

# RURAL HIPOTECARIO II

## FONDO DE TITULIZACIÓN HIPOTECARIA

MORTGAGE-BACKED SECURITIES  
235,000,000 EURO

"A" Bonds	222,000,000 euro	Aaa	Euribor 3 M + 0.24%
"B" Bonds	13,000,000 euro	A2	Euribor 3 M + 0.50%

*Backed by mortgage units issued by*



CAJA RURAL DE ALMERÍA Y MÁLAGA  
CAJA RURAL CREDICOOP  
CAJA RURAL DEL JALÓN  
CAJA RURAL DE NAVARRA  
CAJA RURAL DEL SUR  
CAJA RURAL DE ZAMORA  
CAJA RURAL DE ZARAGOZA

*Lead Managers & Underwriters*

**Banco Cooperativo      Crédit Agricole Indosuez      DG BANK**

*Co. Underwriters*

**EBN Banco**

**ABN AMRO Bank  
BNP Paribas**

**Credit Suisse First Boston  
Société Générale**

*Paying Agent*

**Banco Cooperativo**

*Treasury Account*

**Bankinter**

*Fund structured 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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**The Annexes mentioned in the Prospectus have not been translated and are not included in this translation. These Annexes are available in Spanish upon request from the Management Company, and can be found in the Spanish version of the Prospectus.**



## CHAPTER 0

### MAIN ISSUES TO BE TAKEN INTO CONSIDERATION REGARDING THE ISSUE OR OFFERING OF SECURITIES

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

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

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

**Type of Securities:** Mortgage-Backed Securities (*Bonos de Titulización Hipotecaria*) represented by book-entries.

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

**Assignors:** CAJA RURAL DE ALMERÍA Y MÁLAGA  
CAJA RURAL CREDICOOP  
CAJA RURAL DEL JALÓN  
CAJA RURAL DE NAVARRA  
CAJA RURAL DEL SUR  
CAJA RURAL DE ZAMORA  
CAJA RURAL DE ZARAGOZA

**Ratings:** Assigned on a provisional basis by Moody’s Investors Service España, S.A. (Moody’s España) on the Fund’s incorporation.  
**Aaa** for the “A” Bonds  
**A2** for “B” Bonds  
These ratings may be revised, suspended or withdrawn by Moody’s España at any time, which would not constitute a case of early redemption of the Fund.

**Global amount:** 235,000,000 Euros (39,100,710,000 ESP) in two Series:

	Par Value per Bond (Euro)	No. Bonds	Total Par Value (Euro)
“A” Bonds	100,000	2,220	222,000,000
“B” Bonds	100,000	130	13,000,000

**Issue price:** 100 percent of the Par value of each Bond, tax-free and subscription expenses for the subscriber.

#### **Interest Rate:**

The Bonds will accrue an annual interest, quarterly variable and payable at the end of each quarter on each Payment Date, which shall be the result of applying to both series the pertinent nominal interest rate corresponding to the Balance of the Outstanding Principal 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 Payment Date (February 12, May 12, August 12 and November 12 in every year), including the initial Payment Date but not including the final Payment Date. The first Interest Accrual Period term of duration shall be equivalent to

that between the Closing Date (inclusive) and the first Payment Date, that is, August 13, 2001, which is not included.

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

**Nominal interest rate.**

The nominal interest rate shall be the result of adding: (i) the Reference Interest Rate, three (3) month Euribor, except for the first Accrual of Interest Period in which such rate will be two (2) month Euribor, or the Substitute Reference Interest Rate, and (ii) the following margins for each one of the Series:

- Margin of 0.24 % for “A” Bonds, and
- Margin of 0.50 % for “B” Bonds

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

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

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

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

The payment of the interest and of the repayment of the principal of the Bonds in each Series shall be made quarterly in arrears on each of Payment Date, which shall be February 12, May 12, August 12 and November 12 of each year or, were the case to be, the following Business Day. The first Payment Date shall be August 13, 2001 as August 12 is not a Business Day.

For the purposes of this Bond issue, any day other than a Saturday, Sunday or an official holiday in Madrid or a non-business day, pursuant to the TARGET calendar, shall be considered to be a business day.

The payment of the total amounts corresponding to each one of the Series shall be made on each Payment Date provided that the Fund has enough liquidity for this purpose in accordance with the Payment Priority Order described herebelow.

**Redemption price:** 100 % of the Par value of each Bond

**Final Bond redemption:**

The final redemption shall take place on the Final Maturity Date, which shall be August 12, 2026, without dismissing the possibility of the early redemption thereof under the terms and conditions of this Prospectus.

**Partial Bond redemption:**

Regardless of the Final Maturity Date, partial redemptions of the Bonds in each one of the Series shall be made under the terms described below.

**“A” Bond redemption.**

The “A” Bonds shall be pro-rata redeemed by means of the reduction of the Par value of each Bond, on each Payment Date, for a total amount equal to the Funds Available for Bond

Redemption distributed for “A” Bonds. The initial Payment Date for the redemption of “A” Bonds shall be August 13, 2001.

***“B” Bond redemption.***

The “B” Bonds shall be pro-rata deemed by means of the reduction of the Par value of each Bond, on each Payment Date, for a total amount equal to the Funds Available for Bond Redemption distributed for “B” Bonds. The redemption of the “B” Bonds shall commence solely once the “A” Bonds have been fully redeemed.

**Early Bond redemption.**

Notwithstanding to the obligation of the Fund, through the Management Company, of redeeming the Bonds on the Final Maturity Date or at each partial redemption, as in set forth under the above paragraphs hereinabove, the Management Company shall be authorized, following notification to the Comisión Nacional del Mercado de Valores, to proceed to the early liquidation of the fund and thus to the early redemption, on a Payment Date, of the entire Bond issue in accordance with the Events of Early Liquidation and the requirements set forth under Section III.8.1 of this Prospectus.

**Bond subscription and placement.**

***Underwriting & Placement Entities:*** BANCO COOPERATIVO ESPAÑOL, S.A  
CREDIT AGRICOLE INDOSUEZ Spanish Branch  
DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG  
EBN BANCO SOCIEDAD ESPAÑOLA DE BANCA DE  
NEGOCIOS, S.A.  
ABN AMRO BANK N.V.  
BNP PARIBAS  
CREDIT SUISSE FIRST BOSTON (EUROPE LIMITED)  
SOCIETE GENERALE Spanish Branch

***Group of investors to which the Bonds are being offered.***

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

***Subscription Period.***

The Subscription Period shall commence at 12 o'clock noon on the same date on which the announcement of the incorporation 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 not a Business Day, and shall end at 11:00 a.m. on the Closing Date.

**Form and date for making the payment.**

Those investors who have been granted the Bonds must pay the Underwriter and Placement Entities the pertinent issue price for each Bond granted in subscription prior to 12 o'clock noon Madrid time on June 5, 2001 (“Closing Date”) at the value of that same date.

**Secondary Bond-Trading Market:** AIAF Mercado de Renta Fija

The Management Company undertakes that the final admission to trade shall take place no later than one month immediately following the Closing 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 the Fund’s activity.**

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

According to the aforesaid Law, Mortgage Securitisation Funds are separate, closed estates having no legal status which shall be composed, as concerns their assets, by the mortgage Units they group and, as far as their liabilities are concerned, by the securities issued in the amount and under the financial conditions such that the net worth of the fund will be null. The management and legal representation of these Funds shall correspond to the Management Companies that incorporated the same.

#### **About the Management Company.**

The Management Company that has incorporated the Fund and to which the duties of the management and representation as well as the defence of the interests of the holders of the Bonds hence corresponds is EUROPEA DE TITULIZACION, S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

Therefore, the Management Company must at all times safeguard the interests of the holders of the Bonds by subjecting its actions to the defence thereof and by complying with whatever provisions may be set forth under the regulations passed for this purpose. The holders of the Bonds shall have no action against the Management Company other than those due to default on its duties or failure to comply with that which is set forth under the Deed.

The Management Company shall inform the bondholders of all those circumstances which might be of interest thereto by means of the publication of the appropriate announcements under the terms which are set forth under Section III.5.2 and Section III.5.3 of the Prospectus.

The Management Company may be replaced under the terms and in the events established in the Prospectus.

#### **About the Mortgage Units grouped in the Fund.**

The Fund shall group Mortgage Units totally issued by CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA (the "Assignors") at the moment of incorporating the Fund.

The Mortgage Units involve a 100% interest in the principal, in the ordinary interest and on the interest of default for each Investment Mortgage Loan, and any other amounts, rights or goods derived from the Investment Mortgage Loans.

The issue price of the Mortgage Units is that of the par value of the capital or principal.

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

The Investment Mortgage Loans are part of a selection of mortgage loans the terms of which are described in the Prospectus. The outstanding balance of the 5,505 mortgage loans selected on April 23, 2001 totalled 41,624,781,392 pesetas (€250,169,974.59) on said date.

All of the Fund's rights stemming from the Mortgage Units shall be linked to payments made by the debtors of the Investment Mortgage Loans and are therefore directly affected by the progress, delays, advance payments or any other aspect thereof.

#### **Standard rules for the priority of payments against the Fund.**

*Applicable from the date of incorporation to the final redemption of the Issue.*

The Funds Available, irrespective of their time of the accrual, shall be applied to the fulfilment of the payment and retention obligations required on each Payment Date in the following priority order ("Payment Priority Order") except for the application in order 1 which may take place at any time, according to the time at which the same become due and payable:

1. Payment of taxes and the Fund's running and nonrecurring expenses, supplied or not by the Management Company and duly justified, including the management fee paid thereto, and all other expenditures and fees for services, including those stemming from the Bond Paying Agency Agreement and the Agreement for the Deposit of the Mortgage Units. In this order, only those expenses shall be paid to the Servicers with regard to the Agreement for the Administration paid in advance or supplied on the account of the Fund and whatever sums might appropriately be necessary to refund thereto, all of which must be fully justified.
2. Payment of the interest accrued on the "A" Bonds in the order of maturity.
3. Payment of the interest accrued on the "B" Bonds in the order of maturity.
4. Retention of the sufficient amount to keep the Reserve Fund at the Minimum Level.
5. Redemption of the "A" Bonds.
6. Redemption of the "B" Bonds, taking into account that this redemption is not to take place until the "A" Bonds have been redeemed in full.
7. Payment of interest accrued on Loan for Starting Expenses.
8. Payment of interest accrued on Subordinated Loan.
9. Repayment of the principal of Loan for Starting Expenses.
10. Repayment of the principal of Subordinated Loan.
11. Payment to the Servicers under the Agreement for the Administration, of the management fee of the Investment Mortgage Loans.
12. Payment of the financial brokerage margin established as a variable remuneration under the Financial Intermediation Agreement.

***Funds Available for Bond Redemption on each Payment Date.***

On each Payment Date, the amount that is to be allocated to the redemption of the Bonds ("Funds Available for Bond Redemption") shall be the smallest of the following amounts:

- a) The positive difference existing between the Balance of the Outstanding Principal of the Bonds and the Outstanding Balance of the Mortgage Units on the Business Day immediately prior to each Payment Date.
- b) Depending upon the liquidity on such Payment Date, the remainder of the Funds Available after deducting the amount charged to the items ranked in 1<sup>st</sup> to 4<sup>th</sup> place in the Payment Priority Order.

***Distribution of the Funds Available for Bond Redemption among the Bonds of each Series.***

Such Funds Available for Bond Redemption shall be used in full for the redemption of the "A" Bonds, and solely when the Balance of the Outstanding "A" Bond Principal Balance has been fully redeemed they will be used for the redemption of the Balance of the Outstanding "B" Bond Principal.

***Fund extinction.***

The Fund shall cease to exist either as a result of the full redemption of the Mortgage Units or as a result of the early redemption procedure.

***Early liquidation.***

The Management Company shall be authorized, after having notified the CNMV, to proceed to the early liquidation of the fund provided the Outstanding Balance of the Mortgage Units outstanding redemption is less than 10 percent of the initial Outstanding Balance in accordance with the authorization set forth under Article 5 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, in the terms set forth in section III.8.1 of the Informative Prospectus .

***Financial transactions entered into 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 Management Company shall proceed, acting on behalf of the Fund, to sign the agreements mentioned below on the same date on which the Deed is executed:

- Account Opening Agreement at a Guaranteed Interest Rate and Treasury Account
- Loan Agreement for Starting Expenses
- Subordinated Loan Agreement
- Agreement for Administration of the Investment Mortgage Loans
- Agreement for the Deposit of Mortgage Units
- Agreement of the Management, Underwriting and Placement of the Bonds Issue
- Bond Paying Agency Agreement
- Financial Intermediation Agreement

**0.2.2 Risks inherent to the Bonds.**

(i) Risk of default on the payment of the Mortgage Units. The holders of the Bonds issued against the Fund shall run of the risk of default on payment of the Mortgage Units of which the same is comprised. The Assignors issuing the Mortgage Units, in accordance with section 5.8 of 19/1992 Act, do not run the risk of non-payment of the Mortgage Units 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 Investment Mortgage Loans

(ii) Risk of early redemption of the Mortgage Units. The Mortgage Units grouped in the Fund shall be paid up in advance when the borrowers of the Investment 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 Units can be repaid in full in the event of the subrogation of CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA in the pertinent Investment Mortgage Loans by another financial institution licensed for this purpose.

The risk that said early repayment would entail shall be passed on, on each Payment Date, to the holders of the Bonds by means of the partial redemption thereof.

(iii) Limited protection. Investments 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 Guarantee. The Bonds issued by the Fund do not represent or constitute an obligation of the Management Company nor of CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA. The cash flow generated by the Mortgage Units 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, CAJA RURAL DE ALMERÍA Y

MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, EUROPEA DE TITULIZACIÓN or any subsidiary of any of the above or any company in which any of them hold an interest.

- (v) Limited liquidity. No guarantee exists as to the Bonds being traded on the market at any minimum frequency or in any minimum volume.

No entity has undertaken to participate in secondary trading in the future by providing liquidity as regards the Bonds by means of offering compensation.

- (vi) Performance. The early repayment of the Investment 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 redemption rate hypotheses which may not bear out in the end.

- (vii) Interest of default. In no case shall the existence of default in the payment of interest or the repayment of the principal to the holders of the Bonds give rise to the accrual of interest of default in favour thereof.

- (viii) Neither the Fund nor the bondholders shall be entitled to take any further actions against the Assignors of the Mortgage Units or against the Management Company, respectively, than those resulting from the default on their respective duties and, therefore, never as result of the existence of default payments or of early bond redemption.



## CHAPTER I

### ENTITIES ASSUMING LIABILITY FOR THE CONTENTS OF THE PROSPECTUS AND FOR THE SUPERVISION AGENCIES THEREOF

#### **I.1 Entities assuming liability for the contents of the Prospectus.**

##### **I.1.1 Names, surnames, national identity card or personal identification card number and position or authority of the individual(s) who, on behalf of the Management Company, are assuming liability 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, and on January 28, 2000 assumes liability 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 promoter of RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA (referred to hereinbelow also as “the Fund”) and shall be in charge of the management and legal representation.

##### **I.1.2 Mention of the fact that in the judgment of the above person(s), the data included in the Prospectus are accurate and that no fact subject to alter its scope 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 Assignors as issuers of the Mortgage Units, the data and information included in the Prospectus are accurate and no item of data subject to alter the public opinion of the Management Company, 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 incorporation of the Fund and the issuing of the Mortgage Securitisation 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 the provisions of Article 5.3 of Law 19/1992 of July 7, 1992 on the Governing of Real-Estate Investment Funds and Companies and Mortgage Securitisation 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 Implementations 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 incorporation of Mortgage Securitisation Funds and Circular 2/1999, of April 22, 1999.

This complete Prospectus for the incorporation 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 May 25, 2001.

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 entity or the performance of the securities issued or offered.

**I.3 Name, register office and rating of the auditors who have verified the number, amount and terms or attributes of the assets undergoing securitisation 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 Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, which include the Investment Mortgage Loans being transferred by means of the issue of the Mortgage Units. Said Report has been prepared by the firm Pricewaterhouse Coopers Auditores, S.L., registered in the Official Accountants' Auditors Registry (R.O.A.C) under number S0242, whose register office is located in Madrid at Paseo de la Castellana, 43.

The aforesaid Report deals with among other matters, the verification of the selected mortgage loans required under Law 2/1981, of March 25, 1981 for the issue of Mortgage Units, having eliminated 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) allowing the possibility of reaching a conclusion regarding such 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, outstanding balance, interest rate charged, reference interest rate, appraisal value, outstanding balance to value ratio, delayed payments, damage insurance and mortgage guarantee.

CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA undertake, in accordance with the provisions of Paragraph IV.1 d) of this Prospectus, that, if despite their own verifications and those conducted by the aforesaid auditing firm it was found out that, any Investment Mortgage Loan set forth under Paragraph IV.1 a) of this Prospectus, they shall immediately proceed to the replacement of the relevant Mortgage Units or to its early repayment, as may be appropriate, in accordance with the provisions set forth under Paragraph IV.1, d).

**INFORMATION REGARDING THE SECURITIES WHICH ARE BEING ISSUED AGAINST  
THE MORTGAGE SECURITISATION FUND**

**II.1 Information on prior agreements and requirements for setting up the fund and on the securities that are being issued (mortgage loans- Investment mortgage certificates) object of the securitisation process thereunder as well as on the purchasing conditions of the assets by the fund.**

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

**a) Corporate resolutions.**

*Issue of the Mortgage Units Agreement:*

The Meeting of the Councils of Directors of CAJA RURAL DE ALMERÍA, SOCIEDAD COOPERATIVA DE CRÉDITO held on December 22, 2000; of CAJA RURAL DE CREDICOOP, SOCIEDAD COOPERATIVA DE CRÉDITO, held on January 26, 2001; of CAJA RURAL DEL JALÓN, SOCIEDAD COOPERATIVA DE CRÉDITO, held on December 21, 2000; and of CAJA RURAL DE NAVARRA, SOCIEDAD COOPERATIVA DE CRÉDITO, held on March 20, 2001; of CAJA RURAL DEL SUR, SOCIEDAD COOPERATIVA DE CRÉDITO, held on December 18, 2000; of CAJA RURAL DE ZAMORA, SOCIEDAD COOPERATIVA DE CRÉDITO, held on October 24, 2000 and on April 27, 2001; and of CAJA RURAL DE ZARAGOZA, SOCIEDAD COOPERATIVA DE CRÉDITO, held on December 21, 2000 (referred to hereinbelow also as “Assignor(s)”) resolved to approve the issue of Mortgage Units (referred to hereinbelow as the “Mortgage Units”) for the purpose of their being subscribed in full by the Fund in the act of corporation. The details of the issue of Mortgage Units grouped 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 Assignors is attached to this Prospectus as Annex II.

CAJA RURAL DEL SUR, SOCIEDAD COOPERATIVA DE CREDITO, was incorporated on March 26, 2001 by way of merger between CAJA RURAL DE SEVILLA, SOCIEDAD COOPERATIVA DE CREDITO y CAJA RURAL DE HUELVA, SOCIEDAD COOPERATIVA DE CREDITO. Any Mortgage Units issued by CAJA RURAL DEL SUR, SOCIEDAD COOPERATIVA DE CREDITO will be backed by investment mortgage loans of CAJA RURAL DE SEVILLA, SOCIEDAD COOPERATIVA DE CREDITO.

*Setting up/incorporation of the Fund Agreement:*

The Board of Directors of EUROPEA DE TITULIZACION S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, resolved, at the meeting held thereby on March 27, 2001, the setting up of RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA in accordance with the legal system for which provision is made under Law 19/1992, the subscription of the Mortgage Units issued by the Assignors and, against the Fund, the issue of the Bonds. The details of the issue of the Bonds against the Fund are described under Section II of this Prospectus. A photocopy of the Certification of the Board of Directors of the Management Company is attached as Annex III.

**b) Public Deed of incorporation of the fund.**

Following the verification and registry by the Comisión Nacional del Mercado de Valores of this Prospectus before May 30, 2001, prior to the beginning of the Bond subscription period, the Management Company shall proceed, in conjunction with the Assignors issuing the Mortgage Units to be subscribed by the Fund, to execute the public deed for the

incorporation of RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA, issue and subscription of the Mortgage Units and issue of the Mortgage Securitisation Bonds (referred to hereinbelow as the “Deed”) under the terms set forth under Law 19/1992.

The Deed of incorporation will essentially: (i) identify the Mortgage Units, (ii) define accurately the contents of the Bonds to be issued and (iii) determine the rules by which the Fund is to be managed and establish the transactions which the Management Company on behalf of the Fund can enter into with the object of assuring the security and regularity of payments under the Bonds and of covering the temporary mismatches between the timing of the flows of principal and interest for the Mortgage Units and those for the Bonds. In this manner, the Deed of incorporation provides for the Fund, through the Management Company to be able to enter into the contracts which are set out in Part V.3 of the Folleto Informativo.

Such Deed shall be furnished to the Comisión Nacional del Mercado de Valores for the registration 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, Bonds issued against the Fund shall be represented exclusively by book entries, and the Fund Deed 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 liquidation 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 requirements 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 Management Company shall immediately request the execution of the Deed, and once the Bonds have been paid for, the inclusion of the present Bond issue on AIAF Mercado de Renta Fija (referred to hereinbelow as “AIAF”). Likewise, the Management Company 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 registration by the Comisión Nacional del Mercado de Valores.**

This Prospectus for the incorporation of the Fund and Bond issue has been verified and registered with the Official Registries of the Comisión Nacional del Mercado de Valores on May 25, 2001. No other prior government approval other than the prior verification and registry of the Prospectus is 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 company rating 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 Management Company has commissioned the credit risk assessment to Moody’s Investors Service España, S.A. (referred to hereinbelow as “Moody’s España” and the “Rating Agency”), 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.

**Rating given to the Bond Issue.**

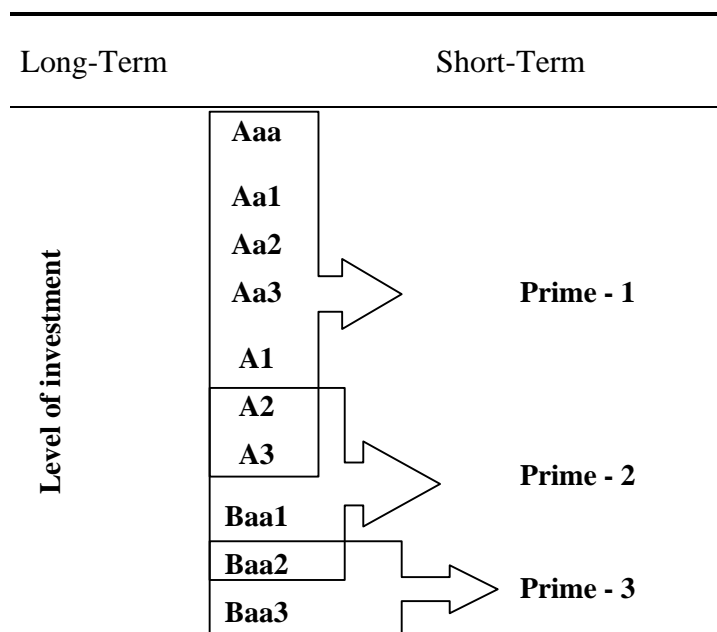
On May 21, 2001, Moody’s España assigned the “A” Bonds an “Aaa” rating, and the “B” Bonds an “A2” rating, both on a tentative basis, and expects to assign final **Aaa** and **A2** ratings, respectively, prior to the start of the Bond Subscription Period.

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.

