

**BANCAJA 4**  
**FONDO DE TITULIZACIÓN HIPOTECARIA**

**MORTGAGE-BACKED BONDS**

**1,000,000,000 EUR**

<b>Series A</b>	<b>EUR 970,500,000</b>	<b>Aaa/AAA</b>	<b>3-M Euribor + 0.25%</b>
<b>Series B</b>	<b>EUR 20,500,000</b>	<b>A2/A+</b>	<b>3-M Euribor + 0.53%</b>
<b>Series C</b>	<b>EUR 9,000,000</b>	<b>Baa2/BBB+</b>	<b>3-M Euribor + 1.15%</b>

*Backed by mortgage certificates issued by*

**BANCAJA**

*Lead Managers*

**BANCAJA**

 **Dresdner Kleinwort Wasserstein**

*Underwriters*

**Bancaja**

**Dresdner Kleinwort Wasserstein**

**CDC Ixis Capital Markets**

**HSBC**

*Paying Agent*

**Bancaja**

*Fund structured, constituted and managed by*

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

**Material Event concerning**

**BANCAJA 4 Fondo de Titulización Hipotecaria**

As provided for in the Offering Circular or Prospectus for **BANCAJA 4 Fondo de Titulización Hipotecaria** (the “Fund”), notice is given to the Comisión Nacional del Mercado de Valores of the following material event:

- This Management Company has, on behalf of the Fund and with the consent of BANKIA, S.A., agreed with BANCO SANTANDER, S.A. (“**SANTANDER**”) that this bank shall take over as Party B under the Interest Swap Agreement on the following terms:
  - On October 24, 2016, THE ROYAL BANK OF SCOTLAND PLC (“**RBS**”) and the Management Company, on behalf of the Fund, terminated the Financial Swap Agreement signed when the Fund was established, as it was then worded following successive amendments, based on the Spanish Banking Association’s standard 1997 Master Financial Transaction Agreement (CMOF).
  - On that same date, SANTANDER and the Management Company, for and on behalf of the Fund, entered into a new financial swap agreement based on the Spanish Banking Association’s standard 2013 Master Financial Transaction Agreement (CMOF), comprised of the Master Agreement, Annexes I, II and III (Credit Support Agreement) and the Confirmation, in terms similar to the Financial Swap Agreement then in force with RBS, which is taken to have terminated.
  - On that same date, RBS, SANTANDER, BANKIA, S.A. and the Management Company, for and on behalf of the Fund, with the knowledge of BARCLAYS BANK PLC, Sucursal en España (“**BARCLAYS**”), executed an agreement assigning rights and obligations whereby SANTANDER was thereafter to deposit the collateral, if any, required as security for its counterparty obligations under the new Interest Swap Agreement, on the terms set out in Annex III, in the Swap Collateral Account opened in the name of the Fund at BARCLAYS, as provided for in the Swap Collateral Account Agreement. As a result of the above, on October 25, 2016, the Fund has repaid RBS the collateral it held in the Swap Collateral Account and SANTANDER has posted a new collateral for the Fund in the Swap Collateral Account.
- The ratings for SANTANDER’s short- and long-term unsecured and unsubordinated debt obligations assigned by the Rating Agencies are currently as follows:

	Moody’s	Fitch
Short-term rating	P-2	F2
Long-term rating	A3	A-

- Following execution of the new Interest Swap Agreement with SANTANDER referred to above, the following sections of the Fund Prospectus shall read as follows:

Section	Description
<p><b>V.3.4 Interest Swap Agreement Sections 1 to 5.1</b></p>	<p><b>1. Payment Dates.</b> These shall match the Bond Payment Dates, i.e. March 18, June 18, September 18 and December 18 of each year or, if any of these dates is not a Business Day, the next immediate Business Day. The first payment date shall be December 19, 2016, because December 18, 2016 is not a Business Day. The Variable Amounts payable by Party A and by Party B for each respective Calculation Period shall be netted and be paid by the paying Party to the receiving Party on each Payment Date.</p> <p><b>2. Calculation Periods.</b></p> <p><b>Party A:</b> The exact number of days elapsed between two consecutive Determination Dates, not including the first date but including the last date. Exceptionally, a) the duration of the first Party A Calculation Period shall be equivalent to the exact number of days elapsed between the Determination Date of September 13, 2016 (exclusive) and the Determination Date of December 13, 2016 (inclusive) and the duration of the last Party A calculation period shall be equivalent to the exact number of days elapsed between the Determination Date preceding the Floating Rate Financial Swap Agreement termination date, exclusive, and the termination date, inclusive.</p> <p><b>Party B:</b> Party B calculation periods shall be the exact number of days elapsed between two consecutive Payment Dates, including the first date but not including the last date. Exceptionally:</p> <p>a) The duration of the first Party B Calculation Period shall be equivalent to the exact number of days elapsed between the Payment Date of September 19, 2016 and the Payment Date of December 19, 2016.</p> <p>b) The duration of the last Party B Calculation Period shall be equivalent to the exact number of days elapsed between the Payment Date preceding the Floating Rate Financial Swap Agreement termination date.</p> <p><b>3. Nominal Amount for Party A and for Party B.</b> The daily average during the Party A Calculation Period terminating of the Outstanding Balance of Mortgage Certificates having no payments which are more than ninety (90) days past due.</p> <p><b>4. Party A Variable Amount.</b> This shall be on each Payment Date the amount resulting from applying the following formula:</p> $IVPA = (IN \times \%TIPA \times PR) / B$ <p>wherein:</p> <p>IVPA = Party A Variable Amount          IN = Nominal Amount          %TIPA = Party A Variable Interest Rate determined for the Party A Calculation Period immediately preceding the Payment Date          PR = Number of Party A Calculation Period days.          B = 360</p>

Section	Description
	<p><b>4.1 Party A Floating Interest Rate.</b> This shall be for each Party A Calculation Period the yearly interest rate resulting from dividing: (i) the sum of the total interest amount received on the Mortgage Certificates and paid into the Fund during the Party A Calculation Period, by (ii) the Nominal Amount, multiplied by the result of dividing 360 by the number of Party A Calculation Period days.</p> <p><b>5. Party B Variable Amount.</b> The amount resulting from applying the following formula:</p> $IVPB = (IN \times \%TIPB \times PR) / B$ <p>Wherein:</p> <p>IVPB = Party B Variable Amount  IN = Nominal Amount  %TIPB = Party B Floating Interest Rate  PR = Number of Party B Calculation Period days  B=360</p> <p><b>5.1 Party B Floating Interest Rate.</b> This shall be for each Party B Calculation Period the yearly interest rate resulting from adding: (i) the average Nominal Interest Rate applied to each Bond Series (the rate actually applied by the Management Company and published quarterly at <a href="http://www.edt-sg.com">www.edt-sg.com</a> in the report entitled "Determining and Calculating Nominal Interest, Interest and Amortisation Applicable to the Bonds", for the then-current Interest Accrual Period matching each Party B Calculation Period), weighted by the Outstanding Principal Balance of each Series during the then-current Interest Accrual Period, plus (ii) 0.50 per cent.</p>

Madrid, October 26, 2016

Mario Masiá Vicente  
General Manager

**Material Event concerning BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA**

As provided for in the Offering Circular or Prospectus for **BANCAJA 4 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the Comisión Nacional del Mercado de Valores of the following material event:

This Management Company has been notifying Bondholders in each Series and for each Payment Date of the resultant interest and amortisation, on a quarterly basis and at least one (1) calendar day in advance, as provided for in section III.5.3 a) 2) of the Prospectus. That information is also made available to the CNMV, the Paying Agent, AIAF and Iberclear within not more than one (1) Business Day before each Payment Date.

Notwithstanding the above, following the implementation of Phase I of the Reform of the Spanish securities Clearing, Settlement and Recording System and in conformity with Iberclear’s procedures as summed up in that institution’s Informative Note 64/2016, April 15, entitled “Reform: Notifying Fixed Income Corporate Action Events”, participants must be notified of fixed income corporate action events at least two days before the record date, and Iberclear provides that it must be notified by 2 pm on the second day (TARGET2 business days) preceding the relevant record date (generally, the day before the payment date).

In order to adapt to the provisions of the preceding paragraph, the Management Company is to introduce the following operational changes from the date hereof:

- “**Determination Dates**” (section II.11.3.4.1 of the Prospectus) shall mean the dates falling on the **fourth** Business Day preceding each Payment date.
- The “**Available Funds**” (section V.4.2 1 of the Prospectus) on each Payment Date shall be determined based on Mortgage Loan income and amounts received by the Fund credited to the Treasury Account between every two consecutive Determination Dates, not including amounts received on the initial Determination Date but including amounts received on the last Determination Date.

Mortgage Loan amounts received by the Fund from the Determination Date, exclusive, preceding the relevant Payment Date, inclusive, shall remain credited to the Treasury Account to be included among the Available Funds on the following Payment Date.

- **Series A, B and C Bond Principal Amortisation** (section V.4.2 2. 7 of the Prospectus) shall mean:
  7. Series A, B and C Bond principal amortisation in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the then-current Payment Date, and (ii) the Outstanding Balance of the Mortgage Certificates **on the Determination Date** preceding the then-current Payment Date.

Depending on the liquidity existing on each Payment Date, the amount actually applied to amortising Series A, B and C Bond principal shall make up the Available Funds for Amortisation which shall be applied to each Series in accordance with the distribution rules established hereinafter in this same section.

Accordingly, the information contained in section III.5.3 a) 2) of the Prospectus referred to above may be notified by 2 pm two days in advance of each record date in accordance with Iberclear's procedures.

Madrid, June 6, 2016

Paula Torres Esperante  
Attorney-in-fact

José Luis Casillas González  
Attorney-in-fact

**Material Event concerning**

**BANCAJA 4 Fondo de Titulización Hipotecaria**

As provided for in the Offering Circular or Prospectus for **BANCAJA 4 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On November 19, 2015 the Fund’s Treasury Account is to be effectively transferred to CITIBANK INTERNATIONAL LTD, Sucursal en España (“**CITI**”), following the signature, on November 12, 2015, of a new Guaranteed Interest Rate Account (Treasury Account) Agreement by the Management Company, for and on behalf of the Fund, CITI and BANKIA, S.A. and the relevant notice to BARCLAYS BANK, PLC Sucursal en España, as the former provider of the Fund’s Treasury Account.

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

	<b>Fitch</b>	<b>Moody’s</b>
<b>Short-term</b>	F1	P-1
<b>Long-term</b>	A	A1

- In addition, BNP PARIBAS SECURITIES SERVICES, Sucursal en España (“**BNP Paribas**”) has been designated Bond Paying Agent, following the signature of a new Paying Agent Agreement by the Management Company, for and on behalf of the Fund, BNP Paribas and BANKIA, S.A. and the relevant cancellation agreement signed with BARCLAYS BANK, PLC Sucursal en España, as the former Paying Agent, effective as of November 19, 2015.

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

	<b>Fitch</b>	<b>Moody’s</b>
<b>Short-term</b>	F1	P-1
<b>Long-term</b>	A+	A1

- As a result of the new Agreements referred to above, the following sections of the Fund Prospectus shall henceforth read as follows:

<b>Section</b>	<b>Description</b>
<b>V.3.1 Paragraphs 2 et seq. (Treasury Account)</b>	CITIBANK INTERNATIONAL LTD, Sucursal en España (“ <b>CITI</b> ”), guarantees for the Fund, through its Management Company and in relation to amounts credited to the Treasury Account, an annual nominal interest rate, floating quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which based on the duration of that period, applicable for each interest accrual period, shall be as defined in 5.2 below, on the positive final daily balances in each period in the Treasury Account. The nominal interest rate applicable to each interest accrual period shall be the higher of (i) zero percent (0.00%); and (ii) the Euribor rate currently calculated and

Section	Description
	<p>distributed by the financial information system Global Rate Set Systems Ltd (GRSS) under a European Money Markets Institute (EMMI) mandate and three- (3-) month EURIBOR ACI, set at 11am (CET) on the second Business Day preceding the first day of each interest accrual period (the "Guaranteed Interest Rate"). Interest shall be settled on March 17, June 17, September 17 and December 17 of each year and be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (360-) day year. The first interest accrual period shall comprise the days elapsed between November 19, 2015 and December 17, 2015.</p> <p>CITI agrees with the Management Company to keep the Guaranteed Interest Rate for a period of three (3) years from November 19, 2015. However, after three (3) months have elapsed from that date, CITI may on each interest settlement and payment date establish a new Guaranteed Interest Rate, (the "New Guaranteed Interest Rate") which shall replace the rate theretofore in place. The Management Company shall have 1 month after receiving the notice from CITI to, following an agreement with BANKIA, accept the New Guaranteed Interest Rate or not. If the Management Company should not accept the New Guaranteed Interest Rate established by CITI, the Management Company may replace CITI as the Treasury Account provider and CITI will transfer the amount credited to the Treasury Account and the interest accrued to the new Treasury Account opened in the Fund's name to be designated by the Management Company following an agreement with BANKIA.</p> <p>In the above connection, BANKIA shall propose the new institution to which the Treasury Account is to be transferred to the Management Company. The costs resulting from that replacement, if any, shall be borne by BANKIA.</p> <p>In any case, three months after the New Guaranteed Interest Rate being notified, whether it is accepted by the Management Company or not, following an agreement with BANKIA as to the New Guaranteed Interest Rate and, as the case may be, transfer of the amount credited to the Treasury Account, the interest rate applicable to the Treasury Account shall be the New Guaranteed Interest Rate.</p> <p>In the event that the short-term unsecured and unsubordinated debt obligations of CITIBANK INTERNATIONAL LTD should be downgraded below P-1 or F-1 respectively by Moody's and Fitch, the Management Company shall, following an agreement with BANKIA, within not more than thirty (30) days from the occurrence of that event, after notifying the Rating Agencies, do one of the following in order to allow a suitable level of security to be maintained with respect to the commitments derived from this Agreement:</p> <p>a) Obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and F1 respectively by Moody's and Fitch, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by CITI of its obligation to repay the amounts credited to the Treasury Account, for such time as CITIBANK INTERNATIONAL LTD's debt obligations remain downgraded below P-1 or F1.</p> <p>b) Transfer the Fund's Treasury Account to an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and F1 respectively by Moody's and Fitch, and arranging a yield for its balances, which may differ from that arranged with CITI under this Agreement.</p>



Section	Description
	<p>c) If a) and b) above are not possible, obtaining from CITI or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (<i>Deuda Pública del Estado Español</i>), in an amount sufficient to guarantee the commitments established in the Agreement.</p> <p>d) In addition, if transfer of the Treasury Account on the above terms should not be feasible, the Management Company may invest the balances for not more than quarterly periods in short-term fixed-income assets in Euros issued by institutions with short-term ratings at least as high as P-1 and F1 respectively by Moody's and Fitch, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially in the Treasury Account.</p> <p>All costs incurred in connection with putting in place and arranging the above options shall be borne by BANKIA, irrevocably agreeing to indemnify CITI against any expenses, liabilities or (economic or any other) losses arising out of this Agreement, the Deed of Constitution and/or the Prospectus, as a result of the downgrade on the terms herein laid down of CITI's credit rating, other than in the event of negligence or wilful misconduct.</p> <p>BANKIA shall agree, forthwith upon a credit rating downgrade of the Treasury Account Provider, or upon the Management Company, following an agreement with BANKIA, rejecting the New Guaranteed Interest Rate or deciding to transfer the Treasury Account to a third party or upon the Agreement being cancelled by CITI, all in accordance with the Treasury Account Agreement, to use commercially reasonable efforts in order that the Management Company may take one of the remedial actions described above.</p>
<p><b>V.3.7 Paragraphs 3 et seq. (Bond Paying Agent Agreement)</b></p>	<p>Both upon a breach by BNP PARIBAS SECURITIES SERVICES, Sucursal en España ("<b>BNP Paribas</b>") of the obligations under this Agreement, and in the event that the rating of the unsecured and unsubordinated debt obligations of BNP Paribas Securities Services should, at any time during the life of the Bond Issue, be downgraded below F2 or P-1, respectively by Fitch and Moody's, the Management Company shall, following an agreement with BANKIA, within not more than thirty (30) days from the occurrence of that event do one of the following:</p> <p>(i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody's, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent, for such time as BNP Paribas Securities Services remains downgraded below F2 and P-1; or</p> <p>(ii) revoke the Paying Agent's designation and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody's, to replace it before terminating the Paying Agent Agreement or, as the case may be, under a new paying agent agreement;</p> <p>and subject to prior notice to the Rating Agencies.</p> <p>BANKIA shall agree to use commercially reasonable efforts in order that the Management Company may do one of (i) or (ii) above.</p>

Section	Description
	<p>Notwithstanding the above, the Management Company shall not be able to revoke the designation of BNP Paribas as Paying Agent until November 12, 2016. In addition, BNP Paribas may decline to carry on discharging its duties from November 12, 2016.</p> <p>In consideration of the services to be provided by the Paying Agent, the Fund shall pay it during the term of the Agreement a fee of 0.01% (inclusive of taxes), on the total interest payment and principal repayment amount distributed by the Paying Agent, as instructed by the Management Company, to Bondholders on each Bond Payment Date, payable on the same Payment Date, which shall be payable on each Payment Date and shall be paid provided that the Fund has sufficient liquidity in the Fund's Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.</p> <p>In the event that the Fund, through the Management Company, due to the absence of sufficient liquidity on a Payment Date in the Priority of Payments of the Fund, should fail to pay the full fee, overdue amounts shall be accumulated without any penalty whatsoever to the fee falling due on the next Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until the Payment Date on which they are paid.</p>

Madrid, November 17, 2015

Mario Masiá Vicente  
General Manager

**Material Event  
concerning**

**BANCAJA 4 Fondo de Titulización Hipotecaria**

In accordance with the provisions of the Prospectus for **BANCAJA 4 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

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

The collateral posted by RBS to the Fund currently amounts to EUR 6,930,000.00.

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

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

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

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

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

Section	Description
<p><b>V.3.4 Interest Swap Agreement Section 7</b></p>	<p><b>7. Downgrade of Party B's credit rating.</b></p> <p><b>(i) Fitch Criteria.</b></p> <p>A. (i) In relation to each uncured Fitch Level 1 Required Rating Loss Event (unless a previous Fitch Level 1 Required Rating Loss Event remains uncured), Party B shall use its best efforts, at its cost, to Cure the Fitch Level 1 Required Rating Loss within the relevant Fitch Level 1 Rating Loss Cure Period, although if a Fitch Level 2 Required Rating Loss Event should occur on the same date as the Fitch Level 1 Required Rating Loss Event or during the Fitch Level 1 Rating Loss Cure Period, that Fitch Level 1 Required Rating Loss Event shall be taken not to have occurred.</p> <p>(ii) In relation to each uncured Fitch Level 2 Required Rating Loss Event (unless a previous Fitch Level 2 Required Rating Loss Event remains uncured), Party B shall use its best efforts, at its cost, to Cure the Fitch Level 2 Required Rating Loss within the relevant Fitch Level 2 Rating Loss Cure Period, although until the Curing of Fitch Level 2 Required Rating Loss occurs during the Fitch Level 2 Rating Loss Cure Period, Party B shall do whatever is necessary in order for Delivery of Credit Support on Loss of Fitch Rating to occur.</p> <p>B. Additional definitions In this section: "Fitch" shall mean Fitch Ratings Limited or any other replacement entity. "Entity with Minimum Fitch Level 1 Rating" shall mean any entity with long- and short-term unsecured and unsubordinated debt obligations respectively rated A and F1 by Fitch. "Delivery of Credit Support on Loss of Fitch Rating" shall mean the fulfilment by Party B of its obligation to deliver credit support to Party A with a given value in terms of Appendix A to Annex III in support of the obligations it acquired under the Interest Swap Agreement although such credit support shall be valued each week. "Curing of Fitch Level 1 Required Rating Loss" shall mean, in relation to a Fitch Level 1 Required Rating Loss Event the date after the Fitch Level 1 Required Rating Loss Event on which any of the following occurs: (i) Credit Support: Delivery of Credit Support on Loss of Fitch Rating; or (ii) Without delivery of credit support: Curing of Loss of Fitch Required Rating without credit support (and, for the avoidance of doubt, if Curing of Loss of Fitch Required Rating without credit support should occur, Party B shall not be bound to assign or keep in place any additional credit support with respect to a Fitch Level 1 Required Rating Loss Event, but will be bound to assign or keep in place any credit support in accordance with the Delivery of Credit Support on Loss of Fitch Rating while the Curing of Loss of Fitch Required Rating without credit support is pending). "Fitch Level 1 Rating Loss Cure Period" shall mean, in relation to a Fitch Level 1 Required Rating Loss Event and the relevant Cure, the period of 14 calendar days starting from (but not including) the date of the occurrence of that Fitch Level 1 Required Rating Loss Event. "Fitch Level 1 Required Rating Loss Event" shall mean the first date on which neither Party B (or its successor), nor any credit support provider or co-obligor of Party B, is an Entity with Minimum Fitch Level 1 Rating. "Curing of Fitch Level 2 Required Rating Loss" shall mean, in relation to a Fitch Level 2 Required Rating Loss Event, the date after such Fitch Level 2 Required Rating Loss Event on which any of the following occurs: (i) Credit Support: Delivery of Credit Support on Loss of Fitch Rating; and</p>

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

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

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

Madrid, April 19, 2013

Mario Masiá Vicente  
General Manager

**Material Event**  
**concerning**

**BANCAJA 4 Fondo de Titulización Hipotecaria**

Pursuant to Chapter III, Section III.5.3 of the Prospectus for **BANCAJA 4 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material event dated August 10, 2009, Banco Cooperativo Español S.A. was designated Bond Paying Agent on August 7, 2009 by entering into an Agreement to be subrogated to and novating and amending but not terminating the Bond Paying Agent Agreement.
- Accordingly, the following section of the Fund’s Prospectus should read as follows:

Section	Description
<p><b>V.3.7</b></p>	<p><b>Bond Paying Agent Agreement.</b></p> <p>Paragraph three of this section, containing references to the actions to be taken in the event of the Paying Agent’s credit ratings being downgraded, is replaced with the following wording:</p> <p>“In connection with the provisions of section (iii) of the preceding paragraph, the Management Company shall, on the Business Day preceding each Payment Date, pay out of the Treasury Account, into an account opened in the name of the Fund at the Paying Agent, the total Bond interest payment and principal repayment amount for each Series. The return on investments interim tax amounts to be withheld on each Payment Date on Bond interest in accordance with the applicable statutory provisions, shall remain credited to the Fund’s account at the Paying Agent until the date on which the Management Company has to actually pay the same to the Tax Administration.</p> <p>Both upon a breach by the Paying Agent of its obligations under this Agreement and in the event that the rating of the Paying Agent’s short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below F2 or P-1 respectively by Fitch and Moody’s, the Management Company shall within not more than thirty (30) days from the time of the occurrence of such circumstance, do either of the following:</p> <p>(i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody’s, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent for such time as the Paying Agent remains downgraded below F2 or P-1; or</p> <p>(ii) revoke the Paying Agent’s designation and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody’s, to take its place before terminating the Paying Agent Agreement, or, as the case may be, under a new paying agent agreement, and subject to prior notice being served on the Rating Agencies.</p> <p>The Paying Agent shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may do either of (i) or (ii) above.</p> <p>BANCAJA shall agree, upon the Management Company’s request and provided that its short-</p>



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

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

Mario Masiá Vicente  
General Manager

**Material Event  
concerning**

**BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA**

Pursuant to Chapter III, section 5.3.d, of the Prospectus for **BANCAJA 4 Fondo de Titulización Hipotecaria** (the “Fund”) notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

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

Section	Description
<p><b>V.3.1</b></p>	<p><b>Guaranteed Interest Rate Account (Treasury Account) Agreement.</b></p> <p>In paragraph three of that section, concerning the actions to be taken in the event of the Treasury Account Provider’s rating being downgraded, the reference to “ten (10) Business Days” is replaced with “thirty (30) days”.</p> <p>As set out in the material event dated February 4, 2009, on February 3, 2009 the Fund’s Treasury Account was transferred to Banco Popular Español S.A., and the latter was subrogated to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into with Bancaja.</p>
<p><b>V.3.4</b></p>	<p><b>Interest Swap Agreement.</b></p> <p>The Interest Swap Agreement, entered into based on the Spanish Banking Association’s standard Master Financial Transaction Agreement (CMOF), comprises the Master Agreement, Schedules I, II and III (Collateral Assignment Agreement) and the Confirmation.</p> <p>The references to the general terms of the Interest Swap Agreement, set out after subsection 5.1 of this section, are replaced with the following:</p> <p><b>“6. Events of default specific to the Interest Swap Agreement.</b></p> <p>If on a Payment Date the Fund (Party A) should not have sufficient liquidity to pay the full net amount, if any, payable to Party B, the portion of this net amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of default occur on two consecutive Payment Dates, Party B may choose to terminate the Interest Swap Agreement. In this event, the Fund (Party A) shall accept the obligation to pay the settlement amount established to which it is bound on the terms of the Interest Swap Agreement, the foregoing in the Priority of Payments. Should the settlement amount payable under the Interest Swap Agreement be a payment obligation for Party B and not for the Fund (Party A), Party B shall take over the obligation to pay the settlement amount provided for in the Interest Swap Agreement.</p> <p>Subject to the above, other than in an event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement on terms substantially identical with the Interest Swap Agreement.</p> <p><b>7. Ratings Downgrade of Party B.</b></p>

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

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

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

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

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

Mario Masiá Vicente  
General Manager

*This document is an English-language translation of the Spanish Offering Circular. No document other than the Spanish Offering Circular which has been verified and entered in the official registers of the Comisión Nacional del Mercado de Valores may be considered as having any legal effect whatsoever in respect to the Bonds.*

*This translation has been prepared for information purposes only. In the event of any discrepancy between the Spanish Offering Circular and the translation, the Spanish Offering Circular shall prevail.*

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## CHAPTER 0

### SUMMARY OF THE OFFERING CIRCULAR

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

The securities subject of this Issue are Mortgage-Backed Bonds (the “**Bond Issue**” or generically the “**Bonds**”), which are issued by BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA (the “**Fund**”), distributed into three Series A, B and C, on the terms described in the Offering Circular.

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

**Class of security:** Mortgage-Backed Bonds represented by means of book entries.

**Issuer:** **BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA**  
Upon being constituted, the Fund’s assets shall consist of the Mortgage Certificates issued by BANCAJA to be pooled therein.

**Issue Amount:** Face value of EUR one billion (1,000,000,000) consisting of 10,000 Bonds represented by means of book entries and pooled in of three Bond Series distributed as follows:

	Face Amount per Bono (EUR)	Number of Bonds	Series Total Face Value (EUR)
<b>Series A</b>	100,000.00	9,705	970,500,000
<b>Series B</b>	100,000.00	205	20,500,000
<b>Series C</b>	100,000.00	90	9,000,000

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 Priority of Payments.

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

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

**Ratings:** Provisional ratings have been assigned by the Rating Agencies Moody’s Investors Service España, S.A. (“**Moody’s**”) and Fitch Ratings España, S.A. (“**Fitch**”) for each of the Bond Series issued by the Fund, as follows.

<b>Bond Series</b>	<b>Moody's Rating</b>	<b>Fitch's Rating</b>
Series A	Aaa	AAA
Series B	A2	A+
Series C	Baa2	BBB+

The Rating Agencies expect to confirm those provisional ratings as final by the start of the Bond Subscription Period. Failure to do so would result in the Fund not being constituted, the Bonds not being issued and the Mortgage Certificates not being subscribed for.

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

**Secondary Bond-Trading Market:** AIAF FIXED-INCOME MARKET (*AIAF MERCADO DE RENTA FIJA*) (“**AIAF**”).

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

**Institution in charge of the Bond accounting record:** SERVICIO DE COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. (“**SCLV**”)

Bondholders shall be identified as such when entered in the accounting record kept by the Clearing Members of the SCLV or any other replacement institution .

**0.1.1 Interest rate:**

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

**Accrual of Interest:**

Interest will accrue in respect of Interest Accrual Periods. Every Interest Accrual Period will comprise the exact number of days elapsed between each Payment Date (March 18, June 18, September 18 and December 18 in every year), including the beginning Payment Date, but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit March 18, 2003, exclusive.

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

**Nominal interest rate.**

The nominal interest rate shall be the result of adding: (i) the Reference Rate or the substitute Reference Rate and (ii) the following margins for each of the Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A:** 0.25% margin.
- **Series B:** 0.53% margin.
- **Series C:** 1.15% margin.

The Reference Rate for determining the nominal interest rate applicable to each of the Bond Series is three- (3-) month Euribor rate, other than for the first Interest Accrual Period, fixed at 11am (CET time).

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

Exceptionally, the nominal interest rate for the Bonds in each Series for the first Interest Accrual Period shall be determined based on the Reference Rate (straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rates) albeit referred to the second Business Day preceding the Closing Date and shall be notified in writing by the Management Company before the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents, to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the “CNMV”), the Paying Agent, the AIAF and the SCLV.

**Payment of interest and repayment of principal.**

Payment of interest and repayment of principal on the Bonds in each Series shall be made quarterly in arrears on each of the Payment Dates, which shall fall on March 18, June 18, September 18 and December 18 in each year or the following Business Day, as the case may be. The first Payment Date shall be March 18, 2003.

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

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

**0.1.2 Amortisation of the Bonds.**

**Redemption Price:** 100 percent of the face value of each Bond.

**Final amortisation of the Bonds:**

Final amortisation shall take place on the Final Maturity Date of the Bonds, which shall be June 18, 2034, notwithstanding the partial amortisations of the Bonds in each Series and the possibility of an Early Amortisation of the Bond Issue, on the terms and conditions established in the Offering Circular.

**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.

**1. Series A Bonds.**

Series A Bonds shall be amortised by partial amortisation on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, distributed pro rata between the Bonds in the actual Series

A by reducing the face value of each Bond. The first Payment Date for amortising the Series A Bonds shall fall on March 18, 2003.

## **2. Series B Bonds.**

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

The first amortisation of Series B Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series B is equal to or greater than 4.10% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C, as the case may be, and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series B and of the Bond Issue to be kept at 4.10%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

## **3. Series C Bonds.**

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

The first amortisation of Series C Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 1.80% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C, as the case may be, and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series C and of the Bond Issue to be kept at 1.80%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

### **Early Amortisation of the Bonds.**

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

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

#### **Lead Managers:**

- DRESDNER KLEINWORT WASSERSTEIN
- BANCAJA

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

- DRESDNER KLEINWORT WASSERSTEIN
- BANCAJA
- CDC IXIS CAPITAL MARKETS
- HSBC

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

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

**Subscription Period.**

The Subscription Period shall commence at 12 o'clock noon (CET time) on November 6, 2002, and end at 5pm (CET time) on November 7, 2002.

**Payment method and date.**

Investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on November 8, 2002 (“**Closing Date**”), for same day value, the relevant issue price for each Bond allocated for subscription.

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

The constitution of the Fund and Bond issue are subject to Spanish Law, specifically as prescribed by Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7, Securities Market Act 24/1988, July 28, as amended by Act 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 Offering Circulars and Other Implementations of Royal Decree 291/1992, March 27, and National Securities Market Commission Circular 2/1994, March 16, approving the standard Offering Circular for constituting Mortgage Securitisation Funds.

