

# **RURAL HIPOTECARIO I**

## **FONDO DE TITULIZACION HIPOTECARIA**

**MORTGAGE – BACKED SECURITIES**

**200,000,000 EUROS**

<b>“A” Bonds</b>	<b>190,200,000 euros</b>	<b>Aaa</b>	<b>Euribor 3 M + 0.29%</b>
<b>“B” Bonds</b>	<b>9,800,000 euros</b>	<b>A2</b>	<b>Euribor 3 M + 0.50%</b>

*Mortgage Loans Originated By*



**CAJA RURAL DE ALMERÍA**  
**CAJA RURAL DE MÁLAGA**  
**CAJA RURAL DE NAVARRA**  
**CAJA RURAL VALENCIA**

*Managers & Underwriters*

**Société Générale**

**DG BANK**

**Deutsche Genossenschaftsbank AG**

**Banco Cooperativo**

*Payment Agent*

**Banco Cooperativo**

*Treasury Account*

**Bankinter**

*Fund Engineered, Chartered and Managed by*

**Europea de Titulización, S.A.**  
**Sociedad Gestora de Fondos de Titulización**

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

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*Appendixes mentioned in the Prospectus have not been translated and are not included in this translation. These Appendixes are available in Spanish upon request from the Sociedad Gestora, and can be found in the Spanish version of the Prospectus.*



SECTION 0
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**RELEVANT ASPECTS TO BE TAKEN INTO CONSIDERATION REGARDING THE ISSUE OR OFFERING OF SECURITIES**

**0.1 Summary of the characteristics of the securities for issue or offering backed by this complete prospectus and by the procedure for which provision is made for the marketing and award thereof among the investors.**

The securities comprising this Issue are Bonos de Titulización Hipotecaria (the “Bonds” which are being issued against RURAL HIPOTECARIO I FONDO DE TITULIZACION HIPOTECARIA under the terms described in the Prospectus. Two Series A and B are being issued against the Fund.

This Bond Issue entails the following main terms and conditions:

**Type of Security:** represented by account memorandums.

**Issuer:** RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA

**Endorsers:** CAJA RURAL DE ALMERÍA  
CAJA RURAL DE MÁLAGA  
CAJA RURAL DE NAVARRA  
CAJA RURAL VALENCIA

**Ratings:** Assigned by Moody’s Investors Service España, S.A. (Moody’s España) on a tentative basis on the date on which the Fund was initially set up.

**Aaa** for the “A” Bonds.

**A2** for “B” Bonds.

These rankings may be revised, suspended or withdrawn by Moody’s España at any time, which would not constitute a case of early amortization of the Fund.

**Total Issue:** 200,000,000 euros (33,277,200,000 Ptas.) in two Series:

	<b>Nominal per Bond (euros)</b>	<b>No. Bonds</b>	<b>Total Nominal (euros)</b>
<b>“A” Bonds</b>	100,000	1,902	190,200,000
<b>“B” Bonds</b>	100,000	98	9,800,000

**Issue Price:** 100 percent of the nominal value of each Bond, free of taxes and subscription expenses for the subscribing party as far as the Fund is concerned.

**Interest Rate:**

The Bonds will accrue an annual interest, which shall be variable quarterly, payable at the end of each quarter on each Due Date, which shall be the result of applying the pertinent nominal interest rate to both Series to the Outstanding Principal Repayment Balance for each Bond.

**Accrual of Interest:**

Interest shall be accrued by Interest Accrual Periods. Each Interest Accrual Period shall be comprised of the actual days having elapsed between each Due Date (February 19, May 19, August 19 and November 19 every year), including the initial Due Date but not including the final Due Date. The first Interest Accrual Period shall be equivalent in length to that which commences on the Disbursement Date (included) and the first Due Date, that is, May 19, 2000, which is not included.

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

**Nominal Interest Rate.**

The nominal interest rate shall be that which is calculated by adding: (i) the Euribor reference three-month interest rate, or the reference interest used in lieu thereof and (ii) a margin for each one of the Series:

- Margin of 0.29 % for “A” Bonds.
- Margin of 0.50 % for “B” Bonds.

All of which shall be rounded to the nearest ten thousandth of one percent.

The nominal interest rate for each one of the Series shall be set the second business day in keeping with the TARGET calendar prior to each Due Date and shall be applicable for the following Interest Accrual Period.

Exceptionally, the nominal interest rate of the Bonds in each one of the Series for the first Interest Accrual Period shall be set the second business day, according to the TARGET calendar, prior to the date on which the Subscription Period is to commence and shall be publicized prior to the start of the Subscription period by means of the publication of an announcement widely publicized in Spain, be it of an economic-financial or general nature.

**Payment of Interest and Repayment of the Principal**

The payment of the interest and of the repayment of the principal of the Bonds in each one of the Series shall be made by completed quarters on each one of the Due Dates, which shall be the dates February 19, May 19, August 19 and November 19 each year or, were the case to be, the following Business Day. The First Due Date shall be May 19, 2000.

For the purposes of this Bond issue, any day other than a Saturday, Sunday or an official holiday in Madrid shall be considered to be a Business Day.

The payment of the pertinent total amounts for each one of the Series shall be made on each Due Date provided that the Fund avails of the sufficient reserves for this purpose in accordance with the Priority of Payments described at a further point hereinbelow.

**Redemption Price:** 100 % of the nominal value of each Bond.

**Final Bond Amortization:**

The final amortization shall take place on the Final Bond Deadline, which shall be the February 19, 2025, without dismissing the possibility of the early liquidation thereof under the terms and conditions for which provision is made in the Prospectus.

**Partial Bond Amortization:**

Regardless of the Final Deadline, partial amortization of the Bonds in each one of the Series shall be made under the terms which are described hereinbelow.

***“A” Bond Amortization.***

The “A” Bonds shall be amortized by means of an apportioning of the Bonds in the Series proper by means of the reduction of the nominal value of each Bond, down to the last Bond, on each Due Date, for a total amount equal to the Funds Available for Bond Amortization shared out for “A” Bonds. The initial Due Date for the amortization of “A” Bonds shall be May 19, 2000.

***“B” Bond Amortization.***

The “B” Bonds shall be amortized by means of an apportionment of the Bonds in the Series proper by means of the reduction of the nominal value of each Bond, down to the last Bond, on each Due Date, for a total amount equal to the Funds Available for Bond Amortization shared out for “B” Bonds. The amortization of the “B” Bonds shall commence solely once the “A” Bonds have been amortized in full.

**Early Bond Amortization.**

Without detriment to the obligation of the Fund, through the Sociedad Gestora thereof, of amortizing the Bonds on the Final Due Date or at each partial amortization, as in set forth under the preceding paragraphs hereinabove, the Sociedad Gestora shall be entitled, following notification of the Comisión Nacional del Mercado de Valores, to proceed to the early settlement of the Fund and thus the early amortization, on a Due Date, of the full Bond issue in the Cases of Settlement in accordance with and in compliance with the requirements which are set forth under Section III.8.1 of this Prospectus.

**Bond Subscription and Placement.*****Underwriting & Placement Entities:***

- SOCIÉTÉ GÉNÉRALE.
- DG BANK Deutsche Genossenschaftsbank AG.
- BANCO COOPERATIVO ESPAÑOL, S.A.

**Investors Trust to Which the Bonds Are Being Offered.**

The placement of the Bond issue is being targeted on institutional investors.

***Subscription Period.***

The Subscription Period shall commence at 12 o'clock noon on the same date on which the announcement of the establishment of the Fund and of the issue of the Bonds is published in a newspaper having a wide circulation in Spain or on the following Business Day, were the Due Date to fall on any day other than a Business Day, and shall end at 11:00 a.m. on the Payment Date.

**Form of Date for Making Payment.**

Those investors who have been awarded the Bonds must pay the Underwriter & Placement Entities the pertinent issue price for each Bond awarded in subscription prior to 12 o'clock noon Madrid time on February 28, 2000 ("Payment Date") at the value of that same date.

**Secondary Bond-Trading Market:** AIAF Fixed-Income Market.

The Sociedad Gestora promises that the final listing for trading shall take place no later than three months immediately following the Payment Date.

**0.2 Aspects Concerning the Activities, Financial Situation and Most Important Circumstances of the Issuer Described in this Complete Prospectus.****0.2.1 Brief Account of this Fund's Activity.**

The Bonds comprising the Issue in question are being issued against RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA, established in compliance with that which is set forth under Law 19/1992 of July 7, 1992 governing Real-Estate Investment Firms and Funds and Mortgage Securitization Funds.

According to the aforesaid Law, Mortgage Securitization Funds are separate, closed estates having no legal status which shall be comprised, as far as the assets thereof are concerned, by the mortgage shares they combine and, as far as the liabilities thereof are concerned, by the securities issued in the amount and under the financial conditions such that the net worth of the fund will be nil. The management and legal representation of these Funds shall fall to whatever Sociedades Gestoras have established the same.

**On the Sociedad Gestora.**

The Sociedad Gestora that the Fund has established the Fund and to which the duties of the management and representation thereof as well as the defense of the interests of the holders of the Bonds hence falls is EUROPEA DE TITULIZACION, S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

Therefore, the Sociedad Gestora must at all times safeguard the interests of the holders of the Bonds by subjecting its actions to the defense thereof and by complying with whatever provisions may be set forth under the regulations passed for this purpose. The holders of the Bonds shall not be entitled to take any action against the Sociedad Gestora of the Fund other than due to default on its duties or failure to comply with that which is set forth under the Charter.

The Sociedad Gestora shall inform the Bondholders with regard to all those circumstances which might be of interest thereto by means of the publication of the fitting announcements under the terms which are set forth under Section III.5.2 and Section III.5.3 of the Prospectus.

The Sociedad Gestora may be replaced under the terms and in the cases for which provision is made in the Prospectus.

**On the Mortgage Share Certificates Combined in the Fund.**

The Fund shall combine Mortgage Share Certificates issued in their entirety by CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA (the "Endorsing Institutions") at the point in time of the setting up of the Fund.

The Mortgage Share Certificates involve a 100% interest in the principal, in the ordinary interest and on the interest on arrears for each Shared Mortgage Loan, and any other amounts, rights or goods derived from the Shared Mortgage Loans.

The price of the issue of the Mortgage Share Certificates is that of the par of the nominal value of the capital or principal.

The total nominal value of the issue of Mortgage Share Certificates shall be at least equal to the total amount of the Bond Issue.

The Shared Mortgage Loans are part of a selection of mortgage loans the characteristics of which are described in the Prospectus. The current balance of the 6,011 mortgage loans selected on November 22, 1999 totaled 36,961,550,962 pesetas on said date.

All of the Fund's rights stemming from the Mortgage Share Certificates shall be linked to payments made by those obligated to repay the Shared Mortgage Loans and are therefore directly affected by the progress, delays, advance payments or any other aspect thereof.

#### **Standard Rules for the Marshaling of Payments Against the Fund.**

##### ***Entry into Effect From the Date of Establishment up to the Final Amortization of the Issue.***

The Funds Available, regardless of the time of the accrual thereof, shall be allocated in compliance with the payment and retention obligations on each Due Date of the following Priority of Payments with the exception of the application in Order 1 which may take place at any time, according to the time at which the same become due and payable:

- 1º. Payment of the Fund's running and nonrecurring expenses, made good or not by the Sociedad Gestora and duly warranted, including the management commission paid thereto, and all other expenditures and commissions for services, including those stemming from the Payment and Guarantee Agency Contract furnished with regard to the Interest Swap Contracts. In this order, only those expense shall be paid to the Managers with regard to the Management Contract which had been paid in advance or made good on the account of the Fund and whatever sums might fittingly be necessary to refund thereto, all of which must be fully warranted.
- 2º. Payment of the interest accrued on the "A" Bonds in the order of maturity.
- 3º. Payment of the interest on the "B" Bonds in the order of maturity.
- 4º. Retention of the sufficient amount to keep the Reserve Fund at the Minimum Level.
- 5º. Amortization of the "A" Bonds.
- 6º. Amortization of the "B" Bonds, taking into account that this amortization is not to take place until the "A" Bonds have been retired in full.
- 7º. Payment of interest accrued on Subordinated Loan A.
- 8º. Payment of interest accrued on Subordinated Loan B.
- 9º. Repayment of the principal of Subordinated Loan A.
- 10º. Repayment of the principal of Subordinated Loan B.
- 11º. Payment to the Managers, under the Management Contract, of the commission for the management of the Shared Mortgage Loans.
- 12º. Payment of the financial brokerage margin covenanted as a variable remuneration under the Financial Brokerage Contract.



***Funds Available for Bond Amortization on Each Due Date and Amortization Deficit.***

On each Due Date, the amount which is to be allocated to the amortization of the Bonds (“Funds Available for Bond Amortization”) shall be the lesser of the following amounts:

- a) The positive difference existing between the Balance of the Principle of the Bonds Pending Payment and the Current Balance of the Mortgage Share Certificates for the day immediately prior to each Due Date.
- b) Depending upon the amount of Funds Available on hand on said Due Date, the remainder of the Funds Available following the amount charged to the items ranked in 1<sup>st</sup> thru 4<sup>th</sup> place on the Priority of Payments.

***Allocation of the Funds Available for Bond Amortization among the Two Types of Bonds.***

Said Funds Available for Bond Amortization shall be used in full for the amortization of the “A” Bonds, and solely when the Outstanding “A” Bond Principal Balance has repaid in full shall they be used for repaying the Outstanding “B” Bond Principal Balance.

**Fund Extinguishment.**

The Fund shall cease to exist either as a result of the repayment in full of the Mortgage Share Certificates of which it is comprised or as a result of the prepayment procedure.

***Early Liquidation.***

The Sociedad Gestora shall be authorized, after having notified the CNMV, to proceed to the early liquidation of the Fund provided the Current Balance of the Mortgage Share Certificates pending repayment is less than 10 percent of the initial Current Balance in accordance with the authorization set forth under Article 5.3 of Law 19/1992 and that the payment obligations stemming from the Bonds issued against the Fund can be met and the holders of the Bonds have been informed.

***Financial Transactions Under Contract on Behalf of the Fund.***

For the purpose of further strengthening the financial structure and of achieving the best possible coverage of the risks inherent to the issue, the Sociedad Gestora shall proceed, acting on behalf of the Fund, to sign the contracts stipulated in following on the same date on which the Charter is executed:

- Contract for Deposit at a Guaranteed Interest Rate and Treasury Account.
- Subordinated Loan A Contract.
- Subordinated Loan B Contract.
- Shared Mortgage Loan Management Contract.
- Mortgage Share Certificate Trusteeship Contract.
- Bond Issue Management, Underwriting and Placement Contract.
- Bond Collection Agency Contract.
- Financial Brokerage Contract.

## 0.2.2 Risks Inherent to the Bonds

- (i) Risk of default on the payment of the Mortgage Share Certificates. The holders of the Bonds issued against the Fund shall run of the risk of default on payment of the Mortgage Share Certificates of which the same is comprised. The Endorsing Institutions issuing the Mortgage Share Certificates, in accordance with section 5.8 of 19/1992 Act, do not run the risk of non-payment of the Mortgage Share Certificates and, therefore, do not assume any liability whatsoever for non-payment by the mortgage debtors, whether of the principal, the interest or any other amount that the same could owe by virtue of the Shared Mortgage Loans
- (ii) Risk of prepayment of the Mortgage Share Certificates. The Mortgage Share Certificates combined in the Fund shall be paid up in advance when the borrowers of the Shared Mortgage Loans pay up early, under the terms for which provision is made in each one of the instruments granting said loans, that portion of the capital which is outstanding at the time. Likewise, the Mortgage Share Certificates can be repaid in full in the event of the subrogation of CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA in the pertinent Shared Mortgage Loans by another financial institution licensed for this purpose.

The risk which said prepayment would entail shall be passed on, on each Due Date, to the holders of the Bonds by means of the partial amortization thereof.

- (iii) Limited Safeguards. An investment in the Bonds can be affected, among other things, by a worsening of the overall conditions of the economy as a whole which has a negative impact on the payments of the Mortgage Loans backing the issue of the Bonds of this Fund. In the event that the defaults on payments were to total major amounts, the protection against the losses in the loan portfolio which is provided on the Bonds as the result of the existence of the loan improvement transactions described in the Prospectus could be lowered or even done away with completely.
- (iv) Limited Liability. The Bonds issued by the Fund do not represent or constitute an obligation of the Sociedad Gestora nor of CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA. The cash flow generated by the Mortgage Share Certificates employed to meet the obligations to which the Bonds give rise is insured or guaranteed solely under the specific circumstances and up to the limit stated in the Prospectus. With the exception of these guarantees, no others have been furnished by any public or private concern whatsoever, including CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, CAJA RURAL VALENCIA, EUROPEA DE TITULIZACIÓN or any subsidiary of any of the above or any company in which any thereof holds an interest.
- (v) Limited reserves. No guarantee exists as to the Bonds being traded on the market at any minimum frequency or in any minimum volume.

No commitment exists of any entity being involved in secondary contracting in the future by providing liquidity as regards the Bonds by means of offering compensation.

- (vi) Yield: The prepayment of the Shared Mortgage Loans is influenced by a number of geographical, economic and social factors such as the age of the borrowers, seasonal nature, market interest rates and unemployment rates, which make them impossible to forecast. The calculation of the internal rate of

return, of the average life and of the Duration of the Bonds stated in the Prospectus are subject to early amortization rate hypotheses which may not bear out in the end.

- (vii) Interest on Arrears: In no case shall the existence of arrears in the payment of interest or the repayment of the principal to the holders of the Bonds give rise to the accrual of interest on arrears in favor thereof.
- (viii) Neither the Fund nor the bondholders shall be entitled to take any further actions against the concern issuing the Mortgage Share Certificates or against the Sociedad Gestora, respectively, than those resulting from the default on their respective duties and, therefore, never as a result of the existence of delinquent payments or of early bond amortization.

<b>SECTION I</b>
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**THOSE TAKING RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS AND FOR  
THE SUPERVISION AGENCIES THEREOF**

**I.1 Those Taking Responsibility for the Contents of the Prospectus.**

**I.1.1 Given names, surnames, national identity card or personal identification card number and position or authorities of the individual(s) who, on behalf of the Sociedad Gestora, are taking the responsibility for the contents of the Prospectus.**

MR. MARIO MASIÁ VICENTE, of full age, holding National Identity Card No. 50,796,768-A, acting in the name and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, in his capacity as the General Manager and by virtue of the powers conferred by the Board of Directors at the meeting held thereby on January 19, 1993, takes responsibility for the contents of this Prospectus.

EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, whose domicile of corporation is located in Madrid at c/Lagasca, 120, assigned T.I.N. A-80514466, is the developer of RURAL HIPOTECARIO FONDO DE TITULIZACIÓN HIPOTECARIA (referred to hereinbelow also as “the Fund”) and shall be in charge of the management and legal representation thereof.

**I.1.2 Mention of the fact that in the judgment of the above person(s), the data included in the Prospectus is accurate and that no fact subject to altering the scope thereof has been omitted from the same.**

MR. MARIO MASIÁ VICENTE confirms that, to best of his knowledge and having made an effort to collect the greatest amount of information possible on the Endorsing Institutions as the issuers of the Mortgage Share Certificates, the data and information included in the Prospectus are accurate and no item of data subject to altering the public opinion of the Sociedad Gestora, of the Fund, of the financial transactions, of the Bonds to be issued against the Fund or of the trading thereof has been omitted from the same

**I.2 Supervising Bodies.**

The setting up of the Fund and the issuing of the Mortgage Securitization Bonds (referred to hereinbelow also as the “Bonds”) first requires the verification and registration of the same in the Official Registries of the Comisión Nacional del Mercado de Valores in accordance with that which is set forth under Article 5.3 of Law 19/1992 of July 7, 1992 on the Governing of Real-Estate Investment Funds and Firms and Mortgage Securitization Funds (“Law 19/1992”) and under Article 26 and those in following of Securities Market Act 24/1988, of July 28, 1988, reformed by virtue of Royal Decree 2590/1998 (both Royal Decrees being referred to hereinbelow as “Royal Decree 291/1992”) of December 7, 1992, the Order of July 12, 1993, on Prospectuses and Other Further Expansions Upon Royal Decree 291/1992, and Circular 2/1994, of March 16, 1994, issued by the Comisión Nacional del Mercado de Valores in approval of the Prospectus format for the setting up of Mortgage Securitization Funds and Circular 2/1999, of April 22, 1999.

This complete Prospectus for the setting up of the Fund and for the issue of the Bonds has been verified and registered with the Official Registries of the Comisión Nacional del Mercado de Valores on February 17, 2000.

The registry of the Prospectus by the Comisión Nacional del Mercado de Valores does not entail any recommendation for the subscription or purchase of the securities involved therein, nor any opinion in any regard concerning the solvency of the issuing concern or the yield of the securities issued or offered.

**I.3 Name, domicile and rating of the auditors who have verified the number, amount and characteristics or attributes of the assets undergoing securitization through the fund.**

Annex V to this Prospectus includes the Audit Report regarding a selection of mortgage loans from the portfolios of CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA, which include the Shared Mortgage Loans being transferred by means of the issue of the Mortgage Share Certificates. Said Report has been prepared by the firm Ernst & Young, S.L., registered in the Official Accountants' Registry (R.O.A.C) under number S0530, whose domicile is located in Madrid at Plaza Pablo Ruiz Picasso, s/n.

The aforesaid Report deals with matters including the verification of the fulfillment of the conditions required under Law 2/1981, of March 25, 1981 for the issue of Mortgage Share Certificates, having proceeding to the elimination of all of the loans involving known errors which have been detected in the sampling process.

The aforesaid audit was conducted using sampling methods involving the analysis of a number of loans (sample) smaller than the total selection of loans (population) affording the possibility of reaching a conclusion regarding said population. The verification deals with a number of both quantitative as well as qualitative aspects of the loans comprising the sample, specifically concerning: purpose of the loan, borrower identification, address of the property mortgaged, date signed, date of maturity, initial amount, current balance, interest rate charged, reference interest rate, appraisal value, current balance/appraisal value ratio, delayed payments, insurance to cover damages and mortgage guarantee.

CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA undertake, in accordance with that for which provision is made under Paragraph IV.1 d) of this Prospectus, that, if despite its own verifications and those conducted by the aforesaid auditing firm, any Shared Mortgage Loan were to be found to exist which were not fully in keeping with the characteristics set forth under Paragraph IV.1 a) of this Prospectus, they shall immediately proceed to the remarketing of the Mortgage Share Certificate in question or to the prepayment thereof, as may be fitting, in accordance with that which is set forth under Paragraph IV.1, d).

<b>SECTION II</b>
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**INFORMATION REGARDING THE SECURITIES WHICH ARE BEING ISSUED AGAINST THE MORTGAGE SECURITIZATION FUND**

**II.1 Information on prior agreements and prerequisites for setting up the fund and on the securities which are being issued charged thereto as well as on the purchasing conditions by the asset fund (mortgage loans- shared mortgage certificates) for securitization.**

**II.1.1 Issuing agreements and legal requirements.**

**a) Corporate Resolutions.**

*Resolution in Approval of the Issue of the Mortgage Share Certificates:*

The Meeting of the Councils of Directors of CAJA RURAL DE ALMERÍA, SOCIEDAD COOPERATIVA DE CRÉDITO held on August 20, 1999 and on January 31, 2000; of CAJA RURAL DE MALAGA, SOCIEDAD COOPERATIVA DE CRÉDITO, held on July 27, 1999 and on November 30, 1999; of CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO, held on July 12, 1999; and of CAJA RURAL VALENCIA, SOCIEDAD COOPERATIVA DE CRÉDITO, held on August 2, 1999 and on January 28, 2000 (referred to hereinbelow also as “Endorsing Institution(s)”) resolved to approve the issue of mortgage share certificates (referred to hereinbelow as the “Mortgage Share Certificates”) for the purpose of their being subscribed in full by the Fund at the official establishment proper thereof. The characteristics of the issue of Mortgage Share Certificates combined in the Fund are described under Paragraph IV.1 of Section IV. A photocopy of the Certification of the Resolutions passed by the Councils of Directors of each one of the Endorsing Institutions is attached to this Prospectus as Annex II.

*Resolution in Approval of the Chartering of the Fund:*

The Appointed Committee of the Board of Directors of EUROPEA DE TITULIZACION S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (referred to hereinbelow as “the Sociedad Gestora”, resolved, at the meeting held thereby on September 23, 1999, to charter RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA in accordance with the legal system for which provision is made under Law 19/1992, the subscription of the Mortgage Share Certificates issued by the Endorsing Institutions and, against the Fund, the issue of the Bonds. The characteristics of the issue of the Bonds against the Fund are described under Section II of this Prospectus. A photocopy of the Certification of the Resolutions passed by the Appointed Committee of the Board of Directors of the Sociedad Gestora is attached as Annex III.

**b) Execution of the Fund Charter Instrument.**

Following the verification and registry on the part of the Comisión Nacional del Mercado de Valores of this Prospectus and within the twenty (20) Business Days immediately subsequent thereto, prior to the

beginning of the Bond subscription period, the Sociedad Gestora shall proceed, in conjunction with the Endorsing Institutions issuing the Mortgage Share Certificates to be subscribed by the Fund, to execute the public instrument for the chartering of RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA, issue and subscription of the Mortgage Share Certificates and issue of the Mortgage Securitization Bonds (referred to hereinbelow as the “Charter”) under the terms set forth under Law 19/1992.

Said Charter shall be furnished to the Comisión Nacional del Mercado de Valores for the incorporation hereof into the public registries prior to the start of the Bond Subscription Period.

In accordance with that for which provision is made under Article 5.9 of Law 19/1992, the Bonds issued against the Fund shall be represented exclusively by book entries, and the Fund Charter shall have the effects for which provision is made under Article 6 of the Securities Market Act. In this regard, in accordance with the aforesaid Article and Article 6 of Royal Decree 116/1992, of February 14, 1992 governing the representation of securities by means of book entries and clearing and settlement of stock market transactions, which was reformed by Royal Decree 2590/1998, of December 7, 1998 (both Royal Decrees, the “Account Memorandum Royal Decree”), the instrument in which the representation of the Bonds by means of book entries is recorded shall be that of a bond indenture.

#### **II.1.2 Information on the prerequisites and prior agreements for the listing on the Stock Market or on the official secondary market.**

In accordance with Article 5.9 of Law 19/1992, the Sociedad Gestora shall immediately request the execution of the Charter, and once the Bonds have been paid for, the including of the present Bond issue on AIAF Mercado de Renta Fija (referred to hereinbelow as “AIAF”). Likewise, the Sociedad Gestora shall request, in the name and on behalf of the Fund, that the issue be included in the Servicio de Compensación y Liquidación de Valores, S.A. in order for the clearing and settlement of the Bonds to be carried out in accordance with the operating regulations regarding the securities listed in AIAF and represented by means of book entries, the Servicio de Compensación y Liquidación de Valores, S.A. may have established or which may be approved thereby at some point in the future.

#### **II.2 Prior governmental approval of the issue or offering, transcribing the data or conditioning factors involved therein. Transcription of the caveats and aspects involved which, in accordance with that which is set forth under Article One, Paragraph 9 of the Order of the Ministry of Finance of July 12, 1993 concerning Prospectuses, may have been made by the Comisión Nacional del Mercado de Valores.**

##### **Verification and Registry by the Comisión Nacional del Mercado de Valores.**

This Prospectus for the chartering of the Fund and Bond issue has been verified and registered with the Official Registries of the Comisión Nacional del Mercado de Valores on February 17, 2000. No other prior government approval other than the prior verification and registry of the Prospectus are required.

The Comisión Nacional del Mercado de Valores has not put forth any caveat or consideration regarding the chartering of the Fund and the issue of the Bonds.

**II.3 Assessment of the risk inherent to the securities issued against the Fund made by a rating concern recognized by the Comisión Nacional del Mercado de Valores.**

Law 19/1992 sets forth the requirement that the credit risk related to the Bonds issued against the Fund be assessed by a rating company recognized by the Comisión Nacional del Mercado de Valores.

The Sociedad Gestora has commissioned Moody’s Investors Service España, S.A. (referred to hereinbelow as “Moody’s España”), a Spanish firm owned in full by Moody’s Investors Service Limited and a rating company recognized by the Comisión Nacional del Mercado de Valores for the purposes of that which is set forth under Article 5.8 of Law 19/1992 and which does business in keeping with the methodology, criteria and quality control of Moody’s Investors Service Limited, to make the credit risk assessment.

**Rating Given to the Bond Issue.**

On February 14, 2000, Moody’s España assigned the “A” Bonds an “Aaa” rating, and the “B” Bonds an “A2” rating, both on a tentative basis, and expects to assign final Aaa and A2 ratings, respectively, prior to the start of the Bond Subscription Period.

If the rating agency were not to confirm the Aaa rating for the “A” Bonds and the A2 rating for the “B” Bonds prior to the start of the Subscription Period, this situation would immediately be notified to the Comisión Nacional del Mercado de Valores and would be made public in the manner for which provision is made under Paragraph III.5.3, b) 2). Likewise, this situation would comprise a case of cancellation of the chartering of the Fund and of the Bond issue.

A copy of the letter for the notification of the rating on the part of Moody’s España is included in Annex IV to this Prospectus.

**Rating Aspects.**

The rating scales of Moody’s Investors Service Limited which are used by Moody’s España for long and short-term bonds are as follows:

Long- Term	Short-Term
Aaa	Prime-1
Aa	Prime-2
A	Prime-3
Baa	Not Prime
Ba	
B	
Caa	
Ca	
C	



Moody's Investors Service Limited employs the numerical modifiers 1, 2 and 3 to each long-term rating category from Aa through B, all inclusive. The 1 modifier indicates securities in the top section of the rating category, modifier 2 indicating the middle section and modifier 3 the securities in the bottom section.

Moody's Investors Service Limited gives the Aaa rating to bond issues having an extremely high capacity for paying interest and for amortization, and an A2 rating for bonds having a high capacity for the payment of interest and repayment of principal, although they be somewhat more sensitive to the impacts of changing circumstances and adverse economic conditions than those bonds rated in the higher categories.

The rating given is an opinion of the Agency regarding the credit risk, the ability to make the payments of interest in a timely manner on each scheduled Due Date and of the principle of the issue on the Final Due Date. The rating of Moody's Investors Service Limited takes into account the structure of the Bond issue in question, the legal aspects thereof and of the Fund issuing the same, the characteristics of the mortgage loans selected for the issue of the Mortgage Share Certificates and the regularity and continuity of flows of the transaction.

The Moody's España ratings are not an evaluation of the probability of those owning the mortgage making prepayments of capital nor of to what extent said prepayments may differ from that which has originally been scheduled. These ratings in no way whatsoever comprise a rating of the actuarial yield.

The ratings assigned as well as any revision or suspension thereof:

- (i) are made by Moody's España on the basis of numerous items of data furnished thereto, regarding which Moody's España does not guarantee the accuracy or the completeness thereof, such that Moody's España could in no way whatsoever be held liable for the same, and,
- (ii) therefore do not comprise nor could in any way whatsoever be construed as an invitation, recommendation or inciting addressed to the investors for them to proceed to make any type of transaction regarding the Bonds and, in particular, to acquire, keep, encumber or sell said Bonds.

The ratings can be revised, suspended or withdrawn at any time by Moody's España in terms of any information which may come to the knowledge thereof. Said situations, which shall not constitute cases of prepayment of the Fund, shall be immediately be notified to both the Comisión Nacional del Mercado de Valores and to the bondholders in accordance with that for which provision is made under Paragraph III.5.3.

To carry out the rating and follow-up process, Moody's España places its trust in the accuracy and the completeness of the information furnished thereto by the Sociedad Gestora, the auditors, the attorneys and other experts.

#### **Undertakings of the Sociedad Gestora.**

The Sociedad Gestora, acting on the behalf of the Fund, undertakes to furnish Moody's España with regular information regarding the status of the Fund and the behavior of the Mortgage Share Certificates. It shall also furnished said information whenever reasonably requested to do so and, in any case, whenever any change

takes place in the conditions of the Fund, in the contracts made thereby through the Sociedad Gestora thereof or in the interested parties.

#### **II.4 Type and denomination of the securities being offered, including a mention of the issue number or series.**

The total amount of the issue of Mortgage Securitization Bonds (referred to hereinbelow as the “Bonds”) totals of nominal value of two hundred million (200,000,000) euros (33,277,200,000 Pts.) and is comprised of two Series, A and B.

Said Bonds are protected under Law 19/1992, being considered under law as being homogeneous, standardized fixed-income securities and therefore apt for trading on official securities markets, the Fund hence being of a legal and financial make-up differing from real-estate investment trusts.

#### **II.4.1 Legal system governing the securities, specifying the procedures for ensuring the certainty and effectiveness of the rights of the original holder and of those subsequent thereto. Implications regarding the facility of each one of the series of securities issued against the Fund as a result of the compulsory linking of the schedule for the payment of principal and interest of said securities and the flows of income and collections stemming from the assets undergoing securitization through the Fund.**

The chartering of the Fund and the issue of Bonds against the same are protected under Law 19/1992.

The holders of the Bonds shall be identified as such as follows from the accounting record kept by the Servicio de Compensación y Liquidación del Valores, S.A. in accordance with that for which provision is made under Paragraph II.5 of this Section, the pertinent member Entity having the authority to issue the Legalizing Certificates at the request of the holder of the bonds and at the expense thereof, that for which provision is made under Part IV of Section I, Title I of the Royal Decree on Account Memoranda being applicable for these purposes.

The Bonds can be freely transferred by any means allowed under Law. The ownership of each Bond shall be conveyed by means of a book transfer. The recording of the conveyance to the acquiring party on the accounting records shall have the same effects as the delivery of the certificates, and as of that point in time, the transfer shall be exceptionable to third parties.

The holders of the Bonds are subject to the Fund Priority of Payments with regard to the payment of interest and repayment of the principle of the Bonds.

For the purpose of covering the time lags between the schedule for the flows of repayment of the principal and interest of the Mortgage Share Certificates and that of the Bonds issued against the Fund, the Sociedad Gestora, acting on behalf of the Fund, shall make a Contract for Deposit at a Guaranteed Interest Rate with BANKINTER by virtue of which the sums received by the Fund as a result of the Mortgage Share Certificates both for repayment of the principal as well as of the interest, in addition to those sums to which reference is made under Paragraph V.3.1 of the Prospectus shall be invested up to the following Bond Due Date, at which time the principal must be repaid and the interest thereon paid.

**II.4.2 Other implications and risks which, due to the legal and economic nature of the assets combined in the Fund, might having a bearing on the facility of the securities issued against the Fund as a result of the process of securitization of said assets.**

**a) Risk of Default on Payment of the Mortgage Share Certificates:**

Pursuant to the provisions of Article 5.8 of Law 19/1992, the holders of the Bonds issued against the Fund shall run the risk of default on payment of the Mortgage Share Certificates combined therein.

