OFFERING CIRCULAR **April 23, 2004**

VALENCIA HIPOTECARIO 1
FONDO DE TITULIZACIÓN DE ACTIVOS

ASSET-BACKED BONDS
EUR 472,000,000

Series A	EUR 454,300,000	Aaa/AAA	3-M Euribor + 0.185%
Series B	EUR 11,800,000	A2/A+	3-M Euribor + 0.530%
Series C	EUR 5,900,000	Baa3/BBB+	3-M Euribor + 1.050%

Backed by pass-through certificates issued on mortgage loans by

BANCO DE VALENCIA

Lead Manager

BANCAJA

Underwriters and Placement Agents

Bancaja **JPMorgan**

Paying Agent

Bancaja

Fund structured, constituted and managed by

Europea de Titulización
Sociedad Gestora de Fondos de Titulización

Offering Circular entered in the Registers of the Comisión Nacional del Mercado de Valores

Material Event concerning **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos**

As provided for in the Offering Circular or Prospectus for **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos** (the "**Fund**") notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- On July 14, 2016, SOCIÉTÉ GÉNÉRALE Sucursal en España ("**SGSE**") has been designated Bond Paying Agent in lieu of BARCLAYS BANK PLC, Sucursal en España ("**BARCLAYS**").

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

	Moody's	**Fitch**
Short-term	P-1	F1
Long-term	A2	A

Madrid, July 15, 2016

José Luis Casillas González
Attorney-in-fact

Paula Torres Esperante
Attorney-in-fact

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Material Event concerning **VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS**

As provided for in the Offering Circular or Prospectus for **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos** (the "**Fund**") notice is given to the Comisión Nacional del Mercado de Valores of the following material event:

This Management Company has been notifying Bondholders in each Series and for each Payment Date of the resultant interest and amortisation, on a quarterly basis and at least one (1) calendar day in advance, as provided for in section III.5.2 a) 2) i) of the Prospectus. That information is also made available to the CNMV, the Paying Agent, AIAF and Iberclear within not more than one (1) Business Day before each Payment Date.

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

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

- **"Determination Dates"** (section II.11.3.1.1 of the Prospectus) shall mean the dates falling on the **fourth** Business Day preceding each Payment date.

- The **"Available Funds**" (section V.4.2.1 1. of the Prospectus) on each Payment Date shall be determined based on Pass-Through Certificate income and amounts received by the Fund credited to the Treasury Account between every two consecutive Determination Dates, not including amounts received on the initial Determination Date but including amounts received on the last Determination Date.

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

- **Amortisation Withholding** (section V.4.2.1 2. 6 of the Prospectus) shall mean:

  6. Series A, B and C Bond principal Amortisation Withholding in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the Determination Date preceding the relevant Payment Date, and (ii) the Outstanding Balance of Pass-Through Certificates in good standing, **on the Determination Date preceding** the relevant Payment Date, with respect to payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

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

Accordingly, the information contained in section III.4.2 a) 2) i) of the Prospectus referred to above may be notified by 2 pm two days in advance of each record date in accordance with Iberclear's procedures.

Madrid, May 17, 2016

Paula Torres Esperante Attorney-in-fact	José Luis Casillas González Attorney-in-fact

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Europea de Titulización
Sociedad Gestora de Fondos de Titulización

Material Event concerning **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos**

Pursuant to Chapter III, Section III.5.2 of the Prospectus for **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos** (the "**Fund**") notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material event dated August 10, 2009, Banco Cooperativo Español S.A. was designated Bond Paying Agent on August, 7, 2009 by entering into an Agreement to be subrogated to and novating and amending but not terminating the Bond Paying Agent Agreement.

- Accordingly, the following section of the Fund's Prospectus should read as follows:

Section	Description
V.3.5	**Bond Paying Agent Agreement.** Paragraph three of this section, containing references to the actions to be taken in the event of the Paying Agent's credit ratings being downgraded, is replaced with the following wording: "In connection with the provisions of section (i) of the preceding paragraph, the Management Company shall, on the Business Day preceding each Payment Date, pay out of the Treasury Account, into an account opened in the name of the Fund at the Paying Agent, the total Bond interest payment and principal repayment amount for each Series. The return on investments interim tax amounts to be withheld on each Payment Date on Bond interest in accordance with the applicable statutory provisions, shall remain credited to the Fund's account at the Paying Agent until the date on which the Management Company has to actually pay the same to the Tax Administration. Both upon a breach by the Paying Agent of its obligations under this Agreement and in the event that the rating of the Paying Agent's short-term unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below F2 or P-1 respectively by Fitch and Moody's, the Management Company shall within not more than thirty (30) days from the time of the occurrence of such circumstance, do either of the following: (i) obtain from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody's, an unconditional and irrevocable first demand guarantee securing for the Fund, merely upon the Management Company so requesting, the commitments made by the Paying Agent for such time as the Paying Agent remains downgraded below F2 or P-1; or (ii) revoke the Paying Agent's designation and thereupon designate another institution with short-term unsecured and unsubordinated debt obligations rated at least as high as F2 and P-1 respectively by Fitch and Moody's, to take its place before terminating the Paying Agent Agreement, or, as the case may be, under a new paying agent agreement, and subject to prior notice being served on the Rating Agencies. The Paying Agent shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may do either of (i) or (ii) above. BANCAJA shall agree, upon the Management Company's request and provided that its short-

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

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

Mario Masiá Vicente
General Manager

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Material Event concerning **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos**

Pursuant to Chapter III, section III.5.2.d, of the Prospectus for **VALENCIA HIPOTECARIO 1 Fondo de Titulización de Activos** (the "**Fund**") notice is given to the COMISIÓN NACIONAL DEL MERCADO DE VALORES of the following material event:

- As set out in the material events dated January 8, 2009 and February 4, 2009, an amendment has been made to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into by the Fund.
- Accordingly, the following section of the Fund's Prospectus should read as follows:

Section	Description
V.3.1	**Guaranteed Interest Rate Account (Treasury Account) Agreement.** In paragraph three, concerning the actions to be taken in the event of the Treasury Account provider's rating being downgraded, the reference to "ten (10) Business Days" is replaced with "thirty (30) days". As set out in the material event dated February 4, 2009, on February 3, 2009 the Fund's Treasury Account was transferred to Banco Popular Español S.A., and the latter was subrogated to the Guaranteed Interest Rate Account (Treasury Account) Agreement entered into with Bancaja, which was novated and amended but not terminated.

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

Mario Masiá Vicente
General Manager

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Appendices II-VII mentioned in the Spanish Offering Circular have not been translated and are not included in this translation. These Appendices are available in Spanish upon request from the Management Company, and can be found in the Spanish version of the Offering Circular.

CHAPTER 0

SUMMARY OF THE OFFERING CIRCULAR

This full Offering Circular has been entered in the Official Registers of the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) ("**CNMV**") on April 23, 2004. Registration of the Offering Circular by the CNMV does not imply recommending subscription for or purchase of the Bonds referred to therein, nor indeed any statement whatsoever as to the solvency of the Fund or yield of the Bonds.

0.1 Name and nature of the Asset Securitisation Fund.

The name of the Fund is "VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS" (the "Fund"). The Management Company will constitute the Fund before the Bond Subscription Period begins in a public deed in pursuance of the provisions of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("Royal Decree 926/1998"), Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7 ("Act 19/1992"), failing a provision in Royal Decree 926/1998, and to the extent applicable, and other applicable laws and regulations.

The Fund shall be a separate closed-end fund, devoid of legal personality. Its assets shall comprise the Pass-Through Certificates pooled therein upon being constituted, the Cash Reserve and the start-up expenses (constitution and issue), and its liabilities shall comprise the Bonds issued, the Start-Up Loan and the Subordinated Loan, and the net worth of the Fund shall be nil. Additionally, the Fund arranges an Interest Swap to be reported in memorandum accounts.

0.2 Representation of the Fund: Management Company.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, is the Management Company that will constitute the Fund and will be responsible for managing and representing the same. It is also the Management Company's duty, as the manager of third-party funds, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors.

The Management Company is responsible for the facts and figures contained in the Offering Circular, without prejudice to the responsibility of the other undertakings involved.

0.3 Bonds issued by the Fund.

Bond Issue: Face value of EUR 472,000,000.00 consisting of 4,720 Asset-Backed Bonds (the "**Bonds**") having a face value of EUR 100,000.00, represented by means of book entries and comprised of three Bond Series:

- **Series A:** EUR 454,300,000.00, consisting of 4,543 Bonds
- **Series B:** EUR 11,800,000.00, consisting of 118 Bonds
- **Series C:** EUR 5,900,000.00, consisting of 59 Bonds

Ratings: provisional ratings have been assigned by the Rating Agencies Moody's Investors Service España, S.A. ("**Moody's**") and Fitch Ratings España, S.A. ("**Fitch**").

	Moody's Rating	Fitch Rating
Series A	**Aaa**	**AAA**
Series B	**A2**	**A+**
Series C	**Baa3**	**BBB+**

Secondary market where listing of the Bonds for trading will be applied for: AIAF FIXED-INCOME MARKET (*AIAF MERCADO DE RENTA FIJA*) ("**AIAF**").

Institution in charge of the Bond accounting record: SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES S.A. (either "**Systems Company**" or "**Iberclear**").

0.3.1 **Issue Price:** 100 percent of the face value of each Bond (EUR 100,000.00), **clear** of taxes and subscription costs for the subscriber through the Fund.

0.3.2 **Nominal Interest Rate:** variable quarterly**,** shall be the result of adding: (i) the Reference Rate and (ii) the following margins for each of the Series, in accordance with the provisions of section II.10.1 of the Offering Circular.

- **Series A:** 0.185% margin.
- **Series B:** 0.530% margin.
- **Series C:** 1.050% margin.

Reference Rate: three- (3-) month Euribor rate, fixed at 11am (CET time) on the Interest Rate Fixing Date (second Business Day preceding each Payment Date), or, upon the failure or impossibility to obtain this Euribor rate, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between the three- (3-) month Euribor rate and the six- (6-) month Euribor rate, fixed at 11am (CET time) on the second Business Day immediately preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

Principal repayment and interest Payment Dates: February 24, May 24, August 24 and November 24 in each year or the following Business Day if any of those is not a Business Day. The first interest Payment Date shall be August 24, 2004.

0.3.3 **Amortisation of the Bonds.**

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

Amortisation of Series A Bonds.

Series A Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, pro rated between the Bonds in Series A proper by reducing the face amount of each Series A Bond. The first partial amortisation of the Series A Bonds shall take place on the first Payment Date (August 24, 2004).

The final amortisation of the Series A Bonds shall occur on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Amortisation of Series B Bonds.

Series B Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, pro rated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series B and of Series C are respectively equal to or greater than 5.00% and 2.50% of the Outstanding Principal Balance of the Bond Issue. The partial amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

Amortisation of Series C Bonds.

Series C Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, pro rated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series B and of Series C are respectively equal to or greater than 5.00% and 2.50% of the Outstanding Principal Balance of the Bond Issue. The partial amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

0.3.4 Bond subscription and placement procedure.

Lead Manager: CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA ("**BANCAJA**")

Underwriters and Placement Agents: BANCAJA and J.P. MORGAN SECURITIES LTD. ("JPMORGAN")

Investors to whom the Bonds are offered: the placement of the Bond Issue is targeted at institutional investors.

Subscription Period: shall commence at 1pm (CET time) on April 26, 2004 and end at 3pm (CET time) on the same day.

Closing Date: by 1pm (CET time) on April 28, 2004.

0.3.5 Jurisdiction in the event of litigation.

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

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS, and the Bond Issue by the same, shall be submitted to the competent Spanish Courts and Tribunals.

0.4 Assets pooled in the Fund: Pass-Through Certificates.

The Fund shall pool Pass-Through Certificates wholly issued by BANCO DE VALENCIA S.A. ("**BANCO DE VALENCIA**"**)** on Mortgage Loans it owns granted to individuals with real estate mortgage security on finished residential homes located within Spanish territory, both directly and through subrogations of financing granted to developers for building homes.

The Deed of Constitution shall perfect the issue by BANCO DE VALENCIA of the Pass-Through Certificates and their subscription by the Fund, represented by the Management Company, making up an as yet indeterminate number whose total principal or capital shall be equal to or slightly in excess of EUR 472,000,000.00.

The Mortgage Loans shall be taken from a selection of 9,636 mortgage loans, the outstanding principal of which amounted as of March 17, 2004 to EUR 502,057,203.77. The characteristics of the 9,636 mortgage loans selected are described in section IV.4 of this Offering Circular.

0.5 Risk hedging and service transactions arranged for on behalf of the Fund.

The Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements established hereinafter:

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

(ii) Subordinated Loan Agreement amounting to EUR 6,372,000.00 to be drawn down and used on the Closing Date for initially provisioning and setting up the Cash Reserve on the terms for which provision is made in section III.3.3 of this Offering Circular.

(iii) Start-Up Loan Agreement amounting to EUR 970,000.00 to be drawn down on the Closing Date.

(iv) Interest Swap Agreement.

(v) Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

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

(vii) Bond Paying Agent Agreement.

0.6 Fund Priority of Payments from the first Payment Date until the last Payment Date or liquidation of the Fund, inclusive.

On each Payment Date, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation, which are part of the Available Funds, in accordance with the priority of payments established hereinafter for each of them.

0.6.1 Available Funds: source and application.

1. **Source:** the Available Funds on each Payment Date to meet the payment or withholding obligations listed in section 2 below shall be the following amounts credited to the Treasury Account:

   a) Pass-Through Certificate principal repayment income received between the preceding Payment Date, exclusive, and the relevant Payment Date, inclusive.

   b) Ordinary and late-payment interest income received on the Pass-Through Certificates between the preceding Payment Date, exclusive, and the relevant Payment Date, inclusive.

   c) The return received on the amounts credited to the Treasury Account.

   d) The amount with which the Cash Reserve is provisioned on the Determination Date preceding the relevant Payment Date.

   e) Amounts received under the Interest Swap Agreement and, in the event of termination of that Agreement, the amount comprising the settlement payment.

   f) Any other amounts received by the Fund between the preceding Payment Date, exclusive, and the relevant Payment Date, inclusive, including those resulting from the sale or utilisation of properties awarded to the Fund.

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

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

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

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

   4. Payment of interest due on the Series B Bonds unless this payment is deferred to 8^{th} place in the priority of payments.

      If the Series A Bonds have not been and are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 8^{th} place in the event that, on two consecutive Payment Dates, including the relevant Payment Date, upon calculating the Available Funds for Amortisation of Series A, B and C Bond principal in 6^{th} place below, in which connection this application shall be taken into account, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) fifty percent (50%) of the issue face amount of the Series B Bonds, and (ii) one hundred percent (100%) of the issue face amount of the Series C Bonds.

   5. Payment of interest due on the Series C Bonds unless this payment is deferred to 9^{th} place in the priority of payments.

If the Series A and the Series B Bonds have not been and are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 9th place in the event that, on two consecutive Payment Dates, including the relevant Payment Date, upon calculating the Available Funds for Amortisation of Series A, B and C Bond principal in 6th place below, in which connection this application shall be taken into account, there is to be an Amortisation Deficiency in an amount in excess of fifty percent (50%) of the issue face amount of the Series C Bonds.

6. Withholding for the amortisation of Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the Determination Date preceding the relevant Payment Date, and (ii) the Outstanding Balance of the Pass-Through Certificates on the relevant Payment Date in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

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

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

   This application shall not occur on the last Payment Date or Fund liquidation date.

8. Payment of interest due on the Series B Bonds when this payment is deferred from 4th place in the priority of payments as established therein.
9. Payment of interest due on the Series C Bonds when this payment is deferred from 5th place in the priority of payments as established therein.
10. Payment of the amount to be settled by the Fund comprising the settlement payment under the Interest Swap Agreement in the event that termination of that Agreement is due to a breach by the Fund counterparty (Party B).
11. Payment of interest due on the Start-Up Loan.
12. Repayment of Start-Up Loan principal in the amortised amount.
13. Payment of ordinary interest due on the Subordinated Loan.
14. Repayment of Subordinated Loan principal in the amortised amount.
15. Payment to the Servicer of the fee established under the Servicing Agreement.

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

16. Payment of the variable remuneration established for the Subordinated Loan.

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

0.6.2 Available Funds for Amortisation: source and distribution.

1. **Source:** the Available Funds for Amortisation on each Payment Date shall be the amount withheld for Series A, B and C Bond principal amortisation applied in 6th place of the Available Funds on the relevant Payment Date.
2. **Distribution of Available Funds for Amortisation between each Series:** shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules:

   1. Until the first Payment Date (inclusive) on which the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively equal to or greater than 5.00% and 2.50%, the Available Funds for Amortisation shall be fully applied to amortising the Series A Bonds.

   2. From the Payment Date immediately after the date on which the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue, as

provided for in rule 1, is respectively equal to or greater than said 5.00% and 2.50%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, in such a way that the ratio of the Outstanding Principal Balances of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively kept at 5.00% and 2.50%, or closest higher percentages.

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

a) That the amount of the Cash Reserve provisioned is less than the Required Cash Reserve.

b) That there is an Amortisation Deficiency.

c) That on the Determination Date preceding the relevant Payment Date the amount of (i) the sum of the Outstanding Balance of Pass-Through Certificates with an arrears in excess of three (3) months and less than eighteen (18) months in payment of amounts due in relation to (ii) the Outstanding Balance of Pass-Through Certificates being, on that same date, in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months in payment, is in excess of 1.50%.

3. From the Payment Date, inclusive, on which the amount of the Outstanding Balance of the Pass-Through Certificates is less than 10 percent of the initial Outstanding Balance upon the Fund being constituted or on the last Payment Date or Fund liquidation date, the Available Funds for Amortisation shall be sequentially applied firstly to amortising Series A until it is fully amortised, secondly to amortising Series B until it is fully amortised and thirdly to amortising Series C until it is fully amortised.

0.7 Liquidation and termination of the Fund.

Termination of the Fund.

The Fund shall terminate in the following events:

(i) Upon the Pass-Through Certificates pooled therein being fully amortised.

(ii) Upon the Bonds issued being fully amortised.

(iii) Upon the Early Liquidation procedure ending, subject to the requirements and procedures contained in section III.8.1 of the Offering Circular, when, in addition to the other Early Liquidation Events contained in said section, the Outstanding Balance of the Pass-Through Certificates pending repayment is less than 10 percent of the initial Outstanding Balance and provided that the payment obligations derived from the Bonds issued by the Fund may be honoured and settled in full in the Priority of Payments.

(iv) At all events, upon the Fund being finally liquidated on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day).

(v) Upon the Fund constitution terminating in the event that the Rating Agencies should not confirm the assigned provisional ratings as final ratings by the start of the Subscription Period.

0.8 Risks inherent in the Bonds.

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

The holders of the Bonds issued by the Fund shall bear the risk of default on the Pass-Through Certificates pooled therein.

b) Mortgage Loan prepayment risk.

There will be an early amortisation of the Pass-Through Certificates pooled in the Fund when the Mortgage Loans Obligors prepay the portion of principal pending repayment, on the terms provided for in each of the deeds recording the grant of the Mortgage Loans, or in the event that BANCO DE VALENCIA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so or in any event having the same effect.

That prepayment risk shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds.

c) Limited Hedging.

A high level of default on the Mortgage Loans might reduce or indeed eliminate the limited hedging against Mortgage Loan portfolio losses that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Offering Circular. Moreover, the degree of subordination in payment of interest and repayment of principal of the Series C Bonds with respect to the Series A Bonds and the Series B Bonds, and of the latter with respect to the Series A Bonds, derived from the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

d) Liquidity.

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

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

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

e) Yield.

Mortgage Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' employment and economic status and the general level of economic activity, preventing their predictability.

Calculation of the internal rate of return, average life and duration of the Bonds contained in the Offering Circular is subject, inter alia, to assumed Mortgage Loan prepayment and delinquency rates that may not be fulfilled, and to future market interest rates, given the floating nature of the nominal interest rate of each Series.

f) Late-payment interest.

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

0.9 No right of action.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against Mortgage Loan Obligors who may have defaulted on their payment obligations thereunder. Any such rights shall lie with the Management Company, representing the Fund holding the Pass-Through Certificates.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of non-payment of amounts due by the Fund resulting from the existence of delinquency or early amortisation of the Pass-Through Certificates, a breach by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

The Bondholders and the remaining creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties.

CHAPTER I

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

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

I.1.1 Individuals taking responsibility for the contents of the Offering Circular on behalf of the Management Company.

Mr Mario Masiá Vicente, of full age, who holds Spanish Tax Identification number 50,796,768-A, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the "**Management Company**"), sponsoring VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS (the "**Fund**"), takes responsibility for the contents of this Offering Circular.

Mr Mario Masiá Vicente is acting as General Manager of the Management Company using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, and expressly for constituting the Fund pursuant to authorities conferred by the Board of Director's Executive Committee at its meeting held on February 2, 2004.

EUROPEA DE TITULIZACIÓN S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN has its registered office at Madrid, Calle Lagasca, number 120, and VAT Reg. no. A-80514466.

I.1.2 Declaration by the above-mentioned individual(s) on the information contained in the Offering Circular.

Mr Mario Masiá Vicente declares that the facts and figures contained in the Offering Circular are truthful and that no relevant detail has been omitted nor has misleading information been included.

I.2 Supervisory Bodies.

The constitution of the Fund and issue of the Asset-Backed Bonds (hereinafter also the "**Bonds**") are subject to the condition precedent of the registration in the Official Registers of the Comisión Nacional del Mercado de Valores (the "**CNMV**") of the Offering Circular and other supporting documents, in accordance with the provisions of article 5.3 of Royal Decree 926/1998.

This full Offering Circular regarding the constitution of the Fund and issue of the Bonds has been entered in the Official Registers of the CNMV on April 23, 2004.

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

I.3 Audit report on the assets securitised through the Fund.

Appendix V to this Offering Circular contains the audit report on certain attributes of a selection of portfolio mortgage loans of BANCO DE VALENCIA, which shall mostly be assigned to the Fund, making up the Mortgage Loans assigned to the Fund by means of the issue of the Pass-Through Certificates. That Report was drawn up by the firm DELOITTE & TOUCHE ESPAÑA, S.L. ("**DELOITTE**"), entered in the Official Register of Auditors (ROAC) under number S0692 and having its registered office in Madrid, Raimundo Fernández Villaverde number 65.

In addition to other matters, that report deals with verifying fulfilment of certain terms required by Act 2/1981 for issuing the mortgage certificates (real estate mortgage security, mortgage ranking first in the fee absolute of the mortgaged property, appraisal of the mortgage property, current balance -outstanding principal- not in excess of 80% of the appraisal value specified in the appraisal certificate in force upon verification and damage insurance), and additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, for issuing pass-through certificates, because it has not been checked that the purpose of the mortgage loan is to finance the building, renovation and acquisition of homes.

That audit was made using sampling techniques consisting of analysing a number of loans fewer (sample) than the full selection of loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative features regarding the sample mortgage loans and specifically regarding: nature of the loan, identification of the borrower, address of the mortgaged property, date of origination, date of maturity, initial amount, current balance, reference rate, spread, current loan-to-value ratio and appraisal value, arrears in payment, damage insurance and mortgage security. Loans in respect of which errors are detected in verifying the sample shall not be included by BANCO DE VALENCIA for issuing the Pass-Through Certificates.

CHAPTER II

INFORMATION REGARDING THE SECURITIES ISSUED BY THE FUND

II.1 Information on prerequisites and resolutions necessary.

II.1.1 Issue resolutions and statutory requirements.

a) Corporate resolutions.

Resolution to assign mortgage loans by means of the issue of pass-through certificates:

At its meeting of October 17, 2003, the Board of Directors of BANCO DE VALENCIA S.A. ("**BANCO DE VALENCIA**") resolved that the issue of pass-through certificates (the "**Pass-Through Certificates**") to be subscribed for by an Asset Securitisation Fund be authorised. That resolution was amended by the Board of Directors at its meeting dated February 27, 2004.

Attached as Appendix II to this Offering Circular is a photocopy of transcripts of the resolutions of the Board of Directors of BANCO DE VALENCIA.

Resolution to set up the Fund:

At its meeting of February 2, 2004, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the "**Management Company**") resolved that VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in accordance with the legal system for which provision is made in Act 19/1992 and in Royal Decree 926/1998, that the Pass-Through Certificates issued by BANCO DE VALENCIA be subscribed for, and that the Bonds be issued by the Fund.

Attached as Appendix III is a photocopy of transcripts of the resolutions of the Executive Committee of the Management Company's Board of Directors.

b) Registration by the CNMV.

This Offering Circular regarding the constitution of the Fund and issue of the Bonds has been entered by the CNMV in its Official Registers on April 23, 2004.

c) Execution of the Fund public deed of constitution.

Before the Bond Subscription Period is opened, the Management Company and BANCO DE VALENCIA, issuer of the Pass-Through Certificates to be subscribed for by the Fund, shall proceed to execute a public deed whereby VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS will be constituted, the Pass-Through Certificates will be issued and subscribed for, and the Bond Issue will be made (the "**Deed of Constitution**"), on the terms provided in article 6 of Royal Decree 926/1998.

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

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

The Bonds issued by the Fund shall be exclusively represented by means of book entries and the Fund Deed of Constitution shall have the effects provided in article 6 of the Securities Market Act. The Management Company shall, for and on behalf of the Fund, forthwith upon the execution of the Deed of Constitution, apply for the issue to be included in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (either "**Systems Company**" or "**Iberclear**") or any other institution hereafter taking its stead, and, once the Bonds have been paid up, for this Bond issue to be included on AIAF Fixed-Income Market ("**AIAF**"), which is a recognised official secondary securities market pursuant to Transitional Provision six of Securities Market Act Reform Act 37/1998, November 16, in order for the Bonds to be traded, cleared and settled in accordance with the operating rules which may be established now or henceforth by Iberclear and

AIAF, or any other replacement institution. It is expected that definitive AIAF listing will be achieved not later than one month after the Closing Date and shall at all events have taken place by the first Payment Date (August 24, 2004).

II.2 Prior administrative authorisation of the Bond Issue.

No prior administrative authorisation other than prior registration of the Offering Circular by the CNMV is required.

II.3 Assessment of the risk inherent in the Bonds.

The Management Company has entrusted the assessment of the credit risk of the Bonds to Moody's Investors Service España, S.A. and Fitch Ratings España, S.A., which rating agencies (jointly the "**Rating Agencies**") are recognised by the CNMV, for the purposes of the provisions of article 2.3.b) of Royal Decree 926/1998.

Moody's Investors Service España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Moody's Investors Service Limited (each of them "**Moody's**" without distinction).

On April 20, 2004, Moody's Investors Service España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

Bond Series	Moody's Rating
Series A	**Aaa**
Series B	**A2**
Series C	**Baa3**

Fitch Ratings España, S.A. is an affiliated Spanish company operating in accordance with the methodology, standards and quality control of Fitch Ratings Limited (each of them "**Fitch**" without distinction).

On April 20, 2004, Fitch Ratings España, S.A. assigned the following provisional ratings to each of the Bond Series, and expects to assign the same final ratings by the start of the Bond Subscription Period.

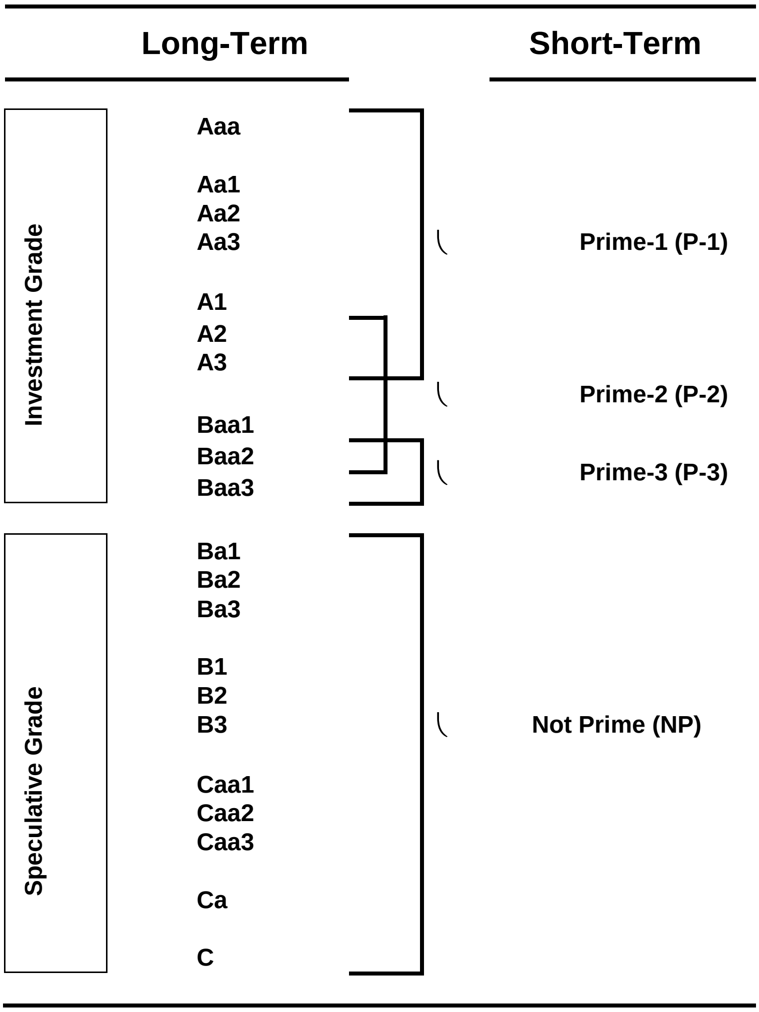
Bond Series	Fitch Rating
Series A	**AAA**
Series B	**A+**
Series C	**BBB+**

If the Rating Agencies should not confirm the assigned provisional ratings as final by the start of the Subscription Period, this circumstance would forthwith be notified to the CNMV and be publicised in the manner for which provision is made in section III.5.2.c). Furthermore, this circumstance would result in the Fund constitution, the issue of and subscription for the Pass-Through Certificates and the Bond Issue being terminated.

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

Ratings given by Moody's.

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



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

Long-Term

Aaa Bonds which are rated "Aaa" are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt-edged". Interest payments are protected by a large or by an exceptionally stable margin and the principal is secure.

Aa Bonds which are rated "Aa" are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risk appear somewhat larger than the Aaa securities.

A Bonds which are rated "A" possess many favourable investment attributes and are to be considered as upper-medium-grade obligations. Factors giving security to principal and interest payments are considered adequate, but elements may be present which suggest a susceptibility to impairment some time in the future.

Baa Bonds which are rated "Baa" are considered as medium-grade obligations. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

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

Short-Term

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

Ratings given by Fitch.

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

Long-Term	Short-Term
AAA **AA+** **AA**	**F1+**
AA- **A+** **A**	**F1**
A- **BBB+**	**F2**
BBB **BBB-**	**F3**
BB+ **BB** **BB-** **B+** **B** **B-**	**B**
CCC+ **CCC** **CCC-** **CC** **C**	**C**
DDD **DD** **D**	**D**

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

Long-Term

AAA Highest credit quality. "AAA" ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of principal and interest on financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA Very high credit quality. "AA" ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of principal and interest on financial commitments. This capacity is not significantly vulnerable to foreseeable events

A High credit quality. "A" ratings denote a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances and in economic conditions than is the case for higher ratings.

BBB Good credit quality. "BBB" ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of principal and interest on financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

Short-Term

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

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

Rating considerations.

The ratings assigned to each of the Bond Series by Moody's measure the expected loss before the Final Maturity Date, and that the structure allows prompt payment of interest and payment of principal during the life of the transaction and, in any event, before the Final Maturity Date.

The ratings assigned to each of the Bond Series by Fitch measure the Fund's ability to meet payments of interest as they fall due on each set Payment Date and repayment of the principal throughout the life of the transaction and, in any event, before the Final Maturity Date, in accordance with the terms stipulated for each Series in the Offering Circular and in the Deed of Constitution allowing Series B and C Bond interest payment to be deferred in certain circumstances. This means that interest on these Bonds might not be received for a period of time if the circumstances established for deferment should occur, although such deferment shall not be an event of default on the Bonds.