The constitution of the Fund, the Bond issue and the agreements for transactions hedging financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund are subject to Spanish Law. In any event, the Deed of Constitution shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims connected with the Management Company's constitution, administration and legal representation of BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA, and the Bond Issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against Obligors of the Participated Mortgage Loans who may have defaulted on their payment obligations thereunder. Any such action shall lie with the Management Company, representing the Fund holding the Mortgage Certificates.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from a default of the Participated Mortgage Loans by the relevant Obligors or breach by the other parties to the transactions arranged for and on behalf of the Fund. The Bondholders and the remaining creditors of the Fund shall have no actions against the Fund Management Company other than as derived from a breach of its duties. Those actions shall be heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

## **0.2 Considerations regarding activities, financial position and most relevant circumstances of the Fund.**

### **0.2.1 Nature of the Fund.**

The Bonds subject of this Issue are issued by BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA, which is constituted in accordance with Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

In accordance with this Act, the Fund is a separate closed-end estate, devoid of legal personality. Its assets comprise the Mortgage Certificates pooled therein upon being constituted and its liabilities comprise the Bonds issued and the Start-Up Loan, and the net worth of the Fund is nil. Additionally, the Interest Swap and the Subordinated Credit shall be reported in memorandum accounts. Pursuant to Act 19/1992, the Management Company that set up the Fund shall be legally responsible for managing and representing the Fund.

The Fund shall be in existence until no later than June 18, 2034, the Final Maturity Date of the Bond issue.

### **0.2.2 Representation of the Fund: Management Company.**

The Management Company that has constituted and therefore whose duty it is to manage and legally represent the Fund is EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, on the terms set in Royal Decree 926/1998, Act 19/1992 and other applicable laws, without prejudice to the provisions of the Deed of Constitution.

It is similarly the Management Company's duty, as the manager of third-party business, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall safeguard at all times the interests of the Bondholders and all other creditors of the Fund, 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 failure to observe the provisions of the Deed of Constitution.

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

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

### **0.2.3 Assets pooled in the Fund: Mortgage Certificates.**

The Fund shall pool Mortgage Certificates wholly issued by BANCAJA upon being constituted. The Mortgage Certificates shall be issued as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree's articles.

The Mortgage Certificates represent a 100 percent share in the principal, ordinary and late-payment interest on each Participated Mortgage Loan, and in all and any other amounts, assets or rights originating in the Participated Mortgage Loans, excluding the fees established in each of the Participated Mortgage Loans which shall remain for the benefit of BANCAJA.

The issue price of the Mortgage Certificates is equal to the face value of the principal of the Participated Mortgage Loan.

The total face value of the issue of Mortgage Certificates 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 Offering Circular. The outstanding principal on the 17,310 mortgage loans selected as of September 30, 2002 amounted as at that date to EUR 1,090,302,936.57.

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

In accordance with article 5.8 of Act 19/1992, BANCAJA shall not bear the risk of default on the Mortgage Certificates and shall therefore have no liability whatsoever for default by the Mortgagors of principal, interest or any other amount owing by the Mortgagors under the Participated Mortgage Loans. It will have no liability whatsoever to directly or indirectly guarantee that the transaction will be successfully completed, nor give any guarantees or security, nor indeed agree to replace or repurchase the Mortgage Certificates, other than if any of the Mortgage Certificates should fail to conform to the representations contained in section IV.1.a) of this Circular or the specific characteristics BANCAJA may have communicated to the Management Company, due to a failure by the Participated Mortgage Loan underlying that Mortgage Certificate to so conform.

#### **0.2.4 Risk hedging and service transactions arranged for on behalf of the Fund.**

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

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Subordinated Credit Agreement.
- (iii) Start-Up Loan Agreement.
- (iv) Interest Swap Agreement.
- (v) Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.
- (vi) Bond Issue Management, Underwriting and Placement Agreement.
- (vii) Bond Paying Agent Agreement.
- (viii) Financial Intermediation Agreement.

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution and in accordance with the provisions established in the laws in force from time to time, acting for and on behalf of the Fund, in exceptional events extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if

necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

## **0.2.5 Ordinary priority rules in payments by the Fund.**

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

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

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

- a) Mortgage Certificate principal repayment income received between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive.
- b) Ordinary and late-payment interest income received on the Mortgage Certificates between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive.
- c) The return received on the amounts credited to the Treasury Account.
- d) The drawdowns under the Subordinated Credit, designed only to meet payment of the Fund’s obligations under (i) items numbers 1 to 5 and 8 and 9, all inclusive, in the Priority of Payments, or (ii) on the last Payment Date or on the Fund liquidation date, items numbers 1 to 9, both inclusive.
- e) If the Cash Reserve is actually set up, the amount with which it is provisioned.
- f) The amounts received under the Interest Swap Agreement.
- g) Any other amounts received by the Fund between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

#### **2. Application:**

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

1. Payment of the Fund’s properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund’s behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be settled to the Servicer under the Servicing Agreement in this priority.



2. Payment of the Interest Swap Agreement amount and, in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable by the Fund comprising the settlement payment.

3. Payment of interest due on the Series A Bonds.

4. Payment of interest due on the Series B Bonds.

This payment shall however be moved to item number 8 if, on the preceding Determination Date, the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 8.00% of the Outstanding Balance of the Mortgage Certificates, and if the Series A Bonds have not been fully amortised or are not to be fully amortised on the ongoing Payment Date.

5. Payment of interest due on the Series C Bonds.

This payment shall however be moved to item number 9 if, on the preceding Determination Date, the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 5.45% of the Outstanding Balance of the Mortgage Certificates, and if the Series A Bonds and the Series B Bonds have not been fully amortised or are not to be fully amortised on the ongoing Payment Date.

6. Withholding of an amount sufficient for the Required Cash Reserve to be maintained.

This application shall only occur if the Cash Reserve is actually established upon the Subordinated Credit being fully drawn down.

Moreover, this application shall not occur on the last Payment Date or Fund liquidation date.

7. Amortising Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date and (ii) the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date.

Depending on the liquidity existing on each Payment Date, the amount actually applied to amortising the Series A, B and C Bond principal shall make up the Available Funds for Amortisation which shall be applied to each of the Series in accordance with the distribution rules established hereinafter in this same section.

8. Payment of interest due on the Series B Bonds when this payment is deferred from item number 4 in the priority of payments as established in that number.

9. Payment of interest due on the Series C Bonds when this payment is deferred from item number 5 in the priority of payments as established in that number.

10. Payment of interest due on the Subordinated Credit.

This application shall not occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve referred to in item number 14.

11. Repayment of principal drawn under the Subordinated Credit.

This application shall not occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve referred to in item number 15.

12. Payment of interest due on the Start-Up Loan.

13. Repayment of Start-Up Loan principal in the amortised amount.

14. Payment of interest due on the Subordinated Credit.

This application shall only occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve and shall occur in lieu of item number 10 in this Priority of Payments.

15. Repayment of Subordinated Credit principal in the amount of the reduction, if any, of the Required Cash Reserve if it is actually established.

This application shall only occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve and shall occur in lieu of item number 11 in this Priority of Payments.

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

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

17. Payment of the variable remuneration established under the Financial Intermediation Agreement.

When in a same priority of payments amounts are due for different items and the remaining Available Funds are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds shall be made pro rata among the amounts payable under each such item, and the amount applied to each item shall be applied in the priority in which the accounts payable fall due.

**Distribution of the Available Funds for Amortisation among each Series.**

The Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of the Series B Bonds is equal to or greater than 4.10% of the Outstanding Principal Balance of the Bond Issue and the Outstanding Balance of Series C is equal to or greater than 1.80% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.
2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.10% and 1.80%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, thereby for the above ratios between the Outstanding Principal Balances of Series B and Series C and the Outstanding Principal Balance of the Bond Issue and to be respectively kept at 4.10% and 1.80%, or a higher percentage closest thereto.

The Available Funds for Amortisation will however not be applied on the Payment Date to amortising Series B and Series C, and will be wholly applied to amortising Series A, if any of the following circumstances occur:

- a) That on the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 2.00% of the Outstanding Balance of the Mortgage Certificates on that same date.
  - b) That (i) the available Subordinated Credit amount is less than the Maximum Subordinated Credit Amount upon being drawn down, or (ii) if the Cash Reserve is set up, that the amount of that Cash Reserve is less than the required Cash Reserve.
3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.

## **0.2.6 Liquidation and termination of the Fund.**

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

The Fund shall terminate in any of the following events:

- (i) Upon the Mortgage Certificates pooled therein being fully amortised.
- (ii) By the Early Liquidation procedure established in section III.8.1.
- (iii) At all events, on the Final Maturity Date established for final Bond amortisation.

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

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation (“**Early Liquidation**”) of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue (“**Early Amortisation**”), when the Outstanding Balance of the Mortgage Certificates pending amortisation is less than 10 percent of the initial Outstanding Balance, in accordance with the authorisation established in article 5.3 of Act 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.

In order to proceed to that Early Liquidation of the Fund, it shall be necessary for all the payment obligations derived from the Bonds issued by the Fund to be met and settled fully or otherwise that, before proceeding to an Early Liquidation of the Fund, the Management Company call 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 Outstanding Principal Balance of the Bonds on that date plus interest accrued and not paid until the Early Amortisation Date, deducting the withholding tax, if any, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

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

#### **a) Risk of default on the Mortgage Certificates.**

Pursuant to article 5.8 of Act 19/1992, the holders of Bonds issued by the Fund shall bear the risk of default on the Mortgage Certificates pooled in the Fund once the limited hedging afforded by the amount of the Subordinated Credit or of the Cash Reserve, if set up, as described in sections V.3.3 and III.2.3 of this Circular, has been used up. Moreover, the degree of subordination in payment of interest and principal of the Series C Bond with respect to the Series A Bonds and the Series B Bonds and of the Series B Bonds with respect to the Series A Bonds derived from their position in the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

Consequently, BANCAJA shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Participated Mortgage Loans. BANCAJA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Mortgage Certificates, other than where any of the relevant Mortgage Certificates or Participated Mortgage Loans fail to conform to the representations contained in section IV.1.a) of this Circular, or the specific characteristics of the Participated Mortgage Loans notified by BANCAJA to the Management Company.

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

#### **b) Early-amortisation risk of the Mortgage Certificates.**

There will be an early amortisation of the Mortgage Certificates 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 documents. Similarly, there will be a full amortisation of the Mortgage Certificates in the event that BANCAJA should be substituted in the relevant Participated Mortgage Loans by any other financial institution licensed to do so.

The risk of that early amortisation shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds.

#### **c) 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.

The Fund may in no event repurchase the Bonds from Bondholders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund.

#### **d) Yield.**

Prepayment of the Participated Mortgage Loans is influenced by a number of geographic, economic and social factors such as 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 Offering Circular is based on assumed prepayment rates that may not be fulfilled, and on future market interest rates, which may not reflect the floating nature of the nominal interest rate of each Series.

**e) Late-Payment Interest.**

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

**f) No right of action.**

Neither the Fund nor the Bondholders shall have any right of action respectively against the originator issuing the Mortgage Certificates or against the Management Company other than as derived from breaches of their respective duties and hence in no event as a result of the existence of default or early amortisation.



## CHAPTER I

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

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

##### 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 Circular on behalf of the Management Company.

Mr MARIO MASIÁ VICENTE, of full age, who holds Spanish Tax Identification number 50,796,768-A, acting as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, and using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, and by the Board's Executive Committee at its meeting held on October 9, 2002, takes responsibility for the contents of this Circular.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with registered office at Madrid, Calle Lagasca, 120, having VAT Reg. no. A-80514466, sponsors BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA (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 Circular is truthful and that no fact has been omitted that might alter its scope.

Mr MARIO MASIÁ VICENTE confirms that the facts and figures contained in the Circular are truthful and that no relevant detail has been omitted nor has misleading information been included.

#### I.2 Supervisory Bodies.

The constitution of the Fund and issue of the Mortgage-Backed Bonds (hereinafter also the "Bonds") are subject to the condition precedent of their verification and registration in the Official Registers of the CNMV.

This full Offering Circular regarding the constitution of the Fund and issue of the Bonds has been verified and entered in the Official Registers of the CNMV on November 5, 2002.

Registration of the Circular by the CNMV does not imply recommending subscription for or purchase of the securities referred to therein, nor indeed any statement whatsoever as to the solvency of the Fund or yield of the issued or offered securities.

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

Appendix V to this Offering Circular contains the Audit Report on a selection of portfolio mortgage loans of BANCAJA, part of which are the Participated Mortgage Loans to be assigned by issuing the Mortgage Certificates. That Report was drawn up by the firm DELOITTE & TOUCHE ESPAÑA S.L. ("DELOITTE & TOUCHE"), 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 Act 2/1981, March 25, for issuing Mortgage Certificates. BANCAJA shall not include the loans with errors detected upon verifying the sample for issuing the Mortgage Certificates.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer than (sample) the full selection of transactions (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative features regarding the sample transactions and specifically regarding: classification of the loan, identification of the borrower, date of origination, date of maturity, initial amount, current balance, floating interest rate, benchmark interest rate or index, margin or spread, arrears in payments, appraisal value, ratio current loan balance/appraisal value, address of the mortgaged property, mortgage security and damage insurance cover.

BANCAJA agrees in accordance with the provisions of section IV.1.d) of this Circular that, if in spite of its own enquiries and those of the above-mentioned auditor, the existence of any Participated Mortgage Loan not fully observing the representations contained in section IV.1.a) of this Circular and the specific characteristics of the Participated Mortgage Loans BANCAJA shall have communicated to the Management Company should be detected, then BANCAJA will forthwith replace the relevant Mortgage Certificate or proceed to an early amortisation thereof, as the case may be, in accordance with the provisions of section IV.1.d).



**INFORMATION REGARDING THE SECURITIES ISSUED BY THE MORTGAGE  
SECURITISATION FUND**

**II.1 Information on prerequisites and resolutions necessary for the Fund to be constituted and on the securities issued by the Fund, and also on the terms for the Fund to acquire the assets (Participated Mortgage Loans with underlying Mortgage Certificates) subject of the securitisation process.**

**II.1.1 Issue resolutions and statutory requirements.**

**a) Corporate resolutions.**

*Resolution to issue the Mortgage Certificates:*

The Board of Directors of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA (“BANCAJA”), held on September 25, 2002, resolved to authorise the issue of mortgage certificates (the “**Mortgage Certificates**”) to be fully subscribed for by the Fund forthwith upon being constituted. The characteristics of the issue of Mortgage Certificates pooled in the Fund are described in Chapter IV.1. Attached as Appendix II to this Circular is a photocopy of the Transcript of the resolutions of the Board of Directors of BANCAJA.

*Resolution to set up the Fund:*

At its meeting dated October 9, 2002, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the “**Management Company**”) resolved that BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA be constituted in accordance with the legal system provided by Act 19/1992, to subscribe for the Mortgage Certificates issued by BANCAJA and that the Bonds be issued by the Fund. Attached as Appendix III hereto is a photocopy of the Transcript of the resolutions of the Executive Committee of the Management Company’s Board of Directors.

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

Upon the CNMV verifying and registering this Offering Circular and by November 6, 2002, without the Bond Subscription Period having yet begun, the Management Company along with BANCAJA, the originator issuing the Mortgage Certificates to be subscribed for by the Fund, shall proceed to execute a public deed whereby BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA will be constituted, the Mortgage Certificates will be issued and subscribed for and the Mortgage-Backed Bonds will be issued (the “**Deed of Constitution**”), on the terms provided in Act 19/1992.

The following will summarise the contents of the Deed of Constitution: (i) the Mortgage Certificates pooled in the Fund and the rules for replacement in the event of early amortisation thereof will be specified, (ii) the terms of the Bonds to be issued will be precisely defined, (iii) the rules to be observed by the Fund will be set and the transactions 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 Certificates and

on the Bonds. In this sense, the Deed of Constitution shall provide that the Fund may, through its Management Company, enter into the agreements specified in section V.3 of the Circular.

The Deed of Constitution shall be submitted to the CNMV to be entered in the public registers before the Bond Subscription Period begins.

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

In accordance with article 5.9 of Act 19/1992, the Bonds issued by the Fund shall be exclusively represented by means of book entries and the Fund Deed of Constitution shall have the effects provided in article 6 of the Securities Market Act. The Management Company shall, for and on behalf of the Fund, forthwith upon the execution of the Deed of Constitution, apply for the issue to be included in the Servicio de Compensación y Liquidación de Valores, S.A. (“SCLV”) or any other institution hereafter taking its stead, and, once the Bonds have been paid up, for this Bond issue to be included in AIAF Fixed-Income Market (“AIAF”), which is a recognised official secondary securities market, in order for the Bonds to be traded, cleared and settled in accordance with the operating rules which may be established to that end or henceforth approved by the SCLV and AIAF, or any other institution taking their stead. It is expected that definitive AIAF listing will be achieved not later than one month after the Closing Date.

**II.2 Administrative authorisation prior to the issue or offering, specifying resultant details or restrictions. Specification of the warnings and considerations made by the CNMV pursuant to article 1.9 of the Economy and Finance Ministry’s Order dated July 12, 1993 on offering circulars.**

No prior administrative authorisation other than prior verification and registration by the CNMV is required.

The CNMV has made no warning or consideration concerning the constitution of the Fund and issue of the Bonds.

**II.3 Assessment of the risk inherent in the securities issued by the Fund by a rating firm recognised by the CNMV.**

The Management Company has entrusted the assessment of the credit risk of the Bonds to Moody’s Investors Service España, S.A. (“Moody’s”) and Fitch Ratings España, S.A. (“Fitch”), which rating agencies (jointly the “Rating Agencies”) are recognised by the CNMV, for the purposes of the provisions of article 5.8 of Act 19/1992.

On October 30, 2002 Moody’s assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

<b>Bond Series</b>	<b>Moody’s Rating</b>
Series A	Aaa
Series B	A2
Series C	Baa2

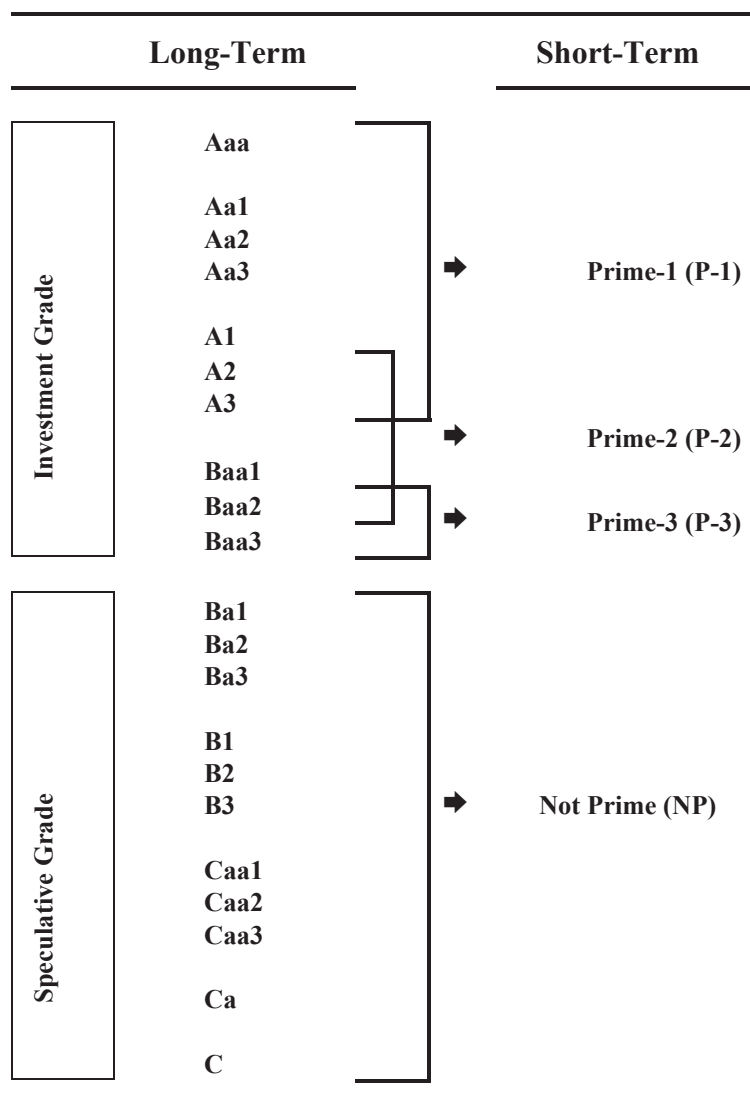
On October 30, 2002 Fitch assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

Bond Series	Fitch's Rating
Series A	AAA
Series B	A+
Series C	BBB+

If the Rating Agencies should not confirm the assigned provisional ratings as final by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.5.3.c). Furthermore, this circumstance would result in the Fund constitution, issue of and subscription for the Mortgage Certificates and Bond Issue being terminated.

Appendix IV to this Circular contains a copy of the letters notifying the provisional ratings assigned by Moody's and Fitch.

*Ratings given by Moody's.*



The following is the meaning ascribed by Moody's to the long- and short-term ratings used in this Offering Circular.

Long-Term

- Aaa** Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged". Interest payments are protected by a large or by an exceptionally stable margin and the principal is secure.
- Aa** Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.
- A** Bonds which are rated "A" possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest payments are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.
- Baa** Bonds which are rated "Baa" are considered as medium-grade obligations. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

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

Short-Term

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

*Ratings given by Fitch.*

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

Long-Term	Short-Term
AAA	F1+
AA+	
AA	
AA-	
A+	F1
A	
A-	
BBB+	F2
BBB	
BBB-	F3
BB+	

Long-Term	Short-Term
BB BB-	B
B+ B B-	
CCC+ CCC CCC- CC C	C
DDD DD D	D

The following is the meaning ascribed by Fitch to the long- and short-term ratings used in this Offering Circular.

#### Long-Term

- AAA** Highest credit quality. “AAA” ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of principal and interest on financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
- AA** Very high credit quality. “AA” ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of principal and interest on financial commitments. This capacity is not significantly vulnerable to foreseeable events
- A** High credit quality. “A” ratings denote a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances and in economic conditions than is the case for higher ratings.
- BBB** Good credit quality. “BBB” ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

#### Short-Term

- F1** Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added “+” to denote any exceptionally strong credit feature.

Fitch may append “+” or “-” to a rating to denote relative status within major rating categories. Such suffixes are not added to the “AAA” long-term rating category, to categories below “CCC”, or to short-term ratings other than “F1”.

#### **Rating considerations.**

The ratings assigned to each of the Bond Series is the Rating Agencies’ opinion about the level of credit risk, the Fund’s ability to meet payments of interest as they fall due on each set Payment Date and of the principal of the issue throughout the life of the transaction and, at all events, before the Final Maturity Date. The rating

takes into account the structure of the Bond issue, the legal aspects thereof and of the issuing Fund, the characteristics of the mortgage loans selected for issuing the Mortgage Certificates and the regularity and continuity of the operating flows.

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

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

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

The Rating Agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section III.5.3.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BANCAJA, the Management Company, the auditors, the lawyers and other experts.

#### **Undertakings by the Management Company.**

The Management Company, on behalf of the Fund, agrees to report regularly to the Rating Agencies as to the status of the Fund and the performance of the Mortgage Certificates. 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 (the “**Bond Issue**” and the “**Bonds**”) totals a face value of EUR one billion (1,000,000,000) and consists of ten thousand (10,000) Bonds comprised of three Series (Series A, Series B and Series C), as detailed in section II.6 hereinafter.

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

The constitution of the Fund and the Bond Issue by the same are carried out pursuant to Act 19/1992.

The Bonds legally qualify as marketable fixed-income securities with an explicit yield and are subject to the system prescribed in the Securities Market Act.

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

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 in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties. In this sense, no claim may be lodged against a third party acquiring the Bonds represented by book entries for valuable consideration from whoever has capacity to transfer the same, according to the book entries, unless he acted in bad faith or with gross negligence at the time of the acquisition.

The Bondholders are bound in respect of Bond interest payment and principal repayment by the Fund Priority of Payments.

In order to cover timing differences between the scheduled flows of repayment of principal and interest on the Mortgage Certificates and on the Bonds issued by the Fund, the Management Company, on behalf of the Fund, shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement with BANCAJA whereby the amounts received by the Fund from the Mortgage Certificates, as both repayment of principal and interest, as well as the amounts referred to in section V.3.1 of the Circular, will be invested until the next Bond Payment Date, on which the principal repayment and interest payment on the Bonds shall fall due. Furthermore, the Fund has other financial hedging transactions covering up to a limit the risk of shortfall of the Fund's resources to service the Bonds and which have been deemed sufficient by the Rating Agencies to assign each Bond Series the rating referred to in section II.3 of this Circular.

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

##### **a) Risk of default on the Mortgage Certificates:**

Pursuant to article 5.8 of Act 19/1992, the holders of Bonds issued by the Fund shall bear the risk of default on the Mortgage Certificates pooled in the Fund once the limited hedging afforded by the amount of the Subordinated Credit or of the Cash Reserve, if set up, as described in sections V.3.3 and III.2.3 of this Circular, has been used up. Moreover, the degree of subordination in payment of interest and principal of the Series C Bond with respect to the Series A Bonds and the Series B Bonds and of the Series B Bonds with respect to the Series A Bonds derived from their position in the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

Consequently, BANCAJA shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Participated Mortgage Loans. BANCAJA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Mortgage Certificates, other than where any of the relevant Mortgage Certificates or Participated Mortgage Loans fail to conform to the representations

contained in section IV.1.a) of this Circular, or the specific characteristics of the Participated Mortgage Loans notified by BANCAJA to the Management Company.

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

**b) Early-amortisation risk of the Mortgage Certificates:**

There will be an early amortisation of the Mortgage Certificates 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 documents. Similarly, there will be a full amortisation of the Mortgage Certificates in the event that BANCAJA should be substituted in the relevant Participated Mortgage Loans by any other financial institution licensed to do so, subject to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 (“Act 2/1994”) or for any other cause having the same effect.

The risk of that early amortisation shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.4 of this Circular.

**c) 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.

The Fund may in no event repurchase the Bonds from Bondholders, though they may be fully subject to early amortisation in the event of Early Liquidation of the Fund, on the terms established in section III.8.1 of this Circular.

**d) Yield.**

Prepayment of the Participated Mortgage Loans is influenced by a number of geographic, economic and social factors such as Obligor’s 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 is based, inter alia, on assumed prepayment rates of the Participated Mortgage Loans that may not be fulfilled, and on future market interest rates, which may not reflect the floating nature of the nominal interest rate of each Series..

**e) Late-Payment Interest.**

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

**f) No right of action.**

Neither the Fund nor the Bondholders shall have any right of action respectively against the originator issuing the Mortgage Certificates or against the Management Company other than as derived from breaches of their respective duties and hence in no event as a result of the existence of default or early amortisation.



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

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

The SCLV shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities listed on the AIAF, and represented by book entries, now established or approved in the future by the SCLV or any other replacement institution. Such designation shall be entered in the Official Registers of the CNMV. Bondholders shall be identified as such when entered in the accounting record kept by the clearing members of the SCLV or any other replacement institution.

SCLV has its place of business at calle Orense, no. 34, Madrid.

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

The amount of the Bond Issue totals a face value of EUR one billion (1,000,000,000) and consists of ten thousand (10,000) Bonds comprised of three Bond Series distributed as follows:

- i) Series A having a total face amount of EUR nine hundred and seventy million five hundred thousand (970,500,000) comprising nine thousand seven hundred and five (9,705) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (the “**Series A Bonds**”).
- ii) Series B having a total face amount of EUR twenty million five hundred thousand (20,500,000) comprising two hundred and five (205) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (the “**Series B Bonds**”).
- iii) Series C having a total face amount of EUR nine million (9,000,000) comprising ninety (90) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (the “**Series C Bonds**”).

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

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

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

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

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

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

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

The 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 by 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 the SCLV shall be borne by the Fund and may not be shifted to the Bondholders. The SCLV charges no fee whatsoever for maintaining a balance.

In accordance with the laws in force for the time being, the members of the SCLV may nevertheless establish such fees and expenses to be charged to the Bondholder, for managing securities, as they may freely determine, and duly notified to the Bank of Spain or the CNMV, being their supervisory bodies.

**II.10 Interest rate clause:**

**II.10.1 Nominal interest rate.**

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

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

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

**a) Interest accrual.**

The duration of this issue shall be divided into successive interest accrual periods (“**Interest Accrual Periods**”) comprising the exact number of days elapsed between each Payment Date, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit March 18, 2003, exclusive.

The nominal interest rate applicable to each of the Series shall accrue on the exact number of days in each Interest Accrual Period for which it was determined, calculated based upon a 360-day year.

**b) Nominal interest rate.**

The nominal interest rate applicable to each of the Series determined for each Interest Accrual Period shall be the result of adding: (i) the Reference Rate, as established in section c) below, and (ii) the following margins for each Series, all of which shall be rounded up to the nearest thousandth of a percentage point.

- **Series A:** 0.25% margin.
- **Series B:** 0.53% margin.
- **Series C:** 1.15% margin.

**c) Reference Rate and determining the same.**

The reference rate (the “**Reference Rate**”) for determining the nominal interest rate applicable to each of the Bond Series is as follows:

- i) Euribor, “Euro Interbank Offered Rate”, calculated and distributed by the BRIDGE financial information system under an FBE (“Federation Bancaire de l’Union Europeene”) mandate, with a three- (3-) month maturity, other than for the first Interest Accrual Period, fixed at 11am (CET time “Central European Time”) on the Interest Rate Fixing Date described below, which is currently published on electronic pages EURIBOR01 supplied by Reuters, and 248 supplied by Dow Jones Markets (Bridge Telerate), or any other page taking their stead in providing these services.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rates bearing in mind the number of days in the first Interest Accrual Period. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

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

Where:

IR = Reference Rate for the first Interest Accrual Period.

D = Number of days in the first Interest Accrual Period.

E3 = Three- (3-) month Euribor rate.

E6 = Six- (6-) month Euribor rate.

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

- ii) In the event that the rate established in paragraph (i) above should not be available or be impossible to obtain, the substitute Reference Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in

euros with a three- (3-) month maturity, on the Interest Rate Fixing Date, declared by the banks listed below, following a simultaneous request to each of them:

- Banco Bilbao Vizcaya Argentaria S.A. (Madrid).
- Banco Santander Central Hispano, S.A. (Madrid).
- Barclays Bank PLC (London).
- Deutsche Bank AG (Frankfurt).
- Société Générale S.A. (Paris).
- UBS AG.

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

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

On each of the Interest Rate Fixing Dates, the Paying Agent shall notify the Management Company of the Reference Rate determined in accordance with paragraphs i) and ii) above. The Management Company shall keep the printouts with the contents of the Reuters or Bridge Telerate screens or, as the case may be, the statements of quotations of the above-mentioned banks, as documents establishing the Reference Rate determined.

**d) Interest Rate Fixing Date.**

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

Exceptionally, the nominal interest rate of the Bonds in each of the Series for the first Interest Accrual Period shall be determined as provided in sections b) and c) above, based upon the Reference Rate (straight-line interpolation of three- (3-) and six- (6-) month Euribor rate), albeit referred to the third Business Day preceding the Closing Date, and shall be notified in writing by the Management Company by the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and the SCLV.

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

**e) Formula for calculating the interest.**

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

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

Where:

*I* = Interest payable on a given Payment Date, rounded up to the nearest euro cent.

*P* = Outstanding Principal Balance of the Bonds in the Series at the beginning of the Interest Accrual Period falling on that Payment Date.

*R* = Nominal interest rate of the Series expressed as a yearly percentage.

*d* = Number of days actually corresponding to each Interest Accrual Period.