Therefore, the Endorsing Institutions assume no responsibility whatsoever for any default on payment on the part of those owing the mortgage, whether it be for the principle, the interest thereon or any other sum which might be owed thereby by virtue of the Shared Mortgage Loans. Nor shall they in any way assume any responsibility with regard to directly or indirectly assuring the success of the transaction, nor shall they furnish any guarantees or special bank guarantees, nor shall they be party to covenants for the repurchase of the Mortgage Share Certificates, with the exception of those befitting with regard to Shared Mortgage Loans which are not in keeping with the conditions and characteristics included under Paragraph IV.1 a) of this Prospectus and in accordance with that for which provision is made thereunder.

**b) Risk of Prepayment of the Mortgage Share Certificates:**

The Mortgage Share Certificates combined in the Fund shall be repaid early when the borrowers of the Shared Mortgage Loans pay back early, under the terms for which provision is made under each one of the instruments for the granting of said loans, that part of the capital outstanding. Likewise, the Mortgage Share Certificates shall be repaid in full in the event of the Endorsing Institutions being subrogated in the pertinent Shared Mortgage Loans by another financial institution licensed for this purpose, in accordance with Law 2/1994, of March 30, 1994, governing the subrogation and modification of mortgage loans ("Law 2/1994).

The risk which said prepayment would involve shall be passed on to the holders of the Bonds quarterly, on each Due Date, by means of the partial amortization thereof in accordance of that for which provision is made under Paragraph II.11.3.2 of this Prospectus.

**c) Other Aspects:**

**Limited Safeguards.**

An investment in these Bonds can be affected, among other things, by a worsening of the overall economic conditions which may have a negative impact on the payments of the Shared Mortgage Loans backing the issue of Bonds against the Fund. In the event that the defaults on payment were to become of major proportions, the safeguard against losses in the loan portfolio which the Bonds have as a result of the existence of the improvements in credit described under Paragraph V.3 of this Prospectus could be lowered or even eliminated.

**Limited Liability.**

The Bonds issued by the Fund neither represent nor constitute any obligation on the part of the Sociedad Gestora or of the Endorsing Institutions. The flow of funds generated by the Mortgage Share Certificates used to meet the obligations resulting from the Bonds is insured or guaranteed solely under the specific circumstances and up to the limits stated in this Prospectus. With the exception of these guarantees, no others are granted by any public or private concern whatsoever, including the Endorsing Institutions, Europea de Titulización or any affiliate of or by any company in which any of the aforementioned may hold an interest.

In the Charter, the Endorsing Institutions shall set forth a number of statements and guarantees regarding the characteristics of the Loans and of the Mortgage Share Certificates with regard to the existence of the Loans and of the mortgage guarantees with regard thereto, in addition to the absence of any impediment whatsoever for the issue of the Mortgage Share Certificates and of the same being in keeping with the characteristics of the Loans stipulated thereunder. In any event, the Endorsing Institutions do not guarantee the solvency of the borrowers of the Loans. In addition thereto, these guarantees do not afford the holders of the Bonds with the possibility of exercising any right against the Endorsing Institutions to which they may be entitled against the Fund, the Sociedad Gestora being the only concern authorized to represent the holders of the Bonds in the relations with third parties or in any legal proceedings related to the Fund.

**Limited Liquidity.**

There is no guarantee that the Bonds will be traded on the market at any minimum frequency or in any minimum volume.

No commitment exists as to any entity whatsoever being involved in the secondary contracting by providing the Bonds with liquidity through the offering of compensation.

In addition to the above, in no case shall the Fund buy back the Bonds from the holders thereof, although they may indeed be paid up in full early in the event of the early settlement of the Fund when the Current Balance of the Mortgage Share Certificates at the time totals less than 100% of the initial Current Balance under the terms set forth under Paragraph III.8.1 of this Prospectus.

**Yield.**

The prepayment of the Shared Mortgage Loans is influenced by a number of geographical, economic and social factors such as the age of the borrowers, seasonal nature, market interest rates and unemployment rates, which make them impossible to forecast.

The calculation of the internal rate of return, of the average life and of the Duration of the Bonds stated in the Prospectus are subject to early amortization rate hypotheses which may not bear out in the end.

**Interest on Arrears.**

Interest on Arrears: In no case shall the existence of arrears in the payment of interest or the repayment of the principal to the holders of the Bonds give rise to the accrual of interest on arrears in favor thereof.

**II.5 Form of representation and denomination and domicile of the concern in charge of the recording thereof in the accounting records.**

The Bonds which are issued against the Fund shall be represented exclusively by means of book entries in accordance with that which is set forth under Article 5.9 of Law 19/1992 and shall be constituted as such by virtue of the recording thereof in the pertinent accounting record. In this regard, it is spread upon the record that the Charter shall have the effects for which provision is made under Article 6 of the Securities Market Act.

The holders of the Bonds shall be identified as such as follows from the accounting records kept by the Entities belonging to the Servicio de Compensación y Liquidación de Valores, S.A. which shall be designated as the entity in charge of recording the Bonds in the Charter on the accounting records such that the clearing and settlement of the Bonds may be accomplished in accordance with the operating regulations for securities listed on AIAF and represented by means of book entries have established or which may be approved at some point in the future by the Servicio de Compensación y Liquidación de Valores, S.A. Said designation shall be recorded in the Official Registries of the Comisión Nacional del Mercado de Valores.

Servicio de Compensación y Liquidación de Valores, S.A. has its domicile in Madrid at c/ Orense, No. 34.

**II.6 Nominal amount of all of the securities as a whole issued against the Fund, number of securities entailed and numbering thereof, broken down, if applicable, among the different series of which said issue is comprised.**

The amount of the Bond issue totals a nominal value of two hundred million (200,000,000) euros (33,277,200,000 Pts.), this issue being comprised of two Series, each of which is denominated in euros:

- i) Series A, in the nominal amount totaling one hundred and ninety million, two hundred thousand (190,200,000) euros (31,646,617,200 Pts.) comprised of one thousand, nine hundred and two (1,902) Bonds in individual nominal values of one hundred thousand (100,000) euros (16,638,600 Pts) , represented by book entries.
- ii) Series B, in the nominal amount totaling nine million, eight hundred thousand (9,800,000) euros (1,630,582,800 Pts.) comprised of ninety-eight (98) Bonds in individual nominal values of one hundred thousand (100,000) euros (16,638,600 Pts), represented by book entries.

The “B” Bonds are deferred regarding the payment of interest and repayment of the principal with regard to the “A” Bonds in accordance with that for which provision is made under the Fund Priority of Payments.

The subscription or holding of Bonds of one Series does not infer the subscription or holding of Bonds in another Series.

**II.7 Nominal and actual amounts of each security, including a mention of the issue premium, if any, stated as a percentage of the nominal value and in currency units per value. Currency is which each one of the series of securities being issued against the Fund is stated.**

The Bonds are being issued at 100% of their nominal value. The price of the issue of the Bonds of both Series shall be one hundred thousand (100,000) euros (16,638,600 Pts) per Bond, tax-free and free of any subscription costs for subscribers as far as the Fund is concerned.

The expenses and taxes inherent to the issue of Bonds shall be paid by the Fund.

**II.8 Related commissions and expenses of all types which the investors are obligated to pay when subscribing securities issued against the Fund.**

The Fund, as an issuer of Bonds, shall not shift or charge any expense item to investors for the subscription of the Bonds.

**II.9 Mention, if applicable, of the existence of commissions to be paid, if any, by holders of the securities issued against the Fund, mandatorily represented by means of book entries, for recording and balancing.**

The expenses involved in including the Bond issue in the accounting records of the Servicio de Compensación y Liquidación de Valores shall be paid by the Fund, which shall not shift these expenses to the holders of the Bonds. This entity has not established any commission whatsoever for balancing.

Nevertheless, the entities belonging to the aforesaid “Servicio” shall be able to established, in accordance with the laws in force, whatever commissions and expenses that may be charged to the holders of the Bonds for security management which they may so stipulate which have been notified in due time to the Bank of Spain or to the Comisión Nacional del Mercado de Valores, as supervisory bodies thereof.

**II.10 Interest Rate Clause:**

**II.10.1 Nominal Interest Rate.**

The Bonds of each one of the Series shall accrue a quarterly revisable nominal annual interest, payable quarterly, which shall be that which results from applying the criteria set forth hereinbelow.

Said resulting nominal annual interest rate (referred to hereinbelow as the “nominal interest rate”) shall be paid at the end of each quarter, on the Due Date, on the Outstanding Principal Balance of the Bonds in each Series, provided that the Fund avails of the sufficient reserves in keeping with the Priority of Payments.

Whatever withholdings, rates and taxes have been established or may be established in the future on the principal, interest or yield of the Bonds shall be charged exclusively to the holders of the Bonds, and the full amount thereof, if any, shall be deducted by the Sociedad Gestora, in the name and on behalf of the Fund, in the manner for which provision is made under Law.

**a) Accrual of Interest.**

The duration of the issue in question shall be broken down into consecutive Interest Accrual Periods including the number of days which have actually elapsed from one Due Date to the next, the initial Due Date being included in each Interest Accrual Period and the final Due Date not being included. Exceptionally, the first Interest Accrual Period shall exceed the quarter equivalent to that which commences on the Disbursement Date (included) and the first Due Date of May 19, 2000, which is not included.

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

**b) Nominal Interest Rate.**

The nominal interest rate shall be that which is calculated by adding: (i) the Euribor reference three-month interest rate, described under Paragraph c) hereinbelow and (ii) a margin for each one of the Series:

- Margin of 0.29 % for “A” Bonds,
- Margin of 0.50 % for “B” Bonds;

All of which shall be rounded to the nearest ten thousandth of one percent.

**c) Calculating the Euribor Reference Interest Rate.**

- i) Said Euribor rate (“Euro Interbank Offered Rate”) calculated and distributed by the BRIDGE financial data system as ordered by the FBE (“Federation Bancaire de l’Union Europeene”), at a three-month maturity, posted at 11:00 a.m. (“Central European Time”) on the Date for the Interest Rate Fixing Date described in following and which is currently published on the EURIBOR01 web pages supplied by Reuters and 248 supplied by Dow Jones Markets (Bridge Telerate) or any other site which might replace the same in these services.

Said Euribor rate is currently the offered interbanking term-deposit rate in euros calculated as the daily average of the listings supplied by a panel comprised of 57 banks of those most active in the Eurozone. This rate is posted based on the calculation of the number of days actually remaining until the Due Date and a 360-day year, and this rate is posted at 11:00 a.m. (Central European Time) stated in three-decimal figures.

- ii) In the event of the absence or impossibility of calculating the rate stipulated under Paragraph (i) directly hereinabove, the reference interest rate to be used in lieu thereof which results from calculating the simple arithmetic mean of the offered interbanking interest rates for non-transferable deposit transactions in euros at three months on the Interest Rate Fixing Date stated by the banking institutions listed in following the simultaneous petitioning of each one thereof:

- Banco Bilbao Vizcaya Argentaria, S.A.
- Banco Santander Central Hispano, S.A.
- Credit Agricole Indosuez
- DG BANK Deutsche Genossenschaftsbank AG
- Rabobank Nederland N.V.

In the event of the impossibility of charging the remarketing reference interest rate above due to any one of the aforesaid institutions failing to furnish a statement of listings continuously, the interest rate resulting from applying the simple arithmetic mean of the interest rates stated by a minimum of the other two entities shall be applicable.

iii) In the absence or in the event of the impossibility of calculating the rates stipulated under Paragraph i) and Paragraph ii) immediately hereinabove, the last reference interest rate applied to the last Interest Accrual Period and so on by consecutive Interest Accrual Periods shall be applied as long as said situation continues to exist.

**d) Interest Rate Fixing Date.**

The nominal interest rate applicable to both Series of Bonds for each Interest Accrual Period shall be calculated by the Sociedad Gestora, acting in the name and on behalf of the Fund, in the manner for which provision is made under Paragraph b) and Paragraph c) directly hereinabove based on the three-month Euribor reference interest rate or that which is officially being used in lieu thereof, on the second business day, according to the TARGET (Trans European Automated Real-Time Gross Settlement Express Transfer System) calendar prior to each Due Date (referred to hereinbelow as the “Interest Fixing Date”) and shall be applicable for the following Interest Accrual Period.

Currently, the following days on the TARGET calendar are not considered as business days:

- Saturdays,
- Sundays,
- January 1 (New Year’s Day),
- December 25 (Christmas Day).

In addition to the above, the following shall not be considered as business days on the TARGET calendar for the year 2000:

- Good Friday,
- Easter Monday,
- May 1,
- December 26.

Exceptionally, the nominal interest rate for the Bonds in each one of the Series for the first Interest Accrual Period shall be calculated in the manner for which provision is made under Paragraph c) immediately hereinabove based on the Euribor reference interest rate, but related to the business day two days prior, according to the TARGET calendar, to the start of the Subscription Period and shall be made public prior to the start of the Subscription Period by means of the announcement for which provision is made under Paragraph III.5.3 c) of this Prospectus.

The nominal interest rates calculated for each one of the Series of Bonds for the consecutive Interest Accrual Periods shall be notified to the holders of the Bonds within the time period and in the manner for which provision is made under Paragraph III.5.3 a) and Paragraph III.5.3 c).



**e) Interest Calculation Equation.**

The settlement of interest which must be paid on each Due Date for each Interest Accrual Period shall be calculated using the following equation:

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

Where:

*I* = Interest to be paid on a given Due Date.

*P* = Balance of Outstanding Bond Amortization Principal on Fixing Date for said Due Date.

*R* = Nominal interest rate stated as an annual percentage.

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

**f) Chart of the Trend in the Applicable Reference Interest Rate.**

For merely informative purposes, data is provided in following regarding the three-month Euribor rates taken from the EURIBOR01 web page furnished by Reuters and, in addition to the nominal interest rates which would result for applying each one thereof to the Series of Bonds:

Dates	3 month Euribor	“A” Bonds	“B” Bonds
February 14, 2000	3.490%	3.7800%	3.9900%
January 17, 2000	3.316%	3.6060%	3.8160%
December 16, 1999	3.458%	3.7480%	3.9580%
November 17, 1999	3.449%	3.7390%	3.9490%
October 15, 1999	3.429%	3.7190%	3.9290%
September 16, 1999	2.690%	2.9800%	3.1900%
August 17, 1999	2.702%	2.9920%	3.2020%
July 15, 1999	2.663%	2.9530%	3.1630%
June 17, 1999	2.632%	2.9220%	3.1320%
May 17, 1999	2.575%	2.8650%	3.0750%
April 15, 1999	2.628%	2.9180%	3.1280%
March 15, 1999	3.038%	3.3280%	3.5380%
February 17, 1999	3.086%	3.3760%	3.5860%
January 15, 1999	3.134%	3.4240%	3.6340%

**II.10.2 Brief mention of the ranking order in which the payments of interest on the securities issued against the Fund are ranked in the Priority of Payments and exact indication of the Paragraph and page numbers in this prospectus where the marshaling rules set out with regard to the payment of the Fund are described, specifically, those having to do with payments of interest on said securities.**

The payment of interest accrued by the “A” Bonds is ranked in second (2<sup>nd</sup>) place in the Priority of Payments stipulated under Paragraph V.5.1.B).2 on page 112 of this Prospectus.

The payment of interest accrued by the “B” Bonds is ranked in third (3<sup>rd</sup>) place in the Priority of Payments stipulated under the aforesaid Paragraph on page 112 thereof.

**II.10.3 Interest Payment Dates, Place, Entities and Procedure.**

The interest on the Bonds in both Series shall be paid, by expired periods, on the February 19, on May 19, on August 19 and on November 19 each year up to the full amortization thereof (each one of these dates is a “Due Date”) by means of the procedure stipulated under Paragraph II.12 a) of this Prospectus.

In the event that any of the dates stipulated under the paragraph immediately hereinabove were not a Business Day, the next Business Day thereafter shall be the Due Date, the interest for the current Interest Accrual Period accruing up to the aforesaid next Business Day, non-inclusive.

The first Due Date for the payment of interest on the Bonds of both Series shall fall on May 19, 2000 said interest accruing the same pertinent nominal interest rate from the Date of Payment by the subscribers, inclusive, up to the May 19, 2000, non-inclusive.

For the purpose of this Bond issue, Business Days shall be all those which do not fall on:

- Saturdays,
- Sundays,
- Official holidays in Madrid.

Both the interest in favor of the holders of the Bonds of both Series as well as the full amount of the interest accrued and not paid shall be notified to said bondholders in the manner described under Paragraph III.5.3 of this Prospectus a minimum of one calendar day in advance of each Due Date.

The payment of the interest accrued on the Bonds shall be made on each Due Date provided that the Fund avails of the sufficient reserves for this purpose in accordance with the Priority of Payments.

In the event that the Fund were not able to make the full or partial payment of the interest accrued on the Bonds of either one of the Series in accordance with the pertinent Priority of Payments on any Due Date, the sums which the bondholders had failed to collect shall be credited on the following Due Date.

The amounts deferred for interest shall be accrued in favor of the bondholders at an interest rate equal to that which is applied to the Bonds of their respective Series throughout the Interest Accrual Period(s) up to the Due Date on which the payment thereof is made, without any interest on arrears and without this involving any capitalization of the debt.

The Fund, through its Sociedad Gestora, shall not be able to defer the payment of interest on the Bonds after February 19, 2025, the Final Maturity Date, or if said date were not a Business Day, the next Business Day.

The Bond issue facility shall be carried out through the Collection Agent, to which end the Sociedad Gestora, acting in the name and on behalf of the Fund, shall make a Collection Agent Contract with BANCO COOPERATIVO.

For the purpose of a better understanding on the part of subscribers of the system employed for setting the nominal interest rate applicable and the amount of the interest to be collected for each Bond on the Due Date, a practical case is provided as an example in Paragraph II.12 of this Prospectus, in addition to the Theoretical Tables for the loan facility.

## **II.11 Security Amortization.**

### **II.11.1 Amortization price, specifying any premiums, bonuses, board lots or any other financial plus.**

The Bond amortization price for both Series shall be that of one hundred thousand (100,000) euros (16,638,600 Pts) per Bond, which is equivalent to 100 % of the nominal value thereof, payable partially on each Due Date.

Each and every one of the Bonds in one same Series shall be amortized in an equal amount by means of the reduction of the nominal of each one thereof. The amount to be paid for the amortization of the Bonds in each one of the Series on each Due Date shall be calculated in accordance with that which is set forth under Paragraph II.11.13 of this Section.

### **II.11.2 Brief mention of the ranking order in which the payments of interest on the securities issued against the Fund are ranked in the Priority of Payments and exact indication of the Paragraph and page numbers in this prospectus where the marshaling rules set out with regard to the payment of the Fund are described, specifically, those having to do with payments of the principal on said securities.**

The payment of the principal of the “A” Bonds is ranked in fifth (5<sup>th</sup>) place in the Priority of Payments stipulated under Paragraph V.5.1.B).2 on page 112 of this Prospectus.

The payment of the principal of the “B” Bonds is ranked in sixth (6<sup>th</sup>) place in the Priority of Payments stipulated under Paragraph V.5.1.B).2 on page 112 of this Prospectus.

### **II.11.3 Amortization modalities, specifying the dates, place, entities, procedure and publicizing thereof.**

#### **II.11.3.1 Final Amortization.**

The Final Due Date and hence the date of the final amortization of the Bonds is the February 19, 2025 or, were said Final Due Date not to fall on a Business Day, the following Business Day, without dismissing the possibility of the Sociedad Gestora, acting in the name and on behalf of the Fund, in accordance with that for which provision is made under Paragraph II.11.3.3 hereinbelow, may proceed to the early amortization of this

issue, in which case, the Due Date on which the amortization thereof is to take place shall be that of the final amortization of the Bonds.

### **II.11.3.2 Partial Amortization.**

Independently of the Final Due Date, the Fund shall proceed, through the Sociedad Gestora thereof, to make partial amortizations of the Bonds in each Series under the terms which are described in following under this paragraph.

#### **1. Bond Amortization Payment Dates.**

The Bond Amortization Payment Dates shall fall on the interest Due Dates, that is, on February 19, on May 19, on August 19 and on November 19 each year or, were the case to be, on the next Business Day, up to the full amortization thereof.

The first Due Date for the amortization of the “A” Bonds shall fall on May 19, 2000 in accordance with the rules included under this chapter.

#### **2. Determination Dates.**

The Determination Dates shall be the dates on which each one of the Due Dates falls, on which the Sociedad Gestora, acting in the name of the Fund, shall make the necessary calculations for sharing out or withholding the Funds Available which the Fund will disburse on the pertinent Due Date according to the Priority of Payments.

Said Determination Dates shall be those falling on the fifth calendar day prior to each Due Date.

#### **3. Outstanding Bond Amortization Principal Balance.**

The Outstanding Bond Amortization Principal Balance shall be, for these purposes, the sum of the current balances of principal pending at the time for the amortization of the Bonds in both Series, being included in said balances the amounts of principal which, were the case to be, were to have been repaid and which had not be paid due to a shortage of Spare Capital for Bond Amortization according to the Fund Priority of Payments.

#### **4. Current Balance of the Mortgage Share Certificates.**

The Current Balance of the Mortgage Share Certificates shall be comprised, for these purposes, of the sum of the capital as yet to become due and payable and the capital due and payable which has not been deposited in the Fund for each and every one of the Mortgage Share Certificates.

#### **5. Funds Available for Bond Amortization on Each Due Date and Amortization Deficit.**

On each Due Date, the sum which shall be allocated to the amortization of the Bonds (“Funds Available for Bond Amortization”) shall be the lesser of the following sums:

- a) The positive difference between the Outstanding Bond Amortization Principal Balance and the Current Balance of the Mortgage Share Certificates on the day immediately prior to each Due Date.

- b) Depending upon the amount of Funds Available on hand on said Due Date, the remainder of the Funds Available following the amount charged to the items ranked in 1<sup>st</sup> thru 4<sup>th</sup> place on the Priority of Payments.

*As an example of this point, the following practical case is provided for a specific Due Date:*

	<i>Euros</i>	<i>Pesetas</i>
<i>1 Outstanding Balance of the Bond Amortization Principal for all of the Series the day before:</i>	<i>163,000,000</i>	<i>27,120,918,000</i>
<i>2 Current Balance at the time of the Mortgage Share Certificates the day before:</i>	<i>151,700,000</i>	<i>25,240,756,200</i>
<i>a) Difference (1-2):</i>	<i>11,300,000</i>	<i>1,880,161,800</i>
<i>b) Surplus of Available Funds after charging the items ranked 1<sup>st</sup>-4<sup>th</sup> in the Fund Priority of Payments:</i>	<i>11,000,000</i>	<i>1,830,246,000</i>
<i>3 Funds Available for Bond Amortization, the lesser of sums a) and b):</i>	<i>11,000,000</i>	<i>1,830,246,000</i>

#### **6. Allocation of the Funds Available for Bond Amortization Among the Bonds in Each Series.**

Said Funds Available for Bond Amortization shall be used in full for the amortization of the “A” Bonds, and solely once the Outstanding “A” Bond Amortization Principal Balance has been paid off in full shall they be used for paying off the “Outstanding “B” Bond Amortization Principal Balance.

Nevertheless, in the event that, on a Due Date, as a result of the Priority of Payments, the Fund were not to avail of sufficient funds to make whatever payment toward the amortization of the Bonds which might fall thereto at the time, the difference shall not give an entitlement to any additional interest or interest on arrears whatsoever, given that, in any case, it shall be comprised within the Outstanding Bond Amortization Principal Balance for the type of Bonds in question, base on which the calculation for the settlement of interest is made in the manner for which provision is made under Paragraph II.10.3 hereinabove, as a result of the payment toward the amortization of the Bonds not having been made in that amount.

The Sociedad Gestora shall proceed to notifying the holders of the Bonds, in the manner for which provision is made under Paragraph III.5.3.a), as to the total amount of the bond amortization payments made toward the Bonds of each type, the Outstanding Bond Amortization Principal Balance for each type of Bond and the actual Early Amortization Rates on the Shared Mortgage Loans and the average estimated life left for the Bonds of each type.

#### **7. Notices.**

Within the seven (7) Business Days immediately following each Due Date, the Sociedad Gestora shall issue a notice drafted by the person vested with sufficient power as proof of: the Outstanding Bond Amortization Principal Balance for each Series, and the total amount of the interest accrued, if any, which has not been paid to the bondholders in accordance with that for which provision is made under Paragraph II.10.3 of this Prospectus.

Said notice shall be filed with the Comisión Nacional del Mercado de Valores, with the Entity in charge of recording on the account records and with the AIAF Mercado de Renta Fija for the making available thereof to the public in conjunction with the Charter.

### II.11.3.3 Early Bond Amortization.

Without detriment to the obligation of the Fund, through the Sociedad Gestora thereof, of retiring the Bonds on the Final Due Date or on each partial amortization, as is set forth under the preceding paragraphs hereinabove, the Sociedad Gestora shall be authorized, following notification of the Comisión Nacional del Mercado de Valores, to proceed to the early settlement of the Fund and hence to the early amortization, on a Due Date, of the entire Bond issue, in accordance with the Cases of Early Settlement and with the requirements which are detailed under Paragraph III.8.1 of this Prospectus.

### II.12 Loan debt service chart, including both the payments of interest in addition to the repayment of the principal for each one of the Mortgage Securitization Bonds which are issued against the Fund.

The debt service for the issue in question shall be dealt with through BANCO COOPERATIVO, in its capacity as a Collection Agent. The payment of interest and bond amortization shall be notified to the holders of the Bonds under the circumstances and with the number of days of advance notice for which provision is made for each case under Paragraph III.5.3 a). The payment of interest and of the bond amortizations shall be made to the legal holders of the Bonds by the pertinent member Entities, and said Entities shall be paid, in turn, by the Servicio de Compensación y Liquidación de Valores, S.A., as the entity in charge of keeping the accounting records.

#### a) Practical Case of the Setting of the Nominal Interest Rate.

In accordance with that which is set forth under Paragraph II.10.3 and for the purpose of providing subscribers with a clearer understanding of the system employed for setting the nominal interest rate and the total amount of the interest to be collected on each Bond in each Series on each Due Date, the way in which these calculations are made is provided below for the following case:

(Amounts in euros)	“A” Bonds	“B” Bonds
<b>1</b> Outstanding Bond Amortization Principal	100,000 euros	100,000 euros
Balance per Bond	(16,638,600 Ptas.)	(16,638,600 Ptas.)
<b>2</b> No. days in the Interest Accrual Period	90	90
<b>3</b> 3-month Euribor rate	3.490%	3.490%
<b>4</b> Margin	0.29%	0.50%
<b>5</b> Nominal interest rate: Rounded to the nearest whole one thousandth of one percent	3.7800%	3.9900%
<b>6</b> Calculation of the interest accrued per Bond $1*2*6/36000$	945.000	997.500
<b>7</b> Total amount of interest to be paid per Bond. Rounded to the nearest Euro cent	945.00 euros (157,235 Ptas.)	997.50 euros (165,970 Ptas.)

**b) Loan Debt Service Charts.**

The main characteristics of the Mortgage Securitization Bonds lies in their regular amortization and, hence, their average life and term depending basically on the rate at which those owing taking out the mortgage decide to pay back the Shared Mortgage Loans.

In this regard, the early amortizations which those owing the mortgages decide to make, which are subject to constant changes, and are estimated in this Prospectus through the use of several hypotheses regarding the behavior of the actual constant annual rate of early amortization or prepayment (referred to hereinbelow as the “CPR”) in the future will have a direct bearing on the rate at which the Shared Mortgage Loans are repaid and hence on the average life and term of the Bonds.

Other variables are also involved which are likewise being subject to constant changes which have a bearing on said average life and term of the bonds. These variables and the hypothetical values assumed in all of the charts provided under this heading are:

- Interest rate in the Mortgage Share Certificate portfolio: 4.573% (average interest weighted on January 14, 2000 for the select loan portfolio);
- Delinquent payments regarding the Mortgage Share Certificate portfolio: 0% annual;
- Defaults regarding the Mortgage Share Certificate portfolio: 0%;
- That the early bond amortization rate remain constant throughout the life of the Bonds;
- That the Bond Payment Date be the February 28, 2000.

Lastly, the actual adjusted duration of the Bonds shall also depend upon the variable interest rate thereof, and on all of the charts comprising this section, they are taken as remaining constant at 3.7800% for the “A” Bonds and at 3.9900% for the “B” Bonds.

Assuming that the Sociedad Gestora will exercise the early bond amortization option for which provision is made under the first paragraph of Paragraph II.8.1 of this Prospectus (in other words, when the Current Balance of the Mortgage Share Certificates is below 10% of the initial total amount thereof), the average life and term of the Bonds at different CPR’s would be as follows:

<b>% CPR:</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
<b>“A” Bonds</b>					
<b>Avg. Life (yrs.)</b>	5.26	4.76	4.33	3.95	3.62
<b>IRR</b>	3.888%	3.888%	3.888%	3.888%	3.888%
<b>Term</b>	4.42	4.05	3.72	3.42	3.16
<b>Final Maturity</b>	2-20-2012	05-19-2011	08-19-2010	11-19-2009	02-19-2009
<b>(in yrs.)</b>	11.99	11.23	10.48	9.73	8.98
<b>“B” Bonds</b>					
<b>Avg. Life (yrs)</b>	11.99	11.23	10.48	9.73	8.98
<b>IRR</b>	4.107%	4.107%	4.107%	4.107%	4.107%
<b>Term</b>	9.18	8.72	8.25	7.77	7.28
<b>Final Maturity</b>	02-20-2012	05-19-2011	08-19-2010	11-19-2009	02-19-2009
<b>(in yrs.)</b>	11.99	11.23	10.48	9.73	8.98

Said figures have been calculated using the following equation:

**Average Life of the Bonds:** for each one of the Series, average of the time periods from the Payment Date up to each one of the Due Dates, using for weighting purposes the weights of principal to be paid back on each Due Date on the total nominal amount of the Series according to the following equation:

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

Where:

- V = Average life of each Series of Bonds issued, given in number of years.
- P = Principal to be paid back for each Series of Bonds on each Due Date, depending upon the amount to be repaid for each Series of Bonds in accordance with that which is described under Paragraph II.11.3.2 of this Prospectus.
- d = Number of days which has elapsed from the Payment Date to the Due Date in question.
- T = Nominal total amount in euros of each Series of Bonds.

**Internal Rate of Return (IRR):** for each one of the Series, interest rate equal to the updating to current value of the total amounts repaid plus interest which are collected on each Due Date with the nominal value of the Bond.

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

Where:

- N = nominal value of the Bond in each Series.
- r = IRR given in the form of an annual rate, in rate percent form.
- A<sub>i</sub> = (A<sub>1</sub> ..... A<sub>n</sub>). Total amounts repaid plus interest which the investors will collect.
- nd = Number of days from the Payment Date of the issue to each one of the n Due Dates, non-inclusive, throughout the life of the Bond.

**Term of the Bonds (adapted Macaulay equation):** for each one of the Series, measurement of the sensitivity of the price of the Bond to changes in profitability.

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

Where:

- D = Term of each Series of Bonds, given in number of years.



$a_j$  = Length of time elapsed (in number of years) from the Payment Date to each one of the  $n$  Due Dates in question.

$VA_j$  = Current value of each one of the sums comprising the gross interest and principal to be paid on each one of the  $n$  Due Dates discounted from the actual interest rate (AIR) of each Series.

$PE$  = Issue price for each Series of Bonds.

$i$  = Actual interest rate (AIR) of each Series, in rate percent form.

Lastly, the Sociedad Gestora expressly states that the loan debt service charts which are described in following are merely theoretical and are provided for illustrative purposes, representing no obligation of payment whatsoever, reminding readers that:

- The CPR's are assumed to remain constant at 6% and 10% respectively throughout the life of the loan and, as has been previously mentioned hereinabove, the actual early bond amortization undergoes constant change.
- The Outstanding Bond Amortization Balance on each Due Date and therefore the interest to be paid on each one thereof shall depend upon the actual early bond amortization rate existing in the Mortgage Share Certificate portfolio.
- The interest rates on the Bonds are taken as being constant for each Series and, as is common knowledge, the interest rates of all the Series is variable.
- The hypothetical values mentioned at the beginning of this paragraph are taken in any event.
- It is assumed that the Sociedad Gestora will take the early bond amortization option for which provision is made under paragraph one of Paragraph II.8.1 of this Prospectus.