The rating takes into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the mortgage loans selected for the issue of the Pass-Through Certificates and the regularity and continuity of the operating flows.

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

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

(i) are assigned by the Rating Agencies based on manifold information received with respect to which they give no assurance, nor even as to their accuracy or wholeness, wherefore the Rating Agencies may in no event be deemed to be responsible therefor; and

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

The Rating Agencies may revise, suspend or withdraw the final ratings assigned at any time, based on any information that may come to their notice. Those events, which shall not constitute early liquidation events of the Fund, shall forthwith be notified to both the CNMV and the Bondholders, in accordance with the provisions of section III.5.2.

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

Undertakings by the Management Company.

The Management Company, on behalf of the Fund, agrees to report regularly to the Rating Agencies as to the status of the Fund and the performance of the Pass-Through Certificates in order that they can monitor the rating of the Bonds. It shall also report when reasonably required to do so and in any event whenever there is a change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the parties concerned.

II.4 Nature and denomination of the Bonds offered.

The amount of the issue of asset-backed bonds (the "**Bond Issue**" and the "**Bonds**") totals a face value of EUR four hundred and seventy-two million (472,000,000.00) and consists of four thousand seven hundred and twenty (4,720) Bonds pooled in three Bond Series (Series A, Series B and Series C) as detailed in section II.6 below.

II.4.1 Legal system of the securities, specifying the procedures guaranteeing the certainty and effectiveness of the rights of their first and subsequent holders.

The constitution of and the Bond Issue by the Fund are carried out pursuant to Royal Decree 926/1998 and Act 19/1992 failing a provision in Royal Decree 926/1998 and to the extent applicable, and pursuant to Act 3/1994, as worded by article 18 of Act 44/2002.

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

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

The Bonds may be freely transferred by any means admissible at Law and in accordance with the rules of the market on which they are traded. A transfer in the accounts will convey the ownership of each Bond. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties. In this sense, no claim may be lodged against a third party acquiring the Bonds represented by book entries for valuable consideration from whoever has capacity to transfer the same, according to the book entries, unless he acted in bad faith or with gross negligence at the time of the acquisition.

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

II.4.2 Servicing implications in each of the Bond Series of the compulsory connection between the schedule of principal and interest payments on those Bonds and the cash flows of the assets securitised through the Fund.

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

II.4.3 Other implications and risks that might, due to the legal and economic nature of the assets pooled in the Fund, affect servicing of the Bonds.

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

The holders of the Bonds issued by the Fund shall bear the risk of default on the Pass-Through Certificates pooled therein.

BANCO DE VALENCIA shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Loans. BANCO DE VALENCIA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Pass-Through Certificates, other than where any of these fail to conform upon the Fund being constituted to the representations contained in section

IV.1.1 of the Offering Circular, or the specific characteristics of the Mortgage Loans notified by BANCO DE VALENCIA to the Management Company upon the Fund being constituted, due to a failure by the relevant Mortgage Loan to so conform, or upon the Fund being constituted that Mortgage Loan should be affected by any of the circumstances BANCO DE VALENCIA has declared to be unaware of.

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

b) Early amortisation risk of the Pass-Through Certificates.

There will be an early amortisation of the Pass-Through Certificates pooled in the Fund when the Mortgage Loan Obligors prepay the portion of principal pending repayment, on the terms set in each of the Mortgage Loan documents. Similarly, there will be a full amortisation of the Pass-Through Certificates in the event that BANCO DE VALENCIA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so, subject to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 ("**Act 2/1994**") or in any event having the same effect.

That early amortisation risk shall pass quarterly on each Payment Date to the Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of section II.11.3.1 of this Offering Circular.

c) Limited Hedging.

An investment in the Bonds may be affected, among other circumstances, by a downturn in general economic conditions adversely affecting payments of the Mortgage Loans backing the Bond Issue of the Fund. A high level of default on the Mortgage Loans might reduce or indeed eliminate the limited hedging against Mortgage Loan portfolio losses that the Bonds have as a result of the existence of the credit enhancement transactions described in section V.3 of this Offering Circular. Moreover, the degree of subordination in payment of interest and repayment of principal of the Series C Bonds with respect to the Series A Bonds and the Series B Bonds, and of the latter with respect to the Series A Bonds, derived from their position in the application of the Available Funds and from the rules for Distribution of Available Funds for Amortisation between each Series in the Fund Priority of Payments, is a mechanism for distinctly hedging the different Series.

d) Liquidity.

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

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

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

e) Yield.

Mortgage Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' employment and economic status and the general level of economic activity, preventing their predictability.

Calculation of the internal rate of return, average life and duration of the Bonds contained in the Offering Circular is subject, inter alia, to assumed Mortgage Loan prepayment and delinquency rates that may not be fulfilled, and to future market interest rates, given the floating nature of the nominal interest rate of each Series.

f) Late-payment interest.

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

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

The Bonds issued by the Fund will be exclusively represented by means of book entries, and will become such Bonds when entered at Iberclear, the institution in charge of the accounting record. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

Iberclear shall be the institution designated in the Deed of Constitution to account for the Bonds in order for the Bonds to be cleared and settled in accordance with the operating rules regarding securities listed on the AIAF, and represented by book entries, established now or henceforth by Iberclear or AIAF or any other replacement institution. Such designation shall be entered in the Official Registers of the CNMV.

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

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., has its place of business at Calle Pedro Teixeira, no. 8, Madrid.

II.6 Bond Issue amount.

The Bond Issue amount totals a face value of EUR four hundred and seventy-two million (472,000,000.00) and consists of four thousand seven hundred and twenty (4,720) Bonds denominated in euros and comprised of three Bond Series distributed as follows:

i) Series A having a total face amount of EUR four hundred and fifty-four million three hundred thousand (454,300,000.00) comprising four thousand five hundred and forty-three (4,543) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A**" or the "**Series A Bonds**").

ii) Series B having a total face amount of EUR eleven million eight hundred thousand (11,800,000.00) comprising one hundred and eighteen (118) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or the "**Series B Bonds**").

iii) Series C having a total face amount of EUR five million nine hundred thousand (5,900,000.00) comprising fifty-nine (59) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series C**" or the "**Series C Bonds**").

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

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

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

II.7 Face and actual amounts of each Bond.

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

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

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

The Fund, as Bond issuer, shall neither shift to nor charge the investor any expense item whatsoever for subscribing for the Bonds. The issue price detailed in section II.7 above is clear of taxes and subscription costs for the subscriber through the Fund.

II.9 Fees borne by the holders of the Bonds.

The expenses of including the Bond Issue in the accounting record of Iberclear shall be borne by the Fund and may not be shifted to the Bondholders. Iberclear charges no fee whatsoever for maintaining a balance.

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

II.10 Bond Interest rate clause.

II.10.1 Nominal interest rate.

The Bonds in each Series shall accrue a yearly nominal interest, from the Closing Date until they mature fully, variable and payable quarterly, which shall be the result of applying the policies established hereinafter for each of the Series.

The resultant yearly nominal interest rate for each of the Series (the "**Nominal Interest Rate**") shall be payable by Interest Accrual Periods in arrears on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series, provided that the Fund has sufficient liquidity in the Priority of Payments.

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

II.10.1.1 Interest Accrual.

The term of this issue shall be divided into successive interest accrual periods ("**Interest Accrual Periods**") comprising the exact number of days elapsed between every two consecutive Payment Dates, each Interest Accrual Period including the beginning Payment Date but not including the ending Payment Date. Exceptionally, the duration of the first Interest Accrual Period shall be equivalent to the days elapsed between the Closing Date, inclusive, and the first Payment Date, to wit August 24, 2004, exclusive.

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

II.10.1.2 Nominal Interest Rate.

The Nominal Interest Rate applicable to each of the Series determined for each Interest Accrual Period shall be the result of adding:

(i) the Reference Rate as established in paragraph II.10.1.3 below, and

(ii) a margin for each Series as follows:

- **Series A:** 0.185% margin.
- **Series B:** 0.530% margin.
- **Series C:** 1.050% margin.

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

II.10.1.3 Reference Rate and determining the same.

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

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

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation, bearing in mind the number of days in the first Interest Accrual Period, between the three- (3-) month Euribor rate and the six- (6-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

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

Where:
IR = Reference Rate for the first Interest Accrual Period.
D = Number of days in the first Interest Accrual Period.
E3 = Three- (3-) month Euribor rate.
E6 = Six- (6-) month Euribor rate.

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

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

ii) In the event that the Euribor rate established in paragraph (i) above should not be available or be impossible to obtain, the substitute Reference Rate shall be the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a three- (3-) month maturity in an amount equivalent to the Outstanding Principal Balance of the Bond Issue, declared by four (4) prime banks in the Euro zone, following a simultaneous request to the headquarters of each of them made by the Paying Agent after and around 11am (CET time) on the Interest Rate Fixing Date.

Exceptionally, the substitute Reference Rate for the first Interest Accrual Period shall be the rate resulting from the straight-line interpolation between the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a three- (3-) month maturity and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable deposit transactions in euros with a six- (6-) month maturity, both in an amount equivalent to the face amount of the Bond Issue, declared by the banks in accordance with the provisions of paragraph one above, following a simultaneous request to the headquarters of each of them made by the Paying Agent after and around 11am (CET time) on the second Business Day preceding the Closing Date.

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

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

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

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

II.10.1.4 Interest Rate Fixing Date.

The Nominal Interest Rate applicable to each of the Bond Series for every Interest Accrual Period shall be determined by the Management Company, for and on behalf of the Fund, as provided in sections II.10.1.2 and II.10.1.3 above, on the second Business Day before each Payment Date (the "**Interest Rate Fixing Date**") and will apply for the following Interest Accrual Period.

Exceptionally, the Management Company shall determine the Nominal Interest Rate of the Bonds in each of the Series for the first Interest Accrual Period as provided in sections II.10.1.2 and II.10.1.3 above, on the second Business Day preceding the Closing Date, and shall notify the same in writing by the start of the Subscription Period to the Underwriters and Placement Agents in order to be reported to investors interested in subscribing for the Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, the AIAF and Iberclear.

The Nominal Interest Rates determined for each of the Bond Series for successive Interest Accrual Periods shall be communicated to the Bondholders within the time period and in the manner for which provision is made in sections III.5.2.a) and c).

II.10.1.5 Formula for calculating the interest.

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

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

Where:

I = Interest payable on a given Payment Date.
P = Outstanding Principal Balance of the Bonds in the Series at the beginning of the Interest Accrual Period for that Payment Date.
R = Nominal interest rate of the Series expressed as a yearly percentage.
d = Number of days actually corresponding to each Interest Accrual Period.

a) Example for fixing the Nominal Interest Rate.

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

	(Amounts in EUR)	Series A Bonds	Series B Bonds	Series C Bonds
1	Outstanding Principal Balance per Bond	100,000.00	100,000.00	100,000.00
2	Interest Accrual Period days	118	118	118
3	3- to 6-month interpolated Euribor rate*	2.0550	2.0550	2.0550
4	Margin	0.185	0.530	1.050
5	Nominal Interest Rate: rounded to the nearest thousandth of a percentage point	2.240	2.585	3.105
6	Calculation of interest amount payable per Bond (1)x(2)x(5)/36000	734.22	847.31	1,017.75

* 3-month Euribor 2.051% and 6-month Euribor 2.064%, as of April 15, 2004.

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

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

Dates	3-month Euribor	Series A Bonds	Series B Bonds	Series C Bonds
April 15, 2004	2.051	2.236	2.581	3.101
March 22, 2004	2.025	2.210	2.555	3.075
February 20, 2004	2.061	2.246	2.591	3.111
January 22, 2004	2.075	2.260	2.605	3.125
December 22, 2003	2.140	2.325	2.670	3.190
November 20, 2003	2.151	2.336	2.681	3.201
October 22, 2003	2.152	2.337	2.682	3.202
September 22, 2003	2.141	2.326	2.671	3.191
August 21, 2003	2.141	2.326	2.671	3.191
July 22, 2003	2.133	2.318	2.663	3.183
June 20, 2003	2.142	2.327	2.672	3.192
May 22, 2003	2.358	2.543	2.888	3.408
April 22, 2003	2.552	2.737	3.082	3.602
March 20, 2003	2.544	2.729	3.074	3.594
February 20, 2003	2.679	2.864	3.209	3.729
January 22, 2003	2.825	3.010	3.355	3.875
December 20, 2002	2.943	3.128	3.473	3.993
November 21, 2002	3.045	3.230	3.575	4.095
October 22, 2002	3.258	3.443	3.788	4.308
September 20, 2002	3.300	3.485	3.830	4.350
August 22, 2002	3.369	3.554	3.899	4.419
July 22, 2002	3.401	3.586	3.931	4.451
June 20, 2002	3.467	3.652	3.997	4.517
May 22, 2002	3.487	3.672	4.017	4.537

II.10.2 Dates, place, institutions and procedure for paying interest.

Interest on the Bonds in each of the Series will be paid until they are finally amortised by Interest Accrual Periods in arrears on February 24, May 24, August 24 or November 24, or the following Business Day if any of those is not a Business Day (each of those dates, a "**Payment Date**"), on the terms established in section II.10.1. of this Offering Circular.

In the event that any of February 24, May 24, August 24 and November 24 should not be a Business Day, the Payment Date shall be the following Business Day, and interest for the then-current Interest Accrual Period will accrue until said first Business Day, not inclusive.

The first interest Payment Date for the Bonds in each of the Series shall be August 24, 2004, and interest will accrue at the applicable nominal interest rate between the Closing Date, inclusive, and August 24, 2004, exclusive.

For the purposes of the Bond Issue, business days (“**Business Days**”) shall be deemed to be all days other than a:

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

Both interest resulting for the Bondholders in each of the Series and the amount, if any, of interest accrued and not paid, shall be notified to the Bondholders as described in section III.5.2 of this Offering Circular, at least one (1) calendar day in advance of each Payment Date.

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

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

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

The Fund, through its Management Company, may not defer Bond interest payment beyond the Final Maturity Date, February 24, 2036, or the following Business Day if that is not a Business Day.

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

II.10.3 Simple confirmation of the priority of the interest payment of the securities issued by the Fund in the Fund priority of payments, and specification of the section of this Offering Circular in which the rules of priority established in the Fund’s payments are described, and specifically those affecting interest payments on those securities.

Payment of interest accrued by the Series A Bonds is third (3^{rd}) in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2.

Payment of interest accrued by the Series B Bonds is fourth (4^{th}) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2, other than in the event provided for in that same section for the same to be deferred, in which case it shall be eighth (8^{th}).

Furthermore, payment of interest accrued by the Series C Bonds is fifth (5^{th}) in the application of Available Funds in the Priority of Payments established in said section V.4.2.1.2, other than in the event provided for in that same section for the same to be deferred, in which case it shall be ninth (9^{th}).

II.11 Amortisation of the Bonds.

II.11.1 Bond redemption price.

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

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

II.11.2 Specific characteristics of the amortisation of each of the Bond Series.

II.11.2.1 Amortisation of Series A Bonds.

Series A Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series A, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.5 and V.4.2.2.2., pro rated between the Bonds in Series A proper by reducing the face amount of each Series A Bond. The first partial amortisation of the Series A Bonds shall take place on the first Payment Date (August 24, 2004).

The final amortisation of the Series A Bonds shall occur on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.2, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.2.2 Amortisation of Series B Bonds.

Series B Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series B, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.5 and V.4.2.2.2., pro rated between the Bonds in Series B proper by reducing the face amount of each Series B Bond.

The first partial amortisation of Series B Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series B and of Series C are respectively equal to or greater than 5.00% and 2.50% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall also be applied to the amortisation of Series B, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, such that the above ratio between the Outstanding Principal Balances of Series B and of the Bond Issue is kept at 5.00%, or a higher percentage closest thereto. The partial amortisation of Series B Bonds may however be stopped in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series.

The final amortisation of the Series B Bonds shall occur on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.2, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.2.3 Amortisation of Series C Bonds.

Series C Bond principal shall be amortised by partial amortisation on each of the Payment Dates after their amortisation begins until their total face amount has been fully amortised, in an amount equal to the Available Funds for Amortisation applied on each Payment Date to amortising Series C, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series contained in sections II.11.3.1.5 and V.4.2.2.2., pro rated between the Bonds in Series C proper by reducing the face amount of each Series C Bond.

The first partial amortisation of Series C Bonds shall occur on the Payment Date immediately after the Payment Date on which the Outstanding Principal Balance of Series B and of Series C are respectively equal to or greater than 5.00% and 2.50% of the Outstanding Principal Balance of the Bond Issue. After that Payment Date, the Available Funds for Amortisation shall also be applied to the amortisation of Series C, in accordance with the rules for Distribution of Available Funds for Amortisation between each Series, such that the above ratio between the Outstanding Principal Balances of Series C and of the Bond Issue is kept at 2.50%, or a higher percentage closest thereto. The partial amortisation of Series C Bonds may however be stopped in certain circumstances for which provision is made in the rules for Distribution of Available Funds for Amortisation between each Series.

The final amortisation of the Series C Bonds shall occur on the Final Maturity Date (February 24, 2036 or the following Business Day if that is not a Business Day), notwithstanding the partial amortisations for which provision is made and the fact that the Management Company may, for and on behalf of the Fund, and in accordance with the provisions of section II.11.3.5, proceed to the Early Amortisation of the Bond Issue before the Final Maturity Date.

II.11.3 Common characteristics applicable for amortising the Bonds in each of the Series.

II.11.3.1 Partial amortisation.

Irrespective of the Final Maturity Date and without prejudice to the Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to make partial amortisations of the Bonds in each Series on the Payment Dates in accordance with the specific amortisation terms for each of the Series as established in section II.11.2 of this Offering Circular and on the terms described hereinafter in this section common to the three Bond Series.

II.11.3.1.1 Determination Dates.

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

II.11.3.1.2 Outstanding Principal Balance of the Bonds.

The Outstanding Principal Balance of a Series shall be the principal pending repayment (outstanding balance) on a given date of all the Bonds in that Series, such to include the principal amounts that should have been repaid, as the case may be, and were not paid due to a shortage of Available Funds for Amortisation of the Bonds, in the Fund Priority of Payments.

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

II.11.3.1.3 Outstanding Balance of the Pass-Through Certificates.

The Outstanding Balance of the Pass-Through Certificates on a given date shall be the sum of the capital or principal not yet due and the capital or principal due and not paid into the Fund on each and every one of the Pass-Through Certificates on that date.

Moreover, this definition can also be applied to a Pass-Through Certificate, the Outstanding Balance being the sum of the capital or principal not yet due and the capital or principal due and not paid into the Fund on the specific Pass-Through Certificate on a given date.

II.11.3.1.4 Available Funds for Amortisation on each Payment Date and Amortisation Deficiency.

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

a) The positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the Determination Date preceding the relevant Payment Date, and (ii) the Outstanding Balance of the Pass-Through Certificates on the relevant Payment Date, in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

b) Depending on the liquidity existing on that Payment Date, the Available Funds remaining after deducting the amounts applied to items numbers 1 to 5 in the application of Available Funds in the Priority of Payments.

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

II.11.3.1.5 Distribution of Available Funds for Amortisation between each Series.

The Available Funds for Amortisation shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules ("**Distribution of Available Funds for Amortisation between each Series**"):

1. Until the first Payment Date (inclusive) on which the ratio of the Outstanding Principal Balances of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively equal to or greater than 5.00% and 2.50%, the Available Funds for Amortisation shall be fully applied to amortising the Series A Bonds.

2. From the Payment Date immediately after the date on which the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue, as provided for in rule 1, is respectively equal to or greater than said 5.00% and 2.50%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, in such a way that the ratio of the Outstanding Principal Balances of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively kept at 5.00% and 2.50%, or closest higher percentages.

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

   a) That the amount of the Cash Reserve provisioned is less than the Required Cash Reserve.

   b) That there is an Amortisation Deficiency.

   c) That on the Determination Date preceding the relevant Payment Date the amount of (i) the sum of the Outstanding Balance of Pass-Through Certificates with an arrears in excess of three (3) months and less than eighteen (18) months in payment of amounts due in relation to (ii) the Outstanding Balance of Pass-Through Certificates being, on that same date, in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months in payment, is in excess of 1.50%.

3. From the Payment Date, inclusive, on which the amount of the Outstanding Balance of the Pass-Through Certificates is less than 10 percent of the initial Outstanding Balance upon the Fund being constituted or on the last Payment Date or Fund liquidation date, the Available Funds for Amortisation shall be sequentially applied firstly to amortising Series A until it is fully amortised, secondly to amortising Series B until it is fully amortised, and thirdly to amortising Series C until it is fully amortised.

II.11.3.2 Early Amortisation of the Bond Issue.

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

II.11.3.3 Final Maturity Date.

The Final Maturity Date and consequently the final amortisation of the Bonds is February 24, 2036 or the following Business Day if that is not a Business Day, without prejudice to the Management Company, for and on behalf of the Fund, and in accordance with the provisions of sections II.11.3.1 and II.11.3.2, proceeding to amortise all or some of the Series in the Bond Issue before the Final Maturity Date.

II.11.4 Simple confirmation of the priority of Bond principal payments in the Fund priority of payments.

The amortisation withholding amount allocated to repaying Series A, B and C Bond principal is sixth (6th) in the application of Available Funds in the Priority of Payments established in section V.4.2.1.2 of this Offering Circular.

Repayment of Series A, B and C Bond principal shall take place in accordance with the rules for Distribution of Available Funds for Amortisation between each Series established in section II.11.3.1.5 and in section V.4.2.2.2 of this Offering Circular.

II.12 Servicing of the Bonds in each Series.

The Bond Issue will be serviced through BANCAJA as the Paying Agent. Payment of interest and amortisations shall be notified to the Bondholders in the events and in such advance as may be provided for each case in section III.5.2. Interest and amortisations shall be paid to the Bondholders by the relevant members of Iberclear and to the latter in turn by Iberclear, the institution responsible for the accounting record, or any other replacement institution.

a) Servicing tables for the Bonds in each Series.

The main characteristic of the Bonds in this Issue is that their periodic amortisation depends on the aggregate performance of the Mortgage Loans.

The average life, yield, term and final maturity of the Bonds in each Series depend on several factors, most significant among which are the following:

i) The repayment schedule and system of each of the Mortgage Loans established in the relevant contracts.

ii) Obligors' capacity to prepay the Mortgage Loans in whole or in part and the aggregate repayment pace throughout the life of the Fund.

iii) The floating interest rates which shall apply to each of the Mortgage Loans, which shall result in the amount repaid on every instalment differing.

iv) The Obligors' delinquency in payment of Mortgage Loan instalments.

In this sense, Mortgage Loan prepayments by Obligors, subject to continual changes, and estimated in this Offering Circular using several performance assumptions of the future effective constant annual early amortisation or prepayment rate (hereinafter also "**CPR**"), are very significant and shall directly affect the pace at which the Bonds are amortised, and therefore their average life and duration.

The following assumptions have been made for the above-mentioned factors in calculating the details in the tables contained in this section:

- Pass-Through Certificate interest rate: 3.40% weighted average interest rate % as of March 17, 2004 of the portfolio of selected mortgage loans which has been used for calculating the repayment instalments and interest of each of the selected mortgage loans;
- Pass-Through Certificate delinquency: 0.10% of the Outstanding Balance of the Pass-Through Certificates, with 100% recoveries within 15 months of becoming delinquent;
- Pass-Through Certificate defaults rated as bad debts: 0%;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is April 28, 2004;
- that there is no Amortisation Deficiency, and
- that there is no extension of the term of any of the selected mortgage loans as provided for in section IV.2.1.10.b) of this Offering Circular.

Finally, the actual adjusted life of the Bonds will also depend on their floating interest rate. The following nominal interest rates are assumed for each Series for the first Interest Accrual Period:

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	2.240%	2.585%	3.105%

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

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	2.236%	2.581%	3.101%

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section III.7.1 of this Offering Circular when the Outstanding Balance of the Pass-Through Certificates is less than 10% of their initial amount upon the Fund being constituted, the average life, return (IRR), duration and final maturity of the Bonds in each Series for different CPRs shall be as follows:

% CPR:	**6%**	**8%**	**10%**	**12%**	**14%**
	Series A Bonds				
Average life (years)	6.0	5.4	4.9	4.4	4.0
IRR	2.287%	2.287%	2.287%	2.287%	2.287%
Duration	5.4	4.8	4.4	4.0	3.7
Final maturity	26 02 2018	24 11 2016	24 11 2015	24 11 2014	24 02 2014
(in years)	13.8	12.6	11.6	10.6	10.9
	Series B Bonds				
Average life (years)	9.8	8.8	8.0	7.3	6.6
IRR	2.643%	2.643%	2.643%	2.643%	2.643%
Duration	8.4	7.6	7.0	6.4	5.9
Final maturity	26 02 2018	24 11 2016	24 11 2015	24 11 2014	24 02 2014
(in years)	13.8	12.6	11.6	10.6	10.9
	Series C Bonds				
Average life (years)	9.8	8.8	8.0	7.3	6.6
IRR	3.181%	3.181%	3.181%	3.181%	3.181%
Duration	8.1	7.4	6.8	6.2	5.8
Final maturity	26 02 2018	24 11 2016	24 11 2015	24 11 2014	24 02 2014
(in years)	13.8	12.6	11.6	10.6	10.9

These figures have been calculated using the following formula:

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

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

Where:

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

P = *Principal to be repaid in each Bond Series on each Payment Date, in accordance with the amount to be amortised in each Bond Series, as described in sections II.11.2 and II.11.3 of this Offering Circular.*

d = *Number of days elapsed between the Closing Date and the Payment Date at issue.*
T = *Total face amount in EUR in each Bond Series.*

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

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

Where:

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

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

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

Where:

D = *Duration in each Bond Series expressed in years.*
a_j *=* *Time elapsed (in years) between the Closing Date and each of the n Payment Dates at issue.*
VA_j*=* *Present value of each of the amounts comprising principal and gross interest, payable on each of the n Payment Dates discounted at the actual interest rate (IRR) in every Series.*
PE= *Issue price in every Bond Series.*
i = *Actual interest rate (IRR) in every Series, per unit.*

Final Maturity: *for each of the Series, date on which the Bonds are expected to be finally amortised, assuming that the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option will be exercised when the Outstanding Balance of the Pass-Through Certificates is less than 10% of the initial Outstanding Balance.*

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

- The CPRs are assumed to be constant respectively at 8% and 10% throughout the life of the Bond Issue and, as noted, actual prepayment rates change continually.

- The Outstanding Principal Balance of the Bonds on each Payment Date and hence the interest payable on each such dates shall depend on the actual prepayment rate of the Mortgage Loans.

- The Bond interest rates are assumed to be constant for each Series, from the second Interest Accrual Period, whereas the interest rate of all the Series is known to be variable.

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

- It is assumed that the Management Company will exercise the Early Liquidation of the Fund and thereby the Early Amortisation of the Bond Issue option when the Outstanding Balance of the Pass-Through Certificates is less than 10% of their initial Outstanding Balance upon the Fund being constituted, as provided in section III.8.1 of this Offering Circular.

