

PROSPECTUS

December 5, 2005

VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA

ISSUE OF MORTGAGE-BACKED BONDS EUR 950,000,000

Series A	EUR 909,500,000	AAA/Aaa
Series B	EUR 21,200,000	A+/A1
Series C	EUR 9,400,000	BBB+/Baa3
Series D	EUR 9,900,000	CCC-/Ca

Backed by mortgage certificates issued on mortgage loans by



Lead Managers



Deutsche Bank 

Underwriters and Placement Agents

Bancaja

Deutsche Bank

DEXIA

FORTIS BANK

Banco de Valencia

Paying Agent

BANCAJA

Fund established and managed by



Material Event concerning VALENCIA HIPOTECARIO 2 Fondo de Titulización Hipotecaria

As provided for in the Offering Circular or Prospectus for **VALENCIA HIPOTECARIO 2 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On July 14, 2016, SOCIÉTÉ GÉNÉRALE Sucursal en España (“**SGSE**”) has been designated Bond Paying Agent in lieu of BARCLAYS BANK PLC, Sucursal en España (“**BARCLAYS**”).

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

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

Madrid, July 15, 2016

José Luis Casillas González
Attorney-in-fact

Paula Torres Esperante
Attorney-in-fact

**Material Event
concerning**

VALENCIA HIPOTECARIO 2 Fondo de Titulización Hipotecaria

Pursuant to Section 4.1.4 of the Securities Note Building Block the Prospectus for **VALENCIA HIPOTECARIO 1 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 10, 2009, Banco Cooperativo Español S.A. was designated Bond Paying Agent on August, 7, 2009 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>5.2.1 Securities Note</p>	<p>Bond Issue Paying Agent.</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 (the “**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 article 5.2 of Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("**Act 19/1992**"). 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 articles 5.2 and 6.1 of Act 19/1992 and in Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("**Royal Decree 926/1998**"), which include enforcing 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, in accordance with the provisions of the Deed of Constitution.

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 BANCO DE VALENCIA and the Management Company may be declared bankrupt.

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

Specifically, the transaction involving the issue of the Mortgage Certificates cannot be the subject of restitution other than by an action brought by the receivers of BANCO DE VALENCIA, 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 the event of BANCO DE VALENCIA 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 Mortgage Certificates, 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 BANCO DE VALENCIA the resulting Mortgage Certificate 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. This right of separation would not necessarily extend to the monies received and kept by BANCO DE VALENCIA on behalf of the Fund before that date, for they might be earmarked for bankruptcy, based on the most widespread construction of article 80 of the Bankruptcy Act for the time being in force, given the essential fungible nature of money. 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 4.4.3 of the Registration Document.

b) Yield.

Calculation of the internal rate of return, average life and duration of the Bonds in each Series contained in section 4.10 of the Securities Note is subject, inter alia, to presumed Mortgage Loan prepayment and delinquency rates which might not be fulfilled, and 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 Mortgage Loan repayment and to assumed Mortgage Loan prepayment rates that may not be fulfilled. Mortgage Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' 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 Mortgage Certificates.

Holders of the Bonds issued by the Fund shall bear the risk of default on the Mortgage Loans pooled in the Fund by means of the issue of the Mortgage Certificates.

BANCO DE VALENCIA shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Loans. BANCO DE VALENCIA is liable, to the extent provided for in article 348 of the Commercial Code, to the Fund exclusively for the existence and lawfulness of the Mortgage Loans on the terms and conditions declared in the Deed of Constitution, and for the personality with which the assignment is made. BANCO DE VALENCIA 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 Mortgage Certificates, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Mortgage Certificates in that event that any of them or of the underlying Mortgage Loans should fail to conform, upon the Fund being established, to the characteristics given in section 2.2.8 of the Building Block.

The Bonds issued by the Fund neither represent nor constitute an obligation of BANCO DE VALENCIA or the Management Company. No other guarantees have been granted by any public or private organisation whatsoever, including BANCO DE VALENCIA, the Management Company and any of their affiliated or associated companies.

b) Limited Hedging.

A high level of delinquency of the Mortgage Loans might reduce or indeed exhaust the limited hedging against Mortgage Loan losses that the Series A, B, C and D Bonds 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 their place in the application of Available Funds and from the rules for Distribution of Available Funds for Amortisation of Series A, B and C in the Priority of Payments and the Liquidation Priority of Payments of the Fund is a mechanism for distinctly hedging the different Series.

c) Mortgage Certificate early amortisation risk.

There will be an early amortisation of the Mortgage Certificates pooled in the Fund when the Mortgage Loan Obligors prepay the portion of principal pending repayment, on the terms provided for in each Mortgage Loan deed. Similarly, there shall be an early amortisation of the Mortgage Certificates in the event that BANCO DE VALENCIA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so, subject to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30, as currently worded, ("Act 2/1994") 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 of Series A, B and C contained in section 4.9.3.1.5 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.

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.

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 VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA (the "**Fund**" and/or the "**Issuer**"), takes responsibility for the contents of this Registration Document.

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 October 6, 2005.

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

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.

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 will be subject to a straight-line depreciation during the months elapsing since the establishment of the Fund until December 31, 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 "VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA" and the following short names may also be used without distinction to identify the Fund:

- VALENCIA HIPOTECARIO 2 FTH
- VALENCIA HIPOTECARIO 2 F.T.H.

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 December 5, 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 contents established in article 5.3 of Act 19/1992.

4.4 Date of establishment and existence of the issuer.

4.4.1 Date of establishment of the Fund.

The Management Company and BANCO DE VALENCIA, Originator of the Mortgage Loans, shall proceed to execute on December 7, 2005 a public deed whereby VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA will be established, BANCO DE VALENCIA will assign to the Fund Mortgage Loans by means of the issue of Mortgage Certificates, and the Fund will issue the Mortgage-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 or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The amendment of the Deed of Constitution shall be notified by the Management Company to the CNMV 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 January 24, 2043 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 of the Fund 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 Mortgage Loans yet to be repaid is less than 10 percent of the initial Outstanding Balance upon the Fund being established, in accordance with the authorisation established in article 5.3 of Act 19/1992, and provided that the payment obligations derived from the outstanding Bonds in each Series may be honoured and settled in full in the Liquidation Priority of Payments.

Payment obligations derived from the outstanding 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 each of these 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) Mandatorily, 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 to this Prospectus.
- (iv) When a default occurs indicating a major permanent imbalance in relation to any of the Bonds issued or to 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 Mortgage Loans, even if they still have overdue amounts.

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 Mortgage Certificates remaining in the Fund for a price of not less than the sum of the principal value still outstanding plus interest accrued and not paid on the relevant Mortgage 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 and forthwith allocated to the early amortisation of the Series A, B and C Bonds. Repayment of that credit facility and interest and principal thereon shall take place in the Liquidation Priority of Payments.

- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of Mortgage Certificates 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 Mortgage Certificates and for the assets on offer which in its view covers 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, BANCO DE VALENCIA shall have a pre-emptive right on the terms established by the Management Company and will therefore have priority over third parties to acquire the Mortgage Certificates 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 Series A, B and C Bonds. The Management Company shall therefore send BANCO DE VALENCIA a list of the assets and of third-party bids received, and the latter may use that right for all of the Mortgage Certificates and the assets offered by the Management Company or the credit facility within ten (10) 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 Mortgage Certificates and 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 for early amortisation of the Series A, B and C Bonds.

4.4.4 Termination of the Fund.

The Fund shall terminate in any of the following events:

- (i) Upon the Mortgage Certificates pooled therein being fully amortised.
- (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 January 24, 2043 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, subscription for the Mortgage Certificates by 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 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 for the Originator on the liquidation terms established by the Management Company.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Fund's remaining assets have been liquidated and the Fund's Liquidation Available Funds have been distributed, in the Fund Liquidation Priority of Payments.

Upon a period of six (6) months elapsing from liquidation of the Fund's remaining assets and distribution of the 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 available amounts were distributed in the Fund Liquidation Priority of Payments; notice of this shall be given in a nation-wide newspaper and all other appropriate administrative procedures will be observed. The Management Company will submit that statutory declaration to the CNMV.

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

In accordance with the provisions of article 5.1 of Act 19/1992, 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 pursuant to the legal system provided for by (i) Act 19/1992, and (ii) 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 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 subject to the general Corporation Tax system, determining the taxable income in accordance with the provisions of Title IV of the Corporation Tax Act, applying the general rate in force from time to time, which currently stands at 35%.
- (iv) As for returns on the Mortgage Certificates, 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.
- (vi) Transfer of the Mortgage Certificates is exempt from Value Added Tax and Capital Transfer and Documents Under Seal 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 mortgage participation certificates (the "**Mortgage Certificates**") issued by BANCO DE VALENCIA S.A. ("**BANCO DE VALENCIA**") on mortgage loans owned by BANCO DE VALENCIA granted to individuals with senior real estate mortgage security on finished homes located in Spain (the "**Mortgage Loans**") and to issue mortgage-backed bonds (either the "**Mortgage-Backed Bonds**" or the "**Bonds**") designed to finance the acquisition of the Mortgage Certificates, the underwritten placement of which is targeted at institutional investors.

(In this Registration Document and elsewhere in the Prospectus, the term "Mortgage Loans" shall be used in some definitions to generically refer to the Mortgage Certificates perfecting the assignment of the mortgage loans, other than where specific reference is made to the Mortgage Certificates as such or to the certificates representing the same.)

Mortgage Loan interest and repayment income received by the Fund shall be allocated quarterly on each payment date to interest payment and principal repayment on the Bonds issued on the specific terms of each of the series (the "**Series**") making up the issue of 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 Mortgage 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 Mortgage Loans and the financial characteristics of each 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 and was involved in financially structuring the Fund and the Bond Issue.

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).

- BANCO DE VALENCIA is the originator of the Mortgage Loans to be assigned to the Fund upon being established by means of the issue of the Mortgage Certificates, and shall be counterparty to the Fund in the Start-Up Loan, Interest Swap, Mortgage Loan Servicing and Mortgage Certificate Custody and Financial Intermediation Agreements. Moreover, BANCO DE VALENCIA shall be the Series D Bond subscriber under the Bond Issue Underwriting, Placement and Subscription Agreement.

BANCO DE VALENCIA is a bank incorporated in Spain and entered in the Companies Register of Valencia at volume 3,175, folio 1, sheet V-6912 and in the Bank of Spain's Special Register of Banks and Bankers, its bank number being 0093.

VAT REG. No.: A46002036 Business Activity Code No.: 65121

Registered office: Pintor Sorolla number 8, 46002 Valencia (Spain).

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

Fitch Ratings	
Short-term	F1
Long-term	A

- CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”) shall be a Lead Manager of the Bond Issue, a Series A, B and C Bond Underwriter and Placement Agent and one of the Series A, B and C Bond book runners.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, BANCAJA has structured the financial terms of the Fund and the Bond Issue and will, together with the other Lead Managers, do the following: (i) temporary and marketing actions and activities in connection with the public offering for Bond Issue subscription, (ii) liaising with potential investors and (iii) all other actions and activities provided for in respect of the Lead Managers in the Securities Note.

Moreover, BANCAJA shall be the Fund’s counterparty in the Guaranteed Interest Rate Account (Treasury Account), Interest Swap as guarantor for BANCO DE VALENCIA and Bond Paying Agent 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	P-1
Long-term	A+	A

- DEUTSCHE BANK AG (“**DEUTSCHE BANK**”) shall be a Lead Manager of the Bond Issue, a Series A, B and C Bond Underwriter and Placement Agent and one of the Series A, B and C Bond book runners.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, DEUTSCHE BANK will, together with the other Lead Managers, do the following: (i) temporary and marketing actions and activities in connection with the public offering for Bond Issue subscription, (ii) liaising with potential investors and (iii) all other actions and activities provided for in respect of the Lead Managers in the Securities Note.

DEUTSCHE BANK is a German credit institution, of Taunusanlage, 12, D-60325, Frankfurt am Main. Moreover, DEUTSCHE BANK AG is registered at the Bank of Spain as a Community credit institution, operating in Spain without an establishment.

DEUTSCHE BANK, as a Community credit institution, is acting in Spain under a system of free provision of services.

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

	Fitch Ratings	Moody’s Ratings	S&P Ratings
Short-term	F1+	P-1	A-1+
Long-term	AA-	Aa3	AA-

- DEXIA BANQUE BELGIQUE S.A. (“**DEXIA**”) shall be one of the Bond Issue Underwriters and Placement Agents.

DEXIA is a bank incorporated and registered in Belgium and also registered with the Bank of Spain as a Community credit institution, operating in Spain without an establishment.

VAT REG. No.: BE0403.201.185

Registered office: Boulevard Pachéco 44, 1000 Brussels

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of DEXIA 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

- FORTIS BANK NV-SA (“**FORTIS BANK**”) shall be one of the Bond Issue Underwriters and Placement Agents.

FORTIS BANK is a bank incorporated and registered in Belgium and also entered in the Bank of Spain as a Community credit institution, operating in Spain without an establishment.

VAT REG. No.: BE403199702

Registered office: Montgne du Parc 3, BE 1000 Brussels

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

	Fitch Ratings	Moody’s Ratings	S&P Ratings
Short-term	F1+	P-1	A-1+
Long-term	AA-	Aa3	AA-

BANCAJA has a direct 38.33% interest and an indirect 38.401% interest in the share capital of BANCO DE VALENCIA.

Deutsche Bank AG is part of the same Group as Deutsche Bank, S.A, and Deutsche Bank Credit, S.A., and the latter in turn have a joint 1.5316 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. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

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 Act 19/1992, Royal Decree 926/1998 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 45 securitisation funds as at October 31, 2005, of which 18 were mortgage securitisation funds and 27 were asset securitisation funds.

The following table itemises the 45 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	Initial	Bond Issue		Bond Issue		Bond Issue
		Bond Issue	Balance 31.10.2005	Δ%	Balance 31.12.2004	Δ%	Balance 31.12.2003
		EUR	EUR		EUR		EUR
TOTAL		38,325,546,652.96	27,230,258,873.77	25.24%	21,742,066,167.51	42.80%	15,225,248,835.61
Mortgage (FTH)		9,577,546,652.96	4,790,731,367.53	-15.42%	5,664,315,494.43	-9.20%	6,238,076,018.82
Bankinter 7 FTH	18.02.2004	490,000,000.00	370,378,365.42	-16.44%	443,242,308.18		
Bankinter 5 FTH	16.12.2002	710,000,000.00	480,860,636.59	-15.42%	568,496,104.12	-12.1%	646,824,322.74
BZ Hipotecario 4 FTH	27.11.2002	313,400,000.00	170,910,609.60	-20.40%	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	-15.31%	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	-16.95%	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	-10.75%	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	-13.47%	221,756,180.86	-15.5%	262,514,204.02
Bankinter 3 FTH	22.10.2001	1,322,500,000.00	752,104,867.20	-14.80%	882,775,463.04	-14.1%	1,027,098,923.52
BZ Hipotecario 3 FTH	23.07.2001	310,000,000.00	131,343,594.55	-20.15%	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	-15.15%	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	-19.04%	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	-16.09%	86,384,087.06	-19.8%	107,756,861.06
Bankinter 2 FTH	25.10.1999	320,000,000.00	136,877,163.99	-16.49%	163,903,710.50	-15.2%	193,242,016.00
Bankinter 1 FTH	12.05.1999	600,000,000.00	188,428,409.46	-19.33%	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	-17.57%	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	-11.13%	363,220,856.66	-20.5%	456,668,285.80
Bancaja 2 FTH	23.10.1998	240,404,841.75	59,937,667.98	-22.39%	77,225,834.66	-21.8%	98,788,329.80
Bancaja 1 FTH	18.07.1997	120,202,420.88	17,096,540.10	-19.61%	21,266,914.30	-25.7%	28,614,973.60
BBV-MBS I FTH	30.11.1995	90,151,815.66	liquidated	-100.00%	7,905,909.48	-45.4%	14,481,604.68
Hipotecario 1 FTH	20.09.1993	69,116,392.00	liquidated				
Asset (FTA)		28,748,000,000.00	22,439,527,506.24	39.57%	16,077,750,673.08	78.90%	8,987,172,816.79
FTPME BANCAJA 4 FTA	07.11.2005	1,524,000,000.00	1,524,000,000.00				
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	1,539,361,229.38				
Bankinter 9 FTA	14.02.2005	1,035,000,000.00	1,035,000,000.00				
BBVA-3 FTPME FTA	29.11.2004	1,000,000,000.00	1,000,000,000.00	0.00%	1,000,000,000.00		
Ruralpyme 1 FTPME FTA	23.11.2004	214,000,000.00	182,166,403.30	-14.88% ^c	214,000,000.00		
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	1,000,000,000.00	0.00%	1,000,000,000.00		
FTPME Bancaja 3 FTA	11.10.2004	900,000,000.00	900,000,000.00	0.00%	900,000,000.00		

