of a partial or total subscription for the Bond Issue for BANCAJA in accordance with said Circular.
- (6) That all the Loans stand as a valid and binding payment obligation for the relevant debtor, and are enforceable on their own terms, other than where that enforceability is limited as a result of insolvency proceedings.
- (7) That all the Loans are denominated in euros or in pesetas, and are payable exclusively in euros after March 1, 2002.
- (8) That the initial term of the Loans is not less than one year and that there is no record of debtors having applied for their prepayment.
- (9) That all the debtors under the Loans are non-financial companies registered in Spain of which at least 50 percent of both the loans and their capital correspond to small and medium-sized enterprises as defined by the European Commission (Recommendation of April 3, 1996).
- (10) That BANCAJA has faithfully observed the policies contained in the memorandum on policies for granting Loans attached to the Deed of Constitution and as Appendix 8 to the Offering Circular, in granting each and every one of the Loans and in accepting, as the case may be, the substitution by ultimate borrowers in the initial borrower's position.
- (11) That it is not aware of the existence of any lawsuits whatsoever in relation to the Loans which may detract from their validity.
- (12) That, on the Date of constitution of the Fund, none of the Loans will have any overdue amounts pending collection.

- (13) That, on the Date of constitution of the Fund, 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 principal of the Loans shall be at least equivalent to the face value of the Bond Issue.
- (14) That the Loans are clearly identified in the information system of BANCAJA as from being granted, and are serviced, analysed and monitored by BANCAJA in accordance with the usual set procedures.
- (15) That it is not aware of any of the Loan debtors holding any credit right whatsoever against BANCAJA whereby that debtor might be entitled to a set-off.
- (16) That on the Date of constitution of the Fund none of the Loan Debtors is involved in any insolvency proceedings whatsoever.
- (17) That the securities, if any, underlying the Loans are valid and enforceable in accordance with the applicable laws, and BANCAJA is not aware of the existence of any circumstance which might prevent the securities from being enforced.
- (18) That the final maturity date of all the Loans does not post-date the Final Maturity Date of the Bonds.
- (19) 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.
- (20) That BANCAJA is not aware that the Debtors may howsoever object to paying any amount relating to the Assigned Assets.
- (21) That nobody has a pre-emptive right over the Fund, as holder of the Assigned Assets.
- (22) That both the grant of the Loans and their assignment to the Fund and all aspects related thereto have been and will be made at arm's length.
- (23) That the facts and figures relating to the Loans selected to be assigned to the Fund and the statistical information of BANCAJA respectively set forth in sections IV.4 and IV.3.2 of the Offering Circular, fairly present the status on the date thereof and are accurate and complete.

### **3. In relation to the Mortgage Certificates and the Participated Mortgage Loans.**

- (1) That the corporate bodies have validly adopted all necessary resolutions for the Mortgage Certificates to be issued.
- (2) That the particulars of the Participated Mortgage Loans and the Mortgagee Certificates, represented in a multiple registered certificate, accurately reflect their current situation and are true and complete.
- (3) That the Mortgage Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Act 19/1992 and other applicable regulations, and meet all the requirements established for Mortgage Certificates to be issued.
- (4) That the Participated Mortgage Loans are all secured with a real estate mortgage ranking first on the fee absolute of each and every one of the mortgaged properties, which are not encumbered with any prohibitions on their disposal, conditions subsequent or any other limitation as to title.

- (5) That the Participated Mortgage Loans are all originated in a public deed, and the mortgages are all 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 regulations.
- (6) That the Participated Mortgage Loans do not meet any of the characteristics of the credits excluded or restricted by article 32 of Royal Decree 685/1982 to serve as cover for the issue of mortgage certificates.
- (7) That the mortgages are granted on properties wholly owned in fee absolute by the respective mortgagor, and BANCAJA 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 are not ineligible since being assets excluded from admission as security pursuant to article 31.1.d) of Royal Decree 685/1982.
- (9) That the mortgaged properties have all been appraised by duly qualified institutions approved by BANCAJA, evidence of which appraisal has been provided in the form of an appropriate certificate. The appraisals made meet all the requirements established in the mortgage market laws.
- (10) That it is not aware of there having been any drop in the value of any of the mortgaged properties in excess of 20% of the appraisal value.
- (11) That the properties on which mortgage security has been granted are all covered by a fire damage insurance, in which the capital is not less than the appraisal value of the mortgaged property, excluding elements of an uninsurable nature, or the loan balance. To this end, BANCAJA has taken out a general insurance policy to cover those risks.
- (12) That the Participated Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Mortgage Certificates issued to be subscribed for by the Fund.
- (13) That the Participated Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or mortgage certificates, other than the issue of the Mortgage Certificates, and after their issue the Participated Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds or other mortgage certificates.

#### **IV.1.2 Asset Assignment Agreements.**

On the Date of constitution of the Fund, the Management Company shall, for and on behalf of the Fund, enter with BANCAJA into the following credit right assignment agreements (the “**Asset Assignment Agreements**”):

- (i) A mortgage certificate issue and subscription agreement, perfected in a public deed, whereby the Fund will subscribe for an as yet indeterminate number of Mortgage Certificates issued by BANCAJA (the “**Mortgage Certificates**”) implementing the assignment of the Mortgage Loans with real estate mortgage security satisfying the requirements established in Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Act 19/1992 and other applicable regulations (the “**Participated Mortgage Loans**”).

The Mortgage Certificates shall be represented by registered multiple certificates which shall contain the minimum data provided in article 64 of Royal Decree 685/1982, March 17, amended by Royal Decree

1289/1991, August 2, and specifically the registration particulars of the properties securing the Participated Mortgage Loans.

The Mortgage 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 certificate and the new holder's address shall be notified by the transferee to the issuer.

Both in the event that any Mortgage Certificate should be substituted, as prescribed in section IV.1.2.c), and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Loan participated by a given Mortgage Certificate, as prescribed in section IV.1.2.e), and moreover if there should be an early liquidation of the Fund, in the events and on the terms of section III.8.1, and said Mortgage Certificates have to be sold, BANCAJA agrees to split, as the case may be, any multiple certificates into such individual or global certificates as may be necessary, or to substitute or exchange the same for the above purposes.

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

Given that the Fund is an institutional investor and that the Fund has subscribed for the Mortgage Certificates, for the purposes of paragraph two of article 64.1 of Royal Decree 685/1982, March 17, as per the wording given by Royal Decree 1289/1991, August 2, , the issue of the Mortgage Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Participated Mortgage Loans in the Land Registry.

- (ii) A credit right sale agreement originated in a private document, whereby the Fund shall acquire from BANCAJA an as yet indeterminate number of loans with real estate mortgage security which do not satisfy the requirements established in Act 2/1981 and concordant regulations issue(the “**Mortgage Loans**”).
- (iii) A credit right sale agreement originated in a public deed, whereby the Fund shall acquire from BANCAJA an as yet indeterminate number of Non-Mortgage Loans with or without personal bonds -surety- (the “**Non-Mortgage Loans**”).

The Mortgage Certificates or the Participated Mortgage Loans related thereto, the Mortgage Loans and the Non-Mortgage Loans, shall be jointly referred to as the “**Assigned Assets**” and/or “**Loans**”.

The terms and conditions of the assignment of the Assigned Assets are as follows:

**a) Assigned Asset sale or assignment price.**

The sale or assignment price of the Assigned Assets shall be at par with the capital or principal of each of the Assigned Assets. The total price payable by the Fund for acquiring the Assigned Assets shall be the amount equivalent to the sum of (i) the face value of the principal of each of the Assigned Assets, and (ii) the ordinary interest accrued on each of the Assigned Assets from the last interest settlement date for each of the them preceding or equal to the date of assignment, inclusive, until the same (the “**accrued interest**”).



The Management Company shall pay the Assigned Asset sale 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 Assigned Assets, subparagraph (i) of the preceding paragraph, shall be paid on the Bond Closing Date.

This amount shall be fully paid by 3pm (CET time) on the Closing Date, same day value, once the subscription for the Bond Issue has been fully paid up, by means of instructions issued by the Management Company to BANCAJA to proceed to debit the amount referred to in the preceding paragraph to the Treasury Account opened in the name of the Fund.

2. The part of the price consisting of the interest accrued on each of the Assigned Assets shall be paid on the collection date falling on the first interest settlement date of each of them, after the date of assignment, and will not be subject to the Fund Priority of Payments.

In the event that the Fund organisation and consequently the sale of the Assigned Assets should be terminated (i) the obligation to pay the aggregate price by the Fund for acquiring the Assigned Assets shall terminate, (ii) the Management Company shall be bound to restore to BANCAJA any rights whatsoever accrued for the Fund in connection with the acquisition of the Assigned Assets, and (iii) BANCAJA shall once again book the Assigned Assets among its balance sheet assets.

**b) Terms of the assignment of the Assigned Assets and description of the rights conferred in favour of the Fund.**

Transfer of the Assigned Assets to the Fund shall take place on the following terms:

1. The assignment shall be made for all the outstanding principal pending repayment on the relevant assignment date and for all the ordinary and late-payment interest on each of the Loans.

Specifically, and merely for illustrative purposes, without limitation, the Assigned Assets confer the following rights in relation to each of the Loans being assigned:

- a) To receive all the amounts accrued as repayment of the Loan capital or principal.
- b) To receive all the amounts accrued as ordinary interest on the Loan principal.
- c) To receive all the amounts accrued as late-payment interest on the Loans.
- 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 enforcement the mortgage or other securities, on the sale or operation of properties 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, including those derived from the insurance contracts attached to the Loans with real estate mortgage security which are also assigned to the Fund, and those derived from any ancillary right attached to the Loans, excluding the fees established for each of the Loans.

Under the appropriate Asset Assignment Agreement, the Originator will perfect the assignment to the Fund of the rights to which it is entitled as beneficiary of those insurance contracts and will take on the obligation to serve any notice required pursuant to the terms of the insurance policies effected.

The above-mentioned rights will all accrue for the Fund from the date of assignment of the Assigned Assets falling on the Date of constitution of the Fund, with the exception of ordinary interest, which shall accrue from the last interest settlement date on each of the Loans, on or before the date of assignment.

Payments to the Fund of both interest and other returns on the Assigned Assets shall not be subject to withholding tax as established in Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations.

2. The assignment of the Assigned Assets will be full and unconditional, and for the entire period remaining until their maturity.

In accordance with article 348 of the Commercial Code, the Originator will be liable to the Fund for the existence and lawfulness of the Assigned Assets, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Debtor. The Originator shall not bear with the risk of default on the Assigned Assets and shall therefore have no liability whatsoever for the Debtors' default of principal, interest or any other amount they may owe under the Assigned Assets, and shall not be answerable for the enforceability of the securities ancillary thereto. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the assignment will be duly performed, nor give any guarantees or securities, nor indeed agree to repurchase or substitute the Assigned Assets, with the exception of the provisions of sections IV.1.2.c) and d) below.

3. In the event of prepayment of the Assigned Assets upon a full or partial repayment of the principal, there will be no direct substitution of the Assigned Assets affected thereby.
4. The rights of the Fund resulting from the Assigned Assets shall be linked to the payments made by the Debtors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
5. The Fund shall bear with all conceivable expenses or costs resulting for the Originator of the Assigned Assets derived from recovery actions in the event of a breach by the Debtors of their obligations.
6. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Assigned Assets, 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.

**c) Set rules for the substitution of Assigned Assets in the event of latent defects therein.**

In the event that latent defects should appear in any of the Assigned Assets because it is found during their life that any of them fail to conform to the representations contained in section IV.1.1 or their specific characteristics communicated by the Originator to the Management Company, the Originator agrees, following the Management Company's consent, to proceed to substitute the Assigned Assets 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 five (5) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a partial or full substitution of the affected Assigned Assets, notifying the Management Company of that intention and, in a data file, of the characteristics of the loans intended to be assigned to take their stead, which shall be similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality in terms of type of security of the Loan to be substituted and, if Participated Mortgage Loans, of the ratio of the outstanding principal of the relevant Mortgage Certificate to the appraisal value of the property securing the mortgage loan, in order for the financial balance of the Fund, and indeed the ratings assigned by the Rating Agencies to each of the Series, to be unaffected by the substitution. Once the Management Company has checked the appropriateness of the substitute loan, and after advising the Originator expressly of the loans suitable to be substituted, the Originator shall proceed to terminate the sale of the affected Assigned Assets and to assign the new substitute loans.

Substitution shall take place subject to the same formalities established for the acquisition of the Assigned Assets upon the constitution of the Fund, in accordance with the specific characteristics of the new Loans assigned. The Management Company shall provide the CNMV and the Rating Agencies with a copy of that agreement.

2. Subsidiarily to the obligation undertaken under rule 1 above, in the event that there should be no total substitution of the affected Assigned Assets by an assignment of other loans on the terms established in that rule, the sale of the affected Assigned Assets not substituted shall be terminated. That termination shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Assigned Assets not substituted, the interest accrued and not paid, and any other amount owing to the Fund under those Assigned Assets.

**d) Call Right.**

The Fund shall grant the Originator a Call Right (the “**Call Right**”) over all of the remaining Assigned Assets held by the Fund in the following events:

- (i) On October 20, 2008 or the next Business Day if that date is not a Business Day, or thereafter when the amount of the Outstanding Balance on the Assigned Assets is less than 15 percent of the initial capital of the Assigned Assets upon the Fund being organised.
- (ii) Notwithstanding the provisions in paragraph (i) above and before October 20, 2008, when the amount of the Outstanding Balance on the Assigned Assets is less than 15 percent of the initial capital of the Assigned Assets upon the constitution of the Fund in the event that the circumstances for which provision is made in section II.11.3.4.5 relating to the Early Amortisation of the Bonds occur.

Exercise of the Call Right shall be subject to the following terms:

- (i) Acquisition shall take place on a Payment Date and refer to all the remaining Assigned Assets held by the Fund, and there may therefore be no partial exercise of that right.
- (ii) The Originator shall give the Management Company and the CNMV notice of its decision to exercise the Call Right at least 30 days in advance of the Payment Date on which the acquisition is to take place. Such a notice will be given by the Originator in writing, satisfactorily, and signed by a person or persons duly authorised to do so.

- (iii) The Originator first securing all such administrative and internal permissions and authorisations as may be necessary for that purpose.

The price the Originator shall pay the Fund upon exercising the Call Right over the remaining Assigned Assets shall observe the following terms:

- (i) For each of the Assigned Assets in good standing or in arrears with overdue payments having a seniority of up to 12 months from the oldest overdue payment, the amount equivalent to the sum of (i) the face value of the capital or principal, (ii) interest accrued not due until the Payment Date, exclusive, and (iii) interest due and not paid.
- (ii) For each of the Assigned Assets in arrears with overdue payments having a seniority in excess of 12 months from the oldest overdue payment or where the respective Debtor has been adjudged a bankrupt or insolvent, the amount established in subparagraph (i) above or the amount specified by a third party, designated with one accord among the Originator and the Management Company, and approved by the Rating Agencies, having regard to the prospects of recovering the same.
- (iii) In any event, the total price shall be sufficient for all the payment obligations derived from the Bonds issued by the Fund to be honoured in the Priority of Payments.

Upon exercising the Call Right and paying the call price, the Originator shall become the holder of the Assigned Assets, whereupon the Fund shall have made a full and unconditional assignment.

The exercise of the Call Right by the Originator shall result in the termination and early liquidation of the Fund in accordance with the provisions of section III.8 of the Offering Circular.

**e) Remedies in the event of default on the Assigned Assets.**

The Fund shall have an action, through the Management Company, against Debtors failing to meet their payment obligations derived from the Assigned Assets. Such an 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.

In the event of default on the principal or interest of a Mortgage Certificate following default by a Debtor on the Participated Mortgage Loan, the Management Company, acting for and on behalf of the Fund, shall have the following remedies prescribed in article 66 of Royal Decree 685/1982, amended by Royal Decree 1289/1991:

- (i) To demand BANCAJA as Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with BANCAJA, as issuer of the Mortgage Certificates, in the foreclosure the latter shall have instituted against the debtor, intervening to that end in any foreclosure proceedings commenced by the former.
- (iii) If BANCAJA 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, and BANCAJA shall be bound to issue a certificate of the balance existing on the Mortgage Loan.

- (iv) In the event that the proceedings instituted by BANCAJA should come to a standstill, the Fund, duly represented by the Management Company, as holder of the relevant Mortgage Certificate, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.
- 2. In the event of a breach of the payment obligations derived from the Non-Mortgage Loans by the Debtor, the Fund shall, either through the Management Company or through the Servicer, have a recovery action against those Debtors, observing the formalities prescribed for that procedure in the Civil Procedure Act.
- 3. In the event of a breach of the payment obligations derived from the Mortgage Loans by the Debtor, the Fund shall have a foreclosure action against those Debtors, through the Servicer or through the Management Company, after satisfying the requirements as to capacity enabling it to do so, observing the formalities prescribed for that procedure in the Civil Procedure Act.

BANCAJA, as Originator of those Mortgage Loans shall agree, under the credit right purchase and sale agreement originated in a private document entered into between BANCAJA and the Management Company, on behalf of the Fund, to publicly record the purchase and sale of the Mortgage Loan or Mortgage Loans at issue upon being required to do so by the Management Company, filing the same for registration with the Land Registry in any of the following events

- (i) if eight (8) months should have elapsed from the oldest default on a Mortgage Loan, without the Debtor having resumed payments or arranged for a restructuring, and the Servicer should not have filed a foreclosure application;
- (ii) if the Management Company should decide to directly apply for foreclosure of a Mortgage Loan or intervene for that purpose in any foreclosure proceedings instituted by the Servicer;
- (iii) if, in the Management Company's view, this should be necessary for defending the rights of the Bondholders or other creditors of the Fund;
- (iv) if, in the event that the rating assigned by Moody's to the non-subordinated and unsecured short-term debt of BANCAJA should fall below P-1 and in Moody's view this should be necessary to defend the rights of the Bondholders;
- (v) if the non-subordinated and unsecured long-term debt rating of Bancaja should fall below BBB+ in Fitch's rating scale; or
- (v) in the event of a breach by BANCAJA of its payment obligations to the Fund, which situation should not be remedied within five (5) Business Days.

Furthermore, BANCAJA agrees to bear with all expenses, duties, levies and taxes accrued in connection with the public recording and entry in the Land Registry of the purchase and sale of Mortgage Loans, paying them directly, as appropriate, or reimbursing the Fund or the Management Company for those incurred in that connection.

If BANCAJA should fail to fulfil the obligations described in the preceding paragraphs, then the Fund, through the Management Company, shall have a declaratory action against BANCAJA for a breach of

those obligations in relation to the Mortgage Loans, the foregoing fully in accordance with the formalities prescribed for such procedure in the Civil Procedure Act.

