

OFFERING CIRCULAR

September 18, 2003

## FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS

### ASSET-BACKED BONDS

EUR 500,000,000

Series A1	EUR	114,000,000	Aaa/AAA	3-M Euribor + 0.19%
Series A2	EUR	142,700,000	Aaa/AAA	3-M Euribor + 0.28%
Series A3(G)	EUR	199,500,000	Aaa/AAA	3-M Euribor + 0.04%
Series B	EUR	32,000,000	A2/A	3-M Euribor + 0.70%
Series C	EUR	11,800,000	Baa2/BBB	3-M Euribor + 1.50%

(G) GUARANTEED BY THE SPANISH STATE

*Backed by loans assigned and serviced by*

**BANCAJA**

Lead Managers

**BANCAJA**

**JPMorgan**

Underwriters and Placement Agents

**Bancaja**

BEAR STEARNS

**JPMorgan**

CDC IXIS CAPITAL MARKETS

Paying Agent

**Bancaja**

Fund structured and managed by

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

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**Material Event concerning**

**FTPYME BANCAJA 2 Fondo de Titulización de Activos**

In accordance with the provisions of the Prospectus for **FTPYME BANCAJA 2 Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As a result of the downgrade of the rating of the unsecured and unsubordinated debt obligations of BANKIA, S.A. (“**BANKIA**”) and as provided for in the Interest Swap Agreement, BANKIA has, with the consent of the Management Company, on behalf of the Fund, agreed with THE ROYAL BANK OF SCOTLAND PLC (“**RBS**”) that this bank will take over as Party B under the Interest Swap Agreement on the following terms:
  - On April 10, 2013, RBS, BANKIA and the Management Company, for and on behalf of the Fund, entered into the subrogation agreement in respect of the Swap Agreement whereby RBS took over as Party B under that agreement.
  - On that same date, RBS and the Management Company, for and on behalf of the Fund, entered into an amendment agreement in respect of the Interest Swap Agreement, updating the Rating Agencies’ criteria.
  - On March 21, 2013, RBS, BARCLAYS BANK PLC, Sucursal en España (“**BARCLAYS**”) and the Management Company, for and on behalf of the Fund, entered into the Swap Collateral Account Agreement whereby the Management Company opened a guaranteed floating rate Euro current account in the name of the Fund at BARCLAYS, into which the RBS is to pay the collateral, if any, required as security for its obligations as counterparty under the Interest Swap Agreement, in terms of Annex III. The collateral amount is determined on a weekly basis having regard to the Swap valuation and the Rating Agencies’ criteria applicable for the purposes hereof.

The collateral posted by RBS to the Fund currently amounts to EUR 1,210,000.00.

- The ratings for RBS’ short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

	<b>Moody’s</b>	<b>Fitch</b>
<b>Short-term rating</b>	P-2	F1
<b>Long-term rating</b>	A3	A

- The ratings for BARCLAYS’ short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

	<b>Moody’s</b>	<b>Fitch</b>
<b>Short-term rating</b>	P-1	F1
<b>Long-term rating</b>	A2	A

- Following execution of the aforementioned agreement amending the Interest Swap Agreement with RBS, the following sections of the Fund Prospectus shall read as follows:

Section	Description
<p><b>V.3.6 Interest Swap Agreement Section 7</b></p>	<p><b>7. Downgrade of Party B's credit rating.</b></p> <p><b>(i) Fitch Criteria.</b></p> <p>A. (i) In relation to each uncured Fitch Level 1 Required Rating Loss Event (unless a previous Fitch Level 1 Required Rating Loss Event remains uncured), Party B shall use its best efforts, at its cost, to Cure the Fitch Level 1 Required Rating Loss within the relevant Fitch Level 1 Rating Loss Cure Period, although if a Fitch Level 2 Required Rating Loss Event should occur on the same date as the Fitch Level 1 Required Rating Loss Event or during the Fitch Level 1 Rating Loss Cure Period, that Fitch Level 1 Required Rating Loss Event shall be taken not to have occurred.</p> <p>(ii) In relation to each uncured Fitch Level 2 Required Rating Loss Event (unless a previous Fitch Level 2 Required Rating Loss Event remains uncured), Party B shall use its best efforts, at its cost, to Cure the Fitch Level 2 Required Rating Loss within the relevant Fitch Level 2 Rating Loss Cure Period, although until the Curing of Fitch Level 2 Required Rating Loss occurs during the Fitch Level 2 Rating Loss Cure Period, Party B shall do whatever is necessary in order for Delivery of Credit Support on Loss of Fitch Rating to occur.</p> <p>B. Additional definitions In this section:</p> <p>“Fitch” shall mean Fitch Ratings Limited or any other replacement entity.</p> <p>“Entity with Minimum Fitch Level 1 Rating” shall mean any entity with long- and short-term unsecured and unsubordinated debt obligations respectively rated A and F1 by Fitch.</p> <p>“Delivery of Credit Support on Loss of Fitch Rating” shall mean the fulfilment by Party B of its obligation to deliver credit support to Party A with a given value in terms of Appendix A to Annex III in support of the obligations it acquired under the Interest Swap Agreement although such credit support shall be valued each week.</p> <p>“Curing of Fitch Level 1 Required Rating Loss” shall mean, in relation to a Fitch Level 1 Required Rating Loss Event the date after the Fitch Level 1 Required Rating Loss Event on which any of the following occurs:</p> <p>(i) Credit Support: Delivery of Credit Support on Loss of Fitch Rating; or</p> <p>(ii) Without delivery of credit support: Curing of Loss of Fitch Required Rating without credit support (and, for the avoidance of doubt, if Curing of Loss of Fitch Required Rating without credit support should occur, Party B shall not be bound to assign or keep in place any additional credit support with respect to a Fitch Level 1 Required Rating Loss Event, but will be bound to assign or keep in place any credit support in accordance with the Delivery of Credit Support on Loss of Fitch Rating while the Curing of Loss of Fitch Required Rating without credit support is pending).</p> <p>“Fitch Level 1 Rating Loss Cure Period” shall mean, in relation to a Fitch Level 1 Required Rating Loss Event and the relevant Cure, the period of 14 calendar days starting from (but not including) the date of the occurrence of that Fitch Level 1 Required Rating Loss Event.</p> <p>“Fitch Level 1 Required Rating Loss Event” shall mean the first date on which neither Party B (or its successor), nor any credit support provider or co-obligor of Party B, is an Entity with Minimum Fitch Level 1 Rating.</p> <p>“Curing of Fitch Level 2 Required Rating Loss” shall mean, in relation to a Fitch Level 2 Required Rating Loss Event, the date after such Fitch Level 2 Required Rating Loss Event on which any of the following occurs:</p> <p>(i) Credit Support: Delivery of Credit Support on Loss of Fitch Rating; and</p>

Section	Description
	<p>(ii) Without delivery of credit support: the Curing of Loss of Fitch Required Rating without credit support (and, for the avoidance of doubt, if a Curing of Loss of Fitch Required Rating without credit support should occur, Party B shall not be bound to assign or keep in place any additional credit support with respect to a Fitch Level 2 Required Rating Loss Event, but will be bound to assign or keep in place any credit support in accordance with the Delivery of Credit Support on Loss of Fitch Rating while the Curing of Loss of Fitch Required Rating without credit support is pending).</p> <p>“Fitch Level 2 Rating Loss Cure Period” shall mean, in relation to a Fitch Level 2 Required Rating Loss Event and the relevant Cure, the period of 30 calendar days starting from (but not including) the date of the occurrence of that Fitch Level 2 Required Rating Loss Event.</p> <p>“Fitch Level 2 Required Rating Loss Event” shall mean the first date on which neither Party B (or its successor), nor any credit support provider or co-obligor of Party B, is an Entity with Minimum Fitch Level 2 Rating.</p> <p>“Entity with Minimum Fitch Level 2 Rating” shall mean any entity with long- and short-term unsecured and unsubordinated debt obligations respectively rated BBB- and F3 by Fitch.</p> <p>“Entity for Cure without credit support” shall mean, at any time, any third party (who may also be an Affiliate of Party B) who is (or in respect of which the credit support provider for its obligations is) an Entity with Minimum Fitch Level 1 Rating at that time.</p> <p>“Curing of Loss of Fitch Required Rating without credit support” shall mean the first date on which any of the following occurs:</p> <p>(i) Assignment: Subject to any other provision relating to assignments of the Interest Swap Agreement, Party B transfers all of its rights and obligations originated by that Master Agreement to a replacement third party which is an Entity for Cure without credit support.</p> <p>(ii) Co-obligor or credit support provider: Party B does whatever may be necessary in order for a third party who is an Entity for Cure without credit support to become co-obligor or credit support provider with respect to the obligations acquired by Party B under the Master Interest Swap Agreement.</p> <p>(iii) Alternative action: Party B takes any other action (x) which Fitch confirms in writing will trigger no negative rating decision with respect to the current rating of the Bonds and (y) which Party A, acting reasonably, confirms to Party B will not be materially detrimental to bondholders’ interests.</p> <p><b>(ii) Moody’s Criteria.</b></p> <p>Party B irrevocably agrees as follows under the Interest Swap Agreement:</p> <p>(1) If, at any time during the life of the Bond Issue, neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold (“First Rating Default”), then Party B shall do one of the following within thirty (30) Business Days of the occurrence of that circumstance:</p> <p>a) Obtain a Replacement with the First Required Rating Threshold (or else a Replacement having a Credit Support Provider with the First Required Rating Threshold).</p> <p>b) Obtain a Credit Support Provider with the First Required Rating Threshold.</p> <p>c) Post or assign cash or securities collateral as security for Party A with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody’s in the required First Rating Default amount in terms of Credit Support Annex III according to Moody’s Criteria.</p> <p>The collateral amount posted to Party A by Party B under this section (1) shall be returned to Party B when the causes triggering the First Rating Default cease.</p> <p>(2) If, at any time during the life of the Bond Issue, neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold (“Second Rating Default”), then Party B shall, on a best efforts basis and as soon as possible,</p> <p>(A) obtain a Credit Support Provider with at least the Second Required Rating Threshold;</p>

Section	Description
	<p>(B) obtain an Eligible Replacement with at least the Second Required Rating Threshold (or else a Replacement having a Credit Support Provider with the Second Required Rating Threshold); or</p> <p>(C) take any other action (x) which Moody's confirms in writing will not trigger a downgrade or withdrawal of the rating currently assigned by Moody's to the Bonds and (y) which Party A, acting reasonably, confirms to Party B will not be materially detrimental to bondholders' interests.</p> <p>While none of the above is done, Party B shall, within thirty (30) Business Days from the occurrence of the Second Rating Default, post or assign cash or securities collateral as security for Party A with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's in the required Second Rating Default amount in terms of Credit Support Annex III according to Moody's Criteria.</p> <p>The collateral amount posted to Party A by Party B under this section (2) shall be returned to Party B: a) fully, when the causes for the First Rating Default cease., or, b) partially, when the causes for the Second Rating Default cease but not so the causes for the First Rating Default, in which case the collateral shall be posted in the required First Rating Default amount.</p> <p>Party B's obligations under (1) and (2) above, and the Early Termination events deriving under the same, shall only apply during such time as the events respectively triggering the First Rating Default or the Second Rating Default are in place.</p> <p>All costs, expenses and taxes incurred in connection with complying with the preceding actions and obligations shall be borne by Party B.</p> <p>In Moody's Criteria:</p> <p>"Eligible Guarantee" shall mean an unconditional, irrevocable guarantee given by a Credit Support Provider jointly and severally (as principal debtor) directly enforceable by Party A with respect to which (A) a law firm provides a legal opinion confirming that no payments by that entity to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) that Guarantee determines that, if any such payments by the Credit Support Provider to Party A are subject to any requirement for deduction or withholding for or on account of any tax, that Credit Support Provider shall be bound to make such additional payment as may be necessary in order for the net payment ultimately received by Party A (clear of any tax) to be equal to the total amount Party A would have received had there been no such deduction or withholding, or (C) where any payment under that guarantee is made net of deductions or withholdings for or on account of any tax, Party B shall be bound to make such additional payment as may be necessary in order for the net payment received by Party A on the part of the credit support provider to be equal to the total amount Party A would have received had there been no such deduction or withholding.</p> <p>"Credit Support Provider" shall mean an entity providing an unconditional, irrevocable, first demand guarantee with respect to all present and future obligations of Party B with respect to the Interest Swap Agreement (the "Eligible Guarantee").</p> <p>"Relevant Entity" or "Relevant Entities" shall mean Party B and any credit support provider under an Eligible Guarantee in relation to all present and future obligations of Party B under this Agreement.</p> <p>"Moody's Short-Term Rating" shall mean a credit rating assigned by Moody's under its short-term scale with respect to an entity's short-term unsecured and unsubordinated debt obligations.</p> <p>"Replacement" shall mean an entity taking over as Party B under the Interest Swap Agreement or entering into a new interest swap agreement with Party A, on terms substantially matching those of the Interest Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that no payments by that entity to Party A results in any requirement for</p>

Section	Description
	<p>deduction or withholding for or on account of any tax; or (B) if any such requirement for deduction or withholding exists, the payment made by that entity shall be increased by such amount as may be necessary in order for the net payment received by Party A to be equal to the amount Party A would have received had there been no such deduction or withholding. That institution shall thereafter be considered in every respect to be Party B under the Interest Swap Agreement or the new protection agreement to be entered into.</p> <p>"Eligible Replacement" shall mean a Replacement (A) with the Second Required Rating Threshold, or (B) whose present and future obligations to Party A under this Agreement (or its replacement as applicable) are secured by a Guarantee provided by a Credit Support Provider with the Second Required Rating Threshold.</p> <p>An entity shall have the "First Required Rating Threshold" (A) in the event that such entity has a Moody's Short-Term Rating, if that rating is P-1 and Moody's rating for its long-term unsecured and unsubordinated debt obligations is at least as high as A2 and (B) in the event that such entity does not have a Moody's Short-Term Rating, where its long-term unsecured and unsubordinated debt obligations (or its obligations as counterparty) are rated at least as high as A1 by Moody's.</p> <p>An entity shall have the "Second Required Rating Threshold" (A) in the event that such entity has a Moody's Short-Term Rating, if that rating is at least as high as P-2 and Moody's rating for its long-term unsecured and unsubordinated debt obligations is at least as high as A3, and (B) in the event that such entity does not have a Moody's Short-Term Rating, where its long-term unsecured and unsubordinated debt obligations (or its obligations as counterparty) are rated at least as high as A3 by Moody's.</p>

Madrid, April 19, 2013

Mario Masiá Vicente  
General Manager

**Material Event**  
**concerning**

**FTPYME BANCAJA 2 Fondo de Titulización de Activos**

Pursuant to Chapter III, Section III.5.2 of the Prospectus for **FTPYME BANCAJA 2 Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material event dated August 7, 2009, Banco Cooperativo Español S.A. was designated Bond Paying Agent on this date by entering into an Agreement to be subrogated to and novating and amending but not terminating the Bond Paying Agent Agreement.
- Accordingly, the following section of the Fund’s Prospectus should read as follows:

Section	Description
<p><b>V.3.10</b></p>	<p><b>Bond Paying Agent Agreement.</b></p> <p>Paragraph three of this section, containing references to the actions to be taken in the event of the Paying Agent’s credit ratings being downgraded, is replaced with the following wording:</p> <p>“In connection with the provisions of section (ii) of the preceding paragraph, the Management Company shall, on the Business Day preceding each Payment Date, pay out of the Treasury Account, into an account opened in the name of the Fund at the Paying Agent, the total Bond interest payment and principal repayment amount for each Series. The return on investments interim tax amounts to be withheld on each Payment Date on Bond interest in accordance with the applicable statutory provisions, shall remain credited to the Fund’s account at the Paying Agent until the date on which the Management Company has to actually pay the same to the Tax Administration.</p> <p>Both upon a breach by the Paying Agent of its obligations under this Agreement and in the event that the rating of the Paying Agent’s short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below F2 or P-1 respectively by Fitch and Moody’s, the Management Company shall within not more than thirty (30) days from the time of the occurrence of such circumstance, do either of the following:</p> <p>(i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody’s, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent for such time as the Paying Agent remains downgraded below F2 or P-1; or</p> <p>(ii) revoke the Paying Agent’s designation and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody’s, to take its place before terminating the Paying Agent Agreement, or, as the case may be, under a new paying agent agreement, and subject to prior notice being served on the Rating Agencies.</p> <p>The Paying Agent shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may do either of (i) or (ii) above.</p> <p>BANCAJA shall agree, upon the Management Company’s request and provided that its short-</p>



Section	Description
	<p>term unsecured and unsubordinated debt obligations are rated at least as high as F2 and P-1 respectively by Fitch and Moody's, to be subrogated to this Paying Agent Agreement as Paying Agent.”</p> <p>Paragraph four of this section, concerning the Paying Agent's compensation, is replaced with the following wording:</p> <p>“In consideration of the services to be provided by the Paying Agent, the Fund shall pay it on each Payment Date during the term of this Agreement, a fixed fee which shall be payable provided that the Fund has sufficient liquidity and in the Priority of Payments. If the Paying Agent should be replaced, the Management Company shall be entitled to change the fee payable to the replacement institution, which may differ from the set fee.”</p>

Issued to serve and avail as required by law, at Madrid, on December 29, 2009.

Mario Masiá Vicente  
General Manager

**Material Event  
concerning**

**FTPYME BANCAJA 2 Fondo de Titulización de Activos**

Pursuant to Chapter III, section 5.2.d, of the Prospectus for **FTPYME BANCAJA 2 Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material events dated October 16, 2008, January 8, 2009 and February 4, 2009, amendments have been made to the Guaranteed Interest Rate Account (Treasury Account) Agreement and the Interest Swap Agreement, both entered into by the Fund.
- Accordingly, the following sections of the Fund’s Prospectus should read as follows:

Section	Description
<p><b>V.3.1</b></p>	<p><b>Guaranteed Interest Rate Account (Treasury Account) Agreement.</b></p> <p>In paragraph three, concerning the actions to be taken in the event of the Treasury Account provider’s rating being downgraded, the reference to “ten (10) Business Days” is replaced with “thirty (30) days”.</p> <p>As set out in the material event dated February 4, 2009, on February 3, 2009 the Fund’s Treasury Account was transferred to Banco Popular Español S.A., and the latter was subrogated to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into with Bancaja.</p>
<p><b>V.3.6</b></p>	<p><b>Interest Swap Agreement.</b></p> <p>The Interest Swap Agreement, entered into based on the Spanish Banking Association’s standard Master Financial Transaction Agreement (CMOF), consists of the Master Agreement, Schedules I, II and III (Collateral Assignment Agreement) and the Confirmation.</p> <p>The references to the general terms of the Interest Swap Agreement, set out after subsection 5.1 of this section, are replaced with the following:</p> <p><b>“6. Events of default specific to the Swap Agreement.</b></p> <p>If on a Payment Date the Fund (Party A) should not have sufficient liquidity to pay the full net amount, if any, payable to Party B, the portion of this net amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of default occur on two consecutive Payment Dates, Party B may choose to terminate the Swap Agreement. In this event, the Fund (Party A) shall accept the obligation to pay the settlement amount established to which it is bound on the terms of the Swap Agreement, the foregoing in the Priority of Payments. Should the settlement amount payable under the Swap Agreement be a payment obligation for Party B and not for the Fund (Party A), Party B shall take over the obligation to pay the settlement amount provided for in the Swap Agreement.</p> <p>Subject to the above, other than in an event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement on terms substantially identical with the Swap Agreement.</p> <p><b>7. Ratings Downgrade of Party B.</b></p> <p><b>(i) Fitch Criteria.</b></p>

Section	Description
	<p>In accordance with Fitch's report "Counterparty Risk in Structured Finance Transactions: Hedge Criteria" published on August 1, 2007 (the "<b>Fitch Criteria</b>"), Party B shall irrevocably agree as follows under the Interest Swap Agreement:</p> <p>(1) If at any time during the life of the Bond Issue the unsecured and unsubordinated debt obligations of Party B should cease to have a short-term rating at least as high as F1 by Fitch and a long-term rating at least as high as A by Fitch ("<b>Initial Fitch Rating Event</b>"), both the "<b>Required Ratings</b>", then Party B shall, within thirty (30) calendar days of the occurrence of that Initial Fitch Rating Event, do any of the following:</p> <p>(A) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a Replacement having the Required Ratings by Fitch;</p> <p>(B) obtain an unconditional guarantee from a third party having the Required Ratings by Fitch, in support of its obligations under the Interest Swap Agreement;</p> <p>(C) post or assign collateral in the form of cash or securities to Party A at an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 by Fitch, in terms of Collateral Assignment Schedule III based on the Fitch Criteria.</p> <p>If either of (1)(A) or (1)(B) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred to Party A by Party B pursuant to (1)(C) will be retransferred to Party B and Party B will not be required to transfer any additional collateral.</p> <p>(2) Fitch Criteria (continued):</p> <p>If at any time during the life of the Bond Issue the unsecured and unsubordinated debt obligations of Party B should cease to have a short-term rating at least as high as F2 or a long-term rating at least as high as BBB+ by Fitch ("<b>First Subsequent Fitch Rating Event</b>"), then (1)(A) and (1)(B) above shall be preferred by Fitch.</p> <p>If Party B should choose (1)(C) above, then an independent third party shall calculate the amount of the cash or securities collateral in terms of Collateral Assignment Schedule III based on the Fitch Criteria.</p> <p>(3) Fitch Criteria (continued):</p> <p>If at any time during the life of the Bond Issue the unsecured and unsubordinated debt obligations of Party B should cease to have a short-term rating at least as high as F3 or a long-term rating at least as high as BBB- by Fitch ("<b>Second Subsequent Fitch Rating Event</b>"), then Party B shall, within thirty (30) calendar days of the occurrence of that Second Subsequent Fitch Rating Event, do either of the following:</p> <p>(A) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a Replacement having the Required Ratings by Fitch; or</p> <p>(B) obtain an unconditional guarantee from a third party having the Required Ratings by Fitch, in support of its obligations under the Interest Swap Agreement.</p> <p>Pending compliance with either of the alternatives described above, Party B shall, from the occurrence of the Second Subsequent Fitch Rating Event, post or assign collaterals in the form of cash or securities to Party A at an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 by Fitch, in terms of Collateral Assignment Schedule III based on the Fitch Criteria.</p> <p>If (B) should be chosen for (1), (2) and (3) above, both the guarantee referred to therein and the legal opinion attached thereto shall be reviewed by Fitch or its legal advisers. The</p>

Section	Description
	<p>guarantee shall be verified by Fitch or its legal advisers as to its enforceability.</p> <p>All costs, expenses and taxes incurred upon complying with the foregoing actions and obligations shall be borne by Party B.</p> <p>The alternative actions described in this section, and the deadlines and ratings, based on Fitch's current criteria, may be updated, changed or replaced by Fitch. Any replacement, substitution, guarantee, collateral or assignment shall be made on such terms as the Management Company and Fitch shall deem appropriate in order to ensure maintenance of the ratings assigned to each Bond Series by Fitch, based on the Fitch Criteria in force at the time.</p> <p><b>(ii) Moody's Criteria.</b></p> <p>Party B shall irrevocably agree as follows under the Interest Swap Agreement:</p> <p>(1) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold ("First Rating Default"), then Party B shall, within thirty (30) Business Days of the occurrence of that circumstance, do any of the following:</p> <ul style="list-style-type: none"> <li>a) Obtain a Replacement having the First Required Rating Threshold (or a Replacement with a Credit Support Provider having the First Required Rating Threshold).</li> <li>b) Obtain a Credit Support Provider having the First Required Rating Threshold.</li> <li>c) Post or assign collateral in the form of cash or securities to Party A at an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, in the required First Rating Default amount in terms of Collateral Assignment Schedule III based on Moody's Criteria.</li> </ul> <p>The collateral amount posted to Party A by Party B under this section (1) shall be retransferred to Party B when the events triggering the First Rating Default cease.</p> <p>(2) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold ("Second Rating Default"), then Party B shall, on a best efforts basis and as soon as possible,</p> <ul style="list-style-type: none"> <li>(A) obtain a Credit Support Provider having at least the Second Required Rating Threshold; or</li> <li>(B) obtain an Eligible Replacement having at least the Second Required Rating Threshold (or a Replacement with a Credit Support Provider having the Second Required Rating Threshold).</li> </ul> <p>Pending compliance with either alternative described above, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post or assign collaterals in the form of cash or securities to Party A, at an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, in the required Second Rating Default amount in terms of Collateral Assignment Schedule III based on Moody's Criteria.</p> <p>The collateral amount posted to Party A by Party B under this section (2) shall be retransferred to Party B:</p> <ul style="list-style-type: none"> <li>a) in full, when the events triggering the First Rating Default cease, or,</li> </ul>

Section	Description
	<p>b) in part, when the events triggering the Second Rating Default cease but the events triggering the First Rating Default do not, in which case the collateral shall be posted in the required First Rating Default amount.</p> <p>Party B's obligations under (1) and (2) above, and the Termination events deriving therefrom, shall only apply during such time as the events respectively triggering the First Rating Default or the Second Rating Default are in place.</p> <p>All costs, expenses and taxes incurred upon complying with the foregoing actions and obligations shall be borne by Party B.</p> <p>In connection with Moody's Criteria:</p> <p><b>"Eligible Guarantee"</b> shall mean an unconditional and irrevocable guarantee provided by a Credit Support Provider jointly and severally (as principal obligor) directly enforceable by Party A with respect to which (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) the Guarantee determines that, if any such payments made by the Credit Support Provider to Party A results in any requirement for deduction or withholding for or on account of any tax, that Credit Support Provider shall be bound to pay that additional amount in order for the net payment ultimately received by Party A (clear of any tax) to be equal to the total amount which Party A would have received had there been no such deduction or withholding; or (C) if any payment under that guarantee is made net of deductions or withholdings for or on account of any tax, then Party B shall make an additional payment in order to ensure that the net amount received by Party A from the credit support provider shall be equal to the total amount which Party A would have received had there been no such deduction or withholding.</p> <p><b>"Credit Support Provider"</b> shall mean an institution providing an unconditional, irrevocable and first demand guarantee with respect to all present and future obligations of Party B under the Interest Swap Agreement (the "Eligible Guarantee").</p> <p><b>"Relevant Entity"</b> or <b>"Relevant Entities"</b> shall mean Party B and any credit support provider under an Eligible Guarantee with respect to all present and future obligations of Party B under this Agreement.</p> <p><b>"Moody's Short-Term Rating"</b> shall mean a credit rating assigned by Moody's under its short-term scale with respect to an entity's short-term unsecured and unsubordinated debt obligations.</p> <p><b>"Replacement"</b> shall mean any institution taking over as Party B under the Interest Swap Agreement or entering into a new Interest Swap Agreement with Party A, on terms substantially identical with the Interest Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A results in any requirement for deduction or withholding for or on account of any tax; or (B) if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding. That institution shall thereafter, to all intents and purposes, be considered Party B under the Interest Swap Agreement or in the new protection agreement to be entered into.</p> <p><b>"Eligible Replacement"</b> shall mean a Replacement (A) with the Second Required Rating Threshold, or (B) whose present and future obligations due to Party A under this Agreement (or its successor as applicable) are supported by a Guarantee provided by a Credit Support Provider having the Second Required Rating Threshold.</p> <p>An entity shall have the <b>"First Required Rating Threshold"</b> (A) in the event that such entity</p>

Section	Description
	<p>has a Moody's Short-Term Rating, if that rating is P-1 and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A2 by Moody's, and (B) in the event that such entity does not have a Moody's Short-Term Rating, if its long-term unsecured and unsubordinated debt obligations (or its counterparty obligations) are rated at least as high as A1 by Moody's.</p> <p>An entity shall have the <b>"Second Required Rating Threshold"</b> (A) in the event that such entity has a Moody's Short-Term Rating, if that rating is at least as high as P-2 and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's, and (B) in the event that such entity does not have a Moody's Short-Term Rating, if its long-term unsecured and unsubordinated debt obligations (or its counterparty obligations) are rated at least as high as A3 by Moody's."</p>

- In relation to the material event notified on December 26, 2008, concerning the downgrade by Fitch Ratings of Bancaja's short-term credit rating to F2 from F1, and specifically to the Bond Paying Agent Agreement to which Bancaja is a counterparty as Paying Agent, for the record because Bancaja's continuity as Paying Agent with the aforesaid F2 credit rating does not adversely affect the ratings assigned to each Bond Series by Fitch Ratings, the action provided for in the event of the short-term debt obligations being downgraded below F1 was not taken and the terms of that Agreement shall be amended to include F2 as the minimum short-term rating required for the Paying Agent to continue in accordance with Fitch Ratings' current criteria.

Issued to serve and avail as required by law, at Madrid, on May 29, 2009.

Mario Masiá Vicente  
General Manager

## **TABLE OF CONTENTS**

<b>CHAPTER 0</b>	<i>Summary of the Offering Circular.</i>	<b>2</b>
<b>CHAPTER I</b>	<i>Persons taking responsibility for and bodies supervising the contents of the Offering Circular.</i>	<b>19</b>
<b>CHAPTER II</b>	<i>Information regarding the securities issued by the Fund.</i>	<b>21</b>
<b>CHAPTER III</b>	<i>General information on the Fund.</i>	<b>69</b>
<b>CHAPTER IV</b>	<i>Information on the characteristics of the assets securitised through the Fund.</i>	<b>89</b>
<b>CHAPTER V</b>	<i>Information on the economic and financial operation of the Fund.</i>	<b>117</b>
<b>CHAPTER VI</b>	<i>General information on the Fund Management Company.</i>	<b>145</b>
<b>CHAPTER VII</b>	<i>Small and medium-sized enterprise financing.</i>	<b>151</b>
<b>APPENDIX 1</b>	<i>Definitions.</i>	

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

<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 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 issued by FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**”). The Bond Issue totals a face value of EUR five hundred million (500,000,000) and consists of five thousand (5,000) Bonds denominated in EUR and pooled in five Bond 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 2 FONDO DE TITULIZACIÓN DE ACTIVOS

**Issue Amount:** Face value of EUR 500,000,000 consisting of five thousand Bonds represented by means of book entries, pooled in five Bond Series distributed as follows:

	Face Amount per Bond (EUR)	Number of Bonds	Series Total Face Amount (EUR)
<b>Series A1</b>	100,000.00	1,140	114,000,000.00
<b>Series A2</b>	100,000.00	1,427	142,700,000.00
<b>Series A3(G)</b>	100,000.00	1,995	199,500,000.00
<b>Series B</b>	100,000.00	320	32,000,000.00
<b>Series C</b>	100,000.00	118	11,800,000.00

**Issue Price:** 100 percent of the face value of each Bond, clear of taxes and subscription costs 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 Rating
<b>Series A1</b>	Aaa	AAA
<b>Series A2</b>	Aaa	AAA
<b>Series A3(G)</b>	Aaa	AAA
<b>Series B</b>	A2	A
<b>Series C</b>	Baa2	BBB

The Rating Agencies expect to confirm those provisional ratings as final by the start of the Bond Subscription Period. Failure to do so would result in the Fund not being constituted, the Bond Issue not being made and no Loans being assigned.