Securitisation Fund	Establishment	Initial		Bond Issue		Bond Issue		Bond Issue
		Bond Issue		Balance 31.10.2005		Balance 31.12.2004		Balance 31.12.2003
		EUR		EUR	Δ%	EUR	Δ%	EUR
Bancaja 7 FTA	12.07.2004	1,900,000,000.00		1,900,000,000.00	0.00%	1,900,000,000.00		
Rural Hipotecario VI FTA	07.07.2004	950,000,000.00		781,477,860.25	-14.88%	918,039,044.03		
MBS Bancaja 1 FTA	17.05.2004	690,000,000.00		690,000,000.00	0.00%	690,000,000.00		
Valencia H 1 FTA	23.04.2004	472,000,000.00		385,776,222.36	-11.55%	436,154,049.09		
Bankinter 8 FTA	03.03.2004	1,070,000,000.00		868,322,766.41	-11.03%	976,014,308.21		
Bancaja 6 FTA	03.12.2003	2,080,000,000.00		1,447,337,821.80	-30.42%	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	-11.93%	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	-9.79%	1,191,555,147.63	-11.7%	1,350,000,000.00
FTPYME Bancaja 2 FTA	19.09.2003	500,000,000.00		270,480,639.80	-44.02%	483,139,909.38	-3.4%	500,000,000.00
Bancaja 5 FTA	14.04.2003	1,000,000,000.00		604,031,954.00	-20.37%	758,585,912.95	-18.2%	927,104,197.20
Bancaja 3 FTA	29.07.2002	520,900,000.00		520,900,000.00	0.00%	520,900,000.00	0.0%	520,900,000.00
FTPYME Bancaja 1 FTA	04.03.2002	600,000,000.00		260,899,034.40	-56.52%	600,000,000.00	0.0%	600,000,000.00
BBVA-2 FTPYME ICO	01.12.2000	900,000,000.00		306,595,443.42	-39.66%	508,081,398.75	-38.0%	819,749,937.69
BCL Municipios I FTA	21.06.2000	1,205,000,000.00		595,672,530.00	-26.92%	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	-41.31%	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
Equity *	3,095,298.97	0.03%	3,094,300.50	4.65%	2,956,911.01
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
Year's profit	1,786,915.94	0.84%	1,772,026.40	28.98%	1,373,894.87

* 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 to resolve 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:

Chairman:	Mr Roberto Vicario Montoya *
Vice-Chairman:	Mr Carlos Pertejo Muñoz
Directors:	Mr Ignacio Aldonza Goicoechea Mr Luis Bach Gómez * Mr José M ^a . Castellón Leal on behalf of Barclays Bank, S.A. ** Mr José Luis Domínguez de Posada 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 ^a . Urresti Laca on behalf of J.P. Morgan España, S.A. * Mr Ignacio Benloch Fernández-Cuesta on behalf of Banco Cooperativo Español S.A.**
Non-Director Secretary:	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. have been filed with and are yet to be entered in the Companies Register and have been duly 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.**

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 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 the Originator;
- c) this Prospectus;
- d) the agreements to be entered into by the Management Company for and on behalf of the Fund;
- e) the audit report on certain characteristics and attributes of a sample of all mortgage loans selected to be assigned to the Fund;
- f) the letters from the Rating Agencies notifying the ratings assigned to each of the Series in the Bond Issue;
- g) the letters with the statements from the Lead Managers of the Bond Issue;
- h) the letter with the statement from the Originator of the Mortgage Loans;
- i) the Management Company's annual accounts and the relevant audit reports; and
- j) 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, and is available to investors interested in the offer by the Underwriters and Placement Agents.

In addition, the documents listed in a) to h) 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.

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, the company sponsoring VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA, takes responsibility for the contents of this Securities Note.

1.2 Declaration by those responsible for the Securities Note.

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.

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) BANCO DE VALENCIA is the Originator of the Mortgage Loans by means of the issue of the Mortgage Certificates to be pooled in the Fund represented by the Management Company.
- d) BANCAJA and DEUTSCHE BANK are involved as Lead Managers of the Bond Issue and Series A, B and C Bond Underwriters and Placement Agents and shall be the placement agents in charge of keeping the Series A, B and C Bond subscription orders book (*joint book runners*).
- e) DEXIA and FORTIS BANK are involved as Underwriters and Placement Agents of the Bond Issue.
- f) 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 Bond Issue offering, 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 and underwriting.

4.1.1 Total amount of the securities.

The total face value amount of the issue of Mortgage-Backed Bonds (the "**Bond Issue**") is EUR nine hundred and fifty million (950,000,000.00), consisting of nine thousand five hundred (9,500) Bonds denominated in euros and comprised of four Series as follows:

- a) Series A having a total face amount of EUR nine hundred and nine million five hundred thousand (909,500,000.00) comprising nine thousand and ninety-five (9,095) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A**" or the "**Series A Bonds**").
- b) Series B having a total face amount of EUR twenty-one million two hundred thousand (21,200,000.00) comprising two hundred and twelve (212) 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) Series C having a total face amount of EUR nine million four hundred thousand (9,400,000.00) comprising (ninety-four) (94) 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) Series D having a total face amount of EUR nine million nine hundred thousand (9,900,000.00) comprising (ninety-nine) (99) 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**").

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

4.1.2 Bond issue price.

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

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

4.1.3 Underwriting placement of the Series A, B and C Bonds and subscription for the Series D Bonds.

The Bond Issue shall be underwritten and placed by CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA ("**BANCAJA**") and DEUTSCHE BANK AG ("**DEUTSCHE BANK**") as Lead Managers and as Series A, B and C Bond Underwriters and Placement Agents and by DEXIA BANQUE BELGIQUE S.A. ("**DEXIA**") and FORTIS BANK NV-SA ("**FORTIS BANK**") as Series A Bond Underwriters and Placement Agents and BANCO DE VALENCIA S.A. ("**BANCO DE VALENCIA**") as Series D Bond subscriber, 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 A, B and C Bonds.

The Bond Issue 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 the Series A, B and C Bonds; 2) an undertaking to subscribe on their own account for the Series A, B and C Bonds not subscribed for by third parties during the Subscription Period, up to the amounts of their respective joint underwriting commitments; 3) payment by the Underwriters and Placement Agents DEUTSCHE BANK, DEXIA and FORTIS BANK to the Paying Agent, by 2pm (CET time) on the Closing Date, for same day value, of the face amount of the Series A, B and C 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 A, B and C 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 A, B and C 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 Bonds in each Series:

Underwriter and Placement Agent	Face amount underwritten in each Series (EUR)		
	Series A Bonds	Series B Bonds	Series C Bonds
BANCAJA	354,800,000.00	10,600,000.00	4,700,000.00
DEUTSCHE BANK	354,700,000.00	10,600,000.00	4,700,000.00
DEXIA	100,000,000.00	---	---
FORTIS BANK	100,000,000.00	---	---
Total	909,500,000.00	21,200,000.00	9,400,000.00

Notwithstanding the above, the Underwriters and Placement Agents shall be released from their underwriting commitment and BANCO DE VALENCIA shall have to underwrite all of the Series A, B and C Bonds in the event that, by 1pm (CET time) on the day before the Closing Date, (December 12, 2005), BANCAJA and DEUTSCHE BANK should give the Management Company and BANCO DE VALENCIA 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 and Placement Agreement.

In the event that BANCAJA and DEUTSCHE BANK 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 BANCO DE VALENCIA in writing by 1pm (CET time) on the Business Day preceding the Closing Date, and BANCO DE VALENCIA shall be bound to underwrite all the 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 A, B and C shall altogether receive from the Fund an underwriting and placement fee on the face amount of the Bonds in the relevant Series, comprised between 0.02% and 0.08%, both inclusive.

The underwriting and placement fee applicable on the face amount of the Bonds in each Series A, B and C 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 on which the Subscription Period begins (December 9, 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 a 0.05% fee.

The Paying Agent shall pay each Underwriter and Placement Agent 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 A, B and C 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 D Bonds.

Subscription for all of the Series D Bonds shall be carried out exclusively by BANCO DE VALENCIA under the Management, Underwriting, Placement and Subscription Agreement taking on the obligations therein contained in relation to subscription for the Series D Bonds, which are broadly the following: 1) an undertaking to subscribe on its own account for the Series D 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 D 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 D Bonds.

BANCO DE VALENCIA shall receive no remuneration whatsoever for subscribing for the Series D Bonds.

3. BANCAJA and DEUTSCHE BANK shall be involved as Lead Managers in the Bond Issue. They shall not be howsoever 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 accordance with the legal system provided for by (i) Act 19/1992, (ii) the Securities Market Act and applicable implementing regulations, (iii) Commission Regulation (EC) No. 809/2004 of April 29, 2004, and (iv) 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 Series A 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 Series A 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 Series A, Series B and Series C 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 A Bonds is (i) third (3rd) 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 (4th) 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 (4th) 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 (8th), and (ii) sixth (6th) 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 (5th) 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 (9th), and (ii) eighth (8th) 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) tenth (10th) 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) eleventh (11th) 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 A, B and C Amortisation Withholding amount designed for amortising the Series A, B and C Bonds as a whole without distinction between those Series is sixth (6th) 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 A, B and C Bond principal shall take place in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B and C contained in section 4.9.3.6 of this Securities Note.

Repayment of Series A Bond principal is fifth (5th) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series B Bond principal is seventh (7th) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series C Bond principal is ninth (9th) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series D Bond principal is twelfth (12th) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

4.7 Description of the rights attached to the securities.

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 Mortgage 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 Mortgage 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 VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA and the Bond Issue by the same shall be heard and ruled upon by the competent Spanish Courts and Tribunals.

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, December 12, 2005, inclusive, and the first Payment Date, April 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 A:** margin ranging between 0.05% and 0.20%, both inclusive.
 - **Series B:** margin ranging between 0.20% and 0.60%, both inclusive.

- **Series C:** margin ranging between 0.35% and 0.90%, both inclusive.
- **Series D:** 3.50% margin.

The margin applicable to each Series A, B and C, expressed as a percentage, shall be determined with one accord among the Lead Managers by 10am (CET time) on the day of the Subscription Period (December 9, 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 A:** 0.20% margin.
- **Series B:** 0.60% margin.
- **Series C:** 0.90% margin.

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

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:

- 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 four- (4-) month Euribor and five- (5-) 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:

$$IR = [(D-120)/30] \times E5 + [1 - ((D-120)/30)] \times E4$$

Where:

- IR = Reference Rate for the first Interest Accrual Period.
- D = Number of days in the first Interest Accrual Period.
- E4 = Four- (4-) month Euribor.
- E5 = Five- (5-) 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.

- 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 four- (4-) 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 five- (5-) 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.

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 (0.125% for Series A, 0.40% for Series B, 0.625% for Series C, and 3.50% for Series D):

Dates	3-month Euribor	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds
21 November 2005	2.439	2.564	2.839	3.064	5.939
20 October 2005	2.187	2.312	2.587	2.812	5.687
22 September 2005	2.135	2.260	2.535	2.760	5.635
22 August 2005	2.132	2.257	2.532	2.757	5.632
21 July 2005	2.123	2.248	2.523	2.748	5.623
22 June 2005	2.104	2.229	2.504	2.729	5.604
20 May 2005	2.126	2.251	2.526	2.751	5.626
21 April 2005	2.133	2.258	2.533	2.758	5.633
22 March 2005	2.138	2.263	2.538	2.763	5.638
22 February 2005	2.135	2.260	2.535	2.760	5.635
20 January 2005	2.144	2.269	2.544	2.769	5.644
22 December 2004	2.176	2.301	2.576	2.801	5.676
22 November 2004	2.177	2.302	2.577	2.802	5.677
21 October 2004	2.145	2.270	2.545	2.770	5.645
22 September 2004	2.116	2.241	2.516	2.741	5.616
20 August 2004	2.114	2.239	2.514	2.739	5.614
22 July 2004	2.120	2.245	2.520	2.745	5.620
22 June 2004	2.123	2.248	2.523	2.748	5.623
20 May 2004	2.091	2.216	2.491	2.716	5.591
22 April 2004	2.059	2.184	2.459	2.684	5.559
22 March 2004	2.025	2.150	2.425	2.650	5.525
20 February 2004	2.061	2.186	2.461	2.686	5.561
22 January 2004	2.075	2.200	2.475	2.700	5.575
22 December 2003	2.140	2.265	2.540	2.765	5.640

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 April 24, 2006, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, December 12, 2005, inclusive, and April 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.

Unpaid interest amounts due shall not earn additional or late-payment interest and shall not be accumulated to the Outstanding Principal Balance of the Bonds.

The Fund, through its Management Company, may not defer Bond interest payment beyond January 24, 2043, 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 A Bonds.

Series A Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B and C applied on each Payment Date to amortising Series A, in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B and C given in sections 4.9.3.5 and 4.9.3.6 below, pro rated between the Bonds in Series A proper by reducing the face amount of each Series A Bond.

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

Final amortisation of Series A Bonds shall occur on the Final Maturity Date (January 24, 2043 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 B Bonds.

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

given in sections 4.9.3.5 and 4.9.3.6 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 Series A Bonds have been fully amortised. However, even if Series A has not been fully amortised, the Available Funds for Amortisation of Series A, B and C 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 A, B and C, 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 A, B and C is kept at 4.51%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (January 24, 2043 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 C Bonds.

Series C Bond principal shall be amortised by partial amortisation on each Payment Date after Bond amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation of Series A, B and C applied on each Payment Date to amortising Series C in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B and C given in sections 4.9.3.5 and 4.9.3.6 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 Series A and B Bonds have been fully amortised. However, even if Series A and B have not been fully amortised, the Available Funds for Amortisation of Series A, B and C 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 A, B and C, 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 A, B and C is kept at 2.00%, or higher percentage closest thereto.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (January 24, 2043 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 D Bonds.

Series D 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 D, in accordance with the Priority of Payments.

Partial amortisation of Series D Bonds shall occur on each Payment Date and principal will be repaid in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series D 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. Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned up to the Required Cash Reserve amount established hereinafter with the Available Funds in the Priority of Payments of the Fund.

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

- (i) EUR nine million nine hundred thousand (9,900,000.00).
 - (ii) The higher of:
 - a) 2.10% of the sum of the Outstanding Principal Balance of Series A, B and C.
 - b) EUR five million (5,000,000.00).
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 Mortgage Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage 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.
 - iii) That the average margin added to the relevant benchmark index for determining the nominal interest rate, weighted by the outstanding principal of the Mortgage Loans is equal to or less than 0.50%.
 - iv) That three (3) years have not elapsed since the date of establishment of the Fund.”

Final amortisation of Series D Bonds shall occur on the Final Maturity Date (January 24, 2043), 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 **Common characteristics applicable to amortisation of Series A, B and C Bonds.**

Irrespective of the Final Maturity Date and subject to the Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, on the Payment Dates from the first Payment Date, April 24, 2006, inclusive, the Fund shall, through its Management Company, proceed to a partial amortisation of the Series A, B and C Bonds in accordance with the specific amortisation terms for each Series established in sections 4.9.2.1 to 4.9.2.5 of this Securities Note and on the terms described hereinafter in this section common to Series A, B and C.

4.9.3.1 **Determination Dates and Determination Periods.**

These will be the dates falling on the fourth (4th) 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 of Series A, B and C which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments.

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, the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, April 18, 2006, 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 the Bond Issue shall be the sum of the Outstanding Principal Balance of all four Series A, B, C and D making up the Bond Issue.

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

The Outstanding Balance of a Mortgage 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 Mortgage Loan on a given date.

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

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

Doubtful Mortgage Loans shall be deemed to be Mortgage 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 based on the indications or information obtained from the Servicer. Non-Doubtful Mortgage Loans shall be deemed to be Mortgage Loans that are not deemed to be Doubtful Mortgage Loans on a given date.

4.9.3.4 **Series A, B and C Amortisation Withholding on each Payment Date.**

On each Payment Date, the Available Funds shall be used in sixth (6th) place in the priority of payments for withholding the amount designed for amortising the Series A, B and C Bonds as a whole, without distinguishing between those Series ("**Series A, B and C Amortisation Withholding**"), in an amount equal to the positive difference, if any, on the Determination Date preceding the relevant Payment Date, between (i) the sum of the Outstanding Principal Balance of Series A, B and C, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied of the Available Funds to the Series A, B and C Amortisation Withholding shall be included among the Available Funds for Amortisation of Series A, B and C and be applied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B and C established hereinafter in section 4.9.3.1.6 below.

4.9.3.5 **Available Funds for Amortisation of Series A, B and C and Amortisation Deficiency on each Payment Date.**

The available funds for amortisation of Series A, B and C on each Payment Date (the "**Available Funds for Amortisation of Series A, B and C**") shall be the Series A, B and C Amortisation Withholding amount actually applied in sixth (6th) place of the Available Funds on 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 A, B and C Amortisation Withholding amount, and (ii) the amount of the Available Funds for Amortisation of Series A, B and C.