**FLOWS FOR EACH BOND WITHOUT WITHHOLDING FOR THE BORROWER**

(AMOUNTS IN EUROS)

**CPR = 6%**

Payment Date	"A" Bonds			"B" Bonds		
	Principal Repaid	Interest (gross)	Total Flow	Principal Repaid	Interest (gross)	Total Flow
feb-28-00						
may-19-00	2,881.52	850.50	3,732.02	0.00	897.75	897.75
aug-21-00	3,149.84	958.56	4,108.40	0.00	1,041.83	1,041.83
nov-20-00	3,083.65	897.87	3,981.52	0.00	1,008.58	1,008.58
feb-19-01	3,040.22	868.41	3,908.63	0.00	1,008.58	1,008.58
may-21-01	2,929.95	839.36	3,769.31	0.00	1,008.58	1,008.58
aug-20-01	2,935.57	811.36	3,746.93	0.00	1,008.58	1,008.58
nov-19-01	2,872.97	783.31	3,656.28	0.00	1,008.58	1,008.58
feb-19-02	2,832.73	764.17	3,596.90	0.00	1,019.67	1,019.67
may-20-02	2,730.25	720.79	3,451.04	0.00	997.50	997.50
aug-19-02	2,730.28	702.71	3,432.99	0.00	1,008.58	1,008.58
nov-19-02	2,670.18	684.05	3,354.23	0.00	1,019.67	1,019.67
feb-19-03	2,628.91	658.26	3,287.17	0.00	1,019.67	1,019.67
may-19-03	2,530.03	612.23	3,142.26	0.00	986.42	986.42
aug-19-03	2,525.53	608.42	3,133.95	0.00	1,019.67	1,019.67
nov-19-03	2,461.34	584.03	3,045.37	0.00	1,019.67	1,019.67
feb-19-04	2,421.30	560.25	2,981.55	0.00	1,019.67	1,019.67
may-19-04	2,342.78	525.19	2,867.97	0.00	997.50	997.50
aug-19-04	2,319.89	514.23	2,834.12	0.00	1,019.67	1,019.67
nov-19-04	2,261.58	491.82	2,753.40	0.00	1,019.67	1,019.67
feb-21-05	2,223.57	480.19	2,703.76	0.00	1,041.83	1,041.83
may-19-05	2,139.03	424.12	2,563.15	0.00	964.25	964.25
aug-19-05	2,121.29	427.83	2,549.12	0.00	1,019.67	1,019.67
nov-21-05	2,060.94	416.19	2,477.13	0.00	1,041.83	1,041.83
feb-20-06	2,017.82	383.22	2,401.04	0.00	1,008.58	1,008.58
may-19-06	1,939.29	351.94	2,291.23	0.00	975.33	975.33
aug-21-06	1,917.63	356.80	2,274.43	0.00	1,041.83	1,041.83
nov-20-06	1,854.44	327.09	2,181.53	0.00	1,008.58	1,008.58
feb-19-07	1,813.14	309.37	2,122.51	0.00	1,008.58	1,008.58
may-21-07	1,735.76	292.04	2,027.80	0.00	1,008.58	1,008.58
aug-20-07	1,707.15	275.46	1,982.61	0.00	1,008.58	1,008.58
nov-19-07	1,648.42	259.15	1,907.57	0.00	1,008.58	1,008.58
feb-19-08	1,599.15	246.07	1,845.22	0.00	1,019.67	1,019.67
may-19-08	1,529.98	225.61	1,755.59	0.00	997.50	997.50
aug-19-08	1,491.14	215.84	1,706.98	0.00	1,019.67	1,019.67
nov-19-08	1,429.28	201.44	1,630.72	0.00	1,019.67	1,019.67
feb-19-09	1,381.54	187.63	1,569.17	0.00	1,019.67	1,019.67
may-19-09	1,311.33	168.60	1,479.93	0.00	986.42	986.42
aug-19-09	1,279.59	161.62	1,441.21	0.00	1,019.67	1,019.67
nov-19-09	1,225.78	149.26	1,375.04	0.00	1,019.67	1,019.67
feb-19-10	1,186.30	137.42	1,323.72	0.00	1,019.67	1,019.67
may-19-10	1,124.24	121.85	1,246.09	0.00	986.42	986.42
aug-19-10	1,092.85	115.10	1,207.95	0.00	1,019.67	1,019.67
nov-19-10	1,041.58	104.54	1,146.12	0.00	1,019.67	1,019.67
feb-21-11	1,003.84	96.53	1,100.37	0.00	1,041.83	1,041.83
may-19-11	947.19	80.17	1,027.36	0.00	964.25	964.25
aug-19-11	917.89	75.63	993.52	0.00	1,019.67	1,019.67
nov-21-11	872.12	68.21	940.33	0.00	1,041.83	1,041.83
feb-20-12	6,039.20	57.70	6,096.90	100,000.00	1,008.58	101,008.58
	<b>100,000.00</b>	<b>20,152.14</b>	<b>120,152.14</b>	<b>100,000.00</b>	<b>48,489.59</b>	<b>148,489.59</b>

**FLOWS FOR EACH BOND WITHOUT WITHHOLDING FOR THE BORROWER**

(AMOUNTS IN EUROS)

**CPR = 10%**

Payment Date	"A" Bonds			"B" Bonds		
	Principal Repaid	Interest (gross)	Total Flow	Principal Repaid	Interest (gross)	Total Flow
feb-28-00						
may-19-00	3,889.57	850.50	4,740.07	0.00	897.75	897.75
aug-21-00	4,190.51	948.61	5,139.12	0.00	1,041.83	1,041.83
nov-20-00	4,046.99	878.29	4,925.28	0.00	1,008.58	1,008.58
feb-19-01	3,928.63	839.63	4,768.26	0.00	1,008.58	1,008.58
may-21-01	3,718.88	802.09	4,520.97	0.00	1,008.58	1,008.58
aug-20-01	3,684.84	766.55	4,451.39	0.00	1,008.58	1,008.58
nov-19-01	3,556.52	731.35	4,287.87	0.00	1,008.58	1,008.58
feb-19-02	3,451.73	705.03	4,156.76	0.00	1,019.67	1,019.67
may-20-02	3,267.11	657.08	3,924.19	0.00	997.50	997.50
aug-19-02	3,230.93	633.16	3,864.09	0.00	1,008.58	1,008.58
nov-19-02	3,115.54	608.91	3,724.45	0.00	1,019.67	1,019.67
feb-19-03	3,019.42	578.82	3,598.24	0.00	1,019.67	1,019.67
may-19-03	2,854.13	531.72	3,385.85	0.00	986.42	986.42
aug-19-03	2,817.13	522.08	3,339.21	0.00	1,019.67	1,019.67
nov-19-03	2,708.10	494.86	3,202.96	0.00	1,019.67	1,019.67
feb-19-04	2,622.04	468.70	3,090.74	0.00	1,019.67	1,019.67
may-19-04	2,494.28	433.74	2,928.02	0.00	997.50	997.50
aug-19-04	2,439.02	419.28	2,858.30	0.00	1,019.67	1,019.67
nov-19-04	2,344.09	395.72	2,739.81	0.00	1,019.67	1,019.67
feb-21-05	2,267.82	381.18	2,649.00	0.00	1,041.83	1,041.83
may-19-05	2,142.08	332.08	2,474.16	0.00	964.25	964.25
aug-19-05	2,100.85	330.47	2,431.32	0.00	1,019.67	1,019.67
nov-21-05	2,012.64	316.92	2,329.56	0.00	1,041.83	1,041.83
feb-20-06	1,939.91	287.58	2,227.49	0.00	1,008.58	1,008.58
may-19-06	1,830.58	260.17	2,090.75	0.00	975.33	975.33
aug-21-06	1,789.94	259.84	2,049.78	0.00	1,041.83	1,041.83
nov-20-06	1,707.45	234.45	1,941.90	0.00	1,008.58	1,008.58
feb-19-07	1,643.24	218.13	1,861.37	0.00	1,008.58	1,008.58
may-21-07	1,545.30	202.43	1,747.73	0.00	1,008.58	1,008.58
aug-20-07	1,503.29	187.67	1,690.96	0.00	1,008.58	1,008.58
nov-19-07	1,431.46	173.30	1,604.76	0.00	1,008.58	1,008.58
feb-19-08	1,368.16	161.38	1,529.54	0.00	1,019.67	1,019.67
may-19-08	1,287.94	144.94	1,432.88	0.00	997.50	997.50
aug-19-08	1,240.21	135.72	1,375.93	0.00	1,019.67	1,019.67
nov-19-08	1,173.11	123.74	1,296.85	0.00	1,019.67	1,019.67
feb-19-09	1,117.34	112.41	1,229.75	0.00	1,019.67	1,019.67
may-19-09	1,042.71	98.30	1,141.01	0.00	986.42	986.42
aug-19-09	1,006.31	91.54	1,097.85	0.00	1,019.67	1,019.67
nov-19-09	950.84	81.82	1,032.66	0.00	1,019.67	1,019.67
feb-19-10	906.13	72.64	978.77	0.00	1,019.67	1,019.67
may-19-10	844.18	61.80	905.98	0.00	986.42	986.42
aug-19-10	5,769.05	55.73	5,824.78	100,000.00	1,019.67	101,019.67
	<b>100,000.00</b>	<b>16,590.36</b>	<b>116,590.36</b>	<b>100,000.00</b>	<b>42,393.76</b>	<b>142,393.76</b>

**FLOWS FOR EACH BOND WITHOUT WITHHOLDING FOR THE BORROWER**

(AMOUNTS IN PESETAS) (1 euro = 166.386 ptas.)

**CPR = 6%**

Payment Date	"A" Bonds			"B" Bonds		
	Principal Repaid	Interest (gross)	Total Flow	Principal Repaid	Interest (gross)	Total Flow
feb-28-00						
may-19-00	479,445	141,511	620,956	0	149,373	149,373
aug-21-00	524,089	159,491	683,580	0	173,346	173,346
nov-20-00	513,076	149,393	662,469	0	167,814	167,814
feb-19-01	505,850	144,491	650,341	0	167,814	167,814
may-21-01	487,503	139,658	627,160	0	167,814	167,814
aug-20-01	488,438	134,999	623,437	0	167,814	167,814
nov-19-01	478,022	130,332	608,354	0	167,814	167,814
feb-19-02	471,327	127,147	598,474	0	169,659	169,659
may-20-02	454,275	119,929	574,205	0	165,970	165,970
aug-19-02	454,280	116,921	571,201	0	167,814	167,814
nov-19-02	444,281	113,816	558,097	0	169,659	169,659
feb-19-03	437,414	109,525	546,939	0	169,659	169,659
may-19-03	420,962	101,867	522,828	0	164,126	164,126
aug-19-03	420,213	101,233	521,445	0	169,659	169,659
nov-19-03	409,533	97,174	506,707	0	169,659	169,659
feb-19-04	402,870	93,218	496,088	0	169,659	169,659
may-19-04	389,806	87,384	477,190	0	165,970	165,970
aug-19-04	385,997	85,561	471,558	0	169,659	169,659
nov-19-04	376,295	81,832	458,127	0	169,659	169,659
feb-21-05	369,971	79,897	449,868	0	173,346	173,346
may-19-05	355,905	70,568	426,472	0	160,438	160,438
aug-19-05	352,953	71,185	424,138	0	169,659	169,659
nov-21-05	342,912	69,248	412,160	0	173,346	173,346
feb-20-06	335,737	63,762	399,499	0	167,814	167,814
may-19-06	322,671	58,558	381,229	0	162,281	162,281
aug-21-06	319,067	59,367	378,433	0	173,346	173,346
nov-20-06	308,553	54,423	362,976	0	167,814	167,814
feb-19-07	301,681	51,475	353,156	0	167,814	167,814
may-21-07	288,806	48,591	337,398	0	167,814	167,814
aug-20-07	284,046	45,833	329,879	0	167,814	167,814
nov-19-07	274,274	43,119	317,393	0	167,814	167,814
feb-19-08	266,076	40,943	307,019	0	169,659	169,659
may-19-08	254,567	37,538	292,106	0	165,970	165,970
aug-19-08	248,105	35,913	284,018	0	169,659	169,659
nov-19-08	237,812	33,517	271,329	0	169,659	169,659
feb-19-09	229,869	31,219	261,088	0	169,659	169,659
may-19-09	218,187	28,053	246,240	0	164,126	164,126
aug-19-09	212,906	26,891	239,797	0	169,659	169,659
nov-19-09	203,953	24,835	228,787	0	169,659	169,659
feb-19-10	197,384	22,865	220,248	0	169,659	169,659
may-19-10	187,058	20,274	207,332	0	164,126	164,126
aug-19-10	181,835	19,151	200,986	0	169,659	169,659
nov-19-10	173,304	17,394	190,698	0	169,659	169,659
feb-21-11	167,025	16,061	183,086	0	173,346	173,346
may-19-11	157,599	13,339	170,938	0	160,438	160,438
aug-19-11	152,724	12,584	165,308	0	169,659	169,659
nov-21-11	145,109	11,349	156,458	0	173,346	173,346
feb-20-12	1,004,838	9,600	1,014,439	16,638,600	167,814	16,806,414
	<b>16,638,600</b>	<b>3,353,034</b>	<b>19,991,634</b>	<b>16,638,600</b>	<b>8,067,989</b>	<b>24,706,589</b>

**FLows FOR EACH BOND WITHOUT WITHHOLDING FOR THE BORROWER**

(AMOUNTS IN PESETAS) (1 euro = 166.386 ptas.)

**CPR = 10%**

Payment Date	"A" Bonds			"B" Bonds		
	Principal Repaid	Interest (gross)	Total Flow	Principal Repaid	Interest (gross)	Total Flow
feb-28-00						
may-19-00	647,170	141,511	788,681	0	149,373	149,373
aug-21-00	697,242	157,835	855,078	0	173,346	173,346
nov-20-00	673,362	146,135	819,498	0	167,814	167,814
feb-19-01	653,669	139,703	793,372	0	167,814	167,814
may-21-01	618,770	133,457	752,226	0	167,814	167,814
aug-20-01	613,106	127,543	740,649	0	167,814	167,814
nov-19-01	591,755	121,686	713,442	0	167,814	167,814
feb-19-02	574,320	117,307	691,627	0	169,659	169,659
may-20-02	543,601	109,329	652,930	0	165,970	165,970
aug-19-02	537,582	105,349	642,930	0	167,814	167,814
nov-19-02	518,382	101,314	619,696	0	169,659	169,659
feb-19-03	502,389	96,308	598,697	0	169,659	169,659
may-19-03	474,887	88,471	563,358	0	164,126	164,126
aug-19-03	468,731	86,867	555,598	0	169,659	169,659
nov-19-03	450,590	82,338	532,928	0	169,659	169,659
feb-19-04	436,271	77,985	514,256	0	169,659	169,659
may-19-04	415,013	72,168	487,182	0	165,970	165,970
aug-19-04	405,819	69,762	475,581	0	169,659	169,659
nov-19-04	390,024	65,842	455,866	0	169,659	169,659
feb-21-05	377,333	63,423	440,757	0	173,346	173,346
may-19-05	356,412	55,253	411,666	0	160,438	160,438
aug-19-05	349,552	54,986	404,538	0	169,659	169,659
nov-21-05	334,875	52,731	387,606	0	173,346	173,346
feb-20-06	322,774	47,849	370,623	0	167,814	167,814
may-19-06	304,583	43,289	347,872	0	162,281	162,281
aug-21-06	297,821	43,234	341,055	0	173,346	173,346
nov-20-06	284,096	39,009	323,105	0	167,814	167,814
feb-19-07	273,412	36,294	309,706	0	167,814	167,814
may-21-07	257,116	33,682	290,798	0	167,814	167,814
aug-20-07	250,126	31,226	281,352	0	167,814	167,814
nov-19-07	238,175	28,835	267,010	0	167,814	167,814
feb-19-08	227,643	26,851	254,494	0	169,659	169,659
may-19-08	214,295	24,116	238,411	0	165,970	165,970
aug-19-08	206,354	22,582	228,935	0	169,659	169,659
nov-19-08	195,189	20,589	215,778	0	169,659	169,659
feb-19-09	185,910	18,703	204,613	0	169,659	169,659
may-19-09	173,492	16,356	189,848	0	164,126	164,126
aug-19-09	167,436	15,231	182,667	0	169,659	169,659
nov-19-09	158,206	13,614	171,820	0	169,659	169,659
feb-19-10	150,767	12,086	162,854	0	169,659	169,659
may-19-10	140,460	10,283	150,742	0	164,126	164,126
aug-19-10	959,889	9,273	969,162	16,638,600	169,659	16,808,259
	<b>16,638,600</b>	<b>2,760,404</b>	<b>19,399,004</b>	<b>16,638,600</b>	<b>7,053,728</b>	<b>23,692,328</b>

**c) Practical case of application of dates and time periods stipulated under Paragraph II.10 and Paragraph II.11 of this Prospectus regarding the calculation and payment of interest and of Bond amortization.**

Lastly, for the purpose of providing for a clearer understanding on the part of subscribers with regard to the definitions of rules for applying dates and time periods described under Paragraph II.10 and Paragraph II.11 regarding interest and Bond amortization, the following example is provided below broken down by characteristics for the first Due Date (due to the atypical nature thereof) as well as for the second and subsequent Due Dates:

**1. First Due Date: May 19<sup>th</sup> 2000.**

***(Execution of the Charter: February 22<sup>nd</sup> 2000)***

- a) Interest Rate Fixing Date for the Interest Rate applicable for the first Interest Accrual Period: February 21<sup>st</sup> 2000:
  - 11:00 a.m. on the second business day immediately prior to the date on which the Bond Subscription Period is to commence: February 21<sup>st</sup> 2000.
- b) Special notices (announcements in press, as per Paragraph III.5.3, c):
  - Of the resulting interest rate for the first Interest Accrual Period: February 23<sup>rd</sup> 2000.
- c) First Interest Accrual Period:
  - From February 28<sup>th</sup> 2000 (closing date for payment or subscription) inclusive, to May 19<sup>th</sup> 2000, non-inclusive.
- d) Determination Date (or date on which the Sociedad Gestora is to make the calculations for allocating or withholding the Funds Available): May 14<sup>th</sup> 2000.
- e) Regular notices (announcement in press, as per Paragraph III.5.3, c):
  - Of all other regular information: up to May 18<sup>th</sup> 2000.

**2. Second Due Date: August 21<sup>st</sup> 2000.**

- a) Interest Rate Fixing Date for the Interest Rate applicable for the second Interest Accrual Period:
  - 11:00 a.m. on the second business day immediately prior to first Due Date: May 17<sup>th</sup> 2000.
- b) Regular notices (announcement in press, as per Paragraph III.5.3, c):
  - Of the resulting interest rate for the second Interest Accrual Period: up to May 23<sup>rd</sup> 2000, inclusive.
- c) Second Interest Accrual Period:
  - From the May 19<sup>th</sup> 2000 (first Due Date), inclusive, up to August 21<sup>st</sup> 2000, non-inclusive.
- d) Determination Date (or date on which the Sociedad Gestora is to make the calculations for allocating or withholding the Funds Available): August 16<sup>th</sup> 2000.
- e) Regular notices (announcement in press, as per Paragraph III.5.3, c):
  - Of all other regular information: up to August 20<sup>th</sup> 2000.

**II.13 Actual interest anticipated for the borrower, taking into account the characteristics of the issue, specifying the calculating method employed and the expenses anticipated for items inherent to the actual nature thereof.**

For the case in which the annual nominal interest rates applicable to both “A” and “B” Bonds, revisable quarterly, were to remain constant throughout the entire life of the loan in question, at some rates of 3.7800% and of 3.9900%, respectively, these rates would become the International Rates of Return (“IRR”) for the borrower of 3.888% for the “A” Bonds and of 4.107% for the “B” Bonds, as is shown in the charts provided under Paragraph II.12 b) of the Prospectus, given the effect involved in the quarterly payment of interest, calculated without taking into account the tax-related effect and assuming, in any cases, the values and hypotheses which are provided in the aforementioned paragraph for constant early bond amortization rates (CPR) of 6% and 10%.

**II.14 Actual interest anticipated of the Fund at the point in time of the issue of the securities, taking into account all of the planning and marketing expenses incurred which are charged thereto, specifying the calculating method employed.**

The actual interest has been calculated using the internal rate of return (IRR) equation which is described under Paragraph II.12.b) hereinabove, under the following circumstances:

- a) that the variable nominal interest rate on the Bonds were to remain constant throughout the life of the loan at the rates shown on the chart provided under Paragraph II.12, b),
- b) that the hypothesis mentioned under Paragraph II.12,b) be used,
- c) that the anticipated chartering and issue expenses be deducted from the nominal value of the Bond issue.

The actual interest anticipated for the Fund would be that of 3.966% or 3.977% for some CPR’s of 6% and 10%, respectively, under the hypotheses set out in the immediately preceding paragraph hereinabove.

The anticipated expenses are as follows:

<b>Chartering and Issue Expenses.</b>	<b>Euros</b>	<b>Pesetas</b>
• CNMV rates (issue and listing)	34,000.00	5,657,124
• AIAF & Share Clearing and Settlement Service rates	12,235.68	2,035,846
• Auditing, legal counseling and rating	96,365.49	16,033,868
• Notary fees and misc. Expenses, including advertising and printing	29,107.02	4,843,001
• Sociedad Gestora’s commission	76,630.00	12,750,159
• Bond marketing and underwriting commissions	275,790.00	45,887,595
<b>Total expenses</b>	<b>524,128.19</b>	<b>87,207,593</b>

**II.15 Whether or not any special guarantees exist on the mortgage share certificates which are combined in the fund or on the securities being issued against the same which might have been granted by any of the entities involved in the securitization process under the protection of this prospectus.**

There are no special guarantees on the Bonds which are being issued against the Fund or on the Mortgage Share Certificates which are combined therein, with the exception of the undertakings of the Endorsing Institutions issuing the Mortgage Share Certificates which are detailed in following and under Paragraph IV.1 of this Prospectus.

**Guarantees of the Institutions issuing the Mortgages Share Certificates.**

The Endorsing Entities, CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA, who are issuing the Mortgage Share Certificates shall undertake the following in the Fund Charter and throughout the full length of time which the Mortgage Share Certificates remain in effect:

- (1) To replace each and every one of the Mortgage Share Certificates resulting from the Shared Mortgage Loans which are not in keeping on that date with the statements included under Paragraph IV.1,a) as a result of the Shared Mortgage Loan failing to do so with other mortgage share certificates of similar characteristics for the remaining length of time, interest rate, outstanding principal value and credit quality in accordance with that which is set forth under Paragraph IV.1, d) of this Prospectus. In the event that this were not to be possible, the Endorsing Institutions undertake to carry out the early amortization of the Mortgage Share Certificate in question by paying back, in cash, the outstanding principal, the outstanding accrued interest, in addition to any other sum which might be owed to the Fund up to that point in time in accordance with that which is set forth under Paragraph IV.1, d) of this Prospectus.
- (2) Likewise, without dismissing the possibility of that which has been stated under Paragraph IV.1, a), the Endorsing Institutions guarantee that if any of those who have taken out the mortgages in question were to hold any credit privilege over the Endorsing Institutions and were to proceed to exercise the same by offsetting said credit against the debt stemming from a Shared Mortgage Loan, they shall inform the Sociedad Gestora thereof and shall deposit a sum equal to that which was offset and which would have been due to the Fund in favor thereof into whatever bank account may be designated or opened thereby for this purpose.

**II.16 Law governing the circulation of securities, making special mention as to whether or not any restrictions exist on the free transferability thereof or a mention of the fact that such restrictions do exist.**

The Bonds comprising the object of this issue are not subject to any restrictions on the free transferability thereof, which shall be carried out in compliance with whatever statutory provisions may be applicable thereto and that for which provision is made under Paragraphs II.4.1, II.5 and II.17 of this Section.

**II.17 Official secondary markets for which the commitment has been made of requesting the listing of the securities for trading and specific deadline by which this application and the other documents necessary for proceeding to the listing thereof is to be filed.**

In accordance with Article 5.9 of Law 19/1992, the Sociedad Gestora shall immediately request the execution of the Charter, and once the Bonds have been paid up, the inclusion of this Bond issue in AIAF Mercado de Renta Fija (Bond Market), which is recognized as being an official secondary securities market in accordance with that which is set forth under Transitory Provision Six of Law 37/1998 of November 16 in reform of the Securities Market Act. The Sociedad Gestora undertakes to the final listing for trading taking place within the three months immediately subsequent to the Payment Date.

The Sociedad Gestora expressly spreads upon the record that the requirements and conditions which are required for the listing, continued listing and exclusion of the securities on the AIAF according to the laws in force and the requirements of the governing bodies are known, the Fund taking upon itself, through the Sociedad Gestora thereof, to fulfill the same.



In the event that the aforesaid time period were to elapse without the Bonds being listed for trading on the AIAF, the Sociedad Gestora shall immediately proceed to inform the holders of the Bonds thereof, as well as of the reasons having given rise to said non-compliance, all of which shall be in accordance with that for which provision is made under Paragraph III.5.3 of the Prospectus. All thereof shall be without dismissing the possibility of the Sociedad Gestora possibility being held liable for some reason, if any, at some point in the future.

## **II.18 Applications for Subscription or Purchase.**

### **II.18.1 Group of potential investors to whom the securities are being offered, stating the reasons why the investors in question have been chosen.**

The marketing of the Bond issue including both Series is being targeted on institutional investors, be they bodies corporate or estates without any legal status, such as Pension Funds, Investment Trusts, Underwriters or entities such as Credit Associations or Securities Firms which customarily make professional investments in negotiable securities.

The potential investor additionally avails, as a supplement to analysis made thereby proper regarding the quality of the securities which are being offered for subscription by way of this Prospectus, the assessment made by the rating agency Moody's España which is provided under Paragraph II.3 of this Section.

Once the issue has been placed in full and the Bonds have been listed for trading on the official AIAF market, the Bonds can be freely purchased through said market in compliance with the contracting rules by which the same is governed.

### **Effects of the Subscription for the Holders of the Bonds.**

The subscription of the Bonds involves each individual Bondholder accepting the terms of the Charter.

### **Tranches.**

Each one of the Series is comprised exclusively of one marketing tranche.

### **II.18.2 Competency of the Bonds.**

The Bonds comprising this issue are considered as follows with regard to the legal aspects thereof for the purposes of being subscribed of certain investors:

- (i) The "A" Bonds are weighted at 50% of the current ratio the Credit Associations and the Security Firms and Agencies must keep in accordance with that which is set forth under the Ministerial Order of December 30, 1992 and the Ministerial Order of December 29, 1992, respectively.

The CNMV, (the Securities and Investments Board) has awarded the "A" Bonds the weight to which reference is made in the immediately preceding paragraph hereinabove on the date on which this Prospectus was registered in view of the following factors: (i) that the Shared Mortgage Loans for the issue of Mortgage Share Certificates combined in the Fund have been conveyed with a first mortgage

guarantee on residential homes located in Spain; (ii) that the Shared Mortgage Loans and the Mortgage Share Certificates fulfill the requirements set forth under the laws in force regarding the regulation of the Mortgage Market; (iii) that the principal of each one of the Share Mortgage Loans not total over eighty percent (80%) of the appraised value of the pertinent home mortgages in guarantee; (iv) the statements made by the Endorsing Institutions which are set out in Section IV of this Prospectus; (v) the rating granted by Moody's España as an assessment of the credit risk involved in the Bonds as stated under Paragraph II.3 of this Section.

- (ii) The "B" Bonds are not weighted at 50% in the current ratio of the Credit Associations and the Securities Firms and Agencies to which reference is made in the Orders of which mention is made in the immediately preceding paragraph hereinabove.
- (iii) To be apt for the investment of the underwriting companies in fulfillment of the actuarial reserve-related obligations thereof in accordance with Article 50.5 of the Regulations for the Ordinance and Supervision of Private Underwriting approved by virtue of Royal Decree 2486/1998 of November 20, 1998.
- (iv) To be apt for the investment of the Actuarial Reserve Fund of the Mutual Insurance Associations in accordance with Law 1/1994 of March 11, 1994 governing the Legal System of Mutual Insurance Associations, and Royal Decree 2345/1996, of November 8, 1996, regarding the government licensing regulations and solvency requirements for Mutual Insurance Associations.
- (v) To be apt for the investment of the Pension Funds in accordance with that which is set forth under Article 34 of Royal Decree 1307/1988, of September 30, 1988, by virtue of which the Pension Plan and Fund Regulations were passed.
- (vi) To be apt for the investment of the Investment Trust Assets in compliance with the special regulations set forth for each one thereof under Articles 4, 10, 18, 25 of Law 46/1984, of December 26, 1984 regulating Investment Trusts and in the further regulatory expansion thereupon.

### **II.18.3 Subscription or Acquisition Period.**

The subscription period (the "Subscription Period") shall commence at 12 o'clock noon on the same day on which the announcement of the chartering of the Fund and of the issuing of the Bonds is published in the manner for which provision is made under Paragraph III.5.3, b)-1 of the Prospectus or on the first Business Day immediately thereafter in the event that the day on which the announcement was published were not a Business Day, and shall end at 11 o'clock in the morning of the closing date for payment or subscription.

### **II.18.4 Where and through whom can the subscription or acquisition be processed?.**

In order for the subscription applications to be taken into consideration, they must be made within the Subscription Period set forth under the immediately preceding paragraph hereinabove through the BANCO COOPERATIVO and SOCIETE GENERALE Spanish offices, and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG, in their capacity as underwriters and placers of the Bond issue (referred to hereinbelow as the "Underwriting and Placement Entities") in accordance with the procedures which are set forth in following under this paragraph.

The subscription or holding of Bonds in one Series does not infer the subscription or holding of Bonds in another Series.

**II.18.5 Time and Form of Payment.**

The investors to whom the Bonds have been awarded must pay the pertinent Underwriting and Placement Entity, on February 28<sup>th</sup> 2000, (the Payment Date), before 12 o'clock noon Madrid time, the issue price (100% of the nominal value thereof), at the value of that same date, pertinent to each Bond awarded for subscription.

Each Underwriting and Placement Entity shall in turn pay BANCO COOPERATIVO, in its capacity as Collection Agent, before 1 o'clock pm on the Payment Date, at the value of that same date, the total amount of the subscription of the Bonds underwritten thereby after deducting the full amount of the pertinent underwriting and marketing commission.

**II.18.6 Form and deadline for furnishing the subscribing parties with copies of the subscription bulletins or tentative receipts, specifying the trading prospects thereof and the maximum period of validity.**

Each Underwriting and Placement Entity shall furnish those subscribing the Bonds with a document standing as proof of the subscription thereby of the Bonds awarded and of the total cash amount which had been paid for said subscription within fifteen (15) days immediately subsequent to the Payment Date.

Said document of proof shall not be negotiable and shall be valid for warranting the subscription of the Bonds in question until the point in time at which the entry on the accounting records is made as is specified under Paragraph II.5 of this Prospectus.

**II.19 Placement and Award of the Securities:**

Each Underwriting and Placement Entity shall discretionary proceed to the acceptance or denial of the subscription applications received by them, always ensuring that no discriminatory treatment occurs among applications having similar features. Without prejudice to the foregoing, the Underwriting and Placement Entities may give priority to applications from its clients that it deems most appropriate. Said applications shall not constitute firm subscription orders until they are confirmed by the relevant investor or client and accepted by the relevant Underwriting or Placement Entity, once the Subscription Period has begun.

Each Underwriting and Placement Entity undertakes to subscribe, in its own name, the number of Bonds necessary to round out the figure to which the underwriting commitment totals as is calculated under Paragraphs II.19.1 of this Section at the lapse of the Subscription Period.

**II.19.1 Firms involved in the aforesaid placement or marketing, mentioning the different duties thereof and providing a specific description thereof. Overall amount of the commissions covenanted among the different marketing firms and the Sociedad Gestora.**

The marketing of the Bonds will be done by the following Underwriting and Placement Entities in the total amounts underwritten by each one thereof as detailed in following:

Underwriting and Placement Entities	Nominal Amount Underwritten (euros)			
	Bonds Series A		Bonds Series B	
	Number	Nominal	Number	Nominal
• SOCIÉTÉ GÉNÉRALE, Office in Spain	951	95,100,000		
• DG BANK Deutsche Genossenschaftsbank AG	951	95,100,000		
• BANCO COOPERATIVO ESPAÑOL, S.A.			98	9,800,000
<b>Total</b>	<b>1,902</b>	<b>190,200,000</b>	<b>98</b>	<b>9,800,000</b>

Each one of the Underwriting and Placement Entities for the Bond issue in question shall be paid an underwriting and marketing commission on the total nominal amount of the Bonds in the Series underwritten thereby by virtue of the Management, Underwriting and Placement Contract, of 0.145% on the “A” Bonds and of 0% on the “B” Bonds. The payment of the aforesaid commission shall be charged to the Fund.

**II.19.2 Issue Managers.**

BANCO COOPERATIVO, SOCIETE GENERALE AND DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG shall be involved in the underwriting and marketing of the Bond issue in question as Managers, the declaration of each being detailed below, signed by the person with the pertinent authority, containing statements to which reference is made in the CNMV (Securities and Investments Board ) Circular 2/1994 dated March 16<sup>th</sup>, by virtue of which approval was rendered of the format of the Prospectus for the chartering of Mortgage Securitization Funds being transcribed hereinbelow:

**BANCO COOPERATIVO Statement.**

*We, Mr. Moisés Menéndez Andrés and Mr. Ignacio Benlloch Fernández-Cuesta, acting in the name and on behalf of BANCO COOPERATIVO ESPAÑOL, S.A., whose domicile is in Madrid, at Calle Virgen de los Peligros, No 6, vested with the due powers for this purpose, with regard to the chartering of RURAL HIPOTECARIO I FONDO DE TITULIZACION HIPOTECARIA for the amount of two hundred million (200,000,000) euros, the notification of which for verification and registry with the CNMV (Securities and Investments Board) was filed on December 2<sup>nd</sup> 1999, in compliance with Item 11.19.2 of CNMV Circular 2/1994, of March 16, 1994, by virtue of which approval was rendered of the format of the Prospectus for the Chartering of the Mortgage Securitization Funds, do hereby*

**DEPOSE**

*. That the checks required to ensure the quality and sufficiency of the information included in the Prospectus have been conducted.*

*. That, according to said checks, no circumstances have been found to exist which contradict or alter said information, nor have any facts or items of data of importance which may be relevant for investors been omitted therefrom.*

*And so that it may be spread upon the record for the fitting purposes, I hereby make this deposition in Madrid on February 8<sup>th</sup> 2000.*

**SOCIÉTÉ GÉNÉRALE Statement.**

*We, Mr. Arturo David Alonso Pérez and Mr. Demetrio Salorio Simonet, acting in the name and on behalf of SOCIETE GENERALE Spanish Office, whose domicile is in Madrid, Calle Genova, at No 26 , vested with the due powers for this purpose, with regard to the chartering of RURAL HIPOTECARIO I FONDO DE TITULIZACION HIPOTECARIA in the amount of two hundred million (200,000,000) euros, the notification of which for verification and registry with the CNMV (Securities and Investments Board) has been was filed on December 2<sup>nd</sup> 1999, in compliance with Item 11.19.2 of CNMV Circular 2/1994, of March 16, 1994, by virtue of which approval was rendered of the format of the Prospectus for the Chartering of the Mortgage Securitization Funds, do hereby*

**DEPOSE**

*. That the checks required to ensure the quality and sufficiency of the information included in the Prospectus have been conducted.*

*. That, according to said checks, no circumstances have been found to exist which contradict or alter said information, nor have any facts or items of data of importance which may be relevant for investors been omitted therefrom.*

*And so that it may be spread upon the record for the fitting purposes, I hereby make this deposition in Madrid on February 9<sup>th</sup> 2000.*

**DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG Statement.**

*We, Mr. Uwe Engel and Mrs. Gabriele Templin, acting in the name and on behalf of DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG, whose domicile is in Frankfurt am Main, vested with the due powers for this purpose, with regard to the chartering of RURAL HIPOTECARIO I FONDO DE TITULIZACION HIPOTECARIA in the amount of two hundred million (200,000,000) euros, the notification of which for verification and registry with the CNMV (Securities and Investments Board) was filed on December 2<sup>nd</sup> 1999, in compliance with Item 11.19.2 of CNMV Circular 2/1994, of March 16, 1994, by virtue of which approval was rendered of the format of the Prospectus for the Chartering of the Mortgage Securitization Funds, do hereby*

**DEPOSE**

*. That the checks required to ensure the quality and sufficiency of the information included in the Prospectus have been conducted.*

*. That, according to said checks, no circumstances have been found to exist which contradict or alter said information, nor have any facts or items of data of importance which may be relevant for investors been omitted therefrom.*

*And so that it may be spread upon the record for the fitting purposes, I hereby make this deposition in Madrid on February 15<sup>th</sup>, 2000.*

*Photocopies of the letters from BANCO COOPERATIVO, SOCIETE GENERALE and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG, in which they make their declarations, are attached as Annex VI.*

BANCO COOPERATIVO, SOCIETE GENERALE and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG, as Managers, will receive no remuneration whatsoever for this duty.

**II.19.3 Underwriters for the issue in question, including a description of the characteristics of the relationship or Management, Underwriting and Placement Contract, guarantees required of the issuing or offering firm, types of risks undertaken, type of consideration to which the underwriter is obligation in the event of noncompliance in addition to other relevant aspects.**

The Sociedad Gestora, acting in the name and on behalf of the Fund, shall make a Management, Underwriting and Placement Contract for the Bond issue in question with BANCO COOPERATIVO ESPAÑOL, S.A., SOCIETE GENERALE and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG, by virtue of which the aforesaid Entities shall proceed to the marketing of the Bond issue in its entirety, and upon the lapse of the Subscription Period, to subscribe, in their own name, the number of Bonds which were to be pending subscription by virtue of the underwriting commitment made thereby.