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The Rating Agencies may revise, suspend or withdraw the final ratings at any time, which would not constitute an early amortisation event of the Fund.

#### **State Guarantee.**

The Series A3(G) Bonds (the “**Guaranteed Series**”) shall be secured by the State Guarantee, which shall secure, waiving the benefit of discussion established in article 1830 of the Civil Code, payment of principal and interest of the Guaranteed Series A3(G) Bonds.

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

The Guarantee amounts to (i) EUR one hundred and ninety million five hundred thousand (199,500,000.00), equivalent to the sum of the face amount of the Series A3(G) Bonds issued, plus (ii) interest on that face amount of this Series.

**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:** SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. (either “**Systems Company**” or “**Iberclear**”).

Bondholders shall be identified as such when entered in the accounting record kept by participants of Iberclear or any replacement institution.

#### **0.1.1 Interest rate.**

The Bonds in each Series will accrue an annual nominal 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.

#### **Interest Accrual.**

The term of this issue shall be divided into successive interest accrual periods (hereinafter “**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. Exceptionally, 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 on January 15, 2004, exclusive.

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

### **Nominal Interest Rate.**

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

- (i) the three- (3-) month Euribor Reference Rate other than for the first Interest Accrual Period, or the substitute rate, if any, and
- (ii) a margin for each Series as detailed below:
  - **Series A1:** 0.19% margin until January 15, 2005 or the following Business Day if that date is not a Business Day, and thereafter a 0.38% margin.
  - **Series A2:** 0.28% margin until July 15, 2008 or the following Business Day if that date is not a Business Day, and thereafter a 0.56% margin.
  - **Series A3(G):** 0.04% margin until July 15, 2015 or the following Business Day if that date is not a Business Day, and thereafter a 0.24% margin.
  - **Series B:** 0.70% margin.
  - **Series C:** 1.50% margin.

The resultant Nominal Interest Rate applicable for each Interest Accrual Period shall be expressed rounded up to the nearest thousandth of a percentage point.

The Nominal Interest Rate applicable to each of the Bond Series for every Interest Accrual Period shall be determined by the Management Company, acting for and on behalf of the Fund, on the second Business Day preceding each Payment Date and shall apply for the following Interest Accrual Period.

Exceptionally, the Nominal Interest Rate of the Bonds in each Series for the first Interest Accrual Period shall be determined based on the Reference Rate (straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rate) but 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 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 Iberclear.

### **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 15, April 15, July 15 and October 15 in each year or the following Business Day, as the case may be. The first Payment Date shall be January 15, 2004.

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 Bonds:** shall consist of a single payment for their aggregate face value on January 15, 2005.

However, in the event of the Available Funds for Amortisation on the Series A1 Maturity Date not being sufficient to amortise the aggregate face value of the Series A1 Bonds, the Series A1 Bonds shall be amortised on the Series A1 Maturity Date and on subsequent Payment Dates by partial amortisation until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A1, distributed pro rata between the Bonds in Series A1 proper by reducing the face value of each Bond.

- **Series A2 Bonds:** shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A2, distributed pro rata between the Bonds in Series A2 proper by reducing the face value of each Bond.

The first partial amortisation of Series A2 Bonds shall occur on the Payment Date falling on the first of the following dates: (i) the Payment Date on which the amount of the Series A1 Amortisation Fund is fully provisioned; or (ii) the Payment Date on which the Series A1 Bonds are fully amortised. The Series A2 Bonds will nevertheless also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series in the Priority of Payments.

- **Series A3(G) Bonds:** shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A3(G), distributed pro rata between the Bonds in Series A3(G) proper by reducing the face value of each Bond.

The first partial amortisation of Series A3(G) Bonds shall occur once the Series A1 Bonds and Series A2 Bonds have been fully amortised. The Series A3(G) Bonds will nevertheless also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series in the Priority of Payments.

- **Series B Bonds:** shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, distributed pro rata between the Bonds in Series B proper by reducing the face value of each Bond.

The first partial amortisation of Series B Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series B is equal to or greater than 12.80% of the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G). After that Payment Date, the Available Funds for Amortisation shall also be applied to the amortisation of Series B, which shall be distributed for the amortisation of that Series thereby for the above ratio of (i) the Outstanding Principal Balance of Series

B to (ii) the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G), to be kept at 12.80%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances provided for in the rules for Distribution of Available Funds for Amortisation in each Series in the Priority of Payments.

- **Series C Bonds:** shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, distributed pro rata between the Bonds in Series C proper by reducing the face value of each Bond.

The first partial amortisation of Series C Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 4.70% of the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G). After that Payment Date, the Available Funds for Amortisation shall also be applied to the amortisation of Series C, which shall be distributed for the amortisation of that Series thereby for the above ratio of (i) the Outstanding Principal Balance of Series C to (ii) the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G), to be kept at 4.70%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances provided for in the rules for Distribution of Available Funds for Amortisation in each Series in the Priority of Payments.

#### **Early Amortisation of the Bond Issue.**

Without prejudice to the Fund's obligation, through the Management Company, to finally amortise the Bonds on the Final Maturity Date or the partial amortisations of each Series before the Final Maturity Date, the Management Company shall be authorised, after notifying the CNMV, to proceed to an Early Liquidation of the Fund and hence an Early Amortisation, on a Payment Date, of the entire Bond Issue in the Early Liquidation Events subject to the requirements established in section III.8.1 of this Offering Circular.

**Final Bond Maturity Date:** January 15, 2030, 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 Bond Issue consequent upon the provisions of section III.8.1 of the Offering Circular.

#### **0.1.3 Bond Issue subscription and placement procedure.**

##### **Lead Managers:**

- JPMORGAN
- BANCAJA

##### **Underwriters and Placement Agents:**

- JPMORGAN
- BANCAJA
- BEAR STEARNS
- CDC IXIS CAPITAL MARKETS

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

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

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### **Subscription Period.**

The Subscription Period shall commence at 1pm (CET time) on September 22, 2003, and end at 5pm on September 23, 2003.

### **Payment method and date.**

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 12 o'clock noon (CET time) on September 24, 2003, for 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 Fund is constituted and the Bonds are issued in accordance with the provisions of the Order 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, and (v) all other legal and statutory provisions in force and applicable from time to time.

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

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

Bondholders and any other creditor of the Fund shall have no recourse whatsoever against Loan Obligor who may have defaulted on their payment obligations, and any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties and, therefore, at no event as a result of the existence of delinquency or prepayment of the Loans, default by the counterparties to the transactions arranged for and on behalf of the Fund, or insufficiency of the financial hedge transactions for servicing the Bonds in each Series. Any such actions shall be resolved 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 Fund is constituted and the Bonds are issued in accordance with the provisions of the Order 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, and (v) all other legal and statutory provisions in force and applicable from time to time.

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The Fund is constituted in order to generally serve as a vehicle for acquiring the Loans transferred by CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (the “**Originator**”) and have it issue the Bonds, and, in particular, to foster the financing of small and medium-sized enterprises.

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 shall comprise the Non-Mortgage Loans and the Pass-Through Certificates, the issue of which perfects the transfer of the Mortgage Loans, pooled upon being constituted, and its liabilities shall comprise the Bonds issued, the Subordinated Loan and the Start-Up Loan, and the net worth of the Fund shall be nil. Additionally, the Fund has arranged for the Interest Swap, the State Guarantee and the Liquidity Facility, which shall be reported in memorandum accounts.

The Fund shall be in existence until January 15, 2030, the Final Maturity Date of the Bond Issue, other than in the events laid down in sections III.8.1 and III.8.2 of the Offering Circular.

### **0.2.2 Representation of the Fund: 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, and in the Deed of Constitution.

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

The Management Company shall discharge for the Fund the functions attached to it under Royal Decree 926/1998 and Act 19/1992, as the case may be.

It is also the Management Company’s duty, as the manager of third-party portfolios, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on protecting their interests, observing the provisions in force for that purpose from time to time. 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 and the Offering Circular.

The Management Company shall notify the Bondholders of all and any circumstances that may be relevant to them, by publishing appropriate notices on the terms established in section III.5.2 of the Offering Circular.

The Management Company may be substituted on the terms and in the events provided in the Offering Circular.

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

The credit rights to be pooled in the Fund, represented by the Management Company, upon being constituted, shall exclusively consist of credit rights owned by BANCAJA derived from bilateral loans granted by BANCAJA to non-financial small and medium-sized enterprises registered in Spain (the “**Obligors**”), all of which are

small and medium-sized enterprises (“SMEs”) as defined by the European Commission (Recommendation of April 3, 1996) (the “Loans”).

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

- (i) Loans with real estate mortgage security, originated in a public deed (the “Mortgage Loans”).
- (ii) Unsecured loans or loans with third-party personal guarantee (surety), originated in a public document, which are enforceable (article 517 of Civil Procedure Act 1/2000, January 7,) (the “Non-Mortgage Loans”).

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

- (i) The assignment of the Mortgage Loans shall be perfected by means of the issue by BANCAJA and the subscription by the Fund of pass-through certificates (the “Pass-Through Certificates”) as established by article 18 of Financial System Reform Measures Act 44/2002, November 22 (“Act 44/2002”).
- (ii) The Non-Mortgage Loans with or without personal guarantees -surety- shall be assigned directly without any underlying certificate being issued.

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

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

The Fund’s rights resulting from the Loans shall be linked to payments made by Obligors and are therefore directly affected by the progress, late payments, prepayments or any other incident in connection with the Loans.

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

The provisional portfolio of selected loans which shall mostly be assigned to the Fund upon being constituted comprises 3,567 loans, the outstanding principal of which as of August 31, 2003, amounted to EUR 521,929,525.26, the overdue principal amounting to EUR 287,006.74.

The following are the most significant characteristics of the 3,567 loans selected as of August 31, 2003:

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• <b>Outstanding principal:</b>	EUR	146,321.71	(average)
	EUR	506.25	(minimum)
	EUR	1,745,438.91	(maximum)

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

- **Loans with mortgage security:** 1,926 by EUR 365,895,591.89 outstanding principal
- **Loans with third-party personal guarantee:** 1,292 by EUR 95,938,171.60 outstanding principal
- **Unsecured loans:** 349 by EUR 60,095,761.77 outstanding principal
  
- **Age (by origination date):** 21.22 months (weighted average\*)  
5.03 months - 31.03.2003 (minimum)  
111.25 months - 26.05.1994 (maximum)
  
- **Type of interest rate:** Floating interest throughout
  
- **Outstanding principal percentages according to benchmark indices and margin over weighted average index (“margin<sub>wa</sub>”):** 80.94% 1-year Euribor/Mibor (1.07 margin<sub>mp</sub>\*)  
19.06% 90-day Euribor/Mibor (1.11 margin<sub>mp</sub>\*)
  
- **Nominal interest rate:** 3.86% (weighted average\*)  
2.64% (minimum)  
8.00% (maximum)
  
- **Final maturity date:** 04.12.2004 (minimum)  
30.12.2027(maximum)  
115,20 months (weighted average final maturity\*)
  
- **Geographical distribution by Provinces:** 39.70% Valencia  
13.98% Castellón  
11.78% Barcelona  
10.46% Madrid  
10.35% Alicante  
13.73% 26 Provinces (below 5%)
  
- **Distribution by economic activity sectors (CNAE):** 35.75% Real Estate and Rental Activities; Business Services.  
13.56% Retail trade; repair of motor vehicles, and personal and household items  
6.80% Building  
6.40% Catering trade  
5.60% Other non-metallic mineral products industries  
5.41% Other social activities and services provided to the Community; Personal Services  
26.48% Other sectors below 5%

\* Average weighted by outstanding principal of the selected loans.

#### **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 Loans and the Bonds, neutralise interest rate differences between the Loans and the Bonds and other liabilities, 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 listed hereinafter.

The Management Company may 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, including new credit facility agreements, provided that the circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies.

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 Loan Agreement.
- (iv) State Guarantee.
- (v) Start-Up Loan Agreement.
- (vi) Interest Swap Agreement.
- (vii) Liquidity Facility Agreement.
- (viii) Loan Servicing and Management and Pass-Through Certificate Custody Agreement.
- (ix) Bond Issue Management, Underwriting and Placement Agreement.
- (x) Bond Paying Agent Agreement.

## **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) Loan principal repayment income received between the preceding Payment Date and the current Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- b) Ordinary and late-payment interest received on the Loans between the preceding Payment Date and the current Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- c) The return received on the amounts credited to the Treasury Account.

- d) The return received on the amounts credited to the Amortisation Account which shall have been paid into the Treasury Account.
- e) The amount with which the Cash Reserve is provisioned on the preceding Payment Date which shall have been paid into the Treasury Account.
- f) Amounts received under the Interest Swap Agreement.
- g) Any other amounts received by the Fund between the preceding Payment Date and the current Payment Date, inclusive, including those resulting from the sale or utilisation of properties or rights awarded to the Fund.

Additionally, the Fund shall avail of and use for paying Series A3(G) interest only in the 3<sup>rd</sup> priority, the amount drawn under the State Guarantee paid to the Fund on the same Payment Date, or, if paid later, the drawdown under the Liquidity Facility for that amount.

## **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 item number 1, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment of the Swap amount and in the event of termination of the agreement following a breach by the Fund, the amount comprising the settlement payment.
3.
  - Payment of interest due on the Series A1 Bonds.
  - Payment of interest due on the Series A2 Bonds.
  - Payment of interest due on the Series A3(G) 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 guaranteed Series A3(G) Bonds.
4. Payment of interest due on the Liquidity Facility if it is ever drawn down.
5. Payment of interest due on the Series B Bonds unless this payment is moved to item number 9 in the priority of payments.

This payment shall be moved to item number 9 on the Payment Dates on which either of the following circumstances occurs, and provided that on the current Payment Date there shall have been or there is to be no full amortisation of the Class A Bonds and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G):

- (i) When, on two consecutive Payment Dates, including the then-current Payment Date, the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than (18) months in payment of amounts due and payable is in excess of 9.50% of the Outstanding Balance of Loans on the date of constitution of the Fund.
  - (ii) When the resultant amount on a Payment Date after deducting from the Outstanding Principal Balance of Class A of 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 required to meet the payment obligations described in items 1 to 4 in the application of the Available Funds, and (c) the Outstanding Balance of Loans in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months on the preceding Determination Date, is in excess of or equal to zero.
6. Payment of interest due on the Series C Bonds unless this payment is moved to item number 10 in the priority of payments.

This payment shall be moved to item number 10 on the Payment Dates on which either of the following circumstances occurs, and provided that on the current Payment Date there shall have been or there is to be no full amortisation of the Class A Bonds and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G) and full amortisation of Series B:

- (i) When, on two consecutive Payment Dates, including the then-current Payment Date, the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than (18) months in payment of amounts due and payable is in excess of 6.75% of the Outstanding Balance of Loans on the date of constitution of the Fund.
  - (ii) When the resultant amount on a Payment Date after deducting from the sum of the Outstanding Principal Balance of Class A and the Outstanding Principal Balance of Series B of 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 required to meet the payment obligations described in items 1 to 5 in the application of the Available Funds, and (c) the Outstanding Balance of Loans in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months on the preceding Determination Date, is in excess of or equal to zero.
7. Bond Amortisation Withholding to be included among the Available Funds for Amortisation and to be distributed in accordance with the application system.

The Amortisation Withholding required on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Bond Issue minus the balance on the Amortisation Account, both as of the immediately preceding Determination Date, increased by amounts outstanding payable to the State upon enforcing the Guarantee for amortising Series A3(G), and (ii) the Outstanding Balance of the Loans on the current Payment Date in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months.

8. Withholding of an amount sufficient for the Required Cash Reserve on the current Payment Date to be maintained.

This application shall not occur on the last Payment Date or Fund liquidation date.

9. Payment of interest due on the Series B Bonds when this payment is deferred from item number 5 in the priority of payments as established in that number.
10. Payment of interest due on the Series C Bonds when this payment is deferred from item number 6 in the priority of payments as established in that number.
11. Payment of the amount payable by the Fund making up the Swap settlement payment in the event of that agreement being terminated for a breach by the Fund's counterparty (Party B).
12. Payment of interest due on the Start-Up Loan.
13. Repayment of Start-Up Loan principal in the amortised amount.
14. Payment of ordinary interest due on the Subordinated Loan.
15. Repayment of Subordinated Loan principal in the amount of the reduction, if any, of the Cash Reserve.
16. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Loans.

In the event that another institution should replace the Servicer of the Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer, shall take the place of paragraph 1 above along with the other payments included in that priority.

17. Payment of the variable remuneration under the Subordinated Loan.

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 exclusively on the Payment Date falling on January 15, 2005.
- b) The Amortisation Withholding amount applied from the Available Funds on the current Payment Date.

Additionally, the Fund shall avail of and use for repaying Series A3(G) principal only, the amount drawn under the State Guarantee paid to the Fund on the same Payment Date, or, if paid later, the drawdown under the Liquidity Facility for that amount.

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

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

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of Series B or the Outstanding Principal Balance of Series C are respectively equal to or in excess of 12.80% and 4.70% of the Outstanding Principal Balance of the Bond Issue, increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), the Available Funds for Amortisation shall be fully applied, in accordance with rule 2 below, to amortising Class A and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G).
2. The Available Funds for Amortisation applied to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), both under rule 1 above and under rules 3 and 4 below, shall be applied as follows:
  - 2.1 Ordinary application in the following order:
    1. Repayment of Series A1 Bond principal or on the Payment Dates preceding the Series A1 Maturity Date (January 15, 2005), provisioning of the Series A1 Amortisation Fund.
    2. Repayment of Series A2 Bond principal once the Series A1 Bonds have been fully amortised or the Series A1 Amortisation Fund has been fully provisioned.
    3. Repayment of Series A3(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A3(G) Bond principal, once the Series A2 Bonds have been fully amortised.

The amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G)) shall be applied as follows:

- (i) If there is an Amortisation Deficiency on the then-current Payment Date, firstly to amortising Series A3(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G).
      - (ii) Otherwise, firstly to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G) and secondly, in the remaining amount, if any, to amortising Series A3(G).
- 2.2 Exceptional application (“**Pro Rata Amortisation of Class A**”) on any Payment Date if, on the immediately preceding Determination Date, the ratio of (i) the Outstanding Balance of the Loans in good standing in payment of amounts due and payable or, if delinquent, with an arrears of less than ninety (90) days, increased by the balance on the Amortisation Account and by the amount of the Loan principal repayment income received from the preceding Payment Date, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1. In that event, on the then-current Payment Date:
  - a) The application priority of paragraphs 1 to 3 of section 2.1 above and the sequential amortisation of Series A1 or provisioning of the Series A1 Amortisation Fund, as appropriate, of Series A2 and of Series A3(G) and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G), which have not been fully amortised or repaid, shall be stopped.
  - b) The Available Funds for Amortisation shall be distributed among those items pro rata directly in proportion (i) to the Outstanding Principal Balance of Series A1, deducting the balance on the Amortisation Account, (ii) to the Outstanding Principal Balance of Series A2 and (iii) to the Outstanding Principal Balance of Series A3(G) increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G).

The Available Funds for Amortisation applied to repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G), in accordance with paragraph (iii) of the preceding point, shall also be applied between both items in accordance with the provisions of paragraph 2.1.3 above.

3. From the Payment Date after the date on which the ratios established in rule 1 above are respectively equal to or greater than said 12.80% or 4.70%, the Available Funds for Amortisation shall be applied to (i) amortising Class A and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), in accordance with rule 2 above, and (ii) amortising Series B and C, distributed in such a way that the above ratios of (i) the Outstanding Principal Balances of Series B and Series C to (ii) the Outstanding Principal Balance of the Bond Issue, increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), are respectively kept at 12.80% or 4.70%, or higher percentages closest thereto.

The Available Funds for Amortisation shall not however be applied to amortising Series B or Series C on the Payment Date upon the occurrence of any of the following circumstances:

- a) That, on the Determination Date for the then-current Payment Date, the amount of the sum of the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than eighteen (18) months in payment of amounts due and payable in relation to the Outstanding Balance of the Loans on that same date, is in excess of 2.00% in order to not to proceed to amortise Series B or is in excess of 1.50% in order not to proceed to amortise Series C.
  - b) That the Pro Rata Amortisation of Class A applies.
  - c) That the amount of the Cash Reserve provisioned is less than the Required Cash Reserve.
4. From the Payment Date, inclusive, on which the amount of the Outstanding Balance of the Loans is less than 10% of the initial Outstanding Balance upon the Fund being constituted or on the last Payment Date or Fund liquidation date, the Available Funds for Amortisation shall be applied, in accordance with rule 2 above, to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G). Once Class A has been fully amortised and those amounts due to the State have been fully repaid, the Available Funds for Amortisation shall be applied to amortising Series B until fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be applied to amortising Series C until fully amortised.

#### **Other priority of payments rules.**

In the event that the Management Company, on behalf of the Fund, should have drawn on the Liquidity Facility to advance the amounts requested on enforcing the Guarantee, the amounts received by the Fund from the State upon enforcing the Guarantee shall be allocated forthwith upon being received to reimbursing the amounts drawn on the Liquidity Facility.

#### **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, (i) when the amount of the Outstanding Balance of the Loans is less than 10 percent of the initial Loan principal

upon the constitution of the Fund, in accordance with the authorisation established in article 5.3 of Act 19/1992, and provided that the payment obligations derived from the Bonds in each Series may be honoured and settled in full in the Priority of Payments, (ii) mandatorily, if the Originator should exercise the Call Right over all of the remaining Loans held by the Fund, in accordance with the provisions of section IV.1.7 of the Offering Circular, which shall be enforceable at any time after the amount of the Outstanding Balance of the Loans is less than 10% of the initial capital of the Loans on the Fund constitution date and provided that the payment obligations derived from the Bonds in each Series may be honoured and settled in full in the Priority of Payments, or (iii) in the other Early Liquidation Events contained in section III.8.1 of the Offering Circular, and subject to the requirements and procedures set forth in said section.

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

The Fund shall terminate in any of the following events:

- (i) Upon the Loans pooled therein being fully repaid.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation procedure established in section III.8.1 is over.
- (iv) At all events, upon the final liquidation of the Fund on the Final Maturity Date, January 15, 2030 or the following Business Day if that date is not a Business Day.
- (v) Upon the Fund constitution terminating in the event that the Rating Agencies should not confirm the assigned provisional ratings as final ratings by the start of the Subscription Period, or if the events of termination of the Bond Issue Management, Underwriting and Placement Agreement should occur.

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

#### **a) Risk of default on the Loans.**

Bondholders shall bear the risk of default on the Loans pooled in the Fund.

BANCAJA, the Originator, shall have no liability whatsoever for default by the Obligors of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will not be howsoever liable either to directly or indirectly guarantee that the assignment will be properly performed, nor give any guarantees or securities, nor indeed agree to repurchase the Loans, other than the undertakings contained in section IV.1.6 of the Offering Circular regarding the substitution of Loans or Pass-Through Certificates failing to conform to the representations contained in section IV.1.4 of the Offering Circular and in the Deed of Constitution, or the specific characteristics of the Loans notified by BANCAJA to the Management Company, and the provisions of section IV.1.7 of the Offering Circular regarding the Call Right over all the remaining Loans 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) Limited hedging.**

The Fund shall arrange other financial hedge transactions covering up to a limit the risk of the Fund's resources falling short for servicing the Bonds in each Series, which the Rating Agencies have considered sufficient to give each Bond Series the rating referred to in section II.3 of this Offering Circular. That risk

of default is additionally hedged for the holders of Series A3(G) Bonds by the State Guarantee described in section II.15.2 of the Offering Circular.

Moreover, the degree of subordination in payment of interest and repayment of Series C Bond principal with respect to the Class A Bonds and Series B Bonds and of the Series B Bonds with respect to the Class A Bonds derived from their position in the Fund Priority of Payments, is respectively a credit enhancement for each of the Series.

**c) Prepayment risk of the Loans.**

The Loans pooled in the Fund will be prepaid when the Obligors prepay the portion of outstanding principal, on the terms set in each of the deeds and agreements underlying those assets.

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 the Offering Circular.

**d) 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 set down in section III.8 of the Offering Circular.

**e) Yield.**

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

**f) Late-payment interest.**

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

**b) No right of action.**

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Obligors of the Loans who may have defaulted on their payment obligations thereunder. Any such rights shall lie with the Management Company, representing the Fund.

Neither the Bondholders nor the remaining creditors of the Fund shall have any recourse whatsoever against the Originator or against the Management Company other than as derived from a breach of their respective duties and, therefore, at no event as a result of the existence of delinquency or prepayment of the Loans, default by the counterparties to the transactions arranged for and on behalf of the Fund, or insufficiency of the financial hedge transactions for servicing the Bonds in each Series.



## CHAPTER I

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

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

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

Mr MARIO MASIÁ VICENTE, of full age, who holds Spanish Tax Identification number 50,796,768-A, acting 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 July 8, 2003, 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 2 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, to the best of his knowledge and understanding, 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.

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

This full Offering Circular regarding the constitution of the Fund and issue of the Bonds has been verified and entered in the Official Registers of the CNMV on September 18, 2003.

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 Fund or yield of the issued or offered securities.

#### 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 portfolio mortgage loans 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. That Report was drawn up by the firm KPMG Auditores S.L.

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(“**KPMG**”), entered in the Official Register of Auditors (ROAC) under number S0702 and having its registered office in Madrid, Paseo de la Castellana number 95.

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 loan and of the obligor, ownership, identification of the obligor, conveyance, SME nature, origination date, date of maturity, repayment term (at origination) not shorter than one year, reference rate, interest rate spread, current balance (outstanding principal), arrears in payment, insolvency status, and additionally for loans with mortgage security, arrangement, address of the mortgaged property and mortgage security.

## 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 Loans:*

The resolution of the Board of Directors of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, (“BANCAJA”), at a meeting held on June 25, 2003, amended by a resolution of the Executive Committee at a meeting held on September 10, 2003, authorises the assignment to the Fund of loans owned by BANCAJA deriving from bilateral loans granted to non-financial small and medium-sized enterprises registered in Spain as defined by the European Commission (Recommendation of April 3, 1996 or any replacement provision).

Moreover, said resolution of BANCAJA (the “**Originator**” in relation to the assignment of the loans to the Fund) provides for:

- The constitution of the Fund under a Ministerial Order of December 28, 2001, amended by Order ECO/1064/2003, April 29, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing (the “**Order of December 28, 2001**”).
- Bancaja’s accession to the Framework Collaboration Agreement with the Economy Ministry established in said Ministerial Order of December 28, 2001, in order to determine the credits eligible for assignment to the Fund.
- The assignment of the loans to be made fully and unconditionally for the term between the date of assignment and the date of maturity.
- The assignment of personal loans to be arranged for in a private document or in a public deed.
- The assignment of the loans with real estate mortgage security to be instrumented by means of the issue of pass-through certificates.

Attached as Appendix 3 to this Offering Circular is a photocopy of the Transcripts of the Minutes of the meeting of the Board of Directors of BANCAJA and of the Minutes of the meeting of its Executive Committee.

**Resolution to constitute the Fund:**

At its meeting dated July 8, 2003, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN resolved:

- i) That FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS be constituted in pursuance of the Ministerial Order of December 28, 2001, and in accordance with the legal system for which provision is made in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998, and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- ii) That the credit rights assigned by BANCAJA derived from bilateral and personal loans granted by Bancaja to non-financial small and medium-sized enterprises registered in Spain be pooled in the Fund.
- iii) That the Bonds be issued by the Fund.

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

**b) 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 standard Collaboration Agreement with the Economy Ministry to constitute the Fund for fostering business financing on July 30, 2003.

Furthermore, in accordance with the provisions of section Three of said Order, BANCAJA entered on July 30, 2003 into the Framework Collaboration Agreement with the Economy Ministry to determine the credits eligible for assignment to the Fund.

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

The constitution of the Fund and issue of the Bonds are subject to the condition precedent of verification and registration by the CNMV of the Offering Circular and other supporting documents. This Offering Circular was verified by the CNMV and entered in its official registers on September 18, 2003.

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

Upon the CNMV verifying and registering this Offering Circular and by the start of the Bond Subscription Period, the Management Company along with BANCAJA shall proceed to execute a public deed whereby FTPYME BANCAJA 2 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 article 6 of Royal Decree 926/1998.

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

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

The Bonds issued by the Fund shall be exclusively represented by means of book entries and the Fund Deed of Constitution shall have the effects provided in article 6 of 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 Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (either “**Systems Company**” or “**Iberclear**”) or any other institution hereafter taking its stead, and, once the Bonds have been paid up, for this Bond issue to be included on AIAF Fixed-Income Market (“**AIAF**”), which is a recognised official secondary securities market, in order for the Bonds to be traded, cleared and settled in accordance with the operating rules which may be established to that end or henceforth approved by Iberclear and the AIAF, or any other replacement institution. It is expected that definitive AIAF listing will be achieved not later than one month after the Closing Date and shall at all events have taken place by the first Payment Date (January 15, 2004).

## **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 CNMV.**

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. (“**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.

Moody’s Investors Service España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Moody’s Investors Service Limited (each of them “**Moody’s**” without distinction). On September 16, 2003, 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.

<b>Bond Series</b>	<b>Moody’s Rating</b>
Series A1	Aaa
Series A2	Aaa
Series A3(G)	Aaa
Series B	A2
Series C	Baa2

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

Fitch Ratings España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Fitch Ratings Limited (each of them “**Fitch**” without distinction). On September 17, 2003, 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.