FLOWS FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER
(AMOUNTS IN EUR)
CPR = 8%

	Series A Bonds			Series B Bonds			Series C Bonds		
Payment Date	**Principal Repayment**	**Interest (gross)**	**Total Flow**	**Principal Repayment**	**Interest (gross)**	**Total Flow**	**Principal Repayment**	**Interest (gross)**	**Total Flow**
28 Apr 2004									
24 Aug 2004	4,752.22	734.22	5,486.44	0.00	847.31	847.31	0.00	1,017.75	1,017.75
24 Nov 2004	3,440.54	544.27	3,984.81	0.00	659.59	659.59	0.00	792.48	792.48
24 Feb 2005	3,351.63	524.61	3,876.24	0.00	659.59	659.59	0.00	792.48	792.48
24 May 2005	3,203.40	488.97	3,692.37	0.00	638.08	638.08	0.00	766.64	766.64
24 Aug 2005	3,182.61	487.15	3,669.76	0.00	659.59	659.59	0.00	792.48	792.48
24 Nov 2005	3,100.63	468.96	3,569.59	0.00	659.59	659.59	0.00	792.48	792.48
24 Feb 2006	3,019.65	451.25	3,470.90	0.00	659.59	659.59	0.00	792.48	792.48
24 May 2006	2,887.56	419.84	3,307.40	0.00	638.08	638.08	0.00	766.64	766.64
24 Aug 2006	2,865.29	417.49	3,282.78	0.00	659.59	659.59	0.00	792.48	792.48
24 Nov 2006	2,789.80	401.12	3,190.92	0.00	659.59	659.59	0.00	792.48	792.48
26 Feb 2007	2,715.29	393.55	3,108.84	0.00	673.93	673.93	0.00	809.71	809.71
24 May 2007	2,588.81	349.57	2,938.38	0.00	623.74	623.74	0.00	749.41	749.41
24 Aug 2007	2,554.79	354.87	2,909.66	0.00	659.59	659.59	0.00	792.48	792.48
26 Nov 2007	2,479.61	347.67	2,827.28	0.00	673.93	673.93	0.00	809.71	809.71
25 Feb 2008	2,406.71	322.56	2,729.27	0.00	652.42	652.42	0.00	783.86	783.86
26 May 2008	2,309.56	308.95	2,618.51	0.00	652.42	652.42	0.00	783.86	783.86
25 Aug 2008	2,265.21	295.90	2,561.11	0.00	652.42	652.42	0.00	783.86	783.86
24 Nov 2008	2,197.50	283.10	2,480.60	0.00	652.42	652.42	0.00	783.86	783.86
24 Feb 2009	1,957.46	273.65	2,231.11	4,412.35	659.59	5,071.94	4,412.35	792.48	5,204.83
25 May 2009	1,879.33	256.76	2,136.09	3,911.03	616.78	4,527.81	3,911.03	741.04	4,652.07
24 Aug 2009	1,850.85	248.99	2,099.84	3,851.77	598.12	4,449.89	3,851.77	718.62	4,570.39
24 Nov 2009	1,795.23	241.15	2,036.38	3,736.01	579.28	4,315.29	3,736.01	695.99	4,432.00
24 Feb 2010	1,740.07	230.89	1,970.96	3,621.22	554.64	4,175.86	3,621.22	666.39	4,287.61
24 May 2010	1,658.96	213.74	1,872.70	3,452.44	513.45	3,965.89	3,452.44	616.89	4,069.33
24 Aug 2010	1,633.18	211.47	1,844.65	3,398.77	507.98	3,906.75	3,398.77	610.33	4,009.10
24 Nov 2010	1,581.76	202.14	1,783.90	3,291.77	485.57	3,777.34	3,291.77	583.39	3,875.16
24 Feb 2011	1,533.05	193.10	1,726.15	3,190.41	463.85	3,654.26	3,190.41	557.31	3,747.72
24 May 2011	1,460.75	178.33	1,639.08	3,039.93	428.37	3,468.30	3,039.93	514.68	3,554.61
24 Aug 2011	1,432.05	175.99	1,608.04	2,980.22	422.76	3,402.98	2,980.22	507.93	3,488.15
24 Nov 2011	1,380.78	167.81	1,548.59	2,873.51	403.10	3,276.61	2,873.51	484.32	3,357.83
24 Feb 2012	1,330.60	159.92	1,490.52	2,769.08	384.15	3,153.23	2,769.08	461.54	3,230.62
24 May 2012	1,266.00	149.00	1,415.00	2,634.65	357.93	2,992.58	2,634.65	430.04	3,064.69
24 Aug 2012	1,225.57	145.08	1,370.65	2,550.51	348.51	2,899.02	2,550.51	418.72	2,969.23
26 Nov 2012	1,177.50	141.08	1,318.58	2,450.48	338.89	2,789.37	2,450.48	407.17	2,857.65
25 Feb 2013	1,130.77	129.92	1,260.69	2,353.22	312.09	2,665.31	2,353.22	374.97	2,728.19
24 May 2013	1,070.24	119.46	1,189.70	2,227.25	286.96	2,514.21	2,227.25	344.77	2,572.02
26 Aug 2013	1,040.53	121.35	1,161.88	2,165.43	291.51	2,456.94	2,165.43	350.24	2,515.67
25 Nov 2013	996.29	111.60	1,107.89	2,073.37	268.08	2,341.45	2,073.37	322.09	2,395.46
24 Feb 2014	957.01	105.97	1,062.98	1,991.61	254.55	2,246.16	1,991.61	305.84	2,297.45
26 May 2014	909.15	100.56	1,009.71	1,892.01	241.56	2,133.57	1,892.01	290.23	2,182.24
25 Aug 2014	883.47	95.42	978.89	1,838.58	229.21	2,067.79	1,838.58	275.39	2,113.97
24 Nov 2014	846.04	90.43	936.47	1,760.67	217.22	1,977.89	1,760.67	260.98	2,021.65
24 Feb 2015	808.68	86.59	895.27	1,682.92	207.99	1,890.91	1,682.92	249.90	1,932.82
25 May 2015	765.04	80.18	845.22	1,592.10	192.61	1,784.71	1,592.10	231.42	1,823.52
24 Aug 2015	744.62	76.75	821.37	1,549.62	184.37	1,733.99	1,549.62	221.51	1,771.13
24 Nov 2015	716.45	73.34	789.79	1,490.99	176.17	1,667.16	1,490.99	211.66	1,702.65
24 Feb 2016	689.40	69.24	758.64	1,434.70	166.34	1,601.04	1,434.70	199.85	1,634.55
24 May 2016	656.14	63.88	720.02	1,365.49	153.46	1,518.95	1,365.49	184.38	1,549.87
24 Aug 2016	631.82	61.55	693.37	1,314.88	147.87	1,462.75	1,314.88	177.66	1,492.54
24 Nov 2016	10,140.40	57.94	10,198.34	21,103.01	139.19	21,242.20	21,103.01	167.24	21,270.25
	100,000.00	**12,227.33**	**112,227.33**	**100,000.00**	**23,113.62**	**123,113.62**	**100,000.00**	**27,770.11**	**127,770.11**

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

	Series A Bonds			Series B Bonds			Series C Bonds		
Payment Date	**Principal Repayment**	**Interest (gross)**	**Total Flow**	**Principal Repayment**	**Interest (gross)**	**Total Flow**	**Principal Repayment**	**Interest (gross)**	**Total Flow**
28 Apr 2004									
24 Aug 2004	5,487.18	734.22	6,221.40	0.00	847.31	847.31	0.00	1,017.75	1,017.75
24 Nov 2004	3,942.31	540.07	4,482.38	0.00	659.59	659.59	0.00	792.48	792.48
24 Feb 2005	3,814.34	517.54	4,331.88	0.00	659.59	659.59	0.00	792.48	792.48
24 May 2005	3,614.44	479.58	4,094.02	0.00	638.08	638.08	0.00	766.64	766.64
24 Aug 2005	3,573.26	475.09	4,048.35	0.00	659.59	659.59	0.00	792.48	792.48
24 Nov 2005	3,457.18	454.67	3,911.85	0.00	659.59	659.59	0.00	792.48	792.48
24 Feb 2006	3,343.66	434.92	3,778.58	0.00	659.59	659.59	0.00	792.48	792.48
24 May 2006	3,169.56	402.25	3,571.81	0.00	638.08	638.08	0.00	766.64	766.64
24 Aug 2006	3,129.39	397.70	3,527.09	0.00	659.59	659.59	0.00	792.48	792.48
24 Nov 2006	3,025.65	379.82	3,405.47	0.00	659.59	659.59	0.00	792.48	792.48
26 Feb 2007	2,924.26	370.41	3,294.67	0.00	673.93	673.93	0.00	809.71	809.71
24 May 2007	2,764.56	327.02	3,091.58	0.00	623.74	623.74	0.00	749.41	749.41
24 Aug 2007	2,715.83	330.02	3,045.85	0.00	659.59	659.59	0.00	792.48	792.48
26 Nov 2007	2,618.13	321.34	2,939.47	0.00	673.93	673.93	0.00	809.71	809.71
25 Feb 2008	2,523.92	296.29	2,820.21	0.00	652.42	652.42	0.00	783.86	783.86
26 May 2008	2,402.66	282.02	2,684.68	0.00	652.42	652.42	0.00	783.86	783.86
25 Aug 2008	2,126.14	268.44	2,394.58	5,586.46	652.42	6,238.88	5,586.46	783.86	6,370.32
24 Nov 2008	2,088.81	256.42	2,345.23	4,346.98	615.97	4,962.95	4,346.98	740.07	5,087.05
24 Feb 2009	2,010.39	247.30	2,257.69	4,183.78	594.07	4,777.85	4,183.78	713.76	4,897.54
25 May 2009	1,901.52	230.69	2,132.21	3,957.21	554.16	4,511.37	3,957.21	665.81	4,623.02
24 Aug 2009	1,863.79	222.51	2,086.30	3,878.69	534.50	4,413.19	3,878.69	642.18	4,520.87
24 Nov 2009	1,795.14	214.30	2,009.44	3,735.84	514.79	4,250.63	3,735.84	618.50	4,354.34
24 Feb 2010	1,727.88	204.04	1,931.92	3,595.86	490.15	4,086.01	3,595.86	588.90	4,184.76
24 May 2010	1,633.02	187.84	1,820.86	3,398.44	451.22	3,849.66	3,398.44	542.13	3,940.57
24 Aug 2010	1,599.62	184.84	1,784.46	3,328.95	444.01	3,772.96	3,328.95	533.47	3,862.42
24 Nov 2010	1,538.40	175.70	1,714.10	3,201.53	422.06	3,623.59	3,201.53	507.09	3,708.62
24 Feb 2011	1,480.39	166.91	1,647.30	3,080.81	400.94	3,481.75	3,080.81	481.72	3,562.53
24 May 2011	1,398.23	153.28	1,551.51	2,909.83	368.21	3,278.04	2,909.83	442.39	3,352.22
24 Aug 2011	1,364.14	150.46	1,514.60	2,838.88	361.43	3,200.31	2,838.88	434.24	3,273.12
24 Nov 2011	1,306.43	142.66	1,449.09	2,718.78	342.70	3,061.48	2,718.78	411.75	3,130.53
24 Feb 2012	1,250.48	135.20	1,385.68	2,602.34	324.77	2,927.11	2,602.34	390.20	2,992.54
24 May 2012	1,180.70	125.27	1,305.97	2,457.14	300.92	2,758.06	2,457.14	361.54	2,818.68
24 Aug 2012	1,137.33	121.31	1,258.64	2,366.87	291.40	2,658.27	2,366.87	350.10	2,716.97
26 Nov 2012	1,085.58	117.30	1,202.88	2,259.18	281.78	2,540.96	2,259.18	338.55	2,597.73
25 Feb 2013	1,035.69	107.42	1,143.11	2,155.36	258.05	2,413.41	2,155.36	310.04	2,465.40
24 May 2013	972.16	98.22	1,070.38	2,023.13	235.94	2,259.07	2,023.13	283.48	2,306.61
26 Aug 2013	940.96	99.24	1,040.20	1,958.22	238.39	2,196.61	1,958.22	286.42	2,244.64
25 Nov 2013	895.23	90.76	985.99	1,863.05	218.01	2,081.06	1,863.05	261.93	2,124.98
24 Feb 2014	854.17	85.70	939.87	1,777.59	205.86	1,983.45	1,777.59	247.33	2,024.92
26 May 2014	804.39	80.87	885.26	1,673.99	194.26	1,868.25	1,673.99	233.40	1,907.39
25 Aug 2014	778.03	76.32	854.35	1,619.14	183.34	1,802.48	1,619.14	220.27	1,839.41
24 Nov 2014	740.16	71.92	812.08	1,540.34	172.77	1,713.11	1,540.34	207.58	1,747.92
24 Feb 2015	702.92	68.48	771.40	1,462.84	164.51	1,627.35	1,462.84	197.66	1,660.50
25 May 2015	659.39	63.07	722.46	1,372.24	151.50	1,523.74	1,372.24	182.02	1,554.26
24 Aug 2015	638.55	60.04	698.59	1,328.87	144.23	1,473.10	1,328.87	173.28	1,502.15
24 Nov 2015	9,984.03	57.05	10,041.08	20,777.66	137.05	20,914.71	20,777.66	164.66	20,942.32
	100,000.00	**11,006.52**	**111,006.52**	**100,000.00**	**20,926.04**	**120,926.04**	**100,000.00**	**25,141.75**	**125,141.75**

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

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

1. First Payment Date: August 24, 2004.

(Execution of the Deed of Constitution: April 23, 2004)

a) Interest Rate Fixing Date applicable for the first Interest Accrual Period:
- 11am (CET time) on the day falling on the second Business Day preceding the Closing Date: April 26, 2004.

b) Notices:
- Extraordinary notice of constitution of the Fund and of the Bond Issue -press announcement, as per section III.5.2.c).2: until April 26, 2004, inclusive.
- Extraordinary notice of the resultant Nominal Interest Rate for the first Interest Accrual Period of each of the Series: April 26, 2004. The Management Company shall notify this in writing by the start of the Subscription Period to the Underwriters and Placement Agents, for investors interested in subscribing for the Bonds to be notified thereof.

c) First Interest Accrual Period:
- From April 28, 2004 (Closing Date), inclusive, until August 24, 2004, exclusive.

d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds and Available Funds for Amortisation): August 19, 2004.

e) Ordinary periodic notices (communication as per sections III.5.2.a).2 and III.5.2.c).1:
- Of all other periodic information: until August 23, 2004, inclusive.

2. Second Payment Date: November 24, 2004.

a) Interest Rate Fixing Date applicable for the second Interest Accrual Period:
- 11am (CET time) on the second Business Day preceding the first Payment Date: August 20, 2004.

b) Ordinary periodic notices (communication as per sections III.5.2.a).1 and III.5.2.c).1:
- Of the resultant interest rate for the second Interest Accrual Period: until August 26, 2004, inclusive.

c) Second Interest Accrual Period:
- From August 24, 2004 (first Payment Date), inclusive, until November 24, 2004, exclusive.

d) Determination Date (or date on which the Management Company makes calculations for the distribution and withholding of Available Funds and Available Funds for Amortisation): November 19, 2004.

e) Ordinary periodic notices (communication as per sections III.5.2.a).2 and III.5.2.c).1:
- Of all other periodic information: until November 23, 2004, inclusive.

II.13 Actual interest forecast for the Bond subscriber, bearing in mind the characteristics of the Bond Issue.

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

	Series A Bonds	Series B Bonds	Series C Bonds
Actual interest forecast (IRR)	2.287%	2.643%	3.181%

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

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

a) that the floating nominal interest rate of the Bonds should remain constant throughout the life of the Bond Issue at the rates of the table contained in section II.12.a);

b) that the assumptions mentioned in section II.12.a) are made; and

c) that the expected Fund constitution and Bond issue expenses are deducted from the face value of the Bond Issue.

The actual interest forecast for the Fund would be 2.359% or 2.364% for CPRs respectively of 8% and 10%, making the assumptions contained in the preceding paragraph.

The following are the expected expenses:

Fund constitution and Bond issue expenses.	**EUR**
• Initial Management Company Fee	90,000.00
• Notary's fees, audit, rating and legal advice	296,394.44
• CNMV fees (issue and listing)	52,427.93
• AIAF and Iberclear fees	28,329.52
• Bond Issue underwriting and placement fees	472,000.00
• Issue advertising, printing and other expenses	15,883.79
Total expenses	**955,035.68**

II.15 Existence or not of special guarantees on the Pass-Through Certificates pooled in the Fund or on the Bonds issued by the Fund.

There are no special guarantees covering the Bonds issued by or on the Pass-Through Certificates pooled in the Fund, beyond the undertakings by BANCO DE VALENCIA contained in section IV.1.6 of this Offering Circular in relation to the substitution of Pass-Through Certificates when any of them fail on the Fund constitution date to conform to the representations contained in section IV.1.1 of this Offering Circular, circumstances BANCO DE VALENCIA declares to be unaware of or the specific characteristics notified by BANCO DE VALENCIA to the Management Company upon the Fund being constituted, due to a failure by the relevant Mortgage Loan to so conform, or upon the Fund being constituted that Mortgage Loan should be affected by any of the circumstances BANCO DE VALENCIA has declared to be unaware of.

II.16 Bond circulation law, particularly noting whether there are restrictions on the free transfer of the securities or mentioning that no such restrictions exist.

The Bonds issued by the Fund are not subject to specific restrictions on their free conveyance. They shall be conveyed subject to the statutory provisions applicable thereto and to the rules of the secondary market on which the Bonds are traded, as provided for in sections II.4.1, II.5 and II.17 of this Chapter.

In accordance with the provisions of sections II.4.1 and II.5 of this Chapter, the ownership of each Bond will be conveyed by means of a transfer in the accounts. The effects of entering the conveyance to the transferee in the accounting record shall be the same as handing over the certificates and the transfer shall thereupon be enforceable on third parties.

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

The Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on the AIAF, which is a qualified official secondary securities market pursuant to Transitional Provision six of Act 37/1998, November 16, amending the Securities Market Act. The Management Company undertakes that definitive listing will be achieved not later than one month after the Closing Date and shall at all events have taken place by the first Payment Date (August 24, 2004).

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

In the event that, by the above deadline, the Bonds should not be so listed on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons for such default, all of which shall be done using the extraordinary notice procedure in accordance with the provisions of section III.5.2 of the Offering Circular. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be.

II.18 Bond subscription or acquisition proposals.

II.18.1 Potential investors to whom the Bonds are offered, giving the reasons for choosing the same.

Placement of Series A, B and C of the Bond Issue is targeted at institutional investors, both legal persons or entities devoid of legal personality, such as pension funds, collective-investment undertakings, insurers, or credit institutions, Firms of Broker-Dealers or undertakings qualified under articles 64 and 65 of the Securities Market Act (as worded by Act 37/1998) to manage third-party portfolios, in the business of regularly and professionally investing in marketable securities

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

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

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

Effects of the subscription for Bondholders.

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

Tranches.

Each of the Series consists of one tranche only.

II.18.2 Legal status of the Bonds.

The following legal considerations apply to the Bonds subject of this issue for the purpose of being acquired by certain investors:

a) The Series A Bonds meet the selection policies to be admitted as assets securing transactions with the European Central Bank.

b) Once the Bonds are listed on the AIAF they shall be:

(i) Eligible for investment by insurance companies in observance of their technical provision obligations, pursuant to article 50 of the Private Insurance Arrangement and Supervision Regulations approved by Royal Decree 2486/1998, November 20.

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

(iii) Eligible for investment by Pension Funds in accordance with the provisions of article 70 of Royal Decree 304/2004, February 20, approving the Pension Plans and Funds Regulations.

(iv) Eligible for investing the Assets of Collective-Investment Undertakings, in accordance with the specific rules established for each of them in articles 23 and 30 of Collective-Investment Undertakings Act 35/2003, November 4, and Royal Decree 91/2001, February 2, partially amending Royal Decree 1393/1990, November 2.

c) The Bonds shall, for the purposes of the solvency ratio that Credit Institutions and Firms of Brokers and Broker-Dealers must observe, have the relevant weighting in accordance with Ministerial Orders dated December 30, 1992 and December 29, 1992, amended by a Ministerial Order dated April 13, 2000, and Bank of Spain Circular no. 5/1993, March 26, for determining and controlling the minimum equity of credit institutions.

II.18.3 Subscription or acquisition date or period.

The subscription period (the "**Subscription Period**") shall begin at 1pm (CET time) on April 26, 2004 and end at 3pm (CET time) on the same day.

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

In order to be taken into account, subscription proposals shall be made during the Subscription Period established in the preceding section, with BANCAJA and JPMORGAN as Underwriters and Placement Agents, through their offices and branches and observing the procedures established hereinafter in the following sections.

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

II.18.5 Placement and allocation of the Bonds.

Each of the Series consists of one tranche only.

The Underwriters and Placement Agents shall freely proceed to accept or turn down the subscription proposals received, making sure in any event that there is no discriminatory treatment between similarly characterised proposals. The Underwriters and Placement Agents may nevertheless give priority to proposals of those of their customers as they shall deem fit.

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

II.18.6 Pro rata placement and allocation of the Bonds.

Not applicable.

II.18.7 Payment method and dates.

The investors to whom the Bonds are allocated shall pay the relevant Underwriter and Placement Agent by 1pm (CET time) on April 28, 2004 (the "**Closing Date**"), for same day value, the relevant issue price (100% of the face value) for each Bond allocated for subscription.

II.19 Institutions involved in the placement or marketing, giving their respective roles, describing the same specifically. Overall amount of the fees agreed between the various placement agents and the Management Company.

II.19.1 Institutions involved in placement and underwriting of the Bond Issue.

Placement of the Bonds in each Series shall be undertaken by BANCAJA and JPMORGAN as Underwriters and Placement Agents, on the terms contained in this section under the Bond Issue Management, Underwriting and Placement Agreement.

The Underwriters and Placement Agents will endeavour to obtain placement by third-party subscription for the Bonds in each Series irrespective of whether or not they are involved in underwriting the relevant Series. Each Underwriter and Placement Agent's commitment in regard to its involvement in underwriting the placement of the Bonds in each Series shall be as detailed below:

Underwriter and Placement Agent	Face amount underwritten for each Series (EUR)					
	Series A		Series B		Series C	
	Number	Face Amount	Number	Face Amount	Number	Face Amount
BANCAJA	4,543	454,300,000.00	--	--	--	--
JPMORGAN	--	--	118	11,800,000.00	59	5,900,000.00
	4,543	**454,300,000.00**	**118**	**11,800,000.00**	**59**	**5,900,000.00**

The Underwriters and Placement Agents shall altogether receive from the Fund a 0.10% underwriting and placement fee on the face amount of the Bonds.

II.19.2 Lead Manager of the Issue.

BANCAJA shall be involved as Lead Manager of the Bond Issue.

The following is the statement given by the Lead Manager signed by a duly authorised individual, in fulfilment of the provisions of article 31.2 of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, as reworded by Royal Decree 2590/1998, December 7, and in accordance with the provisions of article 20.3 of said Royal Decree 291/1992:

Statement by BANCAJA.

I, Mr Benito Castillo Navarro, acting for and on behalf of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, with place of business at Calle Pintor Sorolla number 8, Valencia, duly authorised for these presents, and in connection with the constitution of VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same amounting to EUR four hundred and seventy-two million (472,000,000.00), notice of which for registration at the Comisión Nacional del Mercado de Valores was given on March 25, 2004, in pursuance of Royal Decree 291/1992, March 27, on issues and public offerings for the sale of securities, amended by Royal Decree 2590/1998, December 7,

HEREBY DECLARE

- *That the necessary checks have been made to verify that the information contained in the Offering Circular is truthful and complete.*

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

In witness whereof, to serve and avail as and where appropriate, this statement is given at Valencia, on April 20, 2004.

Attached as Appendix VI to this Offering Circular is a photocopy of the letter from BANCAJA making that statement.

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

II.19.3 Institutions underwriting the Bond Issue, describing the characteristics of the relationship or Management, Underwriting and Placement Agreement.

The Management Company shall, for and on behalf of the Fund, enter into a Bond Issue Management, Underwriting and Placement Agreement with BANCAJA as Lead Manager and Underwriter and Placement Agent and with and JPMORGAN as Underwriter and Placement Agent.

The Bond Issue Underwriters and Placement Agents shall take on the obligations contained in the Management, Underwriting and Placement Agreement, which are basically the following: 1) securing placement by a third-party subscription for the Bond Issue; 2) an undertaking to subscribe on their own account for the Bonds not subscribed for by third parties during the Subscription Period up to the amounts of their respective underwriting commitments; 3) payment by JPMORGAN to the Paying Agent by 2pm (CET time) on the Closing Date, for same day value, of the face amount of the Bonds it shall have placed and, as the case may be, subscribed for on its own account, deducting the sum of the underwriting and placement fee amount accrued in its favour, whereupon the Paying Agent shall pay to the Fund by 3pm (CET time) on the Closing Date, for same day value, the amount received from JPMORGAN plus the total face amount of the Bonds it shall have placed and, as the case may be, subscribed for on its own account, as Underwriter and Payment Agent deducting the amount of the underwriting and placement fee accrued in its favour; 4) undertaking to pay late-payment interest covenanted in the agreement in the event of late payment of the amounts due; 5) providing subscribers with a document proving subscription; 6) providing the Management Company with Bond Issue placement dissemination control information and 7) all other aspects governing the underwriting and placement.

Each Underwriting and Placement Agent's underwriting commitment and the underwriting and placement fees is specified in section II.19.1 of this Offering Circular.

BANCAJA shall be involved as Lead Manager in the Bond Issue. It shall not be remunerated for managing the Bond Issue.

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

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

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

The relevant Underwriter and Placement Agent shall provide Bond subscribers, within not more than seven (7) days after the Closing Date, with a document certifying their subscription for the Bonds allocated, and the actual amount paid up on that subscription, although title to the Bonds subscribed for shall be established by means of the relevant entry in the book record.

That document will not be marketable and be valid to prove subscription for the relevant Bonds until the entry in the book record is made as determined in section II.5 of this Offering Circular.

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

The constitution of the Fund and Bond issue are subject to Spanish Law, and specifically to the provisions of (i) the Deed of Constitution; (ii) Royal Decree 926/1998 and implementing regulations; (iii) Act 19/1992, failing a provision in Royal Decree 926/1998, and to the extent applicable; (iv) Act 3/1994; (v) Act 44/2002 (in particular article 18 thereof); (vi) Securities Market Act 24/1988, and (vii) all other legal and statutory provisions in force and applicable from time to time.

The constitution of the Fund, the issue of the Bonds and the agreements for transactions covering financial risks and the rendering of services to be entered into by the Management Company on behalf of the Fund shall be subject to Spanish Law. The Deed of Constitution and the transaction agreements to be entered into by the Management Company on behalf of the Fund shall at all events be subject to Spanish Laws.

All matters, disagreements, actions and claims deriving from the Management Company's constitution, administration and legal representation of VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS and the Bond Issue by the same, shall be heard and resolved by the competent Spanish Courts and Tribunals.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against Obligors who may have defaulted on their payment obligations under the Mortgage Loans. Any such rights shall lie with the Management Company, representing the Fund holding the Pass-Through Certificates issued backed by the Mortgage Loans.

The Bondholders and the remaining creditors of the Fund shall have no recourse whatsoever against the Fund or against the Management Company in the event of non-payment of amounts due by the Fund resulting from the existence of delinquency or early amortisation of the Pass-Through Certificates, a breach by the counterparties to the transactions entered into for and on behalf of the Fund, or shortfall of the financial hedging transactions for servicing the Bonds in each Series.

The Bondholders and the remaining creditors of the Fund shall have no recourse against the Management Company other than as derived from a breach of its duties. Those actions shall be resolved in the relevant ordinary declaratory proceedings depending on the amount claimed.

II.22 Tax system derived from the securities offered.

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

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

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

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

It should finally be noted that the tax treatment described herein is general and has not therefore included the taxation applicable to income obtained through entities under an imputed income system, or the system applicable to all categories of investors, some of which (such as, for instance, financial institutions, undertakings for collective investment, co-operatives, etc.) may be subject to special rules.

II.22.1 Natural or legal persons resident in Spain.

Personal Income Tax.

Income obtained by Bondholders who are Personal Income Tax (IRPF) payers, both as interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered income on investments obtained from the assignment of own capital to third parties, as defined in article 23.2 of Legislative Royal Decree 3/2004, March 5, approving the Consolidation of the Personal Income Tax Act (the "**IRPF Act**").

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

Furthermore, in the event of transfer, redemption or amortisation of the Bonds, the income on investments shall be deemed to be the difference between the transfer, redemption or amortisation value (less ancillary disposal expenses) and the acquisition or subscription value (plus ancillary acquisition expenses). When the taxpayer has acquired other homogeneous financial assets within two months before or after transfer, redemption or amortisation, negative income from the Bonds shall nevertheless be integrated in the taxable income as the Bonds remaining on the taxpayer's assets are transferred.

The net income on investments shall be found deducting the Bond servicing and custody expenses from the aggregate income, provided that those expenses do not derive from a discretionary and individualised management of the portfolio of investments. The net income from the transfer, redemption or amortisation of Bonds being part of the investor's assets for a time-period in excess of two years shall be reduced by 40%.

Interest income received shall be subject to a 15% withholding tax on account of the beneficiary's IRPF.

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

Corporation Tax.

Both interest income and income derived from the transfer, repayment or amortisation of the Bonds obtained by undertakings considered to be Corporation Tax payers, shall be added to the tax base as prescribed under title IV of Legislative Royal Decree 4/2004, March 5, approving the Consolidation of the Corporation Tax Act.

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

1. The Management Company, for and on behalf of the Fund as the issuer, shall pay the custodians, through the Paying Agent, the liquid amount resulting from applying the general withholding rate in force on that date (currently 15%) to all the interest.

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

3. Bondholders who are Corporation Tax obligors shall certify that circumstance with the custodians by the 10th of the month after coupon maturity in order that the custodians may draw up the list specified in the preceding paragraph.

4. Forthwith upon receiving that list, the Management Company shall promptly pay the custodians through the Paying Agent the excess amount withheld from those obligors.

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

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

Income obtained by Bondholders who are Non-Resident Income Tax payers, both on interest and in connection with the transfer, repayment or amortisation of the Bonds, shall be considered to be income obtained in Spain, with or without a permanent establishment, on the terms of articles 12 and 13 of Legislative Royal Decree 5/2004, March 5, approving the Consolidation of the Non-Resident Income Tax Act (the "**IRNR Act**").

Income obtained through a permanent establishment.

Bond income obtained by a permanent establishment in Spain shall pay tax in accordance with the rules of Chapter III of the above-mentioned IRNR Act, notwithstanding the provisions of double-taxation Agreements of which Spain is a signatory, which might determine that the relevant income pays no tax or, as the case may be, that reduced tax rates apply. The aforesaid income shall be excluded from Non-Resident Income Tax withholding as described for Corporation Tax obligors (legal persons resident in Spain). The procedure for exclusion of withholding or prepayment prescribed for Corporation Tax payers shall also apply to non-residents operating in Spain through a permanent establishment.

Income obtained other than through a permanent establishment.

Bond income obtained by persons or undertakings not resident in Spain acting for these purposes without a permanent establishment within Spanish territory shall pay tax in accordance with the rules of Chapter IV of the aforesaid IRNR Act, the following elements of the system of that Act being noteworthy, without prejudice to the provisions of double-taxation Agreements signed by Spain determining that the relevant income need pay no tax or, as the case may be, that reduced rates apply:

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

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

- Bond income obtained both as interest and in connection with transfer, repayment or amortisation of the Bonds shall be exempt when obtained without a permanent establishment by residents of another European Union Member State or by permanent establishments of those residents located in another European Union Member State.

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

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

- The Tax will be calculated applying a 15 percent rate to the tax base comprising Bond interest and income unless a lower rate applies in pursuance of the provisions of the internal law or in an Agreement signed by Spain. Where on account of the investor's residence a Double Taxation Agreement signed by Spain is applicable, the reduced tax rate provided for in said Agreement for income of this kind shall be applied, as the case may be.

- The application of any exemption or reduced rate for which provision is made in the internal laws or in an Agreement signed by Spain shall require satisfactory proof of the investor's tax residence by producing a tax residence certificate issued by the tax authorities of the country in which that investor is resident in the manners for which provision is made in Spanish laws.

- On the other hand, Bond coupons are in principle liable to a withholding, unless evidence is produced of Tax exemption or payment. The amount withheld is equivalent to the final Tax.

- In accordance with the Ministerial Order of April 13, 2000, where financial institutions domiciled, resident or represented in Spain that are custodians or manage collection of the income on those securities are involved in the Bond interest payment procedure, the exclusion from withholding tax or withholding at a reduced rate by applying the taxation limits established in Double-Taxation Agreements shall be put in place as described hereinafter:

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

2. By the 10th of the month after the month of maturity of each coupon, the custodians shall provide the Management Company or the Paying Agent with an itemised list of the holders who must pay Non-Resident Income Tax for obtaining income in Spanish territory without a permanent establishment, along with their identification particulars, the number of securities they held at the date of maturity of each coupon, the respective gross income and the amount withheld.

3. Bondholders who are Non-Resident Income Tax payers without a permanent establishment in Spain shall have established to the custodians that they are entitled to have the taxation limits of an Agreement applied or to be excused from withholding. The custodians shall draw up the list referred to in the preceding paragraph including the holders of the securities who have established that right upon the list being issued to the Management Company.

4. Forthwith upon receiving the list referred to in paragraph 2 above, the Management Company shall promptly pay all the custodians through the Paying Agent the amount excess withheld from those taxpayers or obligors.

5. The custodians shall forthwith pay the excess amount withheld from holders who are Non-Resident Income Tax payers or obligors.

6. For the purpose of establishing the right to have the withholding made applying the taxation limits of an Agreement or to be excused therefrom, taxpayers shall prove their tax residence by means of the following documents:

    - When the withholding exclusion results from the application of internal Spanish regulations, by means of a residence certificate issued by the tax authorities of the country of residence.

    - When the withholding exclusion or the withholding is made at a reduced rate, under an Agreement with a certificate issued by the respective tax authority, expressly recording that the taxpayer is a resident within the meaning of the Agreement. Nevertheless, when a withholding is made applying a taxation limit laid down in an Agreement implemented by means of an Order establishing the use of a specific form, this shall be established therewith in lieu of the certificate.

    The residence certificates referred to in the preceding paragraphs shall be valid for one year from the date of issue.

- In the event that tax residence may not be established for these purposes, Bond income obtained both as interest and in connection with the transfer, repayment or amortisation of the Bonds, by non-resident holders shall be subject to taxation under the general system aforesaid, although a refund of the excess withholding or taxation may be applied for by means of the procedure for which provision is made in the laws in force for the time being.

- Furthermore, and whether or not they pay the Tax, Bond transfer or repayment income shall not be liable to withholding because the Bonds have an explicit yield, are represented by book entries and are traded on an official Spanish secondary securities market, on the terms and conditions for which provision is made in article 70.3.f) of the Personal Income Tax Regulations, under an express renvoi made in article 14.3.b) of the Non-Resident Personal Income Tax Regulations, other than for the part of the price equivalent to the matured coupon in transfers made within thirty days immediately preceding coupon maturity where (i) the transferee is a person or undertaking not resident in Spanish territory or a Corporation Tax obligor, and (ii) this income is exempt from the obligation to withhold from the transferee. The foregoing shall be without prejudice to the joint and several liability of the Bond custodian or manager, and the actual non-resident holder's duties to return and pay the Tax in due course.

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

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

II.22.4 Wealth Tax.

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

Non-resident natural persons who are Bondholders at December 31 of each year shall be payers of the Tax by real obligation and will also have to pay Wealth Tax, other than as provided in the double-taxation Agreements. Nevertheless, Bonds whose income is exempt in regard to Non-Resident Income Tax, on the terms set forth above, shall be exempt.

II.22.5 Inheritance and Gift Tax.

The transfer of the Bonds to natural persons by inheritance or donation shall be subject to the general rules of Inheritance and Gift Tax without prejudice to the provisions of double-taxation Agreements signed by Spain. In the event that the beneficiary should be a Company, the income obtained would be taxed in accordance with the Corporation Tax or Non-Resident Personal Income Tax rules, in the event that the beneficiary is a non-resident entity.

II.23 Purpose of the transaction.

The net amount of the Bond Issue will be fully allocated to paying the price for the acquisition of the Pass-Through Certificates issued by BANCO DE VALENCIA pooled in the Fund assets.

BANCO DE VALENCIA does not intend to subscribe in its own name for all or part of the Bond Issue.

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

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

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

II.25.1 Specification of natural and legal persons.

