

PROSPECTUS

November 2007

# BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS

## ISSUE OF ASSET-BACKED BONDS EUR 4,900,000,000

Series A1	EUR 2,740,000,000	Aaa/AAA
Series A2	EUR 960,000,000	Aaa/AAA
Series A3	EUR 1,050,500,000	Aaa/AAA
Series B	EUR 41,700,000	Aa3/A
Series C	EUR 107,800,000	Baa1/BBB

Backed by pass-through certificates issued on mortgage loans by



*Lead Manager*



*Underwriter, Placement Agent and Subscriber*

**BBVA**

*Paying Agent*

**BBVA**

*Fund established and managed by*



edt **Europa de  
Titulización**  
Sociedad Gestora de Fondos de Titulización

Prospectus entered in the Registers of the Comisión Nacional del Mercado de Valores  
on November 15, 2007

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This document is a prospectus (the “**Prospectus**”) registered at the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*), as provided for in Commission Regulation (EC) No. 809/2004 of April 29, 2004, as currently worded, (“**Regulation 809/2004**”), and comprises:

1. A description of the major risk factors linked to the issuer, the securities and the assets backing the issue (the “**Risk Factors**”).
2. An asset-backed securities registration document, prepared using the outline provided in Annex VII to Regulation 809/2004 (the “**Registration Document**”).
3. A securities note, prepared using the outline provided in Annex XIII to Regulation 809/2004 (the “**Securities Note**”).
4. A Securities Note building block, prepared using the block provided in Annex VIII to Regulation 809/2004 (the “**Building Block**”).
5. A glossary of definitions.

## **RISK FACTORS**

### **1 RISKS DERIVED FROM THE ISSUER'S LEGAL NATURE AND OPERATIONS.**

#### **a) Nature of the Fund and obligations of the Management Company.**

The Fund is a separate fund devoid of legal personality and is managed by a management company, in accordance with article Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies ("**Royal Decree 926/1998**"). The Fund shall be liable only for its obligations to its creditors with its assets.

The Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998, and enforce Bondholders' interests as the manager of third-party portfolios. There shall be no syndicate of bondholders. Therefore, the capacity to enforce Bondholders' interests shall depend on the Management Company's means.

#### **b) Forced substitution of the Management Company.**

In accordance with article 19 of Royal Decree 926/1998, where the Management Company is adjudged insolvent or has its authorisation to act as a securitisation fund management company revoked by the CNMV, it shall find a substitute management company. In any such event, 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 early amortisation of the Bonds issued by the same.

#### **c) Limitation of actions against the Management Company.**

Bondholders and all other ordinary creditors of the Fund shall have no recourse whatsoever against the Fund Management Company other than as derived from a breach of its duties or inobservance of the provisions of the Deed of Constitution and of this Prospectus.

#### **d) Applicability of the Bankruptcy Act**

Both BBVA and the Management Company and any of the Fund's other counterparties may be declared insolvent.

In particular, insolvency of BBVA could affect its contractual relationships with the Fund, in accordance with the provisions of Bankruptcy Act 22/2003, July 9.

As for the issue of and subscription for the Pass-Through Certificates, the latter cannot be the subject of restitution other than by a restitution action brought by the receivers of BBVA, in accordance with the provisions of the Bankruptcy Act and after proving the existence of fraud in those issue and subscription transactions, all as set down in section 4 of Additional Provision Five of Act 3/1994, April 14.

In the event of BBVA being decreed insolvent, in accordance with the Bankruptcy Act, the Fund, acting through the Management Company, shall have a right of separation with respect to the multiple or individual certificates representing the Pass-Through Certificates, on the terms provided for in articles 80 and 81 of the Bankruptcy Act. Moreover, the Fund, acting through its Management Company, shall be entitled to obtain from BBVA the resulting Pass-Through Certificate amounts from the date on which insolvency is decreed, for those amounts will be considered to be the Fund's property, through its Management Company and must therefore be transferred to the Management Company, representing the Fund. This right of separation would not necessarily extend to the monies received and kept by BBVA on behalf of the Fund before that date, for they might be earmarked for insolvency, based on the most widespread construction of article 80 of the Bankruptcy Act for the time being in force, given the essential fungible nature of money. The means mitigating that risk are described in sections 3.4.4.1 (Treasury Account), 3.4.5 (Collection by the Fund of payments in respect of the assets) and 3.7.2.1.2 (Collection management) of the Building Block.

In the event of insolvency of the Management Company, it must be replaced by another management company in accordance with the provisions of paragraph 1.b) above and articles 18 and 19 of Royal Decree 926/1998.

## **2 RISKS DERIVED FROM THE SECURITIES.**

### **a) 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.

Moreover, 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 laid down in section 4.4.3 of the Registration Document.

### **b) Yield.**

Calculation of the yield (internal rate of return) of the Bonds in each Series contained in section 4.10 of the Securities Note is subject to future market interest rates, given the floating nature of the Nominal Interest Rate of each Series.

### **c) Duration.**

Calculation of the average life and duration of the Bonds in each Series contained in section 4.10 of the Securities Note is subject to fulfilment of Mortgage Loan repayment and to assumed Mortgage Loan prepayment rates that may not be fulfilled. Mortgage Loan repayment performance is influenced by a number of economic and social factors such as market interest rates, the Obligors' financial circumstances and the general level of economic activity, preventing their predictability.

### **d) Late-payment interest.**

Late interest payment or principal repayment to holders of Bonds in any Series shall under no circumstances result in late-payment interest accruing to their favour.

### **e) Subordination of the Bonds.**

Series A1, A2 and A3 Bond interest payment is in the same order in both the Priority of Payments and the Liquidation Priority of Payments. Series A3 Bond principal repayment is deferred with respect to Series A2 and Series A1 Bonds. Series A2 Bond principal repayment is deferred with respect to Series A1 Bonds. Nevertheless, in the event of the circumstances for Pro Rata Amortisation of Class A occurring, as set out in section 4.9.3.6.2.2 of the Securities Note, there shall be a pro rata repayment of Series A1, Series A2 and Series A3 Bonds. Series B Bond interest payment and principal repayment is deferred with respect to Class A (Series A1, A2 and A3) Bonds, whereas Series C Bond interest payment and principal repayment is in turn deferred with respect to Class A (Series A1, A2 and A3) and Series B Bonds. However, there is no certainty that these subordination rules will protect Series A1, A2, A3, B and C Bondholders from the risk of loss.

The subordination rules among the different Series are established in the Priority of Payments and in the Liquidation Priority of Payments of the Fund in accordance with section 3.4.6 of the Building Block.

### **f) Deferral of interest.**

This Prospectus and the other supplementary documents relating to the Bonds provide for deferral of Series B and C Bond interest payment in the event of the circumstances provided for in section 3.4.6.2.1.2 of the Building Block occurring.

Class A (Series A1, A2 and A3) Bond interest is not subject to these deferral rules.

**g) Bond Rating.**

The credit risk of the Bonds issued by the Fund has been assessed by the following rating agencies: Moody's Investors Service España S.A. and Standard & Poor's España S.A.

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.

These ratings 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 failure by the Rating Agencies to confirm by the start of the Subscription Period the provisional ratings assigned to the Bonds shall be an event of termination of the establishment of the Fund and of the Bond Issue.

**h) Fulfilment of formal obligations by investors not resident in Spain.**

In accordance with Spanish laws for the time being in force, returns on the Bonds obtained by an investor who is not a resident of Spain shall be either (i) exempt from a withholding on account of Non-Resident Income Tax (in the case of investors acting through a permanent establishment), or (ii) exempt on the same terms established for returns on public debt (in the case of investors acting in Spain without a permanent establishment and provided that they are not obtained through countries or territories statutorily considered to be tax havens).

Notwithstanding the above, in order for the above withholding exclusion to be effective, it is necessary for those investors to satisfy certain formal obligations, currently provided for in the Order of December 22, 1999 and in Royal Decree 2281/1998, October 23, amended by Royal Decree 1778/2004, though specific laws may be passed for securitisation funds in the future. (From January 1, 2008, those information obligations shall be contained in Royal Decree 1065/2007, July 27, repealing Royal Decree 2281/1998).

Where pursuant to the abovementioned laws the exemption right is not satisfactorily established (that is to say, proof is not produced that the non-resident investor is not acting through a tax haven or the Fund is not provided, through the Paying Agent, with the relevant certificates of the Bond clearing institution and custodian), returns on the Bonds shall be subject to a withholding that is currently set at 18%.

The tax implications described above are based on the laws in force at the time of issue and do not purport to be comprehensive. Consequently, they should not be considered in lieu of the requisite tax advice suited to each investor's particular situation.

**3 RISKS DERIVED FROM THE ASSETS BACKING THE ISSUE.**

**a) Risk of default on the Mortgage Loans.**

Bondholders shall bear the risk of default on the Mortgage Loans pooled in the Fund.

BBVA, as Originator, shall have no liability whatsoever for the Obligors' default of principal, interest or any other amount they may owe under the Mortgage Loans. Under article 348 of the Commercial Code, BBVA is liable to the Fund exclusively for the existence and lawfulness of the Mortgage Loans, and for the personality with which the Pass-Through Certificates are issued. BBVA will have no liability whatsoever to directly or indirectly guarantee that the transaction will be properly performed nor give any guarantees or security, nor indeed agree to repurchase the Mortgage Loan Pass-Through Certificates, other than the undertakings contained in section 2.2.9 of the Building Block regarding substitution or redemption of Mortgage Loan Pass-Through Certificates failing to conform, upon the Fund being established, to the representations given in section 2.2.8 of the Building Block.

The Bonds issued by the Fund neither represent nor constitute an obligation of BBVA or the Management Company. No other guarantees have been granted by any public or private organisation



whatsoever, including BBVA, the Management Company and any of their affiliated or associated companies.

**b) Limited Hedging.**

A high level of delinquency of the Mortgage Loans might reduce or indeed exhaust the limited hedging against Mortgage Loan portfolio losses that the Bonds in each Series distinctly have as a result of the existence of the credit enhancement transactions described in section 3.4.2 of the Building Block.

The degree of subordination in interest payment and principal repayment between the Bonds in the different Series derived from the Priority of Payments and the Liquidation Priority of Payments of the Fund is a mechanism for distinctly hedging the different Series, respectively.

**c) Mortgage Loan prepayment risk.**

There will be a prepayment of the Mortgage Loan receivables pooled in the Fund, upon subscription for the Pass-Through Certificates, when the Obligors prepay the portion of principal not yet due on the Mortgage Loans, or in the event that BBVA should be substituted in the relevant Mortgage Loans by any other financial institution licensed to do so, or in any other event having the same effect.

That prepayment risk shall pass quarterly on each Payment Date to Bondholders by the partial amortisation of the Bonds, in accordance with the provisions of the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.6 of the Securities Note.

**d) Regulatory change.**

A bill modernising the mortgage market, regulating the system of reverse mortgages and dependency insurance is currently pending which, if approved, will result in certain partial amendments of Mortgage Market Regulation Act 2/1981, March 25, the Mortgage Act of February 8, 1946 and Mortgage Loan Subrogation and Amendment Act 2/1994, March 30, which laws described throughout this Prospectus might affect the assets backing the Issue.

**e) Geographic concentration.**

Out of the 35,503 mortgage loans selected as at October 18, 2007 for assignment to the Fund upon being established, 8,311 mortgage loans (23.41% of the total) are mortgage loans with mortgage security located in the Autonomous Community of Andalusia (20.82% of the total in terms of outstanding principal), 5,629 mortgage loans (15.85% of the total) are mortgage loans with mortgage security located in the Autonomous Community of Catalonia (20.37% of the total in terms of outstanding principal) and 5,380 mortgage loans (15.15% of the total) are mortgage loans with mortgage security located in the Autonomous Community of Valencia (14.00% of the total in terms of outstanding principal),

Given these concentration levels, any circumstance whatsoever having a substantial adverse effect in those Communities could affect payments of the Mortgage Loans backing the Bond Issue.

## **SECURITIES REGISTRATION DOCUMENT**

**(Annex VII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. PERSONS RESPONSIBLE**

#### **1.1 Persons responsible for the information given in the Registration Document.**

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (the "**Management Company**"), the company sponsoring BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS (the "**Fund**" and/or the "**Issuer**"), takes responsibility for the contents of this Registration Document.

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 establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee in a resolution dated October 23, 2007.

#### **1.2 Declaration by those responsible for the contents of the Registration Document.**

Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its contents.

### **2. STATUTORY AUDITORS**

#### **2.1 Fund's Auditors.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund has no historical financial information.

The Fund's annual accounts shall be audited and reviewed every year by statutory auditors. The Fund's annual accounts and their audit report shall be filed with the Companies Register and with the CNMV.

The Management Company shall proceed to designate, for periods of not more than three (3) years, the statutory 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. The Management Company shall duly notify the CNMV of such designation.

#### **2.2 Accounting policies used by the Fund.**

Income and expenditure will be accounted for by the Fund in accordance with the accruals principle, i.e. in accordance with the actual flow represented by such income and expenditure, irrespective of when they are collected and paid.

The expenses of setting up the Fund and issue and admission of the Bonds will be subject to a straight-line depreciation during the months elapsing since the establishment of the Fund until September 30, 2010, inclusive.

The Fund's fiscal year shall match a calendar year. However, the first fiscal year will exceptionally begin on the date of establishment of the Fund and the last fiscal year will end on the date on which the Fund terminates.

### 3. RISK FACTORS

The risk factors linked to the issuer are described in paragraph 1 of the preceding section of Risk Factors of this Prospectus.

### 4. INFORMATION ABOUT THE ISSUER

#### 4.1 Statement that the issuer has been established as a securitisation fund.

The Issuer is a closed-end asset securitisation fund to be established in accordance with Spanish laws.

#### 4.2 Legal and commercial name of the issuer.

The issuer's name is "BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS" and the following short names may also be used without distinction to identify the Fund:

- BBVA RMBS 4 FTA
- BBVA RMBS 4 F.T.A.

#### 4.3 Place of registration of the issuer and registration number.

The place of registration of the Fund is in Spain at the Comisión Nacional del Mercado de Valores (*National Securities Market Commission*) (the "CNMV"). The Fund has been entered in the Official Registers of the CNMV.

##### **Companies Register**

For the record, neither the establishment 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.

#### 4.4 Date of establishment and existence of the issuer.

##### 4.4.1 Date of establishment of the Fund.

The Management Company and BBVA, Originator, shall proceed to execute on November 19, 2007 a public deed whereby BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BBVA will assign Mortgage Loan receivables to the Fund by issuing Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds (the "**Deed of Constitution**"), on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus, notwithstanding the need to complete the respective details and amounts of the Mortgage Loan receivables to be assigned under the Deed of Constitution.

The Deed of Constitution may not be altered other than in exceptional events, provided that there are no circumstances preventing that in accordance with the laws and regulations in force from time to time. In any event, those actions shall require that the Management Company first notify and 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 and the Rating Agencies. The Deed of Constitution can also be corrected as requested by the CNMV.

#### **4.4.2 Existence of the Fund.**

The Fund shall commence its operations on the date of execution of the Deed of Constitution.

The Fund shall be in existence until April 25, 2060 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 4.4.3 of this Registration Document or any of the events laid down in section 4.4.4 of this Registration Document should occur.

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

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

- (i) When the amount of the Outstanding Balance of the Mortgage Loans yet to be repaid is less than ten (10) percent of the initial Outstanding Balance of the Mortgage Loans upon the Fund being established, and provided that the payment obligations derived from the Bonds in each Series yet to be repaid may be honoured and settled in full in the Liquidation Priority of Payments.

Payment obligations derived from the Bonds in each Series on the date of Early Liquidation of the Fund shall at all events be deemed to be the Outstanding Principal Balance of the Series 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, in any event or circumstance whatsoever unrelated to the Fund's operations, a substantial alteration occurs or the financial balance of the Fund required by article 11.b) of Royal Decree 926/1998 is permanently damaged. This event includes such circumstances as the existence of any change in the law or supplementary implementing regulations, the establishment of withholding obligations or other situations which might permanently affect the financial balance of the Fund.
- (iii) In the event that the Management Company should be adjudged insolvent or have its licence to act as a securitisation fund management company revoked by the CNMV and the statutory term to do so or otherwise four months should elapse without a new management company being designated in accordance with the provisions of section 3.7.1.3 of the Building Block.
- (iv) When a default occurs indicating a major permanent imbalance in relation to any of the Bonds issued or that it is about to occur.
- (v) Upon the lapse of thirty-six (36) months from the date of the last maturity of the Mortgage Loan receivables, even if amounts are still due and payable.

4.4.3.2 The following requirements shall have to be satisfied to proceed to that Early Liquidation of the Fund:

- (i) That Bondholders be given not less than fifteen (15) Business Days' notice, as prescribed in section 4.1.3.2 of the Building Block, of the Management Company's resolution to proceed to Early Liquidation of the Fund.
- (ii) That the Management Company previously advise the CNMV and the Rating Agencies of that notice.
- (iii) The notice of the Management Company's resolution to proceed to Early Liquidation of the Fund shall contain a description of (i) the event or events for which Early Liquidation of the Fund is effected, (ii) the liquidation procedure, and (iii) the manner in which the payment obligations derived from the Bonds are to be honoured and settled in the Liquidation Priority of Payments.

4.4.3.3 In order for the Fund, through its Management Company, to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue, the Management Company shall, for and on behalf of the Fund:

- i) Proceed to sell the Pass-Through Certificates remaining in the Fund at a reasonable market price, initially not less than the sum of the principal still outstanding plus interest accrued and not paid on the relevant Mortgage Loans, subject to the provisions of paragraph (iv) below if that price cannot be achieved.
- ii) Proceed to terminate such agreements as are not necessary for the Fund liquidation procedure.
- iii) Be entitled to arrange for a credit facility, which shall be fully allocated to early amortisation of the Bonds in the outstanding Series. The financial expenses due shall be paid and credit facility principal shall be repaid in accordance with the Liquidation Priority of Payments 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, because the provisions of paragraph (i) above are not met, the Management Company shall proceed to sell them and shall therefore invite a bid from at least five (5) entities who may, in its view, give a market value. The Management Company shall be bound to accept the best bid received for the Pass-Through Certificates and for the assets on offer. In order to set the market value, the Management Company may secure such valuation reports as it shall deem necessary.

In events (i), (iii) and (iv) above, the Originator shall have a pre-emptive right and will therefore have priority over third parties to acquire the Pass-Through Certificates or other remaining assets still on the assets of the Fund, and/or may grant to the Fund the credit facility designed for early amortisation of the Bonds in the outstanding Series. The Management Company shall therefore send the Originator a list of the assets and of third-party bids received, and the latter may use that right for all of the Pass-Through Certificates or other assets offered by the Management Company or the credit facility within five (5) Business Days of receiving said notice, and provided that its bid is at least equal to the best of the third-party bids.

The Management Company shall forthwith 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 Liquidation Priority of Payments, other than the amounts, if any, drawn under the credit facility arranged for early amortisation of Bonds in the outstanding Series, which shall be fully applied to Early Amortisation of these Series.

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

The Fund shall terminate, after the relevant legal procedure is carried out and concluded, in any of the following events:

- (i) Upon the Pass-Through Certificates pooled therein being fully amortised.
- (ii) Upon the Bonds issued being fully amortised.
- (iii) When the Early Liquidation procedure established in section 4.4.3 above is over.
- (iv) Upon final liquidation of the Fund on the Final Maturity Date on April 25, 2060 or the following Business Day if that is not a Business Day.
- (v) Upon the establishment of the Fund terminating in the event that the Rating Agencies should not confirm any of the assigned provisional ratings as final ratings by the start of the Subscription Period. In this event, the Management Company shall terminate the establishment of the Fund, subscription for the Pass-Through Certificates by the Fund and the Bond issue.

Termination of the establishment of the Fund shall be notified to the CNMV as soon as such is confirmed, and shall be publicised by means of the procedure specified in section 4.1.3.2 of the Building Block. 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 expenses of setting up the Fund payable with the Start-Up Loan, the agreement for which shall not be terminated but shall rather be cancelled after those amounts are settled, principal repayment being subordinated to fulfilment of all other obligations undertaken by the Management Company, acting for and on behalf of the Fund.

In the event that there should be any remainder upon the Fund being liquidated and after making all payments to the various creditors by distributing the Liquidation Available Funds in the set Liquidation Priority of Payments, that remainder shall be for the Originator on the liquidation terms established by the Management Company. If that remainder is not a liquid amount, since relating to Mortgage Loan receivables that are pending the outcome of legal or notarial proceedings instituted as a result of default by the Mortgage Loan Obligor, both their continuation and the proceeds of their termination shall be for the Originator.

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 Pass-Through Certificates and remaining assets have been liquidated and the Fund's Liquidation Available Funds have been distributed, in the Liquidation Priority of Payments.

Upon a period of six (6) months elapsing from liquidation of the Fund's remaining assets and distribution of the Liquidation 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 Bondholders and the CNMV were notified, and (iii) how the Liquidation Available Funds were distributed in the Liquidation 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.

#### **4.5 Domicile, legal form and legislation applicable to the issuer.**

In accordance with the provisions of article 1.1 of Royal Decree 926/1998, the Fund has no own legal personality, and Securitisation Fund Management Companies are entrusted with establishing, managing and being the authorised representative of those funds, and, as managers of third-party portfolios, with representing and enforcing the interests of the holders of the securities issued by the Funds they manage and of all their other ordinary creditors.

The Fund shall have the same domicile as the Management Company:

- Street: Lagasca number 120
- Town: Madrid
- Post Code: 28006
- Country: Spain
- Telephone: (34) 91 411 84 67

The establishment of the Fund is subject to Spanish Law and in particular is carried out in accordance with the legal system provided for by (i) Royal Decree 926/1998, (ii) 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, (iii) 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 ("**Act 3/1994**"), (iv) Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose, (v) Commission Regulation (EC) No. 809/2004, April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, and (vi) all other legal and statutory provisions in force and applicable from time to time.

##### **4.5.1 Tax system of the Fund.**

In accordance with the provisions of article 1.2 of Royal Decree 926/1998, of article 5.10 of Act 19/1992, of article 7.1.h) of the Consolidation of the Corporation Tax Act approved by Legislative Royal Decree 4/2004, March 5, of article 20.One.18 of Value Added Tax Act 37/1992, December 28, of article 59.k of the Corporation Tax Regulations approved by Royal Decree 1777/2004, July 30, of article 45.l.B).15 of the Consolidation of the Capital Transfer and Documents Under Seal Tax Act approved by Legislative Royal

Decree 1/1993, September 24, and of additional provision five of Act 3/1994, April 14, and Personal Income Tax Act 35/2006, November 28, partly amending the Corporation, Non-Resident Income and Wealth Tax Acts, the following are the characteristics of the current tax system of the Fund:

- (i) The establishment of the Fund is exempt from the “corporate transactions” item of Capital Transfer and Documents Under Seal Tax.
- (ii) Bond issue, subscription, transfer and amortisation is exempt from payment of Value Added Tax and Capital Transfer and Documents Under Seal Tax.
- (iii) The Fund pays Corporation Tax, the taxable income being determined 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 32.5%, effective from January 1, 2007, and will be reduced to 30% for tax periods starting on January 1, 2008, and subject to common rules regarding tax credit, set-off of losses and other substantial constituent elements of the tax.
- (iv) As for returns on the Pass-Through Certificates, loans or other receivables constituting Fund income, there shall be no Corporation Tax withholding or interim payment obligation.
- (v) The management and custody services provided by the Management Company to the Fund shall be exempt from Value Added Tax.
- (vi) Transfer of the Mortgage Loan receivables to the Fund is a transaction exempt from and subject to Value Added Tax.
- (vii) Fulfilment of the reporting duties established by Additional Provision Two of Financial Intermediary Investment Ratios, Equity and Reporting Duties Act 13/1985 shall apply to the Fund.  
  
The procedure to satisfy those reporting duties was implemented by Royal Decree 2281/1998 and, from January 1, 2008, by Royal Decree 1065/2007, July 27, repealing Royal Decree 2281/1998.
- (viii) Financial Swap Agreement payments received by the Fund shall pay tax based on the Corporation Tax rules and shall not be subject to a withholding on account.

#### **4.6 Issuer’s authorised and issued capital.**

Not applicable.

### **5. BUSINESS OVERVIEW**

#### **5.1 Brief description of the issuer’s principal activities.**

The Fund’s activity is to acquire a set of pass-through certificates (the “**Pass-Through Certificates**”) issued by BANCO BILBAO VIZCAYA ARGENTARIA S.A. (“**BBVA**”) on mortgage loans owned by BBVA granted to individuals with real estate mortgage security ranking senior or, as the case may be, ranking junior, although BBVA has documents relating to economic cancellation of the debts originated by previous mortgages which are yet to be struck off the registers, on finished homes located in Spain (each of them a “**Mortgage Loan**” and, collectively, the “**Mortgage Loans**”) and to issue asset-backed bonds (either the “**Asset-Backed Bonds**” or the “**Bonds**”) designed to finance the acquisition of the Pass-Through Certificates.

In this Registration Document and elsewhere in the Prospectus the term “Mortgage Loans” shall be used to refer to the Mortgage Loans or to the Pass-Through Certificates perfecting the assignment of most of the Mortgage Loan receivables.

Mortgage Loan interest and repayment income received by the Fund shall be allocated quarterly on each Payment Date to interest payment and principal repayment on the Bonds issued on the specific terms of each series (the “Series”) making up the Bond issue and in the Priority of Payments established for Fund payments.

Moreover, the Fund, represented by the Management Company, arranges a number of financial and service transactions in order to consolidate the financial structure of the Fund, enhance Bond payment safety or regularity, cover timing differences between the scheduled principal and interest flows on the Mortgage Loans and the Bonds, and, generally, enable the financial transformation carried out in respect of the Fund’s assets between the financial characteristics of the Mortgage Loans and the financial characteristics of each Bond Series.

## 5.2 Global overview of the parties to the securitisation program.

- EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN (“EUROPEA DE TITULIZACIÓN”) is the Management Company that will establish, manage and legally represent the Fund and has, together with BBVA, structured the financial terms of the Fund and the Bond Issue.

EUROPEA DE TITULIZACIÓN is a securitisation fund management company incorporated in Spain and entered in the CNMV’s special register under number 2.

VAT REG. No.: A-805144 66 Business Activity Code No.: 6713

Registered office: Calle Lagasca number 120, 28006 Madrid (Spain).

- BANCO BILBAO VIZCAYA ARGENTARIA S.A. (“BBVA” or “Originator”) is the originator of the Mortgage Loan receivables to be assigned to the Fund upon being established by subscribing for the Pass-Through Certificates, and shall be the Lead Manager, the Series A1, A2 and A3 Bond Underwriter and Placement Agent and the Series B and C Bond Subscriber.

Out of the functions and activities that Lead Managers may discharge in accordance with article 35.1 of Royal Decree 1310/2005, BBVA has, together with the Management Company, structured the financial terms of the Fund and the Bond Issue and will do the following: (i) temporary and marketing actions and activities in connection with the offering for Series A1, A2 and A3 Bond subscription, (ii) liaising with potential investors and being a Series A1, A2 and A3 Bond subscription book runner, and (iii) all other actions and activities provided for in respect of the Lead Manager in the Securities Note.

In addition, it shall discharge the functions of article 35.3 of the same Royal Decree.

Moreover, BBVA shall be the Fund’s counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Mortgage Loan Servicing and Pass-Through Certificate Custody, Financial Intermediation and Bond Paying Agent Agreements.

BBVA is a bank incorporated in Spain and entered in the Bank of Spain’s Special Register of Banks and Bankers under number 3, its bank number being 0182.

VAT REG. No.: A-48265169 Business Activity Code No.: 65121

Registered office: Plaza San Nicolás number 4, 48005 Bilbao (Spain).

Principal places of business: Paseo de la Castellana number 81, 28046 Madrid.

Gran Vía number 1, 48001 Bilbao

Paseo de Recoletos number 10, 28001 Madrid

Ratings for the short- and long-term unsecured and unsubordinated debt obligations of BBVA assigned by the rating agencies:

	Fitch Ratings	Moody’s Ratings	S&P Ratings
<b>Short-term</b>	F1+ (February 2007)	P-1 (April 2007)	A-1+ (March 2007)
<b>Long-term</b>	AA- (February 2007)	Aa1 (April 2007)	AA- (March 2007)



- Moody's Investors Service España, S.A. is one of the two rating agencies (collectively, the "**Rating Agencies**") of each Series in the Bond Issue.

Moody's Investors Service España, S.A. is a Spanish company licensed as a rating agency by the CNMV, and is affiliated to and operates in accordance with the methodology, standards and quality control of Moody's Investors Service Limited (each of them "**Moody's**" without distinction).

VAT REG. No.: A-80448475

Registered Office: Bárbara de Braganza number 2, 28004 Madrid (Spain)

- Standard & Poor's España, S.A. is one of the two Rating Agencies of each Series in the Bond Issue.

Standard & Poor's España, S.A. is a Spanish company licensed as a rating agency by the CNMV, which is affiliated to and operates in accordance with the methodology, standards and quality control of Standard & Poor's Rating Services (each of them "**S&P**" without distinction).

VAT REG. No.: A-80310824

Registered Office: Marqués de Villamejor number 5 – 1<sup>st</sup> Floor, 28006 Madrid (Spain)

- The firm J & A Garrigues ("**Garrigues**"), an independent law firm, has provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications thereof.

VAT Reg. Number: B-81709081

Registered Office: Hermosilla, 3, 28001 Madrid (Spain)

- Deloitte S.L. ("**Deloitte**") has issued the audit report on certain characteristics and attributes of a sample of all the selected loans of BBVA from which the Mortgage Loans will be taken in order for their receivables to be partly assigned to the Fund upon being established.

Deloitte is entered in the Official Register of Auditors (ROAC) of Spain under number S0692.

VAT Reg. Number: B-79104469

Registered Office: Plaza Pablo Ruiz Picasso s/n (Torre Picasso) 28020 Madrid (Spain)

BBVA has an 82.97% interest in the share capital of EUROPEA DE TITULIZACIÓN.

No other direct or indirect ownership or controlling interest whatsoever is known to exist between the above-mentioned legal persons involved in the securitisation transaction.

## 6. ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES

The Management Company, EUROPEA DE TITULIZACIÓN, shall be responsible for managing and being the authorised representative of the Fund on the terms set in Act 19/1992, 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.

### 6.1 Incorporation and registration at the Companies Register.

EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN was incorporated in a public deed executed on January 19, 1993 before 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, and entered in the Companies Register of Madrid at volume 5,461, book 0, folio 49, section 8, sheet M-89355, entry 1, on March 11, 1993; the company was re-registered as a Securitisation Fund Management Company in accordance with the provisions of chapter II and of 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 Madrid Notary Public 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.

EUROPEA DE TITULIZACIÓN has perpetual existence, other than upon the occurrence of any of the events of dissolution provided by the laws and the articles of association.

## 6.2 Audit.

The annual accounts of EUROPEA DE TITULIZACIÓN for the years ended on December 31, 2006, 2005 and 2004 have been audited by Deloitte and have no provisos.

## 6.3 Principal activities.

The exclusive objects of EUROPEA DE TITULIZACIÓN are to establish, manage and be the authorised representative of both asset securitisation funds and mortgage securitisation funds.

EUROPEA DE TITULIZACIÓN manages 76 securitisation funds as at October 31, 2007, 22 being mortgage securitisation funds and 54 being asset securitisation funds.

The following table itemises the 76 securitisation funds managed, giving their date of establishment and the face amount of the bonds issued by those funds and their outstanding principal balances as at October 31, 2007.

