

PROSPECTUS

December 2007

# VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS

## ISSUE OF ASSET-BACKED BONDS EUR 978,500,000

Series A	EUR 883,400,000	AAA/Aaa
Series B	EUR 42,800,000	A/Aa3
Series C	EUR 23,800,000	BBB/Baa3
Series D	EUR 28,500,000	CCC/C

Backed by pass-through certificates issued on mortgage loans by



*Lead Managers*



*Subscriber*

**BANCO DE VALENCIA**

*Paying Agent*

**BANCAJA**

*Fund established and managed by*



Prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores  
on December 20, 2007

**Material Event  
concerning**

**VALENCIA HIPOTECARIO 4 Fondo de Titulización de Activos**

Pursuant to section 4.1.4 of the Securities Note Building Block of the Prospectus for **VALENCIA HIPOTECARIO 4 Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material event dated August 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><b>3.4.7.2 Building Block</b></p>	<p><b>Bond Issue Paying Agent.</b></p> <p>Paragraph two section (i) is replaced with the following wording:</p> <p>“(i) On each Bond Payment Date, paying interest and, as the case may be, repaying principal on the Bonds through Iberclear, after deducting the total return on investments interim tax amount to be withheld by the Management Company, on behalf of the Fund, in accordance with applicable tax laws.</p> <p>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>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>“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>

Section	Description
	<p>Two new paragraphs are added after paragraph five, with the following wording:</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-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 six 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, 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

**Material Event**                      **VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS**  
**concerning**

Pursuant to Chapter III, section 4.1.4, of the Prospectus for **VALENCIA HIPOTECARIO 4 Fondo de Titulización de Activos** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material event dated February 4, 2009, an amendment was made to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into by the Fund.
- Accordingly, the following section of the Fund’s Prospectus should read as follows:

Section	Description
V.3.1	<p><b>Guaranteed Interest Rate Account (Treasury Account) Agreement.</b></p> <p>As set out in the material event dated February 4, 2009, on February 3, 2009 the Fund’s Treasury Account was transferred to Banco Popular Español S.A., and the latter was subrogated to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into with Bancaja, which was novated and amended but not terminated.</p> <p>Accordingly, in paragraph two of this section, concerning the annual nominal interest rate of the Treasury Account, the reference to “on each of the Fund Determination Dates (the fourth (4<sup>th</sup>) Business Day preceding each Payment Date)” is replaced with “on each of January 14, April 14, July 14 and October 14 of each year”.</p>

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

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

Mario Masiá Vicente  
General Manager

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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 Regulation 809/2004 and in Royal Decree 1310/2005, 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**”).
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 Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("**Royal Decree 926/1998**"). The Fund shall be liable only for its obligations to its creditors with its assets.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998, 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 or has its licence to act as a securitisation fund management company revoked by the CNMV, 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 and of this Prospectus.

#### **c) Limitation of actions.**

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 Mortgage Loan default or prepayment, 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 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. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

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

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

Pursuant to Act 41/2007, if the legal transaction consisting of the issue of the pass-through certificates is not fraudulent, then the latter and their underlying Mortgage Loan receivables assigned to the Fund shall not be included in the assets of the estate in the event of a creditors' meeting being decreed for the Originator.

In the event of insolvency being decreed for the Originator, the Fund, acting through the Management Company, shall have a right of separation with respect to the Mortgage Loan receivables backing the pass-through certificates subscribed for. This right of separation would not however necessarily extend to the monies received by the Originator, as Servicer, and kept on behalf of the Fund before the date on which a creditors' meeting is decreed because, given their fungible nature, the monies might be earmarked for the outcome of the insolvency proceedings, based on the most widespread construction of article 80 of the Bankruptcy Act.

Certain means are nevertheless in place for mitigating that risk, which 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 3.7.1(5) (Collection management) of the Building Block to the Securities Note.

In the event of insolvency 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.

Notwithstanding the above, insolvency of any of the parties involved (whether BANCO DE VALENCIA, the Management Company or any other counterparty institution of the Fund) could affect their contractual relationships with the Fund.

## **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 purchase 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.

### **e) Subordination of the Bonds.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds. In turn Series C Bond interest payment and principal repayment is deferred with respect to Series A and Series B Bonds. In turn Series D Bond interest payment and principal repayment is deferred with respect to Series A, Series B and Series C Bonds. Nevertheless, there is no certainty that these subordination rules shall protect Series A, B, C and D Bondholders from the risk of loss.

The subordination rules for the various Series are laid down in the Priority of Payments and in the Liquidation Priority of Payments of the Fund, in accordance with section 3.4.6 of the Building Block.

**f) Deferral of interest.**

This Prospectus and all other supplementary Bond-related documents provide for Series B and C Bond interest payment to be deferred in the event of the occurrence of the circumstances provided for in section 3.4.6.2.1.2 of the Building Block.

Series A Bond interest is not subject to these deferral rules.

**g) Rating of the Bonds.**

The credit risk of the Bonds issued by the Fund has been rated by the following rating agencies: Fitch Ratings España S.A. and Moody's Investors Service España S.A.

The rating agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice.

These ratings 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.

**h) Fulfilment of formal obligations by investors not resident in Spain.**

In accordance with Spanish laws for the time being in force, returns on the Bonds obtained by an investor who is not a resident of Spain shall be either (i) exempt from a withholding on account of Non-Resident Income Tax (in the case of investors acting through a permanent establishment), or (ii) exempt on the same terms established for returns on public debt (in the case of investors acting in Spain without a permanent establishment and provided that they are not obtained through countries or territories statutorily considered to be tax havens).

Notwithstanding the above, in order for the above withholding exclusion to be effective, it is necessary for those investors to satisfy certain formal obligations, currently provided for in the Order of December 22, 1999 and in Royal Decree 2281/1998, October 23, amended by Royal Decree 1778/2004, though specific laws may be passed for securitisation funds in the future.

Where pursuant to the abovementioned laws the exemption right is not satisfactorily established (that is to say, proof is not produced that the non-resident investor is not acting through a tax haven or the Fund is not provided, through the Paying Agent, with the relevant certificates of the Bond clearing institution and custodian), returns on the Bonds shall be subject to a withholding that is currently set at 18%.

The tax implications described above are based on the laws in force at the time of issue and do not purport to be comprehensive. Consequently, they should not be considered in lieu of the requisite tax advice suited to each investor's particular situation.

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

**a) Risk of default on the Pass-Through Certificates.**

Holders of the Bonds issued by the Fund shall bear the risk of default on the Mortgage Loans backing the issue of the Pass-Through 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 exclusively liable to the Fund, to the same extent provided for in article 348 of the Commercial Code, 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 Pass-Through Certificates are issued. 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 purchase the Pass-Through Certificates, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Pass-Through Certificates where any of them or the underlying Mortgage Loans fail to conform, upon the Fund being established, to the representations 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 Series A, B and C Bonds distinctly have as a result of the existence of the credit enhancement transactions described in section 3.4.2 of the Building Block.

The degree of subordination in interest payment and principal repayment between the Bonds in the different Series derived from their place in the application of Available Funds and from the rules for Distribution of Available Funds for Amortisation in the Priority of Payments and the Liquidation Priority of Payments of the Fund is a mechanism for distinctly hedging the different Series.

**c) Pass-Through Certificate early amortisation risk.**

There will be early amortisation of the Pass-Through Certificates pooled in the Fund when Mortgage Loan Obligors prepay the portion of principal pending repayment, on the terms provided for in each Mortgage Loan deed. Similarly, there shall be early amortisation of the Pass-Through 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 contained in section 4.9.3.1.6 of the Securities Note.

**d) Geographical concentration.**

There are 5,542 selected mortgage loans at November 9, 2007 to be assigned to the Fund upon being established with mortgaged properties located in the Valencian Community (62.83% of the total), and their outstanding principal totals EUR 670,783,835.06 (60.60% of the total), as detailed in section 2.2.2.i) of the Building Block.

Given this concentration level, any circumstance whatsoever having a substantial negative effect on the Valencian Community could affect payments of the Mortgage Loans backing the Fund's Issue of Asset-Backed Bonds.

## **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 4 FONDO DE TITULIZACIÓN DE ACTIVOS (the “**Fund**” and/or the “**Issuer**”), takes responsibility for the contents of this Registration Document.

Mr Mario Masiá Vicente, 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, is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors’ Executive Committee in a resolution dated October 23, 2007.

#### **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 and the CNMV.

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 between the establishment of the Fund and December 31, 2012, 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 paragraph 1 of the previous section 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 4 FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- VALENCIA HIPOTECARIO 4 FTA
- VALENCIA HIPOTECARIO 4 F.T.A.

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

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

##### **Companies Register**

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

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

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

The Management Company and BANCO DE VALENCIA, as Originator of the Mortgage Loan receivables by issuing the Pass-Through Certificates, shall proceed to execute on December 21, 2007 a public deed whereby VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANCO DE VALENCIA will assign Mortgage Loans to the Fund by issuing Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds (the "Deed of Constitution"), on the terms provided in article 6 of Royal Decree 926/1998.

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

The Deed of Constitution may not be altered other than in exceptional events, provided that there are no circumstances preventing that in accordance with the laws and regulations in force from time to time. In any event, those actions shall require that the Management Company notify and secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. 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 April 20, 2046 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 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 early liquidation ("**Early Liquidation**") of the Fund and thereby 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, and provided that the payment obligations derived from the outstanding Series A, B and C Bonds may be honoured and settled in full in the Liquidation Priority of Payments.

Payment obligations on the outstanding Series A, B and C Bonds on the Early Liquidation date 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 and/or its licence to act as a securitisation fund management company should be revoked, and 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) In the event that the Management Company should have the consent and express acceptance of all Bondholders and all the counterparties to the agreements in force with the Fund, with respect to both payment of amounts resulting from such Early Liquidation and the procedure for carrying it out.
- (vi) Upon the lapse of thirty-six (36) 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 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 Early Liquidation of the Fund shall contain a description (i) of the event or events for which Early Liquidation of the Fund is effected, (ii) of the liquidation procedure, and (iii) of the manner in which Bond payment obligations are to be honoured and settled in the Liquidation Priority of Payments.
- (iv) That the authorisations, if any, required to do so have been obtained from the competent bodies.

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

- (i) Proceed to sell the Pass-Through Certificates remaining in the Fund at a reasonable market price, initially not less than the sum of the principal still outstanding plus interest accrued and not paid on the relevant Mortgage Loans, subject to the provisions of paragraph (iv) below.
- (ii) Proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.
- (iii) Be entitled to arrange for a credit facility, which shall be fully and immediately allocated to early amortisation of Series A, B and C Bonds then outstanding, the financial cost of which (interest and fees and expenses, if any) may not exceed the average Nominal Interest Rate of Series A, B and C yet to be repaid weighted by the Outstanding Principal Balance of each of those Series. The financial expenses due shall be paid and credit facility principal shall be repaid in accordance with the Liquidation Priority of Payments of the Fund.
- (iv) Finally, both due to the preceding actions falling short and the existence of Pass-Through 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 who may, in its view, give a market value. The Management Company shall be bound to accept the best bid received for the Pass-Through 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 Pass-Through Certificates and other assets remaining on the assets of the Fund, or to grant to the Fund, where appropriate, the credit facility designed for early amortisation of Series A, B and C Bonds then outstanding. 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 Pass-Through 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 Pass-Through 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 Series A, B and C Bonds then outstanding, which shall be applied to meeting the payment obligations of the Bonds in these Series.

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

The Fund shall terminate in any case, after complying with and observing the relevant legal procedure, in any of the following events:

- (i) Upon the Pass-Through 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 final liquidation of the Fund on the Final Maturity Date on April 20, 2046 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 1pm (CET) on December 24, 2007. In this event, the Management Company shall terminate the establishment of the Fund, subscription for the Pass-Through 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 and issue and admission of the Bonds payable with the Start-Up Loan, and the Start-Up Loan agreement shall not be terminated but shall rather be cancelled after those amounts are settled, principal repayment 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 due 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. If that remainder is not a liquid amount, since relating to Mortgage Loans that are pending the outcome of legal or notarial proceedings as a result of default by the Mortgage Loan Obligor, both continuation thereof and the proceeds of their resolution shall be for the Originator.

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

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

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

In accordance with the provisions of article 1 of Royal Decree 926/1998, the Fund has no own legal personality, and Securitisation Fund Management Companies are entrusted with establishing, managing and being the authorised representative of 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) Royal Decree 926/1998 and implementing regulations, (ii) Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("**Act 19/1992**"), failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system ("**Act 3/1994**"), as currently worded, (iv) 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 1310/2005**"), (v) Regulation 809/2004, and (vi) all other legal and statutory provisions in force and applicable from time to time.

#### 4.5.1 Tax system of the Fund.

In accordance with the provisions of article 1.2 of Royal Decree 926/1998, article 5.10 of Act 19/1992, article 7.1.h) of the Consolidation of the Corporation Tax Act approved by Legislative Royal Decree 4/2004, March 5, article 20.One.18 of Value Added Tax Act 37/1992, December 28, article 59.k of the Corporation Tax Regulations approved by Royal Decree 1777/2004, July 30, article 45.I.B).15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax Act approved by Legislative Royal Decree 1/1993, September 24, additional provision five of Act 3/1994, April 14, and Personal Income Tax Act 35/2006, November 28, partly amending the Corporation, Non-Resident Income and Wealth Tax Acts, 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) Bond issue, subscription, transfer and amortisation is exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund shall pay Corporation Tax, the taxable income being determined 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 32.5%, effective from January 1, 2007, and will be reduced to 30% for tax periods starting on January 1, 2008, and subject to common rules regarding tax credit, set-off of losses and other substantial constituent elements of the tax.
- (iv) As for returns on the Pass-Through Certificates, loans or other receivables constituting Fund income, there shall be no Corporation Tax withholding or interim payment obligation.
- (v) The management and custody services provided by the Management Company to the Fund shall be exempt from Value Added Tax.
- (vi) Transfer of the Loan receivables to the Fund is a transaction subject to and exempt from Value Added Tax and Capital Transfer and Documents Under Seal Tax Act.
- (vii) The reporting duties established by Additional Provision Two of Financial Intermediary Investment Ratios, Equity and Reporting Duties Act 13/1985 shall apply to the Fund, through the Management Company.  
  
The procedure to satisfy those reporting duties was implemented by Royal Decree 2281/1998 and, from January 1, 2008, by Royal Decree 1065/2007, July 27, repealing Royal Decree 2281/1998.
- (viii) Interest Swap Agreement payments received by the Fund shall pay tax based on the Corporation Tax rules and are not subject to a withholding on account.

#### 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 subscribe for a set of pass-through certificates (the “**Pass-Through Certificates**”) issued by BANCO DE VALENCIA S.A. (“**BANCO DE VALENCIA**”) on mortgage loans owned by BANCO DE VALENCIA (the “**Mortgage Loans**”) granted to individuals (the “**Obligors**”) with real estate mortgage security on finished homes (and annexes, if any -parking spaces/lumber rooms-) located in Spain ranking senior or, as the case may be, ranking junior as a result of previous mortgage debts for which BANCO DE VALENCIA has documents proving economic repayment but which are yet to be struck off the register, and to issue asset-backed bonds (either the “**Asset-Backed Bonds**” or the “**Bonds**”), the subscription for which by BANCO DE VALENCIA is designed to finance the acquisition of the Pass-Through Certificates and set up the Initial Cash Reserve.

(In this Registration Document and elsewhere in the Prospectus, the term “Mortgage Loans” shall be used in some definitions to generically refer to the Pass-Through Certificates perfecting the assignment of the Mortgage Loan receivables, other than where specific reference is made to the Pass-Through 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 series (the “**Series**”) making up the Bond Issue 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 be the authorised representative of the Fund.

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

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

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

- BANCO DE VALENCIA is the originator of the Mortgage Loan receivables to be assigned to the Fund upon being established by issuing the Pass-Through Certificates, and shall be the Fund’s counterparty under the Start-Up Loan, Interest Swap, Guaranteed Interest Rate Account (Treasury Account), Mortgage Loan Servicing and Pass-Through Certificate Custody and Financial Intermediation Agreements. Moreover, BANCO DE VALENCIA shall be the Bond Issue subscriber under the Bond Issue Management and Subscription Agreement.

BANCO DE VALENCIA is a bank incorporated in Spain and entered in the Companies Register of Valencia at volume 3,175, book 489, 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 numbers 2 and 4, 46002 Valencia (Spain).

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

	Fitch Ratings	Moody’s Ratings
Short-term	F1 (July 2007)	P-1 (October 2007)
Long-term	A (July 2007)	A2 (October 2007)

- CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“**BANCAJA**”) shall be one of the Bond Issue Lead Managers.

Out of the functions and activities that Lead Managers may discharge in accordance with articles 35.1 and 35.3 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 Manager, carry out the actions and activities provided for in respect of the Lead Managers in the Securities Note.

Moreover, BANCAJA shall be the Fund's counterparty under the Bond Paying Agent Agreement.

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 rating agencies:

	Fitch Ratings	Moody's Ratings	S&P Ratings
<b>Short-term</b>	F1 (July 2007)	P-1 (October 2007)	A-1 (June 2006)
<b>Long-term</b>	A+ (July 2007)	A1 (October 2007)	A+ (June 2006)

- DEUTSCHE BANK AG ("**DEUTSCHE BANK**") shall be one of the Bond Issue Lead Managers.

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 Manager, carry out the 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. In addition, DEUTSCHE BANK is registered with the Bank of Spain as a Community credit institution, operating in Spain without an establishment.