4.9.3.6 **Distribution of Available Funds for Amortisation of Series A, B and C.**

The Available Funds for Amortisation of Series A, B and C shall be applied on each Payment Date to amortising those Series, subject to the following rules ("**Distribution of Available Funds for Amortisation of Series A, B and C**"):

1. The Available Funds for Amortisation of Series A, B and C shall be sequentially applied firstly to amortising Series A until fully amortised, secondly to amortising Series B until fully amortised and thirdly to amortising Series C until fully amortised, subject to the provisions of rules 2 and 3 below for pro rata amortisation of Series A, B and C.
2. However, even if Series A has not been fully amortised, the Available Funds for Amortisation of Series A, B and C shall also be applied to amortising Series B and Series C on the Payment Date on which the following circumstances are satisfied for amortisation of each of those Series ("**Conditions for Pro Rata Amortisation**"):

- a) 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 4.51% of the sum of the Outstanding Principal Balance of Series A, B and C, and
 - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
 - b) 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 2.00% of the sum of the Outstanding Principal Balance of Series A, B and C, and
 - ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
 - c) In order to amortise Series B and Series C:
 - i) that the Required Cash Reserve amount shall have been fully provisioned on the relevant Payment Date, and
 - ii) that on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Mortgage Loans is equal to or greater than 10 percent of the initial Outstanding Balance upon the Fund being established.
3. In the event that the amortisation of Series B and, as the case may be, Series C should apply on a Payment Date as provided for in rule 2 above, the Available Funds for Amortisation of Series A, B and C shall also be applied to amortising Series B and, as the case may be, to amortising Series C in such a way that the ratio of the Outstanding Principal Balance of Series B or of Series C to the sum of the Outstanding Principal Balance of Series A, B and C is respectively kept at 4.51% and at 2.00%, 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 be authorised to proceed, as the case may be, to an Early Liquidation of the Fund and hence an 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 January 24, 2043 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 Mortgage Loan established in the relevant loan document.
- ii) The Obligors' capacity to prepay the Mortgage Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Mortgage 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.

- iii) The floating interest rates which shall apply to each Mortgage Loan, resulting in the repayment amount on every instalment differing.
- iv) The Obligors' delinquency in payment of Mortgage Loan instalments.

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

- Mortgage Loan interest rate: 3.12% weighted average interest rate as of November 17, 2005 of the portfolio of selected mortgage loans which has been used for calculating the repayment instalments and interest of each of the selected mortgage loans;
- Mortgage Loan portfolio delinquency: 0.10% of the Outstanding Balance of the Mortgage Loans, with 100% recoveries within 15 months of becoming delinquent;
- Mortgage Loan portfolio doubtfuls rated as bad debts: 0%;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is December 12, 2005;
- that there is no Amortisation Deficiency, and
- that there is no extension of the term of any of the selected mortgage 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 4-month Euribor (2.489%) and 5-month Euribor (2.539%) on November 21, 2005:

	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds
Nominal interest rate	2.636%	2.911%	3.136%	6.011%

For successive Interest Accrual Periods, the floating interest rate of the Bonds in each Series is assumed to be constant as follows, resulting from 3-month Euribor (2.439%) on November 21, 2005:

	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds
Nominal interest rate	2.564%	2.839%	3.064%	5.939%

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 4.4.3 of the Registration Document when the Outstanding Balance of the Mortgage 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:	6.00%	8.00%	10.00%	12.00%	14.00%
	Series A Bonds				
Average life (years)	6.98	6.12	5.45	4.87	4.40
IRR	2.630%	2.630%	2.630%	2.630%	2.630%
Duration (years)	5.98	5.32	4.79	4.33	3.94
Final maturity	24 01 2022	24 04 2020	24 01 2019	24 10 2017	24 10 2016
(in years)	16.13	14.38	13.13	11.87	10.87

% CPR:	6.00%	8.00%	10.00%	12.00%	14.00%
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Series B Bonds					
Average life (years)	11.36	10.02	8.96	8.04	7.27
IRR	2.913%	2.913%	2.913%	2.913%	2.913%
Duration (years)	9.33	8.39	7.61	6.92	6.33
Final maturity	24 01 2022	24 04 2020	24 01 2019	24 10 2017	24 10 2016
(in years)	16.13	14.38	13.13	11.87	10.87

Series C Bonds					
Average life (years)	11.36	10.02	8.96	8.04	7.27
IRR	3.146%	3.146%	3.146%	3.146%	3.146%
Duration (years)	9.19	8.27	7.52	6.84	6.26
Final maturity	24 01 2022	24 04 2020	24 01 2019	24 10 2017	24 10 2016
(in years)	16.13	14.38	13.13	11.87	10.87

Series D Bonds					
Average life (years)	12.24	10.82	9.75	8.77	7.98
IRR	6.161%	6.161%	6.161%	6.161%	6.161%
Duration (years)	8.01	7.35	6.82	6.30	5.87
Final maturity	24 01 2022	24 04 2020	24 01 2019	24 10 2017	24 10 2016
(in years)	16.13	14.38	13.13	11.87	10.87

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 = 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 = (A₁ A_n). Total amortisation and interest amounts to be received by investors.
- nd = Number of days comprised between the Closing Date of the issue and each of the n Payment Dates, not inclusive, during the life of the Bond.

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

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

Where:

D = Duration in each Bond Series expressed in years.

a_j = Time elapsed (in years) between the Closing Date and each of the *n* Payment Dates at issue.

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

PE = Issue price in every Bond Series.

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

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 October 6, 2005, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved that:

- i) VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA be set up in accordance with the legal system for which provision is made in Act 19/1992, 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 owned by BANCO DE VALENCIA derived from mortgage loans granted by BANCO DE VALENCIA to individuals with senior real estate mortgage security on finished homes located in Spain assigned to the Fund upon being established by means of the issue by BANCO DE VALENCIA and subscription by the Fund of mortgage certificates, be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

Resolution to assign mortgage loans by means of the issue of mortgage certificates:

At meetings held on February 25, 2005 and October 21, 2005, the Board of Directors of BANCO DE VALENCIA resolved that the assignment of loans with real estate security by means of the issue of mortgage certificates to be pooled in or subscribed for by a Mortgage Securitisation 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 December 5, 2005.

c) Execution of the Fund public deed of constitution.

Upon the CNMV registering this Prospectus, the Management Company shall, with the presence of BANCO DE VALENCIA, Originator of the Mortgage Loans by means of the issue of the Mortgage Certificates, proceed to execute on December 7, 2005 a public deed whereby VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA will be established, BANCO DE VALENCIA will issue and the Fund will subscribe for the Mortgage Certificates, and the Fund will issue the Mortgage-Backed Bonds, on the terms provided in articles 5 and 6 of Act 19/1992.

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 regulations contained in 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.

4.13 Issue date of the securities.

The Bond issue date shall be December 12, 2005, on the Closing Date proper.

4.13.1 Potential investors to whom the Bonds are offered

Placement of the Bonds in Series A, B and C Bonds is targeted at institutional or qualified investors.

The Series D Bonds shall be subscribed for by BANCO DE VALENCIA.

Tranches.

Each of the Series consists of one tranche only.

4.13.2 Series A, B and C Bond subscription or acquisition date or period.

The Series A, B and C Bond subscription period (the “**Subscription Period**”) shall begin at 12 o'clock midday (CET time) on December 9, 2005 and end at 1pm (CET time) on the same day.

4.13.3 Where and with whom may Series A, B and C Bond subscription or acquisition be processed?

In order to be taken into account, subscription proposals shall be made during the Subscription Period established in the preceding section, with BANCAJA, DEUTSCHE BANK, DEXIA and FORTIS BANK, as Underwriters and Placement Agents, and observing the procedures established hereinafter in the following sections.

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

4.13.4 Placement and allocation of the Series A, B and C Bonds.

The Underwriters and Placement Agents shall freely proceed to accept or turn down the Series A, B and C Bond 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 each Series A, B and C 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 **Series A, B and C Bond subscription payment method and dates.**

The investors to whom the Series A, B and C Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on December 12, 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 5.9 of Act 19/1992, 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, and a Regulated Market, as contained in the Annotated List of Regulated Markets and Additional Provisions under the Investment Services Directive (93/22), published in the Official Journal of the European Communities on May 12, 2005. The Management Company undertakes that definitive listing will be achieved not later than one 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 and BANCO DE VALENCIA as provided for in the Bond Issue Management, Underwriting and Placement Agreement plus the face amount of the Bonds placed and subscribed, as the case may be, for 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 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 commitment.
- (iii) Handing to the Management Company Bond Issue placement dissemination control information based on the information provided in that connection by the Underwriters and Placement Agents, using for that purpose the form duly established by the CNMV.
- (iv) On each of the Bond Payment Dates, paying interest and, as the case may be, repaying Bond principal through Iberclear, after deducting the total amount of the interim tax withholding for return on investments to be made by the Management Company, on behalf of the Fund, in accordance with applicable tax laws.
- (v) On each 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 or 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 BANCAJA as 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 to be provided by the Paying Agent, the Fund shall pay it on each Payment Date during the term of the agreement, a fee of 0.03%, inclusive of taxes as the case may be, on the amount to be distributed to Bondholders on the relevant Payment Date. This fee shall be paid 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 or in the event of termination of the Bond Issue Management, Underwriting and Placement Agreement.

6 EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING.

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

	EUR
• Initial Management Company fee	80,000.00
• Notary's, rating and legal advice fees *	285,457.59
• CNMV fees (registering Prospectus and supervising listing of Bonds)	67,533.29
• AIAF and Iberclear fees for including the Bonds in the register of book entries	54,520.00
• Underwriting and placement fees	752,080.00
• Translation, printing and other expenses	17,067.03
Total expenses	1,256,657.91

(* The selected loan sample audit fees have been paid by BANCO DE VALENCIA)

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.

BANCAJA has financially structured the Fund and the Bond Issue.

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.

Deloitte have audited the selected mortgage loans on the terms set forth in section 2.2 of the Building Block and have audited the Management Company's and BANCO DE VALENCIA's annual accounts for the years ended December 31, 2004.

7.4 Information sourced from a third party.

Within its duties to verify the information contained in this Prospectus, the Management Company has received confirmation from BANCO DE VALENCIA as to the truthfulness of the characteristics of BANCO DE VALENCIA as Originator, of the Mortgage Loans and of the Mortgage Certificates given in section 2.2.8 of the Building Block, and of the remaining information on BANCO DE VALENCIA and the Mortgage Loans and Mortgage Certificates given in this Prospectus.

In the Deed of Constitution of the Fund, BANCO DE VALENCIA shall reaffirm to the Management Company the fulfilment of those characteristics on the date on which the Fund is established.

The Management Company confirms that the information from BANCO DE VALENCIA concerning the Mortgage Loans has been accurately reproduced and, to the extent of its knowledge and ability to determine based on that information provided by BANCO DE VALENCIA, no fact has been omitted which might result in the information reproduced being inaccurate or deceptive.

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).

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).

Fitch Ratings España, S.A. on November 30, 2005 and Moody's Investors Service España, S.A. on November 30, 2005 have assigned the following provisional ratings to each Bond Series, and expect to assign the same final ratings by the start of the Bond Subscription Period.

Bond Series	Fitch Rating	Moody's Rating
Series A	AAA	Aaa
Series B	A+	A1
Series C	BBB+	Baa3
Series D	CCC-	Ca

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 issue of and subscription for the Mortgage Certificates 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.
CCC	Caa	CCC	Highly vulnerable to adverse business conditions
CC	Ca	CC	Vulnerable to default. Continuity of payments dependent on favourable financial, economic and business conditions.
C	C	C	Highly speculative.
DDD,DD,D		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:

Ratings given by			
Fitch	Moody's	S&P	Meaning
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 and in the Deed of Constitution allowing Series B and C Bond interest payment to be deferred in certain circumstances.

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 mortgage 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 BANCO DE VALENCIA, the Management Company, BANCAJA, the auditors of the selected mortgage loans and lawyers.

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 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 by pooling the Mortgage Certificates which BANCO DE VALENCIA shall issue to be subscribed for by the Fund upon being established and their total principal or capital shall be at least equal to EUR nine hundred and forty million one hundred thousand (940,100,000.00), the face value amount of the Series A, B and C Bonds.

1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been 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 generated by the securitised Mortgage Loans allow the payments due and payable on the Series A, B and C Bonds issued to be satisfied.

Nevertheless, in order to cover for potential defaults on payment by the Obligors of the securitised Mortgage Loans, a number of credit enhancement transactions have been arranged allowing the amounts payable on the Series A, B and C Bonds to be covered to a different extent and mitigating interest risk (base risk) because the Mortgage Loans have a floating interest and their benchmark indices and reset and settlement periods differ from those of the floating interest established for the A, B and C Bonds. 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 the Mortgage Certificates issued by BANCO DE VALENCIA on the Mortgage Loans (loans granted by BANCO DE VALENCIA to individuals with senior real estate mortgage security on finished homes located in Spain).

The portfolio of selected mortgage loans from which the Mortgage Loans to be assigned to the Fund upon being established will be taken comprises 12,794 mortgage loans, the outstanding principal of which as of November 17, 2005 amounted to EUR 974,030,963.30 and the portfolio loans are all in good standing.

Audit of the assets securitised through the Fund.

These selected mortgage loans have been audited by the firm Deloitte S.L. (“**Deloitte**”), entered in the Official Register of Auditors (ROAC) under number S0692 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 mortgage loans fewer (sample) than the full selection of mortgage 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 mortgage loans and specifically regarding: mortgage loan origination, purpose of the mortgage loan, identification of the borrower, date of origination, maturity date, initial amount, current balance, interest rate or benchmark index, interest rate spread, address of the mortgaged property, appraisal value, current loan to value ratio, mortgage security, arrears in payment and damage insurance. Mortgage loans in respect of which errors are detected in verifying the sample shall not be included by BANCO DE VALENCIA for issuing the Mortgage Certificates.

The audit results shall be set out in a report prepared by Deloitte.

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 mortgage loans.

All obligors are individuals. The following table gives the concentration of the ten obligors weighing most in the portfolio of selected mortgage loans as of November 17, 2005.

Portfolio of mortgage loans as of 17/11/2005				
Classification by Obligor				
	Loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	2	0.016	570,842.03	0.059
Obligor 2	2	0.016	556,092.37	0.057
Obligor 3	2	0.016	499,202.33	0.051
Obligor 4	1	0.008	497,643.66	0.051
Obligor 5	1	0.008	492,696.84	0.051
Obligor 6	1	0.008	485,532.23	0.050
Obligor 7	1	0.008	485,303.47	0.050
Obligor 8	1	0.008	480,653.71	0.049
Obligor 9	1	0.008	476,664.61	0.049
Obligor 10	1	0.008	453,997.26	0.047
Rest: 12,595 obligors	12,781	99.898	969,032,334.79	99.487
Total 12,605 obligors	12,794	100.000	974,030,963.30	100.000

The outstanding principal of each obligor is the result of the sum of the outstanding principal of each of the selected mortgage loans granted to a same obligor.

b) Information regarding origination dates of the selected mortgage loans.

The selected mortgage loans making up the provisional portfolio were originated on dates comprised between January 3, 1992 and September 5, 2005, average portfolio age being 25.66 months as of November 17, 2005.

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

Portfolio of mortgage loans as of 17/11/2005				
Classification by origination date				
Date interval	Loans		Outstanding principal	
		%	(EUR)	%
01/01/1992 to 30/06/1992	4	0.03	22,522.20	0.00
01/01/1993 to 30/06/1993	1	0.01	22,184.04	0.00
01/07/1993 to 31/12/1993	5	0.04	54,574.48	0.01
01/01/1994 to 30/06/1994	10	0.08	153,379.75	0.02
01/07/1994 to 31/12/1994	31	0.24	824,546.56	0.08
01/01/1995 to 30/06/1995	38	0.30	435,380.97	0.04
01/07/1995 to 31/12/1995	31	0.24	601,993.22	0.06
01/01/1996 to 30/06/1996	73	0.57	1,777,042.26	0.18
01/07/1996 to 31/12/1996	137	1.07	3,391,329.66	0.35
01/01/1997 to 30/06/1997	266	2.08	6,136,507.47	0.63
01/07/1997 to 31/12/1997	243	1.90	6,258,680.39	0.64
01/01/1998 to 30/06/1998	362	2.83	11,094,064.42	1.14
01/07/1998 to 31/12/1998	314	2.45	10,083,574.81	1.04
01/01/1999 to 30/06/1999	159	1.24	7,053,346.51	0.72
01/07/1999 to 31/12/1999	157	1.23	7,797,947.07	0.80
01/01/2000 to 30/06/2000	173	1.35	8,394,755.07	0.86
01/07/2000 to 31/12/2000	106	0.83	5,210,849.22	0.53
01/01/2001 to 30/06/2001	182	1.42	9,415,928.22	0.97
01/07/2001 to 31/12/2001	327	2.56	19,519,366.67	2.00
01/01/2002 to 30/06/2002	522	4.08	36,254,290.38	3.72
01/07/2002 to 31/12/2002	497	3.88	33,396,995.90	3.43
01/01/2003 to 30/06/2003	1,389	10.86	105,051,844.68	10.79
01/07/2003 to 31/12/2003	1,996	15.60	160,857,594.27	16.51
01/01/2004 to 30/06/2004	2,073	16.20	175,802,356.03	18.05
01/07/2004 to 31/12/2004	2,060	16.10	193,868,439.55	19.90
01/01/2005 to 30/06/2005	1,623	12.69	167,231,487.83	17.17
01/07/2005 to 31/12/2005	15	0.12	3,319,981.67	0.34
Total	12,794	100.00	974,030,963.30	100.00
Weighted average age			Months	25.66
Maximum age			Months	166.59
Minimum age			Months	2.40

c) Information regarding outstanding principal of the selected mortgage loans.

The outstanding principal of the selected mortgage loans as of November 17, 2005 ranges between EUR 275.43 and EUR 497,643.66.