Bondholders shall have no direct right of action against the Debtors who shall have failed to meet their payment obligations; that action shall rest with the Management Company, as the representative of the Fund holding the Assigned Assets, who shall have that action, on the terms described in this section.

#### **IV.2 Succinct and short description of the ordinary Assigned Asset Servicing and custody system and procedures, focusing particularly on the set procedures relating to late payment and delinquency on principal or interest, prepayments, foreclosure and amendment or renegotiation, as the case may be, of the loans.**

BANCAJA, Originator of the Assigned Assets to be acquired by the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Mortgage Certificates, in article 61.3 of Royal Decree 685/1982, shall be responsible as attorney for the Management Company for servicing and managing the Assigned Assets, the relations between BANCAJA and the Fund, represented by the Management Company, being governed by the Assigned Asset Servicing and Management and Mortgage Certificate Custody Agreement (the “**Servicing Agreement**”).

BANCAJA (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 Assigned Assets acquired by the Fund subject to the terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Assigned Assets, devoting the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service its own loans and in any event to exercise a suitable degree of skill, care and diligence in providing the services for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and manage the Assigned Assets 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.

In any event, the Servicer waives the privileges and remedies conferred on it by law as the manager of collections for the Fund, as Servicer of the Assigned Assets 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 Assigned Assets.**

The succinct and short description of the ordinary system and procedures (hereinafter the “**services**”) for servicing and managing the Assigned Assets governed by the Servicing Agreement are as follows:

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

The Servicer shall keep all deeds, agreements, documents and data files relating to the Assigned Assets 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.

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 Debtors under the Assigned Assets, and any other item including under the insurance contracts of the mortgaged properties securing the Mortgage Loans and the Participated Mortgage Loans. The Servicer shall act due diligently for payments to be made by the Debtors to be collected in accordance with the contractual terms and conditions of the Assigned Assets.

Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund, on the set collection dates on days 7, 17 and 27 of each month, or on the preceding Business Day if they should not fall on a Business Day in accordance with the bank holiday calendar for the capital city of Madrid, for the amounts received in the day intervals between day 21 and the last day of the preceding month and days 1 to 10 and 11 to 20 in the ongoing month, respectively, in accordance with the set terms and conditions. Notwithstanding the above, if that should be deemed necessary to better defend Bondholders' interests, the Management Company may change the periods, collection dates and method of payment at any time during the term of the Servicing Agreement.

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

**3. Fixing the interest rate.**

In connection with Assigned Assets having a floating interest rate, the Servicer shall continue fixing the interest rates 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 Assigned Assets, to fulfilment by the Debtors of their obligations under the Assigned Assets, to the status of delinquency and ensuing changes in the characteristics of the Assigned Assets, 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 Assigned Assets 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 Debtor under the Loan agreements, exclusively where the characteristics of the new Debtor are similar to those of the former Debtor and those characteristics observe the policies for granting loans described in the relevant Memorandum on Policies for Granting Loans attached to the Fund Deed of Constitution, and moreover provided that the expenses derived from that change are fully borne by the Debtors. 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 and the Participated Mortgage Loans, the Mortgagor may apply for subrogation to the Servicer in connection with those Loans pursuant to Act 2/1994. Subrogation of a new creditor under the Loan and the ensuing payment of the amount due shall result in a prepayment, as the case may be, of a Mortgage Loan or the Mortgage Certificate on a Participated Mortgage Loan.

## **6. Authorities and actions in relation to Assigned Asset renegotiation procedures.**

The Servicer may not voluntarily cancel the Assigned Assets 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 Assigned Assets or of the securities, without prejudice to its heeding requests by the Debtors with the same diligence and procedure as if they were own loans.

Notwithstanding the above, the Management Company may in exceptional circumstances, as manager of third-party business, issue instructions to or authorise the Servicer previously to agree with the Debtor, on such terms and conditions as it shall see fit in accordance with the requirements established in this section, and further bearing in mind Act 2/1994 on mortgage loan subrogation and amendment, a novation changing the Loan at issue.

The Servicer may at no event entertain on its own account, without an application being made by the Debtor, 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 a Debtor has requested a renegotiation. The Management Company will nevertheless initially authorise the Servicer to accept renegotiations of the interest rate applicable to the Assigned Assets, requested by the Debtors, without requiring the prior consent of the Management Company, subject to the following general eligibility requirements:

- (i) 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 credits and loans. For these purposes, the market interest rate shall be deemed to be the rate offered by credit institutions in the Spanish market for loans or credits in an amount and other conditions substantially similar to the Loan.



- (ii) Renegotiating the interest rate applicable to a Loan shall at no event result in its being changed to a floating interest rate with a benchmark index for determination other than the benchmark rates or indices the Servicer may be using in connection with loans or credits granted by the Servicer.

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 a Loan, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. That notice shall be made by means of the data or computer file provided for updating the terms of the Assigned Assets. Both the public deeds and the agreements pertaining to the novation of Loans shall be kept by the Servicer, as established in paragraph 2 above.

In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Assigned Assets, 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.

The contractual documents supporting the novation of the renegotiated Loans shall be kept by the Servicer as established in paragraph 1 of this section.

## **7. Mortgage extension.**

If the Servicer should become aware at any time that for any reason the value of a mortgaged real estate securing a Participated Mortgage Loan has dropped in excess of the percentages permitted by law, it shall, in accordance with the provisions of articles 26 and 29 of Royal Decree 685/1982, request the Mortgagor at issue to the extent legally required to:

- a) extend the mortgage to other assets sufficient to cover the required ratio between the value of the asset and the credit secured thereby, or
- b) return all the Participated Mortgage Loan or such portion of the loan as may be in excess of the amount resulting from applying to the current appraisal the percentage used to initially determine its amount.

If within two (2) months of an extension being requested the Mortgagor should fail to do so or return the portion of the Participated Mortgage Loan referred to in the preceding paragraph, the mortgagor shall be deemed to have elected to return the entire Participated Mortgage Loan, which the mortgagor shall be forthwith required to do by the Servicer.

## **8. Action against Debtors in the event of default on the Assigned Assets.**

### ***Actions in the event of late payment.***

The Servicer shall apply an identical diligence and procedure for claiming overdue amounts not paid on the Assigned Assets as with the rest of the Loans in its portfolio.

In the event of default by the Debtor of the payment obligations, the Servicer shall take the actions described in the Servicing Agreement, taking for that purposes the steps it would ordinarily take if they were loans in its portfolio 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 borrowers.

***Legal actions.***

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

For the above purposes, and if 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 BANCAJA 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 Debtor of any of the Assigned Assets 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, the debtor of a Loan 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 eight (8) months should elapse from the oldest default without the Debtor 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 Assigned Assets. 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.

**9. Mortgaged property damage insurance.**

The Servicer shall not take or fail to take any action resulting in the cancellation of any property damage insurance policy covering the properties or reducing the amount payable in any claim thereunder. The Servicer shall act due diligently and in any event exercise the rights conferred under the insurance policies or the Loans in order to keep those policies (or any other policy granting equivalent cover) in force and fully effective in relation to each Loan with real estate mortgage security and the respective property.

The Servicer shall be bound to advance payment of policy premiums not paid by the Debtors 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, the Servicer shall coordinate actions for collecting compensations derived from the property damage insurance policies on the terms and conditions of the Loans and the actual policies, paying the amounts received, if any, to the Fund.

#### **10. Set-off.**

In the event that any of the Debtors under the Assigned Assets should have a liquid credit right, due and payable vis-à-vis the Servicer, and any of the Assigned Assets 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 into the Fund the amount set off plus the 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.

#### **11. 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 at 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 being adversely revised. Notwithstanding any subcontracting or delegation, the Servicer shall not be exonerated 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.**

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as Originator of the Assigned Assets terminate, once all the Assigned Assets acquired by the Fund have been amortised, 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.

Both in the event of breach by the Servicer of the obligations established in the Servicing Agreement and upon a drop of its credit rating resulting in an impairment or risk for the financial structure of the Fund or the Bondholders' rights and interests, the Management Company may do any of the following, if legally possible:

- (i) Demand the Servicer to subcontract or delegate or have the performance of those obligations secured by another institution which, in the opinion of the Management Company and the Rating Agencies, has suitable legal and technical qualifications, and a credit rating and quality acceptable to the Rating Agencies.
- (ii) Terminate the Servicing Agreement, to which end the Management Company shall previously designate a new Servicer having a credit rating and quality acceptable to the Rating Agencies.
- (iii) If neither of actions (i) and (ii) above are possible, the Management Company shall directly take on the performance of the services provided in the Servicing Agreement.

The Management Company shall bear in mind the proposals submitted to it by the Servicer both as to subcontracting, delegation or designation of a substitute to perform its obligations and to the institution that may guarantee its performance of those obligations.

The Servicer may in turn voluntarily relinquish the servicing and management of the Assigned Assets if that is possible in accordance with the laws in force from time to time and provided that (i) this is authorised by the Management Company, (ii) the Management Company designates a new Servicer with a credit rating and quality acceptable to the Rating Agencies, and (iii) the Servicer pays the Fund damages resulting from such relinquishment and substitution.

Upon the early termination of the Servicing Agreement, the Servicer shall provide the new Servicer, on demand by the Management Company and as determined thereby, with the necessary documents and data files for it 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.

#### **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 Debtors derived from the Assigned Assets, without prejudice to the liabilities undertaken thereby in the Deed of Constitution as Originator of the Assigned Assets 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 Assigned Assets and custody the Loans.

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 Mortgage Certificates, where the breach of the obligation to pay those amounts does not result from default by the Debtors of the Participated Mortgage Loans, as well as the relevant actions in the case of the Mortgage Loans and the Non-Mortgage Loans.

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

#### **IV.2.4 Remuneration of the Servicer for servicing and managing the Assigned Assets and custody of the Mortgage Certificates.**

In consideration of the servicing and management of the Assigned Assets and custody of the Mortgage Certificates, BANCAJA as the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated 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 Assigned Assets serviced during each Interest Accrual Period. If BANCAJA 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 by up to not more than 0.15% per annum. Furthermore, in the event that the Management Company should be directly responsible for servicing and managing the Assigned Assets, the Assigned Asset Servicing Fee shall accrue for the Management Company during all the time in which it actually discharges those functions.

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, the amounts overdue shall accumulate without any penalty whatsoever on the fee payable on the next Payment Dates, whereupon it shall be paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred, such as in connection with recovery actions 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 Assigned Assets. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments.

#### **IV.3 Succinct and short description of the 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 Succinct description of the procedures established by the Originator of the Assigned Assets, for analysing risks and granting the Loans.**

The Originator's policies for analysing and assessing the credit risk in granting selected loans which shall mostly be assigned to the Fund upon being constituted are described in Appendix 8 to this Offering Circular and in the schedules to the Deed of Constitution entitled "Bancaja memorandum on policies for granting corporate credits and loans".

##### **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 tables show several aspects of the evolution in recent years of the credit investment by BANCAJA as Originator, for loans granted to a segment representing the Loans selected to be assigned to the Fund.

#### ***Credit investment and delinquency.***

Date	Net credit investment			Doubtful assets (balance)	Gross credit investment (balance)	Delinquency Rate %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
31/12/01	17,526	3,900,792,948	4.87	27,323,372	3,928,116,320	0.70	96,823,069
31/12/00	16,450	3,299,778,038	5.39	36,943,463	3,336,721,501	1.11	89,359,575
31/12/99	15,337	2,428,666,500	4.27	43,633,340	2,472,299,840	1.76	82,206,282
31/12/98	13,344	1,828,958,607	5.23	41,094,956	1,870,053,563	2.20	77,931,661
31/12/97	11,494	1,386,550,662	6.51	57,968,679	1,444,519,341	4.01	69,748,029
Balances in EUR.							
4: Nominal interest rate weighted by the outstanding principal.							
5: Asset qualifying as doubtful in accordance with Bank of Spain Circular 4/1991.							
6: 3+5							
7: 5/6*100							
8: Suspended asset, written off the balance sheet, in accordance with Bank of Spain Circular 4/1991.							

#### ***Prepayment analysis.***

The following table shows the historical figures over the last 20 months with the monthly prepayment, expressed as an annual percentage rate, of the Loans in the portfolio of BANCAJA with characteristics similar to the selected Loans.

Historical prepayment rate figures		
Month	Year of origination	
	2000	2001
January		9.35%
February		6.36%
March	0.15%	8.74%
April	1.61%	8.76%
May	2.16%	9.13%
June	6.23%	8.97%
July	5.72%	9.06%
August	4.68%	3.49%
September	7.92%	3.70%
October	6.04%	6.01%
November	6.05%	
December	6.39%	

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

##### a) Number of loans and amount or balance pending maturity thereon at present.

The provisional portfolio of selected loans which shall mostly be assigned to the Fund upon being constituted comprises 4,556 loans, the principal value of which as of January 31, 2002 amounted to EUR 682,195,591.51.

##### b) Information as to distribution by type of security.

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

The loans in the provisional portfolio are all bilateral loans granted by BANCAJA to non-financial companies 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 with third-party personal bond (surety), originated in a public document.
- (iii) Unsecured loans, 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 31.01.2002				
Classification by type of security				
	Loans		Outstanding Balance	
		%	(EUR)	%
Loans with mortgage security	2,596	56.98	459,784,374.74	67.40
Loans with third-party bond	1,464	32.13	122,438,365.78	17.95
Unsecured loans	496	10.89	99,972,850.99	14.65
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>

c) **Maximum, minimum and average values of the Loan principal balances.**

The following table shows the distribution of the outstanding principal balance of the Loans in EUR 50,000 intervals, and their average, minimum and maximum amount.

Loan portfolio as of 31.01.2002				
Classification by outstanding balance				
Principal Interval (in EUR)	Loans		Outstanding Balance	
	No.	%	(EUR)	%
0.00 - 49,999.99	1,861	40.85	52,732,277.79	7.73
50,000.00 - 99,999.99	1,086	23.84	77,265,305.05	11.33
100,000.00 - 149,999.99	466	10.23	56,947,302.94	8.35
150,000.00 - 199,999.99	274	6.01	47,369,480.86	6.94
200,000.00 - 249,999.99	170	3.73	38,086,663.34	5.58
250,000.00 - 299,999.99	133	2.92	36,331,717.27	5.33
300,000.00 - 349,999.99	92	2.02	29,499,158.73	4.32
350,000.00 - 399,999.99	64	1.40	24,025,178.59	3.52
400,000.00 - 449,999.99	57	1.25	24,235,227.12	3.55
450,000.00 - 499,999.99	44	0.97	20,733,862.95	3.04
500,000.00 - 549,999.99	39	0.86	20,466,019.19	3.00
550,000.00 - 599,999.99	32	0.70	18,376,846.00	2.69
600,000.00 - 649,999.99	34	0.75	20,876,733.16	3.06
650,000.00 - 699,999.99	15	0.33	10,147,734.00	1.49
700,000.00 - 749,999.99	16	0.35	11,532,128.15	1.69
750,000.00 - 799,999.99	10	0.22	7,704,477.56	1.13
800,000.00 - 849,999.99	23	0.50	18,902,767.02	2.77
850,000.00 - 899,999.99	15	0.33	13,012,048.86	1.91
900,000.00 - 949,999.99	17	0.37	15,568,198.12	2.28
950,000.00 - 999,999.99	14	0.31	13,657,581.32	2.00
1,000,000.00 - 1,049,999.99	11	0.24	11,301,480.32	1.66
1,050,000.00 - 1,099,999.99	12	0.26	12,844,062.68	1.88
1,100,000.00 - 1,149,999.99	5	0.11	5,617,858.93	0.82
1,150,000.00 - 1,199,999.99	6	0.13	6,989,779.54	1.02
1,200,000.00 - 1,249,999.99	13	0.29	15,808,869.23	2.32
1,250,000.00 - 1,299,999.99	6	0.13	7,681,504.93	1.13
1,300,000.00 - 1,349,999.99	5	0.11	6,618,119.15	0.97
1,350,000.00 - 1,399,999.99	7	0.15	9,624,572.19	1.41
1,400,000.00 - 1,449,999.99	3	0.07	4,315,711.82	0.63
1,450,000.00 - 1,499,999.99	2	0.04	2,945,688.42	0.43
1,500,000.00 - 1,549,999.99	3	0.07	4,538,285.93	0.67
1,550,000.00 - 1,599,999.99	3	0.07	4,737,095.37	0.69
1,600,000.00 - 1,649,999.99	1	0.02	1,600,035.55	0.23
1,650,000.00 - 1,699,999.99	3	0.07	5,049,594.84	0.74
1,700,000.00 - 1,749,999.99	1	0.02	1,738,112.28	0.25
1,750,000.00 - 1,799,999.99	3	0.07	5,286,785.52	0.77
1,800,000.00 - 1,849,999.99	10	0.22	18,027,326.79	2.64
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>
Average principal:			<b>149,735.64</b>	
Minimum principal:			<b>9,015.18</b>	
Maximum principal:			<b>1,803,036.31</b>	

d) **Maximum, minimum and average values of the initial Loan principal balance.**

The following table shows the distribution of the initial Loan balance in EUR 50,000 intervals, and their average, minimum and maximum amount.

