

PROSPECTUS

November 4, 2005

# FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS

## ISSUE OF ASSET-BACKED BONDS EUR 1,524,000,000/1,521,800,000

Series A1	EUR 842,300,000	AAA/Aaa
Series A2	EUR 300,000,000	AAA/Aaa
Series A3(G)	EUR 237,600,000	AAA/Aaa
Series B	EUR 71,300,000	A/A2
Series C	EUR 23,300,000	BBB+/Baa3
Series D	EUR 25,500,000	BB-/Ba2
Series E	EUR 24,000,000/21,800,000	CCC-/C

(G) GUARANTEED BY THE SPANISH STATE

Backed by loans assigned and serviced by



*Underwriters and Placement Agents*

**Bancaja**

**JPMorgan**

**Merrill Lynch  
International**

**Société Générale**

**Banco Pastor**

*Paying Agent*

**Bancaja**

*Fund established and managed by*



**Material Event**  
**concerning**

**FTPYME BANCAJA 4 Fondo de Titulización de Activos**

Pursuant to Section 4.1.4 of the Securities Note Building Block of the Prospectus for **FTPYME BANCAJA 4 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>5.2.1 Securities Note</b></p>	<p><b>Bond Issue Paying Agent.</b></p> <p>Paragraph four 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 (iv) 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 five 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 or, as the case may be, in the Liquidation 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

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This document is a prospectus (the "**Prospectus**") registered at the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*), as provided for in Commission Regulation (EC) No. 809/2004 of April 29, 2004 ("**Regulation 809/2004**"), and comprises:

1. A description of the major risk factors linked to the issuer, the securities and the assets backing the issue (the "**Risk Factors**");
2. An asset-backed securities registration document, prepared using the outline provided in Annex VII to Regulation 809/2004 (the "**Registration Document**");
3. A securities note, prepared using the outline provided in Annex XIII to Regulation 809/2004 (the "**Securities Note**");
4. A Securities Note building block, prepared using the block provided in Annex VIII to Regulation 809/2004 (the "**Building Block**"); and
5. A glossary of definitions.

## **RISK FACTORS**

### **1 Risks derived from the issuer's legal nature and operations.**

#### **a) Nature of the Fund and obligations of the Management Company.**

The Fund is a separate closed-end fund devoid of legal personality and is managed by a management company, in accordance with Royal Decree 926/1998. The Fund shall be liable only for its obligations to its creditors with its assets.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998, and enforce Bondholders' interests as the manager of third-party portfolios. There shall be no syndicate of bondholders. Therefore, the capacity to enforce Bondholders' interests shall depend on the Management Company's means.

#### **b) Forced substitution of the Management Company.**

In accordance with article 19 of Royal Decree 926/1998, where the Management Company is adjudged insolvent, it shall find a substitute management company. In any such event, 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 securities issued by the same.

#### **c) Limitation of actions against the Management Company.**

Bondholders and all other ordinary creditors of the Fund shall have no recourse whatsoever against the Fund Management Company other than as derived from breaches of its duties or inobservance of the provisions of the Deed of Constitution and of this Prospectus.

#### **d) Applicability of the Bankruptcy Act.**

Both BANCAJA and the Management Company may be declared bankrupt.

In particular, bankruptcy of BANCAJA could affect its contractual relationships with the Fund, in accordance with the provisions of Bankruptcy Act 22/2003, July 9.

Specifically, the transactions involving the issue of the Pass-Through Certificates and assignment of the Non-Mortgage Loans cannot be the subject of restitution other than by an action brought by the receivers of BANCAJA, in accordance with the provisions of the Bankruptcy Act, and after first proving the existence of fraud in said transactions, fully in conformity with Additional Provision Five, section 4, of Act 3/1994, April 14.

In this connection, in the event of BANCAJA being decreed in bankruptcy, in accordance with the Bankruptcy Act, the Fund, acting through the Management Company, shall have a right of separation with respect to the multiple certificate representing the Pass-Through Certificates and to the Non-Mortgage Loans, on the terms provided for in articles 80 and 81 of the Bankruptcy Act. Moreover, the Fund, acting through its Management Company, shall be entitled to obtain from BANCAJA the resulting Pass-Through Certificate and Non-Mortgage Loan amounts from the date on which bankruptcy is decreed, for those amounts will be considered to be the Fund's property, through its Management Company and must therefore be transferred to the Management Company, representing the Fund. Subject to the above, there can be no ruling out that such a right of separation might not be enforceable with respect to funds handled by BANCAJA, for and on the Fund's instructions, as part of its function to manage collections of the Loans and the monies credited to the Fund's accounts opened at BANCAJA, in both cases as of the date on which bankruptcy is decreed, given their fungible nature and the consequent merging of assets. The means mitigating that risk are described in sections 3.4.4.1 (Treasury Account), 3.4.5 (Collection by the Fund of payments in respect of the assets) and 3.7.2.1.2 (Collection management) of the Building Block.



In the event of bankruptcy of the Management Company, it must be replaced by another management company in accordance with the provisions of article 19 of Royal Decree 926/1998.

## **2 Risks derived from the securities.**

### **a) Liquidity**

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

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

Moreover, the Fund may in no event repurchase the Bonds from Bondholders. Nevertheless, the Bonds may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms laid down in section 4.4.4 of the Registration Document.

### **b) Yield.**

Calculation of the yield (internal rate of return) of the Bonds in each Series contained in section 4.10 of the Securities Note is subject to future market interest rates, given the floating nature of the Nominal Interest Rate of each Series.

### **c) Duration.**

Calculation of the average life and duration of the Bonds in each Series contained in section 4.10 of the Securities Note is subject to fulfilment of Loan repayment and to assumed Loan prepayment rates that may not be fulfilled. Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' employment and financial circumstances and the general level of economic activity, preventing their predictability.

### **d) Late-payment interest.**

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

## **3 Risks derived from the assets backing the issue.**

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

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

BANCAJA, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Loans. Under article 348 of the Commercial Code, BANCAJA is liable to the Fund exclusively for the existence and lawfulness of the Loans on the terms and conditions declared in the Deed of Constitution, and for the personality with which the assignment is made. BANCAJA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Loans, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution of Loans or of Pass-Through Certificates failing to conform, upon the Fund being established, to the representations contained in section 2.2.8 of the Building Block.

The Bonds issued by the Fund neither represent nor constitute an obligation of BANCAJA or the Management Company. With the exception of the State Guarantee given for the Series A3(G) Bonds, no other 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.**

A high level of delinquency of the Loans might reduce or indeed exhaust the limited hedging against Loan portfolio losses that the Bonds in each Series distinctly have as a result of the existence of the credit enhancement transactions described in section 3.4.2 of the Building Block.

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

**c) Loan prepayment risk.**

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

That prepayment risk shall pass quarterly on each Payment Date to Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.1.6 of the Securities Note.

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered 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.*

## **ASSET-BACKED SECURITIES REGISTRATION DOCUMENT**

**(Annex VII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. PERSONS RESPONSIBLE**

#### **1.1 Persons responsible for the information given in the Registration Document.**

- 1.1.1 Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “**Management Company**”), the company sponsoring FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**” and/or the “**Issuer**”).

Mr Mario Masiá Vicente is acting as General Manager of the Management Company using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, and expressly for establishing the Fund pursuant to authorities conferred by the Board of Directors’ Executive Committee at its meeting held on July 21, 2005.

- 1.1.2 Mr Miguel Ángel Soria Navarro, duly authorised for these presents, for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.

- 1.1.3 Mr Arturo Miranda Martín, who holds Spanish Identity Document no. 30646726-P, duly authorised for these presents, for and on behalf of J.P. MORGAN SECURITIES LTD., Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.

- 1.1.4 Ms Patricia Canziani, duly authorised for these presents, for and on behalf of MERRILL LYNCH INTERNATIONAL, Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.

- 1.1.5 Mr Arturo Alonso Pérez and Mr Fernando Pérez Buitrago, duly authorised for these presents, for and on behalf of SOCIÉTÉ GÉNÉRALE, Sucursal en España, Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.

#### **1.2 Declaration by those responsible for the contents of the Registration Document.**

- 1.2.1 Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

- 1.2.2 Mr Miguel Ángel Soria Navarro declares:

- That the necessary checks have been made to verify that the information contained in the Registration Document is truthful and complete.

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

1.2.3 Mr Arturo Miranda Martín declares:

- That the necessary checks have been made to verify that the information contained in the Registration Document is truthful and complete.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Registration Document, or that the latter has omitted any material facts or figures which might be relevant to the investor.

1.2.4 Ms Patricia Canziani declares:

- That the necessary checks have been made to verify that the information contained in the Registration Document is truthful and complete.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Registration Document, or that the latter has omitted any material facts or figures which might be relevant to the investor.

1.2.5 Mr Arturo Alonso Pérez and Mr Fernando Pérez Buitrago declare:

- That the necessary checks have been made to verify that the information contained in the Registration Document is truthful and complete.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Registration Document, or that the latter has omitted any material facts or figures which might be relevant to the investor.

## **2. STATUTORY AUDITORS**

### **2.1 Fund's Auditors.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund has no historical financial information.

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

The Fund's annual accounts and their audit report shall be filed with the Companies Register.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the statutory 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.

### **2.2 Accounting policies used by the Fund.**

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

The expenses of setting up the Fund and issuing the Bonds detailed in section 6 of the Securities Note will be subject to a straight-line depreciation during the months elapsing since the establishment of the Fund until September 30, 2010, inclusive.

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

### 3. RISK FACTORS

The risk factors linked to the issuer are described in section 1 of Risk Factors of this Prospectus.

### 4. INFORMATION ABOUT THE ISSUER

#### 4.1 Statement that the issuer has been established as a securitisation fund.

The Issuer is an asset securitisation fund to be established in accordance with Spanish laws.

#### 4.2 Legal and commercial name of the issuer.

The issuer's name is "FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- FTPYME BANCAJA 4 FTA
- FTPYME BANCAJA 4 F.T.A.

#### 4.3 Place of registration of the issuer and registration number.

The place of registration of the Fund is in Spain at the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the "CNMV"). The Fund was entered in the Official Registers of the CNMV on November 4, 2005.

##### **Companies Register**

For the record, neither the establishment 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.

#### 4.4 Date of establishment and existence of the issuer.

##### 4.4.1 Date of establishment of the Fund.

The Management Company and BANCAJA, Originator of the Loans, shall proceed to execute on November 7, 2005 a public deed whereby FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANCAJA will assign to the Fund Non-Mortgage Loans and Mortgage Loans by means of the issue of Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds (the "**Deed of Constitution**"), on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus.

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

##### 4.4.2 Existence of the Fund.

The Fund shall commence its operations on the date of execution of the Deed of Constitution.

The Fund shall be in existence until July 24, 2038 or the following Business Day if that is not a Business Day, the Final Maturity Date of the Bond Issue, unless there should previously have been an Early Liquidation as set forth in section 4.4.3 of this Registration Document or any of the events laid down in section 4.4.4 of this Registration Document should occur.

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

4.4.3.1 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**”) of the entire Bond Issue, in any of the following events (“**Early Liquidation Events**”):

- (i) When the amount of the Outstanding Balance of the Loans yet to be repaid is less than 10 percent of the initial Outstanding Balance of the Loans upon the Fund being established, and provided that the payment obligations derived from the Bonds in each outstanding Series may be honoured and settled in full in the Liquidation Priority of Payments.

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

- (ii) Where, in any event or circumstance whatsoever unrelated to the Fund’s operations, a substantial alteration occurs or the financial balance of the Fund required by article 11.b) of Royal Decree 926/1998 is permanently damaged. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iii) In the event that the Management Company should be adjudged insolvent, or the statutory term to do so or otherwise four months should elapse without a new management company being designated in accordance with the provisions of section 3.7.1.3 of the Building Block.
- (iv) When a default occurs indicating a major permanent imbalance in relation to any of the Bonds issued or any unsubordinated credit or that it is about to occur.
- (v) Upon the lapse of thirty (30) months from the date of the last maturity of the Loans, even if amounts are still due and payable.

4.4.3.2 The following requirements shall have to be satisfied to proceed to that Early Liquidation of the Fund:

- (i) That Bondholders be given not less than fifteen (15) Business Days’ notice, as prescribed in section 4.1.3.2 of the Building Block, of the Management Company’s resolution to proceed to an early liquidation of the Fund.
- (ii) That the Management Company previously advise the CNMV and the Rating Agencies of that notice.
- (iii) The notice of the Management Company’s resolution to proceed to an Early Liquidation of the Fund shall contain a description (i) of the event or events for which an Early Liquidation of the Fund is effected, (ii) of the liquidation procedure, and (iii) of the manner in which the payment obligations derived from the Bonds are to be honoured and settled in the Liquidation Priority of Payments.

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

- (i) Notwithstanding the provisions of paragraph (iv) below, shall proceed to sell the Loans remaining in the Fund for a price of not less than the sum of the principal still outstanding plus interest accrued and not paid on the relevant Loans.
- (ii) Shall proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.

- (iii) It will be entitled to arrange for a credit facility which shall be fully allocated to early amortisation of the outstanding Series A1, A2, A3(G), B, C and D and repayment of the amount due to the State upon the Guarantee being enforced for Series A3(G), the financial cost of which (interest and fees and expenses, if any) shall not be in excess of the average Nominal Interest Rate of the outstanding Series A1, A2, A3(G), B, C and D weighted by the Outstanding Principal Balance of each of those Series. Payment of the financial costs accrued and repayment of credit facility principal shall be made in accordance with the Liquidation Priority of Payments.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of Loans or other remaining assets of the Fund, the Management Company shall proceed to sell them and shall therefore invite a bid from at least five (5) entities from among the most active in the purchase and sale of those assets who may, in its view, give a market value. The Management Company shall be bound to accept the best bid received for the assets on offer which may, in its view, cover the market value of the asset at issue. In order to set the market value, the Management Company may secure such valuation reports as it shall deem necessary.

In events (i), (iii) and (iv) above, the Originator shall have a pre-emptive right and will therefore have priority over third parties to acquire the Loans and other assets remaining on the assets of the Fund, or to grant to the Fund, as the case may be, the credit facility designed for the early amortisation of the outstanding Series A1, A2, A3(G), B, C and D. The Management Company shall therefore send the Originator a list of the assets and of third-party bids received, and the latter may use that right for all of the assets offered by the Management Company or the credit facility within five (5) Business Days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

- 4.4.3.4 The Management Company shall forthwith apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Liquidation Priority of Payments, other than the amounts, if any, drawn under the credit facility arranged, which shall be fully allocated to Early Amortisation of the outstanding Series A1, A2, A3(G), B, C and D and to the repayment due to the State upon the Guarantee being enforced for Series A3(G).

#### **4.4.4 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 4.4.3 above is over.
- (iv) At all events, upon the final liquidation of the Fund on the Final Maturity Date on July 24, 2038 or the following Business Day if that is not a Business Day.
- (v) Upon the establishment of the Fund terminating in the event that the Rating Agencies should not confirm any of the assigned provisional ratings as final ratings by the start of the Subscription Period. In this event, the Management Company shall terminate the establishment of the Fund, the assignment of the Loans to the Fund and the Bond Issue.

Termination of the establishment of the Fund shall be notified to the CNMV as soon as such is confirmed, and shall be publicised by means of the procedure specified in section 4.1.3.2 of the Building Block. Within not more than one (1) 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 expenses of setting up the Fund payable with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, the repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors by distributing the Liquidation Available Funds in the set Liquidation Priority of Payments, that remainder shall be paid to the Originator. If that remainder is not a liquid amount,



since relating to Loans that are pending the outcome of legal or notarial proceedings as a result of default by the Loan Obligor, both their continuation and the proceeds of their termination shall be for BANCAJA.

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

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

#### **4.5 Domicile, legal form and legislation applicable to the issuer.**

In accordance with the provisions of article 1.1 of Royal Decree 926/1998, the Fund has no own legal personality, and Securitisation Fund Management Companies are entrusted with establishing, managing and legally representing those funds, and, as managers of third-party portfolios, with representing and enforcing the interests of the holders of the securities issued by the Funds they manage and of all their other ordinary creditors.

The Fund shall have the same domicile as the Management Company:

- Street: Lagasca number 120
- Town: Madrid
- Post Code: 28006
- Country: Spain
- Telephone: (34) 91 411 84 67

The establishment of the Fund is subject to Spanish Law and in particular is carried out in pursuance of the provisions of the Ministerial Order dated December 28, 2001, amended by Economy Ministry Order ECO/1064/2003, April 29, relating to Agreements for Sponsoring Asset Securitisation Funds to foster business financing (the "**Order of December 28, 2001**") in accordance with the legal system provided for by (i) Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("**Royal Decree 926/1998**") and implementing regulations, (ii) Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("**Act 19/1992**"), failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system ("**Act 3/1994**"), and (iv) all other legal and statutory provisions in force and applicable from time to time.

##### **4.5.1 Tax system of the Fund.**

In accordance with the provisions of article 1.2 of Royal Decree 926/1998; article 5.10 of Act 19/1992; article 7.1.h) of Legislative Royal Decree 4/2004, March 5, approving the Consolidation of the Corporation Tax Act; article 20.One.18 of Value Added Tax Act 37/1992, December 28; article 59.k of Royal Decree 1777/2004, July 30, approving the Corporation Tax Regulations; article 45.I.B).15 of Royal Decree 1/1993, September 24, approving the Consolidation of the Capital Transfer and Documents Under Seal Tax; article 16 of Royal Decree 3/1993, and additional provision five of Act 3/1994, the following are the characteristics of the current tax system of the Fund:

- (i) The establishment of the Fund is exempt from the "corporate transactions" item of Capital Transfer and Documents Under Seal Tax.

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

#### **4.6 Issuer's authorised and issued capital.**

Not applicable.

### **5. BUSINESS OVERVIEW**

#### **5.1 Brief description of the issuer's principal activities.**

The Fund's activity is to acquire a set of loans owned by CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA granted to non-financial small and medium-sized enterprises domiciled in Spain and to issue asset-backed bonds designed to finance the acquisition of the loans, the underwritten placement of which is targeted at institutional investors.

Interest and repayment income on the loans acquired received by the Fund shall be allocated quarterly on each payment date to interest payment and principal repayment on the asset-backed bonds issued on the specific terms of each of the series making up the issue of asset-backed bonds and in the order of priority established for Fund payments.

Moreover, the Fund, represented by the Management Company, arranges a number of financial and service transactions in order to consolidate the financial structure of the Fund, enhance the safety or regularity in payment of the bonds, cover timing differences between the scheduled principal and interest flows on the loans and the bonds, and, generally, enable the financial transformation carried out in respect of the Fund's assets between the financial characteristics of the loans and the financial characteristics of each of the bond series.

#### **5.2 Global overview of the parties to the securitisation program.**

- EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN ("**EUROPEA DE TITULIZACIÓN**") is the Management Company that will establish, manage and legally represent the Fund.

EUROPEA DE TITULIZACIÓN is a securitisation fund management company incorporated in Spain and entered in the CNMV's special register under number 2.

VAT REG. No.: A-805144 66 Business Activity Code No.: 6713

Registered office: calle Lagasca number 120, 28006 Madrid (Spain).

- CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA ("**BANCAJA**") is the originator of the Loans to be assigned to the Fund upon being established, has financially structured the Fund and the Bond Issue, shall be a Lead Manager of the Bond Issue, an Underwriter and Placement Agent of the Series A1, A2, A3(G), B, C and D Bonds, one of the book runners of the Series A1, A2, A3(G), B, C and D Bonds and the Series E Bond subscriber. Moreover, BANCAJA shall be the Fund's counterparty in the Guaranteed Interest Rate Account (Treasury Account), Start-Up Loan, Loan Servicing, Bond Paying Agent and Financial Intermediation Agreements.

BANCAJA is a savings bank incorporated in Spain and entered in the Companies Register of Castellón at volume 532, book 99 of the General Section, sheet CS-2749, folio 1, entry 1, and in the Bank of Spain's Special Register of Savings Banks under number 49, its code number being 2077.

VAT REG. No.: G-46/002804 Business Activity Code No.: 65122

Registered office: Caballeros number 2, 12001 Castellón (Spain).

Principal places of business: Pintor Sorolla number 8, 46002 Valencia.

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of BANCAJA assigned by the rating agencies:

	Fitch Ratings	Moody's Ratings
Short-term	F1	P1
Long-term	A+	A1

- J.P. MORGAN SECURITIES LIMITED. ("**JPMORGAN**") shall be a Lead Manager of the Bond Issue, an Underwriter and Placement Agent of the Series A1, A2, A3(G), B, C and D Bonds and one of the book runners of the Series A1, A2, A3(G), B, C and D Bonds.

JPMORGAN is a limited liability company incorporated in the United Kingdom and entered in the companies register of England and Wales under number 2711006. Moreover, JPMORGAN is registered with the CNMV as a European Economic Area Investment Services Company in Free Provision of Services under registration number 107 dated 05.01.1996.

VAT REG. No.: GB 397 2498 93

Registered office: 125 London Wall, EC2Y 5AJ London (United Kingdom)

- MERRILL LYNCH INTERNATIONAL ("**MERRILL LYNCH**") shall be a Lead Manager of the Bond Issue, an Underwriter and Placement Agent of the Series A1, A2, A3(G), B, C and D Bonds and one of the book runners of the Series A1, A2, A3(G), B, C and D Bonds.

MERRILL LYNCH is an unlimited liability company incorporated in the United Kingdom and entered in the companies register of England under number 2312079. Moreover, MERRILL LYNCH is registered with the CNMV as a Foreign Investment Services Company under registration number 426 dated 14.10.1998.

VAT REG. No.: GB 245 1224 93

Registered office: 2 King Edward Street, EC1A 1HQ (London) (United Kingdom)

- SOCIÉTÉ GÉNÉRALE Sucursal en España ("**SOCIÉTÉ GÉNÉRALE**") shall be a Lead Manager of the Bond Issue, an Underwriter and Placement Agent of the Series A1, A2, A3(G), B, C and D Bonds and one of the book runners of the Series A1, A2, A3(G), B, C and D Bonds.

SOCIÉTÉ GÉNÉRALE is a bank incorporated in France acting through its Branch in Spain registered with the Bank of Spain as a Branch of a Community foreign credit institution under code number 0108 and is entered in the Companies Register of Madrid, Volume 10,215, Folio 35, Sheet 18,909, Entry 480.

VAT REG. No.: A0011682B Business Activity Code No.: 651211

Registered office: Torre Picasso, Plaza Pablo Ruiz Picasso, 1, 28020 Madrid (Spain)

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of SOCIÉTÉ GÉNÉRALE assigned by the rating agencies:

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

- JPMORGAN CHASE, N.A., London Branch ("**JPMORGAN CHASE**") shall be the Fund's counterparty in the Interest Swap Agreements.

JPMORGAN CHASE is the branch in England and Wales of the US bank J.P. MORGAN CHASE BANK, N.A., with main office at 1111 Polaris Parkway, Columbus, Ohio 43271, and place of business of its London branch at 125 London Wall, London EC2Y 5AJ, United Kingdom, and registered as a branch in England and Wales under branch number BR000746.

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of JPMORGAN CHASE assigned by the rating agencies:

	Fitch Ratings	Moody's Ratings	S&P Ratings
<b>Short-term</b>	F1+	P-1	A-1
<b>Long-term</b>	A+	Aa2	AA-

- BANCO PASTOR (“**BANCO PASTOR**”) shall be one of the Underwriters and Placement Agents of the Series A1 Bonds.

BANCO PASTOR is a bank incorporated in Spain and entered in the Companies Register of Corunna at volume 91, book 3, section 3, folio 107, sheet 33, entry 1, and in the Bank of Spain's Special Register of Banks and Bankers under number R-2, its code number being 0072.

VAT REG. No.: A-15000128 Business Activity Code No.: 65121

Registered office: Cantón Pequeño number 1, 15003 Corunna (Spain).

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of BANCO PASTOR assigned by the rating agencies:

	Moody's Ratings	S&P Ratings
<b>Short-term</b>	P-1	A-1
<b>Long-term</b>	A2	A

J.P. MORGAN SECURITIES LTD. and J.P. MORGAN CHASE BANK, N.A., London Branch, are part of the same Group as J.P. MORGAN CHASE & CO.

J.P. MORGAN SECURITIES LTD. is part of the same Group as J.P. MORGAN ESPAÑA, S.A., and the latter in turn has a 4.00 percent interest in the Management Company's share capital.

BANCO PASTOR has a 0.77 percent interest in the Management Company's share capital.

No other direct or indirect ownership or controlling interest whatsoever is known to exist between the above-mentioned legal persons involved in the securitisation transactions.

## 6. ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES

### Management, administration and representation of the issuer.

The Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, shall be responsible for the management and legal representation of the Fund 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.

### 6.1 Incorporation and registration at the Companies Register.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before 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, and entered in the Companies Register of Madrid at volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, on March 11, 1993; the company was 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 Madrid Notary Public 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.

EUROPEA DE TITULIZACIÓN has perpetual existence, other than upon the occurrence of any of the events of dissolution provided by the laws and the articles of association.

## 6.2 Audit.

The annual accounts of EUROPEA DE TITULIZACIÓN for the years ended on December 31, 2004, 2003 and 2002 have been audited by the firm Deloitte S.L., with place of business at Madrid, and entered in the Official Register of Auditors (ROAC) under number S0692.

The audit reports on the annual accounts for the years 2004, 2003 and 2002 have no notes.

## 6.3 Principal activities.

The exclusive objects of EUROPEA DE TITULIZACIÓN are to establish, manage and legally represent both asset securitisation funds and mortgage securitisation funds.

EUROPEA DE TITULIZACIÓN managed 44 securitisation funds as at September 30, 2005, of which 18 were mortgage securitisation funds and 26 were asset securitisation funds.

The following table itemises the 44 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances.

Securitisation Fund	Establishment	Bond Issue		Bond Issue		Bond Issue		Bond Issue
		Initially	Balance 30.09.2005		Balance 31.12.2004		Balance 31.12.2003	
		EUR	EUR	Δ%	EUR	Δ%	EUR	
<b>TOTAL</b>		<b>36,801,546,652.96</b>	<b>27,537,188,365.17</b>	<b>26.7%</b>	<b>21,742,066,167.51</b>	<b>42.8%</b>	<b>15,225,248,835.61</b>	
Mortgage (FTH)		9,577,546,652.96	<b>4,857,295,275.14</b>	-14.2%	5,664,315,494.43	9.2%	6,238,076,018.82	
Bankinter 7 FTH	18,02,2004	490,000,000.00	370,378,365.42	-16.4%	443,242,308.18			
Bankinter 5 FTH	16,12,2002	710,000,000.00	480,860,636.59	-15.4%	568,496,104.12	-12.1%	646,824,322.74	
BZ Hipotecario 4 FTH	27,11,2002	313,400,000.00	181,621,502.40	-15.4%	214,702,964.80	-19.8%	267,626,203.20	
Rural Hipotecario IV FTH	14,11,2002	520,000,000.00	324,427,164.89	-15.3%	383,066,455.30	-15.6%	453,900,456.81	
Bancaja 4 FTH	05,11,2002	1,000,000,000.00	562,166,397.85	-17.0%	676,910,165.65	-18.3%	828,101,060.95	
Bankinter 4 FTH	24,09,2002	1,025,000,000.00	718,925,477.00	-10.8%	805,537,009.40	-11.8%	913,481,788.16	
Rural Hipotecario III FTH	14,05,2002	325,000,000.00	191,877,565.42	-13.5%	221,756,180.86	-15.5%	262,514,204.02	
Bankinter 3 FTH	22,10,2001	1,322,500,000.00	779,474,785.92	-11.7%	882,775,463.04	-14.1%	1,027,098,923.52	
BZ Hipotecario 3 FTH	23,07,2001	310,000,000.00	139,291,831.58	-15.3%	164,493,197.56	-21.0%	208,231,256.08	
Rural Hipotecario II FTH	29,05,2001	235,000,000.00	114,727,237.60	-15.2%	135,215,972.80	-16.9%	162,788,372.80	
BZ Hipotecario 2 FTH	28,04,2000	285,000,000.00	84,496,357.62	-19.0%	104,365,347.64	-24.3%	137,863,444.12	
Rural Hipotecario I FTH	22,02,2000	200,000,000.00	72,482,730.44	-16.1%	86,384,087.06	-19.8%	107,756,861.06	
Bankinter 2 FTH	25,10,1999	320,000,000.00	136,877,163.99	-16.5%	163,903,710.50	-15.2%	193,242,016.00	
Bankinter 1 FTH	12,05,1999	600,000,000.00	208,963,268.52	-10.5%	233,577,234.54	-18.9%	287,986,696.98	
BZ Hipotecario 1 FTH	16,04,1999	350,000,000.00	90,897,930.12	-17.6%	110,269,777.88	-22.4%	142,107,218.50	
Hipotecario 2 FTH	04,12,1998	1,051,771,182.67	322,792,651.70	-11.1%	363,220,856.66	-20.5%	456,668,285.80	
Bancaja 2 FTH	23,10,1998	240,404,841.75	59,937,667.98	-22.4%	77,225,834.66	-21.8%	98,788,329.80	
Bancaja 1 FTH	18,07,1997	120,202,420.88	17,096,540.10	-19.6%	21,266,914.30	-25.7%	28,614,973.60	
BBV-MBS I FTH	30,11,1995	90,151,815.66	liquidated	-100.0%	7,905,909.48	-45.4%	14,481,604.68	
Hipotecario 1 FTH	20,09,1993	69,116,392.00	liquidated					
<b>Asset (FTA)</b>		<b>27,224,000,000.00</b>	<b>22,679,893,090.03</b>	<b>41.1%</b>	<b>16,077,750,673.08</b>	<b>78.9%</b>	<b>8,987,172,816.79</b>	
BBVA-4 PYME FTA	26,09,2005	1,250,000,000.00	1,250,000,000.00					
Bankinter 10 FTA	27,06,2005	1,740,000,000.00	1,740,000,000.00					
MBS Bancaja 2 FTA	27,06,2005	809,200,000.00	781,824,860.88					
BBVA Hipotecario 3 FTA	13,06,2005	1,450,000,000.00	1,450,000,000.00					
Rural Hipotecario VII FTA	29,04,2005	1,100,000,000.00	1,043,655,618.71					
Bancaja 8 FTA	22,04,2005	1,680,100,000.00	1,601,566,395.00					
Bankinter 9 FTA	14,02,2005	1,035,000,000.00	1,035,000,000.00					
BBVA-3 FTPYME FTA	29,11,2004	1,000,000,000.00	1,000,000,000.00	0.0%	1,000,000,000.00			
Ruralpyme 1 FTPYME FTA	23,11,2004	214,000,000.00	182,166,403.30	-14.9%	214,000,000.00			

Securitisation Fund	Establishment	Bond Issue		Bond Issue		Bond Issue		Bond Issue
		Initially	Balance 30.09.2005		Balance 31.12.2004		Balance 31.12.2003	
		EUR	EUR	Δ%	EUR	Δ%	EUR	
BBVA Autos 1 FTA	25,10,2004	1,000,000,000.00	1,000,000,000.00	0.0%	1,000,000,000.00			
FTPYME Bancaja 3 FTA	11,10,2004	900,000,000.00	900,000,000.00	0.0%	900,000,000.00			
Bancaja 7 FTA	12,07,2004	1,900,000,000.00	1,900,000,000.00	0.0%	1,900,000,000.00			
Rural Hipotecario VI FTA	07,07,2004	950,000,000.00	811,620,252.58	-11.6%	918,039,044.03			
MBS Bancaja 1 FTA	17,05,2004	690,000,000.00	690,000,000.00	0.0%	690,000,000.00			
Valencia H 1 FTA	23,04,2004	472,000,000.00	385,776,222.36	-11.6%	436,154,049.09			
Bankinter 8 FTA	03,03,2004	1,070,000,000.00	868,322,766.41	-11.0%	976,014,308.21			
Bancaja 6 FTA	03,12,2003	2,080,000,000.00	1,447,337,821.80	-30.4%	2,080,000,000.00	0.0%	2,080,000,000.00	
Rural Hipotecario V FTA	28,10,2003	695,000,000.00	520,669,380.68	-11.9%	591,221,073.84	-13.6%	684,344,386.72	
Bankinter 6 FTA	25,09,2003	1,350,000,000.00	1,074,897,320.91	-9.8%	1,191,555,147.63	-11.7%	1,350,000,000.00	
FTPYME Bancaja 2 FTA	19,09,2003	500,000,000.00	291,851,662.93	-39.6%	483,139,909.38	-3.4%	500,000,000.00	
Bancaja 5 FTA	14,04,2003	1,000,000,000.00	637,005,438.75	-16.0%	758,585,912.95	-18.2%	927,104,197.20	
Bancaja 3 FTA	29,07,2002	520,900,000.00	520,900,000.00	0.0%	520,900,000.00	0.0%	520,900,000.00	
FTPYME Bancaja 1 FTA	04,03,2002	600,000,000.00	262,592,285.40	-56.2%	600,000,000.00	0.0%	600,000,000.00	
BBVA-2 FTPYME ICO	01,12,2000	900,000,000.00	343,882,510.38	-32.3%	508,081,398.75	-38.0%	819,749,937.69	
BCL Municipios I FTA	21,06,2000	1,205,000,000.00	650,365,730.00	-20.2%	815,121,170.00	-6.1%	868,173,110.00	
BBVA-1 FTA	24,02,2000	1,112,800,000.00	290,458,419.94	-41.3%	494,938,659.20	-22.3%	636,901,185.18	

#### 6.4 Share capital and equity.

The wholly subscribed for, paid-up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty eurocents (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.