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

b) RAMÓN & CAJAL ABOGADOS, who are independent legal advisers, have provided legal advice for the transaction.

c) BANCO DE VALENCIA is the originator of the Mortgage Loans through the issue of the Pass-Through Certificates to be fully subscribed for by the Fund upon being constituted.

d) BANCAJA IS involved as Lead Manager of the Bond Issue.

e) BANCAJA and JPMORGAN are involved as Underwriters and Placement Agents of the Bond Issue. JPMORGAN shall be the placement agent in charge of keeping the Bond subscription orders book (*book runner*).

f) BANCO DE VALENCIA is involved as Paying Agent of the Bond Issue.

g) DELOITTE are involved as auditor checking a number of attributes of the selection of mortgage loans owned by BANCO DE VALENCIA from which the Mortgage Loans for the issue of the Pass-Through Certificates to be subscribed for by the Fund upon being constituted, shall be taken.

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

"I, Mr MARIO MASIÁ VICENTE, for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, with place of business at Madrid, Calle Lagasca no. 120, and in connection with the constitution of the Fund VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS, amounting to EUR 472,000,000.00 (four hundred and seventy-two million), notice of which for registration at the Comisión Nacional del Mercado de Valores was given on March 25, 2004,

HEREBY DECLARE

That CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA, has a 38.34% interest in the share capital of BANCO DE VALENCIA S.A.) and is a member of the Financial Group of CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA.

That J.P. MORGAN SECURITIES LTD. is part of the same Group as J.P. MORGAN ESPAÑA, S.A., and the latter in turn has a 4 percent interest in the Management Company's share capital.

That I am not aware of the existence of any other relationship or economic interest whatsoever between the experts who were involved in structuring or providing advice for the constitution of the Fund, and other undertakings involved, or certain significant information contained in the Offering Circular, either with the actual Management Company or with BANCO DE VALENCIA S.A., issuer of the Pass-Through Certificates to be subscribed for by the Fund."

II.25.3 Statement by the issuer of the Pass-Through Certificates.

I, Mr Juan Ignacio Hernández Solanot, acting for and on behalf of BANCO DE VALENCIA S.A., with place of business for these purposes in Valencia, calle Pintor Sorolla numbers 2 and 4, duly authorised for these presents, and in connection with the constitution of VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS,

HEREBY DECLARE

- *That the representations regarding the Mortgage Loans and the Pass-Through Certificates contained in section IV.1.1 of the Offering Circular are truthful.*

- *That the foregoing representations shall be guaranteed to the Management Company, acting for the Fund, in the Deed of Constitution of the Fund.*

- *That the necessary checks have been made to verify that the information contained in the Offering Circular, as to the portfolio of selected mortgage loans which shall be mostly assigned to the Fund, making up the Mortgage Loans backing the issue of the Pass-Through Certificates, is truthful and complete.*

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

In witness whereof, to serve and avail as and where appropriate, this statement has been made at Valencia, on April 20, 2004.

Attached as Appendix VII to this Offering Circular is a photocopy of the letter from BANCO DE VALENCIA making those statements.

CHAPTER III

GENERAL INFORMATION ON THE FUND

III.1 Governing system, name and purpose of the Fund.

The constitution of the Fund and Bond issue by the same are carried out in accordance with the provisions of Royal Decree 926/1998 and shall be subject to (i) the Deed of Constitution; (ii) Royal Decree 926/1998 and implementing regulations; (iii) Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable; (iv) Act 3/1994; (v) Act 44/2002 (in particular article 18 thereof); (vi) Securities Market Act 24/1988, and (vii) all other legal and statutory provisions in force and applicable from time to time.

The name of the Fund is "VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- VALENCIA HIPOTECARIO 1 FTA
- VALENCIA HIPOTECARIO 1 F.T.A.

The Fund is set up to serve as a vehicle for subscribing for the Pass-Through Certificates on the Mortgage Loans, to be issued by BANCO DE VALENCIA and subscribed for by the Fund upon being constituted, and to make the Bond Issue, by means of a financial transformation and credit enhancement process derived from the various lending and borrowing and hedging transactions arranged for on the Fund's behalf.

Companies Register.

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

III.2 Legal nature of the Fund.

The Fund shall be a separate closed-end fund, devoid of legal personality. Its assets shall comprise the Pass-Through Certificates pooled therein upon being constituted, the Cash Reserve and the start-up expenses (constitution and issue), and its liabilities shall comprise the Bonds issued, the Start-Up Loan and the Subordinated Loan, and the net worth of the Fund shall be nil. Additionally, the Fund arranges an Interest Swap to be reported in memorandum accounts.

In accordance with Additional Provision Five of Act 3/1994, April 14, adapting Spanish law in regard to credit institutions to the Second Banking Co-ordination Directive and introducing other changes relating to the financial system, amended by article 18 of Act 44/2002, in the event of bankruptcy of the originator of the Mortgage Loans pooled in the Fund by means of the issue of the Pass-Through Certificates, the assignment and issue may only be contested in the event of fraud, whereas the Fund shall have an absolute right of separation on the terms established in the bankruptcy laws. The Fund shall have the same right of separation in the event of receivership or similar situations of the originator and issuer of the Pass-Through Certificates.

The Fund shall be in existence until February 24, 2036 or the following Business Day if that is not a Business Day, the Final Maturity Date of the Bond Issue, unless there should previously have been an Early Liquidation as set forth in section III.8.1 or the events laid down in section III.8.2 of this Offering Circular should occur.

III.3 Net worth of the Fund and succinct specification of the assets and liabilities making up that net worth both originally and upon its operations commencing.

The net worth elements making up the Fund assets and liabilities and the risk hedge transactions and services arranged for on the Fund's behalf are determined hereinafter in this section.

III.3.1 Fund Assets.

The Fund assets shall consist of the following:

a) At source (until the Closing Date, inclusive).

(i) The Pass-Through Certificates which BANCO DE VALENCIA will issue on the Mortgage Loans to be subscribed for by and pooled in the Fund, the total capital or principal of which shall be equal to or slightly in excess of EUR four hundred and seventy-two million (472,000,000.00), the face value amount of the Bond Issue.

Section IV.1 of this Offering Circular describes the terms and conditions of the issue of the Pass-Through Certificates, represented by registered certificates, in respect of 100 percent of the outstanding principal and the ordinary and late-payment interest on each of the Mortgage Loans.

The characteristics of the mortgage loans selected from BANCO DE VALENCIA's portfolio, from which the Mortgage Loans shall be taken for the Pass-Through Certificates to be issued upon the Fund being constituted, are detailed in section IV.4 of this Offering Circular.

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

(iii) The initial expenses of setting up the Fund and issuing the Bonds booked as assets.

(iv) The balance existing on the Treasury Account under the Guaranteed Interest Rate Account (Treasury Account) Agreement comprising the amounts obtained under the Start-Up Loan and the Subordinated Loan, as detailed in section V.3.1 of this Offering Circular.

b) During the life of the Fund.

(i) The Outstanding Balance of the Pass-Through Certificates resulting from the repaid principal.

(ii) The balance pending amortisation of initial expenses of setting up the Fund and issuing the Bonds booked as assets.

(iii) Ordinary and late-payment interest accrued and not collected on the Pass-Through Certificates that match those applicable to the Mortgage Loans.

(iv) Amounts receivable under the Interest Swap established in section V.3.4 of this Offering Circular.

(v) The homes awarded to the Fund upon foreclosing in due course the real estate mortgages securing the Mortgage Loans, any amounts or assets received upon the judicial or notarial foreclosure of the mortgage securities, or from the sale or utilisation of properties awarded to the Fund upon enforcing the mortgage securities, or in connection with the administration or interim possession of the property (in foreclosure proceedings), purchase for the auction sale price or amount determined by a court decision. Similarly, all other rights conferred on the Fund upon subscribing for the Pass-Through Certificates derived from the Mortgage Loans, including those attaching to the damage insurance covers taken out by the Obligors or any other insurance policy granting equivalent security.

(vi) All other balances existing on the Treasury Account and interest accrued and not due thereon.

(vii) Any other amount received under other agreements concluded by the Management Company on behalf of the Fund.

III.3.2 Fund Liabilities.

The Fund liabilities shall consist of the following:

a) At source (until the Closing Date, inclusive).

(i) The total amount of the Bond Issue amounting to a face value of EUR four hundred and seventy-two million (472,000,000.00) consisting of four thousand seven hundred and twenty (4,720) Bonds denominated in euros and comprises three Bond Series distributed as follows:

i) Series A having a total face amount of EUR four hundred and fifty-four million three hundred thousand (454,300,000.00) comprising four thousand five hundred and forty-three (4,543) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

ii) Series B having a total face amount of EUR eleven million eight hundred thousand (11,800,000.00) comprising one hundred and eighteen (118) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

iii) Series C having a total face amount of EUR five million nine hundred thousand (5,900,000.00) comprising fifty-nine (59) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries.

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

(ii) The amount payable for subscribing for the Pass-Through Certificates issued by BANCO DE VALENCIA.

(iii) The Start-Up Loan amount established in section V.3.3 of this Offering Circular, designed to finance the initial expenses of setting up the Fund and issuing the Bonds, and partly finance the acquisition of the Pass-Through Certificates.

(iv) The Subordinated Loan established in section V.3.2 of this Offering Circular, designed to set up the Cash Reserve.

b) During the life of the Fund:

i) The Outstanding Principal Balance of the Bonds in each of the Series and interest accrued and not paid thereon.

ii) Principal pending repayment and interest accrued and not paid on the Start-Up Loan and the Subordinated Loan.

iii) Amounts payable under the Interest Swap.

iv) Fees and other expenses established in the various transaction agreements and any others incurred by the Fund.

III.3.3 Cash Reserve.

The Management Company shall set up on the Closing Date a Cash Reserve initially by drawing fully the Subordinated Loan principal and shall subsequently, on each Payment Date, keep the Required Cash Reserve provisioned in the Fund Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

III.3.3.1 Required Cash Reserve.

1. The Cash Reserve shall be set up on the Closing Date in an initial amount equal to EUR six million three hundred and seventy-two thousand (6,372,000.00).

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

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

   i) EUR six million three hundred and seventy-two thousand (6,372,000.00), equivalent to 1.35% of the face amount of the Bond Issue.

   ii) The higher of:

      a) 2.70% of the Outstanding Principal Balance of the Bond Issue.

b) 1.00% of the face amount of the Bond Issue.

3. Notwithstanding the above, the Required Cash Reserve shall not be reduced on the relevant Payment Date and shall remain at the Required Cash Reserve on the preceding Payment Date whenever any of the following circumstances concur on the Payment Date:

   i) That, on the Determination Date preceding the relevant Payment Date, the amount of the sum of the Outstanding Balance of the Pass-Through Certificates with an arrears in excess of three (3) months and less than eighteen (18) months in payment of amounts due and payable is in excess of 1.00% of the Outstanding Balance of Pass-Through Certificates in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months on that same date.

   ii) That the Cash Reserve was not provisioned on the preceding Payment Date up to the Required Cash Reserve on that Payment Date.

   iii) That the average margin weighted by the outstanding Mortgage Loan principal is equal to or less than 0.50%.

III.3.3.2 Yield.

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

III.3.3.3 Application.

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

III.3.4. Risk hedging and services transactions.

The Management Company shall, on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements for transactions for hedging financial risks and provision of services established hereinafter:

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

(ii) Subordinated Loan Agreement.

(iii) Start-Up Loan Agreement.

(iv) Interest Swap Agreement.

(v) Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

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

(vii) Bond Paying Agent Agreement.

The description of the most relevant terms of the Bond Issue Management, Underwriting and Placement Agreement and of the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement may be respectively found in sections II.19.3 and IV.2. The description of the rest of the above agreements may be found in section V.3 of this Offering Circular.

The arrangement of these transactions for hedging risks and provision of services with each counterparty can under no circumstances be construed as a security by these undertakings in regard to repayment of principal and payment of interest on the Bonds.

III.3.5 Fund Income.

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

The following income may be used for satisfying the Fund's payment obligations:

a) Pass-Through Certificate principal repayment amounts received.

b) Ordinary and late-payment interest on the Pass-Through Certificates that match those applicable to the Mortgage Loans.

c) The Start-Up Loan amount.

d) The amount of the Cash Reserve, initially set up by drawing down the Subordinated Loan principal.

e) Amounts received on the terms of the Interest Swap.

f) The return on the investment of amounts credited to the Treasury Account.

g) Any other amounts received by the Fund, including receivables under the Mortgage Loans both resulting from the sale of properties or assets awarded to the Fund or from their utilisation, and from all other rights conferred on the Fund upon subscription for the Pass-Through Certificates.

III.3.6 Expenses payable by the Fund.

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

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

Initial expenses.

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

Expenses throughout the life of the Fund.

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

a) The balance, if any, of the initial expenses for setting up the Fund and issuing the Bonds exceeding the Start-Up Loan principal.

b) Any expenses arising from mandatory verifications, registrations and administrative authorisations.

c) Expenses, if any, derived from drafting and executing the amended Deed of Constitution and the Agreements, and from entering into additional agreements.

d) Rating Agency fees for monitoring and maintaining the Bond rating.

e) Bond amortisation expenses.

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

g) Any expenses derived from the sale of the Pass-Through Certificates and the remaining assets of the Fund to liquidate the same, including those derived from obtaining a credit facility.

h) Expenses required for applying for foreclosure of the Mortgage Loans and derived from such recovery actions as may be necessary.

i) Expenses derived from managing the Fund.

j) Expenses derived from servicing of the Mortgage Loans and custody of the Pass-Through Certificates.

k) Financial expenses of the Bond Issue.

l) Amounts payable under the Interest Swap.

m) Fees and expenses payable by the Fund under all other service and financial transaction agreements made.

n) Expenses derived from announcements and notices relating to the Fund and/or the Bonds.

o) Expenses of audits and legal advice.

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

III.4 Drawing up, auditing and approving annual accounts and other accounting documents of the Fund.

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

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

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

III.5 Obligations and deadlines set to publicise and submit to the CNMV the periodic information on the economic and financial status of the Fund.

III.5.1 As part of its Fund management and administration duty, the Management Company agrees to submit to the CNMV and the Rating Agencies, as promptly as possible, the quarterly information described hereinafter, with the exception of that contained in section e) which shall be annual, moreover advising it of all ordinary periodic or extraordinary notices contained in section III.5.2 of this Offering Circular, and of such additional information as may be reasonably required of it.

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

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

b) In relation to the Pass-Through Certificates on each Payment Date:

1. Outstanding Balance.
2. Interest accrued and not collected.
3. Amount of the instalments in arrears.

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

Report on the amount of the Available Funds and the Available Funds for Amortisation, and their application in the Fund Priority of Payments.

d) In relation to Mortgage Loan prepayment:

Printout establishing the average principal prepayment rate by Mortgage Loan Obligors during the three calendar months preceding the month corresponding to each Payment Date.

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

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

III.5.2 Other ordinary, extraordinary and relevant event notification obligations.

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

a) Ordinary periodic notices.

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

2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify the holders of the Bonds of the following information:

   i) Interest resulting from the Bonds in each of the Series, along with the amortisation of the Bonds.

   ii) Furthermore, and if appropriate, interest and amortisation amounts accrued thereby and not settled due to a shortage of Available Funds, in accordance with the rules governing the Fund Priority of Payments.

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

   iv) The actual Mortgage Loan prepayment rate during the three calendar months preceding the month corresponding to each Payment Date.

   v) The average residual life of the Bonds estimated assuming that such actual prepayment rate shall be maintained and making all other assumptions as provided in section II.12.a).

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

b) Extraordinary notices.

The following shall be the subject of an extraordinary notice:

1. The constitution of the Fund and the Bond Issue, and the Nominal Interest Rate determined for each of the Bond Series for the first Interest Accrual Period.

2. Other:

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

c) Procedure to notify Bondholders.

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

1. Ordinary notices.

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

2. Extraordinary notices.

   Extraordinary notices shall be given by publication in an extensively circulated business and financial or general newspaper in Spain, and those notices shall be deemed to be given on the date of that publication, any Business or other calendar day (as established in this Offering Circular) being valid for such notices.

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

3. Notices and other information.

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

d) Information to the CNMV and the Rating Agencies.

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

III.6 Tax system of the Fund.

In accordance with the provisions of article 5.10 of Act 19/1992; article 7.1.h) of the Corporation Tax Act; article 20.One.18 of Value Added Tax Act 37/1992, December 28, and article 57.k of Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations, and article 45.I.B).15 of Royal Decree 1/1993, September 24, approving the Consolidation of the Capital Transfer and Documents Under Seal Tax, the following are the characteristics peculiar to the tax system of the Fund:

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

(ii) The Bond issue is exempt from payment of Value Added Tax (article 20.One.18 of the Value Added Tax Act) and Capital Transfer and Documents Under Seal Tax (article 45.I.B).15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax, confirmed by a Supreme Court judgment dated November 3, 1997).

(iii) The Fund is liable to pay Corporation Tax, determining the taxable income in accordance with the provisions of Title IV of the Corporation Tax Act, applying the general rate in force from time to time, which currently stands at 35%.

(iv) As for returns on the Pass-Through Certificates, loans or other credit rights constituting Fund income, there shall be no Corporation Tax withholding or advance payment obligation.

(v) The management and custody of the Fund shall be exempt from Value Added Tax.

III.7 Amendment of the Fund Deed of Constitution.

The Deed of Constitution may be amended where that is necessary and provided that circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV, or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The amendment of the Deed of Constitution shall be notified by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution can also be corrected as requested by the CNMV.

III.8 Liquidation and termination of the Fund.

III.8.1 Early Liquidation of the Fund.

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

(i) When the amount of the Outstanding Balance of the Pass-Through Certificates yet to be amortised is less than 10 percent of the initial Outstanding Balance upon the constitution of the Fund, in accordance with the authorisation established in article 5.3 of Act 19/1992 and provided that the payment obligations derived from the Bonds in each Series may be honoured and settled in full in the Priority of Payments.

Payment obligations derived from the Bonds on the date of Early Liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance on that date plus interest accrued and not paid until that date, which amounts shall be deemed to be due and payable on that date to all statutory intents and purposes.

(ii) Where any exceptional event or circumstance whatsoever unrelated to the actual operation of the Fund occurs which results in the financial balance of the Fund being substantially changed or permanently invalidated. This event includes such circumstances as the occurrence of a change in or supplementary enactments of laws, or the establishment of withholding obligations or other events that might permanently affect the financial balance of the Fund.

(iii) Mandatorily, in the event that the Management Company should be adjudged a bankrupt or in temporary receivership, or the statutory term to do so, or failing that term four months, should elapse without a new management company being designated in accordance with the provisions of section III.9.2 of this Offering Circular.

(iv) Where a default on payment occurs or is expected to occur indicating a serious, permanent imbalance in relation to any of the Bonds issued or any non-subordinated credit.

(v) Upon the lapse of eighteen (18) months from the date of the last maturity of the Pass-Through Certificates, even if amounts are still due and payable thereon.

The following requirements shall be necessary to proceed to that Early Liquidation of the Fund:

(i) That all the authorisations required to do so, as the case may be, have been obtained from the CNMV or competent administrative authorities or bodies.

(ii) That Bondholders be given fifteen (15) Business Days' notice, as prescribed in section III.5.2 of this Offering Circular, of the Management Company's resolution to proceed to an Early Liquidation of the Fund.

That notice, previously made available to the CNMV and the Rating Agencies, shall contain a description (i) of the event or events for which an Early Liquidation of the Fund is effected, (ii) of the liquidation procedure, and (iii) of the manner in which the payment obligations derived from the Bonds are to be met and settled in the Priority of Payments.

In order for the Fund, through its Management Company, to proceed to an Early Liquidation of the Fund and an Early Amortisation of the Bond Issue in the events and subject to the requirements defined in this section, the Management Company, for and on behalf of the Fund:

(i) Shall proceed to sell the Pass-Through Certificates remaining in the Fund for a price not below the sum of the value of the principal plus interest accrued and not paid on the relevant Mortgage Loans.

(ii) Shall proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.

(iii) Shall be entitled to arrange for a credit facility which shall be fully and forthwith allocated to the Early Amortisation of the Bond Issue. Repayment of that credit facility shall be guaranteed solely with the interest and principal flows derived from the Pass-Through Certificates pending amortisation and the proceeds from the sale of the other properties remaining on the assets of the Fund.

(iv) Finally, both due to an insufficiency of the preceding actions and the existence of Pass-Through Certificates or other remaining assets of the Fund, it shall proceed to sell them and shall therefore invite a bid from at least five (5) entities from among the most active in the purchase and sale of those assets who may, in its view, give a market value. The Management Company shall be bound to accept the best bid received for the assets on offer which, in its view, covers the market value of the asset at issue. In order for the market value to be fixed, the Management Company may commission such valuation reports as it shall see fit.

In events (i), (iii) and (iv) above, BANCO DE VALENCIA shall have a pre-emptive right on the terms established by the Management Company and will therefore have priority over third parties to acquire the Pass-Through Certificates or other properties derived therefrom remaining on the assets of the Fund, or to grant to the Fund, as the case may be, the credit facility designed for the Early Amortisation of the Bond Issue. The Management Company shall therefore send BANCO DE VALENCIA a list of the assets and of third-party bids received, and the latter may use that right for all the assets offered by the Management Company or the credit facility within ten (10) Business Days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

Upon provisioning the reserve referred to in section III.8.2 below, the Management Company shall immediately apply all the proceeds from the sale of the Fund's assets to paying the various items, in such manner, amount and order as shall be requisite in the Priority of Payments, other than the obligation to provision the Cash Reserve, and other than the amounts, if any, drawn under the credit facility arranged, which shall be fully allocated to the Early Amortisation of the Bond Issue.

III.8.2 Termination of the Fund.

The Fund shall terminate in the following events:

(i) Upon the Pass-Through Certificates pooled therein being fully amortised.

(ii) Upon the Bonds issued being fully amortised.

(iii) Upon the conclusion of the Early Liquidation procedure established in section III.8.1 above.

(iv) At all events, upon the final liquidation of the Fund on the Final Maturity Date (February 24, 2036, or the following Business Day if that is not a Business Day).

(v) Upon the Fund constitution terminating in the event that the Rating Agencies should not confirm the assigned provisional ratings as final ratings by the start of the Subscription Period. In this event, the Management Company shall terminate the constitution of the Fund, the issue of and subscription for the Pass-Through Certificates and the Bond Issue.

(vi) Termination of the constitution of the Fund shall be notified to the CNMV as soon as such termination is confirmed, and shall be publicised by means of the procedure specified in section III.5.2.b) and c) of this Offering Circular. Within not more than one month after the occurrence of the event of termination, the Management Company shall execute a statutory declaration before a Notary Public declaring that the Fund's obligations have been settled and terminated and that the Fund has terminated. Notwithstanding the above, the Fund Management Company shall defray the Fund constitution expenses payable and specified in section II.14 with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, the repayment of principal being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on the Fund's behalf.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors of the Fund by distributing the Available Funds in the set Priority of Payments, that remainder shall be for BANCO DE VALENCIA on the terms established by the Management Company.

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

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

III.9 Management and representation of the Fund and of the Bondholders.

III.9.1 Description of the duties and responsibilities taken on by the Management Company in managing and legally representing the Fund and the Bondholders.

The management and legal representation of the Fund shall lie with the Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, on the terms set in Royal Decree 926/1998, Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, and other applicable laws, and on the terms of the Deed of Constitution.

The Economy and Finance Ministry authorised the incorporation of the Management Company as a Mortgage Securitisation Fund Management Company on December 17, 1992 and, subsequently, on October 4, 1999 authorised its re-registration as a Securitisation Fund Management Company. It is moreover entered in the special register purposely kept by the CNMV under number 2. The information on the Management Company is contained in Chapter VI of this Offering Circular.

The Management Company shall discharge for the Fund the functions attached to it under Royal Decree 926/1998 and under Act 19/1992.

It is also the Management Company's duty, as the manager of third-party portfolios, to represent and defend the interests of the holders of the Bonds issued by the Fund and of all its other ordinary creditors. Consequently, the Management Company shall make its actions conditional on their protection and observe the provisions established for that purpose from time to time. The Bondholders and all other ordinary creditors of the Fund shall have no recourse against the Fund Management Company, other than for a breach of its duties or failure to observe the provisions of the Deed of Constitution and the Offering Circular.

The Management Company shall notify the Bondholders and all other ordinary creditors of the Fund of all and any circumstances that may be relevant to them, by publishing appropriate notices on the terms established in section III.5.2 of this Chapter.

III.9.1.1 Administration and representation of the Fund.

The Management Company's obligations and actions in fulfilment of its duty to manage and legally represent the Fund are the following, without prejudice to any other actions provided in the Deed of Constitution and/or in this Offering Circular:

(i) Keeping the Fund's accounts duly separate from the Management Company's own, rendering accounts and satisfying tax and any other statutory obligations of the Fund.

(ii) Making such decisions as may be appropriate in connection with the liquidation of the Fund, including the decision to proceed to an Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of the Deed of Constitution and this Offering Circular. Moreover, making all appropriate decisions in the event of the constitution of the Fund terminating.

(iii) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.

(iv) Providing the Bondholders, the CNMV and the Rating Agencies with all such information and notices as may be prescribed by the laws in force for the time being and specifically as established in the Deed of Constitution and in this Offering Circular.

(v) Complying with the calculation duties and taking the actions laid down in the Deed of Constitution and in this Offering Circular and in the various Fund transaction agreements listed in section V.3 of the Offering Circular, or in such others as the Management Company may enter into in due course for and on behalf of the Fund.

(vi) The Management Company may extend or amend the agreements entered into for and on behalf of the Fund, substitute, as the case may be, each of the Fund service providers thereunder, and indeed, if necessary, enter into additional agreements, including new credit facility agreements, and amend the Deed of Constitution, provided that circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. Notice of amendment of the Deed of Constitution or the agreements or of the execution of new agreements shall be given by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

(vii) Exercising the rights attaching to the ownership of the Pass-Through Certificates subscribed for by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and legally representing the Fund. Bringing a foreclosure action where the concurrent circumstances so require.

(viii) Checking that the amount of income actually received by the Fund matches the amounts that must be received by the Fund, on the terms of the issue of the Pass-Through Certificates and on the terms of the relevant Mortgage Loan, and that the amounts receivable relating to the Credit Rights are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.

(ix) Determining on each Interest Rate Fixing Date and for the following Interest Accrual Period, the Nominal Interest Rate to be applied for each Bond Series and calculating and settling the amounts payable on each Payment Date for interest accrued.

(x) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.

(xi) Determining the interest rate applicable to each of the relevant borrowing, lending and hedge transactions and calculating and settling the interest and fee amounts receivable and payable by the Fund under the same, and the fees payable for the various financial services arranged for.

(xii) Watching that the amounts credited to the Treasury Account return the yield set in the respective Guaranteed Interest Rate Account (Treasury Account) Agreement.

(xiii) Calculating the Available Funds, the Available Funds for Amortisation and the payment or withholding obligations to be complied with, and applying the same in the Fund Priority of Payments.

(xiv) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those designed for servicing the Bonds.

III.9.2 Resignation and substitution of the Management Company.

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

Resignation.

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

(ii) The CNMV's substitution authorisation shall be subject to meeting of the following requirements:

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

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

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

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

(v) The substitution shall be published within fifteen days by means of a notice inserted in two nationwide newspapers and in the bulletin of the organised secondary market on which the Bonds issued by the Fund are listed.

Forced substitution.

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

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

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

III.9.3 Subcontracting.

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

III.9.4 The Management Company's remuneration for discharging its functions.

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

(i) An initial fee amounting to EUR ninety thousand (90,000.00) which shall accrue upon the constitution of the Fund and be payable on the Closing Date.

(ii) A periodic fee: equal to 0.0215% per annum, accruing on the exact number of days elapsed in each Interest Accrual Period, from the date of constitution of the Fund until it terminates, and payable quarterly in arrears on each of the Payment Dates, calculated on the Outstanding Principal Balance of the Bond Issue on the Payment Date preceding the relevant Payment Date. The fee for the first Interest Accrual Period shall accrue from the date of constitution of the Fund until the first Payment Date and shall be adjusted in proportion to the days elapsed between both dates, calculated on the face amount of the Bonds Issue.

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

$$C = B \times \frac{0.0215}{100} \times \frac{d}{360}$$

where :
C = Fee payable on a given Payment Date.
B = Outstanding Principal Balance of the Bond Issue, on the preceding Payment Date.
d = Number of days elapsed during the relevant Interest Accrual Period.

In any event, the annual amount of this periodic fee may not be less than EUR twenty thousand seven hundred (20,700.00), or its proportional equivalent to the exact number of days elapsed in each of the settlement periods. In the event that, during the term of the Fund, the National General Retail Price Index published by the Spanish National Institute of Statistics for each calendar year should experience a positive variation, the minimum annual amount shall be reviewed cumulatively in the same proportion, from the year 2006, inclusive, and effective as of January 1 of each year.

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

CHAPTER IV

INFORMATION ON THE CHARACTERISTICS OF THE ASSETS SECURITISED THROUGH THE FUND

IV.1 Description of the Pass-Through Certificates pooled in the Fund.

The Fund shall pool pass-through certificates fully issued by BANCO DE VALENCIA (the "**Pass-Through Certificates**") on loans owned by BANCO DE VALENCIA granted to individuals with real estate mortgage security on finished residential homes located within Spanish territory, both directly and through subrogations of financing granted to developers for building homes (the "**Mortgage Loans**"). BANCO DE VALENCIA will issue the Pass-Through Certificates in accordance with the provisions of Act 2/1981, March 25, and pursuant to additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002.

The Deed of Constitution shall perfect the issue by BANCO DE VALENCIA of the Pass-Through Certificates and their subscription by the Fund, represented by the Management Company, the most significant terms of which are set forth hereinafter in this section.

The issue by BANCO DE VALENCIA of the Pass-Through Certificates and their subscription by the Fund will make up an as yet indeterminate number whose total principal or capital shall be equal to or slightly in excess of EUR four hundred and seventy-two million (472,000,000.00), the amount of the face value of this Bond Issue.

The Mortgage Loans shall be taken from a selection of mortgage loans whose characteristics are described in section IV.4 of this Offering Circular. The outstanding principal on the 9,636 mortgage loans selected as of March 17, 2004 amounted on that date to EUR 502,057,203.77.

IV.1.1 Representations by BANCO DE VALENCIA.

BANCO DE VALENCIA, as issuer of the Pass-Through Certificates, shall represent and warrant as follows to the Fund and the Management Company in the Deed of Constitution:

1. In relation to itself.

(1) That BANCO DE VALENCIA is a credit institution duly incorporated in accordance with the laws in force for the time being and entered in the Companies Register and in the Register of Credit Institutions of the Bank of Spain, and that it is authorised to operate in the mortgage market.

(2) That neither at today's date nor at any time since it was incorporated has it had a creditors' meeting called or been insolvent, in receivership or bankrupt, nor in any circumstance generating a liability which might result in the credit institution authorisation being revoked.

(3) That it has obtained all necessary authorisations both from the administration and from its corporate bodies and third parties who may be affected by the assignment of the Mortgage Loans to the Fund and the issue of the Pass-Through Certificates, to validly execute the Deed of Constitution, for the undertakings made therein and to execute the agreements relating to the constitution of the Fund.

(4) That it has audited accounts for the last three years with at least a favourable opinion and without any negative notes from the Auditors in the last year. Those audited annual accounts have been filed with the CNMV and with the Companies Register.

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

(1) That the Pass-Through Certificates are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, Royal Decree 1289/1991 and pursuant to additional provision 5 of Act 3/1994, as worded by article 18 of Financial System Reform Act 44/2002, November 22.

(2) That the Pass-Through Certificates are issued for the same term remaining until maturity and for the same interest rate of each of the underlying Mortgage Loans.

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

(4) That it holds absolute title to all the Mortgage Loans and there is no obstacle whatsoever for the Pass-Through Certificates to be issued.