Securitisation Fund	Establishment	Initial	Issue	Bonds	Issue	Bonds	Bond Issue
		Bond Issue	Balance 30.09.2007		Balance 31.12.2006		Balance 31.12.2005
		EUR	EUR	Δ%	EUR	Δ%	EUR
<b>TOTAL</b>		<b>86,431,396,652.96</b>	<b>61,887,669,999.65</b>	<b>48.7%</b>	<b>41,622,450,971.95</b>	<b>28.11%</b>	<b>32,490,363,122.22</b>
<b>Mortgage (FTH)</b>		<b>15,117,046,652.96</b>	<b>8,190,804,860.00</b>	<b>21.5%</b>	<b>6,739,243,850.52</b>	<b>4.08%</b>	<b>6,475,261,178.18</b>
Bankinter 15 FTH	08.10.2007	1,525,500,000.00	1,525,500,000.00				
Bankinter 14 FTH	19.03.2007	964,000,000.00	927,556,811.46				
Bankinter 12 FTH	06.03.2006	1,200,000,000.00	1,014,533,670.56	-15.5%	1,200,000,000.00		
Valencia Hipotecario 2 FTH	07.12.2005	950,000,000.00	714,150,188.05	-14.0%	830,584,559.95	-12.6%	950,000,000.00
Bankinter 11 FTH	28.11.2005	900,000,000.00	755,986,318.56	-16.0%	900,000,000.00	0.0%	900,000,000.00
Bankinter 7 FTH	18.02.2004	490,000,000.00	279,340,450.76	-10.1%	310,601,446.96	-12.9%	356,717,443.60
Bankinter 5 FTH	16.12.2002	710,000,000.00	348,094,407.96	-11.7%	394,326,433.24	-15.3%	465,770,758.79
BZ Hipotecario 4 FTH	27.11.2002	313,400,000.00	109,224,548.96	-18.2%	133,590,667.48	-21.8%	170,910,609.60
Rural Hipotecario IV FTH	14.11.2002	520,000,000.00	221,067,001.85	-12.7%	253,138,797.81	-18.7%	311,312,202.68
Bancaja 4 FTH	05.11.2002	1,000,000,000.00	368,214,509.45	-13.7%	426,542,491.90	-19.6%	530,288,384.35
Bankinter 4 FTH	24.09.2002	1,025,000,000.00	521,893,546.15	-12.2%	594,725,493.56	-14.5%	695,988,565.76
Rural Hipotecario III FTH	14.05.2002	325,000,000.00	130,917,167.56	-13.4%	151,223,912.92	-17.3%	182,884,293.55
Bankinter 3 FTH	22.10.2001	1,322,500,000.00	533,845,866.60	-16.1%	636,195,596.86	-15.4%	752,104,867.20
BZ Hipotecario 3 FTH	23.07.2001	310,000,000.00	84,455,223.08	-19.4%	104,762,637.42	-20.2%	131,343,594.55
Rural Hipotecario II FTH	29.05.2001	235,000,000.00	74,503,412.80	-14.6%	87,231,827.20	-19.8%	108,722,959.00
BZ Hipotecario 2 FTH	28.04.2000	285,000,000.00	50,253,122.60	-17.6%	61,003,530.94	-23.1%	79,335,648.86
Rural Hipotecario I FTH	22.02.2000	200,000,000.00	43,815,272.90	-17.2%	52,894,964.42	-23.0%	68,686,186.28
Bankinter 2 FTH	25.10.1999	320,000,000.00	93,704,625.41	-17.4%	113,458,270.94	-17.1%	136,877,163.99
Bankinter 1 FTH	12.05.1999	600,000,000.00	118,501,046.04	-20.8%	149,656,739.58	-20.6%	188,428,409.46
BZ Hipotecario 1 FTH	16.04.1999	350,000,000.00	52,445,464.46	-18.1%	64,073,530.22	-24.7%	85,068,186.20
Hipotecario 2 FTH	04.12.1998	1,051,771,182.67	189,338,769.80	-13.3%	218,421,786.82	-23.4%	285,097,903.72
Bancaja 2 FTH	23.10.1998	240,404,841.75	33,463,434.99	-25.8%	45,073,251.00	-24.8%	59,937,667.99
Bancaja 1 FTH	18.07.1997	120,202,420.88	liquidado	-100.0%	11,737,911.30	-25.6%	15,786,332.60
BBV-MBS I FTH	30.11.1995	90,151,815.66	liquidado				
Hipotecario 1 FTH	20.09.1993	69,116,392.00	liquidado				
<b>Asset (FTA)</b>		<b>70,287,350,000.00</b>	<b>53,696,865,139.65</b>	<b>53.9%</b>	<b>34,883,207,121.43</b>	<b>34.1%</b>	<b>26,015,101,944.04</b>
FTPME Bancaja 6 FTA	26/09/2007	1,027,000,000.00	1,027,000,000.00				
BBVA RMBS 3 FTA	23/07/2007	3,000,000,000.00	3,000,000,000.00				
PYME Valencia 1 FTA	20/07/2007	865,300,000.00	827,744,692.00				
Bancaja 11 FTA	16/07/2007	2,022,900,000.00	1,977,845,666.00				
BBVA Leasing 1 FTA	25/06/2007	2,500,000,000.00	2,500,000,000.00				
BBVA-6 FTPME FTA	11/06/2007	1,500,000,000.00	1,418,679,085.43				
BBVA Finanzia Autos 1 FTA	30/04/2007	800,000,000.00	800,000,000.00				
MBS Bancaja 4 FTA	27/04/2007	1,873,100,000.00	1,727,599,220.00				
Rural Hipotecario IX FTA	28/03/2007	1,515,000,000.00	1,438,140,120.00				

Securitisation Fund	Establishment	Initial	Issue	Bonds	Issue	Bonds	Bond Issue
		Bond Issue	Balance 30.09.2007	Δ%	Balance 31.12.2006	Δ%	Balance 31.12.2005
		EUR	EUR		EUR		EUR
BBVA RMBS 2 FTA	26/03/2007	5,000,000,000.00	4,719,212,585.00				
BBVA RMBS 1 FTA	19.02.2007	2,500,000,000.00	2,332,435,920.00				
Bancaja 10 FTA	26.01.2007	2,631,000,000.00	2,442,009,870.00				
BBVA Consumo 2 FTA	27.11.2006	1,500,000,000.00	1,500,000,000.00	0.0%	1,500,000,000.00		
Ruralpyme 2 FTPYME FTA	24.11.2006	617,050,000.00	500,199,171.30	-18.9%	617,050,000.00		
Bankinter 13 FTA	20.11.2006	1,570,000,000.00	1,570,000,000.00	0.0%	1,570,000,000.00		
Valencia Hipotecario 3 FTA	15.11.2006	911,000,000.00	804,599,288.61	-11.7%	911,000,000.00		
BBVA-5 FTPYME FTA	23.10.2006	1,900,000,000.00	1,468,502,296.16	-22.7%	1,900,000,000.00		
PYME Bancaja 5 FTA	02.10.2006	1,178,800,000.00	808,637,846.50	-31.4%	1,178,800,000.00		
Bankinter 2 PYME FTA	26.06.2006	800,000,000.00	800,000,000.00	0.0%	800,000,000.00		
Consumo Bancaja 1 FTA	26.06.2006	612,900,000.00	612,900,000.00	0.0%	612,900,000.00		
Rural Hipotecario VIII FTA	26.05.2006	1,311,700,000.00	1,082,823,864.72	-17.4%	1,311,700,000.00		
BBVA Consumo 1 FTA	08.05.2006	1,500,000,000.00	1,500,000,000.00	0.0%	1,500,000,000.00		
MBS BANCAJA 3 FTA	03.04.2006	810,000,000.00	601,654,541.60	-14.4%	703,043,514.80		
Bancaja 9 FTA	02.02.2006	2,022,600,000.00	1,523,166,590.00	-12.7%	1,744,997,380.00		
BBVA Autos 2 FTA	12.12.2005	1,000,000,000.00	1,000,000,000.00	0.0%	1,000,000,000.00	0.0%	1,000,000,000.00
Edt FTPYME Pastor 3 FTA	05.12.2005	520,000,000.00	232,785,467.78	-38.9%	380,805,675.83	-26.8%	520,000,000.00
Rural Hipotecario Global I FTA	18.11.2005	1,078,000,000.00	795,789,260.08	-14.6%	932,164,120.79	-13.5%	1,078,000,000.00
FTPYME Bancaja 4 FTA	07.11.2005	1,524,000,000.00	614,803,420.00	-37.7%	986,887,779.41	-35.2%	1,524,000,000.00
BBVA 4 PYME FTA	26.09.2005	1,250,000,000.00	611,492,801.45	-51.1%	1,250,000,000.00	0.0%	1,250,000,000.00
Bankinter 10 FTA	27.06.2005	1,740,000,000.00	1,321,296,089.30	-9.9%	1,466,558,997.10	-15.7%	1,740,000,000.00
MBS Bancaja 2 FTA	27.06.2005	809,200,000.00	495,468,728.16	-15.3%	585,069,193.36	-21.5%	745,472,663.52
BBVA Hipotecario 3 FTA	13.06.2005	1,450,000,000.00	881,354,356.41	-15.5%	1,042,844,698.00	-21.1%	1,321,621,631.30
Rural Hipotecario VIII FTA	29.04.2005	1,100,000,000.00	760,938,998.23	-10.9%	853,742,668.37	-14.8%	1,002,428,919.05
Bancaja 8 FTA	22.04.2005	1,680,100,000.00	1,026,987,917.65	-18.1%	1,253,797,200.56	-18.6%	1,539,361,229.38
Bankinter 9 FTA	14.02.2005	1,035,000,000.00	750,388,699.40	-12.8%	860,813,028.16	-16.8%	1,035,000,000.00
BBVA-3 FTPYME FTA	29.11.2004	1,000,000,000.00	413,334,243.11	-29.9%	589,349,210.82	-41.1%	1,000,000,000.00
Ruralpyme 1 FTPYME FTA	23.11.2004	214,000,000.00	106,820,816.00	-19.6%	132,892,833.40	-23.2%	173,024,296.72
BBVA Autos 1 FTA	25.10.2004	1,000,000,000.00	634,242,970.00	-29.3%	897,434,960.00	-10.3%	1,000,000,000.00
FTPYME Bancaja 3 FTA	11.10.2004	900,000,000.00	266,634,743.80	-28.9%	375,133,008.09	-58.3%	900,000,000.00
Bancaja 7 FTA	12.07.2004	1,900,000,000.00	1,027,623,301.18	-13.7%	1,190,508,554.06	-32.0%	1,750,000,000.00
Rural Hipotecario VI FTA	07.07.2004	950,000,000.00	554,652,864.75	-14.8%	651,118,829.40	-16.7%	781,477,860.25
MBS Bancaja 1 FTA	17.05.2004	690,000,000.00	306,222,530.94	-17.0%	369,020,564.16	-46.5%	690,000,000.00
Valencia H 1 FTA	23.04.2004	472,000,000.00	278,690,534.42	-12.1%	316,993,112.58	-14.6%	371,107,375.09
Bankinter 8 FTA	03.03.2004	1,070,000,000.00	644,951,800.16	-10.2%	718,061,846.93	-14.3%	837,970,768.01
Bancaja 6 FTA	03.12.2003	2,080,000,000.00	918,568,864.72	-14.8%	1,077,852,239.88	-21.3%	1,369,610,139.04
Rural Hipotecario V FTA	28.10.2003	695,000,000.00	367,582,759.56	-11.6%	415,711,778.28	-16.8%	499,528,194.12
Bankinter 6 FTA	25.09.2003	1,350,000,000.00	807,614,238.39	-10.7%	904,534,542.77	-13.3%	1,043,250,162.72
FTPYME Bancaja 2 FTA	19.09.2003	500,000,000.00	135,575,823.37	-28.7%	190,138,306.78	-29.7%	270,480,639.80
Bancaja 5 FTA	14.04.2003	1,000,000,000.00	396,415,664.95	-17.2%	478,827,993.55	-20.7%	604,031,954.00
Bancaja 3 FTA	29.07.2002	520,900,000.00	520,900,000.00	0.0%	520,900,000.00	0.0%	520,900,000.00
FTPYME Bancaja 1 FTA	04.03.2002	600,000,000.00	252,024,264.00	-1.4%	255,514,370.40	-2.1%	260,899,034.40
BBVA-2 FTPYME ICO	01.12.2000	900,000,000.00	97,443,577.80	-44.3%	175,048,960.77	-42.9%	306,595,443.42
BCL Municipios I FTA	21.06.2000	1,205,000,000.00	378,681,480.00	-17.6%	459,377,520.00	-22.9%	595,672,530.00
BBVA-1 FTA	24.02.2000	1,112,800,000.00	114,428,166.72	-43.5%	202,614,233.18	-28.8%	284,669,103.22

#### 6.4 Share capital and equity.

The wholly subscribed for, paid-up share capital amounts to one million eight hundred and three thousand and thirty-seven euros and fifty eurocents (EUR 1,803,037.50) represented by 2,500 registered shares, all in the same class, correlatively numbered from 1 to 2,500, both inclusive, wholly subscribed for and paid up, and divided into two series:

- Series A comprising 1,250 shares, numbers 1 to 1,250, both inclusive, having a unit face value of EUR 276.17.
- Series B comprising 1,250 shares, numbers 1,251 to 2,500, both inclusive, having a unit face value of EUR 1,166.26.

The shares are all in the same class and confer identical political and economic rights.

	(EUR)	30.06.2007	Year-on-year change	30.06.2006	31.12.2006
<b>Equity *</b>		<b>3,095,298.97</b>	<b>0.00%</b>	<b>3,095,298.97</b>	<b>3,095,298.97</b>
Capital		1,803,037.50	0.00%	1,803,037.50	1,803,037.50
Reserves		1,292,261.47	0.00%	1,292,261.47	1,292,261.47
<i>Legal</i>		360,607.50	0.00%	360,607.50	360,607.50
<i>Voluntary</i>		931,653.97	0.00%	931,653.97	931,653.97
<b>Year's profit</b>		<b>1,485,176.13</b>	<b>40.99%</b>	<b>1,053,399.33</b>	<b>2,004,500.15</b>

\* Does not include year's profit

#### 6.5 Existence or not of shareholdings in other companies.

There are no shareholdings in any other company.

#### 6.6 Administrative, management and supervisory bodies.

The government and management of the Management Company are entrusted under the Articles of Association to the General Shareholders' Meeting and the Board of Directors. Their duties and authorities are as prescribed for those bodies in the Public Limited Companies Act and in Royal Decree 926/1998, in relation to the objects.

As provided for in the Articles of Association, the Board of Directors has delegated to an Executive Committee all its authorities that may be delegated by law and in accordance with the articles, including resolving to set up Asset Securitisation Funds. There is also a General Manager vested with extensive authorities within the organisation and vis-à-vis third parties.

##### Board of Directors

<b>Chairman:</b>	Mr Roberto Vicario Montoya <sup>(*)</sup> <sup>(**)</sup>
<b>Vice-Chairman:</b>	Mr Pedro María Urresti Laca <sup>(**)</sup>
<b>Directors:</b>	Mr Ignacio Aldonza Goicoechea <sup>(**)</sup>
	Mr Luis Bach Gómez <sup>(*)</sup> <sup>(**)</sup>
	Mr Jon Bilbao Vidaurrazaga <sup>(**)</sup>
	Mr José M <sup>a</sup> . Castellón Leal on behalf of Barclays Bank, S.A.
	Mr Ignacio Echevarría Soriano <sup>(**)</sup>
	Ms Ana Fernández Manrique <sup>(*)</sup> <sup>(**)</sup>
	Mr Thierry Loiseau on behalf of BNP Paribas España, S.A.
	Mr Mario Masiá Vicente <sup>(*)</sup>
	Mr Arturo Miranda Martín on behalf of J.P. Morgan España, S.A. <sup>(*)</sup>
	Mr Vicente Ortueta Monfort <sup>(**)</sup>
	Ms Carmen Pérez de Muniaín Marzana <sup>(**)</sup>
	Mr José Miguel Raboso Díaz on behalf of Citibank España, S.A. <sup>(*)</sup>
	Mr Justo de Rufino Portillo <sup>(*)</sup> <sup>(**)</sup>
	Mr Jorge Sáenz de Miera on behalf of Deutsche Bank Credit, S.A.
	Mr Borja Uriarte Villalonga on behalf of Bankinter, S.A.

**Non-Director Secretary:** Ms Belén Rico Arévalo

(\*) Member of the Board of Directors' Executive Committee.

(\*\*) Proprietary Directors for BBVA

The business address of the directors of EUROPEA DE TITULIZACIÓN is for these purposes at Madrid, calle Lagasca number 120.

##### General Manager.

The Management Company's General Manager is Mr Mario Masiá Vicente.

**6.7 Principal activities of the persons referred to in section 6.1.6 above, performed outside the Management Company where these are significant with respect to the Fund.**

Mr Roberto Vicario Montoya, Mr Pedro María Urresti Laca, Mr Ignacio Aldonza Goicoechea, Mr Luis Bach Gómez, Mr Jon Bilbao Vidaurrazaga, Ms Ana Fernández Manrique, Mr Vicente Ortueta Monfort, Ms Carmen Pérez de Muniáin Marzana, Mr Justo de Rufino Portillo and Mr Ignacio Echevarría Soriano are currently members of staff of BBVA, in turn the Originator of the assets to be pooled in the Fund, Lead Manager, Underwriter and Placement Agent and Paying Agent of the Bond Issue and counterparty to the remaining agreements entered into by the Fund, represented by the Management Company. The following are the positions held in BBVA by the persons responsible for or directly involved in selecting the assets to be pooled in or financially structuring the Fund:

- Ms Ana Fernández Manrique is currently Director, Capital and Securitisations Base Management.
- Mr Ignacio Echevarría Soriano is currently Securitisations Manager.

**6.8 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.

**6.9 Litigation in the Management Company.**

The Management Company is not involved in any event in the nature of insolvency or in any litigation or actions which might affect its economic and financial position or, in the future, its capacity to discharge its Fund management and administration duties.

**7. MAJOR SHAREHOLDERS**

**7.1 Statement as to whether the Management Company is directly or indirectly owned or controlled.**

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
Banco Sabadell, 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 Cooperativo Español, S.A.	0.7658
Banco Pastor, S.A.	0.7658
Banco de la Pequeña y Mediana Empresa, S.A.	0.7658
BNP Paribas 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

For the purposes of Commercial Code article 42, EUROPEA DE TITULIZACIÓN is a member of Banco Bilbao Vizcaya Argentaria Group.

EUROPEA DE TITULIZACIÓN has established an Internal Code of Conduct in fulfilment of the provisions of Chapter II of Royal Decree 629/1993, May 3, on operating standards in securities markets and mandatory registrations, which has been notified to the CNMV.

**8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES**

**8.1 Statement as to commencement of operations and financial statements as at the date of the Registration Document.**

In accordance with the provisions of section 4.4.2 of this Registration Document, the Fund's operations shall commence on the date of execution of the Deed of Constitution and therefore no financial statement has been prepared as of the date of this Registration Document.

**8.2 Historical financial information where an issuer has commenced operations and financial statements have been prepared.**

Not applicable.

**8.2 bis Historical financial information for issues of securities having a denomination per unit of at least EUR 50,000.**

Not applicable.

**8.3 Legal and arbitration proceedings.**

Not applicable.

**8.4 Material adverse change in the issuer's financial position.**

Not applicable.

**9. THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

**9.1 Statement or report attributed to a person as an expert.**

No statement or report is included.

**9.2 Information sourced from a third party.**

No information is included.

**10. DOCUMENTS ON DISPLAY**

**10.1 Documents on display.**

If necessary, the following documents or copies thereof may be inspected during the period of validity of this Registration Document:

- a) the Deed of Constitution of the Fund;
- b) the transcripts of the Management Company's and the Originator's corporate resolutions;
- c) this Prospectus;
- d) the agreements to be entered into by the Management Company for and on behalf of the Fund;
- e) the audit report on certain characteristics and attributes of a sample of all selected loans of BBVA from which the Mortgage Loans will be taken in order for its receivables to be mostly assigned to the Fund upon being established;

- f) the letters from the Rating Agencies notifying the provisional and final ratings assigned to each Series in the Bond Issue;
- g) the letter from BBVA taking responsibility, with the Management Company, for the Securities Note;
- h) the notarial certificate of payment of the Bond Issue, once the Bond Issue is paid up;
- i) the Management Company's annual accounts and the relevant audit reports; and
- j) the Management Company's articles of association and memorandum of association.

Those documents may be physically obtained at the registered office of EUROPEA DE TITULIZACIÓN at Madrid, calle Lagasca number 120.

Moreover, the Prospectus can also be accessed at the website of EUROPEA DE TITULIZACIÓN at [www.edt-sg.es](http://www.edt-sg.es), of AIAF at [www.aiaf.es](http://www.aiaf.es) and of the CNMV at [www.cnmv.es](http://www.cnmv.es), and is available to investors interested in the offer at the Underwriter and Placement Agent's registered office.

The Deed of Constitution of the Fund may be physically accessed at the place of business of Iberclear in Madrid, Plaza de la Lealtad number 1.

In addition, the documents listed in a) to h), excepting d), may be obtained at the CNMV.

## **SECURITIES NOTE**

**(Annex XIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1 PERSONS RESPONSIBLE**

#### **1.1 Persons responsible for the information given in the Securities Note.**

Mr Mario Masiá Vicente, acting for and on behalf of EUROPEA DE TITULIZACIÓN S.A. SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, the company sponsoring BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS, takes responsibility for the contents of this Securities Note (including the Building Block).

Mr Mario Masiá Vicente is acting as the Management Company's General Manager using the authorities conferred by the Board of Directors at its meetings held on January 19, 1993 and January 28, 2000, and expressly for establishing the Fund pursuant to authorities conferred by the Board of Directors' Executive Committee in a resolution dated October 23, 2007.

Mr Fernando Delgado Parra and Ms Silvia Bosch Parra, duly authorised for these presents, for and on behalf of BANCO BILBAO VIZCAYA ARGENTARIA S.A., Lead Manager of the Bond Issue by BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS, take responsibility for the contents of this Securities Note.

Mr Fernando Delgado Parra is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on him before Notary Mr Ramón Corral Beneyto on February 20, 2007, his document number 745.

Ms Silvia Bosch Parra is acting as attorney-in-fact for the Lead Manager BBVA using the powers conferred on her before Notary Mr José Ignacio Uranga Otaegui on March 24, 2006, his document number 1197.

#### **1.2 Declaration by those responsible for the Securities Note.**

Mr Mario Masiá Vicente declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note (including the Building Block) is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its contents.

Mr Fernando Delgado Parra and Ms Silvia Bosch Parra declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its contents.

### **2 RISK FACTORS**

The risk factors linked to the securities are described in paragraph 2 of the preceding section of Risk Factors of this Prospectus.

The risk factors linked to the assets backing the issue are described in paragraph 3 of the preceding section of Risk Factors of this Prospectus.

### **3 KEY INFORMATION**

#### **3.1 Interest of natural and legal persons involved in the offer.**

The identity of the legal persons involved in the offer and direct or indirect shareholdings or controlling interest between them are detailed in section 5.2 of the Registration Document. Their interest as persons involved in the offer of the Bond Issue are as follows:



- a) EUROPEA DE TITULIZACIÓN is the Fund Management Company.
- b) BBVA and EUROPEA DE TITULIZACIÓN have financially structured the Fund and the Bond Issue.
- c) BBVA is the Originator of the Mortgage Loan receivables by issuing the Pass-Through Certificates to be pooled in and subscribed for by the Fund.
- d) BBVA is involved as Lead Manager, Series A1, A2 and A3 Bond Underwriter and Placement Agent, Series B and C Bond Subscriber and shall be the institution in charge of keeping the Series A1, A2 and A3 Bond subscription orders book (*sole book runner*).
- e) BBVA is involved as Paying Agent of the Bond Issue and shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Mortgage Loan Servicing and Pass-Through Certificate Custody and Financial Intermediation Agreements.

With the exception of BBVA, the Management Company is not aware of the existence of any other significant link or economic interest between the aforesaid institutions involved in the Bond Issue, other than what is strictly professional derived from their involvement as detailed in this section and in section 5.2 of the Registration Document.

#### **4 INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING.**

##### **4.1 Total amount of the securities and underwriting.**

###### **4.1.1 Total amount of the securities.**

The total face value amount of the issue of Asset-Backed Bonds (the "**Bond Issue**") is EUR four billion nine hundred million (4,900,000,000.00) consisting of forty-nine thousand (49,000) Bonds denominated in euros and comprised of three Bond Classes, distributed into five Series as follows:

- a) Class A comprising three Series having a face amount of EUR four billion seven hundred and fifty million five hundred thousand (4,750,500,000.00) (either "**Class A**" or "**Class A Bonds**"):
  - i) Series A1 having a total face amount of EUR two billion seven hundred and forty million (2,740,000,000.00) comprising twenty-seven thousand four hundred (27,400) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A1**" or "**Series A1 Bonds**").
  - ii) Series A2 having a total face amount of EUR nine hundred and sixty million (960,000,000.00) comprising nine thousand six hundred (9,600) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A2**" or "**Series A2 Bonds**").
  - iii) Series A3 having a total face amount of EUR one billion fifty million five hundred thousand (1,050,500,000.00) comprising ten thousand five hundred and five (10,505) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series A3**" or "**Series A3 Bonds**").
- b) Class B comprising a single Series B having a total face amount of EUR forty-one million seven hundred thousand (41,700,000.00) comprising four hundred and seventeen (417) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series B**" or "**Series B Bonds**").
- c) Class C comprising a single Series C having a total face amount of EUR one hundred and seven million eight hundred thousand (107,800,000.00) comprising one thousand and seventy-eight (1,078) Bonds having a unit face value of EUR one hundred thousand (100,000), represented by means of book entries (either "**Series C**" or "**Series C Bonds**").

The Bonds are issued at 100 percent of their face value. The issue price of each Bond in each of Series A1, A2, A3, 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 inherent in the issue of the Bonds shall be borne by the Fund.

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

#### **4.1.2 Underwriting and placement of Series A1, A2 and A3 Bonds and subscription for Series B and C Bonds.**

##### **1. Underwriting and placement of Series A1, A2 and A3 Bonds.**

Series A1, A2 and A3 Bonds shall be placed by BBVA as Underwriter and Placement Agent, under the management, underwriting, placement and subscription agreement (the "**Management, Underwriting, Placement and Subscription Agreement**") to be entered into by the Management Company for and on behalf of the Fund.

BBVA's underwriting commitment and the commitment to offer placement of Series A1, A2 and A3 Bonds shall be set down in the Management, Underwriting, Placement and Subscription Agreement.

BBVA shall receive out of the Fund a placement fee on the face amount of Series A1, A2 and A3 Bonds actually subscribed for by investors through its mediation. In respect of Series A1, A2 and A3 Bonds, if any, not placed among investors, BBVA shall receive no placement fee whatsoever and shall subscribe for the same at one hundred percent (100%) of their face value.

It is BBVA's intention to achieve placement of Series A1, A2 and A3 Bonds among investors.

BBVA shall receive no remuneration for underwriting Series A1, A2 and A3 Bonds.

##### **2. Subscription for Series B and C Bonds.**

Series B and C Bonds shall be exclusively subscribed for by BBVA under the Management, Underwriting, Placement and Subscription Agreement.

BBVA shall receive no remuneration for subscribing for Series B and C Bonds.

BBVA shall be involved as Lead Manager in the Bond Issue and shall not be remunerated for managing the Bond Issue.

The Bond Issue Management, Underwriting, Placement and Subscription Agreement shall be fully terminated in the event that the Rating Agencies should not confirm the provisional ratings assigned to each Series as final ratings by the start of the Subscription Period, or in the events for which provision is made in the prevailing laws.

#### **4.2 Description of the type and class of the securities.**

The Bonds legally qualify as marketable fixed-income securities with an explicit yield and are subject to the system prescribed in Securities Market Act 24/1988, July 28, and implementing regulations.

#### **4.3 Legislation under which the securities have been created.**

The establishment of the Fund and the Bond Issue are subject to Spanish Law and in particular in accordance with the legal system provided for by (i) Royal Decree 926/1998, (ii) Act 19/1992, failing a provision in Royal Decree 926/1998 and to the extent applicable, (iii) the Securities Market Act, (iv) Regulation (EC) No. 809/2004, (v) Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets,

public offerings for sale or subscription and the prospectus required for that purpose, and (vi) all other legal and statutory provisions in force and applicable from time to time.

**4.4 Indication as to whether the securities are in registered or bearer form and whether the securities are in certificated or book-entry form.**

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 accordance with article 11 of Royal Decree 116/1992. In this connection, and for the record, the Deed of Constitution shall have the effects prescribed by article 6 of the Securities Market Act.

Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A. ("**Iberclear**"), with place of business at Plaza de la Lealtad, no. 1, Madrid, 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 means of book entries, established now or henceforth by Iberclear or AIAF.

Bondholders shall be identified as such when entered in the accounting record kept by the members of Iberclear.

**4.5 Currency of the issue.**

The Bonds shall be denominated in Euros.

**4.6 Ranking of the securities.**

Series A1, A2 and A3 Bond interest payment is in the same order in both the Priority of Payments and the Liquidation Priority of Payments. Series A3 Bond principal repayment is deferred with respect to Series A2 and Series A1 Bonds. Series A2 Bond principal repayment is deferred with respect to Series A1 Bonds. Nevertheless, in the event of the circumstances for Pro Rata Amortisation of Class A occurring, as set out in section 4.9.3.6.2.2 of the Securities Note, there shall be a pro rata repayment of Series A1 Bonds, Series A2 and Series A3 Bonds.

Series B Bond interest payment and principal repayment is deferred with respect to Class A (Series A1, A2 and A3) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

Series C Bond interest payment and principal repayment is deferred with respect to Class A (Series A1, A2 and A3) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments of the Fund.

**4.6.1 Simple reference to the order number of Bond interest payment in each Series in the Fund priority of payments.**

Payment of interest accrued by Series A1, A2 and A3 Bonds is (i) fourth (4<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block, and (ii) fifth (5<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series B Bonds is (i) fifth (5<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, 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<sup>th</sup>), and (ii) seventh (7<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Payment of interest accrued by Series C Bonds is (i) sixth (6<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in said section 3.4.6.2.1.2 of the Building Block, 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<sup>th</sup>), and (ii)

ninth (9<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

**4.6.2 Simple reference to the order number of Bond principal repayment in each Series in the Fund priority of payments.**

The Amortisation Withholding amount designed for amortising the Bonds as a whole without distinction between Series is seventh (7<sup>th</sup>) in the application of Available Funds in the Priority of Payments established in section 3.4.6.2.1.2 of the Building Block.

Repayment of Bond principal shall take place in accordance with the rules for Distribution of Available Funds for Amortisation contained in section 4.9.3.6 of this Securities Note.

Repayment of Series A1, A2 and A3 Bond principal is sixth (6<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series B Bond principal is eighth (8<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

Repayment of Series C Bond principal is tenth (10<sup>th</sup>) in the application of Liquidation Available Funds in the Liquidation Priority of Payments established in section 3.4.6.3 of the Building Block.

**4.7 Description of the rights attached to the securities.**

The economic and financial rights for Bondholders associated with acquiring and holding the Bonds shall be as derived from the terms as to interest rate, yields and redemption terms on which they are to be issued and given in sections 4.8 and 4.9 of this Securities Note. In accordance with the laws in force for the time being, the Bonds subject of this Securities Note shall vest the investor acquiring the same in no present and/or future political rights in and to the Fund.

Bondholders and all other creditors of the Fund shall have no recourse whatsoever against Mortgage Loan Obligors who may have defaulted on their payment obligations or against the Originator. Any such rights shall lie with the Management Company, representing the Fund.

Bondholders and all other 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 Mortgage Loan default or prepayment, a breach by the Originator of its obligations or 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.

Bondholders and all other 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.

All matters, disagreements, actions and claims deriving from the Management Company's establishment, administration and legal representation of the Fund and the Bond Issue by the same shall be heard and ruled upon by the competent Spanish Courts and Tribunals.

**4.8 Nominal interest rate and provisions relating to interest payable.**

**4.8.1 Bond nominal interest rate.**

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

The resultant yearly nominal interest rate (hereinafter the "**Nominal Interest Rate**") for each Series shall be payable quarterly in arrears on each Payment Date on the Outstanding Principal Balance of the Bonds in each Series on the preceding Determination Date, provided that the Fund has sufficient liquidity in the Priority of Payments or in the Liquidation Priority of Payments, as the case may be.

Withholdings, interim payments, contributions and taxes established or to be established in the future on Bond principal, interest or returns shall be borne exclusively by Bondholders, and their amount, if any, shall be deducted by the Management Company, for and on behalf of the Fund, or through the Paying Agent, as provided by law.

#### 4.8.1.1 **Interest accrual.**

For interest accrual purposes, the duration of each Bond Series 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 exact number of days elapsed between the Closing Date, November 22, 2007, inclusive, and the first Payment Date, January 25, 2008, 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.

#### 4.8.1.2 **Nominal Interest Rate.**

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

- (i) the Reference Rate, as established in the following section, and
- (ii) a margin for each Series as follows:

- **Series A1:** margin not more than 0.25%, inclusive.
- **Series A2:** margin not more than 0.30%, inclusive.
- **Series A3:** margin not more than 0.45%, inclusive.
- **Series B:** margin not more than 0.80%, inclusive.
- **Series C:** margin not more than 1.10%, inclusive.

The margin applicable to each Series, expressed as a percentage, shall be determined by the Lead Manager and may not exceed the maximum margins set in the preceding paragraph for each Series by 10am (CET) on the day of the Subscription Period (November 20, 2007) and notified in writing to the Management Company.

Failing a determination of the margins by the Lead Manager, the Management Company shall fix the specific margin for the Series in respect of which no margin was determined, as follows:

- **Series A1:** 0.25% margin.
- **Series A2:** 0.30% margin.
- **Series A3:** 0.45% margin.
- **Series B:** 0.80% margin.
- **Series C:** 1.10% margin.

The final margins applicable to each Series fixed shall be notified by the Management Company by the start of the Subscription Period to BBVA to be reported to investors interested in subscribing for Series A1, A2 and A3 Bonds. The Management Company will also notify this to the CNMV as information in addition to this Prospectus. The final margin applicable to each Series shall be set down on the notarial certificate recording subscription for and payment of the Bond Issue.

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

#### 4.8.1.3 Reference Rate and determining the same.

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

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

Exceptionally, the Reference Rate for the first Interest Accrual Period shall be the result of a straight-line interpolation between two- (2-) month Euribor and three- (3-) month Euribor, fixed at 11am (CET) on the second Business Day preceding the Closing Date, which is the day of the Subscription Period, bearing in mind the number of days in the first Interest Accrual Period. The Reference Rate for the first Interest Accrual Period shall be calculated in accordance with the following formula:

$$IR = [(D-60)/30] \times E3 + [1 - ((D-60)/30)] \times E2$$

Where:

- IR = Reference Rate for the first Interest Accrual Period.  
D = Number of days in the first Interest Accrual Period.  
E2 = Two- (2-) month Euribor.  
E3 = Three- (3-) month Euribor.

Euribor definitions approved by the FBE and the Financial Markets Association (ACI) supplementing the current definition of Euribor shall be considered included for the purpose of the Euribor Reference Rate without having to amend these Reference Rate terms or have the Management Company notify 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 three- (3-) month deposit transactions in euros 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 each of their headquarters by the Paying Agent as soon as possible after 11am (CET) 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 two- (2-) month deposit transactions in euros and the interest rate resulting from finding the simple arithmetic mean of the interbank offered interest rates for non-transferable three- (3-) month deposit transactions in euros, both in an amount equivalent to the face amount of the Bond Issue, declared by the banks as provided for in paragraph one above, following a simultaneous request to each of their headquarters by the Paying Agent after and around 11am (CET) 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.

Should it be impossible to apply the above substitute Reference Rate, upon the failure by any or several of the banks to provide written quotations as provided for in paragraphs one and two 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 next preceding Interest Accrual Period shall apply, and so on for subsequent Interest Accrual Periods whilst matters remain the

same. For the first Interest Accrual Period, that interpolation shall be made taking the latest two- (2-) month Euribor and three- (3-) month Euribor available immediately before 11am (CET) on the Interest Rate Fixing Date, calculated and distributed as described in paragraph (i) above.

On each Interest Rate Fixing Date, the Paying Agent shall notify the Management Company of the Reference Rate determined in accordance with paragraphs i) and ii) above. The Management Company shall keep the listings and supporting documents on which the Paying Agent shall notify it the Reference Rate determined.