DEUTSCHE BANK, as a Community credit institution, operates in Spain under the rules governing the freedom to provide services.

- Fitch Ratings España, S.A. is one of the two rating agencies (collectively, the "**Rating Agencies**") of each Series in the Bond Issue.

Fitch Ratings España, S.A. is a Spanish company licensed as a rating agency by the CNMV, which is affiliated to and operates in accordance with the methodology, standards and quality control of Fitch Ratings Limited (each of them "**Fitch**" without distinction).

VAT REG. No.: A-58090655

Registered Office: Paseo de Gracia number 85, 08008 Barcelona (Spain)

- Moody's Investors Service España, S.A. is one of the two Rating Agencies of each Series in the Bond Issue.

Moody's Investors Service España, S.A. is a Spanish company licensed as a rating agency by the CNMV, which is affiliated to and operates in accordance with the methodology, standards and quality control of Moody's Investors Service Limited (each of them "**Moody's**" without distinction).

VAT REG. No.: A-80448475

Registered Office: Bárbara de Braganza number 2, 28004 Madrid (Spain)

- The law firm RAMÓN & CAJAL ABOGADOS S.L. ("**RAMÓN & CAJAL**") has provided legal advice for establishing the Fund and issuing the Bonds, and has reviewed their tax aspects.

VAT REG. No.: B-80340896

Registered Office: Paseo de la Castellana number 4, 28046 Madrid (Spain)

- Deloitte S.L. (“**Deloitte**”) has audited certain characteristics and attributes of a sample of the mortgage loans of BANCO DE VALENCIA altogether selected from which the Mortgage Loans will be taken to be assigned to the Fund upon being established.

Deloitte is entered in the Official Register of Auditors (ROAC) of Spain under number S0692.

VAT REG. No.: B-79104469

Registered Office: Plaza Pablo Ruiz Picasso s/n (Torre Picasso) 28020 Madrid (Spain).

Deloitte audited the annual accounts of EUROPEA DE TITULIZACIÓN for the financial years ended on December 31, 2006, 2005 and 2004.

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

DEUTSCHE BANK AG is affiliated to the same Group as Deutsche Bank, S.A. and Deutsche Bank Credit, S.A. and the latter in turn jointly hold a 1.5316% interest in EUROPEA DE TITULIZACIÓN'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, shall be responsible for managing and being the authorised representative of the Fund on the terms set in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and other applicable laws, and on the terms of the Deed of Constitution and this Prospectus.

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

EUROPEA 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 0, 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 of the single transitional provision of Royal Decree 926/1998, 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 financial years ended on December 31, 2006, 2005 and 2004 have been audited by the firm Deloitte S.L.

The audit reports on those annual accounts have no provisos.

### **6.3 Principal activities.**

The exclusive objects of EUROPEA DE TITULIZACIÓN are to establish, manage and be the authorised representative of both asset securitisation funds and mortgage securitisation funds.

EUROPEA DE TITULIZACIÓN manages 79 securitisation funds at November 30, 2007, 22 of which are mortgage securitisation funds and 57 are asset securitisation funds.

The following table itemises the 79 securitisation funds managed, giving their date of establishment, the face amount of the bonds issued by those funds and their outstanding principal balances as at November 30, 2007.

Securitisation Fund	Establishment	Initial	Issue	Bonds	Issue	Bonds	Bond Issue
		Bond Issue	Balance 30.11.2007		Balance 31.12.2006		Balance 31.12.2005
		EUR	EUR	Δ%	EUR	Δ%	EUR
<b>TOTAL</b>		<b>93,398,796,652.96</b>	<b>68,075,787,119.31</b>	<b>63.6%</b>	<b>41,622,450,971.95</b>	<b>28.11%</b>	<b>32,490,363,122.22</b>
<b>Mortgage (FTH)</b>		<b>15,117,046,652.96</b>	<b>8,107,398,812.21</b>	<b>20.3%</b>	<b>6,739,243,850.52</b>	<b>4.08%</b>	<b>6,475,261,178.18</b>
Bankinter 15 FTH	08.10.2007	1,525,500,000.00	1,525,500,000.00				
Bankinter 14 FTH	19.03.2007	964,000,000.00	927,556,811.46				
Bankinter 12 FTH	06.03.2006	1,200,000,000.00	1,014,533,670.56	-15.5%	1,200,000,000.00		
Valencia Hipotecario 2 FTH	07.12.2005	950,000,000.00	714,150,188.05	-14.0%	830,584,559.95	-12.6%	950,000,000.00
Bankinter 11 FTH	28.11.2005	900,000,000.00	739,129,526.88	-17.9%	900,000,000.00	0.0%	900,000,000.00
Bankinter 7 FTH	18.02.2004	490,000,000.00	279,340,450.76	-10.1%	310,601,446.96	-12.9%	356,717,443.60
Bankinter 5 FTH	16.12.2002	710,000,000.00	338,235,796.10	-14.2%	394,326,433.24	-15.3%	465,770,758.79
BZ Hipotecario 4 FTH	27.11.2002	313,400,000.00	109,224,548.96	-18.2%	133,590,667.48	-21.8%	170,910,609.60
Rural Hipotecario IV FTH	14.11.2002	520,000,000.00	213,157,220.89	-15.8%	253,138,797.81	-18.7%	311,312,202.68
Bancaja 4 FTH	05.11.2002	1,000,000,000.00	368,214,509.45	-13.7%	426,542,491.90	-19.6%	530,288,384.35
Bankinter 4 FTH	24.09.2002	1,025,000,000.00	505,642,125.86	-15.0%	594,725,493.56	-14.5%	695,988,565.76
Rural Hipotecario III FTH	14.05.2002	325,000,000.00	130,917,167.56	-13.4%	151,223,912.92	-17.3%	182,884,293.55
Bankinter 3 FTH	22.10.2001	1,322,500,000.00	533,845,866.60	-16.1%	636,195,596.86	-15.4%	752,104,867.20
BZ Hipotecario 3 FTH	23.07.2001	310,000,000.00	84,455,223.08	-19.4%	104,762,637.42	-20.2%	131,343,594.55
Rural Hipotecario II FTH	29.05.2001	235,000,000.00	70,792,127.80	-18.8%	87,231,827.20	-19.8%	108,722,959.00
BZ Hipotecario 2 FTH	28.04.2000	285,000,000.00	47,380,418.96	-22.3%	61,003,530.94	-23.1%	79,335,648.86
Rural Hipotecario I FTH	22.02.2000	200,000,000.00	41,327,704.16	-21.9%	52,894,964.42	-23.0%	68,686,186.28
Bankinter 2 FTH	25.10.1999	320,000,000.00	93,704,625.41	-17.4%	113,458,270.94	-17.1%	136,877,163.99
Bankinter 1 FTH	12.05.1999	600,000,000.00	118,501,046.04	-20.8%	149,656,739.58	-20.6%	188,428,409.46
BZ Hipotecario 1 FTH	16.04.1999	350,000,000.00	52,445,464.46	-18.1%	64,073,530.22	-24.7%	85,068,186.20
Hipotecario 2 FTH	04.12.1998	1,051,771,182.67	165,880,884.18	-24.1%	218,421,786.82	-23.4%	285,097,903.72
Bancaja 2 FTH	23.10.1998	240,404,841.75	33,463,434.99	-25.8%	45,073,251.00	-24.8%	59,937,667.99
Bancaja 1 FTH	18.07.1997	120,202,420.88	liquidated	-100.0%	11,737,911.30	-25.6%	15,786,332.60
BBV-MBS I FTH	30.11.1995	90,151,815.66	liquidated				
Hipotecario 1 FTH	20.09.1993	69,116,392.00	liquidated				
<b>Asset (FTA)</b>		<b>70,287,350,000.00</b>	<b>59,968,388,307.10</b>	<b>71.9%</b>	<b>34,883,207,121.43</b>	<b>34.1%</b>	<b>26,015,101,944.04</b>
BBVA RMBS 4 FTA	19/11/2007	4,900,000,000.00	4,900,000,000.00				
Bankinter 3 FTPYME FTA	12/11/2007	617,400,000.00	617,400,000.00				
BBVA Empresas 1 FTA	05/11/2007	1,450,000,000.00	1,450,000,000.00				
FTPYME Bancaja 6 FTA	26/09/2007	1,027,000,000.00	1,027,000,000.00				
BBVA RMBS 3 FTA	23/07/2007	3,000,000,000.00	2,933,975,280.00				
PYME Valencia 1 FTA	20/07/2007	865,300,000.00	827,744,692.00				
Bancaja 11 FTA	16/07/2007	2,022,900,000.00	1,977,845,666.00				
BBVA Leasing 1 FTA	25/06/2007	2,500,000,000.00	2,500,000,000.00				
BBVA-6 FTPYME FTA	11/06/2007	1,500,000,000.00	1,418,679,085.43				
BBVA Finanzia Autos 1 FTA	30/04/2007	800,000,000.00	800,000,000.00				
MBS Bancaja 4 FTA	27/04/2007	1,873,100,000.00	1,727,599,220.00				
Rural Hipotecario IX FTA	28/03/2007	1,515,000,000.00	1,401,597,880.00				
BBVA RMBS 2 FTA	26/03/2007	5,000,000,000.00	4,719,212,585.00				
BBVA RMBS 1 FTA	19.02.2007	2,500,000,000.00	2,332,435,920.00				
Bancaja 10 FTA	26.01.2007	2,631,000,000.00	2,381,068,878.00				
BBVA Consumo 2 FTA	27.11.2006	1,500,000,000.00	1,500,000,000.00	0.0%	1,500,000,000.00		
Ruralpyme 2 FTPYME FTA	24.11.2006	617,050,000.00	500,199,171.30	-18.9%	617,050,000.00		
Bankinter 13 FTA	20.11.2006	1,570,000,000.00	1,570,000,000.00	0.0%	1,570,000,000.00		
Valencia Hipotecario 3 FTA	15.11.2006	911,000,000.00	804,599,288.61	-11.7%	911,000,000.00		
BBVA-5 FTPYME FTA	23.10.2006	1,900,000,000.00	1,468,502,296.16	-22.7%	1,900,000,000.00		
PYME Bancaja 5 FTA	02.10.2006	1,178,800,000.00	732,026,693.30	-37.9%	1,178,800,000.00		
Bankinter 2 PYME FTA	26.06.2006	800,000,000.00	602,635,264.80	-24.7%	800,000,000.00		
Consumo Bancaja 1 FTA	26.06.2006	612,900,000.00	612,900,000.00	0.0%	612,900,000.00		
Rural Hipotecario VIII FTA	26.05.2006	1,311,700,000.00	1,082,823,864.72	-17.4%	1,311,700,000.00		
BBVA Consumo 1 FTA	08.05.2006	1,500,000,000.00	1,500,000,000.00	0.0%	1,500,000,000.00		
MBS BANCAJA 3 FTA	03.04.2006	810,000,000.00	601,654,541.60	-14.4%	703,043,514.80		
Bancaja 9 FTA	02.02.2006	2,022,600,000.00	1,523,166,590.00	-12.7%	1,744,997,380.00		
BBVA Autos 2 FTA	12.12.2005	1,000,000,000.00	1,000,000,000.00	0.0%	1,000,000,000.00	0.0%	1,000,000,000.00
Edt FTPYME Pastor 3 FTA	05.12.2005	520,000,000.00	232,785,467.78	-38.9%	380,805,675.83	-26.8%	520,000,000.00
Rural Hipotecario Global I FTA	18.11.2005	1,078,000,000.00	795,789,260.08	-14.6%	932,164,120.79	-13.5%	1,078,000,000.00
FTPYME Bancaja 4 FTA	07.11.2005	1,524,000,000.00	614,803,420.00	-37.7%	986,887,779.41	-35.2%	1,524,000,000.00
BBVA 4 PYME FTA	26.09.2005	1,250,000,000.00	550,956,981.29	-55.9%	1,250,000,000.00	0.0%	1,250,000,000.00
Bankinter 10 FTA	27.06.2005	1,740,000,000.00	1,321,296,089.30	-9.9%	1,466,558,997.10	-15.7%	1,740,000,000.00
MBS Bancaja 2 FTA	27.06.2005	809,200,000.00	476,949,943.28	-18.5%	585,069,193.36	-21.5%	745,472,663.52
BBVA Hipotecario 3 FTA	13.06.2005	1,450,000,000.00	835,495,733.83	-19.9%	1,042,844,698.00	-21.1%	1,321,621,631.30

Securitisation Fund	Establishment	Initial	Issue	Bonds	Issue	Bonds	Bond Issue
		Bond Issue	Balance 30.11.2007		Balance 31.12.2006		Balance 31.12.2005
		EUR	EUR	Δ%	EUR	Δ%	EUR
Rural Hipotecario VII FTA	29.04.2005	1,100,000,000.00	760,938,998.23	-10.9%	853,742,668.37	-14.8%	1,002,428,919.05
Bancaja 8 FTA	22.04.2005	1,680,100,000.00	1,026,987,917.65	-18.1%	1,253,797,200.56	-18.6%	1,539,361,229.38
Bankinter 9 FTA	14.02.2005	1,035,000,000.00	750,388,699.40	-12.8%	860,813,028.16	-16.8%	1,035,000,000.00
BBVA-3 FTPYME FTA	29.11.2004	1,000,000,000.00	413,334,243.11	-29.9%	589,349,210.82	-41.1%	1,000,000,000.00
Ruralpyme 1 FTPYME FTA	23.11.2004	214,000,000.00	106,820,816.00	-19.6%	132,892,833.40	-23.2%	173,024,296.72
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	634,242,970.00	-29.3%	897,434,960.00	-10.3%	1,000,000,000.00
FTPYME Bancaja 3 FTA	11.10.2004	900,000,000.00	266,634,743.80	-28.9%	375,133,008.09	-58.3%	900,000,000.00
Bancaja 7 FTA	12.07.2004	1,900,000,000.00	990,445,484.28	-16.8%	1,190,508,554.06	-32.0%	1,750,000,000.00
Rural Hipotecario VI FTA	07.07.2004	950,000,000.00	554,652,864.75	-14.8%	651,118,829.40	-16.7%	781,477,860.25
MBS Bancaja 1 FTA	17.05.2004	690,000,000.00	291,929,875.34	-20.9%	369,020,564.16	-46.5%	690,000,000.00
Valencia H 1 FTA	23.04.2004	472,000,000.00	268,739,092.92	-15.2%	316,993,112.58	-14.6%	371,107,375.09
Bankinter 8 FTA	03.03.2004	1,070,000,000.00	644,951,800.16	-10.2%	718,061,846.93	-14.3%	837,970,768.01
Bancaja 6 FTA	03.12.2003	2,080,000,000.00	870,772,845.80	-19.2%	1,077,852,239.88	-21.3%	1,369,610,139.04
Rural Hipotecario V FTA	28.10.2003	695,000,000.00	367,582,759.56	-11.6%	415,711,778.28	-16.8%	499,528,194.12
Bankinter 6 FTA	25.09.2003	1,350,000,000.00	783,705,979.58	-13.4%	904,534,542.77	-13.3%	1,043,250,162.72
FTPYME Bancaja 2 FTA	19.09.2003	500,000,000.00	135,575,823.37	-28.7%	190,138,306.78	-29.7%	270,480,639.80
Bancaja 5 FTA	14.04.2003	1,000,000,000.00	396,415,664.95	-17.2%	478,827,993.55	-20.7%	604,031,954.00
Bancaja 3 FTA	29.07.2002	520,900,000.00	520,900,000.00	0.0%	520,900,000.00	0.0%	520,900,000.00
FTPYME Bancaja 1 FTA	04.03.2002	600,000,000.00	252,024,264.00	-1.4%	255,514,370.40	-2.1%	260,899,034.40
BBVA-2 FTPYME ICO	01.12.2000	900,000,000.00	97,443,577.80	-44.3%	175,048,960.77	-42.9%	306,595,443.42
BCL Municipios I FTA	21.06.2000	1,205,000,000.00	378,681,480.00	-17.6%	459,377,520.00	-22.9%	595,672,530.00
BBVA-1 FTA	24.02.2000	1,112,800,000.00	114,074,593.92	-43.7%	202,614,233.18	-28.8%	284,669,103.22

#### 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)	31.12.2006	Δ%	31.12.2005	Δ%	31.12.2004
<b>Equity *</b>	<b>3,095,298.97</b>	<b>0.00%</b>	<b>3,095,298.97</b>	<b>0.00%</b>	<b>3,095,298.97</b>
Capital	1,803,037.50	0.00%	1,803,037.50	0.00%	1,803,037.50
Reserves	1,292,261.47	0.00%	1,292,261.47	0.00%	1,292,261.47
<i>Legal</i>	360,607.50	0.00%	360,607.50	0.00%	360,607.50
<i>Voluntary</i>	931,653.97	0.00%	931,653.97	0.00%	931,653.97
<b>Year's profit</b>	<b>2,004,500.15</b>	<b>12.02%</b>	<b>1,789,429.69</b>	<b>0.14%</b>	<b>1,786,915.94</b>

\* Does not include year's profit

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

There are no shareholdings in any other company.