Loan portfolio as of 31.01.2002 Classification by initial balance				
Principal Interval (in EUR)	Loans		Initial Balance	
	No.	%	(EUR)	%
0.00 - 49,999.99	1,297	28.47	42,822,244.97	4.86
50,000.00 - 99,999.99	1,222	26.82	88,569,615.61	10.05
100,000.00 - 149,999.99	507	11.13	61,318,980.51	6.96
150,000.00 - 199,999.99	405	8.89	68,058,987.71	7.73
200,000.00 - 249,999.99	215	4.72	48,290,257.26	5.48
250,000.00 - 299,999.99	89	1.95	24,125,941.56	2.74
300,000.00 - 349,999.99	184	4.04	56,792,864.28	6.45
350,000.00 - 399,999.99	105	2.30	38,955,183.56	4.42
400,000.00 - 449,999.99	52	1.14	21,745,763.47	2.47
450,000.00 - 499,999.99	85	1.87	39,793,068.20	4.52
500,000.00 - 549,999.99	38	0.83	20,109,491.46	2.28
550,000.00 - 599,999.99	12	0.26	6,889,568.48	0.78
600,000.00 - 649,999.99	72	1.58	43,447,164.75	4.93
650,000.00 - 699,999.99	17	0.37	11,411,531.91	1.30
700,000.00 - 749,999.99	13	0.29	9,368,191.46	1.06
750,000.00 - 799,999.99	29	0.64	22,179,750.73	2.52
800,000.00 - 849,999.99	14	0.31	11,660,836.88	1.32
850,000.00 - 899,999.99	3	0.07	2,611,487.74	0.30
900,000.00 - 949,999.99	42	0.92	37,965,934.76	4.31
950,000.00 - 999,999.99	10	0.22	9,698,724.76	1.10
1,000,000.00 - 1,049,999.99	5	0.11	5,120,623.14	0.58
1,050,000.00 - 1,099,999.99	12	0.26	12,741,456.60	1.45
1,100,000.00 - 1,149,999.99	5	0.11	5,619,463.17	0.64
1,150,000.00 - 1,199,999.99	2	0.04	2,337,937.08	0.27
1,200,000.00 - 1,249,999.99	32	0.70	38,492,801.11	4.37
1,250,000.00 - 1,299,999.99	7	0.15	8,894,979.14	1.01
1,300,000.00 - 1,349,999.99	5	0.11	6,643,157.69	0.75
1,350,000.00 - 1,399,999.99	5	0.11	6,761,386.15	0.77
1,400,000.00 - 1,449,999.99	3	0.07	4,303,246.67	0.49
1,450,000.00 - 1,499,999.99	2	0.04	2,963,740.94	0.34
1,500,000.00 - 1,549,999.99	19	0.42	28,579,916.56	3.24
1,550,000.00 - 1,599,999.99	2	0.04	3,113,242.70	0.35
1,600,000.00 - 1,649,999.99	2	0.04	3,245,465.36	0.37
1,650,000.00 - 1,699,999.99	4	0.09	6,743,355.80	0.77
1,700,000.00 - 1,749,999.99	2	0.04	3,413,748.76	0.39
1,750,000.00 - 1,799,999.99	1	0.02	1,760,965.47	0.20
1,800,000.00 - 1,849,999.99	23	0.50	41,523,926.23	4.71
1,850,000.00 - 1,899,999.99	2	0.04	3,786,376.26	0.43
1,900,000.00 - 1,949,999.99	1	0.02	1,910,735.19	0.22
1,950,000.00 - 1,999,999.99	2	0.04	3,909,583.74	0.44
2,000,000.00 - 2,049,999.99	1	0.02	2,000,000.00	0.23
2,100,000.00 - 2,149,999.99	2	0.04	4,207,084.74	0.48
2,250,000.00 - 2,299,999.99	3	0.07	6,761,386.17	0.77
2,700,000.00 - 2,749,999.99	1	0.02	2,704,554.47	0.31
3,000,000.00 - 3,049,999.99	1	0.02	3,005,060.52	0.34
4,500,000.00 - 4,549,999.99	1	0.02	4,507,590.78	0.51
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>880,867,374.50</b>	<b>100.00</b>
Average principal:			193,342.27	
Minimum principal:			12,020.24	
Maximum principal:			4,507,590.78	



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

The following table shows the distribution of the Loans according to the fixed or floating nature of the interest rate and of the benchmark indices applicable to the floating interest rate Loans.

Loan portfolio as of 31.01.2002					
Classification by Interest rate benchmark index					
Benchmark index	Loans		Outstanding Balance		%Margin * o/index
		%	(EUR)	%	
<b>Floating interest rate</b>	<b>4,221</b>	<b>92.65</b>	<b>669,700,794.44</b>	<b>98.17</b>	<b>1.06</b>
1-year Euribor/Mibor	3,651	80.14	531,233,873.34	77.87	1.06
6-month Euribor/Mibor	5	0.11	1,744,118.18	0.26	0.66
90-day Euribor/Mibor	565	12.40	136,722,802.92	20.04	1.07
<b>Fixed interest rate</b>	<b>335</b>	<b>7.35</b>	<b>12,494,797.07</b>	<b>1.83</b>	
<b>Total Portfolio</b>	<b>4,916</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>	
* Margin over the average benchmark index weighted by the outstanding balance.					

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 31.01.2002					
Classification by Nominal Interest Rates					
Interest Rate % Interval	Loans		Outstanding Balance		% Interest Rate*
		%	(EUR)	%	
3.00 - 3.49	1	0.02	86,582.79	0.01	3.25
3.50 - 3.99	21	0.46	3,351,465.81	0.49	3.82
4.00 - 4.49	85	1.87	34,169,827.24	5.01	4.22
4.50 - 4.99	227	4.98	61,670,428.66	9.04	4.68
5.00 - 5.49	748	16.42	158,263,055.59	23.20	5.16
5.50 - 5.99	1,370	30.07	226,816,281.96	33.25	5.62
6.00 - 6.49	970	21.29	135,241,357.70	19.82	6.12
6.50 - 6.99	512	11.24	39,677,961.06	5.82	6.61
7.00 - 7.49	297	6.52	13,979,469.84	2.05	7.10
7.50 - 7.99	173	3.80	4,958,648.52	0.73	7.61
8.00 - 8.49	88	1.93	2,463,181.75	0.36	8.08
8.50 - 8.99	39	0.86	950,366.49	0.14	8.60
9.00 - 9.49	11	0.24	247,684.75	0.04	9.06
9.50 - 9.99	10	0.22	253,620.71	0.04	9.68
10.00 - 10.49	3	0.07	53,041.52	0.01	10.00
10.50 - 10.99	1	0.02	12,617.12	0.00	10.50
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>	
<b>Weighted average:</b>					<b>5.56 %</b>
<b>Simple average:</b>					<b>5.95 %</b>
<b>Minimum:</b>					<b>3.25 %</b>
<b>Maximum:</b>					<b>10.50 %</b>
*Average nominal interest rate of the interval weighted by the outstanding balance.					

**g) Loan origination and final maturity dates.**

**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 seniority.

Loan portfolio as of 31.01.2002				
Classification by loan origination date				
Date interval	Loans		Outstanding Balance (in EUR)	
		%		%
From 01/01/1989 to 30/06/1989	1	0.02	38,781.59	0.01
From 01/07/1989 to 31/12/1989	2	0.04	37,721.83	0.01
From 01/01/1990 to 30/06/1990	2	0.04	665,829.86	0.10
From 01/01/1993 to 30/06/1993	1	0.02	212,365.64	0.03
From 01/01/1994 to 30/06/1994	12	0.26	2,410,888.49	0.35
From 01/07/1994 to 31/12/1994	18	0.40	1,411,562.02	0.21
From 01/01/1995 to 30/06/1995	33	0.72	5,136,060.30	0.75
From 01/07/1995 to 31/12/1995	38	0.83	3,466,189.62	0.51
From 01/01/1996 to 30/06/1996	77	1.69	9,242,509.78	1.35
From 01/07/1996 to 31/12/1996	118	2.59	12,050,137.93	1.77
From 01/01/1997 to 30/06/1997	207	4.54	19,178,903.43	2.81
From 01/07/1997 to 31/12/1997	263	5.77	34,451,154.19	5.05
From 01/01/1998 to 30/06/1998	290	6.37	39,075,252.08	5.73
From 01/07/1998 to 31/12/1998	396	8.69	52,077,347.52	7.63
From 01/01/1999 to 30/06/1999	427	9.37	53,657,337.62	7.87
From 01/07/1999 to 31/12/1999	490	10.76	71,560,270.82	10.49
From 01/01/2000 to 30/06/2000	584	12.82	107,714,307.50	15.79
From 01/07/2000 to 31/12/2000	614	13.48	102,346,736.75	15.00
From 01/01/2001 to 30/06/2001	983	21.58	167,462,234.54	24.55
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>
<b>10/03/1989</b>	<b>27.46</b>	<b>months</b>	<b>Weighted average seniority</b>	
<b>29/06/2001</b>	<b>154.85</b>	<b>months</b>	<b>Maximum seniority</b>	
	<b>7.10</b>	<b>months</b>	<b>Minimum seniority</b>	

**Maturity date and residual life.**

The amortisation of Loans takes place throughout the life remaining until full amortisation, during which period debtors must pay monthly instalments comprising capital repayment and interest. Nevertheless, 141 loans, whose capital value amounted as of January 31, 2002 to EUR 75,458,599.39, include an average weighted initial amortisation lockout period of 10.51 months.

At any time during the life of the loans, debtors 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 31.01.2002 Classification by maturity date						
Final Amortisation Year	Loans %		Outstanding Balance (EUR) %		Total Residual Life * Months Date	
2003	266	5.84	21,122,086.09	3.10	20.06	3/10/2003
2004	618	13.56	57,078,171.15	8.37	29.18	7/07/2004
2005	627	13.76	76,813,823.81	11.26	41.11	5/07/2005
2006	489	10.73	65,714,223.15	9.63	51.97	1/06/2006
2007	292	6.41	45,335,275.89	6.65	65.26	10/07/2007
2008	271	5.95	43,566,633.03	6.39	76.22	8/06/2008
2009	189	4.15	35,951,379.76	5.27	89.72	24/07/2009
2010	211	4.63	45,770,264.70	6.71	100.68	22/06/2010
2011	237	5.20	52,398,089.62	7.68	111.93	31/05/2011
2012	229	5.03	36,544,006.12	5.36	125.61	20/07/2012
2013	246	5.40	38,332,726.42	5.62	136.19	7/06/2013
2014	200	4.39	30,221,110.95	4.43	148.68	22/06/2014
2015	235	5.16	45,418,172.20	6.66	160.88	29/06/2015
2016	211	4.63	42,310,348.38	6.20	170.58	19/04/2016
2017	41	0.90	7,828,780.07	1.15	185.41	14/07/2017
2018	49	1.08	12,477,565.46	1.83	197.15	7/07/2018
2019	43	0.94	7,702,300.64	1.13	209.57	20/07/2019
2020	53	1.16	11,158,446.48	1.64	220.96	30/06/2020
2021	49	1.08	6,452,187.59	0.95	230.52	17/04/2021
<b>Total portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>98.13</b>	<b>6/04/2010</b>
	<b>Simple average:</b>				<b>86.39</b>	<b>13/04/2009</b>
	<b>Minimum:</b>				<b>16.95</b>	<b>1/07/2003</b>
	<b>Maximum:</b>				<b>233.89</b>	<b>29/07/2021</b>

\*Residual life (months and date) are averages weighted by the outstanding balance.

**h) In the event of loans with real estate mortgage security that may be assigned to the Fund through the issue of Mortgage Certificates, specification of the maximum, minimum and average value of the ratio “present loan amount/appraisal value”.**

The Loans with real estate mortgage security that would be assigned on 31.01.2002 through the issue of mortgage certificates are 1,607 loans with an initial capital valued at EUR 303,546,518.98 and an outstanding principal balance as of 31.01.2002 valued at EUR 240,238,556.95.

The ratio of the outstanding principal balance as of 31.01.2002 of these Mortgage Loans to the appraisal value of the mortgaged property ranged between 0.64% and 79.87%, the average ratio weighted by the outstanding balance on each loan being 51.35%.

The following table shows the distribution de these Mortgage Loans according to 10.00% intervals of that ratio.

Mortgage Loan Portfolio as of 31.01.2002					
Classification by Ratio Outstanding Balance/Appraisal Value					
Ratio Intervals (%)	Loans		Outstanding Balance		Outstanding Balance/ Appraised V. (%)
		%	(EUR)	%	
0.00 - 10.00	24	1.49	2,497,543.75	1.04	5.62
10.01 - 20.00	57	3.55	5,623,215.42	2.34	16.96
20.01 - 30.00	116	7.22	16,530,722.92	6.88	25.70
30.01 - 40.00	194	12.07	26,640,611.76	11.09	35.33
40.01 - 50.00	306	19.04	46,849,939.34	19.50	45.31
50.01 - 60.00	392	24.39	57,461,617.26	23.92	54.57
60.01 - 70.00	409	25.45	74,141,422.04	30.86	64.95
70.01 - 80.00	109	6.78	10,493,484.46	4.37	75.08
Total	1,607	100.00	240,238,556.95	100.00	
Weighted average:					51.35
Simple average:					50.34
Minimum:					0.64
Maximum:					79.87
*Ratio Outstanding Balance/Appraisal Value are averages weighted by the outstanding balance.					

The ratio of the initial balance of these Mortgage Loans to the appraisal value of the mortgaged property ranged between 0.69% and 100.00%, the average ratio weighted by the initial balance on each loan being 62.56%.

The following table shows the distribution of these Mortgage Loans according to 10.00% intervals of that ratio.

Mortgage Loan Portfolio as of 31.01.2002					
Classification by Ratio Initial Balance/Appraisal Value					
Ratios Intervals	Loans		Initial Balance		Initial Balance Appraisal V (%)
		%	(EUR)	%	
0.00 - 10.00	12	0.75	2,695,149.47	0.89	7.19
10.01 - 20.00	21	1.31	2,156,467.74	0.71	16.64
20.01 - 30.00	44	2.74	6,192,993.33	2.04	26.32
30.01 - 40.00	72	4.48	16,368,915.47	5.39	35.16
40.01 - 50.00	154	9.58	42,928,619.38	14.14	46.60
50.01 - 60.00	264	16.43	52,269,125.19	17.22	55.44
60.01 - 70.00	460	28.62	80,906,680.41	26.65	66.05
70.01 - 80.00	430	26.76	69,966,460.49	23.05	75.10
80.01 - 90.00	98	6.10	15,146,189.95	4.99	83.93
90.01 - 100.00	52	3.24	14,915,917.55	4.91	95.75
Total	1,607	100.00	303,546,518.98	100.00	
Weighted average:					62.56
Simple average:					63.60
Minimum:					0.69
Maximum:					100.00
*Ratio Initial Balance/Appraisal Value are averages weighted by the outstanding balance.					

### Information on the SME nature of the corporate debtors.

The following table shows the distribution according to SME nature (small and medium-sized companies as defined by the European Commission Recommendation of April 3, 1996) of the borrowing companies.

Loan portfolio as of 31.01.2002				
Classification by class of company				
Type of company	Loans		Outstanding Balance	
		%	(EUR)	%
SME	2,325	51.03	377,003,101.53	55.26
Rest	2,231	48.97	305,192,489.98	44.74
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>

### 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 debtors according to their business.

Loan portfolio as of 31.01.2002				
Classification by sectors				
CNAE	Loans		Outstanding Balance	
		%	(EUR)	%
1 Agriculture, stockbreeding, hunting and related service	109	2.39	21,357,743.25	3.13
2 Silviculture, forestry and related service activities.	3	0.07	138,885.15	0.02
5 Fishing, aquiculture and related service activities.	14	0.31	2,852,551.20	0.42
10 Extracting and agglomerating anthracite, coal, lignite and	2	0.04	187,287.31	0.03
11 Extracting crude oil and natural gas.	2	0.04	87,511.20	0.01
12 Extracting uranium and thorium minerals.	2	0.04	179,009.52	0.03
14 Extracting non-metallic and non-energetic minerals.	29	0.64	5,242,287.54	0.77
15 Food products and drinks industry.	118	2.59	16,763,558.00	2.46
17 Textile manufacture and textile products.	91	2.00	15,402,292.06	2.26
18 Clothing and fur industry.	26	0.57	2,297,674.39	0.34
19 Preparing, tanning and finishing leather.	42	0.92	4,689,349.46	0.69
20 Wood and cork industry, excepting furniture, basketwork and	96	2.11	8,350,131.28	1.22
21 Paper industry.	28	0.61	4,861,114.37	0.71
22 Publishing, graphic arts and reproduction of recorded media.	75	1.65	6,902,383.56	1.01
23 Coke processing, oil refining and processing of nuclear fuels.	1	0.02	20,671.28	0.00
24 Chemical industry.	48	1.05	9,387,909.58	1.38
25 Manufacture of rubber products and plastic materials.	57	1.25	5,788,110.52	0.85
26 Manufacture of other non-metallic mineral products.	163	3.58	56,564,600.08	8.29
27 Metallurgy	34	0.75	5,355,341.53	0.79
28 Manufacture of metallic products, other than machinery and	79	1.73	10,357,733.94	1.52
29 Building of machinery and mechanical equipment industry.	58	1.27	6,324,796.44	0.93
30 Manufacture of office machines and computer equipment.	1	0.02	138,575.84	0.02
31 Manufacture of machinery and electrical material.	35	0.77	5,845,470.21	0.86
32 Manufacture of electronic material..	4	0.09	248,598.47	0.04
33 Manufacture of medical and surgical equipment and	6	0.13	895,868.18	0.13
34 Manufacture of motor vehicles, trailers and semi-trailers.	5	0.11	363,110.45	0.05

Loan portfolio as of 31.01.2002				
Classification by sectors				
CNAE	Loans		Outstanding Balance	
		%	(EUR)	%
35 Manufacture of other transport material.	2	0.04	966,126.97	0.14
36 Manufacture of furniture. Other manufacturing industries.	95	2.09	14,803,255.32	2.17
37 Recycling.	8	0.18	2,120,020.41	0.31
40 Production and distribution of electric power, gas, steam and	5	0.11	812,367.44	0.12
41 Collecting, treating and distributing water.	3	0.07	273,374.39	0.04
45 Building.	463	10.16	57,793,597.39	8.47
50 Sale, maintenance and repair of motor vehicles.	143	3.14	14,150,919.32	2.07
51 Wholesale trade.	426	9.35	53,671,290.65	7.87
52 Retail trade.	277	6.08	29,228,589.61	4.28
55 Catering trade.	256	5.62	44,778,451.43	6.56
60 Land transport; Pipeline transport.	170	3.73	14,690,078.67	2.15
61 Transport by sea, cabotage and other inland waterways.	11	0.24	3,381,004.46	0.50
62 Air and space transport.	1	0.02	101,090.79	0.01
63 Activities attached to transport. Travel agency activities.	42	0.92	7,906,144.99	1.16
64 Post and telecommunications.	14	0.31	1,209,404.83	0.18
66 Insurance and pension plans, other than compulsory social	2	0.04	171,429.39	0.03
67 Activities ancillary to broking.	8	0.18	724,698.93	0.11
70 Real estate activities.	735	16.13	140,459,956.06	20.59
71 Rental of machinery and equipment without operators.	30	0.66	2,323,316.37	0.34
72 Computer-related activities.	26	0.57	3,054,979.52	0.45
73 Research and development.	1	0.02	51,858.68	0.01
74 Other business activities	449	9.86	53,428,046.61	7.83
75 Public administration, defence and compulsory social security.	2	0.04	127,107.71	0.02
80 Education.	37	0.81	4,849,112.38	0.71
85 Health and veterinary activities, social services.	74	1.62	13,588,745.08	1.99
90 Public sanitation activities.	6	0.13	1,525,010.67	0.22
91 Associative activities.	16	0.35	2,123,477.35	0.31
92 Recreational, cultural and sporting activities.	72	1.58	16,515,865.07	2.42
93 Sundry personal service activities.	54	1.19	6,763,706.21	0.99
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>

#### Information on geographical distribution by provinces.

The following table shows the Loan distribution by provinces, according to the provinces where the obligor companies' registered office is located.