The following table gives the distribution of the outstanding principal of the selected mortgage loans by EUR 25,000.00 intervals. Intervals with no contents are not detailed.

Portfolio of mortgage loans as of 17/11/2005				
Classification by outstanding principal				
Outstanding principal interval (in EUR)	Loans No.	%	Outstanding principal (EUR)	%
0 - 24,999	1,892	14.79	26,685,520.62	2.74
25,000 - 49,999	2,548	19.92	95,768,926.91	9.83
50,000 - 74,999	2,639	20.63	164,949,068.34	16.93
75,000 - 99,999	2,411	18.84	208,556,360.55	21.41
100,000 - 124,999	1,469	11.48	163,786,036.68	16.82
125,000 - 149,999	878	6.86	120,012,671.70	12.32
150,000 - 174,999	396	3.10	63,934,120.63	6.56
175,000 - 199,999	241	1.88	44,773,171.62	4.60
200,000 - 224,999	110	0.86	23,337,468.69	2.40
225,000 - 249,999	73	0.57	17,231,053.74	1.77
250,000 - 274,999	38	0.30	9,920,306.19	1.02
275,000 - 299,999	19	0.15	5,441,665.64	0.56
300,000 - 324,999	23	0.18	7,209,041.08	0.74
325,000 - 349,999	16	0.13	5,400,608.70	0.55
350,000 - 374,999	9	0.07	3,215,393.13	0.33
375,000 - 399,999	6	0.05	2,310,420.57	0.24
400,000 - 424,999	8	0.06	3,257,423.79	0.33
425,000 - 449,999	9	0.07	3,912,508.48	0.40
450,000 - 474,999	1	0.01	453,997.26	0.05
475,000 - 499,999	8	0.06	3,875,198.98	0.40
Total	12,794	100.00	974,030,963.30	100.00
	Average principal:		76,131.86	
	Minimum principal:		275.43	
	Maximum principal:		497,643.66	

d) Information regarding the benchmark indices applicable for determining the floating interest rates applicable to the selected mortgage loans.

The selected mortgage loans all have a floating rate. The following table gives the distribution of the mortgage loans according to the benchmark indices applicable to them for determining the nominal interest rate, indicating the weighted average margin that is added to the relevant benchmark index for that determination.

Portfolio of mortgage loans as of 17/11/2005					
Classification by interest rate benchmark index					
Benchmark index	Loans		Outstanding principal		%Margin * o/index
		%	(EUR)	%	
1-year EURIBOR/MIBOR	12,794	100.00	974,030,963.30	100.00	0.84
Total	12,794	100.00	974,030,963.30	100.00	0.84

*Average margin weighted by the outstanding principal.

e) Information regarding applicable nominal interest rates: maximum, minimum and average rates of the selected mortgage loans.

The nominal interest rates applicable to the selected mortgage loans as of November 17, 2005 range between 2.31% and 5.25%, the average nominal interest rate weighted by the outstanding principal being 3.12%.

The following table gives the distribution of the selected mortgage loans by 0.50% nominal interest rate intervals.

Portfolio of mortgage loans as of 17/11/2005					
Classification by nominal interest rates					
% Interest Rate Interval	Loans		Outstanding principal (EUR)		%Interest Rate*
		%		%	
2.00 - 2.49	1	0.01	98,642.90	0.01	2.31
2.50 - 2.99	2,917	22.80	305,433,650.07	31.36	2.86
3.00 - 3.49	7,445	58.19	559,847,975.31	57.48	3.15
3.50 - 3.99	2,022	15.80	97,344,963.79	9.99	3.59
4.00 - 4.49	323	2.52	9,413,860.54	0.97	4.07
4.50 - 4.99	34	0.27	829,685.93	0.09	4.56
5.00 - 5.49	52	0.41	1,062,184.76	0.11	5.01
Total	12,794	100.00	974,030,963.30	100.00	
			Weighted average:		3.12
			Simple average:		3.20
			Minimum:		2.31
			Maximum:		5.25

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

f) Information regarding minimum nominal interest rates applicable to the selected mortgage loans.

Part of the selected mortgage loans have had a minimum nominal interest rate floor set for applicable nominal interest rate variability. The minimum nominal interest rates applicable to the selected mortgage loans as at November 17, 2005 range between 0.50% and 5.00%.

The following table gives the distribution of the selected mortgage loans by 0.50% minimum nominal interest rate intervals applicable for determining their nominal interest rate. Intervals with no contents are not detailed.

Portfolio of mortgage loans as of 17/11/2005					
Classification by applicable minimum nominal interest rates					
Minimum % Interest Rate Interval	Loans		Outstanding principal (EUR)		Minimum % Int. Rate*
		%		%	
0.50 - 0.99	4	0.03	477,486.41	0.05	0.62
1.00 - 1.49	321	2.51	26,302,081.73	2.70	1.00
2.00 - 2.49	3,772	29.48	317,878,437.92	32.64	2.00
2.50 - 2.99	15	0.12	1,100,481.14	0.11	2.89
3.00 - 3.49	68	0.53	5,637,091.08	0.58	3.13
3.50 - 3.99	17	0.13	1,045,306.53	0.11	3.59
4.00 - 4.49	3	0.02	126,450.85	0.01	4.03
4.50 - 4.99	2	0.02	114,598.14	0.01	4.60
5.00 - 5.49	50	0.39	989,573.26	0.10	5.00
No minimum applicable NIR	8,542	66.77	620,359,456.24	63.69	-
Total	12,794	100.00	974,030,963.30	100.00	

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

g) Information regarding maximum nominal interest rates applicable to the selected mortgage loans.

Part of the selected mortgage loans have had a maximum nominal interest rate ceiling set for applicable nominal interest rate variability. The maximum nominal interest rates applicable to the selected mortgage loans as at November 17, 2005 range between 15.00% and 29.00%.

The following table gives the distribution of the selected mortgage loans by 0.50% maximum nominal interest rate intervals applicable for determining their nominal interest rate. Intervals with no contents are not detailed.

Portfolio of mortgage loans as of 17/11/2005					
Classification by applicable maximum nominal interest rates					
Maximum % Interest Rate Interval	Loans		Outstanding principal		Maximum % Int. Rate*
		%	(EUR)	%	
15.00 - 15.49	3,973	31.05	334,066,625.19	34.30	15.00
16.00 - 16.49	6	0.05	483,640.25	0.05	16.00
19.00 - 19.49	5	0.04	392,607.82	0.04	19.00
20.00 - 20.49	91	0.71	8,021,551.43	0.82	20.00
21.00 - 21.49	2	0.02	60,903.48	0.01	21.00
24.00 - 24.49	1	0.01	42,765.23	0.00	24.00
25.00 - 25.49	178	1.39	9,745,890.07	1.00	25.00
29.00 - 29.49	3	0.02	139,043.81	0.01	29.00
No maximum applicable NIR	8,535	66.71	621,077,936.02	63.76	-
Total	12,794	100.00	974,030,963.30	100.00	

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

h) Information regarding final maturity date of the selected mortgage loans.

The final maturity of the selected mortgage loans falls on dates comprised between January 1, 2007 and January 5, 2040.

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

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

The following table gives the distribution of mortgage loans according to final maturity date by yearly intervals, and total weighted average residual life and first and last maturity dates.

Portfolio of mortgage loans as of 17/11/2005						
Classification by final maturity date						
Final maturity year	Loans		Outstanding principal		Residual life _{wa} *	
		%	(EUR)	%	Months	Date
01/01/2007 to 31/12/2007	184	1.44	1,233,142.39	0.13	19.97	18/07/2007
01/01/2008 to 31/12/2008	195	1.52	2,137,290.08	0.22	31.65	7/07/2008
01/01/2009 to 31/12/2009	150	1.17	2,788,493.24	0.29	43.20	24/06/2009
01/01/2010 to 31/12/2010	173	1.35	3,625,077.68	0.37	55.31	27/06/2010
01/01/2011 to 31/12/2011	259	2.02	6,344,849.39	0.65	68.12	22/07/2011
01/01/2012 to 31/12/2012	350	2.74	9,129,166.35	0.94	79.71	9/07/2012
01/01/2013 to 31/12/2013	495	3.87	16,460,985.63	1.69	91.78	12/07/2013
01/01/2014 to 31/12/2014	347	2.71	15,951,966.35	1.64	103.13	22/06/2014
01/01/2015 to 31/12/2015	293	2.29	14,558,197.49	1.49	114.59	6/06/2015
01/01/2016 to 31/12/2016	255	1.99	13,203,808.81	1.36	127.73	10/07/2016
01/01/2017 to 31/12/2017	366	2.86	19,622,769.47	2.01	139.81	12/07/2017
01/01/2018 to 31/12/2018	688	5.38	40,655,217.26	4.17	151.98	18/07/2018
01/01/2019 to 31/12/2019	618	4.83	41,303,996.46	4.24	163.32	28/06/2019
01/01/2020 to 31/12/2020	349	2.73	24,468,157.42	2.51	173.80	12/05/2020
01/01/2021 to 31/12/2021	246	1.92	16,688,493.58	1.71	188.14	22/07/2021
01/01/2022 to 31/12/2022	402	3.14	28,699,575.34	2.95	199.25	26/06/2022
01/01/2023 to 31/12/2023	1,126	8.80	80,365,455.63	8.25	212.09	22/07/2023
01/01/2024 to 31/12/2024	1,099	8.59	89,312,081.38	9.17	223.13	21/06/2024

Portfolio of mortgage loans as of 17/11/2005						
Classification by final maturity date						
Final maturity year	Loans		Outstanding principal		Residual life _{wa} *	
		%	(EUR)	%	Months	Date
01/01/2025 to 31/12/2025	533	4.17	48,253,092.07	4.95	232.78	11/04/2025
01/01/2026 to 31/12/2026	161	1.26	12,670,755.61	1.30	248.41	31/07/2026
01/01/2027 to 31/12/2027	374	2.92	31,646,377.29	3.25	259.50	3/07/2027
01/01/2028 to 31/12/2028	1,066	8.33	104,210,003.84	10.70	272.35	29/07/2028
01/01/2029 to 31/12/2029	1,366	10.68	140,117,620.41	14.39	283.28	26/06/2029
01/01/2030 to 31/12/2030	652	5.10	75,058,308.10	7.71	292.33	29/03/2030
01/01/2031 to 31/12/2031	22	0.17	2,679,400.95	0.28	308.30	28/07/2031
01/01/2032 to 31/12/2032	34	0.27	4,149,244.43	0.43	320.15	23/07/2032
01/01/2033 to 31/12/2033	144	1.13	18,411,758.02	1.89	333.01	18/08/2033
01/01/2034 to 31/12/2034	390	3.05	50,447,507.20	5.18	344.76	11/08/2034
01/01/2035 to 31/12/2035	456	3.56	59,690,429.92	6.13	352.27	27/03/2035
01/01/2040 to 31/12/2040	1	0.01	147,741.51	0.02	409.59	5/01/2040
Total	12,794	100.00	974,030,963.30	100.00		
	Weighted average:				239.43	31/10/2025
	Simple average:				205.99	17/01/2023
	Minimum:				13.47	1/01/2007
	Maximum:				409.59	5/01/2040

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

i) **Information regarding geographical distribution by Autonomous Communities of the selected mortgage loans.**

The following table gives the geographical distribution of the selected mortgage loans arranged by Autonomous Communities in which the properties securing the same are located.

Portfolio of mortgage loans as of 17/11/2005					
Classification by Autonomous Communities					
Autonomous Communities	Loans		Outstanding principal		
		%	(EUR)	%	
Andalusia	652	5.10	44,246,118.74	4.54	
Aragón	663	5.18	63,774,365.41	6.55	
Asturies	1	0.01	20,362.88	0.00	
Balearic Isles	28	0.22	3,872,459.55	0.40	
Canary Islands	1	0.01	47,317.86	0.00	
Catalonia	56	0.44	7,220,850.14	0.74	
Ceuta	1	0.01	238,051.32	0.02	
Basque Country	6	0.05	385,698.27	0.04	
Extremadura	1	0.01	98,003.24	0.01	
Galicia	1	0.01	127,112.20	0.01	
Castile-León	6	0.05	286,552.84	0.03	
Madrid	568	4.44	70,781,432.59	7.27	
Castile La Mancha	38	0.30	3,518,869.87	0.36	
Murcia	2,136	16.70	130,418,883.66	13.39	
Navarre	49	0.38	4,272,063.82	0.44	
La Rioja	100	0.78	8,312,875.80	0.85	
Valencian Community	8,487	66.34	636,409,945.11	65.34	
Total	12,794	100.00	974,030,963.30	100.00	

j) Information regarding delays in collecting principal instalments of the selected mortgage loans.

The provisional portfolio loans were all in good standing in respects of payment of amounts due under each of them on November 17, 2005.

As described in section 2.2.8 (27) of the Building Block, none of the Mortgage Loans that will finally be the subject of the issue of the Mortgage Certificates for the Fund to be established shall have no payments overdue on their issue date.

2.2.3 Legal nature of the pool of assets.

The assets selected to be securitised are loans granted by BANCO DE VALENCIA to individuals with real estate mortgage security on finished homes located in Spain, originated in a public deed and designed to finance the purchase, building or renovation of homes.

The mortgage loans were originated in a public deed subject to the Mortgage Act, February 8, 1956, mortgage market regulation rules and supplementary laws.

The Mortgage Loans shall be assigned to the Fund by means of the issue by BANCO DE VALENCIA and subscription the Fund of Mortgage Certificates subject to the provisions of Mortgage Market Regulation Act 2/1981, March 25 (“**Act 2/1981**”), Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981 (“**Royal Decree 685/1982**”), amended by Royal Decree 1289/1991, August 2, (“**Royal Decree 685/1982**”), Act 19/1992 and other applicable laws, on the terms provided for in section 3.3 of this Building Block.

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

The selected mortgage 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 mortgage 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 mortgage loans as of November 17, 2005 lies between January 1, 2007 and January 5, 2040, although the maturity date may be extended as set out in the following section. Section 2.2.2.i) above contains a table giving the distribution of the selected mortgage 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 Mortgage Certificates which BANCO DE VALENCIA shall issue on the Mortgage Loans to be subscribed for by the Fund upon being established and their total principal or capital shall be at least equal to EUR nine hundred and forty million one hundred thousand (940,100,000.00), the face value amount of the Series A, B and C Bonds.

The portfolio of selected mortgage loans from which the Mortgage Loans to be assigned to the Fund upon being established will be taken comprises 12,794 mortgage loans, the outstanding principal of which as of November 17, 2005 amounted to EUR 974,030,963.30 and the portfolio loans are all in good standing.

2.2.6 Loan to value ratio or level of collateralisation.

The ratio, expressed as a percentage, of the outstanding principal amount of the selected mortgage loans as of November 17, 2005 to the appraisal value of the mortgaged properties was comprised between 0.13% and 80.00%, the average ratio weighted by the outstanding principal on each mortgage loan being 60.95%.

The following table gives the distribution of the selected mortgage loans by 5.00% intervals of that ratio.

Portfolio of mortgage loans as of 17/11/2005					
Classification by Loan-to-Value ratio					
Ratio Intervals	Loans		Outstanding principal		Loan-to-Value* (%)
		%	(EUR)	%	
0.01 - 5.00	80	0.63	357,560.04	0.04	3.47
5.01 - 10.00	233	1.82	2,502,443.06	0.26	8.05
10.01 - 15.00	370	2.89	6,796,022.79	0.70	12.73
15.01 - 20.00	484	3.78	11,961,658.74	1.23	17.70
20.01 - 25.00	517	4.04	15,981,814.25	1.64	22.58
25.01 - 30.00	495	3.87	20,656,760.21	2.12	27.57
30.01 - 35.00	538	4.21	25,978,439.48	2.67	32.66
35.01 - 40.00	654	5.11	36,658,259.70	3.76	37.67
40.01 - 45.00	708	5.53	47,439,037.45	4.87	42.48
45.01 - 50.00	766	5.99	57,342,892.80	5.89	47.61
50.01 - 55.00	902	7.05	70,895,969.32	7.28	52.52
55.01 - 60.00	992	7.75	82,320,706.67	8.45	57.70
60.01 - 65.00	1,108	8.66	97,261,301.77	9.99	62.55
65.01 - 70.00	1,325	10.36	122,579,007.98	12.58	67.67
70.01 - 75.00	1,616	12.63	155,736,222.38	15.99	72.66
75.01 - 80.00	2,006	15.68	219,562,866.66	22.54	77.29
Total	12,794	100.00	974,030,963.30	100.00	
	Weighted average:				60.95 %
	Simple Average:				53.53 %
	Minimum:				0.13 %
	Maximum:				80,00 %

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

There is no overcollateralisation in the Fund since the total Mortgage Loan principal or capital that BANCO DE VALENCIA shall issue to be subscribed for by the Fund upon being set up shall be equal to or slightly above EUR nine hundred and forty million one hundred thousand (940,100,000.00), the face value amount of the Series A, B and C Bonds.

2.2.7 Method of creation of the assets.

Loan application and customer file

The first requirement for obtaining a loan is identifying and becoming acquainted with the parties involved in the transactions, creating a customer file upon the loan application being made.

The files are prepared by the branches on paper, and a file is drawn up for every customer to be kept at the branch filed in alphabetical order.

If the transaction is beyond the powers subdelegated to the branch, then a twin file is prepared at the relevant risk level (Area Risk Committee or Central Services), and two records of the file are kept.