(5) That the details of the Pass-Through Certificates and the Mortgage Loans included in the schedules to the Deed of Constitution accurately reflect the current status of those Mortgage Loans and Pass-Through Certificates and are full and accurate.

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

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

(8) That the Mortgage Loans all stand as a valid and binding payment obligation for the relevant Obligor and are enforceable on their own terms.

(9) That the Mortgage Loans are all denominated and payable exclusively in euros, and the capital or principal has been fully drawn down.

(10) That none of the Mortgage Loans have clauses allowing deferment of periodic interest payment or principal repayment.

(11) That all the Mortgage Loan payment obligations are satisfied by directly debiting a bank account.

(12) That the Obligors are all individuals.

(13) That the Mortgage Loans have been granted to individuals, both directly and through subrogations of financing granted to developers for building homes.

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

(15) That the mortgaged properties underlying the Mortgage Loans are not ineligible as assets excluded for standing as security under article 31.1.d) of Royal Decree 685/1982, nor do the Mortgage Loans have any of the credit features excluded or restricted under article 32 of Royal Decree 685/1982.

(16) That the Mortgage Loans are all fully secured with a real estate mortgage on finished homes occupied or to be occupied by the Obligor or to be leased out.

(17) That the mortgaged properties are all finished homes located in Spain and have been appraised by duly qualified institutions approved by the BANCO DE VALENCIA, evidence of which appraisal has been provided in the form of an appropriate certificate. The appraisals made satisfy all the requirements established in the mortgage market laws.

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

(19) That it is not aware of there having been any fall in the value of any of the properties mortgaged as security for the Mortgage Loans in excess of 20% of the appraisal value.

(20) That the properties on which mortgage security has been given all have at least a valid fire damage insurance, and the insured capital thereunder is not less than the appraisal value of the mortgaged property, excluding elements that cannot by nature be insured. To this end, it has taken out a global insurance policy to cover those risks in the event of the damage insurance policy taken out by the Obligor not existing or being insufficient or ineffective.

(21) That the Mortgage Loans are not perfected in registered, negotiable or bearer securities, other than the Pass-Through Certificates issued to be pooled in the Fund.

(22) That the Mortgage Loans are all in good standing in payment of principal and interest amounts due on the date of issue of the Pass-Through Certificates.

(23) That it is not aware that any of the Mortgage Loan Obligors holds any credit right against BANCO DE VALENCIA whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Pass-Through Certificates.

(24) That BANCO DE VALENCIA has strictly adhered to the policies for granting credit in force at the time in granting each and every one of the Mortgage Loans and in accepting, as the case may be, the subrogation of subsequent borrowers in the position of the initial borrower, and a Memorandum on policies for granting mortgage loans shall be attached to the Deed of Constitution in that respect.

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

(26) That the outstanding capital balance of each of the Mortgage Loans on the date of issue is equivalent to the principal figure of the relevant Pass-Through Certificate and that, in turn, the total capital of the Pass-Through Certificates shall be at least equivalent to the face value of the Bond Issue.

(27) That the final maturity date of the Mortgage Loans is at no event after February 26, 2034.

(28) That the Mortgage Loans are being serviced by BANCO DE VALENCIA in accordance with its set customary procedures.

(29) That it has no knowledge of the existence of any litigation whatsoever in relation to the Mortgage Loans which may detract from their validity or which may result in the application of Civil Code article 1535, or of the existence of circumstances which may result in the purchase agreement of the home mortgaged by the Mortgage Loans being ineffective.

(30) That it is not aware of the premiums accrued heretofore by the insurance taken out referred to in paragraph (20) above not having been fully paid.

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

(32) That, on the date of the issue, at least two instalments have fallen due on each of the Mortgage Loans.

(33) That the Pass-Through Certificate and Mortgage Loan portfolio information contained in the Offering Circular regarding the constitution of the Fund and the Bond Issue is accurate and strictly true.

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

(35) That the Mortgage Loans are written off the assets of BANCO DE VALENCIA on the date of the Deed of Constitution in the capital amount for which they are transferred, in accordance with the provisions of Bank of Spain Circular 4/91, without prejudice to the effects that partial or total subscription for the Bond Issue may have for BANCO DE VALENCIA in pursuance of that Circular.

(36) That there is no issue whatsoever of mortgage debentures or mortgage bonds outstanding made by BANCO DE VALENCIA.

(37) That the Mortgage Loans are not earmarked for any issue whatsoever of mortgage bonds, mortgage certificates or pass-through certificates, other than the issue of the Pass-Through Certificates, and after their issue the Mortgage Loans shall not be earmarked for any issue whatsoever of mortgage debentures, mortgage bonds, mortgage certificates or other pass-through certificates.

(38) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.

IV.1.2 General terms of the issue of and subscription for Pass-Through Certificates.

i) The Mortgage Loans will be fully and unconditionally assigned, perfected by means of the issue of the Pass-Through Certificates, for the entire term remaining until maturity.

ii) The issue of the Pass-Through Certificates shall be made in respect of 100 percent of the outstanding principal, interest not due and overdue interest and all and any other amounts, assets or rights attaching to each of the relevant Mortgage Loans, as detailed in section IV.1.3 below.

iii) The Pass-Through Certificates shall be issued for the same term remaining until maturity of each of the underlying Mortgage Loans.

iv) BANCO DE VALENCIA shall be liable to the Fund for the existence and lawfulness of the Mortgage Loans to the same extent laid down in articles 348 of the Commercial Code and 1529 of the Civil Code.

v) BANCO DE VALENCIA shall not bear the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for default by the mortgagors of principal, interest or any other amount owing to them by the Obligors under the Mortgage Loans. It will moreover have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to replace or repurchase the Pass-Through Certificates, other than as provided in section IV.1.6 below.

vi) The Pass-Through Certificates shall be represented by registered certificates as established in section IV.1.5 below.

vii) Until the execution of the Deed of Constitution, BANCO DE VALENCIA shall be the beneficiary of the damage insurance contracts taken out by the Obligors in relation to the mortgaged properties as security for the Mortgage Loans, up to the insured amount, and each of the mortgage loan documents shall, in the event of default on the relevant premium by the Obligor (holder) of the insurance, authorise BANCO DE VALENCIA, the mortgagee, to pay the premium amount for the Obligor in order that the premiums are always paid.

BANCO DE VALENCIA shall thereupon perfect the assignment attached to the issue of the Pass-Through Certificates of the rights BANCO DE VALENCIA has as the beneficiary of those damage insurance contracts taken out by the Obligors or any other insurance policy providing equivalent cover. As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts BANCO DE VALENCIA would have received in this connection.

viii) The transfer and holding of the Pass-Through Certificates shall be limited to institutional investors, and they may not be acquired by the unspecialised public.

ix) Given the above and that the Fund is an institutional investor, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgages in the Land Registry.

IV.1.3 Description of rights conferred on the Fund upon subscribing for the Pass-Through Certificates on the Mortgage Loans.

Specifically, the Pass-Through Certificates shall confer on the Fund as the holder thereof the following rights in relation to each of the Mortgage Loans:

a) To receive all amounts accruing as repayment of Mortgage Loan capital or principal.

b) To receive all amounts accruing as ordinary interest on the Mortgage Loans.

c) To receive all amounts accruing as late-payment interest on the Mortgage Loans.

d) To receive any other amounts, assets or rights received as payment of the Mortgage Loan principal, interest or expenses, either in the form of the auction sale price or amount determined by a court decision or notarial procedure in foreclosing the mortgage securities, on the sale or utilisation of properties awarded or, upon foreclosing, in the administration or interim possession of the properties in foreclosure proceedings.

e) To receive all possible rights or compensations accruing for BANCO DE VALENCIA, including not only those derived from the insurance contracts attached to the Mortgage Loans which are also assigned to the Fund, but also those derived from any ancillary right attached to the Mortgage Loan.

The above-mentioned rights will all accrue for the Fund from the date of issue of the Pass-Through Certificates. Interest shall moreover include interest accrued and not due since the last interest settlement date on each of the Mortgage Loans, before the date of issue of the Pass-Through Certificates.

The rights of the Fund resulting from the Pass-Through Certificates are linked to the payments made by the Mortgage Loan Obligors, and are hence directly affected by the evolution, delays, prepayments or any other incident relating thereto.

Returns on the Pass-Through Certificates constituting Fund income shall not be subject to a Corporation Tax withholding as established in Royal Decree 537/1997, April 14, approving the Corporation Tax Regulations.

The Fund shall bear all and any expenses or costs arising for BANCO DE VALENCIA derived from the recovery actions in the event of a breach of obligations by the Mortgage Loan Obligors, including foreclosing against the same.

IV.1.4 Issue price of the Pass-Through Certificates.

The issue price of the Pass-Through Certificates will be at par. The total amount payable by the Fund for subscribing for the Pass-Through Certificates shall be the amount equivalent to the sum of (i) the face value of the capital or principal pending repayment of each of the Mortgage Loans, and (ii) the ordinary interest accrued and not due on each of the Mortgage Loans on the date of issue of the Pass-Through Certificates (the "**accrued interest**").

The Management Company shall pay the total amount for subscribing for the Pass-Through Certificates on behalf of the Fund as follows:

(i) The part consisting of the face value of the capital of all the Mortgage Loans, subparagraph (i) of paragraph one of this section, shall be paid by the Fund on the Bond Closing Date, for same day value, upon the subscription for the Bond Issue being paid up.

(ii) The part of the price consisting of the interest accrued on each of the Mortgage Loans, subparagraph (ii) of paragraph one of this section, shall be paid by the Fund on the earlier of the collection date falling on the first interest settlement date of each of the Mortgage Loans or the date on which they are paid by the Obligor, after the issue date of the Pass-Through Certificates, and will not be subject to the Fund Priority of Payments.

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

IV.1.5 Pass-Through Certificate representation and custody.

The Pass-Through Certificates shall be represented by multiple or individual registered certificates, which shall contain at least the particulars prescribed for mortgage certificates in article 64 of Royal Decree 685/1982, March 17, amended by Royal Decree 1289/1991, August 2, along with the registration particulars of the properties securing the Mortgage Loans. The Pass-Through Certificates which shall be issued to be pooled in the Fund upon being constituted shall be represented in a multiple registered certificate comprising all the Pass-Through Certificates.

Both in the event that the Management Company should, for and on behalf of the Fund, proceed to foreclose a Mortgage Loan, as provided for in section IV.2.11, and because of an Early Liquidation of the Fund, in the events and on the terms of section III.8.1, there is to be a sale of Pass-Through Certificates, and in any other event so requiring, BANCO DE VALENCIA agrees to split any multiple certificate issued representing Pass-Through Certificates into such unit or multiple certificates as may be necessary, replacing or exchanging the same for the attainment of the above purposes.

The multiple certificate representing the Pass-Through Certificates and, as the case may be, the unit certificates into which the same is split, shall be deposited at BANCO DE VALENCIA, and the relations between the Fund and BANCO DE VALENCIA shall be governed by the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement to be entered into between BANCO DE VALENCIA and the Management Company for and on behalf of the Fund. That deposit shall be established for the benefit of the Fund and BANCO DE VALENCIA shall therefore safe-keep the documents representing the Pass-Through Certificates deposited following the Management Company's instructions.

IV.1.6 Set rules for substituting the Pass-Through Certificates.

1. In the event of early amortisation of Pass-Through Certificates due to a prepayment of the Mortgage Loan capital, there will be no substitution of the Pass-Through Certificates affected thereby.

2. In the event that it should be observed throughout the life of the Pass-Through Certificates that any of them fails to meet on the Fund constitution date the representations contained in section IV.1.1 of this Offering Circular, or the characteristics notified by BANCO DE VALENCIA to the Management Company, upon the Fund being constituted, due to a failure by the relevant Mortgage Loan to so conform, or upon the Fund being constituted that Mortgage Loan should be affected by any of the circumstances BANCO DE VALENCIA has declared to be unaware of, BANCO DE VALENCIA agrees, subject to the Management Company's consent, to proceed forthwith to a substitution or, as the case may be, an early amortisation of the Pass-Through Certificate in that situation, subject to the following rules:

   a) The party becoming aware of the existence of a non-conforming Pass-Through Certificate, whether BANCO DE VALENCIA or the Management Company, shall notify the other party of this circumstance. BANCO DE VALENCIA shall have five (5) Business Days from said notice to proceed to remedy that circumstance if it may be remedied, or to proceed to a substitution thereof.

   b) The substitution shall be made for the outstanding principal plus interest accrued and not paid and any amount owing to the Fund until that date on the relevant Mortgage Loan underlying the substituted Pass-Through Certificate.

      In order to proceed to the substitution, BANCO DE VALENCIA shall notify the Management Company of the characteristics of the mortgage loans proposed to be assigned under new pass-through certificates satisfying the representations made in section IV.1.1 and similarly characterised as to residual term, interest rate, outstanding principal value, and credit quality construed as the existing ratio of the outstanding loan principal to the appraisal value of the property mortgaged as security, in order for the financial balance of the Fund, and indeed the Bond rating in accordance with the provisions of section II.3 of this Offering Circular, to be unaffected by the substitution. Once the Management Company has checked that the substitute loan is appropriate, because it may be included in the Fund, and expressly agreed to it, BANCO DE VALENCIA shall proceed to issue the new replacement Pass-Through Certificate(s).

   c) The substitution shall be recorded in a notarial certificate setting forth all the particulars both of the Pass-Through Certificate to be replaced and the Mortgage Loan attached thereto, and the new pass-through certificate(s) issued, along with details of the Mortgage Loans, and the reason for substituting and characteristics determining their homogenous nature as described in the paragraph immediately preceding, a copy of which shall be filed by the Management Company with the CNMV, the organisation in charge of the accounting record for the Bonds and the AIAF Governing Body, notifying the Rating Agencies.

d) In the event that any Pass-Through Certificate should not be substituted by issuing new ones on the terms set in rule b) of this section, BANCO DE VALENCIA shall proceed to an early amortisation of the Pass-Through Certificate. That early amortisation shall take place by a repayment in cash to the Fund of the outstanding principal, interest accrued and not settled, and any other amount owing to the Fund until that date on the Mortgage Loan underlying the relevant Pass-Through Certificate.

e) In the event of early amortisation of Pass-Through Certificates by BANCO DE VALENCIA due to both substitution and repayment, BANCO DE VALENCIA shall once again record the relevant Mortgage Loans among its balance sheet assets on the date of early amortisation of the relevant Pass-Through Certificates, and shall be vested in all the rights attaching to those Mortgage Loans accruing from the amortisation date or accrued and not due, and overdue amounts on that same date.

IV.1.7 Other terms derived from the legal system of the Pass-Through Certificates.

As prescribed by Mortgage Market Regulation Royal Decree 685/1982, amended by Royal Decree 1289/1991, the Pass-Through Certificates may be transferred by a written statement on the very certificate and, in general, by any of the means admitted by Law, their acquisition or holding being limited to institutional or professional investors for they may not be acquired by the unspecialised public, in accordance with the provisions of article 64.6 of Royal Decree 685/1982. Both the transfer and the new holder's address shall be notified by the transferee to the issuer.

The transferor shall not be liable for the solvency of the issuer or of the Mortgage Loan obligor, nor indeed of the sufficiency of the mortgage securing it.

BANCO DE VALENCIA, as the issuer, shall keep a special book in which it shall enter the Pass-Through Certificates issued and such transfers thereof as may be notified to it, the Pass-Through Certificates being applied the provisions of article 53 of Royal Decree 685/1982 for registered certificates. The same book shall include the changes of address notified to it by the holders of the Pass-Through Certificates.

The book shall moreover include the following particulars:

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

b) Mortgage registration particulars.

IV.2 Servicing and custody of the Mortgage Loans and custody of the Pass-Through Certificates.

BANCO DE VALENCIA, issuer of the Pass-Through Certificates to be subscribed for by the Fund, in accordance with the provisions of article 61.3 of Royal Decree 685/1982, agrees to be the custodian and servicer of the Mortgage Loans, and the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement (the "**Servicing Agreement**") shall govern the relations between BANCO DE VALENCIA (hereinafter in regard to this Agreement the "**Servicer**") and the Fund, represented by the Management Company, in regard to the custody and servicing of the Mortgage Loans and the custody of the documents representing the Pass-Through Certificates. In consideration of the custody, servicing and management of the Mortgage Loans and custody of the documents representing the Pass-Through Certificates, the Servicer shall be entitled to receive in arrears on each of the Payment Dates and during the term of the Servicing Agreement, a subordinated servicing fee equal to 0.01% per annum, inclusive of VAT if there is no exemption, which shall accrue on the exact number of days elapsed and on the average daily Outstanding Balance of the Pass-Through Certificates serviced during each Interest Accrual Period. If the Servicer should be substituted in that servicing task, because that may be done following a change of the laws in force for the time being, and is appropriate in view of circumstances of the Servicer which might prevent or make it difficult for that servicing to be properly performed, the Management Company will be entitled to change the above percentage fee in favour of the substitute institution, which fee may be higher than that agreed with BANCO DE VALENCIA under the Servicing Agreement.

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

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

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

BANCO DE VALENCIA shall continue servicing the Mortgage Loans, devoting as Servicer the same time and effort to them and the same degree of skill, care and diligence in servicing the same as it would devote and use to service its own mortgage loans, and will in any event exercise a suitable degree of skill, care and diligence in providing the services for which provision is made in said Servicing Agreement.

In any event, the Servicer waives the privileges and authorities conferred on it by law as the manager of collections for the Fund and as servicer of the Mortgage Loans, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

The most outstanding terms of the Servicing Agreement are set out hereinafter in the following subparagraphs of this section.

IV.2.1 Mortgage Loan servicing and custody.

The following is the succinct and short description of the ordinary system and procedures (hereinafter the "**services**") for service and custody of the Mortgage Loans governed by said Servicing Agreement:

1. **Term.**

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

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

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

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

3. **Collection management.**

   The Servicer shall continue managing collection of all amounts payable by the Obligors under the Mortgage Loans, and any other item including under the insurance contracts of the mortgaged properties securing the Mortgage Loans. The Servicer shall act due diligently for payments to be made by the Obligors to be collected in accordance with the terms and conditions of such Mortgage Loans.

   The amounts received by the Servicer derived from the Mortgage Loans shall be paid into the Fund's Treasury Account on the seventh day after the date on which they were received by the Servicer, or the following business day, for same day value, if that is not a business day, in accordance with the set terms and conditions. In this connection, business days shall be taken to be all those that are business days in the banking sector in the capital city of Valencia.

The Management Company may change the periods, collection dates and payment method at any time during the term of the Servicing Agreement, provided that this is not detrimental to the rating given to the Bonds by the Rating Agencies.

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

4. Fixing the interest rate.

Because the Mortgage Loans have a floating interest rate, the Servicer will continue fixing those interest rates in accordance with the provisions of the relevant Mortgage Loans, submitting such relevant communications and notices as may be established in the respective agreements.

5. Mortgaged property damage insurance.

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

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

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

6. Information.

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

Furthermore, the Servicer shall prepare and hand to the Management Company such additional information concerning the Mortgage Loans or the rights attaching thereto as the Management Company may reasonably request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

7. Liability of the Servicer.

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

The Servicer shall be liable to indemnify the Fund or its Management Company against any damage, loss or expense incurred by the latter due to a breach by the Servicer of its duties to safe-keep, service and report on the Mortgage Loans and to custody the documents representing the Pass-Through Certificates.

8. Mortgage Loan subrogation.

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

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

9. Authorities and actions in relation to Mortgage Loan renegotiation procedures.

The Servicer may not voluntarily cancel the mortgages securing the Mortgage Loans for any reason other than payment of the Mortgage Loan, relinquish or settle in regard thereto, forgive the Mortgage Loans in full or in part or extend the same, or in general do anything that may diminish the status, enforceability at law or economic value of the mortgage or of the Mortgage Loans, without prejudice to its proceeding to heed requests by the Obligors with the same diligence and procedure as if the loans were not assigned.

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

a) Renegotiating the interest rate.

1. The Servicer may under no circumstance entertain on its own account and without being so requested by the Obligor, interest rate renegotiations which may result in a decrease in the interest rate applicable to a Mortgage Loan. In any event, whether or not it was generically authorised, any Mortgage Loan interest rate renegotiation shall be taken on and settled bearing in mind the interests of the Fund.

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

   The Management Company may at any time during the term of the Agreement, on behalf of the Fund, cancel, suspend or change the requirements for the Servicer's authorisation to renegotiate which it may previously have authorised for the Servicer.

   The Servicer shall in renegotiating the Mortgage Loan interest rate clause observe that the new terms are exclusively at an arm's length variable interest rate and no different from those applied by the Servicer proper in renegotiating or granting its floating-rate mortgage loans. In this connection, arm's length variable interest rate shall be deemed to be the variable interest rate offered by the Servicer on the Spanish market for loans granted to individuals with real estate mortgage security in finished homes in Spanish territory in an amount and on terms substantially similar to the renegotiated Mortgage Loan.

2. The margin applicable to a Mortgage Loan shall under no circumstances be decreased in being renegotiated where the average margin weighted by the outstanding Mortgage Loan principal is less than 0.50%.

   Without prejudice to the provisions of the preceding paragraph, if on the effective date of the renegotiation of the variable interest rate applicable to a Mortgage Loan, the average margin weighted by the principal not yet due of the Mortgage Loans is equal to or less than 0.60%, the Management Company may accept the renegotiation provided that the Servicer agrees to pay the Fund, for the Mortgage Loan, on each collection date after the effective date of the renegotiation and until the loan is repaid, the amount on each Mortgage Loan interest settlement date of the difference in the interest accrued by the Mortgage Loan during each interest settlement period, calculated on the margin over the previous benchmark index before being modified and the interest actually accrued calculated at the new applicable interest rate set.

b) Extending the period of maturity.

The final maturity or final amortisation date of the Mortgage Loans may be extended (hereinafter "**extending the term**") subject to the following rules and limitations:

(i) The Servicer may in no case entertain on its own account, i.e. without it being so requested by the Obligor, a change in the final maturity date of the Mortgage Loan which may result in an extension of that date. The Servicer, without encouraging an extension of the term, shall act in relation to such extension bearing in mind at all times the Fund's interests.

(ii) The amount of the sum of the initial capital or principal of the Pass-Through Certificates that match the Mortgage Loans with respect to which the maturity date is extended may not exceed 10.00% of the total initial capital or principal of the issue of the Pass-Through Certificates.

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

a) That the periodicity of repayment instalments of the capital or principal of the Mortgage Loan is at all events maintained or reduced, albeit keeping the same repayment system in place.

b) That the new final maturity or final amortisation date does not extend beyond February 26, 2034.

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

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

In the event of a renegotiation of the interest rate of the Mortgage Loans, or their due dates, consented to by the Management Company, for and on behalf of the Fund, the change in the terms shall affect the Fund in accordance with rule fifteen, section 2.d) of Bank of Spain Circular 4/91, June 16.

10. Action against the Obligors in the event of default on the Mortgage Loans and powers of the holder of the Pass-Through Certificates.

Actions in the event of late payment.

The Servicer shall apply an identical diligence and procedure for claiming overdue amounts not paid on the Mortgage Loans as with the rest of its portfolio loans.

In the event of default by the Obligor of the payment obligations, the Servicer shall take the actions described in the Servicing Agreement, taking for that purpose the steps it would ordinarily take if they were its portfolio loans and in accordance with standard banking usage and practice for collecting overdue amounts, and shall be bound to advance such expenses as may be necessary for those actions to be taken, without prejudice to its right to be reimbursed by the Fund. Needless to say, these actions include all such legal actions as the Servicer may deem necessary to claim and collect the amounts due by the Obligors.

Legal actions.

The Servicer, using its fiduciary title to the Mortgage Loans or using the power referred to in the following paragraph, shall take all relevant actions against Obligors failing to meet their payment obligations derived from the Mortgage Loans. Such an action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act.

For the above purposes, and if this should be necessary, the Management Company grants in the Deed of Constitution as full and extensive a power of attorney as may be required at Law to BANCO DE VALENCIA in order that the latter may, acting through any of its attorneys properly empowered for those purposes, for and on behalf of the Management Company, as the authorised representative of the Fund, demand by any judicial or other means the Obligor of any of the Mortgage Loans to pay his debt and take legal action against the same, in addition to other authorities required to discharge its duties as Servicer. These authorities may be extended or amended in another deed where appropriate.

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

In the event of default by any Obligor, the Management Company, acting for and on behalf of the Fund, shall have the following remedies provided for mortgage certificates in article 66 of Royal Decree 685/1982, amended by Royal Decree 1289/1991, which also apply to Pass-Through Certificates in accordance with the provisions of article 18 of Act 44/2002:

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

(ii) To take part on an equal standing with BANCO DE VALENCIA, as issuer of the Pass-Through Certificates, in the foreclosure the latter shall have instituted against the Obligor, intervening to that end in any foreclosure proceedings commenced by the former.

(iii) If the Servicer should fail to take that action within sixty (60) calendar days of a notice served through a Notary demanding payment of the debt, the Management Company, for and on behalf of the Fund, shall be secondarily entitled to bring the foreclosure action on the Mortgage Loan for both principal and interest.

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

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

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

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

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

11. Recovery action against the Servicer.

The Management Company shall, for and on behalf of the Fund, be entitled to file a recovery action against the Servicer claiming the principal and interest falling due under the Pass-Through Certificates, where the breach of the obligation to pay those amounts does not result from a default by the Mortgage Loan Obligors.

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

12. Set-off.

In the event that any of the Obligors under the Mortgage Loans should have a liquid credit right, due and payable vis-à-vis the Servicer, and any of the Mortgage Loans should therefore be fully or partially set-off against that credit, the Servicer shall remedy such circumstance or, if it cannot be remedied, the Servicer shall proceed to pay to the Fund the amount set off plus the accrued interest which would have been payable to the Fund until the date on which the payment is made, calculated on the terms applicable to the relevant Mortgage Loan.

13. Subcontracting.

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

14. Substitution.

In the event of a breach by the Servicer of the obligations imposed in the Servicing Agreement on the Servicer or in the event that the Servicer's credit rating should fall or there should be a change in its financial position which may be detrimental to or place the financial structure of the Fund or the rights and interests of the Bondholders at risk, the Management Company shall, in addition to demanding that the Servicer fulfil its obligations under the Servicing Agreement, proceed to put in place, where this is legally possible, inter alia and after notifying the CNMV and the Rating Agencies, any of the following actions: (i) to demand that the Servicer subcontract or delegate to another institution fulfilment of the obligations and commitments undertaken in the Servicing Agreement; (ii) to have a third-party institution whose credit rating and quality is acceptable to the Rating Agencies guarantee all or part of the Servicer's obligations; (iii) to terminate the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer, provided that it has an acceptable credit quality that is not detrimental to the rating given to the Bonds by the Rating Agencies and that the new Servicer accepts the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement.

In the event of termination of the Agreement, the Management Company shall previously designate a new Mortgage Loan Servicer, provided that the Servicer's credit quality is not detrimental to the rating given to the Bonds by the Rating Agencies and provided that the Servicer accepts the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement.

Furthermore, in the event of bankruptcy or insolvency, or indications of both, administration by the Bank of Spain, liquidation or substitution of the Servicer, the Management Company may demand the Servicer to notify Obligors of the transfer to the Fund of the outstanding Mortgage Loans, and that the payments derived therefrom will only be effective as a discharge if made into the Treasury Account opened in the name of the Fund. However, both in the event of the Servicer failing to notify Obligors within five (5) Business Days of receiving the request and in the event of the Servicer going bankrupt or into liquidation, the Management Company itself shall directly or, as the case may be, through a new Servicer it shall have designated, notify Obligors.

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

IV.3 General policies for granting and terms for perfecting established in regard to mortgage loans by the issuer of the pass-through certificates pooled in the Fund.

IV.3.1 Procedures established by BANCO DE VALENCIA, issuer of the Pass-Through Certificates, for analysing risks and granting mortgage loans.

The mortgage loans selected to be assigned to the Fund have been granted by BANCO DE VALENCIA, or as the case may be by Banco de Murcia, S.A. (merged into BANCO DE VALENCIA in October 2002), in accordance with their respective usual procedures. Those procedures of BANCO DE VALENCIA shall be described in the "BANCO DE VALENCIA Memorandum on policies for granting mortgage loans" attached to the Fund Deed of Constitution.

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

The following table shows the evolution over the last four years of the credit investment by BANCO DE VALENCIA for loans with residential home mortgage security granted to individuals as a segment representing the mortgage loans selected to be assigned to the Fund.

Date	Net residential credit investment			Doubtful Assets (balance)	Gross Credit Investment (balance)	% Delinquency Rate	Suspended Assets (balance)
	Loans	Balance	% Nominal Interest Rate				
1	2	3	4	5	6	7	8
31.12.2003	33,758	1,856	3.699	4	1,860	0.19	0
31.12.2002	28,868	1,408	4.700	4	1,412	0.31	0
31.12.2001	16,127	733	5.575	2	735	0.34	0
31.12.2000	13,215	557	5.984	2	559	0.38	0

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

IV.4 Description of the mortgage loan portfolio selected to be assigned to the Fund through the issue of the Pass-Through Certificates.

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

The portfolio of selected mortgage loans from which the Mortgage Loans backing the issue of the Pass-Through Certificates shall be taken, comprises 9,636 mortgage loans, the outstanding principal of which amounted as of March 17, 2004 to EUR 502,057,203.77.

These selected mortgage loans were audited as specified in section I.3 of this Offering Circular, and the audit made by DELOITTE is attached as Appendix V hereto.

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

The outstanding principal of the mortgage loans as of March 17, 2004 ranges between EUR 1,459.83 and EUR 294,866.06.

The following table shows the distribution of the outstanding principal balance of the mortgage loans in EUR 12,000 intervals. No details are given for intervals with no contents.

Mortgage loan portfolio as of 17.03.2004 Classification by outstanding principal				
Outstanding principal interval (in EUR)	**Loans No.**	**%**	**Outstanding Principal (EUR)**	**%**
0.00 - 11,999.99	388	4.03	3,400,597.62	0.68
12,000.00 - 23,999.99	1,443	14.98	26,757,627.69	5.33
24,000.00 - 35,999.99	1,836	19.05	55,141,528.60	10.98
36,000.00 - 47,999.99	1,613	16.74	67,449,260.46	13.43
48,000.00 - 59,999.99	1,328	13.78	71,406,533.79	14.22
60,000.00 - 71,999.99	952	9.88	62,675,348.23	12.48
72,000.00 - 83,999.99	651	6.76	50,550,997.02	10.07
84,000.00 - 95,999.99	468	4.86	41,900,496.98	8.35
96,000.00 - 107,999.99	293	3.04	29,769,653.98	5.93
108,000.00 - 119,999.99	215	2.23	24,433,311.49	4.87
120,000.00 - 131,999.99	132	1.37	16,559,478.85	3.30
132,000.00 - 143,999.99	108	1.12	14,842,502.02	2.96
144,000.00 - 155,999.99	66	0.68	9,836,125.61	1.96
156,000.00 - 167,999.99	35	0.36	5,684,001.31	1.13
168,000.00 - 179,999.99	39	0.40	6,762,044.00	1.35
180,000.00 - 191,999.99	17	0.18	3,173,235.02	0.63
192,000.00 - 203,999.99	15	0.16	2,962,233.03	0.59
204,000.00 - 215,999.99	12	0.12	2,506,354.68	0.50
216,000.00 - 227,999.99	6	0.06	1,332,140.38	0.27
228,000.00 - 239,999.99	4	0.04	944,361.60	0.19
240,000.00 - 251,999.99	5	0.05	1,221,879.62	0.24
252,000.00 - 263,999.99	2	0.02	513,951.93	0.10
264,000.00 - 275,999.99	3	0.03	801,621.66	0.16
276,000.00 - 287,999.99	3	0.03	845,877.35	0.17
288,000.00 - 299,999.99	2	0.02	586,040.85	0.12
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**
	Average principal:		**52,102.24**	
	Minimum principal:		**1,459.83**	
	Maximum principal:		**294,866.06**	

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

The provisional portfolio mortgage loans all have a floating interest rate. The nominal interest rates applicable to the mortgage loans as of March 17, 2004 range between 2.08% and 6.50%, and the average nominal interest rate weighted by the outstanding principal is 3.40%.