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

Under the articles of association, the General Shareholders' Meeting and the Board of Directors are entrusted with governing and managing the Management Company. 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 all its authorities that may be delegated by law and in accordance with the articles to an Executive Committee, including the power 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:

<b>Chairman:</b>	Mr Roberto Vicario Montoya (*) (**)
<b>Vice-Chairman:</b>	Mr Pedro María Urresti Laca (**)
<b>Directors:</b>	Mr Ignacio Aldonza Goicoechea (**)
	Mr Luis Bach Gómez (*) (**)
	Mr Jon Bilbao Vidaurrazaga (**)
	Mr José M <sup>a</sup> . Castellón Leal on behalf of Barclays Bank, S.A.
	Mr Ignacio Echevarría Soriano (**)
	Ms Ana Fernández Manrique (*) (**)
	Mr Thierry Loiseau on behalf of BNP Paribas España, S.A.
	Mr Mario Masiá Vicente (*)
	Mr Arturo Miranda Martín on behalf of J.P. Morgan España, S.A. (*)
	Mr Vicente Ortueta Monfort (**)
	Ms Carmen Pérez de Muniaín Marzana (**)
	Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A. (*)
	Mr Justo de Rufino Portillo (*) (**)
	Mr Jorge Sáenz de Miera on behalf of Deutsche Bank Credit, S.A.
	Mr Borja Uriarte Villalonga on behalf of Bankinter, S.A.

**Non-Director Secretary:** Ms Belén Rico Arévalo

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

(\*\*) Proprietary Directors for BBVA

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

### **General Manager.**

The Management Company's General Manager is Mr Mario Masiá Vicente.

#### **6.7 Principal activities of the persons referred to in section 6.6 above, performed outside the Management Company where these are significant with respect to the Fund.**

None of the persons referred to in the preceding section performs outside the Management Company any activities which 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
Banco Sabadell, S.A.	1.5317
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
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 the Management Company's and the Originator's corporate resolutions;
- 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 the mortgage loans of BANCO DE VALENCIA altogether selected from which the Mortgage Loans will be taken in order to be assigned to the Fund upon being established;
- f) the Rating Agencies' letters notifying the provisional and final ratings assigned to each Series in the Bond Issue;
- g) BANCAJA's letter taking responsibility, with the Management Company, for the Securities Note;
- h) the notarial certificate of payment of the Bond Issue, once the Bond Issue is paid up;
- i) the Management Company's annual accounts and the relevant audit reports; and
- j) the Management Company's articles of association and memorandum of association.

Those documents are physically on display at the registered office of EUROPEA DE TITULIZACIÓN at Madrid, calle Lagasca number 120.

Moreover, the Prospectus is also on display at the website of EUROPEA DE TITULIZACIÓN at [www.edt-sg.com](http://www.edt-sg.com), of AIAF at [www.aiaf.es](http://www.aiaf.es), and of the CNMV at [www.cnmv.es](http://www.cnmv.es).

The Deed of Constitution of the Fund is physically on display at Iberclear's place of business in Madrid, Plaza de la Lealtad number 1.

In addition, the documents listed in a) to k) are on display in the registers of the CNMV.

## **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 4 FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note.

Mr Mario Masiá Vicente, 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, is expressly acting for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee in a resolution dated October 23, 2007.

Mr Benito Castillo Navarro duly authorised for these presents, for and on behalf of BANCAJA, Lead Manager of the Bond Issue by VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note.

Mr Benito Castillo Navarro is acting as attorney-in-fact for BANCAJA using the powers conferred by BANCAJA under a power of attorney executed before Valencia Notary Public Mr Antonio Beasus Codes on May 5, 1992, his document number 974.

#### **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.

Mr Benito Castillo Navarro 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 paragraph 2 of the section 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 Bond Issue offering 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 and the issuer of the Pass-Through Certificates to be pooled in the Fund, represented by the Management Company, and will fully subscribe for the Bond Issue.
- d) BANCAJA and DEUTSCHE BANK are involved as Bond Issue Lead Managers.
- e) BANCAJA is involved as Paying Agent of the Bond Issue.
- f) Deloitte has audited the most significant characteristics of a sample of the selected mortgage loans of BANCO DE VALENCIA from which the Mortgage Loans will be taken to be assigned to the Fund upon being established.
- g) Fitch and Moody's are the Rating Agencies that have assigned the rating to each Bond Issue Series.

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 Asset-Backed Bonds (the "**Bond Issue**") is EUR nine hundred and seventy-eight million five hundred thousand (978,500,000.00), consisting of nine thousand seven hundred and eighty-five (9,785) Bonds pooled into four Series distributed as follows:

- a) Series A having a total face amount of EUR eight hundred and eighty-three million four hundred thousand (883,400,000.00) comprising eight thousand eight hundred and thirty-four (8,834) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A**" or "**Series A Bonds**").
- b) Series B having a total face amount of EUR forty-two million eight hundred thousand (42,800,000.00) comprising four hundred and twenty-eight (428) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or "**Series B Bonds**").
- c) Series C having a total face amount of EUR twenty-three million eight hundred thousand (23,800,000.00) comprising two hundred and thirty-eight (238) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series C**" or "**Series C Bonds**").
- d) Series D having a total face amount of EUR twenty-eight million five hundred thousand (28,500,000.00) comprising two hundred and eighty-five (285) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series D**" or "**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 Subscription for the Bond Issue.**

The Bond Issue shall be subscribed for by BANCO DE VALENCIA S.A. (“**BANCO DE VALENCIA**”) as Bond Issue subscriber under the Bond Issue Management and Subscription Agreement, to be entered into by the Management Company, for and on behalf of the Fund, taking on the obligations therein laid down in relation to subscription for the Bond Issue, which are broadly the following: 1) an undertaking to subscribe on its own account for the Bond Issue; 2) paying to the Fund, by 2pm (CET) on the Closing Date, for same day value, the Bond Issue subscription amount; 3) an undertaking to pay late-payment interest covenanted in the Agreement in the event of late payment of amounts due; and 4) all other aspects governing subscription for the Bond Issue.

BANCO DE VALENCIA shall receive no fee whatsoever for subscribing for Bond Issue.

BANCAJA and DEUTSCHE BANK shall be involved as Lead Managers in the Bond Issue and shall receive no remuneration for managing the Bond Issue.

The Bond Issue Management 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 1pm (CET) on December 24, 2007.

#### **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) Royal Decree 926/1998 and implementing regulations, (ii) Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) the Securities Market Act and applicable implementing regulations, (iv) Regulation 809/2004, (v) Royal Decree 1310/2005, (vi) Act 2/1981, as worded by Act 41/2007, and (vii) all other legal and statutory provisions in force and applicable from time to time.

The Deed of Constitution, the Bond Issue and the agreements relating to transactions for hedging financial risks and provision of services on the Fund’s behalf shall be subject to Spanish Law and shall be governed by and construed in accordance with Spanish laws.

#### **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 Plaza de la Lealtad, no. 1, 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 admitted to trading 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.**

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond interest payment and principal repayment 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.

Series D Bond interest payment and principal repayment 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.

##### **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 (3<sup>rd</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1 of the Building Block, and (ii) fourth (4<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series B Bonds is (i) fourth (4<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1 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 seventh (7<sup>th</sup>), and (ii) sixth (6<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series C Bonds is (i) fifth (5<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1 of the Building Block, other than in the event provided for in that same section for the same to be deferred, in which case it shall be eighth (8<sup>th</sup>), and (ii) eighth (8<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series D Bonds is (i) tenth (10<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1 of the Building Block, and (ii) eleventh (11<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

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

The Amortisation Withholding amount designed for amortising Series A, B and C Bonds as a whole without distinction between those Series is sixth (6<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1 of the Building Block.

Series A, B and C Bond principal repayment shall take place in accordance with the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.6 of this Securities Note.

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

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

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

Series D Bond principal repayment is (i) eleventh (11<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.12 of the Building Block, and (ii) twelfth (12<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

#### **4.7 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. In accordance with the laws in force for the time being, the Bonds subject of this Securities Note shall vest the investor acquiring the same in no present and/or future political rights in and to the Fund.

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 Mortgage Loan default or prepayment, 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 establishing, managing and being the authorised representative of the Fund 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 yearly nominal interest, variable and payable quarterly, which shall be the result of applying the policies established hereinafter for each 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 27, 2007, inclusive, and the first Payment Date, April 21, 2008, because April 20, 2008 is not a Business Day, 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:** 0.40% margin.
  - **Series B:** 0.70% margin.
  - **Series C:** 1.10% margin.
  - **Series D:** 4.00% 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:

- i) Other than for the first Interest Accrual Period, three- (3-) month Euribor, "Euro Interbank Offered Rate", calculated and distributed by the BRIDGE financial information system under an FBE ("Fédération Bancaire de l'Union Européene") 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 three- (3-) month Euribor and four- (4-) month Euribor, fixed at 11am (CET) 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:

$$IR = [((D-90)/30) \times E4] + [(1-((D-90)/30)) \times E3]$$

Where:

- IR = Reference Rate for the first Interest Accrual Period.
- D = Number of days in the first Interest Accrual Period.
- E3 = Three- (3-) month Euribor.
- E4 = Four- (4-) month Euribor.

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

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



- DEUTSCHE BANK AG
- BANCO SANTANDER CENTRAL HISPANO S.A.
- SOCIÉTÉ GÉNÉRALE
- SAMPAOLO IMI SPA
- RABOBANK NEDERLAND

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from a straight-line interpolation between 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 and 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, 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 as soon as possible after 11am (CET) on the first Business Day preceding the Closing Date.

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

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

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

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

#### 4.8.1.4 Interest Rate Fixing Date.

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

Exceptionally, the Management Company shall determine the Nominal Interest Rate of the Bonds in each Series for the first Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding the Closing Date, and shall notify the same in writing on the same day to the Subscriber. 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 subsequent 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.

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

Interest on the Bonds in all Series will be paid until finally amortised by Interest Accrual Periods in arrears on January 20, April 20, July 20 and October 20 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 of this Securities Note.

The first interest Payment Date for the Bonds in each Series shall be April 21, 2008, because April 20, 2008 is not a Business Day, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, December 27, 2007, inclusive, and April 21, 2008, because April 20, 2008 is not a Business Day, 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 because the Available Funds fall short.

Unpaid interest amounts due shall not earn 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 April 20, 2046, 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 applied on each Payment Date to amortising Series A, in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, prorated 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 21, 2008, because April 20, 2008 is not a Business Day).

Final amortisation of Series A Bonds shall occur on the Final Maturity Date (April 20, 2046 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 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 applied on each Payment Date to amortising Series B in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, prorated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur once Series A Bonds have been fully amortised. However, even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied for Series B in accordance with the rules for Distribution of Available Funds for Amortisation, 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 remains at 9.011%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (April 20, 2046 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 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 applied on each Payment Date to amortising Series C in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, prorated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur once Series A and B Bonds have been fully amortised. However, even if Series A and B Bonds have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied for Series C in accordance with the rules for Distribution of Available Funds for Amortisation, 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 remains at 5.011%, or higher percentage closest thereto.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (April 20, 2046 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 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 out of the Available Funds in the Priority of Payments.

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

- (i) EUR twenty-eight million five hundred thousand (28,500,000.00).
  - (ii) The higher of:
    - a) 6.00% of the sum of the Outstanding Principal Balance of Series A, B and C.
    - b) EUR fourteen million two hundred and fifty thousand (14,250,000.00).
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 the Cash Reserve could not be provisioned up to the Required Cash Reserve amount on the relevant Payment Date.
  - iii) That the average margin added to the relevant benchmark index for determining the nominal interest rate of the Mortgage Loans, 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 (April 20, 2046), 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 Early Amortisation of the Bond Issue before the Final Maturity Date.

#### 4.9.3 Partial amortisation of Series A, B and C Bonds.

Irrespective of the Final Maturity Date and subject to 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 21, 2008, because April 20, 2008 is not a Business Day, inclusive, the Fund shall, through its Management Company, proceed to partial amortisation of Series A, B and C Bonds in accordance with the specific amortisation

terms for each Series established in sections 4.9.2.1 to 4.9.2.3 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 (4<sup>th</sup>) Business Day preceding each Payment Date on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Available Funds and the Available Funds for Amortisation which the Fund shall dispose of on the relevant Payment Date, in the Priority of Payments.

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

- (i) the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, April 15, 2008, inclusive, and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, on which the Pass-Through Certificates and the assets remaining in the Fund have been liquidated and all Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first but including the last date.

#### 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, also excluding Doubtful Mortgage Loans.

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 doubtful 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 (6<sup>th</sup>) place in the priority of payments for withholding the amount designed for amortising Series A, B and C Bonds as a whole, without distinguishing between those Series ("**Amortisation Withholding**"), in an amount equal to the positive difference, if any, at 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 Amortisation Withholding shall be included among the Available Funds for Amortisation and be applied to amortising Series A, B and C in accordance with the rules for Distribution of Available Funds for Amortisation established hereinafter in section 4.9.3.6 below.

**4.9.3.5 Available Funds for Amortisation of Series A, B and C on each Payment Date 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**”) shall be the Amortisation Withholding amount actually applied out of the Available Funds on the relevant Payment Date in sixth (6<sup>th</sup>) place of the Priority of Payments.

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

**4.9.3.6 Distribution of Available Funds for Amortisation.**

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

1. The Available Funds for Amortisation 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 B and C.
2. Even if Series A has not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and, as the case may be, 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 9.011% 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.
  - 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 5.011% 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 0.75% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - c) Additionally, in order to amortise Series B and, as the case may be, 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 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 and, as the case may be, of Series C to the sum of the Outstanding Principal Balance of Series A, B and C respectively remains at 9.011% and at 5.011%, 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 Early Liquidation of the Fund and hence 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 final amortisation of the Bonds shall be on April 20, 2046 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 4.9.2 to 4.9.4 of this Securities Note, proceeding to amortise any or all of the Series in 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: 5.05% weighted average interest rate at November 9, 2007 of the portfolio of selected mortgage loans which has been used for calculating the repayment and interest instalments of each of the selected mortgage loans;
- Mortgage Loan portfolio delinquency: 0.45% of the Outstanding Balance of the Mortgage Loans, 0.40% being recovered, with 100% recoveries within 12 months of becoming delinquent, and the remaining 0.05% becoming doubtful from November 2008, with 90% recoveries within 18 months of becoming doubtful;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is December 27, 2007; 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 a straight-line interpolation bearing in mind the number of days in the First Interest Accrual Period between 3-month Euribor (4.953%) and 4-month Euribor (4.935%) at December 12, 2007 and the margins set for each Series in section 4.8.1.2 of this Securities Note:

	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds
<b>Nominal interest rate</b>	5.337%	5.637%	6.037%	8.937%

For subsequent 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 (4.953%) at December 12, 2007 and the margins set for each Series in section 4.8.1.2 of this Securities Note:

	Series A Bonds	Series B Bonds	Series C Bonds	Series D Bonds
<b>Nominal interest rate</b>	5.353%	5.653%	6.053%	8.953%

#### 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, based on the historical performance of mortgage loans previously securitised by BANCO DE VALENCIA, would be as follows:

% CPR:	6.00%	8.00%	10.00%	12.00%	14.00%
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Series A Bonds					
<b>Average life (years)</b>	8.35	7.10	6.12	5.36	4.74
<b>IRR</b>	5.537%	5.537%	5.537%	5.537%	5.537%
<b>Duration (years)</b>	5.81	5.14	4.58	4.11	3.73
<b>Final maturity</b>	20 01 2028	21 07 2025	20 04 2023	20 07 2021	20 01 2020
<b>(in years)</b>	20.08	17.58	15.32	13.57	12.07

Series B Bonds					
<b>Average life (years)</b>	14.04	12.04	10.42	9.15	8.11
<b>IRR</b>	5.855%	5.855%	5.855%	5.855%	5.855%
<b>Duration (years)</b>	8.97	8.08	7.30	6.63	6.04
<b>Final maturity</b>	20 01 2028	21 07 2025	20 04 2023	20 07 2021	20 01 2020
<b>(in years)</b>	20.08	17.58	15.32	13.57	12.07

Series C Bonds					
<b>Average life (years)</b>	14.04	12.04	10.42	9.15	8.11
<b>IRR</b>	6.278%	6.278%	6.278%	6.278%	6.278%
<b>Duration (years)</b>	8.72	7.88	7.13	6.49	5.93
<b>Final maturity</b>	20 01 2028	21 07 2025	20 04 2023	20 07 2021	20 01 2020
<b>(in years)</b>	20.08	17.58	15.32	13.57	12.07

Series D Bonds					
<b>Average life (years)</b>	15.14	13.07	11.33	9.98	8.85
<b>IRR</b>	9.373%	9.373%	9.373%	9.373%	9.373%
<b>Duration (years)</b>	7.37	6.84	6.32	5.86	5.44
<b>Final maturity</b>	20 01 2028	21 07 2025	20 04 2023	20 07 2021	20 01 2020
<b>(in years)</b>	20.08	17.58	15.32	13.57	12.07



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

- Whereas CPRs are assumed to be constant respectively at 8.00%, 10.00% and 12.00% throughout the life of the Bond Issue, as explained above actual prepayment changes continually.
- The Outstanding Principal Balance of the Bonds on each Payment Date and hence interest payable on each such dates shall depend on the actual Mortgage Loan prepayment, delinquency and default rates.
- Whereas Bond nominal interest rates are assumed to be constant for each Series from the second Interest Accrual Period, the interest rate in all Series is known to float.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the Early Liquidation option of the Fund and thereby proceed to Early Amortisation of the Bond Issue when the Outstanding Balance of the Loans is less than 10% of the Initial Outstanding Balance upon the Fund being set up, as provided in section 4.4.3.1.(i) of the Registration Document.
- In this scenario, the Conditions for Pro Rata Amortisation apply.
- These are all reasonable assumptions based on the historical performance of mortgage loans granted by BANCO DE VALENCIA to legal persons.







