PROSPECTUS **July 20th, 2001**

BZ HIPOTECARIO 3
FONDO DE TITULIZACIÓN HIPOTECARIA

MORTGAGE-BACKED SECURITIES
310,000,000 EURO

Series A	**298,300,000 Euro**	**Aaa**	**3 M Euribor + 0.24%**
Series B	**6,200,000 Euro**	**A2**	**3 M Euribor + 0.50%**
Series C	**5,500,000 Euro**	**Baa3**	**3 M Euribor + 1.50%**

Backed by mortgage units issued by

Banco Zaragozano

Lead Manager, Underwriter and Placement Agent

Banco Zaragozano

Treasury Account

Caja Madrid

Payment Agent

Banco Zaragozano

Fund structured, organised and managed by

edt Europea de Titulización
Sociedad Gestora de Fondos de Titulización

Full prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores

This document is an English-language version of the Spanish Prospectus. No document other than the Spanish Prospectus which has been approved by the Comisión Nacional del Mercado de Valores may be considered as having any legal effect whatsoever in respect to the Bonds.

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CHAPTER 0

RELEVANT CIRCUMSTANCES TO CONSIDER ON THE SECURITIES ISSUE OR OFFERING

0.1 Summary of the characteristics of the issued or offered securities covered by this full prospectus and of the procedure for their placement and allocation among investors.

The securities subject of this Issue are Mortgage-Backed Securities (the “Bonds”), which are being issued against BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA (the “Fund”), on the terms described in the Prospectus. Three Series A, B and C are issued against the Fund.

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

Type of securities: Mortgage-Backed Securities represented by means of book-entries.

Issuer: BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA

Originator: BANCO ZARAGOZANO, S.A.

Ratings: Assigned provisionally on the date of organisation of the Fund by Moody’s Investors Service España, S.A. (Moody’s España).
Aaa for Series A Bonds.
A2 for Series B Bonds.
Baa3 for Series C Bonds.
These ratings may be revised, suspended or withdrawn at any time by Moody’s España, which would not constitute an early-amortisation event of the Fund.

Amount of the issue: 310,000,000 Euro (51,579,660,000 Ptas.) in three Series:

	Face Value per Bond (Euro)	Number of Bonds	Total Face Value (Euro)
Series A	100,000	2,983	298,300,000
Series B	100,000	62	6,200,000
Series C	100,000	55	5,500,000

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

Interest Rate:

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

Accrual of Interest:

Interest shall accrue by Interest Accrual Periods. Every Interest Accrual Period will comprise the days actually elapsed between each Payment Date (January 17, April 17, July 17 and October 17 in every year), including the initial Payment Date, but not including the final Payment Date. The duration of the first Interest

Accrual Period shall be equivalent to period between the Closing Date, inclusive, and the first Payment Date, to wit October 17, 2001, exclusive.

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

Nominal interest rate.

The nominal interest rate shall be the result of adding: (i) the Benchmark Interest Rate (three (3) month Euribor, or the Substitute Benchmark Interest Rate) and (ii) a spread for each of the Series:

- 0.24% spread for Series A Bonds,
- 0.50% spread for Series B Bonds, and
- 1.50% spread for Series C Bonds,

All of which shall be rounded to the thousandth percentage point, any percentage equal to half a percentage point, being rounded upwards.

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

Exceptionally, the nominal interest rate on the Bonds in each Series for the first Interest Accrual Period shall be set on the Business Day preceding the Subscription Period commencement date and shall be publicised prior to the start of the Subscription Period by means of widely publishing an announcement in Spain, either of economic-financial or general nature.

Payment of interest and repayment of principal.

Bond interest payment and principal repayment of the Bonds in each Series shall be made quarterly in arrears on each of the Payment Dates, which shall fall on January 17, April 17, July 17 and October 17 in each year or the following Business Day, as the case may be. The first Payment Date shall be October 17, 2001.

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

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

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

Final amortisation of the Bonds:

Final amortisation shall take place on the Final Maturity Date of the Bonds, which shall be April 17, 2027, without prejudice to their potential early amortisation on the terms and conditions established in the Prospectus.

Partial amortisation of the Bonds:

Irrespective of the Final Maturity Date, partial amortisations of the Bonds in each Series shall be made on the terms described below.

Amortisation of Series A Bonds.

The amortisation of Series A Bonds shall be made pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in an amount equal to the Funds Available for Amortisation distributed for Series A. The first Payment Date for the amortisation of Series A Bonds shall fall on October 17, 2001.

Amortisation of Series B Bonds.

The amortisation of Series B Bonds shall be made pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in an amount equal to the Funds Available for Amortisation distributed for Series B.

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

Amortisation of Series C Bonds.

The amortisation of Series C Bonds shall be made pro rata between the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in an amount equal to the Funds Available for Amortisation distributed for Series C.

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

Early amortisation of the Bonds.

Without prejudice to the Fund’s obligation, through its Management Company, to amortise the Bonds on the Final Maturity Date or on each partial amortisation, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the Comisión Nacional del Mercado de Valores, to proceed to an early liquidation of the Fund and hence an early amortisation, on a Payment Date, of the entire Bond issue in the Early-Liquidation Events in accordance with and subject to the requirements established in section III.8.1 of this Prospectus.

Bond subscription and placement procedure.

Underwriter and Placement Agent: **BANCO ZARAGOZANO, S.A.**

Investors to whom the Bonds are offered.

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

Subscription Period.

The Subscription Period shall commence at 12 o’clock noon on July 24, 2001 and end at 5pm on that same day.

Manner and date of paying up.

The investors to whom the Bonds are allocated shall pay the Underwriter and Placement Agent by 12 o'clock noon in Madrid on July 25, 2001 ("Closing Date"), same day value, the relevant issue price for each Bond allocated for subscription.

Secondary Bond-Trading Market: AIAF MERCADO DE RENTA FIJA.

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

0.2 Considerations regarding the activities, financial position and most relevant circumstances of the issuer described in this full prospectus.

0.2.1 Brief review of the Fund's activity

The Bonds subject of this Issue are issued against BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA, incorporated in compliance with Law 19/1992 of July 7, 1992 governing Real-Estate Companies and Funds and Mortgage Securitisation Funds.

In accordance with this Act, the Fund is a separate closed-end estate, devoid of legal personality, its assets comprising the Mortgage Units pooled therein upon being organised and the Reserve Fund, paid into the Treasury Account, and its liabilities comprising the Bonds issued, the Starting Expenses Loan and the Subordinated Loan, thereby for the net worth of the Fund to be nil.

The Management Company.

The Management Company that has organised and therefore whose duty it is to manage and represent the Fund, and defend the interests of Bondholders, is EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

Consequently, the Management Company shall safeguard at all times the interests of the Bondholders, making its actions conditional on defending the Bondholders and observing the provisions statutorily established for that purpose. The Bondholders shall have no right of action against the Fund Management Company, other than for a breach of its duties or a failure to observe the provisions of the Organisation Deed.

The Management Company shall notify the Bondholders of all and any circumstances that may be relevant to them by publishing appropriate inserts and notices on the terms established in sections III.5.2 and III.5.3 of the Prospectus.

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

The Mortgage Units pooled in the Fund.

The Fund shall pool Mortgage Units wholly issued by BANCO ZARAGOZANO, S.A. upon the organisation of the Fund.

The Mortgage Units refer to a 100 percent participation in the principal, ordinary and late-payment interest on each Participated Mortgage Loan, and all and any other amounts, assets or rights originating in the Participated Mortgage Loans.

The issue price of the Mortgage Units is at par with the face value of the capital or principal.

The total face value of the issue of Mortgage Units shall be at least equal to the aggregate amount of the Bond Issue.

The Participated Mortgage Loans are part of a selection of mortgage loans whose characteristics are described in the Prospectus. The principal outstanding on the 6,957 mortgage loans selected at July 9, 2001 amounted as at that date to 54,216,551,412 Ptas. (325,848,036.57 Euro).

The Fund's rights resulting from the Mortgage Units will all be linked to the payments made by the obligors of the Participated Mortgage Loans and shall therefore be directly affected by their evolution, delays, prepayments or any other incident related thereto.

Ordinary priority rules in payments by the Fund.

Applicable from the Closing Date until termination of the Fund.

The Funds Available shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following order of priority (the "Payment Priority Order"), irrespective of the time of accrual, other than the application in the 1st place, which may be made at any time as and when due:

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company and duly justified, including the management fee paid thereto, and all other expenses and service fees, including those derived from the Payment Agency Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made in favour of the Servicer and in relation to the Servicing Agreement in this order.

2. Payment of interest accrued on the Series A Bonds.

3. Payment of interest accrued on the Series B Bonds.

4. Payment of interest accrued on the Series C Bonds.

5. Withholding an amount sufficient for the Reserve Fund to be kept at the Minimum Level.

6. Amortisation of the principal of the Series A, Series B and Series C Bonds in accordance with the rules for calculating and distributing the Funds Available for Amortisation in the three Series established hereinafter.

7. Payment of interest accrued on the Starting Expenses Loan.

8. Repayment of the principal of the Starting Expenses Loan.

9. Repayment of the principal of the Subordinated Loan.

10. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Participated Mortgage Loans.

11. Variable remuneration under the Subordinated Loan.

Funds Available for Amortisation on each Payment Date and Amortisation Deficit.

On each Payment Date the amount to be allocated for the amortisation of the Bonds ("Funds Available for Amortisation") shall be the lower of the following amounts:

a) The positive difference existing between the Principal Balance Outstanding on the Bonds and the Balance Outstanding on the Mortgage Units, on the Business Day preceding each Payment Date.

b) Depending on the liquidity existing on that Payment Date, the remaining Funds Available after deducting the amounts applied to the items ranked in 1st and 5th place in the payment priority order.

The Amortisation Deficit on a Payment Date will be the positive difference, if any, between the sum of item a), as established in the preceding paragraph, and the Funds Available for Amortisation.

Wherever an Amortisation Deficit exists, the Funds Available for Amortisation will all be allocated to the amortisation of Series A Bonds.

Distribution of the Funds Available for Amortisation among the Bonds in each Series.

Those Funds Available for Amortisation of the Bonds shall be distributed among the three Series for their amortisation in accordance with the following rules:

1. Up to the first Payment Date (inclusive) on which the Principal Balance Outstanding on the Series B Bonds is equal to or greater than 4.00% of the Principal Balance Outstanding on the Series A Bonds, the Funds Available for Amortisation shall be fully used for the amortisation of Series A Bonds.

2. From the Payment Date after the date on which the above ratio is equal to or greater than 4.00%, the Funds Available for Amortisation shall be applied to the amortisation of both Series A and B, proportionally among the same, thereby for the above ratio between Principal Balances Outstanding on Series A and Series B Bonds to be kept at 4.00%, or a higher percentage closest thereto.

3. The amortisation of Series C Bonds shall begin once the Bonds in Series A and B have been fully amortised, until they are fully amortised.

In connection with the Amortisation of Series B Bonds, and even if all of the events provided in the above rules are met, there will be no such amortisation if either of the following two circumstances occur on the relevant Determination Date:

i) In the event that the amount of the sum of the Balance Outstanding, as defined in section II.11.3.2.4, on Mortgage Units with a default equal to or greater than ninety (90) days on the Determination Date preceding the ongoing Payment Date should be equal to or greater than 6.5% of the Balance Outstanding on the Mortgage Units on that same date, the Funds Available for Amortisation shall all be allocated to the amortisation of Series A Bonds.

ii) In the event that there should be an Amortisation Deficit, as described above, the Funds Available for Amortisation shall also all be allocated to the amortisation of Series A Bonds.

Termination of the Fund.

The Fund shall terminate in the following events:

(i) Upon the Mortgage Units pooled therein being fully amortised.
(ii) In the early liquidation procedure for which provision is made in section III.8.1.
(iii) At all events, on the Final Maturity Date established for the final amortisation of the Bonds.

Early liquidation.

The Management Company shall be authorised, after notifying the Comisión Nacional del Mercado de Valores, to proceed to an early liquidation of the Fund and thereby to an early amortisation on a Payment Date of the entire Bond issue, when the Balance Outstanding on the Mortgage Units pending amortisation is less than 10 per 100 of the initial Balance Outstanding, in accordance with the authorisation established in article 5 of Law 19/1992, in addition to the other Early-Liquidation Events contained in section III.8.1, and subject to the same requirements and procedures contained in said section.

Financial transactions arranged on behalf of the Fund.

In order to consolidate its financial structure and secure a cover as extensive as possible for the risks inherent in the issue, the Management Company shall, on behalf of the Fund, proceed on the same date on which the Organisation Deed is executed, to enter into the following agreements:

(i) Treasury Account and Guaranteed Interest Rate Account Agreement.

(ii) Subordinated Loan Agreement.

(iii) Starting Expenses Loan Agreement

(iv) Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement.

(v) Bond Issue Management, Underwriting and Placement Agreement.

(vi) Bond Payment Agency Agreement.

0.2.2 Risks inherent in the Bonds.

(i) Risk of delinquency on the Mortgage Units: the holders of Bonds issued against the Fund shall have the risk of delinquency of the Mortgage Units pooled therein. Under article 5.8 of Law 19/1992, BANCO ZARAGOZANO does not bear with the risk of delinquency on the Mortgage Units and shall not therefore be howsoever liable for mortgagor delinquency of either principal, interest or any other amount owing by the mortgagors under the Participated Mortgage Loans.

(ii) Early-amortisation risk of the Mortgage Units: there will be an early amortisation of the Mortgage Units pooled in the Fund when the borrowers of the Participated Mortgage Loans prepay the portion of principal pending repayment, on the terms set in each of the loan deeds. Similarly, there will be a full amortisation of the Mortgage Units in the event that BANCO ZARAGOZANO should be substituted in the relevant Participated Mortgage Loans by another financial institution licensed to do so.

The risk of that early amortisation shall pass quarterly on each Payment Date to the holders of the Bonds upon their partial amortisation.

(iii) Limited Hedging: an investment in the Bonds may be affected, inter alia, by a downturn in general economic conditions adversely affecting payments of the Mortgage Loans backing the Bond issue of the Fund. A high level of delinquency might reduce or indeed eliminate the hedging against losses in the loan portfolio that the Bonds have as a result of the existence of the credit enhancement transactions described in the Prospectus.

(iv) Limited Liability: the Bonds issued by the Fund neither represent nor stand as an obligation of the Management Company or of BANCO ZARAGOZANO. The cash flow generated by the Mortgage Units used to meet the obligations deriving from the Bonds is assured or guaranteed only in the specific events and up to the limits referred to in the Prospectus. With the exception of these guarantees, no others are given by any public or private institution, including BANCO ZARAGOZANO and any of their affiliated or subsidiary companies.

(v) Limited liquidity: there is no assurance that the Bonds will be traded on the market with a minimum frequency or volume.

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

(vi) Yield: prepayment of the Participated Mortgage Loans is influenced by a number of geographic, economic and social factors such as the obligors' age, seasonality, market interest rates and unemployment, preventing their predictability. The calculation of the internal rate of return, average life and Duration of the Bonds given in the Prospectus is based on assumed prepayment rates that may not be fulfilled.

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

(viii) Neither the Fund nor the bondholders shall have any right of action respectively against the institution issuing the Mortgage Units or against the Management Company other than as derived from the breaches of their respective duties and hence at no event as a result of the existence of arrears or early amortisation.

CHAPTER I

PERSONS TAKING RESPONSIBILITY FOR AND BODIES SUPERVISING THE CONTENTS OF THE PROSPECTUS

I.1 Persons taking responsibility for the contents of the Prospectus.

I.1.1 Full name, Spanish identity or personal identification document number and position or powers of the individual(s) taking responsibility for the contents of the Prospectus on behalf of the Management Company.

Mr MARIO MASIÁ VICENTE, of full age, who holds Spanish Tax Identification number 50,796,768-A, acting as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, and using the authorities conferred by the Board of Directors and the Board's Executive Committee at their meetings respectively held on January 19, 1993 and January 28, 2000, takes responsibility for the contents of this Prospectus.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Lagasca number 120, having VAT Reg. no. A-80514466, sponsors BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA (hereinafter also "the Fund"), and shall be responsible for managing and legally representing the same.

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

Mr MARIO MASIÁ VICENTE confirms that the details and information contained in the Prospectus are truthful and that no relevant detail has been neither omitted nor misleading information included.

I.2 Supervisory Bodies.

The organisation of the Fund and issue of the Mortgage-Backed Securities (hereinafter also the "Bonds") are subject to the condition precedent of their verification and registration in the Official Registers of the Comisión Nacional del Mercado de Valores.

This full Prospectus regarding the organisation of the Fund and the issue of the Bonds was verified and entered in the Official Registers of the Comisión Nacional del Mercado de Valores on July 20, 2001.

Registration of the Prospectus by the Comisión Nacional del Mercado de Valores does not imply recommending subscription for or purchase of the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the issuer or yield of the issued or offered securities.

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

Appendix V to this Prospectus contains the Audit Report on a selection of mortgage loans in the portfolio of BANCO ZARAGOZANO, S.A., part of which are the Participated Mortgage Loans to be assigned through the issue of the Mortgage Units. That Report was prepared by the firm Arthur Andersen y Cía., S. Com., entered in the Official Register of Auditors (ROAC) under number S0692 and having its registered office in Madrid, Calle Raimundo Fernández Villaverde number 65.

In addition to other matters, that Report deals with verifying fulfilment of the terms required by Law 2/1981, March 25, for the issue of Mortgage Units. BANCO ZARAGOZANO shall not include the loans with errors detected upon verifying the sample for issuing the Mortgage Units.

That audit was made using sampling techniques consisting of analysing a number of loans less (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative features regarding the sample loans and specifically regarding: purpose of the loan, identification of the borrower, address of the mortgaged property, date of perfection, date of maturity, initial amount, current balance, interest rate applied, benchmark interest rate, assessed value, loan to value ratio, arrears in payments, property damage insurance and mortgage security.

BANCO ZARAGOZANO, S.A. agrees in accordance with the provisions of section IV.1.d) of this Prospectus that, if in spite of their own enquiries and those of the above-mentioned auditor, the existence of any Participated Mortgage Loan not fully observing the characteristics contained in section IV.1.a) of this Prospectus should be detected, then it will forthwith replace the relevant Mortgage Unit or proceed to an early amortisation, as the case may be, in accordance with the provisions of section IV.1.d).

CHAPTER II

INFORMATION REGARDING THE SECURITIES ISSUED AGAINST THE MORTGAGE SECURITISATION FUND

II.1 Information on prerequisites and resolutions necessary for the Fund to be organised and on the securities issued against the Fund, and also on the terms for the Fund to acquire the assets (mortgage loans-mortgage units) subject of the securitisation process.

II.1.1 Issue resolutions and statutory requirements.

a) Corporate resolutions.

Resolution to assign the Mortgage Units:

The Board of Directors of BANCO ZARAGOZANO, S.A. (hereinafter "BANCO ZARAGOZANO"), held on April 27, 2001, resolved to authorise the issue of mortgage units (hereinafter the "Mortgage Units") to be fully subscribed for by the Fund forthwith upon being organised. The characteristics of the issue of Mortgage Units pooled in the Fund are described in Chapter IV.1. Attached as Appendix II to this Prospectus is a photocopy of the Transcript of the Resolutions of the Board of Directors of BANCO ZARAGOZANO.

Resolution to organise the Fund:

At its meeting dated June 28, 2001, the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (hereinafter "the Management Company") resolved to organise BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA in accordance with the legal system provided by Law 19/1992, to subscribe for the Mortgage Units issued by BANCO ZARAGOZANO and to issue the Bonds against the Fund. The characteristics of the issue of Bonds against the Fund are described in Chapter II of this Prospectus. Attached as Appendix III hereto is a photocopy of the Transcript of the Resolutions of the Management Company's Board of Directors.

b) Execution of the Fund Organisation Deed.

Upon the Comisión Nacional del Mercado de Valores verifying and registering this Prospectus and by July 31, 2001, without the Bond subscription period having yet begun, the Management Company along with BANCO ZARAGOZANO, issuer of the Mortgage Units to be subscribed for by Fund, shall proceed to execute a public deed whereby BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA will be organised, the Mortgage Units will be issued and subscribed for and the Mortgage-Backed Bonds will be issued (hereinafter the "Organisation Deed"), on the terms provided in Law 19/1992.

The following will essentially be the contents of the Organisation Deed: (i) the Mortgage Units will be identified, (ii) the contents of the Bonds to be issued will be precisely defined and (iii) the rules to be observed by the Fund will be set and the operations that the Management Company may carry out on behalf of the Fund will be established in order to enhance the safety of or regularity in payment of the Bonds and cover timing differences between the scheduled flows of principal and interest on the Mortgage Units and on the Bonds. In this sense, the Organisation Deed shall provide that the Fund may, through its Management Company, enter into the agreements specified in section V.3 of the Prospectus.

Said Organisation Deed shall be submitted to the Comisión Nacional del Mercado de Valores to be entered in the public registers before the Bond Subscription Period begins.

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

In accordance with article 5.9 of Law 19/1992, the Bonds issued against the Fund shall be exclusively represented by means of book entries and the Fund Organisation Deed shall have the effects provided in article 6 of the Securities Market Act. The Management Company shall, for and on behalf of the Fund, forthwith upon the execution of the Organisation Deed, apply for the issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. and, once the Bonds have been paid up, for this Bond issue to be included in AIAF Mercado de Renta Fija (hereinafter also "AIAF"), .

II.2 Administrative authorisation prior to the issue or offering, specifying resultant details or restrictions. Specification of the warnings and considerations made by the Comisión Nacional del Mercado de Valores in accordance with the provisions of article 1.9 of the Economy and Finance Ministry's Order dated July 12, 1993 on Prospectuses.

Verification and registration by the Comisión Nacional del Mercado de Valores.

This Fund organisation and Bond issue Prospectus was verified and entered in the Official Registers of the Comisión Nacional del Mercado de Valores on July 20, 2001. No prior administrative authorisation other than the prior verification and registration of the Prospectus is required.

The Comisión Nacional del Mercado de Valores has made no warning or consideration concerning the organisation of the Fund and issue of the Bonds.

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

Law 19/1992 requires that a rating firm recognised by the Comisión Nacional del Mercado de Valores assess the credit risk of the Bonds issued against the Fund.

The Management Company has entrusted the valuation of the credit risk of the Bonds to Moody's Investors Service España, S.A. (hereinafter "Moody's España" or the "Rating Agency"), a Spanish company wholly owned by Moody's Investors Service Limited, and a rating organisation firm recognised by the Comisión Nacional del Mercado de Valores, for the purposes of the provisions of article 5.8 of Law 19/1992, and operating in accordance with the methodology, standards and quality control of Moody's Investors Service Limited.

Ratings assigned to the Bond Issue.

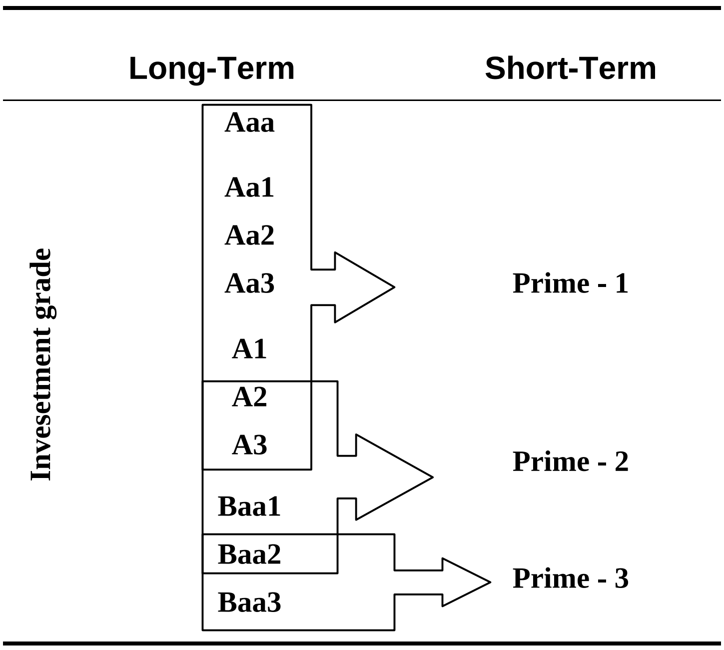
On July 16, 2001 Moody's España assigned an **Aaa** rating to the Series A Bonds, an **A2** rating to the Series B Bonds and a **Baa3** rating to the Series C Bonds, provisionally, and expects to assign the same final respective **Aaa**, **A2** and **Baa3** ratings before the Bond Subscription Period begins.

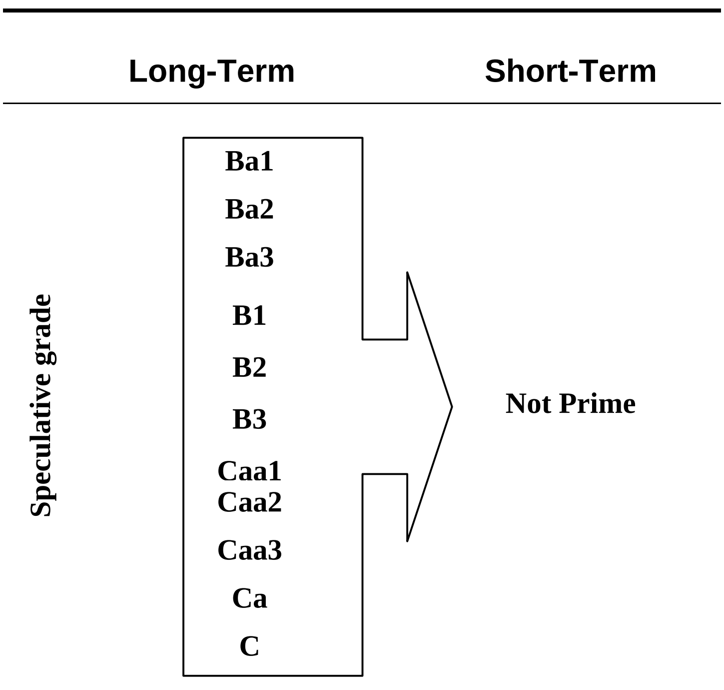
If the Rating Agency should fail to confirm the **Aaa** rating for Series A Bonds, **A2** rating for Series B Bonds and **Baa3** rating for Series C Bonds before the Subscription Period begins, this circumstance would forthwith be notified to the Comisión Nacional del Mercado de Valores and be publicised in the manner for which provision is made in section III.5.3.c). Furthermore, this circumstance would be an event of termination of the organisation of the Fund and of the Bond issue.

Appendix IV to this Prospectus contains a copy of the letter from Moody's España notifying the rating.

Considerations concerning the rating.

Moody's Investors Service Limited's rating scales, used by Moody's España for long- and short-term debt issues, are the following:





Moody's Investors Service Limited applies number modifiers 1, 2 and 3 to each long-term rating category comprised between Aa and Caa. Modifier 1 indicates securities on the top range of the rating category, modifier 2 indicates the medium range and modifier 3 bottom range securities.

Moody's Investors Service Limited gives an **Aaa** rating to debt issues with a very strong interest payment and repayment capacity, an **A2** rating to debt with a strong interest payment and principal repayment capacity and **Baa3** to debt with an adequate interest payment and principal repayment capacity, though the latter two are slightly more sensitive to the effects of circumstantial changes and adverse economic conditions than the higher-ranked debt.

The rating is the Rating Agency's opinion about the credit risk, the capacity to meet payments of interest as they fall due on each set Payment Date and of the principal of the issue on the Final Maturity Date. Moody's Investors Service Limited's rating takes into account the structure of the Bond issue, its legal aspects and the issuing Fund, the characteristics of the mortgage loans selected for issuing the Mortgage Units and the regularity and continuity of the operating flows.

Moody's España's ratings are not an assessment of the probability of mortgagors making capital prepayments, 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 given by Moody's España based on manifold information received with respect to which Moody's España gives no assurance, nor even as to their accuracy or wholeness, wherefore Moody's España may at no event be deemed to be responsible therefor; and,

(ii) are not and cannot therefore be howsoever construed as an invitation, recommendation or encouragement for investors to proceed to carry out any transaction whatsoever on the Bonds and, in particular, acquire, keep, charge or sell those Bonds.

The ratings may be revised, suspended or withdrawn at any time by Moody's España, based on any information Moody's España may come to know. Those events, which shall not constitute early-amortisation events of the Fund, shall forthwith be notified to both the Comisión Nacional del Mercado de Valores and the bondholders, in accordance with the provisions of section III.5.3.

In carrying on the rating and monitoring process, Moody's España relies on the accuracy and wholeness of the information provided by the Management Company, auditors, lawyers and other experts.

Undertakings by the Management Company.