**f) Example for fixing the nominal interest rate.**

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

(Amounts in EUR)	Series A Bonds	Series B Bonds	Series C Bonds
1 Outstanding Principal Balance per Bond	100,000	100,000	100,000
2 Interest Accrual Period Days	130	130	130
3 3- to 6- month* interpolated Euribor Rate	3.20922222	3.20922222	3.20922222
4 Margin	0.25	0.53	1.15
5 Nominal interest rate: rounded to the nearest ten thousandth of a percentage point	3.459	3.739	4.359
6 Calculation of the interest accrued per Bond (1)x(2)x(5)/36000	1.249.0833	1.350.1944	1.574.0833
7 Amount of interest payable per Bond: rounded up to the nearest euro cent	1.249.08	1,350.19	1,574.08

\* 6-month Euribor: 3.157% and 3-month Euribor: 3.251% as of October 30, 2002.

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

For merely illustrative purposes, below are details of the three- (3-) month Euribor rates published on certain dates, which would match the Payment Dates, over the last two years on the EURIBOR01 electronic page supplied by Reuters, and the nominal interest rates that would result if applied to each of the Bond Series, other than on the first Payment Date:

<b>Dates</b>	<b>3-Month Euribor</b>	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
October 30, 2002	3.251	3.501	3.781	4.401
September 16, 2002	3.313	3.563	3.843	4.463
August 14, 2002	3.326	3.576	3.856	4.476
July 16, 2002	3.414	3.664	3.944	4.564
June 14, 2002	3.468	3.718	3.998	4.618
May 16, 2002	3.497	3.747	4.027	4.647
April 16, 2002	3.399	3.649	3.929	4.549
March 14, 2002	3.379	3.629	3.909	4.529
February 14, 2002	3.358	3.608	3.888	4.508
January 16, 2002	3.335	3.585	3.865	4.485
December 14, 2001	3.346	3.596	3.876	4.496
November 15, 2001	3.359	3.609	3.889	4.509
October 16, 2001	3.626	3.876	4.156	4.776
September 14, 2001	4.160	4.410	4.690	5.310
August 16, 2001	4.346	4.596	4.876	5.496
July 16, 2001	4.486	4.736	5.016	5.636
June 14, 2001	4.474	4.724	5.004	5.624
May 16, 2001	4.567	4.817	5.097	5.717
April 16, 2001	4.742	4.992	5.272	5.892
March 15, 2001	4.767	5.017	5.297	5.917
February 15, 2001	4.747	4.997	5.277	5.897
January 16, 2001	4.801	5.051	5.331	5.951
December 14, 2000	4.953	5.203	5.483	6.103
November 16, 2000	5.078	5.328	5.608	6.228

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

Payment of interest accrued by the Series A Bonds is third (3<sup>rd</sup>) in the Priority of Payments established in section V.4.2.2, page 123 of this Circular.

Payment of interest accrued on the Series B Bonds is fourth (4<sup>th</sup>) in the Priority of Payments established in said section, page 123 of this Circular, unless the deferral event for which provision is made in that same section occurs, in which case it shall be eighth (8<sup>th</sup>) in the Priority of Payments.

Furthermore, payment of interest accrued by the Series C Bonds is fifth (5<sup>th</sup>) in the Priority of Payments established in said section, page 123 of this Circular, unless the deferral event for which provision is made in that same section occurs, in which case it shall be ninth (9<sup>th</sup>) in the Priority of Payments.

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

Interest on the Bonds in each of the Series will be paid in arrears on March 18, June 18, September 18 and December 18 of each year until they are fully amortised (each of those dates, a “**Payment Date**”), on the terms established in section II.10.1. of this Circular.

In the event that any of the dates established in the preceding paragraph should not be a Business Day, the Payment Date shall be the following Business Day, and interest for the 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 March 18, 2003, and interest will accrue at the relevant nominal interest rate between the Closing Date, inclusive, and March 18, 2003, exclusive.

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

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

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

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

In the event that on a Payment Date the Fund should be unable to make full or partial payment of the interest accrued by the Bonds in any of the Series, in the Priority of Payments, 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 Priority of Payments and applied by order of maturity if it should be impossible once again not to pay the same fully due to a shortage of Available Funds.

Deferred interest amounts shall 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 paid, 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 June 18, 2034, the Final Maturity Date, or the next Business Day if that date is not a Business Day.

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

## **II.11 Amortisation of the securities.**

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

The redemption price of the Bonds in each of Series A, B and C shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section II.11.3 of this Chapter.

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

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 Available Funds 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 by the Fund has in the Fund payment priority, and specification of the section and pages of this Circular in which the rules of priority established in the Fund's payments are described, and specifically those affecting principal payments on those securities.**

Repayment of Series A, B and C Bond principal is seventh (7<sup>th</sup>) in the Priority of Payments established in section V.4.2.2, page 124 of this Circular.

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

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

Series A Bonds shall be amortised by partial amortisations on each of the Payment Dates until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, distributed pro rata between the Bonds in the actual Series A by reducing the face value of each Bond. The first Payment Date for amortising the Series A Bonds shall fall on March 18, 2003.

The final amortisation of the Series A Bonds shall occur on the Final Maturity Date (June 18, 2034), notwithstanding the partial amortisations for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.6, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

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

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

The first amortisation of Series B Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series B is equal to or greater than 4.10% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to



the amortisation of Series A, B and C and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series B and of the Bond Issue to be kept at 4.10%, or a higher percentage closest thereto. The amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (June 18, 2034), notwithstanding the partial amortisations for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.6, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

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 Priority of Payments.

#### **II.11.3.3 Amortisation of Series C Bonds.**

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

The first amortisation of Series C Bonds shall occur on the Payment Date after the Payment Date on which the Outstanding Principal Balance of Series C is equal to or greater than 1.80% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall be applied to the amortisation of Series A, B and C and distributed pro rata among the same, thereby for the above ratio between the Outstanding Principal Balances of Series C and of the Bond Issue to be kept at 1.80%, or a higher percentage closest thereto. The amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for distributing the Available Funds for Amortisation among the Bonds in each Series in the Fund Priority of Payments.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (June 18, 2034), notwithstanding the partial amortisations for which provision is made in section II.11.3.4 and the fact that the Management Company may, for and on behalf of the Fund, and as provided for in section II.11.3.6, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

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

#### **Common characteristics for amortising the Bonds in all three Series.**

#### **II.11.3.4 Partial amortisation.**

Irrespective of the Final Maturity Date and without prejudice to the Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to make partial amortisations of the Bonds in each Series on the Payment Dates and on the terms described hereinafter in this section.

#### **II.11.3.4.1 Determination Dates.**

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

#### **II.11.3.4.2 Outstanding Principal Balance of the Bonds.**

The Outstanding Principal Balance of a Series shall be the sum of the outstanding principal balances pending amortisation of the Bonds in that Series, such balances to include the principal amounts that should have been repaid, as the case may be, and were not paid due to a shortage of Available Funds for Amortisation, in the Fund Priority of Payments.

Moreover, the Outstanding Principal Balance of the Bond Issue shall be the sum of the Outstanding Principal Balance of each of the Series.

#### **II.11.3.4.3 Outstanding Balance of the Mortgage Certificates.**

The Outstanding Balance of the Mortgage Certificates shall for these purposes consist of 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 Certificates.

#### **II.11.3.4.4 Available Funds for Amortisation on each Payment Date and Amortisation Deficiency.**

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

- a) The positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date, and (ii) the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date.
- b) Depending on the liquidity existing on that Payment Date, the Available Funds remaining after deducting the amounts applied to items numbers 1 to 6 in the Priority of Payments.

The Amortisation Deficiency 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 Available Funds for Amortisation, after taking from those Funds the amount drawn on the Subordinated Credit on the Payment Date for this application.

#### **II.11.3.4.5 Distribution of the Available Funds for Amortisation among the Bonds in each Series.**

The Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of the Series B Bonds is equal to or greater than 4.10% of the Outstanding Principal Balance of the Bond Issue and the Outstanding Balance of Series C is equal to or greater than 1.80% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.
2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.10% and 1.80%, the Available Funds for Amortisation shall be applied to amortising Series A, B

and C, proportionally among the same, thereby for the above ratios between Outstanding Principal Balances of Series B and Series C and the Outstanding Principal Balance of the Bond Issue to be respectively kept at 4.10% and 1.80%, or a higher percentage closest thereto.

The Available Funds for Amortisation will however not be applied on the Payment Date to amortising Series B and Series C, and will be wholly applied to amortising Series A, if any of the following circumstances occur:

- a) That on the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 2.00% of the Outstanding Balance of the Mortgage Certificates on that same date.
  - b) That (i) the available Subordinated Credit amount is less than the Maximum Subordinated Credit Amount upon being drawn down, or (ii) if the Cash Reserve is set up, that the amount of that Cash Reserve is less than the required Cash Reserve.
  - c) That there is an Amortisation Deficiency.
3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.

Notwithstanding the above, in the event that on a Payment Date, in consequence of the Priority of Payments, the Fund should not have sufficient liquidity to proceed to the relevant amortisation of 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 Outstanding Principal Balance of 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 of the amortisation amount resulting for the Bonds in each Series, the Outstanding Principal Balance of each Series, and the actual prepayment rates on the Participated Mortgage Loans and the average residual life estimated for the Bonds in each Series.

#### **II.11.3.5 Final amortisation.**

The Final Maturity Date and consequently the final amortisation of the Bonds is June 18, 2034 or the next Business Day if that date is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections II.11.3.4 and II.11.3.6, proceeding to an earlier amortisation of this Bond Issue.

### II.11.3.6 Early Amortisation.

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

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

The issue will be serviced through BANCAJA as the Paying Agent. Payment of interest and principal 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. Interest and principal shall be paid to the Bondholders by the relevant clearing members and to the latter in turn by the SCLV, the institution responsible for the accounting record, or any other replacement institution.

#### a) Loan servicing tables.

The main characteristic of the Bonds is that their periodic amortisation and hence their average life and duration depend mainly on the pace at which Obligors decide to repay the Participated Mortgage Loans.

In this sense, the prepayments resolved by the Obligors, subject to continual changes, and estimated in this Circular 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 the 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 the 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 Mortgage Certificate portfolio: 4.73% (average weighted % interest rate as of September 30, 2002 of the portfolio of selected loans);
- Mortgage Certificate portfolio delinquency: 0% per annum;
- Mortgage Certificate portfolio defaults rated as bad debts: 0%;
- that the prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is November 8, 2002;
- and that there is no Amortisation Deficiency.

Finally, the actual adjusted life of the Bonds will also depend on their floating interest rate, which is assumed to be constant for the first Interest Accrual Period in all the tables contained in this section, as follows for each Series:

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	3.459%	3.739%	4.359%

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

	Series A Bonds	Series B Bonds	Series C Bonds
<b>Nominal interest rate</b>	3.501%	3.781%	4.401%

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section III.8.1, paragraph one, of this Circular, when the Outstanding Balance of the Mortgage Certificates is less than 10% of their initial amount, the average life of the Bonds for different CPRs, based on the historic performance of mortgage loans granted to individuals and securitised by BANCAJA in recent years, shall be as follows:

% CPR:	6%	8%	10%	12%	14%
<b>Series A Bonds</b>					
<b>Average life (years)</b>	7.5	6.5	5.8	5.1	4.6
<b>IRR</b>	3.594%	3.594%	3.594%	3.594%	3.594%
<b>Duration</b>	6.0	5.3	4.8	4.3	3.9
<b>Final maturity</b>	18 12 2019	19 03 2018	19 09 2016	18 06 2015	18 03 2014
<b>(in years)</b>	17.1	15.4	13.9	12.6	11.4

% CPR:	6%	8%	10%	12%	14%
<b>Series B Bonds</b>					
<b>Average life (years)</b>	12.1	10.6	9.4	8.5	7.6
<b>IRR</b>	3.887%	3.887%	3.887%	3.887%	3.887%
<b>Duration</b>	9.2	8.3	7.5	6.9	6.3
<b>Final maturity</b>	18 12 2019	19 03 2018	19 09 2016	18 06 2015	18 03 2014
<b>(in years)</b>	17.1	15.4	13.9	12.6	11.4

% CPR:	6%	8%	10%	12%	14%
<b>Series C Bonds</b>					
<b>Average life (years)</b>	12.1	10.6	9.4	8.5	7.6
<b>IRR</b>	4.535%	4.535%	4.535%	4.535%	4.535%
<b>Duration</b>	8.8	8.0	7.3	6.7	6.1
<b>Final maturity</b>	18 12 2019	19 03 2018	19 09 2016	18 06 2015	18 03 2014
<b>(in years)</b>	17.1	15.4	13.9	12.6	11.4

These figures have been calculated using the following formula:

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

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

Where:

$V$  = Average life in each Bond Series issued expressed in years.

$P$  = Principal to be repaid in each Bond Series on each Payment Date, in accordance with the amount to be amortised in each Bond Series, as described in sections II.11.3.4 and II.11.3.6 of this Circular.

$d$  = Number of days elapsed between the Closing Date and the Payment Date at issue.

$T$  = Total face amount in EUR in each Bond Series.

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

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

Where:

$N$  = face value of the Bond in each Series.

$r$  = IRR expressed as an annual rate, per unit.

$A_i$  = ( $A_1$  .....  $A_n$ ). Total amortisation and interest amounts to be received by the investors.

$nd$  = Number of days comprised between the Closing Date and each of the  $n$  Payment Dates, not inclusive, during the life of the Bond.

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

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

Where:

$D$  = Duration in each Bond Series expressed in years.

$a_j$  = 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, on the basis that:

- The CPRs are assumed to be constant respectively at 8% and 10% throughout the life of the loan and, as noted, actual prepayment rates change continually.
- The Outstanding Principal Payment Balance on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment rate of the Mortgage Certificate portfolio.

- The Bond interest rates are assumed to be constant for each Series, from the second Interest Accrual Period, whereas the interest rate of all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the Early Liquidation of the Fund and thereby the Early Amortisation of the Bond Issue option when the Outstanding Balance of the Mortgage Certificates is less than 10% of their initial Outstanding Balance, as provided in section III.8.1 of this Circular.

**FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**

(AMOUNTS IN EUR)

**CPR = 8%**

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
08 Nov 2002									
18 Mar 2003	3,815.21	1,249.08	5,064.29	0.00	1,350.19	1,350.19	0.00	1,574.08	1,574.08
18 Jun 2003	2,943.70	860.57	3,804.27	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Sep 2003	2,874.35	834.23	3,708.58	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Dec 2003	2,785.75	799.72	3,585.47	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Mar 2004	2,720.65	775.07	3,495.72	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Jun 2004	2,676.35	759.25	3,435.60	0.00	966.26	966.26	0.00	1,124.70	1,124.70
20 Sep 2004	2,612.36	751.28	3,363.64	0.00	987.26	987.26	0.00	1,149.15	1,149.15
20 Dec 2004	2,531.50	704.19	3,235.69	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Mar 2005	2,453.24	659.31	3,112.55	0.00	924.24	924.24	0.00	1,075.80	1,075.80
20 Jun 2005	2,430.03	681.84	3,111.87	0.00	987.26	987.26	0.00	1,149.15	1,149.15
19 Sep 2005	2,370.31	638.57	3,008.88	0.00	955.75	955.75	0.00	1,112.48	1,112.48
19 Dec 2005	2,296.55	617.59	2,914.14	0.00	955.75	955.75	0.00	1,112.48	1,112.48
20 Mar 2006	2,225.13	597.27	2,822.40	0.00	955.75	955.75	0.00	1,112.48	1,112.48
19 Jun 2006	2,201.06	577.58	2,778.64	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Sep 2006	2,146.28	558.10	2,704.38	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Dec 2006	2,078.79	539.10	2,617.89	0.00	955.75	955.75	0.00	1,112.48	1,112.48
19 Mar 2007	2,012.70	520.71	2,533.41	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Jun 2007	1,989.91	502.90	2,492.81	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Sep 2007	1,939.48	490.62	2,430.10	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Dec 2007	1,878.07	468.12	2,346.19	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Mar 2008	1,830.16	451.50	2,281.66	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Jun 2008	1,795.03	440.09	2,235.12	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Sep 2008	1,581.03	424.03	2,005.06	5,502.90	966.26	6,469.16	5,502.90	1,124.70	6,627.60
18 Dec 2008	1,592.62	405.43	1,998.05	3,285.11	903.16	4,188.27	3,285.11	1,051.26	4,336.37
18 Mar 2009	1,540.34	387.03	1,927.37	3,177.26	862.18	4,039.44	3,177.26	1,003.56	4,180.82
18 Jun 2009	1,518.65	381.85	1,900.50	3,132.52	850.64	3,983.16	3,132.52	990.13	4,122.65
18 Sep 2009	1,477.40	368.27	1,845.67	3,047.43	820.37	3,867.80	3,047.43	954.90	4,002.33
18 Dec 2009	1,429.43	351.19	1,780.62	2,948.48	782.33	3,730.81	2,948.48	910.61	3,859.09
18 Mar 2010	1,383.07	334.82	1,717.89	2,852.86	745.86	3,598.72	2,852.86	868.17	3,721.03
18 Jun 2010	1,361.77	329.88	1,691.65	2,808.92	734.87	3,543.79	2,808.92	855.37	3,664.29
20 Sep 2010	1,324.86	324.61	1,649.47	2,732.78	723.11	3,455.89	2,732.78	841.69	3,574.47
20 Dec 2010	1,280.83	302.52	1,583.35	2,641.96	673.92	3,315.88	2,641.96	784.43	3,426.39
18 Mar 2011	1,233.43	281.59	1,515.02	2,544.19	627.28	3,171.47	2,544.19	730.14	3,274.33
20 Jun 2011	1,206.73	289.51	1,496.24	2,489.12	644.93	3,134.05	2,489.12	750.69	3,239.81
19 Sep 2011	1,166.12	269.59	1,435.71	2,405.36	600.56	3,005.92	2,405.36	699.04	3,104.40
19 Dec 2011	1,126.00	259.27	1,385.27	2,322.60	577.57	2,900.17	2,322.60	672.28	2,994.88
19 Mar 2012	1,094.27	249.31	1,343.58	2,257.14	555.37	2,812.51	2,257.14	646.44	2,903.58
18 Jun 2012	1,070.63	239.62	1,310.25	2,208.39	533.80	2,742.19	2,208.39	621.33	2,829.72
18 Sep 2012	1,038.94	232.68	1,271.62	2,143.02	518.33	2,661.35	2,143.02	603.32	2,746.34
18 Dec 2012	1,001.06	220.95	1,222.01	2,064.89	492.21	2,557.10	2,064.89	572.92	2,637.81
18 Mar 2013	960.93	209.76	1,170.69	1,982.11	467.29	2,449.40	1,982.11	543.91	2,526.02
18 Jun 2013	941.16	205.83	1,146.99	1,941.33	458.52	2,399.85	1,941.33	533.70	2,475.03
18 Sep 2013	910.86	197.41	1,108.27	1,878.82	439.76	2,318.58	1,878.82	511.87	2,390.69
18 Dec 2013	879.29	187.20	1,066.49	1,813.72	417.02	2,230.74	1,813.72	485.40	2,299.12
18 Mar 2014	848.20	177.45	1,025.65	1,749.59	395.29	2,144.88	1,749.59	460.11	2,209.70
18 Jun 2014	832.14	173.80	1,005.94	1,716.46	387.17	2,103.63	1,716.46	450.66	2,167.12
18 Sep 2014	807.00	166.36	973.36	1,664.60	370.59	2,035.19	1,664.60	431.36	2,095.96
18 Dec 2014	777.19	157.41	934.60	1,603.11	350.65	1,953.76	1,603.11	408.15	2,011.26
18 Mar 2015	748.54	148.88	897.42	1,544.02	331.64	1,875.66	1,544.02	386.03	1,930.05
18 Jun 2015	732.65	145.49	878.14	1,511.24	324.09	1,835.33	1,511.24	377.24	1,888.48
18 Sep 2015	709.00	138.93	847.93	1,462.44	309.49	1,771.93	1,462.44	360.24	1,822.68
18 Dec 2015	681.96	131.15	813.11	1,406.68	292.15	1,698.83	1,406.68	340.06	1,746.74



Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
18 Mar 2016	648.66	125.11	773.77	1,338.00	278.71	1,616.71	1,338.00	324.41	1,662.41
20 Jun 2016	618.23	123.31	741.54	1,275.21	274.69	1,549.90	1,275.21	319.73	1,594.94
19 Sep 2016	584.76	113.90	698.66	1,206.18	253.73	1,459.91	1,206.18	295.34	1,501.52
19 Dec 2016	559.82	108.72	668.54	1,154.75	242.20	1,396.95	1,154.75	281.92	1,436.67
20 Mar 2017	539.30	103.77	643.07	1,112.42	231.17	1,343.59	1,112.42	269.07	1,381.49
19 Jun 2017	528.57	99.00	627.57	1,090.27	220.53	1,310.80	1,090.27	256.70	1,346.97
18 Sep 2017	510.88	94.32	605.20	1,053.78	210.11	1,263.89	1,053.78	244.57	1,298.35
18 Dec 2017	490.60	89.80	580.40	1,011.96	200.04	1,212.00	1,011.96	232.84	1,244.80
19 Mar 2018	9,656.47	85.46	9,741.93	19,918.38	190.37	20,108.75	19,918.38	221.59	20,139.97
	<b>100,000.00</b>	<b>23,111.90</b>	<b>123,111.90</b>	<b>100,000.00</b>	<b>40,762.96</b>	<b>140,762.96</b>	<b>100,000.00</b>	<b>47,449.80</b>	<b>147,449.80</b>

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

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
08 Nov 2002									
18 Mar 2003	4,501.92	1,249.08	5,751.00	0.00	1,350.19	1,350.19	0.00	1,574.08	1,574.08
18 Jun 2003	3,453.16	854.42	4,307.58	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Sep 2003	3,349.84	823.53	4,173.37	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Dec 2003	3,223.79	784.93	4,008.72	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Mar 2004	3,127.99	756.40	3,884.39	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Jun 2004	3,058.56	736.73	3,795.29	0.00	966.26	966.26	0.00	1,124.70	1,124.70
20 Sep 2004	2,965.84	724.78	3,690.62	0.00	987.26	987.26	0.00	1,149.15	1,149.15
20 Dec 2004	2,853.65	675.40	3,529.05	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Mar 2005	2,745.96	628.72	3,374.68	0.00	924.24	924.24	0.00	1,075.80	1,075.80
20 Jun 2005	2,705.11	646.48	3,351.59	0.00	987.26	987.26	0.00	1,149.15	1,149.15
19 Sep 2005	2,621.29	601.91	3,223.20	0.00	955.75	955.75	0.00	1,112.48	1,112.48
19 Dec 2005	2,521.52	578.71	3,100.23	0.00	955.75	955.75	0.00	1,112.48	1,112.48
20 Mar 2006	2,425.74	556.40	2,982.14	0.00	955.75	955.75	0.00	1,112.48	1,112.48
19 Jun 2006	2,386.52	534.93	2,921.45	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Sep 2006	2,311.67	513.81	2,825.48	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Dec 2006	2,222.83	493.35	2,716.18	0.00	955.75	955.75	0.00	1,112.48	1,112.48
19 Mar 2007	2,136.86	473.68	2,610.54	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Jun 2007	2,101.08	454.77	2,555.85	0.00	955.75	955.75	0.00	1,112.48	1,112.48
18 Sep 2007	2,034.13	440.97	2,475.10	0.00	966.26	966.26	0.00	1,124.70	1,124.70
18 Dec 2007	1,767.56	418.17	2,185.73	6,178.16	955.75	7,133.91	6,178.16	1,112.48	7,290.64
18 Mar 2008	1,781.15	402.53	2,183.68	3,673.97	896.70	4,570.67	3,673.97	1,043.74	4,717.71
18 Jun 2008	1,736.29	391.02	2,127.31	3,581.45	871.06	4,452.51	3,581.45	1,013.89	4,595.34
18 Sep 2008	1,679.72	375.48	2,055.20	3,464.75	836.45	4,301.20	3,464.75	973.61	4,438.36
18 Dec 2008	1,614.11	356.54	1,970.65	3,329.42	794.25	4,123.67	3,329.42	924.49	4,253.91
18 Mar 2009	1,549.90	338.49	1,888.39	3,196.97	754.05	3,951.02	3,196.97	877.69	4,074.66
18 Jun 2009	1,519.77	332.15	1,851.92	3,134.82	739.91	3,874.73	3,134.82	861.24	3,996.06
18 Sep 2009	1,468.57	318.55	1,787.12	3,029.22	709.62	3,738.84	3,029.22	825.98	3,855.20
18 Dec 2009	1,410.36	302.09	1,712.45	2,909.15	672.96	3,582.11	2,909.15	783.31	3,692.46
18 Mar 2010	1,354.58	286.43	1,641.01	2,794.09	638.06	3,432.15	2,794.09	742.69	3,536.78
18 Jun 2010	1,326.46	280.67	1,607.13	2,736.08	625.24	3,361.32	2,736.08	727.77	3,463.85
20 Sep 2010	1,281.65	274.65	1,556.30	2,643.66	611.82	3,255.48	2,643.66	712.15	3,355.81
20 Dec 2010	1,229.85	254.54	1,484.39	2,536.81	567.03	3,103.84	2,536.81	660.01	3,196.82
18 Mar 2011	1,176.17	235.62	1,411.79	2,426.08	524.89	2,950.97	2,426.08	610.96	3,037.04
20 Jun 2011	1,145.16	240.94	1,386.10	2,362.12	536.73	2,898.85	2,362.12	624.74	2,986.86
19 Sep 2011	1,099.83	223.11	1,322.94	2,268.62	497.02	2,765.64	2,268.62	578.52	2,847.14
19 Dec 2011	1,054.17	213.38	1,267.55	2,174.44	475.34	2,649.78	2,174.44	553.29	2,727.73
19 Mar 2012	1,017.49	204.05	1,221.54	2,098.78	454.56	2,553.34	2,098.78	529.10	2,627.88
18 Jun 2012	989.16	195.05	1,184.21	2,040.35	434.50	2,474.85	2,040.35	505.75	2,546.10
18 Sep 2012	953.35	188.34	1,141.69	1,966.48	419.56	2,386.04	1,966.48	488.36	2,454.84
18 Dec 2012	911.93	177.86	1,089.79	1,881.03	396.20	2,277.23	1,881.03	461.17	2,342.20
18 Mar 2013	869.45	167.92	1,037.37	1,793.42	374.07	2,167.49	1,793.42	435.41	2,228.83
18 Jun 2013	847.03	163.87	1,010.90	1,747.18	365.05	2,112.23	1,747.18	424.91	2,172.09
18 Sep 2013	814.33	156.29	970.62	1,679.72	348.17	2,027.89	1,679.72	405.26	2,084.98
18 Dec 2013	780.15	147.39	927.54	1,609.22	328.33	1,937.55	1,609.22	382.17	1,991.39
18 Mar 2014	746.95	138.94	885.89	1,540.74	309.51	1,850.25	1,540.74	360.27	1,901.01
18 Jun 2014	728.61	135.34	863.95	1,502.91	301.50	1,804.41	1,502.91	350.94	1,853.85
18 Sep 2014	701.62	128.83	830.45	1,447.24	286.98	1,734.22	1,447.24	334.04	1,781.28
18 Dec 2014	670.65	121.22	791.87	1,383.35	270.03	1,653.38	1,383.35	314.31	1,697.66
18 Mar 2015	641.12	114.01	755.13	1,322.44	253.99	1,576.43	1,322.44	295.63	1,618.07
18 Jun 2015	623.92	110.81	734.73	1,286.97	246.85	1,533.82	1,286.97	287.33	1,574.30
18 Sep 2015	599.55	105.23	704.78	1,236.70	234.42	1,471.12	1,236.70	272.86	1,509.56
18 Dec 2015	572.36	98.78	671.14	1,180.60	220.05	1,400.65	1,180.60	256.13	1,436.73

Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow	Principal Repayment	Interest (gross)	Total Flow
18 Mar 2016	541.58	93.71	635.29	1,117.11	208.77	1,325.88	1,117.11	243.00	1,360.11
20 Jun 2016	513.96	91.85	605.81	1,060.13	204.62	1,264.75	1,060.13	238.17	1,298.30
19 Sep 2016	9,534.03	84.37	9,618.40	19,665.82	187.96	19,853.78	19,665.82	218.78	19,884.60
	<b>100,000.00</b>	<b>20,397.22</b>	<b>120,397.22</b>	<b>100,000.00</b>	<b>36,179.24</b>	<b>136,179.24</b>	<b>100,000.00</b>	<b>42,114.41</b>	<b>142,114.41</b>

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

For a better understanding by the subscriber of the definitions and rules for the application of dates and periods described in sections II.10 and II.11 relating to payment of interest and principal on the Bonds, 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: March 18, 2003.**

***(Execution of the Deed of Constitution: November 5, 2002)***

- a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
  - 11am (CET time) on the second Business Day immediately preceding the Closing Date: November 6, 2002.
- b) Notices:
  - Extraordinary notice of constitution of the Fund and of the Bond Issue -press insert, as per section III.5.3.c).2: November 6, 2002.
  - Extraordinary notice of the resultant interest rate for the first Interest Accrual Period: November 6, 2002. The Management Company shall notify this in writing by the start of the Subscription Period to the Lead Managers and the Underwriters and Placement Agents, for investors interested in subscribing for the Bonds to be notified thereof.
- c) First Interest Accrual Period:
  - From November 8, 2002 (Closing Date), inclusive, until March 18, 2003, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): March 13, 2003.
- e) Ordinary periodic notices (communication as per sections III.5.3.a).2 and III.5.3.c).1):
  - Of all other periodic information: until March 17, 2003

**2. Second Payment Date: June 18, 2003.**

- a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
  - 11am on the second Business Day preceding the first Payment Date: March 14, 2002.
- b) Ordinary periodic notices (communication as per sections III.5.3.a).1 and III.5.3.c).1):
  - Of the resultant interest rate for the second Interest Accrual Period: until March 20, 2003, inclusive.
- c) Second Interest Accrual Period:
  - From March 18, 2003 (first Payment Date), inclusive, until June 18, 2003, exclusive.
- d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds): June 13, 2003.
- e) Ordinary periodic notices (communication as per sections III.5.3.a).2 and III.5.3.c).1):
  - Of all other periodic information: June 17, 2003.

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

In the event that the nominal annual interest rates applicable to each of the Series, variable quarterly, should remain constant throughout the life of the loan, at the rates of the table contained in section II.12.a) of the Circular, these rates would result in Internal Rates of Return (“**IRR**”) for the holder in each of the Series as shown in the following table, given the effect of quarterly interest payment, calculated without considering the tax effect, and assuming at all events the values and assumptions contained in said section for constant prepayment rates (CPR) of 8% and 10%.

	Series A Bonds	Series B Bonds	Series C Bonds
<b>Actual interest forecast (IRR)</b>	3.594%	3.887%	4.535%

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

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

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

The actual interest forecast for the Fund would be 3.635% or 3.637% for CPRs respectively of 8% and 10%, in the assumptions contained in the preceding paragraph.