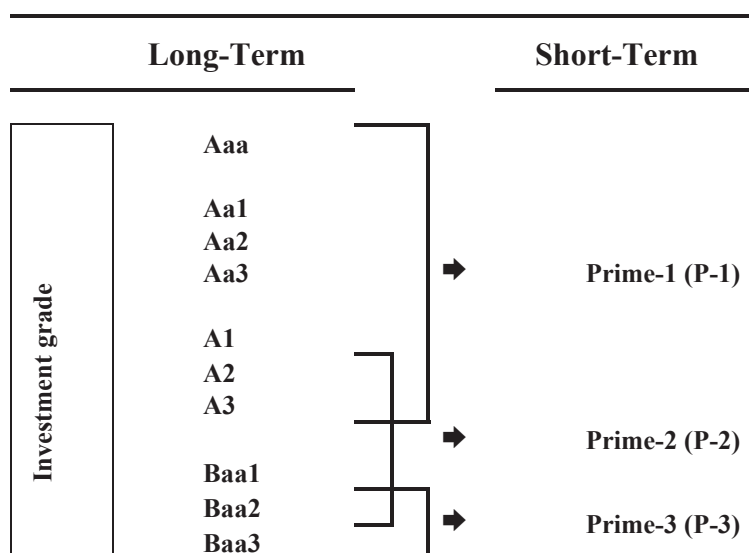
<b>Bond Series</b>	<b>Fitch Rating</b>
Series A1	AAA
Series A2	AAA
Series A3(G)	AAA
Series B	A
Series C	BBB

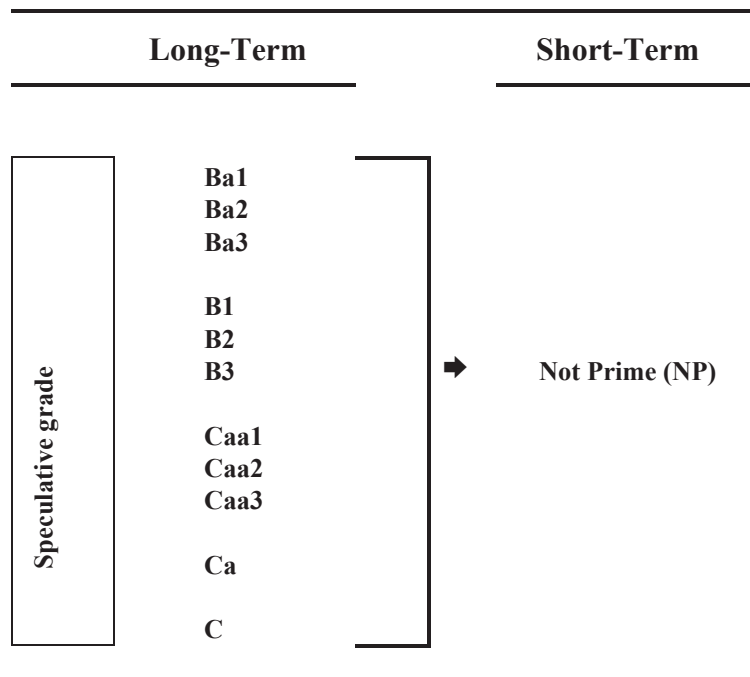
If the Rating Agencies should not confirm the assigned provisional ratings as final ratings by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.5.2.b).2. Furthermore, this circumstance would result in the Fund constitution, Bond issue and assignment of the Loans 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:





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.

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

#### Short-Term

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

*Ratings given by Fitch.*

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

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

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.



## 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 ratings assigned to each of the Bond Series is the Rating Agencies’ opinion about the level of credit risk, the Fund’s ability to meet interest payments as they fall due on each set Payment Date and repayment of the principal of the issue throughout the life of the transaction and, at all events, before or on the Final Maturity Date. The rating takes into account the structure of the Bond issue, the legal aspects thereof and of the issuing Fund, the characteristics of the loans selected to be assigned to the Fund and the regularity and continuity of the operating flows.

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

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

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

The Rating Agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section III.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, 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 Loans. 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 five hundred million (500,000,000) and consists of five thousand (5,000) Bonds denominated in euros and comprising five Bond Series as detailed 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 Bonds legally qualify as marketable fixed-income securities with an explicit yield and are subject to the system prescribed in the Securities Market Act and implementing regulations.

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

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

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 cover timing differences between the scheduled flows of repayment of principal and interest on the Loans and on the Bonds in each Series, 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 Loans, 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 Loans as benchmark.

**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 Loans.**

Bondholders shall bear the risk of default on the Loans pooled in the Fund.

BANCAJA, the Originator, shall have no liability whatsoever for default by the Obligors of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will not be howsoever liable either to directly or indirectly guarantee that the assignment will be properly performed, nor give any guarantees or securities, nor indeed agree to repurchase the Loans, other than the undertakings contained in section IV.1.6 of the Offering Circular regarding the substitution of Loans or Pass-Through Certificates failing to conform to the representations contained in section IV.1.4 of this Offering Circular and in the Deed of Constitution, or the specific characteristics of the Loans notified by BANCAJA to the Management Company, and the provisions of section IV.1.7 of this Offering Circular regarding the Call Right over all the remaining Loans 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.

**c) Limited hedging.**

The Fund shall arrange other financial hedge transactions covering up to a limit the risk of the Fund's resources falling short for servicing the Bonds in each Series, which the Rating Agencies have considered sufficient to give each Bond Series the rating referred to in section II.3 of this Offering Circular. That risk of default is additionally hedged for the holders of Series A3(G) Bonds by the State Guarantee described in section II.5.2 of this Offering Circular.

Moreover, the degree of subordination in payment of interest and repayment of Series C Bond principal with respect to the Class A Bonds and Series B Bonds and of the Series B Bonds with respect to the Class A Bonds derived from their position in the Fund Priority of Payments, is respectively a credit enhancement for each of the Series.

**d) Prepayment risk of the Loans.**

The Loans pooled in the Fund will be prepaid when the Obligors prepay the portion of outstanding principal, on the terms set in each of the deeds and agreements underlying those assets.

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 the Offering Circular.

**e) 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 set down in section III.8 of the Offering Circular.

**f) Yield.**

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

**g) Late-payment interest.**

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

**h) No right of action.**

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Obligors of the Loans who may have defaulted on their payment obligations thereunder. Any such rights shall lie with the Management Company, representing the Fund.

Neither the Bondholders nor the remaining creditors of the Fund shall have any recourse whatsoever against the Originator or against the Management Company other than as derived from a breach of their respective duties and, therefore, at no event as a result of the existence of delinquency or prepayment of the Loans, default by the counterparties to the transactions arranged for and on behalf of the Fund, or insufficiency of the financial hedge transactions for servicing the Bonds in each Series.

**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 Iberclear as the institution in charge of their accounting record. The Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

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

Bondholders shall be identified as such when entered in the accounting record kept by the participants of Iberclear or any other replacement institution

Iberclear has its place of business at Calle Pedro Teixeira, no. 48, 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 five hundred million (500,000,000) and consists of five thousand (5,000) Bonds denominated in EUR and comprising five Bond Series as follows:

- a) Class A comprising three Series having a face amount of EUR four hundred and fifty-six million two hundred thousand (456,200,000.00) (“**Class A**” or “**Class A Bonds**” without distinction):
  - (i) Series A1 having a total face amount of EUR one hundred and fourteen million (114,000,000.00) comprising one thousand one hundred and forty (1,140) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (“**Series A1**” or “**Series A1 Bonds**” without distinction).
  - (ii) Series A2 having a total face amount of EUR one hundred and forty-two million seven hundred thousand (142,700,000.00) comprising one thousand four hundred and twenty-seven (1,427) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (“**Series A2**” or “**Series A2 Bonds**” without distinction).
  - (iii) Series A3(G) having a total face amount of EUR one hundred and ninety-nine million five hundred thousand (199,500,000.00) comprising one thousand nine hundred and ninety-five (1,995) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (“**Series A3(G)**” or “**Series A3(G) Bonds**” without distinction).
- b) Class B comprising a single Series B having a total face amount of EUR thirty-two million (32,000,000.00) comprising three hundred and twenty (320) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (“**Series B**” or “**Series B Bonds**” without distinction).
- c) Class C comprising a single Series C having a total face amount of EUR eleven million eight hundred thousand (11,800,000.00) comprising one hundred and eighteen (118) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (“**Series C**” or “**Series C Bonds**” without distinction).

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

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

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 the issue premium, if any, 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 issue price of the Bonds in all the Series shall be EUR one hundred thousand (100,000) per Bond, clear of taxes and subscription costs for the subscriber through the Fund.

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

**II.8 Fees and related expenses of every description that must be borne by the investors upon subscribing for the 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 and excluding the Bond Issue in and from the accounting record of Iberclear shall be borne by the Fund and may not be shifted to the Bondholders. Iberclear charges no fee whatsoever for maintaining a balance.

In accordance with the laws in force for the time being, the participants of Iberclear 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.

The resultant yearly nominal interest rate (hereinafter the “**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 term of this issue shall be divided into successive interest accrual periods (hereinafter “**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. Exceptionally, 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 on January 15, 2004, exclusive.

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

**b) Nominal Interest Rate.**

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

- (i) the three- (3-) month Euribor reference rate (hereinafter the “**Reference Rate**”), other than for the first Interest Accrual Period, or the substitute rate, if any, determined as established in paragraph c) below, and
- (ii) a margin for each Series as detailed below:
  - **Series A1:** 0.19% margin until January 15, 2005 or the following Business Day if that date is not a Business Day, and thereafter a 0.38% margin.
  - **Series A2:** 0.28% margin until July 15, 2008 or the following Business Day if that date is not a Business Day, and thereafter a 0.56% margin.
  - **Series A3(G):** 0.04% margin until July 15, 2015 or the following Business Day if that date is not a Business Day, and thereafter a 0.24% margin.
  - **Series B:** 0.70% margin.
  - **Series C:** 1.50% margin.

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

**c) Determining the Reference Rate.**

The Reference Rate for determining the Nominal Interest Rate applicable to each of the Bond Series is as follows:

- i) 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 three- (3-) month and the six- (6-) 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:

$$IR = [((D-90)/90) \times E6] + [(1-((D-90)/90)) \times E3]$$

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.

E6 = Six- (6-) 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.

- ii) 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. (Madrid)
- Banco Santander Central Hispano S.A. (Madrid)
- Barclays Bank plc. (London)
- Deutsche Bank AG. (Frankfurt)
- Société Générale S.A. (Paris)
- UBS AG

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a three- (3-) month maturity and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a six- (6-) month maturity, on the Interest Rate Fixing Date, declared by the above-mentioned banks.

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 on the Reference Rate (straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rate) but 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 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 Iberclear.

The nominal interest rates determined for each of the Bond Series for successive Interest Accrual Periods shall be communicated to the Bondholders within the time period and in the manner for which provision is made in section 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:

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

<b>(Amounts in EUR)</b>	<b>Series A1 Bonds</b>	<b>Series A2 Bonds</b>	<b>Series A3(G) Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>1</b> Outstanding Principal Balance per Bond	100,000	100,000	100,000	100,000	100,000
<b>2</b> Interest Accrual Period Days	113	113	113	113	113
<b>3</b> 3- to 6-month interpolated Euribor Rate*	2.1595	2.1595	2.1595	2.1595	2.1595
<b>4</b> Margin	0.190	0.280	0.040	0.700	1.500
<b>5</b> Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	2.349	2.439	2.199	2.859	3.659
<b>6</b> Calculation of the interest accrued per Bond (1)×(2)×(5)/36000	737.325	765.575	690.242	897.408	1,148.519
<b>7</b> Amount of interest payable per Bond: rounded up to the nearest euro cent	737.33	765.58	690.24	897.41	1,148.52

\* 3-month Euribor 2.150% and 6-month Euribor 2.187% as of September 16, 2003.

**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:

<b>Dates</b>	<b>3-month Euribor</b>	<b>Series A1 Bonds</b>	<b>Series A2 Bonds</b>	<b>Series A3(G) Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
September 16, 2003	2.150	2.340	2.430	2.190	2.850	3.650
August 13, 2003	2.135	2.325	2.415	2.175	2.835	3.635
July 11, 2003	2.129	2.319	2.409	2.169	2.829	3.629
June 12, 2003	2.124	2.314	2.404	2.164	2.824	3.624
May 13, 2003	2.464	2.654	2.744	2.504	3.164	3.964
April 11, 2003	2.522	2.712	2.802	2.562	3.222	4.022
March 13, 2003	2.545	2.735	2.825	2.585	3.245	4.045
February 13, 2003	2.707	2.897	2.987	2.747	3.407	4.207
January 13, 2003	2.829	3.019	3.109	2.869	3.529	4.329
December 12, 2002	2.930	3.120	3.210	2.970	3.630	4.430
November 13, 2002	3.143	3.333	3.423	3.183	3.843	4.643
October 11, 2002	3.259	3.449	3.539	3.299	3.959	4.759
September 9, 2002	3.316	3.506	3.596	3.356	4.016	4.816
August 13, 2002	3.340	3.530	3.620	3.380	4.040	4.840
July 11, 2002	3.414	3.604	3.694	3.454	4.114	4.914
June 13, 2002	3.470	3.660	3.750	3.510	4.170	4.970

<b>Dates</b>	<b>3-month Euribor</b>	<b>Series A1 Bonds</b>	<b>Series A2 Bonds</b>	<b>Series A3(G) Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
May 13, 2002	3.430	3.620	3.710	3.470	4.130	4.930
April 11, 2002	3.414	3.604	3.694	3.454	4.114	4.914
March 13, 2002	3.374	3.564	3.654	3.414	4.074	4.874
February 13, 2002	3.358	3.548	3.638	3.398	4.058	4.858
January 11, 2002	3.345	3.535	3.625	3.385	4.045	4.845
December 13, 2001	3.342	3.532	3.622	3.382	4.042	4.842
November 13, 2001	3.351	3.541	3.631	3.391	4.051	4.851
October 10, 2001	3.624	3.814	3.904	3.664	4.324	5.124
September 13, 2001	4.165	4.355	4.445	4.205	4.865	5.665
August 13, 2001	4.362	4.552	4.642	4.402	5.062	5.862

**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, A3(G) and A2 Bonds is third (3<sup>rd</sup>) in the application of Available Funds in the Priority of Payments established in section V.4.2.1, page 140 of this Offering Circular.

Payment of interest on the Series B Bonds is fifth (5<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, unless the requirements set in the same section for deferment are satisfied, in which case it shall be ninth (9<sup>th</sup>) in said application of Available Funds.

Payment of interest on the Series C Bonds is sixth (6<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, unless the requirements set in the same section for deferment are satisfied, in which case it shall be tenth (10<sup>th</sup>) in said application of Available Funds.

**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 15, April 15, July 15 and October 15 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 then-current 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 January 15, 2004, and interest will accrue at the relevant nominal interest rate between the Closing Date, inclusive, and January 15, 2004, 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 interest resulting for Bondholders in each of the Series and the amount, if any, of interest accrued and not paid, shall be notified to Bondholders as described in section III.5.2 of this Offering Circular, at least one (1) calendar day in advance of each Payment Date.

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

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest accrued by the Bonds in any of the Series, in the relevant Priority of Payments, the amounts that 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 A3(G).

The Fund, through its Management Company, may not defer Bond interest payment beyond January 15, 2030, the Final Maturity Date, or the following 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 Bond Paying Agent Agreement with BANCAJA.

## **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.**

The Amortisation Withholding amount for amortising the Bonds is seventh (7<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section V.4.2.1, page 140 of this Offering Circular.

Repayment of Series A1, A2, A3(G), B and C Bond principal shall take place in accordance with the rules for the Distribution of Available Funds for Amortisation between each Series in the Priority of Payments established in section V.4.2.2, page 140, and in section II.11.3.6.6 of this Offering Circular.

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

#### **II.11.3.1 Amortisation of Series A1 Bonds.**

Repayment of Series A1 Bond principal shall consist of a single payment for their aggregate face value on January 15, 2005 (“**Series A1 Maturity Date**”) or the following Business Day if that date is not a Business Day, using the Available Funds for Amortisation on that Payment Date.

From the first Payment Date (January 15, 2004) until the Payment Date falling on October 15, 2004, inclusive, a fund for the amortisation of Series A1 Bonds (“**Series A1 Amortisation Fund**”) will be provisioned on each Payment Date in an amount not in excess of the total face amount of Series A1, using the Available Funds for Amortisation in the Fund Priority of Payments. The amount with which the Series A1 Amortisation Fund is provisioned shall remain credited to the Amortisation Account until the Series A1 Maturity Date, when it will be used for amortising Series A1 as part of the Available Funds for Amortisation.

**However, in the event of the Available Funds for Amortisation on the Series A1 Maturity Date not being sufficient to amortise the aggregate face value of the Series A1 Bonds**, the Series A1 Bonds shall be amortised on the Series A1 Maturity Date and on the subsequent Payment Dates by partial amortisation until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A1, distributed pro rata between the Bonds in Series A1 proper by reducing the face value of each Bond.

The final amortisation of the Series A1 Bonds shall occur on the Final Maturity Date (January 15, 2030), notwithstanding the partial or total amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.7, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.3.2 Amortisation of Series A2 Bonds.**

Series A2 Bonds shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A2, distributed pro rata between the Bonds in Series A2 proper by reducing the face value of each Bond.

The first partial amortisation of Series A2 Bonds shall occur on the Payment Date falling on the first of the following dates: (i) the Payment Date on which the amount of the Series A1 Amortisation Fund is fully provisioned; or (ii) the Payment Date on which the Series A1 Bonds are fully amortised. The Series A2 Bonds will nevertheless also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series in the Priority of Payments and in accordance with the provisions of section II.11.3.6.6.

The final amortisation of the Series A2 Bonds shall occur on the Final Maturity Date (January 15, 2030), notwithstanding the partial amortisations for which provision is made and the fact that the Management

Company may, for and on behalf of the Fund, and as provided for in section II.11.3.7, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.3.3 Amortisation of Series A3(G) Bonds.**

Series A3(G) Bonds shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A3(G), distributed pro rata between the Bonds in Series A3(G) proper by reducing the face value of each Bond.

The first partial amortisation of Series A3(G) Bonds shall occur once the Series A1 Bonds and Series A2 Bonds have been fully amortised. The Series A3(G) Bonds will nevertheless also be amortised on the Payment Dates on which the Pro Rata Amortisation of Class A applies in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series in the Priority of Payments and in accordance with the provisions of section II.11.3.6.6.

The final amortisation of the Series A3(G) Bonds shall occur on the Final Maturity Date (January 15, 2030), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.7, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.3.4 Amortisation of Series B Bonds.**

Series B Bonds shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, distributed pro rata between the Bonds in Series B proper by reducing the face value of each Bond.

The first partial amortisation of Series B Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series B is equal to or greater than 12.80% of the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G). After that Payment Date, the Available Funds for Amortisation shall be also applied to the amortisation of Series B, which shall be distributed for the amortisation of that Series thereby for the above ratio of (i) the Outstanding Principal Balance of Series B to (ii) the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G), to be kept at 12.80%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances provided for in the rules for Distribution of Available Funds for Amortisation in each Series in the Priority of Payments and in accordance with the provisions of section II.11.3.6.6.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (January 15, 2030), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.7, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.3.5 Amortisation of Series C Bonds.**

Series C Bonds shall be amortised by partial amortisation on each of the Payment Dates from inception until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation

applied on each Payment Date to amortising Series C, distributed pro rata between the Bonds in Series C proper by reducing the face value of each Bond.

The first partial amortisation of Series C Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 4.70% of the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G). After that Payment Date, the Available Funds for Amortisation shall also be applied to the amortisation of Series C, which shall be distributed for the amortisation of that Series thereby for the above ratio of (i) the Outstanding Principal Balances of Series C to (ii) the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing for amortising Series A3(G), to be kept at 4.70%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances provided for in the rules for Distribution of Available Funds for Amortisation in each Series in the Priority of Payments and in accordance with the provisions of section II.11.3.6.6.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (January 15, 2030), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.7, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **II.11.3.6 Partial amortisation.**

Irrespective of the Final Maturity Date and without prejudice to the Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to make partial amortisations of the Bonds in each Series on the Payment Dates in accordance with the specific amortisation conditions for each of the Series specified in sections II.11.3.1 to II.11.3.5 and on the terms described hereinafter in this section common to all five Series.

##### **II.11.3.6.1 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.11.3.6.2 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 (outstanding balance) of all 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 Class A shall be the sum of the Outstanding Principal Balance of Series A1, A2 and A3(G) making up Class A, and the Outstanding Principal Balance of the Bond Issue shall be the sum of the Outstanding Principal Balance of all five Series making up the Bond Issue.

#### **II.11.3.6.3 Outstanding Balance of the Loans.**

The Outstanding Balance of the Loans shall be the sum of the outstanding capital and the capital due and not paid to the Fund on all the Loans on a given date. Furthermore, this definition may be applied to a Loan, the Outstanding Balance being the sum of the outstanding capital and the capital due and not paid to the Fund on that Loan on a given Date.

#### **II.11.3.6.4 Amortisation Withholding on each Payment Date and Amortisation Deficiency.**

On each Payment Date, the Available Funds shall be used in the Priority of Payments for withholding the amount designed for amortising the Bonds as a whole, without distinguishing between Series (“**Amortisation Withholding**”), which amount shall be part of the Available Funds for Amortisation on the Payment Date.

The Amortisation Withholding shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Bond Issue minus the balance on the Amortisation Account, both as of the immediately preceding Determination Date, increased by amounts outstanding payable to the State upon enforcing the Guarantee for amortising Series A3(G), and (ii) the Outstanding Balance of the Loans on the current Payment Date in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months.

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

#### **II.11.3.6.5 Available Funds for Amortisation on each Payment Date.**

The Available Funds for Amortisation on each Payment Date shall be as follows:

- a) The balance on the Amortisation Account exclusively on the Payment Date falling on January 15, 2005.
- b) The Amortisation Withholding amount applied from the Available Funds on the current Payment Date.

Additionally, the amount drawn under the State Guarantee designed for amortising Series A3(G) only, paid to the Fund on the same Payment Date, or if paid later, the drawdown under the Liquidity Facility for that amount.

#### **II.11.3.6.6 Distribution of Available Funds for Amortisation between each Series.**

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

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of Series B or the Outstanding Principal Balance of Series C are respectively equal to or in excess of 12.80% and 4.70% of the Outstanding Principal Balance of the Bond Issue, increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), the Available Funds for Amortisation shall be fully applied, in accordance with rule 2 below, to amortising Class A and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G).
2. The Available Funds for Amortisation applied to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), both under this rule 1 above and under rules 3 and 4 below, shall be applied as follows:



2.1 Ordinary application in the following order:

1. Repayment of Series A1 Bond principal or on the Payment Dates preceding the Series A1 Maturity Date (January 15, 2005), provisioning of the Series A1 Amortisation Fund.
2. Repayment of Series A2 Bond principal once the Series A1 Bonds have been fully amortised or the Series A1 Amortisation Fund has been fully provisioned.
3. Repayment of Series A3(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A3(G) Bond principal, once the Series A2 Bonds have been fully amortised.

The amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G)) shall be applied as follows:

- (i) If there is an Amortisation Deficiency on the then-current Payment Date, firstly to amortising Series A3(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G).
- (ii) Otherwise, firstly to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G) and secondly, in the remaining amount, if any, to amortising Series A3(G).

2.2 Exceptional application (“**Pro Rata Amortisation of Class A**”) on any Payment Date if, on the immediately preceding Determination Date, the ratio of (i) the Outstanding Balance of the Loans in good standing in payment of amounts due and payable or, if delinquent, with an arrears of less than ninety (90) days, increased by the balance on the Amortisation Account and by the amount of the Loan principal repayment income received from the preceding Payment Date, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1. In that event, on the then-current Payment Date:

- a) The application priority of paragraphs 1 to 3 of section 2.1 above and the sequential amortisation of Series A1 or provisioning of the Series A1 Amortisation Fund, as appropriate, of Series A2 and of Series A3(G) and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G), which have not already been fully amortised or repaid shall be stopped.
- b) The Available Funds for Amortisation shall be distributed among those items pro rata directly in proportion (i) to the Outstanding Principal Balance of Series A1, deducting the balance on the Amortisation Account, (ii) to the Outstanding Principal Balance of Series A2 and (iii) to the Outstanding Principal Balance of Series A3(G) increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G).

The Available Funds for Amortisation applied to repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G), in accordance with paragraph (iii) of the preceding point, shall also be applied between both items in accordance with the provisions of paragraph 2.1.3 above.

3. From the Payment Date after the date on which the ratios established in rule 1 above are respectively equal to or greater than said 12.80% or 4.70%, the Available Funds for Amortisation shall be applied to (i) amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), in accordance with rule 2 above, and (ii) amortising Series B and C, distributed in such a way that the above ratios of (i) the Outstanding Principal Balances of Series B and Series C to (ii) the Outstanding Principal Balance of the Bond Issue, increased by the balance of amounts due to the

State upon enforcing the Guarantee for amortising Series A3(G), are respectively kept at 12.80% or 4.70%, or higher percentages closest thereto.

The Available Funds for Amortisation shall not however be applied to amortising Series B or Series C on the Payment Date upon the occurrence of any of the following circumstances:

- a) That, on the Determination Date for the then-current Payment Date, the amount of the sum of the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than eighteen (18) months in payment of amounts due and payable in relation to the Outstanding Balance of the Loans on that same date, is in excess of 2.00% in order to not to proceed to amortise Series B or is in excess of 1.50% in order not to proceed to amortise Series C.
  - b) That the Pro Rata Amortisation of Class A applies.
  - c) That the amount of the Cash Reserve provisioned is less than the Required Cash Reserve.
4. From the Payment Date, inclusive, on which the amount of the Outstanding Balance of the Loans is less than 10% of the initial Outstanding Balance upon the Fund being constituted or on the last Payment Date or Fund liquidation date, the Available Funds for Amortisation shall be applied, in accordance with rule 2 above, to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G). Once Class A has been fully amortised and those amounts due to the State have been fully repaid, the Available Funds for Amortisation shall be applied to amortising Series B until fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be applied to amortising Series C until fully amortised.

#### **II.11.3.7 Early Amortisation of the Bond Issue.**

Without prejudice to the Fund's obligation, through the Management Company, to finally amortise the Bonds on the Final Maturity Date or the partial amortisations of each Series before the Final Maturity Date, the Management Company shall be authorised, after notifying the CNMV, to proceed or as the case may be shall proceed to an Early Liquidation of the Fund and hence an Early Amortisation, on a Payment Date, of the entire Bond Issue in the Early Liquidation Events subject to the requirements established in section III.8.1 of this Offering Circular.

#### **II.11.3.8 Final Maturity Date.**

The Final Maturity Date and consequently the final amortisation of the Bonds is January 15, 2030 or the following 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 Debt securities servicing table, including both interest payments and principal repayments, for each of the Bonds Series to be issued by the Fund.**

The Bond Issue will be serviced through 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 Bondholders by the relevant members and to the latter in turn by Iberclear, the institution responsible for the accounting record, or any other replacement institution.

**a) Debt securities servicing tables.**

The main characteristic of the Bonds of this Issue is their periodic amortisation, other than for the Series A1 Bonds in respect of which a single amortisation is established, which might not be fulfilled in certain exceptional circumstances, depend on the aggregate performance of the prepayment of the Loans.

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

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

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

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

- Loan portfolio interest rate: 3.86%;
- Loan portfolio delinquency: 0% per annum;
- Loan portfolio defaults: 0%;
- that the Loan prepayment rate remains constant throughout the life of the Bonds at 0.00%, 5.00%, 10.00%, 15.00% and 20.00%;
- and that the Bond Closing Date is September 24, 2003.

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 Bonds</b>	<b>Series A2 Bonds</b>	<b>Series A3(G) Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	2.349%	2.439%	2.199%	2.859%	3.659%

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

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	<b>Series A1 Bonds until 15.01.2005</b>	<b>Series A2 Bonds until 15.07.2008</b>	<b>Series A3(G) Bonds until 15.07.2015</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	2.340%	2.430%	2.190%	2.850%	3.650%

	<b>Series A1 Bonds from 15.01.2005</b>	<b>Series A2 Bonds from 15.07.2008</b>	<b>Series A3(G) Bonds From 15.07.2015</b>
<b>Nominal interest rate</b>	2.530%	2.710%	2.390%

Assuming that the Management Company shall exercise the early liquidation option provided in section III.8.1 of this Offering Circular when the Outstanding Balance of the Loans is less than 10% of their initial amount upon the Fund being constituted, the average life, return (IRR), duration and maturity of the Bonds for different CPRs shall be as follows:

<b>% CPR:</b>	<b>0.00%</b>	<b>5.00%</b>	<b>10.00%</b>	<b>15.00%</b>	<b>20.00%</b>
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	<b>Series A1 Bonds</b>				
<b>Average life (years)</b>	1.3	1.3	1.3	1.3	1.3
<b>IRR</b>	2.400%	2.395%	2.395%	2.395%	2.395%
<b>Duration</b>	1.3	1.3	1.3	1.3	1.3
<b>Final maturity</b>	15 04 2005	17 01 2005	17 01 2005	17 01 2005	17 01 2005
<b>(years)</b>	1.6	1.3	1.3	1.3	1.3

	<b>Series A2 Bonds</b>				
<b>Average life (years)</b>	2.8	2.2	1.8	1.5	1.3
<b>IRR</b>	2.488%	2.488%	2.488%	2.488%	2.488%
<b>Duration</b>	2.6	2.1	1.7	1.5	1.3
<b>Final maturity</b>	15 10 2007	15 01 2007	17 04 2006	16 01 2006	15 07 2005
<b>(years)</b>	4.1	3.3	2.6	2.3	1.8

	<b>Series A3(G) Bonds</b>				
<b>Average life (years)</b>	8.3	6.6	5.4	4.5	3.9
<b>IRR</b>	2.239%	2.239%	2.239%	2.239%	2.239%
<b>Duration</b>	8.0	6.4	5.2	4.4	3.7
<b>Final maturity</b>	15 07 2015	15 07 2013	17 10 2011	15 07 2010	15 07 2009
<b>(years)</b>	11.8	9.8	8.1	6.8	5.8

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% CPR:	0.00%	5.00%	10.00%	15.00%	20.00%
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Series B Bonds					
Average life (years)	8.1	6.5	5.3	4.5	3.8
IRR	2.921%	2.921%	2.921%	2.921%	2.921%
Duration	7.9	6.3	5.2	4.3	3.7
Final maturity	15 07 2015	15 07 2013	17 10 2011	15 07 2010	15 07 2009
(years)	11.8	9.8	8.1	6.8	5.8

Series C Bonds					
Average life (years)	8.1	6.5	5.3	4.5	3.8
IRR	3.753%	3.753%	3.753%	3.753%	3.753%
Duration	9.2	7.2	5.7	4.7	4.0
Final maturity	15 07 2015	15 07 2013	17 10 2011	15 07 2010	15 07 2009
(years)	11.8	9.8	8.1	6.8	5.8

These figures have been calculated using the following formula:

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

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

Where:

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

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

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

Where:

- $N$  = face value of the Bond in each Series.
- $r$  = IRR expressed as an annual rate, per unit.
- $A_i$  = ( $A_1$  .....  $A_n$ ). Total amortisation and interest amounts to be received by the investors.
- $nd$  = Number of days comprised between the Closing Date 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<sub>j</sub>* = Time elapsed (in years) between the Closing Date and each of the *n* Payment Dates at issue.

*VA<sub>j</sub>* = Present value of each of the amounts comprising principal and gross interest, payable on each of the *n* Payment Dates discounted at the actual interest rate (IRR) in every Series.

*PE* = Issue price in every Bond Series.

*i* = Actual interest rate (IRR) in every Series, per unit.

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

- The CPRs are assumed to be constant respectively at 10% and 15% throughout the life of the debt securities and, as noted, actual prepayment rates change continually.
- The Outstanding Principal Balance of the Bonds on each Payment Date and hence interest payable on each such dates shall depend on the actual prepayment and delinquency and default rate of the Loans.
- The Bond interest rates are assumed to be constant for each Series, from the second Interest Accrual Period, whereas the interest rate of all the Series is 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, on behalf of the Fund, will exercise the early liquidation option of the Fund and thereby the early maturity of the Bond Issue when the Outstanding Balance of the Loans is less than 10% of their initial amount upon the Fund being constituted, as provided in section III.8.1.