Each file consists of:

- ⇒ Investment proposals ordered by dates with the relevant position sheets.
- ⇒ Economic, financial and legal documents.
- ⇒ Internal mail exchanged between the Branch and other levels (Area, Risks, Monitoring, Internal Audit, etc).
- ⇒ The agreements originating the transactions are kept and filed in the Branch's safe-deposit box.

The transaction is applied for creating electronic files. This consists of the data and information altogether needed to study risk transactions and allows request, analysis, approval and origination to be integrated in a single process. This system is accessible throughout the institution and allows all information to be consistently and fully available.

The electronic file is commenced from the branches and includes all kinds of information relating to the parties involved (personal, professional, economic, financial, assets and other data) and the transactions applied for. The scoring tool is part of the electronic file application.

Information required

Information and documents required for home mortgage loans to be granted to private individuals.

Particulars identifying the parties' personality.

The particulars must precisely identify the personality of the obligor(s), the transaction guarantors, if any, and the "economic risk unit" in which they belong, taking that to be the group of natural or legal persons in which a decision unit is assumed to exist.

Spanish ID and Tax Identification Number for Spaniards and passport and residence card for foreigners.

Documents required for studying and approving the transaction.

- ⇒ Investment proposal.
- ⇒ Details of the parties' relationship with Banco de Valencia (borrowers/guarantors) and the like.
- ⇒ Alert system information screens (RAI, CAIS, legal incidents).
- ⇒ income tax return for borrower(s) and guarantor(s) and Wealth tax return where appropriate.
- ⇒ Declaration of assets for borrower(s) and guarantor(s).
- ⇒ Appraisal of real properties of borrower(s) and guarantor(s).
- ⇒ Updated searches in registers for the real properties of borrower(s) and guarantor(s).
- ⇒ Last 3 pay cheques borrower(s) and guarantor(s) where they are salaried employees. In the case of self-employed workers, VAT returns and interim payments.
- ⇒ Cover and recommendation letter summarising the transaction proposed and describing any relevant aspect not included in the above documents.
- ⇒ Profitability sheet in the case those that are already BV customers.

Specific documents required for mortgage loans.

- ⇒ Title deed(s) of the property(ies) to be mortgaged.
- ⇒ Updated searches in registers for ownership of and liens on the property to be mortgaged.
- ⇒ Life and household multi-risk insurance policies.
- ⇒ Appraisal of the property to be mortgaged.

Banco Valencia has established a list of accredited appraising firms controlled by the Audit department. Branches may freely choose any Appraising firm out of this list.

Transaction analysis.

Using all the customer and transaction information included in the File, the investment viability is analysed applying Banco Valencia's risk policies and criteria, and a decision is made, set forth on the approval.

This is a global analysis which shall cover both the transaction proper, the other risks of the applicant or Group and the direct and indirect compensations provided to the Bank as regards profitability and business.

All credit transactions are studied based on the same pattern of analysis, and there are consequently no policy differences between the different decision-making levels.

The following are the general risk analysis policies of Banco Valencia:

- ➔ Repayment capacity.
- ➔ Credit rating.
- ➔ Profitability.

New mortgage loan transactions are analysed by scoring, thereby obtaining an opinion to be borne in mind in the final decision.

Based on these general policies, more specific analyses are made as summarised below.

- ◆ Preliminary analysis of the reliability of the information provided by customers. The analyses must all be made based on official documents (personal income tax return, pay cheques, searches in registers, wealth tax return).

- ◆ Repayment capacity analysis.

Current payment obligations plus those resulting from the transaction(s) applied for are set against historic, current and expected income generation, using tax information sources at all times.

In mortgage loans for private individuals instalment payments are set against net family income.

The assessment is made at a family unit level, checking that the expenses and income allow the borrower to have repayment capacity with reference to loan instalments, in short, that the net family income will allow the borrower to meet payments. Based on the repayment capacity, a determination is made of an individual's borrowing capacity, not only with Banco de Valencia but with respect to the financial system in general.

In general, this ratio should not exceed 45% (2.5 times) of aggregate net income.

- ◆ Analysis of the purpose of the transaction: consistency in the request, arrival channel, etc.
- ◆ CIRBE Analysis.
 - Checking evolution under various descriptions, terms, security (personal bond/security interest).
 - Detecting positions of default or receivership.
- ◆ Credit standing analysis.

This is made based on official documents available (wealth tax return for individuals) and documents prepared by the bank (declaration of assets and real estate standing), detecting evolution, liens, and in particular for the purpose of adjusting tax values to true market values. Real estate standing shall always be supported with the appropriate searches in registers.

The aim is to determine the wealth level covering the loan granted in the event of default.

The lowest loan to value (LTV) accepted by Banco de Valencia in this case is that the borrowing level to be granted should not exceed 80% of the appraisal value in buying a first home and between 50-60% in all other cases. Nevertheless, financing in excess of those values may be granted if collateral security is given.

- ◆ Analysis of alerts based on Experian system, comprising RAI, legal incidents and defaults.
- ◆ Profitability analysis, based on the sheet for the same name and details of movements and turnovers applied.
- ◆ Checking that the entire risk in force is authorised, covered by the relevant investment proposals and at the authorised prices.
- ◆ Analysis that risks are properly covered with security documents.
- ◆ Analysis of the property used as security using the appraisal. Covers, tenants, other liens.

Origination

Whatever the approving level, transactions are originated by the Branch. Upon approval being received, draft mortgage documents available on the Banco de Valencia intranet are prepared and the loans are then signed. New transactions are originated from the electronic file.

All transaction signature documents are kept at the Branch, in particular the public deeds, which are kept in each Branch's safe-deposit boxes.

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

The Management Company reproduces below the representations and warranties BANCO DE VALENCIA shall, as holder of the Mortgage Loans until assigned to the Fund and as issuer of the Mortgage Certificates, give and make on the date of establishment of the Fund to the Management Company, on the Fund's behalf.

1. In relation to BANCO DE VALENCIA.

- (1) That BANCO DE VALENCIA is a credit institution duly incorporated in accordance with the laws in force for the time being and entered in the Companies Register and in the Register of Credit Institutions of the Bank of Spain, and is authorised to operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has it had a creditors' meeting called or been insolvent, in receivership or bankrupt, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.
- (3) That BANCO DE VALENCIA has obtained all necessary authorisations both from the administration and from its corporate bodies and third parties, if any, who may be affected by the assignment of the Mortgage Loans to the Fund and the issue of the Mortgage Certificates, to validly execute the Deed of Constitution, the agreements relating to the establishment of the Fund and fulfilling the undertakings made.
- (4) That BANCO DE VALENCIA has audited accounts for the years 2004, 2003 and 2002 with a favourable opinion and without any negative notes from the auditors and they have been filed with the CNMV and with the Companies Register.

2. In relation to the Mortgage Certificates and the Mortgage Loans.

- (1) That the Mortgage Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991, Act 19/1992 and other applicable laws, and satisfy all the requirements established therein and are susceptible of being included in a Mortgage Securitisation Fund.
- (2) That the Mortgage Certificates are issued for the same term remaining until maturity and for the same interest rate of each of the underlying Mortgage Loans.
- (3) That the Mortgage Loans transferred to the Fund by means of the issue of Mortgage Certificates satisfy all the requirements established in Section 2 of Act 2/1981.
- (4) That the Mortgage Loans exist and are valid and enforceable in accordance with the applicable laws, and all applicable laws have also been observed in granting the same.
- (5) That BANCO DE VALENCIA is the legal and beneficial owner of all the Mortgage Loans and of the relevant mortgages and there is no obstacle whatsoever for the Mortgage Certificates to be issued.
- (6) That the details and information of the mortgage loans selected for the Mortgage Certificates to be issued given in section 2 of the Building Block to the Prospectus, accurately reflect their status on the relevant date and are correct.
- (7) That the details of the Mortgage Certificates and the Mortgage Loans included in the schedules to the Deed of Constitution accurately reflect the current status of those Mortgage Loans and Mortgage Certificates and are full and accurate, and match the data files sent to the Management Company on those Mortgage Loans.

- (8) That the Mortgage Loans underlying the Mortgage Certificates are part of the mortgage loans selected for the Mortgage Certificates to be issued given in section 2 of the Building Block to the Prospectus.
- (9) That the information on the Mortgage Certificates and the Mortgage Loans given in the Prospectus is accurate and fairly reflects their real status.
- (10) That the Mortgage Loans are secured with a senior real estate mortgage on the legal and beneficial ownership of each and every one of the mortgaged properties, and they are not encumbered by restrictions on disposal, conditions subsequent, or any other restriction on ownership.
- (11) 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 regulations.
- (12) That the Mortgage Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (13) That the Mortgage Loans are all denominated and payable exclusively in euros, and the capital or principal has been fully drawn down.
- (14) That none of the Mortgage Loans have clauses allowing deferment of periodic interest payment and principal repayment.
- (15) That all the Mortgage Loan payment obligations are satisfied by directly debiting a bank account.
- (16) That the Obligors are all individuals.
- (17) That the Mortgage Loans have been granted in order to finance, with real estate mortgage security, the purchase, building or renovation of homes located in Spain.
- (18) That the Mortgage Loans have been granted to individuals both directly and through subrogations of financing granted to developers for building homes.
- (19) That the mortgages are granted on real properties already built wholly legally and beneficially owned by the respective mortgagor and meeting the requirements established by article 27 of Royal Decree 685/1982, and BANCO DE VALENCIA is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (20) 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, nor do the Mortgage Loans have any of the credit features excluded or restricted under article 32 of Royal Decree 685/1982.
- (21) That the mortgaged properties are all finished homes located in Spain and have been appraised by duly qualified institutions approved by the BANCO DE VALENCIA, evidence of which appraisal has been provided in the form of an appropriate certificate. The appraisals made satisfy all the requirements established in the mortgage market laws.
- (22) That in the case of Mortgage Loans secured with officially protected homes, the appraisal value considered and reported for all calculation purposes, was the maximum legal value under the official protection system.
- (23) That the sum of the outstanding principal balance on each Mortgage Loan does not exceed 80% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Loan.
- (24) That BANCO DE VALENCIA is not aware of there having been any fall in the value of any of the properties mortgaged as security for the Mortgage Loans in excess of 20% of the appraisal value.

- (25) That the properties mortgaged as security for the Mortgage Loans all have at least a valid fire damage insurance, and the insured sum thereunder is not less than the appraisal value of the mortgaged property, excluding elements that are uninsurable by nature. In this connection, BANCO DE VALENCIA has taken out a general insurance policy to cover those risks in the event of the damage insurance policy taken out by the Obligor not existing, falling short or being ineffective.
- (26) That BANCO DE VALENCIA is not aware of the premiums accrued heretofore by the insurance taken out referred to in paragraph (25) above not having been paid in full.
- (27) That the Mortgage Loans are not represented by such instruments as registered, negotiable or bearer securities, other than the Mortgage Certificates issued to be pooled in the Fund.
- (28) That none of the Mortgage Certificates have any payments overdue on the date of issue of the Mortgage Certificates.
- (29) That BANCO DE VALENCIA is not aware that any Mortgage Loan Obligor holds any credit right against BANCO DE VALENCIA whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Mortgage Certificates.
- (30) That BANCO DE VALENCIA has strictly adhered to the policies for granting credit in force at the time in granting each and every one of the Mortgage Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and a summary description by of BANCO DE VALENCIA's policies for granting loans with real estate security to individuals, currently in force, is given in section 2.2.7 of the Building Block to the Prospectus and is attached to the Deed of Constitution in that respect.
- (31) That the deeds for the mortgages granted on the properties to which the Mortgage Loans relate have all been duly filed in the records of BANCO DE VALENCIA suitable therefor, and are at the Management Company's disposal, for and on behalf of the Fund, and the Mortgage Loans are all clearly identified both in data files and by means of their deeds.
- (32) That the outstanding capital balance of each Mortgage Loan on the date of issue is equivalent to the principal figure of the relevant Mortgage Certificate and that, in turn, the total capital of the Mortgage Certificates shall be at least equal to EUR nine hundred and forty million one hundred thousand (940,100,000.00).
- (33) That the final maturity date of the Mortgage Loans is at no event after January 5, 2040.
- (34) That, on the date of issue, the maximum nominal interest rate applicable for determining the nominal interest rate of the Mortgage Loans is not, as the case may be, less than fourteen percent (14%).
- (35) That after being granted the Mortgage Loans have been serviced and are still being serviced by BANCO DE VALENCIA in accordance with its set customary procedures.
- (36) That BANCO DE VALENCIA has no knowledge of the existence of any litigation whatsoever in relation to the Mortgage Loans which may detract from their validity or which may result in the application of Civil Code article 1535, or of the existence of circumstances which may result in the purchase agreement of the home mortgaged as security for the Mortgage Loans being ineffective.
- (37) That BANCO DE VALENCIA is not aware of any of the Obligors being able to make any objection whatsoever to paying any Mortgage Loan amount.
- (38) That on the date of issue BANCO DE VALENCIA has received no notice of full prepayment of the Mortgage Loans.
- (39) That on the date of the issue at least two instalments have fallen due on each Mortgage Loan.

- (40) That BANCO DE VALENCIA is not aware of the existence of any circumstance whatsoever which might prevent the mortgage security from being enforced.
- (41) That once the Mortgage Certificates are issued the outstanding principal balance of mortgage debentures issued by BANCO DE VALENCIA shall not be in excess of 90 percent of the sum of the capitals not repaid on its portfolio mortgage loans, deducting those affected by other mortgage instruments. And that there is no issue of mortgage bonds outstanding made by BANCO DE VALENCIA.
- (42) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or mortgage certificates, other than the issue of the Mortgage Certificates, and after their issue the Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage certificates or other Mortgage Certificates.
- (43) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Mortgage Certificates.

2.2.9 Substitution of the securitised assets.

Set rules for substitution or repayment to the Fund of the Mortgage Certificates as the case may be.

1. In the event of early amortisation of Mortgage Certificates upon prepayment of the relevant Mortgage Loan capital, there will be no substitution of the affected Mortgage Certificates.
2. In the event that it should be observed throughout the life of the Mortgage Certificates that any of them or of the underlying Mortgage Loans fails to meet the characteristics given in section 2.2.8 of this Building Block upon the Fund being constituted, BANCO DE VALENCIA agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, to a substitution or, as the case may be, early amortisation of the Mortgage Certificate in that situation, subject to the following rules:
 - a) The party becoming aware of the existence of a non-conforming Mortgage Certificate, whether BANCO DE VALENCIA or the Management Company, shall notify the other party of this circumstance. BANCO DE VALENCIA shall have five (5) Business Days from said notice to proceed to remedy that circumstance if it may be remedied, and if it cannot be remedied then there shall be a replacement.
 - b) The substitution shall be made for the outstanding principal plus interest accrued and not paid and any amount owing to the Fund until that date on the relevant Mortgage Loan underlying the substituted Mortgage Certificate.

In order to proceed to the substitution, BANCO DE VALENCIA shall notify the Management Company of the characteristics of the mortgage loans proposed to be assigned under new Mortgage Certificates satisfying the characteristics given in section 2.2.8 of this Building Block and similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality construed as the existing ratio of the outstanding mortgage loan principal to the appraisal value of the property mortgaged as security, in order for the financial balance of the Fund, and indeed the Bond rating given by the Ratings Agencies, to be unaffected by the substitution. Once the Management Company has checked that the substitute mortgage loan is appropriate, because it may be included in the Fund, and expressly agreed to it, BANCO DE VALENCIA shall proceed to issue the new replacement Mortgage Certificate(s).

- c) The substitution shall be recorded in a notarial certificate setting forth all the particulars both of the Mortgage Certificate to be replaced and the Mortgage Loan attached thereto, and the new Mortgage Certificate(s) issued, along with details of the mortgage loans, and the reason for substituting and characteristics determining their homogenous nature as described in the last paragraph of section b) above, a copy of which shall be filed by the Management Company with the CNMV, Iberclear and AIAF, notifying the Rating Agencies.

- d) In the event that any Mortgage Certificate should not be substituted by issuing new ones on the terms set in rule b) of this section, BANCO DE VALENCIA shall proceed to an early amortisation of the affected Mortgage Certificate. That early amortisation shall take place by a repayment in cash to the Fund of the outstanding principal, interest accrued and not settled, and any other amount owing to the Fund until that date on the Mortgage Loan underlying the relevant Mortgage Certificate.
 - e) In the event of early amortisation of Mortgage Certificates by BANCO DE VALENCIA due to both substitution and repayment, BANCO DE VALENCIA shall be vested in all the rights attaching to those Mortgage Loans accruing from the amortisation 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 Mortgage 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 Mortgage Certificates, 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 Mortgage Certificates resulting from a breach by the Originator.

2.2.10 Relevant insurance policies relating to the assets.

In accordance with representation (24) given in section 2.2.8.2 of this Building Block, the properties mortgaged as security for the Mortgage Loans all have at least a valid fire damage insurance and the insured sum thereunder is not less than the appraisal value of the mortgaged property, excluding elements that are uninsurable by nature. In this connection, BANCO DE VALENCIA has taken out a general insurance policy to cover those risks in the event of the damage insurance policy taken out by the Obligor not existing, falling short or being ineffective.