The following are the expected expenses:

<b>Fund constitution and Bond issue expenses.</b>	<b>EUR</b>
• Initial Management Company Fee	102,000.00
• Notary’s, audit, rating and legal advice fees	267,753.19
• CNMV fees (issue and listing)	66,781.94
• AIAF and SCLV fees	53,153.52
• Bond Issue underwriting and placement fees*	500,000.00
• Issue advertising, printing and other expenses	15,195.06
<b>Total expenses</b>	<b>1,004,883.71</b>

**II.15 Existence or not of special guarantees on the mortgage certificates 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 Circular.**

There are no special guarantees covering the Bonds issued by or on the Mortgage Certificates pooled in the Fund, beyond the undertakings by BANCAJA contained hereinafter and in section IV.1.d) of this Circular in relation to the substitution of the Mortgage Certificates derived from Participated Mortgage Loans failing to

conform on that date to the representations contained in section IV.1.a) of this Circular or the specific characteristics of the Participated Mortgage Loans notified by BANCAJA to the Management Company.

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

The Bonds subject of this issue are not subject to any restrictions on their free transfer, and may be freely transferred 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.**

In accordance with article 5.9 of Act 19/1992, the Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on the AIAF, which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date.

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

In the event that, by the above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify the Bondholders thereof, moreover advising of the reasons for such inobservance, all using the extraordinary notice procedure in accordance with the provisions of section III.5.3 of the Circular. This shall be without prejudice to the Management Company being held to be liable, as the case may be.

**II.18 Subscription or acquisition proposals.**

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

The placement of each of Series A, B and C of the Bond Issue is targeted at 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 or undertakings qualified under articles 64 and 65 of the Securities Market Act (as worded by Act 37/1998) to manage third-party portfolios, in the business of regularly and professionally investing in marketable securities.

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

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

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

**Effects of the subscription for Bondholders.**

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

**Tranches.**

Each of the Series consists of one tranche only.

**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 percent 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 Orders dated December 30, 1992 and December 29, 1992, amended by a Ministerial Order dated April 13, 2000.

On the date of registration of the Circular, the CNMV 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 Certificates pooled in the Fund have been granted with a first mortgage security in finished homes located in Spain; (ii) that the Participated Mortgage Loans and the Mortgage Certificates meet the requirements of the laws in force for the time being regulating the Mortgage Market; (iii) that the outstanding principal balance of each of the Participated Mortgage Loans does not exceed 80 percent of the appraisal value of the relevant home mortgaged as security; (iv) the representations made by BANCAJA set forth in Chapter IV of this Circular; and (v) the ratings given by Moody's and Fitch 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 percent 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) The Series A Bonds meet the selection policies to be admitted as assets securing transactions with the European Central Bank.

Upon being listed on the AIAF, the Bonds shall be:

- (i) Eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.
- (ii) Eligible for investment by the Mutual Guarantee Company Technical Provision Fund, in accordance with Act 1/1994, March 11, on the Legal System of Mutual Guarantee Companies, and Royal Decree 2345/1996, November 8, relating to the rules for the administrative authorisation of and solvency requirements for Mutual Guarantee Companies.

- (iii) 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.
- (iv) Eligible for investing the Assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 4, 10, 18 and 25 of Act 46/1984, December 26, regulating Collective-Investment Undertakings, and its subsequent implementing regulations, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.

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

The Subscription Period (the “**Subscription Period**”) shall begin at 12 o’clock noon (CET time) on November 6, 2002 and end at 5pm (CET time) on November 7, 2002.

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

In order to be taken into account, subscription proposals shall be made during the Subscription Period established in the preceding section, with DRESDNER KLEINWORT WASSERSTEIN, BANCAJA, CDC IXIS CAPITAL MARKETS or HSBC as Underwriters and Placement Agents, through their offices and branches and observing the procedures established hereinafter in the following sections.

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

#### **II.18.5 Payment method and dates.**

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on November 8, 2002 (the “**Closing Date**”), for same day value, the relevant issue price (100% of the face value) 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 Underwriters and Placement Agents shall provide the Bond subscribers with a document proving their subscription for the Bonds allocated and the actual amount paid for such subscription, though title to the Bonds taken shall be established by means of the appropriate entry in the accounting record.

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

#### **II.19 Placement and allocation of the securities.**

Each of the Series consists of one tranche only.

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



Each 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 commitment 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.**

Placement of the Bond Issue shall be undertaken by DRESDNER KLEINWORT WASSERSTEIN, BANCAJA, CDC IXIS CAPITAL MARKETS and HSBC as Underwriters and Placement Agents, on the terms contained in this section under the Bond Issue Management, Underwriting and Placement Agreement.

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

Underwriter and Placement Agents	Face amount underwritten (in EUR)					
	Series A Bonds		Series B Bonds		Series C Bonds	
	Number	Face Amount	Number	Face Amount	Number	Face Amount
DRESDNER KLEINWORT WASSERSTEIN	8,205	820,500,000	205	20,500,000	90	9,000,000
BANCAJA	500	50,000,000	--	--	--	--
CDC IXIS CAPITAL MARKETS	500	50,000,000	--	--	--	--
HSBC	500	50,000,000	--	--	--	--
<b>Total</b>	<b>9,705</b>	<b>970,500,000</b>	<b>205</b>	<b>20,500,000</b>	<b>90</b>	<b>9,000,000</b>

- The Underwriters and Placement Agents shall receive from the Fund an aggregate underwriting and placement fee of 0.05% on the face amount of the Bond Issue.

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

DRESDNER KLEINWORT WASSERSTEIN and BANCAJA shall be involved as Lead Managers of the Bond Issue, and a statement is reproduced hereinafter signed by a duly authorised person, containing the representations referred to in CNMV Circular 2/1994, March 16, approving the standard Offering Circular for constituting Mortgage Securitisation Funds:

**Statement by Bancaja.**

*I Benito Castillo Navarro, acting for and on behalf of CAJA DE AHORROS DE CASTELLÓN, VALENCIA Y ALICANTE, BANCAJA, with place of business for these purposes at Pintor Sorolla, 8, Valencia, duly authorised for these presents, and in connection with the constitution of BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA and the Bond issue by the same amounting to EUR one billion (1,000,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on October 11, 2002, 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 Circular is truthful and complete.*

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

*In witness whereof, to serve and avail as and where appropriate, this statement has been made at Valencia, on October 30, 2002.*

**Statement by Dresdner Kleinwort Wasserstein.**

*We Stefan Lindemann and Marco Grimaldi, acting for and on behalf of DRESDNER BANK AG LONDON BRANCH, with place of business for these purposes at Riverbank House, 2 Swan Lane, London, England, and duly authorised for these presents, and in connection with the constitution of BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA and the Bond issue by the same amounting to EUR one billion (1,000,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on October 11, 2002, 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 Circular is truthful and complete.*

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

*In witness whereof, to serve and avail as and where appropriate, this statement has been made at Madrid and London, on October 30, 2002.*

Attached as Appendix VI to this Circular are photocopies of the letters from DRESDNER KLEINWORT WASSERSTEIN and BANCAJA making those statements.

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

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

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with DRESDNER BANK AKTIENGESELLSCHAFT London Branch (“**DRESDNER KLEINWORT WASSERSTEIN**”) and CAJA DE AHORROS DE CASTELLÓN, VALENCIA Y ALICANTE, BANCAJA (“**BANCAJA**”) as Lead Managers and Underwriters and Placement Agents, and with CDC IXIS CAPITAL MARKETS and HSBC BANK PLC (“**HSBC**”) as Underwriters and Placement Agents.

The Bond Issue Underwriters and Placement Agents shall take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) securing

placement by a third-party subscription for the Bond Issue; 2) an undertaking to subscribe on their own account for the Bonds not subscribed when the Subscription Period is closed, up to the set amounts; 3) payment by the Underwriters and Placement Agents to the Paying Agent, by 2pm on the Closing Date, for same day value, of the face amount of the Bonds placed by each of them and, as the case may be, those subscribed for on their own account, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm, for same day value, the amount received from the Underwriters and Placement Agents plus the face amount of the Bonds placed as such an Underwriter and Placement Agent; 4) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 5) providing subscribers with a document proving subscription; and 6) all other aspects governing the underwriting and placement.

The underwriting commitments of each Underwriting and Placement Agent and the underwriting and placement fee are specified in section II.19.1 of this Circular. The Management Company shall pay the Underwriters and Placement Agents the amount of the underwriting and placement fee on behalf of the Fund on the Business Day after the face amount of the Bonds is paid up by transfer instructions issued to the Paying Agent.

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

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

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

Not applicable.

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

The Bonds, represented by means of book entries, shall become such bonds upon being entered in the relevant accounting record, as provided in Royal Decree 116/1992, with the usual timing and procedures of the institution in charge of so doing, to wit the SCLV or any other institution taking its stead.

The relevant Underwriter and Placement Agent shall provide Bond subscribers, within not more than fifteen (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 constitution of the Fund and Bond issue are subject to Spanish Law, and specifically to the provisions of Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7, Securities Market Act 24/1988, July 28, as amended by Act 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 Offering Circulars and Other Implementations of Royal Decree 291/1992, March 27,

and National Securities Market Commission Circular 2/1994, March 16, approving the standard Offering Circular for constituting Mortgage Securitisation Funds.

The constitution of the Fund, the Bond issue and the agreements for transactions hedging financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund are subject to Spanish Law. In any event, the Deed of Constitution shall be governed by and construed in accordance with Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA, and the Bond issue by the same, shall be heard and decided by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against Obligors who may have defaulted on their payment obligations under the Participated Mortgage Loans, for that action shall lie with the Management Company, representing the Fund holding the Mortgage Certificates issued on the Participated Mortgage Loans.

The Bondholders and the remaining creditors of the Fund shall have no action whatsoever against the Fund or against the Management Company in the event of default of amounts due by the Fund resulting from a default of the Participated Mortgage Loans by the relevant Obligors or breach by the other parties to the transactions arranged for and on behalf of the Fund. The Bondholders and the remaining creditors of the Fund shall have no actions against the Fund Management Company other than as derived from a breach of its duties. Those actions shall be heard in the relevant ordinary declaratory proceedings depending on the amount claimed.

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

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

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

The withholdings, contributions and taxes established now or in the future on the Bond principal, interest or income shall be payable by the bondholders, and their amount shall be deducted, as the case may be, 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.*

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

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

In the event of transfer, redemption or amortisation of the Bonds, the income on investments shall be deemed to be the difference between the transfer, redemption or amortisation value (less ancillary disposal expenses) and the acquisition or subscription value (plus ancillary acquisition expenses).

Negative income from the Bonds, where the taxpayer has acquired others within two months before or after those transfers, shall be integrated as the Bonds remaining among the taxpayer's assets are transferred.

The net income on investments shall be found deducting the Bond servicing and custody expenses from the aggregate income. Income from the transfer, redemption or amortisation of Bonds being part of the investor's assets for a time-period in excess of two years shall be reduced by 30%.

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, because these are represented by means of book entries and are traded on an official Spanish securities market, other than for the part of the price equivalent to the matured coupon in transfers made within thirty days immediately preceding coupon maturity where (i) the transferee is a person or undertaking not resident in Spanish territory or a Corporation Tax obligor, and (ii) this income is exempt from the obligation to withhold from the transferee.

### *Corporation Tax.*

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

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

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

2. By the 10<sup>th</sup> of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent with an itemised list of the holders who must pay Tax, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.
3. Bondholders shall certify that circumstance with the custodians by the 10<sup>th</sup> of the month after coupon maturity in order that the custodians may draw up the list specified in the preceding paragraph.
4. Forthwith upon receiving that list, the Management Company shall promptly pay all the custodians through the Paying Agent the amount withheld from those obligors or taxpayers.
5. The custodians shall forthwith pay the amount withheld to the obligor or taxpaying holders.

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

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered to be income obtained in Spain, with or without a permanent establishment, on the terms of article 12 of Act 41/1998, December 9, on Non-Resident Income and Tax Rules.

#### *Income obtained through a permanent establishment.*

Bond income obtained by Non-Resident Income Tax payers operating through a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the aforesaid Act 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 Act 40/1998, whereas the reductions of that Act will not apply.
- In the event of transfer, repayment or amortisation, expenses attaching to acquisition and disposition shall be taken into account for calculating the income, provided that they are properly supported. Taxation shall be separately effected for each total or partial taxable accrual of income, which may under no circumstances be set off against one another.
- The Tax will be calculated applying an 18 percent 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 policies.

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

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 of 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 Agreements, the custodians shall provide the Paying 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 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 after being issued.

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 in other European Union countries shall be exempt in connection with Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above.

#### **II.22.5 Inheritance and Gift Tax.**

The 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 for the acquisition of the Mortgage Certificates issued by BANCAJA pooled in the Fund assets.

#### **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 constitution of the Fund or in connection with any item of the significant information contained in the circular, including, as the case may be, underwriting the placement.**

##### **II.25.1 Specification of natural and legal persons.**

- a) The Fund and the Bond Issue were financially structured by EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- b) CUATRECASAS, who are involved as independent legal advisers, have provided legal advice for the transaction.
- c) BANCAJA is the originator of the Participated Mortgage Loans issuing the Mortgage Certificates fully subscribed for by the Fund upon being constituted.
- d) DRESNER KLEINWORT WASSERSTEIN IS involved as Lead Manager and Underwriter and Placement Agent of the Bond Issue, and shall be the placement undertaking in charge of keeping the Bond subscription orders book (*book runner*).
- e) BANCAJA is involved as Lead Manager and Placement Agent of the Bond Issue.
- f) CDC IXIS CAPITAL MARKETS and HSBC BANK PLC are involved as Underwriters and Placement Agents of the Bond Issue.
- g) BANCAJA is involved as Paying Agent of the Bond Issue.
- h) DELLOITE & TOUCHE are involved as auditor checking a number of features of the selection of mortgage loans which shall serve to issue the Mortgage Certificates.



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

*“I, Mr MARIO MASIÁ VICENTE, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca no. 120, and in connection with the constitution of the Fund BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA, amounting to EUR one billion (1,000,000,000), notice of which for verification by and registration at the Comisión Nacional del Mercado de Valores was given on October 11, 2002, and in pursuance of point II.25.2. of Comisión Nacional del Mercado de Valores Circular 2/94, March 16, approving the standard Offering Circular for constituting 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 other relationship or economic interest whatsoever between the experts who were involved in structuring or providing advice for the constitution of the Fund, or certain significant information contained in the Circular, either with the actual Management Company or with BANCAJA, the issuer of the Mortgage Certificates pooled in the Fund.”*



**GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND**

**III.1 Legal background and purpose of the Fund.**

The constitution of the Fund and the Bond issue by the same is subject to Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

In accordance with article 5.1 of Act 19/1992, the Fund is a separate closed-end estate, devoid of legal personality. Its assets comprise the Mortgage Certificates pooled therein upon being constituted and its liabilities comprise the Bonds issued and the Start-Up Loan, and the net worth of the Fund is nil. Additionally, the Interest Swap and the Subordinated Credit shall be reported in memorandum accounts.

The Mortgage Certificates issued backed by the Participated Mortgage Loans comprising the assets of the Fund are governed by Mortgage Market Regulation Act 2/1981, March 25, and Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981.

The Fund is set up to serve as a vehicle for subscribing for the Mortgage Certificates issued by BANCAJA, pooling and issuing the Bonds backed by those Certificates.

The Fund shall be in existence until June 18, 2034, the Final Maturity Date of the Bond Issue.

In accordance with article five, paragraph three, of Act 19/1992, the Deed of Constitution 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 “BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA” and the following short names may also be used without distinction to identify the Fund:

- BANCAJA 4 FTH
- BANCAJA 4 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 Act 19/1992, the management and legal representation of the Fund lies with the Management Company, on the terms set in Act 19/1992, in Royal Decree 926/1998 and other applicable laws, without prejudice to the provisions of the Deed of Constitution. The Economy and Finance Ministry authorised the incorporation of the Management Company as a Mortgage Securitisation Fund Management Company on December 17, 1992 and, subsequently, on October 4, 1999 authorised its re-registration as a Securitisation Fund Management Company. It is moreover entered in the special register purposely kept by the CNMV under number 2. The information on the Management Company is contained in Chapter VI of this Circular.

In accordance with the provisions of paragraph 1 of article six of Act 19/1992 and article 12.1 of Royal Decree 926/1998, it is the Management Company's duty, as the manager of third-party business, to represent and defend Bondholders' interests. The Management Company shall discharge for the Fund the functions attached to it under Royal Decree 926/1998.

Consequently, the Management Company shall safeguard at all times the interests of the Bondholders and all other ordinary creditors of the Fund, making its actions conditional on defending the same and observing the provisions statutorily established for that purpose. 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 Deed of Constitution and in the Offering Circular.

The Management Company shall notify the Bondholders of all and any circumstances that may be relevant to them, by publishing appropriate notices on the terms established in 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 Deed of Constitution and/or in this Offering Circular:

###### **The Management Company's action policies.**

###### **1. Due diligence.**

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

## **2. Availability of means.**

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

## **3. Code of Conduct.**

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

### **Obligations and actions of the Management Company for administering the Fund.**

#### **1. Fund Management.**

- (i) Managing the Fund in order that its net asset value is nil at all times.
- (ii) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.
- (iii) Doing no things that might impair the ratings assigned by the Rating Agencies to each Series in the Bond Issue, and endeavouring to take such steps as may reasonably be in its hand for said ratings not to be adversely affected at any time.
- (iv) Entering on behalf of the Fund into such agreements as are provided in the Deed of Constitution and in this Circular.
- (v) Making such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to an Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.
- (vi) Complying with its formal, documentary and reporting duties to the CNMV, the Rating Agencies and any other supervisory body.
- (vii) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (viii) Preparing and submitting to the CNMV and any other competent administrative body all documents and information to be submitted as established in the laws in force for the time being, in the Deed of Constitution and in this Circular, or which may be required of it, and preparing and submitting to the Rating Agencies such information as may reasonably be required of it.
- (ix) Providing the holders of Bonds issued by the Fund, the CNMV and the public at large with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Circular.

- (x) Complying with the calculation duties laid down in the Deed of Constitution and in this Offering Circular and in the various Fund transaction agreements described in section V.3 of the Circular, 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 Deed of Constitution, in this Circular and in the regulations in force from time to time, in exceptional events extending or amending the agreements entered into on behalf of the Fund, substituting, as the case may be, each of the Fund service providers thereunder and, indeed, if necessary, entering into additional agreements, including new credit facility agreements, and amending the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be.

## **2. In relation to the Mortgage Certificates and the Participated Mortgage Loans.**

- (i) Exercising the rights attaching to the ownership of the Mortgage Certificates subscribed for by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund.
- (ii) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, in accordance with the terms of each Mortgage Certificate.
- (iii) Validating and controlling 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) Ensuring that the Servicer renegotiates 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) Supervising the actions agreed with the Servicer for recovering defaults, issuing instructions, where appropriate, for an execution to be levied and as to the stand to be taken at real estate auction sales. Bringing a foreclosure action where the concurrent circumstances so require.

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

- (i) Preparing and notifying the Bondholders of the information established in this Circular, and all other statutorily required information.
- (ii) Determining on each Interest Rate Fixing Date and for every subsequent Interest Accrual Period, the nominal interest rate to be applied for each Bond Series, resulting from the determination made in accordance with the provisions of section II.10, to be published as provided in section III.5.3.a) and c).

- (iii) Calculating and settling the amounts payable on each Payment Date for interest accrued on each of the Bond Series in accordance with the provisions of section II.10, to be published as provided in section III.5.3.a) and c).
- (iv) Calculating and determining on each Determination Date the principal to be amortised and paid on each Bond Series on the relevant Payment Date in accordance with the provisions of section II.11.3, to be published as provided in section III.5.3.a) and c).

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

- (i) Determining the interest rate applicable to each borrowing, lending and hedge transaction.
- (ii) Calculating and settling the interest amounts and fees receivable and payable by the Fund on each of the borrowing, lending and hedge transactions, and the fees payable for the various financial services arranged for.
- (iii) Opening on behalf of the Fund the Treasury Account initially at BANCAJA.
- (iv) In the event of the debt ratings of BANCAJA assigned by Moody's and Fitch falling, at any time during the life of the Bonds, below the ratings established in the Guaranteed Interest Rate Account (Treasury Account), Subordinated Credit and Interest Swap Agreements, taking the actions for which provision is made in relation to those Agreements respectively described in sections V.3.1, V.3.2 and V.3.4.
- (v) Paying 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) Watching that the amounts credited to the Treasury Account return the yield set in the Guaranteed Interest Rate Account (Treasury Account) Agreement.

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

- (i) Calculating the Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Fund Priority of Payments.
- (ii) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.

**III.3.2 Resignation and substitution of the Management Company.**

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

*Resignation.*

- (i) The Management Company may resign its management and legal representation function with respect to all or part of the funds managed whenever it deems this fit, applying to be substituted in a letter addressed to the CNMV, including a designation of the substitute management company. That letter shall enclose a letter from the new management company, declaring its willingness to take over that function and applying for the appropriate authorisation.
- (ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:
  - (a) The substituted Management Company's delivery of the accounting records and data files to the new management company. That delivery will only be taken to have been made when the new management company is able to fully take over its function and that circumstance is notified to the CNMV.
  - (b) In the event that the securities issued by the funds managed by the substituted Management Company have been rated by a rating agency, the rating accorded to the securities should not fall as a result of the proposed substitution.
- (iii) The Management Company may in no event resign its duties until and unless all the requirements and formalities have been complied with in order for its substitute to take over its duties.
- (iv) The substitution expenses originated shall be borne by the resigning Management Company and may in no event be passed on to the Fund.
- (v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the Bulletin of the organised secondary market on which the securities issued by the Fund are listed.

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

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



### III.3.3 Subcontracting.

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

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

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

- (i) An initial fee amounting to EUR one hundred and two thousand (102,000) which shall accrue upon the constitution of the Fund and be payable on the Closing Date.
- (ii) A periodic fee: equal to 0.0235% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of constitution of the Fund until it terminates, and payable quarterly in arrears on each of the Payment Dates, calculated on the Outstanding Principal Balance of the Bond Issue on the Payment Date preceding the ongoing Payment Date. The fee accrued from the date of constitution of the Fund until 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:

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

where :

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

*B = Outstanding Principal Balance of the Bond Issue, 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 respectively greater or lower than the following maximum and minimum amounts, or their proportional equivalent to the exact number of days elapsed in each of the Interest Accrual Periods.

- a) Maximum annual amount of EUR two hundred and ten thousand (210,000).
- b) Minimum annual amount of EUR thirty-six thousand (36,000). In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount would be reviewed cumulatively in the same proportion, from the year 2004, inclusive, and effective as of January 1 of each year.

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

#### **III.4 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 comprise the Mortgage Certificates pooled therein upon being constituted and its liabilities comprise the Bonds issued and the Start-Up Loan, and the net worth of the Fund is nil. Additionally, the Fund has arranged for a Subordinated Credit and an Interest Swap which shall be reported in memorandum accounts.

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

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

##### **III.4.1 Fund Assets.**

The Fund assets shall consist of the following:

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

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

The characteristics of the mortgage loans selected from BANCAJA'S portfolio, which shall be mostly assigned to the Fund issuing the Mortgage Certificates, are detailed in section IV.4 of this Circular.

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

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

- (i) The Outstanding Balance of the Mortgage Certificates.
- (ii) The balance pending amortisation of initial expenses booked as assets.
- (iii) The balances over time of ordinary and late-payment interest accrued and not paid on the Mortgage Certificates 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 foreclosing in due course the real estate mortgages securing the Participated Mortgage Loans, any amounts or assets received upon the judicial or notarial foreclosure of the mortgage securities, or from the sale or operation of properties awarded to the Fund upon enforcing the mortgage securities, or in connection with the administration or interim possession of the property (in foreclosure proceedings), purchase for the auction sale price or amount determined by a court decision.
- (v) The amounts drawn on the Subordinated Credit established in section V.3.2 of this Circular.
- (vi) All other balances existing on the Treasury Account and interest thereon accrued over time and not due, in accordance with the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (vii) All other balances over time of interest and income accrued and not due.

### **III.4.2 Fund Liabilities.**

The Fund liabilities shall consist of the following:

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

- (i) The Bond Issue amounting to a face value of EUR one billion (1,000,000,000), represented by means of book entries and consisting of three Bond Series distributed as follows:
  - Series A having a total face amount of EUR nine hundred and seventy million five hundred thousand (970,500,000) comprising nine thousand seven hundred and five (9,705) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - Series B having a total face amount of EUR twenty million five hundred thousand (20,500,000) comprising two hundred and five (205) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.
  - Series C having a total face amount of EUR nine million (9,000,000) comprising ninety (90) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

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

- (ii) The amount payable for subscribing for the Mortgage Certificates issued by BANCAJA.
- (iii) The Start-Up Loan established in section V.3.3 of this Circular, designed to finance the initial expenses for constituting the Fund and issuing the Bonds, and partially finance the acquisition of the Mortgage Certificates.
- (iv) The Subordinated Credit, as a memorandum account for the undrawn amount, established in section V.3.2 of this Circular, designed to honour certain of the Fund's payment or withholding obligations due to a shortage of Available Funds or, as the case may be, to set up the Cash Reserve.

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

- (i) The Outstanding Principal Balance of the Bonds in each of the Series and time-apportioned interest accrued and not due.
- (ii) The principal pending repayment and time-apportioned interest accrued and not due on the Start-Up Loan and the Subordinated Credit, if drawn down.
- (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 Cash Reserve.**

The Management Company shall set up a Cash Reserve by drawing fully the amount available under the Subordinated Credit on the date on which that drawdown is made, in the event of the rating of the non-subordinated and unsecured short-term debt rating of BANCAJA falling below P-1 or F1 respectively in Moody's and Fitch's rating scales, within not more than ten (10) Business Days of that occurrence, unless BANCAJA should provide for the benefit of the Fund and at its cost a first demand security or guarantee of an institution whose short-term debt has a rating of at least P-1 and F-1 respectively in the above-mentioned rating scales, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawings requested from BANCAJA up to the Maximum Subordinated Credit Amount available on the relevant drawdown date, all of which shall be subject to the terms and conditions approved by the Rating Agencies for the ratings assigned to each of the Series in the Bond Issue to be maintained.

At present, the non-subordinated and unsecured short-term debt of BANCAJA is rated P-1 and F1 respectively in Moody's and Fitch's rating scales.

If it should be set up, the characteristics of the Cash Reserve would be as follows:

(i) Amount:

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

The required Cash Reserve (the "**Required Cash Reserve**") shall be equal to the lower of the following amounts:

- i) EUR eight million (8,000,000), equivalent to 0.80% of the face amount of the Bond Issue.
- ii) The higher of:
  - a) 1.60% of the Outstanding Balance of the Bond Issue.
  - b) 0.40% of the face amount of the Bond Issue.

Notwithstanding the above, the Required Cash Reserve shall not be reduced and shall remain at the amount with which it had to be provisioned on the preceding Payment Date whenever any of the following circumstances concur on a given Payment Date:

- i) On the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 1.00% of the Outstanding Balance of the Mortgage Certificates on that same date.
- ii) There is an Amortisation Deficiency, as defined in section II.11.3.4.4 of this Circular.

Both the Required Cash Reserve and the calculation rule may, however, if this is legally possible because the regulatory requirements established for amending the Deed of Constitution are satisfied and having first notified the CNMV, be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

(ii) Yield:

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

(iii) Application:

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

#### **III.4.4. Risk hedging and service transactions.**

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

The Management Company may, in order for the Fund to operate on the terms provided in the Deed of Constitution and in accordance with the provisions established in the laws in force from time to time, acting for and on behalf of the Fund, in exceptional events extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

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

- (i) Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (ii) Subordinated Credit Agreement.
- (iii) Start-Up Loan Agreement.
- (iv) Interest Swap Agreement.

- (v) Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.
- (vi) Bond Issue Management, Underwriting and Placement Agreement.
- (vii) Bond Paying Agent Agreement.
- (viii) Financial Intermediation Agreement.

The itemised description of the most relevant terms of each of the above agreements may be found in section V.3 of this Circular, and similarly a more thorough description of the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement may be found in section IV.2.

#### **III.4.5 Fund Income.**

The Fund shall have the income credited to the Treasury Account.

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

- a) Mortgage Certificate principal repayment amounts received.
- b) Ordinary and late-payment interest on the Mortgage Certificates.
- c) The Start-Up Loan amount.
- d) Drawdowns under the Subordinated Credit.
- e) Receivables, if any, under the terms of the Interest Swap Agreement.
- f) The yield obtained by investing the amounts credited to the Treasury Account.
- g) Any other amounts received by the Fund, including those resulting from the sale of properties awarded to the Fund or from their operation.
- h) The amounts making up the Cash Reserve, if it is set up.

#### **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 initial expenses and ordinary periodic and extraordinary expenses accrued throughout its life.

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

##### **Initial expenses.**

The estimated initial expenses for setting up the Fund and issuing the Bonds are itemised in section II.14 of the Circular. Payment of the initial expenses shall be made with the amount drawn on the Start-Up Loan and shall not be subject to the Fund Priority of Payments.

##### **Expenses throughout the life of the Fund.**

The Management Company shall pay on behalf of the Fund all expenses necessary for the Fund to operate, being both ordinary periodic and extraordinary expenses accruing throughout its life, which shall be settled in

their relevant Fund Priority of Payments. For illustrative purposes only, the Management Company shall satisfy the following expenses:

- a) The balance, if any, of the initial expenses for setting up the Fund and issuing the Bonds exceeding the Start-Up Loan amount.
- b) Any expenses arising from mandatory verifications, registrations and administrative authorisations.
- c) Expenses, if any, derived from drafting and executing the amended Deed of Constitution and the Agreements, and from entering into additional agreements.
- d) Rating Agency fees for monitoring and maintaining the Bond rating.
- e) Bond amortisation expenses.
- f) Expenses relating to the keeping of the Bond accounting record, for the Bonds to be represented by means of book entries, listing the Bonds on organised securities markets and maintenance of all of the foregoing.
- g) Any expenses derived from the sale of the Mortgage Certificates and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.
- h) Expenses required for applying for foreclosure of the Participated Mortgage Loans and derived from such recovery actions as may be necessary.
- i) Expenses derived from managing the Fund and the Participated Mortgage Loans.
- j) Financial expenses of the Bond Issue.
- k) Amounts, if any, payable under the Interest Swap Agreement.
- l) Fees and expenses payable by the Fund under all other service and financial transaction agreements made.
- m) Expenses derived from inserts and notices relating to the Fund and/or the Bonds.
- n) Expenses of audits and legal advice.
- o) In general, any other expenses borne by the Fund or the Management Company for and on behalf of the Fund.

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

#### **III.5.1 Obligations and deadlines for drawing up, auditing and approving annual accounts and management reports.**

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

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

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

### **III.5.2 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.**

As part of its Fund management and administration duty, the Management Company agrees to submit quarterly to the CNMV and the Rating Agencies, 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 Certificates, prepayments, 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 Circular, and of such additional information as may be required of it.

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

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

#### **b) In relation to the Mortgage Certificates:**

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 Available Funds and the Available Funds for Amortisation and their subsequent application in the Fund Priority of Payments.

#### **d) In relation to Participated Mortgage Loan prepayment:**

Printout showing the true 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 notification 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 following 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 of:
  - 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 and making all other assumptions as provided in section II.12.a.
  - iii) The Outstanding Principal Balances for the Bonds in each Series, after the amortisation to be settled on each Payment Date, and the percentages such Outstanding Principal Balances represent on the initial face amount of each Bond.
  - iv) 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 Available Funds, in accordance with the rules governing the Fund Priority of Payments.

The foregoing notices shall be made in accordance with the provisions of section c) below and will also be notified to the CNMV, the Paying Agent, AIAF and the SCLV, within not more than one (1) Business Day before each Payment Date.