#### 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:***

In a meeting of October 23, 2007, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved that:

- i) VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in accordance with the legal system for which provision is made in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and all other legal and statutory provisions in force and applicable from time to time.
- ii) Receivables owned by and recorded in the assets of BANCO DE VALENCIA derived from mortgage loans granted by BANCO DE VALENCIA to individuals with real estate mortgage security, assigned to the Fund upon being established by having BANCO DE VALENCIA issue and the Fund subscribe for pass-through certificates, be pooled in the Fund.
- iii) The bonds be issued by the Fund.

###### ***Resolution to assign mortgage loan receivables by issuing pass-through certificates:***

At a meeting held on September 21, 2007, the Board of Directors of BANCO DE VALENCIA resolved that loans, credits and other assets owned by BANCO DE VALENCIA, appropriate in accordance with the laws in force for the time being, be assigned, and that any certificates whatsoever provided for in the mortgage market laws and, specifically, mortgage certificates and/or pass-through certificates be issued to be transferred to, included in, acquired by, pooled in or subscribed for by an open- or closed-end Mortgage or Asset Securitisation Fund purposely set up, at a sum of not more than EUR one billion five hundred million (1,500,000,000.00) before December 31, 2007.

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

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

This Prospectus regarding the establishment of the Fund and Bond Issue has been entered in the CNMV's Official Registers.

##### 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, as Originator, proceed to execute on December 21, 2007 a public deed whereby VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BANCO DE VALENCIA will issue and the Fund will subscribe for the Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds, on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the 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 by 1pm (CET) on December 27, 2007.

**4.13 Issue date of the securities.**

The Bond issue date shall be December 21, 2007.

**4.13.1 Potential investors to whom the Bonds are offered**

The Bond Issue shall be fully subscribed for by BANCO DE VALENCIA.

**Tranches.**

Each of the Series consists of one tranche only.

**4.13.2 Bond Issue subscription payment method and dates.**

The Bond Issue Subscriber shall pay to the Fund by 2pm (CET) on December 27, 2007 (the “**Closing Date**”), for same day value, the issue price for the Bonds subscribed for.

**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 (book entry) will convey the ownership of each Bond. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties.

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

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

In fulfilment of the provisions of article 2.3 of Royal Decree 926/1998, the Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on AIAF Mercado de Renta Fija (“**AIAF**”), which is a qualified official secondary securities market pursuant to transitional provision six of Act 37/1998, November 16, amending the Securities Market Act, 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 to do whatever may be necessary in order that definitive admission to trading 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 admitted to trading 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 agent and depository agents.**

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

The Bond Issue will be serviced through BANCAJA as Paying Agent. Interest payments 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 Bond Issue, the most significant terms of which are given in section 3.4.7.2 of the Building Block.

## **6 EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING.**

The expected expenses deriving from setting up the Fund and issue and admission to trading of the Bond Issue are EUR three hundred and eighty thousand one hundred and twenty-seven (380,127.00). These expenses include, inter alia, the initial Management Company fee, notary's fees, rating and legal advice fees, CNMV fees, AIAF and Iberclear fees, and Prospectus translation and printing expenses.

## **7 ADDITIONAL INFORMATION.**

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

RAMÓN & CAJAL, as independent advisers, have provided legal advice for establishing the Fund and issuing the Bonds, and have reviewed the tax implications thereof.

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 financial years ended December 31, 2006 and 2005.

### **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 Pass-Through 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 Pass-Through Certificates given in this Prospectus.

In the Deed of Constitution of the Fund, BANCO DE VALENCIA shall reaffirm to the Management Company 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.

Fitch Ratings España, S.A. and Moody's Investors Service España, S.A. have on December 18, 2007 assigned the following provisional ratings to each Bond Series, and expect to assign the same final ratings by 1pm (CET) on December 24, 2007.

Bond Series	Fitch Rating	Moody's Rating
Series A	AAA	Aaa
Series B	A	Aa3
Series C	BBB	Baa3
Series D	CCC	C

If the Rating Agencies should not confirm any of the assigned provisional ratings as final by 1pm (CET) on December 24, 2007, 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 Pass-Through Certificates terminating, as provided for in section 4.4.4.(iv) of the Registration Document.

### Rating considerations.

The ratings assigned to each Bond Series by Fitch measure the Fund's capacity for timely payment of interest and payment of Bond principal throughout the life of the transaction and at all events before the Final Maturity Date, on the terms stipulated in the Prospectus. The structure allows Series B and C interest payment to be deferred in certain circumstances. This implies that those Series might not receive interest on some Payment Dates if the deferment circumstances occur, without that being a default on payment of those Bonds.

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 interest and principal payment during the life of the transaction and, in any event, before the Final Maturity Date for Series A, B and C, and interest and principal payment before the Final Maturity Date for Series D.

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

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

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

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 and DELOITTE as auditor of the selected mortgage loans, and in the legal opinion to be issued by RAMÓN & CAJAL on the date of constitution of the Fund.

The ratings take 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 may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute Early Liquidation events of the Fund, shall forthwith be notified to both the CNMV and Bondholders, in accordance with the provisions of section 4.1 of the Building Block.



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

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

### **1. SECURITIES**

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

The Fund shall be set up by pooling the Pass-Through 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 fifty million (950,000,000.00, the face value amount of Series A, B and C Bonds.

Additionally, the Fund will issue a Bond Series D, having a total face amount twenty-eight million five hundred thousand (28,500,000.00), which amount shall be used for setting up the Initial Cash Reserve and be paid into the Treasury Account.

#### **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 Series A, B and C Bonds issued to be satisfied.

In order to cover for potential payment defaults by securitised Mortgage Loan Obligors, a number of credit enhancement transactions have however been arranged allowing the Series A, B and C Bond amounts payable to be covered to a different extent and mitigating the interest risk (base risk) because Mortgage Loan interest floats with different benchmark indices and different reset and settlement periods with respect to the floating interest established for Series 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, 3.4.4 and 3.4.7.1 of this Building Block.

Not all the Bonds issued have the same risk of default. Hence the different 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 to Early Liquidation of the Fund and thereby 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 receivables to be pooled in the Fund, represented by the Management Company, upon being established, shall exclusively consist of the Pass-Through Certificates issued by BANCO DE VALENCIA on the Mortgage Loans (loans granted by BANCO DE VALENCIA to individuals with real estate mortgage security on finished homes and annexes, if any -parking spaces/lumber rooms- located in Spain ranking senior or, as the case may be, ranking junior as a result of previous mortgage debts for which BANCO DE VALENCIA has documents proving economic repayment but which are yet to be struck off the register).

The portfolio of selected mortgage loans from which the Mortgage Loans to be assigned to the Fund upon being established by issuing the Pass-Through Certificates will be taken comprises 8,821 mortgage loans, their outstanding principal at November 9, 2007 being EUR 1,106,870,819.66.

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

The most significant characteristics of the selected loans have been audited by Deloitte.

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: loan and mortgage origination, nature of the loan and the borrower, identification of the borrower, origination date, maturity date, initial amount, current balance, interest rate or benchmark index, interest rate spread, interest rate applied, mortgaged property, address of the mortgaged property, appraisal value, current loan to value ratio, mortgage security, arrears in payment, damage insurance and loan transfer. Mortgage loans in respect of which errors are detected in verifying the sample shall not be included by BANCO DE VALENCIA for issuing the Pass-Through Certificates.

The audit results shall be set out in a report prepared by Deloitte, this being one of the documents on display as determined in section 10 of the Registration Document.

**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 selected mortgage loan obligors.**

All obligors are individuals. The following table gives the concentration of the ten obligors weighing most in the selected mortgage loan portfolio at November 9, 2007.

Mortgage loan portfolio at 9.11.2007				
Classification by Obligor				
	Loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	2	0.02	636,000.00	0.06
Obligor 2	2	0.02	585,047.53	0.05
Obligor 3	2	0.02	557,473.07	0.05
Obligor 4	2	0.02	540,536.37	0.05
Obligor 5	1	0.01	500,000.00	0.05
Obligor 6	1	0.01	495,916.45	0.04
Obligor 7	1	0.01	492,713.10	0.04
Obligor 8	1	0.01	490,705.29	0.04
Obligor 9	1	0.01	488,134.67	0.04
Obligor 10	1	0.01	480,000.00	0.04
Rest: 8,731 obligors	8,807	99.84	1,101,604,293.18	99.52
<b>Total 8,741 obligors</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.000</b>

The outstanding principal of each obligor is the result, as the case may be, of the sum of the outstanding principal of each of the selected mortgage loans granted to a same obligor.

**b) Information regarding selected mortgage loan origination dates.**

The provisional portfolio selected mortgage loans were originated on dates comprised between January 2, 2003 and June 29, 2007, average portfolio age being 15.75 months at November 9, 2007.

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

<b>Mortgage loan portfolio at 9.11.2007</b>				
<b>Classification by origination date</b>				
<b>Date interval</b>	<b>Loans</b>		<b>Outstanding principal (EUR)</b>	
		<b>%</b>		<b>%</b>
01/01/2003 to 30/06/2003	260	2.95	20,492,772.55	1.85
01/07/2003 to 31/12/2003	304	3.45	24,757,013.62	2.24
01/01/2004 to 30/06/2004	317	3.59	29,525,320.84	2.67
01/07/2004 to 31/12/2004	322	3.65	31,917,827.73	2.88
01/01/2005 to 30/06/2005	359	4.07	35,627,128.39	3.22
01/07/2005 to 31/12/2005	458	5.19	52,110,637.46	4.71
01/01/2006 to 30/06/2006	1,377	15.61	163,732,218.50	14.79
01/07/2006 to 31/12/2006	2,454	27.82	328,097,651.88	29.64
01/01/2007 to 30/06/2007	2,970	33.67	420,610,248.69	38.00
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>
<b>Weighted average age</b>			<b>Months</b>	<b>15.75</b>
<b>Maximum age</b>			<b>Months</b>	<b>58.26</b>
<b>Minimum age</b>			<b>Months</b>	<b>4.37</b>

**c) Information regarding selected mortgage loan outstanding principal.**

The outstanding principal of the selected mortgage loans at November 9, 2007 ranges between EUR 1,111.02 and EUR 500,000.00.

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.

<b>Mortgage loan portfolio at 9.11.2007</b>				
<b>Classification by outstanding principal</b>				
<b>Outstanding principal interval (in EUR)</b>	<b>Loans</b>		<b>Outstanding principal (EUR)</b>	
	<b>No.</b>	<b>%</b>		<b>%</b>
0.00 - 24,999.00	339	3.84	5,681,776.72	0.51
25,000.00 - 49,999.00	826	9.36	31,375,046.70	2.83
50,000.00 - 74,999.00	1,017	11.53	64,563,043.26	5.83
75,000.00 - 99,999.00	1,383	15.68	121,369,956.53	10.97
100,000.00 - 124,999.00	1,329	15.07	149,944,262.49	13.55
125,000.00 - 149,999.00	1,189	13.48	163,590,761.27	14.78
150,000.00 - 174,999.00	903	10.24	146,349,729.64	13.22
175,000.00 - 199,999.00	685	7.77	127,623,175.23	11.53
200,000.00 - 224,999.00	390	4.42	82,247,995.72	7.43
225,000.00 - 249,999.00	297	3.37	70,274,030.50	6.35
250,000.00 - 274,999.00	155	1.76	40,494,363.87	3.66
275,000.00 - 299,999.00	116	1.32	33,294,171.25	3.01
300,000.00 - 324,999.00	48	0.54	14,910,432.70	1.35
325,000.00 - 349,999.00	43	0.49	14,456,122.93	1.31
350,000.00 - 374,999.00	37	0.42	13,384,544.55	1.21
375,000.00 - 399,999.00	17	0.19	6,557,518.28	0.59
400,000.00 - 424,999.00	18	0.20	7,378,620.31	0.67
425,000.00 - 449,999.00	10	0.11	4,370,977.71	0.39

Mortgage loan portfolio at 9.11.2007				
Classification by outstanding principal				
Outstanding principal interval (in EUR)	Loans		Outstanding principal	
	No.	%	(EUR)	%
450,000.00 - 474,999.00	8	0.09	3,649,852.03	0.33
475,000.00 - 499,999.00	10	0.11	4,854,437.97	0.44
500,000.00 - 524,999.00	1	0.01	500,000.00	0.05
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>
<b>Average principal:</b>			<b>125,481.33</b>	
<b>Minimum principal:</b>			<b>1,111.02</b>	
<b>Maximum principal:</b>			<b>500,000.00</b>	

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

The interest rate of all the selected mortgage loans floats. 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.

Mortgage loan portfolio at 9.11.2007					
Classification by interest rate benchmark index					
Benchmark index	Loans		Outstanding principal		% Margin * above index
	No.	%	(EUR)	%	
1-year EURIBOR/MIBOR	8,815	99.93	1,105,996,871.48	99.92	0.85
6-month EURIBOR/MIBOR	6	0.07	873,948.18	0.08	1.07
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>	<b>0.81</b>

\*Average margin weighted by the outstanding principal.

**e) Information regarding nominal interest rates applicable to the selected mortgage loans.**

The nominal interest rates applicable to the selected mortgage loans at November 9, 2007 range between 3.72% and 7.17%, the average nominal interest rate weighted by the outstanding principal being 5.05%.

The following table gives the distribution of the selected mortgage loans by 0.25% nominal interest rate intervals. Intervals with no contents are not detailed.

Mortgage loan portfolio at 9.11.2007					
Classification by nominal interest rates					
% Interest Rate Interval	Loans		Outstanding principal		% Interest rate*
	No.	%	(EUR)	%	
3.50 - 3.74	3	0.03	677,551.79	0.06	3.72
3.75 - 3.99	18	0.20	3,136,706.51	0.28	3.84
4.00 - 4.24	36	0.41	5,310,638.04	0.48	4.13
4.25 - 4.49	317	3.59	47,972,795.21	4.33	4.39
4.50 - 4.74	1,322	14.99	182,391,921.54	16.48	4.62
4.75 - 4.99	1,984	22.49	260,532,646.21	23.54	4.85
5.00 - 5.24	2,068	23.44	259,407,539.49	23.44	5.09
5.25 - 5.49	1,721	19.51	202,821,819.32	18.32	5.34
5.50 - 5.74	835	9.47	92,325,810.39	8.34	5.60
5.75 - 5.99	351	3.98	37,236,624.19	3.36	5.85
6.00 - 6.24	136	1.54	13,333,927.85	1.20	6.11
6.25 - 6.49	15	0.17	954,845.11	0.09	6.32
6.50 - 6.74	12	0.14	599,615.51	0.05	6.60

<b>Mortgage loan portfolio at 9.11.2007</b>					
<b>Classification by nominal interest rates</b>					
<b>% Interest Rate Interval</b>	<b>Loans</b>		<b>Outstanding principal</b>		<b>% Interest rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
7.00 - 7.24	3	0.03	168,378.50	0.02	7.11
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>	
			<b>Weighted average:</b>		<b>5.05</b>
			<b>Simple average:</b>		<b>5.08</b>
			<b>Minimum:</b>		<b>3.72</b>
			<b>Maximum:</b>		<b>7.17</b>

\*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 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 at November 9, 2007 range between 1.00% and 3.00%.

The following table gives the distribution of the selected mortgage loans by 1.00% minimum nominal interest rate intervals applicable for determining their nominal interest rate. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio at 9.11.2007</b>					
<b>Classification by applicable minimum nominal interest rates</b>					
<b>Minimum % Interest Rate Interval</b>	<b>Loans</b>		<b>Outstanding principal</b>		<b>Minimum % interest rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
1.00 - 1.99	81	0.92	8,071,065.54	0.73	1.00
2.00 - 2.99	836	9.48	83,265,123.07	7.52	2.00
3.00 - 3.99	8	0.09	668,930.14	0.06	3.00
No minimum applicable NIR	7,896	89.51	1,014,865,700.91	91.69	
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>	

\*Average minimum 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 at November 9, 2007 range between 10.00% and 29.00%.

The following table gives the distribution of the selected mortgage loans by 1.00% maximum nominal interest rate intervals applicable for determining their nominal interest rate. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio at 9.11.2007</b>					
<b>Classification by applicable maximum nominal interest rates</b>					
<b>Maximum % Interest Rate Interval</b>	<b>Loans</b>		<b>Outstanding principal</b>		<b>Maximum % interest rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
10,00 - 10,99	14	0.16	1,119,586.99	0.10	10.00
11,00 - 11,99	1	0.01	127,347.84	0.01	11.00
12,00 - 12,99	22	0.25	2,210,706.24	0.20	12.00
13,00 - 13,99	1	0.01	84,512.25	0.01	13.00
14,00 - 14,99	7	0.08	385,167.65	0.03	14.00
15,00 - 15,99	784	8.89	78,019,695.37	7.05	15.00

Mortgage loan portfolio at 9.11.2007					
Classification by applicable maximum nominal interest rates					
Maximum % Interest Rate Interval	Loans		Outstanding principal (EUR)		Maximum % interest rate*
		%		%	
16,00 - 16,99	3	0.03	238,262.78	0.02	16.00
19,00 - 19,99	12	0.14	1,279,969.01	0.12	19.00
20,00 - 20,99	9	0.10	561,255.66	0.05	20.00
25,00 - 25,99	26	0.29	2,605,918.75	0.24	25.00
29,00 - 29,99	2	0.02	217,856.72	0.02	29.00
No maximum applicable NIR	7,940	90.01	1,020,020,540.40	92.15	-
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>	

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

#### h) Information regarding selected mortgage loan final maturity date.

The final maturity of the selected mortgage loans falls on dates comprised between February 10, 2008 and July 5, 2042.

Most of the selected 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.