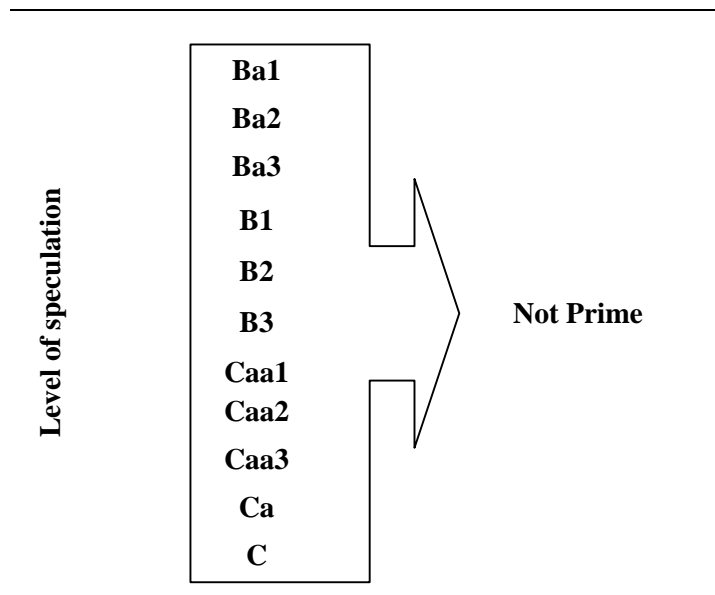
A copy of the letter for the notification of the rating on the part of Moody’s España is included in Annex IV to this Prospectus.

**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.







Moody's Investors Service Limited employs the numerical modifiers 1, 2 and 3 to each long-term rating category from Aa through Caa, all-inclusive. The 1 modifier indicates securities in the top section of the rating category, modifier 2 indicates 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 redeeming, 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 Payment Date and of the principal of the issue on the final due date maturity date. The rating of Moody's Investors Service Limited takes into account the structure of the relevant Bond issue, the legal aspects thereof and of the Fund issuing the same, the details of the mortgage loans selected for the issue of the Mortgage Units 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 early repayments of capital nor of to what extent said early repayments may differ from that which has originally been scheduled. These ratings in no way whatsoever comprise a rating of the actuarial performance.

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.
- (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 that may come to their knowledge thereof. Said situations, which shall not constitute cases of early redemption of the Fund, shall be immediately be notified to both the

Comisión Nacional del Mercado de Valores and 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 Management Company, the auditors, the attorneys and other experts.

#### **Undertakings of the Management Company.**

The Management Company, acting on the behalf of the Fund, undertakes to furnish Moody's España with regular information regarding the status of the Fund and the performance of the Mortgage Units. It shall also furnish 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 agreements made thereby through the Management Company thereof or in the interested parties.

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

The total amount of the issue of Mortgage Backed Securities Bonds (referred to hereinbelow as the "Bonds") amounts to two hundred and thirty five million (235,000,000) Euros (39,100,710,000 Pts.) par value, and is comprised of two Series, A and B.

Said Bonds are protected under Law 19/1992, being considered law as 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 funds.

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

The incorporation/setting up- 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 from the accounting record kept by the Servicio de Compensación y Liquidación del Valores, S.A. according to Paragraph II.5 of this Chapter, the pertinent member Entity having the authority to issue the Legalizing Certificates at the request of the holder of the Bonds and at its expense thereof being applicable for these purposes the provisions established under Part IV of Section I, Title I of the Royal Decree on Book Entries.

The Bonds can be freely transferred by any means allowed under Law. The ownership of each Bond shall be transferred by means of a book transfer. The recording of the transfer 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 Payment Priority Order with regard to the payment of interest and repayment of the principal of the Bonds.

For the purpose of covering the time lags between the schedule for the flows of redemption of the principal and interest of the Mortgage Units and that of the Bonds issued against the Fund, the Management Company, acting on behalf of the Fund, shall make an Account Opening Agreement at a Guaranteed Interest Rate with BANKINTER by virtue of which the sums received by the Fund as a result of the Mortgage Units both for redemption 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 Payment Date, at which time the principal must be redeemed and the interest thereon paid.

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

**a) Risk of default on payment of the Mortgage Units.**

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 Units grouped therein.

Therefore, the Assignors assume no responsibility whatsoever for any default on payment on the part of mortgage debtor, whether it be for the principal, the interest thereon or any other sum which might be owed thereby by virtue of the Investment 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 Units, with the exception of those appropriate with regard to Investment Mortgage Loans which are not in keeping with the conditions and terms included under Paragraph Iv.1 a) of this Prospectus and in accordance with that for which provision is made thereunder.

**b) Risk of early redemption of the Mortgage Units.**

The Mortgage Units grouped in the Fund shall be repaid early when the borrowers of the Investment Mortgage Loans pay back early, under the terms for which provision is made under each one of the deeds for the granting of said loans, that part of the capital outstanding. Likewise, the Mortgage Units shall be redeemed in full in the event of the Assignors being subrogated in the pertinent Investment 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 early redemption would involve shall be passed on to the holders of the Bonds quarterly, on each Payment Date, by means of the partial redemption thereof according to the provisions made under Paragraph II.11.3.2 of this Prospectus.

**c) Other aspects.**

**Limited protection.**

An investment in these Bonds can be affected, among other things, by a worsening of the overall economic conditions that may have a negative impact on the payments of the Investment 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 protection 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 guarantee.**

The Bonds issued by the Fund neither represent nor constitute any obligation of the Management Company or of the Assignors. The flow of resources generated by the Mortgage Units 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 Assignors, Europea de Titulización or any affiliate of or by any company in which any of the aforementioned may hold an interest.

In the Deed, the Assignors shall set forth a number of statements and guarantees regarding the terms of the Loans and of the Mortgage Units 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 Units and of the same being in keeping with the terms of the Loans stipulated thereunder. In any event, the Assignors do not guarantee the solvency of the debtors of the Loans. In addition thereto, these guarantees do not allow the holders of the Bonds with the possibility of exercising any right against the Assignors to which they may be entitled against the Fund, the Management Company 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 trading by providing the Bonds with liquidity through the offering of counterpart.

In addition to the above, in no case shall the Fund buy back the Bonds from the holders thereof, although they may indeed be redeemed in full early in the event of the early liquidation of the fund when the Outstanding Balance of the Mortgage Units at the time is less than 10% of the initial outstanding amount under the terms set forth under Paragraph III.8.1 of this Prospectus.

**Performance.**

The early redemption of the Investment Mortgage Loans assigned with the Mortgage Units, 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 are subject to early redemption rate hypotheses which may not bear out in the end.

**Interest of default.**

In no case shall the existence of defaults in the payment of interest or the reimbursements of the principal to the holders of the Bonds give rise to the accrual of interest of default in favour thereof.

**II.5 Form of representation and denomination and registered office of the entity in charge of the accounting records.**

The Bonds that 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 Deed shall have the effects stated established 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 registering the Bonds in the Deed on such a way that the clearing and settlement of the Bonds may be accomplished in accordance with the operating regulations that 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. Such appointment shall be registered in the Official Registries of the Comisión Nacional del Mercado de Valores.

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

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

The amount of the Bond issue totals a par value of two hundred and thirty five million (235,000,000) Euros (39,100,710,000 Pts.), this issue being comprised of two Series, each of which is denominated in Euros:

- (i) Series A (the "A" Bonds), in the nominal amount totalling two hundred and twenty two million (222,000,000) Euros (36,937,692,000 Pts.) comprised of two thousand two hundred and twenty (2,220) Bonds in individual par values of one hundred thousand (100,000) Euros (16,638,600 Pts), represented by book entries.
- (ii) Series B (the "B" Bonds), in the nominal amount totalling thirteen million, (13,000,000) Euros (2,163,018,000 Pts.) comprised of one hundred and thirty- (130) Bonds in individual par 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 reimbursement of the principal with regard to the "A" Bonds in accordance with the provisions made under the Payment Priority Order.

The subscription or holding of Bonds of one Series does not imply 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 par value and in currency units per security. 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 par 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 that the investors are obliged to pay when subscribing securities issued against the Fund.**

The Fund, as an issuer of Bonds, shall not charge or charge any expense 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 charge 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 establish, in accordance with the laws in force, whatever commissions and expenses that may be charged to the holders of the Bonds for securities 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 variable 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 Payment Date, on the Outstanding Principal of the Bonds in each Series, provided that the Fund has sufficient liquidity according Payment Priority Order.

Whatever withholdings, contributions and taxes that have been established or may be established in the future on the principal, interests or performance 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 Management Company, in the name and on behalf of the Fund, in the manner established by Law.

#### **a) Accrual of interest.**

The duration of the issue shall be divided into consecutive Interest Accrual Periods including the number of days which have actually elapsed from one Payment Date to the next, the initial Payment Date being included in each Interest Accrual Period and the final Payment Date not being included. Exceptionally, the first Interest Accrual Period shall have a duration equivalent to that which commences on the Closing Date (included) and the first Payment Date of August 13, 2001, (excluded).

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 established in each interest accrual period for each series shall be the result of adding: (i) the Reference Interest Rate, described under Paragraph c) hereinbelow and (ii) the following margins for each one of the Series:

- Margin of 0.24 % for “A” Bonds.
- Margin of 0.50 % for “B” Bonds.

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

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

- i) The reference interest rate used in order to establish the nominal interest rate applicable to each Series (the “Reference Interest Rate”) is “Euro Interbank Offered Rate” calculated and distributed by the financial information system BRIDGE financial data system as ordered by the FBE“ (“Federation Bancaire de l’Union Europeene”), at a three-month (3) maturity, except for the first Accrual of Interest Period in which such rate will be two-month (2) 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 or other 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 quoted based on the calculation of the number of days actually remaining until the maturity and a 360-day year, and this rate is fixed 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 established 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 (3) maturity on the Interest Rate Fixing Date stated by the banking institutions listed in following the simultaneous petitioning of each one thereof:

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

In the event of the impossibility of applying the above mentioned being used in lieu 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 two of the other 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 Management Company, acting in the name and on behalf of the Fund, in the manner described under Paragraph b) and Paragraph c) directly hereinabove based on the Reference Interest Rate or its substitute on the second Business Day prior to each Payment Date (referred to hereinbelow as the "Interest Rate Fixing Date") and shall be applicable for the following Interest Accrual Period.

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 two month Euribor Reference Interest Rate, but related to the second prior Business Day, 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 term 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 that must be paid on each Payment 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 Payment Date

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

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

*D* = Number of days actually in each Interest Accrual Period

**f) Practical example of setting the nominal interest rate.**

In accordance with that established in this section, and for the purpose of helping subscriber understanding of the system for setting the nominal interest rate and the amount of interest to be paid for each Bond in each Series on each Payment Date, below is shown show the way of calculating the same for the following case:

	"A" Bonds	"B" Bonds
1 Balance of the Outstanding Principal per Bond	100,000 Euros (16,638,600 Pesetas)	100,000 Euros (16,638,600 Pesetas)
2 Interest Accrual Period Days	90	90
3 3-month Euribor Interest Rate	4.563%	4.563%
4 Margin	0.24%	0.50%
5 Nominal interest rate: rounded to the nearest thousandth of one percent	4.803%	5.063%
6 Calculation of the accrued interest per Bond (1)*(2)*(5)/36000	1,200.750	1,265.750
7 Amount of interest to be paid per Bond: rounded up to the nearest cent of a Euro	1,200.75 Euros (199,788 pesetas)	1,265.75 Euros (210,603 pesetas)

**g) Chart of the trend in the applicable reference interest rate.**

For merely informative purposes, data is provided in following regarding the (3) 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
May 11, 2001	4.563	4.803	5.063
May 10, 2001	4.766	5.006	5.266
April 10, 2001	4.554	4.794	5.054
March 8, 2001	4.778	5.018	5.278
February 8, 2001	4.731	4.971	5.231
January 10, 2001	4.775	5.015	5.275
December 7, 2000	4.956	5.196	5.456
November 9, 2000	5.123	5.363	5.623
October 10, 2000	5.016	5.256	5.516
September 8, 2000	4.860	5.100	5.360
August 10, 2000	4.648	4.888	5.148
July 10, 2000	4.537	4.777	5.037
June 8, 2000	4.416	4.656	4.916



**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 *Payment Priority Order* and exact indication of the Paragraph and page numbers in this prospectus where the priority 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 Payment Priority Order stipulated under Paragraph V.4.1.B).2 on page 105 of this Prospectus.

The payment of interest accrued by the “B” Bonds is ranked in third (3<sup>rd</sup>) place in the Payment Priority Order stipulated under the aforesaid Paragraph on page 105 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 12, on May 12, on August 12 and on November 12 each year up to the full redemption thereof (each one of these dates is a “Payment Date”) by means of the procedure stipulated under Paragraph II.10 1) 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 Payment Date, the interest for the current Interest Accrual Period accruing up to the aforesaid next Business Day, non-inclusive.

The first Payment Date for the payment of interest on the Bonds of both Series shall fall on August 13, 2001, as August 12 2001 is not a Business Day, said interest accruing the same pertinent nominal interest rate from the Closig Date by the subscribers, inclusive, up to the August 13, 2001, 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
- Non-business day in the calendar used by TARGET (Trans European Automated Real-Time Gross Settlement Express Transfer System).

The days that are currently non-business days in the TARGET calendar are as follows:

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

In addition, in the year 2001, December 31 will not be a business day in the TARGET calendar.

Both the interest in favour 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 Payment Date.

The payment of the interest accrued on the Bonds shall be made on each Payment Date provided that the Fund has enough liquidity for this purpose in accordance with the Payment Priority Order.

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 Payment Priority Order on any Payment Date, the sums which the bondholders had failed to collect shall be credited on the following Payment Date.

The amounts deferred for interest shall be accrued in favour 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 Payment 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 Management Company, shall not be able to defer the payment of interest on the Bonds after August 12, 2026, 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 Paying Agent, to which end the Management Company, acting in the name and on behalf of the Fund, shall make a Bond Payment Agency Agreement 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 received for each Bond on every Payment 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 Securities redemption.**

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

The Bond redemption 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 par value thereof, payable partially on each Payment Date.

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

### **II.11.2 Brief mention of the ranking order in which the payments of principal on the securities issued against the Fund are ranked in the *Fund Early Redemption Order* and exact indication of the Paragraph and page numbers in this prospectus where the priority 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 Payment Priority Order stipulated under Paragraph V.4.1.B).2 on page 106 of this Prospectus.

The payment of the principal of the “B” Bonds is ranked in sixth (6<sup>th</sup>) place in the Payment Priority Order stipulated under Paragraph V.4.1.B).2 on page 106 of this Prospectus.

### **II.11.3 Redemption modalities, specifying the dates, place, entities, procedure and publicity thereof.**

#### **II.11.3.1 Final redemption.**

The Final Maturity Date and hence the date of the final redemption of the Bonds is the August 12, 2026 or, were said Final Maturity Date not to fall on a Business Day, the following Business Day, without dismissing the possibility of the Management Company, 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 redemption of this issue, in which case, the Payment Date on which the redemption thereof is to take place shall be that of the final redemption of the Bonds.

### **II.11.3.2 Partial redemption.**

Independently of the Final Maturity Date, the Fund shall proceed, through the Management Company thereof, to make partial redemptions of the Bonds in each Series under the terms that are described in following under this paragraph.

#### **1. Bond redemption Payment Dates.**

The Bond redemption Payment Dates shall fall on the interest Payment Dates, that is, on February 12, on May 12, on August 12 and on November 12 each year or, were the case to be, on the next Business Day, up to the full redemption thereof.

The first Payment Date for the redemption of the “A” Bonds shall fall on August 13, 2001 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 Payment Dates falls, on which the Management Company, acting in the name of the Fund, shall make the necessary calculations for distributing or withholding the Funds Available which the Fund will disburse on the pertinent Payment Date according to the Payment Priority Order .

Said Determination Dates shall be those falling on the third Business Day prior to each Payment Date.

#### **3. Balance of the Outstanding Principal of the Bonds.**

The Balance of the Outstanding Principal of the Bonds shall be, for these purposes, the sum of the outstanding balances of principal outstanding at the time for the redemption 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 Funds Available for Bond Redemption according to the Payment Priority Order.

#### **4. Outstanding Balance of the Mortgage Units.**

The Outstanding Balance of the Mortgage Units 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 Units.

#### **5. Funds Available for Bond Redemption on each Payment Date.**

On each Payment Date, the sum that shall be allocated to the redemption of the Bonds (“Funds Available for Bond Redemption”) shall be the lesser of the following sums:

- a) The positive difference existing between the Balance of the Outstanding Principal of the Bonds and the Outstanding Balance of the Mortgage Units on the Business Day immediately prior to each Payment Date.
- b) Depending on the liquidity on such Payment Date, the remainder of Funds Available after deducting the amounts charged to the items ranked first to fourth in the Payment Priority Order.

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

	<i>Euros</i>	<i>Pesetas</i>
1. <i>Balance of the Outstanding Principal of the Bonds for all of the Series the Business Day before:</i>	163,000,000	27,120,918,000
2. <i>Outstanding Balance at the time of the Mortgage Units the Business Day before:</i>	151,700,000	25,240,756,200
3a) <i>Difference (1-2):</i>	11,300,000	1,880,161,800
3b) <i>Remainder of Funds Available after charging the items ranked 1<sup>st</sup>-4<sup>th</sup> in the Payment Priority Order:</i>	11,000,000	1,830,246,000
4. <i>Funds Available for Bond Redemption, the lesser of sums a) and b):</i>	11,000,000	1,830,246,000

**6. Allocation of the Funds Available for Bond Redemption among the Bonds in each Series.**

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

Nevertheless, in the event that, on a Payment Date, as a result of the Payment Priority Order, the Fund had not enough liquidity to make whatever payment toward the redemption 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 Balance of the Outstanding Principal 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 redemption of the Bonds not having been made in that amount.

The Management Company 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 redemption payments made toward the Bonds of each type, the Balance of the Outstanding Principal for each Series.

**7. Notices.**

Within the seven (7) Business Days immediately following each Payment Date, the Management Company shall issue a notice drafted by the person vested with sufficient power as proof of: the Balance of the Outstanding Principal 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 together with the Deed.

**II.11.3.3 Early Bond redemption.**

Without detriment to the obligation of the Fund, through the Management Company thereof, of redeeming the Bonds on the Final Maturity Date or on each partial redemption, as is set forth under the preceding paragraphs hereinabove, the Management Company shall be authorized, following the notification to the Comisión Nacional del Mercado de Valores, to proceed to the early liquidation of the fund and hence to the early redemption, on a Payment Date, of the entire Bond issue, in accordance with the events of Early Liquidation 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 redemption of the principal for each one of the Mortgage Securitisation 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 Paying Agent. The payment of interest and bond redemptions 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 redemptions shall be made to the 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) Loan debt service charts.**

The main terms of the Mortgage Backed Securities lies in their regular redemption and, hence, their average life and term depending basically on the rate at which the mortgagors decide to pay back the Investment Mortgage Loans.

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

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

- Interest rate in the Mortgage Units portfolio: 5.97% (weighted average interest on April 23, 2001 for the select loan portfolio).
- Default payments regarding the Mortgage Units portfolio: 0% annual.
- Failure regarding the Mortgage Units portfolio: 0%.
- That the early bond redemption rate remains constant throughout the life of the Bonds.
- That the Closing Date be the June 5, 2001.

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 4.803 % for the “A” Bonds and at 5.063% for the “B” Bonds.

Assuming that the Management Company will exercise the early bond redemption option for which provision is made under the first paragraph of Paragraph III.8.1 of this Prospectus (in other words, when the Outstanding Balance of the Mortgage Units 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 (years.)</b>	5.79	5.19	4.68	4.23	3.85
<b>IRR</b>	4.960%	4.960%	4.960%	4.960%	4.960%
<b>Term</b>	4.59	4.17	3.81	3.50	3.22
<b>Final Maturity</b>	12-08-2014	12-08-2013	12-11-2012	14-11-2011	14-02-2011
<b>(in years.)</b>	13.19	12.19	11.45	10.45	10.47

% CPR:	6%	8%	10%	12%	14%
	<b>“B” Bonds</b>				
<b>Avg. Life (years.)</b>	13.19	12.19	11.45	10.45	9.70
<b>IRR</b>	5.233%	5.233%	5.233%	5.233%	5.233%
<b>Term</b>	9.18	8.68	8.29	7.75	7.32
<b>Final Maturity</b>	12-08-2014	12-08-2013	12-11-2012	14-11-2011	14-02-2011
<b>(in years.)</b>	13.19	12.19	11.45	10.45	10.47

Said figures have been calculated using the following equation:

**Average Life of the Bonds:** for each one of the Series, average of the terms from the Closing Date up to each one of the Payment Dates, using for weighting purposes the weights of principal to be redeemed on each Payment 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 redeemed for each Series of Bonds on each Payment 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 Closing 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 redeemed plus interest which are collected on each Payment Date with the par value of the Bond.

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

Where:

- N = par 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 redeemed plus interest that the investors will collect.  
Nd = Number of days from the Closing Date of the issue to each one of the n Payment Dates, non-inclusive, throughout the life of the Bond.

**Duration of the Bonds (adjusted 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 = Duration of each Series of Bonds, given in number of years.

- $a_j =$  Length of time elapsed (in number of years) from the Closing Date to each one of the  $n$  Payment Dates in question.
- $VA_i =$  Current value of each one of the amounts comprising the gross interest and principal to be paid on each one of the  $n$  Payment Dates discounted from the actual interest rate (IIR) of each Series.
- $PE =$  Issue price for each Series of Bonds.
- $i =$  Actual interest rate (IIR) of each Series, in rate percent form.

Lastly, the Management Company 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 that:

- The CPR's are assumed to remain constant at 6% and 10% respectively throughout the life of the loan and, as previously mentioned above, the actual early bond redemption changes constantly.
- The Balance of the Outstanding Principal amount of the Bonds on each Payment Date and therefore the interest to be paid on each one shall depend upon the actual early redemption rate existing in the Mortgage Units portfolio.
- The interest rates on the Bonds deemed 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 assumed in any event.
- It is assumed that the Management Company will take the early bond redemption option for which provision is made under paragraph one of Paragraph III.8.1 of this Prospectus.