The Management Company, on behalf of the Fund, agrees to report regularly to Moody's España on the status of the Fund and the performance of the Mortgage Units. It shall also report when reasonably required to do so and in any event whenever there is a change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the parties concerned.

II.4 Nature and denomination of the securities offered specifying the issue or series number.

The amount of the issue of Mortgage-Backed Bonds (hereinafter the "Bonds") totals a face value of three hundred and ten million (310,000,000) Euro (51,579,660,000 Ptas.), and the issue comprises three Series A, B and C.

Those Bonds are issued pursuant to Law 19/1992, and legally qualify as standard homogeneous fixed-income securities that are consequently transferable on organised stock exchanges, and the legal and financial configuration of the Fund therefore differs from investment funds.

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

The organisation of and Bond Issue against the Fund are carried out pursuant to Law 19/1992.

The Bondholders will be identified as such when entered in the accounting record kept by the Servicio de Compensación y Liquidación de Valores, S.A., as provided by section II.5 of this chapter, and the relevant clearing member may issue the certificates of title when so requested by the Bondholder and at his expense; the provisions of Title I, Chapter I, section four of the Book Entries Royal Decree will apply in this connection.

The Bonds may be freely conveyed by any means admissible at Law. A transfer in the accounts will convey the ownership of each Bond. The effects of entering the conveyance to the transferee shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties.

The Bondholders are bound in respect of Bond interest payment and principal repayment to the Fund Payment Priority Order.

In order to cover timing differences between the scheduled flows of repayment of principal and interest on the Mortgage Units and on the Bonds issued against the Fund, the Management Company, on behalf of the Fund, shall enter into a Treasury Account and Guaranteed Interest Rate Account Agreement with CAJA MADRID, whereby the amounts received by the Fund from the Mortgage Units, both as repayment of principal and interest, as well as the amounts referred to in section V.3.1 of the Prospectus, will be invested until the next Payment Date of the Bonds, on which the principal repayment and interest payment on the Bonds shall fall due.

II.4.2 Other implications and risks that might, due to the legal and economic nature of the assets pooled in the Fund, affect servicing of the securities issued against the Fund as a result of the process for securitising those assets.

a) Risk of delinquency of the Mortgage Units:

In accordance with the provisions of article 5.8 of Law 19/1992, the holders of Bonds issued against the Fund shall bear with the risk of delinquency of the Mortgage Units pooled therein.

Consequently, BANCO ZARAGOZANO shall have no liability whatsoever for the mortgagors' delinquency of principal, interest or any other amount they may owe under the Participated Mortgage Loans. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the transaction shall be successful, nor give any guarantees or securities, nor indeed agree to repurchase the Mortgage Units, other than in connection with Participated Mortgage Loans failing to conform to the terms and characteristics contained in section IV.1.a) of this Prospectus, and as provided therein.

b) Early-amortisation risk of the Mortgage Units:

There will be an early amortisation of the Mortgage Units pooled in the Fund when the borrowers of the Participated Mortgage Loans prepay the portion of principal pending repayment, on the terms set in each of the loan deeds. Similarly, there will be a full amortisation of the Mortgage Units in the event that BANCO ZARAGOZANO should be substituted in the relevant Participated Mortgage Loans by another financial institution licensed to do so, subject to Law 2/1994, 30 March, on substitution and amendment of mortgage loans ("Law 2/1994").

The risk of that early amortisation shall pass quarterly on each Payment Date to the Bondholders upon their partial amortisation, in accordance with the provisions of section II.11.3.2 of this Prospectus.

c) Other considerations:

Limited hedging.

An investment in the Bonds may be affected, inter alia, by a downturn in general economic conditions adversely affecting payments of the Participated Mortgage Loans backing the Bond issue of the Fund. A high level of delinquency might reduce or indeed eliminate the hedging against losses in the loan portfolio that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Prospectus.

Limited liability.

The Bonds issued by the Fund neither represent nor stand as an obligation of the Management Company or of BANCO ZARAGOZANO. The cash flow generated by the Mortgage Units used to meet the obligations deriving from the Bonds is assured or guaranteed only in the specific events and up to the limits referred to in the Prospectus. With the exception of these guarantees, no others are given by any public or private institution whatsoever, including BANCO ZARAGOZANO, EUROPEA DE TITULIZACIÓN, and any of their affiliated or subsidiary companies.

In the Organisation Deed, BANCO ZARAGOZANO will make a number of representations and warranties as to the characteristics of the Loans and the Mortgage Units, as to the existence of the Loans and the mortgage securities related thereto, and the absence of any obstacle whatsoever for issuing the Mortgage Units and that they conform to the characteristics of the Loans defined therein. In any event, BANCO ZARAGOZANO does not guarantee the solvency of the Loan debtors. Furthermore, these guarantees do not allow the Bondholders to enforce against BANCO ZARAGOZANO any right whatsoever they may have against the Fund, the Management Company being the only institution authorised to represent the Bondholders in relations with third parties or in any legal action related to the Fund.

Limited Liquidity.

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

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

Furthermore, the Fund may at no event repurchase the Bonds from their holders, though they may be fully subject to early amortisation in the event of early liquidation of the Fund when the Balance Outstanding on the Mortgage Units pending amortisation is less than 10 per 100 of the initial Balance Outstanding, on the terms established in section III.8.1 of this Prospectus.

Yield.

Prepayment of the Participated Mortgage Loans is influenced by a number of geographic, economic and social factors such as the obligors' age, seasonality, market interest rates and unemployment, preventing their predictability.

The calculation of the internal rate of return, average life and duration of the Bonds given in the Prospectus is based on assumed prepayment rates that may not be fulfilled.

Late-payment interest.

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

II.5 Form of representation and name and place of business of the institution in charge of the accounting record.

The Bonds issued against the Fund will be exclusively represented by means of book entries, in accordance with the provisions of article 5.9 of Law 19/1992, and will become such bonds when entered in the appropriate accounting record. In this connection, and for the record, the Organisation Deed shall have the effects prescribed by article 6 of the Securities Market Act.

Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the Servicio de Compensación y Liquidación de Valores, S.A., which shall be the institution designated in the Organisation Deed to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities listed on the AIAF, and represented by book entries, now established or approved in the future by Servicio de Compensación y Liquidación de Valores, S.A. Such designation shall be entered in the Official Registers of the Comisión Nacional del Mercado de Valores.

Servicio de Compensación y Liquidación de Valores, S.A., has its place of business at calle Orense, no. 34, Madrid.

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

The amount of the Bond Issue totals a face value of three hundred and ten million (310,000,000) Euro (51,579,660,000 Ptas.), and consists of three Series each denominated in Euro:

i) Series A for a total face value of two hundred and ninety-eight million three hundred thousand (298,300,000) Euro (49,632,943,800 Ptas.) comprising two thousand nine hundred and eighty-three (2,983) Bonds with a unit face value of one hundred thousand (100,000) Euro (16,638,600 Ptas.), represented by means of book entries.

ii) Series B for a total face value of six million two hundred thousand (6,200,000) Euro (1,031,593,200 Ptas.) comprising sixty-two (62) Bonds with a unit face value of one hundred thousand (100,000) Euro (16,638,600 Ptas.), represented by means of book entries.

iii) Series C for a total face value of five million five hundred thousand (5,500,000) Euro (915,123,000 Ptas.) comprising fifty-five (55) Bonds with a unit face value of one hundred thousand (100,000) Euro (16,638,600 Ptas.), represented by means of book entries.

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

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

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

II.7 Face and actual amounts of each security, specifying, where it exists, the issue premium expressed in proportion to the face value and in monetary units per security. Currency in which each of the Series of securities issued against the Fund is denominated.

The Bonds are issued at 100 per cent of their face value. The Bond issue price in all the Series shall be one hundred thousand (100,000) Euro (16,638,600 Ptas.) per Bond, clear of taxes and subscription costs for the subscriber through the Fund.

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

II.8 Fees and related expenses of every description that must be borne by the investors upon subscribing for the securities issued against the Fund.

The Fund, as Bond issuer, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds.

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

The expenses of including the Bond issue in the accounting record of Servicio de Compensación y Liquidación de Valores, S.A. shall be borne by the Fund and may not be shifted to the Bondholders. This institution has established no fee whatsoever for maintaining a balance.

In accordance with the laws in force for the time being, the members of said Service may nevertheless establish such fees and expenses to be charged to the Bondholder, for managing securities, as they may freely determine, and duly notified to the Bank of Spain or the Comisión Nacional del Mercado de Valores, being their supervisory bodies.

II.10 Interest rate clause:

II.10.1 Nominal interest rate.

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

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

The withholdings, contributions and taxes established or to be established in the future on the principal, interest or return of the Bonds, shall be borne exclusively by the Bondholders, and their amount shall be deducted, as the case may be, by the Management Company, for and on behalf of the Fund, as provided by law.

a) Interest accrual.

The duration of this issue shall be divided into successive Interest Accrual Periods comprising the days actually elapsed between each Payment Date, each Interest Accrual Period including the initial Payment Date but not including the final Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to that comprised between the Closing Date, inclusive, and the first Payment Date, October 17, 2001, exclusive.

The nominal interest rate shall accrue on the days actually elapsed in each Interest Accrual Period for which it was determined, calculated based upon a 360-day year.

b) Nominal interest rate.

The nominal interest rate applicable to each of the Series and determined for each Interest Accrual Period shall be the result of adding: (i) the Benchmark Interest Rate, as established in section c) below, and (ii) the following spreads for each Series:

- 0.24 % for Series A Bonds,
- 0.50 % for Series B Bonds,
- 1.50 % for Series C Bonds,

all of which shall be rounded to the thousandth percentage point, any percentage equal to half a percentage point, being rounded upwards.

c) Benchmark Interest Rate and determining the same.

i) The Benchmark Interest Rate for determining the nominal interest rate applicable to each of the Bond Series is Euribor, "Euro Interbank Offered Rate", calculated and distributed by the BRIDGE financial information system under an FBE ("Federation Bancaire de l'Union Europeene") mandate, with a three- (3) month maturity, fixed at 11am (CET time "Central European Time") on the Interest Rate Fixing Date described below, which is currently published on electronic pages EURIBOR01 supplied by Reuters, and 248, supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services.

Said Euribor rate is currently the term interbank deposit offered rate in euro calculated as the daily average of the quotations supplied by a panel consisting of 57 Banks, from among the most active banks in the Euro zone. The rate is quoted based on a count of the actual days to maturity and a 360-day year, and is fixed at 11am (CET time), accurate to three decimal places.

ii) In the event that the rate established in section (i) above should not be available or be impossible to obtain, the substitute Benchmark Interest Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in Euro with a maturity of three (3) months, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Banco Bilbao Vizcaya Argentaria, S.A. (Madrid).
- Banco Popular Español, S.A. (Madrid).
- Banco Santander Central Hispano , S.A. (Madrid)
- BNP Paribas (Paris).
- Deutsche Bank AG (Frankfurt).
- National Westminster Bank Plc. (London)

In the event that it should be impossible to apply the above substitute Benchmark Interest Rate, due to the failure by any or several of said banks to provide a statement of quotations, the interest rate resulting from applying the simple arithmetic mean of the interest rates declared by at least two of the other banks shall be applicable.

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

On each of the Interest Rate Fixing Dates, the Payment Agent shall notify the Management Company of the Benchmark Interest Rate determined in accordance with paragraphs i) and ii) above.

d) Interest Rate Fixing Date.

The nominal interest rate applicable to each of the Bond Series for every Interest Accrual Period shall be determined by the Management Company, for and on behalf of the Fund, as provided in sections b) and c) above, based upon the Benchmark Interest Rate or its substitute, on the second Business Day before each Payment Date (hereinafter "Interest Rate Fixing Date"), and will be applied for the following Interest Accrual Period.

Exceptionally, the nominal interest rate of the Bonds in each of the Series for the first Interest Accrual Period shall be determined as provided in sections b) and c) above, based upon the Benchmark Interest Rate, albeit referred to the Business Day before the date on which the Subscription Period begins, and shall be communicated to the general public before the Subscription Period begins by means of the notice provided in section III.5.3.c) of this Prospectus.

The nominal interest rates determined for each of the Bond Series for successive Interest Accrual Periods shall be communicated to the Bondholders on the dates and in the manner for which provision is made in sections III.5.3. a) and c).

e) Formula for calculating the interest.

Calculation of the interest settlement for each of the Series, payable on each Payment Date for each Interest Accrual Period, shall be made 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.*
P = *Principal Balance Outstanding on the Bonds in the Series at the beginning of the Interest Accrual Period falling on that Payment Date.*
R = *Nominal interest rate of the Series expressed as a yearly percentage.*
d = *Number of days actually corresponding to each Interest Accrual Period.*

f) Example for fixing the nominal interest rate.

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

		Series A Bonds	**Series B Bonds**	**Series C Bonds**
1	Principal Balance Outstanding per Bond	100,000 Euro (16,638,600 Ptas.)	100,000 Euro (16,638,600 Ptas.)	100,000 Euro (16,638,600 Ptas.)
2	Interest Accrual Period Days	91	91	91
3	3-month Euribor rate	4.499%	4.499%	4.499%
4	Spread	0.24%	0.50%	1.50%
5	Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	4.739%	4.999%	5.999%
6	Calculation of the interest accrued per Bond (1)*(2)*(5)/36000	1,197.9139	1,263.6361	1,516.4139
7	Amount of interest payable per Bond: rounded to the nearest Euro cent	1,197.91 Euro (199,315 Ptas.)	1,263.64 Euro (210,252 Ptas.)	1,516.41 Euro (252,309 Ptas.)

g) Informative table on the evolution of the benchmark interest rate to be used.

For merely illustrative purposes, below are monthly details of the three- (3-) month Euribor rates taken from the EURIBOR01 electronic page supplied by Reuters, and the nominal interest rates that would result if applied to each of the Bond Series:

Dates	3-Month Euribor	Series A Bonds	Series B Bonds	Series C Bonds
10 July 2001	4.499	4.739	4.999	5.999
14 June 2001	4.474	4.714	4.974	5.974
15 May 2001	4.572	4.812	5.072	6.072
10 April 2001	4.554	4.794	5.054	6.054
16 March 2001	4.769	5.009	5.269	6.269
15 February 2001	4.747	4.987	5.247	6.247
15 January 2001	4.815	5.055	5.315	6.315
14 December 2000	4.953	5.193	5.453	6.453
15 November 2000	5.085	5.325	5.585	6.585
13 October 2000	4.990	5.230	5.490	6.490
14 September 2000	4.831	5.071	5.331	6.331
14 August 2000	4.784	5.024	5.284	6.284
13 July 2000	4.548	4.788	5.048	6.048
15 June 2000	4.506	4.746	5.006	6.006
12 May 2000	4.328	4.568	4.828	5.828
13 April 2000	3.923	4.163	4.423	5.423
15 March 2000	3.794	4.034	4.294	5.294
15 February 2000	3.487	3.727	3.987	4.987
13 January 2000	3.322	3.562	3.822	4.822
15 December 1999	3.456	3.696	3.956	4.956
15 November 1999	3.449	3.689	3.949	4.949
14 October 1999	3.379	3.619	3.879	4.879
15 September 1999	2.690	2.930	3.190	4.190
13 August 1999	2.704	2.944	3.204	4.204
15 July 1999	2.663	2.903	3.163	4.163

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

Payment of interest accrued by Series A Bonds is in second (2^{nd}) place in the Payment Priority Order established in section V.4.1.B).2, page 101 of this Prospectus.

Payment of interest accrued by Series B Bonds is in third (3^{rd}) place in the Payment Priority Order established in said section, page 101 hereof.

Payment of interest accrued by Series C Bonds is in fourth (4^{th}) place in the Payment Priority Order established in said section, page 101 hereof.

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

The interest on the Bonds in all the Series will be paid in arrears on January 17, April 17, July 17 and October 17 of each year until they are fully amortised (each of those dates, a "Payment Date"), using the procedure described in section II.10.1 of this Prospectus.

In the event that any of the dates established in the preceding paragraph should not be a Business Day, the Payment Date shall be the next immediate Business Day, and interest for the ongoing Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in all the Series shall be October 17, 2001, and interest will accrue at the relevant nominal interest rate between payment on the Closing Date by the subscribers, inclusive, and October 17, 2001, exclusive.

For the purposes of this Bond Issue, Business Days shall be deemed to be all days other than a:

- Saturday
- Sunday,
- public holiday in Madrid, or
- non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

Days that are not business days in the TARGET calendar are currently the following:

- Saturdays,
- Sundays,
- January 1 (New Year),
- Good Friday,
- Easter Monday,
- May 1,
- December 25 (Christmas), and
- December 26.

Additionally, December 31 shall not be a Business Day in the TARGET calendar for the year 2001.

Both the interest resulting for the Bondholders in each of the Series and the amount of the interest accrued and not paid shall be notified to the Bondholders as described in section III.5.3 of this Prospectus, at least one (1) calendar day in advance of each Payment Date.

The interest accrued on the Bonds shall be settled on each Payment Date provided that the Fund has sufficient liquidity to do so in the Payment Priority Order.

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

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

The Fund, through its Management Company, may not defer Bond interest payment beyond April 17, 2027, the Final Maturity Date, or the next Business Day if the same is not a Business Day.

The Bond Issue shall be serviced through the Payment Agent, to which end the Management Company shall, for and on behalf of the Fund, enter into a Payment Agency Agreement with BANCO ZARAGOZANO.

II.11 Amortisation of the securities.

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

The redemption price of the Bonds in each Series shall be one hundred thousand (100,000) Euro (16,638,600 Ptas.) per Bond, equivalent to 100 per cent of its face value, payable partially on each Payment Date.

Each and every one of the Bonds in a same Series shall be amortised in an equal amount by reducing the face value of each of them.

Amortisation of the Bonds in each Series shall be made pro rata among the Bonds in the actual Series by reducing the face value of each Bond, until completing the same, on each Payment Date, in an amount equal to the Funds Available for Amortisation distributed for the Series in accordance with the rules established in section II.11.3 of this Chapter.

II.11.2 Simple specification of the order number the payment of principal on the securities issued on the Fund has in the Fund's payment priority, and specification of the section and pages of this Prospectus in which the rules of priority established in the Fund's payments are described, and specifically those affecting principal payments on those securities.

Payment of the amortisation of principal in Series A, B and C Bonds is in sixth (6^{th}) place in the Payment Priority Order established in section V.4.1.B).2, page 101 of this Prospectus.

II.11.3 Amortisation types specifying dates, place, institutions, procedure and advertising for the same.

II.11.3.1 Final Amortisation.

The Final Amortisation Date and consequently the final amortisation of the Bonds is April 17, 2027 or the next Business Day if the same 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 section II.11.3.3 below, proceeding to an early amortisation of this issue, in which case the Payment Date on which the same is to take place will be the final amortisation date of the Bonds.

II.11.3.2 Partial Amortisation.

Irrespective of the Final Amortisation Date, the Fund shall, through its Management Company, proceed to make partial amortisation of the Bonds in each Series on the terms described hereinafter in this section.

1. **Amortisation Payment Dates.**

   The Amortisation Payment Dates shall fall on the interest Payment Dates, i.e. on January 17, April 17, July 17 and October 17 of each year or the next Business Day, as the case may be, until they are fully amortised.

   The first amortisation Payment Date of the Bonds in each Series, in accordance with the rules contained in this section, shall fall on the following dates for each Series:

   - Series A Bonds: October 17, 2001.
   - Series B Bonds: the Payment Date after the date on which the Principal Balance Outstanding on the Series B Bonds is equal to or greater than 4.00% of the Principal Balance Outstanding on the Bonds in Series A, and subject to the provisions of section 6 below, and in section V.4.1.B).2 of this Prospectus.
   - Series C Bonds: the Payment Date on which the Bonds in Series A and B have been fully amortised.

2. **Determination Dates.**

   These will be the dates falling on each of the Payment Dates on which the Management Company on behalf of the Fund will make all necessary calculations to distribute or withhold the Funds Available that the Fund shall dispose of on the relevant Payment Date, in the Payment Priority Order.

   Such Determination Dates shall fall on the third Business Day preceding each Payment Date or the Business Day immediately preceding if the same is not a Business Day.

3. **Principal Balance Outstanding on the Bonds.**

   The Principal Balance Outstanding on the Bonds shall for these purposes be the sum of the outstanding balances of principal pending amortisation on the Bonds in each of the Series, such balances including the principal amounts that should have been amortised, as the case may be, and were not settled due to a shortage of Funds Available for Amortisation of the Bonds, in the Fund Payment Priority Order.

4. **Balance Outstanding on the Mortgage Units.**

   The Balance Outstanding on the Mortgage Units shall for these purposes comprise the sum of the capital not yet due and the capital due and not paid into the Fund on each and every one of the Mortgage Units.

5. **Funds Available for Amortisation on each Payment Date and Amortisation Deficit.**

   On each Payment Date, the amount to be allocated to amortising the Bonds (“Funds Available for Amortisation”) shall be the lower of the following amounts:

   a) The positive difference existing between the Principal Balance Outstanding on the Bonds and the Balance Outstanding on the Mortgage Units, on the Business Day preceding each Payment Date.

   b) Depending on the liquidity existing on that Payment Date, the remaining Funds Available after deducting the amounts applied to the items ranked in 1st to 5th place in the Payment Priority Order.

The Amortisation Deficit on a Payment Date shall be the positive difference, if any, between the sum of item a), as established in the preceding paragraph, and the Funds Available for Amortisation.

In order to illustrate this concept, let us assume the following example on a given Payment Date:

		EUR	*PTAS*
1	*Principal Balance Outstanding on the Bonds in all the Series the preceding day:*	*163,000,000*	*27,120,918,000*
2	*Balance Outstanding on the Mortgage Units the preceding day:*	*151,700,000*	*25,240,756,200*
3.a)	*Difference (1-2):*	*11,300,000*	*1,880,161,800*
3.b)	*Remaining Funds Available after applying the items in 1st to 5th place in the Fund Payment Priority Order:*	*11,000,000*	*1,830,246,000*
4	*Funds Available for Amortisation of the Bonds, the lower amount in 3.a) and 3. B):*	*11,000,000*	*1,830,246,000*
5	*Amortisation Deficit, 3.a) minus 4:*	*300,000*	*49,915,800*

6. Distribution of the Funds Available for Amortisation among the Bonds in each Series.

Those Funds Available for Amortisation of the Bonds shall be distributed among the three Series for their amortisation in accordance with the following rules:

i) Up to the first Payment Date (inclusive) on which the Principal Balance Outstanding on the Series B Bonds is equal to or greater than 4.00% of the Principal Balance Outstanding on the Series A Bonds, the Funds Available for Amortisation shall be fully used for the amortisation of Series A Bonds.

ii) From the Payment Date after the date on which the above ratio is equal to or greater than 4.00%, the Funds Available for Amortisation shall be applied to the amortisation of both Series A and B, proportionally among the same, thereby for the above ratio between Principal Balances Outstanding on Series A and Series B Bonds to be kept at 4.00%, or a higher percentage closest thereto.

iii) The amortisation of Series C Bonds shall begin once the Bonds in Series A and B have been fully amortised, until they are fully amortised.

In connection with the Amortisation of Series B Bonds, and even if all of the events provided in the above rules are met, there will be no such amortisation if either of the following two circumstances occur on the relevant Determination Date:

i) In the event that the amount of the sum of the Balance Outstanding, as defined in section 4 above, on Mortgage Units with a default equal to or greater than ninety (90) days on the Determination Date preceding the ongoing Payment Date should be equal to or greater than 6.5% of the Balance Outstanding on the Mortgage Units on that same date, the Funds Available for Amortisation would all be allocated to the amortisation of Series A Bonds.

ii) In the event that there should be an Amortisation Deficit, as described above, the Funds Available for Amortisation would also all be allocated to the amortisation of Series A Bonds.

Notwithstanding the above, in the event that on a Payment Date, in consequence of the Payment Priority Order, the Fund should not have sufficient liquidity to proceed to the relevant amortisation of the Bonds, the difference shall not entitle to any additional interest or late-payment interest whatsoever since it will in any event be part of the Principal Balance Outstanding on the Bonds in the relevant Series, on which interest settlement shall be calculated as provided in section II.10.3 above, since amortisation of the Bonds was not made for that amount.

The Management Company shall proceed to notify the Bondholders as provided in section III.5.3.a) of the amortisation amount resulting for the Bonds in each Series, the Principal Balance Outstanding on each Series, and the actual prepayment rates on the Participated Mortgage Loans and the average residual life estimated for the Bonds in each Series.

7. **Notices.**

Within seven (7) Business Days of each Payment Date, the Management Company shall issue a notice, signed by a duly empowered individual, establishing: the Principal Balance Outstanding on each Series, as provided in this section and, where appropriate, the amount of the interest accrued and not settled to the bondholders as established in section II.10.3 of this Prospectus.

That notice shall be filed with the Comisión Nacional del Mercado de Valores, with the Institution in charge of the Accounting Record and with AIAF Mercado de Renta Fija, to be made available to the public along with the Organisation Deed.

II.11.3.3 Early amortisation.

Without prejudice to the Fund's obligation, through its Management Company, to amortise the Bonds on the Final Maturity Date or on each Partial Amortisation, as established in the preceding paragraphs, the Management Company shall be authorised, after notifying the Comisión Nacional del Mercado de Valores, to proceed to an Early Liquidation of the Fund and hence an early amortisation, on a Payment Date, of the entire Bond issue in the Early-Liquidation Events in accordance with and subject to the requirements established in section III.8.1 of this Prospectus.

II.12 Loan servicing table, including both interest payments and principal amortisation, for each of the Series of Mortgage-Backed Bonds to be issued against the Fund.

The issue will be serviced through BANCO ZARAGOZANO, as the Payment Agent. The payment of interest and amortisation shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.5.3.a). Interest and amortisations shall be paid to the lawful Bondholders by the relevant clearing members and to the latter in turn by Servicio de Compensación y Liquidación de Valores, S.A., the institution responsible for the accounting record.

a) **Loan servicing tables.**

The main characteristic of the Mortgage-Backed Bonds lies in that their regular amortisation and hence their average life and duration depend mainly on the pace at which mortgagors decide to repay the Participated Mortgage Loans.

In this sense, the prepayments decided by the obligors, subject to continual changes, and estimated in this Prospectus by using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter "CPR"), shall directly affect the pace at which Participated Mortgage Loans are repaid, and therefore the average life and duration of the Bonds.

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

- interest rate of the portfolio of Mortgage Units: 5.88% (% weighted average interest rate at July 9, 2001 on the selected loan portfolio);
- delinquency of the portfolio of Mortgage Units: 0% per annum;
- defaults in the portfolio of Mortgage Units: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- that the Closing Date of the Bonds is July 25, 2001;
- and that there is no Amortisation Deficit.

Finally, the true adjusted duration of the Bonds will also depend on their floating interest rate, which is assumed to be constant in all the tables contained in this section at 4.739% for Series A, 4.999% for Series B and 5.999% for Series C.

Assuming that the Management Company shall exercise the early-amortisation option provided in the first paragraph of section III.8.1 of this Prospectus, when the Balance Outstanding on the Mortgage Units is less than 10% of their initial amount, the average life and duration of the Bonds for different CPRs shall be as follows:

% CPR:	**6%**	**8%**	**10%**	**12%**	**14%**
	Series A Bonds				
Average life (years)	6.1	5.4	4.9	4.4	4.0
IRR	4.891%	4.891%	4.891%	4.891%	4.891%
Duration	4.7	4.3	4.0	3.6	3.3
Final maturity	17/07/2015	17/07/2014	17/07/2013	17/07/2012	18/07/2011
(in years)	14.0	13.0	12.0	11.0	10.0
	Series B Bonds				
Average life (years)	9.4	8.5	7.7	7.0	6.3
IRR	5.165%	5.165%	5.165%	5.165%	5.165%
Duration	7.1	6.5	6.0	5.5	5.1
Final maturity	17/07/2015	17/07/2014	17/07/2013	17/07/2012	18/07/2011
(in years)	14.0	13.0	12.0	11.0	10.0
	Series C Bonds				
Average life (years)	14.0	13.0	12.0	11.0	10.0
IRR	6.223%	6.223%	6.223%	6.223%	6.223%
Duration	10.4	9.9	9.2	8.6	8.0
Final maturity	17/07/2015	17/07/2014	17/07/2013	17/07/2012	18/07/2011
(in years)	14.0	13.0	12.0	11.0	10.0

These figures have been calculated using the following formula:

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

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

Where:

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

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

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

Where:

N= *face value of the Bond in each Series.*
r = *IRR expressed as an annual rate, per unit.*
A_i *=* *(A_l ....A_n). Total amortisation and interest amounts to be received by the investors.*
nd = *Number of days comprised between the Closing Date of the issue and each of the n Payment Dates, not inclusive, during the life of the Bond.*

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

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

Where:

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

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

PE= Issue price in every Bond Series.