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3(G) Bonds			Series B Bonds			Series C 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
24 Sep 2003															
15 Jan 2004	0.00	737.33	737.33	0.00	765.58	765.58	0.00	690.24	690.24	0.00	897.41	897.41	0.00	1,148.52	
15 Apr 2004	0.00	591.50	591.50	0.00	614.25	614.25	0.00	553.58	553.58	0.00	720.42	720.42	0.00	922.64	
15 Jul 2004	0.00	591.50	591.50	0.00	614.25	614.25	0.00	553.58	553.58	0.00	720.42	720.42	0.00	922.64	
15 Oct 2004	0.00	598.00	598.00	8,145.20	621.00	8,766.20	0.00	559.67	559.67	0.00	728.33	728.33	0.00	932.78	
17 Jan 2005	100,000.00	611.00	100,611.00	18,553.11	582.82	19,135.93	0.00	571.83	571.83	0.00	744.17	744.17	0.00	953.06	
15 Apr 2005	0.00	0.00	0.00	17,557.44	435.41	17,992.85	0.00	535.33	535.33	0.00	696.67	696.67	0.00	892.22	
15 Jul 2005	0.00	0.00	0.00	16,128.39	342.41	16,470.80	0.00	553.58	553.58	0.00	720.42	720.42	0.00	922.64	
17 Oct 2005	0.00	0.00	0.00	14,921.52	251.36	15,172.88	0.00	571.83	571.83	0.00	744.17	744.17	0.00	953.06	
16 Jan 2006	0.00	0.00	0.00	14,083.16	151.68	14,234.84	0.00	553.58	553.58	0.00	720.42	720.42	0.00	922.64	
17 Apr 2006	0.00	0.00	0.00	10,611.18	65.18	10,676.36	0.00	553.58	553.58	0.00	720.42	720.42	0.00	922.64	
17 Jul 2006	0.00	0.00	0.00	0.00	0.00	0.00	6,227.41	544.57	6,771.98	10,870.53	720.42	720.42	11,248.20	922.64	
16 Oct 2006	0.00	0.00	0.00	0.00	0.00	0.00	6,633.49	510.10	7,143.59	6,416.39	642.10	642.10	6,389.21	818.86	
15 Jan 2007	0.00	0.00	0.00	0.00	0.00	0.00	6,094.01	473.38	6,567.39	5,894.57	595.88	595.88	5,869.59	759.91	
16 Apr 2007	0.00	0.00	0.00	0.00	0.00	0.00	5,543.53	439.64	5,983.17	5,362.11	553.41	553.41	5,339.39	705.75	
16 Jul 2007	0.00	0.00	0.00	0.00	0.00	0.00	5,057.11	408.95	5,466.06	4,891.61	514.78	514.78	4,870.88	656.49	
15 Oct 2007	0.00	0.00	0.00	0.00	0.00	0.00	4,619.05	380.96	5,000.01	4,467.88	479.54	479.54	4,448.95	611.55	
15 Jan 2008	0.00	0.00	0.00	0.00	0.00	0.00	4,279.89	359.29	4,639.18	4,139.82	452.27	452.27	4,122.28	576.77	
15 Apr 2008	0.00	0.00	0.00	0.00	0.00	0.00	3,916.44	331.70	4,248.14	3,788.26	417.53	417.53	3,772.21	532.47	
15 Jul 2008	0.00	0.00	0.00	0.00	0.00	0.00	3,614.91	310.02	3,924.93	3,496.61	390.24	390.24	3,481.79	497.66	
15 Oct 2008	0.00	0.00	0.00	0.00	0.00	0.00	3,426.93	293.19	3,720.12	3,314.78	369.06	369.06	3,300.73	470.66	
15 Jan 2009	0.00	0.00	0.00	0.00	0.00	0.00	3,231.45	274.01	3,505.46	3,125.69	344.92	344.92	3,112.45	439.87	
15 Apr 2009	0.00	0.00	0.00	0.00	0.00	0.00	3,011.99	250.36	3,262.35	2,913.41	315.15	315.15	2,901.07	401.90	
15 Jul 2009	0.00	0.00	0.00	0.00	0.00	0.00	2,857.62	236.47	3,094.09	2,764.10	297.66	297.66	2,752.39	379.60	
15 Oct 2009	0.00	0.00	0.00	0.00	0.00	0.00	2,693.22	223.08	2,916.30	2,605.07	280.80	280.80	2,594.04	358.10	
15 Jan 2010	0.00	0.00	0.00	0.00	0.00	0.00	2,542.56	208.00	2,750.56	2,459.35	261.83	261.83	2,448.93	333.90	
15 Apr 2010	0.00	0.00	0.00	0.00	0.00	0.00	2,361.04	189.56	2,550.60	2,283.77	238.61	238.61	2,274.09	304.30	
15 Jul 2010	0.00	0.00	0.00	0.00	0.00	0.00	2,211.48	178.60	2,390.08	2,139.11	224.81	224.81	2,130.04	286.70	
15 Oct 2010	0.00	0.00	0.00	0.00	0.00	0.00	2,112.22	168.18	2,280.40	2,043.10	211.70	211.70	2,034.44	269.98	
17 Jan 2011	0.00	0.00	0.00	0.00	0.00	0.00	2,030.09	159.76	2,189.85	1,963.65	201.10	201.10	1,955.33	256.46	
15 Apr 2011	0.00	0.00	0.00	0.00	0.00	0.00	1,924.21	138.69	2,062.90	1,861.23	174.59	174.59	1,853.35	222.64	
15 Jul 2011	0.00	0.00	0.00	0.00	0.00	0.00	1,848.71	132.77	1,981.48	1,788.21	167.13	167.13	1,780.63	213.14	
17 Oct 2011	0.00	0.00	0.00	0.00	0.00	0.00	22,135.18	126.58	22,261.76	21,410.75	159.33	159.33	21,320.01	203.19	
	<b>100,000.00</b>	<b>3,129.33</b>	<b>103,129.33</b>	<b>100,000.00</b>	<b>4,443.94</b>	<b>104,443.94</b>	<b>100,000.00</b>	<b>12,034.66</b>	<b>112,034.66</b>	<b>100,000.00</b>	<b>15,425.71</b>	<b>115,425.71</b>	<b>100,000.00</b>	<b>19,715.38</b>	<b>119,715.38</b>

Payment Date	Series A1 Bonds				Series A2 Bonds				Series A3(G) Bonds				Series B Bonds				Series C 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	
24 Sep 2003																				
15 Jan 2004	0.00	737.33	737.33		0.00	765.58	765.58		0.00	690.24	690.24		0.00	897.41	897.41		0.00	1,148.52	1,148.52	
15 Apr 2004	0.00	591.50	591.50		0.00	614.25	614.25		0.00	553.58	553.58		0.00	720.42	720.42		0.00	922.64	922.64	
15 Jul 2004	0.00	591.50	591.50		1,965.78	614.25	2,580.03		0.00	553.58	553.58		0.00	720.42	720.42		0.00	922.64	922.64	
15 Oct 2004	0.00	598.00	598.00		22,007.42	608.79	22,616.21		0.00	559.67	559.67		0.00	728.33	728.33		0.00	932.78	932.78	
17 Jan 2005	100,000.00	611.00	100,611.00		20,761.91	482.39	21,244.30		0.00	571.83	571.83		0.00	744.17	744.17		0.00	953.06	953.06	
15 Apr 2005	0.00	0.00	0.00		19,238.36	328.27	19,566.63		0.00	535.33	535.33		0.00	696.67	696.67		0.00	892.22	892.22	
15 Jul 2005	0.00	0.00	0.00		17,479.90	221.29	17,701.19		0.00	553.58	553.58		0.00	720.42	720.42		0.00	922.64	922.64	
17 Oct 2005	0.00	0.00	0.00		15,976.82	117.68	16,094.50		0.00	571.83	571.83		0.00	744.17	744.17		0.00	953.06	953.06	
16 Jan 2006	0.00	0.00	0.00		2,569.80	15.78	2,585.58		553.58	7,170.32	7,170.32		9,672.92	720.42	10,393.34		10,055.66	922.64	10,978.30	
17 Apr 2006	0.00	0.00	0.00		0.00	0.00	0.00		7,877.83	516.95	8,394.78		7,620.01	650.73	8,270.74		7,587.72	829.86	8,417.58	
17 Jul 2006	0.00	0.00	0.00		0.00	0.00	0.00		7,278.17	473.34	7,751.51		7,039.98	595.84	7,635.82		7,010.15	759.85	7,770.00	
16 Oct 2006	0.00	0.00	0.00		0.00	0.00	0.00		6,686.66	433.05	7,119.71		6,467.83	545.12	7,012.95		6,440.42	695.18	7,135.60	
15 Jan 2007	0.00	0.00	0.00		0.00	0.00	0.00		6,063.79	396.04	6,459.83		5,865.34	498.52	6,363.86		5,840.49	635.75	6,476.24	
15 Apr 2007	0.00	0.00	0.00		0.00	0.00	0.00		5,436.05	362.47	5,798.52		5,258.14	456.27	5,714.41		5,235.86	581.87	5,817.73	
16 Jul 2007	0.00	0.00	0.00		0.00	0.00	0.00		4,913.33	332.38	5,245.71		4,752.53	418.39	5,170.92		4,732.39	533.56	5,265.95	
15 Oct 2007	0.00	0.00	0.00		0.00	0.00	0.00		4,446.35	305.18	4,751.53		4,300.83	384.15	4,684.98		4,282.61	489.90	4,772.51	
15 Jan 2008	0.00	0.00	0.00		0.00	0.00	0.00		4,064.96	283.65	4,348.61		3,931.92	357.05	4,288.97		3,915.26	455.33	4,370.59	
15 Apr 2008	0.00	0.00	0.00		0.00	0.00	0.00		3,671.97	258.06	3,930.03		3,551.79	324.84	3,876.63		3,536.74	414.26	3,951.00	
15 Jul 2008	0.00	0.00	0.00		0.00	0.00	0.00		3,348.14	237.73	3,585.87		3,238.56	299.25	3,537.81		3,224.84	381.63	3,606.47	
15 Oct 2008	0.00	0.00	0.00		0.00	0.00	0.00		3,126.81	221.61	3,348.42		3,024.47	278.95	3,303.42		3,011.66	355.74	3,367.40	
15 Jan 2009	0.00	0.00	0.00		0.00	0.00	0.00		2,901.06	204.11	3,105.17		2,806.11	256.92	3,063.03		2,794.22	327.65	3,121.87	
15 Apr 2009	0.00	0.00	0.00		0.00	0.00	0.00		2,656.06	183.79	2,839.85		2,569.14	231.35	2,800.49		2,558.25	295.03	2,853.28	
15 Jul 2009	0.00	0.00	0.00		0.00	0.00	0.00		2,481.93	171.12	2,653.05		2,400.71	215.41	2,616.12		2,390.53	274.70	2,665.23	
15 Oct 2009	0.00	0.00	0.00		0.00	0.00	0.00		2,305.68	159.11	2,464.79		2,230.22	200.29	2,430.51		2,220.77	255.42	2,476.19	
15 Jan 2010	0.00	0.00	0.00		0.00	0.00	0.00		2,140.49	146.21	2,286.70		2,070.44	184.05	2,254.49		2,061.67	234.71	2,296.38	
15 Apr 2010	0.00	0.00	0.00		0.00	0.00	0.00		1,952.98	131.31	2,084.29		1,889.06	165.29	2,054.35		1,881.06	210.79	2,091.85	
15 Jul 2010	0.00	0.00	0.00		0.01	0.00	0.01		22,031.00	121.96	22,152.96		21,310.00	153.52	21,463.52		21,219.70	195.78	21,415.48	
	<b>100,000.00</b>	<b>3,129.33</b>	<b>103,129.33</b>		<b>100,000.00</b>	<b>3,768.28</b>	<b>103,768.28</b>		<b>100,000.00</b>	<b>10,081.29</b>	<b>110,081.29</b>		<b>100,000.00</b>	<b>12,908.37</b>	<b>112,908.37</b>		<b>100,000.00</b>	<b>16,497.21</b>	<b>116,497.21</b>	



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

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

**1. First Payment Date: January 15, 2004.**

***(Execution of the Deed of Constitution: September 19, 2003)***

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
  - 11am (CET time) on the second Business Day immediately preceding the Closing Date: September 22, 2003.
- b) Notices:
  - Extraordinary notice of constitution of the Fund and of the Bond Issue -press insert, as per section III.5.2.c).2: until September 22, 2003, inclusive.
  - Ordinary notice of the final margins applicable for determining the Nominal Interest Rate for the Series A1, A2 and A3(G) Bonds and the resultant Nominal Interest Rate for the first Interest Accrual Period in each of the Series: September 22, 2003. The Management Company shall notify this in writing by the start of the Subscription Period to the Lead Managers and Underwriters and Placement Agents, for investors interested in subscribing for the Bonds to be notified thereof.
- c) First Interest Accrual Period:
  - From September 24, 2003 (Closing Date), inclusive, until January 15, 2004, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): January 12, 2004.
- e) Ordinary periodic notices (communication as per sections III.5.2.a).2 and III.5.2.c).1):
  - Of all other periodic information: until January 14, 2004, inclusive.

**2. Second Payment Date: April 15, 2004.**

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
  - 11am (CET time) on the second Business Day preceding the first Payment Date: January 13, 2004.
- b) Ordinary periodic notices (communication as per sections III.5.2.a).1 and III.5.2.c).1):
  - Of the resultant Nominal Interest Rate for the second Interest Accrual Period: until January 19, 2004, inclusive.
- c) Second Interest Accrual Period:
  - From January 15, 2004 (first Payment Date), inclusive, until April 15, 2004, exclusive.

- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): April 12, 2004.
- e) Ordinary periodic notices (communication as per sections III.5.2.a).2 and III.5.2.c).1):
- Of all other periodic information: until April 14, 2004, inclusive.

**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 annual interest rates applicable to each of the Series, variable quarterly, should remain constant throughout the life of the debt securities, 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 for constant CPRs of 10% and 15%.

	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds
<b>IRR</b>	2.395%	2.488%	2.239%	2.921%	3.753%

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

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

The actual interest forecast for the Fund would be 2.484% and 2.495% respectively for CPRs of 10% and 15%, making the assumptions contained in the preceding paragraph.

The following are the expected expenses:

<b>Fund constitution and Bond issue expenses.</b>	<b>EUR</b>
• Management Company Fee	94,000.00
• Notary’s, audit, rating and legal advice fees	304,028.10
• CNMV fees (issue and listing)	52,517.58
• AIAF and Iberclear fees	30,589.20
• Bond Issue lead management, underwriting and placement fees	625,000.00
• Issue advertising, printing and other expenses	16,189.88
<b>Total expenses</b>	<b>1,122,324.76</b>

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

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

There are no guarantees given by BANCAJA as Originator on the Bonds issued by the Fund or on the Loans pooled in the Fund, beyond the undertakings by BANCAJA contained in section IV.1.6 of this Offering Circular in relation to the substitution of the Loans failing to conform to the representations contained in section IV.1.4 of this Offering Circular or the specific characteristics of the Loans notified by BANCAJA to the Management Company, and the provisions of IV.1.7 regarding the Call Right on all the remaining Loans in certain events.

### **II.15.2 State Guarantee.**

Pursuant to a Ministerial Order, the Economy Ministry shall provide the Fund with a guarantee (the “**Guarantee**” or “**State Guarantee**”) whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds (the “**Guaranteed Series**”) issued amounting to EUR one hundred and ninety-nine million five hundred thousand (199,500,000.00).

#### **II.15.2.1 General characteristics of the Guarantee.**

- The Guarantee shall extend to both repayment of principal and payment of interest on the Bonds in the Guaranteed Series.
- The Guarantee shall remain in force and be fully effective until full repayment of the payment obligations derived from the Bonds in the Guaranteed Series. In any event, the Guarantee shall expire on January 15, 2030, 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) confirmation by the start of the Bond Subscription Period of the provisional ratings assigned by the Rating Agencies to each of the Series as final ratings, and (iv) the Bond Issue Management, Underwriting and Placement Agreement not being terminated, and (v) submission of the documents mentioned in the following paragraph.

The Management Company shall send the Directorate-General of the Treasury and Financial Policy: (i) a copy of the Offering Circular, (ii) a certified copy of the Fund Deed of Constitution, (iii) a certificate by BANCAJA representing that the Loans satisfy the requirements of the Framework Agreement attached to the Order of December 28, 2001, as amended by Order ECO/1064/2003, April 29, and that they are all loans granted to small and medium-sized enterprises in accordance with the European Commission’s Recommendation of April 3, 1996 or any other taking its stead, (iv) a copy of the letters from the Rating Agencies notifying the ratings assigned to each of the Bond Series, and (v) a certified copy of the notarial certificate recording payment of the Bond subscription executed by the Management Company.

- No fee shall accrue upon the Guarantee being perfected and given.

- The Management Company shall report the Directorate-General of the Treasury and Financial Policy on each Guaranteed Series Bond Payment Date, on their Outstanding Principal and, moreover, at the end of the fiscal year, an estimate of the financial burden of the Guaranteed Series for the following fiscal year.

#### **II.15.2.2 Drawdown on the Guarantee.**

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

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

1. If, on any Payment Date or on the Fund liquidation date, the Available Funds are not sufficient to pay interest due on the guaranteed Series A3(G), after making the payments in the preceding priority of payments in the Fund Priority of Payments.

In that event, the Guarantee shall be enforced in an amount equivalent to the interest due and not paid on the Series A3(G) Bonds and shall be applied to paying interest of Series A3(G) proper.

2. If the following circumstances occur on any Payment Date other than the Fund liquidation date:
  - (i) That the Series A3(G) Bonds have not been fully amortised before the then-current Payment Date.
  - (ii) That there is an Amortisation Deficiency.
  - (iii) And, only in the event that the Pro Rata Amortisation of Class A does not apply on the Payment Date, that the Amortisation Withholding amount on the Payment Date is in excess of the sum of the Outstanding Principal Balances of Series A1 and A2, deducting the balance on the Amortisation Account, on the Determination Date immediately preceding the then-current Payment Date.

- 2.1 Upon those circumstances occurring on the Payment Date, Series B and Series C shall not be amortised and the Guarantee shall be enforced in the following amounts:

- (i) On the Payment Date on which the Pro Rata Amortisation of Class A does not apply, in an amount equal to the lower of the following amounts:
  - a) The amount, if positive, equivalent to the difference between (i) the Amortisation Withholding amount on the Payment Date and (ii) the sum of the Outstanding Principal Balances of Series A1 and A2, deducting the balance on the Amortisation Account, on the Determination Date immediately preceding the then-current Payment Date.
  - b) The Amortisation Deficiency amount on the Payment Date.
  - c) The Outstanding Principal Balance of Series A3(G) on the Determination Date immediately preceding the then-current Payment Date.
- (ii) On the Payment Date on which the Pro Rata Amortisation of Class A applies, in an amount equal to the result of multiplying (i) the Amortisation Deficiency amount on the then-current Payment Date by (ii) the result of dividing the Outstanding Principal Balance of Series A3(G) by the Outstanding Principal Balance of Class A, deducting the balance on the Amortisation Account, on the Determination Date immediately preceding the then-current Payment Date.

In both events, the enforcement under the Guarantee shall be applied to amortising Bonds in Series A3(G) proper.

3. If on the Fund liquidation date the Available Funds or the Available Funds for Amortisation are not sufficient to repay the Outstanding Principal Balance of guaranteed Series A3(G) after making the payments in the preceding priority in the Fund Priority of Payments.

In that event, the Guarantee shall be enforcement in an amount equal to the difference between the Outstanding Principal Balance of guaranteed Series A3(G) and the amount that should be applied to amortising Series A3(G).

In that event, the enforcement under the Guarantee shall be applied to amortising Bonds in Series A3(G).

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

The Management Company, on behalf of the Fund, shall draw on the Liquidity Facility, as established in section V.3.7 of this Offering Circular, to advance the Guaranteed Series Bondholders the amounts that the State must pay to the Fund upon each enforcement of the Guarantee. The amounts received by the Fund from the State upon enforcing the Guarantee shall be allocated to reimbursing the amounts drawn on the Liquidity Facility.

- The amounts paid by the State under the Guarantee shall constitute an obligation for the Fund in favour of the State. The amounts drawn on the Guarantee, whether drawn for paying interest or for repaying principal on the guaranteed Series A3(G) Bonds, 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 payment of accrued interest and repayment of principal of the guaranteed Series A3(G) 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 guaranteed Series A3(G) Bonds, the Management Company shall calculate and apply the net amount which, as the case may be, should be requested or reimbursed to the State.

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

The Bonds are not subject to specific restrictions on their free conveyance, and may be freely conveyed subject to the statutory provisions applicable thereto and to the rules of the secondary market on which the Bonds are traded, as established hereinafter in section II.17.

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

**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, upon the Bonds having been paid up, apply for this Bond Issue to be listed on the AIAF, which is a qualified official secondary securities market pursuant to transitional provision six of Act 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date and shall at all events have taken place by the first Payment Date (January 15, 2004).

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

In the event that, by the above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons for such inobservance, using the extraordinary notice procedure 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 all the Series is targeted at institutional investors, both legal persons or entities devoid of legal personality, such as pension funds, collective-investment undertakings, insurance companies or such institutions as credit institutions, or firms of broker-dealers or undertakings qualified under articles 64 and 65 of the Securities Market Act to manage third-party portfolios, in the business of regularly and professionally investing in marketable securities.

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

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

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

### **Effects of the subscription for Bondholders.**

Subscription for the Bonds 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 ownership by certain investors and once they are listed on the AIAF:

- (i) The Series A1, A2 and A3(G) Bonds meet the selection policies to be admitted as assets securing transactions with the European Central Bank (European Central Bank regulation of August 31, 2000).
- (ii) They are eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50.5 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.
- (iii) They are eligible for investment by the Mutual Guarantee Company Technical Provision Fund, in accordance with Act 1/1994, March 11, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, November 8, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.
- (iv) They are eligible for investment by Pension Funds in accordance with the provisions of article 34 of Royal Decree 1307/1988, September 30, approving the Pension Plans and Funds Regulations.
- (v) They are eligible for investing the Assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 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) The Series A3(G) Bonds are eligible for investment by the “Fondtesoro Renta FIM” Government Debt Investment Trusts, “Fondtesoro Renta FIAMM” Government Debt Money Market Asset Investment Trusts and “Fondtesoro Plus FIM” Government Debt Investment Trusts, the foregoing on the terms for which provision is made in the Order of May 28, 1999, amending the Order of June 7, 1990, relating to rules for subscribing Collaboration Agreements relating to Government Debt Investment Trusts.

#### **II.18.3 Subscription or acquisition date or period.**

The subscription period for all the Series (the “**Subscription Period**”) shall begin at 1pm (CET time) on September 22, 2003 and end at 5pm (CET time) on September 23, 2003.

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

In order to be taken into account, subscription proposals shall be made during the Subscription Period established in the preceding section, with JPMORGAN, BANCAJA, BEAR STEARNS or CDC IXIS CAPITAL MARKETS, as underwriters and placement agents of the Bond issue (the “**Underwriters and Placement Agents**”), in accordance with the procedures established hereinafter in this section.

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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.**

Bond Issue placement is divided into two tranches, National Tranche and International Tranche, as follows:

	<b>National Tranche</b>		<b>International Tranche</b>	
	<b>Bond Number</b>	<b>Face Amount (EUR)</b>	<b>Bond Number</b>	<b>Face Amount (EUR)</b>
<b>Series A1</b>	500	50,000,000.00	640	64,000,000.00
<b>Series A2</b>	--	--	1,427	142,700,000.00
<b>Series A3(G)</b>	--	--	1,995	199,500,000.00
<b>Series B</b>	320	32,000,000.00	--	--
<b>Series C</b>	118	11,800,000.00	--	--
<b>Total</b>	<b>938</b>	<b>93,800,000.00</b>	<b>4,062</b>	<b>406,200,000.00</b>

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

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

BANCAJA intends to place the Bonds covered by its underwriting commitment as determined in section II.19.1 of this Chapter among third parties, but shall nevertheless subscribe at its own expense for all and any Bonds not taken by third parties during the Subscription Period up to the amount of its underwriting commitment.

#### **II.18.6 Payment method and dates.**

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 12 noon (CET time) on September 24, 2003 (the “**Closing Date**”), for same day value, the relevant issue price (100% of the face value) 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 the Bond 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.

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



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**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 JPMORGAN, BANCAJA, BEAR STEARNS and CDC IXIS CAPITAL MARKETS as Underwriters and Placement Agents, on the terms contained in section II.19.3 and in this section under the Bond Issue Management, Underwriting and Placement Agreement.

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

Underwriter and Placement Agent	Face amount underwritten for the Bonds in each Series (in EUR)				
	Series A1	Series A2	Series A3(G)	Series B	Series C
JPMORGAN	64,000,000.00	92,700,000.00	179,500,000.00	--	--
BANCAJA	50,000,000.00	50,000,000.00	--	32,000,000.00	11,800,000.00
BEAR STEARNS	--	--	10,000,000.00	--	--
CDC IXIS CAPITAL	--	--	10,000,000.00	--	--
<b>Total</b>	<b>114,000,000.00</b>	<b>142,700,000.00</b>	<b>199,500,000.00</b>	<b>32,000,000.00</b>	<b>11,800,000.00</b>

The Underwriters and Placement Agents shall receive from the Fund a 0.125% underwriting and placement fee on the face amount of the Bonds in each Series underwritten by each of them

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

JPMORGAN and BANCAJA shall be involved as Lead Managers of the Bond Issue.

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

**Statement by JPMORGAN.**

*I, Mr Arturo Miranda Martín, holding Spanish ID no. 30.646.726-P., acting for and on behalf of J.P. MORGAN SECURITIES LTD., with place of business at 125 London Wall, EC2Y 5AJ London (United Kingdom), duly authorised for these presents, and in connection with the constitution of FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue by the same amounting to EUR five hundred million (500,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on July 11, 2003, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7,*

**HEREBY DECLARE**

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

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

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

*In witness whereof, to serve and avail as and where appropriate, I have issued these presents at Madrid, on September 16, 2003.*

**Statement by BANCAJA.**

*I, Mr José Sotos Ebstein, acting for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA., with place of business at Calle Pintor Sorolla, 8, Valencia, duly authorised for these presents, and in connection with the constitution of FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond issue by the same amounting to EUR five hundred million (500,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on July 11, 2003, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7,*

**HEREBY DECLARE**

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

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

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

*In witness whereof, to serve and avail as and where appropriate, I have issued these presents at Valencia, on September 16, 2003.*

Attached as Appendix 7 to this Offering Circular is a photocopy of the letters from JPMORGAN and BANCAJA making that declaration.

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

**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 a Bond Issue Management, Underwriting and Placement Agreement with J.P. MORGAN SECURITIES LTD. (“JPMORGAN”) and CAJA DE AHORROS, VALENCIA Y ALICANTE, BANCAJA as Lead Managers and Underwriters and Placement Agents, and

BEAR STEARNS INTERNATIONAL LTD. (“**BEAR STEARNS**”) and CDC IXIS CAPITAL MARKETS as Underwriters and Placement Agents.

The Bond Issue Underwriters and Placement Agents shall take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) an undertaking to subscribe on their own account for the Bonds not subscribed for by third parties during the Subscription Period, up to the amounts of their respective underwriting commitments; 2) endeavouring to place the Bond Issue by means of a third party subscription; 3) JPMORGAN, BEAR STEARNS and CDC IXIS CAPITAL MARKETS payment to the Paying Agent, by 1pm (CET time) on the Closing Date, for same day value, of the face amount of the Bonds matching their respective underwriting commitment, deducting the amount of the underwriting and placement fee accrued in their favour, whereupon the Paying Agent shall proceed to pay to the Fund, by 2pm (CET time) on the same day, for same day value, the amount received from the remaining Underwriters and Placement Agents, plus the face amount of the Bonds matching its underwriting commitment, deducting the amount of the underwriting and placement fee accrued in its favour; 4) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 5) providing subscribers with a document proving subscription; 6) providing the Management Company with Bond Issue placement dissemination control information and 7) all other aspects governing the underwriting and placement.

The underwriting commitments of each Underwriting and Placement Agent and the underwriting and placement fee are specified in section II.19.1 of this Offering Circular.

JPMORGAN and BANCAJA shall be involved as Lead Managers in the Bond Issue. They shall not be remunerated for leading the Bond Issue.

The Management, Underwriting and Placement Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period, or in case of force majeure on the terms established by article 1105 of the Civil Code.

**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 Royal Decree 116/1992, with the usual timing and procedures of the institution in charge of so doing, Iberclear or any other institution taking its stead.

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

The Fund is constituted and Bonds are issued in accordance with the provisions of the Order of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, and shall

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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, and (v) all other legal and statutory provisions in force and applicable from time to time.

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

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Loan Obligors who may have defaulted on their payment obligations, and any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties and, therefore, at no event as a result of the existence of delinquency or prepayment of the Loans, default by the counterparties to the transactions arranged for and on behalf of the Fund, or insufficiency of the financial hedge transactions for servicing the Bonds in each Series. Any such actions shall be resolved 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, in the manner statutorily prescribed.

It should finally be noted that the tax treatment described herein is general and has not therefore included the taxation applicable to income obtained through entities under an imputed income system.

## **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 (“**Act 40/1998**”).

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

Furthermore, in the event of transfer, redemption or amortisation of the Bonds, the income on investments shall be deemed to be the difference between the transfer, redemption or amortisation value (less ancillary disposal expenses) and the acquisition or subscription value (plus ancillary acquisition expenses). When the taxpayer has acquired other homogeneous financial assets within two months before or after those transfers, negative income from the Bonds shall nevertheless be integrated as the Bonds remaining on the taxpayer’s assets are transferred

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

Interest income received shall be subject to a 15% withholding tax on account of the beneficiary’s IRPF, 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. Nevertheless, in accordance with the Ministerial Order of December 22, 1999, the procedure for the exclusion of withholding tax or prepayment on the Bond interest 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 Corporation 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 who are Corporation Tax obligors shall certify that circumstance with the custodians of the securities 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 Non-Resident Income and Tax Rules Act 41/1998, December 9 (“**Act 41/1998**”).

##### *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, notwithstanding the provisions of double-taxation Agreements of which Spain is a signatory. 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 a 15 percent rate to the tax base comprising Bond interest and income.
- Bond income obtained 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.