**FLows FOR EACH Bond WITHOUT WITHHOLDING FOR THE HOLDER**  
**(FIGURES IN EUROS)**  
**CPR = 6%**

Payment Date	"A" Bonds			"B" Bonds		
	Principal Redeemed	Interest (gross)	Total Flow	Principal Redeemed	Interest (gross)	Total Flow
05 jun 2001						
13 aug 2001	2,156.74	920.58	3,077.32	0.00	970.41	970.41
12 nov 2001	2,828.60	1,187.91	4,016.51	0.00	1,279.81	1,279.81
12 feb 2002	2,787.33	1,166.24	3,953.57	0.00	1,293.88	1,293.88
13 may 2002	2,691.31	1,107.42	3,798.73	0.00	1,265.75	1,265.75
12 aug 2002	2,701.38	1,087.05	3,788.43	0.00	1,279.81	1,279.81
12 nov 2002	2,655.29	1,065.84	3,721.13	0.00	1,293.88	1,293.88
12 feb 2003	2,616.69	1,033.25	3,649.94	0.00	1,293.88	1,293.88
12 may 2003	2,528.66	968.48	3,497.14	0.00	1,251.69	1,251.69
12 aug 2003	2,535.64	970.09	3,505.73	0.00	1,293.88	1,293.88
12 nov 2003	2,491.38	938.97	3,430.35	0.00	1,293.88	1,293.88
12 feb 2004	2,453.98	908.39	3,362.37	0.00	1,293.88	1,293.88
12 may 2004	2,384.56	859.17	3,243.73	0.00	1,265.75	1,265.75
12 aug 2004	2,375.06	849.00	3,224.06	0.00	1,293.88	1,293.88
12 nov 2004	2,330.13	819.84	3,149.97	0.00	1,293.88	1,293.88
14 feb 2005	2,293.18	808.44	3,101.62	0.00	1,322.01	1,322.01
12 may 2005	2,217.70	721.62	2,939.32	0.00	1,223.56	1,223.56
12 aug 2005	2,216.00	735.88	2,951.88	0.00	1,293.88	1,293.88
14 nov 2005	2,174.82	724.08	2,898.90	0.00	1,322.01	1,322.01
13 feb 2006	2,140.24	674.57	2,814.81	0.00	1,279.81	1,279.81
12 may 2006	2,070.46	627.20	2,697.66	0.00	1,237.62	1,237.62
14 aug 2006	2,063.71	644.00	2,707.71	0.00	1,322.01	1,322.01
13 nov 2006	2,019.46	598.39	2,617.85	0.00	1,279.81	1,279.81
12 feb 2007	1,986.47	573.87	2,560.34	0.00	1,279.81	1,279.81
14 may 2007	1,921.09	549.76	2,470.85	0.00	1,279.81	1,279.81
13 aug 2007	1,909.98	526.43	2,436.41	0.00	1,279.81	1,279.81
12 nov 2007	1,866.27	503.24	2,369.51	0.00	1,279.81	1,279.81
12 feb 2008	1,831.40	485.87	2,317.27	0.00	1,293.88	1,293.88
12 may 2008	1,775.48	453.31	2,228.79	0.00	1,265.75	1,265.75
12 aug 2008	1,759.19	441.59	2,200.78	0.00	1,293.88	1,293.88
12 nov 2008	1,717.86	420.00	2,137.86	0.00	1,293.88	1,293.88
12 feb 2009	1,683.35	398.91	2,082.26	0.00	1,293.88	1,293.88
12 may 2009	1,623.59	365.92	1,989.51	0.00	1,251.69	1,251.69
12 aug 2009	1,596.18	358.32	1,954.50	0.00	1,293.88	1,293.88
12 nov 2009	1,542.92	338.73	1,881.65	0.00	1,293.88	1,293.88
12 feb 2010	1,497.59	319.79	1,817.38	0.00	1,293.88	1,293.88
12 may 2010	1,436.77	291.58	1,728.35	0.00	1,251.69	1,251.69
12 aug 2010	1,411.70	283.78	1,695.48	0.00	1,293.88	1,293.88
12 nov 2010	1,371.54	266.45	1,637.99	0.00	1,293.88	1,293.88
14 feb 2011	1,341.76	255.04	1,596.80	0.00	1,322.01	1,322.01
12 may 2011	1,296.27	220.47	1,516.74	0.00	1,223.56	1,223.56
12 aug 2011	1,275.40	217.23	1,492.63	0.00	1,293.88	1,293.88
14 nov 2011	1,235.13	205.96	1,441.09	0.00	1,322.01	1,322.01
13 feb 2012	1,196.53	184.39	1,380.92	0.00	1,279.81	1,279.81
14 may 2012	1,148.37	169.87	1,318.24	0.00	1,279.81	1,279.81
13 aug 2012	1,117.71	155.92	1,273.63	0.00	1,279.81	1,279.81
12 nov 2012	1,075.52	142.35	1,217.87	0.00	1,279.81	1,279.81
12 feb 2013	1,038.46	130.72	1,169.18	0.00	1,293.88	1,293.88
13 may 2013	994.32	115.41	1,109.73	0.00	1,265.75	1,265.75
12 aug 2013	964.18	104.62	1,068.80	0.00	1,279.81	1,279.81
12 nov 2013	920.17	93.93	1,014.10	0.00	1,293.88	1,293.88
12 feb 2014	877.18	82.64	959.82	0.00	1,293.88	1,293.88
12 may 2014	825.59	69.53	895.12	0.00	1,251.69	1,251.69
12 aug 2014	5,029.71	61.74	5,091.45	100,000.00	1,293.88	101,293.88
	<b>100,000.00</b>	<b>28,203.78</b>	<b>128,203.78</b>	<b>100,000.00</b>	<b>67,731.73</b>	<b>167,731.73</b>



<b>FLows FOR EACH BOND WITHHOLDING FOR THE HOLDER FOR THE BORROWER</b> <b>(FIGURES IN EUROS)</b> <b>CPR =10%</b>
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Payment Date	"A" Bonds			"B" Bonds		
	Principal Redeemed	Interest (gross)	Total Flow	Principal Redeemed	Interest (gross)	Total Flow
05 jun 2001						
13 aug2001	2,994.54	920.58	3,915.12	0.00	970.41	970.41
12 nov 2001	3,897.91	1,177.74	5,075.65	0.00	1,279.81	1,279.81
12 feb 2002	3,785.06	1,142.83	4,927.89	0.00	1,293.88	1,293.88
13 may 2002	3,589.29	1,072.54	4,661.83	0.00	1,265.75	1,265.75
12 aug 2002	3,565.23	1,040.88	4,606.11	0.00	1,279.81	1,279.81
12 nov 2002	3,455.05	1,008.56	4,463.61	0.00	1,293.88	1,293.88
12 feb 2003	3,354.29	966.15	4,320.44	0.00	1,293.88	1,293.88
12 may 2003	3,182.32	894.81	4,077.13	0.00	1,251.69	1,251.69
12 aug 2003	3,157.36	885.92	4,043.28	0.00	1,293.88	1,293.88
12 nov 2003	3,057.96	847.16	3,905.12	0.00	1,293.88	1,293.88
12 feb 2004	2,966.87	809.63	3,776.50	0.00	1,293.88	1,293.88
12 may 2004	2,833.84	756.40	3,590.24	0.00	1,265.75	1,265.75
12 aug 2004	2,788.02	738.43	3,526.45	0.00	1,293.88	1,293.88
12 nov 2004	2,696.36	704.21	3,400.57	0.00	1,293.88	1,293.88
14 feb 2005	2,613.59	685.70	3,299.29	0.00	1,322.01	1,322.01
12 may 2005	2,480.31	604.30	3,084.61	0.00	1,223.56	1,223.56
12 aug 2005	2,451.98	608.59	3,060.57	0.00	1,293.88	1,293.88
14 nov 2005	2,371.12	591.07	2,962.19	0.00	1,322.01	1,322.01
13 feb 2006	2,297.50	543.41	2,840.91	0.00	1,279.81	1,279.81
12 may 2006	2,180.57	498.53	2,679.10	0.00	1,237.62	1,237.62
14 aug 2006	2,150.30	505.17	2,655.47	0.00	1,322.01	1,322.01
13 nov 2006	2,073.93	462.94	2,536.87	0.00	1,279.81	1,279.81
12 feb 2007	2,008.15	437.76	2,445.91	0.00	1,279.81	1,279.81
14 may 2007	1,905.21	413.38	2,318.59	0.00	1,279.81	1,279.81
13 aug 2007	1,873.88	390.25	2,264.13	0.00	1,279.81	1,279.81
12 nov 2007	1,804.48	367.50	2,171.98	0.00	1,279.81	1,279.81
12 feb 2008	1,743.33	349.39	2,092.72	0.00	1,293.88	1,293.88
12 may 2008	1,660.63	320.86	1,981.49	0.00	1,265.75	1,265.75
12 aug 2008	1,623.97	307.61	1,931.58	0.00	1,293.88	1,293.88
12 nov 2008	1,562.31	287.67	1,849.98	0.00	1,293.88	1,293.88
12 feb 2009	1,506.99	268.50	1,775.49	0.00	1,293.88	1,293.88
12 may 2009	1,426.21	241.85	1,668.06	0.00	1,251.69	1,251.69
12 aug 2009	1,388.20	232.49	1,620.69	0.00	1,293.88	1,293.88
12 nov 2009	1,323.96	215.45	1,539.41	0.00	1,293.88	1,293.88
12 feb 2010	1,266.78	199.20	1,465.98	0.00	1,293.88	1,293.88
12 may 2010	1,193.50	177.67	1,371.17	0.00	1,251.69	1,251.69
12 aug 2010	1,160.42	169.01	1,329.43	0.00	1,293.88	1,293.88
12 nov 2010	1,110.79	154.76	1,265.55	0.00	1,293.88	1,293.88
14 feb 2011	1,069.21	144.20	1,213.41	0.00	1,322.01	1,322.01
12 may 2011	1,012.93	121.05	1,133.98	0.00	1,223.56	1,223.56
12 aug 2011	985.08	115.57	1,100.65	0.00	1,293.88	1,293.88
14 nov 2011	939.82	105.73	1,045.55	0.00	1,322.01	1,322.01
13 feb 2012	896.76	90.94	987.70	0.00	1,279.81	1,279.81
14 may 2012	846.07	80.06	926.13	0.00	1,279.81	1,279.81
13 aug 2012	81.16	69.78	882.94	0.00	1,279.81	1,279.81
12 nov 2012	4,934.76	59.91	4,994.67	100,000.00	1,279.81	101,279.81
	<b>100,000.00</b>	<b>22,786.14</b>	<b>122,786.14</b>	<b>100,000.00</b>	<b>58,758.96</b>	<b>158,758.96</b>

**b) Practice of the application of dates and terms stipulated under Paragraph II.10 and Paragraph II.11 of this Prospectus regarding the calculation and payment of interest and of Bond redemption.**

For the purpose of providing a clear understanding to subscribers with regard to the definitions and rules for applying dates and terms described under Paragraph II.10 and Paragraph II.11 regarding interest and Bond redemption, the following example is provided below specifying the terms for the first Payment Date (due to its atypical nature) as well as for the second and subsequent Payment Dates:

**1. First Payment Date: August 13, 2001**

**(Grant of the Deed: May 29, 2001)**

- a) Interest Rate Fixing Date for the Interest Rate applicable to the first Interest Accrual Period: May 28, 2001.
  - 11:00 a.m. on the second Business Day immediately prior to the date on which the Bond Subscription Period is to commence: May 28, 2001.
- b) Extraordinary notices (press announcements, pursuant to Paragraph III.5.3, c):
  - Of the resulting interest rate for the first Interest Accrual Period: May 30, 2001.
- c) First Interest Accrual Period:
  - From June 5, 2001 (Closing Date) inclusive, to August 13, 2001, non-inclusive.
- d) Determination Date (or date on which the Management Company is to make the calculations for allocating or withholding the Funds Available): August 8, 2001.
- e) Regular notices (press announcement, pursuant to Paragraph III.5.3, c):
  - All other periodical information: up to August 12, 2001.

**2. Second Payment Date: November 12, 2001.**

- a) Applicable Interest Rate Fixing Date for the second Interest Accrual Period:
  - 11:00 a.m. on the second Business Day immediately prior to the first Payment Date: August 9, 2001.
- b) Regular notices (press announcement, pursuant to Paragraph III.5.3.
  - Of the resulting interest rate for the second Interest Accrual Period: up to August 16, 2001, inclusive.
- c) Second Interest Accrual Period:
  - From the August 13, 2001 (first Payment Date), inclusive, up to November 12, 2001, non-inclusive.

- d) Determination Date (or date on which the Management Company is to make the calculations for allocating or withholding of the Available Funds): November 7, 2001.
- e) Regular notices (press announcement, pursuant to Paragraph III.5.3,
  - Of all other regular information: up to November 11, 2001.

**II.13 Actual interest for the borrower, taking into account the terms of the issue, specifying the calculating method employed and the foreseen expenses to its nature.**

For the event in which the annual nominal interest rates applicable to both “A” and “B” Bonds, variable quarterly, were to remain constant throughout the entire life of the loan, at some rates of 4.803% and of 5.063%, respectively, these rates would become the International Rates of Return (“IRR”) for the borrower of 4.960% for the “A” Bonds and of 5.233% 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 redemption rates (CPR) of 6% and 10%.

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

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

- a) the variable nominal interest rate on the Bonds remains constant throughout the life of the loan at the rates shown on the chart provided under Paragraph II.12, b)
- b) the hypothesis mentioned under Paragraph II.12,b) are assumed
- c) the foreseen incorporation and issue expenses are deducted from the par value of the Bond issue.

The actual interest foreseen for the Fund would be 5.040% or 5.052% for CPR’s of 6% and 10%, respectively, under the hypotheses set out in the immediately preceding paragraph hereinabove.

The foreseen expenses are as follows:

<b>Chartering and Issue Expenses</b>	<b>Euros</b>	<b>Pesetas</b>
• CNMV rates (issue and listing)	39,950.00	6,647,121
• AIAF & Clearing and Settlement Service rates	14,265.68	2,373,609
• Auditing, legal counselling and rating	112,769.14	18,763,206
• Notary fees and misc. Expenses, including advertising and printing	16,685.29	2,776,199
• Management Company’s commission	84,140.00	13,999,718
• Bond placing and underwriting commissions	310,800.00	51,712,769
<b>Total expenses</b>	<b>578,610.11</b>	<b>96,272,622</b>

**II.15 Whether or not any special guarantees exist on the Mortgage Units which are grouped 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 securitisation process described under of this prospectus.**

There are no special guarantees on the Bonds against the Fund or on the Mortgage Units which are grouped therein, with the exception of the undertakings of the Assignors issuing the Mortgage Units which are detailed below and under Paragraph IV.1 of this Prospectus.

**Guarantees of the Institutions issuing the Mortgages Units.**

The Assignors, CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, who are issuing the Mortgage units shall undertake the following in the Fund Deed and throughout the full length of time during which the Mortgage Units remain in effect:

- (1) To replace each and every one of the Mortgage Units resulting from the Investment Mortgage Loans which are not in keeping on that date with the statements included under Paragraph IV.1,a) as a result of the Investment Mortgage Loan failing to do so with other mortgage Units of similar terms 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 was not possible, the Assignors undertake to carry out the early redemption of the Mortgage Units 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 notwithstanding the provisions set forth under Paragraph IV.1, a), the Assignors guarantee that if any of the mortgagors were to hold any credit right over the Assignors and were to proceed to exercise the same by offsetting said credit against the debt stemming from an Investment Mortgage Loan, they shall inform the Management Company and shall deposit a sum equal to that which was offset and which would have been due to the Fund in favour thereof into whatever bank account may be designated or opened for this purpose.

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

There are no restrictions to the free transferability of the Bonds, which shall be carried out in compliance with the applicable statutory provisions and with the provisions made under Paragraphs II.4.1, II.5 and II.17 of this Chapter.

**II.17 Official secondary markets for which the commitment has been made to request the admission to trading of securities and specific deadline in which this application and the other documents necessary listing will be filed.**

In accordance with Article 5.9 of Law 19/1992, the Management Company shall immediately request the execution of the deed, and once the Bonds have been paid up, the inclusion of this Bond issue in AIAF Mercado de Renta Fija, which is recognized as being an official secondary securities market in accordance with the provisions set forth under Transitory Provision Six of Law 37/1998 of November 16 amending the Securities Market Act. The Management Company undertakes that the final listing for trading will take place within the one month immediately subsequent to the Payment Date.

The Management Company expressly declares the acknowledgement of the requirements and conditions which are required for listing, continued listing and exclusion of the securities on

the AIAF according to the regulations in force and the requirements of the governing bodies, the Fund accepting, through the Management Company thereof, to fulfil the same.

In the event that the aforesaid term were to elapse without the Bonds being admitted to trading on the AIAF, the Management Company shall immediately inform the holders of the Bonds, and shall also inform of the reasons determining the non-compliance, according to the provisions of Paragraph III.5.3 of the Prospectus. All thereof shall be without dismissing the possibility of the Management Company being considered 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 to choose the relevant investors**

The placing of the Bond issue including both Series is being targeted to institutional investors, either legal entities or estates without legal status, such as Pension Funds, Collective Investment Schemes, Insurance Companies, or entities such as Credit Institution or Securities Firms which habitually and professionally trade in negotiable securities.

The potential investor additionally has, as a supplement to its own analysis regarding the quality of the securities 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 Chapter.

Once the issue has been fully placed and the Bonds have been admitted to trading on the official AIAF market, the Bonds can be freely purchased through that market in compliance with the applicable operating rules.

#### **Effects of the subscription for the holders of the Bonds.**

The subscription of the Bonds involves each individual bondholder accepting the terms of the Deed.

#### **Tranches.**

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

### **II.18.2 Legal Aptitude 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 solvency ratio Credit Institutions and 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, as amended by Order of 13 April, 2000.

The Comisión Nacional del Mercado de Valores 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 Investment Mortgage Loans for the issue of Mortgage Units grouped in the Fund have been conveyed with a first mortgage guarantee on residential homes located in Spain; (ii) that the Investment Mortgage Loans and the Mortgage Units fulfil 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 Investment 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 Assignors 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 Chapter.

- (ii) The "B" Bonds are not weighted at 50% in the solvency ratio of Credit Institutions and 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 insurance companies in fulfilment of the actuarial reserve-related obligations thereof in accordance with Article 50.5 of the Regulations for the Ordinance and Supervision of Private Insurances 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 Guarantee Associations in accordance with Law 1/1994 of March 11, 1994 governing the Legal System of Mutual Guarantee Associations, and Royal Decree 2345/1996, of November 8, 1996, regarding the government licensing regulations and solvency requirements for Mutual Guarantee 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 funds 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 fund and in secondary regulations developing it.

### **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 incorporation 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 on the Closing Date.

### **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, CREDITE AGRICOLE INDOSUEZ Branch in Spain DG BANK, BRANCH IN SPAIN, EBN BANCO, ABN AMRO BANK, BNP PARIBAS, CREDIT SUISSE FIRST BOSTON, and SOCIETE GENERALE BRANCH IN SPAIN 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 June 5 2001, (the "Closing Date"), before 12 o'clock noon Madrid time, the issue price (100% of the Par 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 Payment Agent, before 1 o'clock p.m. on the Closing 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 Closing 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 Chapter at the lapse of the Subscription Period.

**II.19.1 Firms involved in the 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 Management Company.**

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)			
	"A" Bonds		"B" Bonds	
	Number	Nominal	Number	Nominal
BANCO COOPERATIVO ESPAÑOL, S.A.	408	40,800,000	130	13,000,000
CREDIT AGRICOLE INDOSUEZ SPANISH BRANCH	816	81,600,000		
DG BANK DEUTSCH GENOSSENSCHAFTSBANK AG	816	81,600,000		
ABN AMRO BANK N.V.	30	3,000,000		
BNP PARIBAS	30	3,000,000		
CREDIT SUISSE FIRST BOSTON (EUROPE LIMITED)	30	3,000,000		
SOCIETE GENERALE SPANISH BRANCH	30	3,000,000		
<b>TOTAL</b>	<b>2,220</b>	<b>222,000,000</b>	<b>130</b>	<b>13,000,000</b>

Each one of the Underwriting and Placement Entities for the “A” Bond in question shall be paid an underwriting and placing commission of 0.14% on the total nominal amount of the “A” Bond underwritten thereby by virtue of the Agreement for the Management, Underwriting and Placement of the Issue of Bonds. The Underwriting and Placement Entity for the Serie B Bond will receive no commission for their underwriting and placing.

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

BANCO COOPERATIVO, CREDIT AGRICOLE INDOSUEZ BRANCH IN SPAIN and DG BANK shall be involved in the underwriting and placement of the Bond issue as Lead 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 Comisión Nacional del Mercado de Valores Circular 2/1994 dated March 16<sup>th</sup>, by virtue of which approval was rendered of the format of the Prospectus for the incorporation of Mortgage Securitisation Funds being transcribed hereinbelow:

##### **BANCO COOPERATIVO Statement.**

*We, Mr. Ignacio Benlloch Fernández-Cuesta and Mr. Ramón Carballás Varela, 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 4, vested with the due powers for this purpose, with regard to the incorporation of RURAL HIPOTECARIO II FONDO DE TITULIZACION HIPOTECARIA and the issuing of bonds for the amount of two hundred and thirty five million (235,000,000) Euros, the notification of which for verification and registry with the Comisión Nacional del Mercado de Valores was filed on April 16 2001, in compliance with Article 18.3 of Royal Decree 291/1992, March 27, on issues and public offers, as amended by Royal Decree 2590/98, December 7.*

##### ***DECLARE / STATE***

- *That the checks required to ensure the accuracy and sufficiency of the information included in the Prospectus have been conducted.*
- *That according to such checks, no circumstances have been found to exist which contradict or alter such 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 appropriate purposes, I hereby make this statement in Madrid on May 22, 2001.*

##### **CRÉDIT AGRICOLE INDOSUEZ Statement.**

*We, Mr. Santiago Ruiz-Morales Fadrique and Mr. Pablo Lladó Figuerola-Ferretti, acting in the name and on behalf of CREDIT AGRICOLE INDOSUEZ BRANCH IN SPAIN, whose domicile is in Madrid, Paseo de la Castellana, 1, vested with the due powers for this purpose, with regard to the incorporation of RURAL HIPOTECARIO II FONDO DE TITULIZACION HIPOTECARIA and the issuing of bonds in the amount of two hundred and thirty five million (235,000,000) Euros, the notification of which for verification and registry with the Comisión Nacional del Mercado de Valores has been filed on April 16, 2001 in compliance with Article 18.3 of Royal Decree 291/1992, March 27, on issues and public offers, as amended by Royal Decree 2590/98, December 7.*

##### ***DECLARE/STATE***

- *That the checks required to ensure the accuracy 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 appropriate purposes, I hereby make this statement in Madrid on May 22, 2001.*

**DG BANK. Statement.**

*I, Mr. Uwe Engeland Mrs. Gabriele Templin, acting in the name and on behalf of DG BANK DEUTSCHE GENOSSENSCHAFTBANK AG, Frankfurt am Main whose domicile is in Frankfurt am Main, vested with the due powers for this purpose, with regard to the incorporation of RURAL HIPOTECARIO II FONDO DE TITULIZACION HIPOTECARIA and the issuing of bonds in the amount of two hundred and thirty five million (235,000,000) Euros, the notification of which for verification and registry with the Comisión Nacional del Mercado de Valores was filed on April 16, 2001, in compliance with Article 18.3 of Royal Decree 291/1992, March 27, on issues and public offers, as amended by Royal Decree 2590/98, December 7.*

***DECLARE/STATE***

- *That the checks required to ensure the accuracy 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 appropriate purposes, I hereby make this statement in Madrid on May 22, 2001.*

Photocopies of the letters from BANCO COOPERATIVO, CREDIT AGRICOLE INDOSUEZ and DG BANK, in which they make their declarations, are attached as Annex VI

BANCO COOPERATIVO, CREDIT AGRICOLE INDOSUEZ and DG BANK, as Lead Managers, will receive no remuneration whatsoever for this duty.

**II.19.3 Underwriters for the issue, including a description of the terms of the relationship or Management, Underwriting and Placement Agreement, guarantees required of the issuing or offer, types of risks undertaken, type of consideration to which the underwriter is obliged in the event of non-compliance and to other relevant aspects.**

The Management Company, acting in the name and on behalf of the Fund, shall make a Agreement for the Management, Underwriting and Placement of the Issue of Bonds with BANCO COOPERATIVO ESPAÑOL, S.A., CREDIT AGRICOLE INDOSUEZ, BRANCH IN SPAIN, DG BANK DEUTSCH GENOSSENSCHAFTSBANK AG, EBN BANCO, SOCIEDAD ESPAÑOLA DE BANCA DE NEGOCIOS, S.A., ABN AMRO BANK N.V., BNP PARIBAS, CREDIT SUISSE FIRST BOSTON (EUROPE LIMITED), and SOCIETE GENERALE BRANCH IN SPAIN by virtue of which the aforesaid Entities shall proceed to the place 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 outstanding subscription by virtue of the underwriting commitment made thereby.

The Underwriting and Placement Entities for the Bond issue undertake the obligations set forth under the Agreement for the Management, Underwriting and Placement, 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 Payment Agent by 1:00 p.m. on the Closing 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 placing commission earned thereby, the Payment 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, less the total amount of all of the underwriting and placing commissions; 3) commitment of paying interest on arrears covenanted in the Agreement for the case of delay in delivery of 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 placing of the Bonds.

**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 applicants 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 Term 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 Book Entry Securities 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 Securities Clearing and Settlement System).

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, though title to the Bonds taken shall be established by the appropriate entry on the accounting record .

**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 incorporating the Fund and issue of the Bonds is subject to Spanish law in accordance with Law 19/1992 of July 7, 1992 governing Real-Estate Investment Trusts and Companies and Mortgage Securitisation Funds, Law 24/1988, of July 28, 1988 governing the Securities Market, as amended by Law 37/1998, of November 16, 1998, and in accordance with Royal Decree 291/1992, of March 27, 1992, governing Public Issues and Offerings for Securities as amended by virtue of Royal Decree 2590/1998, of December 7, 1998 on the modification of the legal system on securities markets, in addition to the Order of July 12, 1993 governing Prospectuses and Other Further Implementations upon Royal Decree 291/1992, of March 27, 1992, and CNMV Circular 2/1994 of March 16, 1994.