**b) Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

1. The constitution of the Fund and the Bond Issue, and the nominal interest rates in each of the Bond Series determined for the first Interest Accrual Period.

2. Other:

Any relevant event occurring in relation to the Mortgage Certificates, the Bonds, the Fund and the actual Management Company, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, or in the event of termination of the constitution of the Fund or a decision in due course to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in any of the events provided in this Circular, in which case the CNMV will be sent the Notarial Certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section III.8.1 of this Circular.

**c) Procedure to notify Bondholders.**

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

1. Ordinary notices.

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

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 Circular) being valid for such notices.

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

3. Notices and other information.

The Management Company may provide Bondholders with notices and other information of interest to them through its own Internet pages or other similarly characterised online means.

**d) Information to the CNMV.**

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

**III.6 Tax system of the Fund.**

The following are the characteristics peculiar to the tax system of the Fund:

- (i) The constitution of the Fund is exempt from the item “corporate transactions” of the Capital Transfer and Documents Under Seal Tax (article 5.10 of Act 19/1992).
- (ii) The Bond issue is exempt from payment of Value Added Tax (article 20.One.18 of the Value Added Tax Act) and Capital Transfer and Documents Under Seal Tax (article 45-I.B number 15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax, confirmed by a Supreme Court judgment dated November 3, 1997).
- (iii) The Fund is liable to pay Corporation Tax and is subject in regard to taxation to the general system for determining the taxable income, and to the general rate in force from time to time, which currently stands at 35%, and to the common rules on relief, set-off of losses, and other substantial elements making up the Tax.
- (iv) As for returns on the Mortgage Certificates, loans or other credit rights constituting Fund income, there shall be no tax withholding or advance payment obligation (article 57.k) of Royal Decree 537/1997, approving the Corporation Tax Regulations).
- (v) The management of the Fund by the Management Company shall be exempt from Value Added Tax (article 5.10 of Act 19/1992).

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

The Deed of Constitution 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 assigned to the Bonds by the Rating Agencies, and has previously been notified by the Management Company to the Rating Agencies and the CNMV or competent administrative body. That amendment shall be notified to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution can also be corrected as requested by the CNMV.

### **III.8 Liquidation and termination of the Fund.**

#### **III.8.1 Early Liquidation of the Fund.**

Following notice served on the CNMV, the Management Company shall be entitled to proceed to an early liquidation (“**Early Liquidation**”) of the Fund and thereby an early amortisation, on a Payment Date, of the entire Bond Issue (“**Early Amortisation**”), in the following Early Liquidation Events:

- (i) When the Outstanding Balance of the Mortgage Certificates pending amortisation is less than 10 percent of the initial Outstanding Balance, in accordance with the authorisation established in article 5 of Act 19/1992.
- (ii) Where any event or circumstance whatsoever unrelated to the actual operation of the Fund occurs which results in the financial balance of the Fund required by article 5.6 of Act 19/1992 being substantially changed or permanently 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 Circular.

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 in the Priority of Payments 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 Outstanding Principal Balance on that date plus interest accrued and not paid, deducting the tax withholding, if any, 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 Circular 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 CNMV and the Rating Agencies, shall contain a description (i) of the event or events for which an Early Liquidation of the Fund is effected, (ii) of the liquidation procedure, and (iii) of the manner in which the payment obligations derived from the Bonds are to be met and settled in the Priority of Payments.

In 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 in the events and subject to the requirements defined in this section, the Management Company, for and on behalf of the Fund, shall proceed to:

- (i) Sell the Mortgage Certificates for a price not below the sum of the value of the principal plus the interest accrued and not paid on the Mortgage Certificates 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 Certificates pending amortisation and the proceeds from the sale of the other properties remaining on the assets of the Fund.
- (iv) Finally, both due to an insufficiency of the preceding actions and the existence of Mortgage Certificates or other remaining assets, it shall proceed to sell the other properties 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), (iii) and (iv) above, BANCAJA shall have a pre-emptive right on the terms established by the Management Company and will therefore have priority over third parties to acquire the Mortgage Certificates or other properties derived therefrom remaining on the assets of the Fund, or to grant to the Fund the credit facility designed for the Early Amortisation of the Bond Issue. The Management Company shall therefore send BANCAJA a list of the properties and of third-party bids received, and the latter may use that right for all the assets offered by the Management Company or the credit facility within ten days of receiving said notice, and provided that their bid is at least equal to the best of the third-party bids.

Upon provisioning the reserve referred to in section III.8.2 below, the Management Company shall immediately apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Priority of Payments, other than the obligation to provision the Cash Reserve, and other than the amounts, if any, drawn 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 any of the following events:

- (i) Upon the Mortgage Certificates pooled therein being fully amortised.
- (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 to the various creditors by distributing the Available Funds in the set Priority of Payments, that remainder shall be for BANCAJA on the terms established by the Management Company.

In any event, the Management Company, acting for and on behalf of the Fund, shall not proceed to terminate the Fund and strike it off the relevant administrative registers until the Fund's remaining assets have been

liquidated and the Fund's Available Funds have been distributed, in the Fund Priority of Payments, with the exception of the appropriate reserve to meet final tax, administrative or advertising expenses related to termination and liquidation.

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

The Fund shall also terminate upon the Constitution of the Fund terminating in the event that the Rating Agencies should not confirm the provisional ratings assigned as final by the start of the Subscription Period. In that event, the Fund constitution, Mortgage Certificate issue and subscription and Bond Issue shall be terminated.

Termination of the constitution of the Fund shall be notified to the CNMV as soon as such termination is confirmed, and shall be publicised by means of the procedure specified in section III.5.3.b) and c) of this Circular. Within not more than one month after the occurrence of the event of termination, the Management Company shall execute a Statutory Declaration before a Notary Public declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. Notwithstanding the above, the Fund Management Company shall defray the Fund constitution expenses payable and specified in section II.14 with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, the repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.



## CHAPTER IV

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

#### IV.1 Description of the mortgage certificates pooled in the Fund.

BANCAJA shall proceed to issue Mortgage Certificates as established in Act 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 Act 19/1992 and other applicable laws. Given that the Fund is an institutional investor, the issue of the Mortgage Certificates 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 Certificates shall be at least equal to the aggregate amount of the Bond Issue. Each Mortgage Certificate represents 100 percent of the outstanding principal and interest not yet due and due and not paid on each of the Participated Mortgage Loans to which they are related.

The Participated Mortgage Loans assigned upon the issue of the Mortgage Certificates are part of a selection of mortgage loans the characteristics of which are described in section IV.4 of this Chapter. The outstanding principal on the 17,310 mortgage loans selected as of September 30, 2002, amounted to EUR 1,090,302,936.57 as of that date.

#### a) Identification of the Credit Institutions issuing those certificates:

The issuer of said Mortgage Certificates is BANCAJA, holder of the Participated Mortgage Loans.

As holder of the Participated Mortgage Loans until the Mortgage Certificates are issued, BANCAJA shall warrant as follows in the Fund Deed of Constitution 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 operate 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 Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991, Act 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 Certificates and to validly execute the Fund Deed of Constitution, 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 holds absolute title to all the Participated Mortgage Loans and there is no obstacle whatsoever for the Mortgage Certificates to be issued.
- (7) That the details of the Mortgage Certificates and the Participated Mortgage Loans to be included in Schedule 5 to the Deed of Constitution accurately reflect the current status of those Participated Mortgage Loans and Mortgage Certificates 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 originated in a public deed, and the mortgages are all duly 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 Obligors are all individuals.
- (11) That the Participated Mortgage Loans have been granted in order to finance with real estate mortgage security the purchase, building or renovation of residential homes located in Spain, or are subrogations by private individuals of financings granted to home developers.
- (12) That the mortgages are granted on properties wholly owned in fee absolute by the respective mortgagor, and BANCAJA is not aware of the existence of litigation over the ownership of those properties which might detract from the mortgages.
- (13) That the mortgaged properties are all finished homes located in Spain and have been appraised by duly qualified institutions approved by the BANCAJA, evidence of which appraisal has been provided in the form of an appropriate certificate. The appraisals made satisfy all the requirements established in the mortgage market laws.
- (14) That the outstanding principal on each of the Participated Mortgage Loans does not exceed 80% of the appraisal value of the mortgaged properties as security for the relevant Participated Mortgage Loan.
- (15) That it is not aware of there having been any fall in the value of any of the mortgaged properties in excess of 20% of the appraisal value.
- (16) That the properties on which mortgage security has been granted all have at least a valid fire damage insurance, and the insured capital thereunder is not less than either the appraisal value of the mortgaged property, excluding elements that cannot by nature be insured, or the balance of the Participated Mortgage Loan. To this end, BANCAJA has taken out a general insurance policy to cover those risks in the event of the damage insurance policy taken out by the Obligor not existing or being insufficient or ineffective.



- (17) That the Participated Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Mortgage Certificates hereby issued.
- (18) That none of the Participated Mortgage Loans have any overdue payments on the date of issue of the Mortgage Certificates for a period in excess of one (1) month.
- (19) That it is not aware that any of the Obligors of the Participated Mortgage Loans holds any credit right against BANCAJA whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Mortgage Certificates.
- (20) That BANCAJA has strictly adhered to the policies for granting credit in force at the time in granting each and every one of the Participated Mortgage Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and a Memorandum of the policies for granting credits and mortgage loans to individuals, currently in force, shall be attached to the Deed of Constitution in that respect.
- (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 BANCAJA 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 principal on each of the Participated Mortgage Loans on the date of issue is equivalent to the principal figure of the relevant Mortgage Certificate, and in turn the total principal of the Mortgage Certificates 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 BANCAJA 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 BANCAJA on the date of the Deed of Constitution, 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 BANCAJA pursuant to that Circular.

- (29) That the Mortgage Certificate and Participated Mortgage Loan portfolio information contained in the Offering Circular concerning the constitution of the Fund and the Bond Issue is accurate and strictly true.
- (30) That the Participated Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds or mortgage certificates, other than the issue of the Mortgage Certificates, and after their issue the Participated Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds or other mortgage certificates.
- (31) That upon the issue of the Mortgage Certificates being made, the outstanding principal balance of the mortgage debentures issued by BANCAJA is not in excess of 90 percent of the sum of the capitals not repaid on its portfolio mortgage loans, deducting those earmarked for mortgage certificates. There is moreover no issue whatsoever of mortgage bonds outstanding made by BANCAJA.
- (32) That nobody has a priority right over Fund in and to the Participated Mortgage Loans, as holder of the Mortgage Certificates.

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

The Mortgage Certificates that BANCAJA is to issue upon the Fund being constituted to be subscribed for will make up an as yet indeterminate number of Mortgage Certificates 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 Certificates will be at par. The total price payable by the Fund for subscribing for the Mortgage Certificates shall be the amount equivalent to the sum of (i) the face value of the capital or principal pending repayment of each of the Participated Mortgage Loans, and (ii) the ordinary interest accrued and not due and the interest not paid on each of the Participated Mortgage Loans on the date of issue of the Mortgage Certificates (the “**accrued interest**”).

The Management Company shall pay the aggregate subscription price for the Mortgage Certificates on behalf of the Fund as follows:

- (i) The part of the issue price consisting of the face value of the capital of all the Participated Mortgage Loans, subparagraph (i) of paragraph two above, shall be paid on the Bond Closing Date, for same day value, upon the subscription for the Bond Issue being paid up.
- (ii) The part of the price consisting of the interest accrued on each of the Participated Mortgage Loans, subparagraph (ii) of paragraph two above, shall be paid on the earlier of the collection date falling on the first interest settlement date of each of the loans or the date on which they are paid by the Obligor, after the issue date of the Mortgage Certificates, and will not be subject to the Fund Priority of Payments.

If the Fund constitution and hence the Mortgage Certificate issue and subscription should terminate, (i) the Fund’s obligation to pay the Mortgage Certificates shall terminate, (ii) the Management Company shall be obliged to restore to BANCAJA any rights whatsoever accrued for the Fund upon subscribing for the Mortgage Certificates, and (iii) BANCAJA shall once again enter the Participated Mortgage Loans among its balance-sheet assets.

**e) Description of rights in the underlying loans conferred by the certificates on the holder:**

The Mortgage Certificates represent a 100 percent share in the principal, ordinary and late-payment interest on each Participated Mortgage Loan.

In accordance with article 5.8 of Act 19/1992, BANCAJA shall not bear the risk of default on the Mortgage Certificates and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount owing by the Obligors under the Participated Mortgage Loans. It will have no liability whatsoever to directly or indirectly guarantee that the transaction will be successfully completed, nor give any guarantees or security, nor indeed agree to replace or repurchase the Mortgage Certificates, other than in the event provided for in section IV.1.d) below.

Specifically, the Mortgage Certificates confer on their holders the following rights in relation to each of the Participated Mortgage Loans:

- a) To receive all amounts accruing as repayment of Participated Mortgage Loan capital or principal.
- b) To receive all amounts accruing as ordinary interest on the Participated Mortgage Loans.
- c) To receive all amounts accruing as late-payment interest on the Participated Mortgage Loans.
- d) To receive any other amounts, assets or rights received as payment of the Participated Mortgage Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in foreclosing the mortgage securities, on the sale or operation of properties awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings.
- e) To receive all possible rights or compensations accruing for BANCAJA, including not only those derived from the insurance contracts attached to the Participated Mortgage Loans which are also assigned to the Fund, but also those derived from any ancillary right attached to the Participated Mortgage Loan, excluding the fees established for each of the Participated Mortgage Loans, which shall remain to the benefit of BANCAJA.

The above-mentioned rights will all accrue for the Fund from the date of execution of the Deed of Constitution and issue of the Mortgage Certificates, with the exception of ordinary interest, which shall moreover include both interest accrued and not due and interest due and not paid on the date of issue of the Mortgage Certificates.

The rights of the Fund resulting from the Mortgage Certificates are linked to the payments made by the Obligors 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 Deed of Constitution, BANCAJA shall be the beneficiary of the property damage insurance contracts taken out by the Obligors in relation to the mortgaged properties as security for the Participated Mortgage Loans, up to the insured amount, and each of the mortgage loan documents shall, in the event of default on the relevant premium by the Obligor (holder) of the insurance, authorise BANCAJA, the mortgagee, to pay the premium amount for the Obligor in order that the premiums are always paid. Under the Fund Deed of Constitution, BANCAJA shall perfect the assignment attached to the issue of the Mortgage Certificates of the rights BANCAJA has as the beneficiary of those property damage insurance contracts taken out by the Obligors or any other insurance policy providing equivalent cover. As the holder of the Mortgage Certificates, the Fund shall be entitled to all the amounts the BANCAJA would have received in this connection.

Payments to the Fund of both interest and other returns on the Mortgage Certificates 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 all and any expenses or costs arising for BANCAJA derived from the recovery actions in the event of a breach of obligations by the Participated Mortgage Loan Obligors, including foreclosing against the same.

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

- a) In the event of early amortisation of the Mortgage Certificates due to a prepayment of the Loan capital, there will be no substitution of the Mortgage Certificates affected thereby.
- b) In the event that it should be observed throughout their life that any of the Mortgage Certificates fails to meet the representations contained in section IV.1.a) of this Circular or the specific characteristics of the Participated Mortgage Loans notified by BANCAJA to the Management Company, BANCAJA agrees, subject to the Management Company's consent, to proceed forthwith to substitute the Mortgage Certificate in that situation, subject to the following rules:
  1. The party becoming aware of the existence of a non-conforming Mortgage Certificate, whether BANCAJA or the Management Company, shall notify the other party of this circumstance. BANCAJA shall have five (5) Business Days from said notice to proceed to remedy that circumstance if it may be remedied or, in order to proceed to a substitution thereof, notify the Management Company of the characteristics of the mortgage loans proposed to be assigned under new mortgage certificates similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality construed as the existing ratio between the outstanding principal of the certificate and the appraisal value of the property securing the participated loan, in order for the financial balance of the Fund, and indeed its rating in accordance with the provisions of section II.3 of this Circular, to be unaffected by the substitution. Once the Management Company has checked that the substitute loan is appropriate, because it may be made part of a Mortgage Securitisation Fund, and expressly agreed to it, BANCAJA shall proceed to cancel the affected Mortgage Certificate, detach the multiple registered certificate and rubber-stamp the certificate representing the same, and issue another or other mortgage certificates taking its stead.
  2. The substitution shall be recorded in a Notarial Certificate setting forth all the particulars both of the Mortgage Certificate to be replaced and the Participated Mortgage Loan attached thereto, and the new mortgage certificate or mortgage certificates issued, along with details of the Participated Mortgage Loans, and the reason for substituting and characteristics determining the homogenous nature of both Mortgage Certificates as described in the paragraph immediately preceding, a copy of which shall be filed by the Management Company with the CNMV, the organisation in charge of the accounting record for the Bonds and the AIAF Governing Body, notifying the Rating Agencies.
- c) Secondly to the obligation undertaken under section b) above, in the event that there should be call to substitute any Mortgage Certificate and that no new mortgage certificates should be issued on the homogeneity and suitability terms set in rule 1 of said section, BANCAJA shall proceed to an early amortisation of the Mortgage Certificate. 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 Certificate, by detaching the multiple registered certificate and rubber-stamping the certificate representing the same.

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

The issue price and terms for subscribing for and paying up the Mortgage Certificates 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 Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law. The transfer of the certificate 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 Obligor of the Participated Mortgage Loan, nor indeed of the sufficiency of the mortgage securing it.

BANCAJA, as the issuer, shall keep a special book in which it shall enter the Mortgage Certificates issued on each Participated Mortgage Loan, and the transfers of such Certificates notified to it, the Mortgage Certificates being applied the provisions of article 53 of Royal Decree 685/1982 for registered certificates. The same book shall include the changes of address notified to it by the holders of the Mortgage Certificates.

The book shall moreover include the following particulars:

- a) Participated Mortgage Loan origination and maturity date, initial amount and settlement method.
- b) Mortgage registration particulars.

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

The Mortgage Certificates shall be represented by a multiple registered certificate which shall contain at least the particulars prescribed 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.

Both where any Mortgage Certificate must be substituted, as provided for in section IV.1.d), and where the Management Company, for and on behalf of the Fund, proceeds to foreclose a Participated Mortgage Loan underlying a given Mortgage Certificate, as provided for in section IV.2.11, and, upon the Early Liquidation of the Fund, in the events and subject to the terms of section III.8.1, a sale of said Mortgage Certificates must take place, BANCAJA agrees to split, as the case may be, any multiple certificate into such individual or global certificates as may be necessary, replacing or exchanging it for the aforesaid purposes to be achieved.

The Mortgage Certificates subscribed for by the Fund and represented by means of a multiple registered certificate shall be deposited at BANCAJA, and the relations between the Fund and BANCAJA shall be governed by the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement to be entered into between BANCAJA and the Management Company for and on behalf of the Fund. That

deposit shall be established for the benefit of the Fund and BANCAJA shall therefore custody the Mortgage Certificates deposited following the Management Company's instructions.

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

BANCAJA, issuer of the Mortgage Certificates 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 Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement (the "**Servicing Agreement**") shall govern the relations between the BANCAJA (hereinafter in regard to this Agreement the "**Servicer**") and the Fund, represented by the Management Company, in regard to the custody and servicing of the Participated Mortgage Loans and the custody of the Mortgage Certificates. In consideration of the servicing of the Participated Mortgage Loans and custody of the Mortgage Certificates, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the average daily Outstanding Balance of the Mortgage Certificates serviced during each Interest Accrual Period. If the Servicer should be substituted in that servicing task, because that may be done following a change of the laws in force for the time being, and 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 Fund Priority of Payments, 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 they shall be paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to a reimbursement of all expenses of an exceptional nature incurred in relation to the servicing of the Participated Mortgage Loans, such as expenses or court costs arising in connection with foreclosure, or administering or managing the sale of properties and assets awarded, and after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Fund Priority of Payments.

The Servicing Agreement shall be fully terminated in the event that the Rating Agencies should fail by the start of the Subscription Period to confirm the ratings provisionally assigned to each of the Series as final.

**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.**

**Servicing and custody of the Participated Mortgage Loans.**

BANCAJA shall continue servicing the Participated Mortgage Loans, devoting as Servicer 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 certificates 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 said 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 and 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 following is the succinct and short description of the ordinary system and procedures (hereinafter the “**services**”) for service and custody of the Participated Mortgage Loans governed by said Servicing Agreement:

**1. Term.**

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as issuer of the Mortgage Certificates terminate in relation to all the Participated Mortgage Loans, once they have been amortised, or when the liquidation of the Fund concludes after it terminates, without prejudice to a potential early termination of the Servicing Agreement, if that is legally possible in accordance with its terms.

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

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

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

**3. Collection management.**

The Servicer shall continue managing collection of all amounts payable by the Obligors under the Participated Mortgage Loans, and any other item including under the insurance contracts of the mortgaged properties securing the Participated Mortgage Loans. The Servicer shall act due diligently for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the 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 on days 2, 12 and 22 of each month, or on the preceding Business Day if they should not fall on a Business Day in accordance with the bank holiday calendar for the capital city of Madrid, for the amounts received in the day intervals respectively between (i) days 16 to 25 of the preceding month, (ii) days 26 of the preceding month to 5 of the ongoing month, and (iii) days 6 to 15 of the ongoing month, in accordance with the set terms and conditions. Notwithstanding the above, if that should be deemed necessary to better defend Bondholders’ interests, the Management Company may change the periods, collection dates and method of payment at any time during the term of the Servicing Agreement.

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

#### **4. Fixing the interest rate.**

In connection with Participated Mortgage Loans having a floating interest rate, the Servicer will 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 property securing a Participated Mortgage Loan has fallen 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 Obligor at issue to:

- i) 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) repay all or such portion of the loan as may be in excess of the amount resulting from applying to the current appraisal the percentage used to initially determine its amount.

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

#### **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 use 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 full force and effect 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 Obligors whenever it is fully acquainted with this circumstance, without prejudice to its right to be reimbursed by the Fund for amounts so paid.

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

#### **7. Information.**

The Servicer shall regularly communicate to the Management Company the information concerning the individual characteristics of each of the Participated Mortgage Loans, fulfilment by the Obligors of their obligations under the Participated Mortgage Loans, delinquency status, changes in the characteristics of the Participated Mortgage Loans, actions in the event of late payment and auction of properties, the foregoing subject to the procedures and within the time-periods established in the Servicing Agreement.

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information concerning the Participated Mortgage Loans or the rights attaching thereto as the



Management Company may reasonably request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

**8. Liability of the Servicer.**

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

The Servicer shall be liable to indemnify the Fund or its Management Company against 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. Participated Mortgage Loan subrogation.**

The Servicer shall be authorised to permit substitutions in the position of the Obligor under the 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 Deed of Constitution, and moreover provided that the expenses derived from that change are fully borne by the Obligors. The Management Company may fully or partially limit this authority of the Servicer or lay down conditions therefor, in the event that there might be consequences being howsoever detrimental to the rating accorded to the Bonds by the Rating Agencies.

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

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

The Servicer may not voluntarily cancel the Participated Mortgage Loans or their mortgages or securities for any reason other than payment of the 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 status, enforceability at law or economic value of the mortgage or of the Participated Mortgage Loans, without prejudice to its proceeding to heed requests by the Obligors with the same diligence and procedure as if the loans were not participated.

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

**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 an Obligor has requested a renegotiation. The Management Company may nevertheless authorise the Servicer to entertain and accept renegotiations of the interest rate applicable to the Participated Mortgage Loans, requested by the Obligors, without requiring the prior consent of the Management Company, subject to the following general enabling requirements:

- (i) The Servicer may renegotiate the interest rate clause of the Participated Mortgage Loans on conditions that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its credits and loans. For these purposes, the market interest rate shall be deemed to be the rate offered by credit institutions in the Spanish market for loans or credits in an amount and other terms substantially similar to the Loan.
- (ii) Renegotiating the interest rate applicable to a Participated Mortgage Loan shall in no event result in its being changed to a floating interest rate with a benchmark index for determination other than the following mortgage market rates or indices, established in section 3 of rule six bis of Bank of Spain Circular no. 8/1990, September 7, and (i) that the margin or spread applicable to the EURIBOR and MIBOR indices (numbers 1 and 2) is less than 50 basic percentage points, or (ii) in the case of the remaining benchmark indices (numbers 3 to 6), that the margin or spread applicable to each of the remaining benchmark indices, expressed in basic percentage points, is less than the result of increasing by 50 basic percentage points the difference between the simple means of the values of the last three (3) months, published by the Bank of Spain, of the (a) one-year EURIBOR index and of (b) the relevant benchmark index.

<b>Benchmark rate or index</b>
1. One-year interbank benchmark (EURIBOR)
2. One-year interbank rate (MIBOR)
3. Savings banks' average rate for mortgage loans for more than three years
4. Savings banks' active benchmark rate (CECA indicator, active rate)
5. Banks' average rate for mortgage loans for more than three years
6. All institutions' average rate for mortgage loans for more than three years

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.

**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 it being so requested by the Obligor, 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 Certificates issued on the Participated Mortgage Loans with respect to which the maturity date is extended may not exceed 5% of the total initial capital or principal of the Mortgage Certificate issue.
- (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, albeit keeping the same repayment system in place.
  - b) That the new final maturity or final amortisation date does not extend beyond May 31, 2032.
  - c) That there was no delay with a seniority in excess of one (1) month in payment of amounts due on the Participated Mortgage Loan 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 the Fund's behalf, cancel or suspend the Servicer's authorisation to extend the term.

If there should be any renegotiation of the interest rate of a Participated Mortgage Loan or its due dates, the Servicer shall forthwith notify the Management Company of the terms resulting from each renegotiation. Such notice shall be made through the software or data file provided for the terms of the Participated Mortgage Loans to be updated. Both the public deeds and the private agreements pertaining to a novation of the terms of the Participated Mortgage 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 Certificates in the event of breach of obligations by the Obligor.**

The Servicer shall apply the same diligence and the same procedure for claiming amounts due on the Participated Mortgage Loans as those applied to the rest of its portfolio loans. The Servicer shall as a general rule apply for foreclosure, advancing all necessary expenses to do so, if, for a period of six (6) months, the 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 interests of 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 Obligor, 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 foreclosure.
- (ii) To take part on an equal standing with BANCAJA, as issuer of the Mortgage Certificates, in the foreclosure the latter shall have instituted against the Obligor, intervening to that end in any foreclosure proceedings commenced by the former.

- (iii) If BANCAJA should fail to take that action within sixty (60) calendar days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the foreclosure action on the Participated Mortgage Loan for both principal and interest.
- (iv) In the event that the proceedings instituted by BANCAJA should come to a standstill, the Fund, duly represented by the Management Company, may be subrogated in the position of the former and continue the foreclosure proceedings, without the above period having to elapse.

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

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

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

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 legal actions, as the case may be.

#### **12. Recovery action against the Servicer.**

The Management Company shall, for and on behalf of the Fund, be entitled to file a recovery action against the Servicer claiming the principal and interest falling due under the Mortgage Certificates, 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 remedy such circumstance or, if it cannot be remedied, the Servicer shall proceed to pay to 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 in no event result in an additional cost or expense for the Fund or the Management Company, and may not result in the rating assigned to each of the Bond Series being adversely revised. Notwithstanding any subcontracting or delegation, the Servicer shall not be 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 fall, 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 for the Participated Mortgage Loans, provided that it has a credit quality acceptable to the Rating Agencies 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 certificates pooled in the Fund.**

##### **IV.3.1 Succinct description of the procedures established by BANCAJA, issuer of the Mortgage Certificates, for analysing risks and granting mortgage loans.**

The Participated Mortgage Loans have been granted by BANCAJA, issuer of the Mortgage Certificates in accordance with their usual procedures, which are described in Schedule 7 to the Fund Deed of Incorporation, in the relevant "Memorandum on the Policies for Granting 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 mortgage loan portfolio.**

The following table shows the evolution in recent years of the credit investment by BANCAJA for loans with real estate mortgage security granted to individuals as a segment representing the mortgage loans selected to be assigned to the Fund.

Date	Net credit residential investment			Doubtful assets (balance)	Gross credit investment (balance)	Delinquency Rate %	Suspended assets (balance)
	Loans	Balance	Nominal Interest rate %				
1	2	3	4	5	6	7	8
30/06/2002	90,177	3,740.6	4.87	21.4	3,762.0	0.57%	7.4
31/12/2001	85,863	3,365.0	5.44	20.5	3,385.5	0.61%	6.9
31/12/2000	84,374	3,125.3	5.39	23.1	3,148.4	0.73%	6.2
31/12/1999	81,858	2,783.3	4.95	25.5	2,808.8	0.91%	6.0
31/12/1998	77,652	2,373.2	6.31	20.7	2,393.9	0.86%	5.4
31/12/1997	73,777	1,938.9	7.86	21.2	1,960.1	1.08%	4.1
31/12/1996	68,423	1,486.1	9.99	26.2	1,512.3	1.73%	2.5

Balances in EUR million  
4: Nominal interest rate weighted by the outstanding principal  
5: Asset qualifying as doubtful in accordance with Bank of Spain Circular 4/1991  
6: 3+5  
7: 5/6\*100  
8: Suspended asset written off the balance sheet, in pursuance of Bank of Spain Circular 4/1991.

#### IV.4 Description of the mortgage loan portfolios used for the Mortgage Certificates 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 back the issue of Mortgage Certificates comprises 17,310 mortgage loans, the outstanding principal of which amounted to EUR 1,090,302,936.57 as of September 30, 2002.

##### b) Maximum, minimum and average mortgage loan principal values.

The outstanding principal of the mortgage loans as of September 30, 2002 ranges between EUR 3,972.24 and EUR 297,661.71.

The following table shows the distribution of the outstanding principal balance of the mortgage loans in EUR 12,000 intervals.

Mortgage loan portfolio as of September 30, 2002				
Classification by outstanding principal				
Outstanding principal interval (in EUR)	Loans		Outstanding Principal	
	No.	%	(EUR)	%
0.00 - 11,999.99	19	0.11	186,513.17	0.02
12,000.00 - 23,999.99	1,554	8.98	29,747,049.97	2.73
24,000.00 - 35,999.99	2,608	15.07	79,577,523.30	7.30
36,000.00 - 47,999.99	2,887	16.68	121,959,029.04	11.19
48,000.00 - 59,999.99	2,744	15.85	148,764,019.21	13.64
60,000.00 - 71,999.99	2,111	12.20	139,219,265.97	12.77
72,000.00 - 83,999.99	1,622	9.37	126,230,728.21	11.58
84,000.00 - 95,999.99	1,177	6.80	105,635,488.74	9.69
96,000.00 - 107,999.99	796	4.60	81,163,627.92	7.44
108,000.00 - 119,999.99	581	3.36	66,493,820.53	6.10
120,000.00 - 131,999.99	321	1.85	40,468,664.90	3.71
132,000.00 - 143,999.99	256	1.48	35,358,197.36	3.24
144,000.00 - 155,999.99	174	1.01	25,944,678.60	2.38

Mortgage loan portfolio as of September 30, 2002				
Classification by outstanding principal				
Outstanding principal interval (in EUR)	Loans		Outstanding Principal	
	No.	%	(EUR)	%
156,000.00 - 167,999.99	122	0.70	19,798,977.94	1.82
168,000.00 - 179,999.99	94	0.54	16,407,649.99	1.50
180,000.00 - 191,999.99	50	0.29	9,269,936.82	0.85
192,000.00 - 203,999.99	40	0.23	7,910,205.87	0.73
204,000.00 - 215,999.99	49	0.28	10,256,870.29	0.94
216,000.00 - 227,999.99	30	0.17	6,626,084.18	0.61
228,000.00 - 239,999.99	26	0.15	6,090,674.78	0.56
240,000.00 - 251,999.99	7	0.04	1,713,425.32	0.16
252,000.00 - 263,999.99	15	0.09	3,880,349.13	0.36
264,000.00 - 275,999.99	10	0.06	2,687,935.51	0.25
276,000.00 - 287,999.99	6	0.03	1,687,095.92	0.15
288,000.00 - 299,999.99	11	0.06	3,225,123.90	0.30
<b>Total Portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>
	<b>Average principal:</b>		<b>62,986.88</b>	
	<b>Minimum principal:</b>		<b>3,972.24</b>	
	<b>Maximum principal:</b>		<b>297,661.71</b>	

c) **Actual interest rate applicable at present: maximum, minimum and average mortgage loan rates.**

The provisional portfolio mortgage loans are all floating interest rate loans. The nominal interest rates applicable to the mortgage loans as of September 30, 2002 range between 3.50% and 8.50%, and the average nominal interest rate weighted by the outstanding principal is 4.73%.