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

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

- The CPRs are assumed to be constant respectively at 6% and 10% throughout the life of the loan and, as noted, actual prepayment rates change continually.

- The Bond Payment Balance Outstanding on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment rate in the portfolio of Mortgage Units.

- The Bond interest rates are assumed to be constant for each Series whereas the interest rate of all the Series is known to be variable.

- The assumed values referred to at the beginning of this section are at all events taken for granted.

- It is assumed that the Management Company will exercise the early-amortisation option provided in the first paragraph of section III.8.1 of this Prospectus.

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER

(AMOUNTS IN EURO)

CPR = 6%

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Amortised Principal	Interest (gross)	Total Flow	Amortised Principal	Interest (gross)	Total Flow	Amortised Principal	Interest (gross)	Total Flow
25 Jul 2001									
17 Oct 2001	2,641.30	1,105.77	3,747.07	0.00	1,166.43	1,166.43	0.00	1,399.77	1,399.77
17 Jan 2002	2,862.40	1,179.09	4,041.49	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Apr 2002	2,784.51	1,119.54	3,904.05	0.00	1,249.75	1,249.75	0.00	1,499.75	1,499.75
17 Jul 2002	2,757.30	1,098.63	3,855.93	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
17 Oct 2002	2,729.37	1,077.31	3,806.68	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Jan 2003	2,685.89	1,044.25	3,730.14	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Apr 2003	2,613.59	989.73	3,603.32	0.00	1,249.75	1,249.75	0.00	1,499.75	1,499.75
17 Jul 2003	2,585.69	969.42	3,555.11	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
17 Oct 2003	2,553.47	948.76	3,502.23	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
19 Jan 2004	2,510.42	917.83	3,428.25	0.00	1,277.52	1,277.52	0.00	1,566.41	1,566.41
19 Apr 2004	2,449.85	877.78	3,327.63	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
19 Jul 2004	2,403.07	848.44	3,251.51	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
18 Oct 2004	2,370.37	828.66	3,199.03	0.00	1,277.52	1,277.52	0.00	1,516.41	1,516.41
17 Jan 2005	2,320.98	799.95	3,120.93	0.00	1,277.52	1,277.52	0.00	1,516.41	1,516.41
18 Apr 2005	2,251.87	755.06	3,006.93	0.00	1,249.75	1,249.75	0.00	1,516.41	1,516.41
18 Jul 2005	2,219.33	736.48	2,955.81	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
17 Oct 2005	2,180.15	717.69	2,897.84	0.00	1,277.52	1,277.52	0.00	1,516.41	1,516.41
17 Jan 2006	2,133.16	691.29	2,824.45	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Apr 2006	2,065.52	650.99	2,716.51	0.00	1,249.75	1,249.75	0.00	1,499.75	1,499.75
17 Jul 2006	2,030,24	633.48	2,663.72	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
17 Oct 2006	1,873.85	615.85	2,489.70	5,741.70	1,277.52	7,019.22	0.00	1,533.08	1,533.08
17 Jan 2007	1,871.29	593.16	2,464.45	3,601.33	1,204.17	4,805.50	0.00	1,533.08	1,533.08
17 Apr 2007	1,816.33	558.09	2,374.42	3,495.56	1,132.99	4,628.55	0.00	1,499.75	1,499.75
17 Jul 2007	1,783.32	542.54	2,325.86	3,432.03	1,101.40	4,533.43	0.00	1,516.41	1,516.41
17 Oct 2007	1,752.20	526.90	2,279.10	3,372.13	1,069.66	4,441.79	0.00	1,533.08	1,533.08
17 Jan 2008	1,717.02	505.68	2,222.70	3,304.44	1,026.58	4,331.02	0.00	1,533.08	1,533.08
17 Apr 2008	1,670.60	479.61	2,150.21	3,215.09	973.67	4,188.76	0.00	1,516.41	1,516.41
17 Jul 2008	1,628.97	459.60	2,088.57	3,134.98	933.04	4,068.02	0.00	1,516.41	1,516.41
17 Oct 2008	1,592.11	444.92	2,037.03	3,064.05	903.24	3,967.29	0.00	1,533.08	1,533.08
19 Jan 2009	1,553.64	425.64	1,979.28	2,990.01	864.10	3,854.11	0.00	1,566.41	1,566.41
17 Apr 2009	1,499.94	397.98	1,897.92	2,886.66	807.95	3,694.61	0.00	1,466.42	1,466.42
17 Jul 2009	1,464.63	384.44	1,849.07	2,818.71	780.45	3,599.16	0.00	1,516.41	1,516.41
19 Oct 2009	1,422.65	370.92	1,793.57	2,737.92	753.01	3,490.93	0.00	1,566.41	1,566.41
18 Jan 2010	1,373.14	353.69	1,726.83	2,642.64	718.04	3,360.68	0.00	1,516.41	1,516.41
19 Apr 2010	1,316.38	329.74	1,646.12	2,533.39	669.40	3,202.79	0.00	1,516.41	1,516.41
19 Jul 2010	1,270.90	317.63	1,588.53	2,445.87	644.83	3,090.70	0.00	1,516.41	1,516.41
18 Oct 2010	1,209.89	305.73	1,515.62	2,328.46	620.66	2,949.12	0.00	1,516.41	1,516.41
17 Jan 2011	1,162.92	291.08	1,454.00	2,238.06	590.92	2,828.98	0.00	1,516.41	1,516.41
18 Apr 2011	1,108.08	270.97	1,379.05	2,132.52	550.10	2,682.62	0.00	1,516.41	1,516.41
18 Jul 2011	1,081.12	260.71	1,341.83	2,080.63	529.27	2,609.90	0.00	1,516.41	1,516.41
17 Oct 2011	1,052.88	250.48	1,303.36	2,026.29	508.50	2,534.79	0.00	1,516.41	1,516.41
17 Jan 2012	1,020.73	237.73	1,258.46	1,964.40	482.62	2,447.02	0.00	1,533.08	1,533.08
17 Apr 2012	983.16	222.92	1,206.08	1,892.11	452.55	2,344.66	0.00	1,516.41	1,516.41
17 Jul 2012	945.34	211.14	1,156.48	1,819.32	428.64	2,247.96	0.00	1,516.41	1,516.41
17 Oct 2012	911.58	202.01	1,113.59	1,754.35	410.11	2,164.46	0.00	1,533.08	1,533.08
17 Jan 2013	883.46	190.97	1,074.43	1,700,24	387.69	2,087.93	0.00	1,533.08	1,533.08
17 Apr 2013	850.30	176.35	1,026.65	1,636.41	358.02	1,994.43	0.00	1,499.75	1,499.75
17 Jul 2013	828.10	168.13	996.23	1,593.70	341.32	1,935.02	0.00	1,516.41	1,516.41
17 Oct 2013	803.20	159.95	963.15	1,545.77	324.71	1,870.48	0.00	1,533.08	1,533.08
17 Jan 2014	780.86	150.22	931.08	1,502.77	304.96	1,807.73	0.00	1,533.08	1,533.08
17 Apr 2014	751.52	137.70	889.22	1,446.31	279.55	1,725.86	0.00	1,499.75	1,499.75
17 Jul 2014	731.34	130.23	861.57	1,407.48	264.38	1,671.86	0.00	1,516.41	1,516.41
17 Oct 2014	696.57	122.80	819.37	1,340.56	249.30	1,589.86	0.00	1,533.08	1,533.08
19 Jan 2015	657.29	114.37	771.66	1,264.96	232.18	1,497.14	0.00	1,566.41	1,566.41
17 Apr 2015	600.75	104.09	704.84	1,156.16	211.32	1,367.48	0.00	1,466.42	1,466.42
17 Jul 2015	8,185.46	98.05	8,283.51	15,752.99	199.06	15,952.05	100.000.00	1,516.41	101,516.41
	100,000.00	**29,102.17**	**129,102.17**	**100,000.00**	**47,830.86**	**147,830.86**	**100,000.00**	**85,069.10**	**185,069.10**

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER

(AMOUNTS IN EURO)

CPR = 10%

Payment Date	Series A Bonds	Interest (gross)	Total Flow	Series B Bonds	Interest (gross)	Total Flow	Series C Bonds	Interest (gross)	Total Flow
25 Jul 2001									
17 Oct 2001	3,603.48	1,105.77	4,709.25	0.00	1,166.43	1,166.43	0.00	1,399.77	1,399.77
17 Jan 2002	3,899.37	1,167.44	5,066.81	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Apr 2002	3,728.66	1,095.86	4,824.52	0.00	1,249.75	1,249.75	0.00	1,499.75	1,499.75
17 Jul 2002	3,644.58	1,063.37	4,707.95	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
17 Oct 2002	3,560.40	1,030.92	4,591.32	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Jan 2003	3,452.54	987.80	4,440.34	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
17 Apr 2003	3,301.54	925.42	4,226.96	0.00	1,249.75	1,249.75	0.00	1,499.75	1,499.75
17 Jul 2003	3,223.79	896.15	4,119.94	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
17 Oct 2003	3,142.74	866.96	4,009.70	0.00	1,277.52	1,277.52	0.00	1,533.08	1,533.08
19 Jan 2004	3,044.49	828.90	3,873.39	0.00	1,277.52	1,277.52	0.00	1,566.41	1,566.41
19 Apr 2004	2,924.96	783.42	3,708.38	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
19 Jul 2004	2,828.77	748.38	3,577.15	0.00	1,263.64	1,263.64	0.00	1,516.41	1,516.41
18 Oct 2004	2,754.27	722.34	3,476.61	0.00	1,277.52	1,277.52	0.00	1,516.41	1,516.41
17 Jan 2005	2,659.26	688.99	3,348.25	0.00	1,277.52	1,277.52	0.00	1,516.41	1,516.41
18 Apr 2005	2,536.44	642.50	3,178.94	0.00	1,249.75	1,249.75	0.00	1,516.41	1,516.41
18 Jul 2005	2,362.69	619.26	2,981.95	5,059.76	1,263.64	6,323.40	0.00	1,516.41	1,516.41
17 Oct 2005	2,302.40	597.45	2,899.85	4,431.01	1,212.88	5,643.89	0.00	1,516.41	1,516.41
17 Jan 2006	2,221.04	569.57	2,790.61	4,274.43	1,156.28	5,430.71	0.00	1,533.08	1,533.08
17 Apr 2006	2,114.83	530.87	2,645.70	4,070.02	1,077.72	5,147.74	0.00	1,499.75	1,499.75
17 Jul 2006	2,052.70	511.43	2,564.13	3,950.45	1,038.26	4,988.71	0.00	1,516.41	1,516.41
17 Oct 2006	1,989.98	492.19	2,482.17	3,829.75	999.21	4,828.96	0.00	1,533.08	1,533.08
17 Jan 2007	1,915.95	468.09	2,384.04	3,687.27	950.28	4,637.55	0.00	1,533.08	1,533.08
17 Apr 2007	1,827.36	435.22	2,262.58	3,516.79	883.54	4,400.33	0.00	1,499.75	1,499.75
17 Jul 2007	1,771.42	418.16	2,189.58	3,409.12	848.92	4,258.04	0.00	1,516.41	1,516.41
17 Oct 2007	1,717.65	401.31	2,118.96	3,305.65	814.69	4,120.34	0.00	1,533.08	1,533.08
17 Jan 2008	1,657.78	380,50	2,038.28	3,190.42	772.46	3,962.88	0.00	1,533.08	1,533.08
17 Apr 2008	1,587.33	356.51	1,943.84	3,054.84	723.75	3,778.59	0.00	1,516.41	1,516.41
17 Jul 2008	1,525.99	337.50	1,863.49	2,936.80	685.15	3,621.95	0.00	1,516.41	1,516.41
17 Oct 2008	1,472.82	322.72	1,795.54	2,834.46	655.16	3,489.62	0.00	1,533.08	1,533.08
19 Jan 2009	1,416.26	304.89	1,721.15	2,725.62	618.95	3,344.57	0.00	1,566.41	1,566.41
17 Apr 2009	1,344.42	281.48	1,625.90	2,587.36	571.43	3,158.79	0.00	1,466.42	1,466.42
17 Jul 2009	1,296.38	268.50	1,564.88	2,494.90	545.09	3,039.99	0.00	1,516.41	1,516.41
19 Oct 2009	1,244.42	255.75	1,500.17	2,394.91	519.20	2,914.11	0.00	1,566.41	1,566.41
18 Jan 2010	1,185.73	240.68	1,426.41	2,281.96	488.61	2,770.57	0.00	1,516.41	1,516.41
19 Apr 2010	1,118.99	221.40	1,340.39	2,153.51	449.47	2,602.98	0.00	1,516.41	1,516.41
19 Jul 2010	1,068.80	210.46	1,279.26	2,056.93	427.25	2,484.18	0.00	1,516.41	1,516.41
18 Oct 2010	1,009.18	199.82	1,209.00	1,942.18	405.67	2,347.85	0.00	1,516.41	1,516.41
17 Jan 2011	958.22	187.60	1,145.82	1,844.10	380.85	2,224.95	0.00	1,516.41	1,516.41
18 Apr 2011	899.77	172.17	1,071.94	1,731.62	349.53	2,081.15	0.00	1,516.41	1,516.41
18 Jul 2011	866.67	163.31	1,029.98	1,667.92	331.53	1,999.45	0.00	1,516.41	1,516.41
17 Oct 2011	833.28	154.61	987.89	1,603.66	313.86	1,917.52	0.00	1,516.41	1,516.41
17 Jan 2012	796.43	144.51	940.94	1,532.75	293.38	1,826.13	0.00	1,533.08	1,533.08
17 Apr 2012	755.68	133.40	889.08	1,454.31	270.82	1,725.13	0.00	1,516.41	1,516.41
17 Jul 2012	717.40	124.35	841.75	1,380.65	252.44	1,633.09	0.00	1,516.41	1,516.41
17 Oct 2012	683.89	117.03	800.92	1,316.15	237.58	1,553.73	0.00	1,533.08	1,533.08
17 Jan 2013	653.26	108.75	762.01	1,257.20	220.77	1,477.97	0.00	1,533.08	1,533.08
17 Apr 2013	618.11	98.64	716.75	1,189.57	200.25	1,389.82	0.00	1,499.75	1,499.75
17 Jul 2013	7,707.88	92.33	7,800.21	14,833.93	187.45	15,021.38	100.000.00	1,516.41	101,516.41
	100,000.00	**23,474.68**	**123,474.68**	**100,000.00**	**39,058.95**	**139,058.95**	**100,000.00**	**72,904.46**	**172,904.46**

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

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

1. ***First Payment Date: October 17, 2001.***

   (Execution of the Organisation Deed: July 23, 2001)

   a) Interest Rate Fixing Date applicable for the Interest Accrual Period:
      - 11am on the Business Day immediately preceding the date on which the Bond Subscription Period begins: July 23, 2001.

   b) Extraordinary notices (press inserts, as per section III.5.3.c):
      - Of the resultant interest rate for the first Interest Accrual Period: July 24, 2001.

   c) First Interest Accrual Period:
      - From July 25, 2001 (Closing Date), inclusive, until October 17, 2001, exclusive.

   d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Funds Available): October 11, 2001.

   e) Ordinary periodic notices (press inserts, as per section III.5.3.c):
      - Of all other periodic information: until October 16, 2001.

2. ***Second Payment Date: January 17, 2002.***

   a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
      - 11am on the second business day preceding the first Payment Date: October 15, 2001.

   b) Ordinary periodic notices (press inserts, as per section III.5.3.c):
      - Of the resultant interest rate for the second Interest Accrual Period: until October 19, 2001, inclusive.

   c) Second Interest Accrual Period:
      - From October 17, 2001 (first Payment Date), inclusive, until January 17, 2002, exclusive.

   d) Determination Date (or date on which the Management Company makes the calculations for the distribution and withholding of Funds Available): January 14, 2002.

   e) Ordinary periodic notices (press inserts, as per section III.5.3.c):
      - Of all other periodic information: January 16, 2002.

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

In the event that the nominal interest rates applicable to each of the Series, Series A, Series B and Series C variable quarterly, should remain constant throughout the life of the loan, respectively at rates of 4.739%, 4.999% and 5.999%, these rates would result in Internal Rates of Return ("IRR") for the holder of 4.891% for Series A, 5,165% for Series B and 6.223% for Series C as shown in the table contained in section II.12.a) of the Prospectus, given the effect of quarterly interest payment, calculated without considering the tax effect, and assuming at all events the values and assumptions contained in said section for constant prepayment rates (CPR) of 6% and 10%.

II.14 Actual interest forecast for the Fund at the time of issue of the securities, considering all the design and placement expenses incurred by the Fund, specifying the calculation method.

The actual interest has been calculated using the Internal Rate of Return (IRR) formula described in section II.12.a) above, making the following assumptions:

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

The actual interest forecast for the Fund would be 4.972% or 4.982% for CPRs respectively of 6% and 10%, in the assumptions contained in the preceding paragraph.

The expected expenses are as follows:

Organisation and issue expenses.	**EUR**	**PTAS**
• Comisión Nacional del Mercado de Valores fees (issue and listing)	45,360.73	7,547,390
• AIAF and Servicio de Compensación y Liquidación de Valores fees	18,933.52	3,150,273
• Audit, legal advice, rating and other	125,455.87	20,874,100
• Notary's fees and advertising and printing expenses, inter alia	21,713.37	3,612,801
• Management Company fee	79,635.00	13,250,149
Total expenses	**291,098.49**	**48.434.713**

II.15 Existence or not of special guarantees on the Mortgage Units pooled in the Fund or on the securities issued against the Fund, which may have been given by any of the institutions involved in the securitisation process covered by this Prospectus.

There are no special guarantees covering the Bonds issued against or on the Mortgage Units pooled in the Fund, beyond the undertakings by BANCO ZARAGOZANO contained in section IV.1.d) of this Prospectus in relation to the substitution of the Mortgage Units derived from the Participated Mortgage Loans failing to conform on that date to the representations contained in section IV.1.a) upon the failure by the Participated Mortgage Loan to do so.

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

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

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

The Management Company shall, forthwith upon executing the Organisation Deed and upon the Bonds having been paid up, apply for this Bond issue to be listed on the AIAF Mercado de Renta Fija, which is a qualified official secondary securities market pursuant to Transitional Provision six of Law 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date.

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

In the event that, by the above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify the Bondholders thereof, moreover advising of the reasons for such inobservance, all in accordance with the provisions of section III.5.3 of the Prospectus. The foregoing shall be without prejudice to the contractual liability in which Management Company may incur, as the case may be.

II.18 Subscription or acquisition requests.

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

The placement of the Bond issue in all the Series is targeted to institutional investors, both legal persons or estates devoid of legal personality, such as Pension Funds, Collective-Investment Undertakings, Insurance Companies or such institutions as Credit Institutions or Firms of Broker-Dealers, in the business of regularly and professionally investing in transferable securities.

In addition to his own analysis as to the quality of the securities offered to be subscribed in this Prospectus, the potential investor also has the rating given by Moody’s España, the Rating Agency, set forth in section II.3 of this Chapter.

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

Effects of the subscription for the Bondholders.

Subscription for the Bonds implies for each Bondholder an acceptance of the terms of the Organisation Deed.

Tranches.

Each of the Series consists of only one placement tranche.

II.18.2 Legal status of the Bonds.

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

(i) The Series A Bonds have a 50 per 100 weighting on the solvency ratio that Credit Institutions and Firms of Brokers and Broker-Dealers must observe, in accordance with the provisions respectively of the Ministerial Order dated December 30, 1992 and of the Ministerial Order dated December 29, 1992.

On the date of registration of the Prospectus, the Comisión Nacional del Mercado de Valores accorded the Series A Bonds the weighting mentioned in the preceding paragraph, bearing the following elements in mind: (i) that the Participated Mortgage Loans upon the issue of Mortgage Units pooled in the Fund have been granted with a first mortgage security in residential homes located in Spain; (ii) that the Participated Mortgage Loans and the Mortgage Units meet the requirements of the laws in force for the time being regulating the Mortgage Market; (iii) that the principal of each of the Participated Mortgage Loans does not exceed 80 per 100 of the assessed value of the relevant home mortgaged as security; (iv) the representations made by BANCO ZARAGOZANO set forth in Chapter IV of this Prospectus; and (v) the rating given by Moody's España, as an assessment of the Bond credit risk, contained in section II.3 of this Chapter.

(ii) The Series B and C Bonds have no 50 per 100 weighting on the solvency ratio of the Credit Institutions and Firms of Brokers and Broker-Dealers referred to in the Orders mentioned in the preceding section.

(iii) They must be eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50.5 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.

(iv) They must be eligible for the investment by the Mutual Guarantee Company Technical Provision Fund, in accordance with Law 1/1994, March 11, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, November 8, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.

(v) They must be eligible for investment by Pension Funds in accordance with the provisions of article 34 of Royal Decree 1307/1988, September 30, approving the Pension Plans and Funds Regulations.

(vi) They must be eligible for investing the Assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 4, 10, 18 and 25 of Law 46/1984, December 26, regulating Collective-Investment Undertakings, and its subsequent implementing regulations.

II.18.3 Subscription or Purchase Date or Period.

The subscription period (the “Subscription Period”) shall begin at 12 o’clock noon on July 24, 2001 and end at 5pm on that same day.

II.18.4 Where and with whom may subscription or purchase be processed?.

In order to be taken into account, subscription orders shall be made in writing during the Subscription Period established in the preceding section, at BANCO ZARAGOZANO, as Underwriter and Placement Agent of the Bond issue (the “Underwriter and Placement Agent”), observing the procedures established hereinafter in this section.

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

II.18.5 Method and dates for paying up.

The investors to whom the Bonds shall have been allocated shall pay the Underwriter and Placement Agent by 12 o’clock noon in Madrid on July 25, 2001 (“Closing Date”), same day value, the issue price for each Bond allocated for subscription.

II.18.6 Method and deadline for delivery to the subscribers of copies of the subscription certificates or provisional slips, specifying the chances of their being traded and their maximum term of validity.

The Underwriter and Placement Agent shall provide the subscribers for the Bonds with a document certifying their subscription for the Bonds allocated and the actual amount paid for such subscription.

That confirmation document may not be transferable and will only be valid to justify subscription for the relevant Bonds, until and unless an entry is made in the accounting record as determined in section II.5 of this Prospectus.

II.19 Placement and allocation of the securities.

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

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

II.19.1 Institutions involved in the placement or marketing, giving their respective roles, describing the same specifically. Overall amount of the fees agreed between the various placement agents and the Management Company.

Bond placement shall be undertaken by BANCO ZARAGOZANO as Underwriter and Placement Agent, and for the entire Bond issue amount, in accordance with the following details per Series:

Underwriter and Placement Agent	Face amount underwritten (EUR)					
	Series A Bonds		Series B Bonds		Series C Bonds	
	Number	Face value	Number	Face value	Number	Face value
BANCO ZARAGOZANO, S.A.	2,983	298,300,000	62	6,200,000	55	5,500,000
Total	**2,983**	**298,300,000**	**62**	**6,200,000**	**55**	**5,500,000**

The Underwriter and Placement Agent shall receive no fee whatsoever for underwriting and placing the Bonds.

II.19.2 Lead Manager of the issue.

BANCO ZARAGOZANO shall be involved as Lead Manager in the underwriting and placement of the Bond issue, and a statement is reproduced hereinafter signed by a duly authorised person, containing the representations referred to in Comisión Nacional del Mercado de Valores Circular 2/1994, March 16, of the Comisión Nacional del Mercado de Valores, approving the standard Prospectus for organising Mortgage Securitisation Funds:

Statement by BANCO ZARAGOZANO.

Mr Alberto Mirat de Diego, Assistant Managing Director for and on behalf of BANCO ZARAGOZANO, with place of business at Zaragoza, calle Coso number 47, duly authorised for these presents, and in connection with the organisation of BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA, for an amount of three hundred and ten million (310,000,000) Euro, notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on July 2, 2001, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as amended by Royal Decree 2590/1998, December 7,

HEREBY DECLARE

· That the necessary checks have been made to verify that the information contained in the Prospectus is truthful and complete.

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

In witness whereof, to serve and avail as and where appropriate, this statement has been made at Madrid, on July 19, 2001.

Attached as Appendix VI to this Prospectus is a photocopy of the letter from BANCO ZARAGOZANO, making that statement.

BANCO ZARAGOZANO, as Lead Manager, will receive no fee whatsoever for leading the underwriting and placement of the Bond issue.

II.19.3 Institutions underwriting the issue, describing the characteristics of the relationship or Management, Underwriting and Placement Agreement, guarantees required of the issuer or offeror, types of risks taken, type of consideration agreed by the underwriter in the event of breach, and other relevant elements.

The Management Company, for and on behalf of the Fund, shall enter into a Bond issue Management, Underwriting and Placement Agreement with BANCO ZARAGOZANO, whereby said Institution shall proceed to place the entire Bond issue and, upon the Subscription Period being closed, to subscribe in its own name for the amount of Bonds yet to be subscribed for under its underwriting commitment.

The Bond issue Underwriter and Placement Agent takes on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) undertaking to subscribe for the Bonds not taken when the Subscription Period is closed, up to the set amounts; 2) paying the Payment Agent by 2pm on the Closing Date, same day value, the aggregate amount of the subscription for the Bond issue; 3) undertaking to pay late-payment interest as covenanted in the Agreement in the event of late payment of the amounts due; 4) providing the subscribers with a document certifying subscription; and 5) all other aspects governing the underwriting and placement.

The Management, Underwriting and Placement Agreement shall be fully terminated if Moody's España should fail to confirm before the Bond Subscription Period begins the final **Aaa**, **A2** and **Baa3** ratings respectively for the Series A, Series B and Series C Bonds.

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

Not applicable.

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

The Bonds, represented by means of book entries, shall become such bonds upon being entered in the relevant accounting record, as provided in the Book Entries Royal Decree, with the usual timing and procedures of the institution in charge of so doing, to wit Servicio de Compensación y Liquidación de Valores, S.A.

The Underwriter and Placement Agent shall provide Bond subscribers, within not more than (15) days after the Closing Date, with a document certifying their subscription for the Bonds allocated, and the actual amount paid up on that subscription.

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

The organisation of the Fund and the Bond issue are subject to Spanish Law, as prescribed by Law 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, Securities Market Law 24/1988, July 28, as amended by Law 37/1998, November 16, and as prescribed by Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities, as amended by Royal Decree 2590/1998, December 7, on the amendment of the legal system of securities markets, and the Order dated July 12, 1993 on Prospectuses and Other Implementations of Royal Decree 291/1992, March 27, and Comisión Nacional del Mercado de Valores Circular 2/1994, March 16.

All matters, disagreements, actions and claims deriving from the Management Company's organisation, administration and legal representation of BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA, and the Bond issue by the same, shall be heard and decided by the corresponding Courts and Tribunals of Spain.

The Organisation Deed shall be governed by and construed in accordance with Spanish Laws.

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

A brief account is given hereinafter of the tax system applicable to the investments derived from this offering, in which connection only State laws in force for the time being and general aspects that might affect investors are taken into account; investors must bear in mind both their possible special tax circumstances and the rules applied territorially and contained in the laws in force at the time when the relevant income is obtained and returned.

Because this offering will be represented by book entries and an application will be made for the securities to be listed and traded on an official Spanish secondary securities market, which circumstances are relevant to determining taxation, the assumption made is that these requirements shall be met. It has moreover been considered that, upon being issued, the Bonds will be considered financial assets with an explicit yield, when this qualification is relevant for tax purposes.

The withholdings, contributions and taxes established now or in the future on the Bond capital, interest or income shall be payable by the Bondholders, and their amount shall be deducted, as the case may be, by the Management Company in the manner statutorily prescribed.

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

II.22.1 Natural or legal persons resident in Spain.

Personal Income Tax.

The income obtained by Bondholders who are Personal Income Tax (IRPF) payers, both as interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered income on investments obtained from the assignment of own capital to third parties, as defined in article 23.2 of the Personal Income Tax and Other Tax Rules Law 40/1998, December 9.

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

There is no withholding tax obligation on income derived from the transfer or repayment of the Bonds, other than for the part of the price equivalent to the matured coupon in transfers made within thirty days immediately preceding coupon maturity where (i) the transferee is a person or undertaking not resident in Spanish territory or a Corporation Tax obligor, and (ii) this income is exempt from the obligation to withhold from the transferee.

Corporation Tax.

Both interest income and income derived from the transfer, repayment or amortisation of the Bonds obtained by undertakings considered to be Corporation Tax obligors, shall be added to the tax base as prescribed under Title IV of Corporation Tax Law 43/1995, December 27.