Loan portfolio as of 31.01.2002				
Classification by provinces				
	Loans		Outstanding Balance	
		%	(EUR)	%
Álava	3	0.07	1,102,116.46	0.16
Albacete	179	3.93	19,049,678.32	2.79
Alicante	567	12.45	72,990,634.38	10.70
Badajoz	1	0.02	53,167.64	0.01
Balearic Isles	132	2.90	26,109,122.50	3.83
Barcelona	212	4.65	41,237,935.04	6.04

Loan portfolio as of 31.01.2002				
Classification by provinces				
	Loans		Outstanding Balance	
		%	(EUR)	%
Cantabria	1	0.02	48,210.32	0.01
Castellón	720	15.80	142,100,973.47	20.83
Ciudad Real	4	0.09	420,163.80	0.06
Cuenca	4	0.09	846,980.37	0.12
Girona	4	0.09	599,775.18	0.09
Granada	2	0.04	625,826.28	0.09
Guadalajara	5	0.11	341,038.81	0.05
La Rioja	2	0.04	746,498.72	0.11
Las Palmas	38	0.83	6,304,542.02	0.92
Lleida	12	0.26	1,736,436.87	0.25
Madrid	354	7.77	56,148,957.31	8.23
Murcia	6	0.13	853,469.13	0.13
Navarre	3	0.07	631,213.73	0.09
Seville	13	0.29	1,350,331.63	0.20
Sta. Cruz Tenerife	23	0.50	1,884,583.45	0.28
Tarragona	7	0.15	1,111,088.12	0.16
Teruel	1	0.02	36,130.69	0.01
Toledo	14	0.31	2,908,887.55	0.43
Valencia	2,183	47.91	291,173,323.54	42.68
Valladolid	1	0.02	58,871.39	0.01
Biscay	21	0.46	5,176,036.96	0.76
Zamora	1	0.02	467,881.37	0.07
Zaragoza	43	0.94	6,081,716.46	0.89
<b>Total Portfolio</b>	<b>4,556</b>	<b>100.00</b>	<b>682,195,591.51</b>	<b>100.00</b>

**Information as to whether there are delays in collecting Loan principal or interest instalments and, as the case may be, amount of the current principal of the delayed Loans in excess of 30, 60 and 90 days.**

The Loans in the provisional portfolio were all in good standing as of 31.01.2002 in payment of the amounts due for each of them.

Additionally, as BANCAJA has represented on the statement contained in section IV.1.1.2.(12), none of the Loans that will finally be assigned to the Fund shall have overdue payments pending collection on the date of assignment on the date of constitution.

## 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, in euros, on the Closing Date will be as follows assuming that all set-up and Bond issuance expenses are met that day:

ASSETS		LIABILITIES	
<b>Fixed Assets</b>		<b>Bond Issue</b>	600,000,000.00
Assigned Assets	601,820,000.00	Series A1(G) Bonds	264,000,000
(adjustment excess to 32,820.08 )		Series A1 Bonds	66,000,000
		Series A2(G) Bonds	194,400,000
set-up and Bond issuance expenses	1,787,179.92	Series A2 Bonds	48,600,000
		Class B Bonds	27,000,000
<b>Current Assets</b>		<b>Other long-term liabilities</b>	<b>1,820,000.00</b>
	to be determined	Start-Up Loan	1,820,000.00
Treasury Account*	0.00		
Amortisation Account	0.00		
Accrued interest receivable**	to be determined	<b>Short-term creditors</b>	To be determined
		Assigned asset accrued interest**	To be determined
<b>Total assets</b>	<b>601,820,000.00</b>	<b>Total liabilities</b>	<b>601,820,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Subordinated Credit Available	10,500,000.00		
Liquidity Facilities Available	43,000,000.00		
Interest Swap	to be determined		
Interest Swap	to be determined		

**(Amounts in EUR)**

\* Assuming that all Organisation and Bond issue expenses are met on the Closing Date.

\*\* As set forth in section IV.1 b) of the Offering Circular.

#### V.1.1 Assumptions made in relation to the main or most likely rates of such factors as early amortisation, late payments, delinquencies and defaults, with respect to the Assigned Assets pooled in the Fund.

The tables shown in section V.1.3 below 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 said Bond servicing and Fund cash flow tables:



**a) Assigned Assets.**

- (i) Amount of the provisional portfolio as of 31.01.2002 from which the loans subject of the issue of Assigned Assets shall be taken: EUR 682,195,591.51.
- (ii) Interest rate: 5.56% (weighted average interest rate of the portfolio of loans selected at 31.01.2002), assumed constant throughout the life of the transaction.
- (iii) CPR: 8% per annum, (0.6924% monthly) and 16% per annum (1.4424% monthly).
- (iv) Delinquency rate: 0% per annum.
- (v) Defaults: 0%.

**b) Bonds.**

- (i) Total amount: EUR 600,000,000.

	<u>EUR</u>
<b>Series A1(G) Bonds</b>	264,000,000
<b>Series A1 Bonds</b>	66,000,000
<b>Series A2(G) Bonds</b>	194,400,000
<b>Series A2 Bonds</b>	48,600,000
<b>Class B Bonds</b>	27,000,000
<b>Total</b>	<b>600,000,000</b>

- (ii) Interest rate: floating interest rate for the outstanding balances of each of the Series, assuming that the interest rates in each Series remain constant for the first Interest Accrual Period as follows.

	<b>Series A1(G) Bonds</b>	<b>Series A1 Bonds</b>	<b>Series A2(G) Bonds</b>	<b>Series A2 Bonds</b>	<b>Series B Bonds</b>
<b>Nominal interest rate</b>	<b>3.346%</b>	<b>3.711%</b>	<b>3.391%</b>	<b>3.811%</b>	<b>5.131%</b>

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

	<b>Series A1(G) Bonds</b>	<b>Series A1 Bonds</b>	<b>Series A2(G) Bonds</b>	<b>Series A2 Bonds</b>	<b>Series B Bonds</b>
<b>Nominal interest rate</b>	<b>3.367%</b>	<b>3.732%</b>	<b>3.412%</b>	<b>3.832%</b>	<b>5.152%</b>

- (iii) It is assumed that the amortisation of each of the Bond Series will be made in accordance with the rules established in sections II.11.3.1, II.11.3.2 and II.11.3.3 of the Offering Circular.

**c) Ancillary agreements.**

**(i) Treasury Account.**

It is assumed that the Treasury Account shall be maintained at BANCAJA.

Interest rate: it is assumed to be 3.331% for the first accrual period and 3.352% for successive accrual periods for remunerating all the amounts paid into the Treasury Account.

**(ii) Amortisation Account.**

It is assumed that the Amortisation Account shall be maintained at BANCAJA.

Interest rate: it is assumed to be 3.331% for the first accrual period and 3.352% for successive accrual periods for remunerating all the amounts paid into the Amortisation Account.

**(iii) Start-Up Loan Agreement.**

- Amount: EUR 1,820,000 which shall be allocated to financing the expenses of setting-up the Fund and issuing the Bonds (approximately EUR 1,787,179,92) and to partially financing the subscription for the Assigned Assets (up to EUR 32,820.08).
- Interest rate: it is assumed to be 4.331% for the first accrual period and 4.352% for successive accrual periods .
- 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 January 20, 2005, inclusive.

**(iv) Interest Swap Agreement.**

- The Interest Rate of Party A on the Swap Notional for Party A, as this concept is defined in section V.3.6.3.1, is applied for calculating the interest paid by the Fund.
- The following assumptions are made in calculating the interest received by the Fund: (i) that both the delinquency and default rate is equal to 0%; and (ii) that the base risk is not materialised at any time during the existence of the Fund. Consequently, BANCAJA shall pay the Fund the Interest Rate of Party B on the notional described in section V.3.6 4.2ii) and the net result of the Swap shall be positive for BANCAJA.

**(v) Subordinated Credit Agreement.**

- Amount: the lower of the following amounts: (i) EUR ten million five hundred thousand (10,500,000), equivalent to 1.75% of the face amount of the Bond Issue, and (ii) the greater of a) 3.50% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Amortisation Account on the Payment Date, and b) 1.00% of the face amount of the Bond Issue.
- Interest rate: it is assumed to be 4.331% for the first accrual period and 4.352% for successive accrual periods.

- It is assumed that the rating of the short-term debt of BANCAJA will at no time fall below P-1 or F1 respectively in Moody's and Fitch's rating scales and, therefore, that the Maximum Subordinated Credit Amount shall not be drawn down in consequence of this to set up the Cash Reserve.

**(vi) State Guarantee and Liquidity Facilities.**

It is assumed that it will not be necessary to enforce the State Guarantee or draw on the Liquidity Facilities based on the assumed performance of the Assigned Assets set forth in subparagraphs (iv) and (v) of paragraph a) above.

**e) Cash Reserve.**

It is assumed that the rating of the short-term debt of BANCAJA will at no time fall below P-1 or F1 respectively in Moody's and Fitch's rating scales and, therefore, that the Cash Reserve will not be set up upon the Maximum Subordinated Credit Amount being drawn down.

**f) Expenses, fees and margin.**

- (i) Assigned Asset Servicing Fee: 0.01% per annum on the mean daily Outstanding Balance of the Assigned Assets during each Interest Accrual Period corresponding to the ongoing Payment Date, inclusive of VAT if there is no exemption.
- (ii) Management Company Fee: 0.024% per annum on the Outstanding Principal Balance of the Bonds, with a minimum annual amount of EUR 27,050,000.
- (iii) Annual expenses of the Fund for maintaining the rating of the Bonds: EUR 2,500 on each Payment Date.
- (iv) Bond Payment Agency Fees: 0.01% on the amount to be distributed to the Bondholders on each Bond Payment Date.
- (v) Financial Intermediation Fee: variable remuneration settled quarterly on each Payment Date, to be accrued every year in an amount equal to the positive difference, if any, between the income and expenditure of the Fund before its official accounts are closed.

**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 cover the possible credit risk due to delinquency and default on the Assigned Assets, it has been resolved to arrange for a Subordinated Credit (section V.3.3) in order to fulfil on each Payment Date, upon a shortage of Available Funds, certain of the Fund's payment or withholding obligations, which include Bond interest and amortisation payments upon maturity. Nevertheless, that credit risk is covered for the Bonds in the Guaranteed Series by the State Guarantee (section V.3.4). Furthermore, the deferred interest payment and principal repayment of the Class B Bonds with respect to the Bonds in other Series is a means of protection among the Series.

The underlying interest risk between the fixed and floating interest on the Assigned Assets based on different review and settlement periods and benchmark indices, and the floating interest on the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods, is neutralised by means of the Interest Swap (section

V.3.6), which does not neutralise the credit risk remaining in the Fund, since the amounts payable and receivable by the Fund exclude amounts derived from Assigned Assets with a default in excess of ninety (90) days.

As for the incidence the prepayment of the Assigned Assets 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 (CPR).

In general, the quality of the Assigned Assets and the mechanisms in place for maintaining the financial balance of the Fund are such that no extreme prepayment, or delinquency and default rates should reasonably be considered resulting, upon both the prepayment risk and the risk of delinquency on the Assigned Assets being properly transferred, in the financial structure of the Fund being imbalanced. Nevertheless, the ratings assigned by the Rating Agencies to each of the Bond Series express the Rating Agencies' opinion about the Fund's capacity to meet payments of interest as they fall due on each set Payment Date and of the principal during the life of the transaction, and in any event before the Final Maturity Date of the Fund.

### **V.1.3 Number outline of the cash flow of the Fund.**

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.

Said 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 on the Loans are subject to continual changes.

Now, therefore, the value of that number outline is merely illustrative.

**FUND CASH FLOWS**  
**(AMOUNTS IN EUROS)**

**CPR=8%**  
**PAYMENTS**

**7-Mar-2002      600,000,000.0 Issue of Bonds**  
**1,820,000.0 Start-up Loan**

Subordinated Credit	Outstanding Balance of the Assigned Assets	Date	Assigned Asset Prin. Repayment	Amortisation Account Reduction	Net Swap Asset Interest	Amort. & Treasury Account Reinvest. Interest	Amount drawn on the Subordinated Credit	Guar.	Liquidity Facilities	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
10,500,000.0	587,520,928.8	22-Apr-2002	12,479,071.2	0,0	3,157,685.3	24,090.4	0,0	0,0	0,0	15,660,846.9
10,500,000.0	551,017,462.5	22-Jul-2002	36,503,466.3	0,0	6,153,912.2	278,312.6	0,0	0,0	0,0	42,935,691.1
10,500,000.0	515,367,683.5	21-Oct-2002	35,649,779.0	0,0	5,789,250.7	580,598.8	0,0	0,0	0,0	42,019,628.5
10,500,000.0	480,682,424.5	20-Jan-2003	34,685,258.9	0,0	5,433,117.3	875,712.5	0,0	0,0	0,0	40,994,088.8
10,500,000.0	447,143,067.3	21-Apr-2003	33,539,357.3	0,0	5,086,619.3	1,165,336.1	0,0	0,0	0,0	39,791,312.6
10,500,000.0	414,678,528.5	21-Jul-2003	32,464,538.8	0,0	4,751,568.5	1,446,387.5	0,0	0,0	0,0	38,662,494.8
10,500,000.0	383,958,941.3	20-Oct-2003	30,719,587.2	0,0	4,427,255.0	1,710,563.0	0,0	0,0	0,0	36,857,405.2
10,500,000.0	355,339,789.2	20-Jan-2004	28,619,152.1	0,0	4,165,652.0	1,981,962.1	0,0	0,0	0,0	34,766,766.2
10,500,000.0	328,956,911.7	20-Apr-2004	26,382,877.5	0,0	3,834,474.2	2,193,482.5	0,0	0,0	0,0	32,410,834.2
10,500,000.0	304,711,472.2	20-Jul-2004	24,245,439.5	0,0	3,570,915.1	2,407,528.4	0,0	0,0	0,0	30,223,883.0
9,875,004.4	282,142,981.8	20-Oct-2004	22,568,490.4	0,0	3,365,287.8	2,632,603.7	0,0	0,0	0,0	28,566,381.8
9,141,485.3	261,185,295.4	20-Jan-2005	20,957,686.5	0,0	3,137,356.1	2,819,162.4	0,0	0,0	0,0	26,914,205.0
8,470,347.6	242,009,931.1	20-Apr-2005	19,175,364.3	312,742,172.2	3,062,724.1	2,919,037.6	0,0	0,0	0,0	337,899,298.2
7,857,481.5	224,499,472.4	20-Jul-2005	17,510,458.7	0,0	2,616,192.0	293,720.1	0,0	0,0	0,0	20,420,370.8
7,293,658.3	208,390,236.2	20-Oct-2005	16,109,236.2	0,0	2,460,038.7	424,535.5	0,0	0,0	0,0	18,993,810.3
6,772,523.4	193,500,667.7	20-Jan-2006	14,889,568.5	0,0	2,289,932.3	543,609.6	0,0	0,0	0,0	17,723,110.3
6,297,602.5	179,931,500.3	20-Apr-2006	13,569,167.4	0,0	2,086,341.9	638,675.8	0,0	0,0	0,0	16,294,185.1
6,000,000.0	167,827,138.6	20-Jul-2006	12,104,361.8	0,0	1,967,796.5	742,373.3	0,0	0,0	0,0	14,814,531.7
6,000,000.0	156,469,501.8	20-Oct-2006	11,357,636.8	0,0	1,861,604.0	839,655.3	0,0	0,0	0,0	14,058,896.1
6,000,000.0	145,695,454.1	22-Jan-2007	10,774,047.7	0,0	1,779,534.8	945,732.6	0,0	0,0	0,0	13,499,315.1
6,000,000.0	135,637,578.5	20-Apr-2007	10,057,875.6	0,0	1,557,124.8	962,299.0	0,0	0,0	0,0	12,577,299.4
6,000,000.0	126,207,752.2	20-Jul-2007	9,429,826.3	0,0	1,505,156.4	1,067,694.3	0,0	0,0	0,0	12,002,677.0
6,000,000.0	117,203,875.0	22-Oct-2007	9,003,877.2	0,0	1,453,037.5	1,175,395.1	0,0	0,0	0,0	11,632,309.7
6,000,000.0	108,810,280.1	21-Jan-2008	8,393,594.9	0,0	1,312,620.4	1,204,533.9	0,0	0,0	0,0	10,910,749.2
6,000,000.0	100,996,960.4	21-Apr-2008	7,813,319.7	0,0	1,224,951.2	1,265,543.1	0,0	0,0	0,0	10,303,813.9
6,000,000.0	93,831,483.0	21-Jul-2008	7,165,477.4	0,0	1,143,342.8	1,322,110.3	0,0	0,0	0,0	9,630,930.5
0,0	0,0	20-Oct-2008	93,831,483.0	158,551,665.3	1,268,442.3	1,374,457.4	0,0	0,0	0,0	255,026,048.0
			<b>600,000,000.0</b>	<b>471,293,837.4</b>	<b>80,461,933.1</b>	<b>33,835,112.7</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,787,410,883.3</b>