The shares are all in the same class and confer identical political and economic rights.

(EUR)	31.12.2004	Δ%	31.12.2003	Δ%	31.12.2002
<b>Equity*</b>	<b>3,095,298.97</b>	<b>0.03%</b>	<b>3,094,300.50</b>	<b>4.65%</b>	<b>2,956,911.01</b>
Capital	1,803,037.50	0.00%	1,803,037.50	0.00%	1,803,037.50
Reserves	1,292,261.47	0.08%	1,291,263.00	11.91%	1,153,873.51
<i>Legal</i>	360,607.50	0.28%	359,609.03	61.83%	222,219.54
<i>Voluntary</i>	931,653.97	0.00%	931,653.97	0.00%	931,653.97
<b>Year's profit</b>	<b>1,786,915.94</b>	<b>0.84%</b>	<b>1,772,026.40</b>	<b>28.98%</b>	<b>1,373,894.87</b>

\* Does not include year's profit

#### 6.5 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

#### 6.6 Administrative, management and supervisory bodies.

The government and management of the Management Company are entrusted under the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Their duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Royal Decree 926/1998, in relation to the objects.

As provided for in the Articles of Association, the Board of Directors has delegated to an Executive Committee all its authorities that may be delegated by law and in accordance with the articles, including

resolving to set up Asset Securitisation Funds. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

### **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 Ignacio Aldonza Goicoechea Mr Luis Bach Gómez * Mr José M <sup>a</sup> . Castellón Leal on behalf of Barclays Bank, S.A. Mr José Luis Domínguez de Posada de Miguel * Ms Ana Fernández Manrique Mr Juan Gortázar Sánchez-Torres Mr Mario Masiá Vicente * ** Ms Carmen Pérez de Muniaín Marzana * ** Mr Borja Uriarte Villalonga on behalf of Bankinter, S.A. * Mr Jesús del Pino Durán ** Mr Jorge Sáenz de Miera on behalf of Deutsche Bank Credit, S.A. Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A. Mr José Manuel Tamayo Pérez Mr Pedro M <sup>a</sup> . Urresti Laca * on behalf of J.P. Morgan España, S.A. Mr Ignacio Benlloch Fernández-Cuesta on behalf of Banco Cooperativo Español S.A.**
<b>Non-Director Secretary:</b>	Ms Belén Rico Arévalo

\* Member of the Board of Directors' Executive Committee.

\*\*These appointments and re-elections by the Ordinary General Shareholders' Meeting held on June 23, 2005 and the removal of Banco Urquijo S.A. are yet to be entered in the Companies Register and have been notified to the CNMV.

The business address of the directors of EUROPEA DE TITULIZACIÓN is for these purposes at Madrid, calle Lagasca number 120.

### **General Manager.**

The General Manager of the Management Company is Mr Mario Masiá Vicente.

#### **6.7 Principal activities of the persons referred to in section 6.1.6 above, performed outside the Management Company where these are significant with respect to the Fund.**

Pedro M<sup>a</sup>. Urresti Laca is currently a member of staff of J.P. MORGAN SECURITIES LIMITED, the firm involved in the securitisation transaction as Lead Manager and Underwriter and Placement Agent of the Bond Issue.

#### **6.8 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.

**6.9 Litigation in the Management Company.**

The Management Company is not involved in any event in the nature of insolvency or in any litigation or actions which might affect its economic and financial position or, in the future, its capacity to discharge its Fund management and administration duties.

**7. MAJOR SHAREHOLDERS**

**7.1 Statement as to whether the Management Company is directly or indirectly owned or controlled.**

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

Name of shareholder company	Holding * (%)
Banco Bilbao Vizcaya Argentaria , S.A.	82.9703
J.P. Morgan España, S.A.	4.0000
Caja de Ahorros del Mediterráneo	1.5420
Bankinter, S.A.	1.5317
Barclays Bank, S.A.	1.5317
Citibank España, S.A.	1.5317
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E.	0.7658
Banco Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
Banco Sabadell, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP Paribas 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

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

EUROPEA DE TITULIZACIÓN has established an Internal Code of Conduct in fulfilment of the provisions of Chapter II of Royal Decree 629/1993, May 3, on operating standards in securities markets and mandatory registrations, which has been notified to the CNMV.

**8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES**

**8.1 Statement as to commencement of operations and financial statements as at the date of registration of the Registration Document.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund's operations shall commence on the date of execution of the Deed of Constitution and therefore no financial statement has been prepared as of the date of this Registration Document.

**8.2 Historical financial information where an issuer has commenced operations and financial statements have been prepared.**

Not applicable.



**8.2 bis Historical financial information for issues of securities having a denomination per unit of at least EUR 50,000.**

Not applicable.

**8.3 Legal and arbitration proceedings.**

Not applicable.

**8.4 Material adverse change in the issuer's financial position.**

Not applicable.

**9. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

**9.1 Statement or report attributed to a person as an expert.**

No statement or report is included.

**9.2 Information sourced from a third party.**

No information is included.

**10. DOCUMENTS ON DISPLAY**

**10.1 Documents on display.**

If necessary, the following documents or copies thereof may be inspected during the period of validity of this Registration Document:

- a) the Deed of Constitution of the Fund;
- b) the transcripts of corporate resolutions of the Management Company and of BANCAJA;
- c) this Prospectus;
- d) the agreements to be entered into by the Management Company for and on behalf of the Fund;
- e) the Economy and Finance Ministry's Order granting the Series A3(G) Bonds the Spanish State's guarantee;
- f) the audit report on certain characteristics and attributes of a sample of all the loans selected to be assigned to the Fund;
- g) the letters from the Rating Agencies notifying the ratings assigned to each of the Series in the Bond Issue;
- h) the letters with the statements from the Lead Managers of the Bond Issue;
- i) the letter with the statement from the Originator of the Loans;
- j) the additional public deed determining the face amount of the Series E Bonds;
- k) the certificate recording payment of the Bonds, which shall include the final margins for determining the Nominal Interest Rate of the Series A1, A2, A3(G), B, C and D Bonds;
- l) the Management Company's annual accounts and the relevant audit reports; and
- m) the articles of association and memorandum of association of the Management Company.

Those documents may be physically obtained at the registered office of EUROPEA DE TITULIZACIÓN at Madrid, calle Lagasca number 120. Moreover, the Prospectus can also be accessed at the website of

EUROPEA DE TITULIZACIÓN, at [www.edt-sg.com](http://www.edt-sg.com), of the CNMV at [www.cnmv.es](http://www.cnmv.es), of AIAF at [www.aiaf.es](http://www.aiaf.es) and is available to investors interested in the offer by the Underwriters and Placement Agents.

The Deed of Constitution of the Fund may be physically accessed at the place of business of Iberclear in Madrid, Calle Pedro Teixeira number 8.

In addition, the documents listed in a) to l) may be obtained at the CNMV.

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered 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.*

## **SECURITIES NOTE**

**(Annex XIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1 PERSONS RESPONSIBLE**

#### **1.1 Persons responsible for the information given in the Securities Note.**

- 1.1.1 Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, the company sponsoring FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS.
- 1.1.2 Mr Miguel Ángel Soria Navarro, duly authorised for these presents, for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.
- 1.1.3 Mr Arturo Miranda Martín, who holds Spanish Identity Document no. 30646726-P, duly authorised for these presents, for and on behalf of J.P. MORGAN SECURITIES LTD., Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.
- 1.1.4 Ms Patricia Canziani, duly authorised for these presents, for and on behalf of MERRILL LYNCH INTERNATIONAL, Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.
- 1.1.5 Mr Arturo Alonso Pérez and Mr Fernando Pérez Buitrago, duly authorised for these presents, for and on behalf of SOCIÉTÉ GÉNÉRALE, Sucursal en España, Lead Manager of the issue of asset-backed bonds by FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS in fulfilment of the provisions of article 28.1 paragraph three of the Securities Market Act, article 31.2 of Royal Decree 291/1992, March 27, on issues of and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992.

#### **1.2 Declaration by those responsible for the Securities Note.**

- 1.2.1 Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.
- 1.2.2 Mr Miguel Ángel Soria Navarro declares:
- That the necessary checks have been made to verify that the information contained in the Securities Note is truthful and complete.
  - That those checks have not revealed any circumstances contradicting or altering the information contained in the Securities Note, or that the latter has omitted any material facts or figures which might be relevant to the investor.

1.2.3 Ms Patricia Canziani declares:

- That the necessary checks have been made to verify that the information contained in the Securities Note is truthful and complete.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Securities Note, or that the latter has omitted any material facts or figures which might be relevant to the investor.
- That these representations neither extend nor refer to the audit report regarding the selected loans mentioned in the Building Block of the Prospectus.

1.2.4 Mr Arturo Miranda Martín declares:

- That the necessary checks have been made to verify that the information contained in the Securities Note is truthful and complete.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Securities Note, or that the latter has omitted any material facts or figures which might be relevant to the investor.
- That these representations neither extend nor refer to the audit report regarding the selected loans mentioned in the Building Block of the Prospectus.

1.2.5 Mr Arturo Alonso Pérez and Mr Fernando García Buitrago declare:

- That the necessary checks have been made to verify that the information contained in the Securities Note is truthful and complete.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Securities Note, or that the latter has omitted any material facts or figures which might be relevant to the investor.
- That these representations neither extend nor refer to the audit report regarding the selected loans mentioned in the Building Block of the Prospectus.

## 2 RISK FACTORS

The risk factors linked to the securities are described in section 2 of Risk Factors of this Prospectus.

The risk factors linked to the assets backing the issue are described in section 3 of Risk Factors of this Prospectus.

## 3 KEY INFORMATION

### 3.1 Interest of natural and legal persons involved in the offer.

The identity of the legal persons involved in the offer and direct or indirect shareholdings between them are detailed in section 5.2 of the Registration Document. Their interest as persons involved in the offer of the Bond Issue are as follows:

- a) EUROPEA DE TITULIZACIÓN is the Fund Management Company.
- b) BANCAJA has financially structured the Fund and the Bond Issue.
- c) BANCAJA is the Originator of the Loans to be pooled in the Fund, represented by the Management Company.
- d) BANCAJA, JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE are involved as Lead Managers of the Bond Issue and Underwriters and Placement Agents of the Series A1, A2, A3(G), B, C and D Bonds and shall be the placement agents in charge of keeping the Series A1, A2, A3(G), B, C and D Bond subscription orders book (*joint book runners*).

- e) BANCO PASTOR is involved as Underwriter and Placement Agent of the Series A1 Bonds.
- f) BANCAJA is involved as Series E Bond subscriber.
- g) BANCAJA is involved as Paying Agent of the Bond Issue.

The Management Company is not aware of the existence of any other significant link or economic interest between the aforesaid institutions involved in the offer for the Bond Issue, other than what is strictly professional derived from their involvement as detailed in this section and in section 3.2 of the Building Block.

#### **4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING.**

##### **4.1 Total amount of the securities.**

The issue of asset-backed bonds (the "**Bond Issue**") consists of Bonds denominated in euros and comprised of seven Series as follows:

- a) Class A comprising three Series having a face amount of EUR one billion three hundred and seventy-nine million nine hundred thousand (1,379,900,000.00) (either "**Class A**" or the "**Class A Bonds**"):
  - i) Series A1 having a total face amount of EUR eight hundred and forty-two million three hundred thousand (842,300,000.00) comprising eight thousand four hundred and twenty-three (8,423) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A1**" or the "**Series A1 Bonds**").
  - ii) Series A2 having a total face amount of EUR three hundred million (300,000,000.00) comprising three thousand (3,000) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A2**" or the "**Series A2 Bonds**").
  - iii) Series A3(G) having a total face amount of EUR two hundred and thirty-seven million six hundred thousand (237,600,000.00) comprising two thousand three hundred and seventy-six (2,376) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A3(G)**" or the "**Series A3(G) Bonds**").
- b) Class B comprising a single Series B having a total face amount of EUR seventy-one million three hundred thousand (71,300,000.00) comprising seven hundred and thirteen (713) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or the "**Series B Bonds**").
- c) Class C comprising a single Series C having a total face amount of EUR twenty-three million three hundred thousand (23,300,000.00) comprising two hundred and thirty-three (233) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series C**" or the "**Series C Bonds**").
- d) Class D comprising a single Series D having a total face amount of EUR twenty-five million five hundred thousand (25,500,000.00) comprising two hundred and fifty-five (255) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series D**" or the "**Series D Bonds**").
- e) Class E comprising a single Series E having a total face amount comprised between EUR twenty-four million (24,000,000.00) and twenty-one million eight hundred thousand (21,800,000.00) comprising Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series E**" or the "**Series E Bonds**").

The total face amount of and consequently the number of Bonds in Series E shall be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly)

for the first settlement period in each of those Agreements, in accordance with the provisions of section 3.4.7.1 of the Building Block, and (ii) as established below.

<b>Weighted average margin applicable to the Party B interest rate in each Interest Swap Agreement</b>		
<b>Between -0.10% and -0.051%</b>	<b>Between -0.050% and 0.000%</b>	<b>Between +0.001% and +0.05%</b>

<b>Total face amount of Series E</b>	€24,000,000.00	€22,500,000.00	€21,800,000.00
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The total face amount of and consequently the number of Bonds in Series E determined in due course shall be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents of Series A1, A2, A3(G), B, C and D, to be in turn reported by the latter to investors interested in subscribing for the Bonds. Moreover, the Management Company will also notify this to the CNMV as information in addition to this Prospectus, and to the Rating Agencies. This shall also be set down in a public deed supplementing the Deed of Constitution to be executed by the Management Company by the start of the Subscription Period.

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

#### 4.1.1 **Underwriting placement of Series A1, A2, A3(G), B, C and D Bonds and subscription for Series E Bonds.**

The Bond Issue shall be underwritten and placed by CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”), J.P. MORGAN SECURITIES LTD. (“**JPMORGAN**”), MERRILL LYNCH INTERNATIONAL (“**MERRILL LYNCH**”) and SOCIÉTÉ GÉNÉRALE Sucursal en España (“**SOCIÉTÉ GÉNÉRALE**”) as Lead Managers and Underwriters and Placement Agents of the of Series A1, A2, A3(G), B, C and D Bonds and by BANCO PASTOR, S.A. (“**BANCO PASTOR**”), as Underwriter and Placement Agent of the Series A1 Bonds under the Bond Issue Management, Underwriting, Placement and Subscription Agreement to be entered into by the Management Company for and on behalf of the Fund.

##### **1. Underwriting and placement of Series A1, A2, A3(G), B, C and D Bonds.**

The Underwriters and Placement Agents shall take on the obligations laid down in the Bond Issue Management, Underwriting, Placement and Subscription Agreement, which are broadly the following: 1) securing placement by a third-party subscription for Series A1, A2, A3(G), B, C and D Bonds; 2) an undertaking to subscribe on their own account for Series A1, A2, A3(G), B, C and D Bonds not subscribed for by third parties during the Subscription Period, up to the amounts of their respective joint underwriting commitments, notwithstanding which BANCAJA may be bound to underwrite all of the Bonds in certain circumstances provided for in this connection; 3) payment by the Underwriters and Placement Agents JPMORGAN, MERRILL LYNCH, SOCIÉTÉ GÉNÉRALE and BANCO PASTOR to the Paying Agent, by 2pm (CET time) on the Closing Date, for same day value, of the face amount of the Series A1, A2, A3(G), B, C and D Bonds they shall each have placed and subscribed for on their own account, as the case may be, up to their respective underwriting commitments, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm (CET time), for same day value, the amount received from the other Underwriters and Placement Agents and the face amount of the Series A1, A2, A3(G), B, C and D Bonds it shall have placed as Underwriter and Placement Agent and subscribed for, as the case may be, on its own account up to its respective underwriting commitment; 4) an undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of amounts due; 5) providing subscribers with a document proving subscription; 6) providing the Paying Agent with Series A1, A2, A3(G), B, C and D Bond placement dissemination control information; and 7) all other aspects governing underwriting and placement.

The following is the commitment by each Underwriter and Placement Agent in regard to their involvement in underwriting placement of the Series A1, A2, A3(G), B, C and D Bonds:

Underwriter and Placement Agent	Face amount underwritten in each Series (EUR)					
	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds	Series D Bonds
BANCAJA	208,100,000.00	75,000,000.00	59,400,000.00	17,900,000.00	5,800,000.00	6,300,000.00
JPMORGAN	208,100,000.00	75,000,000.00	59,400,000.00	17,700,000.00	5,900,000.00	6,400,000.00
MERRILL LYNCH	208,100,000.00	75,000,000.00	59,400,000.00	17,800,000.00	5,800,000.00	6,400,000.00
SOCIÉTÉ GÉNÉRALE	208,000,000.00	75,000,000.00	59,400,000.00	17,900,000.00	5,800,000.00	6,400,000.00
BANCO PASTOR	10,000,000.00	---	---	---	---	---
<b>Total</b>	<b>842,300,000.00</b>	<b>300,000,000.00</b>	<b>237,600,000.00</b>	<b>71,300,000.00</b>	<b>23,300,000.00</b>	<b>25,500,000.00</b>

Notwithstanding the above, the Underwriters and Placement Agents shall be released from their underwriting commitment and BANCAJA shall have to underwrite all of the Series A1, A2, A3(G), B, C and D Bonds in the event that, by 1pm (CET time) on the day before the Closing Date, November 10, 2005, JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE should give the Management Company and BANCAJA written notice of the decision made with one accord to terminate the underwriting commitment upon the occurrence of any of the circumstances for which provision is made in this connection in the Bond Issue Management, Underwriting, Placement and Subscription Agreement.

In the event that JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE should decide to terminate the underwriting commitment, any of the remaining Underwriters and Placement Agents may keep the underwriting commitment provided for each of them, merely by so advising the Management Company and BANCAJA in writing by 1pm (CET time) on the day preceding the Closing Date, and BANCAJA shall be bound to underwrite all the Series A1, A2, A3(G), B, C and D Bonds not underwritten by the Underwriters and Placement Agents upon being released from their underwriting commitment.

The Underwriters and Placement Agents of each of Series A1, A2, A3(G), B, C and D shall altogether receive from the Fund an underwriting and placement fee on the face amount of the Bonds in the relevant Series ranging between 0.02% and 0.08%, both inclusive.

The underwriting and placement fee applicable on the face amount of the Series A1, A2, A3(G), B, C and D Bonds shall be determined with one accord by the Lead Managers and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period (November 8, 2005). Failing an agreement between the Lead Managers, the Management Company shall fix the underwriting and placement fee for the Series in respect of which there was no agreement at 0.04%.

The underwriting and placement fee applicable to the Bonds in each of Series A1, A2, A3(G), B, C and D fixed shall be notified by the Management Company by the start of the Subscription Period to the Underwriters and Placement Agents and to the CNMV.

The Paying Agent shall pay each Underwriter and Placement Agent of Series A1, A2, A3(G), B, C and D on the Closing Date the underwriting and placement fee amount they shall each have accrued, after they have in turn paid the face amount of the Series A1, A2, A3(G), B, C and D Bonds they shall each have placed and subscribed for on their own account, as the case may be, up to their respective underwriting commitments.

## 2. Subscription for and payment of Series E Bonds.

Subscription for all of the Series E Bonds shall be carried out exclusively by BANCAJA under the Management, Underwriting, Placement and Subscription Agreement taking on the obligations therein contained in relation to subscription for the Series E Bonds, which are broadly the following: 1) an undertaking to subscribe on its own account for the Series E Bonds; 2) payment to the Fund by 3pm (CET time) on the Closing Date, for same day value, of the amount for subscribing for the Series E Bonds; 3) an undertaking to pay late-payment interest covenanted in the Agreement in the event of late payment of the amounts due; and 4) all other aspects governing subscription for the Series E Bonds.

BANCAJA shall receive no remuneration whatsoever for subscribing for the Series E Bonds.



3. BANCAJA, JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE shall be involved as Lead Managers in the Bond Issue. They shall not be remunerated for managing the Bond Issue.

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

**4.2 Description of the type and class of the securities.**

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.

**4.3 Legislation under which the securities have been created.**

The establishment of the Fund and the Bond Issue are subject to Spanish Law and in particular are carried out in pursuance of the Ministerial Order of December 28, 2001 and in accordance with the legal system provided for by (i) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) the Securities Market Act, (iv) Royal Decree 291/1992, March 27, on issues of and offerings for the sale of securities as currently worded, (v) Commission Regulation (EC) No. 809/2004 of April 29, 2004, and (vi) all other legal and statutory provisions in force and applicable from time to time.

**4.4 Indication as to whether the securities are in registered or bearer form and whether the securities are in certificated or book-entry form.**

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

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A. ("**Iberclear**"), with place of business at Calle Pedro Teixeira, no. 8, Madrid, shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities listed on the AIAF, and represented by book entries, established now or henceforth by Iberclear or AIAF.

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

**4.5 Currency of the issue.**

The Bonds shall be denominated in Euros.

**4.6 Ranking of the securities.**

Interest payment and principal repayment on Series B Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Interest payment and principal repayment on Series C Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Interest payment and principal repayment on Series D Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)), Series B and Series C Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Interest payment and principal repayment on Series E Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)), Series B, Series C and Series D Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

**4.6.1 Simple reference to the order number of Bond interest payment in each Series in the Fund priority of payments.**

Payment of interest accrued by Series A1, A2 and A3(G) Bonds is (i) third (3<sup>rd</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block, and (ii) fourth (4<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series B Bonds is (i) fourth (4<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, other than in the event provided for in that same section for the same to be deferred, in which case it shall be eighth (8<sup>th</sup>), and (ii) sixth (6<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series C Bonds is (i) fifth (5<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, other than in the event provided for in that same section for the same to be deferred, in which case it shall be ninth (9<sup>th</sup>), and (ii) eighth (8<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series D Bonds is (i) sixth (6<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, other than in the event provided for in that same section for the same to be deferred, in which case it shall be tenth (10<sup>th</sup>), and (ii) tenth (10<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series E Bonds is (i) twelfth (12<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, and (ii) thirteenth (13<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

**4.6.2 Simple reference to the order number of Bond principal repayment in each Series in the Fund priority of payments.**

The Series A1, A2, A3(G), B, C and D Amortisation Withholding amount designed for amortising the Series A1, A2, A3(G), B, C and D Bonds as a whole without distinction between Series is seventh (7<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block.

Repayment of Series A1, A2, A3(G), B, C and D Bond principal shall take place in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D contained in section 4.9.3.1.6 of this Securities Note.

Payment of Series E Bond principal amortisation is thirteenth (13<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block.

Upon the Fund being liquidated, repayment of the Class A (Series A1, A2 and A3(G)), the Series B, the Series C, the Series D and the Series E Bonds shall be respectively fifth (5<sup>th</sup>), seventh (7<sup>th</sup>), ninth (9<sup>th</sup>), eleventh (11<sup>th</sup>) and fourteenth (14<sup>th</sup>) in the application of the Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

## **4.7 Description of the rights attached to the securities.**

### **4.7.1 General.**

The economic and financial rights for Bondholders associated with acquiring and holding the Bonds shall be as derived from the terms as to interest rate, yields and redemption terms on which they are to be issued and given in sections 4.8 and 4.9 of this Securities Note.

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

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

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. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

All matters, disagreements, actions and claims deriving from the Management Company's establishment, administration and legal representation of FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same shall be heard and ruled upon by the competent Spanish Courts and Tribunals.

### **4.7.2 Spanish State Guarantee for the Series A3(G) Bonds.**

In a Ministerial Order, the Economy and Finance Ministry shall provide the Fund before it is established 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, such economic obligations as may be enforceable on the Fund deriving from the Series A3(G) Bonds (the "**Guaranteed Series**") for a face amount of EUR two hundred and thirty-seven million six hundred thousand (237,600,000.00).

#### **4.7.2.1 General characteristics of the Guarantee.**

- The Guarantee shall extend exclusively to the principal and interest on the Bonds in the Guaranteed Series.
- The Guarantee shall remain in force and be fully effective until total fulfilment of the economic obligations derived from the Bonds in the Guaranteed Series. In any event, the Guarantee shall no longer be effective and shall no longer be enforceable from July 24, 2038, or the next succeeding Business Day if that is not a Business Day.
- The enforceability of the Guarantee shall be conditional on (i) this Prospectus being registered at the CNMV, (ii) execution during the year 2005 and registration at the CNMV 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 Bond Series as final ratings, (iv) the Bond Issue Management, Underwriting, Placement and Subscription 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 Prospectus registered with the CNMV, (ii) a certified copy of the Fund Deed of Constitution entered in the register of the CNMV, (iii) a certificate by BANCAJA representing that the Loans satisfy the requirements of the Master Co-Operation Agreement attached to the Order of December 28, 2001, as amended by Order ECO/1064/2003, April 29, and that they are all loans granted to small and medium-sized enterprises (legal persons) as defined by the European Commission (Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996), (iv) a copy of the letters from the Rating Agencies notifying the ratings assigned to each Bond Series, and (v) a certified copy of the notarial certificate recording payment of the Bond subscription executed by the Management Company.

- No fee whatsoever shall accrue upon the Guarantee being perfected and given.
- The Management Company shall notify the Directorate-General of the Treasury and Financial Policy on each Guaranteed Series Bond Payment Date of the outstanding balance of the Guaranteed Series and at the end of the year, in addition to that outstanding balance, an estimate of the financial burden of the Guaranteed series for the following year. Furthermore, it shall after each Payment Date send the information established in the Resolution of June 23, 2005, on the terms and with the contents provided for therein.

#### 4.7.2.2 Enforcement of the Guarantee.

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

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

1. On any Payment Date or on the Final Maturity Date or on the date of Early Liquidation of the Fund, when the Available Funds or the Liquidation Available Funds, as the case may be, are not sufficient to pay interest due on the guaranteed Series A3(G), after making the payments in the preceding priority of payments in accordance with the application in the Priority of Payments or the Liquidation Priority of Payments.

In that event, the Guarantee shall be enforced in an amount equivalent to the difference between the Series A3(G) Bond interest amount payable and the amount applied to payment thereof, as the case may be, of the Available Funds on the relevant Payment Date or the Liquidation Available Funds on the date of liquidation of the Fund.

The amounts received by the Fund upon enforcing the Guarantee to meet payment of interest due on the guaranteed Series A3(G) shall be allocated to payment of that interest.

2. On any Payment Date other than the Final Maturity Date or the Fund Early Liquidation date when the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D are not sufficient to repay the Outstanding Principal Balance of guaranteed Series A3(G) in the relevant amount in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D because there is an Amortisation Deficiency.

In that event, the Guarantee shall be enforced in an amount equal to the difference between the Series A3(G) Bond principal amount to be amortised should no such Amortisation Deficiency occur and the amount of the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D actually applied to their amortisation on the relevant Payment Date.

The amounts received by the Fund upon enforcing the Guarantee to meet payment of the guaranteed Series A3(G) amount to be amortised shall be allocated to payment of that amortisation.

3. On the Final Maturity Date or the Fund Early Liquidation date when the Liquidation Available Funds are not sufficient to fully amortise the guaranteed Series A3(G).

In that event, the Guarantee shall be enforced in an amount equal to the difference between the Outstanding Principal Balance of Series A3(G) and the amount actually applied of the Liquidation Available Funds to their amortisation on the relevant date.

The amounts received by the Fund upon enforcing the Guarantee to meet payment of the guaranteed Series A3(G) Bond amount to be amortised shall be allocated to payment of that amortisation.

- ii) Each enforcement of the Guarantee shall be effected by a written notice from the Management Company to the Directorate-General of the Treasury and Financial Policy, declaring the occurrence of the events described of shortfall of Available Funds or Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D or Liquidation Available Funds in accordance with the provisions of the preceding paragraph, specifying the amounts claimed, as the case may be, for each of such items.
- iii) Payment of the required amounts under each enforcement of the Guarantee, shall be made, after being checked, by the Directorate-General of the Treasury and Financial Policy within not more than ninety (90) days, reckoned from the date of receipt of the written request from the Management Company, by crediting the Treasury Account.

Having regard to this period for payment to the Fund of the amounts requested upon every enforcement of the Guarantee to satisfy Series A3(G) interest payable and/or principal repayment in accordance with the provisions of paragraph i) of this section, those amounts might not be paid to the Series A3(G) Bondholders on the relevant Payment Date, and will in any event be paid to them on the Payment Date next succeeding the day on which they are paid to the Fund by the Directorate-General of the Treasury and Financial Policy.

- iv) The amounts paid by the State under the Guarantee shall constitute an obligation for the Fund in favour of the State. The amounts drawn on the Guarantee, whether drawn for paying interest or principal on the guaranteed Series A3(G) Bonds, shall be repaid on each of the following Payment Dates, until fully repaid, respectively using the Available Funds and the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, or using the Liquidation Available Funds, in the places in the priority of payments respectively established in the Priority of Payments and in the Liquidation Priority of Payments, as the case may be.

In the event that, in accordance with the preceding rules, on a Payment Date, in addition to repaying the amount drawn under the Guarantee, it should be necessary to draw a new amount for paying interest or repaying principal on 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 from or repaid to the State.

#### **4.8 Nominal interest rate and provisions relating to interest payable.**

##### **4.8.1 Bond nominal interest rate.**

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

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

Withholdings, interim payments, contributions and taxes established or to be established in the future on Bond principal, interest or returns shall be borne exclusively by Bondholders, and their amount, if any, shall be deducted by the Management Company, for and on behalf of the Fund, or through the Paying Agent, as provided by law.

##### **4.8.1.1 Interest accrual.**

For interest accrual purposes, the duration of each Bond Series shall be divided into successive interest accrual periods (“**Interest Accrual Periods**”) comprising the exact number of days elapsed between every two consecutive Payment Dates, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the exact number of days elapsed between the Closing Date, November 10, 2005, inclusive, and the first Payment Date, January 24, 2006, exclusive.

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

##### **4.8.1.2 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 Reference Rate, as established in the following section, and
- (ii) a margin for each Series as follows:

- **Series A1:** margin ranging between 0.00% and 0.30%, both inclusive.
- **Series A2:** margin ranging between 0.00% and 0.30%, both inclusive.
- **Series A3(G):** margin ranging between -0.05% and 0.15%, both inclusive.
- **Series B:** margin ranging between 0.20% and 0.60%, both inclusive.
- **Series C:** margin ranging between 0.40% and 1.40%, both inclusive.
- **Series D:** margin ranging between 1.40% and 3.00%, both inclusive.
- **Series E:** 4.00% margin.

The margin applicable to each Series A1, A2, A3(G), B, C and D, expressed as a percentage, shall be determined with one accord among the Lead Managers within the ranges established in the preceding paragraph for each of those Series and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period (November 8, 2005).

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

- **Series A1:** 0.15% margin.
- **Series A2:** 0.15% margin.
- **Series A3(G):** 0.05% margin.
- **Series B:** 0.40% margin.
- **Series C:** 0.60% margin.
- **Series D:** 1.80% margin.

The final margins applicable to each Series A1, A2, A3(G), B, C and D fixed shall be notified by the Management Company by the start of the Subscription Period to the Underwriters and Placement Agents to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Prospectus. The final margin applicable to each Series shall be set down on the notarial certificate recording payment of the Bond Issue.

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

#### 4.8.1.3 Reference Rate and determining the same.

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

- i) Other than for the first Interest Accrual Period, three- (3-) month Euribor, "Euro Interbank Offered Rate", calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, fixed at 11am (CET or "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 two- (2-) month Euribor and three- (3-) month Euribor, fixed at 11am (CET time) on the first Business Day preceding the Closing Date, bearing in mind the number of days in the first Interest Accrual Period. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

$$IR = [(D-60)/30] \times E3 + [1 - ((D-60)/30)] \times E2$$

Where:

- IR = Reference Rate for the first Interest Accrual Period.
- D = Number of days in the first Interest Accrual Period.
- E2 = Two- (2-) month Euribor.
- E3 = Three- (3-) month Euribor.

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

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

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable two- (2-) month deposit transactions in euros and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable three- (3-) month deposit transactions in euros, both in an amount equivalent to the face amount of the Bond Issue, declared by the banks as provided for in paragraph one above, following a simultaneous request to each of their headquarters by the Paying Agent after and around 11am (CET time) on the first Business Day preceding the Closing Date.

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

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

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

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

#### 4.8.1.4 Interest Rate Fixing Date.

The Management Company shall, for and on behalf of the Fund, determine the Nominal Interest Rate applicable to each Bond Series for every Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding each Payment Date (the "**Interest Rate Fixing Date**"), and it will apply for the following Interest Accrual Period.

Exceptionally, the Management Company shall determine the Nominal Interest Rate of the Bonds in each Series for the first Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the first Business Day preceding the Closing Date, and shall notify the same in writing on the same day to the Underwriters and Placement Agents in order for them to report this to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, AIAF and Iberclear.

The nominal interest rates determined for each Bond Series for successive Interest Accrual Periods shall be communicated to Bondholders within the deadline and in the manner for which provision is made in section 4.1.1.a) of the Building Block.

#### 4.8.1.5 Formula for calculating interest.

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

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

Where:

- I* = Interest payable on a given Payment Date, rounded up to the nearest eurocent.
- P* = Outstanding Principal Balance of the Bonds in the Series on the Determination Date preceding that Payment Date.
- R* = Nominal Interest Rate of the Series expressed as a yearly percentage.
- d* = Exact number of days in each Interest Accrual Period.