The aforesaid income shall be excluded from withholding tax as provided by article 57.q) of Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations, amended by the wording provided in Royal Decree 2717/1998, December 18. Nevertheless, in accordance with the Ministerial Order dated December 22, 1999, the procedure for the exclusion of withholding tax or prepayment o be effective shall be subject to the following requirements:

1. The Management Company, for and on behalf of the Fund as the issuer, shall pay the custodians, through the Payment Agent, the liquid amount resulting from applying the general withholding rate in force on that date to all the interest.

2. By the 10^{th} of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Payment Agent with an itemised list of the holders who must pay Tax, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.

3. The Bondholders shall certify that circumstance with the custodians by the 10^{th} of the month after coupon maturity in order that the custodians may draw up the list specified in the preceding paragraph.

4. Forthwith upon receiving that list, the Management Company shall promptly pay all the custodians through the Payment Agent the amount withheld from those obligors or taxpayers.

5. The custodians shall forthwith pay the amount withheld to the obligor or taxpaying holders.

II.22.2 Natural or legal persons not resident in Spain.

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered to be income obtained in Spain, with or without a permanent establishment, on the terms of article 11 Law 41/1998, December 9, on Non-Resident Income and Tax Rules.

Income obtained through a permanent establishment.

Bond income obtained by a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the aforesaid Law 41/1998, without prejudice to the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply. The aforesaid income shall be subject to a Non-Resident Income Tax withholding in the same events and on the same terms mentioned for Corporation Tax payers resident in Spain.

Income obtained other than through a permanent establishment.

Bond income obtained by persons or undertakings not resident in Spain acting without a permanent establishment shall pay tax in accordance with the rules of Chapter IV of the aforesaid Act 41/1998, the following elements of the system of that Act being noteworthy, without prejudice to the double-taxation Agreements signed by Spain, which may determine that the relevant income need pay no tax or, as the case may be, that reduced rates apply:

- The tax base shall be quantified as the full amount of the income obtained, calculated with reference to the rules of Law 40/1998, whereas the reductions of that Law will not apply.

- In the event of transfer, repayment or amortisation, expenses attaching to acquisition and disposition shall be taken into account, provided that they are properly supported. Taxation shall be separately effected for each total or partial taxable accrual of income, which may under no circumstances be set off against one another.

- The Tax will be calculated applying an 18 per 100 rate to the tax base comprising Bond interest and income.

- The above-mentioned income shall be subject to a Non-Resident Income Tax withholding, other than where evidence is produced of Tax payment or that an exemption is appropriate.

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

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

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

Income derived from the transfer of such securities in official Spanish secondary securities markets obtained by non-resident natural persons or undertakings other than through a permanent establishment in Spanish territory, resident in a State having signed a double-taxation agreement with Spain with an information-exchange clause, will also be exempt.

In accordance with the Ministerial Order dated April 13, 2000, in connection with the application of the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in double-taxation Agreement, the custodians shall provide the Payment Agent or the Management Company, by day 10 of the month after the month of coupon maturity, with a detailed list of the Bondholders not residing in Spanish territory having no permanent establishment, with details of the Series and maturity, identification of the holder, number of securities held on the coupon maturity date, relevant gross income and withholding to be applied. Non-resident Bondholders shall have in turn certified to the custodians (i) their tax residence by submitting a residence certificate issued by the tax authorities of the country of residence, bearing in mind that said certificate is valid for one (1) year, and (ii) copy of the tax return submitted by or on behalf of the non-resident holder, sealed by the State Agency for Tax Administration, certifying the exemption or reduction, as the case may be.

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

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

The conveyance of transferable securities is exempt from paying Capital Transfer and Documents Under Seal Tax and Value Added Tax.

II.22.4 Wealth Tax.

Natural persons whose personal obligation it is to pay this Tax and who are Bondholders at December 31 of each year, shall include the Bonds in that Tax Base at their average trading value in the fourth quarter of each year.

Non-resident natural persons whose real obligation it is to pay this Tax will also have to pay Wealth Tax, other than as provided in the double-taxation Agreements. Nevertheless, residents shall be exempt in connection with Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above.

II.22.5 Inheritance and Gift Tax.

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

II.23 Purpose of the transaction.

The net amount of the Bond issue will be fully allocated to paying the price of the acquisition of the Mortgage Units assigned by BANCO ZARAGOZANO pooled in the assets of the Fund.

On the other hand, the Series A Bonds meet the selection standards to be admitted as assets for securing transactions with the European Central Bank.

II.24 Institutions that have agreed, as the case may be, to be involved in secondary trading, providing liquidity by offering consideration, specifying the extent and manner of their involvement.

There are no commitments for any institution to be involved in the secondary market of the Bonds, providing liquidity by offering consideration.

II.25 Natural or legal persons with a relevant involvement in structuring or providing advice for the organisation of the Fund or in connection with any item of the significant information contained in the prospectus, including, as the case may be, underwriting the placement.

II.25.1 Specification of natural and legal persons.

a) The Fund and the Bond issue were financially structured by EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

b) FRESHFIELDS BRUCKHAUS DERINGER, as independent legal adviser, has provided the legal advice on the transaction.

c) BANCO ZARAGOZANO is the originator of the Participated Mortgage Loans through the issue of the Mortgage Units, fully subscribed for by the Fund upon being organised.

d) BANCO ZARAGOZANO is involved as Lead Manager and Underwriter and Placement Agent of the Bond issue.

e) BANCO ZARAGOZANO is involved as Payment Agent of the Bond issue.

f) ARTHUR ANDERSEN Y CÍA., S. COM. is involved as auditor of a number of features of the selection of mortgage loans which shall serve to issue the Mortgage Units.

II.25.2 Statement by the person responsible for the Prospectus on behalf of the Management Company, specifying whether he is aware of the existence of any relationship whatsoever (political rights, employment, family, etc.) or economic interest of those experts, advisers, and of other institutions involved, with both the Management Company and the former holders of assets (Mortgage Units) acquired by the Fund.

" Mr MARIO MASIÁ VICENTE, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca number 120, and in connection with the organisation of the Fund BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA, for an amount of three hundred and ten million (310,000,000) Euro (51,579,660,000 Ptas.), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on July 2, 2001, in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, March 16, approving the standard Prospectus for organising Mortgage Securitisation Funds (implementing the Order dated July 12, 1993, in turn implementing Royal Decree 291/92, March 27),

HEREBY DECLARE

That there is no relationship or economic interest whatsoever between the experts who were involved in structuring or providing advice for the organisation of the Fund, or certain significant information contained in the Prospectus, either with the actual Management Company or with BANCO ZARAGOZANO, S.A., issuer of the Mortgage Units to be subscribed for by the Fund."

CHAPTER III

GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND

III.1 Legal background and purpose of the Fund.

Law 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, covers the organisation of the Fund and the Bond issue against the same.

After the Comisión Nacional del Mercado de Valores has verified and registered this Prospectus and by July 31, 2001 with the Bond Subscription Period not yet open, the Management Company shall, along with BANCO ZARAGOZANO, as issuer of the Mortgage Units to be subscribed for by the Fund, proceed to execute a public deed organising BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA, issue and subscribe for the Mortgage Units and issue the Mortgage Securitisation Bonds, on the terms for which provision is made in Law 19/1992.

In accordance with article 5.1 of Law 19/1992, the Fund is a separate closed-end estate, devoid of legal personality, its assets comprising the Mortgage Units pooled upon being organised and the Reserve Fund, paid into the Treasury Account, and its liabilities comprising the Bonds issued, the Starting Expenses Loan and the Subordinated Loan, in such a way that the net worth of the Fund is nil.

Mortgage Market Regulation Law 2/1981, March 25, and Royal Decree 685/1982, March 17, implementing certain aspects of Law 2/1981, govern the Mortgage Units issued against the Participated Mortgage Loans comprising the assets of the Fund.

The Fund is organised in order to serve as a vehicle for subscribing for the Mortgage Units issued by BANCO ZARAGOZANO, pooling the same and issuing the Bonds against the same.

In accordance with article five, paragraph three, of Law 19/1992, the Organisation Deed will not be entered in the Companies Register.

III.2 Full name of the Fund and, as the case may be, short or trade name to identify the same or its securities on secondary markets.

The name of the Fund is "BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA" and the following short names may also be used without distinction to identity the Fund:

- BZ HIPOTECARIO 3 FTH
- BZ HIPOTECARIO 3 F.T.H.

III.3 Management and representation of the Fund and of the holders of the securities issued against the same.

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

In accordance with article five, paragraph two, of Law 19/1992, the management and legal representation of the Fund lies with the Management Company, on the terms set in Law 19/1992, in Royal Decree 926/1998 and other applicable laws, without prejudice to the provisions of the Organisation Deed. The Economy and Finance Ministry authorised the incorporation of the Management Company as a Mortgage Securitisation Fund Management Company on December 17, 1992, and subsequently, on October 4, 1999, authorised its re-registration as a Securitisation Fund Management Company. It is moreover entered in the special register purposefully opened by the Comisión Nacional del Mercado de Valores, under number 2. The information on the Management Company is contained in Chapter VI of this Prospectus.

In accordance with the provisions of paragraph 1 of article six of Law 19/1992, it is the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the Bondholders.

Consequently, the Management Company shall safeguard at all times the interests of the Bondholders making its actions conditional on their defence and observing the provisions statutorily prescribed for that purpose. The Bondholders shall have no right of action against the Fund Management Company other than for a breach of its duties or a failure to observe the provisions of the Organisation Deed.

The Management Company shall notify the Bondholders of all and any circumstances they may be interested in by publishing the appropriate notices on the terms established in sections III.5.2 and III.5.3 of this Chapter.

III.3.1.1 Administration and representation of the Fund.

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

General policies and obligations of the Management Company.

1. Fund Management.

(i) To manage the Fund in order that its net asset value is nil at all times.

(ii) To keep the Fund's accounts duly separate from the Management Company's own, render accounts and satisfy tax and any other statutory obligations of the Fund.

(iii) Not to do things that might impair the Aaa rating assigned to the Series A Bonds, the A2 rating assigned to the Series B Bonds and the Baa3 rating assigned to the Series C Bonds, and endeavour to take such steps as may reasonably be in its hand for said ratings not to be adversely affected at any time.

(iv) To enter into such agreements as are provided in the Organisation Deed, or as may be necessary in the future, on behalf of the Fund, in relation to its assets and liabilities, bearing in mind, however, that the execution on behalf of the Fund of any agreement not provided in the Organisation Deed shall require a change of the Fund Payment Priority Order, with the prior consent of the Rating Agency, and a prior notice to the Comisión Nacional del Mercado de Valores in order to be made publicly available, as the case may be, being a relevant fact, or by means of a verification and registration of a supplement to the Prospectus.

(v) To make such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to an early liquidation of the Fund and early maturity of the Bond issue, in accordance with the provisions of the Organisation Deed and this Prospectus.

(vi) To comply with its formal, documentary and reporting duties to the Comisión Nacional del Mercado de Valores, the Rating Agency and any other supervisory body.

(vii) To appoint and, as the case may be, replace and dismiss the auditor who is to review and audit the Fund's annual accounts.

(viii) To prepare and submit to the Comisión Nacional del Mercado de Valores and any other competent administrative body all documents and information to be submitted as established in the laws in force for the time being, in the Organisation Deed and in this Prospectus, or which may be required of it, and to prepare and submit to the Rating Agency such information as may reasonably be required of it.

(ix) To provide the holders of Bonds issued against the Fund, the Comisión Nacional del Mercado de Valores and the public at large with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Organisation Deed and in this Prospectus.

(x) To comply with the calculation duties laid down in the Organisation Deed and in this Prospectus and in the various Fund transaction agreements described in section V.3 of the Prospectus, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.

(xi) In order to allow the Fund to operate on the terms provided in the Organisation Deed, in this Prospectus and in the regulations in force from time to time, to extend or amend the agreements entered into on behalf of the Fund, substitute, as the case may be, each of the Fund service provides thereunder and, indeed, if necessary, enter into additional agreements, all of which shall be subject to the prior authorisation, if necessary, of the Comisión Nacional del Mercado de Valores or competent administrative body and notice thereof to be given on the rating agency, and provided that those actions do not detract from Bondholders' interests.

2. Due diligence.

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

3. Availability of means.

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

4. Code of Conduct.

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

Obligations and activities of the Management Company for managing the Fund.

1. In relation to the Mortgage Units and the Participated Mortgage Loans.

(i) To exercise the rights attaching to the ownership of the Mortgage Units subscribed for by the Fund and, in general, to carry out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.

(ii) To check that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of each Mortgage Unit.

(iii) To validate and control the information received from the Servicer on the Participated Mortgage Loans, both as regards collection of ordinary instalments, early redemptions of principal, payments received on unpaid instalments and delinquency status and control.

(iv) To ensure that the Servicer renegotiate the terms of the Participated Mortgage Loans, as the case may be, in accordance with the general or specific instructions communicated by the Management Company.

(v) To monitor the actions agreed with the Servicer to recover defaults, issuing instructions, where appropriate, for an execution to be levied and as to the stand to be taken at real estate auction sales. To bring a foreclosure action where the concurrent circumstances so require.

2. In relation to the Bond issue.

(i) To prepare and notify the Bondholders of the information established in this Prospectus, and all other statutorily required information.

(ii) To determine on each Interest Rate Fixing Date and for every subsequent Interest Accrual Period, the nominal interest rate to be applied for each Bond Series, resulting from the determination made in accordance with the provisions of section II.10, and to be published as provided by section III.5.3.a).

(iii) To calculate and settle the amounts payable on each Payment Date for interest accrued on each of the Bond Series in accordance with the provisions of section II.10, to be published as provided in section III.5.3.a).

(iv) To calculate and determine on each Determination Date, the principal to be amortised and paid on each Bond Series on the relevant Payment Date in accordance with the provisions of section II.11.3, to be published as provided in section III.5.3.a).

3. In relation to the remaining financial or service transactions.

(i) To determine the interest rate applicable to each financial asset and liability transaction.

(ii) To calculate and settle the interest amounts and fees receivable and payable on the various financial asset and liability accounts, and the fees payable for the various financial services hired.

(iii) To open on behalf of the Fund a financial account ("Treasury Account"), initially at CAJA MADRID.

(iv) In the event that the short-term debt of CAJA MADRID should, at any time during the life of the Bond issue, drop below P-1 in the rating scale of Moody's Investors Service Limited, to take the actions for which provision is made in relation to the Treasury Account in accordance with the Treasury Account and Guaranteed Interest Rate Account Agreement described in section V.3.1

(v) To pay into the Treasury Account the amounts received from the Participated Mortgage Loan Servicer as both principal and interest and otherwise howsoever owing to the Fund on account of the same.

(vi) To watch that the amounts paid into the Treasury Account return the yield set in the Treasury Account and Guaranteed Interest Rate Account Agreement.

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

(i) To calculate the Funds Available and the payment or withholding obligations to be complied with, and to apply the same in the Fund Payment Priority Order.

(ii) To instruct transfers of funds between the various asset and liability accounts, and issue all relevant payment instructions, including those designed for servicing the Bonds.

III.3.2 Resignation and substitution of the Management Company.

The Management Company shall be substituted in managing and representing the Fund, in accordance with articles 18 and 19 of Royal Decree 926/1998 set forth hereinafter and with the subsequent rules statutorily established in that connection.

Resignation.

(i) The Management Company may resign its management and legal representation function with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted in a letter addressed to the Comisión Nacional del Mercado de Valores, including a designation of the substitute management company. That letter shall enclosed a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.

(ii) The Comisión Nacional del Mercado de Valores's substitution authorisation shall be subject to meeting of the following requirements:

(a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the Comisión Nacional del Mercado de Valores.

(b) In the event that the securities issued against the funds managed by the substituted Management Company have been rated by a rating agency, the rating accorded to the securities should not drop as a result of the proposed substitution.

(iii) The Management Company may at no event resign its duties until and unless all the requirements and formalities have been complied with in order for its substitute to take over its duties.

(iv) The substitution expenses originated shall be borne by the resigning Management Company and may at no event be passed on the to Fund.

(v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the Journal of the organised secondary market on which the securities of the securitisation fund managed by the company are listed.

Forced substitution.

(i) In the event that the Management Company should be adjudged a bankrupt or insolvent, it shall find a substitute management company, in accordance with the provisions of the foregoing paragraph.

(ii) In the event for which provision is made in the preceding section, if four months should have elapsed from the occurrence determining the substitution and no new management company should have been found willing to take over management, there shall be an early liquidation of the Fund and an amortisation of the securities issued against the same, and of the loans, in accordance with the provisions of the public organisation deed.

The Management Company agrees to execute such public and private documents as may be necessary to be substituted by another management company, in accordance with the system for which provision is made in the preceding paragraphs of this section. The substitute management company shall be substituted in the Management Company's rights and duties under the Organisation Deed and this Prospectus. Furthermore, the Management Company shall hand to the substitute Management Company such accounting records and data files as it may have to hand in connection with the Fund.

III.3.3 Subcontracting.

The Management Company shall be entitled to subcontract or delegate to solvent and reputable third parties the provision of any of the services it has to provide as the manager and authorised representative of the Fund, as provided in the Organisation Deed, provided that the subcontractor or delegated party waives the right to take any action holding the Fund liable. In any event, subcontracting or delegating any service (i) may not result in an additional cost or expense for the Fund, (ii) shall have to be legally possible, (iii) shall not result in the rating accorded to each of the Bond Series being adversely revised, and (iv) shall be notified to the Comisión Nacional del Mercado de Valores and, where statutorily required, will first be authorised by the Commission. Notwithstanding any subcontracting or delegation, the Management Company shall not be exonerated or released, under that subcontract or delegation, from any of the liabilities undertaken in the Organisation Deed which may legally be attributed or ascribed to it.

III.3.4 The Management Company's remuneration for discharging its functions.

In consideration of the functions to be discharged by the Management Company, the Fund will pay it a management fee consisting of:

(i) An initial fee amounting to seventy-nine thousand six hundred and thirty-five (79,635) Euro (13,250,149 Ptas.) payable on the Closing Date.

(ii) A periodic fee: equal to 0.02725% per annum, accruing on the days actually elapsed in each Interest Accrual Period, from the date of organisation of the Fund until it terminates, and payable quarterly on each of the Payment Dates, calculated on the Principal Balance Outstanding on the Bonds on the Payment Date preceding the ongoing Payment Date. The fee accrued from the date of organisation of the Fund to the first Payment Date shall be adjusted in proportion to the days elapsed between both dates, calculated on the face amount of the Bonds issued.

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

$$C = B \times \frac{0,02725}{100} \times \frac{d}{360}$$

where:

C = Fee payable on a given Payment Date.
B = Principal Balance Outstanding on the Bonds, on the preceding Payment Date.
d = Number of days elapsed during the relevant accrual period.

In any event, the annual amount of this periodic fee may not be less than nineteen thousand five hundred and thirty-five (19,535) Euro (3,250,351 Ptas.), or its equivalent in proportion to the days actually comprised in each of the Interest Accrual Periods. In the event that, during the period of validity of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount would be reviewed cumulatively in the same proportion, from the year 2002, inclusive, and effective as of January 1 of each year.

If on a Payment Date the Fund should not have sufficient liquidity to settle the above-mentioned fee, the amount due shall accrue an interest equal to that of Series B Bonds, payable on the next Payment Date, in the Payment Priority Order.

III.4 Net worth of the Fund and succinct specification of the assets and liabilities making up that net worth both at source and upon its operations commencing.

The Fund is a separate closed-end estate, devoid of legal personality, its assets comprising the Mortgage Units pooled upon being organised and the Reserve Fund, paid into the Treasury Account, and its liabilities comprising the Bonds issued, the Starting Expenses Loan and the Subordinated Loan, thereby for the net worth of the Fund to be nil.

The description, characteristics and issue price of the Mortgage Units pooled in the Fund and of the Participated Mortgage Loans are contained in Chapter IV of this Prospectus.

The information relating to the Bonds issued is set forth in detail in Chapter II of this Prospectus.

III.4.1 Assets of the Fund.

a) At source.

(i) The Mortgage Units subscribed for and pooled in the Fund, represented by registered unit certificates, relating to a 100% participation in the principal and ordinary and late-payment interest of the Participated Mortgage Loans. (See Chapter IV of this Prospectus).

The characteristics of the mortgage loans selected from the portfolio of BANCO ZARAGOZANO, which shall be mostly assigned to the Fund through the issue of the Mortgage Units, are detailed in section IV.4 of this Prospectus.

(ii) The amount receivable upon the payment of the subscription underwritten for each Bond Series.

(iii) The starting expenses for organising the Fund and issuing the Bonds booked as assets.

(iv) The balance existing in the Treasury Account under the Treasury Account and Guaranteed Interest Rate Account Agreement comprising the amounts obtained under the Starting Expenses Loan and the Subordinated Loan, as detailed in section V.3.1 of this Prospectus.

b) During the life of the Fund.

(i) The Outstanding Balance on the Mortgage Units.

(ii) The balance pending amortisation of starting expenses booked as assets.

(iii) The balances over time of ordinary and late-payment interest accrued and not paid on the Mortgage Units corresponding to those applicable to the Participated Mortgage Loans, and the remaining rights accorded to the Fund.

(iv) The homes awarded to the Fund upon executing in due course the real estate mortgages securing the Participated Mortgage Loans, any amounts or assets received upon the judicial or notarial execution of the mortgage securities or from the sale or operation of the homes awarded to the Fund upon executing the mortgage securities, or in connection with the administration or interim possession of the property (in process of execution), purchase for the auction sale price or amount determined by a court decision.

(v) All other balances existing in the Treasury Account and interest thereon accrued over time and not due, in accordance with the Treasury Account and Guaranteed Interest Rate Account Agreement.

III.4.2 Liabilities of the Fund.

a) At source.

(i) The Bond issue amounting to a face value of three hundred and ten million (310,000,000) Euro (51,579,660,000 Ptas.), represented by means of book entries and consisting of three Series:

- Series A for a total face value of two hundred and ninety-eight million three hundred thousand (298,300,000) Euro (49,632,943,800 Ptas.) comprising two thousand nine hundred and eighty-three (2,983) Bonds with a unit face value of one hundred thousand (100,000) Euro (16,638,600 Ptas.), represented by means of book entries.

- Series B for a total face value of six million two hundred thousand (6,200,000) Euro (1,031,593,200 Ptas.) comprising sixty-two (62) Bonds with a unit face value of one hundred thousand (100,000) Euro (16,638,600 Ptas.), represented by means of book entries.

- Series C for a total face value of five million five hundred thousand (5,500,000) Euro (915,123,000 Ptas.) comprising fifty-five (55) Bonds with a unit face value of one hundred thousand (100,000) Euro (16,638,600 Ptas.), represented by means of book entries.

The characteristics of the Bond issue are established in Chapter II of this Prospectus.

(ii) The amount payable for subscribing for the Mortgage Units issued by BANCO ZARAGOZANO.

(iii) The Starting Expenses Loan established in section V.3.3 of this Prospectus, designed to finance the starting expenses for organising the Fund and issuing the Bonds, partially finance the acquisition of the Mortgage Units and as to the balance to make up for the timing difference between collection of interest on the Mortgage Units and payment of interest on the Bonds on the first Payment Date.

(iv) The amount of the Subordinated Loan established in section V.3.2 of this Prospectus, designed to be used initially to set up the Reserve Fund.

b) During the life of the Fund:

(i) The Principal Balance Outstanding on the Bonds in Series A, B and C and time-apportioned interest accrued and not due.

(ii) The principal pending repayment and time-apportioned interest accrued and not due on the Starting Expenses Loan and the Subordinated Loan.

(iii) The balances over time for fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

III.4.3 Reserve Fund.

The Management Company, for and on behalf of the Fund, shall set up a Reserve Fund initially against the Subordinated Loan, and shall subsequently keep its capital at the Minimum Level in accordance with the Fund Payment Priority Order.

The following shall be the characteristics of the Reserve Fund:

(i) Amount:

It shall be set up on the Closing Date for an initial amount equal to four million six hundred and fifty thousand (4,650,000) Euro (773,694,900 Ptas.).

Subsequently, on each Payment Date, it will be provided with up to the amount established hereinafter with the Funds Available in the Fund Payment Priority Order.

The amount of the Reserve Fund (hereinafter "Minimum Level") shall be the lower of the following amounts:

i) Four million six hundred and fifty thousand (4,650,000) Euro (773,694,900 Ptas.).

ii) 3.75% of the Outstanding Balance on the Mortgage Units.

At all events, the Minimum Level of the Reserve Fund cannot be less than 0.50% of the initial Balance Outstanding on the Mortgage Units pooled in the Fund.

In relation to the Minimum Level of the Reserve Fund, and even if all of the events provided in the above rules are met, the fund shall be reduced whenever any of the following circumstances concur on a given Payment Date:

i) The figure of the amount of the Outstanding Balance on the Mortgage Units with an arrears in excess of ninety (90) days in payment of overdue amounts on the Determination Date preceding the ongoing Payment Date is in excess of 3% of the Outstanding Balance on the Mortgage Units on that same date.

ii) The figure of the amount of the Outstanding Balance on the Mortgage Units with an arrears in excess of twelve (12) months in payment of overdue amounts on the Determination Date preceding the ongoing Payment Date is in excess of the amount resulting from multiplying by 0.025% the result of the product of the total initial capital or principal of the Mortgage Units by the number of Payment Dates elapsed since the Closing Date.

iii) The average weighted interest rate of the Mortgage Units on the Determination Date preceding the ongoing Payment Date is lower than the average weighted interest rate of the Bonds in Series A, B and C in the preceding Interest Accrual Period plus a 0.33% differential.

Nevertheless, both the amount of the Reserve Fund and its Minimum Level may be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of Moody's España.

(ii) Yield:

The amount of said Reserve Fund shall be initially paid into the Treasury Account, and will be the subject of the Treasury Account and Guaranteed Interest Rate Account Agreement to be entered into with CAJA MADRID.

(iii) Application:

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

III.4.4. Risk hedging and service transactions.

In order to consolidate the financial structure of the Fund, the safety of or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Mortgage Units and the Bonds, or, generally, transform the financial characteristics of those assets, and supplement management of the Fund, the Management Company shall, on behalf of the Fund, upon the execution of the Organisation Deed, proceed to formally enter into the agreements established hereinafter.

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

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

(i) Treasury Account and Guaranteed Interest Rate Account Agreement.

(ii) Subordinated Loan Agreement.

(iii) Starting Expenses Loan Agreement.

(iv) Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement.

(v) Bond Issue Management, Underwriting and Placement Agreement.

(vi) Bond Payment Agency Agreement.

An itemised description of the most relevant terms of each of said agreements is made in section V.3 of this Prospectus, in addition to the more thorough description of the Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement made in section IV.2

III.4.5 Income of the Fund.

The Fund shall have the following income, which shall be paid into the Treasury Account.

The following income may be used to meet the Fund's payment obligations:

a) The amounts received as repayment of the principal on the Mortgage Units.

b) Ordinary and late-payment interest on the Mortgage Units.

c) The amounts of the Starting Expenses Loan and the Subordinated Loan.

d) The yield obtained by reinvesting the amounts paid into the Treasury Account.

e) Any other amounts received by the Fund including those resulting from the sale of the properties awarded to the Fund or from their operation.

f) The amounts making up the Reserve Fund.

III.4.6 Expenses payable by the Fund.

The Management Company shall settle on the Fund's behalf such expenses as may be necessary for the Fund to operate, being both starting expenses and ordinary periodic and extraordinary expenses accrued throughout its life.

Value Added Tax (VAT) payable by the Fund shall be deemed to be a deductible expense for Corporation Tax purposes.

Starting expenses.

The estimated stating expenses for organising the Fund and issuing the Bonds are itemised in section II.14 of the Prospectus. Payment of the starting expenses shall be made with the amount drawn on the Starting Expenses Loan and shall not be subject to the Fund Payment Priority Order.

Expenses throughout the life of the Fund.

The Management Company shall pay on behalf of the Fund all expenses necessary for the Fund to operate, being both ordinary periodic and extraordinary expenses accruing throughout its life, which shall be settled in their relevant Payment Priority Order. For illustrative purposes only, the Management Company shall satisfy the following expenses:

- If necessary, the balance of the starting expenses for organising the Fund and issuing the Bonds exceeding the amount of the Starting Expenses Loan.

- Any expenses arising from the verifications, registrations and administrative authorisations that must be obtained.

- If necessary, expenses derived from preparing and executing the Organisation Deed and the Agreements.

- Rating Agency fees for monitoring and maintaining the Bond rating.

- Expenses derived from Bond amortisation.

- Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on organised secondary markets and maintenance of all of the foregoing.

- Expenses derived from the sale of the Mortgage Units and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.

- Expenses required for applying for foreclosure of the Participated Mortgage Loans.