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

Mortgage loan portfolio as of 17.03.2004 Classification by Nominal Interest Rates					
% Interest Rate Interval	**Loans**	**%**	**Outstanding Principal (EUR)**	**%**	**%Interest Rate***
2.00 - 2.49	3	0.03	151,504.10	0.03	2.22
2.50 - 2.99	645	6.69	51,015,094.83	10.16	2.83
3.00 - 3.49	3,919	40.67	239,666,937.11	47.74	3.19
3.50 - 3.99	3,487	36.19	154,913,147.39	30.86	3.60
4.00 - 4.49	1,153	11.97	41,515,275.96	8.27	4.10
4.50 - 4.99	286	2.97	10,737,482.45	2.14	4.57
5.00 - 5.49	132	1.37	3,791,133.52	0.76	5.04
5.50 - 5.99	9	0.09	201,666.68	0.04	5.59
6.00 - 6.49	1	0.01	8,234.82	0.00	6.00

Mortgage loan portfolio as of 17.03.2004 Classification by Nominal Interest Rates					
% Interest Rate Interval	**Loans**	**%**	**Outstanding Principal (EUR)**	**%**	**%Interest Rate***
6.50 - 6.99	1	0.01	56,726.91	0.01	6.50
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**	
	Weighted average:				**3.40%**
	Simple Average:				**3.51%**
	Minimum:				**2.08%**
	Maximum:				**5.650%**

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

d) Maximum nominal interest rates applicable to the mortgage loans.

The maximum nominal interest rates applicable to the mortgage loans as of March 17, 2004 range between 25.00% and 29.00%.

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

Mortgage Loan portfolio as of 17.03.2004 Classification by Applicable Maximum Nominal Interest Rates				
% Interest Rate Interval	**Loans**	**%**	**Outstanding Principal (EUR)**	**%**
25.00 - 25.49	129	1.34	3,378,057.83	0.67
29.00 - 29.49	1	0.01	12,092.19	0.00
No applicable maximum NIR	9,506	98.65	498,667,053.75	99.32
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**

e) Minimum nominal interest rates applicable to the mortgage loans.

The minimum nominal interest rates applicable to the mortgage loans as of March 17, 2004 range between 1.00% and 5.50%.

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

Mortgage Loan portfolio as of 17.03.2004 Classification by Applicable Minimum Nominal Interest Rates				
% Interest Rate Interval	**Loans**	**%**	**Outstanding Principal (EUR)**	**%**
1.00 - 1.49	30	0.31	872,150.88	0.17
2.00 - 2.49	301	3.12	19,831,221.20	3.95
3.00 - 3.49	20	0.21	1,103,012.58	0.22
3.50 - 3.99	11	0.11	384,721.39	0.08
4.00 - 4.49	12	0.12	528,312.45	0.11
4.50 - 4.99	2	0.02	74,502.74	0.01
5.00 - 5.49	88	0.91	2,182,938.31	0.43
5.50 - 5.99	1	0.01	16,478.83	0.00
No applicable minimum NIR	9,171	95.17	477,063,865.39	95.02
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**

f) Benchmark indices applicable at present to the mortgage loans.

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

Mortgage loan portfolio as of 17.03.2004 Classification by Interest Rate Benchmark Index					
Benchmark Index	**Loans**	**%**	**Outstanding Principal (EUR)**	**%**	**%Margin * o/index**
1-year EURIBOR/MIBOR	7,728	80.20	423,173,701.29	84.29	0.90
6-month EURIBOR	2	0.02	27,524.52	0.01	2.00
MLAR ALL INSTITUTIONS	1,906	19.78	78,855,977.96	15.71	0.15
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**	**0.78**
*Average benchmark index margin weighted by the outstanding principal.					

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

Origination date.

The provisional portfolio mortgage loans were originated on dates comprised between January 8, 1992 and March 11, 2003, average portfolio age being 37.51 months as of March 17, 2004.

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

Mortgage loan portfolio as of 17.03.2004 Classification by loan origination date				
Date Interval	**Loans**	**%**	**Outstanding Principal (EUR)**	**%**
01.01.1992 to 30.06.1992	1	0.01	10,540.90	0.00
01.07.1992 to 31.12.1992	1	0.01	12,217.90	0.00
01.01.1993 to 30.06.1993	1	0.01	18,459.19	0.00
01.07.1993 to 31.12.1993	3	0.03	40,028.34	0.01
01.01.1994 to 30.06.1994	14	0.15	278,632.24	0.06
01.07.1994 to 31.12.1994	20	0.21	523,609.88	0.10
01.01.1995 to 30.06.1995	29	0.30	551,693.08	0.11
01.07.1995 to 31.12.1995	48	0.50	1,275,204.06	0.25
01.01.1996 to 30.06.1996	119	1.23	2,838,267.86	0.57
01.07.1996 to 31.12.1996	161	1.67	4,531,789.35	0.90
01.01.1997 to 30.06.1997	387	4.02	10,350,818.05	2.06
01.07.1997 to 31.12.1997	421	4.37	13,582,834.66	2.71
01.01.1998 to 30.06.1998	598	6.21	21,746,508.62	4.33
01.07.1998 to 31.12.1998	584	6.06	22,034,899.25	4.39
01.01.1999 to 30.06.1999	619	6.42	23,494,587.38	4.68
01.07.1999 to 31.12.1999	697	7.23	30,725,288.35	6.12
01.01.2000 to 30.06.2000	696	7.22	31,347,788.69	6.24
01.07.2000 to 31.12.2000	553	5.74	29,043,732.67	5.78
01.01.2001 to 30.06.2001	790	8.20	43,272,097.56	8.62
01.07.2001 to 31.12.2001	1,006	10.44	61,385,476.12	12.23
01.01.2002 to 30.06.2002	1,208	12.54	82,211,495.14	16.37
01.07.2002 to 31.12.2002	1,298	13.47	91,570,051.71	18.24
01.01.2003 to 30.06.2003	382	3.96	31,211,182.77	6.22
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**
Weighted average age		**37.51**	**Months**	
Maximum age	**08.01.1992**	**146.37**	**Months**	
Minimum age	**11.03.2003**	**12.23**	**Months**	

Final maturity date and residual life.

The final maturity of provisional portfolio mortgage loans falls on dates comprised between January 5, 2007 and February 26, 2034.

Loans are repaid throughout the life remaining until full repayment, during which period mortgagors must pay monthly instalments comprising capital repayment and interest.

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

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

Mortgage loan portfolio as of 17.03.2004
Classification by Final Maturity Year

Final Maturity Year	Loans		Outstanding Principal		Residual Life*	
		%	(EUR)	%	Months	Date
2007	185	1.92	2,752,921.87	0.55	39.09	20,06,2007
2008	203	2.11	3,654,944.00	0.73	52.07	19,07,2008
2009	194	2.01	4,233,860.78	0.84	63.80	11,07,2009
2010	197	2.04	5,053,104.89	1.01	75.31	26,06,2010
2011	371	3.85	10,880,865.82	2.17	88.17	23,07,2011
2012	571	5.93	18,360,290.40	3.66	99.58	4,07,2012
2013	562	5.83	19,604,516.54	3.90	111.47	1,07,2013
2014	557	5.78	20,240,388.19	4.03	124.13	21,07,2014
2015	421	4.37	16,306,358.38	3.25	134.99	17,06,2015
2016	493	5.12	21,920,995.25	4.37	147.63	6,07,2016
2017	691	7.17	35,469,374.84	7.06	159.88	13,07,2017
2018	478	4.96	23,036,922.37	4.59	170.94	15,06,2018
2019	446	4.63	20,448,854.42	4.07	184.02	18,07,2019
2020	521	5.41	28,660,663.95	5.71	195.33	26,06,2020
2021	721	7.48	45,031,373.71	8.97	207.78	10,07,2021
2022	911	9.45	62,765,568.54	12.50	219.59	5,07,2022
2023	276	2.86	18,040,563.88	3.59	229.23	24,04,2023
2024	258	2.68	14,585,402.63	2.91	244.19	22,07,2024
2025	239	2.48	15,085,565.79	3.00	255.90	14,07,2025
2026	392	4.07	29,212,986.64	5.82	268.78	10,08,2026
2027	666	6.91	58,147,411.02	11.58	280.27	26,07,2027
2028	164	1.70	16,296,420.45	3.25	287.44	29,02,2028
2029	5	0.05	546,483.88	0.11	306.84	12,10,2029
2030	12	0.12	1,161,443.03	0.23	313.48	2,05,2030
2031	24	0.25	2,128,120.75	0.42	328.88	13,08,2031
2032	61	0.63	6,371,097.32	1.27	339.73	8,07,2032
2033	15	0.16	1,820,704.43	0.36	347.70	8,03,2033
2034	2	0.02	240,000.00	0.05	359.36	26,02,2034
Total portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**		
	Weighted average:				**200.15**	**20.11.2020**
	Simple Average:				**175.11**	**20.10.2018**
	Minimum:				**33.64**	**5.01.2007**
	Maximum:				**359.36**	**26.02.2034**

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

h) Specification of the maximum, minimum and average value of the "current loan amount/ appraisal value" ratio.

The ratio, expressed as a percentage, of the amount of outstanding principal as of March 17, 2004 to the appraisal value of the mortgaged home securing the provisional portfolio mortgage loans ranged between 0.78% and 79.53%, the average ratio weighted by the outstanding principal on each loan being 59.19%.

The following table shows the distribution of mortgage loans according to 5% ratio intervals.

Mortgage loan portfolio as of 17.03.2004 Classification by Loan-to-Value Ratio					
Ratio Intervals	Loans	%	Outstanding Principal (EUR)	%	Loan-to-Value* (%)
0.01 - 5.00	13	0.13	41,121.72	0.01	3.90
5.01 - 10.00	71	0.74	712,089.83	0.14	7.85
10.01 - 15.00	150	1.56	2,244,925.71	0.45	12.95
15.01 - 20.00	222	2.30	4,494,000.75	0.90	17.95
20.01 - 25.00	348	3.61	8,760,988.83	1.75	22.69
25.01 - 30.00	374	3.88	10,893,272.32	2.17	27.56
30.01 - 35.00	471	4.89	16,813,310.17	3.35	32.50
35.01 - 40.00	541	5.61	21,271,298.89	4.24	37.65
40.01 - 45.00	606	6.29	26,014,827.25	5.18	42.55
45.01 - 50.00	681	7.07	32,331,225.18	6.44	47.52
50.01 - 55.00	845	8.77	42,397,420.34	8.44	52.47
55.01 - 60.00	958	9.94	52,160,195.50	10.39	57.57
60.01 - 65.00	1,048	10.88	61,061,159.25	12.16	62.56
65.01 - 70.00	1,188	12.33	73,105,416.32	14.56	67.60
70.01 - 75.00	1,297	13.46	87,969,184.66	17.52	72.58
75.01 - 80.00	823	8.54	61,786,767.05	12.31	76.69
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**	
	Weighted average:				**59.19**
	Simple Average:				**54.04**
	Minimum:				**0.78**
	Maximum:				**79.53**
*Loan-to-Value Ratio lists averages weighted by the outstanding principal.					

i) Specification of the geographical distribution by Autonomous Communities of the current amount of the mortgage loans.

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

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

Mortgage loan portfolio as of 17.03.2004 Classification by provinces					
Province	Loans	%	Outstanding Principal (EUR)	%	Loan-to-Value* (%)
Andalusia	627	6.51	29,500,035.91	5.88	59.73
Aragón	199	2.07	15,821,932.99	3.15	64.69
Balearic Isles	3	0.03	85,998.12	0.02	55.32
Canary Islands	1	0.01	60,499.89	0.01	53.00
Catalonia	16	0.17	1,218,504.62	0.24	54.85
Basque Country	3	0.03	134,449.81	0.03	43.20
Castile-León	1	0.01	30,620.85	0.01	37.02

Mortgage loan portfolio as of 17.03.2004 Classification by provinces					
Province	**Loans**		**Outstanding Principal**		**Loan-to-Value***
Madrid	322	3.34	32,215,932.46	6.42	57.52
Castile La Mancha	14	0.15	975,002.99	0.19	62.09
Murcia	2,304	23.91	103,866,642.04	20.69	59.32
Navarre	17	0.18	2,150,876.28	0.43	56.04
La Rioja	22	0.23	2,017,423.07	0.40	66.34
Valencian Community	6,107	63.38	313,979,284.74	62.54	58.99
Total Portfolio	**9,636**	**100.00**	**502,057,203.77**	**100.00**	

*Loan-to-Value Ratio lists averages weighted by the outstanding principal.

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

The mortgage loans were all on March 17, 2004 in good standing in payment of their respective amounts due.

Of the 9,636 mortgage loans selected, 22 have at some point, from their origination date, had delays in payments of overdue amounts in excess of ninety (90) days, which accounts for 0.23% of those loans and 0.17% in terms of outstanding principal.

As declared by BANCO DE VALENCIA in section IV.1.1.2 (22), none of the Mortgage Loans that will finally back the issue of the Pass-Through Certificates for the Fund to be constituted shall have overdue payments on the date of issue.

CHAPTER V

INFORMATION ON THE ECONOMIC AND FINANCIAL OPERATION OF THE FUND

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

Initial balance sheet of the Fund.

The balance sheet of the Fund, in euros, on the Closing Date will be as follows:

ASSETS		LIABILITIES	
Fixed Assets	**472,970,000.00**	**Bond Issue**	**472,000,000.00**
Mortgage Loans (PTCs)	472,014,964.32	Series A Bonds	454,300,000.00
(adjustment excess to14,964.32)		Series B Bonds	11,800,000.00
		Series C Bonds	5,900,000.00
Start-up expenses	955,035.68	**Other long-term liabilities**	7,342,000.00
(constitution and issue)		Start-Up Loan	970,000.00
		Subordinated Loan	6,372,000.00
Current assets	**6,372,000.00**	**Short-term creditors**	**to be determined**
Treasury Account *	6,372,000.00	Mortgage Loan interest accrued **	to be determined
Accrued interest receivable **	to be determined		
Total assets	**479,342,000.00**	**Total liabilities**	**479,342,000.00**
MEMORANDUM ACCOUNTS			
Interest Flow Swap payments	to be determined		
Interest Flow Swap collections	to be determined		

(Amounts in EUR)

* Assuming that all constitution and Bond issuance expenses are met on the Closing Date.

** As set forth in section IV.1.4 of the Offering Circular.

V.1.1 Assumptions made in relation to the main or most likely rates of such factors as prepayment, late payments, delinquencies and defaults, with respect to the Pass-Through Certificates pooled in the Fund.

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

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

a) Mortgage Loans.

(i) Outstanding principal of the portfolio as of March 17, 2004 from which the Mortgage Loans will be taken: EUR 502,057,203.77.

(ii) Applicable Interest Rate: 3.40% (% weighted average interest rate of the selected loan portfolio as of March 17, 2004).

(iii) CPR: 8% and 10% per annum.

(iv) Delinquency rate: 0.10% of the Outstanding Balance of the Pass-Through Certificates, with 100% recoveries within 15 months of becoming delinquent.

(v) Defaults considered bad debts: 0%.

b) Pass-Through Certificates.

(i) Principal: 100% participation in the Mortgage Loan outstanding principal.

(ii) Interest: 100% participation in the interest rate applicable to the Mortgage Loans.

c) Bond Issue.

(i) Total amount: EUR 472,000,000.00.

	Face Amount (EUR)
Series A Bonds	454,300,000.00
Series B Bonds	11,800,000.00
Series C Bonds	5,900,000.00
Total	**472,000,000.00**

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

The following are the interest rates in each Series assumed for the first Interest Accrual Period, as specified in sections II.10.1.5.a) and II.12.a):

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	2.240%	2.585%	3.105%

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

	Series A Bonds	Series B Bonds	Series C Bonds
Nominal interest rate	2.236%	2.581%	3.101%

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

d) Ancillary agreements.

(i) Treasury Account.

- It is assumed that the Treasury Account shall be maintained at BANCAJA.
- Interest rate: it is assumed to remain constant at 2.011% for remunerating all amounts credited to the Treasury Account.

(ii) Start-Up Loan.

- Amount: EUR nine hundred and seventy thousand (970,000.00) which shall be allocated to financing the expenses of setting up the Fund and issuing the Bonds (approximately EUR 955,035.68) and to partially financing the subscription for the Pass-Through Certificates (up to EUR 14,964.32).
- Interest rate: it is assumed to remain constant at 4.051%.
- Repayment of principal shall consist of quarterly straight-line payments until the Payment Date falling on May 24, 2009 (inclusive).

(iii) Subordinated Loan.

- Amount: EUR 6,372,000.00.

- Ordinary interest rate: 8.051% for the first Interest Accrual Period, to be reduced in each of the following Interest Accrual Periods by 0.10% over the interest rate applied for the preceding Accrual Period down to a minimum interest rate of 3.551%.
- Variable remuneration: to be settled quarterly on each Payment Date, accruing quarterly in an amount equal to the positive difference, if any, between the Fund's income and expenditure on the last day of the calendar month preceding each Payment Date and by the accounting close of the relevant month.
- The loan shall be repaid on each of the Payment Dates in an amount equivalent to the reduction of the Required Cash Reserve.

e) Cash Reserve.

- Amount: EUR 6,372,000.00.
- Reduction: it shall be reduced on each Payment Date in order for its amount to be equal to the lower of EUR 6,372,000.00 and a sum representing 2.70% of the Outstanding Principal Balance of the Bond Issue down to EUR 4,720,000.00.

f) Expenses, fees and margin.

- Pass-Through Certificate custody fee: 0.01% per annum on each of the Payment Dates on the average daily Outstanding Balance of the Pass-Through Certificates during each relevant Interest Accrual Period, inclusive of VAT if there is no exemption.
- Management Company Fee: 0.0215% per annum on the Outstanding Principal Balance of the Bond Issue, with a minimum annual amount of EUR 20,700.00 and an assumed yearly Retail Price Index of 2.5%.
- Annual expenses of the Fund for auditing accounts, monitoring the rating and publishing notices, approximately EUR 17,284.00 and an assumed yearly Retail Price Index of 2.50%.
- Interest Swap Guarantee Fee: 0.02% per annum on the Swap Notional on each Payment Date.
- Bond Paying Agent Fee: 0.03% on each Payment Date on the amount distributed to Bondholders.

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

In order to hedge the contingent credit risk due to delinquency and default on the Mortgage Loans, it has been resolved to set up a Cash Reserve, initially provisioned by drawing under the Subordinated Loan in order to fulfil on each Payment Date, upon a shortage of Available Funds, certain of the Fund's payment or withholding obligations, which include payment of interest and principal on the Bonds. Moreover, the deferred interest payment and principal repayment of the Series C Bonds with respect to the Series A and B Bonds, and of the latter with respect to the Series A Bonds, derived from their position in the application of the Available Funds and from the rules for Distribution of Available Funds for Amortisation between each Series in the Fund Priority of Payments, is a mechanism for distinctly hedging the Series.

The base floating interest risk resulting in the Fund between Mortgage Loan interest, floating with different benchmark indices (mortgage market 1-year Mibor/Euribor, 6-month Euribor and All Institutions MLAR), or fixed, as the case may be, as a result of subsequent renegotiations, and different revision periods and instalment settlement date, and the floating interest on the Bond Issue based on 3-month Euribor and with quarterly accrual and settlement periods, is neutralised by means of the Interest Swap, which does not neutralise the credit risk remaining in the Fund, since calculation of amounts payable and receivable by the Fund is based on a single notional which includes the Outstanding Balance of Pass-Through Certificates in good standing in payment of amounts due and with a default over a term not in excess of eighteen (18) months.

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

In general, the quality of the Pass-Through Certificates and the mechanisms and financial hedge transactions in place for maintaining the financial balance of the Fund are such that they have been considered sufficient by the Rating Agencies to assign the ratings to each of the Bond Series contained in section II.3 of this Offering Circular. These ratings express the Rating Agencies' opinion about the Fund's capacity to meet interest payments as they fall due on each set Payment Date and principal repayment during the life of the Fund and, in any event, on the Final Maturity Date.

V.1.3 Number outline of the cash flows of the Fund.

The number outline set forth hereinafter relates to collections and payments derived from the application of a cash policy, for ease of understanding of the investor, though in accordance with the provisions of section V.2 of this Offering Circular, the Fund will apportion income and expenditure in time in accordance with the accruals principle.

This outline is based not only on the assumptions referred to in section V.1.1 above but also on those assumptions remaining constant throughout the life of the Fund, whereas it is well-known that the relevant variables, particularly interest rates of the Bonds in all Series, and actual interest rates and delinquency, default and prepayment rates of the Mortgage Loans assigned by means of the Pass-Through Certificates are subject to continual changes.

Now, therefore, the value of that number outline is merely illustrative.

FUND CASH FLOWS
(AMOUNTS IN EUR)

CPR = 8.00%

28-Apr-2004	472,000,000.00	Bond Issue	472,000,000.00	PTC acquisition payment
	970,000.00	Start-Up Loan	955,035.68	Initial Expenses
	6,372,000.00	Subordinated Loan	6,372,000.00	Cash Reserve Set Up

			COLLECTIONS					PAYMENTS														
Cash Reserve Balance	PTC Outstanding Balance	Date	PTC Principal Repyment	PTC Interest	Reinvestment Interest	Cash Reserve Reduction	Total	Current Expenses	Swap Interest	Series A Bond Interest	Series B Bond Interest	Series C Bond Interest	Series A Bond Repayment	Series B Bond Repayment	Series C Bond Repayment	Start-Up Loan Interest	Start-Up Loan Repayment	Subordinated Loan Ord. Interest	Subordinated Loan Repayment	PTC Servicing Fee	Subordinated Loan Var. Remuner.	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
		TOTALS:	472,000,000.00	86,819,276.66	2,311,082.23	6,372,000.00	567,502,358.89	1,622,659.72	12,509,767.98	55,548,594.61	2,727,404.52	1,638,434.90	454,300,000.00	11,800,000.00	5,900,000.00	106,702.58	970,000.00	4,049,166.64	6,372,000.00	254,229.14	9,703,398.80	567,502,358.89
6,372,000.00	450,410,667.03	24-Aug-2004	21,589,332.97	4,627,945.55	110,639.45	0.00	**26,327,917.97**	84,112.38	214,975.85	3,335,571.56	99,982.06	60,047.25	21,589,332.97	0.00	0.00	13,425.69	62,716.10	175,278.32	0.00	15,599.45	676,876.35	**26,327,917.97**
6,372,000.00	434,780,285.06	24-Nov-2004	15,630,381.97	3,779,981.09	66,191.48	0.00	**19,476,554.54**	59,536.41	542,188.08	2,472,604.91	77,831.49	46,756.19	15,630,381.97	0.00	0.00	9,392.71	47,751.78	129,474.08	0.00	11,089.45	449,547.46	**19,476,554.54**
6,372,000.00	419,553,850.36	24-Feb-2005	15,226,434.70	3,648,552.37	65,455.46	0.00	**18,940,442.53**	57,476.44	523,238.01	2,383,289.43	77,831.49	46,756.19	15,226,434.70	0.00	0.00	8,898.35	47,751.78	127,845.68	0.00	10,703.11	430,217.33	**18,940,442.53**
6,372,000.00	405,000,822.60	24-May-2005	14,553,027.75	3,521,312.96	62,154.76	0.00	**18,136,495.48**	53,648.15	603,549.87	2,221,403.43	75,293.51	45,231.53	14,553,027.75	0.00	0.00	8,129.96	47,751.78	122,101.50	0.00	9,994.57	396,363.42	**18,136,495.48**
6,372,000.00	390,542,203.50	24-Aug-2005	14,458,619.10	3,398,055.72	63,511.58	0.00	**17,920,186.41**	53,544.51	487,230.32	2,213,122.97	77,831.49	46,756.19	14,458,619.10	0.00	0.00	7,909.65	47,751.78	124,588.88	0.00	9,964.63	392,866.88	**17,920,186.41**
6,372,000.00	376,456,033.57	24-Nov-2005	14,086,169.93	3,279,506.90	62,671.05	0.00	**17,428,347.88**	51,636.62	472,791.60	2,130,503.20	77,831.49	46,756.19	14,086,169.93	0.00	0.00	7,415.29	47,751.78	122,960.48	0.00	9,606.45	374,924.83	**17,428,347.88**
6,372,000.00	362,737,741.28	24-Feb-2006	13,718,292.29	3,161,065.23	62,004.69	0.00	**16,941,362.22**	50,290.01	455,713.39	2,050,011.70	77,831.49	46,756.19	13,718,292.29	0.00	0.00	6,920.94	47,751.78	121,332.08	0.00	9,258.32	357,204.02	**16,941,362.22**
6,372,000.00	349,619,574.11	24-May-2006	13,118,167.17	3,046,401.22	58,946.85	0.00	**16,223,515.24**	46,396.49	524,453.61	1,907,330.30	75,293.51	45,231.53	13,118,167.17	0.00	0.00	6,217.03	47,751.78	115,800.30	0.00	8,632.36	328,241.16	**16,223,515.24**
6,372,000.00	336,602,548.69	24-Aug-2006	13,017,025.41	2,934,710.01	60,236.62	0.00	**16,011,972.04**	46,236.44	422,636.45	1,896,662.21	77,831.49	46,756.19	13,017,025.41	0.00	0.00	5,932.24	47,751.78	118,075.28	0.00	8,592.99	324,471.56	**16,011,972.04**
6,372,000.00	323,928,482.98	24-Nov-2006	12,674,065.71	2,825,042.65	59,457.30	0.00	**15,558,565.66**	62,234.73	406,687.46	1,822,280.03	77,831.49	46,756.19	12,674,065.71	0.00	0.00	5,437.88	47,751.78	116,446.88	0.00	8,270.66	290,802.84	**15,558,565.66**
6,372,000.00	311,592,941.64	26-Feb-2007	12,335,541.34	2,718,474.38	61,248.06	0.00	**15,115,263.79**	44,230.81	340,725.40	1,787,897.99	79,523.48	47,772.63	12,335,541.34	0.00	0.00	5,051.00	47,751.78	114,818.48	0.00	8,130.49	303,820.39	**15,115,263.79**
6,372,000.00	299,831,988.21	24-May-2007	11,760,953.43	2,615,427.25	55,253.65	0.00	**14,431,634.34**	38,968.00	498,377.76	1,588,099.49	73,601.52	44,215.09	11,760,953.43	0.00	0.00	4,207.37	47,751.78	109,499.10	0.00	7,240.63	258,720.15	**14,431,634.34**
6,372,000.00	288,225,555.88	24-Aug-2007	11,606,432.33	2,515,497.21	57,107.45	0.00	**14,179,036.99**	39,663.31	361,754.91	1,612,164.88	77,831.49	46,756.19	11,606,432.33	0.00	0.00	3,954.82	47,751.78	111,561.68	0.00	7,361.72	263,803.87	**14,179,036.99**
6,372,000.00	276,960,709.45	26-Nov-2007	11,264,846.43	2,417,823.01	58,584.17	0.00	**13,741,253.60**	57,121.63	302,587.68	1,579,448.43	79,523.48	47,772.63	11,264,846.43	0.00	0.00	3,535.70	47,751.78	109,933.28	0.00	7,228.77	241,503.78	**13,741,253.60**
6,372,000.00	266,027,030.02	25-Feb-2008	10,933,679.43	2,323,193.62	56,136.52	0.00	**13,313,009.57**	36,616.52	355,600.82	1,465,370.34	76,985.49	46,247.97	10,933,679.43	0.00	0.00	2,933.88	47,751.78	108,304.88	0.00	6,723.26	232,795.20	**13,313,009.57**
6,372,000.00	255,534,687.71	26-May-2008	10,492,342.31	2,231,510.09	55,415.26	0.00	**12,779,267.66**	34,814.34	341,579.44	1,403,571.97	76,985.49	46,247.97	10,492,342.31	0.00	0.00	2,444.90	47,751.78	104,357.43	0.00	6,458.01	222,714.02	**12,779,267.66**
6,372,000.00	245,243,839.84	25-Aug-2008	10,290,847.87	2,142,727.17	54,529.01	0.00	**12,488,104.04**	33,445.16	327,655.40	1,344,268.08	76,985.49	46,247.97	10,290,847.87	0.00	0.00	1,955.92	47,751.78	105,048.08	0.00	6,199.27	207,699.01	**12,488,104.04**
6,352,036.24	235,260,601.52	24-Nov-2008	9,983,238.32	2,056,123.93	53,159.91	19,963.76	**12,112,485.92**	50,713.92	314,291.20	1,286,103.07	76,985.49	46,247.97	9,983,238.32	0.00	0.00	1,466.94	47,751.78	103,419.68	19,963.76	5,947.81	176,355.98	**12,112,485.92**
6,090,845.31	225,586,863.39	24-Feb-2009	9,673,738.13	1,972,298.36	52,863.97	261,190.93	**11,960,091.38**	31,456.34	283,103.43	1,243,189.62	77,831.49	46,756.19	8,892,752.88	520,656.83	260,328.42	988.71	47,751.78	101,472.37	261,190.93	5,767.20	186,845.19	**11,960,091.38**
5,841,634.53	216,356,834.51	25-May-2009	9,230,028.88	1,891,479.68	50,045.10	249,210.78	**11,420,764.43**	29,206.21	306,860.82	1,166,453.27	72,779.96	43,721.55	8,537,776.71	461,501.44	230,750.72	483.61	47,751.78	92,621.29	249,210.78	5,411.03	176,235.24	**11,420,764.43**
5,596,199.63	207,266,652.90	24-Aug-2009	9,090,181.61	1,813,129.53	48,505.86	245,434.90	**11,197,251.90**	28,326.96	276,838.77	1,131,157.40	70,577.70	42,398.58	8,408,417.99	454,509.08	227,254.54	0.00	0.00	90,333.09	245,434.90	5,242.50	216,760.38	**11,197,251.90**
5,358,140.81	198,449,659.73	24-Nov-2009	8,816,993.17	1,736,649.46	46,961.18	238,058.82	**10,838,662.63**	46,517.18	248,874.98	1,095,540.14	68,355.39	41,063.55	8,155,718.69	440,849.66	220,424.83	0.00	0.00	85,107.63	238,058.82	5,075.63	193,076.15	**10,838,662.63**
5,127,396.68	189,903,580.61	24-Feb-2010	8,546,079.12	1,662,591.01	45,266.66	230,744.14	**10,484,680.92**	26,544.17	238,217.73	1,048,936.55	65,447.60	39,316.74	7,905,123.19	427,303.96	213,651.98	0.00	0.00	80,117.90	230,744.14	4,858.30	204,418.69	**10,484,680.92**
4,907,407.51	181,755,833.69	24-May-2010	8,147,746.92	1,591,201.03	41,967.32	219,989.17	**10,000,904.43**	24,321.53	272,547.33	971,033.45	60,586.89	36,396.74	7,536,665.90	407,387.35	203,693.67	0.00	0.00	72,900.04	219,989.17	4,498.32	190,884.04	**10,000,904.43**
4,720,000.00	173,734,734.67	24-Aug-2010	8,021,099.02	1,522,062.98	41,687.44	187,407.51	**9,772,256.95**	24,068.87	217,795.73	960,698.73	59,942.06	36,009.36	7,419,516.59	401,054.95	200,527.48	0.00	0.00	70,870.05	187,407.51	4,446.00	189,919.61	**9,772,256.95**
4,720,000.00	165,966,168.52	24-Nov-2010	7,768,566.15	1,454,612.58	40,167.36	0.00	**9,263,346.09**	42,564.59	208,037.47	918,301.97	57,296.75	34,420.23	7,185,923.69	388,428.31	194,214.15	0.00	0.00	66,957.40	0.00	4,248.10	162,953.43	**9,263,346.09**
4,720,000.00	158,436,803.34	24-Feb-2011	7,529,365.18	1,389,359.26	39,751.10	0.00	**8,958,475.54**	22,208.95	198,646.09	877,240.00	54,734.72	32,881.13	6,964,662.80	376,468.26	188,234.13	0.00	0.00	65,751.17	0.00	4,056.62	173,591.68	**8,958,475.54**
4,720,000.00	151,262,560.98	24-May-2011	7,174,242.35	1,326,465.21	37,856.43	0.00	**8,538,564.00**	20,300.69	226,797.44	810,134.47	50,547.72	30,365.84	6,636,174.18	358,712.12	179,356.06	0.00	0.00	62,440.22	0.00	3,746.80	159,988.46	**8,538,564.00**
4,720,000.00	144,229,249.77	24-Aug-2011	7,033,311.21	1,265,659.75	38,595.27	0.00	**8,337,566.23**	20,039.65	180,693.92	799,521.80	49,885.55	29,968.05	6,505,812.87	351,665.56	175,832.78	0.00	0.00	63,338.73	0.00	3,693.97	157,113.35	**8,337,566.23**
4,720,000.00	137,447,770.09	24-Nov-2011	6,781,479.68	1,206,612.74	38,047.94	0.00	**8,026,140.36**	39,154.07	172,191.24	762,346.14	47,566.01	28,574.62	6,272,868.71	339,073.98	169,536.99	0.00	0.00	62,132.51	0.00	3,520.99	129,175.11	**8,026,140.36**
4,720,000.00	130,912,748.71	24-Feb-2012	6,535,021.38	1,149,743.84	37,626.84	0.00	**7,722,392.06**	18,400.09	164,039.60	726,501.57	45,329.51	27,231.08	6,044,894.77	326,751.07	163,375.53	0.00	0.00	60,926.28	0.00	3,354.43	141,588.13	**7,722,392.06**
4,720,000.00	124,694,982.59	24-May-2012	6,217,766.12	1,095,089.52	36,183.74	0.00	**7,349,039.38**	16,969.28	176,654.07	676,917.10	42,235.73	25,372.53	5,751,433.66	310,888.31	155,444.15	0.00	0.00	58,421.80	0.00	3,125.57	131,577.20	**7,349,039.38**
4,720,000.00	118,675,789.47	24-Aug-2012	6,019,193.12	1,042,713.22	36,469.98	0.00	**7,098,376.32**	16,525.35	148,609.07	659,094.73	41,123.71	24,704.50	5,567,753.63	300,959.66	150,479.83	0.00	0.00	58,513.84	0.00	3,041.38	127,570.62	**7,098,376.32**
4,720,000.00	112,892,661.32	26-Nov-2012	5,783,128.15	992,243.58	37,247.90	0.00	**6,812,619.62**	36,617.55	122,870.18	640,915.85	39,989.46	24,023.11	5,349,393.54	289,156.41	144,578.20	0.00	0.00	57,307.62	0.00	2,956.61	104,811.10	**6,812,619.62**
4,720,000.00	107,339,057.56	25-Feb-2013	5,553,603.76	943,797.82	35,671.38	0.00	**6,533,072.97**	15,212.85	143,239.21	590,225.73	36,826.68	22,123.12	5,137,083.48	277,680.19	138,840.09	0.00	0.00	56,101.40	0.00	2,722.06	113,018.16	**6,533,072.97**
4,720,000.00	102,082,740.59	24-May-2013	5,256,316.97	897,518.98	33,639.86	0.00	**6,187,475.81**	14,506.75	161,387.81	542,689.58	33,860.70	20,341.35	4,862,093.20	262,815.85	131,407.92	0.00	0.00	53,105.11	0.00	2,503.45	102,764.09	**6,187,475.81**
4,720,000.00	96,972,337.26	26-Aug-2013	5,110,403.33	853,093.40	35,773.09	0.00	**5,999,269.82**	14,638.90	105,466.81	551,304.08	34,398.20	20,664.24	4,727,123.08	255,520.17	127,760.08	0.00	0.00	53,688.95	0.00	2,540.79	106,164.52	**5,999,269.82**
4,720,000.00	92,079,194.90	25-Nov-2013	4,893,142.35	810,297.21	34,171.66	0.00	**5,737,611.13**	35,040.36	122,809.73	506,991.04	31,633.32	19,003.28	4,526,156.68	244,657.12	122,328.56	0.00	0.00	52,482.73	0.00	2,335.98	74,172.34	**5,737,611.13**
4,720,000.00	87,378,983.69	24-Feb-2014	4,700,211.22	769,320.79	33,513.51	0.00	**5,503,045.52**	13,765.60	116,579.88	481,408.70	30,037.13	18,044.39	4,347,695.38	235,010.56	117,505.28	0.00	0.00	51,276.51	0.00	2,217.39	89,504.71	**5,503,045.52**
4,720,000.00	82,913,833.53	26-May-2014	4,465,150.16	730,092.83	33,388.07	0.00	**5,228,631.06**	13,401.69	110,664.74	456,835.05	28,503.87	17,123.31	4,130,263.90	223,257.51	111,628.75	0.00	0.00	48,437.56	0.00	2,104.29	86,410.40	**5,228,631.06**
4,720,000.00	78,574,786.46	25-Aug-2014	4,339,047.06	692,366.51	32,982.72	0.00	**5,064,396.29**	13,056.79	104,756.00	433,490.33	27,047.30	16,248.29	4,013,618.53	216,952.35	108,476.18	0.00	0.00	48,864.06	0.00	1,994.68	79,891.77	**5,064,396.29**
4,720,000.00	74,419,599.18	24-Nov-2014	4,155,187.28	656,013.97	32,318.92	0.00	**4,843,520.18**	34,306.63	99,210.70	410,804.92	25,631.86	15,397.98	3,843,548.24	207,759.36	103,879.68	0.00	0.00	47,657.84	0.00	1,889.58	53,433.37	**4,843,520.18**
4,720,000.00	70,447,902.06	24-Feb-2015	3,971,697.12	621,271.82	32,260.24	0.00	**4,625,229.19**	12,629.69	88,154.37	393,356.37	24,543.17	14,743.97	3,673,819.84	198,584.86	99,292.43	0.00	0.00	46,451.62	0.00	1,808.87	71,844.02	**4,625,229.19**
4,720,000.00	66,690,544.77	25-May-2015	3,757,357.28	588,178.03	31,348.26	0.00	**4,376,883.57**	12,197.62	94,467.77	364,268.49	22,728.25	13,653.68	3,475,555.49	187,867.86	93,933.93	0.00	0.00	43,770.00	0.00	1,675.30	66,765.17	**4,376,883.57**
4,720,000.00	63,033,441.92	24-Aug-2015	3,657,102.86	556,432.42	31,279.32	0.00	**4,244,814.59**	11,968.11	84,014.26	348,671.69	21,755.10	13,069.08	3,382,820.14	182,855.14	91,427.57	0.00	0.00	44,039.17	0.00	1,601.64	62,592.68	**4,244,814.59**
4,720,000.00	59,514,710.31	24-Nov-2015	3,518,731.61	525,746.57	31,248.10	0.00	**4,075,726.28**	33,864.84	74,409.55	333,173.06	20,788.08	12,488.15	3,254,826.74	175,936.58	87,968.29	0.00	0.00	42,832.95	0.00	1,529.41	37,908.62	**4,075,726.28**
4,720,000.00	56,128,812.28	24-Feb-2016	3,385,898.03	496,253.62	31,018.54	0.00	**3,913,170.19**	11,635.25	70,187.86	314,574.26	19,627.62	11,791.02	3,131,955.68	169,294.90	84,647.45	0.00	0.00	42,832.95	0.00	1,443.07	55,180.13	**3,913,170.19**
4,720,000.00	52,906,257.71	24-May-2016	3,222,554.57	467,932.18	30,023.11	0.00	**3,720,509.86**	11,273.53	74,881.09	290,228.06	18,108.56	10,878.47	2,980,862.97	161,127.73	80,563.86	0.00	0.00	41,901.80	0.00	1,330.88	49,352.90	**3,720,509.86**
4,720,000.00	49,803,143.41	24-Aug-2016	3,103,114.30	440,837.49	30,392.59	0.00	**3,574,344.38**	11,118.01	62,217.36	279,644.26	17,448.19	10,481.76	2,870,380.73	155,155.71	77,577.86	0.00	0.00	42,832.95	0.00	1,281.12	46,206.44	**3,574,344.38**
0.00	0.00	24-Nov-2016	49,803,143.41	414,860.99	30,105.53	4,720,000.00	**54,968,109.93**	20,135.72	58,505.71	263,242.26	16,424.80	9,866.97	46,067,907.66	2,490,157.17	1,245,078.59	0.00	0.00	42,832.95	4,720,000.00	1,205.25	32,752.86	**54,968,109.93**