The Originator shall thereupon perfect the assignment attached to the issue of the Mortgage Certificates of the rights the Originator has as the beneficiary of those damage insurance contracts taken out by the Obligors or any other insurance policy providing equivalent cover. As the holder of the Mortgage Certificates, the Fund shall be entitled to all the amounts the Originator would have received in this connection.

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 and arranging the same.

2.3 Actively managed assets backing the issue.

Not applicable.

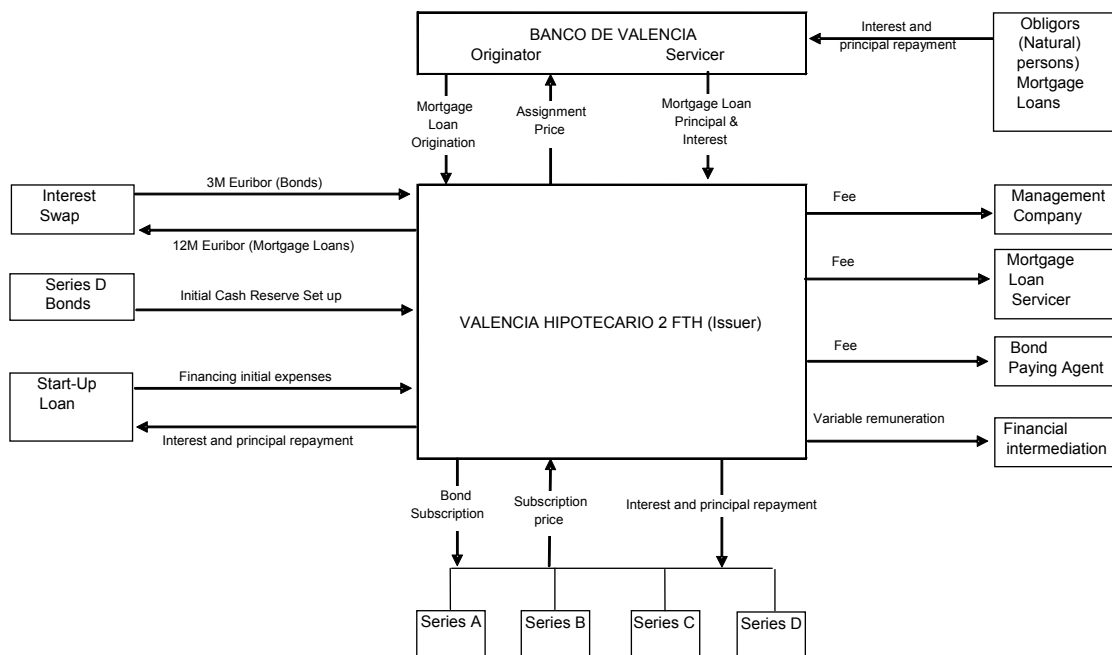
2.4 Where the issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.

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	
Fixed Assets	941,500,000.00	Bond Issue	950,000,000.00
Mortgage Certificates/Loans (adjustment excess to EUR 143,342.09)	940,243,342.09	Series A Bonds	909,500,000.00
Set-up and issue expenses*	1,256,657.91	Series B Bonds	21,200,000.00
		Series C Bonds	9,400,000.00
		Series D Bonds	9,900,000.00
Current assets	to be determined	Other long-term liabilities	1,400,000
Treasury Account*	9,900,000.00	Start-Up Loan	1,400,000
Accrued interest receivable**	To be determined		
		Short-term creditors	to be determined
		Mortgage Loan interest accrued **	to be determined
Total assets	951,400,000.00	Total liabilities	951,400,000.00
MEMORANDUM ACCOUNTS			
Cash Reserve	9,900,000.00		
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 1,256,657.91 as detailed in section 6 of the Securities Note.

** As set forth in section 3.3.3 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 Fund Management Company that will establish, manage and legally represent the Fund.
- (ii) BANCO DE VALENCIA is the originator of the Mortgage Loans to be assigned to the Fund upon being established by means of the issue of the Mortgage Certificates, and shall be counterparty to the Fund in the Start-Up Loan, Interest Swap, Mortgage Loan Servicing and Mortgage Certificate Custody and Financial Intermediation Agreements. Moreover, BANCO DE VALENCIA shall be the Series D Bond subscriber under the Bond Issue Underwriting, Placement and Subscription Agreement.
- (iii) BANCAJA has financially structured the Fund and the Bond Issue, shall be a Lead Manager of the Bond Issue, a Series A, B and C Bond Underwriter and Placement Agent and one of the Series A, B and C Bond book runners.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, BANCAJA has structured the financial terms of the Fund and the Bond Issue and will, together with the other Lead Managers, do the following: (i) temporary and marketing actions and activities in connection with the public offering for Bond Issue subscription, (ii) liaising with potential investors and (iii) all other actions and activities provided for in respect of the Lead Managers in the Securities Note.

Moreover, BANCAJA shall be the Fund's counterparty in the Guaranteed Interest Rate Account (Treasury Account), Interest Swap as guarantor for BANCO DE VALENCIA and Bond Paying Agent Agreements.

- (iv) BANCAJA and DEUTSCHE BANK shall be Lead Managers of the Bond Issue and Series A, B and C Underwriters and Placement Agents and shall be the Series A, B and C book runners.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, DEUTSCHE BANK will, together with the other Lead Managers, do the following: (i) temporary and marketing actions and activities in connection with the public offering for

Bond Issue subscription, (ii) liaising with potential investors and (iii) all other actions and activities provided for in respect of the Lead Managers in the Securities Note.

- (v) DEUTSCHE BANK, DEXIA and FORTIS BANK shall be Series A, B and C Bond Underwriters and Placement Agents.
- (vi) J&A Garrigues S.L., as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds and reviewed their tax implications.
- (vii) Deloitte have audited the selected mortgage loans of BANCO DE VALENCIA.

The description of the institutions referred to in paragraphs (i) to (iv) 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 the Fund's behalf, give the most substantial and relevant information on each of the agreements, and no information has been omitted which might affect the contents of the Prospectus.

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 Mortgage Loans.

The Deed of Constitution shall perfect the issue by BANCO DE VALENCIA of the Mortgage Certificates which shall be the instruments for assigning the Mortgage Loans effective upon the very date on which the Fund is established, and their subscription by the Fund, represented by the Management Company.

The Mortgage Certificates will be issued in accordance with the provisions of Act 2/1981, Royal Decree 685/1982, Act 19/1992 and other applicable laws.

The Mortgage Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. Transfer of the Mortgage 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 or professional investors, and may not be acquired by the unspecialised public.

BANCO DE VALENCIA, as the issuer, shall keep a special book in which it shall enter the Mortgage Certificates issued and the changes of address notified by Mortgage Certificate holders, moreover including therein (i) Mortgage Loan origination and maturity dates, Mortgage Loan amount and settlement method; and (ii) the registration particulars of the mortgages securing the Mortgage Loans.

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

The assignment by BANCO DE VALENCIA to the Fund of the Mortgage Loans shall not be notified to the Obligors. However, in the event of insolvency, or indications thereof, of administration by the Bank of Spain, of liquidation of an Originator or of substitution of the Originator as Servicer, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors of the transfer to the Fund of the outstanding Mortgage 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.

3.3.2 Mortgage Certificate issue and subscription terms.

1. The Mortgage Loans will be fully and unconditionally assigned from the date of establishment, perfected by means of the issue of the Mortgage Certificates, for the entire term remaining until maturity of each Mortgage Loan.

2. The Mortgage Certificates shall be represented by means of registered certificates as established in section 3.3.4 below.
3. BANCO DE VALENCIA shall be liable to the Fund for the existence and lawfulness of the Mortgage Loans, in accordance with articles 348 of the Commercial Code and 1529 of the Civil Code, and for the personality with which the assignment is made, but shall not be liable for Obligors' creditworthiness.

Moreover, in accordance with article 5.8 of Act 19/1992, BANCO DE VALENCIA shall not bear the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount owing by the Obligors under the Mortgage Loans, and shall not be answerable either for the enforceability of the securities collateral thereto. It will moreover 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 replace or repurchase the Mortgage Certificates, saving as provided for in section 2.2.9 of this Building Block.

4. The Mortgage Certificates will be issued in respect of 100 percent of the outstanding principal, interest not due and overdue interest and all and any other amounts, assets or rights attaching to each of the relevant Mortgage Loans.

Specifically, the Mortgage Certificates shall confer on the Fund as their holder the following rights in relation to each Mortgage Loan:

- a) To receive all Mortgage Loan capital or principal repayment amounts accrued.
- b) To receive all Mortgage Loan principal ordinary interest amounts accrued.
- c) To receive all Mortgage Loan late-payment interest amounts accrued.
- d) To receive any other amounts, assets or rights received as payment of Mortgage Loan principal, interest or expenses, either in the form of knock-down price or amount determined by a court decision or notarial procedure in enforcing the mortgage securities, on the sale or utilisation of properties or assets awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings.
- e) To receive all possible rights or compensations accruing for BANCO DE VALENCIA, including not only those derived from the insurance contracts attached to the Mortgage Loans which are also assigned to the Fund, but also those derived from any right collateral to the Mortgage Loan.

The above-mentioned rights will all accrue for the Fund from the date of issue of the Mortgage Certificates. Interest shall moreover include interest accrued and not due since the last interest settlement date on each of the Mortgage Loans, on or before the date of issue of the Mortgage Certificates.

5. Until the execution of the Deed of Constitution, BANCO DE VALENCIA shall be the beneficiary of the damage insurance contracts taken out by the Obligors in relation to the properties mortgaged as security for the Mortgage Loans, up to the insured amount, and each of the Mortgage Loan documents shall, in the event of default on the relevant premium by the Obligor (holder) of the insurance, authorise BANCO DE VALENCIA, the mortgagee, to pay the premium amount for the Obligor in order that the premiums are always paid.

BANCO DE VALENCIA shall thereupon perfect the assignment attached to the issue of the Mortgage Certificates of the rights BANCO DE VALENCIA has as the beneficiary of those damage insurance contracts taken out by the Obligors or any other insurance policy providing equivalent cover. As the holder of the Mortgage Certificates, the Fund shall be entitled to all the amounts BANCO DE VALENCIA would have received in this connection.

6. In the event of prepayment of the Mortgage Loans upon a full or partial repayment of the principal, there will be no direct substitution of the affected Mortgage Certificates.

7. The rights of the Fund resulting from the Mortgage 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 with the Mortgage Loans.
8. 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 Mortgage Loan Obligors of their obligations, including enforcement proceedings against the same.
9. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Mortgage Loans, or their due dates, the change in the terms shall affect the Fund.

3.3.3 Mortgage Certificate issue price.

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

The Management Company shall pay the total Mortgage Certificate subscription payment amount on behalf of the Fund as follows:

- (i) The part consisting of the face value of the capital of all Mortgage Loans, item (i) of paragraph one of this section, shall be paid by the Fund on the Closing Date, for same day value, upon the subscription for the Bond Issue being paid. The Originator shall receive no interest on the deferment of payment until the Closing Date.
- (ii) The part consisting of payment of interest accrued on each Mortgage Loan, item (ii) of paragraph one of this section, shall be paid by the Fund on the earlier of the first interest settlement date of each one or the date on which it is paid by the Obligor, after the issue date of the Mortgage Certificates, and will not be subject to the Fund Priority of Payments.

If the establishment of the Fund and consequently the issue of and subscription for the Mortgage Certificates should terminate, (i) the Fund’s obligation to pay for the Mortgage Certificates shall terminate, and (ii) the Management Company shall be obliged to restore to BANCO DE VALENCIA any rights whatsoever accrued for the Fund upon the Mortgage Certificates being subscribed for.

3.3.4 Mortgage Certificate representation and custody.

The Mortgage 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, along with the registered particulars of the properties mortgaged as security for the Mortgage Loans. The Mortgage Certificates to be issued to be pooled in the Fund upon being established shall be represented by a multiple registered certificate.

Both in the event that any Mortgage 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 4.4.3 of the Registration Document, and said Mortgage Certificates have to be sold, BANCO DE VALENCIA 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.

The multiple certificate representing the Mortgage Certificates and the individual certificates, if any, into which they are split shall be kept by BANCO DE VALENCIA and relations between the Fund and BANCO DE VALENCIA shall be governed by the Mortgage Loan Servicing and Mortgage Certificate Custody Agreement to be entered into by BANCO DE VALENCIA and the Management Company for and on behalf of the Fund. That custody shall be established for the benefit of the Fund and BANCO DE VALENCIA shall therefore be custodian for the certificates representing the Mortgage Certificates deposited, as directed by the Management Company.

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, for same day value, after the date on which they are received by the Servicer. 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 mortgage loans selected as of November 17, 2005, as detailed in section 2.2.2.g) of this Building Block, is 3.13%, which is above the 2.68% 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 Mortgage Loans are subject to floating interest with different benchmark indices and different review and settlement periods at the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods and the risk deriving from potential Mortgage Loan interest rate renegotiations.

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 D Bonds being paid.
Mitigates the credit risk derived from delinquency and default on the Mortgage Loans.
- (ii) Interest Swap:
Mitigates the interest rate risk (base risk) occurring in the Fund because the Mortgage Loans have a floating interest and their benchmark indices and review and settlement periods differ from those of 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 Mortgage 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 Series A, B and C 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.

3.4.2.2 Cash Reserve.

The Management Company shall set up on the Closing Date an Initial Cash Reserve upon the Series D Bonds being paid 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 equal to EUR nine million nine hundred thousand (9,900,000.00) ("**Initial Cash Reserve**").
2. Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned up to the Required Cash Reserve amount established hereinafter with the Available Funds in the Priority of Payments of the Fund.

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

- (iii) EUR nine million nine hundred thousand (9,900,000.00).
 - (iv) The higher of:
 - b) 2.10% of the sum of the Outstanding Principal Balance of Series A, B and C.
 - b) EUR five million (5,000,000.00).
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 Mortgage Loans is greater than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
 - ii) That on the preceding Payment Date the Cash Reserve was not provisioned up to the Required Cash Reserve amount on that Payment Date.
 - iii) That the average margin added to the relevant benchmark index for determining the nominal interest rate, weighted by the outstanding principal of the Mortgage Loans is equal to or less than 0.50%.
 - iv) That three (3) years have not elapsed since the date of establishment of the Fund.

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 BANCO DE VALENCIA into a commercial loan agreement amounting to EUR one million four hundred thousand (1,400,000.00) (the "**Start-Up Loan Agreement**"). The Start-Up Loan amount shall be delivered on the Closing Date and be allocated to financing the expenses of setting up the Fund and issuing the Bonds and financing partially subscription for the Mortgage Certificates at the difference between the total face capital of the subscription and the total face amount of the Series A, B and C Bonds.

The Start-Up Loan 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. Interest shall be settled and be 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 April 24, 2006. Interest will be payable on the relevant Payment Date provided that the Fund has sufficient liquidity in the Fund Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

Interest accrued and not paid on a Payment Date will not be accumulated to the Start-Up Loan principal interest and will not accrue late-payment interest.

Start-Up Loan 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 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, April 24, 2006, and the following until the Payment Date falling on January 24, 2011, inclusive.
- (ii) The portion of Start-Up Loan principal used to finance partially subscription for the Mortgage Certificates and not used, as the case may be, shall be repaid on the first Payment Date, April 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 and D Bonds.

Interest payment and principal repayment on Series B Bonds is deferred with respect to Series A 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 Series A 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 Series A, Series B and Series C 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) Mortgage Loan principal repaid and interest collected;
- (iii) the Cash Reserve amount;
- (iv) any other amounts relating to the Mortgage Loans and from the sale or utilisation of the properties and assets awarded or under administration or interim possession of the properties in foreclosure proceedings, and all and any rights or indemnities including not only those derived from the damage insurance contracts on the mortgaged properties, but also those derived from any right attached to the Mortgage Loans;
- (v) Start-Up Loan principal drawn down;
- (vi) Interest Swap 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 Period established for the Bonds) to the positive daily balances if any on the Treasury Account, equal to the interest rate resulting from decreasing (i) the Reference Rate determined for each Interest Accrual Period substantially matching each Treasury Account interest accrual period, (ii) by a 0.04% margin. Interest shall be settled on the date of expiration 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 settlement date, April 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 F1 or P-1 respectively in Fitch’s and Moody’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 F1 and P-1 respectively in Fitch’s and Moody’s rating scales, and subject at all times to the prior communication to the Rating Agencies, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the F1 or P-1 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 F1 and P-1 respectively in Fitch’s and Moody’s rating scales, arranging the highest possible yield for its balances, which may differ from that arranged with BANCAJA under this Agreement.

- c) If options a) and b) above are not possible, obtaining from BANCAJA or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in this Agreement.
- d) Moreover, if any of the above options should not be possible on the above 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 F1 (for periods of less than 30 days or F1+ for longer periods) and P-1 for short-term, unsecured and unsubordinated debt respectively in Fitch's and Moody'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 events b) or d), the Management shall 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 F1 and P-1 ratings respectively in Fitch's and Moody'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 Mortgage 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 Mortgage Loans.