#### **Informative table on the evolution of the reference rate to be used.**

For merely illustrative purposes, below are details of the three- (3-) month Euribor rates published on certain dates over the last two years, which, other than the first Payment Date, would have matched the Interest Rate Fixing Dates, published on the EURIBOR01 electronic page supplied by Reuters, and the Nominal Interest Rate that would have been applicable to each Bond Series, in the event that the applicable margins should be the average margins in the range established for each Series, in accordance with section 4.8.1.2 of this Securities Note (0.15% for Series A1, 0.15 for Series A2, -0.175% for Series A3(G), 0.40% for Series B, 0.90% for Series C, 2.20% for Series D and 4.00% for Series E):

Dates	3-month Euribor	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series E Bonds
18 October 2005	2.188	2.338	2.338	2.013	2.588	3.088	4.388	6.188
22 September 2005	2.135	2.285	2.285	1.960	2.535	3.035	4.335	6.135
22 August 2005	2.132	2.282	2.282	1.957	2.532	3.032	4.332	6.132
21 July 2005	2.123	2.273	2.273	1.948	2.523	3.023	4.323	6.123
22 June 2005	2.104	2.254	2.254	1.929	2.504	3.004	4.304	6.104
20 May 2005	2.126	2.276	2.276	1.951	2.526	3.026	4.326	6.126
21 April 2005	2.133	2.283	2.283	1.958	2.533	3.033	4.333	6.133
22 March 2005	2.138	2.288	2.288	1.963	2.538	3.038	4.338	6.138
22 February 2005	2.135	2.285	2.285	1.960	2.535	3.035	4.335	6.135
20 January 2005	2.144	2.294	2.294	1.969	2.544	3.044	4.344	6.144
22 December 2004	2.176	2.326	2.326	2.001	2.576	3.076	4.376	6.176
22 November 2004	2.177	2.327	2.327	2.002	2.577	3.077	4.377	6.177
21 October 2004	2.145	2.295	2.295	1.970	2.545	3.045	4.345	6.145
22 September 2004	2.116	2.266	2.266	1.941	2.516	3.016	4.316	6.116
20 August 2004	2.114	2.264	2.264	1.939	2.514	3.014	4.314	6.114
22 July 2004	2.120	2.270	2.270	1.945	2.520	3.020	4.320	6.120
22 June 2004	2.123	2.273	2.273	1.948	2.523	3.023	4.323	6.123
20 May 2004	2.091	2.241	2.241	1.916	2.491	2.991	4.291	6.091
22 April 2004	2.059	2.209	2.209	1.884	2.459	2.959	4.259	6.059
22 March 2004	2.025	2.175	2.175	1.850	2.425	2.925	4.225	6.025
20 February 2004	2.061	2.211	2.211	1.886	2.461	2.961	4.261	6.061
22 January 2004	2.075	2.225	2.225	1.900	2.475	2.975	4.275	6.075
22 December 2003	2.140	2.290	2.290	1.965	2.540	3.040	4.340	6.140



#### **4.8.2 Dates, place, institutions and procedure for paying interest.**

Interest on the Bonds in all the Series will be paid until they are finally amortised by Interest Accrual Periods in arrears on January 24, April 24, July 24 and October 24 in each year, or the following Business Day if any of those is not a Business Day (each of those dates, a “**Payment Date**”), and interest for the then-current Interest Accrual Period will accrue until said first Business Day, not inclusive, on the terms established in section 4.8.1.2 of this Securities Note.

The first interest Payment Date for the Bonds in each Series shall be January 24, 2006, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, November 10, 2005, inclusive, and January 24, 2006, exclusive.

In this Bond Issue, business days (“**Business Days**”) shall be deemed to be all days other than a:

- public holiday in the city of 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 Series and the amount, if any, of interest accrued and not paid, shall be notified to Bondholders as described in section 4.1.1.a) of the Building Block, at least one (1) calendar day in advance of each Payment Date.

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

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest accrued on the Bonds in any Series, in the Priority of Payments, the amounts that Bondholders should not have received shall be accumulated on the following Payment Date to interest on the Series proper that, as the case may be, should be paid on that same Payment Date, and will be paid in the Priority of Payments and applied by order of maturity if it should be impossible once again not to pay the same fully due to a shortage of Available Funds.

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

The Fund, through its Management Company, may not defer Bond interest payment beyond July 24, 2038, the Final Maturity Date, or the following Business Day if that is not a Business Day.

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

#### **4.9 Maturity date and amortisation of the securities.**

##### **4.9.1 Bond redemption price.**

The redemption price of the Bonds in each Series shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section 4.9.2 below.

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.

#### **4.9.2 Characteristics specific to the Amortisation of each Bond Series.**

##### **4.9.2.1 Amortisation of Series A1 Bonds.**

Series A1 Bond principal shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied on each Payment Date to amortising Series A1, in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D given in sections 4.9.3.4 and 4.9.3.5 below, pro rated between the Bonds in Series A1 proper by reducing the face amount of each Series A1 Bond.

The first partial amortisation of Series A1 Bonds shall occur on the first Payment Date (January 24, 2006).

Final amortisation of Series A1 Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

##### **4.9.2.2 Amortisation of Series A2 Bonds.**

Series A2 Bonds shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied on each Payment Date to amortising Series A2, in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D given in sections 4.9.3.4 and 4.9.3.5 below, pro rated between the Bonds in Series A2 proper by reducing the face amount of each Series A2 Bond.

The first partial amortisation of Series A2 Bonds shall occur once the Series A1 Bonds have been fully amortised. However, even if Series A1 has not been fully amortised, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A2 Bonds shall be amortised pro rata to the Series A1 and A3(G) Bonds, in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D.

Final amortisation of Series A2 Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

##### **4.9.2.3 Amortisation of Series A3(G) Bonds.**

Series A3(G) Bonds shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied on each Payment Date to amortising Series A3(G), in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D given in sections 4.9.3.4 and 4.9.3.5 below, pro rated between the Bonds in Series A3(G) proper by reducing the face amount of each Series A3(G) Bond.

The first partial amortisation of Series A3(G) Bonds shall occur once the Series A1 and the Series A2 Bonds have been fully amortised. However, even if Series A1 and Series A2 have not been fully amortised, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A3(G) Bonds shall be amortised pro rata to the Series A1 and the Series A2 Bonds, in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D.

Final amortisation of Series A3(G) Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.2.4 Amortisation of Series B Bonds.**

Series B Bond principal shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied on each Payment Date to amortising Series B in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D given in sections 4.9.3.4 and 4.9.3.5 below, pro rated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once the Class A (Series A1, A2 and A3(G)) Bonds have been fully amortised. However, even if Class A (Series A1, A2 and A3(G)) has not been fully amortised, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, in such a way that the ratio of the Outstanding Principal Balance of Series B to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D is kept at 9.507%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.2.5 Amortisation of Series C Bonds.**

Series C Bond principal shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied on each Payment Date to amortising Series C in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D given in sections 4.9.3.4 and 4.9.3.5 below, pro rated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once the Class A (Series A1, A2 and A3(G)) and the Series B Bonds have been fully amortised. However, even if Class A (Series A1, A2 and A3(G)) and Series B have not been fully amortised, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, in such a way that the ratio of the Outstanding Principal Balance of Series C to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D is kept at 3.107%, or higher percentage closest thereto.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.2.6 Amortisation of Series D Bonds.**

Series D Bond principal shall be amortised by partial amortisation on each Payment Date after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied on each Payment Date to amortising Series D in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D given in sections 4.9.3.4 and 4.9.3.5 below, pro rated between the Bonds in Series D proper by reducing the face amount of each Series D Bond.

The first partial amortisation of Series D Bonds shall occur once the Class A (Series A1, A2 and A3(G)), the Series B and the Series C Bonds have been fully amortised. However, even if Class A (Series A1, A2

and A3(G)), Series B and Series C have not been fully amortised, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall also be applied to amortising Series D on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, in such a way that the ratio of the Outstanding Principal Balance of Series D to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D is kept at 3.400%, or higher percentage closest thereto.

Final amortisation of Series D Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### 4.9.2.7 Amortisation of Series E Bonds.

Series E Bond principal shall be amortised by partial amortisation on each Payment Date based on the amortisation rules established hereinafter and until their total face amount has been fully amortised, in an amount equal to the Available Funds applied on each Payment Date to amortising Series E, in accordance with the Priority of Payments.

Partial amortisation of Series E Bonds shall occur on each Payment Date in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series E on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date, in accordance with the provisions of section 3.4.2.2 of the Building Block transcribed hereinafter.

"2. The Initial Cash Reserve and the Required Cash Reserve amount shall be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly) for the first settlement period in each of those Agreements, in accordance with the provisions of section 3.4.7.1 of the Building Block, and (ii) as established below.

	<b>Weighted average margin applicable to the Party B interest rate in each Interest Swap Agreement</b>		
	<b>Between -0.10% and -0.051%</b>	<b>Between -0.050% and 0.000%</b>	<b>Between +0.001% and +0.05%</b>
<b>Initial Cash Reserve</b>	€24,000,000.00	€22,500,000.00	€21,800,000.00
<b>Required Cash Reserve</b> shall be the lower of the following amounts:			
(i) The Initial Cash Reserve amount	€24,000,000.00	€22,500,000.00	€21,800,000.00
(ii) The higher of:			
a) The amount resulting from applying the percentage specified to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D	3.20%	3.00%	2.90%
b) The following amount	€12,000,000.00	€11,250,000.00	€10,875,000.00

3. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve amount on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:

- i) That, on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Delinquent Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Loans.
- ii) That on the Payment Date preceding the relevant Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve amount on that Payment Date."

Final amortisation of Series E Bonds shall occur on the Final Maturity Date (July 24, 2038 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisation for which provision is made, and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section 4.9.4 below, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.3 Partial amortisation of Series A1, A2, A3(G), B, C and D.**

Irrespective of the Final Maturity Date and subject to Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to partial amortisation of the Bonds in each Series from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive, and on the specific amortisation terms for each Series established in section 4.9.2 of this Securities Note and on the terms described hereinafter in this section common to Series A1, A2, A3(G), B, C and D.

##### **4.9.3.1 Determination Dates and Determination Periods.**

These will be the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments. The first Determination Date shall be January 18, 2006.

Determination Periods shall be periods comprising the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally,

- (i) the duration of the first Determination Period shall be equal to the days elapsed between date of establishment of the Fund, inclusive, and the first Determination Date, January 18, 2006, inclusive and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which the Early Liquidation of the Fund concludes, as provided for in section 4.4.4.3 of the Registration Document, on which the Loans and the assets remaining in the Fund have been liquidated and all the Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), both inclusive.

##### **4.9.3.2 Outstanding Principal Balance of the Bonds.**

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

By addition, the Outstanding Principal Balance of Class A shall be the sum of the Outstanding Principal Balance of Series A1, A2 and A3(G) making up Class A.

##### **4.9.3.3 Outstanding Balance of the Loans.**

The Outstanding Balance of a Loan shall be the sum of the capital or principal not yet due and the capital or principal due and not paid into the Fund on the specific Loan on a given date.

The Outstanding Balance of the Loans on a date shall be the sum of the Outstanding Balance of each and every one of the Loans on that date.

Delinquent Loans shall be deemed to be Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Loans. Non-Delinquent Loans shall be deemed to be Loans that are not deemed to be Delinquent Loans on a given date, also excluding Doubtful Loans.

Doubtful Loans shall be deemed to be Loans that are delinquent on a given date with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment. Non-Doubtful Loans shall be deemed to be Loans that are not deemed to be Doubtful Loans on a given date.

#### 4.9.3.4 **Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, Series A1, A2, A3(G), B, C and D Amortisation Withholding and Amortisation Deficiency on each Payment Date.**

On each Payment Date, the amount to be allocated to amortising the Series A1, A2, A3(G), B, C and D Bonds (the **“Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D”**) shall be the Series A1, A2, A3(G), B, C and D Amortisation Withholding amount applied in seventh (7<sup>th</sup>) place of the Available Funds on the relevant Payment Date.

Additionally, and not included among the Available Funds for Amortisation, 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 from the Payment Date preceding the relevant Payment Date.

The Series A1, A2, A3(G), B, C and D Bond principal amortisation withholding (**“Series A1, A2, A3(G), B, C and D Amortisation Withholding”**) on each Payment Date shall be equal to the positive difference existing between (i) the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D, increased by the amount yet to be repaid to the State upon the Guarantee being enforced for repayment of Series A3(G), and (ii) the Outstanding Balance of Non-Doubtful Loans on the Determination Date preceding the relevant Payment Date.

The amortisation deficiency (the **“Amortisation Deficiency”**) on a Payment Date shall be the positive difference, if any, between (i) the Series A1, A2, A3(G), B, C and D Amortisation Withholding, and (ii) the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D.

#### 4.9.3.5 **Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D.**

The Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D 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 of Series A1, A2, A3(G), B, C and D”**):

1. The Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall be sequentially applied firstly to amortising Class A (Series A1, A2 and A3(G)) and repaying amounts due to the State upon enforcing the Guarantee for amortising Series A3(G) until fully amortised and repaid, secondly to amortising Series B until fully amortised, thirdly to amortising Series C until fully amortised and fourthly to amortising Series D until fully amortised, notwithstanding the provisions of rules 3 and 4 below for pro rata amortisation of the different Series.
2. The Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied to amortising Class A (Series A1, A2 and A3(G)) 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.
    2. Repayment of Series A2 Bond principal once the Series A1 Bonds have been fully amortised.
    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 A1 and the Series A2 Bonds have been fully amortised.

The amount of the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D 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 pro rata application of Class A (**“Pro Rata Amortisation of Class A”**): The application priority of paragraph 2.1 above shall be stopped on any Payment Date if on the Determination Date immediately preceding the relevant Payment Date the ratio of (i) the Outstanding Balance of Non-Delinquent Loans, increased by the Loan principal repayment income amount received during the Determination Date preceding the relevant Payment Date, to (ii) the sum of the Outstanding Principal Balance of Class A and the amount yet to be repaid to the State upon the Guarantee being enforced for repayment of Series A3(G), is less than or equal to 1.

In that event, on the relevant Payment Date, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D applied to amortising Class A and repayment to the State upon the Guarantee being enforced for amortising Series A3(G) shall be distributed among the items set out in paragraph 2.1 above as follows:

- a) They shall be prorated directly in proportion to (i) the Outstanding Principal Balance of Series A1, (ii) the Outstanding Principal Balance of Series A2 and (iii) 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).
  - b) The amounts assigned to the Series A1 and the Series A2 Bonds under subparagraphs a)(i) and (ii) above shall be respectively applied to amortising Series A1 and Series A2 Bonds.
  - c) The amount assigned to the Series A3(G) Bonds and the amounts due upon enforcing the Guarantee for amortising Series A3(G), under subparagraph a)(i) above, shall be applied to amortising Series A3(G) Bonds and repayment to the State of the aforesaid amounts due in accordance with the provisions of subparagraph 2.1.3 above.
3. However, even if Class A (Series A1, A2 and A3(G)) has not been fully amortised, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall also be applied to amortising Series B and/or Series C and/or Series D on the Payment Date which is not the last Payment Date or the Fund liquidation date on which the following circumstances are satisfied (**“Conditions for Pro Rata Amortisation”**):
- a) In order to amortise Series B, Series C and Series D:
    - i) that the Pro Rata Amortisation of Class A does not apply,
    - ii) that on the preceding Payment Date, the Cash Reserve shall have been provisioned up to the Required Cash Reserve amount on that Payment Date; and
    - iii) on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of the Loans is equal to or greater than 10 percent of the face amount of the initial Outstanding Balance upon the Fund being established.
  - b) In order to amortise Series B, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series B is equal to or greater than 9.507% of the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D, and
    - ii) the Outstanding Balance of Delinquent Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Loans.
  - c) In order to amortise Series C, that on the Determination Date preceding the relevant Payment Date:
    - i) the Outstanding Principal Balance of Series C is equal to or greater than 3.107% of the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D, and
    - ii) the Outstanding Balance of Delinquent Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Loans.

- d) In order to amortise Series D, that on the Determination Date preceding the relevant Payment Date:
- i) the Outstanding Principal Balance of Series D is equal to or greater than 3.400% of the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D, and
  - ii) the Outstanding Balance of Delinquent Loans does not exceed 0.75% of the Outstanding Balance of Non-Doubtful Loans.
4. In the event that the amortisation of Series B and/or Series C and/or Series D should apply on a Payment Date as provided for in rule 3 above, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall also be applied to amortising Series B and/or Series C and/or Series D in such a way that the ratio of the Outstanding Principal Balance of Series B or of Series C or of Series D to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D is respectively kept at 9.507% or at 3.107% or at 3.400%, or higher percentages closest thereto.

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

Subject to the Fund's obligation, through its Management Company, to proceed to final amortisation of the Bonds on the Final Maturity Date or amortisation of each Series before the Final Maturity Date, the Management Company shall, after first notifying the CNMV, be authorised to proceed, as the case may be, to an Early Liquidation of the Fund and hence an early amortisation ("**Early Amortisation**") of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section 4.4.3 of the Registration Document and subject to the Liquidation Priority of Payments.

#### 4.9.5 **Final Maturity Date.**

The Final Maturity Date and consequently the final amortisation of the Bonds is July 24, 2038 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections 4.9.3 and 4.9.4 of this Securities Note, proceeding to amortise the Bond Issue before the Final Maturity Date. Final amortisation of the Bonds on the Final Maturity Date shall be made subject to the Liquidation Priority of Payments.

#### 4.10 **Indication of yield.**

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 Loan established in the relevant loan document.
- ii) The Obligors' capacity to prepay the Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund.
- iii) The floating interest rates which shall apply to each Loan, resulting in the repayment amount 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 Prospectus using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter also "**CPR**"), are very significant and shall directly affect the pace at which the Bonds are amortised, and therefore their average life and duration.

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

- Loan interest rate: 3.20% weighted average interest rate as of September 30, 2005 of the portfolio of selected loans which has been used for calculating the repayment instalments and interest of each of the selected loans;
- Loan portfolio delinquency: 0.10% of the Outstanding Balance of the Loans, with 100% recoveries within 15 months of becoming delinquent;
- Loan portfolio defaults rated as bad debts: 0%;



- that the Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is November 10, 2005;
- that there is no Amortisation Deficiency, and
- that there is no extension of the term of any of the loans.

The actual adjusted life and the yield or return on the Bonds will also depend on their floating interest rate. The following nominal interest rates are assumed for each Series for the first Interest Accrual Period, resulting from the straight-line interpolation bearing in mind the number of days in the First Interest Accrual Period between 2-month Euribor (2.139%) and 3-month Euribor (2.188%) on October 18, 2005:

	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series E Bonds
<b>Nominal interest rate</b>	2.314%	2.314%	1.989%	2.564%	3.064%	4.364%	6.164%

For successive Interest Accrual Periods, the floating interest rate of the Bonds in each Series is assumed to be constant as follows for each Series, resulting from 3-month Euribor (2.188%) on October 18, 2005:

	Series A1 Bonds	Series A2 Bonds	Series A3(G) Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series E Bonds
<b>Nominal interest rate</b>	2.338%	2.338%	2.013%	2.588%	3.088%	4.388%	6.188%

#### 4.10.1 Estimated average life, yield or return, duration and final maturity of the Bonds.

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section 4.4.4 of the Registration Document when the Outstanding Balance of the Loans is less than 10% of their initial Outstanding Balance upon the Fund being established, the average life, return (IRR) for the Bond subscriber, duration and final maturity of the Bonds for different CPRs, would be as follows:

% CPR:	0%	5%	10%	15%	20%
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Series A1 Bonds					
<b>Average life (years)</b>	1.36	1.22	1.10	1.00	0.92
<b>IRR</b>	2.388%	2.388%	2.388%	2.388%	2.388%
<b>Duration (years)</b>	1.30	1.18	1.06	0.97	0.89
<b>Final maturity</b>	24 04 2008	24 01 2008	24 01 2008	24 10 2007	24 07 2007
<b>(in years)</b>	2.45	2.21	2.21	1.95	1.70

Series A2 Bonds					
<b>Average life (years)</b>	3.56	3.02	2.68	2.43	2.24
<b>IRR</b>	2.388%	2.388%	2.388%	2.388%	2.388%
<b>Duration (years)</b>	3.34	2.85	2.54	2.31	2.13
<b>Final maturity</b>	25 07 2011	26 04 2010	24 07 2009	26 01 2009	24 07 2008
<b>(in years)</b>	5.71	4.46	3.70	3.21	2.70

Series A3(G) Bonds					
<b>Average life (years)</b>	8.50	6.65	5.36	4.49	3.83
<b>IRR</b>	2.055%	2.055%	2.055%	2.055%	2.055%
<b>Duration (years)</b>	7.65	6.10	4.98	4.21	3.62
<b>Final maturity</b>	24 04 2015	24 04 2013	24 10 2011	25 10 2010	25 01 2010
<b>(in years)</b>	9.46	7.46	5.96	4.96	4.21

% CPR:	0%	5%	10%	15%	20%
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Series B Bonds					
Average life (years)	5.26	4.27	3.58	3.14	2.76
IRR	2.648%	2.648%	2.648%	2.648%	2.648%
Duration (years)	4.72	3.90	3.32	2.93	2.59
Final maturity	24 04 2015	24 04 2013	24 10 2011	25 10 2010	25 01 2010
(in years)	9.46	7.46	5.96	4.96	4.21

Series C Bonds					
Average life (years)	5.26	4.27	3.58	3.14	2.76
IRR	3.166%	3.166%	3.166%	3.166%	3.166%
Duration (years)	4.63	3.84	3.27	2.89	2.56
Final maturity	24 04 2015	24 04 2013	24 10 2011	25 10 2010	25 01 2010
(in years)	9.46	7.46	5.96	4.96	4.21

Series D Bonds					
Average life (years)	5.26	4.27	3.58	3.14	2.76
IRR	4.521%	4.521%	4.521%	4.521%	4.521%
Duration (years)	4.39	3.67	3.15	2.79	2.48
Final maturity	24 04 2015	24 04 2013	24 10 2011	25 10 2010	25 01 2010
(in years)	9.46	7.46	5.96	4.96	4.21

Series E Bonds					
Average life (years)	6.16	4.99	4.13	3.54	3.08
IRR	6.422%	6.422%	6.422%	6.422%	6.422%
Duration (years)	4.62	3.93	3.37	2.96	2.62
Final maturity	24 04 2015	24 04 2013	24 10 2011	25 10 2010	25 01 2010
(in years)	9.46	7.46	5.96	4.96	4.21

These figures have been calculated using the following formula:

**Average life of the Bonds:** for each Series, average of the time periods between the Closing Date and each Payment Date, 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 = Estimated 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 4.9.2 of this Securities Note.
- 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 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.  
 $A_i$  = ( $A_1$  .....  $A_n$ ). Estimated total amortisation and interest amounts to be received by investors.  
 $nd$  = Number of days comprised between the Closing Date of the issue and each of the  $n$  Payment Dates, not inclusive, during the life of the Bond.

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

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

Where:

- $D$  = Duration in each Bond Series expressed in years.  
 $a_j$  = Time elapsed (in years) between the Closing Date and each of the  $n$  Payment Dates at issue.  
 $VA_j$  = Present value of each of the estimated 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.

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

- Whereas CPRs are assumed to be constant respectively at 5.00%, 10.00% and 15.00% throughout the life of the Bond Issue, as explained above actual prepayment changes 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 Mortgage Loan prepayment, delinquency and default rates.
- Whereas Bond nominal interest rates are assumed to be constant for each Series from the second Interest Accrual Period, the interest rate in all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the Early Liquidation of the Fund and thereby the Early Amortisation of the Bond Issue option when the Outstanding Balance of the Loans is less than 10% of their initial amount upon the Fund being set up, as provided in section 4.4.3 of this Prospectus.



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**FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)  
CPR = 10%**

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3(G) Bonds			Series B Bonds			Series C Bonds			Series D Bonds	
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest
<b>TOTALS:</b>	<b>100,000.00</b>	<b>2,609.08</b>	<b>102,609.08</b>	<b>100,000.00</b>	<b>6,338.52</b>	<b>106,338.52</b>	<b>100,000.00</b>	<b>10,926.50</b>	<b>110,926.50</b>	<b>100,000.00</b>	<b>9,399.53</b>	<b>109,399.53</b>	<b>100,000.00</b>	<b>11,216.50</b>	<b>111,216.50</b>	<b>100,000.00</b>	<b>15,940.49</b>
10-Nov-05																	
24-Jan-06	7,671.44	482.08	8,153.52	0.00	482.08	482.08	0.00	414.38	414.38	0.00	534.17	534.17	0.00	638.33	638.33	0.00	909.17
24-Apr-06	13,234.93	539.66	13,774.59	0.00	584.50	584.50	0.00	503.25	503.25	0.00	647.00	647.00	0.00	772.00	772.00	0.00	1,097.00
24-Jul-06	13,757.82	467.44	14,225.26	0.00	590.99	590.99	0.00	508.84	508.84	0.00	654.19	654.19	0.00	780.58	780.58	0.00	1,109.19
24-Oct-06	13,736.17	390.37	14,126.54	0.00	597.49	597.49	0.00	514.43	514.43	0.00	661.38	661.38	0.00	789.16	789.16	0.00	1,121.38
24-Jan-07	11,995.33	308.30	12,303.63	0.00	597.49	597.49	0.00	514.43	514.43	0.00	661.38	661.38	0.00	789.16	789.16	0.00	1,121.38
24-Apr-07	17,107.69	231.49	17,339.18	0.00	584.50	584.50	0.00	503.25	503.25	0.00	647.00	647.00	0.00	772.00	772.00	0.00	1,097.00
24-Jul-07	13,889.31	132.95	14,022.26	0.00	590.99	590.99	0.00	508.84	508.84	0.00	654.19	654.19	0.00	780.58	780.58	0.00	1,109.19
24-Oct-07	7,710.14	51.43	7,761.57	0.00	597.49	597.49	0.00	514.43	514.43	13,453.06	661.38	14,114.44	13,452.43	789.16	14,241.59	13,453.36	1,121.38
24-Jan-08	897.17	5.36	902.53	25,922.07	597.49	26,519.56	0.00	514.43	514.43	13,545.55	572.40	14,117.95	13,545.65	682.99	14,228.64	13,545.50	970.51
24-Apr-08	0.00	0.00	0.00	20,384.37	437.80	20,822.17	0.00	508.84	508.84	9,708.43	477.57	10,186.00	9,708.50	569.84	10,278.34	9,708.39	809.72
24-Jul-08	0.00	0.00	0.00	26,372.89	317.33	26,690.22	0.00	508.84	508.84	12,560.57	414.06	12,974.63	12,560.66	494.05	13,054.71	12,560.53	702.04
24-Oct-08	0.00	0.00	0.00	9,230.75	163.24	9,393.99	0.00	514.43	514.43	4,396.31	335.53	4,731.84	4,396.34	400.36	4,796.70	4,396.30	568.90
26-Jan-09	0.00	0.00	0.00	7,231.77	108.09	7,339.86	0.00	514.43	514.43	3,444.26	306.46	3,750.72	3,444.29	365.67	3,809.96	3,444.25	519.60
24-Apr-09	0.00	0.00	0.00	6,531.18	63.47	6,594.65	0.00	503.25	503.25	3,110.59	277.51	3,388.10	3,110.62	331.13	3,441.75	3,110.58	470.52
24-Jul-09	0.00	0.00	0.00	4,326.96	25.57	4,352.53	2,670.81	508.84	3,179.65	3,068.23	260.24	3,328.47	3,068.26	310.53	3,378.79	3,068.22	441.25
26-Oct-09	0.00	0.00	0.00	0.00	0.00	0.00	7,185.14	500.69	7,685.83	2,710.26	242.81	2,953.07	2,710.28	289.72	3,000.00	2,710.26	411.69
25-Jan-10	0.00	0.00	0.00	0.00	0.00	0.00	6,705.44	463.73	7,169.17	2,529.32	224.89	2,754.21	2,529.34	268.34	2,797.68	2,529.31	381.30
26-Apr-10	0.00	0.00	0.00	0.00	0.00	0.00	6,037.74	419.90	6,457.64	2,277.46	203.63	2,481.09	2,277.48	242.98	2,520.46	2,277.45	345.26
26-Jul-10	0.00	0.00	0.00	0.00	0.00	0.00	5,766.77	393.85	6,160.62	2,175.25	191.00	2,366.25	2,175.27	227.90	2,403.17	2,175.24	323.84
25-Oct-10	0.00	0.00	0.00	0.00	0.00	0.00	4,972.73	368.51	5,341.24	1,875.74	178.71	2,054.45	1,875.75	213.24	2,088.99	1,875.73	303.00
24-Jan-11	0.00	0.00	0.00	0.00	0.00	0.00	4,614.18	342.93	4,957.11	1,740.49	166.30	1,906.79	1,740.50	198.43	1,938.93	1,740.48	281.97
25-Apr-11	0.00	0.00	0.00	0.00	0.00	0.00	4,337.85	312.25	4,650.10	1,636.26	151.43	1,787.69	1,636.27	180.68	1,816.95	1,636.25	256.75
25-Jul-11	0.00	0.00	0.00	0.00	0.00	0.00	4,042.54	293.65	4,336.19	1,524.86	142.41	1,667.27	1,524.88	169.92	1,694.80	1,524.86	241.45
24-Oct-11	0.00	0.00	0.00	0.01	0.00	0.01	53,666.80	276.08	53,942.88	20,243.36	133.89	20,377.25	20,243.48	159.75	20,403.23	20,243.29	227.00

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**FLows FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER  
(AMOUNTS IN EUR)  
CPR = 15%**

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3(G) Bonds			Series B Bonds			Series C Bonds			Series D Bonds			Series E Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS:</b>	<b>100,000.00</b>	<b>2,364.52</b>	<b>102,364.52</b>	<b>100,000.00</b>	<b>5,755.53</b>	<b>105,755.53</b>	<b>100,000.00</b>	<b>9,143.66</b>	<b>109,143.66</b>	<b>100,000.00</b>	<b>8,219.65</b>	<b>108,219.65</b>	<b>100,000.00</b>	<b>9,808.69</b>	<b>109,808.69</b>	<b>100,000.00</b>	<b>13,939.98</b>	<b>113,939.98</b>	<b>100,000.00</b>	<b>22,222.35</b>	<b>122,222.35</b>
10-Nov-05																					
24-Jan-06	9,125.86	482.08	9,607.94	0.00	482.08	482.08	0.00	414.38	414.38	0.00	534.17	534.17	0.00	638.33	638.33	0.00	909.17	909.17	0.00	1,284.17	1,284.17
24-Apr-06	15,340.44	531.16	15,871.60	0.00	584.50	584.50	0.00	503.25	503.25	0.00	647.00	647.00	0.00	772.00	772.00	0.00	1,097.00	1,097.00	0.00	1,547.00	1,547.00
24-Jul-06	15,470.15	446.40	15,916.55	0.00	590.99	590.99	0.00	508.84	508.84	0.00	654.19	654.19	0.00	780.58	780.58	0.00	1,109.19	1,109.19	0.00	1,564.19	1,564.19
24-Oct-06	15,059.41	358.87	15,418.28	0.00	597.49	597.49	0.00	514.43	514.43	0.00	661.38	661.38	0.00	789.16	789.16	0.00	1,121.38	1,121.38	0.00	1,581.38	1,581.38
24-Jan-07	13,017.54	268.89	13,286.43	0.00	597.49	597.49	0.00	514.43	514.43	0.00	661.38	661.38	0.00	789.16	789.16	0.00	1,121.38	1,121.38	0.00	1,581.38	1,581.38
24-Apr-07	17,373.98	186.96	17,560.94	0.00	584.50	584.50	0.00	503.25	503.25	0.00	647.00	647.00	0.00	772.00	772.00	0.00	1,097.00	1,097.00	0.00	1,547.00	1,547.00
24-Jul-07	13,977.12	86.36	14,063.48	0.00	590.99	590.99	0.00	508.84	508.84	0.00	654.19	654.19	0.00	780.58	780.58	0.00	1,109.19	1,109.19	11,592.97	1,564.19	13,157.16
24-Oct-07	635.50	3.80	639.30	16,623.43	597.49	17,220.92	0.00	514.43	514.43	22,569.96	661.38	23,231.34	22,569.41	789.16	23,358.57	22,570.24	1,121.38	23,691.62	10,977.27	1,398.05	12,375.32
24-Jan-08	0.00	0.00	0.00	27,500.91	498.17	27,999.08	0.00	514.43	514.43	13,097.81	512.11	13,609.92	13,097.90	611.05	13,708.95	13,097.76	868.28	13,966.04	13,097.76	1,224.46	14,322.22
24-Apr-08	0.00	0.00	0.00	19,684.81	330.22	20,015.03	0.00	508.84	508.84	9,375.25	420.85	9,796.10	9,375.31	502.17	9,877.48	9,375.21	713.56	10,088.77	9,375.21	1,006.27	10,381.48
24-Jul-08	0.00	0.00	0.00	24,295.14	213.89	24,509.03	0.00	508.84	508.84	11,571.00	359.52	11,930.52	11,571.08	428.99	12,000.07	11,570.96	609.57	12,180.53	4,956.79	859.63	5,816.42
24-Oct-08	0.00	0.00	0.00	9,110.61	71.08	9,181.69	0.00	514.43	514.43	4,339.09	286.95	4,626.04	4,339.12	342.39	4,681.51	4,339.08	486.52	4,825.60	0.00	790.69	790.69
26-Jan-09	0.00	0.00	0.00	2,785.10	16.64	2,801.74	5,572.55	514.43	6,086.98	3,428.45	258.25	3,686.70	3,428.47	308.14	3,736.61	3,428.43	437.86	3,866.29	0.00	790.69	790.69
24-Apr-09	0.00	0.00	0.00	0.00	0.00	0.00	8,095.22	475.21	8,570.43	3,053.55	230.45	3,284.00	3,053.57	274.98	3,328.55	3,053.54	390.73	3,444.27	0.00	773.50	773.50
24-Jul-09	0.00	0.00	0.00	0.00	0.00	0.00	7,806.99	439.29	8,246.28	2,944.83	213.04	3,157.87	2,944.85	254.20	3,199.05	2,944.82	361.20	3,306.02	0.00	782.09	782.09
26-Oct-09	0.00	0.00	0.00	0.00	0.00	0.00	6,855.96	403.96	7,259.92	2,586.10	195.90	2,782.00	2,586.12	233.75	2,819.87	2,586.09	332.15	2,918.24	0.00	790.69	790.69
25-Jan-10	0.00	0.00	0.00	0.00	0.00	0.00	6,296.27	368.69	6,664.96	2,374.98	178.80	2,553.78	2,375.00	213.34	2,588.34	2,374.97	303.15	2,678.12	0.00	790.69	790.69
26-Apr-10	0.00	0.00	0.00	0.00	0.00	0.00	5,593.16	328.99	5,922.15	2,109.76	159.54	2,269.30	2,109.78	190.37	2,300.15	2,109.76	270.51	2,380.27	0.00	773.50	773.50
26-Jul-10	0.00	0.00	0.00	0.00	0.00	0.00	5,250.11	304.18	5,554.29	1,980.36	147.51	2,127.87	1,980.38	176.02	2,156.40	1,980.36	250.11	2,230.47	0.00	782.09	782.09
25-Oct-10	0.00	0.00	0.00	0.00	0.00	0.00	54,529.74	280.52	54,810.26	20,568.86	136.04	20,704.90	20,569.01	162.32	20,731.33	20,568.78	230.65	20,799.43	50,000.00	790.69	50,790.69

#### 4.11 Representation of security holders.

No Syndicate of Bondholders will be set up for the securities included in this Bond Issue.