- Expenses derived from managing the Fund and the Participated Mortgage Loans.

- Fees and expenses payable by the Fund for the service and financial transaction agreements executed.

- Expenses derived from inserts and notices relating to the Fund and/or the Bonds.

- Expenses of audits and legal advice.

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

III.5 Drawing up, verifying and approving annual accounts and other accounting documents of the Fund.

III.5.1 Obligations and deadlines for drawing up, verifying and approving annual accounts and management reports.

The Fund’s annual accounts shall be verified and reviewed every year by auditors.

The Management Company shall submit to the Comisión Nacional del Mercado de Valores the Fund’s annual accounts, along with an audit report on the accounts, within four (4) months of the close of the Fund’s fiscal year, which shall match the calendar year.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the Auditor who is for that period of time to audit the Fund’s annual accounts, reporting that appointment to the Comisión Nacional del Mercado de Valores.

III.5.2 Obligations and deadlines set to publicise and submit to the Comisión Nacional del Mercado de Valores 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 quarterly to the Comisión Nacional del Mercado de Valores, as promptly as possible, the information described hereinafter, with the exception of that contained in section e) which shall be annual, in relation to each of the Bond Series, the performance of the Mortgage Units, early amortisations, and economic and financial status of the Fund, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.3 of this Prospectus, and of such additional information as may be required of it.

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

1. Principal balance outstanding and percentages represented by each of them on the initial face amount of each Series.
2. Interest accrued and paid.
3. Interest accrued and not paid.
4. Amortisation accrued and paid.
5. Estimated average life of the Bonds in each Series if the Participated Mortgage Loan prepayment rate is maintained, as determined in section d) below.

b) In relation to the Mortgage Units:

1. Outstanding Balance.
2. Interest accrued and not collected on the reporting date.
3. Amount of the instalments in arrears on the Participated Mortgage Loans on the reporting date.

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

Report on the amount of the Funds Available and the Funds Available for Amortisation and their subsequent application in the Fund Payment Priority Order.

d) In relation to Participated Mortgage Loan prepayment:

Demonstrative list of the actual Participated Mortgage Loan prepayment rate.

e) Annually, in relation to the Fund's Annual Accounts:

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

III.5.3 Ordinary, extraordinary and relevant event notice obligations.

For a proper compliance with the issue terms, the Management Company agrees to give the notices detailed below, observing the recurrence provided in each case.

a) Ordinary periodic notices.

1. Within the period comprised between the Interest Rate Fixing Date and not more than two (2) Business Days after each Payment Date, it shall proceed to notify Bondholders of the nominal interest rates resulting for each of the Bond Series, for the next Interest Accrual Period.

2. Quarterly, at least one (1) calendar day in advance of each Payment Date, the Fund shall, through its Management Company, proceed to notify the Bondholders of the interest resulting from the Bonds in each of the Series, along with their amortisation, as appropriate, and moreover:

    i) The actual Participated Mortgage Loan prepayment rate during the calendar quarter preceding the Payment Date.

    ii) The average residual life of the Bonds estimated assuming that such actual prepayment rate shall be maintained as provided in sections II.11.3.3 and III.8.1.(i).

    iii) The Principal Outstanding Balances, after the amortisation to be settled on each Payment Date, for each Bond in each Series, and the percentages such Principal Outstanding Balances represent on the initial face amount of each Bond.

    iv) Furthermore, and if appropriate, the Bondholders shall be advised of the interest and amortisation amounts accrued thereby and not settled due to a shortage of Funds Available, in accordance with the rules governing the Fund Payment Priority Order.

The foregoing notices shall be made in accordance with the provisions of section c) below and will also be notified to the Comisión Nacional del Mercado de Valores, the Payment Agent, AIAF Mercado de Renta Fija and Servicio de Compensación y Liquidación de Valores, S.A., within not more than one (1) Business Day before each Payment Date.

b) Extraordinary notices.

1. Upon the organisation of the Fund and the Bond issue, once the Organisation Deed is executed, the Management Company shall, for and on behalf of the Fund, proceed to give notice by means of the procedure specified in section c) below, of the organisation of the Fund and of the Bond issue, and of the nominal interest rates determined in each of the Bond Series for the first Interest Accrual Period, which shall be comprised between the Closing Date and the first Payment Date, any Business or other calendar day being suitable for that publication.

2. Other notices:

    The Fund shall, through its Management Company, inform Bondholders of any relevant event occurring in relation to the Mortgage Units, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, of any relevant change in the Fund's assets or liabilities. The Management Company will also inform Bondholders of a decision in due course to proceed to an early amortisation of the Bonds in any of the events provided in this Prospectus, in which case the Comisión Nacional del Mercado de Valores will be sent the Notarial Certificate of Liquidation and the procedure followed will be as referred to in sections III.8.1 and II.11.3.3 of this Prospectus.

c) Procedure to notify Bondholders.

Notices to bondholders to be made by the Management Company in accordance with the above, in regard to the Fund, shall be given as follows:

1. Ordinary notices.

   Ordinary notices shall be given by a publication in the official journal of the AIAF Mercado de Renta Fija or any other taking its stead or similarly characterised, or by means of a publication in an extensively circulated business and financial or general newspaper in Spain. The Management Company or the Payment Agent may additionally disseminate that information through dissemination channels and systems typical of financial markets, such as Reuters, Bridge Telerate, Bloomberg or any other with similar characteristics.

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 publication.

d) Information to the Comisión Nacional del Mercado de Valores.

The Management Company shall proceed to advise the Comisión Nacional del Mercado de Valores of both ordinary periodic and extraordinary publications made in accordance with the provisions of the preceding sections, and of such other information as may be required of it, irrespective of the above.

III.5.4 Transitional period in using the Euro as the single currency in the European Union.

During the transitional period in which the peseta and the Euro will coexist as units of account and payment means between January 1, 1999 and December 31, 2001, the provisions of Law 46/1998, December 17, on the changeover to the Euro shall apply.

III.6 Tax system of the Fund.

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

(i) The organisation of the Fund is exempt from the item “corporate transactions” of the Capital Transfer and Documents Under Seal Tax.

(ii) The Fund is liable to pay Corporation Tax at the general rate in force from time to time and which currently stands at 35%.

(iii) As for returns on the Mortgage Units, loans or other credit rights constituting Fund income, there shall be no tax withholding or prepayment obligation.

(iv) The management of the Fund by the Management Company shall be exempt from Value Added Tax.

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

III.7 Amendment of the Organisation Deed of the Fund.

The Organisation Deed may not be howsoever amended other than in exceptional events, and, as the case may be, in accordance with the terms established by the laws in force for the time being, and provided that the amendment does not impair the rating given to the Bonds by the Rating Agency, and has previously been notified to the relevant Rating Agency and the Comisión Nacional del Mercado de Valores or competent administrative body. The Organisation Deed can also be corrected as requested by the Comisión Nacional del Mercado de Valores.

III.8 Termination and Liquidation of the Fund.

III.8.1 Early liquidation of the Fund.

Following notice served on the Comisión Nacional del Mercado de Valores, the Management Company shall be entitled to proceed to an early liquidation of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond issue, in the following Early-Liquidation Events:

(i) When the amount of the Outstanding Balance on the Mortgage Units pending amortisation is less than 10 per 100 of the initial Outstanding Balance, in accordance with the entitlement for which provision is made in article 5.3 of Law 19/1992.

(ii) When an event or circumstance unrelated to the actual operation of the Fund occurs which results in the financial balance of the Fund required by article 5.6 of Law 19/1992 being substantially changed or invalidated. This event includes such circumstances as the occurrence of a change in or supplementary enactments of laws, or the establishment of withholding obligations that might permanently affect the financial balance of the Fund.

(iii) In the event that the Management Company should be declared insolvent or bankrupt, or the statutory term to do so, or failing that term four months, should elapse without a new management company being designated in accordance with the provisions of section III.3.2 of this Prospectus.

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

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

Payment obligations derived from the Bonds on the date of early liquidation of the Fund shall at all events be deemed to be the Principal Balance Outstanding on that date plus interest accrued and not paid since the last Payment Date until the date of early , deducting the tax withholding, as the case may be, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

(ii) That the Bondholders are notified, as prescribed in section III.5.3 of this Prospectus and thirty (30) Business Days in advance, of the resolution by the Management Company to proceed to an early liquidation of the Fund.

That notice, previously made available to the Comisión Nacional del Mercado de Valores, shall contain a description (i) of the event or events for which an early liquidation of the Fund is effected, (ii) of the liquidation procedure, as described in the following section, and (iii) of the manner in which the payment obligations derived from the Bonds are to be met and settled.

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

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

(ii) Terminate such agreements as are not necessary for the Fund liquidation procedure.

(iii) It will be entitled to arrange for a credit facility, which shall be fully and forthwith allocated to the early amortisation of the Bond issue. Repayment of that credit facility shall be guaranteed solely with the interest and principal flows derived from the Mortgage Units pending amortisation and the proceeds from the sale of the other assets remaining on the assets of the Fund.

(iv) Finally, both due to an insufficiency of the preceding actions and the existence of remaining assets, it shall proceed to sell the other goods remaining on the assets of the Fund. The Management Company shall be authorised to accept such offers as shall in its opinion cover the market value of the goods at issue. In order for the market value to be fixed, the Management Company may commission such valuation reports as it shall see fit.

In events (i) and (iv) above, BANCO ZARAGOZANO shall have a pre-emptive right on the terms established by the Management Company, and shall therefore have priority over third parties to acquire the Mortgage Units or other assets derived therefrom remaining on the assets of the Fund. The Management Company shall therefore send BANCO ZARAGOZANO a list of the assets and third-party bids received, and the latter may use that right for all the assets offered by the Management Company within ten days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

Upon providing the reserve referred to in section III.8.2 below, the Management Company shall immediately apply all the amounts obtained from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the relevant Payment Priority Order, other than the obligation to endow the Reserve Fund and other than the amounts drawn, as the case may be, on the credit facility arranged, which shall be fully allocated to the early amortisation of the Bond issue.

III.8.2 Termination of the Fund.

The Fund shall terminate in the following events:

(i) Upon the full amortisation of the Mortgage Units pooled therein.

(ii) By the early liquidation procedure established in section III.8.1 above.

(iii) At all events, on the Final Maturity Date established for final Bond amortisation.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments by distributing the Funds Available in the set Payment Priority Order, that remainder shall be for BANCO ZARAGOZANO on the terms established by the Management Company.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Fund's remaining assets have been liquidated and the Fund's Available Funds have been distributed, in the Fund Payment Priority Order, with the exception of the appropriate reserve to meet final termination expenses.

Upon a period of six (6) months elapsing from the liquidation of the Fund's remaining assets and the distribution of the funds available, the Management Company shall execute a Statutory Declaration before a Notary Public declaring (i) that the Fund has terminated, and the events prompting its termination, (ii) how the Bondholders and the Comisión Nacional del Mercado de Valores were given notice, and (iii) how the Fund's available funds were distributed, in the Fund Payment Priority Order; 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 Comisión Nacional del Mercado de Valores.

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of the Mortgage Units pooled in the Fund.

BANCO ZARAGOZANO shall proceed to issue the Mortgage Units as established in Law 2/1981, March 25, Royal Decree 685/1982, March 17, and Royal Decree 1289/1991, August 2, amending certain of the former previous Royal Decree's articles, in order for the Management Company to proceed to pool the same in the Fund as established in Law 19/1992 and other applicable laws. Given that the Fund is an institutional investor, the issue of the Mortgage Units shall not be subject to a marginal note on each entry of the mortgages in the Land Registry.

The total face value of the issue of Mortgage Units shall be at least equal to the aggregate amount of the Bond issue. Each Mortgage Unit represents 100 percent of the principal and interest respectively pending amortisation and accrual on each of the Participated Mortgage Loans to which they are related.

The Participated Mortgage Loans assigned upon the issue of the Mortgage Units are part of a selection of mortgage loans, whose characteristics are described in section IV.4 of this Chapter. The principal outstanding on the 6.957 mortgage loans selected at July 9, 2001 amounted on that date to 54,216,551,412 Ptas. (325,848,036.57 Euro).

a) Identification of the Credit Institutions issuing those units:

The issuer of said Mortgage Units is BANCO ZARAGOZANO, holder of the Participated Mortgage Loans.

As holder of the Participated Mortgage Loans until the Mortgage Units are issued, BANCO ZARAGOZANO shall warrant as follows in the Organisation Deed of the Fund to the Management Company and the Fund in relation to the Participated Mortgage Loans:

(1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being and entered in the Companies Register, and that it is authorised to take part in the mortgage market.

(2) That neither at today's date nor at any time since it was incorporated has it been insolvent, under receivership or bankrupt.

(3) That the Mortgage Units are issued on market terms and in accordance with Law 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Law 19/1992 and other applicable regulations, meet all the requirements established therein and may be made part of a Mortgage Securitisation Fund.

(4) That its corporate bodies have validly passed all resolutions required to issue the Mortgage Units and to validly execute the Fund Organisation Deed, the agreements and additional undertakings made.

(5) That the Participated Mortgage Loans exist and are valid and enforceable in accordance with the applicable laws.

(6) That it is the holder of absolute title to all the Participated Mortgage Loans and there is no obstacle whatsoever for the Mortgage Units to be issued.

(7) That the details of the Mortgage Units and the Participated Mortgage Loans to be included in Schedule 5 to the Organisation Deed accurately reflect the current position of those Loans and Units and are full and accurate.

(8) That the Participated Mortgage Loans are all secured with a real estate mortgage ranking first on the fee absolute of each and every one of the mortgaged properties, which are not encumbered with any prohibitions on their disposal, conditions subsequent or any other limitation as to title.

(9) That the Participated Mortgage Loans are all perfected in a public deed, and the mortgages are all entered in the relevant Land Registries. The registration of the mortgaged properties is in force and has not been howsoever opposed and is subject to no limitation whatsoever taking precedence over the mortgage, in accordance with the applicable regulations.

(10) That the mortgagors are all individuals resident in Spain on the date on which the mortgage was granted.

(11) That the Participated Mortgage Loans have been granted in order to finance private individuals with a real estate mortgage security in the purchase, building or renovation of homes located in Spain, or are substitutions by private individuals of financings granted to developers of homes designed to be sold or leased.

(12) That the mortgages are granted on properties wholly owned in fee absolute by the respective mortgagor, and BANCO ZARAGOZANO is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.

(13) That the mortgaged homes have all been assessed by duly qualified institutions approved by BANCO ZARAGOZANO, evidence of which assessment has been provided in the form of an appropriate certificate. The assessments made meet all the requirements established in the mortgage market laws.

(14) That the principal on each of the Participated Mortgage Loans does not exceed 80% of the assessed value of the mortgaged properties as security for the relevant Participated Mortgage Loan.

(15) That it is not aware of there having been any drop in the value of any of the mortgaged properties in excess of 20% of the assessed value.

(16) That the properties on which mortgage security has been granted, in addition to property damage insurance taken out by the mortgagors, are all covered by a comprehensive fire insurance policy, in which the insured capital covers at least the assessed value of the mortgaged property, excluding elements that cannot by nature be insured.

(17) That the Participated Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Mortgage Units hereby issued.

(18) That none of the Participated Mortgage Loans have any overdue payments on the date of issue of the Mortgage Units.

(19) That it is not aware that any of the obligors of the Participated Mortgage Loans holds any credit right against BANCO ZARAGOZANO whereby that obligor might be entitled to a set-off.

(20) That the policies contained in the Memorandum on Policies for Granting the Mortgage Loans to be attached as Schedule 7 to the Organisation Deed have been strictly adhered to in granting each and every one of the Participated Mortgage Loans and in accepting, as the case may be, the substitution of subsequent borrowers in the position of the initial borrower.

(21) That the deeds for the mortgages granted on the homes to which the Participated Mortgage Loans relate have all been duly filed in the records of BANCO ZARAGOZANO suitable therefor, and are at the Management Company's disposal, for and on behalf of the Fund, and the Participated Mortgage Loans are all clearly identified both in data files and by means of their deeds.

(22) That the Outstanding Balance of capital on each of the Participated Mortgage Loans on the date of issue is equivalent to the capital figure of the relevant Mortgage Unit, and in turn the total capital of the Mortgage Units shall be at least equivalent to the face value of the Bond issue.

(23) That after being granted, the Participated Mortgage Loans have been serviced and are still being serviced by BANCO ZARAGOZANO in accordance with set customary procedures.

(24) That it has no knowledge of the existence of any litigation whatsoever in relation to the Participated Mortgage Loans which may detract from their validity.

(25) That it is not aware of the premiums accrued heretofore by the insurance taken out referred to in paragraph (16) above not having been fully paid.

(26) That it has received no notice whatsoever of full prepayment of the Participated Mortgage Loans on the date of issue.

(27) That it is not aware of the existence of any circumstance whatsoever which might prevent the mortgage security from being enforced.

(28) That the Participated Mortgage Loans are written off the assets of BANCO ZARAGOZANO on the date of the Organisation Deed, in the participated amount, in accordance with the provisions of Bank of Spain Circular 4/91, without prejudice to the effects that partial or full subscription for the Bond issue may have for BANCO ZARAGOZANO pursuant to that Circular.

(29) That there is no outstanding issue whatsoever of mortgage debentures or mortgage bonds made by BANCO ZARAGOZANO.

(30) That the information on the portfolio of Mortgage Units and Participated Mortgage Loans contained in the Prospectus concerning the organisation of the Fund and the Bond issue is accurate and strictly true.

(31) That the Participated Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or Mortgage Units, other than the issue of the Mortgage Units, and after their issue the Participated Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds or other Mortgage Units.

b) Number and amount of the Mortgage Units pooled in the Fund:

The Mortgage Units that BANCO ZARAGOZANO is to issue upon the Fund being organised to be subscribed for will make up an as yet indeterminate number of Mortgage Units whose total capital shall amount to a value at least equal to the aggregate amount of this Bond issue.

The issue price of the Mortgage Units will be at par. The total price payable by the Fund for subscribing for the Mortgage Units shall be the amount equivalent to the sum of (i) the face value of the capital or principal of each of the Mortgage Units, and (ii) the ordinary interest accrued on each of the Participated Mortgage Loans from the last interest settlement date of each of the loans until the date of issue of the Mortgage Units (the "accrued interest").

Payment of the issue price of the Mortgage Units, subparagraph (i) of the preceding paragraph, shall take place on the Bond Closing Date.

Payment of the accrued interest on each of the Participated Mortgage Loans, subparagraph (ii) of the last paragraph but one above, shall be made on the collection date falling on the first interest settlement date of each of the loans, subsequent to the date of issue of the Mortgage Units, and shall not be subject to the Fund Payment Priority Order.

c) Description of rights in the underlying loans conferred by the units on the holder:

The Mortgage Units represent a 100 percent participation in the principal, ordinary and late-payment interest of each Participated Mortgage Loan.

In accordance with article 5.8 of Law 19/1992, BANCO ZARAGOZANO shall not bear the risk of delinquency on the Mortgage Units and shall therefore have no liability whatsoever for delinquency of the mortgagors, whether of principal, interest or any other amount they may owe under the Participated Mortgage Loans. It will not take on any other responsibility whatsoever to directly or indirectly guarantee that the transaction , will be successful, nor give any guarantees or securities, nor indeed agree to repurchase the Mortgage Units, other than for the provisions of section IV.1.d) below.

Specifically, the Mortgage Units confer the following rights in relation to each of the Participated Mortgage Loans:

a) to receive all the amounts accrued as amortisation of the capital or principal of the loans;

b) to receive all the amounts accrued as ordinary interest on the loans;

c) to receive all the amounts accrued as late-payment interest on the loans;

d) to receive any other amounts, assets or rights received as payment of principal, interest or expenses on the Participated Mortgage Loans, either in the form of the auction sale price or amount determined by a court decision or notarial procedure executing the mortgage securities, on the sale or operation of properties awarded or, upon executing, in the administration or interim possession of the properties in process of execution;

e) to receive all possible rights or compensations accruing for BANCO ZARAGOZANO, including not only those derived from the insurance contracts attached to the loans which are also assigned to the Fund, but also those derived from any ancillary right attached to loan, including the fees established in each of the Participated Mortgage Loans.

The above-mentioned rights will all accrue for the Fund from the date of execution of the Organisation Deed and issue of the Mortgage Units, with the exception of ordinary interest, which shall accrue from the last interest settlement date on each of the Participated Mortgage Loans, before the date of issue of the Mortgage Units.

The rights of the Fund resulting from the Mortgage Units are linked to the payments made by the debtors of the Participated Mortgage Loans, and are hence directly affected by the evolution, delays, prepayments or any other incident relating thereto.

Until the execution of the Organisation Deed, BANCO ZARAGOZANO shall be the beneficiary of the property damage insurance contracts executed by the mortgagors in relation to the mortgaged properties as security for the Participated Mortgage Loans, up to the insured amount, and each of the mortgage loan deeds shall, in the event of default on the relevant premium by the obligor (holder) of the insurance, authorise the mortgagee BANCO ZARAGOZANO to pay the premium amount for the obligor in order that the premiums are always paid. Under the Organisation Deed of the Fund, BANCO ZARAGOZANO shall perfect the assignment attached to the issue of the Mortgage Units of the rights it has as the beneficiary of those property damage insurance contracts executed by the mortgagors or any other insurance policy providing equivalent cover. As the holder of the Mortgage Units, the Fund shall be entitled to all the amounts BANCO ZARAGOZANO would have received in this connection.

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

The Fund shall bear with all and any expenses or costs arising for BANCO ZARAGOZANO derived from the repossession actions in the event of a breach of obligations by the debtors of the Participated Mortgage Loans, including foreclosing against the same.

d) Set rules for substituting Mortgage Units pooled in the Fund:

a) In the event of early amortisation of the Mortgage Units due to a prepayment of the loan capital, there will be no substitution of the Mortgage Units affected thereby.

b) In the event that it should be observed throughout their life that any of the Mortgage Units fails to meet the terms and characteristics listed in section IV.1.a) of this Prospectus or the specific characteristics notified by BANCO ZARAGOZANO to the Management Company if these are not set forth in the relevant Participated Mortgage Loan, BANCO ZARAGOZANO agrees, subject to the Management Company's consent, to proceed forthwith to substitute the Mortgage Unit in that situation, subject to the following rules:

1. BANCO ZARAGOZANO shall advise the Management Company, on behalf of the Fund, of the existence of the non-complying Mortgage Unit and, for substitution thereof, of the characteristics of the mortgage loans proposed to be assigned in new Mortgage Units similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality construed as the existing ratio between the principal outstanding on the unit and the assessed value of the property securing the participated loan, in order for the financial balance of the Fund not to be affected by the substitution, nor indeed its rating in accordance with the provisions of section II.3 of this Prospectus. Once the Management Company has checked that the substitute loan is appropriate and expressly agreed to it, BANCO ZARAGOZANO shall proceed to cancel the affected Mortgage Unit, rubber-stamp the certificate representing the same, and issue another or other units taking its stead.

2. The substitution shall be recorded in a Notarial Certificate setting forth all the particulars both of the Mortgage Unit to be replaced and the Participated Mortgage Loan attached thereto, and of the new Mortgage Unit or Mortgage Units issued, along with details of the Participated Mortgage Loans, and the reason for substituting and characteristics determining the homogenous nature of both Mortgage Units as described in the paragraph immediately preceding, a copy of which shall be filed by the Management Company with the Comisión Nacional del Mercado de Valores, the organisation in charge of the accounting record for the Bonds and the AIAF Governing Body, notifying Moody's Investors Service España, S.A.

c) Subsidiarily to the obligation undertaken under section b) above, in the event that any Mortgage Unit should be substituted and new mortgage units not issued on the homogeneity and suitability terms set in rule 1 of said section, BANCO ZARAGOZANO shall proceed to an early amortisation of the Mortgage Unit. That early amortisation shall take place by a repayment in cash to the Fund of the outstanding principal, the interest accrued and not paid, and any other amount owing to the Fund until that date under the relevant Mortgage Unit and by rubber-stamping the certificate representing the same.

e) Other terms established in the issue of those units and in their subscription by the Fund and the system established, as the case may be, for transferring those Mortgage Units:

The issue price and terms for subscribing for and paying up the Mortgage Units and the description of the rights conferred thereby have been provided above in paragraphs b) and c) of this section.

As prescribed by Mortgage Market Regulation Royal Decree 685/1982, amended by Royal Decree 1289/1991, the Mortgage Units may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. The transfer of the unit and the new holder's address shall be notified by the transferee to the issuer.

The transferor shall not be liable for the solvency of the issuer or of the debtor of the participated credit, nor indeed of the sufficiency of the mortgage securing it.

BANCO ZARAGOZANO, as the issuer, shall keep a special book in which it shall enter the Mortgage Units issued on each Participated Mortgage Loan, and the transfers of such Units notified to it, the Mortgage Units being applied the provisions of article 53 of the above-mentioned Royal Decree for registered certificates. The same book shall include the changes of address notified to it by the unit holders.

The book shall moreover include the following particulars:

a) Participated Mortgage Loan commencement and maturity date, initial amount and settlement method.

b) Mortgage registration particulars.

f) Representation of the Mortgage Units and custodians or institutions in charge of keeping their accounting record in the case of book entries:

The Mortgage Units shall be represented by registered unit certificates which shall contain the minimum data provided in article 64 of Royal Decree 685/1982, March 17, amended by Royal Decree 1289/1991, August 2, and specifically the registration particulars of the properties securing the Participated Mortgage Loans.

The Mortgage Units subscribed for by the Fund and represented by means of registered certificates shall be deposited at BANCO ZARAGOZANO, and the relations between the Fund and BANCO ZARAGOZANO shall be governed by the Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement to be entered into between BANCO ZARAGOZANO and the Management Company for and on behalf of the Fund. That custody shall be established for the benefit of the Fund in such a way that BANCO ZARAGOZANO shall custody the Mortgage Units deposited, following the Management Company's instructions.

g) Servicing and custody of the Participated Mortgage Loans referred to in section IV.2 below:

BANCO ZARAGOZANO, issuer of the Mortgage Units to be subscribed for by the Fund, in accordance with the provisions of article 61.3 of Royal Decree 685/1982, agrees to custody and service the Participated Mortgage Loans, and the Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement shall govern the relations between BANCO ZARAGOZANO (hereinafter in regard to this Agreement the "Servicer") and the Fund, represented by the Management Company. In consideration of the servicing of the Participated Mortgage Loans and custody of the Mortgage Units, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated service fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the days actually elapsed and on the average daily Balance Outstanding on the Mortgage Units serviced during each Interest Accrual Period. If the Servicer should be substituted in that servicing task, because that is appropriate in view of circumstances of the Servicer which might prevent or make it difficult for that servicing to be properly performed, the Management Company will be entitled to change the above percentage fee in favour of the substitute institution by up to not more than 0.10% per annum.

If due to a shortage of liquidity in the Payment Priority Order the Fund should, through its Management Company, fail on a Payment Date to pay the full fee due, the amounts overdue shall accumulate without any penalty whatsoever on the fee payable on the following Payment Dates, whereupon it shall be paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred, such as in connection with foreclosures, sale of properties, etc and after first justifying the same in relation to the servicing of the Participated Mortgage Loans. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Fund Payment Priority Order.

IV.2 Succinct and short description of the ordinary Participated Mortgage Loan servicing and custody system and procedures, focusing particularly on the set procedures relating to late payment and delinquency on principal or interest, prepayments, foreclosure and amendment or renegotiation, as the case may be, of the loans.

IV.2.1 Servicing of the Participated Mortgage Loans.

The Servicer shall continue servicing the Participated Mortgage Loans, devoting the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service mortgage loans with respect to which no Mortgage Units shall have been issued and will in any event exercise a suitable degree of skill, care and diligence in providing the services for which provision is made in the Participated Mortgage Loan Servicing Agreement.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund, as servicer of the Participated Mortgage Loans, 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 succinct and short description of the ordinary system and procedures (hereinafter the "services") for servicing and managing the Participated Mortgage Loans governed by said Servicing Agreement are as follows:

1. **Term.**

   The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as issuer of the Participated Mortgage Loans terminate, once all the Mortgage Units have been amortised.

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

   The Servicer shall keep all deeds, documents and data files relating to the Participated Mortgage Loans and property damage insurance policies of the mortgaged properties under safe custody and shall not give up their possession, custody or control other than with the Management Company's prior written consent for it to do so, unless a document should be required to institute proceedings to execute a Participated Mortgage Loan.

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

3. **Collection management.**

   The Servicer shall continue managing collection of all amounts payable by the mortgagors under the Participated Mortgage Loans, and any other item including under the insurance contracts assigned to the Fund. The Servicer shall act due diligently for payments to be made by the borrowers to be collected in accordance with the terms and conditions of those Participated Mortgage Loans.