#### 4.8.1.4 Interest Rate Fixing Date.

The Management Company shall, for and on behalf of the Fund, determine the Nominal Interest Rate applicable to each Bond Series for every Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding each Payment Date (the “**Interest Rate Fixing Date**”), and it will apply for the following Interest Accrual Period.

Exceptionally, the Management Company shall determine the Nominal Interest Rate of the Bonds in each Series for the first Interest Accrual Period as provided for in sections 4.8.1.2 and 4.8.1.3 above, on the second Business Day preceding the Closing Date, which is the day of the Subscription Period, and shall notify the same in writing by the Start of the Subscription Period to the Underwriter and Placement Agent in order for it to report this to investors interested in subscribing for Series A1, A2 and A3 Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, AIAF and Iberclear.

The nominal interest rates determined for each Bond Series for subsequent Interest Accrual Periods shall be communicated to Bondholders within the deadline and in the manner for which provision is made in section 4.1.1.a) of the Building Block.

#### 4.8.1.5 Formula for calculating interest.

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

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

Where:

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

*P* = Outstanding Principal Balance of the Series on the Determination Date preceding that Payment Date.

*R* = Nominal Interest Rate of the Series expressed as a yearly percentage.

*d* = Exact number of days in each Interest Accrual Period.

#### 4.8.2 Dates, place, institutions and procedure for paying interest.

Interest on the Bonds in all the Series will be paid until they are finally amortised by Interest Accrual Periods in arrears on January 25, April 25, July 25 and October 25 in each year, or the following Business Day if any of those is not a Business Day (each of those dates, a “**Payment Date**”), and interest for the then-current Interest Accrual Period will accrue until said first Business Day, not inclusive, on the terms established in section 4.8.1.2 of this Securities Note.

The first interest Payment Date for the Bonds in each Series shall be January 25, 2008, and interest will accrue at the applicable Nominal Interest Rate between the Closing Date, November 22, 2007, inclusive, and January 25, 2008, exclusive.

In this Bond Issue, business days (“**Business Days**”) shall be deemed to be all days other than a:

- public holiday in the 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 Bondholders in each Series and the amount, if any, of interest accrued and not paid, shall be notified to Bondholders as described in section 4.1.1.a) of the Building Block, at least one (1) calendar day in advance of each Payment Date.

Bond interest accrued shall be paid on each Payment Date provided that the Fund has sufficient liquidity to do so in the Priority of Payments or Liquidation Priority of Payments, as the case may be.

In the event that on a Payment Date the Fund should be unable to make full or partial payment of interest accrued on the Bonds in any Series, in the Priority of Payments, the amounts that Bondholders should not have received shall be accumulated on the following Payment Date to 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 shortfall of Available Funds.

Overdue interest amounts shall not earn additional or late-payment interest and shall not be accumulated to the Outstanding Principal Balance of the Bonds.

The Fund, through its Management Company, may not defer Bond interest payment beyond April 25, 2060, the Final Maturity Date, 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 the Paying Agent Agreement with BBVA, as established in section 5.2.1 of this Securities Note.

#### **4.9 Maturity date and amortisation of the securities.**

##### **4.9.1 Bond redemption price.**

The redemption price of the Bonds in each Series shall be EUR one hundred thousand (100,000) per Bond, equivalent to 100 percent of their face value, payable as established in section 4.9.2 below.

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.

##### **4.9.2 Characteristics specific to the amortisation of each Bond Series.**

###### **4.9.2.1 Amortisation of Series A1 Bonds.**

Series A1 Bond principal shall be amortised by partial amortisation on each Payment Date after Bond 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 A1, in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, prorated between the Bonds in Series A1 proper by reducing the face amount of each Series A1 Bond.

The first partial amortisation of Series A1 Bonds shall occur on the first Payment Date, January 25, 2008. However, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A1 Bonds shall be amortised pro rata to Series A2 and A3 Bonds, all in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A1 Bonds shall occur on the Final Maturity Date (April 25, 2060 or the following Business Day if that is not a Business Day), notwithstanding their full amortisation before that date due to the partial amortisation 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 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.



#### **4.9.2.2 Amortisation of Series A2 Bonds.**

Series A2 Bond principal shall be amortised by partial amortisation on each Payment Date after Bond 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 A2, in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, prorated between the Bonds in Series A2 proper by reducing the face amount of each Series A2 Bond.

The first partial amortisation of Series A2 Bonds shall occur once Series A1 Bonds have been fully amortised. However, even if Series A1 has not been fully amortised, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A2 Bonds shall be amortised pro rata to Series A1 and A3 Bonds, all in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A2 Bonds shall occur on the Final Maturity Date (April 25, 2060 or the following Business Day if that is not a Business Day), notwithstanding their full amortisation before that date due to the partial amortisation 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 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.2.3 Amortisation of Series A3 Bonds.**

Series A3 Bond principal shall be amortised by partial amortisation on each Payment Date after Bond 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 A3, in accordance with the rules for Distribution of Available Funds for Amortisation given in sections 4.9.3.5 and 4.9.3.6 below, prorated between the Bonds in Series A3 proper by reducing the face amount of each Series A3 Bond.

The first partial amortisation of Series A3 Bonds shall occur once Series A1 and Series A2 Bonds have been fully amortised. However, even if Series A1 and Series A2 have not been fully amortised, in the event that the circumstances for Pro Rata Amortisation of Class A occur, Series A3 Bonds shall be amortised pro rata to Series A1 and A2 Bonds, all in accordance with the rules for Distribution of Available Funds for Amortisation.

Final amortisation of Series A3 Bonds shall occur on the Final Maturity Date (April 25, 2060 or the following Business Day if that is not a Business Day), notwithstanding their full amortisation before that date due to the partial amortisation 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 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.2.4 Amortisation of Series B Bonds.**

Series B Bond principal shall be amortised by partial amortisation on each Payment Date after Bond 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 given in sections 4.9.3.5 and 4.9.3.6 below, prorated 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 once Series A1, A2 and A3 Bonds have been fully amortised. However, even if Series A1, A2 and A3 have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied for Series B in accordance with the rules for Distribution of Available Funds for Amortisation, in such a way that the ratio of the Outstanding Principal Balance of Series B to the Outstanding Principal Balance of the Bond Issue remains at 1.70%, or higher percentage closest thereto.

Final amortisation of Series B Bonds shall occur on the Final Maturity Date (April 25, 2060 or the following Business Day if that is not a Business Day), notwithstanding their full amortisation before that date due to the partial amortisation 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 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.2.5 Amortisation of Series C Bonds.**

Series C Bond principal shall be amortised by partial amortisation on each Payment Date after Bond 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 given in sections 4.9.3.5 and 4.9.3.6 below, prorated 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 once Series A1, A2, A3 and B Bonds have been fully amortised. However, even if Series A1, A2, A3 and B have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series C on the Payment Date on which the Conditions for Pro Rata Amortisation are satisfied for Series C in accordance with the rules for Distribution of Available Funds for Amortisation, in such a way that the ratio of the Outstanding Principal Balance of Series C to the Outstanding Principal Balance of the Bond Issue remains at 4.40%, or higher percentage closest thereto.

Final amortisation of Series C Bonds shall occur on the Final Maturity Date (April 25, 2060 or the following Business Day if that is not a Business Day), notwithstanding their full amortisation before that date due to the partial amortisation 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 4.9.4 below, proceed to Early Amortisation of the Bond Issue before the Final Maturity Date.

#### **4.9.3 Partial amortisation of the Bonds in each Series.**

Irrespective of the Final Maturity Date and subject to Early Amortisation of the Bond Issue in the event of Early Liquidation of the Fund, the Fund shall, through its Management Company, proceed to partial amortisation of the Bonds in each Series on each Payment Date other than the Final Maturity Date or upon Early Liquidation of the Fund on the specific amortisation terms for each Series established in sections 4.9.2.1 to 4.9.2.5 of this Securities Note and on the terms described hereinafter in this section common to all five Series.

##### **4.9.3.1 Determination Dates and Determination Periods.**

These will be the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date 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. The first Determination Date shall be January 21, 2008.

Determination Periods shall be periods comprising the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally:

- (i) the duration of the first Determination Period shall be equal to the days elapsed between the date of establishment of the Fund, inclusive, and the first Determination Date, January 21, 2008, inclusive, and
- (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, as provided for in section 4.4.4.3 of the Registration Document, on which the Mortgage Loans and the assets remaining in the Fund have been liquidated and all the Liquidation Available Funds have been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first date but including the last date.

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

The Outstanding Principal Balance of a Series shall be the sum of the principal pending repayment (outstanding balance) on a given date of all the Bonds in that Series.

By addition, the Outstanding Principal Balance of Class A shall be the sum of the Outstanding Principal Balance of Series A1, A2 and A3 making up Class A. Moreover, the Outstanding Principal Balance of the Bond Issue shall be the sum of the Outstanding Principal Balance of all five Series A1, A2, A3, B and C making up the Bond Issue.

#### 4.9.3.3 **Outstanding Balance of the Mortgage Loans.**

The Outstanding Balance of a Mortgage Loan 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 the specific Mortgage Loan on a given date.

The Outstanding Balance of the Mortgage Loans on a date shall be the sum of the Outstanding Balance of each and every one of the Mortgage Loans on that date.

Delinquent Mortgage Loans shall be deemed to be Mortgage Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Mortgage Loans. Non-Delinquent Mortgage Loans shall be deemed to be Mortgage Loans that are not deemed to be Delinquent Mortgage Loans on a given date, also excluding Doubtful Mortgage Loans. The possible deferment of instalments referred to in section 2.2 of the Building Block shall not be considered a delay in payment of Mortgage Loan amounts due.

Doubtful Mortgage Loans shall be deemed to be Mortgage Loans that are delinquent on a given date with a period of arrears equal to or greater than twelve (12) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment based on indications or information received from the Servicer. Non-Doubtful Mortgage Loans shall be deemed to be Mortgage Loans that are not deemed to be Doubtful Mortgage Loans on a given date.

#### 4.9.3.4 **Amortisation Withholding on each Payment Date.**

On each Payment Date, the Available Funds shall be used in seventh (7<sup>th</sup>) place in the Priority of Payments for withholding the amount altogether designed for amortising the Bonds and without distinguishing among the various Series ("**Amortisation Withholding**"), in an amount equal to the positive difference, if any, on the Determination Date preceding the relevant Payment Date, between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied of the Available Funds to the Amortisation Withholding shall be included in the Available Funds for Amortisation to be applied in accordance with the rules for Distribution of Available Funds for Amortisation established hereinafter in section 4.9.3.6 below.

#### 4.9.3.5 **Available Funds for Amortisation on each Payment Date.**

The available funds for amortisation on each Payment Date (the "**Available Funds for Amortisation**") shall be the Amortisation Withholding amount actually applied out of the Available Funds in seventh (7<sup>th</sup>) place in the Priority of Payments on the relevant Payment Date.

#### 4.9.3.6 **Distribution of Available Funds for Amortisation.**

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

1. The Available Funds for Amortisation shall be sequentially applied firstly to amortising Class A (Series A1, A2 and A3) until fully amortised, as provided for in rule 2 below, secondly to amortising Series B until fully amortised and thirdly to amortising Series C until fully amortised, notwithstanding the provisions of rule 3 below for pro rata amortisation of the different Series.

2. The amounts of the Available Funds for Amortisation applied to amortising Class A (Series A1, A2 and A3), both under rule 1 above and under rule 3 below, shall be applied as follows:

2.1 Ordinary application in the following order:

1. Repayment of Series A1 Bond principal.
2. Repayment of Series A2 Bond principal, once Series A1 Bonds have been fully amortised.
3. Repayment of Series A3 Bond principal, once Series A1 and A2 Bonds have been fully amortised.

2.2 Exceptional pro rata application of Class A ("**Pro Rata Amortisation of Class A**"): if Series A1 and/or Series A2 have not been fully amortised, the application priority of paragraph 2.1 above shall be stopped in the event that on the Determination Date preceding the relevant Payment Date the ratio of (i) the Outstanding Balance of Non-Delinquent Mortgage Loans, increased by the Mortgage Loan principal repayment income amount received during the Determination Period preceding the relevant Payment Date, to (ii) the Outstanding Principal Balance of Class A, is less than or equal to 1.

In that event, on the relevant Payment Date, the amount of the Available Funds for Amortisation applied to amortising Class A (Series A1, A2 and A3) shall be applied to amortising Series A1 and to amortising Series A2 and to amortising Series A3, and shall be prorated among the same directly in proportion to (i) the Outstanding Principal Balance of Series A1, (ii) the Outstanding Principal Balance of Series A2, and (iii) the Outstanding Principal Balance of Series A3, on the Determination Date preceding the relevant Payment Date.

3. Even if Series A1, A2 and A3 have not been fully amortised, the Available Funds for Amortisation shall also be applied to amortising Series B and, as the case may be, Series C, on the Payment Dates on which the following circumstances are all satisfied with respect to amortisation of Series B and/or C ("**Conditions for Pro Rata Amortisation**"):

a) In order to amortise Series B and, as the case may be, Series C:

- i) that the Pro Rata Amortisation of Class A does not apply,
- ii) that the Required Cash Reserve amount shall have been fully provisioned on the relevant Payment Date; and
- iii) that on the Determination Date preceding the relevant Payment Date, the amount of the Outstanding Balance of Non-Doubtful Mortgage Loans is equal to or greater than 10 percent of the face amount of the initial Outstanding Balance upon the Fund being established.

b) In order to amortise Series B, that on the Determination Date preceding the relevant Payment Date:

- i) the Outstanding Principal Balance of Series B is equal to or greater than 1.70% of the Outstanding Principal Balance of the Bond Issue, and
- ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.25% of the Outstanding Balance of Non-Doubtful Mortgage Loans.

c) In order to amortise Series C, that on the Determination Date preceding the relevant Payment Date:

- i) the Outstanding Principal Balance of Series C is equal to or greater than 4.40% of the Outstanding Principal Balance of the Bond Issue, and
- ii) the Outstanding Balance of Delinquent Mortgage Loans does not exceed 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.

In the event that the amortisation of Series B and, as the case may be, Series C should apply on a Payment Date because the Conditions for Pro Rata Amortisation of Series B and Series C are respectively satisfied, the Available Funds for Amortisation shall also be applied to amortising Series B and, as the case may be, to amortising Series C, in such a way that the ratio of the Outstanding Principal Balance of Series B and, as the case may be, the Outstanding Principal Balance of Series C to the Outstanding Principal Balance of the Bond Issue respectively remain at 1.70% and at 4.40%, or higher percentages closest thereto.

#### 4.9.4 **Early Amortisation of the Bond Issue.**

Subject to the Fund's obligation, through its Management Company, to proceed to final amortisation of the Bonds on the Final Maturity Date or amortisation of each Series before the Final Maturity Date, the Management Company shall, after first notifying the CNMV, be authorised to proceed, as the case may be, to Early Liquidation of the Fund and hence Early Amortisation of the entire Bond Issue in the Early Liquidation Events and subject to the requirements established in section 4.4.3 of the Registration Document and subject to the Liquidation Priority of Payments.

#### 4.9.5 **Final Maturity Date.**

The Final Maturity Date and consequently final amortisation of the Bonds shall be on April 25, 2060 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 4.9.2 to 4.9.4 of this Securities Note, proceeding to amortise any or all the Series in the Bond Issue before the Final Maturity Date. Final amortisation of the Bonds on the Final Maturity Date shall be made subject to the Liquidation Priority of Payments.

#### 4.10 **Indication of yield.**

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 Mortgage Loan established in the relevant agreements.
- ii) The Obligor's capacity to prepay the Mortgage Loans in whole or in part and the aggregate prepayment pace throughout the life of the Fund. In this sense, Mortgage Loan prepayments by Obligor, subject to continual changes, and estimated in this Prospectus 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.
- iii) The floating interest rates which shall apply to the Mortgage Loans, resulting in the repayment amount on every instalment differing.
- iv) The Obligor's delinquency in payment of Mortgage Loan instalments.

The following assumed values have been used for the above-mentioned factors in calculating the tables contained in this section:

- Mortgage Loan interest rate: 5.06% weighted average interest rate as of October 18, 2007 of the portfolio of selected mortgage loans which has been used for calculating the repayment and interest instalments of each of the selected mortgage loans;
- Mortgage Loan portfolio delinquency: 0.45% of the Outstanding Balance of the Mortgage Loans, 0.40% being recovered, with 100% recoveries within 9 months of becoming delinquent, and the remaining 0.05% becoming doubtful from November 2008, with 90% recoveries within 18 months of becoming doubtful;
- that the Mortgage Loan prepayment rate remains constant throughout the life of the Bonds;
- that the Bond Closing Date is November 22, 2007; and
- that there is no extension of the term or deferment of instalments of any of the selected mortgage loans.

The actual adjusted life and the yield or return on the Bonds will also depend on their floating rate. The following nominal interest rates are assumed for each Series for the first Interest Accrual Period, resulting from the straight-line interpolation bearing in mind the number of days in the First Interest Accrual Period between 2-month Euribor (4.573%) and 3-month Euribor (4.579%) on November 9, 2007 and in the event that the applicable margins should be the maximum margins set for each Series in accordance with section 4.8.1.2 of this Securities Note:

	Series A1 Bonds	Series A2 Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds
<b>Nominal interest rate</b>	4.824%	4.874%	5.024%	5.374%	5.674%

For subsequent Interest Accrual Periods, the floating interest rate of the Bonds in each Series is assumed to be constant as follows, resulting from 3-month Euribor (4.579%) on November 9, 2007 and in the event that the applicable margins should be the maximum margins set for each Series in accordance with section 4.8.1.2 of this Securities Note:

	Series A1 Bonds	Series A2 Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds
<b>Nominal interest rate</b>	4.829%	4.879%	5.029%	5.379%	5.679%

#### 4.10.1 Estimated average life, yield or return, duration and final maturity of the Bonds.

Assuming that the Management Company shall exercise the Early Liquidation of the Fund and Early Amortisation of the Bond Issue option provided in section 4.4.3 of the Registration Document when the Outstanding Balance of the Mortgage Loans is less than 10% of their initial Outstanding Balance upon the Fund being established, the average life, return (IRR) for the Bond subscriber, duration and final maturity of the Bonds for different CPRs, based on the historical performance of mortgage loans previously securitised by BBVA, would be as follows:

<b>% CPR:</b>	<b>6.00%</b>	<b>8.00%</b>	<b>10.00%</b>	<b>12.00%</b>	<b>14.00%</b>
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<b>Series A1 Bonds</b>					
<b>Average life (years)</b>	4.43	3.57	2.98	2.55	2.22
<b>IRR</b>	4.987%	4.987%	4.987%	4.987%	4.987%
<b>Duration (years)</b>	3.68	3.04	2.59	2.24	1.98
<b>Final maturity</b>	25 07 2017	26 10 2015	25 07 2014	25 07 2013	25 10 2012
<b>(in years)</b>	9.68	7.93	6.68	5.68	4.93

<b>Series A2 Bonds</b>					
<b>Average life (years)</b>	12.66	10.46	8.83	7.59	6.62
<b>IRR</b>	5.039%	5.039%	5.039%	5.039%	5.039%
<b>Duration (years)</b>	8.99	7.80	6.83	6.04	5.40
<b>Final maturity</b>	25 10 2023	26 04 2021	25 04 2019	25 10 2017	25 07 2016
<b>(in years)</b>	15.93	13.44	11.43	9.93	8.68

<b>Series A3 Bonds</b>					
<b>Average life (years)</b>	20.13	17.41	15.06	13.18	11.60
<b>IRR</b>	5.197%	5.197%	5.197%	5.197%	5.197%
<b>Duration (years)</b>	12.03	11.02	10.04	9.16	8.36
<b>Final maturity</b>	25 10 2029	25 01 2027	25 07 2024	25 07 2022	26 10 2020
<b>(in years)</b>	21.94	19.19	16.68	14.68	12.94

<b>Series B Bonds</b>					
<b>Average life (years)</b>	15.61	13.23	11.33	9.84	8.63
<b>IRR</b>	5.566%	5.566%	5.566%	5.566%	5.566%
<b>Duration (years)</b>	9.81	8.78	7.87	7.10	6.43
<b>Final maturity</b>	25 10 2029	25 01 2027	25 07 2024	25 07 2022	26 10 2020
<b>(in years)</b>	21.94	19.19	16.68	14.68	12.94

<b>% CPR:</b>	<b>6.00%</b>	<b>8.00%</b>	<b>10.00%</b>	<b>12.00%</b>	<b>14.00%</b>
<b>Series C Bonds</b>					
<b>Average life (years)</b>	15.62	13.24	11.34	9.85	8.64
<b>IRR</b>	5.884%	5.884%	5.884%	5.884%	5.884%
<b>Duration (years)</b>	9.58	8.60	7.73	6.98	6.33
<b>Final maturity</b>	25 10 2029	25 01 2027	25 07 2024	25 07 2022	26 10 2020
<b>(in years)</b>	21.94	19.19	16.68	14.68	12.94

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

- Whereas CPRs are assumed to be constant respectively at 8.00%, 10.00% and 12.00% throughout the life of the Bond Issue, as explained above actual prepayment changes continually.
- The Outstanding Principal Balance of the Bond Issue on each Payment Date and hence interest payable on each such dates shall depend on the actual Mortgage Loan prepayment, delinquency and default rates.
- Whereas Bond nominal interest rates are assumed to be constant for each Series from the second Interest Accrual Period, the interest rate in all the Series is known to be variable.
- The assumed values referred to at the beginning of this section are at all events taken for granted.
- It is assumed that the Management Company will exercise the Early Liquidation of the Fund and thereby the Early Amortisation of the Bond Issue option when the Outstanding Balance of the Mortgage Loans is less than 10% of the Initial Outstanding Balance upon the Fund being set up, as provided in section 4.4.3 of the Registration Document.
- In this scenario, Pro Rata Amortisation of Class A does not apply and the Conditions for Pro Rata Amortisation of Series B and C do.
- These are all reasonable assumptions based on the historical performance of mortgage loans granted by BBVA to individuals.





This is a Certified Translation into English of the Spanish Prospectus. No document other than the Spanish Prospectus registered by the Comisión Nacional del Mercado de Valores may have any legal effect whatsoever or be taken into account with respect to the Bond Issue.

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

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3 Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
<b>TOTALS</b>	100,000.00	14,577.50	114,577.50	100,000.00	43,659.13	143,659.13	100,000.00	76,789.18	176,789.18	100,000.00	61,786.40	161,786.40	100,000.00	65,271.50	165,271.50
22/11/2007															
25/01/2008	3,880.20	857.60	4,737.80	0.00	866.49	866.49	0.00	893.16	893.16	0.00	955.38	955.38	0.00	1,008.71	1,008.71
25/04/2008	5,210.45	1,173.30	6,383.75	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/07/2008	5,069.36	1,109.70	6,179.06	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
27/10/2008	4,992.24	1,082.36	6,074.60	0.00	1,273.96	1,273.96	0.00	1,313.13	1,313.13	0.00	1,404.52	1,404.52	0.00	1,482.85	1,482.85
28/01/2009	4,859.84	986.88	5,846.72	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
27/04/2009	4,639.15	927.56	5,566.71	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
27/07/2009	4,555.58	870.93	5,426.51	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
28/10/2009	4,471.44	815.32	5,286.76	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/01/2010	4,346.92	760.74	5,107.66	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
28/04/2010	4,150.56	707.68	4,858.24	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
28/07/2010	4,075.10	657.01	4,732.11	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/10/2010	3,996.75	607.27	4,604.02	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/01/2011	3,883.02	564.62	4,447.64	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/04/2011	3,705.50	505.47	4,210.96	0.00	1,219.75	1,219.75	0.00	1,257.25	1,257.25	0.00	1,344.75	1,344.75	0.00	1,419.75	1,419.75
25/07/2011	3,635.13	465.85	4,100.98	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/10/2011	3,564.31	426.11	3,990.42	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/01/2012	3,462.25	382.13	3,844.37	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/04/2012	3,333.67	335.71	3,669.38	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/07/2012	3,239.88	295.02	3,534.90	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/10/2012	3,175.95	258.28	3,434.23	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/01/2013	3,084.80	219.08	3,303.88	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/04/2013	2,944.10	177.08	3,121.17	0.00	1,219.75	1,219.75	0.00	1,257.25	1,257.25	0.00	1,344.75	1,344.75	0.00	1,419.75	1,419.75
25/07/2013	2,778.28	143.11	2,921.39	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	2,071.16	1,359.69	3,430.85	1,953.59	1,435.53	3,389.12
25/10/2013	2,656.33	110.39	2,766.72	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	3,159.94	1,346.16	4,506.10	3,163.74	1,422.95	4,586.68
27/01/2014	2,579.43	79.30	2,658.74	0.00	1,273.96	1,273.96	0.00	1,313.13	1,313.13	3,068.47	1,331.05	4,399.52	3,072.16	1,406.97	4,479.12
25/04/2014	2,462.08	43.79	2,505.87	0.00	1,192.64	1,192.64	0.00	1,229.31	1,229.31	2,928.87	1,205.74	4,134.60	2,932.38	1,274.51	4,206.90
25/07/2014	1,247.66	15.23	1,262.89	3,327.00	1,233.30	4,560.30	0.00	1,271.22	1,271.22	2,870.87	1,207.02	4,077.89	2,874.31	1,275.87	4,150.18
27/10/2014	0.00	0.00	0.00	6,747.71	1,231.58	7,979.29	0.00	1,313.13	1,313.13	2,812.39	1,206.49	4,018.88	2,815.76	1,275.31	4,091.07
26/01/2015	0.00	0.00	0.00	6,551.95	1,109.05	7,661.00	0.00	1,271.22	1,271.22	2,730.80	1,129.74	3,860.54	2,734.07	1,194.19	3,928.26
27/04/2015	0.00	0.00	0.00	6,253.86	1,028.25	7,282.11	0.00	1,271.22	1,271.22	2,606.55	1,092.61	3,699.17	2,609.68	1,154.94	3,764.62
27/07/2015	0.00	0.00	0.00	6,129.92	951.12	7,081.03	0.00	1,271.22	1,271.22	2,554.89	1,057.17	3,612.07	2,557.96	1,117.47	3,675.44
28/10/2015	0.00	0.00	0.00	6,001.14	875.52	6,876.65	0.00	1,271.22	1,271.22	2,501.22	1,022.43	3,523.66	2,504.22	1,080.75	3,584.98
25/01/2016	0.00	0.00	0.00	5,825.35	801.50	6,626.85	0.00	1,271.22	1,271.22	2,427.95	988.43	3,416.38	2,430.87	1,044.81	3,475.67
25/04/2016	0.00	0.00	0.00	5,614.12	729.66	6,343.78	0.00	1,271.22	1,271.22	2,339.91	955.41	3,295.33	2,342.72	1,009.91	3,352.63
25/07/2016	0.00	0.00	0.00	5,443.63	660.42	6,104.05	0.00	1,271.22	1,271.22	2,268.86	923.60	3,192.45	2,271.58	976.28	3,247.86
25/10/2016	0.00	0.00	0.00	5,327.27	599.80	5,927.07	0.00	1,285.19	1,285.19	2,220.36	902.56	3,122.92	2,223.02	954.04	3,177.06
25/01/2017	0.00	0.00	0.00	5,171.18	533.38	5,704.56	0.00	1,285.19	1,285.19	2,155.30	872.04	3,027.34	2,157.89	921.78	3,079.67
25/04/2017	0.00	0.00	0.00	4,932.94	458.71	5,391.65	0.00	1,257.25	1,257.25	2,056.01	824.10	2,880.10	2,058.47	871.10	2,929.58
25/07/2017	0.00	0.00	0.00	4,828.46	402.97	5,231.43	0.00	1,271.22	1,271.22	2,012.46	805.30	2,817.76	2,014.88	851.23	2,866.11
25/10/2017	0.00	0.00	0.00	4,723.40	347.19	5,070.59	0.00	1,285.19	1,285.19	1,968.67	786.48	2,755.15	1,971.03	831.34	2,802.38
25/01/2018	0.00	0.00	0.00	4,585.77	288.30	4,874.07	0.00	1,285.19	1,285.19	1,911.31	759.42	2,670.73	1,913.60	802.74	2,716.34
25/04/2018	0.00	0.00	0.00	4,376.83	226.10	4,602.93	0.00	1,257.25	1,257.25	1,824.22	717.21	2,541.43	1,826.41	758.12	2,584.53
25/07/2018	0.00	0.00	0.00	4,285.66	174.63	4,460.29	0.00	1,271.22	1,271.22	1,786.23	700.37	2,486.60	1,788.37	740.32	2,528.69
25/10/2018	0.00	0.00	0.00	4,189.76	123.11	4,312.87	0.00	1,285.19	1,285.19	1,746.26	683.52	2,429.77	1,748.35	722.50	2,470.86
25/01/2019	0.00	0.00	0.00	4,065.48	70.87	4,136.36	0.00	1,285.19	1,285.19	1,694.46	659.51	2,353.97	1,696.49	697.13	2,393.62
25/04/2019	0.00	0.00	0.00	1,618.58	19.74	1,638.32	2,069.75	1,257.25	3,327.00	1,618.58	622.39	2,240.97	1,620.53	657.89	2,278.42
25/07/2019	0.00	0.00	0.00	0.00	0.00	0.00	3,469.26	1,244.91	4,714.17	1,582.27	607.30	2,189.56	1,584.17	641.94	2,226.10
25/10/2019	0.00	0.00	0.00	0.00	0.00	0.00	3,393.11	1,214.00	4,607.12	1,547.54	592.22	2,139.76	1,549.40	626.00	2,175.40
27/01/2020	0.00	0.00	0.00	0.00	0.00	0.00	3,290.84	1,195.84	4,486.68	1,500.81	583.36	2,084.16	1,502.61	616.63	2,119.24
27/04/2020	0.00	0.00	0.00	0.00	0.00	0.00	3,162.01	1,115.84	4,277.85	1,442.14	544.33	1,986.47	1,443.87	575.38	2,019.25
27/07/2020	0.00	0.00	0.00	0.00	0.00	0.00	3,065.97	1,075.65	4,141.61	1,396.33	524.73	1,923.06	1,400.01	554.66	1,954.67
28/10/2020	0.00	0.00	0.00	0.00	0.00	0.00	2,995.89	1,036.67	4,032.56	1,366.37	505.71	1,872.08	1,368.01	534.56	1,902.57
25/01/2021	0.00	0.00	0.00	0.00	0.00	0.00	2,973.97	998.59	3,972.56	1,326.27	487.13	1,813.41	1,327.86	514.52	1,842.79
25/04/2021	0.00	0.00	0.00	0.00	0.00	0.00	2,773.97	961.62	3,735.59	1,265.16	469.10	1,734.26	1,266.68	495.86	1,782.53
25/07/2021	0.00	0.00	0.00	0.00	0.00	0.00	2,710.92	926.36							

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**FLOW FOR EVERY BOND WITHOUT WITHHOLDING FOR THE HOLDER**  
**(AMOUNTS IN EUR)**  
**CPR = 12%**