**FUND CASH FLOWS**  
**(AMOUNTS IN EUROS)**  
**CPR=8%**  
**RECEIPTS**

7-Mar-2002      600.000.000,0      Assigned Asset acquisition payment

Current expenses	ABB interest	Provisioning of the Primary Amortisation Fund	Provisioning of the Secondary Amortisation Fund	Amortisation Account Increase	Amount of principal amortised on the Bonds	Interest payment amounts on the Start-Up Loan	Periodic repayment of Start-Up Loan principal	Asset Servicing Fee	Financial Intermediation fee	Repayment amounts drawn Subordinated Credit.	Repayment drawdowns State Guarantee	Int.& repay. princ. Liquidity Facilities	Total
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
38,500.0	2,697,685.3	0,0	12,479,071.2	12,479,071.2	0,0	10,072.0	151,666.7	14,844.0	269,007.8	0,0	0,0	0,0	15,660,846.9
38,500.0	5,368,575.3	9,503,466.3	27,000,000.0	36,503,466.3	0,0	18,353.2	151,666.7	14,231.7	840,897.9	0,0	0,0	0,0	42,935,691.1
38,500.0	5,368,575.3	8,649,779.0	27,000,000.0	35,649,779.0	0,0	16,684.7	151,666.7	13,329.8	781,093.0	0,0	0,0	0,0	42,019,628.5
38,500.0	5,368,575.3	7,685,258.9	27,000,000.0	34,685,258.9	0,0	15,016.2	151,666.7	12,450.6	722,621.0	0,0	0,0	0,0	40,994,088.8
38,500.0	5,368,575.3	6,539,357.3	27,000,000.0	33,539,357.3	0,0	13,347.8	151,666.7	11,597.8	668,267.8	0,0	0,0	0,0	39,791,312.6
38,500.0	5,368,575.3	5,464,538.8	27,000,000.0	32,464,538.8	0,0	11,679.3	151,666.7	10,772.8	616,762.0	0,0	0,0	0,0	38,662,494.8
38,500.0	5,368,575.3	3,719,587.2	27,000,000.0	30,719,587.2	0,0	10,010.8	151,666.7	9,983.0	559,082.2	0,0	0,0	0,0	36,857,405.2
38,500.0	5,427,570.7	1,619,152.1	27,000,000.0	28,619,152.1	0,0	8,434.0	151,666.7	9,241.2	512,201.5	0,0	0,0	0,0	34,766,766.2
38,500.0	5,368,575.3	0,0	26,382,877.5	26,382,877.5	0,0	6,673.9	151,666.7	8,553.7	453,987.1	0,0	0,0	0,0	32,410,834.2
38,500.0	5,368,575.3	0,0	24,245,439.5	24,245,439.5	0,0	5,005.4	151,666.7	7,920.9	406,775.3	0,0	0,0	0,0	30,223,883.0
38,500.0	5,427,570.7	0,0	22,568,490.4	22,568,490.4	0,0	3,373.6	151,666.7	7,335.7	369,444.8	0,0	0,0	0,0	28,566,381.8
38,500.0	5,427,570.7	0,0	20,957,686.5	20,076,216.0	881,470.5	1,686.8	151,666.7	6,791.6	330,302.7	0,0	0,0	0,0	26,914,205.0
38,447.1	5,502,826.7	0,0	19,175,364.3	0,0	331,917,536.4	0,0	0,0	6,289.9	434,198.0	0,0	0,0	0,0	337,899,298.2
18,532.1	2,462,590.2	0,0	17,510,458.7	15,759,412.9	1,751,045.9	0,0	0,0	5,831.4	422,958.4	0,0	0,0	0,0	20,420,370.8
18,427.0	2,466,597.0	0,0	16,109,236.2	14,498,312.5	1,610,923.6	0,0	0,0	5,411.1	394,139.0	0,0	0,0	0,0	18,993,810.3
18,330.3	2,445,387.2	0,0	14,889,568.5	13,400,611.6	1,488,956.9	0,0	0,0	5,023.6	364,800.6	0,0	0,0	0,0	17,723,110.3
18,241.0	2,373,048.9	0,0	13,569,167.4	12,212,250.7	1,356,916.7	0,0	0,0	4,667.9	329,060.0	0,0	0,0	0,0	16,294,185.1
18,159.6	2,381,744.8	0,0	12,104,361.8	10,893,925.6	1,210,436.2	0,0	0,0	4,347.0	305,918.5	0,0	0,0	0,0	14,814,531.6
18,087.0	2,391,980.9	0,0	11,357,636.8	10,221,873.1	1,135,763.7	0,0	0,0	4,053.7	287,137.7	0,0	0,0	0,0	14,058,896.1
18,018.8	2,428,701.7	0,0	10,774,047.7	9,696,642.9	1,077,404.8	0,0	0,0	3,777.1	274,769.8	0,0	0,0	0,0	13,499,315.1
17,954.2	2,260,109.6	0,0	10,057,875.6	9,052,088.1	1,005,787.6	0,0	0,0	3,516.7	237,843.3	0,0	0,0	0,0	12,577,299.4
17,893.8	2,324,060.3	0,0	9,429,826.3	8,486,843.7	942,982.6	0,0	0,0	3,273.1	227,623.4	0,0	0,0	0,0	12,002,677.0
17,837.3	2,387,992.3	0,0	9,003,877.2	8,103,489.5	900,387.7	0,0	0,0	3,042.7	219,560.3	0,0	0,0	0,0	11,632,309.7
17,783.2	2,300,053.9	0,0	8,393,594.9	7,554,235.4	839,359.5	0,0	0,0	2,825.2	196,492.1	0,0	0,0	0,0	10,910,749.2
17,732.9	2,289,122.8	0,0	7,813,319.7	7,031,987.7	781,332.0	0,0	0,0	2,622.6	181,016.0	0,0	0,0	0,0	10,303,813.9
17,686.0	2,278,947.5	0,0	7,165,477.4	6,448,929.7	716,547.7	0,0	0,0	2,435.4	166,384.3	0,0	0,0	0,0	9,630,930.5
17,643.0	2,469,557.1	84,448,334.7	9,383,148.3	0,0	252,383,148.3	0,0	0,0	2,260.4	153,439.2	0,0	0,0	0,0	255,026,048.0
<b>752,773.2</b>	<b>100,691,720.9</b>	<b>127,629,474.4</b>	<b>472,370,525.6</b>	<b>471,293,837.4</b>	<b>600,000,000.0</b>	<b>120,337.6</b>	<b>1,820,000.0</b>	<b>186,430.5</b>	<b>10,725,783.7</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,787,410,883.3</b>

**FUND CASH FLOWS**  
**(AMOUNTS IN EUROS)**

**CPR=16%**  
**PAYMENTS**

**7-Mar-2002**      **600,000,000.0** Issue of Bonds  
**1,820,000.0** Start-up Loan

Subordinated Credit	Outstanding Balance of the Assigned Assets	Date	Assigned Asset Prin. Repayemt	Amortisation Account Reduction	Net Swap Asset Interest	Amort. & Treasury Account Reinvest. Interest	Amount drawn on the Subordinated Credit	Guar.	Liquidity Facilities	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
10,500,000.0	582,999,016.1	22-Apr-2002	17,000,983.9	0,0	3,157,685.3	32,819.8	0,0	0,0	0,0	20,191,489.0
10,500,000.0	534,514,840.7	22-Jul-2002	48,484,175.4	0,0	6,108,739.3	374,239.3	0,0	0,0	0,0	54,967,154.0
10,500,000.0	488,599,783.8	21-Oct-2002	45,915,057.0	0,0	5,624,393.1	769,286.7	0,0	0,0	0,0	52,308,736.8
10,500,000.0	445,385,438.4	20-Jan-2003	43,214,345.4	0,0	5,165,711.9	1,142,421.8	0,0	0,0	0,0	49,522,479.1
10,500,000.0	405,118,840.0	21-Apr-2003	40,266,598.4	0,0	4,734,010.2	1,496,162.9	0,0	0,0	0,0	46,496,771.5
10,500,000.0	367,280,112.6	21-Jul-2003	37,838,727.4	0,0	4,331,755.9	1,828,073.9	0,0	0,0	0,0	43,998,557.2
10,500,000.0	332,362,741.3	20-Oct-2003	34,917,371.2	0,0	3,953,755.4	2,132,128.3	0,0	0,0	0,0	41,003,254.9
10,500,000.0	300,616,677.1	20-Jan-2004	31,746,064.3	0,0	3,644,553.3	2,438,823.8	0,0	0,0	0,0	37,829,441.3
9,521,957.0	272,055,913.7	20-Apr-2004	28,560,763.4	0,0	3,287,802.5	2,667,453.4	0,0	0,0	0,0	34,516,019.2
8,622,355.6	246,353,017.2	20-Jul-2004	25,702,896.5	0,0	3,002,486.8	2,896,588.2	0,0	0,0	0,0	31,601,971.5
7,802,756.6	222,935,902.6	20-Oct-2004	23,417,114.6	0,0	2,765,015.7	3,116,585.4	0,0	0,0	0,0	29,298,715.7
7,059,423.1	201,697,803.3	20-Jan-2005	21,238,099.3	0,0	2,517,741.4	3,287,613.7	0,0	0,0	0,0	27,043,454.4
6,396,049.9	182,744,284.0	20-Apr-2005	18,953,519.4	312,941,832.6	2,448,218.3	3,366,909.1	0,0	0,0	0,0	337,710,479.3
6,000,000.0	165,720,358.3	20-Jul-2005	17,023,925.7	0,0	1,997,175.4	743,623.8	0,0	0,0	0,0	19,764,724.9
6,000,000.0	150,341,745.7	20-Oct-2005	15,378,612.7	0,0	1,839,357.3	874,657.3	0,0	0,0	0,0	18,092,627.3
6,000,000.0	136,435,181.4	20-Jan-2006	13,906,564.3	0,0	1,676,966.0	986,783.6	0,0	0,0	0,0	16,570,313.9
6,000,000.0	124,053,571.9	20-Apr-2006	12,381,609.4	0,0	1,496,855.4	1,063,792.9	0,0	0,0	0,0	14,942,257.8
6,000,000.0	113,113,434.1	20-Jul-2006	10,940,137.8	0,0	1,384,164.0	1,163,246.4	0,0	0,0	0,0	13,487,548.3
6,000,000.0	103,067,888.8	20-Oct-2006	10,045,545.3	0,0	1,283,851.6	1,255,679.8	0,0	0,0	0,0	12,585,076.7
6,000,000.0	93,795,362.1	22-Jan-2007	9,272,526.6	0,0	1,203,378.9	1,359,374.5	0,0	0,0	0,0	11,835,280.0
6,000,000.0	85,383,422.5	20-Apr-2007	8,411,939.7	0,0	1,032,910.8	1,337,675.2	0,0	0,0	0,0	10,782,525.7
6,000,000.0	77,665,740.6	20-Jul-2007	7,717,681.8	0,0	980,262.9	1,443,212.5	0,0	0,0	0,0	10,141,157.2
6,000,000.0	70,489,934.9	22-Oct-2007	7,175,805.7	0,0	929,312.3	1,549,268.4	0,0	0,0	0,0	9,654,386.4
6,000,000.0	63,958,276.2	21-Jan-2008	6,531,658.7	0,0	824,703.7	1,552,133.1	0,0	0,0	0,0	8,908,495.6
6,000,000.0	58,034,340.1	21-Apr-2008	5,923,936.1	0,0	756,482.0	1,598,865.6	0,0	0,0	0,0	8,279,283.6
6,000,000.0	52,707,844.1	21-Jul-2008	5,326,496.0	0,0	694,607.8	1,641,253.5	0,0	0,0	0,0	7,662,357.3
0,0	0,0	20-Oct-2008	52,707,844.1	195,562,940.3	820,203.8	1,679,614.0	0,0	0,0	0,0	250,770,602.2
			<b>600,000,000.0</b>	<b>508,504,772.9</b>	<b>67,662,101.1</b>	<b>43,798,286.7</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,821,785,160.6</b>

**FUND CASH FLOWS**  
**(AMOUNTS IN EUROS)**

**CPR=16%**

**RECEIPTS**

7-Mar-2002														600.000.000,0	Assigned Asset acquisition payment	
Current expenses	ABB interet	Provisioning of the Primary Amortisation Fund	Provisioning of the Secondary Amortisation Fund	Amortisation Account Increase	Amount of principal amortised on the Bonds	Interest payment amounts on the Start-Up Loan	Periodic repayment of Start-Up Loan principal	Asset Servicing Fee	Financial Intermediation fee	Repayment amounts drawn Subordinated Credit.	Repayment drawdowns State Guarantee	Int.& repay. princ. Liquidity Facilities	Total			
(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)			
38,500.0	2,697,685.3	0,0	17,000,983.9	17,000,983.9	0,0	10,072.0	151,666.7	14,787.5	277,793.7	0,0	0,0	0,0	20,191,489.0			
38,500.0	5,368,575.3	21,484,175.4	27,000,000.0	48,484,175.4	0,0	18,353.2	151,666.7	13,968.9	891,914.5	0,0	0,0	0,0	54,967,154.0			
38,500.0	5,368,575.3	18,915,057.0	27,000,000.0	45,915,057.0	0,0	16,684.7	151,666.7	12,788.9	805,464.2	0,0	0,0	0,0	52,308,736.8			
38,500.0	5,368,575.3	16,214,345.4	27,000,000.0	43,214,345.4	0,0	15,016.2	151,666.7	11,674.8	722,700.7	0,0	0,0	0,0	49,522,479.1			
38,500.0	5,368,575.3	13,266,598.4	27,000,000.0	40,266,598.4	0,0	13,347.8	151,666.7	10,631.3	647,452.1	0,0	0,0	0,0	46,496,771.5			
38,500.0	5,368,575.3	10,838,727.4	27,000,000.0	37,838,727.4	0,0	11,679.3	151,666.7	9,655.0	579,753.5	0,0	0,0	0,0	43,998,557.2			
38,500.0	5,368,575.3	7,917,371.2	27,000,000.0	34,917,371.2	0,0	10,010.8	151,666.7	8,745.5	508,385.3	0,0	0,0	0,0	41,003,254.9			
38,500.0	5,427,570.7	4,746,064.3	27,000,000.0	31,746,064.3	0,0	8,434.0	151,666.7	7,912.2	449,293.5	0,0	0,0	0,0	37,829,441.3			
38,500.0	5,368,575.3	1,560,763.4	27,000,000.0	28,560,763.4	0,0	6,673.9	151,666.7	7,158.4	382,681.6	0,0	0,0	0,0	34,516,019.2			
38,500.0	5,368,575.3	0,0	25,702,896.5	23,338,198.2	2,364,698.3	5,005.4	151,666.7	6,480.1	328,847.5	0,0	0,0	0,0	31,601,971.5			
38,358.1	5,396,436.5	0,0	23,417,114.6	21,075,403.2	2,341,711.5	3,373.6	151,666.7	5,866.1	285,900.0	0,0	0,0	0,0	29,298,715.7			
38,217.6	5,365,605.0	0,0	21,238,099.3	19,114,289.3	2,123,809.9	1,686.8	151,666.7	5,307.9	242,871.1	0,0	0,0	0,0	27,043,454.4			
38,090.2	5,426,206.8	0,0	18,953,519.4	0,0	331,895,351.9	0,0	0,0	4,805.5	346,024.9	0,0	0,0	0,0	337,710,479.3			
18,176.5	2,385,407.9	0,0	17,023,925.7	15,321,533.1	1,702,392.6	0,0	0,0	4,355.8	332,859.1	0,0	0,0	0,0	19,764,724.9			
18,074.3	2,389,207.1	0,0	15,378,612.7	13,840,751.4	1,537,861.3	0,0	0,0	3,950.8	302,782.4	0,0	0,0	0,0	18,092,627.3			
17,982.1	2,368,959.3	0,0	13,906,564.3	12,515,907.9	1,390,656.4	0,0	0,0	3,584.7	273,223.5	0,0	0,0	0,0	16,570,313.9			
17,898.6	2,299,548.5	0,0	12,381,609.4	11,143,448.5	1,238,160.9	0,0	0,0	3,256.1	239,945.1	0,0	0,0	0,0	14,942,257.8			
17,824.3	2,308,974.4	0,0	10,940,137.8	9,846,124.1	1,094,013.8	0,0	0,0	2,964.6	217,647.2	0,0	0,0	0,0	13,487,548.3			
17,758.7	2,319,943.7	0,0	10,045,545.3	9,040,990.8	1,004,554.5	0,0	0,0	2,702.3	199,126.8	0,0	0,0	0,0	12,585,076.7			
17,698.4	2,356,863.5	0,0	9,272,526.6	8,345,274.0	927,252.7	0,0	0,0	2,460.8	185,730.7	0,0	0,0	0,0	11,835,280.0			
17,642.8	2,194,747.8	0,0	8,411,939.7	7,570,745.7	841,194.0	0,0	0,0	2,239.7	155,955.7	0,0	0,0	0,0	10,782,525.7			
17,592.3	2,258,613.8	0,0	7,717,681.8	6,945,913.7	771,768.2	0,0	0,0	2,038.1	145,231.1	0,0	0,0	0,0	10,141,157.2			
17,546.0	2,322,691.4	0,0	7,175,805.7	6,458,225.1	717,580.6	0,0	0,0	1,852.0	136,491.4	0,0	0,0	0,0	9,654,386.4			
17,502.9	2,239,217.8	0,0	6,531,658.7	5,878,492.9	653,165.9	0,0	0,0	1,680.6	118,435.5	0,0	0,0	0,0	8,908,495.6			
17,463.8	2,230,711.6	0,0	5,923,936.1	5,331,542.5	592,393.6	0,0	0,0	1,524.9	105,647.3	0,0	0,0	0,0	8,279,283.6			
17,428.2	2,222,996.8	0,0	5,326,496.0	4,793,846.4	532,649.6	0,0	0,0	1,384.3	94,052.1	0,0	0,0	0,0	7,662,357.3			
17,396.3	2,397,290.1	47,437,059.7	5,270,784.4	0,0	248,270,784.4	0,0	0,0	1,255.9	83,875.6	0,0	0,0	0,0	250,770,602.2			
747,651.0	99,557,280.5	142,380,162.1	457,619,837.9	508,504,772.9	600,000,000.0	120,337.6	1,820,000.0	155,032.8	9,060,085.9	0,0	0,0	0,0	1,821,785,160.6			



**Key to the number outline.**

- (0) Maximum Amount of the Subordinated Credit.
- (1) Outstanding Balance of the Assigned Assets on each quarterly Payment Date, upon the principal being amortised (3).
- (2) Quarterly Payment Dates for the various transactions and services arranged by the Fund until the Series A2(G) and A2 Maturity Date.

**a) Collections.**

- (3) Amount of principal repaid on the portfolio of Assigned Assets from the immediately preceding quarterly date until the date given.
- (4) Reduction of the Amortisation Account.
- (5) Net interest collected by the Fund from the immediately preceding quarterly Payment Date until the Payment Date given. Such is the interest received on the Assigned Assets and the interest resulting from the application of the Interest Swap.
- (6) Return of the Treasury Account and the Amortisation Account.
- (7) Amount drawn on the Subordinated Credit.
- (8) Drawdown on the State Guarantee.
- (9) Drawdown on the Liquidity Facilities.
- (10) Total income on each Payment Date, being the sum of amounts (4), (5), (6), (7), (8) and (9).

**b) Payments.**

- (11) Amounts for the Fund's current expenses.
- (12) Amount of interest payable to the Bondholders.
- (13) Provisioning of the Primary Amortisation Fund.
- (14) Provisioning of the Secondary Amortisation Fund.
- (15) Amortisation Account Increase.
- (16) Amount of principal amortised on the Bonds.
- (17) Interest payment amounts on the Start-Up Loan.
- (18) Periodic repayment of Start-Up Loan principal.
- (19) Assigned Asset Servicing Fee.

- (20) Variable Financial Intermediation fee according to the Fund's other income and expenditure.
- (21) Repayment of amounts drawn on the Subordinated Credit.
- (22) Repayment of drawdowns on the State Guarantee.
- (23) Interest and repayment of principal on the Liquidity Facilities.
- (24) Total payments on each Payment Date, being the sum of amounts (11), (12), (15), (16), (17), (18), (19), (20), (21), (22) and (23).

## **V.2 Accounting policies used by the Fund.**

The income and expenditure will be booked by the Fund in accordance with the accruals principle, i.e. according to the actual flow of such income and expenditure, irrespective of the time when they are collected and paid.