Any matters, disputes, litigation and claims which might arise from the incorporation, management and legal representation on the part of the Management Company of RURAL HIPOTECARIO I FONDO DE TITULIZACIÓN HIPOTECARIA and of the issue of Bonds against the same, shall be ruled upon by the Courts and Tribunals of the capital city of Madrid, with a express waiver of any other relevant jurisdiction.

The Deed shall be governed and construed in accordance with the laws of Spain.

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

Below is provided a brief summary on the tax applicable system to the investments resulting from this offering, for which purpose only the State legislation in force and those aspects of a general nature that may affect investors are taken into account. The investors take into account both their possible special tax situations and the applicable law and those rules in force at the moment 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 be fulfilled. Likewise, it has been considered that the Bonds, at the moment of their issue, shall be considered as being financial assets having an explicit performance whenever this rating is of tax-related importance.

The withholdings, contributions and taxes which have been stipulated or which may be stipulated in the future on the principal, interest or performance of the Bonds shall be paid by the holders thereof, and the total amount thereof shall be deducted, as the case may be, by the Management Company in the manner for is legally which provision made.

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

### **II.22.1 Individuals or legal entities who are legal residents in Spain.**

#### *Personal Income Tax.*

The performances obtained by the holders of the Bonds who are obligated to pay the Personal Income Tax (IRPF) on both interest as well as on the transfer, repayment or redemption 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 performances obtained interests shall be subject to an 18% withholding on account of the Personal Income Tax of whomever is paid, in accordance with Royal Decree 214/1999 of February 5, 1999, by virtue of which the Personal Income Tax Regulations (RIRPF) was passed.

No withholding obligation exists on the earning stemming from the transfer or redemption of the Bonds unless this be done within thirty days immediately prior to the expiration of the coupon in favour of (i) a person or entity who is no 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 returnings both in the form of interest and as a result of the transfer, repayment or redemption 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 returns shall be exempt from withholding in accordance with 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, according to Ministerial Order of December 22, 1999, the procedure to make effective the exclusion of the withholding or revenues on account shall be subject to the following requirements:

- The Management Company, acting for 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 current general withholding rate, to the total amount of the interests.
- Before the tenth day of the month following the month of expiration of each coupon, the depository entities shall furnish the Management Company 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.

- The Management Company, as soon as it receives such record, shall immediately pay, through the Paying Agent, the depository entities, the amounts withheld to those individuals obligated to pay this Tax.
- The depository entities shall immediately pay this withheld amounts to the holders or individuals obligated to pay this Tax.

#### **II.22.2 Individuals or legal entities who are not legal residents in Spain.**

The performances 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 redemption thereof shall be considered as earnings obtained in Spain, with or without permanent establishment, under Article 11 of Law 41/1998 of December 9, 1998 governing Non-Resident Income and Tax Regulations.

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

The performances on the Bonds which are obtained 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 may be, the levying of lower rates. The aforesaid performances shall be subject to withholdings on account of the Non-Resident Income Tax in the same cases and under the same conditions as have been mentioned for those taxpayers obligated to pay the Resident Corporation Tax in Spain.

##### *Income obtained without the involvement of any permanent establishment.*

The performances on the Bonds which are obtained 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 set forth under Section IV of Law 41/1998, from which the following aspects can be pointed out, without dismissing what is set forth under the Agreements to prevent double taxation signed by Spain which may determine the non-taxation of the pertinent earnings or, as the case may be, the levying of lower rates:

- The taxable income shall be calculated as the full amount of the performance obtained, calculated in accordance with Law 40/1998, none of the reductions set forth under said Law being applicable thereto.
- In the event of transfer, repayment or redemption, the ancillary costs of acquisition and sale shall be taken into account for calculating the performance insofar as they are appropriately justified. The taxation shall be paid separately for each full or partial accrual of performance taxable, not being possible any clearing among them.
- The Tax shall be calculated by applying the 18% to the taxable income related to the interest and the performances of the Bond.
- These performances shall be subject to withholding on account of the Non-Resident Income Tax, except in those cases in which the payment of the Tax or the admissibility of the exemption is proved.

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

The performance obtained from the Bond issue by individuals or entities who are not legal residents in Spain and who, for these purposes, do business without any permanent

establishment, shall be exempt whenever the collector thereof is a resident of another European Union country.

This exemption shall not be applicable when the earnings have been obtained through the countries or territories considered tax havens.

The earnings resulting from the transfer of these securities on official Spanish secondary securities markets which are obtained from non-resident individuals or entities without the involvement of any permanent establishment in Spain, 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 must prove the Paying Agent or the Management Company, prior to the Payment Date, (i) the residence for tax-related purposes by means of the showing the residence certificate issued by the corresponding Tax Authorities, taking into account that said certificate is valid for one year, (ii) a certificate of the depository entity with the identifying 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 by 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 purpose, of the tax residence, the interest and capital gains obtained from 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 or taxation by means of the procedure established in the applicable laws.

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

The transfer of securities is exempt from the Stamp Duty 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 Taxable Income 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, except 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 performances 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 of the Gift and Inheritance Tax. For those cases in which the beneficiary is a Company, the obtained income shall be levied in accordance with the regulations governing the Corporation Tax.

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

The total amount of the Bond issue shall be allocated in full to the payment of the price of the acquisition of the Mortgage Units issued by CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA,

CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA which are grouped in the assets of the Fund.

Additionally, the “A” and “B” Bonds fulfil the requirements stated in order to be accepted as guarantees of transactions with the Central Bank of Europe.

**II.24 Entities which, as the case may be, have undertaken to take part in the secondary trading, providing liquidity by means of the offering of balancing items, stating the scope of their involvement and the way to 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 legal entities who have had a significant involvement in the design or advise on the incorporation of the fund or in any of the significant information included in the prospectus, including, as the case may be, the underwriting of the Bonds:**

**II.25.1 List of both individuals and legal entities.**

- 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 as Promoter and Manager of the Fund.
- b) LINKLATERS & ALLIANCE, an independent legal advisor, has provided the local counselling for this transaction.
- c) CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA are the Assignors of the Investment Mortgage Loans through the issue of the Mortgage Units subscribed by the Fund at its incorporation.
- d) BANCO COOPERATIVO ESPAÑOL, S.A., CREDIT AGRICOLE INDOSUEZ, BRANCH IN SPAIN, and DG BANK DEUTSCH GENOSSENSCHAFTSBANK AG, are involved as Lead Managers of the underwriting and marketing of the Bond issue in question.
- e) BANCO COOPERATIVO ESPAÑOL, S.A., CREDIT AGRICOLE INDOSUEZ, BRANCH IN SPAIN, DG BANK DEUTSCH GENOSSENSCHAFTSBANK AG, EBN BANCO, SOCIEDAD ESPAÑOLA DE BANCA DE NEGOCIOS, S.A., ABN AMRO BANK N.V., BNP PARIBAS, CREDIT SUISSE FIRST BOSTON (EUROPE LIMITED), and SOCIETE GENERALE BRANCH IN SPAIN are involved as Underwriters and Placement Entities of the Bond issue.
- f) BANCO COOPERATIVO ESPAÑOL, S.A. is involved as the Playment Agent for the Bond issue.

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

*“I, Mr. Mario Masiá Vicente, acting in the name and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, domiciled in Madrid, at No.120. Calle Lagasca,, with regard to the incorporation of the Fund RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA, in the amount of*

(235,000,000) Euros (39,100,710,000 Ptas.), the notification for verification and registry with the Comisión Nacional del Mercado de Valores has been filed on April 16, 2001, in compliance with 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 incorporation of the Mortgage Securitisation Funds is approved (in further expansion of the Order of July 12, 1993, which, in turn, further expands upon Royal Decree 291/92, of March 27, 1992), do hereby

#### STATE

*That BANCO COOPERATIVO ESPAÑOL, S.A., Lead Manager and Underwriting and Placement Entity holds a 0.77% of the interest in the share capital of the Management Company.*

*That CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, Assignors, hold a joint 32,47 % interest in the share capital of BANCO COOPERATIVO ESPAÑOL, S.A.*

*That DG BANK DEUTSCH GENOSSENSCHAFTSBAK AG, Lead Management and Underwriting and Placement Entity, holds a 15% interest in the stock capital 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 advise regarding the incorporation of the Fund or of any relevant information included in the Prospectus, nor with the Management Company nor with the Assignors issuing the Mortgage Units.”*

#### **II.25.3 Statements of the Assignors.**

Mr. Angel Lirola Suarez, in the name and on behalf of CAJA RURAL DE ALMERÍA Y MÁLAGA, Sociedad Cooperativa de Crédito; Mr. Conrado Balaguer Escrig, in the name and on behalf of CAJA RURAL CREDICOOP, Sociedad Cooperativa de Crédito; Mr. Bruno Catalán Sebastián, in the name and on behalf of CAJA RURAL DE JALÓN, Sociedad Cooperativa de Crédito; Mr. Alberto Ugarde Alberdi, in the name and on behalf of CAJA RURAL DE NAVARRA, Sociedad Cooperativa de Crédito; Mr. Joaquín Vázquez López, in the name and on behalf of CAJA RURAL DEL SUR, Sociedad Cooperativa de Crédito; Mr. Cipriano García Rodríguez, in the name and on behalf of CAJA RURAL DE ZAMORA, Sociedad Cooperativa de Crédito; Mr. Pedro Semitiel Laborda, in the name and on behalf of CAJA RURAL DE ZARAGOZA, Sociedad Cooperativa de Crédito; declare that the required proofs to ensure the accuracy and sufficiency of the information included in the Prospectus regarding each of these entities and of the Investment Mortgage Loans subject to the issue of the Mortgage Units assigned by these entities to RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA, have been conducted. Furthermore, they declare that, according to these proofs, they find no circumstances which contradict or alter the information of the prospectus, nor have any facts or items of data of importance which may be relevant for investors been omitted therefrom. The letters of the Assignors containing these declarations are attached as Annex VII.

**GENERAL INFORMATION ON THE MORTGAGE SECURITISATION 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 Securitisation 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, as far as the assets thereof are concerned, by the Mortgage Units grouped therein and, as far as the liabilities thereof are concerned, by the Bonds and the Loan for Starting Expenses and the Subordinated Loan, such that the net worth value of the Fund will be nil.

The Mortgage Units issued on the Investment 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 Deeded for the purpose of serving as a vehicle for subscribing the Mortgage Units issued by CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, 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 II FONDO DE TITULIZACIÓN HIPOTECARIA”, and for the identification thereof, either one of the following abbreviated names may also be used:

- RURAL HIPOTECARIO II FTH
- RURAL HIPOTECARIO II 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 Management Company, in conjunction with CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, as institutions issuing the Mortgage Units to be subscribed by the Fund, shall proceed to the execution of the public instrument for the chartering of RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA, issue and subscription of the Mortgages Units and issue of the Mortgage Backed Securities under the terms for which provision is made under Law 19/1992.

The Deed 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 Deed, in accordance with Article Five, Paragraph Three of Law 19/1992, shall not be subject to registry with the Mercantile Register.

### **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 Management Company 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 Management Company 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 Deed. The Spanish Ministry of Finance authorized the setting up of the Management Company as a management company for Mortgage Securitisation Funds on December 17, 1992. Subsequently, on October 4 1999, authorization was received for their transformation into a Management Company for Securitisation 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 Management Company is included under Chapter VI of this Prospectus.

In accordance with that which is set forth under Article Six, Paragraph I of Law 19/1992 and article 12.1 of Royal Decree 926/1998, the representation and defense of the interests of the holders of the Bonds issued by the Fund and the remaining creditors to the same falls to the Management Company in its capacity as a manager of the business dealings of others. Therefore, the Management Company 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 Management Company other than due to default on its duties or failure to comply with that which is set forth under the Deed. Likewise, the Management Company shall be responsible for handling sanctions as may be applicable, in accordance with that set forth in Act19/1992.

The Management Company shall inform the Bondholders with regard to all those circumstances which might be of interest thereto by means of publication of the appropriate announcements under the terms set forth under Section III.5.2 and Section III.5.3 of this Chapter.

#### **III.3.1.1. Management and Representation of the Fund.**

The measures that the Management Company must take in order to fulfil its duty of management and legal representation of the Fund are, on a merely informative basis, without dismissing the possibility of other measures for which provision is made under the Deed of Incorporation and under this Prospectus, as follows:

##### **General obligations and principles of the Management Company.**

###### **1. Fund management.**

- (i) To manage the fund with the aim of the net worth of the Fund being nil at all times.
- (ii) To carry out the Fund's accounting with due separation thereof from the Management Company, submitting the accounts and carrying out the tax obligations and any others of a legal nature that the Fund must make.

- (iii) Not to carry out actions that may decrease the Aaa rating assigned to the "A" Bonds, the A2 rating assigned to the "B" Bonds and seeking to adopt such measures as are reasonably within its reach so that such ratings are not negatively affected at any time.
- (iv) To sign all agreements that are mentioned in the Deed, or those that are necessary in the future, on behalf of the Fund, in regards to its assets and liabilities, bearing in mind, however, that for the Fund to sign any agreement not mentioned in the Deed shall require a modification to the Payment Priority Order, with the prior consent of the Rating Agency, and prior notification to CNMV for it to be made available to the public, where applicable, as a relevant event or by means of verification and recording a supplement to the Informative Prospectus.
- (v) To adopt the opportune decisions with regard to liquidation of the Fund, including any decision to liquidate the Fund early and early redemption of the Bond issue, in accordance with that set forth in the Deed and in this Prospectus.
- (vi) To comply with its formal, documentary and informative obligations to the CNMV, the Rating Agency and any other supervisory body.
- (vii) To appoint and, when applicable, to replace and revoke the accounts auditor that reviews and audits the Fund's annual accounts.
- (viii) To draw up and submit to the Comisión Nacional del Mercado de Valores and to any other competent administrative body all the documents and information that must be submitted in accordance with that set forth in regulations in force, in the Deed and in this Prospectus, or which may be required, as well as drawing up and sending the information that may be reasonably required to the Rating Agency.
- (ix) To facilitate the holders of the Bonds issued charged to the Fund, as much information and notifications as may be set forth in the legislation in force to the Comisión Nacional del Mercado de Valores and to the general public, and, especially, that mentioned in the Deed and this Prospectus.
- (x) To comply with the calculation obligations set forth in the Deed and in this Prospectus and in the various Fund operation agreements described in paragraph V.3 of this Prospectus or in any others which, when applicable, the Management Company may undertake thereafter in the name and on behalf of the Fund.
- (xi) In order to enable the operation of the Fund in the terms set forth in the Deed, in this Prospectus and in the regulations in force at any time, to extend or modify the agreements that it has signed in the name of the Fund; to replace, when applicable, each of those that render services to the Fund by virtue thereof and, even, in the event of it being necessary, to sign additional agreements, all the above subject to legislation in force at any time, with prior authorization, in the event of it being necessary, of the Comisión Nacional del Mercado de Valores or the competent administrative body and notification to the rating agency, provided such actions do not harm the interests of the holders of the Bonds.

## **2. Principle of diligence.**

The Management Company will carry out its activity with the diligence that is required in accordance with Royal Decree 926/1998, representing the Fund and defending the interests of the holders of the Bonds and the other ordinary creditors of the Fund as if they were its own interests, maximizing the levels of diligence, information and defense of the interests of the former and avoiding situations that involve conflicts of interest, giving priority to the interests of the holders of the Bonds and the other ordinary creditors of the Fund over the interests of third parties and its own.

### **3. Availability of means.**

The Management Company has the necessary means, including suitable information systems, to carry out the functions of Management Company attributed thereto by Royal Decree 926/1998.

### **4. Code of Conduct.**

The Management Company shall comply with the code of conduct applicable thereto. The Management Company has established an Internal Set of Rules of Conduct in accordance with that set forth in Chapter II of Royal Decree 629/1993, May 3, concerning the rules for acting in the stock markets and compulsory records, of which the CNMV has been notified.

## **Obligations and actions of the Management Company in managing the Fund.**

### **1. In relation to the Mortgage Units and the Investment Mortgage Loans.**

- (i) To exercise the rights inherent to the ownership of the Mortgage Units 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 suitably 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 Units and with the conditions of the different agreements.
- (iii) To validate and monitor the information which is received from the Servicers regarding the Investment Mortgage Loans in respect of both the collection of the regular quotas, early repayment of the principal, payments received of unpaid quotas and status and monitoring of unpaid sums.
- (iv) To supervise that the renegotiating, when necessary, of the terms of the Investment Mortgage Loans is carried out by the Servicers in accordance with whatever general or specific instructions had been given thereto by the Management Company.
- (v) To supervise the measures arranged with the Servicers for the recovery of unpaid sums, by issuing instructions, whenever appropriate, for them to file for foreclosure and regarding the position to take when auctioning the real estate. To foreclose on the loan whenever the circumstances so require.

### **2. In relation to the issuing of Bonds.**

- (i) 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 that may be required by law.
- (ii) To 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).
- (iii) To calculate and liquidate the amounts to be paid on each Payment Date for the interest accrued for each of the Series of Bonds in accordance with that set forth in Paragraph II.10 and it shall publish the same in the manner for which provision is made under Paragraph III.5.3, a).

- (iv) To 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).

### **3. In relation to other financial transactions and services.**

- (i) 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.
- (ii) To calculate and settle the sums for interest and commission that must be collected and paid out by the different financial asset and liability accounts, in addition to the commission to be paid by the different financial services for which arrangements have been made.

In addition to carrying out the aforesaid measures described in a general manner hereinabove, the Management Company shall specifically carry out the following measures in relation to the Treasury Account:

- (iii) It shall open on behalf of the Fund a financial account (“Treasury Account”), initially with BANKINTER.
- (iv) 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 rating below P-1 according to the Moody’s Investor’s Service Limited scale, the Management Company, within a maximum period of thirty (30) Business 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 Account Opening Agreement at a Guaranteed Interest Rate:
  - a) To obtain a collateral banking signature as a first requirement, from a credit association with a rating equal to or greater than P-1, as a simple request from the Management Company, that will Guarantee the Fund 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 rating by BANKINTER is maintained.
  - b) To obtain from the Assignors, 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 Agreement.
  - 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 rating and the maximum performance for its balances will be agreed, which could be different from that agreed with BANKINTER by virtue of the Account Opening Agreement at 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 Management Company will be able to invest the balances, for maximum periods of three months, in short term fixed income assets in Euros or pesetas issued by entities that have a minimum rating 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 performance obtained will be different from that obtained initially with BANKINTER, by means of the Account Opening Agreement at a Guaranteed Interest Rate.

- e) In both situations c) and d), the Management Company will later transfer the balances again to BANKINTER under the Account Opening Agreement at a Guaranteed Interest Rate, in the case of its short-term debt period once more achieving the P-1 rating, according to the aforementioned scale.
- (v) It shall deposit into the Treasury Account the sums which it receives from the Managers of the Investment 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.
- (vi) It shall ensure that the sums deposited in the Treasury Account produce the profitability ratio stipulated under the Guaranteed Interest Rate Opening Account Agreement.

#### **4. In relation to the management of payment and retention from the Fund.**

- (i) To calculate the Funds Available and the payment and retention obligations that must be made and carry them out in accordance with the Payment Priority Order.
- (vi) To order 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.

### **III.3.2 Waiver and replacement of the Management Company.**

The Management Company 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 Management Company 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 Comisión Nacional del Mercado de Valores, 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 letter will state its willingness to accept such a duty and sets out the pertinent authorization.
- (ii) The authorization of the substitution by the Comisión Nacional del Mercado de Valores will be contingent on compliance with the following requisites:
  - a) Delivery to the new management company of the documents and accounting and computer records by the substituted Management Company. 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 Management Company have been evaluated by any ratings agencies, the corresponding rating should not decrease as a result of the proposed situation.

In no case may the management company 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.

- (iii) Expenses incurred as a result of the substitution will be the responsibility of the resigning Management Company and may not under any circumstances be deducted from the Fund.

- (iv) 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 Management Company were to be ruled in suspension of payments or bankruptcy, it must proceed to appoint a management company 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 liquidated early and the payment of the values issued against the same and of the loans, in accordance with the Public Deed.

The Management Company undertakes to execute all those public and private documents that were to be necessary to proceed to the replacement thereof by another managing company in accordance with the system for which provision is made under the preceding paragraphs of this Paragraph. The replaced management company shall be subrogated in the rights and obligations which, with regard to the Deed and this Prospectus, fall to the Management Company. Likewise, the Management Company must hand over to the management company all of those documents and accounting and computer records regarding the Fund of which it may be in possession.

#### **III.3.3 Subcontracting.**

The Management Company 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 Deed, 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 Management Company 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 Deed which were to be attributable to or demanded thereof under law.

#### **III.3.4 Schedule for the remuneration of the Management Company for the performance of its duties.**

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

- (i) Initial commission in the amount of eighty-four thousand one hundred and forty (84,140) Euros (13,999,718 Ptas.) to be paid on the Closing Date.
- (ii) Regularly-scheduled commission: equal to 0.03625% annual percentage which shall be obtained from 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 in arrear on each one of the Payment Dates, being calculated on the Balance of the Outstanding Principal of the Bonds on the Payment Date prior to the current Payment Date at the time. The commission obtained from the date of the chartering of the Fund up to the first Payment 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 Payment Date shall be calculated using the following equation:

$$C = B \times \frac{0.03625}{100} \times \frac{d}{360}$$

where:

<i>C</i>	=	<i>Commission to be paid on any given Payment Date</i>
<i>B</i>	=	<i>Balance of the Outstanding Principal of the Bonds on the immediately preceding Payment Date.</i>
<i>d</i>	=	<i>Number of days elapsed in the accrual period in question.</i>

In any event, the annual amount of this regularly-scheduled commission must not be any lower than eighteen thousand and thirty (18,030) Euros (2,999,940 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 2002 inclusive to enter into effect as of January 1 each year.

If on a given Payment Date the Fund were not to avail of sufficient funds to pay the aforesaid commission, an interest equal to that "B" Bonds shall be charged on the amount owed and shall be paid on the next Payment Date in accordance with the Payme Priority Order.

#### **III.4 Net worth value of the fund and brief indication as to the assets and liabilities determining such value 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 Units they combine and, as far as the liabilities thereof are concerned, by the Bonds, the Loan for Starting Expenses and the Subordinated Loan, such that the net worth of the fund will be nil.

The duration of the Fund shall be until August 12, 2026, Final Maturity Date of the Bond issue.

The net equity elements composing the assets and liabilities of the Fund and the operations to cover financial transactions and services entered into on behalf thereof are determined in the above section.

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

###### **a) At beginning.**

- (i) The Mortgage Units subscribed and grouped in the Fund, represented by individual registered securities related to a 100% interest in the principal and ordinary interest and interest on arrears for the Investment Mortgage Loans. (See Section IV of this Prospectus).

The terms of the Investment Mortgage Loans selected from the Assignors, most of them which will be assigned to the Fund by way of issue of the Mortgage Units are detailed in paragraph IV.4 of this Prospectus.

- (ii) The total amount to be collected for the distursement of the underwritten subscription of each one of the Series of Bonds, deducted from the underwriting and placing commissions.
- (iii) The initial chartering and issue expenses made.
- (iv) The balance in the Treasury Account under the Account Opening Agreement a Guaranteed Interest Rate made up of the proceeds from the Loan for Starting Expenses and the Subordinated Loan, in accordance with that set forth in Paragraph V.3.1 of this Prospectus.

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

- (i) The Outstanding Balance of the Mortgage Units.
- (ii) The outstanding amount to be repaid for the Starting Expenses made. The ordinary interest and the interest on arrears on the Mortgage Units in keeping with those applicable to the Investment Mortgage Loans and all other rights granted to the Fund.

The houses which the Fund were to be awarded as the result of any possible foreclosure on real-estate mortgages guaranteeing the Investment 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.

- (iii) All other balances in the Treasury Account and the interest accrued and not due in accordance with the Account Opening Agreement a Guaranteed Interest Rate .