On the terms provided for in article 12 of Royal Decree 926/1998, it is the Management Company's duty, as the manager of third-party portfolios, to represent and enforce the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time.

#### 4.12 Resolutions, authorisations and approvals for issuing the securities.

##### a) Corporate resolutions.

###### ***Resolution to set up the Fund and issue the Bonds:***

At its meeting of July 21, 2005, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved that:

- i) FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in pursuance of the Ministerial Order of December 28, 2001 and in accordance with legal system for which provision is made in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- ii) Credit rights assigned by BANCAJA derived from mortgage and non-mortgage loans granted by BANCAJA to non-financial small and medium-sized enterprises registered in Spain be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

###### ***Resolution to assign the Loans:***

At a meeting held on July 19, 2005, the Board of Directors of BANCAJA resolved that the assignment of loans with real estate security by means of the issue of pass-through certificates and the assignment of non-mortgage loans to be pooled in the Fund be authorised.

##### b) Registration by the CNMV.

The establishment of the Fund and issue of the Bonds are subject to the condition precedent of the entry in the Official Registers of the CNMV of this Prospectus and all other supporting documents, in accordance with the provisions of article 5.1.e) of Royal Decree 926/1998.

This Prospectus regarding the establishment of the Fund and issue of the Bonds has been entered in the CNMV's Official Registers on November 4, 2005.

##### c) Agreements relating to the execution of the State Guarantee.

In accordance with the provisions of section Two of the Order of December 28, 2001, the Management Company entered into a standard Collaboration Agreement with the Industry, Tourism and Commerce Ministry to set up the Fund for fostering business financing on October 19, 2005.

Furthermore, in accordance with the provisions of section Three of the Order of December 28, 2001, BANCAJA entered on October 19, 2005 into the Framework Collaboration Agreement with the Industry, Tourism and Commerce Ministry to determine the credits eligible for assignment to the Fund.

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

Upon the CNMV registering this Prospectus, the Management Company and BANCAJA, Originator of the Loans, shall proceed to execute on November 7, 2005 a public deed whereby FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANCAJA will assign Non-Mortgage Loans and Mortgage Loans by means of the issue of Pass-Through Certificates to the Fund, and the Fund will issue the Asset-Backed Bonds, on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus.

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

**e) Execution of the supplementary public deed with the face amount of Series E.**

The Management Company shall, before the Subscription Period begins, execute a supplementary public deed recording the total face amount of Series E and the number of Bonds making it up, as provided for in section 4.9.2.7 of this Securities Note.

**4.13 Issue date of the securities.**

The Bond issue date shall be November 10, 2005, on the Closing Date proper.

**4.13.1 Potential investors to whom the Series A1, A2, A3(G), B, C and D Bonds are offered**

Placement of the Bonds in each of Series A1, A2, A3(G), B, C and D of the Bond Issue is targeted at institutional investors.

**Tranches.**

Each of the Series consists of one tranche only.

**4.13.2 Subscription or acquisition date or period of the Series A1, A2, A3(G), B, C and D Bonds.**

The subscription period for Series A1, A2, A3(G), B, C and D (the “**Subscription Period**”) shall begin at 1pm (CET time) on November 8, 2005 and end at 2pm (CET time) on the same day.

**4.13.3 Where and with whom may subscription for or acquisition of the Series A1, A2, A3(G), B, C and D Bonds be processed?**

In order to be taken into account, subscription proposals for the Series A1, A2, A3(G), B, C and D Bonds shall be made during the Subscription Period established in the preceding section, with BANCAJA, JPMORGAN, MERRILL LYNCH, SOCIÉTÉ GÉNÉRALE and BANCO PASTOR, as Underwriters and Placement Agents, and observing the procedures established hereinafter in the following sections.

Subscription for the Series E Bonds shall be carried out exclusively by BANCAJA.

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

**4.13.4 Placement and allocation of the Series A1, A2, A3(G), B, C and D Bonds.**

The Underwriters and Placement Agents of the Series A1, A2, A3(G), B, C and D Bonds shall freely proceed to accept or turn down the subscription proposals received, making sure in any event that there is no discriminatory treatment between similarly characterised proposals. The Underwriters and Placement Agents may nevertheless give priority to proposals of those of their customers as they shall deem fit or appropriate and indeed subscribe on their own account, for themselves or group companies, for all or part of the Series A1, A2, A3(G), B, C and D Bonds .

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 the Bond Issue Management, Underwriting, Placement and Subscription Agreement.



#### 4.13.5 **Payment method and dates of Series A1, A2, A3(G), B, C and D.**

The investors to whom the Series A1, A2, A3(G), B, C and D Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on November 10, 2005 (the “**Closing Date**”), for same day value, the relevant issue price for each Bond allocated for subscription.

#### 4.14 **Restrictions on the free transferability of the securities.**

There are no restrictions on the free transferability of the Bonds. They may be freely transferred by any means admissible at Law and in accordance with the rules of the AIAF market where they will be traded. A transfer in the accounts will convey the ownership of each Bond. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties.

### 5 **ADMISSION TO TRADING AND DEALING ARRANGEMENTS.**

#### 5.1 **Market where the securities will be traded.**

In fulfilment of the provisions of article 2.3 of Royal Decree 926/1998, the Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on AIAF Mercado de Renta Fija (“**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 (1) month after the Closing Date.

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

In the event that, by the end of the one-month period referred to in the first paragraph of this section, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons resulting in such breach, using the extraordinary notice procedure provided for in section 4.1.2 of the Building Block. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be.

#### 5.2 **Paying agents and depository agents.**

##### 5.2.1 **Paying Agent of the Bond Issue.**

The Bond Issue will be serviced through BANCAJA as Paying Agent. Payment of interest and repayments shall be notified to Bondholders in the events and in such advance as may be provided for each case in section 4.1.1 of the Building Block. Interest and amortisation shall be paid to Bondholders by the relevant members and to the latter in turn by Iberclear, the institution responsible for the accounting record.

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 Paying Agent Agreement are summarily as follows:

- (i) Paying the Fund by 3pm (CET time) on the Closing Date, by crediting the Treasury Account, for same day value, the aggregate amount of the subscription for the Bond Issue received from the other Underwriters and Placement Agents as provided for in the Bond Issue Management, Underwriting, Placement and Subscription Agreement plus the face amount of the Bonds placed and subscribed for, as the case may be, on its own account, as Underwriter and Placement Agent.
- (ii) Paying each Underwriter and Placement Agent on the Closing Date, as directed by the Management Company, the Series A1, A2, A3(G), B, C and D Bond underwriting and placement fee amount they shall each have earned, after they have in turn paid it the face amount of the Bonds they shall each

have placed and subscribed for, as the case may be, on their own account up to their respective underwriting commitments.

- (iii) Handing to the Management Company Bond Issue placement dissemination control information based on the Series A1, A2, A3(G), B, C and D Bond information provided in that connection by the Underwriters and Placement Agents, using for that purpose the form duly established by the CNMV.
- (iv) On each of the Bond Payment Dates, paying interest and, as the case may be, repaying Bond principal, after deducting the total amount of the interim tax withholding for return on investments to be made in accordance with applicable tax laws.
- (v) On each Interest Rate Fixing Date, notifying the Management Company of the Reference Rate determined to be used as the basis for calculating the Nominal Interest Rate applicable to each Bond Series.

In the event that the rating of the short-term, unsecured and unsubordinated debt of BANCAJA should, at any time during the life of the Bond Issue, fall below F1 and P-1 respectively in Fitch's and Moody's rating scales, the Management Company shall within not more than thirty (30) Business Days from the time of the occurrence of any such circumstances revoke the appointment of the Paying Agent, and shall thereupon designate another institution having a credit rating for its short-term, unsecured and unsubordinated debt of at least F1 and P-1 respectively in Fitch's and Moody's rating scales, to take its place before terminating the Paying Agent Agreement or, as the case may be, under a new paying agent agreement, and subject to prior notice being given to the Rating Agencies. Should BANCAJA be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BANCAJA under the Paying Agent Agreement.

In consideration of the services provided by the Paying Agent, the Fund shall pay it a fee of 0.01%, inclusive of taxes as the case may be, on the amount to be distributed to Bondholders on each Bond Payment Date during the term of the Paying Agent Agreement, payable on the same Payment Date, provided that the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, the Liquidation Priority of Payments.

In the event that the Fund should not have sufficient liquidity to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid on the Payment Date on which they are settled.

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

## 6 EXPENSE OF THE OFFERING.

The following are the expected expenses deriving from setting up the Fund and issuing and listing the Bond issue:

	<b>EUR</b>
• Initial Management Company fee	70,000.00
• Notary's, audit, rating and legal advice fees	312,595.67
• CNMV fees (registering Prospectus and supervising listing of Bonds)	84,753.29
• AIAF and Iberclear fees	56,260.00
• Bond Issue underwriting and placement fees	1,200,000.00
• Translation, printing and other expenses	8,078.36
<b>Total expenses</b>	<b>1,731,687.32</b>

## **7 ADDITIONAL INFORMATION.**

### **7.1 Statement of the capacity in which the advisors connected with the issue mentioned in the Securities Note have acted.**

J&A GARRIGUES, S.L., as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds and reviewed its tax implications.

### **7.2 Other information in the Securities Note which has been audited or reviewed by auditors.**

Not applicable.

### **7.3 Statement or report attributed to a person as an expert.**

Ernst & Young have audited the selected loans on the terms set forth in section 2.2 of the Building Block and have audited the Management Company's and BANCAJA's annual accounts for the years ended December 31, 2004 and 2003.

### **7.4 Information sourced from a third party.**

Mr Miguel Ángel Soria Navarro, who holds Spanish Identity Document no. 29,109,563-G, for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, with place of business for these purposes at Valencia, Calle Pintor Sorolla number 8, duly authorised for these presents, and in connection with the establishment of FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS, hereby declares:

- That the representations regarding the Loans and the Pass-Through Certificates contained in section 2.2.8 of the Building Block, are truthful.
- That the foregoing representations shall be warranted to the Management Company, acting for the Fund, in the Deed of Constitution of the Fund.
- That the necessary checks have been made to verify that the information contained in the Prospectus as to the portfolio of selected loans which shall be mostly assigned to the Fund.
- That those checks have not revealed any circumstances contradicting or altering the information contained in the Prospectus, or that the latter has omitted any material facts or figures which might be relevant to the investor.

### **7.5 Credit ratings assigned to the securities by rating agencies.**

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

Fitch 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 October 31, 2005, Fitch Ratings España, S.A. assigned the following provisional ratings to each Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period. The Series A3(G) Bonds have been assigned a provisional AAA rating prior to the Spanish State guarantee on that Series A3(G).

Bond Series	Fitch Ratings
Series A1	AAA
Series A2	AAA
Series A3(G)	AAA
Series B	A
Series C	BBB+
Series D	BB-
Series E	CCC-

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 October 31, 2005, Moody's Investors Service España, S.A. assigned the following provisional ratings to each Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period. The Series A3(G) Bonds have been assigned a provisional Aaa rating prior to the Spanish State guarantee on that Series A3(G).

Bond Series	Moody's Ratings
Series A1	Aaa
Series A2	Aaa
Series A3(G)	Aaa
Series B	A2
Series C	Baa3
Series D	Ba2
Series E	C

If the Rating Agencies should not confirm any of the assigned provisional ratings as final by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section 4.1.2.2 of the Building Block. Furthermore, this circumstance would result in the establishment of the Fund, the Bond Issue and the assignment of the Loans terminating.

**Rating scales used by Fitch, Moody's and S&P.**

The following are the rating scales for long-term debt used by the agencies:

Fitch	Ratings given by Moody's	S&P	Meaning
AAA	Aaa	AAA	Extremely strong capacity for interest payment and principal repayment
AA	Aa	AA	Very strong capacity for interest payment and principal repayment
A	A	A	Strong capacity for interest payment and principal repayment. Factors giving security are considered adequate, but may be susceptible to impairment in the future
BBB	Baa	BBB	Interest and principal payment protection may not be so large; payment capacity is considered adequate. Adverse business conditions may result in inadequate capacity to make interest and principal payments
BB	Ba	BB	Speculative grade. Their future cannot be considered as assured. Protection of interest and principal payments is very moderate
B	B	B	Assurance of interest or principal payments may be small.

<b>Fitch</b>	<b>Ratings given by Moody's</b>	<b>S&amp;P</b>	<b>Meaning</b>
CCC	Caa	CCC	Highly vulnerable to adverse business conditions Vulnerable to default. Continuity of payments dependent on favourable financial, economic and business conditions.
CC	Ca	CC	Highly speculative.
C DDD,DD,D	C	C D	Denotes actual or imminent default Speculative securities. Their value might not exceed the repayment value in the event of liquidation or reorganisation of the sector

- Fitch appends (+) or (-) to categories from AA to CCC denoting relative status within each category.
- Moody's applies numerical modifiers 1, 2, and 3 in each generic rating category from Aa to Caa. Modifier 1 indicates that the security ranks in the higher end of each generic rating category; modifier 2 indicates a mid-range ranking; and modifier 3 indicates a ranking in the lower end of each generic category.
- S&P appends (+) or (-) to categories from AA to denoting relative standing within each category

The following are the rating scales for short-term debt used:

<b>Fitch</b>	<b>Ratings given by Moody's</b>	<b>S&amp;P</b>	<b>Meaning</b>
F-1	P-1	A-1	The highest rating, indicating strongest capacity for timely payments. In the case of Fitch and S&P, the + sign may be appended if capacity is extremely strong.
F-2	P-2	A-2	Capacity for timely debt servicing is satisfactory, although margin of safety not as great as in the previous case.
F-3	P-3	A-3	Capacity for payment is satisfactory, but more vulnerable than the previous cases to adverse changing circumstances.
B	Not Prime	B	Normally implies an adequate payment capacity but adverse circumstances would seriously impair debt servicing capacity
C	---	C	This rating is assigned to short-term debt with a doubtful payment capacity.
D	---	D	Debt rated D is in default. This category is used when interest or principal payment is not made on the date due, even if the applicable grace period has not expired.

#### **Rating considerations.**

The ratings assigned to each Bond Series by Fitch measure the Fund's capacity for timely payment of interest and payment of Bond principal throughout the life of the transaction and at all events before the Final Maturity Date, on the terms stipulated in the Prospectus.

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

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

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

The ratings assigned, and any review 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 review, 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 4.1 of the Building Block.

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, Lead Managers, auditors, lawyers and other experts.

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered 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.*

## **ASSET-BACKED SECURITIES NOTE BUILDING BLOCK**

**(Annex VIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. SECURITIES**

#### **1.1 Minimum denomination of the issue.**

The Fund shall be set up with the Loans which BANCAJA shall assign to the Fund upon being established and their total principal or capital shall be equal to or slightly above EUR one billion five hundred million (1,500,000,000.00).

#### **1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been accurately reproduced.**

Not applicable.

### **2. UNDERLYING ASSETS**

#### **2.1 Confirmation that the securitised assets have capacity to produce funds to service any payments due and payable on the securities.**

The Management Company confirms that, based on their contractual characteristics, the flows of principal, interest and any other amounts from the securitised assets allow the payments due and payable on the Bonds issued to be satisfied.

Nevertheless, in order to cover for potential defaults on payment by the obligors of the securitised assets, a number of credit enhancement transactions have been arranged allowing the amounts payable on the Bonds in each Series to be covered to a different extent and mitigating interest risk due to the different terms of the interest clauses of the assets and of the Bonds in each Series. In exceptional circumstances, the enhancement transactions could actually fall short. The credit enhancement transactions are described in sections 3.4.2, 3.4.3 and 3.4.4 of this Building Block.

Not all the bonds issued have the same risk of default given the credit ratings assigned by the Rating Agencies to the Bonds in each Series, detailed in section 7.5 of the Securities Note.

Upon the occurrence of a (i) substantial alteration or permanent imbalance of the Fund due to any event or circumstance whatsoever unrelated to the Fund's operations or (ii) default indicating a serious permanent imbalance in relation to any of the Bonds issued or suggesting that it will occur, the Management Company may proceed with an Early Liquidation of the Fund and thereby an Early Amortisation of the Bond Issue on the terms laid down in section 4.4.3 of the Registration Document.

#### **2.2 Assets backing the issue.**

The credit rights to be pooled in the Fund, represented by the Management Company, upon being established, shall exclusively consist of credit rights owned by BANCAJA derived from loans (the "**Loans**") granted by BANCAJA to non-financial small and medium-sized enterprises (legal persons) registered in Spain (the "**Obligors**").

The Obligors are non-financial legal persons registered in Spain and are all small and medium-sized enterprises as defined by the European Commission (Recommendation of May 6, 2003 replacing the Recommendation of April 3, 1996) ("**SMEs**")

The selected loan portfolio from which the Loans to be assigned to the Fund upon being established will be taken comprises 4,277 loans, the outstanding principal of which as of September 30, 2005 amounted to EUR 1,595,088,720.18 and the overdue principal amounted to EUR 628,271.89.



### **Audit of the assets securitised through the Fund.**

These selected loans have been audited by the firm Ernst & Young S.L. (“**Ernst & Young**”), entered in the Official Register of Auditors (ROAC) under number S0530 and having its registered office in Madrid, Plaza Pablo Ruiz Picasso s/n (Torre Picasso).

That audit was made using sampling techniques consisting of analysing a number of transactions fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample transactions and specifically regarding: nature of the loan and the obligor, title, identification of the obligor, transfer of the assets, SME accreditation, loan origination date, loan maturity date, repayment term (at source) not less than one year, initial loan amount, current loan balance (outstanding principal), interest rate and benchmark index, interest rate spread, arrears in payment, insolvency status, and additionally for loans with mortgage security, mortgage loan origination, mortgaged property, appraisal value, address of the mortgaged property or properties and mortgage security. Loans in respect of which errors are detected in verifying the sample shall not be assigned to the Fund by BANCAJA.

#### **2.2.1 Legal jurisdiction by which the pool of assets is governed.**

The securitised assets are governed by Spanish Law.

#### **2.2.2 Description of the general characteristics of the obligors and the economic environment, as well as global statistical data referred to the securitised assets.**

##### **a) Information as to number and distribution of the obligors of the selected loans.**

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected loans as of September 30, 2005.

<b>Loan portfolio as of 30.09.2005</b>				
<b>Classification by Obligor</b>				
	<b>Loans</b>		<b>Outstanding Principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Obligor 1	2	0.05	16,850,000.00	1.06
Obligor 2	1	0.02	12,712,000.00	0.80
Obligor 3	1	0.02	12,614,191.00	0.79
Obligor 4	1	0.02	12,450,000.00	0.78
Obligor 5	6	0.14	10,765,067.00	0.67
Obligor 6	2	0.05	10,565,000.00	0.66
Obligor 7	1	0.02	10,097,517.00	0.63
Obligor 8	1	0.02	10,000,000.00	0.63
Obligor 9	1	0.02	10,000,000.00	0.63
Obligor 10	2	0.05	9,809,506.73	0.61
Rest: 3,590 obligors	4,259	99.58	1,479,225,438.45	92.74
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>

The outstanding principal of each Obligor is the result of the sum of the outstanding principal of each selected loan granted to a same Obligor.

**b) Information on the obligors' economic activity by economic activity sectors in accordance with the Spanish Business Activity Code (CNAE).**

The following table shows the distribution of the selected loans based on the corporate obligors' CNAE activity.

Loan portfolio as of 30.09.2005					
Classification by economic activity sectors					
CNAE	Loans		Outstanding principal		
		%	(EUR)	%	
AA Agriculture, Stockbreeding, Hunting and Forestry.	65	1.52	30,971,964.32	1.94	
BB Fishing.	14	0.33	5,329,272.92	0.33	
CB Extracting other minerals except Energy Products.	18	0.42	2,977,136.72	0.19	
DA Food products, drinks and tobacco industry.	55	1.29	10,116,649.53	0.63	
DB Textile and textile manufacture industry.	67	1.57	8,049,423.22	0.50	
DC Leather and footwear industry.	17	0.40	2,672,051.13	0.17	
DD Wood and cork industry.	44	1.03	6,897,085.45	0.43	
DE Paper industry; Publishing, graphic arts and reproduction of	56	1.31	8,928,362.43	0.56	
DG Chemical industry.	35	0.82	7,712,083.04	0.48	
DH Manufacture of rubber products and plastic materials industry.	42	0.98	9,555,026.20	0.60	
DI Other non-metallic mineral products industries.	126	2.95	62,028,683.62	3.89	
DJ Metallurgy and Manufacture of Metallic Products.	86	2.01	14,401,748.57	0.90	
DK Building of machinery and mechanical equipment industry.	30	0.70	4,711,919.66	0.30	
DL Electrical, Electronic and Optical Material and Equipment Industry.	13	0.30	2,608,578.69	0.16	
DM Manufacture of Transport Material.	5	0.12	940,104.41	0.06	
DN Other manufacturing industries.	73	1.71	12,717,302.07	0.80	
EE Production and distribution of electric power, gas and water.	6	0.14	8,056,203.35	0.51	
FF Building.	513	11.99	176,059,378.45	11.04	
GG Retail trade; repair of motor vehicles, motorcycles and mopeds and personal and household items.	762	17.82	128,234,175.90	8.04	
HH Catering trade.	208	4.86	42,543,327.57	2.67	
II Transport, Storage and Communications.	172	4.02	24,045,334.25	1.51	
JJ Financial broking.	28	0.65	5,431,834.97	0.34	
KK Real Estate and Rental Activities; Business Services.	1,624	37.97	934,447,126.20	58.58	
MM Education.	18	0.42	5,014,964.19	0.31	
NN Health and Veterinary Activities, Social Services.	55	1.29	29,731,650.79	1.86	
OO Other social activities and services provided to the Community; Personal Services.	109	2.55	39,588,672.62	2.48	
QQ Extraterritorial Bodies	36	0.84	11,318,659.91	0.71	
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>	

**c) Information regarding selected loan collaterals.**

The selected Loans may be classified according to collateral security 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) Loans with other security interests.
- (iv) Unsecured loans, originated in a public document.

The following table shows the distribution of the selected loans having regard to their collaterals.

Loan portfolio as of 30.09.2005				
Classification by type of security				
	Loans		Outstanding Principal	
		%	(EUR)	%
Loans with real estate mortgage security *	2,190	51.20	1,123,472,043.01	70.43
Loans with third-party personal guarantee (surety or bond)	1,862	43.54	402,204,460.22	25.22
Loans with other security interests	178	4.16	52,886,938.60	3.32
Unsecured loans	47	1.10	16,525,278.35	1.04
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>

\* May in addition include third-party personal bonds, as the case may be

**d) Information regarding selected loan origination date.**

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

Loan portfolio as of 30.09.2005				
Classification by loan origination date				
Date interval	Loans		Outstanding principal	
		%	(EUR)	%
01/01/1996 to 30/06/1996	1	0.02	143,413.01	0.01
01/07/1996 to 31/12/1996	2	0.05	152,732.62	0.01
01/01/1997 to 30/06/1997	12	0.28	948,080.97	0.06
01/07/1997 to 31/12/1997	4	0.09	132,280.85	0.01
01/01/1998 to 30/06/1998	5	0.12	553,603.82	0.03
01/07/1998 to 31/12/1998	6	0.14	235,136.09	0.01
01/01/1999 to 30/06/1999	2	0.05	263,186.53	0.02
01/07/1999 to 31/12/1999	4	0.09	520,038.08	0.03
01/01/2000 to 30/06/2000	10	0.23	1,518,927.59	0.10
01/07/2000 to 31/12/2000	8	0.19	1,874,410.59	0.12
01/01/2001 to 30/06/2001	23	0.54	3,529,076.12	0.22
01/07/2001 to 31/12/2001	31	0.72	10,725,810.23	0.67
01/01/2002 to 30/06/2002	72	1.68	18,669,339.35	1.17
01/07/2002 to 31/12/2002	73	1.71	13,624,432.76	0.85
01/01/2003 to 30/06/2003	225	5.26	49,762,233.25	3.12
01/07/2003 to 31/12/2003	334	7.81	95,544,003.54	5.99
01/01/2004 to 30/06/2004	766	17.91	232,670,166.33	14.59
01/07/2004 to 31/12/2004	1,226	28.66	458,471,536.25	28.74
01/01/2005 to 30/06/2005	1,358	31.75	670,506,756.75	42.04
01/07/2005 to 31/12/2005	115	2.69	35,243,555.45	2.21
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>
	<b>12.40</b>	<b>Months</b>	<b>Weighted average age</b>	
	<b>112.77</b>	<b>Months</b>	<b>Maximum age</b>	
	<b>2.07</b>	<b>Months</b>	<b>Minimum age</b>	

**e) Information regarding selected loan principal.**

The following table shows the distribution of the outstanding loan principal as at September 30, 2005 in EUR 500,000 intervals, and the average, minimum and maximum amount. No details are given of intervals with no contents.

Loan portfolio as of 30.09.2005				
Classification by outstanding principal				
Principal interval (EUR)	Loans		Outstanding principal	
	No.	%	(EUR)	%
0.00 - 499,999.99	3,588	83.89	442,526,883.58	27.74
500,000.00 - 999,999.99	346	8.09	236,661,148.21	14.84
1,000,000.00 - 1,499,999.99	104	2.43	124,767,346.29	7.82
1,500,000.00 - 1,999,999.99	72	1.68	123,348,023.62	7.73
2,000,000.00 - 2,499,999.99	39	0.91	84,908,645.02	5.32
2,500,000.00 - 2,999,999.99	28	0.65	74,965,712.03	4.70
3,000,000.00 - 3,499,999.99	30	0.70	94,303,737.80	5.91
3,500,000.00 - 3,999,999.99	9	0.21	32,970,494.28	2.07
4,000,000.00 - 4,499,999.99	14	0.33	59,542,107.33	3.73
4,500,000.00 - 4,999,999.99	8	0.19	37,187,864.71	2.33
5,000,000.00 - 5,499,999.99	7	0.16	35,781,366.95	2.24
5,500,000.00 - 5,999,999.99	6	0.14	33,857,746.57	2.12
6,000,000.00 - 6,499,999.99	7	0.16	42,476,671.04	2.66
6,500,000.00 - 6,999,999.99	1	0.02	6,900,000.00	0.43
7,000,000.00 - 7,499,999.99	4	0.09	28,500,554.76	1.79
7,500,000.00 - 7,999,999.99	2	0.05	15,500,000.00	0.97
8,000,000.00 - 8,499,999.99	2	0.05	16,355,600.00	1.03
8,500,000.00 - 8,999,999.99	1	0.02	8,556,449.41	0.54
9,000,000.00 - 9,499,999.99	2	0.05	18,254,660.58	1.14
9,500,000.00 - 9,999,999.99	1	0.02	9,850,000.00	0.62
10,000,000.00 - 10,499,999.99	3	0.07	30,097,517.00	1.89
12,000,000.00 - 12,499,999.99	1	0.02	12,450,000.00	0.78
12,500,000.00 - 12,999,999.99	2	0.04676	25,326,191.00	1.59
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>
<b>Average principal:</b>			<b>372,945.69</b>	
<b>Minimum principal:</b>			<b>5,101.69</b>	
<b>Maximum principal:</b>			<b>12,712,000.00</b>	

f) Information regarding the nature of the benchmark rate and indices applicable for determining the floating interest rates applicable to the selected 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.

Loan portfolio as of 30.09.2005				
Classification by Interest rate benchmark index				
Benchmark index	Loans		Outstanding principal	
	No.	%	(EUR)	%
1-Y EURIBOR / MIBOR	3,651	85.36	1,010,779,300.06	63.37
3-M EURIBOR / MIBOR	626	14.64	584,309,420.12	36.63
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>

g) Information regarding applicable nominal interest rates: maximum, selected loan minimum and average rates.

The following table shows the distribution of the selected loans by 0.50% nominal interest rate intervals applicable as at September 30, 2005, and their average, minimum and maximum values. No details are given of intervals with no contents.

Loan portfolio as of 30.09.2005						
Classification by applicable nominal interest rate						
Interest Rate % Interval	Loans		Outstanding principal		% Interest Rate*	
		%	(EUR)	%		
2.00 2.49	7	0.16	8,939,176.99	0.56	2.00	
2.50 2.99	646	15.10	580,493,847.17	36.39	2.50	
3.00 3.49	1,471	34.39	667,033,353.17	41.82	3.00	
3.50 3.99	815	19.06	249,791,898.09	15.66	3.50	
4.00 4.49	428	10.01	48,880,996.07	3.06	4.00	
4.50 4.99	344	8.04	21,534,514.56	1.35	4.50	
5.00 5.49	359	8.39	12,750,559.13	0.80	5.00	
5.50 5.99	135	3.16	3,964,852.26	0.25	5.50	
6.00 6.49	46	1.08	1,052,630.27	0.07	6.00	
6.50 6.99	23	0.54	556,472.12	0.03	6.50	
7.00 7.49	2	0.05	42,449.64	0.00	7.00	
8.50 8.99	1	0.02	47,970.71	0.00	8.50	
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>3.20 %</b>	
	<b>Simple average:</b>				<b>3.75 %</b>	
	<b>Minimum:</b>				<b>2.35 %</b>	
	<b>Maximum:</b>				<b>8.50 %</b>	

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

**h) Information regarding minimum nominal interest rates applicable to the selected loans.**

The selected loans have no set minimum nominal interest rate setting a floor for applicable nominal interest rate variability.

**i) Information regarding the maximum nominal interest rates applicable to the selected loans.**

The selected loans have no set maximum nominal interest rate setting a ceiling for applicable nominal interest rate variability.

**j) Initial repayment term.**

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

Loan portfolio as of 30.09.2005				
Classification by initial loan repayment term				
Monthly intervals	Loans		Outstanding Principal	
		%	(EUR)	%
12.01 - 24.00	133	3.11	106,159,588.66	6.66
24.01 - 36.00	328	7.67	308,219,803.45	19.32
36.01 - 48.00	638	14.92	397,989,179.62	24.95
48.01 - 60.00	273	6.38	30,038,664.61	1.88
60.01 - 72.00	793	18.54	121,767,422.76	7.63
72.01 - 84.00	100	2.34	29,785,858.88	1.87
84.01 - 96.00	285	6.66	127,835,138.55	8.01
96.01 - 108.00	26	0.61	12,369,734.32	0.78
108.01 - 120.00	13	0.30	3,880,229.68	0.24
120.01 - 132.00	269	6.29	92,266,130.68	5.78
132.01 - 144.00	21	0.49	7,356,263.62	0.46
144.01 - 156.00	97	2.27	36,659,581.04	2.30

Loan portfolio as of 30.09.2005				
Classification by initial loan repayment term				
Monthly intervals	Loans		Outstanding Principal	
		%	(EUR)	%
156.01 - 168.00	25	0.58	6,953,783.14	0.44
168.01 - 180.00	45	1.05	18,370,890.45	1.15
180.01 - 192.00	699	16.34	168,452,791.89	10.56
192.01 - 204.00	17	0.40	9,614,280.51	0.60
204.01 - 216.00	9	0.21	3,472,008.32	0.22
216.01 - 228.00	10	0.23	9,066,567.78	0.57
228.01 - 240.00	29	0.68	6,007,907.52	0.38
240.01 - 252.00	329	7.69	69,731,186.92	4.37
252.01 - 264.00	2	0.05	384,782.98	0.02
264.01 - 276.00	3	0.07	539,197.10	0.03
276.01 - 288.00	11	0.26	2,828,081.93	0.18
288.01 - 300.00	15	0.35	1,000,735.82	0.06
300.01 - 312.00	55	1.29	13,504,281.93	0.85
312.01 - 324.00	2	0.05	226,940.20	0.01
324.01 - 336.00	2	0.05	176,622.34	0.01
336.01 - 348.00	1	0.02	106,916.70	0.01
348.01 - 360.00	3	0.07	958,085.55	0.06
360.01 - 372.00	44	1.03	9,366,063.23	0.59
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>
	<b>Weighted average:</b>		<b>82.14</b>	<b>Months</b>
	<b>Simple average:</b>		<b>106.17</b>	<b>Months</b>
	<b>Minimum:</b>		<b>12.00</b>	<b>Months</b>
	<b>Maximum:</b>		<b>360.92</b>	<b>Months</b>

**k) Information regarding the final maturity date of the selected loans.**

The following table shows the distribution of the selected loans according to final maturity date by annual intervals, and the weighted average residual life and the first and last final maturity dates.