The Fund organisation and Bond issue expenses described in section II.14 of the Offering Circular will be subject to a straight-line amortisation during the months elapsing since the constitution of the Fund until December 31, 2004, 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 purpose or object of the financial transactions and services arranged by the Management Company on behalf of the Fund, in order to enhance the risk, increase payment regularity, neutralise interest rate differences on the Assigned Assets, or, in general, transform the financial characteristics of all or part of said securities.**

In order to consolidate its financial structure and secure as extensive a cover as possible for the risks inherent in the Bond Issue, and supplement the administration of the Fund, the Management Company will, on behalf of the Fund, proceed upon the execution of the Deed of Constitution to enter into the agreements referred to hereinafter.

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution, in the Offering Circular and in the laws in force from time to time, acting for and on behalf of the Fund, extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements; the foregoing shall be subject to the laws in force from time to time, to the prior authorisation, if necessary, of the CNMV, or competent administrative body and to notice thereof being given on the Rating Agencies, provided that those actions do not detract from Bondholders' interests.

### **V.3.1 Guaranteed Interest Rate Account (Treasury Account) Agreement.**

The Management Company, acting for and on behalf of the Fund, and BANCAJA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BANCAJA 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 BANCAJA, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) principal and interest on the Assigned Assets;

- (ii) any other amounts relating to the Assigned Assets, and the sale or operation of the real estate or assets awarded or under administration or interim possession in foreclosure proceedings;
- (iii) as the case may be, drawdown on the principal of the Subordinated Credit and the amounts withheld to maintain the Cash Reserve from time to time if it is actually set up;
- (iv) drawdown of Start-Up Loan principal;
- (v) amounts paid to the Fund under the Interest Swap;
- (vi) amounts, if any, drawn down upon enforcing the State Guarantee or drawdowns, if any, on the Liquidity Facilities in those amounts;
- (vii) the amounts of the returns obtained on the balances existing in the actual Treasury Account and in the Amortisation Account; and
- (viii) 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.

BANCAJA guarantees an annual nominal interest rate, variable quarterly and settled quarterly, applicable on each interest accrual period (differing from the Interest Accrual Period established for the Bonds), equivalent to the Reference Rate determined for the Bonds. The accrued interest to be settled on January 19, April 19, July 19 and October 19 of each year 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.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bond issue, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than ten (10) Business Days from the time of that occurrence put in place, after consulting with 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:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the P-1 or F1 ratings is maintained.
- b) Obtaining from BANCAJA 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.
- c) If options a) and b) above are not possible, the Fund's Treasury Account will be transferred to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and the highest possible yield shall be arranged for its balances, which may differ from that arranged with BANCAJA under this Agreement.
- d) In that same event and 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 not more than quarterly periods, in short-term

fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 for short-term debt respectively in Moody's and Fitch'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 BANCAJA under this Agreement.

- e) In both events c) and d), the Management Company may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that its short-term debt should again attain the P-1 and F1 ratings, in the above-mentioned scales.

The Guaranteed Interest Rate Account (Treasury Account) Agreement mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Assigned Assets, which is mostly monthly, and the amortisation and payment of interest on the Bonds, which is quarterly.

### **V.3.2 Guaranteed Interest Rate Account (Amortisation Account) Agreement.**

The Management Company, acting for and on behalf of the Fund, and BANCAJA shall enter into a Guaranteed Interest Rate Account (Amortisation Account) Agreement whereby BANCAJA 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 the amounts remaining of the Available Funds for Amortisation not applied will be paid into a financial account in euros (the "**Amortisation Account**") opened at BANCAJA, in the name of the Fund by the Management Company.

BANCAJA guarantees an annual nominal interest rate, variable quarterly and settled quarterly, applicable on each interest accrual period (differing from the Interest Accrual Period established for the Bonds), equivalent to the Reference Rate determined for the Bonds. The accrued interest to be settled on January 19, April 19, July 19 and October 19 of each year 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 Amortisation Account interest shall be credited to the Treasury Account.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bond issue, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than ten (10) Business Days from the time of that occurrence put in place, after consulting with 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:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Amortisation Account, during the time over which the loss of the P-1 or F1 ratings is maintained.
- b) Obtaining from BANCAJA 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, in an amount sufficient to guarantee the commitments established in this Agreement.
- c) If options a) and b) above are not possible, the Fund's Amortisation Account will be transferred to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and the highest possible yield shall be arranged for its balances, which may differ from that arranged with BANCAJA under this Agreement.

- d) In that same event and 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 not more than quarterly periods, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 for short-term debt respectively in Moody's and Fitch'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 BANCAJA under this Agreement.
- e) In both events c) and d), the Management Company may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Amortisation Account) Agreement, in the event that its short-term debt should again attain the P-1 and F1 ratings, in the above-mentioned scales.

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 by the start of the Subscription Period.

### V.3.3 Subordinated Credit Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a Subordinated Credit Agreement (the "**Subordinated Credit Agreement**" or "**Subordinated Credit**") 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 shortage of the remaining Available Funds, or as the case may be, to setting up a Cash Reserve, although granting of that Credit shall in no event guarantee that the Assigned Assets will be duly performed.

#### *Maximum Subordinated Credit Amount.*

The Maximum Subordinated Credit Amount shall from time to time during the term of the Subordinated Credit Agreement be equal to the lower of the following amounts: (i) EUR ten million five hundred thousand (10,500,000) equivalent to 1.75% of the face amount of the Bond Issue, and (ii) the higher of: a) 3.50% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Amortisation Account, and b) 1.00% of the face amount of the Bond Issue.

Notwithstanding the above, the Maximum Subordinated Credit Amount shall remain at the level established on the preceding Payment Date if the sum of (i) the Outstanding Balance of the Assigned Assets with an arrears of less than 90 days and (ii) the balance on the Amortisation Account is less than 99% of the Outstanding Principal Balance of the Bonds.

Furthermore, the Maximum Subordinated Credit Amount may be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

#### *Drawdown.*

The Management Company may, for and on behalf of the Fund, draw on the Subordinated Credit, limited to the Maximum Subordinated Credit Amount, provided that the Available Funds do not allow on any Payment Date payment of the obligations numbered 1<sup>st</sup> to 4<sup>th</sup> in the Fund Priority of Payments, or on the last Payment Date or on the date of the liquidation of the Fund, obligations numbered 1<sup>st</sup> to 8<sup>th</sup>.

In accordance with section III.2.4, the Management Company shall draw the full amount available up to the Maximum Subordinated Credit Amount on the date on which this drawdown is made, allotting it to setting up a Cash Reserve, in any of the following circumstances:

- (i) On a Payment Date on which the Early Amortisation of the Bonds should apply, as provided in section II.11.3.4.5, if there should be a Primary Principal Deficiency because the amount applied upon distributing the Available Funds should not be sufficient in the Priority of Payments, according to the liquidity of the Fund on the Payment Date.
- (ii) In the event of the rating of the non-subordinated and unsecured long-term debt of BANCAJA falling below P-1 or F1 respectively in Moody's and Fitch's rating scales, within not more than ten (10) Business Days of that occurrence, unless BANCAJA should provide for the benefit of the Fund and at its cost a first demand security or guarantee of an institution whose short-term debt has a rating of at least P-1 and F1 in the above-mentioned rating scales, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawdowns requested from BANCAJA up to the Maximum Subordinated Credit Amount available on the relevant drawing date, all of which shall be subject to the terms and conditions approved by the Rating Agencies for the ratings of each of the Series in the Bond Issue 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 it to be paid in the application order provided in the Priority of Payments.

Nevertheless, in the event that the Maximum Subordinated Credit Amount should be fully drawn down, as a result of a downgrade in the rating of BANCAJA 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 Amount of the Cash Reserve required on the preceding Payment Date and the Required Cash Reserve on the ongoing Payment Date, and in the application order provided for that event in the Priority of Payments and provided that the conditions for the Cash Reserve to be reduced in due course established in section III.2.4 of this Offering Circular are satisfied.

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.

*Financial yield.*

The Subordinated Credit shall accrue an annual nominal interest, determined quarterly in each interest accrual period (differing from the Interest Accrual Period established for the Bonds), which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued to be settled on January 20, April 20, July 20 and October 20 of each year and payable when due on the given Payment Date 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.

Interest accrued and not paid on a Payment Date shall be accumulated to the principal of the Subordinated Credit, earning additional 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, 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 by the start of the Subscription Period.

#### **V.3.4 State Guarantee.**

Pursuant to a Ministerial Order, the Economy Ministry has provided the Fund with a guarantee (the “**Guarantee**” or the “**State Guarantee**”) amounting to (i) EUR 458,400,000.00, equivalent to the sum of the face amount of the Series A1(G) and A2(G) Bonds, and (ii) the interest on that amount in said Series, on the following terms:

##### **V.3.4.1 General Characteristics of the Guarantee.**

- The Spanish State secures, waiving the benefit of discussion, payment of the Fund’s economic obligations deriving from the Series A1(G) and A2(G) Bonds (the “**Guaranteed Series**”).

The Guarantee extends to both the principal and the interest on the Bonds in the Guaranteed Series.

- The Guarantee shall remain in force and be fully effective until final repayment of all the payment obligations derived from the Bonds in the Guaranteed Series. In any event, the Guarantee shall expire on July 20, 2023, or the following Business Day if that date is not a Business Day.
- The enforceability of the Guarantee shall be conditional on (i) this Offering Circular being verified by and registered at the CNMV, (ii) execution of the Fund Deed of Constitution, (iii) pooling by the Fund of the Assigned Assets, and (iv), by the start of the Bond Subscription Period, confirmation of the ratings assigned by the Rating Agencies to each of the Series as final ratings.

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, (iii) a copy of each of the Asset Assignment Agreements, (iv) a certificate by BANCAJA representing that the Assigned Assets are loans satisfying the requirements of the framework agreement attached to the Order of December 28, 2001 and that at least 50% of the Assigned Assets, as concerns both the number of loans and their capital, are loans granted to small and medium-sized enterprises in accordance with the European Commission’s Recommendation of April 3, 1996, (v) a copy of the letters from the Rating Agencies notifying the ratings assigned to each of the Bond Series, and (vi) a certified copy of the notarial certificate recording payment of the Bond subscription executed by the Management Company.

- The Guarantee may be partially enforced without any limit as to the number of enforcements or their amount.

##### **V.3.4.2 Drawdown on the Guarantee.**

The Guarantee shall be enforced in the following events:

- (i) If on a Payment Date, the Available Funds are not sufficient to pay interest on the Bonds in any of the Guaranteed Series, after making the payments in the preceding priority of payments in the Fund Priority of Payments.

In that event, the Guarantee shall be drawn down in an amount equivalent to the interest due and not paid on the Bonds in any of the Guaranteed Series.

- (ii) If on a Payment Date on which an Early Amortisation of the Bonds should apply, as provided in section II.11.3.4.5, there should be a Primary Principal Deficiency because the amount applied to distributing the Available Funds should not be sufficient in the Priority of Payments, according to the liquidity of the Fund on that Payment Date.

In that event, the Guarantee shall be drawn down in an amount equal to the Primary Principal Deficiency pro rata to the shortfall on the Bonds in the Guaranteed Series, not covered by a previous drawdown.

- 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 in subparagraphs (i) or (ii) of the preceding paragraph, specifying the amounts claimed, as the case may be, for each of such items.
- In the event that the Management Company, on behalf of the Fund, should have drawn on the Liquidity Facilities to advance the amounts requested on enforcing the Guarantee as established in section V.3.7 of this Offering Circular, the amounts received by the Fund from the State upon enforcing the Guarantee shall be allocated to reimbursing the amounts drawn on the Liquidity Facilities.
- Payment, as the case may be, of the required amounts under each enforcement of the Guarantee, shall be made by the Directorate-General of the Treasury and Financial Policy within not more than three (3) months from the date of the respective enforcement by crediting the Treasury Account.
- The granting and issue of the Guarantee shall accrue no fee whatsoever.
- The Fund, represented by the Management Company, shall be obliged to reimburse to the State the amounts drawn on the Guarantee. The amounts drawn on the Guarantee, whether if drawn for paying interest or for repaying principal on the Bonds in any of the Guaranteed Series, shall be reimbursed on each of the next Payment Dates, until fully repaid, respectively using the Available Funds and the Available Funds for Amortisation in the same priority as the payment of accrued interest and repayment of principal of the Guaranteed Series in the Fund Priority of Payments.

In the event that, in accordance with the preceding rules, on a Payment Date, in addition to reimbursing the amount drawn on the Guarantee, the Fund should need to draw a new amount for paying interest or repaying principal of the Bonds in any of the Guaranteed Series, the Management Company shall calculate and apply the net amount which, as the case may be, should be drawn down and requested, or reimbursed.

### **V.3.5 Start-Up Loan Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a loan agreement amounting to EUR one million eight hundred and twenty thousand (1,820,000) (the “**Start-Up Loan Agreement**”) which shall be designed to finance the set-up and Bond issuance expenses and partially finance the acquisition of the Assigned Assets.

The loan will accrue an annual nominal interest, determined quarterly for each interest accrual period (differing from the Interest Accrual Period for the Bonds), which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued shall be settled on January 20, April 20, July 20 and October 20 of each year and payable when due on the given Payment Date 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.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same rate as the nominal interest of the Start-Up Loan and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date.

Repayment of the Start-Up Loan principal will be effected in twelve (12) consecutive quarterly instalments for an equal amount, on each Payment Date, the first of which shall fall due on the first Payment Date, to wit April 22, 2002, and the following until the Payment Date falling on January 20, 2005, inclusive.

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.

Amounts not paid on preceding Payment Dates shall be paid with priority over amounts falling due under the Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments.

#### **V.3.6 Interest Swap Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA, into an interest swap agreement (the “**Swap**” or “**Interest Swap**”) based on the standard Spanish Banking Association’s Master Financial Transaction Agreement (CMOF), the most relevant characteristics of which are described below.

The execution of the Swap agreement derives from the need to eliminate or mitigate the interest rate risk occurring in the Fund because the Assigned Assets are subject to floating interests with different benchmark indices and different review and settlement periods at the floating interest established for each of the Bond Series issued by the Fund (the “**Base Risk**”).

The Interest Swap agreement described hereinafter enables the Fund to pay BANCAJA all interest received on the Assigned Assets and paid into the Fund during the settlement period falling due.

In exchange, BANCAJA pays the Fund an amount depending on the actual interest rate on the Assigned Assets and their delinquency rate. Both factors will determine the use of one of the three notionals described in section V.3.6.4.2. (Swap Notional for Party B).

The following are the three potential notionals mentioned in the preceding paragraph:

- a) Swap Notional for Party A. This notional is equal to the sum of the Notional Balance of the Assigned Assets and the Reinvestment Adjusted Notional.
- b) Interest received on the Assigned Assets and paid into the Fund during the settlement period falling due, divided by the actual quarterly percentage rate of the Interest Rate of Party B.
- c) The sum of: (i) the Outstanding Balance of the Assigned Assets on the preceding Payment Date, or, as the case may be, the Outstanding Balance of the Assigned Assets on the date of constitution of the Fund; and (ii) the Reinvestment Adjusted Notional.

By definition, the notional described under paragraph c) above is always greater than the notional described under paragraph a).

In the event that the notional described under paragraph b) should be greater than the notional described under paragraph c), this would mean that the Base Risk had not materialised and in turn that the portfolio delinquency rate would be such that the financial balance of the Fund would be unaffected. In this case, BANCAJA would pay the Fund the Interest Rate of Party B on the notional described under paragraph c). The net Swap in that event would be positive for BANCAJA.

In the event that the notional described under paragraph b) should lie between the notional values described under paragraphs a) and c), this would mean that the portfolio delinquency rate is such as to affect the financial balance of the Fund. In that case, BANCAJA would pay the Fund the sum of the interest received on the Assigned Assets and paid into the Fund during the settlement period falling due. The net Swap in that event would be equal to zero.

In the event that the notional described under paragraph b) should be less than the notional described under paragraph a), and less than the notional described under paragraph c), this would mean that the Base Risk shall have materialised. In that case, BANCAJA would pay the Fund the Interest Rate of Party B on the notional described under paragraph a). The net Swap in that event would be positive for the Fund.

The purpose of the Reinvestment Adjusted Notional, which is part of the notionals described under paragraphs a) and c) above, is for BANCAJA to pay the Fund an amount equal to the product of: (i) the daily balance on the Amortisation Account; and (ii) the weighted average margin in each Bond Series. BANCAJA thereby covers the accumulation cost of the Amortisation Funds credited to the Amortisation Account.

Under the Swap Agreement, the Fund will make payments to BANCAJA calculated on the interest rate of the Assigned Assets, and in consideration BANCAJA will make payments to the Fund calculated on the weighted average interest rate of the Bond Series, the foregoing as described hereinafter.

**Party A :**                      **The Fund, represented by the Management Company.**

**Party B :**                      **BANCAJA.**

## **1. Settlement dates.**

The settlement dates shall fall on the Bond Payment Dates, i.e. on January 20, April 20, July 20 and October 20 in every year, or the following Business Day if any of these dates is not a Business Day.

## **2. Settlement periods.**

### **Party A:**

The settlement periods for Party A shall be the exact number of days elapsed between two consecutive settlement dates, excluding the first and 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 April 22, 2002 (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 and excluding 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 April 22, 2002 (exclusive).

**3. Amounts payable by Party A.**

This shall be the result of applying the Interest Rate of Party A to the Swap Notional for Party A according to the number of days in the settlement period.

**3.1 Interest Rate of Party A.**

On each settlement date this shall be the annual interest rate resulting from dividing (i) the sum of the interest received on the Assigned Assets and paid into the Fund during the settlement period falling due, by (ii) the Swap Notional for Party A, multiplied by the result of dividing 360 by the number of days in the settlement period.

**3.2 Swap Notional for Party A.**

This shall be the sum of (i) Notional Balance of the Assigned Assets defined as the daily average during the settlement period falling due of the Outstanding Balance on the Assigned Assets that are not in arrears of payment of amounts due in excess of ninety (90) days and (ii) the Reinvestment Adjusted Notional.

The Reinvestment Adjusted Notional is the product of a) the daily average during the settlement period falling due of the balance on the Amortisation Account, and b) the average margin on each Bond Series weighted by the Outstanding Principal Balance of each Series during the ongoing Interest Accrual Period, and c) the result of dividing one (1) by the Party B Interest Rate.

**4. Amounts payable by Party B.**

This shall be the result of applying the Interest Rate of Party B to the Swap Notional for Party B according to the number of days in the settlement period.

**4.1 Interest Rate of Party B.**

For each settlement period this shall be the annual interest rate resulting from adding (i) the Reference Rate of the Bonds determined for the ongoing Interest Accrual Period, and (ii) the average margin of the Bonds weighted by the Outstanding Principal Balance in each Series during the ongoing Interest Accrual Period, and (iii) 0.60%.

**4.2 Swap Notional for Party B.**

This shall be the greater of: (i) the Party A Swap Notional, and (ii) the Notional Adjusted to the Return of the Assigned Assets.