The Mortgage Loan amounts received by the Servicer 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 banking 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 dates and payment method at any time during the term of the Servicing Agreement, thereby for the Mortgage Loan amounts received by the Servicer 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 Mortgage 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 Start-Up Loan principal.
2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
 - a) Payment of the price for subscribing for the Mortgage 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 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 the date on which the Early Liquidation of the Fund occurs, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation of Series A, B and C 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) Mortgage Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Mortgage Loan ordinary and late-payment interest income received 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 Agreement and settlement payment amounts received by the Fund in the event of termination of that Agreement.
- 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 properties or assets awarded to the Fund.

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

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 the 1st place, which may be made at any time as and when due:

1. Payment of the Fund’s properly supported taxes and ordinary⁽¹⁾ and extraordinary⁽²⁾ expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, the Guarantor’s fee under the Interest Swap Agreement, 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 BANCO DE VALENCIA 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 amounts payable by the Fund under the Interest Swap Agreement and, only in the event of termination of that Agreement following a breach by the Fund or because the latter is the party affected by objective circumstances subsequently occurring, payment of the settlement payment amounts to be settled by the Fund.
3. Payment of interest due on the Series A Bonds.

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

If the Series A Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 8th place below if on two consecutive Payment Dates, including the relevant Payment Date, upon making the application in 6th 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) fifty percent (50%) of the issue face amount of Series B Bonds and (ii) one hundred percent (100%) of the issue face amount of Series C Bonds.

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

If the Series A and the Series B Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 9th place below if on two consecutive Payment Dates, including the relevant Payment Date, upon making the application in 6th 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 fifty percent (50%) of the issue face amount of Series C Bonds.

6. Withholding for amortisation of Series A, B and C Bond principal ("**Series A, B and C Amortisation Withholding**") in an amount equivalent to the positive difference existing on the Determination Date preceding the relevant Payment Date between (i) the sum of the Outstanding Principal Balance of Series A, B and C and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied to the Series A, B and C Amortisation Withholding shall be added to the Available Funds for Amortisation of Series A, B and C which shall be applied in accordance with the rules for Distribution of Available Funds for Amortisation of Series A, B and C established hereinafter in section 3.4.6.2.2.

7. Withholding of an amount sufficient for the Required Cash Reserve to be kept duly provisioned.
8. Payment of interest due on the Series B Bonds when deferred from 4th place in the priority of payments as established therein.
9. Payment of interest due on the Series C Bonds when deferred from 5th place in the priority of payments as established therein.
10. Payment of interest due on the Series D Bonds.
11. Amortisation of Series D Bonds.

Partial amortisation of Series D shall occur on each of the Payment Dates in an amount equal to the positive difference existing between the Outstanding Principal Balance of Series D 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.

12. Payment of settlement payment amounts payable by the Fund, as the case may be, under the Interest Swap Agreement other than in the events provided for in 2nd place above.
13. Payment of interest due on the Start-Up Loan.
14. Repayment of Start-Up Loan principal in the amortised amount.
15. Payment to the Servicer of the fee established under the Servicing Agreement.

In the event that any other institution should replace BANCO DE VALENCIA as Servicer of the Mortgage 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.

16. Payment of the Financial Intermediation Margin.

When accounts for different items exist in a same priority of payments and the remaining 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 A, B and C.

1. Source.

On each Payment Date, the Available Funds for Amortisation of Series A, B and C shall be the Series A, B and C Amortisation Withholding amount applied in sixth (6th) place of the Available Funds on the relevant Payment Date.

2. Distribution of Available Funds for Amortisation of Series A, B and C.

The rules for Distribution of Available Funds for Amortisation of Series A, B and C are given in section 4.9.3.6 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 on the Payment Date on which there is an 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 Mortgage Certificates and the remaining assets and, as the case may be, (iii) the amount drawn under a credit facility to be arranged for amortisation of the Series A, B and C Bonds, in accordance with the provisions of sections 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 tax, administrative or advertising expenses deriving from termination and liquidation of the Fund.

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, the Guarantor's fee under the Interest Swap Agreement, 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 in relation to the Mortgage Loans, provided they are all properly supported, and the servicing fee if BANCO DE VALENCIA 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 Swap and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the settlement payment amounts payable by the Fund.
4. Payment of interest due on the Series A Bonds.
5. Repayment of Series A Bond principal.
6. Payment of interest due on the Series B Bonds.
7. Repayment of Series B Bond principal.
8. Payment of interest due on the Series C Bonds.
9. Repayment of Series C Bond principal.
10. In the event of the credit facility being arranged for final amortisation of the Series A, B and C Bonds as provided for in section 4.4.3.3.(iii) of the Registration Document, payment of interest accrued and repayment of principal of the credit facility arranged.
11. Payment of interest due on the Series D Bonds.
12. Repayment of Series D Bond principal.
13. Payment of the settlement payment amounts payable by the Fund under the Interest Swap Agreement other than in the events provided for in 3rd place above.
14. Payment of interest due and repayment of principal on the Start-Up Loan.
15. Payment to BANCO DE VALENCIA of the fee established under the Servicing Agreement.

In the event that any other institution should replace BANCO DE VALENCIA 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.

16. Payment of the Financial Intermediation Margin.

Where receivables for different items exist in a same priority order number on the Final Maturity Date or on the Payment Date on which there is an 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.

3.4.6.4 Financial Intermediation Margin.

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 subscription by the Fund for the Mortgage Certificates 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 shall accrue upon the expiration of every quarterly accrual 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, if any, brought forward from previous years, accrued by the Fund with reference to its accounts and before the close of the months of March, June, September and December, which are the last month in each quarterly period. Exceptionally, the first period shall be comprised between the date on which the Fund is established and March 31, 2006, inclusive, this being the last day of the month preceding the first Payment Date, April 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, as the case may be, 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 or in the event of termination of the Bond Issue Management, Underwriting and Placement Agreement.

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

3.4.7.1 Interest Swap.

The Management Company shall, for and on behalf of the Fund, enter into an interest swap agreement (the "**Interest Swap Agreement**" or the "**Interest Swap**") based on the standard Master Financial Transaction Agreement (CMOF) with BANCO DE VALENCIA and with BANCAJA guaranteeing fulfilment of the obligations taken on by BANCO DE VALENCIA. The most relevant characteristics of the Interest Swap Agreement are described below.

Under the Interest Swap Agreement, the Fund will make payments to BANCO DE VALENCIA calculated on the Mortgage Loan reference rate, and in consideration BANCO DE VALENCIA will make payments to the Fund calculated on the Reference Rate determined for the Bonds, the foregoing as described hereinafter.

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

Party B : BANCO DE VALENCIA.

1. Settlement dates.

The settlement dates shall fall on the Bond Payment Dates, i.e. on January 24, April 24, July 24 and October 24 in every year, or the following Business Day if any of these dates is not a Business Day. The first settlement date shall be April 24, 2006.

The variable amounts payable by Party A and by Party B for each respective settlement period shall be netted and be paid by the paying Party to the receiving Party on each Payment Date.

2. Settlement periods.

Party A:

The settlement periods for Party A shall be the exact number of days elapsed between two consecutive Determination Dates, not including the first but including the last date. Exceptionally, the length of the first settlement period for Party A shall be equivalent to the exact number of days elapsed between the date of establishment of the Fund, inclusive, and April 18, 2006, the first Determination Date, inclusive.

Party B:

The settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, the length of the first settlement period for Party B shall be equivalent to that comprised between the Bond Issue Closing Date (inclusive) and April 24, 2006 (exclusive), the first settlement date.

3. Swap Notional.

This shall be the daily average during the Party A settlement period falling due of the Outstanding Balance of Non-Doubtful Mortgage Loans.

4. Party A amounts payable.

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

4.1 Party A Interest Rate.

On each Party A settlement date this shall be the annual interest rate resulting from dividing (i) the total interest amount at the reference rate or index of ordinary interest due on Non-Doubtful Mortgage Loans, on the Determination Date preceding the then-current settlement date, whether or not they were paid by the Obligors, during the Party A settlement period falling due, by (ii) the Swap Notional, multiplied by the result of dividing 360 by the number of days in the settlement period.

In this connection:

- (i) Ordinary interest will be reduced in the interest accrued payable by the Fund in connection with the subscription for the Mortgage Certificates.
- (ii) As the case may be, ordinary interest due will also be deemed to comprise the accrued interest received by the Fund both on the sale of Mortgage Certificates and on their early amortisation by BANCO DE VALENCIA in accordance with the rules laid down for substituting the Mortgage Certificates.
- (iii) The interest due dates for ordinary interest due on Non-Doubtful Mortgage Loans shall be considered the collection dates on which it is to be paid to the Fund.

5. Party B amounts payable.

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

5.1 Party B Interest Rate.

On each settlement date this shall be the Reference Rate determined for the Bonds in the Interest Accrual Period coinciding with each Party B settlement period falling due.

If on a settlement date the Fund (Party A) should not have sufficient liquidity to make payment of the aggregate amount payable to Party B, the portion of this amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of non-payment occur on two consecutive Payment Dates, the Swap Agreement shall be terminated. In this event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Swap Agreement, the foregoing in the Priority of Payments. Without prejudice to the foregoing, other than in an extreme event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement.

Furthermore, BANCAJA (the “**Guarantor**”) shall unconditionally and irrevocably guarantee fulfilment of the obligations taken on by BANCO DE VALENCIA under the Interest Swap Agreement. BANCAJA shall receive from the Fund a guarantee fee for settlement periods in arrears on each Payment Date equal to 0.02% per annum, which shall accrue on the exact number of days elapsed and on the Swap Notional.

1. The guarantee shall be terminated:

- (i) In the event that the unsecured and unsubordinated long-term debt of Party B is equal to or greater than A1 and A+ respectively in Moody’s and Fitch’s rating scales.

Notwithstanding the above, Party B shall irrevocably agree that in the event that its unsecured and unsubordinated long-term debt should fall below A1 or A+ respectively in Moody’s and Fitch’s rating scales, it shall within not more than ten (10) Business Days from the date of the occurrence of any such circumstances put in place any of the options provided for in the event of the Guarantor’s debt rating falling laid down in section 2 below.

- (ii) In the event that the Guarantor is actually substituted or a third-party actually takes over the obligations derived from the Interest Swap Agreement, taking its stead in an agreement.

2. The Guarantor shall irrevocably agree that, if at any time throughout the life of the Bond Issue, the ratings of the Guarantor’s unsecured and unsubordinated long-term debt should fall below A1 or A+ respectively in Moody’s and Fitch’s rating scales, it shall take any of the following options within not more than ten (10) Business Days from the date of the occurrence of any such circumstances, on such terms and conditions as the Management Company shall see fit, after notifying the Rating Agencies, in order for the ratings assigned to each Series by the Rating Agencies to be maintained: (i) that a third-party institution with a rating for its unsecured and unsubordinated long-term debt equal to or in excess of A1 or A+ respectively in Moody’s and Fitch’s rating scales, will secure fulfilment of the contractual obligations of Party B, (ii) that a third-party institution with the same ratings required for option (i) above will take over the contractual position of Party B and substitute it before terminating the Interest Swap Agreement for Party B, or, as the case may be, under a new swap agreement; or (iii) that a deposit in cash or securities will be made in favour of the Fund securing fulfilment of Party B’s contractual obligations in an amount calculated based on the Interest Swap market value and provided that this is not detrimental to the rating accorded to the Bonds by the Rating Agencies. All and any costs, expenses and taxes incurred in connection with compliance with the foregoing obligations shall be borne by Party B.

The occurrence, as the case may be, of an early termination of the Interest Swap Agreement will not in itself be an Early Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections 4.4.3 and 4.4.4 of the Registration Document of this Prospectus, unless in conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

All matters, discrepancies, lawsuits and claims deriving from the Interest Swap Agreement shall be referred for arbitration to the Chamber of Commerce of Madrid.

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

3.5 Name, address and significant business activities of the originator of the securitised assets.

The originator and assignor of the Mortgage Loans securitised is BANCO DE VALENCIA S.A.

Registered office: Pintor Sorolla number 2-4, Valencia (Spain).

Significant economic activities of BANCO DE VALENCIA.

BANCO DE VALENCIA, 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, global custody, asset management and broking in major treasury, capital and currency markets.

The following is selected financial information for the third quarter of the year 2005 and how it compares to the previous year.

The relevant information as at September 30, 2005 was prepared in accordance with applicable International Financial Reporting Standards under Regulation EC 1606/2002 and Bank of Spain Circular 4/2004. The relevant information as at September 30, 2004 was also prepared for comparative purposes only in accordance with IFRS in order for the comparison between both periods to be consistent.

	30.09.2005	31.12.2004	30.09.2004	Δ VAR. 9/95 / 9/94
BALANCE SHEET (EUR million)				
Total Assets	11,404.87	9,727.64	8,901.02	28.13%
Net credit investment	9,928.07	8,975.27	7,805.35	27.20%
External funds	8,194.93	6,952.30	6,602.81	24.11%
Off-balance sheet funds	879.42	730.08	675.77	30.14%
Funds managed	9,074.35	7,682.38	7,278.58	24.67%
Turnover	19,002.42	16,657.65	15,083.93	25.98%
PROFIT AND LOSS ACCOUNT (EUR million)				
Intermediation margin	162.7	200.48	147.83	10.06%
Ordinary margin	228.56	264.77	193.54	18.09%
Operating margin	138.69	152.89	111.74	24.12%
Pre-tax profit	111.37	115.17	87.51	27.27%
Net Profit	73.09	77.04	56.42	29.55%
RATIOS (%)				
Delinquency rate	0.53%	0.59%	0.57%	-7.02%
Delinquency coverage rate	437.20%	391.45%	423.02%	3.35%
Efficiency ratio	39.51%	42.26%	41.87%	-5.64%
ROA	14.83%	13.61%	13.46%	10.18%
ROE	1.35%	1.30%	1.34%	0.75%
Capital ratio	8.87%	9.31%	8.59%	3.26%
Tier 1 (1)	5.49%	6.08%	6.19%	-11.31%
BANCO DE VALENCIA SHARES				
Number of shares	100,929,479	98,950,470	98,950,470	2.00%
Latest price	25.15	23.50	17.70	42.09%
BPA (2)	0.97	0.83	0.76	27.01%
DPA (2)	0.18	0.18	0.18	0.00%
BRANCHES & CENTRES				
Branches	382	362	358	6.70%
Number of Agents	200	174	171	16.96%
Telephone and Internet branches	1	1	1	0.00%
STAFF				
Employees	1,822	1,696	1,682	8.32%

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 Act 19/1992, in Royal Decree 926/1998 and other applicable laws from time to time, and on the terms of the Deed of Constitution.

The Management Company shall discharge for the Fund the functions attributed to it in Act 19/1992 and 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 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 a credit facility agreement in the event of Early Liquidation of the Fund, 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. 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 Mortgage 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 Mortgage Loan income amount actually received by the Fund matches the amounts that must be received by the Fund, on the terms of issue of the Mortgage Certificates and on the terms of the relevant Mortgage Loans, and that the Mortgage Loan amounts receivable 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 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.
- (xiii) 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.
- (xiv) Watching that the amounts credited to the Treasury Account and the Amortisation Account return the yield set in the respective agreements.
- (xv) Calculating the Available Funds, the Available Funds for Amortisation of Series A, B and C, 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.
- (xvi) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.

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 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 an Early Amortisation of the Bond Issue, in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document of this Prospectus and the 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 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 this Prospectus, provided that the subcontractor or delegated party waives the right to take any action holding the Fund liable. In any event, subcontracting or delegating any service (i) may not result in an additional cost or expense for the Fund, (ii) shall have to be legally possible, (iii) shall not result in the rating accorded to each of the Bond Series being adversely 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 this Prospectus 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 eighty thousand (80,000.00) which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) Periodic fee: equal to 0.0190% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of establishment of the Fund until it terminates, and payable quarterly in arrears on each Payment Date, calculated on the sum of the Outstanding Principal Balance of Series A, B and C on the Determination Date preceding the relevant Payment Date. The periodic fee for the first Payment Date shall accrue from the date of establishment of the Fund and shall be calculated on the face amount of the Bond Issue.

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

$$C = B \times \frac{0.0190}{100} \times \frac{d}{360}$$

where :

C = Fee payable on a given Payment Date.

B = Sum of the Outstanding Principal Balance of Series A, B and C, on the Determination Date preceding the relevant Payment Date.

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

In any event, the annual amount of this periodic fee on each Payment Date may not be respectively greater or lower than the following maximum and minimum amounts.

- a) Maximum amount of EUR thirty-seven thousand five hundred (37,500.00).

Exceptionally, the maximum periodic fee for the first Payment Date shall accrue from the date on which the Fund is set up and shall be calculated on the exact number of days elapsed based on the following formula:

$$Ic \max = 37,500 \times \frac{d}{90}$$

where :

Icmax= Maximum periodic fee amount payable on the first Payment Date.

d = Number of days elapsed between the date of establishment of the Fund and the first Payment Date.

- b) Minimum amount of EUR seven thousand five hundred (7,500.00). In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum amount shall be cumulatively reviewed in the same proportion, from the year 2007, inclusive, and effective as of January 1 of each year.

If on a Payment Date the Fund should not have sufficient liquidity to settle the above-mentioned fee, the amount due shall accrue 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.