**III.4.2 Liabilities.**

**(a) At beginning.**

- (i) The Bond Issue amounts to a nominal value of two hundred and thirty five million (235,000,000) Euros (39,100,710,000 Pesetas), represented by book entries and made up of two series:
  - Series A, with a total nominal value of two hundred and twenty two million (222,000,000) Euros (36,937,692,000 Pesetas) comprised of two thousand two hundred and twenty two (2,220) Bonds in individual Par values of one hundred thousand (100,000) Euros (16,638,600 Pts).
  - Series B, with a total nominal value of thirteen million, (13,000,000) Euros (2,163,018,000 Pts.) comprised of one hundred and thirty (130) Bonds in individual Par values of one hundred thousand (100,000) Euros (16,638,600 Pts)

The terms of the Bond issue are set forth in Chapter II of this Prospectus.

- (ii) The total amount to be paid for the subscription of the Mortgage Units issued by CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA.
- (iii) The Loan for Starting Expenses, which is established in paragraph V.3.2.1 of this Prospectus, aimed at financing the initial costs of setting up the Fund and Bond issue to partially finance the acquisition of the Mortgage Units and the outstanding amount to cover the temporary time lapse between charging of interest on the Mortgage Units and the payment of interest on the Bonds at the first Payment Date.



- (iv) Subordinated Loan, which is established in paragraph V.3.2.2 of this Prospectus, aimed at initial provision for setting up the Reserve Fund.

**(b) Throughout the life of the Fund.**

- (i) The Balance of the Outstanding Principal 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 Loan for Starting Expenses and the Subordinated Loan.
- (iii) The commissions and other expenses stipulated under the different agreements signed for this transaction, in addition to any other which may be incurred by the Fund.

**III.4.3 Reserve Fund.**

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

The terms of the Reserve Fund are as follows:

- (i) Amount:

It will be set up on the Closing Date with an initial value equal to five million eight hundred and seventy five thousand (5,875,000) Euros (977,517,750 Pesetas).

Subsequently, on each Payment Date, it shall be provided for until reaching the amount established below with the Available Funds in accordance with the Fund’s Payment Priority Order.

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

- i) Five million eight hundred and seventy five thousand (5,875,000) Euros (977,517,750 Pesetas).
- ii) 7.50% of the Outstanding Balance of the Mortgage Units.

In any case, the Minimum Level of the Reserve Fund may be no lower than 1.00% of the initial Outstanding Balance of the Mortgage Units grouped into the Fund.

In relation to the Minimum Level of the Reserve Fund, even complying with all the cases mentioned in the above rules, no reduction shall be made in the provision for the amount corresponding to an Assignor when, on a particular Payment Date, one of the following circumstances occurs with regards to such Assignor:

- i) The amount of the Outstanding Balance of the Mortgage Units issued thereby with more than ninety (90) days delay in payment of the amounts due on the Determination Date prior to the Payment Date in progress, is higher than 3% of the Outstanding Balance of the Mortgage Units on such date.
- ii) The amount of the Outstanding Balance of the Mortgage Units issued thereby with more than twelve (12) months delay in payment of the amounts due on the Determination Date prior to the Payment Date in progress, is higher than the amount resulting from multiplying by 0.025% the result of the product of the total initial principal or capital of the Outstanding Balance of the Mortgage Units for the number of Payment Dates elapsed since the Closing Date.

iii) The amount of the Outstanding Balance of the Mortgage Units issued thereby is greater or equal to the Balance of the Outstanding Principal of the Bonds attributable to such issuing Entity.

iv) The weighted average interest rate for the Mortgage Units issued thereby on the Determination Date prior to the Payment Date in progress, is lower than the weighted average interest rate for the "A" and "B" Bonds in the prior Interest Accrual Period plus a differential of 0.33%.

(ii) Profitability.

The amount of said Reserve Fund shall be initially paid into the Treasury Account, being the object of the Account Opening Agreement at a Guaranteed Rate of Interest signed with BANKINTER, provided the short-term debt of such institution maintains its current P-1 rating, in accordance with the rating of Moody's Investors Service Limited, described in paragraph II.3.

(iii) Assignment.

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

#### **III.4.4 Transactions for covering risks and services.**

In order to consolidate the financial structure of the Fund, safety and regularity in payment of the Bonds, covering the time lapses between the calendar of the flows of principal and interest from the Mortgage Units and that of the Bonds, or, generally, to convert the financial terms of such assets, as well as supplementing the administration of the Fund, the Management Company shall, in the act of authorizing the Deed of , formalize the agreements established below.

The Management Company, in order to enable the operation of the Fund in the terms set forth in the Constitution Deed and the regulations in force at any time, to extend or modify the agreements that it has signed in the name and on behalf of the Fund may extend or modify the agreements it has entered into with the Fund; to replace, when applicable, each of those that render services to the Fund by virtue thereof and, even, in the event of it being necessary, to sign additional agreements, all the above subject to the legislation in force at any time, to prior authorization, in the event of it being necessary, of the Comisión Nacional del Mercado de Valores or the competent administrative body and notification to the rating agency, provided such actions do not harm the interests of the holders of the Bonds.

The transactions for covering financial risks and rendering services that shall be agreed on behalf of the Fund are as follows:

- (i) Opening Account Agreement at a Guaranteed Rate of Interest and Treasury Account.
- (ii) Loan Agreement for Starting Expenses .
- (iii) Subordinate Loan Agreement.
- (iv) Agreement for the Administration of the Investment Mortgage Loans.
- (v) Agreement for the Management, Underwriting and Placement of the Issue of Bonds.
- (vi) Bond Payment Agency Agreement.
- (vii) Financial Intermediation Agreement.
- (viii) Agreement for the Deposit of Mortgage Units.

An individual description of the most relevant terms and conditions of each of the aforementioned agreements is given in paragraph V.3 of this Prospectus, and there is a more complete description of the Agreement for the Administration of the Investment Mortgage Loans given in paragraph IV.2.

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

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

The revenues that can be used to meet the Fund's payment obligations shall be:

- a) The amount of the Loan for Starting Expenses and of the Subordinated Loan.
- b) The sums collected for the repayment of the principal of the Mortgage Units.
- c) The ordinary interest and the interest on arrears on the Mortgage Units.
- d) The revenues resulting from the reinvestment of the sums deposited in the Treasury Account.
- e) Any other sums that the Fund might collect, including those that may result from the alienation of properties awarded to the Fund or from the operation thereof.
- f) The sums comprising the Reserve Fund.

#### **III.4.6 Expenses to be Paid by the Fund.**

The Management Company 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 Loan for Starting Expenses, and will not be subject to the Payment Priority Order.

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

The Management Company 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 Payment Priority Order pertinent to each one thereof. For mere purposes of example, the Management Company shall pay the following expenses:

- If applicable, residual starting expenses of the Deed and issue of the Bonds which would have exceeded the amount of the Loan for Starting Expenses.
- Expenses for the chartering of the Fund and those that may result from the checks, registrations and government licenses that are mandatory.
- If applicable, preparation and legalization expenses for the modification of the Deed, and of the Agreements.
- Fees from the Ratings Agency for the monitoring and maintenance of the rating of the Bonds.
- Expenses deriving from the redemption 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 Units and of the surplus assets of the Fund for the final liquidation thereof, including those resulting from the granting of a line of credit.
- Expenses necessary to file for calling in the Investment Mortgage Loans.
- Expenses deriving from the administration of the Fund and of the Investment Mortgage Loans.
- Commission and expenses charged to the Fund for the service and financial transaction agreements signed.
- Expenses for the official advertisement regarding the offering for subscription of the Fund and/or the Bonds.
- Expenses of audits and legal counselling.
- In general, any other expenses paid by the Fund or by the Management Company 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 Management Company 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 Management Company 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 Management Company, in its endeavour 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 behaviour of the Mortgage Units, early bond redemptions 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 Payment Date:**

1. Balance of the outstanding principal and percentages that each one thereof represents of the initial nominal amount of each Series.
2. Interest due and paid.
3. Interest due and unpaid.
4. Redemption due and paid.

5. Estimated average life of the Bonds in each one of the Series under the maintenance of the Early Redemption Rate for the Investment Mortgage Loans, as is calculated under Paragraph d) hereinbelow.

**b) With regard to the Mortgage Units:**

1. Outstanding Balance.
2. Total amount of the quotas for which payment is in arrears on the Investment Mortgage Loans on the date of said report.
3. Accrueing interest to the date.

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

Report on the provenance and subsequent allocation of the Funds Available in accordance with the Payment Priority Order.

**d) With regard to the early redemption of the Investment Mortgage Loans:**

Listing showing the Average real Early Repayment Rate for the Investment 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 regular, special and relevant facts notices.**

The Management Company, for the precise fulfilment 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 Payment 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 Payment Date, the Fond shall proceed, through the Management Company 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 redemption thereof, as may be applicable, in addition to:
  - (i) The actual early redemption rate on the Investment Mortgage Loans during the calendar quarter prior to the Payment 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 early redemption in accordance with that which is set forth under Paragraph II.11.3.3 and Paragraph III.8.1, (i).
  - (iii) The Balance of the Outstanding Principal following the repayment to be settled on each Payment Date for each Bond in each Series, and the percentages which said Balance of the Outstanding Principal 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 Funds available in accordance with the results of the Payment Priority Order.

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 Comisión Nacional del Mercado de Valores, the Payment Agent, AIAF Mercado de Renta Fija and 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 Payment Date.

**b) Special Notices:**

1. At the chartering of the Fund and issue of the Bonds, once the Deed has been executed, the Management Company 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 Payment Date, any calendar day be suitable for said publication, be it a Business Day or otherwise.
2. All others:

Through its Management Company, the Fund shall inform the holders of the Bonds of any event of importance which may arise with regard to the Mortgage Units, the Bonds, the Fund and the Management Company 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 Management Company 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 for notifying the holders of the Bonds:**

1. Ordinary notifications.

Ordinary notifications shall be made through publication in the daily gazette of the AIAF Mercado de Renta Fija, or whichever may replace it or has similar terms or through publication in a daily newspaper with a wide circulation in Spain, whether of a financial-economic or general nature. Additionally, the Management Company or the Payment Agent may announce such information through distribution channels and systems appropriate to the financial markets such as Reuters, Bridge Telerante, Bloomberg or another other with similar terms.

2. Extraordinary notifications.

Extraordinary notifications must be made through publication in a daily newspaper with a broad circulation in Spain, whether of a financial-economic or general nature. Such notifications shall be deemed as being made on the date of publication and any day of the calendar may be used therefore, whether a Business Day or a non-Business Day (in accordance with that set forth in this Prospectus).

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

The Management Company 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 terms 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 Units, 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 Management Company is exempted from Value Added Tax.
- (v) The considerations paid to the holders of the securities that are issued against the Fund are considered as being income from movable capital.

#### **III.7 Exceptional cases of amendment of the Fund Deed.**

The Deed 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 Deed must also be corrected at the request of the Comisión Nacional del Mercado de Valores.

#### **III.8 Final liquidation and extinguishment of the Fund.**

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

After first notifying the Comisión Nacional del Mercado de Valores, the Management Company shall be authorized to proceed to the early liquidation of the fund and hence the early redemption, on a Payment Date, of the entire Bond issue under the following Events of Early Liquidation:

- (i) When the total amount of the Outstanding Balance of the Mortgage Units outstanding repayment is less than 10 percent of the initial Outstanding 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 that might have a permanent impact on the financial balance of the Fund.
- (iii) In the event that the Management Company were to be ruled in suspension of payments or bankruptcy at the lapse of the term set forth under the regulations for this purpose or, in absence thereof, four months, without a new management company 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 liquidation 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 Management Company call the holders of the Bonds together for a meeting for exclusively informative purposes prior to proceeding to the early liquidation of the fund.

The Balance of the Outstanding Principal of the Bonds on that date plus the interest accrued and not paid from the last Payment Date up to the early redemption 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 liquidation 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 Management Company to proceed to the early liquidation 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 in early liquidation (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 Management Company thereof, to be able to liquidate 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 Management Company shall proceed, in the name of the Fund, to:

- (i) Sell the Mortgage Units at a price that 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 Units outstanding redemption.
- (ii) To cancel those agreements 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 Assignors that shall be immediately allocated in full to the early redemption 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 Units outstanding redemption 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 Management Company 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 Management Company may have whatever appraisal reports made that it deems necessary.

In cases (i) and (iv) hereinabove, each one of the Assignors issuing the Mortgage Units shall have a right of pre-emption, under the conditions established by the Management Company, such that they shall be able to purchase the Mortgage Units 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 Management Company shall furnish each one of the Assignors 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 Management Company which have to do with the Mortgage Units 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 Management Company 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 Payment Priority Order, with the exception of the sums disbursed, if any, from the line of credit arranged which shall be allocated in full to the early redemption of the Bond issue.

In the event that the Management Company, acting in the name and on the account of the Fund, cannot make the payment of the Mortgage Units subscribed at a deferred price due to the cancellation of the Agreement for the Management, Underwriting and Placement of the Issue of Bonds, the Fund shall then also be liquidated by means of the return of the Mortgage Units to the Assignors, the settlement of whatever chartering and issue expenses may be appropriate and the repayment of the Loan for Starting Expenses.

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

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

In the event that at the liquidation 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 Payment Priority Order, any surplus were to be left remaining, this surplus shall be in favour of the Assignors issuing the Mortgage Units under the conditions established by the Management Company.

In any event, the Management Company, 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 liquidated and the funds available in the Fund have been apportioned, following the Payment Priority Order, with the exception of the appropriate reserve for paying the final extinguishment expenses.

Six months following the liquidation of the assets left remaining in the Fund and the apportionment of the available funds, the Management Company 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 Payment Priority Order, which shall be announced in a newspaper having a nationwide circulation and shall fulfil all of the other administrative formalities which may be appropriate. Said notarial document shall be submitted to the Comisión Nacional del Mercado de Valores by the Management Company.



## CHAPTER IV

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

#### **IV.1 Description of the Mortgage Units grouped in the Fund.**

CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA shall issue Mortgage Units 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 Management Company 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 Units shall not be the object of a marginal note in each registration of mortgages in the Property Register.

The total Par value of the issue of Mortgage Units will be at least equal to the total amount of the issue of Bonds. Each Mortgage Units represents 100 percent of the principal and the interest outstanding repayment and accrual, respectively, of each of the Investment Mortgage Loans to which they correspond.

The Investment Mortgage Loans granted through the issue of the Mortgage Units are a part of a series of mortgage loans, whose terms are described in section IV.4 of this Chapter. The Outstanding Balance of the 5,505 mortgage loans on April 23, 2001 amounted on that date to 41,624,781,932 pesetas (€250,169,974.59).

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

The issuing associations of the aforementioned Mortgage Units are CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, the holders of the Investment Mortgage Loans.

Each of the associations issuing the Mortgage Units, as holders of the Investment Mortgage Loans up to the issue of the same, will guarantee the following in the Deed of Constitution of the Fund of the Management Company and in the Fund relating to the Investment 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 constitution, has it been in a situation of insolvency, suspension of payments or bankruptcy.
- (3) That the Mortgage Units 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, and are suitable for its integration in a mortgage securitisation fund.
- (4) That its internal bodies have validly adopted all the agreements necessary for the issue of the Mortgage Units and in order to validly execute the Deed of

Constitution of the Fund, the agreements and the supplementary commitments that are taken on.

- (5) That the Investment Mortgage Loans exist and are valid and can be implemented in accordance with the applicable legislation.
- (6) That it has full ownership of the Investment Mortgage Loans and that no impediment exists of any kind regarding the issue of the Mortgage Units.
- (7) That the data relating to the Mortgage Units and the Investment Mortgage Loans included in Appendix 5 of the Deed of Constitution exactly reflects the current situation of these Loans and Units and are correct and complete.
- (8) That all the Investment 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 Investment Mortgage Loans are formalized 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 Investment 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 relating to the ownership of such 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 for the mortgage market.
- (14) That the principal of each of the Investment Mortgage Loans does not exceed 80% of the appraisal value of the properties mortgaged in guarantee of the corresponding Mortgage Units.
- (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 underwriting 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 Units. The information included relating to the underwriting policies agreed by the mortgage debtors is complete and accurately represents the true situation.

- (17) That the Investment Mortgage Loans are not in the form of securities, whether they are nominative, to order or to the bearer, as opposed to the Mortgage Units that are issued in this act.
- (18) That, on the day of the issue of the Mortgage Units, none of the Investment Mortgage Loans has any outstanding debits outstanding payment for a term greater than one (1) month.
- (19) That there is no knowledge of any of the Investment 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 Investment 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 Investment Mortgage Loans are duly deposited in the archives of the Entity itself that are prepared to this end, at the disposal of the Management Company, for and on behalf of the Fund, and all the Investment Mortgage Loans are clearly identified, both in computer format and through their deeds.
- (22) That, on the day of issue, the Outstanding Balance of each of the Investment Mortgage Loans is the equivalent of the capital sum of the Mortgage Units to which it corresponds and that, in turn, the total value will be, as a minimum, the equivalent of the Par value to which the issue of the Bonds amounts.
- (23) That from the moment of their granting, the Investment 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 Investment Mortgage Loans which could prejudice the validity thereof.
- (25) That there is no knowledge of any accrued premiums to date for the underwriting policies agreed 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 repayment of the Investment Mortgage Loans was received.
- (27) That there is no knowledge of the existence of any circumstances which could impede the implementation of the mortgage guarantee.
- (28) That the Investment 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 held, in accordance with that which is laid down in Circular 4/91 of the Bank of Spain, 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 Units portfolio and the Investment Mortgage Loans contained in the Folleto Informativo on the constitution of

the Fund and the issue of Bonds is precise and accurately represents the true situation.

- (31) That the Investment Mortgage Loans are not associated with any issue of mortgage bonds or Mortgage Units other than the issue of mortgage units.

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

The Mortgage Units that CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA will issue on the constitution of the Fund for subscription will make up an as yet undetermined number of Mortgage Units. The total capital of these will amount, at the very least, to a value equal to that of the present issue of Bonds.

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

The payment of the price of issue of the Mortgage Units will be made on the Closing Date of the Bonds.

The payment of the accrued interest corresponding to each of the Mortgage Loans will be made on the Collection Date corresponding to the first date of payment of the interest on each one, following the date of issue of the Mortgage Units, without prejudice to the Payment Priority Order.

**c) Description of rights that such units confer in favour of the holders on the loans that back them:**

The Mortgage Units refer to a holding of 100 percent of the principal, with ordinary interest and interest on default for each Mortgage Units.

The Assignors issuing the Mortgage Units, in accordance with section 5.8 of 19/1992 Act, do not run the risk of non-payment of the Mortgage Units 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 Investment 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 Units, with the relevant exception made which is stated in sections IV.1, d) and IV.1.e) below:

In precise terms, the Mortgage Units confer the following rights with regard to each of the Investment Mortgage Loans:

- a) to receive all the amounts paid through the repayment of capital or principal on the loans;
- b) to receive all the amounts paid through ordinary interest on the loans;
- c) to receive all the amounts paid through interest paid on default for the loans;
- d) to receive any other amounts, goods or rights received on payment of principal, interest or expenses on the Investment Mortgage Loans, either 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 Assignor, including not only those arising from underwriting policy agreements 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 Investment 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 Units, with the exception of the ordinary interest which shall accrue from the final date of payment of interest on each one of the Investment Mortgage Loans prior to or on the date of issue of the Mortgage Units.

The rights of the Fund resulting from the Mortgage Units are linked to the payments made by the debtors of the Investment 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 Assignors issuing the Mortgage Units will be the beneficiaries of the underwriting policy agreements signed by the mortgage debtors with regard to the properties mortgaged, as security on the Investment Mortgage Loans, up to the sum insured. Each one of the mortgage loan deeds shall be authorised by the corresponding Assignor, the mortgage creditor, in the case of non-payment of the corresponding premium on the part of the underwriting debtor (payor) with the amount corresponding to the premium being secured, on account of the debtor, in such a way that these will always be paid. By means of the Deed of constitution of the Fund, each of the Assignors will formalise the transfer of the rights that correspond to the issue of Mortgage Units as beneficiary of these underwriting policy agreements for damages signed by the mortgage debtors or any other underwriting policy that gives equivalent cover. It will therefore devolve upon the Fund, as holder of the Mortgage Units, to receive all the amounts that would have corresponded to each of Assignors to receive payments for this item.

Payments made to the Fund, as interest or for return on the Mortgage Units 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 Assignors issuing the Mortgage Units, deriving from actions to recover sums in the case of non-compliance with the obligations on the part of the Mortgage Units debtors will be the responsibility of the Fund, including the bringing of an official action against the debtors.

**d) Rules laid down for the substitution of Mortgage Units in the case of early repayment of those initially grouped in the Fund:**

- a) In the case of early repayment of the Mortgage Units through an early repayment of the capital of the loan, substitution of the affected Mortgage Units will not take place.
- b) In the case of detecting any non compliance with the conditions and terms contained in section IV.1.a) of this Prospectus, because the corresponding Investment Mortgage loan fails to comply with the same, each of the Assignors issuing the Mortgage Units agrees to immediately substitute the Mortgage Units found in this condition, following agreement with the Management Company and subject to the following rules:



1. The Assignor will inform the Management Company, on behalf of the Fund, of the existence of an unsuitable Mortgage Units and, in order to undertake its replacement, of the terms of the mortgage loans that it proposes to grant in the form of new Mortgage Units of similar terms in respect of the remaining period the, rate of interest, the value of the capital outstanding and of the credit quality in terms of the relationship existing between the capital for the outstanding unit and the appraisal value of the property that is the object of the security of the investment loan. 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 verification of the suitability of the substitute loan has been undertaken by the Management Company and the latter has stated its express agreement, the Assignor will cancel the Mortgage Units affected, put a signature stamp on the security representing the same and issue another or other Units(s) that will replace it.
2. Such replacement will be recorded in a Certificate of Acknowledgement that will include all the relevant information both on the Mortgage Units to be replaced and the Investment Mortgage Loan corresponding to the same together with the new Mortgage Units(s) issued. Furthermore, it shall contain information on the Investment Mortgage Loans, and also the reason for the replacement and the indices that determine the homogeneous nature of the two Mortgage Units as described in the paragraph immediately above. A copy of this will be delivered by the Management Company to the Comisión Nacional del Mercado de Valores, to the entity entrusted with the accounting record of the Bonds and to the Main Body of the AIAF Mercado de Reanta Fija and Moody's Investors Service España, S.A. will also be informed.
- c) In the event of the replacement of any Mortgage Units and the issue of a new Mortgage Units 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 Units 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 Management Company and this is communicated to the Assignor, then the latter will proceed to an early repayment of the Mortgage Units. This shall be subsidiary to the obligation assumed in accordance with section b) immediately above. This early repayment will be carried out by means of the re-payment, in cash, to the Fund, of the capital outstanding, 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 Units and by means of a signature stamp on the security representing the same.

e) **Other conditions established on the issue of these Units and on their subscription by the Fund and the system established, where applicable, for the transfer of these Mortgage Units:**

The price of issue and the subscription and disbursement conditions of the Mortgage Units, 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 Units will be transferable by means of a written declaration in the same and, in general, by any means accepted by the Act. The issuing entity must be informed of the transfer of the unit and of the domicile of the new holder by the person acquiring the same.

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

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

The following data will also appear in this book:

- a) Date of opening and maturity of the Investment Mortgage Loan, the initial amount of the same and the method of repayment.
- b) Registration data for the mortgage.

**f) Representation of the Mortgage Units and deposit entities or entities entrusted with producing their accounting records in the event of an annotation in the account:**

The Mortgage Units will be represented by unitary registered securities which will contain the minimum information 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 more precisely, the registry data concerning the properties acting as security for the Investment Mortgage Loans.

The Mortgage Units subscribed by the Fund and represented by means of registered securities will be deposited with BANCO COOPERATIVO. The relations between the Fund and BANCO COOPERATIVO are regulated by the Agreement for the Deposit of Mortgage Units that will be executed between BANCO COOPERATIVO and the Management Company for and on behalf of the Fund. This deposit will be constituted for the benefit of the Fund in such a way that the BANCO COOPERATIVO will act as custodian of the Mortgage Units deposited, following the instructions of the Management Company.