Payment Date	Series A1 Bonds			Series A2 Bonds			Series A3 Bonds			Series B Bonds			Series C Bonds		
	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow	Principal Repayment	Gross Interest	Total Flow
TOTALS	100,000.00	12,470.10	112,470.10	100,000.00	37,529.30	137,529.30	100,000.00	67,187.46	167,187.46	100,000.00	53,671.11	153,671.11	100,000.00	56,698.49	156,698.49
22/11/2007															
25/01/2008	4,598.35	857.60	5,455.95	0.00	866.49	866.49	0.00	893.16	893.16	0.00	955.38	955.38	0.00	1,008.71	1,008.71
25/04/2008	6,130.74	1,164.53	7,295.27	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/07/2008	5,928.66	1,089.79	7,018.36	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
27/10/2008	5,804.87	1,050.87	6,855.73	0.00	1,273.96	1,273.96	0.00	1,313.13	1,313.13	0.00	1,404.52	1,404.52	0.00	1,482.85	1,482.85
26/01/2009	5,616.64	946.47	6,563.11	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
27/04/2009	5,326.60	877.91	6,204.51	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
27/07/2009	5,200.46	812.89	6,013.35	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
26/10/2009	5,074.55	749.41	5,823.96	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/01/2010	4,903.03	687.47	5,590.50	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
26/04/2010	4,650.64	627.62	5,278.26	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
26/07/2010	4,539.58	570.85	5,110.43	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/10/2010	4,426.53	515.44	4,941.97	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/01/2011	4,274.40	466.47	4,740.88	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/04/2011	4,052.21	404.73	4,456.94	0.00	1,219.75	1,219.75	0.00	1,257.25	1,257.25	0.00	1,344.75	1,344.75	0.00	1,419.75	1,419.75
25/07/2011	3,952.47	359.76	4,312.23	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/10/2011	3,852.97	314.94	4,167.91	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/01/2012	3,719.78	267.39	3,987.17	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	0.00	1,374.63	1,374.63	0.00	1,451.30	1,451.30
25/04/2012	3,558.87	219.06	3,777.95	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/07/2012	3,437.69	175.64	3,613.33	0.00	1,233.30	1,233.30	0.00	1,271.22	1,271.22	0.00	1,359.69	1,359.69	0.00	1,435.53	1,435.53
25/10/2012	3,166.43	135.14	3,301.58	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	3,452.26	1,374.63	4,826.90	3,336.36	1,451.30	4,787.66
25/01/2013	3,036.80	96.07	3,132.86	0.00	1,246.86	1,246.86	0.00	1,285.19	1,285.19	3,612.55	1,327.18	4,939.72	3,616.88	1,402.88	5,019.76
25/04/2013	2,878.90	57.32	2,936.22	0.00	1,219.75	1,219.75	0.00	1,257.25	1,257.25	3,424.71	1,249.75	4,674.46	3,428.83	1,321.03	4,749.86
25/07/2013	1,868.81	22.81	1,891.62	2,676.17	1,233.30	3,909.47	0.00	1,271.22	1,271.22	3,338.52	1,217.07	4,555.59	3,342.53	1,286.49	4,629.01
25/10/2013	0.00	0.00	0.00	7,803.85	1,213.49	9,017.34	0.00	1,285.19	1,285.19	3,252.58	1,184.55	4,437.13	3,256.48	1,252.11	4,508.60
27/01/2014	0.00	0.00	0.00	7,531.13	1,140.45	8,671.58	0.00	1,313.13	1,313.13	3,138.91	1,164.62	4,303.53	3,142.68	1,231.05	4,373.72
25/04/2014	0.00	0.00	0.00	7,139.96	977.84	8,117.79	0.00	1,229.31	1,229.31	2,975.87	1,049.01	4,024.88	2,979.44	1,108.84	4,088.28
25/07/2014	0.00	0.00	0.00	6,958.00	923.11	7,881.11	0.00	1,271.22	1,271.22	2,900.03	1,044.31	3,944.34	2,903.51	1,103.87	4,007.39
27/10/2014	0.00	0.00	0.00	6,776.32	864.90	7,641.22	0.00	1,313.13	1,313.13	2,824.31	1,038.00	3,862.31	2,827.70	1,097.21	3,924.91
26/01/2015	0.00	0.00	0.00	6,538.70	753.73	7,292.43	0.00	1,271.22	1,271.22	2,725.27	966.47	3,691.75	2,728.55	1,021.60	3,750.15
27/04/2015	0.00	0.00	0.00	6,198.72	673.09	6,871.80	0.00	1,271.22	1,271.22	2,583.57	929.42	3,512.99	2,586.67	982.43	3,569.10
27/07/2015	0.00	0.00	0.00	6,040.22	596.64	6,636.85	0.00	1,271.22	1,271.22	2,517.51	894.29	3,411.80	2,520.53	945.30	3,465.83
26/10/2015	0.00	0.00	0.00	5,878.78	522.14	6,400.93	0.00	1,271.22	1,271.22	2,450.23	860.06	3,310.28	2,453.17	909.12	3,362.28
25/01/2016	0.00	0.00	0.00	5,670.83	449.64	6,120.47	0.00	1,271.22	1,271.22	2,363.55	826.74	3,190.30	2,366.39	873.90	3,240.29
25/04/2016	0.00	0.00	0.00	5,428.42	379.70	5,808.12	0.00	1,271.22	1,271.22	2,262.52	794.61	3,057.12	2,265.23	839.93	3,105.16
25/07/2016	0.00	0.00	0.00	5,231.86	312.75	5,544.61	0.00	1,271.22	1,271.22	2,180.59	763.84	2,944.44	2,183.21	807.41	2,990.62
25/10/2016	0.00	0.00	0.00	5,090.00	250.96	5,340.95	0.00	1,285.19	1,285.19	2,121.47	742.26	2,863.73	2,124.01	784.60	2,908.61
25/01/2017	0.00	0.00	0.00	4,909.58	187.49	5,097.08	0.00	1,285.19	1,285.19	2,046.27	713.10	2,759.37	2,048.73	753.77	2,802.50
25/04/2017	0.00	0.00	0.00	4,651.26	123.53	4,774.79	0.00	1,257.25	1,257.25	1,938.60	670.08	2,608.68	1,940.93	708.30	2,649.23
25/07/2017	0.00	0.00	0.00	4,526.22	67.54	4,593.76	0.00	1,271.22	1,271.22	1,886.49	651.17	2,537.65	1,888.75	688.31	2,577.06
25/10/2017	0.00	0.00	0.00	949.98	11.84	961.82	3,154.31	1,285.19	4,439.50	1,834.57	632.39	2,466.96	1,836.77	668.46	2,505.23
25/01/2018	0.00	0.00	0.00	0.00	0.00	0.00	3,880.10	1,244.65	5,124.75	1,769.65	607.17	2,376.82	1,771.77	641.80	2,413.57
25/04/2018	0.00	0.00	0.00	0.00	0.00	0.00	3,677.41	1,168.81	4,846.22	1,677.20	570.17	2,247.37	1,679.21	602.70	2,281.91
25/07/2018	0.00	0.00	0.00	0.00	0.00	0.00	3,579.32	1,135.05	4,714.37	1,632.47	553.70	2,186.17	1,634.43	585.29	2,219.71
25/10/2018	0.00	0.00	0.00	0.00	0.00	0.00	3,478.58	1,101.62	4,580.10	1,586.52	537.35	2,123.87	1,588.42	568.00	2,156.42
25/01/2019	0.00	0.00	0.00	0.00	0.00	0.00	3,353.62	1,056.81	4,410.43	1,529.53	515.54	2,045.07	1,531.36	544.95	2,076.31
25/04/2019	0.00	0.00	0.00	0.00	0.00	0.00	3,180.43	991.68	4,172.11	1,450.54	483.76	1,934.30	1,452.28	511.36	1,963.64
25/07/2019	0.00	0.00	0.00	0.00	0.00	0.00	3,090.90	962.27	4,053.16	1,409.70	469.42	1,879.12	1,411.40	496.19	1,907.59
25/10/2019	0.00	0.00	0.00	0.00	0.00	0.00	3,004.73	933.12	3,937.85	1,370.40	455.20	1,825.60	1,372.05	481.16	1,853.21
27/01/2020	0.00	0.00	0.00	0.00	0.00	0.00	2,895.12	913.94	3,809.07	1,320.41	445.84	1,766.26	1,322.00	471.28	1,793.27
27/04/2020	0.00	0.00	0.00	0.00	0.00	0.00	2,763.45	847.97	3,611.42	1,260.36	413.66	1,674.02	1,261.87	437.26	1,699.13
27/07/2020	0.00	0.00	0.00	0.00	0.00	0.00	2,662.44	812.84	3,475.28	1,214.29	396.52	1,610.82	1,215.75	419.14	1,634.89
26/10/2020	0.00	0.00	0.00	0.00	0.00	0.00	2,585.86	779.00	3,364.86	1,179.36	380.01	1,559.38	1,180.78	401.69	1,582.47
25/01/2021	0.00	0.00	0.00	0.00	0.00	0.00	2,493.20	746.13	3,239.33	1,137.11	363.98	1,501.08	1,138.47	384.74	1,523.21
26/04/2021	0.00	0.00	0.00	0.00	0.00	0.00	2,361.23	714.43	3,075.66	1,076.92	348.52	1,425.43	1,079.21	368.40	1,446.61
26/07/2021	0.00	0.00	0.00	0.00	0.00	0.00	2,293.65	684.42	2,978.07	1,046.09	333.87	1,379.97	1,047.35	35	

#### 4.11 Representation of security holders.

No syndicate of Bondholders will be set up for the securities included in this Bond Issue.

On the terms provided for in article 12.1 of Royal Decree 926/1998, it is the Management Company's duty, as the manager of third-party portfolios, to represent and enforce 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.

#### 4.12 Resolutions, authorisations and approvals for issuing the securities.

##### a) Corporate resolutions.

###### ***Resolution to set up the Fund and issue the Bonds:***

In a resolution dated October 23, 2007, the Executive Committee of the Board of Directors of EUROPEA DE TITULIZACIÓN resolved that:

- i) BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS be set up in accordance with the legal system for which provision is made in Act 19/1992, and all other legal and statutory provisions in force and applicable from time to time.
- ii) Pass-through certificates issued by BBVA on loans owned by BBVA and shown on its assets granted to individuals with real estate mortgage security on homes, be pooled in the Fund.
- iii) The Bonds be issued by the Fund.

###### ***Resolution to issue the Pass-Through Certificates on the Mortgage Loans:***

At meetings held on November 24, 2006, February 27, 2007 and July 24, 2007, the Board of Directors of BBVA resolved that the issue of pass-through certificates on mortgage loans granted by BBVA to be subscribed for by one or several securitisation funds be authorised.

In pursuance of the last of the above resolutions, the total maximum pass-through certificate issue amount authorised was set at EUR 18,000 million, of which EUR 10,500 million have been issued until November 12, 2007.

##### b) Registration by the CNMV.

The establishment of the Fund and issue of the Bonds are subject to the condition precedent of the entry in the Official Registers of the CNMV of this Prospectus and all other supporting documents, in accordance with the provisions of article 5.3 of Act 19/1992.

This Prospectus regarding the establishment of the Fund and issue of the Bonds has been entered in the CNMV's Official Registers.

##### c) Execution of the Fund public deed of constitution.

Upon the CNMV registering this Prospectus, the Management Company and BBVA, Originator, shall proceed to execute on November 19, 2007 a public deed whereby BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS will be established, BBVA will assign Mortgage Loans to the Fund by issuing Pass-Through Certificates, and the Fund will issue the Asset-Backed Bonds, on the terms provided in article 6 of Royal Decree 926/1998.

The Management Company represents that the contents of the Deed of Constitution shall match the draft Deed of Constitution it has submitted to the CNMV and the terms of the Deed of Constitution shall at no event contradict, change, alter or invalidate the contents of this Prospectus.

The Management Company shall submit a copy of the Deed of Constitution to the CNMV to be entered in the Official Registers before the Bond Subscription Period begins.

#### **4.13 Issue date of the securities.**

The Bond issue date shall be November 19, 2007.

##### **4.13.1 Potential investors to whom the Bonds are offered**

Placement of the Bonds in each of Series A1, A2 and A3 is targeted at qualified investors and, therefore, in accordance with the Securities Market Act and applicable implementing regulations, the Bond offering shall not be considered a public offering.

Series B and C Bonds shall be fully subscribed for by BBVA

##### **Tranches.**

Each of the Series consists of one tranche only.

##### **4.13.2 Series A1, A2 and A3 Bond subscription or acquisition date or period.**

The Series A1, A2 and A3 Bond subscription period (the "**Subscription Period**") shall begin at 1pm (CET) on November 20, 2007 and end at 2pm (CET) on the same day.

##### **4.13.3 Subscription payment method and dates.**

The investors to whom Series A1, A2 and A3 Bonds are allocated shall pay the relevant Underwriter and Placement Agent, by 1pm (CET) on November 22, 2007 (the "**Closing Date**"), for same day value, the relevant issue price for each Bond allocated for subscription. The Series B and C Bond Subscriber shall pay the Fund by 2pm (CET) on the Closing Date, for same day value, the issue price for the Bonds subscribed for.

#### **4.14 Restrictions on the free transferability of the securities.**

There are no restrictions on the free transferability of the Bonds. They may be freely transferred by any means admissible at Law and in accordance with the rules of the AIAF market where they will be admitted to trading. A transfer in the accounts (book entry) 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.

## **5 ADMISSION TO TRADING AND DEALING ARRANGEMENTS.**

### **5.1 Market where the securities will be traded.**

In fulfilment of the provisions of article 2.3 of Royal Decree 926/1998, the Management Company shall, upon the Bonds having been paid up, apply for this Bond Issue to be listed on AIAF Mercado de Renta Fija ("**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, and a regulated market, in accordance with the Annotated List of Regulated Markets and Additional Provisions under the Investment Services Directive 93/22, published in the Official Journal of the European Communities on May 12, 2005. The Management Company undertakes to do all such things as may be necessary in order that definitive admission to trading is achieved not later than one month after the Closing Date.

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 end of the one-month period referred to in the first paragraph of this section, the Bonds should not be admitted to trading on the AIAF, the Management Company shall forthwith proceed to notify Bondholders thereof, moreover advising of the reasons resulting in such breach, using the

extraordinary notice procedure provided for in section 4.1.2 of the Building Block. This shall be without prejudice to the Management Company being held to be contractually liable, as the case may be.

## **5.2 Paying agents and depository agents.**

### **5.2.1 Paying Agent of the Bond Issue.**

The Bond Issue will be serviced through BBVA as Paying Agent. Payment of interest and repayments shall be notified to Bondholders in the events and in such advance as may be provided for each case in section 4.1.1 of the Building Block. Interest and amortisation shall be paid to Bondholders by the relevant members and to the latter in turn by Iberclear, the institution responsible for the accounting record.

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a paying agent agreement to service the Bond Issue, the most significant terms of which are given in section 3.4.7.2 of the Building Block.

## **6 EXPENSE OF THE OFFERING AND OF ADMISSION TO TRADING.**

The expected expenses for setting up the Fund and issue and admission to trading of the Bond Issue are EUR three million three hundred and sixty-one thousand four hundred and thirty-one (3,361,431.00). These expenses include, inter alia, the initial Management Company fee, notary's, rating and legal advice fees, CNMV fees, AIAF and Iberclear fees for including the Bonds in the register of book entries, placement fees, Prospectus translation and printing expenses.

## **7 ADDITIONAL INFORMATION.**

### **7.1 Statement of the capacity in which the advisors connected with the issue mentioned in the Securities Note have acted.**

Garrigues, an independent law firm, has provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications contained in section 4.5.1 of the Registration Document.

BBVA and EUROPEA DE TITULIZACIÓN have structured the financial terms of the Fund and of the Bond Issue.

### **7.2 Other information in the Securities Note which has been audited or reviewed by auditors.**

Not applicable.

### **7.3 Statement or report attributed to a person as an expert.**

Deloitte have audited the selected mortgage loans on the terms set forth in section 2.2 of the Building Block and have audited the Management Company's and BBVA's annual accounts for the years ended December 31, 2006, 2005 and 2004.

### **7.4 Information sourced from a third party.**

Within its duties to verify the information contained in this Prospectus, the Management Company has received confirmation from BBVA, as Originator, as to the truthfulness of the characteristics of BBVA as Originator of the Mortgage Loans and Pass-Through Certificates, given in section 2.2.8 of the Building Block, and of the remaining information on BBVA and the Mortgage Loans given in this Prospectus.

In the Deed of Constitution of the Fund, BBVA shall reaffirm to the Management Company the fulfilment of those characteristics on the date on which the Fund is established.

The Management Company confirms that the information from BBVA on the Mortgage Loans and on the Originator proper has been accurately reproduced and, to the best of its knowledge and ability to determine based on that information provided by BBVA, no fact has been omitted which might result in the information reproduced being inaccurate or deceptive.

#### **7.5 Credit ratings assigned to the securities by rating agencies.**

On November 13, 2007, Moody's and S&P assigned the following provisional ratings to each Bond Series, and expect to assign the same final ratings by the start of the Bond Subscription Period.

<b>Bond Series</b>	<b>Moody's Rating</b>	<b>S&amp;P Rating</b>
Series A1	Aaa	AAA
Series A2	Aaa	AAA
Series A3	Aaa	AAA
Series B	Aa3	A
Series C	Baa1	BBB

If the Rating Agencies should not confirm any of 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 4.1.2.2 of the Building Block. Furthermore, this circumstance would result in the establishment of the Fund, the Bond Issue and subscription for the Pass-Through Certificates terminating, as provided for in section 4.4.4.(v) of the Registration Document.

#### **Rating considerations.**

The ratings assigned to each Bond Series by Moody's measure the expected loss before the Final Maturity Date. In Moody's opinion, 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 Bond Series by S&P are an opinion as to the Fund's ability to meet interest payments as they fall due on each set Payment Date and principal repayment throughout the life of the transaction and, in any event, before the Final Maturity Date.

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 review 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.

In carrying on the rating and monitoring process, the Rating Agencies rely on the accuracy and wholeness of the information provided by BBVA, the Management Company, Deloitte, as auditor of the selected mortgage loans, and Garrigues.

The ratings take into account the structure of the Bond Issue, the legal aspects thereof and of the issuing Fund, the characteristics of the mortgage loans selected to be assigned to the Fund and the regularity and continuity of the operating flows.

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 4.1 of the Building Block.

## **ASSET-BACKED SECURITIES NOTE BUILDING BLOCK**

**(Annex VIII to Commission Regulation (EC) No. 809/2004 of April 29, 2004)**

### **1. SECURITIES**

#### **1.1 Minimum denomination of the issue.**

The Fund shall be set up with the Pass-Through Certificates, representing Mortgage Loan rights, and which shall be issued by BBVA and be subscribed for by the Fund upon being established and their Outstanding Balance shall be equal to or slightly above EUR four billion nine hundred million (4,900,000,000.00), the face value amount of the Bond Issue.

#### **1.2 Confirmation that the information relating to an undertaking or obligor not involved in the issue has been reproduced.**

Not applicable.

### **2. UNDERLYING ASSETS**

#### **2.1 Confirmation that the securitised assets have capacity to produce funds to service any payments due and payable on the securities.**

In accordance with the information supplied by the Originator, the Management Company confirms that, based on their contractual characteristics, the flows of principal, interest and any other amounts generated by the securitised Mortgage Loans allow the payments due and payable on the Bonds issued to be satisfied.

Nevertheless, in order to cover for potential payment defaults by the Obligors of the securitised Mortgage Loans, a number of credit enhancement transactions have been arranged allowing the amounts payable on the Bonds in each Series to be covered to a different extent and mitigating the interest risk due to the different terms of the interest clauses of the Mortgage Loans and of the Bonds in each Series. In exceptional circumstances, the enhancement transactions could actually fall short. The credit enhancement transactions are described in sections 3.4.2, 3.4.3, 3.4.4 and 3.4.7 of this Building Block.

Not all the Bonds issued have the same risk of default. Hence the different credit ratings assigned by the Rating Agencies to the Bonds in each Series and detailed in section 7.5 of the Securities Note.

Upon the occurrence of a (i) substantial alteration or permanent imbalance of the Fund due to any event or circumstance whatsoever unrelated to the Fund's operations or (ii) default indicating a serious permanent imbalance in relation to any of the Bonds issued or suggesting that it will occur, the Management Company may proceed to Early Liquidation of the Fund and thereby Early Amortisation of the Bond Issue on the terms laid down in section 4.4.3 of the Registration Document.

#### **2.2 Assets backing the issue.**

The portfolio of selected mortgage loans from which the Mortgage Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established by having BBVA issue and the Fund subscribe for the Pass-Through Certificates comprises 35,503 mortgage loans, their outstanding principal as of October 18, 2007 being EUR 5,253,152,895.55 and the overdue principal being EUR 293,363.33.

The contract terms of some of the selected mortgage loans provide that an agreement may be arrived at with the obligor or borrower in order to:

- (i) Change the maturity date on the terms given in section 2.2.4.1 of this Building Block. 74.15% of the selected mortgage loans (76.92% in terms of outstanding principal) provide for this possibility.



- (ii) Defer payment of up to two instalments in each calendar year, not more than ten instalments to be deferred throughout the mortgage loan term, subject to the following limitations:
- a) That not less than twelve months have elapsed since the due date of the last instalment in respect of which payment was deferred in a previous calendar year.
  - b) That there were no overdue loan payments on the due dates during the year next preceding the date of the monthly instalment in respect of which payment is to be deferred.
  - c) That the mortgage cover is less than 80 percent.

The amount of the deferred instalments shall be accumulated to the outstanding capital on the day after the instalments fall due and shall as a capital increase earn interest from that date at the current loan interest rate.

74.15% of the selected mortgage loans (76.92% in terms of outstanding principal) provide for this possibility.

- (iii) Change the nature of the interest rate, after the first twelve months of the loan term have elapsed, to one of the following interest rate modes:
- a) To the “constant interest” mode: Whenever the loan is in a “constant interest” loan, the constant interest period shall comprise 36 months and the benchmark index used shall be the rate of mortgage loans for more than three years granted by credit institutions as a whole.
  - b) To the “floating interest” mode: Whenever the loan is a “floating interest” loan, there shall be successive floating interest periods, each of which shall comprise six months and the benchmark index used shall be one-year EURIBOR published in the Official State Gazette.

The obligor may choose to change the mode during the mortgage loan term, provided that the obligor is in good standing in respect of the obligor’s mortgage loan obligations, and with the following frequency: (i) once every year if “floating interest” is the applicable mode or (ii) within 36 months of electing the “constant interest” mode.

56.61% of the selected mortgage loans (61.63% in terms of outstanding principal) provide for this possibility.

- (iv) Additionally, and provided that the obligor is in good standing in respect of the obligor’s mortgage loan obligations and has no payments overdue with BBVA under other transactions, the mortgage loan interest rate may have rebates, of up to not more than 0.25% of the annual nominal ordinary interest rate, where the obligor has arranged with BBVA or BBVA group any or some of the following product or service groups:

Group A: Direct salary payment, credit card and household comprehensive insurance.

Group B: Life insurance or current loan repayment insurance.

Group C: Individual social insurance or pension plan.

74.88% of the selected mortgage loans (76.94% in terms of outstanding principal) provide for this possibility.

***Audit of the assets securitised through the Fund.***

The most significant characteristics of the selected mortgage loans have been audited by Deloitte.

That audit was made using sampling techniques consisting of analysing a number of transactions fewer (sample) than the full selection of mortgage loans (population), allowing a conclusion to be arrived at regarding that population. The verification deals with a number of both quantitative and qualitative attributes regarding the sample transactions and specifically regarding: origination of the loan, purpose of the loan, identification of the obligor, mortgage loan holder, loan origination date, loan maturity date, initial loan amount, current loan balance (outstanding principal), reference rate, interest rate spread, interest rate applied, appraisal value, current loan-to-value ratio, type of mortgaged property, address of the mortgaged property, mortgage security, asset transfer, arrears in payment and existence of damage insurance. Selected mortgage loans in respect of which errors are detected in verifying the sample shall not be assigned to the Fund by BBVA.

The audit results shall be set out in a report prepared by Deloitte, which is one of the documents on display as determined in section 10 of the Registration Document.

### 2.2.1 Legal jurisdiction by which the pool of assets is governed.

The securitised assets are governed by Spanish Law.

### 2.2.2 Description of the general characteristics of the obligors and the economic environment, as well as global statistical data referred to the securitised assets.

#### a) Information as to number and distribution of the selected mortgage loan obligors.

The following table gives the concentration of the ten obligors weighing most in the portfolio of selected mortgage loans as of October 18, 2007.

Mortgage loan portfolio as of 18.10.2007				
Classification by Obligor				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Obligor 1	1	0.003	1,184,500.380	0.023
Obligor 2	1	0.003	1,105,486.940	0.021
Obligor 3	1	0.003	1,090,000.000	0.021
Obligor 4	1	0.003	1,050,000.000	0.020
Obligor 5	1	0.003	984,944.080	0.019
Obligor 6	1	0.003	979,196.850	0.019
Obligor 7	1	0.003	952,906.780	0.018
Obligor 8	1	0.003	952,361.330	0.018
Obligor 9	1	0.003	943,399.510	0.018
Obligor 10	1	0.003	935,219.510	0.018
Rest: 35,493 obligors	35,493	99.972	5,242,974,880.170	99.806
<b>Total obligors: 35,503</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>

The number of obligors matches the number of mortgage loans because the selected portfolio has no obligor with more than one mortgage loan.

#### b) Information regarding selected mortgage loan origination date.

The following table gives the distribution of the selected mortgage loans according to the origination date by six-monthly intervals, excepting the last interval, and the weighted average, minimum and maximum age. The latest selected loan arrangement date is April 3, 2007.

Mortgage loan portfolio as of 18.10.2007				
Classification by loan origination date				
Date interval	Mortgage loans		Outstanding principal	
		%	(EUR)	%
01/01/2000 to 30/06/2000	68	0.19	9,237,097.87	0.18
01/07/2000 to 31/12/2000	87	0.25	14,012,161.21	0.27
01/01/2001 to 30/06/2001	108	0.30	16,750,801.76	0.32
01/07/2001 to 31/12/2001	139	0.39	20,217,722.26	0.38
01/01/2002 to 30/06/2002	183	0.52	28,606,103.04	0.54
01/07/2002 to 31/12/2002	221	0.62	32,089,993.19	0.61
01/01/2003 to 30/06/2003	282	0.79	41,133,069.02	0.78
01/07/2003 to 31/12/2003	885	2.49	106,645,198.65	2.03
01/01/2004 to 30/06/2004	3,163	8.91	386,480,141.88	7.36
01/07/2004 to 31/12/2004	3,381	9.52	433,625,167.22	8.25
01/01/2005 to 30/06/2005	4,022	11.33	559,232,335.89	10.65
01/07/2005 to 31/12/2005	3,848	10.84	563,487,753.40	10.73

Mortgage loan portfolio as of 18.10.2007				
Classification by loan origination date				
Date interval	Mortgage loans		Outstanding principal	
		%	(EUR)	%
01/01/2006 to 30/06/2006	4,980	14.03	748,552,929.17	14.25
01/07/2006 to 31/12/2006	8,918	25.12	1,427,059,587.32	27.17
01/01/2007 to 03/04/2007	5,218	14.70	866,022,833.67	16.49
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>
	<b>22.19</b>	<b>Months</b>	<b>Weighted average age</b>	
	<b>93.40</b>	<b>Months</b>	<b>Maximum age</b>	
	<b>6.51</b>	<b>Months</b>	<b>Minimum age</b>	

c) Information regarding selected mortgage loan principal.

The following table gives the distribution of the outstanding mortgage loan principal as at October 18, 2007 by EUR 25,000 intervals, and the average, minimum and maximum amount.

Mortgage loan portfolio as of 18.10.2007				
Classification by outstanding principal				
Principal interval	Mortgage loans		Outstanding principal	
(EUR)	No.	%	(EUR)	%
0 - 24,999	3	0.01	55,946.16	0.00
25,000 - 49,999	608	1.71	26,864,320.42	0.51
50,000 - 74,999	2,937	8.27	189,589,922.45	3.61
75,000 - 99,999	5,352	15.07	472,428,521.00	8.99
100,000 - 124,999	6,155	17.34	694,396,433.17	13.22
125,000 - 149,999	6,086	17.14	837,363,335.44	15.94
150,000 - 174,999	5,029	14.17	815,238,074.28	15.52
175,000 - 199,999	3,507	9.88	653,778,684.48	12.45
200,000 - 224,999	2,091	5.89	442,687,174.98	8.43
225,000 - 249,999	1,297	3.65	307,092,852.59	5.85
250,000 - 274,999	780	2.20	204,183,679.01	3.89
275,000 - 299,999	515	1.45	148,177,024.65	2.82
300,000 - 324,999	306	0.86	95,393,518.13	1.82
325,000 - 349,999	210	0.59	70,770,839.10	1.35
350,000 - 374,999	135	0.38	48,714,045.79	0.93
375,000 - 399,999	92	0.26	35,561,827.38	0.68
400,000 - 424,999	86	0.24	35,449,793.02	0.67
425,000 - 449,999	55	0.15	24,031,294.23	0.46
450,000 - 474,999	49	0.14	22,681,326.00	0.43
475,000 - 499,999	36	0.10	17,513,188.27	0.33
500,000 - 524,999	27	0.08	13,825,769.63	0.26
525,000 - 549,999	24	0.07	12,893,296.63	0.25
550,000 - 574,999	18	0.05	10,119,237.68	0.19
575,000 - 599,999	21	0.06	12,240,892.60	0.23
600,000 - 624,999	19	0.05	11,574,681.15	0.22
625,000 - 649,999	11	0.03	7,024,268.56	0.13
650,000 - 674,999	12	0.03	7,941,002.65	0.15
675,000 - 699,999	5	0.01	3,438,477.03	0.07
700,000 - 724,999	2	0.01	1,405,788.29	0.03
725,000 - 749,999	3	0.01	2,223,577.75	0.04
750,000 - 774,999	6	0.02	4,588,128.80	0.09
775,000 - 799,999	2	0.01	1,590,929.69	0.03
800,000 - 824,999	3	0.01	2,465,462.67	0.05
825,000 - 849,999	3	0.01	2,520,625.03	0.05
850,000 - 874,999	3	0.01	2,582,023.15	0.05

Mortgage loan portfolio as of 18.10.2007				
Classification by outstanding principal				
Principal interval (EUR)	Mortgage loans		Outstanding principal	
	No.	%	(EUR)	%
875,000 - 899,999	1	0.00	897,000.00	0.02
900,000 - 924,999	3	0.01	2,745,206.01	0.05
925,000 - 949,999	3	0.01	2,805,331.32	0.05
950,000 - 974,999	2	0.01	1,905,268.11	0.04
975,000 - 999,999	2	0.01	1,964,140.93	0.04
1,050,000 - 1,074,999	1	0.00	1,050,000.00	0.02
1,075,000 - 1,099,999	1	0.00	1,090,000.00	0.02
1,100,000 - 1,124,999	1	0.00	1,105,486.94	0.02
1,175,000 - 1,199,999	1	0.00	1,184,500.38	0.02
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>
<b>Average principal:</b>			<b>147,963.63</b>	
<b>Minimum principal:</b>			<b>13,987.51</b>	
<b>Maximum principal:</b>			<b>1,184,500.38</b>	

**d) Information regarding the nature of the reference rate and benchmark indices applicable for determining the floating interest rates applicable to the selected mortgage loans.**

The following table gives the distribution of the mortgage loans according to benchmark indices applicable to the loans for determining the nominal interest rate.

Mortgage loan portfolio as of 18.10.2007				
Classification by Interest rate benchmark index				
Benchmark Index	Mortgage loans		Outstanding principal	
	No.	%	(EUR)	%
1-year Euribor	34,093	96.03	5,075,132,091.78	96.61
MLBI All Institutions	1,327	3.74	168,881,265.92	3.21
MLBI Banks	83	0.23	9,139,537.85	0.17
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>

As explained in section 2.2 of this Building Block, the contract terms of some mortgage loans allow the obligor to choose between floating or constant interest.

**e) Information regarding applicable nominal interest rates: selected mortgage loan maximum, minimum and average rates.**

The following table gives the distribution of the selected mortgage loans by 0.25% nominal interest rate intervals applicable as at October 18, 2007, and their average, minimum and maximum values. The nominal interest rates applicable to the mortgage loans range between 2.85% and 6.67%.

Mortgage loan portfolio as of 18.10.2007					
Classification by applicable nominal interest rate					
Interest Rate % Interval	Mortgage loans		Outstanding principal		% Interest Rate*
	No.	%	(EUR)	%	
2.75 - 2.99	92	0.26	17,452,449.01	0.33	2.85
3.00 - 3.24	1	0.00	95,000.00	0.00	3.00
3.25 - 3.49	38	0.11	7,611,454.87	0.14	3.26
3.50 - 3.74	15	0.04	2,555,196.87	0.05	3.67
3.75 - 3.99	14	0.04	2,005,699.41	0.04	3.84
4.00 - 4.24	180	0.51	30,794,682.61	0.59	4.18
4.25 - 4.49	965	2.72	144,109,579.94	2.74	4.39

<b>Mortgage loan portfolio as of 18.10.2007</b>					
<b>Classification by applicable nominal interest rate</b>					
<b>Interest Rate % Interval</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>		<b>% Interest Rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
4.50 - 4.74	3,314	9.33	523,648,716.15	9.97	4.64
4.75 - 4.99	8,140	22.93	1,269,185,251.73	24.16	4.87
5.00 - 5.24	10,907	30.72	1,638,762,294.99	31.20	5.10
5.25 - 5.49	8,381	23.61	1,161,638,024.98	22.11	5.34
5.50 - 5.74	2,851	8.03	374,297,833.62	7.13	5.58
5.75 - 5.99	495	1.39	67,260,155.08	1.28	5.82
6.00 - 6.24	78	0.22	9,528,200.38	0.18	6.09
6.25 - 6.49	22	0.06	2,795,067.21	0.05	6.33
6.50 - 6.74	10	0.03	1,413,288.70	0.03	6.54
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>	
<b>Weighted average:</b>					<b>5.06 %</b>
<b>Simple average:</b>					<b>5.08 %</b>
<b>Minimum:</b>					<b>2.85 %</b>
<b>Maximum:</b>					<b>6.67 %</b>

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

**f) Information regarding maximum and minimum nominal interest rates applicable to the selected mortgage loans.**

Part of the selected mortgage loans have had a minimum nominal interest rate floor set for applicable nominal interest rate variability. The minimum nominal interest rates applicable to the selected mortgage loans as at October 18, 2007 range between 1.00% and 3.50%.

The following table gives the selected mortgage loan distribution by 0.25% minimum nominal interest rate intervals applicable for determining the nominal interest rate. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio as of 18.10.2007</b>					
<b>Classification by applicable minimum nominal interest rates</b>					
<b>Minimum % Interest Rate Interval</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>		<b>Minimum % Int. Rate*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
1.00 - 1.24	2	0.01	191,156.78	0.00	1.00
2.00 - 2.24	53	0.15	8,116,203.42	0.15	2.00
2.25 - 2.49	92	0.26	11,803,229.72	0.22	2.25
2.50 - 2.74	253	0.71	31,447,264.80	0.60	2.50
2.75 - 2.99	219	0.62	26,351,890.51	0.50	2.77
3.00 - 3.24	467	1.32	57,662,064.32	1.10	3.00
3.25 - 3.49	1	0.00	71,117.58	0.00	3.25
3.50 - 3.74	33	0.09	3,424,480.84	0.07	3.50
No minimum applicable NIR	34,383	96.85	5,114,085,487.58	97.35	
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>	

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

The selected mortgage loans have had a maximum nominal interest rate ceiling set for applicable nominal interest rate variability. The maximum nominal interest rates applicable to the selected mortgage loans as at October 18, 2007 range between 12.00% and 30.00%.

The following table gives the selected mortgage loan distribution by 0.25% maximum nominal interest rate intervals applicable for determining the nominal interest rate. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio as of 18.10.2007</b>					
<b>Classification by applicable maximum nominal interest rates</b>					
<b>Maximum % Interest Rate Interval</b>	<b>Mortgage loans</b>		<b>Outstanding principal (EUR)</b>		<b>Maximum % Int. Rate*</b>
		<b>%</b>		<b>%</b>	
12.00 - 12.24	810	2.28	118,496,875.69	2.26	12.00
12.50 - 12.74	17	0.05	3,859,991.26	0.07	12.50
13.00 - 13.24	2	0.01	419,700.65	0.01	13.00
14.00 - 14.24	7	0.02	1,107,791.62	0.02	14.00
15.00 - 15.24	34,637	97.56	5,124,432,276.21	97.55	15.00
16.00 - 16.24	6	0.02	749,184.86	0.01	16.00
17.00 - 17.24	1	0.00	208,359.93	0.00	17.00
18.00 - 18.24	4	0.01	585,711.72	0.01	18.00
19.00 - 19.24	9	0.03	1,198,515.43	0.02	19.00
20.00 - 20.24	1	0.00	283,444.12	0.01	20.00
30.00 - 30.24	9	0.03	1,811,044.06	0.03	30.00
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>	

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

**g) Information regarding final maturity date of the selected mortgage loans.**

The following table gives the distribution of the selected mortgage loans according to final maturity date by annual intervals, and the weighted average residual life and the first and last final maturity dates.