Loan portfolio as of 30.09.2005						
Classification by final repayment date						
Final Repayment Year	Loans		Outstanding principal		Total Residual Life*	
		%	(EUR)	%	Months	Date
01/01/2005 to 31/12/2005	37	0.87	44,383,725.77	2.78	1.92	27/11/2005
01/01/2006 to 31/12/2006	307	7.18	224,776,506.80	14.09	9.49	16/07/2006
01/01/2007 to 31/12/2007	594	13.89	395,178,159.54	24.77	20.64	20/06/2007
01/01/2008 to 31/12/2008	495	11.57	193,093,993.00	12.11	31.16	6/05/2008
01/01/2009 to 31/12/2009	488	11.41	70,703,405.25	4.43	45.47	15/07/2009
01/01/2010 to 31/12/2010	405	9.47	84,153,795.29	5.28	55.99	31/05/2010
01/01/2011 to 31/12/2011	171	4.00	64,802,371.00	4.06	68.73	23/06/2011
01/01/2012 to 31/12/2012	125	2.92	61,430,761.01	3.85	78.94	29/04/2012
01/01/2013 to 31/12/2013	77	1.80	17,512,228.20	1.10	92.34	11/06/2013
01/01/2014 to 31/12/2014	127	2.97	39,925,319.54	2.50	104.94	29/06/2014
01/01/2015 to 31/12/2015	98	2.29	47,276,333.57	2.96	114.56	18/04/2015
01/01/2016 to 31/12/2016	67	1.57	21,598,743.48	1.35	130.87	26/08/2016
01/01/2017 to 31/12/2017	58	1.36	21,129,047.09	1.32	139.28	9/05/2017
01/01/2018 to 31/12/2018	141	3.30	30,288,907.11	1.90	153.86	27/07/2018
01/01/2019 to 31/12/2019	372	8.70	88,940,437.80	5.58	165.85	27/07/2019
01/01/2020 to 31/12/2020	198	4.63	66,876,642.43	4.19	173.62	20/03/2020
01/01/2021 to 31/12/2021	8	0.19	8,156,391.30	0.51	186.21	7/04/2021

Loan portfolio as of 30.09.2005						
Classification by final repayment date						
Final Repayment Year	Loans		Outstanding principal		Total Residual Life*	
		%	(EUR)	%	Months	Date
01/01/2022 to 31/12/2022	20	0.47	4,253,778.30	0.27	200.10	3/06/2022
01/01/2023 to 31/12/2023	70	1.64	17,099,691.28	1.07	212.32	10/06/2023
01/01/2024 to 31/12/2024	194	4.54	40,723,621.88	2.55	226.13	4/08/2024
01/01/2025 to 31/12/2025	92	2.15	24,719,021.48	1.55	234.07	2/04/2025
01/01/2026 to 31/12/2026	7	0.16	1,697,263.00	0.11	245.86	27/03/2026
01/01/2027 to 31/12/2027	12	0.28	862,225.14	0.05	264.57	18/10/2027
01/01/2028 to 31/12/2028	16	0.37	3,542,937.76	0.22	273.86	27/07/2028
01/01/2029 to 31/12/2029	29	0.68	5,876,494.79	0.37	285.92	29/07/2029
01/01/2030 to 31/12/2030	20	0.47	5,579,272.25	0.35	293.33	11/03/2030
01/01/2031 to 31/12/2031	2	0.05	283,655.74	0.02	307.95	30/05/2031
01/01/2032 to 31/12/2032	3	0.07	677,944.75	0.04	320.44	13/06/2032
01/01/2033 to 31/12/2033	5	0.12	984,592.16	0.06	331.81	25/05/2033
01/01/2034 to 31/12/2034	31	0.72	7,266,530.71	0.46	346.29	9/08/2034
01/01/2035 to 31/12/2035	8	0.19	1,294,922.76	0.08	353.23	8/03/2035
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>69.70</b>	
	<b>Simple average:</b>				<b>91.18</b>	
	<b>Minimum:</b>				<b>0.13</b>	<b>4/10/2005</b>
	<b>Maximum:</b>				<b>355.09</b>	<b>4/05/2035</b>

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

#### I) Information regarding geographical distribution by Autonomous Communities.

The following table shows loan distribution by Autonomous Communities according to the location of the corporate obligors' place of business.

Loan portfolio as of 30.09.2005					
Classification by Autonomous Communities					
	Loans		Outstanding principal		
		%	(EUR)	%	
Andalusia	146	3.41	122,636,660.39	7.69	
Aragón	48	1.12	27,314,303.05	1.71	
Asturies	4	0.09	3,763,293.61	0.24	
Balearic Isles	167	3.90	63,069,126.42	3.95	
Canary Islands	97	2.27	25,260,034.39	1.58	
Castile La Mancha	148	3.46	44,867,769.60	2.81	
Castile-León	51	1.19	18,402,892.03	1.15	
Catalonia	486	11.36	196,678,852.34	12.33	
Valencian Community	2,576	60.23	811,709,362.60	50.89	
Extremadura	4	0.09	589,714.76	0.04	
Galicia	37	0.87	16,968,812.91	1.06	
La Rioja	2	0.05	1,165,186.25	0.07	
Madrid	432	10.10	192,841,742.82	12.09	
Murcia	33	0.77	33,916,624.24	2.13	
Navarre	4	0.09	1,815,505.43	0.11	
Basque Country	42	0.98	34,088,839.34	2.14	
<b>Total</b>	<b>4,277</b>	<b>100.00</b>	<b>1,595,088,720.18</b>	<b>100.00</b>	

**m) Information regarding delays, if any, in collecting selected loan interest or principal instalments and amount, if any, 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 selected loans in regard to which there was any delay in payment of amounts due as at September 30, 2005.

Arrears in payment of instalments due as of 30.09.2005				
Day Interval	Loans	Outstanding Principal	Overdue Principal	% of Total
				Outstanding Principal
1 to 15 days	166	49,566,961.93	277,462.57	0.0174
16 to 30 days	53	13,737,242.26	112,637.92	0.0071
31 to 60 days	50	6,208,237.85	213,847.05	0.0134
61 to 90 days	11	1,194,100.06	24,324.35	0.0015
<b>Total</b>	<b>280</b>	<b>70,706,542.10</b>	<b>628,271.89</b>	<b>0.0394</b>

As declared by BANCAJA in section 2.2.8.2.(9) of the Building Block, none of the Loans that will finally be assigned to the Fund upon being established shall have any overdue payments on their assignment date for a period in excess of one (1) month.

**2.2.3 Legal nature of the pool of assets.**

The selected loans may be classified based on their collaterals into:

- (i) Loans with real estate mortgage security, originated in a public deed (the “**Mortgage Loans**”).

The Mortgage Loans were originated in a public deed subject to the Mortgage Act, February 8, 1946, Mortgage Market Regulation Act 2/1981, March 25, and ancillary laws. The real estate mortgage securities are entered in the relevant Land Registries in respect of the mortgaged real estate.

The Mortgage Loans shall be assigned to the Fund upon BANCAJA issuing and the Fund subscribing for Pass-Through Certificates subject to the provisions of Act 2/1981 and additional provision five of Act 3/1994 as worded by article 18 of Act 44/2002, on the terms provided for in section 3.3 of this Building Block.

- (ii) Loans exclusively secured with third-party personal guarantees (surety or bond), loans with security interest other than a real estate mortgage and unsecured loans, originated in a public document, which are enforceable (Civil Procedure Act article 517) (the “**Non-Mortgage Loans**”).

The different security interests underlying some of the Non-Mortgage Loans are registered based on the different nature of the pledged asset, as follows:

- a) Pledges underlying time and fixed-term deposits are entered in the relevant custodian institution.
- b) Pledges underlying units in unit trusts and other similar products are entered in the relevant custodians of those units which may, if they are in book-entry form, be either a credit institution or an investment services company or Iberclear through its members.
- c) Pledges underlying shares and/or stakes in companies shall be entered according to their nature and, in the case of shares, in a manner that shall differ depending on how they are represented:
  - i. Pledges underlying stakes in private companies shall be entered in the private company’s relevant members register. A pledge underlying stakes in private companies may also be recorded in the public deed establishing the ownership of those stakes.
  - ii. Pledges underlying shares in public limited companies in certificate form shall be entered in the relevant certificate. In addition, if the shares are registered shares, the pledge will also be entered in the public limited company’s share register.
  - iii. Pledges underlying shares in public limited companies in book-entry form shall be entered at the custodians of those shares, which may be either a credit institution or an investment services company or Iberclear through its members.
- d) Pledges underlying other marketable securities (debentures, preference shares and promissory notes) in book-entry form are entered in Iberclear through its members.



The Non-Mortgage Loans shall be directly assigned to the Fund upon being sold by BANCAJA and acquired by the Fund, on the terms provided for in section 3.3 of this Building Block.

In this Building Block and elsewhere in the Prospectus the term "Loans" shall be used to refer collectively to the Non-Mortgage Loans and the Mortgage Loans or the Pass-Through Certificates perfecting their assignment.

#### 2.2.4 Expiry or maturity date(s) of the assets.

The selected loans each have a final maturity date without prejudice to periodic partial repayment instalments, on the specific terms applicable to each of them.

Obligors may at any time during the life of the loans 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 repayment occurs.

Final maturity date of the selected loans lies between October 4, 2005 and May 4, 2035. Section 2.2.2.j) above contains a table showing the distribution of the selected loans based on the final maturity date for each one.

#### 2.2.5 Amount of the assets.

The Fund shall be set up with the Loans which BANCAJA shall assign to the Fund upon being established and their total principal or capital shall be at least equal to EUR one billion five hundred million (1,500,000,000.00), the face value amount of the Bond Issue.

The selected loan portfolio from which the Loans to be assigned to the Fund upon being established will be taken comprises 4,277 loans, the outstanding principal of which as of September 30, 2005 amounted to EUR 1,595,088,720.18 and the overdue principal amounted to EUR 628,271.89.

From the selection of loans, BANCAJA shall choose for assignment to the Fund upon being established loans in an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR one billion five hundred million (1,500,000,000.00).

#### 2.2.6 Loan to value ratio or level of collateralisation.

The selected loans with real estate mortgage security as at September 30, 2005 are 2,217 with an outstanding principal amounting to EUR 1,144,774,090.40, and the following are details of mortgages ranking senior or junior.

Real estate mortgage loan portfolio as of 30.09.2005				
Classification by ranking of mortgage				
	Loans		Outstanding Principal	
		%	(EUR)	%
Loans with senior real estate mortgage	2,093	95.57	1,085,763,998.76	96.64
Loans with junior real estate mortgage ranking	97	4.43	37,708,044.25	3.36
<b>Total</b>	<b>2,190</b>	<b>100.00</b>	<b>1,123,472,043.01</b>	<b>100.00</b>

The ratio, expressed as a percentage, of the outstanding principal amount as of September 30, 2005 to the appraisal value of the mortgaged properties securing the provisional portfolio mortgage loans with a senior mortgage ranged between 1.40% and 100.00%, the average ratio weighted by the outstanding principal on each mortgage loan being 62.75%.

The following table shows the distribution of the selected mortgage loans with a senior mortgage by 5.00% intervals of that ratio.

Loan portfolio with senior mortgage as of 30.09.2005					
Classification by Loan-to-Value ratio					
Ratio Intervals	Loans		Outstanding principal		Loan-to-Value* (%)
		%	(EUR)	%	
0.01 - 5.00	4	0.19	446,770.62	0.04	3.75
5.01 - 10.00	20	0.96	7,364,269.40	0.68	8.65
10.01 - 15.00	16	0.76	3,570,574.93	0.33	12.97
15.01 - 20.00	23	1.10	9,289,528.49	0.86	16.97
20.01 - 25.00	43	2.05	9,960,352.68	0.92	23.36
25.01 - 30.00	45	2.15	13,328,169.68	1.23	27.26
30.01 - 35.00	52	2.48	38,393,396.21	3.54	32.90
35.01 - 40.00	60	2.87	18,143,840.73	1.67	37.74
40.01 - 45.00	82	3.92	28,843,151.96	2.66	42.61
45.01 - 50.00	108	5.16	44,784,031.42	4.12	48.00
50.01 - 55.00	136	6.50	65,412,963.14	6.02	52.85
55.01 - 60.00	236	11.28	114,759,701.05	10.57	58.04
60.01 - 65.00	220	10.51	108,917,095.77	10.03	62.72
65.01 - 70.00	495	23.65	395,032,121.76	36.38	68.88
70.01 - 75.00	220	10.51	117,485,216.69	10.82	72.28
75.01 - 80.00	229	10.94	71,122,607.42	6.55	77.54
80.01 - 85.00	32	1.53	8,064,245.35	0.74	82.31
85.01 - 90.00	26	1.24	6,053,694.12	0.56	87.52
90.01 - 95.00	25	1.19	9,495,475.41	0.87	91.61
95.01 - 100.00	21	1.00	15,296,791.93	1.41	98.61
<b>Total</b>	<b>2,093</b>	<b>100.00</b>	<b>1,085,763,998.76</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>62.56 %</b>
	<b>Simple Average:</b>				<b>60.58 %</b>
	<b>Minimum:</b>				<b>1.39 %</b>
	<b>Maximum:</b>				<b>100.00 %</b>

\*Loan-to-Value Ratio lists averages weighted by the outstanding principal.

There is no overcollateralisation in the Fund since the total Loan principal or capital that BANCAJA shall assign to the Fund upon being set up shall be equal to or slightly above EUR one billion five hundred (1,500,000,000.00), the face value amount of the Series A1, A2, A3(G), B, C and D Bonds.

## 2.2.7 Method of creation of the assets.

The loans selected for assignment to the Fund have been granted by BANCAJA following its usual credit risk analysis and assessment procedures for lending to small and medium-sized enterprises. The procedures currently in place at BANCAJA are described below:

### 1. SME lending model used

BANCAJA's model is based on a modular design mainly intended to objectify insofar as possible the different sides there are to a business, and to include elements which, being intangible, cannot be objectively parametrised. The following aspects are contemplated by BANCAJA: (i) SME economic and financial position, (ii) commercial structure, (iii) production structure, (iv) organisational structure, (v) credit history (alert signs) and (vi) subjectivisation, should it be necessary to consider any factor not measured with the preceding.

Conceptually, the model fits into what could be termed an expert analysis system in which the different aspects of a firm to be globally valued are first determined and then individually dissected by studying and quantifying what BANCAJA believes are their most representative parameters, assigning each one a first assessment. Next, after being objectively quantified, an "evolutionary" rate is applied based on the changes of the various magnitudes over time, on the ground that it is often more representative to determine how a business is progressing than the absolute values proper that may be obtained at a given point in time.

BANCAJA's risk analysis takes into account the customer's global risk with BANCAJA. In so doing the concept of UER/Group is used, taking two or more enterprises/individuals to make up a Group, for risk purposes, where common shareholders stand for more than 25% of the share capital or they have a common management (that is, when despite not having a direct interest, management is controlled). Based on a broader judgment, two or more individuals/enterprises will make up a single Group where they have common or cross collaterals and where downturn of one of them can affect the normal development of the other(s).

An enterprise can belong in more than one economic Group depending on the policies established by BANCAJA's risks department.

Economic groups are managed by means of an application integrated in TL4 (an IT tool for all daily operations), which moreover dumps summary information onto the CIN (Information Centre), and permits Groups to be composed and maintained, providing integrated information on Asset positions and CIRBE. The information at the Information Centre gives end-of-month details at time of generation of the information, providing both risk figures and a breakdown by group components, giving the Group's global position global as of that date for the different sinking periods.

## 2. Empowerment.

BANCAJA has structured a loan approval empowerment system based on BANCAJA's total risk with each "Economic Risk Unit" (UER). The branches specialising in Enterprises and Promoters in Business Area I (Castellón, Valencia, Alicante and Albacete) do not look to the Business Unit when a transaction exceeds their risk approval authority, and the application is submitted directly to the Risks Department, where the credit risk is analysed for submission to the relevant Risks Committee. Business Area II branches (Madrid, Balearic Isles and Catalonia) have an intermediate step in which branches look to the relevant Business Unit, which will submit the application to the Risks Department.

<b>Management Bodies</b> More than 3% of BANCAJA's equity		
<b>General Manager Risks Committee</b> Up to 3% of BANCAJA's equity		
<b>Business Area</b> Up to €9,000,000		
<b>Business Unit</b> Up to €3,000,000		
<b>Branches</b>		
<b>External Network</b> Up to €1,800,000	<b>Traditional Network</b> Retail banking Up to €1,800,000	<b>Specialised banking</b> Up to €3,000,000

**Table: Simplified outline of empowerment at BANCAJA**

Risks are approved at the various levels depending on the extent of authority, and that is done by means of the "APA" (asset product authorisation) application. The main object of this application is providing BANCAJA with efficient control and management tools enhancing asset management and providing an assurance that all risks booked were previously authorised at the appropriate level. In essence, the system sees to it that the need for there to be an authorisation is tied to the booking of asset products, and ensures that risk authorisations are issued by whoever has authority to do so.

For every application, the system creates a case file recording the details of the risk to be taken with a customer, automatically assigning a file number uniquely identifying the same. Upon completion of the transaction, an asset account is linked to the file and the system prevents the asset account opened from having risk characteristics or terms different from those approved.

The managers of each Business Area and the Risks Department manager are on the Management Risks Committee. This Committee meets weekly to review applications with an UER in excess of €9 million. This Committee is authorised for approving loans with UER of up to 3% of BANCAJA's equity). For higher risks, the Committee draws up and submits a proposal to BANCAJA's management bodies.

## **2.2.8 Indication of representations and collaterals given to the issuer relating to the assets.**

### **Representations by the Originator.**

BANCAJA, as holder of the Loans until assigned to the Fund and issuer of the Pass-Through Certificates, shall represent as follows to the Fund, the Management Company and the Underwriters and Placement Agents in the Deed of Constitution:

#### **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 in a position of insolvency, bankruptcy or suspension of payments, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That it has obtained all necessary authorisations, including those required of its corporate bodies and third parties, if any, affected by the assignment of the Loans, to assign the Loans to the Fund and issue the Pass-Through Certificates, to validly execute the Fund Deed of Constitution, the agreements relating to the establishment of the Fund and to fulfil the undertakings made.
- (4) That it has audited annual accounts for the last three years ending on December 31, 2004, 2003 and 2002, which have been filed with the CNMV and with the Companies Register. The audit reports on the annual accounts for those years 2004, 2003 and 2002 have no notes.
- (5) That it has signed a Master Co-Operation Agreement with the Industry, Tourism and Commerce Ministry in accordance with schedule II to the Order dated December 28, 2001, in order to determine the credits eligible for assignment to the Fund.

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

- (1) That all the Loans have been duly originated in a public document, being either a public deed or a loan document, and that 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.
- (2) That all the Loans exist and are valid and enforceable in accordance with the applicable laws, and that all applicable statutory provisions were observed in perfecting the same.
- (3) That it holds legal and beneficial title to all the Loans, clear of any liens and claims, and there is no obstacle whatsoever for the Loans to be assigned.
- (4) That all the Loans are denominated in euros and are payable exclusively in euros.
- (5) That all the Loans have an initial repayment term of not less than one year.
- (6) That all the obligors under the Loans are non-financial companies (legal persons) registered in Spain and they are all small and medium-sized enterprises as defined by BANCAJA.
- (7) 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 in this connection the policies for granting credits and loans to companies currently in force are contained in section 2.2.7 of the Building Block to the Prospectus.

- (8) 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.
- (9) That, on the date of establishment of the Fund, none of the Loans has any payments that are more than one (1) month overdue.
- (10) That the Loans are clearly identified in the information system of BANCAJA as from being granted or subrogated to BANCAJA, and are serviced, analysed and monitored by BANCAJA in accordance with the usual set procedures.
- (11) That, upon the Fund being established, it has not come to its notice that any of the Loan Obligors is involved in any insolvency proceedings whatsoever.
- (12) That, upon the Fund being established, the sum of the Outstanding Balance of the Loans of a same Obligor is not in excess of 1.125% of the Outstanding Balance of the Loans.
- (13) 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.
- (14) That, upon the Fund being established, it is not aware of having received any notice whatsoever of total prepayment of the Loans.
- (15) That none of the Loans has a final maturity date extending beyond May 4, 2035.
- (16) 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.
- (17) That it is not aware that the Obligors may howsoever object to paying any amount relating to the Loans.
- (18) That, upon the Fund being established, none of the Loans has clauses establishing interest rate caps or floors limiting the interest rate amount applicable to the Loan
- (19) That, upon the Fund being established, at least two instalments have matured on each Loan.
- (20) That nobody has a pre-emptive right over the Fund, as holder of the Loans.
- (21) That both the grant of the Loans and their assignment to the Fund and all aspects related thereto are ordinary actions in the course of business of BANCAJA and are at arm's length.
- (22) That the data and information relating to the loans selected to be assigned to the Fund contained in section 2 of the Building Block of the Prospectus, fairly present their status on the relevant date and are accurate.
- (23) That the capital or principal of all the Loans has been fully drawn down.
- (24) That based on its internal records none of the Loans are in the nature of financing granted to real estate developers for building or renovating homes and/or business or industrial properties designed to be sold, or for finance lease transactions.
- (25) That the Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (26) That all the Loan payment obligations are satisfied by directly debiting a bank account.
- (27) That none of the Loans have clauses allowing deferment of periodic interest payment.

- (28) That from the selection of loans, it has chosen for assignment to the Fund Loans in an aggregate outstanding principal amount for each obligor from lowest to highest up to a total principal or capital equal to or slightly above EUR one billion five hundred million (1,500,000,000.00).
- (29) That upon the Fund being established the Outstanding Balance of the Mortgage Loans is not less than 69.00% of the Outstanding Balance of the Loans.
- (30) That the interest rate applicable to each Loan was fixed in the last twelve (12) months preceding the date of establishment of the Fund.
- (31) That none of the clauses in the public documents originating the Loans was amended in relation to the data and information provided by BANCAJA to the Management Company concerning the loan terms.

### **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 the contents of additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, and other applicable laws.
- (4) That the Mortgage Loans are all secured with a real estate mortgage on the fee absolute of each and every one of the mortgaged properties ranking as a senior mortgage or, as the case may be, ranking junior, 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 established on properties wholly legally and beneficially owned 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 all the mortgaged real properties (i) are located in Spain, (ii) have been appraised by duly qualified institutions approved by BANCAJA, evidence of which appraisal has been provided in the form of an appropriate certificate, and (iii) in the case of real properties relating to constructions in general, building work has been completed.
- (10) 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.
- (11) 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.
- (12) That it is not aware of any circumstance which might prevent foreclosure of the mortgage security.

- (13) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (14) That the Pass-Through Certificates shall be issued for the same term remaining until maturity of and at the same interest rate as each of the underlying Mortgage Loans.

## **2.2.9 Substitution of the securitised assets.**

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

1. In the event of prepayment of the Loans upon prepayment of the relevant Loan capital, there will be no substitution of the Loans.
2. In the event that during the full term of the Loans it should be found that any of them or of the Pass-Through Certificates fail to conform to the representations contained in section 2.2.8 above upon the Fund being established, BANCAJA agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, substitute or, as the case may be, redeem the affected Loans not substituted, by automatically terminating the assignment of the affected Loans and, as the case may be, cancelling the relevant Pass-Through Certificate, subject to the following rules:
  - a) The party becoming acquainted with the existence of a latent defect, be it the Originator or the Management Company, shall advise the other party of that circumstance in writing. The Originator shall have a period of not more than fifteen (15) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a substitution of the affected Loans, notifying the Management Company of the characteristics of the loans and of the pass-through certificates intended to be assigned to take their stead, which shall fulfil the representations contained in section 2.2.8 above and be of the same kind as to recurrence of payments, residual term, interest rate and outstanding principal value as the affected Loans and also credit quality in terms of collaterals, ranking of the mortgages and ratio of outstanding principal to the appraisal value of the mortgaged property or properties of the Mortgage Loan to be replaced, in order for the financial balance of the Fund not to be affected by such substitution, nor indeed the rating of the Bonds given by the Rating Agencies. Once the Management Company has checked the appropriateness of the substitute loan or loans, 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 and, as the case may be, issuing the new substitute pass-through certificates.

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

- b) Secondly to the obligation undertaken under rule 1 above, in the event that there should be no 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.
  - c) In the event of paragraphs 1 and 2 above occurring, BANCAJA shall be vested in all the rights attaching to those Loans accruing from the substitution or repayment date or accrued and not due, and overdue amounts on that same date.
3. In particular, the amendment by the Originator during the life of the Loans of their terms without regard to the limits established in the special laws applicable and, in particular, to the terms agreed between the Fund, represented by the Management Company, and the Originator in this Prospectus, in the Deed of Constitution and in the Servicing Agreement, which would therefore be an absolutely

exceptional amendment, would constitute a unilateral breach by the Originator of its duties which should not be borne by the Fund or by the Management Company.

That breach is not to be borne by the Fund and shall therefore be redressed, as provided for in article 1224 of the Civil Code, which redress shall not result in a warranty by the Originator as Servicer that the transaction will be successful.

Upon any such breach occurring, the Fund may, through the Management Company: (i) demand payment of the relevant damages and losses and (ii) request replacement or repayment of the affected Loans, which shall not result in the Originator guaranteeing that the transaction will be successfully completed, but only the requisite redress of the effects resulting from the breach of its duties, in accordance with article 1124 of the Civil Code.

The expenses originated by the actions to remedy the Originator's breach shall be borne by the Servicer and cannot be charged to the Fund or the Management Company. The Management Company shall forthwith notify the CNMV of each and every replacement or redemption of Non-Mortgage Loans and Pass-Through Certificates resulting from a breach by the Originator.

**2.2.10 Relevant insurance policies relating to the assets.**

The public deeds originating the Mortgage Loans provide that the mortgagor, unless and until they are fully paid, shall have to have taken out damage insurance covering at least the risk of fire and ruin for a value equal to or above the value set in the appraisal made for granting the Mortgage Loan, and to pay the relevant premiums, assigning to BANCAJA the insured capital or other indemnities payable by the Insurer.

No details are included regarding concentration of the Insurers because the current status of the insurance policies taken out by the corporate obligors and their data are not supported or updated in the Originator's computer records. Nevertheless, any possible concentration of Insurers has not been considered significant for the credit enhancement transaction.

**2.2.11 Information relating to the obligors where the securitised assets comprise obligations of 5 or fewer obligors which are legal persons or where an obligor accounts for 20% or more of the assets, or where an obligor accounts for a material portion of the assets.**

Not applicable.

**2.2.12 Details of the relationship, if it is material to the issue, between the issuer, guarantor and obligor.**

Not applicable.

**2.2.13 Where the assets comprise fixed income securities, a description of the principal terms.**

Not applicable.

**2.2.14 Where the assets comprise equity securities, a description of the principal terms.**

Not applicable.

**2.2.15 If the assets comprise equity securities that are not traded on a regulated or equivalent market, where they represent more than ten (10) per cent of the securitised assets, a description of the principal terms.**

Not applicable.



**2.2.16 Valuation reports relating to the property and cash flow/income streams where a material portion of the assets are secured on real property.**

The appraisal values of the properties securing the selected mortgage loans correspond to appraisals made by appraisers for the purpose of granting the loan and arranging the selected mortgage loans.

**2.3 Actively managed assets backing the issue.**

Not applicable.

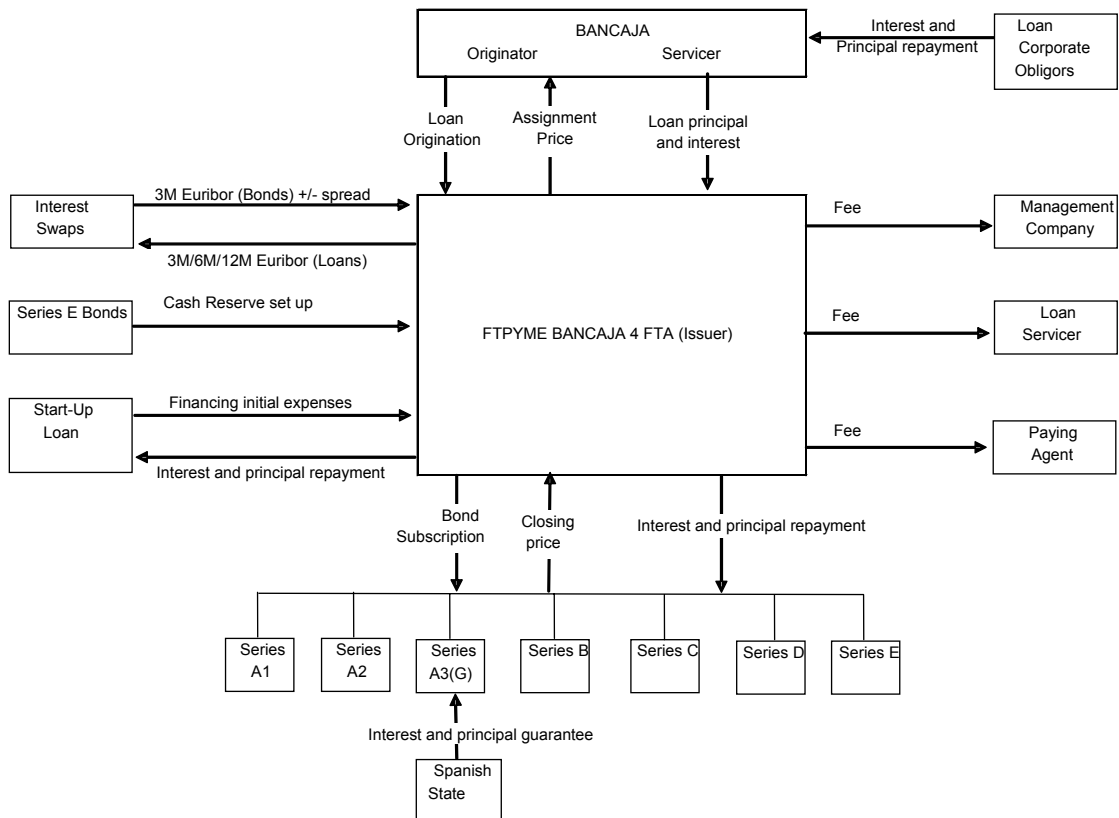
**2.4 Where the issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

Not applicable.

**3. STRUCTURE AND CASH FLOW**

**3.1 Description of the structure of the transaction, including if necessary, a diagram.**

Transaction structure diagram.



### Initial balance sheet of the Fund.

The balance sheet of the Fund on the Closing Date will be as follows:

ASSETS		LIABILITIES	
<b>Fixed Assets</b>	<b>1,501,900,000.00</b>	<b>Bond Issue</b>	<b>1,522,500,000.00</b>
Loans (adjustment excess to EUR 168,312.68)	1,500,168,312.68	Series A1 Bonds	842,300,000.00
		Series A2 Bonds	300,000,000.00
		Series A3(G) Bonds	237,600,000.00
		Series B Bonds	71,300,000.00
Set-up and issue expenses*	1,731,687.32	Series C Bonds	23,300,000.00
		Series D Bonds	25,500,000.00
		Series E Bonds	22,500,000.00
<b>Current assets</b>	<b>To be determined</b>	<b>Other long-term liabilities</b>	<b>5,000,000.00</b>
Treasury Account***	25,600,000.00	Start-Up Loan	5,000,000.00
Accrued interest receivable**	to be determined		
		<b>Short-term creditors</b>	<b>to be determined</b>
		Loan interest accrued**	To be determined
<b>Total assets</b>	<b>1,527,500,000.00</b>	<b>Total liabilities</b>	<b>1,527,500,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Cash Reserve***	22,500,000.00		
Interest Swap collections	to be determined		
Interest Swap payments	to be determined		

#### (Amounts in EUR)

- \* Assuming that all Fund set-up and Bond issue expenses are met on the Closing Date and that they amount to EUR 1,731,687.32 as detailed in section 6 of the Securities Note.
- \*\* As set forth in section 3.3.3 of this Building Block.
- \*\*\* Assuming that the face amount of Series E and the Initial Cash Reserve shall be determined at €22,500,000.00, their amount being in any event comprised between €24,000,000.00 and €21,800,000.00 respectively in accordance with section 4.9.2.7 of the Securities Note and 3.4.2.2 of this Building Block.