   Provided that those payments are received by the Servicer, the latter shall proceed to pay them fully to the Fund, on the set collection dates falling on days 1, 11 and 21 of each month, or the preceding Business Day it those are not a Business Day, in the amounts received on the day intervals respectively between the 24^{th} in the preceding month and days 4 and 14 of the ongoing month in accordance with the set terms and conditions. The Management Company may change the periods, collection dates and method of payment at any time during the term of the Servicing Agreement

4. Fixing the interest rate.

In connection with Participated Mortgage Loans having a floating interest rate, the Servicer shall continue fixing those interest rates in accordance with the provisions of the relevant Participated Mortgage Loans, submitting such relevant communications and notices as may be established in the respective agreements.

5. Extended mortgage.

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

i) to extend the mortgage to other assets sufficient to cover the required ratio between the value of the asset and the credit secured thereby, or

ii) to return all the loan or such portion of the loan as may be in excess of the amount resulting from applying to the current valuation the percentage used to initially determine its amount.

If within two months of being requested to extend the mortgagor should fail to do so or return the portion of the Participated Mortgage Loan referred to in the preceding paragraph, then it shall be deemed that the mortgagor shall have elected to return the entire Loan, which the mortgagor shall be forthwith required to do by the Servicer.

6. Mortgaged property damage insurance.

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

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

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

7. Information.

The Servicer shall regularly communicate to the Management Company the information relating to the individual characteristics of each of the Participated Mortgage Loans, to fulfilment by the borrowers of their obligations under the Participated Mortgage Loans, to the status of arrears and ensuing changes in the characteristics of the Participated Mortgage Loans, and to actions in the event of late payment and auction sale of properties.

The Servicer shall prepare and hand to the Management Company such additional information relating to the Participated Mortgage Loans or the rights attaching thereto as the Management Company may reasonably request.

8. Liabilities.

The Servicer shall be liable to compensate the Fund or its Management Company for any damage, loss or expense incurred by the latter due to a breach by the Servicer of its duties to custody, service and report on the Participated Mortgage Loans.

9. Substitution of the Loan obligor.

The Servicer shall be authorised to permit substitutions in the position of the obligor under Participated Mortgage Loan agreements, exclusively where the characteristics of the new mortgagor are similar to those of the former mortgagor and those characteristics observe the policies for granting mortgage loans described in the relevant Memorandum on Policies for Granting Mortgage Loans attached to the Fund Organisation Deed, and moreover provided that the expenses derived from that change are fully borne by the mortgagors. The Management Company may fully or partially limit this authority of the Servicer or lay down conditions therefore, in the event that there might be consequences being howsoever detrimental to the rating accorded to the Bonds by the Rating Agency.

10. Authorities and actions in relation to Participated Mortgage Loan renegotiation procedures.

The Servicer may not voluntarily cancel the mortgages subject of the Mortgage Units for any reason other than payment of the Participated Mortgage Loan, relinquish or settle in regard thereto, forgive the Participated Mortgage Loans in full or in part or extend the same, or in general do anything that may diminish the legal effectiveness or economic value of the mortgage or of the Participated Mortgage Loans, without prejudice to its proceeding to heed requests by the mortgagors with the same diligence and procedure as if the loans were not participated.

Notwithstanding the above, the Management Company may in exceptional circumstances, to avoid the costs and uncertainties attaching to any foreclosure proceedings and maintain the economic balance of the Fund, and in any event safeguarding the interests of Bondholders, as manager of third-party business, issue instructions to or authorise the Servicer previously to agree with the obligor, on such terms and conditions as may be deemed fit, and moreover bearing in mind Law 2/1994 on substitution and amendment of mortgage loans, a renewal(s) modifying the Participated Mortgage Loan at issue.

a) Renegotiating the interest rate.

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

Without prejudice to the provisions hereinafter, any renegotiation subscribed by the Servicer shall be made exclusively with the prior written consent of the Management Company, on behalf of the Fund, and the Servicer agrees to seek such consent from the Management Company as soon as it is aware that a mortgagor has requested a renegotiation. The Management Company will nevertheless initially authorise the Servicer to accept renegotiations of the interest rate applicable to the Participated Mortgage Loans, requested by the mortgagors, without requiring the prior consent of the Management

Company, subject to a number of general requirements relating to each of the Participated Mortgage Loan benchmark rates or indices, which indices are described in section IV.4.d) of this Prospectus.

The Management Company may at any time during the term of the Agreement, on behalf of the Fund, cancel, suspend or change the requirements for the Servicer's authorisation to renegotiate which it may previously have given the Servicer. In any event, whether or not it was generically authorised, any Participated Mortgage Loan interest rate renegotiation shall be taken on and settled bearing in mind the interests of the Fund.

Additionally, in the event of a renegotiation of the interest rate applicable to the Participated Mortgage Loans, the Servicer agrees to pay the Fund, with respect to each Participated Mortgage Loan whose interest was changed and on each collection date, the negative difference between (a) the interest accrued by the Participated Mortgage Loan during the relevant interest settlement period, and (b) the interest accrued by the Participated Mortgage Loan in the same settlement period applying to the loan principal on the settlement date a yearly nominal interest rate equal to the sum of (i) the Bond Benchmark Interest Rate, as determined in section 11.10.1.c), in force at the beginning of the relevant Interest Accrual Period, and (ii) a 0.55% differential.

b) Extending the period of maturity.

The final maturity or final amortisation date of the Participated Mortgage Loans may be extended (hereinafter "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 there being so requested by the mortgagor, a change in the final maturity date of the Participated Mortgage Loan which may result in an extension of that date. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund's interests.

(ii) The aggregate of the initial capital or principal of the Mortgage Units issued on the Participated Mortgage Loans with respect to which the maturity date is extended may not exceed 5.00% of the total initial capital or principal of the Mortgage Units issued by the Servicer.

(iii) The term of a specific Participated Mortgage Loan may be extended provided that the following requirements are met:

a) That the periodicity of repayment instalments of the capital or principal of the Participated Mortgage Loan is at all events maintained or reduced, maintaining the same repayment system.

b) That the new final maturity or final amortisation date does not extend beyond October 1, 2026.

c) That there was no delay in payment of amounts due on the Participated Mortgage during the last six (6) months before the effective date of the extension of the term.

(iv) The Management Company may at any time during the term of the Servicing Agreement, on behalf of the Fund, cancel, suspend or change the Servicer's authorisation to extend the term.

If there should be any renegotiation of the Participated Mortgage Loan(s) or their due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such a notice shall be made through the software or data file provided for the terms of the Participated Mortgage Loans to be updated. Both the public deeds and the private agreements pertaining to the renewal of the terms of the Loans will be kept by the Servicer, in accordance with the provisions of paragraph 2 of this section.

In the event of a renegotiation of the Participated 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 in accordance with rule fifteen, section 2d) of Bank of Spain Circular 4/91, June 16.

11. Remedies of the holder of the Mortgage Units in the event of breach of obligations by the mortgagor.

The Servicer shall apply an identical diligence and procedure for claiming overdue amounts on the Participated Mortgage Loans as with the rest of the loans in its portfolio. The Servicer shall as a general rule apply for a foreclosure, advancing all necessary expenses to do so, if for a period of six (6) months, an obligor under a Participated Mortgage Loan in default of payment obligations should fail to resume payments or the Servicer, with the Management Company's consent, should fail to obtain a payment undertaking satisfactory to the Fund, and shall in any event forthwith proceed to apply for such foreclosure if the Management Company, on behalf of the Fund, should deem this fit after analysing the specific circumstances of the case.

In the event of default by any mortgagor, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided in article 66 of Royal Decree 685/1982, amended by Royal Decree 1289/1991:

(i) To demand the Servicer to apply for a foreclosure.

(ii) To take part with equal rights with BANCO ZARAGOZANO, as issuer of the Mortgage Units, in the foreclosure the latter shall have instituted against the debtor, intervening to that end in any execution proceedings commenced by the latter, and to a share in the proceeds of the sale pro rata to its percentage in the executed credit and without prejudice, as the case may be, to BANCO ZARAGOZANO receiving the difference between the interest agreed under the Participated Mortgage Loan and that agreed under the Mortgage Unit.

(iii) If BANCO ZARAGOZANO 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 participated credit in the amount of its percentage participation in both principal and interest.

(iv) In the event that the proceedings instituted by BANCO ZARAGOZANO should come to a standstill, the Fund, duly represented by the Management Company, may be substituted in the position of the former and continue the execution proceedings, without the above period having to elapse.

In the cases provided in paragraphs (iii) and (iv), the Management Company, for and on behalf of the Fund, may apply to the Judge or Notary with jurisdiction to commence or continue with the respective foreclosure proceedings, attaching to the application the original Mortgage Unit certificate, the notice served though a Notary Public provided in section (iii) above and an office certificate as to the registration and subsistence of the mortgage.

If this should be required by law, and for the purposes of the provisions of the Civil Procedure Law, BANCO ZARAGOZANO shall confer in the Organisation Deed 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 ZARAGOZANO, to demand through a Notary Public payment of the debt by a mortgagor under any of the Participated Mortgage Loans.

The Management Company, for and on behalf of the Fund as holder of the Mortgage Units, may also take part with equal rights with BANCO ZARAGOZANO in the execution proceedings and may in this sense, on the terms for which provision is made in the Civil Procedure Law, request the award of the mortgaged property as payment of its credit. The Management Company shall proceed to sell the property awarded within the shortest possible space of time on market terms.

Additionally, the Servicer will provide the Management Company with all such documents as the latter may request in relation to the Participated Mortgage Loans and in particular the documents required for the Management Company to take executive legal actions, as the case may be.

12. Executive action against the Servicer.

The Management Company shall, for and on behalf of the Fund, have an executive action against the Servicer to enforce the principal and interest maturities under the Mortgage Units, where the breach of the obligation to pay those amounts does not result from a default by the obligors of the Participated Mortgage Loans.

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

13. Set-off.

In the event that any of the obligors under the Participated Mortgage Loans should have a liquid credit right, due and payable vis-à-vis the Servicer, and any of the Participated Mortgage Loans should therefore be fully or partially set-off against that credit, the Servicer shall proceed to pay into the Fund the amount set off plus the accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Participated Mortgage Loan

14. Subcontracting.

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

15. Substitution.

In the event of a breach by the Servicer of any of the obligations imposed in the Servicing Agreement on the Servicer, the Management Company shall be entitled to demand the Servicer to perform as agreed or, as the case may be and where this is legally possible, terminate the Servicing Agreement. Similarly, in the event that the Servicer’s rating should drop, the Management Company shall be entitled, where this is legally possible, to terminate the Servicing Agreement. In the event of termination of the Agreement, the Management Company shall previously designate a new Servicer of the Participated Mortgage Loans, provided that it has a credit quality acceptable to the Rating Agency and that the new Servicer accepts the obligations contained in the Servicing Agreement.

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

IV.3 Succinct and short description of the general policies for granting and terms for perfecting established in regard to mortgage loans by the institutions issuing the units pooled in the Fund.

IV.3.1 Succinct description of the procedures established by BANCO ZARAGOZANO, issuer of the Mortgage Units, for analysing risks and granting mortgage loans.

The Participated Mortgage Loans have been granted by BANCO ZARAGOZANO, issuer of the Mortgage Units, in accordance with its usual standards, which will be described in Schedule 7 to the Organisation Deed of the Fund, in the relevant "Memorandum on the Policies for Granting the Mortgage loans".

IV.3.2 Statistical information on the evolution of the amounts and number, balances outstanding, average amount, average interest, and average term, of the portfolio of mortgage loans.

The following table shows the evolution over the last five years of the credit investment of BANCO ZARAGOZANO, granted to finance homes for individuals, detailing the number of outstanding loans granted for such purpose, the nominal interest rate as an average percentage weighted on the principals pending repayment, and the delinquency on this investment.

Date	Net home credit investment			Loans in arrears		
	Loans	Balance (in Ptas. thousands)	% Nominal interest rate	Loans	Balance (in Ptas. thousands)	Delinquency ratio %
1	2	3	4	5	6	7
31.12.2000	**37,312**	**242,954,660**	**5.53%**	**181**	**928,173**	**0.38%**
31.12.1999	**33,185**	**209,914,584**	**4.63%**	**180**	**928,294**	**0.44%**
31.12.1998	**29,472**	**182,947,212**	**5.64%**	**162**	**897,198**	**0.49%**
31.12.1997	**26,029**	**160,439,792**	**6.92%**	**186**	**1,087,802**	**0.68%**
31.12.1996	**22,704**	**134,259,000**	**9.17%**	**261**	**1,293,818**	**0.96%**

4: Nominal interest rate weighted on the principal pending repayment
5: number of loans in arrears at the end of each year
7: 6/3 * 100

IV.4 Description of the portfolios of mortgage loans raised through the Mortgage Units pooled in the Fund.

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

The provisional mortgage loan portfolio which shall be the basis for issuing Mortgage Units comprises 6,957 mortgage loans, the principal outstanding thereon at July 9, 2001 amounting to 54,216,551,412 Ptas. (325,848,036.57 Euro).

b) Maximum, minimum and average values of the principals of the mortgage loans.

The principal outstanding on the mortgage loans at July 9, 2001 ranges between 771,879 Ptas. and 162,204,480 Ptas.

The following table shows the distribution of the outstanding principal balance of the mortgage loans in 2,000,000 Ptas. intervals. No details of intervals with no contents are given.

Mortgage loan portfolio at 9.7.2001 Classification by outstanding principal				
Interval of outstanding principal (in pesetas)	**Loans No.**	**%**	**Outstanding principal (pesetas)**	**%**
0 - 1,999,999	433	6.22	633,535,938	1.17
2,000,000 - 3,999,999	1,209	17.38	3,797,419,793	7.00
4,000,000 - 5,999,999	1,437	20.66	7,186,082,736	13.25
6,000,000 - 7,999,999	1,266	18.20	8,862,776,353	16.35
8,000,000 - 9,999,999	940	13.51	8,489,283,496	15.66
10,000,000 - 11,999,999	594	8.54	6,484,642,410	11.96
12,000,000 - 13,999,999	381	5.48	4,908,007,944	9.05
14,000,000 - 15,999,999	251	3.61	3,744,584,610	6.91
16,000,000 - 17,999,999	143	2.06	2,433,312,583	4.49
18,000,000 - 19,999,999	104	1.49	1,975,987,940	3.64
20,000,000 - 21,999,999	54	0.78	1,137,232,622	2.10
22,000,000 - 23,999,999	37	0.53	851,932,246	1.57
24,000,000 - 25,999,999	24	0.34	590,491,716	1.09
26,000,000 - 27,999,999	20	0.29	538,705,165	0.99
28,000,000 - 29,999,999	14	0.20	406,303,455	0.75
30,000,000 - 31,999,999	9	0.13	281,349,831	0.52
32,000,000 - 33,999,999	5	0.07	167,653,294	0.31
34,000,000 - 35,999,999	8	0.11	276,598,398	0.51
36,000,000 - 37,999,999	4	0.06	148,877,082	0.27
38,000,000 - 39,999,999	3	0.04	116,435,889	0.21
40,000,000 - 41,999,999	7	0.10	287,192,866	0.53
42,000,000 - 43,999,999	4	0.06	173,518,607	0.32
44,000,000 - 45,999,999	2	0.03	89,657,962	0.17
46,000,000 - 47,999,999	1	0.01	47,375,019	0.09
54,000,000 - 55,999,999	2	0.03	108,296,503	0.20
66,000,000 - 67,999,999	1	0.01	66,722,534	0.12
76,000,000 - 77,999,999	1	0.01	75,328,663	0.14
78,000,000 - 79,999,999	1	0.01	77,125,544	0.14
98,000,000 - 99,999,999	1	0.01	97,915,733	0.18
162,000,000 - 163,999,999	1	0.01	162,204,480	0.30
Total Portfolio	**6,957**	**100,00**	**54,216,551,412**	**100,00**
	Average principal:		**7,793,093**	
	Minimum principal:		**771,879**	
	Maximum principal:		**162,204,480**	

c) Actual interest rate applicable at present: maximum, minimum and average rates of the mortgage loans.

The mortgage loans in the provisional portfolio all have a floating interest rate. The nominal interest rates applicable to the mortgage loans at July 9, 2001 range between 3.90% and 8.00% and the average nominal interest rate weighted on the outstanding principal is 5.88%.

The following table shows the distribution of the mortgage loans in nominal interest rate intervals of 0.50%. No details of intervals with no contents are given.

Mortgage loan portfolio at 9.7.2001
Classification by Nominal Interest Rates

Interest Rate % Interval	Loans	%	Outstanding principal (pesetas)	%	Interest rate% *
3.50 - 3.99	3	0.04	31,542,053	0.06	3.90
4.00 - 4.49	15	0.22	168,542,684	0.31	4.33
4.50 - 4.99	383	5.51	3,957,565,702	7.30	4.69
5.00 - 5.49	229	3.29	2,395,106,049	4.42	5.22
5.50 - 5.99	2,414	34.70	18,905,226,323	34.87	5.72
6.00 - 6.49	3,025	43.48	23,416,647,113	43.19	6.11
6.50 - 6.99	739	10.62	4,703,612,720	8.68	6.56
7.00 - 7.49	143	2.06	621,443,431	1.15	7.14
7.50 - 7.99	5	0.07	11,277,819	0.02	7.73
8.00 - 8.49	1	0.01	5,587,518	0.01	8.00
Total Portfolio	**6,957**	**100.00**	**54,216,551,412**	**100.00**	
	Weighted Average:				**5.88**
	Simple Average:				**5.93**
	Minimum:				**3.90**
	Maximum:				**8.00**

*Nominal interest rate of the interval weighted on the outstanding principal.

d) Benchmark indexes applicable at present to the mortgage loans.

The following table shows the distribution of the mortgage loans according to the benchmark index applicable to them for determining the nominal interest rate.

Mortgage loan portfolio at 9.7.2001
Classification by Benchmark interest rate index

Benchmark index	Loans	%	Outstanding principal (pesetas)	%	Spread * o/index %
1-year EURIBOR	4,449	63.95	36,881,415,606	68.03	0.85
1-year MIBOR	2,506	36.02	17,326,906,624	31.96	1.11
6-month MIBOR	2	0.03	8,229,182	0.02	1.50
Total Portfolio	**6,957**	**100.00**	**54,216,551,412**	**100.00**	

* Spread over the average benchmark index weighted on the principal outstanding.

e) **Mortgage loan arrangement dates and closest and furthest final maturity dates, specifying the residual life of the mortgage loans as a whole.**

Arrangement date.

The mortgage loans comprised in the provisional portfolio were arranged on dates comprised between January, 20 1994 and January 31, 2001, the average portfolio seniority being 17 months at July 9, 2001.

The following table shows the distribution of the mortgage loans according to the arrangement date by yearly intervals.

Mortgage loan portfolio at 9.7.2001 Classification by date of arrangement of the loan				
Date interval	**Loans**	**%**	**Outstanding principal (pesetas)**	**%**
From 01/01/1994 to 30/06/1994	34	0.49	110,154,874	0.20
From 01/07/1994 to 31/12/1994	52	0.75	169,824,081	0.31
From 01/01/1995 to 30/06/1995	41	0.59	201,249,885	0.37
From 01/07/1995 to 31/12/1995	35	0.50	92,023,616	0.17
From 01/01/1996 to 30/06/1996	40	0.57	211,124,560	0.39
From 01/07/1996 to 31/12/1996	61	0.88	296,730,863	0.55
From 01/01/1997 to 30/06/1997	73	1.05	413,858,488	0.76
From 01/07/1997 to 31/12/1997	93	1.34	506,285,992	0.93
From 01/01/1998 to 30/06/1998	133	1.91	817,494,840	1.51
From 01/07/1998 to 31/12/1998	200	2.87	1,432,362,427	2.64
From 01/01/1999 to 30/06/1999	338	4.86	2,348,362,456	4.33
From 01/07/1999 to 31/12/1999	1,592	22.88	11,654,319,915	21.50
From 01/01/2000 to 30/06/2000	2,176	31.28	17,192,346,574	31.71
From 01/07/2000 to 31/12/2000	1,990	28.60	17,727,514,445	32.70
From 01/01/2001 to 30/06/2001	99	1.42	1,042,898,396	1.92
Total Portfolio	**6,957**	**100.00**	**54,216,551,412**	**100.00**

Final Maturity Date and residual life.

The final maturity of the mortgage loans comprised in the provisional portfolio falls on dates comprised between January 1, 2003 and October 1, 2026.

The amortisation of the loans takes place throughout the life remaining until full amortisation, during which period the mortgagors must pay monthly instalments comprising capital repayment and interest.

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

The following table shows the distribution of the mortgage loans according to the final maturity date in annual intervals.

Mortgage loan portfolio at 9.7.2001 Classification by Final Maturity Date						
Date interval	**Loans**	**%**	**Outstanding principal (pesetas)**	**%**	**Residual life * Months**	**Date**
2003	25	0.36	59,660,852	0.11	25.31	18/08/2003
2004	97	1.39	255,011,289	0.47	36.34	19/07/2004
2005	121	1.74	435,173,621	0.80	48.21	15/07/2005
2006	185	2.66	679,309,408	1.25	59.54	25/06/2006
2007	157	2.26	638,343,351	1.18	71.57	26/06/2007
2008	241	3.46	1,177,577,778	2.17	83.97	8/07/2008
2009	397	5.71	2,057,395,412	3.79	96.42	22/07/2009
2010	543	7.81	3,454,051,098	6.37	107.89	6/07/2010
2011	302	4.34	1,926,589,698	3.55	119.27	17/06/2011
2012	401	5.76	2,658,157,729	4.90	131.22	15/06/2012
2013	261	3.75	1,825,962,719	3.37	143.68	29/06/2013
2014	506	7.27	3,774,038,388	6.96	156.91	6/08/2014
2015	797	11.46	6,380,385,313	11.77	166.72	1/06/2015
2016	158	2.27	1,260,300,148	2.32	178.32	18/05/2016
2017	172	2.47	1,400,782,154	2.58	192.02	9/07/2017
2018	179	2.57	1,586,197,793	2.93	203.68	29/06/2018
2019	355	5.10	3,269,161,184	6.03	217.26	17/08/2019
2020	928	13.34	8,986,919,488	16.58	227.69	29/06/2020
2021	96	1.38	977,703,909	1.80	237.44	22/04/2021
2022	128	1.84	1,168,946,099	2.16	251.90	6/07/2022
2023	128	1.84	1,203,235,279	2.22	264.34	20/07/2023
2024	254	3.65	2,796,075,109	5.16	276.72	31/07/2024
2025	468	6.73	5,423,796,219	10.00	288.01	9/07/2025
2026	58	0.83	821,777,374	1.52	294.60	26/01/2026
Total portfolio	**6,957**	**100.00**	**54,216,551,412**	**100.00**		
	Weighted Average:				**189.62**	**28/04/2017**
	Simple Average:				**170.23**	**15/09/2015**
	Minimum:				**17.77**	**1/01/2003**
	Maximum:				**302.75**	**1/10/2026**

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

f) Specification of the maximum, minimum and average value of the ratio: "present loan amount/ assessed value".

The ratio between the amount of outstanding principal and the assessed value of the home securing the mortgage loans in the provisional portfolio at July 9, 2001 ranged between 0.99% and 79.58%, the average ratio weighted on the principal outstanding on each loan being 50.26%.

The following table shows the distribution of the mortgage loans according to 5.00% intervals of such a ratio.

Mortgage loan portfolio at 9.7.2001 Classification by Ratio outstanding principal / Assessed Value					
Ratio Intervals	**Loans**	**%**	**Outstanding principal (pesetas)**	**%**	**Outstanding Principal / Assessed V.**
0.01 - 5.00	26	0.37	47,263,683	0.09	3.79
5.01 - 10.00	226	3.25	462,922,551	0.85	8.16
10.01 - 15.00	370	5.32	1,105,916,277	2.04	12.71
15.01 - 20.00	428	6.15	1,626,952,888	3.00	17.73
20.01 - 25.00	443	6.37	2,169,202,707	4.00	22.55
25.01 - 30.00	494	7.10	2,738,173,362	5.05	27.63
30.01 - 35.00	510	7.33	3,436,112,554	6.34	32.66
35.01 - 40.00	592	8.51	4,430,882,628	8.17	37.60
40.01 - 45.00	550	7.91	4,619,650,558	8.52	42.69
45.01 - 50.00	631	9.07	5,947,806,461	10.97	47.50
50.01 - 55.00	503	7.23	4,646,838,887	8.57	52.64
55.01 - 60.00	512	7.36	5,053,425,479	9.32	57.40
60.01 - 65.00	396	5.69	4,085,721,109	7.54	62.35
65.01 - 70.00	388	5.58	4,081,488,626	7.53	67.50
70.01 - 75.00	462	6.64	5,097,963,556	9.40	72.39
75.01 - 80.00	426	6.12	4,666,230,086	8.61	77.33
Total Portfolio	**6,957**	**100.00**	**54,216,551,412**	**100.00**	
	Weighted Average:				**50.26**
	Simple Average:				**43.56**
	Minimum:				**0.99**
	Maximum:				**79.58**

*Ratio outstanding principal /Assessed V. are averages weighted on the outstanding principal.

g) Specification of the geographical distribution by provinces of the current amount of the mortgage loans.

The following table shows the geographical distribution of the mortgage loans, according to the provinces in which the homes securing the same are located.

The table also contains the number of loans and the outstanding principal, the ratio outstanding principal / average assessed value weighted on the loans whose security is located in each of the provinces.

Mortgage loan portfolio at 9.7.2001 Geographic Classification						
		Loans		**Outstanding principal**		**Outstanding Principal / Assessment**
			%	**(pesetas)**	**%**	
04	Almería	59	0.85	503,291,205	0.93	58.68
11	Cádiz	107	1.54	675,691,758	1.25	50.93
14	Córdoba	38	0.55	271,717,666	0.50	52.87
18	Granada	126	1.81	856,582,718	1.58	57.41
21	Huelva	63	0.91	427,404,899	0.79	60.70
23	Jaén	16	0.23	105,047,716	0.19	44.51
29	Málaga	398	5.72	3,011,834,681	5.56	48.99
41	Seville	525	7.55	4,373,791,692	8.07	62.52
	Andalusia	**1,332**	**19.15**	**10,225,362,335**	**18.86**	**56.64**
22	Huesca	60	0.86	412,601,083	0.76	53.89
44	Teruel	36	0.52	230,643,293	0.43	47.50
50	Zaragoza	353	5.07	2,654,763,921	4.90	50.31
	Aragón	**449**	**6.45**	**3,298,008,297**	**6.08**	**50.56**
33	Asturies	125	1.80	902,359,370	1.66	50.92
	Asturies	**125**	**1.80**	**902,359,370**	**1.66**	**50.92**
07	Balearic Isles	145	2.08	1,685,023,141	3.11	47.40
	Balearic Isles	**145**	**2.08**	**1,685,023,141**	**3.11**	**47.40**
35	Las Palmas	329	4.73	2,515,892,681	4.64	48.76
38	Sta. Cruz Tenerife	105	1.51	827,704,811	1.53	46.46
	Canaries	**434**	**6.24**	**3,343,597,492**	**6.17**	**48.19**
39	Cantabria	73	1.05	513,363,350	0.95	42.60
	Cantabria	**73**	**1.05**	**513,363,350**	**0.95**	**42.60**
08	Barcelona	723	10.39	6,230,884,483	11.49	48.01
17	Girona	81	1.16	699,978,292	1.29	49.23
25	Lleida	35	0.50	226,339,133	0.42	46.90
43	Tarragona	113	1.62	792,231,751	1.46	48.54
	Catalonia	**952**	**13.68**	**7,949,433,659**	**14.66**	**48.14**
01	Álava	26	0.37	186,777,267	0.34	28.49
20	Guipúzcoa	34	0.49	248,804,070	0.46	41.23
48	Biscay	116	1.67	981,248,579	1.81	46.11
	Basque Country	**176**	**2.53**	**1,416,829,916**	**2.61**	**42.93**
06	Badajoz	48	0.69	364,122,794	0.67	61.29
10	Cáceres	29	0.42	199,109,465	0.37	55.66
	Extremadura	**77**	**1.11**	**563,232,259**	**1.04**	**59.30**
15	Corunna	66	0.95	498,933,433	0.92	52.57
27	Lugo	1	0.01	7,878,246	0.01	49.86
32	Orense	48	0.69	289,990,560	0.53	49.06
36	Pontevedra	72	1.03	529,795,811	0.98	51.90
	Galicia	**187**	**2.69**	**1,326,598,050**	**2.45**	**51.52**
05	Ávila	25	0.36	179,973,444	0.33	48.53
09	Burgos	26	0.37	279,324,815	0.52	51.74
24	León	48	0.69	317,565,941	0.59	49.49
34	Palencia	20	0.29	177,427,620	0.33	58.39
37	Salamanca	19	0.27	152,280,941	0.28	43.67
40	Segovia	34	0.49	321,729,228	0.59	56.50
42	Soria	12	0.17	90,385,072	0.17	56.82
47	Valladolid	142	2.04	966,097,203	1.78	52.83
49	Zamora	9	0.13	37,777,883	0.07	39.57
	Castile-León	**335**	**4.82**	**2,522,562,147**	**4.65**	**52.23**
28	Madrid	1,286	18.48	11,479,069,181	21.17	47.09
	Madrid	**1,286**	**18.48**	**11,479,069,181**	**21.17**	**47.09**

Mortgage loan portfolio at 9.7.2001 Geographic Classification						
		Loans		**Outstanding principal**		**Outstanding principal/ Assessment**
02	Albacete	44	0.63	256,962,826	0.47	44.58
13	Ciudad Real	36	0.52	215,307,830	0.40	47.49
16	Cuenca	65	0.93	419,784,711	0.77	54.64
19	Guadalajara	43	0.62	303,569,749	0.56	43.18
45	Toledo	242	3.48	1,663,227,144	3.07	55.29
	Castile La Mancha	**430**	**6.18**	**2,858,852,260**	**5.27**	**52.36**
30	Murcia	113	1.62	668,744,564	1.23	45.79
	Murcia	**113**	**1.62**	**668,744,564**	**1.23**	**45.79**
31	Navarre	30	0.43	285,893,526	0.53	45.51
	Navarre	**30**	**0.43**	**285,893,526**	**0.53**	**45.51**
26	La Rioja	40	0.57	197,860,005	0.36	44.58
	La Rioja	**40**	**0.57**	**197,860,005**	**0.36**	**44.58**
03	Alicante	315	4.53	1,956,569,932	3.61	47.34
12	Castellón	62	0.89	329,055,123	0.61	46.17
46	Valencia	396	5.69	2,694,136,805	4.97	52.95
	Valencian Community	**773**	**11.11**	**4,979,761,860**	**9.18**	**50.30**
Total Portfolio		**6,957**	**100.00**	**54,216,551,412**	**100,00**	

* Ratio outstanding principal /Assessed V. are averages weighted on the principal outstanding.