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

CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, Assignors of the Investment Mortgage Loans through the issue of the Mortgage Units 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 Investment Mortgage Loans, the relations between the Assignors (hereinafter and with regard to this Agreement known as the “Servicer(s)”) and the Fund, as represented by the Management Company being regulated by the Agreement for the Administration of Investment Mortgage Loans. As consideration for the administration of the Investment Mortgage Loans, each of the Servicers 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 Agreement is in force. This shall accrue on the effective days that have passed and on the average daily Outstanding Balance of the Mortgage Units that they administer during each Period of Interest Accrual. Should any of the Servicers 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 Servicer and which could impede the correct undertaking of this administration or make it difficult, then the Management Company 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 Management Company, due to a lack of sufficient liquidity in accordance with the Payment Priority Order, does not pay the entire commission outstanding on the Payment Date, 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 Servicer will have the right to a refund for all the expenses of an exceptional nature which have been incurred, such as those occasioned by reason of executing the mortgage, the sale of properties, etc. and the previous justification of the same with regard to the administration of the Investment Mortgage Loans. These expenses will be paid only where the Fund has sufficient liquidity and in accordance with that which is stated in the Payment Priority Order.

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

##### **IV.2.1 Administration of the Investment Mortgage Loans.**

The Servicer will continue to administer the Investment 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 Units 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 Agreement for the Administration of the Investment 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 and, as administrator of the Investment Mortgage Loans, 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 Investment Mortgage Loans regulated by the aforementioned Administration Agreement is as follows:

#### **1. Duration.**

The services will be provided by each Servicer until once all the Investment Mortgage Loans under its administration have been repaid, the obligations assumed by the Servicer as Assignor the Mortgage Units, have lapsed.

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

Each Servicer will keep all the deeds, documents and informative registers relating to the Investment Mortgage Loans and the underwriting 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 Management Company for such purpose, except when a document may be required to initiate proceedings for the execution of Investment Mortgage Loan.

Each Servicer will provide reasonable access, at all times, to these deeds, documents and registers, to the Management Company or to the Fund auditors duly authorized by the former. Likewise, if requested by the Management Company, a copy or photocopy of any of these deeds and documents will be provided within two Business Days following this request and the service will be free of charge.

**3. Payment management.**

The Servicer will continue to manage payment of all the amounts that have to be paid by the mortgage debtors arising from the Investment Mortgage Loans, together with any other payments including those corresponding to underwriting policy agreements granted to the Fund. The Servicer 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 Investment Mortgage Loans.

For as long as these payments are received by each Servicer, the latter will pay them in their entirety to the Fund, within the respective payment periods and dates, in accordance with the established terms and conditions

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

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

**5. Increase in the mortgage.**

If at any time any Servicer has certain knowledge that, for any reason, the value of the property mortgaged guaranteeing a Mortgage Units 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 secures, 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 Units 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 Servicer .

**6. Underwriting for damages to the mortgaged properties.**

No Servicer will adopt or omit any measure the result of which is the annulment of any underwriting policy for damages to the properties or which reduces the amount to be paid on any claim with respect to the same. The Servicer must take due care and, in any event, implement the rights that the underwriting policies or the Investment Mortgage Loans confer upon him with the object of maintaining such policies in force and with full effect (or any other policy executed with the equivalent cover) with regard to each Mortgage Units and the respective property to which the Mortgage Units relates.

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

**7. Information.**

Each Servicer must periodically inform the Management Company of all the individual terms of each of the Investment Mortgage Loans, of the compliance by the borrowers with any obligations arising from the same, of any payment arrears situation and of the modifications made to the terms of the Investment Mortgage Loans, and of any action in the event of default and of any auction of the respective properties.

The Servicer must prepare and deliver to the Management Company any additional information that it may reasonably request with regard to the Investment Mortgage Loans or the rights arising from the same.

**8. Responsibility.**

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

**9. Subrogation of the loan debtor.**

The Servicer will be authorised to permit subrogation of the position of the debtor in the Mortgage Units agreements. This shall occur exclusively in cases in which the terms 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 payment of expenses arising from this modification are entirely the responsibility of the mortgage debtors. The Management Company can entirely or partially limit this power of the Servicer or establish conditions on the same, in the event of consequences arising which prejudice in some way the rating given to the Bonds by the Rating Agency.

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

No Servicer will be entitled to cancel the mortgages that are the object of Mortgage Units of his own free will for a reason other than the payment of the Investment Mortgage Loan. Neither shall it renounce or compromise these, remit the Investment 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 Investment Mortgage Loans, subject to those acts which are necessary to deal with the requests of the mortgage debtors with the same diligence and proceedings as if they were non-Investment loans.

Notwithstanding the above, in exceptional circumstances, the Management Company 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 Investment Mortgage Loans, on the terms and conditions that the Management Company considers appropriate, 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 execution 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 role as manager of other business.

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

Under no circumstances will the Servicer be entitled, on its own initiative, to initiate re-negotiations of the interest rate which could result in a decrease in the interest rate applicable to an Investment Mortgage Loans.

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

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

**Extension of the expiry date.**

The final maturity date or date of the last repayment of the Investment Mortgage Loans shall be capable of being deferred (hereinafter known as “extension of the term”) subject to the following rules and limitations:

- (i) Under no circumstances will the Servicer be able to commence, on his own initiative, in other words, without having been requested by the mortgage debtor any modification to the final maturity date of the Mortgage Units which could result in a lengthening of the same. The Servicer, without inducing the extension of the term, must act with regard to this extension by always taking the interests of the Fund into account.
- (ii) For each Servicer the sum that the figure for the capital or initial principal of the Investment Mortgage Loans amount to, on which an extension of the term is made, will not exceed 5.00% of the capital or total principal to which the Mortgage Units issued by that Servicer amount to.
- (iii) The extension of the term period of a particular Investment Mortgage Loan can be carried out providing the following requirements are complied with:
  - a) That, in any event, the periodicity of the repayment instalments of the capital or principal of the Investment Mortgage Loans is maintained or reduced, but maintaining the same repayment system.
  - b) That the new date for the final expiry or last repayment will be at the latest December 31, 2025.
  - c) That the Investment Mortgage Loan shall not have had any delay in the payment of the debits which have fallen due during the previous six (6) months prior to the date of the extension of the term becoming effective.
- (iv) The Management Company, on behalf of the Fund, will be entitled at any moment during the time that this agreement is in force, to cancel or leave suspended the qualification for the extension of the term on the part of the Servicer .

In the event of any re-negotiation of the Investment Mortgage Loans(s) occurring, or of their expiry dates, the Servicer will communicate to the Management Company the conditions resulting from each re-negotiation immediately. This communication will be made through the manual or computer file provided for the updating of the conditions of the Investment Mortgage Loans. Both the public deeds and the private agreements corresponding to the novation of the conditions of the Investment Mortgage Loans will be in the custody of the Servicer , in accordance with the terms of section IV.2.2 of this Prospectus.

In the case of re-negotiation of the Investment Mortgage Loans or their maturity dates being consented to by the Management Company, 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 Units in the event of non-compliance with the obligations on the part of the mortgage debtor.**

Each Servicer will apply both equal diligence and claims procedures for the amounts owed and not paid on the Investment Mortgage Loans as to the other loans in his portfolio. In general, the Administrator should beg in foreclosure proceedings anticipating all necessary expenses if, during a period of six (6) months, the Investment Mortgage Loans debtor who has failed to comply with his obligations to pay, does not renew his payments or the Servicer or with the consent of the Management Company does not achieve any satisfactory settlement in the interests of the Fund and, in any event, will immediately initiate the aforementioned foreclosure if the Management Company, on behalf of the Fund, and with a previous analysis of the specific circumstances of the case, considers it appropriate.

In the event of non-payment on the part of a mortgage debtor, the Management Company, acting for and on behalf of the Fund, has 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 Servicer to instigate the mortgage foreclosure.
- (ii) To concur with the Servicer, Assignor of the Mortgage Units, in the foreclosure proceedings with the latter takes against the debtor, appearing at any foreclosure proceeding commenced 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 Units and that agreed on the Investment Mortgage Loans.
- (iii) If the Servicer does not commence such proceedings within sixty (60) calendar days from the notarial certificate requesting payment of the debt, the Management Company, for and on behalf of the Fund, will be permitted in a subordinate manner to perform the investment credit action regarding the mortgage in the amount corresponding to the percentage of the respective unit, both for the principal and the interest.
- (iv) In the event of the proceedings being followed by the Servicer being put on hold, the Fund, duly represented by the Management Company, may substitute itself in the position the same and continue the foreclosure proceedings, without the need for the requisite term to elapse.

In the events stated in paragraphs (iii) and (iv), the Management Company, 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 proceedings. Such a demand shall be accompanied by the original Mortgage Units security, the notarial certificate stated in section (iii) above and the certificate of registration in the registry and the subsistence of the mortgage.

If it is legally necessary, and for the purposes of the provisions of the Spanish Ley de Enjuiciamiento Civil, each Administrator will execute an irrevocable power of attorney in the Deed of Constitution, as wide and sufficient as necessary by law for the Management Company, acting for and on behalf of the Servicers, to demand, before a notary, that the mortgage debtor of any of the Investment Mortgage Loans pays his debt.

The Management Company, for and on behalf of the Fund, in its position as holder of the Mortgage Units, will likewise concur with the Servicers in the foreclosure proceedings and, in this regard, will be able to request the award of the property mortgaged in payment of its credit, under the terms laid down in the Spanish Ley de Enjuiciamiento Civil.

In addition, each Servicer will provide the Management Company with all the documentation that the latter requests with regard to the Investment Mortgage Loans and, in particular, the necessary documentation for the Management Company to be able to take judicial enforcement action, where applicable.

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

The Management Company, for and on behalf of the Fund, shall take enforcement action against the Servicers to effectively ensure the payment for the principal and interest on the Mortgage Units, when the non-compliance of the obligation to pay loans is not a consequence of a failure to pay on the Investment Mortgage Loans.

Once the Investment Mortgage Loans have lapsed, the Fund, through the Management Company, will continue any action against the Administrator until his obligations have been complied with.

#### **IV.2.2 Guarantee of the Servicers' obligations.**

BANCO COOPERATIVO shall unconditionally, irrevocably and jointly and severally guarantee, expressly waiving its right of exemption, order and division, the compliance of the following obligations of the Servicers :

1. That all the amounts that the Servicer receives (i) from the debtors of the Investment Mortgage Loans derived therefrom and (ii) all the amounts received from the underwriting agreements for damages relating to the Investment Mortgage Loans that are granted to the Fund through the issuing of the Mortgage Units, shall be delivered by the Servicer to the Fund in the terms set out in paragraph IV.2.1.3 of this Prospectus.
2. In the event of an Administrator being declared bankrupt or subject to an administrative order or in the process of winding up, the Fund shall be indemnified, where applicable, from loss resulting from such declaration, specifically including those losses that may result from non-compliance by the Administrator of its obligation to administer and manage the Investment Mortgage Loans and, specifically, the amounts corresponding to principal and interest on the Investment Mortgage Loans which back the Mortgage Units.

In such event, BANCO COOPERATIVO, at the written request of the Management Company and provided that it is legally viable, shall take charge of the administrative and management duties of the Investment Mortgage Loans that the Servicer had in its charge, following notification to the relevant mortgage debtors, on identical terms and conditions to those in this Agreement. For such purpose, the parties undertake to formalise the documents that may be necessary. The substituted Servicer shall make available to BANCO COOPERATIVO, at the request of the Management Company and in the form the latter shall specify, the documents and computer records necessary for the latter to carry out the appropriate activities.

3. None of the above guarantees must be understood to be a guarantee of payment obligations of the debtors under the Investment Mortgage Loans.

However, in the event of non-compliance by the Servicer with any of the obligations under this Agreement, the Management Company shall be entitled to a right to demand compliance with that agreed, together with compensation, in both cases, for any harm and damages caused.

BANCO COOPERATIVO will receive no remuneration whatsoever for this guarantee.



**IV.3 Concise, summary description of the general policies on the granting and formalization mortgage loans by the issuing entities of the units grouped in the fund.**

**IV.3.1 Concise description of the procedures established by the Assignors issuing the Mortgage Units, for the analysis of risk and the granting of mortgage loans.**

The Investment Mortgage Loans have been granted by the Assignors issuing the Mortgage Units 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 numbers, balances outstanding, the average amounts, average interest and average duration for the mortgage loan portfolio.**

The following table shows the evolution in the past three years of the credit investment for the Assignors issuing the Mortgage Units, granted for the financing a dwelling, with details of the number of live loans granted to this end, the nominal interest rate weighted by the outstanding principal repayments and the payment arrears on these investments.

**CAJA RURAL DE ALMERÍA Y MÁLAGA**

Date <b>1</b>	Net credit investment on dwelling			Doubtful assets (balance) <b>5</b>	Gross credit investment (balance) <b>6</b>	Payment arrears % <b>7</b>	Suspended assets (balance) <b>8</b>
	Loans <b>2</b>	Balance <b>3</b>	Nominal interest rate % <b>4</b>				
31.12.2000	26,106	134,096	5.8	727	134,823	0.54	115
31.12.1999	24,314	107,504	5.2	665	108,168	0.61	43
31.12.1998	17,731	91,660	7.4	1,376	93,036	1.48	266
Balances in millions of pesetas							
4: Nominal rate of interest weighted by the outstanding principal repayments							
5: Assets classified as doubtful according to Circular 4/1991 of the Bank of Spain							
6: $3+5 / 7:5/6*100$							
8: Suspended assets, removed from the balance, in accordance with Circular 4/1991 of the Bank of Spain							

**CAJA RURAL CREDICOOP**

Date <b>1</b>	Net credit investment on dwelling			Doubtful assets (balance) <b>5</b>	Gross credit investment (balance) <b>6</b>	Payment arrears % <b>7</b>	Suspended assets (balance) <b>8</b>
	Loans <b>2</b>	Balance <b>3</b>	Nominal interest rate % <b>4</b>				
31.12.2000	2,733	17,651	5.31	170	17,821	0.954	0
31.12.1999	2,248	13,239	5.37	117	13,356	0.876	0
31.12.1998	1,906	8,536	6.83	141	8,677	1.625	0
Balances in millions of pesetas							
4: Nominal rate of interest weighted by the outstanding principal repayments							
5: Assets classified as doubtful according to Circular 4/1991 of the Bank of Spain							
6: $3+5 / 7:5/6*100$							
8: Suspended assets, removed from the balance, in accordance with Circular 4/1991 of the Bank of Spain							

### CAJA RURAL DE JALÓN

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
31.12.2000	3,086	21,961	5.46	106	22,067	0.5	0
31.12.1999	2,883	22,062	5.20	110	22,167	0.5	0
31.12.1998	2,463	18,246	6.42	107	18,353	0.5	0

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

### CAJA RURAL DE NAVARRA

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
31.12.2000	9,404	82,150.0	5.21%	34.3	82,184.3	0.04%	0
31.12.1999	8,197	69,462.2	4.23%	30.5	69,492.8	0.04%	0
31.12.1998	7,025	57,726.4	5.28%	46.6	57,773.0	0.08%	0

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

### CAJA RURAL DE SEVILLA (\*)

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
31.12.2000	4,261	26,110	5.39	38	26,147	0.14	0
31.12.1999	3,807	22,768	4.20	29	22,797	0.13	0
31.12.1998	3,189	19,194	5.34	3	19,197	0.02	0

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

(\*) This table shows the development of Caja Rural de Sevilla, Sociedad Cooperativa de Crédito, because the mortgages selected from Caja Rural del Sur, Sociedad Cooperativa de Crédito, were granted and come from the portfolio of Caja Rural de Sevilla, Sociedad Cooperativa de Crédito.

### CAJA RURAL DE ZAMORA

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
31.12.2000	2,405	15,468	5.74	133	15,602	0.85	0
31.12.1999	2,017	12,480	4.86	131	12,611	1.04	0
31.12.1998	1,770	10,620	5.98	84	10,704	0.78	0

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

### CAJA RURAL DE ZARAGOZA

Date	Net credit investment on dwelling			Doubtful assets (balance)	Gross credit investment (balance)	Payment arrears %	Suspended assets (balance)
	Loans	Balance	Nominal interest rate %				
1	2	3	4	5	6	7	8
12.31.2000	3,136	22,923	6.10	110	23,033	0.48	98
12.31.1999	2,991	19,541	5.35	96	19,637	0.49	55
12.31.1998	2,642	15,724	6.49	128	15,852	0.807	35

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

#### IV.4 Description of the mortgage loan portfolios mobilised through the Mortgage Units grouped in the Fund.

##### a) Number of mortgage loans and the amount or balance outstanding maturity at the present time.

The provisional mortgage loan portfolio, which will serve as a base for the issue of Mortgage Units, is made up of 5,505 mortgage loans, the capital value of which amounted to 41,624,781.392 pesetas (250,169,974.59 Euros) on April 23, 2001.

<b>Mortgage loan portfolio on 23.04.2001</b>					
<b>Classification by outstanding balance of principal</b>					
Assignor	Loans		Outstanding balance of principal		
	No.	%	Pesetas	Euros	%
CAJA RURAL DE ALMERÍA Y MÁLAGA	2,362	42.91	16,605,257,396	99,799,606.91	39.89
CAJA RURAL CREDICOOP	746	13.55	4,819,815,346	28,967,673.64	11.58
CAJA RURAL DE JALÓN	648	11.77	5,420,631,654	32,578,652.37	13.02
CAJA RURAL DE NAVARRA	648	11.77	5,649,495,779	33,954,153.47	13.57
CAJA RURAL DEL SUR	85	1.54	1,131,575,651	6,800,906.63	2.72
CAJA RURAL DE ZAMORA	372	6.76	2,469,239,022	14,840,425.41	5.93
CAJA RURAL DE ZARAGOZA	644	11.70	5,528,766,544	33,228,556.15	13.28
<b>Total Portfolio</b>	<b>5,505</b>	<b>100.00</b>	<b>41,624,781,392</b>	<b>250,169,974.59</b>	<b>100.0</b>

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

The outstanding balance for the principal of the mortgage loans came within the range of 2,002,000 and 50,791,453 pesetas on April 23, 2001.

The following table shows the distribution of the outstanding balance of the mortgage loans in intervals of 2,000,000 pesetas.

<b>Portfolio of mortgage loans on 04.23.2001</b>				
<b>Classification by outstanding balance of the principal</b>				
<b>Range of outstanding balance of principal (in pesetas)</b>	<b>Loans</b>		<b>Outstanding balance of principal (pesetas)</b>	
	<b>Nº</b>	<b>%</b>	<b>%</b>	<b>%</b>
2,000,000 - 3,999,999	896	16.28	2,880,998,865	6.92
4,000,000 - 5,999,999	1,486	26.99	7,476,897,711	17.96
6,000,000 - 7,999,999	1,269	23.05	8,806,697,276	21.16
8,000,000 - 9,999,999	736	13.37	6,589,614,221	15.83
10,000,000 - 11,999,999	436	7.92	4,770,091,986	11.46
12,000,000 - 13,999,999	262	4.76	3,396,229,245	8.16
14,000,000 - 15,999,999	152	2.76	2,265,392,045	5.44
16,000,000 - 17,999,999	111	2.02	1,878,069,824	4.51
18,000,000 - 19,999,999	58	1.05	1,103,036,255	2.65
20,000,000 - 21,999,999	33	0.60	687,490,432	1.65
22,000,000 - 23,999,999	23	0.42	527,795,064	1.27
24,000,000 - 25,999,999	14	0.25	352,267,732	0.85
26,000,000 - 27,999,999	11	0.20	296,448,963	0.71
28,000,000 - 29,999,999	9	0.16	263,320,841	0.63
30,000,000 - 31,999,999	2	0.04	62,729,121	0.15
32,000,000 - 33,999,999	2	0.04	66,612,163	0.16
34,000,000 - 35,999,999	1	0.02	34,264,925	0.08
36,000,000 - 37,999,999	2	0.04	75,126,173	0.18
40,000,000 - 41,999,999	1	0.02	41,117,910	0.10
50,000,000 - 51,999,999	1	0.02	50,580,640	0.12
<b>Total Portfolio</b>	<b>5.505</b>	<b>100.00</b>	<b>41,624,781,392</b>	<b>100.00</b>
	<b>Average Principal:</b>		<b>7,561,268</b>	
	<b>Minimum Principal:</b>		<b>2,013,506</b>	
	<b>Maximum Principal:</b>		<b>50,580,640</b>	

**c) Effective rate of interest applicable at the present time: maximum, minimum and average nominal interest 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 April 23, 2001 are within a range of between 2.50% and 8.00%, the average nominal interest rate being 5.97% weighted by the principal outstanding.

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

<b>Portfolio of mortgage loans on the day of 04.23.2001</b>					
<b>Classification by Nominal Rates of Interest</b>					
<b>Interest rate Interval</b>	<b>Loans</b>		<b>Outstanding balance principal (pesetas)</b>		<b>% * Interest rate</b>
		<b>%</b>		<b>%</b>	
3.00 - 3.49	3	0.05	39,105,821	0.09	3.24
3.50 - 3.99	10	0.18	108,347,099	0.26	3.73
4.00 - 4.49	157	2.85	1,856,337,198	4.46	4.14
4.50 - 4.99	224	4.07	1,829,078,881	4.39	4.66
5.00 - 5.49	502	9.12	4,018,364,295	9.65	5.19
5.50 - 5.99	1,216	22.09	9,450,745,017	22.70	5.70
6.00 - 6.49	1,658	30.12	12,419,219,578	29.84	6.16
6.50 - 6.99	1,187	21.56	8,665,798,010	20.82	6.60
7.00 - 7.49	452	8.21	2,696,351,469	6.48	7.09
7.50 - 7.99	80	1.45	443,409,579	1.07	7.54
8.00 - 8.49	16	0.29	98,024,445	0.24	8.00
<b>Portfolio Total</b>	<b>5,505</b>	<b>100.00</b>	<b>41,624,781,392</b>	<b>100.00</b>	
<b>Weighted Average:</b>			<b>5.97 %</b>		
<b>Simple Average:</b>			<b>5.68 %</b>		
<b>Minimum:</b>			<b>2.50 %</b>		
<b>Maximum:</b>			<b>8.00 %</b>		
* Average nominal interest rate for the interval weighted according to the outstanding balance of the principal.					

- d) **Effective interest rate applicable at the present time: reference index rates for the mortgage loans.**

The following table shows the distribution of the mortgage loans in terms of the reference index applicable to them for determining the nominal interest rate.

<b>Portfolio of mortgage loans at 04.23.2001</b>					
<b>Classification by Interest Rate Reference Index</b>					
<b>Reference Index</b>	<b>Loans</b>		<b>Outstanding balance of Principal (pesetas)</b>		<b>% Margin* on Index</b>
		<b>%</b>		<b>%</b>	
EURIBOR/MIBOR	2,768	50.28	21,752,504,823	52.26	1.03
MH BANCOS	390	7.08	2,411,307,964	5.79	0.37
MH CAJAS AHORRO	1,232	22.38	8,384,149,425	20.14	0.41
MH CONJUNTO ENTIDADES	1,115	20.25	9,076,819,180	21.81	0.07
<b>Portfolio Total</b>	<b>5,505</b>	<b>100.00</b>	<b>41,624,781,392</b>	<b>100.00</b>	
*Margin on weighted average reference index on the outstanding balance of the principal					

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

**Date of arrangement.**

The mortgage loans of which the provisional portfolio is composed were formalised on dates between July 5, 1989 and July 31, 2000, the average age of the portfolio being 25.31 months on April 23, 2001.

The following table shows the distribution of the mortgage loans according to the year of arrangement.

<b>Portfolio of mortgage loans on 04.23.2001</b>				
<b>Classification by year of arrangement of the loans</b>				
<b>Year of arrangement</b>	<b>Loans</b>		<b>Outstanding balance of Principal (pesetas)</b>	
		<b>%</b>		<b>%</b>
1989	1	0.02	2,862,183	0.01
1990	2	0.04	7,922,881	0.02
1991	2	0.04	8,950,704	0.02
1992	7	0.13	38,830,782	0.09
1993	7	0.13	30,558,760	0.07
1994	73	1.33	349,862,125	0.84
1995	116	2.11	601,286,476	1.44
1996	245	4.45	1,448,647,941	3.48
1997	476	8.65	3,262,013,437	7.84
1998	781	14.19	6,012,117,744	14.44
1999	2,526	45.89	19,655,635,604	47.22
2000	1,269	23.05	10,206,092,755	24.52
<b>Portfolio Total</b>	<b>5,505</b>	<b>100.00</b>	<b>41,624,781,392</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 June 1, 2003 and December 31, 2025.