- Income derived from the transfer of such securities made on any of the official Spanish secondary securities markets obtained by non-resident natural persons or undertakings other than through a permanent establishment in Spanish territory, resident in a State having signed a double-taxation agreement with Spain with an information-exchange clause, will also be exempt.
- This exemption shall by no means apply where the income is obtained through countries or territories statutorily qualified as tax havens.
- The application of any exemption or reduced rate for which provision is made in the internal laws or in an Agreement signed by Spain shall require satisfactory proof of the investor's tax residence in accordance with the set requirements.
- On the other hand, Bond coupons are in principle liable to a withholding, unless evidence is produced of exemption or Tax payment. The amount withheld is equivalent to the final Tax.
- In accordance with the Ministerial Order of April 13, 2000, in connection with the application for the case of interest of the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in Double-Taxation Agreements, the procedure will be as follows:
  1. The Management Company shall, for and on behalf of the Fund as the issuer, through the Paying Agent, pay to the custodians the net amount resulting from applying the general withholding rate in force on that date to all the interest.
  2. By the 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 Non-Resident Income Tax for obtaining income in Spanish territory without a permanent establishment, 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 who are Corporation Tax obligors shall have established to the custodians that they are entitled to have the taxation limits of an Agreement applied or to be excused from withholding. The custodians shall draw up the list referred to in the preceding paragraph including the holders of the securities who have established that right upon the list being issued to the Management Company.
  4. Forthwith upon receiving the list referred to in paragraph 2 above, the Management Company shall promptly pay all the custodians through the Paying Agent the amount withheld from those obligors or taxpayers.
  5. The custodians shall forthwith pay the amount withheld to the obligors or taxpaying holders.
  6. For the purpose of establishing the right to have the withholding made applying the taxation limits of an Agreement or to be excused therefrom, taxpayers shall prove their tax residence by means of the following documents:

- When the withholding exclusion results from the application of internal Spanish regulations, by means of a residence certificate issued by the tax authorities of the country of residence.
- When the withholding exclusion or the withholding is made at a reduced rate, under an Agreement with a certificate issued by the respective tax authority, expressly recording that the taxpayer is a resident within the meaning of the Agreement. Nevertheless, when a withholding is made applying a taxation limit laid down in an Agreement implemented by means of an Order establishing the use of a specific form, this shall be established therewith in lieu of the certificate.

The residence certificates referred to in the preceding paragraphs shall be valid for one year.

- Furthermore, and whether or not they pay the Tax, Bond transfer or repayment income shall not be liable to withholding because the Bonds have an explicit yield, are represented by book entries and are traded on an official Spanish secondary securities market, on the terms and conditions for which provision is made in article 70.3.f) of the Personal Income Tax Regulations, under an express renvoi made in article 14.3.b) of the Non-Resident Personal Income Tax Regulations. The foregoing shall be without prejudice to the joint and several liability of the Bond custodian or manager, and the actual non-resident holder's duties to return and pay the Tax in due course.

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

The 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 transfer 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 Company, the income obtained would be taxed in accordance with the Corporation Tax rules, or as Non-Resident Personal Income, in the event that the beneficiary is a non-resident entity.

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

The net amount of the Bond Issue will be fully allocated to paying the price for the acquisition of the Loans pooled in the Fund assets.



**II.24 Institutions, if any, that have agreed 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) The Fund and the Bond Issue were financially structured by EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- b) JPMORGAN and BANCAJA have advised the Management Company as to the structure of the Bond Issue.
- c) BANCAJA is the Originator of the Loans pooled in the Fund.
- d) JPMORGAN and BANCAJA are involved as Lead Managers and Underwriters and Placement Agents of the Bond Issue. JPMORGAN shall be the institution in charge of keeping the Bond subscription orders book (*book runner*).
- e) BEAR STEARNS and CDC IXIS CAPITAL MARKETS are involved as Underwriters and Placement Agents of the Bond Issue.
- f) CUATRECASAS ABOGADOS are involved as independent legal advisers and have provided legal advice to the Management Company concerning the legal structure of the transaction.
- g) BANCAJA is involved as Paying Agent of the Bond Issue.
- h) KPMG are involved as auditor checking a number of features of the selection of loans from which the Loans to be assigned to the Fund upon being constituted shall be taken.

**II.25.2 Statement by the person responsible for the Offering Circular on behalf of the Management Company, specifying whether he is aware of the existence of any relationship whatsoever (political rights, employment, family, etc.) or economic interest of those experts, advisers, and of other institutions involved, with both the Management Company and the former holders of 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 no. 120, and in connection with the constitution of the Fund FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS, amounting to EUR five hundred million (500,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on July 11, 2003, and in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, March 16, (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 affiliated to the same Group as J.P. Morgan España, S.A., and the latter in turn owns a 4 percent share in the Management Company's share capital.*

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*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, or certain significant information contained in the Offering Circular, either with the actual Management Company or with BANCAJA, the Originator of the Loans pooled in the Fund.”*

## **II.25.3 Statement by the Originator.**

### **Statement by BANCAJA.**

*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, Valencia, duly authorised for these presents in a deed of power of attorney executed on July 12, 2002 before Valencia notary public Mr José Luis Pavía Sanz, his document order no. 3100, and pursuant to resolutions adopted at the Board of Directors held on July 25, 2003, amended by a resolution of the Executive Committee, at a meeting held on September 10, 2003, in accordance with article 52.3 of the Articles of Association of BANCAJA, and in pursuance of the power delegated by the Board of Directors in a resolution dated July 29, 1998, and in connection with the constitution of FTPYME BANCAJA 2 Fondo de Titulización de Activos,*

### **HEREBY DECLARE**

- That the representations relating to the Loans and to the Pass-Through Certificates and Mortgage Loans contained in section IV.1.4 of the Offering Circular are truthful.*
- That the foregoing representations shall be warranted to the Management Company, on the Fund's behalf, in the Fund Deed of Constitution.*
- That the necessary checks have been made to verify that the information contained in the Offering Circular, as to the portfolio of loans which shall be mostly assigned to the Fund in the Deed of Constitution, constituting the Mortgage Loans backing the issue of the Pass-Through Certificates and the Non-Mortgage Loans directly assigned, is truthful and complete.*
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Offering Circular, or that the latter has omitted any material facts or figures which might be relevant to the investor.*

*In witness whereof, to serve and avail as and where appropriate, this statement has been made at Valencia, on September 16, 2003.*

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

## CHAPTER III

### GENERAL INFORMATION ON THE FUND

#### III.1 Name of the Fund and governing system.

The name of the Fund is “FTPYME BANCAJA 2 FONDO DE TITULIZACIÓN DE ACTIVOS” and the following short names may also be used without distinction to identify the Fund:

FTPYME BANCAJA 2 FTA  
FTPYME BANCAJA 2 F.T.A.

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

The Fund is constituted and the Bonds are issued in accordance with the provisions of the Order of the Economy Ministry of December 28, 2001 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.

#### **Companies Register.**

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

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

In accordance with article 1 of Royal Decree 926/1998, the Fund shall be a separate estate, devoid of legal personality, and shall have a closed-end structure, in accordance with article 3 of Royal Decree 926/1998. Its assets shall comprise the Non-Mortgage Loans and the Pass-Through Certificates, the issue of which perfects the transfer of the Mortgage Loans, pooled upon being constituted, and its liabilities shall comprise the Bonds issued, the Subordinated Loan and the Start-Up Loan, and the net worth of the Fund shall be nil. Additionally, the Fund has arranged for the Interest Swap, the State Guarantee and the Liquidity Facility, 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 of the Originator of the Loans pooled in the Fund, the assignment and issue may only be contested under paragraph two of article 878 of the Commercial Code, by means of an action brought by the bankruptcy trustees showing the existence 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 have the same right of separation in the event of receivership or similar situations of the Originator.

The Fund shall be in existence until January 15, 2030, the Final Maturity Date of the Bond Issue, other than in the events laid down in sections III.8.1 and III.8.2 of this Offering Circular.

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

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

The Fund assets shall consist of the following:

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

- (i) The Loans assigned by BANCAJA and pooled in the Fund, the total capital or principal of which shall be slightly in excess of EUR five hundred million (500,000,000), the amount of the face value of the Bond Issue.

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

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

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

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

- (i) The Outstanding Balance of the Loans resulting from the amortised amounts.
- (ii) Ordinary and late-payment interest on the Loans.
- (iii) Any amounts, goods or assets received as payment of Loan principal, interest or expenses derived from both the auction sale price or amount determined by a court decision or notarial procedure in enforcing the mortgage or non-mortgage securities and the sale or utilisation of the properties awarded to the Fund upon foreclosing the mortgage securities, or, upon foreclosing, in connection with the administration or interim possession of the properties in foreclosure proceedings. Similarly, all other rights conferred to the Fund upon the assignment of the Loans.
- (iv) Amounts receivable under the Interest Swap established in section V.3.6 of this Offering Circular.
- (v) Amounts, if any, drawn under the Liquidity Facility.

- (vi) Amounts, if any, received upon enforcing the State Guarantee established in section II.15.2 of this Offering Circular.
- (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.
- (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 (until the Closing Date, inclusive).**

The Fund liabilities shall consist of the following:

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

- (i) The Bond Issue amounting to a face value of EUR five hundred million (500,000,000) consisting of five thousand (5,000) Bonds denominated in EUR and comprising five Bond Series distributed as follows:
  - a) Class A comprising three Series having a face amount of EUR four hundred and fifty-six million two hundred thousand (456,200,000.00):
    - (i) Series A1 having a total face amount of EUR one hundred and fourteen million (114,000,000.00) comprising one thousand one hundred and forty (1,140) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
    - (ii) Series A2 having a total face amount of EUR one hundred and forty-two million seven hundred thousand (142,700,000.00) comprising one thousand four hundred and twenty-seven (1,427) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
    - (iii) Series A3(G) having a total face amount of EUR one hundred and ninety-nine million five hundred thousand (199,500,000.00) comprising one thousand nine hundred and ninety-five (1,995) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - b) Class B comprising a single Series B having a total face amount of EUR thirty-two million (32,000,000.00) comprising three hundred and twenty (320) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - c) Class C comprising a single Series C having a total face amount of EUR eleven million eight hundred thousand (11,800,000.00) comprising one hundred and eighteen (118) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

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

- (ii) The amount payable to BANCAJA for acquiring the Loans.
- (iii) The Start-Up Loan amount established in section V.3.5 of this Offering Circular.
- (iv) The Subordinated Loan amount established in section V.3.3 of this Offering Circular, designed to set up the Cash Reserve.

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

- (i) The Outstanding Principal Balance of the Bonds in each of the Series and interest thereon.
- (ii) The principal pending repayment and interest on the Start-Up Loan.
- (iii) The principal pending repayment and interest on the Subordinated Loan.
- (iv) Amounts payable under the Interest Swap established in section V.3.6 of this Offering Circular.
- (v) The amount drawn, if any, under the State Guarantee pending repayment.
- (vi) The principal pending repayment, if drawn down, and interest on the Liquidity Facility as established in section V.3.7.
- (vii) Fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

**III.2.3 Cash Reserve.**

The Management Company shall set up on the Closing Date a Cash Reserve initially by drawing fully the Subordinated Loan principal and shall subsequently on each Payment Date keep the Required Cash Reserve provisioned in the Fund Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

(i) Amount:

It shall be set up on the Closing Date in an amount equal to EUR nine million five hundred thousand (9,500,000.00).

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

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

- (i) EUR nine million five hundred thousand (9,500,000.00) equivalent to 1.90% of the face amount of the Bond Issue.

- (ii) The higher of:
- a) 3.80% of the difference between the Outstanding Principal Balance of the Bond Issue and the balance on the Amortisation Account on the Payment Date, and
  - b) 1.00% of the face amount of the Bond Issue.

Notwithstanding the above, the Required Cash Reserve shall not be reduced on a Payment Date and shall remain at the Required Cash Reserve on the preceding Payment Date whenever any of the following circumstances occur on the Payment Date:

- That, on the Determination Date for the then-current Payment Date, the amount of the sum of the Outstanding Balance of the Loans with an arrears in excess of ninety (90) days and less than eighteen (18) months in payment of amounts due and payable is in excess of 1.00% of the Outstanding Balance of the Loans on that same date.
- That the Cash Reserve was not provisioned on the preceding Payment Date up to the Required Cash Reserve on that Payment Date.

(ii) Yield:

The amount of said Cash Reserve shall remain credited to the Treasury Account.

(iii) Application:

The Cash Reserve shall be applied on each Payment Date after being set up to satisfying the payment obligations contained in the Priority of Payments.

#### **III.2.4 Risk hedging and services 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 Loans and the Bonds, neutralise interest rate differences between the Loans and the Bonds and other liabilities, or, generally, transform the financial characteristics of the Loans, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements listed hereinafter.

The Management Company may 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, including new credit facility agreements, provided that circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Furthermore, those actions shall not require an amendment of the Deed of Constitution, save to the extent that they shall result in an amendment of the Fund Priority of Payments.

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 Loan Agreement.

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- (iv) State Guarantee.
- (v) Start-Up Loan Agreement.
- (vi) Interest Swap Agreement.
- (vii) Liquidity Facility Agreement.
- (viii) Loan Servicing and Management and Pass-Through Certificate Custody Agreement.
- (ix) Bond Issue Management, Underwriting and Placement Agreement.
- (x) Bond Paying Agent Agreement.

The itemised description of the most relevant terms of each of the above agreements may be found in section V.3 of this Offering Circular, in addition to the more complete description of the State Guarantee made in section II.15.2 and of the Loan Servicing and Management Agreement made in section IV.2.

### **III.2.5 Fund Income.**

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

- a) Loan principal repayment amounts received.
- b) Ordinary and late-payment interest on the Loans.
- c) The Start-Up Loan amount.
- d) The Required Cash Reserve, initially set up by drawing the Subordinated Loan amount.
- e) Amounts received on the terms of the Interest Swap.
- f) The yield obtained by investing amounts credited to the Treasury Account and 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 A3(G), or, as the case may be, repayment of amounts advanced for those items drawn under the Liquidity Facility.
- h) Drawdowns, if any, under the Liquidity Facility.
- i) Any other amounts received by the Fund, including Fund receivables under the Loans both resulting from the sale of properties or assets awarded to the Fund or from their utilisation, and from all other rights conferred to the Fund upon the assignment of the Loans.

Furthermore, the Fund shall draw on the deposits in the Amortisation Account, which shall be allocated to the amortisation of Series A1, in the Fund Priority of Payments.

### **III.2.6 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 order in the 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 setting up the Fund and issuing the Bonds exceeding the Start-Up Loan amount.
- b) Any expenses arising from mandatory verifications, registrations and administrative authorisations.
- c) Expenses, if any, derived from drafting and executing the amended Deed of Constitution and the agreements, and from entering into additional agreements.
- d) Financial expenses of the Bond issue and of each of the financial borrowing and cover transactions.
- e) Rating Agency fees for monitoring and maintaining the Bond rating.
- f) Bond amortisation expenses.
- g) Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on organised securities markets and maintenance of all of the foregoing.
- h) Any expenses derived from the sale of the Loans and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility, as the case may be.
- i) Expenses derived from Loan recovery actions.
- j) Expenses derived from managing the Fund and the Loans.
- k) Fees and expenses payable by the Fund under all other service and financial transaction agreements made.
- l) Amounts payable on the terms of 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, failing a provision in Royal Decree 926/1998 and to the extent

applicable, and other applicable laws, and on the terms of the Deed of Constitution. The Economy and Finance Ministry authorised the incorporation of the Management Company as a Mortgage Securitisation Fund Management Company on December 17, 1992, and subsequently, on October 4, 1999, authorised its re-registration as a Securitisation Fund Management Company. It is moreover entered in the special register 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 also the Management Company's duty, as the manager of third-party portfolios, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection, observing the provisions in force for that purpose from time to time. 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 and the Offering Circular.

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

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

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

##### **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.

In the above connection, and without prejudice to the foregoing, the Management Company may be the Management Company of the Fund and of any other Securitisation Fund. The simultaneous management thereof shall not howsoever infringe its due diligence obligations as Management Company of the Fund or of other Securitisation Funds.

#### **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 Loans or the Obligors 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 and in this 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 Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Offering Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.
- (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) It may extend or amend the agreements entered into on behalf of the Fund and substitute each of the Fund service providers thereunder, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

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

- (i) Exercising the rights attaching to the ownership of the Loans 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 Loans, both as regards collection of ordinary instalments, principal prepayments, 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. Bringing a foreclosure action where the concurrent circumstances so require.

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

- (i) Preparing and notifying 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.5.2.a) 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 A3(G) Bonds and, if necessary, enforcing the Guarantee.

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

- (i) Determining the interest rate applicable to each borrowing, lending and hedge transaction.
- (ii) Calculating and settling the interest amounts and fees receivable and payable by the Fund on the various financial borrowing, lending and hedge transactions, and the fees payable for the various financial services arranged for.
- (iii) Opening on behalf of the Fund the Treasury Account and the Amortisation Account, initially at BANCAJA.
- (iv) Taking the actions for which provision is made in relation to the debt ratings of BANCAJA or its financial position in the Guaranteed Interest Rate Account (Treasury Account), Guaranteed Interest Rate Account (Amortisation Account), Interest Swap, Liquidity Facility and Bond Paying Agent Agreements, taking the actions for which provision is made in relation to those agreements respectively described in sections V.3.1, V.3.2, V.3.6, V.3.7 and V.3.10.
- (v) Paying into the Treasury Account the amounts received from the Loan Servicer as both principal and interest and otherwise howsoever owing to the Fund on account of the Loans.
- (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 borrowing and lending 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 in no event resign its duties until and unless all the requirements and formalities have been complied with in order for its substitute to take over its duties.
- (iv) The substitution expenses originated shall be borne by the resigning Management Company and may in no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the bulletin of the organised secondary market on which the securities issued by the Fund are listed. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

*Forced substitution.*

- (i) In the event that the Management Company should be adjudged a bankrupt or in temporary receivership, 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 excused 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 ninety-four thousand (94,000) EUR which shall be 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, deducting the balance on the Amortisation Account, both on the Payment Date preceding the then-current 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 Bond Issue.

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

$$C = B \times \frac{0,024}{100} \times \frac{d}{360}$$

where :

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

*B = Outstanding Principal Balance of the Bond Issue, deducting the balance on the Amortisation Account, both 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-three thousand (23,000) or the proportional equivalent to the exact number of 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 2005, 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 audited and reviewed every year by auditors.

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

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

### **III.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 to the CNMV and the Rating Agencies, as promptly as possible, quarterly after each Payment Date, the information described hereinafter, with the exception of that contained in section d) which shall be annual, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.2 of this Offering Circular, and of such additional information as may be reasonably required of it.

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

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

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

1. Outstanding Balance.
2. Interest accrued and not collected.
3. Amount of the instalments in arrears.
4. Printout establishing the average principal prepayment rate by Obligors during the preceding calendar quarter.

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

Report on source and subsequent application of Available Funds and Available Funds for Amortisation in the Fund Priority of Payments.

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

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

### **III.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 Rate resulting for each of the Bond Series, for the Interest Accrual Period after said 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 Bondholders of interest resulting from the Bonds in each of the Series, along with their amortisation, as appropriate, and moreover of:
  - i) The Obligors' Loan principal prepayment rate during the calendar quarter preceding the Payment Date.
  - ii) The average residual life of the Bonds in each of the Series estimated assuming the prepayment rate in accordance with the provisions of paragraph 1) above shall be maintained and making all other assumptions as provided in section II.12.a of this Offering Circular.
  - iii) The Outstanding Principal Balances of the Bonds in each 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, Bondholders shall be advised of interest and amortisation amounts accrued thereby and not settled due to a shortage of Available Funds, in accordance with the rules of 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, the AIAF and Iberclear, within not more than one (1) Business Day before each Payment Date.

**b) Extraordinary notices:**

The following shall be the subject of an extraordinary notice:

1. The constitution of the Fund and the Bond Issue, and the 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 Loans, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, or in the event of termination of the constitution of the Fund or a decision in due course to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in any of the events provided in this Offering Circular. In the latter event, the Management Company shall send the CNMV will be sent the notarial certificate of liquidation and termination of the Fund and the liquidation 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 daily bulletin of the AIAF Mercado de Renta Fija or any other institution 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.

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

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 1.2 of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies; article 5.10 of Act 19/1992; article 7.1.h) of Corporation Tax Act 43/1995, December 27; article 20.One.18 of Value Added Tax Act 37/1992, December 28, and article 57.k of Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations, 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 Bond issue is exempt from payment of Value Added Tax (article 20.One.18 of the Value Added Tax Act) and Capital Transfer and Documents Under Seal Tax (article 45-I.B number 15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax, confirmed by a Supreme Court judgment dated November 3, 1997).

- (iii) The Fund is liable to pay Corporation Tax, determining the taxable income in accordance with the provisions of Title IV of Corporation Tax Act 43/1995, December 27, applying the general rate in force from time to time, which currently stands at 35%.
- (iv) As for returns on the Loans, including the Pass-Through Certificates, loans or other credit rights constituting Fund income, there shall be no Corporation Tax withholding or advance payment obligation.
- (v) The management and custody of the Fund shall be exempt from Value Added Tax (article 20.One.18.n) of Act 37/1992).

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

The Deed of Constitution may be amended where that is necessary and provided that circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The Deed of Constitution can also be corrected as requested by the CNMV.

The extension or amendment by the Management Company of the agreements made on behalf of the Fund, the substitution of the service providers thereunder, and indeed the conclusion of additional agreements, including new credit facility agreement, for which provision is made in the Deed of Constitution and in this offering Circular, shall not require an amendment of the Deed of Constitution insofar as those actions do not result in a change of the Fund Priority of Payments.

### **III.8 Liquidation and termination 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 (“**Early Liquidation**”) of the Fund and thereby an early amortisation (“**Early Amortisation**”), on a Payment Date, of the entire Bond Issue, in any of the following early liquidation events (“**Early Liquidation Events**”):

- (i) When the amount of the Outstanding Balance of the Loans is less than 10 percent of the initial capital of the Loans on the Fund constitution date, in accordance with the authorisation established in article 5.3 of Act 19/1992 and provided that the payment obligations derived from the Bonds in each Series may be honoured and settled in full in the Priority of Payments.
- (ii) Mandatorily, if the Originator should exercise the Call Right over all of the remaining Loans held by the Fund, as prescribed in section IV.1.7 of this Offering Circular, which shall be enforceable at any time when the amount of the Outstanding Balance of the Loans is less than 10 percent of the initial capital of the Loans upon the Fund being constituted and provided the payment obligations derived from the Bonds in each Series may be honoured and settled in full in the Priority of Payments.

- (iii) 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.
- (iv) Mandatorily, in the event that the Management Company should be adjudged a bankrupt or in temporary receivership, 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.
- (v) Upon the lapse of eighteen (18) months from the date of the last maturity of the Loans, even if amounts are still due and payable.

For the purposes of Early Liquidation Events (i) and (ii) above, 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 on that date, deducting withholding tax, as the case may be, which amount shall be deemed to be due and payable on that date in all statutory respects.

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

- (i) That all the authorisations required to do so, as the case may be, have been obtained from the CNMV or competent administrative authorities or bodies.
- (ii) That Bondholders be given fifteen (15) Business Days' notice, as prescribed in section III.5.2 of this Offering Circular, of the Management Company's resolution 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 Early Liquidation Events (i) and (iii) to (v) and in order for the Fund, through its Management Company, to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue, the Management Company, for and on behalf of the Fund, shall proceed to:

- (i) Sell the Loans, including the Pass-Through Certificates, for a price not below the sum of the value of the principal plus the interest accrued and not paid on the Loans pending repayment.
- (ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) It will be entitled to arrange for a credit facility which shall be fully and forthwith allocated to the early amortisation of the Bond Issue. Repayment of that credit facility shall be guaranteed solely with the interest and principal flows derived from the Loans pending repayment and the proceeds from the sale of the other properties remaining on the assets of the Fund.

- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of Loans or other assets remaining in the Fund, the Management Company shall seek out a bid covering the market value from at least five (5) third parties, and shall be bound to accept the highest bid received for the assets offered. In order for the market value to be fixed, the Management Company may commission such valuation reports as it shall see fit.

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

Upon provisioning the reserve referred to in section III.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, and other than the amounts, if any, drawn under the credit facility arranged, which shall be fully allocated to the Early Amortisation of the Bond Issue.

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

The Fund shall terminate in any of the following events:

- (i) Upon the Loans pooled therein being fully repaid.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation procedure established in section III.8.1 above is over.
- (iv) At all events, upon the final liquidation of the Fund on the Final Maturity Date, January 15, 2030 or the following Business Day if that date is not a Business Day.
- (v) Upon the Fund constitution terminating in the event that the Rating Agencies should not confirm the assigned provisional ratings as final ratings by the start of the Subscription Period, or if the events of termination of the Bond Issue Management, Underwriting and Placement Agreement should occur. In those events, the Management Company shall terminate the constitution of the Fund, the assignment of the Loans to the Fund and the Bond Issue.

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

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

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

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 tax, administrative or advertising expenses related to termination and liquidation.

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.

## CHAPTER IV

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

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

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

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

- (i) Loans with real estate mortgage security, originated in a public deed (the “**Mortgage Loans**”).
- (ii) Unsecured loans or loans with third-party personal guarantee (surety), originated in a public document, which are enforceable (Civil Procedure Act article 517) (the “**Non-Mortgage Loans**”).

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

The Loans that BANCAJA will assign to the Fund upon being constituted will make up a number that is as yet indeterminate and their total principal or capital shall be at least equal to EUR five hundred million (500,000,000), the amount of the face value of this Bond Issue.

The Loans shall consist of most of a selection of loans from the portfolio of BANCAJA whose most significant characteristics are described in section IV.4 of this Offering Circular. The outstanding principal on the 3,567 loans selected as of August 31, 2003 amounted on that date to EUR 522,216,532.00, of which EUR 521,929,525.26 was the outstanding principal and EUR 287,006.74 the overdue principal.

#### IV.1.2 Perfecting the assignment of the Loans.

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

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

The Pass-Through Certificates shall be represented by means of a registered multiple certificate which shall contain the minimum data provided in article 64 of Royal Decree 685/1982, March 17, amended by Royal Decree 1289/1991, August 2, and specifically the registration particulars of the mortgaged properties securing the Mortgage Loans.

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

Both in the event that any Pass-Through Certificate should be substituted, as prescribed in section IV.1.6, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Loan, as prescribed in section IV.1.8, 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 Pass-Through Certificates have to be sold, BANCAJA agrees to split, as the case may be, any multiple certificate into such individual or multiple certificates as may be necessary, or to substitute or exchange the same for the above purposes.

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

Given that the Fund is an institutional investor and that the Fund has subscribed for the Pass-Through Certificates, for the purposes of paragraph two of article 64.6 of Royal Decree 685/1982, March 17, as per the wording given by Royal Decree 1289/1991, August 2, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Loans in the Land Registry.

- (ii) The Non-Mortgage Loans with or without personal guarantees -surety- shall be assigned directly without any underlying certificate being issued.

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

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

#### **IV.1.3 Terms of the assignment of the Loans.**

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

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

The Originator shall not bear the risk of default on the Loans and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will not be howsoever liable either to directly or indirectly guarantee that the transaction will be



properly performed, nor give any guarantees or securities, nor indeed agree to repurchase or substitute the Loans, saving the provisions of sections IV.1.6 and IV.1.7 below.

2. The assignment of each Loan shall be made for all the outstanding principal pending repayment on the assignment date and for all the ordinary and late-payment interest on each Loan assigned. Specifically, without limitation and for illustrative purposes only, , the assignment shall confer on the Fund the following rights in relation to each of the Loans:
  - a) To receive all Loan capital or principal repayment amounts accrued.
  - b) To receive all Loan principal ordinary interest amounts accrued.
  - c) To receive all Loan late-payment interest amounts accrued.
  - d) To receive any other amounts, assets or rights received as payment of Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in enforcing the mortgage or non-mortgage securities, on the sale or utilisation of properties or assets awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings.
  - e) To receive all possible rights or compensations on the Loans accruing for the Originator and derived therefrom, including those derived from the insurance contracts attached to the Mortgage Loans which are also assigned to the Fund, and those derived from any right collateral to the Loans, excluding the fees established for each of the Loans, which shall remain to the benefit of the Originator.

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

Returns on the Loans, including the Pass-Through Certificates, constituting Fund income shall not be subject to a Corporation Tax withholding as established in Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations.

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

#### **IV. 1.4 Representations by the Originator.**

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

##### **1. In relation to 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 in the Register of Credit Institutions of the Bank of Spain, and is authorised to grant loans to SMEs and operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has it been insolvent, in 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 in accordance with schedule II to the Order dated December 28, 2001, in order to determine the credits eligible for assignment to the Fund.

##### **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 in a public document, being either a public deed or a loan document, and that BANCAJA keeps a first copy of the public deed or the valid loan document at the Management Company's disposal, as the case may be.
- (3) That all the Loans exist and are valid and enforceable in accordance with the applicable laws, other than in events in which such eligibility is limited in consequence of a future insolvency proceeding, and that all statutory provisions applicable to them were observed in perfecting the same.
- (4) That it 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 written off the assets of BANCAJA on the date of assignment to the Fund upon being constituted, in the assigned amount, in accordance with the provisions of Bank of Spain Circular 4/91, without prejudice to the effects that partial or full subscription for the Bond Issue may have for BANCAJA pursuant to that Circular.
- (6) That all the Loans are denominated in euros and are payable exclusively in euros.
- (7) That the initial term of the Loans is not less than one year.

- (8) That all the obligors under the Loans are non-financial companies registered in Spain and they are all small and medium-sized enterprises as defined by the European Commission (Recommendation of April 3, 1996).
- (9) That it has strictly adhered to the policies for granting credit in force from time to time in granting each and every one of the Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and a memorandum on policies for granting credits and loans to companies currently in force, shall be attached as a schedule to the Deed of Constitution in that respect.
- (10) That it is not aware of the existence of any lawsuits whatsoever in relation to the Loans that might be detrimental to their validity and enforceability.
- (11) That, on the date of constitution of the Fund, none of the Loans shall have any payments that are more than one (1) month overdue.
- (12) 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 Loan principal shall be at least equivalent to the face value of the Bond Issue.
- (13) 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.
- (14) That it is not aware of any of the Loan obligors holding any credit right whatsoever against BANCAJA whereby that obligor might be entitled to a set-off.
- (15) That, on the date of constitution of the Fund, none of the Loan Obligors is involved in any insolvency proceedings whatsoever.
- (16) That, on the date of constitution of the Fund, the sum of the Outstanding Balance of the Loans of a same Obligor is not in excess of 0.50% of the Outstanding Balance of the Loans.
- (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, on the date of constitution of the Fund, it has received no notice whatsoever of total prepayment of the Loans.
- (19) That none of the Loans has a final maturity date extending beyond December 30, 2027.
- (20) 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.
- (21) That it is not aware that the Obligors may howsoever object to paying any amount relating to the Loans.

- (22) That, on the date of assignment to the Fund, none of the Loans has clauses establishing interest rate caps limiting the amount of the interest rate applicable to the Loan.
- (23) That, on the date of assignment to the Fund, at least two instalments have matured on each of the Loans.
- (24) That nobody has a pre-emptive right over the Fund, as holder of the Loans.
- (25) 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.
- (26) That after being granted, the Loans have been serviced and are still being serviced by BANCAJA in accordance with set customary procedures.
- (27) 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.
- (28) That the capital or principal of all the Loans has been fully drawn down.
- (29) That based on its internal records none of the Loans are in the nature of financing granted to real estate developers for building or renovating homes and/or business premises designed to be sold.