The Underwriting and Placement Entities for the Bond issue in question undertake the obligations set forth under the Management, Underwriting and Placement Contract, which are basically as follows: a) commitment to subscribe the Bonds which had not be subscribed by the lapse of the subscription period up to the stipulated amounts; 2) payment to the Collection Agent by 1:00 p.m. on the Payment Date, at the value of that same date, of the full amount of the subscription of the Bonds underwritten by each one thereof, less the total amount of the underwriting and marketing commission earned thereby, the Collection Agent proceeding to pay into the Fund, by 2:00 p.m. on that same date, at the value of that same date, the total amount for the subscription of the Bond issue in question, less the total amount of all of the Management and underwriting and marketing commissions; 3) commitment of paying interest on arrears covenanted in the Contract for the case of delinquency with regard to the amounts due; 4) the furnishing to the subscribers of a document standing as proof of the subscription and 5) other aspects governing the underwriting of the marketing of the Bonds in question.

**II.19.4 Apportionment in the Placement Process, modality thereof, scheduled date, form in which the results thereof are to be publicized and, were the case to be, the return to the applications of the sums paid in excess of the full amount of the securities awarded, in addition to any clearing of interest which they may have coming to them.**

Not applicable.

**II.20 Time period and form planned for furnishing those subscribing the certificates or the documents standing as proof of the subscription of the securities.**

The Bonds, represented by means of book entries, shall be constituted as such by virtue of the recording thereof on the pertinent accounting records in accordance with that which is set forth under the Account Memorandum Royal Decree in compliance with the standard deadlines and procedures set forth by the entity in charge thereof, that is, the Servicio de Compensación y Liquidación de Valores, S.A (the Share Clearing and Settlement Service).

Each Underwriting and Placement Entity shall furnish those subscribing the Bonds with a document standing as proof of the subscription on the part thereof of the Bonds awarded and the cash amount which they had paid out for said subscription within the two-week period immediately subsequent to the Payment Date.

**II.21 National legislation under which the securities are being set up and indication as to the competent jurisdictional bodies in the event of litigation.**

The process of chartering the Fund and issuing the Bonds is subject to the laws of Spain in accordance with that which is set forth under Law 19/1992 of July 7, 1992 governing Real-Estate Investment Trusts and Companies and Mortgage Securitization Funds, Law 24/1988, of July 28, 1988 governing the Securities Market, exactly as amended by virtue of Law 37/1998, of November 16, 1998, and in accordance with that for which provision is made under Royal Decree 291/1992, of March 27, 1992, governing Public Issues and Offerings for Securities exactly as amended by virtue of Royal Decree 2590/1998, of December 7, 1998 governing the modification of the legal system of securities markets, in addition to the Order of July 12, 1993 governing Prospectuses and Other Further Expansions upon Royal Decree 291/1992, of March 27, 1992, and CNMV Circular 2/1994 of March 16, 1994.

Cognizance shall be taken of all of the matters, disputes, litigation and claims which might arise out of the chartering, management and legal representation on the part of the Sociedad Gestora of RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA and of the issue of Bonds against the same and shall be ruled upon by the Courts and Tribunals of the capital city of Madrid, with a express waiver of any other jurisdiction which might have province thereover.

The Charter shall be governed and interpreted in accordance with the laws of Spain.

**II.22 Personal taxation on the income earned on the securities offered, making a distinction between resident and non-resident subscribers.**

A brief statement is provided in following as to the tax system applicable to the investments resulting from the offering in question, for which purpose exclusively the State legislation in effect and whatever aspects of a general nature that may have a bearing on investors is taken into account, which must take into account both their possible special tax situations as well as the rules of law applicable nationwide and those of the legislation in force at the point in time at which the pertinent earnings are made and declared.

Given that this offering shall be represented by book entries, and application shall be made for the admission thereof for trading and listing on an official Spanish secondary securities market, these circumstances being relevant when calculating the taxation thereof, it has been assumed that these conditions will bear out.

Likewise, it has been considered that the Bonds, at the point in time at which they are issued, shall be considered as being financial assets having an explicit yield whenever this rating is of tax-related importance.

The withholdings, rates and taxes which have been stipulated or which may be stipulated under law in the future on the principal, interest or yield of the Bonds in question shall be paid by the holders thereof, and the total amount thereof shall be deducted, were the case to be, by the Sociedad Gestora in the manner for which provision is made under law.

Throughout the life of the Bonds, the tax system governing the same shall be that which stems from the laws in force at each given point in time.

## **II.22.1 Individuals or Bodies Corporate Who Are Legal Residents in Spain.**

### *Personal Income Tax.*

The yields earned by the holders of the Bonds who are taxpayers obligated to pay the Personal Income Tax (IRPF) on both interest as well as on the transfer, repayment or amortization thereof shall be considered to be returns on invested capital earned as a result of the assignment to third parties of equity capital in the terms of Article 23.2 of Law 40/1998, of December 9, 1998, governing the Personal Income Tax and other Tax Regulations.

The yields which are made under the heading of interest shall be subject to an 18% withholding on account of the Personal Income Tax of whomever is paid the same in accordance with that for which provision is made under Royal Decree 214/1999 of February 5, 1999, by virtue of which the Personal Income Tax Regulations (RIRPF) was passed.

No obligation exists of withholding on the earning stemming from the transfer or amortization of the Bonds unless this be done within the thirty days immediately prior to the expiration of the coupon in favor of (i) a person or entity who is not a legal resident in Spain, whenever there is no obligation of withholding on the coupon paid to this type of acquirers, or to (ii) a taxpayer of the Corporation Tax.

### *Corporation Tax.*

The earnings both in the form of interest and as the result of the transfer, repayment or amortization of the Bonds which are made by entities that are considered to be obligated to pay the Corporation Tax shall be included in the tax base in the manner for which provision is made under Title IV of Law 43/1995, of December 27, 1995, governing the Corporation Tax.

The aforesaid earning shall be exempt from withholding in accordance with that which is set forth under Article 57.q) of Royal Decree 537/1997, of April 14, 1997, by virtue of which the Corporation Tax Regulations amended as worded under Royal Decree 2717/1998, of December 18, 1998 were passed. Notwithstanding the above, and in accordance with Ministerial Order of December 22, 1999, the procedure to make effective the withholding on account exclusion shall be subjected to the following requirements:

1. The Sociedad Gestora, acting on the account and on behalf of the Fund as issuing entity, shall pay the depository entities, through the Paying Agent, the net amount resulting from the application of the then current general withholding to the total amount of the interests.



2. Before the tenth day of the month following the month of expiration of each coupon, the depository entities shall furnish the Sociedad Gestora or the Paying Agent a detailed record of the bond holders individuals obligated to pay this Tax with their personal data, the number of securities held on the expiration date of each coupon, the gross income and the withheld amounts.
3. The Sociedad Gestora, as soon as it receives the aforesaid record, shall immediately pay, through the Paying Agent, the depository entities the amounts withheld to those individuals obligated to pay this Tax.
4. The depository entities shall immediately pay this withheld amounts to the Bond holders individuals obligated to pay this Tax.

## **II.22.2 Individuals or Bodies Corporate Who Are Not Legal Residents in Spain.**

The yields earned by the holders of the Bonds in question who are taxpayers obligated to pay the Non-Resident Personal Income Tax both on the interest as well as on the transfer, repayment or amortization thereof shall be considered as earnings made in Spain, with or without permanent establishment, under the terms of Article 11 of Law 41/1998 of December 9, 1998 governing Non-Resident Income and Tax Regulations.

### *Income Made Through Permanent Establishment.*

The yields on the Bonds which are earned through a permanent establishment in Spain shall be taxed in accordance with the regulations set forth under Section III of the aforesaid Law 41/1998 without detriment to that which is set forth under the Agreements to prevent double taxation signed by Spain which might stipulate the non-taxation of the pertinent earnings or, were the case to be, the levying of lower rates. The aforesaid yields shall be subject to withholdings on account of the Non-Resident Income Tax in the same cases and under the same conditions as has been mentioned for those taxpayers obligated to pay the Resident Corporation Tax in Spain.

### *Income Made Without the Involvement of Any Permanent Establishment.*

The yields on the Bonds which are earned by individuals or entities who are not legal residents in Spain who are doing business without any permanent establishment shall be taxed in accordance with the rules of law set forth under Section IV of the aforesaid Law 41/1998, the following aspects of the system of which can be pointed out without dismissing the possibility of that which is set forth under the Agreements to prevent double taxation which have been signed by Spain may determine the non-taxation of the pertinent earnings or, were the case to be, the levying of lower rates:

- The tax base shall be calculated as the full amount of the yield earned, calculated in accordance with the rules of law set out under Law 40/1998, none of the reductions set forth under said Law being applicable thereto.
- In the event of transfer, repayment or amortization, the incidental costs of acquisition and alienation shall be taken into account for calculating the yield insofar as they are appropriately warranted. The tax in question shall be paid separately for each full or partial accrual of yield taxable, it not being possible for any offsetting to be done among the same.
- The Tax shall be calculated by applying the general 25% rate to the tax base.

- The aforesaid earnings shall be subject to withholding on account of the Non-Resident Income Tax, except in those cases in which proof is provided of the payment of the Tax or the admissibility of the exemption therefrom.

The amount withheld shall be equivalent to the Tax due and payable in accordance with the criteria set forth hereinabove.

The yield earned on the Bond issue by individuals or entities who are not legal residents in Spain and who are doing business, for these purposes, without any permanent establishment, shall be exempt whenever the collector thereof is a resident of another member National of the European Union.

In no case shall this exemption be applicable when the earnings are made through the countries or territories termed under the pertinent regulations as being tax havens.

The earnings resulting from the transfer of said securities on official Spanish secondary securities markets which are made by non-resident individuals or entities without the involvement of any permanent establishment on Spanish soil who are residents of a State which has signed an agreement with Spain for the purpose of preventing double taxation in which a clause has been included for the exchange of information shall also be exempt.

For the purposes of applying the tax exemption or the lowering of tax rates set forth under the double taxation Agreements, the non-resident holders of the Bonds in question must furnish the Collection Agent or the Sociedad Gestora with proof, prior to the Due Date, of (i) the residence thereof for tax-related purposes by means of the submittal of the residence certificate issued by the pertinent Tax Authorities, taking into account that said certificate is valid throughout a six-month period, (ii) a certification by the depository entity with the identificative data of the holders, the number of securities held on the expiration date of each coupon and the applicable gross income and (iii) a copy of the tax declaration realised for or on behalf of the non-resident holder, sealed by the State Tax Agency, whereas the exemption or reduction is accredited, as applicable.

In the event of not being able to provide proof, for these purposes, of the tax residence, the interest and capital gains earned on the Bonds by the non-resident bondholders shall be subject to taxation under the aforementioned general system, although they may request the refund of the surplus withholding and taxation by means of the procedure for which provision is made under the laws in force.

### **II.22.3 Indirect Taxation on the Transfer of the Bonds.**

The transfer of securities is exempt from the Security Issue and Transfer Tax and the Value Added Tax.

### **II.22.4 Net Worth Tax.**

The individuals obligated to pay this Tax as a personal obligation who are holders of Bonds on December 31 each year shall include said Bonds within the Tax Base for this Tax at the average trading value thereof for the fourth quarter each year.

The non-resident individuals who are obligated to pay this Tax as a result of a real obligation shall likewise be obligated to pay the Net Worth Tax, with the exception of that for which provision is made in Agreements to

prevent double taxation. Nevertheless, the residents of other countries in the European Union shall be exempt with regard to those Bonds the yields of which are exempted from the Non-Resident Income Tax under the terms set forth hereinabove.

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

The transfer of the Bonds as a result of death or a gift to individuals shall be subject to the general regulations governing the Gift and Inheritance Tax. For those cases in which the beneficiary were a Company, the income made shall be levied in accordance with the regulations governing the Corporation Tax.

#### **II.23 Purpose of the Transaction.**

The net total of the Bond issue shall be allocated in full to the payment of the price of the acquisition of the Mortgage Share Certificates issued by CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA which are combined in the assets of the Fund.

Apart from the above, the “A” and “B” Bonds fulfill all of the requirements set forth with regard thereto in order to be accepted as guarantees of transactions with the Central Bank of Europe.

#### **II.24 Entities which, were the case to be, have undertaken to take part in the secondary trading, providing liquidity by means of the offering of balancing items, stating the scope of the involvement thereof and how this shall be done.**

No commitments have been made with any entity for involvement on the secondary Bond market by furnishing liquidity by means of the offering of balancing items.

#### **II.25 Individuals or bodies corporate who have had some major involvement in the design or consulting regarding the chartering of the fund or in any of the major information included in the prospectus, including, were the case to be, the underwriting of the Bonds marketed:**

##### **II.25.1 Listing of both individuals and bodies corporate.**

- a) The financial design of the Fund and the Bond issue has been carried out by EUROPEA DE TITULIZACIÓN, S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- b) J&A GARRIGUES ANDERSEN Y CIA, S.R.C., as an independent legal advisor, has provided the local counseling for this transaction.
- c) CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA are the Endorsing Institutions for the Shared Mortgage Loans through the issue of the Mortgage Share Certificates subscribed in full by the Fund at the chartering thereof.

- d) BANCO COOPERATIVO ESPAÑOL, S.A., SOCIETE GENERALE AND DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG are involved as Managers of the underwriting and marketing of the Bond issue in question.
- e) BANCO COOPERATIVO ESPAÑOL, S.A., SOCIETE GENERALE AND DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG are involved as Underwriting and Placement Entities for the Bond issue in question.
- f) BANCO COOPERATIVO ESPAÑOL, S.A. is involved as the Collection Agent for the Bond issue in question.

**II.25.2 Statement of the person responsible for the Prospectus on behalf of the Sociedad Gestora as to whether it is aware of the existence of any type of connection (political, labor-related, family or other type of rights) or of economic interests on the part of said experts, advisors and well as other entities involved both the Sociedad Gestora per se as well as with the former owners of the assets (Shared Mortgage Certificates) acquired by the Fund.**

*“I, MARIO MASIÁ VICENTE, acting in the name and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, whose domicile is located in Madrid, at No.120. Calle Lagasca., with regard to the chartering of the Fund RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA, in the amount of two hundred million (200,000,000) euros (33,277,200,000 Ptas.), the notification for verification and registry with the Comisión Nacional del Mercado de Valores has been filed on December 2<sup>nd</sup> 1999, in compliance with that which is set forth under Item II.25.2 of Circular 2/94 of March 16, 1994 issued by the CNMV (Securities and Investments Board), by virtue of which the format of the Prospectus for the chartering of the Mortgage-Backed Securities Funds is approved (in further expansion of the Order of July 12, 1993, which , in turn, further expands upon Royal Decree 291/92, o March 27, 1992), do hereby*

**DEPOSE**

*That BANCO COOPERATIVO ESPAÑOL, S.A., the Manager and Underwriting and Placement Entity holds a 0.77% interest in the capital stock of the Sociedad Gestora.*

*That CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA, Endorsing Institutions, hold a joint 21.47% interest in the capital stock of BANCO COOPERATIVO ESPAÑOL, S.A.*

*And that no other types of connection or economic interest exists on the part of the experts who have taken part in the design or consulting regarding the chartering of the Fund or of any major information included in the Prospectus, nor with the Sociedad Gestora per se nor with the Endorsing Institutions issuing the Mortgage Share Certificates.”*

**II.25.3 Statements of the Endorsing Entities.**

Mr. Ángel Lirola Suárez, on behalf of CAJA RURAL DE ALMERÍA, Sociedad Cooperativa de Crédito, Mr. Mariano Miguel Velasco, on behalf of CAJA RURAL DE MÁLAGA, Sociedad Cooperativa de Crédito, Mr.

Alberto Ugarte Alberdi, on behalf of CAJA RURAL DE NAVARRA, Sociedad Cooperativa de Crédito and Mr. José Luis Ayora Ibáñez, on behalf of CAJA RURAL VALENCIA, Sociedad Cooperativa de Crédito, declare that the checks required to ensure the quality and sufficiency of the information included in the Prospectus regarding each of these entities and of the Mortgage Share Loans subject of the issue of the Mortgage Share Certificates assigned by these said entities to RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA, have been conducted. Furthermore, they declare that, according to said checks, no circumstances have been found to exist which contradict or alter said information, nor have any facts or items of data of importance which may be relevant for investors been omitted therefrom. The letters of the Endorsing Entities containing these declarations are attached as Annex VII.

<b>SECTION III</b>
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**GENERAL INFORMATION ON THE MORTGAGE SECURITIZATION FUND**

**III.1 Legal Background and Purpose of the Fund.**

The chartering of the Fund and the issuing of the Bonds against the same come under the protection of Law 19/1992 of July 7, 1992 governing Real-Estate Investment Trusts and Companies System and Mortgage Securitization Funds.

This Fund, in accordance with Article 5.1 of Law 19/1992 is a separate, closed estate having no legal status which shall be comprised at the point in time of the chartering thereof, as far as the assets thereof are concerned, by the Mortgage Share Certificates combined therein and, as far as the liabilities thereof are concerned, by the Bonds, such that the net worth of the Fund will be nil.

The Mortgage Share Certificates issued on the Shared Mortgage Loans comprising the assets of the Fund are regulated by Law 2/1981, of March 25, 1981 governing the mortgage market, and by Royal Decree 685/1982, of March 17, by virtue of which certain aspects of Law 2/1981 were further expanded upon.

This Fund is being chartered for the purpose of serving as a vehicle for subscribing the Mortgage Share Certificates issued by CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA, to combine the same and to issue the Bonds against the same.

**III.2 Full name of the fund and abbreviated or commercial name, if any, planned for the identification thereof or of the securities thereof on the secondary markets.**

The name of this Fund is “RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA”, and for the identification thereof, either one of the following abbreviated names may also be used:

- RURAL HIPOTECARIO I FTH
- RURAL HIPOTECARIO I F.T.H.

The chartering of this Fund and the issue of the Bond entails the prerequisite of the verification and registration thereof with the Official Registries of the Comisión Nacional del Mercado de Valores in accordance with that which is set forth under Article Five, Paragraph Three of Law 19/1992 and Articles 26 and those in following of the Securities Markets Act.

Subsequent to the date of verification and registry of this Prospectus by the Comisión Nacional del Mercado de Valores and prior to the point in time at which the Bond Subscription Period commences, the Sociedad Gestora, in conjunction with CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA, as institutions issuing the Mortgage Share Certificates to be subscribed by the Fund, shall proceed to the execution of the public instrument for the chartering of

RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA, issue and subscription of the Mortgages Share Certificates and issue of the Mortgage Securitization Bonds under the terms for which provision is made under Law 19/1992.

The Charter according to Law 19/1992 shall render the effects for which provision is made under Article 6 of the Securities Markets Act, and it shall therefore be the instrument for the issue of the Bonds and the instrument in which the representing of the Bonds by means of book entries is spread upon the record.

The Charter, in accordance with Article Five, Paragraph Three of Law 19/1992, shall not be subject to registry with the Trade Registry.

### **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 undertaken by the Sociedad Gestora with regard to the management and legal representation of the Fund and that of the holders of the securities issued against the same.**

In accordance with Article Five, Paragraph Two, of Law 19/1992, the management and legal representation of the Fund shall fall to the Sociedad Gestora under the terms for which provision is made under Law 19/1992, in Royal Decree 926/1998 and other applicable regulations without dismissing the possibility of that which is set forth under the Charter. The Spanish Ministry of Finance authorized the setting up of the Sociedad Gestora as a management company for Mortgage Securitization Funds on December 17, 1992. Subsequently, on October 25<sup>th</sup> 1999, authorization was received for their transformation into a Sociedad Gestora for Securitization Funds. Likewise, it has been registered in the special registry opened for this purpose by the Comisión Nacional del Mercado de Valores under Number 2. The information on the Sociedad Gestora is included under Section VI of this Prospectus.

In accordance with that which is set forth under Article Six, Paragraph I of Law 19/1992, the representation and defense of the interests of the holders of the Bonds falls to the Sociedad Gestora in its capacity as a manager of the business dealings of others.

Therefore, the Sociedad Gestora must at all times safeguard the interests of the holders of the Bonds by subjecting its actions to the defense thereof and by complying with whatever provisions may be set forth under the regulations passed for this purpose. The holders of the Bonds shall not be entitled to take an action against the Sociedad Gestora of the Fund other than due to default on its duties or failure to comply with that which is set forth under the Charter.

The Sociedad Gestora shall inform the Bondholders with regard to all those circumstances which might be of interest thereto by means of the publication of the fitting announcements under the terms which are set forth under Section III.5.2 and Section III.5.3 of the Prospectus.

#### **Measures of the Sociedad Gestora.**

The measures which the Sociedad Gestora must take in order to fulfill its duty of the management and legal representation of the Fund are, on a merely illustrative basis, without dismissing the possibility of other measures for which provision is made under this Prospectus, as follows:

- (i) To exercise the rights inherent to the ownership of the Mortgage Share Certificates subscribed by the Fund and, in general, to carry out all of the acts of management and disposal which may be necessary in order to properly perform the management and legal representation of the Fund.
- (ii) To ensure that the total amount of the deposits which the Fund actually receives tallies with the sums which must be paid into the Fund in accordance with the conditions of each Mortgage Share Certificate and with the conditions of the different contracts.
- (iii) To validate and monitor the information which is received from the Administrators regarding the Shared Mortgage Loans regarding both the collection of the regular quotas, prepayment of principal, payments received of unpaid quotas and status and monitoring of unpaid sums.
- (iv) To calculate the funds available and the movements of funds which must be made, following the allocation thereof, in accordance with the pertinent marshaling of payments, ordering the transfers of funds among the different asset and liability accounts and the pertinent instructions for payment, including those assigned for fulfilling the requirements of the debt service regarding the Bonds.
- (v) To calculate the interest rates applicable to each one of the Series of Bonds and to each one of the pertinent asset and liability financial transactions.
- (vi) To calculate and settle the sums for interest and commissions which must be collected and paid out by the different financial asset and liability accounts, in addition to the commissions to be paid by the different financial services for which arrangements have been made and the sums pertinent to each one of the Series of Bonds for the repayment of principal and interest.
- (vii) To supervise that the renegotiating, were the case to be, of the terms of the Shared Mortgage Loans is done by the Administrators in accordance with whatever general or specific instructions which had been given thereto by the Sociedad Gestora.
- (viii) To supervise the measures arranged with the Administrators for the recovery of unpaid sums, by issuing instructions, whenever fitting, for them to file for foreclosure and regarding to position to take in the auctioning of real estate. To foreclose on the loan whenever the circumstances so require.
- (ix) To keep the books for the Fund, duly separate from those of the Sociedad Gestora proper, to present the accounts and to fulfil the tax obligations and those of any other legal order which the Fund were to be required to fulfil.
- (x) To furnish the holders of the Bonds issued against the Fund, the Comisión Nacional del Mercado de Valores and the public at large with all of the information and notices for which provision is made under the laws in effect, particularly those included in this Prospectus.
- (xi) In order to make it possible for the Fund to function under the terms for which provision is made in the Charter, in this Prospectus and under the regulations in effect at each given point in time, to renew or modify those contracts which it has signed in the name of the Fund, to replace, were the case to be, each one of those rendering services to Fund by virtue thereof, including, in the event that it were to be necessary, to enter into further contracts, all of which shall be subject to the laws in force at each given



point in time, to the prior authorization, if necessary, of the Comisión Nacional del Mercado de Valores or other competent government agency and to the notification thereof to the rating agency, provided that such measures do not detrimental to the interests of the holders of the Bonds.

- (xii) To designate and replace, were the case to be, the accountant who is conducting the audit of the annual accounts of the Fund.
- (xiii) To prepare and to submit to the Comisión Nacional del Mercado de Valores and to the competent bodies all of the documents and information which must be submitted according to that which is set forth under the regulations in force, in the Charter and in this Prospectus, or which may be required thereof, in addition to preparing and submitting to the rating entity whatever information may be reasonably requested thereof by said entity.
- (xiv) To prepare and notify the holders of the Bonds of the information for which provision is made in this Prospectus, in addition to all other further information which may be required thereof under law.
- (xv) To make the fitting decisions regarding the final settlement of the Fund, including the decision regarding early settlement, in accordance with that for which provision is made under the Charter and in this Prospectus.

In addition to carrying out the aforesaid measures described in a general manner hereinabove, the Sociedad Gestora shall specifically carry out the following measures:

- (i) It shall open a financial account (referred to hereinbelow as the “Treasury Account”) in the name of the Fund, initially with BANKINTER as long as the rating of the short-term debt of said entity does not drop below the P-1 rating according to the scale of Moody’s Investors Service Limited described under Paragraph II.3 of the present Prospectus.
- (ii) In the event that the short-term debt of BANKINTER were to undergo, at any point in time during the life of the Bond issue, any drop in the aforesaid ranking to a position below P-1 according to the rating scale of Moody’s Investors Service Limited, the Sociedad Gestora must put, previous consultation with the Rating Agency, the necessary alternatives of those described in following into practice within the thirty (3) Business Days commencing as of the point in time at which such a situation arises in order to maintain a proper level of guarantee with regard to the commitments resulting from the Guaranteed Interest Rate Deposit Contract:
  - a) To obtain a sight guarantee from a loan association having a credit rating of P-1 or higher which will guarantee the Fund at the mere request of the Sociedad Gestora, the timely payment by BANKINTER of its obligation of repaying the amounts deposited in the Treasury Account throughout the full length of time that the situation of loss of the P-1 rating on the part of BANKINTER continues to exist.
  - b) To obtain collateral security from the Endorsing Institutions, BANKINTER or from a third party in favor of the Fund on financial assets of a credit quality which is not to be any lower than that of the Spanish State in a sufficient amount to guarantee the commitments undertaken in the Contract.
  - c) In the event that alternatives a) and b) hereinabove were not to be possible, it shall transfer the Treasury Account of the Fund to an entity whose short-term debt has at least a P-1 rating and shall contract the highest possible profitability ratio for its balances, which may be different from that

which has been put under contract with BANKINTER by virtue of the Guaranteed Interest Rate Deposit Contract.

- d) In this same situation, and in the event that it were not to be possible to transfer the Treasury Account under the terms for which provision has been made hereinabove, the Sociedad Gestora may reverse the balances, for maximum quarterly assets, in short-term fixed-yield assets in euros or in pesetas issued by entities having a short-term ranking of at least P-1, including short-term securities issued by the Spanish State, it hence being possible, in this case, for the profitability ratio obtained to differ from that obtained initially with BANKINTER by means of the Guaranteed Interest Rate Deposit Contract.
  - e) In both cases c) and d), the Sociedad Gestora shall then transfer the balances back to BANKINTER under the Guaranteed Interest Rate Deposit Contract in the event that the short-term debt thereof once again achieves the P-1 rating according to the aforementioned scale.
- (iii) It shall deposit into the Treasury Account the sums which it receives from the Managers of the Shared Mortgage Loans in the form both of principal and interest and under any other heading which the Fund may have coming to it as a result thereof.
  - (iv) It shall ensure that the sums deposited in the Treasury Account, provided that the short-term debt of BANKINTER continues to hold at least a P-1 rating according to the scale of Moody's Investors Service limited, give the profitability ratio stipulated under the Guaranteed Interest Rate Deposit Contract.
  - (v) It shall calculate, on the Interest Rate Fixing Date, for each subsequent Interest Accrual Period, the nominal interest rate to be charged on each one of the Series of Bonds resulting from the calculation made in accordance with that for which provision is made under Paragraph II.10 and shall publish the same in the manner for which provision is made under Paragraph III.5.3, a).
  - (vi) It shall calculate, on each Determination Date, the principal to be repaid for each one of the Series of Bonds and, in conjunction with the interest accrued in accordance with that for which provision is made under Paragraph II.11.3.2, it shall publish the same in the manner for which provision is made under Paragraph III.5.3, a).
  - (vii) Designate the Funds Available, as well as any other sum in the Treasury Account, available on each date, in compliance with the obligations of payment or retention from the Fund, under the terms and in the Priority of Payments.

#### **Replacement of the Sociedad Gestora.**

The Sociedad Gestora shall be replaced for the management and representation of the Fund in accordance with Articles 18 and 19 of Royal Decree 926/1998 collected below and with whatever provisions may be set forth for this purpose under the pertinent regulations.

*Waiver.*

- (i) The Sociedad Gestora may renounce their duties as manager and legal representative in respect of all or part of the funds which it manages when it so deems pertinent, requesting their replacement, by means of a letter submitted to the CNMV (Securities and Investments Board), in which it will state the designated replacement Management Company. This letter will be accompanied by the letter from the new Management Company, in which this latter will state its willingness to accept such a duty and sets out the pertinent authorization.
- (ii) The authorization of the substitution by the CNMV (Securities and Investments Board) will be contingent on compliance with the following requisites:
  - (a) Delivery to the new Sociedad Gestora of the documents and accounting and computer records by the substituted Sociedad Gestora. This will be accepted as having been carried out when the new Management Company may fully assume their duties and communicate this fact to the CNMV.
  - (b) In the event that the values issued against the funds managed by the Sociedad Gestora have been evaluated by any ratings institution, the corresponding rating should not decrease as a result of the proposed situation.
- (iii) In no case may the Sociedad Gestora waive the exercise of its duties until all of the requirements have been fulfilled and the steps have been taken for the replacement thereof to be able to take over the duties thereof with regard to the Fund.
- (iv) Expenses incurred as a result of the substitution will be the responsibility of the resigning Sociedad Gestora and may not under any circumstances be deducted from the Fund.
- (v) The substitution must be published, within a period of fifteen days, by means of an announcement in two newspapers of national distribution and in the official journal of the organized secondary market, in which the values of the asset-backed securities fund are quoted.

*Enforced Substitution.*

- (i) In the event that the Sociedad Gestora were to be ruled in suspension of payments or bankruptcy, it must proceed to appointing a sociedad gestora as its replacement, in accordance with that set out in the preceding section.
- (ii) Always provided that, in the case described in the previous section, four months have passed since the event determining the replacement in question, and no new management company has been appointed which is willing to take on the pertinent duties, the Fund shall be settled early and the payment of the values issued against the same and of the loans, in accordance with the Public Charter.

The Sociedad Gestora undertakes to execute all those public and private documents which were to be necessary for proceeding to the replacement thereof by another sociedad gestora in accordance with the system for which provision is made under the preceding paragraphs of this Paragraph. The replacement sociedad gestora shall be subrogated in the rights and obligations which, with regard to the Charter and this Prospectus, fall to the Sociedad Gestora. Likewise, the Sociedad Gestora must hand over to the sociedad gestora all of those documents and accounting and computer records regarding the Fund of which it may be in possession.

### **Subcontracting.**

The Sociedad Gestora shall be authorized to subcontract or delegate to third parties of recognized solvency and capacity, the rendering of any of the services which must be performed in its duty of the management and legal representation of the Fund in accordance with that which is set forth under the Charter, provided that the subcontractor or delegate has waived to take any action claiming the liability of the Fund. In any event, the subcontracting or delegation of any service (i) may not entail any additional cost or expense for the Fund, (ii) must be legally possible, (iii) shall not give rise to a downward revision of the rating granted to each one of the Series of Bonds, and (iv) shall be notified to the Comisión Nacional del Mercado de Valores, following the granting, in the event that it were to be legally necessary, of the prior authorization thereof. Despite any subcontracting or delegation, the Sociedad Gestora shall not be exempted or released by way of such a subcontract or delegation of any of the liabilities undertaken thereby by virtue of the Charter which were to be attributable to or demandable thereof under law.

### **III.3.2 Schedule for the Remuneration of the Sociedad Gestora for the Performance of its Duties.**

In payment of the duties to be performed by the Sociedad Gestora, the Fund shall pay a management commission thereto which shall be comprised of:

- (i) Initial commission in the amount of seventy six thousand, six hundred and thirty (76,630.00) euros (12,750,159 Ptas.) to be paid on the Payment Date.
- (ii) Regularly-scheduled commission: equal to 0.035% annual percentage which shall be earned on the number of days which have actually elapsed in each Interest Accrual Period up to the extinguishment of the Fund and shall be paid quarterly on each one of the Due Dates, being calculated on the Outstanding Bond Amortization Principal Balance on the Due Date prior to the current Due Date at the time. The commission earned from the date of the chartering of the Fund up to the first Due Date shall be adjusted proportionally to the number of days which have elapsed between these two dates, being calculated on the basis of the nominal amount of the Bonds issued.

The commission to be paid on any given Due Date shall be calculated using the following equation:

$$C = B \times \frac{0.035}{100} \times \frac{d}{365}$$

where :

*C = Commission to be paid on any given Due Date.*

*B = Outstanding Bond Amortization Principal Balance on the immediately preceding Due Date.*

*d = Number of days elapsed in the accrual period in question.*

In any event, the annual total of this regularly-scheduled commission must not be any lower than fifteen thousand and twenty five (15,025.00) euros (2,449,950 Ptas) or the equivalent thereof in proportion to the actual number of days of which each one of the Interest Accrual Periods is comprised. In the event that the National Consumer Price Index published by the Spanish Institute of Statistics for each calendar year throughout the time that the Fund is in existence were to undergo an upward change, the minimum annual

amount would be revised cumulatively in the same proportion as of the year 2001 inclusive to enter into effect as of January 1 each year.

If on a given Due Date the Fund were not to avail of sufficient funds to pay the aforesaid commission, interest shall be charged on the amount owed and shall be paid on the next Due Date in accordance with the Priority of Payments

### **III.4 Net worth of the fund and brief indication as to the assets and liabilities determining said worth both from the start and once it is in operation.**

In accordance with Article 5.1 of Law 19/1992, the Fund is a separate, closed estate having no legal status which shall be comprised, at the point in time of the chartering thereof, as far as the assets thereof are concerned, by the Mortgage Share Certificates they combine and, as far as the liabilities thereof are concerned, by the Bonds and the Subordinated Loan, such that the net worth of the fund will be nil.

The description, characteristics and price of the issue of the Mortgage Share Certificates which comprise the Fund and of the Shared Mortgage Loans are provided under Section IV of this Prospectus.

The information regarding the Bonds which are being issued is provided in detail under Section II of this Prospectus.

#### **III.4.1 Net Worth of the Fund.**

##### **a) At Beginning.**

###### **Assets:**

- (i) The Mortgage Share Certificates subscribed and combined in the Fund, represented by individual registered bonds related to a 100% interest in the principal and ordinary interest and interest on arrears for the Shared Mortgage Loans. (See Section IV of this Prospectus).
- (ii) The total amount to be collected for the amortization of the underwritten subscription of each one of the Series of Bonds, deducted from the underwriting and marketing commissions.
- (iii) The initial chartering and issue expenses made.
- (iv) The proceeds from the Subordinated Loans A and B.

###### **Liabilities:**

- (i) The total amount to be paid for the subscription of the Mortgage Share Certificates issued by CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA.
- (ii) The total nominal amount of the Bonds issued in accordance with that which is set forth under Section II of this Prospectus.
- (iii) The total amount of the Subordinated Loans A and B.