FUND CASH FLOWS
(AMOUNTS IN EUR)

CPR = 10.00%

28-Apr-2004	472,000,000.00	Bond Issue	472,000,000.00	PTC acquisition payment
	970,000.00	Start-Up Loan	955,035.68	Initial Expenses
	6,372,000.00	Subordinated Loan	6,372,000.00	Cash Reserve Set Up

			COLLECTIONS					PAYMENTS														
Cash Reserve Balance	PTC Outstanding Balance	Date	PTC Principal Repyment	PTC Interest	Reinvestment Interest	Cash Reserve Reduction	Total	Current Expenses	Swap Interest	Series A Bond Interest	Series B Bond Interest	Series C Bond Interest	Series A Bond Repayment	Series B Bond Repayment	Series C Bond Repayment	Start-Up Loan Interest	Start-Up Loan Repayment	Subordinated Loan Ord. Interest	Subordinated Loan Repayment	PTC Servicing Fee	Subordinated Loan Var. Remuner.	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)
		TOTALS:	472,000,000.00	77,999,196.99	2,183,373.76	6,372,000.00	558,554,570.75	1,461,832.34	11,136,919.19	50,002,515.09	2,469,267.20	1,483,362.48	454,300,000.00	11,800,000.00	5,900,000.00	106,702.58	970,000.00	3,815,765.05	6,372,000.00	228,277.75	8,507,929.06	558,554,570.75

Key to the number outline.

(1) Required Cash Reserve.

(2) Outstanding Balance of the Pass-Through Certificates on each quarterly Payment Date, upon the principal being repaid (4).

(3) Quarterly Payment Dates.

a) Collections.

(4) Pass-Through Certificate portfolio capital or principal amount repaid from the immediately preceding quarterly date until the date given.

(5) Interest representing the interest received on the Pass-Through Certificates.

(6) Treasury Account interest.

(7) Cash Reserve Reduction.

(8) Total income on each Payment Date, being the sum of amounts (4) to (7).

b) Payments.

(9) Amounts for the Fund's current expenses.

(10) Amounts representing the Interest Swap payments.

(11) Series A Bond interest amount payable.

(12) Series B Bond interest amount payable.

(13) Series C Bond interest amount payable.

(14) Series A Bond principal repayment amount.

(15) Series B Bond principal repayment amount.

(16) Series C Bond principal repayment amount.

(17) Start-Up Loan interest payment amounts.

(18) Periodic Start-Up Loan principal repayment.

(19) Subordinated Loan ordinary interest payment amounts.

(20) Periodic Subordinated Loan principal repayment.

(21) Fee for servicing of the Mortgage Loans and custody of the documents representing the Pass-Through Certificates.

(22) Variable remuneration of the Subordinated Loan in relation to the Fund's other income and expenses.

(23) Total payments on each Payment Date, being the sum of amounts (9) to (22).

V.2 Accounting policies used by the Fund.

The income and expenditure will be accounted for by the Fund in accordance with the accruals principle, i.e. according to the actual flow of such income and expenditure, irrespective of the time when they are collected and paid.

The expenses of setting up the Fund and issuing the Bonds detailed in section II.14 will be subject to a straight-line depreciation during the months elapsing until April 30, 2009, inclusive.

The Fund's fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of constitution of the Fund and the last fiscal year will end on the date on which the Fund terminates.

V.3 Description of the purpose or object of the financial transactions arranged by the Management Company on behalf of the Fund, in order to enhance the risk, increase payment regularity, neutralise interest rate differences on the Pass-Through Certificates, or, in general, transform the financial characteristics of all or part of said securities.

In order to consolidate the financial structure of the Fund, enhance the safety or regularity in payment of the Bonds, cover the timing differences between the scheduled principal and interest flows on the Pass-Through Certificates and the Bonds, or, generally, transform the financial characteristics of those assets, and supplement management of the Fund, the Management Company shall, for and on behalf of the Fund, upon executing the Deed of Constitution, proceed to formally enter into the agreements established hereinafter in this section, in accordance with the provisions of article 6.1 of Royal Decree 926/1998.

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

(ii) Subordinated Loan Agreement.

(iii) Start-Up Loan Agreement.

(iv) Interest Swap Agreement.

(v) Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

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

(vii) Bond Paying Agent Agreement.

The description of the most relevant terms of the Bond Issue Management, Underwriting and Placement Agreement and of the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement may be respectively found in sections II.19.3 and IV.2. The description of the rest of the above agreements may be found in this section V.3.

The Management Company may extend or amend the agreements entered into on the Fund's behalf, substitute, as the case may be, each of the service providers to the Fund under those agreements and indeed, if necessary, enter into additional agreements, including new credit facility agreements, provided that the circumstances preventing the foregoing in accordance with the laws in force from time to time do not occur. In any event, those actions shall require that the Management Company first notify or secure the prior authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such changes are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The amendment of the Deed of Constitution or of the agreements or the entry into additional agreements shall be notified by the Management Company to the CNMV as a relevant event or as a supplement to the Offering Circular, as the case may be. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.

V.3.1 Guaranteed Interest Rate Account (Treasury Account) Agreement.

The Management Company, acting for and on behalf of the Fund, and BANCAJA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BANCAJA will guarantee a variable yield on the amounts paid by the Fund through its Management Company into a financial account. The Guaranteed Interest Rate Account (Treasury Account) Agreement shall specifically determine that all amounts received by the Fund will be paid into a financial account in euros (the "**Treasury Account**") opened at BANCAJA, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

(i) cash amount, net of underwriting and placement fees, upon subscription for the Bond Issue being paid up;

(ii) Pass-Through Certificate principal repayment and interest collected;

(iii) Subordinated Loan principal drawn down and amounts making up the Cash Reserve from time to time;

(iv) any other amounts relating to the Mortgage Loans and from the sale or utilisation of the real estate or assets awarded or under administration or interim possession in foreclosure proceedings, and all and any rights or indemnities including not only those derived from the damage insurance contracts on the mortgaged properties, but also those derived from any right attached to the Mortgage Loans;

(v) Start-Up Loan principal drawn down;

(vi) amounts paid to the Fund under the Interest Swap Agreement;

(vii) the amounts of the returns obtained on the balances existing in the actual Treasury Account; and

(viii) the amounts of withholdings on account of the return on investments to be effected on each relevant Payment Date on the Bond interest paid by the Fund, until due for payment to the Tax Administration.

BANCAJA guarantees an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, applicable for each interest accrual period (differing from the Interest Accrual Periods established for the Bonds) to the positive balances if any on the Treasury Account, equivalent to the interest rate resulting from reducing (i) the Bond Reference Rate determined for each Interest Accrual Period (ii) by a 0.04% margin. The accrued interest to be settled on February 24, May 24, August 24 and November 24 in each year, shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty (360-) day year. The first interest settlement date shall be August 24, 2004.

In the event that the rating of the non-subordinated and unsecured short-term debt of BANCAJA should, at any time during the life of the Bonds, fall below P-1 or F1 respectively in Moody's and Fitch's rating scales, the Management Company shall within not more than ten (10) Business Days from the date of the occurrence of any such circumstances put in place, after notifying the Rating Agencies, any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from this Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

a) Obtaining from an institution having a credit rating for its non-subordinated and unsecured short-term debt of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, and subject at all times to notice being given to the Rating Agencies, a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BANCAJA of its obligation to repay the amounts deposited in the Treasury Account, during the time over which the loss of the P-1 or F1 ratings is maintained by BANCAJA.

b) Transferring the Fund's Treasury Account to an institution whose non-subordinated and unsecured short-term debt has a rating of at least P-1 and F1 respectively in Moody's and Fitch's rating scales, arranging the highest possible yield for its balances, which may differ from that arranged with BANCAJA under this Agreement.

c) If options a) and b) above are not possible, obtaining from BANCO DE VALENCIA or a third party collateral security in favour of the Fund on financial assets with a credit quality of not less than that of Spanish State Government Debt (*Deuda Pública del Estado Español)*, in an amount sufficient to guarantee the commitments established in this Agreement.

d) Moreover, if the above options should not be feasible on the set terms, the Management Company may invest the balances for periods not extending beyond the following Payment Date, in short-term fixed-income assets in euros issued by institutions having ratings of at least P-1 and F1 for non-subordinated and unsecured short-term debt respectively in Moody's and Fitch's rating scales, including short-term securities issued by the Spanish State, in which case the yield obtained could also differ from that obtained initially with BANCAJA under this Agreement.

e) In both events b) and d), the Management Company shall subsequently transfer the balances back to BANCAJA under the Guaranteed Interest Rate Account (Treasury Account) Agreement, in the event that BANCAJA's non-subordinated and unsecured short-term debt should again attain the P-1 and F1 ratings respectively in Moody's and Fitch's above-mentioned scales.

The Guaranteed Interest Rate Account (Treasury Account) Agreement partly mitigates the risk relating to the timing difference between the Fund's receipts of principal and interest on the Mortgage Loans, the periodicity of which differs from the quarterly amortisation and interest payment on the Bonds.

V.3.2 Subordinated Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO DE VALENCIA into a commercial subordinated loan agreement (the "**Subordinated Loan Agreement**") amounting to EUR six million three hundred and seventy-two thousand (6,372,000.00) which shall be drawn down and used on the Closing Date for initially provisioning and setting up the Cash Reserve on the terms for which provision is made in section III.3.3 of this Offering Circular, although the granting of the Loan by no means secures a guarantees performance of the Pass-Through Certificates.

Repayment.

Subordinated Loan principal shall be repaid on each of the Payment Dates in an amount equal to the positive difference existing between the Required Cash Reserve on the preceding Payment Date and the Required Cash Reserve on the relevant Payment Date, and in the application priority established in the application of Available Funds in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to proceed to the relevant repayment of the Subordinated Loan on a Payment Date, in the Priority of Payments, the portion of the principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid, as the case may be, on that same Payment Date, until it is fully repaid.

Financial yield.

The Subordinated Loan shall have a twofold remuneration:

1. Ordinary interest rate: the Subordinated Loan outstanding principal shall accrue an annual nominal interest, determined quarterly in each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) an initial 6.00% margin for the first Interest Accrual Period, to be reduced in each of the following interest accrual periods by 0.10% over the margin applied for the preceding interest accrual period, down to a minimum margin of 1.50%. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. Interest shall be settled and payable upon the expiration of each Interest Accrual Period on each of the Payment Dates until full amortisation of the Mortgage Loan, and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall fall on the first Payment Date, August 24, 2004.

   Ordinary interest accrued and not paid on a Payment Date shall be accumulated to the Subordinated Loan principal, earning additional interest at the same ordinary interest rate of the Subordinated Loan applicable for the Interest Accrual Period at issue, and shall be paid, provided that the Fund has sufficient liquidity, on the following Payment Date and in the same number provided for payment of ordinary Subordinated Loan interest in the Priority of Payments.

2. A variable subordinated remuneration which shall be determined and accrue upon the expiration of each quarterly period, which shall comprise, other than for the first accrual period, the three calendar months preceding the month of each Payment Date, as an amount equal to the positive difference, if any, between the income and expenditure, including losses brought forward, if any, accrued by the Fund with reference to its accounts and before the close of the months of January, April, July and October in the last month of each calendar quarter. The variable remuneration accrued, if any, shall be settled on the Payment Date immediately after the last day of each of said months, provided that the Fund has sufficient liquidity in the Fund Priority of Payments. The first accrual period shall comprise the period elapsed between the Fund constitution date and July 31, 2004, both inclusive. The first settlement date shall fall on the first Payment Date, August 24, 2004.

   The variable remuneration amount accrued and not paid on a Payment Date shall not be accumulated to the Subordinated Loan principal nor accrue late-payment interest, and will be paid, provided that the Fund has sufficient liquidity, on the following Payment Date along with the variable remuneration amount, if any, accrued in the following quarterly period, in the Priority of Payments.

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

V.3.3 Start-Up Loan Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCO DE VALENCIA into a commercial loan agreement amounting to EUR nine hundred and seventy thousand (970,000.00) (the "**Start-Up Loan Agreement**") which shall be drawn down on the Closing Date and be allocated to financing the expenses of setting up the Fund and issuing the Bonds and finance partially the subscription for the Pass-Through Certificates.

The Start-Up Loan will accrue an annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Reference Rate determined for the Bonds, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Fund Priority of Payments. Interest shall be settled and payable upon the expiration of each Interest Accrual Period on each of the Payment Dates until full amortisation of the Start-Up Loan and shall be calculated based on: (i) the exact number of days in each Interest Accrual Period and (ii) a three-hundred-and-sixty- (360-) day year. The first interest settlement date shall fall on the first Payment Date, August 24, 2004.

Interest accrued and not paid on a Payment Date will be accumulated and accrue a late-payment interest at the same rate as the Start-Up Loan interest and will be paid, provided that the Fund has sufficient liquidity, and in the Priority of Payments, on the following Payment Date.

Repayment will be effected quarterly on each of the Payment Dates as follows:

(i) The portion of Start-Up Loan principal actually used to finance the Fund constitution and Bond issue expenses and finance partially the subscription for the Pass-Through Certificates shall be repaid in twenty (20) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, August 24, 2004, and the following until the Payment Date falling on May 24, 2009, inclusive.

(ii) The portion of Start-Up Loan principal not used, as the case may be, shall be repaid on the first Payment Date, August 24, 2004.

In the event that the Fund should not have sufficient liquidity, in the Priority of Payments, on a Payment Date to proceed to the partial repayment falling due on the Start-Up Loan, then the portion of principal not repaid shall be repaid on the following Payment Date along with the amount that should be repaid on that same Payment Date, as the case may be, until it is fully repaid.

Payment of amounts not paid on preceding Payment Dates shall take precedence over amounts falling due under the Start-Up Loan on that Payment Date, satisfying in the first place overdue interest and secondly repayment of principal, in the Fund Priority of Payments.

V.3.4 Interest Swap Agreement.

The Management Company shall, for and on behalf of the Fund, enter into an interest swap agreement (the "**Interest Swap Agreement**" or the "**Interest Swap**") based on the standard Master Financial Transaction Agreement (CMOF) with BANCO DE VALENCIA and with BANCAJA guaranteeing fulfilment of the obligations taken on by BANCO DE VALENCIA. The most relevant characteristics of the Interest Swap Agreement are described below.

Under the Interest Swap Agreement, the Fund will make payments to BANCO DE VALENCIA calculated on the Mortgage Loan reference rate , and in consideration BANCO DE VALENCIA will make payments to the Fund calculated on the Reference Rate determined for the Bonds, the foregoing as described hereinafter.

Party A : The Fund, represented by the Management Company.

Party B : BANCO DE VALENCIA.

1. Settlement dates.

The settlement dates shall fall on the Bond Payment Dates, i.e. on February 24, May 24, August 24 and November 24 in every year, or the following Business Day if any of these dates is not a Business Day. The first settlement date shall be August 24, 2004.

2. Settlement periods.

Party A:

The settlement periods for Party A shall be the exact number of days elapsed between two consecutive settlement dates, not including the first but including the last date. Exceptionally, the length of the first settlement period for Party A shall be equivalent to that comprised between the day on which the Fund is constituted (inclusive) and August 24, 2004 (inclusive).

Party B:

The settlement periods for Party B shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, the length of the first settlement period for Party B shall be equivalent to that comprised between the Bond Issue Closing Date (inclusive) and August 24, 2004 (exclusive).

3. Swap Notional.

This shall be the daily average during the settlement period of Party A falling due of the Outstanding Balance on Pass-Through Certificates in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

4. Party A amounts payable.

This shall be the result of applying the Party A Interest Rate to the Swap Notional according to the number of days in the settlement period of Party A.

4.1 Party A Interest Rate.

On each settlement date this shall be the annual interest rate resulting from dividing (i) the total interest amount at the reference rate or index of ordinary interest due on Mortgage Loans which, during the Settlement Period of Party A ending on the relevant settlement date, are in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months, whether or not they were paid by the Obligors, during the settlement period of Party A, by (ii) the Swap Notional, multiplied by the result of dividing 360 by the number of days in the settlement period.

In this connection:

(i) Ordinary interest will be reduced in the interest accrued payable by the Fund in connection with the subscription for the Pass-Through Certificates.

(ii) As the case may be, ordinary interest due will also be deemed to comprise the accrued interest received by the Fund both on the sale of Pass-Through Certificates and on their early amortisation by BANCO DE VALENCIA in accordance with the rules laid down for substituting the Pass-Through Certificates.

5. Party B amounts payable.

This shall be the result of applying the Party B Interest Rate to the Swap Notional according to the number of days in the settlement period of Party B.

5.1 Party B Interest Rate.

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

If on a settlement date the Fund (Party A) should not have sufficient liquidity to make payment of the aggregate amount payable to Party B, the portion of this amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of non-payment occur on two consecutive Payment Dates, the Swap Agreement shall be terminated. In this event, the Fund shall take over the obligation to pay the settlement amount established on the terms of the Swap Agreement, the foregoing in the Priority of Payments. Without prejudice to the foregoing, other than in an extreme event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new swap agreement.

Furthermore, BANCAJA (the "**Guarantor**") shall unconditionally and irrevocably guarantee fulfilment of the obligations taken on by BANCO DE VALENCIA under the Interest Swap Agreement. BANCAJA shall receive from the Fund a guarantee fee for settlement periods in arrears on each of the Payment Dates equal to 0.02% per annum, which shall accrue on the exact number of days elapsed and on the Swap Notional.

1. The guarantee shall be terminated:

    (i) In the event that the non-subordinated, unsecured long-term debt of Party B is equal to or greater than A1 and A+ respectively in Moody's and Fitch's rating scales.

    Notwithstanding the above, Party B shall irrevocably agree that in the event that its non-subordinated, unsecured long-term debt should fall below A1 or A+ respectively in Moody's and Fitch's rating scales, it shall within not more than ten (10) Business Days from the date of the occurrence of any such circumstances put in place any of the options provided for in the event of the Guarantor's debt rating falling laid down in section 2 below.

    (ii) In the event that the Guarantor is actually substituted or a third-party actually takes over the obligations derived from the Interest Swap Agreement, taking its stead in an agreement in accordance with the provisions of paragraph (i) and (ii) of section 2 below.

2. Party B shall irrevocably agree that, if at any time throughout the life of the Bond Issue, the ratings of the Guarantor's non-subordinated and unsecured long-term debt should fall below A1 or A+ respectively in Moody's and Fitch's rating scales, it shall take any of the following options within not more than ten (10) Business Days from the date of the occurrence of any such circumstances, on such terms and conditions as the Management Company shall see fit, after notifying the Rating Agencies, in order for the ratings assigned to each of the Series by the Rating Agencies to be maintained: (i) that a third-party institution with a rating for its non-subordinated and unsecured long-term debt equal to or in excess of A1 or A+ respectively in Moody's and Fitch's rating scales, will secure fulfilment of its contractual obligations, (ii) that a third-party institution with the same ratings required for option (i) above will take over its contractual position and substitute it before terminating the Interest Swap Agreement for Party B, or, as the case may be, under a new swap agreement; or (iii) that a deposit in cash or securities will be made in favour of the Fund securing fulfilment of Party B's contractual obligations in an amount calculated based on the Interest Swap market value and provided that this is not detrimental to the rating accorded to the Bonds by the Rating Agencies based on the rating assigned by the Rating Agencies to the counterparty to the Interest Swap Agreement. All and any costs, expenses and taxes incurred in connection with the compliance with the foregoing obligations shall be borne by Party B.

The occurrence, as the case may be, of an early termination of the Interest Swap Agreement will not in itself be an Early Amortisation event of the Bond Issue and an Early Liquidation event of the Fund referred to in sections II.11.3.2 and III.8.1 of this Offering Circular, unless in conjunction with other events or circumstances related to the net asset value of the Fund, the financial balance should be materially or permanently altered.

All matters, discrepancies, lawsuits and claims deriving from the Interest Swap Agreement shall be referred for arbitration to the Chamber of Commerce of Madrid.

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

The execution of the Interest Swap Agreement derives from the need to eliminate or mitigate the interest rate risk (base risk) occurring in the Fund because the Mortgage Loans are subject to floating interest with different benchmark indices and different review and settlement periods at the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods.

V.3.5 Bond Paying Agent Agreement.

The Management Company shall, for and on behalf of the Fund, enter with BANCAJA into a paying agent agreement to service the Bonds issued by the Fund (the "**Paying Agent Agreement**").

The obligations to be taken on by BANCAJA (the "**Paying Agent**") under the Paying Agent Agreement are summarily as follows:

(i) On each of the Bond Payment Dates, paying interest and repaying principal on the Bonds, deducting the total amount of the tax withholding for return on investments that should be made in accordance with applicable tax laws.

(ii) On each of the Interest Rate Fixing Dates, notifying the Management Company of the Reference Rate determined to be used as the basis for calculating the nominal interest rate applicable to each of the Bond Series.

In the event of the credit ratings assigned to BANCAJA falling or for any other duly justified reason which may be detrimental to the ratings granted to the Bonds by the Rating Agencies, the Management Company shall revoke the appointment of BANCAJA as Paying Agent, and shall thereupon designate a substitute institution. Should BANCAJA be replaced as Paying Agent, the Management Company shall be entitled to change the fee payable to the substitute institution, which may be higher than that established with BANCAJA under the Paying Agent Agreement.

In consideration of the services provided by the Paying Agent, the Fund shall pay it a fee of 0.03% per annum on amounts distributed to Bondholders, inclusive of taxes as the case may be, on each Bond Payment Date during the term of the agreement, payable on the Payment Date by Interest Accrual Periods in arrears, provided that the Fund has sufficient liquidity and in the Priority of Payments.

In the event that the Fund should not have sufficient liquidity to pay said full fee, then the amounts accrued and not paid shall be accumulated without any penalty whatsoever to the fee falling due on the following Payment Date, unless that absence of liquidity should continue, in which case the amounts due shall build up until the Payment Date on which that situation is no longer current.

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

V.4 Priority rules established in Fund payments.

V.4.1 Source and application of funds on the Bond Closing Date and until the first Payment Date, exclusive.

The source and application of the amounts available for the Fund on the Bond Issue Closing Date shall be as follows:

1. **Source:** the Fund shall have the following funds:
    a) Bond subscription payment.
    b) Drawdown of Start-Up Loan principal.
    c) Drawdown of Subordinated Loan principal.

2. **Application:** in turn, the Fund will apply the funds described above to the following payments:
    a) Payment of the price for subscribing for the Pass-Through Certificates.
    b) Payment of the Fund constitution and Bond issue expenses.
    c) Initial provisioning to set up the Cash Reserve.

V.4.2 Source and application of funds from the first Payment Date until the last Payment Date or liquidation of the Fund, inclusive.

On each Payment Date, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation, which are part of the Available Funds, in accordance with the priority of payments established hereinafter for each of them (the "**Priority of Payments**").

V.4.2.1 Available Funds: source and application.

1. Source:

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

a) Pass-Through Certificate principal repayment income received between the preceding Payment Date, exclusive, and the relevant Payment Date, inclusive.

b) Ordinary and late-payment interest income received on the Pass-Through Certificates between the preceding Payment Date, exclusive, and the relevant Payment Date, inclusive.

c) The return received on the amounts credited to the Treasury Account.

d) The amount with which the Cash Reserve is provisioned on the Determination Date preceding the relevant Payment Date.

e) Amounts received under the Interest Swap Agreement and, in the event of termination of that Agreement, the amount comprising the settlement payment.

f) Any other amounts received by the Fund between the preceding Payment Date, exclusive, and the relevant Payment Date, inclusive, including those resulting from the sale or utilisation of properties awarded to the Fund.