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

- (1) That its corporate bodies have validly adopted all necessary resolutions for the Pass-Through Certificates to be issued.
- (2) That the particulars of the Mortgage Loans and the Pass-Through Certificates, represented in a multiple registered certificate, accurately reflect their current situation and are true and complete.
- (3) That the Pass-Through Certificates are issued in accordance with article 18 of Financial System Reform Measures Act 44/2002, November 22, adding a new paragraph to section two of additional provision five of Act 3/1994, and other applicable laws, and therefore satisfy all the requirements established for the issue of pass-through certificates.
- (4) That the Mortgage Loans are all secured with a real estate mortgage ranking first on the fee absolute of each and every one of the mortgaged properties, which are not encumbered with any restrictions on their disposal, conditions subsequent or any other limitation as to title.
- (5) That the Mortgage Loans are all originated in a public deed, and the mortgages are all duly granted and entered in the relevant Land Registries. The registration of the mortgaged properties is in force and has not been howsoever opposed and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable laws.
- (6) That the Mortgage Loans do not have any of the characteristics of credits excluded or restricted by article 32 of Royal Decree 685/1982.

- (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 underlying the Mortgage Loans are not ineligible as assets excluded for standing as security under article 31.1.d) of Royal Decree 685/1982.
- (9) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates hereby issued for subscription by the Fund.
- (10) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds, mortgage certificates or pass-through certificates, other than the issue of the Pass-Through Certificates, and after their issue the Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage certificates or other pass-through certificates.

#### **IV.1.5 Loan sale or assignment price.**

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

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

1. The part of the assignment price consisting of the face value of the capital of all the Loans, item (i) of the preceding paragraph, shall be paid on the Closing Date, for same day value, upon the subscription for the Bond Issue being paid up, by means of an instruction given by the Management Company to BANCAJA to proceed to debit the Treasury Account opened on behalf of the Fund.
2. The part of the price consisting of interest accrued on each of the Loans, item (ii) of the preceding paragraph, shall be paid on the earlier of the collection date falling on the first interest settlement date of each of the Loans or the date on which they are paid by the Obligor, and will not be subject to the Fund Priority of Payments.

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

#### **IV.1.6 Set rules for substituting Non-Mortgage Loans or the Pass-Through Certificates in the event of latent defects therein, or, otherwise, repayment to the Fund.**

In the event that latent defects should appear in any of the Loans because it is found during their life that any of them or of the Pass-Through Certificates fail to conform to the representations contained in section IV.1.4 or their specific characteristics communicated by the Originator to the Management Company, the Originator agrees, subject to the Management Company’s consent, to proceed to substitute the Loans 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 Loans or Pass-Through Certificates, notifying the Management Company of the characteristics of the loans intended to be assigned to take their stead, which shall fulfil the representations contained in section IV.1.4 and be of the same kind as the Loans to be replaced. Once the Management Company has checked the appropriateness of the substitute loan, and after advising the Originator expressly of loans suitable for such substitution, such substitution shall be made by terminating the assignment of the affected Loans and, as the case may be, cancelling the relevant Pass-Through Certificate, and simultaneously assigning the new substitute loans.

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

2. Secondly to the obligation undertaken under rule 1 above, in the event that there should be no total substitution of the affected Loans, the assignment of the affected Loans not substituted shall be terminated and, as the case may be, the relevant Pass-Through Certificate will be cancelled. That termination shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Loans not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Loans.

#### **IV.1.7 Call Right.**

The Fund shall grant the Originator a call right (the “**Call Right**”) over all the remaining Non-Mortgage Loans and Pass-Through Certificates held by the Fund, which may be exercised at any time when the amount of the Outstanding Balance of the Loans is less than 10% of the initial Loan capital on the date of constitution of the Fund, and provided that the payment obligations derived from the Bonds in each Series can be fully honoured and settled in the Priority of Payments.

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 Non-Mortgage Loans and Pass-Through Certificates 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 Business 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 Loans shall be equal to the sum of the repurchase price of each of the Loans, the Repurchase price of each Loan shall be:

- (i) For each Loan in good standing or in arrears with payments that are up to 12 months overdue from the oldest overdue payment, or where the respective Obligor is not in a situation of insolvency, the amount equivalent to the sum of (i) the Outstanding Principal Balance, (ii) interest accrued not due until the Payment Date, exclusive, and (iii) overdue interest.
- (ii) For each of the Loans in arrears with payments that are more than 12 months overdue from the oldest overdue payment or where the respective Obligor is in a situation of insolvency, 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 and settled in the Priority of Payments.

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

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

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

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

The Servicer shall take the actions provided for in the Servicing Agreement, described in section IV.2.1.8 of this Offering Circular, and shall use the same diligence and procedures for recovering amounts due and payable on the Loans it would in regard to its portfolio loans, and in particular shall institute all relevant recovery actions if, upon the expiration of the periods set down for actions designed for securing payment satisfactory to the Fund's interests, those actions should fail to have the required effect, and shall in any event proceed to file for recovery as aforesaid if the Management Company, on behalf of the Fund, after analysing the specific circumstances of the matter, should deem this fit, in agreement with the Servicer.

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

1. In the event of default on the principal or interest of a Pass-Through Certificate following default by an Obligor on the Mortgage Loan, the Management Company, acting 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 Pass-Through Certificates, in the foreclosure the latter shall have instituted against the obligor, intervening to that end in any foreclosure proceedings commenced by the former.
- (iii) If 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.
- (iv) In the event that the proceedings instituted by BANCAJA should come to a standstill, the Fund, duly represented by the Management Company, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

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

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

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

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



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

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

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 Loans acquired by the Fund subject to the terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Loans, devoting the same time and effort to them 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 Loans are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company.
- (v) To pay the Fund damages resulting from a breach of the obligations undertaken.

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

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

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

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

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

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

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

## **2. Collection management.**

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

Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund on the seventh day after the date on which they were received by the Servicer, or the following business day if that is not a business day, for same day value, 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 payment method 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 Obligors as payment for the Loans.

## **3. Fixing the interest rate.**

In connection with Loans 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 Loans, to fulfilment by the Obligors of their obligations under the Loans, to delinquency status and ensuing changes in the characteristics of the Loans, and to actions to demand payment in the event of late payment and court actions, the foregoing using the procedures and timing established in the Servicing Agreement.

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

## **5. Loan subrogation.**

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

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

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

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

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

### **a) Renegotiating the interest rate.**

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

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

1. Without prejudice to the provisions of paragraph 2 below, the Servicer may renegotiate the interest rate clause of the Loans on conditions that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its 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 terms substantially similar to the Loan.
2. Renegotiating the interest rate applicable to a Loan in due course shall at no event result in the margin or average spread weighted to the outstanding principal of the Loans is not in excess of 50 basic percentage points above the Euribor or Mibor reference indices or rates.

In the case of Loans with benchmark indices other than Euribor or Mibor rates or indices, and for the purpose of homogenising them with those indices, the Loan margin or spread shall be deemed to be the result of increasing or reducing the applicable margin by the difference between the simple averages of the values for the last three (3) months, published by the Bank of Spain, of (a) the one-year EURIBOR index (one-year interbank benchmark) and (b) the relevant benchmark index.

**b) Extending the period of maturity.**

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

- (i) The Servicer may in no case entertain on its own account, i.e. without it being so requested by the Obligor, a change in the final maturity date of the Loan which may result in an extension of that date. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund’s interests.
- (ii) The aggregate of the capital or principal assigned to the Funds of the Loans with respect to which the maturity date is extended may not exceed 10% of the total initial capital or principal assigned to the Fund of all the Loans.
- (iii) The term of a specific Loan may be extended provided that the following requirements are met:
  - a) That the periodicity of repayment instalments of the capital or principal of the Loan is at all events maintained or reduced, albeit keeping the same repayment system in place.
  - b) That the new final maturity or final amortisation date does not extend beyond December 30, 2027.
  - c) That there was no delay in excess of one (1) month in payment of amounts due on the Loan during the last six (6) months before the effective date of the extension of the term.

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

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

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

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

**7. Extended mortgage.**

If the Servicer should become aware at any time that for any reason the value of a mortgaged property securing a Mortgage Loan has dropped in below 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 of the value of the asset to the loan or credit secured thereby, or

- b) repay all or such portion of the Mortgage 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 being requested to extend the mortgagor should fail to do so or repay the portion of the Mortgage Loan referred to in the preceding paragraph, the Obligor shall be deemed to have chosen to repay the Mortgage Loan fully, which the Servicer shall forthwith require the Obligor to do.

## **8. Action against Obligor in the event of default on the Loans.**

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

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

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

### ***Legal actions.***

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

In the above connection and for the purposes prescribed in articles 581.2 and 686.2 of the Civil Procedure Act, and in the event that this should be necessary, the Management Company grants in the Deed of Constitution as full and extensive a power of attorney as may be required at Law to 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 Obligor of any of the Loans to pay his debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer. These authorities may be extended or amended in another deed where appropriate.

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

If eight (8) months should elapse from the oldest default without the Obligor having resumed payments or arranged for a restructuring, and the Servicer should fail to file the recovery action without there being proper reasons therefor, the Management Company may, on behalf of the Fund, proceed directly to commence the appropriate legal proceedings to fully claim the debt.

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

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

#### **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 mortgaged properties or reducing the amount payable in any claim thereunder. The Servicer shall act due diligently and in any event use the rights conferred under the insurance policies or the Mortgage Loans in order to keep those policies in full force and effect in relation to the Mortgage Loan and the respective property.

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

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

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

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

#### **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 in no event result in an additional cost or expense for the Fund or the Management Company, and may not result in the rating assigned to each of the Bond Series being adversely revised. Notwithstanding any subcontracting or delegation, the Servicer shall not be excused or released under that subcontract or delegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.

#### **12. Notices.**

In the event that the Servicer should be adjudged a bankrupt, the Management Company shall, forthwith upon such circumstance coming to its notice, duly notify the Obligors of the assignment of the Loans to the Fund.

Moreover, the Management Company may, whenever it shall deem this appropriate, demand the Servicer to notify the Obligors of the assignment of the Loans to the Fund. In that same event, upon the failure by

the Servicer to satisfy that demand within ten (10) Business Days following receipt thereof, the Management Company may serve that notice of its own accord, without prejudice to the Servicer being held liable, as the case may be, in consequence of that failure.

#### **IV.2.2 Term.**

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

Both in the event of breach by the Servicer of the obligations established in the Servicing Agreement and in the event of the Servicer being in temporary or administrative receivership or bankrupt or 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 has suitable legal and technical qualifications, and provided that this is not detrimental to the rating assigned to the Bonds by 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 is 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 Loans 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) this is not detrimental to the rating assigned to the Bonds by the Rating Agencies, (iii) the Management Company designates a new Servicer, and (iv) 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, or if the events of termination of the Bond Issue Management, Underwriting and Placement Agreement should occur.

#### **IV.2.3 Liability of the Servicer and indemnity.**

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

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

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

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

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

#### **IV.2.4 Remuneration of the Servicer for servicing and managing the Loans and custody of the Pass-Through Certificates.**

In consideration of the custody, servicing and management of the Loans and custody of the Pass-Through 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 Loans 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, which may not be in excess of that agreed with BANCAJA hereunder. Furthermore, in the event that the Management Company should be directly responsible for servicing and managing the Loans, the Loan 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 they 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 Loans. 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 Loans for analysing risks and granting the Loans.**

The loans selected to be assigned to the Fund have been granted by BANCAJA in accordance with its usual procedures for analysing and assessing the credit risk for granting loans to companies. The procedures currently in place at BANCAJA are described in the schedule to the Deed of Constitution entitled “Bancaja memorandum on the policies for granting credits and loans to companies”.

**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
30/06/2003	25,485	6,603,648,854	3.65	41,218,608	6,644,867,459	0.62	97,184,666
31/12/2002	18,903	5,108,934,073	4.22	37,210,156	5,146,144,229	0.72	94,607,582
31/12/2001	17,526	3,900,792,948	4.87	34,193,191	3,934,986,139	0.87	96,823,069
31/12/2000	16,450	3,299,778,038	5.39	41,150,037	3,340,928,075	1.23	89,359,575
31/12/1999	15,337	2,428,666,500	4.27	52,184,199	2,480,850,699	2.10	82,206,282
31/12/1998	13,344	1,828,958,607	5.23	46,262,622	1,875,221,229	2.47	77,931,661
31/12/1997	11,494	1,386,550,662	6.51	66,032,052	1,452,582,714	4.55	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.

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

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

The provisional portfolio of selected loans which shall mostly be assigned to the Fund upon being constituted comprises 3,567 loans, the outstanding principal value of which as of August 31, 2003 amounted to EUR 521,929,525.26 and the overdue principal amounted to EUR 287,006.74.

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

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

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

The provisional portfolio loans are all bilateral loans granted by BANCAJA to non-financial small and medium-sized enterprises 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 guarantee (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.

<b>Loan portfolio as of 31.08.2003</b>				
<b>Classification by type of security</b>				
	<b>Loans</b>		<b>Outstanding Balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Loans with mortgage security	1,926	53.99	365,895,591.89	70.10
Loans with third-party bond	1,292	36.22	95,938,171.60	18.38
Unsecured loans	349	9.78	60,095,761.77	11.51
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>

**c) Maximum, minimum and average mortgage loan principal values.**

The following table shows the distribution of the outstanding principal balance of the loans as of August 31, 2003 in EUR 50,000 intervals, and their average, minimum and maximum amount.

<b>Loan portfolio as of 31.08.2003</b>				
<b>Classification by outstanding principal</b>				
<b>Outstanding principal interval</b>	<b>Loans</b>		<b>Outstanding Principal</b>	
<b>(in EUR)</b>	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>
0.00 - 49,999.99	1,448	40.59	37,934,718.00	7.27
50.000.00 - 99,999.99	762	21.36	55,999,026.99	10.73
100.000.00 - 149,999.99	424	11.89	52,015,783.85	9.97
150.000.00 - 199,999.99	260	7.29	44,970,562.31	8.62
200.000.00 - 249,999.99	153	4.29	34,206,311.38	6.55
250.000.00 - 299,999.99	103	2.89	27,789,776.11	5.32
300.000.00 - 349,999.99	63	1.77	20,367,952.22	3.90
350.000.00 - 399,999.99	55	1.54	20,270,748.47	3.88
400.000.00 - 449,999.99	41	1.15	17,314,749.59	3.32
450.000.00 - 499,999.99	36	1.01	16,983,608.36	3.25
500.000.00 - 549,999.99	39	1.09	20,473,513.26	3.92
550.000.00 - 599,999.99	27	0.76	15,528,110.94	2.98
600.000.00 - 649,999.99	10	0.28	6,234,517.47	1.19
650.000.00 - 699,999.99	14	0.39	9,333,288.95	1.79

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<b>Loan portfolio as of 31.08.2003</b>				
<b>Classification by outstanding principal</b>				
<b>Outstanding principal interval (in EUR)</b>	<b>Loans</b>		<b>Outstanding Principal</b>	
	<b>No.</b>	<b>%</b>	<b>(EUR)</b>	<b>%</b>
700,000.00 - 749,999.99	15	0.42	10,827,147.93	2.07
750,000.00 - 799,999.99	9	0.25	7,010,182.29	1.34
800,000.00 - 849,999.99	13	0.36	10,698,358.00	2.05
850,000.00 - 899,999.99	13	0.36	11,298,411.68	2.16
900,000.00 - 949,999.99	10	0.28	9,271,102.97	1.78
950,000.00 - 999,999.99	9	0.25	8,792,150.28	1.68
1,000,000.00 - 1,049,999.99	5	0.14	5,154,801.38	0.99
1,050,000.00 - 1,099,999.99	6	0.17	6,391,873.43	1.22
1,100,000.00 - 1,149,999.99	3	0.08	3,376,244.32	0.65
1,200,000.00 - 1,249,999.99	7	0.20	8,280,309.66	1.59
1,250,000.00 - 1,299,999.99	5	0.14	6,118,150.39	1.17
1,300,000.00 - 1,349,999.99	4	0.11	5,063,497.32	0.97
1,350,000.00 - 1,399,999.99	3	0.08	3,959,680.19	0.76
1,400,000.00 - 1,449,999.99	6	0.17	8,190,485.86	1.57
1,450,000.00 - 1,499,999.99	4	0.11	5,693,012.11	1.09
1,500,000.00 - 1,549,999.99	3	0.08	4,454,905.49	0.85
1,550,000.00 - 1,599,999.99	2	0.06	3,070,186.92	0.59
1,600,000.00 - 1,649,999.99	2	0.06	3,165,256.78	0.61
1,650,000.00 - 1,699,999.99	5	0.14	8,101,954.35	1.55
1,700,000.00 - 1,749,999.99	4	0.11	6,686,461.63	1.28
1,750,000.00 - 1,799,999.99	4	0.11	6,902,684.38	1.32
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>
<b>Average principal:</b>				<b>146,321.71</b>
<b>Minimum principal:</b>				<b>506.25</b>
<b>Maximum principal:</b>				<b>1,745,438.91</b>

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

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

<b>Loan portfolio as of 31.08.2003</b>					
<b>Classification by Interest rate benchmark index</b>					
<b>Benchmark index</b>	<b>Loans</b>		<b>Outstanding Balance</b>		<b>%Margin * o/index</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
1-year Euribor/Mibor	3,051	85.53	422,434,169.93	80.94	1.07
90-day Euribor/Mibor	516	14.47	99,495,355.33	19.06	1.11
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>	
* Margin over the average benchmark index weighted by the outstanding principal.					

**e) 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.

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Loan portfolio as of 31.08.2003					
Classification by Nominal Interest Rates					
Interest Rate % Interval	Loans		Outstanding Balance (EUR)		% Interest Rate*
		%		%	
2.50 - 2.99	75	2.10	26,855,900.34	5.15	2.81
3.00 - 3.49	445	12.48	112,698,770.50	21.59	3.19
3.50 - 3.99	896	25.12	158,134,482.26	30.30	3.65
4.00 - 4.49	815	22.85	125,186,438.71	23.99	4.14
4.50 - 4.99	518	14.52	65,113,763.15	12.48	4.60
5.00 - 5.49	304	8.52	17,785,684.60	3.41	5.08
5.50 - 5.99	246	6.90	9,285,846.78	1.78	5.59
6.00 - 6.49	144	4.04	4,134,118.81	0.79	6.08
6.50 - 6.99	73	2.05	1,614,436.20	0.31	6.61
7.00 - 7.49	36	1.01	789,483.64	0.15	7.05
7.50 - 7.99	14	0.39	292,063.17	0.06	7.57
8.00 - 8.49	1	0.03	38,537.10	0.01	8.00
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>3.86 %</b>
	<b>Simple average:</b>				<b>4.30 %</b>
	<b>Minimum:</b>				<b>2.64 %</b>
	<b>Maximum:</b>				<b>8.00 %</b>

\* Average nominal interest rate of the interval weighted by the outstanding principal.

f) **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 age.

Loan portfolio as of 31.08.2003				
Classification by loan origination date				
Date interval	Loans		Outstanding Balance (EUR)	
		%		%
01/01/1994 to 30/06/1994	1	0.03	141,915.19	0.03
01/07/1994 to 31/12/1994	3	0.08	404,306.08	0.08
01/01/1995 to 30/06/1995	7	0.20	197,621.74	0.04
01/07/1995 to 31/12/1995	4	0.11	80,963.48	0.02
01/01/1996 to 30/06/1996	12	0.34	1,270,971.30	0.24
01/07/1996 to 31/12/1996	23	0.64	1,335,253.17	0.26
01/01/1997 to 30/06/1997	51	1.43	3,869,038.84	0.74
01/07/1997 to 31/12/1997	39	1.09	2,804,434.78	0.54
01/01/1998 to 30/06/1998	48	1.35	5,360,364.56	1.03
01/07/1998 to 31/12/1998	48	1.35	7,487,955.57	1.43
01/01/1999 to 30/06/1999	51	1.43	5,420,975.06	1.04
01/07/1999 to 31/12/1999	103	2.89	19,557,186.14	3.75
01/01/2000 to 30/06/2000	75	2.10	15,800,451.16	3.03
01/07/2000 to 31/12/2000	63	1.77	11,837,356.10	2.27
01/01/2001 to 30/06/2001	118	3.31	16,160,065.85	3.10
01/07/2001 to 31/12/2001	690	19.34	114,744,161.73	21.98
01/01/2002 to 30/06/2002	896	25.12	138,498,895.65	26.54
01/07/2002 to 31/12/2002	979	27.45	137,523,992.22	26.35
01/01/2003 to 30/06/2003	356	9.98	39,433,616.64	7.56

Loan portfolio as of 31.08.2003			
Classification by loan origination date			
Date interval	Loans		Outstanding Balance
		%	(EUR) %
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26 100.00</b>
	<b>21.22</b>	<b>Months</b>	<b>Weighted average age</b>
<b>26/05/1994</b>	<b>111.25</b>	<b>Months</b>	<b>Maximum age</b>
<b>31/03/2003</b>	<b>5.03</b>	<b>Months</b>	<b>Minimum age</b>

### Initial repayment term

The following table shows the distribution of loans by twelve-monthly initial repayment term intervals between the origination and the final maturity dates of each loan. The initial repayment term of all the loans is in excess of one year.

Loan portfolio as of 31.08.2003			
Classification by initial loan repayment term			
Monthly intervals	Loans		Outstanding Principal
		%	(EUR) %
12.01 - 24.00	3	0.08	53,378.39 0.01
24.01 - 36.00	65	1.82	4,299,069.15 0.82
36.01 - 48.00	271	7.60	23,047,351.25 4.42
48.01 - 60.00	343	9.62	22,439,891.08 4.30
60.01 - 72.00	679	19.04	70,173,878.19 13.45
72.01 - 84.00	104	2.92	11,878,247.08 2.28
84.01 - 96.00	261	7.32	35,085,223.13 6.72
96.01 - 108.00	43	1.21	6,745,014.15 1.29
108.01 - 120.00	61	1.71	11,018,710.64 2.11
120.01 - 132.00	386	10.82	77,670,779.93 14.88
132.01 - 144.00	27	0.76	7,175,539.84 1.37
144.01 - 156.00	182	5.10	39,644,786.08 7.60
156.01 - 168.00	39	1.09	9,388,238.46 1.80
168.01 - 180.00	80	2.24	12,527,212.54 2.40
180.01 - 192.00	682	19.12	120,190,705.57 23.03
192.01 - 204.00	13	0.36	2,638,696.66 0.51
204.01 - 216.00	7	0.20	3,351,637.97 0.64
216.01 - 228.00	12	0.34	2,481,357.79 0.48
228.01 - 240.00	30	0.84	5,392,605.44 1.03
240.01 - 252.00	199	5.58	39,951,584.05 7.65
252.01 - 264.00	4	0.11	1,508,017.78 0.29
264.01 - 276.00	6	0.17	1,984,171.19 0.38
276.01 - 288.00	7	0.20	1,228,793.09 0.24
288.01 - 300.00	11	0.31	1,313,763.77 0.25
300.01 - 312.00	51	1.43	10,461,341.69 2.00
312.01 - 324.00	1	0.03	279,530.35 0.05
<b>Total</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26 100.00</b>
	<b>Weighted average:</b>		<b>136.50</b>
	<b>Simple average:</b>		<b>117.22</b>
	<b>Minimum:</b>		<b>23.93</b>
	<b>Maximum:</b>		<b>312.23</b>

### Final maturity date and residual life.

Loans are repaid throughout the life remaining until full repayment, during which period mortgagors must pay monthly instalments comprising capital repayment and interest.

At any time during the life of the loans, mortgagors may prepay all or part of the outstanding capital, in which case the accrual of interest on the part prepaid will cease as of the date on which the repayment occurs.

The following table shows the distribution of the loans according to final maturity date in annual intervals, and the weighted average residual life and the minimum and maximum final maturity dates.

<b>Loan portfolio as of 31.08.2003</b>						
<b>Classification by final repayment date</b>						
<b>Final Repayment Year</b>	<b>Loans</b>		<b>Outstanding principal</b>		<b>Total Residual Life*</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	<b>Months</b>	<b>Date</b>
2004	1	0.03	5,664.75	0.00	15.15	4/12/2004
2005	335	9.39	28,816,600.21	5.52	21.96	30/06/2005
2006	488	13.68	41,642,813.19	7.98	34.53	17/07/2006
2007	562	15.76	51,069,568.58	9.78	45.67	21/06/2007
2008	265	7.43	32,306,924.91	6.19	57.04	1/06/2008
2009	167	4.68	24,742,809.56	4.74	70.59	19/07/2009
2010	98	2.75	16,584,101.12	3.18	79.82	25/04/2010
2011	147	4.12	26,368,218.16	5.05	96.03	1/09/2011
2012	264	7.40	52,827,395.16	10.12	105.99	30/06/2012
2013	103	2.89	21,326,199.48	4.09	119.32	10/08/2013
2014	130	3.64	27,395,239.78	5.25	129.60	19/06/2014
2015	65	1.82	14,714,497.82	2.82	142.31	11/07/2015
2016	199	5.58	36,643,075.56	7.02	156.48	14/09/2016
2017	392	10.99	76,189,873.99	14.60	166.20	7/07/2017
2018	41	1.15	7,586,710.17	1.45	175.58	18/04/2018
2019	14	0.39	3,530,784.24	0.68	187.53	17/04/2019
2020	15	0.42	3,474,807.98	0.67	203.13	4/08/2020
2021	67	1.88	13,629,339.49	2.61	216.09	2/09/2021
2022	128	3.59	25,276,640.44	4.84	226.24	8/07/2022
2023	22	0.62	5,775,794.98	1.11	236.78	25/05/2023
2024	6	0.17	811,873.05	0.16	248.60	19/05/2024
2025	12	0.34	1,146,369.41	0.22	263.05	1/08/2025
2026	15	0.42	2,246,975.06	0.43	276.26	8/09/2026
2027	31	0.87	7,817,248.17	1.50	285.85	26/06/2027
<b>Total portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>115.20</b>	<b>6/04/2013</b>
	<b>Simple average:</b>				<b>95.47</b>	<b>15/08/2011</b>
	<b>Minimum:</b>				<b>15.15</b>	<b>4/12/2004</b>
	<b>Maximum:</b>				<b>291.98</b>	<b>30/12/2027</b>

\* Residual life (months and date) stands for averages weighted by the outstanding principal.

**g) Information on the distribution by economic activity sectors in accordance with the Spanish Business Activity Code (CNAE).**

The following table shows the distribution based on the CNAE of the corporate obligors according to their business.

<b>Loan portfolio as of 31.08.2003</b>				
<b>Classification by sectors</b>				
<b>CNAE</b>	<b>Loans</b>		<b>Outstanding Balance</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
1 Agriculture, Stockbreeding, Hunting and Silviculture.	70	1.96	8,684,408.25	1.66
5 Fishing.	20	0.56	6,148,487.44	1.18
11 Extracting Energy Products.	1	0.03	42,761.85	0.01
14 Extracting other minerals except Energy Products.	11	0.31	1,216,472.22	0.23
15 Food products, drinks and tobacco industry.	87	2.44	13,608,847.98	2.61
17 Textile and textile manufacture industry.	79	2.21	7,801,239.85	1.49
19 Leather and footwear industry.	34	0.95	3,383,210.22	0.65
20 Wood and cork industry.	57	1.60	7,064,943.19	1.35
21 Paper industry; Publishing, graphic arts and reproduction of recorded media.	48	1.35	7,040,034.07	1.35
24 Chemical industry.	26	0.73	5,401,762.21	1.03
25 Manufacture of rubber products and plastic materials industry.	31	0.87	3,363,290.72	0.64
26 Other non-metallic mineral products industries.	101	2.83	29,230,062.95	5.60
28 Metallurgy and Manufacture of Metallic Products.	68	1.91	12,331,883.26	2.36
29 Building of machinery and mechanical equipment industry.	42	1.18	5,478,932.65	1.05
33 Electrical, Electronic and Optical Material and Equipment Industry.	26	0.73	4,167,729.62	0.80
34 Manufacture of Transport Material.	8	0.22	1,239,819.21	0.24
36 Other manufacturing industries.	77	2.16	14,623,911.66	2.80
41 Production and distribution of electric power, gas and water.	8	0.22	978,873.95	0.19
45 Building.	383	10.74	35,472,233.60	6.80
52 Retail trade; repair of motor vehicles, motorcycles and mopeds and personal and household items.	540	15.14	70,782,772.44	13.56
55 Catering trade.	220	6.17	33,394,240.39	6.40
60 Transport, Storage and Communications.	173	4.85	24,169,569.20	4.63
66 Financial brokering.	11	0.31	852,057.40	0.16
74 Real Estate and Rental Activities; Business Services.	1,174	32.91	186,600,194.63	35.75
75 Public Administration, Defence and Compulsory Social Security.	1	0.03	174,376.87	0.03
80 Education.	30	0.84	3,313,561.98	0.63
85 Health and Veterinary Activities, Social Services.	54	1.51	7,148,126.66	1.37
91 Other social activities and services provided to the Community; Personal Services.	187	5.24	28,215,720.79	5.41
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>

**h) Information on geographical distribution by provinces.**

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

<b>Loan portfolio as of 31.08.2003</b>				
<b>Classification by provinces</b>				
	<b>Loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>( EUR)</b>	<b>%</b>
Corunna	1	0.03	164,427.47	0.03
Albacete	117	3.28	12,670,507.60	2.43
Alicante	436	12.22	54,012,063.69	10.35
Asturies	1	0.03	219,995.44	0.04
Badajoz	1	0.03	547,742.98	0.10
Balearic Isles	105	2.94	17,736,172.19	3.40
Barcelona	294	8.24	61,487,345.57	11.78
Cáceres	1	0.03	23,940.62	0.00
Cádiz	1	0.03	1,211,385.64	0.23
Castellón	456	12.78	72,951,620.89	13.98
Ciudad Real	4	0.11	472,527.29	0.09
Cuenca	8	0.22	1,973,374.45	0.38
Gerona	6	0.17	1,277,287.40	0.24
Guadalajara	3	0.08	341,354.54	0.07
Guipúzcoa	2	0.06	123,697.89	0.02
Huelva	2	0.06	341,013.90	0.07
Las Palmas	43	1.21	7,718,471.65	1.48
Lérida	30	0.84	3,024,931.45	0.58
Madrid	281	7.88	54,609,623.78	10.46
Málaga	3	0.08	867,365.64	0.17
Murcia	6	0.17	468,806.14	0.09
Segovia	1	0.03	115,857.89	0.02
Seville	5	0.14	559,821.60	0.11
Sta. Cruz Tenerife	29	0.81	4,124,063.47	0.79
Tarragona	11	0.31	2,793,400.49	0.54
Teruel	1	0.03	650,385.69	0.12
Toledo	5	0.14	390,494.61	0.07
Valencia	1,649	46.23	207,200,264.72	39.70
Valladolid	4	0.11	2,424,378.09	0.46
Biscay	29	0.81	6,950,634.62	1.33
Zaragoza	32	0.90	4,476,567.86	0.86
<b>Total Portfolio</b>	<b>3,567</b>	<b>100.00</b>	<b>521,929,525.26</b>	<b>100.00</b>



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

The following table shows the number of loans, the outstanding principal and the overdue principal on provisional portfolio loans in regard to which there was any delay in payment of amounts due as of August 31, 2003.