<b>Mortgage loan portfolio as of 18.10.2007</b>						
<b>Classification by final repayment date</b>						
<b>Final Repayment Year</b>	<b>Mortgage loans</b>		<b>Outstanding principal (EUR)</b>		<b>Residual Life wa*</b>	
		<b>%</b>		<b>%</b>	<b>Months</b>	<b>Date</b>
2011	1	0.00	279,040.23	0.01	49.41	30/11/2011
2012	1	0.00	34,688.09	0.00	62.46	31/12/2012
2013	5	0.01	302,498.94	0.01	71.52	3/10/2013
2014	6	0.02	615,036.66	0.01	81.69	8/08/2014
2015	11	0.03	963,022.61	0.02	93.47	2/08/2015
2016	64	0.18	6,992,775.09	0.13	105.33	28/07/2016
2017	40	0.11	5,990,388.78	0.11	115.04	20/05/2017
2018	45	0.13	4,368,667.03	0.08	129.85	13/08/2018
2019	136	0.38	12,839,230.77	0.24	141.98	18/08/2019
2020	169	0.48	17,051,303.51	0.32	153.71	9/08/2020
2021	404	1.14	47,188,536.40	0.90	165.76	10/08/2021
2022	200	0.56	22,910,306.46	0.44	174.54	5/05/2022
2023	191	0.54	18,955,833.55	0.36	190.18	24/08/2023
2024	533	1.50	53,931,370.62	1.03	201.18	23/07/2024
2025	599	1.69	71,185,249.48	1.36	213.11	22/07/2025
2026	1,079	3.04	144,364,559.18	2.75	225.61	6/08/2026
2027	555	1.56	77,657,292.43	1.48	234.36	29/04/2027
2028	342	0.96	41,229,332.01	0.78	249.45	1/08/2028
2029	980	2.76	108,925,131.88	2.07	260.91	15/07/2029
2030	1,077	3.03	141,944,976.44	2.70	273.17	24/07/2030
2031	1,768	4.98	242,964,568.80	4.63	285.60	6/08/2031
2032	970	2.73	144,501,614.40	2.75	294.63	7/05/2032
2033	879	2.48	112,874,284.26	2.15	310.29	26/08/2033

Mortgage loan portfolio as of 18.10.2007						
Classification by final repayment date						
Final Repayment Year	Mortgage loans		Outstanding principal		Residual Life wa*	
		%	(EUR)	%	Months	Date
2034	4,184	11.78	543,764,509.74	10.35	321.49	2/08/2034
2035	5,236	14.75	763,093,744.94	14.53	332.97	18/07/2035
2036	7,242	20.40	1,138,812,567.27	21.68	345.38	29/07/2036
2037	2,031	5.72	333,658,598.79	6.35	352.97	18/03/2037
2038	61	0.17	10,862,425.40	0.21	370.11	21/08/2038
2039	81	0.23	15,825,328.01	0.30	380.69	9/07/2039
2040	113	0.32	20,304,406.38	0.39	393.26	26/07/2040
2041	866	2.44	150,667,626.14	2.87	407.43	30/09/2041
2042	615	1.73	105,387,518.72	2.01	413.48	2/04/2042
2043	85	0.24	15,383,028.49	0.29	429.47	2/08/2043
2044	133	0.37	24,090,062.02	0.46	441.08	20/07/2044
2045	213	0.60	37,009,775.34	0.70	454.09	20/08/2045
2046	2,511	7.07	444,941,134.21	8.47	467.45	1/10/2046
2047	2,077	5.85	371,282,462.48	7.07	472.85	14/03/2047
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>		
<b>Weighted average:</b>					<b>343.39</b>	<b>30/05/2036</b>
<b>Simple average:</b>					<b>334.26</b>	<b>26/08/2035</b>
<b>Minimum:</b>					<b>49.41</b>	<b>30/11/2011</b>
<b>Maximum:</b>					<b>478.42</b>	<b>31/08/2047</b>

\* Residual life to final maturity date (months and date) stands for averages weighted by the outstanding principal of loans with final maturity in the relevant year.

As set out in section 2.2.4.1 of this Building Block, the contract terms of some mortgage loans allow the due date to be changed.

#### h) Information regarding geographical distribution by Autonomous Communities.

The following table gives mortgage loan distribution by Autonomous Communities according to where the mortgage loan security is located.

Mortgage loan portfolio as of 18.10.2007				
Classification by Autonomous Communities				
	Mortgage loans		Outstanding principal	
		%	(EUR)	%
Andalusia	8,311	23.41	1,093,573,731.23	20.82
Aragón	524	1.48	77,312,535.88	1.47
Asturies	755	2.13	88,081,721.11	1.68
Balearic Isles	1,295	3.65	211,406,166.64	4.02
Canary Islands	2,947	8.30	377,466,738.84	7.19
Cantabria	327	0.92	46,362,896.93	0.88
Catalonia	5,629	15.85	1,069,871,092.53	20.37
Ceuta	130	0.37	16,536,848.24	0.31
Basque Country	563	1.59	107,694,817.05	2.05
Extremadura	687	1.94	71,069,485.10	1.35
Galicia	1,940	5.46	231,008,203.37	4.40
Castile-León	1,200	3.38	154,760,001.43	2.95
Madrid	2,899	8.17	576,429,582.64	10.97
Castile La Mancha	1,311	3.69	174,914,566.49	3.33
Melilla	146	0.41	17,735,820.44	0.34
Murcia	1,140	3.21	154,335,631.42	2.94

<b>Mortgage loan portfolio as of 18.10.2007</b>				
<b>Classification by Autonomous Communities</b>				
	<b>Mortgage loans</b>		<b>Outstanding principal</b>	
		<b>%</b>	<b>(EUR)</b>	<b>%</b>
Navarre	177	0.50	28,799,037.49	0.55
La Rioja	142	0.40	20,128,727.15	0.38
Valencian Community	5,380	15.15	735,665,291.57	14.00
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>

**i) Information regarding delays, if any, in collecting selected mortgage loan interest or principal instalments.**

The following table gives the number of mortgage loans, the outstanding principal and the overdue principal on selected mortgage loans in regard to which there was any delay in payment of amounts due as at October 18, 2007.

<b>Arrears in payment of instalments due as of 18.10.2007</b>				
<b>Day Interval</b>	<b>Mortgage Loans</b>	<b>Outstanding Principal</b>	<b>Overdue Principal</b>	
				<b>% o/ Total Outstanding Principal</b>
In good standing	33,775	4,995,065,393.83		
1 to 15 days	78	10,451,468.36	10,295.42	0.00000
16 to 30 days	1,647	247,352,509.30	281,888.53	0.00005
31 to 60 days	3	283,524.06	1,179.38	0.00000
<b>Total overdue</b>	<b>35,503</b>	<b>5,253,152,895.55</b>	<b>293,363.33</b>	<b>0.00006</b>

In accordance with BBVA's representation in section 2.2.8.2.(20) of the Building Block, none of the Mortgage Loans that will finally have their receivables partly assigned to the Fund upon being established shall have any payments more than one (1) month overdue on their assignment date.

**j) Loan to value ratio or level of collateralisation.**

The selected mortgage loans all have real estate mortgage security and the mortgages are all registered as senior mortgages, or as junior mortgages, as the case may be, although BBVA has documents supporting economic cancellation of the debts originated by previous mortgages, which are however yet to be struck off the register.

The ratio, expressed as a percentage, of the initial outstanding principal as of October 18, 2007 to the appraisal value of the selected mortgage loan mortgaged properties ranged between 2.30% and 80.00%, and the average ratio weighted by the outstanding principal of each mortgage loan is 73.88%.

The following table gives the distribution of the mortgage loans by 5.00% intervals of that ratio. Intervals with no contents are not detailed.

<b>Mortgage loan portfolio as of 18.10.2007</b>					
<b>Classification by loan to value ratio</b>					
<b>Ratio Intervals</b>	<b>Mortgage loans</b>		<b>Outstanding principal</b>		<b>(%) Loan to Value*</b>
		<b>%</b>	<b>(EUR)</b>	<b>%</b>	
0.01 - 5.00	1	0.00	158,373.74	0.00	2.30
10.01 - 15.00	5	0.01	161,875.51	0.00	14.13
15.01 - 20.00	1	0.00	21,561.65	0.00	16.08
20.01 - 25.00	2	0.01	94,727.73	0.00	23.68
25.01 - 30.00	1	0.00	27,377.69	0.00	25.25
30.01 - 35.00	4	0.01	326,652.50	0.01	32.71
35.01 - 40.00	1	0.00	97,834.15	0.00	39.71



Mortgage loan portfolio as of 18.10.2007					
Classification by loan to value ratio					
Ratio Intervals	Mortgage loans		Outstanding principal		(% ) Loan to Value*
		%	(EUR)	%	
40.01 - 45.00	2	0.01	325,696.56	0.01	44.23
45.01 - 50.00	7	0.02	695,761.74	0.01	48.54
50.01 - 55.00	18	0.05	2,347,627.86	0.04	51.95
55.01 - 60.00	28	0.08	3,422,789.13	0.07	58.18
60.01 - 65.00	68	0.19	9,124,258.38	0.17	62.88
65.01 - 70.00	8,659	24.39	1,203,799,701.49	22.92	67.65
70.01 - 75.00	10,478	29.51	1,488,768,507.38	28.34	72.72
75.01 - 80.00	16,228	45.71	2,543,780,150.04	48.42	77.61
<b>Total</b>	<b>35,503</b>	<b>100.00</b>	<b>5,253,152,895.55</b>	<b>100.00</b>	
<b>Weighted Average:</b>					<b>73.88 %</b>
<b>Simple Average:</b>					<b>73.61 %</b>
<b>Minimum:</b>					<b>2.30 %</b>
<b>Maximum:</b>					<b>80.00 %</b>

\*Loan to Value Ratio are averages weighted by the outstanding principal.

There is no overcollateralisation in the Fund since the Outstanding Balance of Mortgage Loans that BBVA shall assign to the Fund upon being set up shall be equal to or slightly above EUR four billion nine hundred million (4,900,000,000.00), the face value amount of the Bond Issue.

### 2.2.3 Legal nature of the pool of assets to be securitised.

The selected mortgage loans are all loans with real estate mortgage security, originated in a public deed (the "**Mortgage Loans**") granted by BBVA to individuals with real estate mortgage security on finished homes located in Spain.

The Mortgage Loans were originated in a public deed subject to the Mortgage Act, February 8, 1946, Mortgage Market Regulation Act 2/1981, March 25, as currently worded, and ancillary laws, although they do not necessarily satisfy all the requirements laid down in Section Two of said Act 2/1981, which is why they are transferred to the Fund upon BBVA issuing and the Fund subscribing for Pass-Through Certificates, currently in accordance with article 18 of Act 44/2002. The real estate mortgage securities are entered in the relevant Land Registries in respect of the senior-ranked mortgaged real estate or, ranking junior, as the case may be, although BBVA has documents relating to economic cancellation of the debts originated by previous mortgages which are yet to be struck off the registers.

The Mortgage Loan receivables shall be assigned to the Fund upon BBVA issuing and the Fund subscribing for Pass-Through Certificates subject to the provisions of Act 2/1981, and additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, on the terms provided for in section 3.3 of this Building Block.

### 2.2.4 Expiry or maturity date(s) of the assets.

The selected mortgage loans each have a final maturity date without prejudice to periodic partial repayment instalments, on the specific terms applicable to each of them.

Obligors may at any time during the life of the mortgage loans 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 repayment occurs.

The final maturity date of the selected mortgage loans at October 18, 2007 lies between November 30, 2011 and August 31, 2047.

#### 2.2.4.1 Changing the asset maturity date.

The public deeds originating some of the mortgage loans provide that the obligor or borrower and BBVA may agree to change the loan maturity date -as often as the obligor shall deem appropriate- if the obligor or borrower is in good standing in respect of all payments due and is not in breach of any of the obligations established in the public deed, subject to the following limitations:

- a) That the requested extension or reduction is for not more than sixty or not less than twelve monthly payments.
- b) That the due date of the last instalment after the requested extension of the term is at no event more than 10 years after the initially agreed maturity date and does not reduce the initially agreed term by more than 10 years.
- c) That the mortgage cover is less than 80 percent.

Based on those terms for changing the maturity date, the last maximum final maturity date of the mortgage loans selected as of October 18, 2007 if changed could actually be January 31, 2057.

#### 2.2.5 Amount of the assets.

The Fund shall be set up with the Pass-Through Certificates, representing Mortgage Loan rights, issued by BBVA and subscribed for by the Fund upon being established and their Outstanding Balance shall be equal to or slightly above EUR four billion nine hundred million (4,900,000,000.00), the face value amount of the Bond Issue.

The portfolio of selected mortgage loans from which the Mortgage Loans will be taken in order for their receivables to be mostly assigned to the Fund upon being established by having BBVA issue and the Fund subscribe for the Pass-Through Certificates comprises 35,503 mortgage loans, their outstanding principal as of October 18, 2007 being EUR 5,253,152,895.55 and the overdue principal being EUR 293,363.33.

#### 2.2.6 Loan to value ratio or level of collateralisation.

The loan to value ratio or level of collateralisation is given in section 2.2.2 j) of this Building Block.

#### 2.2.7 Method of creation of the assets.

The mortgage loans selected to back the issue of Pass-Through Certificates to be subscribed for by the Fund have been granted by BBVA following its usual credit risk analysis and assessment procedures for granting mortgage loans to individuals. The following is a summary description of the procedures currently in place at BBVA:

##### 1. Introduction.

BBVA's retail banking is the Group's division managing private customer, retail and small and medium-sized enterprise business. Retail banking includes commercial banking, which manages private customer, retail and small enterprise segment business.

##### Origination channels.

Commercial banking has 3,300 branches nation-wide, which are specialised to some extent as follows:

- 630 business environment branches
- 325 rural environment branches

In order to deal with this wide-ranging, heterogeneous group as best as possible, there are 7 territorial management offices with a specific field of business and with a private customer promotion officer who coordinates, drives and supports the various priority actions and procedures in that environment.

## 2. Evaluation processes.

### 2.1 Economic risk evaluation system: Reactive scoring

Based on social and demographic, employment and financial information provided by the customer and the parties to the transaction (guarantors, if any), the risk profile of the proposed transaction is assessed.

- Positive: Favourable profile for the applicants / transaction.
- Doubtful: Weak points in the borrowers and/or the transaction.
- Negative: The risk profiles are more unstable.

In addition, the system relates the scoring opinion to risk policies and both internal and external filters in order to issue a final opinion. The main variables are therefore analysed as follows:

- The family unit's payment capacity
- The cash balance is the difference between monthly income and expenditure
- Declared and estimated income and expenditure
- The economic cover provided by the property in the event of foreclosure.

After analysing the transaction, a final automatic opinion is issued supporting decision-making according to the powers conferred on the account manager/analyst and which may be:

- Positive: satisfies risk acceptance requirements. (Authorise the transaction)
- Doubtful: mild default filters. (Refuse the transaction as the branch shall see fit)
- Negative: worrying filters. (Send to the territorial management office)

### 2.2 Reactive scoring variables used.

Detail of the most significant variables used in the reacting scoring evaluation process:

TRANSACTION	PERSONAL	SOCIAL & DEMOGRAPHIC	PROFESSIONAL
Use	Age	Country of residence	Salaried workers
Percentage funding	Marital status	Usual residence	Self-employed workers
Term	Dependent persons	Post code	Finance and equity

## 3. Risk monitoring processes

A three-step analysis is made of how the risk of default is monitored as described below.

### Customer

The branch holding the investment is contacted in order for the branch to notify the customer of the arrears. The internal audit is also used to inform both of transaction marking deficiencies and of the risk posed by certain customers and branches, which are monitored by the monitoring officers at each territorial management office.

In addition, debt recovery letters are sent centrally and overdue instalments are claimed by telephone calls made by a services company.

### Transactions referred by estate agents (APIS)

Referrers with high delinquency rates are revised monthly. Estate agents are cross-checked every six months using BBVA's various quality files in order to see how they are each progressing.

### Branches – statistical and other monitoring

Monthly, a pattern is established for branch / area / territorial office delinquency ratios, LTV ratios and delinquent group typologies, and scoring dependability is reviewed.

The conclusions, results and action plans are discussed monthly on the risk monitoring committees.

Samplings are made to check that upon completion mortgaged properties are valued at market, and in addition appraisers have to be recognised by the Bank of Spain, etc.

#### 4. Delinquency management processes

Recovery actions at BBVA are managed, on a case-by-case basis, through IT applications and centres designed for that purpose.

The process comprises the following stages:

##### Recovery outline

The recovery process relies on the following tools:

- **Booking delinquency: delinquency/bad debts application**  
Manages booking of all matters defined as doubtful assets, within the meaning of Bank of Spain Circular 4/2004, December 22, 2004.
- **Recovery management agenda**  
Tool designed to expedite and drive recovery management, monitoring and controlling matters classified as doubtful assets/bad debts.

Allows:

- The status of a matter/procedure to be known
- The steps taken for each matter/procedure to be updated
- Personalised management portfolios to be prepared
- An alerts system to be triggered
- Access to accounting movements

It receives information from the delinquency/bad debts application and transfers information to the information centre.

The agenda consists of different modules, the following being noteworthy:

- **Payment agreements:** Both out-of-court and in-court payment agreements
- **Telegrams:** Claim telegrams automatically sent and recorded
- **Credit Sale/Transfer**
- **Maintaining assets:** Assets taken as security for the transactions
- **Advance payments to court attorney:** court attorney procedural expenses
- **Alerts menu for cases managed**
- **Extranet:** external agent access to look up and update case files. Includes an automatic alerts system.
- **Information centre**  
Collects information originating in the recovery management agency (delinquency and legal proceedings). Issues statistical summaries and account inventories, provides alerts and reports both daily and monthly.

##### *Recovery before taking legal action*

This is a highly personalised procedure in which the Recovery Manager is in touch with the obligor.

Steps in managing mortgage loans becoming fully delinquent before taking legal action:

- **DELINQUENCY:**
  - Upon becoming delinquent (four overdue monthly instalments) the application sends all borrowers and reported guarantors the delinquency letter and a written ultimatum.
  - Next action date: 1 month
- **WITHIN ONE MONTH OF BECOMING DELINQUENT (five instalments overdue):**
  - If at least one full instalment has been paid, the customer is proposed a payments scheme.

- Otherwise, the event is notified to all the borrowers and guarantors
- Next action date: 1 month.
  
- WITHIN TWO MONTHS OF BECOMING DELINQUENT (six instalments overdue):
  - If at least one full instalment has been paid, the customer is proposed a payments scheme.
  - Otherwise, the process begins for legal action to be taken.
  - Next action date: 1 month.
  
- WITHIN THREE MONTHS OF BECOMING DELINQUENT (seven instalments overdue):
  - If at least one full instalment has been paid, the customer is proposed a payments scheme.
  - Otherwise, the process begins for the loan to be settled, legal proceedings to be commenced and all other tasks and procedures for the action to be brought.

*Pre-judicial stage, filing the legal claim*

If the above actions are not to no avail, then all documents are immediately prepared in order for legal proceedings to be commenced.

**5. Bad debts management processes**

The bad debts management unit is specifically entrusted with managing/recovering all matters classified as definitive bad debts in the Group.

**2.2.8 Indication of representations and collaterals given to the issuer relating to the assets.**

**Representations of the Originator.**

BBVA shall, as holder of the Mortgage Loan receivables until assigned to the Fund and as issuer of the Pass-Through Certificates, declare and represent as follows to the Fund and the Management Company in the Deed of Constitution.

**1. In relation to BBVA.**

- (1) That it is a credit institution duly incorporated in accordance with the laws in force for the time being, entered in the Companies Register and the Bank of Spain's Register of Credit Institutions, and is authorised to operate in the mortgage market.
- (2) That neither at today's date nor at any time since it was incorporated has it been decreed to be bankrupt or insolvent, 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, including those required of its corporate bodies and, as the case may be, third parties who may be affected by the assignment of the Mortgage Loan receivables, to issue the Pass-Through Certificates, to validly execute the Fund Deed of Constitution, the agreements relating to the establishment of the Fund and to fulfil the undertakings made.
- (4) That it has audited annual accounts for the last three years ended as of December 31, 2006, 2005 and 2004 which have been filed with the CNMV and with the Companies Register. The audit report on the year 2006 annual accounts has no provisos.

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

- (1) That the Mortgage Loan receivables are assigned to the Fund by issuing the Pass-Through Certificates in the ordinary course of business of BBVA and they are issued at arm's length and in accordance with Act 2/1981, Royal Decree 685/1982, amended by Royal Decree 1289/1991 and as established by additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, and other applicable laws.

- (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 all the Mortgage Loans exist and are valid and enforceable in accordance with the applicable laws.
- (4) That it is the legal and beneficial owner of each of 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, and match the data files sent to the Management Company on those Mortgage Loans.
- (6) That the Mortgage Loans are secured with a real estate mortgage on the legal and beneficial ownership of each and every one of the mortgaged properties ranking senior, or ranking junior, as the case may be, although BBVA has the documents regarding economic cancellation of debts originated by previous mortgages, even though their registration cancellation procedure is pending.
- (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, other than debts originated by previous mortgages, although BBVA has documents regarding economic cancellation.
- (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 all the Mortgage Loan payment obligations are satisfied by directly debiting an account at BBVA.
- (11) That the Mortgage Loans have been granted to individuals residing in Spain for the purpose of financing the purchase, building or renovation of homes.
- (12) That the mortgages are granted on real properties already built wholly legally and beneficially owned by the respective mortgagor and to the best of BBVA's knowledge there is no litigation over the ownership of those properties which might detract from the mortgages.
- (13) That the properties mortgaged under the Mortgage Loans are not, and are not ineligible as, assets excluded for standing as security under article 31 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.
- (14) That the mortgaged properties are all finished homes (and annexes, parking spaces or lumber rooms, if any) located in Spain and have been appraised by duly qualified institutions approved by BBVA, evidence of which appraisal has been duly provided in the form of a certificate. The appraisals done satisfy all the requirements established in the mortgage market laws.
- (15) That the outstanding principal balance of each Mortgage Loan does not exceed 80% of the appraisal value of the properties mortgaged as security for the relevant Mortgage Loan.
- (16) That, to the best of its knowledge, there has been no fall in the value of any of the properties mortgaged as security for the Mortgage Loans in excess of 20% of the appraisal value.

- (17) That the properties mortgaged as security for the Mortgage Loans all have at least damage risk cover under valid insurance policies naming BBVA as the beneficiary and the insured sum thereunder is not less than the appraisal value of the mortgaged property or mortgaged properties, excluding elements that cannot by nature be insured, or that BBVA has taken out a secondary general insurance policy ensuring damage insurance in the event of that insurance not existing or of the insured sums falling short of the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature.
- (18) That in the case of Mortgage Loans secured with officially protected homes, the appraisal value considered and reported for all calculation purposes was the highest legal value of the official protection system.
- (19) 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.
- (20) That on the date of issue of the Pass-Through Certificates none of the Mortgage Loans have any payments that are more than one (1) month overdue.
- (21) That, to the best of its knowledge, no Mortgage Loan Obligor holds any credit right against BBVA whereby that Obligor might be entitled to a set-off which might adversely affect the rights conferred by the Pass-Through Certificates.
- (22) That BBVA 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.
- (23) That the deeds for the mortgages granted on the properties to which the Mortgage Loans relate have all been duly filed in the records of BBVA 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.
- (24) That the outstanding capital balance of each Mortgage Loan 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 EUR four billion nine hundred million (4,900,000,000.00).
- (25) That the final maturity date of the Mortgage Loans is at no event after January 31, 2057.
- (26) That, after being granted, the Mortgage Loans have been serviced and are still being serviced by BBVA in accordance with its set customary procedures.
- (27) That, to the best of its knowledge, there is no 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, nor do any circumstances exist which may result in the purchase agreement of the home mortgaged as security for the Mortgage Loans being ineffective.
- (28) That, to the best of its knowledge, there has been no failure to pay in full the premiums accrued heretofore by the insurance taken out referred to in paragraph (17) above.
- (29) That, to the best of its knowledge, no Obligor is able to make any objection whatsoever to paying any Mortgage Loan amount.
- (30) That on the date of issue it has received no notice of full prepayment of the Mortgage Loans.
- (31) That the Mortgage Loan payment frequency is monthly.
- (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 information contained in the Prospectus is accurate and strictly true.
- (34) That, to the best of its knowledge, no circumstance whatsoever exists which might prevent the mortgage security from being enforced.
- (35) 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.
- (36) That nobody has a preferred right over the Fund in and to the Mortgage Loans, as holder of the Pass-Through Certificates.
- (37) That all the Mortgage Loan capital or principal has been fully drawn down.

## **2.2.9 Substitution of the securitised assets.**

### **Set rules for substituting Pass-Through Certificates or otherwise repayment to the Fund.**

1. In the event of early amortisation of the Pass-Through Certificates upon the relevant Mortgage Loan capital being prepaid, there will be no substitution of the Pass-Through Certificates.
2. In the event that during the full term of the Pass-Through Certificates it should be found that any of them or the relevant Mortgage Loan fail to conform to the representations given in section 2.2.8 above upon the Fund being established, BBVA agrees, subject to the Management Company's consent, to proceed forthwith to remedy and, if that is not possible, substitute or, as the case may be, redeem the affected Pass-Through Certificates not substituted, by early amortisation of the affected Pass-Through Certificates, subject to the following rules:
  - (i) The party becoming acquainted with the existence of a latent defect, be it the Originator or the Management Company, shall advise the other party of that circumstance in writing. The Originator shall have a period of not more than fifteen (15) Business Days from said notice to remedy that circumstance if it may be so remedied or proceed to a substitution of the affected Pass-Through Certificates, notifying the Management Company of the characteristics of the mortgage loans intended to be assigned to take their stead, which shall fulfil the representations given in section 2.2.8 above and be of the same kind as to ranking, residual term, interest rate and outstanding principal value as the affected Pass-Through Certificates and also credit quality in terms of ratio of outstanding principal to the appraisal value of the mortgaged property or properties of the Pass-Through Certificates to be replaced, in order for the financial balance of the Fund, or indeed the rating of the Bonds in connection with the provisions of section 7.5 of the Securities Note, not to be affected by such substitution. Once the Management Company has checked the appropriateness of the substitute mortgage loan or loans, and after advising the Originator expressly of mortgage loans suitable for such substitution, such substitution shall be made by early amortisation of the affected Pass-Through Certificates and, as the case may be, issuing the new substitute Pass-Through Certificates.

The substitution shall be recorded in a public deed subject to the same formalities established for the assignment of the Pass-Through Certificates upon the Fund being established, in accordance with the specific characteristics of the new mortgage loans assigned. The Management Company shall provide the CNMV, the undertaking in charge of the Bond accounting record and the Rating Agencies with a copy of the public deed.

- (ii) In the event that there should be no substitution of the affected Pass-Through Certificates in accordance with rule (i) above, the affected Pass-Through Certificates not substituted shall be amortised early. That early amortisation shall take place by a repayment in cash to the Fund by the Originator of the outstanding principal of the affected Pass-Through Certificates not substituted, interest accrued and not paid, calculated until the repayment date, and any other amount owing to the Fund under those Pass-Through Certificates.



- (iii) If the events of paragraphs (i) and (ii) above should occur, BBVA shall be vested in all the rights attaching to those Pass-Through Certificates accruing from the date of substitution or repayment to the Fund or accrued and not due, and overdue amounts on that same date.
3. In particular, the amendment by the Originator during the life of the Mortgage Loans of their terms without regard to the limits established in the special laws applicable and, in particular, to the terms agreed between the Fund, represented by the Management Company, and the Originator in this Prospectus, in the Deed of Constitution and in the Servicing Agreement, which would therefore be an absolutely exceptional amendment, would constitute a unilateral breach by the Originator of its duties which should not be borne by the Fund or by the Management Company.

Upon any such breach occurring, the Fund may, through the Management Company: (i) demand payment of the relevant damages and losses and (ii) request replacement or repayment of the affected Pass-Through Certificates, in accordance with the procedure provided for in paragraph 2 above of this section, which shall not result in the Originator guaranteeing that the transaction will be successfully completed, but only the requisite redress of the effects resulting from the breach of its duties, in accordance with article 1124 of the Civil Code.

The expenses originated by the actions to remedy the Originator's breach shall be borne by the Originator and cannot be charged to the Fund or the Management Company. The Management Company shall notify the CNMV of Pass-Through Certificate replacements or redemptions resulting from a breach by the Originator.

#### **2.2.10 Relevant insurance policies relating to the assets.**

In accordance with BBVA's representation (17) given in section 2.2.8.2 of this Building Block, all properties mortgaged as security for the Mortgage Loans have at least valid damage insurance, and the insured sum thereunder is not less than the appraisal value of the mortgaged property or mortgaged properties, excluding elements that cannot by nature be insured, or BBVA has taken out a secondary general insurance policy ensuring damage insurance cover in the event of that insurance not existing or of the insured sums falling short of the appraisal value of the mortgaged property or properties, excluding elements that are uninsurable by nature.

As of October 18, 2007, 66.69% of the damage insurance policies of the properties mortgaged as security for the selected portfolio mortgage loans were in force and had been taken out by the Obligors with BBVA SEGUROS, S.A. de Seguros y Reaseguros. No details are included regarding concentration of the other insurers because the current status at that date of the insurance policies taken out by the Obligors and their data are not supported or updated in the Originator's computer records. The policy was taken out by BBVA with BBVASEGUROS, S.A. de Seguros y Reaseguros. The total insured sum under this general policy amounts to EUR 1,717,227,039.13.

#### **2.2.11 Information relating to the obligors where the securitised assets comprise obligations of 5 or fewer obligors which are legal persons or where an obligor accounts for 20% or more of the assets, or where an obligor accounts for a material portion of the assets.**

Not applicable.

#### **2.2.12 Details of the relationship, if it is material to the issue, between the issuer, guarantor and obligor.**

There are no relationships between the Fund, the Originator, the Management Company and other parties involved in the transaction other than as set forth in sections 5.2 and 6.7 of the Registration Document and in section 3.2 of this Building Block.

**2.2.13 Where the assets comprise fixed income securities, a description of the principal terms.**

Not applicable.

**2.2.14 Where the assets comprise equity securities, a description of the principal terms.**

Not applicable.

**2.2.15 If the assets comprise equity securities that are not traded on a regulated or equivalent market, where they represent more than ten (10) per cent of the securitised assets, a description of the principal terms.**

Not applicable.

**2.2.16 Valuation reports relating to the property and cash flow/income streams where a material portion of the assets are secured on real property.**

The appraisal values of the properties securing the selected mortgage loans correspond to appraisals made by appraisers for the purpose of granting and arranging the selected mortgage loans.

**2.3 Actively managed assets backing the issue.**

Not applicable.

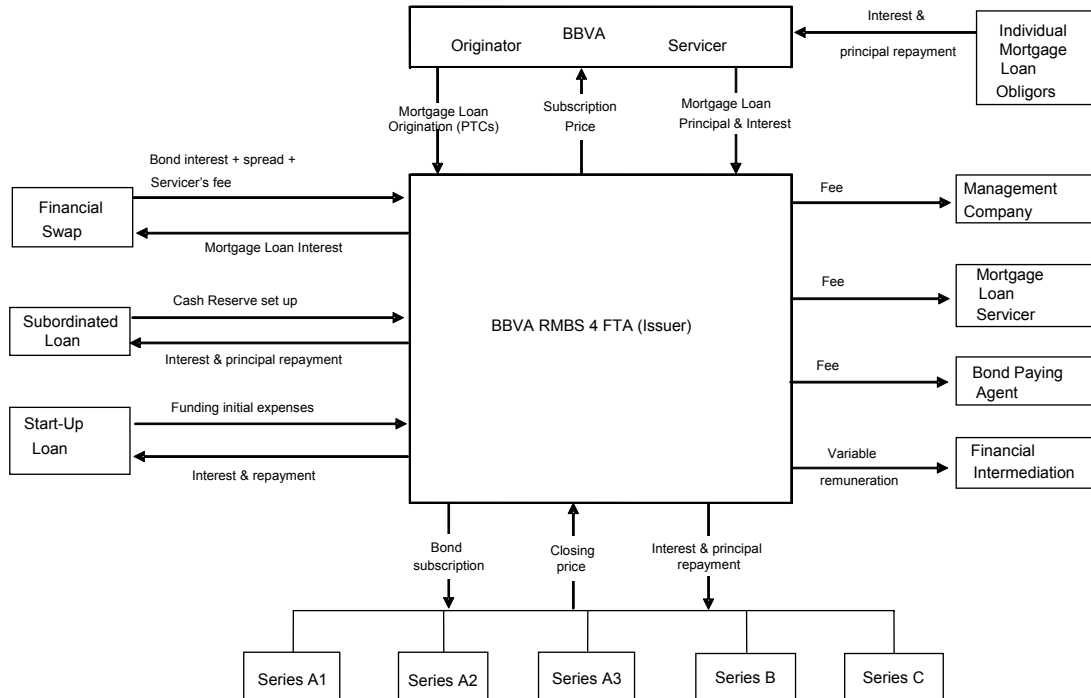
**2.4 Where the issuer proposes to issue further securities backed by the same assets, statement to that effect and description of how the holders of that class will be informed.**

Not applicable.