**b) Throughout the Life of the Fund.**

**Assets:**

- (i) The principal of the Mortgage Share Certificates.
- (ii) The outstanding amount to be repaid for the initial expenses made.
- (iii) The ordinary interest and the interest on arrears on the Mortgage Share Certificates in keeping with those applicable to the Shared Mortgage Loans and all other rights granted to the Fund.
- (iv) The houses which the Fund were to be awarded as the result of any possible foreclosure on real-estate mortgages guaranteeing the Shared Mortgage Loans in the future, any sums or assets collected through court or notarial foreclosure on the mortgage guarantees and through the alienation or operation of the properties awarded to the Fund in execution of the mortgage guarantees or in interim management or possession of the property (in the process of being foreclosed upon), acquisition at the distress selling price or at the amount set by court order.
- (v) All other balances in the Treasury Account and the interest accrued thereon in accordance with the Guaranteed Interest Rate Deposit Contract.

**Liabilities:**

- (i) The nominal amount pending repayment of the “A” and “B” Bonds and interest accrued and not due.
- (ii) The outstanding principal and the interest accrued and not due on the Subordinated Loans.
- (iii) The accrued and not yet paid commissions and other expenses stipulated under the different contracts signed for this transaction, in addition to any other which may be incurred by the Fund.

**III.4.2 Fund Income.**

The Fund shall avail of the revenues deposited into the Treasury Account.

The revenues which can be used to meet the Fund’s payment obligations shall be:

- a) The full amount of the Subordinated Loans A and B.
- b) The sums collected for the repayment of the principal of the Mortgage Share Certificates.
- c) The ordinary interest and the interest on arrears on the Mortgage Share Certificates.

- d) The revenues resulting from the reinvestment of the sums deposited in the Treasury Account.
- e) Any other sums which the Fund might collect, including those which may result from the alienation of properties awarded to the Fund or from the operation thereof.
- f) The sums comprising the Reserve Fund.

### **III.4.3 Expense to be Paid by the Fund.**

The Sociedad Gestora shall pay out of the Fund all the expenses necessary for the operation thereof, both starting, ordinary and special expenses accruing throughout the life of the same.

Whatever Value Added Tax (V.A.T.) were to have been paid by the Fund shall be considered to be a deductible expenses for the purposes of the Corporation Tax.

#### **Starting Expenses.**

The estimate of the starting expenses for the chartering of the Fund and the issue of the Bonds is detailed under Paragraph II.14 of the Prospectus. Payment of the starting expenses shall be effected with the amount available from the Subordinated Loan A, and will not be subject to the Priority of Payments.

#### **Recurring Expenses.**

The Sociedad Gestora shall pay out of the Fund all of the expenses necessary for the operation thereof, both ordinary and special accruing during the life of the same, said expenses being paid in keeping with the Priority of Payments of the Fund, pertinent to each one thereof. For mere purposes of example, the Sociedad Gestora shall pay the following expenses:

- If applicable, residual starting expenses of the charter and issue of the Bonds which would have exceeded the amount of Subordinated Loan A.
- Expenses for the chartering of the Fund and those which may result from the checks, registrations and government licenses which are mandatory.
- If applicable, preparation and legalization expenses for the modification of the Charter, and of the Contracts.
- Fees from the Ratings Agency for the monitoring and maintenance of the rating of the Bonds.
- Expenses deriving from the amortization of the Bonds.
- Expenses for the bookkeeping for the Bonds and the representation thereof by means of book entries, the listing for trading on official secondary markets and the continuance of all thereof.

- Expenses which may arise as a result of the sale of the Mortgage Share Certificates and of the surplus assets of the Fund for the final settlement thereof, including those resulting from the granting of a line of credit.
- Expenses necessary to file for calling in the Shared Mortgage Loans.
- Expenses deriving from the administration of the Fund and of the Shared Mortgage Loans.
- Commission and expenses charged to the Fund for the service and financial transaction contracts signed.
- Expenses for the official publicizing regarding the offering for subscription of the Fund and/or the Bonds
- Expenses of audits and legal counseling.
- In general, any other expenses paid by the Fund or by the Sociedad Gestora acting in the name and on the account thereof.

### **III.5 Presentation, auditing and approval of annual accounts and other accounting records of the Fund.**

#### **III.5.1 Obligations and deadlines stipulated for the presentation, auditing and approval of annual accounts and directors' report.**

The annual accounts of the Fund shall be checked and audited annually by auditors.

The Sociedad Gestora shall file the annual accounts of the Fund with the Comisión Nacional del Mercado de Valores in conjunction with the audit report issued with regard thereto within the four (4) months immediately following the year-end closing of the business year of the Fund, which shall coincide with the calendar year.

The Sociedad Gestora shall proceed to appoint the Auditor for maximum three-year periods, who is to conduct the audit of the annual accounts of the Fund for that same length of time, notifying the Comisión Nacional del Mercado de Valores as to such an appointment.

#### **III.5.2 Obligations and deadlines stipulated for providing the public at large and furnishing the Comisión Nacional del Mercado de Valores with the periodic information on the economic-financial status of the Fund**

The Sociedad Gestora, in its endeavor of managing and administering the Fund, undertakes to furnish the Comisión Nacional del Mercado de Valores on a quarterly basis with the information described in following with the greatest of diligence with the exception of that which is included under paragraph e), which shall be on an annual basis, with regard to each one of the Series of Bonds, with the behavior of the Mortgage Share Certificates, early bond amortizations and with the economic-financial status of the Fund, independently of making all of the regular and special periodic notices included under Paragraph III.5.3 of this Prospectus and all additional information which may be requested thereof known thereto.



**a) With regard to each one of the Series of Bonds for each Due Date:**

1. Balance of the outstanding principal and percentages which each one thereof represents of the initial nominal amount of each Series.
2. Interest due and paid.
3. Interest due and unpaid.
4. Amortization due and paid.
5. Estimated average life of the Bonds in each one of the Series under the maintenance of the Early Mortgage Share Certificate Amortization Rate, as is calculated under Paragraph d) hereinbelow.

**b) With regard to the Mortgage Share Certificates:**

1. Current Balance.
2. Interest both due and payable and collected.
3. Total amount of the quotas for which payment is in arrears on the Shared Mortgage Loans on the date of said report.

**c) With regard to the economic-financial situation of the Fund for each Due Date:**

Report on the provenance and subsequent allocation of the Available Funds in accordance with the Priority of Payments of the Fund.

**d) With regard to the prepayment of the Shared Mortgage Loans:**

Listing showing the Average real Prepayment Rate for the Shared Mortgage Loans.

**e) Annually, with regard to the Annual Accounts of the Fund:**

Asset and Liability Statement, Profit and Loss Account, Directors' Report and Audit Report within the four (4) months immediately subsequent to the year-end closing each year.

### **III.5.3 Obligations of Reporting Facts of Importance.**

The Sociedad Gestora, for the precise fulfillment of the conditions of the issue, undertakes to make the notifications which are detailed hereinbelow as scheduled under each one thereof.

**a) Regular Notices:**

1. Within the time from the Interest Rate Fixing Date and a maximum of two (2) Business Days following each Due Date, it shall proceed to inform the holders of the Bonds as to the resulting nominal interest rates for each one of the Series of Bonds for the following Interest Accrual Period.
2. Quarterly, a minimum of one (1) calendar day prior to each Due Date, the Fund shall proceed, through the Sociedad Gestora thereof, to inform the holders of the Bonds as to the resulting interest on the Bonds in each one of the Series in conjunction with the amortization thereof, as may be applicable, in addition to:

- i) The actual prepayment rate on the Shared Mortgage Loans during the calendar quarter prior to the Due Date.
- ii) The estimated average length of time remaining in the life of the Bonds based on the hypothesis of maintaining said actual rate of prepayment in accordance with that which is set forth under Paragraph II.11.3.3 and Paragraph III.8.1, (i).
- iii) The Outstanding Balances of the Principal following the repayment to be settled on each Due Date for each Bond in each Series, and the percentages which said Outstanding Payment Balances represent of the initial nominal amount of each Bond.
- iv) Likewise, if appropriate, the holders of the Bonds shall be informed as to the amounts of interest and of repayment due and payable thereon which has not as yet been paid due to a shortage of Available Funds in accordance with the results of the Priority of Payments of the Fund.

The notices to which reference is made hereinabove shall be provided in keeping with that for which provision is made under Paragraph c) directly hereinbelow and shall likewise be reported to the Servicio de Compensación y Liquidación de Valores, S.A. (the Share Clearing and Settlement Service) within the two (2) Business Days immediately prior to each Due Date.

**b) Special Notices:**

1. At the chartering of the Fund and issue of the Bonds, once the Charter has been executed, the Sociedad Gestora shall proceed, acting in the name and on the account of the Fund, to furnishing the notice, by means of the procedures set out under Paragraph c) directly hereinbelow, of the chartering of the Fund and of the issue of Bonds, in addition to the nominal interest rates of each one of the Series of Bonds calculated for the first Interest Accrual Period, which shall commence on the Payment Date and shall end on the first Due Date, any calendar day be suitable for said publication, be it a Business Day or otherwise.
2. All Others:

Through its Sociedad Gestora, the Fund shall inform the holders of the Bonds of any event of importance which may arise with regard to the Mortgage Share Certificates, the Bonds, the Fund and the Sociedad Gestora proper which have any appreciable bearing on the trading of the Bonds and, in general, of any major change in the assets or liability of the Fund, The Sociedad Gestora shall also inform the holders of the Bonds of any possible future decision to retire the Bonds early for any of the reasons for which provision is made in this Prospectus, the Deed of Settlement and procedure to which reference is made under Paragraph III.8.1 and Paragraph II.11.3.3 of this Prospectus being furnished to the Comisión Nacional del Mercado de Valores in this case.

**c) Procedures:**

The notifications of the bondholders which the Sociedad Gestora must furnish in accordance with that which is set forth hereinabove regarding the Fund must be made by means of the publication in a newspaper having a widespread circulation in Spain, be it of an economic-financial or general type, these notices being considered as having been made on the date of said publication, any calendar day being fitting for the same, be it a Business Day or otherwise (according to that which is set forth in this Prospectus).

**d) Information to the CNMV (The Securities and Investments Board):**

The Sociedad Gestora shall proceed to inform the CNMV as to the publications both of an ordinary regular as well as a special nature that are made in accordance with that for which provision is made under the immediately preceding paragraphs hereinabove, in addition to any information which maybe requested thereof independently of the above.

**III.5.4 Transition period in the use of the euro as the sole European Union currency.**

Throughout the transition period during which both the peseta and the euro will be used as accounting units and means of payment from January 1, 1999 to December 31, 2001, that for which provision is made under Law 46/1998, of December 17, 1998 regarding the introduction of the Euro shall be applicable.

**III.6 Tax System governing the Fund.**

In accordance with that which is set forth under Article 5.10 of Law 19/1992 , Article 7.1 g) of Law 43/1995, of December 27, 1995, governing the Corporation Tax and under Royal Decree 537/1997, of April 14, 1997, amended by virtue of Royal Decree 2717/1998, of December 18, 1998, by virtue of which the Regulations of said Tax were passed, the characteristics inherent to the tax system governing the Fund are as follows:

- (i) The chartering of the Fund is exempted from the “corporate transactions” item of Estate Duty and Documented Acts of Law.
- (ii) The Corporation Tax is levied on the Fund at the general rate in effect at each given point in time and is currently set at 35%.
- (iii) As regards the revenues on the Mortgage Share Certificates, loans or other credit rights constituting income for the Fund, no obligation shall exist of withholding or depositing any sum on account.
- (iv) The administration of the Fund on the part of the Sociedad Gestora is exempted from Value Added Tax.
- (v) The considerations paid to the holders of the securities which are issued against the Fund are considered as being returns on capital invested.

**III.7 Exceptional cases of amendment of the Fund charter.**

The Charter shall essentially be of the following substance: (i) It shall identify the Mortgage Share Certificates. (ii) It shall precisely define the substance of the Bonds to be issued. (iii) It shall set out the rules by which the Fund must abide and shall establish what transactions the Sociedad Gestora may carry out on behalf of the Fund for the purpose of improving the certainty or regularity of the payment of the Bonds and of covering the time lags between the schedule of the flows of principal and interest on the Mortgage Share Certificates and that of the Bonds. In this regard, the Charter shall stipulate that the Fund, through the Sociedad Gestora thereof, shall enter into the contracts which are detailed under Paragraph V.3 of this Prospectus.

The Charter may not be changed except under special conditions, and any possible change must be made in accordance with the conditions which are set forth under the regulations in effect and provided that the

change in question is not damaging to the rating given to the Bonds by the rating agency and that it has previously been notified to the pertinent rating agency and to the Comisión Nacional del Mercado de Valores or the competent government agency. The Charter must also be corrected at the request of the Comisión Nacional del Mercado de Valores.

### **III.8 Final Settlement and Extinguishment of the Fund.**

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

After first notifying the Comisión Nacional del Mercado de Valores, the Sociedad Gestora shall be authorized to proceed to the early settlement of the Fund and hence the early amortization, on a Due Date, of the entire Bond issue under the following Cases of Early Settlement:

- (i) When the total amount of the Current Balance of the Mortgage Share Certificates pending repayment is less than 10 percent of the initial Current Balance in accordance with the authorization set forth under Article 5.3 of Law 19/1992.
- (ii) When, due to any reason of any event or circumstance of any type which is in no way directly linked to the workings of the Fund proper, a substantial change were to be caused or the financial balance of the Fund required under Article 5.6 of Law 19/1992 were to be permanently weakened. This case includes circumstances such as that of a change being made in the regulations or supplementary legislative expansions thereupon, the setting forth of withholding obligations or other situations which might have a permanent impact on the financial balance of the Fund.
- (iii) In the event that the Sociedad Gestora were to be ruled in suspension of payments or bankruptcy at the lapse of the time period set forth under the regulations for this purpose or, in absence thereof, four months, without a new sociedad gestora having been appointed in accordance with that which is set forth under Paragraph III.3.1 of this Prospectus.

The following prerequisites must be met in order to proceed to said early settlement of the Fund:

- (i) That the payment obligations stemming from the Bonds issued against the Fund can be met and paid off in full or, otherwise, that the Sociedad Gestora call the holders of the Bonds together for a meeting for exclusively informative purposes prior to proceeding to the early settlement of the Fund.

The Balance of the Outstanding Principal on that date plus the interest accrued and not paid from the last Due Date up to the early amortization date, less the tax withholdings, if any, these being sums which shall be charged on that date and shall be due and payable for all legal purposes, shall be understood, in any event, as payment obligations stemming from the Bonds on the date of the early settlement of the Fund.

- (ii) That the holders of the Bonds be informed in the manner for which provision is made under Paragraph III.5.3 of this Prospectus a minimum of thirty (30) Business Days in advance as to the resolution of the Sociedad Gestora to proceed to the early settlement of the Fund.

Said notice, which must previously be made known to the Comisión Nacional del Mercado de Valores, must include the description (i) of the case(s) as a result of which the Fund is being settled early (ii) of

the procedure to be carried out, which is described in the paragraph immediately in following hereinbelow, and (iii) the manner in which steps are going to be taken to meet and pay off the payment obligations stemming from the Bonds.

In order for the Fund, acting through the Sociedad Gestora thereof, to be able to settle the Fund early and retire the Bond issue early under the conditions and in compliance with the requirements which are set forth under this paragraph the Sociedad Gestora shall proceed, in the name of the Fund, to:

- (i) Sell the Mortgage Share Certificates at a price which may not be lower than the sum of the value of the principal plus the interest accrued and not as yet paid on the Mortgage Share Certificates pending amortization.
- (ii) To cancel those contracts which are not necessary for the process of settling the Fund.
- (iii) It shall be vested with the power to arrange for a line of credit with the Endorsing Institutions which shall be immediately allocated in full to the early amortization of the Bond issue. The repayment of said line of credit is guaranteed solely with the flows of interest and principal stemming from the Mortgage Share Certificates pending amortization and the proceeds from the sale of the other properties left in the Fund assets.
- (iv) Finally, both due to the insufficiency of the preceding measures and for the existence of surplus assets, it shall proceed to sell the other items still left in the Fund assets. The Sociedad Gestora shall be vested with the power to accept those offers which, in its judgment, cover the market value of the item in question. For setting the market value, the Sociedad Gestora may have whatever appraisal reports made that it deems necessary.

In cases (i) and (iv) hereinabove, each one of the Endorsing Institutions issuing the Mortgage Share Certificates shall have a subscription right, under the conditions established by the Sociedad Gestora, such that they shall be able to purchase the Mortgage Share Certificates issued by each one thereof or other assets stemming from the same which are left remaining in the Fund assets being given preference over third parties. For this purpose, the Sociedad Gestora shall furnish each one of the Endorsing Institutions with a list of the assets and of the offers received from third parties, each one thereof being able to make use of the aforesaid right with regard to all of those assets offered by the Sociedad Gestora which have to do with the Mortgage Share Certificates issued by each one thereof within the ten days immediately following the receipt of the aforesaid notice and provided that the offer thereof at least equals the best offer made by third parties.

Once the reservation to which reference is made under Paragraph III.8.2 hereinbelow has been made, the Sociedad Gestora shall immediately allocate all of the sums which it progressively collects for the alienation of the Fund assets to the payment of the different items in the manner, amount and in the order set forth in the pertinent Priority of Payments, with the exception of the sums disbursed, if any, from the line of credit arranged which shall be allocated in full to the early amortization of the Bond issue.

In the event that the Sociedad Gestora, acting in the name and on the account of the Fund, cannot make the payment of the Mortgage Share Certificates subscribed at a deferred price due to the cancellation of the Bond Management, Underwriting and Placement Contract, the Fund shall then also be settled by means of the return of the Mortgage Share Certificates to the Endorsing Institutions, the settlement of whatever chartering and issue expenses may be fitting and the repayment of the Subordinated Loans.

### **III.8.2 Extinguishment of the Fund.**

The Fund shall be extinguished both due to the full payment of the Mortgage Share Certificates combined therein as well as by the procedure of early settlement for which provision is made under Paragraph III.8.1 hereinabove.

In the event that at the settlement of the Fund, following all of the payments having been made by means of the apportionment of the Funds Available in accordance with the stipulated Priority of Payments, any surplus were to be left remaining, this surplus shall be in favor of the Endorsing Institutions issuing the Mortgage Share Certificates under the conditions established by the Sociedad Gestora.

In any event, the Sociedad Gestora, acting on the account and on behalf of the Fund, shall not proceed to the extinguishment of the Fund and to the cancellation of the registration thereof in the pertinent government registries until the assets still left remaining in the Fund have been settled and the funds available in the Fund have been apportioned, following the Priority of Payments, with the exception of the fitting reserve for paying the final extinguishment expenses.

Six months following the settlement of the assets left remaining in the Fund and the apportionment of the available funds, the Sociedad Gestora shall execute a Notarial Deed declaring (i) the Fund to be extinguished, in addition to the reasons having giving rise to the extinguishment thereof, (ii) the procedure for notifying the holders of the Bonds and the Comisión Nacional del Mercado de Valores carried out, and (iii) the apportionment of the sums available in the Fund following the Priority of Payments of the Fund, which shall be announced in a newspaper having a nationwide circulation and shall fulfil all of the other administrative formalities which may be fitting. Said notarial document shall be submitted to the Comisión Nacional del Mercado de Valores by the Sociedad Gestora.



## SECTION IV

### INFORMATION ON THE CHARACTERISTICS OF THE ASSETS CONFIRMED VIA THE FUND

#### **IV.1 Description of the Mortgage Share Certificates grouped in the fund.**

CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, AND CAJA RURAL VALENCIA shall issue Mortgage Share Certificates as established in 2/1981 Act, of 25<sup>th</sup> March, Royal Decree 685/1982, of 17<sup>th</sup> March, and Royal Decree 1289/1991, of 2<sup>nd</sup> August, which modifies certain sections in the previous one, so that the Sociedad Gestora can group the same in the Fund by virtue of the terms in 19/1992 Act and other applicable provisions. Given the institutional investor nature of the Fund, the issue of Mortgage Share Certificates shall not be the object of a marginal note in each registration of mortgages in the Property Register.

The total face value of the issue of Mortgage Share Certificates will be at least equal to the total amount of the issue of Bonds. Each Mortgage Share Certificate represents 100 percent of the principal and the interest pending amortization and accrual, respectively, on each of the Shared Mortgage Loans to which they correspond.

The Shared Mortgage Loans granted via the issue of the Mortgage Share Certificates are a part of a series of mortgage loans, whose characteristics are described in section IV.4 of this Chapter. The Current Balance of the mortgage loans on 22<sup>nd</sup> November 1999 amounted on that date to 36,961,550,962 pesetas.

#### **a) Identification of the Credit Associations issuing these shares:**

The issuing associations of the aforementioned Mortgage Share Certificates are CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, AND CAJA RURAL VALENCIA, the holders of the Shared Mortgage Loans.

Each of the associations issuing the Mortgage Share Certificates, as holders of the Shared Mortgage Loans up to the issue of the same, will guarantee the following in the Deed of Constitution of the Fund of the Sociedad Gestora and in the Fund relating to the Shared Mortgage Loans:

- (1) That it is a credit association duly constituted in accordance with the current legislation and is registered in the Companies Register and empowered to participate in the mortgage market.
- (2) That neither on today's date, nor at any time since its incorporation, has been in a situation of insolvency, suspension of payments or bankruptcy.
- (3) That the Mortgage Share Certificates are issued in market conditions and in accordance with 2/1981 Act, Royal Decree 685/1982, 1289/1991, 19/1992 Act and the other applicable regulations and comply with all the requirements established therein.



- (4) That its statutory bodies in the company have validly adopted all the agreements necessary for the issue of the Mortgage Share Certificates and in order to validly execute the Deed of Constitution of the Fund, the contracts and the supplementary commitments that are taken on.
- (5) That the Shared Mortgage Loans exist and are valid and can be implemented in accordance with the legislation applicable.
- (6) That it has full ownership of the Shared Mortgage Loans and that no impediment exists of any kind regarding the issue of the Mortgage Share Certificates.
- (7) That the data relating to the Mortgage Share Certificates and the Shared Mortgage Loans included in Appendix 5 of the Deed of Constitution exactly reflects the current situation of these Loans and Shares and are correct and complete.
- (8) That all the Shared Mortgage Loans are guaranteed by a property mortgage constituted in the first place on the fee absolute of each and every one of the estates in question, without the properties mortgaged being affected by prohibitions on disposal, conditions subsequent or any other proprietary limitation.
- (9) That all the Shared Mortgage Loans are formalised in a public instrument and all the mortgages are duly constituted and registered in the corresponding Property Registries. The registration of the mortgaged properties is valid and without any contradictions whatsoever and is not subject to any preferential limitation on the mortgage, in accordance with the applicable regulations.
- (10) That all the mortgage debtors are individuals resident in Spain on the date of the constitution of the mortgage.
- (11) That all the Shared Mortgage Loans have been granted with the object of financing the acquisition, construction or renovation of dwellings located in Spain with a property mortgage guarantee.
- (12) That the mortgages are constituted on properties that are owned in fee absolute and in their entirety by the respective mortgager, the Entity itself not having any knowledge of the existence of any litigation on the ownership of the said properties which could prejudice the mortgages.
- (13) That the dwellings mortgaged have been the object of an appraisal by entities duly empowered for such purpose and approved by the Entity itself, this appraisal being accredited by means of the corresponding certification. The appraisals carried out comply with all the requirements established in the legislation on the mortgage market.
- (14) That the principal of each of the Shared Mortgage Loans does not exceed 80% of the appraisal value of the properties mortgaged in guarantee of the corresponding Mortgage Share Certificate.

- (15) That there is no knowledge of any inappropriateness having taken place in the appraisal of any property mortgaged for more than 20% of the appraisal value.
- (16) That all the dwellings on which the mortgage guarantee has been constituted have an existing insurance against fire and other damage, in which the sum assured covers a minimum value for the replacement of the dwellings at the time of appraising the property for the issuing of the corresponding Mortgage Share Certificate. The information included relating to the insurance policies contracted by the mortgage debtors is complete and is adapted faithfully to the true situation.
- (17) That the Shared Mortgage Loans are not in the form of securities, whether they be nominative, to order or to the bearer, as opposed to the Mortgage Share Certificates that are issued in this act.
- (18) That, on the day of the issue of the Mortgage Share Certificates, none of the Shared Mortgage Loans has any outstanding debits pending payment.
- (19) That there is no knowledge of any of the Shared Mortgage Loan debtors being the holder of any credit right with the Entity itself which would confer the right to compensation.
- (20) That the criteria contained in the Internal Memorandum attached to the Deed of Constitution as Appendix 7 have been faithfully followed in granting each and every one of the Shared Mortgage Loans and in the acceptance of the subrogation of subsequent lenders in the position of the initial lender.
- (21) That all the deeds for the mortgages constituted on the dwellings referred to by the Shared Mortgage Loans are duly deposited in the archives of the Entity itself that are prepared to this end, at the disposal of the Sociedad Gestora, for and on behalf of the Fund, and all the Shared Mortgage Loans are clearly identified, both on computer format and through their deeds.
- (22) That, on the day of issue, the Current Balance of each of the Shared Mortgage Loans is the equivalent of the capital sum of the Mortgage Share Certificate to which it corresponds and that, in turn, the total value will be, as a minimum, the equivalent of the nominal value to which the issue of the Bonds amounts.
- (23) That from the moment of their granting, the Shared Mortgage Loans have been administered and continue to be administered by the Entity itself in accordance with the customary procedures it has established.
- (24) That there is no knowledge of the existence of litigation of any type with regard to the Shared Mortgage Loans which could prejudice the validity thereof.
- (25) That there is no knowledge of any earned premiums to date for the insurance policies contracted that are referred to in point (16) above that have not been fully paid.

- (26) That, on the day of issue, no notification of the total early amortization of the Shared Mortgage Loans was received.
- (27) That there is no knowledge of the existence of any circumstance which could impede the implementation of the mortgage guarantee.
- (28) That the Shared Mortgages Loans caused a drop in the assets of the Entity itself on the date of the Deed of Constitution, for the amount in which they are participated, in accordance with that which is laid down in Circular 4/91 of the Banco de España, without prejudice to the purposes that the partial or total subscription of the issue of Bonds could have for the Entity itself as stated in the Circular.
- (29) That no issue of mortgage bonds by the Entity itself exists.
- (30) That the information on the Mortgage Share Certificate and Mortgage Share Certificate portfolio contained in the Informative Prospectus on the constitution of the Fund and the issue of Bonds is exact and is faithfully adapted to the true situation.
- (31) That the Shared Mortgage Loans are not attached to any issue of mortgage bonds or Mortgage Share Certificates other than the issue of Mortgage Share Certificates.

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

The Mortgage Share Certificates that the CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, AND CAJA RURAL VALENCIA will issue on the constitution of the Fund for subscription will make up an as yet undetermined number of Mortgage Share Certificates. The total capital of these will amount, at the very least, to a value equal to that which the present issue of Bonds amounts.

The price of the issue of Mortgage Share Certificates will be at par. The total price that the Fund must pay for the subscription of the Mortgage Share Certificates and will be an amount equivalent to the sum of (i) the nominal value of the capital or principal of each of the Mortgage Share Certificates, and (ii) the ordinary interest accrued by each of the Shared Mortgage Loans since the last date of liquidation of the interest on each of these up to the date of issue of the Mortgage Share Certificates (the “accrued interest”).

The payment of the price of issue of the Mortgage Share Certificates will be made on the date of Payment of the Bonds.

The payment of the accrued interest corresponding to each of the Mortgage Loans will be made on the Date of Payment corresponding to the first date of liquidation of the interest on each one, following the date of issue of the mortgage, without being subject to the Marshalling of Assets Order from the Fund.

**c) Description of rights which said participations confer on the loans that they support, in favour of the holder:**

The Mortgage Share Certificates refer to a participation of 100 percent on the principal, with ordinary interest and interest on delay for each Mortgage Share Certificate.

The Endorsing Institutions issuing the Mortgage Share Certificates, in accordance with section 5.8 of 19/1992 Act, do not run the risk of non-payment of the Mortgage Share Certificates and, therefore, do not assume any liability whatsoever for non-payment by the mortgage debtors, whether of the principal, the interest or any other amount that the same could owe by virtue of the Shared Mortgage Loans. Neither will they assume responsibility, in any other form, for directly or indirectly guaranteeing the satisfactory conclusion of the transaction, nor will they grant guarantees or collateral signatures, nor become involved in re-purchasing agreements on the Mortgage Share Certificates, with the relevant exception made which is stated in sections IV.1, d) and IV.1.e) below.

In precise terms, the Mortgage Share Certificates confer the following rights with regard to each of the Shared Mortgage Loans:

- a) to receive all the amounts earned through the amortization of the capital or principal of the loans;
- b) to receive all the amounts earned through ordinary interest on the loans;
- c) to receive all the amounts earned through interest on delay for the loans;
- d) to receive any other amounts, goods or rights received in payment of the principal, interest or expenses on the Shared Mortgage Loans, both for the distress sale price or an amount set by a judicial ruling or notarial proceeding on the execution of the mortgage guarantees, through the disposal or use of the properties awarded or, as a consequence of the aforementioned executions, on administration and interim possession of the properties in the process of execution;
- e) to receive all possible rights and indemnities which could result in favour of the issuing Endorsing Entity, including not only those arising from insurance policy contracts coupled with the loans which are also granted to the Fund, but also those arising from any other supplementary right to the loan, including the commissions established on each of the Shared Mortgage Loans.

All the rights previously mentioned will accrue in favour of the Fund from the date of executing the Deed of Constitution and the issue of the Mortgage Share Certificates, with the exception of the ordinary interest which shall accrue from the final date of the liquidation of interest on each one of the Shared Mortgage Loans previous or equal to the date of issue of the Mortgage Share Certificates.

The rights of the Fund resulting from the Mortgage Share Certificates are linked to the payments made by the debtors of the Shared Mortgage Loans and, therefore, are directly affected by the progress, delays, advances or any other incident regarding the same.

Until the execution of the Deed of Constitution, the Endorsing Institutions issuing the Mortgage Share Certificates will be the beneficiaries of the insurance policy contracts signed by the mortgage debtors with regard to the properties mortgaged, as a guarantee on the Shared Mortgage Loans, up to the sum insured. Each one of the mortgage loan deeds shall be authorised by the issuing Entity, the mortgage creditor, in the case of non-payment of the corresponding premium on the part of the insurance debtor (payee) with the amount corresponding to the premium being guaranteed, on account of the debtor, in such a way that these will always be paid. By means of the Deed of Incorporation of the Fund, each of the Endorsing Institutions will formalize the prepared transfer of the rights that correspond to the issue of Mortgage Share Certificates as beneficiary of these insurance policy contracts for damages signed by the mortgage debtors or any other insurance policy that gives equivalent cover. It will therefore devolve upon the Fund, as holder of the Mortgage Share Certificates, to receive all the amounts that would have corresponded to each of Endorsing Institutions to receive for this item.

Payments made to the Fund, as interest or for return on the Mortgage Share Certificates will not be subject to a withholding as established in Royal Decree 537/1997, of 14<sup>th</sup> April, and as approved by the Company Tax Regulations.

Any possible expenses or costs which could arise on account of each of the Endorsing Institutions issuing the Mortgage Share Certificates deriving from recovery actions in the case of non-compliance with the obligations on the part of the Mortgage Share Certificate debtors will be the responsibility of the Fund, including the exercise of an official action against the same.

**d) Rules laid down for the substitution of Mortgage Share Certificates in the case of early amortization of those initially grouped in the Fund.**

- a) In the case of early amortization of the Mortgage Share Certificates through a prepayment of the capital of the loan, substitution of the affected Mortgage Share Certificates will not take place.
- b) In the case of detecting any non adjustment to the conditions and characteristics contained in section IV.1.a) of this Prospectus, through not undertaking the Mortgage Share Certificate corresponding to the same, each of the Endorsing Institutions issuing the Mortgage Share Certificates agrees to immediately substitute the Mortgage Share Certificate found in this condition, following agreement with the Sociedad Gestora and subject to the following rules:
  1. The Endorsing Institution will inform the Sociedad Gestora, on behalf of the Fund, of the existence of an unsuitable Mortgage Share Certificate and, in order to undertake its replacement, of the characteristics of the mortgage loans that it proposes to grant on new Mortgage Share Certificates of similar characteristics in respect of the remaining period of time, rate of interest, value of the capital pending and of the credit quality in terms of the relationship existing between the capital for the pending participation and the appraisal value of the property that is the object of the participated loan guarantee. This shall be undertaken in such a way that the financial balance of the Fund will not be affected by the substitution nor its qualification with regard to that which is laid down in section II.3 of this Prospectus. Once a check of the suitability of the substitute loan has been undertaken by the Sociedad Gestora and the latter has stated its express agreement, the issuing Entity will cancel the Mortgage Share Certificate affected, put a signature stamp on the security representing the same and issue another or other shares(s) that will replace it.

2. Such replacement will be recorded in a Certificate of Acknowledgement which will include all the relevant information both on the Mortgage Share Certificate to be replaced and the Mortgage Share Certificate corresponding to the same together with the new Mortgage Share Certificate(s) issued. Furthermore, it shall contain information on the Shared Mortgage Loans, and also the reason for the replacement and the indices that determine the homogeneous nature of the two Mortgage Share Certificates as described in the paragraph immediately above. A copy of this will be delivered by the Sociedad Gestora to the Spanish Securities and Exchange Commission, to the entity entrusted with the accounting record of the Bonds and to the Main Body of the Spanish Issuing Houses Association and Moody's Investors Service España, S.A. will be informed.
- c) In the event of the replacement of any Mortgage Share Certificate and the issue of a new Mortgage Share Certificate not being possible under the conditions of homogeneity and suitability established in rule 1 of this section due to the mortgage loans available varying with respect to the Mortgage Share Certificate affected, and this being significant enough to alter the financial balance of the Fund in a negative manner and the rights and interests of the Bond holders, in the justified opinion of the Sociedad Gestora and thus communicated to the Endorsing Institution, then the latter will proceed to an early amortization of the Mortgage Share Certificate. This shall be subsidiary to the obligation assumed in accordance with section b) immediately above. This early amortization will be carried out by means of the re-payment, in cash, to the Fund, of the capital pending, of the interest accrued and not paid, together with any amount which could correspond to the Fund up to that date by virtue of the corresponding Mortgage Share Certificate and by means of a signature stamp on the security representing the same.
- e) **Other conditions established on the issue of these shares and on the subscription by the Fund and the system established, where applicable, for the transfer of these Mortgage Share Certificates:**

The price of issue and the subscription and disbursement conditions of the Mortgage Share Certificates, together with a description of the rights conferred, have been described previously in paragraphs b) and c) herein.

As established by Royal Decree 685/1982 concerning the Regulation of the Mortgage Market, modified by Royal Decree 1289/1991, the Mortgage Share Certificates will be transferable by means of a written declaration in the same security and, in general, by any means accepted by the Act. The issuing entity must be informed of the transfer of the share and the domicile of the new holder by the person acquiring the same.