2. Application:

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

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

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

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

4. Payment of interest due on the Series B Bonds unless this payment is deferred to 8th place in the priority of payments.

   If the Series A Bonds have not been and are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 8th place in the event that, on two consecutive Payment Dates, including the relevant Payment Date, upon calculating the Available Funds for Amortisation of Series A, B and C Bond principal in 6th place below, in which connection this application shall be taken into account, there is to be an Amortisation Deficiency in an amount in excess of the sum of (i) fifty percent (50%) of the issue face amount of the Series B Bonds, and (ii) one hundred percent (100%) of the issue face amount of the Series C Bonds.

5. Payment of interest due on the Series C Bonds unless this payment is deferred to 9th place in the priority of payments.

   If the Series A and the Series B Bonds have not been and are not to be fully amortised on the relevant Payment Date, this payment shall be deferred to 9th place in the event that, on two consecutive Payment Dates, including the relevant Payment Date, upon calculating the Available Funds for Amortisation of Series A, B and C Bond principal in 6th place below, in which connection this application shall be taken into account, there is to be an Amortisation Deficiency in an amount in excess of fifty percent (50%) of the issue face amount of the Series C Bonds.

6. Withholding for the amortisation of Series A, B and C Bond principal in an amount equivalent to the positive difference, if any, between (i) the Outstanding Principal Balance of the Bond Issue on the Determination Date preceding the relevant Payment Date, and (ii) the Outstanding Balance of the Pass-Through Certificates on the relevant Payment Date in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months.

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

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

   This application shall not occur on the last Payment Date or Fund liquidation date.

8. Payment of interest due on the Series B Bonds when this payment is deferred from 4th place in the priority of payments as established therein.

9. Payment of interest due on the Series C Bonds when this payment is deferred from 5th place in the priority of payments as established therein.

10. Payment of the amount to be settled by the Fund comprising the settlement payment under the Interest Swap Agreement in the event that termination of that Agreement is due to a breach by the Fund counterparty (Party B).

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

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

13. Payment of ordinary interest due on the Subordinated Loan.

14. Repayment of Subordinated Loan principal in the amortised amount.

15. Payment to the Servicer of the fee established under the Servicing Agreement.

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

16. Payment of the variable remuneration established for the Subordinated Loan.

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

V.4.2.2 Available Funds for Amortisation: source and distribution.

1. Source.

The available funds for amortisation on each Payment Date (the "**Available Funds for Amortisation**") shall be the amount withheld for Series A, B and C Bond principal amortisation applied in 6th place of the Available Funds on the relevant Payment Date.

2. Distribution of Available Funds for Amortisation between each Series.

The Available Funds for Amortisation shall be applied on each Payment Date to amortising each of the Series in accordance with the following rules ("**Distribution of Available Funds for Amortisation between each Series**"):

1. Until the first Payment Date (inclusive) on which the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively equal to or greater than 5.00% and 2.50%, the Available Funds for Amortisation shall be fully applied to amortising the Series A Bonds.

2. From the Payment Date immediately after the date on which the ratio of the Outstanding Principal Balance of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue, as provided for in rule 1, is respectively equal to or greater than said 5.00% and 2.50%, the Available Funds for Amortisation shall be applied to amortising Series A, B and C, proportionally among the same, in such a way that the ratio of the Outstanding Principal Balances of Series B and of Series C to the Outstanding Principal Balance of the Bond Issue is respectively kept at 5.00% and 2.50%, or closest higher percentages.

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

   a) That the amount of the Cash Reserve provisioned is less than the Required Cash Reserve.

   b) That there is an Amortisation Deficiency.

   c) That on the Determination Date preceding the relevant Payment Date the amount of (i) the sum of the Outstanding Balance of Pass-Through Certificates with an arrears in excess of three (3) months and less than eighteen (18) months in payment of amounts due in relation to (ii) the Outstanding Balance of Pass-Through Certificates being, on that same date, in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months in payment, is in excess of 1.50%.

3. From the Payment Date, inclusive, on which the amount of the Outstanding Balance of the Pass-Through Certificates is less than 10 percent of the initial Outstanding Balance upon the Fund being constituted or on the last Payment Date or Fund liquidation date, the Available Funds for Amortisation shall be sequentially applied firstly to amortising Series A until it is fully amortised, secondly to amortising Series B until it is fully amortised and thirdly to amortising Series C until it is fully amortised.

CHAPTER VI

GENERAL INFORMATION ON THE FUND MANAGEMENT COMPANY

In accordance with Royal Decree 926/1998, Asset Securitisation Funds have no own legal personality, and Mortgage Securitisation Fund Management Companies are entrusted with constituting, managing and legally representing those Funds, and representing and defending the interests of the holders of the securities issued by the Funds they manage and of all other ordinary creditors thereof.

Accordingly, this Chapter itemises the information relating to EUROPEA DE TITULIZACIÓN S.A., S.G.F.T., as the Management Company constituting, managing and representing VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS.

VI.1 In relation to the company, other than its share capital..

VI.1.1 Name and registered office.

- **Company name:** EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.
- **Registered office:** Madrid, Lagasca, 120
- **VAT REG. No.:** A-80514466
- **Business Activity Code No.:** 0074 6713

VI.1.2 Incorporation and registration in the Companies Register, and information relating to administrative authorisations by and registration at the Comisión Nacional del Mercado de Valores.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before a Madrid Notary Public Mr Roberto Blanquer Uberos, his document number 117, with the prior authorisation of the Economy and Finance Ministry, given on December 17, 1992, entered in the Companies Register of Madrid, volume 5,461, book O, folio 49, section 8, sheet M-89355, entry 1, dated March 11, 1993; and re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and in the single transitional provision of Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies, pursuant to an authorisation granted by a Ministerial Order dated October 4, 1999 and in a deed executed on October 25, 1999 before a Notary Public of Madrid, Mr Luis Felipe Rivas Recio, his document number 3,289, which was entered under number 33 of the sheet opened for the Company in said Companies Register. It is also entered in the special register of the CNMV, under number 2.

The Management Company has perpetual existence, other than upon the occurrence of any of the events of dissolution provided as the case may be by the laws and the articles of association.

VI.1.3 Objects.

In accordance with statutory requirements, article two of its Articles of Association establishes that: “The Company’s exclusive objects shall be to constitute, manage and legally represent both asset securitisation funds and mortgage securitisation funds. Furthermore, and in accordance with the applicable statutory regulations, the Company shall, as the manager of third party business, be responsible for representing and defending the interests of the holders of securities issued on the Funds it manages and of all their other ordinary creditors.”

VI.1.4 Place where the documents referred to in the Offering Circular or the existence of which may be inferred from its contents may be found.

The Articles of Association, accounting, economic and financial statements of the Management Company and any other document referred to in this Offering Circular, including the latter, or the existence of which may be inferred from its contents, may be found at the Management Company's registered office at Calle Lagasca number 120, Madrid.

This Offering Circular was entered in the official registers of the CNMV on April 23, 2004. It is publicly available, free of charge, at the Management Company's registered office and at the Underwriters and Placement Agents' registered office. It may also be found at the CNMV in Madrid, Paseo de la Castellana, 19, and at the AIAF governing body, of Madrid, Plaza Pablo Ruiz Picasso, s/n, Edificio Torre Picasso, planta 43.

Upon the Deed of Constitution being executed and before the Bond Subscription Period begins, the Management Company shall deliver a certified copy of the Deed of Constitution to the CNMV. Furthermore, the Management Company, Iberclear, or the affiliated undertaking to which the latter delegates its functions, and the AIAF governing body shall at all times make copies of the Deed of Constitution available to the Bondholders and the public at issue in order that they may be examined.

VI.2 In relation to the share capital.

VI.2.1 Face amount subscribed for and paid up.

The wholly subscribed for, paid up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty cents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and making up two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

VI.2.2 Classes of shares.

The shares are all in the same class and confer identical political and economic rights.

VI.2.3 Evolution of the share capital over the last three years.

During the last three years there has been no change in the share capital of the Management Company, other than the rounding up of the face value of the shares in Series A and the rounding down of the face value of the shares in Series B, to the nearest euro cent upon the redenomination of the share capital in euros pursuant to a resolution of the Board of Directors at a meeting held on March 27, 2001 in accordance with the provisions of article 21 of Act 46/1998, December 17, on the changeover to the euro.

VI.3 Information relating to shareholdings.

VI.3.1 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

VI.3.2 Group of companies in which the company has membership.

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

VI.3.3 Significant shareholders.

The ownership of shares in the Management Company is distributed among the companies listed below, specifying the percentage holding of each one:

Name of shareholder company	Holding * (%)
Banco Bilbao Vizcaya Argentaria, S.A.	82.9703
J.P. Morgan España, S.A.	4.0000
Caja de Ahorros del Mediterráneo	1.5420
Bankinter, S.A	1.5317
Barclays Bank, S.A.	1.5317
Citibank España, S.A.	1.5317
Deutsche Bank Credit, S.A.	0.7658
Deutsche Bank, S.A.E	0.7658
Banco Atlántico, S.A	0.7658
Banco Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
Banco Urquijo, S.A.	0.7658
BNP España, S.A.	0.7658
Caja de Ahorros y Monte de Piedad de Madrid	0.3829
Caja de Ahorros de Salamanca y Soria - Caja Duero	0.3829
	100.0000

* Rounded to 4 decimal places

VI.4 Corporate bodies.

The government and management of the Management Company are entrusted in the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Its duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Act 19/1992, in relation to the objects.

Among the other bodies for which provision is made in the Articles of Association, an Executive Committee has been set up with delegated authorities of the Board. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

VI.4.1 Officers.

Board of Directors.

The Board of Directors has the following membership:

Chairman: Mr Roberto Vicario Montoya

Vice-Chairman: Mr Carlos Pertejo Muñoz

Directors*:
Mr José Manuel Aguirre Larizgoitia
Mr José Mª. Castellón Leal
on behalf of Barclays Bank, S.A.
Mr Vicente Esparza Olcina
Ms Ana Fernández Manrique
Mr Ferrán Gonzalvo Martí,
on behalf of Banco de la Pequeña y Mediana Empresa, S.A.
Mr Mario Masiá Vicente
Mr Juan Ortueta Monfort
Ms Carmen Pérez de Muniaín
Mr David Pérez Renovales
on behalf of Bankinter, S. A.
Mr Jesús del Pino Durán

	Mr Jorge Sáenz de Miera, on behalf of Deutsche Bank Credit, S.A. Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A Mr José Manuel Tamayo Pérez Mr Pedro Mª. Urresti Laca, on behalf of J.P. Morgan España, S.A.
Non-Director Secretary:	Ms Belén Rico Arévalo

*Mr Rafael Salinas Martínez de Lecea's resignation from the office of Director is yet to be entered in the Companies Register, and yet to be communicated to the CNMV.

VI.4.2 General Manager.

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

VI.5 Aggregate interests in the Management Company by the persons referred to in section VI.4.

The persons referred to in section VI.4.1 above are not the direct or indirect holders or representatives of any share or obligation, other than the persons specifically referred to as representing a shareholder company, and only as such.

VI.6 Lenders of the Management Company in excess of 10 percent.

The Management Company has received no loan or credit from any person or institution whatsoever.

VI.7 Specification as to whether or not the management company has any bankruptcy proceedings under way and the possible existence of significant lawsuits and matters which might affect its economic and financial position or, in the future, its ability to carry out the Fund management and administration functions for which provision is made in this Offering Circular.

There are none.

CHAPTER VII

RECENT EVOLUTION OF THE MORTGAGE MARKET IN GENERAL AND OF THE MORTGAGE LOAN MARKET IN PARTICULAR WHICH MIGHT AFFECT THE FINANCIAL PROSPECTS OF THE FUND

VII.1 Most recent significant trends in the Mortgage Market in general and of the mortgage loan market in particular in relation to the legal framework, with the development of interest rates, and prepayment and delinquency rates.

The Spanish mortgage market has in recent years undergone a major transformation both in regard to its laws and the prevailing interest of credit institutions in developing and increasing their interest in the market, and as a result of factors inherent in the development of the market proper (interest rates, demand for credit and price of housing). The most significant elements in the recent evolution of the Spanish market are described hereinafter in this section.

Mortgage credit.

As of November 2003, mortgage credit came to have an outstanding balance of EUR 423,293 millions, 54.2% in the investment portfolio of Savings Banks and 38.8% in that of banks. From early 1998, mortgage credit has grown at an average pace of around 21.4% per annum. Consequent upon this strong boost, mortgage credit accounted for almost 54% of the total credit portfolio of financial institutions towards the end of 2003.

OUTSTANDING CREDIT BALANCES WITH MORTGAGE SECURITY
(Year-end figures in EUR billions)

	Total	Banks	Savings Banks	Financial Credit Institutions	Credit Cooperatives
2003*	423.3	164.4	229.6	3.4	25.8
2002	354.4	135.5	193.3	3.7	21.9
2001	297.0	115.2	160.3	3.5	18.0
2000	250.8	97.7	135.0	3.3	14.8
1999	209.6	84.0	109.8	3.5	12.3
1998	174.6	68.3	92.9	3.5	9.8
1997	147.3	57.8	77.3	4.0	8.2
1996	124.1	48.4	65.2	4.2	6.3
1995	108.5	42.2	57.5	3.5	5.2
1994	97.6	38.4	51.0	3.8	4.3
1993	85.2	34.2	43.5	4.1	3.3
1992	75.5	31.2	37.2	4.3	2.7
1990	58.6	24.9	28.9	3.5	1.3

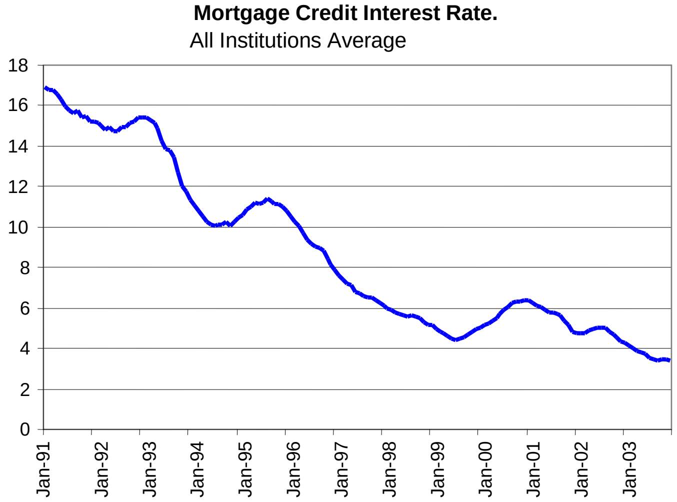
*Figures as at November 2003
Source: Bank of Spain

The increased demand for mortgage credit was supported by the strong development of the housing market, resulting in more than a million transactions per annum since early 1998, and an increase in the average amount per mortgage, which has more than doubled over the last five years, going from an average of EUR 50,000 per mortgage in 1998 to EUR 120,000 on average in 2003.

Forecasts for 2004 point to the mortgage balance increasing up to EUR 500,000 million towards the end of the year, rising on average by around 16% in year-on-year rates.

Interest rates.

Upon the Spanish economy coming under the European Central Bank's discipline, there was an outstanding drop in interest rates which was rapidly passed to the mortgage market. These enhanced financial terms have made it easier for families to buy a home, boosting the demand for residential homes. From the early nineties, mortgage interest rates in Spain have dropped to one-third and repayment terms have been extended to 25 and 35 years. The reduced interest rates and extended credit terms has resulted in a significant drop in instalments paid by families for buying a home.



FINANCING TERMS				
	% Interest Rates	**Average Terms (years)**	**Rate per EUR 6,000 (EUR/month)**	**Average home price (EUR/100 m^2)**
2003	3.7%	25	30.70	140,000
2000	5.0%	20	39.70	90,150
1995	10.0%	15	64.60	66,100
1990	14.0%	10	93.30	56,500

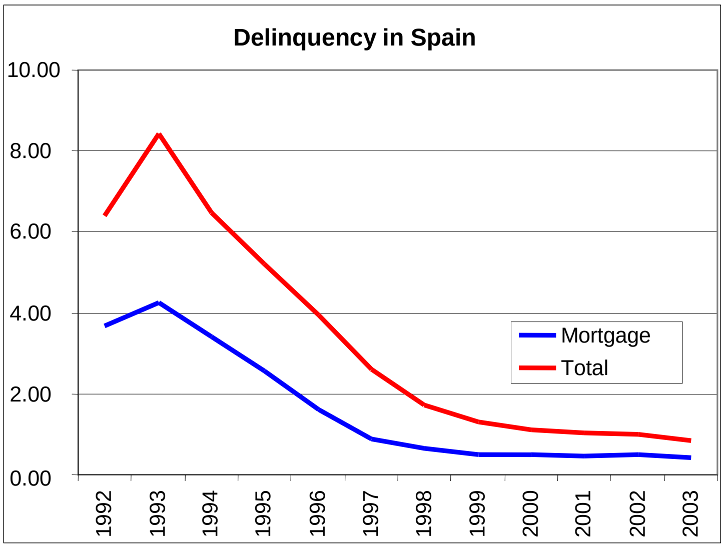
Source: BBVA

Real estate price increases have prevented the enhanced financing terms from being fully passed to the home accessibility ratios. Overall, family monthly payments for buying a home have remained relatively consistent in proportion: although improved rates and extended terms result in lower monthly payments for a family buying a home, higher-priced homes have resulted in a greater credit amount being required, thereby increasing the monthly instalment. At present, a family on an average income (1.5 x EUR18,000) buying an average-sized and priced home must allocate approximately 27% of their income to paying monthly instalments for a 25-year medium-term financing.

Delinquency.

The mortgage market has been strongly boosted in these years in the midst of important risk management improvements resulting in mortgage delinquency of financial institutions as a whole being minimised.

Mortgage delinquency is currently at 0.38% of the total mortgage portfolio of credit institutions, very far from the 4% rate there was in 1993. As for the credit portfolio as a whole, mortgage delinquency stands at less than 50% of total delinquency (0.81%).



Regulatory changes.

The object of most recent regulations has been to provide mortgagors with a greater power to negotiate the terms of loans, and reduce certain costs attached to loan renegotiation. In this sense, in addition to Mortgage Loan Subrogation and Amendment Act 2/1994, March 30 (making provision for the possibility of substituting and renegotiating the economic terms of loans, reducing both tax and fee costs, and reducing floating interest rate loan prepayment charges), two measures were taken designed to cheapen transaction costs in mortgage loan subrogation and amendment and novation transactions: on the one hand, the agreement made between the Economy Ministry and banks and savings banks, lowering charges; and on the other the approval of Royal Decree 2616/1996, December 20, modifying both notarial and registration fees in mortgage loan subrogation and novation transactions under that Act 2/1994.

Prepayment.

The substantial cut in interest rates in recent years along with an enhanced competitiveness among credit institutions in this segment of financing given its strategic character with a view to fidelising customers, has fostered a considerable increase in prepayment rates of mortgage loans remaining with interest rates in excess of those prevailing in the mortgage market from time to time, upon the failure by the lenders to renegotiate the financial terms.

In any event, it should therefore be borne in mind that mortgage loan prepayment shall take place irrespective of such Mortgage Loan Subrogation and Amendment Act, for the possibility or advisability of so doing shall be prompted not only by the facilities given in that connection but by such more determinant factors as mainly age and higher interest rate of the loans in relation to those offered from time to time.

VII.2 Implications that might derive from the trends remarked in the preceding point VII.1 (prepayment rate, default rate, et cetera):

The Mortgage Loans for the issue of the Pass-Through Certificates to be subscribed for by the Fund all have a floating interest rate and are adjusted from time to time to market interest rate variations. Because of this, a high prepayment rate of the Mortgage Loans is not to be expected. The provisions established for the renegotiation for determining the interest rate of Mortgage Loans that might be in upper ranges in relation to the market level from time to time should also be borne in mind.

As for the Obligors' creditworthiness, as set forth in section IV.4.j), the Mortgage Loans that will finally back the issue of Pass-Through Certificates for the Fund to be constituted shall have no overdue amounts on the date of issue, pursuant to the representation by BANCO DE VALENCIA contained in section IV.1.1.2 (22).

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

APPENDIX I

DEFINITIONS

"Act 19/1992" shall mean Investment Trusts and Companies System and Mortgage Securitisation Funds Act 19/1992, July 7.

"Act 2/1981" shall mean Mortgage Market Regulation Act 2/1981, March 25.

"Act 2/1994" shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30.

"**Act 3/1994"** shall mean Act 3/1994, April 14, adapting Spanish laws in the matter of credit institutions to the Second Banking Coordination Directive and introducing other changes in relation to the financial system.

"Act 44/2002" shall mean Financial System Reform Measures Act 44/2002, November 22.

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

"Amortisation Deficiency" shall mean, on a Payment Date the positive difference, if any, between (i) the positive difference, if any, between the Outstanding Principal Balance of the Bond Issue on the Determination Date preceding the relevant Payment Date and the Outstanding Balance of Pass-Through Certificates that, on the relevant Payment Date, are in good standing in payment of amounts due or, if delinquent, with an arrears of less than eighteen (18) months, and (ii) the Available Funds for Amortisation.

"Available Funds for Amortisation" shall mean the amount to be allocated to the amortisation of Bonds on each Payment Date.

"Available Funds" shall mean (i) on each Payment Date, the sum of the balance on the Treasury Account, and (ii) the amount, if any and where appropriate, deriving from the liquidation of the Fund's assets.

"BANCAJA" shall mean Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja.

"BANCO DE VALENCIA" shall mean BANCO DE VALENCIA, S.A.

"Bond Issue Management, Underwriting and Placement Agreement" shall mean the Bond Issue management, underwriting and placement agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA and JPMORGAN.

"Bond Issue" shall mean the issue of asset-backed bonds issued by the Fund having a face value of EUR four hundred and seventy-two million (472,000,000.00) consisting of 4,720 Bonds comprised of three Series (Series A, Series B and Series C).

"Bond Paying Agent Agreement" shall mean the Bond paying agent agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA, as Paying Agent.

"Bonds" shall mean the Series A Bonds, the Series B Bonds and the Series C Bonds issued by the Fund.

"Business Day" shall mean any day other than a Saturday, Sunday, public holiday in the capital city of Madrid or non-business day in the TARGET calendar (Trans European Automated Real-Time Gross Settlement Express Transfer System).

"Cash Reserve" shall mean the cash reserve provisioned on the Closing Date by drawing down fully the Subordinated Loan and subsequently the cash reserve provisioned up to the Required Cash Reserve.

"CET" shall mean "Central European Time".

DEFINITIONS

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

"Closing Date" shall mean April 28, 2004, the date on which the cash amount of the subscription for the Bonds shall be paid up and the face value of the Pass-Through Certificates shall be paid.

"CNMV" shall mean the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

"CPR" shall mean the effective constant annual early amortisation or prepayment rate at which average lives and durations of the Bonds are estimated in this Offering Circular.

"Deed of Constitution" shall mean the public deed recording the constitution of the Fund, issue of and subscription for the Pass-Through Certificates, and Bond Issue.

"Determination Dates" shall mean the dates falling on the third Business Day preceding each Payment Date.

"DELOITTE" shall mean Deloitte & Touche España S.L.

"Early Amortisation" shall mean the amortisation of the Bonds on a date preceding the Final Maturity Date in the Early Liquidation Events of the Fund, in accordance with and subject to the requirements established in section III.8.1 of this Offering Circular.

"Early Liquidation Events" shall mean the events contained in section III.8.1 where the Management Company, following notice duly served on the CNMV, is entitled to proceed to an Early Liquidation of the Fund on a Payment Date.

"Early Liquidation of the Fund" shall mean the liquidation of the Fund and thereby an early amortisation of the Bond Issue on a date preceding the Final Maturity Date, in the events and subject to the procedure established in section III.8.1.

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

The Euribor rate definitions approved by the FBE ("Federation Bancaire de l'Union Europeene") and the Financial Markets Association (ACI) supplementing the current Euribor rate definition shall be considered introduced for the purpose of the Euribor Reference Rate without having to amend the present terms of the Euribor Reference Rate or have the Management Company notify the Bondholders.

"Final Maturity Date" shall mean the final Bond amortisation date, i.e. February 24, 2036 or the following Business Day if that is not a Business Day.

"Fitch" shall mean Fitch Ratings España, S.A. or Fitch Ratings Rating Services.

"Fund" shall mean VALENCIA HIPOTECARIO 1 FONDO DE TITULIZACIÓN DE ACTIVOS.

"Guaranteed Interest Rate Account (Treasury Account) Agreement" shall mean the guaranteed interest rate account (Treasury Account) agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCAJA.

"Guarantor" shall mean BANCAJA in relation to the guarantee for fulfilment of the obligations taken on by BANCO DE VALENCIA under the Interest Swap Agreement.

DEFINITIONS

"Iberclear" shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.

"Interest Accrual Period" shall mean the exact number of days elapsed between two consecutive Payment Dates, including the beginning Payment Date, but not including the ending Payment Date. The first Interest Accrual Period shall begin on the Closing Date, inclusive, and end on the first Payment Date, exclusive.

"Interest Rate Fixing Date" shall mean the second Business Day preceding each Payment Date.

"Interest Swap" shall mean the Interest Swap Agreement entered into with BANCO DE VALENCIA as counterparty and with BANCAJA as Guarantor for BANCO DE VALENCIA.

"Interest Swap Agreement" shall mean the interest swap agreement based on the standard Master Financial Transaction Agreement (CMOF), entered into between the Management Company, acting for and on behalf of the Fund, and BANCO DE VALENCIA and BANCAJA, whereby the Fund shall make payments to BANCO DE VALENCIA based on the Mortgage Loan reference rates, and BANCO DE VALENCIA will make payments to the Fund calculated on the Reference Rate of the Bonds, BANCAJA being the guarantor of the payments to be made by BANCO DE VALENCIA.

"IRNR Act" shall mean Legislative Royal Decree 5/2004, March 5, approving the Consolidation of the Non-Resident Income Tax Act.

"IRPF Act" shall mean Legislative Royal Decree 3/2004, March 5, approving the Consolidation of the Personal Income Tax Act.

"IRR" shall mean the internal rate of return as defined in section II.12.a) of the Circular.

"JPMORGAN" shall mean J.P. MORGAN SECURITIES LTD.

"Lead Manager" shall mean BANCAJA.

"Management Company" shall mean Europea de Titulización, S.A., Sociedad Gestora de Fondos de Titulización.

"Moody's" shall mean Moody's Investors Service España, S.A. or Moody's Investors Service Limited.

"Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement" shall mean the Mortgage Loan servicing and Pass-Through Certificate custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BANCO DE VALENCIA as Servicer.

"Mortgage Loans" shall mean the loans granted by BANCO DE VALENCIA to individuals with real estate mortgage security on finished residential homes located within Spanish territory, both directly and through subrogations of financing granted to developers for building homes, transferred by BANCO DE VALENCIA to the Fund by means of the issue of the Pass-Through Certificates to be subscribed for by the Fund.

"Nominal Interest Rate" shall mean the nominal interest rate, variable quarterly and payable quarterly, applicable to each of the Series and determined for each Interest Accrual Period, which shall be the result of adding (i) the Reference Rate and (ii) a margin for each Series as detailed in section II.10.1.2 of the Offering Circular.

"Obligors" shall mean the Mortgage Loan borrowers.

"Outstanding Balance of the Pass-Through Certificates" shall mean the sum of outstanding capital or principal and overdue capital or principal not paid into the Fund for each and every one of the Pass-Through Certificates.

DEFINITIONS

"Outstanding Principal Balance of the Bond Issue" shall mean the sum of the Outstanding Principal Balances of the three Series A, B and C making up the Bond Issue.

"Outstanding Principal Balance of each Bond" shall mean the outstanding principal to be repaid (outstanding balance) on each Bond in each Series, such including the principal amounts that should, as the case may be, have been repaid and were not so settled due to a shortage of Available Funds for Amortisation of the Bonds in the Fund Priority of Payments.

"Outstanding Principal Balance of the Series" shall mean the outstanding principal to be repaid (outstanding balance) on a given date on all the Bonds making up the Series, such including the principal amounts that should, as the case may be, have been repaid and were not so settled due to a shortage of Available Funds for Amortisation of the Bonds in the Fund Priority of Payments.

"Pass-Through Certificates" shall mean the pass-through certificates issued by BANCO DE VALENCIA in accordance with article 18 of Act 44/2002, pooled in the Fund upon being subscribed for.

"Paying Agent" shall mean the firm servicing the Bonds. The Paying Agent shall be BANCAJA.

"Payment Date" shall mean February 24, May 24, August 24 and November 24 of each year or, as the case may be, the following Business Day if any of those is not a Business Day. The first Payment Date shall be August 24, 2004.

"Priority of Payments" shall mean the priority listing the Fund's payment or withholding obligations both for applying the Available Funds and for distribution of Available Funds for Amortisation.

"Rating Agencies" shall mean Moody's Investors Service España, S.A. ("Moody's") and Fitch Ratings España, S.A. ("Fitch").

"Reference Rate" shall mean, other than for the first Interest Accrual Period, the three- (3-) month Euribor rate fixed at 11am (CET time) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, then the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular. The Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between the three- (3-) month Euribor rate and the six- (6-) month Euribor rate, fixed at 11am (CET time) on the second Business Day preceding the Closing Date, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section II.10.1.3 of the Offering Circular.

"Required Cash Reserve" shall mean the lower of the following amounts on each Payment Date: (i) EUR six million three hundred and seventy-two thousand (6,372,000.00) and (ii) the higher of: a) 2.70% of the Outstanding Principal Balance of the Bond Issue and b) 1.00% of the face amount of the Bond Issue.

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

"Royal Decree 291/1992" shall mean Royal Decree 291/1992, March 27, on Issues of and Public Offerings for the Sale of Securities, as reworded by Royal Decree 2590/1998, December 7.

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

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

"Securities Market Act" shall mean Securities Market Act 24/1988, July 28, amended by Act 37/1998, November 16, and Act 44/2002, November 22.

"Series A Bonds" shall mean the Series A Bonds issued by the Fund having a total face amount of EUR four hundred and fifty-four million three hundred thousand (454,300,000.00) comprising four thousand five hundred and forty-three (4,543) Bonds having a unit face value of EUR one hundred thousand (100,000).

"Series A" shall mean the Series A Bonds issued by the Fund.

"Series B Bonds" shall mean the Series B Bonds issued by the Fund having a total face amount of EUR eleven million eight hundred thousand (11,800,000.00) comprising one hundred and eighteen (118) Bonds having a unit face value of EUR one hundred thousand (100,000).

"Series B" shall mean the Series B Bonds issued by the Fund.

"Series C Bonds" shall mean the Series C Bonds issued by the Fund having a total face amount of EUR five million nine hundred thousand (5,900,000.00) comprising fifty-nine (59) Bonds having a unit face value of EUR one hundred thousand (100,000).

"Series C" shall mean the Series C Bonds issued by the Fund.

"Servicer" shall mean the issuer of the Pass-Through Certificates under the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement, which shall be BANCO DE VALENCIA.

"Servicing Agreement" shall mean the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

"Start-Up Loan Agreement" shall mean the start-up loan agreement entered into by the Management Company, for and on behalf of the Fund, and BANCO DE VALENCIA.

"Start-Up Loan" shall mean the loan granted by BANCO DE VALENCIA to the Fund, in accordance with the provisions of the Start-Up Loan Agreement.

"Subordinated Loan Agreement" shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BANCO DE VALENCIA.

"Subordinated Loan" shall mean the subordinated loan granted by BANCO DE VALENCIA to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

"Subscription Period" shall mean the period beginning at 1pm (CET time) on April 26, 2004 and ending at 3pm (CET time) on the same day.

"Systems Company" shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

"Treasury Account" shall mean the financial account in euros at BANCAJA in the Fund's name, in accordance with the provisions of the Guaranteed Interest Rate Account (Treasury Account) Agreement, through which the Fund will make and receive payments.

"Underwriters and Placement Agents" shall mean BANCAJA and JPMORGAN.

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