The Notional Adjusted to the Return of the Assigned Assets for each settlement date shall be the lower of:

- i) The sum of the interest received on the Assigned Assets and paid into the Fund during the settlement period falling due, divided by the actual quarterly percentage rate of the Interest Rate of Party B.
- ii) The sum of (i) the Outstanding Balance of the Assigned Assets on the preceding Payment Date or, as the case may be, the Outstanding Balance of the Assigned Assets on the Date of constitution of the Fund, and (ii) the Reinvestment Adjusted Notional.

If on a payment date the Fund should not have sufficient liquidity to make payment of the aggregate amount payable to BANCAJA, the Swap Agreement shall be terminated. In that event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Swap Agreement, the foregoing 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 to enter into a new swap agreement.

In the event of the rating of the non-subordinated and unsecured long-term debt of BANCAJA falling below A1 or A+ respectively in Moody's and Fitch's rating scales, and within not more than ten (10) Business Days from the date on which notice of that circumstance is given, BANCAJA shall irrevocably agree to put in place any of the following options: (i) establishing a cash or securities deposit in favour of the Fund in an amount equal to the market value of the Swap satisfactory to Moody's and Fitch; (ii) that a third-party institution, whose non-subordinated and unsecured long-term debt has a rating equal to or higher than A1 or A+ in Moody's and Fitch's rating scales, would secure fulfilment of its contractual obligations, (iii) that a third-party institution, whose non-subordinated and unsecured long-term debt has a rating equal to or higher than A1 or A+ respectively in Moody's and Fitch's rating scales, would take over its contractual position and substitute it before terminating the Swap Agreement with BANCAJA; all of which shall be subject to the terms and conditions which should first be approved by Moody's and Fitch for the ratings assigned to each of the Bond Series to be maintained. All costs, expenses and taxes incurred in connection with the fulfilment of the above obligations shall be borne by BANCAJA.

The occurrence, as the case may be, of an early termination of the Swap Agreement will not in itself be an early maturity event of the Bond Issue and an Early Liquidation Event of the Fund referred to in sections II.11.3.4.7 and III.8.1 of this Offering Circular, unless in conjunction with other events or circumstances related to the net worth of the Fund, its financial balance should be materially or permanently altered.

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 by the start of the Subscription Period.

### **V.3.7 Liquidity Facility Agreements.**

The Management Company, for and on behalf of the Fund, and BANCAJA shall enter into two credit agreements (the "**Liquidity Facility Agreements**") in order to provide the Fund with the amounts required to advance to the Bondholders in Series A1(G) and A2(G) the amounts that the State must pay to the Fund as payment of interest and repayment of principal on the Bonds in said Guaranteed Series upon the Guarantee being enforced.

The Liquidity Facilities shall be as follows:

- i) Liquidity Facility A1(G), designed for payment of interest and repayment of principal on the Bonds in Series A1(G), for a maximum amount of EUR twenty-five million (25,000,000).
- ii) Liquidity Facility A2(G), designed for payment of interest and repayment of principal on the Bonds in Series A2(G), for a maximum amount of EUR eighteen million (18,000,000).

In the event that the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bonds in the Guaranteed Series, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, BANCAJA shall, within not more than ten (10) Business Days from the time of that occurrence put in place, on the terms the Management Company and the Rating Agencies shall see fit, any of the options described hereinafter or any others allowing a suitable level of guarantee to be maintained, during the time over which the loss of the P-1 or F1 ratings is maintained, with respect to the commitments derived from the Liquidity Facility Agreements and maintenance of the ratings assigned to the Guaranteed Series:

- a) Obtaining from a third-party institution a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the amount of the drawdowns requested from BANCAJA up to the maximum amount of the Liquidity Facilities.
- b) Assigning its contractual position under the Liquidity Facility Agreements to a third-party institution, whose non-subordinated and unsecured short-term debt is rated P-1 or F1 respectively in Moody's and Fitch's rating scales.

All costs, expenses and taxes incurred in the fulfilment of the above obligations shall be borne by BANCAJA.

*Drawdown.*

The Management Company may, for and on behalf of the Fund, draw on the Liquidity Facilities when, on the relevant Payment Date, having requested the enforcement of the Guarantee, as established in section V.3.4 of the Offering Circular, the amount paid to the Fund at the Payment Date is lower than the amount for which the Guarantee has been entered, up to the enforced amount on each Payment Date.

*Repayment.*

The Fund will repay the amounts drawn on the Liquidity Facilities as soon as the amounts required upon enforcing the Guarantee are received from the Directorate-General of the Treasury and Financial Policy.

*Financial yield.*

The amounts drawn on the Liquidity Facilities shall accrue an annual nominal interest, determined quarterly in each interest accrual period (differing from the Interest Accrual Period established for the Bonds), which shall be equal to the Reference Rate determined for the Bonds. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued shall be settled on January 20, April 20, July 20 and October 20 of each year and payable when due on the given Payment Date 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.

Interest accrued and not paid on a Payment Date shall be accumulated to the principal of the Liquidity Facility, earning additional interest at the same interest rate applicable to the Liquidity Facility for the ongoing interest accrual period, and shall be paid, provided that the Fund has sufficient liquidity, on the following Payment Date according to the Priority of Payments.

The Liquidity Facility Agreements 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.

### V.3.8 Servicing Agreement .

BANCAJA, Originator of the Assigned Assets to be acquired by the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Mortgage Certificates, in article 61.3 of Royal Decree 685/1982, shall be responsible as attorney for the Management Company for servicing and managing the Assigned Assets, the relations between BANCAJA (the “**Servicer**”) and the Fund, represented by the Management Company being governed by the Servicing Agreement (the “**Servicing Agreement**”).

The terms of the Servicing Agreement are described in section IV.2 of this Offering Circular.

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.

### V.3.9 Bond Issue Management, Underwriting and Placement Agreement.

The Management Company shall, for and on behalf of the Fund, enter into two Bond Issue Management, Underwriting and Placement Agreements for each of the placement tranches:

- i) The Domestic Tranche Management, Underwriting and Placement Agreement with CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”) as Lead Manager and Underwriter and Placement Agent of the Domestic Tranche, and with CREDIT AGRICOLE INDOSUEZ Sucursal en España (“**CAI**”) as Underwriter and Placement Agent.
- ii) The International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*), subject to English Law, with J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”) as Lead Manager and Underwriter and Placement Agent of the International Tranche.

The Bond Issue Underwriters and Placement Agents take on the obligations contained in the respective Management, Underwriting and Placement Agreements, which are basically the following: 1) an undertaking to subscribe for the Bonds not subscribed when the subscription period is closed, up to the set amounts; 2) obtaining placement by a third-party subscription for the Bond Issue; 3) paying to the Paying Agent by 1pm (CET time) on the Closing Date, same day value, the face amount underwritten by each of them, deducting the portion of the underwriting and placement fee accrued by them, whereupon the Paying Agent shall pay the Fund by 2pm on that same day, same day value, the total amount for subscribing for the Bond Issue, deducting the sum of the total underwriting and placement fee; 4) undertaking to pay late-payment interest as covenanted in the agreement in the event of late payment of the amounts due; and 5) providing the subscribers with a document certifying subscription.

Under the Management, Underwriting and Placement Agreements, the Underwriters and Placement Agents shall receive from the Fund an underwriting and placement fee on the face amount underwritten for the Bonds in each Series as follows:

- Series A1(G) Bonds: 0.075%.
- Series A1 Bonds: 0.225%.
- Series A2(G) Bonds: 0.20%.
- Series A2 Bonds: 0.30%.
- Class B Bonds: 0.60%.

BANCAJA, who shall be involved as Lead Manager of the Domestic Tranche, shall receive no remuneration whatsoever for managing the Domestic Tranche. JPMORGAN, who shall be involved as Lead Manager of the International Tranche, shall receive from the Fund a lead management fee of EUR two hundred and eighty-eight thousand (288,000). Payment of the amount of the lead management fee shall be made by the Management Company, on behalf of the Fund, to the Lead Manager of the International Tranche on the Closing Date, same day value, by means of transfer instructions to the Paying Agent.

The Management, Underwriting and Placement Agreements 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.

#### **V.3.10 Paying Agent Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a paying agent agreement to service the Bond issued by the Fund (the “**Paying Agent Agreement**”).

The obligations to be taken on by BANCAJA (the “**Paying Agent**”) under this Agreement are summarily as follows:

- (i) Paying to the Fund by 2pm (CET time) on the Closing Date, same day value, the amount received from the Underwriters and Placement Agents, as established in the Management, Underwriting and Placement Agreements, plus the sum of its own underwriting commitment, crediting the Fund’s Treasury Account.
- (ii) On each of the Bond Payment Dates, paying interest and repaying principal on the Bonds, deducting the total amount of the tax withholding for return on investments that should be made in accordance with applicable tax laws.
- (iii) 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 of the rating of the non-subordinated and unsecured short-term debt of BANCAJA falling below P-1 or F1 respectively in Moody’s and Fitch’s rating scales at any time during the life of the Bonds, the Management Company shall, within not more than ten (10) Business Days of that occurrence, proceed to replace BANCAJA as the Paying Agent, for such time as the loss of the P-1 or F1 ratings remains, with another institution whose non-subordinated and unsecured short-term debt is rated at least P-1 and F1 respectively in Moody’s and Fitch’s rating scales.

In consideration of the services provided by the Paying Agent, the Fund shall pay it during the term of the agreement a fee of 0.01%, inclusive of taxes as the case may be, on the amount distributed to the Bondholders on every Bond Payment Date, payable on the same Payment Date, provided that the Fund has sufficient liquidity and after meeting all payment obligations, in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity 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 next Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until the Payment Date on which that situation is no longer current.

The Payment Agency 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.

### **V.3.11 Financial Intermediation Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a Financial Intermediation Agreement designed to remunerate the financial intermediation process carried out and which has permitted the financial transformation defining the Fund's activity, the assignment to the Fund of the Assigned Assets and the satisfactory rating assigned to each of the Bond Series.

BANCAJA shall be entitled to receive from the Fund a variable subordinated remuneration which shall be determined annually as an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund with reference to its accounts and before the close of each fiscal year, reduced, as the case may be, by the amount of losses brought forward from preceding years, which may be set off to adjust the year's book profit or loss for the purposes of settling the annual Corporation Tax. Part payments in this connection, which may be made on each Payment Date, calculated on the last day of the month preceding the Payment Date and in the Fund Priority of Payments, shall be considered to be payments on account of the annual remuneration.

Furthermore, when the amount of the annual remuneration at the close of a fiscal year of the Fund is less than the aggregate amount of the quarterly interim payments made during that fiscal year on each of the Payment Dates, BANCAJA shall be bound, upon the Management Company so requesting, to reimburse to the Fund the difference between the quarterly interim payments received and the annual remuneration due to it. The reimbursement to the Fund may under no circumstances exceed the amount of the interim payment theretofore made in the relevant fiscal year.

If the Fund should not have sufficient liquidity on a Payment Date in the Fund Priority of Payments to pay the full remuneration, the amount not paid shall accumulate without any penalty whatsoever on the remuneration payable on the following Payment Date until it is paid in full.

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 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.**

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 funds under the following items:
  - a) Payment of subscription for the Bonds.
  - b) Drawing on the Start-Up Loan.
- 2. Application:** in turn, the Fund will apply the funds described above to the following payments:
  - a) Payment of the price of the face value of the principal of the Assigned Assets.
  - b) Payment of the Fund organisation and Bond issue expenses.



## **V.4.2 Source and application of funds from the Closing Date until the final liquidation of the Fund.**

On each Payment Date, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in 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**”) shall be as follows:

- a) Income received from repayment of principal of the Assigned Assets between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- b) Ordinary and late-payment interest received on the Assigned Assets between the preceding Payment Date and the ongoing Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- c) The return received on the amounts paid into the Treasury Account.
- d) The return received on the amounts paid into the Amortisation Account which shall have been paid into the Treasury Account
- e) The drawdowns on the Subordinated Credit, designed only to meet payment of the obligations numbered 1<sup>st</sup> to 4<sup>th</sup>, both inclusive, in the Fund Priority of Payments established in section 2 below, or, on the last Payment Date or on the date of the liquidation of the Fund obligations numbered 1<sup>st</sup> to 8<sup>th</sup>, both inclusive.
- f) The amount withheld in the Cash Reserve which shall have been paid into the Treasury Account, if applicable.
- g) Amounts received under the Interest Swap Agreement.
- h) Amounts, if any, drawn on the State Guarantee designed only for the payment of interest on the Guaranteed Series, or if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in those amounts.
- i) Any other amounts received by the Fund between the preceding Payment Date and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

#### **2. Application.**

The Available Funds shall be applied on each Payment Date 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 application 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 same, and all other expenses and service fees, including those derived from the Payment Agency 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 in favour of the Servicer and in relation to the Servicing Agreement in this order.

2. Payment of the Swap amount and in the event of termination of that agreement following a breach by the Fund, the amount comprising the settlement payment.
3.
  - Payment of interest due on the Series A1(G) Bonds.
  - Payment of interest due on the Series A1 Bonds.
  - Payment of interest due on the Series A2(G) Bonds.
  - Payment of interest due on the Series A2 Bonds.
  - Repayment to the State of such amounts as shall have been paid to the Fund under the Guarantee, for payment of interest on the Bonds in any of the Guaranteed Series, as established in section V.3.4.2.(i) of the Offering Circular.
  - Payment of interest due on the Liquidity Facilities in case they have been used.
4. Payment of interest due on the Class B Bonds unless this payment is moved to item number 7 in the priority of payments as established in section V.4.2.3 of the Offering Circular.
5.
  - a) Repayment of principal drawn on the Subordinated Credit; or
  - b) Withholding of an amount sufficient to maintain the Required Cash Reserve.

Application b) which shall be made in lieu of application a) will only be effected if the Cash Reserve is established upon the Subordinated Credit being fully drawn down, as provided in section III.2.4 of this Offering Circular. In this event or on the last Payment Date or Fund liquidation date, application a) shall be moved to item number 10 in the priority of payments.
6. Provisioning of the Primary Amortisation Fund.
7. Payment of interest due on the Class B Bonds when this payment is moved from item number 4 in the priority of payments as established in section V.4.2.3.
8. Provisioning of the Secondary Amortisation Fund.
9. Payment of interest due on the Subordinated Credit
10. Repayment of principal drawn on the Subordinated Credit when this payment is moved from item number 5.a) in the priority of payments.
11. Payment of interest due on the Start-Up Loan.
12. Repayment of principal of the Start-Up Loan in the amortised amount.
13. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Assigned Assets.
14. Payment of the variable remuneration under the Financial Intermediation Agreement.

When in a same priority of payments amounts are due for different items and the Available Funds are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

#### **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 as follows:

- a) The balance on the Amortisation Account on the Determination Date preceding the ongoing Payment Date.
- b) The amount applied for Provisioning of the Primary Amortisation Fund on the ongoing Payment Date.
- c) The amount applied for Provisioning of the Secondary Amortisation Fund on the ongoing Payment Date.
- d) Amounts, if any, drawn upon enforcing the State Guarantee designed exclusively for amortising the principal of the Guaranteed Series or, if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in such amounts.
- e) Amounts, if any, drawn on the credit facility the Management Company is entitled to arrange for in order to proceed to an Early Liquidation of the Fund, in accordance with section III.8.1 of the Offering Circular.

##### **2. Application.**

The Available Funds for Amortisation on each Payment Date shall be applied, independently of the time of accrual, to fulfilling the Fund’s payment or withholding obligations in the following order:

1.
  - Repayment of the principal of the Series A1(G) and A1 Bonds on their Maturity Date or in the event of Early Amortisation.
  - Repayment of the principal of the Series A2(G) and A2 Bonds on their Maturity Date or in the event of Early Amortisation.
  - Repayment to the State of such amounts as shall have been paid to the Fund under the Guarantee, for repayment of principal of the Bonds in any of the Guaranteed Series, as established in section V.3.4.2.(ii) of the Offering Circular.
2. Repayment of the principal of the Class B Bonds, as established in section II.11.3.3, from the Payment Date, inclusive, and subsequent Payment Dates after the Determination Date on which the ratio between the Outstanding Principal Balance of the Class B Bonds and the difference between (i) the Outstanding Principal Balance of the Bonds in all the Series and (ii) the balance on the Amortisation Account, is equal to or greater than 10.00%, and in an amount allowing the ratio to be kept at 10.00%, or the nearest possible higher percentage. Nevertheless, the amortisation of the Class B Bonds may be stopped in certain circumstances for which provision is made in that section.
3. The remaining Available Funds for Amortisation not applied in the preceding priority shall remain on the Amortisation Account.

When in a same priority of payments amounts are due for different items and the Available Funds for Amortisation are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds for Amortisation shall be made pro rata to the ratio of each of the amounts due to the aggregate amount of all of them.

#### **V.4.2.3 Exceptional payment priority rules.**

1. Payment of interest accrued by the Class B Bonds on a Payment Date will move from priority 4 to 7 in the Priority of Payments for applying the Available Funds when any of the following circumstances occur on a Payment Date:
  - a) That the amount resulting from deducting from the Outstanding Class A Principal Balance the following amounts: (a) the balance on the Amortisation Account on the preceding Determination Date, (b) the positive difference between the Available Funds on the Payment Date and the amounts necessary to meet the payment obligations numbered 1 to 5 in the application of the Available Funds, and (c) the Outstanding Balance of the Assigned Assets on the preceding Determination Date is above or equal to zero.
  - b) That the Outstanding Balance of the Assigned Assets in arrears for ninety (90) days or more on the preceding Determination Date is greater than 6.00% of the Outstanding Balance of Assigned Assets on that Payment Date.
2. Should BANCAJA be substituted in its activity as Servicer of the Assigned Assets by another institution, payment of the fee accrued to the third party, the new servicer, shall be included in the place contained in priority number 1 of the application of the Available Funds, along with the remaining payments included in that place.

## CHAPTER VI

### GENERAL INFORMATION ON THE ASSET SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Royal Decree 926/1998 and Act 19/1992, Asset Securitisation Funds have no own legal personality, and Securitisation Fund Management Companies are entrusted with structuring, managing and legally representing those Funds, and as managers of third party business, with representing and defending the interests of the holders of the securities issued by the Funds they manage and all its other ordinary creditors.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company structuring, managing and representing FTPYME BANCAJA 1 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 Notary Public of Madrid, 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 special register of the CNMV, under number 2.