The transferor will not be liable for the solvency of the issuing entity nor of the participated credit debtor, nor for the sufficiency of the mortgage that guarantees it.

The Endorsing Institutions issuing the Mortgage Share Certificates will have a special book in which they will note the Mortgage Share Certificates issued on each Mortgage Share Certificate, together with the transfers of the same of which they are notified. This is established for registered bonds in section 53 of the aforementioned Royal Decree as being applicable to the Mortgage Share Certificates. Changes of address notified by the shareholders will also be noted in the same book.

The following data will also appear in the said book:

- a) Date of opening and maturity of the Mortgage Share Certificate, the initial amount of the same and the method of liquidation.
- b) Registration data for the mortgage.

**f) Representation of the Mortgage Share Certificates and deposit entities or entities entrusted with making their accounting records in the case of an annotation in the account:**

The Mortgage Share Certificates will be represented by unitary registered securities which will contain the minimum date included in section 64 of Royal Decree 685/1982, of 17<sup>th</sup> March, modified by Royal Decree 1289/1991, of 2<sup>nd</sup> August, and in precise terms, the registry data concerning the properties acting as security for the Shared Mortgage Loans.

The Mortgage Share Certificates subscribed by the Fund and represented by means of register securities will be deposited in the BANCO COOPERATIVO. The relations between the Fund and the BANCO COOPERATIVO are regulated by the Contract for the Deposit of Mortgage Share Certificates which will be executed between the BANCO COOPERATIVO and the Sociedad Gestora for and on behalf of the Fund. This deposit will be constituted to the benefit of the Fund in such a way that the BANCO COOPERATIVO will act as custodians of the Mortgage Share Certificates deposited, following the instructions of the Sociedad Gestora.

**g) Scheme for the remuneration of said entity for its administrative functions and the custody of the Shared Mortgage Loans referred to in section IV.2 below.**

CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, AND CAJA RURAL VALENCIA, Endorsing Institutions for the Shared Mortgage Loans through the issue of the Mortgage Share Certificates to be subscribed by the Fund, in accordance with the terms of section 61.3 of Royal Decree 685/1982, are each bound to undertake the custody and administration of the Shared Mortgage Loans, the relations between the Endorsing Institutions (hereinafter and with regard to this Contract known as the “Administrator(s)”) and the Fund, as represented by the Sociedad Gestora being regulated by the Contract for the Administration of Shared Mortgage Loans. As consideration for the administration of the Shared Mortgage Loans, each of the Administrations will have the right to receive a subordinate administration commission equal to the annual 0.01% rate, exclusive of VAT in the case where there is no exemption, for periods completed on each one of the Payment Dates and during the time that the Administration Contract is in force. This shall accrue on the effective days that have passed and on the average daily Current Balance of the Mortgage Share Certificates that they administer during each period of Interest Accrual. Should any of the Administrators be replaced in this administrative task, in the event of this being possible through a modification in the present legislation, and adapted to the circumstances which may occur to the Administrator and which could impede the correct undertaking of this administration or make it difficult, then the Sociedad Gestora will have the power to modify the above commission percentage in favour of the replacement entity up to a maximum of 0.10% per annum.

If the Fund, through the Sociedad Gestora, due to a lack of sufficient liquidity in accordance with the Marshalling Assets Order of the Fund, does not pay the entire commission outstanding on the Date of Payment, the unpaid amounts will accumulate without any penalty to the commission which has to be paid on the following Payment Dates, the payment of these amounts being made at the same time.

Likewise, on each Payment Date, each Administrator will have the right to a refund of all the expenses of an exceptional nature which have been incurred, such as those occasioned by reason of implementing the mortgage, the sale of properties, etc. and the previous justification of the same with regard to the administration of the Shared Mortgage Loans. These expenses will be paid always provided that the Fund has sufficient liquidity and in accordance with that which is stated in the Marshalling Assets Order of the Fund.

**IV.2 Succinct, summarised description of the system and the ordinary procedures for the administration and custody of the Shared Mortgage Loans, with special attention to the procedures laid down with regard to delays and non-payments of the principal or interest, early amortizations, mortgage execution and, where applicable, the modification or re-negotiation of the loans.**

The Administrator will continue to administer the Shared Mortgage Loans, devoting the same time and attention to the same and will exercise the same level of expertise, care and diligence in the administration of the same as he would devote and exercise with regard to the administration of mortgage loans with respect to which no Mortgage Share Certificates would have been issued and, in any event, will exercise a suitable level of expertise, care and diligence in the provision of the services laid down in the aforementioned Contract for the Administration of the Shared Mortgage Loans.

The Administrator in all events waives the privileges and powers conferred upon him by the Act in his position as manager of Fund payments, as administrator of the Shared Mortgage Loans and as the depository for the corresponding Mortgage Share Certificates and, in particular, those which are stated in sections 1730 and 1780 of the Spanish Civil Code and 276 of the Spanish Commercial Code.

The succinct, summarised description of the system and ordinary procedures for the administration and custody (hereinafter the “services”) of the Shared Mortgage Loans regulated by the aforementioned Administration Contract is as follows:

**1. Duration.**

The services will be provided by each Administrator until all the obligations assumed by the Administrator with regard to the issuing Entity for the Mortgage Share Certificates, once all the Shared Mortgage Loans have been amortized, have lapsed.

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

Each Administrator will keep all the deeds, documents and informative registers relating to the Shared Mortgage Loans and the insurance policies for damages to the mortgaged properties in safe custody and will not give up possession, custody or control of the same without the previous consent in writing of the Sociedad Gestora to such purpose, except when a document may be required to initiate proceedings for the implementation of a Mortgage Share Certificate.

Each Administrator will provide reasonable access, at all times, to these deeds, documents and registers, for the Sociedad Gestora or the Fund auditors, duly authorised by the former. Likewise, if requested by



the Sociedad Gestora, a copy or photocopy of any of these deeds and documents will be provided within two Working Days following this request and the service will be free of charge.

### **3. Payment management.**

Each Administrator will continue to manage payment of all the amounts that have to be paid by the mortgage debtors arising from the Shared Mortgage Loans, together with any other item including those corresponding to insurance policy contracts granted to the Fund. The Administrator will use due diligence to ensure that all payments that have to be made by the borrowers are in accordance with the terms and conditions of these Shared Mortgage Loans.

Always provided that these payments are received by each Administrator, the latter will pay them in their entirety to the Fund, within the payment periods and dates, according to the established terms and conditions.

### **4. Setting of the interest rate.**

In the Shared Mortgage Loans in which the interest rate is variable, each Administrator will continue to set these interest rates according to that which is established in the corresponding Shared Mortgage Loans, making the necessary communications and notifications as established to this effect in the respective contracts.

### **5. Increase in the mortgage.**

If at any time any Administrator has certain knowledge that, for any reason, the value of the property mortgaged guaranteeing a Mortgage Share Certificate has decreased by more than the legally permitted percentages, he will, in accordance with the terms of sections 26 and 29 of Royal Decree 685/1982, request that borrower in question, as far as it is legally possible, to:

- i) increase the mortgage on other property sufficient to cover the ratio required between the value of the property and the credit that it guarantees, or
- ii) return the entire loan or the part of it that exceeds the amount resulting from applying the percentage used to the present valuation in order to initially determine the amount of the same.

If, within a period of two months from the time required to increase the mortgage, the mortgage debtor has not carried out the action or returned the part of the Mortgage Share Certificate referred to in the previous paragraph, it will be understood that he has opted to return the entire Loan, which will be immediately requested by the Administrator.

### **6. Insurance for Damages to the Mortgaged Properties.**

None Administrator will adopt or omit any measure whose result is the annulment of any insurance policy for damages to the properties or which reduces the amount to be paid on any claim with respect to the same. The Administrator must take due care and, in any event, implement the rights that the insurance policies or the Shared Mortgage Loans confer upon him with the object of maintaining the said policies in

force and with full effect (or any other policy executed with the equivalent cover) with regard to each Mortgage Share Certificate and the respective property to which the Mortgage Share Certificate refers.

In the event of a claim, each Administrator must coordinate the actions for receiving payment of the compensation arising from the insurance policies for damage to the property according to the terms and conditions of the Shared Mortgage Loans and the policies themselves, paying the amounts received, as applicable, to the Fund.

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

Each Administrator must periodically inform the Sociedad Gestora of all the individual characteristics of each of the Shared Mortgage Loans, of the compliance by the borrowers with the obligations arising for the same from the Shared Mortgage Loans, of the payment arrears situation and of the modifications made to the characteristics of the Shared Mortgage Loans, and of the actions in the case of delay and an auction of the properties.

The Administrator must prepare and deliver to the Sociedad Gestora any additional information that it may reasonably request with regard to the Shared Mortgage Loans or the rights arising from the same.

#### **8. Responsibility.**

The Administrators assume the obligation to compensate the Fund or its Sociedad Gestora for any damage, loss or expense incurred by them through the non-compliance on the part of the Administrator of his obligations regarding custody and administration and the provision of information of the Shared Mortgage Loans.

#### **9. Subrogation of the Loan debtor.**

The Administrators will be authorised to permit subrogations of the position of the debtor in the Mortgage Share Certificate contracts. This shall occur exclusively in cases in which the characteristics of the new mortgage debtor are similar to those of the former one and these are adjusted to the criteria for the granting of mortgage loans described in the Memorandum on the Granting Criteria for Mortgage Loans, in the Appendix to the Deed of Constitution of the Fund and always provided that the expenses arising from this modification are entirely the responsibility of the mortgage debtors. The Sociedad Gestora will be able to totally or partially limit this power of the Administrator or establish conditions for the same, in the event of consequences arising which prejudice the qualification given to the Bonds by the Credit Rating Agency in some way.

#### **10. Powers and actions with regard to the re-negotiation procedures for the Shared Mortgage Loans.**

None Administrator will be entitled to cancel the mortgages that are the object of Mortgage Share Certificates of his own free will for a reason other than the payment of the Mortgage Share Certificate. Neither shall it renounce or compromise these, remit the Shared Mortgage Loans as a whole or in part or extend them, or in general perform any act which could decrease the status, legal efficiency or economic value of the mortgage or of the Shared Mortgage Loans, without prejudice to that which is necessary to deal with the requests of the mortgage debtors with equal diligence and proceedings as if they were non-shared loans.

Notwithstanding the above, in exceptional circumstances, the Sociedad Gestora will be entitled to give instructions to the Administrator or authorise him beforehand so as to agree with the debtor on certain modifying novation(s) to the Shared Mortgage Loans, in the terms and conditions that he considers opportune, and in consideration of the 2/1994 Act on subrogation and modification of mortgage loans, in order to avoid the costs and uncertainties that go with the process of the implementation of the mortgage and maintain the financial equilibrium of the Fund and, in any event, look after the interests of the Bond holders, in its position as manager of outside business.

#### **Re-negotiation of the interest rate.**

Under no circumstances will the Administrator be entitled, on his own initiative, to initiate re-negotiations of the interest rate which could result in a decrease in the interest rate applicable to a Mortgage Share Certificate.

Without prejudice to that stated below, any re-negotiation subscribed to by the Administrator will occur exclusively with the previous consent in writing of the Sociedad Gestora, on behalf of the Fund. The Administrator will agree to request this consent from the Sociedad Gestora as soon as he has knowledge that the mortgage debtor is requesting re-negotiation. However, the Sociedad Gestora will initially authorise the Administrator to accept re-negotiations of the interest rate applicable to the Shared Mortgage Loans requested by the mortgage debtors, without the need for the prior consent of the Sociedad Gestora. This shall be subject to a series of requirements determined in the Administration Contract relating to each of the indices or reference rates for the Shared Mortgage Loans, indices described in section IV.4.d) of this Prospectus.

The Sociedad Gestora, on behalf of the Fund, shall be entitled, at any time during the period that the Contract is in force, to cancel, leave suspended or modify the eligibility requirements for re-negotiation on the part of the Administrator that it had previously authorised. In any event, all re-negotiation of the interest rate for the Shared Mortgage Loans whether generally eligible or not, must be dealt with and resolved taking the interests of the Fund into account.

Additionally, in the event of re-negotiations on the applicable interest rate to the Shared Mortgage Loans, the Administrator commits to pay the Fund, with relation to each Shared Mortgage Loan whose interest rate would have been modified and on each Date of Payment, the negative difference between (a) the interests accrued on the Shared Mortgage Loan during the applicable settlement of interests period, and (b) the interests accrued on the Shared Mortgage Loan in the same period, applying to the principal of the Shared Mortgage Loan, on the settlement date, a nominal interest rate equal to the sum of (i) the applicable Bonds Interest Rate of Reference, as determined in paragraph II.10.c), applicable at the beginning of the relevant Interest Accrual Period, plus (ii) a 0.55% margin.

**Extension of the expiry date.**

The Final Due Date or date of the last amortization of the Shared Mortgage Loans shall be capable of being deferred (hereinafter known as “extension of the period”) subject to the following rules and limitations:

(i) Under no circumstances will be Administrator be able to commence, on his own initiative, that is to say, without the request of the mortgage debtor, any modification to the date of the final expiry of the Mortgage Share Certificate which could result in a lengthening of the same. The Administrator, without inducing the extension of the period, must act with regard to this extension by always taking the interests of the Fund into account.

(ii) The sum that the figure for the capital or initial principal of the Mortgage Share Certificates amount to, on which an extension of the expiry time is made, will not exceed 5.00% of the capital or total principal to which the Mortgage Share Certificates issued by the Administrator amount to.

(iii) The extension of the period of a particular Mortgage Share Certificate can be carried out providing the following requirements are complied with:

- a) That, in whatever event, the periodicity of the depreciation rate of the capital or principal of the Mortgage Share Certificate is maintained or reduced, but maintaining the same depreciation system.
- b) That the new date for the final expiry or last depreciation will be the 30<sup>th</sup> of April 2024 at the latest.
- c) That the Mortgage Share Certificate shall not have had any delay in the payment of the debits fallen due during the previous six (6) months prior to the date of the extension of the period becoming effective.

(iv) The Sociedad Gestora, on behalf of the Fund, will be entitled at any moment during the time that this contract is in force, to cancel or leave suspended the qualification for the extension of the time period on the part of the Administrator.

In the event of any re-negotiation of the Mortgage Share Certificate(s) occurring, or of their expiry dates, the Administrator will communicate to the Sociedad Gestora the conditions resulting from each re-negotiation immediately. This communication will be made via the manual or computer file provided for the updating of the conditions of the Shared Mortgage Loans. Both the public deeds and the private contracts corresponding to the novation of the conditions of the Shared Mortgage Loans will be in the custody of the Administrator, in accordance with the terms of section IV.2.2 of this Prospectus.

In the case of re-negotiation of the Shared Mortgage Loans or their expiry dates being consented to by the Sociedad Gestora, for and on behalf of the Fund, the modification of the conditions will affect the Fund according to regulation fifteen, section 2d) of Circular 4/1991, of 16<sup>th</sup> June, of the Bank of Spain.

**11. Powers of the holder of the Mortgage Share Certificates in the event of non-compliance with the obligations on the part of the mortgage debtor.**

Each Administrator will apply equal diligence and a claim procedure for the amounts owed and not paid on the Shared Mortgage Loans as to the other loans in his portfolio. In general, the Administrator will press for foreclosure if, during a period of time of six (6) months, the Mortgage Share Certificate debtor who has failed to comply with his obligations to pay, does not renew his payments or the Administrator, with the consent of the Sociedad Gestora, does not achieve any satisfactory commitment to pay the interest of the Fund and, in any event, will immediately initiate the aforementioned foreclosure if the Managing Company, on behalf of the Fund, and with a previous analysis of the specific circumstances of the case, considers it pertinent.

In the event of non-payment on the part of a mortgage debtor, the Sociedad Gestora, acting for and on behalf of the Fund, will have the following powers laid down in section 66 of the Royal Decree 685/1982, modified by the Royal Decree 1289/1991:

- (i) To compel the Administrator to instigate the foreclosure.
- (ii) To concur in equal rights with the Administrator, with regard to the issuing Entity for the Mortgage Share Certificates, in the foreclosure the latter takes against the debtor, appearing to this end at any foreclosure proceeding started by the same and participating in the auction at a pro-rata percentage of the credit discharged without prejudice, where applicable, to receiving the difference between the interest agreed on the Mortgage Share Certificate and that agreed on the Mortgage Share Certificate.
- (iii) If the Administrator does not start such proceeding within sixty (60) calendar days from the jurat requiring payment of the debt, the Sociedad Gestora, for and on behalf of the Fund, will be legitimised in a subsidiary manner to perform the shared credit action regarding the mortgage in the amount corresponding to the percentage of his participation, both for the principal and the interest.
- (iv) In the event of the proceeding being followed by the Administrator being brought to a halt, the Fund, duly represented by the Sociedad Gestora, may substitute in the position the same and continue the foreclosure proceeding, without the need for the time period indicated to elapse.

In the events stated in paragraphs (iii) and (iv), the Sociedad Gestora, for and on behalf of the Fund, will be able to request the competent Judge or Notary to initiate or continue the corresponding mortgage foreclosure proceeding. Such a demand shall be accompanied by the original Mortgage Share Certificate security, the jurat stated in section (iii) above and the certificate of registration in the registry and subsistence of the mortgage.

If it is legally necessary, and for the purposes of article 131 of the Mortgage Act, each Administrator will execute an irrevocable power in the Deed of Constitution, as wide and sufficient as necessary by law for the Sociedad Gestora, acting for and on behalf of the Administrator, may require, before a notary, with the mortgage debtor of any of the Shared Mortgage Loans in order to pay his debt.

The Sociedad Gestora, for and on behalf of the Fund, in its position as holder of the Mortgage Share Certificates, will likewise concur in equality of rights with the Administrators in the foreclosure

proceeding and, in this sense, will be able to request the award of the property mortgaged in payment of its credit, under the terms laid down in article 131 of the Mortgage Act.

In addition, each Administrator will provide the Sociedad Gestora with all the documentation that the latter requests with regard to the Shared Mortgage Loans and, in particular, the precise documentation for the Sociedad Gestora to bring judicial executive actions, where applicable.

## **12. Executive action against the Administrator.**

The Sociedad Gestora, for and on behalf of the Fund, will take executive action against the Administrator to effectively ensure the Due Dates for the principal and interest of the Mortgage Share Certificates, when the non-compliance of the obligation to pay for these items is not a consequence of lack of payment by the Mortgage Share Certificate debtors.

Once the Shared Mortgage Loans have lapsed, the Fund, via the Sociedad Gestora, will maintain its action against the Administrator until his obligations have been complied with.

**IV.3 Succinct, summarised description of the general policies on the granting and formalization conditions established in matters of mortgage loans by the issuing entities of the participations grouped in the fund.**

**IV.3.1 Succinct description of the procedures established by the Endorsing Institutions issuing the Mortgage Share Certificates, for the analysis of risk and the grant of mortgage loans.**

The Shared Mortgage Loans have been granted by the Endorsing Institutions issuing the Mortgage Share Certificates following the customary procedures, which are described in Appendix 7 of the Deed of Constitution of the Fund, “Memorandum concerning the Criteria for Granting Mortgage Loans”.

**IV.3.2 Statistical information on the evolution of the amounts and number, balances pending, the average amount, average interest and average period of the grant for the mortgage loan portfolio.**

The following table shows the evolution in the past three years of the credit investment of the Endorsing Institutions issuing the Mortgage Share Certificates, executed for financing a dwelling, with details of the number of live loans granted to this end, the average percentage of the nominal interest rate weighted by the principals pending reimbursement and the payment in arrears on this investment.

**CAJA RURAL DE ALMERÍA**

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Assets in abeyance (balance)
	Loans	Balance	% Nominal interest rate				
1	2	3	4	5	6	7	8
11. 30.1999	19,809	105,166	4.50	1,029	106,196	0.970	260
12. 31.1998	17,731	91,659	7.37	1,376	93,035	1.479	266
12. 31.1997	5,858	32,056	7.93	528	32,584	1.621	12
12. 31.1996	5,326	29,589	7.53	442	30,031	1.474	2

Balances in millions of pesetas.  
 4: Nominal rate of interest weighted by the principal pending reimbursement.  
 5: Assets classified as doubtful according to Circular 4/1991 of the Bank of Spain.  
 6: 3+5 / 7: 5/6\*100  
 8: Assets in abeyance, removed form the balance, in accordance with Circular 4/1991 of Bank of Spain.

**CAJA RURAL DE MÁLAGA**

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Assets in abeyance (balance)
	Loans	Balance	% Nominal interest rate				
1	2	3	4	5	6	7	8
12. 31.1999	5,837	34,227	4.562	71	34,298	0.207	4
12. 31.1998	4,170	23,053	5.434	75	23,129	0.325	5
12. 31.1997	2,776	13,448	6.637	91	13,540	0.676	4
12. 31.1996	1,593	6,070	10.473	116	6,186	1.876	0

Balances in millions of pesetas  
 4: Nominal rate of interest weighted by the principal pending reimbursement.  
 5: Assets classified as doubtful according to Circular 4/1991 of the Bank of Spain.  
 6: 3+5 / 7: 5/6\*100  
 8: Assets in abeyance, removed form the balance, in accordance with Circular 4/1991 of Bank of Spain..

**CAJA RURAL DE NAVARRA**

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Assets in abeyance (balance)
	Loans	Balance	% Nominal interest rate				
1	2	3	4	5	6	7	8
12. 31.1999	8,866	73,543	4.517	101	73,645	0.138	0
12. 31.1998	7,691	62,927	5.595	87	63,015	0.139	0
12. 31.1997	6,061	46,995	7.107	53	47,048	0.114	0
12. 31.1996	4,446	32,574	9.284	93	32,668	0.286	0

Balances in millions of pesetas  
 4: Nominal rate of interest weighted by the principal pending reimbursement.  
 5: Assets classified as doubtful according to Circular 4/1991 of the Bank of Spain.  
 6: 3+5 / 7: 5/6\*100  
 8: Assets in abeyance, removed form the balance, in accordance with Circular 4/1991 of Bank of Spain.

**CAJA RURAL VALENCIA**

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Assets in abeyance (balance)
	Loans	Balance	% Nominal interest rate				
1	2	3	4	5	6	7	8
12. 31.1999	29,759	196,820	4.882	2,377	199,197	1.193	34
12. 31.1998	26,760	160,202	5.529	2,752	162,955	1.689	30
12. 31.1997	23,270	129,979	6.683	3,411	133,391	2.558	24
12. 31.1996	17,474	90,427	8.635	3,347	93,774	3.569	53

Balances in millions of pesetas  
 4: Nominal rate of interest weighted by the principal pending reimbursement.  
 5: Assets classified as doubtful according to Circular 4/1991 of the Bank of Spain.  
 6: 3+5 / 7: 5/6\*100  
 8: Assets in abeyance, removed from the balance, in accordance with Circular 4/1991 of Bank of Spain.

**IV.4 Description of the mortgage loan portfolios put into motion via the Mortgage Share Certificates grouped in the Fund.**

**a) Number of mortgage loans and the amount or balance pending maturity of the same at the present time.**

The provisional mortgage loan portfolio which will serve as a base for the issue of Mortgage Share Certificates is made up of 6,011 mortgage loans, the capital value of which amounted to 36,961,550,962 pesetas (222,143,395.25 euros) on 22<sup>nd</sup> November 1999.

The following table shows the distribution of the Current Balance of the mortgage loans for each Endorsing Institution.

Portfolio of mortgage loans on 11.22.1999					
Classification by Current Balance of the Principal					
Endorsing Institution	Loans		Current Balance of the Principal		
	Nº.	%	(in pesetas)	(in euros)	%
CAJA RURAL DE ALMERÍA	548	9.12	3,149,382,154	18,928,167.96	8.52
CAJA RURAL DE MÁLAGA	1,651	27.47	8,902,065,595	53,502,491.77	24.08
CAJA RURAL DE NAVARRA	1,280	21.29	10,355,415,964	62,237,303.40	28.02
CAJA RURAL VALENCIA	2,532	42.12	14,554,687,249	87,475,432.12	39.38
<b>Total</b>	<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>222,143,395.25</b>	<b>100.00</b>

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

The Current Balance for the principal of the mortgage loans came within the range of 37,378 and 37,865,222 pesetas on 22<sup>nd</sup> November 1999.



The following table shows the distribution of the Current Balance of the mortgage loans at intervals of 2,000,000 pesetas.

<b>Portfolio of mortgage loans on 11.22.1999</b>				
<b>Classification by Current Balance of the Principal</b>				
<b>Range of Current Balance of the Principal (in pesetas)</b>	<b>Loans</b>		<b>Current Balance of the Principal (in pesetas)</b>	
	<b>N°.</b>	<b>%</b>		<b>%</b>
0 - 1,999,999	14	0.23	21,593,868	0.06
2,000,000 - 3,999,999	1,512	25.15	4,977,978,580	13.47
4,000,000 - 5,999,999	2,112	35.14	10,421,548,145	28.20
6,000,000 - 7,999,999	1,160	19.30	7,992,915,959	21.62
8,000,000 - 9,999,999	592	9.85	5,283,919,458	14.30
10,000,000 - 11,999,999	277	4.61	3,022,351,006	8.18
12,000,000 - 13,999,999	161	2.68	2,071,508,334	5.60
14,000,000 - 15,999,999	81	1.35	1,201,040,097	3.25
16,000,000 - 17,999,999	50	0.83	844,934,291	2.29
18,000,000 - 19,999,999	26	0.43	494,934,997	1.34
20,000,000 - 21,999,999	10	0.17	211,541,881	0.57
22,000,000 - 23,999,999	7	0.12	162,709,939	0.44
24,000,000 - 25,999,999	4	0.07	101,470,759	0.27
26,000,000 - 27,999,999	2	0.03	53,222,882	0.14
28,000,000 - 29,999,999	1	0.02	28,817,733	0.08
32,000,000 - 33,999,999	1	0.02	33,197,811	0.09
36,000,000 - 37,999,999	1	0.02	37,865,222	0.10
<b>Total</b>	<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>100.00</b>
	<b>Average Principal:</b>		<b>6,148,985</b>	
	<b>Minimum Principal:</b>		<b>37,378</b>	
	<b>Maximum Principal:</b>		<b>37,865,222</b>	

**c) Effective rate of interest applicable at the present time: maximum, minimum and average rates for the mortgage loans.**

All the mortgage loans that make up the provisional portfolio have a variable interest rate. The nominal interest rates applicable to the mortgage loans on 22<sup>nd</sup> November 1999 are within a range between 3.00% and 11.25%, the average nominal interest rate being 4.58% weighted by the principal pending.

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

Portfolio of mortgage loans on 11.22.1999 Classification by Nominal Rates of Interest					
% Range of Interest Rate	Loans		Current Balance of Principal (in pesetas)		%Interest* Rate
		%		%	
3.00 - 3.49	125	2.08	1,129,077,547	3.05	3.33
3.50 - 3.99	802	13.34	6,435,361,137	17.41	3.74
4.00 - 4.49	1,365	22.71	8,826,602,871	23.88	4.16
4.50 - 4.99	1,586	26.38	9,209,104,114	24.92	4.62
5.00 - 5.49	1,233	20.51	6,675,810,812	18.06	5.16
5.50 - 5.99	658	10.95	3,482,077,912	9.42	5.66
6.00 - 6.49	164	2.73	828,311,894	2.24	6.04
6.50 - 6.99	30	0.50	135,834,203	0.37	6.53
7.00 - 7.49	12	0.20	54,160,226	0.15	7.12
7.50 - 7.99	11	0.18	57,299,375	0.16	7.69
8.00 - 8.49	5	0.08	25,650,587	0.07	8.00
8.50 - 8.99	10	0.17	47,250,514	0.13	8.50
9.50 - 9.99	1	0.02	12,165,186	0.03	9.50
10.00 - 10.49	1	0.02	3,958,300	0.01	10.00
10.50 - 10.99	4	0.07	21,955,735	0.06	10.75
11.00 - 11.49	4	0.07	16,930,549	0.05	11.25
<b>Total</b>	<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>100.00</b>	
	<b>Weighted Average:</b>			<b>4.58%</b>	
	<b>Simple Average:</b>			<b>4.67%</b>	
	<b>Minimum:</b>			<b>3.00%</b>	
	<b>Maximum:</b>			<b>11.25%</b>	

**d) Effective interest rate applicable at the present time: maximum, minimum and average rates for the mortgage loans.**

The interest rates on all the loans are determined with reference to the following indices:

- (i) **Banks Mortgage rate (BMR):** average rate for the mortgage loans for more than three years defined as the simple average of the average interest rates weighted by the principals of the loan operations with a mortgage guarantee for a period equal or above three years for the free acquisition of a dwelling which have been initiated or renewed in the month referred to in the index for all banks.
- (ii) **Savings bank mortgage market rate (BMMR):** average rate for the mortgage loans for more than three years for the savings banks defined as the simple average of the average interest rates weighted by the principals of the loan operations with a mortgage guarantee for a period equal or above three years for the free acquisition of a dwelling which have been initiated or renewed in the month referred to in the index for all savings banks.
- (iii) **Mortgage market rate for all entities (MMR):** average rate for the mortgage loans for more than three years for all entities defined as the simple average of the average interest rates weighted by the

principals of the loan operations with a mortgage guarantee for a period equal or above three years for the free acquisition of a dwelling which have been initiated or renewed in the month referred to in the index for all savings banks.

(iv) **MIBOR 1 year rate (MI1Y):** interbank daily rate defined as the simple average rate of the daily interest rates for those which have crossed operations for a period of one year in the interbank deposit market construed on the amount of the carried out operations for that same period made on that day, published by the Bulletin of the Book Entry Central.

(v) **MIBOR 1 year punctual rate (MI1YP):** defined as the simple average of the daily interest rates for those which have crossed operations for a period of one year in the interbank deposit market, during the working days in the corresponding legal month. The daily rates are, in turn, the average rates weighted by the amount of the operations carried out for that time period during the day.

The following table shows the distribution of the mortgage loans in terms of the reference index applicable to them.

<b>Portfolio of mortgage loans on 11.22.1999</b>					
<b>Classification by Interest Rate Reference Index</b>					
<b>Reference Index</b>	<b>Loans</b>		<b>Current Balance of Principal (in pesetas)</b>		<b>% Margin* on Index</b>
		<b>%</b>		<b>%</b>	
BMR	62	1.03	415,090,137	1.12	0.54
BMMR	1,582	26.32	8,626,036,293	23.34	0.40
MMR	400	6.65	2,683,178,820	7.26	0.23
MI1Y	3,479	57.88	21,682,674,622	58.66	1.08
MI1YP	488	8.12	3,554,571,090	9.62	0.85
<b>Total</b>	<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>100.00</b>	
		<b>Margin</b>	<b>Weighted Average:</b>		<b>0.83%</b>
			<b>Simple Average:</b>		<b>0.87%</b>
			<b>Minimum:</b>		<b>0.00%</b>
			<b>Maximum:</b>		<b>2.50%</b>

e) **Dates for the formalization of the mortgage loans, together with the final maturity date, the nearest and latest, with an indication of the residual life of the group of mortgage loans.**

**Date of formalization**

The mortgage loans of which the provisional portfolio is composed were formalized on dates between 5<sup>th</sup> July 1989 and 29<sup>th</sup> January 1999, the average age of the portfolio being 29.9 months on 22<sup>nd</sup> November 1999.

The following table shows the distribution of the mortgage loans according to the date of formalization at annual intervals.

<b>Portfolio of Mortgage Loans on 11.22.1999</b>				
<b>Classification by Date of Execution of the Loans</b>				
<b>Date Interval</b>	<b>Loans</b>		<b>Current Balance of Principal (in pesetas)</b>	
		<b>%</b>		<b>%</b>
From 07/01/1989 to 12/31/1989	1	0.02	3,238,070	0.01
From 01/01/1990 to 12/31/1990	7	0.12	23,240,225	0.06
From 01/01/1991 to 12/31/1991	12	0.20	46,643,239	0.13
From 01/01/1992 to 12/31/1992	37	0.62	139,475,157	0.38
From 01/01/1993 to 12/31/1993	90	1.50	417,291,661	1.13
From 01/01/1994 to 12/31/1994	378	6.29	2,005,574,663	5.43
From 01/01/1995 to 12/31/1995	494	8.22	2,709,606,298	7.33
From 01/01/1996 to 12/31/1996	825	13.72	4,921,237,680	13.31
From 01/01/1997 to 12/31/1997	1,971	32.79	12,340,806,163	33.39
From 01/01/1998 to 12/31/1998	2,156	35.87	14,076,375,252	38.08
From 01/01/1999 to 01/31/1999	40	0.67	278,062,554	0.75
<b>Total</b>	<b>6,011</b>	<b>100,00</b>	<b>36,961,550,962</b>	<b>100,00</b>

**Final maturity date and residual life.**

The mortgage loans of which the provisional portfolio is composed have a final maturity date between 26<sup>th</sup> February 2002 and 30<sup>th</sup> April 2024.

The amortization of the loans occurs during all the remaining life until full amortization, a period during which the mortgage debtors have to pay comprehensive monthly quotas for the reimbursement of the capital and interest.

At any time in the life of the loans, the mortgage debtors may reimburse the whole or part of the capital pending early amortization, the amount due for interest on the part paid in advance ceasing from the date that the reimbursement occurs.