### 3. STRUCTURE AND CASH FLOW

#### 3.1 Description of the structure of the transaction, including if necessary, a diagram.

##### Transaction structure diagram.



##### Initial balance sheet of the Fund.

The balance sheet of the Fund on the Closing Date will be as follows:

ASSETS		LIABILITIES	
<b>Fixed Assets</b>	<b>4,903,500,000.00</b>	<b>Bond Issue</b>	<b>4,900,000,000.00</b>
Mortgage Loans (adjustment excess to EUR 138,569.00)	4,900,138,569.00	Series A1 Bonds	2,740,000,000.00
Set-up, issue and admission expenses*	3,361,431.00	Series A2 Bonds	960,000,000.00
<b>Current assets</b>	<b>to be determined</b>	Series A3 Bonds	1,050,500,000.00
Treasury Account*	51,450,000.00	Series B Bonds	41,700,000.00
Accrued interest receivable**	to be determined	Series C Bonds	107,800,000.00
<b>Total assets</b>	<b>4,954,950,000.00</b>	<b>Other long-term liabilities</b>	<b>54,950,000.00</b>
		Start-Up Loan	3,500,000.00
		Subordinated Loan	51,450,000.00
		<b>Short-term creditors</b>	<b>to be determined</b>
		Mortgage Loan interest accrued **	to be determined
		<b>Total liabilities</b>	<b>4,954,950,000.00</b>
<b>MEMORANDUM ACCOUNTS</b>			
Cash Reserve	51,450,000.00		
Financial Swap collections	0.00		
Financial Swap payments	0.00		

##### (Amounts in EUR)

\* Assuming that all Fund set-up and Bond issue and admission expenses are met on the Closing Date and that they amount to EUR 3,361,431.00 as detailed in section 6 of the Securities Note.

\*\* As set forth in section 3.3.3 of this Building Block.

### **3.2 Description of the entities participating in the issue and of the functions to be performed by them.**

- (i) EUROPEA DE TITULIZACIÓN is the Management Company that will establish, manage and legally represent the Fund and was involved in structuring the financial terms of the Fund and the Bond Issue.
- (ii) BBVA is the originator of the Mortgage Loan receivables to be assigned to the Fund upon being established by issuing the Pass-Through Certificates, shall be the Lead Manager, the Series A1, A2 and A3 Bond Underwriter and Placement Agent, the Series B and C Bond Subscriber, was involved in structuring the financial terms of the Fund and the Bond Issue and shall be the Series A1, A2 and A3 Bond subscription book runner.  
  
Moreover, BBVA shall be the Fund's counterparty under the Guaranteed Interest Rate Account (Treasury Account), Subordinated Loan, Start-Up Loan, Financial Swap, Mortgage Loan Servicing and Pass-Through Certificate Custody, Bond Paying Agent and Financial Intermediation Agreements.
- (iii) Garrigues, an independent law firm, has provided legal advice for establishing the Fund and issuing the Bonds and reviewed the tax implications thereof.
- (iv) Deloitte have audited the most significant characteristics of a sample of the selected mortgage loans of BBVA.
- (v) Moody's and S&P are the Rating Agencies that have assigned the rating to each Bond Issue Series.

The description of the institutions referred to in the above paragraphs is given in section 5.2 of the Registration Document.

The Management Company represents that the summary descriptions of those agreements, which it shall enter into for and on behalf of the Fund, given in the relevant sections of this Prospectus, include the most substantial and relevant information on each agreement, duly reflect their contents and that no information has been omitted which might affect the contents of the Prospectus.

### **3.3 Description of the method and date of the sale, transfer, novation or assignment of the assets or of any rights and/or obligations in the assets to the issuer.**

#### **3.3.1 Perfecting the assignment of the Mortgage Loan receivables to the Fund.**

The Deed of Constitution shall perfect the issue by BBVA of the Pass-Through Certificates which shall be the instruments for assigning the Mortgage Loan receivables effective upon the very date on which the Fund is established, and their subscription by the Fund, represented by the Management Company.

The Pass-Through Certificates will be issued in accordance with the provisions of Act 2/1981 and additional provision five of Act 3/1994, as worded by article 18 of Act 44/2002, and other applicable laws.

The Pass-Through Certificates shall be represented by means of a multiple registered certificate which shall contain the minimum data provided for pass-through certificates in article 64 of Royal Decree 685/1982, March 17, implementing certain aspects of Mortgage Market Regulation Act 2/1981, March 25 ("**Royal Decree 685/1982**"), and the registration particulars of the properties mortgaged as security for the Mortgage Loans.

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. The transfer of the Pass-Through Certificate and the new holder's address shall be notified by the transferee to the issuer. They may only be acquired or held by institutional investors, and may not be acquired by the unspecialised public.

Both in the event that any Pass-Through Certificate should be substituted, as prescribed in section 2.2.9.2 of this Building Block, and in the event that the Management Company, acting for and on behalf of the Fund, should proceed to foreclose a Mortgage Loan, as prescribed in section 3.7.2.1.7 of this Building Block, and moreover if upon Early Liquidation of the Fund, in the events and on the terms of section 4.4.3 of the Registration Document, said Pass-Through Certificates have to be sold, BBVA agrees to split, as the case may be, any multiple certificate into such individual or multiple certificates as may be necessary, or to substitute or exchange the same for the above purposes.

The multiple certificate representing the Pass-Through Certificates and the multiple or individual certificates, if any, into which the same is split shall be deposited at BBVA, and relations between the Fund and BBVA shall be governed by the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement to be entered into between BBVA and the Management Company for and on behalf of the Fund. That deposit shall be made for the benefit of the Fund and therefore BBVA shall custody the certificates representing the Pass-Through Certificates deposited, on the Management Company's instructions.

BBVA, as the issuer, shall keep a special book in which it shall enter the Pass-Through Certificates issued and the changes of address notified by the Pass-Through Certificate holders, also including therein (i) Mortgage Loan origination and maturity dates, amount and settlement method; and (ii) the registration particulars of the mortgages securing the Mortgage Loans.

Given that subscription for and holding of the Pass-Through Certificates is restricted to institutional or professional investors and that the Fund is an institutional investor and has subscribed for the Pass-Through Certificates, for the purposes of paragraph two of article 64.6 of Royal Decree 685/1982, the issue of the Pass-Through Certificates shall not be subject to a marginal note on each entry of the mortgage underlying each of the Mortgage Loans in the Land Registry.

The assignment by BBVA to the Fund of the Mortgage Loan receivables shall not be notified to the respective Obligors, which notice is not compulsory in order for the assignment to be effective. However, in the event of insolvency, or indications thereof, of administration by the Bank of Spain, of liquidation or of substitution of the Servicer, or because the Management Company deems it reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors and insurers of the mortgaged properties, if any), of the transfer to the Fund of the outstanding Mortgage Loan receivables, 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 and third-party guarantors and insurers of the mortgaged properties, if any, within five (5) Business Days of receiving the request and in the event of the Servicer becoming insolvent, the Management Company itself shall directly or, as the case may be, through a new Servicer it shall have designated, notify Obligors and third-party guarantors and insurers, if any.

Similarly and in the same events, the Management Company may request the Servicer to do such things and satisfy such formalities as may be necessary, including third-party notices and entries in the relevant accounting records, in order to guarantee maximum enforceability of the assignment of the Mortgage Loan receivables and collaterals with respect to third parties, all on the terms given in section 3.7.2.1.7 of this Building Block.

### **3.3.2 Pass-Through Certificate issue and subscription terms.**

1. The Mortgage Loan receivables will be fully and unconditionally assigned, perfected upon BBVA issuing and the Fund subscribing for the Pass-Through Certificates, from the date of establishment of the Fund and for the entire term remaining until maturity of each Mortgage Loan.

In accordance with article 348 of the Commercial Code and 1529 of the Civil Code, the Originator will be liable to the Fund for the existence and lawfulness of the Mortgage Loans, and for the personality with which the assignment is made, but shall not be liable for the solvency of the Obligors.

The Originator shall not bear the risk of default on the Mortgage Loans and shall therefore have no liability whatsoever for default by the Obligors of principal, interest or any other amount whatsoever they may owe under the Mortgage Loans. It will not be howsoever liable either to directly or indirectly guarantee that the transaction will be properly performed, nor give any guarantees or security, nor indeed agree to repurchase or substitute the Mortgage Loans, saving as provided for in section 2.2.9 of this Building Block.

2. The issue of each Pass-Through Certificate shall be made for all the outstanding principal pending repayment on the assignment date, which shall be the date of establishment of the Fund, and for all ordinary interest on each Mortgage Loan.

3. The rights attaching to the Pass-Through Certificates on the Mortgage Loans shall accrue from the date on which they are issued and the Fund is established. Specifically, without limitation and for illustrative purposes only, the issue of each Pass-Through Certificate shall confer on the Fund the following rights in relation to each Mortgage Loan:
  - a) To receive all Mortgage Loan capital or principal repayment amounts accrued.
  - b) To receive all Mortgage Loan principal ordinary interest amounts accrued. Ordinary interest will also include interest accrued and not due on each Mortgage Loan from the last interest settlement date, on or before the date of issue of each Pass-Through Certificate, and overdue interest, if any, on that same date.
  - c) To receive all late-payment interest amounts on the Mortgage Loans.
  - d) To receive any other amounts, assets, securities or rights received as payment of 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 enforcing the mortgage or non-mortgage securities, on the sale or utilisation of properties, assets or securities awarded or, upon foreclosing, in the administration or interim possession of the properties, assets or securities in foreclosure proceedings.
  - e) To receive all possible rights or compensations on the Mortgage Loans accruing for the Originator and derived therefrom, including those derived from the damage insurance contracts, if any, attached to the Mortgage Loans which are also assigned to the Fund, and those derived from any right collateral to the Mortgage Loans, excluding the fees established for each Mortgage Loan, which shall remain to the benefit of the Originator.
4. In the event of Mortgage Loan prepayment upon a full or partial repayment of the principal, there will be no direct substitution of the affected Pass-Through Certificates.
5. The Fund's rights under the Pass-Through Certificates shall be linked to the payments made by the Obligors and shall therefore be directly affected by the evolution, late payments, prepayments or any other incident in connection therewith.
6. The Fund shall defray any and all expenses or costs resulting for the Originator derived from recovery actions in the event of a breach by the Obligors of their obligations, including enforcement proceedings against the same.
7. In the event of renegotiation consented to by the Management Company, for and on behalf of the Fund, of the Mortgage Loans, or their due dates, the change in the terms shall affect the Fund.
8. Until the execution of the Deed of Constitution, BBVA shall be the beneficiary of the damage insurance contracts taken out by the Obligors in relation to the properties mortgaged as security for the Mortgage Loans, up to the insured amount.

BBVA shall thereupon perfect the assignment attached to the issue of the Pass-Through Certificates of the rights BBVA has as the beneficiary of those damage insurance contracts taken out by the Obligors and the general damage insurance policy of the mortgaged properties taken out by BBVA. As the holder of the Pass-Through Certificates, the Fund shall be entitled to all the amounts BBVA would have received under these policies.

### **3.3.3 Pass-Through Certificate issue price.**

The Pass-Through Certificate issue price shall be at par. The aggregate price payable by the Fund represented by the Management Company to BBVA for subscribing for the Pass-Through Certificates shall be an amount equivalent to the sum of (i) the face value of the capital or principal outstanding on each Mortgage Loan, and (ii) ordinary interest accrued and not due and overdue interest, if any, on each of the Mortgage Loans on the issue date (the "**accrued interest**").

The Management Company shall pay the total Pass-Through Certificate subscription price on behalf of the Fund as follows:

1. The part of the price consisting of the face value of the capital of all the Mortgage Loans, item (i) of paragraph one, shall be paid on the Closing Date of the Bond Issue, for same day value, upon the subscription for the Bond Issue being paid up, by means of instructions given by the Management Company to BBVA to debit the Treasury Account opened in the Fund's name. BBVA shall receive no interest on the deferment of payment until the Closing Date.
2. The part of the price consisting of interest accrued on each Mortgage Loan, item (ii) of paragraph one, shall be paid by the Fund on each collection date falling, as described in section 3.4.1 below, on the earlier of the first interest settlement date of each Mortgage Loan. Payment of accrued interest shall not be made subject to the Fund Priority of Payments.

If the establishment of the Fund and hence the issue of and subscription for the Pass-Through Certificates should terminate, in accordance with the provisions of section 4.4.4.(v) of the Registration Document, (i) the Fund's obligation to pay the total Pass-Through Certificate subscription price shall terminate, and (ii) the Management Company shall be obliged to restore to BBVA any rights whatsoever accrued for the Fund upon subscription for the Pass-Through Certificates.

### **3.4 Explanation of the flow of funds.**

#### **3.4.1 How the cash flow from the assets will meet the issuer's obligations to holders of the securities.**

Mortgage Loan amounts received by the Fund will be paid by the Servicer into the Fund's Treasury Account on the seventh day after the date on which they are received by the Servicer or the following business day if that is not a business day, and for value on the seventh calendar day after the date on which they were received by the Servicer. Therefore, the Fund shall be receiving almost daily income into the Treasury Account on the Mortgage Loan amounts received.

The weighted average interest rate of the mortgage loans selected as of October 18, 2007, as detailed in section 2.2.2.e) of this Building Block, is 5.06%, which is above the 4.900% weighted average nominal interest rate of the Bonds that has been presumed for hypothetical purposes in the table contained in section 4.10 of the Securities Note. Nevertheless, the Financial Swap mitigates the interest rate risk occurring in the Fund because the Mortgage Loans are subject, during the life of the Fund, to constant or fixed interest, as the case may be, and floating interest with benchmark indices and reset and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor and with quarterly accrual and settlement periods and the risk deriving from potential Mortgage Loan interest rate renegotiations which may even result in their novation to a fixed rate.

Quarterly on each Payment Date Bondholders will be paid interest accrued and principal repayment on the Bonds in each Series on the terms set for each of them and in the Priority of Payments given in section 3.4.6.2 of this Building Block.

#### **3.4.2 Information on any credit enhancement.**

##### **3.4.2.1 Description of the credit enhancement.**

The following credit enhancement transactions are incorporated to the financial structure of the Fund:

- (i) Cash Reserve set up by drawing down the Subordinated Loan.  
Mitigates the credit risk derived from Mortgage Loan delinquency and default.
- (ii) Financial Swap:  
Mitigates the interest rate risk occurring in the Fund because the Mortgage Loans are subject to constant or fixed interest, as the case may be, and floating interest with benchmark indices and reset and settlement periods differing from the floating interest established for the Bonds based on 3-month Euribor with quarterly accrual and settlement periods, and the risk deriving from potential Mortgage Loan interest rate renegotiations which may even result in their novation to a fixed rate. In addition, a 0.50% margin excess is included and the securitised Mortgage Loan servicing fee amount is covered.

(iii) **Treasury Account.**

Partly mitigates the loss of return on the liquidity of the Fund due to the timing difference between Mortgage Loan income received and until interest payment and principal repayment on the Bonds occurs on the next succeeding Payment Date.

(iv) **Subordination and deferment in interest payment and principal repayment between the Bonds in the different Series, derived from their place in the application of the Available Funds as well as the rules for Distribution of Available Funds for Amortisation in the Priority of Payments, or in the application of the Liquidation Available Funds in the Liquidation Priority of Payments, are a means for distinctly hedging the different Series.**

### **3.4.2.2 Cash Reserve.**

The Management Company shall set up a cash reserve (the “**Cash Reserve**”) on the Closing Date by drawing fully the available Subordinated Loan principal and shall subsequently, on each Payment Date, keep the Required Cash Reserve amount provisioned in the Fund Priority of Payments.

The characteristics of the Cash Reserve shall be as follows:

#### **Cash Reserve amount.**

1. The Cash Reserve shall be set up on the Closing Date in an initial amount equal to EUR fifty-one million four hundred and fifty thousand (51,450,000.00) (the “**Initial Cash Reserve**”).
2. Subsequently to being set up, on each Payment Date, the Cash Reserve shall be provisioned up to the Required Cash Reserve amount established hereinafter out of the Available Funds in the Priority of Payments of the Fund.

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

- (i) EUR fifty-one million four hundred and fifty thousand (51,450,000.00).
- (ii) The higher of:
  - a) 2.10% of the Outstanding Principal Balance of the Bond Issue.
  - b) EUR thirty-four million three hundred thousand (34,300,000.00).
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 amount 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 Outstanding Balance of Delinquent Mortgage Loans is equal to or greater than 1.00% of the Outstanding Balance of Non-Doubtful Mortgage Loans.
  - ii) That the Cash Reserve was not provisioned up to the Required Cash Reserve amount on the relevant Payment Date.
  - ii) That three (3) years have not elapsed since the date of establishment of the Fund.

#### **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.

#### **Application.**

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



### **3.4.3 Details of any subordinated finance.**

#### **3.4.3.1 Subordinated Loan.**

The Management Company shall, for and on behalf of the Fund, enter with BBVA into an agreement whereby BBVA shall grant to the Fund a commercial subordinated loan amounting to EUR fifty-one million four hundred and fifty thousand (51,450,000.00) (the “**Subordinated Loan Agreement**”). The Subordinated Loan amount shall be delivered on the Closing Date and be applied to setting up the Initial Cash Reserve on the terms for which provision is made in section 3.4.2.2 of this Building Block, although granting of the Loan by no means guarantees performance of the securitised Mortgage Loans.

Subordinated Loan principal shall be repaid on each Payment Date in an amount equal to the positive difference existing between the outstanding Subordinated Loan principal on the Determination Date preceding the relevant Payment Date and the Required Cash Reserve amount on the relevant Payment Date, and in the application priority established for that event 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 Subordinated Loan repayment on a Payment Date, in the Priority of Payments, the portion of principal not repaid shall be repaid on the next succeeding Payment Date along with the amount, if any, that should be repaid on that same Payment Date, until it is fully repaid.

The Subordinated Loan shall at all events be finally due on the Final Maturity Date or, as the case may be, on the date on which the Management Company proceeds to Early Liquidation subject to the Liquidation Priority of Payments of the Fund.

Outstanding Subordinated Loan principal shall earn floating annual nominal interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) a 3.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or the Liquidation Priority of Payments, as the case may be. Interest shall be settled and be payable on the date of expiration of each Interest Accrual Period on each Payment Date, 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 be January 25, 2008.

Interest accrued and not paid on a Payment Date shall not be accumulated to Subordinated Loan principal and shall not earn late-payment interest.

All Subordinated Loan amounts due and not paid to BBVA because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments. Payment of amounts not paid on preceding Payment Dates shall take precedence over Subordinated Loan amounts falling due on that Payment Date, in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.

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

#### **3.4.3.2 Start-Up Loan.**

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a commercial loan agreement amounting to EUR three million five hundred thousand (3,500,000.00) (the “**Start-Up Loan Agreement**”). The Start-Up Loan amount shall be delivered on the Closing Date and be allocated to financing the expenses of setting up the Fund and issue and admission of the Bonds and to partly financing subscription for the Pass-Through Certificates, at the difference between their total face capital and the face amount of the Bond Issue.

Outstanding Start-Up Loan principal will earn annual nominal floating interest, determined quarterly for each Interest Accrual Period, which shall be the result of adding: (i) the Bond Reference Rate determined for each Interest Accrual Period, and (ii) a 2.00% margin. This interest will be payable only if the Fund should have sufficient liquidity in the Priority of Payments or Liquidation Priority of Payments, as the case

may be. Interest shall be settled and be payable on the date of expiration of each Interest Accrual Period on each Payment Date, 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 be January 25, 2008.

Interest accrued and not paid on a Payment Date will not be accumulated to Start-Up Loan principal and will not accrue late-payment interest.

Start-Up Loan principal will be repaid quarterly on each Payment Date as follows:

- (i) The portion of Start-Up Loan principal actually used to finance the Fund set-up and Bond issue and admission expenses shall be repaid in twelve (12) consecutive quarterly instalments in an equal amount, on each Payment Date, the first of which shall be the first Payment Date, January 25, 2008, and the following until the Payment Date falling on October 25, 2010, inclusive.
- (ii) The portion of Start-Up Loan principal used to partly finance Pass-Through Certificate subscription and not used, as the case may be, shall be repaid on the first Payment Date, January 25, 2008.

All Start-Up Loan amounts due and not paid to BBVA because of a shortfall of Available Funds shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments. Payment of amounts not paid on preceding Payment Dates shall take precedence over Start-Up Loan amounts falling due on that Payment Date, in the Priority of Payments or Liquidation Priority of Payments, as the case may be.

The Start-Up Loan Agreement shall not be terminated in the event of the Fund being terminated, in accordance with the provisions of section 4.4.4.(v) of the Prospectus Registration Document. In that event, the Start-Up Loan shall be used to pay the expenses of setting up the Fund and issue of the Bonds and all other obligations undertaken by the Management Company, for and on behalf of the Fund, originated upon the Fund being established and which are due and payable, and principal repayment shall be deferred and subordinated to satisfaction of those obligations, out of the Fund's remaining resources.

### **3.4.3.3 Subordination of Series B and Series C Bonds.**

Series A1, A2 and A3 Bond interest payment is in the same order in both the Priority of Payments and the Liquidation Priority of Payments. Series A3 Bond principal repayment is deferred with respect to Series A2 and Series A1 Bonds. Series A2 Bond principal repayment is deferred with respect to Series A1 Bonds. Nevertheless, in the event of the circumstances for Pro Rata Amortisation of Class A occurring, as set out in section 4.9.3.6.2.2 of the Securities Note, there shall be a pro rata repayment of Series A1 Bonds, Series A2 and Series A3 Bonds.

Series B Bond interest payment and principal repayment is deferred with respect to Class A (Series A1, A2 and A3) Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Series C Bond interest payment and principal repayment is deferred with respect to Class A (Series A1, A2 and A3) and Series B Bonds, as provided in the Priority of Payments and in the Liquidation Priority of Payments.

Sections 4.6.1 and 4.6.2 of the Securities Note detail the order numbers of Bond interest payment and principal repayment in each Series in the priority of payments of the Fund.

### **3.4.4 Investment parameters for the investment of temporary liquidity surpluses and parties responsible for such investment.**

#### **3.4.4.1 Treasury Account.**

The Management Company, for and on behalf of the Fund, and BBVA shall enter into a Guaranteed Interest Rate Account (Treasury Account) Agreement whereby BBVA will guarantee a certain variable yield on the amounts paid for the benefit of 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 BBVA, in the name of the Fund by the Management Company, which amounts shall mostly consist of the following items:

- (i) cash amount received upon subscription for the Bond Issue being paid up;
- (ii) Mortgage Loan principal repaid and interest collected;
- (iii) any other Mortgage Loan amounts payable to the Fund;
- (iv) Subordinated Loan principal drawn down and the Cash Reserve amount from time to time;
- (v) Start-Up Loan principal drawn down;
- (vi) Financial Swap amounts paid to the Fund;
- (vii) the amounts of the returns obtained on Treasury Account balances; and
- (viii) the amounts of interim withholdings on 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.

BBVA shall pay an annual nominal interest rate, variable quarterly and settled quarterly, other than for the first interest accrual period, the duration of and the interest settlement for which shall be based on the duration of that period, applicable for each interest accrual period (differing from the Interest Accrual Period established for the Bonds) to the positive daily balances if any on the Treasury Account, equal to the interest rate resulting from decreasing (i) the Reference Rate determined for each Bond Interest Accrual Period substantially matching each Treasury Account interest accrual period (ii) by a 0.10% margin, translated to an interest rate based on calendar years (i.e. multiplied by 365, or 366 in leap years, and divided by 360). Interest shall be settled on the date of expiration of each interest accrual period on each of the Fund Determination Dates (the fourth (4<sup>th</sup>) Business Day preceding each Payment Date), and shall be calculated based on: (i) the exact number of days in each interest accrual period, and (ii) a three-hundred-and-sixty-five (365-) day year or a three-hundred-and-sixty-six (366-) day year if it is a leap year. The first interest accrual period shall comprise the days elapsed between the date of establishment of the Fund and the first Determination Date, January 21, 2008.

In the event that the rating of the short-term unsecured and unsubordinated debt obligations of BBVA or the institution in which the Treasury Account is opened (the “**Treasury Account Provider**”) should, at any time during the life of the Bond Issue, be downgraded below P-1 or A-1 respectively by Moody’s and S&P (in accordance with S&P’s updated counterparty criteria dated May 8, 2007 *-Revised Framework For Applying Counterparty Supporting Party Criteria-*), the Management Company shall within not more than thirty (30) days, for Moody’s, or sixty (60) days, for S&P, from the time of the occurrence of any such circumstances put in place any of the options described hereinafter allowing a suitable level of guarantee to be maintained with respect to the commitments derived from the Guaranteed Interest Rate Account (Treasury Account) Agreement in order for the rating given to the Bonds by the Rating Agencies not to be adversely affected:

- a) Obtaining from an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and A-1 respectively by Moody’s and S&P a first demand guarantee securing for the Fund, merely upon the Management Company so requesting, prompt payment by BBVA of its obligation to repay the amounts credited to the Treasury Account, for such time as the Treasury Account Provider remains downgraded below P-1 or A-1.
- b) Transferring the Treasury Account to an institution with short-term unsecured and unsubordinated debt obligations rated at least as high as P-1 and A-1 respectively by Moody’s and S&P, arranging the highest possible yield for its balances, which may differ from that arranged with the Treasury Account Provider under the Guaranteed Interest Rate Account (Treasury Account) Agreement.
- c) If options a) and b) above are not possible, obtaining from the Treasury Account Provider 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*) on the Closing Date, in an amount sufficient to guarantee the commitments established in the Guaranteed Interest Rate Account (Treasury Account) Agreement.

d) In b) above, and in the event that the Treasury Account Provider's short-term unsecured and unsubordinated debt obligations should subsequently be upgraded back to P-1 and A-1 respectively by Moody's and S&P, the Management Company shall subsequently transfer the balances back to the Treasury Account Provider under the Guaranteed Interest Rate Account (Treasury Account) Agreement.

All costs, expenses and taxes incurred in connection with putting in place and arranging the above shall be borne by the Treasury Account Provider.

The Treasury Account Provider shall agree, forthwith upon its credit rating being downgraded, to use commercially reasonable efforts in order that the Management Company may adopt any of (a), (b) and (c) above.

### **3.4.5 Collection by the Fund of payments in respect of the assets.**

The Servicer shall manage collection of all Mortgage Loan amounts payable by the Obligors and any other item including under the damage insurance contracts of the mortgaged properties securing the Mortgage Loans. The Servicer shall use every effort in order for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Mortgage Loans.

Mortgage Loan amounts received by the Servicer shall be paid by the Servicer in full into the Fund's Treasury Account on the seventh day after the day on which they were received by the Servicer, or the following business day if that is not a business day, and for value date on the seventh calendar day after the date on which they were received by the Servicer, 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 city of Madrid.

Nevertheless, in the event that the rating of the Servicer's short-term, unsecured and unsubordinated debt obligations should be downgraded below P-1 or A-2 respectively by Moody's and S&P, the Management Company shall, in a written notice to the Servicer, issue instructions for those amounts to be previously paid to the Fund crediting the Treasury Account on the first day after the date on which they were received by the Servicer or the following business day, if that is not a business day, for same day value.

The Management Company may issue the same instructions in the event that the Servicer's short-term unsecured and unsubordinated debt obligations should cease to be rated by Moody's or S&P.

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

### **3.4.6 Order of priority of payments made by the issuer.**

#### **3.4.6.1 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) Paying the price for subscribing for the Pass-Through Certificates at their face value.
- b) Paying the Fund set-up and Bond issue and admission expenses.
- c) Setting up the Initial Cash Reserve.

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

On each Payment Date, other than the Final Maturity Date or upon Early Liquidation of the Fund, the Management Company shall proceed successively to apply the Available Funds and the Available Funds for Amortisation in accordance with the order of priority of payments given hereinafter (the “**Priority of Payments**”).

#### **3.4.6.2.1 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) Mortgage Loan principal repayment income received during the Determination Period preceding the relevant Payment Date.
- b) Mortgage Loan ordinary and late-payment interest income received during the Determination Period preceding the relevant Payment Date.
- c) The return received on amounts credited to the Treasury Account.
- d) The Cash Reserve amount on the Determination Date preceding the relevant Payment Date.
- e) Net amounts, if any, received by the Fund under the Financial Swap Agreement and, in the event of termination of the Agreement, the settlement payment amount payable by the Fund’s counterparty (Party B).
- f) Any other amounts received by the Fund during the Determination Period preceding the relevant Payment Date, including those resulting from the sale or utilisation of real estate, assets, securities or rights awarded to the Fund.
- g) Additionally, on the first Payment Date, the part of the Start-Up Loan principal not used.

Income under a), b) and f) above received by the Fund and credited to the Treasury Account between the Determination Date, exclusive, preceding the relevant Payment Date and the latter, shall not be included in the Available Funds on the relevant Payment Date, and that amount shall remain credited to the Treasury Account, to be included in the Available Funds on the following Payment Date.

##### **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 the application established in the 1<sup>st</sup> place, which may be made at any time as and when due:

1. Payment of the Fund’s properly supported taxes and ordinary<sup>(1)</sup> and extraordinary<sup>(2)</sup> expenses, whether or not they were disbursed by the Management Company, including the management fee due to the latter, 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 to the Servicer of the fee established in the Servicing Agreement.
3. Payment of the net amount, if any, payable by the Fund under the Financial Swap Agreement and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the settlement payment amount payable by the Fund.

4. Payment of interest due on Series A1, Series A2 and Series A3 Bonds.
5. Payment of interest due on Series B Bonds unless this payment is deferred to 8<sup>th</sup> place in the priority of payments.

This payment shall be deferred to 8<sup>th</sup> place when on the Determination Date preceding the relevant Payment Date the cumulative Outstanding Balance of Doubtful Mortgage Loans, reckoned at the amount of the Outstanding Balance as of the date of classification of the Doubtful Mortgage Loan, since the Fund was established is in excess of 8.50% of the initial Outstanding Balance of the Mortgage Loans upon the Fund being established and provided that Series A1, Series A2 and Series A3 Bonds have not been and are not to be fully amortised on the relevant Payment Date.
6. Payment of interest due on Series C Bonds unless this payment is deferred to 9<sup>th</sup> place in the priority of payments.

This payment shall be deferred to 9<sup>th</sup> place when on the Determination Date preceding the relevant Payment Date the cumulative Outstanding Balance of Doubtful Mortgage Loans, reckoned at the amount of the Outstanding Balance as of the date of classification of the Doubtful Mortgage Loan, since the Fund was established is in excess of 5.00% of the initial Outstanding Balance of the Mortgage Loans upon the Fund being established and provided that Series A1, Series A2, Series A3 and Series B Bonds have not been and are not to be fully amortised on the relevant Payment Date.
7. Amortisation withholding in an amount equivalent to the positive difference existing on the Determination Date preceding the relevant Payment Date between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

Depending on the liquidity existing on each Payment Date, the amount actually applied to Amortisation Withholding shall be included among the Available Funds for Amortisation to be applied in accordance with the rules for Distribution of Available Funds for Amortisation established in sections 4.9.3.5 and 4.9.3.6 of the Securities Note.
8. Payment of interest due on Series B Bonds when this payment is deferred from 5<sup>th</sup> place in the priority of payments as established therein.
9. Payment of interest due on Series C Bonds when this payment is deferred from 6<sup>th</sup> place in the priority of payments as established therein.
10. Withholding of an amount sufficient for the Required Cash Reserve amount to be maintained.
11. Payment of the settlement payment amount payable by the Fund under the Financial Swap Agreement other than in the events provided for in 3<sup>rd</sup> place above.
12. Payment of Subordinated Loan interest due.
13. Repayment of Subordinated Loan principal to the extent repaid.
14. Payment of Start-Up Loan interest due.
15. Repayment of Start-Up Loan principal to the extent repaid.
16. Payment of the Financial Intermediation Margin.

When accounts payable for different items exist in a same priority order number on a given Payment Date and the 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.

- (1) The following shall be considered ordinary expenses of the Fund:
- a) Any expenses deriving from mandatory administrative verifications, registrations and authorisations, other than payment of the expenses of setting up the Fund and issue and admission of the Bonds.
  - b) Rating Agency fees for monitoring and maintaining the rating of the Bonds.
  - c) Expenses relating to keeping the Bond accounting record representing the Bonds by means of book entries, admission to trading in organised secondary markets and maintaining all of the foregoing.
  - d) Expenses of auditing the annual accounts.
  - e) Bond amortisation expenses.
  - f) Expenses deriving from announcements and notices relating to the Fund and/or the Bonds.

The Fund's ordinary expenses in its first year, including the management fee due to the Management Company and those derived from the Paying Agent Agreement, are estimated at EUR two hundred and seventy thousand (270,000.00). Because most of those expenses are directly related to the Outstanding Principal Balance of the Bond Issue and the Outstanding Balance of the Mortgage Loans and those balances shall fall throughout the life of the Fund, the Fund's ordinary expenses will also fall as time goes by.

- (2) The following shall be considered extraordinary expenses of the Fund:
- a) Expenses, if any, deriving from preparing and perfecting an amendment of the Deed of Constitution and of the agreements, and from entering into additional agreements.
  - b) Expenses required to enforce Mortgage Loans and collaterals and deriving from any recovery actions required.
  - c) Extraordinary expenses of audits and legal advice.
  - d) The remaining amount, if any, of the initial expenses of setting up the Fund and issue and admission of the Bonds in excess of the Start-Up Loan principal.
  - e) In general, any other required extraordinary expenses or not determined among ordinary expenses borne by the Fund or by the Management Company for and on behalf of the Fund.

#### **3.4.6.2.2 Available Funds for Amortisation: source and application.**

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

The Available Funds for Amortisation on each Payment Date shall be the Amortisation Withholding amount actually applied in seventh (7<sup>th</sup>) place of the Priority of Payments on the relevant Payment Date.

##### **2. Distribution of Available Funds for Amortisation between each Series.**

The rules for Distribution of Available Funds for Amortisation are given in section 4.9.3.6 of the Securities Note.

#### **3.4.6.3 Fund Liquidation Priority of Payments.**

The Management Company shall proceed to liquidate the Fund upon the Fund being liquidated on the Final Maturity Date or upon Early Liquidation in accordance with the provisions of sections 4.4.3 and 4.4.4 of the Registration Document, by applying the available funds to the following items (the "**Liquidation Available Funds**"): (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Pass-Through Certificates and the remaining assets, and (iii) additionally, as the case may be, the credit facility, as provided for in section 4.4.3.3.(iii) of the Registration Document, which shall be fully allocated to early amortisation of Series A1, A2, A3, B and C Bonds, in the following order of priority of payments (the "**Liquidation Priority of Payments**"):

1. Reserve to meet the final tax, administrative or advertising termination and liquidation expenses.
2. 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, 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 Mortgage Loan amounts reimbursable to the Servicer, provided they are all properly supported, shall be made to the Servicer under the Servicing Agreement in this priority.