The Management Company has perpetual existence, other than in 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 organise, 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 verified and entered in the Official Registers of the CNMV on March 4, 2002. It is publicly available, free of charge, at the Management Company’s registered office and at the Underwriters. 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, SCLV, 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, each having a face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, each having a 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 article 42 of the Commercial Code, 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:

<b>Name of shareholder company</b>	<b>Holding* (%)</b>
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 and Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros and Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca and 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 Act 19/1992, July 7, 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:

<b>Chairwoman:</b>	Ms Rosario Martín Gutiérrez de Cabiedes
<b>Vice-chairman:</b>	Mr José Antonio Álvarez Álvarez
<b>Directors:</b>	Mr José Manuel Aguirre Larizgoitia Mr José M <sup>a</sup> . Castellón Leal on behalf of Barclays Bank, S.A. Mr Alberto Charro Pastor Mr Vicente Esparza Olcina Ms Ana Fernández Manrique 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 Rafael Salinas Martínez de Lecea * Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A. Mr Xavier Tintoré Belil, on behalf of J.P. Morgan España, S.A. Mr Antonio Uguina Zamorano Banco Atlántico, S.A.*

**Non-Director Secretary:** Ms Belén Rico Arévalo

(\*Appointment made by the Shareholders' Meeting at the meeting held on June 28, 2001 which is pending registration at the Companies Register.)

#### **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 per 100.**

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 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 Assets assigned by BANCAJA to the Fund, upon being constituted are rights owned by BANCAJA derived from bilateral loans granted to non-financial companies registered in Spain, originated in a public deed or public document, of which at least 50 percent, of both the loans and their capital, correspond to small and medium-sized enterprises (“SMEs”) as defined by the European Commission (Recommendation of April 3, 1996), i.e. companies having fewer than 250 employees, an annual turnover not exceeding EUR 40 million or an annual balance-sheet total not exceeding EUR 27 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 BANCAJA, which shall be mostly assigned to the Fund, are detailed in section IV.4 of this Offering Circular.

#### **VII.2 The State Guarantee of the Order of December 28, 2001.**

The Ministerial 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 54.Four of 2001 General State Budget Act 13/2000, December 28.

Having verified the requirements referred to in the preceding paragraph, the Economy Ministry has issued a guarantee for the Series A1(G) and 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 trends remarked in the preceding point VII.1 (prepayment rate, default rate, et cetera):**

In order to eliminate or mitigate the interest rate risk occurring in the Fund because the Assets 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 BANCAJA.

Given the high proportion of Assigned Assets subject to a floating interest rate, based on the information contained in section IV.4.e) of this Offering Circular, and the historical monthly prepayment rate, as described in section IV.3.2 of the Offering Circular, a high prepayment rate of the Assigned Assets is not to be expected.

As for the creditworthiness of the Debtors, BANCAJA has represented in the statement referred to in section IV.1.1.2.(12) that none of the Loans finally assigned to the Fund shall have any overdue amounts pending collection on the date of assignment.

Signature: MARIO MASÍÁ VICENTE  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.



<b>APPENDIX I</b>
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<b>DEFINITIONS</b>
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<b>APPENDIX I</b>
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<b>DEFINITIONS</b>
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“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Account**” shall mean the account opened by the Management Company on the Fund’s behalf under the Guaranteed Interest Rate Account (Amortisation Account) Agreement into which the Management Company, for and on behalf of the Fund, shall pay the remaining amounts of the Available Funds for Amortisation unapplied.

“**Asset Assignment Agreements**” shall mean the Asset Assignment Agreements entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

“**Assigned Assets**” shall mean the credit rights owned by Bancaja derived from bilateral loans granted to non-financial companies registered in Spain to be acquired by the Fund, of which at least 50 percent, of both the loans and their capital, correspond to SMES, in accordance with the European Commission’s Recommendation of April 3, 1996.

“**Available Funds for Amortisation**” shall mean, on each Payment Date the sum of (i) the balance on the Amortisation Account on the Determination Date preceding the ongoing Payment Date, (ii) the amount applied to Primary Amortisation Fund on the ongoing Payment Date, (iii) The amount applied to Secondary Amortisation Fund on the ongoing Payment Date, and (iv) the amounts, if any, drawn upon enforcing the State Guarantee designed exclusively for amortising the Guaranteed Series or, if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in such amounts.

“**Available Funds**” shall mean on each Payment Date the sum of (i) the balance on the Treasury Account, (ii) the drawdowns on the Subordinated Credit, designed only to meet payment of the obligations of the Fund numbered 1 to 4, both inclusive, (iii) amounts drawn on the State Guarantee designed only for paying interest on the Guaranteed Series, or if not paid to the Fund on the same Payment Date, the drawdowns on the Liquidity Facilities in those amounts, (iv) any other amounts received by the Fund between the preceding Payment Date and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation (v) and all other funds as established in section V.4.2.1.1 and (ii) the amount, if any and where appropriate, from the liquidation of the Fund assets.

“**Bancaja**” shall mean Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja.

“**Bond Issue Domestic Tranche Management, Underwriting and Placement Agreement**” shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja as Lead Manager and Underwriter and Placement Agent, and with CAI as Underwriter and Placement Agent.

“**Bond Issue**” shall mean the Asset-Backed Bonds issued by the Fund.

“**Bonds**” shall mean the Series A1(G), A1, A2(G), A2 and B 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.

**“CAI”** shall mean Crédito Agrícola Indosuez Sucursal en España.

**“Call Right”** shall mean the Call Right granted by the Fund, represented by the Management Company, to the Originator over all the remaining Assigned Assets held by the Fund on the terms and conditions set forth in section IV.1.2.d).

**“Class A Bonds”** shall mean the Class A Bonds issued by the Fund and comprising the Series A1(G), A1, A2(G) and A2 Bonds.

**“Class B Bonds”** shall mean the Class B Bonds issued by the Fund having a total face amount of EUR twenty-seven million (27,000,000) comprising two hundred and seventy (270) Bonds with a unit face value of EUR one hundred thousand (100,000).

**“Closing Date”** shall mean the date on which the amount of the subscription for the Bonds is paid up and the nominal price of the Assigned Assets is paid, i.e. March 7, 2002.

**“CNMV”** shall mean the Comisión Nacional del Mercado de Valores (*Comisión Nacional del Mercado de Valores*).

**“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.

**“Debtors”** shall mean the borrowers of the Assigned Assets.

**“Deed of Constitution”** shall mean the public deed recording the constitution of FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS and the issue of the Asset-Backed Bonds, on the terms provided by Royal Decree 926/1998.

**“Determination Date”** shall mean the date falling on the third Business Day preceding each Payment Date.

**“Domestic Tranche Lead Manager”** shall mean Bancaja.

**“Domestic Tranche Management, Underwriting and Placement Agreement”** shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja as Lead Manager and Underwriter and Placement Agent and with CAI as Underwriter and Placement Agent.

**“Early Amortisation of the Bonds”** shall mean an exceptional early Bond amortisation system before the Series A1(G) and A1 Maturity Date (April 20, 2005) or the Series A2(G) and A2 Maturity Date (October 20, 2008), from the ongoing Payment Date, inclusive, on which any of the circumstances set forth in section II.11.3.4.5 occur.

**“Early Liquidation Events”** shall mean the events contained in section III.8.1 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.



**“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 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.

**“Final Maturity Date”** shall mean July 20, 2023 or the next Business Day if that is not a Business Day.

**“Financial Intermediation Agreement”** shall mean the Financial Intermediation Agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“Financial Intermediation Fee”** shall mean the variable remuneration to be accrued every year in an amount equal to the positive difference, if any, between the income and expenditure of the Fund before its official accounts are closed and before the fiscal year is closed, reduced by the amount, if any, of the tax losses brought forward yet to be set off in settling the Corporation Tax, and which shall be settled quarterly on each Payment Date, by means of part payments on account of the annual remuneration.

**“Fitch”** shall mean Fitch Rating España, S.A.U.

**“Fund”** shall mean FTPYME BANCAJA 1 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Guaranteed Interest Rate Account (Amortisation Account) Agreement”** shall mean the guaranteed interest rate account (Amortisation Account) agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“Guaranteed Series”** shall mean the Series A1(G) and A2(G) Bonds.

**“Historical Constant Prepayment Rate (HCPR)”** shall mean, on a Determination Date 1 minus the result of the following expression: 1 minus the rate resulting from dividing (i) the cumulative sum of all the principals of the Assigned Assets prepaid since the constitution of the Fund until the ongoing Determination Date by (ii) the initial balance of all the Assigned Assets on the constitution of the Fund, and (iii) such expression raised to 12 divided by the number of months, rounded to one hundredth of a point, elapsed from the constitution of the Fund.

**“Interest Accrual Period”** shall mean the days elapsed between each Payment Date, 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 interest swap agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“International Tranche Lead Manager”** shall mean JPMorgan.

**“International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*)”** shall mean the Bond Issue management, underwriting and placement agreement (*International Subscription Agreement*) entered into between the Management Company, for and on behalf of the Fund, and JPMorgan as Lead Manager and Underwriter and Placement Agent.

**“IRR”** shall mean the internal rate of return.

**“JPMorgan”** shall mean J.P. Morgan Securities Limited.

**“Lead Managers”** shall mean the firms JPMorgan and Bancaja, respectively the Lead Managers of the International Tranche and the Domestic Tranche of the Bond Issue.

**“Liquidity Facility Agreements”** shall mean the two liquidity facility agreements entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“Loans”** shall mean the Participated Mortgage Loans underlying the Mortgage Certificates, Mortgage Loans and Non-Mortgage Loans.

**“Management Company”** shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

**“Management, Underwriting and Placement Agreements”** shall mean the Bond Issue Domestic Tranche Management, Underwriting and Placement Agreement and the International Tranche Management, Underwriting and Placement Agreement (*International Subscription Agreement*).

**“Maximum Subordinated Credit Amount”** shall mean on each Payment Date the lower of the following amounts: (i) EUR ten million five hundred thousand (10,500,000) (equivalent to 1.75% of the face amount of the Bond Issue), and (ii) the higher of: a) 3.50% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Amortisation Account on the Payment Date, and b) 1.00% of the face amount of the Bond Issue.

**“Moody’s”** shall mean Moody’s Investors Service España, S.A.

**“Mortgage Certificates”** shall mean the Mortgage Certificates issued by the Originator and pooled in the Fund.

**“Mortgage Loans”** shall mean the loans assigned by Bancaja to the Fund with real estate security which do not satisfy the requirements established in Act 2/1981 and concordant regulations to be assigned by means of the issue of Mortgage Certificates.

**“Non-Mortgage Loans”** shall mean the Non-Mortgage Loans assigned by Bancaja to the Fund with or without personal bonds -surety-.

**“Notional Adjusted to the Return of the Assigned Assets”** shall mean, for each settlement date, the lower of: (i) the sum of the interest received on the Assigned Assets and paid into the Fund during the settlement period falling due, divided by the actual quarterly percentage rate of the Interest Rate of Party B, and (ii) the sum of (i) the Outstanding Balance of the Assigned Assets on the preceding Payment Date or, as the case may be, the Outstanding Balance of the Assigned Assets on the Date of constitution of the Fund, and (ii) the

Reinvestment Adjusted Notional.

**“Notional Balance of the Assigned Assets”** shall mean the daily average during the settlement period falling due of the Outstanding Balance on the Assigned Assets that are not in arrears of payment of amounts due in excess of ninety (90) days.

**“Originator”** shall mean Bancaja.

**“Outstanding Balance of the Assigned Assets”** shall mean the sum of the capital pending maturity and the capital due and not paid for each and every one of the Assigned Assets, deducting the balance on the Recovery Shortfall Account.

**“Outstanding Principal Balance of the Bonds in one Class”** shall mean the sum of the Outstanding Principal Balance of the Bonds in the Series making up the Class.

**“Outstanding Principal Balance of the Bonds in one Series”** shall mean the sum of the outstanding balance yet to be amortised on all the Bonds in the Series, such balances including the principal amounts that should, as the case may be, have been amortised and were not so settled due to a shortage of Available Funds for Amortisation in the Fund Priority of Payments.

**“Outstanding Principal Balance of the Bonds”** shall mean the sum of the Outstanding Principal Balance of the Bonds in all the Series.

**“Participated Mortgage Loans”** shall mean the Participated Mortgage Loans underlying the Mortgage Certificates.

**“Paying Agent Agreement”** shall mean the paying agent agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“Paying Agent”** shall mean the firm servicing the Bonds under the Paying Agent Agreement. The Paying Agent shall be Bancaja.

**“Payment Date”** shall mean January 20, April 20, July 20 and October 20 of each year or the next Business Day, as the case may be. The first Payment Date shall be April 22, 2002 because April 20, 2002 is not a Business Day.

**“Primary Principal Deficiency”** shall mean, on a Payment Date, the positive difference, if any, between the required Provisioning of the Primary Amortisation Fund and the amount actually applied upon distributing the Available Funds in the Priority of Payments, according to the liquidity of the Fund on that Payment Date.

**“Priority of Payments”** shall mean the priority of payments listing the Fund’s payment or withholding obligations for applying the Available Funds and the Available Funds for Amortisation.

**“Provisioning of the Amortisation Fund”** shall mean, on a Payment Date, the sum of the amounts of the Primary Amortisation Fund and the Secondary Amortisation Fund withheld on that Payment Date according to the liquidity of the Fund in the Priority of Payments.

**“Provisioning of the Primary Amortisation Fund”** shall mean, on a Payment Date, the positive difference

between (i) the Outstanding Principal Balance of the Class A Bonds plus the amount, if any, drawn against the State Guarantee for payment of principal of the Guaranteed Series and pending repayment, deducting the balance on the Amortisation Account on the preceding Determination Date, and (ii) the Outstanding Balance of the Assigned Assets, on the Determination Date immediately preceding the ongoing Payment Date.

**“Provisioning of the Secondary Amortisation Fund”** shall mean the lower of the following amounts: (i) the Outstanding Principal Balance of the Class B Bonds on the immediately preceding Determination Date and (ii) the positive difference between the Outstanding Principal Balance of the Bonds plus the amount, if any, drawn against the State Guarantee for payment of principal of the Guaranteed Series and pending repayment, deducting the balance on the Amortisation Account, and the Outstanding Balance of the Assigned Assets, on the Determination Date immediately preceding the ongoing Payment Date.

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. and Fitch Rating España, S.A.U.

**“Recovery Shortfall Account”** shall mean the account containing the positive difference from time to time between the principal amounts due on the Loans on their enforcement dates and the principal amount recovered upon such enforcement.

**“Reference Rate”** shall mean the three- (3-) month Euribor rate, other than for the first Interest Accrual Period, in which it shall be the result of a straight-line interpolation between the one- (1-) month and the three- (3-) month Euribor rate, fixed at 11am (CET time) on the Interest Rate Fixing Date, or as the case may be the substitute Reference Rate.

**“Reinvestment Adjusted Notional”** shall mean the product of a) the daily average during the settlement period falling due of the balance on the Amortisation Account, and b) the average margin on each Bond Series weighted by the Outstanding Principal Balance of each Series during the ongoing Interest Accrual Period, and c) the result of dividing one (1) by the Party B Interest Rate.

**“Required Cash Reserve”** shall mean, if the Cash Reserve is set up, the lower of the following amounts: (i) EUR ten million five hundred thousand (10,500,000) (equivalent to 1.75% of the face amount of the Bond Issue), and (ii) the higher of: a) 3.50% of the difference between the Outstanding Principal Balance of the Bonds and the balance on the Amortisation Account on the Payment Date, and b) 1.00% of the face amount of the Bond Issue.

**“SCLV”** shall mean the Servicio de Compensación y Liquidación de Valores, S.A.

**“Secondary Principal Deficiency”** shall mean, on a Payment Date, the positive difference, if any, between the required Provisioning of the Secondary Amortisation Fund and the amount actually applied upon distributing the Available Funds in the Priority of Payments, according to the liquidity of the Fund on that Payment Date.

**“Series A1 Bonds”** shall mean the Series A1 Bonds issued by the Fund having a total face amount of EUR sixty-six million (66,000,000) comprising six hundred and sixty (660) Bonds with a unit face value of EUR one hundred thousand (100,000).

**“Series A1(G) and A1 Maturity Date”** shall mean April 20, 2005 or the next Business Day if that date is not a Business Day.

**“Series A1(G) Bonds”** shall mean the Series A1(G) Bonds issued by the Fund having a total face amount of EUR two hundred and sixty-four million (264,000,000) comprising two thousand six hundred and forty (2,640) Bonds with a unit face value of EUR one hundred thousand (100,000).

**“Series A2 Bonds”** shall mean the Series A2 Bonds issued by the Fund having a total face amount of EUR forty-eight million (48,600,000) comprising four hundred and eighty-six (486) Bonds with a unit face value of EUR one hundred thousand (100,000).

**“Series A2(G) and A2 Maturity Date”** shall mean October 20, 2008 or the next Business Day if that date is not a Business Day.

**“Series A2(G) Bonds”** shall mean the Series A2(G) Bonds issued by the Fund having a total face amount of EUR one hundred and ninety-four million four hundred thousand (194,400,000) comprising one thousand nine hundred and forty-four (1,944) Bonds with a unit face value of EUR one hundred thousand (100,000).

**“Servicer”** shall mean Bancaja, Originator of the Assigned Assets to be acquired by the Fund, under the Servicing Agreement.

**“Servicing Agreement”** shall mean the Assigned Asset servicing and management and Mortgage Certificate custody agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja as the Servicer.

**“SME”** shall mean a small and medium-sized enterprise in accordance with the European Commission’s recommendation (Recommendation of April 3, 1996).

**“Start-Up Loan Agreement”** shall mean the start-up loan Agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“State Guarantee”** shall mean the guarantee given to the Fund by the Spanish Economy Ministry amounting to (i) EUR 458,400,000.00, equivalent to the sum of the face amount of the Series A1(G) and A2(G) Bonds, and (ii) the financial charges corresponding to that amount in said Series. That guarantee irrevocably and unconditionally 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 A1(G) and A2(G) Bonds.

**“Subordinated Credit Agreement”** shall mean the subordinated credit agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

**“Subscription Period”** shall mean the period comprised between 12 o’clock noon (CET time) on March 5, 2002 and 5pm on March 6, 2002.

**“Swap Notional for Party A”** shall mean the sum of (i) the Notional Balance of the Assigned Assets defined as the daily average during the settlement period falling due of the Outstanding Balance on the Assigned Assets that are not in arrears of payment of amounts due in excess of ninety (90) days and (ii) the Reinvestment Adjusted Notional.

**“Swap Notional for Party B”** shall mean the greater of: (i) the Party A Swap Notional, and (ii) the Notional Adjusted to the Return of the Assigned Assets.

**“Treasury Account”** shall mean the account opened on the Fund’s behalf initially at Bancaja 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. That account shall be credited with all the amounts received by the Fund as detailed in section V.3.1.

**“Underwriters and Placement Agents”** shall mean the firms JPMorgan, Bancaja and CAI for underwriting and placing the Bond Issue.