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

Portfolio of Mortgage Loans on 11.22.1999						
Classification by Final Amortization Date						
Date Interval	Loans		Current Balance of Principal (in pesetas)		Residual Life*	
		%		%	Months	Date
From 01/01/2002 to 12/31/2002	15	0.25	48,026,814	0.13	32.55	08/9/2002
From 01/01/2003 to 12/31/2003	42	0.70	145,841,578	0.39	43.38	07/4/2003
From 01/01/2004 to 12/31/2004	60	1.00	229,577,972	0.62	55.28	07/1/2004
From 01/01/2005 to 12/31/2005	125	2.08	511,429,938	1.38	67.71	07/14/2005
From 01/01/2006 to 12/31/2006	179	2.98	795,207,258	2.15	79.89	07/20/2006
From 01/01/2007 to 12/31/2007	282	4.69	1,268,522,862	3.43	91.99	07/23/2007
From 01/01/2008 to 12/31/2008	389	6.47	1,817,387,630	4.92	103.83	07/17/2008
From 01/01/2009 to 12/31/2009	369	6.14	1,940,507,156	5.25	115.51	07/8/2009
From 01/01/2010 to 12/31/2010	414	6.89	2,223,178,621	6.01	127.61	07/11/2010
From 01/01/2011 to 12/31/2011	459	7.64	2,705,221,642	7.32	139.86	07/19/2011
From 01/01/2012 to 12/31/2012	723	12.03	4,387,396,961	11.87	151.90	07/19/2012
From 01/01/2013 to 12/31/2013	862	14.34	5,529,124,571	14.96	164.07	07/25/2013
From 01/01/2014 to 12/31/2014	195	3.24	1,281,891,620	3.47	174.05	05/25/2014
From 01/01/2015 to 12/31/2015	166	2.76	1,093,633,026	2.96	187.10	06/26/2015
From 01/01/2016 to 12/31/2016	225	3.74	1,548,040,375	4.19	200.25	07/30/2016
From 01/01/2017 to 12/31/2017	436	7.25	3,269,214,736	8.84	212.16	07/28/2017
From 01/01/2018 to 12/31/2018	562	9.35	4,339,372,016	11.74	223.28	07/1/2018
From 01/01/2019 to 12/31/2019	51	0.85	417,795,740	1.13	233.05	04/25/2019
From 01/01/2020 to 12/31/2020	43	0.72	318,764,742	0.86	248.02	07/23/2020
From 01/01/2021 to 12/31/2021	63	1.05	426,321,927	1.15	259.61	07/11/2021
From 01/01/2022 to 12/31/2022	146	2.43	1,066,034,618	2.88	272.18	07/28/2022
From 01/01/2023 to 12/31/2023	203	3.38	1,576,123,785	4.26	283.47	07/7/2023
From 01/01/2024 to 12/31/2024	2	0.03	22,935,374	0.06	291.11	02/25/2024
<b>Total</b>	<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>100.00</b>		
	<b>Weighted Average:</b>				<b>170.85</b>	
	<b>Simple Average:</b>				<b>161.39</b>	
	<b>Minimum:</b>				<b>27.17</b>	<b>02/26/2002</b>
	<b>Maximum:</b>				<b>293.26</b>	<b>04/30/2024</b>

f) **Indication of the maximum, minimum and average value of the listing: “LTV”.**

The ratio between the amount of the Current Balance of the principal and the appraisal value of the dwelling (LTV) in the mortgage loans of which the provisional portfolio is composed of on 22<sup>nd</sup> November 1999 was between 0.23% and 79.14%, the average ratio being 56.79% weighted by the Current Balance of the principal of each loan

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

<b>Portfolio of Mortgage Loans on 11.22.1999</b>					
<b>Classification by LTV</b>					
<b>LTV intervals</b>	<b>Loans</b>		<b>Current Balance of Principal (in pesetas)</b>		<b>LTV</b>
		<b>%</b>		<b>%</b>	
0.01 - 5.00	4	0.07	4,365,696	0.01	2.48
5.01 - 10.00	10	0.17	30,398,768	0.08	8.55
10.01 - 15.00	42	0.70	141,339,705	0.38	12.79
15.01 - 20.00	99	1.65	384,878,709	1.04	17.85
20.01 - 25.00	170	2.83	749,247,308	2.03	22.70
25.01 - 30.00	256	4.26	1,278,630,458	3.46	27.71
30.01 - 35.00	281	4.67	1,477,328,347	4.00	32.57
35.01 - 40.00	376	6.26	2,129,571,607	5.76	37.72
40.01 - 45.00	432	7.19	2,441,004,178	6.60	42.45
45.01 - 50.00	490	8.15	3,042,523,948	8.23	47.51
50.01 - 55.00	536	8.92	3,331,025,421	9.01	52.50
55.01 - 60.00	611	10.16	3,869,023,370	10.47	57.55
60.01 - 65.00	655	10.90	4,264,814,591	11.54	62.58
65.01 - 70.00	671	11.16	4,608,598,307	12.47	67.62
70.01 - 75.00	816	13.58	5,323,547,395	14.40	72.68
75.01 - 80.00	562	9.35	3,885,253,154	10.51	76.67
<b>Total</b>	<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>100.00</b>	
	<b>Weighted Average:</b>				<b>56.79</b>
	<b>Simple Average:</b>				<b>54.93</b>
	<b>Minimum:</b>				<b>0.23</b>
	<b>Maximum:</b>				<b>79.14</b>

**g) Indication of the geographical distribution by provinces of the present amount of the mortgage loans.**

The following table shows the geographical distribution of the mortgage loans, according to provinces where the properties that serve as a guarantee for these are located.

As well as the number of loans and the Current Balance of the principal, the table also includes the Current Balance of the principal/average weighted appraisal value ratio corresponding to the loans whose guarantee is located in each of the provinces.

Portfolio of Mortgage Loans on 11.22.1999						
Geographical Classification						
	Loans		Current Balance of Principal (in pesetas)		LTV	
		%		%		
04	Almería	433	7.20	2,457,198,921	6.65	59.48
11	Cádiz	42	0.70	195,307,935	0.53	60.32
14	Córdoba	1	0.02	3,717,389	0.01	37.42
18	Granada	1	0.02	7,670,436	0.02	61.56
23	Jaén	1	0.02	3,268,548	0.01	68.09
29	Málaga	1,590	26.45	8,559,849,192	23.16	57.43
41	Sevilla	3	0.05	28,244,096	0.08	42.95
52	Melilla	16	0.27	109,693,526	0.30	62.98
	<b>Andalucía</b>	<b>2,087</b>	<b>34.72</b>	<b>11,364,950,043</b>	<b>30.75</b>	<b>57.94</b>
22	Huesca	2	0.03	11,559,661	0.03	74.31
44	Teruel	3	0.05	13,339,934	0.04	74.53
50	Zaragoza	3	0.05	26,802,350	0.07	72.39
	<b>Aragón</b>	<b>8</b>	<b>0.13</b>	<b>51,701,945</b>	<b>0.14</b>	<b>73.37</b>
08	Barcelona	31	0.52	302,958,671	0.82	63.94
17	Girona	1	0.02	4,415,106	0.01	28.63
43	Tarragona	40	0.67	289,809,088	0.78	58.93
	<b>Cataluña</b>	<b>72</b>	<b>1.20</b>	<b>597,182,865</b>	<b>1.62</b>	<b>61.25</b>
20	Guipúzcoa	55	0.91	535,136,270	1.45	60.99
	<b>País Vasco</b>	<b>55</b>	<b>0.91</b>	<b>535,136,270</b>	<b>1.45</b>	<b>60.99</b>
09	Burgos	1	0.02	3,731,612	0.01	74.63
40	Segovia	1	0.02	5,365,411	0.01	23.74
42	Soria	1	0.02	3,262,223	0.01	44.63
	<b>Castilla-León</b>	<b>3</b>	<b>0.05</b>	<b>12,359,246</b>	<b>0.03</b>	<b>44.62</b>
28	Madrid	8	0.13	83,571,485	0.23	46.43
	<b>Madrid</b>	<b>8</b>	<b>0.13</b>	<b>83,571,485</b>	<b>0.23</b>	<b>46.43</b>
16	Cuenca	1	0.02	10,331,246	0.03	49.08
45	Toledo	1	0.02	9,013,626	0.02	37.56
	<b>Castilla La Mancha</b>	<b>2</b>	<b>0.03</b>	<b>19,344,872</b>	<b>0.05</b>	<b>43.71</b>
30	Murcia	104	1.73	567,828,088	1.54	60.46
	<b>Murcia</b>	<b>104</b>	<b>1.73</b>	<b>567,828,088</b>	<b>1.54</b>	<b>60.46</b>
31	Navarra	1,205	20.05	9,663,827,623	26.15	51.66
	<b>Navarra</b>	<b>1,205</b>	<b>20.05</b>	<b>9,663,827,623</b>	<b>26.15</b>	<b>51.66</b>
26	La Rioja	4	0.07	24,570,339	0.07	54.90
	<b>La Rioja</b>	<b>4</b>	<b>0.07</b>	<b>24,570,339</b>	<b>0.07</b>	<b>54.90</b>
03	Alicante	96	1.60	473,265,492	1.28	59.52
12	Castellón	12	0.20	73,619,678	0.20	59.82
46	Valencia	2,355	39.18	13,494,193,016	36.51	58.88
	<b>Comunidad Valenciana</b>	<b>2,463</b>	<b>40.97</b>	<b>14,041,078,186</b>	<b>37.99</b>	<b>58.91</b>
<b>Total Portfolio</b>		<b>6,011</b>	<b>100.00</b>	<b>36,961,550,962</b>	<b>100.00</b>	

- h) Indication of whether delays exist in the payment of the quotas on the principal or the interest for the mortgage loans and, where applicable, the present principal of the loans that are behind by 30, 60 and 90 days.

The following table shows the number of loans and the Current Balance of the principal of those loans from the provisional portfolio that had some delay in the payment of overdue debits on 22<sup>nd</sup> November 1999.

<b>Portfolio of Mortgage Loans on 11.22.1999</b>			
<b>Delays in the Payment of Payments Due</b>			
<b>Interval Days</b>	<b>Loans</b>	<b>Principal Outstanding</b>	<b>Principal in arrears</b>
1-10	28	245,876,284	1,125,618
11-30	75	478,508,722	1,315,815
31-60	25	152,642,533	1,188,594
61-90	9	66,265,933	630,808
>90	6	29,166,947	653,144

As declared by the Endorsing Institutions issuing the Mortgage Share Certificates in section IV.1.a) 18, none of the Shared Mortgage Loans that are finally the object of the issue of Mortgage Share Certificates for the constitution of the Fund will have overdue debits pending payment on the date of their issue.

- i) **Indication of the present amount of the mortgage loans that are considered by the entity issuing the Mortgage Share Certificates as assets with a weighting of 50%, for the purposes laid down in the Order of 30<sup>th</sup> December 1992 on Credit Association solvency rules.**

All the mortgage loans of which the provisional portfolio is composed are considered by the Endorsing Institutions issuing the Mortgage Share Certificates to be assets at risk with a weighting of 50% on the solvency coefficient that the Credit Associations have to maintain, for the purposes laid down in the Order of 30<sup>th</sup> December 1992.





<b>SECTION V</b>
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**INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATING OF THE MORTGAGE SECURITY FUND**

**V.1 Table with a descriptive synopsis of the different hypotheses and behaviour estimated to be most possible for the economic and financial flows in the Fund:**

**V.1.1 Assumed hypotheses with regard to the main or most probable indices for early amortization, delays in the payment of unpaid debts and bankrupt persons parameters with respect to the Mortgage Share Certificates grouped in the Fund.**

The tables that appear below in section V.1.3 refer to one of the scenarios possible which could appear over the life of the Fund and the present issue of Bonds with respect to the income of and payments made by the Fund.

The following hypotheses have been used for the execution of the aforementioned financial service tables:

**a) Shared Mortgage Loans.**

- (i) Volume of the portfolio on 22<sup>nd</sup> November 1999 from which the loans that are the object of the issue of Mortgage Share Certificates will be taken: 36,961,550,962 pesetas (222,143,395.25 euros).
- (ii) Interest rate: 4.573% (% average weighted margin of the portfolio of loans selected on 14th January 1999).
- (iii) CPR: 10% per annum.
- (iv) Debt arrears percentage: 0% per annum.
- (v) Bankruptcies: 0%.

**b) Mortgage Share Certificates.**

- (i) Principal: 100% participation.
- (ii) Interest: participation calculated on the same interest rate as that applicable to a Mortgage Share Certificate.

**c) Bonds.**

- (i) Amount: 190,200,000 euros (31,646,617,200 Ptas) of Series A and 9,800,000 euros (1,630,582,800 Ptas) of Series B.
- (ii) Interest rate: variable interest rate corresponding to the Current Balances of each of the Bond Series A and B, assuming that the interest rates on each Series are maintained constant at 3.7800% and 3.9900% respectively.
- (iii) Exercise of the Early Amortization of the Bonds option by the issuer for both Series when the Current Balance of the Mortgage Share Certificates is less than 10% of its initial amount.

**d) Supplementary contracts.**

- (i) *Contract for Deposit at a Guaranteed Interest rate. Treasury Account.*

It is assumed that the qualification of the BANKINTER short term debt will not drop at any time from P-1 according to the Moody's Investors Service Limited scale and that, therefore, the Treasury Account will be kept at BANKINTER.

Interest rate: 3.39% for all amounts deposited in the Treasury Account.

- (ii) *Subordinate Loan Contract A*

- Amount: 837,000.00 euros (139,265,082 Ptas) which will be used to finance the expenses for the constitution of the Fund and the Issue of Bonds (approximately 524,128.19 euros (87,207,593 Ptas), to partially finance the subscription of the Mortgage Share Certificates and to cover the temporary imbalance existing between the receiving of interests deriving from Mortgage Share Certificates and the payment of interests on Bonds (300,000 euros (49,915,800 Ptas).
- Interest rate: 4.490%.
- Amortization: It will be amortized quarterly over the first five (5) years from the constitution of the Fund

- (iii) *Subordinate Loan Contract B.*

- Amount: 4,000,000.00 euros (665,544,000 Ptas) which will be used to finance the expenses of the Reserve Fund.
- Interest rate: 4.490%.
- Amortization: It will be amortized on the Payment Dates by the amount in which the Reserve Fund diminishes.

(iv) *Reserve Fund.*

Reserve Fund: 4,000,000.00 euros (665,544,000 Ptas) will drop on each Payment date, in such a way that the amount will be equal to the lower amount between 4,000,000 euros and that corresponding to 6% of the Current Balance for the Mortgage Share Certificates.

**e) Expenses, commission and margin.**

- (i) Loan Administration Commission: 0.01 % per annum on the average daily Current Balance for the Mortgage Share Certificates during each Period for the Interest Amount Due corresponding to the current Payment date, VAT included.
- (ii) Financial Intermediation Margin: variable amount which will be liquidated quarterly on each Payment date and will accrue annually for an amount equal to the positive difference, where there is one, between the income and expenses of the Fund previous to the official closing of the books.
- (iii) Sociedad Gestora Commission: 0.035% per annum on the Balance of the Principal Pending Payment of the Bonds, with a minimum annual amount of 15,025 euros (2,499,950 Ptas).
- (iv) Expenses for annual Audits of the Funds and the publication of announcements.
- (v) Agency Commissions for the Payment of Bonds.

**V.1.2 Analysis and comment on the impact that the possible variations in the hypotheses described in the above point could have on the financial balance of the Fund.**

In addition, in order to cover any possible credit risk through arrears in payments and bankruptcy on the Shared Mortgage Loans, the constitution of a reserve Fund is determined which will be initially endowed with a provision from the Subordinate Loan B.

In general, the quality of the Mortgage Share Certificates and the means of guarantee of the aforementioned financial balance of the Fund are such that it is not reasonable to consider early amortization percentages, or payment arrears or bankruptcies, as a consequence of the mandatory transfer of both the early amortization risk and non-payment of the loans, as extremes which would unbalance the financial structure of the Fund.

With regard to the effect that the early reimbursement of the Shared Mortgage Loans could have on the Bonds, in section II.12.b) of this Prospectus, a table of behaviour of the average life and duration of the Bonds is included for different effective constant rates of early amortization or prepayment (CPR).

**V.1.3 Numeric schematic of the flows of income and expenses of the Fund.**

The numeric schematic given below refers to income and payments derived from the application of a cash criteria, for the greater clarification of the investor although, in accordance with that which is stated in section V.2 of this Prospectus, the Fund will temporarily allocate income and expenses following the principle of accrued income and expenses.

The aforementioned schematic is based not only on the hypotheses mentioned in section V.1.1 above but also on the constant maintenance of these hypotheses during the life of the Fund and, as is already known, the variables affected, in particular the interest rates for all the series of Bonds and the real early amortization rates for the Shared Mortgage Loans to the Mortgage Share Certificates are subject to continuous change.

Therefore, this numeric schematic has no other value than being purely illustrative.



**CASH FLOWS OF THE FUND**  
(AMOUNTS IN MILLION PESETAS)

33,277.20 Bond Issue (BTH's)  
665.54 Subordinated Loan B

CPR = 10%

33,277.20 Payments for purchase of Mortgage Participatons  
137.12 Establishment and Issue expenses + cover the time lag

COLLECTIONS							PAYMENTS										
Reserve Fund Balance	PH's Outstanding	Payment Day	Repayment of PH's	Interest of PH's	Interest of Reinvestment	Reduction of Reserve Fund	Total	Fund Expenses	BTH's Interest	Repayment of BTH's	Interest Payments Sub. Loan A	Interest Payments Sub. Loan B	Repayment Subordinated Loan A	Repayment Subordinated Loan B	Administration PH's Commission	Financial Intermediation Margin	Total
0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
		<b>TOTAL:</b>	33,277.20	6,884.42	354.30	665.54	41,181.46	79.27	5,941.56	33,277.20	16.24	267.41	137.12	665.54	15.04	782.06	41,181.46
665.54	32,046.28	may-19-2000	1,230.92	313.44	11.16	0.00	1,555.52	2.87	283.79	1,230.92	1.39	6.72	6.86	0.00	0.78	22.20	1,555.52
665.54	30,720.13	aug-21-2000	1,326.16	361.27	13.16	0.00	1,700.59	2.98	317.19	1,326.16	1.53	7.80	6.86	0.00	0.79	37.29	1,700.59
665.54	29,439.39	nov-20-2000	1,280.74	344.31	12.56	0.00	1,637.60	2.77	294.40	1,280.74	1.40	7.55	6.86	0.00	0.76	43.14	1,637.60
665.54	28,196.11	feb-19-2001	1,243.28	331.81	12.22	0.00	1,587.31	4.44	282.16	1,243.28	1.32	7.55	6.86	0.00	0.72	40.98	1,587.31
665.54	27,019.21	may-21-2001	1,176.90	316.11	12.00	0.00	1,505.01	2.54	270.28	1,176.90	1.25	7.55	6.86	0.00	0.67	38.97	1,505.01
665.54	25,853.09	aug-20-2001	1,166.13	304.41	11.89	0.00	1,482.43	2.44	259.03	1,166.13	1.17	7.55	6.86	0.00	0.66	38.59	1,482.43
665.54	24,727.57	nov-19-2001	1,125.52	289.60	11.53	0.00	1,426.65	2.33	247.89	1,125.52	1.09	7.55	6.86	0.00	0.64	34.77	1,426.65
665.54	23,635.21	feb-19-2002	1,092.35	278.52	11.43	0.00	1,382.30	4.06	239.74	1,092.35	1.02	7.64	6.86	0.00	0.61	30.01	1,382.30
665.54	22,601.28	may-20-2002	1,033.93	264.82	10.99	0.00	1,309.74	2.11	224.21	1,033.93	0.92	7.47	6.86	0.00	0.56	33.68	1,309.74
665.54	21,578.80	aug-19-2002	1,022.48	254.45	10.95	0.00	1,287.87	2.04	216.82	1,022.48	0.86	7.55	6.86	0.00	0.56	30.71	1,287.87
665.54	20,592.84	nov-19-2002	985.96	241.56	10.81	0.00	1,238.33	1.97	209.33	985.96	0.79	7.64	6.86	0.00	0.53	25.26	1,238.33
665.54	19,637.30	feb-19-2003	955.54	231.76	10.66	0.00	1,197.96	3.72	199.80	955.54	0.71	7.64	6.86	0.00	0.51	23.19	1,197.96
665.54	18,734.06	may-19-2003	903.24	219.87	10.09	0.00	1,133.19	1.74	184.36	903.24	0.61	7.39	6.86	0.00	0.47	28.55	1,133.19
665.54	17,842.53	aug-19-2003	891.53	210.72	10.29	0.00	1,112.53	1.71	181.85	891.53	0.55	7.64	6.86	0.00	0.46	21.94	1,112.53
665.54	16,985.51	nov-19-2003	857.02	199.59	10.09	0.00	1,066.71	1.63	173.23	857.02	0.47	7.64	6.86	0.00	0.44	19.42	1,066.71
665.54	16,155.72	feb-19-2004	829.79	190.98	9.96	0.00	1,030.72	3.42	164.96	829.79	0.39	7.64	6.86	0.00	0.42	17.26	1,030.72
665.54	15,366.37	may-19-2004	789.36	180.70	9.55	0.00	979.61	1.45	153.53	789.36	0.31	7.47	6.86	0.00	0.39	20.26	979.61
665.54	14,594.50	aug-19-2004	771.87	172.67	9.63	0.00	954.16	1.41	149.31	771.87	0.24	7.64	6.86	0.00	0.38	16.47	954.16
665.54	13,852.68	nov-19-2004	741.82	163.11	9.46	0.00	914.40	1.34	141.86	741.82	0.16	7.64	6.86	0.00	0.36	14.37	914.40
665.54	13,134.99	feb-21-2005	717.69	155.59	9.63	0.00	882.91	3.19	137.62	717.69	0.08	7.80	6.86	0.00	0.34	9.33	882.91
665.54	12,457.09	may-19-2005	677.90	146.80	8.75	0.00	833.45	1.14	120.82	677.90	0.00	7.22	0.00	0.00	0.31	26.07	833.45
665.54	11,792.24	aug-19-2005	664.85	139.83	9.04	0.00	813.72	1.14	121.21	664.85	0.00	7.64	0.00	0.00	0.30	18.58	813.72
665.54	11,155.31	nov-21-2005	636.93	131.66	9.16	0.00	777.75	1.10	117.28	636.93	0.00	7.80	0.00	0.00	0.29	14.34	777.75
632.48	10,541.39	feb-20-2006	613.92	125.16	8.79	33.06	780.92	2.94	107.45	613.92	0.00	7.55	0.00	33.06	0.27	15.72	780.92
597.72	9,962.08	may-19-2006	579.32	117.69	8.02	34.76	739.79	0.93	98.24	579.32	0.00	6.94	0.00	34.76	0.25	19.35	739.79
563.74	9,395.62	aug-21-2006	566.46	111.68	8.17	33.99	720.30	0.93	99.22	566.46	0.00	7.01	0.00	33.99	0.24	12.45	720.30
531.32	8,855.27	nov-20-2006	540.35	104.78	7.52	32.42	685.07	0.86	90.64	540.35	0.00	6.40	0.00	32.42	0.23	14.18	685.07
500.11	8,335.24	feb-19-2007	520.03	99.22	7.09	31.20	657.53	2.77	85.48	520.03	0.00	6.03	0.00	31.20	0.22	11.81	657.53
470.77	7,846.20	may-21-2007	489.04	92.95	6.72	29.34	618.05	0.76	80.51	489.04	0.00	5.68	0.00	29.34	0.20	12.53	618.05
442.23	7,370.46	aug-20-2007	475.74	87.84	6.38	28.54	598.51	0.75	75.84	475.74	0.00	5.34	0.00	28.54	0.19	12.10	598.51
415.05	6,917.46	nov-19-2007	453.01	82.09	5.97	27.18	568.26	0.75	71.29	453.01	0.00	5.02	0.00	27.18	0.18	10.83	568.26
389.07	6,484.48	feb-19-2008	432.98	77.39	5.69	25.98	542.04	2.75	67.70	432.98	0.00	4.76	0.00	25.98	0.17	7.70	542.04
364.61	6,076.89	may-19-2008	407.59	72.21	5.23	24.46	509.48	0.76	62.13	407.59	0.00	4.37	0.00	24.46	0.15	10.02	509.48
341.06	5,684.40	aug-19-2008	392.48	67.93	5.04	23.55	489.00	0.76	59.58	392.48	0.00	4.18	0.00	23.55	0.15	8.30	489.00
332.77	5,313.16	nov-19-2008	371.25	63.24	4.73	8.29	447.51	0.76	55.79	371.25	0.00	3.91	0.00	8.29	0.14	7.37	447.51
332.77	4,959.56	feb-19-2009	353.60	59.36	4.58	0.00	417.53	2.80	52.20	353.60	0.00	3.82	0.00	0.00	0.13	4.99	417.53
332.77	4,629.57	may-19-2009	329.98	55.17	4.33	0.00	389.49	0.77	47.19	329.98	0.00	3.69	0.00	0.00	0.12	7.73	389.49
332.77	4,311.11	aug-19-2009	318.46	51.67	4.39	0.00	374.53	0.77	45.60	318.46	0.00	3.82	0.00	0.00	0.11	5.76	374.53
332.77	4,010.20	nov-19-2009	300.91	47.89	4.30	0.00	353.10	0.77	42.52	300.91	0.00	3.82	0.00	0.00	0.10	4.98	353.10
332.77	3,723.44	feb-19-2010	286.76	44.72	4.24	0.00	335.72	2.85	39.61	286.76	0.00	3.82	0.00	0.00	0.10	2.57	335.72
332.77	3,456.29	may-19-2010	267.15	41.35	4.02	0.00	312.52	0.78	35.64	267.15	0.00	3.69	0.00	0.00	0.09	5.17	312.52
0.00	0.00	aug-19-2010	3,456.29	38.50	4.08	332.77	3,831.63	1.30	34.26	3,456.29	0.00	3.82	0.00	332.77	0.08	3.11	3,831.63

**Explanations on the numeric schematic.**

- (0) Reserve Fund Balance.
- (1) Current Balance of the Mortgage Share Certificates portfolio corresponding to each quarterly payment date, once realised.
- (2) Payment dates corresponding to the different operations and services contracted by the Fund up to final maturity.

**a) Collections.**

- (3) Amount of the capital amortized in the Mortgage Share Certificates portfolio from the quarterly date immediately previous to the date indicated.
- (4) Net interest received by the Fund from the quarterly date immediately previous to the date indicated. This corresponds to the interest received on the Mortgage Share Certificates except in the first Payment Date that includes the corresponding part of the provision from the Subordinate Loan A in order to cover the time lag between the interest on the Mortgage Share Certificates and the Bonds being received.
- (5) Yield corresponding to the Fund Treasury Account, by virtue of the Contract for Deposit at a Guaranteed Interest Rate.
- (6) Reduction in the Fund Reserve balance.
- (7) Total income on each payment date, corresponding to the sum of amounts (3), (4), (5) and (6).

**b) Payments.**

- (8) Amounts corresponding to current Fund expenses.
- (9) Amount of the interest to pay to Bond holders.
- (10) Amount of principal amortized for the Bonds.
- (11) Amounts corresponding to the payment of the Subordinate Loan A interest.
- (12) Amounts corresponding to the payment of the Subordinate Loan B interest.
- (13) Periodic amortization of the Subordinate Loan principal A.
- (14) Periodic amortization of the Subordinate Loan principal B.
- (15) Commission for the administration of the Shared Mortgage Loans.
- (16) Variable Financial Intermediation margin with regard to the rest of the Fund income and expenses.
- (17) Total payments on each payment date, corresponding to the sum of amounts (8), (9), (10), (11), (12), (13), (14), (15) and (16).



## **V.2 Accounting criteria used by the Fund.**

Income and expenses will be recognised by the Fund following the principle of accrued income or expense, that is to say, in terms of the real flow that this income and these expenses represent, independently of the moment that the collection or payment is made.

The expenses for the constitution of the Fund and the issue of the Bonds described in section II.14 will be amortized linearly over the first five (5) years after the constitution of the Fund.

The economic year of the Fund will coincide with the calendar year, however, and as an exception, the first economic year will start on the date of constitution of the Fund and the last economic year will end on the date of the extinguishment of the Fund.

## **V.3 Description of the aim or object of the financial operations contracted by the Sociedad Gestora on account of the Fund, with the object of improving the risk, increasing the regularity of the payments, neutralising differences in the interest rates from the Mortgage Share Certificates or, in general, transforming the financial characteristics of all or part of these securities.**

In order to consolidate its financial structure and obtain the best cover possible for the risks inherent in the issue, the Sociedad Gestora, representing the Fund, will proceed to execute the contracts established below on the same date as it executes the Deed of Constitution.

With the object of the operating of the Fund complying under the terms laid down in the Deed of Constitution and the regulations in force at any given time, the Sociedad Gestora, acting for and on behalf of the Fund, will be able to defer or modify the contracts subscribed in the name of the Fund, substitute each of the providers of services to the Fund by virtue of same and, also, where necessary, make additional contracts; all subject to the legislation in force at any given time, to previous authorisation, where necessary, of the *Comisión Nacional del Mercado de Valores* or a competent administration and to their notification to the corresponding qualifying entity, always provided that these actions do not prejudice the interests of the Bond holders.

### **V.3.1 Contract for deposit at a Guaranteed Interest Rate and Treasury Account.**

The Sociedad Gestora, for and on behalf of the Fund, and BANKINTER will sign a Contract for deposit at a Guaranteed Interest Rate by virtue of which BANKINTER will guarantee a rate of return on the amounts deposited by the Fund through the Sociedad Gestora in a financial account. In precise terms, the Contract for Deposit at a Guaranteed Interest Rate will determine that all the amounts received by the Fund, in the majority from the following items, will be deposited in a financial account in euros, the “Treasury Account”, open in BANKINTER, in the name of the Fund by the Sociedad Gestora::

- (i) principal and interest of the Mortgage Share Certificates;
- (ii) the amounts of which the Reserve Fund is composed at any time;

- (iii) any other amounts, goods or rights received in payment of the principal, interest or expenses for the Shared Mortgage Loans, both for the auction price or an amount determined by a court decision or a notarial procedure in the execution of the mortgage guarantees, through the transfer or exploitation of the assets awarded or as a consequence of the aforementioned executions, in the administration and interim possession of the properties, in the process of execution, together with all the possible rights or indemnities that could result in favour of the Endorsing Institutions including not only those derived from contracts for insurance policies for damage conceded by the Endorsing Institutions to the Fund, but also those derived from any accessory right to the Shared Mortgage Loans, including the commissions established in each one of these;
- (iv) the amounts to which the revenue obtained amounts for balances in the Treasury Account and
- (v) the amounts that the retentions on account of the yield on property capital amounts on which has to be paid for interest on the Bonds and which have to be paid into the Tax Administration.

BANKINTER guarantees an annual nominal interest rate, variable quarterly and with quarterly liquidation, applicable in each period that carries interest (different from the Interest Accrual Period established for the Bonds), equal to the Interest Rate of Reference determined for the Bonds (Euribor with a maturity of three (3) months, except for the first interest accrual period which will be nine (9) months), transformed to an interest rate on the basis of calendar years of 365 days (that is multiplied by 365 and divided by 360). The interest accrued which must be liquidated on days 18<sup>th</sup> February, 18<sup>th</sup> May, 18<sup>th</sup> August and 18<sup>th</sup> November each year, will be calculated by taking the following as a base: (i) the effective days existing in each period for accruing interest and (ii) a year composed of three hundred and sixty-five (365) days.

In the case of a short term debt of BANKINTER, at any moment in the life of the issue of the Bonds, dropping in its qualification below P-1 according to the Moody's Investor's Service Limited scale, the Sociedad Gestora, within a maximum period of thirty (30) working days, counted from the time that the situation takes place, must put into practice, previous consultation with the Rating Agency, the options necessary from those described below which will permit a suitable level of guarantee with respect to the commitments derived from the Contract on Deposit with Guaranteed Interest:

- a) Obtain a collateral banking signature as a first requirement that will guarantee the Fund, from a credit association with a credit qualification equal to or greater than P-1, as a simple request from the Sociedad Gestora, of punctual payment by BANKINTER of its obligation to reimburse the amounts deposited in the Treasury Account, during the time that the situation of loss of P-1 qualification by BANKINTER is maintained.
- b) Obtain from the Endorsing Institutions, BANKINTER or a third party, a pledge guarantee in favour of the Fund on the financial assets of credit quality not less than that of the Public Debt of the Spanish State, for an amount sufficient to guarantee the commitments established in the Contract.
- c) In the case of options a) and b) above not being possible, the Treasury Account of the Fund will be transferred to an entity whose short term debt possesses a minimum P-1 qualification and the maximum yield for its balances will be contracted, which could be different from that contracted with BANKINTER by virtue of the Contract for Deposit with a Guaranteed Interest Rate.

- d) In this same case and in the case of it not being possible to transfer the Treasury Account under the terms laid down above, the Sociedad Gestora will be able to invest the balances, for maximum periods of six months, in short term fixed income assets in euros or pesetas issued by entities that have a minimum qualification of P-1 in the short term, including short term securities issued by the Spanish State and, in this case also, it may be that the yield obtained will be different from that obtained initially with BANKINTER, by means of the Contract for Deposit at a Guaranteed Interest Rate.
- e) In both situations c) and d), the Sociedad Gestora will later transfer the balances again to BANKINTER under the Contract for Deposit at a Guaranteed Interest Rate, in the case of its short term debt period once more achieving the P-1 qualification, according to the aforementioned scale.

By means of the Contract for Deposit at a Guaranteed Interest Rate, the risk of a time lag between the income in the Fund from the principal and interest of the Shared Mortgage Loans which occurs monthly and the amortization and payment of the interest on the Bonds, which occurs six-monthly, is mitigated.

### **V.3.2 Subordinate Loan Contracts.**

The Sociedad Gestora, for and on behalf of the Fund, will execute two Subordinate Loan Contracts with the CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, AND CAJA RURAL VALENCIA.

#### **V.3.2.1 Subordinate Loan A Contract.**

Subordinate Loan A, for a sum of eight hundred and thirty seven (837,000.00) euros (139,265,082 Ptas), distributed between these Entities in their position as Lenders in proportion to the nominal value of the Mortgage Share Certificates issued by each Endorsing Institution and grouped in the Fund.

The amount of the Subordinate Loan A will be used to finance the expenses for the constitution of the Fund and the issue of the Bonds, to partially finance the subscription of the Mortgage Share Certificates and to cover the time lag between the receipt of interest on the Mortgage Share Certificates and the payments of the Bonds.

The loan will accrue an nominal annual interest, determined six-monthly for each Interest Accrual Period, which will be that resulting from adding: (i) the Interest Rate of Reference determined for the Bonds (Euribor at three (3) months) and (ii) a margin of 1.00%. This interest will only be paid if the Fund has sufficient liquidity in accordance with the Priority of Payments of the Fund. The interest accrued to be paid on a particular Payment Date will be calculated taking the following as a base: (i) the effective days existing in each Interest Accrual Period and (ii) a year composed of three hundred and sixty (360) days.

The interest accrued and not paid on the Payment Date will accumulate interest on the delay at the same rate as that on the loan and will be paid, always provided that the Fund has sufficient liquidity and in accordance with the Priority of Payments, on the Payment Date immediately following.

The amortization will be carried out on each of the Payment Dates. The Loan part destined to finance the expenses for the constitution of the Fund and the issue of the Bonds which may not be used and that destined to partially financing of the subscription of the Mortgage Share Certificates will be amortized on the first Payment Date, or, if the Fund has not got sufficient liquidity, will continue its amortization in the following Payment Dates until total repayment. The Subordinate Loan A part destined to finance the expenses for the constitution of the Fund and the issue of the Bonds will be amortized quarterly inasmuch as these expenses are amortized monthly over the first five (5) years after the constitution of the Fund. The rest of the principal of the Loan will be amortized in twenty (20) consecutive and equal amounts, the first of which will be on the first Payment Date, 16<sup>th</sup> May 2000, and the following on the other Payment Dates, as long as the Fund has sufficient liquidity in accordance with the Priority of Payments.

#### **V.3.2.2 Subordinate Loan B Contract.**

Subordinate Loan B, for a sum of four million (4,000,000.00) euros (665,544,000 Ptas), distributed between these Entities in their position as Lenders in proportion to the nominal value of the Mortgage Share Certificates issued by each Endorsing Institution and grouped in the Fund.

The amount of the Subordinate Loan B will be used as the initial provision for the constitution of the Reserve Fund.