<b>Arrears in payment of instalments due as of 31.08.2003</b>				
<b>Day Interval</b>	<b>Loans</b>	<b>Outstanding Principal</b>	<b>Overdue Principal</b>	
				<b>% o/ Total Outstanding Principal</b>
1 to 15 days	200	21,429,563.68	205,966.62	0.039
16 to 30 days	62	8,122,656.50	65,283.50	0.013
31 to 60 days	9	695,248.42	15,756.62	0.003
<b>Total</b>	<b>271</b>	<b>30,247,468.60</b>	<b>287,006.74</b>	

As declared by BANCAJA in section IV.1.4.2 (11), none of the Loans that will finally be assigned to the Fund upon being constituted shall have payments that are more than one (1) month overdue on the date of assignment.

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**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 at the close of 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>501,135,000.00</b>	<b>Bond Issue</b>	<b>500,000,000.00</b>
Loans (adjustment excess to 12,675.24)	500,012,675.24	Series A1 Bonds	114,000,000.00
		Series A2 Bonds	142,700,000.00
		Series A3(G) Bonds	199,500,000.00
Set-up and Bond issuance expenses	1,122,324.76	Series B Bonds	32,000,000.00
		Series C Bonds	11,800,000.00
<b>Current Assets</b>	to be determined	<b>Other long-term liabilities</b>	<b>10,635,000.00</b>
Treasury Account*	9,500,000.00	Start-Up Loan	1,135,000.00
Amortisation Account	0.00	Subordinated Loan	9,500,000.00
Accrued interest receivable **	to be determined		
		<b>Short-term creditors</b>	to be determined
		Loan accrued interest **	to be determined
<b>Total assets</b>	<b>510,635,000.00</b>	<b>Total liabilities</b>	<b>510,635,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Liquidity Facility Available	21,000,000.00		
Interest Swap payment	to be determined		
Interest Swap collection	to be determined		

**(Amounts in EUR)**

\* Assuming that all Set-up and Bond issuance expenses are met on the Closing Date.

\*\* As set forth in section IV.1.5. 2 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 Loans 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 these Bond servicing and Fund cash flow tables:

**a) Loans.**

- (i) Amount of the provisional portfolio as of 31.08.2003 from which the loans subject of the issue of Loans shall be taken: EUR 521,929,525.26 (outstanding principal).
- (ii) Interest rate: 3.86% (weighted average interest rate of the selected loan portfolio as of 31.08.2003), assumed constant throughout the life of the transaction.

Interest received on the Loans between every two consecutive Payment Dates is shown on the table of section V.1.3 on each of the specified Payment Dates, net of interest receivable by the Fund resulting from the application of the Interest Swap on the same Payment Date.

- (iii) CPR: 10% per annum (0.8742% monthly) and 15% per annum (1.3452% monthly).
- (iv) Delinquency rate: 0% per annum.
- (v) Defaults: 0%.

**b) Bonds.**

- (i) Total amount: EUR 500,000,000.

	<u>EUR</u>
<b>Series A1 Bonds</b>	114,000,000.00
<b>Series A2 Bonds</b>	142,700,000.00
<b>Series A3(G) Bonds</b>	199,500,000.00
<b>Series B Bonds</b>	32,000,000.00
<b>Series C Bonds</b>	11,800,000.00
<b>Total</b>	<b>500,000,000.00</b>

- (ii) Interest rate: floating interest rate for the outstanding balances of each of the Series.

The following are the interest rates in each Series assumed for the first Interest Accrual Period:

	<b>Series A1 Bonds</b>	<b>Series A2 Bonds</b>	<b>Series A3(G) Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	2.349%	2.439%	2.199%	2.859%	3.659%

For the successive Interest Accrual Periods, the following are the floating interest rates for the Bonds, which are assumed constant as follows for each Series:

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	<b>Series A1 Bonds</b>	<b>Series A2 Bonds</b>	<b>Series A3(G) Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	2.340%	2.430%	2.190%	2.850%	3.650%

- (iii) It is assumed that the principal in each of the Bond Series will be repaid in accordance with the rules established in section II.11.3 of 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 remain constant at 2.150% for remunerating all the amounts credited to the Treasury Account.

**(ii) Amortisation Account.**

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

Interest rate: it is assumed to remain constant at 2.150% for remunerating all the amounts credited to the Amortisation Account.

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

- Amount: EUR 1,135,000.00, which shall be allocated to financing the expenses of setting up the Fund and issuing the Bonds (approximately EUR 1,122,324.76) and to partially financing the acquisition of the Loans (up to EUR 12,675.24).
- Interest rate: it is assumed to remain constant at 3.150%.
- Repayment: the principal will be repaid in twenty (20) equal, consecutive quarterly instalments on each Payment Date, from the first and the following Payment Dates until the Payment Date falling on 15.10.2008, inclusive.

**(iv) Interest Swap Agreement.**

- The table of section V.1.3, on each of the specified Payment Dates, show the net interest payable by the Fund calculated based on interest received on the Loans between every two consecutive Payment Dates, and interest receivable by the Fund calculated based on the interest rate of the Bond Series, in both cases making the assumptions respectively set out in paragraphs a).ii) and b).ii) of this section.

**(v) Subordinated Loan Agreement.**

- Amount : EUR 9,500,000.00.
- Ordinary interest rate: it is assumed to remain constant at 3.150%.

- Variable remuneration: to be settled quarterly on each Payment Date, accruing quarterly in an amount equal to the positive difference, if any, between the Fund's income and expenditure on the last day of the calendar month preceding each Payment Date and by the close of the previous month's accounts.
- The loan shall be repaid on each of the Payment Dates in an amount equivalent to the reduction of the Required Cash Reserve.

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

The assumption made is that it will not be necessary to enforce the State Guarantee or draw on the Liquidity Facility based on the assumed performance of the Loans set forth in subparagraphs (iv) and (v) of paragraph a) above.

**d) Cash Reserve.**

- Amount: EUR 9,500,000.00.
- Reduction: the assumption is that its amount is decreased down to the Required Cash Reserve on each Payment Date.

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

- (i) Loan Servicing Fee: 0.01% per annum on the mean daily Outstanding Balance of the Loans during each Interest Accrual Period for the current Payment Date, inclusive of VAT if there is no exemption.
- (ii) Management Company Fee: 0.24% per annum on the Outstanding Principal Balance of the Bonds, minus the balance on the Amortisation Account, the minimum annual amount being EUR 23,000, updated yearly assuming a yearly RPI of 2.5%.
- (iii) Annual expenses of the Fund for maintaining the rating of the Bonds and auditing the accounts: EUR 15,660 on each Payment Date, assuming a yearly RPI of 2.5%.
- (iv) Bond Paying Agent Fees: 0.01% on the amount to be distributed to Bondholders on each Bond Payment Date.

**V.1.2 Analysis of and comments on the impact that potential changes in the assumptions described in the preceding point would have on the financial balance of the Fund.**

In order to hedge the contingent credit risk due to delinquency and default on the Loans, it has been resolved to set up a Cash Reserve, initially provisioned by drawing under the Subordinated Loan, 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 payment of interest and principal on the Bonds. Nevertheless, the State Guarantee (section 12.5.2) covers that credit risk for the Bonds in the guaranteed Series A3(G) Bonds. Furthermore, the deferred interest payment and principal repayment of the Series C Bonds, with respect to the Bonds in the other Series, and of the Series B Bonds with respect to the Series A1, A2 and A3(G) Bonds, is a means of protection among the Series.

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The interest risk between the fixed and floating interest on the Loans based on different review and settlement periods and benchmark indices, and the floating interest on the Bond Issue 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 calculation of the amounts payable and receivable by the Fund is based on the Swap Notional and excludes the Outstanding Balance of Loans with a default in excess of ninety (90) days.

As for the incidence the prepayment of the Loans might have on the Bonds, section II.12.a) of this Offering Circular contains a table showing the performance as to average life and duration of the Bonds for different effective constant annual early amortisation or prepayment rates (CPR).

In general, the quality of the Loans 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 Loans 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.

This outline is based not only on the assumptions referred to in section V.1.1 above but also on those assumptions remaining constant throughout the life of the Fund, whereas it is well-known that the relevant variables, particularly interest rates of the Bonds in all Series, and actual interest rates and delinquency, default and prepayment rates on the Loans are subject to continual changes.

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

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24-Sep-2003		500,000,000.00 Bond Issue	
		1,122,324.76	Start-Up Loan (- Loan acquisition residue)
		9,500,000.00	Subordinated Loan
<b>FUND CASH FLOWS</b>		<b>(AMOUNTS IN EUR)</b>	
		CPR = 10.00%	

Cash Reserve Balance	Loan Outstanding Balance	Date	COLLECTIONS										Total	
			(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		(11)
9,500,000.00	459,824,025.51	15-Jan-2004	500,000,000.00	46,161,894.82	114,000,000.00	3,996,046.24	0.00	0.00	0.00	0.00	0.00	0.00	9,500,000.00	673,657,941.06
9,500,000.00	430,313,065.71	15-Apr-2004	40,175,974.49	4,413,770.82	0.00	186,428.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	44,776,173.33
9,500,000.00	401,878,316.84	15-Jul-2004	29,510,959.80	3,248,319.36	0.00	331,237.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	33,090,516.50
9,500,000.00	374,376,802.80	15-Oct-2004	28,434,748.86	3,035,842.65	0.00	489,180.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,959,771.77
9,500,000.00	347,901,509.29	17-Jan-2005	27,501,514.04	2,861,410.61	0.00	648,177.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,011,102.13
9,500,000.00	322,847,048.11	15-Apr-2005	26,475,293.51	2,718,132.12	114,000,000.00	751,806.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	143,945,232.45
9,500,000.00	299,831,829.63	15-Jul-2005	25,054,461.18	2,365,781.22	0.00	100,888.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,521,131.06
9,500,000.00	278,538,820.85	17-Oct-2005	23,015,218.48	2,267,983.23	0.00	99,018.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	25,382,219.97
9,500,000.00	258,442,154.31	16-Jan-2006	21,293,008.78	2,172,087.47	0.00	100,451.41	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,565,547.68
9,122,022.30	240,053,218.37	17-Apr-2006	20,096,666.54	1,948,640.27	0.00	94,977.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	22,140,284.06
8,467,299.47	222,823,670.35	17-Jul-2006	18,388,935.94	1,805,466.52	0.00	92,011.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,664,392.15
7,857,741.95	206,782,682.95	16-Oct-2006	16,040,987.40	1,550,274.88	0.00	87,625.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19,646,839.04
7,297,757.69	192,046,254.88	15-Jan-2007	14,736,428.07	1,439,664.98	0.00	80,833.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18,281,653.10
6,788,357.39	178,640,984.02	16-Apr-2007	13,405,270.86	1,338,457.03	0.00	73,866.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16,809,944.13
6,323,654.65	166,411,964.55	16-Jul-2007	12,229,019.47	1,246,011.26	0.00	68,340.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,321,468.76
5,899,205.77	155,242,257.13	15-Oct-2007	11,169,707.42	1,161,723.93	0.00	63,581.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,003,315.40
5,505,922.40	144,892,694.81	15-Jan-2008	10,349,562.32	1,096,194.24	0.00	58,105.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,813,986.19
5,146,037.60	135,422,042.07	15-Apr-2008	9,470,652.74	1,012,783.72	0.00	54,522.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,893,562.53
5,000,000.00	126,680,527.48	15-Jul-2008	8,741,514.59	947,353.51	0.00	50,082.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,893,403.31
5,000,000.00	118,393,576.61	15-Oct-2008	8,286,950.87	895,215.25	0.00	46,449.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,881,354.71
5,000,000.00	110,579,339.46	15-Jan-2009	7,814,237.15	836,391.70	0.00	45,094.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,227,260.84
5,000,000.00	103,295,805.15	15-Apr-2009	7,283,534.31	764,421.55	0.00	44,181.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,694,810.06
5,000,000.00	96,385,554.14	15-Jul-2009	6,910,251.01	721,563.00	0.00	41,997.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,089,953.12
5,000,000.00	89,872,868.76	15-Oct-2009	6,512,685.38	680,226.29	0.00	41,606.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,673,420.70
5,000,000.00	83,724,495.95	15-Jan-2010	6,148,372.81	633,865.24	0.00	40,532.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,822,770.82
5,000,000.00	78,015,066.64	15-Apr-2010	5,709,429.31	577,786.05	0.00	38,711.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,325,927.22
5,000,000.00	72,667,297.72	15-Jul-2010	5,347,768.92	544,243.61	0.00	38,377.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,930,390.34
5,000,000.00	67,559,558.98	15-Oct-2010	5,107,338.74	511,859.51	0.00	38,155.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,657,753.35
5,000,000.00	62,650,422.44	17-Jan-2011	4,909,136.54	485,458.38	0.00	39,034.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,433,629.28
5,000,000.00	57,997,335.43	15-Apr-2011	4,653,087.01	420,954.52	0.00	35,812.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,109,854.04
5,000,000.00	53,526,814.75	15-Jul-2011	4,470,520.68	402,156.99	0.00	36,417.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,909,095.00
0.00	0.00	17-Oct-2011	53,526,814.75	382,912.49	0.00	37,374.22	0.00	0.00	0.00	0.00	0.00	0.00	5,000,000.00	58,947,101.46

24-Sep-2003		500,000,000.00 Bond Issue	
		1,122,324.76	Start-Up Loan (- Loan acquisition residue)
		9,500,000.00	Subordinated Loan
<b>FUND CASH FLOWS</b>		<b>(AMOUNTS IN EUR)</b>	
		CPR = 10.00%	
		500,000,000.00	Loan acquisition payment
		1,122,324.76	Initial Expenses
		9,500,000.00	Cash Reserve Set Up
		<b>PAYMENTS</b>	





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FUND CASH FLOWS (AMOUNTS IN EUR)											
CPR = 15.00%											
24-Sep-2003											
500,000,000.00 Loan acquisition payment											
1,122,324.76 Initial Expenses											
9,500,000.00 Cash Reserve Set Up											
Date	Current Expenses	Amortisation Account Increase	PAYMENTS								Total
			Bond Interest	Bond Principal Renavmat	Sub. & Start-Up Loan Interest	Sub. & Start-Up Loan Renavmat	Mort. Loan Serv. Fee	Sub. Loan Variable Remunerat	Guarantee Repayment	Liqu. Fac. Interest & Renavmat	

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**Key to the number outline.**

- (1) Required Cash Reserve.
- (2) Outstanding Balance of the Loans on each quarterly Payment Date, upon the principal being repaid.
- (3) Quarterly Payment Dates.

**a) Collections.**

- (4) Amount of Loan portfolio principal repaid from the immediately preceding quarterly date until the date given.
- (5) Net interest collected by the Fund from the immediately preceding quarterly Payment Date until the Payment Date given. Such is interest received on the Loans and interest resulting from applying the Interest Swap.
- (6) Amortisation Account reduction.
- (7) Return of the Treasury Account and the Amortisation Account.
- (8) Drawdown under the State Guarantee.
- (9) Drawdown under the Liquidity Facility.
- (10) Cash Reserve reduction.
- (11) Total income on each Payment Date, being the sum of amounts (4), (5), (6), (7), (8), (9) and (10).

**b) Payments.**

- (12) Quarterly Payment Dates.
- (13) Amounts for the Fund's current expenses.
- (14) Amortisation Account increase.
- (15) Amount of interest payable to the Bondholders.
- (16) Bond principal repayment amount.
- (17) Start-Up Loan and Subordinated Loan interest payment amounts.
- (18) Periodic Start-Up Loan and Subordinated Loan principal repayment.
- (19) Loan servicing fee
- (20) Variable remuneration of the Subordinated Loan in relation to the Fund's other income and expenditure.

(21) Repayment of drawdowns under the State Guarantee.

(22) Liquidity Facility interest and principal repayment.

(23) Total payments on each payment date, being the sum of amounts (13), (14), (15), (16), (17), (18), (19), (20), (21) and (22).

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

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

The expenses of setting up the Fund and issuing the Bonds detailed in section II.4 of the Offering Circular will be subject to a straight-line depreciation during the months elapsing since the constitution of the Fund until September 30, 2008, inclusive.

The Fund's fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of constitution of the Fund and the last fiscal year will end on the date on which the Fund terminates.

## **V.3 Description of the financial and service transactions arranged by the Management Company on behalf of the Fund.**

In order to consolidate the financial structure of the Fund, enhance the safety of or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Loans and the Bonds, neutralise interest rate differences between the Loans and the Bonds and other liabilities, or, generally, transform the financial characteristics of the Loans, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements established hereinafter.

The Management Company may 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, including new credit facility agreements, provided that the events preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies.

### **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) cash amount received upon subscription for the Bond Issue being paid up;
- (ii) Loan principal repayment and interest collected;
- (iii) any other amounts relating to the Loans and from the sale or utilisation of the properties or assets awarded or under administration or interim possession in foreclosure proceedings;
- (iv) principal drawn down under the Subordinated Loan and amounts making up the Cash Reserve from time to time;
- (v) principal drawn down under the Start-Up Loan;
- (vi) amounts paid to the Fund under the Interest Swap;
- (vii) amounts, if any, drawn down upon enforcing the State Guarantee or drawdowns, if any, on the Liquidity Facility in those amounts;
- (viii) the amounts of the returns obtained on the balances existing in the actual Treasury Account and on the Amortisation Account; and
- (ix) the amounts of withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

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) to the positive balances if any on the Treasury Account, equivalent to the Bond Reference Rate determined for each Interest Accrual Period. Interest shall be settled upon the expiration of each interest accrual period (on January 14, April 14, July 14 and October 14 of each year) and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (360-) day year. The first interest settlement date shall fall on January 14, 2004.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA, currently rated P-1 by Moody's and F1 by Fitch, 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 notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement and provided that this is not detrimental to the rating assigned to the Bonds by the Rating Agencies:

- 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, and subject at all times to the Rating Agencies' approval, 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 on the Treasury Account, during the time over which the loss of the P-1 or F1 ratings is maintained.
- b) Transferring the Treasury Account 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, arranging the highest possible yield for its balances, which may differ from that arranged with BANCAJA under this Agreement.
- c) If options a) and b) above are not possible, 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.

- d) Moreover, 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, and with a maturity not extending beyond the next Payment Date, 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) If events b) or d) should occur, the Management Company may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that the non-subordinated and unsecured short-term debt of BANCAJA should again attain the P-1 and F1 ratings, respectively in Moody's and Fitch's 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 Loans, 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 (Amortisation Account) Agreement shall specifically determine that the amounts of the Available Funds for Amortisation applied for provisioning the Series A1 Amortisation Fund from the first Payment Date (15.01.2004) until the Payment Date falling on 15.10.2004, both inclusive, and which shall be used for repayment of Series A1 Bonds on the Series A1 Maturity Date (15.01.2005), 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 Bond Reference Rate determined for each Interest Accrual Period. Interest shall be settled upon the expiration of each interest accrual period (on January 14, April 14, July 14 and October 14 of each year) and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (360-) day year. The Amortisation Account interest will be included among the Available Funds and shall not remain deposited in the actual Amortisation Account. The first interest settlement date shall fall on January 14, 2004.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA, currently rated P-1 by Moody's and F1 by Fitch, 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 notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement and provided that this is not detrimental to the rating given to the Bonds by the Rating Agencies:

- 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, and subject at all times to the Rating Agencies' approval, 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 on the Amortisation Account, during the time over which the loss of the P-1 or F1 ratings is maintained.
- b) Transferring the Amortisation Account 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, arranging the highest possible yield for its balances, which may differ from that arranged with BANCAJA under this Agreement.
- c) If options a) and b) above are not possible, 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.
- d) Moreover, 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) If events c) or d) should occur, the Management Company may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Amortisation Account) Agreement, in the event that the non-subordinated and unsecured short-term debt of BANCAJA should again attain the P-1 and F1 ratings, respectively in Moody's and Fitch's 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 as final by the start of the Subscription Period or if the events of termination of the Bond Issue Management, Underwriting and Placement Agreement should occur. Moreover, the Amortisation Account shall be closed after January 15, 2005 when it shall be balanced by the Management Company.

### **V.3.3 Subordinated Loan Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a commercial subordinated loan agreement (the "**Subordinated Loan Agreement**") amounting to EUR nine million five hundred thousand (9,500,000.00). The Subordinated Loan amount shall be delivered on the Closing Date and will be used to set up the Cash Reserve on the terms for which provision is made in section III.2.3 of this Offering Circular, although the granting of the Loan by no means secures a guarantees performance of the Loans.

#### *Repayment.*

Subordinated Loan principal shall be repaid on each of the Payment Dates in an amount equal to the positive difference existing between the Required Cash Reserve on the preceding Payment Date and the Required Cash Reserve on the current Payment Date, and in the application priority established for that event in the Priority of Payments and provided that the requirements established for the Cash Reserve to be reduced in due course in section III.2.3 of this Offering Circular are met.



In the event that the Fund should not have sufficient liquidity to proceed to the relevant repayment of the Subordinated Loan 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 Loan shall have a twofold remuneration:

1. Ordinary interest rate: the Subordinated Loan outstanding principal 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 Bond Reference Rate determined for each Interest Accrual Period, 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. Interest accrued, which shall be settled on January 15, April 15, July 15 and October 15 of each year and be payable as it falls due on the relevant 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. The first interest settlement date shall fall on January 15, 2004.

Ordinary interest accrued and not paid on a Payment Date shall be accumulated to the Subordinated Loan principal, earning additional interest at the same interest rate applicable to the Subordinated Loan for the interest accrual period at issue, and shall be paid, provided that the Fund has sufficient liquidity, on the following Payment Date and in the same number provided for payment of ordinary Subordinated Loan interest in the Priority of Payments.

2. A variable subordinated remuneration which shall be determined and accrue in arrears by calendar quarters as an amount equal to the positive difference, if any, between the income and expenditure, including losses brought forward, accrued by the Fund with reference to its accounts and before the close of the months of March, June, September and December, in the last month of every calendar quarter. The variable remuneration accrued, if any, shall be settled on the Payment Date immediately after the last day in each calendar quarter, provided that the Fund has sufficient liquidity in the Fund Priority of Payments.

The variable remuneration amount accrued and not paid on a Payment Date shall not be accumulated to the Subordinated Loan principal nor accrue late-payment interest, and will be paid, provided that the Fund has sufficient liquidity, on the following Payment Date along with the variable remuneration amount, if any, accrued in the following calendar quarter, in the Priority of Payments.

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

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

In an Order, the Economy Ministry shall grant a Guarantee to the Fund whereby the Spanish State will secure, waiving the benefit of discussion established in Civil Code article 1830, payment of such economic obligations as may be enforceable upon the Fund deriving from the Series A3(G) Bonds comprising repayment of principal and payment of interest.

The Guarantee shall remain in force and be fully effective until full repayment of the payment obligations derived from the Bonds in the Guaranteed Series A3(G). In any event, the Guarantee shall expire on January 15, 2030, or the following Business Day if that date is not a Business Day.

The terms of the State Guarantee are detailed in section II.15.2 of this Offering Circular.

### **V.3.5 Start-Up Loan Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a commercial loan agreement amounting to EUR one million one hundred and thirty-five thousand (1,135,000.00) (the “**Start-Up Loan Agreement**”). The Start-Up Loan amount shall be delivered on the Closing Date and be used to finance the expenses of setting up the Fund and issuing the Bonds and finance partially the acquisition of the Loans.

The Start-Up Loan outstanding principal shall accrue an annual nominal interest, determined quarterly in each interest accrual period (differing from the Interest Accrual Period for the Bonds), which shall be the result of adding: (i) the Bond Reference Rate determined for every Interest Accrual Period, 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. Interest accrued, which shall be settled on January 15, April 15, July 15 and October 15 of each year and be payable as it falls due on the relevant 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. The first interest settlement date shall be January 15, 2004.

Interest accrued and not paid on a Payment Date shall be accumulated, earning late-payment interest at the same rate as the nominal interest rate of the Start-Up Loan, and shall be paid, provided that the Fund has sufficient liquidity, on the following Payment Date in the Priority of Payments.

The Start-Up Loan principal will be repaid quarterly on each of the Payment Dates as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund constitution and Bond issue expenses and finance partially the acquisition of the Loans, shall be repaid in twenty (20) consecutive quarterly instalments for an identical amount, on each Payment Date, the first of which shall be the first Payment Date, January 15, 2004, and the following until the Payment Date falling on October 15, 2008, inclusive.
- (ii) The portion of Start-Up Loan principal not used, if any, shall be repaid on the first Payment Date, January 15, 2004.

In the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the partial repayment falling due on the Start-Up Loan, then the portion of principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.

Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the 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.

Under the Interest Swap Agreement, the Fund will make payments to BANCAJA calculated on the interest rate of the Loans, and in consideration BANCAJA will make payments to the Fund calculated on the weighted average nominal interest rate of the Bond Series, the foregoing as described hereinafter.

**Party A :** **The Fund, represented by the Management Company.**

**Party B :** **BANCAJA.**

#### **1. Settlement dates.**

The settlement dates shall fall on the Bond Payment Dates, i.e. on January 15, April 15, July 15 and October 15 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, not including the first but including the last date. Exceptionally, the length of the first settlement period for Party A shall be equivalent to the exact number of days elapsed between the date of constitution of the Fund, inclusive, and January 15, 2004, inclusive.

**Party B:**

The settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, the length of the first settlement period for Party B shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date, inclusive, and January 15, 2004, exclusive.

#### **3. Swap Notional.**

This shall be the sum of (i) the Notional Balance of the Loans defined as the daily average during the settlement period falling due of the Outstanding Balance on Loans having no arrears in payment of overdue amounts in excess of ninety (90) days and (ii) the result of multiplying a) the daily average during the settlement period falling due of the balance on the Amortisation Account, and b) the average margin applicable for determining the Nominal Interest Rate of the Bond Series weighted by the Outstanding Principal Balance of each Series during the current Interest Accrual Period, and c) the result of dividing one (1) by the Party B Interest Rate.

#### **4. Amounts payable by Party A.**

This shall be the result of applying the Party A Interest Rate to the Swap Notional according to the number of days in the settlement period.

#### **4.1 Party A Interest Rate.**

On each settlement date this shall be the annual interest rate resulting from dividing (i) the sum of interest received on the Loans and paid into the Fund during the settlement period falling due, decreased by the amount of interest accrued paid by the Fund, as the case may be, during the same settlement period, by (ii) the Swap Notional, multiplied by the result of dividing 360 by the number of days in the settlement period.

#### **5. Amounts payable by Party B.**

This shall be the result of applying the Party B Interest Rate to the Swap Notional according to the number of days in the settlement period.

#### **5.1 Party B Interest Rate.**

For each settlement period this shall be the annual interest rate resulting from adding (i) the Bond Reference Rate determined for the then-current Interest Accrual Period, and (ii) the average margin of each Bond Series weighted by the Outstanding Principal Balance in each Series during the then-current Interest Accrual Period, and (ii) 0.55%.

If on a settlement date the Fund (Party A) should not have sufficient liquidity to make payment of the aggregate amount payable to Party B, the portion of this amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should this circumstance of non-payment occur on two consecutive Payment Dates, 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, for and on behalf of the Fund, to enter into a new swap agreement.

In the event that the non-subordinated and unsecured long-term debt of BANCAJA, currently rated A1 by Moody's and A+ by Fitch, should fall below A1 and A+ respectively in Moody's and Fitch's rating scales, BANCAJA shall irrevocably agree to put in place any of the following options within not more than ten (10) Business Days from the date on which notice of either circumstance is given: (i) that a third-party institution, whose long-term debt has a rating equal to or higher than A1 and A+ respectively in Moody's and Fitch's rating scales, take the contractual position of BANCAJA and substitute it in the Swap Agreement or, as the case may be, under a new swap agreement, (ii) that a third-party institution, with the same ratings required for option (i) above, secures fulfilment of the contractual obligations of BANCAJA or (iii) 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; all of which shall be subject to such terms and conditions as the Management Company and the Rating Agencies shall see fit 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 Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections II.11.3.7 and III.8.1 of this Offering Circular, unless in conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

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

### **V.3.7 Liquidity Facility Agreement.**

The Management Company, for and on behalf of the Fund, and BANCAJA shall enter into a credit agreement (the “**Liquidity Facility Agreement**”) in order to provide the Fund with the amounts required to advance to the Series A3(G) Bondholders the amounts that the State must pay to the Fund as payment of interest and repayment of principal on said Series A3(G) Bonds upon the Guarantee being enforced.

The maximum amount of the Liquidity Facility shall from time to time be equal to the lower of the following amounts:

- (i) EUR twenty-one million (21,000,000.00).
- (ii) The amount resulting from adding:
  - a) The Outstanding Principal Balance of Series A3(G).
  - b) The amount of interest payable by the Fund on the Series A3(G) Bonds for the current entire Interest Accrual Period.

In the event that the non-subordinated and unsecured short-term debt of BANCAJA, currently respectively rated P-1 and F1 by Moody’s and Fitch, should, at any time during the life of the guaranteed Series A3(G) Bonds, 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 Agreement and maintenance of the ratings assigned to the guaranteed Series A3(G):

- 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 Facility.
- b) Assigning its contractual position under the Liquidity Facility Agreement to, or as the case may be have the Management Company enter into a new agreement with, a third-party institution, whose non-subordinated and unsecured short-term debt is rated P-1 and 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 Facility when, on the relevant Payment Date, having requested the enforcement of the Guarantee, as established in section II.15.2 of the Offering Circular, the required amounts are not paid to the Fund on the same Payment Date, and in the required amounts upon each enforcement of the Guarantee.

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*Repayment.*

The Fund will repay the amounts drawn under the Liquidity Facility 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 Facility 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 Bond Reference Rate determined for the Interest Accrual Period. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. Interest accrued, which shall be settled on January 15, April 15, July 15 and October 15 of each year and be payable when due on the relevant 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 Liquidity Facility principal drawn down, earning additional interest at the same interest rate applicable to the Liquidity Facility for the then-current interest accrual period, and shall be paid, provided that the Fund has sufficient liquidity, on the following Payment Date in the Priority of Payments.

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

**V.3.8 Loan Servicing and Management and Pass-Through Certificate Custody Agreement.**

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

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 as final by the start of the Subscription Period or if the events of termination of the Bond Issue Management, Underwriting and Placement Agreement should occur.

**V.3.9 Bond Issue Management, Underwriting and Placement Agreement.**

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with JPMORGAN and BANCAJA as Lead Managers and Underwriters and Placement Agents and BEAR STEARNS and CDC IXIS CAPITAL MARKETS as Underwriters and Placement Agents.