Mortgage loan portfolio at 9.11.2007						
Classification by final maturity date						
Final maturity year	Loans		Outstanding principal (EUR)		Residual life <sub>wa</sub> *	
		%		%	Months	Date
2008	10	0.11	40,970.54	0.00	7.46	23/06/2008
2009	14	0.16	498,735.20	0.05	17.45	23/04/2009
2010	20	0.23	375,176.15	0.03	33.77	2/09/2010
2011	22	0.25	704,705.77	0.06	44.53	26/07/2011
2012	35	0.40	1,318,900.64	0.12	55.58	27/06/2012
2013	78	0.88	3,409,048.42	0.31	68.05	11/07/2013
2014	79	0.90	4,405,826.95	0.40	80.22	17/07/2014
2015	86	0.97	4,111,013.31	0.37	90.89	6/06/2015
2016	147	1.67	8,949,481.79	0.81	104.96	8/08/2016
2017	132	1.50	9,255,082.80	0.84	113.65	29/04/2017
2018	199	2.26	15,113,205.98	1.37	128.00	10/07/2018
2019	214	2.43	19,366,304.86	1.75	139.56	27/06/2019
2020	178	2.02	16,443,948.45	1.49	151.50	24/06/2020
2021	301	3.41	25,972,406.22	2.35	164.26	18/07/2021
2022	224	2.54	20,490,843.13	1.85	173.61	28/04/2022
2023	152	1.72	13,364,869.28	1.21	187.72	2/07/2023
2024	188	2.13	17,581,164.38	1.59	199.46	23/06/2024
2025	213	2.41	23,089,855.41	2.09	211.68	30/06/2025
2026	482	5.46	53,995,005.65	4.88	224.66	30/07/2026
2027	340	3.85	37,937,644.69	3.43	232.94	8/04/2027
2028	150	1.70	14,647,070.77	1.32	247.58	27/06/2028
2029	181	2.05	19,317,000.00	1.75	259.34	20/06/2029
2030	201	2.28	23,261,216.20	2.10	272.17	15/07/2030
2031	830	9.41	105,562,293.37	9.54	284.50	25/07/2031

Mortgage loan portfolio at 9.11.2007						
Classification by final maturity date						
Final maturity year	Loans		Outstanding principal		Residual life <sup>wa</sup> *	
		%	(EUR)	%	Months	Date
2032	596	6.76	77,600,140.00	7.01	292.97	8/04/2032
2033	40	0.45	5,869,737.82	0.53	307.33	19/06/2033
2034	73	0.83	9,739,883.67	0.88	320.12	14/07/2034
2035	211	2.39	28,909,933.96	2.61	332.99	9/08/2035
2036	876	9.93	123,602,010.32	11.17	344.52	25/07/2036
2037	541	6.13	79,777,942.30	7.21	352.90	6/04/2037
2038	30	0.34	5,365,914.32	0.48	366.49	25/05/2038
2039	36	0.41	5,276,585.67	0.48	379.59	28/06/2039
2040	32	0.36	5,725,282.31	0.52	390.93	7/06/2040
2041	578	6.55	98,084,449.72	8.86	406.66	29/09/2041
2042	1,332	15.10	227,707,169.61	20.57	412.80	4/04/2042
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>309.89</b>	<b>5/09/2033</b>
	<b>Simple average:</b>				<b>282.59</b>	<b>28/05/2031</b>
	<b>Minimum:</b>				<b>3.06</b>	<b>10/02/2008</b>
	<b>Maximum:</b>				<b>415.84</b>	<b>5/07/2042</b>

\*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 mortgaged properties securing the same are located.

Mortgage loan portfolio at 9.11.2007				
Classification by Autonomous Communities				
Autonomous Communities	Loans		Outstanding principal	
		%	(EUR)	%
Andalusia	490	5.55	54,071,006.95	4.89
Aragón	466	5.28	66,707,318.18	6.03
Balearic Isles	210	2.38	36,837,311.80	3.33
Canary Islands	1	0.01	104,367.52	0.01
Cantabria	1	0.01	105,260.92	0.01
Catalonia	243	2.75	47,058,921.19	4.25
Basque Country	3	0.03	418,315.93	0.04
Extremadura	4	0.05	511,604.97	0.05
Castile-León	5	0.06	548,956.57	0.05
Madrid	358	4.06	53,676,598.96	4.85
Castile La Mancha	58	0.66	8,362,281.73	0.76
Murcia	1,210	13.72	131,833,828.32	11.91
Navarre	119	1.35	21,042,675.49	1.90
La Rioja	111	1.26	14,808,536.07	1.34
Valencian Community	5,542	62.83	670,783,835.06	60.60
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>

j) **Information regarding delays in collecting selected mortgage loan principal instalments.**

The provisional portfolio loans were all in good standing in respects of payment of amounts due under each of them at November 9, 2007.

As described in section 2.2.8 (26) of the Building Block, none of the Mortgage Loans that will finally be the subject of the issue of the Pass-Through Certificates for the Fund to be established shall have no payments overdue on their issue date.

**k) Loan to value ratio or level of collateralisation.**

The ratio, expressed as a percentage, of the outstanding principal balance amount of the selected mortgage loans as at November 9, 2007 to the appraisal value of the mortgaged properties was comprised between 0.59% and 100.00%, and the average ratio weighted by the outstanding principal of each mortgage loan is 68.15%.

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

<b>Mortgage loan portfolio at 9.11.2007</b>					
<b>Classification by loan to value ratio</b>					
<b>Ratio Intervals</b>	<b>Loans</b>		<b>Outstanding principal</b>		<b>(%) Loan to Value*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
0.01 - 5.00	34	0.39	300,656.57	0.03	3.59
5.01 - 10.00	115	1.30	2,397,091.37	0.22	8.18
10.01 - 15.00	163	1.85	5,440,329.85	0.49	13.06
15.01 - 20.00	289	3.28	12,987,736.65	1.17	17.62
20.01 - 25.00	246	2.79	12,700,668.37	1.15	22.62
25.01 - 30.00	309	3.50	19,955,431.62	1.80	27.61
30.01 - 35.00	313	3.55	24,482,252.55	2.21	32.58
35.01 - 40.00	348	3.95	31,913,548.27	2.88	37.75
40.01 - 45.00	381	4.32	35,874,756.43	3.24	42.65
45.01 - 50.00	428	4.85	46,098,989.24	4.16	47.76
50.01 - 55.00	514	5.83	58,254,910.78	5.26	52.39
55.01 - 60.00	578	6.55	72,382,901.79	6.54	57.51
60.01 - 65.00	626	7.10	83,546,554.65	7.55	62.51
65.01 - 70.00	733	8.31	99,946,592.09	9.03	67.60
70.01 - 75.00	794	9.00	114,879,937.45	10.38	72.76
75.01 - 80.00	1,790	20.29	281,858,936.93	25.46	77.88
80.01 - 85.00	157	1.78	26,359,321.32	2.38	82.75
85.01 - 90.00	197	2.23	34,618,329.67	3.13	87.83
90.01 - 95.00	229	2.60	40,363,357.84	3.65	92.67
95.01 - 100.00	577	6.54	102,508,516.22	9.26	98.30
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>	
<b>Weighted Average:</b>					<b>68.15 %</b>
<b>Simple Average:</b>					<b>60.78 %</b>
<b>Minimum:</b>					<b>0.59 %</b>
<b>Maximum:</b>					<b>100.00 %</b>

\*Loan to Value Ratio are averages weighted by the initial principal.

There is no overcollateralisation in the Fund since the total Loan principal or capital that BANCO DE VALENCIA shall assign to the Fund upon being set up shall be equal to or slightly above EUR nine hundred and fifty million (950,000,000.00), the face value amount of Series A, B and C Bonds.

**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 (and annexes, if any -parking spaces/lumber rooms-) located in Spain, originated in a public deed.



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

The Mortgage Loan receivables shall be assigned to the Fund upon BANCO DE VALENCIA issuing and the Fund subscribing for Pass-Through Certificates subject to the provisions of Mortgage Market Regulation Act 2/1981, March 25 (“**Act 2/1981**”) and additional provision five of Act 3/1994, as currently worded, 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.

The final maturity date of the selected mortgage loans at November 9, 2007 lies between February 10, 2008 and July 5, 2042. Section 2.2.2.h) 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 Pass-Through 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 fifty million (950,000,000.00, the face value amount of Series A, B and C Bonds).

The portfolio of selected mortgage loans from which the Mortgage Loans will be taken to be assigned to the Fund upon being established comprises 8,821 mortgage loans, their outstanding principal at November 9, 2007 being EUR 1,106,870,819.66, and these mortgage loans are all in good standing.

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

The loan to value ratio or level of collateralisation ratio of the mortgage loans is given in section 2.2.2.k) of this Building Block.

#### **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).
- ⇒ Searching external databases for incidents (delinquency, RAI, legal incidents) and internal databases for potential alerts.
- ⇒ 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.

Transactions are assessed relying on scoring tools. Behavioural scores (in the case of customers) and reactive scores are used for loans.

### **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, Foreign Identification Number 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.
- ⇒ System information screens for external alerts (RAI, CAIS, legal incidents) and internal alerts (alerts application).
- ⇒ Cover and recommendation letter summarising the proposed transaction and describing any relevant aspect not included in the previous documents.
- ⇒ 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.
- ⇒ Contract of employment and/or employment history.
- ⇒ Profitability sheet in the case those that are already Banco Valencia 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.

These policies are implemented in the (behavioural and/or reactive) tools used, an opinion being ultimately provided 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 (delinquency).
- ◆ 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 Pass-Through Certificates, give and make to the Fund and to the Management Company in the Deed of Constitution.

##### **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, is entered in the Companies Register and in the Bank of Spain's Register of Credit Institutions, 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 BANCO DE VALENCIA 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 Pass-Through 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 2006, 2005 and 2004 with a favourable opinion and without any provisos from the auditors and they have been filed with the CNMV and with the Companies Register.

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

- (1) That the Mortgage Loans are assigned to the Fund by issuing the Pass-Through Certificates in the ordinary course of business of BANCO DE VALENCIA and the Pass-Through Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991, additional provision five of Act 3/1994, as worded by Act 41/2007, and other applicable laws, and satisfy all the requirements established therein and are susceptible of being included in an Asset Securitisation Fund.
- (2) That the Pass-Through 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 exist and are valid and enforceable in accordance with the applicable laws, and all applicable laws have also been observed in granting the same.

- (4) 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 Pass-Through Certificates to be issued.
- (5) That the details and information of the mortgage loans selected for the Pass-Through Certificates to be issued given in section 2 of the Prospectus Building Block, accurately reflect their status on the relevant date and are correct.
- (6) That the details of the Pass-Through Certificates and the Mortgage Loans included in the schedules to the Deed of Constitution accurately reflect the current status of those Mortgage Loans and Pass-Through Certificates and are full and accurate, and match the data files sent to the Management Company on those Mortgage Loans.
- (7) That the Mortgage Loans underlying the Pass-Through Certificates are part of the mortgage loans selected for the Pass-Through Certificates to be issued given in section 2 of the Prospectus Building Block.
- (8) That the information on the Pass-Through Certificates and the Mortgage Loans given in the Prospectus is accurate and fairly reflects their real status.
- (9) That the Mortgage Loans are secured with a real estate mortgage on the legal and beneficial ownership of each and every one of the mortgaged properties, ranking senior or, as the case may be, ranking junior as a result of previous mortgage debts for which BANCO DE VALENCIA has documents proving economic repayment but which are yet to be struck off the register.
- (10) 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.
- (11) That the Mortgage Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.
- (12) That the Mortgage Loans are all denominated and payable exclusively in euros, and the capital or principal has been fully drawn down.
- (13) That none of the Mortgage Loans have clauses allowing deferment of periodic interest payment and principal repayment.
- (14) That the Mortgage Loan payment obligations are all satisfied by directly debiting a bank account opened at BANCO DE VALENCIA.
- (15) That the Obligors are all individuals.
- (16) That the Mortgage Loans have been granted to individuals both directly and through subrogations of financing granted to developers for building homes or subsequent subrogations as borrower in the initial borrower's position.
- (17) That the mortgages are granted on real properties already built that are 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.
- (18) That the mortgaged properties underlying the Mortgage Loans are not, and are not ineligible as, assets excluded for standing as security under article 31 of Royal Decree 685/1982, nor do the Mortgage Loans have any excluded or restricted credit characteristics under article 32 of Royal Decree 685/1982.

- (19) That the mortgaged properties are all finished homes (and annexes, if any -parking spaces/ lumber rooms-) located in Spain and have been appraised by duly qualified institutions approved by BANCO DE VALENCIA, evidence of which appraisal has been provided in the form of an appropriate certificate. The appraisals made satisfy all requirements established in the mortgage market laws.
- (20) 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.
- (21) That the sum of the outstanding principal balance on each Mortgage Loan does not exceed 100% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Loan.
- (22) 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.
- (23) That the properties mortgaged as security for the Mortgage Loans all have at least damage risk cover under policies issued to the Originator and the insured sum thereunder is not less than the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature, or the Originator has taken out a secondary global policy guaranteeing damage insurance cover in the event that there should be no such cover or the insured sums should fall short of the current loan balance.
- (24) That BANCO DE VALENCIA is not aware of the premiums accrued heretofore by the insurance taken out referred to in paragraph (23) above not having been paid in full.
- (25) That in the case of Mortgage Loans secured with mortgage credit insurance taken out by BANCO DE VALENCIA with Genworth Financial Mortgage Insurance Limited, that insurance is in force in every respect and on the relevant policy terms.
- (26) That the Mortgage Loans are not represented by such instruments as registered, negotiable or bearer securities, other than the Pass-Through Certificates issued to be pooled in the Fund.
- (27) That none of the Pass-Through Certificates have any payments overdue on the date of issue of the Pass-Through Certificates.
- (28) 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 Pass-Through Certificates.
- (29) 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 in that respect a summary description 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 Prospectus Building Block and is attached to the Deed of Constitution.
- (30) That the deeds for the mortgages granted on the properties mortgaged by the Mortgage Loans 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.
- (31) That the outstanding capital balance of each Mortgage Loan on the issue date is equivalent to the capital figure of the relevant Pass-Through Certificate and, in turn, the total capital of the Pass-Through Certificates shall be at least equal to EUR nine hundred and fifty million (950,000,000.00).
- (32) That the final maturity date of the Mortgage Loans is at no event after July 5, 2042.

- (33) 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.
- (34) 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.
- (35) 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.
- (36) That, on the issue date, BANCO DE VALENCIA has received no notice of full prepayment of the Mortgage Loans.
- (37) That, on the issue date, at least one instalment has fallen due on each Mortgage Loan.
- (38) That BANCO DE VALENCIA is not aware of the existence of any circumstance whatsoever which might prevent the mortgage security from being enforced.
- (39) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (40) That, on the issue date, it has not come to BANCO DE VALENCIA's notice that any Mortgage Loan Obligor has been decreed to be insolvent, or bankrupt or in suspension of payments under previous laws.

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

### **Set rules for substitution or, as the case may be, repayment to the Fund of the Pass-Through Certificates.**

1. In the event of early amortisation of Pass-Through Certificates upon prepayment of the relevant Mortgage Loan capital, there will be no substitution of the affected Pass-Through Certificates.
2. In the event that it should be observed throughout the life of the Pass-Through Certificates that any of them or of the underlying Mortgage Loans fails to conform to the representations 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 to remedy and, if that is not possible, to substitution or, as the case may be, early amortisation of the Pass-Through Certificate in that situation, subject to the following rules:
  - a) The party becoming aware of the existence of a non-conforming Pass-Through Certificate, whether BANCO DE VALENCIA or the Management Company, shall notify the other party of this circumstance. BANCO DE VALENCIA shall have fifteen (15) Business Days from said notice to proceed to remedy that circumstance if it may be remedied or to proceed to replace or repay the affected Pass-Through Certificates.
  - b) 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 Pass-Through Certificate.

In order to proceed to substitution, BANCO DE VALENCIA shall notify the Management Company of the characteristics of the mortgage loans proposed to be assigned under new Pass-Through 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 Rating Agencies, to be unaffected by 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 Pass-Through Certificate(s).

- c) Substitution shall be recorded in a notarial certificate setting forth all the particulars both of the Pass-Through Certificate to be replaced and the Mortgage Loan attached thereto, and the new Pass-Through 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 Pass-Through 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 early amortisation of the affected Pass-Through 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 affected Pass-Through Certificate.
  - e) In the event of early amortisation of Pass-Through 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, modification 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 modification, 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 successfully completed.

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 Pass-Through 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 notify the CNMV of each and every replacement or repayment of Pass-Through Certificates resulting from a breach by the Originator, proceeding on the terms laid down in paragraph 2 above.

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

### **1. Mortgage property damage insurance**

In accordance with representation (23) given in section 2.2.8.2 of this Building Block, the properties mortgaged as security for the Mortgage Loans all have at least damage risk cover under policies issued to the Originator and the insured sum thereunder is not less than the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature, or the Originator has taken out a secondary global policy guaranteeing damage insurance cover in the event that there should be no such cover or the insured sums should fall short of the current loan balance.



## 2. Mortgage credit insurance

Part of the mortgage loans selected at November 9, 2007 have mortgage credit insurance taken out by BANCO DE VALENCIA with Genworth Financial Mortgage Insurance Limited, a limited liability company with registered office in the UK and acting through its branch in Spain.

The following table gives the distribution of the mortgage loans based on mortgage credit insurance cover.