### 3.2 Description of the entities participating in the issue and of the functions to be performed by them.

- (i) EUROPEA DE TITULIZACIÓN is the Management Company that will establish, manage and legally represent the Fund.
- (ii) BANCAJA is the originator of the Loans to be assigned to the Fund upon being established, has financially structured the Fund and the Bond Issue, and shall be the Series E Bond subscriber. Moreover, BANCAJA shall be the Fund's counterparty in the Guaranteed Interest Rate Account (Treasury Account), Start-Up Loan, Loan Servicing, Bond Paying Agent and Financial Intermediation Agreements.
- (iii) BANCAJA, JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE shall be the Lead Managers of the Bond Issue. JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE shall be the book runners of the Series A1, A2, A3(G), B, C and D Bonds.
- (iv) BANCAJA, JPMORGAN, MERRILL LYNCH, SOCIÉTÉ GÉNÉRALE and BANCO PASTOR shall be Underwriters and Placement Agents of the Series A1, A2, A3(G), B, C and D Bonds.
- (v) JPMORGAN CHASE, N.A., London Branch ("JPMORGAN CHASE") shall be the Fund's counterparty in Interest Swap Agreement.
- (vi) The Spanish Economy and Finance Ministry shall, in a Ministerial Order, provide the Fund before it is established with a 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.
- (vii) J&A GARRIGUES, S.L., as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds and reviewed its tax implications.
- (viii) Ernst & Young have audited the selected loans from BANCAJA.

The description of the institutions referred to in paragraphs (i) to (viii) above is contained in section 5.2 of the Registration Document.

The Management Company represents that the summary descriptions of those agreements, contained in the relevant sections, which it shall enter into, for and on behalf of the Fund, give the most substantial and relevant information on each of the agreements and accurately present their contents.

### **3.3 Description of the method and date of the sale, transfer, novation or assignment of the assets or of any rights and/or obligations in the assets to the issuer.**

#### **3.3.1 Perfecting the assignment of the Loans.**

Section 2.2.2.c) of this Building Block contains a table showing how the selected loans are distributed according to the security collateral thereto. Based on that distribution, some Non-Mortgage Loans have security interests (pledges) other than a real estate mortgage and some Mortgage Loans have security interests (pledges) in addition to their underlying real estate mortgage.

Given the possibilities laid down in the laws in force, the Loans will be assigned differently depending on whether the Loans are Mortgage Loans or Non-Mortgage Loans, as set out below, notwithstanding the existence of other security interests or personal bonds collateral thereto.

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 of and the subscription by the Fund for pass-through certificates (the "**Pass-Through Certificates**") as established by Act 2/1981 and by additional provision five of Act 3/1994, as worded by article 18 of Financial System Reform Measures Act 44/2002, November 22 ("**Act 44/2002**").

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

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

Both in the event that any Pass-Through Certificate should be substituted, as prescribed in section 2.2.9 of this Building Block, 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 3.7.2.1.7 of this Building Block, and moreover if there should be an Early Liquidation of the Fund, in the events and on the terms of section 4.4.4 of the Registration Document, 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) Mortgage Loan origination and maturity date, Mortgage Loan amount and settlement method; and (ii) the registration particulars of the mortgage securing the Mortgage Loan.

Given that the Fund is an institutional investor and that the Fund has subscribed for the Pass-Through Certificates, for the purposes of paragraph two of article 64.6 of Royal Decree 685/1982,

the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Loans in the Land Registry.

- (ii) The Non-Mortgage Loans shall be assigned directly without any underlying security being issued by means of their sale by BANCAJA and acquisition by the Fund.

In the event of BANCAJA being decreed in bankruptcy, the issue of the Pass-Through Certificates and their subscription by the Fund and the assignment of the Non-Mortgage Loans may only be revoked as provided for in the bankruptcy laws if whoever exercises the relevant termination action proves that the issue by BANCAJA and subscription by the Fund of the Pass-Through Certificates and the assignment of the Non-Mortgage Loans was fraudulently made, the foregoing on the terms of Additional Provision Five of Act 3/1994 and articles 10 and 15 of Act 2/1981 and as provided for in the Bankruptcy Act.

The assignment by BANCAJA to the Fund of the Loans shall not be notified to the Obligors. Where the Loans have other security interests or third-party personal bonds other than a mortgage, the assignment will not be initially notified either to the custodian of the assets or securities, where that is an entity other than the Servicer, or the Obligors' guarantors. In this sense, neither Iberclear nor its member institutions will be notified either of the assignment of Loans having a pledge in respect of listed securities or securities represented by book-entries in their systems.

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

### **3.3.2 Loan assignment terms.**

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

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

The Originator shall not bear the risk of default on the Loans and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount whatsoever they may owe under the Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will not be howsoever liable either to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to repurchase or substitute the Loans, saving as provided for in section 2.2.9 of this Building Block.

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

Specifically, without limitation and for illustrative purposes only, the assignment shall, in accordance with the provisions of article 1528 of the Civil Code, comprise the assignment of all collateral rights, such as bonds, guarantees, mortgages, pledges or privileges, and shall therefore confer on the Fund the following rights in relation to each Loan:

- 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, securities 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, assets or securities awarded or, upon foreclosing, in the administration or interim possession of the properties, assets or securities in foreclosure proceedings.
- e) To receive all possible rights or compensations on the Loans accruing for the Originator and derived therefrom, including those derived from the insurance contracts, if any, attached to the Mortgage Loans which are also assigned to the Fund, and those derived from any right collateral to the Loans, excluding the fees established for each of the Loans, which shall remain to the benefit of the Originator.

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

3. In the event of prepayment of the Loans upon a full or partial repayment of the principal, there will be no direct substitution of the affected Loans.
4. The rights of the Fund resulting from the Loans shall be linked to the payments made by the Obligors and are therefore directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
5. The Fund shall defray any and all expenses or costs resulting for the Originator derived from recovery actions in the event of a breach by the Obligors of their obligations, including enforcement proceedings against the same.
6. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Loans, or their due dates, the change in the terms shall affect the Fund, notwithstanding the provisions of section 2.2.9 of the Building Block in relation to substitution of the Loans.

### **3.3.3 Loan sale or assignment price.**

The sale or assignment price of the Loans shall be at par. The aggregate price payable by the Fund represented by the Management Company to 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, as the case may be, 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 of the Bond Issue, 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. BANCAJA shall receive no interest on the deferment of payment until the Closing Date.
2. The part of the price consisting of interest accrued on each Loan, item (ii) of the preceding paragraph, shall be paid on the earlier of the Fund collection date falling on the first interest settlement date of each Loan or the date on which they are paid by the Obligor, and will not be subject to the Fund Priority of Payments.

If the establishment of the Fund and hence the assignment of the Loans should terminate, (i) the Fund's obligation to pay the total Loan acquisition price shall terminate, and (ii) the Management Company shall be obliged to restore to BANCAJA any rights whatsoever accrued for the Fund upon the Loans being assigned.

### **3.4 Explanation of the flow of funds.**

#### **3.4.1 How the cash flow from the assets will meet the issuer's obligations to holders of the securities.**

The amounts received by the Fund derived from the securitised assets will be paid by the Servicer into the Fund's Treasury Account on the seventh day after the date on which they are received by the Servicer or the following business day if that is not a business day, for same day value. In this connection, business days shall be taken to be all those that are business days in the Savings Bank sector in the city of Valencia. Therefore, the Fund shall be receiving almost daily income into the Treasury Account on the amounts received from the assets.

The weighted average interest rate of the loans selected as of September 30, 2005, as detailed in section 2.2.2.g) of this Building Block, is 3.20%, which is above the 2.34% weighted average interest rate of the Bonds that has been presumed for hypothetical purposes in the table contained in section 4.10 of the Securities Note. Nevertheless, the Interest Swap mitigates the interest rate risk occurring in the Fund because the Loans are subject to fixed and floating interest with different benchmark indices and different review and settlement periods at the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods and the risk deriving from potential renegotiations of the margin applicable to the floating rate of the Loans.

Quarterly on each Payment Date Bondholders will be paid interest accrued and principal repayment on the Bonds in each Series on the terms set for each of them and in the Priority of Payments given in section 3.4.6.2 of this Building Block.

#### **3.4.2 Information on any credit enhancement.**

##### **3.4.2.1 Description of the credit enhancement.**

The following credit enhancement transactions are incorporated to the financial structure of the Fund:

- (i) Cash Reserve set up upon the Series E Bonds being paid for.  
Mitigates the credit risk derived from delinquency and default on the Loans.
- (ii) Interest Swaps:  
Mitigate the interest rate risk (base risk) occurring in the Fund because the Loans have floating interest rates with different benchmark indices and review and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor with quarterly accrual and settlement periods.
- (iii) Treasury Account.  
Partially mitigates the loss of return on the liquidity of the Fund due to the timing difference between income received daily on the Loans and until interest payment and principal repayment on the Bonds occurs on the next succeeding Payment Date.
- (iv) Subordination and deferment in interest payment and principal repayment between the Bonds in the different Series, derived from their place in the application of the Available Funds as well as the rules for Distribution of Available Funds for Amortisation of the Series A1, A2, A3(G), B, C and D Bonds in the Priority of Payments, or in the application of the Liquidation Available Funds in the Liquidation Priority of Payments, are a means for distinctly hedging the different Series.
- (v) Spanish State Guarantee for the Series A3(G) Bonds:  
Secures payment of the economic obligations (interest payment and principal repayment) of the Series A3(G) Bonds payable by the Fund.

##### **3.4.2.2 Cash Reserve.**

The Management Company shall set up on the Closing Date an Initial Cash Reserve using the subscription payment for the Series E Bonds and shall subsequently, on each Payment Date, keep the Required Cash Reserve amount provisioned in the Fund Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

### Cash Reserve amount.

1. The Cash Reserve shall be set up on the Closing Date in an initial amount as established hereinafter (the “**Initial Cash Reserve**”). Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned up to the required Cash Reserve on each Payment Date established hereinafter (the “**Required Cash Reserve**”) with the Available Funds in the Priority of Payments of the Fund.
2. The Initial Cash Reserve and the Required Cash Reserve amount shall be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly) for the first settlement period in each of those Agreements, in accordance with the provisions of section 3.4.7.1 of the Building Block to the Securities Note, and (ii) as established below.

<b>Weighted average margin applicable to the Party B interest rate in each Interest Swap Agreement</b>		
<b>Between -0.10% and -0.051%</b>	<b>Between -0.050% and 0.000%</b>	<b>Between +0.001% and +0.05%</b>

<b>Initial Cash Reserve</b>	€24,000,000.00	€22,500,000.00	€21,800,000.00
<b>Required Cash Reserve</b> shall be the lower of the following amounts:			
(i) The Initial Cash Reserve amount	€24,000,000.00	€22,500,000.00	€21,800,000.00
(ii) The higher of:			
a) The amount resulting from applying the percentage specified to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D	3.20%	3.00%	2.90%
b) The following amount	€12,000,000.00	€11,250,000.00	€10,875,000.00

The Initial Cash Reserve and the Required Cash Reserve amount to be determined on each Payment Date, shall be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Prospectus, and to the Rating Agencies. This shall also be set down in a public deed supplementing the Deed of Constitution to be executed by the Management Company by the start of the Subscription Period.

3. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve amount on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:
  - i) That, on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Delinquent Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Loans.
  - ii) That on the Payment Date preceding the relevant Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve amount on that Payment Date.

### Yield.

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

### Application.

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

### **3.4.3 Details of any subordinated finance.**

#### **3.4.3.1 Start-Up Loan.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a commercial loan agreement amounting to EUR five million (5,000,000.00) (the “**Start-Up Loan Agreement**”) The Start-Up Loan amount shall be delivered on the Closing Date and be allocated to financing the expenses of setting up the Fund and issuing the Bonds, partly financing the acquisition of the Loans in an amount equal to the difference between their total capital and the total face amount of Series A1, A2 , A3(G), B, C and D and covering the timing difference existing between collection of Loan interest and payment of Bond interest on the first Payment Date.

Outstanding Start-Up Loan principal will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or Liquidation Priority of Payments of the Fund. Interest shall be settled and payable on the date of expiration of each Interest Accrual Period on each Payment Date, and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall be January 24, 2006.

Interest accrued and not paid on a Payment Date shall not be accumulated to the Start-Up Loan principal nor earn late-payment interest.

Principal will be repaid quarterly on each Payment Date as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund set-up and Bond issue expenses and cover the timing difference existing between collection of Loan interest and payment of Bond interest on the first Payment Date shall be repaid in twenty (20) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, January 24, 2006, and the following until the Payment Date falling on October 24, 2010, inclusive.
- (ii) The portion of Start-Up Loan principal used to finance partially the acquisition of the Loans and the portion not used, if any, shall be repaid on the first Payment Date, January 24, 2006.

All Start-Up Loan amounts due and not paid because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments of the Fund. Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly principal repayment, in the Priority of Payments or Liquidation Priority of Payments of the Fund, as the case may be.

The Start-Up Loan Agreement shall not be terminated upon the establishment of the Fund being terminated in the event that the Rating Agencies should fail to confirm any of the provisional ratings assigned as final by the start of the Subscription Period. In that event, the Start-Up Loan shall be used to pay the expenses of setting up the Fund and issuing the Bonds and all other obligations undertaken by the Management Company, for and on behalf of the Fund, originated upon the Fund being established and which are due and payable, and the repayment of principal shall be deferred and subordinated to satisfaction of those obligations, using the Fund’s remaining assets.

#### **3.4.3.2 Subordination of Series B, C, D and E Bonds.**

Interest payment and principal repayment on Series B Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Interest payment and principal repayment on Series C Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.



Interest payment and principal repayment on Series D Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)), Series B and Series C Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Interest payment and principal repayment on Series E Bonds is deferred with respect to Class A (Series A1, A2 and A3(G)), Series B, Series C and Series D Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Sections 4.6.1 and 4.6.2 of the Securities Note detail the order numbers of Bond interest payment and principal repayment in each Series in the priority of payments of the Fund.

#### **3.4.4 Investment parameters for the investment of temporary liquidity surpluses and parties responsible for such investment.**

##### **3.4.4.1 Treasury Account.**

The Management Company, 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) the Cash Reserve amount from time to time;
- (iv) 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;
- (v) Start-Up Loan principal drawn down;
- (vi) Interest Swap Agreement amounts paid to the Fund;
- (vii) the amounts of the returns obtained on Treasury Account balances; and
- (viii) the amounts of interim withholdings on 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 shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which shall be based on the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Periods established for the Bonds) to the positive daily balances if any on the Treasury Account, equal to the Bond Reference Rate determined for each Bond Interest Accrual Period substantially matching each Treasury Account interest accrual period. Interest shall be settled on January 20, April 20, July 20 and October 20 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 accrual period shall comprise the days elapsed between the date of establishment of the Fund and the first Determination Date, January 20, 2006.

In the event that the rating of the short-term, unsecured and unsubordinated debt of BANCAJA should, at any time during the life of the Bonds, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than thirty (30) days from the time of the occurrence of any such circumstances put in place, after notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution having a credit rating for its short-term, unsecured and unsubordinated debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales a first demand guarantee

securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the P-1 or F1 ratings is maintained by BANCAJA.

- b) Transferring the Fund's Treasury Account to an institution whose short-term, unsecured and unsubordinated debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's, 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, if the above options should not be feasible on the set terms, the Management Company may invest the balances for periods not extending beyond the following Payment Date, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 (for periods of less than 30 days or F1+ for longer periods) for unsecured and unsubordinated short-term debt respectively in Moody's and Fitch's rating scales, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANCAJA under this Agreement.
- e) In both events b) and d), the Management Company may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that BANCAJA's short-term, unsecured and unsubordinated debt should again attain the P-1 and F1 ratings respectively in Moody's and Fitch's rating scales.

#### **3.4.5 Collection by the Fund of payments in respect of the assets.**

The Servicer shall manage collection of all amounts payable by the Obligors under the Loans, and any other item including under the damage insurance contracts of the mortgaged properties securing the Mortgage Loans. The Servicer shall use every effort in order for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Loans.

The amounts received by the Servicer derived from the Loans shall be paid by the Servicer in full into the Fund's Treasury Account on the seventh day after the day 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. In this connection, business days shall be taken to be all those that are business days in the Savings Bank sector in the city of Valencia.

Nevertheless, in the event that the rating of the Servicer's short-term unsecured and unsubordinated debt should fall below F2 or P-1 respectively in Fitch's and Moody's rating scales, the Management Company may, in a written notice to the Servicer, change the Collection Dates and payment method at any time during the term of the Servicing Agreement, thereby for the amounts received by the Servicer derived from the Mortgage Loans to be previously paid to the Fund, which may indeed occur on the same day of being received by the Servicer.

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

#### **3.4.6 Order of priority of payments made by the issuer.**

##### **3.4.6.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.**

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

**1. Source:** the Fund shall have the following funds:

- a) Bond subscription payment.
- b) Drawdown of the Start-Up Loan.

**2. Application:** in turn, the Fund will apply the funds described above to the following payments:

- a) Payment of the part of the price for the face value of the acquisition of the Non-Mortgage Loans and subscription of the Pass-Through Certificates.
- b) Payment of the Fund set-up and Bond issue expenses.
- c) Setting up the Initial Cash Reserve.

**3.4.6.2 Source and application of funds from the first Payment Date, inclusive, until the last Payment Date or liquidation of the Fund, exclusive. Priority of Payments.**

On each Payment Date, other than the Final Maturity Date or upon Early Liquidation of the Fund, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D in accordance with the order of priority of payments given hereinafter for each of them (the “**Priority of Payments**”).

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

**1. Source.**

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

- a) Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Ordinary and late-payment interest income received on the Loans during the Determination Period preceding the relevant Payment Date.
- c) The return received on amounts credited to the Treasury Account.
- d) The Cash Reserve amount on the Determination Date preceding the relevant Payment Date.
- e) Net amounts, if any, received by the Fund under the Interest Swap Agreements and the settlement payment amounts received by the Fund in the event of termination of these Agreements.
- f) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of assets or rights awarded to the Fund.

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

Additionally, and not included among the Available Funds, the Fund shall avail of and use for paying Series A3(G) interest only, in 3<sup>rd</sup> place in section 2 below, the amount drawn under the State Guarantee paid to the Fund from the Payment Date preceding the relevant Payment Date.

**2. Application.**

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

1. Payment of the Fund's properly supported taxes and ordinary<sup>(1)</sup> and extraordinary<sup>(2)</sup> 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, and the servicing fee in the event that BANCAJA should be substituted as Servicer, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment, as the case may be, of the net amount payable by the Fund under the Interest Swap Agreements and, only in the event of termination of those Agreements following a breach by the Fund or because the latter is the affected party in any termination event, payment of the amounts to be settled by the Fund 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 amounts paid to the Fund by drawing under the Guarantee, for payment of interest on the guaranteed Series A3(G) Bonds.

4. Payment of interest due on the Series B Bonds unless this payment is deferred to 8<sup>th</sup> place in the priority of payments.

If on the relevant Payment Date there has been or there is to be no full amortisation of Class A Bonds or repayment of the amount due to the State upon the Guarantee being enforced for repayment of Series A3(G), this payment shall be deferred to 8<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 7<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series B and (ii) one hundred percent (100%) of the sum of the Outstanding Principal Balance of Series C and D.

5. Payment of interest due on the Series C Bonds unless this payment is deferred to 9<sup>th</sup> place in the priority of payments.

If on the relevant Payment Date there has been or there is to be no full amortisation of the Class A and the Series B Bonds or repayment of the amount due to the State upon the Guarantee being enforced for repayment of Series A3(G), this payment shall be deferred to 9<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 7<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) eighty-five percent (85%) of the Outstanding Principal Balance of Series C Bonds and (ii) one hundred percent (100%) of the Outstanding Principal Balance of Series D.

6. Payment of interest due on the Series D Bonds unless this payment is deferred to 10<sup>th</sup> place in the priority of payments.

If on the relevant Payment Date there has been or there is to be no full amortisation of the Class A, the Series B and the Series C Bonds or repayment of the amount due to the State upon the Guarantee being enforced for repayment of Series A3(G), this payment shall be deferred to 10<sup>th</sup> place below if on the relevant Payment Date, upon calculating the application in 7<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of eighty-five percent (85%) of the Outstanding Principal Balance of Series D.

7. Withholding for amortisation of Series A1, A2, A3(G), B, C and D Bond principal ("**Series A1, A2, A3(G), B, C and D Amortisation Withholding**") in an amount equivalent to the positive difference existing between (i) the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D, increased by the amount yet to be repaid to the State upon the Guarantee being enforced for repayment of Series A3(G) and (ii) the Outstanding Balance of Non-Doubtful Loans on the Determination Date preceding the relevant Payment Date.

Depending on the liquidity existing on each Payment Date, the amount actually applied to Series A1, A2, A3(G), B, C and D Amortisation Withholding shall be included among the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D to be applied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D established hereinafter in section 3.4.6.2.2.

8. Payment of interest due on the Series B Bonds when this payment is deferred from 4<sup>th</sup> place in the priority of payments as established therein.
9. Payment of interest due on the Series C Bonds when this payment is deferred from 5<sup>th</sup> place in the priority of payments as established therein.
10. Payment of interest due on the Series D Bonds when this payment is deferred from 6<sup>th</sup> place in the priority of payments as established therein.
11. Withholding of an amount sufficient for the Required Cash Reserve amount to be maintained.
12. Payment of interest due on the Series E Bonds.
13. Amortisation of Series E Bonds in the amount by which they are amortised.  

Partial amortisation of Series E Bonds shall occur on each Payment Date in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series E on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date in accordance with the provisions of section 3.4.2.2 of this Building Block.
14. Payment of the amounts, if any, payable by the Fund comprising the settlement payments under the Interest Swap Agreements other than in the events provided for in 2<sup>nd</sup> place above.
15. Payment of interest due on the Start-Up Loan.
16. Repayment of Start-Up Loan principal to the extent repaid.
17. Payment to the Servicer of the fee established under the Servicing Agreement.  

In the event that any other institution should replace BANCAJA as 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 therein.
18. Payment of the Financial Intermediation Margin.

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

- (1) The following shall be considered ordinary expenses of the Fund:
  - a) Any expenses deriving from mandatory administrative verifications, registrations and authorisations.
  - b) Rating Agency fees for monitoring and maintaining the rating of the Bonds.
  - c) Expenses relating to keeping the Bond accounting record representing the Bonds by means of book entries, admission to trading in organised secondary markets and maintaining all of the foregoing.
  - d) Expenses of auditing the annual accounts.
  - e) Bond amortisation expenses.
  - f) Expenses deriving from announcements and notices relating to the Fund and/or the Bonds.
- (2) The following shall be considered extraordinary expenses of the Fund:
  - a) Expenses, if any, deriving from preparing and perfecting an amendment of the Deed of Constitution and of the agreements, and from entering into additional agreements.

- b) Expenses required to foreclose Mortgage Loans and deriving from any recovery actions required.
- c) Extraordinary expenses of audits and legal advice.
- d) The remaining amount, if any, of the initial expenses of setting up the Fund and issuing the Bonds in excess of the Start-Up Loan principal.
- e) In general, any other extraordinary expenses required borne by the Fund or by the Management Company for and on behalf of the Fund.

#### **3.4.6.2.2 Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D: source and application.**

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

The Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D shall be the Series A1, A2, A3(G), B, C and D Amortisation Withholding amount applied in seventh (7<sup>th</sup>) place of the Available Funds on the relevant Payment Date.

Additionally, and not included among the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, 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 from the preceding Payment Date until the relevant Payment Date.

##### **2. Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D.**

The rules for Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D are given in section 4.9.3.5 of the Securities Note.

#### **3.4.6.3 Fund Liquidation Priority of Payments.**

The Management Company shall proceed to liquidate the Fund upon the Fund being liquidated on the Final Maturity Date or upon Early Liquidation in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document, by applying the available funds to the following items (the "**Liquidation Available Funds**"): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Loans and the remaining assets and, as the case may be, (iii) the amount drawn under the credit facility arranged for final amortisation of the Series A1, A2, A3(G), B, C and D Bonds, in accordance with the provisions of section 4.4.3.3.(iii) of the Registration Document, in the following order of priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the Fund's final tax, administrative or advertising termination and liquidation expenses.
2. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, and the servicing fee if BANCAJA shall have been replaced as Servicer, shall be made to the Servicer under the Servicing Agreement in this priority.
3. Payment of amounts, if any, due upon termination of the Interest Swaps and, only in the event of termination of those Agreements following a breach by the Fund or because the Fund is the affected party in any termination event, payment of the settlement payment amounts payable by the Fund.
4. Payment of interest due on the Series A1, the Series A2 and the Series A3(G) Bonds and repayment to the State of amounts paid to the Fund by drawing under the Guarantee, for payment of interest on the guaranteed Series A3(G) Bonds.
5. Repayment of Series A1, Series A2 and 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 until fully amortised and repaid.

In the event that the balance of Liquidation Available Funds remaining after the application for which provision is made in 4<sup>th</sup> place above should not be sufficient to satisfy the amounts payable in this 5<sup>th</sup>

place, the distribution of the balance of Liquidation Available Funds remaining shall be applied (i) in application order 5.1 below unless (ii) on the payment date next preceding the date on which the Liquidation Available Funds are distributed the ratio of (i) the Outstanding Balance of Non-Delinquent Loans, increased by the amount of income available on that date upon repaying Loan principal, to (ii) the sum of the Outstanding Principal Balance of Class A and the amount repayable to the State upon the Guarantee being enforced for amortising Series A3(G), is less than or equal to 1, in which case application order 5.2 below shall apply.

5.1 Application in the following order:

1. Repayment of Series A1 Bond principal.
2. Repayment of Series A2 Bond principal once the Series A1 Bonds have been fully repaid.
3. Repayment of Series A3(G) Bond principal and repayment to the State of amounts it shall have paid to the Fund upon the Guarantee being drawn down for repayment of Series A3(G) Bond principal once the Series A1 and the Series A2 Bonds have been fully repaid, in the following application order: firstly repayment of Series A3(G) and secondly, in the balance remaining, if any, repayment to the State of amounts due upon the Guarantee being enforced for repayment of Series A3(G).

5.2 Application as follows:

- a) It shall be allocated pro rata directly in proportion (i) to the Outstanding Principal Balance of Series A1, (ii) the Outstanding Principal Balance of Series A2 and (iii) the Outstanding Principal Balance of Series A3(G) increased by the balance of amounts due to the State upon the Guarantee being enforced for repayment of Series A3(G).
- b) The amounts allocated to the Series A1 and the Series A2 Bonds shall, in accordance with subparagraphs (i) and (ii) of paragraph a) above, be respectively applied to repayment of the Series A1 and Series A2 Bonds.
- c) The amount allocated to the Series A3(G) Bonds and to amounts due upon the Guarantee being enforced for repayment of Series A3(G), in accordance with subparagraph (ii) of paragraph a) above, shall be applied to repayment of Series A3(G) Bonds and repayment to the State of those amounts due in accordance with the provisions of item 3 in application order 5.1 above.

6. Payment of interest due on the Series B Bonds.
7. Repayment of Series B Bond principal until fully repaid.
8. Payment of interest due on the Series C Bonds.
9. Repayment of Series C Bond principal until fully repaid.
10. Payment of interest due on the Series D Bonds.
11. Repayment of Series D Bond principal until fully repaid.
12. In the event of the credit facility being arranged for early amortisation of the Series A1, A2, A3(G), B, C and D Bonds as provided for in section 4.4.3.3.(iii) of the Registration Document, payment of financial costs accrued and repayment of principal of the credit facility taken out.
13. Payment of interest due on the Series E Bonds.
14. Repayment of Series E Bond principal.
15. Payment of the amounts payable by the Fund comprising the settlement payment under the Interest Swap Agreements other than in the events provided for in 3<sup>rd</sup> place above.
16. Payment of interest due and repayment of principal on the Start-Up Loan.
17. Payment to BANCAJA of the fee established under the Servicing Agreement.

In the event that any other institution should replace BANCAJA as 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 therein.

18. Payment of the Financial Intermediation Margin.

With the exception of the application in 5<sup>th</sup> place above, when accounts payable for different items exist in a same priority order number on the Final Maturity Date or upon Early Liquidation and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation Available Funds shall be prorated among the amounts payable under each such item, and the amount applied to each item shall be distributed in the priority in which the accounts payable fall due.

Additionally, and not included among the Liquidation Available Funds, the Fund shall avail of and use for paying interest and repaying principal on Series A3(G) only, the amount drawn under the State Guarantee.

**3.4.6.4 Financial Intermediation Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with the Originator into a Financial Intermediation Agreement designed to remunerate the Originator for the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, the Fund to be assigned the Loans and the rating assigned to each Bond Series.

The Originator shall be entitled to receive from the Fund a variable subordinated remuneration (the "**Financial Intermediation Margin**") which shall be determined and accrue upon the expiration of every quarterly period, comprising, other than for the first period, the three calendar months preceding each Payment Date, in an amount equal to the positive difference, if any, between the income and expenditure, including losses brought forward from previous years, if any, accrued by the Fund with reference to its accounts and before the close of the months of March, June, September and December, these being the last month in each quarterly period. The first period shall be comprised between the date of establishment of the Fund and December 31, 2005, both inclusive, this being the last day of the month preceding the first Payment Date, January 24, 2006.

The variable remuneration accrued at the close of the months of March, June, September and December shall be settled on the Payment Date next succeeding the last day of each of said months, provided that the Fund has sufficient liquidity in the Priority of Payments.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the full remuneration, the variable remuneration amount accrued and not paid shall accumulate without any penalty whatsoever on the variable remuneration accrued, if any, in the following quarterly period in the Priority of Payments.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should not confirm any of the provisional ratings assigned to each Bond Series as final by the start of the Subscription Period.

**3.4.7 Other arrangements upon which payments of interest and principal to investors are dependent.**

**3.4.7.1 Interest Swaps.**

The Management Company shall, for and on behalf of the Fund, enter with JPMORGAN CHASE through its London branch into three floating interest rate swap agreements (the "**Interest Swap Agreements**" or the "**Interest Swaps**") which shall be entered into based on the standard 1992 ISDA Master Agreement (Multicurrency-Cross Border) and the 2000 definitions (ISDA 2000 Definitions) of the International Swap Dealers Association, Inc. ("**ISDA**") (the "**Master Agreement**"), the most relevant characteristics of which are described below.



The three Interest Swap Agreements shall be entered into under the Master Agreement. The first agreement shall contain a floating interest rate swap agreement whereby the Fund and JPMORGAN CHASE shall make each other payments calculated on the outstanding balance of Loans whose interest rate is revised annually, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds, the foregoing as described in the following subparagraphs (the “**Interest Swap Agreement (Annual)**”). The second agreement shall contain a floating interest rate swap agreement whereby the Fund and JPMORGAN CHASE shall make each other payments calculated on the outstanding balance of Loans whose interest rate is revised six-monthly, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds, the foregoing as described in the following subparagraphs (the “**Interest Swap Agreement (Six-Monthly)**”). The third agreement shall contain a floating interest rate swap agreement whereby the Fund and JPMORGAN CHASE shall make each other payments calculated on the outstanding balance of Loans whose interest rate is revised quarterly, respectively applying the 3-month Euribor rate and the Reference Rate determined for the Bonds, the foregoing as described in the following subparagraphs (the “**Interest Swap Agreement (Quarterly)**”).

The Interest Swap Agreement shall expire on the earlier of the following Payment Dates:

- (i) the Final Maturity Date ; or
- (ii) the date on which Early Liquidation of the Fund ends in accordance with section 4.4.3.4 of the Registration Document when the Fund’s Loans and remaining assets have been liquidated and the Liquidation Available Funds have all been distributed, in the Fund Liquidation Priority of Payments.

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

**Party B : JPMORGAN CHASE**

#### **1. Payment Dates.**

The Payment Dates shall be: January 24, April 24, Jul 24 and October 24 in every year or the next succeeding Business Day if any of those is not a Business Day. The first Payment Date shall be January 24, 2006.

The variable amounts payable by Party A and by Party B for each settlement period shall be netted and be paid by the paying Party to the receiving Party on the Payment Date falling on the final settlement date of the settlement period falling due or, if both should not fall on the same day, on the next succeeding Payment Date after the settlement date of the settlement period falling due.

#### **2. Settlement dates.**

The settlement dates shall fall on the Payment Dates and shall be January 24, April 24, Jul 24 and October 24 in every year or the next succeeding Business Day if any of those is not a Business Day. The first settlement period ending date shall be January 24, 2006.

##### **2.1 Settlement periods.**

The settlement periods shall be the exact number of days elapsed between two consecutive settlement dates, including the beginning but not including the ending date. Exceptionally, the length of the first settlement period shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date (inclusive) and January 24, 2006 (exclusive).

#### **3. Party A subperiod settlement dates.**

The Party A subperiod settlement dates shall be the 24<sup>th</sup> of each month or, if any of those is not a Business Day, the next succeeding Business Day. The first Party A subperiod settlement date shall be November 24, 2005.

##### **3.1 Party A settlement subperiods.**

The Party A settlement subperiods shall be the exact number of days elapsed between two consecutive Party A subperiod settlement dates, including the beginning but not including the ending date. Exceptionally, the length of the first Party A settlement subperiod shall be equivalent to the

exact number of days elapsed between the Bond Issue Closing Date (inclusive) and November 24, 2005 (exclusive).