3. Payment to the Servicer of the fee established in the Servicing Agreement.
4. Payment of amounts, if any, due on the net amount payable by the Fund upon termination of the Financial Swap and, only in the event of termination of that Agreement following a breach by the Fund or because the Fund is the party affected by objective circumstances subsequently occurring, payment of the settlement payment amount payable by the Fund.
5. Payment of interest due on Series A1, Series A2 and Series A3 Bonds.
6. Repayment of Series A1, Series A2 and Series A3 Bond principal.
7. Payment of interest due on Series B Bonds.
8. Repayment of Series B Bond principal.
9. Payment of interest due on Series C Bonds.
10. Repayment of Series C Bond principal.
11. In the event of the credit facility being arranged as provided for in section 4.4.3.3.(iii) of the Registration Document, payment of the financial expenses accrued and repayment of principal of the credit facility taken out.
12. Payment of the settlement payment amount payable by the Fund under the Financial Swap Agreement other than in the events provided for in 4<sup>th</sup> place above.
13. Payment of Subordinated Loan interest due.
14. Repayment of Subordinated Loan principal.
15. Payment of Start-Up Loan interest due.
16. Repayment of Start-Up Loan principal.
17. Payment of the Financial Intermediation Margin.

When accounts payable for different items exist in a same priority order number on the Final Maturity Date or upon Early Liquidation and the Liquidation Available Funds are not sufficient to settle the amounts due under all of them, the application of the remaining Liquidation 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.

#### **3.4.6.4 Financial Intermediation Margin.**

The Management Company shall, for and on behalf of the Fund, enter with the Originator into a Financial Intermediation Agreement designed to remunerate the Originator for the financial intermediation process carried out, enabling the financial transformation defining the Fund's activity, the assignment to the Fund of the Mortgage Loan receivables and the rating assigned to each Bond Series.

The Originator shall be entitled to receive from the Fund a variable subordinated remuneration (the "**Financial Intermediation Margin**") which shall be determined and shall accrue upon expiration of every quarterly period comprised between every two consecutive Determination Dates, in an amount equal to the positive difference, if any, between the income and expenditure accrued by the Fund, including losses, if any, brought forward from previous years, with reference to its accounts and before the close of the day next preceding every Determination Date. The Financial Intermediation Margin accrued at the close of the day preceding every Determination Date shall be settled on the next succeeding Payment Date, provided that the Fund has sufficient liquidity in the Fund Priority of Payments.



Exceptionally: (i) the first accrual period for the Intermediation Margin shall be comprised between the date on which the Fund is established, inclusive, and the first Determination Date, January 21, 2008, exclusive, which is the Determination Date preceding the first Payment Date, and (ii) the last accrual period of the Financial Intermediation Margin shall comprise a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, on which the Mortgage Loans and the assets remaining in the Fund shall have been liquidated and the Liquidation Available Funds shall have been distributed in the Liquidation Priority of Payments, b) from the Determination Date preceding the Payment Date before the date referred to in a), both inclusive. The first Financial Intermediation Margin settlement date shall be the first Payment Date, January 25, 2008.

If the Fund should not have sufficient liquidity on a Payment Date in the Priority of Payments to pay the full Financial Intermediation Margin, the amount not paid shall accumulate without any penalty whatsoever on the Financial Intermediation Margin accrued, as the case may be, in the following quarterly period and shall be paid on the following Payment Dates on which the Available Funds allow payment in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments. Financial Intermediation Margin amounts not paid on preceding Payment Dates shall be paid with priority over the amount payable on the relevant Payment Date.

The Financial Intermediation Agreement shall be fully terminated in the event that the Rating Agencies should not confirm any of the provisional ratings assigned to each Bond Series as final by the start of the Subscription Period.

### **3.4.7 Other arrangements upon which payments of interest and principal to investors are dependent.**

#### **3.4.7.1 Financial Swap.**

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a financial swap agreement (the “**Financial Swap Agreement**” or the “**Financial Swap**”) based on the Spanish Banking Association’s standard Master Financial Transaction Agreement (CMOF), the most relevant characteristics of which are described below.

Under the Financial Swap Agreement, the Fund will make payments to BBVA calculated on the Mortgage Loan rate, and in consideration BBVA will make payments to the Fund calculated on the weighted average Nominal Interest Rate of the Bond Series and other items, the foregoing as described hereinafter.

**Party A : The Fund, represented by the Management Company.**

**Party B : BBVA.**

#### **1. Settlement dates.**

The settlement dates shall fall on the Bond Payment Dates, i.e. on January 25, April 25, July 25 and October 25 in every year, or the next succeeding Business Day if any of these dates is not a Business Day. The first settlement date shall be January 25, 2008.

The variable amounts payable by Party A and by Party B for each respective settlement period shall be netted and be paid by the paying Party to the receiving Party on each Payment Date.

#### **2. Settlement periods.**

##### **Party A:**

The Party A settlement periods shall be the exact number of days elapsed between two consecutive Determination Dates, not including the first but including the last date. Exceptionally, a) the length of the first Party A settlement period shall be equivalent to the exact number of days elapsed between the date of establishment of the Fund, inclusive, and January 21, 2008, the first Determination Date, inclusive, and b) the length of the last Party A settlement period shall be equivalent to the exact number of days elapsed between the Determination Date preceding the date on which the Financial Swap Agreement terminates, exclusive, and the date on which termination occurs, inclusive.

**Party B:**

The Party B settlement periods shall be the exact number of days elapsed between two consecutive settlement dates, including the first but not including the last date. Exceptionally, a) the length of the first Party B settlement period shall be equivalent to the exact number of days elapsed between the Bond Issue Closing Date, inclusive, and January 25, 2008, exclusive, and b) the length of the last Party B settlement period shall be equivalent to the exact number of days elapsed between the Payment Date preceding the date on which the Financial Swap Agreement terminates, inclusive, and the date on which termination occurs, exclusive.

**3. Face Amount.**

This shall be on each settlement date the daily average during the next preceding Party A settlement period of the Outstanding Balance of Non-Delinquent Mortgage Loans.

**4. Party A amounts payable.**

This shall be on each settlement date the result of applying the Party A Interest Rate, determined for the next preceding Party A settlement period, to the Face Amount according to the number of days in the Party A settlement period and based on a three-hundred-and-sixty- (360-) day year.

**4.1 Party A Interest Rate.**

For each Party A settlement period this shall be the annual interest rate resulting from dividing (i) the sum of the total Mortgage Loan interest amount received and paid into the Fund during the Party A settlement period, decreased by the amount of Mortgage Loan assignment interest accrued paid by the Fund, as the case may be, during the same Party A settlement period, by (ii) the Face Amount, multiplied by the result of dividing 360 by the number of days in the Party A settlement period.

**5. Party B amounts payable.**

This shall be on each settlement date the result of adding (i) the amount resulting from applying the Party B Interest Rate, determined for the Party B settlement period falling due, to the Face Amount according to the number of days in the Party B settlement period falling due, and based on a three-hundred-and-sixty- (360-) day year, and (ii) the amount on the relevant settlement date of the fee accrued under the Servicing Agreement or under a new servicing agreement in the event of substitution.

**5.1 Party B Interest Rate.**

For each Party B settlement period this shall be the annual interest rate resulting from adding (i) the average Nominal Interest Rate applicable to each Series A1, A2, A3, B and C determined for the then-current Interest Accrual Period coinciding with each Party B settlement period, weighted by the Outstanding Principal Balance of each Series A1, A2, A3, B and C during the then-current Interest Accrual Period and (ii) 0.50%.

**6. Maturity Date.**

This shall be the earlier of the dates on which any of events (i) to (iv) listed for termination of the Fund occurs in accordance with the provisions of section 4.4.4 of the Registration Document.

7. If on a Payment Date the Fund (Party A) should not have sufficient liquidity to pay the full net amount, if any, payable to Party B, the portion of this net amount not paid shall be settled on the following Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments. Should such event of default occur on two consecutive Payment Dates, Party B may choose to terminate the Financial Swap Agreement. In this event, the Fund (Party A) shall accept the obligation to pay the settlement amount established to which it is bound on the terms of the Financial Swap Agreement, the foregoing in the Priority of Payments. Should the settlement amount under the Financial Swap Agreement be a payment obligation for Party B and not for the Fund (Party A), Party B shall take over the obligation to pay the settlement amount provided for in the Financial Swap Agreement.

It shall also be determined that if on a Payment Date Party B should not pay the full amount payable to the Fund (Party A), the Management Company, for and on behalf of the Fund, may choose to terminate the Financial Swap Agreement. In that event, Party B shall accept the obligation to pay the settlement amount established in the Financial Swap Agreement. Should the settlement amount under the Financial Swap Agreement be due by the Fund (Party A) and not by Party B, payment thereof by the Fund (Party A) shall be made in the Priority of Payments.

Subject to the above, other than in an event of permanent financial imbalance of the Fund, the Management Company shall endeavour, for and on behalf of the Fund, to enter into a new financial swap agreement on terms substantially identical with the Financial Swap Agreement.

## **8. Actions in the event of change in the rating of Party B.**

### **(i) Moody's Criteria**

Party B shall irrevocably agree as follows under the Financial Swap Agreement:

- (i) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the First Required Rating Threshold ("First Rating Default"), then Party B shall within thirty (30) Business Days of the occurrence of that circumstance, do one of the following:
  - a) Obtain a Replacement with the First Required Rating Threshold (or a Replacement with a Credit Support Provider having the First Required Rating Threshold).
  - b) Obtain a Credit Support Provider with the First Required Rating Threshold,
  - c) Post collateral in the form of cash or securities in favour of the Fund with an institution with short-term, unsecured and unsubordinated debt obligations rated P-1 by Moody's at an amount sufficient in order for there to be no detriment to the rating assigned to the Bonds.
- (ii) If at any time during the life of the Bond Issue neither Party B nor any of its Credit Support Providers has the Second Required Rating Threshold ("Second Rating Default"), then Party B shall, on a best efforts basis and as soon as possible (A) obtain a Credit Support Provider with the Second Required Rating Threshold, or (B) obtain a Replacement with the Second Required Rating Threshold, (or a Replacement with a Credit Support Provider having the Second Required Rating Threshold).

While none of the actions specified above have been taken, Party B shall, within thirty (30) Business Days of the occurrence of the Second Rating Default, post collateral in the form of cash or securities in favour of the Fund with an institution with short-term, unsecured and unsubordinated debt obligations rated at least P-1 by Moody's, provided that there is no detriment to the rating assigned to the Bonds.

Party B's obligations under (i) (i) and (i) (ii) above, and the Termination events deriving therefrom, shall only apply during such time as the events respectively prompting the First Required Rating Default or the Second Required Rating Default are in place. The collateral transferred by Party B pursuant to (i) (i) and (i) (ii) above will be retransferred to Party B upon cessation of the causes resulting in the First Rating Default or the Second Rating Default, respectively.

All costs, expenses and taxes incurred in connection with fulfilment of the preceding obligations shall be payable by Party B.

In the above connection, "Credit Support Provider" shall mean an institution providing an unconditional, irrevocable and first demand guarantee with respect to all present and future obligations of Party B under the Financial Swap Agreement (the "Guarantee"), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or

withholding for or on account of any tax; or (B) the Guarantee determines that, if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding; and "Replacement" shall mean any institution taking over the contractual position of Party B under the Financial Swap Agreement or entering into a new swap agreement with Party A, on terms substantially identical with the Financial Swap Agreement (which shall be confirmed by Party A, on a best efforts basis), and provided that (A) a law firm provides a legal opinion confirming that none of the payments made by that institution to Party A under the Guarantee results in any requirement for deduction or withholding for or on account of any tax; or (B) the Guarantee determines that, if there is any such deduction or withholding, the payment made by that institution shall be increased by whatever amount is necessary in order for the net payment received by Party A to be equal to such other amount as Party A would have received had there been no such deduction or withholding. That institution shall thereafter, to all intents and purposes, be considered Party B under the Financial Swap Agreement or in the new swap agreement to be entered into.

An entity shall have the "First Required Rating Threshold" (A) in the event that the short-term, unsecured and unsubordinated debt obligations of that entity are rated P-1 by Moody's and its long-term, unsecured and unsubordinated debt obligations should be rated at least as high as A2 by Moody's, and (B) in the event that the short-term, unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term, unsecured and unsubordinated debt obligations should be rated at least as high as A1 by Moody's.

An entity shall have the "Second Required Rating Threshold" (A) in the event that the short-term, unsecured and unsubordinated debt obligations of that entity should be rated at least as high as P-2 by Moody's and its long-term, unsecured and unsubordinated debt obligations should be rated at least as high as A3 by Moody's, y (B) in the event that the short-term, unsecured and unsubordinated debt obligations of that entity are not rated by Moody's, if its long-term, unsecured and unsubordinated debt obligations should be rated at least as high as A3 by Moody's.

(ii) **S&P Criteria**

In accordance with valid S&P criteria, subject at all times to change or revision in the future:

In the event that the rating of the short-term unsecured and unsubordinated debt obligations of Party B (or its successor) should, at any time during the life of the Bonds, be downgraded to A-2 (or its equivalent) by S&P, then Party B (or its successor) shall become an ineligible Financial Swap counterparty and shall: (i) post collateral to Party A, within not more than 10 Business Days, at an amount covering 125% of the Financial Swap mark-to-market value, in accordance with the criteria then in force published by S&P, and (ii) within not more than 60 calendar days:

(A) transfer all of its rights and obligations with respect to the Financial Swap Agreement to a replacement third party with short-term unsecured and unsubordinated debt obligations rated at least A-1 by S&P; or

(B) procure a credit institution suitable for S&P with short-term unsecured and unsubordinated debt obligations rated at least A-1 by S&P to secure by means of a first demand bank guarantee, satisfying the S&P criteria in force from time to time, the obligations of Party B under the Financial Swap Agreement.

Any collateral shall be subject to the Bond rating given by S&P being confirmed and maintained by S&P. All costs deriving from any of the actions defined above shall be borne by the ineligible counterparty.

9. The occurrence, as the case may be, of early termination of the Financial 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 4.4.3 of the Registration Document and 4.9.4 of the Securities Note, unless in

conjunction with other events or circumstances related to the net asset value of the Fund, its financial balance should be materially or permanently altered.

All matters, discrepancies, lawsuits and claims deriving from the Financial Swap Agreement shall be referred for arbitration to the Chamber of Commerce of Madrid.

Party B agrees not to take any action whatsoever holding Party A liable.

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

#### **3.4.7.2 Bond Issue Paying Agent.**

The Management Company shall, for and on behalf of the Fund, enter with BBVA into a paying agent agreement to service the Bond Issue (the "**Paying Agent Agreement**").

The obligations to be taken on by BBVA (the "**Paying Agent**") under this Paying Agent Agreement are summarily as follows:

- (i) Paying to the Fund by 2pm (CET) on the Closing Date, by crediting the Treasury Account, for same day value, the aggregate amount of the subscription for the Bond Issue, as provided for in the Bond Issue Management, Underwriting, Placement and Subscription Agreement, placed and subscribed for, as the case may be, on its own account, as Series A1, A2 and A3 Underwriter and Placement Agent, plus the amount subscribed for on its own account as Series B and C Subscriber.
- (ii) Paying the Underwriter and Placement Agent on the Closing Date, as directed by the Management Company, the Series A1, A2, A3 Bond placement fee amount it shall have earned, after it has in turn paid the Fund the face amount of the Bonds actually placed.
- (iii) Handing to the Management Company Series A1, A2 and A3 placement dissemination control information based on information provided in that connection by the Underwriter and Placement Agent, using for that purpose the form duly established by the CNMV.
- (iv) On each Bond Payment Date, paying interest and, as the case may be, repaying Bond principal through Iberclear, after deducting, as the case may be, the total amount of the interim tax withholding for return on investments to be made by the Management Company, on behalf of the Fund, in accordance with applicable tax laws.
- (v) On each Interest Rate Fixing Date, notifying the Management Company of the Reference Rate determined to be used as the basis for the Management Company to calculate the Nominal Interest Rate applicable to each Bond Series.

In the event that the rating of BBVA's short-term, unsecured and unsubordinated debt obligations should, at any time during the life of the Bond Issue, be downgraded below P-1 or A-1 respectively by Moody's and S&P, the Management Company shall within not more than thirty (30) Business Days from the time of the occurrence of any such circumstances revoke the appointment of BBVA as Paying Agent and thereupon designate another institution with short-term, unsecured and unsubordinated debt obligations rated at least as high as P-1 and A-1 respectively by Moody's and S&P, 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 given to the Rating Agencies and the CNMV. Should BBVA 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 BBVA under the Paying Agent Agreement. All costs, expenses and taxes incurred in replacing the Paying Agent shall be borne by the replaced entity.

In consideration of the services provided by the Paying Agent, the Fund shall pay it on each Payment Date during the term of the agreement, a fee of EUR twelve thousand (12,000.00), inclusive of taxes as the case may be. This fee shall be paid provided that the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, the Liquidation 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 fully paid on the Payment Date on which they are settled.

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

### 3.5 Name, address and significant business activities of the originator of the securitised assets.

The originator and assignor of the securitised Mortgage Loans is BANCO BILBAO VIZCAYA ARGENTARIA S.A.

Registered office: Plaza San Nicolás number 4, 48005 Bilbao (Spain).

Principal places of business: Paseo de la Castellana number 81, 28046 Madrid.

Gran Vía number 1, 48001 Bilbao

Paseo de Recoletos number 10, 28001 Madrid

#### Significant economic activities of BBVA.

BBVA, a financial Group, is mainly in the Banking business though it has interests in the field of insurance, unit trust and pension fund management, stock broking, real estate development, global custody, asset management and broking in major cash, capital and currency markets.

The following are the relevant consolidated data of BBVA Group for the third quarter of the years 2007 and 2006 and how they compare between them, and for the year ended and audited as at December 31, 2006. That information was prepared in accordance with International Financial Reporting Standards applicable to it under Regulation EC 1606/2002 and Bank of Spain Circular 4/2004.

	30.09.2007	30.09.2006	Δ%	31.12.2006
<b>BALANCE SHEET (EUR million)</b>				
Total assets	492,674	403,184	22.2	411,916
Customer credit (gross)	309,164	248,606	24.4	262,969
Balance-sheet customer resources	339,820	272,072	24.9	283,645
Other customer resources	153,562	136,351	12.6	142,064
Total customer resources	493,382	408,423	20.8	425,709
Net assets	27,594	19,271	43.2	22,318
Equity	24,040	15,967	50.6	18,210
<b>PROFIT &amp; LOSS ACCOUNT (EUR million)</b>				
Intermediation margin	7,025	6,084	15.5	8,374
Basic margin	11,162	9,987	11.8	13,667
Ordinary margin	13,494	11,140	21.1	15,701
Operating margin	8,042	6,087	32.1	8,883
Pre-tax profit	6,608	4,758	38.9	7,030
Profit attributed to the Group	4,756	3,300	44.1	4,736
<b>DATA PER SHARE AND MARKET VALUE</b>				
Price	16.4	18.3	(9.9)	18.24
Market value (EUR million)	61,617	61,883	(0.4)	64,788
Profit attributed to the Group	1.3	1.0	37.6	1.39
Book value	6.4	4.7	36.2	5.13
PER	9.9	13.1		13.7
PBVR	2.6	3.9		3.6

	30.09.2007	30.09.2006	Δ%	31.12.2006
<b>RELEVANT RATIOS (%)</b>				
Operating margin/ATM	2.4	2.1		2.24
ROE	35.6	35.8		37.6
ROA	1.4	1.2		1.26
RORWA	2.3	2.0		2.12
Efficiency ratio	36.9	41.2		39.6
Efficiency ratio with depreciation	39.8	44.3		42.6
Delinquency rate	0.9	0.8		0.83
Coverage rate	234.1	275.8		272.8
<b>CAPITAL RATIOS (BIS REGULATIONS) (%)</b>				
Total	10.8	11.5		12.0
Core capital	5.4	6.0		6.2
TIER I	6.8	7.7		7.8
<b>ADDITIONAL INFORMATION</b>				
Number of shares (million)	3,748	3,391		3,552
Number of shareholders	885,131	896,103		864,226
Number of employees	111,409	96,369		98,553
. Spain	31,016	31,230		30,582
. America <sup>(1)</sup>	78,443	63,424		66,146
. Rest of the World	1,950	1,715		1,825
Number of branches	7,971	7,372		7,499
. Spain	3,606	3,631		3,635
. America <sup>(1)</sup>	4,222	3,616		3,742
. Rest of the World	143	125		122

(1) Includes those of banks, pension managers and insurers in BBVA Group in all American countries in which it is present.

### 3.6 Return on and/or repayment of the securities linked to others which are not assets of the issuer.

Not applicable.

### 3.7 Administrator, calculation agent or equivalent.

#### 3.7.1 Management, administration and representation of the Fund and of the holders of the securities.

The Management Company, EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, shall be responsible for managing and being the authorised representative of the Fund, on the terms set in Royal Decree 926/1998, in 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 Management Company shall discharge for the Fund the functions attributed to it in Royal Decree 926/1998.

It is also the Management Company's duty, as the manager of third-party portfolios, to represent and enforce 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. 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 Prospectus.

#### 3.7.1.2 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, for illustrative purposes only and without prejudice to any other actions provided in this Prospectus:

- (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 Early Liquidation of the Fund and Early Amortisation of the Bond Issue, in accordance with the provisions of this Prospectus. Moreover, making all appropriate decisions in the event of the establishment of the Fund terminating.
- (iii) Complying with its formal, documentary and reporting duties to the CNMV, the Rating Agencies and any other supervisory body.
- (iv) Appointing and, as the case may be, replacing and dismissing the auditor who is to review and audit the Fund's annual accounts.
- (v) Providing 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 Prospectus.
- (vi) Complying with the calculation duties provided for and taking the actions laid down in this Prospectus and in the various Fund transaction agreements or in such others as the Management Company may enter into in due course for and on behalf of the Fund.
- (vii) The Management Company may extend or amend the agreements entered into on behalf of the Fund, and substitute, as the case may be, each of the Fund service providers on the terms provided for in each agreement, and indeed, if necessary, enter into additional agreements, including a credit facility agreement in the event of Early Liquidation of the Fund, provided that circumstances preventing the foregoing in accordance with the laws and regulations in force from time to time do not occur. In any event, those actions shall require that the Management Company notify and first secure the authorisation, if necessary, of the CNMV or competent administrative body and notify the Rating Agencies, and provided that such actions are not detrimental to the rating assigned to the Bonds by the Rating Agencies. The Deed of Constitution or the agreements may also be corrected upon a request by the CNMV.
- (viii) Exercising the rights attaching to the ownership of the Pass-Through Certificates acquired by the Fund and, in general, carrying out all such acts of administration and disposition as may be required for properly managing and being the authorised representative of the Fund.
- (ix) Checking that the income amount actually received by the Fund matches the amounts that must be received by the Fund, on the terms of assignment of the Mortgage Loan receivables and on the terms of their respective agreements communicated by the Originator, and that the Mortgage Loan amounts receivable are provided by the Servicer to the Fund within the time-periods and on the terms provided for under the Servicing Agreement.
- (x) Determining on each Interest Rate Fixing Date and for each Interest Accrual Period thereafter, the Nominal Interest Rate to be applied for each Bond Series and calculating and settling the accrued interest amounts payable on each Payment Date.
- (xi) Calculating and determining on each Determination Date the principal to be amortised and repaid on each Bond Series on the relevant Payment Date.
- (xii) 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.
- (xiii) Taking the actions for which provision is made in relation to the debt ratings or the financial position of the Fund counterparties in the financial and service provision agreements listed in section 3.2 of this Building Block.
- (xiv) Watching that the amounts credited to the Treasury Account return the yield set in the respective Agreement.



- (xv) Calculating the Available Funds, the Available Funds for Amortisation, the Liquidation Available Funds and the payment or withholding obligations to be complied with, and applying the same in the Priority of Payments or the Liquidation Priority of Payments, as the case may be.
- (xvi) Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the Bonds.

### **3.7.1.3 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 duties to manage and be the authorised representative of 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 those duties 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 duties and that circumstance is notified to the CNMV.
  - (b) 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 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 where the Bonds issued by the Fund are listed. Furthermore, the Management Company shall notify the Rating Agencies of that substitution.

#### *Forced substitution.*

- (i) In the event that the Management Company should be adjudged insolvent or have its licence to act as a securitisation fund management company revoked by the CNMV, 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 this Prospectus.

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 this Prospectus. Furthermore, the Management Company shall hand to the substitute management company such accounting records and data files as it may have to hand in connection with the Fund.

#### **3.7.1.4 Subcontracting.**

The Management Company shall be entitled to subcontract or subdelegate 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 this Prospectus, 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, first be authorised by the CNMV. Notwithstanding any subcontracting or subdelegation, the Management Company shall not be exonerated or released, under that subcontract or subdelegation, from any of the liabilities undertaken in this Prospectus which may legally be attributed or ascribed to it.

#### **3.7.1.5 Management Company's remuneration.**

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 which shall accrue upon the Fund being established and be payable on the Closing Date.
- (ii) A periodic fee on the Outstanding Principal Balance of the Bond Issue, which shall accrue daily from the establishment of the Fund until it terminates and shall be settled and paid by Interest Accrual Periods in arrears on each Payment Date subject to the Priority of Payments or, as the case may be, the Liquidation Priority of Payments. The periodic fee amount on each Payment Date may not be respectively higher or lower than the maximum and minimum amounts determined. The minimum amount shall be cumulatively reset in the same proportion, from the year 2009, 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 interest equal to the Bond Reference Rate, payable on the following Payment Date, in the Priority of Payments.

#### **3.7.2 Servicing and custody of the securitised assets.**

BBVA, Originator of the Mortgage Loan receivables by issuing the Pass-Through Certificates to be subscribed for by the Fund, as established in article 61.3 of Royal Decree 685/1982, shall continue as attorney for the Management Company to be responsible for servicing and managing the Mortgage Loans, and relations between BBVA and the Fund, represented by the Management Company, shall be governed by the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement (the "**Servicing Agreement**") in relation to custody and servicing of the Mortgage Loans and custody of the documents representing the Pass-Through Certificates.

BBVA (the "**Servicer**" in that Agreement) shall accept the appointment received from the Management Company and thereby agrees as follows:

- (i) To service and manage the Mortgage Loans assigned to the Fund subject to the system terms and ordinary servicing and management procedures established in the Servicing Agreement.
- (ii) To continue servicing the Mortgage Loans, devoting the same time and efforts to them as it would devote and use to service its own loans and in any event on the terms for which provision is made in the Servicing Agreement.
- (iii) That the procedures it applies and will apply to service and manage the Mortgage Loans are and will continue to be in accordance with the laws and statutory regulations in force applicable thereto.
- (iv) To full faithfully observe the instructions issued by the Management Company.
- (v) To pay the Fund damages resulting from a breach of the obligations undertaken, although the Servicer shall not be liable for actions put in place on the Management Company's instructions.

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 custodian of the relevant agreements, and in particular those for which provision is made in articles 1730 and 1780 of the Civil Code and 276 of the Commercial Code.

### **3.7.2.1 Ordinary system and procedures for servicing and managing the Mortgage Loans.**

#### **1. Custody of deeds, agreements, documents and files.**

The Servicer shall keep all Mortgage Loan deeds, documents and data files and copies of mortgaged property damage insurance policies in 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 claim a Mortgage Loan, or any other competent authority should so require 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, agreements, documents and files. In addition, whenever it is required to do so by the Management Company, it shall within two (2) Business Days of that request and clear of expenses, provide a copy or photocopy of any of such deeds, agreements and documents.

#### **2. Collection management.**

The Servicer shall continue managing collection of all Mortgage Loan amounts payable by the Obligors and any other item including under the damage insurance contracts of the mortgaged properties securing the Mortgage Loans. The Servicer shall use all reasonable efforts for payments to be made by the Obligors to be collected in accordance with the contractual terms and conditions of the Mortgage Loans.

Mortgage Loan amounts received by the Servicer shall be paid by the Servicer in full into the Fund's Treasury Account on the seventh day after the day on which they were received by the Servicer, or the following business day if that is not a business day, and for value date on the seventh calendar day after the date on which they were received by the Servicer, 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 city of Madrid.

Nevertheless, in the event that the rating of the Servicer's short-term, unsecured and unsubordinated debt obligations should be downgraded below P-1 or A-2 respectively by Moody's and S&P, the Management Company shall, in a written notice to the Servicer, issue instructions for those amounts to be previously paid into the Treasury Account which may indeed be on the day next succeeding the day on which they were received by the Servicer. In the event that the rating of the Servicer's long-term, unsecured and unsubordinated debt obligations should be downgraded below P-1 by Moody's, the Mortgage Loan amounts received by the Servicer shall be paid to the Fund crediting the Treasury Account on the first day after the date on which they were received by the Servicer or the following business day, if that is not a business day, for same day value.

The Management Company may issue the same instructions in the event that the Servicer's short-term unsecured and unsubordinated debt should not be rated by Moody's or S&P.

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

#### **3. Fixing the interest rate.**

Notwithstanding a possible renegotiation of Mortgage Loans to a fixed rate, the Servicer shall continue fixing the interest rates applicable in each interest period as established in the respective Mortgage Loan agreements, submitting such communications and notices as may be established therein.

#### **4. Information.**

The Servicer shall regularly communicate to the Management Company the information concerning the individual characteristics of each Mortgage Loan, fulfilment by the Obligor of their Mortgage Loan obligations, delinquency status, changes in the characteristics of the Mortgage Loans, and actions for payment in the event of late payment, legal actions and auction of real estate or assets, the foregoing subject to the procedures and timing 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 request, and in particular the documents required for the Management Company, as the case may be, to bring legal actions.

#### **5. Mortgage Loan subrogation.**

The Servicer shall be authorised to allow substitutions in the Obligor's position under the Mortgage Loan agreements, exclusively where the characteristics of the new Obligor are of no less credit rating than those of the former Obligor and those characteristics observe the mortgage lending policies, and further provided that the expenses derived from that change are fully borne by the Obligors. The Management Company shall deprive the Servicer of this authority in the event that those substitutions might adversely affect the ratings accorded to the Bonds by the Rating Agencies.

The mortgagor may apply for subrogation to the Servicer in connection with the Mortgage Loans pursuant to Act 2/1994. Subrogation of a new creditor under the Mortgage Loan and the ensuing payment of the amount due shall, as the case may be, result in prepayment of the Mortgage Loan and early amortisation of the respective Pass-Through Certificate.

#### **6. Authorities and actions in relation to Mortgage Loan renegotiation procedures.**

The Servicer may not voluntarily cancel the Mortgage Loans or their mortgages and security arrangements for any reason other than Mortgage Loan payment, 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 legal effectiveness, ranking or economic value of the Mortgage Loans or of the mortgages or security arrangements, without prejudice to its heeding requests by Obligors using the same efforts and procedure as if they were own loans.

Notwithstanding the above, the Management Company may, as manager of third-party portfolios and having regard to Obligors' requests to the Servicer directly or under Act 2/1994, instruct or first authorise the Servicer to agree with the Obligor, subject to the terms and conditions for which provision is made in this section, for a novation changing the relevant Mortgage Loan, either by an interest rate renegotiation or by an extension of the maturity period, provided that those novations are not detrimental to their ranking as a senior mortgage.

The Management Company may nevertheless authorise the Servicer to entertain and accept Mortgage Loan interest rate and term extension renegotiations, without requiring the Management Company's prior consent, subject to the following general enabling requirements:

##### **a) Renegotiating the interest rate.**

Mortgage Loan interest rate may be renegotiated subject to the following rules and limitations:

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.
2. Subject to the provisions of paragraph 3 below, the Servicer may renegotiate the interest rate clause of the Mortgage Loans on terms that are deemed to be at arm's length and that do not differ from those applied by the actual Servicer in renegotiating or granting its floating- and fixed-rate mortgage credits and loans. For these purposes, the arm's length interest rate shall be deemed to be the rate offered by the Servicer in the Spanish market for mortgage loans or credits granted to individuals with real estate mortgage security on finished homes located in

Spanish territory in an amount and on terms substantially similar to the renegotiated Mortgage Loan.

The Management Company may, on the Fund's behalf, at any time during the term of the Servicing Agreement, cancel, suspend or modify the Servicer's authorisation to renegotiate the interest rate.

3. Renegotiation of the interest rate applicable to a Mortgage Loan may at no event occur in the event that (i) the change is to a floating interest rate with a benchmark index for determination other than the Euribor or Mibor rate or mortgage market reference rates or benchmark indices, established in section 3 of rule six bis of Bank of Spain Circular no. 8/1990, September 7, and (ii) that the average margin or spread weighted by the outstanding principal of outstanding Mortgage Loans (including the margin if any resulting from a fixed-rate renegotiation as provided for in section 4.(ii) below) is not in excess of 50 basis points above the Euribor or Mibor benchmark rates or index. For the purposes prescribed in this section, the provisions of section 4 below shall govern in the case of Mortgage Loans having benchmark indices other than the Euribor or Mibor benchmark rates or indices or which are fixed-rate loans in regard to consistency with reference to margin over a Euribor or Mibor benchmark index.
4. For the purposes of paragraph 3 above:
  - (i) The margin or spread of a floating-rate Mortgage Loan with a benchmark index other than Euribor or Mibor rates or indices shall be considered to be the result of increasing or reducing the margin applicable to the Mortgage Loan by the difference between the simple averages of the values for the last three (3) months, published by the Bank of Spain, of (a) the Mortgage Loan benchmark index and (b) one-year EURIBOR index (one-year Interbank reference).
  - (ii) The novated fixed-rate Mortgage Loan margin shall be deemed to be the difference between the fixed rate applicable to the Mortgage Loan and the EURIBOR BASIS fixed rate on Reuters' ISDAFIX2 screen, or any other replacement screen, at 11:00AM CET on the effective date of the new fixed rate for the term of the average life of the Mortgage Loan based on its new repayment schedule. In the absence of a EURIBOR BASIS, the latter shall be calculated by a straight-line interpolation between the EURIBOR BASIS fixed rates for the lower and higher terms closest to the average life of the Loan.