The loan will accrue a nominal annual interest, determined six-monthly for each Interest Accrual Period, which will be the result of adding: (i) the Interest Rate of Reference determined for the Bonds (Euribor at three (3) months) and (ii) a margin of 1.00%- This interest will only be paid if the Fund has sufficient liquidity in accordance with the Priority of Payments of the Fund. The interest accrued to be paid on a particular Payment Date will be calculated taking the following as a base: (i) the effective days existing in each Interest Accrual Period and (ii) a year composed of three hundred and sixty (360) days.

The interest accrued and not paid on the Payment Date will accumulate interest on the delay at the same rate as that on the loan and will be paid, always provided that the Fund has sufficient liquidity and in accordance with the Priority of Payments, on the Payment Date immediately following.

The amortization will be carried out on each of the Payment Dates in an amount equal to the difference existing between the amount of the Minimum Level required on the Previous Payment Date and the amount of the Minimum Level required on the current Payment Date. In the case of the Fund not having sufficient liquidity for proceeding with the amortization corresponding to the Subordinate Loan B on a Payment Date, the part of the principal that has not been amortized will be amortized on the Payment Date immediately afterwards together with the corresponding amount to be amortized on that Payment date, all of this in accordance with the Priority of Payments.

#### **V.3.3 Reserve Fund.**

The Sociedad Gestora, for and on behalf of the Fund, will constitute a reserve Fund initially charged to the Subordinate Loan B and will later maintain its provision at the Minimum Level in accordance with the Priority of Payments of the Fund.

The characteristics of the Reserve Fund are as follows:

(i) Amount:

It will be constituted on the date of Disbursement for an initial amount equal to four million (4,000,000.00) euros (665,544,000 pesetas).

Later, on each Payment Date, it will be endowed until it reaches the amount established below with the Funds Available in accordance with the Priority of Payments of the Fund.

The amount in the Reserve Fund (hereinafter the “Minimum Level”) will be the lesser of the following amounts:

- i) four million (4,000,000.00) euros (665,544,000 Ptas); and
- ii) 6% of the Current Balance of the Mortgage Share Certificates.

Whatever the case, the Minimum Level of the Reserve Fund will not be less than 1% of the initial Current Balance of the Mortgage Share Certificates grouped in the Fund.

With regard to the Minimum Level of the reserve Fund, and still not complying with all the cases laid down in the previous rules, no reduction in the provision will be made corresponding to an issuing Entity when, on a particular Payment Date, any of the following circumstances concur with regard to the said issuing Entity:

- i) That the sum that the Current Balance amounts to for the Mortgage Share Certificates issued by same with a delay of more than ninety (90) days in the payment of the overdue amounts on the Determination Date previous to the current Payment Date, is greater than 3% of the Current Balance of the Mortgage Share Certificates on that date.
- ii) That the sum that the Current Balance amounts to for the Mortgage Share Certificates issued by same with a delay of more than twelve (12) months in the payment of the overdue amounts on the Determination Date previous to the current Payment Date, is greater than the amount resulting from multiplying the amount of the capital or initial principal of the Mortgage Share Certificates by 0.025% multiplied by the number of Payment Dates that have passed since the Disbursement Date.
- iii) That the sum that the Current Balance amounts to for the Mortgage Share Certificates issued by same is greater than or equal to the Principal Pending Payment of the Bonds attributed to that issuing Entity
- iv) That the average weighted interest on the Mortgage Share Certificates issued by same on the Determination Date previous to the current Payment Date, is lower than the average weighted interest of Bonds of Series A and B in the previous Interest Accrual Period plus a differential of 0.33%.

(ii) Yield:

The amount of this Reserve Fund will initially be paid in the Treasury Account, being the object of the Contract for Deposit at a Guaranteed Interest Rate with BANKINTER, while the short term debt of this entity maintains the present P-1 rating, according to the Moody's Investors Service Limited qualification scale, described in section II.3.

(iii) Destination:

The Reserve Fund will be used, on each Payment Date, to fulfil the payment obligations contained in the Priority of Payments.

#### **V.4 Other contracts.**

##### **V.4.1 Administration of the Shared Mortgage Loans.**

CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA, AND CAJA RURAL VALENCIA, Endorsing Institutions of the Shared Mortgage Loans via the issue of the Mortgage Share Certificates to be subscribed by the Fund, in accordance with that which is stated in the Deed of Constitution and in accordance with Royal Decree 685/1982, of 17<sup>th</sup> March, on the regulation of certain aspects of the Mortgage Market, modified by Royal Decree 1289/1991, of 2<sup>nd</sup> August, will execute the Contract for the Administration of the Shared Mortgage Loans with the Sociedad Gestora, for and on behalf of the Fund, by virtue of which each of the Endorsing Institutions (with regard to this Contract the "Administrator(s)") will keep, as agents of the Fund, (i) the custody and administration of the Shared Mortgage Loans that are the object of the Mortgage Share Certificates; and (ii) will receive, for managing payment, on behalf of the Fund, all the amounts paid by the mortgage debtors by virtue of the Shared Mortgage Loans and will immediately pay the amounts corresponding to the Fund into the Treasury Account, as established in section IV.2.3 of the Prospectus

In consideration for the services to be performed for the administration of the Shared Mortgage Loans and the deposit of the Mortgage Share Certificates, the Administrators will have the right to receive a subordinate administration commission, for periods due on each of the Payment Dates and during the time that the Contract is in force, equal to the annual 0.01%, exclusive of VAT in the case of non-exemption, which will accrue on the effective days passed and on the average daily Current Balance of the Mortgage Share Certificates that they have administered during the Interest Accrual Period, always provided that the Fund has sufficient liquidity and once it has attended to its payment obligations, according to the Priority of Payments.

##### **V.4.1.1 Guarantee of the Obligations of the Administrators.**

BANCO COOPERATIVO will guarantee unconditionally, irrevocably, joint and severally, with the express renunciation of its right to exclusion, order and division, the fulfillment of the following obligations of the Administrators:

1. That all the amounts that each Administrator receives (i) from the debtors of the Shared Mortgage Loans derived from same and, (ii) all the amounts derived from the insurance contracts for the damages corresponding to the Shared Mortgage Loans which are ceded to the Fund through the issue of the Mortgage Share Certificates will be delivered by the Administrator to the Fund under the terms laid down in section IV.2.3 of this Prospectus.
2. That in the case of an Administrator being declared in liquidation, suspension of payments or bankruptcy, he will maintain the Fund undamaged by any injury which may be derived for it by same, where applicable, from any declaration, including specifically those which could result from the failure of the Administrator to comply with his obligation regarding the administration and management of the Shared Mortgage Loans and, in precise terms, he will proceed to pay the Fund directly the amounts corresponding to same for the principal and the interests on the Shared Mortgage Loans that are the object of the Mortgage Share Certificates of which its assets are composed.

In this case, BANCO COOPERATIVO on a requirement in writing of the Sociedad Gestora and always provided that it is legally possible, will take responsibility for the administration and management functions of the Shared Mortgage Loans that the Administrator has under his administration, with a previous communication to the corresponding mortgage debtors, in identical terms and conditions as those considered in this Contract. For these effects, the parts agree to execute any documents which may be necessary. On the requirement of the Sociedad Gestora and in the manner determined by same, the substituted Administrator will place at the disposal of the BANCO COOPERATIVO the documents and computer files necessary for the BANCO COOPERATIVO to develop the activities that correspond to it.

3. None of the above guarantees will be understood to be a payment in default of the debts corresponding to the shared mortgage loans.

However, in the case of the Administrator failing to fulfil any of the obligations imposed on him by this contract, the Sociedad Gestora will have the right to demand that the Administrator shall comply with that agreed with an indemnity for the damages caused.

The BANCO COOPERATIVO will not receive any remuneration whatsoever from the Fund for the provision of these guarantees.

#### **V.4.2 Bond Management, Underwriting and Placement Contract.**

The Sociedad Gestora, for and on behalf of the Fund, will execute a Bond Management, Underwriting and Placement Contract for the issue of Bonds with the BANCO COOPERATIVO ESPAÑOL, S.A., SOCIÉTÉ GÉNÉRALE and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG, by which the aforementioned Entities will proceed to the placement of the entire issue of Bonds and, once the Subscription Period has ended, will subscribe the amount of Bonds pending placement in its own name, by virtue of its insurance commitment.

The Underwriting and Placement Organisations for the issue of the Bonds assume the obligations contained in the Bond Management, Underwriting and Placement Contract which are basically the following: 1) commitment to subscription of the Bonds that have not already been subscribed once the Subscription Period is closed up to the amounts established; 2) payment to the Payment Agent before 13.00 hours on the Disbursement Date, with the value of that same day, of the amount of the Bond subscription for each one

insured, deducting the sum that the commission, insurance and placement accumulated in its favour amounts to and the Payment Agent will then pay the Fund, before 14.00 hours on the same day, the total amount for the subscription of the issue of Bonds, with the value of that same day, the sum that the total commission for management, insurance and placement amounts to having been deducted; 3) commitment to pay the interest on delay agreed in the contract in the case of a delay in the payment of the amounts owed; 4) forwarding of a document giving proof of the subscription to the subscribers; and 5) other aspects that regulate the insurance on the placement.

The Underwriting and Placement Organisations for the issue of the Bonds will receive a commission for the insurance and placement on the total nominal amount of the Bonds in each Series assured by them, of 0.145% on the Bonds in Series A and 0% on the Bonds in Series B. Payment of the aforementioned commissions will be the responsibility of the Fund.

BANCO COOPERATIVO, SOCIÉTÉ GÉNÉRALE and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG. will intervene in the insurance and placement of the issue of Bonds as the Managing Entities.

#### **V.4.3 Bond Payment Agency Contract.**

The Sociedad Gestora, for and on behalf of the Fund, will execute a Payment Agency Contract with BANCO COOPERATIVO for performing the financial services for the issue of the Bond that are issued charged to the Fund.

The obligations contained in the Payment Agency Contract are summarised as follows:

- (i) on each of the Bond Payment Days, to pay the interest and reimburse the Bond principal, once the total amount of the retention on account for income from property investment has been deducted in accordance with the tax legislation applicable; and
- (ii) on each of the Days for Fixing the Interest rate, to inform the Sociedad Gestora of the Euribor interest rate of reference determined that will serve as a base for calculating the nominal interest rate applicable to each Bond Series.

As a consideration for the services to be performed by the Payment Agent, the Fund will pay this a commission of seventy five (75) euros (12,479 Ptas), inclusive of tax where applicable, during the time that the contract is in force, which will be paid on each Bond Payment Date, always provided that the Fund has sufficient liquidity and once it has attended to its payment obligations, according to the Priority of Payments.

#### **V.4.4 Financial Intermediation Contract.**

The Sociedad Gestora, for and on behalf of the Fund, will execute a Financial Intermediation Contract with the CAJA RURAL DE ALMERÍA, CAJA RURAL DE MÁLAGA, CAJA RURAL DE NAVARRA and CAJA RURAL VALENCIA aimed at remuneration for the process of financial intermediation developed which has permitted the final financial transformation of the Fund activity, the subscription by this of the Mortgage Share Certificates and the satisfactory qualification allotted to each of the Bond Series.



The remuneration consists of a variable subordinate amount equal to the difference between the income and expenses born annually in accordance with the Fund accounting reduced, where applicable, by the amount corresponding to the negative tax bases of previous years, which may be compensated for correcting the accounting result for the year for the effects of the annual payment of Company Tax. The payments that may be made for this item on each Payment Date, in accordance with the Priority of Payments of the Fund, will be considered an annual right to the payments on account.

#### **V.4.5 Contract for the Deposit of the Mortgage Share Certificates.**

The Sociedad Gestora, for and on behalf of the Fund, will execute a Contract for the Deposit of the Mortgage Share Certificates with the BANCO COOPERATIVO. This deposit will be constituted to the benefit of the Fund in such a way that the BANCO COOPERATIVO will have custody of the Mortgage Share Certificates deposited, following the instructions of the Sociedad Gestora.

As a consideration for the services to be carried out by the Endorsing Institution, the Fund will pay a commission of 0.01 per thousand, taxes included, where applicable, on the average daily Current Balance of the Mortgage Share Certificates during the Interest Bearing Period and during the life of the contract which will be paid on each Payment Date of the Bonds, always provided that the Fund has sufficient liquidity and in accordance with the Priority of Payments.

#### **V.5 Rules for Priority of Payments.**

##### **V.5.1 Ordinary rules for Priority of Payments charged to the Fund.**

###### **Origin and application of funds.**

###### **A) On the Date of Disbursement of the Bonds.**

The origin and application of the amounts available through the Fund on the date of Disbursement of the issue of Bonds will be as follows:

###### **1. Origin:** the Fund will have funds through the following items:

- a) Disbursement of the issue of Bonds.
- b) Availability of the Subordinate Loans A and B.

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

- a) The purchase of the Mortgage Share Certificates.
- b) The payment of the expenses for the constitution of the Fund and the issue of Bonds.
- c) The provision of the Reserve Fund.
- d) Carryover in the Treasury Account for the provision of the Subordinate Loan A in the corresponding part for covering the time lag between the interest on the Mortgage Share Certificates and the Bonds.

###### **B) From the date of constitution of the Fund and up to the total amortization of the Bonds.**

**1. Origin:** the Funds Available for dealing with the payment or retention obligations listed below in section 2 will be the following:

- a) The amounts received through the reimbursement of the principal of the Mortgage Share Certificates during the corresponding Interest Accrual Period. These amounts will have been deposited in the Treasury Account.
- b) The ordinary interest and the interest on delay paid on the Mortgage Share Certificates during the corresponding Interest Accrual Period. These amounts will have been deposited in the Treasury Account.
- c) The yield obtained through the amounts deposited in the Treasury Account, amongst which will be included the amount corresponding to the provision for the Reserve Fund.
- d) The amount corresponding to the provision for the Reserve Fund.
- e) Any other amounts that the Fund could receive including those which may result from the transfer of properties awarded to same or the exploitation of same.

**2. Application:** the Funds available independently of the moment they are accrued, will be applied to fulfilling the payment and retention obligations on each Payment Date in the following Priority of Payments, except the application on order 1 which could take place at any time:

- 1°. Payment of the ordinary and extraordinary expenses of the Fund, whether supplied by the Sociedad Gestora or not and duly justified, including the commission for administration in favour of same, and the rest of the expenses and commissions for services, including those derived from the Payment Agent Contracts and the Contract for the Deposit of Mortgage Share Certificates. In this order, only for the Administrators and with regard to the Administration Contract, the expenses that have been advanced or supplied on account of the Fund and the amounts that have to be returned to them, all duly justified.
- 2°. Payment of the interest returned on the Series A Bonds, in order of maturity.
- 3°. Payment of the interest returned on the Series B Bonds, in order of maturity.
- 4°. Retention of a sufficient amount to maintain the provision of the Reserve Fund at the Minimum Level.
- 5°. Amortization of the Series A Bonds.
- 6°. Amortization of the Series B Bonds, taking into account that this will not begin until the Series A Bonds have been fully amortized.
- 7°. Payment of the interest returned on Subordinate Loan A.
- 8°. Payment of the interest returned on Subordinate Loan B.
- 9°. Amortization of the principal of Subordinate Loan A.

- 10°. Amortization of the principal of Subordinate Loan B.
- 11°. Payment of the commission for the administration of the Shared Mortgage Loans to the Administrators with regard to the Administration Contract.
- 12°. Payment of the financial intermediation margin established as a variable remuneration by the Financial Intermediation Contract.

**Funds Available for Amortization on each Payment Date.**

The amount that will be destined to the amortization of the Bonds (“Funds Available for Amortization”), on each Payment Date, will be the smaller of the following amounts:

- a) The positive difference existing between the Balance of the Principal Pending Payment of the Bonds and the Current Balance of the Mortgage Share Certificates, corresponding to the day previous to each Payment Date.
- b) In terms of the liquidity existing on that Payment Date, the carryover of the Funds Available once the amounts applied to the items in the orders in the 1<sup>st</sup> and 4<sup>th</sup> places of the Priority of Payments.

**V.5.2 Exceptional rules for the Priority of Payments charged to the Fund.**

With regard to the Commission for the Administration of the Shared Mortgage Loans in favour of the Administrators contained in heading 11 of the Priority of Payments described above, if the substitution of any of these as Administrator should take place, in favour of another entity, this commission which will accrue in favour of a third party, the new administrator, will occupy the place contained in point 7 in the aforementioned order of Priority of Payments, as a consequence of which there will be a modification in the numbering of the successive payments, contained in the following points.

## SECTION VI

### INFORMATION OF A GENERAL NATURE ON THE SOCIEDAD GESTORA OF TEH MORTGAGE SECURITIZATION FUND

In accordance with Law 19/1992, of 7<sup>th</sup> July, on the Regime for Real Estate Investment and Funds and on Mortgage Securitisation Funds, the latter lack any legal status of their own and the Sociedades Gestoras de Fondos de Titulización Hipotecaria are entrusted with the constitution, administration and legal representation of same, together with the representation and defence of the securities issued charged to the Funds that they administer.

By virtue of the above, information is given in this Chapter relating to EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T., in its position as a Sociedad Gestora which constitutes, administers and represents RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA.

#### **VI.1 Relating to the company, except its capital.**

##### **VI.1.1 Corporate name and address.**

- **Corporate name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Corporate address:** Madrid, Lagasca 120
- **Tax Payer Number:** A-80514466
- **S.A.S.C:** 0074

##### **VI.1.2 Constitution and registration in the Mercantile Registry, together with data relating to the administrative authorisation and registration in the *Comisión Nacional del Mercado de Valores*.**

EUROPA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was constituted by means of a public deed executed before the Madrid notary, Mr. Roberto Blanquer Uberos, on 19<sup>th</sup> January 1993, with his official number 117, with the previous authorisation of the Ministry of Economy and the Treasury granted on 17<sup>th</sup> December 1992. It is registered in the Mercantile Registry of Madrid (Volume 5,461, Book O, Folio 49, Section 8, Sheet M-89355), first registration, dated 11<sup>th</sup> March 1993 and changed into a Sociedad Gestora de Fondos de Titulización in accordance with that which is stated in chapter II and in the sole transitory provision of Royal Decree 926/1998, the 14<sup>th</sup> of May, which regulates the securitisation funds of assets and the sociedades gestoras de fondos de titulización, by virtue of the authorisation granted by the Ministerial Order of the 4<sup>th</sup> of October 1999 and by means of the deed executed on the 25<sup>th</sup> of October 1999 before the Madrid notary, Luis Felipe Rivas Recio, with his official number 3289, which led to registration 33 on the sheet opened for the Company in this Mercantile Registry. Likewise it has been registered in the special register of the *Comisión Nacional del Mercado de Valores* with the number 2.

The duration of the Sociedad Gestora is undefined, except for the concurrence of any of the causes that the legal and statutory provisions establish for its winding up.

### **VI.1.3 Corporate purpose.**

In accordance with the legal requirements, the second article in its By-laws establishes that “The exclusive purpose of the Company will be the constitution, administration, management and legal representation of both the securitisation funds for assets and the securitisation mortgage funds. Likewise and in accordance with the regulations legally applicable, as the agent for other people’s business, it also represents and defends the interests of the holders of the securities issued charged to the Funds that it administers and the other ordinary creditors of same”.

### **VI.1.4 Place where the documents quoted in the Prospectus or whose existence derives from its contents.**

The Company By-laws, balance sheets and economic and financial statements of the Sociedad Gestora, together with any other document quoted in this Prospectus, including this one, or whose existence derives from its contents, can be consulted at the corporate address of the Sociedad Gestora, calle Lagasca, number 120 in Madrid.

This Informative Prospectus has been verified and registered in the Official Registers of the *Comisión Nacional del Mercado de Valores* dated February 17, 2000. It is available to the public free of charge at the head offices of the Sociedad Gestora and in the Assuring Entity. Likewise it can be consulted in the *Comisión Nacional del Mercado de Valores*, in Paseo de la Castellana, 19, Madrid and in the main body of the AIAF, domiciled in Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43, Madrid.

Once the Deed of Constitution has been issued and before the start of the Bond subscription period, the Sociedad Gestora will deliver an authorized copy of the Deed of Constitution to the *Comisión Nacional del Mercado de Valores*. In addition, the Sociedad Gestora itself, the Servicio de Compensación y Liquidación de Valores, S.A. or the affiliated entity to which it delegates its functions, and the main body of the AIAF will have copies of the Deed of Constitution available to the holders of the Bond and interested members of the public at all times for consultation.

## **VI.2 Relating to the share capital.**

### **VI.2.1 Nominal amount subscribed and paid up.**

The share capital, fully subscribed and paid up, amounts to 300,000,000 pesetas, represented by 1,250 registered Series A shares with a nominal value of 45,950 pesetas and 1,250 registered Series B shares with a nominal value of 194,050 pesetas.

### **VI.2.2 Classes of shares.**

All the shares are of the same class and confer identical political and economic rights.

**VI.2.3 Evolution of the capital in the past three years.**

During the past three years there has been no variation in the share capital of the Sociedad Gestora.

**VI.3 Data relating to the participations.****VI.3.1 Existence of participations in other companies or not.**

No participations exist in other companies.

**VI.3.2 Group of companies of which the company forms a part.**

For the effects of article 42 of the Commercial Code, EUROPA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN forms part of the Banco Bilbao Vizcaya Argentaria Group.

**VI.3.3 Holders of the significant participations.**

The shares in the Sociedad Gestora are distributed among the companies listed below, with an indication of the amount of the participation corresponding to each one of these:

<b>Name of the shareholding company</b>	<b>% Participation</b>
Banco Bilbao Vizcaya Argentaria , S.A.	82.97
J.P. Morgan España, S.A.	4.00
Caja de Ahorros del Mediterráneo	1.54
Bankinter, S.A	1.53
Barclays Bank, S.A.	1.53
Citibank España, S.A.	1.53
Deutsche Bank Credit, S.A.	0.77
Deutsche Bank, S.A.E	0.77
Banco Atlántico, S.A	0.77
Banco Cooperativo Español, S.A.	0.77
Banco Pastor, S.A.	0.77
Banco de la Pequeña y Mediana Empresa, S.A.	0.77
Banco Urquijo, S.A.	0.77
BNP España, S.A.	0.77
Banca Jover, S.A.	0.38
Credit Lyonnais España, S.A.	0.38
	100.00

**VI.4 Corporate bodies.**

The government and administration of the Sociedad Gestora is entrusted under the by-laws to the General Meeting of Shareholders and the Board of Directors. Their competence and powers are those corresponding

to these bodies according to that which is stated in the Law on Limited Companies and Law 19/1992, of 7<sup>th</sup> July, with regard to the corporate purpose.

Among the other bodies laid down in the by-laws, a Representative Committee has been created with powers delegated by the Board. A General Manager also exists entrusted with wide powers both in the organisation and for dealing with third parties.

#### **VI.4.1 Administrators.**

##### **Board of Directors**

The Board of Directors is composed of the following persons:

<b>Chairman:</b>	Mr. José Antonio Álvarez Álvarez
<b>Deputy Chairman:</b>	Mr. Francisco Fernández de Trocóniz
<b>Members:</b>	Mr. Álvaro Badiola Guerra Mr. Ignacio Benlloch Fernández-Cuesta Mr. Oscar Cabrera Izquierdo Mr. Antonio Cocero de Corvera Ms. Ana Fernández Manrique Mr. Ricardo Laiseca Asla Mr. Luis Lombana Larrea Mr. Manuel Ontañón Carrera ◆ Mr. David Pérez Renovales representing Bankinter, S. A. Mr. José Miguel Raboso Díaz representing Citibank España, S.A Mr. Mark Rubio Gribble Mr. Jorge Sáenz de Miera, representing Deutsche Bank Credit, S.A. Mr. Xavier Tintoré Belil, representing J. P. Morgan España. S.A.

◆ Secretary to the Board of Directors

#### **VI.4.2 General Management.**

The General Manager of the Sociedad Gestora is Mr. Mario Masiá Vicente.

#### **VI.5 Group of interests in the Sociedad Gestora from the persons named in number VI.4.**

The persons named in section IV.4 above are not holders or representatives, directly or indirectly, of any share or debenture, except those persons where their position as representative of a shareholding company is explicitly stated and only in the position of representative.

**VI.6 Lenders of more than 10 percent to the Sociedad Gestora.**

The Sociedad Gestora has not received any loan or credit from a person or organisation of any kind.

**VI.7 Mention of whether the Sociedad Gestora is immersed in any situation of a tendering nature and the possible existence of significant litigation and matters in dispute which could affect its economic and financial situation or, in the future, its capacity to carry out the functions of management and administration of the fund laid down in this Informative Prospectus.**

These do not exist.





## SECTION VII

### **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 SECURITIZATION FUND**

#### **VII.1 Most recent and significant trends in the Mortgage Market in general and in the mortgage loan market in particular with regard to the regulatory framework, with the evolution of interest rates and indices of early amortization and payment arrears:**

The Spanish mortgage market has experienced a considerable transformation in the past few years, both with regard to its legal organisation and the preponderant interest that the credit organisations have developed in same.

The objective of the most recent regulations has been to provide mortgage debtors with greater negotiating powers regarding the conditions of loans and also to reduce certain costs linked with the re-negotiation of same. In this sense, as well as Law 2/1994, of 30<sup>th</sup> March, on subrogation and modification of mortgage loans (regulating the possibilities of substitution and re-negotiation of the economic conditions of the loans with a reduction in both fiscal and tariff costs, together with a reduction in the commissions on early amortization of loans with a variable interest rate), two measures were adopted which tended to lower the costs of transacting mortgage loan subrogation and novation amendment operations: on the one hand, the agreement signed between the Ministry of Economy and the banks and savings banks, lowering commission and, on the other hand, the approval of Royal Decree 2616/1996, of 20<sup>th</sup> December, which modified both notaries' and registry tariffs in mortgage loan subrogation and novation operations included in the aforementioned Law 2/1994.

In addition, the great reduction in interest rates in the past three years together with the increase in competitiveness in the credit associations in this financing segment through its strategic nature with regard to client loyalty, has propitiated a considerable increase in the early reimbursement rates of mortgage loans which are left with interest rates higher than those predominating in the mortgage market at any moment, a case of re-negotiation of financial conditions not being attended to by lenders.

Whatever the case, therefore, it must be taken into account that the early amortization of mortgage loans will take place independently of the aforementioned Law on the Subrogation and Modification of Mortgage Loans, as the possibility of this and the opportunity to do so will be motivated not only by the facilities conceded by it but also by more determining factors such as, basically, the age of the loans and the larger interest rate with regard to those offered at any moment.

**VII.2 Implications which could be derived from the trends commented on in point VII.1 above (index of early amortizations, index of bankrupt persons, etc.):**

The total Shared Mortgage Loans through Mortgage Share Certificates subscribed by the Fund have a variable interest rate, periodically adjusting to variations in the market interest rate. Due to this, an environment with a high early amortization of the Shared Mortgage Loans is not envisaged. The forecasts established for the re-negotiation of the interest rate for those loans which could fall into high bands with respect to the market must also be taken into account.

With regard to the credit solvency of the mortgage debtors, as included in section IV.4.h), some of the mortgage loans that make up the provisional portfolio and which will serve as a base for the issue of the Mortgage Share Certificates, had a delay of up to 90 days in the payment of debits overdue on 22nd November 1999, this situation having been verified as stated in section II.12 of the Audit Report that appears in Appendix 5 of this Prospectus. The Shared Mortgage Loans that are the final object of the issue of Mortgage Share Certificates for the constitution of the Fund will not have overdue debits pending payment on the day of their issue.

Signed: MARIO MASÍÁ VICENTE  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.

**APPENDIX I**

**DEFINITIONS**



ANEXO I
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### Definitions

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**“Administrator(s)”**, Means one of the Endorsing Institutions issuing Mortgage Share Certificates with reference to the Contract for the Administration of the Shared Mortgage Loans, Caja Rural de Almería, Caja Rural de Málaga, Caja Rural de Navarra and Caja Rural Valencia.

**“Balance of the Principal Pending Payment of the Bonds”**, means the sum of the current balances of the principal pending the amortization of the Bonds in both Series, the amounts of the principal which, where applicable, should have been amortized and have not been paid through an insufficiency of the Funds Available for Amortization of the Bonds being included, according to the Priority of Payments.

**“Banco Cooperativo”**, Means the Banco Cooperativo Español, S.A.

**“Bankinter”**, Means Bankinter, S.A.

**“Bonds”**, Means the Series A and Series B Bonds issued charged to the Fund.

**“Bond Payment Agency Contract”** Means the Bond Payment Agency contract signed between the Sociedad Gestora, for an on behalf of the Fund, and Banco Cooperativo.

**“Caja Rural de Almería”**, Means Caja Rural de Almería, Sociedad Cooperativa de Crédito..

**“Caja Rural de Málaga”**, Means Caja Rural de Málaga, Sociedad Cooperativa de Crédito.

**“Caja Rural de Navarra”**, Means Caja Rural de Navarra, Sociedad Cooperativa de Crédito.

**“Caja Rural Valencia”**, Means Caja Rural Valencia, Sociedad Cooperativa de Crédito.

**“Constitution Deed”**, Means the public deed for the constitution of the Fund, issue and subscription of the Mortgage Share Certificates and issue of the Mortgage Securitization Bonds.

**“Contract for the Administration of the Shared Mortgage”**, Means the Contract for the Administration of the Shared Mortgage Loans signed between the Sociedad Gestora, for an on behalf of the Fund, and Caja Rural de Almería, Caja Rural de Málaga, Caja Rural de Navarra and Caja Rural Valencia as Administrators and Banco Cooperativo as guarantor for the fulfillment of the obligations of the Administrators..

**“Contract for the Deposit of Mortgage Share Certificates”**, Means the Contract for the Deposit of the Mortgage Share Certificates signed between the Sociedad Gestora, for an on behalf of the Fund, and Banco Cooperativo.

**“Contract for Deposit at a Guaranteed Interest Rate and Treasury Account”**, Means the contract for deposit signed between the Sociedad Gestora, for an on behalf of the Fund, and Bankinter.

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## Definitions

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**“Contract for the Management, Underwriting and Placement of the Issue of Bonds”**, Means the Contract Management, Underwriting and Placement of the Issue of Bonds signed between the Sociedad Gestora, for an on behalf of the Fund, and Banco Cooperativo, Société Générale and DG BANK Deutsche Genossenschaftsbank AG.

**“Current Balance of the Mortgage Share Certificates”**, means the sum of the capital pending maturity and the capital due and not paid into the Fund from each and everyone of the Mortgage Share Certificates.

**“Date of Fixing the Interest Rate”**, Means the second working day, according to the TARGET timetable (Trans-European Automated Real Time Gross Settlement Express Transfer System), before each Payment Date.

**“Determination Dates”**, Means the dates that correspond to the fifth calendar day before each Payment Date

**“Disbursement Date”**, Means the date on which the effective amount for the subscription of the Bonds is disbursed and the nominal price of the Mortgage Share Certificates is paid, that is to say, 28<sup>th</sup> of February 2000.

**“Endorsing Institution”**, Means Caja Rural de Almería, Caja Rural de Málaga, Caja Rural de Navarra and Caja Rural Valencia.

**“Final Due Date”**, Means the date of final amortization of the Bonds, that is to say, 19th February 2025.

**“Financial Intermediation Contract”**, Means the Financial Intermediation Contract signed between the Sociedad Gestora, for an on behalf of the Fund, and Caja Rural de Almería, Caja Rural de Málaga, Caja Rural de Navarra and Caja Rural Valencia.

**“Fund”**, Means RURAL HIPOTECARIA I + FONDO DE TITULIZACION HIPOTECARIA.

**“Funds Available”**, means on each Payment Date the sum of (i) the balance in the Treasury Account and (ii), where applicable, the amount of the liquidation of the Fund assets.

**“Funds Available for Amortization on each Payment Date”**, means the amount that will be used for the amortization of the Bonds on each Payment Date.

**“Interest Accrual Period”**, means the effective days between each Payment Date, including the initial Payment Date, and excluding the final Payment Date. The first Interest Accrual Period will start on the Disbursement Date, included, and will end on the first Payment Date, excluded.

**“Minimum Level of the Reserve Fund”**, means the lesser of the following amounts: (i) Four Million (4,000,000) euros (665,544,000 Ptas) and (ii) 6% of the Current Balance of the Mortgage Share Certificates.

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## Definitions

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**“Mortgage Share Certificates”**, means the Mortgage Share Certificates issued by the Endorsing Institutions group in the Fund.

**“Payment Agent”**, Means the entity which performs the Bond financing service. The Payment Agent will be Banco Cooperativo.

**“Payment Date”**, This means the days 19<sup>th</sup> February, 19<sup>th</sup> May, 19<sup>th</sup> August and 19<sup>th</sup> November of every year or, where applicable, the following Working Day. The first Payment Date will be 19<sup>th</sup> May 2000.

**“Rating Agency”**, Means Moody’s Investors Service España, S.A.

**“Reserve Fund”**, Means the Reserve Fund initially provided on the Disbursement Date charged to Subordinate Loan B.

**“Reference Interest Rate”**, means the Euribor reference interest rate at three (3) months fixed maturity at 11.00 hours CET or the rate of interest that substitutes this.

**“Series A Bonds”**, Means Series A Bonds issued charged to the Fund.

**“Series B Bonds”**, Means Series B Bonds issued charged to the Fund.

**“Shared Mortgage Loan”**, means the mortgage loans shared by the Mortgage Share Certificates.

**“Société Générale”**, means Société Générale, Sucursal en España.

**“Sociedad Gestora”**, means Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización

**“Subscription Period”**, means the period included between 12.00 hours on the same day as the announcement of the constitution of the Fund and the issue of the Bonds and 11.00 hours on the day of the Disbursement Date..

**“Subordinate Loan A”**, means the Subordinate Loan provided by the Endorsing Institutions for the Fund, in accordance with that which is laid down in the Contract on Subordinate Loan A.

**“Subordinate Loan B”**, means the Subordinate Loan provided by the Endorsing Institutions for the Fund, in accordance with that which is laid down in the Contract on Subordinate Loan B.

**“Subordinate Loan A Contract”**, Means the Subordinate Loan A Contract signed between the Sociedad Gestora, for an on behalf of the Fund, and Caja Rural de Almería, Caja Rural de Málaga, Caja Rural de Navarra and Caja Rural Valencia.

**“Subordinate Loan B Contract”**, Means the Subordinate Loan B Contract signed between the Sociedad Gestora, for an on behalf of the Fund, and Caja Rural de Almería, Caja Rural de Málaga, Caja Rural de Navarra and Caja Rural Valencia.



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## Definitions

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**“Treasury Account”**, Means the account in Bankinter, in accordance with that laid down in the Contract for Deposit at a Guaranteed Rate of Interest and Treasury Account, through which all income and payments of the Fund are made.

**“Underwriting and Placement Association”**, Means the Banco Cooperativo, Société Générale and DG BANK Deutsche Genossenschaftsbank AG.

**“Working Day”**, Means all those which are not a Saturday, Sunday or Public Holiday in Madrid.