The following table shows the distribution of the mortgage loans in 0.50% nominal interest rate intervals.

Mortgage loan portfolio as of September 30, 2002						
Classification by Nominal Interest Rates						
% Interest Rate Interval	Loans		Outstanding Principal		%Interest Rate*	
		%	(EUR)	%		
3.50 - 3.99	357	2.06	29,105,655.34	2.67	3.75	
4.00 - 4.49	3,333	19.25	241,257,410.83	22.13	4.17	
4.50 - 4.99	5,644	32.61	368,171,479.03	33.77	4.63	
5.00 - 5.49	6,261	36.17	373,924,276.53	34.30	5.08	
5.50 - 5.99	1,346	7.78	62,084,757.42	5.69	5.60	
6.00 - 6.49	355	2.05	15,376,417.18	1.41	6.04	
6.50 - 6.99	11	0.06	319,846.65	0.03	6.59	
7.00 - 7.49	2	0.01	36,363.65	0.00	7.16	
8.50 - 8.99	1	0.01	26,729.94	0.00	8.50	
<b>Total Portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>		
	<b>Weighted average:</b>		<b>4.73</b>			
	<b>Simple average:</b>		<b>4.79</b>			
	<b>Minimum:</b>		<b>3.50</b>			
	<b>Maximum:</b>		<b>8.50</b>			

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

**d) Benchmark indices applicable at present to the mortgage loans.**

The following table shows the distribution of mortgage loans according to the benchmark index applicable to them for determining the nominal interest rate, specifying the weighted average margin which is added to the benchmark index relevant to that determination.

<b>Mortgage loan portfolio as of September 30, 2002</b>					
<b>Classification by Interest Rate Benchmark Index</b>					
<b>Benchmark Index</b>	<b>Loans</b>		<b>Outstanding Principal</b>		<b>%Margin * o/index</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
Active rate CECA indicator	2	0.01	67,353.38	0.01	0.00
1-year EURIBOR	13,975	80.73	942,149,585.13	86.41	0.97
1-year MIBOR	618	3.57	28,112,588.31	2.58	0.88
SAVINGS BANKS MLMR	2,715	15.68	119,973,409.75	11.00	0.14
<b>Total Portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>	
*Average margin weighted by the outstanding principal.					

**e) Mortgage loan origination dates and first and last final maturity dates, specifying the residual life of the mortgage loans as a whole.**

**Origination date.**

The provisional portfolio mortgage loans were originated on dates comprised between January 1, 1999 and May 15, 2002, average portfolio seniority being 15.88 months as of September 30, 2002.

The following table shows the distribution of the mortgage loans arranged by six-monthly origination date intervals.

<b>Mortgage loan portfolio as of September 30, 2002</b>					
<b>Classification by loan origination date</b>					
<b>Date Interval</b>	<b>Loans</b>		<b>Outstanding Principal</b>		
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
01/01/1999 to 30/06/1999	1,243	7.18	52,941,032.98	4.86	
01/07/1999 to 31/12/1999	1,203	6.95	56,961,576.10	5.22	
01/01/2000 to 30/06/2000	1,185	6.85	57,405,927.25	5.27	
01/07/2000 to 31/12/2000	1,636	9.45	94,243,977.47	8.64	
01/01/2001 to 30/06/2001	2,769	16.00	190,291,599.44	17.45	
01/07/2001 to 31/12/2001	4,694	27.12	314,776,458.95	28.87	
01/01/2002 to 30/06/2002	4,580	26.46	323,682,364.38	29.69	
<b>Total Portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>	
<b>Weighted average seniority</b>		<b>15.88</b>	<b>Months</b>		
<b>Maximum seniority</b>	<b>15.05.2002</b>	<b>4.54</b>	<b>Months</b>		
<b>Minimum seniority</b>	<b>01.01.1999</b>	<b>44.98</b>	<b>Months</b>		

**Final maturity date and residual life.**

The final maturity of provisional portfolio mortgage loans falls on dates comprised between October 31, 2006 and June 5, 2032.



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

At any time during the life of the loans, mortgagors may prepay all or part of the 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 mortgage loans according to final maturity date in yearly intervals.

Mortgage loan portfolio as of September 30, 2002						
Classification by Final Maturity Date						
Final Maturity Year	Loans		Principal Outstanding		Residual Life*	
		%	(EUR)	%	Months	Date
2006	20	0.12	435,892.82	0.04	50.07	2/12/2006
2007	132	0.76	3,345,204.44	0.31	57.42	14/07/2007
2008	140	0.81	4,153,863.71	0.38	69.49	15/07/2008
2009	300	1.73	9,357,503.09	0.86	81.26	8/07/2009
2010	262	1.51	8,939,473.31	0.82	92.70	22/06/2010
2011	514	2.97	19,587,816.98	1.80	106.25	8/08/2011
2012	461	2.66	20,182,820.99	1.85	115.10	3/05/2012
2013	246	1.42	11,572,064.37	1.06	130.81	25/08/2013
2014	893	5.16	39,081,335.71	3.58	141.04	2/07/2014
2015	920	5.31	42,861,525.96	3.93	153.27	9/07/2015
2016	1,273	7.35	68,832,551.13	6.31	165.88	27/07/2016
2017	866	5.00	46,593,137.71	4.27	174.06	2/04/2017
2018	125	0.72	8,420,295.79	0.77	189.34	11/07/2018
2019	614	3.55	32,021,704.85	2.94	201.42	14/07/2019
2020	764	4.41	44,894,887.87	4.12	213.74	23/07/2020
2021	1,741	10.06	110,868,826.69	10.17	226.29	9/08/2021
2022	1,102	6.37	75,219,027.20	6.90	233.64	20/03/2022
2023	53	0.31	3,759,667.42	0.34	249.11	4/07/2023
2024	452	2.61	27,280,718.10	2.50	261.07	2/07/2024
2025	559	3.23	37,115,863.16	3.40	273.63	20/07/2025
2026	1,241	7.17	94,544,353.33	8.67	286.20	6/08/2026
2027	833	4.81	64,441,261.75	5.91	293.53	17/03/2027
2028	25	0.14	2,017,816.28	0.19	309.64	20/07/2028
2029	183	1.06	11,048,525.75	1.01	321.05	2/07/2029
2030	347	2.00	23,294,124.18	2.14	335.43	13/09/2030
2031	1,962	11.33	164,808,042.50	15.12	345.77	25/07/2031
2032	1,282	7.41	115,624,631.48	10.60	353.31	10/03/2032
<b>Total portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>		
	<b>Weighted average:</b>				<b>251.25</b>	
	<b>Simple average:</b>				<b>230.78</b>	
	<b>Minimum:</b>				<b>49.02</b>	<b>31/10/2006</b>
	<b>Maximum:</b>				<b>356.17</b>	<b>5/06/2032</b>

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

f) **Specification of the maximum, minimum and average value of the ratio: “present loan amount/ appraisal value”.**

The ratio, expressed as a percentage, of the amount of outstanding principal as of September 30, 2002 to the appraisal value of the mortgaged home securing the provisional portfolio mortgage loans ranged

between 2.57% and 79.89%, the average ratio weighted by the outstanding principal on each loan being 63.33%.

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

<b>Mortgage loan portfolio as of September 30, 2002</b>					
<b>Classification by Ratio Outstanding Principal /Appraisal Value</b>					
<b>Ratio Intervals</b>	<b>Loans</b>		<b>Outstanding Principal</b>		<b>(%) Outstanding Principal / Appraisal V.*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
0.01 - 5.00	3	0.02	45,098.68	0.00	3.54
5.01 - 10.00	37	0.21	775,645.62	0.07	7.93
10.01 - 15.00	87	0.50	2,178,878.01	0.20	12.84
15.01 - 20.00	197	1.14	5,477,114.36	0.50	17.76
20.01 - 25.00	325	1.88	10,058,543.78	0.92	22.71
25.01 - 30.00	478	2.76	17,808,487.06	1.63	27.74
30.01 - 35.00	678	3.92	28,688,805.62	2.63	32.65
35.01 - 40.00	784	4.53	38,422,893.83	3.52	37.65
40.01 - 45.00	885	5.11	47,806,052.35	4.38	42.64
45.01 - 50.00	1,075	6.21	64,275,418.24	5.90	47.55
50.01 - 55.00	1,117	6.45	69,978,259.14	6.42	52.49
55.01 - 60.00	1,331	7.69	90,110,048.55	8.26	57.61
60.01 - 65.00	1,452	8.39	97,338,873.71	8.93	62.66
65.01 - 70.00	2,007	11.59	134,996,406.01	12.38	67.62
70.01 - 75.00	2,443	14.11	164,485,274.41	15.09	72.65
75.01 - 80.00	4,411	25.48	317,857,137.20	29.15	77.65
<b>Total Portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>	
	<b>Weighted average:</b>				<b>63.33</b>
	<b>Simple average:</b>				<b>60.51</b>
	<b>Minimum:</b>				<b>2.57</b>
	<b>Maximum:</b>				<b>79.89</b>
*Ratio Outstanding Principal /Appraisal Value lists averages weighted by the outstanding principal.					

**g) Specification of the geographical distribution by Autonomous Communities of the current mortgage loan amount.**

The following table shows the geographical distribution of the mortgage loans, arranged by Autonomous Communities in which the homes securing the same are located.

In addition to the number of loans and the outstanding principal, the table contains the weighted average ratio outstanding principal / appraisal value for loans with security located in each of the Autonomous Communities.

<b>Mortgage loan portfolio as of September 30, 2002</b>					
<b>Classification by Autonomous Communities</b>					
<b>Autonomous Community</b>	<b>Loans</b>		<b>Outstanding Principal</b>		<b>(%) Outstanding Principal / Appraisal V. *</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
Andalusia	390	2.25	24,133,686.20	2.21	63.83
Aragón	128	0.74	8,880,581.66	0.81	66.78
Balearic Isles	688	3.97	64,541,529.24	5.92	61.99

Mortgage loan portfolio as of September 30, 2002					
Classification by Autonomous Communities					
	Loans		Outstanding Principal		
Canaries	656	3.79	53,422,444.30	4.90	60.63
Castile La Mancha	846	4.89	48,193,189.90	4.42	65.07
Castile-Leon	19	0.11	1,263,989.94	0.12	64.54
Catalonia	1,128	6.52	105,057,522.56	9.64	62.57
Ceuta	1	0.01	52,857.77	0.00	35.05
Valencian Community	12,014	69.40	652,297,862.27	59.83	63.95
Extremadura	2	0.01	217,954.77	0.02	61.36
Galicia	1	0.01	100,903.32	0.01	54.47
La Rioja	1	0.01	89,519.60	0.01	45.73
Madrid	1,397	8.07	128,387,236.67	11.78	61.81
Murcia	14	0.08	922,670.45	0.08	60.87
Basque Country	25	0.14	2,740,987.92	0.25	57.68
<b>Total Portfolio</b>	<b>17,310</b>	<b>100.00</b>	<b>1,090,302,936.57</b>	<b>100.00</b>	
*Ratio Outstanding Principal /Appraisal Value lists averages weighted by the outstanding principal.					

- 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 outstanding principal and the overdue principal on provisional portfolio loans in regard to which there was any delay in payment of amounts due as of September 30, 2002.

Arrears in payment of instalments due as of September 30, 2002				
Day Interval	Loans	Outstanding Principal	Overdue Principal	% o/ Total Outstanding Principal
1 to 15 days	854	52,460,846.44	130,499.48	0.012%
16 to 30 days	329	21,254,354.14	39,975.19	0.004%
31 to 60 days	162	9,907,385.53	45,224.14	0.004%
61 to 90 days	--	--	--	
<b>Total</b>	<b>1,345</b>	<b>83,622,586.11</b>	<b>215,698.81</b>	<b>0.020%</b>

As declared by BANCAJA in section IV.1.a) (18), none of the Participated Mortgage Loans that will finally back the issue of Mortgage Certificates for the Fund to be constituted shall have overdue payments on the date of issue for a period in excess of one (1) month.

- i) Specification of the current amount of mortgage loans considered by the issuers of the Mortgage Certificates to be assets with a 50% weighting, for the purposes provided in the Order dated December 30, 1992 on Credit Institution solvency rules.

The provisional portfolio mortgage loans are all considered by BANCAJA to be risk assets with a 50% 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 euros, on the Closing Date will be as follows:

<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Fixed Assets</b>	<b>1,001,022,000.00</b>	<b>Bond issue</b>	<b>1,000,000,000.00</b>
Mortgage Certificates	1,000,017,116.29	Series A Bonds	970,500,000.00
(adjustment excess to 17,116.29)		Series B Bonds	20,500,000.00
Set-up and issuance expenses	<b>1,004,883.71</b>	Series C Bonds	9,000,000.00
		<b>Other long-term liabilities</b>	<b>1,022,000.00</b>
		Start-Up Loan	1,022,000.00
<b>Current Assets</b>	to be determined	<b>Short-term creditors</b>	to be determined
Treasury Account *	0,00	Participated Mortgage Loan interest	to be determined
Accrued interest receivable **	to be determined	accrued *	to be determined
		<b>Total liabilities</b>	<b>1,001,022,000.00</b>
<b>Total assets</b>	<b>1,001,022,000.00</b>		
<b>MEMORANDUM ACCOUNTS</b>			
Subordinated Credit Available	8,000,000.00		
Interest Flow Swap payments	to be determined		
Interest Flow Swap payments	to be determined		

**(Amounts in EUR)**

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

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

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

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

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

**a) Participated Mortgage Loans.**

- (i) Amount of the portfolio as of September 30, 2002 from which the loans subject of the issue of Mortgage Certificates will be taken: EUR 1,090,302,936.57.
- (ii) Interest rate: 4.73% (% weighted average interest rate of the selected loan portfolio as of September 30, 2002)
- (iii) CPR: 8% and 10% per annum.
- (iv) Delinquency rate: 0% per annum.
- (v) Defaults considered bad debts: 0%.

**b) Mortgage Certificates.**

- (i) Principal: 100% participation.
- (ii) Interest: participation calculated on the same interest rate applicable to a Participated Mortgage Loan.

**c) Bonds.**

- (i) Total amount: EUR 1,000,000,000.

	<u>EUR</u>
<b>Series A Bonds</b>	970,500,000
<b>Series B Bonds</b>	20,500,000
<b>Series C Bonds</b>	9,000,000
<b>Total</b>	<b>1,000,000,000</b>

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

The following are the interest rates in each Series assumed for the First Interest Accrual Period, as specified in sections II.10.1.f) and II.12.a):

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	3.459%	3.739%	4.359%

For the successive Interest Accrual Periods, the following are the floating interest rates for the Bonds, which are assumed constant, as specified in section II.12.a):

	<b>Series A Bonds</b>	<b>Series B Bonds</b>	<b>Series C Bonds</b>
<b>Nominal interest rate</b>	3.501%	3.781%	4.401%

- (iii) Exercise by the Management Company of the early amortisation option of the Bonds in each of the Series is assumed when the Outstanding Balance of the Mortgage Certificates is less than 10% of their initial amount.

**d) Ancillary agreements.**

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

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

Interest rate: it is assumed to remain constant at 3.251% for remunerating all the amounts credited to the Treasury Account.

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

- Amount: EUR one million twenty-two thousand (1,022,000) which shall be allocated to financing the expenses of setting up the Fund and issuing the Bonds (approximately EUR 1,004,883.71) and to partially financing the subscription for the Mortgage Certificates (up to EUR 17,116.29).
- Interest rate: it is assumed to remain constant at 4.251%.
- Repayment of principal shall consist of quarterly straight-line payments until the Payment Date falling on December 18, 2007 (inclusive).

**(iii) Subordinated Credit Agreement.**

- Amount: EUR 8,000,000.
- Interest rate: 4.251%.
- It is assumed that the rating of the short-term debt of BANCAJA will at no time fall below P-1 or F1 respectively in Moody's and Fitch's rating scales and, therefore, that the Maximum Credit Amount shall not be drawn down in consequence of this to set up the Cash Reserve.

**e) Cash Reserve.**

It is assumed that the rating of the short-term debt of BANCAJA will at no time fall below P-1 or F1 respectively in Moody's and Fitch's rating scales and, therefore, that the Cash Reserve will not be set up.

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

Participated Mortgage Loan servicing and Mortgage Certificate custody fee: 0.01% per annum on the average daily Outstanding Balance of the Mortgage Certificates during each Interest Accrual Period corresponding to the ongoing Payment Date, inclusive of VAT if there is no exemption.

Management Company Fee: 0.0235% per annum on the Outstanding Principal Balance of the Bond Issue, with a maximum annual amount of EUR 210,000 and a minimum annual amount of EUR 36,000 and an assumed yearly Retail Price Index of 2.50%.

Annual expenses of the Fund for auditing accounts, monitoring the rating and publishing inserts, approximately EUR 16,240.00 and an assumed yearly Retail Price Index of 2.50%.

Bond Paying Agent Fee: 0.01% of the amount to be distributed to the Bondholders on each Payment Date.

Financial Intermediation Margin: variable remuneration settled quarterly on each Payment Date, on account of its yearly 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.

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

In order to hedge the contingent credit risk due to delinquency and default on the Mortgage Loans, it has been resolved to arrange for a Subordinated Credit in order to fulfil on each Payment Date, upon a shortage of Available Funds, certain of the Fund's payment or withholding obligations, which include payment of interest and principal on the Bonds as they fall due. Moreover, the 0.50 margin excess obtained through the Interest Swap and the deferral or subordination in payment of interest and principal of the Series C Bond with respect to the Series A Bonds and the Series B Bonds and of the Series B Bonds with respect to the Series A Bonds derived from their position in the Fund Priority of Payments, is a mechanism for hedging the different Series.

The interest risk between the fixed and floating interest on the Mortgage Loans based on different review and settlement periods and benchmark indices, and the floating interest on the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods, is neutralised by means of the Interest Swap, which does not neutralise the credit risk remaining in the Fund, since the amounts payable and receivable by the Fund exclude amounts derived from Mortgage Loans with an arrears in excess of ninety (90) days.

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

In general, the quality of the Mortgage Certificates and the mechanisms in place for maintaining the financial balance of the Fund are such that no extreme prepayment, or delinquency and default rates should reasonably be considered resulting, upon both the prepayment risk and the risk of delinquency on the loans being properly transferred, in the financial structure of the Fund being imbalanced. Nevertheless, the ratings assigned by the Rating Agencies to each of the Bond Series express the Rating Agencies' opinion about the Fund's capacity to meet payments of interest as they fall due on each set Payment Date and of the principal on the Final Maturity Date.

**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 Circular, the Fund will apportion income and expenditure in time in accordance with the accruals principle.

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



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

**FUNDS CASH FLOWS  
(AMOUNTS IN EUR)**

**CPR = 8.00%**

8-Nov-2002                      1,000,000,000.00 Acquisition of the Mortgage Certificates  
1,004,883.71 Start-Up Loan (- MC purchase reminder)

Avail. Subordinated Credit (1)	MC Outs. Bal. (2)	Date (3)	COLLECTIONS				Total (8)
			MC Amortised Princ. (4)	Swap Net Inter. (5)	Reinvest. Income (6)	Subord. Credit Drawdown (7)	
<b>TOTALS:</b>			<b>1,000,000,000.00</b>	<b>264,374,064.66</b>	<b>5,413,360.18</b>	<b>0.00</b>	<b>1,269,787,424.83</b>
8,000,000.00	962,973,345.87	18-Mar-2003	37,026,654.13	14,084,340.05	265,896.62	0.00	51,376,890.81
8,000,000.00	934,404,717.11	18-Jun-2003	28,568,628.76	9,685,599.53	175,721.72	0.00	38,429,950.00
8,000,000.00	906,509,126.08	18-Sep-2003	27,895,591.03	9,398,811.47	171,872.66	0.00	37,466,275.16
8,000,000.00	879,473,389.08	18-Dec-2003	27,035,737.00	9,019,630.37	164,905.23	0.00	36,220,272.60
8,000,000.00	853,069,455.26	18-Mar-2004	26,403,933.82	8,749,122.62	159,596.55	0.00	35,312,652.98
8,000,000.00	827,095,505.48	18-Jun-2004	25,973,949.78	8,579,563.54	158,602.71	0.00	34,712,116.04
8,000,000.00	801,742,557.74	20-Sep-2004	25,352,947.74	8,499,716.62	161,392.41	0.00	34,014,056.77
8,000,000.00	777,174,377.70	20-Dec-2004	24,568,180.04	7,976,716.17	154,853.14	0.00	32,699,749.36
8,000,000.00	753,365,651.91	18-Mar-2005	23,808,725.79	7,476,703.05	141,537.35	0.00	31,426,966.19
8,000,000.00	729,782,198.08	20-Jun-2005	23,583,453.83	7,741,136.38	148,757.50	0.00	31,473,347.71
8,000,000.00	706,778,374.47	19-Sep-2005	23,003,823.60	7,260,033.30	142,485.53	0.00	30,406,342.44
8,000,000.00	684,490,400.54	19-Dec-2005	22,287,973.94	7,031,668.33	136,623.57	0.00	29,456,265.84
8,000,000.00	662,895,472.41	20-Mar-2006	21,594,928.13	6,809,368.18	132,667.34	0.00	28,536,963.66
8,000,000.00	641,534,193.58	19-Jun-2006	21,361,278.83	6,594,078.21	131,073.47	0.00	28,086,430.52
8,000,000.00	620,704,572.56	18-Sep-2006	20,829,621.01	6,382,130.12	125,446.96	0.00	27,337,198.09
8,000,000.00	600,529,943.00	18-Dec-2006	20,174,629.56	6,175,394.30	120,203.42	0.00	26,470,227.28
8,000,000.00	580,996,648.81	19-Mar-2007	19,533,294.19	5,974,327.59	116,598.28	0.00	25,624,220.06
8,000,000.00	561,684,541.15	18-Jun-2007	19,312,107.66	5,779,621.85	115,165.96	0.00	25,206,895.46
8,000,000.00	542,861,857.19	18-Sep-2007	18,822,683.96	5,649,436.23	112,439.30	0.00	24,584,559.49
8,000,000.00	524,635,214.69	18-Dec-2007	18,226,642.50	5,401,272.58	107,668.65	0.00	23,735,583.73
8,000,000.00	506,873,546.19	18-Mar-2008	17,761,668.50	5,219,256.90	103,895.47	0.00	23,084,820.87
7,831,244.41	489,452,775.89	18-Jun-2008	17,420,770.29	5,098,128.83	103,004.07	0.00	22,621,903.19
7,559,768.05	472,485,503.39	18-Sep-2008	16,967,272.51	4,923,476.97	100,489.23	0.00	21,991,238.71
7,296,959.60	456,059,975.12	18-Dec-2008	16,425,528.26	4,699,772.70	96,172.40	0.00	21,221,473.36
7,042,778.97	440,173,685.78	18-Mar-2009	15,886,289.35	4,485,266.21	91,227.49	0.00	20,462,783.04
6,792,177.47	424,511,092.02	18-Jun-2009	15,662,593.76	4,423,978.00	91,816.24	0.00	20,178,388.00
6,548,382.80	409,273,924.84	18-Sep-2009	15,237,167.18	4,265,989.43	89,473.58	0.00	19,592,630.19
6,312,504.64	394,531,539.86	18-Dec-2009	14,742,384.98	4,067,510.55	85,553.98	0.00	18,895,449.50
6,084,275.91	380,267,244.31	18-Mar-2010	14,264,295.55	3,876,634.49	81,135.73	0.00	18,222,065.76
5,859,562.16	366,222,635.18	18-Jun-2010	14,044,609.14	3,818,351.65	81,580.05	0.00	17,944,540.84
5,640,939.94	352,558,746.02	20-Sep-2010	13,663,889.16	3,756,579.61	82,738.97	0.00	17,503,207.75
5,429,583.18	339,348,948.59	20-Dec-2010	13,209,797.43	3,500,345.86	79,085.76	0.00	16,789,229.05
5,226,047.93	326,627,995.56	18-Mar-2011	12,720,953.02	3,257,301.59	71,740.01	0.00	16,049,994.63
5,026,918.24	314,182,390.06	20-Jun-2011	12,445,605.50	3,348,283.99	74,749.30	0.00	15,868,638.78
4,834,489.75	302,155,609.30	19-Sep-2011	12,026,780.77	3,117,807.81	70,996.47	0.00	15,215,585.04
4,648,681.76	290,542,609.74	19-Dec-2011	11,612,999.56	2,997,945.61	67,732.65	0.00	14,678,677.83
4,468,110.18	279,256,886.44	19-Mar-2012	11,285,723.30	2,881,469.65	65,122.42	0.00	14,232,315.37
4,291,438.89	268,214,930.87	18-Jun-2012	11,041,955.57	2,768,637.68	63,121.38	0.00	13,873,714.63
4,119,997.04	257,499,814.82	18-Sep-2012	10,715,116.05	2,687,809.42	61,386.44	0.00	13,464,311.91
4,000,000.00	247,175,380.63	18-Dec-2012	10,324,434.19	2,551,927.26	58,457.00	0.00	12,934,818.45
4,000,000.00	237,264,816.29	18-Mar-2013	9,910,564.34	2,422,126.13	55,003.09	0.00	12,387,693.56
4,000,000.00	227,558,162.74	18-Jun-2013	9,706,653.55	2,375,891.49	55,089.06	0.00	12,137,634.10
4,000,000.00	218,164,050.61	18-Sep-2013	9,394,112.13	2,278,292.14	53,428.44	0.00	11,725,832.71
4,000,000.00	209,095,447.51	18-Dec-2013	9,068,603.10	2,159,923.91	50,917.14	0.00	11,279,444.14
4,000,000.00	200,347,498.80	18-Mar-2014	8,747,948.70	2,046,546.66	48,055.94	0.00	10,842,551.30
4,000,000.00	191,765,214.85	18-Jun-2014	8,582,283.95	2,003,579.84	48,197.58	0.00	10,634,061.38
4,000,000.00	183,442,217.63	18-Sep-2014	8,322,997.23	1,917,133.05	46,829.98	0.00	10,286,960.25
4,000,000.00	175,426,673.98	18-Dec-2014	8,015,543.64	1,813,484.90	44,535.14	0.00	9,873,563.69
4,000,000.00	167,706,576.10	18-Mar-2015	7,720,097.88	1,714,429.67	41,948.85	0.00	9,476,476.41
4,000,000.00	160,150,386.61	18-Jun-2015	7,556,189.49	1,674,569.36	42,000.82	0.00	9,272,759.68
4,000,000.00	152,838,166.00	18-Sep-2015	7,312,220.60	1,598,577.44	40,715.11	0.00	8,951,513.16
4,000,000.00	145,804,766.62	18-Dec-2015	7,033,399.38	1,508,480.96	38,688.37	0.00	8,580,568.71
4,000,000.00	139,114,775.74	18-Mar-2016	6,689,990.88	1,438,919.78	36,532.89	0.00	8,165,443.55
4,000,000.00	132,738,707.98	20-Jun-2016	6,376,067.76	1,418,414.49	36,837.78	0.00	7,831,320.04
4,000,000.00	126,707,821.58	19-Sep-2016	6,030,886.40	1,310,675.83	34,369.64	0.00	7,375,931.88
4,000,000.00	120,934,081.83	19-Dec-2016	5,773,739.75	1,251,003.75	32,450.85	0.00	7,057,194.35
4,000,000.00	115,372,001.61	20-Mar-2017	5,562,080.22	1,193,377.20	31,196.38	0.00	6,786,653.81
4,000,000.00	109,920,640.76	19-Jun-2017	5,451,360.85	1,137,766.50	30,614.16	0.00	6,619,741.50
4,000,000.00	104,651,717.61	18-Sep-2017	5,268,923.15	1,083,554.68	29,065.04	0.00	6,381,542.87
4,000,000.00	99,591,918.12	18-Dec-2017	5,059,799.50	1,031,237.01	27,551.30	0.00	6,118,587.81
0.00	0.00	19-Mar-2018	99,591,918.12	980,935.14	26,345.60	0.00	100,599,198.85