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

The following table shows the number of loans, the principal outstanding and the principal due and not paid on loans in the provisional portfolio in regard to which at July 18, 2001 there was any delay in payment of overdue amounts.

Arrears in payment of instalments due at 18.7.2001			
Day Interval	**Loans**	**Principal not yet due**	**Principal overdue**
1-15	13	124,603,118	608,683
16-30	86	758,019,183	4,164,128
31-60	102	809,264,413	8,880,455
61-90	52	544,038,194	8,913,007

As declared by BANCO ZARAGOZANO in section IV.1.a) (18), none of the Participated Mortgage Loans that will finally be subject of the issue of Mortgage Units for organising the Fund shall have overdue payments on the date of issue.

i) Specification of the current amount of mortgage loans considered by the issuers of the Mortgage Units to be assets with a 20% weighting, for the purposes provided in the Order dated December 30, 1992 on Credit Institution solvency rules.

The mortgage loans in the provisional portfolio are all considered by BANCO ZARAGOZANO to be risk assets with a 20% weighting in the solvency ratio Credit Institutions must have for the purposes provided in the Order dated December 30, 1992.

CHAPTER V

INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATION OF THE MORTGAGE SECURITISATION FUND

V.1 Synoptic chart describing the various assumptions and most likely estimated performance of the economic and financial flows of the Fund.

Initial balance sheet of the Fund.

The balance sheet of the Fund, in Euro, on the Closing Date will be as follows assuming that all Organisation and Bond issue expenses are met that day:

ASSETS		LIABILITIES	
Fixed Assets	**310,300,000.00**	**Bond issue**	**310.000.000.00**
Mortgage Units	310,008,901.51	Series A Bonds	298,300,000.00
(adjustment excess to 8,901.51)		Series B Bonds	6,200,000.00
		Series C Bonds	5,500,000.00
Organisation and issue expenses	291,098.49		
		Long-term liabilities	**5,450,000.00**
Current Assets	**5,150,000.00**	Starting Expenses Loan	800,000.00
Treasury Account	5,150,000.00	Subordinated Loan	4,650,000.00
Accrued interest receivable *	To be determined	**Short-term creditors**	To be determined
		Participated Mortgage Loan interest accrued *	To be determined
Total assets	**315,450,000.00**	**Total liabilities**	**315,450,000.00**
MEMORANDUM ACCOUNTS	**4,650,000.00**		
Reserve Fund	4,650,000.00		

(Amounts in Euro)

* As set forth in section IV.1 b) of the Prospectus.

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

The tables shown in section V.1.3 below relate to one of the possible scenarios that could, in relation to the income and payments made and received by the Fund, arise during the term of the Fund and this Bond issue.

The following assumptions have been made in preparing said Bond servicing and Fund cash flow tables:

a) Participated Mortgage Loans.

(i) Amount of the portfolio at July 9, 2001 from which the loans subject of the issue of Mortgage Units will be taken: 54,216,551,412 Ptas. (325,848,036.57 Euro).

(ii) Interest rate: 5.88% (%average interest rate at July 9, 2001 weighted on the portfolio of loans selected).

(iii) CPR: 10% per annum.

(iv) Delinquency rate: 0% per annum.

(v) Defaults considered bad debts: 0%.

b) Mortgage Units.

(i) Principal: 100% share.

(ii) Interest: share calculated on the same interest rate applicable to a Participated Mortgage Loan.

c) Bonds.

(i) Amount: 298,300,000 Euro (49,632,943,800 Ptas.) in Series A, 6,200,000 Euro (1,031,593,200 Ptas.) in Series B and 5,500,000 Euro (915,123,000 Ptas.) in Series C.

(ii) Interest rate: floating interest rate for the outstanding balances of each of the Bond Series A, B and C, assuming that the interest rates in each Series are kept constant respectively at 4.739%, 4.999% and 5.999%.

(iii) Exercise by the Management Company of the early-amortisation option of the Bonds in each Series when the Balance Outstanding on the Mortgage Units is less than 10% of their initial amount.

d) Ancillary agreements.

(i) Treasury Account and Guaranteed Interest Rate Account Agreement.

It is assumed that the Treasury Account shall be maintained at CAJA MADRID**.**

Interest rate: it is assumed that it will remain constant at 4.419% for remunerating amounts deposited in the Treasury Account.

(ii) Starting Expenses Loan Agreement.

- Amount: eight hundred thousand (800,000) Euro (3,108,800 Ptas.) which shall be allocated to finance the expenses of organising the Fund and issuing the Bonds (approximately 291,098.49 Euro - 48,434,713- Ptas.), to partially finance the subscription for the Mortgage Units (up to 8,901.51 Euro - 1,481,087- Ptas.) and for the remaining amount to cover the timing difference existing between collection of interest on the Mortgage Units and payment of interest on the Bonds (500,000 Euro - 83,193,000- Ptas.).

- Interest rate: it is assumed that it will remain constant at 5.499%.

- Repayment: quarterly straight-line payments until the Payment Date falling on January 17, 2005 (inclusive).

(iii) Subordinated Loan Agreement.

- Amount: 4.650.000 Euro (773.694.900 Ptas.) which shall be allocated to provide the Reserve Fund.

- Repayment: payments shall be made on each Payment Date in the same amount as the Reserve Fund is reduced.

- Variable remuneration settled quarterly, on each Payment Date, on account of annual accrual in an amount equal to the positive difference, if any, between the income and expenditure of the Fund before its official accounts are closed.

(iv) Reserve Fund.

Reserve Fund: 4,650,000 Euro (773,694,900 Ptas.), to be provided on each Payment Date, in order for its amount to be equal to the lower of 4,650,000 Euro and 3.75% of the Balance Outstanding on the Mortgage Units, maintaining in any event a minimum amount equivalent to 0.50% of the initial Balance Outstanding on the Mortgage Units.

e) Expenses, fees and spread.

(i) Loan Management fee: 0.01% per annum on the mean daily Balance Outstanding on the Mortgage Units during each Interest Accrual Period corresponding to the ongoing Payment Date, inclusive of VAT.

(ii) Management Company Fee: 0.02725% per annum on the Principal Balance Outstanding on the Bonds, with a minimum annual amount of 19,535 Euro (3,250,350 Ptas.) and an assumed annual Retail Price Index of +2.00%.

(iii) Expenses of the annual audits of the Fund, monitoring of the rating and publication of notices, approximately 5,982.22 Euro (995,358 Ptas.), and an assumed annual Retail Price Index of +2.00%.

(iv) Bond Payment Agency Fees: 300 Euro (49,916 Ptas.) on each Payment Date.

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

In order to cover the possible credit risk due to delinquency and default on the Participated Mortgage Loans, a Reserve Fund is resolved to be set up, initially provided with the drawdown on the Subordinated Loan.

In general, the quality of the Mortgage Units and the mechanisms guaranteeing the aforesaid financial balance of the Fund are such that no extreme early-amortisation, or delinquency and default ratios should reasonably be considered resulting, upon both the early-amortisation risk and the risk of delinquency on the loans being properly transferred, in the financial structure of the Fund being imbalanced.

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

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

The number outline set forth hereinafter relates to collections and payments derived from the application of a cash policy, for ease of understanding of the investor, though in accordance with the provisions of section V.2 of this Prospectus, the Fund will apportion income and expenditure in time in accordance with the accruals principle.

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

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

CASH FLOWS OF THE FUND

(AMOUNTS IN EUROS)

CPR = 10%

Date pf Issue of the Bonds			
		310.000.000,00	Acquisition of the Mortgage Units
		791.098,49	Organisation and issue expenses + coverage of timing difference
		4.650.000,00	Reserve Fund

25-July-2001

Res. Fund Balance	Outst. Bal. Mus	Date	COBROS Principal Amortised Mus	Interest Mus	Reinvest. Account Interest	Reserve Fund Reduct.	Total
(0)	(1)	(2)	(3)	(4)	(5)	(6)	(7)
4,650,000.00	299,250,804.71	**17-Octo-2001**	10,749,195.29	3,807,600.67	115,574.52	0,00	**14,672,370.49**
4,650,000.00	287,618,993.00	**17-Jan-2002**	11,631,811.71	4,317,867.80	133,902.00	0,00	**16,083,581.50**
4,650,000.00	276,496,385.85	**17-Apr-2002**	11,122,607.14	4,151,141.50	127,650.39	0,00	**15,401,399.04**
4,650,000.00	265,624,611.67	**17-July-2002**	10,871,774.19	3,989,385.24	126,869.37	0,00	**14,988,028.80**
4,650,000.00	255,003,932.25	**17-Octo-2002**	10,620,679.41	3,830,948.08	125,723.37	0,00	**14,577,350.86**
4,650,000.00	244,705,003.87	**17-Jan-2003**	10,298,928.39	3,677,616.65	123,528.70	0,00	**14,100,073.73**
4,650,000.00	234,856,497.01	**17-Apr-2003**	9,848,506.86	3,529,865.11	117,892.46	0,00	**13,496,264.44**
4,650,000.00	225,239,925.34	**17-July-2003**	9,616,571.67	3,386,696.71	117,209.56	0,00	**13,120,477.94**
4,650,000.00	215,865,137.57	**17-Octo-2003**	9,374,787.76	3,246,664.27	116,160.78	0,00	**12,737,612.82**
4,650,000.00	206,783,420.98	**19-Jan-2004**	9,081,716.59	3,111,343.01	118,247.55	0,00	**12,311,307.15**
4,650,000.00	198,058,279.21	**19-Apr-2004**	8,725,141.77	2,980,564.09	113,308.81	0,00	**11,819,014.66**
4,650,000.00	189,620,044.84	**19-July-2004**	8,438,234.37	2,854,402.65	111,081.57	0,00	**11,403,718.59**
4,650,000.00	181,404,066.18	**18-Octo-2004**	8,215,978.66	2,731,608.29	108,195.23	0,00	**11,055,782.18**
4,650,000.00	173,471,487.53	**17-Jan-2005**	7,932,578.65	2,613,136.12	105,022.48	0,00	**10,650,737.25**
4,650,000.00	165,905,291.19	**18-Apr-2005**	7,566,196.33	2,499,388.31	102,700.66	0,00	**10,168,285.31**
4,650,000.00	158,543,669.44	**18-July-2005**	7,361,621.75	2,389,533.74	101,569.04	0,00	**9,852,724.53**
4,650,000.00	151,400,882.99	**17-Octo--2005**	7,142,786.45	2,282,540.72	98,976.12	0,00	**9,524,303.30**
4,650,000.00	144,510,503.98	**17-Jan-2006**	6,890,379.01	2,179,574.78	97,901.06	0,00	**9,167,854.85**
4,650,000.00	137,949,637.28	**17-Apr-2006**	6,560,866.70	2,080,813.37	93,674.54	0,00	**8,735,354.60**
4,650,000.00	131,581,510.03	**17-July-2006**	6,368,127.26	1,985,661.92	93,196.47	0,00	**8,446,985.64**
4,650,000.00	125,407,956.50	**17-Octo-2006**	6,173,553.53	1,893,137.99	92,511.73	0,00	**8,159,203.25**
4,479,903.02	119,464,080.55	**17-Jan-2007**	5,943,875.94	1,804,200.53	91,032.47	170,096.98	**8,009,205.93**
4,267,313.05	113,795,014.61	**17-Apr-2007**	5,669,065.94	1,718,956.78	85,437.29	212,589.97	**7,686,049.99**
4,061,231.45	108,299,505.40	**17-July-2007**	5,495,509.21	1,636,759.26	82,718.37	206,081.60	**7,421,068.44**
3,861,404.68	102,970,791.34	**17-Octo-2007**	5,328,714.06	1,556,942.79	79,853.19	199,826.78	**7,165,336.82**
3,668,543.63	97,827,830.23	**17-Jan-2008**	5,142,961.11	1,480,094.83	76,435.93	192,861.04	**6,892,352.91**
3,483,878.53	92,903,427.47	**17-Apr-2008**	4,924,402.76	1,406,085.69	72,031.37	184,665.10	**6,587,184.93**
3,306,349.14	88,169,310.39	**17-July-2008**	4,734,117.09	1,335,017.50	68,675.19	177,529.39	**6,315,339.17**
3,135,006.11	83,600,162.94	**17-Octo-2008**	4,569,147.45	1,266,379.90	66,072.94	171,343.03	**6,072,943.32**
2,970,242.45	79,206,465.22	**19-Jan-2009**	4,393,697.72	1,200,566.85	65,168.10	164,763.66	**5,824,196.34**
2,813,836.48	75,035,639.37	**17-Apr-2009**	4,170,825.85	1,137,618.50	57,798.20	156,405.97	**5,522,648.51**
2,663,019.67	71,013,858.00	**17-July-2009**	4,021,781.37	1,077,265.14	56,354.95	150,816.80	**5,306,218.26**
2,518,247.59	67,153,269.08	**19-Octo-2009**	3,860,588.92	1,019,052.23	55,846.49	144,772.08	**5,080,259.73**
2,380,303.01	63,474,746.90	**18-Jan-2010**	3,678,522.18	963,583.98	51,609.17	137,944.58	**4,831,659.92**
2,250,123.60	60,003,296.07	**19-Apr-2010**	3,471,450.83	910,996.12	48,824.33	130,179.41	**4,561,450.69**
2,125,782.21	56,687,525.66	**19-July-2010**	3,315,770.41	860,905.26	46,553.70	124,341.39	**4,347,570.75**
2,008,377.67	53,556,737.84	**18-Octo-2010**	3,130,787.82	813,186.56	43,599.33	117,404.54	**4,104,978.24**
1,896,901.78	50,584,047.39	**17-Jan-2011**	2,972,690.45	768,257.23	40,910.82	111,475.89	**3,893,334.39**
1,792,225.50	47,792,679.87	**18-Apr-2011**	2,791,367.52	725,857.38	38,589.61	104,676.28	**3,660,490.79**
1,691,399.98	45,103,999.58	**18-July-2011**	2,688,680.29	685,496.02	36,864.50	100,825.51	**3,511,866.32**
1,594,458.82	42,518,901.74	**17-Octo-2011**	2,585,097.85	646,564.65	34,708.60	96,941.17	**3,363,312.27**
1,550,000.00	40,048,110.28	**17-Jan-2012**	2,470,791.46	609,395.22	33,143.65	44,458.82	**3,157,789.15**
1,550,000.00	37,703,755.34	**17-Apr-2012**	2,344,354.93	573,936.70	31,498.30	0,00	**2,949,789.94**
1,550,000.00	35,478,151.90	**17-July-2012**	2,225,603.44	540,243.91	30,735.50	0,00	**2,796,582.85**
1,550,000.00	33,356,517.11	**17-Octo-2012**	2,121,634.79	508,129.51	30,294.47	0,00	**2,660,058.77**
1,550,000.00	31,329,905.33	**17-Jan-2013**	2,026,611.78	477,632.15	29,718.08	0,00	**2,533,962.01**
1,550,000.00	29,412,318.78	**17-Apr-2013**	1,917,586.55	448,637.78	28,390.12	0,00	**2,394,614.45**
0,00	0,00	**17-July-2013**	29,412,318.78	420,924.13	28,180.88	1,550,000.00	**31,411,423.80**
		TOTALES:	**310,000,000.00**	**90,132,177.63**	**3,751,941.97**	**4,650,000.00**	**408,534,119.60**

CASH FLOWS OF THE FUND

(AMOUNTS IN EUROS)

CPR = 10%

310.000.000,00 Bond Issue

791.098,49 Initial Expenses Loan (- leftover acquisition of Mus)

4.650.000,00 Préstamo Subordinado

	PAGOS								
Date	**Current Expenses**	**Bond Interest**	**Bond Principal Amort.**	**Expenses Loan Interest**	**Expenses Loan Amort.**	**Subordin. Loan Interest**	**Mgmt. Fee Mus**	**Subordinated Loan Remuneration**	**Total**
(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
17-Octo-2001	20,203.70	3,447,808.00	10,749,195.29	10,011.54	56,507.04	0,00	8,331.71	380,313.21	**14,672,370.49**
17-Jan-2002	21,265.10	3,645,989.55	11,631,811.71	10,181.80	56,507.04	0,00	8,569.83	709,256.48	**16,083,581.50**
17-Apr-2002	19,625.63	3,428,921.02	11,122,607.14	9,194.27	56,507.04	0,00	8,058.85	756,485.09	**15,401,399.04**
17-July-2002	25,186.57	3,333,780.89	10,871,774.19	8,521.72	56,507.04	0,00	7,830.66	684,427.74	**14,988,028.80**
17-Octo-2002	18,544.41	3,238,750.20	10,620,679.41	7,832.15	56,507.04	0,00	7,602.07	627,435.58	**14,577,350.86**
17-Jan-2003	18,165.23	3,110,125.51	10,298,928.39	7,048.94	56,507.04	0,00	7,297.40	602,001.23	**14,100,073.73**
17-Apr-2003	16,742.16	2,920,497.53	9,848,506.86	6,129.51	56,507.04	0,00	6,851.27	641,030.06	**13,496,264.44**
17-July-2003	22,479.67	2,834,970.87	9,616,571.67	5,422.92	56,507.04	0,00	6,646.19	577,879.59	**13,120,477.94**
17-Octo-2003	15,770.59	2,749,660.24	9,374,787.76	4,699.29	56,507.04	0,00	6,441.20	529,746.70	**12,737,612.82**
19-Jan-2004	15,423.22	2,637,957.29	9,081,716.59	4,001.21	56,507.04	0,00	6,172.36	509,529.45	**12,311,307.15**
19-Apr-2004	14,348.53	2,498,679.60	8,725,141.77	3,098.81	56,507.04	0,00	5,848.21	515,390.72	**11,819,014.66**
19-July-2004	20,104.13	2,394,159.91	8,438,234.37	2,324.11	56,507.04	0,00	5,600.36	486,788.67	**11,403,718.59**
18-Octo-2004	13,324.04	2,317,359.27	8,215,978.66	1,549.40	56,507.04	0,00	5,418.14	445,645.63	**11,055,782.18**
17-Jan-2005	13,008.92	2,217,857.38	7,932,578.65	774.70	56,507.04	0,00	5,182.89	424,827.68	**10,650,737.25**
18-Apr-2005	11,955.86	2,077,474.96	7,566,196.33	0,00	0,00	0,00	4,849.02	507,809.13	**10,168,285.31**
18-July-2005	18,046.68	2,008,994.80	7,361,621.75	0,00	0,00	0,00	4,687.23	459,374.06	**9,852,724.53**
17-Octo--2005	11,189.56	1,940,791.75	7,142,786.45	0,00	0,00	0,00	4,526.44	425,009.10	**9,524,303.30**
17-Jan-2006	10,906.94	1,855,021.03	6,890,379.01	0,00	0,00	0,00	4,321.98	407,225.90	**9,167,854.85**
17-Apr-2006	10,009.92	1,732,888.46	6,560,866.70	0,00	0,00	0,00	4,036.03	427,553.50	**8,735,354.60**
17-July-2006	16,276.93	1,673,383.40	6,368,127.26	0,00	0,00	0,00	3,894.10	385,303.97	**8,446,985.64**
17-Octo-2006	9,337.67	1,614,486.51	6,173,553.53	0,00	0,00	0,00	3,753.29	358,072.25	**8,159,203.25**
17-Jan-2007	9,085.91	1,539,562.21	5,943,875.94	0,00	0,00	170,096.98	3,576.76	343,008.14	**8,009,205.93**
17-Apr-2007	8,327.00	1,435,524.80	5,669,065.94	0,00	0,00	212,589.97	3,333.27	357,209.01	**7,686,049.99**
17-July-2007	14,768.00	1,383,421.24	5,495,509.21	0,00	0,00	206,081.60	3,208.99	318,079.40	**7,421,068.44**
17-Octo-2007	7,738.54	1,331,928.34	5,328,714.06	0,00	0,00	199,826.78	3,085.86	294,043.23	**7,165,336.82**
17-Jan-2008	7,513.99	1,267,257.29	5,142,961.11	0,00	0,00	192,861.04	2,933.26	278,826.21	**6,892,352.91**
17-Apr-2008	6,946.26	1,191,744.51	4,924,402.76	0,00	0,00	184,665.10	2,756.00	276,670.30	**6,587,184.93**
17-July-2008	13,483.40	1,132,629.93	4,734,117.09	0,00	0,00	177,529.39	2,616.49	254,962.88	**6,315,339.17**
17-Octo-2008	6,355.90	1,087,621.59	4,569,147.45	0,00	0,00	171,343.03	2,509.12	235,966.24	**6,072,943.32**
19-Jan-2009	6,156.91	1,034,001.92	4,393,697.72	0,00	0,00	164,763.66	2,378.49	223,197.63	**5,824,196.34**
17-Apr-2009	6,022.09	955,733.23	4,170,825.85	0,00	0,00	156,405.97	2,204.52	231,456.86	**5,522,648.51**
17-July-2009	13,031.22	918,137.55	4,021,781.37	0,00	0,00	150,816.80	2,110.65	200,340.67	**5,306,218.26**
19-Octo-2009	6,022.09	881,250.32	3,860,588.92	0,00	0,00	144,772.08	2,018.49	185,607.81	**5,080,259.73**
18-Jan-2010	6,136.53	831,647.39	3,678,522.18	0,00	0,00	137,944.58	1,908.51	175,500.72	**4,831,659.92**
19-Apr-2010	6,136.53	771,707.95	3,471,450.83	0,00	0,00	130,179.41	1,764.93	180,211.04	**4,561,450.69**
19-July-2010	13,285.84	737,683.04	3,315,770.41	0,00	0,00	124,341.39	1,686.40	154,803.68	**4,347,570.75**
18-Octo-2010	6,136.53	704,631.64	3,130,787.82	0,00	0,00	117,404.54	1,610.53	144,407.18	**4,104,978.24**
17-Jan-2011	6,253.26	666,635.35	2,972,690.45	0,00	0,00	111,475.89	1,521.51	134,757.92	**3,893,334.39**
18-Apr-2011	6,253.26	618,663.12	2,791,367.52	0,00	0,00	104,676.28	1,406.20	138,124.41	**3,660,490.79**
18-July-2011	13,545.56	591,101.72	2,688,680.29	0,00	0,00	100,825.51	1,342.67	116,370.58	**3,511,866.32**
17-Octo-2011	6,253.26	564,050.10	2,585,097.85	0,00	0,00	96,941.17	1,280.25	109,689.64	**3,363,312.27**
17-Jan-2012	6,372.33	533,593.01	2,470,791.46	0,00	0,00	44,458.82	1,206.53	101,367.00	**3,157,789.15**
17-Apr-2012	6,372.33	498,132.67	2,344,354.93	0,00	0,00	0,00	1,123.86	99,806.15	**2,949,789.94**
17-July-2012	13,810.47	469,990.06	2,225,603.44	0,00	0,00	0,00	1,057.82	86,121.06	**2,796,582.85**
17-Octo-2012	6,372.33	448,144.12	2,121,634.79	0,00	0,00	0,00	1,005.84	82,901.69	**2,660,058.77**
17-Jan-2013	6,493.78	422,395.25	2,026,611.78	0,00	0,00	0,00	39,40	77,515.85	**2,533,962.01**
17-Apr-2013	6,493.78	389,151.80	1,917,586.55	0,00	0,00	0,00	36,20	80,513.80	**2,394,614.45**
17-July-2013	8,390.50	370,456.20	29,412,318.78	0,00	0,00	1,550,000.00	823.82	69,434.49	**31,411,423.80**
TOTALES:	**565,673.06**	**76,456,354.52**	**310,000,000.00**	**80,790.37**	**791,098.49**	**4,650,000.00**	**178,203.89**	**15,811,999.27**	**408,534,119.60**

Key to the number outline.

(0) Balance of the Reserve Fund.

(1) Outstanding Balance on the portfolio of Mortgage Units on each quarterly Payment Date, upon the principal being amortised (3).

(2) Quarterly Payment Dates for the various transactions and services arranged by the Fund until final maturity.

a) Collections.

(3) Amount of capital or principal amortised in the portfolio of Mortgage Units from the immediately preceding quarterly date until the date given.

(4) Net interest collected by the Fund from the immediately preceding quarterly date until the date given. Such is the interest received on the Mortgage Units, other than on the first Payment Date which includes the drawdown on the Starting Expenses Loan to the extent necessary to cover the timing difference between the interest on the Mortgage Units and on the Bonds.

(5) Interest on the Fund's Treasury Account, under the Treasury Account and Guaranteed Interest Rate Account Agreement.

(6) Reduction of the balance of the Reserve Fund.

(7) Total income on each Payment Date, being the sum of amounts (3), (4), (5) and (6).

b) Payments.

(8) Quarterly Payment Dates for the various transactions and services arranged by the Fund until final maturity.

(9) Amounts for the Fund's current expenses.

(10) Amount of interest payable to the Bondholders.

(11) Amount of principal amortised on the Bonds.

(12) Interest payment amounts on the Starting Expenses Loan.

(13) Periodic repayment of the principal under the Starting Expenses Loan.

(14) Periodic repayment of the principal under the Subordinated Loan.

(15) Participated Mortgage Loan management fee.

(16) Variable remuneration under the Subordinated Loan.

(17) Total income on each Payment Date, being the sum of amounts (9), (10), (11), (12), (13), (14), (15) and (16).

V.2 Accounting policies used by the Fund.

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

The Fund organisation and Bond issue expenses described in section II.14 will be subject to a straight-line amortisation during the months elapsing since the organisation of the Fund until December 31, 2004, inclusive.

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

V.3 Description of the purpose or object of the financial transactions and services arranged by the Management Company on behalf of the Fund, in order to enhance the risk, increase payment regularity, neutralise interest rate differences on the Mortgage Units, or, in general, transform the financial characteristics of all or part of said securities.

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

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

V.3.1 Treasury Account and Guaranteed Interest Rate Account Agreement.

The Management Company, for and on behalf of the Fund, and CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID ("CAJA MADRID") will enter into a Treasury Account and Guaranteed Interest Rate Account Agreement whereby CAJA MADRID will guarantee a variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Treasury Account and Guaranteed Interest Rate Account Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in Euro (the "Treasury Account") opened at CAJA MADRID, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

(i) principal and interest on the Mortgage Units;

(ii) drawdown on the principal of the Subordinated Loan and the amounts making up the Reserve Fund from time to time;

(iii) any other amounts, assets or rights received as payment of principal, interest or expenses on the Participated Mortgage Loans, both as auction sale price or amount determined by a court decision or notarial procedure executing the mortgage securities, on the sale or operation of the properties awarded, or in connection with administration or interim possession of the properties in process of execution, and all and any rights or indemnities accruing for BANCO ZARAGOZANO including not only those derived from the property damage insurance contracts assigned by BANCO ZARAGOZANO to the Fund, but also those derived from any right attached to the Participated Mortgage Loans, including the set fees for each loan;

(iv) drawdown on the principal of the Starting Expenses Loan;

(v) the amounts of the returns obtained on the balances existing in the actual Treasury Account; and

(vi) the amounts of the withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until they are to be paid to the Tax Administration.