BANCO DE VALENCIA, Originator of the Mortgage Loans by means of the issue of the Mortgage Certificates to be subscribed for by the Fund, as established in article 61.3 of Royal Decree 685/1982, shall agree to be Mortgage Loan custodian and servicer, and relations between BANCO DE VALENCIA and the Fund, represented by the Management Company, shall be governed by the Mortgage Loan Servicing and Mortgage Certificate Custody Agreement (the "**Servicing Agreement**") in relation to custody and servicing of the Mortgage Loans and custody of the Mortgage Certificates.

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

- (i) To be Mortgage Loan custodian and servicer subject to the system terms and ordinary servicing and custody procedures established in the Servicing Agreement.
- (ii) To continue servicing the Mortgage Loans, devoting the same time and efforts to them as it would devote and use to service its own mortgage 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 custody the Mortgage 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 Mortgage 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 given hereinafter in the following paragraphs of this section.

3.7.2.1 Ordinary system and procedures for servicing and managing the Mortgage Loans.

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

The Servicer shall keep all deeds, agreements, documents and data files relating to the Mortgage Loans and the damage insurance policies of the mortgage properties under safe custody 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 Mortgage 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, 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 and documents.

2. Collection management.

The Servicer shall continue managing collection of all amounts payable by the Obligors under the Mortgage 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 Mortgage Loans.

The amounts received by the Servicer derived from the Mortgage Loans shall be paid 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 banking sector in the city of Valencia.

Nevertheless, 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 dates and payment method at any time during the term of the Servicing Agreement, thereby for the Mortgage Loan amounts received by the Servicer 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 Mortgage Loans.

3. Fixing the interest rate.

Because the Mortgage Loans have a floating rate, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the relevant Mortgage 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 Mortgage Loan, to fulfilment by the Obligors of their obligations under the Mortgage Loans, to delinquency status and ensuing changes in the characteristics of the Mortgage Loans, and to actions to demand payment in the event of late payment and court actions and auction of properties, 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 Mortgage 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. Mortgage Loan subrogation.

The Servicer shall be authorised to permit substitutions in the position of the Obligor under the Mortgage 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.

The Obligor may apply for subrogation to the Servicer in connection with the Mortgage Loans pursuant to Mortgage Loan Subrogation and Amendment Act 2/1994. Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall result in prepayment of the Mortgage Loan and early amortisation of the respective Mortgage Certificate.

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

The Servicer may not voluntarily cancel the Mortgage Loans or their securities for any reason other than payment of the Mortgage Loan, relinquish or settle in regard thereto, forgive the Mortgage Loans in full or in part or extend the same, or in general do anything that may diminish the ranking of the mortgage, legal effectiveness or economic value of the Mortgage Loans or of the mortgages, without prejudice to its heeding requests by Obligors using the same efforts and procedure as if they were own mortgage 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, may instruct or previously authorise the Servicer to agree with the Obligor, subject to the terms and conditions for which provision is made in this section, for a novation changing the relevant Mortgage Loan, either by an interest rate renegotiation or by an extension of the maturity period, provided that those novations are not detrimental to their ranking as a senior mortgage.

Without prejudice to the provisions hereinafter, any interest rate renegotiation subscribed by the Servicer shall be made exclusively with the prior 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 Mortgage Loan interest rate and term renegotiations, requested by the Obligors, without requiring the prior consent of the Management Company, subject to the following general enabling requirements:

a) Renegotiating the interest rate.

Mortgage Loan interest rate may be renegotiated subject to the following rules and limitations:

1. The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Mortgage Loan. The Servicer shall, without encouraging the interest rate renegotiation, act in relation to such renegotiation bearing in mind the Fund's interests at all times.

Subject to the provisions of paragraphs 2 and 3 below, the Servicer may renegotiate the interest rate clause of the Mortgage Loans on terms that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its floating-rate mortgage credits and loans. For these purposes, the arm's length interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for mortgage loans or credits granted to individuals with real estate mortgage security in finished homes in Spanish territory in an amount and on terms substantially similar to the renegotiated Mortgage Loan.

2. The margin applicable to a Mortgage Loan shall under no circumstances be decreased in being renegotiated where the average margin weighted by the outstanding Mortgage Loan principal is less than 0.50%.
3. Without prejudice to the provisions of paragraph 3 above, if on the effective date of the renegotiation of the floating interest rate applicable to a Mortgage Loan, the average margin weighted by the outstanding principal of the Mortgage Loans is equal to or less than 0.60%, the Management Company may accept the renegotiation provided that the Servicer agrees to pay to the Fund, for the Mortgage Loan, on each collection date after the effective date of the renegotiation and until it is repaid, the amount on each Mortgage Loan interest settlement date of the difference in the interest accrued by the Mortgage Loan during each interest settlement period, calculated on the margin over the previous benchmark index before being modified and interest actually accrued calculated at the new applicable interest rate set.

b) Extending the period of maturity.

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

- (i) The Servicer may in no case entertain on its own account, i.e. without it being so requested by the Obligor, a change in the final maturity date of the Mortgage Loan which may result in an extension thereof. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund's interests.
- (ii) The amount of the sum of the initial capital or principal of the Mortgage Certificates issued on the Mortgage Loans with respect to which the maturity date is extended may not exceed 10.00% of the total initial capital or principal of the issue of the Mortgage Certificates.
- (iii) The term of a specific Mortgage Loan may be extended provided that the following requirements are met:
 - a) That the frequency of Mortgage Loan capital or principal repayment instalments is at all events maintained or increased, albeit keeping the same repayment system in place.
 - b) That the new final maturity or final amortisation date does not extend beyond January 5, 2040.
- (iv) The Management Company may at any time during the term of the Servicing Agreement, on the Fund's behalf, cancel or suspend the Servicer's authorisation to extend the term.

If there should be any renegotiation of the interest rate of a Mortgage 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 Mortgage Loans to be updated.

In the event of a renegotiation of the interest rate of the Mortgage 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 Mortgage Loans will be kept by the Servicer, in accordance with the provisions of paragraph 1 of this section.

7. Action against Obligor in the event of default on the Mortgage Loans and powers of the holder of the Mortgage Certificates.

Actions in the event of late payment.

The Servicer shall use the same efforts and procedure for claiming overdue amounts on the Mortgage Loans as it uses with the rest of its portfolio mortgage 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 mortgage 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 Mortgage 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 Mortgage 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 BANCO DE VALENCIA 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 latter, 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 Mortgage Loans to pay the debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer.

The Servicer shall as a general rule apply for foreclosure, advancing all necessary expenses to do so, if, for a period of six (6) months, a Mortgage Loan Obligor having failed to honour his payment obligations should not resume payments and the Servicer, 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 apply for such foreclosure if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

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:

- (i) To demand the Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with the Originator, as issuer of the Mortgage 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.
- (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 Mortgage 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.

If this should be required by law, and for the purposes of the provisions of the Civil Procedure Act, BANCO DE VALENCIA shall confer in the Deed of Constitution an irrevocable and as extensive and sufficient a power of attorney as may be required by Law in order for the Management Company, acting for and on behalf of BANCO DE VALENCIA, to demand through a Notary Public payment of the debt by the Obligor under any of the Mortgage Loans.

The Management Company, for and on behalf of the Fund as holder of the Mortgage Certificates, may also take part with equal rights with BANCO DE VALENCIA 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.

The Servicer agrees to promptly advise of payment demands, legal actions and all and any other circumstances affecting collection of overdue amounts on the Mortgage Loans. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Mortgage 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 in order to keep those policies (or any other policy granting equivalent cover) in full force and effect in relation to each Mortgage Loan and the respective mortgaged property.

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

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

9. Set-off.

In the exceptional event that any of the Obligors under the Mortgage 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 Mortgage 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 Mortgage 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 Mortgage Loans terminate, once all the Mortgage Loans acquired by the Fund have been repaid, or when the liquidation of the Fund concludes after it terminates, without prejudice to the possible early revocation of its appointment under the Servicing Agreement.

In the event of a breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement or in the event of the Servicer's credit rating falling or being lost to an extent that may be detrimental to or place the financial structure of the Fund or 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 that is not detrimental to the rating given to the Bonds by the Rating Agencies 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 those previous 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 Mortgage 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 observing, as the case may be, bankruptcy rules.

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

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

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 Mortgage Loans, without prejudice to the liabilities undertaken thereby in the Deed of Constitution as Originator of the Mortgage 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 Mortgage Loans and custody the Mortgage 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 Mortgage Loans corresponding to the Fund does not result from default by the Obligors and is attributable to the Servicer.

Upon the Mortgage 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 Mortgage Loans and custody of the documents representing the Mortgage 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 Mortgage Loans serviced during each Determination Period. If BANCO DE VALENCIA 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 BANCO DE VALENCIA under the Servicing Agreement. 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 Mortgage 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 properties and assets 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.

BANCO DE VALENCIA is the Fund's counterparty in the transactions listed below. The details relating to BANCO DE VALENCIA and its activities are respectively given in section 5.2 of the Securities Note and in section 3.5 of this Building Block.

- (i) Start-Up Loan:
Start-Up Loan Agreement
Description in section 3.4.3.1 of this Building Block.
- (ii) Interest Swap:
Interest Swap Agreement
Description in section 3.4.7.1 of this Building Block.

BANCAJA is the Fund's counterparty in the transactions listed below. The details relating to BANCAJA are given in section 5.2 of the Securities Note.

- (i) Treasury Account:
Guaranteed Interest Rate Account (Treasury Account) Agreement
Description in section 3.4.4.1 of this Building Block.
- (ii) Interest Swap:
Interest Swap Agreement as guarantor for BANCO DE VALENCIA
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' Mortgage 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 Mortgage 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 Mortgage 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 Mortgage Loans.
4. Dates of maturity of the Mortgage Loans.

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 of Series A, B and C in accordance with the Priority of Payments of the Fund.

This information shall be submitted to the CNMV.

c) 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 final margins applicable for determining the Nominal Interest Rate for each Series 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 Mortgage Loans or Mortgage Certificates, 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 4.4.4 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 Mortgage 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 30, 2005.

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.

“**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 Series A, B and C Amortisation Withholding, and (ii) the Available Funds for Amortisation of Series A, B and C.

“**Available Funds for Amortisation of Series A, B and C**” shall mean the amount to be allocated to Series A, B and C Bond amortisation on each Payment Date and shall be the Series A, B and C Amortisation Withholding amount applied in sixth (6th) place of the Available Funds on the relevant Payment Date.

“**Available Funds**” shall mean (i) 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 and (ii) as the case may be and where appropriate, the Fund asset liquidation amount.

“**BANCAJA**” shall mean CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA.

“**BANCO DE VALENCIA**” shall mean BANCO DE VALENCIA S.A.

“**Bond Issue Management, Underwriting and Placement Agreement**” shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, for and on behalf of the Fund, and BANCAJA and DEUTSCHE BANK as Lead Managers of the Bond Issue and Series A, B and C Underwriters and Placement Agents, DEXIA and FORTIS BANK as Series A Underwriters and Placement Agents and BANCO DE VALENCIA as Series D Bond subscriber.

“**Bond Issue**” shall mean the issue of mortgage-backed bonds issued by the Fund having a face value of EUR nine hundred and fifty million (950,000,000.00), consisting of nine thousand five hundred (9,500) Bonds comprised of four Series (Series A, Series B, Series C and Series D).

“**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 Series A Bonds, 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 and subsequently provisioned up to the Required Cash Reserve amount.

“**CET**” shall mean “Central European Time”.

“**Closing Date**” shall mean December 12, 2005, the date on which the cash amount of the subscription for the Bonds shall be paid up and the face value of the Mortgage Certificates subscribed for by the Fund shall be paid.

“**CNMV**” shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“**Conditions for Pro Rata Amortisation**” shall mean the conditions set down in section 4.9.3.6 of the Securities Note for amortisation of Series A 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, issue by BANCO DE VALENCIA and subscription by the Fund of Mortgage Certificates, and issue by the Fund of the Mortgage-Backed Bonds.

“**Delinquent Mortgage Loans**” shall mean Mortgage Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Mortgage Loans.

“**Deloitte**” shall mean Deloitte S.L.

“**Determination Dates**” shall mean the dates falling on the fourth (4th) Business Day preceding each Payment Date.

“**Determination Period**” shall mean 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. The duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, April 18, 2006, inclusive.

“**Distribution of Available Funds for Amortisation of Series A, B and C**” shall mean the rules for applying the Available Funds for Amortisation of Series A, B and C on each Payment Date established in section 4.9.3.6 of the Securities Note.

“**DEUTSCHE BANK**” shall mean DEUTSCHE BANK AG.

“**DEXIA**” shall mean DEXIA BANQUE BELGIQUE S.A.

“**Doubtful Mortgage Loans**” shall mean Mortgage 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 4.4.3 of the Registration Document.

“**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. January 24, 2043 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 BANCO DE VALENCIA.

“Financial Intermediation Margin” shall mean, with respect to the Financial Intermediation Agreement, the Originator’s right to receive from the Fund a variable subordinated remuneration which shall be determined and 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, if any, brought forward from previous years, accrued by the Fund with reference to its accounts and before the close of the months of March, June, September and December, which are 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.

“FORTIS BANK” shall mean FORTIS BANK NV-SA

“Fund” shall mean VALENCIA HIPOTECARIO 2 FONDO DE TITULIZACIÓN HIPOTECARIA.

“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 Cash Reserve set up on the Closing Date upon the Series D Bonds being paid at a sum of EUR nine million nine hundred thousand (9,900,000.00).

“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” shall mean the interest swap agreement based on the standard Master Financial Transaction Agreement (CMOF), entered into between the Management Company, acting for and on behalf of the Fund, BANCO DE VALENCIA and BANCAJA, whereby the Fund shall make payments to BANCO DE VALENCIA based on the Mortgage Loan reference rates, and BANCO DE VALENCIA will make payments to the Fund calculated on the Reference Rate of the Bonds, BANCAJA being the guarantor of the payments to be made by BANCO DE VALENCIA.

“IRR” shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

“Lead Managers” shall mean BANCAJA and DEUTSCHE BANK.

“Liquidation Available Funds” shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or when there is an early liquidation of the Fund, 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 Mortgage Certificates and of the assets remaining and, as the case may be, (iii) the amount drawn under the credit facility arranged for amortisation of the Series A, B and C 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 when there is an Early Liquidation of the Fund.

“Management Company” shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

“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 Certificates” shall mean the mortgage certificates issued by BANCO DE VALENCIA on the Mortgage Loans subject to the provisions of Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991, Act 19/1992 and other applicable laws, and subscribed for by the Fund.

“Mortgage Loan Servicing and Mortgage Certificate Custody Agreement” shall mean the Mortgage Loan servicing and custody and Mortgage Certificate custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCO DE VALENCIA, as Servicer.

“Mortgage Loans” shall mean the Loans with real estate mortgage security assigned by BANCO DE VALENCIA to the Fund by means of the issue by BANCO DE VALENCIA and subscription by the Fund of Mortgage 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 Mortgage Loans” shall mean Mortgage Loans that are not deemed to be Delinquent Mortgage Loans on a given date.

“Non-Doubtful Mortgage Loans” shall mean Mortgage Loans that are not deemed to be Doubtful Mortgage Loans on a given date.

“Obligors” shall mean the borrowers (individuals) of the Mortgage Loans.

“Originator” shall mean BANCO DE VALENCIA, originator of the Mortgage Loans by means of the issue of the Mortgage Certificates.

“Outstanding Balance of the Mortgage 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 Mortgage Loans.

“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.

“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 April 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 of Series A, B and C.

“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 four- (4-) month Euribor and five- (5-) month Euribor, fixed at 11am (CET time) on the first 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, on each Payment Date, the lower of the following amounts: (i) EUR nine million nine hundred thousand (9,900,000.00) and (ii) the higher of a) 2.10% of the sum of the Outstanding Principal Balance of Series A, B and C and b) a sum of EUR five million (5,000,000.00).

“Royal Decree 116/1992” shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14.

“Royal Decree 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 1310/2005” shall mean Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose.

“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 A Bonds” shall mean the Series A Bonds issued by the Fund having a total face amount of EUR nine hundred and nine million five hundred thousand (909,500,000.00) comprising nine thousand and ninety-five (9,095) Bonds having a unit face value of EUR one hundred thousand (100,000).

“Series A, B and C Amortisation Withholding” shall mean, on each Payment Date, the positive difference if any on the Determination Date preceding the relevant Payment Date between (i) the sum of the Outstanding Principal Balance of Series A, B and C, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

“Series A” shall mean the Series A 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 twenty-one million two hundred thousand (21,200,000.00) comprising two hundred and twelve (212) 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 nine million four hundred thousand (9,400,000.00) comprising (ninety-four) (94) 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 nine million nine hundred thousand (9,900,000.00) comprising (ninety-nine) (99) 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.

“Servicer” shall mean the institution in charge of custody and servicing of the Mortgage Loans and custody of the certificates representing the Mortgage Certificates under the Mortgage Loan Servicing and Mortgage Certificate Custody Agreement, i.e. BANCO DE VALENCIA.

“Servicing Agreement” shall mean the Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.

“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 BANCO DE VALENCIA, for a sum of EUR one million four hundred thousand (1,400,000.00).

“Start-Up Loan” shall mean the loan granted by BANCO DE VALENCIA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

“Subscription Period” shall mean the Bond subscription period comprised between 12 o'clock midday (CET time) and 1pm (CET time) on December 9, 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, DEUTSCHE BANK, DEXIA and FORTIS BANK.