The terms of the Bond Issue Management, Underwriting and Placement Agreement are described in section II.19.3 of this Offering Circular.

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The underwriting commitments of each Underwriting and Placement Agent and the underwriting and placement fee are specified in section II.19.1 of this Offering Circular.

JPMORGAN and BANCAJA shall be involved as Lead Managers in the Bond Issue. They shall not be remunerated for leading the Bond Issue.

The Management, Underwriting and Placement Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period, or in case of force majeure on the terms established by article 1105 of the Civil Code.

### **V.3.10 Bond 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 Bonds 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, by crediting the Treasury Account for same day value, the amount received from the Underwriters and Placement Agents, as established in the Bond Issue Management, Underwriting and Placement Agreement, plus the sum of its own underwriting commitment.
- (ii) On each of the Bond Payment Dates, paying interest and repaying principal on the Bonds, deducting the total withholding tax amount for return on investments due 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 that the non-subordinated and unsecured short-term debt of BANCAJA, currently rated P-1 by Moody’s and F1 by Fitch, 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 revoke the designation of BANCAJA as Paying Agent, thereupon designating a substitute 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.

In consideration of the services provided by the Paying Agent, the Fund shall pay it on each Payment Date during the term of the agreement a fee of 0.01%, inclusive of taxes as the case may be, on the amount distributed to the Bondholders on every Payment Date, payable on the same Payment Date, provided that the Fund has sufficient liquidity and in the Priority of Payments. Should BANCAJA be replaced in said Paying Agent task, the Management Company shall be entitled to change the above percentage fee payable to the new Paying Agent, which may be higher than that agreed with BANCAJA hereunder.

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 Paying Agent Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each of the Series as final by the start of the Subscription Period, or if the events of termination of the Bond Issue Management, Underwriting and Placement Agreement should occur.

#### **V.4 Priority rules established in Fund payments.**

##### **V.4.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.**

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

**1. Source:** the Fund shall have funds originating as follows:

- a) Payment of subscription for the Bonds.
- b) Drawdown under the Start-Up Loan.
- c) Drawdown under the Subordinated Loan.

**2. Application:** in turn, the Fund will apply the funds described above to the following payments:

- a) Payment of the price comprising the face value of the Loan capital.
- b) Payment of the Fund constitution and Bond issue expenses.
- c) Initial provisioning to set up the Cash Reserve.

##### **V.4.2 Source and application of funds 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**”).

##### **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) Loan principal repayment income received between the preceding Payment Date and the current Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- b) Ordinary and late-payment interest received on the Loans between the preceding Payment Date and the current Payment Date, inclusive. Those amounts shall have been paid into the Treasury Account.
- c) The return received on the amounts credited to the Treasury Account.
- d) The return received on the amounts credited to the Amortisation Account, which shall have been paid into the Treasury Account.
- e) The amount with which the Cash Reserve is provisioned on the preceding Payment Date, which shall have been paid into the Treasury Account.
- f) Amounts received under the Interest Swap Agreement.



- g) Any other amounts received by the Fund between the preceding Payment Date and the current Payment Date, inclusive, including those resulting from the sale or utilisation of properties or rights awarded to the Fund.

Additionally, the Fund shall avail of and use for paying Series A3(G) interest only in the 3<sup>rd</sup> priority, the amount drawn under the State Guarantee paid to the Fund on the same Payment Date, or, if paid later, the drawdown under the Liquidity Facility for that amount.

## **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 item number 1, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment of the Swap amount and in the event of termination of the agreement following a breach by the Fund, the amount comprising the settlement payment.
3.
  - Payment of interest due on the Series A1 Bonds.
  - Payment of interest due on the Series A2 Bonds.
  - Payment of interest due on the Series A3(G) 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 guaranteed Series A3(G) Bonds.
4. Payment of interest due on the Liquidity Facility if it is ever drawn down.
5. Payment of interest due on the Series B Bonds unless this payment is moved to item number 9 in the priority of payments.

This payment shall be moved to item number 9 on the Payment Dates on which either of the following circumstances occurs, and provided that on the current Payment Date there shall have been or there is to be no full amortisation of the Class A Bonds and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G):

- (i) When, on two consecutive Payment Dates, including the then-current Payment Date, the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than eighteen (18) months in payment of amounts due and payable is in excess of 9.50% of the Outstanding Balance of the Loans on the date of constitution of the Fund.
- (ii) When the resultant amount on a Payment Date after deducting from the Outstanding Principal Balance of Class A of 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 required to meet the payment obligations described in items 1 to 4

in the application of the Available Funds, and (c) the Outstanding Balance of Loans in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months on the preceding Determination Date, is in excess of or equal to zero.

6. Payment of interest due on the Series C Bonds unless this payment is moved to item number 10 in the priority of payments.

This payment shall be moved to item number 10 on the Payment Dates on which either of the following circumstances occurs, and provided that on the current Payment Date there shall have been or there is to be no full amortisation of the Class A Bonds and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G) and full amortisation of Series B:

- (i) When, on two consecutive Payment Dates, including the then-current Payment Date, the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than eighteen (18) months in payment of amounts due and payable is in excess of 6.75% of the Outstanding Balance of the Loans on the date of constitution of the Fund.
- (ii) When the resultant amount on a Payment Date after deducting from the sum of the Outstanding Principal Balance of Class A and the Outstanding Principal Balance of Series B of 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 required to meet the payment obligations described in items 1 to 5 in the application of the Available Funds, and (c) the Outstanding Balance of Loans in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months on the preceding Determination Date, is in excess of or equal to zero.

7. Bond Amortisation Withholding to be included among the Available Funds for Amortisation and to be distributed in accordance with the application system.

The Amortisation Withholding required on a Payment Date shall be equal to the positive difference between (i) the Outstanding Principal Balance of the Bond Issue minus the balance on the Amortisation Account, both as of the immediately preceding Determination Date, increased by amounts outstanding payable to the State upon enforcing the Guarantee for amortising Series A3(G), and (ii) the Outstanding Balance of the Loans on the current Payment Date in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months.

8. Withholding of an amount sufficient for the Required Cash Reserve on the current Payment Date to be maintained.

This application shall not occur on the last Payment Date or Fund liquidation date.

9. Payment of interest due on the Series B Bonds when this payment is deferred from item number 5 in the priority of payments as established in that number.
10. Payment of interest due on the Series C Bonds when this payment is deferred from item number 6 in the priority of payments as established in that number.
11. Payment of the amount payable by the Fund making up the Swap settlement payment in the event of that agreement being terminated for a breach by the Fund's counterparty (Party B).

12. Payment of interest due on the Start-Up Loan.
13. Repayment of Start-Up Loan principal in the amortised amount.
14. Payment of ordinary interest due on the Subordinated Loan.
15. Repayment of Subordinated Loan principal in the amount of the reduction, if any, of the Cash Reserve.
16. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Loans.

In the event that another institution should replace the Servicer of the Loans, payment of the servicing fee accrued by the other institution, to wit the new servicer, shall take the place of paragraph 1 above along with the other payments included in that priority.

17. Payment of the variable remuneration under the Subordinated Loan.

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 exclusively on the Payment Date falling on January 15, 2005.
- b) The Amortisation Withholding amount applied from the Available Funds on the current Payment Date.

Additionally, the Fund shall avail of and use for repaying Series A3(G) principal only, the amount drawn under the State Guarantee paid to the Fund on the same Payment Date, or, if paid later, the drawdown under the Liquidity Facility for that amount.

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

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

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of Series B or the Outstanding Principal Balance of Series C are respectively equal to or in excess of 12.80% and 4.70% of the Outstanding Principal Balance of the Bond Issue increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), the Available Funds for Amortisation shall be fully applied, in accordance with rule 2 below, to amortising Class A and repayment of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G).

2. The Available Funds for Amortisation applied to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), both under rule 1 above and under rules 3 and 4 below, shall be applied as follows:

2.1 Ordinary application in the following order:

1. Repayment of Series A1 Bond principal or on the Payment Dates preceding the Series A1 Maturity Date (January 15, 2005), provisioning of the Series A1 Amortisation Fund.
2. Repayment of Series A2 Bond principal once the Series A1 Bonds have been fully amortised or the Series A1 Amortisation Fund has been fully provisioned.
3. Repayment of Series A3(G) Bond principal and repayment to the State of amounts paid to the Fund upon the Guarantee being drawn down for repaying Series A3(G) Bond principal, once the Series A2 Bonds have been fully amortised.

The amount of the Available Funds for Amortisation applied on a Payment Date to both items (repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G)) shall be applied as follows:

- (i) If there is an Amortisation Deficiency on the then-current Payment Date, firstly to amortising Series A3(G) and secondly, in the remaining amount, if any, to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G).
- (ii) Otherwise, firstly to repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G) and secondly, in the remaining amount, if any, to amortising Series A3(G).

- 2.2 Exceptional application (“**Pro Rata Amortisation of Class A**”) on any Payment Date if, on the immediately preceding Determination Date, the ratio of (i) the Outstanding Balance of the Loans in good standing in payment of amounts due and payable or, if delinquent, with an arrears of less than ninety (90) days, increased by the balance on the Amortisation Account and by the amount of the Loan principal repayment income received from the preceding Payment Date, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1. In that event, on the then-current Payment Date:

- a) The application priority of paragraphs 1 to 3 of section 2.1 above and the sequential amortisation of Series A1 or provisioning of the Series A1 Amortisation Fund, as appropriate, of Series A2 and of Series A3(G) and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G), which have not already been fully amortised or repaid shall be stopped.
- b) The Available Funds for Amortisation shall be distributed among those items pro rata directly in proportion (i) to the Outstanding Principal Balance of Series A1, deducting the balance on the Amortisation Account, (ii) to the Outstanding Principal Balance of Series A2 and (iii) to the Outstanding Principal Balance of Series A3(G) increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G).

The Available Funds for Amortisation applied to repayment of Series A3(G) Bond principal and repayment to the State of amounts due upon enforcing the Guarantee for amortising Series A3(G), in accordance with paragraph (iii) of the preceding point, shall also be applied between both items in accordance with the provisions of paragraph 2.1.3 above.

3. From the Payment Date after the date on which the ratios established in rule 1 above are respectively equal to or greater than said 12.80% or 4.70%, the Available Funds for Amortisation shall be applied

to (i) amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), in accordance with rule 2 above, and (ii) amortising Series B and C, distributed in such a way that the above ratios of (i) the Outstanding Principal Balances of Series B and Series C to (ii) the Outstanding Principal Balance of the Bond Issue, increased by the balance of amounts due to the State upon enforcing the Guarantee for amortising Series A3(G), are respectively kept at 12.80% or 4.70%, or higher percentages closest thereto.

The Available Funds for Amortisation shall not however be applied to amortising Series B or Series C on the Payment Date upon the occurrence of any of the following circumstances:

- a) That, on the Determination Date for the then-current Payment Date, the amount of the sum of the Outstanding Balance of Loans with an arrears in excess of ninety (90) days and less than eighteen (18) months in payment of amounts due and payable in relation to the Outstanding Balance of the Loans on that same date, is in excess of 2.00% in order to not to proceed to amortise Series B or is in excess of 1.50% in order not to proceed to amortise Series C.
  - b) That the Pro Rata Amortisation of Class A applies.
  - c) That the amount of the Cash Reserve provisioned is less than the Required Cash Reserve.
4. From the Payment Date, inclusive, on which the amount of the Outstanding Balance of the Loans is less than 10% of the initial Outstanding Balance upon the Fund being constituted or on the last Payment Date or Fund liquidation date, the Available Funds for Amortisation shall be applied, in accordance with rule 2 above, to amortising Class A and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G). Once Class A has been fully amortised and those amounts due to the State have been fully repaid, the Available Funds for Amortisation shall be applied to amortising Series B until fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be applied to amortising Series C until fully amortised.

#### **V.4.2.3 Other priority of payments rules.**

In the event that the Management Company, on behalf of the Fund, should have drawn on the Liquidity Facility to advance the amounts requested on enforcing the Guarantee, the amounts received by the Fund from the State upon enforcing the Guarantee shall be allocated forthwith upon being received to reimbursing the amounts drawn on the Liquidity Facility.



## 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 2 FONDO DE TITULIZACIÓN DE ACTIVOS.

#### **VI.1 In relation to the company, other than its share capital.**

##### **VI.1.1 Name and registered office.**

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Calle Lagasca number 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 6713

##### **VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.**

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before a Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the 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 constitute, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors.”

### **VI.1.4 Place where the documents referred to in the Offering Circular or the existence of which may be inferred from its contents may be found.**

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this Offering Circular, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company’s registered office at Calle Lagasca number 120, Madrid.

This Offering Circular was verified and entered in the official registers of the CNMV on September 18, 2003. It is publicly available, free of charge, at the Management Company’s registered office and at the Underwriters and Placement Agents. It may also be found at the CNMV in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Deed of Constitution being executed and before the Bond subscription period begins, the Management Company shall deliver a certified copy of the Deed of Constitution to the CNMV. Furthermore, the Management Company, Iberclear, or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Deed of Constitution available to the Bondholders and the public at issue in order that they may be examined.

## **VI.2 In relation to the share capital.**

### **VI.2.1 Face amount subscribed for and paid up.**

The wholly subscribed for, paid up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty cents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

### **VI.2.2 Classes of shares.**

The shares are all in the same class and confer identical political and economic rights.



**VI.2.3 Evolution of the share capital over the last three years.**

During the last three years there has been no change in the share capital of the Management Company, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the shares in Series B, to the nearest euro cent upon the redenomination of the share capital in euros pursuant to a resolution of the Board of Directors at a meeting held on March 27, 2001 in accordance with the provisions of article 21 of Act 46/1998, December 17, on the changeover to the euro.

**VI.3 Information relating to shareholdings.**

**VI.3.1 Existence or not of shareholdings in other companies.**

There are no shareholdings in any other company.

**VI.3.2 Group of companies to which the company is affiliated.**

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

**VI.3.3 Significant shareholders.**

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

<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 y Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	100.0000

\* Rounded to 4 decimal places.

#### **VI.4 Corporate bodies.**

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in 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>Chairman:</b>	Mr Roberto Vicario Montoya
<b>Vice-Chairman:</b>	Mr Carlos Pertejo Muñoz
<b>Directors:</b>	Mr José Manuel Aguirre Larizgoitia Mr José M <sup>a</sup> . Castellón Leal on behalf of Barclays Bank, S.A. Mr Vicente Esparza Olcina Ms Ana Fernández Manrique Banco de la Pequeña y Mediana Empresa, S.A.* Mr Mario Masiá Vicente Mr Juan Ortueta Monfort 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 José Manuel Tamayo Pérez Mr Pedro M <sup>a</sup> . Urresti Laca, on behalf of J.P. Morgan España, S.A.
<b>Non-Director Secretary:</b>	Ms Belén Rico Arévalo

\* Appointment made by the Shareholders' Meeting held on May 30, 2003, yet to be entered in the Companies Register

##### **VI.4.2 General Manager.**

The General Manager of the Management Company is Mr Mario Masiá Vicente.

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**VI.5 Aggregate interests in the Management Company by the persons referred to in section VI.4.**

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

**VI.6 Lenders of the Management Company in excess of 10 percent.**

The Management Company has received no loan or credit from any person or institution whatsoever.

**VI.7 Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the management and administration functions for which provision is made in this Offering Circular.**

There are none.



## CHAPTER VII

### SMALL AND MEDIUM-SIZED ENTERPRISE FINANCING

#### **VII.1 Small and Medium-Sized Enterprise Financing.**

The Loans assigned by BANCAJA to the Fund upon being constituted are rights owned by BANCAJA derived from bilateral loans granted to non-financial small and medium-sized enterprises registered in Spain, originated in a public deed or public document, according to the European Commission's recommendation (Recommendation of April 3, 1996), i.e. enterprises 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 52 of 2003 General State Budget Act 52/2002, December 30.

Having verified the requirements referred to in the preceding paragraph, the Economy Ministry shall issue a guarantee for the Series A3(G) Bonds, which shall extend to both the principal and interest of the Bonds in those Series.

#### **VII.3 Implications that might derive from the performance of the Loans.**

In order to eliminate or mitigate the interest rate risk occurring in the Fund because the Loans assigned by the Originator are subject to floating interest rates with different benchmark indices and different review and settlement periods or fixed interest rates, the Fund has agreed an interest swap with BANCAJA.

Given the high proportion of Loans 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 Loans is not to be expected.

As for the creditworthiness of the Obligors, BANCAJA has represented in the statement referred to in section IV.1.4.2.(11) that none of the Loans finally assigned to the Fund shall have any amounts that are more than one (1) month overdue on the date of assignment.

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The Fund shall nevertheless arrange other financial hedge transactions covering up to a limit the risk of the Fund's resources falling short for servicing the Bonds in each Series, which the Rating Agencies have considered sufficient to give each Bond Series the rating referred to in section II.3 of this Offering Circular. That risk of default is additionally hedged for the holders of Series A3(G) Bonds by the State Guarantee described in section II.15.2 of the Offering Circular.

Moreover, the degree of subordination in payment of interest and repayment of Series C Bond principal with respect to the Class A Bonds and Series B Bonds and of the Series B Bonds with respect to the Class A Bonds derived from their position in the Fund Priority of Payments, is respectively a credit enhancement for each of the Series.

Signature: MARIO MASÍÁ VICENTE  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

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## **APPENDIX I**

### **DEFINITIONS**

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<b>APPENDIX I</b>
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**DEFINITIONS**

“**Act 2/1981**” shall mean Mortgage Market Regulation Act 2/1981, March 25.

“**Act 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

“**Act 2/1994**” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30.

“**Act 3/1994**” shall mean Act 3/1994, April 14, adapting Spanish laws in the matter of credit institutions to the Second Banking Coordination Directive and introducing other changes in relation to the financial system.

“**Act 40/1998**” shall mean Personal Income Tax and Other Tax Rules Act 40/1998, December 9.

“**Act 41/1998**” shall mean Non-Resident Income and Tax Rules Act 41/1998, December 9.

“**Act 44/2002**” shall mean Financial System Reform Measures Act 44/2002, November 22.

“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Account**” shall mean the 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 amounts applied for provisioning the Series A1 Amortisation Fund.

“**Amortisation Deficiency**” shall mean, on a Payment Date, the positive difference, if any, between the amount of the Amortisation Withholding and the amount of Available Funds actually applied on the then-current Payment Date.

“**Amortisation Withholding**” shall mean, on a Payment Date, the positive difference between (i) the Outstanding Principal Balance of the Bond Issue minus the balance on the Amortisation Account, both as of the immediately preceding Determination Date, increased by amounts outstanding payable to the State upon enforcing the Guarantee for amortising Series A3(G), and (ii) the Outstanding Balance of the Loans on the current Payment Date in good standing in payments of amounts due and payable or, if delinquent, with an arrears of less than eighteen (18) months.

“**Available Funds for Amortisation**” shall mean, on each Payment Date, the amount of the Amortisation Withholding applied to the Available Funds on the Payment Date and the balance on the Amortisation Account exclusively on the Payment Date falling on January 15, 2005.

“**Available Funds**” shall mean, on each Payment Date, the sum of (i) the balance on the Treasury Account, and (ii) the amount, if any and where appropriate, from the liquidation of the Fund assets.

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## DEFINITIONS

“**Bancaja**” shall mean Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja.

“**Bear Stearns**” shall mean Bear Stearns International Ltd.

“**Bond Issue Management, Underwriting and Placement Agreement**” shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, acting for and on behalf of the Fund, and JP Morgan and Bancaja as Lead Managers and Underwriters and Placement Agents, and Bear Stearns and CDC Ixis Capital Markets as Underwriters and Placement Agents.

“**Bond Issue**” shall mean the Issue of Asset-Backed Bonds issued by the Fund.

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

“**Bonds**” shall mean the Series A1, A2, A3(G), B and C Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar.

“**Call Right**” shall mean the call right granted by the Fund, represented by the Management Company, to the Originator over all the remaining Loans held by the Fund on the terms and conditions set forth in section IV.1.7.

“**CET**” shall mean “Central European Time”.

“**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 Loans is paid, i.e. September 24, 2003.

“**CNMV**” shall mean the National Securities Market Commission (*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.

“**Deed of Constitution**” shall mean the public deed recording the constitution of FTPYME BANCAJA 2 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.

“**Early Amortisation of the Bonds**” shall mean the amortisation of the Bonds on a date preceding the Final Maturity Date given the Management Company’s power to proceed to an Early Liquidation of the Fund in the Early Liquidation Events and subject to the requirements established in section III.8.1 of the Offering Circular.

“**Early Liquidation Events**” shall mean the events contained in section III.8.1 where the Management

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## DEFINITIONS

Company, following notice duly served on the CNMV, is entitled to proceed to an Early Liquidation of the Fund on a Payment Date and, therefore, to the Early Amortisation of the Bond Issue.

**“Early Liquidation of the Fund”** shall mean the liquidation of the Fund and thereby an Early Amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section III.8.1.

**“Euribor”** shall mean the Euro Interbank Offered Rate, which is the term interbank deposit offered rate in euros calculated as the daily average of the quotations supplied for thirteen maturity periods 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 January 15, 2030, or the following Business Day if that is not a Business Day.

**“Fitch”** shall mean Fitch Rating España, S.A. and Fitch Ratings Limited without distinction.

**“Fund”** shall mean FTPYME BANCAJA 2 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, acting 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, acting for and on behalf of the Fund, and Bancaja.

**“Guaranteed Series”** shall mean Series A3(G) or the Series A3(G) Bonds.

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

**“Interest Accrual Period”** shall mean the days elapsed between 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.

**“IRR”** shall mean internal rate of return.

**“JPMorgan”** shall mean J.P. Morgan Securities Ltd.

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## DEFINITIONS

“**Lead Manager**” shall mean JPMorgan and Bancaja (jointly the “**Lead Managers**”).

“**Liquidity Facility Agreement**” shall mean the liquidity facility agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja.

“**Loan Servicing and Management and Pass-Through Certificate Custody Agreement**” or “**Servicing Agreement**” shall mean the Loan servicing and management and Pass-Through Certificate custody agreement entered into between the Management Company, for and on behalf of the Fund, and Bancaja, as Servicer.

“**Loans**” shall mean the credit rights owned by Bancaja, derived from bilateral loans granted to non-financial small and medium-sized enterprises registered in Spain, in accordance with the European Commission’s recommendation dated April 3, 1996, to be acquired by the Fund upon being constituted. The Loans are divided according to the underlying securities into Mortgage Loans and Non-Mortgage Loans.

“**Management Company**” shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

“**Moody’s**” shall mean Moody’s Investors Service España, S.A. and Moody’s Investors Service Ltd. without distinction.

“**Mortgage Loans**” shall mean the loans with real estate mortgage security assigned by Bancaja to the Fund by means of the issue of the Pass-Through Certificates.

“**Nominal Interest Rate**” shall mean the nominal interest rate applicable to the Bonds in each Series and determined for each Interest Accrual Period, which shall be the result of adding: (i) the three- (3-) month Euribor Reference Rate other than for the first Interest Accrual Period, or the substitute rate, if any, and (ii) a margin for each Series. The resultant Nominal Interest Rate shall be expressed as a percentage rounded up to the nearest thousandth where the differences of rounding up or down to the nearest thousandths are identical.

“**Non-Mortgage Loans**” shall mean the unsecured Loans or Loans with third-party personal guarantee (surety) assigned by Bancaja to the Fund.

“**Obligors**” shall mean the Loan borrowers.

“**Order of December 28, 2001**” shall mean the Order of December 28, 2001 relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing, amended by Order ECO/1064/2003, April 29.

“**Originator**” shall mean Bancaja.

“**Outstanding Balance of the Loans**” shall mean the sum of the outstanding capital and the capital due and not paid to the Fund on all the Loans on a given date. Furthermore, this definition may be applied to a Loan, the Outstanding Balance being the sum of the outstanding capital and the capital due and not

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## DEFINITIONS

paid to the Fund on that Loan on a given Date

**“Outstanding Principal Balance in one Class”** shall mean the sum of the Outstanding Principal Balance of the Series making up the Class.

**“Outstanding Principal Balance 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 Bond Issue”** shall mean the sum of the Outstanding Principal Balance of the Bonds in all the Series.

**“Pass-Through Certificates”** shall mean the pass-through certificates issued by the Originator and pooled in the Fund assets, the issue of which perfects the assignment of the Mortgage Loans.

**“Paying Agent”** shall mean the firm servicing the Bonds under the Bond Paying Agent Agreement. The Paying Agent shall be Bancaja.

**“Payment Date”** shall mean January 15, April 15, July 15 and October 15 of each year, or the following Business Day, as the case may be. The first Payment Date shall be January 15, 2004.

**“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.

**“Pro Rata Amortisation of Class A”** shall mean the exceptional application on a Payment Date of the Available Funds for Amortisation between the Class A Bonds, the sequential amortisation of the Series A1, A2 and A3(G) Bonds being stopped in certain circumstances for which provision is made in the Distribution of Available Funds for Amortisation between each Series in the Priority of Payments.

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. and Fitch Rating España, S.A.U.

**“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 three- (3-) month and the six- (6-) month Euribor rate, fixed at 11am (CET time) on the Interest Rate Fixing Date, or as the case may be the substitute Reference Rate.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of the following amounts: (i) EUR nine million five hundred thousand (9,500,000.00) (equivalent to 1.90% of the face amount of the Bond Issue), and (ii) the higher of: a) 3.80% of the difference between the Outstanding Principal Balance of the Bond Issue and the balance on the Amortisation Account on the Payment Date, and b) 1.00% of the face amount of the Bond Issue.

**“Royal Decree 116/1992”** shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14.

**“Royal Decree 291/1992”** shall mean Royal Decree 291/1992, March 27, on Issues of and Public

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## DEFINITIONS

Offerings for the Sale of Securities, as reworded by Royal Decree 2590/1998, December 7, and the Order of July 12, 1993 implementing the same.

“**Royal Decree 685/1982**” shall mean Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

“**Royal Decree 926/1998**” shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies.

“**Securities Market Act**” shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, any by Financial System Reform Measures Act 44/2002, November 22.

“**Series A1 Bonds**” shall mean the Series A1 Bonds issued by the Fund having a total face amount of EUR one hundred and fourteen million (114,000,000.00) comprising one thousand one hundred and forty (1,140) Bonds having a unit face value of EUR one hundred thousand (100,000).

“**Series A1**” shall mean the Series A1 Bonds issued by the Fund.

“**Series A2**” shall mean the Series A2 Bonds issued by the Fund.

“**Series A3(G)**” shall mean the guaranteed Series A3(G) Bonds issued by the Fund.

“**Series B**” shall mean the Series B Bonds issued by the Fund.

“**Series C**” shall mean the Series C Bonds issued by the Fund.

“**Series A1 Maturity Date**” shall mean January 15, 2005 or the following Business Day if that date is not a Business Day.

“**Series A2 Bonds**” shall mean the Series A2 Bonds issued by the Fund having a total face amount of EUR one hundred and forty-two million seven hundred thousand (142,700,000) comprising one thousand four hundred and twenty-seven (1,427) Bonds having a unit face value of EUR one hundred thousand (100,000).

“**Series A3(G) Bonds**” shall mean the Series A3(G) Bonds issued by the Fund having a total face amount of EUR one hundred and ninety-nine million five hundred thousand (199,500,000.00) comprising one thousand nine hundred and ninety-five (1,995) Bonds having a unit face value of EUR one hundred thousand (100,000).

“**Series B Bonds**” shall mean the Series B Bonds issued by the Fund having a total face amount of EUR thirty-two million (32,000,000.00) comprising three hundred and twenty (320) Bonds having a unit face value of EUR one hundred thousand (100,000).

“**Series C Bonds**” shall mean the Series C Bonds issued by the Fund having a total face amount of EUR eleven million eight hundred thousand (11,800,000.00) comprising one hundred and eighteen (118) Bonds having a unit face value of EUR one hundred thousand (100,000).

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## DEFINITIONS

“**Servicer**” shall mean Bancaja, under the Loan Servicing and Management and Pass-Through Certificate Custody Agreement.

“**SMEs**” shall mean small and medium-sized enterprises 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.

“**Start-Up Loan**” shall mean the loan granted by BANCAJA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

“**State Guarantee**” or “**Guarantee**” shall mean the guarantee to be given to the Fund by the Spanish Economy Ministry in a Ministerial Order amounting to (i) EUR one hundred and ninety-nine million five hundred thousand (199,500,000.00), equivalent to the sum of the face amount of the Series A3(G) Bonds, and (ii) the financial charges corresponding to that amount in said Series. That guarantee secures, waiving the benefit of discussion established in Civil Code article 1830, payment of the economic obligations payable by the Fund, derived from the Series A3(G) Bonds.

“**Subordinated Loan Agreement**” shall mean the subordinated loan agreement entered into between the Management Company, acting for and on behalf of the Fund, and Bancaja.

“**Subordinated Loan**” shall mean the subordinated loan granted by BANCAJA to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

“**Subscription Period**” shall mean the period comprised between 1pm (CET time) on September 22, 2003 and ending at 5pm on September 23, 2003.

“**Swap Notional**” shall mean the sum of (i) Notional Balance of the Loans defined as the daily average during the settlement period falling due of the Outstanding Balance on Loans having no arrears in payment of overdue amounts in excess of ninety (90) days and (ii) the result of multiplying a) the daily average during the settlement period falling due of the balance on the Amortisation Account, and b) the average margin applicable for determining the Nominal Interest Rate of the Bond Series weighted by the Outstanding Principal Balance of each Series during the current Interest Accrual Period, and c) the result of dividing one (1) by the Party B Interest Rate.

“**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.

“**Underwriter and Placement Agent**” shall mean JPMorgan, Bancaja, Bear Stearns and CDC Ixis Capital Markets for underwriting and placing the Bond Issue (jointly the “**Underwriters and Placement Agents**”).

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<b>APPENDIX 2</b>
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**TRANSCRIPT OF THE RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS OF EUROPEA DE TITULIZACIÓN, S.A, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN**



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<b>APPENDIX 3</b>
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**TRANSCRIPTS OF THE RESOLUTIONS OF THE BOARD OF DIRECTORS AND OF THE  
EXECUTIVE COMMITTEE OF  
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA.**

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<b>APPENDIX 4</b>
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**AUDIT REPORT ON CERTAIN CHARACTERISTICS OF THE PROVISIONAL LOAN  
PORTFOLIO TO CONSTITUTE THE ASSETS OF THE FUND**

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<b>APPENDIX 5</b>
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**LETTERS NOTIFYING THE RATING GIVEN TO THE BOND ISSUE BY MOODY'S INVESTORS  
SERVICE ESPAÑA, S.A. AND FITCH RATING ESPAÑA, S.A.**

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<b>APPENDIX 6</b>
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**STATEMENT BY CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA  
AS ORIGINATOR OF THE LOANS**



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<b>APPENDIX 7</b>
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**LETTER FROM THE LEAD MANAGERS OF THE BOND ISSUE**