CAJA MADRID guarantees an annual nominal interest rate, variable quarterly and settled quarterly, applicable on each interest accrual period (other than the Interest Accrual Period established for the Bonds), equivalent to the interest rate resulting from decreasing (i) the Benchmark Interest Rate determined for the Bonds, (ii) by a 0.08% spread. The accrued interest to be settled on January 16, April 16, July 16 and October 16 of each year shall be calculated based on: (i) the days actually existing in each interest accrual period, and (ii) a three-hundred-and-sixty- (360-) day year.

In the event that the short-term debt of CAJA MADRID should, at any time during the life of the Bond issue, drop below P-1 in the rating scale of Moody’s Investors Service Limited, the Management Company shall within not more than thirty (30) Business Days from the time of that occurrence put in place, after consulting with the Rating Agency, any of the options required among those described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from the Treasury Account and Guaranteed Interest Rate Account Agreement:

a) Obtaining from an institution having a credit rating for its short-term debt of at least P-1, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by CAJA MADRID of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the P-1 rating is maintained by CAJA MADRID.

b) Obtaining from BANCO ZARAGOZANO, CAJA MADRID or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Stock, for an amount sufficient to guarantee the commitments established in the Agreement.

c) If options a) and b) above are not possible, the Fund’s Treasury Account will be transferred to an institution whose short-term debt has a rating of at least P-1, and the highest possible yield shall be arranged for its balances, which may differ from that arranged with CAJA MADRID under the Treasury Account and Guaranteed Interest Rate Account Agreement.

d) In that same event and if it should not be possible to transfer the Treasury Account on the terms set forth above, the Management Company may invest the balances for not more than quarterly periods, in short-term fixed-income assets in Euro or in pesetas issued by institutions having a rating of at least P-1 for short-term debt, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with CAJA MADRID, under the Treasury Account and Guaranteed Interest Rate Account Agreement.

e) In both events c) and d), the Management Company will subsequently transfer the balances back to CAJA MADRID under the Treasury Account and Guaranteed Interest Rate Account Agreement, in the event that its short-term debt should again attain the P-1 rating, in the above-mentioned scale.

The Treasury Account and Guaranteed Interest Rate Account Agreement mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Participated Mortgage Loans with a largely monthly periodicity, and the amortisation and payment of interest on the Bonds, with a quarterly periodicity.

V.3.2 Subordinated Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO ZARAGOZANO into a commercial Subordinated Loan Agreement for an amount of four million six hundred and fifty thousand (4,650,000) Euro (773,694,900 Ptas.) which shall be designed for the initial provision for setting up the Reserve Fund on the terms established in section III.4.3 (the "Subordinated Loan Agreement").

Repayment will be effected on each of the Payment Dates in an amount equal to the difference between the amount of the Minimum Level of the Reserve Fund required on the preceding Payment Date and the amount of the Minimum Level required on the ongoing Payment Date. In the event that the Fund should not have sufficient liquidity, in the Payment Priority Order, on a Payment Date to proceed to the repayment falling due on the Subordinated Loan, then the portion of principal not repaid shall be repaid on the next immediate Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.

The financial yield of the Subordinated Loan consists of a variable subordinated remuneration to be determined yearly in an amount equal to the positive difference, if any, between the Fund's income and expenditure in accordance with its accounts and before each fiscal year is closed, reduced, as the case may be, by the amount for previous years' tax losses, which may be set off to correct the year's book result for the purposes of settling annual Corporation Tax. Part payments made in this connection on each Payment Date, calculated at the last day of the month preceding the Payment Date and in the Fund Payment Priority Order, shall be considered interim payments on the annual remuneration.

Furthermore, when at the close of a fiscal year of the Fund, the amount of the annual remuneration is less than the total amount of the quarterly interim payments made in that fiscal year on each of the Payment Dates, BANCO ZARAGOZANO shall be bound, upon demand by the Management Company, to reimburse the Fund with the difference between the quarterly interim amounts received and the relevant annual remuneration. The reimbursement to the Fund may under no circumstances exceed the amount of the interim payment made theretofore for the fiscal year at issue.

V.3.3 Starting Expenses Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO ZARAGOZANO into a commercial loan agreement amounting to eight hundred thousand (800,000) Euro (133,108,800 Ptas.) which shall be designed to finance the Fund organisation and Bond issue expenses, finance partially the subscription for the Mortgage Units, and as to the balance to cover the timing difference between collection of interest on the Mortgage Units and payment of interest on the Bonds on the first Payment Date (the "Starting Expenses Loan Agreement").

The loan will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Benchmark Interest Rate determined for the Bonds, and (ii) a 1.00% spread. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Payment Priority Order. The interest accrued payable on a given Payment Date shall be calculated based on: (i) the days actually existing in each Interest Accrual Period and (ii) a three-hundred-and-sixty-five (365-) day year.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same rate as the loan and will be paid, provided that the Fund has sufficient liquidity, and in the Payment Priority Order, on the next immediate Payment Date.

Repayment will be effected on each of the Payment Dates and will observe the following rules:

(i) The principal of the Loan actually used to finance the Fund organisation and Bond issue expenses shall be repaid quarterly, on each Payment Date, the first of which shall be the first Payment Date, October 17, 2001, and the following until the Payment Date falling on January 17, 2005, inclusive, in the amount in which those expenses were amortised monthly in accordance with the official accounts of the Fund since its organisation until December 31, 2004, inclusive.

(ii) The rest of the principal of the Loan shall be repaid in fourteen (14) equal consecutive quarterly instalments on each Date, the first of which shall fall on the first Payment Date, October 17, 2001, and the following until the Payment Date falling on January 17, 2005, inclusive.

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

Amounts not paid on preceding Payment Dates shall be paid with priority over the amounts falling due in connection with the Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Payment Priority Order.

V.3.4 Servicing of the Participated Mortgage Loans and Custody of the Mortgage Units.

BANCO ZARAGOZANO, issuer of the Mortgage Units to be subscribed for by the Fund, in accordance with the provisions of the Organisation Deed and in accordance with Royal Decree 685/1982, March 17, regulating certain aspects of the Mortgage Market, amended by Royal Decree 1289/1991, August 2, shall enter with the Management Company, for and on behalf of the Fund, into the Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement (the “Servicing Agreement”) whereby BANCO ZARAGOZANO (the “Servicer” in this Agreement), shall as attorney for the Management Company on behalf of the Fund, (i) safe-keep and custody the Mortgage Units, (ii) custody and service the Participated Mortgage Loans; and (iii) manage collection of and receive, on behalf of the Fund, such amounts as may be paid by the mortgagors under the Participated Mortgage Loans subject of the Mortgage Units, proceeding to pay fully the amounts owing to the Fund, as established in section IV.2.1.3 of the Prospectus, into the Treasury Account.

In consideration of the services to be rendered in servicing the Participated Mortgage Loans, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Agreement, a subordinated service fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the days actually elapsed and on the average daily Balance Outstanding on the Mortgage Units serviced during each Interest Accrual Period, provided that the Fund has sufficient liquidity and after meeting the payment obligations in the Payment Priority Order.

If the Fund should, through its Management Company, due to a shortage of liquidity in the Fund Payment Priority Order, fail to pay on a Payment Date the full fee due, the amounts overdue shall accumulate without any penalty whatsoever on the fee payable on the next Payment Dates, whereupon it shall be paid.

V.3.5 Bond Management, Underwriting and Placement Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a Management, Underwriting and Placement Agreement of the Bond issue with BANCO ZARAGOZANO, whereby said institution shall proceed to place all of the Bond issue and, upon the Subscription Period being closed, to subscribe in its own name for the amount of Bonds that might be pending subscription pursuant to its underwriting commitment.

The Underwriter and Placement Agent of the Bond issue takes on the obligations provided in the Management, Underwriting and Placement Agreement, basically as follows: 1) undertaking to subscribe for Bonds not so taken at the close of the Subscription Period, up to the set amounts; 2) paying to the Fund by 2pm on the Closing Date, same day value, the total amount of the subscription for the Bond issue; 3) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 4) handing to the subscribers a document certifying the subscription; and 5) other aspects governing the underwriting and placement.

BANCO ZARAGOZANO shall receive no remuneration whatsoever for underwriting and placing the Bond issue.

BANCO ZARAGOZANO shall be involved as Lead Manager in the underwriting and placement of the Bond issue.

The Management, Underwriting and Placement Agreement shall be fully terminated if Moody’s España should fail to confirm before the Bond Subscription Period begins the final **Aaa**, **A2** and **Baa3** ratings respectively for the Series A, Series B and Series C Bonds.

V.3.6 Bond Payment Agency Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO ZARAGOZANO into a Payment Agency agreement to service the Bond issue made against the Fund.

The obligations contained in the Payment Agency Agreement are summarily the following:

(i) on each of the Bond Payment Dates, to pay interest and repay principal on the Bonds, after deducting the total amount of the tax withholding for return on investments that should be made in accordance with applicable tax laws; and

(ii) on each of the Interest Rate Fixing Dates, to notify the Management Company of the Benchmark Interest Rate determined that is to be used as the basis for calculating the nominal interest rate applicable to each of the Bond Series.

In consideration of the services to be provided by the Payment Agent, the Fund shall pay it a fee of three hundred (300.00) Euro (49,916 Ptas.), inclusive of taxes as the case may be, during the term of the agreement, payable on each Bond Payment Date, provided that the Fund has sufficient liquidity and after meeting all payment obligations, in the Payment Priority Order.

In the event that the Fund should not have sufficient liquidity to pay the fee, then the amounts accrued and not paid shall be accumulated to the fee falling due on the next Payment Date, unless that absence of liquidity should continue, in which case the payment due shall be postponed until the Payment Date on which that situation is no longer current.

V.4 Priority rules established in Fund payments.

V.4.1 Ordinary priority rules in payments against the Fund.

Source and application of funds.

A) On the Bond Closing Date.

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

1. **Source:** the Fund shall have funds under the following items:
   a) Payment on the Bond issue.
   b) Drawing on the Subordinated Loan and the Starting Expenses Loan.

2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
   a) Payment of the price for subscribing for the Mortgage Units.
   b) Payment of the Fund organisation and Bond issue expenses.
   c) Providing the Reserve Fund.
   d) Remainder in the Treasury Account upon the drawdown on the Starting Expenses Loan to the extent necessary to cover the timing difference between the interest on Mortgage Units and on the Bonds.

B) From the Closing Date until the termination of the Fund.

1. **Source**: the Funds Available to meet the payment or withholding obligations listed in section 2 below shall be the amounts paid into the Treasury Account under the following items:

   a) The amounts received upon repayment of the principal of the Mortgage Units during the relevant Interest Accrual Period.

   b) Ordinary and late-payment interest collected on the Mortgage Units during the relevant Interest Accrual Period.

   c) The return received on the amounts paid into the Treasury Account, including among them the amount for providing the Reserve Fund.

   d) The amount for providing the Reserve Fund.

e) Any other amounts received by the Fund including those resulting from the sale of properties awarded to the Fund, or their operation.

2. **Application**: the Funds Available shall be applied on each Payment Date to meeting payment or withholding obligations falling due on each Payment Date in the following order of priority (the "Payment Priority Order"), irrespective of the time of accrual, other than the application in the 1st place, which may take place at any time as and when it is enforceable:

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the Payment Agency Agreement. Only expenses prepaid or disbursed on the Fund's behalf and amounts reimbursable to the Servicer, provided they are all properly supported, shall be made in favour of the Servicer and in relation to the Servicing Agreement in this order.

2. Payment of interest accrued on the Series A Bonds.

3. Payment of interest accrued on the Series B Bonds.

4. Payment of interest accrued on the Series C Bonds.

5. Withholding an amount sufficient for the Reserve Fund to be kept at the Minimum Level.

6. Amortisation of the principal of the Series A, Series B and Series C Bonds in accordance with rules for calculating and distributing the Funds Available for Amortisation in the three Series established hereinafter in this same section.

7. Payment of interest accrued on the Starting Expenses Loan.

8. Repayment of the principal of the Starting Expenses Loan.

9. Repayment of the principal of the Subordinated Loan.

10. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Participated Mortgage Loans.

11. Variable remuneration under the Subordinated Loan.

Funds Available for Amortisation on each Payment Date and Amortisation Deficit.

On each Payment Date, the amount to be allocated for the amortisation of the Bonds ("Funds Available for Amortisation") shall be the lower of the following amounts:

a) The positive difference existing between the Principal Balance Outstanding on the Bonds and the Balance Outstanding on the Mortgage Units, on the Business Day preceding each Payment Date.

b) Depending on the liquidity existing on that Payment Date, the remaining Funds Available after deducting the amounts applied to the items ranked in 1st and 5th place in the Payment Priority Order.

The Amortisation Deficit on a Payment Date will be the positive difference, if any, between the sum of item a), as established in the preceding paragraph, and the Funds Available for Amortisation.

Distribution of the Funds Available for Amortisation among the Bonds in each Series.

Those Funds Available for Amortisation of the Bonds shall be distributed among the three Series for their amortisation in accordance with the following rules:

1. Up to the first Payment Date (inclusive) on which the Principal Balance Outstanding on the Series B Bonds is equal to or greater than 4.00% of the Principal Balance Outstanding on the Series A Bonds, the Funds Available for Amortisation shall be fully used for the amortisation of Series A Bonds.

2. From the Payment Date after the date on which the above ratio is equal to or greater than 4.00%, the Funds Available for Amortisation shall be applied to the amortisation of both Series A and B, proportionally among the same, thereby for the above ratio between Principal Balances Outstanding on Series A and Series B Bonds to be kept at 4.00%, or a higher percentage closest thereto.

3. The amortisation of Series C Bonds shall begin once the Bonds in Series A and B have been fully amortised, until they are fully amortised.

V.4.2 Exceptional priority rules in payments against the Fund.

a) In relation to the Amortisation of Series B Bonds, and even if all the events for which provision is made in the foregoing rules occur, there will be no amortisation if any of the following circumstances should occur:

   i) In the event that the amount of the sum of the Outstanding Balance, as defined in section II.11.3.2.4, on Mortgage Units with a delinquency equal to or greater than ninety (90) days on the Determination Date preceding the ongoing Payment Date, is equal to or greater than 6.5% of the Balance Outstanding on the Mortgage Units on that same date, the Funds Available for Amortisation will all be allocated to amortising the Series A Bonds.

   ii) In the event that there should be an Amortisation Deficit, as described above, the Funds Available for Amortisation will also all be allocated to the amortisation of Series A Bonds.

b) In relation to the Participated Mortgage Loan Management Fee payable to the Servicer contained in item 10 in the Payment Priority Order described above, if it should be substituted in its activity as Servicer in favour of another institution, that fee to be accrued for the third party, the new servicer, shall rank 5th in said Payment Priority Order, and the numbering of successive payments contained in the following items shall consequently be changed.

CHAPTER VI

GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Law 19/1992, July 7, on the System of Investment Trusts and Companies and on Mortgage Securitisation Funds, the latter have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted with organising, managing and legally representing those Funds, and representing and defending the interests of the holders of the securities issued by the Funds they manage.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company organising, managing and representing BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA.

VI.1 In relation to the company, other than its share capital.

VI.1.1 Name and registered office.

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Lagasca, 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 7484

VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before a Notary Public of Madrid, Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated 4 October 1999 and in a deed executed on October 25, 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the special register of the Comisión Nacional del Mercado de Valores, under number 2.

The Management Company has perpetual existence, other than in any of the events of dissolution provided by the laws and the articles of association.

VI.1.3 Objects.

In accordance with statutory requirements, article two of its Articles of Association establishes that: “The Company’s exclusive objects shall be to organise, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors.”

VI.1.4 Place where the documents referred to in the Prospectus or the existence of which may be inferred from its contents may be found.

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this Prospectus, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company’s registered office at Calle Lagasca number 120, Madrid.

This Prospectus was verified and entered in the Official Registers of the Comisión Nacional del Mercado de Valores on July 20, 2001. It is publicly available, free of charge, at the Management Company’s registered office and at the Underwriting Company. It may also be found at the Comisión Nacional del Mercado de Valores in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Organisation Deed being executed and before the Bond Subscription Period begins, the Management Company shall deliver a certified copy of the Organisation Deed to the Comisión Nacional del Mercado de Valores. Furthermore, the Management Company, Servicio de Compensación y Liquidación de Valores, S.A., or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Organisation Deed available to the Bondholders and the public at issue in order that they may be examined.

VI.2 In relation to the share capital.

VI.2.1 Face amount subscribed for and paid up.

Pursuant to a resolution of the Board of Directors of the Management Company’s Board of Directors dated March 27, 2001, the wholly subscribed for, paid up share capital amounting to 300,000,000 Ptas., represented by 1,250 registered shares in series A, with a face value of 45,950 Ptas., and 1,250 registered shares in series B, with a face value of 194,050 Ptas., was redenominated in Euro in accordance with the provisions of article 21 of Law 46/1998, December 17, on the changeover to the Euro.

The share capital has been fixed at a figure of one million eight hundred and three thousand and thirty seven Euro and fifty cents (1,803,037.50 Euro) represented by 2,500 shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, each with a face value of 276.17 Euro.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, each with a face value of 1,166.26 Euro.

That resolution to redenominate the share capital in Euro is pending registration at the Companies Register.

VI.2.2 Classes of shares.

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

VI.2.3 Evolution of the share capital over the last three years.

During the last three years there has been no change in the share capital of the Management Company, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the shares in Series B, to the nearest Euro cent upon the redenomination of the share capital in Euro referred to in section VI.2.1 above.

VI.3 Information relating to shareholdings.

VI.3.1 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

VI.3.2 Group of companies in which the company has membership.

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

VI.3.3 Significant shareholders.

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

Name of shareholder company	Holding * (%)
Banco Bilbao Vizcaya Argentaria , S.A.	82.9703
J.P. Morgan España, S.A.	4.0000
Caja de Ahorros del Mediterráneo	1.5420
Bankinter, S.A	1.5317
Barclays Bank, S.A.	1.5317
Citibank España, S.A.	1.5317
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E	0.7658
Banco Atlántico, S.A	0.7658
Banco Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	100.0000

* Rounded to 4 decimal places.

VI.4 Corporate bodies.

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Law and in Law 19/1992, July 7, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

VI.4.1 Officers.

Board of Directors

The Board of Directors has the following membership:

Chairman:	Ms Rosario Martín Gutiérrez de Cabiedes
Vice-chairman:	Mr José Antonio Álvarez Álvarez
Directors:	Mr José Manuel Aguirre Larizgoitia Mr José María Castellón Leal on behalf of Barclays Bank, S.A. Mr Alberto Charro Pastor Mr Vicente Esparza Olcina Ms Ana Fernández Manrique Mr Mario Masiá Vicente Ms Carmen Pérez de Muniaín Mr David Pérez Renovales on behalf of Bankinter, S. A. Mr Jesús del Pino Durán Mr Jorge Sáenz de Miera, on behalf of Deutsche Bank Credit, S.A. Mr Rafael Salinas Martínez de Lecea * Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A Mr Xavier Tintoré Belil, on behalf of J.P. Morgan España, S.A. Mr Antonio Uguina Zamorano Banco Atlántico, S.A.*

Non-Director Secretary: Ms Belén Rico Arévalo

(* Appointment made by the Shareholders' Meeting at the meeting held on June 28, 2001 which is pending registration at the Companies Register.)

VI.4.2 General Manager.

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

VI.5 Aggregate interests in the Management Company by the persons referred to in paragraph VI.4.

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

VI.6 Lenders of the management company in excess of 10 per 100.

The Management Company has received no loan or credit from any person or institution whatsoever.

VI.7 Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the management and administration functions for which provision is made in this Prospectus.

There are none.

CHAPTER VII

RECENT EVOLUTION AND PROSPECTS OF THE MORTGAGE MARKET IN GENERAL AND OF THE MORTGAGE LOAN MARKET IN PARTICULAR WHICH MIGHT AFFECT THE FINANCIAL PROSPECTS OF THE MORTGAGE SECURITISATION FUND

VII.1 Most recent significant trends in the Mortgage Market in general and of the mortgage loan market in particular in relation to the legal framework, with the development of interest rates, and prepayment and delinquency rates.

The Spanish mortgage market has in recent years undergone a major transformation in regard to both its laws and the prevailing interest Credit Institutions have developed in the market.

The object of most recent regulations has been to provide mortgagors with a greater power to negotiate the terms of loans, and reduce certain costs attached to loan renegotiation. In this sense, in addition to Law 2/94, March 30, regarding substitution and amendment of mortgage loans (making provision for the possibility of substituting and renegotiating the economic terms of the loans, reducing both tax and fee costs, and reducing floating interest rate loan prepayment charges), two measures were taken designed to cheapen transactions costs in mortgage loan substitution and amendment and renewal transactions: on the one hand, the agreement made between the Economy Ministry and banks and savings banks, lowering fees; and on the other the approval of Royal Decree 2616/1996, December 20, modifying both notarial and registration fees in mortgage loan substitution and renewal transactions under that Law 2/94.

Moreover, the substantial drop of interest rates in recent years along with an enhanced competitiveness among Credit Institutions in this segment of financing given its strategic character with a view to fidelising customers, has fostered a considerable increase in mortgage loan prepayment rates remaining with interest rates in excess of those prevailing in the mortgage market from time to time, upon the failure by the lenders to renegotiate the financial terms.

In any event, it should therefore be borne in mind that mortgage loan prepayment shall take place irrespective of such Mortgage Loan Substitution and Amendment Law, for the possibility or advisability of so doing shall be prompted not only by the facilities given in that connection but by such more determinant factors as mainly seniority and higher interest rate of the loans in relation to those offered from time to time.

VII.2 Implications that might derive from the trends remarked in the preceding point Vll.1 (prepayment rate, default rate, et cetera).

The Participated Mortgage Loans underlying the Mortgage Units subscribed for by the Fund have a floating interest rate and are adjusted from time to time to market interest rate variations. Because of this, a high prepayment rate of the Participated Mortgage Loans is not to be expected. The provisions established for the renegotiation for determining the interest rate of loans that might be in upper ranges in relation to the market level from time to time should also be borne in mind.

As for the creditworthiness of the mortgagors, as contained in section IV.4.h), some of the mortgage loans in the provisional portfolio which shall stand as the basis for issuing the Mortgage Units, were liable at July 18, 2001 for late payment of amounts due, which situation was checked, as explained in section II.2.12 of the audit report attached as Schedule V to this Prospectus, dated July 9, 2001. The Participated Mortgage Loans that will finally be subject of the issue of Mortgage Units for the Fund to be organised shall have no overdue amounts on the date of issue.

Signature: MARIO MASIÁ VICENTE
General Manager
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

APPENDIX I

DEFINITIONS

APPENDIX I

Definitions

"Balance Outstanding on the Mortgage Units", shall mean the sum of the capital pending maturity and the capital due and not paid into the Fund for each and every one of the Mortgage Units.

"Banco Zaragozano" shall mean Banco Zaragozano S.A.

"Benchmark Interest Rate" shall mean the three- (3-) month Euribor benchmark interest rate fixed at 11am CET, or the substitute Benchmark Interest Rate.

"Bonds" shall mean the Series A Bonds, the Series B Bonds and the Series C Bonds issued against the Fund.

"Bond Issue Management, Underwriting and Placement Agreement" shall mean the Bond Issue Management, Underwriting and Placement Agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Zaragozano, S.A.

"Bond Payment Agency Agreement" shall mean the Bond Payment Agency Agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Zaragozano, S.A.

"Business Day" any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

"Caja Madrid" shall mean Caja de Ahorros y Monte de Piedad de Madrid.

"Closing Date" shall mean the date on which the amount of the subscription for the Bonds is paid up and the nominal price of the Mortgage Units is paid, i.e. July 25, 2001.

"Determination Dates" shall mean the dates falling on the third Business Day preceding each Payment Date or the immediately preceding Business Day if that is not a Business Day.

"Early-Liquidation Events" shall mean the events contained in section III.8.1 for which the Management Company, following notice duly served on the Comisión Nacional del Mercado de Valores, is entitled to proceed to an early liquidation of the Fund on a Payment Date.

"Final Maturity Date" shall mean the date on which the Bonds are finally amortised, i.e. April 17, 2027.

"Fund" shall mean BZ HIPOTECARIO 3 FONDO DE TITULIZACIÓN HIPOTECARIA.

"Funds Available" shall mean on each Payment Date the sum of (i) the balance of the Treasury Account and (ii) as the case may be and where appropriate the amount of the liquidation of the assets of the Fund.

Definitions

"Funds Available for Amortisation" shall mean the amount allocated to amortising the Bonds on each Payment Date.

"Interest Accrual Period" shall mean the days actually elapsed between two consecutive Payment Dates, including the initial Payment Date, but not including the final 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.

"Lead Manager" shall mean Banco Zaragozano, S.A.

"Minimum Level of the Reserve Fund" shall mean the lower of the following amounts: (i) four million six hundred and fifty thousand (4,650,000) Euro (773,694,900 Ptas.) and (ii) 3.75% of the Balance Outstanding on the Mortgage Units; it may however not be less than 0.50% of the initial Outstanding Balance.

"Mortgage Units" shall mean the Mortgage Units issued by BANCO ZARAGOZANO, S.A., pooled in the Fund.

"Moody's España" shall mean Moody's Investors Service España, S.A.

"Organisation Deed" shall mean the public Deed relating to the organisation of the Fund, issue of and subscription for the Mortgage Units and issue of the Mortgage-Backed Bonds.

"Participated Mortgage Loan" shall mean the Participated Mortgage Loans underlying the Mortgage Units.

"Payment Agent" shall mean the undertaking servicing the Bonds. The Payment Agent is to be Banco Zaragozano, S.A.

"Payment Date" shall mean January 17, April 17, July 17 and October 17 of each year or the next Business Day, as the case may be. The first Payment Date shall be October 17, 2001.

"Payment Priority Order" shall mean the order of priority for applying the Funds Available on each Payment Date to meeting the payment or withholding obligations, irrespective of their time of accrual, in the same order of priority in which they are listed.

"Principal Balance Outstanding on the Bonds" shall mean the sum of the outstanding balances yet to be amortised on the Bonds in each Series, such balances including the principal amounts that should, as the case may be, have been amortised and were not so settled due to a shortage of Funds Available for Amortisation of the Bonds, in the payment priority order.

"Rating Agency" shall mean Moody's Investors Service España, S.A.

"Reserve Fund" shall mean the reserve fund initially provided on the Closing Date against the Subordinated Loan and subsequently provided up to the Minimum Level.

"Series A Bonds" shall mean the Series A Bonds issued against the Fund.

"Series B Bonds" shall mean the Series B Bonds issued against the Fund.

"Series C Bonds" shall mean the Series C Bonds issued against the Fund.

"Servicer" shall mean the issuer of the Mortgage Units under the Treasury Account and Guaranteed Interest Rate Account Agreement, Banco Zaragozano, S.A.

"Servicing Agreement" shall mean the Mortgage Unit Custody and Participated Mortgage Loan Servicing Agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Zaragozano, S.A.

"Sociedad Gestora" shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

"Starting Expenses Loan" shall mean the loan granted by BANCO ZARAGOZANO to the Fund, in accordance with the provisions of the Starting Expenses Loan Agreement.

"Starting Expenses Loan Agreement" shall mean the Starting Expenses Loan Agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Zaragozano, S.A..

"Subordinated Loan" shall mean the Subordinated Loan granted by BANCO ZARAGOZANO to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

"Subordinated Loan Agreement" shall mean the Subordinated Loan Agreement entered into between the Management Company, for and on behalf of the Fund, and Banco Zaragozano, S.A.

"Subscription Period" shall mean the period comprised between 12 o'clock noon on July 24, 2001 and 5pm on that same day.

"Treasury Account" shall mean the account at Caja Madrid, in accordance with the provisions of the Treasury Account and Guaranteed Interest Rate Account Agreement, through which all of the Fund's payments shall be made and received.

"Treasury Account and Guaranteed Interest Rate Account Agreement" shall mean the Treasury Account and Guaranteed Interest Rate Account Agreement entered into between the Management Company, for and on behalf of the Fund, and Caja de Ahorros y Monte de Piedad de Madrid.

"Underwriter and Placement Agent" shall mean Banco Zaragozano, S.A.