#### 4. Interest Swap Agreement (Annual).

##### 4.1 Notional Amount (Annual) for Party A and for Party B.

This shall be for every settlement period the Outstanding Balance of Non-Doubtful Loans with an annual interest rate revision on the Determination Date preceding the first day of the then-current settlement period. Exceptionally, the Notional Amount (Annual) for the first settlement period shall be the Outstanding Balance of Non-Doubtful Loans with an annual interest rate revision on the date on which the Fund is established.

##### 4.2 Variable amount payable by Party A (Annual).

This shall be on each Payment Date and for each settlement period the amount determined in accordance with the following formula:

$$CVPA_{\text{period}} = \sum_{\text{subperiod}=1}^{\text{subperiod}=3} \frac{IN(A)_{\text{period}} \times \%TIPA(A)_{\text{subperiod}} \times D_{\text{subperiod}}}{B}$$

where:

CVPA<sub>period</sub> = Variable amount payable by Party A (Annual) for the relevant settlement period.

IN(A)<sub>period</sub> = Notional Amount (Annual) for the relevant settlement period.

%TIPA(A)<sub>subperiod</sub> = Party A Interest Rate (Annual), expressed as a percentage, determined for the relevant Party A settlement subperiod

D<sub>subperiod</sub> = Number of relevant Party A settlement subperiod days.

B = 36,000 (thirty-six thousand).

##### 4.2.1 Party A Interest Rate (Annual).

This shall be for each Party A settlement subperiod the result of the weighted addition of the twelve (12) 12-month Euribor fixed on twelve (12) Reference Dates (Annual) from the third to the fourteenth, both inclusive, preceding the month of the relevant Party A settlement subperiod final date and calculated as follows: (0.0874 x January 12-month Euribor) + (0.1345 x February 12-month Euribor) + (0.1299 x March 12-month Euribor) + (0.0862 x April 12-month Euribor) + (0.1076 x May 12-month Euribor) + (0.0415 x June 12-month Euribor) + (0.0437 x July 12-month Euribor) + (0.0591 x August 12-month Euribor) + (0.0552 x September 12-month Euribor) + (0.0663 x October 12-month Euribor) + (0.0912 x November 12-month Euribor) + (0.0974 x December 12-month Euribor).

12-month Euribor is the EURIBOR rate, "Euro InterBank Offered Rate" Euribor, calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, with a twelve- (12-) month maturity, fixed at 11am (CET time "Central European Time"), which is currently published on electronic page 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services

##### 4.2.2 Reference Dates (Annual).

These shall fall on the 15<sup>th</sup> of each month or the following Business Day if any of those is not a Business Day. The first Reference Date (Annual) shall be September 15, 2004. The Reference Dates (Annual) for calculating the Party A Interest Rate (Annual) applicable to the first Party A settlement subperiod shall be the twelve (12) Reference Dates (Annual) from August 15, 2005 to September 15, 2004.

##### 4.3 Variable amount payable by Party B (Annual).

This shall be on each Payment Date and for each settlement subperiod the amount determined by applying the following formula:

$$\text{CVPB}_{\text{period}} = \frac{\text{IN(A)}_{\text{period}} \times \% \text{TIPB}_{\text{period}} \times \text{D}_{\text{period}}}{\text{B}}$$

where:

CVPB<sub>period</sub> = Variable amount payable by Party B (Annual) for the relevant settlement period.

IN(A)<sub>period</sub> = Notional Amount (Annual) for the relevant settlement period.

%TIPB<sub>period</sub> = Party B interest rate (Annual), expressed as a percentage, determined for the relevant settlement period.

D<sub>period</sub> = Number of relevant settlement period days.

B= 36,000 (thirty-six thousand).

#### 4.3.1 Party B Interest Rate (Annual).

This shall be for each settlement period the interest rate, expressed as a percentage, resulting from adding (i) the Reference Rate determined for the Bonds for the Interest Accrual Period coinciding with the relevant settlement period (ii) and a margin ranging between -0.20% and +0.20%, both inclusive, to be determined by Party B and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period.

In any event, the average margin applicable to the Party B interest rate under each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly), determined for Party B by 10am (CET time) on the day of the Subscription Period, shall be greater than or equal to -0.10%.

The final margin applicable to the Party B interest rate to have been set shall in turn be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Prospectus and to the Rating Agencies. The final margin applicable to the Party B interest rate shall be set down on the notarial certificate recording payment of the Bond Issue.

### 5. Interest Swap Agreement (Six-Monthly)

#### 5.1 Notional Amount (Six-Monthly) for Party A and for Party B.

This shall be for every settlement period the Outstanding Balance of Non-Doubtful Loans with a six-monthly interest rate revision on the Determination Date preceding the first day of the then-current settlement period. Exceptionally, the Notional Amount (Six-Monthly) for the first settlement period shall be the Outstanding Balance of Non-Doubtful Loans with a six-monthly interest rate revision upon the Fund being established.

#### 5.2 Variable amount payable by Party A (Six-Monthly).

This shall be on each Payment Date and for each settlement period the amount determined in accordance with the following formula:

$$\text{CVPA}_{\text{period}} = \frac{\sum_{\text{subperiod}=1}^{\text{subperiod}=3} \text{IN(S)}_{\text{period}} \times \% \text{TIPA(S)}_{\text{subperiod}} \times \text{D}_{\text{subperiod}}}{\text{B}}$$

where:

CVPA<sub>period</sub> = Variable amount payable by Party A (Six-Monthly) for the relevant settlement period.

IN(S)<sub>period</sub> = Notional Amount (Six-Monthly) for the relevant settlement period.

%TIP(S)<sub>subperiod</sub> = Party A Interest Rate (Six-Monthly), expressed as a percentage, determined for the relevant Party A settlement subperiod.

D<sub>subperiod</sub> = Number of relevant Party A settlement subperiod days.

B= 36,000 (thirty-six thousand).

### 5.2.1 Party A Interest Rate (Six-Monthly).

This shall be for each Party A settlement subperiod the result of the weighted addition of the six (6) 12-month Euribor fixed on six (6) Reference Dates (Six-Monthly) from the third to the eighth, both inclusive, preceding the month of the relevant Party A settlement subperiod final date and calculated as follows: (0.1764 x January 12-month Euribor) + (0.1908 x February 12-month Euribor) + (0.1174 x March 12-month Euribor) + (0.1500 x April 12-month Euribor) + (0.1788 x May 12-month Euribor) + (0.1866 x June 12-month Euribor) + (0.1764 x July 12-month Euribor) + (0.1908 x August 12-month Euribor) + (0.1174 x September 12-month Euribor) + (0.1500 x October 12-month Euribor) + (0.1788 x November 12-month Euribor) + (0.1866 x December 12-month Euribor).

12-month Euribor is the EURIBOR rate, "Euro InterBank Offered Rate" Euribor, calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, with a twelve- (12-) month maturity, fixed at 11am (CET time "Central European Time"), which is currently published on electronic page 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services

### 5.2.2 Reference Dates (Six-Monthly).

These shall fall on the 15<sup>th</sup> of each month or the following Business Day if any of those is not a Business Day. The first Reference Date (Six-Monthly) shall be March 15, 2005. The Reference Dates (Six-Monthly) for calculating the Party A Interest Rate (Six-Monthly) applicable to the first settlement subperiod shall be the six (6) Reference Dates (Six-Monthly) from August 15, 2005 to March 15, 2005.

### 5.3 Variable amount payable by Party B (Six-Monthly).

This shall be on each Payment Date and for each settlement subperiod the amount determined by applying the following formula:

$$\text{CVPB}_{\text{period}} = \frac{\text{IN(S)}_{\text{period}} \times \% \text{TIPB}_{\text{period}} \times \text{D}_{\text{period}}}{\text{B}}$$

where:

CVPB<sub>period</sub> = Variable amount payable by Party B (Six-Monthly) for the relevant settlement period.

IN(S)<sub>period</sub> = Notional Amount (Six-Monthly) for the relevant settlement period.

%TIPB<sub>period</sub> = Party B interest rate (Six-Monthly), expressed as a percentage, determined for the relevant settlement period.

D<sub>period</sub> = Number of relevant settlement period days.

B= 36,000 (thirty-six thousand).

### 5.3.1 Party B Interest Rate (Six-Monthly).

This shall be for each settlement period the interest rate, expressed as a percentage, resulting from adding (i) the Reference Rate determined for the Bonds for the Interest Accrual Period coinciding with the relevant settlement period (ii) and a margin ranging between -0.20% and +0.20%, both inclusive, to be determined by Party B and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period.

In any event, the average margin applicable to the Party B interest rate under each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the

Notional Amount (Quarterly), determined for Party B by 10am (CET time) on the day of the Subscription Period, shall be greater than or equal to -0.10%.

The final margin applicable to the Party B interest rate to have been set shall in turn be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Prospectus and to the Rating Agencies. The final margin applicable to the Party B interest rate shall be set down on the notarial certificate recording payment of the Bond Issue.

## 6. Interest Swap Agreement (Quarterly)

### 6.1 Notional Amount (Quarterly) for Party A and for Party B.

This shall be for every settlement period the Outstanding Balance of Non-Doubtful Loans with a quarterly interest rate revision on the Determination Date preceding the first day of the then-current settlement period. Exceptionally, the Notional Amount (Quarterly) for the first settlement period shall be the Outstanding Balance of Non-Doubtful Loans with a quarterly interest rate revision upon the Fund being established.

### 6.2 Variable amount payable by Party A (Quarterly).

This shall be on each Payment Date and for each settlement period the amount determined in accordance with the following formula:

$$CVPA_{\text{period}} = \sum_{\text{subperiod}=1}^{\text{subperiod}=3} \frac{IN(Q)_{\text{period}} \times \%TIPA(Q)_{\text{subperiod}} \times D_{\text{subperiod}}}{B}$$

B

where:

CVPA<sub>period</sub> = Variable amount payable by Party A (Quarterly) for the relevant settlement period.

IN(Q)<sub>period</sub> = Notional Amount (Quarterly) for the relevant settlement period.

%TIP(Q)<sub>subperiod</sub> = Party A Interest Rate (Quarterly), expressed as a percentage, determined for the relevant Party A settlement subperiod.

D<sub>subperiod</sub> = Number of relevant Party A settlement subperiod days.

B= 36,000 (thirty-six thousand).

#### 6.2.1 Party A Interest Rate (Quarterly).

This shall be for each Party A settlement subperiod the result of the weighted addition of the three (3) 3-month Euribor fixed on three (3) Reference Dates (Quarterly) from the first to the third, both inclusive, preceding the month of the relevant Party A settlement subperiod final date and calculated as follows: (0.3727 x January 3-month Euribor) + (0.2823 x February 3-month Euribor) + (0.3450 x March 3-month Euribor) + (0.3727 x April 3-month Euribor) + (0.2823 x May 3-month Euribor) + (0.3450 x June 3-month Euribor) + (0.3727 x July 3-month Euribor) + (0.2823 x August 3-month Euribor) + (0.3450 x September 3-month Euribor) + (0.3727 x October 3-month Euribor) + (0.2823 x November 3-month Euribor) + (0.3450 x December 3-month Euribor).

3-month Euribor is the EURIBOR rate, "Euro InterBank Offered Rate" Euribor, calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, with a three- (3-) month maturity, fixed at 11am (CET time "Central European Time"), which is currently published on electronic page 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services

#### 6.2.2 Reference Dates (Quarterly).

These shall fall on the 15<sup>th</sup> of each month or the following Business Day if any of those is not a Business Day. The first Reference Date (Quarterly) shall be August 15, 2005. The Reference Dates (Quarterly) for calculating the Party A Interest Rate (Quarterly) applicable to the first settlement

subperiod shall be the three (3) Reference Dates (Quarterly) from October 15, 2005 to August 15, 2005.

### 6.3 Variable amount payable by Party B (Quarterly).

This shall be on each Payment Date and for each settlement subperiod the amount determined by applying the following formula:

$$\text{CVPB}_{\text{period}} = \frac{\text{IN(Q)}_{\text{period}} \times \% \text{TIPB}_{\text{period}} \times \text{D}_{\text{period}}}{\text{B}}$$

where:

CVPB<sub>period</sub> = Variable amount payable by Party B (Quarterly) for the relevant settlement period.

IN(Q)<sub>period</sub> = Notional Amount (Quarterly) for the relevant settlement period.

%TIPB<sub>period</sub> = Party B interest rate (Quarterly), expressed as a percentage, determined for the relevant settlement period.

D<sub>period</sub> = Number of relevant settlement period days.

B= 36,000 (thirty-six thousand).

#### 6.3.1 Party B Interest Rate (Quarterly).

This shall be for each settlement period the interest rate, expressed as a percentage, resulting from adding (i) the Reference Rate determined for the Bonds for the Interest Accrual Period coinciding with the relevant settlement period (ii) and a margin ranging between -0.20% and +0.20%, both inclusive, to be determined by Party B and notified in writing to the Management Company by 10am (CET time) on the day of the Subscription Period.

In any event, the average margin applicable to the Party B interest rate under each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly), determined for Party B by 10am (CET time) on the day of the Subscription Period, shall be greater than or equal to -0.10%.

The final margin applicable to the Party B interest rate to have been set shall in turn be notified by the Management Company by the start of the Subscription Period to the Lead Managers and to the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV as information in addition to this Prospectus and to the Rating Agencies. The final margin applicable to the Party B interest rate shall be set down on the notarial certificate recording payment of the Bond Issue.

## 7. Events of default particular to the Interest Swap Agreements.

The schedule to the Master Agreement and therefore applicable to both Interest Swap Agreements shall determine that if on a Payment Date of either Interest Swap Agreement the Fund (Party A) should not have sufficient liquidity to make payment of the full net amount, if any, payable to Party B, under either Interest Swap Agreement, 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 non-payment under either Interest Swap Agreement occur on two consecutive Payment Dates, the Interest Swap Agreements shall be terminated (Termination). 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 relevant Interest Swap Agreements, the foregoing in the Priority of Payments. Should the settlement amount under the relevant Interest 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 relevant Interest Swap Agreement.

The schedule to the Master Agreement shall also determine that if on a Payment Date of either Interest Swap Agreement Party B should not make payment of the full amount payable to the Fund (Party A), under either Interest Swap Agreement, the Management Company, for and on behalf of the Fund, may choose to terminate the relevant Interest Swap Agreement (Termination). In that event,

Party B shall accept the obligation to pay the settlement amount established in the relevant Interest Swap Agreement. Should the settlement amount under the relevant Interest Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments.

Without prejudice to the foregoing, 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.

## 8. Actions in the event of change in the rating of Party B.

### (i) Fitch Criteria

If either the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as A (or its equivalent) by Fitch or the short-term debt obligations of Party B (or its successor) or any credit support provider from time to time in respect of Party B cease to be rated at least as high as F1 (or its equivalent) by Fitch (both Fitch's "Required Ratings") and, as a result of such cessation, the then current rating of the Bonds is downgraded or placed under review for possible downgrade by Fitch (an "**Initial Fitch Rating Event**") then Party B will, on a reasonable efforts basis within 30 days of the occurrence of such Initial Fitch Rating Event, at its own cost, either:

- (A) put in place a collateral agreement ("Eligible Credit Support") in favour of Party A based on the terms of the Credit Support Annex as the same is amended by the Parties on the signature date of the Interest Swap Agreements ("Approved Credit Support Document") based on the 1995 ISDA Credit Support Annex documentation (ISDA Credit Support Annex), subject to English law, in an amount making Party A receive confirmation from Fitch that with such collateral the Bond rating would be unaffected ;
- (B) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such transfer would maintain the rating of the Bonds by Fitch at, or restore the rating of the Bonds by Fitch to, the level it would have been at immediately prior to such Initial Fitch Rating Event);
- (C) obtain a third party credit support document ("Third Party Credit Support Document") guaranteeing its rights and obligations with respect to the Interest Swap Agreements satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such guarantee would maintain the rating of the Bonds at, or restore the rating of the Bonds to, the level it would have been at immediately prior to such Initial Fitch Rating Event); or
- (D) take such other action as Party B may agree with Fitch as will result in the rating of the Bonds following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such Initial Fitch Rating Event.

If any of (i)(B), (i)(C) or (i) (D) above are satisfied at any time, all collateral - Eligible Credit Support - (or the equivalent thereof, as appropriate) transferred by Party B pursuant to (i)(A) will be retransferred to Party B and Party B will not be required to transfer any additional collateral and the Threshold for Party B, as set out in the agreed Credit Support Annex (Credit Support Document), shall revert to infinity.

### (ii) Fitch Criteria (continued)

If either the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as BBB+ (or its equivalent) by Fitch or the short-term debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as F2 (or its equivalent) by Fitch and, as a result of such cessation, the then current rating of the Bonds is

downgraded or placed under review for possible downgrade by Fitch (a “**First Subsequent Fitch Rating Event**”) then Party B will, within 30 days of the occurrence of such First Subsequent Fitch Rating Event, either:

- (A) put in place a collateral agreement (“Eligible Credit Support”) to Party A based on the terms of the Credit Support Annex as the same is amended by the Parties on the signature date of the Interest Swap Agreements (“Approved Credit Support Document”) as described in paragraph (i)(A) above and provide any collateral required to be provided thereunder, provided that in either case the mark-to-market calculations and the correct and timely posting of collateral thereunder are verified monthly by an independent third party (with the costs of such independent verification being borne by Party B); or
- (B) on a reasonable efforts basis, with preference over option (ii) (A) above and at its own cost, attempt either to:
  - 1. transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such transfer would maintain the rating of the Bonds by Fitch at, or restore the rating of the Bonds by Fitch to, the level it would have been at immediately prior to such First Subsequent Fitch Rating Event);
  - 2. obtain a third party credit support document (“Third Party Credit Support Document”) guaranteeing its rights and obligations with respect to the Interest Swap Agreements satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such guarantee would maintain the rating of the Bonds at, or restore the rating of the Bonds to, the level it would have been at immediately prior to such First Subsequent Fitch Rating Event); or
  - 3. take such other action as Party B may agree with Fitch as will result in the rating of the Bonds following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such First Subsequent Fitch Rating Event.

If any of paragraphs (ii)(B)(1), (2) or (3) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to a collateral agreement (Approved Credit Support Document) put in place in accordance with paragraph (i) (A) above or paragraph (ii) (A) will be retransferred to Party B and Party B will not be required to transfer any additional collateral.

**(iii) Fitch Criteria (continued)**

If either the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as BBB (or its equivalent) by Fitch or the short-term debt obligations of Party B (or its successor) or any Credit Support Provider from time to time in respect of Party B (or its successor) cease to be rated at least as high as F3 (or its equivalent) by Fitch and, as a result of such cessation, the then current rating of the Bonds is downgraded or placed under review for possible downgrade by Fitch (a “**Second Subsequent Fitch Rating Event**”) then Party B will, on a reasonable efforts basis within 30 days of the occurrence of such Second Subsequent Fitch Rating Event, at its own cost, attempt either to:

- (A) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such transfer would maintain the rating of the Bonds by Fitch at, or restore the rating of the Bonds by Fitch to, the level it would have been at immediately prior to such Second Subsequent Fitch Rating Event);



- (B) obtain a third party credit support document ("Third Party Credit Support Document") guaranteeing its rights and obligations with respect to the Interest Swap Agreements satisfactory to Party A (whose consent, not to be unreasonably withheld, will be given if Fitch confirms that such guarantee would maintain the rating of the Bonds at, or restore the rating of the Bonds to, the level it would have been at immediately prior to such Second Subsequent Fitch Rating Event); or
- (C) take such other action as Party B may agree with Fitch as will result in the rating of the Bonds following the taking of such action being maintained at, or restored to, the level it would have been at immediately prior to such Second Subsequent Fitch Rating Event.

Pending compliance with any of paragraphs (iii)(A), (B) or (C) above, Party B will continue to comply with the terms of any collateral agreement (Approved Credit Support Document). If any of paragraphs (iii)(A), (B) or (C) above are satisfied at any time, all collateral (Approved Credit Support Document) (or the equivalent thereof, as appropriate) transferred by Party B under such a mark-to-market collateral agreement will be retransferred to Party B and Party B will not be required to transfer any additional collateral.

Any failure by Party B to transfer its position ((iii) (A)) or to provide third party credit support (Third Party Credit Support) ((iii) (B)) as per paragraph (iii) (C) shall be an Additional Termination Event with respect to Party B Party B being the sole Affected Party and all the Interest Swap Agreements being Affected Transactions. Subject to the above, Party A shall only determine the Early Termination Date under the Additional Termination Event if Party A shows that it has been able to find a new counterparty willing to take part in a transaction, on economic and legal terms as close as reasonably possible (which Party A shall determine as it shall see fit) to the transactions terminated with Party B.

("Additional Termination Event" is a concept defined in the Master Agreement for the Interest Swap Agreements granting the Parties the possibility of terminating the relevant Interest Swap Agreement.)

All the confirmations of the ratings of the Bonds to be requested to Fitch, in accordance with paragraphs (i)(A), (i)(B), (ii)(B)(1), (ii)(B)(2), (iii)(A) and (iii)(B) above shall be requested by Party A.

#### (iv) Moody's Criteria

In the event that:

- (1) (aa) the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) cease to be rated at least as high as A1 (or its equivalent) by Moody's; or
  - (bb) the short-term, unsecured and unsubordinated debt obligations of Party B (or its successor) cease to be rated at least as high as P-1 (or its equivalent) by Moody's,
- and
- (2) if relevant, the long term, unsecured and unsubordinated debt obligations of any Credit Support Provider of Party B cease to be rated as high as A1 (or its equivalent) by Moody's or its short-term, unsecured and unsubordinated debt obligations cease to be rated as high as P-1 (or its equivalent) by Moody's,

such cessation being a "**Downgrade Event**", then Party B will within 30 days and at its own cost, do one of the following:

- (A) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party with the Required Ratings (as defined below) providing that such transfer does not result in any requirement for deduction or withholding for or on account of any Tax; or

- (B) procure another person with the Required Ratings to become co-obligor in respect of the obligations of Party B under the Interest Swap Agreements providing that such does not result in any requirement for deduction or withholding for or on account of any Tax; or
- (C) post collateral ("Eligible Credit Support") to Party A as per the Agreed Credit Support Annex ("Approved Credit Support Document") which shall be credited to an account whose arranger short-term, unsecured and unsubordinated debt obligations it is at least of Prime-1 by Moody's rating.

If any of (iv)(A) or (iv)(B) above are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to (iv)(C) will be retransferred to Party B and Party B will not be required to transfer any additional collateral and the Threshold for Party B (in accordance with paragraph 11(b)(iii)(B)(a) of the Credit Support Annex), as set out in the Credit Support Annex, shall revert to infinity.

**(v) Moody's Criteria (continued) ("Second Downgrade Event")**

In the event:

- (1) (aa) that the long-term, unsecured and unsubordinated debt obligations of Party B (or its successor) and, if relevant, any Credit Support Provider of Party B, cease to be rated at least as high as Baa2 (or its equivalent) by Moody's; or
  - (bb) that the short-term, unsecured and unsubordinated debt obligations of Party B (or its successor) and, if relevant, any Credit Support Provider of Party B, cease to be rated at least as high as P-2 (or its equivalent) by Moody's, or
- (2) of the retirement of all the ratings granted to Party B by Moody's

such being a "**Second Downgrade Event**", then Party B will, as soon as reasonably practicable, on a best efforts basis, in any case within 30 days of the Second Downgrade Event and at its own cost, do one of A or B below:

- (A) transfer all of its rights and obligations with respect to the Interest Swap Agreements to a replacement third party with the Required Ratings providing that such transfer does not result in any requirement for deduction or withholding for or on account of any Tax; or
- (B) procure another person with the Required Ratings to become co-obligor in respect of the obligations of Party B under the Interest Swap Agreements providing that such does not result in any requirement for deduction or withholding for or on account of any Tax.
- (C) And, additionally, within 10 days of the occurrence of such Second Downgrade Event under item (v), if Party B has taken none of the actions specified in (v)(A) or (B) above, Party B shall post collateral ("Eligible Credit Support") as per Moody's Criteria, in an account whose arranger short-term, unsecured and unsubordinated debt obligations it is at least of P-1 by Moody's rating, set out in the Agreed Credit Support Annex - Approved Credit Support Document - and provided that Party B shall continue, on a best efforts basis, to make all reasonable attempts to take the actions specified in (v)(A) or (B) above.

If any of (v)(A) or (v)(B) or (v)(C) are satisfied at any time, all collateral (or the equivalent thereof, as appropriate) transferred by Party B pursuant to (iv)(C) or (v)(D) will be retransferred to Party B and Party B will not be required to transfer any additional collateral and the Threshold for Party B, as set out in the Agreed Credit Support Annex, shall revert to infinity.

For the purposes of (iv) and (v), "**Required Ratings**" means in respect of the relevant entity, its long-term, unsecured and unsubordinated debt obligations are rated at least as high as A1 and its short-term unsecured and unsubordinated debt obligations are rated at least as high as P-1 by Moody's.

- (vi) Any failure by Party B to transfer its position (as per (A) (iv) or (A) (v)) or to provide third party credit support (as per (B) (iv) or (B) (v)) (Third Party Credit Support) shall be an Additional Termination Event with respect to Party B, Party B being the sole Affected Party and all the Interest Swap Agreements between the Parties being Affected Transactions. Subject to the above, Party A shall only determine the Early Termination Date under the Additional Termination Event if Party A shows that it has been able to find a new counterparty willing to take part in a transaction, on economic and legal terms as close as reasonably possible (which Party A shall determine as it shall see fit) to the transactions terminated with Party B.

Any failure by Party B to post collateral (as per (C) (iv) or (C) (v)) or to provide third party collateral (as per (B) (iv) or (B) (v)) shall be an Event of Default with respect to Party B, Party B being the sole Defaulting Party..

("Event of Default" (Event of Default) is a concept defined in the Master Agreement for the Interest Swap Agreements granting the Non-Defaulting Party the possibility of terminating the relevant Interest Swap Agreement.)

In all Termination events, Party B shall accept the obligation to pay the settlement amount provided for in the relevant Interest Swap Agreement. Should the settlement amount under the relevant Interest Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments.

- (vii) If more than one of the ratings criteria applies to Party B, the measures adopted by Party B shall satisfy the ratings criteria established above by both Fitch and Moody's .

## **9. Other characteristics of the Interest Swap Agreements.**

### **9.1 Additional Termination Events:**

With respect to Party A and Party B: where (A) there is default on payment of Class A Bond interest and (B) the Management Company notifies, in accordance with the provisions of section 4.4.3.2 of the Registration Document, the Early Liquidation of the Fund in the Early Liquidation Event established in section 4.4.3.1 (iv) of the Registration Document. In this connection, both Parties shall be Affected Parties. For the purposes of the provisions of section 6 (e) (ii) of the Master Agreement, Party A shall be deemed to be the sole Affected Party.

"Additional Termination Event" is a concept defined in the Master Agreement for the Interest Swap Agreements which shall result in the relevant Interest Swap Agreement being terminated (i) if Party B should decide this in event (i) above, or (ii) if the Management Company, for and on behalf of the Fund (Party A), or Party B should decide this in event (ii) above.

In that termination event, Party B shall accept the obligation to pay the settlement amount provided for in the relevant Interest Swap Agreement. Should the settlement amount under the relevant Interest Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

- 9.2 Party B may only assign all its rights and obligations under the Interest Swap Agreements, subject to Party A's consent, to a third party whose credit ratings for its unsubordinated and unsecured debt obligations are equal to or in excess of A-1 and A for its long-term debt obligations respectively by Moody's and Fitch, and P-1 and F1 for its short-term debt obligations respectively by Moody's and Fitch, subject to notice to the Rating Agencies and to the CNMV.
- 9.3 The Interest Swap Agreements shall be submitted to the laws of England and Wales.
- 9.4 The Interest Swap Agreements 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.

9.5 The occurrence, as the case may be, of the Termination of any of the Interest Swap Agreements 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 4.4.3 of the Registration Document and 4.9.4 of the Securities Notes, 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.

### 3.5 Name, address and significant business activities of the originator of the securitised assets.

The originator and assignor of the Loans securitised is CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

Registered office: Caballeros, 2, 12001 Castellón (Spain).

Principal places of business: Pintor Sorolla number 8, 46002 Valencia (Spain).

#### Significant economic activities of BANCAJA.

BANCAJA, a financial Group, is mainly in the banking business though it has interests in the field of insurance, unit trust and pension fund management, stock broking, real estate development, asset management and broking in major treasury, capital and currency markets.

The following is selected financial information for the second quarter of the years 2005 and 2004 and how they compare between them and to the year ended December 31, 2004. The information was prepared in accordance with Bank of Spain Circular 4/2004.

	30.09.2005 (A)	31.12.2004 (B)	30.09.2004 (C)	Δ% (A)/(C)
<b>BALANCE SHEET (EUR million)</b>				
Total Assets	59,080.6	49,927.6	44,178.8	33.73
Total Assets exsecuritisation	59,119.0	54,207.2	44,217.3	33.70
Gross Customer Credit	46,307.4	36,334.7	33,412.9	38.59
Gross Customer Credit exsecuritisation	49,918.2	40,614.7	37,952.8	31.53
Funds Managed	56,019.2	44,808.1	42,140.6	32.93
Balance Sheet External Funds	46,511.4	36,267.4	34,074.6	36.50
Other Funds Managed (1)	9,507.9	8,540.7	8,066.0	17.88
Turnover	102,326.6	81,142.8	75,553.5	35.44
Turnover exsecuritisation	105,937.4	85,422.5	80,093.4	32.27
Equity	2,241.6	2,040.1	1,980.2	13.20
<b>PROFIT AND LOSS ACCOUNT (EUR million)</b>				
Intermediation margin	715.9	83.1	608.5	17.65
Basic margin	963.2	1,127.4	824.9	16.77
Ordinary margin	990.7	1,155.8	839.3	18.04
Operating margin	570.7	620.7	430.2	32.67
Pre-tax profit	403.1	449.3	317.9	26.80
After-tax profit	279.3	331.3	223.9	24.74
Net Profit attributed to the Group	232.5	283.2	192.3	20.88
<b>RATIOS</b>				
Non Performing Loans Ratio	0.54%	0.54%	0.61%	-12.06
Coverage Ratio	351.25%	354.14%	329.52%	6.59
Strict Efficiency Ratio	45.60%	50.45%	51.03%	-10.63
Efficiency Ratio	41.15%	46.30%	46.48%	-11.45
Capital Ratio (2)	11.92%	12.20%	10.97%	8.59
Tier I (2)	7.75%	8.09%	8.39%	-7.68
Core Capital (3)	6.08%	6.88%	6.19%	-1.92

	30.09.2005 (A)	31.12.2004 (B)	30.09.2004 (C)	Δ% (A)/(C)
<b>BRANCHES AND EMPLOYEES</b>				
Branches (4)	1,410	1,299	1,265	11.46
Specialised		77		
Retail Banking		1,222		
Employees (4)	7,170	6,789	6,867	4.41

- (1) Investment Trusts + Pension Schemes and Technical Insurance Reserves + Asset Management  
(2) Provisional estimates, determined in accordance with Bank of Spain Circular 5/93, amended by circular 3/05.  
(3) Capital + Reserves  
(4) Branches and employees related to the ordinary business.

### 3.6 Return on and/or repayment of the securities linked to others which are not assets of the issuer.

Not applicable.

### 3.7 Administrator, calculation agent or equivalent.

#### 3.7.1 Management, administration and representation of the Fund and of the holders of the securities.

The Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, shall be responsible for the management and legal representation of the Fund, 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 Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998.

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

#### 3.7.1.2 Administration and representation of the Fund.

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

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

- (vi) Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in this Prospectus and in the various Fund transaction agreements or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vii) The Management Company may extend or amend the agreements entered into on behalf of the Fund, substitute, as the case may be, each of the Fund service providers, on the terms provided for in each of the agreements, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that circumstances preventing the foregoing in accordance with the laws and regulations in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify and secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such actions are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution, of amendment of the agreements or of the execution of new agreements shall be given by the Management Company to the CNMV. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (viii) Exercising the rights attaching to the ownership of the Non-Mortgage Loans and the Pass-Through Certificates acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.
- (ix) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, on the terms of the assignment of the Loans and on the terms of their relevant agreements, and that the amounts receivable on the Loans are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.
- (x) Determining on each Interest Rate Fixing Date and for each Interest Accrual Period thereafter, the Nominal Interest Rate to be applied for each Bond Series and calculating and settling the accrued interest amounts payable on each Payment Date.
- (xi) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.
- (xii) Determining the amount payable by the State for amounts due to the guaranteed Series A3(G) Bondholders and, if necessary, enforcing the Guarantee.
- (xiii) Determining the interest rate applicable to each of the relevant borrowing, lending and hedge transactions and calculating and settling the interest and fee amounts receivable and payable by the Fund under the same, and the fees payable for the various financial services arranged for.
- (xiv) Taking the actions for which provision is made in relation to the debt ratings or the financial position of the Fund counterparties in the financial and service provision agreements listed in section 3.2 of this Building Block.
- (xv) Watching that the amounts credited to the Treasury Account return the yield set in the respective Agreement.
- (xvi) Calculating the Available Funds, the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D, Series E Bond principal amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.
- (xvii) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.
- (xviii) Notify, as the case may be, Obligors of the transfer to the Fund of outstanding Loans, directly or through the Servicer, in accordance with the provisions of the Servicing Agreement.