Mortgage loan portfolio at 9.11.2007				
Classification by mortgage credit insurance				
Mortgage credit insurance	Loans		Outstanding principal	
		%	(EUR)	%
WITH insurance	675	7.65	118,549,233.87	10.71
WITHOUT insurance	8,146	92.35	988,321,585.79	89.29
<b>Total</b>	<b>8,821</b>	<b>100.00</b>	<b>1,106,870,819.66</b>	<b>100.00</b>

The object of that mortgage credit insurance is covering, up to a maximum amount (excess mortgage loan initial principal drawn down up to 80% of the appraisal value of the mortgaged property), the loss that could result for the mortgage loan due to the Obligor's default of the obligation to pay principal, interest or other amounts due and payable, and as a result the Originator is entitled to apply for foreclosure proceedings. This mortgage credit insurance can only insure mortgage loans in which the ratio of the loan origination amount to the appraisal value ranges between 80.01% and 100.00%, both inclusive.

The Originator shall thereupon perfect the assignment attached to the issue of the Pass-Through Certificates of the rights the Originator has as the beneficiary of those damage insurance contracts taken out by the Obligors and the general insurance policy taken out of its own accord and the mortgage credit insurance referred to in the preceding paragraph. As the holder of the Pass-Through Certificates, the Fund shall therefore 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.

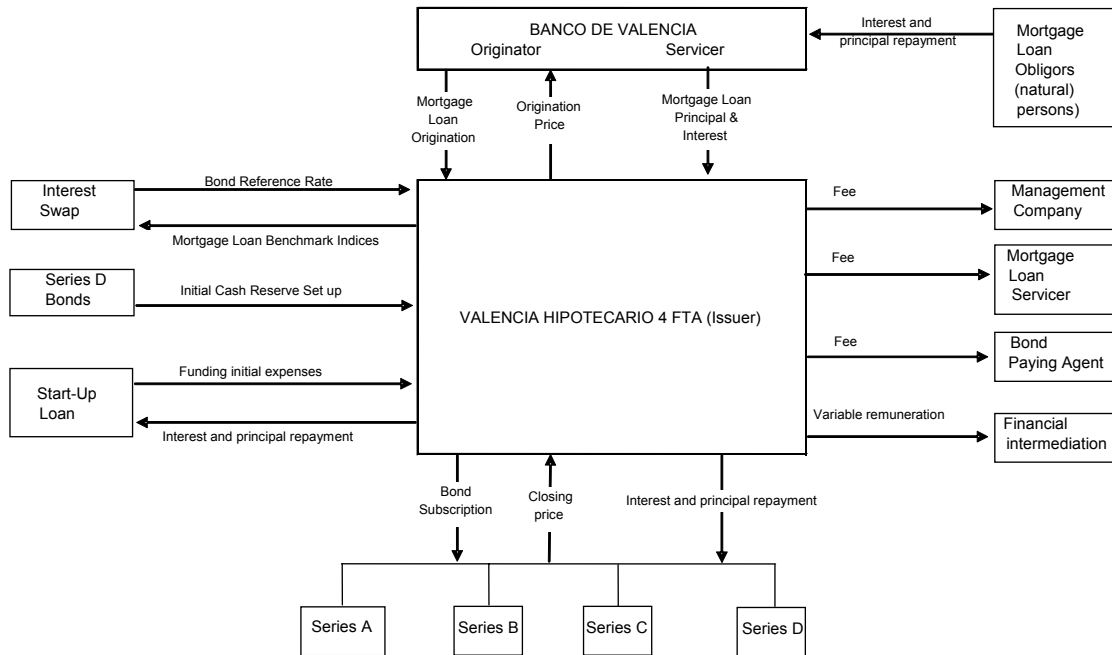
**2.4 Where the issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

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	
<b>Fixed Assets</b>	<b>950,500,000.00</b>	<b>Bond Issue</b>	<b>978,500,000.00</b>
Pass-Through Certificates/ Mortgage Loans (adjustment excess to EUR 119,873.00)	950,119,873.00	Series A Bonds	883,400,000.00
Set-up, issue and admission expenses*	380,127.00	Series B Bonds	42,800,000.00
		Series C Bonds	23,800,000.00
		Series D Bonds	28,500,000.00
<b>Current assets</b>	<b>to be determined</b>	<b>Other long-term liabilities</b>	<b>500,000.00</b>
Treasury Account*	28,500,000.00	Start-Up Loan	500,000.00
Accrued interest receivable**	To be determined		
		<b>Short-term creditors</b>	<b>to be determined</b>
		Mortgage Loan interest accrued **	to be determined
<b>Total assets</b>	<b>979,000,000.00</b>	<b>Total liabilities</b>	<b>979,000,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Cash Reserve	28,500,000.00		
Interest Swap collections	to be determined		
Interest Swap payments	to be determined		

#### (Amounts in EUR)

\* Assuming that all Fund set-up and Bond issue and admission expenses are met on the Closing Date and that they amount to EUR 380,127.00 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 be the authorised representative of the Fund.
- (ii) BANCO DE VALENCIA is the originator of the Mortgage Loans to be assigned to the Fund upon being established by issuing the Pass-Through Certificates, and shall be the Fund's counterparty under the Start-Up Loan, Interest Swap, Guaranteed Interest Rate Account (Treasury Account), Mortgage Loan Servicing and Pass-Through Certificate Custody and Financial Intermediation Agreements. Moreover, BANCO DE VALENCIA shall be the Bond Issue subscriber under the Bond Issue Management and Subscription Agreement.
- (iii) BANCAJA has financially structured the Fund and the Bond Issue and will be the Fund's counterparty under the Bond Paying Agent Agreement.
- (iv) BANCAJA and DEUTSCHE BANK shall be the Bond Issue Lead Managers.
- (v) RAMÓN & CAJAL, as independent advisers, have provided legal advice for establishing the Fund and the Bond Issue, and have reviewed the tax implications thereof.
- (vi) Deloitte have audited most significant characteristics of a sample of the selected mortgage loans of BANCO DE VALENCIA.
- (vii) Fitch and Moody's are the Rating Agencies that have assigned the rating to each Bond Issue Series.

The detailed description of the above-mentioned institutions 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 of this Prospectus, 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 Loan receivables.**

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

The Pass-Through Certificates will be issued in accordance with the provisions of Act 2/1981 and of additional provision five of Act 3/1994, as currently worded, and other applicable laws.

The Pass-Through Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. Transfer of the Pass-Through Certificate and the new holder's address shall be notified by the transferee to the issuer. Pass-Through Certificates 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 Pass-Through Certificates issued and the changes of address notified by Pass-Through 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 Pass-Through Certificates, for the purposes of paragraph two of article 64.1 of Royal Decree 685/1982, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Loans in the Land Registry.

The assignment by BANCO DE VALENCIA to the Fund of the Mortgage Loan receivables shall not be notified to the Obligors, which notice is not compulsory in order for the assignment to be effective. However, in the event of insolvency, or indications thereof, administration by the Bank of Spain, liquidation of the Originator or 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 (and third-party guarantors and the insurers providing damage insurance for the mortgaged properties or as security for the Mortgage Loans, if any) 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 Pass-Through Certificate issue and subscription terms.**

1. The Mortgage Loan receivables will be fully and unconditionally assigned from the date of establishment, perfected by issuing and subscribing for the Pass-Through Certificates, for the entire term remaining until maturity of each Mortgage Loan.
2. The Pass-Through 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 issue of the Pass-Through Certificates 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 Pass-Through Certificates, saving as provided for in section 2.2.9 of this Building Block.

4. The Pass-Through Certificates will be issued in respect of 100 percent of the outstanding principal, interest not due and overdue interest, and any and all other amounts, assets or rights attaching to each of the relevant Mortgage Loans, excluding late-payment interest collection fees established in each Mortgage Loan, which shall remain for the benefit of BANCO DE VALENCIA.

Specifically, the Pass-Through 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, real properties, 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 Pass-Through Certificate issue date. Interest shall moreover include interest accrued and not due since the last interest settlement date on each Mortgage Loan, on or before the Pass-Through Certificate issue date.

5. Until 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.

BANCO DE VALENCIA shall thereupon perfect the assignment attached to the issue of the Pass-Through Certificates of the rights BANCO DE VALENCIA has as the beneficiary of those damage insurance contracts taken out by the Obligors, the general damage insurance policy taken out by BANCO DE VALENCIA and the mortgage credit insurance policy taken out by BANCO DE VALENCIA. As the holder of the Pass-Through Certificates, the Fund shall therefore be entitled to all such insurance amounts BANCO DE VALENCIA would have received.

6. In the event of prepayment of the Mortgage Loans upon a full or partial principal repayment, there will be no direct substitution of the affected Pass-Through Certificates.
7. The Fund's rights resulting from the Pass-Through Certificates shall be linked to payments made by 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 Pass-Through Certificate issue price.**

The issue price of the Pass-Through Certificates shall be at par. The aggregate price payable by the Fund for subscribing for the Pass-Through 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 on each Mortgage Loan on the Pass-Through Certificate issue date (the “**accrued interest**”).

The Management Company shall pay the total Pass-Through 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 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 first interest settlement date of each Mortgage Loan, 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 Pass-Through Certificates should terminate, (i) the Fund’s obligation to pay for the Pass-Through 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 Pass-Through Certificates being subscribed for.

### **3.3.4 Pass-Through Certificate representation and custody.**

The Pass-Through Certificates shall be represented by means of individual or multiple registered certificates 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 Pass-Through 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 Pass-Through Certificate should be substituted, as prescribed in section 2.2.9 of this Building Block, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Loan, as prescribed in section 3.7.2.1.7 of this Building Block, and moreover if there should be Early Liquidation of the Fund, in the events and on the terms of section 4.4.3 of the Registration Document, and said Pass-Through 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 Pass-Through Certificates and the individual or multiple 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 Pass-Through 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 Pass-Through 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.**

Mortgage Loan amounts received by the Servicer will be paid by the Servicer to the Fund crediting the Treasury Account on the seventh day after the date on which they were received by the Servicer or the following business day if that is not a business day, for same day value, on 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.

The Interest Swap mitigates the interest rate risk occurring in the Fund because Mortgage Loan interest floats with different benchmark indices and different reset and settlement periods with respect to 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 Series D Bonds being paid.  
Mitigates the credit risk due to Mortgage Loan delinquency and default.
- (ii) Interest Swap:  
Mitigates the interest rate risk (base risk) occurring in the Fund because Mortgage Loan interest floats with different benchmark indices and different reset and settlement periods with respect to the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods.
- (iii) Treasury Account.  
Partly mitigates the loss of return on the liquidity of the Fund due to the timing difference between the daily income received 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 in the Priority of Payments, or in the application of the Liquidation Available Funds in accordance with the Liquidation Priority of Payments, are a means for distinctly hedging each Series.

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

The Management Company shall set up on the Closing Date an Initial Cash Reserve out of the payment for subscribing for Series D Bonds and shall subsequently, on each Payment Date, keep the Required Cash Reserve amount provisioned in the 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 twenty-eight million five hundred thousand (28,500,000.00) ("**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 out of the Available Funds in the Priority of Payments.

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

- (i) EUR twenty-eight million five hundred thousand (28,500,000.00).
- (ii) The higher of:
  - a) 6.00% of the sum of the Outstanding Principal Balance of Series A, B and C.
  - b) EUR fourteen million two hundred and fifty thousand (14,250,000.00).

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 the Cash Reserve could not be provisioned up to the Required Cash Reserve amount on the relevant Payment Date.
  - iii) That the average margin added to the relevant benchmark index for determining the nominal interest rate of the Mortgage Loans, 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 five hundred thousand (500,000.00) (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 issue and admission of the Bonds and partly financing subscription for the Pass-Through Certificates at the difference between the total face capital of the subscription and the total face amount of Series A, B and C Bonds.

The Start-Up Loan will accrue 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 expiration date 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 21, 2008, because April 20, 2008 is not a Business Day. 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 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 and admission 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 21, 2008, because April 20, 2008 is not a Business Day, and the following until the Payment Date falling on January 20, 2013, inclusive.
- (ii) The portion of Start-Up Loan principal used to partly finance subscription for the Pass-Through Certificates and the portion not used, if any, shall be repaid on the first Payment Date, April 21, 2008, because April 20, 2008 is not a Business Day.



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. 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, as the case may be.

The Start-Up Loan Agreement shall not be terminated by termination of the establishment of the Fund, as provided for in section 4.4.4 (v) of the Prospectus Registration Document. In that event, the Start-Up Loan shall be used to pay the expenses of setting up the Fund and issue and admission of 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 principal repayment shall be deferred and subordinated to satisfaction of those obligations, out of the Fund's remaining assets.

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

Series B Bond interest payment and principal repayment is deferred with respect to Series A Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond interest payment and principal repayment 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.

Series D Bond interest payment and principal repayment 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.

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 and in the Liquidation Priority of Payments.

#### **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 BANCO DE VALENCIA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BANCO DE VALENCIA 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 BANCO DE VALENCIA, 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 Mortgage Loan amounts and proceeds from the sale or utilisation of the properties and assets awarded or under administration or interim possession of the properties in foreclosure proceedings, and any and all rights or indemnities including not only those derived from the damage insurance contracts on the mortgaged properties, but also those derived from any right collateral 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.

BANCO DE VALENCIA 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 Reference Rate determined for each Interest Accrual Period substantially matching each Treasury Account interest accrual period. Interest shall be settled on the expiration date of each interest accrual period on each of the Fund Determination Dates (the fourth (4<sup>th</sup>) Business Day preceding each Payment Date), and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (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 15, 2008.

In the event that the rating of BANCO DE VALENCIA's short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bonds, be downgraded below F1 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 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 with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 and P-1 respectively by Fitch and Moody's, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCO DE VALENCIA of its obligation to repay the amounts credited to the Treasury Account, during such time as BANCO DE VALENCIA remains downgraded below F1 or P-1.
- b) Transferring the Fund's Treasury Account to an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 and P-1 respectively by Fitch and Moody's, arranging the highest possible yield for its balances, which may differ from that arranged with BANCO DE VALENCIA under this Agreement.
- c) Moreover, if any of the above options should not be possible on the above terms, the Management Company shall invest the balances for periods not extending beyond the following Payment Date, in short-term fixed-income assets in euros issued by institutions with short-term unsecured and unsubordinated debt obligations rated at least as high as F1, for periods of less than 30 calendar days, or F1+, for longer periods, and P-1 respectively by Fitch and Moody's, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANCO DE VALENCIA under this Agreement.

Options a) and b) above are included among Fitch's criteria set out in its report "Counterparty Risk in Structured Finance Transactions: Servicer and Account Bank Criteria", dated June 9, 2004, which may be updated, amended or replaced, and is available at [www.fitchratings.com](http://www.fitchratings.com).

In events b) or c), the Management shall subsequently retransfer the balances to BANCO DE VALENCIA under the Guaranteed Interest Rate Account (Treasury Account) Agreement in the event that BANCO DE VALENCIA's short-term unsecured and unsubordinated debt obligations should be upgraded back to F1 and P-1 respectively by Fitch and Moody's. Option c) is not included in the aforesaid report and may only be used if there is no detriment to the rating given to the Bonds by Fitch.

All costs, expenses and taxes incurred upon putting in place any of the options described above shall be borne by BANCO DE VALENCIA or any replacement institution.

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

The Servicer shall manage collection of all Mortgage Loan amounts payable by Obligors, and any other item including under the mortgage property damage and mortgage credit insurance contracts 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 obligations should be downgraded below F1 or P-1 respectively by Fitch and Moody's, the Mortgage Loan amounts received by the Servicer shall be paid by the Servicer to the Fund crediting the Treasury Account on the first 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 Fitch's criteria set out in its report "Commingling Risk in Structured Finance Transactions: Servicer and Account Bank Criteria" dated June 9, 2004, which may be updated, amended or replaced, in the event that the rating of the Servicer's short-term unsecured and unsubordinated debt obligations should be downgraded below F2, the Management Company shall request the Servicer to notify Obligors that Mortgage Loan payments should be made into the Treasury Account opened in the name of the Fund.

The Management Company may issue the same instructions in the event that the Servicer's short-term unsecured and unsubordinated debt obligations should not be rated by Fitch or by Moody's.

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 Pass-Through Certificates.
  - b) Payment of the Fund set-up and Bond issue and admission expenses.
  - c) Setting up the Initial Cash Reserve.

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

On each Payment Date, other than the Final Maturity Date or upon Early Liquidation of the Fund, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation 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 the settlement payment amount 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 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 1<sup>st</sup> place, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary<sup>(1)</sup> and extraordinary<sup>(2)</sup> expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, and the servicing fee in the event that BANCO DE VALENCIA should be substituted as Servicer, shall be made to the Servicer under the Servicing Agreement in this priority.
2. Payment of the net amounts, if any, 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, of the settlement payment amount payable by the Fund.
3. Payment of interest due on Series A Bonds.
4. Payment of interest due on Series B Bonds unless this payment is deferred to 7<sup>th</sup> place in the priority of payments.

If Series A Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 7<sup>th</sup> place below if on two consecutive Payment Dates, including the relevant Payment Date, upon making the application in 6<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) 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 Series C Bonds unless this payment is deferred to 8<sup>th</sup> place in the priority of payments.

If Series A and Series B Bonds have not been or are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 8<sup>th</sup> place below if on two consecutive Payment Dates, including the relevant Payment Date, upon making the application in 6<sup>th</sup> place below, this application to be taken into account in that connection, there is to be an Amortisation Deficiency in an amount in excess of fifty percent (50%) of the issue face amount of Series C Bonds.

6. Series A, B and C Bond principal amortisation withholding (“**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 Amortisation Withholding shall be added to the Available Funds for Amortisation which shall be applied to Series A, B and C Bond amortisation in accordance with the rules for Distribution of Available Funds for Amortisation established in sections 4.9.3.5 and 4.9.3.6 of the Securities Note.