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

At any time during the life of the loans, the mortgage debtors may reimburse the whole or part of the capital outstanding early repayment, 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 in annual, and the weighted average residual life.

<b>Portfolio of Mortgage Loans 04.23.2001</b>						
<b>Classification by final maturity date</b>						
<b>Maturity year</b>	<b>Loans</b>		<b>Outstanding Balance of Principal (pesetas)</b>		<b>Residual Life*</b>	
		<b>%</b>		<b>%</b>	<b>Months</b>	<b>Date</b>
2003	4	0.07	11,740,153	0.03	29.19	29/09/2003
2004	16	0.29	54,346,306	0.13	39.24	30/07/2004
2005	28	0.51	103,041,182	0.25	50.56	10/07/2005
2006	57	1.04	238,862,073	0.57	62.97	23/07/2006
2007	86	1.56	403,405,554	0.97	75.08	26/07/2007
2008	93	1.69	513,045,202	1.23	86.83	18/07/2008
2009	293	5.32	1,468,373,417	3.53	98.74	15/07/2009
2010	223	4.05	1,213,985,369	2.92	109.48	7/06/2010
2011	264	4.80	1,575,530,744	3.79	123.52	9/08/2011
2012	331	6.01	2,177,834,640	5.23	134.71	14/07/2012
2013	407	7.39	2,898,167,088	6.96	147.00	23/07/2013
2014	1.177	21.38	8,023,141,815	19.27	158.90	20/07/2014
2015	487	8.85	3,364,939,159	8.08	168.25	1/05/2015
2016	69	1.25	562,614,720	1.35	183.34	3/08/2016
2017	147	2.67	1,195,493,572	2.87	194.91	21/07/2017
2018	208	3.78	1,664,823,675	4.00	206.80	17/07/2018
2019	667	12.12	6,004,994,832	14.43	219.16	29/07/2019
2020	453	8.23	4,260,602,903	10.24	228.49	8/05/2020
2021	23	0.42	251,698,599	0.60	242.96	22/07/2021
2022	36	0.65	392,140,384	0.94	255.61	11/08/2022
2023	65	1.18	764,721,933	1.84	267.64	12/08/2023
2024	197	3.58	2,411,346,019	5.79	278.82	18/07/2024
2025	174	3.16	2,069,932,053	4.97	288.47	7/05/2025
<b>Total Portfolio</b>	<b>5.505</b>	<b>100.00</b>	<b>41,624,781,392</b>	<b>100.00</b>		
	<b>Weighted Average:</b>				<b>185.85</b>	
	<b>Simple Average:</b>				<b>172.64</b>	
	<b>Minimum:</b>				<b>25.26</b>	<b>1/06/2003</b>
	<b>Maximum:</b>				<b>296.28</b>	<b>31/12/2025</b>
*Residual life (months and date) is weighted averages of the principal outstanding						

**f) Indication of the maximum, minimum and average values: “outstanding principal of the loan/appraisal value (LTV ratio)”.**

The difference between the amount of the outstanding balance of the principal and the appraisal value of the dwelling in the mortgage loans comprised in the provisional portfolio as of April 23, 2001 was between 2.17% and 79.55%, the average rate being 59.77% weighted by the outstanding balance of the principal on each loan.

The following table shows the distribution of the mortgage loans at intervals of 5.00% for this ratio.

<b>Portfolio of Mortgage Loans on 04.23.2001</b>					
<b>Classification by LTV Ratio</b>					
<b>LTV Intervals</b>	<b>Loans</b>		<b>Outstanding balance of principal (pesetas)</b>		<b>LTV*</b>
		<b>%</b>		<b>%</b>	
0.01 - 5.00	1	0.02	3,516,964	0.01	2.17
5.01 - 10.00	17	0.31	64,054,155	0.15	7.31
10.01 - 15.00	49	0.89	188,169,600	0.45	12.74
15.01 - 20.00	81	1.47	340,301,164	0.82	18.03
20.01 - 25.00	150	2.72	749,586,310	1.80	22.58
25.01 - 30.00	214	3.89	1,074,332,286	2.58	27.66
30.01 - 35.00	258	4.69	1,391,610,905	3.34	32.89
35.01 - 40.00	299	5.43	1,709,997,950	4.11	37.45
40.01 - 45.00	348	6.32	2,260,161,960	5.43	42.38
45.01 - 50.00	395	7.18	2,820,483,502	6.78	47.81
50.01 - 55.00	434	7.88	3,321,812,390	7.98	52.61
55.01 - 60.00	471	8.56	3,660,674,741	8.79	57.55
60.01 - 65.00	544	9.88	4,369,682,730	10.50	62.55
65.01 - 70.00	657	11.93	5,566,559,282	13.37	67.52
70.01 - 75.00	787	14.30	6,565,349,660	15.77	72.59
75.01 - 80.00	800	14.53	7,538,487,793	18.11	77.04
<b>Total Portfolio</b>	<b>5,505</b>	<b>100,00</b>	<b>41.624.781.392</b>	<b>100,00</b>	
	<b>Weighted Average:</b>				<b>59.77</b>
	<b>Simple Average:</b>				<b>56.64</b>
	<b>Minimum:</b>				<b>2.17</b>
	<b>Maximum:</b>				<b>79.55</b>
LTV ratio is weighted averages of the Outstanding Balance of the Principal.					

**g) Indication of the geographical distribution by provinces.**

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

As well as the number of loans and the outstanding balance of the principal, the table also includes the outstanding balance of the principal/average weighted appraisal value (LTV ratio) corresponding to the loans whose security is located in each of the provinces.



Portfolio of Mortgage Loans on 04.23.2001					
Geographical Classification					
	Loans		Outstanding balance of principal		LTV*
		%	(pesetas)	%	
04 Almería	868	15.77	5,671,255,838	13.62	59.78
11 Cádiz	23	0.42	163,066,954	0.39	59.68
18 Granada	4	0.07	31,790,714	0.08	53.86
21 Huelva	2	0.04	31,894,417	0.08	61.49
29 Málaga	746	13.55	5,934,449,665	14.26	61.98
41 Sevilla	78	1.42	1,037,568,633	2.49	60.73
<b>Andalucía</b>	<b>1,721</b>	<b>31.27</b>	<b>12,870,026,221</b>	<b>30.92</b>	<b>60.86</b>
22 Huesca	6	0.11	55,278,869	0.13	59.41
44 Teruel	1	0.02	5,806,073	0.01	65.88
50 Zaragoza	1,250	22.71	10,494,778,934	25.21	59.23
<b>Aragón</b>	<b>1,257</b>	<b>22.84</b>	<b>10,555,863,876</b>	<b>25.35</b>	<b>59.23</b>
07 Baleares	1	0.02	8,932,846	0.02	76.15
<b>Baleares</b>	<b>1</b>	<b>0.02</b>	<b>8,932,846</b>	<b>0.02</b>	<b>76.15</b>
39 Cantabria	1	0.02	8,340,225	0.02	73.79
<b>Cantabria</b>	<b>1</b>	<b>0.02</b>	<b>8,340,225</b>	<b>0.02</b>	<b>73.79</b>
08 Barcelona	87	1.58	816,739,725	1.96	56.18
17 Girona	2	0.04	10,066,400	0.02	35.81
43 Tarragona	35	0.64	283,429,518	0.68	59.12
<b>Cataluña</b>	<b>124</b>	<b>2.26</b>	<b>1,110,235,643</b>	<b>2.66</b>	<b>56.75</b>
20 Guipúzcoa	44	0.8	404,308,718	0.97	57.59
48 Vizcaya	1	0.02	10,186,567	0.02	53.43
<b>País Vasco</b>	<b>45</b>	<b>0.82</b>	<b>414,495,285</b>	<b>0.99</b>	<b>57.49</b>
51 Ceuta	1	0.02	3,971,695	0.01	73.55
<b>Ceuta</b>	<b>1</b>	<b>0.02</b>	<b>3,971,695</b>	<b>0.01</b>	<b>73.55</b>
52 Melilla	12	0.22	113,801,406	0.27	65.26
<b>Melilla</b>	<b>12</b>	<b>0.22</b>	<b>113,801,406</b>	<b>0.27</b>	<b>65.26</b>
10 Cáceres	1	0.02	7,667,023	0.02	54.55
<b>Extremadura</b>	<b>1</b>	<b>0.02</b>	<b>7,667,023</b>	<b>0.02</b>	<b>54.55</b>
15 A Coruña	1	0.02	4,947,840	0.01	21.82
32 Orense	5	0.09	27,450,254	0.07	60.66
<b>Galicia</b>	<b>6</b>	<b>0.11</b>	<b>32,398,094</b>	<b>0.08</b>	<b>54.73</b>
24 León	36	0.65	250,640,155	0.6	60.47
34 Palencia	1	0.02	6,751,979	0.02	71.83
37 Salamanca	7	0.13	57,539,316	0.14	62.07
42 Soria	1	0.02	3,270,960	0.01	46.02
47 Valladolid	4	0.07	19,023,291	0.05	52.12
49 Zamora	306	5.56	1,985,671,791	4.77	55.16
<b>Castilla-León</b>	<b>355</b>	<b>6.45</b>	<b>2,322,897,492</b>	<b>5.59</b>	<b>55.91</b>
28 Madrid	17	0.31	178,970,420	0.43	56.28
<b>Madrid</b>	<b>17</b>	<b>0.31</b>	<b>178,970,420</b>	<b>0.43</b>	<b>56.28</b>
19 Guadalajara	2	0.04	29,786,779	0.07	67.95
<b>Castilla La Mancha</b>	<b>2</b>	<b>0.04</b>	<b>29,786,779</b>	<b>0.07</b>	<b>67.95</b>
30 Murcia	618	11.23	3,857,236,740	9.27	63.23
<b>Murcia</b>	<b>618</b>	<b>11.23</b>	<b>3,857,236,740</b>	<b>9.27</b>	<b>63.23</b>
31 Navarra	575	10.45	5,052,288,766	12.14	58.62
<b>Navarra</b>	<b>575</b>	<b>10.45</b>	<b>5,052,288,766</b>	<b>12.14</b>	<b>58.62</b>
26 La Rioja	48	0.87	438,834,725	1.05	65.2
<b>La Rioja</b>	<b>48</b>	<b>0.87</b>	<b>438,834,725</b>	<b>1.05</b>	<b>65.20</b>
03 Alicante	7	0.13	58,890,525	0.14	58.09
12 Castellón	705	12.81	4,498,996,323	10.81	58.59
46 Valencia	9	0.16	61,147,308	0.15	62.15
<b>Comunidad Valenciana</b>	<b>721</b>	<b>13.1</b>	<b>4,619,034,156</b>	<b>11.1</b>	<b>58.63</b>
<b>Total Portfolio</b>	<b>5,505</b>	<b>100.00</b>	<b>41,624,781,392</b>	<b>100.00</b>	<b>59.77</b>

\* LTV ratio is weighted averages of the outstanding balance of the principal

- h) Indication of whether delays exist in the payment of the principal or the interest for the mortgage loans and, where applicable, the present principal of the loans that remain unpaid after 30, 60 and 90 days.**

The following table shows the number of loans and the outstanding balance of the principal of those loans from the provisional portfolio that had some delay in payment at April 23, 2001.

<b>Portfolio of Mortgage Loans on 023.104.2001</b>			
<b>Delays in the payment of due instalments</b>			
<b>Months of Delay</b>	<b>Loans</b>	<b>principal outstanding Maturity*</b>	<b>Principal Due and Not Paid*</b>
Up to one month	345	2,692,744,510	9,200,374
1 to 2 months	71	552,435,796	4,219,881
2 to 3 months	27	215,805,374	2,083,579
*Amounts in Pesetas			

As declared by the Assignors issuing the Mortgage Units in section IV.1.a) 18, none of the Investment Mortgage Loans that are finally the object of the issue of Mortgage Units for the constitution of the Fund will have payments overdue for a term greater than one (1) month.

- i) Indication of the present amount of the mortgage loans that are considered by the entity issuing the Mortgage Units as assets with a weighting of 50%, for the purposes laid down in the Order of December 30, 1992 on the rules for the Solvency of Credit Institutions.**

All the mortgage loans of which the provisional portfolio is composed are considered by the Assignors issuing the Mortgage Units to be assets at risk with a weighting of 50% on the solvency coefficient that Credit Institutions must maintain, for the purposes laid down in the Order of December 30, 1992.



**CHAPTER V**

**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:**

**Initial balance sheet of the Fund:**

The balance sheet of the Fund, in Euros, at the Closing Date will be as follows, assuming all the Constitution and Bond Issue expenses have been paid by on such date:

<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Fixed Assets</b>	<b>235,602,650.00</b>	<b>Bond Issue</b>	<b>235,000,000.00</b>
Mortgage Units (over-adjustment up to 24,039.89)	235,024,039.89	Series A Bonds	222,000,000.00
Constitution and issue expenses	578,610.11	Series B Bonds	13,000,000.00
<b>Current Assets</b>	<b>6,275,000.00</b>	<b>Long-term liabilities</b>	<b>6,877,650.00</b>
Treasury Account	6,275,000.00	Loan Starting Expenses	1,002,650.00
Debtors for accrued interest	To be determined	Subordinated Loan	5,875,000.00
		<b>Short-term creditors</b>	<b>To be determined</b>
		Accrued interest of Investment Mortgage Loans	To be determined
<b>Total assets</b>	<b>241,877,650.00</b>	<b>Total liabilities</b>	<b>241,877,650.00</b>
<b>MEMORANDUM</b>	<b>5,875,000.00</b>		
<b>ACCOUNTS</b>			
Reserve Fund	5,875,000.00		

(Amonts in euros)

**V.1.1 Assumed hypotheses with regard to the main or most probable indices for early repayment, delays in the payment of unpaid debts and bankrupt persons parameters with respect to the Mortgage Units 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) Investment Mortgage Loans.**

- (i) Volume of the portfolio on April 23, 2001 from which the loans that are the object of the issue of Mortgage Units will be taken: 41,624,781,392 pesetas (250,169,974.59 Euros).

- (ii) Interest rate: 5.97% (% interest rate average weighted of the portfolio of loans selected on April 23, 2001).
- (iii) CPR: 10% per annum.
- (iv) Delinquency rate: 0% per annum.
- (v) Defaults: 0%.

**b) Mortgage Units.**

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

**c) Bonds.**

- (i) Amount: 222,000,000 Euros (36,937,692,000 Ptas) of Series A and 13,000,000 Euros (2,163,018,000 Ptas) of Series B.
- (ii) Interest rate: variable interest rate corresponding to the outstanding balances of each of the Bond Series A and B, assuming that the interest rates on each Series are maintained constant at 4.803% and 5.063% respectively.
- (iii) Exercise of the Early Repayment of the Bonds option by the issuer for both Series when the Outstanding Balance of the Mortgage Units is less than 10% of its initial amount.

**d) Supplementary agreements.**

- (i) *Account Opening Agreement at a Guaranteed Interest Rate and 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: 4.50% for all amounts deposited in the Treasury Account.

- (ii) *Loan for Starting Expenses.*

- Amount: one million two thousand six hundred and fifty (1,002,650.00) Euros (166,826,923 Ptas) which will be used to finance the expenses for the constitution of the Fund and the Issue of Bonds (approximately 578,610.11 Euros 96,272,622 Ptas, to partially finance the subscription of the Mortgage Units and the remainder amount to cover the temporary imbalance existing between the receiving of interests deriving from Mortgage Units and the payment of interests on Bonds (400,000 Euros) (66,554,400 Ptas).

- Interest rate: 5.563%.

- Redemption: It will be redeemed quarterly over the first five (5) years from the constitution of the Fund.

- (iii) *Subordinate Loan Agreement.*

- Amount: 5,875,000 Euros (977,517,750 Ptas) which will be used to finance of the Reserve Fund.

- Interest rate: 5.563%.
- Redemption: It will be redeemed on the Payment Dates by the amount in which the Reserve Fund diminishes.

(iv) *Reserve Fund.*

Reserve Fund: 5,875,000 Euros (977,517,750 Ptas) will drop on each Payment Date, in such a way that the amount will be equal to the lower amount between 5,875,000 Euros and that corresponding to 7.50% of the Outstanding Balance for the Mortgage Units.

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

- (i) Loan Administration commission: 0.01 % per annum on the average daily Outstanding Balance for the Mortgage Units during each Interest accrual Period 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) Management Company commission: 0.03625% per annum on the Balance of the Outstanding Principal of the Bonds, with a minimum annual amount of 18,030 Euros (2,999,940 Ptas).
- (iv) Mortgage Units deposit commission: 0.01 per thousand, tax included, where applicable, on the average daily Outstanding Balance of the Mortgage Units during each Interest Accrual Period to be paid on each Payment Date.
- (v) Expenses for annual Audits of the Funds and the publication of announcements.
- (vi) Bond Payment Agency Commission.

**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 Investment Mortgage Loans, the constitution of a reserve Fund is determined which will be initially endowed with a provision from the Subordinate Loan .

In general, the quality of the Mortgage Units and the means of guarantee of the aforementioned financial balance of the Fund are such that it is not reasonable to consider early repayment percentages, or payment arrears or bankruptcies, as a consequence of the mandatory transfer of both the early repayment 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 Investment 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 repayment 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 repayment rates for the Investment Mortgage Loans to the Mortgage Units are subject to continuous change.

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





### **Explanations on the numeric schematic.**

- (0) Reserve Fund Balance.
- (1) Outstanding Balance of the Mortgage Units portfolio corresponding to each quarterly payment date, once realized.
- (2) Payment dates corresponding to the different operations and services agreed by the Fund up to final maturity.

#### **a) Collections.**

- (3) Amount of the capital redeemed in the Mortgage Units 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 Units except in the first Payment Date that includes the corresponding part of the drawdown from the Loan for Starting Expenses in order to cover the time lag between the interest on the Mortgage Units and the Bonds being received.
- (5) Performance corresponding to the Fund Treasury Account, by virtue of the for Account Opening agreement 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 Bondholders.
- (10) Amount of principal redeemed for the Bonds.
- (11) Amounts corresponding to the payment of the Loan for Starting Expenses.
- (12) Amounts corresponding to the payment of the Subordinate Loan interest.
- (13) Periodic repayment of the Loan for Starting Expenses principal.
- (14) Periodic repayment of the Subordinate Loan principal.
- (15) Commission for the administration of the Investment 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 recognized 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 redeemed linearly over the first months from the constitution of the Fund until the April 30, 2006, inclusive.

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 agreed by the Management Company on account of the Fund, with the object of improving the risk, increasing the regularity of the payments, neutralizing differences in the interest rates from the Mortgage Units or, in general, transforming the financial terms 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 Management Company, representing the Fund, will proceed to execute the agreements 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 Management Company, acting for and on behalf of the Fund, will be able to defer or modify the agreements 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 agreements; all subject to the legislation in force at any given time, to previous authorization, 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 Account Opening Agreement a Guaranteed Interest Rate and Treasury Account.**

The Management Company, for and on behalf of the Fund, and BANKINTER will sign a Account Opening Agreement 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 Management Company in a financial account. In precise terms, the Account Opening Agreement 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 Management Company:

- (i) net amount of underwriting and commissions for the underwriting and placement due to the payment of the subscription price for the issue of the notes;
- (ii) drawdown of the principal amount of the Loan for cover Starting Expenses;
- (iii) principal and interest of the Mortgage Units;
- (iv) drawdown of the principal amounts of the Subordinated Loan and the amounts which the Reserve Fund is composed at any time;

- (v) any other amounts, goods or rights received in payment of the principal, interest or expenses for the Investment 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 Assignors including not only those derived from agreements for underwriting policies for damage conceded by the Assignors to the Fund, but also those derived from any accessory right to the Investment Mortgage Loans, including the commissions established in each one of these;
- (vi) the amounts to which the revenue obtained amounts for balances in the Treasury Account and
- (vii) the amounts that the with holding tax amounts on each relevant Payment Date has to be paid for interest on the Bonds, until 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 result of subtracting from (i) the Interest Rate of Reference determined for the Bonds (ii) a margin of 0.125%; all the above converted into 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 February 12, May 12 August 12, November 12, 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 rating below P-1 according to the Moody's Investor's Service Limited scale, the Management Company, within a maximum period of thirty (30) Business 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 Account Opening Agreement at a Guaranteed Interest Rate:

- f) To obtain a collateral banking signature as a first requirement, from a credit association with a rating equal to or greater than P-1, as a simple request from the Management Company, that will Guarantee the Fund 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 rating by BANKINTER is maintained.
- g) To obtain from the Assignors, 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 Agreement.
- h) 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 rating and the maximum performance for its balances will be agreed, which could be different from that agreed with BANKINTER by virtue of the Account Opening Agreement at a Guaranteed Interest Rate.
- i) 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 Management Company will be able to invest the balances, for maximum periods of three months, in short term fixed income assets in Euros or pesetas issued by entities that have a minimum rating 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 performance obtained will be different from that obtained initially with BANKINTER, by means of the Account Opening Agreement at a Guaranteed Interest Rate.

- j) In both situations c) and d), the Management Company will later transfer the balances again to BANKINTER under the Account Opening Agreement at a Guaranteed Interest Rate, in the case of its short-term debt period once more achieving the P-1 rating, according to the aforementioned scale.

By means of the for Account Opening Agreement at a Guaranteed Interest Rate, the risk of a time lag between the income in the Fund from the principal and interest of the Investment Mortgage Loans which occurs monthly and the repayment and payment of the interest on the Bonds, with a quarterly periodicity is mitigated.

### **V.3.2 Loan Agreements.**

The Management Company, for and on behalf of the Fund, will execute two Loan Agreements referred to as Loan Agreement and Subordinated Loan Agreement for Standing W<sub>i</sub> Expenses which terms are described below, with the CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA.

#### **V.3.2.1. Loan Agreement for Starting Expenses.**

Loan for Starting Expenses, for a sum of one million two thousand six hundred and fifty (1,002,650.00) Euros (166,826,923 Ptas), distributed between these Entities in their position as lenders in proportion to the Par value of the Mortgage Units issued by each Assignor and grouped in the Fund.

The amount of the Loan for Starting Expenses 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 Units and the remainder amount to cover the time lag between the receipt of interest on the Mortgage Units and the payments of the Bonds at the first Payment Date.

The loan will accrue an nominal annual interest, determined quarterly for each Interest Accrual Period, which will be that resulting from adding: (i) the Interest Rate of Reference determined for the Bonds and (ii) a margin of 1.00%. This interest will only be paid if the Fund has sufficient liquidity in accordance with the Payment Priority Order 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 Payment Priority Order, on the Payment Date immediately following.

The repayment will be carried out quarterly on each of the Payment Dates in the manner described below.

- (i) The principal of the Loan part used to finance the expenses for the constitution of the Fund and the issue of the Bonds will be redeemed quarterly each Payment Date, the first of which will take place on the first Payment Date, August 13, 2001, and the following until the payment date of May 12, 2006, inclusive, for the monthly amortization amount of such expenses according to the Fund official accounting from each incorporation until April 30, 2006.

- (ii) The rest of the principal amount of the Loan will be redeemed in twenty (20) quarterly and equal amount on its date, the first of this will take place at the first Payment Date, August 13, 2001, and the following until the Payment Date of May 12, 2006, inclusive.

In the event of the fund, according to the Payment Priority Order not having enough liquidity on a Payment Date to proceed with the repayment corresponding to Loan for Starting Expenses, the part of the principal that would have not have been redeemed shall be redeemed on the Payment Date immediately subsequent together with the amount which, when applicable, is to be redeemed on the same Payment Date, until its total redemption.

#### **V.3.2.2 Subordinated Loan Agreement.**

Subordinated Loan, for a sum of five million eight hundred and seventy five thousand (5,875,000) Euros (977,517,750 Ptas), distributed between these Entities in their position as lenders in proportion to the Par value of the Mortgage Units issued by each Assignor and grouped in the Fund.