### **3.7.1.3 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) The rating accorded to the securities by the Rating Agencies 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 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 where the Bonds issued by the Fund are listed. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

#### *Forced substitution.*

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

### **3.7.1.4 Subcontracting.**

The Management Company shall be entitled to subcontract or subdelegate 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 by the Rating Agencies being adversely reviewed, and (iv) shall be notified to the CNMV and, where statutorily required, first be

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

### 3.7.1.5 Management Company's remuneration.

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

- (i) An initial fee amounting to EUR seventy thousand (70,000.00) which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) A periodic fee, accruing daily from the date on which the Fund is established until it terminates, and shall be settled and paid by Interest Accrual Periods in arrears on each Payment Date.

The periodic fee on each Payment Date shall be equal to the result of adding the following fixed part and variable part.

- a) Variable part of 0.0120% per annum on the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D on the Determination Date preceding the relevant Payment Date and calculated on the exact number of days elapsed in each Interest Accrual Period and based on a 360-day year.

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

$$IV = B \times \frac{0.0120}{100} \times \frac{d}{360}$$

where :

*IV* = Variable amount payable on a given Payment Date.

*B* = Sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D, on the Determination Date preceding the relevant Payment Date.

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

- b) Fixed amount of EUR ten thousand five hundred (10,500.00) on each Payment Date.

In any event, the periodic fee amount on each Payment Date may not be greater than the maximum amount of EUR thirty-seven thousand five hundred (37,500.00).

Exceptionally, the periodic fee for the first Payment Date shall accrued from the date on which the Fund is established and be calculated on the exact number of days elapsed based on the following formula:

$$IC_{max} = 37,500 \times \frac{d}{90}$$

where :

*IC<sub>max</sub>* = Maximum periodic fee amount payable on the first Payment Date.

*d* = Number of days elapsed from the date on which the Fund is established until the first Payment Date.

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



### 3.7.2 Servicing and custody of the securitised assets.

BANCAJA, Originator of the Loans to be assigned to the Fund, as established in article 2.2.b) of Royal Decree 926/1998, and for the Pass-Through Certificates as established in article 61.3 of Royal Decree 685/1982, shall continue as attorney for the Management Company to be responsible for servicing and managing the Loans, and the relations between BANCAJA and the Fund, represented by the Management Company, shall be governed by the Loan Servicing 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 system terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Loans, devoting the same time and efforts to them as it would devote and use to service its own loans and in any event on the terms for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and manage the Loans are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company.
- (v) To pay the Fund damages resulting from a breach of the obligations undertaken, although the Servicer shall not be liable for actions put in place on the Management Company’s instructions.

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

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

#### 3.7.2.1 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 Loans governed by said Servicing Agreement:

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

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

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

##### 2. Collection management.

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

The amounts received by the Servicer derived from the Loans shall be paid in full into the Fund’s Treasury Account on the seventh day after the day on which they are received by the Servicer, or the following business day, for same day value, if that is not a business day, (“**Collection Dates**”), in

accordance with the set terms and conditions. In this connection, business days shall be taken to be all those that are business days in the Savings Bank sector in the city of Valencia.

In the event of a fall in the Servicer's unsubordinated and unsecured short-term debt rating below F2 or P-1 respectively in Fitch's and Moody's rating scales, the Management Company may, in a written notice addressed to the Servicer, change the Collection Dates and payment method at any time during the term of the Servicing Agreement, thereby for the amounts received by the Servicer derived from the Loans to be previously paid to the Fund, which may indeed occur on the same day of being received by the Servicer.

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

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

Because the Loans are floating-rate Loans, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the relevant Loan documents, 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 Loan, 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 documents, exclusively where the characteristics of the new Obligor are similar to those of the former Obligor and those characteristics observe the lending policies described in section 2.2.7 of this Building Block, and further 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 set conditions therefor, in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

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, as the case may be, result in prepayment of the Mortgage Loan and early amortisation of 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 Obligors using the same efforts and procedure as if they were own loans.

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

**a) Renegotiating the margin applicable for determining the floating interest rate.**

1. The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, renegotiations of the margin applicable for determining the interest rate which may result in a decrease in the interest rate applicable to a Loan. In any event, whether or not it is generically authorised, any renegotiation of the margin applicable for determining the Loan interest rate shall be taken on and settled bearing in mind the interests of the Fund.

Without prejudice to the provisions hereinafter, any 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 initially authorise the Servicer to entertain and accept renegotiations of the margin applicable for determining the interest rate of the Loans, requested by the Obligors, without requiring the written consent of the Management Company, subject to a number of general requirements established hereinafter in section 2 below.

The Management Company may at any time during the term of the Agreement, on behalf of the Fund, cancel, suspend or change the requirements for the Servicer's authorisation to renegotiate the margin applicable for determining the interest rate which it may previously have determined for the Servicer.

The Servicer shall in renegotiating the margin applicable for determining the Loan interest rate observe that the new interest rate terms are at arm's length and no different from those applied by the Servicer proper in renegotiating or granting its floating-rate loans. In this connection, arm's length interest rate shall be deemed to be the interest rate offered by the Servicer on the Spanish market for loans granted to SMEs with amounts and other terms substantially similar to the Loan.

2. Renegotiating the margin applicable for determining the interest rate of a Loan shall in no event (i) result in a change of the revision period the Loan had upon the Fund being established, and (ii) take place if previously or as a result of the renegotiation the average margin or spread weighted by the outstanding principal of the Loans over their respective benchmark Euribor or Mibor indices is below 80 basic points.

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

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

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.

- (i) The aggregate of the capital or principal assigned to the Funds of the Loans with respect to which the maturity date is extended may not exceed 10% of the face amount of the Bond Issue.
- (ii) The term of a specific Loan may be extended provided that the following requirements are met:
  - a) That the same recurrence in settlement of interest and repayment of capital or principal of the Loans is at all events maintained, maintaining the same repayment system.
  - b) That the new final maturity or final amortisation date does not extend beyond May 4, 2035.
- (iii) The Management Company may at any time during the term of the Servicing Agreement, on behalf of the Fund, cancel or suspend or change the authority for the Servicer to extend the term.

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 interest rate 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.

The contractual documents supporting the novation of the renegotiated Loans will be kept by the Servicer, in accordance with the provisions of paragraph 2 of this section.

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

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

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

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

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

In the above connection and for the purposes prescribed in articles 581.2 and 686.2 of the Civil Procedure Act, and in the event that this should be necessary, the Management Company confers in the Deed of Constitution as full and extensive a power of attorney as may be required at Law on BANCAJA in order that the latter may, acting through any of its attorneys properly empowered for those purposes, on the Management Company's instructions, for and on behalf of the Management Company, or in its own name but for 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 the debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer.

In relation to the credit rights derived from the Loans, the Servicer shall generally commence the relevant legal proceedings, 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 legal action if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

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

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

In addition to the Servicer's legal actions against Obligors as provided for above in this section, the Management Company, for the Fund, may also take action against Obligors who are in breach of their Loan payment obligations. That action shall be brought observing the formalities for the relevant legal

procedure in accordance with the provisions of the Civil Procedure Act, satisfying, as the case may be, the requirements as to right of action allowing that to be done.

1. In regard to the Mortgage Loans, in the event of default by any Obligor, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided for mortgage certificates in article 66 of Royal Decree 685/1982, which also apply to pass-through certificates:
  - (i) To demand the 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 the Servicer 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 foreclosure action on the Mortgage Loan for both principal and interest.
  - (iv) In the event that the proceedings instituted by the Servicer 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 events provided in paragraphs (iii) and (iv), the Management Company, for and 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. The Servicer 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, directly or through the Servicer, to sell the property awarded within the shortest possible space of time and at arm's length.

2. In the event of breach of Non-Mortgage Loan payment obligations by the Obligor, and in order to enforce security interests or personal bonds other than a real estate mortgage in connection with the Mortgage Loans, the Management Company, acting for the Fund, shall have a recovery action against those Obligors, observing the formalities laid down for that procedure in the Civil Procedure Act. Moreover, and if this should be permitted by the provisions of the Loans or in the collateral security documents, in order to enforce existing pledges, the Management Company may, where this is deemed appropriate, notarially enforce such security interests using the procedure for which provision is made in article 1872 of the Civil Code or put in place any of the actions for which provision is made in articles eleven and twelve of Royal Decree Law 5/2005, March 11, on urgent reforms for sponsoring productivity and enhancing public procurement.

Should this be necessary in order to enforce the aforesaid security interests (pledges) or for any other circumstance that is deemed expedient, the Management Company shall, for and on behalf of the Fund as holder of the Loan, be entitled to request Iberclear and the institutions in charge of the accounting records of the pledged securities or assets to issue such certificates as shall be deemed necessary in order to record entry of the pledge of those securities or assets in the name of the Fund. In particular, without limitation, the certificates referred to in articles 18 to 21 of Royal Decree 116/1992, February 14, on book entries and stock exchange transaction clearing and settlement, may be requested.

3. The Servicer agrees to promptly advise of payment demands, legal actions and all and any other circumstances affecting collection of overdue amounts on the Loans. Furthermore, the Servicer

will provide the Management Company with all such documents as the latter may request in relation to said Loans and in particular the documents required for the Management Company to take legal actions, as the case may be.

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

The Servicer shall not take or fail to take any action resulting in cancellation of any property damage insurance policy covering the properties mortgaged under the Mortgage Loans or reducing the amount payable in any claim thereunder. The Servicer shall use all reasonable efforts and in any event use the rights conferred under the insurance policies or the Mortgage Loans.

Whenever the Servicer receives notice of non-payment of policy premiums by any Obligor the Servicer may demand the Obligor to pay the same and indeed take out fire and damage insurance on the Obligor's behalf where it is able to do so under the Mortgage Loan deed ultimately or on behalf of the Fund, advancing payment of the premiums, without prejudice to being reimbursed by the Fund for amounts so paid.

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

#### **9. Set-off.**

In the exceptional event that any of the Obligors under the Loans should have a liquid credit right, due and payable vis-à-vis the Servicer, and because the assignment is made without the Obligor being aware, any of the Loans should be fully or partially set-off against that credit, the Servicer shall proceed to pay to the Fund the amount set off plus accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Loan.

#### **10. Subcontracting.**

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

#### **3.7.2.2 Term and substitution.**

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

In the event of a breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement, in the event of bankruptcy or in the event of the Servicer's credit rating falling or being lost to an extent that may be detrimental to or place the financial structure of the Fund or Bondholders' rights and interests at risk, the Management Company shall, in addition to demanding the Servicer to fulfil the obligations laid down in the Servicing Agreement, proceed to put in place, where this is legally possible, inter alia and after notifying the Rating Agencies, any of the following actions in order for the rating assigned to the Bonds by the Rating Agencies not to be adversely affected: (i) demanding the Servicer to subcontract or subdelegate to another institution the performance of the obligations and undertakings made in the Servicing Agreement; (ii) having another institution with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) terminating the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer having a sufficient credit quality and accepting the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement. Any additional expense or cost derived from the aforesaid actions shall be covered by the Servicer and at no event by the Fund or the Management Company.

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

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

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

### **3.7.2.3 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 or in the event of breach as established in paragraph 3 of section 2.2.9 of this Building Block.

The Management Company shall, for and on behalf of the Fund, have an action against the Servicer where the breach of the obligation to pay any and all principal repayment and interest and other amounts paid by the Obligors under the Loans corresponding to the Fund does not result from default by the Obligors and is attributable to the Servicer.

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 lie with the Management Company, as the representative of the Fund, who shall have that action on the terms described in this section.

### **3.7.2.4 Servicer's remuneration.**

In consideration of the custody, servicing and management of the Loans and custody of the documents representing the Pass-Through Certificates, the Servicer shall be entitled to receive in arrears on each Payment Date during the term of the Servicing Agreement, a servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the mean daily Outstanding Balance of the Loans serviced during each Determination Period. If BANCAJA should be replaced in that servicing task, the Management Company will be entitled to change the above percentage fee for the new Servicer, which may be in excess of that agreed with BANCAJA. The servicing fee will be paid on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

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

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

### **3.8 Name, address and brief description of any swap, credit, liquidity or account counterparties.**

BANCAJA is the Fund's counterparty in the transactions listed below. The details relating to BANCAJA and its activities are respectively given in section 5.2 of the Securities Note and in section 3.5 of this Building Block.

- (i) Treasury Account:  
Guaranteed Interest Rate Account (Treasury Account) Agreement  
Description in section 3.4.4.1 of this Building Block.
- (ii) Start-Up Loan:  
Start-Up Loan Agreement  
Description in section 3.4.3.1 of this Building Block.
- (iii) Financial Intermediation:  
Financial Intermediation Agreement  
Description in section 3.4.3.3 of this Building Block.

JPMORGAN CHASE is the Fund's counterparty in the transactions listed below. The details relating to JPMORGAN CHASE and its activities are given in section 3.5 of this Building Block.

- (i) Interest Swaps:  
Interest Swap Agreement  
Description in section 3.4.7.1 of this Building Block.

## **4. POST-ISSUANCE REPORTING**

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

- 4.1** As part of its Fund management and administration duty, the Management Company agrees to submit as promptly as possible or by the deadlines given, the information described hereinafter and such additional information as may be reasonably required of it.

### **4.1.1 Ordinary information.**

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

#### **a) Notices to Bondholders referred to each Payment Date.**

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 Bond Series, and for the Interest Accrual Period after that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify Bondholders of the following information:
  - i) Interest resulting from the Bonds in each Series, along with the amortisation of the Bonds.
  - ii) Furthermore, and if appropriate, interest and amortisation amounts accrued thereby and not settled due to a shortfall of Available Funds, in accordance with the rules of the Fund Priority of Payments.



- iii) The Outstanding Principal Balances of the Bonds in each Series, after the amortisation to be settled on each Payment Date, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
- iv) Obligors' Loan principal prepayment rate during the calendar quarter preceding the Payment Date.
- v) The average residual life of the Bonds in each Series estimated assuming that Loan principal prepayment rates shall be maintained and making all other assumptions as provided in section 4.10 of the Securities Note.

The foregoing notices shall be made in accordance with the provisions of section 4.1.3 below and will also be notified to the CNMV, the Paying Agent, AIAF and Iberclear, within not more than one (1) Business Day before each Payment Date.

**b) Information referred to each Payment Date:**

In relation to the Loans:

1. Outstanding Balance.
2. Interest and principal amount of instalments in arrears.
3. Interest rate and, if the interest floats, benchmark indices of the Loans.
4. Dates of maturity of the Loans.

**c) In relation to the economic and financial position of the Fund:**

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

This information will be sent to the CNMV.

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

Annual Accounts (balance sheet, profit & loss account and management report) and audit report within four (4) months of the close of each fiscal year, which shall also be filed with the CNMV.

**4.1.2 Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

1. The issued face amount of Series E, the final margins applicable for determining the Nominal Interest Rate for Series A1, A2, A3(G), B, C and D and the Nominal Interest Rate determined for each Bond Series for the first Interest Accrual Period.
2. Other:

Any relevant event occurring in relation to the Loans, the Bonds, the Fund and the Management Company proper, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, change in the Deed of Constitution, or in the event of termination of the establishment 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 Prospectus. In the latter event, the Management Company shall send to the CNMV the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section 4.4.3 of the Registration Document.

**4.1.3 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 AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by a publication in an extensively circulated business and financial or general newspaper in Spain. The Management Company or the Paying Agent may additionally disseminate that information or other information of interest to Bondholders through dissemination channels and systems typical of financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other similarly characterised means.

2. Extraordinary notices.

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

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

3. Notices and other information.

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

**4.1.4 Information to the CNMV and the Rating Agencies.**

The Management Company shall proceed to advise the CNMV of the periodic and extraordinary notices and information given in accordance with the provisions of the preceding sections, and of such other information as the CNMV may require of it or by the laws in force from time to time, irrespective of the above.

**4.1.5 Information to the Rating Agencies.**

The Management Company shall provide the Rating Agencies with periodic information as to the position of the Fund and the performance of the Loans in order that they may monitor the rating of the Bonds and extraordinary notices. The Management Company shall also provide that information when it is reasonably required to do so and, in any event, whenever there is a significant change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the interested parties.

**Mario Masiá Vicente, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN and as General Manager signs this Prospectus at Madrid, on November 4, 2005.**

*This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered 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.*

## GLOSSARY OF DEFINITIONS

“**Act 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

“**Act 2/1981**” shall mean Mortgage Market Regulation Act 2/1981, March 25.

“**Act 2/1994**” shall mean 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 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 Deficiency**” shall mean, on a Payment Date, the positive difference, if any, between (i) the Amortisation Withholding, and (ii) the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D.

“**Amortisation Withholding**” shall mean, on each Payment Date, the positive difference if any between (i) the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D Bonds, and (ii) the Outstanding Balance of Non-Doubtful Loans, on the Determination Date preceding the relevant Payment Date.

“**Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D**” shall mean the amount to be allocated to amortisation of Series A1, A2, A3(G), B, C and D Bonds on each Payment Date and shall be the Amortisation Withholding amount applied in 7<sup>th</sup> place of the Available Funds on the Payment Date.

“**Available Funds**” shall mean, in relation to the Priority of Payments and on each Payment Date, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, which shall have been paid into the Treasury Account, as established in section 3.4.6.2.1 of the Building Block.

“**BANCAJA**” shall mean CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA

“**Banco Pastor**” shall mean Banco Pastor S.A.

“**Bond Issue Management, Underwriting, Placement and Subscription Agreement**” shall mean the Bond Issue management, underwriting, placement and subscription agreement entered into between the Management Company, for and on behalf of the Fund, and BANCAJA, JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE as Lead Managers and Underwriters and Placement Agents of the Series A1, A2, A3(G), B, C and D Bonds and BANCO PASTOR as Underwriter and Placement Agent of the Series A1, A2, A3(G), B, C and D Bonds.

“**Bond Issue**” shall mean the issue of asset-backed bonds issued by the Fund having a face value between EUR one billion five hundred and twenty-four million (1,524,000,000.00 and EUR one billion five hundred and twenty-one million eight hundred thousand 1,521,800,000.00), comprised of seven Series (Series A1, Series A2, Series A3(G), Series B, Series C, Series D and Series E).

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into by the Management Company, for and on behalf of the Fund, and BANCAJA, as Paying Agent.

“**Bonds**” shall mean the Class A Bonds (consisting of Series A1, A2 and A3(G)), the Series B Bonds, the Series C Bonds and the Series D Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a public holiday in the city of Madrid or non-business day in the TARGET (Trans European Automated Real-Time Gross Settlement Express Transfer System).

“**Cash Reserve**” shall mean the Initial Cash Reserve set up on the Closing Date with the payment for subscribing for Series E and subsequently provisioned up to the Required Cash Reserve amount.

“**CET**” shall mean “Central European Time”.

“**Class A Bonds**” shall mean the Series A1, A2 and A3(G) Bonds issued by the Fund having a face amount of EUR one billion three hundred and seventy-nine million nine hundred thousand (1,379,900,000.00).

“**Class A**” shall mean the Class A Bonds issued by the Fund, consisting of Series A1, A2 and A3(G).

“**Closing Date**” shall mean November 10, 2005, the date on which the cash amount of the subscription for the Bonds shall be paid up and the face value of the Pass-Through Certificates subscribed for shall be paid

“**CNMV**” shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“**Collection Dates**” shall mean, in relation to the Servicing Agreement, the days on which the Servicer shall pay to the Fund the amounts received derived from the Mortgage Loans: the seventh day after the date on which they are received by the Servicer, or the following business day, for same day value, if that is not a business day, in accordance with the set terms and conditions. In this connection, business days shall be taken to be all those that are business days in accordance with the Savings Bank sector in the city of Valencia. In certain circumstances, the Management Company may change the Collection Dates in order for the amounts received by the Servicer derived from the Mortgage Loans to be previously paid to the Fund, indeed on the same day on which they are received by the Servicer.

“**Conditions for Pro Rata Amortisation**” shall mean the conditions set down in section 4.9.3.5 of the Securities Note for amortisation of Series A1 and/or A2 and/or A3(G) and/or B and/or C and/or D Bonds.

“**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 Prospectus.

“**Deed of Constitution**” shall mean the public deed recording the establishment of the Fund, assignment by BANCAJA to the Fund of Non-Mortgage Loans and Mortgage Loans by means of the issue of Pass-Through Certificates, and issue by the Fund of the Asset-Backed Bonds.

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

“**Determination Dates**” shall mean the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date.

“**Determination Period**” shall mean the days elapsed between every two consecutive Determination Dates, excluding in each Determination Period the beginning Determination Date and including the ending Determination Date. Exceptionally, (i) the duration of the first Determination Period shall be equal to the days elapsed between date of establishment of the Fund, inclusive, and the first Determination Date, January 18, 2006, inclusive, and (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which the Early Liquidation of the Fund concludes, as provided for in section 4.4.4.3 of the Registration Document, on which the Loans and the assets remaining in the Fund have been liquidated and all the Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), both inclusive.

“**Distribution of Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D**” shall mean the rules for applying the Available Funds for Amortisation of Series A1, A2, A3(G), B, C and D on each Payment Date established in section 4.9.3.5 of the Securities Note.

“**Doubtful Loans**” shall mean Loans that are delinquent on a given date with a period of arrears equal to or greater than eighteen (18) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment.

**“Early Amortisation”** shall mean Bond amortisation on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund and subject to the requirements established in section 4.4.3 of the Registration Document.

**“Early Liquidation Events”** shall mean the events contained in section 4.4.3 of the Registration Document where the Management Company, following notice duly served on the CNMV, is entitled to proceed to an Early Liquidation of the Fund on a Payment Date.

**“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 4.4.4 of the Registration Document.

**“Ernst & Young”** shall mean Ernst & Young S.L.

**“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 fifteen maturity terms by a panel consisting of 57 Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is fixed at 11am (CET time), accurate to three decimal places.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. July 24, 2038 or the following Business Day if that is not a Business Day.

**“Financial Intermediation Agreement”** shall mean the financial intermediation agreement entered into between the Management Company, for and on behalf of the Fund, and BANCAJA.

**“Financial Intermediation Margin”** shall mean, under the Financial Intermediation Agreement, the variable subordinated remuneration which shall accrue upon the expiration of every quarterly period, comprising, other than for the first period, the three calendar months preceding each Payment Date, in an amount equal to the positive difference, if any, between the income and expenditure, including losses brought forward from previous years, if any, accrued by the Fund with reference to its accounts and before the close of the months of March, June, September and December, these being the last month in each quarterly period.

**“Fitch”** shall mean both Fitch Ratings España, S.A. and Fitch Ratings Limited, the holding company to which Fitch Ratings España, S.A. is affiliated.

**“Fund”** shall mean FTPYME BANCAJA 4 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into by the Management Company, for and on behalf of the Fund, and BANCAJA.

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

**“Initial Cash Reserve”** shall mean the initial Cash Reserve amount to be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on (i) the average margin applicable to the Party B interest rate in each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly) for the first settlement period in each of those Agreements, between the following amounts: €24,000,000.00, €22,500,000.00 and €21,800,000.00.

**“Interest Accrual Period”** shall mean the days elapsed between every two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. The first Interest Accrual Period shall begin on the Closing Date, inclusive, and end on the first Payment Date, exclusive.

**“Interest Rate Fixing Date”** shall mean the second Business Day preceding each Payment Date.

**“Interest Swap Agreement (Annual)”** shall mean the floating interest rate swap agreement whereby the Fund and JPMORGAN CHASE shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised annually, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds.

**“Interest Swap Agreement (Quarterly)”** shall mean the floating interest rate swap agreement whereby the Fund and JPMORGAN CHASE shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised every six months, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds.

**“Interest Swap Agreement (Six-Monthly)”** shall mean the floating interest rate swap agreement whereby the Fund and JPMORGAN CHASE shall make each other payments calculated on the outstanding balance of Mortgage Loans whose interest rate is revised every six months, respectively applying the 12-month Euribor rate and the Reference Rate determined for the Bonds.

**“Interest Swap Agreements”** shall mean the three floating interest rate swap agreements (Interest Swap Agreement (Annual) and Interest Swap Agreement (Six-Monthly)), both of which shall be entered into based on the 2002 ISDA Master Agreement (Multicurrency-Cross Border) entered into between the Management Company, acting for and on behalf of the Fund, and JPMORGAN CHASE.

**“IRR”** shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

**“JPMORGAN”** shall mean J.P. MORGAN SECURITIES LTD.

**“JPMORGAN CHASE”** shall mean J.P. MORGAN CHASE BANK, N.A., London Branch.

**“Lead Managers”** shall mean BANCAJA, JPMORGAN, MERRILL LYNCH and SOCIÉTÉ GÉNÉRALE.

**“Liquidation Available Funds”** shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Loans and the assets remaining and, as the case may be, (iii) the amount drawn under the credit facility to be arranged which shall be fully allocated to final amortisation of the Series A1, A2, A3(G), B, C and D Bonds, in accordance with the provisions of section 4.4.3 of the Registration Document.

**“Liquidation Priority of Payments”** shall mean the priority of the Fund’s payment or withholding obligations for applying the Liquidation Available Funds on the Final Maturity Date or on the Payment Date on which there is an Early Liquidation of the Fund.

**“Loan Servicing and Pass-Through Certificate Custody Agreement”** shall mean the Loan servicing and custody and Pass-Through Certificate custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA, as Servicer.

**“Loans”** shall mean the loans owned by BANCAJA granted to non-financial small and medium-sized enterprises (legal persons) registered in Spain assigned by BANCAJA to the Fund upon being established. The term “Loans” shall be used herein to refer collectively to the Non-Mortgage Loans and the Mortgage Loans or the Pass-Through Certificates perfecting their assignment.

**“Management Company”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“MERRILL LYNCH”** shall mean MERRILL LYNCH INTERNATIONAL.

**“Moody's”** shall mean both Moody’s Investors Service España, S.A. and Moody’s Investors Service Ltd., the holding company to which Moody’s Investors Service España, S.A. is affiliated.

**“Mortgage Loans”** shall mean the Loans with real estate mortgage security assigned by BANCAJA to the Fund by means of the issue by BANCAJA of and subscription by the Fund for the Pass-Through Certificates.

**“Nominal Interest Rate”** shall mean the nominal interest rate, variable quarterly and payable quarterly, applicable to each Series and determined for each Interest Accrual Period, which shall be the result of adding (i) the Reference Rate and (ii) a margin for each Series as detailed in section 4.8.1.2 of the Securities Note.

**“Non-Delinquent Loans”** shall mean Loans that are not deemed to be Delinquent Loans on a given date.

**“Non-Doubtful Loans”** shall mean Loans that are not deemed to be Doubtful Loans on a given date.

**“Non-Mortgage Loans”** shall mean the Loans without real estate mortgage security assigned by BANCAJA to the Fund upon being sold by BANCAJA and acquired by the Fund.

**“Obligors”** shall mean the borrowers (non-financial small and medium-sized enterprises registered in Spain) of the Loans.

**“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 Economy Ministry Order ECO/1064/2003, April 29.

**“Originator”** shall mean BANCAJA, originator of the Loans.

**“Outstanding Balance of the Loans”** shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund for each and every one of the Loans.

**“Outstanding Principal Balance of Class A”** shall mean the sum of the outstanding principal to be repaid (outstanding balance) on a given date of all the Bonds in Series A1, Series A2 and Series A3(G) making up Class A.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal to be repaid (outstanding balance) on a given date on all the Bonds making up the Series.

**“Pass-Through Certificates”** shall mean the pass-through certificates issued by BANCAJA in accordance with article 18 of Act 44/2002, and subscribed for by the Fund.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BANCAJA.

**“Payment Date”** shall mean January 24, April 24, July 24 and October 24 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be January 24, 2006.

**“Priority of Payments”** shall mean the priority for applying the Fund’s payment or withholding obligations both for applying the Available Funds and for distribution of 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 of Series A1, A2, A3(G), B, C and D, 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 of Series A1, A2, A3(G), B, C and D in the Priority of Payments, given in section 4.9.3.5.2.2 of the Securities Note.

**“Rating Agencies”** shall mean Fitch Ratings España, S.A. and Moody’s Investors Service España, S.A.

**“Reference Rate”** shall mean, other than for the first Interest Accrual Period, three- (3-) month Euribor fixed at 11am (CET time) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note. The Reference Rate for the first Interest Accrual Period shall mean the rate resulting from a straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between two- (2-) month Euribor and three- (3-) month Euribor, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note.



“**Required Cash Reserve**” shall mean shall mean the Required Cash Reserve amount on each Payment Date to be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, based on the average margin applicable to the Party B interest rate in each Interest Swap Agreement, weighted by the Notional Amount (Annual), the Notional Amount (Six-Monthly) and the Notional Amount (Quarterly) for the first settlement period in each of those Agreements, in accordance with the provisions of section 3.4.7.1 of the Building Block, as established below.

	Weighted average margin applicable to the Party B interest rate in each Interest Swap Agreement		
	Between -0.10% and -0.051%	Between -0.050% and 0.000%	Between +0.001% and +0.05%
<b>Initial Cash Reserve</b>	€24,000,000.00	€22,500,000.00	€21,800,000.00
<b>Required Cash Reserve</b> shall be the lower of the following amounts:			
(i) The Initial Cash Reserve amount	€24,000,000.00	€22,500,000.00	€21,800,000.00
(ii) The higher of:			
a) The amount resulting from applying the percentage specified to the sum of the Outstanding Principal Balance of Series A1, A2, A3(G), B, C and D	3.20%	3.00%	2.90%
b) The following amount	€12,000,000.00	€11,250,000.00	€10,875,000.00

“**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 Offerings for the Sale of Securities, as reworded by Royal Decree 2590/1998, December 7.

“**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.

“**Royal Decree Law 5/2005**” shall mean Royal Decree-Law 5/2005, March 11, on urgent measures for boosting productivity and improving public contracting.

“**Securities Market Act**” shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, and Act 44/2002, November 22, and Royal Decree Law 5/2005, March 11, among other amendments.

“**Series A1 Bonds**” shall mean the Series A1 Bonds issued by the Fund having a total face amount of EUR eight hundred and forty-two million three hundred thousand (842,300,000.00) comprising eight thousand four hundred and twenty-three (8,423) 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 Bonds**” shall mean the Series A2 Bonds issued by the Fund having a total face amount of EUR three hundred million (300,000,000.00) comprising three thousand (3,00) Bonds having a unit face value of EUR one hundred thousand (100,000).

“**Series A2**” shall mean the Series A2 Bonds issued by the Fund.

“**Series A3(G) Bonds**” shall mean the Series A3(G) Bonds issued by the Fund having a total face amount of EUR two hundred and thirty-seven million six hundred thousand (237,600,000.00) comprising two thousand three hundred and seventy-six (2,376) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A3(G)”** shall mean the Series A3(G) Bonds issued by the Fund.

**“Series B Bonds”** shall mean the Series B Bonds issued by the Fund having a total face amount of EUR seventy-one million three hundred thousand (71,300,000.00) comprising seven hundred and thirteen (713) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series B”** shall mean the Series B Bonds issued by the Fund.

**“Series C Bonds”** shall mean the Series C Bonds issued by the Fund having a total face amount of EUR twenty-three million three hundred thousand (23,300,000.00) comprising two hundred and thirty-three (233) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series C”** shall mean the Series C Bonds issued by the Fund.

**“Series D Bonds”** shall mean the Series D Bonds issued by the Fund having a total face amount of EUR twenty-five million five hundred thousand (25,500,000.00) comprising two hundred and fifty-five (255) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series D”** shall mean the Series D Bonds issued by the Fund.

**“Series E Bonds”** shall mean the Series E Bonds issued by the Fund having a total face amount comprised between EUR twenty-four million (24,000,000.00) and twenty-one million eight hundred thousand (21,800,000.00) comprising Bonds having a unit face value of EUR one hundred thousand (100,000), to be determined by the Management Company by 10am (CET time) on the day of the Subscription Period, as provided for in section 4.1.e) of the Securities Note.

**“Series E”** shall mean the Series E Bonds issued by the Fund.

**“Servicer”** shall mean the institution in charge of custody and servicing of the Loans and custody of the certificates representing the Pass-Through Certificates under the Loan Servicing and Pass-Through Certificate Custody Agreement, i.e. BANCAJA.

**“Servicing Agreement”** shall mean the Loan Servicing and Pass-Through Certificate Custody Agreement.

**“SMEs”** shall mean small and medium-sized enterprises as defined by the European Commission (Recommendation of May 6, 2003, replacing the Recommendation of April 3, 1996).

**“SOCIÉTÉ GÉNÉRALE”** shall mean SOCIÉTÉ GÉNÉRALE Sucursal en España.

**“Start-Up Loan Agreement”** shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BANCAJA, for a sum of EUR five million (5,000,000.00).

**“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 which the Spanish Economy and Finance Ministry has given in an Order amounting to (i) EUR two hundred and thirty-seven million six hundred thousand (237,600,000.00), 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.

**“Subscription Period”** shall mean the Bond subscription period comprised between 1pm (CET time) and 2pm (CET time) on November 8, 2005.

**“Treasury Account”** shall mean the financial account in euros opened at BANCAJA in the Fund’s name, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive payments.

**“Underwriters and Placement Agents”** shall mean BANCAJA, JPMORGAN, MERRILL LYNCH, SOCIÉTÉ GÉNÉRALE and BANCO PASTOR.