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

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

12. Payment of the settlement payment amount, if any, payable by the Fund under the Interest Swap Agreement other than in the events provided for in 2<sup>nd</sup> place above.
13. Payment of interest due on the Start-Up Loan.
14. Repayment of Start-Up Loan principal to the extent repaid.
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 Mortgage Loan Servicer, 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 amounts payable are due on the Payment Date for different items in a same priority order 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) 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.

The Fund's ordinary expenses in its first year, including the management fee due to the Management Company and those derived from the Paying Agent Agreement, are estimated at EUR two hundred and seventy-five thousand (275,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of Series A, B and C and the Outstanding Balance of the Mortgage Loans and those balances shall fall throughout the life of the Fund, the Fund's ordinary expenses will also fall as time goes by.

- (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: source and application.**

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

On each Payment Date, the Available Funds for Amortisation shall be the Amortisation Withholding amount actually applied of the Available Funds on the relevant Payment Date in sixth (6<sup>th</sup>) place of the Priority of Payments.

##### **2. Distribution of Available Funds for Amortisation.**

The rules for Distribution of Available Funds for Amortisation to be applied on each Payment Date to Series A, B and C amortisation 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 upon Early Liquidation in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document, applying the following available funds (the "**Liquidation Available Funds**"): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Pass-Through Certificates and the remaining assets and, as the case may be, (iii) the amount drawn under a credit facility to be arranged and used exclusively for amortisation of Series A, B and C Bonds then outstanding, in accordance with the provisions of section 4.4.3.3.(iii) of the Registration Document, in the following order of priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the 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, 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 Mortgage Loan amounts reimbursable to the Servicer, 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 on the net amount payable by the Fund due to 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 amount payable by the Fund.
4. Payment of interest due on Series A Bonds.
5. Repayment of Series A Bond principal.
6. Payment of interest due on Series B Bonds.

7. Repayment of Series B Bond principal.
8. Payment of interest due on Series C Bonds.
9. Repayment of Series C Bond principal.
10. In the event of the credit facility being arranged for final amortisation of Series A, B and C Bonds then outstanding as provided for in section 4.4.3.3.(iii) of the Registration Document, payment of the financial expenses accrued and repayment of principal of the credit facility arranged.
11. Payment of interest due on Series D Bonds.
12. Repayment of Series D Bond principal.
13. Payment of the settlement payment amount, if any, payable by the Fund under the Interest Swap Agreement other than in the events provided for in 3<sup>rd</sup> place above.
14. Payment of interest due and repayment of principal on the Start-Up Loan.
15. Repayment of Start-Up Loan principal.
16. 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 Mortgage Loan Servicer, payment of the servicing fee accrued by the other institution, to wit the new Servicer, shall take the place of paragraph 2 above, along with the other payments included therein.

17. Payment of the Financial Intermediation Margin.

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

#### **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, subscription by the Fund for the Pass-Through 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 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, 2008, inclusive, this being the last day of the month preceding the first Payment Date, April 21, 2008, because April 20, 2008 is not a Business Day.

The Financial Intermediation Margin 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 or, as the case may be, in the Liquidation Priority of Payments.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the full Financial Intermediation Margin, the amount accrued and not paid shall accumulate without any penalty whatsoever on the Financial Intermediation Margin 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 1pm (CET) on December 24, 2007 or in the event of termination of the Bond Issue Management and Subscription 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. 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, all 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 20, April 20, July 20 and October 20 in every year, or the next succeeding Business Day if any of those dates is not a Business Day. The first settlement date shall be April 21, 2008, because April 20, 2008 is not a Business Day.

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 Party A settlement periods 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 Party A settlement period shall be equivalent to the exact number of days elapsed between the date of establishment of the Fund, inclusive, and April 15, 2008, the first Determination Date, inclusive.

##### **Party B:**

The Party B settlement periods 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 Party B settlement period shall be equivalent to that comprised between the Bond Issue Closing Date (inclusive) and April 21, 2008, because April 20, 2008 is not a Business Day (exclusive), the first settlement date.

#### **3. Face Amount.**

This shall be on each settlement date the daily average during the next preceding Party A settlement period of the Outstanding Balance of Non-Doubtful Mortgage Loans.



#### **4. Party A amounts payable.**

This shall be on each settlement date 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 and based on a three-hundred-and-sixty- (360-) day year.

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

For each Party A settlement period, determined for the next preceding Party A settlement period, this shall be the annual interest rate resulting from dividing (i) the sum of the total ordinary interest amount falling due during the Party A settlement period on the Mortgage Loans, excluding Doubtful Mortgage Loans, at the Determination Date preceding the relevant settlement date, whether or not they were paid by Obligor, deducting reference rate margin interest, by (ii) the Swap Notional, multiplied by the result of dividing 360 by the number of days in the Party A settlement period.

In this connection:

- (i) Ordinary interest will be reduced in the accrued interest payable by the Fund upon subscribing for the Pass-Through 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 Pass-Through Certificates and on their early amortisation by BANCO DE VALENCIA in accordance with the rules laid down for substituting the Pass-Through Certificates.
- (iii) The due dates for ordinary interest due and payable on the Mortgage Loans shall be considered the collection dates on which it is to be paid into the Fund in accordance with the Servicing Agreement.

#### **5. Party B amounts payable.**

This shall be on each settlement date the result of applying the Party B Interest Rate, determined for the Party B settlement period falling due, to the Face Amount according to the number of days in the Party B settlement period.

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

For each Party B settlement period, this shall be the Reference Rate determined for the Bonds in the Interest Accrual Period coinciding with each Party B settlement period.

#### **6. Termination of the Interest Swap Agreement.**

If on a Payment Date the Fund (Party A) should not have sufficient liquidity to make payment of the aggregate net amount, if any, payable to Party B, the portion of this net amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of non-payment occur on two consecutive Payment Dates, the Interest Swap Agreement shall be terminated. In this event, the Fund (Party A) shall take over the obligation to pay the settlement amount established on the terms of the Interest Swap Agreement, all in the Priority of Payments. Should the Interest Swap Agreement settlement amount be a payment obligation for Party B and not for the Fund (Party A), Party B shall take over the obligation to pay the settlement amount provided for in the Interest Swap Agreement.

If on a settlement date Party B should not make payment of the full net amount, if any, payable to the Fund (Party A), the Management Company may, for and on behalf of the Fund, choose to terminate the Interest Swap Agreement. In the event of termination, Party B shall accept the obligation to pay the settlement amount established on the terms of the Interest Swap Agreement. Should the Interest Swap Agreement settlement amount be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments.

Subject 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 on terms substantially identical with the previous one.

**7. Maturity Date.**

This shall be the first date on which any of the circumstances listed in (i) to (iv) for termination of the Fund occur in accordance with section 4.4.4 of the Registration Document.

**8. Actions in the event of change in the rating of Party B.**

**8.1 Change in Party B's initial rating.**

**(i) Fitch Criteria**

If the unsecured and unsubordinated debt obligations of Party B cease to be rated at least as high as A and F1 by Fitch (an "Initial Fitch Rating Event") respectively for short-term and long-term debt obligations (both, Fitch's "Required Ratings") then Party B will, on a reasonable efforts basis within thirty (30) calendar days of the occurrence of such Initial Fitch Rating Event, at its own cost, either:

- (A) post collateral in the form of cash or securities with an institution with short-term unsecured and unsubordinated debt obligations rated F1 by Fitch, as security for performance of Party B's obligations in an amount calculated, inter alia, based on the Interest Swap market value and in line with Fitch's criteria set out in its report "Counterparty Risk in Structured Finance Transactions: Hedge Criteria", dated August 1, 2007, or Fitch document or report hereafter taking its stead, Party B to propose a formula for estimating the Interest Swap market value, within fifteen (15) calendar days after the loss of rating by Party B;
- (B) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a replacement third party having Fitch's Required Ratings;
- (C) obtain a credit support document from a third party satisfactory to Party A and having Fitch's Required Ratings guaranteeing its rights and obligations with respect to the Interest Swap Agreement.

**(ii) Fitch Criteria (continued)**

If the unsecured and unsubordinated debt obligations of Party B cease to be rated at least as high as BBB+ or F2 respectively for long-term and short-term debt obligations (a "First Subsequent Fitch Rating Event") then (i) (B) and (i) (C) above shall be Fitch's preferred actions of choice to prevent a downgrade of the rating assigned to the Bonds. If Party B should choose (i) (A) above, an independent third party shall on a weekly basis calculate the amount of the securities or cash posted as collateral.

While any of the actions of choice are taken, (i) (A) above shall be put in place within ten (10) calendar days of the First Subsequent Rating Event occurring.

**(iii) Fitch Criteria**

If the unsecured and unsubordinated debt obligations of Party B cease to be rated at least as high as BBB- or F3 respectively for short-term and long-term debt obligations (a "Second Subsequent Fitch Rating Event") then Party B will, within ten (10) calendar days of the Second Subsequent Rating Event occurring, at its own cost, either:

- (A) obtain a credit support document from a third party satisfactory to Party A and having Fitch's Required Ratings guaranteeing its rights and obligations with respect to the Interest Swap Agreement; or
- (B) transfer all of its rights and obligations with respect to the Interest Swap Agreement to a replacement third party having Fitch's Required Ratings.

In the events described in (i), (ii) and (iii), where the action of choice is obtaining a credit support document from a third party, both that guarantee and the legal opinion attached to it will be reviewed by Fitch or its legal counsel. The effectiveness of the guarantee shall be subject to the assessment by Fitch or its legal counsel as to its enforceability.

The actions of choice described in this section, and the timing and ratings are set out in Fitch's report "Counterparty Risk in Structured Finance Transactions: Hedge Criteria", dated August 1, 2007, which may be updated, amended or replaced, and is available at [www.fitchratings.com](http://www.fitchratings.com).

All costs, expenses and taxes incurred in connection with the compliance with the foregoing obligations shall be borne by Party B.

**(iv) Moody's Criteria**

Party B shall irrevocably agree as follows under the Interest Swap Agreement:

- (i) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold ("First Rating Default"), then Party B shall within thirty (30) Business Days of the occurrence of that circumstance, do one of the following:
  - a) Obtain a Replacement with the First Required Rating Threshold (or a Replacement with a Credit Support Provider having the First Required Rating Threshold).
  - b) Obtain a Credit Support Provider with the First Required Rating Threshold,
  - c) Post collateral in the form of cash or securities in favour of the Fund with an institution with short-term unsecured and unsubordinated debt obligations rated P-1 by Moody's, at an amount sufficient in order for there to be no detriment to the rating assigned to the Bonds.
- (ii) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold ("Second Rating Default"), then Party B shall, on a best efforts basis and as soon as possible (A) obtain a Credit Support Provider with the Second Required Rating Threshold, or (B) obtain a Replacement with the Second Required Rating Threshold, (or a Replacement with a Credit Support Provider having the Second Required Rating Threshold).

While none of the actions specified above have been taken, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post collateral in the form of cash or securities in favour of the Fund with an institution with short-term unsecured and unsubordinated debt obligations rated at least P-1 by Moody's, provided that there is no detriment to the rating assigned to the Bonds.

Party B's obligations under (iv) (i) and (iv) (ii) above, and the Termination events deriving therefrom, shall only apply during such time as the events respectively prompting the First Required Rating Default or the Second Required Rating Default are in place. The collateral transferred by Party B pursuant to (iv) (i) and (iv) (ii) above will be retransferred to Party B upon cessation of the causes resulting in the First Rating Default or the Second Rating Default, respectively.

All costs, expenses and taxes incurred in connection with fulfilment of the preceding obligations shall be payable by Party B.

In the above connection, "Credit Support Provider" shall mean an institution providing an unconditional, irrevocable and first demand guarantee with respect to all present and future obligations of Party B to the Interest Swap Agreement (the "Guarantee"), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) the Guarantee determines that, if there is any such deduction or

withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding; and "Replacement" shall mean any institution taking over the contractual position of Party B under the Interest Swap Agreement or entering into a new swap agreement with Party A, on terms substantially identical with the Interest Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding. That institution shall thereafter, to all intents and purposes, be considered Party B under the Interest Swap Agreement or under the new swap agreement to be entered into.

An entity shall have the "First Required Rating Threshold" (A) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are rated P-1 by Moody's and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A2 by Moody's, and (B) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term unsecured and unsubordinated debt obligations are rated at least as high as A1 by Moody's.

An entity shall have the "Second Required Rating Threshold" (A) in the event that the short-term unsecured and unsubordinated debt obligations of that entity are rated by Moody's and that rating is at least as high as P-2 and its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's, and (B) in the event that the short-term unsecured and unsubordinated debt obligations of that entity should not be rated by Moody's, if its long-term unsecured and unsubordinated debt obligations are rated at least as high as A3 by Moody's.

## **8.2 Breach of obligations in the event of change in the rating.**

The occurrence, as the case may be, of 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 of the Registration Document and 4.9.4 of the Securities Note, 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.

Party B agrees not to take any action whatsoever holding Party A liable.

All costs, expenses and taxes incurred in connection with the breach of the above obligations shall be borne by Party B.

The Interest Swap Agreement shall be fully terminated in the event that the Rating Agencies should not confirm any of the provisional ratings assigned to each Series as final by 1pm (CET) on December 24, 2007.

### **3.4.7.2 Bond Issue Paying Agent.**

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) On each Bond Payment Date, paying interest and, as the case may be, repaying principal on the Bond through Iberclear, after deducting the total amount of the interim return on investment tax withholding to be made by the Management Company, on behalf of the Fund, in accordance with applicable tax laws. Once the Paying Agent proves to the Management Company and the holder of the Treasury Account that a debit entry has been duly made in its account for the relevant amounts payable on that Payment Date, the Management Company shall credit the Paying Agent.
- (ii) On each Interest Rate Fixing Date, notifying the Management Company of the Reference Rate determined to be used as the basis for the Management Company to calculate the Nominal Interest Rate applicable to each Bond Series.

In the event that the rating of BANCAJA's short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below F1 or P-1 respectively by Fitch and Moody's, 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 with short-term unsecured and unsubordinated debt obligations rated at least as high as F1 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 given to the Rating Agencies. All costs, expenses and taxes incurred upon a breach of the foregoing obligations shall be borne by the revoked Paying Agent. 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.

With respect to Fitch, the timing and ratings mentioned in the preceding paragraph are set out in Fitch's report "Counterparty Risk in Structured Finance Transactions: Hedge Criteria", dated August 1, 2007, which may be updated, amended or replaced, and is available at [www.fitchratings.com](http://www.fitchratings.com).

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 0.03% fee, inclusive of taxes, if any, on the interest and principal repayment amount applied to the Bonds in each Series 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 1pm (CET) on December 24, 2007 or in the event of termination of the Bond Issue Management and Subscription 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.

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 cash, capital and currency markets.

The following is selected financial information at September 30, 2007, at December 31, 2006 and at September 30, 2006 and how the information as at the first and the third dates compare. Only the financial information at December 31, 2006 has been audited. The information was prepared by Banco de Valencia in accordance with Bank of Spain Circular 4/2004.

	30.09.2007 (A)	31.12.2006	30.09.2006 (B)	Change (Δ%)  ((A)-(B))/(B)
<b>TURNOVER*</b> (EUR thousand)				
Equity	923,912	837,191	818,693	12.85
Funds managed	15,911,330	12,128,183	11,977,611	32.84
Customer credit (net)	16,993,555	14,182,542	12,783,878	32.93
Total assets	18,669,589	15,863,908	14,393,841	29.71
<b>PROFIT &amp; LOSS ACCOUNT*</b> (EUR thousand)				
Pre-tax profit or loss	148,985	169,546	124,328	19.83
Year's net profit or loss	104,970	113,362	87,623	19.80
Intermediation margin	248,235	261,084	187,695	32.25
Ordinary margin	330,549	357,228	259,741	27.26
Operating margin	216,708	222,935	160,814	34.76
<b>RATIOS</b>				
ROA	1.14%	1.25%	1.33%	-14.29
ROE	16.98%	15.48%	15.93%	6.59
Efficiency ratio	34.44%	37.28%	38.09%	-9.58
Capital ratio	10.49%	10.31%	9.58%	9.50
Delinquency rate	0.50%	0.42%	0.44%	13.64
Delinquency coverage rate	383.77%	448.29%	451.21%	-14.95
<b>BANCO VALENCIA SHARE</b>				
Book value	8.39	9.27	7.57	10.83
Closing price	40.48	38.05	40.82	-0.83
Net earnings per share	1.26	1.1	1.07	17.76
PER	32.18	34.55	38.01	-15.34
Market capitalisation	4,250,685	3,917,174	4,202,340	1.15
Number of shareholders	30,449	29,553	30,084	1.21
<b>BRANCHES &amp; EMPLOYEES</b>				
Branches	444	427	416	6.73
Employees	2,160	2,043	1,971	9.59

\* Attributed to the Group

### 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 managing and being the authorised representative of the Fund, on the terms set in Royal Decree 926/1998 and, failing a provision therein and where applicable, in accordance with the provisions of Act 19/1992, and other applicable laws from time to time, and on the terms of the Deed of Constitution and this Prospectus.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998 and, where applicable, in Act 19/1992.