The amount of the Subordinated Loan will be used as the initial provision for the constitution of the Reserve Fund, in accordance with the terms and conditions set forth in paragraph III.4.3 of this Prospectus.

The loan will accrue a nominal annual interest, determined quarterly for each Interest Accrual Period, which will be the result of adding: (I) the Interest Rate of Reference determined for the Bonds and (ii) a margin of 1.00%. This interest will only be paid if the Fund has sufficient liquidity in accordance with the Payment Priority Order 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 Payment Priority Order, on the Payment Date immediately following.

The repayment 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, according to the Payment Priority Order not having sufficient liquidity for proceeding with the repayment corresponding to the Subordinate Loan on a Payment Date, the part of the principal that has not been redeemed will be redeemed on the Payment Date immediately afterwards together with the corresponding amount to be redeemed on that Payment date, until its total redemption.

#### **V.3.3 Agreement for Administration of the Investment Mortgage Loans.**

CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA, Assignors of the Investment Mortgage Loans through the issue of the Mortgage Units to be subscribed by the Fund (with regard to this Agreement the "Servicer(s)", in accordance with that which is stated in the Deed of Constitution and in accordance with Royal Decree 685/1982, of March 17, on the regulation of certain aspects of the Mortgage Market, modified by Royal Decree 1289/1991, of August 2, together with BANCO COOPERATIVO as guarantor of the obligations of the Servicers, will execute the Agreement for the Administration of the Investment Mortgage Loans with the Management Company, for and on behalf of the Fund, by virtue of which each of the Assignors will keep, as agents of the Fund, (i) the custody and administration of the Investment Mortgage Loans that are the object of the Mortgage Units; and (ii) will receive, for

managing payment, on behalf of the Fund, all the amounts paid by the mortgage debtors by virtue of the Investment Mortgage Loans and will immediately pay the amounts corresponding to the Fund into the Treasury Account, as established in section IV.2.1.3 of the Prospectus.

In consideration for the services to be performed for the administration of the Investment Mortgage Loans the Servicers 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 Agreement 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 Outstanding Balance of the Mortgage Units 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 Payment Priority Order.

#### **V.3.4 Agreement for the Management, Underwriting and Placement of the Issue of Bonds.**

The Management Company, for and on behalf of the Fund, will execute a Agreement for the Management, Underwriting and Placement of the issue of Bonds with BANCO COOPERATIVO ESPAÑOL, S.A., CREDIT AGRICOLE INDOSUEZ, Branch in Spain, DG BAN DEUTSCH GENOSSENSCHAFTSBANK AG, EBN BANCO, SOCIEDAD ESPAÑOLA DE NEGOCIOS, S.A., ABN AMRO BANK N.V., BNP PARIBAS, CREDIT SUISSE FIRST BOSTON (EUROPE LIMITED) and SOCIETE GENERALE, Branch in Spain, 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 outstanding placement in its own name, by virtue of its underwriting commitment.

The Underwriting and Placement Entities for the issue of the Bonds assume the obligations contained in the Agreement for the Management, Underwriting and Placement 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 1:00 pm hours on the Closing Date, with the value of that same day, of the amount of the Bond subscription for each one insured, deducting the sum that the, underwriting and placing comission accumulated in its favour amounts to and the Payment Agent will then pay the Fund, before 2:00 pm 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 underwriting and placement amounts to having been deducted; 3) commitment to pay the interest on delay agreed in the agreement 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 underwriting on the placement.

The Underwriting and Placement Entities of the A Serie Bond will receive a commission for the underwriting and placement of 0.14% on the total nominal amount of the "A" Bond assured by them. Payment of the aforementioned commissions will be the responsibility of the Fund. The underwriting and Placement Entitie of the "B" Bond will receive no commission for their underwriting and placing.

BANCO COOPERATIVO ESPAÑOL, S.A., CREDIT AGRICOLE INDOSUEZ, branch in Spain and DG BANK DEUTSCHE GENOSSENSCHAFTSBANK AG will intervene in the underwriting and placement of the issue of Bonds as the Lead Managers.

#### **V.3.5 Bond Payment Agency Agreement.**

The Management Company, for and on behalf of the Fund, will execute a Payment Agency Agreement 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 Agreement are summarized as follows:

- (I) on each of the Bond Payment Date, to pay the interest and reimburse the Bond principal, once the total amount of withholding tax has been deducted in accordance with the tax legislation applicable; and
- (ii) on each of the Interest Rate Fixing Date, to inform the Management Company of the 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 agreement 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 Payment Priority Order.

### **V.3.6 Financial Intermediation Agreement.**

The Management Company, for and on behalf of the Fund, will execute a Financial Intermediation Agreement with the CAJA RURAL DE ALMERÍA Y MÁLAGA, CAJA RURAL CREDICOOP, CAJA RURAL DEL JALÓN, CAJA RURAL DE NAVARRA, CAJA RURAL DEL SUR, CAJA RURAL DE ZAMORA and CAJA RURAL DE ZARAGOZA 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 Units and the satisfactory rating allotted to each of the Bond Series.

The remuneration consists of a variable subordinate amount equal to the difference between the income and expenses accrued 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 Corporation Tax. The payments that may be made for this item on each Payment Date, in accordance with the Payment Priority Order of the Fund, will be considered payments on account of the an annual right to the payments on account.

### **V.3.7 Agreement for the Deposit of the Mortgage Units.**

The Management Company, for and on behalf of the Fund, will execute a Agreement for the Deposit of the Mortgage Units 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 Units deposited, following the instructions of the Management Company.

As a consideration for the services to be carried out by the Assignor, the Fund will pay a commission of 0.01 per thousand, taxes included, where applicable, on the average daily Outstanding Balance of the Mortgage Units during the Interest Bearing Period and during the life of the agreement which will be paid on each Payment Date of the Bonds, always provided that the Fund has sufficient liquidity and in accordance with the Payment Priority Order.

## **V.4 Priority rules established in Fund payment.**

### **V.4.1 Ordinary rules for the priority of payments against the Fund.**

#### **Origin and application of funds.**

##### **A) On the Closing Date of the Bonds.**

The origin and application of the amounts available through the Fund on the Closing Date 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) Drawdowns of the Loan for Starting Expenses and the Subordinated Loan.

**2. Application: in turn the Fund will apply the Funds described above to the following payments:**

- a) The payment of the acquisition price of the Mortgage Units
- 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) Remainder in the Treasury Account for the drawdown of the Loan for Starting Expenses for covering the time lag between the interest on the Mortgage Units and the Bonds.

**B) From the date of constitution of the Fund and up to the total repayment of the Bonds.**

**1. Origin:** the Funds Available, on each Payment Date, for dealing with the payment or retention obligations of the Fund listed below in section 2 will be the following:

- a) The amounts received through the reimbursement of the principal of the Mortgage Units 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 Units during the corresponding Interest Accrual Period. These amounts will have been deposited in the Treasury Account.
- c) The performance obtained through the amounts deposited in the Treasury Account, amongst which will be included the amount corresponding to the endowment for the Reserve Fund.
- d) The amount corresponding to the endowment for the Reserve Fund.
- e) Any other amounts that the Fund may have received including those, which may result from the transfer of properties awarded to same or the exploitation of same.

**2. Application:** The Funds Available, irrespective of their time of the accrual, shall be applied to the fulfilment the payment and retention obligations required on each Payment Date in the following priority order (“Payment Priority Order”) except for the application in order 1 which may take place at any time, according to the time at which the same become due and payable:

1. Payment of taxes and the Fund’s running and nonrecurring expenses, supplied or not by the Management Company and duly justified, including the management fee paid thereto, and all other expenditures and fees for services, including those stemming from the Bond Paying Agency Agreement and the Agreement for the Deposit of the Mortgage Units. In this order, only those expenses shall be paid to the Servicers with regard to the Agreement for the Administration paid in advance or supplied on the account of the Fund and whatever sums might appropriately be necessary to refund thereto, all of which must be fully justified.
2. Payment of the interest accrued on the “A” Bonds in the order of maturity.
3. Payment of the interest accrued on the “B” Bonds in the order of maturity.
4. Retention of the sufficient amount to keep the Reserve Fund at the Minimum Level.



5. Redemption of the “A” Bonds.
6. Redemption of the “B” Bonds, taking into account that this redemption is not to take place until the “A” Bonds have been redeemed in full.
7. Payment of interest accrued on Loan for Starting Expenses.
8. Payment of interest accrued on Subordinated Loan.
9. Repayment of the principal of Loan for Starting Expenses.
10. Repayment of the principal of Subordinated Loan.
11. Payment to the Servicers under the Agreement for the Administration, of the management fee of the Investment Mortgage Loans.
12. Payment of the financial brokerage margin established as a variable remuneration under the Financial Intermediation Agreement.

**Funds Available for Bond Redemption on each Payment Date.**

On each Payment Date, the amount that is to be allocated to the redemption of the Bonds (“Funds Available for Bond Redemption”) shall be the smallest of the following amounts:

- c) The positive difference existing between the Balance of the Outstanding Principal of the Bonds and the Outstanding Balance of the Mortgage Units on the Business Day immediately prior to each Payment Date.
- d) Depending upon the liquidity on such Payment Date, the remainder of the Funds Available after deducting the amount charged to the items ranked in 1<sup>st</sup> to 4<sup>th</sup> place in the Payment Priority Order.

**V.4.2 Exceptional rules for the priority of payments against the Fund.**

With regard to the Commission for the Administration of the Investment Mortgage Loans in favour of the Servicers contained in heading 11 of the Payment Priority Order described above, if the substitution of any of these as Servicer 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 Payment Priority Order, as a consequence of which there will be a modification in the numbering of the successive payments, contained in the following points.

**INFORMATION OF A GENERAL NATURE ON THE SOCIEDAD GESTORA DEL FONDO DE TITULIZACIÓN HIPOTECARIA**

In accordance with Law 19/1992, of July 7, 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 defense 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 Management Company which constitutes, administers and represents RURAL HIPOTECARIO II FONDO DE TITULIZACIÓN HIPOTECARIA.

**VI.1 Relating to the company, except its capital.**

**VI.1.1 Corporate name and address**

- **Corporate name:** EUROPA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Corporate address:** Madrid, Lagasca 120.
- **F.I.N:** A-80514466
- **S.A.S.C:** 7484

**VI.1.2 Constitution and registration in the Mercantile Registry, together with data relating to the administrative authorization 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 Blanca Uberos, on January 19, 1993, with his official number 117, with the previous authorization of the Ministry of Economy and the Treasury granted on December 17, 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 March 11, 1993; and changed into a Securitisation Fund Management Company in accordance with that which is stated in chapter II and in the sole transitory provision of Royal Decree 926/1998, the May 14, which regulates the securitisation funds of assets and the Securitisation Fund Management Company, by virtue of the authorization granted by the Ministerial Order of the October 4, 1999 and by means of the deed executed on the October 25, 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 Management Company 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 asset securitisation funds and the mortgage securitisation 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 Management Company, 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 Management Company, 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 May 25, 2001. It is available to the public free of charge at the head offices of the Management Company and in the Underwriting 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 Management Company will deliver an authorized copy of the Deed of Constitution to the *Comisión Nacional del Mercado de Valores*. In addition, the Management Company 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.**

By virtue of the management entity Board Meeting Agreement dated March 27, 2001 the share capital, fully subscribed and paid up that amounted to 300,000,000 pesetas, represented by 1,250 registered Series A Units with a Par value of 45,950 pesetas and 1,250 registered Series B Units with a Par value of 194,050 pesetas, has been converted to Euros according to the provisions of article 21 of Law 46/1998 December 17 on Euro introduction (“introducción del Euro”).

The share capital has been fixed in the amount of one million eight hundred and three thousand thirty seven euros and fifty cents (1,803,037.50 Euros) represented by 2,500 shares all of them of the same type, numbered from 1 to 2,500, both inclusive, fully subscribed and paid up, and divided in 2 series:

- Serie A composed of 1,250 shares, numbers 1 to 1,250 both inclusive, of 276.17 Euros of Par amount.

- Serie B composed of 1,250 shares, numbers 1,251 to 2,500 both inclusive, of 1,116.26 Euros of Par amount.

The registration of such conversion agreement with the Mercantil Register has not yet taken place.

## **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 Management Company, except for the conversion into Euros as described under VI.2.1 above.

## **VI.3 Data relating to the participation.**

### **VI.3.1 Existence of participation in other companies or not.**

No participation exists 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 participation.**

The ownership of the shares in the Management Company 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
Caja de Ahorros y Monte de Piedad de Madrid, S.A.	0.38
Caja de Ahorros de Salamanca y Soria – Caja Duero	0.38
	<u>100.00</u>

#### **VI.4 Corporate bodies.**

The government and administration of the Management Company 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 July 7, 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 organization and for dealing with third parties.

##### **VI.4.1 Administrators.**

###### **Board of Directors.**

The Board of Directors is composed of the following persons:

**Chairman:** Ms. Rosario Martín Gutiérrez de Cabiedes

**Deputy Chairman:** Mr. José Antonio Álvarez Álvarez

**Members:** Mr. José Manuel Aguirre Larizgoitia

Mr. Oscar Cabrera Izquierdo  
Mr. Alberto Charro Pastor  
Mr. Vicente Esparza Olcina  
Ms. Ana Fernández Manrique  
Mr. Mario Masiá Vicente  
Ms. Carmen Pérez de Muniaín  
Mr. David Pérez Renovales  
representing Bankinter, S.A.  
Mr. Jesús del Pino Durán  
Mr. Jorge Sáenz de Miera  
representing Deutsche Bank Credit, S.A.  
Mr. José Miguel Raboso Díaz  
representing Citibank España, S.A.  
Mr. Arnaud Tellier  
Mr. Xavier Tintoré Belil  
representing J.P. Morgan España, S.A.  
Mr. Antonio Uguina Zamorano  
Barclays Bank S.A.

**Secretary non-member:** Ms. Belén Rico Arévalo

##### **VI.4.2 General Management.**

The General Manager of the Management Company is Mr. Mario Masiá Vicente.

##### **VI.5 Group of interests in the Management Company 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 Management Company.**

The Management Company has not received any loan or credit from a person or organization of any kind.

**VI.7 Mention of whether the Management Company 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.

**RECENT EVOLUTION AND PROSPECTS OF THE MORTGAGE MARKET IN GENERAL AND OF THE MORTGAGE LOAN MARKET IN PARTICULAR WHICH COULD AFFECT THE FINANCIAL PROSPECTS OF THE MORTGAGE SECURITISATION FUND.**

**VII.1 Most recent 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 repayment and payment arrears:**

The Spanish mortgage market has experienced a considerable transformation in the past few years, both with regard to its legal organization and the preponderant interest that the credit organizations 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 March 30, 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 repayment 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 December 20, 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 repayment 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 that could be derived from the trends commented on in point VII.1 above (index of early repayment, index of bankrupt persons, etc.):**

The total Investment Mortgage Loans through Mortgage Units 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 repayment of the

Investment Mortgage Loans is not envisaged. The forecasts established for the re-negotiation of the interest rate for those loans that 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 Units, had a delay of up to 90 days in the payment of debits overdue on April 23, 2001, this situation having been verified as stated in section II.12 of the Audit Report that appears in Appendix 5 of this Prospectus. The Investment Mortgage Loans that are the final object of the issue of Mortgage Units for the constitution of the Fund will not have overdue debits outstanding payment on the day of their issue for a term greater than one (1) month.

Signed: MARIO MASIÁ VICENTE  
General Manager  
EUROPEA DE TITULIZACIÓN, S.A., S.G.F.T.



## APPENDIX I

### DEFINITIONS

**“Account Opening Agreement at a Guaranteed Rate of Interest and Treasury Account”**, means the agreement for account opening signed between the Management Company, for an on behalf of the Fund, and Bankinter.

**“Agreement for the Administration of the Investment Mortgage Loans”**, means the Agreement for the Administration of the Investment Mortgage Loans signed between the Management Company, for an on behalf of the Fund, and Caja Rural de Almería y Málaga, Caja Rural Credicoop, Caja Rural del Jalón, Caja Rural de Navarra and Caja Rural del Sur, Caja Rural de Zamora and Caja Rural de Zaragoza as Servicers and Banco Cooperativo as guarantor for the fulfilment of the obligations of the Administrators.

**“Agreement for the Deposit of Mortgage Units”**, means the Agreement for the Deposit of the Mortgage Units signed between the Management Company, for an on behalf of the Fund, and Banco Cooperativo.

**“Agreement for the Management, Underwriting and Placement of the Issue of Bonds”**, means the Agreement Management, Underwriting and Placement of the Issue of Bonds signed between the Management Company, for an on behalf of the Fund, and Banco Cooperativo, Credit Agricole Indosuez, DG Bank, EBN Banco, ABN Amro Bank, BNP Paribas, Credit Suisse First Boston and Société Générale.

**“Assignor(s)”**, means the issues entities of the Mortgage Units Caja Rural de Almería y Málaga, Caja Rural Credicoop, Caja Rural del Jalón, Caja Rural de Navarra and Caja Rural del Sur, Caja Rural de Zamora and Caja Rural de Zaragoza.

**“Balance of the Outstanding Principal of the Bonds”**, means the sum of the Outstanding Balances of the principal outstanding the repayment of the Bonds in both Series, the amounts of the principal which, where applicable, should have been redeemed and have not been paid through an insufficiency of the Funds Available for Repayment of the Bonds being included, according to the Fund Early Redemption Order.

**“Banco Cooperativo”**, means the Banco Cooperativo Español, S.A.

**“Bankinter”**, means Bankinter, S.A.

**“Bond Payment Agency Agreement”** means the Bond Payment Agency Agreement signed between the Management Company, for an on behalf of the Fund, and Banco Cooperativo.

**“Bonds”**, means the Series A and Series B of Mortgage Backed Securities Bonds issued charged to the Fund.

**“Business Day”**, means all those which are not a Saturday, Sunday or Public Holiday in Madrid nor a non-business day in the TARGET calendar.

**“Caja Rural Credicoop”**, means Caja Rural Credicoop, Sociedad Cooperativa de Crédito.

**“Caja Rural de Almería y Málaga”**, means Caja Rural de Almería y Málaga, Sociedad Cooperativa de Crédito.

**“Caja Rural de Navarra”**, means Caja Rural de Navarra, Sociedad Cooperativa de Crédito.

**“Caja Rural de Zamora”**, means Caja Rural de Zamora, Sociedad Cooperativa de Crédito.

**“Caja Rural de Zaragoza”**, means Caja Rural de Zaragoza, Sociedad Cooperativa de Crédito.

**“Caja Rural del Jalón”**, means Caja Rural de Jalón, Sociedad Cooperativa de Crédito.

**“Caja Rural del Sur”**, means Caja Rural del Sur, Sociedad Cooperativa de Crédito.

**“Closing Date”**, means the date on which the effective amount for the subscription of the Bonds is disbursed and the nominal price of the Mortgage Units is paid, that is to say, 5 June, 2001.

**“Credit Agricole Indosuez”**, means Credit Agricole Indosuez, branch in Spain.

**“Date of Fixing the Interest Rate”**, means the second Business Day before each Payment Date.

**“Deed”**, means the public deed for the constitution of the Fund, issue and subscription of the Mortgage Units and issue of the Mortgage Securitisation Bonds.

**“Determination Dates”**, means the dates that correspond to the third Business Day before each Payment Date.

**“DG Bank”**, means DG Bank Deutsche Genossenschaftsbank AG.

**“Events of Early Liquidation”**, means the events set out in paragraph III.8.1 by which the Management Company by prior communication to the Comisión Nacional del Mercado de Valores, has the right to redeem the Fund early on a Payment date.

**“Final Maturity Date”**, means the date of final redemption of the Bonds, that is to say, August 12, 2026.

**“Financial Intermediation Agreement”**, means the Financial Intermediation Agreement signed between the Management Company, 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 II FONDO DE TITULIZACION HIPOTECARIA.

**“Funds Available for Bond Redemption”**, means on each Payment Date the amount that will be used for the repayment of the Bonds.

**“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.

**“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 Closing Date, included, and will end on the first Payment Date, excluded.

**“Interest Rate Fixing Date”**, means the second Business Day preceding each Payment Date.

**“Investment Mortgage Loan”**, means the mortgage loans Investment by the Mortgage Units.

**“Lead Managers”** means Banco Cooperativo, Credit Agricole Indosuez and DG Bank.

**“Loan Agreement for Starting Expenses”**, means the Loan Agreement for Starting Expenses signed between the Management Company, for an on behalf of the Fund, Caja Rural de Almería y Málaga, Caja Rural Credicoop, Caja Rural del Jalón, Caja Rural de Navarra and Caja Rural del Sur, Caja Rural de Zamora and Caja Rural de Zaragoza for a sum of 1,002,650,00 euros.

**“Loan for Starting Expenses”**, means the loan provided by the Assignors for the Fund, in accordance with that which is laid down in the Loan agreement for Starting Expenses.

**“Management Company”**, means Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

**“Minimum Level of the Reserve Fund”**, means the lesser of the following amounts: (i) five million eight hundred and seventy thousand (5,875,000) Euros (77,517,750 Ptas) and (ii) 7.50% of the Outstanding Balance of the Mortgage Units.

**“Moody’s España”**, means Moody’s Investors Service España, S.A

**“Mortgage Units”**, means the Mortgage Units issued by the Assignors group in the Fund

**“Outstanding Balance of the Mortgage Units”**, means the sum of the capital outstanding maturity and the capital due and not paid into the Fund from each and all of the Mortgage Units.

**“Payment Agent”**, means the entity which performs the Bond financing service. The Payment Agent will be Banco Cooperativo.

**“Payment Date”**, means the days February 12, May 12, August 12 and November 12 of every year or, where applicable, the following Business Day. The first Payment Date will be August 13, 2001, as August 12, 2001 is not a Business Day.

**“Payment Priority Order”**, means the order of preference for the application of the available Funds in each Payment Date, irrespective of the date the payment is due, of the payment obligations or the retention with the same order of preference in which they are relationated

**“Rating Agency”**, means Moody’s Investors Service España, S.A.

**“Reference Interest Rate”**, means the Euribor reference interest rate at three (3) month, except for the first interest accrual period in which the interest rate will be Euribor two (2) month, fixed maturity at 11.00 hours CET on the Date of Fixing the Interest Rate or the rate of interest that substitutes this.

**“Reserve Fund”**, means the Reserve Fund initially provided on the Closing Date charged to Subordinate Loan.

**“Series”**, means the Series "A" Bonds and Series "B" Bonds

**“Series A Bonds”**, means Series A Bonds issued charged to the Fund, total amount of the issue 222,000,000 euros.

**“Series B Bonds”**, means Series B Bonds issued charged to the Fund, total amount of the issue 13,000,000 euros.

**“Servicer(s)”**, means one of the Assignors issuing Mortgage Units with reference to the Agreement for the Administration of the Investment Mortgage Loans, Caja Rural de Almería, Caja Rural de Málaga, Caja Rural Credicoop, Caja Rural del Jalón, Caja Rural de Navarra, Caja Rural del Sur, Caja Rural de Zamora and Caja Rural de Zaragoza.

**“Subordinated Loan Agreement”**, means the Subordinated Loan Agreement signed between the Management Company, for an on behalf of the Fund, Caja Rural de Almería y Málaga, Caja Rural Credicoop, Caja Rural del Jalón, Caja Rural de Navarra and Caja Rural del Sur, Caja Rural de Zamora and Caja Rural de Zaragoza.

**“Subordinated Loan”**, means the Subordinated Loan provided by the Assignors for the Fund, in accordance with that which is laid down in the Agreement on Subordinate Loan.

**“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, or in the following Business Day if such date was not a Business Day, and 11.00 hours on the Reimbursement Date.

**“Treasury Account”**, means the financial account opened in Bankinter, in accordance with that laid down in the Agreement for Account Opening at a Guaranteed Rate of Interest and Treasury Account, through which all income and payments of the Fund are made.

**“Underwriting and Placement Entities”**, means the Banco Cooperativo, Credit Agricole Indosuez, DG Bank, EB Banco, ABN Amro Bank, BNP Paribas, Credit Suisse First Boston and Société Générale.