**FUNDS CASH FLOWS  
(AMOUNTS IN EUR)**

**CPR = 8.00%**

8-Nov-2002

**1,000,000,000.00 Mortgage Certificate Acquisition Payment  
1,004,883.71 Set-up and Issuance Expenses**

Date	PAGOS								Total
	Current Expenses	Bond Interest	Amort. Bond Princip.	Start-Up Loan Interest	Start-Up Loan Amort.	MC Serv. Fee	Financial Intern. Margin		
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	
<b>TOTALS:</b>	<b>1,922,438.24</b>	<b>236,927,615.10</b>	<b>1,000,000,000.00</b>	<b>118,760.04</b>	<b>1,004,883.71</b>	<b>649,299.36</b>	<b>29,164,428.39</b>	<b>1,269,787,424.83</b>	
18-Mar-2003	70,571.24	12,540,811.11	37,026,654.13	15,626.68	50,244.19	35,772.83	1,637,210.62	51,376,890.81	
18-Jun-2003	53,451.17	8,651,091.41	28,568,628.76	10,370.89	50,244.19	23,790.87	1,072,372.72	38,429,950.00	
18-Sep-2003	53,427.44	8,395,487.89	27,895,591.03	9,825.05	50,244.19	23,083.90	1,038,615.66	37,466,275.16	
18-Dec-2003	53,387.08	8,057,363.58	27,035,737.00	9,178.35	50,244.19	22,150.10	992,212.30	36,220,272.60	
18-Mar-2004	70,011.06	7,818,104.07	26,403,933.82	8,638.45	50,244.19	21,483.29	940,238.11	35,312,652.98	
18-Jun-2004	51,389.49	7,667,781.31	25,973,949.78	8,187.54	50,244.19	21,064.39	939,499.34	34,712,116.04	
20-Sep-2004	50,916.63	7,597,031.34	25,352,947.74	7,807.83	50,244.19	20,865.70	934,243.34	34,014,056.77	
20-Dec-2004	47,774.59	7,130,205.64	24,568,180.04	7,018.74	50,244.19	19,579.22	876,746.93	32,699,749.36	
18-Mar-2005	62,941.15	6,684,889.44	23,808,725.79	6,265.25	50,244.19	18,349.43	795,550.95	31,426,966.19	
20-Jun-2005	46,390.66	6,923,029.88	23,583,453.83	6,134.72	50,244.19	18,995.74	845,098.68	31,473,347.71	
19-Sep-2005	43,502.86	6,493,374.45	23,003,823.60	5,399.03	50,244.19	17,812.55	792,185.76	30,406,342.44	
19-Dec-2005	42,131.85	6,289,796.36	22,287,973.94	4,859.13	50,244.19	17,249.60	764,010.78	29,456,265.84	
20-Mar-2006	59,294.81	6,092,553.37	21,594,928.13	4,319.22	50,244.19	16,701.62	718,922.32	28,536,963.66	
19-Jun-2006	39,527.55	5,901,443.65	21,361,278.83	3,779.32	50,244.19	16,170.92	713,986.05	28,086,430.52	
18-Sep-2006	38,257.80	5,712,401.67	20,829,621.01	3,239.42	50,244.19	15,648.45	687,785.55	27,337,198.09	
18-Dec-2006	37,016.19	5,528,064.74	20,174,629.56	2,699.52	50,244.19	15,138.83	662,434.26	26,470,227.28	
19-Mar-2007	54,618.99	5,349,524.31	19,533,294.19	2,159.61	50,244.19	14,643.19	619,735.59	25,624,220.06	
18-Jun-2007	34,659.06	5,176,659.54	19,312,107.66	1,619.71	50,244.19	14,163.24	617,442.08	25,206,895.46	
18-Sep-2007	33,880.55	5,060,760.48	18,822,683.96	1,091.67	50,244.19	13,841.39	602,057.26	24,584,559.49	
18-Dec-2007	32,388.81	4,839,176.17	18,226,642.50	539.90	50,244.19	13,230.57	573,361.60	23,735,583.73	
18-Mar-2008	50,447.61	4,677,874.94	17,761,668.50	0.00	0.00	12,781.91	582,047.91	23,084,820.87	
18-Jun-2008	30,585.57	4,570,366.51	17,420,770.29	0.00	0.00	12,482.40	587,698.41	22,621,903.19	
18-Sep-2008	29,538.12	4,414,502.87	16,967,272.51	0.00	0.00	12,051.87	567,873.34	21,991,238.71	
18-Dec-2008	28,204.21	4,214,437.87	16,425,528.26	0.00	0.00	11,505.98	541,797.04	21,221,473.36	
18-Mar-2009	46,418.31	4,023,224.28	15,886,289.35	0.00	0.00	10,980.83	495,870.28	20,462,783.04	
18-Jun-2009	26,574.46	3,969,370.88	15,662,593.76	0.00	0.00	10,830.78	509,018.12	20,178,388.00	
18-Sep-2009	25,632.24	3,828,129.71	15,237,167.18	0.00	0.00	10,443.99	491,257.07	19,592,630.19	
18-Dec-2009	24,443.90	3,650,608.36	14,742,384.98	0.00	0.00	9,958.08	468,054.19	18,895,449.50	
18-Mar-2010	43,180.62	3,480,438.89	14,264,295.55	0.00	0.00	9,490.78	424,659.94	18,222,065.76	
18-Jun-2010	22,970.87	3,429,150.29	14,044,609.14	0.00	0.00	9,348.09	438,462.45	17,944,540.84	
20-Sep-2010	22,608.88	3,374,293.16	13,663,889.16	0.00	0.00	9,196.86	433,219.68	17,503,207.75	
20-Dec-2010	21,069.48	3,144,724.91	13,209,797.43	0.00	0.00	8,569.55	405,067.69	16,789,229.05	
18-Mar-2011	39,876.71	2,927,109.41	12,720,953.02	0.00	0.00	7,974.53	354,080.96	16,049,994.63	
20-Jun-2011	20,171.25	3,009,477.04	12,445,605.50	0.00	0.00	8,197.27	385,187.72	15,868,638.78	
19-Sep-2011	18,782.49	2,802,418.60	12,026,780.77	0.00	0.00	7,633.02	359,970.16	15,215,585.04	
19-Dec-2011	18,064.69	2,695,143.10	11,612,999.56	0.00	0.00	7,339.57	345,130.92	14,678,677.83	
19-Mar-2012	38,080.50	2,591,558.40	11,285,723.30	0.00	0.00	7,054.41	309,898.75	14,232,315.37	
18-Jun-2012	16,703.47	2,490,892.92	11,041,955.57	0.00	0.00	6,778.18	317,384.48	13,873,714.63	
18-Sep-2012	16,222.78	2,418,691.91	10,715,116.05	0.00	0.00	6,580.29	307,700.87	13,464,311.91	
18-Dec-2012	15,405.70	2,296,825.96	10,324,434.19	0.00	0.00	6,247.63	291,904.96	12,934,818.45	
18-Mar-2013	35,771.54	2,180,507.06	9,910,564.34	0.00	0.00	5,929.85	254,920.78	12,387,693.56	
18-Jun-2013	14,356.61	2,139,591.90	9,706,653.55	0.00	0.00	5,816.66	271,215.38	12,137,634.10	
18-Sep-2013	13,771.44	2,052,059.84	9,394,112.13	0.00	0.00	5,577.71	260,311.59	11,725,832.71	
18-Dec-2013	13,060.45	1,945,962.00	9,068,603.10	0.00	0.00	5,287.93	246,530.67	11,279,444.14	
18-Mar-2014	33,992.08	1,844,577.31	8,747,948.70	0.00	0.00	5,010.36	211,022.85	10,842,551.30	
18-Jun-2014	12,369.50	1,806,681.21	8,582,283.95	0.00	0.00	4,905.16	227,821.56	10,634,061.38	
18-Sep-2014	12,360.89	1,729,288.42	8,322,997.23	0.00	0.00	4,693.52	217,620.19	10,286,960.25	
18-Dec-2014	12,347.98	1,636,253.01	8,015,543.64	0.00	0.00	4,439.77	204,979.29	9,873,563.69	
18-Mar-2015	34,479.29	1,547,561.49	7,720,097.88	0.00	0.00	4,197.27	170,140.48	9,476,476.41	
18-Jun-2015	12,638.35	1,512,333.93	7,556,189.49	0.00	0.00	4,099.68	187,498.23	9,272,759.68	
18-Sep-2015	12,630.37	1,444,194.19	7,312,220.60	0.00	0.00	3,913.64	178,554.35	8,951,513.16	
18-Dec-2015	12,618.85	1,363,273.48	7,033,399.38	0.00	0.00	3,693.06	167,583.94	8,580,568.71	
18-Mar-2016	35,305.77	1,300,537.53	6,689,990.88	0.00	0.00	3,522.76	136,086.61	8,165,443.55	
20-Jun-2016	12,916.72	1,281,772.32	6,376,067.76	0.00	0.00	3,472.56	157,090.67	7,831,320.04	
19-Sep-2016	12,899.14	1,183,991.96	6,030,886.40	0.00	0.00	3,208.80	144,945.58	7,375,931.88	
19-Dec-2016	12,891.28	1,130,198.15	5,773,739.75	0.00	0.00	3,062.71	137,302.46	7,057,194.35	
20-Mar-2017	36,149.24	1,078,698.01	5,562,080.22	0.00	0.00	2,921.63	106,804.70	6,786,653.81	
19-Jun-2017	13,198.49	1,029,085.82	5,451,360.85	0.00	0.00	2,785.48	123,310.86	6,619,741.50	
18-Sep-2017	13,192.65	980,461.22	5,268,923.15	0.00	0.00	2,652.76	116,313.10	6,381,542.87	
18-Dec-2017	13,186.18	933,463.90	5,059,799.50	0.00	0.00	2,524.67	109,613.55	6,118,587.81	
19-Mar-2018	21,780.56	888,331.91	99,591,918.12	0.00	0.00	2,401.53	94,766.74	100,599,198.85	

**FUNDS CASH FLOWS**

**(AMOUNTS IN EUR)**

**CPR = 10.00%**

**8-Nov-2002                      1,000,000,000.00 Acquisition of the Mortgage Certificates**  
**1,004,883.71 Start-Up Loan (- MC purchase reminder)**

			COLLECTIONS				
Avail. Subordinated Credit	MC Outs. Bal.	Date	MC Amortised Princ.	Swap Net Inter.	Reinvest. Income	Subord. Credit Drawdown	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>TOTALS:</b>			<b>1,000,000,000.00</b>	<b>232,649,794.70</b>	<b>5,268,882.50</b>	<b>0.00</b>	<b>1,237,918,677.20</b>
8,000,000.00	956,308,821.97	18-Mar-2003	43,691,178.03	14,036,801.00	302,471.52	0.00	58,030,450.55
8,000,000.00	922,795,906.66	18-Jun-2003	33,512,915.31	9,583,369.65	197,259.18	0.00	43,293,544.14
8,000,000.00	890,285,712.46	18-Sep-2003	32,510,194.20	9,248,463.16	191,694.10	0.00	41,950,351.47
8,000,000.00	858,998,861.52	18-Dec-2003	31,286,850.94	8,826,538.13	182,763.80	0.00	40,296,152.87
8,000,000.00	828,641,685.76	18-Mar-2004	30,357,175.76	8,514,743.52	175,951.10	0.00	39,047,870.38
8,000,000.00	798,958,349.11	18-Jun-2004	29,683,336.66	8,304,165.56	173,770.97	0.00	38,161,273.18
8,000,000.00	770,174,859.66	20-Sep-2004	28,783,489.45	8,181,674.15	175,678.41	0.00	37,140,842.01
8,000,000.00	742,480,177.89	20-Dec-2004	27,694,681.77	7,636,055.32	167,488.85	0.00	35,498,225.94
8,000,000.00	715,830,608.40	18-Mar-2005	26,649,569.49	7,118,218.95	152,246.99	0.00	33,920,035.42
8,000,000.00	689,577,520.93	20-Jun-2005	26,253,087.47	7,330,095.69	159,058.31	0.00	33,742,241.46
8,000,000.00	664,137,928.87	19-Sep-2005	25,439,592.07	6,836,803.93	151,365.63	0.00	32,427,761.63
8,000,000.00	639,666,561.15	19-Dec-2005	24,471,367.72	6,585,411.70	144,211.51	0.00	31,200,990.93
8,000,000.00	616,124,750.68	20-Mar-2006	23,541,810.47	6,342,356.73	139,249.00	0.00	30,023,416.21
8,000,000.00	592,963,590.82	19-Jun-2006	23,161,159.85	6,108,644.74	136,767.63	0.00	29,406,572.22
8,000,000.00	570,528,803.56	18-Sep-2006	22,434,787.27	5,879,894.30	130,043.49	0.00	28,444,725.06
8,000,000.00	548,956,277.12	18-Dec-2006	21,572,526.44	5,658,252.63	123,808.07	0.00	27,354,587.14
8,000,000.00	528,218,048.29	19-Mar-2007	20,738,228.83	5,444,148.23	119,424.40	0.00	26,301,801.46
8,000,000.00	507,827,072.81	18-Jun-2007	20,390,975.48	5,238,313.45	117,254.22	0.00	25,746,543.15
7,809,374.17	488,085,885.92	18-Sep-2007	19,741,186.89	5,092,310.10	113,723.50	0.00	24,947,220.48
7,505,746.91	469,109,181.89	18-Dec-2007	18,976,704.04	4,841,996.95	108,196.30	0.00	23,926,897.29
7,211,829.47	450,739,341.61	18-Mar-2008	18,369,840.28	4,651,151.85	103,843.31	0.00	23,124,835.44
6,925,313.62	432,832,101.43	18-Jun-2008	17,907,240.18	4,517,231.95	102,301.22	0.00	22,526,773.34
6,648,133.27	415,508,329.12	18-Sep-2008	17,323,772.32	4,337,309.29	99,143.44	0.00	21,760,225.04
6,381,779.28	398,861,205.20	18-Dec-2008	16,647,123.92	4,117,946.25	94,268.08	0.00	20,859,338.25
6,126,021.74	382,876,358.48	18-Mar-2009	15,984,846.72	3,908,331.64	88,918.11	0.00	19,982,096.47
5,875,235.95	367,202,246.60	18-Jun-2009	15,674,111.88	3,833,913.08	88,952.91	0.00	19,596,977.87
5,632,898.14	352,056,133.73	18-Sep-2009	15,146,112.87	3,676,543.66	86,110.77	0.00	18,908,767.30
5,400,165.89	337,510,368.43	18-Dec-2009	14,545,765.30	3,486,090.43	81,802.05	0.00	18,113,657.78
5,176,638.61	323,539,913.33	18-Mar-2010	13,970,455.10	3,304,175.48	77,132.87	0.00	17,351,763.46
4,957,751.96	309,859,497.48	18-Jun-2010	13,680,415.85	3,236,750.36	77,085.90	0.00	16,994,252.11
4,746,259.39	296,641,211.67	20-Sep-2010	13,218,285.81	3,166,761.65	77,654.06	0.00	16,462,701.52
4,543,314.88	283,957,179.74	20-Dec-2010	12,684,031.92	2,934,421.80	73,737.37	0.00	15,692,191.09
4,349,228.22	271,826,764.03	18-Mar-2011	12,130,415.71	2,715,605.43	66,524.55	0.00	14,912,545.70
4,160,258.64	260,016,165.21	20-Jun-2011	11,810,598.82	2,776,227.01	68,915.19	0.00	14,655,741.01
4,000,000.00	248,673,050.86	19-Sep-2011	11,343,114.35	2,570,813.88	65,047.39	0.00	13,978,975.61
4,000,000.00	237,800,873.66	19-Dec-2011	10,872,177.21	2,458,289.66	61,654.64	0.00	13,392,121.51
4,000,000.00	227,306,951.52	19-Mar-2012	10,493,922.14	2,349,692.46	58,950.59	0.00	12,902,565.19
4,000,000.00	217,105,221.66	18-Jun-2012	10,201,729.86	2,245,268.72	56,766.04	0.00	12,503,764.61
4,000,000.00	207,272,834.72	18-Sep-2012	9,832,386.94	2,167,644.08	54,833.89	0.00	12,054,864.91
4,000,000.00	197,867,673.28	18-Dec-2012	9,405,161.45	2,046,653.79	51,879.62	0.00	11,503,694.85
4,000,000.00	188,900,582.25	18-Mar-2013	8,967,091.03	1,931,824.95	48,551.74	0.00	10,947,467.71
4,000,000.00	180,164,703.90	18-Jun-2013	8,735,878.35	1,884,600.97	48,334.05	0.00	10,668,813.37
4,000,000.00	171,766,120.47	18-Sep-2013	8,398,583.43	1,797,166.87	46,568.18	0.00	10,242,318.47
4,000,000.00	163,720,038.19	18-Dec-2013	8,046,082.28	1,694,349.01	44,084.50	0.00	9,784,515.79
4,000,000.00	156,016,334.43	18-Mar-2014	7,703,703.77	1,596,539.48	41,365.54	0.00	9,341,608.78
4,000,000.00	148,501,790.38	18-Jun-2014	7,514,544.05	1,554,479.35	41,225.47	0.00	9,110,248.87
4,000,000.00	141,265,588.96	18-Sep-2014	7,236,201.41	1,479,159.62	39,779.16	0.00	8,755,140.19
4,000,000.00	134,348,829.12	18-Dec-2014	6,916,759.84	1,391,426.78	37,579.46	0.00	8,345,766.07
4,000,000.00	127,736,625.72	18-Mar-2015	6,612,203.40	1,308,150.96	35,190.98	0.00	7,955,545.34
4,000,000.00	121,301,779.99	18-Jun-2015	6,434,845.74	1,270,749.11	35,011.25	0.00	7,740,606.10
4,000,000.00	115,118,288.08	18-Sep-2015	6,183,491.90	1,206,349.01	33,706.63	0.00	7,423,547.54
4,000,000.00	109,215,289.82	18-Dec-2015	5,902,998.26	1,132,037.43	31,813.64	0.00	7,066,849.34
4,000,000.00	103,629,716.27	18-Mar-2016	5,585,573.55	1,073,838.46	29,900.69	0.00	6,689,312.70
4,000,000.00	98,329,042.69	20-Jun-2016	5,300,673.58	1,052,701.30	29,990.13	0.00	6,383,365.01
0.00	0.00	19-Sep-2016	98,329,042.69	967,341.06	27,832.11	0.00	99,324,215.87

**FUNDS CASH FLOWS  
(AMOUNTS IN EUR)**

**CPR = 10.00%**

8-Nov-2002

1,000,000,000.00 Mortgage Certificate Acquisition Payment  
1,004,883.71 Set-up and Issuance Expenses

Date	PAGOS							
	Current Expenses	Bond Interest	Amort. Bond Princip.	Start-Up Loan Interest	Start-Up Loan Amort.	MC Serv. Fee	Financial Intern. Margin	Total
(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
<b>TOTALES:</b>	<b>1,707,750.68</b>	<b>209,162,045.97</b>	<b>1,000,000,000.00</b>	<b>118,760.04</b>	<b>1,004,883.71</b>	<b>571,504.49</b>	<b>25,353,732.31</b>	<b>1,237,918,677.20</b>
18-Mar-2003	70,817.46	12,540,811.11	43,691,178.03	15,626.68	50,244.19	35,652.09	1,626,120.99	58,030,450.55
18-Jun-2003	53,576.00	8,591,463.92	33,512,915.31	10,370.89	50,244.19	23,539.18	1,051,434.66	43,293,544.14
18-Sep-2003	53,542.71	8,291,623.87	32,510,194.20	9,825.05	50,244.19	22,713.59	1,012,207.86	41,950,351.47
18-Dec-2003	53,151.89	7,913,790.43	31,286,850.94	9,178.35	50,244.19	21,674.41	961,262.66	40,296,152.87
18-Mar-2004	69,192.52	7,636,909.62	30,357,175.76	8,638.45	50,244.19	20,905.82	904,804.02	39,047,870.38
18-Jun-2004	50,031.77	7,449,226.05	29,683,336.66	8,187.54	50,244.19	20,385.81	899,861.17	38,161,273.18
20-Sep-2004	49,296.62	7,339,815.53	28,783,489.45	7,807.83	50,244.19	20,082.00	890,106.40	37,140,842.01
20-Dec-2004	45,997.04	6,850,839.41	27,694,681.77	7,018.74	50,244.19	18,739.76	830,705.04	35,498,225.94
18-Mar-2005	60,988.51	6,387,976.47	26,649,569.49	6,265.25	50,244.19	17,466.01	747,525.50	33,920,035.42
20-Jun-2005	44,179.77	6,579,903.28	26,253,087.47	6,134.72	50,244.19	17,982.79	790,709.25	33,742,241.46
19-Sep-2005	41,199.89	6,137,573.11	25,439,592.07	5,399.03	50,244.19	16,769.54	736,983.81	32,427,761.63
19-Dec-2005	39,679.24	5,912,439.08	24,471,367.72	4,859.13	50,244.19	16,149.83	706,251.75	31,200,990.93
20-Mar-2006	56,642.15	5,695,873.59	23,541,810.47	4,319.22	50,244.19	15,550.69	658,975.89	30,023,416.21
19-Jun-2006	36,822.33	5,487,534.46	23,161,159.85	3,779.32	50,244.19	14,974.57	652,057.50	29,406,572.22
18-Sep-2006	35,441.80	5,282,563.98	22,434,787.27	3,239.42	50,244.19	14,410.68	624,037.73	28,444,725.06
18-Dec-2006	34,100.55	5,084,021.72	21,572,526.44	2,699.52	50,244.19	13,864.31	597,130.41	27,354,587.14
19-Mar-2007	51,540.72	4,893,110.26	20,738,228.83	2,159.61	50,244.19	13,336.53	553,181.32	26,301,801.46
18-Jun-2007	31,582.28	4,709,582.12	20,390,975.48	1,619.71	50,244.19	12,829.15	549,710.24	25,746,543.15
18-Sep-2007	30,701.57	4,578,897.71	19,741,186.89	1,091.67	50,244.19	12,468.31	532,630.14	24,947,220.48
18-Dec-2007	29,186.24	4,354,422.51	18,976,704.04	539.90	50,244.19	11,852.19	503,948.22	23,926,897.29
18-Mar-2008	47,115.96	4,184,322.03	18,369,840.28	0.00	0.00	11,386.95	512,170.22	23,124,835.44
18-Jun-2008	27,260.09	4,064,649.19	17,907,240.18	0.00	0.00	11,059.09	516,564.80	22,526,773.34
18-Sep-2008	26,180.36	3,903,166.39	17,323,772.32	0.00	0.00	10,618.60	496,487.37	21,760,225.04
18-Dec-2008	24,858.72	3,706,217.49	16,647,123.92	0.00	0.00	10,081.56	471,056.57	20,859,338.25
18-Mar-2009	43,010.90	3,518,633.89	15,984,846.72	0.00	0.00	9,568.38	426,036.58	19,982,096.47
18-Jun-2009	23,167.66	3,452,678.60	15,674,111.88	0.00	0.00	9,386.19	437,633.54	19,596,977.87
18-Sep-2009	22,222.14	3,311,333.57	15,146,112.87	0.00	0.00	9,000.91	420,097.81	18,908,767.30
18-Dec-2009	21,073.69	3,140,241.75	14,545,765.30	0.00	0.00	8,534.65	398,042.39	18,113,657.78
18-Mar-2010	39,773.99	2,977,415.22	13,970,455.10	0.00	0.00	8,089.28	356,029.87	17,351,763.46
18-Jun-2010	19,588.37	2,917,598.10	13,680,415.85	0.00	0.00	7,924.21	368,725.57	16,994,252.11
20-Sep-2010	19,172.56	2,854,975.86	13,218,285.81	0.00	0.00	7,752.87	362,514.43	16,462,701.52
20-Dec-2010	17,767.43	2,645,956.22	12,684,031.92	0.00	0.00	7,184.05	337,251.46	15,692,191.09
18-Mar-2011	36,633.78	2,449,318.72	12,130,415.71	0.00	0.00	6,648.34	289,529.14	14,912,545.70
20-Jun-2011	16,824.89	2,504,550.79	11,810,598.82	0.00	0.00	6,796.76	316,969.75	14,655,741.01
19-Sep-2011	15,579.45	2,319,271.10	11,343,114.35	0.00	0.00	6,293.87	294,716.85	13,978,975.61
19-Dec-2011	14,900.41	2,218,093.71	10,872,177.21	0.00	0.00	6,018.38	280,931.80	13,392,121.51
19-Mar-2012	34,881.25	2,121,116.94	10,493,922.14	0.00	0.00	5,752.52	246,892.33	12,902,565.19
18-Jun-2012	13,626.82	2,027,514.11	10,201,729.86	0.00	0.00	5,496.87	255,396.95	12,503,764.61
18-Sep-2012	13,161.07	1,957,797.96	9,832,386.94	0.00	0.00	5,306.83	246,212.11	12,054,864.91
18-Dec-2012	12,428.39	1,848,815.42	9,405,161.45	0.00	0.00	5,010.62	232,278.98	11,503,694.85
18-Mar-2013	32,865.17	1,745,529.25	8,967,091.03	0.00	0.00	4,729.49	197,252.77	10,947,467.71
18-Jun-2013	12,075.56	1,703,455.92	8,735,878.35	0.00	0.00	4,613.88	212,789.66	10,668,813.37
18-Sep-2013	12,064.93	1,624,678.06	8,398,583.43	0.00	0.00	4,399.82	202,592.23	10,242,318.47
18-Dec-2013	12,050.90	1,532,105.51	8,046,082.28	0.00	0.00	4,148.10	190,129.00	9,784,515.79
18-Mar-2014	33,640.99	1,444,289.06	7,703,703.77	0.00	0.00	3,908.65	156,066.32	9,341,608.78
18-Jun-2014	12,331.99	1,406,914.39	7,514,544.05	0.00	0.00	3,805.68	172,652.76	9,110,248.87
18-Sep-2014	12,323.15	1,339,150.21	7,236,201.41	0.00	0.00	3,621.28	163,844.15	8,755,140.19
18-Dec-2014	12,310.69	1,260,049.34	6,916,759.84	0.00	0.00	3,406.49	153,239.71	8,345,766.07
18-Mar-2015	34,442.53	1,185,185.07	6,612,203.40	0.00	0.00	3,202.61	120,511.73	7,955,545.34
18-Jun-2015	12,600.48	1,151,895.40	6,434,845.74	0.00	0.00	3,111.05	138,153.44	7,740,606.10
18-Sep-2015	12,592.58	1,093,867.64	6,183,491.90	0.00	0.00	2,953.38	130,642.03	7,423,547.54
18-Dec-2015	12,581.77	1,026,822.77	5,902,998.26	0.00	0.00	2,771.45	121,675.09	7,066,849.34
18-Mar-2016	35,269.60	974,169.68	5,585,573.55	0.00	0.00	2,628.97	91,670.89	6,689,312.70
20-Jun-2016	12,880.10	954,820.95	5,300,673.58	0.00	0.00	2,577.22	112,413.16	6,383,365.01
19-Sep-2016	20,821.23	877,067.42	4,983,329.04	0.00	0.00	2,368.24	94,916.28	5,999,436.97

**Key to the number outline.**

- (1) Maximum Subordinated Credit Amount or Cap.
- (2) Outstanding Balance of the portfolio of Mortgage Certificates on each quarterly Payment Date, upon the principal being amortised (4).
- (3) Quarterly payment dates.

**a) Collections.**

- (4) Amount of Mortgage Certificate portfolio capital or principal repaid from the immediately preceding quarterly date until the date given.
- (5) Net interest collected by the Fund from the immediately preceding quarterly date until the date given. Such is the interest received on the Mortgage Certificates and the interest resulting from the application of the Swap Agreement.
- (6) Interest on the Fund's Treasury Account, under the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- (7) Drawdown on the Subordinated Credit.
- (8) Total income on each payment date, being the sum of amounts (4), (5), (6) and (7).

**b) Payments.**

- (9) Quarterly Payment Dates for the various transactions and services arranged by the Fund until final maturity.
- (10) Amounts for the Fund's current expenses.
- (11) Amount of interest payable to the Bondholders.
- (12) Amount of Bond principal amortised.
- (13) Interest payment amounts on the Start-Up Loan and the Subordinated Credit.
- (14) Periodic repayment of principal under the Start-Up Loan and Subordinated Credit.
- (15) Participated Mortgage Loan servicing fee.
- (16) Variable remuneration as the Financial Intermediation Margin.
- (17) Total payments on each Payment Date, being the sum of amounts (10), (11), (12), (13), (14), (15) and (16).

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

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

The expenses of setting up the Fund and issuing the Bonds detailed in section II.14 will be subject to a straight-line depreciation during the months elapsing since the constitution of the Fund until November 30, 2007, inclusive.

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

**V.3 Description of the purpose or object of the financial transactions 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 Certificates, 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 Deed of Constitution 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 Deed of Constitution and in accordance with the provisions established in the laws in force from time to time, acting for and on behalf of the Fund, in exceptional events extend or amend the agreements entered into on the Fund's behalf, substitute each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that the Management Company first notifies the CNMV or competent administrative body and the Rating Agencies, and that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or of the agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

**V.3.1 Guaranteed Interest Rate Account (Treasury Account) Agreement.**

The Management Company, acting for and on behalf of the Fund, and BANCAJA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BANCAJA will guarantee a variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in euros (the "**Treasury Account**") opened at BANCAJA, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) cash amount received as payment for subscription for the Bond Issue;
- (ii) Mortgage Loan principal repayment and interest collected;
- (iii) principal, if any, drawn down under the Subordinated Credit and the amounts making up the Cash Reserve from time to time if it is actually set up;
- (iv) any other amounts relating to the Participated Mortgage Loans and from the sale or operation of the real estate or assets awarded or under administration or interim possession in foreclosure proceedings, and all and any rights or indemnities including not only those derived from the damage insurance contracts

on the mortgaged properties, but also those derived from any right attached to the Participated Mortgage Loans, including the set fees for each loan;

- (v) principal drawn down under the Start-Up Loan;
- (vi) amounts paid to the Fund under the Interest Swap Agreement;
- (vii) the amounts of the returns obtained on the balances existing in the actual Treasury Account; and
- (viii) the amounts of withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

BANCAJA guarantees an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, applicable on each interest accrual period (differing from the Interest Accrual Period established for the Bonds) to the positive balances if any on the Treasury Account, equivalent to the Bond Reference Rate determined for each Interest Accrual Period. The accrued interest to be settled on March 17, June 17, September 17 and December 17 of each year shall be calculated based on: (i) the exact number of days in each Interest Accrual Period, and (ii) a three-hundred-and-sixty (360-) day year. The first interest settlement date shall fall on March 17, 2003.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bond issue, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than ten (10) Business Days from the time of that occurrence put in place, after consulting with the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement:

- a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and subject at all times to the Rating Agencies' approval, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the P-1 or F1 ratings is maintained by BANCAJA.
- b) Transferring the Fund's Treasury Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, arranging the highest possible yield for its balances, which may differ from that arranged with BANCAJA under this Agreement.
- c) Obtaining from BANCAJA or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español*), in an amount sufficient to guarantee the commitments established in this Agreement.
- d) If the above options should not be feasible on the set terms, the Management Company may invest the balances for not more than quarterly periods, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 for short-term debt respectively in Moody's and Fitch's rating scales, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANCAJA under this Agreement.



- e) In both events b) and d), the Management Company may subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that its short-term debt should again attain the P-1 and F1 ratings, in the above-mentioned scales.

The Guaranteed Interest Rate Account (Treasury Account) Agreement mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Mortgage Loans, which is mostly monthly, and the amortisation and payment of interest on the Bonds, which is quarterly.

### V.3.2 Subordinated Credit Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a commercial Subordinated Credit Agreement (the "**Subordinated Credit Agreement**") which shall be applied on each Payment Date, along with the other Available Funds, to meeting fulfilment of certain payment or withholding obligations of the Fund, in the Priority of Payments, due to a shortage of the remaining Available Funds, although granting of that Credit shall in no event guarantee that the Mortgage Loans will be duly performed.

#### *Maximum Subordinated Credit Amount.*

The Maximum Credit Amount shall from time to time be equal to the lower of the following amounts:

- (i) EUR eight million (8,000,000) equivalent to 0.80% of the face amount of the Bond Issue.
- (ii) The higher of:
  - a) 1.60% of the Outstanding Balance of the Bond Issue.
  - b) 0.40% of the face amount of the Bond Issue.

Notwithstanding the above, the Maximum Subordinated Credit Amount shall not be reduced and shall remain at the relevant amount established on the preceding Payment Date whenever any of the following circumstances concur on a given Payment Date:

- i) On the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 1.00% of the Outstanding Balance of the Mortgage Certificates on that same date.
- ii) There is an Amortisation Deficiency, as defined in section II.11.3.4.4 of this Circular.

The Maximum Subordinated Credit Amount may however, if this is legally possible because the regulatory requirements established for amending the Deed of Constitution are satisfied and having first notified the CNMV, be reduced on a Payment Date and throughout the life of the Fund following an express discretionary authorisation of the Rating Agencies.

#### *Drawdown.*

The Management Company may, for and on behalf of the Fund, draw on the Credit up to the Maximum Credit Amount, provided that the Available Funds on a Payment Date, excluding amounts available under the Credit, do not allow payment of the Fund's obligations under (i) items numbers 1 to 5 and 8 and 9, all inclusive, in the Priority of Payments, or (ii) on the last Payment Date or on the Fund liquidation date, items numbers 1 to 9, both inclusive.