**Calculation of the average life of a novated fixed-rate Mortgage Loan:** average of the time periods from the effective date of the novation until each Mortgage Loan settlement date, using for weighting purposes the weights the principal to be repaid on each settlement date has, in accordance with the applicable repayment system, on the outstanding principal amount, in accordance with the following expression:

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

Where:

V = Average life of the novated fixed-rate Mortgage Loan expressed in years.

P = Principal to be repaid on each settlement date under the applicable repayment system.

d = Number of days elapsed between the effective date of the novation and the relevant settlement date.

T = Outstanding principal on the effective date of the novation.

**b) Extending the period of maturity.**

The final maturity or final amortisation date of the Mortgage Loans may be deferred (“**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 thereof.
- (ii) The amount of the sum of the capital or principal assigned to the Fund of the Mortgage Loans in respect of which the maturity term is extended may not exceed 10% of the face amount of the Bond Issue. In this connection, extension of the term of the Mortgage Loans shall not be considered on the terms laid down in the public deeds originating the Mortgage Loans to change the maturity date if the obligor or borrower is in good standing in respect of all payments due and is not in breach of any of the obligations established in the public deed, a summary of which terms is given in section 2.2.4.1 of this Building Block.

In this case, the term of a specific Mortgage Loan may be extended provided that the following requirements are met:

- a) That the final maturity date of the Mortgage Loans is not after January 31, 2057.
- b) That, in any event, the Mortgage Loan capital or principal repayment instalment frequency is maintained or increased, maintaining the same repayment system.
- (iii) The Management Company may, on the Fund's behalf, at any time during the term of the Servicing Agreement, cancel or suspend or amend the Servicer's power 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.

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.

The contractual documents supporting the novation of the renegotiated Mortgage Loans will be kept by the Servicer, in accordance with the provisions of paragraph 2 of this section.

## **7. Action against Obligors in the event of default on the Mortgage Loans.**

### ***Actions in the event of late payment.***

The Servicer shall use the same efforts and procedure for claiming overdue amounts 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 put in place the actions described in the Servicing Agreement, taking for that purpose the steps it would ordinarily take if they were its own portfolio mortgage 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 and other actions as the Servicer may deem necessary to claim and collect the amounts due by the Obligors.

### ***Legal actions.***

The Servicer shall, using its fiduciary title to the Mortgage Loans or using the power referred to in the following paragraph, take all relevant actions against Obligors failing to meet their Mortgage Loan payment obligations and against guarantors, if any. Such action shall be brought using the appropriate court enforcement procedures prescribed in articles 517 et seq. of the Civil Procedure Act.

In the above connection and for the purposes prescribed in articles 581.2 and 686.2 of the Civil Procedure Act, and in the event that this should be necessary, the Management Company shall confer in the Deed of Constitution as full and extensive a power of attorney as may be required at Law on BBVA in order that the latter may, acting through any of its attorneys properly empowered for those

purposes, on the Management Company's instructions, for and on behalf of the Fund, or in its own name but for 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 and guarantors, if any, to pay the 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 and amended in another deed if necessary or appropriate.

The Servicer shall generally commence the relevant legal proceedings if, for a period of six (6) months, a Mortgage Loan Obligor having failed to honour his payment obligations should not resume payments to the Servicer and the latter, with the Management Company's consent, should not obtain a payment commitment satisfactory to the Fund's interests. The Servicer shall in any event forthwith proceed to file an executive action if the Management Company, acting for the Fund, and after analysing the specific circumstances of the case, should deem this necessary.

If six (6) months should elapse from the oldest default without the Obligor having resumed payments or the Servicer, with the Management Company's consent, securing a payment commitment satisfactory to the Fund's interests, and the Servicer should fail to file the recovery action without there being proper reasons therefor, the Management Company may, on behalf of the Fund, proceed directly to commence the appropriate legal proceedings to fully claim the debt.

In the event that the proceedings commenced by the Servicer should be stopped without there being proper reasons therefor, the Management Company may, as the case may be, on behalf of the Fund, take over from the latter and continue with the legal proceedings.

In addition to the Servicer's legal actions against Obligors as provided for above in this section, the Management Company, for the Fund, may also take action against Obligors who are in breach of their Mortgage Loan payment obligations and against guarantors, if any. That action shall be brought observing the formalities for the relevant legal procedure in accordance with the provisions of the Civil Procedure Act, satisfying, as the case may be, the requirements as to right of action allowing that to be done.

If this should be legally required, and for the purposes prescribed in the Civil Procedure Act, BBVA shall confer in the Deed of Constitution as full and extensive an irrevocable power of attorney as may be required at Law in order for the Management Company, acting for and on behalf of BBVA, to demand through a notary public any Mortgage Loan Obligor to pay the debt.

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, which also apply to the Pass-Through Certificates:

- (i) To demand the Servicer to apply for foreclosure.
- (ii) To take part on an equal standing with BBVA, 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 former's position and continue the foreclosure proceedings, without the above period having to elapse.

In the events provided in paragraphs (iii) and (iv), the Management Company may, for and on behalf of the Fund, 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 through a Notary Public provided for 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.

The Management Company, for and on behalf of the Fund as holder of the Pass-Through Certificates, may also take part with the same rights as BBVA 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, directly or through the Servicer, to sell the property awarded within the shortest possible space of time and at arm's length.

Whereas some of the Mortgage Loans backing the Pass-Through Certificates may have valid entries in the registry regarding the properties mortgaged under the Mortgage Loans in respect of mortgages pre-dating the mortgage under that Mortgage Loan, as represented by BBVA in section 2.2.8.2.(6) of this Building Block, the debts originated by those mortgages have been fully economically cancelled.

Therefore, those Mortgage Loans do not for registration purposes have a senior-ranked mortgage, for the mortgage will rank junior to those that are registered. Notwithstanding the foregoing, the debts relating to the former mortgages have been fully settled.

The Servicer shall, in events of mortgage foreclosure, where the Land Registry contains entries regarding the real estate secured with the mortgage under which action is taken in respect of mortgages senior to the latter mortgage which however have been repaid, previously to or upon the action being brought, do all such things as shall be appropriate at law and in court in order for the Registry to match the legal reality outside the Land Registry. In the event that the relevant documents are available, then the procedure shall be as provided for in article 40 and in Title IV of the Mortgage Act and otherwise the procedure shall be as provided for in article 209 of that Act.

The Servicer agrees to promptly advise of payment demands, legal actions and all and any other circumstances affecting collection of overdue Mortgage Loan amounts. Furthermore, the Servicer will provide the Management Company with all such documents as the latter may request in relation to said Mortgage Loans and in particular the documents required for the Management Company to take legal actions, as the case may be.

#### **8. Damage insurance for properties mortgaged under the Mortgage Loans.**

The Servicer shall not take or fail to take any action resulting in cancellation of any fire and damage insurance policy covering the properties mortgaged under the Mortgage Loans or reducing the amount payable in any claim thereunder. The Servicer shall use all reasonable efforts and in any event use the rights conferred under the insurance policies or the Mortgage Loans in order to keep those policies in full force and effect in relation to each Mortgage Loan and the respective mortgaged property.

Whenever the Servicer receives notice of non-payment of policy premiums by any Obligor the Servicer may demand the Obligor to pay the same and indeed take out fire and damage insurance on the Obligor's behalf, advancing payment of the premiums, without prejudice to being reimbursed by the Obligor 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.

#### **9. Set-off.**

In the exceptional event that any Mortgage Loan Obligor should have a liquid credit right, due and payable vis-à-vis the Servicer, and because the assignment is made without the Obligor being aware, any of the Mortgage Loans should be fully or partially set-off against that credit, the Servicer shall proceed to pay to the Fund the amount set off plus 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 Loan.



## **10. 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 Bond Series by the Rating Agencies being adversely revised. Notwithstanding any subcontracting or subdelegation, the Servicer shall not be excused or released under that subcontracting or subdelegation from any of the liabilities undertaken in the Servicing Agreement which may legally be attributed or ascribed to it.

## **11. Auction of real estate.**

The Servicer agrees to notify the Management Company of the places, dates, terms and valuation of the real estate mortgaged as security for the Mortgage Loans, auctions scheduled, and proposed action and bid, in suitable advance in order that the Management Company may put in place such actions as it shall see fit and submit instructions on the subject to the Servicer in suitable time.

The Servicer agrees to attend auctions of real estate, but shall thereat abide at all times by the instructions it shall have received from the Management Company, and shall therefore only tender a bid or apply for the award of the real estate or the asset to the Fund, fulfilling the instructions received from the Management Company.

In the event of real estate being awarded to the Fund, the Management Company shall proceed, directly or through the Servicer, to sell the same within the shortest possible space of time and at arm's length and the Servicer shall actively assist in expediting their disposal.

### **3.7.2.2 Term and substitution.**

The services shall be provided by the Servicer until all the obligations undertaken by the Servicer as Originator of the Mortgage Loans assigned to the Fund terminate, once all the Loans have been repaid, or when the liquidation of the Fund concludes after it terminates, without prejudice to the possible early revocation of its appointment under the Servicing Agreement.

In the event of insolvency of the Servicer or of administration by the Bank of Spain or in the event of a breach by the Servicer of the obligations imposed on the Servicer under the Servicing Agreement or in the event of the Servicer's credit rating falling or being lost or its financial circumstances changing to an extent that may be detrimental to or place the financial structure of the Fund or Bondholders' rights and interests at risk, the Management Company shall, in addition to demanding the Servicer to fulfil the obligations laid down in the Servicing Agreement, proceed to put in place, where this is legally possible, inter alia and after notifying the Rating Agencies, any of the following actions in order for the rating assigned to the Bonds by the Rating Agencies not to be adversely affected: (i) demand the Servicer to subcontract or subdelegate to another institution the performance of the obligations and undertakings made in the Servicing Agreement; (ii) have another institution with a sufficient credit rating and quality secure all or part of the Servicer's obligations; (iii) post collateral in the form of cash or securities in favour of the Fund in an amount sufficient to secure all or part of the Servicer's obligations in order for there to be no detriment to the rating given to the Bonds by the Rating Agencies, and (iv) terminate the Servicing Agreement, in which case the Management Company shall previously designate a new Servicer having a sufficient credit quality and accepting the obligations contained in the Servicing Agreement or, as the case may be, in a new servicing agreement. In the event of insolvency of the Servicer, only (iv) above shall be valid. Any additional expense or cost derived from the aforesaid actions shall be covered by the Servicer and at no event by the Fund or the Management Company.

Furthermore, in the event of insolvency, or indications thereof, administration by the Bank of Spain, liquidation or substitution of the Servicer or because the Management Company deems this reasonably justified, the Management Company may demand the Servicer to notify Obligors (and third-party guarantors or the insurers of the mortgaged properties) 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 and third-party guarantors and insurers of the mortgaged properties, if any, within five (5) Business Days of receiving the request and in the event of insolvency or liquidation of the Servicer, the

Management Company itself shall notify Obligors and third-party guarantors and insurers of the mortgaged properties, if any, directly or, as the case may be, through a new Servicer it shall have designated.

Similarly, and in the same events, the Management Company may request the Servicer to do such things and satisfy such formalities as may be necessary, including third-party notices and entries in the relevant accounting records, in order to guarantee maximum efficiency of the assignment of Mortgage Loans, all on the terms given in section 3.7.2.1.7 of this Building Block.

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

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

### **3.7.2.3 Liability of the Servicer and indemnity.**

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 as Originator of the Mortgage Loan receivables assigned to the Fund by subscribing for the Pass-Through Certificates.

The Servicer takes on the obligation to indemnify the Fund or its Management Company for any damage, loss or expense resulting for the same on account of any breach by the Servicer of its obligations to service, manage and report on the Mortgage Loans and custody the documents representing the Pass-Through Certificates, established under the Servicing Agreement, or in the event of breach of the provisions of paragraph 3 of section 2.2.9 of the Building Block.

The Management Company shall, for and on behalf of the Fund, have recourse against the Servicer where the breach of the obligation to pay any and all principal repayment and interest and other amounts paid by the Obligors under the Mortgage Loans corresponding to the Fund does not result from default by the Obligors and is attributable to the Servicer.

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.

Neither Bondholders nor any other creditor of the Fund shall have any direct right of action whatsoever against the Servicer; that action shall lie with the Management Company, as the representative of the Fund, who shall have that action on the terms described in this section.

### **3.7.2.4 Servicer's remuneration.**

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 Payment Date during the term of the Servicing Agreement, a 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 in each Determination Period preceding the Payment Date and on the mean daily Outstanding Balance of the Mortgage Loans serviced during that Determination Period. If BBVA should be replaced in that servicing task, the Management Company will be entitled to change the above percentage fee for the new Servicer, which may be in excess of that agreed with BBVA. The servicing fee will be paid on the relevant Payment Date provided that the Fund has sufficient liquidity in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

If the Fund should, through its Management Company, due to a shortfall of liquidity in the Fund Priority of Payments, fail to pay on a Payment Date the full fee due to the Servicer, the overdue amounts shall accumulate without any penalty whatsoever on the fee payable on the following Payment Dates, until fully paid.

Furthermore, on each Payment Date, the Servicer shall be entitled to reimbursement of all Mortgage Loan servicing and management expenses of an exceptional nature incurred, such as in connection with legal and/or recovery actions, including procedural expenses and costs, or managing and overseeing the sale of assets or properties awarded to the Fund, after first justifying the same. Those expenses will be paid whenever the Fund has sufficient liquidity and in the Priority of Payments or, as the case may be, in the Liquidation Priority of Payments.

### **3.8 Name, address and brief description of any swap, credit, liquidity or account counterparties.**

BBVA is the Fund's counterparty in the transactions listed below. The details relating to BBVA and its activities are respectively given in section 5.2 of the Registration Document and in section 3.5 of this Building Block.

- (i) Treasury Account:  
Guaranteed Interest Rate Account (Treasury Account) Agreement  
Description in section 3.4.4.1 of this Building Block.
- (ii) Subordinated Loan:  
Subordinated Loan Agreement  
Description in section 3.4.3.1 of this Building Block.
- (iii) Start-Up Loan:  
Start-Up Loan Agreement  
Description in section 3.4.3.2 of this Building Block.
- (iv) Financial Swap:  
Financial Swap Agreement  
Description in section 3.4.7.1 of this Building Block.
- (v) Financial Intermediation:  
Financial Intermediation Agreement  
Description in section 3.4.6.4 of this Building Block.

## **4. POST-ISSUANCE REPORTING**

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

As part of its Fund management and administration duty, the Management Company agrees to submit as promptly as possible or by the deadlines given, the information described hereinafter and such additional information as may be reasonably required of it.

#### **4.1.1 Ordinary information.**

The Management Company agrees to give the notices detailed below, observing the recurrence provided in each case.

##### **a) Notices to Bondholders referred to each Payment Date.**

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 Rate resulting for each Bond Series, and for the Interest Accrual Period after that Payment Date.
2. Quarterly, at least one (1) calendar day in advance of each Payment Date, it shall proceed to notify Bondholders of the following information:
  - i) Interest resulting from the Bonds in each 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 shortfall of Available Funds, in accordance with the rules of 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 ratios of such Outstanding Principal Balances to the initial face amount of each Bond.
- iv) Obligors' Mortgage Loan principal prepayment rate during the calendar quarter preceding the Payment Date.
- v) The average residual life of the Bonds in each Series estimated assuming that the Mortgage Loan principal prepayment rate shall be maintained and making all other assumptions as provided in section 4.10 of the Securities Note.

The foregoing notices shall be given in accordance with the provisions of section 4.1.3 below and will also be notified to the CNMV, the Paying Agent, AIAF, Iberclear and the Rating Agencies, not less than one (1) Business Day before each Payment Date.

**b) Information referred to each Payment Date:**

In relation to the Mortgage Loans on the Determination Date preceding the Payment Date:

- 1. Outstanding Balance.
- 2. Interest and principal amount of instalments in arrears.
- 3. Interest rate and, if the interest floats, benchmark indices of the Mortgage Loans.
- 4. Dates of maturity of the Mortgage Loans.
- 5. Outstanding Balance of Doubtful Mortgage Loans and cumulative Outstanding Balance of Doubtful Mortgage Loans from the date of establishment of the Fund.

In relation to the economic and financial position of the Fund:

- 1. Report on the source and subsequent application of the Available Funds and the Available Funds for Amortisation in accordance with the Priority of Payments of the Fund.

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

Annual Accounts (balance sheet, profit & loss account and management report) and audit report within four (4) months of the close of each fiscal year, which shall also be filed with the CNMV.

**4.1.2 Extraordinary notices.**

The following shall be the subject of an extraordinary notice:

- 1. The final margins applicable for determining the Nominal Interest Rate for each Series and the Nominal Interest Rate determined for each Bond Series for the first Interest Accrual Period.
- 2. Other:

Any relevant event occurring in relation to the Mortgage Loans, the Bonds, the Fund and the Management Company proper, which may materially influence trading of the Bonds and, in general, any relevant change in the Fund's assets or liabilities, change in the Deed of Constitution, or in the event of termination of the establishment of the Fund or a decision in due course to proceed to Early Liquidation of the Fund and Early Amortisation of the Bond Issue in any of the events provided in this Prospectus. In the latter event, the Management Company shall send to the CNMV the notarial certificate of termination of the Fund and the liquidation procedure followed will be as referred to in section 4.4.4 of the Registration Document.

#### **4.1.3 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 AIAF Mercado de Renta Fija or any other replacement or similarly characterised bulletin, or by 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 Day or other calendar day (as established in this Prospectus) being valid for such notices.

Exceptionally, the final margins applicable for determining the Nominal Interest Rate for each Series and 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 Underwriter and Placement Agent in order to be reported to investors interested in subscribing for Series A1, A2 and A3 Bonds. The Management Company will also notify this to the CNMV, the Paying Agent, 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 teletransmission means.

#### **4.1.4 Information to the CNMV.**

The Management Company shall proceed to advise the CNMV of the periodic and extraordinary notices and information given in accordance with the provisions of the preceding sections, and of such other information as the CNMV may require of it or by the laws in force from time to time, irrespective of the above.

#### **4.1.5 Information to the Rating Agencies.**

The Management Company shall provide the Rating Agencies with periodic information as to the position of the Fund and the performance of the Mortgage Loans in order that they may monitor the rating of the Bonds and extraordinary notices. The Management Company shall also provide that information when it is reasonably required to do so and, in any event, whenever there is a significant change in the conditions of the Fund, in the agreements entered into by the Fund through its Management Company or in the interested parties.

**Mario Masiá Vicente, as General Manager for and on behalf of EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, signs this Prospectus at Madrid, on November 13, 2007.**

## GLOSSARY OF 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, as currently worded.

“**Act 2/1994**” shall mean Mortgage Loan Subrogation and Amendment Act 2/1994, March 30, as currently worded.

“**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, as currently worded.

“**AIAF**” shall mean AIAF Fixed-Income Market (*AIAF Mercado de Renta Fija*).

“**Amortisation Withholding**” shall mean, on each Payment Date, the positive difference, if any, on the Determination Date preceding the relevant Payment Date, between (i) the Outstanding Principal Balance of the Bond Issue, and (ii) the Outstanding Balance of Non-Doubtful Mortgage Loans.

“**Available Funds for Amortisation**” shall mean the amount to be allocated to Bond amortisation on each Payment Date and shall be the Amortisation Withholding amount actually applied out of the Available Funds in seventh (7<sup>th</sup>) place of the Priority of Payments on the relevant Payment Date.

“**Available Funds**” shall mean, in relation to the Priority of Payments and on each Payment Date, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, which shall have been paid into the Treasury Account, as established in section 3.4.6.2.1 of the Building Block.

“**BBVA**” shall mean BANCO BILBAO VIZCAYA ARGENTARIA S.A.

“**Bond Issue**” shall mean the issue of asset-backed bonds issued by the Fund having a face value of EUR four billion nine hundred million (4,900,000,000.00), consisting of forty-nine thousand (49,000) Bonds comprised of five Series (Series A1, Series A2, Series A3, Series B and Series C).

“**Bond Paying Agent Agreement**” shall mean the Bond paying agent agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA, as Paying Agent.

“**Bonds**” shall mean Class A Bonds (consisting of Series A1, A2 and A3), Series B Bonds and Series C Bonds issued by the Fund.

“**Business Day**” shall mean any day other than a public holiday in the 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 Initial Cash Reserve set up on the Closing Date and subsequently provisioned up to the Required Cash Reserve amount.

“**Class A Bonds**” shall mean Series A1, A2 and A3 Bonds issued by the Fund having a total face amount of EUR four billion seven hundred and fifty million five hundred thousand (4,750,500,000.00).

“**Class A**” shall mean Class A (consisting of Series A1, A2 and A3) Bonds issued by the Fund.

“**Closing Date**” shall mean November 22, 2007, the date on which the cash amount of the subscription for the Bonds shall be paid up.

“**CNMV**” shall mean National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

**“Conditions for Pro Rata Amortisation”** shall mean the conditions set down in section 4.9.3.6 of the Securities Note for amortisation of Series A1 and/or A2 and/or A3 and/or B and/or C Bonds.

**“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 Prospectus.

**“Deed of Constitution”** shall mean the public deed recording the establishment of the Fund, issue by BBVA of and subscription by the Fund for the Pass-Through Certificates on the Mortgage Loans, and issue by the Fund of the Asset-Backed Bonds.

**“Delinquent Mortgage Loans”** shall mean Mortgage Loans that are delinquent on a given date with an arrears in excess of three (3) months in payment of overdue amounts, excluding Doubtful Mortgage Loans. The possible deferment of instalments referred to in section 2.2 of the Building Block shall not be considered a delay in payment of Mortgage Loan amounts due.

**“Deloitte”** shall mean Deloitte S.L.

**“Determination Dates”** shall mean the dates falling on the fourth (4<sup>th</sup>) Business Day preceding each Payment Date.

**“Determination Period”** shall mean the exact number of days elapsed between every two consecutive Determination Dates, each Determination Period excluding the beginning Determination Date and including the ending Determination Date. Exceptionally, (i) the duration of the first Determination Period shall be equal to the days elapsed between date of establishment of the Fund, inclusive, and the first Determination Date, January 21, 2008, inclusive, and (ii) the duration of the last Determination Period shall be equal to the days elapsed a) until the Final Maturity Date or the date on which Early Liquidation of the Fund concludes, as provided for in section 4.4.3 of the Registration Document, on which the assets remaining in the Fund have all been liquidated and the Liquidation Available Funds have all been distributed in the Liquidation Priority of Payments of the Fund, b) from the Determination Date preceding the Payment Date preceding the date referred to in a), not including the first date but including the last date.

**“Distribution of Available Funds for Amortisation”** shall mean the rules for applying the Available Funds for Amortisation between each Series on each Payment Date established in section 4.9.3.6 of the Securities Note.

**“Doubtful Mortgage Loans”** shall mean Mortgage Loans that are delinquent on a given date with a period of arrears equal to or greater than twelve (12) months in payment of overdue amounts or classified as bad debts by the Management Company because there are reasonable doubts as to their full repayment based on indications or information obtained by the Servicer.

**“Early Amortisation”** shall mean Bond amortisation 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 4.4.3 of the Registration Document.

**“Early Liquidation Events”** shall mean the events contained in section 4.4.3 of the Registration Document where the Management Company, following notice duly served on the CNMV, is entitled to proceed to Early Liquidation of the Fund.

**“Early Liquidation of the Fund”** shall mean liquidation of the Fund and thereby 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 4.4.3 of the Registration Document.

**“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 fifteen 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), accurate to three decimal places.

**“Final Maturity Date”** shall mean the final Bond amortisation date, i.e. April 25, 2060 or the following Business Day if that is not a Business Day.

**“Financial Intermediation Agreement”** shall mean the agreement designed to remunerate BBVA for the financial intermediation process carried out, enabling the financial transformation defining the Fund’s activity, the assignment to the Fund of the Mortgage Loans and the rating assigned to each Bond Series, entered into between the Management Company, for and on behalf of the Fund, and BBVA.

**“Financial Swap Agreement”** shall mean the financial swap agreement to be entered into based on the standard (CMOF) Master Financial Transaction Agreement between the Management Company, acting for and on behalf of the Fund, and BBVA.

**“Fund”** shall mean BBVA RMBS 4 FONDO DE TITULIZACIÓN DE ACTIVOS.

**“Guaranteed Interest Rate Account (Treasury Account) Agreement”** shall mean the guaranteed interest rate account (Treasury Account) agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA.

**“Iberclear”** shall mean Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.

**“Initial Cash Reserve”** shall mean the Cash Reserve set up on the Closing Date by drawing down the Subordinated Loan amounting to EUR fifty-one million four hundred and fifty thousand (51,450,000.00).

**“Interest Accrual Period”** shall mean the days elapsed between every 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.

**“IRR”** shall mean internal rate of return as defined in section 4.10.1 of the Securities Note.

**“Lead Manager”** shall mean BBVA.

**“Liquidation Available Funds”** shall mean, in relation to the Liquidation Priority of Payments, on the Final Maturity Date or upon Early Liquidation, the amounts to be allocated to meeting the Fund’s payment or withholding obligations, as follows: (i) the Available Funds, (ii) the amounts obtained by the Fund from time to time upon disposing of the Pass-Through Certificates and of the assets remaining, and (iii) additionally, as the case may be, the credit facility, as provided for in section 4.4.3.3.(iii) of the Registration Document.

**“Liquidation Priority of Payments”** shall mean the order in which the Liquidation Available Funds shall be applied to meet the payment or withholding obligations on the Final Maturity Date or upon Early Liquidation of the Fund.

**“Management Company”** shall mean EUROPEA DE TITULIZACIÓN, S.A., SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN.

**“Management, Underwriting, Placement and Subscription Agreement”** shall mean the management, underwriting, placement and subscription agreement entered into between the Management Company, for and on behalf of the Fund, and BBVA, as Lead Manager, Series A1, A2 and A3 Bond Underwriter and Placement Agent, and Series B and C Bond Subscriber.

**“Moody’s”** shall mean both Moody’s Investors Service España, S.A. and Moody’s Investors Service Ltd., the holding company to which Moody’s Investors Service España, S.A. is affiliated.

**“Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement”** shall mean the Mortgage Loan custody and servicing and Pass-Through Certificate supporting document custody agreement entered into between the Management Company, acting for and on behalf of the Fund, and BBVA, as Servicer.



**“Mortgage Loans”** shall mean the mortgage loans owned by BBVA granted to individuals with real estate mortgage security ranking senior or, as the case may be, ranking junior, although BBVA has documents relating to economic cancellation of the debts originated by previous mortgages which are yet to be struck off the registers, on finished homes (and annexes, parking spaces and lumber rooms, if any) located in Spain, assigned to the Fund upon BBVA issuing and the Fund subscribing for Pass-Through Certificates.

In this Prospectus the term “Mortgage Loans” shall be used to refer collectively to the Mortgage Loans or the Pass-Through Certificates perfecting the assignment of the Mortgage Loan receivables.

**“Nominal Interest Rate”** shall mean the nominal interest rate, variable quarterly and payable quarterly, applicable to each 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 4.8.1.2 of the Securities Note.

**“Non-Delinquent Mortgage Loans”** shall mean Mortgage Loans that are not deemed to be Delinquent Mortgage Loans on a given date, also excluding Doubtful Mortgage Loans.

**“Non-Doubtful Mortgage Loans”** shall mean Mortgage Loans that are not deemed to be Doubtful Mortgage Loans on a given date.

**“Obligors”** shall mean the Mortgage Loan borrowers.

**“Originator”** shall mean BBVA, originator of the Mortgage Loan receivables by issuing the Pass-Through Certificates.

**“Outstanding Balance of the Mortgage Loans”** 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 Mortgage Loans.

**“Outstanding Principal Balance of Class A”** shall mean the sum of the Outstanding Principal Balance of Series A1, A2 and A3 making up Class A.

**“Outstanding Principal Balance of the Bond Issue”** shall mean the sum of the Outstanding Principal Balance of Series A1, A2, A3, B and C making up the Bond Issue.

**“Outstanding Principal Balance of the Series”** shall mean the sum of the outstanding principal to be repaid (outstanding balance) on a given date on all the Bonds making up the Series.

**“Pass-Through Certificates”** shall mean the Pass-Through Certificates issued on the Mortgage Loans by BBVA in accordance with Act 19/1992, and subscribed for by the Fund.

**“Paying Agent”** shall mean the firm servicing the Bonds. The Paying Agent shall be BBVA (or any other institution taking its stead as Paying Agent).

**“Payment Date”** shall mean January 25, April 25, July 25 and October 25 in each year or the following Business Day if any of those is not a Business Day. The first Payment Date shall be January 25, 2008.

**“Priority of Payments”** shall mean the order in which the Available Funds shall be applied on each Payment Date to meet the Fund’s payment or withholding obligations.

**“Pro Rata Amortisation of Class A”** shall mean the distribution of the Available Funds for Amortisation applied to amortising Class A (Series A1, A2 and A3) prorated directly in proportion to (i) the Outstanding Principal Balance of Series A1, (ii) the Outstanding Principal Balance of Series A2, and (iii) the Outstanding Principal Balance of Series A3, on the Determination Date preceding the relevant Payment Date, if the conditions laid down in section 3.9.3.6.2.2 of the Securities Note apply.

**“Rating Agencies”** shall mean Moody’s Investors Service España, S.A. and Standard & Poor’s España, S.A.

**“Reference Rate”** shall mean, other than for the first Interest Accrual Period, three- (3-) month Euribor fixed at 11am (CET) on the Interest Rate Fixing Date, or, if this Euribor rate should not be available or be impossible to obtain, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note. The Reference Rate for the first Interest Accrual Period shall mean the rate resulting from a straight-line interpolation, taking into account the number of days in the first Interest Accrual Period, between two- (2-) month Euribor and three- (3-) month Euribor, fixed at 11am (CET) on the second Business Day preceding the Closing Date, which is the day of the Subscription Period, or, upon the failure or impossibility to obtain these Euribor rates, the substitute rates for which provision is made in section 4.8.1.3 of the Securities Note.

**“Regulation (EC) No. 809/2004”** shall mean Commission Regulation (EC) No. 809/2004, April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as currently worded.

**“Required Cash Reserve”** shall mean, on each Payment Date, the lower of the following amounts: (i) EUR fifty-one million four hundred and fifty thousand (51,450,000.00) and (ii) the higher of a) 2.10% of the Outstanding Principal Balance of the Bond Issue and b) a sum of EUR thirty-four million three hundred thousand (34,300,000.00).

**“Royal Decree 116/1992”** shall mean Book Entries and Stock Exchange Transaction Clearing and Settlement Royal Decree 116/1992, February 14, as currently worded.

**“Royal Decree 1310/2005”** shall mean Royal Decree 1310/2005, November 4, partly implementing Securities Market Act 24/1988, July 28, in regard to admission to trading of securities in official secondary markets, public offerings for sale or subscription and the prospectus required for that purpose.

**“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, as currently worded.

**“Royal Decree 926/1998”** shall mean Royal Decree 926/1998, May 14, regulating asset securitisation funds and securitisation fund management companies.

**“S&P”** shall mean both Standard & Poor’s España, S.A. and Standard & Poor’s Rating Services, the holding company to which Standard & Poor’s España, S.A. is affiliated.

**“Securities Market Act”** shall mean Securities Market Act 24/1988, July 28, as currently worded, amended by Act 37/1998, November 16, and Act 44/2002, November 22, Royal Decree Law 5/2005, March 11, and Act 6/2007, April 12, among other amendments.

**“Series A1 Bonds”** shall mean Series A1 Bonds issued by the Fund having a total face amount of EUR two billion seven hundred and forty million (2,740,000,000.00) comprising twenty-seven thousand four hundred (27,400) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A1”** shall mean Series A1 Bonds issued by the Fund.

**“Series A2 Bonds”** shall mean Series A2 Bonds issued by the Fund having a total face amount of EUR nine hundred and sixty million (960,000,000.00) comprising nine thousand six hundred (9,600) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A2”** shall mean Series A2 Bonds issued by the Fund.

**“Series A3 Bonds”** shall mean Series A3 Bonds issued by the Fund having a total face amount of EUR one billion fifty million five hundred thousand (1,050,500,000.00) comprising ten thousand five hundred and five (10,505) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series A3”** shall mean Series A3 Bonds issued by the Fund.

**“Series B Bonds”** shall mean Series B Bonds issued by the Fund having a total face amount of EUR forty-one million seven hundred thousand (41,700,000.00) comprising four hundred and seventeen (417) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series B”** shall mean Series B Bonds issued by the Fund.

**“Series C Bonds”** shall mean Series C Bonds issued by the Fund having a total face amount of EUR one hundred and seven million eight hundred thousand (107,800,000.00) comprising one thousand and seventy-eight (1,078) Bonds having a unit face value of EUR one hundred thousand (100,000).

**“Series C”** shall mean Series C Bonds issued by the Fund.

**“Servicer”** shall mean the institution in charge of custody and servicing of the Mortgage Loans and custody of the documents representing the Pass-Through Certificates under the Mortgage Loan Servicing and Pass-Through Custody Agreement, i.e. BBVA (or any other institution taking its stead as Servicer).

**“Servicing Agreement”** shall mean the Mortgage Loan Servicing and Pass-Through Certificate Custody Agreement.

**“Start-Up Loan Agreement”** shall mean the commercial subordinated loan agreement entered into by the Management Company, for and on behalf of the Fund, and BBVA, for a sum of EUR three million five hundred thousand (3,500,000.00).

**“Start-Up Loan”** shall mean the loan granted by BBVA 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 BBVA, for a sum of EUR fifty-one million four hundred and fifty thousand (51,450,000.00).

**“Subordinated Loan”** shall mean the loan granted by BBVA to the Fund, in accordance with the provisions of the Subordinated Loan Agreement.

**“Subscriber”** shall mean BBVA, the Series B and C Bond subscriber.

**“Subscription Period”** shall mean the Bond subscription period comprised between 1pm (CET) and 2pm (CET) on November 20, 2007.

**“Treasury Account”** shall mean the financial account in euros opened at BBVA 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.

**“Underwriter and Placement Agent”** shall mean BBVA, the Series A1, A2 and A3 Bond underwriter and placement agent.