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 be the authorised representative of 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 liquidation of the Fund, including the decision to proceed to 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 Pass-Through Certificates acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and being the authorised representative of 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 Pass-Through Certificate issue terms and on the relevant Mortgage Loan terms, 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 return the yield set in the respective agreements.
- (xv) Calculating the Available Funds, the Available Funds for Amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.
- (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 duties to manage and be the authorised representative 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 occurred 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 Early Liquidation of the Fund and 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 Bond Series being adversely revised, 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 responsibilities accepted 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 which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) A periodic fee on the sum of the Outstanding Principal Balance of Series A, B and C, which shall accrue daily from the establishment of the Fund until it terminates and shall be settled and paid by Interest Accrual Periods in arrears on each Payment Date subject to the Priority of Payments or, as the case may be, the Liquidation Priority of Payments. The periodic fee amount on each Payment Date may not be respectively higher or lower than the maximum and minimum amounts determined. The minimum amount shall be cumulatively reset in the same proportion, from the year 2009, inclusive, and be 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 for the relevant Interest Accrual Period. The unpaid amount and accrued interest shall be accumulated for payment to the fee payable on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until fully paid in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

#### **3.7.2 Servicing and custody of the securitised assets.**

BANCO DE VALENCIA, as Originator, as established in article 61.3 of Royal Decree 685/1982 and in article 2.2.b) of Royal Decree 926/1998, 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 Pass-Through Certificate supporting document Custody Agreement (the "**Servicing Agreement**") in relation to custody and servicing of the Mortgage Loans and custody of the Pass-Through 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, contracts, documents and files.**

The Servicer shall keep all deeds, documents and data files relating to the Mortgage Loans and the mortgage property damage or Mortgage Loan credit security insurance policies 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, records and policies. 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 Obligor under the Mortgage Loans and any other item including under the mortgaged property damages and mortgage credit insurance contracts securing the Mortgage Loans. The Servicer shall use all reasonable efforts for payments to be made by the Obligor to be collected in accordance with the contractual terms and conditions of the Mortgage Loans.

Mortgage Loan amounts received by the Servicer 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 that the rating of the Servicer’s short-term unsecured and unsubordinated debt obligations should be downgraded below F1 or P-1 respectively by Fitch and Moody’s, Mortgage Loan amounts received by the Servicer shall be paid to the Fund crediting the Treasury Account on the first 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 Fitch's criteria set out in its report "Commingling Risk in Structured Finance Transactions: Servicer and Account Bank Criteria" dated June 9, 2004, which may be updated, amended or replaced, in the event that the rating of the Servicer's short-term unsecured and unsubordinated debt obligations should be downgraded below F2, the Management Company shall request the Servicer to notify Obligors that Mortgage Loan payments should be made into the Treasury Account opened in the name of the Fund.

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 Loan interest rate floats, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the relevant Mortgage Loan agreements, submitting such communications and notices as may be established therein.

### **4. Mortgage extension.**

If the Servicer should actually become aware at any time that for any reason the value of a mortgaged property securing a Mortgage Loan shall have fallen in excess of the percentages permitted by law, in accordance with the provisions of article 29 of Royal Decree 685/1982, then the Obligor at issue shall be asked:

- i) to extend the mortgage to other assets sufficient to cover the required ratio of the value of the asset to the Mortgage Loan secured thereby, or
- ii) to repay all or such portion of the Mortgage Loan as may be in excess of the amount resulting from applying to the current appraisal the percentage used to initially determine its amount.

If within two (2) months of being requested to extend the Obligor should fail to do so or repay the portion of the Mortgage Loan referred to in the preceding paragraph, the Obligor shall be deemed to have chosen to repay the Mortgage Loan fully, which the Servicer shall forthwith require the Obligor to do.

### **5. Information.**

The Servicer shall regularly communicate to the Management Company information on the individual characteristics of each Mortgage Loan, fulfilment by Obligors of their Mortgage Loan obligations, delinquency status and ensuing changes in the characteristics of the Mortgage Loans, and actions to demand payment in the event of late payment and court actions and auction of properties, all using the procedures and with the frequency 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 collateral thereto as the Management Company may reasonably request, and in particular the documents required for the Management Company to bring legal actions, as the case may be.

### **6. Mortgage Loan subrogation.**

The Servicer shall be authorised to permit substitutions in the Obligor's position under the Mortgage Loan documents, exclusively where the characteristics of the new obligor are not less creditworthy than 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 could 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 Mortgage Loan prepayment and early amortisation of the respective Pass-Through Certificate.

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

The Servicer may not voluntarily cancel the Mortgage Loans or their mortgages and collaterals 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, the legal effectiveness or economic value of the Mortgage Loans or of the mortgages, without prejudice to its heeding requests by Obligor using the same efforts and procedure as if they were own mortgage loans.

Notwithstanding the above, the Management Company may, as manager of third-party portfolios and having regard to Obligor's requests to the Servicer directly or under Act 2/1994, 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 the ranking.

Without prejudice to the provisions hereinafter, any interest rate renegotiation by the Servicer shall occur 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 extended term renegotiations, requested by the Obligor, without requiring the Management Company's prior consent, subject to the following general enabling requirements:

### **a) Renegotiating the margin applicable for determining the interest rate.**

The margin applicable for determining the 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, renegotiations of the margin applicable for determining the interest rate which may result in the interest rate applicable to a Mortgage Loan decreasing. The Servicer shall act in connection with 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 are no different from those applied by the Servicer itself 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 (and annexes, if any, (parking spaces/lumber rooms-) 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. Notwithstanding the provisions of paragraph 3 above, if on the effective date of 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 above 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 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 Pass-Through 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 Pass-Through Certificates.
- (iii) The term of a specific Mortgage Loan may be extended provided that the following requirements are satisfied:
  - 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 July 5, 2042.
- (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 given using 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 novation of the renegotiated Mortgage Loans will be kept by the Servicer, in accordance with the provisions of paragraph 1 of this section.

**8. Action against Obligors in the event of default on the Mortgage Loans and powers of the holder of the Pass-Through 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 Mortgage Loan payment obligations. Such 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 Civil Procedure Act articles 581.2 and 686.2, and in the event that this should be necessary, the Management Company shall confer 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 to do so and 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 Fund's authorised representative, demand by any judicial or other means any Mortgage Loan Obligor 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 failing to honour payment the Obligor's 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.

The Servicer shall, in mortgage foreclosure events, where the Land Registry contains entries regarding the real estate secured with the mortgage under which action is taken in respect of mortgages senior to the latter mortgage which however have been repaid, previously to or upon the action being brought, do all such things as shall be appropriate at law and in court in order for the Registry to match the legal reality outside the Registry. In the event that the relevant documents are available, then the procedure shall be as provided for in article 40 and in Title IV of the Mortgage Act and otherwise the procedure shall be as provided for in article 209 of that Act.

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 Pass-Through 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 Servicer, as issuer of the Pass-Through Certificates, in the foreclosure the latter shall have instituted against the Obligor, intervening to that end in any foreclosure proceedings commenced by the former.
- (iii) If the Servicer should fail to take that action within sixty (60) calendar days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the foreclosure action on the Mortgage Loan.
- (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 may, for and on behalf of the Fund, apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Pass-Through Certificate, to issue a notice served through a Notary Public as provided for in section (iii) above and an office certificate as to 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 may also, for and on behalf of the Fund as holder of the Pass-Through Certificates, 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 any and all other circumstances affecting collection of overdue Mortgage Loan amounts. 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.

#### **9. 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 insurance policy covering property damage to the mortgaged properties or as security for 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.

Whenever the Servicer receives notice of non-payment of policy premiums by any Obligor, the Servicer shall demand the Obligor to pay the same and indeed take out damage insurance on the Obligor's behalf where it is able to do so under the Mortgage Loan deed, advancing payment of the premiums, without prejudice to its right to be reimbursed by the Obligor for amounts so paid or ultimately by the Fund.

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

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, at any time and at its expense, and for the purposes laid down in the second paragraph of article 40 of Insurance Contract Act 50/1980, October 8, as currently worded, to notify the relevant insurers of the transfer of the Mortgage Loans, and that the payments of indemnities under the relevant damage or Mortgage Loan security insurance policies 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 insurers within five (5) Business Days of receiving the request and in the event of insolvency or liquidation of the Servicer, the Management Company shall itself directly or, as the case may be, through a new Servicer it shall have designated, notify the insurers observing insolvency rules.

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

In the exceptional event that any of the Mortgage Loan Obligors 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.

#### **11. Subcontracting.**

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

## **12. Auction of real property.**

The Servicer agrees to notify the Management Company of the places, dates, terms and valuation of the real estate mortgaged as security for the Mortgage Loans and of the other assets attached as a result of the legal proceedings commenced against the Obligors, auctions scheduled, and proposed action and bid, in suitable advance in order that the Management Company may put in place such actions as it shall see fit and submit instructions on the subject to the Servicer in suitable time.

The Servicer agrees to attend real property auctions, but shall thereat abide at all times by the instructions it shall have received from the Management Company, and shall therefore only tender a bid or apply for the award of the real property to the Fund, fulfilling the instructions received from the Management Company.

In the event of real estate or other assets being awarded to the Fund, the Management Company shall proceed, directly or through the Servicer, to sell the same within the shortest possible space of time and at arm's length and the Servicer shall actively assist in expediting their disposal.

### **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 the liquidation of the Fund concludes after it terminates, without prejudice to a 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 do any of the following, where this is legally possible, inter alia and after notifying the Rating Agencies, in order for the rating assigned to the Bonds by the Rating Agencies not to be adversely affected: (i) demand the Servicer to subcontract or subdelegate to another institution the performance of the obligations accepted and undertakings made in the Servicing Agreement; (ii) have another institution with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) terminate 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.

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 (and third-party guarantors and the insurers providing damage insurance for the mortgaged properties or as security for the Mortgage Loans, if any) 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, insolvency rules.

Upon 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 1pm (CET) on December 24, 2007, or in the event of termination of the Bond Issue Management and Subscription Agreement.



### **3.7.2.3 Liability of the Servicer and indemnity.**

The Servicer shall at no time have any liability whatsoever in connection with the Management Company's obligations as manager of the Fund and manager of Bondholders' interests, nor in relation to the Obligor's Mortgage Loan obligations, without prejudice to the responsibilities accepted 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 Pass-Through Certificates, established under the Servicing Agreement or in the event of breach as established in paragraph 3 of section 2.2.9 of this Building Block.

The Management Company shall, for and on behalf of the Fund, have executive action against the Servicer for enforcing Pass-Through Certificate maturities where the breach of the obligation to pay any and all principal repayment and interest and other Mortgage Loan amounts paid by the Obligors owing to the Fund does not result from the Obligor's default 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 supporting the Pass-Through Certificates, the Servicer shall be entitled to receive in arrears on each Payment Date during the term of the Servicing Agreement, a servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the mean daily Outstanding Balance of the 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 shortfall 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 under 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) Treasury Account:  
Guaranteed Interest Rate Account (Treasury Account) Agreement  
Description in section 3.4.4.1 of this Building Block.
- (iii) Interest Swap:  
Interest Swap Agreement  
Description in section 3.4.7.1 of this Building Block.

#### **4. POST-ISSUANCE REPORTING**

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

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 ratios of such Outstanding Principal Balances to 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 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 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 Pass-Through 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 Early Liquidation of the Fund and 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 issued 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 publication in the daily bulletin of AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by 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 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 1pm (CET) on December 24, 2007 to the Subscriber. 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.**

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 as required 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, as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, signs this Prospectus at Madrid, on December 18, 2007.**

## 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, as reworded by Act 41/2007, December 7, amending Mortgage Market Regulation Act 2/1981, March 25, and other mortgage and financial system rules, regulating reverse mortgages and dependency insurance and establishing a certain taxation rule.

“**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, as reworded by Act 41/2007, December 7, amending Mortgage Market Regulation Act 2/1981, March 25, and other mortgage and financial system rules, regulating reverse mortgages and dependency insurance and establishing a certain taxation rule.

“**Act 41/2007**” shall mean Act 41/2007, December 7, amending Mortgage Market Regulation Act 2/1981, March 25, and other mortgage and financial system rules, regulating reverse mortgages and dependency insurance and establishing a certain taxation rule.

“**Act 44/2002**” shall mean Financial System Reform Measures Act 44/2002, November 22.

“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Deficiency**” shall mean, on a Payment Date, the positive difference, if any, between (i) the Amortisation Withholding, and (ii) the Available Funds for Amortisation.

“**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.

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

“**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.

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

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

“**Bankruptcy Act**” shall mean Bankruptcy Act 22/2003, July 9.

“**Bond Issue Management and Subscription Agreement**” shall mean the Bond Issue Management and Subscription Agreement entered into between the Management Company, for and on behalf of the Fund, and BANCAJA and DEUTSCHE BANK, as Bond Issue Lead Managers, and BANCO DE VALENCIA, as Bond Issue Subscriber, respectively.

“**Bond Issue**” shall mean the issue of Asset-Backed Bonds issued by the Fund having a face value of EUR nine hundred and seventy-eight million five hundred thousand (978,500,000.00), consisting of nine thousand seven hundred and eighty-five (9,785) 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 Series A Bonds, Series B Bonds, Series C Bonds and 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 calendar (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 27, 2007, the date on which the cash amount of the subscription for the Bonds shall be paid up and the face value of the Pass-Through Certificates subscribed for 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 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 of and subscription by the Fund for the Pass-Through Certificates, and issue by the Fund of the Asset-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 (4<sup>th</sup>) 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 15, 2008, inclusive.

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

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

**“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 doubtful 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 Early Liquidation of the Fund on a Payment Date.

**“Early Liquidation of the Fund”** shall mean liquidation of the Fund and thereby 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), accurate to three decimal places.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. April 20, 2046 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 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.

**“Fund”** shall mean VALENCIA HIPOTECARIO 4 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into by the Management Company, for and on behalf of the Fund, and BANCO DE VALENCIA.

**“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 out of the payment for subscribing for Series D Bonds at a sum of EUR twenty-eight million five hundred thousand (28,500,000.00).

**“Interest Accrual Period”** shall mean the exact number of 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, and BANCO DE VALENCIA, 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 Bond Reference Rate.

**“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 upon 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 Pass-Through Certificates and of the assets remaining and, as the case may be, (iii) the amount drawn under the credit facility arranged for amortisation of Series A, B and C Bonds then outstanding, in accordance with the provisions of section 4.4.3.(iii) 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 upon 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 Loan Servicing and Pass-Through Certificate Custody Agreement”** shall mean the Mortgage Loan servicing and custody and Pass-Through Certificate custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCO DE VALENCIA, as Servicer.

**“Mortgage Loans”** shall mean the loans with real estate mortgage security assigned by BANCO DE VALENCIA to the Fund upon BANCO DE VALENCIA issuing and the Fund subscribing for Pass-Through Certificates.

**“Nominal Interest Rate”** shall mean the nominal interest rate, variable quarterly and payable quarterly, applicable to each Series and determined for each Interest Accrual Period, which shall be the result of adding (i) the Reference Rate and (ii) a margin for each Series as detailed in section 4.8.1.2 of the Securities Note.

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

**“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, as issuer of the Pass-Through 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.

**“Pass-Through Certificates”** shall mean the pass-through certificates issued by BANCO DE VALENCIA on the Mortgage Loans subject to the provisions of Act 2/1981, additional provision five of Act 3/1994, as currently worded, and other applicable laws, and subscribed for by the Fund.

**“Paying Agent”** shall mean the institution servicing the Bonds. The Paying Agent shall be BANCAJA (or any institution taking its stead as Paying Agent).

**“Payment Date”** shall mean January 20, April 20, July 20 and October 20 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be April 21, 2008, because April 20, 2008 is not a Business Day.

**“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.

**“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) 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 three- (3-) month Euribor and four- (4-) month Euribor, fixed at 11am (CET) 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.

**“Regulation 809/2004”** shall mean Commission Regulation (EC) No. 809/2004, April 29, 2004.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of the following amounts: (i) EUR twenty-eight million five hundred thousand (28,500,000.00) and (ii) the higher of a) 6.00% of the sum of the Outstanding Principal Balance of Series A, B and C and b) a sum of EUR fourteen million two hundred and fifty thousand (14,250,000.00).

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

**“Royal Decree 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 685/1982”** shall mean Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles.

**“Royal Decree 926/1998”** shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies.

**“Royal Decree Law 5/2005”** shall mean Royal Decree-Law 5/2005, March 11, on urgent measures for boosting productivity and improving public contracting.

**“Securities Market Act”** shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, and Act 44/2002, November 22, and Royal Decree Law 5/2005, March 11, among other amendments.

**“Series A Bonds”** shall mean Series A Bonds issued by the Fund having a total face amount of EUR eight hundred and eighty-three million four hundred thousand (883,400,000.00) comprising eight thousand eight hundred and thirty-four (8,834) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A”** shall mean Series A Bonds issued by the Fund.

**“Series B Bonds”** shall mean Series B Bonds issued by the Fund having a total face amount of EUR forty-two million eight hundred thousand (42,800,000.00) comprising four hundred and twenty-eight (428) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series B”** shall mean Series B Bonds issued by the Fund.

**“Series C Bonds”** shall mean Series C Bonds issued by the Fund having a total face amount of EUR twenty-three million eight hundred thousand (23,800,000.00) comprising two hundred and thirty-eight (238) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series C”** shall mean Series C Bonds issued by the Fund.

**“Series D Bonds”** shall mean Series D Bonds issued by the Fund having a total face amount of EUR twenty-eight million five hundred thousand (28,500,000.00) comprising two hundred and eighty-five (285) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series D”** shall mean 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 Pass-Through Certificate supporting documents under the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement, i.e. BANCO DE VALENCIA (or any institution taking its stead as Servicer).

**“Servicing Agreement”** shall mean the Mortgage Loan Servicing and Pass-Through 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 five hundred thousand (500,000.00).

**“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.

**“Treasury Account”** shall mean the financial account in euros opened at BANCO DE VALENCIA 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.