In accordance with the section III.4.3 of this Circular, the Management Company shall draw the full amount available up to the Maximum Subordinated Credit Amount on the date on which this drawdown is made, allotting it to setting up a Cash Reserve, in the event of the rating of the non-subordinated and unsecured short-term debt rating of BANCAJA falling below P-1 or F1 respectively in Moody's and Fitch's rating scales, within not more than ten (10) Business Days of that occurrence, unless BANCAJA should provide for the benefit of the Fund and at its cost a first demand security or guarantee of an institution whose short-term debt has a rating of at least P-1 and F1 respectively in the above-mentioned rating scales, guaranteeing for the Fund, simply upon the Management Company so requesting, the amount of the drawings requested from BANCAJA up to the Maximum Credit Amount available on the relevant drawdown date, all of which shall be subject to the terms and conditions approved by the Rating Agencies for the ratings assigned to each of the Series in the Bond issue to be maintained.

*Repayment.*

The Fund will repay any drawdown on the Credit on any Payment Date on which the Available Funds, excluding the amounts available on the Credit, allow such payment to be made in the application priority established in the Priority of Payments.

Nevertheless, in the event that the Maximum Credit Amount should be fully drawn down, as a result of a downgrade in the rating of BANCAJA and the Cash Reserve being set up, repayment shall be made on each of the Payment Dates in an amount equal to the positive difference existing between the Required Cash Reserve on the preceding Payment Date and the Required Cash Reserve on the ongoing Payment Date, and in the application priority established for that event in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to proceed to the relevant repayment of the Subordinated Credit on a Payment Date, in the Priority of Payments, the portion of the principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid, as the case may be, on that same Payment Date, until it is fully repaid.

*Financial yield.*

The Subordinated Credit shall accrue an annual nominal interest, determined quarterly in each interest accrual period (differing from the Interest Accrual Period established for the Bonds), which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued, which shall be settled on March 18, June 18, September 18 and December 18 of each year and payable when due on the given Payment Date, shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall fall on March 18, 2003.

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

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

### V.3.3 Start-Up Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a commercial loan agreement amounting to EUR one million twenty-two thousand (1,022,000) (the “**Start-Up Loan Agreement**”), which shall be designed to finance the expenses of setting up the Fund and issuing the Bonds and finance partially the subscription for the Mortgage Certificates.

The Loan shall accrue an annual nominal interest, determined quarterly in each interest accrual period (differing from the Interest Accrual Period established for the Bonds), which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 1.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. The interest accrued, which shall be settled on March 18, June 18, September 18 and December 18 of each year and payable when due on the given Payment Date, shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall fall on March 18, 2003.

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 interest and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date.

Repayment will be effected quarterly on each of the Payment Dates as follows:

- (i) The portion of Loan principal actually used to finance the Fund constitution and Bond issue expenses and finance partially the subscription for the Mortgage Certificates shall be repaid in twenty (20) consecutive quarterly instalments for an identical amount, on each Payment Date, the first of which shall be the first Payment Date, March 18, 2003, and the following until the Payment Date falling on December 18, 2007, inclusive.
- (ii) In the event that a portion of the Loan principal should not be used because the Loan principal is in excess of the Fund constitution and Bond issue expenses, and upon the partial subscription for the required Mortgage Certificates, the portion of the Loan principal not used shall be repaid on the first Payment Date, to wit March 18, 2003.

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

Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments.

### V.3.4 Interest Swap Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA, into an interest swap agreement (the “**Interest Swap Agreement**”) based on the standard Spanish Banking Association’s Master Financial Transaction Agreement (CMOF), the most relevant characteristics of which are described below.

The execution of the Interest Swap Agreement derives from the need to eliminate or mitigate the interest rate risk occurring in the Fund because the Participated Mortgage Loans are subject to floating interest with



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

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

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

For each settlement period this shall be the annual interest rate resulting from adding (i) the nominal interest rate applicable to each Bond Series determined for the ongoing Interest Accrual Period, weighted by the Outstanding Principal Balance in each Series during the ongoing Interest Accrual Period and (ii) 0.50%.

If on a settlement date the Fund should not have sufficient liquidity to make payment of the aggregate amount payable to BANCAJA, the Swap Agreement shall be terminated. In that event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Swap Agreement, the foregoing in the Priority of Payments. Without prejudice to the foregoing, other than in an extreme event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement.

In the event of the rating of the non-subordinated and unsecured long-term debt of BANCAJA falling below A1 or A+ respectively in Moody's and Fitch's rating scales, and within not more than ten (10) Business Days from the date on which notice of that circumstance is given, BANCAJA shall irrevocably agree to put in place any of the following options: (i) establishing a cash or securities deposit in favour of the Fund in an amount equal to the market value of the Swap satisfactory to Moody's and Fitch; (ii) that a third-party institution, whose non-subordinated and unsecured long-term debt has a rating equal to or higher than A1 or A+ in Moody's and Fitch's rating scales, would secure fulfilment of its contractual obligations, (iii) that a third-party institution, whose non-subordinated and unsecured long-term debt has a rating equal to or higher than A1 or A+ respectively in Moody's and Fitch's rating scales, would take over its contractual position and substitute it before terminating the Swap Agreement with BANCAJA; all of which shall be subject to such terms and conditions as the Management Company and the Rating Agencies shall see fit for the ratings assigned to each of the Bond Series to be maintained. All costs, expenses and taxes incurred in connection with the fulfilment of the above obligations shall be borne by BANCAJA.

The occurrence, as the case may be, of an early termination of the Swap Agreement will not in itself be an Early Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections II.11.3.4.6 and III.8.1 of this Circular, unless in conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

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

### **V.3.5 Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement.**

BANCAJA, issuer of the Mortgage Certificates to be subscribed for by the Fund, in accordance with the provisions of the Deed of Constitution 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 Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement (the "**Servicing Agreement**") whereby BANCAJA (the "**Servicer**" in this Agreement), shall as attorney for the Management Company on behalf of the Fund, (i) safe-keep and custody the Mortgage Certificates, (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 Obligors under the Participated Mortgage Loans subject of the Mortgage Certificates.

The terms of the Servicing Agreement are described in sections IV.1.g) and IV.2 of this Circular.

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

### **V.3.6 Bond Issue Management, Underwriting and Placement Agreement.**

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with DRESDNER KLEINWORT WASSERSTEIN and BANCAJA as Lead Managers and Underwriters and Placement Agents, and with CDC IXIS CAPITAL MARKETS and HSBC as Underwriters and Placement Agents.

The Bond Issue Underwriters and Placement Agents shall take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) securing placement by a third-party subscription for the Bond Issue; 2) an undertaking to subscribe on their own account for the Bonds not subscribed when the Subscription Period is closed, up to the set amounts; 3) payment by the Underwriters and Placement Agents to the Paying Agent, by 2pm on the Closing Date, for same day value, of the face amount of the Bonds placed by each of them and, as the case may be, those subscribed for on their own account, whereupon the Paying Agent shall proceed to pay to the Fund, by 3pm, for same day value, the amount received from the Underwriters and Placement Agents plus the face amount of the Bonds placed as such an Underwriter and Placement Agent; 4) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 5) providing subscribers with a document proving subscription; and 6) all other aspects governing the underwriting and placement.

The underwriting commitments of each Underwriting and Placement Agent and the underwriting and placement fee for each of the Series are specified in section II.19.1 of this Circular. The Management Company shall pay the Underwriters and Placement Agents the amount of the underwriting and placement fee on behalf of the Fund on the Business Day after the face amount of the Bonds is paid up by transfer instructions issued to the Paying Agent.

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

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

### **V.3.7 Bond Paying Agent Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a paying agent agreement to service the Issue of Bonds issued by the Fund (the “**Paying Agent Agreement**”).

The obligations to be taken on by BANCAJA (the “**Paying Agent**”) under this Agreement are summarily as follows:

- (i) Paying the Fund by 3pm (CET time) on the Closing Date, by crediting the Treasury Account, for same day value, the aggregate amount of the subscription for the Bond Issue received from the Underwriters and Placement Agents in accordance with the provisions of the Bond Issue Management, Underwriting and Placement Agreement, plus the sum of the face amount of the Bonds placed in its capacity as Underwriter and Placement Agent.
- (ii) Carrying out the transfer instruction received from the Management Company, on behalf of the Fund, to pay between the Underwriters and Placement Agents the Bond Issue underwriting and placement fee.
- (iii) On each of the Bond Payment Dates, paying interest and repaying principal on the Bonds, deducting the total amount of the tax withholding for return on investments that should be made in accordance with applicable tax laws.
- (iv) On each of the Interest Rate Fixing Dates, notifying the Management Company of the Reference Rate determined to be used as the basis for calculating the nominal interest rate applicable to each of the Bond Series.

In the event of the rating of the non-subordinated and unsecured short-term debt of BANCAJA falling below the ratings assigned by Moody's and Fitch at any time during the life of the Bonds, the Management Company may, having regard to the Rating Agencies' policies, revoke the appointment of BANCAJA as Paying Agent, and shall thereupon designate a substitute institution.

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

In the event that the Fund should not have sufficient liquidity to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the next Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until the Payment Date on which that situation is no longer current.

The Paying Agent Agreement shall be fully terminated in the event that the Rating Agencies should fail by the start of the Subscription Period to confirm the ratings provisionally assigned to each of the Series as final.

### **V.3.8 Financial Intermediation Agreement.**

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a Financial Intermediation Agreement designed to remunerate the financial intermediation process carried out and which has permitted the financial transformation defining the Fund's activity, the subscription by the Fund for the Mortgage Certificates and the satisfactory rating assigned to each of the Bond Series.

BANCAJA shall be entitled to receive from the Fund a variable subordinated remuneration which shall be determined annually as an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund with reference to its accounts and before the close of each fiscal year, reduced, as the case may be, by the amount of losses brought forward from preceding years, which may be set off to adjust the year's book profit or loss for the purposes of settling the annual Corporation Tax. Part payments in this connection, which may be made on each Payment Date, calculated on the last day of the

month preceding the Payment Date and in the Fund Priority of Payments, shall be considered to be payments on account of the annual remuneration.

Furthermore, when the amount of the annual remuneration at the close of a fiscal year of the Fund is less than the aggregate amount of the quarterly interim payments made during that fiscal year on each of the Payment Dates, BANCAJA shall be bound, upon the Management Company so requesting, to reimburse to the Fund the difference between the quarterly interim payments received and the annual remuneration due to it. The reimbursement to the Fund may under no circumstances exceed the amount of the interim payment theretofore made in the relevant fiscal year.

If the Fund should not have sufficient liquidity on a Payment Date in the Fund Priority of Payments to pay the full remuneration, the amount not paid shall accumulate without any penalty whatsoever on the remuneration payable on the following Payment Date until it is paid in full.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should fail by the start of the Subscription Period to confirm the ratings provisionally assigned to each of the Bond Series as final.

#### **V.4 Priority rules established in Fund payments.**

##### **V.4.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.**

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

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

- a) Payment of subscription for the Bonds.
- b) Drawdown under the Start-Up 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 Certificates.
- b) Payment of the Fund constitution and Bond issue expenses.

##### **V.4.2 Source and application of funds from the first Payment Date until the last Payment Date or liquidation of the Fund, inclusive.**

**1. Source.**

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

- a) Mortgage Certificate principal repayment income received between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive.
- b) Ordinary and late-payment interest income received on the Mortgage Certificates between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive.
- c) The return received on the amounts credited to the Treasury Account.



- d) The drawdowns under the Subordinated Credit, designed only to meet payment of the Fund's obligations under (i) items numbers 1 to 5 and 8 and 9, all inclusive, in the Priority of Payments, or (ii) on the last Payment Date or on the Fund liquidation date, items numbers 1 to 9, both inclusive.
- e) If the Cash Reserve is actually set up, the amount with which it is provisioned.
- f) The amounts received under the Interest Swap Agreement.
- g) Any other amounts received by the Fund between the preceding Payment Date, exclusive, and the ongoing Payment Date, inclusive, including those resulting from the sale of properties or rights awarded to the Fund, or their operation.

## 2. Application:

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

1. Payment of the Fund's properly supported taxes and ordinary and extraordinary expenses, whether or not they were disbursed by the Management Company, including the management fee due to the same, and all other expenses and service fees, including those derived from the Paying Agent Agreement. Only expenses prepaid or disbursed on the Fund's behalf by and amounts reimbursable to the Servicer, provided they are all properly supported, shall be settled to the Servicer under the Servicing Agreement in this priority.
2. Payment of the Interest Swap Agreement amount and, in the event of termination of that Agreement following a breach by the Fund, payment of the amount payable by the Fund comprising the settlement payment.
3. Payment of interest due on the Series A Bonds.
4. Payment of interest due on the Series B Bonds.

This payment shall however be moved to item number 8 if, on the preceding Determination Date, the Outstanding Balance of the Mortgage Certificates with an arrear in excess of ninety (90) days in payment of amounts due is in excess of 8.00% of the Outstanding Balance of the Mortgage Certificates, and if the Series A Bonds have not been fully amortised or are not to be fully amortised on the ongoing Payment Date.

5. Payment of interest due on the Series C Bonds.

This payment shall however be moved to item number 9 if, on the preceding Determination Date, the Outstanding Balance of the Mortgage Certificates with an arrear in excess of ninety (90) days in payment of amounts due is in excess of 5.45% of the Outstanding Balance of the Mortgage Certificates, and if the Series A Bonds and the Series B Bonds have not been fully amortised or are not to be fully amortised on the ongoing Payment Date.

6. Withholding of an amount sufficient for the Required Cash Reserve to be maintained.  

This application shall only occur if the Cash Reserve is actually established upon the Subordinated Credit being fully drawn down.

Moreover, this application shall not occur on the last Payment Date or Fund liquidation date.
7. Amortising Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date and (ii) the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date.  

Depending on the liquidity existing on each Payment Date, the amount actually applied to amortising the Series A, B and C Bond principal shall make up the Available Funds for Amortisation which shall be applied to each of the Series in accordance with the distribution rules established hereinafter in this same section.
8. Payment of interest due on the Series B Bonds when this payment is deferred from item number 4 in the priority of payments as established in that number.
9. Payment of interest due on the Series C Bonds when this payment is deferred from item number 5 in the priority of payments as established in that number.
10. Payment of interest due on the Subordinated Credit.  

This application shall not occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve referred to in item number 14.
11. Repayment of principal drawn under the Subordinated Credit.  

This application shall not occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve referred to in item number 15.
12. Payment of interest due on the Start-Up Loan.
13. Repayment of Start-Up Loan principal in the amortised amount.
14. Payment of interest due on the Subordinated Credit.  

This application shall only occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve and shall occur in lieu of item number 10 in this Priority of Payments.
15. Repayment of Subordinated Credit principal in the amount of the reduction, if any, of the Required Cash Reserve if it is actually established.  

This application shall only occur if the Subordinated Credit is fully drawn down to establish the Cash Reserve and shall occur in lieu of item number 11 in this Priority of Payments.
16. Payment to the Servicer under the Servicing Agreement of the fee for servicing the Participated Mortgage Loans.  

In the event that BANCAJA should be replaced by any other institution as Servicer of the Participated Mortgage Loans, payment of the servicing fee accrued by the other institution, to wit the new

servicer, shall take the place of paragraph 1 above along with the other payments included in that priority.

17. Payment of the variable remuneration established under the Financial Intermediation Agreement.

When in a same priority of payments amounts are due for different items and the remaining Available Funds are not sufficient to satisfy the amounts due under all of them, the application of the remaining Available Funds shall be made pro rata among the amounts payable under each such item, and the amount applied to each item shall be applied in the priority in which the accounts payable fall due.

**Distribution of the Available Funds for Amortisation among each Series.**

The Available Funds for Bond Amortisation shall be distributed among the three Series to be amortised in accordance with the following rules:

1. Until the first Payment Date (inclusive) on which the Outstanding Principal Balance of the Series B Bonds is equal to or greater than 4.10% of the Outstanding Principal Balance of the Bond Issue and the Outstanding Balance of Series C is equal to or greater than 1.80% of the Outstanding Principal Balance of the Bond Issue, the Available Funds for Amortisation shall be fully used for amortising the Series A Bonds.
2. From the Payment Date after the date on which the above ratios are respectively equal to or greater than said 4.10% and 1.80%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, thereby for the above ratios between the Outstanding Principal Balances of Series B and Series C and the Outstanding Principal Balance of the Bond Issue to be respectively kept at 4.10% and 1.80%, or a higher percentage closest thereto.

The Available Funds for Amortisation will however not be applied on the Payment Date to amortising Series B and Series C, and will be wholly applied to amortising Series A, if any of the following circumstances occur:

- a) That on the Determination Date for the ongoing Payment Date, the sum of the Outstanding Balance of the Mortgage Certificates with an arrears in excess of ninety (90) days in payment of amounts due is in excess of 2.00% of the Outstanding Balance of the Mortgage Certificates on that same date.
  - b) That (i) the available Subordinated Credit amount is less than the Maximum Subordinated Credit Amount upon being drawn down, or (ii) if the Cash Reserve is set up, that the amount of that Cash Reserve is less than the required Cash Reserve.
  - c) That there is an Amortisation Deficiency.
3. On the Payment Dates after the first Payment Date on which the amount of the Outstanding Balance of the Mortgage Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance, the Available Funds for Amortisation shall be exclusively applied to amortising Series A until it is fully amortised. Once the Series A Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series B until it is fully amortised, and once the Series B Bonds have been fully amortised, the Available Funds for Amortisation shall be exclusively applied to amortising Series C until it is fully amortised.



## CHAPTER VI

### GENERAL INFORMATION ON THE MORTGAGE SECURITISATION FUND MANAGEMENT COMPANY

In accordance with Act 19/1992, Mortgage Securitisation Funds have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted under Royal Decree 926/1998 with constituting, managing and legally representing those Funds, and representing and defending the interests of the holders of the securities issued by the Funds they manage and of all other ordinary creditors thereof.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company constituting, managing and representing BANCAJA 4 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.:** 6713

##### VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before a Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the special register of the CNMV, under number 2.

The Management Company has perpetual existence, other than in any of the events of dissolution provided by the laws and the articles of association.

### **VI.1.3 Objects.**

In accordance with statutory requirements, article two of its Articles of Association establishes that: “The Company’s exclusive objects shall be to constitute, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors.”

### **VI.1.4 Place where the documents referred to in the Circular or the existence of which may be inferred from its contents may be found.**

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this Circular, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company’s registered office at Calle Lagasca number 120, Madrid.

This Offering Circular was verified and entered in the official registers of the CNMV on November 5, 2002. It is publicly available, free of charge, at the Management Company’s registered office and at the Underwriters and Placement Agents. It may also be found at the CNMV in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Deed of Constitution being executed and before the Bond subscription period begins, the Management Company shall deliver a certified copy of the Deed of Constitution to the CNMV. Furthermore, the Management Company, SCLV, or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Deed of Constitution available to the Bondholders and the public at issue in order that they may be examined.

## **VI.2 In relation to the share capital.**

### **VI.2.1 Face amount subscribed for and paid up.**

The wholly subscribed for, paid up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty cents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

### **VI.2.2 Classes of shares.**

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

### **VI.2.3 Evolution of the share capital over the last three years.**

During the last three years there has been no change in the share capital of the Management Company, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the

shares in Series B, to the nearest euro cent upon the redenomination of the share capital in euros pursuant to a resolution of the Board of Directors at a meeting held on March 27, 2001 in accordance with the provisions of article 21 of Act 46/1998, December 17, on the changeover to the euro.

### **VI.3 Information relating to shareholdings.**

#### **VI.3.1 Existence or not of shareholdings in other companies.**

There are no shareholdings in any other company.

#### **VI.3.2 Group of companies in which the company has membership.**

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

#### **VI.3.3 Significant shareholders.**

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

<b>Name of shareholder company</b>	<b>Holding * (%)</b>
Banco Bilbao Vizcaya Argentaria, S.A.	82.9703
J.P. Morgan España, S.A.	4.0000
Caja de Ahorros del Mediterráneo	1.5420
Bankinter, S.A	1.5317
Barclays Bank, S.A.	1.5317
Citibank España, S.A.	1.5317
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E	0.7658
Banco Atlántico, S.A	0.7658
Banco Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	100.0000

- Rounded to 4 decimal places.

### **VI.4 Corporate bodies.**

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Act 19/1992, July 7, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

#### **VI.4.1 Officers.**

##### **Board of Directors**

The Board of Directors has the following membership:

<b>Chairwoman:</b>	Ms Rosario Martín Gutiérrez de Cabiedes
<b>Directors:</b>	Mr José Manuel Aguirre Larizgoitia Mr Juan Babio Fernández, on behalf of Banco Pastor, S.A.* Mr José M <sup>a</sup> . Castellón Leal on behalf of Barclays Bank, S.A. Ms Ana Fernández Manrique Mr Francisco Javier Lodín González* Mr Mario Masiá Vicente Mr Juan Ortueta Monfort* Ms Carmen Pérez de Muniaín Mr David Pérez Renovales on behalf of Bankinter, S. A. Mr Jesús del Pino Durán Mr Jorge Sáenz de Miera, on behalf of Deutsche Bank Credit, S.A. Mr Rafael Salinas Martínez de Lecea Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A Mr José Manuel Tamayo Pérez* Mr Pedro M <sup>a</sup> . Urresti Laca, on behalf of J.P. Morgan España, S.A. Banco Pastor, S.A.*

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

(\*Appointments made by the Shareholders' Meeting at the meeting held on June 10, 2002 which are filed for registration at the Companies Register.)

\*\* Representative designated by J.P. Morgan España S.A. filed for 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 section VI.4.**

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

#### **VI.6 Lenders of the Management Company in excess of 10 percent.**

The Management Company has received no loan or credit from any person or institution whatsoever.



**VI.7**      **Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the management and administration functions for which provision is made in this Offering Circular.**

There are none.



**RECENT EVOLUTION AND PROSPECTS OF THE MORTGAGE MARKET IN GENERAL AND OF THE MORTGAGE LOAN MARKET IN PARTICULAR WHICH COULD 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 Mortgage Loan Subrogation and Amendment Act 2/94, March 30 (making provision for the possibility of substituting and renegotiating the economic terms of loans, reducing both tax and fee costs, and reducing floating interest rate loan prepayment charges), two measures were taken designed to cheapen transaction costs in mortgage loan subrogation and amendment and novation transactions: on the one hand, the agreement made between the Economy Ministry and banks and savings banks, lowering charges; and on the other the approval of Royal Decree 2616/1996, December 20, modifying both notarial and registration fees in mortgage loan subrogation and novation transactions under that Act 2/94.

Moreover, the substantial cut in 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 prepayment rates of mortgage loans 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 Subrogation and Amendment Act, 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 VII.1 (prepayment rate, default rate, et cetera).**

The Participated Mortgage Loans backing the Mortgage Certificates subscribed for by the Fund all 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 Obligors' creditworthiness, as set forth in section IV.4.h), some of the provisional portfolio mortgage loans which shall back the issue of the Mortgage Certificates were liable at September 30, 2002 for arrears in payment of amounts due, which situation was checked, as explained in the audit report attached as Appendix V to this Circular. The Participated Mortgage Loans that will finally back the issue of Mortgage Certificates for the Fund to be set up shall have no overdue amounts on the date of issue for a period in excess of one (1) month, pursuant to the representation by BANCAJA contained in section IV.1.a) (18).

Signature: MARIO MASÍA VICENTE  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.



**APPENDIX I**

**DEFINITIONS**



APPENDIX I
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### Definitions

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“**Act 19/1992**” shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

“**Amortisation Deficiency**” shall mean on a Payment Date the positive difference, if any, between the positive difference, if any, between the Outstanding Principal Balance of the Bond Issue on the day preceding the ongoing Payment Date and the Outstanding Balance of the Mortgage Certificates on the ongoing Payment Date, and the Available Funds for Amortisation, after taking from those Funds the amount drawn on the Subordinated Credit on the Payment Date for this application.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to the amortisation of Bonds on each Payment Date.

“**Available Funds**” shall mean on each Payment Date the sum of (i) the balance on the Treasury Account, (ii) the drawdowns under the Subordinated Credit, and (iii) the amount, if any and where appropriate, deriving from the liquidation of the Fund’s assets.

“**Bancaja**” shall mean Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja.

“**Bond Issue Management, Underwriting and Placement Agreement**” shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, acting for and on behalf of the Fund, and Dresdner Kleinwort Wasserstein and Bancaja as Lead Managers and Underwriters and Placement Agents, and CDC Ixis Capital Markets and HSBC as Underwriters and Placement Agents.

“**Bond Issue**” shall mean the issue of mortgage-backed bonds issued by the Fund having a face value of EUR one billion (1,000,000,000) consisting of 10,000 Bonds comprised of three Series (Series A, Series B and Series C).

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA, as Paying Agent.

“**Bonds**” shall mean the Series A Bonds, the Series B Bonds and the Series C Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a Saturday, Sunday, public holiday in Madrid or non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

“**Cash Reserve**” shall mean the cash reserve if it is actually set up upon the Subordinate Credit being fully drawn down following a fall in the short- and long-term debt rating of BANCAJA subject to the terms of the Subordinated Credit Agreement, and subsequently provisioned up to the Required Cash Reserve.



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## Definitions

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

“**Closing Date**” shall mean the date on which the cash amount of the subscription for the Bonds is paid up and the nominal price of the Mortgage Certificates is paid, i.e. November 8, 2002.

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

“**CPR**” shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Circular.

“**Deed of Constitution**” shall mean the public deed recording the constitution of the Fund, issue of and subscription for the Mortgage Certificates and Issue of the Mortgage-Backed Bonds.

“**Deloitte & Touche**” shall mean Deloitte & Touche España S.L.

“**Determination Date**” shall mean the dates falling on the third Business Day preceding each Payment Date.

“**Dresdner Kleinwort Wasserstein**” shall mean Dresdner Bank AG, London Branch, trading as Dresdner Kleinwort Wasserstein.

“**Early Amortisation of the Bond Issue**” shall mean the amortisation of the Bonds on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund, in accordance with and subject to the requirements established in section III.8.1 of this Offering Circular.

“**Early Liquidation Events**” shall mean the events contained in section III.8.1 where the Management Company, following notice duly served on the CNMV, is entitled to proceed to an early liquidation of the Fund on a Payment Date.

“**Early Liquidation of the Fund**” shall mean the liquidation of the Fund and thereby an early amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section III.8.1.

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

“**Final Maturity Date**” shall mean the final Bond amortisation date, i.e. June 18, 2034.

“**Financial Intermediation Agreement**” shall mean the financial intermediation agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA.

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## Definitions

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**“Financial Intermediation Margin”** shall mean the variable subordinated remuneration for BANCAJA to be accrued every year in an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund in accordance with its official accounts and before the fiscal year is closed, reduced by the amount, if any, of the tax losses brought forward yet to be set off in settling the Corporation Tax, and which shall be settled quarterly on each Payment Date, by means of part payments on account of the annual remuneration.

**“Fitch”** shall mean Fitch Ratings España, S.A.

**“Fund”** shall mean BANCAJA 4 FONDO DE TITULIZACIÓN HIPOTECARIA.

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

**“HSBC”** shall mean HSBC Bank plc.

**“Interest Accrual Period”** shall mean the exact number of days elapsed between two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. The first Interest Accrual Period shall begin on the Closing Date, inclusive, and end on the first Payment Date, exclusive.

**“Interest Rate Fixing Date”** shall mean the second Business Day preceding each Payment Date.

**“Interest Swap Agreement”** shall mean the interest swap agreement based on the standard Master Financial Transaction Agreement (CMOF), entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA, whereby the Fund shall make payments to BANCAJA based on the Participated Mortgage Loan index rates, and in consideration BANCAJA will make payments to the Fund calculated on the weighted average interest rate of the Bond Series.

**“IRR”** shall mean the internal rate of return.

**“Lead Managers”** shall mean Dresdner Kleinwort Wasserstein and BANCAJA.

**“Management Company”** shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

**“Maximum Subordinated Credit Amount”** shall mean, in relation to the Subordinated Credit, the lower of the following amounts from time to time: (i) EUR eight million (8,000,000), and (ii) the higher of: a) 1.60% of the Outstanding Balance of the Bond Issue and b) 0.40% of the face amount of the Bond Issue.

**“Moody’s”** shall mean Moody’s Investors Service España, S.A.

**“Mortgage Certificates”** shall mean the mortgage certificates issued by BANCAJA, as established in Mortgage Market Regulation Act 2/1981, March 25, Royal Decree 685/1982, March 17, implementing certain aspects of Act 2/1981, and Royal Decree 1289/1991, August 2, amending certain of the previous Royal Decree’s articles, which are pooled in the Fund upon subscription.

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## Definitions

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**“Obligors”** shall mean the Participated Mortgage Loan borrowers.

**“Outstanding Balance of the Mortgage Certificates”** 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 Certificates.

**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the Outstanding Principal Balances of Series A, B and C.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal balances to be amortised on the Bonds making up the Series, such balances including the principal amounts that should, as the case may be, have been amortised and were not so settled due to a shortage of Available Funds for Amortisation in the Priority of Payments.

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

**“Participated Mortgage Loans”** shall mean the participated mortgage loans backing the Mortgage Certificates.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BANCAJA.

**“Payment Date”** shall mean March 18, June 18, September 18 and December 18 of each year or the next Business Day, as the case may be. The first Payment Date shall be March 18, 2003.

**“Priority of Payments”** shall mean the priority for applying Available Funds or distributing the Available Funds for Amortisation to fulfilling the Fund’s payment or withholding obligations.

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. (“Moody’s”) and Fitch Ratings España, S.A. (“Fitch”).

**“Reference Rate”** shall mean the three- (3-) month Euribor reference rate fixed at 11am (CET time), or the substitute Reference Rate, other than for the first Interest Accrual Period, in which it shall be the result of a straight-line interpolation between the three- (3-) month and the six- (6-) month Euribor rate, bearing in mind the number of days in the first Interest Accrual Period.

**“Required Cash Reserve”** shall mean, if the Cash Reserve is set up, the lower of the following amounts on each Payment Date: (i) EUR eight million (8,000,000) and (ii) the higher of: a) 1.60% of the Outstanding Balance of the Bond Issue and b) 0.40% of the face amount of the Bond Issue.

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

**“Series A Bonds”** shall mean the Series A Bonds issued by the Fund having a total face amount of EUR nine hundred and seventy million five hundred thousand (970,500,000) comprising nine thousand seven hundred and five (9,705) Bonds having a unit face value of EUR one hundred thousand (100,000).

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## Definitions

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

“**Series B Bonds**” shall mean the Series B Bonds issued by the Fund having a total face amount of EUR twenty million five hundred thousand (20,500,000) comprising two hundred and five (205) Bonds having a unit face value of EUR one hundred thousand (100,000).

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

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

“**Series C Bonds**” shall mean the Series C Bonds issued by the Fund having a total face amount of EUR nine million (9,000,000) comprising ninety (90) Bonds having a unit face value of EUR one hundred thousand (100,000).

“**Servicer**” shall mean the issuer of the Mortgage Certificates under the Participated Mortgage Loan Servicing and Mortgage Certificate Custody Agreement, BANCAJA.

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

“**Start-Up Loan Agreement**” shall mean the start-up loan agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA.

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

“**Subordinated Credit Agreement**” shall mean the commercial subordinated credit agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA.

“**Subordinated Credit**” shall mean the subordinated credit granted by BANCAJA to the Fund, in accordance with the provisions of the Subordinated Credit Agreement.

“**Subscription Period**” shall mean the period comprised between 12 o'clock noon (CET time) on November 6, 2002 and 5pm (CET time) on November 7, 2002.

“**Treasury Account**” shall mean the financial account in euros at BANCAJA on the Fund's behalf, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive payments.

“**Underwriters and Placement Agents**” shall mean Dresdner Kleinwort Wasserstein, Bancaja, CDC Ixis Capital Markets and HSBC.

